



Comprehensive Annual Financial Report

Fiscal year ended June 30, 2007



HOWARD COUNTY
PUBLIC SCHOOL SYSTEM

A Component Unit of Howard County, Maryland

Howard County Board of Education

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Deputy Superintendent

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Raymond Brown

Chief Operating Officer

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Asst. Superintendent – Curriculum and Instruction

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Larry Cohen

Member



Sandra French

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Ellen Flynn Giles

Member



Patricia S. Gordon

Member



Janet Siddiqui, M.D.

Member



**Howard County Public School System
A Component Unit of Howard County, Maryland**

***Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2007***

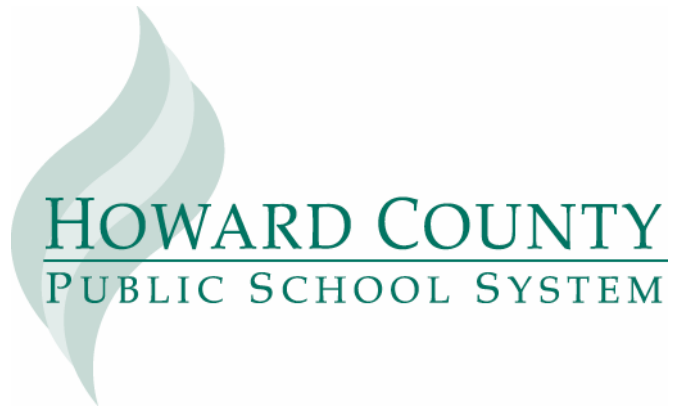
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HOWARD COUNTY

PUBLIC SCHOOL SYSTEM

INTRODUCTORY SECTION

- Table of Contents
- Organizational Chart
- Letter of Transmittal





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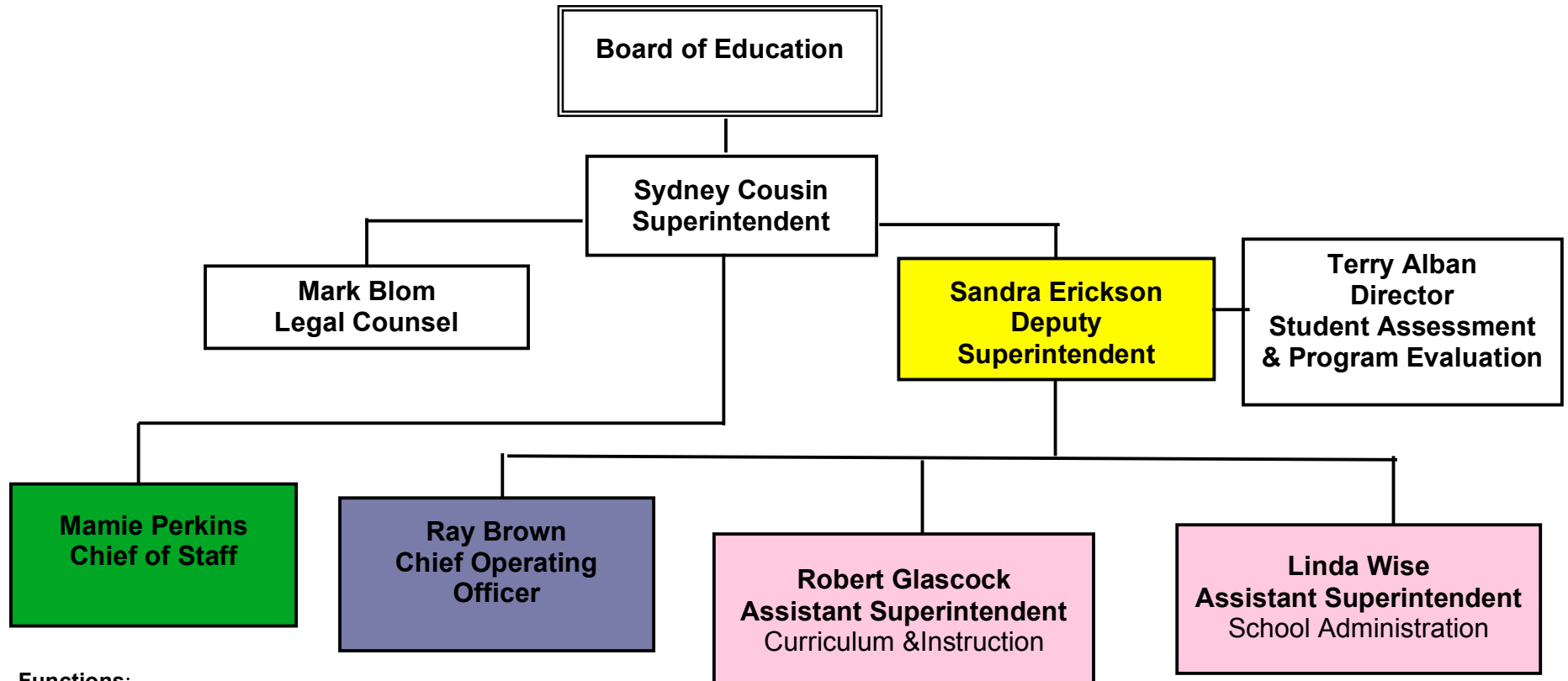
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Howard County Public School System Organizational Chart



Functions:

Policy Management
Charter Schools
Human Resources
Business, Community,
Government Relations
Public Information
Staff Relations
Business Partnerships &
Foundations
Equity Assurance

Functions:

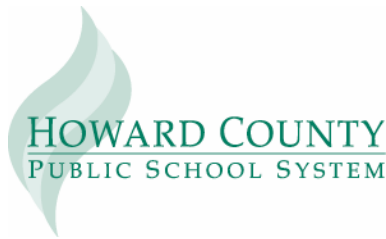
Budget
Finance
School Planning
Construction
Facilities
Food Services
Transportation
Risk Management
Community Services
Purchasing

Functions:

Curricular Programs
Special Education
Student, Family, &
Community Services
Technology

Functions:

Elementary, Middle, High
Schools
Athletics
School Security
Alternative Education
Student Services
Professional Development



November 30, 2007

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.

This report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, the listing of elected and appointed officials, the title page, the Table of Contents, and HCPSS's Organizational Chart in effect at June 30, 2007. The Financial Section includes the Independent Auditor's report on the financial statements and schedules, the Management's Discussion and Analysis (MD&A), the School System-wide Basic Financial Statements; Fund Financial Statements; Summary of Significant Accounting Policies; Notes to the Financial Statements; Required Supplementary Information; and Other Supplementary Information. The Statistical Section includes selected financial and demographic information, which is generally presented on a multi-year basis.

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 48,600 students. HCPSS has realized an increase of nearly 8,400 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 16 additions to existing schools and built 14 new schools – 6 elementary schools, 4 middle schools, 2 special schools and 2 high schools – since 1997. Within its 251 square miles, HCPSS operated seventy (71) schools in the 2006-2007 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.

The *No Child Left Behind Act of 2001* (NCLB) is no doubt the most sweeping reform of the Elementary and Secondary Education Act (ESEA) since its inception. The major purpose behind NCLB is to close the achievement gap in education by increasing accountability, flexibility and research-based reform that will propel effective teaching to the next level.

Prior to the *No Child Left Behind Act* and *Maryland's Bridge To Excellence Act*, Howard County Public School System, in line with its rigorous standards and high expectations for all students and staff, made a commitment to close the achievement gap. As part of this effort, two strategic initiatives were launched: *The Comprehensive Plan for Accelerated School Improvement*, which detailed strategies for accelerating student achievement for all students, and the *Safe Schools Action Plan*, which identified strategies and initiatives for ensuring that students were provided a safe and nurturing environment. These two plans formed the foundation for the school system's comprehensive five-year *Bridge To Excellence Master Plan*.

This report includes the financial activities of HCPSS as they relate to the services provided for a public school education system of 38 elementary, 1 Pre-K-8, 2 special schools, 18 middle, and 12 high schools.

Economic Condition and Outlook

Howard County continues its upward trend in personal income and job creation while maintaining a low unemployment rate. The County's property tax revenues increased 7.8 percent over the prior year. However, due to a change in the distribution schedule of taxes collected by the State of Maryland, income tax revenues decreased more than 9% from the previous year. Investment income showed gains as rates remained over 4 percent in FY 2007.

The County's economic performance is expected to slow during FY 2008 with the assessable base growing at a moderate 4% rather than the double digit increases from previous years. The County's unemployment rate, 2.9 percent in June 2007, is expected to remain well below state and national levels. In the service industry, the County may see an increase in new business opportunities with the impact of new government contracts resulting from the much anticipated Base Realignment & Closure (BRAC). Retail sales remain strong, though rising prices may impact that in the coming year.

Commercial real estate vacancies rates have risen slightly since last year with a notable increase in inventory. The rental market, though somewhat soft, remains stable. In the residential housing market, inventories are higher and the market has slowed with mortgage defaults contributing to housing market instability.

The school system's final Approved Operating Budget for FY 2007 appropriations for revenue and expense totaled \$551.5 million. This was an increase of \$47.3 million or 9.4 percent over the FY 2006 appropriations. The County's increase of \$31.1 million met its statutory obligation for maintenance of effort.

The FY 2006 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 FY 2007 Approved Operating Budget provided funding for the following:

- Continuation of the current level of service and quality education
- Support for HCPSS's *Comprehensive Plan for Accelerated School Improvement*
- Funding for the second year of a two-year labor agreement for teachers and other employee groups
- Increases in healthcare and benefit costs
- Teachers, support staff and materials to support enrollment growth
- Opening one new elementary school
- Implementation of the final components of the new financial management system
- Phase III of the Full Day Kindergarten Program

Funding for the following items was included in the Annual Operating Budget for FY 2008:

- Continuation of the current level of service and quality education`
- Support for HCPSS's *Comprehensive Plan for Accelerated School Improvement*
- Funding for the first year of a three-year labor agreement for teachers and other employee groups
- Increases in healthcare and benefit costs
- Teachers, support staff and materials to support enrollment growth
- Phase IV of the Full Day Kindergarten Program

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 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 reservations of fund balance at June 30, 2007.

Risk Management - Self-Insurance Program

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

Investment of temporarily idle funds is made in accordance with Section 22 of Article 95 of the Annotated Code of Maryland, related Board of Education policy, and HCPSS procedures and 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 \$1.9 million in FY 2007 as compared to figures for FY 2006 of approximately \$1.0 million. The interest recorded and the average rate of return is considered reasonable given current economic and investment market conditions.

Independent Audit

The financial statements for FY 2007 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.

Student, Staff and System Achievements

Clarksville Middle School was named a 2006 National Blue Ribbon School of Excellence by the U.S. Department of Education.

Burleigh Manor Middle School and River Hill High School were both named a 2007 Maryland Blue Ribbon School of Excellence by the Maryland State Department of Education.

Harper's Choice Middle School has been selected to receive the 2006 Maryland Center for Character Education "Character School of the Year Award."

Eleven HCPSS schools were recipients of the 2007 Maryland Green School Award.

The HCPSS web site earned the "Award for Excellence" for homepage design from the Chesapeake Chapter of the National School Public Relations Association.

Money Magazine named Columbia/Ellicott City the 4th best place to live in the nation, citing the School System as one of the primary reasons.

A total of 14 Howard County high school athletic teams won State Championships in various sports including cross country, lacrosse, soccer, golf, volleyball, basketball softball, track and field, and tennis.

Reservoir High School student, Russell Huang scored a perfect 2400 on the SAT.

River Hill High School senior Christopher Bowman has been named a Presidential Scholar in the Arts. Chris is one of only 20 students (out of 7300 applicants) in the country to receive this recognition.

Bob Glascock, Assistant Superintendent of Curriculum, Instruction and Technology, was named the 2007 Maryland Outstanding Technology Leader in Education.

Richard Baker, School Mental Health Specialist at Homewood School, was named Maryland Social Worker of the Year by the Maryland Chapter of the National Association of Social Workers.

Janet Tlanda from Swansfield Elementary School and Pauline Phillips from Oakland Mills High School, were selected by the Maryland School Counselors Association as the Elementary school Counselor of the Year and High School Counselor of the year, respectively.

Rick Hollenbeck from Harper's Choice Middle School, was selected by the Maryland Council of Mathematics as Middle School Teacher of the year.

Sherri Kennedy, Principal's Secretary at Patuxent Mills Middle School, was selected as the Educational Office Professional of the Year by the Maryland Association of Educational Office Professionals.

Mellie Lewis, teacher at Atholton Elementary School, received the Marine Educator of the Year Award from the Mid-Atlantic Marine Education Association.

Alicia Holter, second grade teacher at Bryant Woods Elementary School, was named the 2006 Elementary School Mathematics Educator of the Year by the Maryland Council for Teachers of Mathematics.

Awards and Acknowledgments

The Government Finance Officers Association (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, 2006. HCPSS received this prestigious award for the third year in a row. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment.

In addition, the Association of School Business Officials (ASBO) International awarded Howard County Public School System its Certificate of Excellence in Financial Reporting for the fiscal year ended June 30, 2006. 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 CAFR 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 Terry W. Brukiewa, Patti Caplan, Anna Gable, Tara Choi and Frank Kues 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.

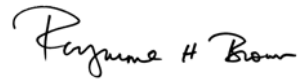
Conclusion

This report has been prepared to provide financial information for FY 2007, which ended June 30, 2007, 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.

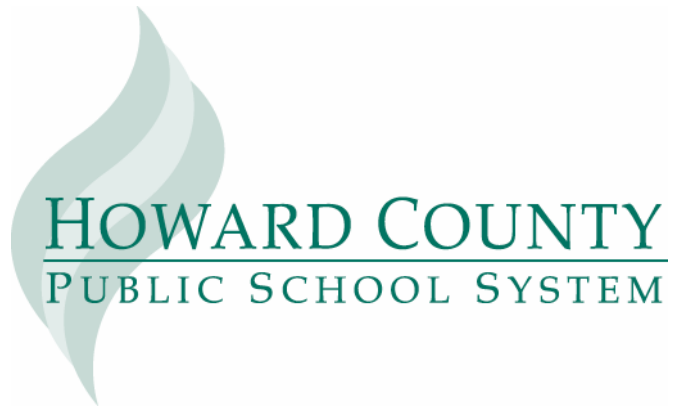
Respectfully submitted,

A handwritten signature in black ink that reads "Beverly Davis". The script is fluid and cursive.

Beverly Davis, CPA
Director of Finance

A handwritten signature in black ink that reads "Raymond H. Brown". The script is fluid and cursive.

Raymond H. Brown
Chief Operating Officer



HOWARD COUNTY

PUBLIC SCHOOL SYSTEM



**The Government Finance Officers Association
of the United States and Canada**

presents this

AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

Beverly Davis

Director of Finance

Howard County Public School System, Maryland



The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the individual(s) designated as instrumental in their government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.

Executive Director

Date June 20, 2007

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL



This Certificate of Excellence in Financial Reporting

is presented to

Howard County Public School System

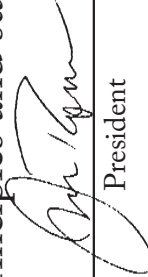
For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2006

upon recommendation of the Association's Panel of Review

which has judged that the Report substantially conforms

to principles and standards of ASBO's Certificate of Excellence Program



President



Executive Director

FINANCIAL SECTION

- Independent Auditor's Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Fund Financial Statements
- Summary of Significant Accounting Policies
- Notes to Financial Statements
- Required Supplementary Information
- Other Supplementary Information





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 Howard County Public School System, a component unit of Howard County, Maryland, as of and for the year ended June 30, 2007, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Howard County Public School System's management. Our responsibility is to express an opinion 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 opinion.

