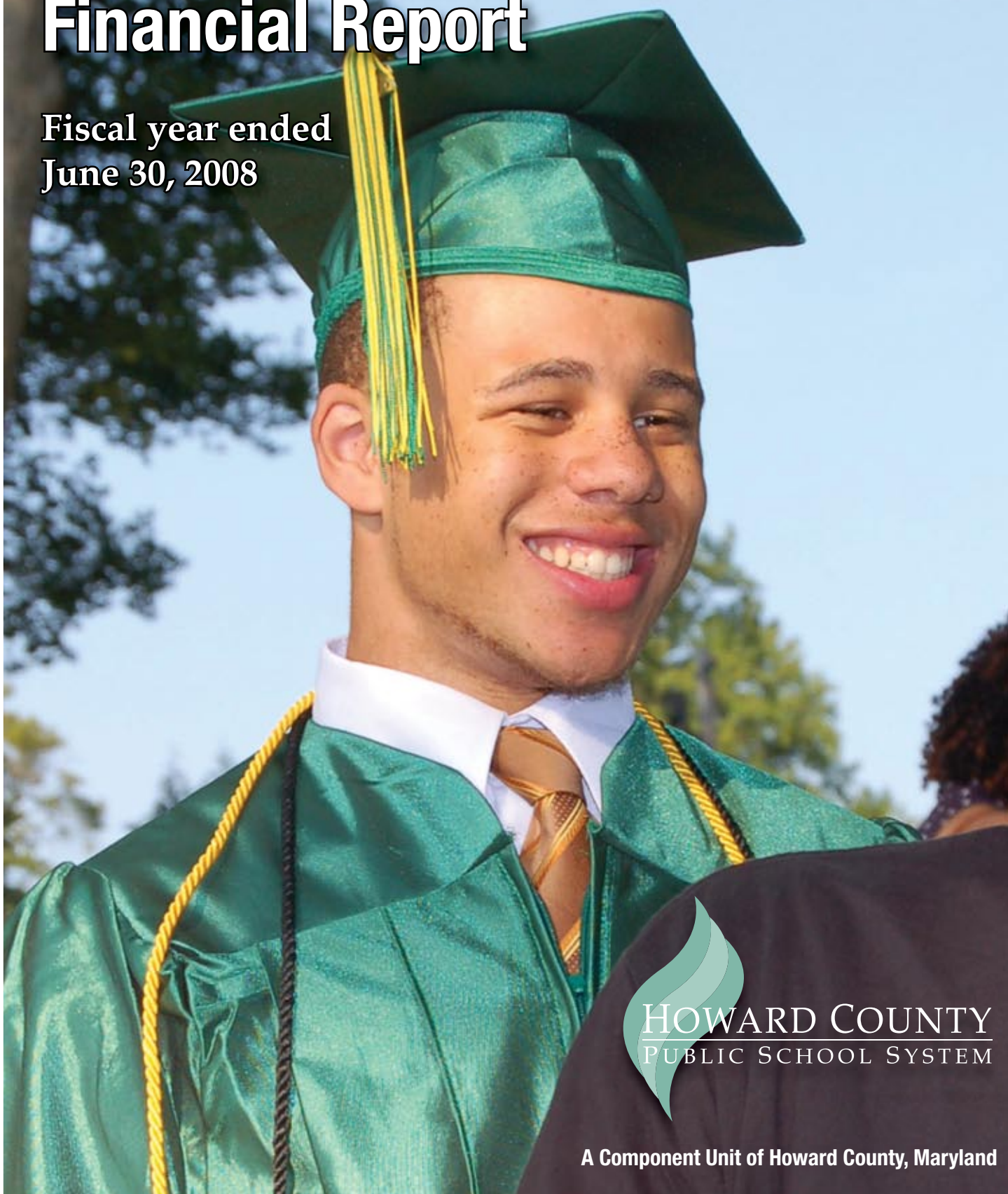


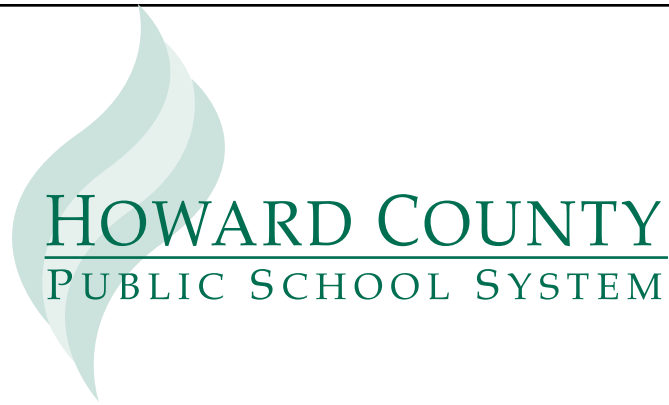
Comprehensive Annual Financial Report

Fiscal year ended
June 30, 2008



HOWARD COUNTY
PUBLIC SCHOOL SYSTEM

A Component Unit of Howard County, Maryland



Mission

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

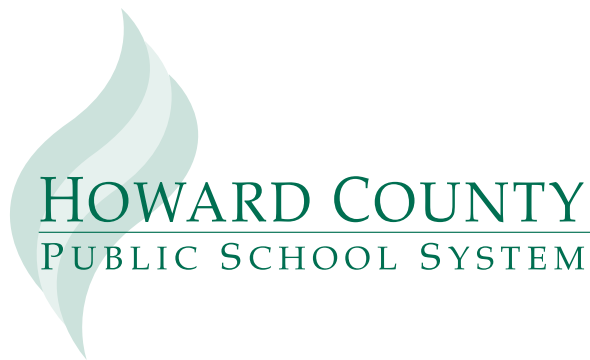
Goals

Goal 1

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

Goal 2

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



A Component Unit of Howard County, Maryland

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2008

Prepared By:

The Department of Finance

*10910 State Route 108
Ellicott City, Maryland 21042-6198
(410) 313-1530*

Raymond H. Brown

Chief Financial Officer

Beverly Davis, CPA

Director of Finance

Iris Ritter, CPA

Accounting Manager

Accountants

Terry W. Brukiewa

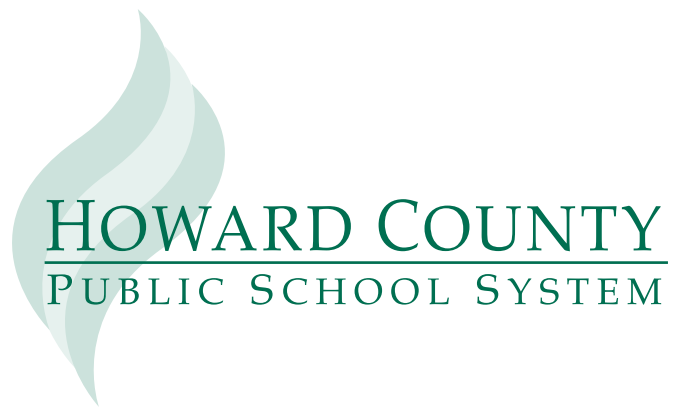
Susan Daly, CPA

Janet Heiser

Jane Metzler

Gina Petrick

Barbara Pindell



Introductory Section



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Letter of Transmittal



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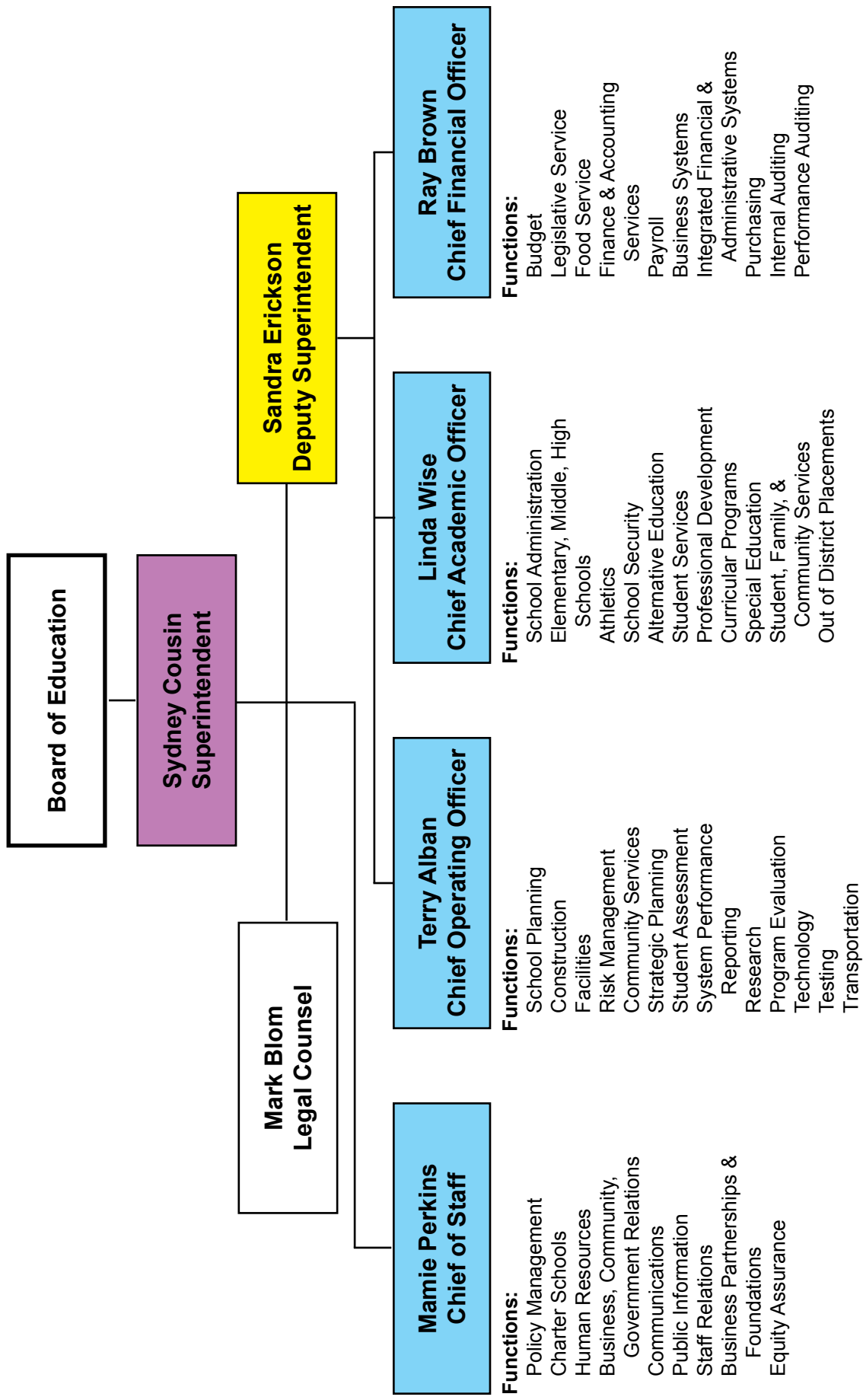
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Howard County Public School System Organizational Chart (as of July 2008)



Howard County Board of Education

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

Board of Education

Frank Aquino
Chairperson



Ellen Flynn Giles
Vice Chairperson



Larry Cohen
Member



Sandra French
Member



Patricia S. Gordon
Member



Diane Mikulis
Member



Janet Siddiqui, M.D.
Member



Howard County Public Schools Officials

Superintendent of Schools



Dr. Sydney L. Cousin

Sandra Erickson
Deputy Superintendent

Mamie J. Perkins
Chief of Staff

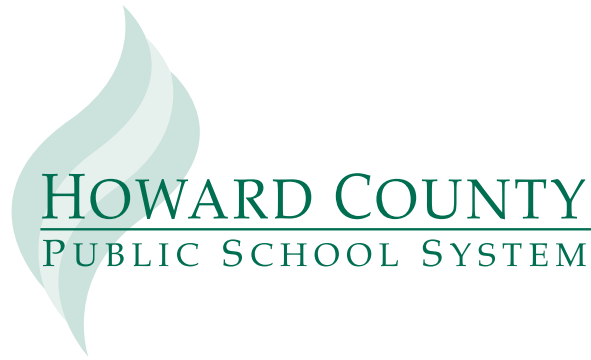
Theresa Alban
Chief Operating Officer

Raymond Brown
Chief Financial Officer

Linda Wise
Chief Academic Officer

Independent Auditor

Clifton Gunderson LLP
Timonium Corporate Center
9515 Deereco Road
Suite 500
Timonium, Maryland 21093
Telephone (410) 453-0900
Fax (410) 453-0914



November 30, 2008

Members of the Board of Education:

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

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

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

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

Entity Services

HCPSS has been rated as one of the highest performing districts in Maryland for the last decade. With a guiding mission of “*Ensuring excellence in teaching and learning, so that each student participates responsibly in a diverse and changing world*”, HCPSS provides its students and parents with a variety of services. Located in central Maryland, HCPSS serves a diverse population of approximately 49,500 students. HCPSS has realized an increase of nearly 8,300 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 26 additions to existing schools and built 13 new schools – 6 elementary schools, 3 middle schools, 2 special schools and 2 high schools – since 1998. Within its 251 square miles, HCPSS operated seventy three schools in the 2007-2008 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 federal No Child Left Behind Act and Maryland’s Bridge to Excellence legislation have shaped the educational landscape across the state for the past five years. The Howard County Public School System welcomes the call for achievement standards and fully accepts responsibility for student performance.

While overall performance is important, the true measure of a school system is the academic achievement of each and every child. Therefore, the Board of Education, the Superintendent, and HCPSS teachers and staff, have embarked on a “journey of excellence” to ensure each child meets rigorous academic standards. Meeting that challenge demands determination and perseverance — and the will to take the Howard County Public School System from being a very good school system to being a great one.

Accelerating student achievement one child at a time requires a deep level of commitment on the part of all involved. That commitment is reflected in the school system’s mission to ensure excellence in teaching and learning so that each student will participate responsibly in a diverse and changing world; and in the two strategic goals.

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

Economic Condition and Outlook

HCPSS receives approximately 70 percent of its operating budget from Howard County and approximately 28 percent from Maryland State. The economic condition and outlook of the county, therefore, plays a substantial role in the economic condition of HCPSS. At the same time, HCPSS remains a cornerstone in the economic growth of the county, as people are drawn to the county because of the quality reputation of the school system. In addition, HCPSS is the largest employer in the county,

Howard County has the state’s highest median household income level and is fourth in national ranking of suburban counties at more than \$91,000. Its economy has slowed along with the national and state economy, though it has continued to grow with employment growth of over 1 percent and personal income growth at 4.4 percent.

The County’s average unemployment rate for FY 2008 was 3.2 percent and was 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).

Economic Condition and Outlook (continued)

Commercial real estate vacancy rates have risen for the second straight year with a notable increase in inventory. The rental market, though somewhat soft, remains stable. In the residential housing market, inventories are at all time highs with the credit crisis and mortgage defaults contributing to housing market instability.

Looking ahead, the County's economic performance is expected to slow during FY 2009. Given the struggling national economy, weakness in many Maryland industries, housing market conditions and low consumer confidence, the economy is expected to remain very sluggish through the middle of FY 2010. In this economic environment, it is imperative that HCPSS proceed prudently and responsibly to ensure all available resources are effectively and efficiently used on programs and services that produce measurable results, improve student performance system-wide, and contribute to the success of all students.

School System Budget

The school system's final Approved Operating Budget for FY 2009 appropriations for revenue and expense totaled \$657.1 million. This was an increase of \$44.2 million or 7.2 percent over the FY 2008 appropriations. The County's increase of \$27.6 million exceeded its statutory obligation for maintenance of effort.

The FY 2009 Approved Operating Budget was crafted to maintain our momentum towards improved academic performance, including continuation of efforts to provide critical support services required to support 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.

Long-term Financial Planning (continued)

The FY 2008 Approved Operating Budget provided funding for the following:

- Continuation of the current level of service and quality education
- Adding a new International Student Services program
- 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 Phase II 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 2009:

- Continuation of the current level of service and quality education
- Adding a mathematics instructional support teacher and a technology teacher in some middle schools
- Services targeted at making sure all students pass high school assessments
- Additional resources supporting higher enrollment of non-English speaking students
- Adding positions to lower the class size ratio in high schools
- Efforts to build and expand school-based leadership capacity
- Adding positions to implement the school system's communications plan
- A new training coordinator to support services for students with learning disabled/attention deficit hyperactivity disorders

Internal Controls

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

Budgetary Controls

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

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

Budgetary control is maintained at the various expenditure levels by the encumbrance of estimated purchase amounts prior to release of purchase orders to vendors. Purchase orders that result in an over-obligation of available balances are not released until additional appropriations are made available. Open encumbrances are reported as reservations of fund balance at June 30, 2008.

Risk Management - Self-Insurance Programs

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

Cash Management and Investments

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

Cash Management and Investments

In accordance with the investment policy, investment of temporarily idle funds is limited to securities issued or guaranteed by the Federal government. Bank balances are covered by collateral held in the pledging bank's trust department. Investments are made principally with the Maryland Local Government Investment Pool (MLGIP), which provides all local government units in the State a safe investment vehicle for the short-term investment of funds. Such investments provided income for all funds of approximately \$1.9 million in FY 2008 which was approximately the same as FY 2007. The interest recorded and the average rate of return is considered reasonable given current economic and investment market conditions.

Debt Management

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

Independent Audit

The financial statements for FY 2008 have been audited by Clifton Gunderson LLP in accordance with Section 5-109 of the Public School Laws of Maryland. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the OMB Circular A-133 Single Audit Act Amendments of 1996. The auditor's report on the financial statements is included in the Financial Section of this report. We are pleased to report that the auditor's report on the school system's basic financial statements is without qualification, the highest possible outcome of the audit process.

System Achievements

Ninety percent of Howard County graduates continue their education beyond high school with 66% attending four-year colleges or universities. The system-wide average SAT scores in FY 2008 were significantly higher than state and national average SAT scores with scores of 540 in critical reading, 557 for mathematics and 544 for writing for a combined score of 1641. The average score was 130 points above the national average and 143 points above the Maryland state average.

Students at all levels are demonstrating academic achievement. In FY 2007, 57 percent of the school system's seniors scored a 3 or higher on Advanced Placement Exams – three times the national average and double the average in Maryland. A score of 3 on an AP exam is often used by universities to award credit for a college level course in that subject. To consistently have more than half of all tests receiving this score is an impressive achievement by HCPSS students.

Awards and Acknowledgments

The Government Finance Officers Association (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, 2007. HCPSS received this prestigious award for the fourth 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, 2007. 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 Programs requirements and we are submitting it to the GFOA and ASBO to determine its eligibility for another certificate.

A very special thank-you to Susan Daly, Cristian Bellagamba, 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.

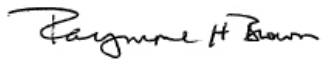
Conclusion

This report has been prepared to provide financial information for FY 2008, which ended June 30, 2008, in a manner consistent with the goals and objectives of the Board of Education of Howard County. Should you have any questions about the financial details, needs or plans for the Howard County Public School System, please do not hesitate to call or write. Contact information is included at the end of the MD&A.

