

Comprehensive Annual Financial Report

Fiscal Year Ended
June 30, 2012



HOWARD COUNTY
PUBLIC SCHOOL SYSTEM

A Component Unit of Howard County, Maryland



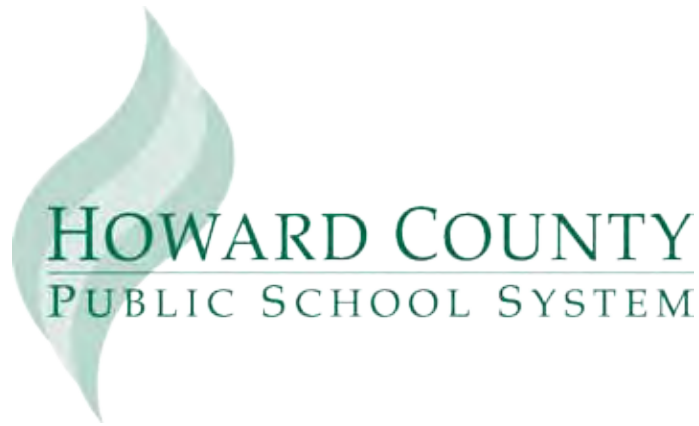
Mission

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 socioeconomic 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, 2012

Prepared By:

The Department of Finance

10910 Clarksville Pike
Ellicott City, Maryland 21042-6198

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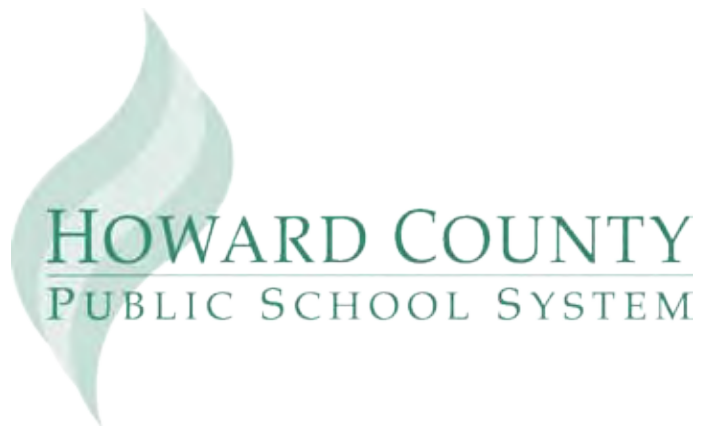
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Introductory Section





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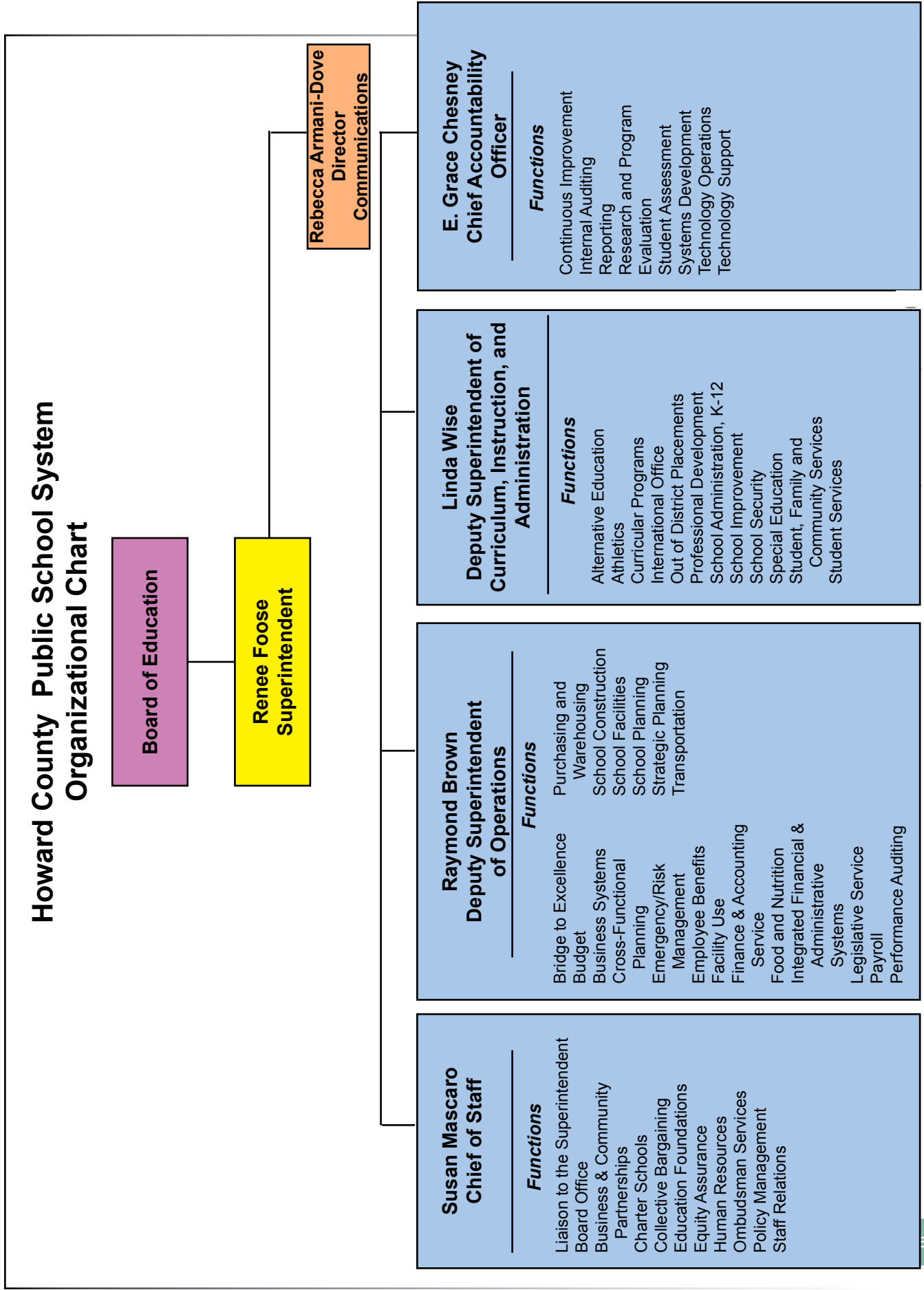
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Organizational Chart as of November 30, 2012



Principal Officials as of November 30, 2012

Howard County Board of Education

10910 Clarksville Pike
Ellicott City, Maryland 21042-6198
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www.hcpss.org

Board of Education

Sandra H. French
Chairman



Howard County Public Schools Officials Superintendent of Schools



Dr. Renee A. Foose Ed.D

Frank Aquino
Vice Chairman



Allen Dyer
Member



Susan Mascaro
Chief of Staff

Raymond Brown
Deputy Superintendent of
Operations

Linda Wise
Deputy Superintendent of
Curriculum, Instruction, and
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Chief Accountability Officer

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Ellen Flynn Giles
Member



Brian J. Meshkin
Member



Janet Siddiqui, M.D.
Member



Cynthia L. Vaillancourt
Member





November 30, 2012

Members of the Board of Education
And Citizens of Howard County, Maryland:

Maryland state law requires that local education agencies publish at the close of each year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. In compliance with that requirement, the Department of Finance (the Department) hereby submits the Comprehensive Annual Financial Report (CAFR) of the Howard County Public School System (HCPSS) for the fiscal year ended June 30, 2012.

This report has been prepared pursuant to Education Article Section 5-109 of the Annotated Code of Maryland. The report consists of management's representations concerning the finances of HCPSS. Management assumes full responsibility for the completeness, reliability and accuracy of the presented data. 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.

HCPSS financial statements have been audited by CliftonLarsonAllen LLP, an independent audit firm of licensed public accountants. The independent auditor's report is located at the front of the financial section of this report. Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter and should be read in conjunction with it.

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 exceeding 51,000 students. HCPSS has realized an increase of over 4,100 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 58 additions to existing schools and built 11 new schools – 5 elementary schools, 2 middle schools, 2 special schools and 2 high schools – since 2001. HCPSS operated seventy four schools in the 2011-2012 academic year. A wide range of services are offered to Howard County students and parents through guidance counselors, nurses, psychologists and pupil personnel workers. Students with special needs are provided with an extensive special education program in preschool, elementary, middle and high school instructional levels.

This report includes the financial activities of HCPSS as they relate to the services provided for a public school education system of 40 elementary, 3 special schools, 19 middle, and 12 high schools.

Economic Condition and Outlook

HCPSS receives approximately 68 percent of its operating budget from Howard County and approximately 31 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.

Howard County is among the wealthiest counties in the United States based on median income. As a result, Howard County has not suffered as much as many other jurisdictions during the recession. Nonetheless, leading economic indicators have only slightly recovered from the effects of the national recession. Howard County' unemployment rate was 5.5% at June 30, 2012, only slightly improved from the 5.6% unemployment rate of June 30, 2011, though well below the national and state levels.

Maryland's information technology, telecommunications, aerospace, and defense contracting industries continue to bolster our state economy. In addition, consumer spending is up by 14%, however, though the prices of resale housing market has stabilized, buyers are generally waiting for prices to be lowered and housing starts continue to decline.

Looking ahead, the economic outlook for FY 2013 is cautiously optimistic. While there remains significant uncertainty, economists expect that real GDP growth to reach approximately 3% by 2014 and that the economy is forecast to grow moderately as it recovers slowly from the effects of the national recession. Though the state budget reflects a small surplus, the Maryland General Assembly created a paradigm shift in governance by imposing half of the pension responsibility from the state onto the local government and school system budgets. As a result, the School System is committed to expanding cost saving steps while 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 2013 appropriations for revenue and expense totals \$703.7 million and represents a total increase of \$19.8 million or almost three percent. By maintaining the budget at levels comparable to the prior year, the County met its statutory obligation for maintenance of effort.

The FY 2013 Approved Operating Budget was crafted to maintain our momentum towards improved academic performance, with a very limited increase, including continuation of efforts to provide critical support services required to support the school system's Bridge to Excellence Master Plan. Therefore, the approved budget supported the school system's mission by addressing four priorities:

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

Long-term Financial Planning

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

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

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

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

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

Internal Controls

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

Budgetary Controls

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

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

Budgetary control is maintained at the various expenditure levels by the encumbrance of estimated purchase amounts prior to release of purchase orders to vendors. Purchase orders that result in an over-obligation of available balances are not released until additional appropriations are made available. Open encumbrances are reported as assigned fund balance at June 30, 2012.

Independent Audit

The financial statements for FY 2012 have been audited by CliftonLarsonAllen LLP in accordance with Section 5-109 of the Public School Laws of Maryland. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the OMB Circular A-133 Single Audit Act Amendments of 1996. The auditor's report on the financial statements is included in the Financial Section of this Report. We are pleased to report that the auditor's report on the School System's basic financial statements is without qualification, the highest possible outcome of the audit process.

System Achievements

The HCPSS graduating class of 2012 achieved outstanding scores on the SAT, with average scores of 537 on the Critical Reading, 557 in mathematics, and 538 in Writing for a combined score of 1632. Howard County's scores continue to outpace the state and national averages. A total of 3,160 HCPSS students, nearly 82%, of the Class of 2012, participated in the SAT.

Students at all levels are demonstrating academic achievement. HCPSS students took a record setting 8,183 AP tests in 2012. Of these, 82.0 percent of the school system's seniors scored a 3 or higher on Advanced Placement Exams. 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, 2011. This was the eighth 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, 2011. 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.

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. The high standard of conformity of this report reflects the professional competence of all the individuals responsible for its preparation. We wish to express our appreciation for a job well done.

Conclusion

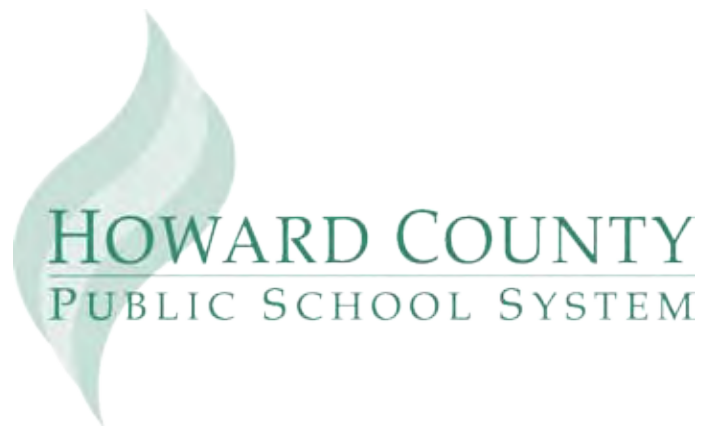
This report has been prepared to provide financial information for the fiscal year ended June 30, 2012 in a manner consistent with the goals and objectives of the Board of Education of Howard County. Should you have any questions about the financial details, needs or plans for the Howard County Public 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





Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award
is presented to*

Howard County Public School System

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2011*

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



A handwritten signature in black ink, reading "Brian L. Mee".

Brian L. Mee, SFO, RSBA
President

A handwritten signature in black ink, reading "John D. Musso".

John D. Musso, CAE, RSBA
Executive Director

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, 2011

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.

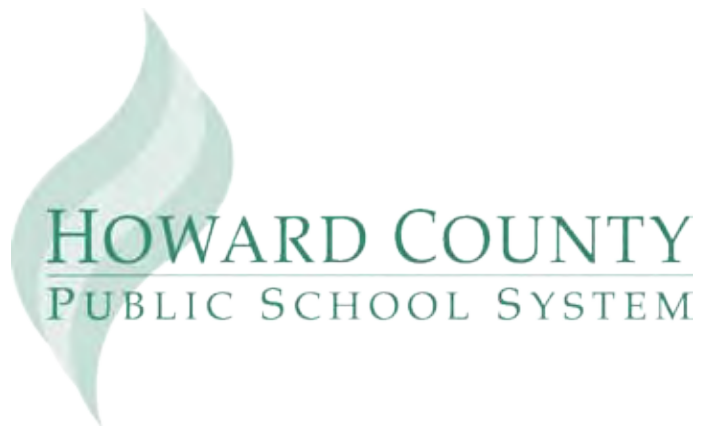


Christopher P. Moville

President

Jeffrey R. Emen

Executive Director



Financial Section





Independent Auditor's Report

Members of the Board of Education
of Howard County, Maryland
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, 2012, 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, 2012, 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 27, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise HCPSS's basic financial statements. The detailed budgetary comparison schedules and combining fund financial statements presented as other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The detailed budgetary comparison schedules and combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

CliftonLarsonAllen LLP

Baltimore, Maryland
September 27, 2012

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, 2012, with selected comparative data for the year ended June 30, 2011.

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 2012

Government-wide financial statements

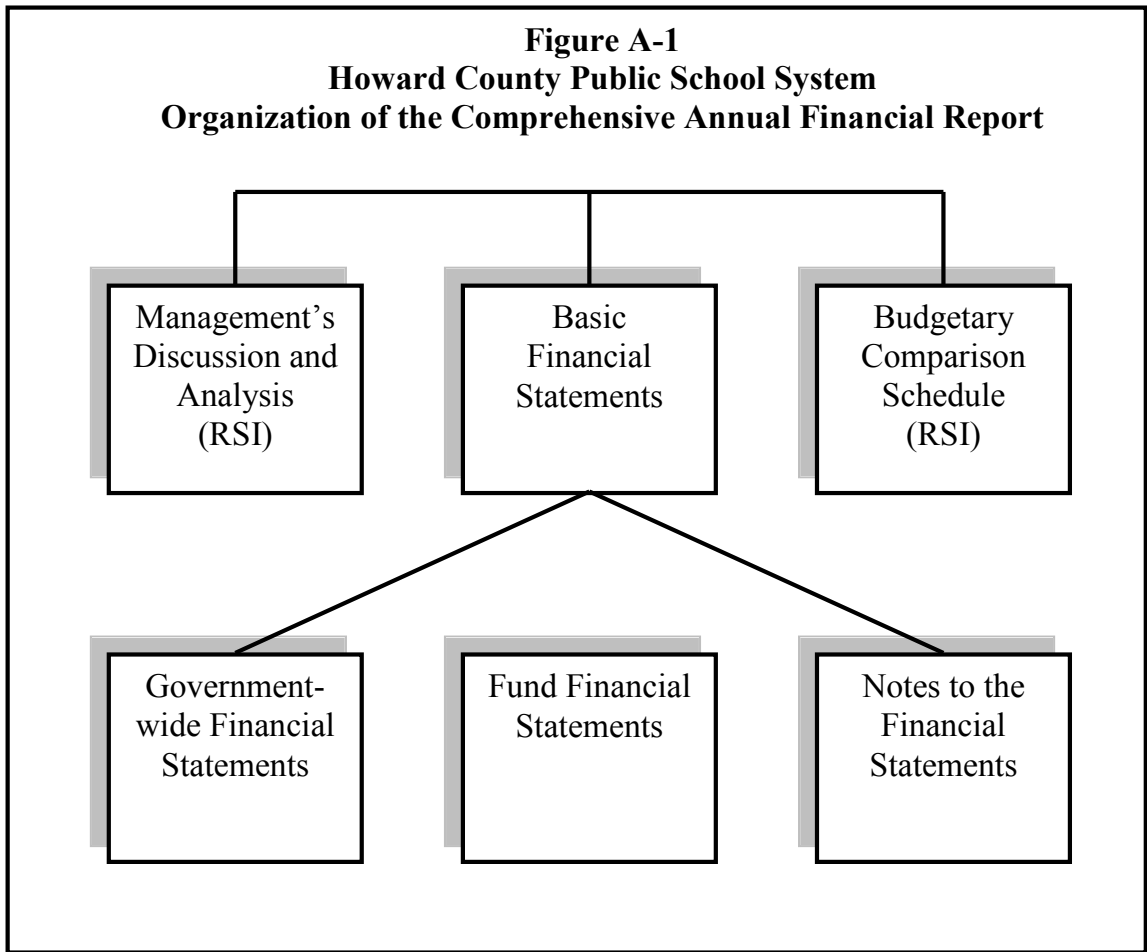
The School System's **financial status** as of June 30, 2012 and as reflected in total net assets, increased by \$60.9 million to \$993.7 million from \$932.8 million, presenting a stronger financial condition at fiscal year end. The increase in total net assets reflects increases in capital assets of \$54 million as well as decreases in current and other assets of \$7.1 million, offset by a decrease in liabilities of \$14 million. The investment made in capital assets was used for new school construction, renovations and additions, as well as technology improvements.

