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Arts and Technology
opening 2012 - 2013 School Year

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the fiscal year
ended June 30, 2011**

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, 2011

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Dr. Joe A. Hairston, *Superintendent and Secretary-Treasurer*

Dr. Renee A. Foose, *Deputy Superintendent*

Michele O. Prumo, *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:

Leo Worthington
Cherish Stubbs
Margaret King
Jessica Bandel

Westchester Elementary
Reistertown Elementary
Riderwood Elementary
Dundalk Elementary

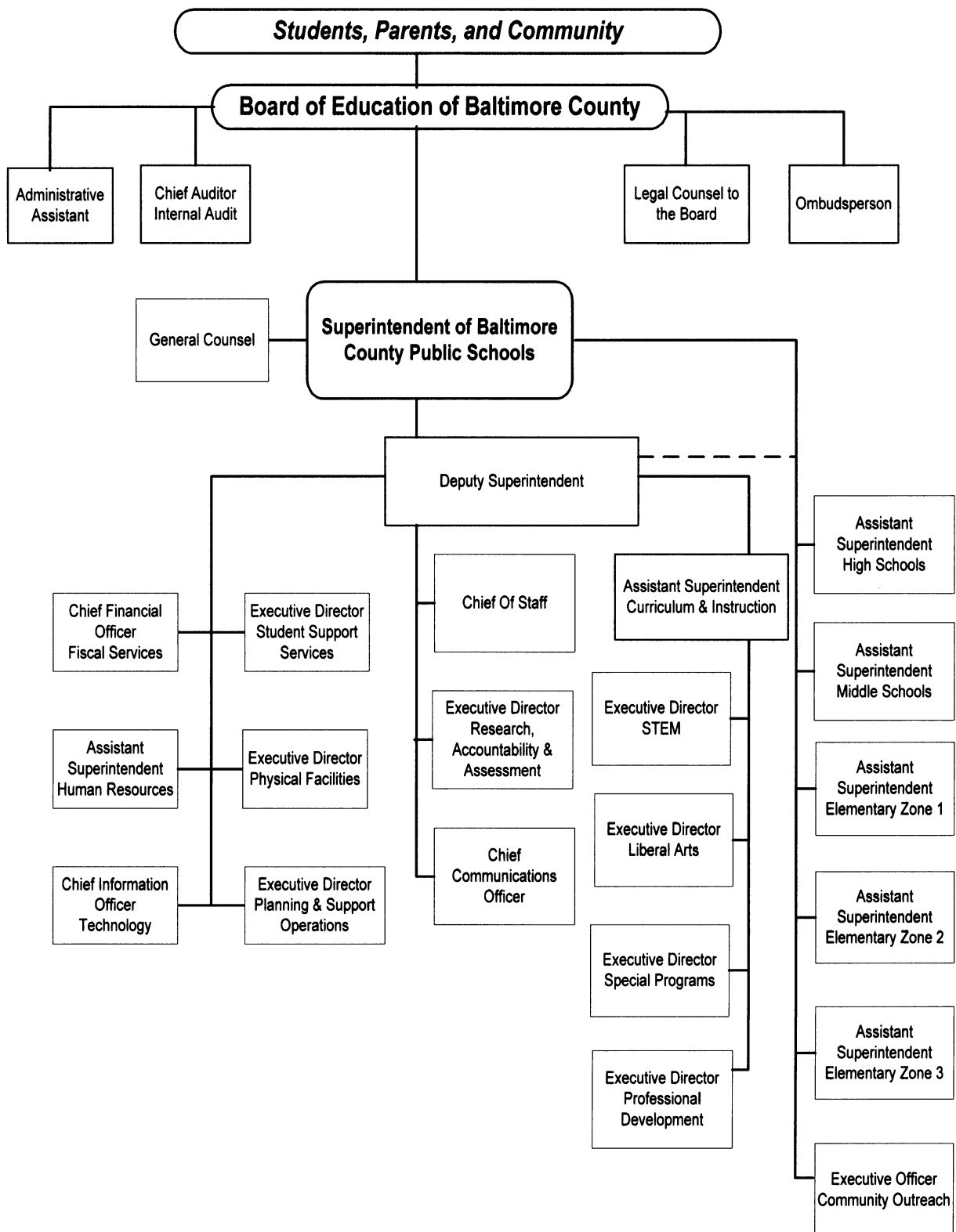
Board of Education of Baltimore County
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011

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Baltimore County Public Schools Organization Chart as of June 30, 2011



Superintendent's Staff As of June 30, 2011

Dr. Joe A. Hairston	Superintendent
Dr. Renee A. Foose	Deputy Superintendent
Michele O. Prumo	Chief of Staff
Dr. Donald A. Peccia	Assistant Superintendent of Human Resources
Dr. Roger L. Plunkett	Assistant Superintendent, Curriculum & Instruction
Barbara E. Walker	Assistant Superintendent, High Schools
Dr. Manuel B. Rodriguez	Assistant Superintendent, Middle Schools
Karen Blannard	Assistant Superintendent, Elementary Zone 1
Patricia A. Lawton	Assistant Superintendent, Elementary Zone 2
Verletta B. White	Assistant Superintendent, Elementary Zone 3
Phyllis T. Reese	Chief Communications Officer
Barbara S. Burnopp	Chief Financial Officer
Vacant	Chief Information Officer Technology
William S. Burke	Executive Director, Professional Development
Kara E. B. Calder	Executive Director, Planning & Support Operations
Sonja M. Karwacki	Executive Director, Liberal Arts
Kathleen M. McMahon	Executive Director, Special Programs
Dr. John R. Quinn	Executive Director, STEM
Dale R. Rauenzahn	Executive Director, Student Support Services
Michael G. Sines	Executive Director, Physical Facilities
Vacant	Executive Director, Research, Accountability, and Assessment
Margaret-Ann Howie, Esq.	General Counsel
Robert Barrett	Executive Officer, Community Outreach

BALTIMORE COUNTY PUBLIC SCHOOLS

Joe A. Hairston, Superintendent

6901 Charles Street

Towson, Maryland 21204-3711

September 30, 2011

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) annually publishes the comprehensive annual financial report (CAFR) 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 CAFR are those in which the board exercises oversight responsibility.

All funds and accounts of the board are included in this CAFR. 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 CAFR of Baltimore County. This CAFR 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 multiyear basis.

Generally Accepted Accounting Principles (GAAP) requires 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 the 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 is the twenty-sixth largest school system in the United States. The school system covers 612 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 about 105,000 students in Grades PreK–12. The students are served by more than 18,000 employees, including more than 8,900 teachers, making BCPS one of the largest employers in the region. More than 15,000 volunteers also support student achievement throughout the school system.

During the 2010-2011 school year, BCPS operated 173 schools, centers, and programs. One hundred six 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 10 centers and two programs provided services including evening high school, alternative education, home assessments, technical programs, virtual instruction, 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 school 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 that the school system has for all BCPS students. 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 2010-2011

During the 2010-2011 school year, BCPS continued to strengthen key academic initiatives, including signing a partnership agreement with the Community College of Baltimore County (in collaboration with the Maryland State Department of Education) to launch the new Diploma to Degree program. This program, which began its pilot in August 2011, will enable students to graduate from Baltimore County Public Schools with both a high school diploma and an associate of arts college degree.

The school system also maintained its commitment to attracting and retaining quality staff by honoring step increases and maintaining benefits and preserving positions that support instruction and essential student services. Another key development was the superintendent's initiation of a collaborative with deans of education from local colleges and universities. This group meets to explore ways that the school system can better prepare students to study education and that schools of education can better prepare their students to become Baltimore County Public Schools teachers.

In addition, the school system continued its efforts to enhance and expand facilities. The school system opened its newest school, West Towson Elementary; continued construction of a new building for George Washington Carver Center for Arts and Technology; and began construction for a shared site for Dundalk High School and Sollers Point Technical High School.

Disseminating information about school system achievements remained a priority, and Baltimore County Public Schools created a social media presence in 2011 by establishing Facebook and Twitter accounts, already popular with the community.

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 as excerpted from the Baltimore County Public Schools Report on Results School Year 2009-2010 (school year 2010-2011 data not yet available):

- Elementary and middle reading and mathematics Maryland School Assessments (MSA) scores have risen to their highest level in five years.

- The rate of English language learners achieving proficiency on the 2010 reading and mathematics MSA was 65% and 72%, respectively. This represents a 13 percentage point gain in reading since 2006 and a 16 percentage point gain in mathematics since 2006.
- By the end of Grade 12, 100% of the class of 2010 graduates met the high school assessment (HSA) graduation requirement; 88% of all students passed the HSA in algebra/data analysis, 92% in government, 86% in English, and 85% in biology.
- Advanced Placement (AP) participation has continued to increase from 11% in 2006 to 16% in 2010, the highest level in 5 years.
- The average number of AP courses offered in each high school increased to 17, and schools achieved dramatic annual increases in both student participation and passing of AP exams.
- For the class of 2010, 67% of BCPS high schools met or exceeded the national SAT participation rate, as compared with 63% for the class of 2009 and 56.5% for the class of 2005.
- The percentage of highly qualified teachers increased from 87% in 2004-2005 to 96.4% in 2008-2009 to 98% in 2009-2010. The percentage of highly qualified paraprofessionals has increased from 80.5% in 2004-2005 to 97.0% in 2010. The percentage of highly qualified middle school mathematics teachers rose from 79.4% in 2004-2005 to 99% in 2009-2010, the highest rate in five years. The percentage of newly hired highly qualified teachers in Title I schools was 100% in 2009-2010.
- The system-level high school graduation rate increased from 83% in 2006 to 86% in 2010, which was above the annual measurable objective of 85.5%.
- The 2010 systemwide dropout rate decreased to 3%, a five-year low.
- In 2009-2010, BCPS continued to effectively use resources and efficiently deliver business services by achieving a rate of 97.1% of school buses arriving on time, which exceeded the BCPS standard of 90.0%. The employee attendance rate for 2009-2010 was 96%. In addition, 99.9% of schools were operational during the 2009-2010 school year, exceeding the BCPS standard of 91.9%. The BCPS standard of providing one computer per five students was exceeded in 2009-2010, with a student to computer ratio of 3.5 to 1. The Wide Area Network (WAN), Enterprise Systems (ES), and telephone system operated effectively 99.9% of the time in 2009-2010, exceeding the BCPS standard of 98.0%. Finally, 99.0% of customer service issues were resolved within 48 hours.

Sustained progress is made possible because of a systemwide focus on student achievement as outlined in BCPS' *Blueprint for Progress*, which establishes clear standards and expectations for the delivery of quality instruction and support services, and continuous improvement for BCPS. As a results-oriented and ISO-certified 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 delivers educational programs, student and family support services, and administrative functions from nearly 200 facilities. The average original construction age of all BCPS schools is 48 years old. The school system began a focused maintenance and systemic school renovation program in 1998 to address deficiencies identified among the aging buildings. To date, renovation work at 98 elementary schools and 4 special schools has been completed. Systemic or limited renovations at 24 middle schools are complete, with an additional two middle schools under renovation and nearing completion. The implementation of the Limited Renovation Program for BCPS high schools continues in 2011 with Parkville High School and Milford Mill Academy. Each high school will be evaluated for systemic improvements and program enhancements to bring the facilities to current educational standards.

More than 300 construction and building projects, including new construction, major renovations, and modernizations at various elementary, middle, and high schools, were underway during fiscal year 2011. In addition to renovations to school roofing, windows, plumbing, electrical, ventilation, heating, and cooling systems, the work also consists of improvements to cafeterias, media centers, health suites, computer systems, security systems, and various other areas. Capital improvements enhancing the instructional program include renovations of science, mathematics, and art instructional areas.

In addition, the new West Towson Elementary School opened for students to relieve overcrowding in Towson area elementary schools in August 2010. Other prominent projects underway during the year included three new high school facilities to replace existing aging structures: continued construction of the new George Washington Carver Center for Arts and Technology; construction of new facilities for Dundalk High School and Sollers Point Technical High School; and construction of a new addition and renovation at Hampton Elementary School.

For the Future

BCPS' *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 graduate with the knowledge, skills, and attitudes to reach their potential in our multicultural society and global economy.

A Sample of System, Staff, and Student Achievements

- Thirteen high schools (more than 50% of all BCPS traditional and magnet high schools) were named among the top 7% of high schools in the nation by *The Washington Post*.
- Seven high schools have been named among the 500 "Best American High Schools" by *Newsweek* magazine.

- The school system was recognized by *Education Week* magazine for having the fourth highest graduation rate among the nation's largest school districts.
- BCPS was also recognized by the Schott Foundation for having the third highest graduation rate for African-American males among the nation's large school districts.
- Twelve schools in Baltimore County have been named National *No Child Left Behind* Blue Ribbon Schools, and 15 schools have been recognized as Maryland Blue Ribbon Schools of Excellence.
- The school system was recognized by the NAMM Foundation as one of the "Best Communities for Music Education in America" in 2004 and in every year from 2006 through 2011.
- Sudbrook Magnet Middle School was among only five schools in the nation chosen as a 2010 John F. Kennedy Center for the Performing Arts National School of Distinction in Arts Education.
- BCPS was recognized in 2009 by *Education Week*, the International Society for Technology in Education, National Public Radio, and others for the development of a groundbreaking partnership with Lockheed Martin, Northrop Grumman, The Johns Hopkins University, area software developers, and others. Through this partnership, the school system launched a first-of-its-kind virtual learning environment at Chesapeake High School.
- BCPS is the only school system in Maryland to achieve the ISO 9001 international certification for management of Curriculum and Instruction, Fiscal Services-Purchasing, Technology, and Human Resources.
- In 2010, the school system was awarded the National Mentorship Award from the U.S. Environmental Protection Agency's Indoor Air Quality Tools for Schools program.
- BCPS has won the Achievement of Excellence in Procurement award from the National Purchasing Institute.
- Milbrook Elementary School in Pikesville was named a National Title I Distinguished School for 2010-2011, one of only two schools in Maryland given the honor for the year and the second time in two years that a Baltimore County public school has earned the recognition.
- The Carpentry and Plumbing Career Pathway at Kenwood High School has become an accredited training and education facility through the National Center for Construction Education and Research. Through this accomplishment, Kenwood students who complete the program can earn up to one year of apprenticeship curriculum credit.
- Crayola, in collaboration with the National Association of Elementary School Principals, has selected Norwood and Orems elementary schools to receive two of its 20 national Champion Creatively Alive Children™ mini-grants. Through the grants program, Crayola challenged educators to explore the "what if" opportunities in art education that lead to innovative best practices.

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 CAFR for the fiscal year ended June 30, 2010. This was the fifteenth 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 CAFR. This report must satisfy both GAAP and applicable legal requirements.

A certificate of achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the certificate of achievement program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

The Association of School Business Officials International (ASBO) has awarded a Certificate of Excellence in Financial Reporting to BCPS for its CAFR for the fiscal year ended June 30, 2010. The Certificate of Excellence in Financial Reporting is the highest form of recognition in school system financial reporting issued by ASBO International. This is the twelfth consecutive year that BCPS has received this award. We believe that our current CAFR continues to meet the certificate of excellence program requirements and are submitting it to ASBO for consideration.

ECONOMIC CONDITION AND OUTLOOK

The county is situated in the geographic center of Maryland, surrounding the city of Baltimore almost entirely. The county is the largest jurisdiction in a metropolitan area with a population in excess of 2.6 million. The city of Baltimore and the county are entirely separate political units.

The county has the third largest land area of any political subdivision in the state of Maryland. Within its 612 square miles (plus an additional 28 square miles of water with over 175 miles of shoreline) are situated at least 29 identifiable, unincorporated communities which, as of 2000, ranged in population from approximately 4,300 to 63,000. The county's overall population grew 14% from 754,292 in 2000 to 805,029 in 2010. Today, the county has the third highest population in the State of Maryland, and the second highest number of jobs.

Healthcare and education, the sectors that consistently report job stability and growth despite economic downturns, are well represented in the county by five regional medical centers and five major colleges and universities. BD Diagnostic Systems shares a zip code with one of the largest concentrations of computer game developers on the East Coast. Headquarters for the Social Security Administration and Centers for Medicare and Medicaid Services and a corps of IT contractors form the Woodlawn Federal Center. Major operations of T. Rowe Price, Toyota Financial Services, Euler Hermes, Zurich America, Baltimore Life, and Bank of America form a powerful finance-insurance community. Manufacturing holds its place with General Motors, McCormick, Stanley Black & Decker, AAI, RG Steel, and Procter & Gamble Beauty.

New Business and Real Estate Activity

From June 2010 through August 2011, the county worked directly with more than 100 business prospects resulting in the relocation of new companies and expansion of existing businesses. The following highlights some of the most recent activity:

- Towson City Center is in the process of being converted into a green office building at a cost of approximately \$30 million. Once completed, it is anticipated that 400 employees will work there.
- General Motors announced in 2010 that they are investing \$244 million in the White Marsh facility to enable the manufacturing of GRE drive units and motors. GM plans to break ground on the 40,000 square foot expansion in April 2011, creating 189 new jobs. The county provided a \$6 million grant along with support for workforce training and recruitment.
- Kaiser Permanente purchased 9.6 acres in the Beltway Business Park to construct a 130,000 square foot building that will be the first multi specialty healthcare facility in the Baltimore region.
- Telcordia, a global leader in the development of mobile, broadband, and enterprise software and services, has established a new location at bwtech@UMBC. This location will employ about 50 people and will amplify Telcordia's development of extensive tools to address cyber security and critical infrastructure protection. The firm will collaborate with UMBC personnel and resources.
- Zynga East is a developer of massively popular multi player games Farmville and Frontierville, and recently expanded into a larger space. A forthcoming initial public offering is expected to value the company at \$20 billion.
- T. Rowe Price recently constructed two new office buildings totaling 400,000 square feet. Total project cost was approximately \$185 million. Their current employment is approximately 2,300.
- Owings Mills Metro Centre construction has started on the centerpiece building at a 46-acre transit-oriented town center. The six-story building will house the largest public library branch in Baltimore County and a center for the Community College of Baltimore County, Maryland's largest community college. This building is a major milestone in moving the Metro Centre project forward. Once the infrastructure for the library and college building has been completed, the private development team will turn its attention to the next phase of development, the Town Center, with a lively mix of shops, offices, a hotel, and apartments.
- Pharmaceuticals International is a contract drug manufacturer located in Hunt Valley, Maryland, and has purchased several buildings, which include approximately 150,000 square feet of space. The company currently has approximately 380 employees. The project cost is in excess \$5 million.

- Maricom Systems, Inc., a provider of healthcare information technology, added 100 new jobs in 2010. As a result of new federal contracts, the company is moving into larger offices in the Woodlawn Federal Center Enterprise Zone.
- ViPS, a General Dynamics Information Technology Company, has added 100 new information technology jobs in Baltimore County in 2010. With offices in downtown Towson and Woodlawn, ViPS now employs more than 700 workers in Baltimore County.
- MITRE Corporation recently moved to Rolling Run Drive, bringing 85 jobs to Woodlawn. This is a firm that works with CMS and other federal agencies. Their 22,000 square feet of new office space is in a building that used to be a manufacturing facility.
- Saver Auto Parts has relocated its manufacturing operation from Baltimore City and is currently leasing a 102,000 square-foot facility with the intent on purchasing the property in November 2011 for \$6 million. Their current employment is 110. Private investment on this project is approximately \$6,000,000.
- EA Engineering, Science, and Technology, Inc. (EA), has started construction on a new LEEDS platinum headquarters in Baltimore County. The new facility will consolidate more than 200 employees from three Baltimore County locations and one York, Pennsylvania, location into a single building. The company plans to hire about 40 new employees over the next four years. Private investments total \$27 million for the headquarters building and new EA ecotoxicology and biological testing laboratories to be built next door.

Commercial Revitalization

From July 2010 to July 2011, the Commercial Revitalization Program assisted 16 development projects. The county provided four architect on-call assists and one commercial revitalization property tax credit, which leveraged over \$22,210,000 in investment in the districts. These projects affected over 305,000 square feet of space and impacted approximately 495 jobs.

Among the most substantial projects was the eagerly anticipated Walmart in Randallstown. After long negotiations, Walmart has signed a lease to locate into Liberty Plaza at the intersection of Liberty Road and Brenbrook Drive. This will transform the long vacant shopping center. The owner of the center, Centro Properties, broke ground on the project in May 2011. The 160,000 square-foot super center will employ over 350 people. Walmart is scheduled to open in fall 2011.

Downtown Towson

Residential: Since 2008, over 1,200 new luxury apartment units in three major projects have been completed. Towson Green, a 160-unit condominium and town home LEED-certified development, is under construction. The Palisades of Towson, an 18-story 357-unit luxury apartment complex, opened in August of 2010 and was over 92 percent leased within one year.