Respectfully submitted,



Beverly Davis, CPA
Director of Finance



Raymond H. Brown
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Howard County Public
School System, Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2007

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



Chris S. Cox
President

Jeffrey L. Ecker
Executive Director

This Certificate of Excellence in
Financial Reporting

is presented to

**Howard County
Public School System**

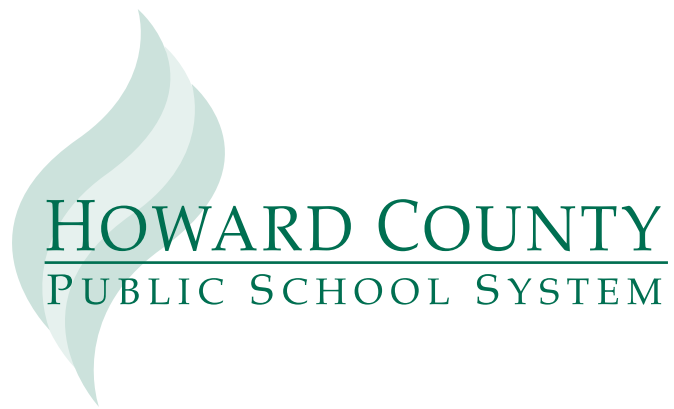


For its Comprehensive Annual
Financial Report
(CAFR)

For the Fiscal Year Ended

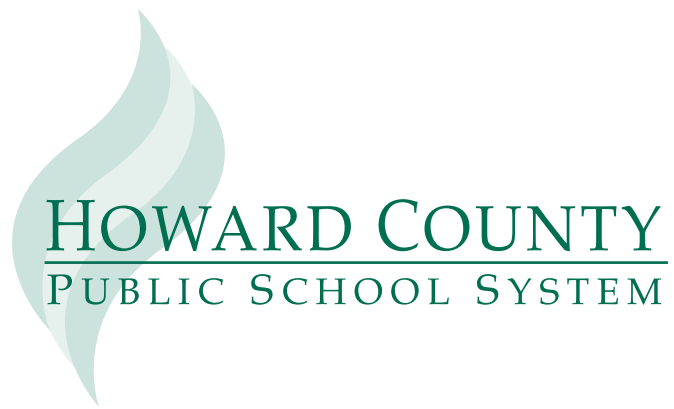
June 30, 2007





Financial Section







Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Howard County Public School System (HCPSS), a component unit of Howard County, Maryland, as of and for the year ended June 30, 2008, which collectively comprise HCPSS's basic financial statements as listed in the table of contents. These financial statements are the responsibility of HCPSS's management. Our responsibility is to express 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 HCPSS as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2008, on our consideration of HCPSS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Offices in 17 states and Washington, DC



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

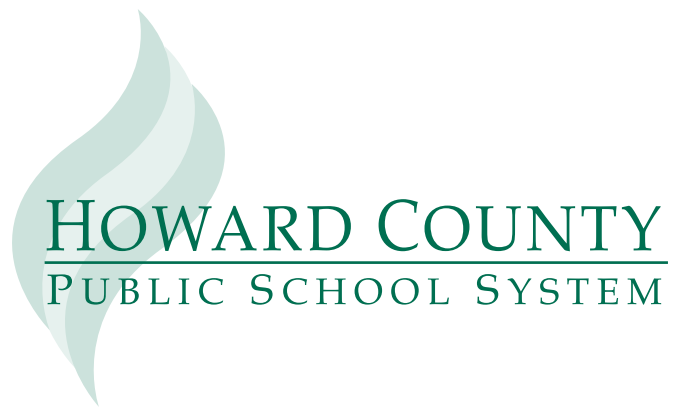
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise HCPSS's basic financial statements. The detailed budgetary comparison schedules and combining fund financial statements presented as other supplementary information are not a required part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

Clifton Henderson LLP

Baltimore, Maryland
September 30, 2008

Management's Discussion and Analysis





Management's Discussion and Analysis



Introduction

As Management of the Howard County Public School System (HCPSS, School System, Board), we have prepared the following discussion and analysis to inform readers of HCPSS annual financial report about the financial information that the enclosed statements present for the year ended June 30, 2008 with selected comparative data for the year ended June 30, 2007. We encourage readers to consider

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

Financial Highlights for FY 2008

Government-wide financial statements

The School System's financial status as of June 30, 2008 and as reflected in **total net assets**, increased by \$52.1 million to \$848.8 million from \$796.7 million, presenting a stronger financial condition at fiscal year end. The increase in total net assets reflects increases in capital assets of \$46.5 million and increases in current and other assets of \$27.9 million, offset by an increase in liabilities of \$22.3 million. The investment made in capital assets was used for new school construction, renovations and additions as well as technology improvements.

General revenues accounted for \$586.2 million, including \$427.2 million in local appropriations and \$155.8 million in aid from the State of Maryland. Program revenues, in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$191.6 million. The total revenue from all sources was \$777.7 million.

The School System had \$725.7 million in **expenses** related to programs, an increase of \$86.6 million from the prior year. The increase in expenses resulted from increases in salaries, the number of teachers and other staff, and in other expenses.

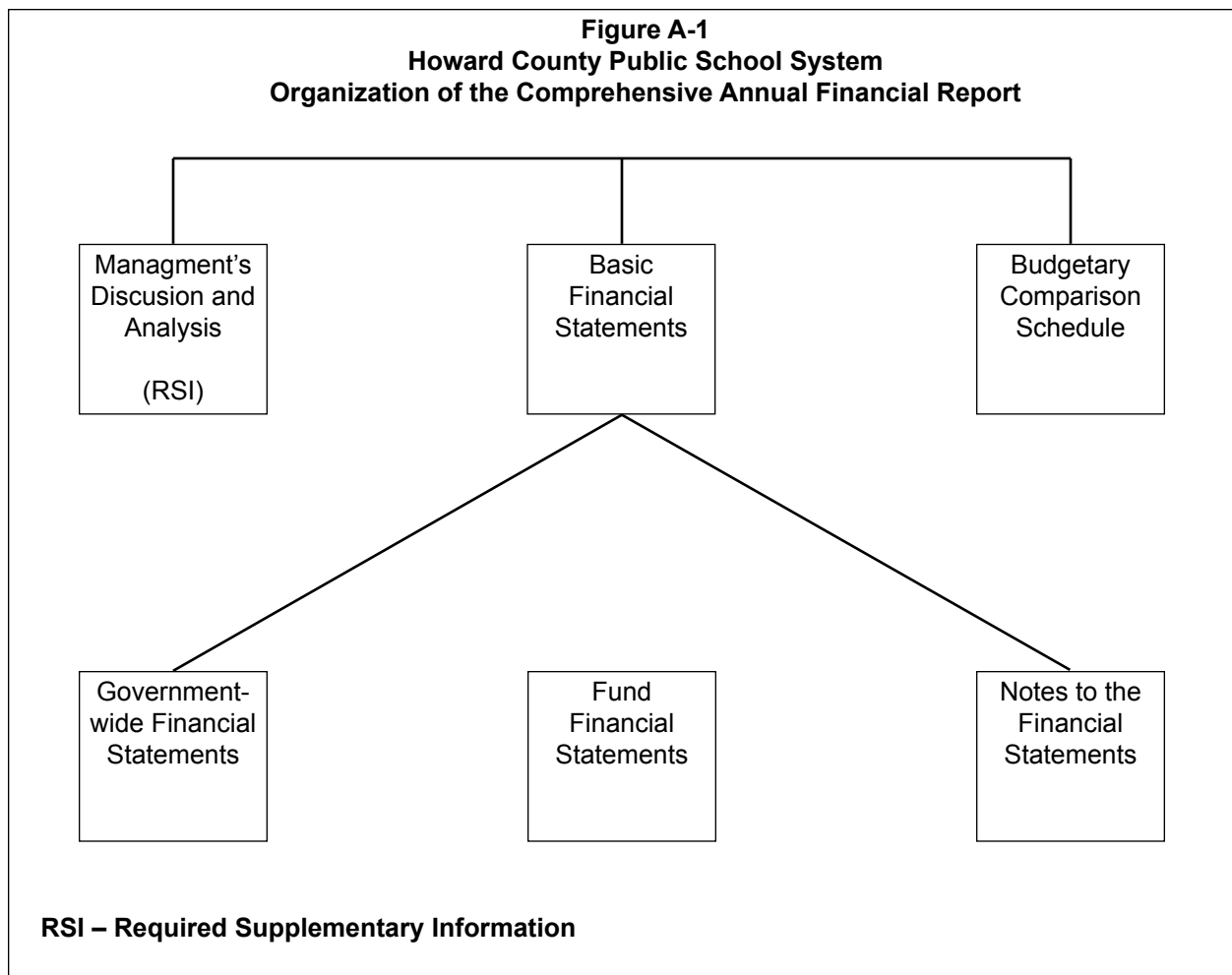
Governmental funds financial statements

The overall fund balance of the General Fund, the primary operating fund, decreased by \$314,416 to \$11.2 million from \$11.5 million. Expenditures and other financing uses exceeded revenues and other financing sources due to expenditures on an energy performance contract in the current year while the financing for the energy contract was received in a previous year. The General Fund balance is comprised of \$5.5 million of funds reserved for encumbrances, \$3.8 million designated for future budgets, \$1.6 million for future contingencies, and \$236,347 in undesignated fund balance.

Overview of the Basic Financial Statements

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

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



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

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

Government-wide Finance Statements

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

The **Statement of Net Assets** presents all of the School System's assets and liabilities, with the difference between the two reported as the "net assets." The statement combines and consolidates all of the School System's current financial resources (short-term spendable resources) with capital assets (net of accumulated depreciation) and liabilities, distinguishing between governmental and business-type activities. 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 the School System's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows until future fiscal periods (such as earned, but unused, vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the School System. The majority of the School System's revenue is general revenue, grants and contributions from other governments.

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

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

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

The government-wide financial statements can be found on pages 18 - 19 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that are 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.

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 21 and 23 of this report, respectively.

The governmental fund financial statements can be found on pages 20 - 23 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 Fund, and Workers Compensation Self-Insurance.

The proprietary fund financial statements can be found on pages 24 - 26 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.

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

The fiduciary fund financial statement can be found on page 27 of this report.

Summary of Significant Accounting Principles 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 28 - 43 of this report.

Other Information

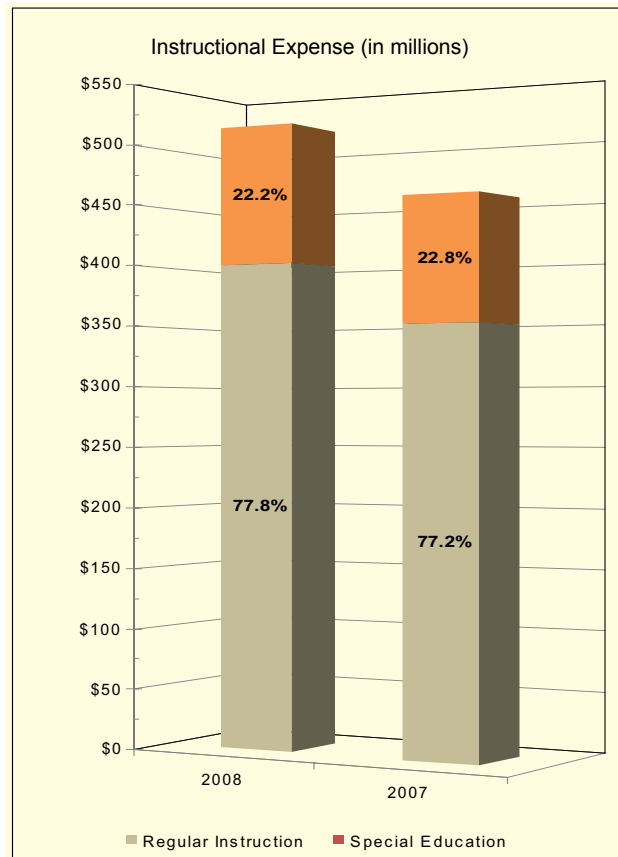
In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning HCPSS' budget process. HCPSS adopts an annual expenditure budget for all governmental funds. The System's General Fund has a legally adopted budget.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

The budget to actual comparison for the General Fund is presented as required supplementary information for the System's basic financial statements.

The required supplementary information can be found on pages 44 and 45 of this report.

Financial Highlights and Analysis

The School System is a component unit of Howard County, Maryland, and is fiscally dependent on the Howard County Government and the State of Maryland to appropriate funding for the School System. The School System receives 58.9% of its governmental activities funding from the County, and 21.4 % from the State. Additionally, the School System receives federal entitlement grants and competitive grants from the state and federal governments. Essentially all of the School System's funding for governmental activities is derived from these sources. The School System has no authority to levy taxes or issue bonded debt. Accordingly, the financial condition of the School System is directly related to the financial condition of the funding authorities - the county and state. Any appropriated funds that are unspent at the end of a fiscal year must be re-appropriated by the county government in a subsequent fiscal year before they can be spent.



Government-wide Financial Analysis

Net Assets

As noted earlier, net assets over time may serve as a useful indicator of a government's financial position. In the case of the School System, assets exceeded liabilities by \$848.8 million at the close of the most recent fiscal year.

The most significant portion of the School System's net assets (96.1%) reflects its investment in capital assets (land, buildings, vehicles, and equipment), net of related debt. The School System uses these assets to provide an education to the students of Howard County. Consequently, these assets are not liquid, nor available for future spending or liquidation of any liabilities. Any school buildings that are no longer used by the School System are returned to the county government, since the county is the primary funding source for school buildings. Because the School System has no authority to issue bonded debt, the only debt outstanding related to capital assets are capital leases for energy performance, the purchase of equipment and technology equipment.

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

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, 2008 and 2007.

Table 1
Net Assets
June 30, 2008 and 2007
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Activities	
	2008	2007	2008	2007	2008	2007
Assets						
Current and other assets	\$ 126,015	\$ 98,062	\$ 149	\$ 184	\$ 126,164	\$ 98,246
Capital assets (net)	828,721	782,180	69	88	828,790	782,268
Total assets	<u>954,736</u>	<u>880,242</u>	<u>218</u>	<u>272</u>	<u>954,954</u>	<u>880,514</u>
Liabilities						
Long-term liabilities	15,832	17,757	-	-	15,832	17,757
Other liabilities	90,308	66,103	23	3	90,331	66,106
Total liabilities	<u>106,140</u>	<u>83,860</u>	<u>23</u>	<u>3</u>	<u>106,163</u>	<u>83,863</u>
Net Assets						
Invested in capital assets	815,780	765,145	69	88	815,849	765,233
Restricted for construction	2,585	5,311	-	-	2,585	5,311
Restricted for food services	2,274	1,120	-	-	2,274	1,120
Unrestricted	27,957	24,805	126	181	28,083	24,986
Total net assets	<u>\$ 848,596</u>	<u>\$ 796,381</u>	<u>\$ 195</u>	<u>\$ 269</u>	<u>\$ 848,791</u>	<u>\$ 796,650</u>

Change in Net Assets

The School System's net assets increased \$52.1 million. This is primarily because the School System receives intergovernmental capital grants and contributions (revenue) for school construction projects, yet has no corresponding liabilities. Additionally, most of the capital grants and contributions are capitalized as fixed assets. Accordingly, there is little current expense (i.e., depreciation) associated with this revenue. Also, since the School System is fiscally dependent on the county, state, and federal governments, expenses closely match revenue, with the exception of timing differences in relation to when an expense is recognized.

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

Table 2 shows the changes in net assets for the years ended June 30, 2008 and 2007. Key elements of this increase are as follows:

TABLE 2
CHANGE IN NET ASSETS
YEARS ENDED JUNE 30 2008 and 2007
(In Thousands)

	Governmental Activities		Business- Type Activities		Total Activities	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for services	\$ 14,572	\$ 14,964	\$ 154	\$ 155	\$ 14,726	\$ 15,119
Operating grants and contributions	105,586	82,016	-	-	105,586	82,016
Capital gains and contributions	71,339	88,505	-	-	71,339	88,505
General revenues:						
County appropriations	427,176	393,711	-	-	427,176	393,711
State aid	155,763	132,322	-	-	155,763	132,322
Miscellaneous	3,291	2,839	-	-	3,291	2,839
Total revenues	<u>777,727</u>	<u>714,357</u>	<u>154</u>	<u>155</u>	<u>777,881</u>	<u>714,512</u>
Expenses						
Instruction:						
Regular instruction	401,310	349,849	-	-	401,310	349,849
Special education	114,496	103,170	-	-	114,496	103,170
Support services:						
Administration	13,026	11,193	-	-	13,026	11,193
Mid-level administration	65,680	59,362	-	-	65,680	59,362
Pupil services	3,516	3,074	-	-	3,516	3,074
Health services	6,782	5,841	-	-	6,782	5,841
Pupil transportation	31,944	29,238	-	-	31,944	29,238
Operation of plant	44,954	40,341	-	-	44,954	40,341
Maintenance of plant	25,025	19,228	-	-	25,025	19,228
Community services	6,827	5,609	-	-	6,827	5,609
Food services	1,399	11,375	-	-	11,399	11,375
Interest on long-term debt	554	642	-	-	554	642
James Rouse Theatre	-	-	227	148	227	148
Total expenses	<u>725,513</u>	<u>638,922</u>	<u>227</u>	<u>148</u>	<u>725,740</u>	<u>639,070</u>
Increase in net assets	<u>\$ 52,214</u>	<u>\$ 75,435</u>	<u>\$ (73)</u>	<u>\$ 7</u>	<u>\$ 52,141</u>	<u>\$ 75,442</u>

Government-wide Revenues and Expenses

Charts 1 and 2 display government-wide revenues and expenses, respectively, for the current year. Revenues for HCPSS combined activities (which include program revenues and general revenues) increased to \$777.9 million. County appropriations and State formula aid accounted for most of HCPSS revenue. Funds from these two sources contributed 75 cents of every dollar needed. The remaining 25 cents came from federal aid for specific programs, fees charged for services and other miscellaneous revenues. Total revenues surpassed expenses, increasing net assets by \$52.1 million over last year. The revenue increase of 8.9% was primarily attributable to increased funding from the local and state governments.

The total cost of all programs and services rose to \$725.7 million. Most of HCPSS expenses are related to instruction (including special education), instructional support and pupil transportation. Expenses in these areas comprised approximately 75.5% of all school system expenditures. The business and administration activities, food services and community services accounted for 12.4%, 1.6% and 0.9% of total costs, respectively. Maintenance and operation expenses represented approximately 9.6%. 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.