General revenues accounted for \$639.4 million, including \$467.6 million in local appropriations and \$170 million in aid from the State of Maryland. Program revenues, in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$233.2 million. The total revenue from all sources was \$872.6 million.

The School System had \$811.7 million in expenses related to programs, a decrease of \$11.2 million from the prior year. The decrease in expenses is due to an increase in health and dental claims of \$12.2 million in FY2012.

Governmental funds financial statements

The overall fund balance of the General Fund, the primary operating fund, increased by \$9 million to \$25.7 million from \$16.7 million. The General Fund balance is comprised of \$1.6 million in non-spendable fund balance related to prepaid items and inventories, \$15.2 million assigned for encumbrances and fund balance and \$8.9 million in unassigned fund balance.



Overview of the Basic Financial Statements

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

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

Management's Discussion and Analysis

Figure A-2 - Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Financial Statements	Fund Financial Statement		
		Government Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School System (except fiduciary funds).	The activities of the School System that are not proprietary or fiduciary.	Activities of the School System that operate similar to a commercial enterprise.	Instances in which the School System administers resources on behalf of someone else, such as school activity funds.
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Revenues, Expenses, and Changes in Net Assets • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Assets and Liabilities
Basis of accounting and measurement focus	Full accrual basis of accounting and economic resources measurement focus.	Modified accrual basis of accounting and current financial resources measurement focus.	Full accrual basis accounting and economic resources measurement focus.	Full accrual basis of accounting.
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally assets expected to be depleted and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, short-term and long-term.	All assets and liabilities, both short-term and long-term; the School System's fiduciary fund does not contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods and services have been received and the related liabilities are due and payable.	All revenue and expenses during the year, regardless of when cash is received or paid.	All additions and deductions during the year, regardless of when cash is received or paid. Agency funds only report assets and liabilities and do not have a measurement focus.

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 restricted and unrestricted net assets.

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

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

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

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

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

Fund Financial Statements

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

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

Governmental Funds

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

Because the focus of governmental funds is narrower

Management's Discussion and Analysis

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

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

Proprietary Funds

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

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

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

The Summary of Significant Accounting Policies and Notes to Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The summary and notes can be found on [pages 39 - 57](#) of this report.

Fiduciary Funds

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

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

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

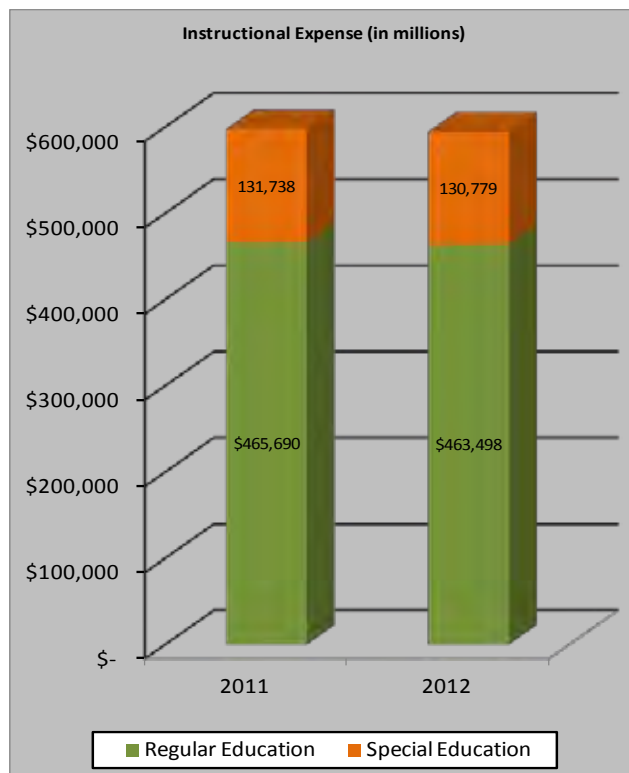


Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the HCPSS's budget process. HCPSS adopts an annual expenditure budget for all governmental funds. The System's General Fund has a legally adopted budget. Management also prepares budgets for the other governmental funds for internal monitoring purposes only. The budget to actual comparison for the General Fund is presented as required supplementary information for the School System's basic financial statements. The required supplementary information can be found on [pages 61 and 62](#) of this report.

Financial Highlights and Analysis

The School System is a component unit of Howard County, Maryland, and is fiscally dependent on the Howard County Government and the State of Maryland to appropriate funding for the School System. The School System receives 53.6 percent of its governmental activities funding from the County, and 19.5 percent from the state. Additionally, the School System receives federal entitlement grants and competitive grants from the state and federal government. Essentially all of the School System's funding for governmental activities is derived from these sources. The School System has no authority to levy taxes or issue bonded debt. Accordingly, the financial condition of the School System is directly related to the financial condition of the funding authorities - the county and state. Any appropriated funds that are unspent at the end of a fiscal year must be re-appropriated by the county government in a subsequent fiscal year before they can be spent.



Government-wide Financial Analysis

Net Assets

As noted earlier, net assets over time may serve as a useful indicator of a government's financial position. In the case of the School System, assets exceeded liabilities by \$993.7 million at the close of the most recent fiscal year.

The most significant portion of the School System's net assets (96.6%) 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's financial position is the net result of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

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

Management's Discussion and Analysis

Table 1 provides a summary of HCPSS net assets as of June 30, 2012 and 2011.

	Governmental Activities		Business-Type Activities		Total Activities	
	2012	2011	2012	2011	2012	2011
Assets						
Current and other assets	\$ 158,579	\$ 165,687	\$ 147	\$ 151	\$ 158,726	\$ 165,838
Capital assets (net)	959,980	905,949	23	27	960,003	905,976
Total assets	<u>\$1,118,559</u>	<u>\$1,071,636</u>	<u>\$ 170</u>	<u>\$ 178</u>	<u>\$1,118,729</u>	<u>\$1,071,814</u>
Liabilities						
Long-term liabilities	\$ 14,005	\$ 14,024	\$ -	\$ -	\$ 14,005	\$ 14,024
Other liabilities	111,056	125,015	-	-	111,056	125,015
Total liabilities	<u>\$ 125,061</u>	<u>\$ 139,039</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,061</u>	<u>\$ 139,039</u>
Net Assets						
Invested in capital assets, net of related debt	\$ 956,102	\$ 898,922	\$ 23	\$ 27	\$ 956,125	\$ 898,949
Restricted for GGWTP	1,236	1,236	-	-	1,236	1,236
Restricted for food services	145	146	-	-	145	146
Unrestricted	36,015	32,293	147	151	36,162	32,444
Total net assets	<u>\$ 993,498</u>	<u>\$ 932,597</u>	<u>\$ 170</u>	<u>\$ 178</u>	<u>\$ 993,668</u>	<u>\$ 932,775</u>

Change in Net Assets

The School System's net assets increased \$60.9 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, 2012 and 2011. Key elements of this increase are as follows:

	Governmental Activities		Business-Type Activities		Total Activities	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	\$ 30,209	\$ 15,516	\$ 169	\$ 144	\$ 30,378	\$ 15,660
Operating grants and contributions	133,145	154,174	-	-	133,145	154,174
Capital gains and contributions	69,629	63,876	-	-	69,629	63,876
General revenues:						
County appropriations	467,617	456,544	-	-	467,617	456,544
Federal aid	141	174	-	-	141	174
Interest and investment earnings	72	122	-	-	72	122
State aid	169,994	169,182	-	-	169,994	169,182
Miscellaneous	1,620	1,382	-	-	1,620	1,382
Total revenues	<u>\$ 872,427</u>	<u>\$ 860,970</u>	<u>\$ 169</u>	<u>\$ 144</u>	<u>\$ 872,596</u>	<u>\$ 869,279</u>
Expenses						
Instruction:						
Regular instruction	\$ 463,498	\$ 465,690	\$ -	\$ -	\$ 463,498	\$ 465,690
Special instruction	130,779	131,738	-	-	130,779	131,738
Support services:						
Administration	14,278	13,328	-	-	14,278	13,328
Mid-level administration	62,949	72,057	-	-	62,949	72,057
Pupil personnel services	3,823	3,844	-	-	3,823	3,844
Health services	8,387	8,325	-	-	8,387	8,325
Pupil transportation	36,138	34,655	-	-	36,138	34,655
Operation of plant	45,276	45,383	-	-	45,276	45,383
Maintenance of plant	26,962	27,905	-	-	26,962	27,905
Community services	7,264	7,298	-	-	7,264	7,298
Food services	12,009	12,167	-	-	12,009	12,167
Interest on long-term debt	163	325	-	-	163	325
Enterprise funds	-	-	177	150	177	150
Total Expenses	<u>\$ 811,526</u>	<u>\$ 822,715</u>	<u>\$ 177</u>	<u>\$ 150</u>	<u>\$ 811,703</u>	<u>\$ 822,865</u>
Increase (decrease) in net assets	<u>\$ 60,901</u>	<u>\$ 38,255</u>	<u>\$ (8)</u>	<u>\$ (6)</u>	<u>\$ 60,893</u>	<u>\$ 38,249</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 \$872.6 million. County appropriations and State formula aid accounted for most of HCPSS revenue. Funds from these two sources contributed approximately 73 cents of every dollar needed. The remaining 27 cents came from federal aid for specific programs, fees charged for services and other miscellaneous revenues. Total revenues surpassed expenses, increasing net assets by \$60.9 million over last year. The revenue increase of 5.5 percent was primarily attributable to increased operating grants and contributions.

Expenses in these areas comprised approximately 79.2 percent of all School System expenditures. The business and administration activities, food services, and community services accounted for 9.5 percent, 1.5 percent and 0.9 percent of total costs, respectively. Maintenance and operation expenses represented approximately 8.9 percent. Generally, increases in expenses closely paralleled inflation and growth in the demand for services. Educational programs like the class size reduction and bilingual education continue to receive the funding priority because these programs are integral to promoting student achievement.

The total cost of all programs and services rose to \$811.7 million. Most of HCPSS expenses are related to instruction (including special education), instructional support and pupil transportation.

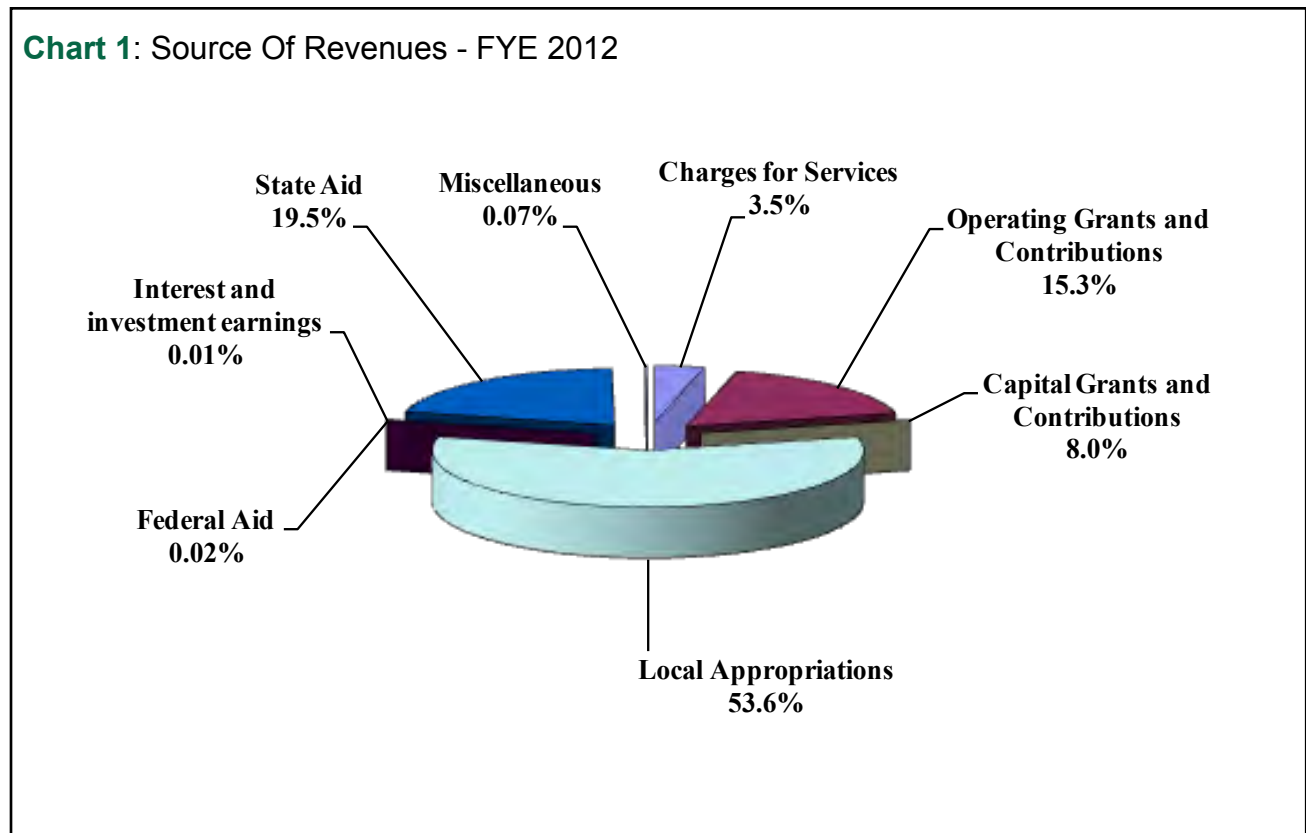
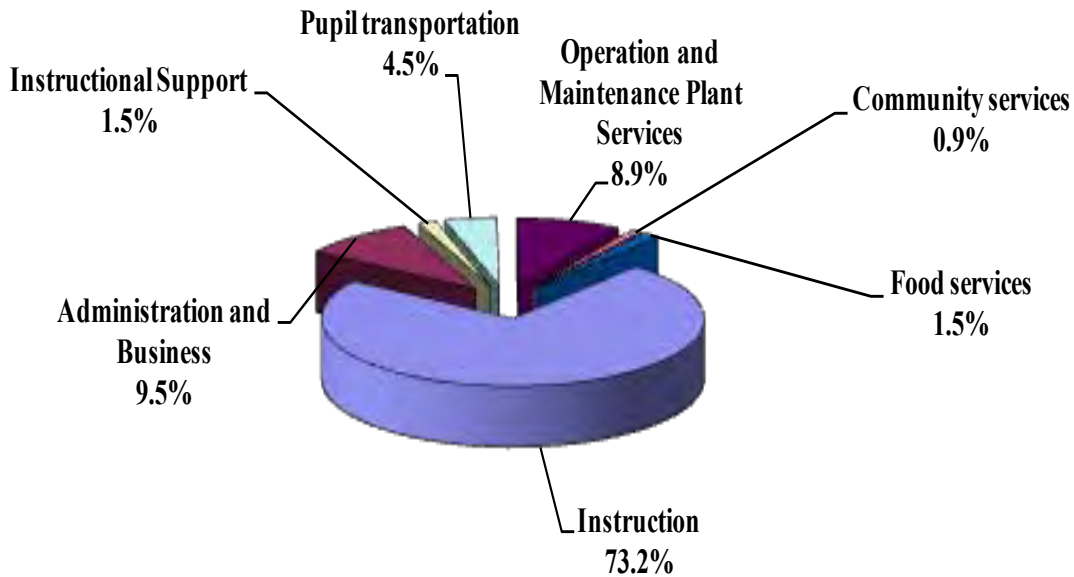


Chart 2: Expenses By Category - FYE 2012



Expenditures Per Pupil		
	2012	2011
Total Number of Pupils Enrolled	51,555	49,991
EXPENDITURES		
Current:		
Administration	\$ 207	\$ 213
Instruction		
Instructional salaries	5,598	5,647
Textbooks and classroom supplies	281	318
Other instructional costs	72	79
Pupil personnel services	53	55
Health services	116	118
Pupil transportation	690	681
Operation of plant	967	998
Maintenance of plant	420	445
Fixed charges	3,527	3,712
Mid-level administration	1,065	1,134
Community services	121	124
Special education	1,870	1,961
Capital outlay	15	18
Total expenditures Per Pupil	\$ 15,002	\$ 15,503

Governmental Activities

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

Business-Type Activities

HCPSS has one business-type activity: The James Rouse Theatre. Operating revenues for the business-type activity totaled \$169 thousand for 2012. Operating expenses totaled \$177 thousand for a net operating loss of \$8 thousand primarily due to the purchase of energy efficient stage lighting. Business-type activity net assets (\$178 thousand at fiscal year end) decreased \$6 thousand during the year. This is primarily a result of the additional contracted services utilized in FY 2011. Details of the business-type activity can be found on [pages 33 - 35](#) of this report.

Management's Discussion and Analysis

Table 3 - Cost of Governmental Activities

Year Ended June 30, 2012
(In Thousands)

	<u>Total Cost Of Services</u>	<u>Less Program Revenues</u>	<u>Net Cost of Services</u>
Instruction			
Regular Education	\$ 466,498	\$ 143,858	\$ 319,640
Special Education	130,779	35,516	95,263
Support services			
Administration	14,278	1,304	12,974
Mid-level administration	62,949	12,578	50,371
Pupil personnel services	3,823	491	3,332
Health services	8,387	931	7,456
Pupil transportation	36,138	15,461	20,677
Operation of plant	45,276	7,999	37,277
Maintenance of plant	26,962	1,971	24,991
Community services	7,264	756	6,508
Interest on long-term debt	163	-	163
Total Expenses	<u>\$ 799,517</u>	<u>\$ 220,865</u>	<u>\$ 578,652</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 \$24.9 million, an increase of \$8.4 million. This includes non-spendable fund balance which is comprised of \$1.4 million in inventories and \$342 thousand in prepaid expenses. Funds restricted for the Glenelg Waste Water Treatment Plant totals \$1.2 million. Assigned fund balance includes \$2.8 million for food services, \$13.5 million for encumbrances, \$1.7 for fund balance stabilization, and the unassigned reserve is \$4.0 million.

