

Comprehensive Annual Financial Report

Fiscal Year Ended
June 30, 2010



HOWARD COUNTY
PUBLIC SCHOOL SYSTEM

A Component Unit of Howard County, Maryland



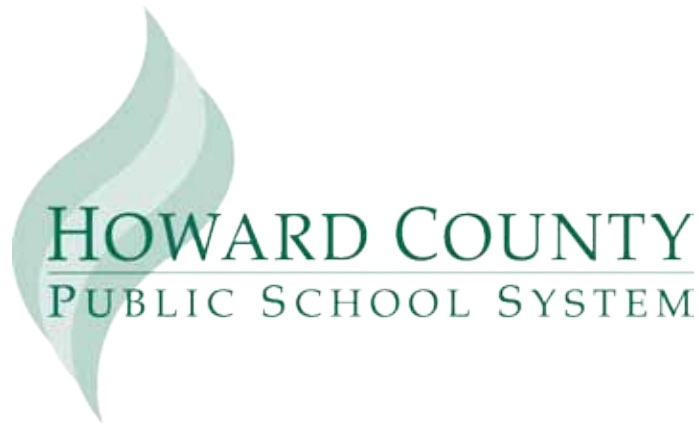
Mission

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, 2010

Prepared By:

The Department of Finance

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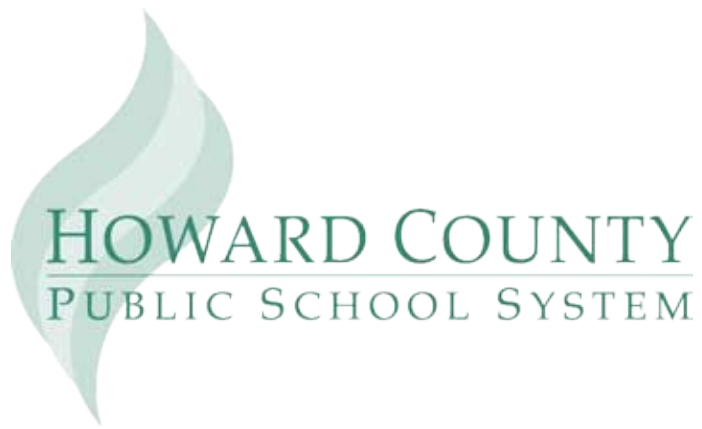
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Introductory Section





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Introductory Section

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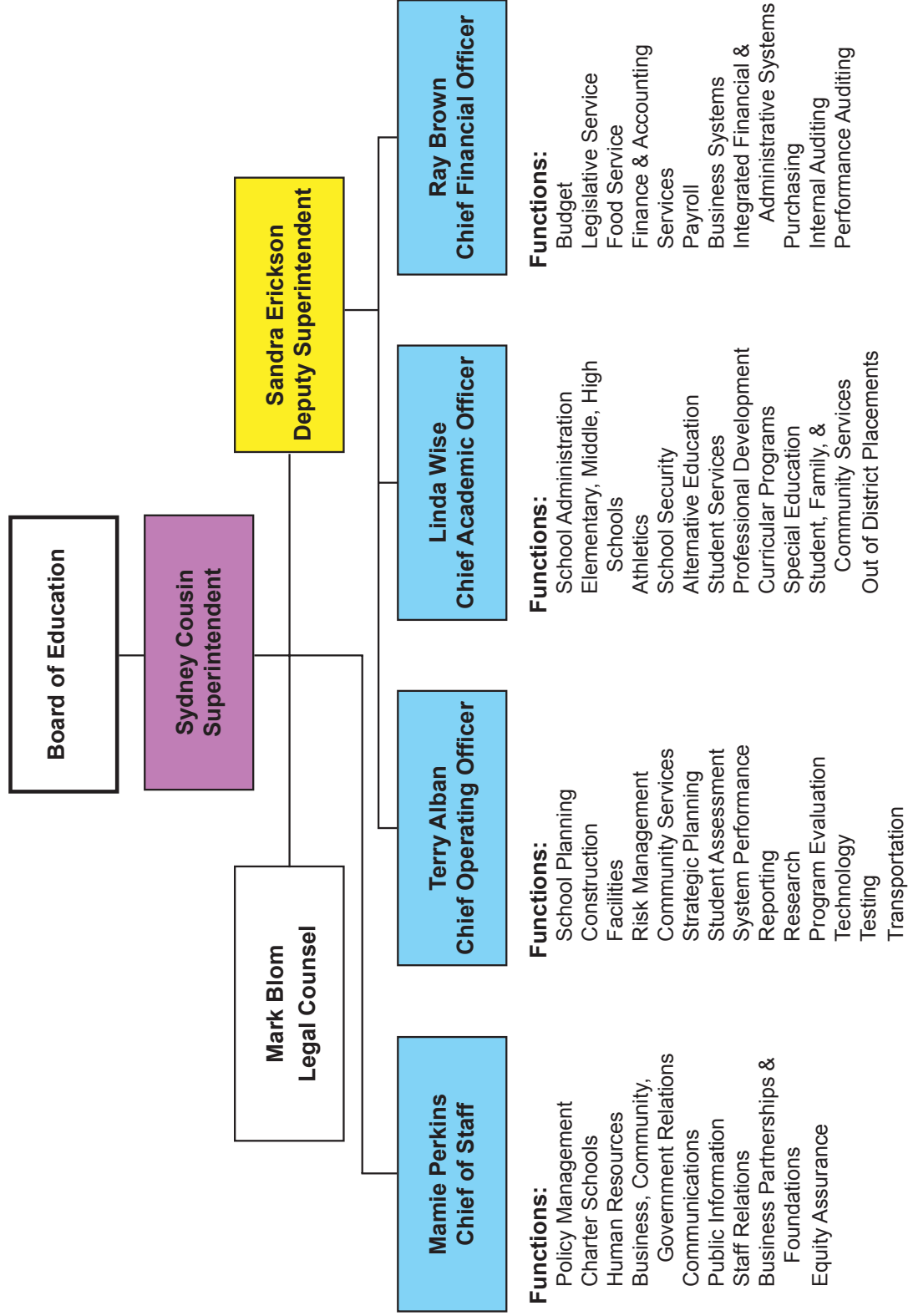
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Howard County Public School System Organizational Chart



Howard County Board of Education

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Telephone (410) 313-6600
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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

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Board of Education

Ellen Flynn Giles

Chairman



Janet Siddiqui, M.D.

Vice Chairman



Frank Aquino

Member



Larry Cohen

Member



Allen Dyer

Member



Sandra H. French

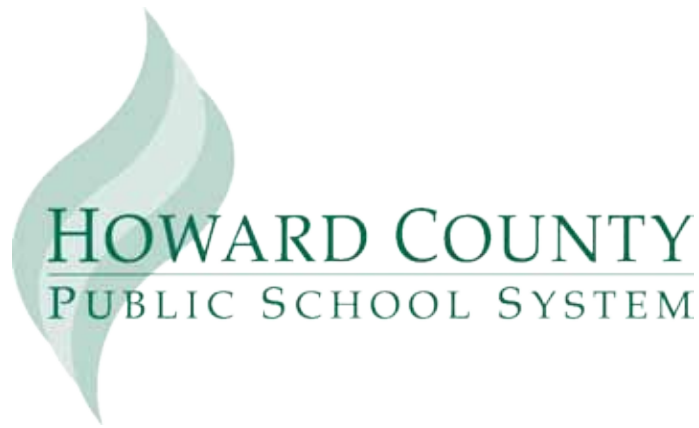
Member



Patricia S. Gordon

Member





November 30, 2010

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 over 5,100 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 32 additions to existing schools and built 12 new schools – 7 elementary schools, 1 middle school, 2 special schools and 2 high schools – since 2000. Within its 251 square miles, HCPSS operated seventy three schools in the 2009-2010 academic year. Students with special needs are provided with an extensive special education program in preschool, elementary, middle and high school instructional levels.

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

Economic Condition and Outlook

HCPSS receives approximately 70 percent of its operating budget from Howard County and approximately 29 percent from Maryland State. The economic condition and outlook of the county, therefore, plays substantial roles in the economic condition of HCPSS. At the same time, HCPSS remains a cornerstone in the economic growth of the county, as people are drawn to the county because of the quality reputation of the school system. In addition, HCPSS is the largest employer in the county, and therefore an economic force itself.

The effects of a struggling national economy have taken their toll on our state and local economy. Maryland's state unemployment rate did not improve in FY 2010, but continued at a ten-year high of 7.1 percent as of June 2010. Maryland's information technology, telecommunications, aerospace, and defense contracting industries continue to bolster our state economy. Nonetheless, the State is projecting a budget shortfall of \$2.4 billion in FY 2011 and as much as \$1.8 billion in FY 2012.

Though Howard County remains a thriving municipality, its economy has slowed during the past year as well. The unemployment rate in June 2010 was 5.5 percent which was well below state and national levels, but higher than experienced locally in years. In addition, weak residential construction, a continued decline in housing sales, and weak consumer spending have contributed to the decline. Consequently, tax revenues are projected to decline in FY 2011, with modest increases in FY 2012.

Looking ahead, the County and economic outlook for FY 2012 and beyond remains uncertain. The looming state budget deficits require that the School System continue and expand cost saving steps while both prudently and creatively utilizing all available resources effectively and efficiently on programs and services that produce measurable results, improve student performance system wide, and contribute to the success of all students.

School System Budget

The school system's final Approved Operating Budget for FY 2010 appropriations for revenue and expense totaled \$656.7 million. This was a decrease of \$394 thousand or 0.1 percent less than the FY 2009 appropriations. By maintaining the budget at levels comparable to the prior year, the County met its statutory obligation for maintenance of effort.

The FY 2010 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 closely aligned with the school system's Bridge to Excellence Master Plan. Therefore, the approved budget supported the school system's mission by addressing four priorities:

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

Long-term Financial Planning

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

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

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

The FY 2010 Operating Budget included \$400,000 less in funding than the prior year while enrollment increased by 747 students. To do more with less, the School System has taken many cost saving steps such as eliminating unfilled administrative and support positions, cutting funds for conferences and meetings across all program areas, and deferring maintenance projects. The FY 2010 Approved Operating Budget provided funding for the following:

- Continuation of the current level of service and quality education
- Additional resources to address enrollment and program growth
- Additional resources supporting higher enrollment of non-English speaking students
- Salary increases and related costs
- Increased transportation and utility costs
- Funding for key after school tutoring programs and mastery courses

Long-term Financial Planning (continued)

The FY2011 Annual Operating Budget will increase by \$18.7 million, or 2.76%, over FY10. However, federal stimulus funds received, including \$5.9M in State Stabilization funds and \$3M in Individuals with Disabilities Education Act (IDEA, Part B) grants, are not expected to continue. Every effort has therefore been made to reduce and contain commitments that would generate costs in out years, including a reduction in central service and maintenance positions, deferred replacement of vehicles, reduced funding for repair and maintenance facilities, along with programs to reduce gas and electric utilities costs. However, the school system will continue to strive to do more with less. Funding for the following items was included in the Annual Operating Budget for FY 2011:

- Adding positions and materials of instruction to address enrollment growth
- Increased insurance and retirement costs
- Increased transportation costs
- Increased technology costs

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, 2010.

Debt Management

The Board has a debt management policy in place that sets forth parameters and process 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 2010 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 63% attending four-year colleges or universities. The system wide average SAT scores in FY 2010 were significantly higher than state and national average SAT scores with scores 541 in critical reading, 557 for mathematics and 541 for writing for a combined score of 1639. The average score was approximately 130 points above the national and Maryland state average.

Students at all levels are demonstrating academic achievement. In FY 2009, 81 percent of the school system's seniors scored a 3 or higher on Advanced Placement Exams – compared to 58% nationally and 61% in Maryland. A score of 3 on an AP exam is often used by universities to award credit for a college level course in that subject. To consistently have more than half of all tests receiving this score is an impressive achievement by HCPSS students.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Howard County Public School System for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. This was the sixth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements

In addition, the Association of School Business Officials (ASBO) International awarded Howard County Public School System its Certificate of Excellence in Financial Reporting for the fiscal year ended June 30, 2009. This award reflects our commitment to the highest standards in school system reporting.

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

A very special thank-you to Susan Daly, Matthew Berkowitz, Jesse Liu, and Anna Gable 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.

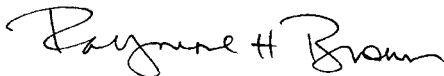
Conclusion

This report has been prepared to provide financial information for FY 2010, which ended June 30, 2010, in a manner consistent with the goals and objectives of the Board of Education of Howard County. Should you have any questions about the financial details, needs or plans for the Howard County Public School System, please do not hesitate to call or write. Contact information is included at the end of the MD&A.

Respectfully submitted,



Beverly Davis, CPA, RSBO
Director of Finance



Raymond H. Brown
Chief 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, 2009

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




President


Executive Director

This Certificate of Excellence in
Financial Reporting

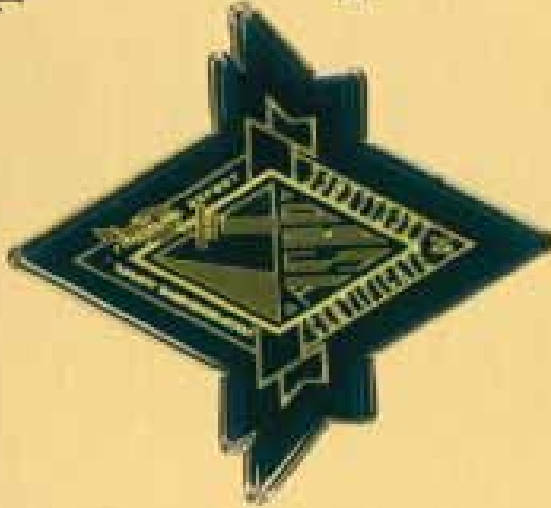
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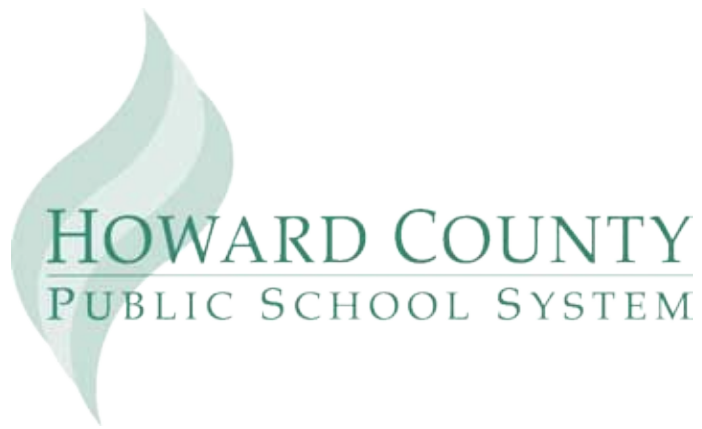
**Howard County
Public School System**

For its Comprehensive Annual
Financial Report
(CAFR)

For the Fiscal Year Ended

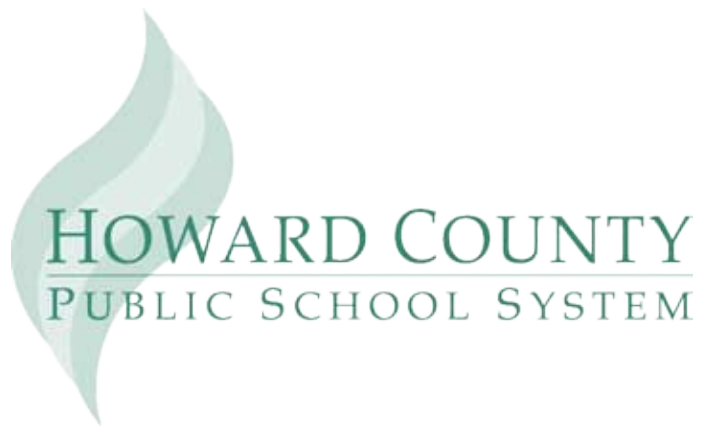
June 30, 2009





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, 2010, which collectively comprise HCPSS's basic financial statements as listed in the table of contents. These financial statements are the responsibility of HCPSS's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of HCPSS as of June 30, 2010, 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 29, 2010, 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.

