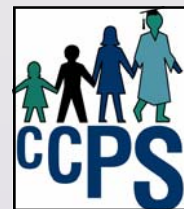


# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018



## Cecil County Public Schools

A Component Unit of Cecil County

George Washington Carver Education Leadership Center

201 Booth Street

Elkton, Maryland 21921

[www.ccps.org](http://www.ccps.org)

*"Continuous Improvement: Everyone.  
Every Way. Every Day."*

**NONDISCRIMINATION POLICY:** The Cecil County Public Schools does not discriminate in admissions, access, treatment or employment in its programs and activities on the basis of race, color, gender and gender identity, age, national origin, religion, sexual orientation, or disabling condition.

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

## **Cecil County Public Schools**

A Component Unit of Cecil County  
George Washington Carver Education Leadership Center  
201 Booth Street, Elkton, Maryland 21921

FISCAL YEAR ENDED JUNE 30, 2018

### BOARD OF EDUCATION

Dawn K. Branch, President  
James K. Fazzino, Vice President  
William H. Malesh, Member  
William C. Manlove, Member  
Wendy A. Wintersgill, Member  
Kayla M. Russell, Student Member

Jeffrey A. Lawson, Ed.D., Superintendent of Schools and Secretary/Treasurer  
Carolyn Teigland, Ed.D., Associate Superintendent for Education Services  
R. Joseph Buckley, Ed.D. Associate Superintendent for Administrative Services  
Thomas Kappra, Chief Financial Officer

Prepared by the Department of Business Services

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**CECIL COUNTY PUBLIC SCHOOLS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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# INTRODUCTORY SECTION

# CECIL COUNTY PUBLIC SCHOOLS

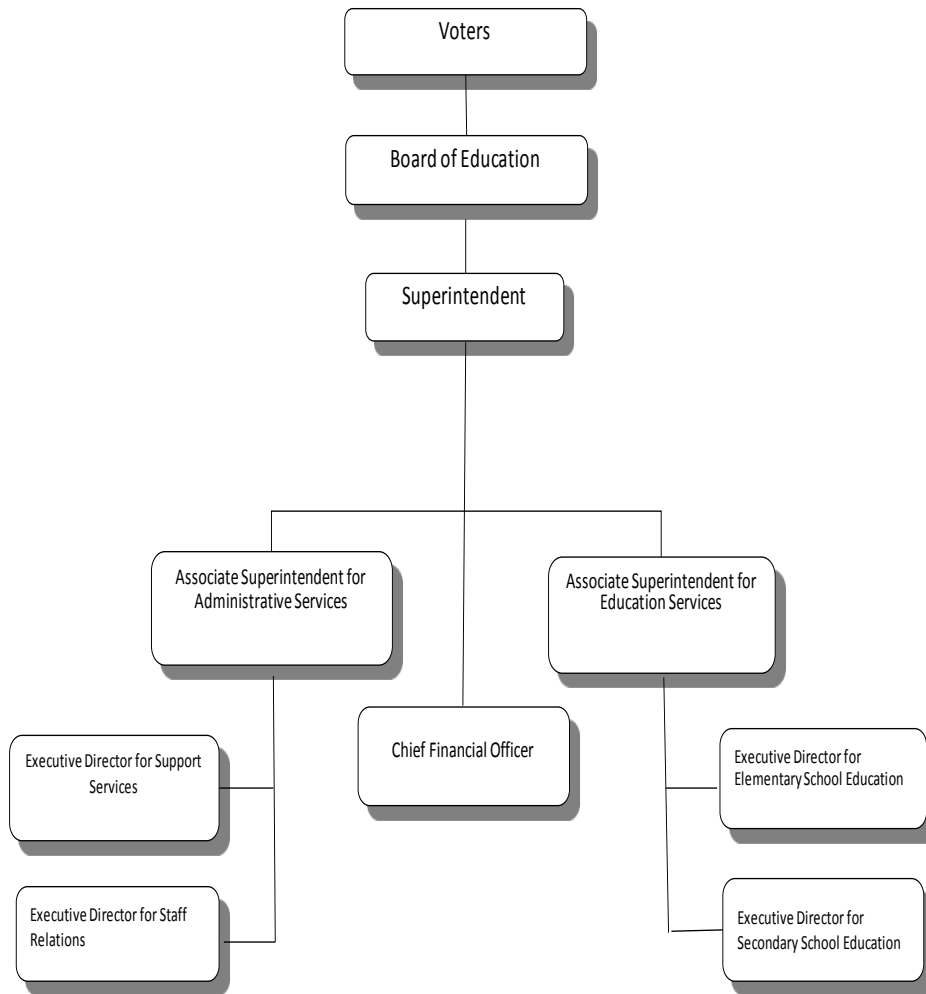


★ People First





**Cecil County Public Schools  
Organization Chart  
As of July 1, 2018**



*Our mission is to provide an excellent prekindergarten through graduation experience that enables ALL students to demonstrate the skills, knowledge, and attitudes required for lifelong learning and productive citizenship in an ever-changing global society.*

**Leadership Team  
As of July 1, 2018**

Jeffrey A. Lawson, Ed.D.	Superintendent of Schools and Secretary/Treasurer/Executive Officer of the Board of Education
Carolyn J. Teigland, Ed.D.	Associate Superintendent for Education Services
Robert J. Buckley, Ed.D.	Associate Superintendent for Administrative Services
Thomas M. Kappa	Chief Financial Officer
Anne M. Gellrich	Executive Director for Secondary School Education
Georgia B. Clark	Executive Director for Elementary School Education
Sean A. Cannon	Executive Director for Staff Relations
Perry A. Willis	Executive Director for Support Services

# CECIL COUNTY PUBLIC SCHOOLS

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Jeffrey A. Lawson, Ed.D., *Superintendent*

201 Booth Street, Elkton, MD 21921

September 28, 2018

To the Board of Education of Cecil County and  
Citizens of Cecil County,

The Comprehensive Annual Financial Report of the Cecil County Public Schools (School System) for the fiscal year ended June 30, 2018 is prepared pursuant to the requirements of Section 5-109 of the Public School Laws of Maryland.

The School System is one governed by a Board of Education (Board) consisting of five elected members pursuant to state law and to which Cecil County provides partial fiscal support. Because of this fiscal relationship and the County's control over the budget process, the School System is a component unit of the County for financial reporting purposes, a requirement of the Governmental Accounting Standards Board (GASB).

Responsibilities for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the School System. We believe the data is accurate in all material respects and presented in a manner that fairly reflects the financial position and the results of operations of the School System. All disclosures necessary to enable the readers to gain maximum understanding of the School System's financial affairs are provided.

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

The report is available to all interested parties. Copies are forwarded to Board members, Leadership Team members, appropriate officials of the State of Maryland and Cecil County, all of the schools, and public libraries. Copies are also distributed to other school districts, individuals and organizations upon request. It is also available to the public on our web site [www.ccps.org](http://www.ccps.org).

## **THE REPORTING ENTITY AND ITS SERVICES**

The report includes the financial activities of the Cecil County School System, a component unit of the Cecil County Government, as they relate to the services provided for a comprehensive preschool, elementary and secondary public school education. The School System serves 15,364 students in 30 schools throughout our county including 17 elementary, 6 middle, 5 high schools, a career and technology center and an alternative school. Our fleet of buses travel 2.3 million

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# CECIL COUNTY PUBLIC SCHOOLS

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Jeffrey A. Lawson, Ed.D., *Superintendent*

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miles annually transporting students safely to and from school. Cecil County Public Schools is the 14<sup>th</sup> largest of the 24 school systems in Maryland. Cecil County has no charter schools.

Approximately 2.3 million square feet of building space and 709 acres of land is proudly maintained to ensure a safe and secure learning environment. Since 1998, the Maryland Public School Construction Program (IAC inspection) has rated our schools "superior" a total of 36 times; thirteen schools have received this rating twice. Only two schools have received a rating of "adequate". The oldest building in use by the system is a school facility built in 1923. The newest building in use is the fully renovated Perryville Elementary School. Construction of the new Gilpin Manor Elementary School started in 2016 next to the old school. The new building is scheduled to open to students and teachers for the 2018/2019 school year. The old school building will be demolished. Twenty-three of the 32 buildings have undergone renovation at some point. The school buildings are multi-use facilities, serving many community groups and organizations for meetings and recreational use when school is not in session.

Of the total \$19.2 million in deferred maintenance expense, \$1,263,817 will be eliminated with the implementation of our five-year capital improvement plan. This includes the replacement of Chesapeake City Elementary School.

The annual operating budget of the School System is approved by the County Council of Cecil County in June each year for the following fiscal year. The School System's approved budget for fiscal year 2019 totals \$201,344,492, funded 41.3% by the County, 53.6% by the State and 5.1% by Federal and other sources.

Capital projects are funded by Cecil County Government and the State of Maryland. The Board of Education has no authority to issue general obligation debt. Funds are budgeted and appropriated on both project and annual basis. Capital project funds do not lapse at the end of each year and may be expended through the duration of a project. Budget transfers between projects require the approval of the Board and the Cecil County Council.

## **Long-term Financial Planning**

In 2002, the state legislature enacted the *Bridge to Excellence in Public Schools Act (BTE)*. This law initiated major changes in state financing of local schools to achieve adequate and equitable funding to Maryland's twenty-four districts. The state legislature is expected to again review the current funding formulas in light of recent Federal and State mandates, the requirements of the Every Student Succeeds Act (ESSA) signed into law on December 10, 2015, and teachers' pension funding. Current state funding formulas are based on a foundation per student amount. Preschool and prekindergarten students are not included in the State or County MOE funding formulas.

# CECIL COUNTY PUBLIC SCHOOLS

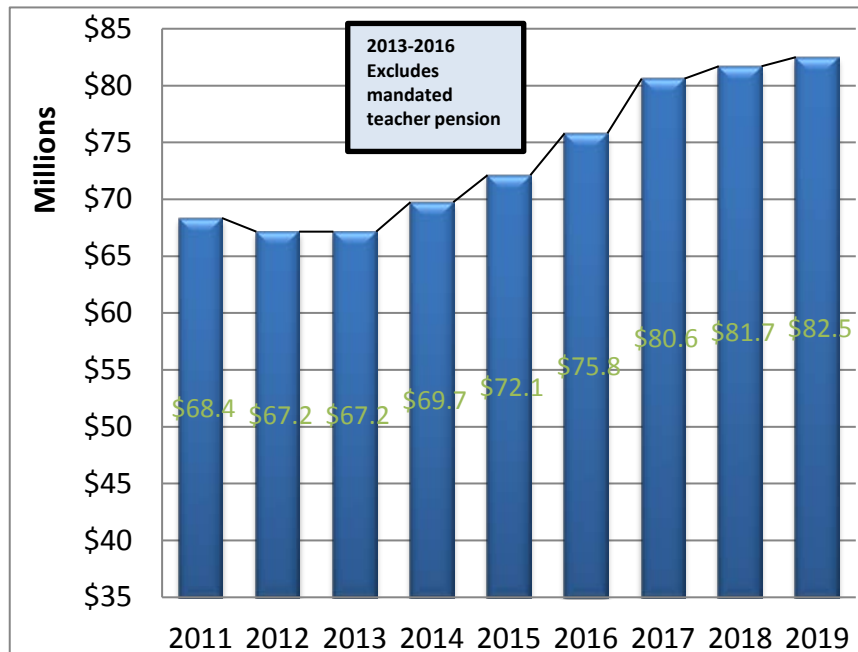
Jeffrey A. Lawson, Ed.D., *Superintendent*

201 Booth Street, Elkton, MD 21921

Federal funding is largely dependent on changes in student demographics among those receiving federally funded Free and Reduced Meals (FaRMs) and students with Individual Education Plans (IEP). Federal funding is not expected to increase with several programs having the potential to be eliminated or reduced.

In order to receive an increase in State Foundation Aid, the County must appropriate an amount equal to, or greater than, the prior year per student appropriation. This Maintenance of Effort (MOE) calculation ensures equal funding relative to enrollment as that of prior years on a per student basis. Fiscal 2010 through fiscal 2012 were funded at the minimum MOE level. Because enrollment declined over that period, County funding was reduced by \$2,759,148.

For fiscal 2019, the School System will receive a 0.9% increase in County funding for a total regular appropriation of \$82,463,528. This is greater than minimum MOE level of funding based on current enrollment. This amount is \$3,477,704 less than the Board's request. Total projected revenue for fiscal year 2019 is \$199,856,324. Projected expenses of \$201,344,492 will require the use of fund balance in the amount of \$1,488,168.



## ECONOMIC CONDITION AND OUTLOOK

According to the U.S. Census Population Estimates, the population of Cecil County as of July 1, 2017 was 102,746. As of July 2014, the Maryland Department of Planning projects that this number is expected to increase by nearly 40% to 139,660 residents by 2040. Cecil County's population growth rate is expected to be the fourth highest amongst Maryland counties over the

# CECIL COUNTY PUBLIC SCHOOLS

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Jeffrey A. Lawson, Ed.D., *Superintendent*

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next 30 years.

The labor force in Cecil County continues to remain around 54,000. The most recent monthly labor force number in July 2018 was 54,330. The number of in-county jobs has remained fairly steady, between 30,000 and 31,000. As of July 2018, the unemployment rate was 5.8%. The median household income for Cecil County, as calculated by the United States Census Bureau's American Community Survey, was \$67,938 in 2016, the most recent year measured. The same source reported that 88.1% of Cecil County citizens over the age of 25 are high school graduates.

The Maryland Department of Labor, Licensing and Regulation reported a total of 1,951 active businesses in Cecil County in the first quarter of 2017. With direct access to the major thoroughfares of I-95 and U.S. Route 40, 24.02% of the employers in Cecil County are in the trade, transportation, and utility industry. Local government, trade and transportation, education and health services, and leisure and hospitality sectors provide employment opportunities for over 60% of those employed in the county.

The manufacturing sector in Cecil County continues to be strong, employing an average of 4,496 or 18.14% of the total in-county jobs. The county's manufacturing sector employment concentration is over three times that of the State of Maryland. These employees earn an average weekly wage of \$1,810. Major manufacturers in the county include W.L. Gore, Northrop Grumman, Terumo Medical Corporation, and Terumo Cardiovascular Systems.

The top employer in Cecil County is W.L. Gore, which specializes in medical products and research and development, currently employing over 2,400 people. Cecil County is also home to several large logistics and transportation organizations such as Amazon, IKEA, Restoration Hardware, Burris Logistics, and Performance Food Group. The county's prime location along the I-95 corridor makes it a great place for businesses to locate and grow.

Cecil County continues to see high commercial and industrial prospect activity within and around its growth corridor. Current projects will create roughly 1,000 jobs within the next 2 +/- years. Several of these projects received Fast Track designation. The Fast Track process is an important economic development tool used to encourage large scale commercial and industrial capital improvements. The process, which requires businesses to meet certain job creation and investment requirements, accelerates the review and approval of development projects that will have a major impact on Cecil County.

The Enterprise Zone, which provides tax incentives to both property and business owners who meet certain criteria, continues to be attractive to businesses looking to expand in or relocate to Cecil County. Other helpful tools include the Opportunity Zone Program, the Cecil County Workforce Training Partnership Program, and the Cecil Catalyst loan program.

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# CECIL COUNTY PUBLIC SCHOOLS

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An important segment of Cecil County's economy involves the tourism industry. A Tourism Impact Study that measures the impact on Cecil County revealed that visitors spent \$172 million during 2017. This resulted in approximately \$24.8 million in local and state taxes. In addition, the tourism industry employed 2,355 people.

Cecil County comprises 222,824 acres and approximately 34.6% is farmland. The working landscapes are devoted mainly to cash grain crops (corn, soybeans, wheat, hay, and barley). Other rural land uses include tree fruits (apples, peaches, and pears), table grapes and berries, plant nurseries, and vegetables.

Warwick Mushroom Farms, in Warwick, Maryland, is the largest single-site, high tech energy efficient mushroom growing operation in the Western hemisphere with over a half-million square feet of growing surface. Warwick Mushroom is currently undergoing its third expansion, which will include a residential component for its workers.

Equine is big business in Cecil County, home to equine operations of all sizes, including the Fair Hill Training Center, Select Breeders Services International headquarters, Hassler Dressage's world class facility at Riveredge, Winbak Farm in Chesapeake City, headquarters of their largest Standardbred operation in North America, Northview Stallion Station – a renowned Thoroughbred operation, as well as the backyard pasture with individual pleasure riding horses. Diversification of traditional farming includes vineyards and wineries, on-farm breweries and distilleries, pub breweries, and agri-tourism.

## **MAJOR SCHOOL SYSTEM INITIATIVES**

### **Our Mission**

Our mission is to provide an excellent prekindergarten through graduation learning experience that enables ALL students to demonstrate the skills, knowledge, and attitudes required for lifelong learning and productive citizenship in an ever-changing, global society.

The School System submits an annual update every October to its *Strategic Plan* in accordance with the Maryland *Bridge to Excellence Act* subject to the approval of the Maryland State Board of Education. It serves as the framework for the School System's continuous improvement efforts to achieve our Mission.

The School System has set three main goals within the *Strategic Plan* for student success:

1. All students will meet or exceed high academic standards
2. All students will learn in safe, secure and inviting environments

# CECIL COUNTY PUBLIC SCHOOLS

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Jeffrey A. Lawson, Ed.D., *Superintendent*

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3. All students will benefit from effective and efficient support and services provided by a learning organization

What do we want for our children? We want all students to achieve at high academic levels as demonstrated by student achievement at the proficient or advance levels on state assessments. We offer rigorous programs, with technology incorporated as a tool to enhance learning, to prepare students for college and/or the world of work. We want all students to learn in safe, secure and inviting environments ready to respond to emergencies, abstaining from violent, disruptive or harmful behaviors with the support of parents, guardians and the community. We want all students to benefit from effective and efficient support services and to be taught by highly qualified professionals in well-maintained and instructionally conducive facilities.

A comprehensive, rigorous instructional program is provided for all students. Individual student needs are addressed through differentiation of instruction. Disabled students are educated in the least restrictive environment in their home school with their age appropriate peers to the degree possible. Supplemental aids and services are provided as needed to support student achievement. Students who are gifted and talented receive services through the challenge program. Cecil County students continue to demonstrate effective performance on state and national assessments. Cecil County Public Schools continues to grow both the number of students who take Advanced Placement Tests as well as the number of students who earn a passing score. In fact, AP results from the 2016-17 school year show an all-time high in the number of AP tests taken and the number of AP tests passed. Approximately 68.6% of Cecil County students report their intent to continue their education through a two or four-year college or specialized training school beyond graduation.

## **Recent Accomplishments**

The School System is a diverse learning community where stakeholders are respected, valued and contribute to an excellent educational program in a rapidly changing global society. The following are the major programmatic initiatives accomplished before or within fiscal year 2018:

Our efforts to improve the academic achievement and opportunities of our students included:

- Implementation with Cecil College of the Early College Academy
- Expansion of the Work Based Learning Program to the School of Technology
- Twilight School as an alternative to suspension in all secondary schools
- Half day prekindergarten for qualified students in all 17 elementary schools
- Differentiated instruction designed to meet the needs of all students
- Curricular programs aligned with state and national standards



# CECIL COUNTY PUBLIC SCHOOLS

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Jeffrey A. Lawson, Ed.D., *Superintendent*

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- Serving the needs of students with disabilities in an inclusive, least restrictive environment
- Revised Grading and Reporting Policy and Procedures
- Focus on implementing formative assessment strategies in all content areas
- Freshman Academy in each high school
- Alignment and revision of English Language Arts and Mathematics curriculum and resources grades K-12
- Coaching support for elementary reading program
- Focus on literacy in all content areas

Our efforts to improve the learning environment of our schools included:

- Ongoing implementation of Positive Behavior Interventions and Supports (PBIS) programs to all schools
- Active partnerships with business and community leaders
- Ongoing implementation of a revised Student Code of Conduct
- Regular safety reviews at each school to assess readiness to respond to incidents
- Training for all schools in A.L.I.C.E. (Alert, Lockdown, Inform, Counter, Evacuate) active shooter protocols
- Academic supports for students with behavioral challenges are available in all schools
- Cultural proficiency training for administrators and all staff
- Additional behavioral support classrooms at two middle schools and one elementary school

Our efforts to improve support and services for our students and staff included:

- A schedule of training opportunities for administrative professionals
- A wellness policy by our Food and Nutrition Department to provide nutritious meals
- Ongoing implementation of a comprehensive wellness program for staff
- Increased access and integration to technology through the deployment of Chromebook carts in all schools
- Completed 4 year implementation of Chromebook technology across all levels of schooling
- Over 14,000 Chromebook devices are available to students for daily instruction as well as supporting online testing requirements

# CECIL COUNTY PUBLIC SCHOOLS

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Jeffrey A. Lawson, Ed.D., *Superintendent*

201 Booth Street, Elkton, MD 21921

## **The Future**

Funding for the following major programmatic initiatives are included in the fiscal year 2019 budget:

Our efforts to improve the academic achievement and opportunities of our students include:

- Substitute release time for teachers to participate in professional development
- Additional special educators to provide specialized instruction
- Stipends for teachers to participate in professional development in the summer and beyond the duty day
- Step increases and COLA for employees per collective bargaining arrangements
- Resources to support the implementation of new curricula
- Implement distance learning in areas of need
- Implementation of AVID (Advancement Via Individual Determination) at three schools (Cherry Hill Middle, Elkton Middle, and Elkton High Schools)
- Implementation of Diesel Technician and Manufacturing programs at Cecil County School of Technology
- Development of an Arts Humanities Academy at each high school
- An additional middle school behavior support classroom

Our efforts to improve support and services for our students and staff include:

- Additional various maintenance projects and small capital construction projects to reduce deferred maintenance

## **FINANCIAL INFORMATION**

### **Relevant Financial Policies**

The Board of Education of Cecil County establishes and maintains fiscal oversight and control of funds appropriated to the School System. The Board must adopt an annual balanced budget (total expenditures equal to total revenues) and establish policies to implement a system of adequate internal controls and special grants management to assure fiscal accountability.

The School System has no authority to levy and collect taxes. All funding is provided by the Federal, State, and County governments.

In order to receive an increase in State Foundation Aid, the County must appropriate an amount equal to, or greater than, the prior year per student appropriation. This Maintenance of Effort (MOE) calculation ensures equal funding relative to enrollment as that of prior years on a per

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# CECIL COUNTY PUBLIC SCHOOLS

Jeffrey A. Lawson, Ed.D., *Superintendent*

201 Booth Street, Elkton, MD 21921

student basis.

All appropriated unrestricted funds not spent at the end of the fiscal year accrue to the operating fund balance. By Board policy, the target is to maintain a total fund balance of not less than 5% of annual operating expenditures for the fiscal year. Any excess funds may be appropriated for one time expenditures or used to manage revenue shortfalls in subsequent years' budgets. All funds must remain in the fund originally appropriated.

## **Budgetary Requirements**

The School System maintains a chart of accounts that fulfills the reporting requirements of the Maryland State Department of Education and specific needs of the organization itself. The chart of accounts is composed of the following elements: fund, category, program and object to fulfill state requirements and location, project, department and discipline to fulfill organizational needs. Revenues are classified as local, state, federal or other. Expenses are classified by category and further classified by object.

These categories include:

Administration	Student health services
Instruction leadership and support	Student transportation
Instruction salaries	Operation of plant
Instruction materials and supplies	Maintenance of plant
Instruction other costs	Fixed charges
Special education	Community services
Student personnel services	Capital outlay

Revenues are categorized by funding source as mandated by Maryland statute. These categories are:

Local appropriation	State revenue
Federal revenue	Other revenue

A complete chart of accounts is available on the School System's website at [www.ccps.org](http://www.ccps.org).

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

# CECIL COUNTY PUBLIC SCHOOLS

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Jeffrey A. Lawson, Ed.D., *Superintendent*

201 Booth Street, Elkton, MD 21921

The management and staff of the School System are responsible for preparing the budget, monitoring budgetary expenditures, reporting, and making recommendations for transfers between objects of expenditure and major categories.