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

During the fiscal year, the fund balance of the School System's general fund increased by \$9.0 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 during the current fiscal year by \$113 thousand due to increased sales. The Glenelg Waste Water Treatment Plant fund, finished with a fund balance of \$1.2 million.

Revenues for HCPSS's governmental funds increased 0.2 percent while total expenses decreased 0.3 percent. County revenue decreased by 0.03 percent or \$165 thousand over the previous year.

While the general fund revenues from the County decreased by 0.67 percent or \$3.2 million, the County revenues for the Capital Projects fund increased by 5.2 percent or \$3.0 million. The Capital Projects Fund recognizes County revenues when project expenditures are incurred. Significant renovations were completed at Mt. Hebron High, Hammond Middle, Hammond Elementary and the Technology Project incurred additional expenditures in renovating music labs. State funding also increased by 42.3 percent or \$2.8 million over the previous year.

General Fund Budgetary Highlights

The General (Current Expense) Fund operates under a legally adopted annual budget. The budget is subdivided into State mandated categories of expenditures including administration, mid-level administration, instructional salaries, textbooks and instructional supplies, other instructional costs, special education, pupil services and health services, pupil transportation, operation of plant, maintenance of plant, fixed charges and community services. The legal level of budgetary control is at the category level.

HCPSS may approve amendments to the budget recommended by Management by transferring funds within categories, but transfers between categories must be requested and approved by the County Council.

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

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

During FY 2012, General Fund Budgeted Revenues met budget with a small excess of \$211 thousand due primarily to higher miscellaneous income than budgeted which offset other revenue shortfalls. Management continued cost cutting and efficiency efforts which allowed for strategic expenditures at year end and \$1.5 million in unspent budgeted appropriations. The net positive budget variance of \$1.7 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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Land and improvements	\$ 27,619,152	\$ 12,079,152
Construction in progress	134,379,894	144,874,972
Buildings and improvements	1,124,500,542	1,052,475,886
Furniture and equipment	24,836,347	24,597,337
(Less accumulated depreciation)	<u>(351,355,834)</u>	<u>(328,078,392)</u>
Total Capital Assets	<u>\$ 959,980,101</u>	<u>\$ 905,948,955</u>

Management's Discussion and Analysis

Capital Assets (continued)

The HCPSS had \$960.0 million invested in land, construction in progress, buildings and improvements, and furniture and equipment at June 30, 2012.

Table 4 (on page 18) shows governmental activities capital asset balances, net of accumulated depreciation, at June 30, 2012, and 2011. During FY 2012, capital assets increased by a net of \$54.0 million from the prior year. Depreciation expense on these assets was approximately \$24.5 million in FY 2012. More detailed information about capital assets can be found on [pages 50 and 51](#) of this report.

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

- Expended \$5.3 million for additional technology in our classrooms.
- Completed construction for the additions/renovations of Mt. Hebron High, Hammond Middle and Hammond Elementary.
- Completed the construction for dance studios at Centennial High and Hammond High and parking lot expansions at Centennial High.
- Continued the additions/renovations for Thunder Hill Elementary and Bollman Bridge Elementary.

- Started construction for the additions/renovations to Atholton High, Phelps Luck Elementary, Triadelphia Ridge Elementary, Folly Quarter Waste Water Treatment plant and a new Elementary school (currently known as Northeastern Elementary #41).
- Other major projects include technology projects and roofing projects.

HCPSS FY 2013 Capital Budget proposes spending \$15.0 million for systemic renovations, \$10.0 million for the Atholton High renovation and \$17.2 million for the new Northeastern Elementary school.

HCPSS proposed capital spending totaling \$522.5 million over the FY 2014-2018 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 accounting 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 \$7.2 million at June 30, 2012. Total long-term obligations totaled approximately \$14.0 million at June 30, 2012, for a decrease of approximately \$3.0 million over the balance of \$17.0 million at June 30, 2011.

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

Factors Influencing Future Budgets

- The state's plan to shift a portion of the pension responsibility from the state to local government and school system budget which is supposed to be offset by an increase in state income taxes passed on to local governments.
- The student enrollments are projected to continue to increase, though at a slower pace.
- Service needs for the increase in the number of homeless students, those newly immigrated to this country, and growing socioeconomically eligible population
- Future capital budgets include funding for renovations and additions to existing schools, including major systemic renovations to many of the older school facilities.
- The Board must fund salary increases in accordance with negotiated agreements with employee bargaining units for FY 2013
- Improvements are required in computer systems and networks throughout the school system.
- Changes in the health care area as well as health care cost inflation may require larger increases in shared contributions paid by the School System and employees.
- As with many local governments, Howard County's revenues are dependent to a significant degree on real property taxes and income taxes. Future revenue growth from County sources, beyond State aid related "maintenance of effort" requirements, is expected to improve slightly, although this is offset by continued foreclosures and bank assisted short sales.

Economic Factors

The Fiscal Year 2012 continued to be a year of economic distress at the national and the regional levels. Housing sales are on the rise locally but half of these sales come from foreclosures and bank assisted short sales. The country experienced tightening capital markets, real inflation, a weakening dollar and gas prices at record high levels and an increase in the national debt. The volatility of the American economy has created uncertainty for future budgets.

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

- The local economy in Howard County has remained stable despite the struggling economy. Howard County has the lowest unemployment rate in the state.
- Revenues for the County are expected to reflect the rise in local income tax rates although this will be offset by the shift in half of the pension costs from the state to the county.

- Rising energy-related costs and health and welfare costs will have an operational impact.
- The county provides approximately 69 percent of HCPSS's operating budget funding needs.
- The County government's funding to the Howard County, Maryland Post-Retirement Medical Plan on behalf of the HCPSS could reduce direct county funding to the School System.

These factors were considered in preparing the HCPSS budget for the FY 2013.





Contacting HCPSS Financial Management

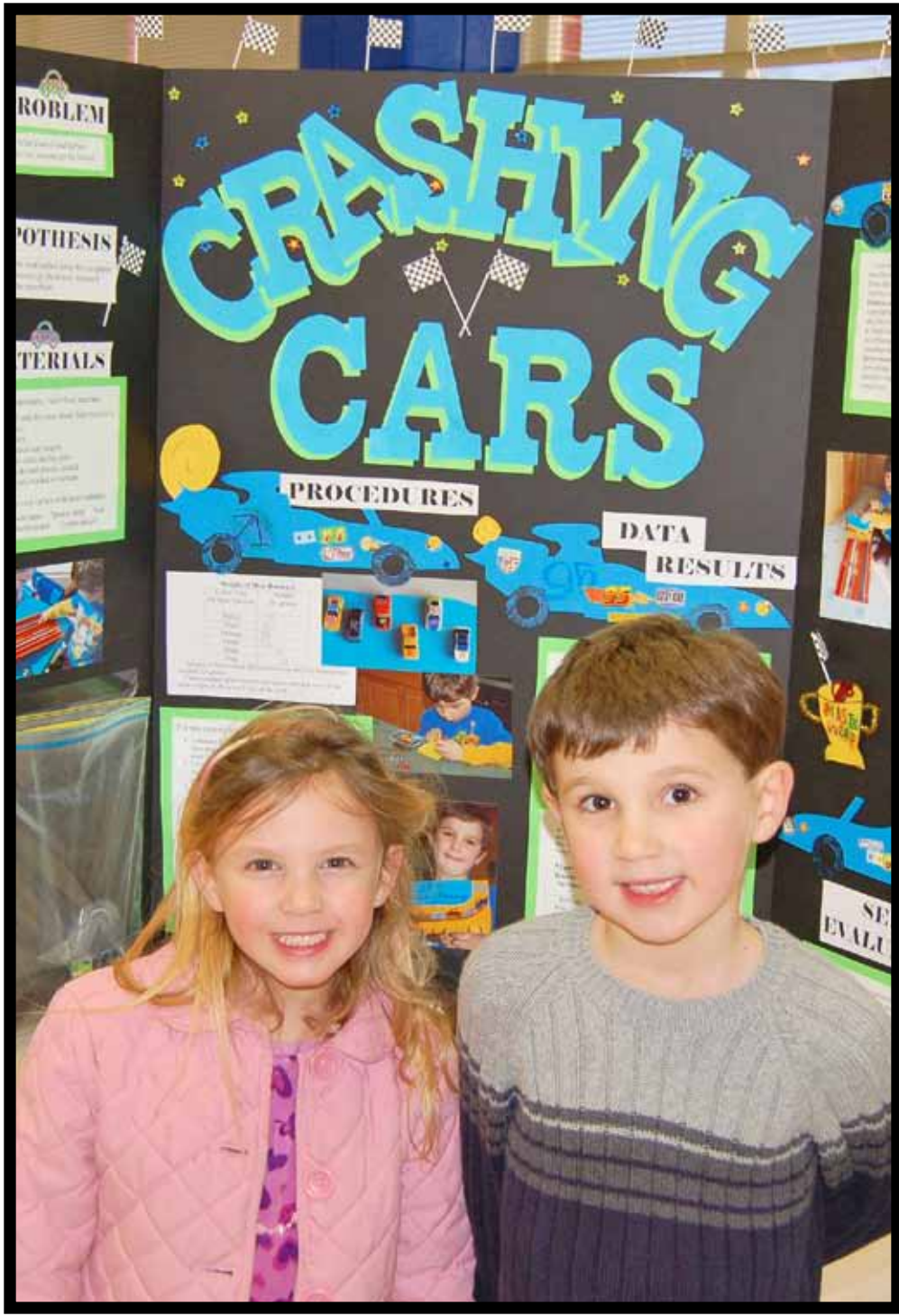
This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of HCPSS finances and to show accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

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



Basic Financial Statements





Basic Financial Statements

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 41,006,465	\$ -	\$ 41,006,465
Restricted cash	119,474	-	119,474
Investments	106,529,277	-	106,529,277
Accounts receivable	2,458,143	3,845	2,461,988
Internal balances	(143,737)	143,737	-
Due from other units of government	6,269,985	-	6,269,985
Prepaid items	477,707	-	477,707
Inventory	1,861,902	-	1,861,902
Capital assets:			
Land	27,619,152	-	27,619,152
Construction in process	134,379,894	-	134,379,894
Building and improvements	1,124,500,542	-	1,124,500,542
Furniture and equipment	24,836,347	144,920	24,981,267
Less: accumulated depreciation	<u>(351,355,834)</u>	<u>(122,131)</u>	<u>(351,477,965)</u>
Total capital assets, net of depreciation	<u>959,980,101</u>	<u>22,789</u>	<u>960,002,890</u>
Total assets:	<u>1,118,559,317</u>	<u>170,371</u>	<u>1,118,729,688</u>
LIABILITIES			
Accounts payable	12,356,886	150	12,357,036
Accrued liabilities	76,834,363	-	76,834,363
Unearned revenue	21,864,946	-	21,864,946
Long-term liabilities:			
Current portion	2,462,950	-	2,462,950
Long-term portion	<u>11,541,825</u>	<u>-</u>	<u>11,541,825</u>
Total liabilities	<u>125,060,970</u>	<u>150</u>	<u>125,061,120</u>
NET ASSETS			
Invested in capital assets, net of related debt	956,102,087	22,789	956,124,876
Restricted for:			
Wastewater treatment plant	1,235,579	-	1,235,579
Food services	<u>145,314</u>	<u>-</u>	<u>145,314</u>
Unrestricted	<u>36,015,367</u>	<u>147,432</u>	<u>36,162,799</u>
TOTAL NET ASSETS	<u>\$ 993,498,347</u>	<u>\$ 170,221</u>	<u>\$ 993,668,568</u>

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

Basic Financial Statements

HOWARD COUNTY PUBLIC SCHOOL SYSTEM STATEMENT OF ACTIVITIES Year Ended June 30, 2012

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	\$ 463,497,583	\$ 18,645,389	\$ 55,583,664	\$ 69,628,997	\$ (319,639,533)	\$ -	\$ (319,639,533)
Special education	130,778,754	-	35,516,414	-	(95,262,340)	-	(95,262,340)
Total instruction	<u>594,276,337</u>	<u>18,645,389</u>	<u>91,100,078</u>	<u>69,628,997</u>	<u>(414,901,873)</u>	<u>-</u>	<u>(414,901,873)</u>
Support services:							
Administration	14,278,261	-	1,303,473	-	(12,974,788)	-	(12,974,788)
Mid-level administration	62,949,594	-	12,577,960	-	(50,371,634)	-	(50,371,634)
Pupil personnel services	3,822,708	-	491,347	-	(3,331,361)	-	(3,331,361)
Health services	8,387,100	-	930,775	-	(7,456,325)	-	(7,456,325)
Pupil transportation	36,137,575	-	15,460,410	-	(20,677,165)	-	(20,677,165)
Operation of plant	45,276,110	4,750,201	3,248,694	-	(37,277,215)	-	(37,277,215)
Maintenance of plant	26,961,960	-	1,970,786	-	(24,991,174)	-	(24,991,174)
Community services	7,263,715	-	755,697	-	(6,508,018)	-	(6,508,018)
Food services	12,009,385	6,813,114	5,306,232	-	109,961	-	109,961
Interest on long-term debt	163,215	-	-	-	(163,215)	-	(163,215)
Total support services	<u>217,249,623</u>	<u>11,563,315</u>	<u>42,045,374</u>	<u>-</u>	<u>(163,640,934)</u>	<u>-</u>	<u>(163,640,934)</u>
Total governmental activities	811,525,960	30,208,704	133,145,452	69,628,997	(578,542,807)	-	(578,542,807)
Business-type activities:							
Enterprise funds	177,052	169,323	-	-	-	(7,729)	(7,729)
TOTAL SCHOOL SYSTEM	<u>\$ 811,703,012</u>	<u>\$ 30,378,027</u>	<u>\$ 133,145,452</u>	<u>\$ 69,628,997</u>	<u>\$ (578,542,807)</u>	<u>\$ (7,729)</u>	<u>\$ (578,550,536)</u>
General revenues - unrestricted:							
Local appropriations					467,617,041	-	467,617,041
State aid					169,994,413	-	169,994,413
Federal aid					141,391	-	141,391
Interest and investment earnings					71,568	-	71,568
Miscellaneous					1,619,982	-	1,619,982
Total general revenues					<u>639,444,395</u>	<u>-</u>	<u>639,444,395</u>
CHANGES IN NET ASSETS					60,901,588	(7,729)	60,893,859
NET ASSETS, BEGINNING OF YEAR					932,596,759	177,950	932,774,709
NET ASSETS, END OF YEAR					<u>\$ 993,498,347</u>	<u>\$ 170,221</u>	<u>\$ 993,668,568</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





Fund Financial Statements

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General Fund	Food Services Fund	Gleneig Wastewater Treatment Plant Fund	Restricted Programs Fund	Capital Projects Fund	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 38,306,829	\$ 2,699,636	\$ -	\$ -	\$ -	\$ 41,006,465
Restricted cash	119,474	-	-	-	-	119,474
Investments	66,014,740	459,577	1,236,856	-	-	67,711,173
Accounts receivable	1,530,096	144,716	156,491	52,174	468,569	2,352,046
Prepaid items	342,369	-	-	-	-	342,369
Due from other funds	1,542,515	-	-	289,716	9,508,738	11,340,969
Due from other units of government	-	-	-	2,799,286	3,470,699	6,269,985
Inventory	1,242,627	145,314	-	-	-	1,387,941
TOTAL ASSETS	<u>\$ 109,098,650</u>	<u>\$ 3,449,243</u>	<u>\$ 1,393,347</u>	<u>\$ 3,141,176</u>	<u>\$ 13,448,006</u>	<u>\$ 130,530,422</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 3,713,841	\$ -	\$ 27,821	\$ 280,951	\$ 3,411,171	\$ 7,433,784
Accrued liabilities	66,701,247	57,944	-	105,544	-	66,864,735
Due to other funds	12,493,238	451,617	126,666	-	-	13,071,521
Unearned revenue	456,826	-	-	2,754,681	14,963,651	18,175,158
Compensated absences Payable	50,000	-	-	-	-	50,000
Total liabilities	<u>83,415,152</u>	<u>509,561</u>	<u>154,487</u>	<u>3,141,176</u>	<u>18,374,822</u>	<u>105,595,198</u>
FUND BALANCES						
Non-spendable:						
Prepaid expenses	342,369	-	-	-	-	342,369
Inventories	1,242,627	145,314	-	-	-	1,387,941
Restricted:	-	-	1,235,579	-	-	1,235,579
Assigned:	15,213,370	2,794,368	-	-	-	18,007,738
Unassigned:	8,885,132	-	3,281	-	(4,926,816)	3,961,597
Total fund balances	<u>25,683,498</u>	<u>2,939,682</u>	<u>1,238,860</u>	<u>-</u>	<u>(4,926,816)</u>	<u>24,935,224</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 109,098,650</u>	<u>\$ 3,449,243</u>	<u>\$ 1,393,347</u>	<u>\$ 3,141,176</u>	<u>\$ 13,448,006</u>	<u>\$ 130,530,422</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, 2012

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (page 29) \$ 24,935,224

**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 \$1,311,335,935 and the accumulated depreciation is \$351,355,834. 959,980,101

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. 19,640,693

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 \$3,878,014 of capital leases and \$7,179,657 of compensated absences payable. (11,057,671)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (page 25) \$ 993,498,347

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, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2012

