COMPREHENSIVE ANNUAL FINANCIAL REPORT

Board of Education of Baltimore County
A Component Unit of Baltimore County, Maryland
6901 North Charles Street, Towson, Maryland 21204

FISCAL YEAR ENDED JUNE 30, 2007

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Dr. Sonia Diaz, *Chief Academic Officer - Curriculum and Instruction*
Ms. Rita M. Fromm, *Chief of Staff*

Prepared by the Division of Business Services

Acknowledgements

Student Artwork

The student artwork displayed in this report are the work of Baltimore County Public School students. We appreciate their contribution and acknowledge the hard work of the students and their teachers.

The students who provided artwork are as follows:

Justin Sklar	Carver Center for Arts and Technology
Laurese Kelley	Woodlawn High
Kari Opert	Patapsco High School and Center for the Arts
Jeshua Peart	Randallstown High
Angela Watson	Perry Hall High

Board of Education of Baltimore County
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2007

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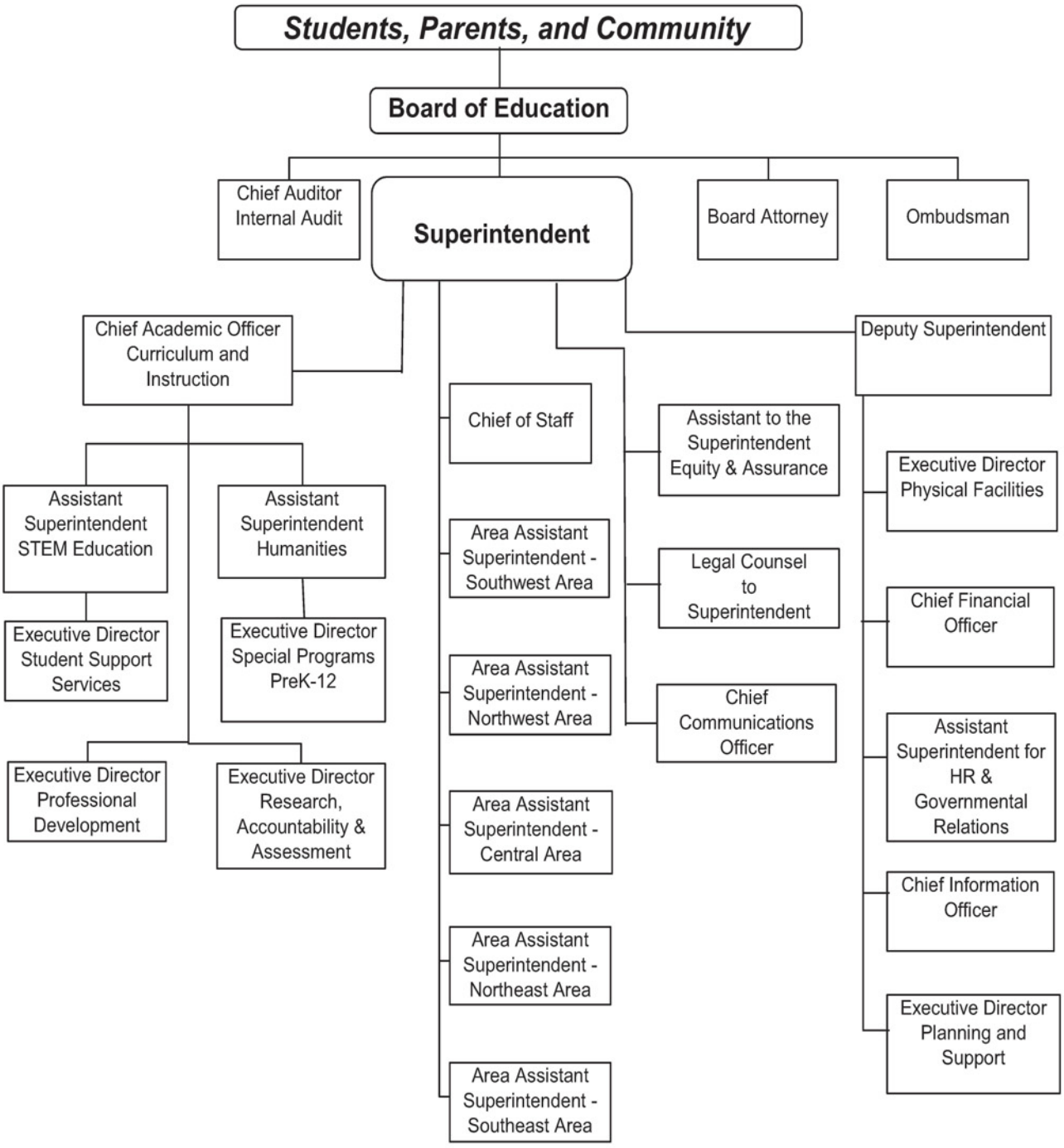
Baltimore County Public Schools
Organization Chart As of June 30, 2007



Superintendent's Staff
As of June 30, 2007

Dr. Joe A. Hairston	Superintendent
J. Robert Haines, Esq.	Deputy Superintendent
Dr. Sonia Diaz	Chief Academic Officer , Department of Curriculum and Instruction
Rita M. Fromm	Chief of Staff
Dr. Barbara J. Dezmon	Assistant to the Superintendent, Equity and Assurance
Dr. Donald A. Peccia	Assistant Superintendent, Human Resources and Governmental Relations
Dr. Kim X. Whitehead	Area Assistant Superintendent, Central Area
Regina E. Satterfield	Area Assistant Superintendent, Southeast Area
Dr. Manuel B. Rodriguez	Area Assistant Superintendent, Southwest Area
William A. Lawrence	Area Assistant Superintendent, Northeast Area
Dr. Scott H. Gehring	Area Assistant Superintendent, Northwest Area
Kara E. B. Calder	Chief Communications Officer
Barbara S. Burnopp	Chief Financial Officer
Michael J. Goodhues	Chief Information Officer
Michael G. Sines	Executive Director, Physical Facilities
Don J. Dent	Executive Director, Planning and Support Operations
Phyllis A. Bailey	Executive Director, Special Programs PreK-12
Dale R. Rauenzahn	Executive Director, Student Support Services
Margaret-Ann Howie, Esq.	Legal Counsel to the Superintendent
Mandi K. Dietrich	Acting Executive Director, Research, Accountability and Assessment

BALTIMORE COUNTY PUBLIC SCHOOLS
Joe A. Hairston, Superintendent 6901 Charles Street Towson, Maryland 21204-3711

September 30, 2007

Members of the Board of Education:

In compliance with the Public School Laws of the State of Maryland, the Division of Business Services (the Division) publishes the Comprehensive Annual Financial Report of the Board of Education of Baltimore County (the Board). The responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation rests with the administration of Baltimore County Public Schools (BCPS). We believe the data as presented are accurate in all material aspects and that they are presented in a manner designed to set forth the financial position and results of operations of the Board as measured by the financial activity.

All matters relating to education and operations in BCPS are governed by 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, providing quality education for all students of Baltimore County. With the advice of the superintendent, the Board establishes schools and determines the geographical attendance areas for them. Upon recommendation of the Superintendent, the Board approves education policy that governs the management and conduct of the school system. The activities, funds, and entities related to BCPS included in this Comprehensive Annual Financial Report are those in which the Board exercises oversight responsibility.

All funds and accounts of the Board are included in this Comprehensive Annual Financial Report. While the Board is an entity created and governed by state law, it has been defined as a component unit of the Baltimore County Government for financial reporting purposes. Therefore, the Board is included in the Comprehensive Annual Financial Report of Baltimore County. This Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. The introductory section includes a list of principal officials, the organization chart of BCPS, and this transmittal letter. The financial section includes the independent auditors' report, management's discussion and analysis, the basic financial statements, and individual fund financial statements. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

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

The report is available to all interested parties. Copies of the report are forwarded to Board members, the superintendent's staff, appropriate officials of the State of Maryland and Baltimore County, and all of the Baltimore County public schools and Baltimore County public libraries. Copies are also distributed to other school districts, individuals, and organizations upon request.

THE REPORTING ENTITY AND ITS SERVICES

BCPS ranks among the 25 largest school systems in the United States. The school system covers 610 square miles in the north central part of the state and combines urban, suburban, and business regions with vast farmland and waterfront areas. The school system reflects this diversity in its student population of more than 106,000 students in grades preK–12. The students are served by more than 15,000 full-time employees, including more than 7,000 teachers, making BCPS one of the largest employers in the region. More than 24,000 volunteers also support student achievement throughout the school system.

During the 2006-2007 school year BCPS operated 169 schools, centers, and programs. One hundred three elementary schools served the needs of children in grades preK–5. Additionally, 27 middle schools served students in grades 6–8 and 24 high schools served students in grades 9–12. Four special schools served children of various ages with disabilities. Another nine centers and two programs provided services including evening high school, alternative education, home assessments, technical programs and services to students confined to their homes or in hospitals.

Guided by the pledge that BCPS is "focused on quality and committed to excellence," BCPS continues to focus on clear and measurable goals, the first and most important of which is improving achievement for all students. The school system draws strength from and is committed to enhancing the quality of its school-community relationships. Therefore, the school system is dedicated to delivering a high-quality, rigorous academic program in the classrooms of every school in an environment that is safe and conducive to learning.

The core academic program is enhanced by magnet, school-to-career, gifted and talented, English for speakers of other languages, and extensive acceleration programs and services. As tools to support the academic program, the school system offers a variety of other services to students and their parents through guidance counselors, nurses, psychologists, and pupil personnel workers.

MAJOR INITIATIVES

Blueprint for Progress and the Master Plan

As a public educational system, the vision of BCPS is to produce graduates who have the content knowledge, skills, and attitudes to reach their full potential as responsible, productive citizens. BCPS believes that all students can and will learn and achieve when the necessary conditions for that learning are provided: a rigorous curriculum, highly qualified teachers, and proven strategies for learning. While student success ultimately depends on the individual, it is the relationship between and among teacher, child, and parent that will provide the supportive environment necessary for high achievement. The continuing commitment of the school system in support of this relationship will have a significant effect on ensuring that all students succeed at high levels.

The BCPS *Blueprint for Progress,* which is aligned with the Maryland Bridge to Excellence Act and serves as the framework for the BCPS Master Plan, sets forth a number of performance goals and specific performance indicators for each goal. These goals and indicators are the concrete,

measurable statements of the expectations we have for all students in BCPS. Taken as a whole, these goals (which include the five Elementary and Secondary Education Act goals) and performance indicators provide an overview of the standards that will be used to measure student achievement and define school system accountability for that achievement. Rather than focus on specific achievement gaps in the strategies, the *Blueprint for Progress* establishes that the school system is accountable for meeting these high standards for *all* students.

For the Year

During the 2006-2007 school year, BCPS continued to expand access to early childhood education by adding pre-kindergarten and full-day kindergarten to the offerings at a number of schools. The school system strengthened its focus on teacher and staff recruitment and retention through new and more intense recruiting initiatives, and systemwide salary increases. In the classroom, the school system advanced its commitment to offering more rigorous coursework and greater access to higher-level courses than ever before. In the community, the school system focused staff and other resources on meaningful community engagement in support of student achievement.

As a result of the hard work, focus, and determination of our students, teachers, and administrators and the support of parents, community, and elected officials, BCPS continues to make steady and significant progress.

The following represent highlights of the most recently reported achievements (school year 2006-2007 data not yet available):

- Baltimore County's Maryland School Assessment scores have risen consistently for the past four years. In 2005-2006, scores remained consistent or increased in all grades tested in reading and mathematics.

- In 2005-2006, in reading, all elementary school grades exceeded the elementary school (state-specified) annual measurable objectives (AMO) by at least 16 percentage points, and all middle school grades exceeded the AMO by at least 8 percentage points.

- At the elementary and middle school levels, Asian, African American, White, Hispanic, Free/Reduced Meals, and Limited English Proficient student groups have all evidenced improvement in reading. In addition, at the middle school level, the American Indian student group also evidenced improvement.

- In 2005-2006, in mathematics, all elementary school grades exceeded the elementary school mathematics AMO by at least 13 percentage points, and all middle school grades exceeded the middle school mathematics AMO by at least 15 percentage points.

- At the elementary and middle school levels, Asian, African American, White, Hispanic, Free/Reduced Meals, Special Education, and Limited English Proficient student groups have all evidenced improvement in mathematics.

- In reading, 80.8% of students taking the Alt-MSA (an alternative assessment for students with significant cognitive disabilities) scored in the proficient or advanced category in 2005-2006, and 82.4% scored in the proficient or advanced category in mathematics in 2005-2006. These percentages remain well above the AMO.

- Advanced Placement participation has continued to increase from a baseline of 1.7% in 1989-1990 to 10.7% in 2005-2006. During this period of dramatic increase in participation, pass rates have remained above the global pass rate of 60% and the BCPS pass rate goal of 70%. The system-wide pass rate for 2005-2006 is 70.8% and has remained constant since 2002-2003.

- The rate of student participation in the SAT has risen dramatically for the past four years. For the class of 2006, 66.7% of BCPS high schools met or exceeded the national SAT participation rate, as compared with 56.5% for the class of 2005, an increase of 10.2 percentage points. SAT data for 2005-2006 indicated an increase in the percent of high schools that met or exceeded the national SAT combined average of 1021. Overall, SAT combined scores decreased slightly as participation increased (a national trend); however, SAT combined scores increased for some student groups such as ESOL and Hispanic students.

- The percentage of highly qualified teachers increased from 87% in 2004-2005 to 93.9% in 2005-2006.

- The percentage of highly qualified middle school mathematics teachers rose from 79.4% in 2004-2005 to 83.5% in 2005-2006. The percentage of newly-hired highly qualified teachers in Title I schools was 84.2% in 2004-2005 and increased to 97.4% in 2005-2006. The percentage of highly qualified paraprofessionals has nearly doubled from 45.1% in 2002-2003 to 88.6% in 2005-2006.

Sustained progress is made possible because of a systemwide focus on student achievement. As a results-oriented organization, BCPS aligns every activity and function of the school system with efforts to improve student achievement. The citizens of Baltimore County expect nothing less than a quality education for *all* children.

Capital Facilities

BCPS operates schools, centers, and programs in 169 facilities. The average original construction age of all BCPS schools is 45 years old. The school system began a focused maintenance and systemic school renovation program in 1998 to address deficiencies identified among the old and aging buildings. To date, renovation work at 97 elementary schools and four special schools has been completed. Systemic or limited renovations at eight middle schools are complete, with an additional 18 middle schools under renovation.

More than 400 construction and building projects, including major renovations and modernizations at various elementary, middle, and high schools were underway during fiscal year 2007. In addition to renovations to school plumbing, electrical, ventilation, heating, and cooling systems, the work consists of improvements to cafeterias, media centers, computer systems, security

systems, and various other areas. Renovations enhancing the instructional program include renovations of science, mathematics, and art instructional areas.

Among the most prominent projects completed or underway during the year were construction of Windsor Mill Middle School, Vincent Farm Elementary School, and an addition/renovation to Kenwood High School. Windsor Mill Middle School, which opened in August 2006, features 39 teaching spaces, a fine arts wing, media center, gymnasium, and cafeteria/auditorium. The Kenwood High School project, which is scheduled to be completed in 2007, involves a complete renovation of the technology education building and the construction of a 400-seat classroom addition. Vincent Farm Elementary School, scheduled to open in August 2008 is under construction and is anticipated to cost $25 million.

For the Future

The Baltimore County Public Schools' *Blueprint for Progress* and Master Plan will continue to serve as the foundation and guide as the school system continues to advance academic achievement by equitably linking resources to students needs. The results will be accelerated student achievement, the elimination of all student performance gaps, and graduates who meet high standards and have the knowledge, skills, and attitudes to reach their potential in our multicultural society and global economy.

System, Staff, and Student Achievements

- *Newsweek* magazine has recognized ten Baltimore County public schools – 40% of BCPS high schools – in its list of "Top High Schools" for 2007. The list, compiled with *The Washington Post,* identifies more than 1,200 schools, approximately the top five percent of high schools in the nation. Baltimore County schools on the list are: Catonsville, Dulaney, Eastern Technical, Franklin, Hereford, Loch Raven, Parkville, Pikesville, Towson, and the George Washington Carver Center for Arts and Technology. The number of Baltimore County schools included on the *Newsweek/Washington Post* list has grown from seven in 2005 to eight in 2006 and ten in 2007.

- Based on a study conducted by the Editorial Projects in Education Research Center, the June 12, 2007, issue of *Education Week* identifies BCPS as having the fourth highest graduation rate among the nation's 50 largest school districts.

- BCPS was named one of the "Best 100 Communities for Music Education in America" for 2007. BCPS also received this honor in 2004 and 2006.

- From the class of 2007, the first 40 AVID (Advancement Via Individual Determination) students to report the scholarships they have received have amassed more than $1.28 million in scholarships. AVID is a system that accelerates the academic progress of underachieving students and students from low-income families and prepares these students for college.

- Charla Helmers of Dundalk Elementary School was selected as the *Preserve America* History Teacher of the Year Award winner for the state of Maryland. In addition to a $1,000 award to

support her work, Helmers will also receive copies of historical documents, including newspapers, shipping papers, slave trade papers, and various business documents related to the Dundalk area, to house in the school's library media center.

- This past summer, Superintendent Dr. Joe A. Hairston and five BCPS administrators traveled to China as part of educational tours designed to increase connections between American and Chinese educational systems. Superintendent Hairston traveled to China from June 29 to July 8 to participate in the China 13th Educational Leadership Conference sponsored by the Department of Educational Leadership and Policy Studies at Virginia Tech.

- This year, Dumbarton Middle School has been recognized for Excellence by the National Geographic Society based on Max Amberger's third-place finish in the Maryland State National Geographic Bee. Each year, the National Geographic Society recognizes three schools in every state for their excellence in teaching geography based on their performance in their state National Geographic Bee.

- Students from Sandy Plains Elementary School's Destination ImagiNation team, who came in second during state competition in April, competed against teams from 10 nations and across the United States in the Destination ImagiNation Global Finals, held in Knoxville, Tenn., from May 22-27. The team from Sandy Plains placed 27th out of 72 participating teams. Destination ImagiNation Global Finals bills itself as the largest creativity competition of its kind held anywhere. Destination ImagiNation is a community-based program that builds participants' creativity, problem solving, and teamwork in enjoyable and meaningful ways. Teams of five to seven members work together to apply creativity, critical thinking, and other talents to their particular projects.

- Two Baltimore County Public Schools magnet programs were recognized and two BCPS students received national awards at the 2007 Magnet Schools of America 25th National Conference on Magnet Schools. Cromwell Valley Elementary Regional Magnet School of Technology was one of only 40 magnet schools in the nation and the only school in Maryland that received a 2007 Magnet School of Excellence Award. Lutherville Laboratory, a magnet school specializing in science, mathematics, and communications, was one of only 59 magnet schools in the nation and the only school in Maryland to receive a 2007 Magnet School of Distinction Award.

- Up to 300 dance educators and students from across the country saw the All-County Honors Dance Ensemble perform at the National Dance Association's 75th Annual Gala. This event was part of the national convention for the American Alliance for Health, Physical Education, Recreation and Dance (AAHPERD), held in Baltimore from March 13-17. This is the first year that the Baltimore County Public Schools' Office of Dance Education has selected an honors ensemble, and the first performance of this 18-member student group before a national audience.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to BCPS for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. This was the eleventh consecutive year that the Board has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit 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.

A Certificate of Achievement is valid for a period of one year only. This CAFR was prepared to meet the Certificate of Achievement Program's requirements and will be submitted to the GFOA for consideration.

The Association of School Business Officials International (ASBO) has awarded a Certificate of Excellence in Financial Reporting to BCPS for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. The Certificate of Excellence in Financial Reporting is the highest form of recognition in school system financial reporting issued by ASBO International. This CAFR was prepared to conform to the Certificate of Excellence program requirements and will be submitted to ASBO for consideration.

ECONOMIC CONDITION AND OUTLOOK

Baltimore County, with a population of 787,384, contributes 431,861 workers to the region's labor force. Baltimore County has the largest population and labor force in the metropolitan area. It is the largest jobs center in the metro area and the second largest in the state behind only Montgomery County. The county's economy is highly integrated with those of the other jurisdictions in the region, as evidenced by the significant degree of inter-jurisdictional commuting. Of Baltimore County residents 16 years or older, 47.3%, nearly half of the county's workforce, work outside of the county. At the same time, approximately 42% of jobs located in Baltimore County are filled by non-residents.

Baltimore County's unemployment rate for calendar year 2007 (through June) was 4.1% and remains near historic lows and below the Baltimore metropolitan area unemployment rate of 4.2%.

From 2004 to 2006 (the last period for which data is available), employment in Baltimore County increased by 10,780 jobs. The rapid job growth over the past two years more than counterbalances the modest growth of 2000-2003, raising employment to an all-time high and positioning Baltimore County as a leader in the State of Maryland for employment growth.