## **Internal Controls**

To assure the integrity of the financial records supporting the financial statements, consideration is given to the adequacy of internal accounting controls sufficient to provide reasonable assurance that assets are properly safeguarded and accounted for and are utilized only in accordance with management authorization. The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits requires estimates and judgments by management.

## **INDEPENDENT AUDIT**

State statutes require an annual audit by independent certified public accountants. The Board of Education selected the accounting firm of CohnReznick LLP to perform this audit under a contract awarded in fiscal year 2014, renewable for four succeeding years.

In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (the Uniform Guidance). The Independent Auditor's Report on the financial statements is included in the Financial Section of this report. The 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 and the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance are included as Other Supplementary Information following the Statistical Section of the report.

We are pleased to report that the auditor's report on the School System's basic financial statements is without qualification, the highest possible outcome of the audit process.

## **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Cecil County Public Schools for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. This is the fifteenth consecutive year that the School System achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable

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# CECIL COUNTY PUBLIC SCHOOLS

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Jeffrey A. Lawson, Ed.D., *Superintendent*

201 Booth Street, Elkton, MD 21921

and efficiently organized CAFR. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The Association of School Business Officials (ASBO) International has awarded a Certificate of Excellence in Financial Reporting to Cecil County Public Schools for its CAFR for the fiscal year ended June 30, 2017. The Certificate of Excellence in Financial Reporting is the highest recognition in school system financial reporting issued by ASBO International and is only conferred to school systems that have met or exceeded the standards of the program. This is the fifteenth consecutive year the School System was awarded the ASBO Certificate of Excellence in Financial Reporting. We believe our current CAFR continues to conform to the Certificate of Excellence Program requirements and we are submitting it to ASBO International for consideration.

We would like to acknowledge the effective, valuable work of our School System employees, the commitment of parents and families to their children's education, and the support for public education by the citizens of this community and our state and local officials. All have contributed significantly to the success of our students and this School System.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff in the Department of Business Services. The high standards to which this report conforms reflects the professional competence of all individuals responsible for its preparation. We wish to express our appreciation for a job well done.

Sincerely,



Jeffrey A. Lawson, Ed.D.  
Superintendent of Schools  
Secretary/Treasurer



Thomas M. Kappra  
Chief Financial Officer



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Cecil County Public Schools  
Maryland**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO



The Certificate of Excellence in Financial Reporting  
is presented to

## Cecil County Public Schools

for its Comprehensive Annual Financial Report (CAFR)  
for the Fiscal Year Ended June 30, 2017.

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



A handwritten signature in black ink that reads 'Charles E. Peterson, Jr.' with a horizontal line underneath.

Charles E. Peterson, Jr., SFO, RSBA, MBA  
President

A handwritten signature in black ink that reads 'John D. Musso' with a horizontal line underneath.

John D. Musso, CAE  
Executive Director

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# FINANCIAL SECTION



## Independent Auditor's Report

To the Board of Education  
Cecil County, Maryland

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the Statement of Revenue, Expenditures, Encumbrances, and Changes in Fund Balance - Budget (non-GAAP Budgetary Basis) and Actual - General Fund of Cecil County Public Schools (the "School System"), a component unit of Cecil County, Maryland, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School System's basic financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## *Opinions*

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, each major fund, the aggregate remaining fund information and the Statement of Revenue, Expenditures, Encumbrances, and Changes in Fund Balance - Budget (non-GAAP Budgetary Basis) and Actual - General Fund of the School System as of June 30, 2018, and the respective changes in its net position for the year and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Change in Accounting Principle*

As discussed in Note 14 to the financial statements, in 2018 the School System adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to that matter.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 30 through 45, the Schedules of OPEB Related Supplementary Information on pages 95 through 96, and Schedules of Required Pension Related Supplementary Information on pages 96 through 97 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Cecil County Public Schools' basic financial statements. The Introductory and Statistical Sections and the Individual Fund Financial Statement are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Individual Fund Financial Statement and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedure, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018 on our consideration of the School System'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 solely 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 effectiveness of the School System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School System's internal control over financial reporting and compliance.



Baltimore, Maryland  
September 28, 2018

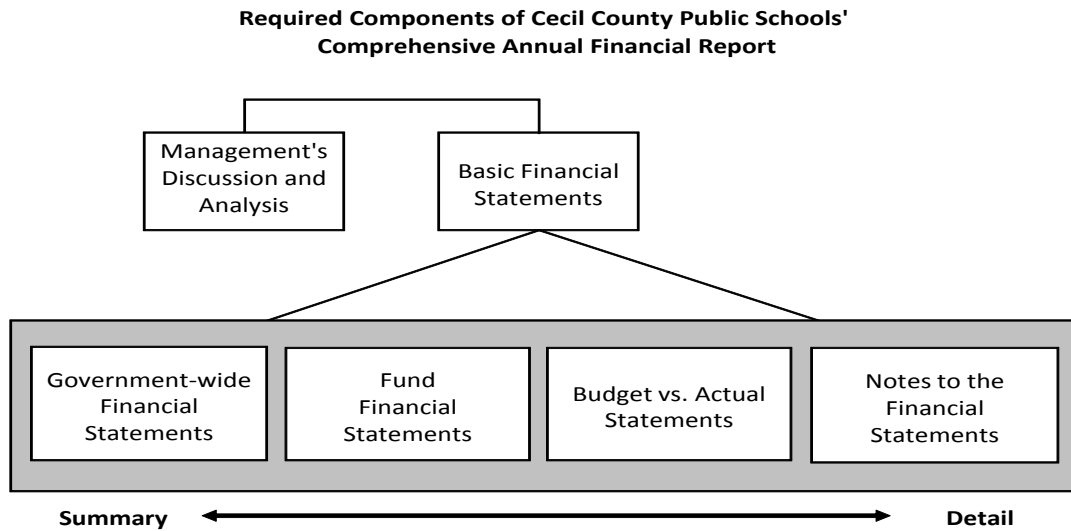
This section of Cecil County Public Schools' Comprehensive Annual Financial Report (CAFR) represents our discussion and analysis of the School System's financial performance during the fiscal year ending June 30, 2018. The Management's Discussion and Analysis, Financial Statements, and related footnotes are the responsibility of management. Please read this section in conjunction with the transmittal letter, the School System's financial statements and the notes to the basic financial statements that follow.

### **FINANCIAL HIGHLIGHTS**

- The School System's net position at the end of the fiscal year totaled \$134,634,104 of which \$179,047,057 is a net investment in capital assets.
- Net position increased \$2,154,739 for the year, most of which is attributable to an increase in cash and cash equivalents of \$3,129,196, a decrease in revenue due from the State of Maryland in the amount of \$1,167,499, and an increase in capital assets of \$878,511.
- General revenues of \$150,360,537 account for 64.2% of all revenues; program revenues of \$83,694,250 account for 35.8%.
- The Food and Nutrition department received \$1,921,257 from charges for services, accounting for 27.3% of Food and Nutrition total revenue.
- The operating budget was amended during the year for a net increase of \$6,871,914. This included additional revenue from Federal grants of \$1,980,126, a decrease in revenue from State grants of \$200,522, and additional other revenue of \$855,861. A total of \$4,236,449 was moved from the fund balance to cover security cameras, secured entrances, homeless transportation, teacher tuition, OPEB liability and deferred maintenance projects.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the School System's basic financial statements and provides a framework and context for understanding the information they contain. The School System's financial statements consist of four components: government-wide financial statements, fund financial statements, budget vs. actual statements, and notes to the financial statements.



The following chart summarizes the major features of the School System's financial statements, including the portion of the School System's activities they cover and the types of information contained therein. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

<b>Major Features of the Government-wide and Fund Financial Statements</b>			
	<b>Government-wide Statements</b>	<b>Fund Financial Statements</b>	
		<b>Government Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	Entire system (except fiduciary funds)	The activities of the School System that are not proprietary or fiduciary	Instances in which the School System administers resources on behalf of someone else, such as scholarship programs, grants, and student activity fund and funds held in trust for a specific purpose, such as retiree healthcare
<b>Required financial statements</b>	-Statement of Net Position -Statement of Activities	-Balance Sheet -Statement of Revenues, Expenditures, and Changes in Fund Balance	-Statement of Fiduciary Net Position -Statement of Changes in Fiduciary Net Position
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resource focus	Modified accrual basis and current financial resources focus	Accrual accounting and economic resources focus

<b>Type of asset/liability information</b>	All assets and liabilities, both fiscal and capital, short term and long term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long term liabilities included	All assets and liabilities, both short term and long term; the School System’s fiduciary funds do not currently contain capital assets, although they can
<b>Type of inflow/outflow information</b>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods and services have been received and the related liabilities are due and payable	All additions and deletions during the year, regardless of when cash is received or paid
<b>Deferred outflows/inflows of resources</b>	Changes in the net pension liability or net OPEB liability not included in expense are required to be reported as deferred outflows or deferred inflows of resources related to pensions.	Changes in the net pension liability or net OPEB liability not included in expense are required to be reported as deferred outflows or deferred inflows of resources related to pensions.	N/A

**BASIC FINANCIAL STATEMENTS**

The Basic Financial Statements section includes three kinds of financial statements that present different views of the School System’s activities and financial position. These include the Government-wide Financial Statements: *Statement of Net Position* and *Statement of Activities*, the Fund Financial Statements: *Balance Sheet - Governmental Funds*, *Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds*, *Budget vs. Actual Financial Statement: Statement of Revenue, Expenditures, Encumbrances, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual*, *Statement of Fiduciary Net Position*, and the *Statement of Changes in Fiduciary Net Position*. The Notes to the Basic Financial Statements are an integral part of these financial statements. They explain some of the information in the financial statements and provide more detail.



### **Recent Accounting Pronouncements**

During the fiscal year ended June 30, 2018, the School System adopted GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75), which is effective for fiscal years beginning after June 15, 2017. GASB 75 specifies that employers recognize their net OPEB liability, and the related deferred outflows of resources, deferred inflows of resources and OPEB expense on their books, and also stipulates the incremental note disclosures and Required Supplementary Information in the financial reports of employers with defined benefit OPEB plans.

### **Government-wide Statements**

The School System's government-wide financial statements provide both short-term and long-term information about the School System's overall financial status. Accounting methods similar to those used by private-sector companies are used to prepare these statements. They report information about the School System as a whole using the full accrual basis of accounting. They take into account all revenue and expenses associated with the fiscal year even if the cash was not received or the expenses paid. The government-wide financial statements include:

The *Statement of Net Position* presents all of the School System's assets and deferred outflows, and liabilities and deferred inflows with the difference between the two reported as net position. The statement consolidates all of the School System's current financial resources with capital assets net of depreciation and total liabilities.

The *Statement of Activities* presents all of the current year's revenues and expenses regardless of when cash is received or paid. This statement also presents a comparison between direct expenses and program revenues for each program of the School System. The majority of the School System's revenue is general revenue grants and contributions from the County, State, and Federal governments.

The two government-wide statements report the School System's net position and how it has changed. Net position, the difference between the School System's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, are one way to measure the School System's financial health. Over time, the increases or decreases in the School System's net position can be an indicator of whether its financial position is improving or deteriorating.

To assess the School System's overall health, you need to consider additional non-financial factors such as the county's economic condition, trends in enrollment, changes to the property tax base, and the condition of school buildings and other facilities.

In the government-wide financial statements, the School System's activities include administration, regular instruction and special education, student personnel and health services, transportation, plant operations and maintenance, food and nutrition, and community services.

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County appropriations funded by taxes and other fees, as well as state formula aid, finance most of these activities.

The School System's Food and Nutrition program serves lunch at all schools and breakfast at many schools. The food and nutrition operation is 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 this *Management's Discussion and Analysis*.

### **Fund Financial Statements**

The fund financial statements focus on individual parts of the School System, reporting the School System's operations in more detail than the government-wide statements using a modified accrual basis of accounting.

These statements provide more detailed information about the School System's funds focusing on its most significant or "major" funds as opposed to focusing on the School System as a whole. Funds are used by the School System to track specific sources of revenue and expenditures on a particular program.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, there are differences in the information presented for government funds with similar information presented in the government-wide statements. A reconciliation and description of the relationship between governmental activities (*Statement of Net Position* and *Statement of Activities*) and government funds can be found in the Financial Section.

The School System uses three major funds. These funds are described below:

- The **General Fund** is used to focus upon the operation of the School System's educational and support services programs. It accounts for all financial resources for the School System except those resources required to be accounted for in another fund.
  - The **Special Revenue Fund** is used to record the financial transactions of the Food and Nutrition program. Revenue is primarily generated from the State and Federal grants, Federal commodities, and the sale of student meals and a la carte items. The expenses are those related to providing student meals.
  - The **Capital Projects Fund** reports the revenue and expenditures related to school construction projects ranging from site improvements to minor and major building renovation and addition projects. County and State resources primarily fund these expenditures.
-

The Fiduciary Funds financial statements are used to account for resources held for the benefit of parties outside the School System. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the School System's own programs. Additionally, there is no analysis of the School System's Fiduciary Fund in this Management's Discussion and Analysis. Fiduciary funds use the accrual basis of accounting.

The School System's Fiduciary Funds consist of the following:

- The ***Student Activity Agency Fund*** consists primarily of funds raised by students, for their benefit, which are held in trust by the School System. The basic fiduciary fund statements include the *Statement of Fiduciary Net Position* in the Basic Financial Statements section and the *Statement of Changes in Assets and Liabilities-Agency Fund-Student Activities* in the Individual Fund Financial Statement section.
- The ***Retiree Benefit Trust Fund*** consists of contributions of the School System to establish a reserve to pay for health and welfare benefits of future retirees. Contributions to the trust qualify as contributions within the meaning of Governmental Accounting Standards Board Statement Numbers 43 and 45. The basic fiduciary fund statements include the *Statement of Fiduciary Net Position* and the *Statement of Changes in Fiduciary Net Position - Retiree Healthcare Benefit Trust Fund* both in the Basic Financial Statements section.

### **Budget vs. Actual Financial Statements**

A *Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual* is presented for the General Fund which is a legally adopted budget. This statement found in the Financial Section, shows original and final adopted budgets, along with actual revenues and expenditures compared to the final budget. Open encumbrances are treated as expenditures in this statement.

The *Special Revenue Fund* does not require a legally adopted budget, and therefore, a budget vs. actual comparison is not reported here.

The *Capital Projects Fund* is used to account for revenues and expenditures associated with the acquisition or construction of major capital projects. Projects are approved by the State and County governments on a project basis. Funds are appropriated as expenditures are recognized; therefore, a budget vs. actual comparison is not reported here.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

A comparison of Net Position for 2018 vs. 2017 is shown below:

	<b>2018</b>	<b>2017</b> <b>(as restated)</b>	<b>Increase/(Decrease)</b>	
<b>Assets</b>				
Current assets	\$ 44,000,321	\$ 41,574,030	\$ 2,426,291	5.8%
Capital assets, net	181,725,363	180,846,852	878,511	0.5%
Total assets	<u>225,725,684</u>	<u>222,420,882</u>	<u>3,304,802</u>	1.5%
<b>Deferred Outflow of Resources</b>				
Deferred pension	3,160,356	3,830,965	(670,609)	(17.5)%
	<u>3,160,356</u>	<u>3,830,965</u>	<u>(670,609)</u>	(17.5)%
<b>Liabilities</b>				
Other liabilities	26,831,555	26,030,125	801,430	3.1%
Long-term liabilities	65,265,212	66,498,457	(1,233,245)	(1.9)%
Total liabilities	<u>92,096,767</u>	<u>92,528,582</u>	<u>(431,815)</u>	(0.5)%
<b>Deferred Inflow of Resources</b>				
Net OPEB liability	33,565	-	33,565	100.0%
Net pension liability	2,121,604	1,243,900	877,704	70.6%
	<u>2,155,169</u>	<u>1,243,900</u>	<u>911,269</u>	73.3%
<b>Net Position</b>				
Net investment in capital assets	179,047,057	177,415,257	1,631,800	0.9%
Restricted	48,973	48,402	571	(1.2)%
Unrestricted	(44,461,926)	(44,984,294)	522,368	(1.2)%
Net Position, end of year	<u>\$ 134,634,104</u>	<u>\$ 132,479,365</u>	<u>\$ 2,154,739</u>	1.6%

**Change in Net Position**

The School System's combined net position increased by \$2,154,739 or 1.6% on June 30, 2018, to \$134,634,104. Current assets increased by \$2,426,291 or 5.8% mainly due to an increase in cash and cash equivalents of \$3,129,196. Capital assets increased by \$878,511 or 0.5%.

Other liabilities increased by \$801,340 or 3.1% mainly due to the increase in accounts payable and advances from others of \$832,310.

**Statement of Activities**

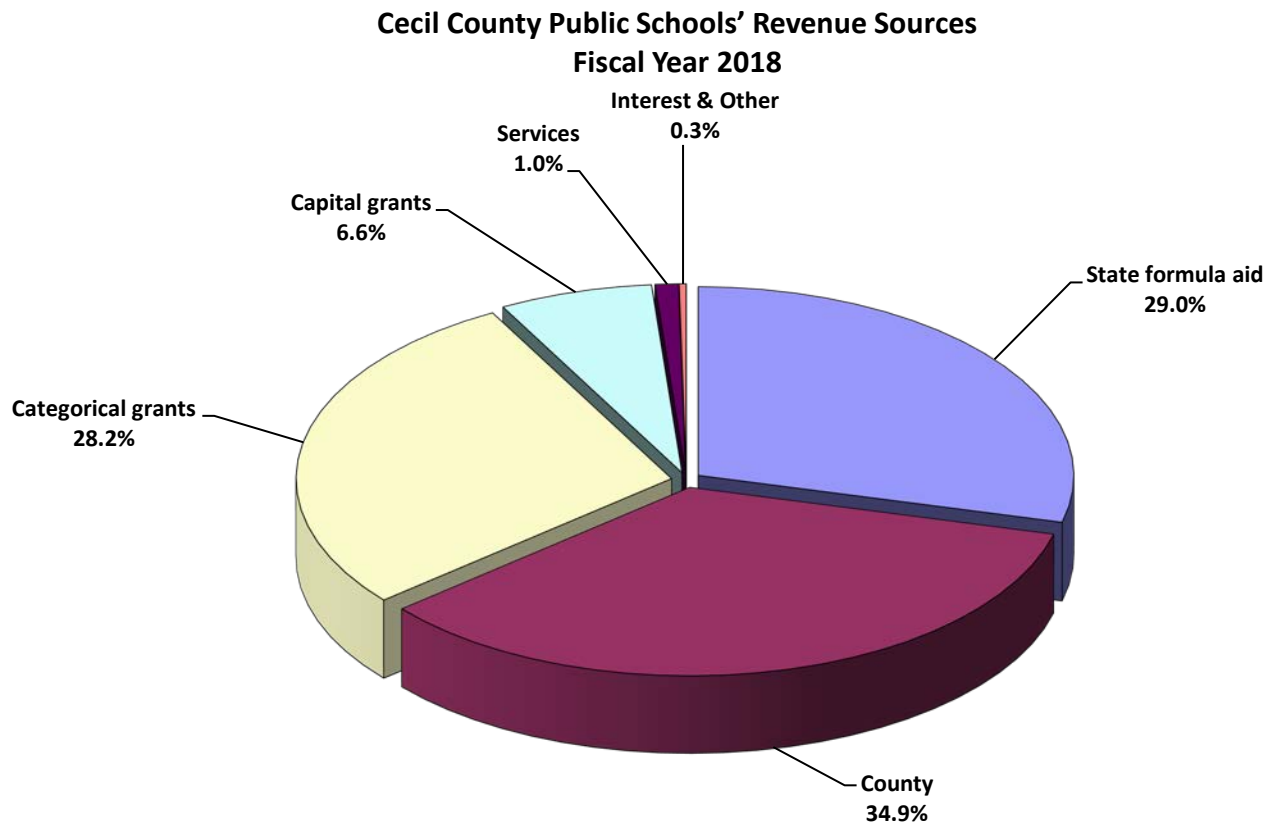
A comparison of revenue by source and expense by function for 2018 vs. 2017 is shown below:

	<u>2018</u>	<u>2017</u>	<u>Increase/(Decrease)</u>	
<b>Revenue</b>				
Program Revenues				
Charges for Services	\$ 2,294,558	\$ 2,194,058	\$ 100,500	4.6%
Operating grants and contributions	65,908,362	66,297,108	(388,746)	(0.6)%
Capital grants and contributions	15,491,330	10,643,736	4,847,594	45.5%
General Revenues				
Grants and contributions not restricted to certain programs	149,709,734	147,530,150	2,179,584	1.5%
Other	650,803	266,165	384,638	144.5%
Total revenue	<u>234,054,787</u>	<u>226,931,217</u>	<u>7,123,570</u>	3.1%
<b>Expenses</b>				
Administration	7,861,554	7,122,734	738,820	10.4%
Mid-level administration	19,604,726	18,815,470	789,256	4.2%
Instruction	126,455,589	125,113,077	1,342,512	1.1%
Special education	36,783,285	36,745,712	37,573	0.1%
Student personnel services	2,011,960	1,790,269	221,691	12.4%
Student health services	2,323,101	2,225,308	97,793	4.4%
Student transportation	11,148,667	10,411,349	737,318	7.1%
Operation of plant	13,377,424	13,117,398	260,026	2.0%
Maintenance of plant	5,830,453	5,391,514	438,939	8.1%
Food and nutrition	6,092,567	5,960,076	132,491	2.2%
Community services	410,722	380,861	29,861	7.8%
Total expenses	<u>231,900,048</u>	<u>227,073,768</u>	<u>4,826,280</u>	2.1%
Change in net position	2,154,739	(142,551)	2,297,290	(1611.6)%
Net position - beginning (as restated)	<u>132,479,365</u>	<u>132,621,916</u>		
Net position - ending	<u>\$ 134,634,104</u>	<u>\$ 132,479,365</u>		

**Revenue (Statement of Activities)**

Cecil County Public Schools' revenues from fiscal year 2018 were in the amount of \$234,054,787. Program revenue came from three major sources. These include charges for services of \$2,294,558, operating program grants from the State and Federal government of \$65,908,362 and capital grants from the State of Maryland and Cecil County Government of \$15,491,330. In addition to program sources, the School System received general revenue from the State of Maryland of \$68,021,206, Cecil County Government of \$81,688,528, investment earnings and other miscellaneous income of \$650,803.

Charges for services increased by \$100,500 or 4.6% due to increased meal sales and program revenue. Operating grants and contributions decreased \$388,746 or 0.6% due to decreased state grant funding, decreased donations, and a decreased teacher pension contribution from the State. Capital grants and contributions increased by \$4,847,594 or 45.5% due to the timing of construction projects.