	General Fund	Food Services Fund	Gleneig Wastewater Treatment Plant Fund	Restricted Programs Fund	Capital Projects Fund	Total Governmental Funds
REVENUES						
Intergovernmental revenues:						
Local sources	\$ 469,684,841	\$ -	\$ -	\$ 1,161,506	\$ 60,108,808	\$ 530,955,155
State sources	253,656,328	144,237	-	4,429,575	9,519,681	267,749,821
Federal sources	370,120	5,161,995	-	18,328,259	-	23,860,374
Earnings on investments	59,658	2,687	1,278	-	508	64,131
Charges for services	21,257,003	6,813,114	210,341	-	-	28,280,458
Miscellaneous revenues	1,039,027	-	-	-	-	1,039,027
Total revenues	746,066,977	12,122,033	211,619	23,919,340	69,628,997	851,948,966
EXPENDITURES						
Current:						
Administration	10,345,508	-	-	330,779	-	10,676,287
Mid level administration	52,275,978	-	-	2,645,760	-	54,921,738
Instruction:						
Instructional salaries	286,017,215	-	-	2,599,884	-	288,617,099
Textbooks and classroom supplies	13,805,630	-	-	666,166	-	14,471,796
Other instructional costs	2,482,938	-	-	1,218,978	-	3,701,916
Special education	83,580,970	-	-	12,830,196	-	96,411,166
Pupil personnel services	2,690,033	-	-	47,521	-	2,737,554
Health services	5,957,170	-	-	-	-	5,957,170
Pupil transportation	35,571,856	-	-	1,040	-	35,572,896
Operation of plant	37,850,019	-	-	-	-	37,850,019
Maintenance of plant	21,432,569	-	210,341	-	-	21,642,910
Fixed charges	178,433,015	-	-	3,408,800	-	181,841,815
Community services	5,885,166	-	-	170,216	-	6,055,382
Costs of operation - food service	-	12,009,385	-	-	-	12,009,385
Capital outlay	764,802	-	-	-	70,311,178	71,075,980
Total expenditures	737,092,869	12,009,385	210,341	23,919,340	70,311,178	843,543,113
EXCESS (SHORTFALL) OF REVENUES OVER EXPENDITURES	8,974,108	112,648	1,278	-	(682,181)	8,405,853
NET CHANGES IN FUND BALANCE	8,974,108	112,648	1,278	-	(682,181)	8,405,853
FUND BALANCE, BEGINNING OF YEAR	16,709,390	2,827,034	1,237,582	-	(4,244,635)	16,529,371
FUND BALANCE, END OF YEAR	\$ 25,683,498	\$ 2,939,682	\$1,238,860	\$ -	\$ (4,926,816)	\$ 24,935,224

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, 2012

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS (page 31)	\$	8,405,853
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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, \$78,466,345 exceeds depreciation expense, \$24,406,421 in the period.		54,059,924
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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, \$1,325,881, exceeded the accumulated depreciation, \$1,036,693, is reported as a loss in the Statement of Activities.		(289,188)
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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.		3,148,940
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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:		(232,452)
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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.		(4,191,489)
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CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (page 26)	\$	60,901,588
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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

Fund Financial Statements

HOWARD COUNTY PUBLIC SCHOOL SYSTEM		
STATEMENT OF NET ASSETS		
PROPRIETARY FUNDS		
June 30, 2012		
	Enterprise Fund	Governmental Activities Internal Service Funds
	<u> </u>	<u> </u>
ASSETS		
CURRENT ASSETS		
Investments	\$ -	\$ 38,818,104
Accounts receivable	3,845	106,097
Due from other funds	143,737	2,551,047
Inventory	-	473,961
Prepaid expenses	-	135,338
	<u> </u>	<u> </u>
Total current assets	147,582	42,084,547
NONCURRENT ASSETS		
Capital assets:		
Furniture, fixtures, and equipment	144,920	2,045,708
Less accumulated depreciation	(122,131)	(1,386,495)
	<u> </u>	<u> </u>
Total capital assets, net	22,789	659,213
	<u> </u>	<u> </u>
Total assets	170,371	42,743,760
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	150	4,923,102
Due to other funds	-	964,232
Accrued liabilities	-	125,869
Due to other funds	-	11,143,759
Unearned revenue	-	3,689,788
	<u> </u>	<u> </u>
Total current liabilities	150	20,846,750
LONG-TERM LIABILITIES		
Claims payable, net of current portion	-	1,597,104
	<u> </u>	<u> </u>
Total long-term liabilities	-	1,597,104
	<u> </u>	<u> </u>
Total liabilities	150	22,443,854
NET ASSETS		
Invested in capital assets	22,789	659,213
Unrestricted	147,432	19,640,693
	<u> </u>	<u> </u>
TOTAL NET ASSETS	<u> </u> \$ 170,221	<u> </u> \$ 20,299,906

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, 2012

	Enterprise Fund	Governmental Activities Internal Service Funds
OPERATING REVENUES		
Charges for services - internal	\$ -	\$ 85,659,892
Charges for services - other	169,323	-
Gain on sale of asset	-	7,310
Miscellaneous revenue	-	580,955
Contributions from employees and retirees	-	18,309,876
	<hr/>	<hr/>
Total operating revenues	169,323	104,558,033
OPERATING EXPENSES		
Operating expenses	172,437	-
Administrative expenses	-	18,622,219
Claims and related expenses	-	90,006,571
Depreciation expense	4,615	131,001
	<hr/>	<hr/>
Total operating expenses	177,052	108,759,791
Operating income (loss)	<hr/> (7,729)	<hr/> (4,201,758)
NON-OPERATING REVENUE		
Investment income	-	10,269
	<hr/>	<hr/>
Non-operating income	-	10,269
CHANGES IN NET ASSETS	(7,729)	(4,191,489)
TOTAL NET ASSETS, BEGINNING OF YEAR	<hr/> 177,950	<hr/> 24,491,395
TOTAL NET ASSETS, END OF YEAR	<hr/> <u>\$ 170,221</u>	<hr/> <u>\$ 20,299,906</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 CASH FLOWS		
PROPRIETARY FUNDS		
Year Ended June 30, 2012		
	Enterprise Fund	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 169,323	\$ -
Cash received from other funds	6,809	134,014,021
Cash received from employees and retirees	-	18,309,876
Payments to employees	-	(4,221,715)
Payments to suppliers	(176,132)	(110,718,080)
Net cash provided by operating activities	<u>-</u>	<u>37,384,102</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of equipment	-	(384,102)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	-	(37,010,269)
Interest received	-	10,269
Net cash provided by investing activities	<u>-</u>	<u>(37,000,000)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-	-
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating loss	\$ (7,729)	\$ 4,201,758)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	4,615	131,001
Gain on disposal of asset	-	(7,310)
Effects of changes in operating assets and liabilities:		
Accounts receivable	(3,845)	(32,491)
Due from other funds	6,809	46,500,289
Inventory	-	128,772
Accounts payable	150	450,169
Accrued liabilities	-	(7,869,550)
Unpaid claims	-	1,012,095
Due to other funds	-	964,232
Unearned revenue	-	308,653
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ -</u>	<u>\$ 37,384,102</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, 2012

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 4,582,104
TOTAL ASSETS	<u>\$ 4,582,104</u>
LIABILITIES	
School activity funds payable	\$ 4,582,104
TOTAL LIABILITIES	<u>\$ 4,582,104</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

Financial Reporting Entity

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

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

Government-wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

Governmental Funds

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

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

Glenelg Wastewater Treatment Plant (Special Revenue Fund) – The wastewater treatment fund is used to account for the operations of the shared wastewater treatment facility at Glenelg High School, which provides wastewater treatment services to Glenelg High School and the Musgrove Farm community of 30 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.

Summary of Significant Accounting Policies

Proprietary Funds

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

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

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

Fiduciary Funds

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

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

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

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

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

Summary of Significant Accounting Policies

Assets, Liabilities, and Net Assets or Equity

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

Due from Other Units of Government and Other Receivables

Accounts receivable in all funds represent amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts. Governmental fund type receivables consist primarily of amounts due from county, state, or federal governments and from other Maryland Public School Systems. These intergovernmental receivables are generally collected within 90 days of the end of the fiscal year. Certain intergovernmental receivables may extend up to one year from the end of the fiscal year. Uncollectible amounts as of June 30, 2012, are expected to be minimal based upon collection experience and review of the status of existing receivables.

Inventory and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid expenses in the general fund and workers compensation insurance internal service fund consist of insurance premiums and other administrative expenditures that relate to fiscal year 2013.

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.

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

Summary of Significant Accounting Policies

Capital Assets (continued)

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

Unearned Revenue

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

For the Restricted Programs Fund and Capital Projects Fund, unearned revenue consists of revenues received under restricted programs in excess of the expenditures under those programs at June 30, 2012.

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

For the Internal Service Funds, unearned revenue consists of payroll withholdings from employees for health and dental insurance collected in advance as of June 30, 2012, for the first three months of fiscal year 2013.

Compensated Absences

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

Net Assets / Fund Equity

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

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

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

Summary of Significant Accounting Policies

Net Assets / Fund Equity (Continued)

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

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

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

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

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

Unassigned – All other spendable amounts.

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

Budgets and Budgetary Accounting

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

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

Summary of Significant Accounting Policies

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.

Operating Budget (Restricted Fund)

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

Operating Budget (Food Services Fund)

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

Operating Budget (Glenelg Wastewater Treatment Plant Fund)

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

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

Summary of Significant Accounting Policies

Operating Budget (Enterprise Fund)

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

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

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

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

Notes to Basic Financial Statements





Note 1 – Cash and Investments

Deposits

At year-end, the carrying amount of the School System’s deposits was \$45,708,043 consisting of \$41,125,939 in the governmental activities (including \$119,474 of restricted cash) and \$4,582,104 in the agency fund and the corresponding bank balances were \$48,220,857. Of the bank balances, \$41,172,169 was covered by Federal Depository Insurance and \$7,048,688 was covered by collateral held in the pledging bank’s trust department in the School System’s name. The School System has a contractual arrangement with a bank for funds to be transferred daily from overnight investments to cover checks as presented.

Restricted cash in the General Fund consists of an escrow account established for disbursements in connection with the capital lease for energy performance contracts being completed at various school locations. The balance of \$119,474 at June 30, 2012, represents amounts not yet disbursed for those contracts.

Investments

At June 30, 2012, the School System’s investments totaling \$106,529,277 in governmental activities were entirely in the Maryland Local Government Investment Pool (MLGIP), which is under the administration of the State Treasurer. The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is rated AAA by Standard and Poors, their highest rating for money market funds. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked-to-market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value.

Interest Rate Risk

Fair value fluctuates with interest rates, and increasing rates could cause fair value to decline below original cost. To limit the School System’s exposure to interest rate risk, the School System’s investment policy limits the term of investment maturities other than the Fiduciary Funds to overnight repurchase agreements and MGLIP and requires that collateral securities underlying the repurchase agreements and MLGIP have a market value equal to the cost of the agreement. Total net investment income per the Statement of Activities consists of interest income of \$71,568 for the year ended June 30, 2012.

Custodial Credit Risk

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

Statutes require that deposits be held in Maryland banks 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 2 – Capital Assets

Capital assets activity for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Increases	Decreases / Reclassifications	Balance June 30, 2012
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 12,079,152	\$ 15,540,000	\$ -	\$ 27,619,152
Construction in progress	<u>144,874,972</u>	<u>61,529,578</u>	<u>(72,024,656)</u>	<u>134,379,894</u>
Total nondepreciable capital assets	<u>156,954,124</u>	<u>77,069,578</u>	<u>(72,024,656)</u>	<u>161,999,046</u>
Depreciable capital assets				
Land improvements	1,675,226	-	-	1,675,226
Buildings and improvements	1,050,800,660	-	72,024,656	1,122,825,316
Furniture and equipment	<u>24,597,337</u>	<u>1,780,871</u>	<u>(1,541,861)</u>	<u>24,836,347</u>
Total depreciable capital assets	<u>1,077,073,223</u>	<u>1,780,871</u>	<u>70,482,795</u>	<u>1,149,336,889</u>
Less accumulated depreciation for:				
Land improvements	(1,278,219)	(72,308)	-	(1,350,527)
Buildings and improvements	(306,366,493)	(22,922,384)	-	(329,288,877)
Furniture and equipment	<u>(20,433,680)</u>	<u>(1,542,730)</u>	<u>1,259,980</u>	<u>(20,716,430)</u>
Total accumulated depreciation	<u>(328,078,392)</u>	<u>(24,537,422)</u>	<u>1,259,980</u>	<u>(351,355,834)</u>
Total depreciable capital assets, net	<u>748,994,831</u>	<u>(22,756,551)</u>	<u>71,742,775</u>	<u>797,981,055</u>
Governmental activities capital assets, net	<u>\$ 905,948,955</u>	<u>\$ 54,313,027</u>	<u>\$ (281,881)</u>	<u>\$ 959,980,101</u>

Depreciation expense for the year ended June 30, 2012 was charged to Governmental activities on the Statement of Activities as follow:

Instruction:	
Regular education	\$ 20,364,825
Special education	106,777
Support services:	
Administration	410,350
Mid-level administration	3,015,386
Pupil transportation	31,044
Operation and maintenance of plant	496,332
Community services	<u>112,708</u>
Total	<u>\$ 24,537,422</u>

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

Note to Financial Statements

Note 2 – Capital Assets (continued)

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Balance June 30, 2012</u>
Business-type activities:			
Furniture and equipment at historical cost	\$ 144,920	\$ -	\$ 144,920
Less accumulated depreciation	<u>(117,516)</u>	<u>(4,615)</u>	<u>(122,131)</u>
Business-type activities capital assets, net	<u>\$ 27,404</u>	<u>\$ (4,615)</u>	<u>\$ 22,789</u>

Depreciation expenses charged to business-type activities for the year ended June 30, 2012, was \$4,615.

The School System has active school construction projects as of June 30, 2012, as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Project:		
Systemic – Bollman Bridge Elementary	\$ 8,914,341	\$ 5,532,720
Systemic – Clarksville Elementary	4,796,427	3,917,262
Systemic – Hammond Elementary/Middle	14,372,589	3,625,091
Systemic – Stevens Forest Elementary	1,396,904	4,712,596
Systemic – Thunder Hill Elementary	8,710,170	3,354,383
Roofing	24,060,014	3,661,919
Mt. Hebron High Renovation	43,876,712	5,386,687
Atholton High Renovation	6,814,117	14,768,883
New Elementary School #41	2,185,163	11,533,837
Phelps Luck Elementary	<u>6,441,281</u>	<u>4,101,439</u>
Subtotal	<u>121,567,718</u>	<u>60,594,817</u>
Other projects	<u>395,270,354</u>	<u>30,963,067</u>
Total	<u>\$ 516,838,072</u>	<u>\$ 91,557,884</u>

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

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

Note 3 – Due To/From Other Funds

The composition of inter-fund balances as of June 30, 2012, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Health and Dental	Benefit plan expenditures	\$964,232
School Construction	General	Reimbursable expenditures	9,508,738
Data Processing	General	Reimbursable expenditures	1,680,579
Workers Compensation	General	Reimbursable expenditures	489,444
James Rouse Theatre	General	Reimbursable expenditures	143,737
Printing and Duplicating	General	Reimbursable expenditures	381,024
General	Glenelg WWTP	Treatment plant expenditures	126,666
Restricted Programs	General	Advances of pooled cash	289,716
General	Food Services	Food services expenditures	451,617
Total			<u><u>\$14,035,753</u></u>

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)	\$11,340,969	\$13,071,521
Statement of Net Assets - Proprietary Funds (page 33)	143,737	-
Statement of Net Assets - Internal Service Funds (page 33)	<u>2,551,047</u>	<u>964,232</u>
Total	<u><u>\$14,035,753</u></u>	<u><u>\$14,035,753</u></u>

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

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

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

Note 4 – Long-Term Liabilities

Activity in long-term liabilities for the year ended June 30, 2012, was as follows:

	<u>Balance 7/1/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2012</u>	<u>Due Within One Year</u>
Compensated absences	\$ 6,997,205	\$ 622,461	\$ (390,009)	\$ 7,229,657	\$ 525,000
Capital leases	7,026,954	-	(3,148,940)	3,878,014	637,950
Workers compensation	<u>2,922,331</u>	<u>1,301,998</u>	<u>(1,327,225)</u>	<u>2,897,104</u>	<u>1,300,000</u>
Total governmental activities	<u>\$ 16,946,490</u>	<u>\$ 1,924,459</u>	<u>\$ (4,866,174)</u>	<u>\$ 14,004,775</u>	<u>\$ 2,462,950</u>

Compensated absences are generally liquidated by the General Fund.

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

	<u>Governmental Activities</u>
Equipment at cost	\$ 9,005,346
Less accumulated depreciation	<u>(8,874,317)</u>
Total	<u>\$ 131,029</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, were as follows:

<u>Year Ending June 30, 2012</u>	<u>Governmental Activities</u>
2013	\$ 637,950
2014	581,980
2015	581,980
2016	581,980
2017	581,980
2018-2021	1,631,856
Total minimum lease payments	4,597,726
Less amount representing interest	<u>(719,712)</u>
Present value of minimum lease payments	<u>\$ 3,878,014</u>

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

Note 5 – Pension Plans

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

Plan Description

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

Funding Policy

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

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

The State makes a substantial portion of the School System's annual required contributions to the State System on behalf of the School System. The State's contributions on behalf of the School System for the years ended June 30, 2012, 2011, and 2010, amounted to \$59,463,535; \$59,683,290; and \$51,557,589, respectively.

The fiscal 2012 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, 2012, 2011, and 2010 of \$4,753,913; \$4,664,615 and \$3,350,776, 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 6 – Post-Employment Benefits Other Than Pension Benefits

Plan Description

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

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

Note to Financial Statements

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 \$10,853,720, \$8,165,048 and \$4,871,068, for the years ended June 30, 2012, 2011, and 2010, respectively. These contributions were paid by and on behalf of the School System by the County. In addition, the County contributed an additional \$2,067,800 on behalf of the School System in FY 2012.

Note 7 – Fund Balance

Fund balance at June 30, 2012, consists of the following:

	<u>General Fund</u>	<u>Food Services Fund</u>	<u>Glenelg Plant Fund</u>	<u>Capital Projects Fund</u>
Fund Balances				
Non-spendable for:				
Prepaid expenses	\$ 342,369	\$ -	\$ -	\$ -
Inventories	1,242,627	145,314	-	-
Total non-spendable	<u>1,584,996</u>	<u>145,314</u>	-	-
Restricted For:				
Glenelg Waste Water Plant	-	-	1,238,860	-
Assigned To:				
Encumbrances	13,454,370	-	-	-
Fund balance reserve	1,759,000	-	-	-
Cost of Operation - Food Services	-	2,794,368	-	-
Total assigned	<u>15,213,370</u>	<u>2,794,368</u>	-	-
Unassigned:	<u>8,885,132</u>	-	-	(4,926,816)
Total fund balances	<u>\$ 25,683,498</u>	<u>\$ 2,939,682</u>	<u>\$ 1,238,860</u>	<u>\$ (4,926,816)</u>

The Capital Projects Fund reflects a deficit unassigned fund balance at June 30, 2012 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.