With more than a third of the population 25 years or older holding a bachelors degree or higher, Baltimore County's workforce continues to be a major asset for economic development attraction for many business sectors. Other economic development opportunities include maximizing the impact of successful technology clusters, such as:

- Pharmaceuticals and medical manufacturing, led by BD Diagnostics, the largest bioscience employer in the State of Maryland.
- Modeling, simulation and digital entertainment cluster, which uses game technology for entertainment, military training, and health applications.
- Information technology and operations centers such as the headquarters of the Social Security Administration, and the Centers for Medicare and Medicaid, and the concentration of private sector companies providing support such as Lockheed Martin Information Technology and VIPS.
- Defense contractors doing business with Aberdeen Proving Ground and Ft. Meade.
- Opportunities to capture new private contractors will increase as the Base Realignment and Closure (BRAC) process will bring an estimated 36,500 new jobs to the Baltimore region over the next 3-10 years.

Baltimore County enjoys a diverse economic base, ranging from heavy concentrations in transportation, trade and manufacturing, to high-technology and financial service sectors. The county's 21,740 businesses employ more than 375,368 workers. Major employers include world headquarters for McCormick & Company, CareFirst BlueCross & BlueShield, T. Rowe Price, Towson University, the Greater Baltimore Medical Center, Mittal Steel, Franklin Square Hospital, BD Diagnostics, University of Maryland Baltimore County, Lockheed Martin, Solo Cup, Bank of America, Black and Decker world headquarters, UPS, AAI, Procter & Gamble Cosmetics & Fragrance Division headquarters, St. Paul Travelers, and Middle River Aircraft Systems. The Social Security Administration and The Centers for Medicare and Medicaid headquarters together employ nearly 13,000 federal workers.

Service industries comprise more than 70% of county employment led by trade, transportation and utilities sector, which account for 20% of total employment. Over the last decade, the professional and business services, education and health services, and financial activities sectors have been the fastest growers of the county economy.

Major Economic Development Department Initiatives

Commercial Revitalization – The Commercial Revitalization Program's goal is to successfully reposition the county's traditional community-based business districts. The specific objectives are to (1) retain and attract quality retail, office, service, residential, entertainment, and institutional uses to create well-balanced and economically vital commercial centers; (2) improve the appearance and pedestrian orientation of the districts; and (3) market and promote the districts to potential businesses as well as patrons. To implement these objectives, Baltimore County encourages private reinvestment through targeted public investment in 13 designated districts. Public incentives to foster a complementary mix of uses at sustainable densities include direct financial assistance to the business and/or property owners, key infrastructure improvements including parking garages, sewer expansions, and road realignments and improvements, flexible zoning to address unique redevelopment issues, and customized marketing and recruitment.

Over the past year, several critical redevelopment projects have begun construction in the revitalization districts. In Towson, the largest commercial revitalization district, these projects include a $190 million, 900-unit condo/apartment complex called the Quarters at Towson Town;

the expansion of Towson Town Center with three nationally recognized restaurants and specialty retail stores; the $70 million expansion of independent and assisted living units in the Edenwald Retirement Community; and a $4.5 million freestanding building for Fidelity Mutual Fund Investment. These redevelopment successes are being repeated in smaller districts and include an $8.7 million renovation of three historic buildings in Dundalk containing a mix of residential, office, and retail space.

Countywide Redevelopment – The county is focusing increased attention and resources on redeveloping previously industrial and commercial properties in the Southwest Enterprise Zone, including the Halethorpe-Arbutus industrial area, which is seeing a huge influx of investment, new jobs, and new business activity. Several companies have built or renovated new facilities in this area, including: Bakery Express, Ferguson Enterprises, Environmental Quality Resources, Cowen Systems, and Preston Partners. These companies will bring more than 600 new jobs over the next 12-18 months.

The U.S. General Services Administration auctioned the 1.9 million square foot Federal Depot facility in Middle River in 2006 for $37.5 million. The Depot is strategically located near the waterfront and Martin State Airport, and just minutes from I-95 along the newly opened extension of MD 43. Baltimore County is working with the new owners of the property, a New York-based development team, to encourage a quality redevelopment that will incorporate a mix of business, residential and commercial uses.

Capital Improvements – The availability of public infrastructure is critical to business location decisions. The county and state are moving forward aggressively to construct several road projects to provide access to enable key development opportunities, the largest of which is the now completed $60 million 3.8-mile road extension of MD 43 to Eastern Avenue. In a major effort to boost the economy of Baltimore County's east side, the extension of MD 43 opened 1,000 acres of land-locked, industrially-zoned properties just two miles from I-95 and the White Marsh Growth Area. The development, Baltimore Crossroads @95, is the largest development-ready land opportunity between Philadelphia and Richmond along I-95. Since the road opened in 2006, Crossroads, which holds the potential for 10,000 new jobs, has seen significant speculative and tenanted construction of office, flex, and industrial buildings.

The county and state have broken ground on the Metro Center at Owings Mills. The new transportation-oriented development is being constructed on a 43-acre site surrounding the terminus of the Baltimore Metro system. The largest transportation-oriented development in the Baltimore metropolitan area, the $280 million project will provide 1.2 million square feet of office space, 235,000 square feet of retail space, nearly 500 residential units, a hotel, a public library, and a community college.

In 1996, as part of the implementation of the Eastern Baltimore County Revitalization Strategy, the county extended Kelso Drive enabling the development of the Marshfield Business Park. To date, 1.3 million square feet of commercial space has generated 500 jobs with companies such as U.S. Can, Restoration Hardware, and DAP Products, Inc. In late 2006, the county began construction of another extension of the road at a cost of $1.2 million, opening up more than 100 acres of new land for industrial development.

Enterprise Zone – An enterprise zone is a tool the State of Maryland offers to local jurisdictions for promoting economic development in certain qualifying areas. Baltimore County has two Enterprise Zones, the North Point Zone, located along the industrial North Point corridor in southeast Baltimore County, and the Southwest Zone, located in the Washington Boulevard/Hollins Ferry Road industrial corridor. Together, these two areas contain over 5,000 acres of industrially zoned land, and over 350 businesses. Since the approval of the first zone in December 1995, 120 businesses in the two zones have committed to investing over $137 million in real property improvements and $211 million in machinery and equipment. In addition, 2,222 new jobs have been created.

Economic Development Financing Assistance – In FY2007, Baltimore County provided financial assistance to 41 companies for various projects with significant economic benefit for the County. In each of these projects, the county has leveraged its investment with additional financial assistance provided by public or private resources. Together, these projects are expected to result in over $208 million in new investment.

In fiscal 2007, major economic development activities occurring in Baltimore County include:

- ArcelorMittal SA announced its intention to sell its steel mill in Sparrows Point to a multi-national joint venture led by Chicago-based Esmark Inc. The Sparrows Point mill posted a $100 million profit under ISG and Mittal. The plant employs 2,300 people and produces three million tons of steel a year.

- BGE Home has announced it will expand its business and consolidate operations in a new headquarters facility to be built at Baltimore Crossroads @95. The 55,000-square-foot facility will employ 200 people immediately and up to 400 people over the next few years. Capital investment for the home improvement and services company is $11,000,000.

- St. Johns Properties has leased space in the 1,000-acre Middle River Business Park to Surety Recovery Management, Matthai Material Handling, Brinks Home Security, International Nutrition, Trans Union, and XIGroupAuto. Alexander's Mobility, a moving and storage company, has also signed an agreement to build a new facility that will employ 150 people.

- Franklin Square Hospital, a facility of MedStar Health, is developing a five-story medical tower at its Rossville campus. At completion of the $225 million, 388,000-square-foot building, the hospital expects to add 300 employees.

- CoStar, a provider of information services to the commercial real estate industry, is opening a new business division at 8140 Corporate Drive in White Marsh. The firm has leased 38,000 square feet of office and research space. The new location will employ more than 250 people, with capital investment of $1.6 million.

- Maryland Metals Processing has added a new product line and is completing work on a new 12,000-square-foot warehouse at its North Point Boulevard metal products manufacturing facility.

- SC&H, a business services firm providing accounting, auditing, and management consulting services, has purchased and renovated a 56,323-square-foot building at 910 Ridgebrook Road in Sparks. The new facility has room for up to 300 employees, including 50 new positions. The move represents more than $9 million in capital investment.
- Tessco**,** a supplier of wireless telephone products including hand sets and cell towers, is leasing an additional 65,000 square feet on McCormick Drive for warehouse space. Tessco also re-signed leases for its headquarters and office location.

FINANCIAL INFORMATION

Budgeting and Accounting Controls

The Board prepares an annual budget for both the General and Special Revenue Funds. These budgets are submitted to the county government for approval 120 days prior to the end of the current fiscal year. The Baltimore County Council adopts the budget by June 1 each year. The General Fund budget is adopted by categories (e.g., administration, instructional salaries, special education) prescribed in Maryland state law. Transfers between categories during the year also require Baltimore County Council approval. The Special Revenue Fund budget is adopted at the fund level.

BCPS maintains a system of budgeting and accounting controls designed to assist management in meeting its responsibilities for reporting reliable financial information. The system is designed to provide reasonable assurance that assets are safeguarded and transactions are executed and recorded with management's authorization. Internal control systems are subject to inherent limitations with regard to the necessity of balancing costs against the benefits produced. Management believes that the existing system of budgeting and accounting controls provides reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected within a timely period. During the year, interim financial reports are available to the Board and school system administrators. Account managers are responsible for assuring that planned expenditures are within remaining appropriation balances delineated by category and object of expenditure and, in some cases, by location.

OTHER INFORMATION

Independent Audit

The financial statements for fiscal year 2007 have been audited by Clifton Gunderson LLP in accordance with Section 5-109 of the Public School Laws of Maryland. The independent auditor's report is included in the financial section of this report.

General Information

The statistical section of this report provides the reader with supplemental information, including government-wide and governmental funds expenditures and revenues on a multi-year basis. Enrollment tables and miscellaneous statistics are also included in this section.

Acknowledgments

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Department of Fiscal Services, the Office of Internal Audit, and Clifton Gunderson LLP. BCPS would like to express appreciation to all other departments and individuals who assisted in the timely closing of the BCPS financial records and the preparation of this report.

Conclusion

This report has been prepared to provide financial information for fiscal year 2007, which ended June 30, 2007, in a manner consistent with the goals and objectives of the Board of Education of Baltimore County. Should you have any questions about the financial details, needs, or plans for the Baltimore County Public Schools, please do not hesitate to call or write.

Sincerely,

Dr. Joe A. Hairston
Superintendent

J. Robert Haines, Esq.
Deputy Superintendent

Barbara S. Burnopp
Chief Financial Officer

The Government Finance Officers Association of the United States and Canada

presents this

AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

Department of Fiscal Services

Baltimore County Public Schools, Maryland

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

Executive Director

Jeffrey R. Esser

Date May 31, 2007

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL

This Certificate of Excellence in Financial Reporting

is presented to

Baltimore County Public Schools

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2006
upon recommendation of the Association's Panel of Review
which has judged that the Report substantially conforms
to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

Members of the
Board of Education of Baltimore County
Baltimore, 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 Board of Education of Baltimore County (the Board), a component unit of Baltimore County, Maryland as of and for the year ended June 30, 2007 which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general and special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2007 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 19 through 34 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The accompanying supplementary information such as the introductory section and statistical section 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 Statement of Changes in Assets and Liabilities – School Activities Agency Fund have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Clifton Gunderson LLP

Baltimore, Maryland
September 26, 2007

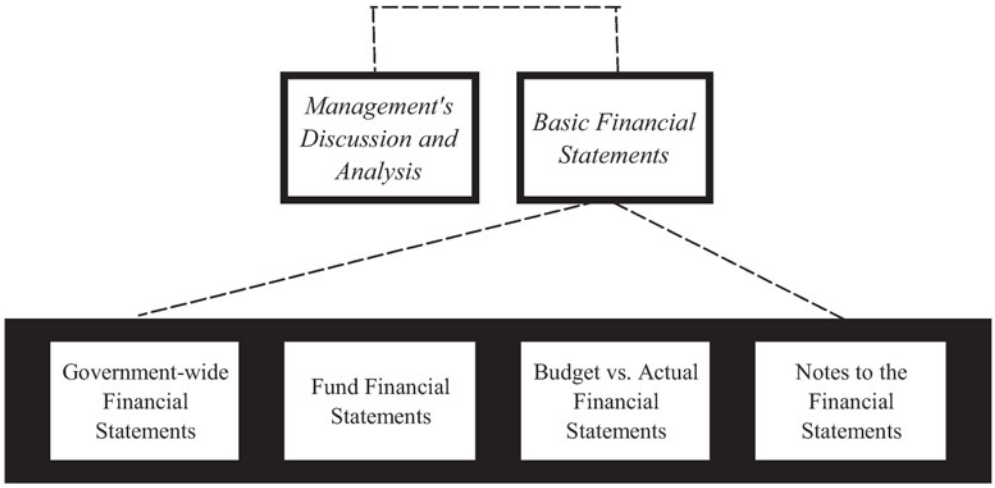
Board of Education of Baltimore County
Management's Discussion and Analysis

As management of the Baltimore County Public Schools, we offer the readers of the Board of Education of Baltimore County's (the Board) financial statements this narrative overview and analysis of the financial activities of the Board for the fiscal year ended June 30, 2007. The Management's Discussion and Analysis, financial statements, and related notes are the responsibility of management. We encourage readers to consider the information presented here in conjunction with the Board's basic financial statements which follow.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Board's basic financial statements. The Board's basic financial statements include four components: 1) government-wide financial statements, 2) fund financial statements, 3) budget versus actual financial statements, and 4) notes to the financial statements.

Required Components of the Board's Annual Financial Report



BASIC FINANCIAL STATEMENTS

The basic financial statements include three kinds of financial statements that present different views of the Board – the *Government-wide Financial Statements* (pages 38 and 39), *the Fund Financial Statements* (pages 40, 42, and 46-49), *and the Budget to Actual Financial Statements* (pages 44 and 45). These financial statements also include the *Notes to the Basic Financial Statements* (pages 51-72) that explain some of the information in the financial statements and provide more detail.

Government-wide Financial Statements

The Board's G*overnment-wide Financial Statements* provide a broad view of the Board's operations in a manner similar to a private sector business enterprise. The statements provide both short-term and long-term information about the Board's financial position, which assists in assessing the Board'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 Board's assets and liabilities, with the difference between the two reported as "net assets." The statement combines and consolidates all of the Board's current financial resources (short-term spendable resources) with capital assets (net of accumulated depreciation) and liabilities, distinguishing between governmental and business-type activities. The end result is net assets segregated into three components: invested in capital assets net of related debt, restricted, and unrestricted net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The *Statement of Activities* presents information showing how the Board'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. Thus, revenues and expenses are reported in this statement for some items that will not result in 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 Board. The majority of the Board's revenue is general revenue, grants and contributions from other governments.

Both of the above statements include separate sections to distinguish between those functions 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)*.

The governmental activities of the Board include Administration, Mid-level Administration, Instruction, Special Education, Student Personnel Services, Health Services, Operation of Plant, Maintenance of Plant, Student Transportation, Community Services, and Capital Outlay. These activities are mostly supported by county and state appropriations mandated in accordance with state law, and state and federal grants.

The Board's only business-type activity is the food service operation, which serves lunch in all Baltimore County Public Schools, and serves breakfast programs at many schools. The food service operation is primarily supported by charges for meals, donated federal food commodities, and reimbursements in accordance with government food programs.

The government-wide financial statements can be found immediately following *Management's Discussion and Analysis.*

Fund Financial Statements

The fund financial statements focus on major funds and on individual parts of the Board's operations. All of the funds of the Board can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds, each of which use different accounting approaches and should be interpreted differently. The three categories are as follows:

Governmental Funds Financial Statements – Most of the basic services provided by the Board are accounted for in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on balances of spendable resources at the end of the fiscal year. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in reconciliations found on pages 41 and 43.

The basic governmental fund financial statements can be found on pages 40 and 42 of this report.

Proprietary Fund Financial Statements – Proprietary funds are used to show activities that operate more like those of commercial enterprises. These type funds charge fees for services that are provided to outside customers. Proprietary funds provide the same type

of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the full accrual basis of accounting and the economic resources measurement focus. Therefore, no reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

The Board has one proprietary fund, the Food Service Fund, which is considered a major fund for presentation purposes. The Food Service Fund operates all the school cafeterias and provides breakfast and lunch to students and staff.

The basic proprietary fund financial statements can be found immediately following the governmental fund financial statements on pages 46-48 of this report.

Fiduciary Fund Financial Statements – The fiduciary funds are used to account for resources held for the benefit of parties outside the Board. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Board's own programs. Accordingly, there is no analysis of the Board's fiduciary funds included in this Management's Discussion and Analysis. The accounting used for fiduciary funds is much like that used for proprietary funds – the accrual basis of accounting.

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

The basic fiduciary fund financial statement, the Statement of Fiduciary Net Assets, can be found immediately following the proprietary fund financial statements on page 49 of this report.

Budget and Actual Financial Statements

A Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual is presented for the General Fund and Special Revenue Fund – both of which have legally adopted annual budgets. These statements show both original and final adopted budgets, along with actual revenues and expenditures compared to the final budget. In these statements, open encumbrances are treated as expenditures. The Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual can be found immediately following the basic governmental fund financial statements on pages 44 and 45.

FINANCIAL HIGHLIGHTS AND ANALYSIS

GOVERNMENT-WIDE HIGHLIGHTS

The Board is a component unit of Baltimore County, Maryland, and is fiscally dependent on the Baltimore County Government and State of Maryland to appropriate funding for the

Board. The Board receives 54% of its governmental activities funding from the county, and 40% from the state. Additionally, the Board receives federal entitlement grants and competitive grants from the state and federal governments. Essentially all of the Board's funding for governmental activities is derived from these sources. The Board has no authority to levy taxes or issue bonded debt. Accordingly, the financial condition of the Board 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. Key financial highlights are as follows:

- The Board's net assets at the end of the fiscal year total $925 million, of which $896 million is invested in capital assets, net of related debt.
- Net assets increased $134 million during the year, most of which is attributable to capital construction projects. The county and state governments funded these construction projects. The county government issues debt to finance school construction, however, it is debt of the county government, and therefore is not reported in the Board's financial statements.
- Governmental activities general revenues account for $1.07 billion, 79% of governmental activities revenues and 77% of total government-wide revenues. Governmental activities program revenues in the form of charges for services, operating and capital grants, accounted for $278 million or 21% of all governmental activities revenues.
- Business-type activity net assets ($11.5 million as of the end of the fiscal year) increased $ 2.6 million during the year. This is primarily a result of a transfer of $2.5 million of capital assets from governmental activities. The transfer included capital equipment for certain school cafeterias that were funded through capital projects.

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 Board, assets exceeded liabilities by $925 million at the close of the most recent fiscal year.

The most significant portion of the Board's net assets (98%) reflects its investment in capital assets (land, buildings, vehicles, and equipment), net of related debt. The Board uses these assets to provide an education to the students of Baltimore 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 Board are returned to the county government, since the county is the primary funding source for school buildings. Because the Board has no authority to issue bonded debt, the only debt outstanding related to capital assets are capital leases for the purchase of vehicles (primarily school buses) and copiers. The county and/or state government may issue debt to finance school construction; however, it is not debt of the Board, and is not reported in these financial statements. Consequently, school buildings and construction in progress related to school buildings appear in the Board's

Statement of Net Assets, while any related outstanding debt issued by the county or state government does not.

The schedule below presents the net assets of the Board's governmental and business-type activities as of June 30, 2007 and 2006.

The Board of Education of Baltimore County's Net Assets (in thousands)

	Governmental Activities		Business-type Activity		Total	
	2007	2006	2007	2006	2007	2006
Current assets	$ 96,903	$ 73,430	$ 4,031	$ 2,303	$ 100,934	$ 75,733
Capital assets	907,154	775,092	9,138	7,873	916,292	782,965
Total assets	1,004,057	848,522	13,169	10,176	1,017,226	858,698
Current liabilities	64,170	42,757	1,416	1,039	65,586	43,796
Long-term liabilities	25,969	23,653	248	234	26,217	23,887
Total liabilities	90,139	66,410	1,664	1,273	91,803	67,683
Net assets:						
Invested in capital assets, net of related debt	896,795	765,576	9,138	7,873	905,933	773,449
Restricted	3,976	6,997	421	347	4,397	7,344
Unrestricted	13,147	9,540	1,946	684	15,093	10,224
Total net assets	$ 913,918	$ 782,113	$ 11,505	$ 8,904	$ 925,423	$ 791,017

A small portion of the Board's net assets (<1%) represents resources that are subject to external restrictions on how they may be used. The governmental activities restricted net assets result from grants where the resources must be used to carry out the intended purpose of the grantor. The restricted net assets of the business-type activity represent donated food commodities included in inventory of the food services operation. These commodities, received from the federal government, must be used in the preparation of meals served to school children as mandated by the U. S. Department of Agriculture.

Change in Net Assets

The Board's net assets increased $134 million. This is primarily because the Board receives intergovernmental capital grants and contributions (revenue) for school construction projects, yet has no corresponding liabilities. Additionally, most of the capital grants and contributions are capitalized as fixed assets. Accordingly, there is little current expense (i.e., depreciation) associated with this revenue. Also, since the Board is fiscally dependent on the county, state, and federal governments, expenses closely match revenue, with the exception of timing differences in relation to when an expense is recognized. The funding government(s) appropriate funds to the Board, which it spends to accomplish its goal of providing education to the children of Baltimore County. Any unspent funds are returned to the funding authorities and can be re-appropriated in subsequent fiscal years.