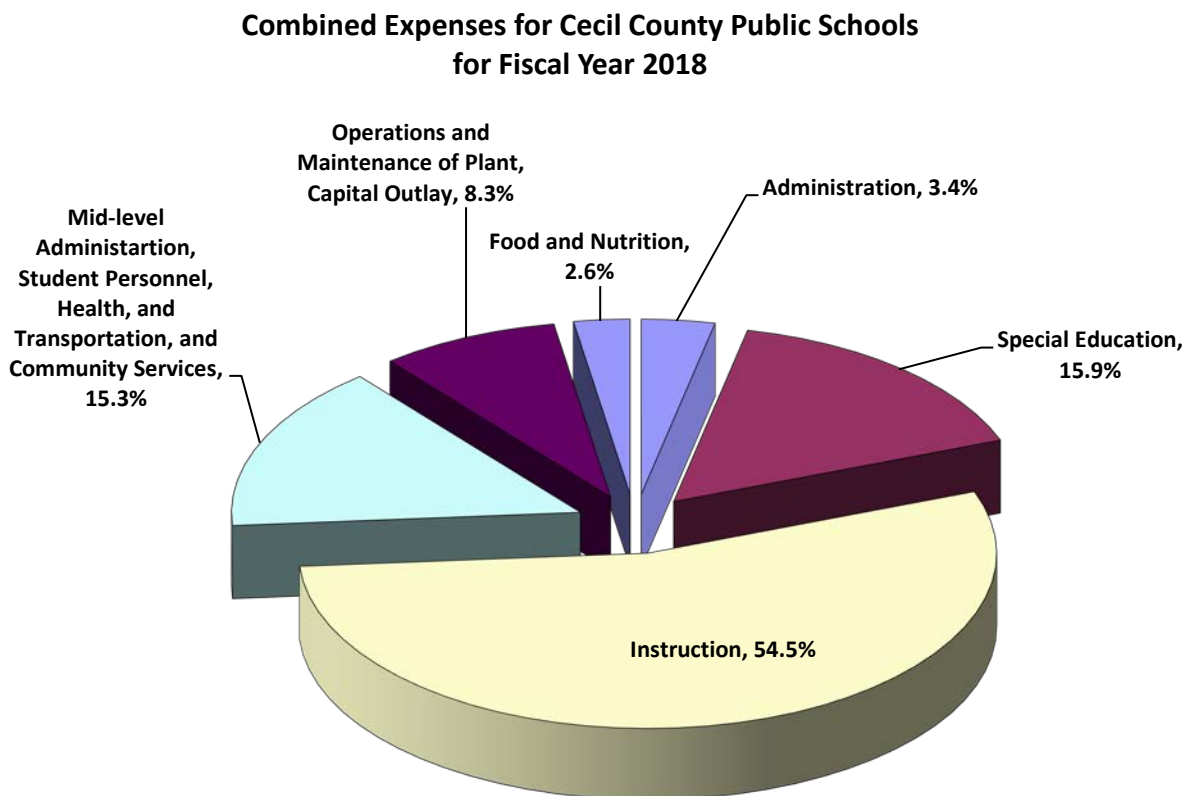
**Expenses (Statement of Activities)**

The revenues received during 2018 were used to pay expenses of \$231,900,048. This is an increase of \$4,826,280 or 2.1% over 2017. These expenses are reported by functional categories of activities established by the Maryland State Department of Education. Fringe benefit costs for employees have been distributed across each functional category to more accurately report the expenses of each function.

Instruction salaries and wages, supplies and materials, instruction technology and equipment resulted in an overall increase of \$1,342,512 or 1.1% in the instruction categories. Special Education increased by \$37,573 or 0.1%. Mid-level Administration and Student Services increased by \$1,875,919 or 5.6%. There was an increase in Administration of \$738,820 or 10.4%. Increases in Maintenance and Operation of Plant of \$698,965 or 3.8% are partially due to completing projects that were previously deferred.

Overall spending increased by \$4,826,280 or 2.1% and revenue increased by \$7,123,570 or 3.1%, resulting in an increase in net position of \$2,154,739.

The expenses classified by the state's categorical functions can be further summarized for 2018 as follows:



**GOVERNMENT FUNDS FINANCIAL HIGHLIGHTS**

The total assets of the School System's government funds exceeded liabilities at the end of the fiscal year by \$18,445,621. Total government fund revenues increased by \$7,123,570, with a \$1,997,344 increase in the General Fund due to an increase in all funding sources except Federal grants which remained flat and a \$4,847,930 increase in the Capital Project Fund due to the timing of projects. The School System received \$89,881,090 or 38.4% of its governmental activities funding from the County, \$127,274,639 or 54.4% from the State, and \$13,720,838 or 5.9% from Federal entitlement grants.

**GOVERNMENT FUNDS FINANCIAL ANALYSIS**

**Major Fund Balances**

The following schedule shows the School System's change in fund balances:

	General	Special Revenue	Capital Projects	Total Governmental Funds
Fund balance, beginning of year	\$ 16,339,378	\$ 520,249	\$ 48,402	\$ 16,908,029
Fund balance, end of year	<u>17,488,897</u>	<u>907,751</u>	<u>48,973</u>	<u>18,445,621</u>
Net change in fund balances	<u>\$ 1,149,519</u>	<u>\$ 387,502</u>	<u>\$ 571</u>	<u>\$ 1,537,592</u>

The General Fund increased \$1,149,519 from the previous year to \$17,488,897. Several years of reductions in discretionary spending, and deferred purchases and repairs, rising healthcare costs and increased utility costs had caused a need to utilize a larger portion of the fund balance than originally planned in previous years. Portions of the fund balance have been recovered since Fiscal Year 2015. The target to maintain a total fund balance of not less than 5% of annual operating expenditures for the fiscal year was achieved in fiscal 2016.

The Special Revenue Fund increased \$387,502 from the previous year to \$907,751. This represents 13.6% of total fund expenditures. This increase is attributed to savings in salaries, contracted services, and food costs.

The Capital Projects Fund increased \$571 from the previous year to \$48,973. All capital expenditures are approved on a project basis. Any fluctuation in the fund balance is due to the timing of expenditures and miscellaneous income not related to expenditures.

**General Fund Budgetary Highlights**

This measure can be useful as a measure of the General Fund's liquidity. However, it is important to note that the School System is fiscally dependent on grants and appropriations from the



County, State and Federal governments. Once the budget is adopted through the budget process prior to the start of the fiscal year, these amounts rarely change.

The School System is authorized to transfer funds between major categories of the budget. The following schedule shows the budget amendments, the actual revenue and expenditures, and the remaining budget in each major category:

	<u>Original Budget</u>	<u>Budget Amendments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget vs. Actual</u>
<b>Revenue</b>					
Intergovernmental					
Cecil County, Maryland	\$ 81,688,528	\$ -	\$ 81,688,528	\$ 81,688,528	\$ -
State of Maryland	107,365,542	(200,522)	107,165,020	107,880,302	715,282
United States government	8,938,077	1,980,126	10,918,203	8,906,904	(2,011,299)
Other sources					
Investment interest	15,000	-	15,000	315,786	300,786
Other	450,000	5,092,310	5,542,310	925,537	(4,616,773)
<b>Total revenue</b>	<u>\$ 198,457,147</u>	<u>\$ 6,871,914</u>	<u>\$ 205,329,061</u>	<u>\$ 199,717,057</u>	<u>\$ (5,612,004)</u>
<b>Expenditures</b>					
Current					
Administration	\$ 5,647,845	\$ 260,999	\$ 5,908,844	\$ 5,631,488	\$ 277,356
Mid-level administration	14,300,314	151,932	14,452,246	14,136,118	316,128
Instruction salaries	74,789,378	(1,209,281)	73,580,097	73,105,335	474,762
Instruction materials and supplies	3,797,440	2,048,383	5,845,823	4,762,290	1,083,533
Instruction other costs	3,753,972	1,168,127	4,922,099	4,537,724	384,375
Special education	27,281,556	504,645	27,786,201	27,334,708	451,493
Student personnel services	1,394,170	277,144	1,671,314	1,499,819	171,495
Student health services	1,694,515	5,138	1,699,653	1,669,881	29,772
Student transportation	9,839,107	1,072,592	10,911,699	10,855,351	56,348
Operation of plant	11,571,491	(84,190)	11,487,301	11,084,642	402,659
Maintenance of plant	4,002,165	1,020,341	5,022,506	4,906,776	115,730
Fixed charges	39,757,048	(418,794)	39,338,254	36,916,283	2,421,971
Community services	279,199	135,809	415,008	326,736	88,272
Capital outlay	348,947	1,939,069	2,288,016	1,800,387	487,629
<b>Total expenditures</b>	<u>\$ 198,457,147</u>	<u>\$ 6,871,914</u>	<u>\$ 205,329,061</u>	<u>\$ 198,567,538</u>	<u>\$ 6,761,523</u>

The General Fund is the School System's primary operating fund. The final budget of \$205,329,061 exceeded the original budget by \$6,871,914, including \$1,779,604 in Federal, State, and local grants. Those funds are primarily in the categories of Instruction Salaries, Instruction Other Costs, and Community Services.

Actual expenditures were less than the final budget by \$6,761,523. \$2,242,206 is related to Federal, State, and local grants that will carry over to fiscal 2019. Unrestricted funding exceeded expenditures by \$1,149,519. Salary savings through employee turnover amounted to \$2,381,627 primarily in Instructional Salaries. Additional savings of \$2,421,971 are realized in Fixed Charges primarily related to modifications made to our employee healthcare plans. A savings of \$451,493 was realized in Special Education due to reductions in non-public placements, salaries, and supplies. There was a savings of \$402,659 in the Operation of Plant category primarily due to

energy savings.

**Capital Assets and Long Term Debt Activity**

The School System's investment in capital assets for its governmental activities as of June 30, 2018 amounts to \$181,725,363 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, and construction in progress. The School System has no infrastructure assets (roads, bridges, streets, etc.).

The following schedule shows the School System's capital assets by type:

<b>Cecil County Public Schools Capital Assets (net of depreciation)</b>		
	2018	2017
Land	\$ 5,561,453	\$ 5,561,453
Buildings	138,037,823	163,985,640
Improvements other than buildings	10,308,290	141,650
Furniture, fixtures, and equipment	9,317,130	7,295,923
Construction in progress	18,500,667	3,862,186
Total	\$ 181,725,363	\$ 180,846,852

The total increase in the School System's net capital assets during the year including depreciation was \$878,511. Major capital project expenditures during the fiscal year ended June 30, 2018 included:

- Continuation of a new school for Gilpin Manor Elementary totaling \$12,035,463
- Continuation of Cecil Manor Elementary water line installation totaling \$61,248
- Start of Bohemia Manor Middle / High water line installation totaling \$10,250
- Continuation of a new school for Chesapeake City Elementary totaling \$64,152
- Completion of North East High girls' locker room renovations totaling \$278,047
- Start of Cecil Manor Elementary roof replacement totaling \$762,031
- Start of Perryville High boiler replacement totaling \$302,355
- Start of Bohemia Manor High roof replacement totaling \$522,049
- Start of Conowingo Elementary boiler replacement totaling \$57,051
- Start of Providence School roof replacement totaling \$10,146
- Start of Rising Sun Elementary boiler replacement totaling \$81,115

By state statute, the School System owns assets but not the debt associated with those facilities as it is fully dependent on the State and County governments. Capital expenditures are approved and funded by the state and local governments on a project basis. Future commitments on projects in progress total \$8,967,092. See Note 5 for details of changes in capital assets and

construction commitments and Note 6 for long-term obligations.

### **Capital Leases**

The School System's capital leases represent obligations incurred to finance the purchase of school maintenance vehicles, relocatables, and improvements to buildings. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments at the inception date. Both the General Fund and the Capital Projects Fund are being used to liquidate capital leases. Additional information on capital leases can be found in Note 6 to the financial statements.

### **Agency Fund**

The School System's Student Activity Agency Fund reports funds raised by students, for their benefit, which are held in trust by the School System. For the fiscal year ended June 30, 2018 the total funds held in cash and cash equivalents was \$1,669,807.

### **Fiduciary Fund**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, commonly referred to as Other Post-Employment Benefits (OPEB). The School System implemented GASB Statement No. 45 in fiscal year 2008. This addressed how governmental entities should account for and report their cost and obligation related to post employment healthcare and other non-pension benefits. Annual OPEB cost for employers our size will be based on actuarially determined amounts that, if paid on an ongoing basis, will provide sufficient resources to pay retiree benefits accrued during active service. The School System established an OPEB Trust and entered that Trust in a Pooled OPEB Investment Trust. Fiduciary responsibilities remain with the member Trustees serving as Trustees of the Pooled OPEB Investment Trust. In 2015, the GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 75 specifies that employers recognize their net OPEB liability, and the related deferred outflows of resources, deferred inflows of resources and OPEB expense on their books, and also stipulates the incremental note disclosures and Required Supplementary Information in the financial reports of employers with defined benefit OPEB plans. The School System implemented GASB Statement No. 75 in fiscal year 2018.

The School System contributed \$878,464 to the Trust in fiscal year 2018.

### **FUTURE FINANCIAL IMPACTS**

The State of Maryland *Bridge to Excellence in Public Schools* and the federal *No Child Left Behind Acts* established a number of requirements for public school systems. Some of these requirements include full-day kindergarten for all elementary schools, all teachers must be highly

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qualified and expanded choice options for parents. In addition, there are new certification and assessment standards for paraprofessionals and extensive data tracking and reporting requirements. All of these requirements have cost impacts. The financial well-being of the State and County has a significant impact upon the School System's ability to meet the requirements of the *Bridge to Excellence* and *No Child Left Behind* Acts.

To complicate matters further, the state legislature is expected to again review the current funding formulas in light of recent Federal and State mandates, the requirements of the Every Student Succeeds Act (ESSA) signed into law on December 10, 2015, and teachers' pension funding. Current state funding formulas are based on a foundation per student amount. Preschool and prekindergarten students are not included in the State or County MOE funding formulas.

During fiscal year 2018, the Board of Education used the Strategic Plan to monitor progress and School System priorities. Generally, the School System has been very successful in addressing all aspects of the Strategic Plan. The Strategic Plan, which is updated each year, will continue to serve as a guide to the School System to monitor performance in fiscal year 2019 and plan for fiscal year 2020 and beyond.

## **THE BUDGET PROCESS**

The fiscal year 2019 approved operating budget, adopted in June 2018, was constructed using a modified application of zero-based budgeting based upon the School System's Strategic Plan and long range fiscal plan. This budget supports the School System's mission by addressing the three primary goals and thirteen major objectives of the Board of Education.

Throughout the process of preparing the operating budget request, input is received from various stakeholder groups. All requests for additions, changes, and reductions are evaluated at the department and leadership level before the Superintendent makes a recommendation to the Board of Education for final adoption. The following are priorities that were considered during the fiscal year 2019 budget process:

- Provide additional teaching positions to support special education, English language learners, gifted and talented education, school psychologists and general education teachers to reduce class sizes in middle schools
- Expand use of Behavior Support Classrooms
- Purchase Chromebooks for mathematics, elementary classrooms, and continue refresh
- Continue to offer full range of athletic and extracurricular opportunities
- Sustain prekindergarten in all elementary schools
- New classroom computers for Business Education labs and Project Lead the Way Gateway curriculum
- Provide additional project oversight by adding one field inspector position to Capital Outlay

- Focus resources to address deferred maintenance in the facilities that are not projected to be renovated or replaced in the FY19 CIP
- Replace 9 school buses (8 contractor and 1 CCPS)
- Replace 4 maintenance vans and 1 pickup truck
- Reduction of major utilities due to savings related to boiler conversions from fuel oil to natural gas
- Reduction in electricity usage due to multiple projects that use LED lighting
- Continue to support replacement of small equipment related to individual school use

Contact for Additional Information:

*This financial report is designed to provide our citizens, taxpayers, customers, vendors and creditors with a general overview of the School System's finances and to demonstrate the School System's accountability for the funding it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer, Cecil County Public Schools, George Washington Carver Education Leadership Center, 201 Booth Street, Elkton, Maryland 21921.*

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# BASIC FINANCIAL STATEMENTS





**CECIL COUNTY PUBLIC SCHOOLS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

**ASSETS**

**Current assets**

Cash, cash equivalents, and investments	\$ 38,483,536
Due from State of Maryland	1,375,629
Due from United States Government	1,996,957
Receivables (net)	1,409,095
Prepaid items	606,459
Inventories	128,645
<b>Total current assets</b>	<u>44,000,321</u>

**Noncurrent assets**

Land	5,561,453
Buildings, net of accumulated depreciation	138,037,823
Improvements other than buildings, net of accumulated depreciation	10,308,290
Furniture, fixtures, and equipment, net of accumulated depreciation	9,317,130
Construction in progress	18,500,667
<b>Total noncurrent assets</b>	<u>181,725,363</u>
<b>Total assets</b>	<u>225,725,684</u>

**DEFERRED OUTFLOW OF RESOURCES**

Pension related	3,160,356
<b>Total deferred outflows</b>	<u>3,160,356</u>

**LIABILITIES**

**Current liabilities**

Accounts payable and accrued expenses	24,318,496
Advances from others	1,142,128
Capital leases due within one year	961,802
Compensated absences due within one year	315,053
Unearned revenue from United States government	94,076
<b>Total current liabilities</b>	<u>26,831,555</u>

**Noncurrent liabilities**

Capital leases due in more than one year	1,716,504
Compensated absences due in more than one year	2,771,269
Net OPEB liability	50,667,185
Net pension liability	10,110,254
<b>Total noncurrent liabilities</b>	<u>65,265,212</u>
<b>Total liabilities</b>	<u>92,096,767</u>

**DEFERRED INFLOW OF RESOURCES**

OPEB related	33,565
Pension related	2,121,604
<b>Total deferred inflows</b>	<u>2,155,169</u>

**NET POSITION**

Net Investment in capital assets	179,047,057
Restricted for:	
Capital projects	48,973
Unrestricted	(44,461,926)
<b>Total net position</b>	<u>\$ 134,634,104</u>

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

**CECIL COUNTY PUBLIC SCHOOLS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

Function/programs	Expenses	Program Revenue		Net (Expenses) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Administration	\$ 7,861,554	\$ -	\$ 673,350	\$ -	\$ (7,188,204)
Mid-level administration	19,604,726	-	1,374,348	-	(18,230,378)
Instruction salaries	102,933,141	268,614	35,598,941	-	(67,065,586)
Instruction materials and supplies	4,686,226	-	536,451	15,491,330	11,341,555
Instruction other costs	18,836,222	-	307,146	-	(18,529,076)
Special education	36,783,285	-	15,424,296	-	(21,358,989)
Student personnel services	2,011,960	-	129,356	-	(1,882,604)
Student health services	2,323,101	-	162,553	-	(2,160,548)
Student transportation	11,148,667	-	5,429,133	-	(5,719,534)
Operation of plant	13,377,424	-	562,073	-	(12,815,351)
Maintenance of plant	5,830,453	-	311,162	-	(5,519,291)
Food and nutrition	6,092,567	1,921,257	5,125,535	-	954,225
Community services	410,722	104,687	274,018	-	(32,017)
<b>Total government activities</b>	<b>\$ 231,900,048</b>	<b>\$ 2,294,558</b>	<b>\$ 65,908,362</b>	<b>\$ 15,491,330</b>	<b>(148,205,798)</b>
				State aid not restricted to specific purposes	68,021,206
				Local aid not restricted to specific purposes	81,688,528
				Interest and investment earnings	316,538
				Miscellaneous	334,265
				<b>Total general revenues</b>	<b>150,360,537</b>
<b>Change in net position</b>					<b>2,154,739</b>
<b>Net position - beginning, as previously stated</b>					182,400,041
<b>Cumulative effect of accounting change related to GASB 75</b>					(49,920,676)
<b>Net position - beginning, as restated</b>					<b>132,479,365</b>
<b>Net position - ending</b>					<b>\$ 134,634,104</b>

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

**CECIL COUNTY PUBLIC SCHOOLS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash, cash equivalents, and investments	\$ 38,431,578	\$ 6,043	\$ 45,915	\$ 38,483,536
Due from Cecil County, Maryland	-	-	1,174,420	1,174,420
Due from State of Maryland	414,797	29,127	931,705	1,375,629
Due from United States Government	1,767,578	229,379	-	1,996,957
Due from General fund	-	581,204	274,618	855,822
Accounts receivable	233,275	1,400	-	234,675
Prepaid items	483,753	-	122,706	606,459
Inventory	-	128,645	-	128,645
Total assets	<u>\$ 41,330,981</u>	<u>\$ 975,798</u>	<u>\$ 2,549,364</u>	<u>\$ 44,856,143</u>
<b>LIABILITIES AND FUND EQUITY</b>				
Accounts payable	\$ 6,046,484	\$ 34,603	\$ 1,857,546	\$ 7,938,633
Accrued salaries	14,952,272	1,591	-	14,953,863
Estimated claims incurred but not reported	1,426,000	-	-	1,426,000
Advances from others	479,292	19,991	642,845	1,142,128
Due to Special Revenue fund	581,204	-	-	581,204
Due to Capital Projects fund	274,618	-	-	274,618
Unearned revenue from United States government	<u>82,214</u>	<u>11,862</u>	<u>-</u>	<u>94,076</u>
Total liabilities	<u>23,842,084</u>	<u>68,047</u>	<u>2,500,391</u>	<u>26,410,522</u>
Fund balance				
Non-spendable	483,753	128,645	-	612,398
Restricted	-	-	48,973	48,973
Committed	5,710,472	-	-	5,710,472
Assigned	3,873,000	-	-	3,873,000
Unassigned	<u>7,421,672</u>	<u>779,106</u>	<u>-</u>	<u>8,200,778</u>
Total fund balance	<u>17,488,897</u>	<u>907,751</u>	<u>48,973</u>	<u>18,445,621</u>
Total liabilities and fund balance	<u>\$ 41,330,981</u>	<u>\$ 975,798</u>	<u>\$ 2,549,364</u>	<u>\$ 44,856,143</u>

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

**CECIL COUNTY PUBLIC SCHOOLS  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
WITH THE STATEMENT OF NET POSITION  
JUNE 30, 2018**

Total fund balance	\$	18,445,621
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Amounts reported in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital Assets	\$	364,083,941	
Accumulated depreciation		<u>(182,358,578)</u>	181,725,363

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Net OPEB liability	\$	(10,110,254)	
Net pension liability		(50,667,185)	
Capital leases payable		(2,678,306)	
Accrued vacation leave		<u>(3,086,322)</u>	(66,542,067)

Deferred outflows related to pensions	3,160,356
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Deferred inflows related to OPEB	(33,565)
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Deferred inflows related to pensions	<u>(2,121,604)</u>
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Total net position	\$	<u><u>134,634,104</u></u>
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**The notes to the basic financial statements are an integral part of this statement.**

**CECIL COUNTY PUBLIC SCHOOLS**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2018**

	General	Special Revenue	Capital Projects	Total Governmental Funds
<b>Revenue</b>				
Intergovernmental				
Cecil County, Maryland	\$ 81,688,528	\$ -	\$ 8,192,562	\$ 89,881,090
State of Maryland	119,689,250	286,621	7,298,768	127,274,639
United States government	8,881,924	4,838,914	-	13,720,838
Other sources				
Sale of food	-	1,921,257	-	1,921,257
Investment interest	315,785	182	571	316,538
Other	925,538	14,887	-	940,425
Total revenue	<u>211,501,025</u>	<u>7,061,861</u>	<u>15,491,901</u>	<u>234,054,787</u>
<b>Expenditures</b>				
Current				
Administration	5,566,540	278,945	-	5,845,485
Mid-level administration	14,136,118	-	-	14,136,118
Instruction salaries	73,105,335	-	-	73,105,335
Instruction materials and supplies	4,712,766	-	16,156	4,728,922
Instruction other	4,524,284	-	14,671,261	19,195,545
Special education	27,330,111	-	-	27,330,111
Student personnel services	1,499,819	-	-	1,499,819
Student health services	1,669,881	-	-	1,669,881
Student transportation	10,786,695	-	-	10,786,695
Operation of plant	11,084,642	-	-	11,084,642
Maintenance of plant	4,908,868	-	-	4,908,868
Fixed charges	49,591,863	607,964	-	50,199,827
Community services	317,915	-	-	317,915
Food service				
Salaries and wages	-	2,423,903	-	2,423,903
Food	-	2,916,677	-	2,916,677
Contracted services	-	48,553	-	48,553
Supplies and materials	-	292,904	-	292,904
Other operating cost	-	105,413	-	105,413
Capital outlay	1,119,804	-	-	1,119,804
Debt service				
Principal	268,736	-	762,158	1,030,894
Interest	5,734	-	41,755	47,489
Total expenditures	<u>210,629,111</u>	<u>6,674,359</u>	<u>15,491,330</u>	<u>232,794,800</u>
Excess (deficiency) of revenues over expenditures	871,914	387,502	571	1,259,987
<b>Other financing sources (uses)</b>				
Capital leases	277,605	-	-	277,605
Total other financing sources (uses)	<u>277,605</u>	<u>-</u>	<u>-</u>	<u>277,605</u>
Net change in fund balances	1,149,519	387,502	571	1,537,592
Fund balance, beginning of year	16,339,378	520,249	48,402	16,908,029
Fund balance, end of year	<u>\$ 17,488,897</u>	<u>\$ 907,751</u>	<u>\$ 48,973</u>	<u>\$ 18,445,621</u>

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

**CECIL COUNTY PUBLIC SCHOOLS  
RECONCILIATION OF NET CHANGE IN FUND BALANCE  
WITH CHANGE IN NET POSITION  
YEAR ENDED JUNE 30, 2018**

Total change in fund balance \$ 1,537,592

Amounts reported in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in government funds as expenditures. However, for governmental activities those costs are shown in the combined statement of net position and allocated over their estimated useful lives as annual depreciation in the combined statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$ (15,989,640)	
Capital outlays	17,591,607	
Disposal of capital assets net of depreciation	<u>(723,456)</u>	878,511

Net repayment and recognition of capital lease principal is an expenditure in the governmental funds, but these changes reduce long-term liabilities in the statement of net position and do not affect the statement of activities.