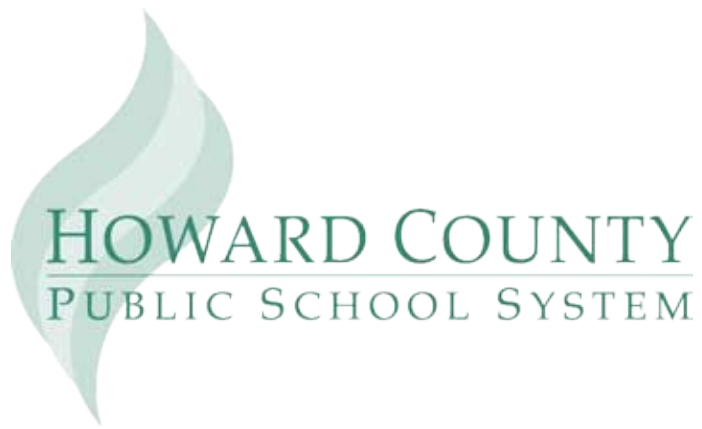
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise HCPSS's basic financial statements. The introductory section, detailed budgetary comparison schedules and combining fund financial statements presented as other supplementary information and the introductory section 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 Gunderson LLP

Baltimore, Maryland
September 29, 2010

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, 2010 with selected comparative data for the year ended June 30, 2009. 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 2010

Government-wide financial statements

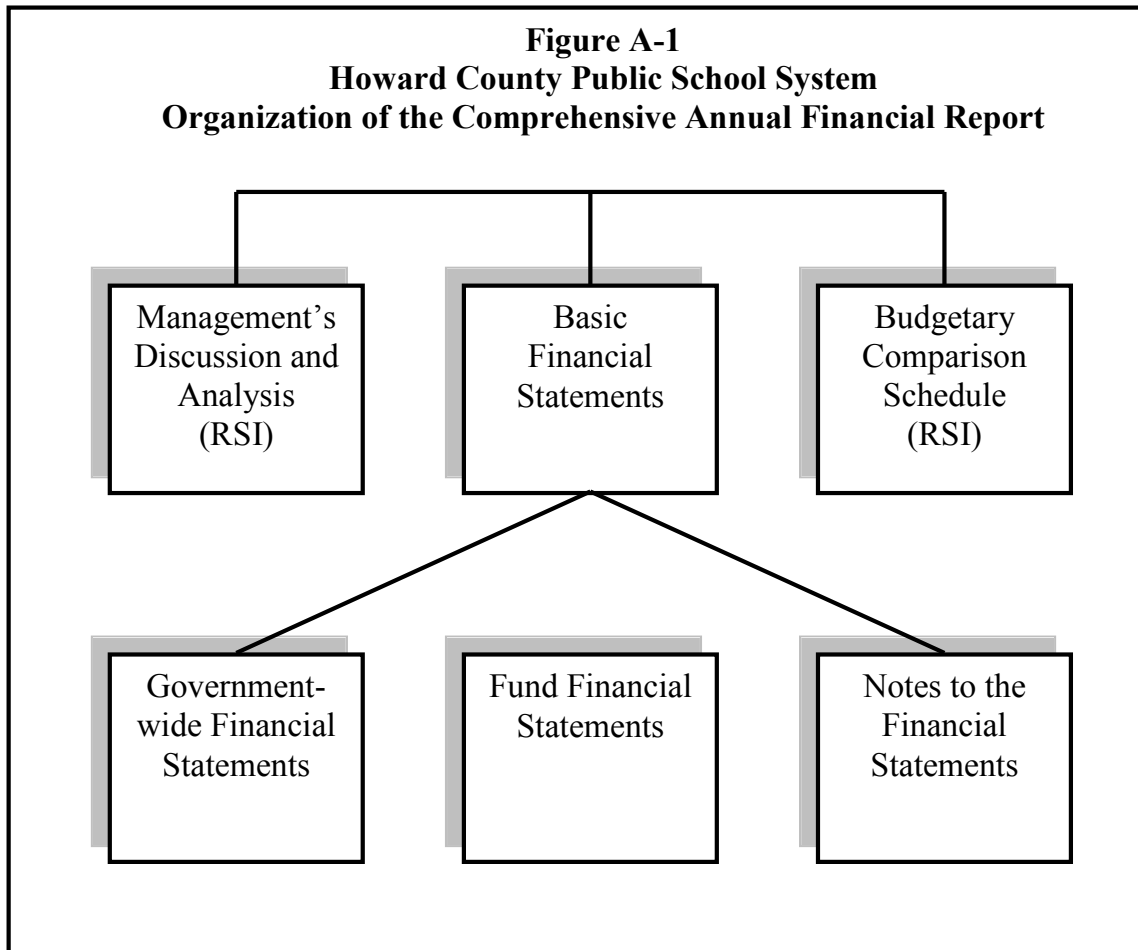
The School System's financial status as of June 30, 2010 and as reflected in total net assets, increased by \$29.2 million to \$894.3 million from \$865.1 million, presenting a stronger financial condition at fiscal year end. The increase in total net assets reflects increases in capital assets of \$31.7 million and decreases in current and other assets of \$3.1 million, offset by a decrease in liabilities of \$614 thousand. The investment made in capital assets was used for new school construction, renovations and additions as well as technology improvements.

General revenues accounted for \$623.7 million, including \$457.6 million in local appropriations and \$165.6 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 \$199.9 million. The total revenue from all sources was \$823.5 million.

The School System had \$794.3 million in expenses related to programs, an increase of \$6.7 million from the prior year. The increase in expenses resulted from increases in salaries, in the number of teachers and other staff, and in other expenses.

Governmental funds financial statements

The overall fund balance of the General Fund, the primary operating fund, increased by \$2.7 million to \$12.8 million from \$10.1 million. The General Fund balance is comprised of \$5.7 million of funds reserved for encumbrances, \$1.1 million reserved for inventories, \$253 thousand reserved for prepaid items, \$1.7 million designated for future contingencies, and \$4.1 million 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.

Management's Discussion and Analysis

Government-wide Financial Statements

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

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

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

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

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

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

The government-wide financial statements can be found on pages 25 - 26 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. HCPSS uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements provide more detailed information about HCPSS funds, focusing on the most significant or "major" funds - not 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 30 and 32 of this report, respectively.

The governmental fund financial statements can be found on pages 29 - 32 of this report.

Proprietary Funds

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

The proprietary fund financial statements can be found on pages 33 - 35 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside HCPSS. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support 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 36 of this report.



Summary of Significant Accounting Policies And the Notes to Financial Statements

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

government-wide and fund financial statements. The summary and notes can be found on pages 39 - 55 of this report.

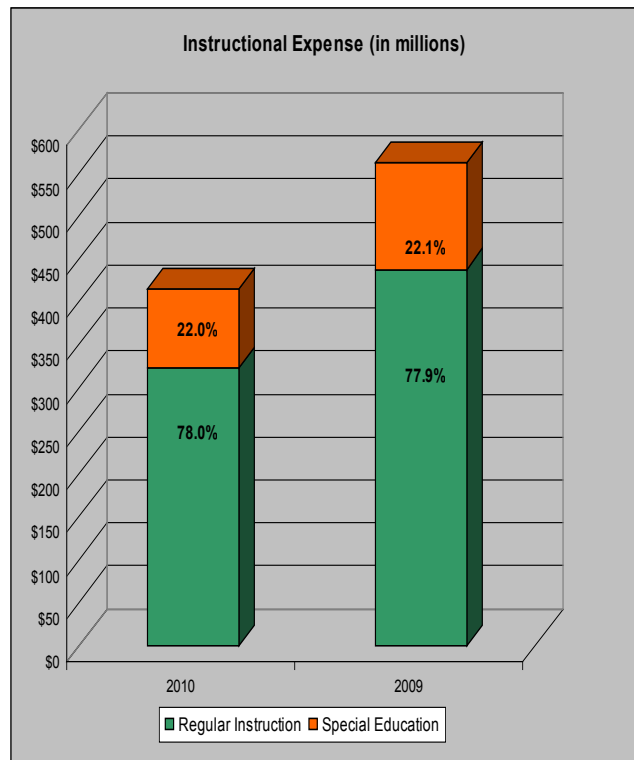
Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required *supplementary information* concerning the HCPSS' 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 only. 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 58 and 59 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 62.0% of its governmental activities funding from the County, and 32.4% 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 \$894.3 million at the close of the most recent fiscal year.

The most significant portion of the School System's net assets (97.8%) 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, 2010 and 2009.

Table 1 - Net Assets						
June 30, 2010 and 2009 (In Thousands)						
	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Assets						
Current and other assets	\$ 137,849	\$ 140,968	\$ 137	\$ 121	\$ 137,986	\$ 141,089
Capital assets (net)	<u>886,747</u>	<u>855,029</u>	<u>47</u>	<u>67</u>	<u>886,794</u>	<u>855,096</u>
Total assets	<u>\$1,024,596</u>	<u>\$ 995,997</u>	<u>\$ 184</u>	<u>\$ 188</u>	<u>\$1,024,780</u>	<u>\$ 996,185</u>
Liabilities						
Long-term liabilities	\$ 13,653	\$ 19,253	\$ -	\$ -	\$ 13,653	\$ 19,253
Other liabilities	<u>116,602</u>	<u>111,616</u>	<u>-</u>	<u>-</u>	<u>116,602</u>	<u>111,616</u>
Total liabilities	<u>\$ 130,255</u>	<u>\$ 130,869</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,255</u>	<u>\$ 130,869</u>
Net Assets						
Invested in capital assets, net of related debt	\$ 875,068	\$ 842,088	\$ 47	\$ 67	\$ 875,115	\$ 842,155
Restricted for construction	2	(3,428)	-	-	2	(3,428)
Restricted for treatment plant	1,181	984	-	-	1,181	984
Restricted for food services	3,036	806	-	-	3,036	806
Unrestricted	<u>15,054</u>	<u>24,678</u>	<u>137</u>	<u>121</u>	<u>15,191</u>	<u>24,799</u>
Total net assets	<u>\$ 894,341</u>	<u>\$ 865,128</u>	<u>\$ 184</u>	<u>\$ 188</u>	<u>\$ 894,525</u>	<u>\$ 865,316</u>

Change in Net Assets

The School System's net assets increased \$29.2 million. This is primarily because the School System receives intergovernmental capital grants and contributions (revenue) for school construction projects, yet has no corresponding liabilities. Additionally, most of the capital grants and contributions are capitalized. Accordingly, there is little current expense (i.e., depreciation) associated with this revenue. Also, since the School System is fiscally dependent on the county, state, and federal governments, expenses closely match revenues, with the exception of timing differences in relation to when

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

Management's Discussion and Analysis

Net Assets

Table 2 shows the changes in net assets for the years ended June 30, 2010 and 2009. Key elements of this increase are as follows:

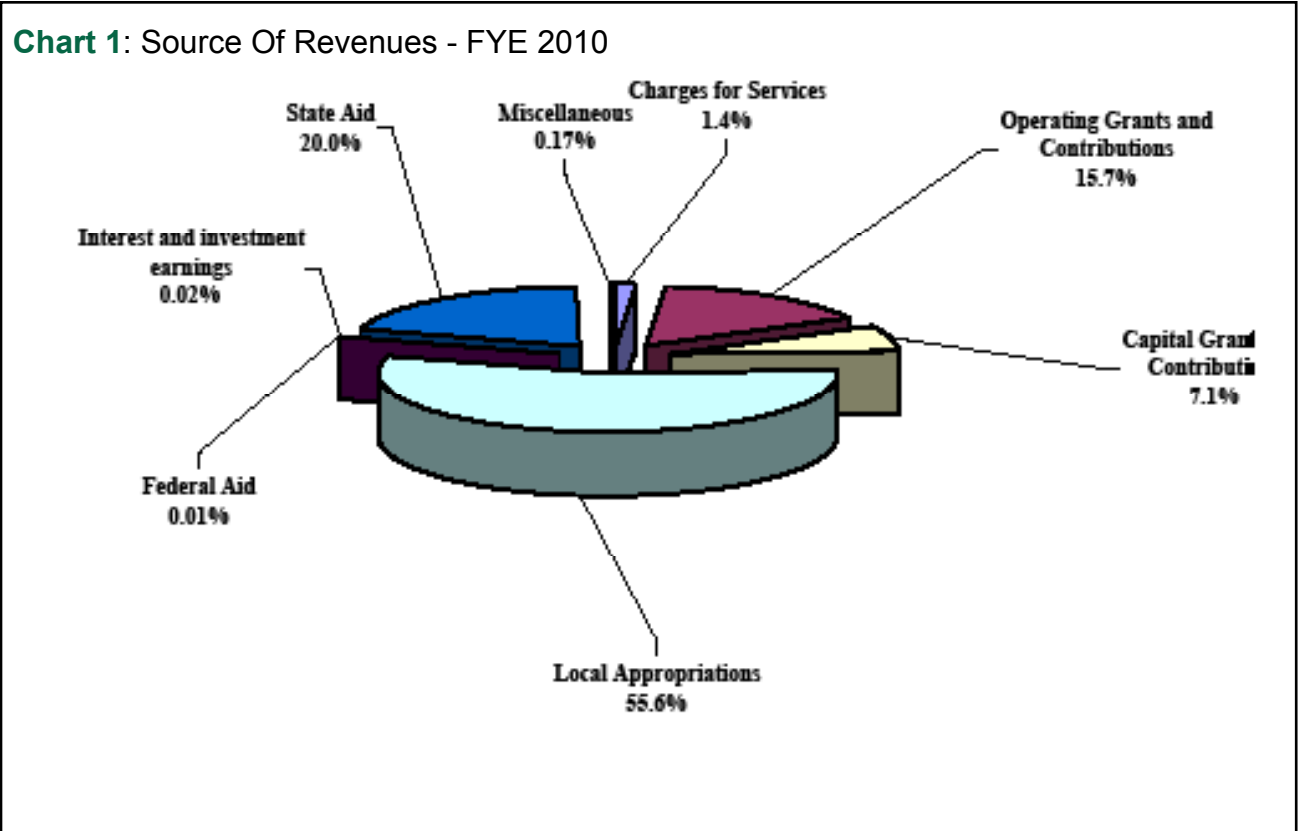
	Governmental Activities		Business-Type Activities		Total Activities	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues:						
Charges for services	\$ 1,556	\$ 27,237	\$ 128	\$ 156	\$ 11,684	\$ 27,393
Operating grants and contributions	129,393	96,957	-	-	129,393	96,957
Capital gains and contributions	58,845	54,178	-	-	58,845	54,178
General revenues:						
County appropriations	457,560	454,795	-	-	457,560	454,795
Federal aid	100	189	-	-	100	189
Interest and investment earnings	124	962	-	-	124	962
State aid	164,563	168,600	-	-	164,563	168,600
Miscellaneous	1,401	1,212	-	-	1,401	1,212
Total revenues	<u>\$ 823,542</u>	<u>\$ 804,130</u>	<u>\$ 128</u>	<u>\$ 156</u>	<u>\$ 823,670</u>	<u>\$ 804,286</u>
Expenses						
Instruction:						
Regular instruction	\$ 436,546	\$ 437,654	\$ -	\$ -	\$ 436,546	\$ 437,654
Special instruction	128,051	123,944	-	-	128,051	123,944
Support services:						
Administration	13,845	13,729	-	-	13,845	13,729
Mid-level administration	74,277	74,012	-	-	74,277	74,012
Pupil services	3,524	4,062	-	-	3,524	4,062
Health services	8,057	7,755	-	-	8,057	7,755
Pupil transportation	33,254	31,711	-	-	33,254	31,711
Operation of plant	50,475	49,378	-	-	50,475	49,378
Maintenance of plant	27,087	26,004	-	-	27,087	26,004
Community services	7,091	7,043	-	-	7,091	7,043
Food services	11,689	11,725	-	-	11,689	11,725
Interest on long-term debt	433	580	-	-	433	580
Enterprise funds	-	-	132	164	132	164
Total Expenses	<u>\$ 794,329</u>	<u>\$ 787,597</u>	<u>\$ 132</u>	<u>\$ 164</u>	<u>\$ 794,461</u>	<u>\$ 787,761</u>
Increase (decrease) in net assets	<u>\$ 29,213</u>	<u>\$ 16,533</u>	<u>\$ (4)</u>	<u>\$ (8)</u>	<u>\$ 29,209</u>	<u>\$ 16,525</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 \$19.4 million. County appropriations and State formula aid accounted for most of HCPSS revenue. Funds from these two sources contributed approximately 76 cents of every dollar needed. The remaining 26 cents came from federal aid for specific programs, fees charged for services and other miscellaneous revenues. Total revenues surpassed expenses, increasing net assets by \$29.2 million over last year. The revenue increase of 2.4% was primarily attributable to increased operating grants and contributions.

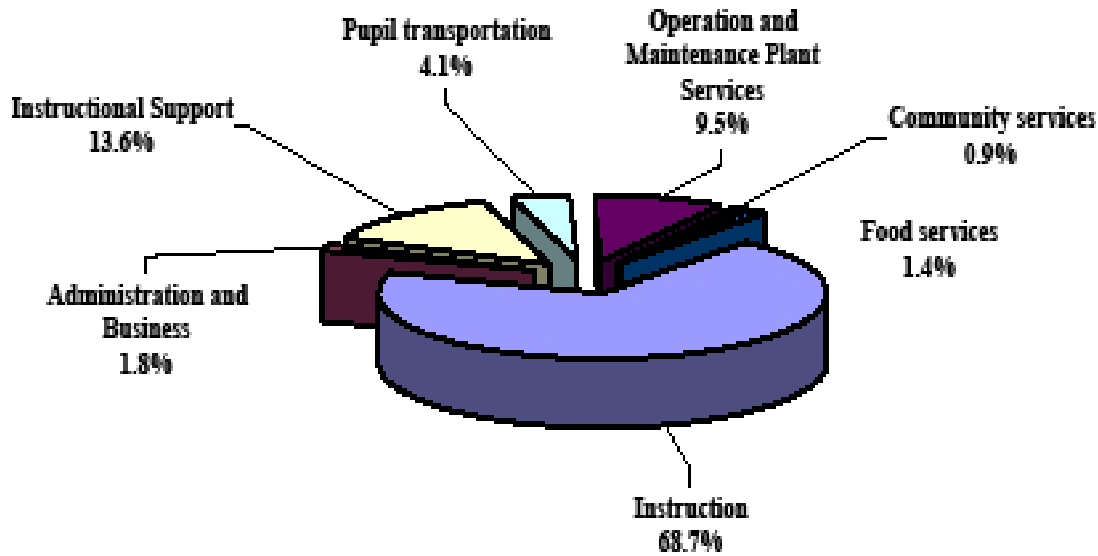
system expenditures. The business and administration activities, food services, and community services accounted for 1.8%, 1.4% and 0.9% of total costs, respectively. Maintenance and operation expenses represented approximately 9.5%. Generally, increases in expenses closely paralleled inflation and growth in the demand for services. Educational programs like the class size reduction and bilingual education continue to receive the funding priority because these programs are integral to promoting student achievement.