The difference between the current year and prior year change in net assets was $86 million, and is related to capital construction projects. During fiscal year 2007, approximately $157 million of capital grants was received and spent on school construction and renovation

projects, most of which is capitalized as fixed assets. The Board has been undertaking a significant phased school systemic renovation and modernization program over the last few years. Fiscal year 2002 was the culmination of phase one, the largest phase, which included work at 97 elementary schools and four special schools. The subsequent phases, which are underway now, include fewer projects and schools (middle and high schools), but higher expenditures. Work has been completed on eight middle schools and continues on eighteen others. Accordingly, expenditures on capital construction projects grew from $51 million in fiscal year 2004, to $57, $66 and $157 million in fiscal years 2005, 2006 and 2007, respectively. Those expenditures capitalized as assets exceeded current year depreciation expense by more than $132 million.

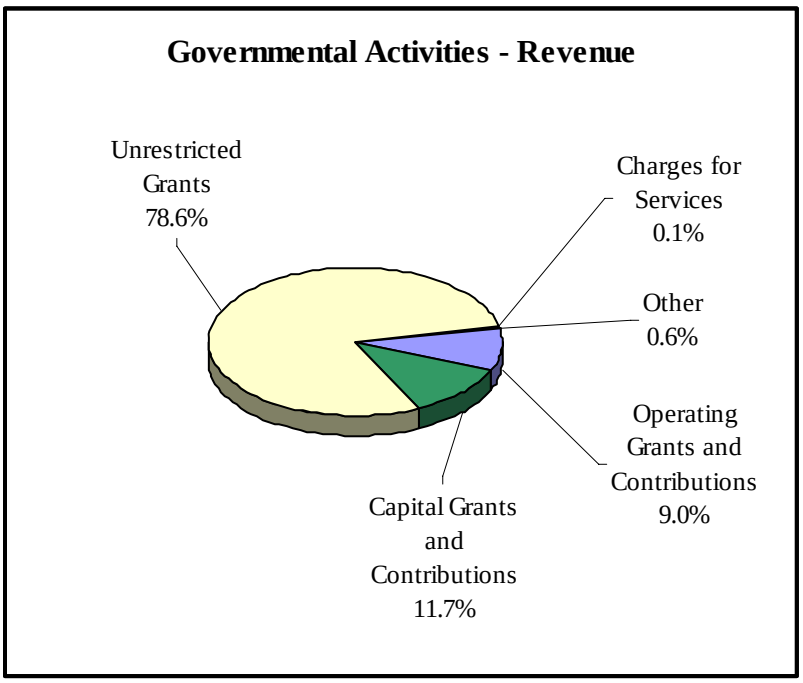
The schedule below shows the change in net assets for the Board's governmental and business-type activities for the current and prior years.

The Board of Education of Baltimore County's
Changes in Net Assets (in thousands)

	Governmental Activities		Business-type Activity		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	$ 918	$ 729	$ 17,966	$ 17,047	$ 18,884	$ 17,776
Operating grants and contributions	121,191	120,464	17,474	16,770	138,665	137,234
Capital grants and contributions	156,875	66,241	-	-	156,875	66,241
General revenues:						
Grants and contributions not restricted to certain programs	1,057,779	982,610	-	-	1,057,779	982,610
Other	7,924	8,484	-	-	7,924	8,484
Total revenues	1,344,687	1,178,528	35,440	33,817	1,380,127	1,212,345
Expenses:						
Administration	44,267	41,947	-	-	44,267	41,947
Mid-level administration	96,699	90,555	-	-	96,699	90,555
Instruction	664,039	619,315	-	-	664,039	619,315
Special education	194,330	182,781	-	-	194,330	182,781
Student personnel services	10,306	8,982	-	-	10,306	8,982
Health services	17,227	16,682	-	-	17,227	16,682
Student transportation	57,526	51,902	-	-	57,526	51,902
Operation of plant	90,631	83,464	-	-	90,631	83,464
Maintenance of plant	30,632	25,560	-	-	30,632	25,560
Community services	955	753	-	-	955	753
Capital outlay	3,463	8,563	-	-	3,463	8,563
Interest on long-term debt	263	226	-	-	263	226
Food services	-	-	35,383	33,279	35,383	33,279
Total expenses	1,210,338	1,130,730	35,383	33,279	1,245,721	1,164,009
Increase in net asssets before transfers	134,349	47,798	57	538	134,406	48,336
Transfers	(2,544)	(612)	2,544	612	-	-
Change in net assets	131,805	47,186	2,601	1,150	134,406	48,336
Net assets, beginning of year	782,113	734,927	8,904	7,754	791,017	742,681
Net assets, end of year	$ 913,918	$ 782,113	$ 11,505	$ 8,904	$ 925,423	$ 791,017

Governmental Activities

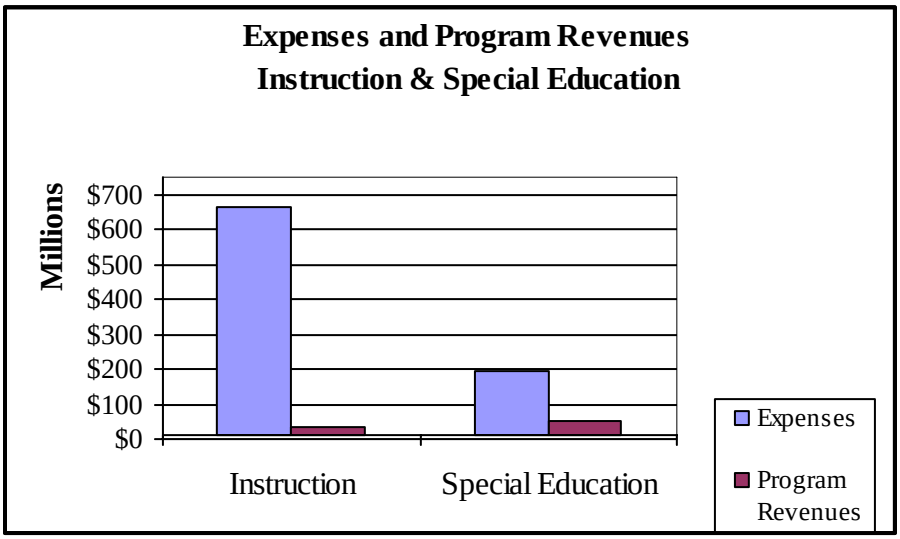
Governmental activities account for 98% of the increase in net assets of the Board. Although revenues increased during the current year because of increased grant funding and formula-driven mandatory county and state government appropriations, corresponding expenses increased proportionately. This occurs because of the Board's funding model previously described in the Government-wide Highlights section. Essentially, all of the increase is because of investment in capital assets through the school construction program. The chart below presents the Board's governmental activities revenue for the fiscal year ending June 30, 2007.

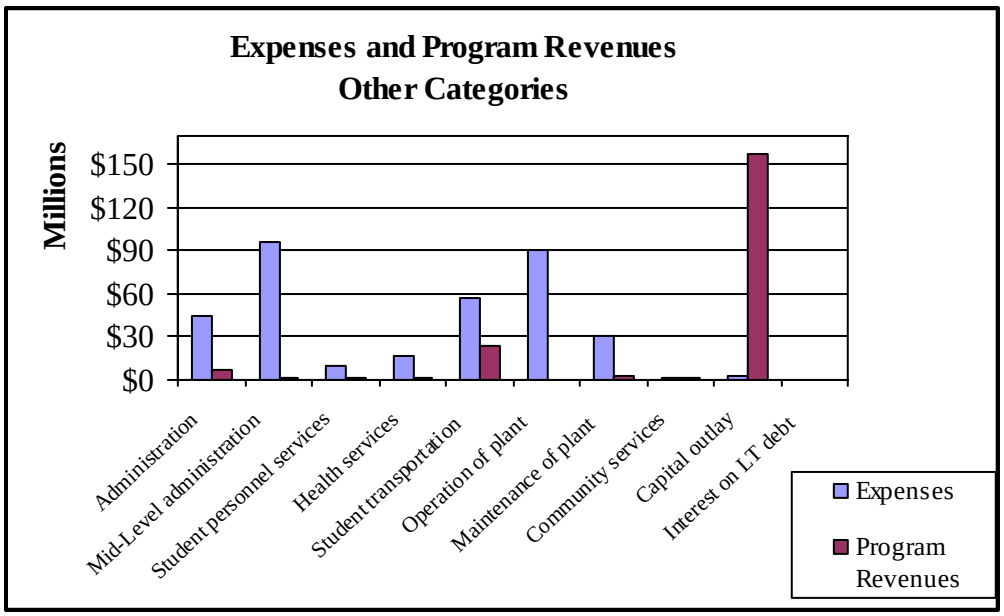


Governmental activities revenue increased overall $166 million from fiscal year 2006 to fiscal year 2007. This is due to increased funding from the county government of $87 million, increased funding from the state, under the State of Maryland Bridge to Excellence in Public Schools Act, of $61 million, and increased revenue from state capital grants for school construction of $18 million.

The graphs below represent the cost of each of the Board's instructional programs, as well as the program revenues (primarily intergovernmental aid) generated by each activity.

Governmental Activities





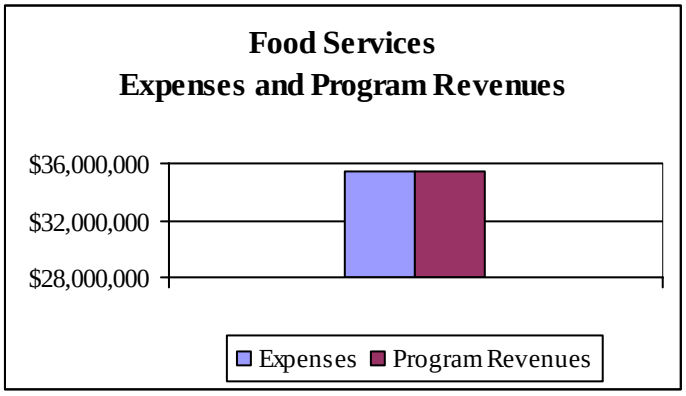
The following shows the cost of the Board's major governmental activities programs and the corresponding program and general revenues:

- The cost of all of the Board's educational programs was $1.2 billion.
- Instructional and special education programs account for $858 million (71%).
- School based and other instructional administration represents $97 million (8%).
- General administration represents $44 million (4%).
- Operation and maintenance of plant represents $121 million (10%).
- Student transportation represents $58 million (5%).
- Charges for services represent less than 0.1% of total expenses.
- Total program revenues are $278 million – 23% of total expenses.
- Capital grants and contributions represent $157 million (56%) of total program revenues
- Total general revenues are $1.07 billion – 86% of total expenses.

Business-type Activity

The Board's sole business-type activity is the food service operation that serves meals to students in the schools. Revenues from fiscal year 2006 to fiscal 2007 increased $1.6 million (4.8%) due to an increase in federal reimbursements under the free and reduced meal program of $0.6 million and increase in meal prices which produced an additional $0.9 million. While expenses increased $2.1 million (6.4%), program revenues exceeded expenses by $57,000. The largest increases in expenses were increases in salaries and benefits ($1.2 million), and cost of food sold ($0.6 million). A contribution of capital assets from the capital projects fund of $2.5 million accounts for most of the net assets increase of $2.6 million.

Business-type Activity



Key indicators of the change in net assets of the business-type activity follow:

- The contributed capital assets from the capital projects fund total $2.5 million.
- Operating expenses total $35 million, the largest portion being salaries, wages, and benefits of $18 million and cost of food sold of $13 million.
- Operating revenues total $18 million.
- Non-operating revenues, including federal and state reimbursement of food costs and donated federal food commodities total $18 million.

FUND HIGHLIGHTS

Governmental Funds

The assets of the Board's governmental funds exceeded liabilities at the end of the current fiscal year by $33 million *(net assets)*. Total governmental revenues increased over last fiscal year by over $167 million. This includes $87 million more from the county, $79 million more from the state and $2 million in additional federal grant funding. The increased revenues were offset by an increase in expenditures of $175 million.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds – Fund Balances

The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board'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 Board governmental funds reported combined ending fund balances of $33 million, an increase of $2 million. This includes a net deficit unreserved fund balance of ($129 million). This is attributable to the fund balance reserved for encumbrances of $161 million of which $143 million is related to capital projects. The total cost of construction projects is encumbered when the construction contract is awarded. However, revenue is generally recognized as expenditures are incurred. Accordingly, it is typical that the capital projects fund has a deficit unreserved fund balance. The net fund balance in the capital projects fund is the result of a $1 million transfer from the general fund to the capital projects fund for specific projects, for which expenditures have not been incurred as of the end of the fiscal year.

The general fund is the chief operating fund of the Board. At the end of the current fiscal year, the unreserved fund balance of the general fund was $10 million while the total fund balance was $25 million. The unreserved fund balance represents 0.9% of total fund expenditures, while the total fund balance represents 2.2% of total fund expenditures. These are typically useful as a measure of the general fund's liquidity. However, it is important to

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

During the fiscal year, the fund balance of the Board's general fund increased by $2.7 million. Any change in the Board's fund balance is a result of timing of expenditures. This is true because the Board's revenues and expenditures are fixed depending upon funding adopted by the county and state governments.

The fund balance of the special revenue fund decreased by $2 million during the current fiscal year due to expenditures from Medicaid reimbursements exceeding revenues.

Proprietary Fund

The Board's proprietary fund (Food Services Fund) provides the same type of information found in the government-wide financial statements, but in more detail.

The net assets of the Food Services Fund increased by $3 million during the current fiscal year. Operating revenues grew by $1 million. Almost all categories of expenses increased, including, the cost of food sold ($1 million), salaries and benefits ($1 million), maintenance and repair of equipment ($104,000), depreciation ($126,000), and administrative expenses ($134,000). The net income of $57,000 was supplemented by a transfer of $2.5 million from the Capital Projects Fund related to capital assets provided to the Food Services Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final General Fund budget was $13 million (1.2%) greater than the original adopted budget due to supplemental appropriations to use excess fund balance to fund a window replacement project and start up funding for a *Secondary Academic Intervention Model* program; additional state and county funding for special education non-public placements and the purchase of additional re-locatable classrooms; and additional federal funds through Medicare Part-D subsidies to fund other post employment benefits. During the year, transfers of appropriations were made between categories. Excess funds were transferred from the Special Education, Operations and Fixed Charges categories to various other categories due to increased costs for private bus contractors, legal settlements, and salaries due to position reorganizations.

Actual revenues were $1 million (0.1%) less than budgeted revenues. This is attributed primarily to the fact that the Board is fiscally dependent on the county and state governments for its funding, and the funding is adopted through the budget process prior to the start of the fiscal year. Once adopted, these appropriated amounts from the county and state rarely change. Federal revenue of $6 million for Medicare Part-D subsidies were received, but not originally budgeted. Other revenue was $7 million greater than originally budgeted, of which $5 million was a result of additional re-appropriation of the prior year fund balance.

Actual expenditures were $5 million (0.4%) less than the adopted budget. Most of this was attributed to the cost of utilities which were lower than expected, salary expenditures that were less than anticipated in the instructional salaries category and lower than expected special education costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Board's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to $896 million (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, improvements, equipment, and construction in progress. The Board has no infrastructure assets (roads, bridges, streets, etc.)

The following schedule shows the Board's governmental and business-type activities capital assets (net of depreciation) by type:

The Board of Education of Baltimore County's Capital Assets (in thousands)
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	$ 22,260	21,138	$ -	$ -	$ 22,260	$ 21,138
Buildings	629,688	562,272	495	524	630,183	562,796
Improvements other than buildings	34,697	14,801	-	-	34,697	14,801
Furniture, fixtures, and equipment	36,943	34,597	8,643	7,350	45,586	41,947
Construction in progress	183,566	142,284	-	-	183,566	142,284
Total	$ 907,154	$ 775,092	$ 9,138	$ 7,874	$ 916,292	$ 782,966

The total increase in the Board's capital assets during the year was $133 million. Major capital asset events during the fiscal year ended June 30, 2007, included the following:

- Construction costs of $6 million for the new Vincent Farm Elementary School
- Renovations of several middle schools totaled $117 million
- Construction costs of $5 million for the new Windsor Mill Middle School
- Construction costs for the addition to Kenwood High School total $9 million
- Re-roofing projects totaled $7 million

At the end of the current year, the Board had outstanding contractual commitments on construction projects totaling more than $142 million. Additional information on the Board's capital assets can be found in Note 5 on pages 65-67 of this report.

Debt Administration

The Board has no authority to issue bonded debt. The county or state may issue debt to finance school construction. The outstanding debt for school construction financing is reported in the financial statements of the issuing government, while the corresponding assets are reported in the Board's financial statements. During the fiscal year ended June 30, 2007, the total debt service costs paid by the county government to finance public school construction were $25 million.

The only debt carried by the Board is in the form of short-term (3-5 years) capital lease-purchase financing, primarily for school buses and other vehicles. Additional details of the Board's debt obligations can be found in Note 8 on pages 68-69 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Maryland state law requires the Board to submit its proposed fiscal year budget to the Baltimore County Executive by March 1 of the prior fiscal year. The County Executive then submits a proposed budget to the Baltimore County Council, which must adopt a budget by June 1st of the prior fiscal year. Accordingly, the new fiscal year budget is known prior to the end of the current fiscal year.

Maryland state law mandates a certain level of state and county funding for the Board based on formulas that include factors such as student enrollment, prior fiscal year per pupil expenditures, and the wealth of the county. The county is required, in compliance with state maintenance of effort calculations, to provide funding at least equal to the current year student enrollment multiplied by the county's local appropriation on a per pupil basis for the prior fiscal year. The county may also provide funding for one-time items that do not impact the maintenance of effort calculation in future years.

The general fund operating budget for the fiscal year July 1, 2007 – June 30, 2008 was adopted by the county council in May 2007. The total general fund operating budget adopted for fiscal year 2008 is $1.14 billion. The fiscal year 2008 operating budget is 6.3% more than the fiscal year 2007 final budget, an increase of $67.6 million. This increase is attributable to the following:

- The fifth year of the State of Maryland Bridge to Excellence in Public Schools Act includes an additional $67 million in funding.
- Additional funding from the county under the maintenance of effort and additional funding beyond maintenance of effort of $11 million.
- The additional state and county funding is offset by a $10 million reduction in anticipated other revenues.

The additional funding will be used for the following:

- $39 million for increases in salaries due to salary restructuring and step increases
- $12 million for mandatory built-in increases in health insurance
- $1 million to fund the *AdvancePath* alternative program
- $7 million for increased costs for fuel, utilities, and private bus operators
- $7 million to expand full day kindergarten to the final ten elementary schools and to staff the new Secondary Academic Intervention Model alternative school
- These increases are offset by a $6 million decrease from redirected priorities

The adopted capital projects budget for fiscal year 2008 includes county funding of $171.1 million and state funding of $52.2 million. This total includes funding for the following major projects:

- $76 million for the start of systemic renovations of high schools
- $27.4 million for window replacement projects at various schools
- $11.3 million for roof replacements at 9 schools and 1 administration building
- $13.8 million for additions to 3 elementary schools and 1 middle school
- $8.2 million for construction of an elementary school at the Vincent Farms site
- $58.6 million for the systemic renovation of 19 middle schools
- $1.8 million for design of a new elementary school

The adopted budget for the special revenue fund decreased $3 million because of a reduction in federal funding for special education.

The State of Maryland Bridge to Excellence in Public Schools and the federal No Child Left Behind acts established certain requirements for public school systems. These requirements include, but are not limited to; full-day kindergarten for all elementary schools by fiscal year 2007 - 2008; highly qualified teachers; expanded school choice options for parents; more frequent testing of students to ensure adequate yearly progress; all students must reach proficiency levels on state assessments by 2014; certification and assessment requirements for paraprofessionals; and extensive data tracking and reporting requirements. All of these requirements have significant potential cost impacts associated with them.