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 Howard County Public School System as of June 30, 2007, 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 26, 2007 on our consideration of Howard County Public School System's internal control over financial reporting and 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 result of that testing, and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in 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 the Governmental Accounting Standards Board. 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 the System's basic financial statements. The introductory section, detailed budgetary comparison schedules and combining fund financial statements presented as other supplementary information and the statistical section as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as whole. The introductory section and statistical section 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 26, 2007

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

Introduction

As Management of the Howard County Public School System (HCPSS), 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, 2007 with selected comparative data for the year ended June 30, 2006. We encourage readers to consider the discussion and analysis along with the other information in this report, including the transmittal letter 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 2007

- On a system-wide basis, HCPSS closed the fiscal year ended June 30, 2007 with combined net assets of \$796.7 million, for an increase of \$75.4 million (10.5%) in relation to the prior year.
- Total system-wide revenues were \$714.5 million, while total system-wide expenses were \$639.1 million.
- Capital assets increased 9.4 percent to \$782.3 million.
- Among major funds, the general fund had \$583.3 million in revenues and \$583.1 million in expenditures. The general fund's fund balance increased to \$11.5 million from \$7.0 million.
- Program revenues, in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$185.6 million. The total revenue from all sources was \$714.5 million. General revenues accounted for \$528.9 million, including \$393.7 million in local appropriations and \$132.3 million in aid from the State of Maryland.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to HCPSS financial statements. HCPSS basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

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.

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

The **Statement of Net Assets** presents information on all of HCPSS assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of HCPSS is improving or deteriorating.

The **Statement of Activities** presents information showing how HCPSS 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*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

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, 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 in on pages 16 - 17 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 HCPSS as a whole. HCPSS fund financial statements provide detailed information about its most significant funds.

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

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

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 19 and 21 of this report, respectively.

The basic governmental fund financial statements can be found on pages 18 - 21 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 enterprise funds 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, and Workers Compensation Self-Insurance.

The proprietary fund financial statements can be found on pages 22 - 24 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 HCPSS own programs. The accrual basis of accounting is used for fiduciary funds. HCPSS is the trustee, or fiduciary, for its individual school activity funds.

The basic fiduciary fund financial statement can be found on page 25 of this report.

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

**Summary of Significant Accounting Policies
and the Notes to Financial Statements**

The Summary of Significant Accounting Policies and Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The summary and notes can be found on pages 26 - 42 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning HCPSS budget process. HCPSS adopts an annual expenditure budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund as required supplementary information. The required supplementary information can be found on pages 43 and 44 of this report.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of HCPSS, assets exceeded liabilities by \$796.7 million as of June 30, 2007. By far the largest portion of HCPSS net assets (96%) reflects its investment in capital assets (e.g., land, construction in progress, buildings and improvements, and furniture and equipment). HCPSS uses these capital assets to provide services to its students; consequently, these assets are *not* available for future spending.

HCPSS financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

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

Table 1 provides a summary of HCPSS net assets as of June 30, 2007 and 2006.

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

**Table 1
Net Assets
June 30, 2007 and 2006
(In Thousands)**

	Governmental Activities		Business-Type Activities		Total Activities	
	2007	2006	2007	2006	2007	2006
Assets						
Current and other assets	\$ 98,062	\$ 95,104	\$ 184	\$ 168	\$ 98,246	\$ 95,272
Capital assets (net)	782,180	714,837	88	113	782,268	714,950
Total assets	<u>880,242</u>	<u>809,941</u>	<u>272</u>	<u>281</u>	<u>880,514</u>	<u>810,222</u>
Liabilities						
Long-term liabilities	17,757	12,714	-	-	17,757	12,714
Other liabilities	66,103	76,280	3	19	66,106	76,299
Total liabilities	<u>83,860</u>	<u>88,994</u>	<u>3</u>	<u>19</u>	<u>83,863</u>	<u>89,013</u>
Net Assets						
Invested in capital assets	765,145	705,217	88	112	765,233	705,330
Restricted for construction	5,311	6,454	-	-	5,311	6,454
Restricted for food services	1,120	1,484	-	-	1,120	1,484
Unrestricted	24,805	7,792	181	150	24,986	7,941
Total net assets	<u>\$ 796,381</u>	<u>\$ 720,947</u>	<u>\$ 269</u>	<u>\$ 262</u>	<u>\$ 796,650</u>	<u>\$ 721,209</u>

The total net assets of HCPSS increased by 10.5% to \$796.7 million. The change in financial position is due primarily to the increase of net capital assets (land, construction in progress, buildings and improvements, and furniture and equipment) of 9.4%. More information on capital assets can be found in Note 1 on pages 33 - 34 of this report.

HCPSS shows unrestricted net assets of \$25 million.

Table 2 shows the changes in net assets for the years ended June 30, 2007 and 2006. Key elements of this increase are as follows:

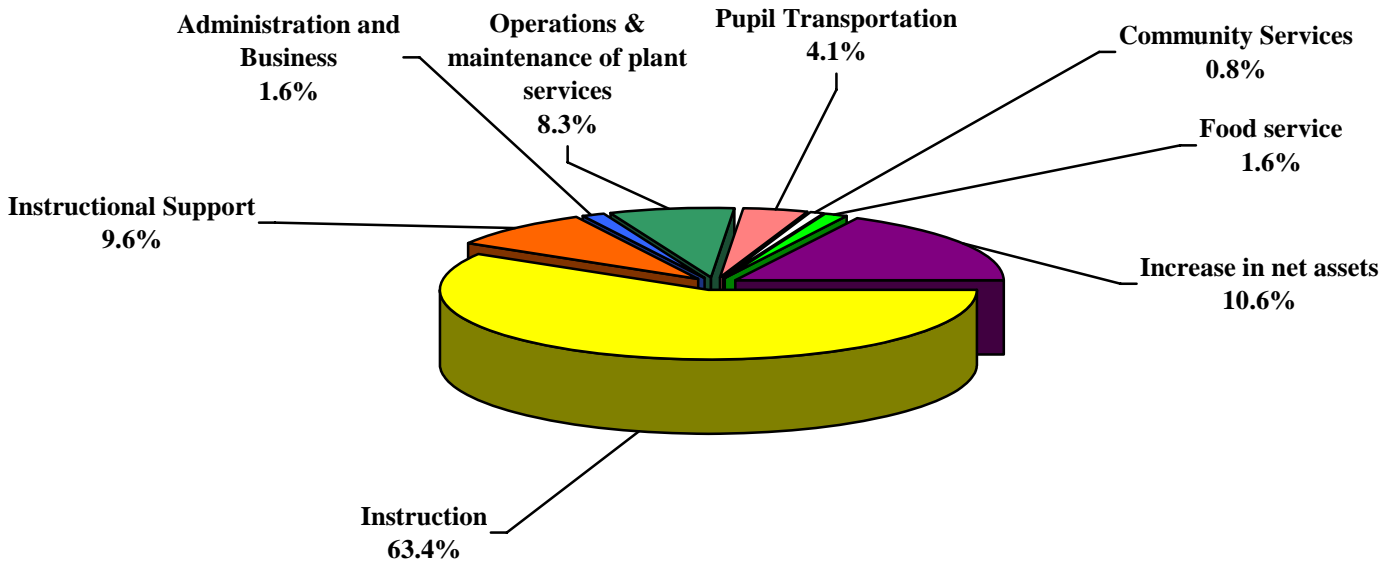
**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

**Table 2
Change in Net Assets
Years Ended June 30, 2007 and 2006
(In Thousands)**

	Governmental Activities		Business-Type Activities		Total Activities	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues:						
Charges for services	\$ 14,964	\$ 12,903	\$ 155	\$ 133	\$ 15,119	\$ 13,036
Operating grants and contributions	82,016	47,484	-	-	82,016	47,484
Capital gains and contributions	88,505	98,717	-	-	88,505	98,717
General revenues:						
County appropriations	393,711	362,590	-	-	393,711	362,590
State aid	132,322	144,949	-	-	132,322	144,949
Miscellaneous	<u>2,839</u>	<u>3,700</u>	<u>-</u>	<u>-</u>	<u>2,839</u>	<u>3,700</u>
Total revenues	<u>714,357</u>	<u>670,343</u>	<u>155</u>	<u>133</u>	<u>714,512</u>	<u>670,476</u>
Expenses						
Instruction:						
Regular instruction	349,849	339,932	-	-	349,849	339,932
Special education	103,170	94,877	-	-	103,170	94,877
Support services:						
Administration	11,193	9,809	-	-	11,193	9,809
Mid-level administration	59,362	50,984	-	-	59,362	50,984
Pupil services	3,074	2,686	-	-	3,074	2,686
Health services	5,841	5,264	-	-	5,841	5,264
Pupil transportation	29,238	27,411	-	-	29,238	27,411
Operation of plant	40,341	34,842	-	-	40,341	34,842
Maintenance of plant	19,228	15,702	-	-	19,228	15,702
Community services	5,609	5,305	-	-	5,609	5,305
Food services	11,375	11,041	-	-	11,375	11,041
Interest on long-term debt	642	127	-	-	642	127
James Rouse Theatre	<u>-</u>	<u>-</u>	<u>148</u>	<u>148</u>	<u>148</u>	<u>148</u>
Total expenses	<u>638,922</u>	<u>597,980</u>	<u>148</u>	<u>148</u>	<u>639,070</u>	<u>598,128</u>
Increase in net assets	<u>\$ 75,435</u>	<u>\$ 72,363</u>	<u>\$ 7</u>	<u>\$ (15)</u>	<u>\$ 75,442</u>	<u>\$ 72,348</u>

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

Chart 1: Expenses by Category as a Percentage of Total Revenue



Revenues for HCPSS combined activities (which include program revenues and general revenues) increased to \$714.5 million. County appropriations and state formula aid accounted for most of HCPSS revenue. Funds from these two sources contributed 74 cents of every dollar needed. The remaining 26 cents came from federal aid for specific programs, fees charged for services and other miscellaneous revenues.

Total revenues surpassed expenses, increasing net assets by \$75.4 million over last year. The total cost of all programs and services rose to \$639.1 million. Most of HCPSS expenses are related to instruction (including special education), instructional support and pupil transportation. Expenses in these areas comprised approximately 77.1% of all school system expenditures. The business and administration activities, food services and community services accounted for 1.6%, 1.6% and 0.8% of total costs, respectively. Maintenance and operation expenses represented approximately 8.3%. 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.

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

Governmental Activities

Table 3 presents the cost of the ten categories of HCPSS: instruction regular 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).

**Table 3
Cost of Governmental Activities
Year Ended June 30, 2007**

	<u>Total Cost of Services</u>	<u>Less Fees</u>	<u>Net Cost of Services</u>
Instruction	\$ 349,849,128	\$ 122,595,697	\$ 227,253,431
Regular education	103,170,032	26,529,995	76,640,037
Special education			
 Support services			
Administration	11,193,056	714,121	10,478,935
Mid-level administration	59,361,601	6,221,309	53,140,292
Pupil services	3,073,813	394,416	2,679,397
Health services	5,841,269	521,515	5,319,754
Pupil transportation	29,237,510	10,978,018	18,259,492
Operation of plant	40,341,195	3,676,373	36,664,822
Maintenance of plant	19,227,542	965,898	18,261,644
Community services	5,609,262	1,247,842	4,361,420
Interest on long-term debt	<u>642,364</u>	<u>-</u>	<u>642,364</u>
 Total expenses	 <u>\$ 627,546,772</u>	 <u>\$ 173,845,184</u>	 <u>\$ 453,701,588</u>

Business-Type Activities

HCPSS has one business-type activity: The James Rouse Theatre. Operating revenues for the business-type activity totaled \$154,668 for 2007. Operating expenses totaled \$148,271 for a net operating profit of \$6,397. Total net assets totaled \$268,877 at June 30, 2007. Details of the business-type activity can be found on pages 22 - 24 of this report.

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

Financial Analysis of HCPSS Funds

The focus of HCPSS governmental funds is on near-term inflows, outflows, and balances of spendable resources. In particular, the unreserved fund balance may serve as a useful measure of HCPSS net resources available at the end of the fiscal year.

As HCPSS completed the year, its governmental funds reported combined fund balances of \$18.7 million. Approximately 67% of this amount (\$12.5 million) constitutes unreserved fund balance. The remainder of fund balance is reserved to indicate that it is not available for new spending. These funds are reserved to liquidate contracts and purchase orders of the prior period.

The General Fund is the chief operating fund of HCPSS. The total General Fund balance increased approximately 60% in FY2007 to \$11.5 million at June 30, 2007. Approximately \$7.9 million of the fund balance was either reserved or designated at June 30, 2007.

The Food Services Fund had a total fund balance at June 30, 2007 of \$1.9 million. The net increase in the Food Service Fund during FY2007 was approximately \$388,000. The Fund continues to be self-supporting with minor fee increases expected in the near future.

The Restricted Programs Fund tracks all of HCPSS federal and state grants as well as any other restricted grants received. Revenues generally equal expenditures for these grants; therefore, there is no fund balance at June 30, 2007.

The Capital Projects Fund is used to track new construction of school system facilities, renovations and additions to existing facilities and capital technology projects. The fund balance of the Capital Projects Fund was approximately \$5.3 million at June 30, 2007.

Information about HCPSS major funds starts on page 18. These funds are accounted for using the modified accrual basis of accounting. The primary reasons for the General Fund's increase in fund balance mirror those highlighted in the analysis of governmental activities in the government-wide financial statements.

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.

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

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 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 reservations against fund balance. 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 2007, General Fund Revenues exceeded budgeted revenues by approximately \$1.6 million which represents less than .3% of the overall budgeted revenues. There were no major budgeted expenditure variances. Overall, expenditures were under budget by only \$1.3 million, which resulted in a net positive budget variance in the General Fund of \$2.8 million.

Capital Assets

HCPSS had \$782.3 million invested in land, construction in progress, buildings and improvements, and furniture and equipment at June 30, 2007.

Table 4 shows capital asset balances, net of accumulated depreciation, at June 30, 2007 and 2006. During FY 2007, capital assets increased by a net of \$ 67.3 million from the prior year. Depreciation expense on these assets was approximately \$20.5 million in FY 2007. More detailed information about capital assets can be found in Note 1 on pages 33 and 34 of this report.

**Table 4
Capital Assets
June 30, 2007 and 2006**

	2007	2006
Land	\$ 10,932,465	\$ 10,932,465
Construction in progress	213,238,229	162,240,145
Buildings and improvements	773,470,144	737,692,041
(Less accumulated depreciation)	(223,122,967)	(204,809,927)
Furniture and equipment	20,450,463	20,270,590
(Less accumulated depreciation)	(12,699,493)	(11,375,311)
	\$ 782,268,841	\$ 714,950,003

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

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

- Expended \$3.5 million for additional technology in our classrooms.
- Completed construction of the additions/renovations to Waverly Elementary and the Board of Education Board Room modernization.
- Completed the construction of Dayton Oaks Elementary.
- Completed construction of the additions/renovations to Howard High, the ARL Automotive Academy, and Lisbon, Centennial Lane, and Guilford Elementary Schools.
- Completed Phase I systemic renovation to Clarksville Middle and Worthington Elementary.
- Completed the relocation of the Special Education and Transportation Offices to Old Cedar Lane.
- Continued construction on Phase IV of Full Day Kindergarten and planning for Phase V.
- Continued construction on the new Veterans Elementary and the new Bushy Park Elementary Replacement School.
- Started construction of the administrative expansion/renovations to Clarksville Elementary.
- Started construction planning for the additions/renovations of Mt. Hebron High, Centennial Elementary, Running Brook Elementary, and Old Cedar Lane.

HCPSS FY 2008 capital budget proposes spending \$32.1 million for systemic renovations, \$18.9 million for the Mt. Hebron High School Renovations, \$11.7 million for Full Day Kindergarten, and \$10.9 million for Glenelg High School additions, renovations, and auditorium. Other major projects include the Centennial Lane Elementary addition and cafetorium, Old Cedar Lane addition and renovations, School Parking Lot expansions, technology projects and roofing projects.