Retail: From 2008 to 2011, over 110,000 square feet of new stores and restaurants have opened in the luxury wing of the regional Towson Town Center mall, including upscale retailers such as Tiffany, Louis Vuitton, and Burberry. A freestanding Urban Outfitters store one mile from the

mall will open for the 2011 holiday season, capitalizing on the demographic strengths of two major universities bracketing downtown Towson (Towson University and Goucher College).

Office and Mixed Use: A vacant, 12-story office building in the center of downtown Towson was purchased and is being redeveloped as a LEED-certified mixed-use project. The \$27 million Towson City Center includes 150,000 square feet of office and commercial space with ground-level retail and restaurants. Corporate headquarters for MileOne, one of the nation's largest privately held automobile sales and service delivery networks, is the lead tenant. The project has the capacity to bring 500 jobs to downtown Towson. Construction is underway, with completion targeted for June 2012.

Final development plans have been approved for Towson Circle III, a mixed-use entertainment destination consisting of a 2,250-seat movie theater complex, 120,000 square feet of retail, restaurant, and office space, and a 700-space public parking garage.

Capital Improvements

The availability of convenient transportation access and public infrastructure is critical to business location decisions. The county and state have moved forward aggressively to construct several road projects to provide excellent highway access to key development opportunity sites. One such project, Baltimore Crossroads @95 ("Crossroads"), is one of the largest development-ready land opportunities between Philadelphia and Richmond along I-95. Crossroads, which consultants project holds the potential for 10,000 new jobs, has seen significant speculative and tenanted construction of office, flex, and industrial buildings. Of the 1.6 million square feet proposed for the business park, 1.1 million square feet has been constructed, housing 1,250 employees and 30 businesses. Recent openings include: Mid-Atlantic Port Services, Social Solutions, and CDS Logistics.

The Maryland Transportation Authority (MDTA) is constructing two additional lanes on the most congested 10-mile portion of I-95 north of Baltimore City to White Marsh in the County. These two lanes will be express toll lanes and will facilitate both regional commuting and interstate commercial and personal travel. The express toll lanes are anticipated to be fully operational in 2014.

In response to an earlier feasibility study jointly funded by the county and the state of Maryland, the State Highway Administration (SHA) initiated a formal project planning study for the I-795/Dolfield Boulevard area, including a potential interchange at the Pleasant Hill Road/Dolfield Boulevard overpass, to provide improved access to the major employment corridor along Red Run Boulevard on the west side of I-795. The SHA is currently analyzing and developing stormwater management plans, along with completing the environmental documents for the project. The preferred route will be chosen by the SHA in the near future.

Construction has begun on the next phase of Owings Mill Boulevard, which will provide improved access from the Owings Mills Growth Area to Liberty Road and areas to the west.

The county rebuilt and assumed control and maintenance of Grays Road in Dundalk, Maryland. The 1.7-mile road has 12 businesses with 217 employees that generate 4,000 weekly truck and vehicle trips. The transfer to county control and the subsequent reconstruction to county standards improve access, supporting and stimulating activity in the area.

Brenbrook Drive in Randallstown was extended to alleviate traffic along Old Court Road and Liberty Road. The extension, which will provide increased traffic alongside the Brenbrook Shopping Center and Liberty Plaza, was completed in the spring 2009.

Base Realignment and Closure (BRAC)

When BRAC 2005 was first announced, the Baltimore region assumed that the influx of 15,000 new federal civilian jobs at Aberdeen Proving Ground (APG) and Fort Meade would have an enormous impact on the area as a whole. Although the actual federal jobs were all located on the two respective posts, it was assumed by all experts that there would be a significant “contractor tail” (private military contractors supporting the various missions) with up to 20,000 jobs that would be distributed more widely around surrounding jurisdictions. However, as the BRAC moves have become a reality (the majority of the relocations are expected to be complete by September 2011), the pace and pattern of contractor locations has differed significantly from what had been expected.

First, the number of contractor jobs moving to, or being created, in Maryland has not yet been as large as predicted. This is, in part, due to the confluence of BRAC with the extraordinary national financial recession, which seems to have caused many private contractors to be more cautious about opening new facilities and creating new positions. Also, some contractors reportedly have been waiting to see whether their expiring contracts with the federal commands will be renewed or awarded again before making real estate decisions.

Second, the preference of contractors to locate either on or immediately outside the gate of the military installations where their clients are located is much stronger than predicted. As a result, the vast majority of BRAC-related contractor jobs have located in Harford County (near APG) and Anne Arundel County (near Fort Meade). Baltimore County’s more modest results are comparable to those of the other jurisdictions in the Baltimore region that are not home to one of the BRAC-affected installations. Baltimore County has attracted Telcordia, which works with Department of Defense agencies at both Fort Meade and APG, and is the first major company to establish a presence in Baltimore County as a result of BRAC. The firm, a global leader in communications software, has opened an office at the bwtech@UMBC Research and Technology Park focused on developing tools to support and protect vital communications networks. MITRE, which has had an office in Catonsville serving both the Centers for Medicare and Medicaid (CMS) and military contracts, has relocated to a larger, renovated space adjacent to the CMS campus.

Industrial Redevelopment

The Sparrows Point peninsula includes an estimated 2,200 acres of land with deepwater, heavy rail, and interstate access. In March 2011, RG Steel, a subsidiary of the New York-based Renco Group, became the largest property owner when it purchased the Sparrows Point steel facility and two other mills in West Virginia and Ohio from Severstal North America in a \$1.2 billion deal.

Severstal had idled most of the mill's operations and laid off workers in July 2010. RG has brought approximately 2,000 workers back to Sparrows Point and has resumed making steel at the East Coast's largest fully integrated steel mill. RG is the fifth owner of Sparrows Point in the last decade. The Sparrows Point plant has benefited from more than \$700 million in capital investments and \$500 million in environmental upgrades over the past decade.

The former U.S. General Services Administration's 1.9 million square foot federal depot facility in Middle River is strategically located near the waterfront and just three minutes from I-95 along the newly opened extension of MD43, and across the street from Martin State Airport, a general aviation facility that handles a significant level of corporate air travel. The 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. The county and state are partnering on a study to determine the feasibility of relocating a nearby MARC commuter rail station to the facility to facilitate redevelopment as a major transit-oriented development, with direct access to Baltimore, Washington, and APG.

Technology Locations

bwtech@UMBC

The county and the University of Maryland Baltimore County (UMBC) jointly developed a 71-acre research and technology park adjacent to the university campus. The facility offers companies a setting for research and development in such fields as cyber security, photonics, biotechnology, and computer software development.

The five-building complex is complete. The total square footage at the park is 355,000. RWD Applied Technology Solutions, a division of RWD Technologies specializing in Internet technologies for start-up companies, occupies the first building in bwtech, at 60,000 square feet. The complex includes fully leased buildings with tenants including: the NASA Goddard Earth Sciences and Technology Center; healthcare communications and technology firms Physicians Practice, Inc., and Med IQ; IT firm Avande; cyber security companies Converger Technologies and Clear Resolution Consulting; Audacious Inquiry specializing in health information systems; Cardio Med Devices; and the U.S. Forest Service. The U.S. Geological Survey occupies a building, which contains 23,500 square feet of office and wet lab space. Corporate Office Properties Trust has completed a 110,400 square-foot multi tenant office building and has attracted RMF Engineering into the county to be lead tenant. Observation Baltimore and Maryland Business Roundtable for Education have also leased space, as well as Research Triangle Institute and cyber tenants to include: an intelligence agency, Telcordia, RTGX, Fairfield Systems, and twelve companies that are part of the new cyber incubator. Allegis occupies another building at 100,000 square feet.

The UMBC Incubator and Accelerator (bwtech@UMBC South), a successful technology incubator, is less than one mile from bwtech@UMBC. Opening in late 1998, nearly forty bioscience, information technology, and related research companies are now located in the former Lockheed Martin laboratory complex.

Together, these two projects create a critical mass of technology research and development in the Southwest area of the county. Marketing efforts draw on UMBC's international reputation as a research institution and the location of the facilities near I-95, BWI, Baltimore-Washington technology corridor, and, for cyber companies, close proximity to Fort Meade.

Enterprise Zones

An enterprise zone is a tool the state of Maryland offers to local jurisdictions for promoting economic development in certain qualifying areas. The county has three enterprise zones: the North Point Zone, located along the industrial North Point corridor in Southeast Baltimore County; the Southwest Zone, located in the Washington Boulevard/Hollins Ferry Road industrial corridor; and the newest zone, the Federal Center at Woodlawn Zone, just approved in June 2011. These three areas contain over 5,400 acres of industrial- and office-zoned land, and over 550 businesses. Since the approval of the first zone in December 1995, 120 businesses in the North Point and Southwest enterprise zones have committed to investing over \$300 million in real property improvements and \$221 million in machinery and equipment. In addition, over 3,070 new jobs have been created. The Halethorpe-Arbutus area in the Southwest Enterprise Zone has seen particularly dramatic growth, with almost 600 new jobs in a four-year period.

The program's primary benefits to businesses in the designated zone include property tax credits over a ten-year period and income tax credits for each new, full-time job created in an enterprise zone. The local property tax credit is applied only to the increased tax liability resulting from the new investment. Therefore, the county experiences no loss in property tax revenue as a result of the program; it simply foregoes a portion of the increase in property tax revenue that results from the new investment. Additionally, the state of Maryland reimburses the county for 50% of the amount of the property tax credits granted to businesses.

Economic Development Financing Assistance

In FY2011, the county provided financial assistance to 20 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 20 projects are expected to result in over \$116 million in new investment, creating more than 191 new jobs and retaining 604 existing jobs.

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, object of expenditure, and in some cases, by location.

OTHER INFORMATION

Independent Audit

The financial statements for fiscal year 2011 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 governmentwide and governmental funds expenditures and revenues on a multiyear basis. Enrollment tables and miscellaneous statistics are also included in this section.

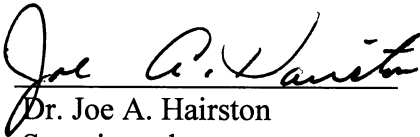
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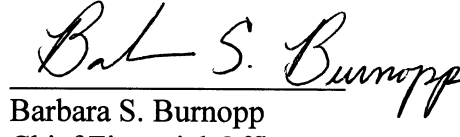
The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Department of Fiscal Services and Clifton Gunderson LLP. BCPS would like to express appreciation to all other departments and individuals who assisted 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 2011, which ended June 30, 2011, 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 BCPS, please do not hesitate to call or write.

Sincerely,


Dr. Joe A. Hairston
Superintendent


Barbara S. Burnopp
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to
Baltimore County Public Schools
Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



President

Executive Director

**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, 2010

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



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, 2011, and the budgetary comparison for the general fund and special revenue fund for the year ended June 30, 2011, 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 opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund and special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2011 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, schedule of funding progress, and schedule of employer contributions 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, Statement of Changes in Assets and Liabilities – School Activities Agency Fund, and the 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables listed in the Table of Contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Clifton Henderson LLP

Baltimore, Maryland
September 30, 2011

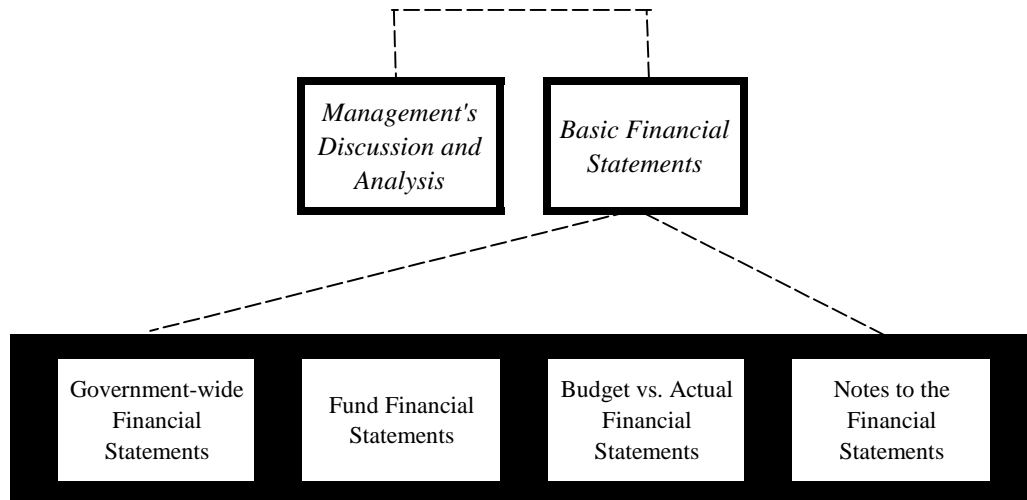
Board of Education of Baltimore County Management's Discussion and Analysis

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, 2011. 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 40 and 41), the *Fund Financial Statements* (pages 42, 44, and 48-50), and the *Budget and Actual Financial Statements* (pages 46 and 47). These financial statements also include the *Notes to the Basic Financial Statements* (pages 52-79) that explain some of the information in the financial statements and provide more detail.

Government-wide Financial Statements

The board's *Government-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, Student Transportation, Operation of Plant, Maintenance of Plant, Community Services, and Capital Administration. 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 43 and 45.

The basic governmental fund financial statements can be found on pages 42 and 44 of this report.

Proprietary Fund Financial Statements – Proprietary funds are used to show activities that operate more like those of commercial enterprises. These type of 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 48-50 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 51 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 46 and 47.

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 52% of its governmental activities funding from the county, and 35% 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 \$1.26 billion, of which \$1.21 billion is invested in capital assets, net of related debt.
- Governmental Activities net assets increased \$44 million during the year. The increase is primarily attributable to capital construction projects (\$56 million) funded by the county and state governments. 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. The increase in capital assets was offset by a reduction of the net OPEB asset of \$10.9 million.
- Governmental activities general revenues account for \$1.2 billion, 82% of governmental activities revenues and 80% of total government-wide revenues. Governmental activities program revenues in the form of charges for services, operating and capital grants, accounted for \$258 million or 17% of all governmental activities revenues.
- Business-type activity net assets (\$20 million as of the end of the fiscal year) increased \$2.3 million during the year. This is primarily a result of a transfer of \$1.8 million of capital assets from governmental activities. The transfer consisted primarily of cafeteria equipment funded through capital projects at six schools, including the new West Towson Elementary School.

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 \$1.2 billion at the close of the most recent fiscal year.

The most significant portion of the board's net assets (97%) reflects its investment in capital assets (land, buildings, vehicles, and equipment), net of related debt. The board uses these assets in providing 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 construction. 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 certain other equipment. 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, 2011 and 2010.

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

	Governmental Activities		Business-type Activity		Total	
	2011	2010	2011	2010	2011	2010
Current assets	\$ 131,172	\$ 124,046	\$ 8,761	\$ 7,098	\$ 139,933	\$ 131,144
Capital assets	1,228,030	1,172,478	13,290	12,667	1,241,320	1,185,145
Total assets	1,359,202	1,296,524	22,051	19,765	1,381,253	1,316,289
Current liabilities	77,103	61,620	1,670	1,723	78,773	63,343
Long-term liabilities	41,461	38,698	240	217	41,701	38,915
Total liabilities	118,564	100,318	1,910	1,940	120,474	102,258
Net assets:						
Invested in capital assets,						
net of related debt	1,206,622	1,153,352	13,290	12,667	1,219,912	1,166,019
Restricted	19,021	25,345	-	-	19,021	25,345
Unrestricted	14,995	17,509	6,851	5,158	21,846	22,667
Total net assets	\$ 1,240,638	\$ 1,196,206	\$ 20,141	\$ 17,825	\$ 1,260,779	\$ 1,214,031

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 funds restricted for future OPEB requirements (net OPEB asset) and grants where the resources must be used to carry out the intended purpose of the grantor.

Change in Net Assets

The board's net assets, before transfers, increased \$47 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 a decrease of \$16 million. Program expenses for governmental activities increased \$27 million; however, the corresponding program revenue fell by \$12 million due to a decrease in capital grants revenue. General revenues from the county fell by \$7.4 million, while state general revenues increased slightly by \$1.1 million. General revenues from the federal government grew by \$29 million. During fiscal year 2011, \$97 million of capital grants revenue was received and spent on school construction and renovation projects. This was 11% less than the fiscal year 2010 amount of \$109 million. The board has been undertaking a significant phased school systemic renovation and modernization program over the last few years. The renovations include most of the systems 27 middle schools and 24 high schools. Work has been completed on 24 middle schools and continues on two others. Renovation work has begun on three of the high schools and will continue for several years. Construction of three replacement high schools continues. Accordingly, expenditures on capital construction projects were \$157 million in fiscal year 2007, \$165, \$94, \$109, and \$98 million in fiscal years 2008, 2009, 2010, and 2011, respectively. Those expenditures capitalized as assets exceeded current year depreciation expense by more than \$55 million.

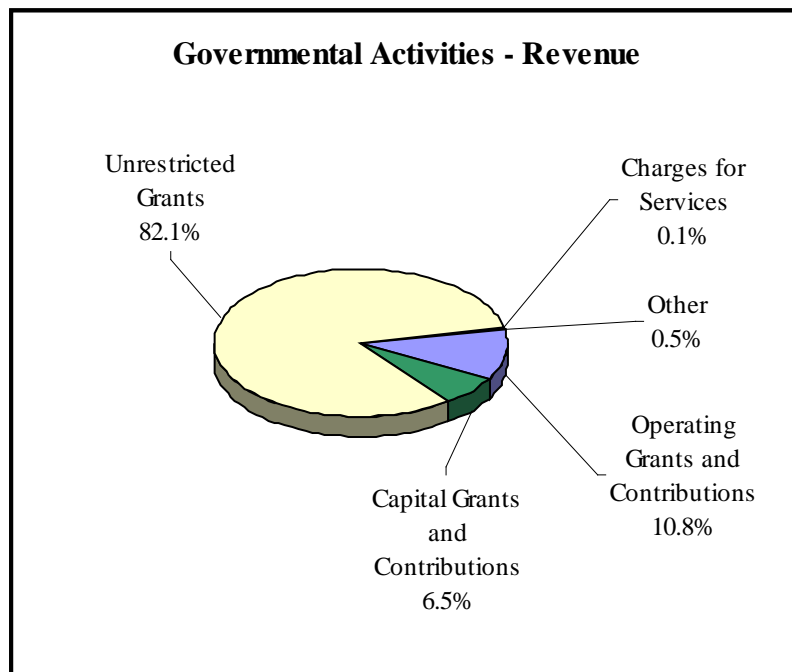
The schedule below shows the change in net assets for the board's governmental and business-type activities for the current and prior years.