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

Note 8 – Encumbrances

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

Encumbrances at June 30, 2012, are for the following uses:

	<u>General Fund</u>
Administration	\$ 204,683
Mid-level administration	2,872,350
Instructional	2,900,378
Special Education	55,140
Pupil Personnel Services	315
Health Services	9,849
Student Transportation	113,385
Operation of Plant	2,535,924
Maintenance of Plant	4,413,441
Community Services	<u>348,905</u>
Total	\$ <u>13,454,370</u>

Note 9 – Commitments and Contingencies

Operating Leases

The School System leases equipment under various non-cancelable operating leases that expire during fiscal year 2017. Total costs were \$1,482,438 for the leases for the year ended June 30, 2012. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 431,507
2014	385,273
2015	37,060
2016	14,752
2017	<u>14,752</u>
Total	\$ <u>883,344</u>

Note to Financial Statements

Litigation

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

Grant Programs

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

Note 10 – Risk Management

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

The School System has also established limited risk management programs for workers’ compensation and health and dental insurance. Premiums are paid into these two internal service funds by other funds and are available to pay claims, claim reserves and administrative costs of the programs. The “premium” charged by the self-insurance funds considers recent trends in actual claims experience of the School System as a whole and makes provision for catastrophic losses. As of June 30, 2012, the inter-fund premiums did not exceed reimbursable expenditures in the Health and Dental Self-Insurance Fund or the Worker’s Compensation Self-Insurance Fund. Settled claims did not exceed coverage in any of the past four years.

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

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

	2012		2011	
	Workers’ Compensation	Health and Dental	Workers’ Compensation	Health and Dental
Beginning payable, July 1	\$ 2,922,331	\$ 8,806,438	\$ 3,047,953	\$ 8,216,784
Incurred claims (including IBNR)	1,301,999	91,043,892	1,264,139	75,687,834
Claim payments	<u>(1,327,226)</u>	<u>(90,006,571)</u>	<u>(1,389,761)</u>	<u>(75,098,180)</u>
Ending payable, June 30	<u>\$ 2,897,104</u>	<u>\$ 9,843,759</u>	<u>\$ 2,922,331</u>	<u>\$ 8,806,438</u>

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



Required Supplementary Information





Required Supplementary Information

HOWARD COUNTY PUBLIC SCHOOL SYSTEM				
BUDGETARY COMPARISON SCHEDULE				
(NON-GAAP BUDGETARY BASIS)				
GENERAL FUND				
Year Ended June 30, 2012				
	<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	\$ 467,617,041	\$ 467,617,041	\$ 467,617,041	\$ -
State sources	210,822,689	210,822,689	209,801,455	(1,021,234)
Federal sources	370,000	370,000	370,120	120
Earnings on investments	100,000	100,000	59,658	(40,342)
Charges for services	4,502,020	4,502,020	5,159,017	656,997
Miscellaneous revenues	423,290	423,290	1,039,027	615,737
Total revenues	<u>683,835,040</u>	<u>683,835,040</u>	<u>684,046,318</u>	<u>211,278</u>
EXPENDITURES				
Current:				
Administration	10,868,810	10,598,810	10,498,722	100,088
Instruction				
Instructional salaries	289,020,820	286,111,020	286,017,056	93,964
Textbooks and classroom supplies	12,536,530	13,746,330	13,734,049	12,281
Other instructional costs	2,675,540	2,675,540	2,561,700	113,840
Pupil personnel services	2,793,820	2,793,820	2,689,911	103,909
Health services	6,065,790	6,065,790	5,916,781	149,009
Pupil transportation	36,952,790	36,402,790	35,670,173	732,617
Operation of plant	42,779,590	39,227,090	39,222,226	4,864
Maintenance of plant	20,977,530	24,080,030	24,074,078	5,952
Fixed charges	116,181,680	116,901,680	116,901,680	-
Mid level administration	52,043,110	54,763,110	54,643,543	119,567
Community services	6,020,350	6,020,350	6,008,491	11,859
Special education	84,071,650	83,601,650	83,594,214	7,436
Capital outlay	847,030	847,030	764,801	82,229
Total expenditures	<u>683,835,040</u>	<u>683,835,040</u>	<u>682,297,425</u>	<u>1,537,615</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	1,748,893	<u>\$ 1,748,893</u>
FUND BALANCE AT JUNE 30, 2011 - BUDGETARY BASIS			<u>10,480,235</u>	
FUND BALANCE AT JUNE 30, 2012 - BUDGETARY BASIS			12,229,128	
Encumbrances at June 30, 2012			<u>13,454,370</u>	
FUND BALANCE AT JUNE 30, 2012 - GAAP BASIS			<u>\$ 25,683,498</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, 2012

REVENUES

Budgetary basis	\$	684,046,318
Add		
- Pension contribution paid by State of Maryland		59,463,535
- OPEB contribution paid by Howard County Government		2,067,800
- Revenues from loaned staff program		489,324
GAAP basis	\$	<u>746,066,977</u>

EXPENDITURES

Budgetary basis	\$	682,297,425
Add		
- Prior year's encumbrances expended this year		6,229,155
- Pension contribution paid by State of Maryland		59,463,535
- OPEB contribution paid by Howard County Government		2,067,800
- Expenditures from loaned staff		489,324
Less		
- Current year's encumbrances outstanding		<u>(13,454,370)</u>
GAAP basis	\$	<u>737,092,869</u>

Other Supplementary Information





Other Supplementary Information

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

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

GENERAL FUND

Year Ended June 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
INTERGOVERNMENTAL REVENUES				
Local Sources				
Current expense	\$ 467,617,041	\$ 467,617,041	\$ 467,617,041	\$ -
State Sources				
Current expense	153,555,592	153,555,592	153,429,359	(126,233)
Transportation	15,250,588	15,250,588	15,250,588	-
Special education	9,449,993	9,449,993	8,589,718	(860,275)
Compensatory education	20,617,151	20,617,151	20,617,151	-
Limited English proficient	6,541,462	6,541,462	6,541,462	-
State geographic index	5,015,103	5,015,103	5,015,103	-
Other - LEA tuition	392,800	392,800	358,074	(34,726)
Total state sources	<u>210,822,689</u>	<u>210,822,689</u>	<u>209,801,455</u>	<u>(1,021,234)</u>
Federal Sources				
ROTC reimbursement	180,000	180,000	228,729	48,729
Impact Aid (PL 874)	190,000	190,000	141,391	(48,609)
Total federal sources	<u>370,000</u>	<u>370,000</u>	<u>370,120</u>	<u>120</u>
Earnings on investments	<u>100,000</u>	<u>100,000</u>	<u>59,658</u>	<u>(40,342)</u>
Charges for Services, Etc.				
Tuition from patrons	760,000	760,000	1,031,251	271,251
Use of school buildings	1,000,000	1,000,000	1,156,076	156,076
Athletic program - gate receipts	405,000	405,000	349,996	(55,004)
Energy rebates	640,000	640,000	831,340	191,340
Administration and overhead fees	1,697,020	1,697,020	1,790,354	93,334
Total charges for services, etc.	<u>4,502,020</u>	<u>4,502,020</u>	<u>5,159,017</u>	<u>656,997</u>
Miscellaneous Revenues				
Other	423,290	423,290	1,039,027	615,737
TOTAL	<u>\$ 683,835,040</u>	<u>\$ 683,835,040</u>	<u>\$ 684,046,318</u>	<u>\$ 211,278</u>

Other Supplementary Information

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

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

GENERAL FUND

Year Ended June 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
Administration				
Salaries and wages	\$ 7,764,720	\$ 7,488,201	\$ 7,429,602	\$ 58,599
Contracted services	2,055,480	2,035,534	2,066,512	(30,978)
Supplies and materials	703,260	720,058	666,119	53,939
Other charges	345,350	355,017	336,489	18,528
Equipment	-	-	-	-
Total administration	<u>\$ 10,868,810</u>	<u>\$ 10,598,810</u>	<u>\$ 10,498,722</u>	<u>\$ 100,088</u>
Instructional salaries	<u>\$ 289,020,820</u>	<u>\$ 286,111,020</u>	<u>\$ 286,017,056</u>	<u>\$ 93,964</u>
Textbooks and classroom supplies	<u>\$ 12,536,530</u>	<u>\$ 13,746,330</u>	<u>\$ 13,734,049</u>	<u>\$ 12,281</u>
Other Instructional Costs				
Contracted services	\$ 1,775,330	\$ 1,767,330	\$ 1,662,615	\$ 104,715
Other charges	245,610	245,610	162,038	83,572
Equipment	145,600	153,600	153,579	21
Outgoing transfers	509,000	509,000	583,468	(74,468)
Total other instructional costs	<u>\$ 2,675,540</u>	<u>\$ 2,675,540</u>	<u>\$ 2,561,700</u>	<u>\$ 113,840</u>
Pupil Personnel Services				
Salaries and wages	\$ 2,457,180	\$ 2,455,882	\$ 2,369,221	\$ 86,661
Contracted services	239,550	238,300	235,914	2,386
Supplies and materials	58,040	60,588	58,745	1,843
Other charges	39,050	39,050	26,031	13,019
Total pupil personnel services	<u>\$ 2,793,820</u>	<u>\$ 2,793,820</u>	<u>\$ 2,689,911</u>	<u>\$ 103,909</u>
Health Services				
Salaries and wages	\$ 5,458,810	\$ 5,401,810	\$ 5,305,277	\$ 96,533
Contracted services	409,470	466,470	459,353	7,117
Supplies and materials	180,650	180,650	137,408	43,242
Other charges	16,860	16,860	14,743	2,117
Total health services	<u>\$ 6,065,790</u>	<u>\$ 6,065,790</u>	<u>\$ 5,916,781</u>	<u>\$ 149,009</u>
Pupil Transportation				
Salaries and wages	\$ 1,223,500	\$ 1,269,500	\$ 1,195,956	\$ 73,544
Contracted services	35,347,690	34,740,705	34,007,311	733,394
Supplies and materials	61,680	61,680	70,142	(8,462)
Other charges	319,920	330,905	325,582	5,323
Equipment	-	-	71,182	(71,182)
Total pupil transportation	<u>\$ 36,952,790</u>	<u>\$ 36,402,790</u>	<u>\$ 35,670,173</u>	<u>\$ 732,617</u>
Operation of Plant				
Salaries and wages	\$ 18,559,950	\$ 18,606,748	\$ 18,507,856	\$ 98,892
Contracted services	1,702,340	3,372,191	2,891,904	480,287
Supplies and materials	1,271,070	1,604,829	1,586,904	17,925
Other charges	20,978,940	15,378,490	15,970,769	(592,279)
Equipment	267,290	264,832	264,793	39
Total operation of plant	<u>\$ 42,779,590</u>	<u>\$ 39,227,090</u>	<u>\$ 39,222,226</u>	<u>\$ 4,864</u>

Other Supplementary Information

HOWARD COUNTY PUBLIC SCHOOL SYSTEM				
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-GAAP BASIS)				
GENERAL FUND				
Year Ended June 30, 2012				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Non-GAAP Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Maintenance of Plant				
Salaries and wages	\$ 11,640,150	\$ 11,434,150	\$ 11,233,184	\$ 200,966
Contracted services	5,851,400	9,581,245	9,746,798	(165,553)
Supplies and materials	2,796,020	2,158,792	2,154,224	4,568
Other charges	49,580	45,441	57,858	(12,417)
Equipment	640,380	860,402	882,014	(21,612)
Total maintenance of plant	<u>\$ 20,977,530</u>	<u>\$ 24,080,030</u>	<u>\$ 24,074,078</u>	<u>\$ 5,952</u>
Other Fixed Charges	<u>\$116,181,680</u>	<u>\$ 116,901,680</u>	<u>\$ 116,901,680</u>	<u>\$ -</u>
Mid-level Administration				
Salaries and wages	\$ 45,443,690	\$ 45,580,190	\$ 45,468,989	\$ 111,201
Contracted services	3,289,420	3,203,620	3,197,889	5,731
Supplies and materials	2,919,140	5,552,954	5,590,664	(37,710)
Other charges	390,860	392,846	352,653	40,193
Equipment	-	33,500	33,348	152
Total mid-level administration	<u>\$ 52,043,110</u>	<u>\$ 54,763,110</u>	<u>\$ 54,643,543</u>	<u>\$ 119,567</u>
Community Services				
Salaries and wages	\$ 2,955,120	\$ 3,005,120	\$ 2,753,301	\$ 251,819
Contracted services	1,173,950	1,263,556	1,531,172	(267,616)
Supplies and materials	526,590	528,150	525,083	3,067
Other charges	1,095,990	1,094,024	1,069,518	24,506
Equipment	268,700	129,500	129,417	83
Total community services	<u>\$ 6,020,350</u>	<u>\$ 6,020,350</u>	<u>\$ 6,008,491</u>	<u>\$ 11,859</u>
Special Education				
Salaries and wages	\$ 76,512,540	\$ 75,722,540	\$ 74,815,697	\$ 906,843
Contracted services	1,034,290	1,330,610	1,253,778	76,832
Supplies and materials	391,950	399,780	375,749	24,031
Other charges	286,940	286,940	329,229	(42,289)
Equipment	-	15,850	15,804	46
Outgoing transfers	5,845,930	5,845,930	6,803,957	(958,027)
Total special education	<u>\$ 84,071,650</u>	<u>\$ 83,601,650</u>	<u>\$ 83,594,214</u>	<u>\$ 7,436</u>
Capital Outlay				
Salaries and wages	\$ 815,510	\$ 815,510	\$ 736,025	\$ 79,485
Contracted services	13,110	8,890	8,112	778
Supplies and materials	12,120	11,897	10,071	1,826
Other charges	6,290	10,733	10,593	140
Equipment	-	-	-	-
Total capital outlay	<u>\$ 847,030</u>	<u>\$ 847,030</u>	<u>\$ 764,801</u>	<u>\$ 82,229</u>
TOTAL EXPENDITURES	<u>\$ 683,835,040</u>	<u>\$ 683,835,040</u>	<u>\$ 682,297,425</u>	<u>\$ 1,537,615</u>

Other Supplementary Information

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

FOOD SERVICES FUND

SCHEDULE OF REVENUES, EXPENDITURES AND

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

Year Ended June 30, 2012

	<u>Budget (*)</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Intergovernmental Revenues:			
State:			
Reimbursements	\$ 100,000	\$ 144,237	\$ 44,237
Federal:			
National School Lunch and Milk Programs	3,500,000	3,865,183	365,183
National School Breakfast	-	627,654	627,654
U.S.D.A. Commodity Program	-	669,158	669,158
Total intergovernmental revenues	<u>3,500,000</u>	<u>5,161,995</u>	<u>1,661,995</u>
Earnings on investments	10,000	2,687	(7,313)
Charges for Services:			
Food sales	7,500,000	6,813,114	(686,886)
Other revenues	<u>24,000</u>	-	<u>(24,000)</u>
Total revenues	<u>11,134,000</u>	<u>12,122,033</u>	<u>988,033</u>
EXPENDITURES			
Costs of Operation - Food Service:			
Cost of food	3,115,390	4,184,370	(1,068,980)
U.S.D.A. Commodity Program	-	585,461	(585,461)
Salaries and wages	4,426,700	6,840,083	(2,413,383)
Equipment/Miscellaneous	<u>3,560,930</u>	<u>399,471</u>	<u>3,161,459</u>
Total expenditures	<u>11,103,020</u>	<u>12,009,385</u>	<u>(906,365)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 30,980</u>	112,648	<u>\$ 81,668</u>
FUND BALANCE AT JULY 1, 2011 - BUDGETARY BASIS		<u>2,827,034</u>	
FUND BALANCE AT JUNE 30, 2012 - GAAP BASIS		<u>\$ 2,939,682</u>	

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

Other Supplementary Information

HOWARD COUNTY PUBLIC SCHOOL SYSTEM

COMBINING SCHEDULE OF NET ASSETS

INTERNAL SERVICE FUNDS

June 30, 2012

	Printing and Duplicating Fund	Data Processing Fund	Workers Compensation Self-Insurance Fund	Health and Dental Self-Insurance Fund	Total
ASSETS					
Current Assets					
Investments	\$ -	\$ -	\$ 3,810,159	\$ 35,007,945	\$ 38,818,104
Accounts receivable	-	-	-	106,097	106,097
Due from other funds	381,024	1,680,579	489,444	-	2,551,047
Inventory	468,414	5,547	-	-	473,961
Prepaid expenses	-	-	135,338	-	135,338
	<u>849,438</u>	<u>1,686,126</u>	<u>4,434,941</u>	<u>35,114,042</u>	<u>42,084,547</u>
Total Current Assets					
Non-Current Assets					
Capital assets:					
Furniture, fixtures and equipment	492,692	1,553,016	-	-	2,045,708
Less: accumulated depreciation	<u>(432,885)</u>	<u>(953,610)</u>	<u>-</u>	<u>-</u>	<u>(1,386,495)</u>
	<u>59,807</u>	<u>599,406</u>	<u>-</u>	<u>-</u>	<u>659,213</u>
Total capital assets, net of depreciation	<u>59,807</u>	<u>599,406</u>	<u>-</u>	<u>-</u>	<u>659,213</u>
	<u>909,245</u>	<u>2,285,532</u>	<u>4,434,941</u>	<u>35,114,042</u>	<u>42,743,760</u>
Total Assets					
LIABILITIES					
Current Liabilities					
Accounts payable	330	448,191	326,298	4,148,283	4,923,102
Due to other funds	-	-	-	964,232	964,232
Accrued liabilities	-	-	-	125,869	125,869
Claims Payable	-	-	1,300,000	9,843,759	11,143,759
Unearned revenue	-	-	-	3,689,788	3,689,788
	<u>330</u>	<u>448,191</u>	<u>1,626,298</u>	<u>18,771,931</u>	<u>20,846,750</u>
Total Current Liabilities	<u>330</u>	<u>448,191</u>	<u>1,626,298</u>	<u>18,771,931</u>	<u>20,846,750</u>
Long-Term Liabilities					
Claims Payable	-	-	1,597,104	-	1,597,104
	<u>-</u>	<u>-</u>	<u>1,597,104</u>	<u>-</u>	<u>1,597,104</u>
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>1,597,104</u>	<u>-</u>	<u>1,597,104</u>
	<u>330</u>	<u>448,191</u>	<u>3,223,402</u>	<u>18,771,931</u>	<u>22,443,854</u>
Total Liabilities					
NET ASSETS					
Invested in capital assets	59,807	599,406	-	-	659,213
Unrestricted	<u>849,108</u>	<u>1,237,935</u>	<u>1,211,539</u>	<u>16,342,111</u>	<u>19,640,693</u>
TOTAL NET ASSETS	<u>\$ 908,915</u>	<u>\$ 1,837,341</u>	<u>\$ 1,211,539</u>	<u>\$ 16,342,111</u>	<u>\$ 20,299,906</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, 2012