CHART 1 : SOURCE OF REVENUES – FYE 2008

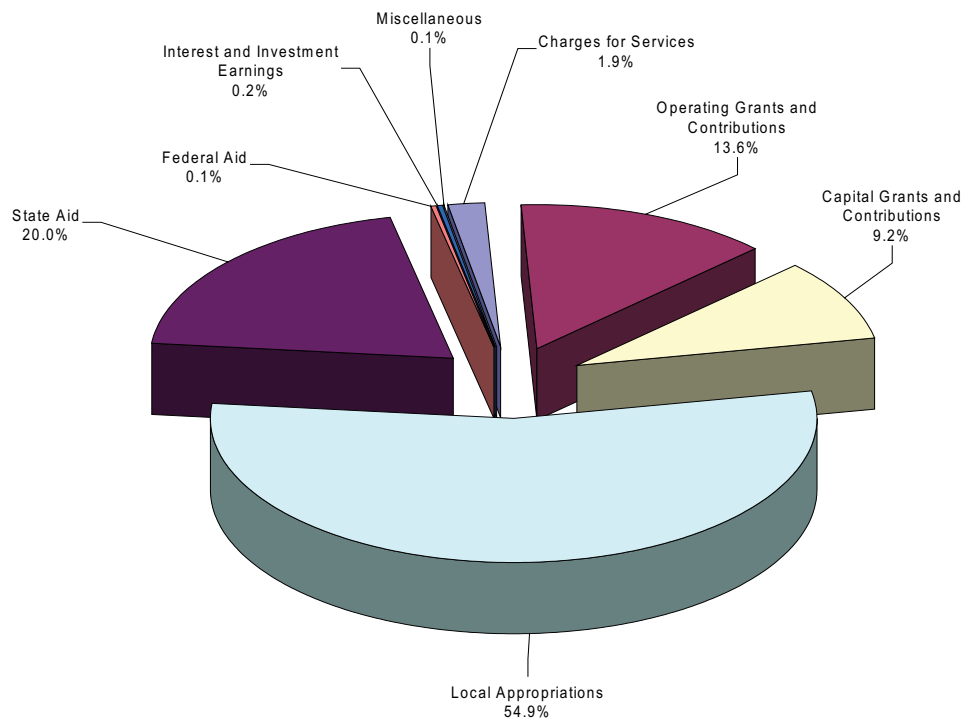
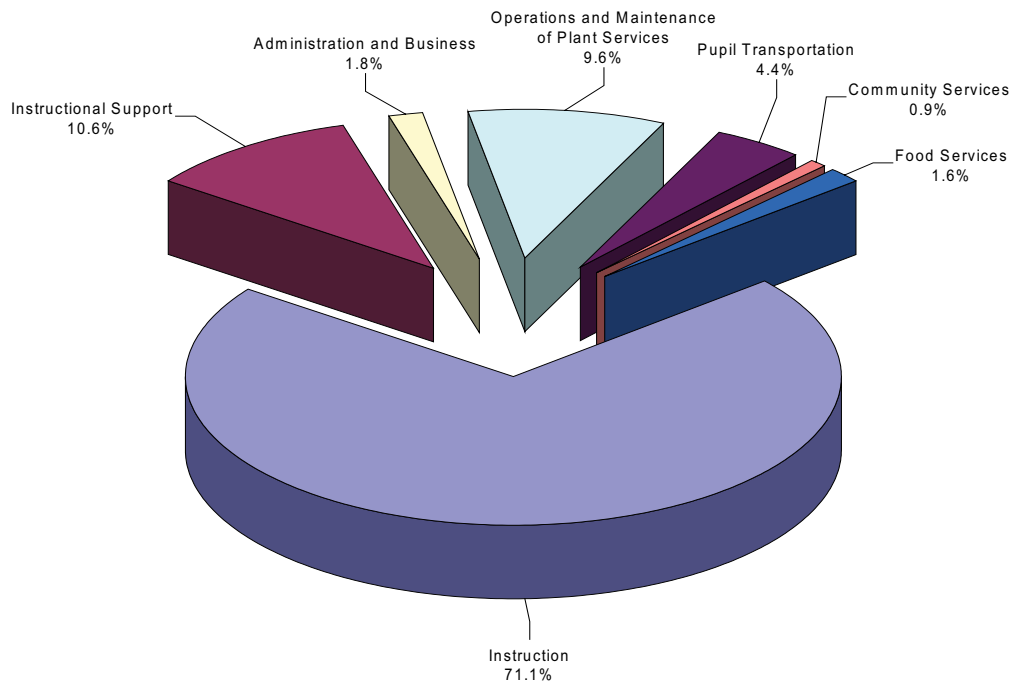


CHART 2 : EXPENSES BY CATEGORY - FYE 2008



Expenditures Per Pupil

	<u>2007</u>	<u>2008</u>
Total Number of Pupils Enrolled	49,048	49,543
EXPENDITURES		
Current:		
Administration	\$ 186	\$ 209
Instruction		
Instructional Salaries	4,719	5,172
Textbooks and classroom supplies	236	253
Other instructional costs	55	54
Pupil personnel services	46	52
Health services	90	102
Pupil transportation	596	627
Operation of plant	734	783
Maintenance of plant and equipment	325	400
Fixed charges	1,807	2,067
Mid level administration	887	948
Community services	94	114
Special education	1,426	1,551
Capital outlay	17	19
Total Expenditure Per Pupil	\$ 11,219	\$ 12,352

Governmental Activities

Table 3 (page 13) 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).

Business - type Activities

HCPSS has one business-type activity: The James Rouse Theatre. Operating revenues for the business-type activity totaled \$154,000 for 2008. Operating expenses totaled \$227,613 for a net operating loss of (\$73,613). Business-type activity net assets (\$195,264 at fiscal year end) decreased \$73.6 thousand during the year. This is primarily a result of the costs of electrical and audio improvements made during the year. Details of the business-type activity can be found on pages 24 - 26 of this report.

Table 3
Cost of Governmental Activities
Year Ended June 30, 2008

	<u>Total Cost of Services</u>	<u>Less Fees</u>	<u>Net Cost of Services</u>
Instruction			
Regular education	\$ 401,308,663	\$ 7,367,755	\$ 283,940,908
Special education	114,495,358	32,632,553	81,862,805
Support services			
Administration	13,026,335	1,069,550	11,956,785
Mid-level administration	65,680,049	8,243,464	57,436,585
Pupil services	3,516,233	511,074	3,005,159
Health services	6,782,108	747,369	6,034,739
Pupil transportation	31,944,291	12,030,363	19,913,928
Operation of plant	44,954,408	4,758,424	40,195,984
Maintenance of plant	25,024,556	1,565,304	23,459,252
Community services	6,827,236	1,427,211	5,400,025
Interest on long-term debt	554,706	-	554,706
Total expenses	<u>\$ 714,113,943</u>	<u>\$ 180,353,067</u>	<u>\$ 533,760,876</u>

Financial Analysis of the Government's Funds

The focus of the School System's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School System's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the School System governmental funds reported combined ending fund balances of \$16.4 million, a decrease of \$2.3 million. This includes a net unreserved fund balance of \$10.6 million, of which \$1.6 million is designated for future contingencies, \$2.6 million is designated for school construction, \$4.1 million is designated for transportation, with the remainder undesignated.

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

During the fiscal year, the fund balance of the School System's general fund decreased by \$314,416. Any change in the School System's fund balance is a result of timing of expenditures. This is true because the School System's revenues and expenditures are fixed depending upon funding adopted by the county and state governments.

The fund balance of Food Service Fund, a special revenue fund, increased by \$676,124 during the current fiscal year due to salary savings, delayed equipment replacements, food cost savings with the new meal program and a slight increase in fees.

Revenues for HCPSS's governmental funds increased 8.8% while total expenses increased 9.7%. County revenue increased by only 3.3% or \$15.9 million over the previous year. Though the general fund revenues from the County increased by 10.9% or \$43.2 million, the County revenues for the Capital Projects fund decreased by 32.0% or \$27.2 million. The Capital Projects Fund recognizes County revenues when project expenditures are incurred. With lower project expenditures in the current year, the Capital Projects Fund County revenues decreased correspondingly. While County revenues increased moderately, State appropriations increased from the previous year by 23.0% or \$43.7 million. The growth in the State appropriation is primarily attributed to an increase of \$10.1 million in State funding of capital projects in FY 2008 and an increase of \$26.5 million in general fund formula funding based on Howard County's student enrollment and student participation in state aided programs.

General Fund Budgetary Highlights

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

The General (Current Expense) Fund budget is prepared using the encumbrance method of accounting. Under this method, commitments such as purchase orders and contracts are recorded as

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 2008, General Fund Revenues exceeded budgeted revenues by \$246,052, which represents less than 1% of the overall budgeted revenues. There were no major budgeted expenditure variances. Overall, expenditures were under budget by only \$951,904, which resulted in a net positive budget variance in the General Fund of \$1.2 million.

Capital Assets

Table 4
Capital Assets – Governmental Activities
June 30, 2008 and 2007

	2008	2007
Land	\$ 13,754,378	\$ 10,932,465
Construction in progress	247,044,483	213,238,229
Buildings and improvements	804,114,840	773,470,144
(Less accumulated depreciation)	(242,758,517)	(223,122,967)
Furniture and equipment	21,309,900	20,323,787
(Less accumulated depreciation)	(14,744,155)	(12,661,273)
	<u>\$ 828,720,929</u>	<u>\$ 782,180,385</u>

Capital Assets (continued)

HCPSS had \$828.7 million invested in land, construction in progress, buildings and improvements, and furniture and equipment at June 30, 2008.

Table 4 (on page 14) shows governmental activities capital asset balances, net of accumulated depreciation, at June 30, 2008 and 2007. During FY 2008, capital assets increased by a net of \$46.6 million from the prior year. Depreciation expense on these assets was approximately \$22.2 million in FY 2008. More detailed information about capital assets can be found on pages 37 and 38 of this report.

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

- Expended \$5.1 million for additional technology in our classrooms.
- Completed construction of the parking lots to Long Fellow Elementary, Running Brook Elementary and Atholton High.
- Completed the construction of Veterans Elementary and Bushy Park Elementary.
- Completed Phase II systemic renovation to Clarksville Middle and Worthington Elementary.
- Completed the relocation of the Information Technology Offices.
- Continued construction on Phase V of Full Day Kindergarten and planning for the final Phase VI.
- Completed construction of the administrative expansion and renovations to Clarksville Elementary.
- Completed construction of additions and renovations to Centennial Elementary.
- Continued construction planning for the additions and renovations of Mt. Hebron High, Centennial Elementary, Running Brook Elementary, and Old Cedar Lane.
- Started construction planning for Elkridge Elementary and Glenelg High.
- Started construction planning for a green building at Northfield Elementary.

HCPSS FY 2009 capital budget proposes spending \$16.5 million for systemic renovations, \$27.0 million for the Mt. Hebron High School Renovations, \$6.8 million for Full Day Kindergarten, and \$6.3 million for the Elkridge Elementary. Other major projects include technology projects and roofing projects.

HCPSS submitted proposed capital spending totaling \$540.0 million over the FY 2010-2014 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 \$6.0 million at June 30, 2008.

Annual leave is earned on a monthly basis. At the end of the fiscal year, annual leave that has not been used can be carried over into the following year.

At the end of any fiscal year, an employee may not carry over more than two times what the individual has earned in that year. Accrued leave in excess of the carryover maximum will be lost. Compensated absences totaled approximately \$7.4 million at June 30, 2008. Total long term obligations totaled approximately \$20.3 million at June 30, 2008 for an increase of approximately \$2.6 million over the balance of \$17.8 million at June 30, 2007.

Additional information on the School System's long-term obligation can be found on page 41 of this report.

Factors Influencing Future Budgets

- The student enrollments are projected to continue to increase, though at a more gradual pace, between FY 2009 and FY 2010 budgets.
- Future capital budgets include funding for renovations and additions to existing schools including major systemic renovations to many of the older school facilities.
- Most school system employee groups are covered by multi-year labor contracts, which are due for negotiation during FY2009 for future years.
- Improvements are required in computer systems and networks throughout the school system.
- Future budgets will require resources to meet the needs of an increasingly diverse student population.
- Reductions in FY 2010 State revenues to education are very likely to occur as part of a series of measures the State is expected to implement to address revenue shortfalls. The impact for Howard County Public Schools could significantly affect the programs and services available.
- The continuing trend of escalating health care benefit costs that have been experienced market-wide are expected to continue to require significant budgetary resources.



Economic Factors

The Fiscal Year 2008 was a year of economic distress at the national and the regional levels as the housing crisis expanded into the mortgage market. The country experienced tightening capital markets, real inflation, a weakening dollar and gas prices at record high levels. The economic slowdown extended into Howard County as well, as troubles in the housing sector spread to other sectors of the local economy.

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 despite the struggling economy.
- Revenues for the County are expected to dip in FY 2009 and 2010 due to decreases in the growth of personal income and reductions in transfer tax revenues.

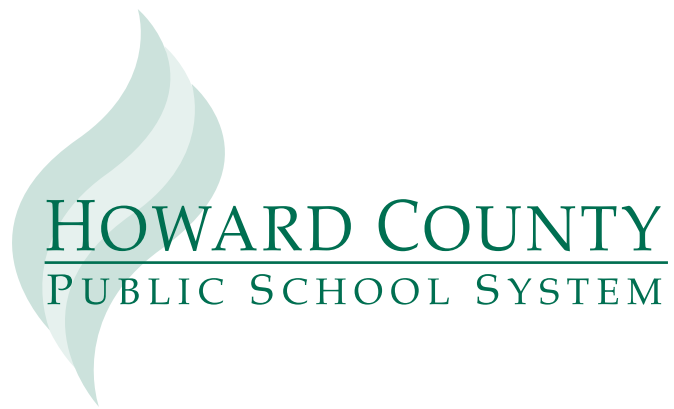
- Rising energy-related costs will have an operational impact as will rising health care costs.
- The County provides approximately 75 percent of HCPSS operating budget funding needs.
- The County government's funding into the Howard County, Maryland Post-Retirement Medical Plan on behalf of HCPSS could reduce direct county funding to the School System.

These factors were considered in preparing HCPSS budget for the FY 2009.

Contacting HCPSS Financial Management

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

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



Basic Financial Statements



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, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 38,685,793	\$ -	\$ 38,685,793
Restricted cash	116,659	-	116,659
Investments	57,270,212	-	57,270,212
Accounts receivable	3,440,965	-	3,440,965
Internal balances	(149,263)	149,263	-
Due from other units of government	23,044,601	-	23,044,601
Prepaid expenses	2,033,413	-	2,033,413
Inventory	1,572,081	-	1,572,081
Capital assets	1,086,223,601	126,676	1,086,350,277
Less accumulated depreciation	<u>(257,502,672)</u>	<u>(57,786)</u>	<u>(257,560,458)</u>
Total capital assets, net of depreciation	<u>828,720,929</u>	<u>68,890</u>	<u>828,789,819</u>
 Total assets	 <u>954,735,390</u>	 <u>218,153</u>	 <u>954,953,543</u>
LIABILITIES			
Accounts payable	17,473,734	22,889	17,496,623
Accrued liabilities	61,654,200	-	61,654,200
Unearned revenue	6,718,028	-	6,718,028
Long-term liabilities:			
Current portion	4,461,973	-	4,461,973
Long-term portion	<u>15,831,626</u>	<u>-</u>	<u>15,831,626</u>
 Total liabilities	 <u>106,139,561</u>	 <u>22,889</u>	 <u>106,162,450</u>
NET ASSETS			
Invested in capital assets, net of related debt	815,780,006	68,890	815,848,896
Restricted for:			
Capital projects	2,585,075	-	2,585,075
Food services	2,274,324	-	2,274,324
Unrestricted	<u>27,956,424</u>	<u>126,374</u>	<u>28,082,798</u>
 TOTAL NET ASSETS	 <u>\$ 848,595,829</u>	 <u>\$ 195,264</u>	 <u>\$ 848,791,093</u>

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

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

	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	\$ 401,308,663	\$ 3,868,467	\$ 42,160,524	\$ 71,338,764	\$ (283,940,908)	\$ -	\$ (283,940,908)
Special education	114,495,358	-	32,632,553	-	(81,862,805)	-	(81,862,805)
Total instruction	<u>515,804,021</u>	<u>3,868,467</u>	<u>74,793,077</u>	<u>71,338,764</u>	<u>(365,803,713)</u>	<u>-</u>	<u>(365,803,713)</u>
Support services:							
Administration	13,026,335	-	1,069,550	-	(11,956,785)	-	(11,956,785)
Mid-level administration	65,680,049	-	8,243,464	-	(57,436,585)	-	(57,436,585)
Pupil personnel services	3,516,233	-	511,074	-	(3,005,159)	-	(3,005,159)
Health services	6,782,108	-	747,369	-	(6,034,739)	-	(6,034,739)
Pupil transportation	31,944,291	-	12,030,363	-	(19,913,928)	-	(19,913,928)
Operation of plant	44,954,408	2,287,949	2,470,475	-	(40,195,984)	-	(40,195,984)
Maintenance of plant and equipment	25,024,556	-	1,565,304	-	(23,459,252)	-	(23,459,252)
Community services	6,827,236	-	1,427,211	-	(5,400,025)	-	(5,400,025)
Food services	11,398,874	8,416,043	2,727,804	-	(255,027)	-	(255,027)
Interest on long-term debt	554,706	-	-	-	(554,706)	-	(554,706)
Total support services	<u>209,708,796</u>	<u>10,703,992</u>	<u>30,792,614</u>	<u>-</u>	<u>(168,212,190)</u>	<u>-</u>	<u>(168,212,190)</u>
Total governmental activities	725,512,817	14,572,459	105,585,691	71,338,764	(534,015,903)	-	(534,015,903)
Business-type activities:							
James T. Rouse Theatre	227,613	154,000	-	-	-	(73,613)	(73,613)
TOTAL SCHOOL SYSTEM	<u>\$ 725,740,430</u>	<u>\$ 14,726,459</u>	<u>\$ 105,585,691</u>	<u>\$ 71,338,764</u>	<u>(534,015,903)</u>	<u>(73,613)</u>	<u>(534,089,516)</u>
General revenues - unrestricted:							
Local appropriations					427,176,316	-	427,176,316
State Aid					155,763,441	-	155,763,441
Federal Aid					1,019,225	-	1,019,225
Interest and investment earnings					1,659,470	-	1,659,470
Miscellaneous					611,842	-	611,842
Total general revenues					<u>586,230,294</u>	<u>-</u>	<u>586,230,294</u>
CHANGES IN NET ASSETS					52,214,391	(73,613)	52,140,778
NET ASSETS, BEGINNING OF YEAR					796,381,438	268,877	796,650,315
NET ASSETS, END OF YEAR					<u>\$ 848,595,829</u>	<u>\$ 195,264</u>	<u>\$ 848,791,093</u>

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

Fund Financial Statements



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, 2008**

	<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	\$ 36,507,433	\$ 2,178,360	\$ -	\$ -	\$ 38,685,793
Restricted cash	116,659	-	-	-	116,659
Investments	50,266,702	451,011	-	828,324	51,546,037
Accounts receivable	2,632,629	135,592	99,247	-	2,867,468
Prepaid Expense	-	-	-	1,837,729	1,837,729
Due from other funds	11,632,348	-	-	145,548	11,777,896
Due from other units of government	238,426	-	2,110,971	20,695,204	23,044,601
Inventory	862,138	221,382	-	-	1,083,520
TOTAL ASSETS	<u>\$ 102,256,335</u>	<u>\$ 2,986,345</u>	<u>\$ 2,210,218</u>	<u>\$ 23,506,805</u>	<u>\$ 130,959,703</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 5,185,805	\$ -	\$ 523,994	\$ 8,339,929	\$ 14,049,728
Accrued liabilities	51,355,360	91,351	4,437	-	51,451,148
Due to other funds	33,996,957	345,781	487,652	9,138,058	43,968,448
Unearned revenue	300,881	-	1,194,135	3,443,743	4,938,759
Compensated absences payable	196,000	-	-	-	196,000
Total liabilities	<u>91,035,003</u>	<u>437,132</u>	<u>2,210,218</u>	<u>20,921,730</u>	<u>114,604,083</u>
FUND BALANCES					
Reserved for encumbrances	5,517,965	-	233,206	-	5,751,171
Unreserved:					
Designated for:					
Subsequent years' expenditures	3,824,300	274,889	-	-	4,099,189
Contingencies	1,642,720	-	-	-	1,642,720
Future school construction	-	-	-	2,585,075	2,585,075
Undesignated	236,347	2,274,324	(233,206)	-	2,277,465
Total fund balances	<u>11,221,332</u>	<u>2,549,213</u>	<u>-</u>	<u>2,585,075</u>	<u>16,355,620</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 102,256,335</u>	<u>\$ 2,986,345</u>	<u>\$ 2,210,218</u>	<u>\$ 23,506,805</u>	<u>\$ 130,959,703</u>