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

	Governmental Activities		Business-type Activity		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 586	\$ 528	\$ 14,821	\$ 15,312	\$ 15,407	\$ 15,840
Operating grants and contributions	160,606	161,158	24,159	21,851	184,765	183,009
Capital grants and contributions	96,745	108,618	-	-	96,745	108,618
General revenues:						
Grants and contributions not restricted to certain programs	1,216,274	1,193,006	-	-	1,216,274	1,193,006
Other	7,232	6,861	-	-	7,232	6,861
Total revenues	1,481,443	1,470,171	38,980	37,163	1,520,423	1,507,334
Expenses:						
Administration	56,679	57,590	-	-	56,679	57,590
Mid-level administration	120,945	117,522	-	-	120,945	117,522
Instruction	762,545	757,390	-	-	762,545	757,390
Special education	243,891	235,131	-	-	243,891	235,131
Student personnel services	13,207	12,699	-	-	13,207	12,699
Health services	20,340	19,864	-	-	20,340	19,864
Student transportation	70,300	65,518	-	-	70,300	65,518
Operation of plant	105,589	105,785	-	-	105,589	105,785
Maintenance of plant	35,159	34,221	-	-	35,159	34,221
Community services	30	40	-	-	30	40
Capital administration	6,123	2,011	-	-	6,123	2,011
Interest on long-term debt	390	341	-	-	390	341
Food services	-	-	38,477	36,216	38,477	36,216
Total expenses	1,435,198	1,408,112	38,477	36,216	1,473,675	1,444,328
Increase in net assets before transfers	46,245	62,059	503	947	46,748	63,006
Transfers	(1,813)	(3,941)	1,813	3,941	-	-
Change in net assets	44,432	58,118	2,316	4,888	46,748	63,006
Net assets, beginning of year	1,196,206	1,138,088	17,825	12,937	1,214,031	1,151,025
Net assets, end of year	\$ 1,240,638	\$ 1,196,206	\$ 20,141	\$ 17,825	\$ 1,260,779	\$ 1,214,031

Governmental Activities

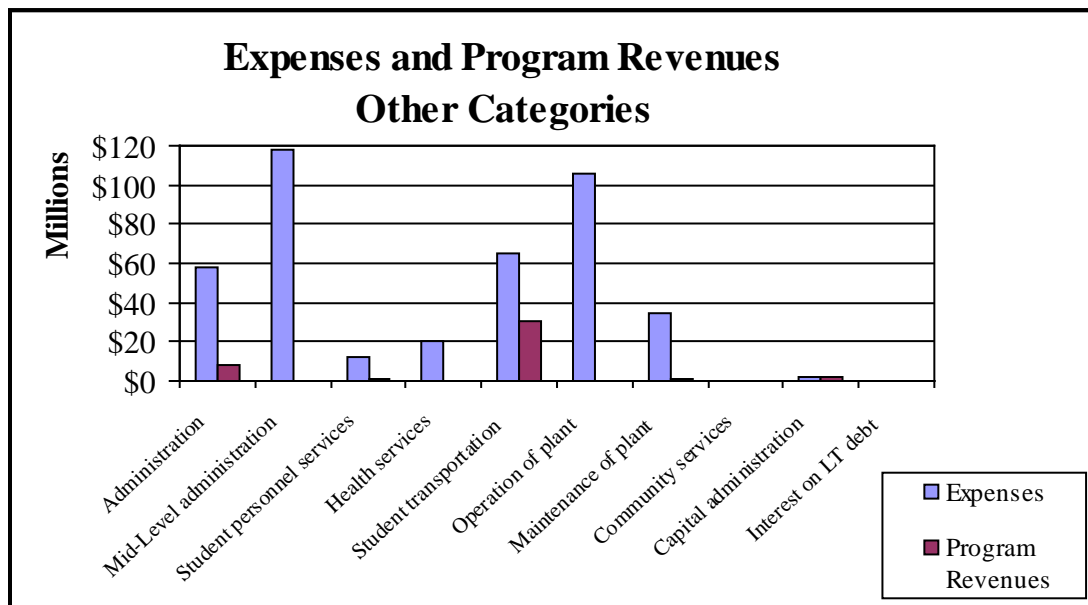
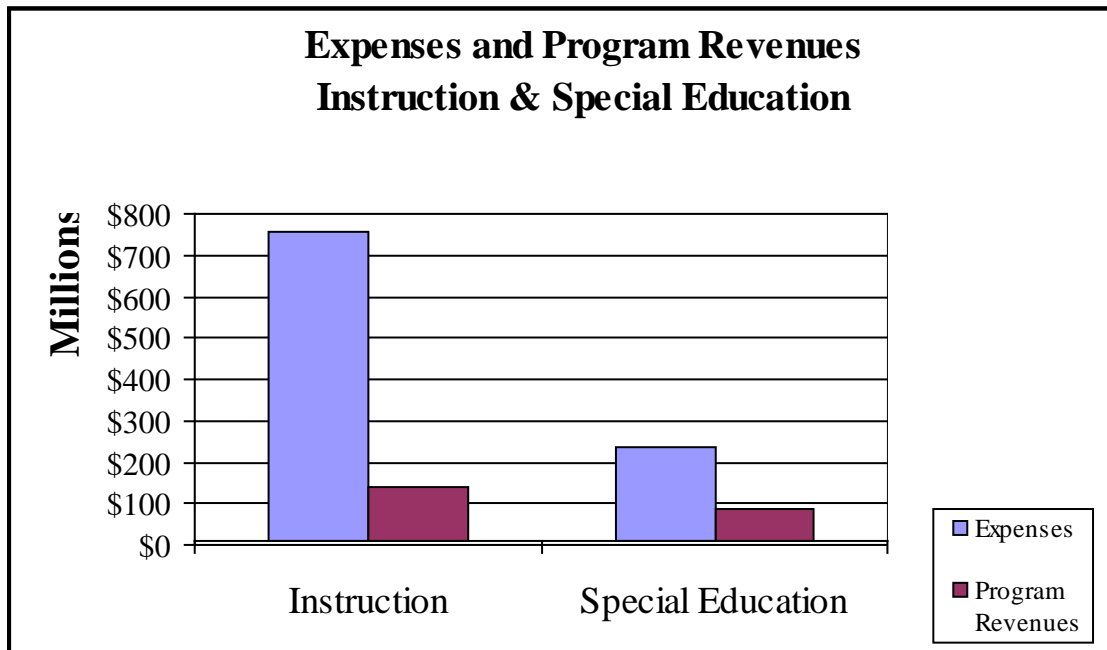
Governmental activities account for 95% of the increase in net assets of the board. General revenues from the county and the state decreased by \$6.3 million during the current year, while general revenue from the federal government increased by \$30 million. Program revenues from the county for capital projects declined by \$10 million, while program revenue from the state for capital projects declined by \$2 million. Program revenue from the federal government was flat, only growing by \$1 million. Corresponding expenses increased by 2% (\$27 million). These changes occur because of the board's funding model previously described in the Government-wide Highlights section. Most of the increase in net assets 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, 2011.



Governmental activities revenue increased overall \$11 million from fiscal year 2010 to fiscal year 2011. Although county and state funding declined by a combined \$20 million, this was offset by an increase in federal funding of \$31 million from the American Recovery and Reinvestment Act.

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



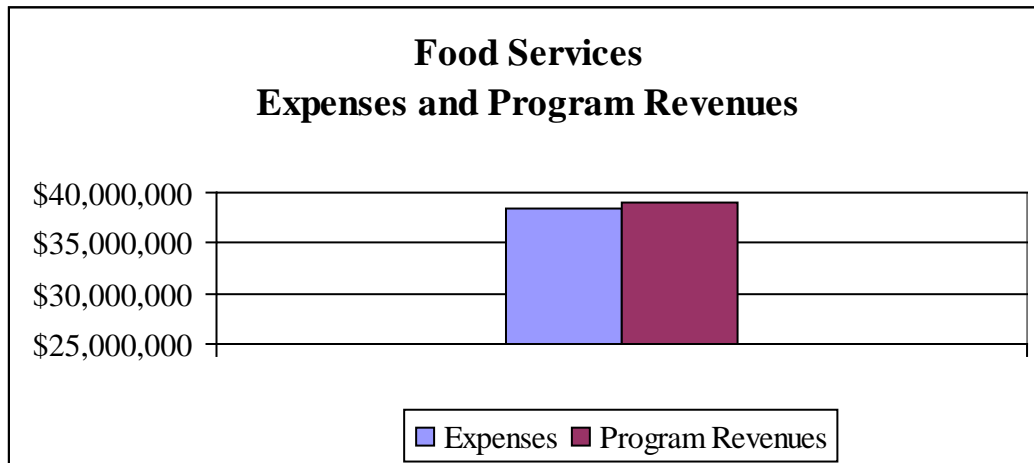
The following shows the cost of the board's major governmental activities programs and the corresponding program and general revenues:

- The cost of all of the board's educational programs was \$1.43 billion.
- Instructional and special education programs account for \$1 billion (70%).
- School based and other instructional administration represents \$121 million (8%).
- General administration represents \$57 million (4%).
- Operation and maintenance of plant represents \$141 million (10%).
- Student transportation represents \$70 million (5%).
- Charges for services represent less than 0.1% of total expenses.
- Total program revenues are \$258 million – 18% of total expenses.
- Capital grants and contributions represent \$97 million - (38%) of total program revenues
- Total general revenues are \$1.2 billion – 85% 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 2010 to fiscal 2011 increased \$1.8 million (5.0%). All of the increase in revenues was from the Federal reimbursement of the free and reduced meal program, which increased by \$2.3 million. The number of free lunches served grew by more than 541,000 lunches (13%), while the number of paid and reduced price lunches decreased by more than 200,000. This is a result of the growing number of students eligible under the free and reduced meals program. Expenses grew from 2010 to 2011 by \$2.3 million. The increase in expenses was partly due to an increase in food costs of \$757,000 and the growth in the number of lunches and breakfasts served. The number of lunches served grew by 320,000 lunches, and the number of breakfasts served grew by 218,000 breakfasts. Salaries and health benefit costs increased by \$793,000. The net income of \$0.5 million and a contribution of capital assets from the capital projects fund of \$1.8 million for cafeteria equipment and improvements at six schools resulted in a net increase in net assets of \$2.3 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 for equipment at six schools total \$1.8 million.
- Operating expenses total \$38.5 million, the largest portion being salaries, wages, and benefits of \$20 million and cost of food sold of \$14.2 million.
- Operating revenues total \$14.8 million.
- Non-operating revenues, including federal and state reimbursement of food costs and donated federal food commodities total \$24 million.

FUND HIGHLIGHTS

Governmental Funds

The assets of the board's governmental funds exceeded liabilities at the end of the current fiscal year by \$48 million (*net assets*). Total governmental revenues increased from last fiscal year by \$12 million. This includes \$20 million less from the county and state, offset by \$30 million more from the federal government. General fund revenue from the county decreased by \$7 million and the county capital funding decreased by \$10 million. State general funding grew a negligible \$0.6 million, however, state special revenue funds decreased by \$1.3 million, and state capital projects funds fell by \$1.6 million. Federal revenue grew significantly due to additional funding of \$30 million under the American Recovery and Reinvestment Act. Other revenue grew slightly by \$1.3 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 unassigned 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 governmental funds reported combined ending fund balances of \$48 million, an increase of \$2.5 million.

The general fund is the chief operating fund of the board. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$12 million while the total fund balance was \$34.7 million. The total fund balance represents 2.7% 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 fiscally dependent on grants and appropriations 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 \$0.7 million. Any change in the board's fund balance is a result of timing of expenditures. This is 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 increased by \$3.4 million during the current fiscal year due to Medicaid reimbursement revenue exceeding expenditures.

The capital projects fund deficit unassigned fund balance of (\$1.8 million) is a result of an accrual for estimated pollution remediation expenses. These expenses will be offset by corresponding revenue in subsequent years as the remediation is complete and funding is received.

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.

During the current fiscal year the net assets of the Food Services Fund increased by \$2.3 million. Operating revenues decreased by \$0.5 million due to a decrease in the number of paid meals served. Federal reimbursement of food service's costs increased by \$2.2 million. Operating expenses increased by \$2.3 million primarily due to an increase in food costs. An increase in the number of meals served, and an increase in salaries and benefits costs. In addition to the net income of approximately \$0.5 million, net assets increased due to transfers totaling \$1.8 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 \$475,000 (0.03%) greater than the original adopted budget due to a supplemental appropriation for insurance recoveries received for facilities damaged during the winter 2010 blizzards. Additionally, during the year, transfers of appropriations were made between categories. Excess funds were transferred from the Mid-level Administration, Instructional Salaries, and Operation of Plant categories, to the Administration, Instructional Textbooks and Supplies, Other Instructional costs, Special Education, Student Personnel Services, and Maintenance of Plant categories due to lower salary turnover and reallocation of school-based budgets.

Actual revenues were slightly above budgeted revenues (\$0.4 million). 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. Although federal revenues were greater than budgeted from the Recovery Act State Fiscal Stabilization Funds, this was offset by a corresponding reduction of State Foundation Program grant revenue.

Actual expenditures during fiscal year 2011 grew by only \$5 million (0.40%) over fiscal year 2010; most of this increase is attributable to planned overall salary step increases and additional salaries related to the opening of West Towson Elementary School. The salary increases were offset by a reduction in expenditures for textbooks and computers.

Actual expenditures were \$14.4 million (1.2%) less than the adopted budget. Most of this was attributed to the cost of salaries which were lower than expected due to personnel turnover.

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, 2011, amounts to \$1.22 billion (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 Activity		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 28,857	\$ 28,854	\$ -	\$ -	\$ 28,857	\$ 28,854
Buildings	871,722	809,030	4,218	4,417	875,940	813,447
Improvements other than buildings	48,280	44,833	-	-	48,280	44,833
Furniture, fixtures, and equipment	53,625	51,532	9,072	8,250	62,697	59,782
Construction in progress	225,546	238,229	-	-	225,546	238,229
Total	\$ 1,228,030	\$ 1,172,478	\$ 13,290	\$ 12,667	\$ 1,241,320	\$ 1,185,145

The total net increase in the board's capital assets during the year was \$56 million. Major capital asset events during the fiscal year ended June 30, 2011, included the following:

- Construction costs of \$25.5 million for the replacement of George Washington Carver Center for the Arts
- Construction costs of \$12 million for replacement of Dundalk-Sollers Point High schools
- Construction costs of \$15.2 million for the renovation of Parkville High School
- Construction costs of \$6.4 million for the renovation of Milford Mill Academy
- Construction costs of \$3.6 million for the completion of West Towson Elementary school
- Construction costs of \$5.9 million for various site improvements
- Construction costs of \$6.7 million for roof replacements

At the end of the current year, the board had outstanding contractual commitments on construction projects totaling more than \$141 million. Additional information on the board's capital assets can be found in Note 5 on pages 68-70 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, 2011, the total debt service costs paid by the county government to finance public school construction were \$31.4 million.

The only debt carried by the board is in the form of short-term (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 73-74 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 1st 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, 2011 – June 30, 2012 was adopted by the county council in May 2011. The total general fund operating budget adopted for fiscal year 2012 is \$1.2 billion. The fiscal year 2012 operating budget is \$15.3 million (1.27%) more than the fiscal year 2011 final budget. This increase is attributable to the following:

- The adopted budget includes additional state funding of \$25.9 million, an increase of 5.1% over fiscal year 2011 budgeted state revenue. Much of this represents restoration of state funds lost during fiscal years 2010 and 2011 due to declining state revenues from the recession.
- An increase in county funding of \$5.3 million, an increase of .81% primarily due to the mandated maintenance of effort formula.

- Federal *State Fiscal Stabilization Funds* from the *American Recovery and Reinvestment Act* (\$12.5 million) were eliminated due to the end of the grant program. During fiscal years 2010 and 2011 these funds were used to offset lost state revenues due the recession.
- New Federal *Education Jobs* grant funds of \$3.8 million
- Other revenues declined by \$10.5 million due to less prior year fund balance available for re-appropriation.

The adopted capital projects budget for fiscal year 2012 includes county funding of \$104.5 million and state funding of \$32 million. This total includes funding for the following major projects:

- \$60 million for the replacement/renovation of five high schools
- \$16 million for additions to existing schools
- \$18 million for roof replacements
- \$11 million for site improvements
- \$9 million for major maintenance
- \$22 million for new school construction

The adopted budget for the special revenue fund decreased \$12 million primarily because of reduced federal grant funding under the *American Recovery and Reinvestment Act (ARRA)*. Most of the ARRA funds were appropriated in FY2010 with grant ending dates of September 2011.

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; highly qualified teachers and paraprofessionals; 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.

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.



Cherish Stubbs Reisterstown Elementary

BOARD OF EDUCATION OF BALTIMORE COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2011
(In Thousands)

	Governmental Activities	Business-type Activity	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 45,840	\$ 6,587	\$ 52,427
Accounts receivable, net:			
Baltimore County	49,302	-	49,302
State of Maryland	13,444	1,291	14,735
United States Government	6,811	-	6,811
Other	7,405	8	7,413
Inventories:			
Food and Supplies	-	875	875
Other	447	-	447
Prepaid items	1,377	-	1,377
Restricted assets -			
Investments restricted for lease purchases	519	-	519
Net OPEB asset	6,027	-	6,027
Capital assets (net of accumulated depreciation):			
Land	28,857	-	28,857
Buildings	871,722	4,218	875,940
Improvements other than buildings	48,280	-	48,280
Furniture, fixtures, and equipment	53,625	9,072	62,697
Construction in progress	225,546	-	225,546
Total assets	1,359,202	22,051	1,381,253
<u>LIABILITIES</u>			
Accounts payable	26,975	343	27,318
Retainage payable	5,025	-	5,025
Accrued salaries and withholdings	22,710	710	23,420
Other liabilities	3,596	-	3,596
Unearned revenue	18,278	617	18,895
Liabilities payable from restricted assets	519	-	519
Long-term liabilities:			
Due within one year	19,498	195	19,693
Due in more than one year	21,963	45	22,008
Total liabilities	118,564	1,910	120,474
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	1,206,622	13,290	1,219,912
Restricted for OPEB	6,027	-	6,027
Restricted for special education services	12,994	-	12,994
Unrestricted	14,995	6,851	21,846
Total net assets	\$ 1,240,638	\$ 20,141	\$ 1,260,779

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, 2011
(In Thousands)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activity
Governmental activities:						
Administration	\$ 56,679	\$ -	\$ 7,745	\$ 1,701	\$ (47,233)	\$ -
Mid-level administration	120,945	-	688	-	(120,257)	-
Instruction	762,545	586	34,469	91,329	(636,161)	-
Special education	243,891	-	90,260	235	(153,396)	-
Student personnel services	13,207	-	919	-	(12,288)	-
Health services	20,340	-	390	-	(19,950)	-
Student transportation	70,300	-	25,453	2,236	(42,611)	-
Operation of plant	105,589	-	98	-	(105,491)	-
Maintenance of plant	35,159	-	554	-	(34,605)	-
Community services	30	-	30	-	-	-
Capital administration	6,123	-	-	1,244	(4,879)	-
Interest on long-term debt	390	-	-	-	(390)	-
Total governmental activities	1,435,198	586	160,606	96,745	(1,177,261)	-
Business-type activity:						
Food services	38,477	14,821	24,159	-	-	503
Total	<u>\$ 1,473,675</u>	<u>\$ 15,407</u>	<u>\$ 184,765</u>	<u>\$ 96,745</u>	<u>(1,177,261)</u>	<u>503</u>
General revenues:						
Baltimore County					663,144	-
State of Maryland					518,223	-
United States Government					34,907	-
Other					7,232	-
Transfers					(1,813)	1,813
Total general revenues and transfers					1,221,693	1,813
Change in net assets					44,432	2,316
Net assets, beginning of year					1,196,206	17,825
Net assets, end of year					\$ 1,240,638	\$ 20,141
						\$ 1,260,779

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, 2011
(In Thousands)

	General	Special Revenue	Capital Projects	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 30,901	\$ 14,939	\$ -	\$ 45,840
Accounts receivable, net:				
Baltimore County	39,058	-	10,244	49,302
State of Maryland	8,161	893	4,390	13,444
United States Government	111	6,700	-	6,811
Other	4,537	34	2,834	7,405
Due from Other Funds	3,559	-	-	3,559
Inventories	447	-	-	447
Prepaid items	1,377	-	-	1,377
Investments restricted for lease purchases	519	-	-	519
Total assets	\$ 88,670	\$ 22,566	\$ 17,468	\$ 128,704
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 16,310	\$ 1,766	\$ 8,899	\$ 26,975
Retainage payable	15	-	5,010	5,025
Accrued salaries and withholdings	20,892	1,818	-	22,710
Due to other funds	113	-	3,559	3,672
Other liabilities	1,726	-	1,757	3,483
Unearned revenue	14,391	3,887	-	18,278
Liabilities payable from restricted assets	519	-	-	519
Total liabilities	53,966	7,471	19,225	80,662
Fund balances (deficit):				
Non-spendable	1,824	-	-	1,824
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	20,888	15,095	-	35,983
Unassigned	11,992	-	(1,757)	10,235
Total fund balances (deficit)	34,704	15,095	(1,757)	48,042
Total liabilities and fund balances	\$ 88,670	\$ 22,566	\$ 17,468	\$ 128,704

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, 2011
(In Thousands)

Total fund balances - governmental funds (page 42)	\$	48,042
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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 \$1,736,681 and the accumulated depreciation is \$508,651		1,228,030
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Long-term liabilities, including compensated absences (\$20,053) and capital leases (\$21,408), are not due and payable from current resources and, therefore, are not reported as liabilities in the funds.		(41,461)
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Net OPEB asset, prior year balance reduced by \$10,881 to meet FY2011 funding requirement		6,027
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Total net assets - governmental activities (page 40)	<u>\$</u>	<u>1,240,638</u>
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The notes to the basic financial statements are an integral part of this statement.