The total cost of all programs and services rose to \$794.5 million. Most of HCPSS expenses are related to instruction (including special education), instructional support and pupil transportation. Expenses in these areas comprised approximately 86.4% of all school



Management's Discussion and Analysis

Chart 2: Expenses By Category - FYE 2010



Expenditures Per Pupil

	2010	2009
Total Number of Pupils Enrolled	49,635	49,072
EXPENDITURES		
Current:		
Administration	\$ 253	\$ 232
Instruction		0
Instructional salaries	6,507	5,628
Textbooks and classroom supplies	264	262
Other instructional costs	72	50
Pupil personnel services	62	60
Health services	145	119
Pupil transportation	390	639
Operation of plant	965	880
Maintenance of plant	508	452
Fixed charges	2,192	2,112
Mid level administration	1,162	1,091
Community services	129	123
Special education	1,840	1,690
Capital outlay	16	18
Total expenditures Per Pupil	\$ 14,505	\$ 13,356

Governmental Activities

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

Business - Type Activities

HCPSS has one business-type activity: The James Rouse Theatre. Operating revenues for the business-type activity totaled \$128,477 for 2010. Operating expenses totaled \$132,221 for a net operating loss of (\$3,744). Business-type activity net assets (\$183,876 at fiscal year end) decreased \$3,744 during the year. This is primarily a result of the additional contracted services utilized in FY 2010. Details of the business-type activity can be found on pages 33 - 35 of this report.

Table 3 - Cost of Governmental Activities

Year Ended June 30, 2010

	<u>Total Cost of Services</u>	<u>Less Fees</u>	<u>Net Cost of Services</u>
Instruction			
Regular Education	\$ 436,545,688	\$ 113,277,497	\$ 323,268,191
Special Education	128,050,910	36,639,402	91,411,508
Support services			
Administration	13,844,994	1,288,852	12,556,142
Mid-level administration	74,277,210	16,525,009	57,752,201
Pupil services	3,524,423	464,191	3,060,232
Health services	8,057,205	867,204	7,190,001
Pupil transportation	33,253,704	13,877,538	19,376,166
Operation of plant	50,475,558	2,546,592	47,928,966
Maintenance of plant	27,086,932	1,844,357	25,242,575
Community services	7,090,622	675,569	6,415,053
Interest on long-term debt	432,972	-	432,972
Total Expenses	<u>\$ 782,640,218</u>	<u>\$ 188,006,211</u>	<u>\$ 594,634,007</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 \$12.2 million, an increase of \$1.6 million. This includes \$7.2 million of reserved fund balance which is composed of \$5.7 million reserved for encumbrances, \$1.2 million reserved for inventory and \$253 thousand reserved for prepaid items. The \$12.2 million fund balance includes a designated fund balance of \$5.1 million and a net unreserved balance of \$32 thousand.

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 increased by \$2.7 million. Any change in the School System's fund balance is a result of timing of expenditures. This is true because the School System's revenues and expenditures are fixed depending upon funding adopted by the county and state governments.

The fund balance of the Food Service Fund, a special

revenue fund, increased by \$108 thousand during the current fiscal year due to salary savings and delayed equipment replacements.

The fund balance of Glenelg Waste Water Treatment Plant, a special revenue fund, was introduced last fiscal year. Revenues for this fund are created through the assessment of fees to the School System and the homeowners in Musgrove Farm. The fund finished with a fund balance of \$1.2 million due primarily to capital contributions of \$195 thousand.

Revenues for HCPSS's governmental funds increased 3.0% while total expenses increased 0.6%. County revenue decreased by 2.3% or \$11.3 million over the previous year. While the general fund revenues from the County increased by 0.9% or \$4.2 million, the County revenues for the Capital Projects fund increased by 20.7 % or \$6.7 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 overall County revenues increased modestly, overall State appropriations experienced a similarly modest increase from the previous year of 1.4% or \$3.6 million. The growth in the State appropriation is primarily attributed to an increase of \$5.8 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 2010, General Fund Revenues exceeded budgeted revenues by \$409 thousand, which represents less than 1% of the overall budgeted revenues. Management cost cutting and efficiency efforts led to \$5 million in unspent budgeted appropriations with significant cost cutting and savings in almost all categories. The net positive budget variance of \$5.4 million in the General Fund will be available for the County to appropriate in future budgets.

Capital Assets

Table 4 - Capital Assets - Governmental Activities

June 30, 2009 and 2008

	<u>2010</u>	<u>2009</u>
Land and improvements	\$ 12,079,152	\$ 12,079,152
Construction in progress	115,578,967	186,180,641
Buildings and improvements	1,038,408,976	914,239,368
Furniture and equipment	24,337,334	23,266,527
(Less accumulated depreciation)	<u>(303,657,911)</u>	<u>(280,737,067)</u>
Total Capital Assets	<u>\$ 886,746,518</u>	<u>\$ 855,028,621</u>

Capital Assets (continued)

HCPSS had \$886.7 million invested in land, construction in progress, buildings and improvements, and furniture and equipment at June 30, 2010.

Table 4 shows governmental activities capital asset balances, net of accumulated depreciation, at June 30, 2010 and 2009. During FY 2010, capital assets increased by a net of \$31.7 million from the prior year. Depreciation expense on these assets was approximately \$23.3 million in FY 2010. More detailed information about capital assets can be found on pages 47 and 48 of this report.

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

- Expended \$5.8 million for additional technology in our classrooms.
- Completed Phase VI, the final phase, of Full Day Kindergarten.
- Completed construction for the additions/renovations of Glenelg High, Centennial Lane Elementary and Elkridge Elementary.
- Completed Phases I, II, and III for a The LEED silver building at Northfield Elementary.

- Continued construction for the additions/renovations of Mt. Hebron High and Elkridge Elementary.

- Started the Design Phase for Atholton High, Phelps Luck Elementary, Thunder Hill Elementary, Stevens Forest Elementary, Triadelphia Elementary/Folly Quarter Middle and Bollman Bridge Elementary.

- Started the Design Phase for dance studios at Centennial High and Hammond High.

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

HCPSS proposed capital spending totaling \$398.3 million over the FY 2012-2016 period which has been submitted to the Howard County Council for its approval. This will fully fund all of the capital projects requested by HCPSS. Cost estimates will need to be monitored closely to ensure the request is sufficient with regards to changes in the economy and materials pricing.

Long Term Obligations

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

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

approximately \$7.4 million at June 30, 2010. Long term obligations totaled approximately \$19.1 million at June 30, 2010 for a decrease of approximately \$5.9 million over the balance of \$25.0 million at June 30, 2009.

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

Factors Influencing Future Budgets

- The student enrollments are projected to continue to increase, though at a more gradual pace, between FY 2011 and FY 2012 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 FY 2011 for future years.
- Improvements are required in computer systems and networks throughout the school system.
- As with many local governments, Howard County's revenues are dependent to a significant degree on real property taxes. Future revenue growth from County sources, beyond State aid related "maintenance of effort" requirements, is expected to decline due to the depressed real estate market and pronounced increase in mortgage delinquencies and foreclosures.
- Reductions in FY 2011 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 may require larger increases in shared contributions paid by the School System and employees.

Economic Factors

The Fiscal Year 2010 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. Howard County has the lowest unemployment rate in the state.
- Revenues for the County are expected to dip in FY 2011 and 2012 due to decreases in the growth of personal income and reductions in transfer tax revenues.
- Rising energy-related costs will have an operational impact as will rising health and welfare costs.

- The County provides approximately 75 percent of HCPSS operating budget funding needs.
- The County government's funding to the Howard County, Maryland Post-Retirement Medical Plan on behalf of HCPSS could reduce direct county funding to the School System.
- Federal stimulus dollars are translating into jobs saved and created, which are pumping some money into the local economy.

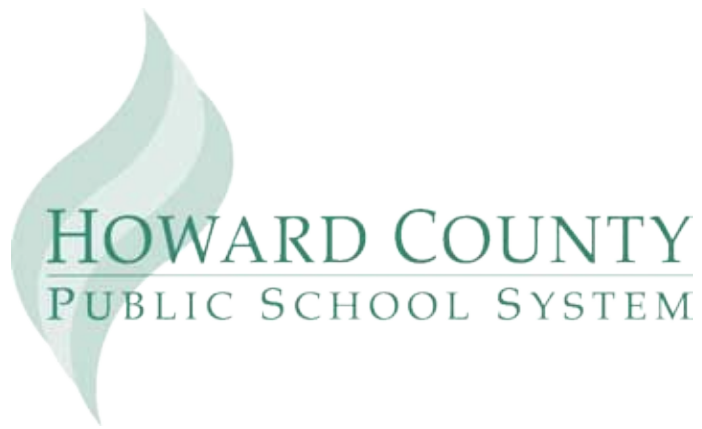
These factors were considered in preparing HCPSS budget for the FY 2011.



Contacting HCPSS Financial Management

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

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



Basic Financial Statements





HOWARD COUNTY PUBLIC SCHOOL SYSTEM
STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,379,497	\$ -	\$ 7,379,497
Restricted cash	119,147	-	119,147
Investments	115,168,548	-	115,168,548
Accounts receivable	2,688,798	-	2,688,798
Internal balances	(137,394)	137,394	-
Due from other units of government	9,681,279	-	9,681,279
Prepaid items	334,756	-	334,756
Inventory	2,615,232	-	2,615,232
Capital assets:			
Land	12,079,152	-	12,079,152
Construction in process	115,578,967	-	115,578,967
Building and improvements	1,038,408,976	-	1,038,408,976
Furniture and equipment	24,337,334	144,920	24,482,254
Less: accumulated depreciation	<u>(303,657,911)</u>	<u>(98,438)</u>	<u>(303,756,349)</u>
Total capital assets, net of depreciation	<u>886,746,518</u>	<u>46,482</u>	<u>886,793,000</u>
Total assets:	<u>1,024,596,381</u>	<u>183,876</u>	<u>1,024,780,257</u>
LIABILITIES			
Accounts payable	5,683,117	-	5,683,117
Accrued liabilities	81,606,663	-	81,606,663
Unearned revenue	23,859,361	-	23,859,361
Long-term liabilities:			
Current portion	5,452,036	-	5,452,036
Long-term portion	<u>13,653,352</u>	<u>-</u>	<u>13,653,352</u>
Total liabilities	<u>130,254,529</u>	<u>-</u>	<u>130,254,529</u>
NET ASSETS			
Invested in capital assets, net of related debt	875,067,712	46,482	875,114,194
Restricted for:			
Capital projects	2,694	-	2,694
Wastewater treatment plant	1,180,794	-	1,180,794
Food services	<u>3,036,383</u>	<u>-</u>	<u>3,036,383</u>
Unrestricted	15,054,269	137,394	15,191,663
TOTAL NET ASSETS	<u>\$ 894,341,852</u>	<u>\$ 183,876</u>	<u>\$ 894,525,728</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, 2010

Net (Expenses) Revenue and Changes in Net Assets

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular education	\$ 436,545,688	\$ 4,776,099	\$ 49,851,130	\$ 58,650,268	\$ (323,268,191)	\$ -	\$ (323,268,191)
Special education	128,050,910	-	36,639,402	-	(91,411,508)	-	(91,411,508)
Total instruction	<u>564,596,598</u>	<u>4,776,099</u>	<u>86,490,532</u>	<u>58,650,268</u>	<u>(414,679,699)</u>	<u>-</u>	<u>(414,679,699)</u>
Support services:							
Administration	13,844,994	-	1,288,852	-	(12,556,142)	-	(12,556,142)
Mid-level administration	74,277,210	-	16,525,009	-	(57,752,201)	-	(57,752,201)
Pupil personnel services	3,524,423	-	464,191	-	(3,060,232)	-	(3,060,232)
Health services	8,057,205	-	867,204	-	(7,190,001)	-	(7,190,001)
Pupil transportation	33,253,704	-	13,877,538	-	(19,376,166)	-	(19,376,166)
Operation of plant	50,475,558	(681,399)	3,032,991	195,000	(47,928,966)	-	(47,928,966)
Maintenance of plant and equipment	27,086,932	-	1,844,357	-	(25,242,575)	-	(25,242,575)
Community services	7,090,622	-	675,568	-	(6,415,054)	-	(6,415,054)
Food services	11,689,063	7,461,698	4,326,908	-	99,543	-	99,543
Interest on long-term debt	432,972	-	-	-	(432,972)	-	(432,972)
Total support services	<u>229,732,683</u>	<u>6,780,299</u>	<u>42,902,619</u>	<u>195,000</u>	<u>(179,854,765)</u>	<u>-</u>	<u>(179,854,765)</u>
Total governmental activities	794,329,281	11,556,398	129,393,151	58,845,268	(594,534,464)	-	(594,534,464)
Business-type activities:							
Enterprise Funds	132,221	128,477	-	-	-	(3,744)	(3,744)
TOTAL SCHOOL SYSTEM	<u>\$ 794,461,502</u>	<u>\$ 11,684,875</u>	<u>\$ 129,393,151</u>	<u>\$ 58,845,268</u>	<u>(594,534,464)</u>	<u>(3,744)</u>	<u>(594,538,208)</u>
General revenues - unrestricted:							
Local appropriations					457,560,424	-	457,560,424
State Aid					164,563,021	-	164,563,021
Federal Aid					99,768	-	99,768
Interest and investment earnings					123,559	-	123,559
Miscellaneous					1,401,113	-	1,401,113
Total general revenues					<u>623,747,885</u>	<u>-</u>	<u>623,747,885</u>
CHANGES IN NET ASSETS					29,213,421	(3,744)	29,209,677
NET ASSETS, BEGINNING OF YEAR					865,128,431	187,620	865,316,051
NET ASSETS, END OF YEAR					<u>\$ 894,341,852</u>	<u>\$ 183,876</u>	<u>\$ 894,525,728</u>

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

Fund Financial Statements





HOWARD COUNTY PUBLIC SCHOOL SYSTEM

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	<u>General Fund</u>	<u>Food Services Fund</u>	<u>Glenn Wastewater Treatment Plant Fund</u>	<u>Restricted Programs Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 4,444,630	\$ 2,934,867	\$ -	\$ -	\$ -	\$ 7,379,497
Restricted cash	119,147	-	-	-	-	119,147
Investments	111,724,686	458,319	1,180,794	-	-	113,363,799
Accounts receivable	2,111,569	315,481	112,151	78,621	-	2,617,822
Prepaid items	253,059	-	-	-	-	253,059
Due from other funds	2,179,387	-	-	-	10,980,204	13,159,591
Due from other units of government	-	-	-	4,904,013	4,777,266	9,681,279
Inventory	<u>1,123,797</u>	<u>106,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,230,230</u>
TOTAL ASSETS	<u>\$ 121,956,275</u>	<u>\$ 3,815,100</u>	<u>\$ 1,292,945</u>	<u>\$ 4,982,634</u>	<u>\$ 15,757,470</u>	<u>\$147,804,424</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 2,885,425	\$ 232,914	\$ 11,451	\$ 935,821	\$ 1,139,210	\$ 5,204,821
Accrued liabilities	65,215,648	-	-	107,054	1,408,721	66,731,423
Due to other funds	40,789,957	545,803	90,806	1,263,137	-	42,689,703
Unearned revenue	232,184	-	7,200	2,676,622	18,011,265	20,927,271
Compensated absences payable	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Total liabilities	<u>109,173,214</u>	<u>778,717</u>	<u>109,457</u>	<u>4,982,634</u>	<u>20,559,196</u>	<u>135,603,218</u>
FUND BALANCES						
Reserved for encumbrances	5,667,227	-	-	-	-	5,667,227
Reserved for inventories	1,123,797	106,433	-	-	-	1,230,230
Reserved for prepaid items	253,059	-	-	-	-	253,059
Unreserved:						
Designated for:						
Subsequent years' expenditures	-	2,213,305	-	-	-	2,213,305
Contingencies	1,688,370	-	-	-	-	1,688,370
Capital reserve	<u>-</u>	<u>-</u>	<u>1,180,794</u>	<u>-</u>	<u>-</u>	<u>1,180,794</u>
Undesignated	<u>4,050,608</u>	<u>716,645</u>	<u>2,694</u>	<u>-</u>	<u>(4,801,726)</u>	<u>(31,779)</u>
Total fund balances	12,783,061	3,036,383	1,183,488	-	(4,801,726)	12,201,206
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 121,956,275</u>	<u>\$ 3,815,100</u>	<u>\$ 1,292,945</u>	<u>\$,982,634</u>	<u>\$ 15,757,470</u>	<u>\$147,804,424</u>

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

Fund Financial Statements

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

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

June 30, 2010

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (page 29) \$ 12,201,206

**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 \$1,190,404,429 and the accumulated depreciation is \$303,657,911. 886,746,518

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. 14,449,516

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 \$11,678,806 of capital leases and \$7,376,582 of compensated absences payable. (19,055,388)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (page 25) \$ 894,341,852