Repayment of existing capital leases	1,030,894	
Capital lease additions	<u>(277,605)</u>	753,289

Pension costs reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (115,172)

OPEB costs reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (780,074)

In the Statement of Activities accrued leave is measured by amounts earned during the year. In the governmental funds, however, expenditures for this item are measured by the amount of financial resources used. This year, vacation earned was slightly more than the amounts used. (119,407)

Total change in net position \$ 2,154,739

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

**CECIL COUNTY PUBLIC SCHOOLS**  
**STATEMENT OF REVENUE, EXPENDITURES, ENCUMBRANCES, AND CHANGES IN FUND BALANCE -**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue				
Intergovernmental				
Cecil County, Maryland	\$ 81,688,528	\$ 81,688,528	\$ 81,688,528	\$ -
State of Maryland	107,365,542	107,165,020	107,030,787	(134,233)
United States government	8,938,077	10,918,203	8,894,134	(2,024,069)
Other sources				
Investment interest	15,000	15,000	315,785	300,785
Other	450,000	5,542,310	925,538	(4,616,772)
<b>Total revenue</b>	<b>198,457,147</b>	<b>205,329,061</b>	<b>198,854,772</b>	<b>(6,474,289)</b>
Expenditures				
Current				
Administration	5,647,845	5,908,844	5,623,851	284,993
Mid-level administration	14,300,314	14,452,246	14,136,118	316,128
Instruction salaries	74,789,378	73,580,097	73,105,335	474,762
Instruction materials and supplies	3,797,440	5,845,823	4,718,208	1,127,615
Instruction other costs	3,753,972	4,922,099	4,526,454	395,645
Special education	27,281,556	27,786,201	27,334,708	451,493
Student personnel services	1,394,170	1,671,314	1,499,819	171,495
Student health services	1,694,515	1,699,653	1,669,881	29,772
Student transportation	9,839,107	10,911,699	10,745,460	166,239
Operation of plant	11,571,491	11,487,301	11,084,642	402,659
Maintenance of plant	4,002,165	5,022,506	4,906,775	115,731
Fixed charges	39,757,048	39,338,254	36,916,283	2,421,971
Community services	279,199	415,008	317,915	97,093
Capital outlay	348,947	2,288,016	1,119,804	1,168,212
<b>Total expenditures and encumbrances</b>	<b>198,457,147</b>	<b>205,329,061</b>	<b>197,705,253</b>	<b>7,623,808</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>1,149,519</b>	<b>\$ 1,149,519</b>
Fund balance, beginning			16,339,378	
Fund balance, ending			<u>\$ 17,488,897</u>	

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

**CECIL COUNTY PUBLIC SCHOOLS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2018**

<b>ASSETS</b>	<b>Retiree Benefit Trust Fund</b>	<b>Student Activity Agency Fund</b>
	<hr/>	<hr/>
Cash and cash equivalents	\$ -	\$ 1,669,807
Investments held in MABE Trust	13,368,630	-
	<hr/>	<hr/>
<b>Total assets</b>	<b>13,368,630</b>	<b>1,669,807</b>
	<hr/>	<hr/>
<b>LIABILITIES</b>		
Due to other groups	-	1,669,807
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>-</b>	<b>1,669,807</b>
	<hr/>	<hr/>
<b>NET POSITION</b>		
Restricted for other post-employment benefits	\$ 13,368,630	\$ -
	<hr/> <hr/>	<hr/> <hr/>

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



**CECIL COUNTY PUBLIC SCHOOLS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
RETIREE BENEFIT TRUST FUND  
YEAR ENDED JUNE 30, 2018**

**ADDITIONS**

Contributions:		
Employer	\$	878,464
Member		-
Total contributions		<u>878,464</u>
Investment income:		
Interest/dividends		907,509
Net increase in the fair value of investments		-
Total investment activity		<u>907,509</u>
Investment activity expenses:		
Investment custodial fees		<u>(42,861)</u>
Total investment expenses		<u>(42,861)</u>
Total net additions		1,743,112

**DEDUCTIONS**

Administration service fees	1,990
Auditing fees	3,000
Insurance expense	2,993
Consulting fees	60
General legal fees	104
Office supplies	<u>239</u>
Total deductions	<u>8,386</u>
Change in net position	1,734,726
Net position - beginning	<u>11,633,904</u>
Net position - ending	<u>\$ 13,368,630</u>

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The School System is a body politic and corporate established through the Education Article of the Annotated Code of Maryland in 1868. Educational services are provided to students prekindergarten through graduation in 30 school facilities owned and operated in Cecil County, Maryland by the Board of Education of Cecil County, a five member Board elected to four-year terms 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 Cecil County. A small number of students are placed in state-operated and non-public educational facilities to meet their special needs.

The School System is a component unit of Cecil County, Maryland and the School System's financial results are included in the County's Comprehensive Annual Financial Report. An elected County Council is responsible for approving the School System's budget. The County is responsible for levying taxes and collecting and distributing funds to the School System. The School System is financially dependent upon appropriations from the County.

The financial statements of the School System 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).

**B. Government-wide Financial Statements**

The government-wide financial statements report on all of the non-fiduciary activities of the primary government. Activities 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 and are eliminated from the statements. Inter-fund charges to the Special Revenue Fund representing administrative overhead charges from the General Fund are included in direct expenses and not eliminated. The School System does not have business-type activities; therefore, the statements only include governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: 1) charges to individuals who directly benefit from the goods or services provided by the function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Items not included among program revenue are reported instead as general revenue.

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

**Government-wide financial statements** are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Government funds 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 measurable and available. Generally, the School System considers revenue measurable and available when appropriated or otherwise known to be forthcoming from the funding sources. For this purpose, the School System considers revenues available if they are collected within 60 days of the end of the fiscal year. Special grant program revenue is recognized in accordance with the terms of the grant; generally, at the time program funds are expended. Principal revenue sources considered susceptible to accrual include Federal and State grants and local County government appropriations. The School System, on a direct basis, generates no tax revenue.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Exceptions to this practice include Special Revenue Fund inventory items considered expenditures at the time the items are used and debt service recorded as an expenditure at the time payment is made by the County government.

Special Revenue Fund revenue and expenditures include the value of commodities donated by the United States Department of Agriculture which were consumed during the fiscal year. The value of donated commodities in inventory at year-end is reported as unearned revenue. Revenues are considered available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School System considers revenue to be available if they are collected within 60 days of the end of the current fiscal year.

The funds are separately accounted for in accordance with the purpose of the related revenue and expenditures. The financial statements present the results of operations of the funds with the measurement focus on the sources, uses, and balance of financial resources.

The School System uses three major funds. These funds comprise the total governmental funds as described below:

- The **General Fund** is used to focus upon the operation of the School System's educational and support services programs. It accounts for all financial resources for the School System except those resources required to be accounted for in another fund. Major revenue sources are the County, State and Federal governments. Minor sources of revenue come from other sources such as rebates, tuition, and interest.
- The **Special Revenue Fund** is used to record the financial transactions of the Food and Nutrition program. Revenue is primarily generated from the State and Federal grants, Federal commodities, and the sale of student meals and a la carte items.
- The **Capital Projects Fund** reports the revenue and expenditures related to school construction projects ranging from site improvements to minor and major building renovation and addition projects. County and State resources primarily fund these expenditures.

The School System's Fiduciary Funds consist of the following:

- The **Student Activity Agency Fund** consists primarily of funds raised by students, for their benefit, which are held in trust by the School System. Agency funds are custodial in nature and do not measure results of operations or have a measurement focus. Agency funds do, however, use the accrual basis of accounting.
- The **Retiree Benefit Fiduciary Trust Fund** consists of contributions of the School System to establish a reserve to pay for health and welfare benefits of future retirees. Contributions to the trust qualify as contributions and are reported using the economic resource measurement focus and the accrual basis of accounting under which expenses are recorded when the liability is incurred. Fiduciary funds are not reported in the government-wide financial statements.

#### **D. Assets, Liabilities, and Net Position or Equity**

##### **Cash, Cash Equivalents and Investments**

The School System's cash and cash equivalents include certificates of deposit and overnight repurchase agreements with original maturities of three months or less when acquired and are carried at cost which approximates fair value.

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The School System follows Government Accounting Standards Board Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value.

The School System also follows Government Accounting Standards Board Statement 79, "Certain External Investment Pools and Pool Participants," which requires disclosure of specific criteria regarding external investment pools. The School System has an Investment Pool account with the Maryland Local Government Investment Pool (MLGIP) and other funds designated for Other Post-Employment Benefits held by the Maryland Association of Boards of Education (MABE).

The School System is bound by Maryland law (COMAR 6-222) to minimize credit and interest rate risk by investing only in the highest quality investments, and therefore, has no formal Board investment policy. The law states that permissible investments are limited to U.S. Treasury and U.S. Government Agency obligations, collateralized repurchase agreements and certificates of deposit, money market mutual funds of the highest rating and any investment portfolio created under the MLGIP. No direct investment may have a maturity date of more than 13 months after its acquisition. Securities of the MLGIP are valued daily on an amortized cost basis, which approximates market value, and are held to maturity under normal circumstances.

MLGIP seeks to maintain constant unit value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the MLGIP, marked to market, is calculated and maintained on a daily basis to ensure a \$1.00 per unit constant value. Investment guidelines and limits require liquidity and diversification regarding the MLGIP. There is no formal minimum overnight liquidity position; however, it is anticipated that the MLGIP generally will operate with a minimum of 10% of the total assets in next business day maturities. Generally the MLGIP's average life will range between 25-55 days. Maximum overnight liquidity position may be 100% of assets. The MLGIP has set standards regarding exposure to specific diversification. The limits are set to minimize risk.

The fair value of the position in the MLGIP is the same as the value of the MLGIP net assets (shares). The Maryland Local Government Investment Pool is duly chartered, administered and subject to regulatory oversight by the State of Maryland. This pool is managed in a "Rule 2(a)-7 like" manner and has an S&P rating of AAAM. This report can be obtained in writing: Maryland Local Government Investment Pool, c/o PNC Institutional Investments Group, One East Pratt Street, Baltimore, Maryland, 21202; by calling 1-800-492-5160; or the website, [www.mlgip.com](http://www.mlgip.com).

The Board has funds designated for Other Post- Employment Benefits that are held by MABE. As of June 30, 2018, MABE held \$13,368,630 in cash and cash equivalents in the investment pool for the Board. The investment policy of MABE is set and monitored by MABE's Board of Trustees. MABE primarily invests in registered securities and mutual funds. The MABE Trust is a Common trust fund which is comprised of shares or units in a commingled fund that is not publicly traded. Underlying assets in these funds include money market funds, U.S. government securities, fixed

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income securities, asset backed securities, equity securities, mutual funds and exchange traded fund and are valued at their Net Asset Values (“NAVs”) calculated by the Trust Administrator. The School System may terminate its membership in the Trust and withdrawal its allocated investment balance by providing written notification to the Trust six months prior to the intended withdrawal date.

The Annotated Code of Maryland authorizes the School System to invest in the following: time deposits, savings accounts, and demand deposit accounts in banks and savings and loan associations that are secured with collateral as set forth in the State Finance and Procurement Article; any investment portfolio created under the Maryland Government Investment Pool that is administered by the Office of the State Treasurer; an obligation for which the United States has pledged its full faith and credit for the payment of the principal and interest; an obligation that a federal agency or a federal instrumentality has issued in accordance with an act of congress; a repurchase agreement 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 with a short-term debt rating in the highest letter; commercial paper and money market mutual funds that contain only securities listed above receiving the highest possible rating.

### **Receivables**

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business. Governmental fund type receivables consist primarily of amounts due from the County, State, or Federal governments, or other Maryland Boards of Education. These intergovernmental receivables are generally collected within 90 days of the end of the fiscal year.

### **Inter-fund Balances/Inter-fund Activity**

Inter-fund receivable and payable balances are non-interest bearing and are normally settled in the subsequent period. All governmental funds’ payables are disbursed through the General Fund. Inter-fund activity consists primarily of transfers from other funds to the General Fund to cover accounts payable. Most inter-fund expenditures disbursed from the General Fund are reimbursed the following period.

### **Inventories and Prepaid Items**

The Special Revenue Fund inventories include Federal government donated food commodities that are valued at estimated market value. The remaining inventories are accounted for under the consumption method and are stated at average cost.

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items in both the government-wide and fund financial statements. These payments are expended in future periods using the consumption method of accounting.

**Capital Assets**

Capital assets which include land, land improvements, buildings and equipment are defined by the School System as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Sensitive items, such as cameras, computers and computer peripherals are tracked similar to a capital asset but are not capitalized or depreciated over the life of the item. Donated capital assets are recorded at acquisition value at the date of the donation.

Major outlays for capital assets and improvements are capitalized as projects when completed. Costs of uncompleted projects are accumulated in construction-in-progress and are carried at the lower of cost or market. The School System does not incur debt for the construction of capital projects; therefore, construction period interest is not capitalized. Land improvements, buildings and equipment with a value in excess of \$5,000 are depreciated using the straight-line method over the following estimated useful life:

<u>Assets</u>	<u>Years</u>
Improvements	15
Buildings	20 – 50
Equipment	5 – 20

**Accrued Salaries**

Teachers’ salaries are considered earned at the completion of the school year. Teachers who are eligible may elect to be paid their ten-month salary over twelve months. The salaries are paid within the first two months of the succeeding fiscal year.

**Health Insurance and Estimated Claims Incurred But Not Reported**

The School System participates in a “minimum premium plan” for its two healthcare insurance plans. Under these plans, the School System is responsible for paying all claims up to an agreed upon level. Individual stop loss insurance policies are responsible for claims in excess of \$250,000. The School System has provided an accrual for claims incurred for the current fiscal year but not reported.

### **Compensated Absences**

Twelve month employees may earn annual vacation leave at various accrual rates dependent on length of service and the bargaining unit that represents them. Unused annual leave may be accrued up to a maximum of fifty days. All accrued annual leave is payable upon separation of employment. The governmental fund financial statements record expenditures when employees are paid for leave. The government-wide financial statements present the cost of accumulated vacation leave as a liability.

Employees are also eligible to earn sick leave and accrue unused balances throughout their employment. There is no liability reported for sick leave because employees are not paid their unused balance upon separation, except for up to 10 days upon retirement. Based on past experience, management does not expect such amounts to be significant.

### **Long-term Obligations**

The School System has no authority to issue bonded debt. Debt incurred by the County or State governments to finance school construction remains a debt of the issuing government and along with the related debt service, is not reported in the School System's financial statements. The School System occasionally finances the purchase of school buses, maintenance vehicles and relocatable classrooms, over periods ranging from three to five years. In addition, the School System has a fifteen-year capital lease for various building improvements as part of an energy performance contract. All long-term obligations are subject to the School System's annual appropriation from the state and local governments.

### **Unearned Revenue**

Unearned revenue occurs when the School System receives funds before it has a legal claim to them or when funds received do not meet the criteria for recognition in the current period. Unearned revenue for governmental activities consists of tuition payments received in advance of summer school, restricted grant funds advanced to the School System and the value of donated food commodities not used.

### **Net Position and Fund Balance**

In the *Statement of Net Position*, net position is reported as net invested in capital assets, restricted (based on some externally imposed restrictions on use of funds, such as grant funding for a specific purpose), or unrestricted.

In the *Balance Sheet - Government Funds* the fund balance is reported in four components - non-spendable, committed, assigned and unassigned in accordance with Board adopted Fund Balance Policy. The fund balance of the Board has been accumulated to provide stability and flexibility to

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respond to unexpected adversity and/or opportunities. The target is to maintain a fund balance of not less than 5% of annual operating expenditures for the fiscal year.

The Board's basic goal is to maintain annual expenditure increases at a growth rate, and to limit expenditures to anticipated revenue in order to maintain a balanced budget. The decision to retain a total fund balance of not less than 5% of operating expenditures is governed by Board Policy DFAA, and stems from the following:

- This amount provides the liquidity necessary to accommodate the Board's uneven cash flow.
- This amount provides the liquidity to cover contingent liabilities.
- Any amount above 5% of operating expenditures is reported as unassigned fund balance.

The Board policy states that most restricted dollars will be spent before less restricted dollars in the following order:

1. Non-spendable (if funds become spendable)
2. Restricted
3. Committed
4. Assigned
5. Unassigned

Non-spendable – Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact. This component includes prepaid expenses related to healthcare and inventory related to food services.

Restricted – This component includes funds that are constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation.

Committed – This component includes amounts for which constraints have been imposed by the Board, using the highest level of decision-making authority via Board vote. In addition, these constraints can only be removed or changed through formal action by the Board. This component includes funds approved in the current fiscal year for use in the subsequent fiscal year. Board Policy states that the target is to maintain a total fund balance of not less than 5% of annual operating expenditures for the fiscal year. Any portion of the fund balance required to meet the 5% policy is automatically considered a committed balance. Any additional amount greater than 5% must be determined by Board vote prior to June 30 of the current reporting period.

Assigned – This component includes a contingency for the projected maximum liability for the medical, dental, vision and drug plans in excess of established premiums and a budget contingency due to unforeseen events in the General Fund. The authority of assigning fund balance is expressed by the Superintendent and Chief Financial Officer.

Unassigned – This component consists of the amount that has not been committed or assigned to a specific purpose and exceeds the 5% of the annual operating budget fund balance minimum requirement. A negative unassigned balance may be reported if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

For the General Fund, the School System’s \$17,488,897 fund balance is 8.5% of the fiscal year 2018 total final budget. \$483,753 is non-spendable, \$3,873,000 is assigned, \$7,421,672 is unassigned, and \$5,710,472 is committed as a reserve for contingencies for fiscal year 2019.

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>Fund balance</b>				
Non-spendable				
Inventory	\$ -	\$ 128,645	\$ -	\$ 128,645
Prepaid expenditures	483,753	-	-	483,753
	<u>483,753</u>	<u>128,645</u>	<u>-</u>	<u>612,398</u>
Restricted	-	-	48,973	48,973
Committed				
Subsequent year's expenditures	1,488,168	-	-	1,488,168
Budget contingency	4,222,304	-	-	4,222,304
Assigned				
Health care	3,873,000	-	-	3,873,000
Unassigned	<u>7,421,672</u>	<u>779,106</u>	<u>-</u>	<u>8,200,778</u>
<b>Total fund balance, June 30, 2018</b>	<u>\$ 17,488,897</u>	<u>\$ 907,751</u>	<u>\$ 48,973</u>	<u>\$ 18,445,621</u>
Total fund balance, June 30, 2017	<u>16,339,378</u>	<u>520,249</u>	<u>48,402</u>	<u>16,908,029</u>
Net change in fund balance	<u>\$ 1,149,519</u>	<u>\$ 387,502</u>	<u>\$ 571</u>	<u>\$ 1,537,592</u>

**Recent Accounting Pronouncements**

During the fiscal year ended June 30, 2018, the School System adopted GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), which is effective for fiscal years beginning after June 15, 2017. GASB 75 specifies that employers

recognize their net OPEB liability, and the related deferred outflows of resources, deferred inflows of resources and OPEB expense on their books, and also stipulates the incremental note disclosures and Required Supplementary Information in the financial reports of employers with defined benefit OPEB plans.

**NOTE 2 BUDGETARY INFORMATION**

**A. Budgetary Requirements**

The School System follows the budget requirements for local school systems within the State of Maryland as specified by state law:

1. The School System must submit an annual budget for its General Fund and project budgets for its Capital Projects Fund to the County Executive prior to February 15, 2019.
2. The County Executive must submit a complete County budget to the County Council by March 31, 2019.
3. Following public hearings, the County Council must approve the budgets by June 15, 2019.
4. Subsequent supplemental appropriations also require the County Executive and County Council's approval.
5. The General Fund budget is prepared and approved by major expenditure categories as specified by state law. Actual expenditures may not exceed appropriations for a category. These categories include:

Administration	Student transportation
Instruction leadership and support	Operation of plant
Instruction salaries	Maintenance of plant
Instruction materials and supplies	Fixed charges
Instruction other costs	Community services
Special education	Food and nutrition
Student personnel services	Capital outlay
Student health services	

6. The School System has the authority to transfer funds between objects of expenditures (i.e. salaries and wages, contracted services, materials and supplies, other charges, and equipment) within major categories, but must notify the County of such action at the end of each month. In accordance with the Education Article, Title 5, §5-105, of Maryland Annotated Code, the School System may not exceed the appropriation by category.

7. The management and staff of the School System are responsible for preparing the budget, monitoring budgetary expenditures, reporting, and making recommendations for transfers between objects of expenditure and major categories.
8. Unencumbered appropriations lapse at the end of each 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.

**B. Reconciliation between GAAP and Budgetary Basis**

Budgets are not established on a basis consistent with Generally Accepted Accounting Principles (GAAP) in the United States of America. *The Schedule of Revenue, Expenditures, Encumbrances, and Changes in Fund Balance – Budget (non-GAAP budgetary basis) and Actual – General Fund* has been prepared on a prescribed budgetary basis of accounting to demonstrate compliance with legal requirements of Cecil County, the State of Maryland, and special Federal and State grant programs.

The differences between the GAAP and budgetary basis relating to the General Fund are shown below.

General Fund

Fund Balance Ending, June 30, 2018 – Non-GAAP	\$	17,488,897
Maryland State Department payments to State Retirement and Pension System on behalf of the School System for eligible employees		
	Revenue	12,681,314
	Expenditures	(12,681,314)
Net encumbrances reported as expenditures for budget purposes and not in GAAP statements		
	Revenue	754,590
	Expenditures	<u>(754,590)</u>
Fund Balance Ending, June 30, 2018– GAAP Basis	\$	<u>17,488,897</u>

**NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS**

By statute, the School System is authorized to invest in obligations of the U.S. Government and agencies, bankers' acceptance agreements, repurchase agreements fully collateralized by U.S. Government securities, mutual funds which invest in U.S. Government securities, and the Maryland Local Government Investment Pool.

At June 30, 2018 the carrying amount and bank balances of the School System’s deposits with financial institutions totaled \$53,521,973 and \$56,617,411 respectively. All of the bank deposits are covered by federal deposit insurance and/or collateral held in the School System’s name.