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

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2008**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 16,355,620

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 \$1,086,223,601 and the accumulated depreciation is \$257,502,672 . 828,720,929

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. 23,616,879

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 \$12,940,923 of capital leases and \$7,156,676 of compensated absences payable. (20,097,599)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 848,595,829

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

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008**

	General Fund	Food Services Fund	Restricted Programs Fund	Capital Projects Fund	Total Governmental Funds
REVENUES					
Intergovernmental revenues:					
Local sources	\$ 436,960,775	\$ -	\$ 670,766	\$ 57,759,216	\$ 495,390,757
State sources	216,621,228	99,773	3,503,247	13,321,771	233,546,019
Federal sources	361,235	3,492,905	17,823,693	-	21,677,833
Earnings on investments	1,597,194	66,277	-	253,777	1,917,248
Charges for services	4,997,277	8,416,043	-	-	13,413,320
Miscellaneous revenues	611,842	-	-	-	611,842
Total revenues	661,149,551	12,074,998	21,997,706	71,334,764	766,557,019
EXPENDITURES					
Current:					
Administration	10,116,984	-	326,166	-	10,443,150
Mid level administration	47,755,750	-	981,630	-	48,737,380
Instruction:					
Instructional salaries	256,249,587	-	3,629,138	-	259,878,725
Textbooks and classroom supplies	13,032,085	-	468,272	-	13,500,357
Other instructional costs	2,513,065	-	1,605,810	-	4,118,875
Special education	77,307,295	-	11,529,753	-	88,837,048
Pupil personnel services	2,539,117	-	129,634	-	2,668,751
Health services	5,039,848	-	55,135	-	5,094,983
Pupil transportation	31,515,587	-	21,915	-	31,537,502
Operation of plant	39,082,973	-	2,609	-	39,085,582
Maintenance of plant and equipment	19,555,736	-	-	-	19,555,736
Fixed charges	150,166,275	-	2,950,957	-	153,117,232
Community services	5,713,791	-	296,687	-	6,010,478
Costs of operation - food service	-	11,398,874	-	-	11,398,874
Capital outlay	875,874	-	-	80,088,017	80,963,891
Total expenditures	661,463,967	11,398,874	21,997,706	80,088,017	774,948,564
EXCESS (SHORTFALL) OF REVENUES OVER EXPENDITURES	(314,416)	676,124	-	(8,753,253)	(8,391,545)
OTHER FINANCING SOURCES (USES)					
Proceeds from capital lease obligations	-	-	-	6,027,078	6,027,078
Total other financing sources (uses)	-	-	-	6,027,078	6,027,078
NET CHANGE IN FUND BALANCE	(314,416)	676,124	-	(2,726,175)	(2,364,467)
FUND BALANCE, BEGINNING OF YEAR	11,535,748	1,873,089	-	5,311,250	18,720,087
FUND BALANCE, END OF YEAR	\$ 11,221,332	\$ 2,549,213	\$ -	\$ 2,585,075	\$ 16,355,620

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

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
June 30, 2008**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 6,867,301
 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 over their estimated useful lives as depreciation expense. This is the amount by which capital outlay, \$68,773,377, exceeds depreciation expense, \$22,210,822, in the period.	46,579,825
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, \$514,401, exceeded the accumulated depreciation, \$492,390, is reported as a loss in the Statement of Activities.	(22,011)
Capital lease obligation proceeds which provide current financial resources in the governmental funds, are not reported as revenues in the statement of activities.	(6,027,078)
Repayment of capital lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of activities.	4,061,178
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:	(570,732)
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.	<u>\$ 10,557,676</u>
CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 61,446,159</u>

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

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008**

	<u>Enterprise Fund</u>	<u>Governmental Activities Internal Service Funds</u>
ASSETS		
CURRENT ASSETS		
Investments	\$ -	\$ 5,724,175
Accounts receivable	-	573,497
Due from other funds	149,263	33,702,146
Inventory	-	488,561
Prepaid expenses	-	195,684
	<u>149,263</u>	<u>40,684,063</u>
NONCURRENT ASSETS		
Capital assets:		
Furniture, fixtures and equipment	126,676	1,485,311
Less accumulated depreciation	(57,786)	(1,225,927)
Total capital assets, net	<u>68,890</u>	<u>259,384</u>
	<u>218,153</u>	<u>40,943,447</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	22,889	3,424,006
Unpaid claims	-	10,203,052
Due to other funds	-	1,660,857
Deferred revenue	-	1,779,269
Total liabilities	<u>22,889</u>	<u>17,067,184</u>
NET ASSETS		
Invested in capital assets	68,890	259,384
Unrestricted	<u>126,374</u>	<u>23,616,879</u>
TOTAL NET ASSETS	<u>\$ 195,264</u>	<u>\$ 23,876,263</u>

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

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2008**

	Enterprise Fund	Governmental Activities Internal Service Funds
OPERATING REVENUES		
Charges for services - internal	\$ -	\$ 74,749,976
Charges for services - other	154,000	-
Contributions from employees and retirees	-	10,164,572
Total operating revenues	<u>154,000</u>	<u>84,914,548</u>
OPERATING EXPENSES		
Operating expenses	208,047	-
Administrative expenses	-	6,427,639
Claims and related expenses	-	68,204,742
Depreciation expense	19,566	94,290
Total operating expenses	<u>227,613</u>	<u>74,726,671</u>
Operating income (loss)	(73,613)	10,187,877
NON-OPERATING REVENUE - INTEREST INCOME	-	369,799
CHANGE IN NET ASSETS	(73,613)	10,557,676
TOTAL NET ASSETS, BEGINNING OF YEAR	<u>268,877</u>	<u>13,318,587</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 195,264</u>	<u>\$ 23,876,263</u>

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

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2008**

	Enterprise Fund	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 154,000	\$ -
Cash received from other funds	34,239	74,412,454
Cash received from employees and retirees	-	10,164,572
Payments to other funds	-	(20,198,197)
Payments to employees	-	(2,990,769)
Payments to suppliers	(188,239)	(69,311,039)
Net cash provided by (used in) operating activities	<u>-</u>	<u>(7,922,979)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Equipment	-	(77,021)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	-	7,630,201
Interest received	-	369,799
Net cash provided by investing activities	<u>-</u>	<u>8,000,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-	-
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES		
Operating income (loss)	\$ (73,613)	\$ 10,187,877
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	19,566	94,290
Effects of changes in operating assets and liabilities:		
Accounts receivable	-	(521,011)
Due from other funds	34,239	(11,373,712)
Inventory	-	(89,967)
Prepaid expenses	-	(195,684)
Accounts payable	19,808	2,085,188
Unpaid claims	-	73,510
Due to other funds	-	(8,445,312)
Unearned revenue	-	261,842
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ -</u>	<u>\$ (7,922,979)</u>

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

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2008**

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 4,869,647</u>
TOTAL ASSETS	<u><u>\$ 4,869,647</u></u>
LIABILITIES	
School activity funds payable	<u>\$ 4,869,647</u>
TOTAL LIABILITIES	<u><u>\$ 4,869,647</u></u>

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

Summary of Significant Accounting Policies





Summary of Significant Accounting Policies

June 30, 2008

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

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

Government-wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the School System as a whole. For the most part, the effect of inter fund 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 School System.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government wide financial statements. All individual governmental funds are considered to be major funds and are reported as separate columns in the governmental fund financial statements. The School System's only enterprise fund and its combined internal service funds are reported as separate columns in the proprietary fund financial statements.

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

Summary of Significant Accounting Policies

June 30, 2008

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School System considers revenues to be available if they are collectible within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to certain compensated absences 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 School System reports the following major funds in the fund financial statements:

Governmental Funds

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

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

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

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

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

Summary of Significant Accounting Policies

June 30, 2008

Proprietary Funds

Internal Service Funds - Internal service funds are used to account for the costs of maintaining the School System's self-insured programs for health, 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.

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

Fiduciary Funds

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

The accounting policies of the School System conform to accounting principles generally accepted in the United States of America. Accordingly, the School System applies all applicable Governmental Accounting Standards Board (GASB) pronouncements 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 School System 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 School System 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.

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

Summary of Significant Accounting Policies

June 30, 2008

Operating Budget (Restricted Fund)

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

Operating Budget (Food Service 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 School System.

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.

Deposits and Investments

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

Due from Other Units of Government and Other Receivables

Accounts receivable in all funds represent amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts. Governmental fund type receivables consist primarily of amounts due from county, state, or federal governments and from other Maryland Public School Systems. These intergovernmental receivables are generally collected within 90 days of the end of the fiscal year. Certain intergovernmental receivables may extend up to one year from the end of the fiscal year. Uncollectible amounts as of June 30, 2008 are expected to be minimal based upon collection experience and review of the status of existing receivables.

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

Summary of Significant Accounting Policies

June 30, 2008

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.

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

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

Operating Budget (General Fund)

- 1) A discussion guide for the following fiscal year's operating budget is published annually.
- 2) A public hearing is held in October to receive budget requests from individuals and community groups.
- 3) The proposed budget is made available to the public and the County Government in January.
- 4) Public hearings are held to obtain comments from the community.
- 5) The final proposed operating budget is submitted to the County Executive prior to March 16th.
- 6) After approval or adjustment by the County Council, the final operating budget is approved by the School System 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 School System'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 School System without the approval of the County Council.
- 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, 2008.

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

Summary of Significant Accounting Policies

June 30, 2008

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 Balances

It is the School System's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The amount recorded in the General Fund of \$196,000 represents this current portion of vacation pay. The long-term liability for accrued vacation pay is \$7,352,676. The long-term portion is not reported in the fund financial statements. The obligation will be liquidated by the fund charged for the employee leave through the receipt of intergovernmental revenues.

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 School System is prohibited from incurring debt to finance the acquisition of capital assets. Major capital projects are financed through local and state aid with applicable debt recorded by Howard County and the State of Maryland. Net assets are reported as restricted when there are limitations placed on their use through external restrictions imposed by grantors or laws or regulations of other governments.

Use of Estimates in Preparing Financial Statements

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

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

Notes to Financial Statements





Notes to Basic Financial Statements June 30, 2008

Note 1 - Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Increases	Decreases / Reclassifications	Balance June 30, 2008
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 10,932,465	\$ 2,821,913	\$ -	\$ 3,754,378
Construction in progress	213,238,229	64,450,950	(30,644,696)	247,044,483
Total nondepreciable capital assets	<u>224,170,694</u>	<u>67,272,863</u>	<u>(30,644,696)</u>	<u>260,798,861</u>
Depreciable capital assets				
Buildings and improvements	773,470,144	-	30,644,696	804,114,840
Furniture and equipment	20,323,787	1,500,514	(514,401)	21,309,900
Total depreciable capital assets	<u>793,793,931</u>	<u>1,500,514</u>	<u>30,130,295</u>	<u>825,424,740</u>
Less accumulated depreciation for:				
Buildings and improvements	(223,122,967)	(19,635,550)	-	(242,758,517)
Furniture and equipment	(12,661,273)	(2,575,272)	492,390	(14,744,155)
Total accumulated depreciation	<u>(235,784,240)</u>	<u>(22,210,822)</u>	<u>492,390</u>	<u>(257,502,672)</u>
Total depreciable capital assets, net	<u>558,009,691</u>	<u>(20,710,308)</u>	<u>30,622,685</u>	<u>567,922,068</u>
Governmental activities capital assets, net	<u>\$ 782,180,385</u>	<u>\$ 46,562,555</u>	<u>\$ (22,011)</u>	<u>\$ 828,720,929</u>

Depreciation expense for the year ended June 30, 2008 was charged to governmental functions as follows:

Instruction:	
Regular education	\$ 18,475,354
Special education	120,087
Support services:	
Administration	143,594
Mid-level administration	1,491,100
Operation and maintenance of plant and equipment	1,816,392
Community services	<u>164,295</u>
Total	<u>\$ 22,210,822</u>

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

Notes to Basic Financial Statements June 30, 2008

Note 1 - Capital Assets (continued)

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Balance June 30, 2008</u>
Business-type activities:			
Furniture and equipment at historical cost	\$ 126,676	\$ -	\$ 126,676
Less accumulated depreciation	<u>(38,220)</u>	<u>(19,566)</u>	<u>(57,786)</u>
Business-type activities capital assets, net	<u>\$ 88,456</u>	<u>\$ (19,565)</u>	<u>\$ 68,890</u>

Depreciation expense charged to business-type activities for the year ended June 30, 2008 was \$19,565.

The School System has active school construction projects as of June 30, 2008 as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Project:		
Glenelg High	\$ 28,687,366	\$ 8,615,634
Bushy Park Elementary	28,278,124	3,648,876
Marriotts Ridge High	43,683,177	2,416,823
Systemic -Clarksville Middle	12,220,338	3,126,662
Systemic – Clemens Crossing Elementary	2,926,704	3,616,296
Systemic – Waterloo Elementary	3,756,759	1,231,241
Systemic – Worthington Elementary	8,886,309	2,604,737
Full Day Kindergarten	24,757,878	5,737,122
Veterans Elementary	25,043,129	4,545,873
Roofing	6,611,800	2,003,430
Site Acquisition/Contingency	8,480,744	9,672,256
Technology	<u>15,232,591</u>	<u>1,445,409</u>
	<u>208,564,919</u>	<u>48,664,357</u>
Other projects	<u>238,536,613</u>	<u>18,393,718</u>
Total	<u>\$ 447,101,531</u>	<u>\$ 67,058,076</u>

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

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

Notes to Basic Financial Statements

June 30, 2008

Note 2 - Cash and Investments

Deposits

At year end, the carrying amount of the School System's deposits was \$43,555,440 consisting of \$38,685,793 in the governmental activities and \$4,869,647 in the agency fund and the corresponding bank balances were \$48,207,120. Of the bank balances, \$300,000 was covered by Federal Depository Insurance and \$47,907,120 was covered by collateral held in the pledging bank's trust department in the School System's name. The School System has a contractual arrangement with a bank for funds to be transferred daily from overnight investments to cover checks as presented.

Restricted cash in the General Fund consists of an escrow account established for disbursements in connection with the capital lease for energy performance contracts being completed at various school locations. The balance of \$116,659 at June 30, 2008, represents amounts not yet disbursed for those contracts.

Investments

At June 30, 2008, the School System's investments totaling \$57,270,212 in governmental activities were entirely in the Maryland Local Government Investment Pool (MLGIP), which is under the administration of the State Treasurer. The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is rated AAA by Standard and Poors, their highest rating for money market funds. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked-to-market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value.

Interest Rate Risk

Fair value fluctuates with interest rates, and increasing rates could cause fair value to decline below original cost. To limit the School System's exposure to fair value losses arising from increasing interest rates, the School System'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 \$1,659,471 for the year ended June 30, 2008.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the School System will not be able to recover all or a portion of its investments or collateral securities that are in the possession of an outside party. In this regard, the School System's investment policy limits its investments to overnight deposits that are insured or collateralized with securities held by a custodian in the School System's name and investments in the MLGIP. Statutes require that deposits be in Maryland banks and that uninsured deposits be fully collateralized. They also authorize the School System to invest in obligations of the United States government, federal agency obligations and repurchase agreements secured by direct government or agency obligations.

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

Notes to Basic Financial Statements June 30, 2008

Note 3 - Due to/From Other Funds

The composition of inter-fund balances as of June 30, 2008 is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Purpose	Amount
Health and Dental	General	Employee benefit plan expenditures	\$ 33,201,155
Data Processing	General	Reimbursable expenditures	500,991
Jim Rouse Theatre	General	Reimbursable expenditures	149,263
Capital Projects	General	Reimbursable expenditures	145,548
General	School Construction	Advances of pooled cash	9,138,058
General	Workmen's Compensation	Advances of pooled cash	1,353,260
General	Restricted Programs	Advances of pooled cash	487,652
General	Food Services	Advances of pooled cash	345,781
General	Printing & Duplicating	Advances of pooled cash	<u>307,597</u>
Total			\$ 45,629,305

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

	<u>Due From</u>	<u>Due To</u>
Balance Sheet - Governmental Funds (page 19)	\$ 11,777,896	\$ 43,968,448
Statement of Net Assets - Proprietary Funds (page 23)	149,263	-
Statement of Net Assets - Internal Service Funds (page 23)	<u>33,702,146</u>	<u>1,660,857</u>
Total	\$ 45,629,305	\$ 45,629,305

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

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

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

Notes to Basic Financial Statements June 30, 2008

Note 4 - Prepaid Expenses

Prepaid expenses in the health and dental insurance internal service fund consist of fiscal year 2009 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.

Restricted Programs Fund and Capital Projects Fund

Unearned revenue consists of revenues received under restricted programs in excess of the expenditures under those programs at June 30, 2008.

Internal Service Funds

Unearned revenue consists of payroll withholdings from employees for health and dental insurance for the first three months of fiscal year 2009.

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 information is an integral part of the accompanying financial statements.

Notes to Basic Financial Statements

June 30, 2008

Note 7 - Pension Plans

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

Plan Description

The State System, which is administered in accordance with Article 73B of the Annotated Code of Maryland, consists of the several plans which are managed by the School System 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 School System's required contributions are based upon actuarial valuations. Effective July 1, 1980, in accordance with the law governing the State System, all benefits of the State System are funded in advance. The entry age normal cost method is the actuarial cost method used. Both the School System and covered employees are required by State statute to contribute to the State System. The employees contribute 3% 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 School System of Trustees for the State System. Benefits are provided in accordance with State statutes.

The State makes a substantial portion of the School System's annual required contributions to the State System on behalf of the School System. The State's contributions on behalf of the School System for the years ended June 30, 2008, 2007, and 2006 amounted to \$37,975,636, \$29,715,994, and, \$26,291,214 respectively. The fiscal 2008 contributions made by the State on behalf of the School System have been included as both revenues and expenditures in the General Fund in the accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances and are also included as revenues and expenses on the Statement of Activities.

The School System made its share of the required contributions during the years ended June 30, 2008, 2007, and 2006 of \$3,282,616, \$2,800,975, and, \$2,331,534, 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.

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

Notes to Basic Financial Statements

June 30, 2008

Note 8 - Post-employment Benefits Other Than Pension Benefits

Plan Description

The School System contributes to the Howard County, Maryland Post-Retirement Medical Plan (the Plan), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the Howard County Government (the County). The Plan provides medical and life insurance benefits to retired employees of participating governmental entities. The County issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the Howard County Government, 3430 Courthouse Drive, Ellicott City, MD 21043, or by calling 410-313-2195.