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, 2010

	General Fund	Food Services Fund	Glenn Treatment Plant Fund	Restricted Programs Fund	Capital Projects Fund	Total Governmental Funds
REVENUES						
Intergovernmental revenues:						
Local sources	\$ 462,431,492	\$ -	\$ -	\$ 810,630	\$ 39,131,498	\$ 502,373,620
State sources	238,711,786	103,288	-	3,944,472	19,516,929	262,276,475
Federal sources	333,742	4,223,620	-	26,260,401	-	30,817,763
Earnings on investments	112,703	8,675	2,181	-	1,841	125,400
Charges for services	6,033,308	7,461,698	144,588	-	-	13,639,594
Miscellaneous revenues	1,401,113	-	-	-	-	1,401,113
	<u>709,024,144</u>	<u>11,797,281</u>	<u>146,769</u>	<u>31,015,503</u>	<u>58,650,268</u>	<u>810,633,965</u>
EXPENDITURES						
Current:						
Administration	10,203,692	-	-	430,064	-	10,633,756
Mid level administration	49,392,648	-	-	4,833,333	-	54,225,981
Instruction:						
Instructional salaries	278,393,189	-	-	2,396,939	-	280,790,128
Textbooks and classroom supplies	12,565,636	-	-	420,350	-	12,985,986
Other instructional costs	2,442,974	-	-	1,120,420	-	3,563,394
Special education	80,649,524	-	-	16,336,840	-	96,986,364
Pupil personnel services	2,381,637	-	-	80,145	-	2,461,782
Health services	5,794,436	-	-	-	-	5,794,436
Pupil transportation	32,722,558	-	-	19,622	-	32,742,180
Operation of plant	43,410,916	-	-	-	-	43,410,916
Maintenance of plant and equipment	21,885,536	-	144,588	-	-	22,030,124
Fixed charges	159,964,524	-	-	5,264,837	-	165,229,361
Community services	5,787,583	-	-	112,953	-	5,900,536
Costs of operation - food service	-	11,689,063	-	-	-	11,689,063
Capital outlay	787,325	-	-	-	60,021,541	60,808,866
	<u>706,382,178</u>	<u>11,689,063</u>	<u>144,588</u>	<u>31,015,503</u>	<u>60,021,541</u>	<u>809,252,873</u>
EXCESS (SHORTFALL) OF REVENUES OVER EXPENDITURES	<u>2,641,966</u>	<u>108,218</u>	<u>2,181</u>	<u>-</u>	<u>(1,371,273)</u>	<u>1,381,092</u>
OTHER FINANCING SOURCES (USES)						
Capital contributions	-	-	195,000	-	-	195,000
Total other financing sources	-	-	195,000	-	-	195,000
NET CHANGES IN FUND BALANCE	2,641,966	108,218	197,181	-	(1,371,273)	1,576,092
FUND BALANCE, BEGINNING OF YEAR	<u>10,141,095</u>	<u>2,928,165</u>	<u>986,307</u>	<u>-</u>	<u>(3,430,453)</u>	<u>10,625,114</u>
FUND BALANCE, END OF YEAR	<u>\$ 12,783,061</u>	<u>\$ 3,036,383</u>	<u>\$1,183,488</u>	<u>\$ -</u>	<u>\$ (4,801,726)</u>	<u>\$ 12,201,206</u>

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

Fund Financial Statements

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

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

June 30, 2010

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS (page 31)	\$ 1,576,092
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay, \$55,012,087, exceeds depreciation expense, \$23,285,459 in the period.	31,461,966
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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, \$373,346, exceeded the accumulated depreciation, \$364,615, is reported as a loss in the Statement of Activities.	(8,731)
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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.	5,263,511
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In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid within one year). This year, vacation and sick leave used exceeded the amounts earned by:	656,271
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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>(9,735,688)</u>
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CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (page 26)	\$ <u>29,213,421</u>
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These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

June 30, 2010

	Enterprise Fund	Governmental Activities Internal Service Funds
ASSETS		
CURRENT ASSETS		
Investments	\$ -	\$ 1,804,749
Accounts receivable	-	70,976
Due from other funds	137,394	29,672,359
Inventory	-	1,385,002
Prepaid expenses	-	81,697
	<hr/>	<hr/>
Total current assets	137,394	33,014,783
NONCURRENT ASSETS		
Capital assets:		
Furniture, fixtures and equipment	144,920	1,881,167
Less accumulated depreciation	(98,438)	(1,350,871)
	<hr/>	<hr/>
Total capital assets, net	46,482	530,296
	<hr/>	<hr/>
Total assets	183,876	33,545,079
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	-	478,296
Accrued Liabilites	-	14,875,240
Due to other funds	-	279,641
Unearned revenue	-	2,932,090
	<hr/>	<hr/>
Total liabilities	-	18,565,267
NET ASSETS		
Invested in capital assets	46,482	530,296
Unrestricted	137,394	14,449,516
	<hr/>	<hr/>
TOTAL NET ASSETS	<u>\$ 183,876</u>	<u>\$ 14,979,812</u>

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

Fund Financial Statements

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

Year Ended June 30, 2010

	Enterprise Fund	Governmental Activities Internal Service Funds
	<u> </u>	<u> </u>
OPERATING REVENUES		
Charges for services - internal	\$ -	\$ 71,205,974
Charges for services - other	128,477	-
Contributions from employees and retirees	-	15,450,889
	<u> </u>	<u> </u>
Total operating revenues	128,477	86,656,863
OPERATING EXPENSES		
Operating expenses	111,439	-
Administrative expenses	-	6,389,422
Claims and related expenses	-	89,917,440
Depreciation expense	20,782	89,364
	<u> </u>	<u> </u>
Total operating expenses	132,221	96,396,226
Operating income (loss)	(3,744)	(9,739,363)
NON-OPERATING REVENUE		
Investment income	-	3,675
Non-operating income	-	3,675
	<u> </u>	<u> </u>
CHANGES IN NET ASSETS	(3,744)	(9,735,688)
TOTAL NET ASSETS, BEGINNING OF YEAR	187,620	24,715,500
TOTAL NET ASSETS, END OF YEAR	<u>\$ 183,876</u>	<u>\$ 14,979,812</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, 2010

	Enterprise Fund	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 128,477	\$ -
Cash received from other funds	(16,969)	77,365,830
Cash received from employees and retirees	-	15,450,889
Payments to other funds	-	506,293
Payments to employees	-	(3,667,473)
Payments to suppliers	(111,508)	(89,301,513)
Net cash provided by operating activities	<u>-</u>	<u>354,026</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of equipment	-	(354,026)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	-	(3,675)
Interest received	-	3,675
Net cash provided by investing activities	<u>-</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating loss	\$ 3,744	\$ (9,739,363)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	20,782	89,364
Effects of changes in operating assets and liabilities:		
Accounts receivable	-	237,610
Due from other funds	(16,969)	6,597,316
Inventory	-	(866,515)
Prepaid expenses	-	171,796
Accounts payable	(69)	85,244
Accrued liabilities	-	4,362
Unpaid claims	-	3,705,379
Due to other funds	-	(103,663)
Unearned revenue	-	172,496
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ -</u>	<u>\$ 354,026</u>

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

Fund Financial Statements

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2010

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>4,663,328</u>
TOTAL ASSETS	<u>\$ 4,663,328</u>
LIABILITIES	
School activity funds payable	\$ <u>4,663,328</u>
TOTAL LIABILITIES	<u>\$ 4,663,328</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, 2010

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 interfund activity has been removed from these statements. The activities of the General Fund, Food Services Fund – a special revenue fund, Glenelg Waste Water Treatment Plant – a special revenue fund, Restricted Programs Fund – a special revenue fund, Capital Projects Fund and Internal Service Funds have been presented as governmental activities in the government-wide financial statements. The activities of the Enterprise Fund have been presented as business-type activities in those statements because a majority of these fund revenues come from charges for services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a service, program or department and are 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.

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

Summary of Significant Accounting Policies

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

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

Governmental Funds

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

Food 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 a special revenue fund, the proceeds of specific revenue sources (other than major capital projects) are legally restricted to expenditures for specified purposes.

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

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

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

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

Proprietary Funds

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

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

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.

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

BUDGETS AND BUDGETARY ACCOUNTING

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

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 of Education 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) Supplemental amendments for the year ended June 30, 2010 were made reducing the operating budget in the amount of \$2,658,723, all of which were properly approved.

Operating Budget (Restricted Fund)

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

Operating Budget (Food Service Fund)

This budget is not legally adopted. 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 for management purposes only.

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

BUDGETS AND BUDGETARY ACCOUNTING (continued)

Operating Budget (Glenelg Wastewater Treatment Plant Fund)

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

Operating Budget (Enterprise Fund)

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

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 the Statement of Fiduciary Net Assets) consists of individual demand accounts maintained by the schools. Investments are stated at amortized cost, which approximates fair value due to the short-term nature of those investments. The School System considers any instrument with a maturity of three months or less when purchased, as cash equivalents.

DUE FROM OTHER UNITS OF GOVERNMENT AND OTHER RECEIVABLES

Accounts receivable in all funds represent amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts. Governmental fund type receivables consist primarily of amounts due from county, state, or federal governments and from other Maryland Public School Systems. These intergovernmental receivables are generally collected within 90 days of the end of the fiscal year. Certain intergovernmental receivables may extend up to one year from the end of the fiscal year. Uncollectible amounts as of June 30, 2010 are expected to be minimal based upon collection experience and review of the status of existing receivables.

INVENTORY AND PREPAID ITEMS

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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

Summary of Significant Accounting Policies

COMPENSATED ABSENCES

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

NET ASSETS

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.

Notes to Financial Statements





NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

Note 1 – Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Increases	Decreases / Reclassifications	Balance June 30, 2010
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 12,079,152	\$ -	\$ -	\$ 12,079,152
Construction in progress	186,180,641	53,567,934	(124,169,608)	115,578,967
Total nondepreciable capital assets	<u>198,259,793</u>	<u>53,567,934</u>	<u>(124,169,608)</u>	<u>127,658,119</u>
Depreciable capital assets				
Land improvements	1,675,226	-	-	1,675,226
Buildings and improvements	912,564,142	-	124,169,608	1,036,733,750
Furniture and equipment	23,266,527	1,444,153	(373,346)	24,337,334
Total depreciable capital assets	<u>937,505,895</u>	<u>1,444,153</u>	<u>123,796,262</u>	<u>1,062,746,310</u>
Less accumulated depreciation for:				
Land improvements	(1,132,980)	(72,931)	-	(1,205,911)
Buildings and improvements	(262,653,827)	(20,731,881)	-	(283,385,708)
Furniture and equipment	(16,950,260)	(2,480,647)	364,615	(19,066,292)
Total accumulated depreciation	<u>(280,737,067)</u>	<u>(23,285,459)</u>	<u>364,615</u>	<u>(303,657,911)</u>
Total depreciable capital assets, net	<u>656,768,828</u>	<u>(21,841,306)</u>	<u>124,160,877</u>	<u>759,088,399</u>
Governmental activities capital assets, net	<u>\$ 855,028,621</u>	<u>\$ 31,726,628</u>	<u>\$ (8,731)</u>	<u>\$ 886,746,518</u>

Depreciation expense for the year ended June 30, 2009 was charged to governmental functions as follows:

Instruction:

Regular education	\$ 20,828,242
Special education	122,544

Support services:

Administration	272,193
Mid-level administration	1,255,718
Pupil transportation	38,648
Operation and maintenance of plant and equipment	692,648
Community services	75,466

Total

\$ 23,285,459

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

Note to Financial Statements

Note 1 – Capital Assets (continued)

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Balance June 30, 2010</u>
Business-type activities:			
Furniture and equipment at historical cost	\$ 144,920	\$ -	\$ 144,920
Less accumulated depreciation	<u>(77,656)</u>	<u>(20,782)</u>	<u>(98,438)</u>
Business-type activities capital assets, net	<u>\$ 67,264</u>	<u>\$ (20,782)</u>	<u>\$ 46,482</u>

Depreciation expense charged to business-type activities for the year ended June 30, 2009 was \$19,870.

The School System has active school construction projects as of June 30, 2009 as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Project:		
Glenelg High School	\$ 38,869,400	\$ 1,933,600
Bushy Park Elementary	31,118,952	1,004,070
Marriotts Ridge High	28,606,458	2,470,542
Systemic – Clarksville Middle	25,225,358	29,374,642
Systemic – Clemens Crossing Elementary	13,812,046	4,291,719
Systemic – Worthington Elementary	9,898,912	9,591,249
Full Day Kindergarten	8,974,421	9,628,579
Veterans Elementary	3,446,053	2,953,947
Roofing	2,749,100	3,845,400
Site Acquisition Contingency	160,801	1,159,199
Technology	600	6,108,900
	<u>162,862,101</u>	<u>72,361,847</u>
Other projects	<u>403,820,841</u>	<u>14,323,825</u>
Total	<u>\$ 566,682,942</u>	<u>\$ 86,685,672</u>

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

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

NOTE 2 – CASH AND INVESTMENTS

Deposits

At year-end, the carrying amount of the School System's deposits was \$12,161,969 consisting of \$7,498,644 in the governmental activities (including \$119,147 of restricted cash) and \$4,663,325 in the agency fund and the corresponding bank balances were \$14,514,767. Of the bank balances, \$750,000 was covered by Federal Depository Insurance and \$13,718,066 was covered by collateral held in the pledging bank's trust department in the School System's name and \$46,701 was uncollateralized and exposed to custodial credit risk. The School System has a contractual arrangement with a bank for funds to be transferred daily from overnight investments to cover checks as presented.

Restricted cash in the General Fund consists of an escrow account established for disbursements in connection with the capital lease for energy performance contracts being completed at various school locations. The balance of \$119,147 at June 30, 2010 represents amounts not yet disbursed for those contracts.

Investments

At June 30, 2010, the School System's investments totaling \$115,168,548 in governmental activities were entirely in the Maryland Local Government Investment Pool (MLGIP), which is under the administration of the State Treasurer. The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is rated AAAM by Standard and Poors, their highest rating for money market funds. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked-to-market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value.

Interest Rate Risk

Fair value fluctuates with interest rates, and increasing rates could cause fair value to decline below original cost. To limit the School System's exposure to interest rate risk, the School System's investment policy limits the term of investment maturities 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 \$123,559 for the year ended June 30, 2010.

Custodial Credit Risk

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

NOTE 3 – DUE TO/FROM OTHER FUNDS

The composition of inter-fund balances as of June 30, 2010 is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose</u>	
Health and Dental	General	Benefit plan expenditures	\$ 26,512,788
School Construction	General	Reimbursable expenditures	10,980,204
Data Processing	General	Reimbursable expenditures	537,433
Workers Compensation	General	Reimbursable expenditures	2,622,138
James Rouse Theatre	General	Reimbursable expenditures	137,394
General	Glenelg WWTP	Advances of pooled cash	90,806
General	Restricted Programs	Advances of pooled cash	1,263,137
General	Food Services	Advances of pooled cash	545,803
General	Printing & Duplicating	Advances of pooled cash	279,641
Total			\$ 42,969,344

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 29)	\$ 13,159,591	\$ 42,689,703
Statement of Net Assets - Proprietary Funds (page 33)	137,394	-
Statement of Net Assets - Internal Service Funds (page 33)	<u>29,672,359</u>	<u>279,641</u>
Total	\$ 42,969,344	\$ 42,969,344

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

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

NOTE 4 – PREPAID EXPENSES

Prepaid expenses in the general fund and worker compensation insurance internal service fund consist of Fiscal Year 2011 insurance premiums and other administrative expenditures.

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

NOTE 5 – UNEARNED REVENUE

General Fund

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

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, 2010.

Glenelg Wastewater Treatment Plant

Unearned revenue consists of assessment fees collected in advance and unearned since the corresponding services have not been provided and the earnings process is not completed until the following fiscal year

Internal Service Funds

Unearned revenue consists of payroll withholdings from employees for health and dental insurance collected in advance as of June 30, 2010 for the first three months of Fiscal Year 2011.

NOTE 6 – PENSION PLANS

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

Plan Description

The State System, which is administered in accordance with Article 73B of the Annotated Code of Maryland, consists of several plans which are managed 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.

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

NOTE 6 – PENSION PLANS (continued)

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, 2010, 2009, and 2008, amounted to \$51,557,589; \$41,423,968; and \$37,975,636, respectively.

The Fiscal 2010 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, 2010, 2009, and 2008 of \$3,350,776; \$3,056,419 and \$3,282,616, respectively.

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

NOTE 7 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description

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

Funding Policy

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

Participating governmental entities are contractually required to contribute at a rate assessed each year by the Plan. The Plan's Trustees set the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the requirements of GASB Statement No. 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The School System's contributions, which were equal to the required amounts, were \$4,871,068; \$8,068,884 and \$14,957,912, for the years ended June 30, 2010, 2009, and 2008, respectively. 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.

NOTE 8 – LONG-TERM LIABILITIES

Activity in long-term liabilities for the year ended June 30, 2010 was as follows:

	<u>Balance 7/1/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2010</u>	<u>Due Within One Year</u>
Compensated absences	\$ 8,054,852	\$ 89,273	\$ (717,543)	\$ 7,426,582	\$ 475,000
Capital leases	<u>16,942,317</u>	<u>-</u>	<u>(5,263,511)</u>	<u>11,678,806</u>	<u>4,977,036</u>
Total governmental activities	<u>\$ 24,997,169</u>	<u>\$ 89,273</u>	<u>\$ (5,981,054)</u>	<u>\$ 19,105,388</u>	<u>\$ 5,452,036</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 that expire at various time through Fiscal Year 2021. The assets acquired and capitalized as fixed assets under capital leases are as follows:

	<u>Governmental Activities</u>
Equipment at cost	\$ 9,005,346
Less accumulated depreciation	<u>(7,153,335)</u>
Total	<u>\$ 1,852,011</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010 were as follows:

<u>Year Ending June 30, 2010</u>	<u>Governmental Activities</u>
2011	\$ 4,977,036
2012	3,348,985
2013	637,950
2014	581,980
2015	581,980
2016 - 2020	2,387,852
2021 - 2025	<u>407,964</u>
Total minimum lease payments	12,923,747
Less amount representing interest	<u>(1,244,941)</u>
Present value of minimum lease payments	<u>\$ 11,678,806</u>

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

NOTE 9 – 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, 2010, the interfund premiums did not exceed reimbursable expenditures in the Health and Dental Self-Insurance Fund or the Worker’s Compensation Self-Insurance Fund. Settled claims did not exceed coverage in any of the past three years.