BOARD OF EDUCATION OF BALTIMORE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(In Thousands)

	General	Special Revenue	Capital Projects	Total Governmental Funds
Revenues:				
Baltimore County	\$ 663,144	\$ 48	\$ 74,161	\$ 737,353
State of Maryland	586,145	5,176	22,584	613,905
United States Government	34,907	86,749	-	121,656
Other	7,829	711	-	8,540
Total revenues	<u>1,292,025</u>	<u>92,684</u>	<u>96,745</u>	<u>1,481,454</u>
Expenditures:				
Current-				
Administration	34,762	6,578	-	41,340
Mid-level administration	84,824	594	-	85,418
Instruction -				
Instructional salaries	444,791	19,460	-	464,251
Textbooks and supplies	28,771	4,573	-	33,344
Other instructional costs	9,896	5,195	-	15,091
Special education	148,352	33,364	-	181,716
Student personnel services	8,426	674	-	9,100
Health services	13,811	334	-	14,145
Student transportation	57,770	913	-	58,683
Operation of plant	86,697	98	-	86,795
Maintenance of plant	28,964	-	-	28,964
Fixed charges	342,800	17,514	-	360,314
Community services	-	30	-	30
Capital administration	3,647	-	98,235	101,882
Debt service -				
Principal	6,480	-	-	6,480
Interest	390	-	-	390
Total expenditures	<u>1,300,381</u>	<u>89,327</u>	<u>98,235</u>	<u>1,487,943</u>
Excess (deficiency) of revenues over expenditures	<u>(8,356)</u>	<u>3,357</u>	<u>(1,490)</u>	<u>(6,489)</u>
Other financing sources:				
Capital lease proceeds	8,762	-	-	8,762
Insurance proceeds	251	-	-	251
Total other financing sources	<u>9,013</u>	<u>-</u>	<u>-</u>	<u>9,013</u>
Net change in fund balances	657	3,357	(1,490)	2,524
Fund balances, beginning of year	34,047	11,738	(267)	45,518
Fund balances, end of year	<u>\$ 34,704</u>	<u>\$ 15,095</u>	<u>\$ (1,757)</u>	<u>\$ 48,042</u>

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, 2011
(In Thousands)

Total net change in fund balances - governmental funds (page 44)	\$	2,524
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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.		55,552
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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 (\$208,144) adjusted for assets converting from construction-in progress (\$101,905), contributions to the Food Services business type activity of (\$1,813), and other excess accumulated depreciation on disposals (\$324), exceed depreciation expense (\$48,550) in the current period.

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.		6,480
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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 (\$12,681) exceeds vacation leave used (\$12,200) in the current period.		(481)
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Capital lease proceeds which provide current financial resources in the governmental funds, are not reported as revenues in the statement of activities.		(8,762)
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Reduction in net OPEB asset of prior year to meet current year funding requirement		(10,881)
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Change in net assets of governmental activities (page 41)	\$	44,432
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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 (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2011
(In Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Baltimore County	\$ 663,144	\$ 663,144	\$ 663,144	\$ -
State of Maryland -				
Foundation Program	328,769	328,769	313,353	(15,416)
Geographic Cost of Education	1,617	1,617	1,594	(23)
Compensatory Education	96,494	96,494	96,137	(357)
Limited English Proficiency	11,204	11,204	11,201	(3)
Transportation	24,088	24,088	24,540	452
Formula-Students with Disabilities	28,725	28,725	28,724	(1)
Out-of-County Living Arrangements	3,628	3,628	2,821	(807)
Non-public Placements	14,416	14,416	14,104	(312)
Aging Schools	874	874	554	(320)
Quality Teacher Incentive	815	815	515	(300)
Total State of Maryland	510,630	510,630	493,543	(17,087)
United States Government	13,195	13,195	31,087	17,892
Other	23,929	24,404	23,959	(445)
Total revenues	1,210,898	1,211,373	1,211,733	360
Expenditures:				
Current -				
Administration	34,167	35,367	34,728	639
Mid-level administration	86,711	85,511	84,801	710
Instruction -				
Instructional salaries	460,784	455,609	444,791	10,818
Textbooks and supplies	24,138	25,173	24,916	257
Other instructional costs	7,991	9,690	9,492	198
Special education	147,813	150,213	150,142	71
Student personnel services	8,424	8,484	8,428	56
Health services	13,946	13,946	13,814	132
Student transportation	56,352	56,352	55,930	422
Operation of plant	88,326	87,552	86,679	873
Maintenance of plant	28,346	29,120	29,054	66
Fixed charges	250,674	250,674	250,638	36
Capital administration	3,226	3,682	3,555	127
Total expenditures	1,210,898	1,211,373	1,196,968	14,405
Excess of revenues over expenditures	\$ -	\$ -	14,765	\$ 14,765
Fund balance, beginning of year			22,705	
Reappropriation of prior year fund balance included in Other Revenues			(16,131)	
Liquidation and cancellation of prior year encumbrances			2,361	
Fund balance, end of year			\$ 23,700	

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 (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2011
(In Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Baltimore County	\$ 48	\$ 48	\$ 48	\$ -
State of Maryland	8,522	8,522	5,185	(3,337)
United States Government	82,537	88,078	85,428	(2,650)
Other	3,342	3,342	825	(2,517)
Total revenues	<u>94,449</u>	<u>99,990</u>	<u>91,486</u>	<u>(8,504)</u>
Expenditures:				
Current -				
Administration	18,515	20,047	7,005	13,042
Mid-level administration	394	394	616	(222)
Instruction -				
Instructional salaries	11,095	12,028	19,460	(7,432)
Textbooks and supplies	3,038	3,038	4,406	(1,368)
Other instructional costs	5,351	8,323	4,444	3,879
Special education	35,824	35,824	33,048	2,776
Student personnel services	403	403	691	(288)
Health services	319	319	317	2
Student transportation	90	90	498	(408)
Operation of plant	55	55	99	(44)
Fixed charges	19,302	19,406	17,514	1,892
Community services	63	63	31	32
Total expenditures	<u>94,449</u>	<u>99,990</u>	<u>88,129</u>	<u>11,861</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	3,357	<u>\$ 3,357</u>
Fund balance, beginning of year			11,738	
Fund balance, end of year			<u>\$ 15,095</u>	

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, 2011
(In Thousands)

ASSETS

Current assets:

Cash	\$ 6,587
Due from other governments	1,291
Accounts receivable - Other	8
Inventory, at cost	875
Total current assets	<u>8,761</u>

Noncurrent assets:

Capital assets	<u>13,290</u>
Total assets	<u><u>22,051</u></u>

LIABILITIES

Current liabilities:

Accounts payable	343
Accrued salaries and withholdings	710
Compensated absences	195
Unearned revenue	617
Total current liabilities	<u>1,865</u>

Noncurrent Liabilities:

Compensated absences	45
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NET ASSETS

Invested in capital assets	13,290
Unrestricted	6,851
Total net assets	<u><u>\$ 20,141</u></u>

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 FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011
(In Thousands)

Operating Revenues:

Charges for sales and services	\$	14,821
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Operating expenses:

Cost of food sold		14,153
Salaries, wages, and benefits		20,010
Supplies		1,056
Maintenance and repair of equipment		626
Depreciation		1,778
Administration and support		554
Other		300
Total operating expenses		38,477

Operating (loss)		(23,656)
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Nonoperating revenues (expenses):

Federal reimbursement of food service costs		21,375
State reimbursement of food service costs		782
Federal donated commodities		1,991
Other revenue-net		11
Total nonoperating revenues		24,159

Income before capital contribution		503
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Capital contribution		1,813
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Increase in net assets		2,316
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Net assets, beginning of year		17,825
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Net assets, end of year	\$	20,141
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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, 2011
(In Thousands)

Cash flows from operating activities:	
Cash received for sales and services	\$ 14,847
Cash paid to employees	(19,963)
Cash paid to suppliers	(14,876)
Net cash used by operating activities	<u>(19,992)</u>
 Cash flows from non-capital financing activities - Governmental subsidies	 22,264
 Cash flows from capital and related financing activities -	
Purchase of capital assets	(619)
 Cash flows from investing activities - interest received	 13
 Net increase in cash and cash equivalents	 1,666
Cash and cash equivalents, beginning of year	<u>4,921</u>
 Cash and cash equivalents, end of year	 <u>\$ 6,587</u>
 Reconciliation of operating loss to net cash used by operating activities:	
Operating (loss)	<u>\$ (23,656)</u>
Adjustments to reconcile operating loss to net cash	
used by operating activities:	
Depreciation expense	1,778
Federal donated commodities	1,991
Effect of changes in operating assets and liabilities:	
Accounts receivable-other	(2)
Inventory	(75)
Accounts payable	(86)
Accrued salaries and withholdings	47
Unearned revenues	11
Net cash used by operating activities	<u>\$ (19,992)</u>
 Noncash investing, capital and financing activities:	
Contributions of federal donated commodities	\$ 1,991
Contribution of capital equipment from other fund	1,813

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, 2011
(In Thousands)

ASSETS

Cash and cash equivalents	\$ 3,850
Investments	2,734
Due from external parties	113
Inventories	511
Total assets	<u>\$ 7,208</u>

LIABILITIES

Accounts payable	\$ 102
Due to school organizations	7,106
Total liabilities	<u>\$ 7,208</u>

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

Board of Education of Baltimore County

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

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 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 establishing spending limitations; 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 (transfers) rather than program revenues. The Board does not allocate general government administration or indirect expenses to other functions.

Board of Education of Baltimore County

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

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 enterprise 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 and local county government appropriations. 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 used. The amount of accumulated annual leave unpaid at June 30, 2011, 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 an assignment of fund balance.

Board of Education of Baltimore County

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

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 revenues, primarily from state and federal governments, which are subject to restrictions as to their use.

The Capital Projects Fund accounts for the resources used for the acquisition, construction, or improvement of major capital facilities, including those of 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 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 revenues of the Food Service Fund are charges for meals. Operating expenses for the fund include costs of food sold, 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 the School Activities Fund 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. The agency funds are not reported in the government-wide financial statements as these funds cannot be used to support the government's programs.

Board of Education of Baltimore County

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

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 Activities 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 transactions are shown as cash and cash equivalents, or as "due (to) from other funds", if the fund's inter-fund liabilities exceed its share of pooled cash and investments. The Food Service Proprietary and School Activities Agency funds 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 primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield. In this regard, 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 federally insured; or 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 at the time of purchase 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, 2011. The fair value of the position in the Maryland Local Government Investment Pool is the same as the value of the pool shares.

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.

Board of Education of Baltimore County

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

Uncollectible amounts of as of June 30, 2011 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 the lower of cost or market, using the average cost method. The General Fund inventories on hand at year-end are reflected as a reservation of fund balance.

The inventories of the Food Service Enterprise Fund include federal government donated food commodities that are valued at estimated market value. The remaining enterprise fund inventories are accounted for under the consumption method and are stated at the lower of cost or market, using the average cost method.

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. These payments are expended in future periods using the consumption method of accounting.

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 Proprietary 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.

Board of Education of Baltimore County

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

Capital assets are depreciated over the useful life of the 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
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) basis. 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 a period of five years from the date of inception. 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 occurs when potential revenue does not meet the available criterion for recognition in the current period. Unearned revenue also arises when the Board receives funds before it has a legal claim to them. 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 accounts for school lunches and donated food commodities. Revenue is recognized for the donated commodities as the commodities are used.

Board of Education of Baltimore County

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

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.

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

GASB 54 requires that fund balance amounts be properly reported within one of the fund balance categories listed below.

Non-spendable – Includes fund balance amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact such as a permanent fund. Not in spendable form includes items that are not expected to be converted to cash, such as inventories and prepaid items.

Restricted – Includes amounts that are restricted to specific purposes when constraints are placed on the use of resources by constitution, external resource providers, or through enabling legislation.

Committed – Includes fund balance amounts that can be used only for the specific purposes determined by formal action of the Board (the highest level of decision-making authority). Formal action of the Board would be those actions which are voted on at Board meetings that are in compliance with Maryland law. Similar action of the Board is required to modify or rescind such commitments.

Assigned – Includes fund balance amounts that are intended to be used by the Board for specific purposes as determined by the purchasing manager in accordance with Board policy. Constraints imposed on the use of assigned amounts do not rise to the level required to be classified as either restricted or committed.

Unassigned – Represents the residual classification for the Board's funds and includes all spendable amounts not contained in the four classifications described above.

Board of Education of Baltimore County

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

Order of Fund Balance Spending Policy

The Board has established a fund balance spending policy for those instances where an expenditure is incurred for a purpose for which amounts in any of the restricted or unrestricted fund balance classifications (committed, assigned, or unassigned) could be used. The Board's policy is to apply expenditures against committed amounts first, followed by assigned amounts, and then unassigned amounts.

Amounts reported as encumbrances may be classified as either, restricted, committed or assigned depending on the constraints and approval in place at year end. Encumbrances outstanding at year-end are reported as assignments of fund balance in the General Fund and Special Revenue Fund and do not constitute expenditures or liabilities because the obligation will be honored during the subsequent year.

Notes to the Basic Financial Statements – To be consistent with the presentation in the financial statements, all amounts reported in the notes to the basic financial statements are reported in thousands of dollars.

Board of Education of Baltimore County

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

The Special Revenue Fund and Debt Service Fund appropriations are authorized annually by the County Council at the Fund level, which is the legal level of control.

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.

Board of Education of Baltimore County

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

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/or 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 restricted or assigned fund balances since the commitments will be honored through subsequent years' expenditures.

During the year, the County Council approved a supplemental appropriation of \$475 thousand to the General Fund budget to utilize insurance proceeds to repair facilities that had been damaged in a snow storm. The County Council also approved a \$5.5 million supplemental appropriation to the Special Revenue Fund budget to recognize the federal Race To The Top grant awarded to the school system. Additionally, certain transfers between General Fund categories were also approved. The approved categorical increases and transfers are presented below:

	Categorical Transfers	Budget Supplement	Special Revenue Supplement
Administration	\$ 1,200	\$ -	\$ 1,532
Mid-level Administration	(1,200)	-	-
Instructional Salaries	(5,175)	-	933
Instructional Textbooks and Supplies	1,015	20	-
Other Instructional Costs	1,700	-	2,972
Special Education	2,400	-	-
Student Personnel Services	60	-	-
Health Services	-	-	-
Student Transportation	-	-	-
Operation of Plant	(775)	-	-
Maintenance of Plant	775	-	-
Fixed Charges	-	-	104
Capital Administration	-	455	-
	<u>\$ -</u>	<u>\$ 475</u>	<u>\$ 5,541</u>

Board of Education of Baltimore County

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

B. RECONCILIATION BETWEEN GAAP AND BUDGETARY BASIS

The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual for the General and 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 Special Revenue Fund and in the General Fund in certain cases. The reconciliations from GAAP to Budgetary basis are presented below:

	Revenues	Expenditures	Other Financing Sources/ (Uses)	Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	Fund Balance
General Fund					
Report on the basis of GAAP	\$1,292,025	\$(1,300,381)	\$ 9,013	\$ 657	\$ 34,704
Effect of encumbrances	-	3,953	-	3,953	3,953
Retirement cost paid on the Board's behalf by the State of Maryland	(92,499)	92,499	-	-	-
Reappropriation of prior year fund balance	16,131	-	-	16,131	(16,131)
Purchase of equipment on capital leases	-	8,762	(8,762)	-	-
Other GAAP adjustments	(3,924)	(1,801)	(251)	(5,976)	1,174
Report on the Budgetary Basis of Accounting	<u>\$1,211,733</u>	<u>\$(1,196,968)</u>	<u>\$ -</u>	<u>\$ 14,765</u>	<u>\$ 23,700</u>
Special Revenue Fund					
Reported on basis of GAAP	\$ 92,684	\$ (89,327)	\$ -	\$ 3,357	\$ 15,095
Effect of encumbrances	(1,198)	1,198	-	-	-
Reported on the Budgetary Basis of Accounting	<u>\$ 91,486</u>	<u>\$ (88,129)</u>	<u>\$ -</u>	<u>\$ 3,357</u>	<u>\$ 15,095</u>

Board of Education of Baltimore County

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

C. DEBT SERVICE BUDGETARY SCHEDULE

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 budget basis debt service activity for the current fiscal year.

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues - Baltimore County	<u>\$ 32,312</u>	<u>\$ 31,428</u>	<u>\$ 31,428</u>	<u>\$ -</u>
Expenditures:				
Current -				
Principal	18,327	18,327	18,327	-
Interest	13,985	13,101	13,101	-
Total expenditures	<u>32,312</u>	<u>31,428</u>	<u>31,428</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, July 1, 2010			<u>-</u>	
Fund balance, June 30, 2011			<u>\$ -</u>	

Board of Education of Baltimore County

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

D. Details of Fund Balances

The details of the Governmental Funds balances at June 30, 2011 are shown as follows:

The Non-spendable fund balance consists
of the following:

Inventories	\$ 447
Prepaid Items	1,377
	<u>\$ 1,824</u>

The Assigned fund balance consists of
the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Encumbrances For:		
Contracted services	\$ 5,251	\$ 1,820
Supplies and materials	2,521	218
equipment and other	3,870	63
	<u>11,642</u>	<u>2,101</u>
Special Education Services	-	12,994
FY2012 Budget	9,246	-
	<u>\$ 20,888</u>	<u>\$ 15,095</u>

E. Deficit Fund Balance

The Capital Projects Fund had an unassigned fund deficit of \$1,757. The deficit reflects an accrual of pollution remediation costs that are estimated to be incurred with certain school construction projects. It is anticipated that this deficit will be eliminated, over the construction periods, by funding from local sources.

Board of Education of Baltimore County

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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.

The Board's deposits are subject to custodial credit risk, which is the risk that in the event of bank failure that the Board's deposits may not be returned to it. The Annotated Code of Maryland requires that funds on deposit with a financial institution be fully secured by deposit insurance, surety bonds, obligations of the United States or its agencies, obligations of the State of Maryland or any of its agencies, or obligations of a county, other governmental authority, or municipal corporation in the State of Maryland.

At June 30, 2011, the reported balances of the Board's and the fiduciary funds deposits were approximately \$28 million dollars, which agreed with the respective bank balances. These balances were fully collateralized by eligible collateral posted by the bank for the benefit of the Board. The collateral required is based upon a security and custodial agreement between the Board and Manufacturers and Traders Trust Company.

B. INVESTMENTS

The Board's investments are subject to both Interest Rate Risk and Custodial Credit Risk, which are risks that are inherent with investment activities. Interest Rate Risk results from fair value of investments potentially declining as rates increase. Custodial Credit Risk is the risk that, in the event of failure of the counter party, the Board may not be able to recover all or a portion of its investments or collateral securities that are in the possession of an outside party. To limit exposure to these risks the Board's policy is to generally invest in overnight investments, which provide daily access to the funds invested and limits the potential from loss due to interest rate changes.

The Board's investments include the Maryland Local Government Investment Pool (Pool), which is under the administrative control of the State Treasurer, and money market mutual funds held by Fidelity Investments and PNC Bank. The Pool, which maintains a \$1 per share value, 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 money market portfolios are also rated "AAAm" by Standard and

Board of Education of Baltimore County

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

Poor's, and generally are invested in funds with the same investment parameters as those invested in the Pool.

C. SUMMARY OF DEPOSIT AND INVESTMENT BALANCES

The following is a reconciliation of the Board's deposit and investment balances as of June 30, 2011:

	Pooled Cash and Investments	Other	Total
Deposits	\$ 24,921	\$ 3,850	\$ 28,771
Investments:			
MLGIP	30,240	-	30,240
Money market mutual funds	-	519	519
Total	<u>\$ 55,161</u>	<u>\$ 4,369</u>	<u>\$ 59,530</u>
	Government-wide Statement of Net Assets	Fiduciary Fund Statement of Net Assets	Total
<u>Unrestricted</u>			
Cash and cash equivalents	\$ 52,427	\$ -	\$ 52,427
<u>Restricted</u>			
Cash and cash equivalents	-	3,850	3,850
Investments	519	2,734	3,253
Total cash and investments	<u>\$ 52,946</u>	<u>\$ 6,584</u>	<u>\$ 59,530</u>

Board of Education of Baltimore County

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At June 30, 2011, the Capital Projects Fund owed \$3,559 to the General Fund for cash advanced to pay contractors for work performed on ongoing contracts.