HCPSS submitted proposed capital spending totaling \$442.2 million over the FY 2009-2013 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 financing financial, administrative, and computer system upgrades and totaled approximately \$11 million at June 30, 2007.

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

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

in excess of the carryover maximum will be lost. Compensated absences totaled approximately \$6.8 million at June 30, 2007. Total long term obligations totaled approximately \$17.8 million at June 30, 2007 for an increase of approximately \$1.6 million over the balance of \$16.2 million at June 30, 2006.

Factors Influencing Future Budgets

- The student enrollments are projected to continue to increase between FY 2008 and FY 2009 budgets.
- Future capital budgets include renovations funding for and additions to existing schools and funding for new schools to meet enrollment increases.
- The number of students requiring specialized services, and the intensity of those services, continues to increase.
- Most school system employee groups are covered by multi-year labor contracts, which are due for negotiation during FY2008 for future years.
- Improvements are required in computer systems and networks throughout the school system.
- Additional resources are required to implement the Howard County Public School Systems' *Bridge to Excellence 5-Year Comprehensive Master Plan* and to comply with the *No Child Left Behind Act*.

Economic Factors

The Government Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers doe Post-employment Benefit Plans Other Than Pension Plans* (OPEB) in June 2004. The Statement is effective in FY2008 for HCPSS. The Statement establishes standards for measurement, recognition and reporting of OPEB expenditures and related liabilities. HCPSS currently recognizes and funds the costs of post-employment healthcare for its retirees on a pay-as-you-go basis. The Statement will require HCPSS to recognize an expenditure for OPEB during the period of active service for its employees, and, to the extent not currently funded, to recognize a liability for the unfunded OPEB costs.

Implementation of Statement No. 45 is expected to have a substantial impact on HCPSS' financial statements. In preparation for the implementation date, HCPSS has participated with the County Government for the purpose of developing a common approach toward reporting and funding OPEB that will be acceptable to the Howard County Council, our funding authority.

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

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

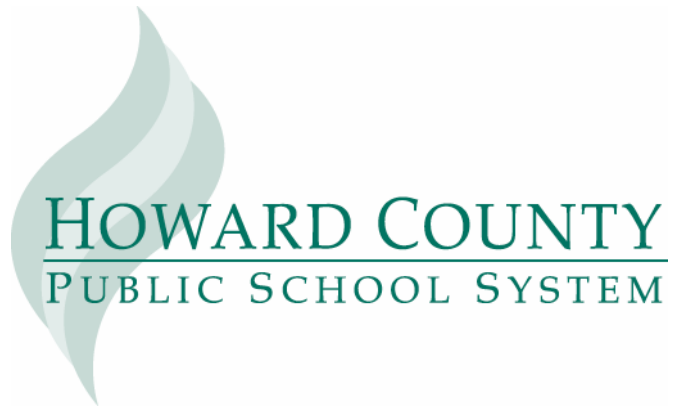
- The local economy in Howard County has remained stable with healthy job growth and low unemployment
- Personal income growth in Howard County is expected to maintain a consistent 5% - 7% increase in the coming years.
- Rising energy-related costs will have an operational impact as will rising health and welfare costs.
- The County provides approximately 75 percent of HCPSS operating budget funding needs.

These factors were considered in preparing HCPSS budget for the FY 2007.

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
Business Office
10910 Route 108, Ellicott City, MD 21402-6198
Phone: 410-313-1530
email: beverly_davis@hcpss.org



HOWARD COUNTY

PUBLIC SCHOOL SYSTEM

BASIC FINANCIAL STATEMENTS

Government-wide financial statements combine all of Howard County Public School System's governmental and business-type activities.





HOWARD COUNTY PUBLIC SCHOOL SYSTEM
STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 62,501,314	\$ -	\$ 62,501,314
Restricted cash	986,528	-	986,528
Investments	13,787,886	-	13,787,886
Accounts receivable	6,163,431	-	6,163,431
Internal balances	(183,502)	183,502	-
Due from other units of government	13,641,052	-	13,641,052
Inventory	1,164,704	-	1,164,704
Capital assets	1,017,964,625	126,676	1,018,091,301
Less accumulated depreciation	<u>(235,784,240)</u>	<u>(38,220)</u>	<u>(235,822,460)</u>
Total capital assets, net of depreciation	<u>782,180,385</u>	<u>88,456</u>	<u>782,268,841</u>
Total assets	<u>880,241,798</u>	<u>271,958</u>	<u>880,513,756</u>
LIABILITIES			
Accounts payable	5,711,381	3,081	5,714,462
Accrued liabilities	57,923,655	-	57,923,655
Unearned revenue	2,468,356	-	2,468,356
Long-term liabilities:			
Current portion	2,956,929	-	2,956,929
Long-term portion	<u>14,800,039</u>	<u>-</u>	<u>14,800,039</u>
Total liabilities	<u>83,860,360</u>	<u>3,081</u>	<u>83,863,441</u>
NET ASSETS			
Invested in capital assets, net of related debt	765,145,158	88,456	765,233,614
Restricted for:			
Capital projects	5,311,250	-	5,311,250
Food services	1,120,314	-	1,120,314
Unrestricted	<u>24,804,716</u>	<u>180,421</u>	<u>24,985,137</u>
TOTAL NET ASSETS	<u>\$ 796,381,438</u>	<u>\$ 268,877</u>	<u>\$ 796,650,315</u>

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

	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
FUNCTIONS/PROGRAMS							
Governmental activities:							
Instruction:							
Regular education	\$ 349,849,128	\$ 4,093,809	\$ 29,997,300	\$ 88,504,588	\$ (227,253,431)	\$ -	\$ (227,253,431)
Special education	103,170,032	-	26,529,995	-	(76,640,037)	-	(76,640,037)
Total instruction	453,019,160	4,093,809	56,527,295	88,504,588	(303,893,468)	-	(303,893,468)
Support services:							
Administration	11,193,056	-	714,121	-	(10,478,935)	-	(10,478,935)
Mid-level administration	59,361,601	-	6,221,309	-	(53,140,292)	-	(53,140,292)
Pupil personnel services	3,073,813	-	394,416	-	(2,679,397)	-	(2,679,397)
Health services	5,841,269	-	521,515	-	(5,319,754)	-	(5,319,754)
Pupil transportation	29,237,510	-	10,978,018	-	(18,259,492)	-	(18,259,492)
Operation of plant	40,341,195	1,956,824	1,719,549	-	(36,664,822)	-	(36,664,822)
Maintenance of plant and equipment	19,227,542	-	965,898	-	(18,261,644)	-	(18,261,644)
Community services	5,609,262	-	1,247,842	-	(4,361,420)	-	(4,361,420)
Food services	11,374,869	8,913,468	2,726,175	-	264,774	-	264,774
Interest on long-term debt	642,364	-	-	-	(642,364)	-	(642,364)
Total support services	185,902,481	10,870,292	25,488,843	-	(149,543,346)	-	(149,543,346)
Total governmental activities	638,921,641	14,964,101	82,016,138	88,504,588	(453,436,814)	-	(453,436,814)
Business-type activities:							
James T. Rouse Theatre	148,271	154,668	-	-	-	6,397	6,397
TOTAL SCHOOL SYSTEM	<u>\$ 639,069,912</u>	<u>\$ 15,118,769</u>	<u>\$ 82,016,138</u>	<u>\$ 88,504,588</u>	(453,436,814)	6,397	(453,430,417)
General revenues - unrestricted:							
Local appropriations					393,710,890	-	393,710,890
State Aid					132,321,588	-	132,321,588
Federal Aid					183,202	-	183,202
Interest and investment earnings					2,001,300	-	2,001,300
Miscellaneous					654,092	-	654,092
Total general revenues					528,871,072	-	528,871,072
CHANGES IN NET ASSETS					75,434,258	6,397	75,440,655
NET ASSETS, BEGINNING OF YEAR					720,947,180	262,480	721,209,660
NET ASSETS, END OF YEAR					<u>\$ 796,381,438</u>	<u>\$ 268,877</u>	<u>\$ 796,650,315</u>

FUND FINANCIAL STATEMENTS

The combining and individual fund statements and schedules provide detailed information concerning financial position and results of operations.

- General Fund
- Proprietary Funds
- Fiduciary Funds





HOWARD COUNTY PUBLIC SCHOOL SYSTEM
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	<u>General Fund</u>	<u>Food Services Fund</u>	<u>Restricted Programs Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 60,909,424	\$ 1,591,890	\$ -	\$ -	\$ 62,501,314
Restricted cash	797,610	-	-	188,918	986,528
Investments	-	433,510	-	-	433,510
Accounts receivable	1,958,305	187,082	3,945,558	20,000	6,110,945
Due from other funds	18,352,165	-	-	145,548	18,497,713
Due from other units of government	12,454	-	-	13,628,598	13,641,052
Inventory	686,432	79,678	-	-	766,110
TOTAL ASSETS	<u>\$ 82,716,390</u>	<u>\$ 2,292,160</u>	<u>\$ 3,945,558</u>	<u>\$ 13,983,064</u>	<u>\$ 102,937,172</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 3,292,990	\$ 140,400	\$ 619,518	\$ 319,655	\$ 4,372,563
Accrued liabilities	44,765,621	-	45,023	2,983,468	47,794,112
Due to other funds	22,641,447	278,671	2,614,672	5,368,691	30,903,481
Unearned revenue	284,584	-	666,345	-	950,929
Compensated absences payable	196,000	-	-	-	196,000
Total liabilities	<u>71,180,642</u>	<u>419,071</u>	<u>3,945,558</u>	<u>8,671,814</u>	<u>84,217,085</u>
FUND BALANCES					
Reserved for encumbrances	5,942,300	-	323,982	-	6,266,282
Unreserved:					
Designated for:					
Subsequent years'					
expenditures	432,895	752,775	-	-	1,185,670
Fund balance reserve	1,532,257	-	-	-	1,532,257
Future school construction	-	-	-	5,311,250	5,311,250
Undesignated	3,628,296	1,120,314	(323,982)	-	4,424,628
Total fund balances	<u>11,535,748</u>	<u>1,873,089</u>	<u>-</u>	<u>5,311,250</u>	<u>18,720,087</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 82,716,390</u>	<u>\$ 2,292,160</u>	<u>\$ 3,945,558</u>	<u>\$ 13,983,064</u>	<u>\$ 102,937,172</u>

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

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2007**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (page 20)	\$ 18,720,087
 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 \$1,017,964,625 and the accumulated depreciation is \$235,784,240.	782,180,385
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.	13,041,934
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 capital leases and compensated absences payable.	<u>(17,560,968)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (page 17)	<u><u>\$ 796,381,438</u></u>

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

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2007**

	<u>General Fund</u>	<u>Food Services Fund</u>	<u>Restricted Programs Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Intergovernmental revenues:					
Local sources	\$ 393,710,890	\$ -	\$ 864,212	\$ 84,962,786	\$ 479,537,888
State sources	181,191,717	92,396	5,390,275	3,175,358	189,849,746
Federal sources	380,491	2,633,779	14,763,147	-	17,777,417
Earnings on investments	1,938,118	63,181	-	366,444	2,367,743
Charges for services	5,463,641	8,913,468	-	-	14,377,109
Miscellaneous revenues	593,603	60,489	-	-	654,092
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	583,278,460	11,763,313	21,017,634	88,504,588	704,563,995
EXPENDITURES					
Current:					
Administration	8,948,528	-	291,251	-	9,239,779
Instruction	245,788,861	-	4,321,540	-	250,110,401
Pupil personnel services	2,260,266	-	135,737	-	2,396,003
Health services	4,440,207	-	91,997	-	4,532,204
Pupil transportation	28,734,771	-	126,033	-	28,860,804
Operation of plant	35,522,498	-	-	-	35,522,498
Maintenance of plant and equipment	15,134,750	-	275,628	-	15,410,378
Fixed charges	118,366,063	-	2,504,623	-	120,870,686
Mid level administration	44,311,699	-	1,035,358	-	45,347,057
Community services	4,602,601	-	311,828	-	4,914,429
Special education	70,244,495	-	11,923,639	-	82,168,134
Costs of operation - food service	-	11,374,869	-	-	11,374,869
Capital outlay	4,705,109	-	-	86,669,488	91,374,597
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	583,059,848	11,374,869	21,017,634	86,669,488	702,121,839
EXCESS OF REVENUES OVER EXPENDITURES					
	218,612	388,444	-	1,835,100	2,442,156
OTHER FINANCING SOURCES (USES)					
Proceeds from capital leases	4,504,041	-	-	-	4,504,041
Payments on capital leases	(171,445)	-	-	(2,977,695)	(3,149,140)
Total other financing sources (uses)	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	4,332,596	-	-	(2,977,695)	1,354,901
NET CHANGE IN FUND BALANCE					
	4,551,208	388,444	-	(1,142,595)	3,797,057
FUND BALANCE, BEGINNING OF YEAR					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	6,984,540	1,484,645	-	6,453,845	14,923,030
FUND BALANCE, END OF YEAR					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 11,535,748	\$ 1,873,089	\$ -	\$ 5,311,250	\$ 18,720,087

These financial statements should be read only in connection with
the accompanying summary of significant accounting policies
and notes to basic 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, 2007**

**TOTAL NET CHANGE IN FUND BALANCES -
GOVERNMENTAL FUNDS** (page 20) \$ 3,797,057

**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, \$87,905,265, exceeds depreciation expense,
\$20,516,529, in the period. 67,388,736

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, \$939,061, exceeded the accumulated
depreciation, \$893,801, is reported as a loss in the Statement of Activities. (45,260)

Proceeds from capital leases are reported in the governmental funds as a source of
financing while payments are reported as an expenditure. On the other hand,
capital leases are not revenues in the Statement of Activities, but rather constitute
long-term liabilities in the Statement of Net Assets after payments on those
liabilities are netted. (1,367,855)

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
earned exceeded the amounts used by: (208,190)

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 as follows:

Internal Service Funds change in net assets	\$	5,770,517	
Add depreciation expense		99,253	5,869,770

**CHANGES IN NET ASSETS OF
GOVERNMENTAL ACTIVITIES** (page 17) \$ 75,434,258

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

	<u>Enterprise Fund</u>	<u>Governmental Activities Internal Service Funds</u>
ASSETS		
CURRENT ASSETS		
Investments	\$ -	\$ 13,354,376
Accounts receivable	-	52,486
Due from other funds	183,502	22,457,946
Inventory		398,594
Prepaid expenses	-	
Total current assets	183,502	36,263,402
NONCURRENT ASSETS		
Capital assets:		
Furniture, fixtures and equipment	126,676	1,485,905
Less accumulated depreciation	(38,220)	(1,209,252)
Total noncurrent assets	88,456	276,653
Total assets	271,958	36,540,055
LIABILITIES		
Accounts payable	3,081	1,338,818
Unpaid claims	-	10,129,543
Due to other funds	-	10,235,680
Deferred revenue	-	1,517,427
Total liabilities	3,081	23,221,468
NET ASSETS		
Invested in capital assets	88,456	276,653
Unrestricted	180,421	13,041,934
TOTAL NET ASSETS	<u>\$ 268,877</u>	<u>\$ 13,318,587</u>

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

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2007**

	Enterprise Fund	Governmental Activities Internal Service Funds
OPERATING REVENUES		
Charges for services - internal	\$ -	\$ 64,312,743
Charges for services - other	154,668	-
Contributions from employees and retirees	-	8,922,456
Total operating revenues	154,668	73,235,199
OPERATING EXPENSES		
Operating expenses	31,532	-
Administrative expenses	97,173	5,437,557
Claims and related expenses	-	62,576,949
Depreciation expense	19,566	99,253
Total operating expenses	148,271	68,113,759
Operating income	6,397	5,121,440
Non-operating revenue - interest income	-	649,077
CHANGE IN NET ASSETS	6,397	5,770,517
TOTAL NET ASSETS, JULY 1, 2006	262,480	7,548,070
TOTAL NET ASSETS, JUNE 30, 2007	\$ 268,877	\$ 13,318,587

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

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2007**

	<u>Enterprise Fund</u>	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 154,668	\$ -
Cash received from other funds	-	64,312,743
Cash received from employees and retirees	-	8,922,456
Payments to employees and other funds	-	(3,564,118)
Payments to suppliers and other funds	<u>(159,740)</u>	<u>(67,409,050)</u>
Net cash provided by (used in) operating activities	<u>(5,072)</u>	<u>2,262,031</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	-	(2,898,154)
Interest received	-	649,077
Purchases of equipment	<u>5,072</u>	<u>(12,954)</u>
Net cash provided by (used in) investing activities	<u>5,072</u>	<u>(2,262,031)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS, JULY 1, 2006	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2007	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES**

Operating income	\$ 6,397	\$ 5,770,517
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	19,566	99,253
Effects of changes in operating assets and liabilities:		
Accounts receivable	-	(6,695)
Due from other funds	(15,196)	(9,341,512)
Inventory	-	(398,594)
Prepaid expenses	-	2,347,847
Accounts payable	(15,839)	789,777
Unpaid claims	-	678,348
Due to other funds	-	1,936,422
Unearned revenue	<u>-</u>	<u>386,668</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u><u>\$ (5,072)</u></u>	<u><u>\$ 2,262,031</u></u>

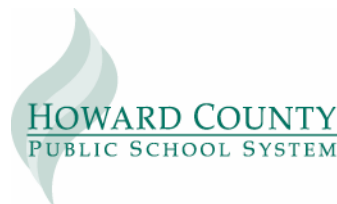
These financial statements should be read only in connection with
the accompanying summary of significant accounting policies
and notes to basic financial statements.