Funding Policy

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

Participating governmental entities are contractually required to contribute at a rate assessed each year by the Plan. The Plan's School System of trustees set the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the requirements of GASB Statement No. 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The School System's contributions for the year ended June 30, 2008, were \$14,957,912, which equaled the required contribution for the year. These contributions were paid by and on-behalf of the School System by the County.

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

Notes to Basic Financial Statements June 30, 2008

Note 9 - Long Term Liabilities

Activity in long-term liabilities for the year ended June 30, 2008 was as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
Compensated absences	\$ 6,781,945	\$ 1,162,410	\$ (591,679)	\$ 7,352,676	\$ 360,000
Capital leases	<u>10,975,023</u>	<u>6,027,078</u>	<u>(4,061,178)</u>	<u>12,940,923</u>	<u>4,101,973</u>
Total governmental activities	<u>\$ 17,756,968</u>	<u>\$ 7,189,488</u>	<u>\$ (4,652,857)</u>	<u>\$ 20,293,599</u>	<u>\$ 4,461,973</u>

Compensated absences are generally liquidated by the General Fund.

The School System 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 School System's capitalization threshold.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008 were as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2009	\$ 4,535,104
2010	2,936,263
2011	2,210,031
2012	581,980
2013	581,980
Thereafter	<u>3,959,776</u>
Total minimum lease payments	14,805,134
Less amount representing interest	<u>(1,864,211)</u>
Present value of minimum lease payments	<u>\$ 12,940,923</u>

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

Notes to Basic Financial Statements June 30, 2008

Note 10 - Risk Management

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

The School System has also established limited risk management programs for workers' compensation and health and dental insurance. Premiums are paid into these two internal service funds by other funds and are available to pay claims, claim reserves and administrative costs of the programs. The "premium" charged by the self-insurance funds considers recent trends in actual claims experience of the School System as a whole and makes provision for catastrophic losses. As of June 30, 2008, 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 payable for the years ended June 30, 2008 and 2007 are as follows:

	2008		2007	
	Workers' Compensation	Health and Dental	Workers' Compensation	Health and Dental
Beginning Payable, July 1	\$ 2,939,637	\$ 7,189,906	\$ 3,539,637	\$ 5,185,949
Incurred Claims (including IBNR)	559,586	52,821,796	626,861	18,345,927
Claim Payments	<u>(859,586)</u>	<u>(52,448,287)</u>	<u>(1,226,861)</u>	<u>(16,341,970)</u>
Ending Payable, June 30	<u>\$ 2,639,637</u>	<u>\$ 7,563,415</u>	<u>\$ 2,939,637</u>	<u>\$ 7,189,906</u>

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

Notes to Basic Financial Statements June 30, 2008

Note 11 - Commitments and Contingencies

Operating Leases

The School System leases equipment under noncancelable operating leases. Total costs were \$371,890 for the leases for the year ended June 30, 2008. The future minimum lease payments for these leases are as follows:

Year Ending June 30,	Amount
2009	\$ 358,516
2010	36,640
2011	12,756
2012	11,773
2013	500
Total	\$ 420,185

Litigation

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

Grant Programs

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

Capital Lease

In July 2008, the School System entered into a capital lease agreement to purchase computer equipment in the amount of \$10,563,200 to be payable over 4 years.

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

Required Supplementary Information





**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Non-GAAP Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental revenues:				
Local sources	\$ 427,176,316	\$ 427,176,316	\$ 427,176,316	\$ -
State sources	178,465,300	178,465,300	178,645,592	180,292
Federal sources	380,000	380,000	361,235	(18,765)
Earnings on investments	1,000,000	1,000,000	1,583,230	583,230
Charges for services	4,237,000	4,237,000	4,337,562	100,562
Miscellaneous revenues	1,211,109	1,211,109	611,842	(599,267)
Fund balance at July 1, 2007 - designated for fiscal year ended June 30, 2008	432,895	432,895	432,895	-
Total revenues	<u>612,902,620</u>	<u>612,902,620</u>	<u>613,148,672</u>	<u>246,052</u>
EXPENDITURES				
Current:				
Administration	10,590,250	10,447,281	10,360,669	86,612
Instruction				
Instructional salaries	256,389,040	256,389,040	256,249,600	139,440
Textbooks and classroom supplies	12,556,320	12,556,290	12,550,778	5,512
Other instructional costs	2,687,270	2,687,269	2,685,628	1,641
Pupil personnel services	2,600,070	2,600,070	2,552,173	47,897
Health services	5,109,390	5,102,390	5,061,497	40,893
Pupil transportation	31,618,370	31,618,370	31,050,257	568,113
Operation of plant	38,934,360	38,794,360	38,787,943	6,417
Maintenance of plant	20,100,720	19,800,720	19,793,737	6,983
Fixed charges	102,406,180	102,406,180	102,406,180	-
Mid level administration	47,354,300	47,004,300	46,970,134	34,166
Community services	5,667,810	5,667,810	5,665,274	2,536
Special education	75,931,520	76,871,520	76,865,905	5,615
Capital outlay	957,020	957,020	950,941	6,079
Total expenditures	<u>612,902,620</u>	<u>612,902,620</u>	<u>611,950,716</u>	<u>951,904</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	1,197,956	<u>\$ 1,197,956</u>
FUND BALANCE AT JULY 1, 2007, UNDESIGNATED - BUDGETARY BASIS			3,824,296	
Excess of revenue recognized over amount designated at June 30, 2008			517,115	
Current portion of annual leave at June 30, 2008			<u>360,000</u>	
TOTAL FUND BALANCE UNDESIGNATED - BUDGETARY BASIS			5,899,367	
Fund balance at June 30, 2008 - designated:				
Fund balance contingency			1,642,720	
Fund balance carryover			<u>3,824,300</u>	
Fund balance at June 30, 2008:				
Undesignated - budgetary basis			432,347	
Current portion of annual leave earned			<u>(196,000)</u>	
FUND BALANCE AT JUNE 30, 2008, UNDESIGNATED - GAAP BASIS			<u>\$ 236,347</u>	

**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, 2008**

REVENUES

Budgetary basis	\$	613,148,672
Add - Pension contribution paid by State of Maryland		37,975,636
- OPEB contribution paid by Howard County Government		9,784,459
- Revenues from loaned staff program		673,679
Less - Designation of prior year's fund balance budgeted as revenue		(432,895)
GAAP basis	\$	661,149,551

EXPENDITURES

Budgetary basis	\$	611,950,716
Add - Prior year's encumbrances expended this year		5,942,300
- Pension contribution paid by State of Maryland		37,975,636
- OPEB contribution paid by Howard County Government		9,784,459
- Capital lease expenditures		655,142
- Expenditures from loaned staff		673,679
Less - Current year's encumbrances outstanding		(5,517,965)
- Capital lease repayments		(581,981)
GAAP basis	\$	660,881,986

Other Supplementary Information





HOWARD COUNTY PUBLIC SCHOOL SYSTEM
SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-GAAP BASIS)
GENERAL FUND
Year Ended June 30, 2008

	<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	\$ 427,176,316	\$ 427,176,316	\$ 427,176,316	\$ -
State Sources				
Current expense	137,131,600	137,131,600	137,131,586	(14)
Transportation	11,870,100	11,870,100	11,870,103	3
Special education	9,400,700	9,400,700	9,357,727	(42,973)
Compensatory education	13,990,700	13,990,700	13,990,674	(26)
Limited english proficient	4,641,200	4,641,200	4,641,181	(19)
Other - LEA tuition	300,000	300,000	523,321	223,321
Students with Disabilities	<u>1,131,000</u>	<u>1,131,000</u>	<u>1,131,000</u>	<u>-</u>
Total state sources	<u>178,465,300</u>	<u>178,465,300</u>	<u>178,645,592</u>	<u>180,292</u>
Federal Sources				
ROTC reimbursement	180,000	180,000	206,883	26,883
Impact Aid (PL 874)	<u>200,000</u>	<u>200,000</u>	<u>154,352</u>	<u>(45,648)</u>
Total federal sources	<u>380,000</u>	<u>380,000</u>	<u>361,235</u>	<u>(18,765)</u>
Earnings on investments	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,583,230</u>	<u>583,230</u>
Charges for Services, Etc.				
Tuition from patrons	740,000	740,000	1,175,803	435,803
Use of school buildings	950,000	950,000	1,036,746	86,746
Athletic program - gate receipts	375,000	375,000	407,951	32,951
Energy rebates	450,000	450,000	64,931	(385,069)
Administration and overhead fees	<u>1,722,000</u>	<u>1,722,000</u>	<u>1,652,131</u>	<u>(69,869)</u>
Total charges for services, etc.	<u>4,237,000</u>	<u>4,237,000</u>	<u>4,337,562</u>	<u>100,562</u>
Miscellaneous Revenues				
Other	<u>1,211,109</u>	<u>1,211,109</u>	<u>611,842</u>	<u>(599,267)</u>
FUND BALANCE AT JULY 1, 2007, DESIGNATED FOR FISCAL YEAR ENDED JUNE 30, 2008				
	<u>432,895</u>	<u>432,895</u>	<u>432,895</u>	<u>-</u>
TOTAL	<u>\$ 612,902,620</u>	<u>\$ 612,902,620</u>	<u>\$ 613,148,672</u>	<u>\$ 246,052</u>

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-GAAP BASIS)
GENERAL FUND
Year Ended June 30, 2008

	Original Budget	Final Budget	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
Administration				
Salaries and wages	\$ 7,492,720	\$ 7,137,305	\$ 7,101,050	\$ 36,255
Contracted services	1,952,910	2,004,060	1,985,480	18,580
Supplies and materials	726,720	813,233	794,496	18,737
Other charges	417,900	444,683	433,494	11,189
Equipment	-	48,000	46,149	1,851
Total administration	<u>10,590,250</u>	<u>10,447,281</u>	<u>10,360,669</u>	<u>86,612</u>
Mid-level Administration				
Salaries and wages	41,645,590	41,157,370	41,148,555	8,815
Contracted services	2,768,180	2,805,945	2,795,986	9,959
Supplies and materials	2,588,320	2,641,235	2,640,841	394
Other charges	337,210	365,150	351,007	14,143
Equipment	15,000	34,600	33,745	855
Total mid-level administration	<u>47,354,300</u>	<u>47,004,300</u>	<u>46,970,134</u>	<u>34,166</u>
Instructional salaries	<u>256,389,040</u>	<u>256,389,040</u>	<u>256,249,600</u>	<u>139,440</u>
Textbooks and classroom supplies	<u>12,556,320</u>	<u>12,556,290</u>	<u>12,550,778</u>	<u>5,512</u>
Other Instructional Costs				
Contracted services	2,075,120	2,034,671	2,034,454	217
Other charges	296,050	221,050	220,307	743
Equipment	220,100	338,100	337,419	681
Outgoing transfers	96,000	93,448	93,448	-
Total other instructional costs	<u>2,687,270</u>	<u>2,687,269</u>	<u>2,685,628</u>	<u>1,641</u>
Special Education				
Salaries and wages	69,220,740	68,015,940	68,015,901	39
Contracted services	979,430	2,358,635	2,357,466	1,169
Supplies and materials	396,090	706,459	705,591	868
Other charges	255,440	294,666	292,640	2,026
Equipment	59,000	804,000	803,103	897
Outgoing transfers	5,020,820	4,691,820	4,691,204	616
Total special education	<u>75,931,520</u>	<u>76,871,520</u>	<u>76,865,905</u>	<u>5,615</u>
Pupil Personnel Services				
Salaries and wages	2,319,510	2,297,510	2,252,605	44,905
Contracted services	186,450	208,950	208,231	719
Supplies and materials	57,270	54,770	54,038	732
Other charges	36,840	38,840	37,299	1,541
Total pupil personnel services	<u>2,600,070</u>	<u>2,600,070</u>	<u>2,552,173</u>	<u>47,897</u>
Health Services				
Salaries and wages	4,560,780	4,511,780	4,484,372	27,408
Contracted services	348,040	395,440	386,929	8,511
Supplies and materials	185,910	174,299	172,195	2,104
Other charges	14,660	20,871	18,001	2,870
Total health services	<u>5,109,390</u>	<u>5,102,390</u>	<u>5,061,497</u>	<u>40,893</u>

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-GAAP BASIS)
GENERAL FUND
Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Non-GAAP Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Pupil Transportation				
Salaries and wages	1,096,920	1,134,920	1,131,001	3,919
Contracted services	30,134,680	30,096,680	29,610,466	486,214
Supplies and materials	56,670	56,670	37,671	18,999
Other charges	330,100	330,100	271,119	58,981
Total pupil transportation	<u>31,618,370</u>	<u>31,618,370</u>	<u>31,050,257</u>	<u>568,113</u>
Operation of Plant				
Salaries and wages	18,266,760	17,435,760	17,434,908	852
Contracted services	1,586,520	1,443,839	1,440,738	3,101
Supplies and materials	1,154,910	1,296,773	1,296,041	732
Other charges	17,734,880	18,500,880	18,500,030	850
Equipment	191,290	117,108	116,226	882
Total operation of plant	<u>38,934,360</u>	<u>38,794,360</u>	<u>38,787,943</u>	<u>6,417</u>
Maintenance of Plant				
Salaries and wages	11,257,290	11,047,290	11,046,834	456
Contracted services	4,415,590	4,405,882	4,404,658	1,224
Supplies and materials	3,353,070	3,134,920	3,132,204	2,716
Other charges	60,970	71,188	70,608	580
Equipment	1,013,800	1,141,440	1,139,433	2,007
Total maintenance of plant	<u>20,100,720</u>	<u>19,800,720</u>	<u>19,793,737</u>	<u>6,983</u>
Fixed Charges				
Other	102,406,180	102,406,180	102,406,180	-
Total fixed charges	<u>102,406,180</u>	<u>102,406,180</u>	<u>102,406,180</u>	<u>-</u>
Community Services				
Salaries and wages	2,698,060	2,539,260	2,539,232	28
Contracted services	1,177,290	1,317,090	1,317,054	36
Supplies and materials	571,060	579,560	577,841	1,719
Other charges	916,400	931,900	931,247	653
Equipment	305,000	300,000	299,900	100
Total community services	<u>5,667,810</u>	<u>5,667,810</u>	<u>5,665,274</u>	<u>2,536</u>
Capital Outlay				
Salaries and wages	918,110	760,610	757,984	2,626
Contracted services	18,110	115,910	113,739	2,171
Supplies and materials	13,820	18,820	18,108	712
Other charges	6,980	6,680	6,110	570
Equipment	-	55,000	55,000	-
Total capital outlay	<u>957,020</u>	<u>957,020</u>	<u>950,941</u>	<u>6,079</u>
TOTAL EXPENDITURES	<u>\$ 612,902,620</u>	<u>\$ 612,902,620</u>	<u>\$ 611,950,716</u>	<u>\$ 951,904</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, 2008**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Intergovernmental Revenues:			
State:			
Reimbursements	\$ 104,450	\$ 99,773	\$ (4,677)
Federal:			
National School Lunch and Milk Programs	2,348,000	2,778,179	430,179
U.S.D.A. Commodity Program	-	714,726	714,726
Total intergovernmental revenues	<u>2,348,000</u>	<u>3,492,905</u>	<u>1,144,905</u>
Earnings on investments	20,000	66,277	46,277
Charges for Services:			
Food sales	<u>7,794,430</u>	<u>8,416,043</u>	<u>621,613</u>
Fund balance at July 1, 2007 - designated for fiscal year ended June 30, 2008	<u>752,775</u>	<u>752,775</u>	-
Total revenues	<u>10,266,880</u>	<u>12,827,773</u>	<u>1,808,118</u>
EXPENDITURES			
Costs of Operation - Food Service:			
Cost of food	3,830,370	3,699,971	130,399
U.S.D.A. Commodity Program	-	605,193	(605,193)
Salaries and wages	7,551,800	6,618,912	932,888
Equipment/Miscellaneous	191,000	474,798	(283,798)
Total expenditures	<u>11,573,170</u>	<u>11,398,874</u>	<u>174,296</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ (1,306,290)</u>	1,428,899	<u>\$ 1,982,414</u>
FUND BALANCE AT JULY 1, 2007 - UNDESIGNATED		<u>1,120,314</u>	
TOTAL FUND EQUITY		2,549,213	
FUND BALANCE AT JUNE 30, 2008, DESIGNATED FOR FISCAL YEAR ENDING JUNE 30, 2009		<u>274,889</u>	
FUND BALANCE AT JUNE 30, 2008 - UNRESERVED - UNDESIGNATED		<u>\$ 2,274,324</u>	

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
COMBINING SCHEDULE OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2008**

	<u>Printing and Duplicating Fund</u>	<u>Data Processing Fund</u>	<u>Workers Compensation Self-Insurance Fund</u>	<u>Health and Dental Self-Insurance Fund</u>	<u>Total</u>
ASSETS					
Current Assets					
Investments	\$ -	\$ -	\$ 5,724,175	\$ -	\$ 5,724,175
Accounts receivable	-	-	-	573,497	573,497
Due from other funds	-	500,991	-	33,201,155	33,702,146
Inventory	488,561	-	-	-	488,561
Prepaid expenses	-	-	195,684	-	195,684
	<u>488,561</u>	<u>500,991</u>	<u>5,919,859</u>	<u>33,774,652</u>	<u>40,684,063</u>
Total Current Assets					
Non-Current Assets					
Capital assets:					
Furniture, fixtures and equipment	444,537	1,040,774	-	-	1,485,311
Less accumulated depreciation	<u>(311,990)</u>	<u>(913,937)</u>	<u>-</u>	<u>-</u>	<u>(1,225,927)</u>
	<u>132,547</u>	<u>126,837</u>	<u>-</u>	<u>-</u>	<u>259,384</u>
Total capital assets, net of depreciation					
	<u>621,108</u>	<u>627,828</u>	<u>5,919,859</u>	<u>33,774,652</u>	<u>40,943,447</u>
Total Assets					
LIABILITIES					
Current Liabilities					
Accounts payable	-	62,539	102,331	3,259,136	3,424,006
Accrued liabilities	-	-	2,639,637	7,563,415	10,203,052
Due to other funds	307,597	-	1,353,260	-	1,660,857
Unearned revenue	-	-	-	1,779,269	1,779,269
	<u>307,597</u>	<u>62,539</u>	<u>4,095,228</u>	<u>12,601,820</u>	<u>17,067,184</u>
Total Current Liabilities					
	<u>307,597</u>	<u>62,539</u>	<u>4,095,228</u>	<u>12,601,820</u>	<u>17,067,184</u>
Total Liabilities					
NET ASSETS					
Invested in capital assets	132,547	126,837	-	-	259,384
Unrestricted	<u>180,964</u>	<u>438,452</u>	<u>1,824,631</u>	<u>21,172,832</u>	<u>23,616,879</u>
TOTAL NET ASSETS					
	<u>\$ 313,511</u>	<u>\$ 565,289</u>	<u>\$ 1,824,631</u>	<u>\$ 21,172,832</u>	<u>\$ 23,876,263</u>