	Printing and Duplicating Fund	Data Processing Fund	Workers Compensation Self-Insurance Fund	Health and Dental Self-Insurance Fund	Total
OPERATING REVENUES					
Charges for services - internal	\$ 2,645,281	\$ 5,365,210	\$ 2,230,000	\$ 75,491,401	\$ 85,659,892
Gain on disposal of asset	-	7,310	-	-	7,310
Miscellaneous revenue	-	580,955	-	-	580,955
Contributions from employees and retirees	-	-	-	18,309,876	18,309,876
Total operating revenues	<u>2,645,281</u>	<u>5,953,475</u>	<u>2,230,000</u>	<u>93,729,277</u>	<u>104,558,033</u>
OPERATING EXPENSES					
Administrative expenses	2,353,031	5,127,600	2,110,114	9,031,474	18,622,219
Claims and related expenses	-	-	-	90,006,571	90,006,571
Depreciation expense	<u>31,733</u>	<u>99,268</u>	<u>-</u>	<u>-</u>	<u>131,001</u>
Total operating expenses	<u>2,384,764</u>	<u>5,226,868</u>	<u>2,110,114</u>	<u>99,038,045</u>	<u>108,759,791</u>
Operating income (loss)	260,517	726,607	119,886	(5,308,768)	(4,201,758)
NON-OPERATING REVENUE -					
Interest Income	<u>-</u>	<u>-</u>	<u>2,324</u>	<u>7,945</u>	<u>10,269</u>
Non-Operating income	<u>-</u>	<u>-</u>	<u>2,324</u>	<u>7,945</u>	<u>10,269</u>
CHANGES IN NET ASSETS	260,517	726,607	122,210	(5,300,823)	(4,191,489)
TOTAL NET ASSETS, JULY 1, 2011	<u>648,398</u>	<u>1,110,734</u>	<u>1,089,329</u>	<u>21,642,934</u>	<u>24,491,395</u>
TOTAL NET ASSETS, JUNE 30, 2012	<u>\$ 908,915</u>	<u>\$ 1,837,341</u>	<u>\$ 1,211,539</u>	<u>\$ 16,342,111</u>	<u>\$ 20,299,906</u>

Other Supplementary Information

HOWARD COUNTY PUBLIC SCHOOL SYSTEM					
COMBINING SCHEDULE OF CASH FLOWS					
INTERNAL SERVICE FUNDS					
Year Ended June 30, 2012					
	Printing and Duplicating	Data Processing	Workers Compensation Self-Insurance	Health and Dental Self-Insurance	Total
	Fund	Fund	Fund	Fund	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from other funds	\$ 2,279,674	\$ 5,127,953	\$ 3,866,086	\$122,740,308	\$134,014,021
Cash received from employees and retirees	-	-	-	18,309,876	18,309,876
Payments to employees	(667,963)	(3,095,673)	(251,808)	(206,271)	(4,221,715)
Payments to suppliers	(1,611,711)	(1,648,178)	(1,614,278)	(105,843,913)	(110,718,080)
Net cash provided by operating activities	<u>-</u>	<u>384,102</u>	<u>2,000,000</u>	<u>35,000,000</u>	<u>37,384,102</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases/Sale of Equipment	-	(384,102)	-	-	(384,102)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments	-	-	(2,002,324)	(35,007,945)	(37,010,269)
Interest received	-	-	2,324	7,945	10,269
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>(2,000,000)</u>	<u>(35,000,000)</u>	<u>(37,000,000)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS					
	-	-	-	-	-
CASH AND CASH EQUIVALENTS, JULY 1, 2011					
	-	-	-	-	-
CASH AND CASH EQUIVALENTS, JUNE 30, 2012					
	<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)	\$ 260,517	\$ 726,607	\$ 119,886	\$ (5,308,768)	\$ (4,201,758)
Adjustments to reconcile operating income(loss) to net cash provided by operating activities:					
Depreciation	31,733	99,268	-	-	131,001
(Gain)/Loss of disposal of asset	-	(7,310)	-	-	(7,310)
Effects of changes in assets and liabilities:					
Accounts receivable	-	-	-	(32,491)	(32,491)
Due from other funds	(365,607)	(818,212)	1,636,086	46,048,022	46,500,289
Inventory	73,050	55,722	-	-	128,772
Accounts payable	307	328,027	269,254	(147,419)	450,169
Accrued Liabilities	-	-	-	(7,869,550)	(7,869,550)
Claims Payable	-	-	(25,226)	1,037,321	1,012,095
Due to other funds	-	-	-	964,232	964,232
Deferred revenue	-	-	-	308,653	308,653
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ -</u>	<u>\$ 384,102</u>	<u>\$ 2,000,000</u>	<u>\$ 35,000,000</u>	<u>\$ 37,384,102</u>

Other Supplementary Information

THE BOARD OF EDUCATION OF HOWARD COUNTY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
YEAR ENDED JUNE 30, 2012

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Elementary Schools				
Atholton ES	\$ 23,466	\$ 45,539	\$ 52,082	\$ 16,923
Bellows Spring ES	93,225	101,945	113,527	81,643
Bollman Bridge ES	30,156	79,525	83,123	26,558
Bryant Woods ES	14,093	34,212	31,941	16,364
Bushy Park ES	53,913	65,958	87,540	32,331
Centennial Lane ES	32,205	49,519	59,041	22,683
Clarksville ES	23,922	58,848	56,611	26,159
Clemens Crossing ES	49,829	49,763	47,296	52,296
Cradlerock School	36,558	49,855	68,375	18,038
Dayton Oaks ES	50,641	72,431	89,838	33,234
Deep Run ES	30,685	69,089	66,198	33,576
Elkridge ES	15,123	118,135	98,474	34,784
Forest Ridge ES	14,833	54,203	54,535	14,501
Fulton ES	27,437	71,921	74,036	25,322
Gorman Crossing ES	87,284	106,378	154,650	39,012
Guilford ES	41,552	49,359	54,942	35,969
Hammond ES	34,808	36,539	43,276	28,071
Hollifield Station ES	38,108	103,942	103,274	38,776
Ilchester ES	160,352	144,446	189,372	115,426
Jeffers Hill ES	29,622	31,311	35,002	25,931
Laurel Woods ES	7,425	33,794	31,770	9,449
Lisbon ES	25,376	47,841	47,760	25,457
Longfellow ES	48,984	60,231	69,176	40,039
Manor Woods ES	23,640	68,208	73,574	18,274
Northfield ES	3,595	47,710	41,352	9,953
Phelps Luck ES	43,385	28,711	32,577	39,519
Pointers Run ES	66,003	107,923	116,049	57,877
Rockburn ES	23,702	73,203	79,899	17,006
Running Brook ES	46,048	53,397	64,661	34,784
St. John's Lane ES	39,383	41,184	40,347	40,220
Stevens Forest ES	30,142	33,903	29,905	34,140
Swansfield ES	13,771	31,463	29,269	15,965
Talbott Springs ES	20,100	48,843	49,068	19,875
Thunder Hill ES	39,313	28,737	38,277	29,773
Triadelphia Ridge ES	43,551	51,415	55,118	39,848
Veterans ES	48,969	93,134	106,540	35,563
Waterloo ES	104,099	100,754	143,622	61,231
Waverly ES	18,110	59,279	65,277	12,112
West Friendship ES	28,018	34,394	40,500	21,912
Worthington ES	13,792	71,608	75,725	9,675
Total - Elementary Schools	\$ 1,575,218	\$ 2,508,650	\$ 2,793,599	\$ 1,290,269

Other Supplementary Information

THE BOARD OF EDUCATION OF HOWARD COUNTY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
YEAR ENDED JUNE 30, 2012

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Middle Schools				
Bonnie Branch MS	\$ 81,053	\$ 173,870	\$ 168,917	\$ 86,006
Burleigh Manor MS	53,431	236,093	227,909	61,615
Clarksville MS	57,555	158,653	161,598	54,610
Dunloggin MS	39,295	120,814	124,034	36,075
Elkridge Landing MS	49,527	126,704	126,921	49,310
Ellicott Mills MS	53,669	124,210	127,470	50,409
Folly Quarter MS	24,965	149,771	146,534	28,202
Glenwood MS	42,180	145,804	150,153	37,831
Hammond MS	37,400	109,408	111,337	35,471
Harper's Choice MS	19,811	81,711	75,928	25,594
Lake Elkhorn MS	-	83,897	71,408	12,489
Lime Kiln MS	41,517	131,683	132,231	40,969
Mayfield Woods MS	26,061	122,417	121,269	27,209
Mount View MS	50,333	205,631	197,930	58,034
Murray Hill MS	25,343	119,270	122,593	22,020
Oakland Mills MS	32,745	65,551	62,353	35,943
Patapsco MS	32,300	107,656	109,984	29,972
Patuxent Valley MS	3,821	103,054	108,273	(1,398)
Wilde Lake MS	39,700	140,074	137,640	42,134
Total - Middle Schools	\$ 710,706	\$ 2,506,271	\$ 2,484,482	\$ 732,495
High Schools				
Atholton HS	\$ 163,473	\$ 552,903	\$ 533,659	\$ 182,717
Centennial HS	248,268	810,023	779,829	278,462
Glenelg HS	217,741	645,807	708,701	166,383
Hammond HS	197,007	543,320	562,809	177,618
Howard HS	350,569	588,764	560,676	378,657
Long Reach HS	126,824	441,136	413,977	153,983
Marriotts Ridge HS	153,488	555,634	535,410	173,712
Mount Hebron HS	221,834	677,048	643,095	255,787
Oakland Mills HS	202,073	520,635	541,798	180,910
Reservoir HS	193,685	512,970	548,415	158,240
River Hill HS	223,576	833,978	841,786	215,768
Wilde Lake HS	156,380	334,838	336,181	155,037
Total - High Schools	\$ 2,454,918	\$ 7,017,056	\$ 7,006,336	\$ 2,477,274
Special Schools				
Apps and Research Lab	\$ 14,142	\$ 10,824	\$ 2,468	\$ 22,498
Cedar Lane School	50,981	114,132	111,483	53,630
Homewood School	11,333	20,604	25,999	5,938
Total - Special Schools	\$ 76,456	\$ 145,560	\$ 139,950	\$ 82,066
Total - All Schools	\$ 4,817,298	\$ 12,177,537	\$ 12,424,367	\$ 4,582,104



**Report Required by
Government Auditing Standards**







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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Howard County Public Schools System (HCPSS), a component unit of Howard County, Maryland, as of and for the year ended June 30, 2012, and have issued our report thereon dated September 27, 2012. 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

Management of HCPSS is responsible for establishing and maintaining effective 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.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report Required by Government Auditing Standards

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.

We noted certain matters that we reported to management of HCPSS in a separate letter dated September 27, 2012.

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 27, 2012

Statistical Section





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

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

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

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

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

Table 1

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Invested in capital assets, net of related debt	\$ 546,129	\$ 573,900	\$ 635,330	\$ 705,217	\$ 765,145	\$ 815,780	\$ 842,088	\$ 875,068	\$ 898,922	\$ 956,102
Restricted for construction	2,786	5,134	7,412	6,454	5,311	2,585	-	2	-	-
Restricted for treatment plant	-	-	-	-	-	-	984	1,181	1,236	1,236
Restricted for Food Services	2,035	1,852	1,415	1,485	1,120	2,274	806	3,036	146	145
Unrestricted	5,607	5,285	4,427	7,792	24,805	27,957	21,250	15,054	32,293	36,015
Total governmental activities net assets	<u>556,557</u>	<u>586,171</u>	<u>648,584</u>	<u>720,948</u>	<u>796,381</u>	<u>848,596</u>	<u>865,128</u>	<u>894,341</u>	<u>932,597</u>	<u>993,498</u>
The James Rouse Theatre										
Invested in capital assets, net of related debt	27	24	53	113	89	69	67	47	27	23
Unrestricted	146	213	225	149	180	126	121	137	151	147
Total Rouse Theatre	<u>173</u>	<u>237</u>	<u>278</u>	<u>262</u>	<u>269</u>	<u>195</u>	<u>188</u>	<u>184</u>	<u>178</u>	<u>170</u>
Total School System	<u>\$ 556,730</u>	<u>\$ 586,408</u>	<u>\$ 648,862</u>	<u>\$ 721,210</u>	<u>\$ 796,650</u>	<u>\$ 848,791</u>	<u>\$ 865,316</u>	<u>\$ 894,525</u>	<u>\$ 932,775</u>	<u>\$ 993,668</u>

Source: HCPSS Finance Department

Statistical Section

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

Table 2

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Intergovernmental revenues										
Local	\$ 324,899	\$ 359,753	\$ 412,225	\$ 446,121	\$ 479,538	\$ 495,391	\$ 491,086	\$ 502,374	\$ 531,120	\$ 530,955
State	151,393	146,299	155,153	183,371	189,850	233,546	258,699	262,276	263,990	267,750
Federal	15,274	18,159	22,574	17,093	17,777	21,678	21,043	30,818	39,986	23,860
Earnings on interest and investment	214	173	456	1,138	2,368	1,917	1,005	125	122	64
Charges for services	9,158	10,612	10,400	11,450	14,377	13,413	14,239	13,640	13,756	28,280
Miscellaneous revenues	1,100	1,265	1,293	2,518	654	612	1,212	1,401	1,398	1,039
Total Revenues	502,038	536,261	602,101	661,691	704,564	766,557	787,284	810,634	850,372	851,949
Expenditures										
Instruction										
Regular education	187,712	207,222	218,808	248,244	250,110	277,498	296,527	297,340	302,091	306,791
Special education	58,532	65,164	71,118	79,623	82,168	88,837	95,766	96,986	98,017	96,411
Support Services										
General administration	6,259	6,901	7,872	8,466	9,240	10,443	11,540	10,634	10,663	10,676
Mid-level administration	30,976	33,277	35,251	43,490	45,347	48,737	55,908	54,226	56,675	54,922
Pupil personnel services	1,775	1,806	2,020	2,465	2,396	2,669	3,133	2,462	2,751	2,738
Health services	2,889	3,208	3,557	4,355	4,532	5,095	5,791	5,794	5,895	5,957
Pupil transportation	20,891	22,905	23,651	27,138	28,861	31,538	31,412	32,742	34,052	35,573
Operation of plant	23,689	26,257	28,473	33,265	38,672	43,120	43,245	43,411	37,721	37,850
Maintenance of plant	11,713	12,376	12,885	16,247	15,410	19,556	21,452	22,030	22,235	21,643
Fixed charges	85,105	91,204	98,666	83,280	120,871	153,117	151,094	165,229	193,730	181,842
Community services	3,672	3,848	5,176	4,780	4,914	6,010	6,211	5,901	6,064	6,055
Food services	8,745	9,620	10,398	11,041	11,375	11,399	11,725	11,689	12,167	12,009
Capital outlay	59,713	50,671	85,967	104,788	91,375	76,930	70,906	60,809	64,035	71,076
Total	501,671	534,459	603,842	667,182	705,271	774,949	804,710	809,253	846,096	843,543
Excess (deficit) of revenues over expenditures	367	1,802	(1,741)	(5,491)	(707)	(8,392)	(17,426)	1,381	4,276	8,406
Other Financing Sources (Uses)										
Capital contributions	-	-	4,093	7,648	4,504	6,027	971	195	52	-
Proceeds from capital leases	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ 367	\$ 1,802	\$ 2,352	\$ 2,157	\$ 3,797	\$ (2,365)	\$ (5,731)	\$ 1,576	\$ 4,328	\$ 8,406

* Modified accrual basis of accounting
 Source: HCPSS Records

Howard County Public School System

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

Table 3

Functions/Programs	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities										
Instruction										
Regular education	\$ 256,656	\$ 286,901	\$ 304,177	\$ 339,932	\$ 349,849	\$ 401,309	\$ 437,654	\$ 436,546	\$ 465,690	\$ 463,498
Special education	72,582	81,270	89,054	94,877	103,170	114,495	123,944	128,051	131,738	130,779
Total Instruction	329,238	368,171	393,231	434,809	453,019	515,804	561,598	564,597	597,428	594,277
Support Services										
Administration	11,384	11,808	13,672	9,809	11,193	13,026	13,729	13,845	13,328	14,278
Mid-level administration	39,339	42,873	45,888	50,984	59,362	65,680	74,012	74,277	80,223	62,950
Pupil personnel services	2,205	2,308	2,589	2,686	3,074	3,516	4,062	3,524	3,844	3,823
Health services	3,607	4,119	4,573	5,264	5,841	6,782	7,755	8,057	8,324	8,387
Pupil transportation	21,157	23,207	23,975	27,411	29,238	31,944	31,711	33,254	34,655	36,138
Operation of plant	26,861	30,727	31,884	34,842	40,341	44,955	49,378	50,475	45,384	45,276
Maintenance of plant and equipment	13,906	14,462	15,391	15,702	19,228	25,025	26,004	27,087	27,905	26,962
Community services	4,187	4,357	4,678	5,305	5,609	6,827	7,043	7,091	7,298	7,264
Food services	8,921	9,620	10,386	11,041	11,375	11,399	11,725	11,689	12,167	12,009
Interest on long-term debt	-	-	72	127	642	555	580	433	325	163
Total Support Services	131,567	143,481	153,108	163,171	185,903	209,709	225,999	229,732	233,453	217,250
Total Governmental Activities	460,805	511,652	546,339	597,980	638,922	725,513	787,597	794,329	830,881	811,527
Business-type activities										
James T. Rouse Theatre	98	86	91	148	148	228	164	132	150	177
Total School System Expenses	\$ 460,903	\$ 511,738	\$ 546,430	\$ 598,128	\$ 639,070	\$ 725,741	\$ 787,761	\$ 794,461	\$ 831,031	\$ 811,704