<u>Government Funds</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured-Federal Deposit Insurance Corporation	\$ 500,107	\$ 500,107
Uninsured-collateral held by bank in school system's name	26,533,259	17,473,058
Total Deposits	27,033,366	17,973,165
Petty Cash	100	-
Investments-Maryland Local Government Investment Pool	13,119,877	25,275,616
Investments-MABE OPEB Investment Trust	13,368,630	13,368,630
Total cash, cash equivalents, and investments	<u>\$ 53,521,973</u>	<u>\$ 56,617,411</u>
Reconciliation of above to the Statement of Net Position		
General Fund	\$ 38,431,578	\$ 41,453,833
Special Revenue Fund	6,043	5,357
Capital Projects Fund	45,915	45,915
Total cash and cash equivalents-Statement of Net Position	38,483,536	41,505,105
Fiduciary Funds	15,038,437	15,112,306
Total cash, cash equivalents, and investments	<u>\$ 53,521,973</u>	<u>\$ 56,617,411</u>

**Credit and Interest Rate Risk** - The School System is bound by Maryland law (COMAR 6-222) to minimize credit and interest rate risk by investing only in the highest quality investments, and therefore, has no formal Board investment policy. The law states that permissible investments are limited to U.S. Treasury and U.S. Government Agency obligations, collateralized repurchase agreements and certificates of deposit, money market mutual funds of the highest rating, and any investment portfolio created under the Maryland Local Government Investment Pool.

The Maryland Local Government Investment Pool is duly chartered, administered and subject to regulatory oversight by the State of Maryland. This pool is managed in a “Rule 2(a)-7 like” manner and has an S&P rating of AAAM. The fair value of our position in the pool is equal to the shares outstanding.

**Investment in External Investment Pool** - The Board has funds designated for Other Post-Employment Benefits that are held by Maryland Association of Boards of Education (MABE). As of June 30, 2018, MABE held \$13,368,630 in cash and cash equivalents in the investment pool for the Board.

Cash and cash equivalents includes cash and an investment in a money market mutual fund. At June 30, 2018, the weighted average maturity (WAM) for the Trust’s money market mutual fund investment is 1 day. At June 30, 2018, the short-term rating of the money market mutual fund is AAA by Standard & Poor’s.

At June 30, 2018, the Trust maintained sweep accounts with Fidelity Brokerage Services LLC (Fidelity), which deposits cash in bank accounts. Such deposits may, at times, exceed federally insured limits. In the event of a financial institution's insolvency, recovery of cash on deposit may be limited to account insurance or other protection afforded such deposits.

**NOTE 4 INTER-FUND RECEIVABLES, PAYABLES**

The composition of inter-fund balances as of June 30, 2018, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose</u>	<u>Amount</u>
Special Revenue	General	Timing of payment	\$ 581,204
Capital Projects	General	Timing of payment	274,618
Total			<u>\$ 855,822</u>

**NOTE 5 CAPITAL ASSETS**

**A. Activity**

The following is a summary of the changes in the capital assets owned by the School System during the fiscal year 2018:

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Capital assets not being depreciated				
Land	\$ 5,561,453	\$ -	\$ -	\$ 5,561,453
Construction-in-progress	3,862,186	16,298,704	(1,660,223)	18,500,667
Total capital assets not being depreciated	<u>9,423,639</u>	<u>16,298,704</u>	<u>(1,660,223)</u>	<u>24,062,120</u>
Capital assets being depreciated				
Buildings	297,457,004	-	-	297,457,004
Improvements other than buildings	17,402,010	672,770	-	18,074,780
Furniture, equipment and vehicles	26,252,556	2,280,356	(4,042,876)	24,490,036
Total capital assets being depreciated	<u>341,112,568</u>	<u>2,953,126</u>	<u>(4,042,876)</u>	<u>340,021,820</u>
Less accumulated depreciation for				
Buildings	(145,609,885)	(13,809,296)	-	(159,419,181)
Improvements other than buildings	(6,913,887)	(852,603)	-	(7,766,490)
Furniture, equipment and vehicles	(17,164,585)	(1,327,741)	3,319,420	(15,172,906)
Total accumulated depreciation	<u>(169,689,355)</u>	<u>(15,989,640)</u>	<u>3,319,420</u>	<u>(182,358,577)</u>
Total capital assets being depreciated, net	<u>171,423,213</u>	<u>(13,036,514)</u>	<u>(723,456)</u>	<u>157,663,243</u>
	<u>\$ 180,846,852</u>	<u>\$ 3,262,190</u>	<u>\$ (2,383,679)</u>	<u>\$ 181,725,363</u>

Depreciation expense was charged to functions/programs as follows:

<u>Government activities:</u>	<u>Amount</u>
Administration	\$ 833,379
Mid-level administration	2,201
Instruction other costs	14,710,303
Special education	22,321
Student services	2,617
Student transportation	58,047
Operation of plant	107,057
Maintenance of plant	127,585
Food and nutrition	113,382
Community Services	3,153
Capital Outlay	9,595
	<u>\$ 15,989,640</u>

**B. Construction Commitments**

The School System has active construction projects as of June 30, 2018. These projects are additions and renovations to school buildings. At year-end the School System commitments with contractors are as follows:

<u>Projects</u>	<u>Spent to Date</u>	<u>Remaining Commitments</u>
Gilpin Manor Elementary new school	\$ 15,730,551	\$ 5,467,448
Cecil Manor Elementary water line installation	69,750	212,706
Bohemia Manor High water line installation	10,250	4,550
Chesapeake City Elementary new school	164,152	664,640
Cecil Manor Elementary roof replacement	762,031	140,299
Perryville High boiler	302,355	581,145
Bohemia Manor High roof replacement	522,049	998,096
Conowingo Elementary boiler	57,051	253,069
Providence School roof replacement	10,146	260,990
Rising Sun Elementary boiler	81,115	384,149
Total	<u>\$ 17,709,450</u>	<u>\$ 8,967,092</u>

**NOTE 6 Long-term obligations**

**A. Compensated Absences**

School system employees who are employed on a twelve-month basis are granted annual leave at varying rates based on years of service. Those employees may accumulate annual leave up to a maximum of fifty days. Upon termination of employment, accumulated annual leave is paid to the employee and is reported in the form of salary expenditures in the General Fund and Special Revenue Fund. Annual leave pay is accrued when incurred in the government-wide statement.

**B. Capital Leases**

The School System’s capital leases represent obligations incurred to finance the purchase of school maintenance vehicles, relocatables, and improvements to buildings. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments at the inception date. Both the General Fund and the Capital Projects Fund are being used to liquidate capital leases. The assets acquired through capital leases are as follows:

Asset	Total
Buildings	\$ 465,039
Improvements other than buildings	5,455,497
Furniture, fixtures and equipment	4,740,926
Less accumulated depreciation	(4,857,559)
	<u>\$ 5,803,903</u>

The following are the future minimum payments under the School System’s capital lease obligations and represent the present value of the minimum lease payments for the amount capitalized as of the fiscal year ended June 30, 2018:

Fiscal years ending June 30:	Total
2019	\$ 995,887
2020	916,403
2021	827,979
Total payments	2,740,269
Less interest	(61,963)
Capitalized lease obligations	<u>\$ 2,678,306</u>

**C. Changes in Long-term Liabilities**

Noncurrent liabilities reported in the Statement of Net Position include capital leases and compensated absences. A portion of the capital leases are liquidated through the capital projects fund and a portion is liquidated through the general fund. The other liabilities are liquidated through the general fund. The schedule below presents the current year activity and year-end balances for the School System’s noncurrent liabilities:



	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital leases	\$ 3,431,595	\$ 277,605	\$ (1,030,894)	\$ 2,678,306	\$ 961,802
Compensated absences	2,966,915	234,043	(114,636)	3,086,322	315,053
Net OPEB liability	49,920,676	5,499,354	(4,752,845)	50,667,185	-
Net pension liability	11,543,395	-	(1,433,141)	10,110,254	-
Long-term liabilities	<u>\$ 67,862,581</u>	<u>\$ 6,011,002</u>	<u>\$ (7,331,516)</u>	<u>\$ 66,542,067</u>	<u>\$ 1,276,855</u>

**NOTE 7 OPERATING LEASES**

The School System has long-term commitments as the lessee under various non-cancelable operating leases for copiers and duplicating equipment. Total expenditures incurred in fiscal year 2018 under these leases amounted to \$1,124,149. The aggregate future rental payments under these commitments are \$2,760,422 summarized as follows:

<u>Fiscal year ending June 30:</u>	<u>Office Equipment</u>
2019	\$ 1,061,633
2020	753,749
2021	518,751
2022	426,289
Total	<u>\$ 2,760,422</u>

**NOTE 8 GRANT PROGRAM REVENUE**

Certain programs serving specific needs and purposes of the School System and the welfare of the students are funded by restricted Federal and State grants. Monies so acquired, amounting to \$81,399,692 during the fiscal year ended June 30, 2018, were used in the designated programs and did not supplant funding for the unrestricted programs. The General and Special Revenue Funds accounted for \$65,908,362 and the Capital Project Fund accounted for \$15,491,330.

**NOTE 9 COMMITMENTS AND CONTINGENCIES**

**A. Risk Management**

The School System is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and related disasters. The system is a member of the Maryland Association of Boards of Education Group Insurance Pool (MABE) and the Workers' Compensation Group Self-Insurance Fund. MABE is a public entity risk pool currently operating as a common risk management and insurance program for fourteen member counties to reduce the amount of claims expenditures incurred. Under the group insurance pool, coverage for casualty losses are at the replacement cost of the asset. General liability losses are limited to \$400,000 per incident beginning October 1, 2016 as provided by the

State of Maryland’s Sovereign Immunity Law. In the event that the Sovereign Immunity Law is not applicable, the system is covered up to \$1,000,000 per incident. There have been no reductions in the insurance coverage in the current year and settlements have not exceeded insurance coverage for the last three fiscal years. The Workers’ Compensation Group Self-Insurance Fund provides coverage for up to the statutory limit of each incident.

**B. Healthcare Claims Incurred But Not Reported**

The School System is self-insured for the core healthcare plan. Healthcare claims incurred but not reported as of June 30, 2018 are estimated to be in the amount of \$1,426,000. This amount is \$287,000 less than the claims estimated to be outstanding in the prior year and the total is expected to be paid within the next fiscal year.

<b>Fiscal Year</b>	<b>Beginning Balance</b>	<b>Claims Incurred</b>	<b>Claims Paid</b>	<b>Ending Balance</b>
2017	\$ 1,606,000	\$ 23,271,092	\$ 23,164,092	\$ 1,713,000
2018	\$ 1,713,000	\$ 26,112,316	\$ 26,399,316	\$ 1,426,000

**C. Sick Leave**

As of June 30, 2018, the amount of accumulated unused sick leave was estimated to be \$26,280,700. It is not practical to estimate the portion of such amount that will ultimately be paid because payment is contingent upon employees’ future illnesses. Management expects the School System’s commitment to provide sick leave to be met during the normal course of activities over the working lives of its present employees.

As a condition of retirement, the School System will pay employees up to ten days accumulated sick leave. All accrued sick leave above 10 days is applied to each employee’s service record. Management, based on past experience, does not expect such amounts to be significant.

**D. Sick Leave Bank**

As of June 30, 2018, the amount of accumulated unused sick leave included in the sick leave bank was estimated to be \$2,744,743. The sick leave bank is an extra source of sick leave available to those employees who are eligible and elect to participate. Participation is based on a formula for donating sick days to the bank based on the employees’ classification and accrued sick leave. Management believes it is not practical to estimate the portion of such amount which will ultimately be paid because payment is contingent upon employees’ future illnesses.

Management expects the School System’s commitment to provide sick leave to be met during the normal course of activities over the working lives of its present employees.

**E. Special Grants**

The School System participates in a number of Federal and State assisted programs. These programs are generally subject to program compliance audits by the grantors or their representatives. As of June 30, 2018, the compliance audits of certain programs have not yet been conducted and/or accepted by the appropriate authorities. Accordingly, the system's compliance with applicable program requirements for these programs will be established conclusively at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. Based on past experience, the School System does not expect such amounts, if any, to be significant.

**F. Labor Relations**

The collective bargaining agreement with the Cecil County Classroom Teachers' Association (CCCTA) for the period July 1, 2016 through June 30, 2019 is a three year agreement with a 1.0% COLA for the first year and COLA for years 2 and 3 will be based on the CPI-U not to exceed 1.5% as reported in November of 2017 for fiscal year 2018 and not to exceed 2.0% as reported in November of 2018 for fiscal year 2019. Incremental steps are to be funded for each of the three years.

The collective bargaining agreement with the Cecil County Public Schools Administrators' and Supervisors' Association (CCPSASA) for the period July 1, 2016 through June 30, 2019 is a three year agreement with a 1.0% COLA for the first year and COLA for years 2 and 3 will be based on the CPI-U not to exceed 1.5% as reported in November of 2017 for fiscal year 2018 and not to exceed 2.0% as reported in November of 2018 for fiscal year 2019. Incremental steps are to be funded for each of the three years.

The collective bargaining agreement with the Cecil Education Support Personnel Association (CESPA) for the period July 1, 2018 through June 30, 2021 is a three year agreement with a 2.0% COLA for the first year and COLA for years 2 and 3 will be based on the CPI-U not to exceed 2.0% as reported in November of 2018 for fiscal year 2020 and November of 2019 for fiscal year 2021.

Meet and Confer discussions with the Central Office Support Services Leadership Association (COSSLA) for the period July 1, 2018 through June 30, 2021 resulted in a three year agreement with a 2.0% COLA for the first year and COLA for years 2 and 3 will be based on the CPI-U not to exceed 2.0% as reported in November of 2018 for fiscal year 2020 and November of 2019 for fiscal year 2021. Incremental steps are to be funded for each of the two years.

**G. Litigation**

The School System is a defendant in law suits and other claims that occur in the ordinary course of school system operations. Most lawsuits and claims are covered by the Maryland Association

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of Boards of Education Group Insurance Pool. During the year ended, June 30, 2018, the School System was named in suits that could result in a liability not covered by insurance, although such costs are not estimable and determinable due to the early stage of the case. It is the opinion of management that such lawsuits and claims will not have a material, adverse impact on the School System's financial condition.

**NOTE 10 OTHER POST EMPLOYMENT BENEFITS**

**A. Plan Description and Benefits Provided**

The Cecil County Public Schools Retiree Health and Welfare Plan (the "Plan") is a single employer defined benefit healthcare plan administered by the School System. In May 2008, the School System entered into an agreement with the Maryland Association of Boards of Education (MABE), together with certain member Boards of Education in Maryland to establish the MABE Pooled OPEB Investment Trust (MABE Pool) in order to pool assets of the member Boards of Education for investment purposes only. Each member of the MABE Pool is required to designate a member trustee who is a trustee of the member trust. The member trustees of the MABE Pool shall ensure that the MABE Pool keep such records as are necessary in order to maintain a separation of the assets of the Trust from the assets of trusts maintained by other governmental employers. Assets of the member trusts are reported in their respective CAFR using the economic resources measurement focus and the accrual basis of accounting under which expenses are recorded when the liability is incurred. Employer contributions are recorded in the accounting period in which they are earned and become measurable. Investments are reported at fair value and are based on published prices and quotations from major investment brokers at current exchange rates, as available.

The Trust prohibits any part of the Trust to be used for or diverted to purposes other than providing benefits to participants and beneficiaries under the Plan. The Trust provides that in no event will the assets of the Trust be transferred to an entity that is not a state, a political subdivision or an entity the income of which is excluded from taxation under taxation under Section 115 of the IRS Code.

The MABE Pool issues a publicly available audited GAAP-basis report that includes financial statements and required supplementary information for the Trust. This report may be obtained by writing to Mr. Steven James, Trust Administrator, Maryland Association of Boards of Education, 621 Ridgely Avenue, Suite 300, Annapolis, MD 21401 or calling (410) 841-5414.

The Plan provides medical, prescription drug, dental and vision benefits to eligible retirees, their spouses and eligible dependents. All classes of employees are eligible to participate in the Plan upon retirement. Participants must meet the eligibility requirements of the Maryland State Teachers' pension system, which are age 55 with 15 years of service, 30 years of service, or age 62 with 5 years of service. To be eligible for continued retiree healthcare coverage, the retiree

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must have been enrolled in the School System's sponsored Plan for at least one full year immediately prior to retirement. In addition, eligible spouses and dependents desiring coverage through the eligible retiree's plan must be enrolled in the Plan immediately prior to the retiree's effective date of retirement. As of June 30, 2018, the date of the last actuarial valuation, approximately 732 retirees and their beneficiaries were receiving benefits and an estimated 1,547 active employees were potentially eligible to receive future benefits.

**B. Contributions**

The School System contributes towards the retiree's healthcare premiums based on the retiree's age and years-of-service. Under 65/non-Medicare eligible retirees may receive from \$3,592 annually for 14 years-of-service up to \$9,443 annually for 30 or more years of service. Over 65/Medicare eligible retirees may receive from \$2,239 annually for 14 years of service up to \$3,878 annually for 30 or more years of service. The retiree pays the remaining premium for the selected plan, including the cost of eligible dependents. The amount of the subsidy may be subject to the collective bargaining process and/or the School System's determination of contribution limits. The authority to establish and amend benefit provisions of the Plan rests with the School System. The School System establishes rates based on an actuarially determined rate. For the fiscal year 2018, the School System's contribution was \$878,464.

For the fiscal year 2018, retirees contributed \$2,383,277 or 38.1% of the total premiums and benefits cost of \$6,263,251. In May 2008, the School System created the Retiree Benefit Trust of the Board of Education of Cecil County (the "Trust") in order to arrange for the establishment of a reserve to pay promised future health and welfare benefits for employee services that have already occurred. The School System intends the contributions to the Trust qualify as "contributions in relation to the actuarial required contribution" that the Trust will qualify as a "trust or equivalent arrangement".

Contributions by the School System are solely dependent on the governmental entities that provide funding for the School System. Employee and retiree contributions are not permitted. The Chief Financial Officer, Associate Superintendent for Administrative Services, and the Supervisor of Human Resources are the trustees of the Trust with final authority in all matters pertaining to the Trust.

**C. Net OPEB Liability**

The School System's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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As of the measurement date of June 30, 2018:

- Entry Age Normal Funding Method
- Future Salary Increases:

<u>Years of Service</u>	<u>General</u>
0	8.65%
1	7.15%
2-9	5.65%
10 and above	Varies by age

- 88% of employees with coverage are assumed to elect coverage in retirement
- The trend is based on the SOA Long-Run Medical Cost Trend Model which was released on Nov 2012 (v.12.11), 1.5% GDP. The trend was modified to take into account the impact of the Cadillac Tax.
- Employer subsidy amounts are assumed to increase at a rate of 2.5% per year
- Below is a summary of decrements used in this valuation. Sample Retirement, Disability, and Termination rates are illustrated in the tables below.

<u>Mortality Decrements</u>	<u>Description</u>
1) Healthy	SOA RPH-2014 White Collar Headcount-weighted Mortality with Scale MP-2014
2) Disabled	SOA RPH-2014 Disabled Retiree Headcount-weighted Mortality, male set forward 1 year

- The actuarial determined contribution (ADC) is calculated as of 6/30/2018. The trust assets as of 6/30/2018. Actuarial valuations are done every other year.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of real rates of return for each major asset class included in the target asset allocation as of June 30, 2018, (see the discussion of the MABE Trust's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Expected Rate of Return	Standard Deviation
Large Cap	16.00%	6.50%	16.30%
Mid Cap	7.00%	7.10%	19.00%
Small Cap	7.50%	7.60%	22.30%
Int'l Developed Equities	16.50%	8.60%	20.10%
Int'l Emerging Mkt Equities	8.00%	10.80%	27.80%
U.S. Real Estate	5.00%	7.70%	19.20%
U.S. Investment Grade Bonds	30.00%	3.70%	8.40%
U.S. High Yield Bonds	6.00%	6.00%	9.90%
Emerging Markets Bonds	1.00%	5.70%	12.70%
Cash	3.00%	2.30%	1.70%

\*The expected rate of inflation rate is 2.5%

The capital market assumptions referenced above were developed by Capital Market Consultants, Inc. and are applicable as of June 2018. A detailed explanation of Capital Market Consultants, Inc. methodology can be provided upon request.

The discount rate used to measure the total OPEB liability was 6.75%.

This discount rate was selected based on the MABE investment allocation of 60 percent equities and 40 percent fixed income investments, and 20 year expectations for equities and fixed income from the Horizon survey.

**D. Net OPEB Plan's Fiduciary Net Position**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Postion	Net OPEB Liability (a)-
Balances at June 30, 2017	\$ 61,554,580	\$ 11,633,904	\$ 49,920,676
Changes for the year:			
Service Cost	1,446,260	-	1,446,260
Interest	4,053,094	-	4,053,094
Changes of Benefit Terms	-	-	-
Experience Losses	-	-	-
ER Trust Contribution	-	3,895,952	(3,895,952)
Net Investment Income	-	856,893	(856,893)
Changes in Assumptions	-	-	-
Benefit Payments	(3,017,488)	(3,017,488)	-
Administrative Expense	-	-	-
Net Changes	<u>2,481,866</u>	<u>1,735,357</u>	<u>746,509</u>
Balance as of June 30, 2018	<u>\$ 64,036,446</u>	<u>\$ 13,369,261</u>	<u>\$ 50,667,185</u>

Funded status 20.88%

Sensitivity of the net OPEB liability to changes in the discount rate and health-care cost trend rates: The following presents the net OPEB liability of the School System, as well as what the School System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
Discount Rate	5.75%	6.75%	7.75%
Total OPEB Liability	\$ 72,714,528	\$ 64,036,446	\$ 56,848,476
Net OPEB Liability/(Asset)	\$ 59,345,267	\$ 50,667,185	\$ 43,479,215

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the net OPEB liability of the School System, as well as what the School System's net OPEB liability would be if it were calculated using the healthcare cost trend rates that are 1-percentage-point lower (1.50%) or 1-percentage-point higher (3.50%) than the current healthcare cost trend rates:

	1% Decrease	Medical Trend	1% Increase
Ultimate Trend	1.50%	2.50%	3.50%
Total OPEB Liability	\$ 55,747,887	\$ 64,036,446	\$ 74,447,526
Net OPEB Liability/(Asset)	\$ 42,378,626	\$ 50,667,185	\$ 61,078,265



The elements of the OPEB Plan's basic financial statements are included within the *Statement of Fiduciary Net Position - Fiduciary Funds and Statement of Changes in Fiduciary Net Position - Fiduciary Funds*, in the accompanying financial statements.

**E. OPEB Expense and Deferred Outflows of Resources Related to OPEB**

For the year ended June 30, 2018, the School System recognized OPEB expense of \$780,074. At June 30, 2018, the School System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	33,565
Total	<u>\$ -</u>	<u>\$ 33,565</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year ended June 30:	
2019	\$ (8,391)
2020	(8,391)
2021	(8,391)
2022	(8,392)
2023	-
Thereafter	-
	<u>\$ (33,565)</u>

**NOTE 11 PENSION PLAN**

**A. Summary**

The School System follows GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions* (GASB No. 68). The School System participates in the Maryland State Retirement and Pension System (the System) and qualifies as a Participating Governmental Unit (PGU). The State Retirement Agency (the Agency) is the Plan administrator and fiduciary. GASB No. 68 requires that a PGU recognize its proportionate share of the System's net pension liability (i.e. unfunded pension liability) and pension expense. The System is comprised of the Teachers' Retirement and Pension Systems, Employees' Retirement and Pension Systems, State Police Retirement Pension System, Judges' Retirement System, and the Law Enforcement Officers' Pension System. The School System's employees participate in both the Teachers' Retirement and Pension Systems and the Employees' Retirement and Pension Systems. The School System's proportionate share

for employees participating in the Employee's Retirement and Pension Systems is based on total System contributions and approximates 0.468% as of the measurement date of June 30, 2017.

The School System previously adopted GASB No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB No. 68*. GASB No. 71, which is only applicable during the year GASB No. 68 was adopted, requires that contributions to the pension plan subsequent to the beginning measurement date be recognized as the beginning deferred outflow of resources.