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2008**

	<u>Printing and Duplicating Fund</u>	<u>Data Processing Fund</u>	<u>Workers Compensation Self-Insurance Fund</u>	<u>Health and Dental Self-Insurance Fund</u>	<u>Total</u>
OPERATING REVENUES					
Charges for services - internal	\$ 2,261,610	\$ 4,172,118	\$ 2,400,000	\$ 65,916,248	\$ 74,749,976
Contributions from employees and retirees	-	-	-	10,164,572	10,164,572
Total operating revenues	<u>2,261,610</u>	<u>4,172,118</u>	<u>2,400,000</u>	<u>76,080,820</u>	<u>84,914,548</u>
OPERATING EXPENSES					
Administrative expenses	2,325,877	4,101,762	-	-	6,427,639
Claims and related expenses	-	-	1,239,118	66,965,624	68,204,742
Depreciation expense	26,388	67,902	-	-	94,290
Total operating expenses	<u>2,352,265</u>	<u>4,169,664</u>	<u>1,239,118</u>	<u>66,965,624</u>	<u>74,726,671</u>
Operating income (loss)	(90,655)	2,454	1,160,882	9,115,196	10,187,877
NON-OPERATING REVENUE - INTEREST INCOME	-	-	369,799	-	369,799
CHANGES IN NET ASSETS	(90,655)	2,454	1,530,681	9,115,196	10,557,676
TOTAL NET ASSETS, JULY 1, 2007	<u>404,166</u>	<u>562,835</u>	<u>293,950</u>	<u>12,057,636</u>	<u>13,318,587</u>
TOTAL NET ASSETS, JUNE 30, 2008	<u>\$ 313,511</u>	<u>\$ 565,289</u>	<u>\$ 1,824,631</u>	<u>\$ 21,172,832</u>	<u>\$ 23,876,263</u>

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
COMBINING SCHEDULE OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2008**

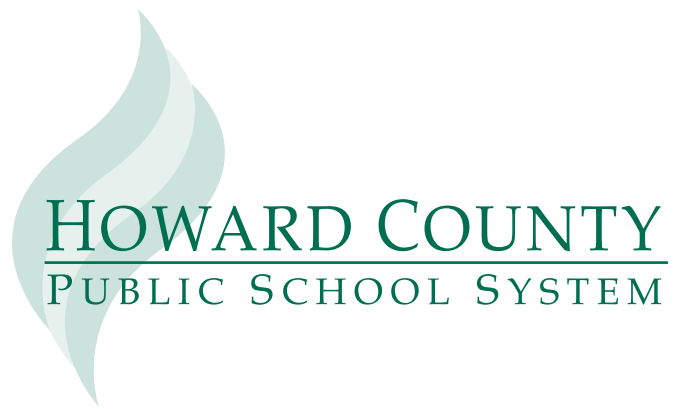
	Printing and Duplicating Fund	Data Processing Fund	Workers Compensation Self-Insurance Fund	Health and Dental Self-Insurance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from other funds	\$ 2,569,206	\$ 4,243,695	\$ 2,204,316	\$ 65,395,237	\$ 74,412,454
Cash received from employees and retirees	-	-	-	10,164,572	10,164,572
Payments to other funds	(129,514)	(145,550)	(8,607,358)	(11,315,775)	(20,198,197)
Payments to employees	(576,294)	(2,177,598)	(236,877)	-	(2,990,769)
Payments to suppliers	(1,839,550)	(1,867,374)	(1,360,081)	(64,244,034)	(69,311,039)
Net cash provided by (used in) operating activities	<u>23,848</u>	<u>53,173</u>	<u>(8,000,000)</u>	<u>-</u>	<u>(7,922,979)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of Equipment	<u>(23,848)</u>	<u>(53,173)</u>	<u>-</u>	<u>-</u>	<u>(77,021)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments	-	-	7,630,201	-	7,630,201
Interest received	-	-	369,799	-	369,799
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>8,000,000</u>	<u>-</u>	<u>8,000,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS					
	-	-	-	-	-
CASH AND CASH EQUIVALENTS, JULY 1, 2007					
	-	-	-	-	-
CASH AND CASH EQUIVALENTS, JUNE 30, 2008					
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	\$ (90,655)	\$ 2,454	\$ 1,160,882	\$ 9,115,196	\$ 10,187,877
Adjustments to reconcile operating income(loss) to net cash provided by operating activities:					
Depreciation	26,388	67,902	-	-	94,290
Effects of changes in assets and liabilities:					
Accounts receivable	-	-	-	(521,011)	(521,011)
Due from other funds	(129,514)	71,577	-	(11,315,775)	(11,373,712)
Inventory	(89,967)	-	-	-	(89,967)
Prepaid expenses	-	-	(195,684)	-	(195,684)
Accounts payable	-	56,790	(57,840)	2,086,238	2,085,188
Unpaid claims	-	-	(300,000)	373,510	73,510
Due to other funds	307,596	(145,550)	(8,607,358)	-	(8,445,312)
Deferred revenue	-	-	-	261,842	261,842
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 23,848</u>	<u>\$ 53,173</u>	<u>\$ (8,000,000)</u>	<u>\$ -</u>	<u>\$ (7,922,979)</u>

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
Year Ended June 30, 2008

Elementary Schools	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Atholton Elementary	\$ 17,321.30	\$ 80,661.02	\$ 84,162.07	\$ 13,820.25
Bellows Spring Elementary	54,285.10	136,813.35	127,067.07	64,031.38
Bollman Bridge Elementary	51,423.78	121,804.19	133,769.57	39,458.40
Bryant Woods Elementary	16,874.18	51,049.63	53,129.05	14,794.76
Bushy Park Elementary	66,320.68	169,212.19	159,255.41	76,277.46
Centennial Lane Elementary	32,193.50	105,921.98	102,874.97	35,240.51
Clarksville Elementary	28,697.73	122,805.14	117,676.92	33,825.95
Clemens Crossing Elementary	28,215.70	116,216.04	102,614.99	41,816.75
Cradlerock School	32,716.93	186,416.08	178,919.64	40,213.37
Dayton Oaks Elementary	37,196.64	139,673.70	131,903.30	44,967.04
Deep Run Elementary	37,415.80	114,958.67	112,608.80	39,765.67
Elkridge Elementary	43,572.71	146,792.16	143,865.25	46,499.62
Forest Ridge Elementary	26,672.30	88,023.26	92,903.00	21,792.56
Fulton Elementary	2,338.27	163,568.85	141,147.56	24,759.56
Gorman Crossing Elementary	55,232.83	148,852.10	129,710.35	74,374.58
Guilford Elementary	22,040.10	76,061.36	70,214.37	27,887.09
Hammond Elementary	28,753.59	62,049.61	61,888.20	28,915.00
Hollifield Station Elementary	58,799.26	167,277.69	169,649.66	56,427.29
Ilchester Elementary	99,590.31	209,166.46	193,097.46	115,659.31
Jeffers Hill Elementary	25,339.36	67,261.69	64,768.15	27,832.90
Laurel Woods Elementary	3,990.98	67,842.36	65,078.12	6,755.22
Lisbon Elementary	18,533.25	99,271.92	91,456.58	26,348.59
Longfellow Elementary	22,166.48	82,169.62	74,488.53	29,847.57
Manor Woods Elementary	38,275.50	106,864.17	95,994.10	49,145.57
Northfield Elementary	31,164.37	86,820.47	94,319.71	23,665.13
Phelps Luck Elementary	15,327.96	48,094.87	50,552.55	12,870.28
Pointers Run Elementary	37,014.95	217,003.02	209,456.84	44,561.13
Rockburn Elementary	21,967.16	181,863.06	181,061.25	22,768.97
Running Brook Elementary	26,576.84	93,696.79	83,620.96	36,652.67
St. John's Lane Elementary	23,909.79	86,018.10	79,302.56	30,625.33
Steven's Forest Elementary	25,737.49	58,409.94	60,184.41	23,963.02
Swansfield Elementary	5,139.90	78,220.91	70,858.55	12,502.26
Talbott Springs Elementary	23,819.02	79,438.67	83,185.72	20,071.97
Thunder Hill Elementary	41,403.42	75,110.98	73,451.02	43,063.38
Triadelphia Ridge Elementary	50,634.39	105,296.39	105,684.13	50,246.65
Veterans Elementary	3,532.97	111,465.12	94,263.93	20,734.16
Waterloo Elementary	120,278.10	147,004.64	158,441.61	108,841.13
Waverly Elementary	82,889.98	121,339.62	122,206.16	82,023.44
West Friendship Elementary	49,031.26	78,324.11	79,183.28	48,172.09
Worthington Elementary	20,641.56	83,758.44	85,733.27	18,666.73
Total - Elementary Schools	\$ 1,427,035.44	\$ 4,482,598.37	\$ 4,329,749.07	\$ 1,579,884.74

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
Year Ended June 30, 2008

	<u>Balance</u> <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>
Middle Schools				
Bonnie Branch Middle	\$ 68,981.33	\$ 252,025.48	\$ 241,621.29	\$ 79,385.52
Burleigh Manor Middle	63,721.79	236,125.94	245,694.26	54,153.47
Clarksville Middle	94,245.32	247,476.64	257,514.19	84,207.77
Dunloggin Middle	29,781.51	64,209.58	61,556.49	32,434.60
Elkridge Landing Middle	37,702.38	200,854.99	203,194.62	35,362.75
Ellicott Mills Middle	54,491.01	168,669.90	152,219.01	70,941.90
Folly Quarter Middle	24,723.86	182,212.20	173,700.66	33,235.40
Glenwood Middle	61,138.77	241,618.45	247,694.98	55,062.24
Hammond Middle	31,754.14	181,223.16	175,098.28	37,879.02
Harper's Choice Middle	7,106.32	130,378.11	123,408.44	14,075.99
Lime Kiln Middle	44,640.61	251,796.59	246,297.63	50,139.57
Mayfield Woods Middle	63,227.48	137,230.06	143,969.68	56,487.86
Mount View Middle	39,930.24	160,223.80	162,020.34	38,133.70
Murray Hill Middle	5,770.58	159,499.01	154,973.55	10,296.04
Oakland Mills Middle	39,621.07	91,317.36	101,391.26	29,547.17
Patapsco Middle	30,749.01	141,520.19	131,447.08	40,822.12
Patuxent Valley Middle	18,899.04	158,474.85	164,801.82	12,572.07
Wilde Lake Middle	30,313.94	143,963.05	140,967.50	33,309.49
	<u>\$ 746,798.40</u>	<u>\$ 3,148,819.36</u>	<u>\$ 3,127,571.08</u>	<u>\$ 768,046.68</u>
Total - Middle Schools	<u>\$ 746,798.40</u>	<u>\$ 3,148,819.36</u>	<u>\$ 3,127,571.08</u>	<u>\$ 768,046.68</u>
High Schools				
Atholton High	\$ 162,270.03	\$ 931,849.11	\$ 950,621.42	\$ 143,497.72
Centennial High	280,574.55	1,277,903.34	1,267,452.77	291,025.12
Glenelg High	249,974.36	788,678.76	761,007.46	277,645.66
Hammond High	193,159.82	822,878.98	823,430.55	192,608.25
Howard High	280,060.61	704,218.36	680,134.98	304,143.99
Long Reach High	141,763.36	690,174.00	684,578.92	147,358.44
Marriotts Ridge High	102,870.20	831,183.25	798,613.43	135,440.02
Mount Hebron High	300,074.75	1,012,975.24	1,020,142.82	292,907.17
Oakland Mills High	143,224.29	708,601.02	665,384.44	186,440.87
Reservoir High	173,890.85	794,226.03	800,657.65	167,459.23
River Hill High	243,015.35	1,074,376.18	1,132,047.58	185,343.95
Wilde Lake High	120,783.84	573,803.93	569,821.07	124,766.70
	<u>\$ 2,391,662.01</u>	<u>\$ 10,210,868.20</u>	<u>\$ 10,153,893.09</u>	<u>\$ 2,448,637.12</u>
Total - High Schools	<u>\$ 2,391,662.01</u>	<u>\$ 10,210,868.20</u>	<u>\$ 10,153,893.09</u>	<u>\$ 2,448,637.12</u>
Special Schools				
Applications and Research Lab	\$ 14,574.20	\$ 7,837.83	\$ 6,800.34	\$ 15,611.69
Cedar Lane School	59,781.28	116,061.33	128,286.77	47,555.84
Howard Co. Homewood Sch.	7,519.59	27,880.38	24,488.62	9,911.35
	<u>\$ 81,875.07</u>	<u>\$ 151,779.54</u>	<u>\$ 159,575.73</u>	<u>\$ 73,078.88</u>
Total - Special Schools	<u>\$ 81,875.07</u>	<u>\$ 151,779.54</u>	<u>\$ 159,575.73</u>	<u>\$ 73,078.88</u>
Total - All Schools	<u><u>\$ 4,647,370.92</u></u>	<u><u>\$ 17,994,065.47</u></u>	<u><u>\$ 17,770,788.97</u></u>	<u><u>\$ 4,869,647.42</u></u>



Report Required by Government Auditing Standards







Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance and Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133

Members of the Board of Education
Howard County Public School System
Ellicott City, Maryland

Compliance

We have audited the compliance of the Howard County Public School System (the System) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the System's management. Our responsibility is to express an opinion on the System's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the System's compliance with those requirements.

In our opinion, the System complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 08-02.

Internal Control Over Compliance

The management of the System is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the System's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over compliance.



A control deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the System's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the System's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-02 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We do not consider the significant deficiency noted above to be a material weakness.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the control that might be significant deficiencies or material weaknesses. The significant deficiency identified above was not considered a material weakness.

The System's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the System's responses and, accordingly, we express no opinion on them.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the System as of and for the year ended June 30, 2008, and have issued our report thereon dated September 30, 2008. 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. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such 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 a whole.

This report is intended solely for the information and use of the Audit Committee, Board of Education of Howard County, 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

December 1, 2008, except for the Schedule of Expenditures of Federal Awards which is September 30, 2008.

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.



Statistical Section

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

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

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

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Table 1

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental Activities							
Invested in Capital Assets, net of related debt	\$ 566,061	\$ 546,129	\$ 573,900	\$ 635,330	\$ 705,217	\$ 765,145	\$ 815,780
Restricted for Capital Projects	4,420	2,786	5,134	7,412	6,454	5,311	2,585
Restricted for Food Services	1,895	2,035	1,852	1,415	1,485	1,120	2,274
Unrestricted	(1,564)	5,607	5,285	4,427	7,792	24,805	27,957
Total governmental activities net assets	<u>570,812</u>	<u>556,557</u>	<u>586,171</u>	<u>648,584</u>	<u>720,948</u>	<u>796,381</u>	<u>848,596</u>
The James Rouse Theatre							
Invested in Capital Assets, net of related debt	221	27	24	53	113	89	69
Unrestricted	85	146	213	225	149	180	126
Total Rouse Theatre	<u>306</u>	<u>173</u>	<u>237</u>	<u>278</u>	<u>262</u>	<u>269</u>	<u>195</u>
Total School System							
Invested in Capital Assets, net of related debt	\$ 566,282	\$ 546,156	\$ 573,924	\$ 635,383	\$ 705,330	\$ 765,234	\$ 815,849
Restricted for Capital Projects	4,420	2,786	5,134	7,412	6,454	5,311	2,585
Restricted for Food Services	1,895	2,035	1,852	1,415	1,485	1,120	2,274
Unrestricted	(1,479)	5,753	5,498	4,652	7,941	24,985	28,083
Total School System	<u>\$ 571,118</u>	<u>\$ 556,730</u>	<u>\$ 586,408</u>	<u>\$ 648,862</u>	<u>\$ 721,210</u>	<u>\$ 796,650</u>	<u>\$ 848,791</u>

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

Source: HCPSS Finance Department

Table 2

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

	<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>2008</u>
Revenues										
Intergovernmental revenues										
Local	222,284	237,289	274,518	313,617	324,899	359,753	412,225	446,121	479,538	495,391
State	105,130	110,482	121,087	132,065	151,393	146,299	155,153	183,371	189,850	233,546
Federal	7,681	9,339	10,932	13,671	15,274	18,159	22,574	17,093	17,777	21,678
Earnings on Interest and Investment	1,597	1,593	1,467	425	214	173	456	1,138	2,368	1,917
Charges for services	7,390	7,876	8,751	9,270	9,158	10,612	10,400	11,450	14,377	13,413
Miscellaneous Revenues	367	452	204	666	1,100	1,265	1,293	2,518	654	612
Total Revenues	344,449	367,031	416,959	469,714	502,038	536,261	602,101	661,691	704,564	766,557
Expenditures										
Instruction										
Regular Education	132,257	147,185	164,029	183,090	187,712	207,222	218,808	248,244	250,110	277,498
Special Education	33,430	39,675	46,441	52,684	58,532	65,164	71,118	79,623	82,168	88,837
Support Services										
General Administration	4,458	4,702	5,076	5,689	6,259	6,901	7,872	8,466	9,240	10,443
Mid-Level Administration	24,182	25,669	27,474	29,765	30,976	33,277	35,251	43,490	45,347	48,737
Pupil Personnel	1,096	1,209	1,613	1,730	1,775	1,806	2,020	2,465	2,396	2,669
Health	1,855	2,228	2,483	2,648	2,889	3,208	3,557	4,355	4,532	5,095
Pupil Transportation	14,613	15,630	17,709	19,242	20,891	22,905	23,651	27,138	28,861	31,538
Operation of Plant	19,233	20,634	21,961	23,185	23,689	26,257	28,071	31,478	35,523	38,504
Plant Maintenance	9,029	10,463	10,719	11,167	11,713	12,376	12,885	16,247	15,410	19,556
Fixed Charges	58,768	62,815	67,348	74,367	85,105	91,204	98,666	83,280	120,871	153,117
Community Services	3,360	3,309	3,410	3,559	3,672	3,848	5,176	4,780	4,914	6,010
Food Services	7,396	7,189	7,656	8,251	8,745	9,620	10,398	11,041	11,375	11,399
Capital Outlay	31,632	25,284	39,954	58,489	59,713	50,671	85,967	104,788	91,375	76,930
Total	341,309	365,992	415,873	473,866	501,671	534,459	603,440	665,395	702,122	770,333
Excess (Deficit) of Revenues Over Expenditures	3,140	1,039	1,086	(4,152)	367	1,802	(1,339)	(3,704)	2,442	(3,776)
Other Financing Sources (Uses)										
Proceeds from Capital Leases	-	-	-	-	-	-	4,093	7,648	4,504	6,027
Payments on Capital Leases	-	-	-	-	-	-	(402)	(1,787)	(3,149)	(4,616)
Net Change in Fund Balances	3,140	1,039	1,086	(4,152)	367	1,802	2,352	2,157	3,797	(2,365)