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2007

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 4,647,484</u>
TOTAL ASSETS	<u><u>\$ 4,647,484</u></u>
LIABILITIES	
School activity funds payable	<u>\$ 4,647,484</u>
TOTAL LIABILITIES	<u><u>\$ 4,647,484</u></u>

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES





HOWARD COUNTY PUBLIC SCHOOL SYSTEM
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2007

The Board of Education of Howard County (the Board) is a body politic and corporate established by the Public School Laws of Maryland. For financial reporting purposes, the Board (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 Board and its budgetary control over the Board of Education. Accordingly, the financial statements of the Board are included in the financial statements of the County. The Board itself has no component units.

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

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 Board 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, 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 that fund's 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 therefore 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 Board.

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. The Board's only enterprise fund and its combined internal service funds are reported as separate columns in the proprietary fund financial statements.

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

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2007

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT
PRESENTATION (CONTINUED)**

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 Board 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 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 do, however, use the accrual basis of accounting.

The Board reports the following funds in the fund financial statements:

Governmental Funds

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The Food Services Fund and Restricted Programs Fund are reported as special revenue funds.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The School Construction Fund is reported as a capital projects fund.

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2007

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT
PRESENTATION (CONTINUED)**

Proprietary Funds

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

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

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 Board conform to accounting principles generally accepted in the United States of America. Accordingly, the Board applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions, and Accounting Research Bulletins.

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 Board as assets with an initial, individual cost of more than \$5,000 and a useful life of at least five years. Capital assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their 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 5-15 years for furniture and equipment.

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2007

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 Board must reimburse the federal government for any assets which the Board retains for its own use after the termination of the grant unless otherwise provided by the grantor.

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.

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

Operating Budget (General Fund)

- 1) A discussion guide for the following fiscal year's operating budget is published annually.
- 2) A public hearing is held in October to receive budget requests from individuals and community groups.
- 3) The proposed budget is made available to the public and the County Government in January.
- 4) Public hearings are held to obtain comments from the community.
- 5) The final proposed operating budget is submitted to the County Executive prior to March 16th.
- 6) After approval or adjustment by the County Council, the final operating budget is approved by the Board in June.
- 7) Budgets are adopted on a basis consistent with GAAP except for the inclusion of portions of the prior year's fund balance as revenues, the inclusion of encumbrances as expenditures, and the exclusion of pension contributions made on the Board's behalf by the State of Maryland as both revenues and expenditures. Budget comparisons presented are on a non-GAAP budgetary basis.
- 8) Transfers may be made within the major categories by the Board of Education without the approval of the County Council.

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2007

BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

Operating Budget (General Fund) – (Continued)

- 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) There were no budget amendments for the year ended June 30, 2007.

Operating Budget (Special Revenue Fund)

The comparison of the Food Service Fund (a special revenue fund) operating budget to actual revenues and expenditures is not presented as required supplementary information because this budget is developed internally by the Board.

Capital Budget (Capital Projects Fund)

Annual budgetary comparisons to actual expenditures are not presented in the financial statements for the capital projects fund.

School construction is budgeted on a project basis with funds primarily provided by Howard County bonds. County revenues from transfer tax and interest on investments are appropriated for other capital projects. Additional funds are also provided by the State of Maryland.

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 formal budgetary integration. Encumbrances outstanding at year end are reported as reservations of fund balances, since they do not constitute expenditures or liabilities.

INVESTMENTS

Investments are stated at amortized cost, which approximates market value due to the short-term nature of those investments.

DUE FROM OTHER UNITS OF GOVERNMENT AND OTHER RECEIVABLES

Due from other units of government consists primarily of amounts due for local and state appropriations under the operating budget and capital projects, and amounts due under grant agreements. Other receivables include amounts due from churches and various other community organizations for use of school facilities.

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2007

DUE FROM OTHER UNITS OF GOVERNMENT AND OTHER RECEIVABLES
(CONTINUED)

Accounts receivable are primarily with other governmental units and related agencies. These entities rarely default on their obligations and management of the Board considers all amounts collectible at June 30, 2007. Therefore, no valuation allowance is provided against the amounts due.

INVENTORY

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.

COMPENSATED ABSENCES

It is the Board'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, for example, as a result of employee resignations and retirements.

NET ASSETS

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 Board 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.

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.

NOTES TO FINANCIAL STATEMENTS

The Notes are an integral part of the Basic Financial Statements





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HOWARD COUNTY PUBLIC SCHOOL SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007 was as follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Retirements/ Reclassifi- cations</u>	<u>Balance June 30, 2007</u>
Governmental activities:				
Land	\$ 10,932,465	\$ -	\$ -	\$ 10,932,465
Construction in progress	162,240,145	82,854,442	(31,856,358)	213,238,229
Buildings and improvements	737,692,041	3,921,745	31,856,358	773,470,144
Furniture and equipment	<u>20,133,770</u>	<u>1,129,078</u>	<u>(939,061)</u>	<u>20,323,787</u>
Total at historical cost	<u>930,998,421</u>	<u>87,905,265</u>	<u>(939,061)</u>	<u>1,017,964,625</u>
Less accumulated depreciation for:				
Buildings and improvements	(204,809,927)	(18,313,040)	\$ -	(223,122,967)
Furniture and equipment	<u>(11,351,585)</u>	<u>(2,203,489)</u>	<u>893,801</u>	<u>(12,661,273)</u>
Total accumulated depreciation	<u>(216,161,512)</u>	<u>(20,516,529)</u>	<u>893,801</u>	<u>(235,784,240)</u>
Governmental activities capital assets, net	<u>\$ 714,836,909</u>	<u>\$ 67,388,736</u>	<u>\$ (45,260)</u>	<u>\$ 782,180,385</u>
Depreciation expense for the year ended June 30, 2007 was charged to governmental functions as follows:				
Instruction:				
Regular education				\$ 18,118,122
Special education				118,885
Support services:				
Administration				153,167
Mid-level administration				1,470,641
Operation and maintenance of plant and equipment				644,438
Community services				<u>11,276</u>
Total				<u>\$ 20,516,529</u>

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – CAPITAL ASSETS (CONTINUED)

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Retirements/ Reclassifi- cations</u>	<u>Balance June 30, 2007</u>
Business-type activities:				
Furniture and equipment at historical cost	\$ 136,820	\$ -	\$ (10,144)	\$ 126,676
Less accumulated depreciation	<u>(23,726)</u>	<u>(19,566)</u>	<u>5,073</u>	<u>(38,220)</u>
Business-type activities capital assets, net	<u>\$ 113,094</u>	<u>\$ (19,566)</u>	<u>\$ (5,071)</u>	<u>\$ 88,456</u>

Depreciation expense charged to business-type activities for the year ended June 30, 2007 was \$19,566.

The Board has active school construction projects as of June 30, 2007 as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Project:		
Bushy Park Elementary	\$ 23,980,043	\$ 7,946,957
Clarksville Elementary	1,329,277	5,140,214
Clarksville Middle	3,238,702	3,346,298
Contingency/Site Acquisition	6,238,128	8,114,872
Full Day Kindergarten	16,155,357	2,645,643
Glenn High	18,471,583	7,927,417
Lisbon Elementary	6,472,667	1,715,718
Marriotts Ridge High	43,332,300	2,767,700
Mt. Hebron High	1,120,178	779,822
Technology	10,127,058	824,942
Veterans Elementary	21,451,100	8,137,900
Waverly Elementary	2,823,965	1,190,035
Worthington Elementary	<u>3,070,916</u>	<u>1,531,084</u>
	157,811,274	52,068,602
Other projects	<u>215,467,977</u>	<u>11,276,139</u>
Total	<u>\$ 373,279,251</u>	<u>\$ 63,344,741</u>

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

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 2 – CASH AND INVESTMENTS

Deposits

At year end, the carrying amount of the Board's deposits was \$67,148,798 consisting of \$62,501,314 in the governmental activities and \$4,647,484 in the agency fund and the corresponding bank balances were \$71,643,567. Of the bank balances, \$500,000 was covered by Federal Depository Insurance and \$71,143,567 was covered by collateral held in the pledging bank's trust department in the Board's name. The Board 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 three school locations. The balance of \$39,773 at June 30, 2007 represents amounts not yet disbursed for those contracts. Restricted cash in the Capital Projects Fund consists of an escrow account established for disbursements in connection with the capital lease used for upgrading the Board's information technology system. The balance of \$188,918 at June 30, 2007 represents amounts not yet disbursed for that project.

Investments

At June 30, 2007, the Board's investments totaling \$13,787,886 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 AAAM 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, marked-to-market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value.

Investment Rate Risk

Fair value fluctuates with interest rates, and increasing rates could cause fair value to decline below original cost. To limit the Board's exposure to fair value losses arising from increasing interest rates, the Board's investment policy limits the term of investment maturities to overnight deposits except in the fiduciary funds for which longer terms have been allowed to match the cash flows of liabilities. Total net investment income per the statement of activities consists of interest income of \$2,001,300 for the year ended June 30, 2007.

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the Board 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. In this regard, the Board limits its investments to overnight deposits that are insured or collateralized with securities held by a custodian in the Board’s name and investments in the MLGIP. Statutes require that deposits be in Maryland banks and that uninsured deposits be fully collateralized. They also authorize the Board to invest in obligations of the United States government, federal agency obligations and repurchase agreements secured by direct government or agency obligations.

NOTE 3 – DUE TO/FROM OTHER FUNDS

The composition of interfund balances as of June 30, 2007 is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Health and Dental Self Insurance Fund	\$ 21,885,380
General Fund	Data Processing Fund	572,566
General Fund	Jim Rouse Theatre Fund	183,502
School Construction Fund	Data Processing Fund	145,548
School Construction Fund	General Fund	9,960,618
Workmen’s Compensation Self Insurance Fund	General Fund	5,368,691
Restricted Program Fund	General Fund	2,614,672
Food Services Fund	General Fund	278,670
Printing & Duplicating Fund	General Fund	<u>129,514</u>
Total		<u>\$ 41,139,161</u>

These interfund balances are presented in the accompanying financial statements as follows:

	<u>Due From</u>	<u>Due To</u>
Balance Sheet - Governmental Funds (page 18)	\$ 18,497,713	\$ 30,903,481
Statement of Net Assets - Proprietary Funds (page 22)	183,502	-
Statement of Net Assets - Internal Service Funds (page 22)	<u>22,457,946</u>	<u>10,235,680</u>
Total	<u>\$41,139,161</u>	<u>\$ 41,139,161</u>

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 4 – PREPAID EXPENSES

Prepaid expenses in the health and dental insurance internal service fund consist of fiscal year 2008 HMO insurance premiums.

NOTE 5 – UNEARNED REVENUE

General Fund

Unearned revenue consists of summer school tuition which is collected in advance and unearned since the corresponding expenditures do not occur until the following fiscal year.

Special Revenue Funds

Unearned revenue consists of revenues received under restricted programs in excess of the expenditures under those programs at June 30, 2007.

Internal Service Funds

Unearned revenue consists of payroll withholdings from employees for health and dental insurance for the first three months of fiscal year 2008.

NOTE 6 – FUND BALANCES AND NET ASSETS

Restricted Programs Fund

The Restricted Programs Fund, a special revenue fund, accounts for federal, state and local grants and programs where revenues are recognized at the same time as related expenditures. Under the budgetary (non-GAAP) basis of accounting this results in a fund balance of zero at the end of each period. Under GAAP, revenues are not recognized to the extent of the outstanding reserve for encumbrances causing a deficit in undesignated fund balance equal to that reserve. This situation reverses in the subsequent accounting period.

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 7 – PENSION PLANS

The employees of the Board are covered by the State Retirement and Pension System of Maryland which is a cost sharing employer public employee retirement system (the State System). Most Board 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 the several plans which are managed by the Board of 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 Board'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 Board and covered employees are required by State statute to contribute to the State System. The employees contribute 3% to 7% 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 by the Board of Trustees for the State System. Benefits are provided in accordance with State statutes.

The State makes a substantial portion of the Board's annual required contributions to the State System on behalf of the Board. The State's contributions on behalf of the Board for the years ended June 30, 2007, 2006, and 2005 amounted to \$29,715,994, \$26,291,214, and \$24,280,894, respectively. The fiscal 2007 contributions made by the State on behalf of the Board 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 Board made its share of the required contributions during the years ended June 30, 2007, 2006, and 2005 of \$2,800,975, \$2,331,534, and \$2,191,494, 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.

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 8 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The Board provides medical and life insurance benefits to eligible employees who retire from employment with the Howard County Public School System. The employer's contributions are financed on a pay-as-you-go basis, and the future payment of these benefits is contingent upon the annual approval of the operating budget. Details of the post employment benefits provided are as follows:

Medical Benefits - Retirees are eligible for continued membership in one of the School System's group medical plans provided that they were enrolled in one of the School System's group medical plans the year prior to retiring and their monthly retirement allowance exceeds 50% of the retiree's share of monthly premium cost. The percentage of the individual's premium paid by the Board is dependent upon the retiree's years of service to the School System and ranges from 50 to 100 percent. The medical benefits paid by the Board for the year ended June 30, 2007 was \$4,683,656. As of June 30, 2007, 1,267 participants of the 1,509 eligible were receiving benefits.

Life Insurance Benefits - The Board pays 100% of the life insurance premiums for retirees with the amount of insurance coverage reducing 10% upon retirement and 10% for each of the following four years to bring the amount of insurance coverage to 50%. Eligible retirees must have provided ten years of service with the Howard County Public School System and have retired at the Howard County Public School System. The life insurance benefits paid by the Board for the year ended June 30, 2007 was \$545,992. As of June 30, 2007, 1,429 participants of the 1,509 eligible were receiving benefits.

The Board has not assessed the impact on its financial position or results of operations of implementing GASB Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement will be effective for the Board in fiscal year 2008. It will require prospective recognition of the cost of these benefits as they are earned rather than as they are paid in the government-wide and proprietary and fiduciary fund financial statements. Recognition in governmental fund financial statements will be on the modified accrual basis.