A summary of the interfund transfers for the fiscal year ended June 30, 2011 follows:

Transfers from	Transfers to	Purpose	Amount
Governmental Activities	Proprietary Fund	Food Service equipment	\$ 1,813

Board of Education of Baltimore County

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 5. CAPITAL ASSETS

A. ACTIVITY

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 28,854	\$ 3	\$ -	\$ 28,857
Construction in progress	238,229	91,035	(103,718)	225,546
Total capital assets not being depreciated	<u>267,083</u>	<u>91,038</u>	<u>(103,718)</u>	<u>254,403</u>
Capital assets being depreciated:				
Buildings	1,207,620	99,292	-	1,306,912
Improvements other than buildings	60,939	6,313	(31)	67,221
Machinery and equipment	36,470	2,712	(1,955)	37,227
Vehicles	66,976	8,789	(4,847)	70,918
Total capital assets being depreciated	<u>1,372,005</u>	<u>117,106</u>	<u>(6,833)</u>	<u>1,482,278</u>
Less accumulated depreciation for:				
Buildings	(398,590)	(36,609)	9	(435,190)
Improvements other than buildings	(16,106)	(2,866)	31	(18,941)
Machinery and equipment	(21,586)	(3,702)	1,643	(23,645)
Vehicles	(30,328)	(5,373)	4,826	(30,875)
Total accumulated depreciation	<u>(466,610)</u>	<u>(48,550)</u>	<u>6,509</u>	<u>(508,651)</u>
Total capital assets being depreciated, net	<u>905,395</u>	<u>68,556</u>	<u>(324)</u>	<u>973,627</u>
Governmental activities capital assets, net	<u>\$ 1,172,478</u>	<u>\$ 159,594</u>	<u>\$ (104,042)</u>	<u>\$ 1,228,030</u>

Board of Education of Baltimore County

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

	Beginning Balance	Increases	Decreases	Ending Balance
Business - type activities:				
Capital assets being depreciated:				
Buildings and Improvements	\$ 5,437	\$ -	\$ -	\$ 5,437
Furniture, fixtures and equipment	21,870	2,432	(485)	23,817
Total capital assets being depreciated	<u>27,307</u>	<u>2,432</u>	<u>(485)</u>	<u>29,254</u>
Less accumulated depreciation for:				
Buildings and Improvements	(1,020)	(199)	-	(1,219)
Furniture, fixtures and equipment	(13,620)	(1,579)	454	(14,745)
Total capital assets being depreciated	<u>(14,640)</u>	<u>(1,778)</u>	<u>454</u>	<u>(15,964)</u>
Business - type activities capital assets, net	<u>\$ 12,667</u>	<u>\$ 654</u>	<u>\$ (31)</u>	<u>\$ 13,290</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Administration	\$ 1,043
Mid-level administration	87
Instruction	41,044
Special education	490
Transportation	4,376
Operation of plant	117
Maintenance of plant	1,390
Capital administration	3
Total depreciation expense - governmental activities	<u>\$ 48,550</u>
Business-type activities:	
Food Services	<u>\$ 1,778</u>

Board of Education of Baltimore County

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

B. CONSTRUCTION AND LEASE PURCHASE COMMITMENTS

The Board has active construction projects as of June 30, 2011. The projects include new school construction, additions, and renovations to school buildings. School capital project construction is financed primarily from county and state grants. At year-end the Board's commitments with contractors are as follows:

Projects	Spent-to-Date	Remaining Commitment
New school construction	\$ 71,760	\$ 93,102
Additions	3,325	5,333
Improvements and renovations	137,471	43,204
Total	<u>\$ 212,556</u>	<u>\$ 141,639</u>

Additionally, during the fiscal year, the Board made commitments for the acquisition of assets under new capital lease agreements totaling approximately \$8.1 million. The assets to be acquired are described below:

Description	Class	Amount
School buses	Vehicles	\$ 7,614
Trucks and other vehicles	Vehicles	559
Total		<u>\$ 8,173</u>

Board of Education of Baltimore County

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

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 plus deductibles of from \$0 - \$15,000 per incidence, depending on the nature of the 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.

Board of Education of Baltimore County

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 7. OPERATING LEASES

The Board has long-term commitments as lessee under various non-cancelable operating leases for warehouse, office, and educational space which expire at various times through 2029. Total rent expense under these operating leases for the fiscal year ended June 30, 2011, amounted to \$4,444. The aggregate future rental payments under these commitments are \$31,688 as summarized below:

<u>Fiscal year ending June 30:</u>		
2012	\$	4,207
2013		4,221
2014		2,898
2015		2,615
2016		1,290
2017 - 2021		6,723
2022 - 2026		7,757
2027- 2029		1,977
Total	\$	<u>31,688</u>

Additionally, the Board leases copiers and related equipment under contracts which are cancelable with 60 day notice. During the year \$2,791 of expense was incurred under these agreements.

Board of Education of Baltimore County

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 8. LONG-TERM OBLIGATIONS

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 certain copying equipment, over periods of 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	\$ 35,640
Less: accumulated depreciation	(5,800)
Total	<u>\$ 29,840</u>

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, 2011:

Fiscal years ending June 30:	Governmental Activities
2012	\$ 7,297
2013	5,911
2014	4,697
2015	2,994
2016	1,497
Total minimum lease payments	<u>22,396</u>
Less: amount representing interest	(988)
Present value of future minimum lease payments	<u>\$ 21,408</u>

Board of Education of Baltimore County

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

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	\$ 19,126	\$ 8,762	\$ (6,480)	21,408	\$ 7,298
Compensated absences	19,572	12,681	(12,200)	20,053	12,200
Governmental activity Long-term liabilities	<u>\$ 38,698</u>	<u>\$ 21,443</u>	<u>\$ (18,680)</u>	<u>\$ 41,461</u>	<u>\$ 19,498</u>
Business-type Activity/ Food Services					
Compensated absences	<u>\$ 217</u>	<u>\$ 218</u>	<u>\$ (195)</u>	<u>\$ 240</u>	<u>\$ 195</u>

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. For personnel hired subsequent to June 30, 2011, full service retirement is achieved based upon the Rule of 90 (Sum of age and eligible service must equal 90) and, early service retirement is achieved at age 60 with 15 years of eligible service. 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

Board of Education of Baltimore County

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

Pension System of Maryland, State Retirement Agency, 120 East Baltimore Street, Baltimore, Maryland, 21202-6700.

Members of the Teachers Retirement System participate under one of three options. The first two options of the plan require member contributions at either 7% or 5% of earnable compensation depending upon the retirement option selected. An additional option allows members to choose a combination of benefits from the Retirement System and the Pension System, calculated on a pro-rata basis from the date of the election. This option also requires member contributions. Members of the Teachers Pension System are required to contribute 5% (7% after July 1, 2011) of earnable compensation. Employer contribution rates are determined actuarially. The contribution rate for the year ending June 30, 2011 was 14.34% 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, 2011, 2010, and 2009 were \$92,499, \$85,999, and \$72,981 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, if sufficient excess earnings exist in the fund and occupational death benefits to plan members. Members hired prior to July 1, 2007 are eligible for normal service retirement after the attainment of age 60 with 5 years of creditable service or after 30 years of creditable service regardless of age. Members hired on or after July 1, 2007 are eligible for normal service retirement after attainment of age 67 with 10 years of creditable service or after 35 years of creditable service regardless of age. 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 Avenue, Towson, Maryland 21204.

Plan members hired prior to July 1, 2007 are required to contribute an actuarially determined percentage of covered salary based upon the member's age at the time of employment. Plan

Board of Education of Baltimore County

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

members hired subsequent to June 30, 2007 contribute at a fixed rate as determined by the plan document. The employee contributions are subject to rate increases beginning July 1, 2011. 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, 2011, 2010, and 2009 were \$3,208, \$3,407, and \$2,219, respectively all of which were 100% of the required contribution.

C. POST-EMPLOYMENT BENEFITS

Plan Description

The Board participates in an agent multiple-employer Other Post-Employment Benefits (OPEB) Trust Fund operated by the Baltimore County Government. Retirees and beneficiaries receiving a Board approved retirement are eligible, in accordance with bargaining unit agreements between the Board and employee associations to participate in the plan. The Baltimore County Government issues a publically available financial report that includes financial statements and required supplementary information for the OPEB trust fund. That report may be obtained by writing to the Baltimore County Director of Budget and Finance, 400 Washington Avenue, Towson, MD 21204.

Funding Policy

The Board contributes between 50% and 90% of the cost of healthcare based on years of service for retirees that have not become Medicare eligible. For Medicare eligible retirees the Board contributes between 36% and 84% based upon years of service. The Board pays the entire cost of life insurance for a frozen group of retirees until age 70.

The *annual required contribution of the employer (ARC)* is actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. Article 10, Title 14 of the Baltimore County Code gives the Director of Budget and Finance the authority to determine the annual contribution to the trust fund based on the results of the actuarial valuation of the ARC. The contribution must include an amount equal to the estimated cost of all post-employment health and life insurance claims the trust is projected to pay for the following year; and all or part of the unfunded future liability.

The Board engaged the services of an actuarial consulting firm to assist with determining the ARC. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of the valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of the assets, consistent with the long-term perspective of the calculations.

Board of Education of Baltimore County

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

Annual OPEB Cost

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, the net OPEB obligation for 2011 and the preceding fiscal years when the Board implemented GASB 45 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Amount Contributed	Percentage of OPEB Cost Contributed	Net OPEB Obligation (Asset) at June 30
2008	\$ 64,179	\$ 64,179	100%	\$ -
2009	64,254	87,599	136%	(23,345)
2010	63,662	57,225	90%	(16,908)
2011	70,559	59,678	85%	(6,027)

The following table shows the components of the Board's annual OPEB cost, the contributions actually made and the Net OPEB Asset at June 30, 2011:

Annual required contribution (ARC)	\$ 70,741
Interest on net OPEB Asset	(1,141)
Adjustment to ARC	959
Annual OPEB cost (expense)	<u>70,559</u>
Contributions made	<u>(59,678)</u>
Decrease in OPEB asset	10,881
Net OPEB asset beginning of year	<u>(16,908)</u>
Net OPEB asset end of year	<u><u>\$ (6,027)</u></u>

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, (valuation date) was as follows:

Actuarial accrued liability (AAL)	\$ 900,787
Actuarial value of plan assets	98,960
Unfunded actuarial accrued liability (UAAL)	<u>\$ 801,827</u>
Funded ratio (actuarial value of plan assets/AAL)	10.99%
Covered payroll (active plan members)	\$ 679,369
UAAL as a percentage of covered payroll	118.03%

Board of Education of Baltimore County

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The valuation used the projected unit credit method under which the benefits of each individual included in an actuarial valuation are allocated by a consistent formula to all valuation years on a closed basis. The method used to determine the actuarial value of assets was market or fair value. The assumptions applied were future salary increases of 3.0% per year and the interest was assumed to have a discount rate of 6.75%. The discount rate is the rate used to determine the present value of future cash flows. The unfunded liability is amortized over a period of 30 years using level percentage of projected payroll. The medical trend assumption uses the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The SOA Model and its baseline projections are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of an SOA Project Oversight Group. The following assumptions were used as input variables into this model:

Rate of Inflation	2.9%
Rate of Growth in Real Income/GDP per capita	1.7%
Income Multiplier for Health Spending	1.4
Extra Trend due to Technology and other factors	1.2%
Health Share of GDP Resistance Point	25.0%
Year for Limiting Cost Growth to GDP Growth	2075

The assumptions applied used covered payroll of approximately \$679 million, representing approximately 13,000 employees with health and dental benefits.

NOTE 10. POLLUTION REMEDIATION

The Board has implemented Governmental Accounting Standards Board Statement No.49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement requires the Board to disclose the nature and source of pollution remediation obligations; the amount of the estimated liability, the method used to estimate the liability, any potential for change in estimates, and estimated recoveries that may reduce the liability.

As a result of renovation work being performed in schools where asbestos may be present, containment, removal and cleanup of any material that presents an imminent threat to health and

Board of Education of Baltimore County

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

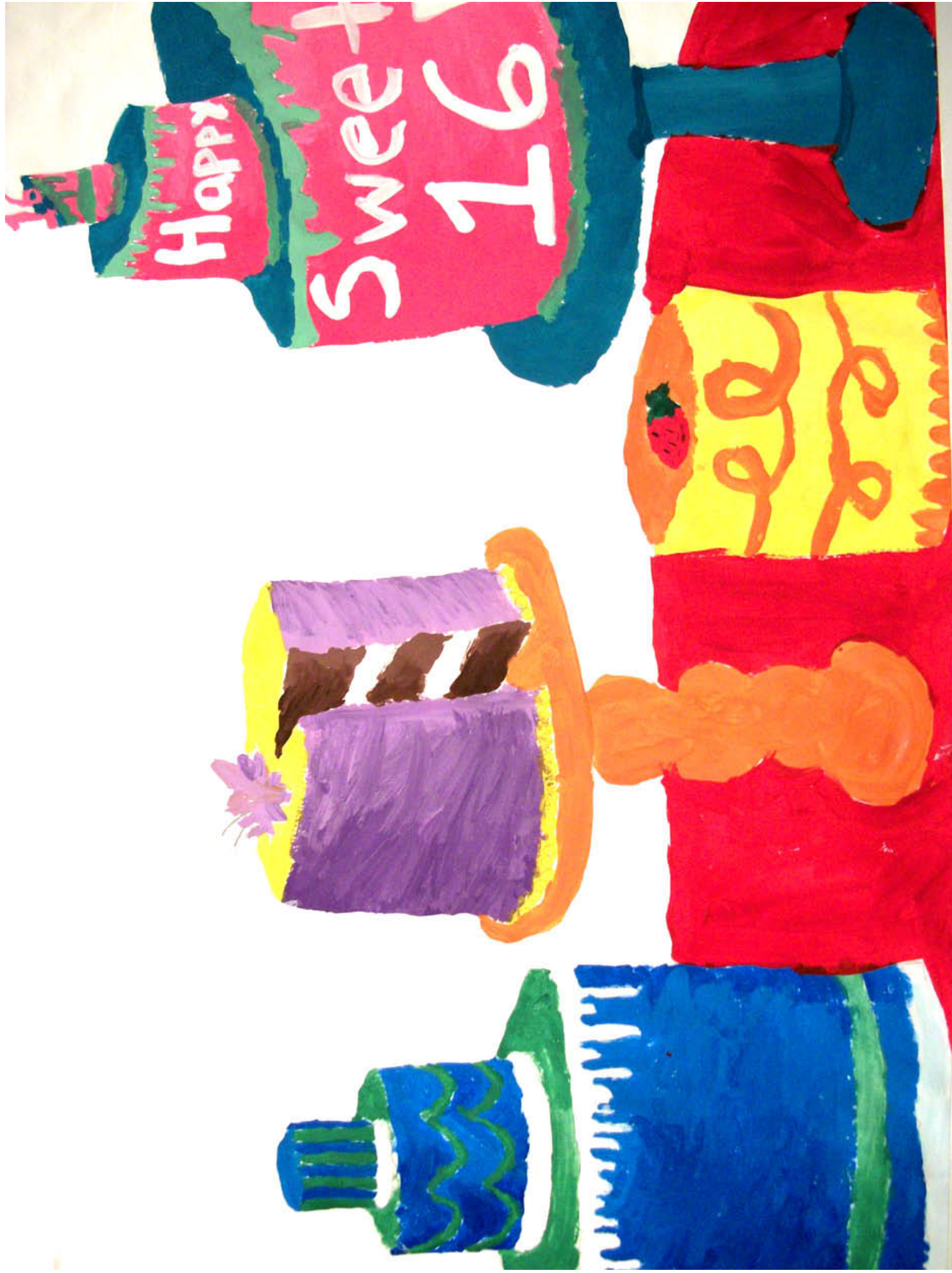
safety of students, staff and visitors may be necessary. A review of school renovation projects determined that the estimated liability for pollution remediation was approximately \$2,587. This amount was determined through a review of construction contracts and assumes that no unexpected change orders will occur. During the current year \$830 was expended on this phase of the project leaving a balance of \$1,757 as the estimated future cost of this work.

NOTE 11. 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. For the year ended June 30, 2011, 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) for the period of July 1, 1999 to June 30, 2000. As a result of this audit, the OIG had recommended repayment by the State of approximately \$19 million. The audit findings and resultant claim were subsequently appealed by the State. The Federal Departmental Appeals Board issued a decision upholding the audit findings and the claim; and the State repaid the approximately \$19 million of disallowed claims. The State is seeking to recover these funds from five LEAs and the Board of Education of Baltimore County has received a request for repayment of approximately \$2.4 million, which the State deems to be the Board's share of the repayment to the federal government. The Board and other LEA's disputed the claims for recoupment on various grounds and appealed to the State's Office of Administrative Hearings. As a result of this appeal the state's hearing examiner issued an order in September 2009 which required the State to recompute the amount due from the Baltimore County Board of Education and to resubmit the recalculated amount to the Board in order to affect a settlement of the issue. As of the date of this audit no recalculation of the proposed amount due has been submitted to the Board. As of June 30, 2011, the State had withheld, from Medicaid payments, the entire amount that was purportedly deemed due from the Board. These funds have been recorded as revenue and expenditures in the Special Revenue Fund over the last three fiscal years. No provision for any additional potential assessments related to this or other time periods through June 30, 2011 have been recorded by the Board.



BOARD OF EDUCATION OF BALTIMORE COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(In Thousands)

Other Post Retirement Benefits Data

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2007	\$ -	\$ 757,666	\$ 757,666	0.00%	\$ 606,000	125.03%
July 1, 2008	56,444	788,396	731,952	7.16%	674,755	108.48%
July 1, 2009	51,045	784,039	732,994	6.51%	643,962	113.83%
July 1, 2010	98,960	900,787	801,827	10.99%	679,369	118.03%

Schedule of Contributions

Fiscal Year Ended	Amount Contributed	Percentage Contributed
June 30, 2008	\$ 64,179	100%
June 30, 2009	87,599	136%
June 30, 2010	57,225	90%
June 30, 2011	59,678	85%

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BOARD OF EDUCATION OF BALTIMORE COUNTY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITIES FUND
FOR THE YEAR ENDED JUNE 30, 2011
(In Thousands)

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<u>Assets</u>				
Cash and cash equivalents	\$ 3,497	\$ 16,252	\$ 15,899	\$ 3,850
Investments	2,804	176	246	2,734
Due from external parties	98	826	811	113
Inventories	487	511	487	511
Total Assets	\$ 6,886	\$ 17,765	\$ 17,443	\$ 7,208
<u>Liabilities</u>				
Accounts payable	\$ 75	\$ 836	\$ 809	\$ 102
Due to school organizations	6,811	16,655	16,360	7,106
Total Liabilities	\$ 6,886	\$ 17,491	\$ 17,169	\$ 7,208



Jessica Bandel Dundalk Elementary

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 significant "own source" revenues. The Board is fiscally dependent on appropriations from the Baltimore County government and the State of Maryland. 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 lease obligations.

Contents

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Financial Trends

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

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Demographic Information

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Operating Information

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Board of Education of Baltimore County
Net Assets by Component
Last Ten Fiscal Years
(In Thousands)

	2011	2010	2009	2008
Governmental activities:				
Invested in capital assets, net of related debt	\$ 1,206,622	\$ 1,153,352	\$ 1,086,114	\$ 1,029,892
Restricted	19,021	25,345	29,495	297
Unrestricted	14,995	17,509	22,479	18,537
Total governmental activities net assets	1,240,638	1,196,206	1,138,088	1,048,726
Business-type activities:				
Invested in capital assets, net of related debt	13,290	12,667	9,968	9,761
Restricted	-	-	-	-
Unrestricted	6,851	5,158	2,969	1,846
Total business-type activities net assets	20,141	17,825	12,937	11,607
Primary government:				
Invested in capital assets, net of related debt	1,219,912	1,166,019	1,096,082	1,039,653
Restricted	19,021	25,345	29,495	297
Unrestricted	21,846	22,667	25,448	20,383
Total net assets	\$ 1,260,779	\$ 1,214,031	\$ 1,151,025	\$ 1,060,333

2007	2006	2005	2004	2003	2002
\$ 896,795	\$ 765,576	\$ 724,846	\$ 691,027	\$ 659,353	\$ 561,443
3,976	6,997	6,900	7,757	6,751	5,393
13,147	9,540	3,181	2,055	(2,998)	3,396
<u>913,918</u>	<u>782,113</u>	<u>734,927</u>	<u>700,839</u>	<u>663,106</u>	<u>570,232</u>
9,138	7,873	8,264	8,238	8,419	8,413
421	347	499	443	422	417
1,946	684	(1,010)	(1,031)	(909)	1,187
<u>11,505</u>	<u>8,904</u>	<u>7,753</u>	<u>7,650</u>	<u>7,932</u>	<u>10,017</u>
905,933	773,449	733,110	699,265	667,772	569,856
4,397	7,344	7,399	8,200	7,173	5,810
15,093	10,224	2,171	1,024	(3,907)	4,583
<u>\$ 925,423</u>	<u>\$ 791,017</u>	<u>\$ 742,680</u>	<u>\$ 708,489</u>	<u>\$ 671,038</u>	<u>\$ 580,249</u>

Board of Education of Baltimore County
Changes in Net Assets by Component
Last Ten Fiscal Years
(In Thousands)