The School System's employees participate in the System and contributed 7% of their compensation during fiscal 2018 as stipulated by the System. For employees participating in the Employees' Retirement and Pension Systems, the School System contributed \$1,033,503 to the System for fiscal 2018 which was actuarially determined based on statutory provisions. In relation to these employees, the School System has also recognized in Pension Expense its proportionate share of the System's deferred inflows of resources (an increase in Pension Expense) attributable to the net difference between projected and actual investment earnings on pension plan assets and its proportionate share of the System's deferred outflows of resources (a decrease in Pension Expense) attributable to changes in assumptions.

For employees participating in the Teachers' Retirement and Pension Systems, the State of Maryland (the non-employer contributing entity) pays the full employer pension cost, except for those employees eligible under the Teachers' Pension System working on federal grant programs. During the year ended June 30, 2018, the State of Maryland paid \$12,681,314 in pension costs, relating to employees of the School System participating in the Teachers' Retirement and Pension Systems, which equaled approximately 10.3% of the covered payroll. Therefore, any pension liability, deferred outflow of resources, deferred inflow of resources and related financial reporting disclosures, in relation to these employees are included in the State of Maryland Comprehensive Annual Financial Report.

### **Basis of presentation and basis of accounting**

In relation to the Employee's Retirement and Pension Systems of the System:

1. Employers participating in the System's cost-sharing multiple-employer defined benefit plans are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The Schedule of Employer Allocations and Schedule of Pension Amounts by Employer (pension allocation schedules) provide employers with the required information for financial reporting. The System's financial statements are prepared on the accrual basis of accounting and are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) that apply to governmental accounting for the fiduciary funds.
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2. Actual employer contributions billed to participating government units for the year ending June 30, 2017, are used as the basis for determining each employer's proportionate share of the collective pension amounts reported in the Schedule of Employer Allocations. The contributions were adjusted by increasing contributions by approximately \$77 million to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland for the year ended June 30, 2016. Because the State of Maryland contributed 100% of the actuarial determined contributions, there were no adjustments for the year ended June 30, 2017.
  
3. The components of the calculation of the net pension liability for the system of June 30, 2017, calculated in accordance with GASB Statement No. 67, are shown in the following table.

Total Pension Liability	\$ 70,610,885,000
Plan Fiduciary Net Position	48,987,184,000
Net Pension Liability	\$ 21,623,701,000
Plan fiduciary net position as a percentage of	
total pension liability	69.38%

**Actuarial Assumptions**

As of the measurement date of June 30, 2017:

- Actuarial - Entry Age Normal
- Amortization Method - Level Percentage of Payroll, Closed
- Asset Valuation Method - 5-year smoothed market; 20% collar
- Inflation - 2.65% general, 3.15% wage
- Salary Increases - 3.15% to 9.15%
- Discount Rate - 7.50%
- Investment Rate of Return - 7.50%
- Retirement Age - Experienced-based table of rates that is specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
- Mortality – RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

**Investments**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return

by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Pension system’s Board after considering input from the investment consultant(s) and actuary(s). For each major asset class that is included in the Pension System’s target asset allocation, these best estimates are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocations</b>	<b>Long-Term Expected Real Rate of Return</b>
Public Equity	36%	5.3%
Private Equity	11%	7.0%
Rate Sensitive	21%	1.2%
Credit Opportunity	9%	3.6%
Real Assets	15%	5.7%
Absolute Return	<u>8%</u>	3.1%
Total	<u>100%</u>	

The above was the Pension System’s Board of Trustees adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2017.

**Discount Rate**

A single discount rate of 7.50% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**A. Sensitivity of the Net Pension Liability**

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the System’s net pension liability and the School System’s proportionate share of the System’s net pension liability, calculated using a single discount rate of 7.50%, a single discount rate that is 1-percentage point lower (i.e. 6.50%) and as single discount rate that is 1-percentage point higher (i.e. 8.50%):

	1% Lower - 6.50%	Current Rate - 7.50%	1% Higher - 8.50%
The System's Net Pension Liability	\$ 30,645,067,000	\$ 21,623,701,000	\$ 14,138,519,000
The School System's Proportionate Share of Net Pension Liability for Employees' Retirement & Pension Systems	\$ 14,328,224	\$ 10,110,254	\$ 6,610,521
The School System's Proportionate Share of Net Pension Liability for Teachers' Retirement & Pension Systems	\$ -	\$ -	\$ -

**B. Pension Plan Description**

**Organization**

The State Retirement Agency (the Agency) is administrator of the System. The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The system is made up of two cost-sharing employer pools: the "State Pool" consists of the State agencies, boards of education, community colleges, and libraries. The "Municipal Pool" consists of the participating governmental units that elected to join the System. Neither pool shares in each other's actuarial liabilities, thus participating governmental units that elect to join the System (the "Municipal Pool"), share in the liabilities of the Municipal Pool only. The State of Maryland is the statutory guarantor for the payment of all pensions, annuities, retirement allowances, refunds, reserves, and other benefits of the System. The Agency is legally authorized to use all assets accumulated for the payment of benefits to pay such obligations to any plan member or beneficiary as defined by the terms of the plan. Consequently, the System is accounted for as a single plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 25*. Additionally, the System is fiscally dependent on the State by virtue of the legislative and executive controls exercised with respect to its operations, policies, and administrative budget. Accordingly, the System is included in the State's reporting entity and disclosed in its financial statements as a pension trust fund. The System is comprised of the Teachers' Retirement and Pension Systems, Employees' Retirement and Pension Systems, State Police Retirement System, Judges' Retirement System, and the Law Enforcement Officers' Pension System. The School System's employees participate in both the Teachers' Retirement and Pension System and the Employees' Retirement and Pension System.

**Covered Members**

The Teachers' Retirement System was established on August 1, 1927, to provide retirement allowances and other benefits to teachers in the State. Effective January 1, 1980, the Teachers' Retirement System was closed to new members and the Teachers' Pension System was

established. As a result, teachers hired after December 31, 1979, became members of the Teachers' Pension System as a condition of employment. On or after January 1, 2005, an individual who is a member of the Teachers' Retirement System may not transfer membership to the Teachers' Pension System.

On October 1, 1941, the Employees' Retirement System was established to provide retirement allowances and other benefits to State employees, elected and appointed officials and the employees of participating governmental units. Effectively January 1, 1980, the Employees' Retirement System was essentially closed to new members and the Employees' Pension System was established. As a result, State employees (other than correctional officers) and employees of participating units hired after December 31, 1979, became members of the Employees' Pension System as a condition of employment, while all State correctional officers and members of the Maryland General Assembly continue to be enrolled as members of the Employee's Retirement System. On or after January 1, 2005, an individual who is a member of the Employee's Retirement System may not transfer membership to the Employees' Pension System. Currently, more than 150 governmental units participate in the Employees' Retirement System.

### **Summary of Significant Plan Provisions**

All plan benefits are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. For all individuals who are members of the System on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For any individual who becomes a member of one of the pension systems on or after July 1, 2011, pension allowances are computed using both the highest five consecutive years' AFC and the actual number of years accumulated creditable services. Various retirement options are available under each system which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors. Beginning July 1, 2011, the member contribution rate was increased for members of the Teachers' Pension System and Employees' Pension System from 5% to 7%, and from 4% to 6% respectively, in fiscal year 2013. In addition, the benefit attributable to service on or after July 1, 2011 in many of the pension systems now will be subject to different cost-of-living adjustments (COLA) that is based on the increase in the Consumer Price Index (CPI) and capped at 2.5% or 1.0% based on whether the market value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation. A brief summary of the retirement eligibility requirements of and the benefits available under various systems in effect during fiscal year 2017, are as follows:

### **Service Retirement Allowances**

A member of the Teachers' or Employee's Retirement System is generally eligible for full

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retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals  $1/55$  (1.81%) of the member's AFC multiplied by the number of years of accumulated creditable service. An individual who is a member of the Teachers' or Employees' Pension System on or before June 30, 2011, is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of the Teachers' or Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service. For most individuals who retired from either the Teachers' or Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Teachers' or Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.8% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of the Teachers' or Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Teachers' or Employees' Pension System. Exceptions to these benefit formulas apply to members of the Employees' Pension System, who are employed by a participating governmental unit that does not provide the 1998 or 2006 enhanced pension benefits or the 2011 reformed pension benefits. The pension allowance for these members equals 0.8% of the member's AFC up to the social security integration level (SSIL), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the social security wage bases for the past 35 calendar years ending with the year the retiree separated from services.

### **Vested Allowances**

Any individual who is a member of the System on or before June 30, 2011 (other than a judge or a legislator), and who terminates employment before attaining retirement age but after accumulating 5 years of eligibility service is eligible for a vested retirement allowance. Any individual who joins the System on or after July 1, 2011 (other than a judge or a legislator), and who terminates employment before attaining retirement age but after accumulating 10 years of eligibility services is eligible for a vested retirement allowance. A member, who terminates employment prior to attaining retirement age and before vesting, receives a refund of all member contributions and interest.

### **Early Service Retirement**

A member of the Teachers' or Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of credible service, whichever is less. The maximum reduction for a Teachers' or an Employees' Retirement System member is 30%. An individual who is a member of the Teachers' or Employees' Pension System on or before June 30, 2011, may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the Teachers' or Employees' Pension System is 42%. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the Teachers' or Employees' Pension System is 30%.

### **Disability and Death Benefits**

Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of services receives a service allowance based on a minimum (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. A member (other than a member of the Maryland General Assembly or a judge, both of which are ineligible for accidental disability benefits) who is permanently and totally disabled as a result of an accident occurring in the line of duty receives 2/3 (66.7%) of the member's annual salary as of the date of death plus all member contributions and interest. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

### **Adjusted Retirement Allowances (as applicable)**

Retirement and pension allowances are increased annually to provide for changes in the cost of living according to prescribed formulae. Such adjustments for retirees are based on the annual change in the CPI. For the Teachers' and Employees' Retirement Systems (TRS/ERS) the method by which the annual COLA's are computed depends upon elections made by members who were active on July 1, 1984 (or within 90 days of returning to service, for members who were active on July 1, 1984) enabling the member to receive either an unlimited COLA, a COLA limited to 5% or a two part combination COLA depending upon the COLA election by the member. With certain exceptions, effective July 1, 1998, for Teachers', Employees', and Law Enforcement Officers' Pension System retirees, the adjustment is capped at a maximum 3% compounded and is applied to all benefits which have been in payment for one year. The annual increases to pension

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allowances for Employees' Pension System retirees who were employed by a participating governmental unit that does not provide enhanced pension benefits are limited to 3% of the initial allowance. However, beginning July 1, 2011, for benefits attributable to service earned on or after July 1, 2011, in all of the systems except the judges' and legislators' systems, the adjustment is capped at the lesser of 2.5% or the increase in CPI if the most recent calendar year market value of return was greater than or equal to the assumed rate. The adjustment is capped at the lesser of 1% or the increase in CPI if the market value return was less than the assumed rate of return. In years in which COLAs would be less than zero due to a decline in CPI, retirement allowances will not be adjusted. COLAs in succeeding years are adjusted until the difference between the negative COLA that would have applied and the zero COLA is fully recovered.

**C. Pension Liabilities, Pension Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions**

In relation to employees participating in the Employees' Retirement and Pension System, at June 30, 2018, the School System reported a liability of \$10,110,254 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation of that date. The School System's proportion of the net pension liability was based on a projection of the School System's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. At June 30, 2017, the School System's proportion was approximately 0.0468%.

In relation to these employees, for the year ended June 30, 2018, the School System recognized pension expense of \$115,172. At the measurement date of June 30, 2017, the School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Measurement Date of June 30, 2017	Deferred Outflows	Deferred Inflows
Changes in assumptions	\$ 400,219	\$ -
Difference between actual and expected experience	-	720,902
Net difference between projected and actual earnings on pension plan investments	1,335,171	636,704
Change in proportion	391,463	763,998
Contributions subsequent to the measurement date	1,033,503	-
Total	<u>\$ 3,160,356</u>	<u>\$ 2,121,604</u>

The deferred outflow of resources of \$1,033,503 relating to contributions subsequent to the measurement date of June 30, 2017 will be recognized as a reduction of the School System's net pension liability during the fiscal year ended June 30, 2019. The deferred outflows and inflows of resources due to changes in assumptions, differences between actual and expected experience,

change in proportion, and differences between projected and actual investment earnings represent the School System’s proportionate share of the unamortized portions of the System’s original amounts. The deferred inflows and outflows related to non-investment activity for 2017, 2016, 2015, and 2014 are being amortized over the remaining service lives ranging from 5.54 to 5.87 years. The deferred outflows and inflow balances related to net difference in investment earnings for 2017, 2016, 2015, and 2014 are being amortized over a closed five-year period. These unamortized amounts will be ratably recognized in pension expense over these services lives and closed five-year period.

The following tables show the amortization of these deferred outflows and inflows:

Fiscal Year Ended June 30,	Deferred Outflows	Deferred Inflows	Net
2019	\$ 676,945	\$ (507,752)	\$ 169,193
2020	646,181	(274,978)	371,203
2021	393,526	(269,064)	124,462
2022	10,532	(225,970)	(215,438)
2023	8,206	(79,842)	(71,636)
Total	<u>\$ 1,735,390</u>	<u>\$ (1,357,606)</u>	<u>\$ 377,784</u>

**Net Pension Liability**

The components of the School System’s proportionate share of the Pension System’s net pension liability as the measurement date of June 30, 2017 were as follows:

	In relation to employees participating in the Employees' Retirement and Pension System	In relation to employees participating in the Teachers' Retirement and Pension System	Total
Total Pension Liability	\$ 33,014,408	\$ 439,945,348	\$ 472,959,756
Plan Fiduciary Net Position	22,904,158	305,217,584	328,121,742
Net Pension Liability	10,110,254	134,727,764	144,838,018
Plan fiduciary net position as a percentage of total pension liability	69.38%	69.38%	69.38%

The School System’s proportionate share for the employees participating in the Employee’s Retirement and Pension Systems and the State of Maryland’s (the non-employer contributing entity’s) proportionate share for the employees participating in the Teachers’ Retirement and Pension Systems are both based on total System contributions for fiscal year 2018 and approximate 0.0468% and 0.6231%, respectively, as a measurement date of June 30, 2017.

**D. The Pension Plan Fiduciary**

Plan Information as well as the Comprehensive Annual Financial Report the Maryland State Retirement and Pension System for the year ended June 30, 2018 is available from:

State Retirement and Pension System of Maryland  
120 East Baltimore Street  
Baltimore, MD 21202

[www.sra.state.md.us](http://www.sra.state.md.us)

**NOTE 12 INSURANCE POOLS**

The School System participates in the Maryland Association of Boards of Education Group Insurance Pool (the Pool) and Workmen's Compensation Group Self-Insurance Fund (the Fund) for its general liability, property and workmen's compensation insurance coverage. Annual contributions are made based on historical loss, exposure factors, and payroll levels.

The Pool and the Fund have excess loss insurance for both specific and aggregate losses. Although the Pool and the Fund maintain reserves, the School System could be assessed for its share of any future shortfalls. The School System's Other Post Employment Benefit Plan (OPEB Plan) is administered through the School System's Retiree Benefits Trust Fund as an irrevocable trust and a member trust of the Maryland Association of Boards of Education (MABE) Pooled OPEB Investment Trust (MABE Pool). Assets of the Trust fund are dedicated to providing post-retirement health insurance coverage to current and eligible future retirees.

**NOTE 13 FAIR VALUE MEASUREMENTS**

The School System previously adopted GASB Statement No 72 - *Fair Value Measurement and Application*. This statement establishes a hierarchy of inputs to valuation techniques used to measure fair value:

- Level 1 - quoted market prices in active markets
- Level 2 - inputs other than quoted market prices that are observable either directly or indirectly
- Level 3 - unobservable inputs

The School System currently has the following investments and maturities as of June 30, 2018:

Investment Type	Fair Value	Investment Maturities (Years)		
		Less than 1	1-5	5+
<b>Pooled Investments</b>				
MLGIP - Mutual Funds (General Fund)	\$ 25,070,041	\$ 25,070,041	\$ -	\$ -
MLGIP - Mutual Funds (Special Revenue Fund)	2,287	2,287	-	-
MLGIP - Mutual Funds (Capital Projects Fund)	45,915	45,915	-	-
MLGIP - Mutual Funds (Fiduciary - Agency Fund)	76,605	76,605	-	-
MABE OPEB Trust - Mutual Funds (Fiduciary - Trust Fund)	13,368,630	13,368,630	-	-
<b>Total Investments</b>	<b>\$ 38,563,478</b>	<b>\$ 38,563,478</b>	<b>\$ -</b>	<b>\$ -</b>

The following table presents the financial assets that the School System measures at fair value or amortized cost:

Investments carried at fair value	Level 1		Redemption	Redemption
None	\$ -	\$ -	\$ -	\$ -
Investments carried at amortized cost				
MLGIP - Mutual Funds (General Fund)				\$ 25,070,041
MLGIP - Mutual Funds (Special Revenue Fund)				2,287
MLGIP - Mutual Funds (Capital Projects Fund)				45,915
MLGIP - Mutual Funds (Fiduciary - Agency Fund)				76,605
				<u>\$ 25,194,848</u>
Investments carried at net asset value (NAV)	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
MABE OPEB Trust	\$ 13,368,630	N/A	Daily	Six months

**NOTE 14 PRIOR PERIOD ADJUSTMENT**

The School System adopted GASB No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75) during the year ended June 30, 2018. GASB 75 requires that employers recognize their net OPEB liability and the related deferred outflows of resources, deferred inflows of resources and OPEB expense on their books. GASB 75 was applied retrospectively by restating the financial statements for all periods presented. The presentation of net OPEB liability and OPEB expense in accordance GASB 75 required the restatement of the beginning of the year net position. Accordingly, the beginning of the year net position was reduced by the beginning of the year net OPEB liability of \$49,920,676.

# REQUIRED SUPPLEMENTARY INFORMATION



**Schedule of Changes in Net OPEB Liability and Related Ratios**

	Last 10 Fiscal Years									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Total OPEB liability</b>										
Service cost									\$	1,446,260
Interest										4,053,094
Changes of benefit terms										-
Differences between expected and actual experience										-
Changes of assumptions										-
Benefit payments										(3,017,488)
<b>Net change in total OPEB liability</b>										2,481,866
<b>Total OPEB liability - beginning</b>										61,554,580
<b>Total OPEB liability - ending (a)</b>										<u>\$ 64,036,446</u>
	Information for fiscal year 2017 and earlier is not available									
<b>Plan fiduciary net position</b>										
Contributions - employer									\$	3,895,952
Net investment income										856,893
Benefit payments										(3,017,488)
Administrative expense										-
<b>Net change in plan fiduciary net position</b>										1,735,357
Plan fiduciary net position - beginning										11,633,904
Plan fiduciary net position - ending (b)										<u>13,369,261</u>
School System's net OPEB liability - ending (a) - (b)										<u>50,667,185</u>
Plan fiduciary net position as a percentage of the total OPEB liability										20.88%
Covered - employee payroll <sup>1</sup>									\$	122,705,195
Net OPEB liability as a percentage of covered-employee payroll <sup>1</sup>										41.3%
Expected Average Remaining Service Years of All Participants										14

**Notes to Schedule:**

Benefit changes: None

Changes of assumptions: The discount rate was changed as follows:

6/30/2017 6.75%

6/30/2018 6.75%

<sup>1</sup>Because this OPEB plan does not depend on salary, we do not have salary information.

**Schedule of Board Contributions**

	Fiscal Year												
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018			
Actuarially determined contribution									\$	4,817,838	\$	4,676,026	
Contributions in relation to the actuarially determined contribution										<u>3,060,910</u>		<u>3,895,952</u>	
Contribution deficiency (excess)										\$	1,756,928	\$	780,074
Covered payroll <sup>1</sup>	Information for fiscal year 2016 and earlier is not available												
Contribution as a percentage of covered employee payroll <sup>1</sup>													

<sup>1</sup>Because this OPEB plan does not depend on salary, we do not have salary information.

**Notes to Schedule:**

Valuation date: The FY 2018 actuarially determined contribution (ADC) is calculated as of 6/30/2018  
The trust assets as of 6/30/2018. Actuarial valuations are done every other year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age normal

Amortization method Straight Line

Remaining amortization period Liabilities gains or losses are recognized over 14 years, asset gains or losses over 5 years

Asset valuation method Market value of assets

Investment rate of return 6.75%

Inflation 2.50%

Healthcare cost trend rates Employer Subsidy Amounts are Expected to Increase 2.5% per year. There is no other benefit provide.

**Schedule of Investment Returns**

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Annual money-weighted rate of return, net of investment										
	Information for fiscal year 2016 and earlier is not available								11.24%	7.36%

**Additional Information - Schedule of Required Pension Related Supplementary Information**

**Schedule of the Proportionate Share of the Net Pension Liability for the Employee's Retirement and Pension System**

	FY 2018	FY 2017	FY 2016	FY 2015
Proportion (%) of collective net pension liability	0.0468%	0.0489%	0.0521%	0.0479%
Proportionate share (\$) of collective net pension liability	\$ 10,110,254	\$ 11,543,395	\$ 10,817,616	\$ 8,506,595
School System's covered payroll (\$)¹	\$ 12,319,095	\$ 12,003,972	\$ 11,442,991	\$ 11,297,736
Proportionate share of collective net pension liability as a percentage of its covered payroll	82.1%	96.2%	94.5%	75.3%
Pension plan's fiduciary net position as a percentage of the total pension liability	69.38%	65.79%	68.78%	71.87%

1 - In accordance with GASB No. 82, amounts shown represent the payroll on which contributions to the pension plan are based.

**Schedule of the Proportionate Share of Net Pension Liability for the Teachers' Retirement & Pension Systems**

	FY 2018	FY 2017	FY 2016	FY 2015
Proportion (%) of collective net pension liability	0.0%	0.0%	0.0%	0.0%
Proportionate share (\$) of collective net pension liability	\$ -	\$ -	\$ -	\$ -
Portion of the State of Maryland's total proportionate share (\$) of collective net pension liability that is associated with the School System	\$ 134,727,764	\$ 161,402,938	\$ 128,424,705	\$ 98,871,677
Sum of the School System's and portion of the State of Maryland's total proportionate share (\$) of collective net pension liability that is associated with the School System	\$ 134,727,764	\$ 161,402,938	\$ 128,424,705	\$ 98,871,677
School System's covered payroll (\$)¹	\$ 110,154,901	\$ 108,244,834	\$ 104,593,637	\$ 102,679,586
School System's proportionate share of collective net pension liability as a percentage of its covered payroll	0.0%	0.0%	0.0%	0.0%
Pension plan's fiduciary net position as a percentage of the total pension liability	69.38%	65.79%	68.78%	71.87%

1 - In accordance with GASB No. 82, amounts shown represent the payroll on which contributions to the pension plan are based.



**CECIL COUNTY PUBLIC SCHOOLS**  
**Required Supplementary Information**

**Year Ended June 30, 2018**

The above schedules are presented to illustrate the requirement for specified information for 10 years. However, until a full 10-year trend is compiled, information is only presented for those years for which information is available.

SCHEDULE OF PENSION PLAN CONTRIBUTIONS FOR THE EMPLOYEES' RETIREMENT AND PENSION SYSTEM										
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 1,230,000	\$ 951,633	\$ 953,101	\$ 1,097,148	\$ 1,117,019	\$ 998,507	\$ 1,229,056	\$ 1,222,619	\$ 859,455	\$ 793,648
Contributions in relation to the contractually required contribution	878,464	951,633	953,101	1,097,148	1,117,019	998,507	1,229,056	1,222,619	859,455	793,648
Contribution deficiency (excess)	\$ 351,536	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cecil County Public Schools' covered payroll	\$ 12,319,095	\$ 12,003,972	\$ 11,442,991	\$ 11,297,736	\$ 11,192,273	\$ 11,106,870	\$ 11,234,516	\$ 11,289,187	\$ 11,313,583	\$ 10,719,289
Contributions as a percentage of covered payroll	7.13%	7.93%	8.33%	9.71%	9.98%	8.99%	10.94%	10.83%	7.60%	7.40%

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# INDIVIDUAL FUND FINANCIAL STATEMENT



**CECIL COUNTY PUBLIC SCHOOLS**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND - STUDENT ACTIVITIES**  
**YEAR ENDED JUNE 30, 2018**

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Assets:				
Cash and cash equivalents	\$ 1,611,238	\$ 2,029,959	\$ (1,971,390)	\$ 1,669,807
Total Assets	\$ 1,611,238	\$ 2,029,959	\$ (1,971,390)	\$ 1,669,807
Liabilities:				
Due to student groups	\$ 1,611,238	\$ 2,029,959	\$ (1,971,390)	\$ 1,669,807
Total Liabilities	\$ 1,611,238	\$ 2,029,959	\$ (1,971,390)	\$ 1,669,807

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# STATISTICAL SECTION





# Statistical Section Contents

This part of the Cecil County Public School’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 government’s overall financial health.