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 9 – LONG-TERM LIABILITIES

Activity in long-term liabilities for the year ended June 30, 2007 were as follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2007</u>	<u>Due Within One Year</u>
Compensated absences	\$ 6,573,754	\$ 551,514	\$ 343,323	\$ 6,781,945	\$ 350,000
Capital leases	<u>9,620,123</u>	<u>4,504,041</u>	<u>3,149,141</u>	<u>10,975,023</u>	<u>2,606,929</u>
Total governmental activities	<u>\$16,193,877</u>	<u>\$ 5,055,555</u>	<u>\$ 3,492,464</u>	<u>\$17,756,968</u>	<u>\$ 2,956,929</u>

The Board has entered into lease agreements as lessee to finance the purchase of computer, telephone, and performance contracting equipment. The assets acquired and capitalized as fixed assets under capital leases are as follows:

	<u>Governmental Activities</u>
Equipment at cost	\$ 9,030,002
Less accumulated depreciation	<u>(1,557,181)</u>
Total	<u>\$ 7,472,821</u>

Computers purchased with lease proceeds totaling \$6,887,702 were not capitalized as their individual costs were below the Board's capitalization threshold.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007 were as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2008	\$ 2,987,832
2009	2,907,053
2010	1,308,212
2011	581,980
2012	581,980
2013 - 2017	2,909,900
2018 - 2021	<u>1,665,856</u>
Total minimum lease payments	12,942,813
Less amount representing interest	<u>(1,967,790)</u>
Present value of minimum lease payments	<u>\$10,975,023</u>

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 10 – RISK MANAGEMENT

The Board 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 Board participates in the Maryland Association of Boards 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 Board 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 Board 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 Board as a whole and makes provision for catastrophic losses. As of June 30, 2007, the interfund premiums did not exceed reimbursable expenditures in the Health and Dental Self-Insurance Fund or the Worker's Compensation Self-Insurance Fund.

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 liabilities for the years ended June 30, 2007 and 2006 are as follows:

	<u>2007</u>		<u>2006</u>	
	<u>Workers' Compensation</u>	<u>Health and Dental</u>	<u>Workers' Compensation</u>	<u>Health and Dental</u>
Unpaid claims, beginning of fiscal year	\$ 3,539,637	\$ 5,185,949	\$ 1,175,344	\$ 2,319,927
Incurred claims (including IBNRs)	626,861	18,345,927	3,322,250	17,964,281
Claim payments	<u>(1,226,861)</u>	<u>(16,341,970)</u>	<u>(957,957)</u>	<u>(15,098,259)</u>
Unpaid claims, end of fiscal year	<u>\$ 2,939,637</u>	<u>\$ 7,189,906</u>	<u>\$ 3,539,637</u>	<u>\$ 5,185,949</u>

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Operating Leases

The Board leases equipment under noncancelable operating leases. Total costs were \$1,027,196 for the leases for the year ended June 30, 2007. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 363,409
2009	357,739
2010	28,185
2011	12,276
2012	<u>11,253</u>
Total	<u><u>\$ 772,862</u></u>

Litigation

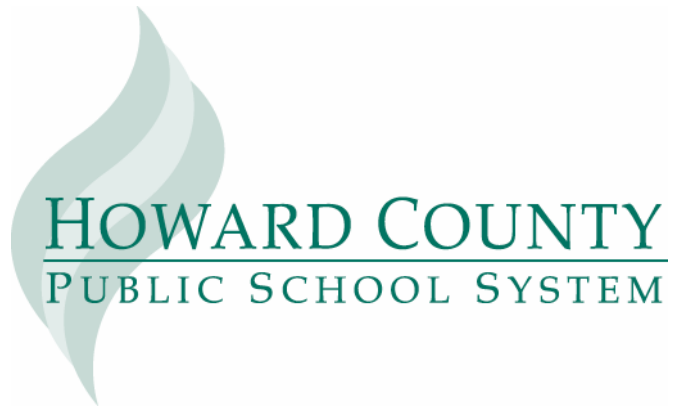
The Board has been named as defendant in several lawsuits in the normal course of business, the outcomes of which are uncertain. It is anticipated by the Board that an adverse decision on any or all of these suits would not have a material adverse effect on the financial statements.

Grant Programs

The Board 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 Board 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.

Capital Lease

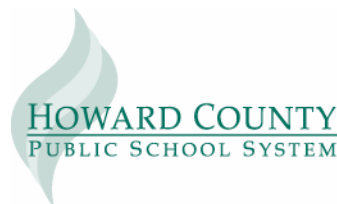
In July 2007, the Board entered into a capital lease agreement to purchase computer equipment in the amount of \$6,060,205 to be payable over 4 years.



HOWARD COUNTY

PUBLIC SCHOOL SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION





HOWARD COUNTY PUBLIC SCHOOL SYSTEM
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2007

	Original Budget	Final Budget	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues:				
Local sources	\$ 393,710,890	\$ 393,710,890	\$ 393,710,890	\$ -
State sources	152,004,150	152,004,150	151,475,723	(528,427)
Federal sources	540,000	540,000	380,491	(159,509)
Earnings on investments	370,000	370,000	1,938,118	1,568,118
Charges for services	3,977,000	3,977,000	4,653,725	676,725
Miscellaneous revenues	599,994	599,994	593,604	(6,390)
Fund balance at July 1, 2006 - designated for fiscal year ended June 30, 2007	320,046	320,046	320,046	-
Total revenues	551,522,080	551,522,080	553,072,597	1,550,517
EXPENDITURES				
Current:				
Administration	9,162,030	9,162,030	9,135,082	26,948
Instruction	247,185,360	245,745,360	245,676,648	68,712
Pupil personnel services	2,330,190	2,270,190	2,262,923	7,267
Health services	4,438,680	4,438,680	4,436,928	1,752
Pupil transportation	30,006,000	30,006,000	29,208,976	797,024
Operation of plant	34,661,160	36,046,160	36,018,572	27,588
Maintenance of plant	16,688,320	16,188,320	15,933,412	254,908
Fixed charges	88,375,070	88,650,070	88,650,070	-
Mid level administration	42,877,840	43,537,840	43,526,514	11,326
Community services	4,763,680	4,608,680	4,598,962	9,718
Special education	70,018,280	70,018,280	69,962,067	56,213
Capital outlay	1,015,470	850,470	844,704	5,766
Total expenditures	551,522,080	551,522,080	550,254,858	1,267,222
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	2,817,739	\$ 2,817,739
FUND BALANCE AT JULY 1, 2006, UNDESIGNATED - BUDGETARY BASIS			566,399	
Excess of revenue recongnized over amount designated at June 30, 2007			2,055,310	
Current portion of annual leave at June 30, 2007			350,000	
TOTAL FUND BALANCE UNDESIGNATED - BUDGETARY BASIS			5,789,448	
Fund balance at June 30, 2007 - designated:				
Fund balance reserve			1,532,257	
Fund balance carryover			432,895	
Fund balance at June 30, 2007:				
Undesignated - budgetary basis			3,824,296	
Current portion of annaul leave earned			(196,000)	
FUND BALANCE AT JUNE 30, 2007, UNDESIGNATED - GAAP BASIS			\$ 3,628,296	

**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, 2007**

REVENUES

Budgetary basis	\$	553,072,597
Add - Pension contribution paid by State of Maryland		29,715,994
- Revenues from loaned staff program		809,915
Less - Designation of prior year's fund balance budgeted as revenue		<u>(320,046)</u>
GAAP basis	\$	<u><u>583,278,460</u></u>

EXPENDITURES

Budgetary basis	\$	550,254,858
Add - Prior year's encumbrances expended this year		4,515,290
- Pension contribution paid by State of Maryland		29,715,994
- Capital lease expenditures		3,877,536
- Expenditures from loaned staff		809,915
- Capital lease repayments		(171,445)
Less - Current year's encumbrances outstanding		<u>(5,942,300)</u>
GAAP basis	\$	<u><u>583,059,848</u></u>

OTHER SUPPLEMENTARY INFORMATION





HOWARD COUNTY PUBLIC SCHOOL SYSTEM
SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-GAAP BASIS)
GENERAL FUND
Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Non-GAAP Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
INTERGOVERNMENTAL REVENUES				
Local Sources				
Current expense	\$ 393,710,890	\$ 393,710,890	\$ 393,710,890	\$ -
State Sources				
Current expense	117,998,400	117,998,400	117,995,933	(2,467)
Transportation	10,860,200	10,860,200	10,860,212	12
Special education	7,468,200	7,468,200	6,835,602	(632,598)
Compensatory education	10,451,800	10,451,800	10,451,784	(16)
Limited english proficient	3,618,550	3,618,550	3,618,550	-
Other - LEA tuition	260,000	260,000	366,621	106,621
Students with Disabilities	1,091,700	1,091,700	1,091,700	-
Extended Elementary	255,300	255,300	255,321	21
Total state sources	<u>152,004,150</u>	<u>152,004,150</u>	<u>151,475,723</u>	<u>(528,427)</u>
Federal Sources				
ROTC reimbursement	140,000	140,000	197,288	57,288
Impact Aid (PL 874)	400,000	400,000	183,203	(216,797)
Total federal sources	<u>540,000</u>	<u>540,000</u>	<u>380,491</u>	<u>(159,509)</u>
Earnings on investments	<u>370,000</u>	<u>370,000</u>	<u>1,938,118</u>	<u>1,568,118</u>
Charges for Services, Etc.				
Tuition from patrons	505,000	505,000	897,930	392,930
Use of school buildings	900,000	900,000	1,001,712	101,712
Athletic program - gate receipts	315,000	315,000	422,095	107,095
Energy rebates	375,000	375,000	595,535	220,535
Administration and overhead fees	1,882,000	1,882,000	1,736,453	(145,547)
Total charges for services, etc.	<u>3,977,000</u>	<u>3,977,000</u>	<u>4,653,725</u>	<u>676,725</u>
Miscellaneous Revenues				
Other	599,994	599,994	593,604	(6,390)
FUND BALANCE AT JULY 1, 2006, DESIGNATED FOR FISCAL YEAR ENDED JUNE 30, 2007	<u>320,046</u>	<u>320,046</u>	<u>320,046</u>	<u>-</u>
TOTAL	<u>\$ 551,522,080</u>	<u>\$ 551,522,080</u>	<u>\$ 553,072,597</u>	<u>\$ 1,550,517</u>

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-GAAP BASIS)
GENERAL FUND
Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Non-GAAP Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Administration				
Salaries and wages	\$ 6,381,840	\$ 6,381,840	\$ 6,222,844	\$ 158,996
Contracted services	1,688,388	1,688,388	1,912,001	(223,613)
Supplies and materials	701,280	701,280	630,651	70,629
Other charges	390,522	390,522	369,586	20,936
Equipment	-	-	-	-
Total administration	<u>9,162,030</u>	<u>9,162,030</u>	<u>9,135,082</u>	<u>26,948</u>
Instructional salaries	<u>231,448,730</u>	<u>231,448,730</u>	<u>231,433,924</u>	<u>14,806</u>
Textbooks and classroom supplies	<u>11,597,400</u>	<u>11,597,400</u>	<u>11,565,455</u>	<u>31,945</u>
Other Instructional Costs				
Contracted services	2,027,940	2,027,940	2,042,415	(14,475)
Other charges	287,900	287,900	292,734	(4,834)
Equipment	287,390	287,390	208,394	78,996
Outgoing transfers	96,000	96,000	133,726	(37,726)
Total other instructional costs	<u>2,699,230</u>	<u>2,699,230</u>	<u>2,677,269</u>	<u>21,961</u>
Pupil Personnel Services				
Salaries and wages	2,016,970	2,016,970	2,008,514	8,456
Contracted services	162,400	162,400	162,143	257
Supplies and materials	56,025	56,025	57,048	(1,023)
Other charges	34,795	34,795	35,218	(423)
Total pupil personnel services	<u>2,270,190</u>	<u>2,270,190</u>	<u>2,262,923</u>	<u>7,267</u>
Health Services				
Salaries and wages	3,870,620	3,870,620	3,879,078	(8,458)
Contracted services	380,540	380,540	380,475	65
Supplies and materials	174,910	174,910	164,598	10,312
Other charges	12,610	12,610	12,777	(167)
Total health services	<u>4,438,680</u>	<u>4,438,680</u>	<u>4,436,928</u>	<u>1,752</u>
Pupil Transportation				
Salaries and wages	1,046,900	1,046,900	1,116,272	(69,372)
Contracted services	28,269,440	28,269,440	27,307,699	961,741
Supplies and materials	121,690	121,690	171,744	(50,054)
Other charges	245,260	245,260	242,608	2,652
Equipment	322,710	322,710	370,653	(47,943)
Total pupil transportation	<u>30,006,000</u>	<u>30,006,000</u>	<u>29,208,976</u>	<u>797,024</u>
Operation of Plant				
Salaries and wages	17,044,570	17,044,570	16,293,562	751,008
Contracted services	1,488,899	1,488,899	1,177,430	311,469
Supplies and materials	1,110,131	1,110,131	963,711	146,420
Other charges	16,177,700	16,177,700	17,357,927	(1,180,227)
Equipment	224,860	224,860	225,942	(1,082)
Total operation of plant	<u>36,046,160</u>	<u>36,046,160</u>	<u>36,018,572</u>	<u>27,588</u>
Maintenance of Plant				
Salaries and wages	9,549,520	9,549,520	9,152,340	397,180
Contracted services	3,264,417	3,264,417	3,200,088	64,329
Supplies and materials	2,843,063	2,843,063	2,850,057	(6,994)
Other charges	57,133	57,133	50,748	6,385

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-GAAP BASIS)
GENERAL FUND
Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Non-GAAP Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Equipment	474,187	474,187	680,179	(205,992)
Total maintenance of plant	<u>16,188,320</u>	<u>16,188,320</u>	<u>15,933,412</u>	<u>254,908</u>
Fixed Charges				
Contingency	-	-	-	-
Other	88,650,070	88,650,070	88,650,070	-
Total fixed charges	<u>88,650,070</u>	<u>88,650,070</u>	<u>88,650,070</u>	<u>-</u>
Mid-level Administration				
Salaries and wages	38,096,420	38,096,420	38,168,756	(72,336)
Contracted services	2,374,680	2,374,680	2,389,071	(14,391)
Supplies and materials	2,627,470	2,627,470	2,512,809	114,661
Other charges	349,270	349,270	366,061	(16,791)
Equipment	90,000	90,000	89,817	183
Total mid-level administration	<u>43,537,840</u>	<u>43,537,840</u>	<u>43,526,514</u>	<u>11,326</u>
Community Services				
Salaries and wages	2,016,260	2,016,260	2,041,263	(25,003)
Contracted services	949,860	949,860	987,786	(37,926)
Supplies and materials	581,410	581,410	544,506	36,904
Other charges	771,150	771,150	779,850	(8,700)
Equipment	290,000	290,000	245,557	44,443
Total community services	<u>4,608,680</u>	<u>4,608,680</u>	<u>4,598,962</u>	<u>9,718</u>
Special Education				
Salaries and wages	62,014,290	62,014,290	61,956,252	58,038
Contracted services	2,925,980	2,925,980	2,863,980	62,000
Supplies and materials	375,637	375,637	585,612	(209,975)
Other charges	240,580	240,580	269,397	(28,817)
Equipment	15,973	15,973	326,234	(310,261)
Outgoing transfers	4,445,820	4,445,820	3,960,592	485,228
Total special education	<u>70,018,280</u>	<u>70,018,280</u>	<u>69,962,067</u>	<u>56,213</u>
Capital Outlay				
Salaries and wages	728,120	728,120	740,349	(12,229)
Contracted services	35,000	35,000	30,320	4,680
Supplies and materials	10,600	10,600	10,849	(249)
Other charges	6,750	6,750	2,201	4,549
Equipment	70,000	70,000	60,985	9,015
Total capital outlay	<u>850,470</u>	<u>850,470</u>	<u>844,704</u>	<u>5,766</u>
TOTAL EXPENDITURES	<u>\$ 551,522,080</u>	<u>\$ 551,522,080</u>	<u>\$ 550,254,858</u>	<u>\$ 1,267,222</u>

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
FOOD SERVICES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
Year Ended June 30, 2007**