	2011	2010	2009	2008
Expenses:				
Governmental activities				
Administration	\$ 56,679	\$ 57,590	\$ 53,564	\$ 47,122
Mid-level administration	120,945	117,522	113,623	108,914
Instruction	762,545	757,390	721,967	714,795
Special education	243,891	235,131	220,043	213,072
Student personnel services	13,207	12,699	12,006	11,166
Health services	20,340	19,864	18,961	18,749
Student transportation	70,300	65,518	64,963	63,263
Operation of plant	105,589	105,785	103,825	99,795
Maintenance of plant	35,159	34,221	34,561	32,602
Community services	30	40	146	1,143
Capital administration	6,123	2,011	7,326	6,965
Interest on long-term debt	390	341	343	280
Total governmental activities	1,435,198	1,408,112	1,351,328	1,317,866
Business-type activity - Food Services	38,477	36,216	36,411	37,030
Total expenses	1,473,675	1,444,328	1,387,739	1,354,896
Program Revenues:				
Governmental activities:				
Charges for services	586	528	851	675
Operating grants and contributions	160,606	161,158	138,879	122,079
Capital grants and contributions	96,745	108,618	94,468	165,219
Total governmental activities program revenues	257,937	270,304	234,198	287,973
Business-type activity:				
Charges for services	14,821	15,312	16,390	17,123
Operating grants and contributions	24,159	21,851	19,591	18,313
Total business-type activity program revenues	38,980	37,163	35,981	35,436
Total program revenues	\$ 296,917	\$ 307,467	\$ 270,179	\$ 323,409
Net (Expense) Revenue:				
Governmental activities	\$ (1,177,261)	\$ (1,137,808)	\$ (1,117,130)	\$ (1,029,893)
Business-type activity	503	947	(430)	(1,594)
Total net (expense)	\$ (1,176,758)	\$ (1,136,861)	\$ (1,117,560)	\$ (1,031,487)
General Revenues and Other Changes in Net Assets:				
Governmental activities:				
Unrestricted grants and contributions	\$ 1,216,274	\$ 1,193,006	\$ 1,200,894	\$ 1,158,532
Other	7,232	6,861	7,358	7,866
Transfers	(1,813)	(3,941)	(1,760)	(1,696)
Total governmental activities	1,221,693	1,195,926	1,206,492	1,164,702
Business-type activity:				
Transfers	1,813	3,941	1,760	1,696
Other	-	-	-	-
Total business-type activity	1,813	3,941	1,760	1,696
Total general revenues and other changes in net assets	\$ 1,223,506	\$ 1,199,867	\$ 1,208,252	\$ 1,166,398
Changes in Net Assets:				
Governmental activities	\$ 44,432	\$ 58,118	\$ 89,362	\$ 134,809
Business-type activity	2,316	4,888	1,330	102
Total changes in net assets	\$ 46,748	\$ 63,006	\$ 90,692	\$ 134,911

2007	2006	2005	2004	2003	2002
\$ 44,267	\$ 41,947	\$ 34,904	\$ 31,385	\$ 30,122	\$ 26,905
96,699	90,555	85,196	79,960	77,999	75,466
664,039	619,315	594,985	564,491	542,518	521,615
194,330	182,781	166,865	153,332	149,638	136,155
10,306	8,982	8,217	7,625	7,193	6,390
17,227	16,682	15,513	14,496	14,795	13,920
57,526	51,902	48,685	45,011	43,232	40,765
90,631	83,464	75,434	71,794	68,402	67,104
30,632	25,560	24,340	21,728	22,717	21,309
955	753	589	392	637	462
3,463	8,563	6,695	6,267	641	7,691
263	226	239	239	150	166
1,210,338	1,130,730	1,061,662	996,720	958,044	917,948
35,383	33,279	32,769	30,795	31,777	29,838
1,245,721	1,164,009	1,094,431	1,027,515	989,821	947,786
918	728	741	760	1,106	955
121,191	120,464	119,742	108,881	127,572	111,292
156,875	66,241	57,372	51,299	109,213	170,111
278,984	187,433	177,855	160,940	237,891	282,358
17,966	17,047	16,050	15,028	14,840	14,901
17,474	16,770	15,829	14,858	13,847	13,048
35,440	33,817	31,879	29,886	28,687	27,949
\$ 314,424	\$ 221,250	\$ 209,734	\$ 190,826	\$ 266,578	\$ 310,307
\$ (931,354)	\$ (943,297)	\$ (883,807)	\$ (835,780)	\$ (720,153)	\$ -
57	538	(890)	(909)	(3,090)	(1,889)
\$ (931,297)	\$ (942,759)	\$ (884,697)	\$ (836,689)	\$ (723,243)	\$ (1,889)
\$ 1,057,779	\$ 982,611	\$ 911,360	\$ 866,921	\$ 808,029	\$ 786,791
7,924	8,484	7,528	7,206	5,959	5,430
(2,544)	(612)	(993)	(614)	(961)	(2,199)
1,063,159	990,483	917,895	873,513	813,027	790,022
2,544	612	993	614	961	2,199
-	-	-	12	44	86
2,544	612	993	626	1,005	2,285
\$ 1,065,703	\$ 991,095	\$ 918,888	\$ 874,139	\$ 814,032	\$ 792,307
\$ 131,805	\$ 47,186	\$ 34,088	\$ 37,733	\$ 92,874	\$ 790,022
2,601	1,150	103	(283)	(2,085)	396
134,406	48,336	34,191	37,450	90,789	790,418

Board of Education of Baltimore County
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(In Thousands)

	2011	2010	2009	2008
General Fund:				
Non-spendable	\$ 1,824	\$ 2,080	\$ 2,131	\$ 1,849
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	20,888	31,967	25,570	17,405
Unassigned	11,992	-	12,208	12,947
Total general fund	<u>\$ 34,704</u>	<u>\$ 34,047</u>	<u>\$ 39,909</u>	<u>\$ 32,201</u>
All other governmental funds:				
Non-spendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	15,095	11,738	7,098	3,952
Unassigned (deficit)	(1,757)	(267)	-	-
Total all other governmental funds	<u>\$ 13,338</u>	<u>\$ 11,471</u>	<u>\$ 7,098</u>	<u>\$ 3,952</u>

The above detail of Governmental Fund Balances is presented to comply with the requirements of Government Accounting Standards Board Statement No. 54 (GASB 54), which requires redefining of the components of the fund balance. This statement, which took effect for years beginning after June 30, 2010, did not require restatement of the components of the fund balance for years prior to July 1, 2011. The fund balances for the prior years were restated to be comparable with the current year's presentation.

2007	2006	2005	2004	2003	2002
\$ 890	\$ 1,064	\$ 1,257	\$ 1,015	\$ 569	\$ 664
-	-	-	-	-	-
-	-	-	-	-	-
17,235	13,702	12,634	11,478	8,582	10,828
7,218	7,855	-	1,879	165	3,305
<u>\$ 25,343</u>	<u>\$ 22,621</u>	<u>\$ 13,891</u>	<u>\$ 14,372</u>	<u>\$ 9,316</u>	<u>\$ 14,797</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
7,390	8,052	9,297	7,757	6,751	5,392
-	-	-	-	-	-
<u>\$ 7,390</u>	<u>\$ 8,052</u>	<u>\$ 9,297</u>	<u>\$ 7,757</u>	<u>\$ 6,751</u>	<u>\$ 5,392</u>

Board of Education of Baltimore County
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(In Thousands)

	2011	2010	2009	2008
Revenues:				
Intergovernmental	\$ 1,472,914	\$ 1,462,672	\$ 1,434,114	\$ 1,445,627
Other	8,540	7,232	8,628	8,782
Total revenues	<u>1,481,454</u>	<u>1,469,904</u>	<u>1,442,742</u>	<u>1,454,409</u>
Expenditures:				
Current:				
Administration	41,340	41,504	42,465	36,625
Mid-level administration	85,418	82,537	80,653	76,865
Instruction -				
Instructional salaries	464,251	454,942	441,066	441,281
Textbooks and supplies	33,344	41,915	27,768	23,578
Other instructional costs	15,091	16,329	22,745	24,453
Special education	181,716	176,072	165,491	159,865
Student personnel services	9,100	8,783	8,384	7,771
Health services	14,145	13,825	13,265	13,261
Student transportation	58,683	53,276	53,936	53,835
Operation of plant	86,795	87,953	86,897	83,027
Maintenance of plant	28,964	30,055	29,530	28,336
Fixed charges	360,314	354,570	364,006	335,101
Community services	30	39	141	953
Capital administration	101,882	111,781	97,672	169,997
Debt service:				
Principal	6,480	6,122	4,823	4,642
Interest	390	341	343	280
Total expenditures	<u>1,487,943</u>	<u>1,480,044</u>	<u>1,439,185</u>	<u>1,459,870</u>
Excess (deficiency) of revenues over expenditures	(6,489)	(10,140)	3,557	(5,461)
Other financing sources:				
Capital lease proceeds	8,762	8,177	7,297	8,881
Insurance proceeds	251	474		
Transfers out	-	-	-	-
Total other financing sources	<u>9,013</u>	<u>8,651</u>	<u>7,297</u>	<u>8,881</u>
Net change in fund balances	<u><u>\$ 2,524</u></u>	<u><u>\$ (1,489)</u></u>	<u><u>\$ 10,854</u></u>	<u><u>\$ 3,420</u></u>
Debt service as a percentage of noncapital expenditures*	0.5%	0.5%	0.4%	0.4%

* Debt issued to finance school construction is not an obligation of the Board, therefore the debt service relating to those obligations is not included in these financials statements.

2007	2006	2005	2004	2003	2002
\$ 1,335,262	\$ 1,167,236	\$ 1,086,312	\$ 1,025,679	\$ 1,043,879	\$ 1,067,809
9,426	10,591	8,417	8,347	7,544	6,743
1,344,688	1,177,827	1,094,729	1,034,026	1,051,423	1,074,552
35,260	33,619	27,986	25,802	24,408	22,067
70,409	67,063	63,143	60,477	58,663	57,850
427,342	404,313	388,747	373,785	363,199	355,055
25,135	24,661	24,354	22,503	19,816	23,025
17,556	18,159	18,712	20,421	20,665	21,196
148,936	142,298	131,318	121,737	119,327	110,297
7,430	6,573	5,968	5,691	5,435	4,810
12,481	12,512	11,550	10,944	11,279	10,795
47,609	40,728	40,258	35,904	37,156	39,212
76,914	70,746	63,283	60,431	57,473	57,194
26,150	22,087	20,309	18,637	19,501	18,999
286,638	256,220	239,124	216,615	207,339	181,283
782	617	503	347	570	396
160,567	69,245	58,942	53,133	111,386	172,015
4,809	4,701	3,504	4,043	3,979	4,736
263	226	239	239	150	166
1,348,281	1,173,768	1,097,940	1,030,709	1,060,346	1,079,096
(3,593)	4,059	(3,211)	3,317	(8,923)	(4,544)
5,652	3,425	4,564	3,449	5,479	8,984
-	-	(293)	(704)	(678)	(577)
5,652	3,425	4,271	2,745	4,801	8,407
\$ 2,059	\$ 7,484	\$ 1,060	\$ 6,062	\$ (4,122)	\$ 3,863
0.4%	0.4%	0.4%	0.4%	0.4%	0.5%

Board of Education of Baltimore County
Government-wide Expenses by Function
Last Ten Fiscal Years
(In Thousands)

Fiscal Year	Administration	Mid-Level Administration	Instruction	Special Education	Student Personnel Services	Health Services	Student Transportation
2011	\$ 56,679	\$ 120,945	\$ 762,545	\$ 243,891	\$ 13,207	\$ 20,340	\$ 70,300
2010	57,590	117,522	757,390	235,131	12,699	19,864	65,518
2009	53,564	113,623	721,967	220,043	12,006	18,961	64,963
2008	47,122	108,914	714,795	213,072	11,166	18,749	63,263
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 Administration	Interest on Long-term Debt	Food Services	Total
\$	105,589	\$ 35,159	\$ 30	\$ 6,123	\$ 390	\$ 38,477	\$ 1,473,675
	105,785	34,221	40	2,011	341	36,216	1,444,328
	103,825	34,561	146	7,326	343	36,411	1,387,739
	99,795	32,602	1,143	6,965	280	37,030	1,354,896
	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	947,787

Board of Education of Baltimore County
Government-wide Revenues
Last Ten Fiscal Years
(In Thousands)

Fiscal Year	Program Revenues			General Revenues					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Baltimore County	State of Maryland	United States Government	Other	Total	
2011	\$ 15,407	\$ 184,794	\$ 96,745	\$ 663,144	\$ 518,223	\$ 34,907	\$ 7,232	\$ 1,520,452	
2010	15,840	183,009	108,618	670,539	517,079	5,388	6,861	1,507,334	
2009	17,241	158,470	94,468	680,975	518,511	1,408	7,358	1,478,431	
2008	17,798	140,392	165,219	638,184	518,553	1,795	7,866	1,489,807	
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	1,102,616	

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
2011	\$ 737,353	\$ 613,905	\$ 121,656	\$ 8,540	\$ 1,481,454
2010	755,152	616,192	91,328	7,232	1,469,904
2009	742,912	628,362	62,840	8,628	1,442,742
2008	738,295	644,912	62,420	8,782	1,454,409
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

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	Instructional			Special Education	Student Personnel Services	Health Services							
				Salaries	Textbooks and Supplies	Other Costs										
2011	\$	41,340	\$	85,418	\$	464,251	\$	33,344	\$	15,091	\$	181,716	\$	9,100	\$	14,145
2010		41,504		82,537		454,942		41,915		16,329		176,072		8,783		13,825
2009		42,465		80,653		441,066		27,768		22,745		165,491		8,384		13,265
2008		36,625		76,865		441,281		23,578		24,453		159,865		7,771		13,261
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

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

Student Transportation	Operation of Plant	Maintenance of Plant	Fixed Charges	Community Services	Capital Administration	Debt Service	Total
\$ 58,683	\$ 86,795	\$ 28,964	\$ 360,314	\$ 30	\$ 101,882	\$ 6,870	\$ 1,487,943
53,276	87,953	30,055	354,570	39	111,781	6,463	1,480,044
53,936	86,897	29,530	364,006	141	97,672	5,166	1,439,185
53,835	83,027	28,336	335,101	953	169,997	4,922	1,459,870
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

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	Instructional Salaries and Other Costs	Instructional Textbooks and Supplies	Special Education	Student Personnel Services	Health Services	Student Transportation	
2011	\$ 35,367	\$ 85,511	\$ 465,299	\$ 25,173	\$ 150,213	\$ 8,484	\$ 13,946	\$ 56,352	
2010	35,711	82,756	447,609	35,722	147,835	8,265	13,638	52,235	
2009	36,679	80,388	447,009	23,560	146,350	8,049	12,961	51,983	
2008	33,469	76,368	448,359	20,835	139,151	6,474	12,079	48,840	
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	

				General Fund Total	Debt Service Fund	Special Revenue Fund		
Operation of Plant	Maintenance of Plant	Fixed Charges	Capital Administration	General Fund	Debt Service	Federal and Restricted Programs	Total	
\$ 87,552	\$ 29,120	\$ 250,674	\$ 3,682	\$ 1,211,373	\$ 32,312	\$ 99,990	\$ 1,343,675	
88,500	29,653	252,689	3,292	1,197,905	26,931	107,589	1,332,425	
87,867	29,959	244,381	3,230	1,172,416	26,377	76,438	1,275,231	
85,207	28,564	232,785	3,170	1,135,301	26,158	85,260	1,246,719	
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	

Board of Education of Baltimore County
General Fund - Revenue and Expenditures - Budgetary Basis
Last Ten Fiscal Years
(In Thousands)

	2011		2010		2009		2008	
	%		%		%		%	
	Amount	of Total	Amount	of Total	Amount	of Total	Amount	of Total
Revenues by Source:								
Baltimore County	\$ 663,144	54.7	\$ 670,539	56.0	\$ 646,094	55.0	\$ 617,723	54.5
State of Maryland	493,543	40.7	499,219	41.7	515,108	43.9	503,338	44.4
United States Government	31,087	2.6	9,208	0.8	1,408	0.1	1,795	0.1
Other	23,959	2.0	18,122	1.5	11,500	1.0	11,087	1.0
Total revenue	<u>1,211,733</u>	<u>100.0</u>	<u>1,197,088</u>	<u>100.0</u>	<u>1,174,110</u>	<u>100.0</u>	<u>1,133,943</u>	<u>100.0</u>
Current Expenditures								
by Function:								
Administration	34,728	2.9	35,608	3.0	36,632	3.1	33,452	3.0
Mid-Level Administration	84,801	7.1	82,219	6.9	79,921	6.9	75,976	6.7
Instructional costs:								-
Salaries	444,791	37.2	436,345	36.6	424,083	36.4	425,971	37.8
Instr. textbooks & supp.	24,916	2.1	35,645	3.0	23,540	2.0	20,829	1.8
Other costs	9,492	0.8	9,341	0.8	19,411	1.7	18,795	1.7
Special education	150,142	12.5	146,569	12.3	146,318	12.6	138,692	12.3
Student personnel services	8,428	0.7	8,087	0.7	7,778	0.7	6,473	0.6
Health services	13,814	1.2	13,428	1.1	12,750	1.1	11,988	1.1
Student transportation	55,930	4.7	51,999	4.4	51,295	4.4	48,523	4.3
Operation of plant	86,679	7.2	87,555	7.3	87,304	7.5	83,023	7.4
Maintenance of plant	29,054	2.4	29,201	2.4	28,343	2.4	27,643	2.5
Fixed charges	250,638	20.9	252,688	21.2	244,344	20.9	232,734	20.5
Capital administration	3,555	0.3	3,212	0.3	3,104	0.3	3,039	0.3
Total expenditures	<u>1,196,968</u>	<u>100.0</u>	<u>1,191,897</u>	<u>100.0</u>	<u>1,164,823</u>	<u>100.0</u>	<u>1,127,138</u>	<u>100.0</u>
Excess of revenue								
over expenditures	<u>\$ 14,765</u>		<u>\$ 5,191</u>		<u>\$ 9,287</u>		<u>\$ 6,805</u>	

2007		2006		2005		2004		2003		2002	
Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
\$ 607,042	56.9	\$ 591,656	59.9	\$ 570,385	62.0	\$ 560,234	64.3	\$ 547,235	67.2	\$ 544,998	68.9
437,103	41.0	382,665	38.7	338,383	36.8	301,396	34.6	255,781	31.4	237,129	30.0
5,520	0.5	138	-	-	-	100	0.1	-	-	-	-
16,985	1.6	14,086	1.4	11,192	1.2	8,948	1.0	11,231	1.4	9,089	1.1
1,066,650	100.0	988,545	100.0	919,960	100.0	870,678	100.0	814,247	100.0	791,216	100.0
29,666	2.8	28,768	2.9	23,115	2.5	22,111	2.6	19,375	2.4	19,025	2.4
69,490	6.5	65,632	6.7	62,142	6.8	59,652	6.8	58,101	7.1	57,428	7.3
-											
407,249	38.3	383,167	39.2	370,701	40.4	355,294	41.1	330,819	40.6	325,357	41.2
23,809	2.2	19,835	2.0	18,392	2.0	18,670	2.1	16,209	2.0	19,064	2.4
12,510	1.2	12,453	1.3	11,749	1.3	14,406	1.7	11,824	1.5	17,579	2.2
127,157	12.0	121,255	12.4	114,731	12.5	104,622	12.1	101,802	12.5	95,749	12.1
6,140	0.6	5,090	0.5	4,626	0.5	4,244	0.5	3,524	0.4	3,597	0.5
11,274	1.1	11,071	1.1	9,969	1.1	9,528	1.1	9,348	1.1	9,309	1.2
45,681	4.3	41,197	4.2	38,028	4.1	35,179	4.1	34,735	4.3	35,048	4.4
78,798	7.4	71,924	7.3	62,883	6.9	60,822	7.0	58,024	7.1	56,909	7.2
27,222	2.6	21,971	2.2	20,146	2.2	19,745	2.3	19,465	2.4	18,980	2.5
218,386	20.5	193,514	19.9	178,959	19.5	158,676	18.3	148,827	18.3	129,107	16.4
5,841	0.5	3,018	0.3	2,268	0.2	2,238	0.3	2,130	0.3	1,889	0.2
1,063,223	100.0	978,895	100.0	917,709	100.0	865,187	100.0	814,183	100.0	789,041	100.0
\$ 3,427		\$ 9,650		\$ 2,251		\$ 5,491		\$ 64		\$ 2,175	