Source: HCPSS Finance Department

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

Table 3 (continued)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Program Revenues										
Charges for Services										
Regular education	\$ 2,789	\$ 1,197	\$ 1,345	\$ 2,709	\$ 4,094	\$ 3,868	\$ 4,847	\$ 4,776	\$ 5,061	\$ 18,645
Special education	3	-	-	-	-	-	-	-	-	-
Operation of plant	810	1,397	813	2,544	1,957	2,288	14,331	(681)	3,418	4,750
Food services	6,340	6,722	6,975	7,650	8,913	8,416	8,059	7,462	7,037	6,813
Operating grants and contributions	63,405	68,141	72,830	47,484	82,016	105,586	96,957	129,393	154,174	133,145
Capital grants and contributions	57,415	52,412	84,406	98,717	88,505	71,339	54,178	58,845	63,877	69,629
Total Program Revenues	130,762	129,869	166,369	159,104	185,485	191,497	178,372	199,795	233,567	232,982
Business-type activities										
James T. Rouse Theatre	156	151	131	133	155	154	156	128	144	169
Total School System Revenues	130,918	130,020	166,500	159,237	185,640	191,651	178,528	199,923	233,711	233,151
Total Governmental Net Expense	(329,985)	(381,718)	(379,930)	(438,891)	(453,430)	(534,090)	(609,233)	(594,538)	(597,320)	(578,553)
General Revenues and Other Changes in Net Assets										
General revenues										
Local appropriations	292,401	310,590	334,590	362,590	393,711	427,176	454,795	457,561	464,708	467,617
State Aid	82,158	99,134	105,937	144,949	132,322	155,763	168,600	164,563	169,183	169,994
Federal Aid	204	260	191	172	183	1,019	189	100	174	141
Interest and investment earnings	140	149	373	1,010	2,001	1,660	962	124	122	72
Miscellaneous	1,047	1,264	1,293	2,518	654	612	1,212	1,401	1,382	1,620
Total General Revenues	375,950	411,397	442,384	511,239	528,871	586,230	625,758	623,749	635,569	639,444
Changes in Net Assets- Governmental Funds	45,908	29,614	62,414	72,363	75,435	52,214	16,533	29,213	38,255	60,902
Changes in Net Assets - James Rouse Theatre	58	65	40	(15)	6	(74)	(8)	(4)	(5)	(9)
Changes in Net Assets	45,966	29,679	62,454	72,348	75,441	52,140	16,525	29,209	38,250	60,893
Net Assets - Beginning of year	510,764	556,729	586,408	648,862	721,210	796,650	848,791	865,316	894,525	932,775
Net Assets - End of Year	\$ 556,730	\$ 586,408	\$ 648,862	\$ 721,210	\$ 796,650	\$ 848,791	\$ 865,316	\$ 894,525	\$ 932,775	\$ 993,668

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

Table 4

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Invested in Capital assets	\$ 546,129	\$ 573,900	\$ 635,330	\$ 705,217	\$ 765,146	\$ 815,781	\$ 842,088	\$ 875,069	\$ 898,922	\$ 956,102
Restricted for:										
Capital projects	2,786	5,134	7,412	6,454	5,311	2,585	(3,428)	3	-	-
Wastewater treatment plant	**	**	**	**	**	**	984	1,181	1,236	1,236
Food Services	2,035	1,852	1,415	1,485	1,120	2,274	806	3,036	146	145
Unrestricted	5,607	5,285	4,427	7,792	24,805	27,956	24,679	15,054	32,293	36,015
Total Governmental activities net assets	556,557	586,171	648,584	720,948	796,382	848,596	865,129	894,343	932,597	993,498
Business-type Activities										
Invested in Capital assets	27	24	53	113	88	69	67	46	27	23
Food Services										
Unrestricted	146	214	225	149	180	126	120	137	151	147
Total business-type activities net assets	173	238	278	262	268	195	187	183	178	170
Primary Government										
Invested in Capital assets	546,156	573,924	635,383	705,330	765,234	815,850	842,155	875,115	898,949	956,125
Restricted for:										
Capital projects	2,786	5,134	7,412	6,454	5,311	2,585	(3,428)	3	-	-
Wastewater treatment plant	**	**	**	**	**	**	984	1,181	1,236	1,236
Food Services	2,035	1,852	1,415	1,485	1,120	2,274	806	3,036	146	145
Unrestricted	5,753	5,499	4,652	7,941	24,985	28,082	24,799	15,191	32,444	36,162
Total Primary Government net assets	\$ 556,730	\$ 586,409	\$ 648,862	\$ 721,210	\$ 796,650	\$ 848,791	\$ 865,316	\$ 894,526	\$ 932,775	\$ 993,668

Noted: The School System has adopted the requirements of Governmental Accounting Standards Board (GASB) Statement No.54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Prior year Net Assets have been restated for this schedule in conformity with GASB 54.

* Modified accrual basis of accounting
 ** Wastewater Treatment Plant not operational until 2009.
 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	
2003	5,543,300	178,737,950	**	**								1,692,110	2,893,880	20,711,570		
2004	6,357,360	*	183,899,880	**	9,141,920	1,885,150	1,693,340	3,203,480				1,969,640	3,567,280	22,962,330		
2005	7,463,590	*	201,831,090	**	8,102,360	2,055,760	2,123,910	3,989,210				2,270,190	4,438,681	30,006,000		
2006	7,799,710	*	215,125,210	**	11,175,120	2,275,560	2,699,230	5,102,390				2,798,800	5,707,900	32,659,320		
2007	9,162,030	*	231,448,730	**	11,597,405	2,687,269	2,600,070	5,950,430				2,811,970	6,116,460	33,296,950		
2008	10,447,281	*	256,389,040	**	12,556,290							2,793,820	6,065,790	36,952,790		
2009	11,368,190		293,524,610	**												
2010	10,410,000		296,198,150	**												
2011	10,695,460		302,613,920	**												
2012	10,868,810		304,232,890	**												

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

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

Source: HCPSS Finance Department

Table 5 (continued)

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

	Operation of Plant	Maintenance of Plant	Fixed Charges	Mid-Level Administration	Community Services	Special Education	Capital Outlay	Total
2003	24,143,340	11,987,000	61,693,440	29,927,530	3,212,510	49,611,420	556,080	390,710,130
2004	25,124,320	11,902,340	65,476,200	31,705,580	3,223,420	54,072,880	622,030	421,270,230
2005	27,545,780	13,168,430	71,917,600	34,793,560	3,686,340	60,651,290	737,190	461,104,150
2006	30,381,970	14,077,530	81,188,830	39,088,010	4,042,990	64,890,120	825,700	504,200,150
2007	36,046,160	16,188,320	88,650,070	43,537,840	4,608,680	70,018,280	850,470	551,522,086
2008	38,794,360	19,800,720	102,406,180	47,004,300	5,667,810	76,871,520	857,020	612,802,620
2009	43,829,530	23,019,340	104,248,720	51,345,570	6,146,920	81,515,640	923,480	657,088,020
2010	44,981,460	22,038,300	104,753,230	49,639,240	6,201,990	80,276,160	914,260	656,694,110
2011	42,963,370	20,691,170	114,108,000	52,107,500	5,980,860	83,071,460	890,560	675,347,680
2012	42,779,590	20,977,530	116,181,680	52,043,110	6,020,350	84,071,650	847,030	683,835,040

Source: HCPSS Finance Department

Statistical Section

**Howard County Public School Systems
Capital Assets By Function
June 30, 2012**

Table 6

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Schools										
Buildings	68	70	70	71	72	72	72	72	72	73
Administration										
Buildings	2	2	3	3	3	3	3	3	2	3
Vehicles	44	30	29	24	34	32	19	19	19	18
Mid-level Administration										
Vehicles	*	*	*	*	*	*	12	11	11	14
Special Education										
Vehicles	*	*	*	*	*	*	1	1	1	1
Capital Outlay										
Vehicles	*	*	*	*	*	*	3	3	3	3
Maintenance										
Buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	179	185	195	209	216	230	28	34	35	46
Operations										
Vehicles	*	*	*	*	*	*	208	207	200	194
Technology										
Buildings	-	-	-	-	1	1	1	1	1	1
Vehicles	16	16	17	17	17	16	13	13	13	12
Print Shop										
Print Presses	5	5	5	5	5	6	11	11	10	11
Community Services										
Vehicles	*	*	*	*	*	*	3	5	5	6
Student Transportation										
Vehicles	7	7	8	8	11	11	12	13	12	10

Source: HCPSS Finance Department
* Data not available for previous years.

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

Table 7

	2006	2007	2008	2009	2010	2011	2012
Current Operating Budget	<u>504,200,150</u>	<u>551,522,080</u>	<u>612,902,620</u>	<u>657,088,020</u>	<u>656,694,110</u>	<u>675,347,650</u>	<u>683,835,040</u>
6 % of Current Operating Budget	<u>30,252,009</u>	<u>33,091,325</u>	<u>36,774,157</u>	<u>39,425,281</u>	<u>39,401,647</u>	<u>40,520,859</u>	<u>41,030,102</u>
Total Debt Outstanding June 30	<u>3,130,000</u>	<u>10,957,023</u>	<u>12,940,923</u>	<u>16,942,317</u>	<u>11,678,806</u>	<u>7,026,954</u>	<u>3,878,014</u>
Compliance with Debt Limit	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3 % of Current Operation Budget	<u>15,126,005</u>	<u>16,545,662</u>	<u>18,387,079</u>	<u>19,712,641</u>	<u>19,700,823</u>	<u>20,260,430</u>	<u>20,515,051</u>
Total Debt Service	<u>1,787,290</u>	<u>3,149,141</u>	<u>4,061,178</u>	<u>6,722,505</u>	<u>5,981,054</u>	<u>4,651,852</u>	<u>3,148,940</u>
Compliance with Debt Service Limit	Yes	Yes	Yes	Yes	Yes	Yes	Yes

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

** HCPSS had no debt prior to FY 2005
HCPSS has no authority to issue bond debt. The Howard County Government and the State of Maryland incur bond debt on behalf of HCPSS to fund capital improvements and are responsible for the liquidation of these debts. In accordance with Board Policy, HCPSS has the authority to enter into capital lease agreements, limited to no more than 6 % of the current operating budget. In addition, HCPSS must limit debt service to 3 % of the total operating budget.

Source: HCPSS Finance Department

Statistical Section

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

Table 8

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Elementary School*										
Pre-Kindergarten	663	706	751	804	893	948	1,015	958	1,002	1,060
Kindergarten	2,865	2,772	2,674	2,846	2,943	3,226	3,298	3,379	3,386	3,496
Grade 1	3,405	3,318	3,294	3,071	3,272	3,276	3,453	3,582	3,642	3,637
2	3,621	3,502	3,465	3,425	3,247	3,379	3,399	3,584	3,716	3,775
3	3,628	3,694	3,565	3,531	3,519	3,343	3,490	3,541	3,695	3,817
4	3,790	3,657	3,782	3,646	3,634	3,615	3,441	3,642	3,648	3,799
5	3,703	3,849	3,718	3,893	3,703	3,705	3,730	3,564	3,727	3,756
SP										
Total Elementary School	21,675	21,498	21,249	21,216	21,211	21,492	21,826	22,250	22,816	23,340
Middle School*										
Grade 6	3,827	3,831	3,900	3,808	3,997	3,780	3,772	3,874	3,646	3,792
7	3,884	3,919	3,845	3,969	3,864	4,072	3,855	3,833	3,942	3,717
8	3,642	3,939	3,921	3,938	4,028	3,912	4,121	3,942	3,884	3,993
SP	93		88							
Total Middle School	11,446	11,689	11,754	11,715	11,889	11,764	11,748	11,649	11,472	11,502
High School*										
Grade 9	4,053	4,015	4,251	4,308	4,419	4,401	4,263	4,535	4,301	4,269
10	3,598	3,887	3,835	3,988	4,025	4,147	4,175	4,067	4,368	4,117
11	3,241	3,515	3,735	3,671	3,892	3,875	3,965	4,067	3,911	4,185
12	2,972	3,212	3,325	3,611	3,522	3,768	3,828	3,988	4,034	3,959
SP	216		89							
Total High School	14,080	14,629	15,235	15,578	15,858	16,191	16,231	16,657	16,614	16,530
Special Education*										
Total Enrollment*	112	101	95	87	90	96	98	85	91	106
Total Enrollment**	47,313	47,917	48,333	48,596	49,048	49,543	49,903	50,641	50,993	51,478
Number of Teachers **	2,042	2,435	2,486	2,655	2,736	2,625	2,816	2,833	2,869	2,884
Ratio of Students to Teachers	23:1	20:1	19:1	18:1	18:1	19:1	18:1	18:1	18:1	18:1

*Source: HCPSS Public Information Office

**Source: Maryland State Department of Education

Table 9

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

	Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Capacity	% of Capacity
Elementary Schools													
Atholton	493	499	485	443	418	437	441	480	478	499	387	128.9%	
Bellows Springs	-	695	740	719	729	725	765	822	851	885	762	116.1%	
Bollman Bridge	617	626	605	612	582	582	611	605	599	625	663	94.3%	
Bryant Woods	284	329	360	392	398	337	347	353	349	367	355	103.4%	
Bushy Park	676	707	688	677	688	691	697	636	644	638	788	81.0%	
Centennial Lane	638	607	590	579	563	613	637	652	664	698	628	111.1%	
Clarksville	668	669	677	675	559	532	553	542	527	522	634	82.3%	
Clemens Crossing	554	531	482	459	469	469	483	488	491	500	522	95.8%	
Cradlerock-lower	404	422	416	429	459	461	468	476	474	499	487	102.5%	
Dayton Oaks	-	-	-	-	574	556	506	459	446	473	788	60.0%	
Deep Run	777	641	600	582	592	571	598	624	657	706	601	117.5%	
Elkridge	760	673	691	662	638	690	760	795	847	890	779	114.2%	
Forest Ridge	664	637	601	609	603	627	633	657	700	764	626	122.0%	
Fulton	646	760	756	785	683	666	638	652	653	672	772	87.0%	
Gorman Crossing	453	511	553	554	566	623	579	612	620	700	540	129.6%	
Guilford	457	401	412	440	470	479	486	511	507	523	462	113.2%	
Hollifield Station	649	535	518	504	492	491	475	499	513	511	597	85.6%	
Hammond	839	819	818	819	788	613	609	636	675	671	688	97.5%	
Ichester	882	629	593	600	591	581	596	650	666	664	617	107.6%	
Jeffers Hill	512	356	366	385	397	388	376	383	371	367	421	87.2%	
Laurel Woods	467	480	482	484	483	531	561	569	599	609	540	112.8%	
Lisbon	591	602	555	530	486	475	470	462	461	427	553	77.2%	
Longfellow	393	394	389	394	395	420	427	417	442	447	418	106.9%	
Manor Woods	689	694	683	674	639	602	609	629	644	638	647	98.6%	
Northfield	626	616	611	620	639	533	553	596	608	611	672	90.9%	
Phelps Luck	574	499	496	529	589	616	643	650	671	723	540	133.9%	
Pointers Run	922	885	854	799	790	755	700	677	643	615	776	79.3%	
Rockburn	694	613	662	686	709	714	757	731	731	711	667	106.6%	
Running Brook	299	309	342	345	339	394	401	434	417	433	405	106.9%	
St. John's Lane	693	744	713	766	785	551	555	549	562	552	597	92.5%	
Stevens Forest	304	358	335	316	292	290	282	293	302	284	333	85.3%	
Swansfield	518	492	520	525	513	518	527	505	563	563	528	106.6%	
Talbott Springs	484	487	513	472	426	448	477	495	581	590	443	133.2%	
Thunder Hill	374	383	339	319	317	344	356	349	370	382	468	81.6%	
Triadelphia Ridge	694	693	701	671	432	431	429	428	408	411	544	75.6%	
Veterans	-	-	-	-	-	800	868	904	982	1,005	788	127.5%	
Waterloo	643	586	560	565	599	641	667	723	755	757	594	127.4%	
Waverly	658	653	626	656	665	547	548	558	559	595	675	88.1%	
West Friendship	421	440	426	413	310	315	299	297	292	290	396	73.2%	
Worthington	658	523	491	527	551	435	439	452	494	523	516	101.4%	
Total Elementary Schools		21,675	21,498	21,249	21,216	21,211	21,492	22,250	22,816	23,340	23,217	100.5%	

Numbers include Pre-K Students.