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental Revenues:			
State:			
Reimbursements	\$ 105,840	\$ 92,396	\$ (13,444)
Federal:			
National School Lunch and Milk Programs	2,399,650	2,633,779	234,129
U.S.D.A. Commodity Program	-	718,218	718,218
Total intergovernmental revenues	2,399,650	3,351,997	952,347
Earnings on investments	20,000	63,181	43,181
Charges for Services:			
Food sales	7,919,280	8,195,250	275,970
Other revenues	55,000	60,489	5,489
Fund balance at July 1, 2006 - designated for fiscal year ended June 30, 2007	1,273,854	1,273,854	-
Total revenues	11,773,624	13,037,167	1,263,543
EXPENDITURES			
Costs of Operation - Food Service:			
Cost of food	4,151,370	4,441,075	(289,705)
U.S.D.A. Commodity Program	-	-	-
Salaries and wages	3,863,380	6,404,922	(2,541,542)
Equipment/Miscellaneous	2,984,000	528,872	2,455,128
Total expenditures	10,998,750	11,374,869	(376,119)
EXCESS OF REVENUES OVER EXPENDITURES	\$ 774,874	1,662,298	\$ 887,424
FUND BALANCE AT JULY 1, 2006 - UNDESIGNATED		210,791	
TOTAL FUND EQUITY		1,873,089	
FUND BALANCE AT JUNE 30, 2007, DESIGNATED FOR FISCAL YEAR ENDING JUNE 30, 2008		752,775	
FUND BALANCE AT JUNE 30, 2007 - UNRESERVED - UNDESIGNATED		\$ 1,120,314	

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
COMBINING SCHEDULE OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2007

	Printing and Duplicating Fund	Data Processing Fund	Workers Compensation Self-Insurance Fund	Health and Dental Self-Insurance Fund	Total
ASSETS					
Investments	\$ -	\$ -	\$ 13,354,376	\$ -	\$ 13,354,376
Accounts receivable	-	-	-	52,486	52,486
Due from other funds	-	572,566	-	21,885,380	22,457,946
Inventory	398,594	-	-	-	398,594
Prepaid expenses	-	-	-	-	-
Capital assets:					
Furniture, fixtures and equipment	431,688	1,054,217	-	-	1,485,905
Less accumulated depreciation	(296,602)	(912,650)	-	-	(1,209,252)
Total capital assets, net of depreciation	<u>135,086</u>	<u>141,567</u>	<u>-</u>	<u>-</u>	<u>276,653</u>
Total assets	<u>533,680</u>	<u>714,133</u>	<u>13,354,376</u>	<u>21,937,866</u>	<u>36,540,055</u>
LIABILITIES					
Accounts payable	-	5,750	160,170	1,172,898	1,338,818
Accrued liabilities	-	-	2,939,638	7,189,905	10,129,543
Due to other funds	129,514	145,548	9,960,618	-	10,235,680
Deferred revenue	-	-	-	1,517,427	1,517,427
Total liabilities	<u>129,514</u>	<u>151,298</u>	<u>13,060,426</u>	<u>9,880,230</u>	<u>23,221,468</u>
NET ASSETS					
Invested in capital assets	135,086	141,567	-	-	276,653
Unrestricted	<u>269,080</u>	<u>421,268</u>	<u>293,950</u>	<u>12,057,636</u>	<u>13,041,934</u>
TOTAL NET ASSETS	<u>\$ 404,166</u>	<u>\$ 562,835</u>	<u>\$ 293,950</u>	<u>\$ 12,057,636</u>	<u>\$ 13,318,587</u>

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2007**

	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	\$ 2,383,140	\$ 3,548,280	\$ 1,659,600	\$ 56,721,723	\$ 64,312,743
Contributions from employees and retirees	-	-	-	8,922,456	8,922,456
Total operating revenues	<u>2,383,140</u>	<u>3,548,280</u>	<u>1,659,600</u>	<u>65,644,179</u>	<u>73,235,199</u>
OPERATING EXPENSES					
Administrative expenses	2,340,958	3,096,599	-	-	5,437,557
Claims and related expenses	-	-	1,197,767	61,379,182	62,576,949
Depreciation expense	36,550	62,703	-	-	99,253
Total operating expenses	<u>2,377,508</u>	<u>3,159,302</u>	<u>1,197,767</u>	<u>61,379,182</u>	<u>68,113,759</u>
Operating income (loss)	5,632	388,978	461,833	4,264,997	5,121,440
NON-OPERATING REVENUE - INTEREST INCOME					
	-	-	649,077	-	649,077
CHANGES IN NET ASSETS	5,632	388,978	1,110,910	4,264,997	5,770,517
TOTAL NET ASSETS, JULY 1, 2006	<u>398,534</u>	<u>173,857</u>	<u>(816,960)</u>	<u>7,792,639</u>	<u>7,548,070</u>
TOTAL NET ASSETS, JUNE 30, 2007	<u>\$ 404,166</u>	<u>\$ 562,835</u>	<u>\$ 293,950</u>	<u>\$ 12,057,636</u>	<u>\$ 13,318,587</u>

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
COMBINING SCHEDULE OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2007**

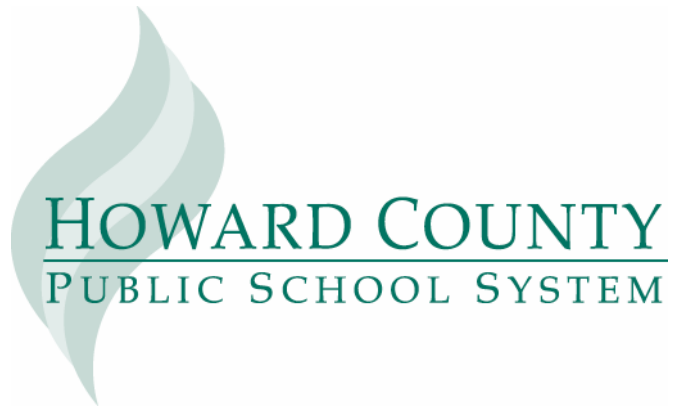
	Printing and Duplicating Fund	Data Processing Fund	Workers Compensation Self-Insurance Fund	Health and Dental Self-Insurance Fund	Total
CASH FLOWS FROM					
OPERATING ACTIVITIES					
Cash received from other funds	\$ 2,383,140	\$ 3,548,280	\$ 1,659,600	\$ 56,721,723	\$ 64,312,743
Cash received from employees and retirees	-	-	-	8,922,456	8,922,456
Payments to employees and other funds	(505,681)	(1,885,259)	(190,861)	(982,317)	(3,564,118)
Payments to suppliers and other funds	(1,877,459)	(1,650,067)	780,338	(64,661,862)	(67,409,050)
Net cash provided by operating activities	-	12,954	2,249,077	-	2,262,031
CASH FLOWS FROM					
INVESTING ACTIVITIES					
Purchases of investments	-	-	(2,898,154)	-	(2,898,154)
Purchase of Equipment	-	(12,954)	-	-	(12,954)
Interest received	-	-	649,077	-	649,077
Net cash used in investing activities	-	(12,954)	(2,249,077)	-	(2,262,031)
NET INCREASE IN CASH AND CASH EQUIVALENTS					
	-	-	-	-	-
CASH AND CASH EQUIVALENTS, JULY 1, 2006					
	-	-	-	-	-
CASH AND CASH EQUIVALENTS, JUNE 30, 2007					
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income	\$ 5,632	\$ 388,978	\$ 1,110,910	\$ 4,264,997	\$ 5,770,517
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	36,549	62,704	-	-	99,253
Effects of changes in assets and liabilities:					
Accounts receivable	-	-	-	(6,695)	(6,695)
Due from other funds	367,628	(330,222)	-	(9,378,918)	(9,341,512)
Inventory	(398,594)	-	-	-	(398,594)
Prepaid expenses	-	-	-	2,347,847	2,347,847
Accounts payable	(140,729)	(254,054)	76,805	1,107,755	789,777
Unpaid claims	-	-	(599,998)	1,278,346	678,348
Due to other funds	129,514	145,548	1,661,360	-	1,936,422
Deferred revenue	-	-	-	386,668	386,668
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ -</u>	<u>\$ 12,954</u>	<u>\$ 2,249,077</u>	<u>\$ -</u>	<u>\$ 2,262,031</u>

THE BOARD OF EDUCATION OF HOWARD COUNTY
STATEMENT OF INCREASES, DECREASES, AND FUND BALANCES
ALL SCHOOL FUNDS
YEAR ENDED JUNE 30, 2007

Elementary Schools	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Atholton Elementary	\$ 17,451	\$ 73,970	\$ 74,098	\$ 17,323
Bellows Spring Elementary	59,872	135,395	140,983	54,284
Bollman Bridge Elementary	53,239	86,081	87,897	51,423
Bryant Woods Elementary	17,248	50,645	51,019	16,874
Bushy Park Elementary	55,237	105,197	94,113	66,321
Centennial Lane Elementary	44,144	108,166	120,117	32,193
Clarksville Elementary	26,009	101,195	98,507	28,697
Clemens Crossing Elementary	30,014	112,486	114,285	28,215
Cradlerock School	39,309	107,136	113,728	32,717
Dayton Oaks Elementary	3,491	151,762	118,056	37,197
Deep Run Elementary	16,446	106,081	85,111	37,416
Elkridge Elementary	47,007	161,425	164,859	43,573
Forest Ridge Elementary	35,862	89,896	99,085	26,673
Fulton Elementary	921	160,877	159,460	2,338
Gorman Crossing Elementary	49,700	133,293	127,761	55,232
Guilford Elementary	17,830	72,450	68,240	22,040
Hammond Elementary	28,918	70,492	70,656	28,754
Hollifield Station Elementary	35,549	169,952	146,702	58,799
Ilchester Elementary	100,288	208,339	209,036	99,591
Jeffers Hill Elementary	27,747	56,217	58,624	25,340
Laurel Woods Elementary	(872)	41,586	36,723	3,991
Lisbon Elementary	19,299	93,476	94,242	18,533
Longfellow Elementary	18,859	79,798	76,491	22,166
Manor Woods Elementary	32,337	107,803	101,864	38,276
Northfield Elementary	37,338	96,822	102,995	31,165
Phelps Luck Elementary	12,828	52,017	49,517	15,328
Pointers Run Elementary	38,618	186,790	188,393	37,015
Rockburn Elementary	33,492	156,594	168,005	22,081
Running Brook Elementary	24,705	104,657	102,785	26,577
St. John's Lane Elementary	29,102	83,911	89,103	23,910
Steven's Forest Elementary	19,943	54,407	48,613	25,737
Swansfield Elementary	7,177	62,024	64,061	5,140
Talbott Springs Elementary	27,969	54,728	58,878	23,819
Thunder Hill Elementary	32,270	62,359	53,226	41,403
Triadelphia Ridge Elementary	61,526	91,452	102,344	50,634
Veterans Elementary	-	7,830	4,297	3,533
Waterloo Elementary	123,080	135,069	137,870	120,279
Waverly Elementary	84,263	170,725	172,098	82,890
West Friendship Elementary	36,407	59,791	47,167	49,031
Worthington Elementary	18,364	92,164	89,887	20,641
Total - Elementary Schools	1,362,987	4,055,058	3,990,896	1,427,149

THE BOARD OF EDUCATION OF HOWARD COUNTY
STATEMENT OF INCREASES, DECREASES, AND FUND BALANCES
ALL SCHOOL FUNDS
YEAR ENDED JUNE 30, 2007

	<u>Balance</u> <u>July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2007</u>
Middle Schools				
Bonnie Branch Middle	63,432	203,987	198,438	68,981
Burleigh Manor Middle	52,889	201,310	190,477	63,722
Clarksville Middle	84,001	224,636	214,392	94,245
Dunloggin Middle	32,135	95,331	97,684	29,782
Elkridge Landing Middle	41,127	220,143	223,568	37,702
Ellicott Mills Middle	44,242	157,611	147,362	54,491
Folly Quarter Middle	12,623	159,778	147,677	24,724
Glenwood Middle	52,882	227,434	219,177	61,139
Hammond Middle	50,576	186,747	205,569	31,754
Harper's Choice Middle	5,081	108,114	106,089	7,106
Lime Kiln Middle	35,961	237,183	228,504	44,640
Mayfield Woods Middle	58,094	94,254	89,120	63,228
Mount View Middle	37,645	137,012	134,727	39,930
Murray Hill Middle	17,542	210,492	222,264	5,770
Oakland Mills Middle	43,180	83,051	86,609	39,622
Patapsco Middle	21,095	128,220	118,565	30,750
Patuxent Valley Middle	17,559	144,466	143,126	18,899
Wilde Lake Middle	31,574	122,888	124,149	30,313
Total - Middle Schools	<u>701,638</u>	<u>2,942,657</u>	<u>2,897,497</u>	<u>746,798</u>
High Schools				
Atholton High	134,254	791,218	763,201	162,271
Centennial High	269,562	996,951	985,938	280,575
Glenelg High	235,414	913,194	898,633	249,975
Hammond High	215,093	718,751	740,684	193,160
Howard High	235,000	690,236	645,175	280,061
Long Reach High	115,852	712,212	686,301	141,763
Marriotts Ridge High	50,635	536,975	484,740	102,870
Mount Hebron High	285,054	870,289	855,268	300,075
Oakland Mills High	163,647	509,063	529,486	143,224
Reservoir High	172,971	745,672	744,752	173,891
River Hill High	196,724	1,080,295	1,034,004	243,015
Wilde Lake High	127,502	525,191	531,910	120,783
Total - High Schools	<u>2,201,707</u>	<u>9,090,047</u>	<u>8,900,092</u>	<u>2,391,662</u>
Special Schools				
Applications and Research Lab	19,265	8,298	12,988	14,575
Cedar Lane School	56,579	158,149	154,947	59,781
Howard Co. Homewood School	8,493	16,141	17,115	7,519
Total - Special Schools	<u>84,337</u>	<u>182,588</u>	<u>185,050</u>	<u>81,875</u>
Total - All Schools	<u><u>4,350,669</u></u>	<u><u>16,270,350</u></u>	<u><u>15,973,535</u></u>	<u><u>4,647,484</u></u>



HOWARD COUNTY

PUBLIC SCHOOL SYSTEM

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
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 Howard County Public School System as of and for the year ended June 30, 2007, which collectively comprise Montgomery County Public Schools' basic financial statements and have issued our report thereon dated September 26, 2007. 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 Howard County Public School System'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 entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity'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 significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

CAPITAL PROJECT DISBURSEMENTS

During the audit, we noted numerous contracts without purchase orders in place. As a result, certain construction project transactions were paid through direct payment processing rather than through the approved procurement process. In addition, certain signed contracts supporting the selected contractors were not located. This could lead to expenditure transactions with an unapproved contractor or project.

We recommend each construction project have a purchase order and a signed contract irrespective of the size of the project to provide commensurate accountability and tracking.

SCHOOL BUS CONTRACTS

During the audit, we reviewed the School Bus Contracting process, including the controls surrounding the payments to school bus contractors. During this review, it was determined that no written procedures are currently in place. In addition, the bus vendor payment calculations utilizes a proprietary spreadsheet written in FoxPro, a 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 intergration with the IFAS system.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Howard County Public School System'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*.

This report is intended solely for the information and use of 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 Henderson LLP

Baltimore, Maryland
September 26, 2007

STATISTICAL SECTION

The Statistical Section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the Board's overall financial health. The tables in this section are unaudited because they often present data from outside sources.





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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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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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Operating Information – These schedules contain service and infrastructure data to help the reader understand how the information in the Board's financial report relates to the services the Board provided and the activities performed.