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

Changes in the balances of claims payable for the years ended June 30, 2010 and 2009 are as follows:

	2010		2009	
	Workers’ Compensation	Health and Dental	Workers’ Compensation	Health and Dental
Beginning payable, July 1	\$ 2,922,331	\$ 8,243,168	\$ 2,639,637	\$ 7,563,415
Incurred claims (including IBNR)	1,443,494	76,148,074	1,404,001	61,461,159
Claim payments	<u>(1,317,872)</u>	<u>(76,174,458)</u>	<u>(1,121,307)</u>	<u>(60,781,406)</u>
Ending payable, June 30	<u>\$ 3,047,953</u>	<u>\$ 8,216,784</u>	<u>\$ 2,922,331</u>	<u>\$ 8,243,168</u>

NOTE 10 – FUND BALANCE DEFICIT

The Capital Projects Fund reflects a deficit undesignated fund balance at June 30, 2010 because of funding reversions by the State and County that occurred after the anticipated funds were spent. It is anticipated the deficit will be eliminated, over time, through the use of resources available to the Board.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Operating Leases

The School System leases equipment under various non-cancelable operating leases that expire during Fiscal Year 2015. Total costs were \$1,451,593 for the leases for the year ended June 30, 2010. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 1,481,254
2012	1,487,803
2013	417,795
2014	371,021
2015	<u>22,808</u>
Total	<u>\$ 3,780,681</u>

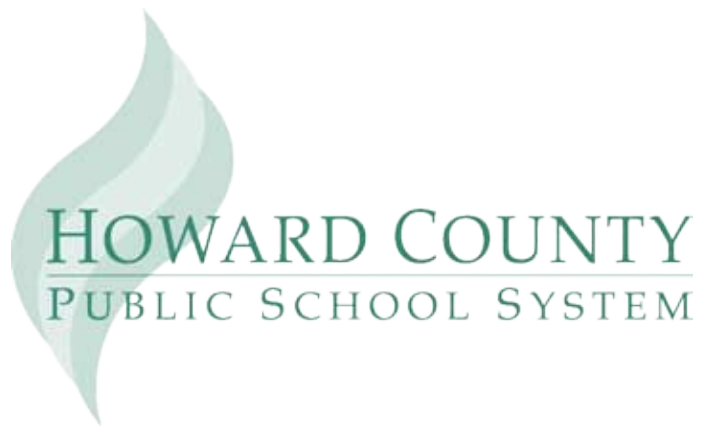
Litigation

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

Grant Programs

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

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, 2010

	<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	\$ 457,560,424	\$ 457,560,424	\$ 457,560,424	\$ -
State sources	192,630,336	187,571,613	187,154,197	(417,416)
Federal sources	370,000	370,000	333,741	(36,259)
Earnings on investments	800,000	800,000	112,703	(687,297)
Charges for services	4,497,000	4,497,000	5,246,127	749,127
Miscellaneous revenues	600,000	600,000	1,401,113	801,113
Fund balance at July 1, 2009 - designated for				
Fiscal Year ended June 30, 2010	236,350	2,636,350	-	(2,636,350)
Total revenues	<u>656,694,110</u>	<u>654,035,387</u>	<u>651,808,305</u>	<u>(2,227,082)</u>
EXPENDITURES				
Current:				
Administration	10,410,000	10,410,000	9,610,924	799,076
Instruction				
Instructional salaries	280,150,440	278,465,440	278,392,481	72,959
Textbooks and classroom supplies	13,551,890	13,551,890	12,671,704	880,186
Other instructional costs	2,495,820	2,495,820	2,450,792	45,028
Pupil personnel services	2,638,660	2,638,660	2,381,637	257,023
Health services	5,950,430	5,950,430	5,821,030	129,400
Pupil transportation	32,692,230	32,692,230	32,689,089	3,141
Operation of plant	44,981,460	44,981,460	43,285,578	1,695,882
Maintenance of plant	22,038,300	22,438,300	22,398,621	39,679
Fixed charges	104,753,230	103,535,867	103,535,867	-
Mid level administration	49,639,240	49,032,880	48,468,913	563,967
Community services	6,201,990	6,173,050	5,949,871	223,179
Special education	80,276,160	80,755,100	80,587,229	167,871
Capital outlay	914,260	914,260	787,325	126,935
Total expenditures	<u>656,694,110</u>	<u>654,035,387</u>	<u>649,031,061</u>	<u>5,004,326</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	2,777,244	<u>\$ 2,777,244</u>
FUND BALANCE AT JUNE 30, 2009 - BUDGETARY BASIS			4,338,590	
FUND BALANCE AT JUNE 30, 2010 - BUDGETARY BASIS			7,115,834	
Reserve for encumbrances June 30, 2010			<u>5,667,227</u>	
FUND BALANCE AT JUNE 30, 2010 - GAAP BASIS			<u>\$12,783,061</u>	

Required Supplementary Information

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

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

GENERAL FUND

Year Ended June 30, 2010

REVENUES

Budgetary basis	\$ 651,808,305
Add - Pension contribution paid by State of Maryland	51,557,589
- OPEB contribution paid by Howard County Government	4,871,068
- Revenues from loaned staff program	787,182
GAAP basis	<u>\$ 709,024,144</u>

EXPENDITURES

Budgetary basis	\$ 649,031,061
Add - Prior year's encumbrances expended this year	5,802,505
- Pension contribution paid by State of Maryland	51,557,589
- OPEB contribution paid by Howard County Government	4,871,068
- Expenditures from loaned staff	787,182
Less - Current year's encumbrances outstanding	<u>(5,667,227)</u>
GAAP basis	<u>\$ 706,382,178</u>

Other Supplementary Information





HOWARD COUNTY PUBLIC SCHOOL SYSTEM**SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-GAAP BASIS)****GENERAL FUND**

Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Non-GAAP Actual</u>	Variance with Final Budget Positive (Negative)
INTERGOVERNMENTAL REVENUES				
Local Sources				
Current expense	\$ 457,560,424	\$ 457,560,424	\$ 457,560,424	\$ -
State Sources				
Current expense	141,823,263	141,823,263	141,811,453	(11,810)
Transportation	13,680,780	13,680,780	13,680,400	(380)
Special education	8,923,150	8,923,150	8,253,145	(670,005)
Compensatory education	15,741,120	15,741,120	15,741,217	97
Limited english proficient	5,540,400	5,540,400	5,540,281	(119)
State geographic index	1,470,100	1,470,100	1,470,070	(30)
Other - LEA tuition	392,800	392,800	657,631	264,831
Other - LEA tuition	5,058,723	-	-	-
Total state sources	<u>192,630,336</u>	<u>187,571,613</u>	<u>187,154,197</u>	<u>(417,416)</u>
Federal Sources				
ROTC reimbursement	180,000	180,000	233,974	53,974
Impact Aid (PL 874)	<u>190,000</u>	<u>190,000</u>	<u>99,767</u>	<u>(90,233)</u>
Total federal sources	<u>370,000</u>	<u>370,000</u>	<u>333,741</u>	<u>(36,259)</u>
Earnings on investments	<u>800,000</u>	<u>800,000</u>	<u>112,703</u>	<u>(687,297)</u>
Charges for Services, Etc.				
Tuition from patrons	780,000	780,000	1,183,500	403,500
Use of school buildings	950,000	950,000	1,041,310	91,310
Athletic program - gate receipts	425,000	425,000	345,727	(79,273)
Energy rebates	640,000	640,000	760,750	120,750
Administration and overhead fees	<u>1,710,000</u>	<u>1,702,000</u>	<u>1,914,840</u>	<u>212,840</u>
Total charges for services, etc.	<u>4,497,000</u>	<u>4,497,000</u>	<u>5,246,127</u>	<u>749,127</u>
Miscellaneous Revenues				
Other	<u>600,000</u>	<u>600,000</u>	<u>1,401,113</u>	<u>801,113</u>
FUND BALANCE AT JULY 1, 2009, DESIGNATED FOR FISCAL YEAR ENDED JUNE 30, 2010				
	<u>236,350</u>	<u>2,636,350</u>	<u>-</u>	<u>(2,636,350)</u>
TOTAL	<u>\$ 656,694,110</u>	<u>\$ 654,035,387</u>	<u>\$ 651,808,305</u>	<u>\$ (2,227,082)</u>

Other Supplementary Information

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

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

GENERAL FUND

Year Ended June 30, 2010

	Original Budget	Final Budget	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
Administration				
Salaries and wages	\$ 7,902,870	\$ 7,994,830	\$ 7,625,328	\$ 369,502
Contracted services	1,251,180	1,144,983	928,516	216,467
Supplies and materials	824,180	850,242	737,508	112,734
Other charges	431,770	419,945	319,572	100,373
Equipment	-	-	-	-
Total administration	<u>\$ 10,410,000</u>	<u>\$ 10,410,000</u>	<u>\$ 9,610,924</u>	<u>\$ 799,076</u>
Mid-level Administration				
Salaries and wages	\$ 45,464,710	\$ 44,908,926	\$ 44,618,497	\$ 290,429
Contracted services	858,530	829,880	822,877	7,003
Supplies and materials	2,927,870	2,890,149	2,726,515	163,634
Other charges	388,130	387,555	284,654	102,901
Equipment	-	16,370	16,370	-
Total mid-level administration	<u>\$ 49,639,240</u>	<u>\$ 49,032,880</u>	<u>\$ 48,468,913</u>	<u>\$ 563,967</u>
Instructional salaries	<u>\$ 280,150,440</u>	<u>\$ 278,465,440</u>	<u>\$ 278,392,481</u>	<u>\$ 72,959</u>
Textbooks and classroom supplies	<u>\$ 13,551,890</u>	<u>\$ 13,551,890</u>	<u>\$ 12,671,704</u>	<u>\$ 880,186</u>
Other Instructional Costs				
Contracted services	\$ 1,817,050	\$ 1,656,050	\$ 1,612,361	\$ 43,689
Other charges	247,170	163,870	163,836	34
Equipment	335,600	335,600	334,827	773
Outgoing transfers	96,000	340,300	339,768	532
Total other instructional costs	<u>\$ 2,495,820</u>	<u>\$ 2,495,820</u>	<u>\$ 2,450,792</u>	<u>\$ 45,028</u>
Special Education				
Salaries and wages	\$74,129,920	\$73,917,805	\$73,862,861	\$54,944
Contracted services	389,900	1,186,547	1,156,911	29,636
Supplies and materials	417,140	436,548	361,256	75,292
Other charges	283,820	280,020	272,582	7,438
Equipment	-	-	-	-
Outgoing transfers	5,055,380	4,934,180	4,933,619	561
Total special education	<u>\$ 80,276,160</u>	<u>\$ 80,755,100</u>	<u>\$ 80,587,229</u>	<u>\$ 167,871</u>
Pupil Personnel Services				
Salaries and wages	\$ 2,536,430	\$ 2,536,430	\$ 2,299,220	\$ 237,210
Contracted services	7,250	6,250	129	6,121
Supplies and materials	59,040	55,540	53,809	1,731
Other charges	35,940	40,440	28,479	11,961
Total pupil personnel services	<u>\$ 2,638,660</u>	<u>\$ 2,638,660</u>	<u>\$ 2,381,637</u>	<u>\$ 257,023</u>
Health Services				
Salaries and wages	\$ 5,373,830	\$ 5,401,030	\$ 5,324,712	\$ 76,318
Contracted services	376,250	373,050	373,006	44
Supplies and materials	181,490	157,490	109,434	48,056
Other charges	18,860	18,860	13,878	4,982
Total health services	<u>\$ 5,950,430</u>	<u>\$ 5,950,430</u>	<u>\$ 5,821,030</u>	<u>\$ 129,400</u>

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

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

GENERAL FUND

Year Ended June 30, 2010

	<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	\$ 1,297,940	\$ 1,227,790	\$ 1,227,774	\$ 16
Contracted services	30,984,110	31,120,140	31,120,140	-
Supplies and materials	59,910	43,230	40,380	2,850
Other charges	350,270	301,070	300,795	275
Equipment	-	-	-	-
Total pupil transportation	<u>\$ 32,692,230</u>	<u>\$ 32,692,230</u>	<u>\$ 32,689,089</u>	<u>\$ 3,141</u>
Operation of Plant				
Salaries and wages	\$ 18,909,760	\$ 18,889,760	\$ 18,684,442	\$ 205,318
Contracted services	2,024,100	1,972,927	1,778,151	194,776
Supplies and materials	1,243,770	1,517,251	1,348,810	168,441
Other charges	22,646,540	22,526,847	21,399,974	1,126,873
Equipment	157,290	74,675	74,201	474
Total operation of plant	<u>\$ 44,981,460</u>	<u>\$ 44,981,460</u>	<u>\$ 43,285,578</u>	<u>\$ 1,695,882</u>
Maintenance of Plant				
Salaries and wages	\$ 12,229,140	\$ 11,486,840	\$ 11,486,494	\$ 346
Contracted services	5,743,540	6,712,536	6,712,456	80
Supplies and materials	3,325,660	3,321,631	3,285,740	35,891
Other charges	59,580	48,638	47,621	1,017
Equipment	680,380	868,655	866,310	2,345
Total maintenance of plant	<u>\$ 22,038,300</u>	<u>\$ 22,438,300</u>	<u>\$ 22,398,621</u>	<u>\$ 39,679</u>
Other Fixed Charges	<u>\$ 104,753,230</u>	<u>\$ 103,535,867</u>	<u>\$ 103,535,867</u>	<u>\$ -</u>
Community Services				
Salaries and wages	\$ 2,950,810	\$ 2,866,795	\$ 2,675,202	\$ 191,593
Contracted services	1,177,140	1,400,055	1,369,718	30,337
Supplies and materials	576,590	484,300	483,860	440
Other charges	1,228,750	1,240,500	1,239,780	720
Equipment	268,700	181,400	181,311	89
Total community services	<u>\$ 6,201,990</u>	<u>\$ 6,173,050</u>	<u>\$ 5,949,871</u>	<u>\$ 223,179</u>
Capital Outlay				
Salaries and wages	\$ 876,540	\$ 877,800	\$ 764,965	\$ 112,835
Contracted services	18,110	15,550	1,565	13,985
Supplies and materials	13,320	11,320	11,239	81
Other charges	6,290	9,590	9,556	34
Equipment	-	-	-	-
Total capital outlay	<u>\$ 914,260</u>	<u>\$ 914,260</u>	<u>\$ 787,325</u>	<u>\$ 126,935</u>
TOTAL EXPENDITURES	<u>\$ 656,694,110</u>	<u>\$ 654,035,387</u>	<u>\$ 649,031,061</u>	<u>\$ 5,004,326</u>

Other Supplementary Information

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, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Intergovernmental Revenues:			
State:			
Reimbursements	\$ 97,270	\$ 103,288	\$ 6,018
Federal:			
National School Lunch and Milk Programs	2,801,030	3,221,394	420,364
National School Breakfast	-	328,074	328,074
U.S.D.A. Commodity Program	-	674,152	674,152
Total intergovernmental revenues	<u>2,801,030</u>	<u>4,223,620</u>	<u>1,422,590</u>
Earnings on investments	40,000	8,675	(31,325)
Charges for Services:			
Food sales	8,009,160	7,461,698	(547,462)
Other revenues	30,000	-	(30,000)
Fund balance at July 1, 2009 - designated for Fiscal Year ended June 30, 2010	<u>2,121,933</u>	-	<u>(2,121,933)</u>
Total revenues	<u>13,099,393</u>	<u>11,797,281</u>	<u>819,821</u>
EXPENDITURES			
Costs of Operation - Food Service:			
Cost of food	3,820,000	3,439,827	380,173
U.S.D.A. Commodity Program	-	674,152	(674,152)
Salaries and wages	7,046,370	7,153,500	(107,130)
Equipment/Miscellaneous	<u>825,950</u>	<u>421,584</u>	<u>404,366</u>
Total expenditures	<u>11,692,320</u>	<u>11,689,063</u>	<u>3,257</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 1,407,073</u>	108,218	<u>\$ 823,078</u>
FUND BALANCE AT JULY 1, 2009 - BUDGETARY BASIS		<u>2,928,165</u>	
FUND BALANCE AT JUNE 30, 2010 - GAAP BASIS		<u>\$ 3,036,383</u>	

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
 COMBINING SCHEDULE OF NET ASSETS
 INTERNAL SERVICE FUNDS
 June 30, 2010

	<u>Printing and Duplicating Fund</u>	<u>Data Processing Fund</u>	<u>Workers Compensation Self-Insurance Fund</u>	<u>Health and Dental Self-Insurance Fund</u>	<u>Total</u>
ASSETS					
Current Assets					
Investments	\$ -	\$ -	\$ 1,804,749	\$ -	\$ 1,804,749
Accounts receivable	-	-	-	70,976	70,976
Due from other funds	-	537,433	2,622,138	26,512,788	29,672,359
Inventory	591,532	793,470	-	-	1,385,002
Prepaid expenses	-	-	81,697	-	81,697
	<u>591,532</u>	<u>1,330,903</u>	<u>4,508,584</u>	<u>26,583,764</u>	<u>33,014,783</u>
Total Current Assets					
Non-Current Assets					
Capital assets:					
Furniture, fixtures and equipment	492,692	1,388,475	-	-	1,881,167
Less: accumulated depreciation	<u>(369,419)</u>	<u>(981,452)</u>	<u>-</u>	<u>-</u>	<u>(1,350,871)</u>
	<u>123,273</u>	<u>407,023</u>	<u>-</u>	<u>-</u>	<u>530,296</u>
Total capital assets, net of depreciation					
	<u>714,805</u>	<u>1,737,926</u>	<u>4,508,584</u>	<u>26,583,764</u>	<u>33,545,079</u>
Total Assets					
LIABILITIES					
Current Liabilities					
Accounts payable	4,121	109,841	73,175	291,159	478,296
Accrued liabilities	-	4,362	3,047,963	11,822,915	14,875,240
Due to other funds	279,641	-	-	-	279,641
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,932,090</u>	<u>2,932,090</u>
	<u>283,762</u>	<u>114,203</u>	<u>3,121,138</u>	<u>15,046,164</u>	<u>18,565,267</u>
Total Current Liabilities					
	<u>283,762</u>	<u>114,203</u>	<u>3,121,138</u>	<u>15,046,164</u>	<u>18,565,267</u>
Total Liabilities					
NET ASSETS					
Invested in capital assets	123,273	407,023	-	-	530,296
Unrestricted	<u>307,770</u>	<u>1,216,700</u>	<u>1,387,446</u>	<u>11,537,600</u>	<u>14,449,516</u>
TOTAL NET ASSETS	<u>\$ 431,043</u>	<u>\$ 1,623,723</u>	<u>\$ 1,387,446</u>	<u>\$ 11,537,600</u>	<u>\$ 14,979,812</u>