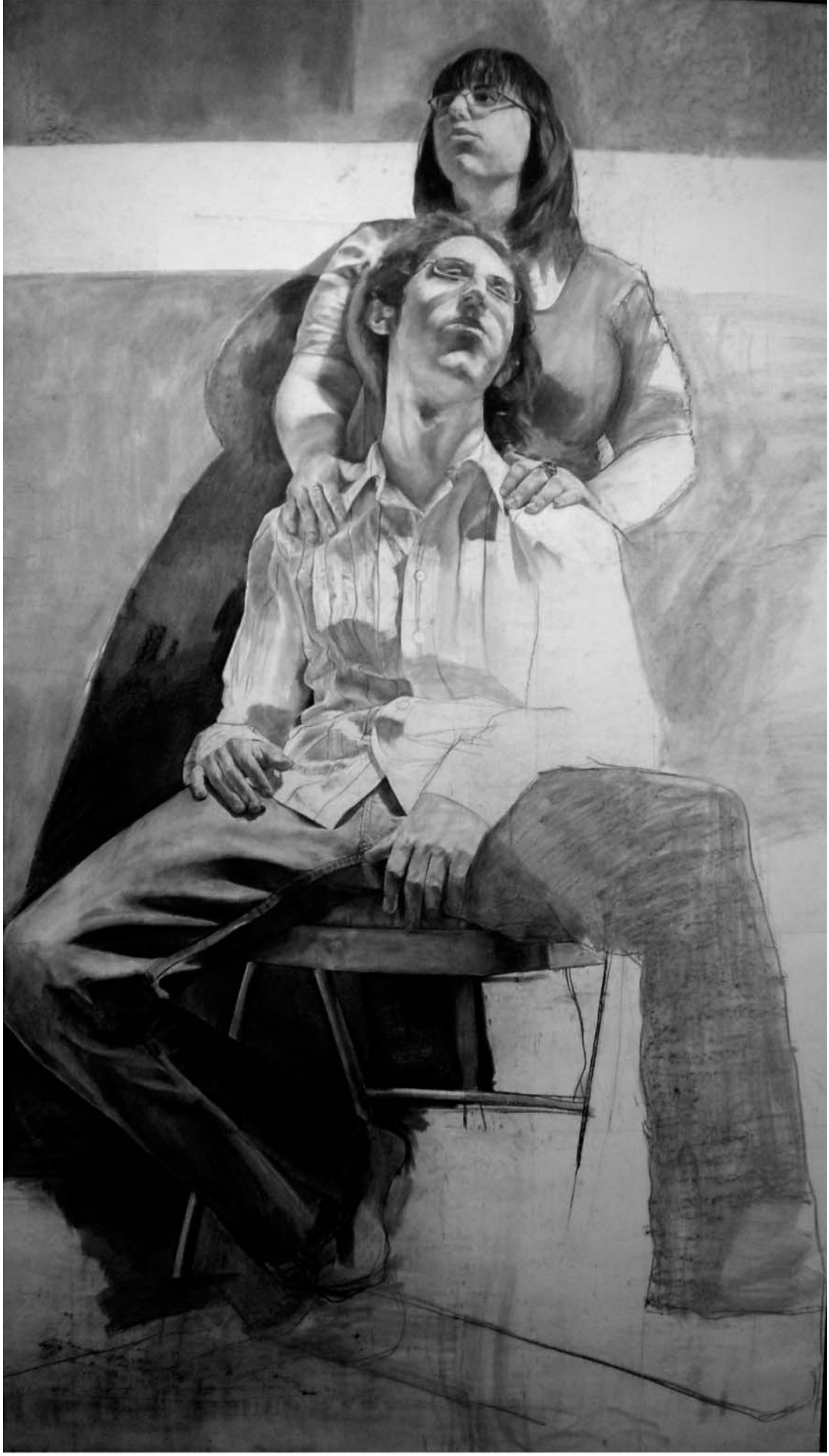
OTHER SIGNIFICANT MATTERS

In June 2004, the Governmental Accounting Standards Board issued its formal Statement No. 45 – *Accounting and Financial reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes a requirement for systematic, accrual-basis measurement and recognition of "other post-employment benefits" (OPEB) costs over a period that approximates employees' years of service. It also requires providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding these obligations. The Board must implement this standard for its fiscal year beginning July 1, 2007. During FY2008, the Board will have an actuarial analysis completed to determine the Boards' liabilities, annual required contributions, and funding status.

The County government established a Retiree Health Care Trust Fund on July 1, 2006. The trust fund participants include the County government, the Board and the Community College of Baltimore County. During the fiscal year ended June 30, 2007, the Board placed Medicare Part D subsidy funds totaling $2.5 million in the trust.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Board of Education of Baltimore County's finances for all those with an interest. The report seeks to demonstrate the Board's accountability for the funds it receives. Questions concerning any of the information contained in this report, or requests for additional information should be addressed to: Chief Financial Officer, Department of Fiscal Services, Baltimore County Public Schools, 1940G Greenspring Drive, Timonium, Maryland 21093.



Justin Sklar

Carver Center for Arts and Technology

Laurese Kelley

Woodlawn High School

Kari Opert

Patapsco High School and Center for the Arts

BOARD OF EDUCATION OF BALTIMORE COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2007
(In Thousands)

	Governmental Activities	Business-type Activity	Total
ASSETS			
Cash and cash equivalents	$ 18,021	$ 2,163	$ 20,184
Accounts receivable, net -			
Baltimore County	43,395	-	43,395
State of Maryland	13,626	884	14,510
United States Government	12,553	-	12,553
Other	4,826	15	4,841
Inventories -			
Food and Supplies	-	969	969
Other	548	-	548
Prepaid items	342	-	342
Restricted assets:			
Investments restricted for lease purchases	3,592	-	3,592
Capital assets (net of accumulated depreciation):			
Land	22,260	-	22,260
Buildings	629,688	495	630,183
Improvements other than buildings	34,697	-	34,697
Furniture, fixtures, and equipment	36,943	8,643	45,586
Construction in progress	183,566	-	183,566
Total assets	1,004,057	13,169	1,017,226
LIABILITIES			
Cash overdraft	$ 6,581	$ -	$ 6,581
Accounts payable	29,180	340	29,520
Retainage payable	8,440	-	8,440
Accrued salaries and withholdings	11,470	414	11,884
Due to external party	87	-	87
Other liabilities	1,392	-	1,392
Unearned revenue	3,428	662	4,090
Liabilities payable from restricted assets	3,592	-	3,592
Long-term liabilities:			
Due within one year	13,380	204	13,584
Due in more than one year	12,589	44	12,633
Total liabilities	90,139	1,664	91,803
NET ASSETS			
Invested in capital assets, net of related debt	896,795	9,138	905,933
Restricted for:			
Special education services	2,684	-	2,684
Capital Projects	1,292	-	1,292
Food Services' commodities inventory	-	421	421
Unrestricted	13,147	1,946	15,093
Total net assets	$ 913,918	$ 11,505	$ 925,423

The notes to the basic financial statements are an integral part of this statement.

BOARD OF EDUCATION OF BALTIMORE COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activity	Total
Governmental activities:							
Administration	$ 44,267	$ -	$ 6,631	$ -	$ (37,636)	$ -	$ (37,636)
Mid-level administration	96,699	-	1,084	-	(95,615)	-	(95,615)
Instruction	664,039	918	32,723	-	(630,398)	-	(630,398)
Special education	194,330	-	50,431	-	(143,899)	-	(143,899)
Student personnel services	10,306	-	1,746	-	(8,560)	-	(8,560)
Health services	17,227	-	1,481	-	(15,746)	-	(15,746)
Student transportation	57,526	-	23,527	-	(33,999)	-	(33,999)
Operation of plant	90,631	-	33	-	(90,598)	-	(90,598)
Maintenance of plant	30,632	-	2,580	-	(28,052)	-	(28,052)
Community services	955	-	955	-	-	-	-
Capital outlay	3,463	-	-	156,875	153,412	-	153,412
Interest on long-term debt	263	-	-	-	(263)	-	(263)
Total governmental activities	1,210,338	918	121,191	156,875	(931,354)	-	(931,354)
Business-type activity:							
Food services	35,383	17,966	17,474	-	-	57	57
Total	$ 1,245,721	$ 18,884	$ 138,665	$ 156,875	(931,354)	57	(931,297)
		General revenues:					
		Baltimore County			607,042	-	607,042
		State of Maryland			445,215	-	445,215
		United States Government			5,522	-	5,522
		Other			7,924	-	7,924
		Transfers			(2,544)	2,544	-
		Total general revenues and transfers			1,063,159	2,544	1,065,703
		Change in net assets			131,805	2,601	134,406
		Net assets, beginning of year			782,113	8,904	791,017
		Net assets, end of year			$ 913,918	$ 11,505	$ 925,423

The notes to the basic financial statements are an integral part of this statement.

BOARD OF EDUCATION OF BALTIMORE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007
(In Thousands)

	General	Special Revenue	Capital Projects	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 17,981	$ 40	$ -	$ 18,021
Accounts receivable, net:				
Baltimore County	9,800	25	33,570	43,395
State of Maryland	10,582	1,311	1,733	13,626
United States Government	2,963	9,590	-	12,553
Other	4,795	31	-	4,826
Due from other funds	9,855	-	-	9,855
Inventories	548	-	-	548
Prepaid items	342	-	-	342
Investments restricted for lease purchases	3,592	-	-	3,592
Total assets	$ 60,458	$ 10,997	$ 35,303	$ 106,758
LIABILITIES AND FUND BALANCES				
Liabilities:				
Cash overdraft	6,581	-	-	6,581
Accounts payable	12,257	1,147	15,776	29,180
Retainage payable	60	-	8,380	8,440
Accrued salaries and withholdings	10,831	639	-	11,470
Due to other funds	-	-	9,855	9,855
Due to external party	87	-	-	87
Other liabilities	1,392	-	-	1,392
Unearned revenue	315	3,113	-	3,428
Liabilities payable from restricted assets	3,592	-	-	3,592
Total liabilities	35,115	4,899	34,011	74,025
Fund balances (deficit):				
Reserved for:				
Encumbrances	14,735	3,414	142,963	161,112
Inventories	548	-	-	548
Prepaid items	342	-	-	342
Unreserved, undesignated (deficit)	9,718	2,684	(141,671)	(129,269)
Total fund balances	25,343	6,098	1,292	32,733
Total liabilities and fund balances	$ 60,458	$ 10,997	$ 35,303	$ 106,758

The notes to the basic financial statements are an integral part of this statement.

BOARD OF EDUCATION OF BALTIMORE COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007
(In Thousands)

Total fund balances - governmental funds (page 40)	$	32,733
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 the governmental funds. The cost of the assets is $1,272,844 and the accumulated depreciation is $365,690.		907,154
Long-term liabilities, including compensated absences ($15,610) and capital leases ($10,359), are not due and payable from current resources and, therefore, are not reported as liabilities in the funds.		(25,969)
Total net assets - governmental activities (page 38)	$	913,918

The notes to the basic financial statements are an integral part of this statement.

BOARD OF EDUCATION OF BALTIMORE CONTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	General	Special Revenue	Capital Projects	Total Governmental Funds
Revenues:				
Baltimore County	$ 607,042	$ 131	$ 119,585	$ 726,758
State of Maryland	493,055	6,029	37,291	536,375
United States Government	5,520	66,609	-	72,129
Other	8,844	582	-	9,426
Total revenues	1,114,461	73,351	156,876	1,344,688
Expenditures:				
Current-				
Administration	29,551	5,709	-	35,260
Mid-level administration	69,439	970	-	70,409
Instruction -				
Instructional salaries	407,249	20,093	-	427,342
Textbooks and classroom supplies	22,958	2,177	-	25,135
Other instructional costs	12,303	5,253	-	17,556
Special education	126,510	22,426	-	148,936
Student personnel services	6,139	1,291	-	7,430
Health services	11,274	1,207	-	12,481
Student transportation	46,299	1,310	-	47,609
Operation of plant	76,881	33	-	76,914
Maintenance of plant	26,150	-	-	26,150
Fixed charges	272,584	14,054	-	286,638
Community services	-	782	-	782
Capital outlay	3,691	-	156,876	160,567
Debt service -				
Principal	4,809	-	-	4,809
Interest	263	-	-	263
Total expenditures	1,116,100	75,305	156,876	1,348,281
(Deficiency) of revenues under expenditures	(1,639)	(1,954)	-	(3,593)
Other financing sources (uses):				
Capital lease proceeds	5,652	-	-	5,652
Transfer to Capital Projects Fund	(1,292)	-	1,292	-
Total other financing sources	4,360		1,292	5,652
Net change in fund balances	2,721	(1,954)	1,292	2,059
Fund balances, beginning of year	22,622	8,052	-	30,674
Fund balances, end of year	$ 25,343	$ 6,098	$ 1,292	$ 32,733

The notes to the basic financial statements are an integral part of this statement.

BOARD OF EDUCATION OF BALTIMORE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

Total net change in fund balances - governmental funds (page 42)	$	2,059
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report the construction and purchase of capital assets as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital asset additions ($278,502) adjusted for assets converting from construction in progress ($111,695) and contributions to the Food Services business type activity ($2,544) exceed depreciation expense ($32,200) in the current period.		132,063
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		4,809
Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This is the amount by which vacation leave earned ($10,232) exceeds vacation leave used ($8,758) in the current period.		(1,474)
Capital lease proceeds which provide current financial resources in the governmental funds, are not reported as revenues in the statement of activities.		(5,652)
Change in net assets of governmental activities (page 39)	$	131,805

The notes to the basic financial statements are an integral part of this statement.

BOARD OF EDUCATION OF BALTIMORE COUNTY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual Amounts	(Negative)
Revenues:				
Baltimore County	$ 606,238	$ 607,042	$ 607,042	$ -
State of Maryland -				
Bridge to Excellence	393,511	393,511	393,511	-
Out-of-County living arrangements	4,000	4,000	3,609	(391)
Non-public placements	13,385	14,836	13,516	(1,320)
Transportation	22,217	22,217	22,217	-
Aging schools	2,734	2,734	2,580	(154)
Quality teacher incentive	1,250	1,250	480	(770)
Extended elementary education program	1,190	1,190	1,190	-
Federal	-	5,322	5,520	198
Other	10,274	15,619	16,985	1,366
Total revenues	1,054,799	1,067,721	1,066,650	(1,071)
Expenditures:				
Current -				
Administration	29,101	29,718	29,666	52
Mid-level administration	69,227	69,497	69,490	7
Instruction -				
Instructional salaries	408,507	408,507	407,249	1,258
Textbooks and classroom supplies	23,256	23,891	23,809	82
Other instructional costs	11,309	12,533	12,510	23
Special education	127,517	128,268	127,157	1,111
Student personnel services	5,341	6,181	6,140	41
Health services	10,963	11,274	11,274	-
Student transportation	43,527	45,854	45,681	173
Operation of plant	82,291	80,490	78,798	1,692
Maintenance of plant	26,935	27,235	27,222	13
Fixed charges	213,502	218,424	218,386	38
Capital outlay	3,323	5,849	5,841	8
Total expenditures	1,054,799	1,067,721	1,063,223	4,498
Excess of revenues over expenditures	$ -	$ -	3,427	$ 3,427
Fund balance, beginning of year			14,390	
Reappropriation of prior year fund balance included in Other Revenues			(8,140)	
Liquidation and cancellation of prior year encumbrances			2,446	
Fund balance, end of year			$ 12,123	

The notes to the basic financial statements are an integral part of this statement.

BOARD OF EDUCATION OF BALTIMORE COUNTY
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget-Positive (Negative)
Revenues:			
Baltimore County	$ 64	$ 131	$ 67
State of Maryland	7,311	6,771	(540)
United States Government	80,315	68,115	(12,200)
Other	468	693	225
Total revenues	88,158	75,710	(12,448)
Expenditures:			
Current -			
Administration	7,824	5,846	1,978
Mid-level administration	1,467	1,022	445
Instruction -			
Instructional salaries	21,259	20,093	1,166
Textbooks and classroom supplies	2,611	2,605	6
Other instructional costs	5,918	6,380	(462)
Special education	27,011	22,708	4,303
Student personnel services	1,410	1,300	110
Health services	1,330	1,301	29
Student transportation	1,014	1,359	(345)
Operation of plant	201	184	17
Maintenance of plant	33	-	33
Fixed charges	17,085	14,054	3,031
Community services	995	812	183
Total expenditures	88,158	77,664	10,494
(Deficiency) of revenues under expenditures	$ -	(1,954)	$ (1,954)
Fund balance, beginning of year		8,052	
Fund balance, end of year		$ 6,098	

The notes to the basic financial statements are an integral part of this statement.

BOARD OF EDUCATION OF BALTIMORE COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007
(In Thousands)

ASSETS		
Current assets:		
Cash	$	2,163
Accounts receivable - State of Maryland		884
Accounts receivable - Other		15
Inventories		969
Total current assets		4,031
Noncurrent assets:		
Capital assets		9,138
Total assets		13,169
LIABILITIES		
Current liabilities:		
Accounts payable		340
Accrued salaries and withholdings		414
Compensated absences		204
Unearned revenue		662
Total current liabilities		1,620
Noncurrent liabilities:		
Compensated absences		44
Total liabilities		1,664
NET ASSETS		
Invested in capital assets		9,138
Restricted for commodities inventory		421
Unrestricted		1,946
Total net assets	$	11,505

The notes to the basic financial statements are an integral part of this statement.

BOARD OF EDUCATION OF BALTIMORE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

Operating Revenues:	
Charges for sales and services	$ 17,966
Operating Expenses:	
Cost of food sold	12,766
Salaries, wages, and benefits	18,377
Supplies	1,139
Maintenance and repair of equipment	601
Depreciation	1,389
Administration and support	832
Other	273
Total operating expenses	35,377
Operating loss	(17,411)
Nonoperating revenues (expenses):	
Federal reimbursement of food service costs	14,843
State reimbursement of food service costs	907
Federal donated commodities	1,724
Interest income	16
Loss on disposal of capital assets	(22)
Total nonoperating revenues	17,468
Income before capital contribution	57
Capital contribution-equipment	2,544
Increase in net assets	2,601
Net assets, beginning of year	8,904
Net assets, end of year	$ 11,505

The notes to the basic financial statements are an integral part of this statement.

BOARD OF EDUCATION OF BALTIMORE COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

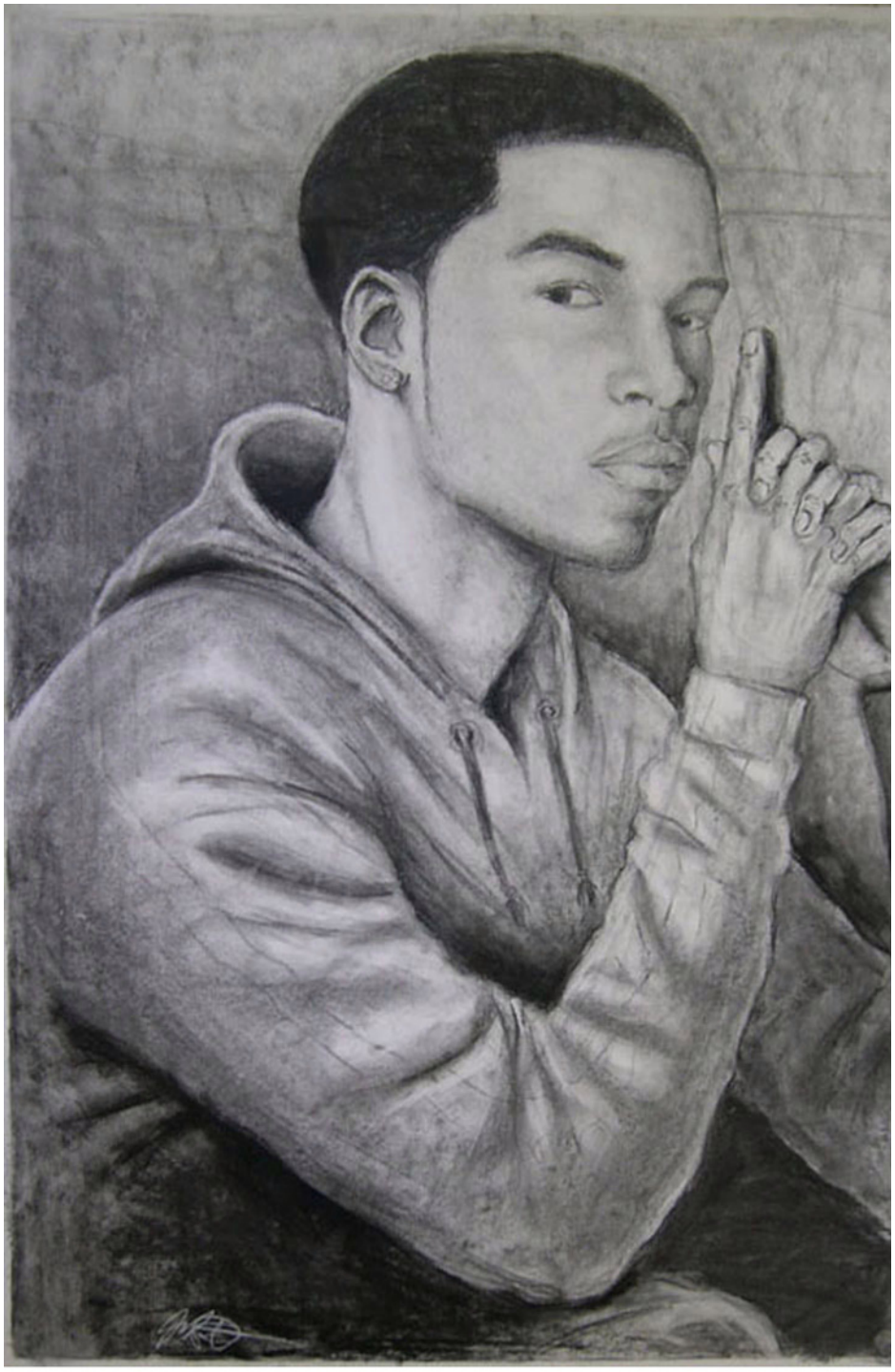
Cash flows from operating activities -		
Cash received from food sales	$	17,962
Cash paid to employees		(18,108)
Cash paid to suppliers		(13,837)
Net cash used by operating activities		(13,983)
Cash flows from noncapital financing activities -		
Governmental subsidies		15,433
Cash flows used for capital and related financing activities -		
Purchase of capital assets		(143)
Proceeds from sale of capital assets		10
Net cash used for capital and related financing activities		(133)
Cash flows from investing activities -		
Interest received		16
Net increase in cash and cash equivalents		1,333
Cash and cash equivalents, beginning of year		830
Cash and cash equivalents, end of year	$	2,163
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$	(17,411)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense		1,389
Federal donated commodities		1,724
(Increase) in accounts receivable-other		(6)
(Increase) in inventory and supplies		(72)
Increase in accounts payable		47
Decrease in prepaid expenses		-
Increase in unearned revenue		76
Increase in accrued salaries and withholdings		270
Other		
Total adjustments		3,428
Net cash used by operating activities	$	(13,983)
Noncash investing, capital and financing activities		
Contributions of USDA commodities	$	1,724
Contribution of capital equipment from capital projects fund		2,544

The notes to the basic financial statements are an integral part of this statement.