* Modified accrual basis of accounting
Source: HCPSS Finance Department

Table 3

**Howard County Public School System
Changes in Net Assets
Last Seven 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>2008</u>
Expenses							
Governmental Activities							
Instruction							
Regular Education	\$ 244,086	\$ 256,656	\$ 286,901	\$ 304,177	\$ 339,932	\$ 349,849	\$ 401,309
Special Education	65,261	72,582	81,270	89,054	94,877	103,170	114,495
Total Instruction	309,347	329,238	368,171	393,231	434,809	453,019	515,804
Support Services							
Administration	7,226	11,384	11,808	13,672	9,809	11,193	13,026
Mid-Level Administration	37,887	39,339	42,873	45,888	50,984	59,362	65,680
Pupil Personnel Services	2,223	2,205	2,308	2,589	2,686	3,074	3,516
Health Services	3,368	3,607	4,119	4,573	5,264	5,841	6,782
Pupil Transportation	19,505	21,157	23,207	23,975	27,411	29,238	31,944
Operation of Plant	26,792	26,861	30,727	31,884	34,842	40,341	44,955
Maintenance of Plant and Equipment	12,744	13,906	14,462	15,391	15,702	19,228	25,025
Community Services	3,699	4,187	4,357	4,678	5,305	5,609	6,827
Food Services	8,538	8,921	9,620	10,386	11,041	11,375	11,399
Interest on Long-term Debt	-	-	-	72	127	642	555
Total Support Services	121,982	131,567	143,481	153,108	163,171	185,903	209,709
Total Governmental Activities	431,329	460,805	511,652	546,339	597,980	638,922	725,513
Business-type Activities							
James T. Rouse Theatre	54	98	86	91	148	148	228
Total School System Expenses	\$ 431,383	\$ 460,903	\$ 511,738	\$ 546,430	\$ 598,128	\$ 639,070	\$ 725,741

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

Table 3 (continued)

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

	2002	2003	2004	2005	2006	2007	2008
Program Revenues							
Charges for Services	\$ 1,019	\$ 2,789	\$ 1,197	\$ 1,345	\$ 2,709	\$ 4,094	\$ 3,868
Regular Education	6	3	-	-	-	-	-
Special Education	1,099	810	1,397	813	2,544	1,957	2,288
Operation of Plant	6,164	6,340	6,722	6,975	7,650	8,913	8,416
Food Services	55,338	63,405	68,141	72,830	47,484	82,016	105,586
Operating Grants and Contributions	56,113	57,415	52,412	84,406	98,717	88,505	71,339
Capital Grants and Contributions	<u>119,739</u>	<u>130,762</u>	<u>129,869</u>	<u>166,369</u>	<u>159,104</u>	<u>185,485</u>	<u>191,497</u>
Total Program Revenues							
Business-type Activities	107	156	151	131	133	155	154
James T. Rouse Theatre							
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>	<u>191,651</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>(534,090)</u>
General Revenues and Other Changes in Net Assets							
General Revenues							
Local Appropriations	274,540	292,401	310,590	334,590	362,590	393,711	427,176
State Aid	78,685	82,158	99,134	105,937	144,949	132,322	155,763
Federal Aid	160	204	260	191	172	183	1,019
Interest and Investment Earnings	296	140	149	373	1,010	2,001	1,660
Miscellaneous	666	1,047	1,264	1,293	2,518	654	612
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>	<u>586,230</u>
Changes in Net Assets- Governmental Funds	42,757	45,908	29,614	62,414	72,363	75,435	52,214
Changes in Net Assets - James Rouse Theatre	53	57	65	40	(15)	6	(74)
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>	<u>52,140</u>
Net Assets - Beginning of Year	528,307	510,764	556,729	586,408	648,862	721,210	796,650
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>	<u>\$ 848,790</u>

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

Table 4

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 3,470	\$ 3,091	\$ 4,285	\$ 1,904	\$ 4,150	\$ 2,343	\$ 3,365	\$ 4,515	\$ 5,942	\$ 5,518
Unreserved	2,659	1,494	168	(16)	(268)	648	574	2,469	5,594	5,703
Total General Fund	6,129	4,585	4,453	1,888	3,882	2,991	3,939	6,984	11,536	11,221
All Other Governmental Funds										
Reserved	417	809	789	675	1,103	2,105	168	412	324	233
Unreserved										
Special Revenue fund	598	561	981	1,263	841	184	1,248	1,073	1,549	2,317
Capital Projects fund	4,254	5,695	6,173	4,420	2,786	5,134	7,412	6,454	5,311	2,585
Total All Other Governmental Funds	5,269	7,065	7,943	6,358	4,730	7,423	8,828	7,939	7,184	5,135
Total All Governmental Funds	\$ 11,398	\$ 11,650	\$ 12,396	\$ 8,246	\$ 8,612	\$ 10,414	\$ 12,767	\$ 14,923	\$ 18,720	\$ 16,356

* Modified accrual basis of accounting
Source: HCPSS Finance Department

Table 5

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

	Administration	Instruction	Instructional Salaries		Textbooks and Classroom Supplies		Other Instructional Costs		Pupil Personnel Services		Pupil Transportation	
1999	4,212,460	*	119,827,100	6,782,530	1,547,540	1,069,841	1,864,160	15,529,830				
2000	4,364,640	*	133,453,340	6,416,330	1,699,190	1,196,420	2,232,680	15,542,230				
2001	4,733,380	*	148,483,770	9,164,670	1,628,770	1,585,610	2,514,550	17,717,100				
2002	5,218,700		**	**	**	1,732,620	2,691,160	19,680,890				
2003	5,543,300		**	**	**	1,692,110	2,893,880	20,711,570				
2004	6,357,360	*	183,899,880	9,141,920	1,885,150	1,693,340	3,203,480	22,962,330				
2005	7,463,590	*	201,831,090	8,102,360	2,055,760	1,969,640	3,567,280	23,614,240				
2006	7,799,710	*	215,125,210	11,175,120	2,275,560	2,123,910	3,989,210	27,216,280				
2007	9,162,030	*	231,448,730	11,597,405	2,699,230	2,270,190	4,438,681	30,006,000				
2008	10,447,281	*	256,389,040	12,556,290	2,687,269	2,600,070	5,102,390	31,618,370				

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

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

Source: HCPSS Finance Department

Table 5 (continued)

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

	Operation of Plant	Maintenance of Plant and Equipment		Fixed Charges	Mid Level Administration		Community Services	Special Education	Capital Outlay	Total
		Plant	Equipment		Administration	Administration				
1999	19,937,279	9,320,890	36,141,550	23,828,141	2,826,420	29,543,619	321,060	272,752,420		
2000	20,926,150	10,348,010	40,280,230	25,335,140	2,931,720	34,701,470	296,910	299,724,460		
2001	21,686,440	10,686,120	46,168,930	26,671,570	3,018,480	40,006,010	321,680	334,387,080		
2002	22,695,310	11,329,260	53,843,250	28,651,240	3,081,540	45,557,900	405,330	368,814,550		
2003	24,143,340	11,987,000	61,693,440	29,927,530	3,212,510	49,611,420	556,080	390,710,130		
2004	25,124,320	11,902,340	65,476,200	31,705,580	3,223,420	54,072,880	622,030	421,270,230		
2005	27,545,780	13,168,430	71,917,600	34,793,560	3,686,340	60,651,290	737,190	461,104,150		
2006	30,381,970	14,077,530	81,188,830	39,088,010	4,042,990	64,890,120	825,700	504,200,150		
2007	36,046,160	16,188,320	88,650,070	43,537,840	4,608,680	70,018,280	850,470	551,522,086		
2008	38,794,360	19,800,720	102,406,180	47,004,300	5,667,810	76,871,520	857,020	612,802,620		

Source: HCPSS Finance Department

**HOWARD COUNTY PUBLIC SCHOOL SYSTEM
CAPITAL ASSETS BY FUNCTION
June 30, 2008**

Table 6

	<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>2008</u>
Schools										
Buildings	64	64	64	66	68	70	70	71	72	72
Administration										
Buildings	2	2	2	2	2	2	3	3	3	3
Vehicles	36	39	40	42	44	30	29	24	34	32
Maintenance										
Buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	98	119	140	152	179	185	195	209	216	230
Technology										
Buildings	-	-	-	-	-	-	-	-	1	1
Vehicles	9	12	12	14	16	16	17	17	17	16
Print Shop										
Print Presses	4	4	4	5	5	5	5	5	5	6
Transportation										
Vehicles	5	5	5	6	7	7	8	8	11	11
Warehouse										
Vehicles	9	10	12	12	12	13	14	15	15	15

Source: HCPSS Finance Department

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

**Computation of Debt Limits *
Last Four Years ****

Table 7

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Current Operating Budget	461,104,150	504,200,150	551,522,080	612,902,620
6 % of Current Operating Budget	27,666,249	30,252,009	33,091,325	36,774,157
Total Debt Outstanding June 30	3,763,239	3,130,000	10,957,023	12,940,923
Compliance with Debt Limit	Yes	Yes	Yes	Yes
3 % of Current Operation Budget	13,833,125	15,126,005	16,545,662	18,387,079
Total Debt Service	329,499	1,787,290	3,149,141	4,061,178
Compliance with Debt Service Limit	Yes	Yes	Yes	Yes

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

** HPCSS had no debt prior to FY 2005

HCPSS has the authority to enter into capital lease agreements, limited to no more than 6 % of the current operating budget. In addition, HCPSS must limit debt service to 3 % of the total operating budget.

Source: HCPSS Finance Department

Table 8

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<u>Elementary School</u>										
PreKindergarten	276	407	540	586	663	706	751	804	893	948
Kindergarten	2,870	2,865	2,895	2,875	2,865	2,772	2,674	2,846	2,943	3,226
Grade 1	3,247	3,429	3,430	3,522	3,405	3,318	3,294	3,071	3,272	3,276
2	3,389	3,485	3,528	3,519	3,621	3,502	3,465	3,425	3,247	3,379
3	3,398	3,566	3,590	3,671	3,628	3,694	3,565	3,531	3,519	3,343
4	3,265	3,606	3,672	3,653	3,790	3,657	3,782	3,646	3,634	3,615
5	3,347	3,444	3,706	3,760	3,703	3,849	3,718	3,893	3,703	3,705
SP	333	-	-	-	-	-	-	-	-	-
Total Elementary School	20,125	20,802	21,361	21,586	21,675	21,498	21,249	21,216	21,211	21,492
<u>Middle School</u>										
Grade 6	3,172	3,348	3,538	3,807	3,827	3,831	3,900	3,808	3,997	3,780
7	3,117	3,242	3,585	3,598	3,884	3,919	3,845	3,969	3,864	4,072
8	3,000	3,139	3,474	3,661	3,642	3,939	3,921	3,938	4,028	3,912
SP	380	448	75	72	93	-	88	-	-	-
Total Middle School	9,669	10,177	10,672	11,138	11,446	11,689	11,754	11,715	11,889	11,764
<u>High School</u>										
Grade 9	3,210	3,309	3,671	3,912	4,053	4,015	4,251	4,308	4,419	4,401
10	3,084	3,038	3,252	3,477	3,598	3,887	3,835	3,988	4,025	4,147
11	2,741	2,890	3,021	3,055	3,241	3,515	3,735	3,671	3,892	3,875
12	2,512	2,659	2,844	2,888	2,972	3,212	3,325	3,611	3,522	3,768
SP	473	585	139	147	216	-	89	-	-	-
Total High School	12,020	12,481	12,927	13,479	14,080	14,629	15,235	15,578	15,858	16,191
<u>Special Education</u>										
Total Enrollment	41,909	43,563	45,065	46,318	47,313	47,917	48,333	48,596	49,048	49,543
Number of Teachers *	1,662	1,849	1,962	2,027	2,042	2,435	2,486	2,655	2,736	2,625
Ratio of Students to Teachers	25:1	24:1	23:1	23:1	23:1	20:1	19:1	18:1	18:1	19:1

* Source: Maryland State Department of Education

Table 9

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

Elementary Schools	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Capacity	Capacity
Atholton	508	518	534	511	493	499	485	426	418	437	387	112.9%
Bellows Springs	-	-	-	-	-	695	740	668	729	725	596	121.6%
Bolman Bridge	704	704	682	667	617	626	605	562	582	582	566	102.8%
Bryant Woods	357	332	316	312	284	329	360	372	398	337	355	94.9%
Bushy Park	528	544	581	633	676	707	688	655	688	691	788	87.7%
Centennial Lane	639	647	658	654	638	607	590	580	563	613	628	97.6%
Clarksville	405	459	469	452	668	669	677	675	559	532	634	83.9%
Clemens Crossing	670	662	642	597	554	531	482	459	462	469	522	89.8%
Cradlerock-lower	474	459	454	445	404	422	416	412	459	461	487	94.7%
Dayton Oaks	-	-	-	-	-	-	-	-	574	556	788	70.6%
Deep Run	784	792	783	764	777	641	600	542	592	571	557	102.5%
Elkridge	744	773	817	813	760	673	691	663	638	690	610	113.1%
Forest Ridge	651	677	698	663	664	601	609	609	603	627	560	112.0%
Fulton	523	533	587	607	646	760	756	758	683	666	772	86.3%
Gorman Crossing	419	448	424	427	453	511	553	522	566	623	540	115.4%
Guildford	479	470	510	496	457	401	412	424	492	479	462	103.7%
Hammond	593	632	675	660	649	535	518	504	492	491	500	98.2%
Hollifield Station	588	666	725	787	839	819	818	784	788	613	666	92.0%
Ilchester	751	804	825	856	882	629	593	552	591	581	617	94.2%
Jeffers Hill	402	379	479	500	512	356	366	385	397	388	421	92.2%
Laurel Woods	467	462	456	437	467	480	482	465	483	531	540	98.3%
Lisbon	548	574	591	602	591	602	555	530	486	475	553	85.9%
Longfellow	443	392	385	348	393	394	389	365	395	420	418	100.5%
Manor Woods	576	603	620	666	689	694	683	673	639	602	647	93.0%
Northfield	642	649	634	628	626	616	611	620	639	533	522	102.1%
Phelps Luck	503	512	579	585	574	499	496	494	589	616	540	114.1%
Pointers Run	655	818	990	1,131	922	885	854	770	790	755	776	97.3%
Rockburn	739	785	620	665	694	613	662	625	709	714	667	107.0%
Running Brook	320	312	304	316	299	309	342	290	339	394	405	97.3%
St. John's Lane	609	631	653	661	693	744	713	751	785	551	553	99.6%
Steven's Forest	353	344	316	305	304	358	335	316	292	290	333	87.1%
Swansfield	579	582	590	574	518	492	520	507	513	518	528	98.1%
Talbot Springs	450	452	482	478	484	487	513	431	426	448	443	101.1%
Thunder Hill	401	408	394	386	374	383	339	319	317	344	368	93.5%
Triadelphia Ridge	615	643	662	671	694	693	701	655	432	431	544	79.2%
Veterans	-	-	-	-	-	-	-	-	-	800	788	101.5%
Waterloo	550	581	605	666	643	586	560	518	599	641	594	107.9%
Waverly	529	582	612	594	658	653	626	599	665	547	675	81.0%
West Friendship	346	375	410	411	421	440	426	413	310	315	396	79.5%
Worthington	581	598	599	618	658	523	491	527	551	435	516	84.3%
Total Elementary Schools	20,125	20,802	21,361	21,586	21,675	21,498	21,249	20,420	21,211	21,492	22,262	96.5%

Source: HCPSS Public Information Office.

Table 9 (continued)
Howard County Public School System
Enrollment by School Last Ten Years
as of September 30th

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Capacity	% of Capacity
Middle Schools												
Bonnie Branch	-	-	-	522	574	655	675	667	677	679	662	102.6%
Burleigh Manor	636	620	589	533	507	607	588	584	652	684	662	103.3%
Clarksville	868	609	685	762	794	677	693	729	748	728	662	110.0%
Cradlerock-upper	522	474	514	581	605	535	494	484	462	450	584	77.1%
Dunloggon	535	558	572	562	558	523	544	533	557	512	526	97.3%
Elkridge Landing	606	614	656	612	692	704	695	691	701	626	662	94.6%
Ellicott Mills	487	539	595	470	487	546	585	583	684	673	662	101.7%
Folly Quarter	-	-	-	-	-	664	628	625	559	577	662	87.2%
Glenwood	667	728	771	789	805	582	629	651	670	660	584	113.0%
Hammond	584	642	656	654	664	626	641	630	670	620	584	106.2%
Harper's Choice	600	599	616	604	622	640	611	560	551	558	506	110.3%
Lime Kiln	-	523	570	575	513	531	585	608	648	648	701	92.4%
Mayfield Woods	775	768	804	575	614	584	580	548	517	640	682	93.8%
Mount View	619	701	720	791	850	667	691	721	721	720	662	108.8%
Murray Hill	527	530	514	584	590	604	591	634	684	669	662	101.1%
Oakland Mills	505	494	479	458	473	485	472	443	478	478	506	94.5%
Patapsco	577	607	679	725	775	721	743	762	681	633	662	95.6%
Patuxent Valley	709	714	727	766	747	729	723	739	728	742	662	112.1%
Wilde Lake	452	457	525	575	576	609	586	523	501	467	506	92.3%
Total Middle Schools	9,669	10,177	10,672	11,138	11,446	11,689	11,754	11,715	11,889	11,764	11,799	99.7%
High Schools												
Atholton	1,097	1,114	1,187	1,221	1,179	1,198	1,252	1,365	1,374	1,446	1,332	108.6%
Centennial	1,146	1,157	1,214	1,276	1,406	1,529	1,619	1,498	1,466	1,473	1,332	110.6%
Glennelg	942	973	1,021	1,071	1,153	1,181	1,279	1,200	1,181	1,187	1,332	89.1%
Hammond	1,136	1,161	1,276	1,324	1,283	1,321	1,343	1,305	1,323	1,270	1,332	95.3%
Howard	1,242	1,249	1,259	1,174	1,201	1,174	1,242	1,428	1,398	1,453	1,332	109.1%
Long Reach	1,383	1,562	1,440	1,502	1,512	1,572	1,488	1,428	1,372	1,264	1,332	94.9%
Marriotts Ridge	-	-	-	-	-	-	-	577	888	1,188	1,332	89.2%
Mt. Hebron	1,265	1,350	1,481	1,598	1,564	1,578	1,618	1,450	1,427	1,422	1,332	106.8%
Oaklands Mills	985	995	997	981	1,025	1,062	1,111	1,159	1,168	1,237	1,332	92.9%
Reservoir	-	-	-	-	608	926	1,317	1,396	1,465	1,513	1,332	113.6%
River Hill	1,364	1,511	1,573	1,756	1,654	1,647	1,549	1,434	1,407	1,376	1,332	103.3%
Wilde Lake	1,460	1,409	1,479	1,576	1,495	1,441	1,417	1,434	1,389	1,362	1,332	102.3%
Total High Schools	12,020	12,481	12,927	13,479	14,080	14,629	15,235	15,578	15,858	16,191	15,984	101.3%
Special Schools												
Cedar Lane	95	103	105	115	112	101	95	87	90	96	183	52.5%
Total All Schools	41,909	43,563	45,065	46,318	47,313	47,917	48,333	47,800	49,048	49,543	50,228	98.6%

Source: HCPSS Public Information Office

Howard County Public School System
Howard County, Maryland
Principal Employers
June 30, 2008
Current Year and Nine Years Ago