Source: HCPSS Public Information Office

Table 9 (continued)

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

	Fiscal Year										% of	
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Capacity	Capacity
Middle Schools												
Bonnie Branch	574	655	675	667	677	679	690	687	664	705	662	106.5%
Burleigh Manor	507	607	588	584	652	684	689	660	621	617	662	93.2%
Clarksville	794	677	693	729	748	728	720	693	685	655	662	98.9%
Dunloggin	558	523	544	533	557	512	526	515	529	552	526	104.9%
Elkridge Landing	692	704	695	691	701	626	642	666	684	693	662	104.7%
Ellicott Mills	487	546	585	583	684	673	709	699	669	716	662	108.2%
Folly Quarter	-	664	628	625	559	577	553	549	579	588	662	88.8%
Glenwood	805	582	629	651	670	660	633	642	600	593	584	101.5%
Hammond	664	626	641	630	670	620	583	573	542	526	584	90.1%
Harper's Choice	622	640	611	560	551	558	524	511	492	511	506	101.0%
Lake Elkhorn	605	535	494	484	462	450	448	476	463	466	584	79.8%
Lime Kiln	513	531	585	608	648	648	673	654	624	593	701	84.6%
Mayfield Woods	614	584	580	548	517	640	684	725	716	720	682	105.6%
Mount View	850	667	691	721	721	720	710	710	682	679	662	102.6%
Murray Hill	590	604	591	634	684	669	658	680	724	728	662	110.0%
Oakland Mills	473	485	472	443	478	478	444	426	393	400	506	79.1%
Patapsco	775	721	743	762	681	633	648	603	605	583	662	88.1%
Patuxent Valley	747	729	723	739	728	742	744	705	689	663	662	100.2%
Wide Lake	576	609	586	523	501	467	470	475	511	514	506	101.6%
Total Middle Schools	11,446	11,689	11,754	11,715	11,889	11,764	11,748	11,649	11,472	11,502	11,799	97.5%
High Schools												
Atholton	1,179	1,198	1,252	1,365	1,374	1,446	1,419	1,473	1,460	1,488	1,360	109.4%
Centennial	1,406	1,529	1,619	1,498	1,466	1,473	1,452	1,488	1,475	1,435	1,360	105.5%
Gleneig	1,153	1,181	1,279	1,200	1,181	1,187	1,185	1,188	1,234	1,225	1,420	86.3%
Hammond	1,283	1,321	1,343	1,305	1,323	1,270	1,280	1,341	1,344	1,319	1,220	108.1%
Howard	1,201	1,174	1,242	1,332	1,398	1,453	1,517	1,617	1,636	1,700	1,420	119.7%
Long Reach	1,512	1,572	1,488	1,428	1,372	1,264	1,233	1,224	1,229	1,301	1,488	87.4%
Marmotts Ridge	-	-	-	577	888	1,188	1,237	1,282	1,308	1,268	1,615	78.5%
Mt. Hebron	1,564	1,578	1,618	1,450	1,427	1,422	1,450	1,472	1,484	1,450	1,280	113.3%
Oakland Mills	1,025	1,062	1,111	1,159	1,168	1,237	1,217	1,201	1,175	1,141	1,400	81.5%
Reservoir	608	926	1,317	1,396	1,465	1,513	1,512	1,566	1,539	1,530	1,551	98.6%
River Hill	1,654	1,647	1,549	1,434	1,407	1,376	1,434	1,456	1,399	1,390	1,488	93.4%
Wide Lake	1,495	1,441	1,417	1,434	1,389	1,362	1,386	1,349	1,331	1,283	1,424	90.1%
Total High Schools	14,080	14,629	15,235	15,578	15,858	16,191	16,231	16,657	16,614	16,530	17,026	97.1%
Special Schools												
Cedar Lane	112	101	95	87	90	96	98	85	91	106	120	88.3%
Total All Schools	47,313	47,917	48,333	48,596	49,048	49,543	49,903	50,641	50,993	51,478	52,162	98.7%

Source: HCPSS Public Information Office.

**Howard County Public School System
Howard County, Maryland
Principal Employers
June 30, 2012
Current Year and Ten Years Ago**

Table 10

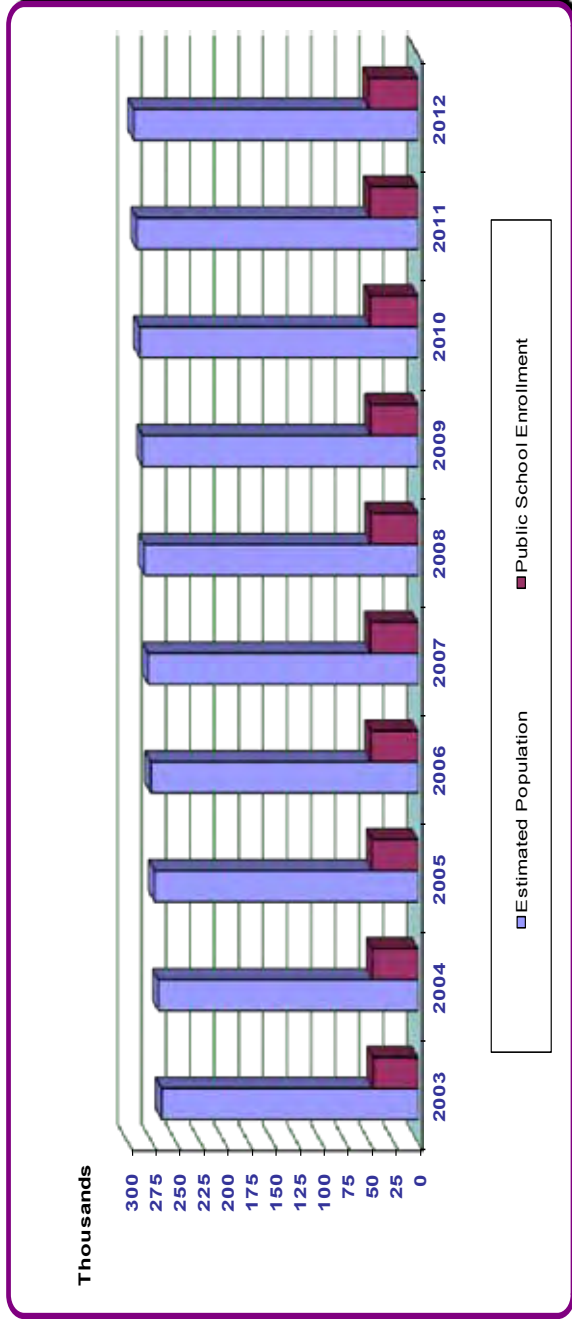
Employer	2012			2003		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Howard County Public School System	7,423	1	4.89%	6,094	1	4.74%
Johns Hopkins Applied Physics Laboratory	4,600	2	3.03%	3,200	2	2.49%
Howard County Government	2,846	3	1.87%	2,426	3	1.89%
Verizon Wireless	2,028	4	1.33%	-	-	-
Lorien Health Systems	2,000	5	1.32%	-	-	0.00%
Howard County General Hospital	1,682	6	1.11%	1,300	6	1.01%
U.S. Government	1,600	7	1.05%	1,200	7	0.93%
SAIC	1,060	8	0.70%	-	-	-
The Columbia Association	900	9	0.59%	-	-	-
Wells Fargo securities Administrative Services	842	10	0.55%	-	-	-
Magellan Behavioral Health	-	-	-	1,500	4	1.17%
Corvis Corporation	-	-	-	1,400	5	1.09%
Giant Food	-	-	-	1,000	8	0.78%
Micro Systems, Inc.	-	-	-	800	9	0.62%
Sysco Food Services of Baltimore	-	-	-	800	9	0.62%
Total	24,981		16.44%	19,720		15.34%

Source: Howard County, Maryland 2012 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 (In Thousands)	Per Capita Personal Income	Public School Enrollment	Unemployment Rate
2003	265,095	12,655,680	48,146	46,650	3.0%
2004	268,561	13,822,504	52,085	47,211	2.7%
2005	272,584	14,730,587	55,008	47,552	3.2%
2006	276,287	15,810,097	58,396	48,596	3.1%
2007	278,900	16,742,719	61,096	49,048	2.7%
2008	282,674	17,338,901	62,553	48,595	3.2%
2009	284,952	17,426,777	61,823	48,888	5.7%
2010	287,907	N/A	N/A	49,635	5.5%
2011	291,200	N/A	N/A	49,991	5.6%
2012	294,256	N/A	N/A	50,997	5.5%



Source: Howard County, Maryland 2012 Comprehensive Annual Financial Report

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

Table 12

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total Number of Pupils Enrolled *	<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>	<u>49,991</u>	<u>51,555</u>
Expenditures **										
Current:										
Administration	\$ 117	\$ 133	\$ 154	\$ 160	\$ 186	\$ 209	\$ 232	\$ 253	\$ 213	\$ 207
Instruction	3,777	-	-	-	-	-	-	-	-	-
Instructional salaries	-	3,838	4,175	4,427	4,719	5,172	5,628	6,507	5,647	5,598
Textbooks and classroom supplies	-	190	168	230	236	253	262	264	318	281
Other instructional costs	-	39	42	47	55	54	50	72	79	72
Pupil personnel services	36	35	40	44	46	52	60	62	55	53
Health services	61	66	74	82	90	102	119	145	118	116
Pupil transportation	434	470	488	551	596	627	639	390	681	690
Operation of plant	510	524	568	625	734	783	880	965	998	967
Maintenance of plant	253	248	272	289	325	400	452	508	445	420
Fixed charges	1,299	1,366	1,488	1,671	1,807	2,067	2,112	2,192	3,712	3,527
Mid-level administration	633	661	720	804	887	948	1,091	1,162	1,134	1,065
Community services	68	67	76	83	94	114	123	129	124	121
Special education	1,049	1,128	1,255	1,335	1,426	1,551	1,690	1,840	1,961	1,870
Capital outlay	12	13	15	17	17	19	18	16	18	15
Total Expenditure per Pupil	\$ 8,249	\$ 8,778	\$ 9,535	\$ 10,365	\$ 11,218	\$ 12,351	\$ 13,356	\$ 14,505	\$ 15,503	\$ 15,002

State Rank ***

*Source: HCPSS Public Information Office
 ** Source: HCPSS Finance Department
 *** Source: Maryland State Department of Education
 **** 2012 Data not available at date of publication

Statistical Section

Table 13

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

	2008	2009	2010	2011	2012
Number of Schools	72	72	72	72	73
Number of days lunch served	179	180	179	180	179
Number of free lunches served to pupils annually	621,756	696,651	827,756	960,164	1,043,509
Average number of free lunches served to pupils daily	3,473	3,870	4,624	5,334	5,830
Number of paid lunches served to pupils annually:					
At reduced price	210,183	223,142	227,958	201,814	215,666
At regular price	2,423,656	2,129,236	1,933,054	1,810,481	1,775,034
Average number of paid lunches served to pupils daily:					
At reduced price	1,174	1,240	1,274	1,121	1,205
At regular price	13,540	11,829	10,799	10,058	9,916
Total number of lunches served to pupils annually	3,255,595	3,049,029	2,988,769	2,972,459	3,034,209
Average number of lunches served to pupils daily	18,188	16,939	16,697	16,514	16,951
Charge per lunch to pupils:					
Elementary	\$ 2.25	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Secondary	\$ 2.75	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00

Source: HCPSS Food and Nutrition Service

Table 14

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

	<u>Estimated number of eligible riders (Daily)</u>	<u>Number of bus routes (Daily)</u>
2012	41,504	436
2011	40,200	434
2010	40,180	432
2009	39,079	429
2008	40,425	425
2007	41,682	420
2006	41,345	416
2005	39,603	401
2004	42,537	398
2003	41,663	379

Source: HCPSS Transportation Office

Table 15

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

	<u>Graduation Rate</u>
2012	89.50%
2011	89.50%*
2010	93.60%
2009	94.90%
2008	94.87%
2007	94.79%
2006	94.11%
2005	93.80%
2004	93.14%
2003	92.95%

In 2011, MSDE modified its methodology for calculating graduation rates resulting in lower rates across all Maryland school districts. Consequently, the 2011 graduation rate is comparable to prior years.

Source: HCPSS Public Information Office

Statistical Section

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

Table 16

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Administration	59.5	66.0	73.5	78.5	86.3	94.3	97.8	94.1	91.1	92.4
Mid-level administration	451.5	450.5	465.0	501.5	556.0	572.5	587.5	588.5	585.5	586.5
Instruction	3,545.5	3,638.9	3,759.4	3,884.0	4,030.9	4,255.4	4,336.9	4,379.3	4,390.6	4,434.3
Special education	1,203.0	1,269.3	1,297.0	1,352.0	1,401.0	1,448.5	1,494.5	1,505.5	1,501.7	1,496.4
Pupil personnel services	22.2	23.2	24.2	25.0	30.0	32.0	32.0	32.0	32.0	32.0
Health services	99.0	104.0	104.0	108.0	113.0	118.0	126.0	127.0	127.0	127.0
Pupil transportation	12.5	12.5	13.0	13.0	12.0	12.0	13.0	14.0	14.0	14.0
Operation of plant	388.5	397.5	402.5	417.0	433.5	447.0	449.0	449.0	449.0	450.0
Maintenance of plant	148.0	151.0	151.0	164.0	174.0	184.0	189.0	187.0	182.0	183.0
Community services	24.4	24.4	23.9	24.9	24.9	38.9	40.9	40.4	40.4	40.9
Capital outlay	7.5	7.5	8.5	9.0	10.0	10.0	10.0	10.0	10.0	10.0
Total General Fund	5,961.6	6,144.8	6,322.0	6,576.9	6,871.6	7,212.6	7,376.6	7,426.8	7,423.3	7,466.5
Total Grants Fund (estimated)	148.1	175.0	148.1	231.8	226.5	170.5	180.5	186.0	174.2	174.2
Restricted Funds										
Food services	182.0	182.0	181.0	181.5	187.5	187.5	187.0	187.0	187.0	187.0
Printing and duplicating	9.0	9.0	9.0	9.0	10.0	10.0	10.0	11.0	11.0	11.0
Information management	17.5	20.0	21.0	23.0	24.0	33.0	36.0	35.0	38.0	38.0
Health and dental self-insurance	3.0	3.0	3.0	2.5	2.5	3.0	3.0	3.0	3.0	3.0
Workers' compensation	2.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0
Total Revolving Funds	213.5	216.0	216.0	218.0	227.0	236.5	239.0	239.0	242.0	242.0
Total All Funds	6,323.2	6,535.8	6,686.1	7,026.7	7,325.1	7,619.6	7,796.1	7,851.8	7,839.5	7,882.7

Source: HCPSS Budget Office

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

Table 17

	SAT			Maryland State Assessment *				High School Assessment ****							
	Howard County	Maryland State	National	Elementary Reading	Elementary Math	Middle Reading	Middle Math	Algebra	Biology	English	Government	Algebra	Biology	English	Government
2012	1632	1487	1500	94.1	93.8	90.9	89.1	95.0	95.0	93.2	85.3	85.6	85.1	83.6	85.3
2011	1645	1492	1500	92.8	91.7	90.8	87.1	95.0	95.0	92.9	95.0	87.9	84.6	85.2	89.8
2010	1639	1498	1506	92.8	91.7	91.0	87.2	96.5	94.4	91.6	97.1	87.9	84.5	83.7	91.5
2009	1641	1497	1509	93.1	89.7	91.5	86.9	98.0	94.9	94.3	97.6	88.8	85.5	86.6	93.2
2008	1643	1498	1511	92.9	89.4	89.2	83.6	91.9	90.5	89.3	89.3	81.0	74.9	76.2	83.1
2007	1633	1498	1511	67.2	63.9	66.3	50.0	87.5	87.5	87.5	89.6	63.5	70.3	70.9	73.5
2006	1636	1511	1518	62.5	58.8	61.5	42.9	85.2	82.1	78.2	85.0	66.6	67.7	60.1	74.2
2005	1115	1026	1028	57.8	53.6	56.7	35.8	74.3	76.6	76.5	81.8	53.8	57.6	57.3	66.4
2004	1097	1026	1026	46.3	44.1	45.6	22.7	74.0	79.4	73.7	83.1	58.8	60.9	53.0	65.9
2003	1096	1024	1026	**	**	**	**	69.4	73.3	61.5	78.5	53.2	54.3	39.8	60.2

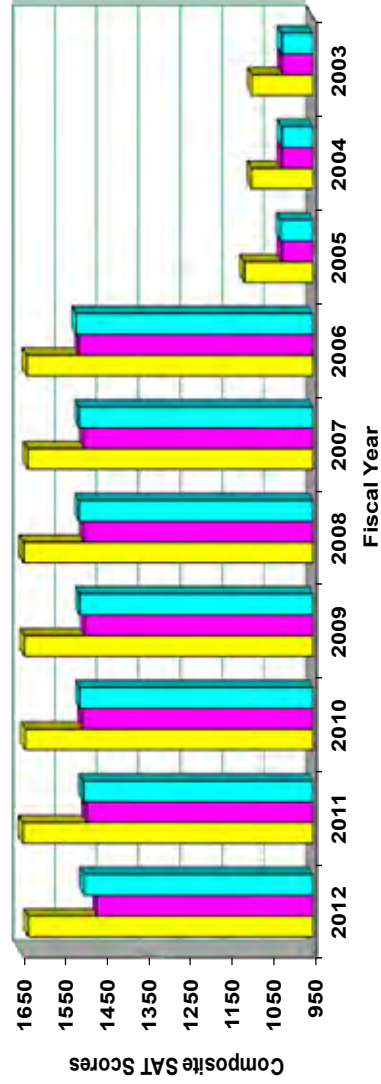
* The HCPSS standard for MSA is 100% of students proficient or advanced.

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

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

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

SAT Composite Scores for HCPSS, Maryland, Nation, 2003- 2012****



Statistical Section

Howard County Public Schools
Insurance Summary FY 2012

Table 18

Type of Coverage	Name of Company	Policy Period	Limits
Workers Compensation	Self-Insured		
Excess Workers Compensation	Safety National	7/1/12 - 6/30/13	\$450,000 retention Specific excess limit \$25 million
Comprehensive General Liability	MABE Group Insurance Pool	7/1/12 - 6/30/13	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Personal Injury Liability	MABE Group Insurance Pool	7/1/12 - 6/30/13	\$100,000 per occurrence \$1 million per occurrence should sovereign immunity be abrogated
Automobile Liability	MABE Group Insurance Pool	7/1/12 - 6/30/13	\$100,000 combined single limit \$1 million combined single limit for Bus Contractors
Personal Injury Protection	MABE Group Insurance Pool	7/1/12 - 6/30/13	\$2,500 per covered person for any one accident
Automobile Physical Damage	MABE Group Insurance Pool	7/1/12 - 6/30/13	Actual cash value
Garage Keepers Liability	MABE Group Insurance Pool	7/1/12 - 6/30/13	\$100,000 per loss
Criminal Proceeding and Intentional	MABE Group Insurance Pool	7/1/12 - 6/30/13	\$50,000 per covered person
Property and Boiler and Machinery	MABE Chubb Group Ins Pool	7/1/12 - 6/30/13	\$500,000 per occurrence
Excess Property and Boiler and Machinery	PEPIP	7/1/12 - 6/30/13	\$1,000,000,000 Total Property / Boiler and Machinery 100,000,000
Crime	Travelers	7/1/12 - 6/30/13	\$2,500,000 per occurrence
School Board Legal Liability	Axis Insurance		\$2,500,000 Excess of Travelers
School Board Legal Liability	MABE Group Insurance Pool	7/1/12 - 6/30/13	\$250,000 per occurrence
Reinsurance	United Educators		\$5 million per occurrence, excess of \$250,000, should sovereign immunity be abrogated







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