BOARD OF EDUCATION OF BALTIMORE COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
SCHOOL ACTIVITIES FUND
JUNE 30, 2007
(In Thousands)

ASSETS		
Cash and cash equivalents	$	4,219
Investments		2,553
Due from external party		99
Inventories		383
Total assets	$	7,254
LIABILITIES		
Accounts payable	$	118
Due to other funds		13
Due to school organizations		7,123
Total liabilities	$	7,254

The notes to the basic financial statements are an integral part of this statement.



Jeshua Peart

Randallstown High School

Board of Education of Baltimore County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Board of Education of Baltimore County (the Board) is a body politic and corporate established by the Public School Laws of Maryland with the adoption of the Maryland Constitution in 1865. Section 3-103 of the Education Article of the Annotated Code of Maryland establishes that there is a board of education for each county school system. It is composed of eleven voting members who are appointed by the Governor of Maryland for terms of five years, and one student member who serves for one year. The student Board member has limited voting privileges. The Board has the responsibility to maintain a reasonable, uniform system of public schools to provide quality education for all youth of Baltimore County.

The financial statements of the Board are prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America, applicable to governmental entities, as prescribed by the Governmental Accounting Standards Board (GASB).

The Board is a component unit of the Baltimore County government and the Board's financial statements are included in the County's financial statements. This conclusion was reached based on the following criteria: (1) the County Council is responsible for approving the Board's budget; and (2) the County Council is responsible for levying taxes and collecting and distributing the funds to the Board. The Board is fiscally dependent upon appropriations and grants from the County.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net assets and the statement of activities) report information of all non-fiduciary activities of the Board. For the most part, inter-fund activity has been removed from these government-wide statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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 clearly identifiable with a specific function. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Items not properly included among program revenues are reported instead as general revenues. Internally allocated

resources are reported as general revenues rather than program revenues. The Board does not allocate general government administration or indirect expenses to other functions.

Net assets are restricted when constraints imposed on them are either externally imposed or imposed by legal requirements. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed.

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. Major individual governmental funds and the proprietary fund are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as eligibility requirements have been met.

Governmental Fund Financial Statements – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within one year of the end of the current fiscal year. Principal revenue sources considered susceptible to accrual include federal and state grants, local county government appropriations and other intergovernmental revenues. Other revenues are considered to be measurable and available only when cash is received by the Board.

Expenditures generally are recorded when a liability is incurred, as under full accrual accounting. Modifications to the accrual basis of accounting include:

- Employees' vested annual leave is recorded as an expenditure when it is due and payable. The amount of accumulated annual leave unpaid at June 30, 2007, has been reported only in the government-wide financial statements.
- Interest on long-term obligations (capital leases) is recognized when paid.

- Amounts encumbered as executory purchase orders are recorded as a reservation of fund balance.

The Board reports the following major governmental funds:

The General Fund is the Board's primary operating fund. It accounts for all financial resources of the Board, except those required to be accounted for in another fund.

The Special Revenue Fund accounts for restricted grants issued primarily by state and federal governments.

The Capital Projects Fund accounts for the resources used for the acquisition, construction, or improvement of major capital facilities other than those financed by the proprietary fund.

Proprietary Fund and Agency Fund Financial Statements – The financial statements of the proprietary fund (Food Service Fund) are prepared using the economic resource measurement focus and the accrual basis of accounting, similar to the government-wide statements described above. Agency funds report only assets and liabilities, and accordingly do not have a measurement focus. They use the accrual basis of accounting to recognize receivables and payables. The agency funds are not reported in the government-wide financial statements.

The proprietary fund has the option under GASB Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting* to elect to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Board has elected not to apply FASBs issued after the applicable date.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 revenue for the Food Service Fund is charges for meals. Operating expenses for the proprietary fund include costs of food sold, corresponding salaries, wages and benefits, supplies, maintenance of equipment, and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

An agency fund is used to account for School Activities' assets held by the Board. These funds are primarily raised by student organizations and activities and are held by the Board for custodial and investment purposes.

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Deposits and Investments – Board cash receipt and disbursement transactions relating to the major funds (General, Special Revenue, Capital Projects, and Proprietary) are initiated through a pooled cash and investment account. Unique account numbers are used to track each fund's transactions. The Board has pooled amounts from these funds, as well as certain amounts held for each school's related activities in the School Activity Fund, to be used for investment purposes. In the fund financial statements, each fund's specific share of the pooled cash, investments, and inter-fund liabilities is shown as cash and cash equivalents, or as "due from other funds", if the fund's inter-fund liabilities exceed its share of pooled cash and investments. The Food Service Fund and School Activity Fund are allocated interest income, on a daily basis, based on their share of the investment pool. Remaining interest income is allocated to the General Fund.

The Annotated Code of Maryland authorizes the Board to invest in the following: time deposits, savings accounts, and demand deposit accounts in banks and savings and loan associations that are secured with collateral as set forth in the State Finance and Procurement Article; any investment portfolio created under the Maryland Local Government Investment Pool that is administered by the Office of the State Treasurer; obligations for which the United States has pledged its full faith and credit for the payment of the principal and interest; obligations that a federal agency or federal instrumentality has issued in accordance with an act of Congress; repurchase agreements collateralized (in an amount not less than 102% of the principal amount) by an obligation of the United States, its agencies or instrumentalities; bankers' acceptances guaranteed by a financial institution and commercial paper and money market mutual funds receiving the highest possible rating.

The Board's cash and cash equivalents are considered to be short term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity (less than 90 days) that they present insignificant risk of changes in value because of changes in interest rates.

Cash and cash equivalents are recorded at cost or amortized cost. Investments are recorded at fair value, based on closing market prices at June 30, 2007.

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 Boards of Education. 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 of as of June 30, 2007 are expected to be minimal based upon collection experience and review of the status of existing receivables.

Inter/Intrafund Transactions – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." The Board has no long-term advances or inter-fund loans, and all inter-fund transactions are considered current activity. Inter-fund activity consists primarily of transfers between funds to cover cash deficits. These deficits arise primarily because many grants and capital projects are reimbursed to the Board by the granting government after the Board has incurred the expenditure.

Inventories and Prepaid Items – Inventories of materials and supplies are determined by both physical counts and through perpetual inventory systems. Inventory in the General Fund consists of expendable supplies and materials. These inventories are accounted for under the consumption method and are stated at average cost. The General Fund inventories on hand at year-end are reflected as a reservation of fund balance.

The Food Service Fund includes federal government donated food commodities that are valued at estimated market value. The remaining fund inventories are accounted for under the consumption method and are stated at average cost.

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

Capital Assets – Capital assets are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Governmental activities capital assets are defined by the Board as assets which have a cost of $5,000 or more at the date of acquisition and have a useful life of two years or more. The Food Service Fund capitalizes assets with a cost of $1,000 or more at the date of acquisition and having a useful life of two years or more. Such assets are stated at historical cost or estimated historical cost if actual cost is not known. Donated capital assets are recorded at estimated fair market value at the date of donation. The Board has no infrastructure assets.

The cost of normal maintenance and repairs that do not add to the value or materially extend the useful life of an asset are not capitalized. Building improvements with a cost greater than $100,000 are capitalized.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary fund financial statements.

Capital assets are depreciated over the useful life of an asset using the straight-line method. There is no depreciation recorded for land and construction in progress. Generally, estimated useful lives are as follows:

Furniture, fixtures and equipment	5 – 25 years
Vehicles	8 – 12 years
Buildings and Improvements	20 – 50 years

Compensated Absences – Employees of the Board, excluding ten-month employees, may earn annual vacation leave at various rates depending on the bargaining unit that represents them and their length of service. Unused annual vacation leave may be accrued up to a maximum of 45 days. All accrued annual vacation leave is payable upon separation from employment. The governmental fund financial statements record expenditures when employees are paid for leave taken, on a first-in first-out (FIFO) method. The government-wide and proprietary fund financial statements present the cost of accumulated vacation leave and related payroll taxes as a liability. A liability for these amounts is reported in the governmental fund financial statements only if they have matured due to resignations or retirements. There is no liability for unpaid accumulated sick leave since the Board does not pay this amount when an employee separates from service.

Long-term Obligations – The Board has no authority to issue bonded debt. Debt incurred by the County or State governments to finance school construction is a debt of the issuing government and, along with the related debt service, is not reported in the Board's financial statements. The long-term obligations of the Board include capital leases and compensated absences as discussed above. The capital leases represent obligations for financing the purchase of school buses, other vehicles and certain other equipment, over periods ranging from three to five years. In the government-wide financial statements, the long-term debt is presented in the column for governmental activities. The Board's Food Services business-type activity has no long-term obligations other than compensated absences previously discussed.

In prior years, governmental fund long-term liabilities have been liquidated through the General Fund and Special Revenue Funds. Compensated absences have been liquidated based on where an employee's salary has been funded, while payments on capital leases have been liquidated through the General Fund.

Unearned Revenue – Unearned revenue arises when the Board receives assets and the earnings process relating to these assets is not complete. Unearned revenue for governmental activities consists of tuition payments received in advance of summer school and restricted grant funds advanced to the Board. Unearned revenue for the business-type activity represents prepaid student accounts for school lunches and donated USDA food commodities.

Net Assets and Fund Balance – In the Statement of Net Assets, net assets are reported as invested in capital assets net of related debt, restricted, or unrestricted. Restricted net assets are based on externally imposed restrictions on the use of the funds, such as grant funding for a specific purpose.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Fund balance reservations include reserves for inventory and prepaids, and reserves for encumbrances.

NOTE 2. BUDGETARY INFORMATION

A. BUDGET REQUIREMENTS

The Board operates within the following budget requirements for local educational agencies as specified by State law:

1. The Board must submit an annual budget, for its governmental funds, in writing to the County Executive within 120 days prior to the end of the current fiscal year. The General, Special Revenue, and Debt Service funds have legally adopted annual budgets. The Capital Projects Fund has a legally adopted project budget.

2. The County Executive must submit his recommended school system budget to the County Council not later than 75 days prior to the end of the current fiscal year.

3. The County Council must approve the budget ordinance by June 1 of each year. Subsequent supplemental appropriations also require County Council approval.

4. The General Fund budget is prepared and approved by major expenditure categories as specified in the State law. Actual expenditures may not exceed appropriations for a category. These categories include:

Administration	Mid-Level Administration
Instructional Salaries	Textbooks and Instructional Supplies
Other Instructional Costs	Special Education
Student Personnel Services	Health Services
Student Transportation	Operation of Plant
Maintenance of Plant	Fixed Charges
Capital Outlay	Community Services

The Special Revenue Fund and Debt Service Fund appropriations are authorized annually by the County Council at the Fund level.

5. The Board may transfer funds between major categories with the approval of the County Council. The Board has the authority to transfer funds between objects of expenditures (i.e., salaries and wages, contracted services, supplies and materials, other charges, and equipment) within the major categories, but must notify the County Council of such action at the end of each month. In accordance with Education Article, Title 5, §5-105, of Maryland Annotated Code, the Board may not exceed the appropriation by category. Failure by the County Council to take action within thirty days of receipt of written requests for transfers constitutes Council approval.

6. The management staff of Baltimore County Public Schools is responsible for preparing the budget, monitoring budgetary expenditures, reporting on the status of the budget, and making recommendations for transfers between objects of expenditure and major categories of expenditures. All such recommendations are subject to Board and County Council approval.

7. Unencumbered appropriations lapse at the end of each fiscal year, except in the Capital Projects Fund where appropriations do not lapse. Encumbered appropriations are liquidated through expenditures in the subsequent fiscal year. The portion of fund balance related to lapsed appropriations must be re-appropriated to be spent.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds for Budgetary Basis financial reporting purposes. Open encumbrances are treated as reservations of fund balances since the commitments will be honored through subsequent years' expenditures.

During the year, the County Council authorized supplemental appropriations for the General Fund. The County Council also approved certain significant transfers between General Fund categories. The approved supplemental appropriations and categorical transfers are presented below (In Thousands):

	Supplemental Appropriations	Categorical Transfers
Administration	$ -	$ 617
Mid-level Administration	15	255
Textbooks and Instructional Supplies	335	300
Other Instructional Costs	1,224	-
Special Education	1,452	(700)
Student Personnel Services	-	840
Health Services	-	311
Student Transportation	-	2,328
Operation of Plant	2,001	(3,803)
Maintenance of Plant	300	-
Fixed Charges	5,322	(400)
Capital Outlay	2,273	252
	$ 12,922	$ -

Board of Education of Baltimore County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

B. RECONCILIATION BETWEEN GAAP AND BUDGETARY BASIS (In Thousands)

The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual for the General and the Special Revenue Funds have been prepared on a legally prescribed budgetary basis of accounting that differs from GAAP. The primary difference is that the budgets are prepared using encumbrance accounting where encumbrances are treated as expenditures of the current period. In addition, for budgetary purposes revenues related to encumbrances are recorded in the General Fund and the Special Revenue Fund in certain cases. Other differences are shown below (In Thousands).

General Fund	Revenues	Expenditures	Other Financing Sources/(Uses)	Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	Fund Balance
Reported on the basis of GAAP	$ 1,114,461	$ (1,116,100)	$ 4,360	$ 2,721	$ 25,343
Effect of encumbrances	-	(6,342)	-	(6,342)	(13,220)
Effect of Aging Schools revenue and expenditures recognized for budgetary basis not included in GAAP statements	(1,056)	-	-	(1,056)	-
Retirement costs paid on the Board's behalf by the State of Maryland	(54,895)	54,895	-	-	-
Reappropriation of prior year fund balance	8,140	-	-	8,140	-
Purchase of equipment on capital leases	-	5,652	(5,652)	-	-
School Activities Fund	-	(36)	-	(36)	-
Transfer to capital projects	-	(1,292)	1,292	-	-
Reported on the Budgetary Basis of Accounting	$ 1,066,650	$ (1,063,223)	$ -	$ 3,427	$ 12,123
Special Revenue Fund					
Reported on the basis of GAAP	$ 73,351	$ 75,305	$ -	$ (1,954)	$ 6,098
Effect of encumbrances	2,359	2,359	-	-	-
Reported on the budgetary basis of Accounting	$ 75,710	$ 77,664	$ -	$ (1,954)	$ 6,098

C. DEBT SERVICE BUDGETARY SCHEDULE (In Thousands)

As discussed in note 1, debt issued by the County government to fund school construction and related debt service is not reported in the Board's Basic Financial Statements. The authorization for the annual debt service expenditures related to this debt emanates from the Baltimore County Government Operating Budget, and is included in the Board's annual authorized budget. The reporting of the annual county debt service and related revenues pertaining to the Board in the Debt Service Fund is required by state law. The schedule below reports the budgetary basis debt service activity for the current fiscal year.

DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Revenues - Baltimore County	$ 26,367	$ 24,693	$ 24,693	$ -
Expenditures:				
Current -				
Principal	12,000	12,000	12,000	-
Interest	14,367	12,693	12,693	-
Total expenditures	26,367	24,693	24,693	-
Excess (deficiency) of revenues over expenditures	$ -	$ -	-	$ -
Fund balance, July 1, 2006			-	
Fund balance, June 30, 2007			$ -	

NOTE 3. CASH, CASH EQUIVALENTS, AND INVESTMENTS (In Thousands)

A. CASH DEPOSITS

The Board's bank deposits are insured either by federal depository insurance or by a collateralization agreement with the depository bank. The Board's policy is to maximize the investment of cash balances available for investment according to depository bank records. Short-term investments included in cash and cash equivalents are available to meet cash disbursement requirements.

B. INVESTMENTS

The Board's investments include the Maryland Local Government Investment Pool (Pool), which is under the administrative control of the State Treasurer, and U.S. Treasury money market mutual funds held by Fidelity Investments and M&T Bank. The Pool is designed to give local government units of the State an investment vehicle for short-term investment of funds. The investment objectives of the Pool are: to preserve the capital value of the dollars invested; to provide a competitive rate of return; and to provide a readily available source of daily liquidity. The Pool is rated "AAAm" by Standard and Poor's (their highest rating). The US Treasury portfolios held by Fidelity Investments and M&T Bank are also rated "AAAm" by Standard and Poor's.

B. SUMMARY OF DEPOSIT AND INVESTMENT BALANCES

The following is a reconciliation of the Board's deposit and investment balances as of June 30, 2007:

	Pooled Cash and Investments	Other	Total
Deposits	$ 134	$ 4,219	$ 4,353
Investments:			
MLGIP	13,304	-	13,304
U.S. Treasury mutual funds	9,299	3,592	12,891
Total	$ 22,737	$ 7,811	$ 30,548

	Government-wide Statement of Net Assets	Fiduciary Fund Statement of Net Assets	Total
Unrestricted			
Cash and cash equivalents	$ 20,184	$ -	$ 20,184
Restricted			
Cash and cash equivalents	-	4,219	4,219
Investments	3,592	2,553	6,145
Total cash and investments	$ 23,776	$ 6,772	$ 30,548

NOTE 4. INTERFUND BALANCES AND TRANSFERS (In Thousands)

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

Receivable Fund	Payable Fund	Purpose	Amount
General	Capital Projects	Deficit cash balance	$ 9,855

A summary of the interfund transfers for the fiscal year ended June 30, 2007 follows:

Transfers from	Transfers to	Purpose	Amount
Capital Projects Fund	Food Service Fund	Cafeteria equipment	$ 2,544
General	Capital Projects Fund	Capital projects	$ 1,292

NOTE 5. CAPITAL ASSETS (In Thousands)

A. ACTIVITY

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 21,138	$ 1,122	$ -	$ 22,260
Construction in progress	142,284	155,521	(114,239)	183,566
Total capital assets not being depreciated	163,422	156,643	(114,239)	205,826
Capital assets being depreciated:				
Buildings	845,076	91,247	(74)	936,249
Improvements other than buildings	22,231	21,320	-	43,551
Furniture, fixtures and equipment	29,002	4,197	(1,700)	31,499
Vehicles	52,308	5,095	(1,684)	55,719
Total capital assets being depreciated	948,617	121,859	(3,458)	1,067,018
Less accumulated depreciation for:				
Buildings	(282,805)	(23,830)	74	(306,561)
Improvements other than buildings	(7,430)	(1,424)	-	(8,854)
Furniture, fixtures and equipment	(19,506)	(2,679)	1,700	(20,485)
Vehicles	(27,207)	(4,267)	1,684	(29,790)
Total accumulated depreciation	(336,948)	(32,200)	3,458	(365,690)
Total capital assets, being depreciated, net	611,669	89,659	-	701,328
Governmental activities capital assets, net	$ 775,091	$ 246,302	$ (114,239)	$ 907,154

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets being depreciated:				
Buildings and improvements	$ 1,180	$ -	$ -	$ 1,180
Furniture, fixtures and equipment	16,570	2,688	(314)	18,944
Total capital assets being depreciated	17,750	2,688	(314)	20,124
Less accumulated depreciation for:				
Buildings and improvements	(655)	(30)	-	(685)
Furniture, fixtures and equipment	(9,222)	(1,359)	280	(10,301)
Total accumulated depreciation	(9,877)	(1,389)	280	(10,986)
Business-type activties capital assets, net	$ 7,873	$ 1,299	$ (34)	$ 9,138

During the fiscal year the Board made commitments for the acquisition of assets under new capital lease agreements totaling $6,107 which is described below:

Description	Class	Amount
School buses	Vehicles	$ 5,031
Trucks	Vehicles	1,076
		$ 6,107

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Administration	$ 707
Mid-level Administration	121
Instruction	26,381
Special Education	446
Health Services	2
Student Transportation	3,585
Operation of Plant	36
Maintenance of Plant	921
Capital Outlay	1
Total depreciation expense - governmental activities	$ 32,200
Business-type activity:	
Food Services	$ 1,389

B. CONSTRUCTION COMMITMENTS (In Thousands)

The Board has active construction projects as of June 30, 2007. The projects include new school construction, additions, and renovations to school buildings. At year end the Board's commitments with contractors are as follows:

Projects	Spent-to-Date	Remaining Commitment
New school construction	$ 86,041	$ 17,537
Additions	19,543	1,946
Improvements and renovations	183,060	123,480
Total	$ 288,644	$ 142,963

School capital project construction is financed primarily from county and state grants.