Other Supplementary Information

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2010

	Printing and Duplicating Fund	Data Processing Fund	Workers Compensation Self-Insurance Fund	Health and Dental Self-Insurance Fund	Total
OPERATING REVENUES					
Charges for services - internal	\$ 2,643,625	\$ 1,152,900	\$ 1,600,000	\$ 65,809,449	\$ 71,205,974
Contributions from employees and retirees	-	-	-	15,450,889	15,450,889
Total operating revenues	<u>2,643,625</u>	<u>1,152,900</u>	<u>1,600,000</u>	<u>81,260,338</u>	<u>86,656,863</u>
OPERATING EXPENSES					
Administrative expenses	2,436,192	3,953,230		-	6,389,422
Claims and related expenses			2,156,132	87,761,308	89,917,440
Depreciation expense	<u>30,312</u>	<u>59,052</u>		-	<u>89,364</u>
Total operating expenses	<u>2,466,504</u>	<u>4,012,282</u>	<u>2,156,132</u>	<u>87,761,308</u>	<u>96,396,226</u>
Operating income (loss)	177,121	(2,859,382)	(556,132)	(6,500,970)	(9,739,363)
NON-OPERATING REVENUE -					
Interest Income	-	-	<u>3,675</u>	-	<u>3,675</u>
Non-Operating income	-	-	3,675	-	3,675
CHANGES IN NET ASSETS	177,121	(2,859,382)	(552,457)	(6,500,970)	(9,735,688)
TOTAL NET ASSETS, JULY 1, 2009	<u>253,922</u>	<u>4,483,105</u>	<u>1,939,903</u>	<u>18,038,570</u>	<u>24,715,500</u>
TOTAL NET ASSETS, JUNE 30, 2010	<u>\$ 431,043</u>	<u>\$ 1,623,723</u>	<u>\$ 1,387,446</u>	<u>\$ 11,537,600</u>	<u>\$ 14,979,812</u>

HOWARD COUNTY PUBLIC SCHOOL SYSTEM
 COMBINING SCHEDULE OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2010

	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	\$ 2,539,962	\$ 5,006,492	\$ 1,600,000	\$ 68,219,376	\$ 77,365,830
Cash received from employees and retirees	-	-	-	15,450,889	15,450,889
Payments to other funds	-	-	506,293	-	506,293
Payments to employees	(688,293)	(2,724,653)	(254,527)	-	(3,667,473)
Payments to suppliers	(1,827,314)	(1,952,168)	(1,851,766)	(83,670,265)	(89,301,513)
Net cash provided by operating activities	<u>24,355</u>	<u>329,671</u>	<u>-</u>	<u>-</u>	<u>354,026</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of Equipment	(24,355)	(329,671)	-	-	(354,026)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments	-	-	(3,675)	-	(3,675)
Interest received	-	-	3,675	-	3,675
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS					
	-	-	-	-	-
CASH AND CASH EQUIVALENTS, JULY 1, 2009					
	-	-	-	-	-
CASH AND CASH EQUIVALENTS, JUNE 30, 2010					
	<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)	\$ 177,121	\$ (2,859,382)	\$ (556,132)	\$ (6,500,970)	\$ (9,739,363)
Adjustments to reconcile operating income(loss) to net cash provided by operating activities:					
Depreciation	30,312	59,052	-	-	89,364
Effects of changes in assets and liabilities:					
Accounts receivable	-	-	-	237,610	237,610
Due from other funds	-	3,853,592	506,293	2,237,431	6,597,316
Inventory	(73,045)	(793,470)	-	-	(866,515)
Prepaid expenses	-	-	171,796	-	171,796
Accounts payable	(6,370)	65,517	(247,589)	273,686	85,244
Accrued Liabilities	-	4,362	-	-	4,362
Unpaid claims	-	-	125,632	3,579,747	3,705,379
Due to other funds	(103,663)	-	-	-	(103,663)
Deferred revenue	-	-	-	172,496	172,496
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 24,355</u>	<u>\$ 329,671</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 354,026</u>

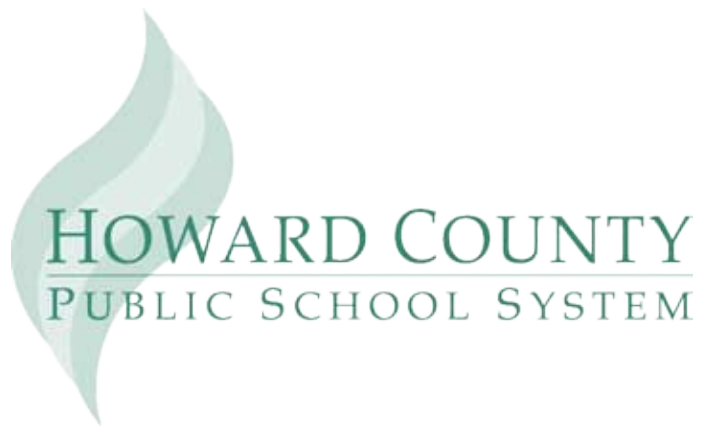
Other Supplementary Information

THE BOARD OF EDUCATION OF HOWARD COUNTY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
YEAR ENDED JUNE 30, 2010

	Balance July 1, 2009	Increases	Decreases	Transfer In	Transfer Out	Balance June 30, 2010
Elementary Schools						
Atholton ES	\$ 13,548	\$ 61,979	\$ (59,135)	\$ 20,646	\$ (20,646)	\$ 16,392
Bellows Spring ES	55,195	88,485	(69,813)	30,909	(30,909)	73,867
Bollman Bridge ES	24,823	60,029	(58,280)	14,989	(14,989)	26,572
Bryant Woods ES	19,408	26,328	(32,254)	17,431	(17,431)	13,482
Bushy Park ES	60,784	60,405	(67,898)	21,873	(21,873)	53,291
Centennial Lane ES	30,120	55,181	(63,247)	18,761	(18,761)	22,054
Clarksville ES	26,325	59,706	(60,470)	34,863	(34,863)	25,561
Clemens Crossing ES	50,082	42,073	(46,268)	28,739	(28,739)	45,887
Cradlerock School	30,192	108,915	(105,989)	20,491	(20,491)	33,118
Dayton Oaks ES	48,458	63,932	(63,724)	13,487	(13,487)	48,666
Deep Run ES	32,187	66,964	(66,201)	25,698	(25,698)	32,950
Elkridge ES	38,536	94,714	(104,634)	28,664	(28,664)	28,616
Forest Ridge ES	20,249	54,711	(61,397)	20,840	(21,590)	12,813
Fulton ES	27,666	81,279	(78,117)	21,903	(21,903)	30,828
Gorman Crossing ES	66,308	90,781	(73,552)	17,823	(17,823)	83,537
Guilford ES	33,304	55,067	(53,257)	21,031	(21,031)	35,114
Hammond ES	29,186	51,152	(45,993)	6,343	(6,343)	34,345
Hollifield Station ES	53,744	87,034	(86,272)	38,470	(38,470)	54,506
Ilchester ES	131,502	126,502	(115,392)	23,475	(23,475)	142,612
Jeffers Hill ES	29,664	44,134	(44,554)	18,287	(18,287)	29,244
Laurel Woods ES	5,629	42,021	(38,293)	17,656	(17,656)	9,357
Lisbon ES	28,731	59,666	(63,465)	7,879	(7,879)	24,932
Longfellow ES	43,468	49,571	(45,687)	6,666	(6,666)	47,352
Manor Woods ES	21,023	77,245	(75,176)	17,546	(17,546)	23,092
Northfield ES	21,130	42,938	(52,504)	23,767	(23,767)	11,564
Phelps Luck ES	21,325	41,023	(38,967)	10,171	(10,171)	23,381
Pointers Run ES	45,558	131,583	(128,961)	41,125	(41,125)	48,180
Rockburn ES	23,391	82,131	(82,889)	29,828	(29,828)	22,633
Running Brook ES	35,760	61,532	(57,333)	27,899	(28,099)	39,759
St. John's Lane ES	28,557	44,908	(41,091)	17,210	(17,210)	32,374
Stevens Forest ES	30,446	25,606	(25,619)	9,595	(9,595)	30,433
Swansfield ES	11,210	30,894	(30,246)	14,884	(14,884)	11,858
Talbott Springs ES	18,281	42,656	(41,856)	9,948	(9,948)	19,081
Thunder Hill ES	39,204	43,513	(42,496)	17,974	(17,974)	40,221
Triadelphia Ridge ES	50,149	55,623	(59,298)	16,797	(16,797)	46,474
Veterans ES	32,867	87,915	(77,553)	17,346	(17,346)	43,229
Waterloo ES	91,979	82,635	(83,038)	24,468	(24,468)	91,576
Waverly ES	47,583	62,901	(80,974)	18,711	(18,711)	29,510
West Friendship ES	41,882	32,354	(37,451)	17,122	(17,122)	36,785
Worthington ES	12,790	56,696	(59,942)	15,578	(15,578)	9,544
Total - Elementary Schools	\$ 1,472,244	\$ 2,532,782	\$ (2,519,286)	\$ 806,893	\$ (807,843)	\$ 1,484,790

THE BOARD OF EDUCATION OF HOWARD COUNTY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
YEAR ENDED JUNE 30, 2010

	Balance July 1, 2009	Increases	Decreases	Transfer In	Transfer Out	Balance June 30, 2010
Middle Schools						
Bonnie Branch MS	\$ 84,102	\$ 165,191	\$ (171,438)	\$ 33,584	\$ (33,584)	\$ 77,855
Burleigh Manor MS	51,510	205,753	(203,933)	64,369	(64,369)	53,330
Clarksville MS	62,229	120,252	(128,726)	29,416	(29,416)	53,755
Dunloggin MS	31,907	91,328	(82,759)	7,943	(7,943)	40,476
Elkridge Landing MS	36,533	158,035	(153,850)	31,370	(31,370)	40,718
Ellicott Mills MS	64,836	114,006	(120,839)	28,738	(28,738)	58,003
Folly Quarter MS	35,169	148,290	(154,350)	33,917	(33,917)	29,109
Glenwood MS	50,147	153,416	(167,342)	31,793	(31,793)	36,221
Hammond MS	35,413	123,877	(123,455)	27,384	(27,384)	35,835
Harper's Choice MS	6,724	71,459	(64,808)	12,165	(12,165)	13,375
Lime Kiln MS	51,936	183,905	(185,634)	21,775	(21,775)	50,207
Mayfield Woods MS	30,937	99,549	(100,436)	24,142	(24,142)	30,050
Mount View MS	59,113	153,688	(169,525)	10,765	(10,765)	43,276
Murray Hill MS	24,760	105,727	(101,233)	23,877	(23,877)	29,254
Oakland Mills MS	30,506	63,888	(59,900)	27,370	(27,370)	34,494
Patapsco MS	37,084	83,985	(81,852)	10,381	(10,381)	39,217
Patuxent Valley MS	5,793	106,848	(108,767)	65,331	(65,331)	3,874
Wilde Lake MS	32,592	94,171	(99,938)	21,819	(21,819)	26,825
Total - Middle Schools	\$ 731,291	\$ 2,243,368	\$ (2,278,785)	\$ 506,139	\$ (506,139)	\$ 695,874
High Schools						
Atholton HS	\$ 141,997	\$ 532,459	\$ (532,806)	\$ 175,308	\$ (175,308)	\$ 141,650
Centennial HS	235,020	803,352	(806,217)	256,278	(256,278)	232,155
Glenelg HS	235,610	615,210	(622,761)	173,792	(175,677)	226,174
Hammond HS	205,874	581,754	(572,433)	236,830	(236,830)	215,195
Howard HS	323,171	527,163	(497,290)	140,476	(140,476)	353,044
Long Reach HS	151,390	496,549	(513,029)	148,399	(148,399)	134,910
Marriotts Ridge HS	113,584	600,667	(565,607)	211,975	(211,975)	148,644
Mount Hebron HS	244,981	641,162	(641,063)	174,549	(174,549)	245,080
Oakland Mills HS	165,592	485,964	(472,243)	156,762	(156,762)	179,313
Reservoir HS	166,761	450,970	(436,215)	172,264	(172,264)	181,516
River Hill HS	204,204	834,578	(835,330)	223,222	(223,222)	203,452
Wilde Lake HS	152,229	350,168	(364,509)	119,626	(119,626)	137,888
Total - High Schools	\$ 2,340,413	\$ 6,919,996	\$ (6,859,503)	\$ 2,189,481	\$ (2,191,366)	\$ 2,399,021
Special Schools						
Apps and Research Lab	\$ 14,419	\$ 1,781	\$ (1,827)	\$ 2,501	\$ (2,501)	\$ 14,373
Cedar Lane School	60,093	116,763	(117,644)	23,671	(23,671)	59,212
Homewood School	16,586	22,784	(29,312)	10,703	(10,703)	10,058
Total - Special Schools	\$ 91,098	\$ 141,328	\$ (148,783)	\$ 36,875	\$ (36,875)	\$ 83,643
Total - All Schools	\$ 4,635,046	11,837,474	(11,806,357)	\$ 3,539,388	\$ (3,542,223)	\$ 4,663,328



Report Required by Government Auditing Standards







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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Howard County Public School System (HCPSS) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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



SCHOOL BUS CONTRACTS

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

Management's Response:

Management agrees with this finding. The Transportation Office has been working with the Technology Office to identify and implement a software application that will meet the long term financial management requirements of the Transportation Program. In the interim, Management has dedicated a Fox Pro system expert to the Transportation Office to support the Fox Pro system. Additionally, we have also assigned an accounting manager to the Transportation Office to review and approve all vendor payment calculations. These controls mitigate the risk of error in bus vendor payments.

Compliance and Other Matters

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

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

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

Baltimore, Maryland
September 29, 2010

Statistical Section





Statistical Section

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

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

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

Table 1

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

* 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)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Intergovernmental revenues										
Local	\$ 274,518	\$ 313,617	\$ 324,899	\$ 359,753	\$ 412,225	\$ 446,121	\$ 479,538	\$ 495,391	\$ 491,086	\$ 502,374
State	121,087	132,065	151,393	146,299	155,153	183,371	189,850	233,546	258,689	262,276
Federal	10,932	13,671	15,274	18,159	22,574	17,093	17,777	21,678	21,043	30,818
Earnings on interest and investment	1,467	425	214	173	456	1,138	2,368	1,917	1,005	125
Charges for services	8,751	9,270	9,158	10,612	10,400	11,450	14,377	13,413	14,239	13,640
Miscellaneous revenues	204	666	1,100	1,265	1,293	2,518	654	612	1,212	1,401
Total Revenues	416,959	469,714	502,038	536,261	602,101	661,691	704,564	766,557	787,284	810,634
Expenditures										
Instruction										
Regular Education	164,029	183,090	187,712	207,222	218,808	248,244	250,110	277,498	296,527	297,340
Special Education	46,441	52,684	58,532	65,164	71,118	79,623	82,168	88,837	95,766	96,986
Support Services										
General Administration	5,076	5,689	6,259	6,901	7,872	8,466	9,240	10,443	11,540	10,634
Mid-Level Administration	27,474	29,765	30,976	33,277	35,251	43,490	45,347	48,737	55,908	54,226
Pupil Personnel	1,613	1,730	1,775	1,806	2,020	2,465	2,396	2,669	3,133	2,462
Health	2,483	2,648	2,889	3,208	3,557	4,355	4,532	5,095	5,791	5,794
Pupil Transportation	17,709	19,242	20,891	22,905	23,651	27,138	28,861	31,538	31,412	32,742
Operation of Plant	21,961	23,185	23,689	26,257	28,473	33,265	38,672	43,120	43,245	43,411
Plant Maintenance	10,719	11,167	11,713	12,376	12,885	16,247	15,410	19,556	21,452	22,030
Fixed Charges	67,348	74,367	85,105	91,204	98,666	83,280	120,871	153,117	151,094	165,229
Community Services	3,410	3,559	3,672	3,848	5,176	4,780	4,914	6,010	6,211	5,901
Food Services	7,656	8,251	8,745	9,620	10,398	11,041	11,375	11,399	11,725	11,689
Capital Outlay	39,954	58,489	59,713	50,671	85,967	104,788	91,375	76,930	70,906	60,809
Total	415,873	473,866	501,671	534,459	603,842	667,182	705,271	774,949	804,710	809,253
Excess (deficit) of revenues over expenditures	1,086	(4,152)	367	1,802	(1,741)	(5,491)	(707)	(8,392)	(17,426)	1,381
Other Financing Sources (Uses)										
Capital Contributions	-	-	-	-	4,093	7,648	4,504	6,027	971	195
Proceeds from capital leases	-	-	-	-	-	-	-	-	10,724	-
Net change in fund balances	\$ 1,086	\$ (4,152)	\$ 367	\$ 1,802	\$ 2,352	\$ 2,157	\$ 3,797	\$ (2,365)	\$ (5,731)	\$ 1,576

** Rouse Theatre began operations in FY 1998
 *** Prior to FY 1998 Mid-Level Administration was included in Instruction cost
 * Modified accrual basis of accounting
 Source: HCPSS Records