	Page
<b>FINANCIAL</b>	107
<i>These schedules contain trend information to help the reader understand how the School System’s financial performance and well-being have changed over time.</i>	
<b>REVENUE AND EXPENSE</b>	111
<i>These schedules contain information to help the reader assess the School System’s most significant revenue by source and expenditures by function.</i>	
<b>DEMOGRAPHIC</b>	120
<i>These schedules offer demographic indicators to help the reader understand the environment within which the School System’s financial activities take place.</i>	
<b>OPERATING</b>	125
<i>These schedules contain data to help the reader understand how the information in the School System’s financial report relates to the services the School System provides.</i>	

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**CECIL COUNTY PUBLIC SCHOOLS  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities										
Net Investment in capital assets	\$ 179,047,057	\$ 177,415,257	\$ 181,891,093	\$ 178,073,096	\$ 162,961,619	\$ 165,066,192	\$ 169,073,812	\$ 174,717,150	\$ 177,912,434	\$ 175,023,380
Restricted for capital projects	48,973	48,402	42,732	47,954	(156,795)	47,905	47,848	47,644	47,563	47,460
Unrestricted	<u>(44,461,926)</u>	<u>4,936,382</u>	<u>608,767</u>	<u>(1,968,607)</u>	<u>(4,182,772)</u>	<u>9,271,769</u>	<u>12,411,027</u>	<u>10,403,227</u>	<u>8,731,626</u>	<u>9,759,167</u>
Total governmental activities net position	<u>\$ 134,634,104</u>	<u>\$ 182,400,041</u>	<u>\$ 182,542,592</u>	<u>\$ 176,152,443</u>	<u>\$ 158,622,052</u>	<u>\$ 174,385,866</u>	<u>\$ 181,532,687</u>	<u>\$ 185,168,021</u>	<u>\$ 186,691,623</u>	<u>\$ 184,830,007</u>

Source: Statement of Net Position

**CECIL COUNTY PUBLIC SCHOOLS  
CHANGES IN NET POSITION  
GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Expenses</b>										
Government activities:										
Administration	\$ 7,861,554	\$ 7,122,734	\$ 6,539,335	\$ 5,393,707	\$ 6,093,367	\$ 5,884,713	\$ 5,848,216	\$ 5,894,409	\$ 5,985,974	\$ 5,785,097
Mid-level administration	19,604,726	18,815,470	18,851,033	18,803,673	19,109,759	19,036,087	18,645,814	19,318,057	19,061,356	18,379,730
Instruction										
Salaries	102,933,141	101,825,291	100,858,425	100,348,057	100,282,010	95,861,417	94,677,121	96,947,288	96,126,396	92,771,442
Materials and supplies	4,686,226	5,077,775	3,212,396	4,806,329	3,799,800	3,653,853	2,816,463	2,411,173	2,866,679	3,554,132
Other costs	18,836,222	18,210,011	11,932,396	12,678,060	12,186,624	12,898,511	12,669,260	13,718,011	11,795,884	11,067,537
Special education	36,783,285	36,745,712	35,654,707	34,004,467	32,756,261	32,548,523	33,206,278	33,654,336	33,516,554	32,465,449
Student personnel services	2,011,960	1,790,269	1,471,433	1,521,216	1,516,362	1,376,623	1,351,480	1,327,915	1,476,303	1,562,735
Student health services	2,323,101	2,225,308	2,263,233	2,167,347	2,199,501	2,161,877	2,219,629	2,172,688	2,161,204	2,136,947
Student transportation	11,148,667	10,411,349	9,990,762	9,850,551	9,820,844	9,895,907	9,658,855	9,581,266	9,367,220	9,270,764
Operation of plant	13,377,424	13,117,398	13,246,823	14,176,769	14,156,260	13,553,078	12,884,659	13,753,124	13,615,550	13,531,123
Maintenance of plant	5,830,453	5,391,514	5,335,317	5,262,522	5,745,818	5,107,134	4,950,051	4,692,649	4,855,111	4,787,470
Food and nutrition	6,092,567	5,960,076	6,274,713	6,177,158	5,888,310	5,838,318	5,816,017	5,723,356	5,445,415	4,377,939
Community services	410,722	380,861	160,674	289,679	242,219	406,090	454,449	383,375	317,774	315,148
Total governmental activities expenses	<u>\$ 231,900,048</u>	<u>\$ 227,073,768</u>	<u>\$ 215,791,247</u>	<u>\$ 215,479,535</u>	<u>\$ 213,797,135</u>	<u>\$ 208,222,131</u>	<u>\$ 205,198,292</u>	<u>\$ 209,577,647</u>	<u>\$ 206,591,420</u>	<u>\$ 200,005,513</u>
<b>Program Revenues</b>										
Government activities:										
Charges for services:										
Instruction salaries	\$ 268,614	\$ 188,538	\$ 220,719	\$ 212,633	\$ 218,990	\$ 230,547	\$ 240,862	\$ 245,955	\$ 470,817	\$ 454,827
Food and nutrition	1,921,257	1,849,130	1,824,286	1,959,515	1,949,265	1,964,488	2,212,433	2,450,764	2,624,443	2,913,331
Community services	104,687	156,390	34,120	3,773	9,497	24,049	16,637	35,655	31,823	18,931
Operating grants and contributions	65,908,362	66,297,108	63,273,384	65,012,660	61,617,596	61,170,964	63,533,480	66,136,117	59,739,771	51,554,961
Capital grants and contributions	15,491,330	10,643,736	13,321,048	25,488,817	7,318,153	5,298,858	4,747,799	4,613,476	10,397,865	14,513,846
Total governmental activities program revenue	<u>\$ 83,694,250</u>	<u>\$ 79,134,902</u>	<u>\$ 78,673,557</u>	<u>\$ 92,677,398</u>	<u>\$ 71,113,501</u>	<u>\$ 68,688,906</u>	<u>\$ 70,751,211</u>	<u>\$ 73,481,967</u>	<u>\$ 73,264,719</u>	<u>\$ 69,455,896</u>
Total governmental activities net expense	(148,205,798)	(147,938,866)	(137,117,690)	(122,802,137)	(142,683,634)	(139,533,225)	(134,447,081)	(136,095,680)	(133,326,701)	(130,549,617)
<b>General Revenue and Other Changes in Net Position</b>										
Government activities:										
Federal aid not restricted to specific purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,646,113	\$ -	\$ -
State aid not restricted to specific purposes	68,021,206	66,919,712	63,567,371	64,666,305	62,076,718	62,489,026	63,388,472	63,952,691	66,376,929	69,823,348
Local aid not restricted to specific purposes	81,688,528	80,610,438	79,750,778	75,523,845	72,848,292	69,615,833	67,156,014	68,350,618	68,385,625	69,915,162
Interest and investment earnings	316,538	87,206	18,242	7,683	8,178	10,855	25,693	67,056	136,820	382,313
Miscellaneous	334,265	178,959	171,448	134,695	248,175	270,690	241,568	555,600	288,943	1,146,445
Total governmental activities	<u>\$ 150,360,537</u>	<u>\$ 147,796,315</u>	<u>\$ 143,507,839</u>	<u>\$ 140,332,528</u>	<u>\$ 135,181,363</u>	<u>\$ 132,386,404</u>	<u>\$ 130,811,747</u>	<u>\$ 134,572,078</u>	<u>\$ 135,188,317</u>	<u>\$ 141,267,268</u>
<b>Change in Net Position</b>	<u>\$ 2,154,739</u>	<u>\$ (142,551)</u>	<u>\$ 6,390,149</u>	<u>\$ 17,530,391</u>	<u>\$ (7,502,271)</u>	<u>\$ (7,146,821)</u>	<u>\$ (3,635,334)</u>	<u>\$ (1,523,602)</u>	<u>\$ 1,861,616</u>	<u>\$ 10,717,651</u>

Source: Statement of Activities

**CECIL COUNTY PUBLIC SCHOOLS**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis of accounting)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General fund:										
Non-spendable	\$ 483,753	\$ 484,018	\$ 640,769	\$ 614,961	\$ 579,811	\$ 787,321	\$ 777,885	\$ 1,026,595	\$ 759,082	\$ 689,098
Committed	5,710,472	5,888,839	5,737,241	4,742,665	2,847,015	1,784,391	1,588,063	1,798,419	2,000,000	3,000,000
Assigned	3,873,000	3,550,000	3,418,012	3,615,469	3,700,741	6,317,721	4,045,024	3,358,296	3,178,184	3,237,484
Unassigned	7,421,672	6,416,521	2,212,204	-	-	3,470,767	8,552,567	6,671,073	5,375,627	5,489,030
Total general fund	<u>\$ 17,488,897</u>	<u>\$ 16,339,378</u>	<u>\$ 12,008,226</u>	<u>\$ 8,973,095</u>	<u>\$ 7,127,567</u>	<u>\$ 12,360,200</u>	<u>\$ 14,963,539</u>	<u>\$ 12,854,383</u>	<u>\$ 11,312,893</u>	<u>\$ 12,415,612</u>
All other governmental funds										
Special Revenue Fund:										
Non-spendable	\$ 128,645	\$ 149,762	\$ 193,823	\$ 142,032	\$ 175,435	\$ 258,595	\$ 223,646	\$ 171,597	\$ 189,107	\$ 196,398
Unassigned	779,106	370,487	(20,693)	76,303	(116,840)	(226,543)	36,591	156,463	101,142	(45,987)
Assigned										
Capital Project Fund:										
Restricted	48,973	48,402	42,732	47,954	(156,795)	47,905	47,848	47,644	47,563	47,460
Total all other governmental funds	<u>\$ 956,724</u>	<u>\$ 568,651</u>	<u>\$ 215,862</u>	<u>\$ 266,289</u>	<u>\$ (98,200)</u>	<u>\$ 79,957</u>	<u>\$ 308,085</u>	<u>\$ 375,704</u>	<u>\$ 337,812</u>	<u>\$ 197,871</u>

Source: Balance Sheet - Governmental Funds

**CECIL COUNTY PUBLIC SCHOOLS**  
**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis of accounting)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Revenue</b>										
Intergovernmental										
Cecil County	\$ 89,881,090	\$ 86,107,741	\$ 88,050,984	\$ 92,411,466	\$ 77,613,523	\$ 73,121,775	\$ 69,361,935	\$ 72,619,885	\$ 74,891,456	\$ 80,676,398
State of Maryland	127,274,639	124,517,950	117,552,193	123,360,144	112,692,627	111,289,209	115,057,469	111,044,514	113,375,504	102,650,748
United States government	13,720,838	13,616,684	13,549,190	14,502,361	13,167,657	13,869,753	13,956,731	20,783,182	16,233,041	11,194,258
Other sources										
Sale of food	1,921,257	1,849,130	1,824,286	1,959,515	1,917,694	1,964,487	2,212,794	2,451,420	2,620,110	2,913,331
Investment interest	316,539	87,206	18,242	7,683	8,178	10,855	25,693	67,056	136,820	382,313
Other	940,424	752,506	1,186,502	768,753	895,188	819,232	916,622	722,397	1,196,103	1,829,221
Total revenue	<u>\$ 234,054,787</u>	<u>\$ 226,931,217</u>	<u>\$ 222,181,397</u>	<u>\$ 233,009,922</u>	<u>\$ 206,294,867</u>	<u>\$ 201,075,311</u>	<u>\$ 201,531,244</u>	<u>\$ 207,688,454</u>	<u>\$ 208,453,034</u>	<u>\$ 199,646,269</u>
<b>Expenditures</b>										
Administration	\$ 5,845,485	\$ 6,088,651	\$ 5,140,935	\$ 5,196,245	\$ 5,238,087	\$ 4,957,485	\$ 4,392,050	\$ 4,643,092	\$ 4,644,684	\$ 4,235,127
Mid-level administration	14,136,118	13,901,636	13,336,761	13,375,657	13,274,860	13,539,533	13,286,921	14,106,804	13,868,208	13,481,172
Instruction										
Salaries	73,105,335	72,519,546	70,388,331	70,323,326	69,545,018	68,237,315	66,720,063	69,238,303	68,835,894	67,418,883
Materials and supplies	4,728,922	5,077,775	3,212,396	5,102,917	3,799,800	3,653,853	2,816,463	4,303,967	2,866,679	4,800,674
Other costs	19,195,545	4,068,239	3,270,618	26,028,685	8,752,929	7,134,392	6,073,506	7,815,463	14,140,822	15,866,289
Special education	27,330,111	26,279,454	26,318,771	25,217,748	24,583,137	25,108,086	24,894,481	26,056,081	25,735,182	25,136,868
Student personnel services	1,499,819	1,321,324	1,035,422	1,071,994	1,073,218	995,116	996,861	953,701	1,075,781	1,180,715
Student health services	1,669,881	1,631,860	1,592,818	1,520,898	1,506,440	1,524,399	1,564,001	1,558,357	1,536,245	1,550,723
Student transportation	10,786,695	10,021,991	9,621,041	9,456,522	9,391,768	9,599,678	9,248,641	9,167,297	9,162,173	9,044,421
Operation of plant	11,084,642	11,114,043	10,928,625	11,900,684	11,636,532	11,284,622	10,653,100	11,548,142	11,424,861	11,455,733
Maintenance of plant	4,908,868	4,619,523	4,364,425	4,206,479	4,542,525	4,218,355	3,784,767	3,574,484	3,733,605	3,886,081
Fixed charges	50,199,827	50,077,857	51,160,478	50,518,337	51,298,438	46,076,241	47,510,605	46,824,727	46,228,500	31,921,333
Community services	317,915	358,580	145,387	281,964	235,790	388,028	405,943	350,298	304,972	303,880
Food service										
Salaries and wages	2,423,903	2,377,355	2,408,133	2,391,077	2,350,508	2,408,000	2,380,172	2,404,221	2,349,073	2,320,630
Food	2,916,677	2,746,848	3,134,844	3,084,534	2,726,121	2,718,438	2,685,361	2,435,173	2,366,052	2,358,512
Contracted services	48,553	67,642	69,757	57,648	46,449	58,193	67,903	66,763	61,155	40,293
Supplies and materials	292,904	280,868	197,128	180,388	313,708	223,287	232,765	165,428	192,814	170,666
Other operating cost	105,413	102,955	46,018	80,892	39,876	45,721	71,782	273,477	117,299	48,704
Capital outlay	1,119,804	8,792,710	12,170,838	-	-	-	-	-	-	262,484
Debt service										
Principal	1,030,894	933,021	563,457	647,404	1,162,359	1,517,120	1,487,251	2,671,278	1,891,358	1,610,332
Interest	47,489	56,940	90,510	156,506	188,094	218,916	248,785	335,777	364,376	369,932
Total expenditures	<u>\$ 232,794,800</u>	<u>\$ 222,438,818</u>	<u>\$ 219,196,693</u>	<u>\$ 230,799,905</u>	<u>\$ 211,705,657</u>	<u>\$ 203,906,778</u>	<u>\$ 199,521,421</u>	<u>\$ 208,492,833</u>	<u>\$ 210,899,733</u>	<u>\$ 197,463,452</u>
Excess of revenues over (under) expenditures	1,259,987	4,492,399	2,984,704	2,210,017	(5,410,790)	(2,831,467)	2,009,823	(804,379)	(2,446,699)	2,182,817
<b>Other financing sources (uses)</b>										
Sale of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,709	\$ 365,592	\$ -	\$ -
Capital lease proceeds	277,605	191,542	-	-	-	-	-	2,018,169	1,483,921	1,318,263
<b>Net change in fund balances</b>	<u>\$ 1,537,592</u>	<u>\$ 4,683,941</u>	<u>\$ 2,984,704</u>	<u>\$ 2,210,017</u>	<u>\$ (5,410,790)</u>	<u>\$ (2,831,467)</u>	<u>\$ 2,041,532</u>	<u>\$ 1,579,382</u>	<u>\$ (962,778)</u>	<u>\$ 3,501,080</u>
Debt Service as a percentage of noncapital expenditures*	0.50%	0.47%	0.32%	0.39%	0.66%	0.87%	0.89%	1.49%	1.12%	1.08%

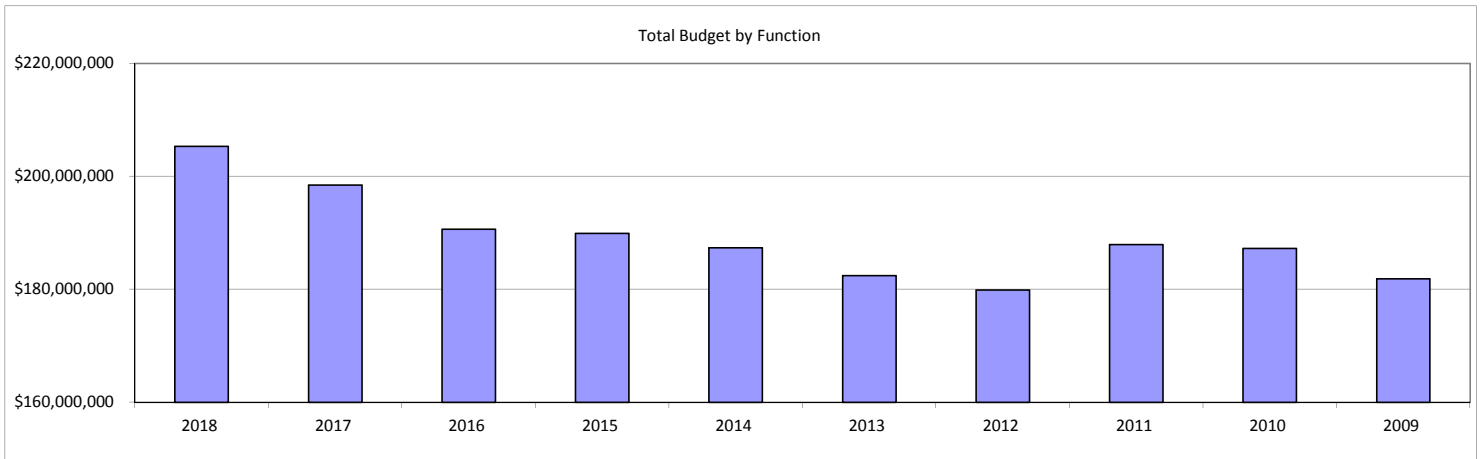
Source: Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds

Note: Capital Outlay was allocated to other functions from 2010-2015. See Reconciliation of Net Change in Fund Balance and Note 6B to Basic Financial Statements.

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

**CECIL COUNTY PUBLIC SCHOOLS  
GENERAL FUND  
FINAL APPROVED BUDGET BY FUNCTION  
LAST TEN FISCAL YEARS**

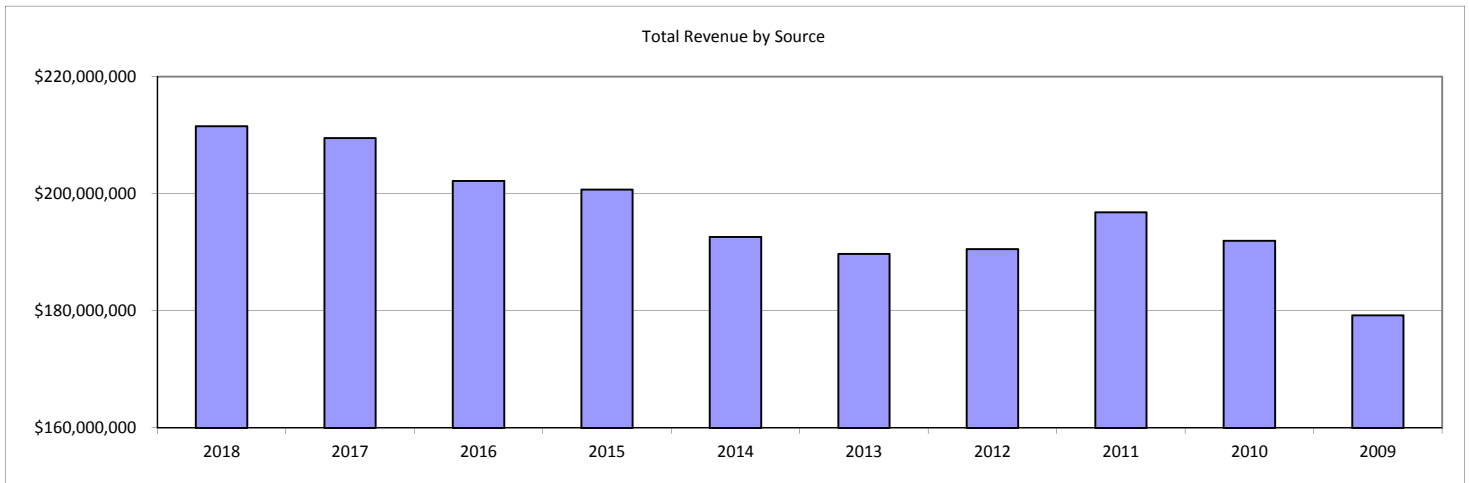
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Administration	\$ 5,908,844	\$ 5,351,755	\$ 4,727,924	\$ 4,160,664	\$ 4,297,023	\$ 4,773,500	\$ 4,336,427	\$ 4,529,978	\$ 4,876,625	\$ 4,392,656
Mid-level administration	14,452,246	14,201,864	13,702,313	13,639,776	13,361,918	13,578,940	13,701,040	14,468,298	13,983,555	13,610,518
Instruction salaries	73,580,097	72,863,252	70,710,787	71,260,303	70,108,553	68,715,627	67,631,258	70,298,996	69,325,912	68,071,684
Instruction supplies	5,845,823	5,367,155	3,932,606	5,682,783	4,278,504	3,850,647	3,032,117	3,008,621	3,212,806	3,730,402
Instruction other costs	4,922,099	4,165,556	3,405,349	2,769,555	3,173,948	3,583,950	3,312,599	6,997,621	4,983,237	3,657,985
Special education	27,786,201	26,941,588	26,725,642	25,839,074	24,750,029	25,206,821	25,847,801	26,691,475	28,425,214	25,245,749
Student personnel services	1,671,314	1,363,081	1,054,619	1,084,219	1,096,029	999,151	1,098,301	1,074,676	1,097,652	1,179,127
Student health services	1,699,653	1,639,661	1,624,600	1,554,309	1,547,755	1,531,252	1,576,333	1,568,897	1,597,388	1,564,277
Pupil transportation	10,911,699	10,274,308	9,767,803	9,597,565	9,491,291	9,633,236	9,502,420	9,398,723	9,526,608	9,534,990
Operation of plant	11,487,301	11,469,440	11,198,162	11,965,460	11,643,949	11,288,368	10,924,044	11,722,226	11,874,521	12,644,815
Maintenance of plant	5,022,506	4,847,291	4,579,484	4,272,707	4,863,548	4,750,480	3,936,360	3,731,257	3,884,927	4,021,544
Fixed charges	39,338,254	39,088,641	38,626,623	37,360,619	37,987,729	33,921,087	34,323,737	33,834,872	33,824,110	33,570,528
Community services	415,008	414,371	274,349	410,387	337,697	404,215	459,768	403,152	387,912	370,676
Capital outlay	2,288,016	485,113	307,078	324,786	406,424	211,797	182,347	187,828	256,548	274,977
<b>Total Budget by Function</b>	<b>\$ 205,329,061</b>	<b>\$ 198,473,076</b>	<b>\$ 190,637,339</b>	<b>\$ 189,922,207</b>	<b>\$ 187,344,397</b>	<b>\$ 182,449,071</b>	<b>\$ 179,864,552</b>	<b>\$ 187,916,620</b>	<b>\$ 187,257,015</b>	<b>\$ 181,869,928</b>
Increase over prior year	\$ 6,855,985 3.5%	\$ 7,835,737 4.1%	\$ 715,132 0.4%	\$ 2,577,810 1.4%	\$ 4,895,326 2.7%	\$ 2,584,519 1.4%	\$ (8,052,068) -4.3%	\$ 659,605 0.4%	\$ 5,387,087 3.0%	\$ 8,318,820 4.8%