NOTE 6. RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; illness and injuries to employees, students and the public; natural disasters; and employee health benefits.

The Board participates in the County self-insurance program for employee and retiree health and dental insurance and workers' compensation. The Board pays premiums to the County for its' share of current cost based upon prior years' claims and anticipated enrollment. The County serves as the administrator of the plans and estimates outstanding claims and required reserves. The Board's ultimate liability is limited to premiums paid to the County, with the exception of salary costs related to lost time for workers compensation incidents, which is paid by the Board.

The Board also participates in a self-insured pool with other boards of education for property and casualty insurance. Casualty programs in which the Board participates include comprehensive general liability, automobile liability and physical damage, bus contractors' and drivers' liability, and Board of Education legal liability. Property insurance programs include real and personal property (replacement cost), boiler and machinery, natural disasters, employees' dishonesty blanket bond, theft and disappearance, and computer and electronic funds transfer fraud. The pool is administered by the Maryland Association of Boards of Education (MABE), a public entity risk pool. MABE serves as an independent administrator, processing and settling claims, establishing liability limits, setting premiums, and establishing and maintaining reserves. The Board's liability is limited to premiums paid to MABE and deductibles of $5,000-$15,000 per incidence, depending upon the type of coverage. The pool limits its exposure by purchasing excess coverage from commercial carriers.

Outside of the MABE pool, the Board carries underground tank, catastrophic student accident insurance and travel insurance covering Board members. The Board pays all of the premiums for this coverage.

There have been no reductions in insurance coverage from the previous year, and the amount of settlements over the last three years has not exceeded insurance coverage.

NOTE 7. OPERATING LEASES (In Thousands)

The Board has long-term commitments as lessee under various non-cancelable operating leases for warehouse, office, and educational space, and for bus parking facilities. Total rent expense under these operating leases for the fiscal year ended June 30, 2007, amounted to $4,592. These lease periods extend through 2028. The aggregate future rental payments under these commitments are $35,267, as summarized below:

Fiscal year ending June 30:		
2008	$	3,445
2009		3,409
2010		3,372
2011		2,132
2012		1,781
2013-2017		5,943
2018-2022		6,890
2023-2027		7,987
2028		308
Total	$	35,267

Additionally, the Board leases copiers and related equipment under contracts which are cancelable with 60 day notice. During the year $1,866 of expense was incurred under these agreements.

NOTE 8. LONG-TERM OBLIGATIONS (In Thousands)

The Board's long-term obligations include capital leases and compensated absences. Details of these obligations and the current year changes follow.

A. CAPITAL LEASES

The Board's capital leases represent obligations incurred to finance the purchase of school buses, other vehicles and equipment, over a period ranging from three to five years. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present value of the future minimum lease payments at the inception date.

The assets acquired through capital lease are as follows:

Asset Description	Governmental Activities
Vehicles	$ 20,580
Less: accumulated depreciation	(4,388)
Total	$ 16,192

The following are the future minimum lease payments under the Board's capital lease agreements, and the present value of the minimum lease payments as of June 30, 2007:

Fiscal years ending June 30:	Governmental Activities
2008	$ 4,622
2009	3,417
2010	2,011
2011	908
Total minimum lease payments	10,958
Less: amount representing interest	(599)
Present value of future minimum lease payments	$ 10,359

B. CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities reported in the Statement of Net Assets include capital leases and compensated absences. The schedule below presents the current year activity and year-end balances for the Board's long-term liabilities.

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	$ 9,516	$ 5,652	$ (4,809)	$ 10,359	$ 4,622
Compensated absences	14,136	10,232	(8,758)	15,610	8,758
Governmental activity Long-term liabilities	$ 23,652	$ 15,884	$ (13,567)	$ 25,969	$ 13,380
Business-type Activity/ Food Services					
Compensated absences	$ 234	$ 218	$ (204)	$ 248	$ 204

NOTE 9. RETIREMENT AND OTHER POST EMPLOYMENT BENEFITS

A. TEACHERS RETIREMENT AND PENSION SYSTEMS OF THE STATE OF MARYLAND

Teachers and employees of the Board in related positions are covered by either the Teachers Retirement System of the State of Maryland or the Teachers Pension System of the State of Maryland. These Systems are part of the Maryland State Retirement and Pension System, and are cost-sharing multiple-employer public employee retirement systems. The State of Maryland pays substantially all required employer contributions on behalf of the Board. The Systems were established in accordance with the State Personnel and Pension Article of the Annotated Code of Maryland. Responsibility for administration and operation of the Systems is vested in a 15-member Board of Trustees (the Trustees). The Trustees also have the authority to establish and amend the respective benefit provisions. The Systems provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to system members and beneficiaries. Members of the Systems may retire with full benefits after completing 30 years of creditable service, regardless of age, or after attaining age 60 for members of the Teachers Retirement System, or age 62 or older with specified years of creditable service for members of the Teachers Pension System. Both Systems provide for reduced benefit allowances upon completing five years of creditable service provided the member lives to attain age 60 or age 62 for the Teachers Retirement System and Teachers Pension System, respectively. The State Retirement Agency issues a publicly available, comprehensive annual financial report that includes the System's financial statements and required supplementary information. That report may be obtained by writing to the State Retirement and Pension System of Maryland, State Retirement Agency, 120 East Baltimore Street, Baltimore, Maryland 21202-6700, or by calling (800) 492-5909.

Members of the Teachers Retirement System are required to contribute either 7% or 5% of earnable compensation depending upon the retirement option selected. Members of the Teachers Pension System are required to contribute 3% of earnable compensation. Employer contribution rates are determined actuarially. The current contribution rate is 9.71% of covered payroll. The State makes employer contributions on behalf of the Board. The State's contributions on behalf of the Board for the years ended June 30, 2007, 2006, and 2005 were $54,895,831, $49,430,517 and $49,476,521 respectively. Such contributions are recognized as revenue and expense in the Government-wide Statement of Activities, and in the General Fund in the combined statement of revenues, expenditures, and changes in fund balance. Such amounts are not recognized for budgetary purposes.

B. EMPLOYEES' RETIREMENT SYSTEM OF BALTIMORE COUNTY

Custodians, bus drivers, mechanics, maintenance workers, tradesmen, cafeteria workers, and employees in related positions are covered by the Employees' Retirement System of Baltimore County (the System), a cost-sharing multiple-employer public employee retirement system. The System was established in accordance with the Section 5-1-101 of the Baltimore County Code (the Code) and placed under the management of the Board of Trustees. The administration of this system is vested in the Director of Budget and Finance of Baltimore County as specified in Section 5-1-238 of the Code.

The Director of Budget and Finance has the responsibility to implement policies of the eight member Board of Trustees as they pertain to the System and to ensure the System operates within the guidelines as set forth in those policies. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Members of this System may retire with full benefits after completion of 30 years of creditable service or after attaining age 60. The System issues a publicly available comprehensive annual financial report that includes the System's financial statements and required supplementary information. That report may be obtained by writing to the Employees' Retirement System of Baltimore County, 400 Washington Ave., Towson, Maryland 21204.

Plan members are required to contribute an actuarially determined percentage of covered salary based upon age at the time the employee is hired. The Board is required to contribute to the System at an actuarially determined rate. The contribution requirements for Plan members and the Board are established and may be amended by the Board of Trustees in accordance with Section 5 of the Code. The Board's contributions to the System for the years ended June 30, 2007, 2006, and 2005 were $2,131,230, $1,860,084 and $1,275,291 respectively, all of which were 100% of the required contribution.

C. POST-RETIREMENT BENEFITS

In addition to pension benefits provided by the State or County, the Board presently provides certain health care and prescription drug benefits for retired employees. Employees receiving a Board approved retirement are eligible, in accordance with bargaining unit agreements between the Board and employee associations, to participate in the Baltimore County Public Schools employees benefit plan. Currently, approximately 6,073 retirees meet the eligibility requirements. The Board contributes a percentage of the cost for health care and Medicare part B for retirees and their dependents. The rate of contribution for health care is determined by the retiree's years of service and by the terms of any retirement incentive program that may have been in effect at the time of retirement. Such benefits are financed partly on a pay-as-you-go basis, and by participating in the self-insured program as described in note 6. During the year ended June 30, 2007, the Board contributed $38,821,716 toward the cost of these benefits.

Additionally, the federal government currently provides Medicare Part D prescription drug benefits as part of its program. To encourage plan sponsors to maintain benefits for its participants the Medicare Program pays a subsidy to plan sponsors based upon participants drug purchases. During the year ended June 30, 2007, the total subsidy revenue recorded by the Board was $5,454,159. These funds are being remitted to the Baltimore County government to be placed into a trust for funding future Other Post Employment Benefits (OPEB) obligations.

NOTE 10. CONTINGENCIES

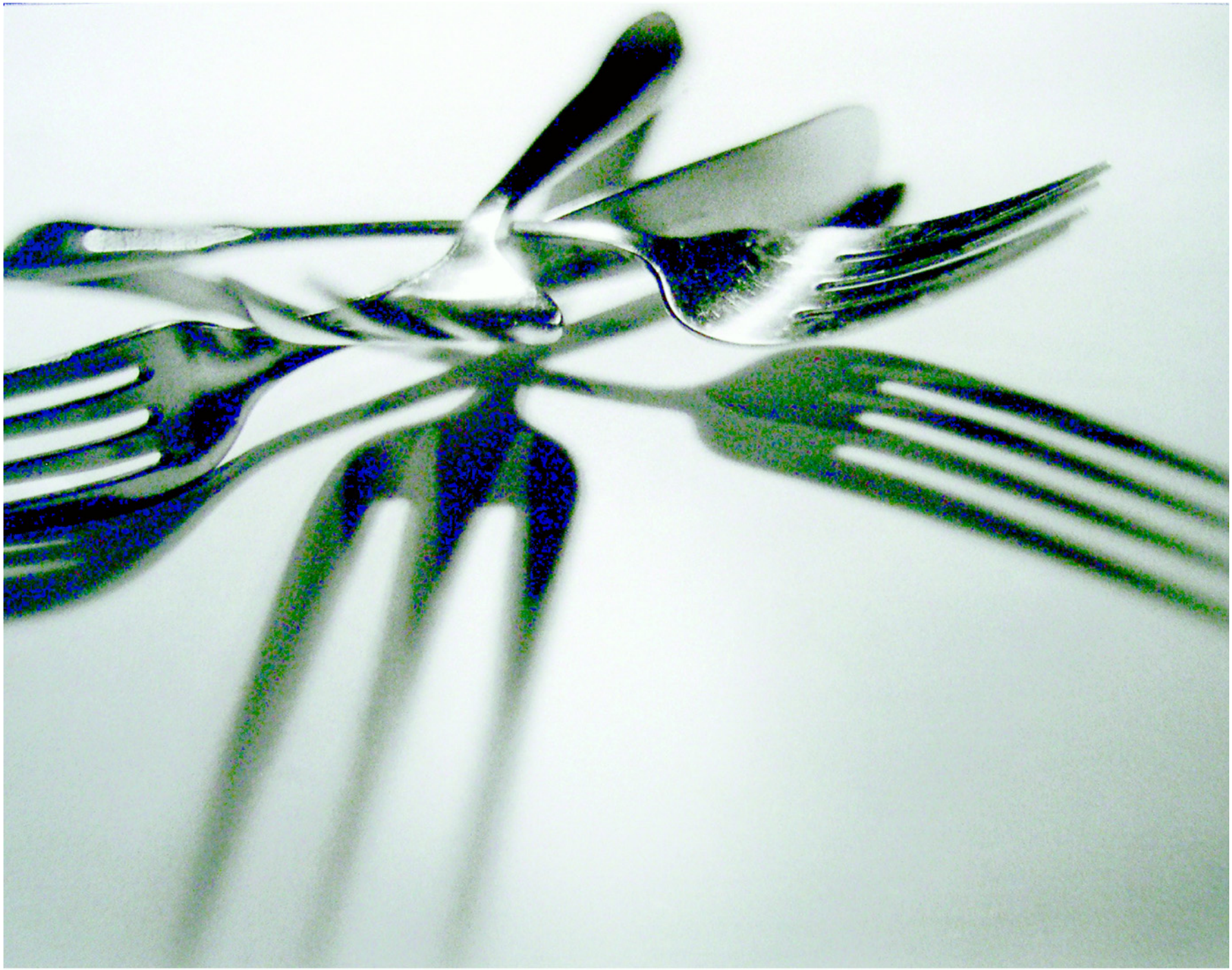
In the normal course of operations, the Board is subject to various lawsuits and claims. Based upon advice of counsel, the Board would establish an appropriate liability for such items where a loss is deemed probable and the amount would be deemed material to the financial statements. For the year ended June 30, 2007, no reserve for potential loss was deemed necessary. In the opinion of management and legal counsel, the ultimate disposition of other unresolved claims and litigation matters will not have a material effect on the Board's financial position or results of operations.

The Board receives grant funds, principally from the United States Government and the State of Maryland, for various programs. Certain expenditures of these funds are subject to audit by the grantors, with the Board being contingently liable for amounts received in excess of allowable expenditures. In the opinion of management, no material refunds will be required as a result of expenditures disallowed by the grantors, except as described below.

The Office of the Inspector General (OIG) of the U. S. Department of Health and Human Services conducted an audit of Medicaid cost claims submitted by Maryland Local Education Agencies (LEAs). The OIG has recommended repayment by the State of approximately $19 million. When this matter is ultimately resolved, the State may assess the LEAs their share of any repayment. The Board believes that its assessment, if any, may range from $2 to $3 million. No provision for this potential assessment or any potential assessments related to other time periods through June 30, 2007 has been recorded by the Board.

BOARD OF EDUCATION OF BALTIMORE COUNTY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITIES FUND
FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Assets				
Cash and Cash Equivalents	$ 4,112	$ 14,735	$ 14,628	$ 4,219
Investments	2,401	335	183	2,553
Due from External Parties	78	818	797	99
Inventories	304	987	908	383
Total assets	$ 6,895	$ 16,875	$ 16,516	$ 7,254
Liabilities				
Accounts Payable	$ 65	$ 552	$ 499	$ 118
Due to Other Funds	16	158	161	13
Held for School Related Activities	6,814	19,421	19,112	7,123
Total liabilities	$ 6,895	$ 20,131	$ 19,772	$ 7,254



Angela Watson

Perry Hall High School

Board of Education of Baltimore County

Statistical Section

This part of the Board of Education of Baltimore County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Board's overall financial health. It includes information on financial trends, limited demographic information, and certain operating information.

No information on revenue capacity is presented, as the Board has no taxing authority and no "own source" revenues. The Board is primarily fiscally dependent on appropriations from the State of Maryland and the Baltimore County government. Similarly, no information on debt capacity is presented because the Board has no authority to issue debt. The only debt carried by the Board is in the form of short term capital leases. Certain data, denoted below with an asterisk, included in this section is accrual basis information and is only available for years beginning in FY2002, the year GASB Statement 34 was implemented by the Board.

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Board of Education of Baltimore County

Net Assets by Component

Last Six Fiscal Years

(In Thousands)

	2007	2006	2005
Governmental activities:			
Invested in capital assets, net of related debt	$ 896,795	$ 765,576	$ 724,846
Restricted	3,976	6,997	6,900
Unrestricted	13,147	9,540	3,181
Total governmental activities net assets	913,918	782,113	734,927
Business-type activities:			
Invested in capital assets, net of related debt	9,138	7,873	8,264
Restricted	421	347	499
Unrestricted	1,946	684	(1,010)
Total business-type activities net assets	11,505	8,904	7,753
Total net assets	$ 925,423	$ 791,017	$ 742,680

2004	2003	2002
$ 691,027	$ 659,353	$ 561,443
7,757	6,751	5,393
2,055	(2,998)	3,396
700,839	663,106	570,232
8,238	8,419	8,413
443	422	417
(1,031)	(909)	1,187
7,650	7,932	10,017
$ 708,489	$ 671,038	$ 580,249

Board of Education of Baltimore County

Changes in Net Assets by Component

Last Six Fiscal Years

(In Thousands)

	2007	2006
Expenses		
Governmental activities	$ 1,210,338	$ 1,130,730
Business-type activity - Food Services	35,383	33,279
Total expenses	1,245,721	1,164,009
Program Revenues		
Governmental activities:		
Charges for services - tuition	918	728
Operating grants and contributions	121,191	120,464
Capital grants and contributions	156,875	66,241
Total governmental activities program revenues	278,984	187,433
Business-type activities:		
Charges for services - Food sales	17,966	17,047
Operating grants and contributions	17,474	16,770
Total business-type activity program revenues	35,440	33,817
Total program revenues	$ 314,424	$ 221,250
Net (Expense)/Revenue:		
Governmental activities	$ (931,354)	$ (943,297)
Business-type activity	57	538
Total net (expense)	$ (931,297)	$ (942,759)
General Revenues and Other Changes in Net Assets		
Governmental activities:		
Unrestricted grants and contributions	$ 1,057,779	$ 982,611
Other	7,924	8,484
Transfers	(2,544)	(612)
Total governmental activities	1,063,159	990,483
Business-type activity:		
Transfers	2,544	612
Other	-	-
Total business-type activity	2,544	612
Total general revenues and other changes in net assets	$ 1,065,703	$ 991,095
Changes in Net Assets		
Governmental activities	$ 131,805	$ 47,186
Business-type activity	2,601	1,150
Total changes in net assets	$ 134,406	$ 48,336

2005	2004	2003	2002
$ 1,061,662	$ 996,720	$ 958,044	$ 917,948
32,769	30,795	31,777	29,838
1,094,431	1,027,515	989,821	947,786
741	760	1,106	955
119,742	108,881	127,572	111,292
57,372	51,299	109,213	170,111
177,855	160,940	237,891	282,358
16,050	15,028	14,840	14,901
15,829	14,858	13,847	13,048
31,879	29,886	28,687	27,949
$ 209,734	$ 190,826	$ 266,578	$ 310,307
$ (883,807)	$ (835,780)	$ (720,153)	$ (635,591)
(890)	(909)	(3,090)	(1,888)
$ (884,697)	$ (836,689)	$ (723,243)	$ (637,479)
$ 911,360	$ 866,921	$ 808,029	$ 786,791
7,528	7,206	5,959	5,430
(993)	(614)	(961)	(2,199)
917,895	873,513	813,027	790,022
993	614	961	2,199
-	12	44	86
993	626	1,005	2,285
$ 918,888	$ 874,139	$ 814,032	$ 792,307
$ 34,088	$ 37,733	$ 92,874	$ 154,432
103	(283)	(2,085)	397
$ 34,191	$ 37,450	$ 90,789	$ 154,829

Board of Education of Baltimore County

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(In Thousands)

	2007	2006	2005	2004
General Fund				
Reserved	$ 15,625	$ 11,904	$ 10,041	$ 10,762
Unreserved	9,718	10,717	3,851	3,610
Total general fund	$ 25,343	$ 22,621	$ 13,892	$ 14,372
All other governmental funds				
Reserved	$ 146,377	$ 66,665	$ 41,844	$ 31,020
Unreserved, reported in :				
Special revenue fund	2,684	6,997	6,900	4,862
Capital projects fund	(141,671)	(65,610)	(39,446)	(28,126)
Total all other governmental funds	$ 7,390	$ 8,052	$ 9,298	$ 7,756

2003	2002	2001	2000	1999	1998
$ 8,151	$ 10,232	$ 9,925	$ 8,402	$ 13,588	$ 6,907
1,165	4,565	3,340	5,390	2,072	363
$ 9,316	$ 14,797	$ 13,265	$ 13,792	$ 15,660	$ 7,270
$ 34,083	$ 73,052	$ 89,456	$ 51,683	$ 40,007	$ 562
4,457	3,034	1,790	529	530	645
(31,789)	(70,693)	(88,185)	(51,407)	(39,162)	-
$ 6,751	$ 5,393	$ 3,061	$ 805	$ 1,375	$ 1,207

Board of Education of Baltimore County

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(In Thousands)

	2007	2006	2005	2004
Revenues:				
Intergovernmental	$ 1,335,262	$ 1,167,236	$ 1,086,312	$ 1,025,679
Other	9,426	10,591	8,417	8,347
Total revenues	1,344,688	1,177,827	1,094,729	1,034,026
Expenditures:				
Current:				
Administration	35,260	33,619	27,986	25,802
Mid-level administration	70,409	67,063	63,143	60,477
Instruction -				
Instructional salaries	427,342	404,313	388,747	373,785
Textbooks and classroom supplies	25,135	24,661	24,354	22,503
Other instructional costs	17,556	18,159	18,712	20,421
Special education	148,936	142,298	131,318	121,737
Student personnel services	7,430	6,573	5,968	5,691
Health services	12,481	12,512	11,550	10,944
Student transportation	47,609	40,728	40,258	35,904
Operation of plant	76,914	70,746	63,283	60,431
Maintenance of plant	26,150	22,087	20,309	18,637
Fixed charges	286,638	256,220	239,124	216,615
Community services	782	617	503	347
Capital outlay	160,567	69,245	58,942	53,133
Debt service -				
Principal	4,809	4,701	3,504	4,043
Interest	263	226	239	239
Total expenditures	1,348,281	1,173,768	1,097,940	1,030,709
Excess (deficiency) of revenues over expenditure	(3,593)	4,059	(3,211)	3,317
Other financing sources (uses):				
Capital lease proceeds	5,652	3,425	4,564	3,449
Transfers out	-	-	(293)	(704)
Total other financing sources (uses)	5,652	3,425	4,271	2,745
Net change in fund balances	$ 2,059	$ 7,484	$ 1,060	$ 6,062
Debt service as a percentage of noncapital expenditures*	0.4%	0.4%	0.4%	0.4%