Howard County Public School System

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

Table 3

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

* 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 Nine Fiscal Years *
(amounts expressed in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Program Revenues									
Charges for Services									
Regular education	\$ 1,019	\$ 2,789	\$ 1,197	\$ 1,345	\$ 2,709	\$ 4,094	\$ 3,868	\$ 4,847	\$ 4,776
Special education	6	3							
Operation of plant	1,099	810	1,397	813	2,544	1,957	2,288	14,331	(681)
Food services	6,164	6,340	6,722	6,975	7,650	8,913	8,416	8,059	7,462
Operating grants and contributions	55,338	63,405	68,141	72,830	47,484	82,016	105,586	96,957	129,393
Capital grants and contributions	56,113	57,415	52,412	84,406	98,717	88,505	71,339	54,178	58,845
Total Program Revenues	<u>119,739</u>	<u>130,762</u>	<u>129,869</u>	<u>166,369</u>	<u>159,104</u>	<u>185,485</u>	<u>191,497</u>	<u>178,372</u>	<u>199,795</u>
Business-type Activities									
James T. Rouse Theatre	107	156	151	131	133	155	154	156	128
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>	<u>178,528</u>	<u>199,923</u>
Total Governmental Net Expense	<u>(341,057)</u>	<u>(380,820)</u>	<u>(416,410)</u>	<u>(431,628)</u>	<u>(479,833)</u>	<u>(540,101)</u>	<u>(596,110)</u>	<u>(615,933)</u>	<u>199,923</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	454,795	-
State Aid	78,685	82,158	99,134	105,937	144,949	132,322	155,763	168,600	-
Federal Aid	160	204	260	191	172	183	1,019	189	-
Interest and investment earnings	296	140	149	373	1,010	2,001	1,660	962	-
Miscellaneous	666	1,047	1,264	1,293	2,518	654	612	1,212	-
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>	<u>625,758</u>	<u>-</u>
Changes in Net Assets- Governmental Funds	42,757	45,908	29,614	62,414	72,363	75,435	52,214	16,533	-
Changes in Net Assets - James Rouse Theatre	53	57	65	40	(15)	6	(74)	(8)	-
Changes in Net Assets	<u>13,290</u>	<u>(4,870)</u>	<u>(5,013)</u>	<u>10,756</u>	<u>31,406</u>	<u>(11,230)</u>	<u>(9,880)</u>	<u>9,825</u>	<u>199,923</u>
Net Assets - Beginning of year	528,307	510,764	556,729	586,408	648,862	721,210	796,650	786,770	796,595
Net Assets - End of Year	<u>\$ 541,597</u>	<u>\$ 505,894</u>	<u>\$ 551,716</u>	<u>\$ 597,164</u>	<u>\$ 680,268</u>	<u>\$ 709,980</u>	<u>\$ 786,770</u>	<u>\$ 796,595</u>	<u>\$ 996,518</u>

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

Source: HCPSS Finance Department

Statistical Section

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

Table 4

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ 4,285	\$ 1,904	\$ 4,150	\$ 2,343	\$ 3,365	\$ 4,515	\$ 5,942	\$ 5,518	\$ 5,803	\$ 7,044
Unreserved	168	(16)	(268)	648	574	2,469	5,594	5,703	4,338	5,739
Total General Fund	4,453	1,888	3,882	2,991	3,939	6,984	11,536	11,221	10,141	12,783
All other governmental funds										
Reserved	789	675	1,103	2,105	168	412	324	233	-	106
Unreserved										
Special Revenue fund	981	1,263	841	184	1,248	1,073	1,549	2,317	2,931	4,114
Capital Projects fund	6,173	4,420	2,786	5,134	7,412	6,454	5,311	2,585	(2,447)	(4,802)
Total all other governmental funds	7,943	6,358	4,730	7,423	8,828	7,939	7,184	5,135	484	(582)
Total all Governmental Funds	\$ 12,396	\$ 8,246	\$ 8,612	\$ 10,414	\$ 12,767	\$ 14,923	\$ 18,720	\$ 16,356	\$ 10,625	\$ 12,201

* Modified accrual basis of accounting
Source: HCPSS Finance Department

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

Table 5

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

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

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

Source: HCPSS Finance Department

Table 5 (continued)

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

	Operation of		Maintenance of		Mid Level Administration	Community Services	Special Education	Capital Outlay	Total
	Plant	Plant and Equipment	Plant and Equipment	Fixed Charges					
2002	22,695,310	11,329,260	53,843,250	28,651,240	3,081,540	45,557,900	405,330	203,250,720	
2003	24,143,340	11,987,000	61,693,440	29,927,530	3,212,510	49,611,420	556,080	209,578,810	
2004	25,124,320	11,902,340	65,476,200	31,705,580	3,223,420	54,072,880	622,030	229,143,460	
2005	27,545,780	13,168,430	71,917,600	34,793,560	3,686,340	60,651,290	737,190	248,603,960	
2006	30,381,970	14,077,530	81,188,830	39,088,010	4,042,990	64,890,120	825,700	269,705,000	
2007	36,046,160	16,188,320	88,650,070	43,537,840	4,608,680	70,018,280	850,470	291,622,266	
2008	38,794,360	19,800,720	102,406,180	47,004,300	5,667,810	76,871,520	857,020	321,400,710	
2009	43,829,530	23,019,340	104,248,720	51,345,570	6,146,920	81,515,640	923,480	346,058,820	
2010	44,981,460	22,038,300	104,753,230	49,639,240	6,201,990	80,276,160	914,260	347,889,470	
2011	42,963,370	20,691,170	114,108,000	52,107,500	5,980,860	83,071,460	890,560	355,534,760	

Source: HCPSS Finance Department

**Howard County Public School Systems
Capital Assets By Function
June 30, 2010**

Table 6

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Schools										
Buildings	64	66	68	70	70	71	72	72	72	72
Administration										
Buildings	2	2	2	2	3	3	3	3	3	3
Vehicles	40	42	44	30	29	24	34	32	19	19
Mid-level Administration										
Vehicles	*	*	*	*	*	*	*	*	12	11
Special Education										
Vehicles	*	*	*	*	*	*	*	*	1	1
Capital Outlay										
Vehicles	*	*	*	*	*	*	*	*	3	3
Maintenance										
Buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	140	152	179	185	195	209	216	230	28	34
Operations										
Vehicles	*	*	*	*	*	*	*	*	208	207
Technology										
Buildings	-	-	-	-	-	-	1	1	1	1
Vehicles	12	14	16	16	17	17	17	16	13	13
Print Shop										
Print Presses	4	5	5	5	5	5	5	6	11	11
Community Service										
Vehicles	*	*	*	*	*	*	*	*	3	5
Student Transportation										
Vehicles	5	6	7	7	8	8	11	11	12	13

Source: HCPSS Finance Department

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

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

Table 7

	2006	2007	2008	2009	2010
Current Operating Budget	504,200,150	551,522,080	612,902,620	657,088,020	656,694,110
6 % of Current Operating Budget	30,252,009	33,091,325	36,774,157	39,425,281	39,401,647
Total Debt Outstanding June 30	3,130,000	10,957,023	12,940,923	16,942,317	11,678,806
Compliance with Debt Limit	Yes	Yes	Yes	Yes	Yes
3 % of Current Operation Budget	15,126,005	16,545,662	18,387,079	19,712,641	19,700,823
Total Debt Service	1,787,290	3,149,141	4,061,178	6,722,505	
Compliance with Debt Service Limit	Yes	Yes	Yes	Yes	Yes

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

** HPCSS had no debt prior to FY 2005

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

Source: HCPSS Finance Department

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

Table 8

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Elementary School*										
PreKindergarten	540	586	663	706	751	804	893	948	1,015	1,114
Kindergarten	2,895	2,875	2,865	2,772	2,674	2,846	2,943	3,226	3,298	3,444
Grade 1	3,430	3,522	3,405	3,318	3,294	3,071	3,272	3,276	3,453	3,602
2	3,528	3,519	3,621	3,502	3,465	3,425	3,247	3,379	3,399	3,587
3	3,590	3,671	3,628	3,694	3,565	3,531	3,519	3,343	3,490	3,562
4	3,672	3,653	3,790	3,657	3,782	3,646	3,634	3,615	3,441	3,677
5	3,706	3,760	3,703	3,849	3,718	3,893	3,703	3,705	3,730	3,577
SP										
Total Elementary School	21,361	21,586	21,675	21,498	21,249	21,216	21,211	21,492	21,826	22,563
Middle School*										
Grade 6	3,538	3,807	3,827	3,831	3,900	3,808	3,997	3,780	3,772	3,865
7	3,585	3,598	3,884	3,919	3,845	3,969	3,864	4,072	3,855	3,831
8	3,474	3,661	3,642	3,939	3,921	3,938	4,028	3,912	4,121	3,948
SP	75	72	93		88					
Total Middle School	10,672	11,138	11,446	11,689	11,754	11,715	11,889	11,764	11,748	11,644
High School*										
Grade 9	3,671	3,912	4,053	4,015	4,251	4,308	4,419	4,401	4,263	4,526
10	3,252	3,477	3,598	3,887	3,835	3,988	4,025	4,147	4,175	4,002
11	3,021	3,055	3,241	3,515	3,735	3,671	3,892	3,875	3,965	3,951
12	2,844	2,888	2,972	3,212	3,325	3,611	3,522	3,768	3,828	4,014
SP	139	147	216		89					
Total High School	12,927	13,479	14,080	14,629	15,235	15,578	15,858	16,191	16,231	16,493
Special Education*										
Total Enrollment*	45,065	46,318	47,313	47,917	48,333	48,596	49,048	49,543	49,903	50,798
Number of Teachers**	1,962	2,027	2,042	2,435	2,486	2,655	2,736	2,625	2,816	2,833
Ratio of Students to Teachers	23:1	23:1	23:1	20:1	19:1	18:1	18:1	19:1	18:1	18:1

*Source: HCPSS Public Information Office

**Source: Maryland State Department of Education

Howard County Public School System
Enrollment by School Last Ten Years

Table 9

	Fiscal Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Capacity	Capacity
Elementary Schools													
Atholoton	534	511	493	499	485	443	418	437	441	441	470	387	121.4%
Bellows Springs	-	-	-	695	740	719	729	725	765	765	826	596	138.6%
Bolman Bridge	682	667	617	626	605	612	582	582	582	611	624	566	110.2%
Bryant Woods	316	312	284	329	360	392	398	337	347	347	378	355	106.5%
Bushy Park	581	633	676	707	688	677	688	691	697	697	643	788	81.6%
Centennial Lane	658	654	638	607	590	579	563	613	637	637	655	628	104.3%
Clarksville	469	452	668	669	677	675	559	532	553	553	546	634	86.1%
Clemens Crossing	642	597	554	531	482	459	462	469	483	483	490	522	93.9%
Cradlerock-lower	454	445	404	422	416	459	459	461	468	468	469	487	96.3%
Dayton Oaks	-	-	-	-	-	-	574	556	506	506	466	788	59.1%
Deep Run	783	764	777	641	600	582	592	571	598	598	623	557	111.8%
Elkridge	817	813	760	673	691	662	638	690	610	610	800	610	131.1%
Forest Ridge	698	663	664	637	601	609	603	627	633	633	662	560	118.2%
Fulton	587	607	646	760	756	785	683	666	638	638	676	772	87.6%
Gorman Crossing	424	427	453	511	553	554	566	623	579	579	617	540	114.3%
Guildford	510	496	457	401	412	440	470	479	486	486	493	462	106.7%
Hollifield Station	675	660	649	535	518	504	492	491	475	475	496	500	99.2%
Hammond	725	787	839	819	818	819	788	613	609	609	661	666	99.2%
Ichester	825	856	882	629	593	600	591	581	596	596	661	617	107.1%
Jeffers Hill	479	500	512	356	366	385	397	388	388	388	383	421	91.0%
Laurel Woods	456	437	467	480	482	484	483	486	531	561	578	540	107.0%
Lisbon	591	602	591	602	555	530	486	475	470	470	464	553	83.9%
Longfellow	385	348	393	394	389	394	395	420	427	427	429	418	102.6%
Manor Woods	620	666	689	694	683	674	639	602	609	609	645	647	99.7%
Northfield	634	628	626	616	611	620	639	533	553	553	608	522	116.5%
Phelps Luck	579	585	574	499	496	529	589	616	643	643	645	540	119.4%
Pointers Run	990	1,131	922	885	854	799	790	755	700	700	689	776	88.8%
Rockburn	620	665	694	613	662	686	709	714	757	757	728	667	109.1%
Running Brook	304	316	299	309	342	345	339	394	401	401	423	405	104.4%
St. John's Lane	653	661	693	744	713	766	785	551	555	555	556	553	100.5%
Stevens Forest	316	305	304	358	335	316	292	290	282	282	302	333	90.7%
Swansfield	590	574	518	492	520	525	513	518	527	527	521	528	98.7%
Talbort Springs	482	478	484	487	513	472	426	448	477	477	531	443	119.9%
Thunder Hill	394	386	374	383	339	319	317	344	356	356	355	368	96.5%
Triadelphia Ridge	662	671	694	693	701	671	432	431	429	429	439	544	80.7%
Veterans	-	-	-	-	-	-	-	800	868	868	951	788	120.7%
Waterloo	605	666	643	586	560	565	599	641	667	667	755	594	127.1%
Waverly	612	594	658	653	626	656	665	547	548	548	561	675	83.1%
West Friendship	410	411	421	440	426	413	310	315	299	299	293	396	74.0%
Worthington	599	618	658	523	491	527	551	435	439	439	451	516	87.4%
Total Elementary Schools		21,361	21,586	21,675	21,498	21,249	21,216	21,211	21,492	21,826	22,563	22,262	96.5%

Source: HCPSS Public Information Office

Table 9 (continued)

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

	Fiscal Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	Capacity	Capacity
	2001											
Middle Schools												
Bonnie Branch	-	522	574	655	675	667	677	679	690	692	662	104.5%
Burleigh Manor	589	533	507	607	588	584	652	684	689	665	662	100.5%
Clarksville	685	762	794	677	693	729	748	728	720	689	662	104.1%
Cradlerock-upper	514	581	605	535	494	484	462	450	448	460	584	78.8%
Dunlagon	572	562	558	523	544	533	557	512	526	510	526	97.0%
Elkridge Landing	656	612	692	704	695	691	701	626	642	668	662	100.9%
Ellicott Mills	595	470	487	546	585	583	684	673	709	700	662	105.7%
Folly Quarter	-	-	-	664	628	625	559	577	553	546	662	82.5%
Glenwood	771	789	805	582	629	651	670	660	633	636	584	108.9%
Hammond	656	654	664	626	641	630	670	620	583	560	584	95.9%
Harper's Choice	616	604	622	640	611	560	551	558	524	507	506	100.2%
Lime Kiln	570	575	513	531	585	608	648	648	673	660	701	94.2%
Mayfield Woods	804	575	614	584	580	548	517	640	684	723	682	106.0%
Mount View	720	791	850	667	691	721	721	720	710	710	662	107.3%
Murray Hill	514	584	590	604	591	634	684	669	658	689	662	104.1%
Oakland Mills	479	458	473	485	472	443	478	478	444	435	506	86.0%
Patapsco	679	725	775	721	743	762	681	633	648	609	662	92.0%
Patuxent Valley	727	766	747	729	723	739	728	742	744	707	662	106.8%
Wide Lake	525	575	576	609	586	523	501	467	470	478	506	94.5%
Total Middle Schools	10,672	11,138	11,446	11,689	11,794	11,715	11,889	11,764	11,748	11,644	11,799	99.7%
High Schools												
Atholton	1,187	1,221	1,179	1,198	1,252	1,365	1,374	1,446	1,419	1,469	1,360	108.0%
Centennial	1,214	1,276	1,406	1,529	1,619	1,498	1,466	1,473	1,452	1,500	1,360	110.3%
Glen Elg	1,021	1,071	1,153	1,181	1,279	1,200	1,181	1,187	1,185	1,183	1,420	83.3%
Hammond	1,276	1,324	1,283	1,321	1,343	1,305	1,323	1,270	1,280	1,324	1,220	108.5%
Howard	1,259	1,174	1,201	1,174	1,242	1,332	1,398	1,453	1,517	1,619	1,400	115.6%
Long Reach	1,440	1,502	1,512	1,572	1,488	1,428	1,372	1,264	1,233	1,193	1,488	80.2%
Mariotts Ridge	-	-	-	-	-	577	888	1,188	1,237	1,267	1,615	78.5%
Mt. Hebron	1,481	1,598	1,564	1,578	1,618	1,450	1,427	1,422	1,450	1,456	1,280	113.8%
Oaklands Mills	997	981	1,025	1,062	1,111	1,159	1,168	1,237	1,217	1,163	1,400	83.1%
Reservoir	-	-	608	926	1,317	1,396	1,465	1,513	1,512	1,538	1,551	99.2%
River Hill	1,573	1,756	1,654	1,647	1,549	1,434	1,407	1,376	1,343	1,452	1,488	97.6%
Wide Lake	1,479	1,576	1,495	1,441	1,417	1,434	1,389	1,362	1,386	1,329	1,424	93.3%
Total High Schools	12,927	13,479	14,080	14,629	15,235	15,578	15,858	16,191	16,231	16,493	17,006	96.2%
Special Schools												
Cedar Lane	105	115	112	101	95	87	90	96	98	94	522	18.4%
Total All Schools	45,065	46,318	47,313	47,917	48,333	48,596	49,048	49,543	49,903	50,794	51,589	96.0%

Source: HCPSS Public Information Office

**Howard County Public School System
Howard County, Maryland
Principal Employers
June 30, 2010
Current Year and Ten Years Ago**