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Table 1

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental Activities						
Invested in capital assets, net of related debt	\$ 566,061	\$ 546,129	\$ 573,900	\$ 635,330	\$ 705,217	\$ 765,145
Restricted for Capital Projects	4,420	2,786	5,134	7,412	6,454	5,311
Restricted for Food Services	1,895	2,035	1,852	1,415	1,485	1,120
Unrestricted	(1,564)	5,607	5,285	4,427	7,792	24,805
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>
The James Rouse Theatre						
Invested in capital assets, net of related debt	221	27	24	53	113	89
Unrestricted	85	146	213	225	149	180
Total Rouse Theatre	<u>306</u>	<u>173</u>	<u>237</u>	<u>278</u>	<u>262</u>	<u>269</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>

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

Table 2

**Howard County Public School System
Changes in Net Assets
Last Six Fiscal Years *
(amounts expressed in thousands)**

<u>Functions/Programs</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<u>Expenses</u>						
Governmental Activities						
Instruction						
Regular Education	\$ 244,086	\$ 256,656	\$ 286,901	\$ 304,177	\$ 339,932	\$ 349,849
Special Education	65,261	72,582	81,270	89,054	94,877	103,170
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>
Support Services						
Administration	7,226	11,384	11,808	13,672	9,809	11,193
Mid-level Administration	37,887	39,339	42,873	45,888	50,984	59,362
Pupil personnel services	2,223	2,205	2,308	2,589	2,686	3,074
Health services	3,368	3,607	4,119	4,573	5,264	5,841
Pupil transportation	19,505	21,157	23,207	23,975	27,411	29,238
Operation of plant	26,792	26,861	30,727	31,884	34,842	40,341
Maintenance of plant and equipment	12,744	13,906	14,462	15,391	15,702	19,228
Community services	3,699	4,187	4,357	4,678	5,305	5,609
Food services	8,538	8,921	9,620	10,386	11,041	11,375
Interest on long-term debt	-	-	-	72	127	642
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>
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>
Business-type Activities						
James T. Rouse Theatre	54	98	86	91	148	148
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>

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

Table 2

Howard County Public School System
Changes in Net Assets
Last Six Fiscal Years *
(amounts expressed in thousands)

<u>Program Revenues</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Charges for Services						
Regular education	\$ 1,019	\$ 2,789	\$ 1,197	\$ 1,345	\$ 2,709	\$ 4,094
Special education	6	3				
Operation of plant	1,099	810	1,397	813	2,544	1,957
Food services	6,164	6,340	6,722	6,975	7,650	8,913
Operating grants and contributions	55,338	63,405	68,141	72,830	47,484	82,016
Capital grants and contributions	56,113	57,415	52,412	84,406	98,717	88,505
Total Program Revenues	<u>119,739</u>	<u>130,762</u>	<u>129,869</u>	<u>166,369</u>	<u>159,104</u>	<u>185,485</u>
Business-type Activities						
James T. Rouse Theatre	107	156	151	131	133	155
Total School System Revenues	<u>119,846</u>	<u>130,918</u>	<u>130,020</u>	<u>166,500</u>	<u>159,237</u>	<u>185,640</u>
Total Governmental Net Expense	<u>(311,537)</u>	<u>(329,985)</u>	<u>(381,718)</u>	<u>(379,930)</u>	<u>(438,891)</u>	<u>(453,430)</u>
<u>General Revenues and Other Changes in Net Assets</u>						
General revenues						
Local appropriations	274,540	292,401	310,590	334,590	362,590	393,711
State Aid	78,685	82,158	99,134	105,937	144,949	132,322
Federal Aid	160	204	260	191	172	183
Interest and investment earnings	296	140	149	373	1,010	2,001
Miscellaneous	666	1,047	1,264	1,293	2,518	654
Total General Revenues	<u>354,347</u>	<u>375,950</u>	<u>411,397</u>	<u>442,384</u>	<u>511,239</u>	<u>528,871</u>
Changes in Net Assets- Governmental Funds	42,757	45,908	29,614	62,414	72,363	75,435
Changes in Net Assets - James Rouse Theatre	53	57	65	40	(15)	6
Changes in Net Assets	<u>42,810</u>	<u>45,965</u>	<u>29,679</u>	<u>62,454</u>	<u>72,348</u>	<u>75,441</u>
Net Assets - Beginning of year	528,307	510,764	556,729	586,408	648,862	721,210
Net Assets - End of Year	<u>\$ 571,117</u>	<u>\$ 556,729</u>	<u>\$ 586,408</u>	<u>\$ 648,862</u>	<u>\$ 721,210</u>	<u>\$ 796,651</u>

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

Table 3

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

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<u>General Fund</u>										
Reserved	\$ 2,729	\$ 3,470	\$ 3,091	\$ 4,285	\$ 1,904	\$ 4,150	\$ 2,343	\$ 3,365	\$ 4,515	\$ 5,942
Unreserved	<u>1,502</u>	<u>2,659</u>	<u>1,494</u>	<u>168</u>	<u>(16)</u>	<u>(268)</u>	<u>648</u>	<u>574</u>	<u>2,469</u>	<u>5,594</u>
<i>Total General Fund</i>	4,231	6,129	4,585	4,453	1,888	3,882	2,991	3,939	6,984	11,536
<u>All other governmental funds</u>										
Reserved	358	417	809	789	675	1,103	2,105	168	412	324
Unreserved										
Special Revenue fund	808	598	561	981	1,263	841	184	1,248	1,073	1,549
Capital Projects fund	<u>3,086</u>	<u>4,254</u>	<u>5,695</u>	<u>6,173</u>	<u>4,420</u>	<u>2,786</u>	<u>5,134</u>	<u>7,412</u>	<u>6,454</u>	<u>5,311</u>
<i>Total all other governmental funds</i>	<u>4,252</u>	<u>5,269</u>	<u>7,065</u>	<u>7,943</u>	<u>6,358</u>	<u>4,730</u>	<u>7,423</u>	<u>8,828</u>	<u>7,939</u>	<u>7,184</u>
<i>Total all Governmental Funds</i>	<u>\$ 8,483</u>	<u>\$ 11,398</u>	<u>\$ 11,650</u>	<u>\$ 12,396</u>	<u>\$ 8,246</u>	<u>\$ 8,612</u>	<u>\$ 10,414</u>	<u>\$ 12,767</u>	<u>\$ 14,923</u>	<u>\$ 18,720</u>

* Modified accrual basis of accounting

Table 4

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

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues										
<i>Intergovernmental revenues</i>										
Local	205,790	222,284	237,289	274,518	313,617	324,899	359,753	412,225	446,121	479,538
State	98,163	105,130	110,482	121,087	132,065	151,393	146,299	155,153	183,371	189,850
Federal	6,840	7,681	9,339	10,932	13,671	15,274	18,159	22,574	17,093	17,777
Earnings on interest and investment	1,573	1,597	1,593	1,467	425	214	173	456	1,138	2,368
Charges for services	6,910	7,390	7,876	8,751	9,270	9,158	10,612	10,400	11,450	14,377
Miscellaneous revenues	198	367	452	204	666	1,100	1,265	1,293	2,518	654
Total Revenues	<u>319,474</u>	<u>344,449</u>	<u>367,031</u>	<u>416,959</u>	<u>469,714</u>	<u>502,038</u>	<u>536,261</u>	<u>602,101</u>	<u>661,691</u>	<u>704,564</u>
Expenditures										
<i>Instruction</i>										
Regular Education	124,304	132,257	147,185	164,029	183,090	187,712	207,222	218,808	248,244	250,110
Special Education	30,431	33,430	39,675	46,441	52,684	58,532	65,164	71,118	79,623	82,168
<i>Support Services</i>										
General Administration	4,566	4,458	4,702	5,076	5,689	6,259	6,901	7,872	8,466	9,240
Mid-Level Administration	21,761	24,182	25,669	27,474	29,765	30,976	33,277	35,251	43,490	45,347
Pupil Personnel	923	1,096	1,209	1,613	1,730	1,775	1,806	2,020	2,465	2,396
Health	1,633	1,855	2,228	2,483	2,648	2,889	3,208	3,557	4,355	4,532
Pupil Transportation	13,649	14,613	15,630	17,709	19,242	20,891	22,905	23,651	27,138	28,861
Operation of Plant	18,196	19,233	20,634	21,961	23,185	23,689	26,257	28,071	31,478	35,523
Plant Maintenance	8,674	9,029	10,463	10,719	11,167	11,713	12,376	12,885	16,247	15,410
Fixed Charges	58,709	58,768	62,815	67,348	74,367	85,105	91,204	98,666	83,280	120,871
Community Services	2,663	3,360	3,309	3,410	3,559	3,672	3,848	5,176	4,780	4,914
Food Services	7,332	7,396	7,189	7,656	8,251	8,745	9,620	10,398	11,041	11,375
Capital Outlay	28,447	31,632	25,284	39,954	58,489	59,713	50,671	85,967	104,788	91,375
Total	<u>321,288</u>	<u>341,309</u>	<u>365,992</u>	<u>415,873</u>	<u>473,866</u>	<u>501,671</u>	<u>534,459</u>	<u>603,440</u>	<u>665,395</u>	<u>702,122</u>
Excess (deficit) of revenues over expenditures	<u>(1,814)</u>	<u>3,140</u>	<u>1,039</u>	<u>1,086</u>	<u>(4,152)</u>	<u>367</u>	<u>1,802</u>	<u>(1,339)</u>	<u>(3,704)</u>	<u>2,442</u>
<i>Other Financing Sources (Uses)</i>										
Proceeds from capital leases	-	-	-	-	-	-	-	4,093	7,648	4,504
Payments on capital leases	-	-	-	-	-	-	-	(402)	(1,787)	(3,149)
Net change in fund balances	<u>(1,814)</u>	<u>3,140</u>	<u>1,039</u>	<u>1,086</u>	<u>(4,152)</u>	<u>367</u>	<u>1,802</u>	<u>2,352</u>	<u>2,157</u>	<u>3,797</u>

* Modified accrual basis of accounting

** Rouse Theatre began operations in FY 1998

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

Source: HCPSS Records

Table 5

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

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Capacity</u>	<u>% of Capacity</u>
<u>Elementary Schools</u>												
Atholoton	538	508	518	534	511	493	499	485	426	418	465	89.9%
Bellows Springs	-	-	-	-	-	-	695	740	668	729	596	122.3%
Bolman Bridge	727	704	704	682	667	617	626	605	562	582	616	94.5%
Bryant Woods	355	357	332	316	312	284	329	360	372	398	355	112.1%
Bushy Park	674	528	544	581	633	676	707	688	655	688	484	142.1%
Centennial Lane	655	639	647	658	654	638	607	590	580	563	528	106.6%
Clarksville	425	405	459	469	452	668	669	677	675	559	634	88.2%
Clemens Crossing	690	670	662	642	597	554	531	482	459	462	478	96.7%
Cradlerock-lower	463	474	459	454	445	404	422	416	412	459	465	98.7%
Dayton Oaks	-	-	-	-	-	-	-	-	-	574	788	72.8%
Deep Run	776	784	792	783	764	777	641	600	542	592	557	106.3%
Elkridge	739	744	773	817	813	760	673	691	663	638	610	104.6%
Forest Ridge	762	651	677	698	663	664	637	601	609	603	560	107.7%
Fulton	453	523	533	587	607	646	760	756	758	683	772	88.5%
Gorman Crossing	-	419	448	424	427	453	511	553	522	566	540	104.8%
Guildford	490	479	470	510	496	457	401	412	424	470	462	101.7%
Hammond	593	593	632	675	660	649	535	518	504	492	547	89.9%
Hollifield Station	541	588	666	725	787	839	819	818	784	788	666	118.3%
Ilchester	677	751	804	825	856	882	629	593	552	591	617	95.8%
Jeffers Hill	406	402	379	479	500	512	356	366	385	397	421	94.3%
Laurel Woods	661	467	462	456	437	467	480	482	465	483	496	97.4%
Lisbon	532	548	574	591	602	591	602	555	530	486	553	87.9%
Longfellow	423	443	392	385	348	393	394	389	365	395	396	99.7%
Manor Woods	554	576	603	620	666	689	694	683	673	639	647	98.8%
Northfield	652	642	649	634	628	626	616	611	620	639	522	122.4%
Phelps Luck	531	503	512	579	585	574	499	496	494	589	496	118.8%
Pointers Run	674	655	818	990	1,131	922	885	854	770	790	754	104.8%
Rockburn	685	739	785	620	665	694	613	662	625	709	711	99.7%
Running Brook	341	320	312	304	316	299	309	342	290	339	405	83.7%
St. John's Lane	563	609	631	653	661	693	744	713	751	785	553	142.0%
Steven's Forest	391	353	344	316	305	304	358	335	316	292	333	87.7%
Swansfield	617	579	582	590	574	518	492	520	507	513	484	106.0%
Talbort Springs	477	450	452	482	478	484	487	513	431	426	421	101.2%
Thunder Hill	409	401	408	394	386	374	383	339	319	317	346	91.6%
Triadelphia Ridge	-	615	643	662	671	694	693	701	655	432	544	79.4%
Waterloo	498	550	581	605	666	643	586	560	518	599	660	90.8%
Waverly	477	529	582	612	594	658	653	626	599	665	616	108.0%
West Friendship	469	346	375	410	411	421	440	426	413	310	396	78.3%
Worthington	569	581	598	599	618	658	523	491	527	551	541	101.8%
Total Elementary Schools	<u>19,487</u>	<u>20,125</u>	<u>20,802</u>	<u>21,361</u>	<u>21,586</u>	<u>21,675</u>	<u>21,498</u>	<u>21,249</u>	<u>20,420</u>	<u>21,211</u>	<u>21,035</u>	<u>100.8%</u>

Table 5

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

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	Capacity	% of Capacity
<u>Middle Schools</u>												
Bonnie Branch	-	-	-	-	522	574	655	675	667	677	662	102.3%
Burleigh Manor	614	636	620	589	533	507	607	588	584	652	662	98.5%
Clarksville	702	868	609	685	762	794	677	693	729	748	662	113.0%
Cradlerock-upper	570	522	474	514	581	605	535	494	484	462	584	79.1%
Dunloggon	520	535	558	572	562	558	523	544	533	557	526	105.9%
Elkridge Landing	626	606	614	656	612	692	704	695	691	701	662	105.9%
Ellicott Mills	457	487	539	595	470	487	546	585	583	684	662	103.3%
Folly Quarter	-	-	-	-	-	-	664	628	625	559	662	84.4%
Glenwood	627	667	728	771	789	805	582	629	651	670	584	114.7%
Hammond	559	584	642	656	654	664	626	641	630	670	584	114.7%
Harper's Choice	586	600	599	616	604	622	640	611	560	551	506	108.9%
Lime Kiln	-	-	523	570	575	513	531	585	608	648	701	92.4%
Mayfield Woods	761	775	768	804	575	614	584	580	548	517	682	75.8%
Mount View	592	619	701	720	791	850	667	691	721	721	662	108.9%
Murray Hill	515	527	530	514	584	590	604	591	634	684	662	103.3%
Oakland Mills	486	505	494	479	458	473	485	472	443	478	506	94.5%
Patapsco	530	577	607	679	725	775	721	743	762	681	662	102.9%
Patuxent Valley	673	709	714	727	766	747	729	723	739	728	662	110.0%
Wilde Lake	475	452	457	525	575	576	609	586	523	501	506	99.0%
Total Middle Schools	9,293	9,669	10,177	10,672	11,138	11,446	11,689	11,754	11,715	11,889	11,799	100.8%
<u>High Schools</u>												
Atholton	1,070	1,097	1,114	1,187	1,221	1,179	1,198	1,252	1,365	1,374	1,332	103.2%
Centennial	1,120	1,146	1,157	1,214	1,276	1,406	1,529	1,619	1,498	1,466	1,332	110.1%
Glen Elg	901	942	973	1,021	1,071	1,153	1,181	1,279	1,200	1,181	931	126.9%
Hammond	1,048	1,136	1,161	1,276	1,324	1,283	1,321	1,343	1,305	1,323	1,332	99.3%
Howard	1,144	1,242	1,249	1,259	1,174	1,201	1,174	1,242	1,332	1,398	1,332	105.0%
Long Reach	1,288	1,383	1,562	1,440	1,502	1,512	1,572	1,488	1,428	1,372	1,332	103.0%
Marriotts Ridge	-	-	-	-	-	-	-	-	577	888	1,332	66.7%
Mt. Hebron	1,216	1,265	1,350	1,481	1,598	1,564	1,578	1,618	1,450	1,427	1,332	107.1%
Oaklands Mills	947	985	995	997	981	1,025	1,062	1,111	1,159	1,168	1,332	87.7%
Reservoir	-	-	-	-	-	608	926	1,317	1,396	1,465	1,332	110.0%
River Hill	1,225	1,364	1,511	1,573	1,756	1,654	1,647	1,549	1,434	1,407	1,332	105.6%
Wilde Lake	1,428	1,460	1,409	1,479	1,576	1,495	1,441	1,417	1,434	1,389	1,332	104.3%
Total High Schools	11,387	12,020	12,481	12,927	13,479	14,080	14,629	15,235	15,578	15,858	15,583	101.8%
<u>Special Schools</u>												
Cedar Lane	89	95	103	105	115	112	101	95	87	90	183	49.2%
Total All Schools	40,256	41,909	43,563	45,065	46,318	47,313	47,917	48,333	47,800	49,048	48,600	100.9%