* Debt issued to finance school construction is not an obligation of the Board, therefore the deb service is not included in these financial statements

2003	2002	2001	2000	1999	1998
$ 1,043,879	$ 1,067,809	$ 966,521	$ 847,845	$ 806,644	$ 775,306
7,544	6,743	8,641	7,135	7,204	7,665
1,051,423	1,074,552	975,162	854,980	813,848	782,971
24,408	22,067	22,094	20,634	16,708	15,191
58,663	57,850	55,030	53,029	49,971	49,111
363,199	355,055	332,229	308,157	288,946	263,601
19,816	23,025	28,816	18,877	15,839	10,972
20,665	21,196	26,047	21,839	17,844	16,801
119,327	110,297	98,299	91,270	81,305	72,391
5,435	4,810	4,539	4,347	4,271	3,096
11,279	10,795	9,739	8,280	7,433	6,868
37,156	39,212	32,626	29,981	30,407	28,973
57,473	57,194	57,573	52,020	49,519	50,037
19,501	18,999	18,110	16,974	15,771	15,562
207,339	181,284	171,297	159,916	166,348	153,290
570	396	129	560	60	-
111,386	172,015	113,933	69,320	59,542	60,203
3,979	4,736	4,763	6,256	6,306	5,159
150	166	251	327	297	330
1,060,346	1,079,097	975,475	861,787	810,567	751,585
(8,923)	(4,544)	(313)	(6,807)	3,281	31,386
5,479	8,984	2,600	4,084	5,936	6,796
(678)	(577)	(556)	(119)	0	(1,493)
4,801	8,407	2,044	3,965	5,936	5,303
$ (4,122)	$ 3,863	$ 1,731	$ (2,842)	$ 9,217	$ 36,689
0.4%	0.5%	0.4%	0.4%	0.4%	0.5%

Board of Education of Baltimore County

Government-wide Expenses by Function

Last Six Fiscal Years

(In Thousands)

Fiscal Year	Administration	Mid-Level Administration	Instruction	Special Education	Student Personnel Services	Health Services	Student Transportation
2007	$ 44,267	$ 96,699	$ 664,039	$ 194,330	$ 10,306	$ 17,227	$ 57,526
2006	41,947	90,555	619,315	182,781	8,982	16,682	51,902
2005	34,904	85,196	594,985	166,866	8,217	15,513	48,685
2004	31,385	79,960	564,491	153,332	7,625	14,496	45,011
2003	30,122	77,999	542,518	149,638	7,193	14,795	43,232
2002	26,905	75,466	521,615	136,155	6,390	13,920	40,766

Operation of Plant	Maintenance of Plant	Community Services	Capital Outlay	Interest on Long-term Debt	Food Services	Total
$ 90,631	$ 30,632	$ 955	$ 3,463	$ 263	$ 35,383	$ 1,245,721
83,464	25,560	753	8,563	226	33,279	1,164,009
75,434	24,340	589	6,695	239	32,769	1,094,432
71,794	21,727	392	6,267	239	30,795	1,027,514
68,402	22,717	637	641	150	31,777	989,821
67,104	21,309	462	7,691	166	29,838	947,786

Board of Education of Baltimore County

Government-wide Revenues

Last Six Fiscal Years

(In Thousands)

	Program Revenues			General Revenues				
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Baltimore County	State of Maryland	United States Government	Other	Total
2007	$ 18,884	$ 138,665	$ 156,875	$ 607,042	$ 445,215	$ 5,522	$ 7,924	$ 1,380,127
2006	17,775	137,234	66,241	592,330	390,143	138	8,484	1,212,345
2005	16,791	135,571	57,372	571,390	339,971	-	7,528	1,128,623
2004	15,788	123,739	51,299	560,856	305,965	-	7,319	1,064,966
2003	15,946	141,419	109,213	547,627	260,402	-	6,003	1,080,610
2002	15,857	124,340	170,111	544,998	241,793	-	5,517	1,102,615

Board of Education of Baltimore County

Governmental Funds Revenues by Source [1]

Last Ten Fiscal Years

(In Thousands)

Fiscal Year	Baltimore County	State of Maryland	United States Government	Other	Total
2007	$ 726,758	$ 536,375	$ 72,129	$ 9,426	$ 1,344,688
2006	639,544	457,642	70,050	10,591	1,177,827
2005	612,031	410,781	63,500	8,417	1,094,729
2004	598,229	373,214	54,236	8,347	1,034,026
2003	626,126	366,581	51,172	7,544	1,051,423
2002	683,935	341,626	42,248	6,743	1,074,552
2001	617,474	310,988	38,059	8,641	975,162
2000	516,611	299,123	32,513	7,135	855,382
1999	488,442	290,997	28,011	7,204	814,654
1998	470,321	277,681	27,540	7,665	783,207

[1] Includes general, special revenue, capital projects funds.

Board of Education of Baltimore County

Governmental Funds Expenditures by Function [1]

Last Ten Fiscal Years

(In Thousands)

Fiscal Year	Administration	Mid-Level Administration	Instruction			Special Education	Student Personnel Services	Health Services
			Salaries	Textbooks and Supplies	Other Costs			
2007	$ 35,260	$ 70,409	$ 427,342	$ 25,135	$ 17,556	$ 148,936	$ 7,430	$ 12,481
2006	33,619	67,063	404,312	24,661	18,159	142,298	6,573	12,512
2005	27,986	63,143	388,747	24,354	18,712	131,318	5,968	11,550
2004	25,802	60,476	373,785	22,503	20,421	121,737	5,691	10,944
2003	24,408	58,663	363,199	19,816	20,665	119,327	5,435	11,278
2002	22,067	57,850	355,055	23,025	21,196	110,297	4,810	10,795
2001	22,094	55,030	332,229	28,816	26,047	98,298	4,539	9,739
2000	20,634	53,029	308,157	18,877	21,839	91,270	4,347	8,280
1999	16,708	49,971	288,946	15,839	17,844	81,305	4,271	7,433
1998	15,191	49,111	263,601	10,972	16,801	72,391	3,096	6,868

[1] Includes general, special revenue, and capital projects funds.

Student Transportation	Operation of Plant	Maintenance of Plant	Fixed Charges	Community Services	Capital Outlay	Debt Service	Special Revenue	Total
$ 47,609	$ 76,914	$ 26,150	$ 286,638	$ 782	$ 160,567	$ 5,072	$ -	$ 1,348,281
40,728	70,746	22,087	256,220	617	69,245	4,927	-	1,173,767
40,258	63,283	20,309	239,124	503	58,942	3,743	-	1,097,940
35,904	60,431	18,637	216,615	347	53,133	4,283	-	1,030,709
37,156	57,473	19,502	207,339	570	111,386	4,129	-	1,060,346
39,212	57,194	18,999	181,283	396	172,015	4,902	-	1,079,096
32,626	57,573	18,110	171,297	129	113,933	5,014	-	975,474
29,981	52,020	16,974	159,916	560	69,320	6,582	-	861,786
30,407	49,519	15,771	166,348	60	59,543	6,603	-	810,568
28,973	50,037	15,562	153,291	-	58,203	5,723	38,334	788,154

Board of Education of Baltimore County

Final Approved Operating Budgets

Expenditures

Last Ten Fiscal Years

(In Thousands)

	General Fund							
Fiscal Year	Administration	Mid-Level Administration	Instruction Salaries and Other Costs	Instructional Textbooks and Supplies	Special Education	Student Personnel Services	Health Services	Student Transportation
2007	$ 29,718	$ 69,497	$ 421,040	$ 23,891	$ 128,268	$ 6,181	$ 11,274	$ 45,854
2006	28,787	65,640	402,364	19,964	123,150	5,165	11,078	42,257
2005	23,126	62,276	385,729	18,409	115,424	4,716	9,972	38,054
2004	22,722	59,672	372,297	19,130	108,030	4,315	9,534	35,256
2003	19,380	58,114	342,779	16,210	101,805	3,526	9,348	35,163
2002	19,059	57,429	345,038	19,064	95,927	3,597	9,309	35,054
2001	19,061	54,639	326,763	26,768	87,976	3,555	8,446	34,686
2000	16,837	52,901	301,632	15,502	80,164	3,591	7,764	30,911
1999	16,617	49,565	287,900	14,196	73,854	3,456	7,272	29,272
1998	15,692	49,448	280,193	11,775	72,897	3,096	6,867	26,709

					General Fund Total	Debt Service Fund	Special Revenue Fund	
Operation of Plant	Maintenance of Plant	Fixed Charges	Capital Outlay	General Fund	Debt Service	Federal and Restricted Programs	Total
$ 80,490	$ 27,235	$ 218,424	$ 5,849	$ 1,067,721	$ 24,693	$ 88,158	$ 1,180,572
72,430	22,105	194,442	3,182	990,564	23,978	84,487	1,099,029
62,907	20,962	179,052	2,309	922,936	20,559	74,894	1,018,389
61,022	19,923	158,765	2,322	872,988	16,251	71,031	960,270
58,062	19,587	149,000	2,133	815,107	22,397	97,491	934,995
56,948	18,984	129,112	1,889	791,410	13,650	77,559	882,619
58,087	18,775	115,907	1,809	756,472	14,658	73,336	844,466
52,560	16,772	103,213	1,736	683,583	15,990	55,394	754,967
51,692	17,792	100,029	1,664	653,309	14,605	56,083	723,997
50,786	16,823	97,433	1,681	633,400	16,806	44,374	694,580

Board of Education of Baltimore County

General Fund - Revenue and Expenditures - Budgetary Basis

Last Five Fiscal Years

(In Thousands)

	2007		2006	
	Amount	Percent of Total	Amount	Percent of Total
Revenues by Source:				
Baltimore County	$ 607,042	56.9	$ 591,656	59.9
State of Maryland	437,103	41.0	382,665	38.7
United States Government	5,520	0.5	138	-
Other	16,985	1.6	14,086	1.4
Total revenue	1,066,650	100.0	988,545	100.0
Current Expenditures by Function:				
Administration	29,666	2.8	28,768	2.9
Mid-Level Administration	69,490	6.5	65,632	6.7
Instructional costs:				
Salaries	407,249	38.3	383,167	39.3
Instr. textbooks & supp	23,809	2.2	19,835	2.0
Other costs	12,510	1.2	12,453	1.3
Special education	127,157	12.0	121,255	12.4
Student personnel services	6,140	0.6	5,090	0.5
Health services	11,274	1.1	11,071	1.1
Student transportation	45,681	4.3	41,197	4.2
Operation of plant	78,798	7.4	71,924	7.3
Maintenance of plant	27,222	2.6	21,971	2.2
Fixed charges	218,386	20.5	193,514	19.8
Capital outlay	5,841	0.5	3,018	0.3
Total expenses	1,063,223	100.0	978,895	100.0
Excess of revenue over expenditures	$ 3,427		$ 9,650	

	2005		2004		2003	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
	$ 570,385	62.0	$ 560,234	64.3	$ 547,235	67.2
	338,383	36.8	301,396	34.6	255,781	31.4
	-	-	100	0.1	-	-
	11,192	1.2	8,948	1.0	11,231	1.4
	919,960	100.0	870,678	100.0	814,247	100.0
	23,115	2.5	22,111	2.6	19,375	2.4
	62,142	6.8	59,652	6.8	58,101	7.1
		-		-		-
	370,701	40.4	355,294	41.1	330,819	40.6
	18,392	2.0	18,670	2.1	16,209	2.0
	11,749	1.3	14,406	1.7	11,824	1.5
	114,731	12.5	104,622	12.1	101,802	12.5
	4,626	0.5	4,244	0.5	3,524	0.4
	9,969	1.1	9,528	1.1	9,348	1.1
	38,028	4.1	35,179	4.1	34,735	4.3
	62,883	6.9	60,822	7.0	58,024	7.1
	20,146	2.2	19,745	2.3	19,465	2.4
	178,959	19.5	158,676	18.3	148,827	18.3
	2,268	0.2	2,238	0.3	2,130	0.3
	917,709	100.0	865,187	100.0	814,183	100.0
	$ 2,251		$ 5,491		$ 64	

Board of Education of Baltimore County

Enrollment by Schools

	SEPTEMBER	
	2006	2005
Elementary:		
Arbutus	322	352
Baltimore Highlands	538	567
Battle Grove	331	331
Bear Creek	480	463
Bedford	329	346
Berkshire	334	364
Campfield ECLD Ctr.	326	338
Carney	483	481
Carroll Manor	347	340
Catonsville	403	383
Cedarmere	480	500
Chadwick	428	443
Chapel Hill	780	710
Charlesmont	344	338
Chase	354	335
Chatsworth	399	408
Chesapeake Terrace	192	198
Church Lane	487	510
Colgate	329	348
Cromwell Magnet	431	427
Deep Creek	544	564
Deer Park	477	479
Dogwood	608	624
Dundalk	658	691
Eastwood Center	178	185
Edgemere	522	510
Edmondson Heights	614	639
Elmwood	530	518
Essex	426	451
Featherbed Lane	680	716
Fifth District	282	280
Fort Garrison	420	403
Franklin	497	470
Fullerton	520	519
Glenmar	353	337
Glyndon	456	501
Grange	382	405
Gunpowder	502	489
Halethorpe	396	412
Halstead Academy	539	562
Hampton	362	366
Harford Hills	360	367
Hawthorne	430	426
Hebbville	469	522
Hernwood	459	500
Hillcrest	635	644
Jacksonville	528	562
Johnnycake	585	558
Joppa View	586	595
Kingsville	343	323
Lansdowne	379	392
Logan	531	516
Lutherville	456	447
Mars Estates	384	435
Martin Boulevard	303	310
McCormick	422	454
Middleborough	311	308
Middlesex	512	539
Milbrook	344	335
New Town	646	619
Norwood	606	618
Oakleigh	500	517
Oliver Beach	266	269
Orems	334	334
Owings Mills	708	655
Padonia	311	338
Perry Hall	542	531
Pine Grove	478	489
Pinewood	502	445
Pleasant Plains	542	562
Pot Spring	563	554
Powhatan	336	348
Prettyboy	418	437
Randallstown	400	426
Red House Run	495	459
Reisterstown	484	520
Relay	437	420
Riderwood	473	477
Riverview	528	519
Rodgers Forge	536	532
Sandalwood	471	494
Sandy Plains	542	547
Scotts Branch	531	573
Seneca	428	449
Seven Oaks	407	391
Seventh District	386	389
Shady Spring	592	607
Sparks	498	500
Stoneleigh	604	561
Summit Park	345	344
Sussex	332	342

	SEPTEMBER	
	2006	2005
Timber Grove	562	567
Timonium	421	404
Victory Villa	310	341
Villa Cresta	513	523
Warren	350	352
Wellwood	496	503
Westchester	514	503
Westowne	514	497
Winand	506	544
Winfield	464	417
Woodbridge	381	376
Woodmoor	572	599
Woodholme	680	562
Misc. Elementary Programs	3	5
Elementary total:	47,627	47,995
Middle and Alternatives:		
Arbutus	851	911
Bridge Center	13	5
Catonsville	664	660
Cockeysville	911	836
Deep Creek	840	851
Deer Park	1,223	1,348
Dumbarton	912	911
Dundalk	484	523
Franklin	1,406	1,400
General John Stricker	838	895
Golden Ring	758	797
Hereford	997	995
Holabird	724	690
Lansdowne	686	712
Loch Raven Technical Academy	734	859
Meadowwood Educ. Ctr.	36	60
Middle River	829	828
Old Court	652	1,145
Parkville	1,146	1,146
Perry Hall	1,494	1,520
Pikesville	939	1,039
Pine Grove	1,064	1,113
Rosedale Alt. Middle	87	96
Ridgely	1,071	1,040
Southwest Academy	926	1,115
Sparrows Point	524	544
Stemmers Run	790	824

	SEPTEMBER	
	2006	2005
Sudbrook Magnet	1,031	1,033
Windsor Mill	567	-
Woodlawn	719	750
Misc. Middle Programs	14	18
Middle total:	23,930	24,664
High and Alternatives:		
Bridge Center	14	9
Carver Center	718	699
Catonsville	1,689	1,623
Catonsville Alternative	53	75
Chesapeake	1,085	1,047
Dulaney	1,962	1,994
Dundalk	1,342	1,376
Eastern School of Technology	1,250	1,294
Franklin	1,578	1,632
Hereford	1,393	1,377
Kenwood	1,847	1,854
Lansdowne	1,278	1,283
Loch Raven	1,189	1,217
Milford Mill	1,567	1,522
New Town	1,037	962
Overlea	1,331	1,248
Owings Mills	1,110	1,157
Parkville	1,987	1,892
Patapsco	1,620	1,653
Perry Hall	2,303	2,256
Pikesville	1,033	1,064
Randallstown	1,276	1,274
Rosedale Alternative	134	153
Sparrows Point	836	869
Towson	1,461	1,457
Western School of Technology	977	1,044
Woodlawn	1,960	1,992
Misc. Secondary Programs	166	211
High total:	34,196	34,234
Special Education:		
Battle Monument	52	52
Catonsville Education Center	-	37
Ridge Ruxton School	122	136
Maiden Choice School	106	99
White Oak School	149	169
Special Education total:	429	493
Total enrollment:	106,182	107,386

Board of Education of Baltimore County

Enrollment by Grade and Student to Teacher Ratio

	SEPTEMBER									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Elementary:										
Preschool	3,771	3,585	3,512	3,469	3,404	3,176	3,182	3,454	3,400	3,052
Kindergarten	6,731	6,849	6,812	6,748	6,654	6,665	6,722	6,917	6,631	7,213
Grade 1	7,335	7,215	7,289	7,325	7,492	7,431	7,449	7,739	7,867	8,442
2	7,289	7,352	7,363	7,484	7,580	7,505	7,705	8,184	8,004	8,468
3	7,349	7,384	7,597	7,753	7,671	7,802	8,212	8,449	8,397	8,397
4	7,473	7,634	7,911	7,841	7,982	8,258	8,553	8,559	8,599	8,483
5	7,679	7,976	7,842	8,160	8,363	8,591	8,501	8,552	8,374	8,324
Total Elementary	47,627	47,995	48,326	48,780	49,146	49,428	50,324	51,854	51,272	52,379
Middle:										
Grade 6	7,854	7,918	8,248	8,483	8,738	8,579	8,613	8,422	8,361	8,237
7	7,949	8,240	8,447	8,847	8,784	8,655	8,590	8,362	8,328	7,976
8	8,127	8,506	8,819	8,777	8,759	8,504	8,361	8,231	8,027	7,802
Total Middle	23,930	24,664	25,514	26,107	26,281	25,738	25,564	25,015	24,716	24,015
High:										
Grade 9	9,383	9,498	9,637	9,453	9,298	8,907	8,715	8,307	8,064	7,963
10	8,704	8,940	8,663	8,625	8,349	8,262	7,996	7,551	7,760	7,623
11	8,242	8,012	7,876	7,710	7,766	7,441	7,282	6,545	6,920	6,855
12	7,867	7,784	7,520	7,581	7,261	7,021	6,708	6,503	6,564	6,130
Total High	34,196	34,234	33,696	33,369	32,674	31,631	30,701	28,906	29,308	28,571
Special Education:										
Special Education schools	429	493	479	536	503	525	544	649	909	555
Total Special Education	429	493	479	536	503	525	544	649	909	555
Total enrollment	106,182	107,386	108,015	108,792	108,604	107,322	107,133	106,424	106,205	105,520
Number of teachers	7,424	7,393	7,380	7,223	6,847	6,845	6,635	6,558	6,571	6,458
Ratio of students to teachers	14.3	14.5	14.6	15.1	15.9	15.7	16.1	16.2	16.2	16.3

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Board of Education of Baltimore County

Cost Per Pupil - Budgetary Basis

Last Five Fiscal Years

	2007	2006	2005
Total Number of Pupils Enrolled	106,182	107,386	108,015
Current Expense			
General Fund:			
Administration	$ 279	$ 268	$ 214
Mid-Level Administration	654	611	575
Instruction [(1)]:			
Salaries	3,835	3,568	3,432
Instr textbooks & supplies	224	185	170
Other costs	118	116	109
Special education	1,198	1,129	1,062
Student personnel services	58	47	43
Health services	106	103	92
Student transportation	430	384	352
Operation of plant	742	670	582
Maintenance of plant	256	205	187
Fixed charges	2,057	1,802	1,657
Capital outlay	55	28	21
Total General Fund	10,012	9,116	8,496
Special Revenue Fund	731	730	645
Debt Service Fund:			
Principal liquidation	113	106	86
Interest payments	120	114	104
Total Debt Service Fund	233	220	190
Total operating budget	$ 10,976	$ 10,066	$ 9,331

The cost per pupil is based on the total number of pupils enrolled in the fall of each school year.