Table 10

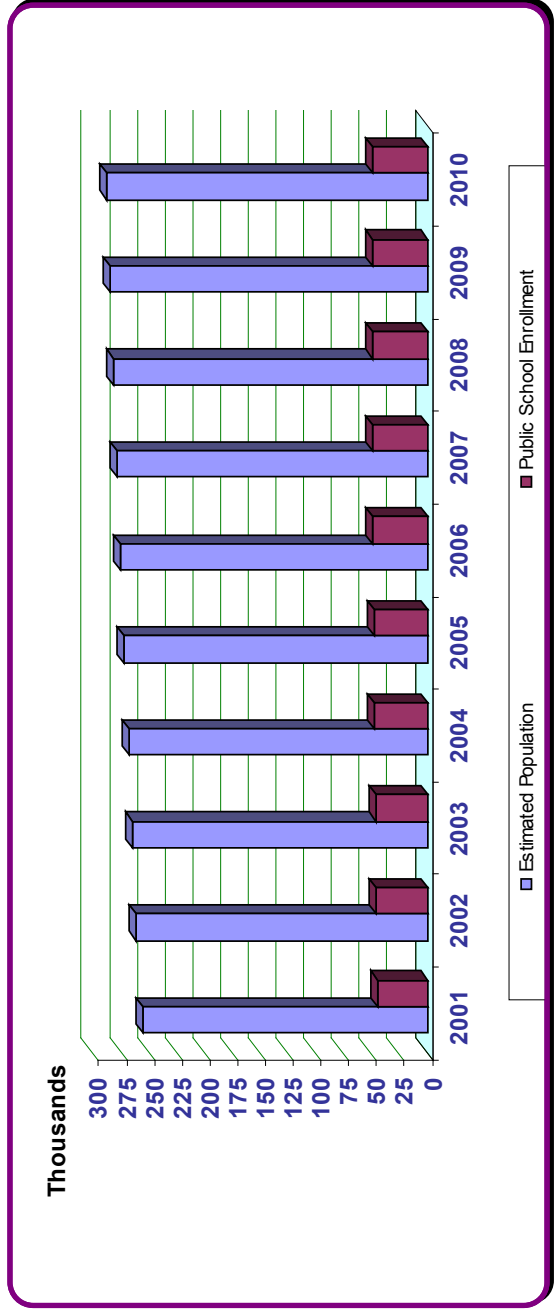
Employer	2010			2000		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Howard County Public School System	7,427	1	5.02%	5,642	1	3.64%
Johns Hopkins Applied Physics Laboratory	4,400	2	2.98%	2,700	2	1.74%
Howard County Government	2,857	3	1.93%	2,465	3	1.59%
Verizon Wireless	2,028	4	1.37%	-	-	-
Lorien Health Systems	2,000	5	1.35%	1,200	4	0.77%
Giant Food, Inc.	1,950	6	1.32%	1,200	4	0.77%
Howard County General Hospital	1,720	7	1.16%	-	-	-
U.S. Government	1,600	8	1.08%	-	-	-
Northrop Grumman	1,200	9	0.81%	-	-	-
SAIC	1,600	10	0.72%	-	-	-
Amerix Corporation	-	-	-	1,200	4	0.77%
SYSCO Food Services of Baltimore	-	-	-	945	7	0.61%
The Rouse Company	-	-	-	850	8	0.55%
Magellan Behavioral Health	-	-	-	850	8	0.55%
Care First	-	-	-	720	10	0.46%
Total	26,242		17.74%	17,772		11.45%

Source: Howard County, Maryland 2010 Comprehensive Annual Financial Report

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

Table 11

Fiscal Year	Estimated Population	Personal Income	Per Capita		Student Enrollment	Unemployment Rate
			Personal Income	Income		
2001	255,698	4,123,918,728	20,039	44,525	2.6%	
2002	261,134	5,478,048,511	20,978	45,722	3.3%	
2003	265,095	5,676,858,534	21,414	46,650	3.0%	
2004	268,561	5,978,990,163	22,263	47,211	2.7%	
2005	272,584	6,377,981,209	23,398	47,552	3.2%	
2006	276,287	6,867,683,343	24,857	48,596	3.1%	
2007	278,900	7,133,641,632	25,578	49,048	2.7%	
2008	282,674	N/A	N/A	48,595	3.2%	
2009	284,952	N/A	N/A	48,888	5.7%	
2010	287,907	N/A	N/A	49,635	5.5%	



Source: Howard County, Maryland 2009 Comprehensive Annual Financial Report

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

Table 12

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Number of Pupils Enrolled *	<u>45,065</u>	<u>46,318</u>	<u>47,313</u>	<u>47,917</u>	<u>48,333</u>	<u>48,596</u>	<u>49,048</u>	<u>49,543</u>	<u>49,072</u>	<u>49,635</u>
Expenditures **										
Current:										
Administration	105	113	117	133	154	160	186	209	232	253
Instruction	-	3,748	3,777	-	-	-	-	-	-	-
Instructional Salaries	3,294	-	-	3,838	4,175	4,427	4,719	5,172	5,628	6,507
Textbooks and classroom supplies	203	-	-	190	168	230	236	253	262	264
Other instructional costs	35	-	-	39	42	47	55	54	50	0
Pupil Personnel services	35	37	36	35	40	44	46	52	60	62
Health Services	55	57	61	66	74	82	90	102	119	145
Pupil Transportation	393	413	434	470	488	551	596	627	639	390
Operation of plant	481	490	510	524	568	625	734	783	880	965
Maintenance of plant and equipment	237	237	253	248	272	289	325	400	452	508
Fixed Charges	1,024	1,152	1,299	1,366	1,488	1,671	1,807	2,067	2,112	0
Mid level Administration	592	618	633	661	720	804	887	948	1,091	1,162
Community services	67	65	68	67	76	83	94	114	123	129
Special education	886	983	1,049	1,128	1,255	1,335	1,426	1,551	1,690	1,840
Capital outlay	7	9	12	13	15	17	17	19	18	0
Total Expenditure per Pupil	\$ 7,414	\$ 7,922	\$ 8,249	\$ 8,778	\$ 9,535	\$ 10,365	\$ 11,218	\$ 12,351	\$ 13,356	\$ 12,225
State Rank ***	6	6	6	5	4	3	4	5	****	

*Source: HCPSS Public Information Office

** Source: HCPSS Finance Department

*** Source: Maryland State Department of Education

**** 2009 Data not available at date of publication

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

Table 13

	2006	2007	2008	2009	2010
Number of Schools	70	71	72	72	72
Number of days lunch served	180	180	179	180	179
Number of free lunches served to pupils annually	547,281	571,635	621,756	696,651	827,756
Average number of free lunches served to pupils daily	3,040	3,175	3,473	3,870	4,624
Number of paid lunches served to pupils annually:					
At reduced price	179,967	206,474	210,183	223,142	227,958
At regular price	2,740,517	2,624,457	2,423,656	2,129,236	1,933,054
Average number of paid lunches served to pupils daily:					
At reduced price	1,000	1,147	1,174	1,240	1,274
At regular price	15,225	14,580	13,540	11,829	10,799
Total number of lunches served to pupils annually	3,467,765	3,402,566	3,255,595	3,049,029	2,988,769
Average number of lunches served to pupils daily	19,265	18,903	18,188	16,939	16,697
Charge per lunch to students:					
Elementary	\$ 1.75	\$ 2.00	\$ 2.25	\$ 2.50	\$ 2.50
Secondary	\$ 2.00	\$ 2.50	\$ 2.75	\$ 3.00	\$ 3.00

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

Table 14

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

	Estimated number of eligible riders (daily)	Number of bus routes (daily)
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
2009	39,079	429
2010	40,180	432

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

Table 15

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

	Estimated number of eligible riders (daily)
2001	92.48%
2002	91.86%
2003	92.95%
2004	93.14%
2005	93.80%
2006	94.11%
2007	94.79%
2008	94.87%
2009	94.90%
2010	93.60%

*Source: HCPSS Public Information Office

Howard County Public School System

Full-Time Equivalent School System Budgeted Positions by Function

Last Ten Fiscal Years

Table 16

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Percentage Change 2001-2010
General Fund											
Administration	56.5	58.5	59.5	66.0	73.5	78.5	86.3	94.3	97.8	94.1	66.5%
Mid level Administration	429.0	438.0	451.5	450.5	465.0	501.5	556.0	572.5	587.5	588.5	37.2%
Instruction	3,320.8	3,434.5	3,545.5	3,638.9	3,759.4	3,884.0	4,030.9	4,255.4	4,336.9	4,379.3	31.9%
Special Education	943.0	1,109.5	1,203.0	1,269.3	1,297.0	1,352.0	1,401.0	1,448.5	1,494.5	1,505.5	59.7%
Pupil Personnel Services	23.2	23.2	22.2	23.2	24.2	25.0	30.0	32.0	32.0	32.0	37.9%
Health Services	90.0	96.0	99.0	104.0	104.0	108.0	113.0	118.0	126.0	127.0	41.1%
Pupil Transportation	11.5	11.5	12.5	12.5	13.0	13.0	12.0	12.0	13.0	14.0	21.7%
Operation of Plant	369.0	373.0	388.5	397.5	402.5	417.0	433.5	447.0	449.0	449.0	21.7%
Maintenance of plant and equipment	136.0	137.0	148.0	151.0	151.0	164.0	174.0	184.0	189.0	187.0	37.5%
Community Services	23.0	24.4	24.4	24.4	23.9	24.9	24.9	38.9	40.9	40.4	75.7%
Capital Outlay	4.5	5.5	7.5	7.5	8.5	9.0	10.0	10.0	10.0	10.0	122.2%
Total General Fund	5,406.5	5,711.1	5,961.6	6,144.8	6,322.0	6,576.9	6,871.6	7,212.6	7,376.6	7,426.8	37.4%
Total Grants Fund (estimated)	136.3	148.1	148.1	175.0	148.1	231.8	226.5	170.5	180.5	186.0	36.5%
Restricted Funds											
Food and Nutrition Services	182.0	182.0	182.0	182.0	181.0	181.5	187.5	187.5	187.0	187.0	2.7%
Printing and Duplicating	10.0	9.0	9.0	9.0	9.0	9.0	10.0	10.0	10.0	11.0	10.0%
Information Management	14.5	15.5	17.5	20.0	21.0	23.0	24.0	33.0	36.0	35.0	141.4%
Health and Dental Self-Insurance	3.0	3.0	3.0	3.0	3.0	2.5	2.5	3.0	3.0	3.0	0.0%
Workers' Compensation	1.0	1.0	2.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	200.0%
Total Revolving Funds	210.5	210.5	213.5	216.0	216.0	218.0	227.0	236.5	239.0	239.0	13.5%
Total All Funds	5,753.3	6,069.7	6,323.2	6,535.8	6,686.1	7,026.7	7,325.1	7,619.6	7,796.1	7,665.8	33.2%

Source: HCPSS Budget Office

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

Table 17

	Scholastic Achievement Test *			Maryland State Assessment **				High School Assessment							
	Howard County	Maryland State	National	Elementary Math	Elementary Reading	Middle Math	Middle Reading	Algebra	Biology	English	Government	Algebra	Biology	English	Government
2010	1,639	1,502	1,509	91.7	92.8	87.2	91.0	96.5	94.4	91.6	97.1	87.9	84.5	83.7	91.5
2009	1,641	1,497	1,509	89.7	93.1	86.9	91.5	98.0	94.9	94.3	97.6	88.8	85.5	86.6	93.2
2008	1,643	1,498	1,511	89.4	92.9	83.6	89.2	91.9	90.5	89.3	89.3	81.0	74.9	76.2	83.1
2007	1,633	1,498	1,511	63.9	67.2	50.0	66.3	87.5	87.5	87.5	89.6	63.5	70.3	70.9	73.5
2006	1,636	1,511	1,518	58.8	62.5	42.9	61.5	85.2	82.1	78.2	85.0	66.6	67.7	60.1	74.2
2005	1,115	1,026	1,028	53.6	57.8	35.8	56.7	74.3	76.6	76.5	81.8	53.8	57.6	57.3	66.4
2004	1,097	1,026	1,026	44.1	46.3	22.7	45.6	74.0	79.4	73.7	83.1	58.8	60.9	53.0	65.9
2003	1,096	1,024	1,026	**	**	**	**	69.4	73.3	61.5	78.5	53.2	54.3	39.8	60.2
2002	1,084	1,020	1,020	**	**	**	**	66.8	72.1	65.9	72.3	52.1	54.5	43.6	57.3
2001	1,084	1,018	1,020	**	**	**	**	**	**	**	**	**	**	**	**

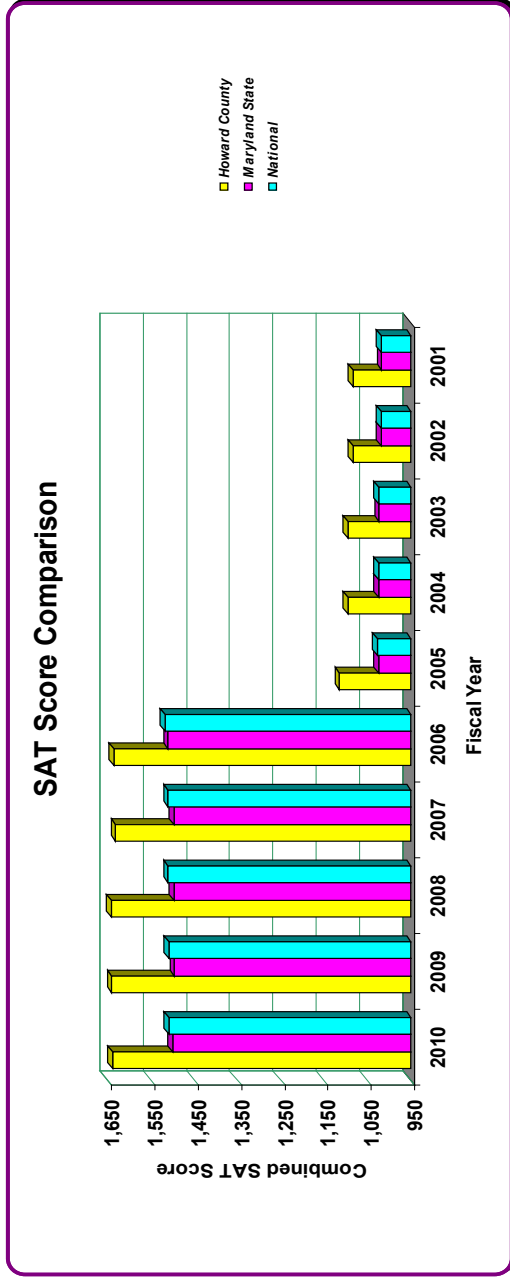
* Maryland State Assessment standard is 70.0

** Maryland State Assessment and High School Assessment scores were not available prior to FY 2002. Composite scores not available for 2009

*** Group now assessed through the High School Assessment Program

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

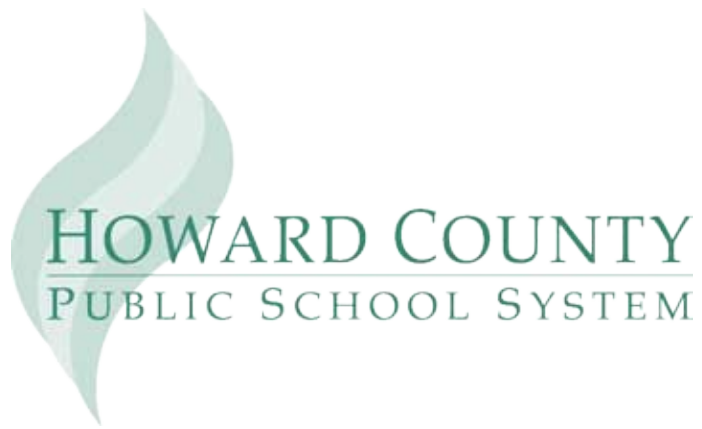
***** In 2009 the High School Assessment scores began to be reported based on how many students have passed the tests as of Grade 12. Prior to that the scores were based on all who passed.



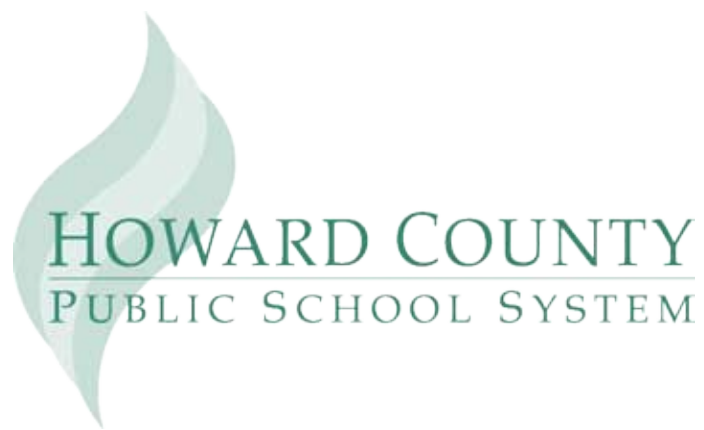
**Howard County Public Schools
Insurance Summary FY 2010**

Table 18

Type of Coverage	Name of Company	Policy Period	Limits
Workers Compensation	Self-Insured		
Excess Workers Compensation	Safety National	7/1/10 - 6/30/11	\$450,000 retention Specific excess limit \$25 million
Comprehensive General Liability	MABE Group Insurance Pool	7/1/10 - 6/30/11	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Personal Injury Liability	MABE Group Insurance Pool	7/1/10 - 6/30/11	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Automobile Liability	MABE Group Insurance Pool	7/1/10 - 6/30/11	\$100,000 combined single limit \$1 million combined single limit for Bus Contractors
Personal Injury Protection	MABE Group Insurance Pool	7/1/10 - 6/30/11	\$2,500 per covered person for any one accident
Automobile Physical Damage	MABE Group Insurance Pool	7/1/10 - 6/30/11	Actual cash value
Garage Keepers Liability	MABE Group Insurance Pool	7/1/10 - 6/30/11	\$100,000 per loss
Criminal Proceeding and Intentional	MABE Group Insurance Pool	7/1/10 - 6/30/11	\$50,000 per covered person
Property and Boiler and Machinery	MABE Group Insurance Pool	7/1/10 - 6/30/11	\$500,000 per occurrence
Excess Property and Boiler and Machinery	PEPIP	7/1/10 - 6/30/11	\$1,000,000,000 Total Property / Boiler and Machinery 100,000,000
Crime	Travelers	7/1/10 - 6/30/11	\$2,500,000 per occurrence
School Board Legal Liability	MABE Group Insurance Pool	Axis Insurance	\$2,500,000 Excess of Travelers
School Board Legal Liability	United Educators	7/1/10 - 6/30/11	\$250,000 per occurrence
Reinsurance			\$5 million per occurrence, excess of \$250,000, should sovereign immunity be abrogated







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