Table 6

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

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>Elementary School</u>										
PreKindergarten	246	276	407	540	586	663	706	751	804	893
Kindergarten	2,849	2,870	2,865	2,895	2,875	2,865	2,772	2,674	2,846	2,943
Grade 1	3,217	3,247	3,429	3,430	3,522	3,405	3,318	3,294	3,071	3,272
2	3,289	3,389	3,485	3,528	3,519	3,621	3,502	3,465	3,425	3,247
3	3,170	3,398	3,566	3,590	3,671	3,628	3,694	3,565	3,531	3,519
4	3,266	3,265	3,606	3,672	3,653	3,790	3,657	3,782	3,646	3,634
5	3,147	3,347	3,444	3,706	3,760	3,703	3,849	3,718	3,893	3,703
SP	303	333	-	-	-	-	-	-	-	-
Total Elementary School	<u>19,487</u>	<u>20,125</u>	<u>20,802</u>	<u>21,361</u>	<u>21,586</u>	<u>21,675</u>	<u>21,498</u>	<u>21,249</u>	<u>21,216</u>	<u>21,211</u>
<u>Middle School</u>										
Grade 6	3,045	3,172	3,348	3,538	3,807	3,827	3,831	3,900	3,808	3,997
7	2,923	3,117	3,242	3,585	3,598	3,884	3,919	3,845	3,969	3,864
8	2,924	3,000	3,139	3,474	3,661	3,642	3,939	3,921	3,938	4,028
SP	401	380	448	75	72	93	-	88	-	-
Total Middle School	<u>9,293</u>	<u>9,669</u>	<u>10,177</u>	<u>10,672</u>	<u>11,138</u>	<u>11,446</u>	<u>11,689</u>	<u>11,754</u>	<u>11,715</u>	<u>11,889</u>
<u>High School</u>										
Grade 9	3,222	3,210	3,309	3,671	3,912	4,053	4,015	4,251	4,308	4,419
10	2,879	3,084	3,038	3,252	3,477	3,598	3,887	3,835	3,988	4,025
11	2,557	2,741	2,890	3,021	3,055	3,241	3,515	3,735	3,671	3,892
12	2,349	2,512	2,659	2,844	2,888	2,972	3,212	3,325	3,611	3,522
SP	380	473	585	139	147	216	-	89	-	-
Total High School	<u>11,387</u>	<u>12,020</u>	<u>12,481</u>	<u>12,927</u>	<u>13,479</u>	<u>14,080</u>	<u>14,629</u>	<u>15,235</u>	<u>15,578</u>	<u>15,858</u>
Special Education	<u>89</u>	<u>95</u>	<u>103</u>	<u>105</u>	<u>115</u>	<u>112</u>	<u>101</u>	<u>95</u>	<u>87</u>	<u>90</u>
Total Enrollment	<u>40,256</u>	<u>41,909</u>	<u>43,563</u>	<u>45,065</u>	<u>46,318</u>	<u>47,313</u>	<u>47,917</u>	<u>48,333</u>	<u>48,596</u>	<u>49,048</u>

Table 7

**Howard County Public School System
Howard County, Maryland
Principal Employers
June 30, 2007
Current Year and Nine Years Ago**

Employer	2007			1998		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Howard County Public School System	6,872	1	4.75%	4,841	1	4.33%
Johns Hopkins Applied Physics Laboratory	4,050	2	2.73%	2,700	2	2.57%
Howard County Government	2,692	3	1.85%	2,364	3	2.20%
Verizon Wireless	2,028	4	1.44%	-	-	-
Howard County General Hospital	1,700	5	1.22%	1,200	4	0.77%
Columbia Association	1,600	6	1.19%	-	-	-
Artitron, Inc.	1,500	7				
SAIC	1,400	8	0.79%	-	-	-
Giant Food, Inc	1,011	9	0.73%	1,200	4	1.14%
MICROS	815	10	0.59%	-	-	-
SYSCO Food Services of Baltimore	-		0.55%	945	6	0.81%
Allied Signal Technical Services	-		-	900	7	0.86%
The Rouse Company	-		-	850	8	0.81%
Columbia Medical Plan	-		-	850	8	0.68%
MD Health Enterprises	-		-	708	10	0.67%
Total	23,668		17.04%	16,558		15.76%

Source: Howard County, Maryland 2006 Comprehensive Annual Financial Report

Table 8

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

<u>Fiscal Year</u>	<u>Estimated Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Student Enrollment</u>	<u>Unemployment Rate</u>
1998	234,710	3,742,882,569	15,947	40,010	2.8%
1999	240,411	4,181,298,415	17,392	41,633	2.2%
2000	246,984	4,659,461,136	18,865	43,156	1.9%
2001	255,698	4,123,918,728	20,039	44,525	2.6%
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%

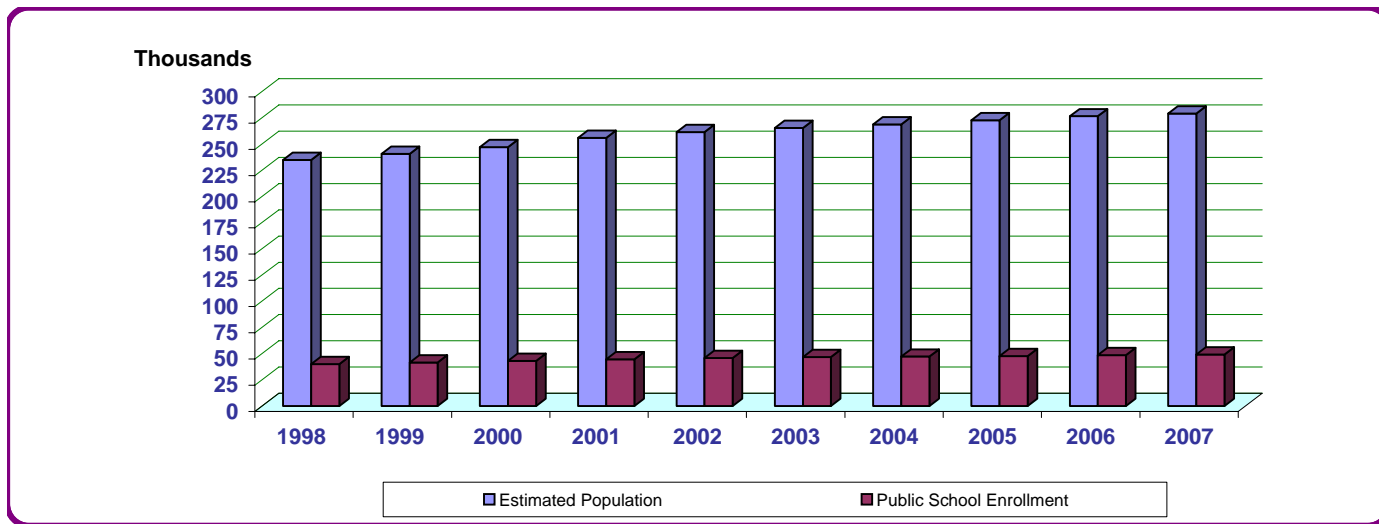


Table 9

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

Fiscal Year	Per Pupil Expenditures *		Number of School Bus Riders	Food Services *** Lunches Served
	Dollars	State ** Rank		
1998	7,190	4	35,937	2,550,000
1999	7,434	4	37,080	2,650,000
2000	7,880	5	38,355	2,650,000
2001	8,432	6	39,927	2,650,000
2002	8,977	6	41,008	2,625,000
2003	8,969	6	41,663	2,754,000
2004	9,928	5	42,537	2,838,000
2005	10,611	4	39,603	2,934,369
2006	10,585	3	41,345	3,463,397
2007	****	****	41,682	3,398,892

* Source: Maryland State Department of Education

** Ranking of the State's 24 school systems

*** Source: HCPSS Food and Nutrition Services

**** 2007 data not available

Table 10

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

	Scholastic Achievement Test			Maryland State Assessment *			High School Assessment				Maryland State			
	Howard County	Maryland State	National	Elementary	Middle	High	English	Biology	Government	Alegabra	English	Biology	Government	Alegabra
	2007 ****	1,633	1,498	1,511	89.3	83.0	***	87.5	87.5	89.6	87.5	70.9	70.3	73.5
2006 ****	1,636	1,511	1,518	88.8	85.2	***	78.2	82.1	85.0	85.2	60.1	67.7	74.2	66.6
2005	1,115	1,026	1,028	88.5	85.4	***	76.5	76.6	81.8	74.3	57.3	57.6	66.4	53.8
2004	1,097	1,026	1,026	86.0	81.0	75.0	73.7	79.4	83.1	74.0	53.0	60.9	65.9	58.8
2003	1,096	1,024	1,026	82.0	81.0	70.0	61.5	73.3	78.5	69.4	39.8	54.3	60.2	53.2
2002	1,084	1,020	1,020	**	**	55.0	65.9	72.1	72.3	66.8	43.6	54.5	57.3	52.1
2001	1,084	1,018	1,020	**	**	**	**	**	**	**	**	**	**	**
2000	1,071	1,016	1,019	**	**	**	**	**	**	**	**	**	**	**
1999	1,081	1,014	1,016	**	**	**	**	**	**	**	**	**	**	**
1998	1,084	1,014	1,017	**	**	**	**	**	**	**	**	**	**	**

* Maryland State Assessment standard is 70.0
 ** Maryland State Assessment and High School Assessment scores were not available prior to FY 2002
 *** Group now assessed through the High School Assessment Program
 **** 2006 SAT scores reflect the addition of the writing component to the test

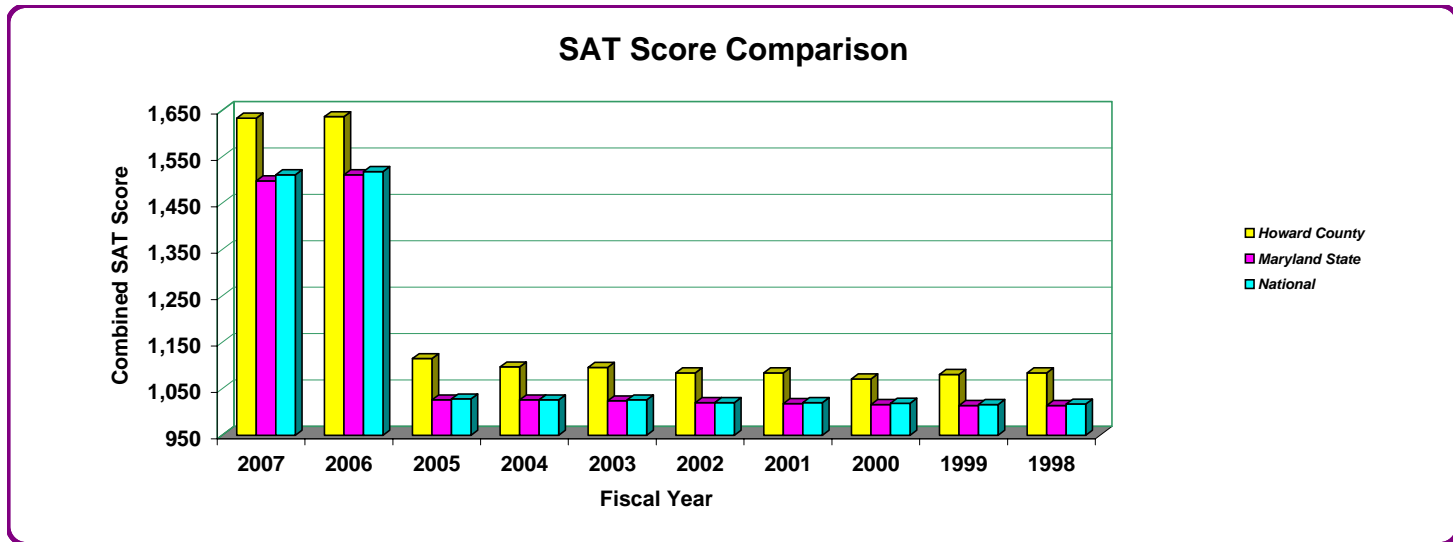
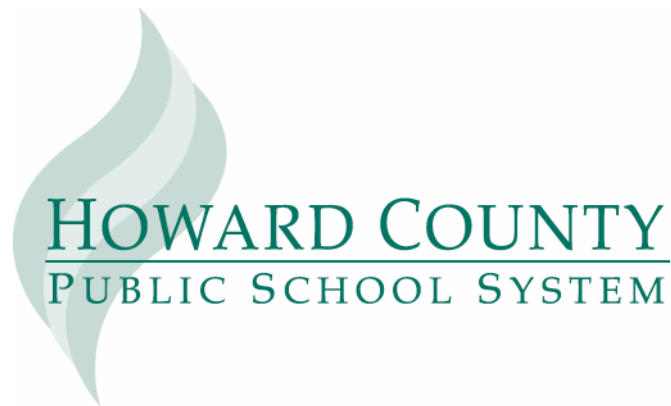


Table 11

Howard County Public Schools
Insurance Summary FY 2007

Type of Coverage	Name of Company	Policy Period	Limits
Workers Compensation	Self-Insured		
Excess Workers Compensation	Safety National	7/1/06 - 6/30/07	\$450,000 retention Specific excess limit \$25 million
Comprehensive General Liability	MABE Group Insurance Pool	7/1/06 - 6/30/07	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Personal Injury Liability	MABE Group Insurance Pool	7/1/06 - 6/30/07	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Automobile Liability	MABE Group Insurance Pool	7/1/06 - 6/30/07	\$100,000 combined single limit \$1 million combined single limit for Bus Contractors
Personal Injury Protection	MABE Group Insurance Pool	7/1/06 - 6/30/07	\$2,500 per covered person for any one accident
Automobile Physical Damage	MABE Group Insurance Pool	7/1/06 - 6/30/07	Actual cash value
Garage Keepers Liability	MABE Group Insurance Pool	7/1/06 - 6/30/07	\$100,000 per loss
Criminal Proceeding and Intentional	MABE Group Insurance Pool	7/1/06 - 6/30/07	\$50,000 per covered person
Property and Boiler and Machinery	MABE Group Insurance Pool	7/1/06 - 6/30/07	\$500,000 per occurrence
Excess Property and Boiler and Machinery	PEPIP	7/1/06 - 6/30/07	\$350,000,000 Total Property / Boiler and Machinery 100,000,000
Crime	St. Paul	7/1/05 - 9/01/07	\$2,500,000 per occurrence
School Board Legal Liability	MABE Group Insurance Pool	7/1/06 - 6/30/07	\$100,000 per occurrence \$5 million per occurrence should sovereign immunity be abrogated

Source: HCPSS Office of Risk Management



**10910 Route 108
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