(1) Costs that are not applicable to the basic educational program or that are not charged to the Board of Education are not included in the above computation. For the year ended June 30, 2007, contributions by the State of Maryland to the Teachers' Retirement and Pension System of $54,895,831 on behalf of Baltimore County Public Schools are not included in this calculation.

2004	2003
108,792	108,604
$ 203	$ 208
548	549
3,266	3,271
172	176
132	140
962	963
39	39
88	88
323	324
559	560
181	182
1,459	1,461
21	21
7,953	7,982
622	787
88	138
52	51
140	189
$ 8,715	$ 8,958

Board of Education of Baltimore County

Other Data

Last Five Fiscal Years

	2006/2007	2005/2006	2004/2005
Number of Schools			
Elementary	103	103	103
Middle	27	26	26
High	24	24	24
Special education schools and centers	5	5	5
Vocational program	1	1	1
Transition center	1	1	-
Alternative education centers	8	8	8
Total	169	168	167
Operating Data of Food Service Fund			
Number of days lunch served	183	182	182
Number of free lunches served to pupils annually	3,413,209	3,449,101	3,306,353
Average number of free lunches served to pupils daily	18,651	18,951	18,167
Number of paid lunches served to pupils annually:			
At reduced price	1,171,969	1,155,092	1,058,827
At regular price	4,009,149	4,327,066	4,715,756
Average number of paid lunches served to pupils daily:			
At reduced price	6,404	6,347	5,818
At regular price	21,908	23,775	25,911
Total number of lunches served to pupils annually	8,594,327	8,931,259	9,080,936
Average number of lunches served to pupils daily	46,963	49,073	49,896
Charge per lunch to students:			
Elementary	2.50	2.10	1.70
Secondary	2.60	2.20	1.80
Student Transportation Data			
Estimated number of eligible riders daily	62,904	70,106	69,753
Number of bus routes:			
County	749	729	710
Private contractor	81	91	89
High School Graduates			
Day school	7,265	7,178	7,082
Evening school	99	147	114
Total	7,364	7,325	7,196
Total Enrollment	106,182	107,386	108,015

2003/2004	2002/2003
103	104
26	26
24	23
5	5
1	1
-	-
8	8
167	167
179	177
3,085,437	2,903,427
17,237	16,404
1,027,733	1,025,523
4,795,265	4,537,225
5,742	5,794
26,789	25,634
8,908,435	8,466,175
49,768	47,832
1.50	1.50
1.60	1.60
78,277	79,044
693	690
91	91
7,286	6,996
43	29
7,329	7,025
108,792	108,604

BOARD OF EDUCATION OF BALTIMORE COUNTY, MARYLAND

Baltimore, Maryland

REPORT ON SINGLE AUDIT

June 30, 2007

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Clifton Gunderson LLP
Certified Public Accountants & Consultants

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 Baltimore County
Baltimore, 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 Board of Education of Baltimore County (the Board), as of and for the year ended June 30, 2007, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Board's financial statements that is more than inconsequential will not be prevented or detected by the Board's internal control.

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

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Compliance and Other Matters

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

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

Clifton Gunderson LLP

Baltimore, Maryland
September 26, 2007

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

Members of the
Board of Education of Baltimore County
Baltimore, Maryland

Compliance

We have audited the compliance of the Board of Education of Baltimore County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Board of Education of Baltimore County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Board of Education of Baltimore County's management. Our responsibility is to express an opinion on the Board of Education of Baltimore County compliance based on our audit.

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

In our opinion, the Board of Education of Baltimore County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

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

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

A control deficiency in the Board's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Board's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 07-01 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Board's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The Board of Education of Baltimore County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Board of Education of Baltimore County's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of Baltimore County, as of and for the year ended June 30, 2007, and have issued our report thereon dated September 26, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of Baltimore County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Clifton Gunderson LLP

Baltimore, Maryland
October 26, 2007, except for our report on the schedule of
expenditures of federal awards which is September 26, 2007.

BOARD OF EDUCATION OF BALTIMORE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U. S. Department of Agriculture:			
Pass-through Programs from Maryland State Department of Education:			
Federal Donations of Food Commodities	10.550	—	$ 1,724,789
National School Lunch Program	10.555	—	11,457,744
After-School Snack Program	10.555	—	23,278
National School Breakfast Program	10.553	—	3,084,681
National School Summer Food Service Program	10.559	—	277,047
Total U.S. Department of Agriculture			16,567,539
National Security Agency:			
Mathematical Sciences Program			
Pass-through Program from University of Maryland-Eastern Shore			
Project TEAM FY 06	12.901	—	19,642
Direct Program:			
SEIST FY 06-07	12.901	H98230-06-2-0006	42,030
SEIST FY 07	12.901	H98230-07-2-004	1,976
BCML & BCMT FY 07	12.901	H98230-07-1-0125	3,540
Total National Security Agency			67,188
U.S. Department of Labor:			
Job Training and Partnership Act:			
Pass-through Programs from Baltimore County, Maryland:			
WIA Youth Activities:			
Life Works FY 07	17.259	M7023-07	160,915
Incentive Grant - WIA Section 503:			
Pass-through Program from Maryland State Department of Education:			
Adult General Education (AGE) FY 07 - Incentive	17.267	700746-07	45
Total Department of Labor			160,960
National Science Foundation:			
Direct Program:			
NSF STEM FY 06	47.076		879,663
NSF STEM FY 07	47.076		298,543
Total National Science Foundation			1,178,206
U. S. Department of Education:			
Adult Education State Grant Program:			
Pass-through Program from Maryland State Department of Education:			
Adult Basic Education FY 07	84.002A	700746-03	10,249
Adult Secondary Education FY 07	84.002A	700746-04	2,218
Local Institutionalized FY 07	84.002A	700746-05	3,372
Adult General Ed (AGE) FY 07 - Federal Carryover	84.002A	700746-06	14,140
Total Adult Education Programs			29,979

BOARD OF EDUCATION OF BALTIMORE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U. S. Department of Education, continued:			
Title 1 Grants to Local Educational Agencies:			
Pass-through Program from Maryland State Department of Education:			
Title I FY 05	84.010	500346-01	$ 332,666
School Improvement FY 05	84.010	500984-02	147,612
School Improvement FY 06	84.010	601711-01	203,881
Recognition Awards FY 06	84.010	601847-01	14,524
Title I Neglected and Delinquent Youth FY 06	84.010	600359-01	28,889
Title I FY 06	84.010A	600536-01	3,319,993
Title I FY 07	84.010	700535-01	16,357,332
School Improvement FY 07	84.010	700800-01	224,208
Title I Neglected and Delinquent Youth FY 07	84.010	700598-01	89,782
Recognition Awards FY 07	84.010	701876-01	29,560
Total Title I Grants			20,748,447
Special Education:			
Pass-through Program from Maryland State Department of Education:			
LRE FY 06	84.027	600320-05	128,529
CSPD FY 06	84.027	600320-03	14,234
Pass-through Carryover FY 06	84.027	601771-01	2,399
SECAC FY 06	84.027	600320-04	832
Pass-through FY 06	84.027	600320-01	6,125
Pass-through FY 07	84.027	700142-01	18,906,774
Supplemental Pass-through FY 07	84.027	700142-03	5,164
Special Education Advisory Council FY07	84.027	700142-04	1,850
Personnel Development FY07	84.027	700142-02	28,910
LRE FY 07	84.027	700142-05	144,286
FY 06 Pass-through Carryover to FY07	84.027	700142-01	2,971,864
Infants and Toddlers Part B FY 07	84.027	700306-03	156,848
Total Special Education Pass-Through Programs			22,367,815
Vocational Education Basic Grants To States:			
Pass-through Program from Maryland State Department of Education:			
Perkins FY 06	84.048	600594-01/02	3,390
Perkins FY 07	84.048	700885-01/02	1,062,045
Teacher Academy of Maryland FY 07	84.048	700790-01	44,455
Total Vocational Education			1,109,890
Magnet Schools Assistance:			
Direct Program:			
MSAP FY 06	84.165A	U165A040066-05A	447,070
MSAP FY 07	84.165A	U165A040066	1,334,643
Total Magnet School Assistance			1,781,713

BOARD OF EDUCATION OF BALTIMORE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U. S. Department of Education, continued:			
Special Education: Preschool — IDEA Part B:			
Pass-through Program from Maryland State			
Department of Education:			
FY 05 Preschool Pass-through Carryover to FY 06	84.173	601811-01	$ 5,565
MMSR Federal FY 07	84.173	700684-02	24,207
Preschool Pass-through FY 07	84.173	700142-06	770,977
Preschool Pass-through Carryover FY 07	84.173	701708-02	3,187
Infants and Toddlers Part B FY 07	84.173	700306-04	9,000
Total IDEA Part B			812,936
Special Education: Preschool — IDEA Part C:			
Pass-through Program from Maryland State			
Department of Education:			
Infants and Toddlers Part C FY 07	84.181A	700306-01/02	824,191
Total IDEA Part C			824,191
Safe and Drug Free Schools and Communities:			
Pass-through Program from Maryland State			
Department of Education:			
FY 06 Title IV - Safe & Drug Free Schools	84.186	600516-01	280,523
FY 07 Title IV - Safe & Drug Free Schools	84.186	700194-01	231,883
Total Safe and Drug Free Schools			512,406
Pass-through Program from Maryland State			
Department of Education:			
Education for Homeless Children and Youth FY 06	84.196A	600736-01/02	11,605
Education for Homeless Children and Youth FY 07	84.196A	700754-01	95,707
Total Education for Homeless Children and Youth			107,312
Javits Gifted and Talented Students Education:			
Pass-through Program from Maryland State			
Department of Education:			
Javits - Potential & Promise In Primary Students FY 07	84.206A	602185-01	16,782
Total Javits Gifted and Talented Education			16,782
Even Start Educational Agencies:			
Pass-through Program from Maryland State			
Department of Education:			
Even Start FY 06	84.213C	600928-01	62,509
Even Start FY 07	84.213C	701047-01/02	156,222
Total Even Start Educational Agencies			218,731
Fund for Improvement of Education — ESEA Title X			
Direct Program:			
Smaller Learning Communities FY 05	84.215L	V215L042100	862,689
Teaching American History FY 06	84.215X	U215X050138	276,834
Total Fund for Improvement of Education			1,139,523

BOARD OF EDUCATION OF BALTIMORE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U. S. Department of Education, continued:			
Foreign Language Assistance Program:			
Direct Program:			
FLAP FY 04	84.293B	T293B030170	$ 52,993
Innovative Education Program Strategies:			
Pass-through Program from Maryland State Department of Education:			
Title V FY 05	84.298	600436-01	97,262
Title V FY 06	84.298	700614-01	121,756
Total Innovative Education Program Strategies			219,018
Technology Literacy Challenge Fund Grant:			
Pass-through Program from Maryland State Department of Education:			
Maryland Students Online FY 05	84.318	500848-01	160,965
Online Technology Assessment Tools FY 05	84.318	500782-01	221,991
Education Technology Formula FY 06	84.318	601021-01	274,987
Algebra Collaborative FY 06	84.318	601103-01	345,421
Education Technology Formula FY 07	84.318	700679-01/02	124,183
Algebra Collaborative FY 07	84.318	701797-01/02	56,584
Education Technology Formula FY 07	84.318	701796-01/02	63,544
Pass-through Program from Montgomery County			
Student Technology Literacy FY 05	84.318	—	1,632
Student Technology Literacy FY 06	84.318	MCPS	10,000
MD K-12 Digital Library FY 06	84.318	MCPS	17,801
MD K-12 Digital Library FY 07	84.318	MCPS 601076	1,553
Total Technology Literacy Challenge Fund			1,278,661
Special Education - Personal Development to Improve Services and Results for Children with Disabilities:			
Pass-through from University of Colorado:			
Idaho & Maryland - TOP FY 07	84.325	H325N020049	39,820
Total Personal Development to Improve Services			39,820
Pass-through Program from Maryland State Department of Education:			
Advanced Placement: Great Expectations FY 06	84.330	601829-01	31,742
Nexus FY 06	84.330	600890-01	20,081
Advanced Placement: Great Expectations FY 07	84.330C	700943-01	18,646
Nexus FY 07	84.330C	700936-01	21,072
Total Advanced Placement Incentive Program			91,541

BOARD OF EDUCATION OF BALTIMORE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U. S. Department of Education, continued:			
Gaining Early Awareness and Readiness for Undergraduate Program (GEAR UP):			
Pass-through Program from Maryland State Department of Education:			
Gear Up FY06	84.334A	601261-01	$ 5,927
Gear Up Planning FY06	84.334S	602133-01	104,945
NCCEP FY 06	84.334S	700406-01	6,420
Gear Up FY07	84.334S	701611-01	103,976
Total GEAR UP			221,268
Reading First State Grants:			
Pass-through Program from Maryland State Department of Education:			
Reading First FY 06	84.357A	600729-01	405,942
Reading First FY 07 - Line 1	84.357A	700921-01	876,055
Total Reading First			1,281,997
English Language Acquisition:			
Pass-through Program from Maryland State Department of Education:			
Title III - Language Acquisition FY 06	84.365A	600487-01	129,297
Title III - Language Acquisition FY 07	84.365A	700348-01	453,754
Total English Language Acquisition			583,051
Improving Teacher Quality State Grants:			
Pass-through Program from Maryland State Department of Education:			
Title II FY 05	84.367	500348-01	372,861
Title II FY 06	84.367	600462-01	932,151
Title II FY 07	84.367	700638-01	2,967,212
Total Improving Teacher Quality State Grants			4,272,224
Hurricane Education Recovery:			
Pass-through Program from Maryland State Department of Education:			
Emergency Impact Aid - Hurricane Katrina FY 06 Unrestricted	84.938C	602015-01	65,794
Emergency Impact Aid - Displaced Students FY 07	84.938C	700385-01	6,310
Total Emergency Impact Aid			72,104
Total U. S. Department of Education			57,782,402
U.S. Department of Health and Human Services:			
Comprehensive School Programs to Prevent the Spread of HIV			
Pass-through Program from Maryland State Department of Education:			
HIV/AIDS Prevention FY 05	93.938	502011-01	8,364

BOARD OF EDUCATION OF BALTIMORE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U. S. Department of Health and Human Services, continued:			
Acquired Immunodeficiency Syndrome Activity:			
Pass-through Program from Maryland State			
Department of Education:			
Sexual Harassment and Assault Prevention FY 05	93.991	500944-01	$ 612
Sexual Harassment and Assault Prevention FY 06	93.991	600340-01	1,195
Sexual Harassment and Assault Prevention FY 07	93.991	701617-01	12,313
Total Acquired Immunodeficiency Syndrome Activity			14,120
Total U.S. Department of Health and Human Services			22,484
Corporation for National and Community Service:			
Learn and Service America:			
Pass-through Program from Maryland State			
Department of Education:			
FY 06 Learn and Service America	94.004	601006-01	139
Total Corporation for National and Community Service			139
Other Federal Award Programs:			
Direct Programs:			
NASA Dulaney High FIRST FY 06	43.000	NNG06GC50G	2,826
NASA Dulaney High FIRST FY 07	43.000	NNG06GC50G	8,984
NASA Woodlawn High FIRST FY 07	43.000	NNG055GF38A	4,500
Total Other Federal Award Programs			16,310
Total Expenditures of Federal Awards			$ 75,795,228

BOARD OF EDUCATION OF BALTIMORE COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Board of Education of Baltimore County, Maryland (the Board), a component unit of Baltimore County, Maryland, for the year ended June 30, 2007.

Basis of Accounting

The accompanying Schedule has been prepared using the modified accrual basis of accounting, except for the U.S. Department of Agriculture (USDA) programs which are presented using the accrual basis of accounting. This basis of accounting is fully described in Note 1 to the Board's basic financial statements.

Food Commodities

The value of food commodities donated by the United States Department of Agriculture (the Department) is determined by the Department and is included in revenues and expenditures in the year received.

NOTE 2 – RELATION TO THE BASIC FINANCIAL STATEMENTS AND FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying Schedule agree with amounts reported in the Board's basic financial statements and the related federal financial reports submitted by the Board.

The following is a reconciliation of federal awards reported in the Schedule to federal revenue reported in the Board's basic financial statements for the year ended June 30, 2007:

Total federal expenditures reported in the Schedule	$ 75,795,228
Federal revenues included in the basic financial statements that are not required to be included in the Schedule:	
Medicaid funds under contract for services	6,969,374
R.O.T.C funds under contract for services	475,229
Miscellaneous items	(1)
Total	$ 83,239,830
Total federal revenues reported in the basic financial statements:	
Special Revenue Fund	$ 66,606,497
Food Service Fund	16,567,539
General Fund	65,794
Total	$ 83,239,830

NOTE 3 – SUBRECIPIENTS

Of the federal expenditures presented in the accompanying schedule, the Board provided a federal award to a subrecipient as follows for the year ended June 30, 2007.

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
School - University Partnership for Excellence in Research-Based Science, Technology, Engineering and Math Project	47.076	$ 327,201

This information is an integral part of the accompanying schedule.

BOARD OF EDUCATION OF BALTIMORE COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2007

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	____ Yes	X No	
Significant deficiency(ies) identified that is not considered to be a material weakness.	____ Yes	X	None reported
Noncompliance material to financial statements noted?	____ Yes	X No	

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	____ Yes	X No	
Significant deficiency(ies) identified that is not considered to be a material weakness.	X Yes	____	None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	X Yes	____ No

Identification of Major Programs

Name of Federal Program or Cluster	CFDA Number(s)
Child Nutrition	10.553-10.559
Title I Grants to Local Educational Agencies	84.010
Vocational Education	84.048
Magnet School Assistance Program	84.165A
Improving Teacher Quality	84.367

Dollar threshold used to distinguish between type A and type B programs $ 2,273,857

Auditee qualified as low-risk auditee? ____ Yes X No

BOARD OF EDUCATION OF BALTIMORE COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2007

II. Financial Statement Findings

None

III. Federal Award Findings and Questioned Costs

Finding No 07-01 Documentation to support the highly qualified status of a paraprofessional was not readily available.

Program Effected: Title I CFDA# 84.010

Condition: We were unable to obtain documentation to support the highly qualified status of a paraprofessional in a timely manner.

Criteria: The NCLB Act of 2001, Part A (Improving Basic Programs operated by Local Educational Agencies, subpart I – Basic Program requirements stated that) requires existing paraprofessionals (from each local educational agency receiving assistance under this Part) shall ensure that all paraprofessionals hired before the date of enactment of the No Child Left Behind Act of 2001, and working in a program supported with funds under this Part shall, not later than four years after the date of enactment, satisfy the requirements of subsection (c).

Cause: It is our understanding that all communication dealing with the issue was done via email. Copies of the communication was not maintained to substantiate the procedures.

Effect: BCPS may be unable to demonstrate its compliance with No Child Left Behind (NCLB) requirements.

Questioned Costs: None. The documentation to support the employee's highly-qualified status was obtained. The paraprofessional was highly-qualified prior to June 30, 2007.

Recommendation: BCPS should review current procedures to ensure adequate documentation to support compliance with federal requirements is maintained.

Management's Response:

BCPS' process to ensure proper documentation of the highly-qualified status of paraprofessionals includes a follow-up review of all new hire records after the school year begins. The individual in question was identified as not having the proper records on file (records were submitted but found to be not acceptable) in October 2006, shortly after the school year began.

Follow-up with the employee and the school began immediately in October of 2006. Although the employee did have a degree, the individual had trouble locating their transcripts, and the school from which their degree was obtained has been closed for several decades.

Because management believed the individual was highly-qualified, we did not believe it was in the best interest of the school to move the individual from the Title I school they were serving. Ultimately, the transcript records required were obtained from state archives which are maintained by a state agency for closed post-secondary schools.

Management will establish a practice to ensure communications regarding the follow-up on missing documentation is saved.

BOARD OF EDUCATION OF BALTIMORE COUNTY, MARYLAND
SCHEDULE OF PRIOR YEAR FINDINGS
June 30, 2007

Finding 06-01	Baltimore County Public Schools modified time and effort procedures have not been consistently applied by the various grant managers primarily in the reconciliation of payroll costs charged to the grants.
Current Year Status:	All federal programs selected for the fiscal year 2007 single audit were tested for compliance with the time and effort testing requirement. No exceptions were noted and no additional testing is required.
Finding 06-02	Federal property records were incomplete and did not adequately identify the assets.
Current Year Status:	The Magnet School Assistance program (MSAP) equipment process was tested as part of the fiscal year 2007 single audit. All eligible federal equipment was properly recorded and accurately identified in the property records. No additional testing required.
Finding 06-03	Procedures for processing miscellaneous payroll requests and approving employees work hours were not consistently performed.
Current Year Status:	Issues were resolved. No additional testing required.
Finding 06-04	An employee was not highly qualified to teach a core subject which they taught during the school year.
Current Year Status:	The employee did not teach a core subject during fiscal year 2007. No additional testing required.
Finding 06-05	The Title I review process did not consistently detect erroneous information provided in reports.
Current Year Status:	We reviewed the most recent reports, prepared under Title I's new review process, and found no errors. No additional testing required.