Table 10

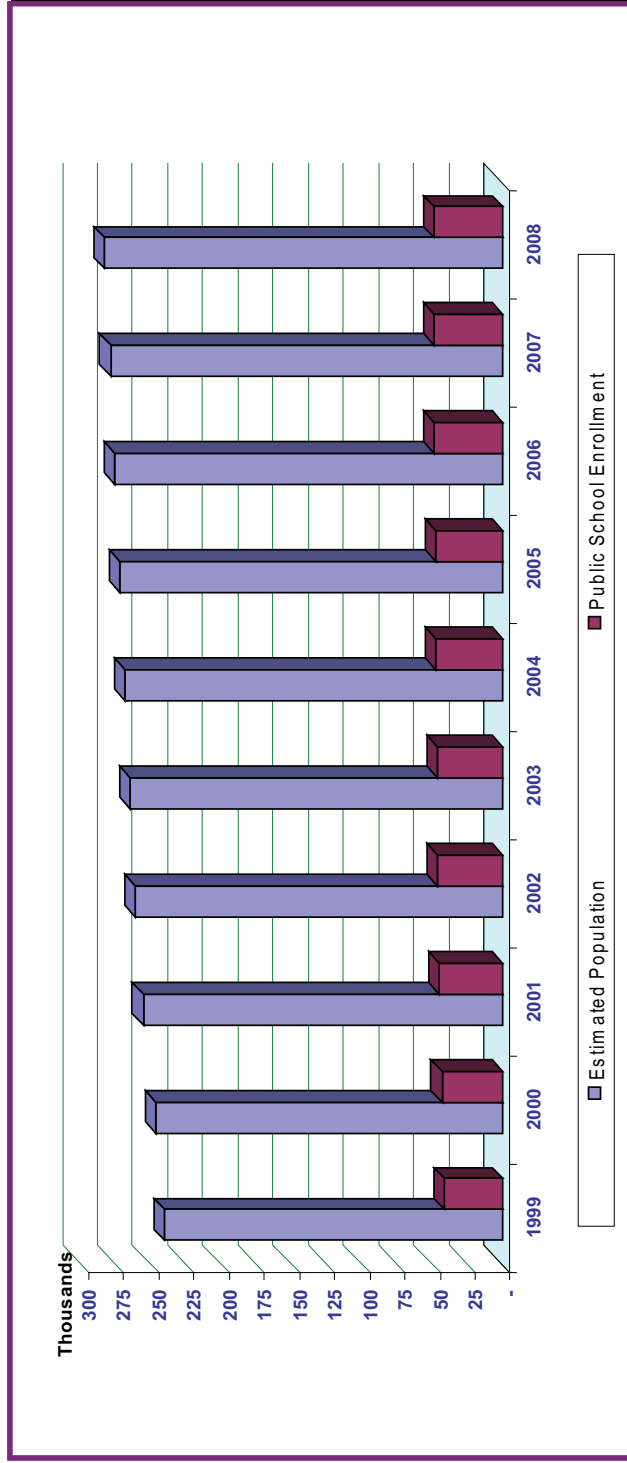
Employer	2008			1999		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Howard County Public School System	7,213	1	5.91%	4,841	1	4.61%
Johns Hopkins Applied Physics Laboratory	4,300	2	5.09%	2,700	2	2.57%
Howard County Government	2,843	3	2.05%	2,364	3	2.25%
Verizon Wireless	2,028	4	1.46%	-	-	-
SAIC	2,000	5	1.44%	-	-	-
Giant Food, Inc	1,953	6	1.41%	1,200	4	1.14%
Howard County General Hospital	1,720	7	1.24%	1,200	4	1.14%
Columbia Association	1,600	8	1.15%	-	-	-
Arbitron, Inc.	963	9	0.69%	-	-	-
Wells Fargo Securities Administrative Services	842	10	0.61%	-	-	-
MICROS	815	-	-	-	-	-
Amerix Corporation	-	-	-	1,200	4	1.14%
SYSCO Food Services of Baltimore	-	-	-	945	7	0.90%
The Rouse Company	-	-	-	850	8	0.81%
Magellan Behavioral Helath	-	-	-	850	8	0.81%
Care First	-	-	-	720	10	0.69%
Total	26,277		17.03%	16,870		15.37%

Source: Howard County, Maryland 2008 Comprehensive Annual Financial Report

Table 11

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

Fiscal Year	Estimated Population	Personal Income	Per Capita Personal Income	Student Enrollment	Unemployment Rate
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	48,222	2.7%
2008	282,674	N/A	N/A	48,595	3.2%



Source: Howard County, Maryland 2008 Comprehensive Annual Financial Report

Table 12

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total Number of Pupils Enrolled *	41,909	43,563	45,065	46,318	47,313	47,917	48,333	48,596	49,048	49,543
EXPENDITURES **										
Current:										
Administration	100	100	105	113	117	133	154	160	186	209
Instruction	-	-	-	3,748	3,777	-	-	-	-	-
Instructional Salaries	2,853	3,063	3,294	-	-	3,838	4,175	4,427	4,719	5,172
Textbooks and classroom supplies	161	146	203	-	-	190	168	230	236	253
Other instructional costs	36	38	35	-	-	39	42	47	55	54
Pupil personnel services	25	27	35	37	36	35	40	44	46	52
Health services	44	51	55	57	61	66	74	82	90	102
Pupil transportation	348	357	393	413	434	470	488	551	596	627
Operation of plant	488	478	481	490	510	524	568	625	734	783
Maintenance of plant and equipment	222	237	237	237	253	248	272	289	325	400
Fixed charges	862	924	1,024	1,152	1,299	1,366	1,488	1,671	1,807	2,067
Mid level administration	569	582	592	618	633	661	720	804	887	948
Community services	67	66	67	65	68	67	76	83	94	114
Special education	705	797	886	983	1,049	1,128	1,255	1,335	1,426	1,551
Capital outlay	8	7	7	9	12	13	15	17	17	19
Total Expenditure Per Pupil	\$ 6,468	\$ 6,872	\$ 7,415	\$ 7,921	\$ 8,248	\$ 8,780	\$ 9,536	\$ 10,365	\$ 11,219	\$ 12,352

State Rank ***

* Source: HCPSS Public Information Office
 ** Source: HCPSS Finance Department
 *** Source: Maryland State Department of Education
 **** 2008 Data not available at date of publication

Howard County Public School System
Food Service Data
Last Four Fiscal Years*

Table 13

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Number of Schools	69	70	71	72
Number of days lunch served	180	180	180	179
Number of free lunches served to pupils annually	501,139	547,281	571,635	621,756
Average number of free lunches served to pupils daily	2,784	3,040	3,175	3,473
Number of paid lunches served to pupils annually:				
At reduced price	191,415	179,967	206,474	210,183
At regular price	2,736,791	2,740,517	2,624,457	2,423,656
Average number of paid lunches served to pupils daily:				
At reduced price	1,063	1,000	1,147	1,174
At regular price	15,204	15,225	14,580	13,540
Total number of lunches served to pupils annually	3,429,345	3,467,765	3,402,566	3,255,595
Average number of lunches served to pupils daily	19,052	19,265	18,903	18,188
Charge per lunch to students:				
Elementary	\$ 1.50	\$ 1.75	\$ 2.00	\$ 2.25
Secondary	\$ 1.75	\$ 2.00	\$ 2.50	\$ 2.75

* Information prior to 2005 is not available
Source: HCPSS Food and Nutrition Services

Table 14

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

	Estimated number of eligible riders (daily)	Number of bus routes (daily)
1999	37,080	*
2000	38,355	321
2001	39,927	341
2002	41,008	368
2003	41,663	379
2004	42,537	398
2005	39,603	401
2006	41,345	416
2007	41,682	420
2008	40,425	425

* Information unavailable for this year
Source: HCPSS Transportation Office

Table 15

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

	Percentage of High School Seniors Graduated
1999	90.74%
2000	91.28%
2001	92.48%
2002	91.86%
2003	92.95%
2004	93.14%
2005	93.80%
2006	94.11%
2007	94.79%
2008	94.87%

Source: HCPSS Public Information Office

Table 16

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Percentage Change 1999-2008
General Fund											
Administration	53.5	55.5	56.5	58.5	59.5	66.0	73.5	78.5	86.3	94.3	76.3%
Instruction	2,898.7	3,126.5	3,320.8	3,434.5	3,545.5	3,638.9	3,759.4	3,884.0	4,030.9	4,255.4	46.8%
Pupil personnel services	17.7	20.2	23.2	23.2	22.2	23.2	24.2	25.0	30.0	32.0	80.8%
Health services	79.5	88.0	90.0	96.0	99.0	104.0	104.0	108.0	113.0	118.0	48.4%
Pupil transportation	9.5	10.5	11.5	11.5	12.5	12.5	13.0	13.0	12.0	12.0	26.3%
Operation of plant	358.0	363.0	368.0	373.0	388.5	397.5	402.5	417.0	433.5	447.0	24.9%
Maintenance of plant and equipment	117.0	131.0	136.0	137.0	148.0	151.0	151.0	164.0	174.0	184.0	57.3%
Mid level administration	429.2	438.0	429.0	438.0	451.5	450.5	465.0	501.5	556.0	572.5	33.4%
Community services	21.5	23.5	23.0	24.4	24.4	24.4	23.9	24.9	24.9	38.9	80.9%
Special education	756.8	841.0	943.0	1,109.5	1,203.0	1,269.3	1,297.0	1,352.0	1,401.0	1,448.5	91.4%
Capital outlay	4.5	4.5	4.5	5.5	7.5	7.5	8.5	9.0	10.0	10.0	122.2%
Total General Fund	4,745.9	5,101.7	5,405.5	5,711.1	5,961.6	6,144.8	6,322.0	6,576.9	6,871.6	7,212.6	52.0%
Total Grants Fund (estimated)	127.7	136.3	148.1	148.1	175.0	148.1	231.8	226.5	170.5	180.5	41.3%
Restricted Funds											
Food and Nutrition Service	193.0	195.5	182.0	182.0	182.0	182.0	181.0	181.5	187.5	187.5	-2.8%
Printing and Duplicating	5.0	6.0	10.0	9.0	9.0	9.0	9.0	9.0	10.0	10.0	100.0%
Health and Dental Self-Insurance	-	1.0	1.0	1.0	2.0	2.0	2.0	2.0	3.0	3.0	n/a
Workers Compensation Self-Insurance	2.0	2.5	3.0	3.0	3.0	3.0	3.0	2.5	2.5	3.0	50.0%
Technology Office	12.5	13.5	14.5	15.5	17.5	20.0	21.0	23.0	24.0	33.0	164.0%
Total Revolving Fund	212.5	218.5	210.5	210.5	213.5	216.0	216.0	218.0	227.0	236.5	11.3%
Total All Funds	5,086.1	5,456.5	5,764.1	6,069.7	6,350.1	6,508.9	6,769.8	7,021.4	7,269.1	7,629.6	50.0%

Source: HCPSS Budget Office

Table 17

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

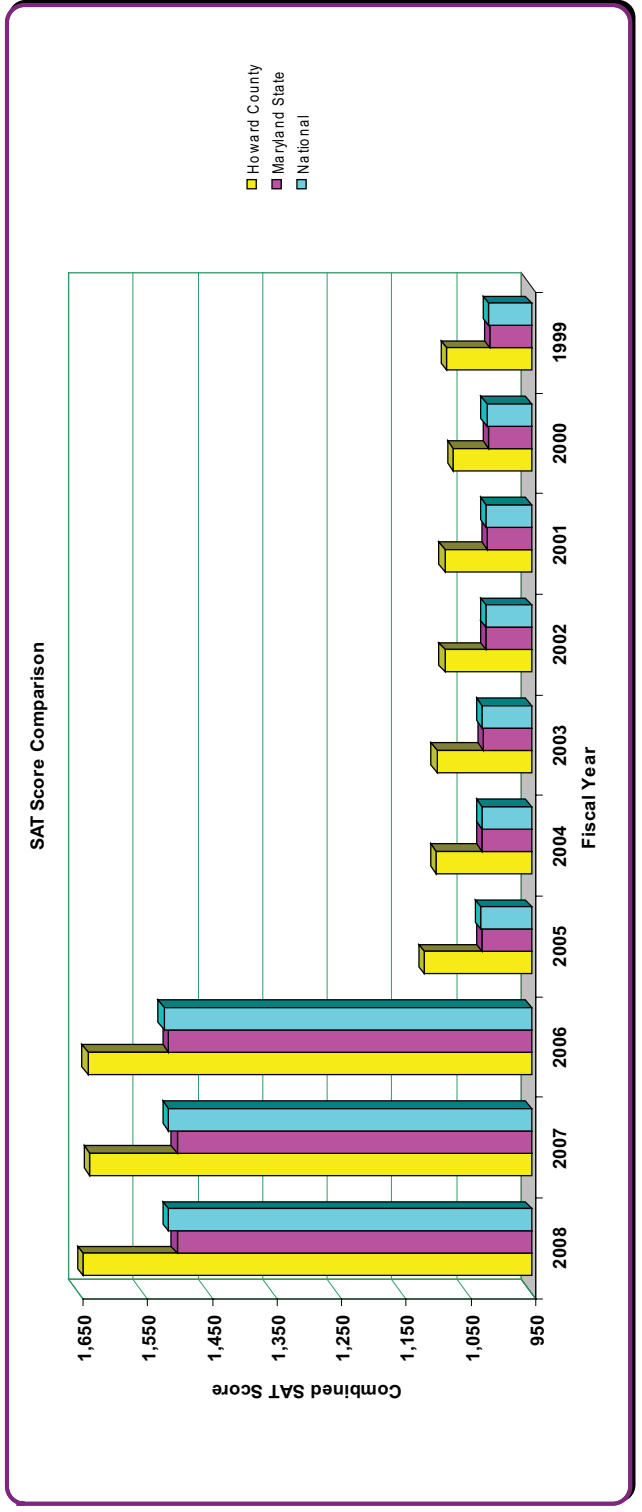
	Scholastic Achievement Test *		Maryland State Assessment **			Howard County			High School Assessment					
	Howard County	Maryland State	National	Elementary	Middle	High	Alegabra	Biology	English	Government	Alegabra	Biology	English	Government
2008	1,643	1,498	1,511	89.2	85.9	****	91.9	90.5	89.3	89.3	81.0	74.9	76.2	83.1
2007	1,633	1,498	1,511	89.3	83.0	****	87.5	87.5	87.5	89.6	63.5	70.3	70.9	73.5
2006	1,636	1,511	1,518	88.8	85.2	****	85.2	82.1	78.2	85.0	66.6	67.7	60.1	74.2
2005	1,115	1,026	1,028	88.5	85.4	****	74.3	76.6	76.5	81.8	53.8	57.6	57.3	66.4
2004	1,097	1,026	1,026	86.0	81.0	75.0	74.0	79.4	73.7	83.1	58.8	60.9	53.0	65.9
2003	1,096	1,024	1,026	82.0	81.0	70.0	69.4	73.3	61.5	78.5	53.2	54.3	39.8	60.2
2002	1,084	1,020	1,020	**	**	55.0	66.8	72.1	65.9	72.3	52.1	54.5	43.6	57.3
2001	1,084	1,018	1,020	**	**	**	**	**	**	**	**	**	**	**
2000	1,071	1,016	1,019	**	**	**	**	**	**	**	**	**	**	**
1999	1,081	1,014	1,016	**	**	**	**	**	**	**	**	**	**	**

* Beginning in 2006, SAT scores reflect the addition of the writing component to the test

** 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

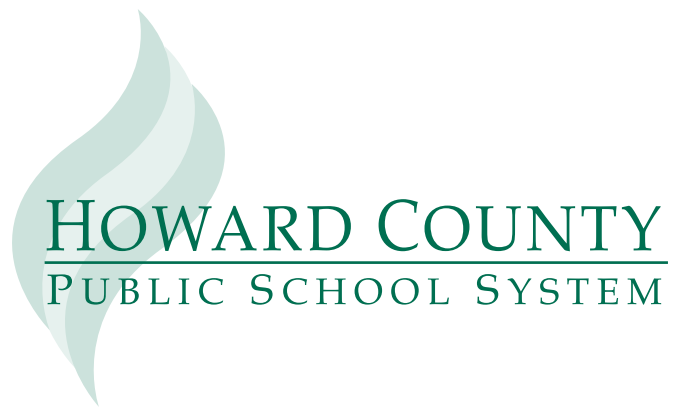


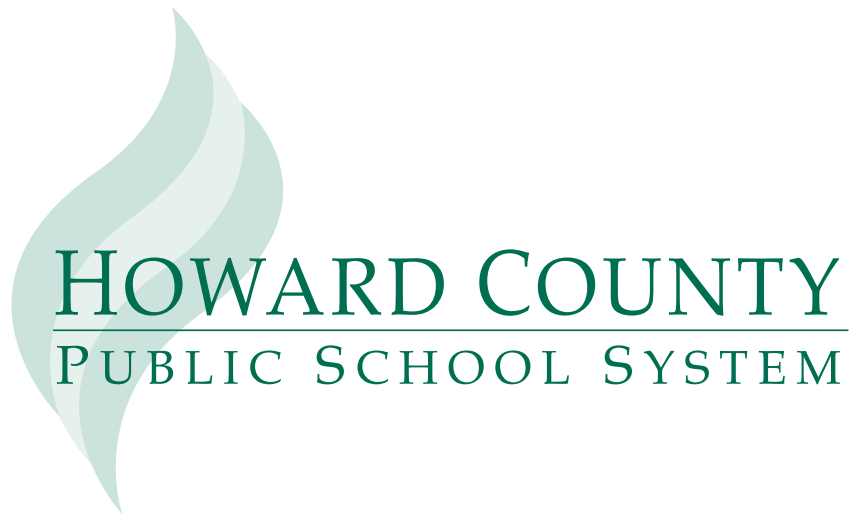
Howard County Public Schools
Insurance Summary FY 2008

Table 18

Type of Coverage	Name of Company	Policy Period	Limits
Workers Compensation	Self-Insured		
Excess Workers Compensation	Safety National	7/1/07 - 6/30/08	\$450,000 retention Specific excess limit \$25 million
Comprehensive General Liability	MABE Group Insurance Pool	7/1/07 - 6/30/08	\$100,000 per occurrence \$1 million per occurrence, should sovereign immunity be abrogate
Personal Injury Liability	MABE Group Insurance Pool	7/1/07 - 6/30/08	\$100,000 per occurrence \$1 million per occurrence, should sovereign immunity be abrogated
Automobile Liability	MABE Group Insurance Pool	7/1/07 - 6/30/08	\$100,000 combined single limit \$1 million combined single limit for Bus Contractors
Personal Injury Protection	MABE Group Insurance Pool	7/1/07 - 6/30/08	\$2,500 per covered person for any one accident
Automobile Physical Damage	MABE Group Insurance Pool	7/1/07 - 6/30/08	Actual cash value
Garage Keepers Liability	MABE Group Insurance Pool	7/1/07 - 6/30/08	\$100,000 per loss
Criminal Proceeding and Intentional	MABE Group Insurance Pool	7/1/07 - 6/30/08	\$50,000 per covered person
Property, Boiler, & Machinery	MABE Group Insurance Pool	7/1/07 - 6/30/08	\$500,000 per occurrence
Excess Property, Boiler, & Machinery	PEPIP	7/1/07 - 6/30/08	\$1 billion Total Property \$100 million Boiler and Machinery
Crime	St. Paul	7/1/07 -6/30/08	\$2.5 million per occurrence
School Board Legal Liability	MABE Group Insurance Pool	7/1/07 - 6/30/08	\$100,000 per occurrence \$5 million per occurrence, should sovereign immunity be abrogated

Source: HCPSS Office of Risk Management





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