Board of Education of Baltimore County

Enrollment by Schools

	SEPTEMBER			SEPTEMBER	
	2010	2009		2010	2009
<u>Elementary and Alternatives</u>					
Arbutus	408	363	Hillcrest	708	697
Baltimore Highlands	514	528	Imagine Discovery	526	552
Battle Grove	306	325	Jacksonville	582	588
Bear Creek	446	445	Johnnycake	597	593
Bedford	277	273	Joppa View	623	628
Berkshire	436	446	Kingsville	341	353
Campfield Ctr.	302	338	Lansdowne	429	410
Carney	505	475	Logan	477	488
Carroll Manor	338	333	Lutherville	536	501
Catonsville	446	419	Mars Estates	403	378
Cedarmere	464	435	Martin Boulevard	287	276
Chadwick	454	452	McCormick	385	335
Chapel Hill	599	577	Middleborough	330	319
Charlesmont	372	327	Middlesex	525	511
Chase	320	305	Milbrook	356	335
Chatsworth	371	380	New Town	799	745
Chesapeake Terrace	258	263	Norwood	609	595
Church Lane	497	483	Oakleigh	500	485
Colgate	312	328	Oliver Beach	269	272
Cromwell Magnet	439	436	Orems	343	354
Deep Creek	405	384	Owings Mills	786	758
Deer Park	379	416	Padonia	425	411
Dogwood	561	411	Perry Hall	584	552
Dundalk	627	636	Pine Grove	510	501
Eastwood Center	197	198	Pinewood	563	545
Edgemere	458	468	Pleasant Plains	493	487
Edmondson Heights	498	505	Pot Spring	606	574
Elmwood	542	573	Powhatan	296	318
Essex	496	474	Prettyboy	450	484
Featherbed Lane	572	678	Randallstown	378	394
Fifth District	275	276	Red House Run	562	573
Fort Garrison	451	429	Reisterstown	540	539
Franklin	514	528	Relay	469	435
Fullerton	551	541	Riderwood	528	542
Glenmar	375	381	Riverview	428	461
Glyndon	476	476	Rodgers Forge	395	722
Grange	388	404	Sandalwood	486	494
Gunpowder	517	518	Sandy Plains	600	580
Halethorpe	439	418	Scotts Branch	509	491
Halstead Academy	458	500	Seneca	399	356
Hampton	496	451	Seven Oaks	394	413
Harford Hills	331	339	Seventh District	404	417
Hawthorne	551	578	Shady Spring	620	591
Hebbville	367	404	Sparks	556	555
Hernwood	394	411	Stoneleigh	629	622

	SEPTEMBER			SEPTEMBER	
	2010	2009		2010	2009
Summit Park	393	368	Sparrows Point	480	458
Sussex	373	359	Stemmers Run	729	709
Timber Grove	582	592	Sudbrook Magnet	1,037	1,024
Timonium	436	438	Windsor Mill	624	605
Victory Villa	337	315	Woodlawn	634	642
Villa Cresta	602	586	Misc. Programs	1	-
Vincent Farm	570	533	Middle total	22,544	22,338
Warren	403	381			
Wellwood	413	441	High and Alternatives		
West Towson	437	-	Bridge Center	10	11
Westchester	565	534	Carver Center	752	746
Westowne	550	548	Catonsville	1,795	1,735
Winand	451	464	Catonsville Ctr. for Alternative Study	76	72
Winfield	486	460	Chesapeake	1,108	1,071
Woodbridge	345	348	Crossroads Center	77	91
Woodholme	820	773	Dulaney	1,866	1,879
Woodmoor	460	484	Dundalk	1,228	1,240
Misc. Programs	2	1	Eastern School of Technology	1,272	1,283
Elementary total	49,842	49,183	Franklin	1,575	1,546
Middle and Alternatives			Hereford	1,415	1,387
Arbutus	705	753	Kenwood	1,731	1,762
Bridge Center	13	12	Lansdowne	1,249	1,285
Catonsville	683	641	Loch Raven	1,002	1,027
Cockeysville	768	754	Milford Mill	1,359	1,289
Crossroads Center	100	101	New Town	894	957
Deep Creek	793	767	Overlea	953	1,073
Deer Park	1,176	1,114	Owings Mills	1,015	1,015
Dumbarton	872	922	Parkville	1,620	1,693
Dundalk	467	447	Patapsco	1,471	1,462
Franklin	1,284	1,328	Perry Hall	2,229	2,265
General John Stricker	794	786	Pikesville	873	913
Golden Ring	647	637	Randallstown	1,111	1,208
Hereford	948	966	Rosedale Alternative	133	141
Holabird	640	643	Sparrows Point	765	792
Imagine Discovery	75	-	Towson	1,395	1,384
Lansdowne	610	675	Western School of Technology	890	873
Loch Raven Tech. Acad.	669	582	Woodlawn	1,634	1,641
Meadowwood Educ. Ctr.	40	48	Misc. Programs	96	86
Middle River	882	910	High total	31,594	31,927
Old Court	590	581	Special Education		
Parkville	1,040	1,030	Battle Monument	70	63
Perry Hall	1,578	1,519	The Ridge Ruxton School	110	112
Pikesville	976	975	Maiden Choice School	109	112
Pine Grove	883	907	White Oak School	62	97
Rosedale Alt. Middle	43	43	Special Education total	351	384
Ridgely	1,034	1,011			
Southwest Academy	729	748	Total enrollment	104,331	103,832

Board of Education of Baltimore County
Enrollment by Grade and
Student to Teacher Ratio

School Year Beginning September										
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Elementary:										
Preschool	3,570	3,883	3,777	3,649	3,771	3,585	3,512	3,469	3,404	3,176
Kindergarten	7,773	7,534	7,320	7,156	6,731	6,849	6,812	6,748	6,654	6,665
Grade 1	7,864	7,675	7,523	7,183	7,335	7,215	7,289	7,325	7,492	7,431
2	7,824	7,656	7,304	7,351	7,289	7,352	7,363	7,484	7,580	7,505
3	7,723	7,352	7,414	7,356	7,349	7,384	7,597	7,753	7,671	7,802
4	7,484	7,515	7,462	7,375	7,473	7,634	7,911	7,841	7,982	8,258
5	7,604	7,568	7,421	7,504	7,679	7,976	7,842	8,160	8,363	8,591
Total Elementary	49,842	49,183	48,221	47,574	47,627	47,995	48,326	48,780	49,146	49,428
Middle:										
Grade 6	7,522	7,366	7,345	7,486	7,854	7,918	8,248	8,483	8,738	8,579
7	7,585	7,407	7,538	7,886	7,949	8,240	8,447	8,847	8,784	8,655
8	7,437	7,565	7,783	7,905	8,127	8,506	8,819	8,777	8,759	8,504
Total Middle	22,544	22,338	22,666	23,277	23,930	24,664	25,514	26,107	26,821	25,738
High:										
Grade 9	8,281	8,525	8,624	8,920	9,383	9,498	9,637	9,453	9,298	8,907
10	8,166	8,098	8,232	8,515	8,704	8,940	8,663	8,625	8,349	8,262
11	7,543	7,575	7,809	7,916	8,242	8,012	7,876	7,710	7,766	7,441
12	7,604	7,729	7,659	8,113	7,867	7,784	7,520	7,581	7,261	7,021
Total High	31,594	31,927	32,324	33,464	34,196	34,234	33,696	33,369	32,674	31,631
Special Education Schools	351	384	432	399	429	493	479	536	503	525
Total enrollment	104,331	103,832	103,643	104,714	106,182	107,386	108,015	108,792	108,604	107,322
Number of teachers	7,342	7,347	7,291	7,405	7,424	7,393	7,380	7,223	6,847	6,845
Ratio of students to teachers	14.2	14.1	14.2	14.1	14.3	14.5	14.6	15.1	15.9	15.7

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Board of Education of Baltimore County
Cost Per Pupil - Budgetary Basis
Last Ten Fiscal Years

	2011	2010	2009	2008
Total Number of Pupils Enrolled	<u>104,331</u>	<u>103,832</u>	<u>103,643</u>	<u>104,714</u>
Current Expense				
General Fund:				
Administration	\$ 333	\$ 343	\$ 353	\$ 319
Mid-Level Administration	813	792	772	726
Instructional:				
Salaries	4,263	4,202	4,092	4,068
Textbooks and supplies	239	343	227	199
Other costs	91	90	187	179
Special education	1,439	1,412	1,412	1,324
Student personnel services	81	78	75	62
Health services	132	129	123	114
Student transportation	536	501	495	463
Operation of plant	831	843	842	793
Maintenance of plant	278	281	273	264
Fixed Charges ⁽¹⁾	2,402	2,434	2,358	2,223
Capital administration	34	31	30	29
Total General Fund	<u>11,472</u>	<u>11,479</u>	<u>11,239</u>	<u>10,764</u>
Special Revenue Fund	<u>845</u>	<u>871</u>	<u>609</u>	<u>678</u>
Debt Service Fund:				
Principal	176	151	141	138
Interest	126	108	114	112
Total Debt Service Fund	<u>302</u>	<u>259</u>	<u>255</u>	<u>250</u>
Total Cost Per Pupil	<u>\$ 12,619</u>	<u>\$ 12,610</u>	<u>\$ 12,103</u>	<u>\$ 11,692</u>

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, 2011, contributions by the State of Maryland to the Teachers' Retirement and Pension System of \$92,498,293 on behalf of Baltimore County Public Schools are not included in this calculation.

2007	2006	2005	2004	2003	2002
<u>106,182</u>	<u>107,386</u>	<u>108,015</u>	<u>108,792</u>	<u>108,604</u>	<u>107,322</u>
\$ 279	\$ 268	\$ 214	\$ 203	\$ 208	\$ 177
654	611	575	548	549	535
3,835	3,568	3,432	3,266	3,271	3,032
224	185	170	172	176	178
118	116	109	132	140	164
1,198	1,129	1,062	962	963	892
58	47	43	39	39	34
106	103	92	88	88	87
430	384	352	323	324	327
742	670	582	559	560	530
256	205	187	181	182	177
2,057	1,802	1,657	1,459	1,461	1,203
55	28	21	21	21	18
<u>10,012</u>	<u>9,116</u>	<u>8,496</u>	<u>7,953</u>	<u>7,982</u>	<u>7,354</u>
<u>731</u>	<u>730</u>	<u>645</u>	<u>622</u>	<u>787</u>	<u>670</u>
113	106	86	88	138	79
120	114	104	52	51	48
<u>233</u>	<u>220</u>	<u>190</u>	<u>140</u>	<u>189</u>	<u>127</u>
<u>\$ 10,976</u>	<u>\$ 10,066</u>	<u>\$ 9,331</u>	<u>\$ 8,715</u>	<u>\$ 8,958</u>	<u>\$ 8,151</u>

Board of Education of Baltimore County
Other Data
Last Ten Fiscal Years

	<u>2010/2011</u>	<u>2009/2010</u>	<u>2008/2009</u>
<u>Number of Schools</u>			
Elementary	106	105	105
Middle	27	27	27
High	24	24	24
Special Education	4	4	4
Alternative Centers and Programs	12	12	12
Total	<u>173</u>	<u>172</u>	<u>172</u>
<u>Operating Data of Food Service Fund</u>			
Number of days lunch served	181	179	180
Number of free lunches served to pupils annually	4,762,367	4,220,506	3,730,032
Average number of free lunches served to pupils daily	26,311	23,578	20,722
Number of paid lunches served to pupils annually:			
At reduced price	1,029,539	1,118,264	1,178,228
At regular price	2,663,925	2,795,700	3,089,338
Average number of paid lunches served to pupils daily:			
At reduced price	5,688	6,247	6,546
At regular price	14,718	15,619	17,163
Total number of lunches served to pupils annually	8,455,831	8,134,470	7,997,598
Average number of lunches served to pupils daily	46,717	45,444	44,431
Charge per lunch to students:			
Elementary	2.90	2.90	2.90
Secondary	3.00	3.00	3.00
<u>Student Transportation Data</u>			
Estimated number of eligible riders daily	72,818	70,584	62,385
Number of bus routes:			
County	746	746	773
Private contractor	81	81	81
Total bus routes	<u>827</u>	<u>827</u>	<u>854</u>
High School Graduates	<u>7,166</u>	<u>7,352</u>	<u>7,305</u>
Total Enrollment	<u>104,331</u>	<u>103,832</u>	<u>103,643</u>

<u>2007/2008</u>	<u>2006/2007</u>	<u>2005/2006</u>	<u>2004/2005</u>	<u>2003/2004</u>	<u>2002/2003</u>	<u>2001/2002</u>
103	103	103	103	103	104	104
27	27	26	26	26	26	26
24	24	24	24	24	23	23
4	4	4	4	4	4	4
12	11	11	10	10	10	10
<u>170</u>	<u>169</u>	<u>168</u>	<u>167</u>	<u>167</u>	<u>167</u>	<u>167</u>
182	183	182	182	179	177	180
3,517,392	3,413,209	3,449,101	3,306,353	3,085,437	2,903,427	2,756,967
19,326	18,651	18,951	18,167	17,237	16,404	15,316
1,194,343	1,171,969	1,155,092	1,058,827	1,027,733	1,025,523	991,252
3,710,496	4,009,149	4,327,066	4,715,756	4,795,265	4,537,225	4,429,283
6,562	6,404	6,347	5,818	5,742	5,794	5,507
20,388	21,908	23,775	25,911	26,789	25,634	24,607
8,422,231	8,594,327	8,931,259	9,080,936	8,908,435	8,466,175	8,177,502
46,276	46,963	49,073	49,896	49,768	47,831	45,431
2.50	2.50	2.10	1.70	1.50	1.50	1.50
2.60	2.60	2.20	1.80	1.60	1.60	1.60
65,194	62,904	70,106	69,753	78,277	79,044	75,988
767	749	729	710	693	690	663
81	81	91	89	91	91	91
<u>848</u>	<u>830</u>	<u>820</u>	<u>799</u>	<u>784</u>	<u>781</u>	<u>754</u>
<u>7,526</u>	<u>7,364</u>	<u>7,325</u>	<u>7,196</u>	<u>7,329</u>	<u>7,025</u>	<u>6,897</u>
<u>104,714</u>	<u>106,182</u>	<u>107,386</u>	<u>108,015</u>	<u>108,792</u>	<u>108,604</u>	<u>107,322</u>

Board of Education of Baltimore County
Full-time Equivalent Positions
Last Ten Fiscal Years

	FY2011	FY2010	FY2009
Full-time Equivalent Positions By Fund:			
General Fund	13,055	13,045	13,104
Special Revenue Fund	969	904	737
Proprietary Fund	584	589	627
Total Full-time Equivalent Positions By Fund	14,608	14,538	14,468
Full-time Equivalent Positions By Function:			
Administration	322	317	314
Mid-level Administration	1,079	1,078	1,073
Instructional	6,969	6,975	6,882
Special Education	1,770	1,771	1,935
Student Personnel Services	113	112	112
Health Services	217	216	213
Student Transportation	1,128	1,124	1,124
Operation of Plant	1,167	1,164	1,162
Maintenance of Plant	251	249	250
Capital Administration	39	39	39
	13,055	13,045	13,104
Special Revenue Fund (primarily instructional)	969	904	737
Proprietary Fund - Food Service Operations	584	589	627
Total Full-time Equivalent Positions	14,608	14,538	14,468

FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002
13,048	12,947	12,772	12,653	12,528	12,044	11,994
886	922	924	863	811	1,086	921
626	619	614	602	575	578	605
14,560	14,488	14,310	14,118	13,914	13,708	13,520
309	305	276	261	266	261	254
1,062	1,049	1,046	1,030	1,004	993	1,002
6,942	6,929	6,876	6,883	6,939	6,522	6,442
1,887	1,880	1,852	1,812	1,711	1,689	1,712
95	79	73	72	81	63	62
187	186	182	181	181	180	179
1,124	1,098	1,067	1,020	977	976	968
1,155	1,145	1,135	1,137	1,123	1,117	1,127
248	241	231	225	210	206	218
39	35	34	32	36	37	30
13,048	12,947	12,772	12,653	12,528	12,044	11,994
886	922	924	863	811	1,086	921
626	619	614	602	575	578	605
14,560	14,488	14,310	14,118	13,914	13,708	13,520

Board of Education of Baltimore County
Capital Asset Information
Last Ten Fiscal Years

		<u>2010-2011</u>	<u>2009-2010</u>	<u>2008-2009</u>	<u>2007-2008</u>
Schools:					
	Elementary				
	Buildings	106	105	105	104
	Square Feet	6,446,342	6,377,242	6,325,689	6,255,467
	Capacity	49,062	48,576	48,117	48,527
	Enrollment	49,842	49,183	48,064	47,574
	Middle				
	Buildings	27	27	27	27
	Square Feet	3,854,297	3,854,297	3,838,642	3,838,642
	Capacity	28,585	28,585	28,833	29,035
	Enrollment	22,501	22,295	22,578	23,122
	High				
	Buildings	24	24	24	24
	Square Feet	5,126,992	5,121,487	5,121,487	5,121,487
	Capacity	33,885	33,885	33,917	33,556
	Enrollment	31,385	31,714	32,045	33,319
	Special Ed				
	Buildings	4	4	4	4
	Square Feet	243,870	243,870	243,870	243,870
	Capacity	880	880	880	1,050
	Enrollment	351	384	432	399
Alternative & Other:					
	Buildings	3	3	3	3
	Square Feet	218,785	218,785	218,785	218,785
	Capacity	1,030	1,030	1,030	1,075
	Enrollment	252	256	524	300
Total Schools & Other:					
	Buildings	164	163	163	162
	Square Feet	15,890,286	15,815,681	15,515,278	15,678,251
	Capacity	113,442	112,076	112,777	113,243
	Enrollment	104,331	103,832	103,643	104,714
Note: The above data does not include administrative and support buildings; and, leased office facilities.					
Transportation:					
	School Buses	880	879	889	876
	Trucks	363	359	351	343

2006-2007	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002
104	103	103	103	103	103
6,246,317	6,292,258	6,163,480	6,286,102	6,278,733	6,172,630
48,663	48,635	52,137	52,461	52,677	53,979
47,624	47,990	48,320	48,777	49,143	49,427
26	26	26	26	26	26
3,721,952	3,721,952	3,721,952	3,721,952	3,721,952	3,721,952
28,315	28,605	28,659	28,701	28,734	30,399
23,813	24,545	25,373	25,998	26,427	25,658
24	24	24	23	23	23
5,078,408	5,078,408	5,078,408	5,088,747	4,868,799	5,023,334
33,624	33,504	33,673	32,415	31,860	33,485
33,882	33,861	33,314	32,990	31,992	31,332
4	4	4	4	4	4
243,870	243,870	243,870	243,870	243,870	243,870
1,050	1,050	1,050	1,050	1,050	1,025
429	493	479	536	503	525
3	3	4	4	4	4
218,785	218,785	273,750	273,750	272,250	272,250
1,085	1,085	1,135	1,135	1,025	1,025
434	497	529	491	539	380
161	160	161	160	160	160
15,509,332	15,555,273	15,481,460	15,614,421	15,385,604	15,434,036
112,737	112,879	116,654	115,762	115,346	119,913
106,182	107,386	108,015	108,792	108,604	107,322
887	853	817	787	765	744
341	345	335	342	342	339

BOARD OF EDUCATION OF BALTIMORE COUNTY
Student Academic Performance
Last Six Fiscal Years

Adequate Yearly Progress

Adequate Yearly Progress (AYP) is the primary accountability component of the No Child Left Behind Act and is used to measure the gain in academic progress.

Reading	2011	2010	2009	2008	2007	2006	Math	2011	2010	2009	2008	2007	2006
Elementary	90.4%	89.0%	88.6%	87.3%	83.6%	82.8%	Elementary	88.9%	88.2%	86.0%	85.0%	83.4%	78.6%
Middle	83.3%	82.1%	81.7%	78.3%	71.1%	73.5%	Middle	73.0%	72.0%	70.8%	67.6%	60.0%	60.6%
High	84.9%	84.5%	83.9%	80.0%	69.6%	59.0%	High	84.8%	86.6%	85.5%	82.7%	64.3%	59.5%

Maryland School Assessment

Maryland School Assessment (MSA) is an assessment program used in grades 3 through 8, to determine student proficiency in the areas of reading and mathematics.

Reading	2011	2010	2009	2008	2007	2006	Math	2011	2010	2009	2008	2007	2006
Grade 3	88.00%	86.81%	87.46%	84.98%	83.48%	81.73%	Grade 3	89.20%	87.37%	85.78%	83.19%	81.58%	77.65%
Grade 4	91.10%	88.98%	86.92%	88.90%	87.61%	85.99%	Grade 4	93.10%	91.96%	90.10%	90.08%	87.99%	84.38%
Grade 5	92.20%	90.49%	90.29%	87.14%	78.38%	79.33%	Grade 5	84.50%	84.36%	80.80%	80.15%	79.27%	72.30%
Grade 6	82.50%	84.69%	81.80%	82.64%	77.28%	73.03%	Grade 6	80.00%	76.81%	72.22%	74.50%	66.44%	63.87%
Grade 7	83.20%	80.60%	80.84%	81.70%	68.22%	74.59%	Grade 7	73.00%	71.53%	73.08%	65.97%	58.17%	57.95%
Grade 8	84.00%	81.68%	82.10%	70.35%	66.17%	70.36%	Grade 8	65.70%	67.13%	65.75%	60.35%	53.29%	56.82%

**BOARD OF EDUCATION OF
BALTIMORE COUNTY, MARYLAND
Baltimore, Maryland**

**REPORT ON SINGLE AUDIT
June 30, 2011**

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

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

We have audited the financial statements of the governmental activities, 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, as of and for the year ended June 30, 2011, and the budgetary comparison for the general fund and special revenue fund for the year ended June 30, 2011, and have issued our report thereon dated September 30, 2011. 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 entity'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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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*.

We noted a certain matter that we reported to management of the Board in a separate letter dated September 30, 2011.

This report is intended solely for the information and use of the Budget and Audit Committee of 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 30, 2011

**Independent Auditor's Report on Compliance with Requirements That
Could Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance and Schedule of Expenditures of Federal Award 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 (the Board) with the types of compliance requirements described in the *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Board'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's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board'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's compliance with those requirements.

In our opinion the Board complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the Board 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'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 and to test and report on internal control over

compliance in accordance with OMB Circular A-133, 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 Board's internal control over compliance.

A deficiency in *internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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 (the Board) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 30, 2011. Our audits were performed for the purpose of forming an opinion on the financial statements that collectively comprise the Board'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's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Baltimore, Maryland
October 17, 2011, except for our report on the Schedule of
Expenditures of Federal Awards which is September 30, 2011

BOARD OF EDUCATION OF BALTIMORE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2011

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 Program from Maryland State			
Department of Education:			
Federal Donations of Food Commodities	10.555	—	\$ 1,991,604
National School Lunch Program	10.555	—	16,203,906
After-School Snack Program	10.555	—	31,736
National School Breakfast Program	10.553	—	4,476,130
National School Summer Food Service Program	10.559	—	<u>483,993</u>
Total Child Nutrition Cluster			23,187,369
Fresh Fruit and Vegetable Program	10.582	—	<u>179,099</u>
Total U.S. Department of Agriculture			<u>23,366,468</u>
U. S. Department of Defense:			
National Security Agency:			
Mathematical Sciences Program:			
Direct Program:			
BCML & BCMT FY 10	12.901	H98230-09-1-0086	6,815
BCML & BCMT FY 11	12.901	H98230-10-1-0255	23,432
SIEST FY 11	12.901	H98230-10-2-0001	<u>45,817</u>
Total U. S. Department of Defense			<u>76,064</u>
U. S. Department of the Interior:			
Service Training and Technical Assistance (Generic Training):			
Direct Program:			
Youth in Natural Resources FY 11	15.649	9735001514	<u>1,900</u>
Total U.S. Department of the Interior			<u>1,900</u>
U. S. Department of Labor:			
Workforce Investment Act			
Pass-through Program from Baltimore County, Maryland:			
WIA Youth Activities:			
Life Works FY 10	17.259	MA00600001344	1,206
Life Works FY 11	17.259	M7023-07	<u>209,255</u>
Total U.S. Department of Labor			<u>210,461</u>
National Science Foundation:			
Education and Human Resources:			
Pass-through Program from University of Maryland, Baltimore County:			
UMBC STEM Initiatives FY 11	47.076		<u>3,961</u>
Total National Science Foundation			<u>3,961</u>
Environmental Protection Agency:			
State Clean Diesel Grant Program, Recovery Act:			
Direct Program:			
MDE School Bus Retrofit Project - ARRA FY 10	66.040	U00R0400445	<u>399,936</u>

BOARD OF EDUCATION OF BALTIMORE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Environmental Education Grants:			
Direct Program:			
EPA FY 11	66.951	NE-973948-01-0	\$ 5,272
Total Environmental Protection Agency			<u>405,208</u>
U. S. Department of Education:			
Adult Education State Grant program:			
Pass-through Program from Maryland State			
Department of Labor, Licensing and Regulation:			
Adult Basic Education FY 11	84.002A	POOB1400076-03	134,786
Adult Secondary Education FY 11	84.002A	POOB1400076-04	25,330
Local Institutionalized FY 11	84.002A	POOB1400076-05	27,405
Adult General Education FY 10 C/O FY 09	84.002A	-	9,970
Total Adult Education Programs			<u>197,491</u>
Title 1 Grants to Local Educational Agencies:			
Pass-through Program from Maryland State			
Department of Education:			
Recognition Awards FY 10	84.010	105870-01	1,276
Recognition Awards FY 11	84.010	116149-01	12,334
Title I FY 10	84.010	104791-01	3,500,813
Title I FY 11	84.010	114467-01	18,313,875
Title I Part D - Neglected and Delinquent Youth FY 10	84.010	104776-01	10,508
Title I Part D - Neglected and Delinquent Youth FY 11	84.010	114756-01	105,584
Title I Distinguished School Award FY 11 - Milbrook	84.010	115865-01	2,000
School Improvement Grant FY 11	84.010	115871-01	310,818
School Improvement Grant (2) FY 11	84.010	116205-01	2,027
			<u>22,259,235</u>
Special Education Grants to States:			
Pass-through Program from Maryland State			
Department of Education:			
Pass-through FY 10	84.027	104214-01	2,414,759
Pass-through FY 11	84.027	114655-01	21,289,932
Special Education Citizens Advisory Council FY 10	84.027	104214-05	310
Special Education Citizens Advisory Council FY 11	84.027	114655-08	2,241
Personnel Development FY 10	84.027	104214-03	7,122
Personnel Development FY 11	84.027	114655-06	38,609
Least Restrictive Environment (LRE) FY 10	84.027	104214-07	6,832
Least Restrictive Environment (LRE) Competitive FY 10	84.027	104960-01	19,061
Infants and Toddlers Part B FY 10	84.027	104205-02	24,281
Infants and Toddlers Part B FY 11	84.027	114105-02	145,326
ALT - MSA FY 10	84.027	104387-01	5,368
ALT - MSA FY 11	84.027	114654-01	30,000

BOARD OF EDUCATION OF BALTIMORE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Special Education Continued			
Reduction of Disproportionality of Minorities FY 10	84.027	104706-01	\$ 35,184
Pass-through EIS FY 10	84.027	104214-02	122,644
Partners for Success FY 10	84.027	104214-04	391
Partners for Success FY 11	84.027	114655-07	10,000
Transition and Dropout Prevention FY 10	84.027	104738-01	13,500
Transition and Dropout Prevention FY 11	84.027	114659-01	17,375
Parent Training FY 10	84.027	104705-01	288
High School Assessments FY 10	84.027	104440-01	151,762
High School Assessments FY 11	84.027	114656-01	66,410
Transition FY 10	84.027	104214-06	5,231
Transition FY 11	84.027	114655-05	883
Emotional Disturbance & Behavior FY 10	84.027	104961-01	35,470
Emotional Disturbance & Behavior FY 11	84.027	114657-01	49,553
Adequate Yearly Progress (AYP) FY 11	84.027	114658-01	31,250
Seamless Transition & School Completion FY 11	84.027	114598-01	20,758
Supplementary Aids & Services FY 11	84.027	114925-01	59,410
Pass-through PPPSS FY 11	84.027	114655-02	102,441
Total Special Education Pass-through Program			<u>24,706,391</u>
Special Education: Preschool — IDEA Part B:			
Pass-through Program from Maryland State			
Department of Education:			
MMSR Federal FY 10	84.173	104819-02	16,494
MMSR Federal FY 11	84.173	114583-02	17,394
Preschool Pass-through FY 10	84.173	104214-08	41,141
Preschool Pass-through FY 11	84.173	114655-03	623,817
Preschool Pass-through EIS FY 10	84.173	104214-09	16,780
Preschool Pass-through Carryover to FY 10	84.173	105141-01	34,609
Infants and Toddlers Part B FY 11	84.173	114105-03	9,000
Preschool Pass-through PPPSS FY 11	84.173	114655-04	128
Total Preschool - IDEA Part B			<u>759,363</u>
Total Special Education Cluster			<u>25,465,754</u>
Career and Technical Education - Basic Grants to States:			
Pass-through Program from Maryland State			
Department of Education:			
Perkins FY 10	84.048	105602-01/02	99,602
Perkins FY 11	84.048	115326-01/02	1,093,081
Project Lead the Way FY 10 - Woodlawn	84.048	105905-01	164
Project Lead the Way FY 10 - Dulaney HS	84.048	105905-01	3,256
Project Lead the Way FY 10 - Parkville HS	84.048	105905-01	158
Project Lead the Way FY 11 - Parkville HS	84.048	115327-01	21,793
Project Lead the Way FY 11 - Woodlawn	84.048	115327-01	24,927
Project Lead the Way FY 11 - Dulaney HS	84.048	115327-01	18,485
Project Lead the Way FY 11 - Lansdowne HS	84.048	115327-01	24,376

BOARD OF EDUCATION OF BALTIMORE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Career and Technical Education - Basic Grants to States:			
Continued:			
Project Lead the Way FY 11 - Overlea HS	84.048	115327-01	\$ 19,857
CASE FY 11	84.048	115327-01	24,766
Biomed Overlea FY 10	84.048	105905-01	1,337
CTE Homeland Security FY 10	84.048	105905-01	<u>4</u>
Total Career and Technical Education - Basic Grants to States			<u>1,331,806</u>
Career and Technical Education - National Programs:			
Pass-through Program from Maryland State			
Department of Education:			
Automotive Services Targeted Grant FY 11	84.051	115878-01	<u>31,920</u>
Total Career and Technical Education - National Programs			<u>31,920</u>
Total Career and Technical Education			<u>1,363,726</u>
Special Education: Preschool — IDEA Part C:			
Pass-through Program from Maryland State			
Department of Education:			
Infants and Toddlers Part C FY 10	84.181	104205-01	131,653
Infants and Toddlers Part C FY 11	84.181	114105-01	<u>724,251</u>
Total IDEA Part C			<u>855,904</u>
Safe and Drug Free Schools and Communities:			
Pass-through Program from Maryland State			
Department of Education:			
Title IV - Safe and Drug Free Schools FY 10	84.186	104284-01	<u>67,241</u>
Total Safe and Drug Free Schools			<u>67,241</u>
Education for Homeless Children and Youth:			
Pass-through Program from Maryland State			
Department of Education:			
Education for Homeless Children and Youth FY 10	84.196A	105063-01	9,883
Education for Homeless Children and Youth FY 11	84.196A	114760-01	<u>51,114</u>
Total Education for Homeless Children and Youth			<u>60,997</u>
Fund for Improvement of Education — ESEA Title X			
Direct Program:			
Teaching American History FY 10	84.215X		<u>259,910</u>
Total Fund for Improvement of Education			<u>259,910</u>

BOARD OF EDUCATION OF BALTIMORE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Tech Prep Education Program:			
Pass-through Program from Maryland State			
Department of Education:			
Perkins FY 10	84.243	105602-03/04	\$ 12,551
Perkins FY 11	84.243	115326-03/04	<u>115,925</u>
Total Tech Prep Education			<u>128,476</u>
Charter Schools:			
Pass-through Program from Maryland State			
Department of Education:			
Charter School FY 10	84.282A	105934-02	<u>72,208</u>
Total Charter Schools			<u>72,208</u>
Educational Technology State Grants:			
Pass-through Program from Maryland State			
Department of Education:			
Education Technology Formula Title II D FY 09	84.318	900803-01	102,134
Education Technology Formula Title II D FY 10	84.318	105020-01	25,629
Pass-through Program from Montgomery County			
Public Schools:			
TLC Consortium FY 10	84.318	MCPS	10,174
MTTP Expert FY 11	84.318	MCPS	<u>2,500</u>
Total Educational Technology State Grants			<u>140,437</u>
Advanced Placement Incentive Program:			
Pass-through Program from Maryland State			
Department of Education:			
IB Test FY 11 Milford Mill	84.330B	116263-01	<u>2,976</u>
Total Advanced Placement Incentive Program			<u>2,976</u>
Gaining Early Awareness and Readiness for Undergraduate Program (GEAR UP):			
Pass-through Program from Maryland State			
Department of Education:			
GEAR UP FY10	84.334S	104761-01	95,584
GEAR UP FY11	84.334S	114472-01	139,684
GEAR UP Celebration FY 11	84.334S	114446-01	<u>10,000</u>
Total GEAR UP			<u>245,268</u>
Reading First State Grants:			
Pass-through Program from Maryland State			
Department of Education:			
Reading First FY 10	84.357A	104641-01	<u>83,013</u>
Total Reading First			<u>83,013</u>

BOARD OF EDUCATION OF BALTIMORE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
English Language Acquisition:			
Pass-through Program from Maryland State			
Department of Education:			
Title III - Language Acquisition FY 10	84.365A	104616-01	\$ 406,535
Title III - Immigrant Funds FY 11	84.365A	115170-02	20,209
Title III - Line 1 FY 11	84.365A	115170-01	<u>230,141</u>
Total English Language Acquisition			<u>656,885</u>
U. S. Department of Education, continued:			
Improving Teacher Quality State Grants:			
Pass-through Program from Maryland State			
Department of Education:			
Title II FY 09	84.367	900581-01	1,016,381
Title II FY 10	84.367	104593-01	3,035,946
Title II FY 11	84.367	114269-01	<u>1,605,839</u>
Total Improving Teacher Quality State Grants			<u>5,658,166</u>
Education Technology State Grants, Recovery Act:			
Pass-through Baltimore City Public Schools:			
Open Education Resources (OER) FY 11 - ARRA	84.386	PO459993	11,114
MSPP FY 10 - ARRA	84.386	AACPS	<u>78,864</u>
Total Education Technology State Grants, Recovery Act			<u>89,978</u>
Education for Homeless Children and Youth, Recovery Act			
Pass-through Program from Maryland State			
Department of Education:			
Educating Homeless Children and Youth ARRA FY 10	84.387	105668-01	<u>62,597</u>
Total Educating Homeless Children and Youth ARRA			<u>62,597</u>
Title I Grants to Local Educational Agencies, Recovery Act			
Pass-through Program from Maryland State			
Department of Education:			
Title I ARRA FY 10	84.389	104589-01	<u>5,775,738</u>
Total Title I Grants to Local Educational Agencies, Recovery Act			<u>5,775,738</u>
Special Education Grants to States, Recovery Act			
Pass-through Program from Maryland State			
Department of Education:			
Pass-through EIS ARRA FY 10	84.391	104324-02	1,680,138
Pass-through ARRA FY 10	84.391	104324-01	10,445,248
Pass-through PPPSS - ARRA FY 10	84.391	104324-05	<u>382,620</u>
Total Special Education Grants to States, Recovery Act			<u>12,508,006</u>

BOARD OF EDUCATION OF BALTIMORE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Special Education - Preschool Grants, Recovery Act			
Pass-through Program from Maryland State			
Department of Education:			
Preschool ARRA FY 10	84.392	104324-03	\$ 508,085
Preschool EIS - ARRA FY 10	84.392	104324-04	155,754
Preschool Pass-through PPPSS - ARRA FY 10	84.392	104324-06	29,717
Total Special Education - Preschool Grants, Recovery Act			<u>693,556</u>
Special Education - Grants for Infants and Families, Recovery Act			
Pass-through Program from Maryland State			
Department of Education:			
Infants and Toddlers ARRA FY 10	84.393	104522-01	159,142
Infants and Toddlers Extended IFSP ARRA FY 10	84.393	104522-03	1,474,040
Total Special Education - Grants for Infants and Families, Recovery Act			<u>1,633,182</u>
U. S. Department of Education, continued:			
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act:			
Pass-through Program from Maryland State			
Department of Education:			
State Fiscal Stabilization Funds - ARRA	84.394	104333-03	1,680,778
State Fiscal Stabilization Funds - ARRA	84.394	104333-04	347,259
State Fiscal Stabilization Funds - ARRA	84.394	104333-05	1,791,570
State Fiscal Stabilization Funds - ARRA	84.394	114069-01	3,712,345
State Fiscal Stabilization Funds - ARRA	84.394	114069-03	6,561,647
State Fiscal Stabilization Funds - ARRA	84.394	114069-05	2,108,652
Total State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act			<u>16,202,251</u>
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act:			
Pass-through Program from Maryland State			
Department of Education:			
Race to the Top FY11 Project 1 - ARRA	84.395	115742-01	30,165
Race to the Top FY11 Project 3 - ARRA	84.395	115742-03	506,469
Race to the Top FY11 Project 4 - ARRA	84.395	115742-04	433,936
Race to the Top FY11 Project 6 - ARRA	84.395	115742-06	46,717
Total State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act:			<u>1,017,287</u>

BOARD OF EDUCATION OF BALTIMORE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Education Jobs Fund :			
Pass-through Program from Maryland State			
Department of Education:			
Education Job Funds	84.410	115718-01	\$ 15,381,351
Total U. S. Department of Education			<u>110,881,633</u>
U.S. Department of Health and Human Services:			
Preventive Health and Health Services Block Grant:			
Pass-through Program from Maryland State			
Department of Education:			
Sexual Harassment and Assault Prevention FY 10	93.991	105621-01	1,860
Sexual Harassment and Assault Prevention FY 11	93.991	115830-01	<u>10,019</u>
Total Preventive Health and Health Services Block Grant:			<u>11,879</u>
Total U.S. Department of Health and Human Services			<u>11,879</u>
Corporation for National and Community Service:			
Learn and Serve America School and Community Based Programs:			
Pass-through Program from Maryland State			
Department of Education:			
Learn and Serve America FY 11	94.004	114378-01	<u>21,000</u>
Total Corporation for National and Community Service			<u>21,000</u>
U. S. Department of Homeland Security:			
Federal Emergency Management Agency:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters):			
Pass-through Program from Maryland Emergency Management Agency:			
FY 11 Severe Winter Storms	97.036	FEMA-1910-DR-MD	<u>166,448</u>
Total Federal Emergency Management Agency			<u>166,448</u>
U. S. Department of Homeland Security:			
State Homeland Security Program:			
Direct Program:			
Transportation Homeland Security FY 10	97.073	-	<u>9,500</u>
Total State Homeland Security Program			<u>9,500</u>
Total U. S. Department of Homeland Security			<u>175,948</u>
Total Expenditures of Federal Awards			<u>\$ 135,154,522</u>

BOARD OF EDUCATION OF BALTIMORE COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2011

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, 2011.

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.

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, 2011:

Total federal expenditures reported in the Schedule	\$135,154,522
Federal revenues included in the basic financial statements that are not required to be included in the Schedule:	
Medicaid funds under contract for services	6,711,306
R.O.T.C. funds under contract for services	703,250
Early Retiree Reinsurance Subsidy	<u>2,453,655</u>
Total	<u>\$145,022,733</u>
Total federal revenues reported in the basic financial statements:	
Special Revenue Fund	\$ 86,749,310
Food Service Fund	23,366,468
General Fund	<u>34,906,955</u>
Total	<u>\$145,022,733</u>

BOARD OF EDUCATION OF BALTIMORE COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011

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	_____ <u>X</u> _____	No
Significant deficiency(ies) identified that is not considered to be a material weakness.	_____	Yes	_____ <u>X</u> _____	None reported
Noncompliance material to financial statements noted?	_____	Yes	_____ <u>X</u> _____	No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____	Yes	_____ <u>X</u> _____	No
Significant deficiency(ies) identified that is not considered to be a material weakness.	_____	Yes	_____ <u>X</u> _____	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?	_____	Yes	_____ <u>X</u> _____	No
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Identification of Major Programs

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
Education Jobs Fund	84.410
Special Education Cluster	84.027, 173,391,392
Title I	84.010, 389
Race to the Top	84.395
State Stabilization Fund	84.394
Infants and Toddlers Program	84.181, 393
School Bus Retrofit	66.040
Dollar threshold used to distinguish between type A and type B programs	<u>\$ 3,000,000</u>
Auditee qualified as low-risk auditee?	_____ <u>X</u> _____ Yes _____ No

BOARD OF EDUCATION OF BALTIMORE COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011

II. Financial Statement

None

III. Federal Award Findings and Questioned Costs

None

BOARD OF EDUCATION OF BALTIMORE COUNTY, MARYLAND
SCHEDULE OF PRIOR YEAR FINDINGS
June 30, 2011

Finding No. 2010-3 Program Manager's Approval of Program Costs

Condition

A reimbursement for mileage was approved for payment by the fiscal assistant instead of the designated program manager.

Current Year Status

Resolved.

Finding No. 2010-4 Retention of Monthly Activity Report (MAR) for Early Intervention Services (EIS)

Condition

The Board did not consistently retain copies or document receipt of the originally submitted MAR reports when the MAR was returned to the employee for correction or clarification. The revised forms were retained but did not document the initial date that the MAR was submitted.

Current Year Status

Resolved.

Finding No. 2010-5 Segregation of Duties

Condition

The same employee prepares, authorizes and submits the Financial Status Report (FSR) to the County Health Department for reimbursement.

Current Year Status

Resolved.

Finding No. 2010-6 Highly Qualified: Verification of Paraprofessional's Education

Condition

The Board did not obtain verification that 5 of 9 paraprofessionals obtained a high school diploma or General Education Development (GED) in order to comply with the highly qualified paraprofessional requirement

Current Year Status

Substantially Corrected. As of June 30, 2011 Baltimore County Public Schools was 90 % (123 out of 137 files) complete in its effort to update all the personnel files that lacked highly qualified documentation. CG tested highly qualified status of required employees with a heightened risk for fiscal year 2011 testing and found no exceptions.