Source: Statement of Revenue, Expenditures, Encumbrances, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - General Fund

**CECIL COUNTY PUBLIC SCHOOLS  
GENERAL FUND  
REVENUES BY SOURCE  
LAST TEN FISCAL YEARS**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Cecil County	\$ 81,688,528	\$ 80,610,438	\$ 79,750,778	\$ 75,523,845	\$ 72,848,292	\$ 69,615,833	\$ 67,156,014	\$ 68,350,618	\$ 68,385,625	\$ 69,915,162
State of Maryland	119,689,250	119,046,123	112,703,145	114,520,872	109,977,425	109,272,301	112,323,918	110,534,963	109,451,038	98,716,390
Federal government	8,881,924	9,031,345	8,991,912	10,009,922	9,065,853	10,022,655	10,274,500	17,289,329	13,040,030	8,421,734
Other sources										
Interest earned	315,785	86,795	18,136	7,571	8,099	9,997	22,946	62,361	126,983	360,840
Other	<u>925,538</u>	<u>728,980</u>	<u>685,434</u>	<u>614,039</u>	<u>680,852</u>	<u>781,438</u>	<u>765,778</u>	<u>578,159</u>	<u>946,757</u>	<u>1,769,954</u>
<b>Total revenue by source</b>	<b>\$ <u>211,501,025</u></b>	<b>\$ <u>209,503,681</u></b>	<b>\$ <u>202,149,405</u></b>	<b>\$ <u>200,676,249</u></b>	<b>\$ <u>192,580,521</u></b>	<b>\$ <u>189,702,224</u></b>	<b>\$ <u>190,543,156</u></b>	<b>\$ <u>196,815,430</u></b>	<b>\$ <u>191,950,433</u></b>	<b>\$ <u>179,184,080</u></b>
<b>Increase over prior year</b>	<b>\$ 1,997,344 1.0%</b>	<b>\$ 7,354,276 3.6%</b>	<b>\$ 1,473,156 0.7%</b>	<b>\$ 8,095,728 4.2%</b>	<b>\$ 2,878,297 1.5%</b>	<b>\$ (840,932) -0.4%</b>	<b>\$ (6,272,274) -3.2%</b>	<b>\$ 4,864,997 2.5%</b>	<b>\$ 12,766,353 7.1%</b>	<b>\$ 7,286,742 4.2%</b>

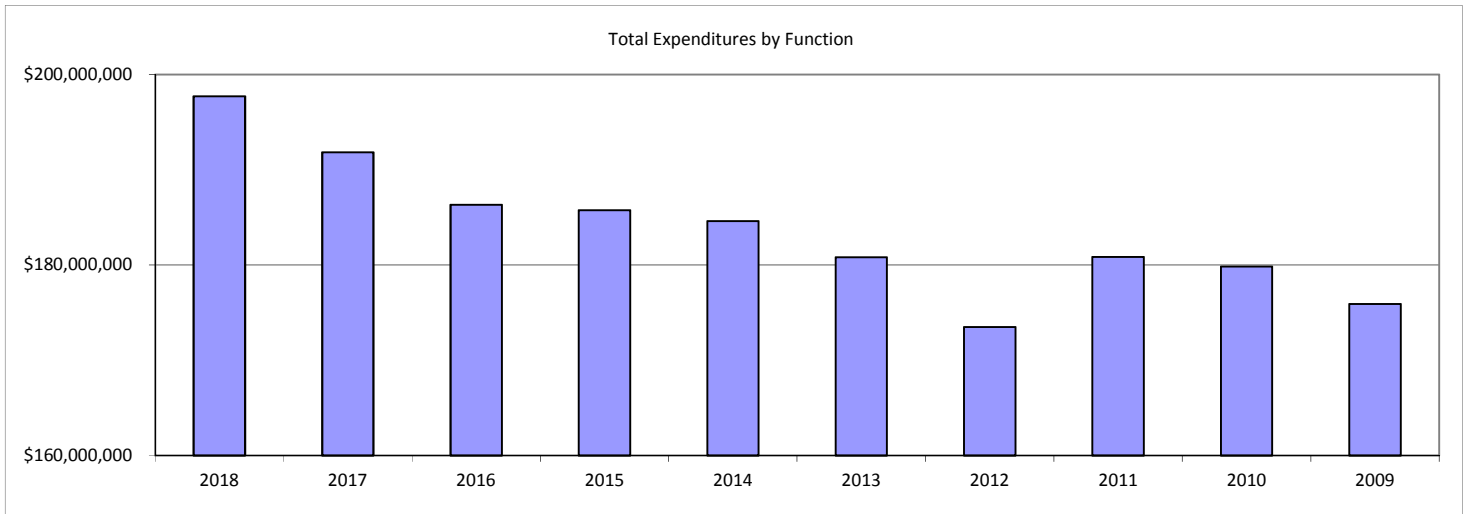


Source: Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds



**CECIL COUNTY PUBLIC SCHOOLS  
GENERAL FUND  
EXPENDITURES BY FUNCTION  
BUDGETARY BASIS (non-GAAP)  
LAST TEN FISCAL YEARS**

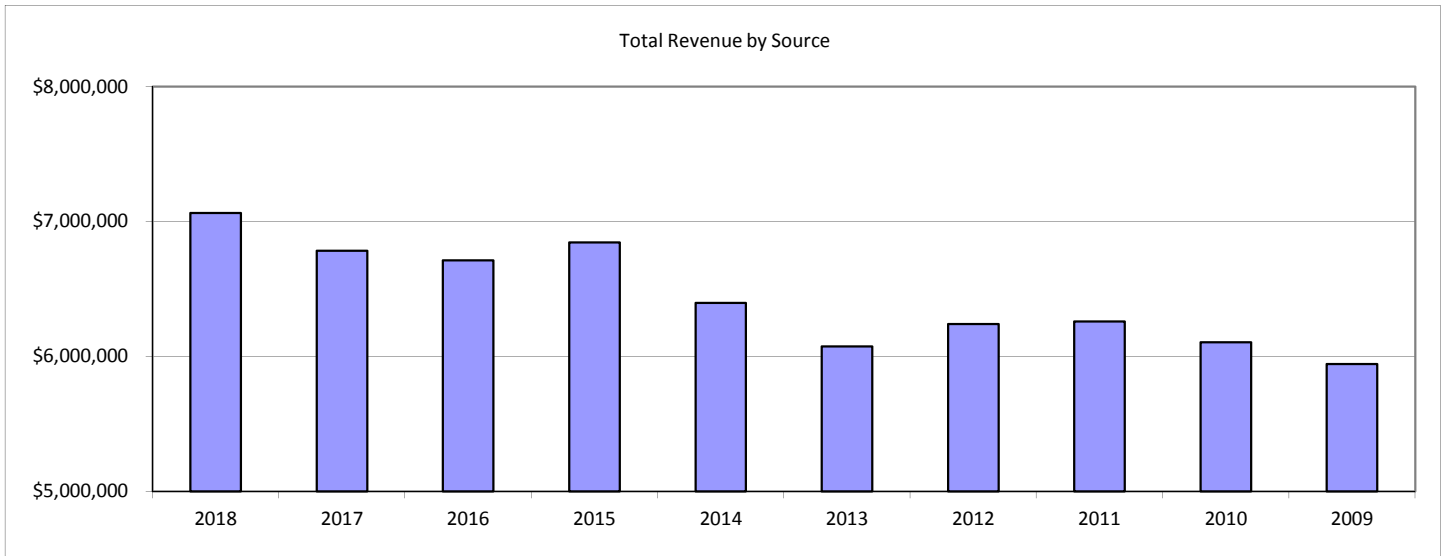
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Administration	\$ 5,623,851	\$ 5,150,687	\$ 4,239,139	\$ 4,074,201	\$ 4,221,468	\$ 4,717,989	\$ 4,064,357	\$ 4,404,543	\$ 4,278,297	\$ 3,972,509
Mid-level administration	14,136,118	13,901,636	13,336,761	13,375,657	13,275,794	13,566,354	13,313,116	14,126,804	13,802,737	13,463,355
Instruction										
Salaries	73,105,335	72,519,546	70,388,331	70,323,326	69,545,018	68,237,315	66,720,063	69,238,303	68,835,894	67,418,883
Materials and supplies	4,718,208	4,679,832	3,064,304	4,631,463	3,790,757	3,643,215	2,767,490	2,266,800	2,780,870	3,342,175
Other costs	4,526,454	3,735,052	3,264,019	2,574,449	2,923,302	3,227,280	2,955,980	5,967,724	4,483,947	3,417,105
Special education	27,334,708	26,279,454	26,310,303	25,226,216	24,609,671	25,134,429	24,922,960	25,980,955	25,737,862	25,141,877
Student personnel services	1,499,819	1,321,324	1,035,422	1,071,994	1,073,218	996,891	998,593	957,021	1,071,343	1,178,331
Student health services	1,669,881	1,631,860	1,592,818	1,520,898	1,506,440	1,526,033	1,565,596	1,561,453	1,532,178	1,548,471
Student transportation	10,745,460	10,057,070	9,621,041	9,456,522	9,391,768	9,599,678	9,247,557	9,181,668	9,175,806	9,057,367
Operation of plant	11,084,642	11,114,043	10,928,625	11,900,684	11,638,301	11,286,391	10,654,869	11,549,454	11,424,861	11,455,733
Maintenance of plant	4,906,775	4,492,271	4,352,612	4,092,319	4,315,867	4,472,504	3,778,356	3,606,893	3,754,132	3,894,868
Fixed charges	36,916,283	36,163,739	37,760,931	36,882,453	37,690,447	33,796,877	31,912,483	31,457,110	32,443,812	31,443,817
Community services	317,915	358,580	122,357	304,995	235,790	388,028	392,844	363,398	304,971	302,251
Capital outlay	1,119,804	421,328	296,564	296,588	391,580	211,609	181,910	186,338	223,969	262,921
<b>Total expenditures by function</b>	<b>\$197,705,253</b>	<b>\$191,826,422</b>	<b>\$186,313,227</b>	<b>\$185,731,765</b>	<b>\$184,609,421</b>	<b>\$180,804,593</b>	<b>\$173,476,174</b>	<b>\$180,848,464</b>	<b>\$179,850,679</b>	<b>\$175,899,663</b>
Increase over prior year	5,878,831 3.1%	5,513,195 3.0%	581,462 0.3%	1,122,344 0.6%	3,804,828 2.1%	7,328,419 4.2%	(7,372,290) -4.1%	997,785 0.6%	3,951,016 2.2%	5,759,927 3.4%



Source: Statement of Revenue, Expenditures, Encumbrances, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - General Fund

**CECIL COUNTY PUBLIC SCHOOLS  
SPECIAL REVENUE FUND  
REVENUES BY SOURCE  
LAST TEN FISCAL YEARS**

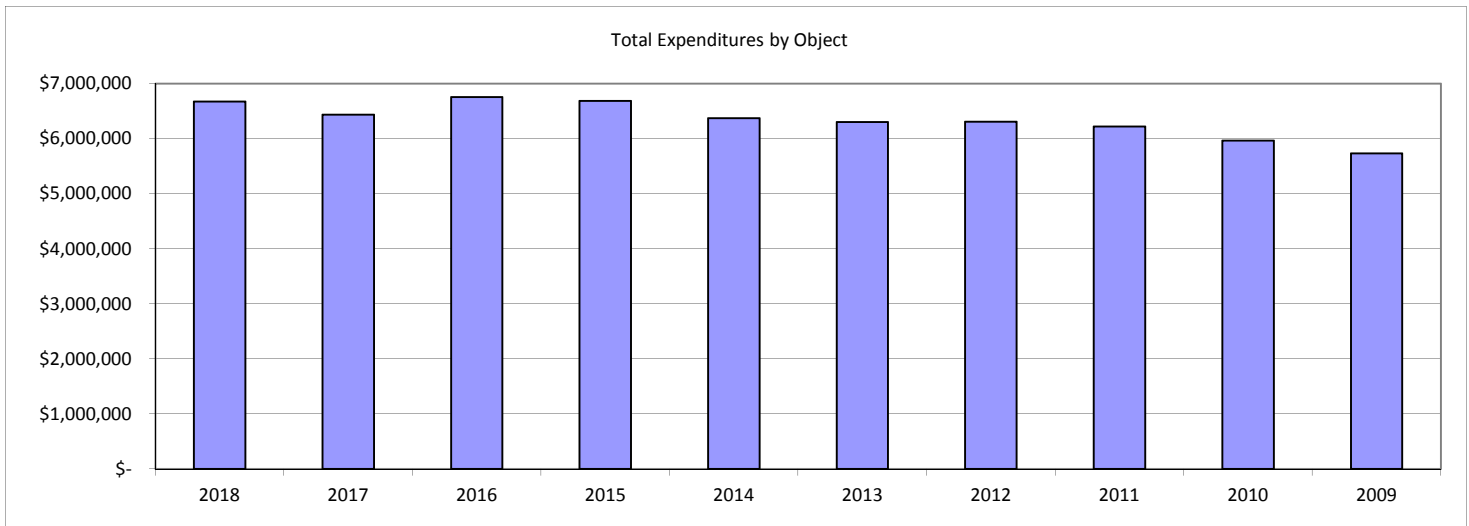
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
State of Maryland	\$ 286,621	\$ 325,394	\$ 329,274	\$ 392,790	\$ 345,042	\$ 298,946	\$ 282,936	\$ 263,863	\$ 253,811	\$ 241,016
United States government	4,838,914	4,585,339	4,557,278	4,492,439	4,101,804	3,772,143	3,682,231	3,493,853	3,193,011	2,772,524
Sale of food	1,921,257	1,849,130	1,824,286	1,959,515	1,917,694	1,964,487	2,212,794	2,451,420	2,620,110	2,913,331
Investment Interest	182	176	19	14	52	801	2,702	4,614	9,734	16,858
Other	14,887	23,526	-	-	31,573	37,794	59,581	45,716	27,967	-
<b>Total revenue by source</b>	<b>\$ 7,061,861</b>	<b>\$ 6,783,565</b>	<b>\$ 6,710,857</b>	<b>\$ 6,844,758</b>	<b>\$ 6,396,165</b>	<b>\$ 6,074,171</b>	<b>\$ 6,240,244</b>	<b>\$ 6,259,466</b>	<b>\$ 6,104,633</b>	<b>\$ 5,943,729</b>
Increase over prior year	\$ 278,296 4.1%	\$ 72,708 1.1%	\$ (133,901) -2.0%	\$ 448,593 7.0%	\$ 321,994 5.3%	\$ (166,073) -2.7%	\$ (19,222) -0.3%	\$ 154,833 2.5%	\$ 160,904 2.7%	\$ 299,106 5.3%



Source: Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds

**CECIL COUNTY PUBLIC SCHOOLS  
SPECIAL REVENUE FUND  
EXPENDITURES BY OBJECT  
LAST TEN FISCAL YEARS**

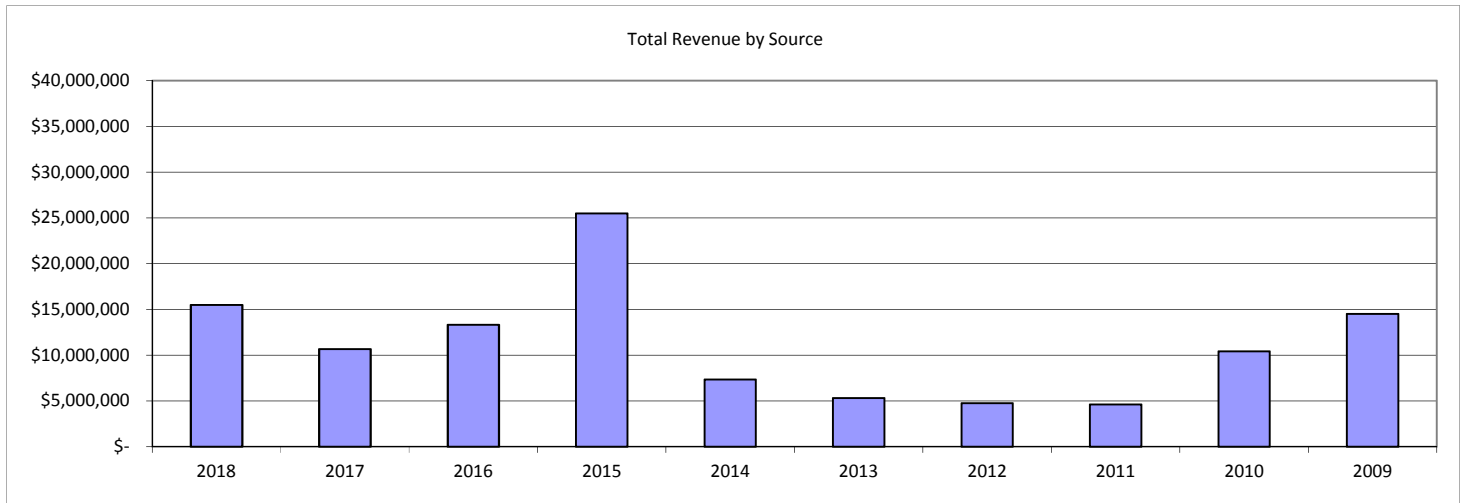
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Salaries and wages	\$ 2,423,903	\$ 2,377,355	\$ 2,408,133	\$ 2,391,077	\$ 2,350,508	\$ 2,408,000	\$ 2,380,172	\$ 2,404,221	\$ 2,349,073	\$ 2,320,630
Food	2,916,677	2,746,848	3,134,844	3,084,534	2,726,121	2,718,438	2,685,361	2,435,173	2,366,052	2,358,512
Contracted services	48,553	67,642	69,757	57,648	46,449	58,193	67,903	66,763	61,155	40,293
Supplies and materials	292,904	280,868	197,128	180,388	313,708	223,287	232,765	165,428	192,814	170,666
Other operating cost	913,666	887,047	930,701	925,743	921,611	872,758	897,140	1,065,984	907,279	828,941
Equipment	<u>78,656</u>	<u>76,686</u>	<u>15,499</u>	<u>45,628</u>	<u>11,225</u>	<u>21,680</u>	<u>44,726</u>	<u>84,086</u>	<u>88,422</u>	<u>15,411</u>
<b>Total expenditures by object</b>	<b>\$ 6,674,359</b>	<b>\$ 6,436,446</b>	<b>\$ 6,756,062</b>	<b>\$ 6,685,018</b>	<b>\$ 6,369,622</b>	<b>\$ 6,302,356</b>	<b>\$ 6,308,067</b>	<b>\$ 6,221,655</b>	<b>\$ 5,964,795</b>	<b>\$ 5,734,453</b>
Increase over prior year	\$ 237,913 3.7%	\$ (319,616) -4.7%	\$ 71,044 1.1%	\$ 315,396 5.0%	\$ 67,266 1.1%	\$ (5,711) -0.1%	\$ 86,412 1.4%	\$ 256,860 4.3%	\$ 230,342 4.0%	\$ (532,967) -8.5%



Source: Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds

**CECIL COUNTY PUBLIC SCHOOLS  
CAPITAL PROJECT FUND  
REVENUES BY SOURCE  
LAST TEN FISCAL YEARS**

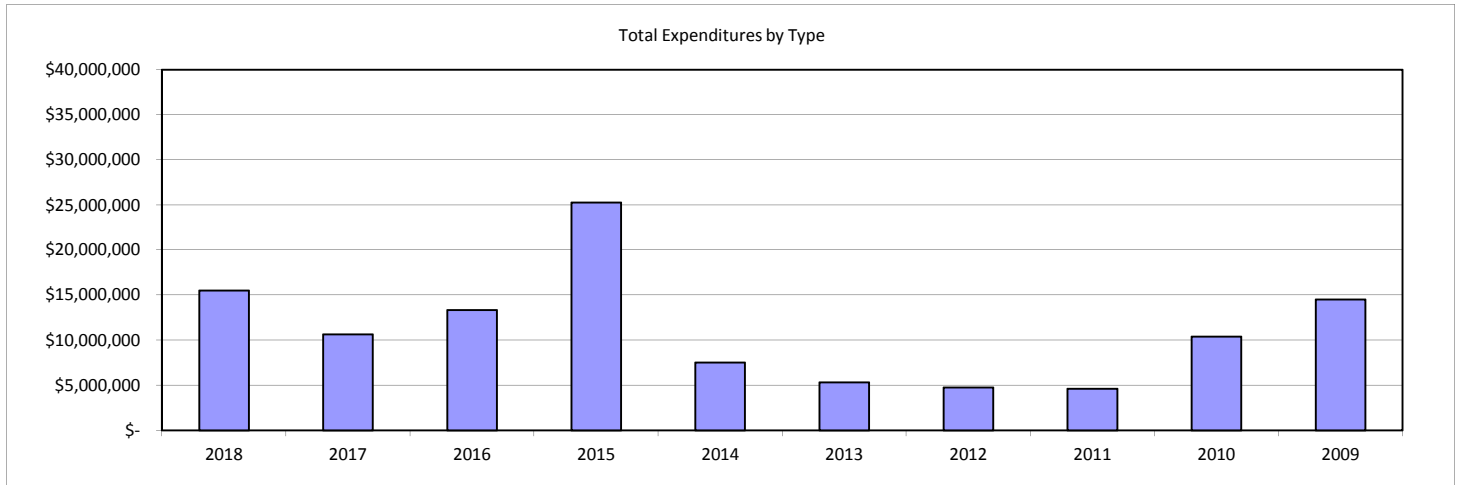
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Cecil County	\$ 8,192,562	\$ 5,497,303	\$ 8,300,206	\$ 16,887,621	\$ 4,765,231	\$ 3,505,942	\$ 2,205,921	\$ 4,269,267	\$ 6,505,831	\$ 10,761,236
State of Maryland	7,298,768	5,146,433	4,519,774	8,446,482	2,370,160	1,717,962	2,450,615	245,688	3,670,655	3,693,342
United States government	-	-	-	-	-	74,955	-	-	-	-
Investment interest	571	235	87	98	27	57	45	81	103	4,615
Other	-	-	501,068	154,714	182,763	-	91,263	98,522	221,379	59,267
<b>Total</b>	<b>\$ 15,491,901</b>	<b>\$ 10,643,971</b>	<b>\$ 13,321,135</b>	<b>\$ 25,488,915</b>	<b>\$ 7,318,181</b>	<b>\$ 5,298,916</b>	<b>\$ 4,747,844</b>	<b>\$ 4,613,558</b>	<b>\$ 10,397,968</b>	<b>\$ 14,518,460</b>
Increase over prior year	\$ 4,847,930 45.5%	\$ (2,677,164) -20.1%	\$ (12,167,780) -47.7%	\$ 18,170,734 248.3%	\$ 2,019,265 38.1%	\$ 551,072 11.6%	\$ 134,286 2.9%	\$ (5,784,410) -55.6%	\$ (4,120,492) -28.4%	\$ (3,189,605) -18.0%



Source: Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds

**CECIL COUNTY PUBLIC SCHOOLS  
CAPITAL PROJECT FUND  
EXPENDITURES BY TYPE  
LAST TEN FISCAL YEARS**

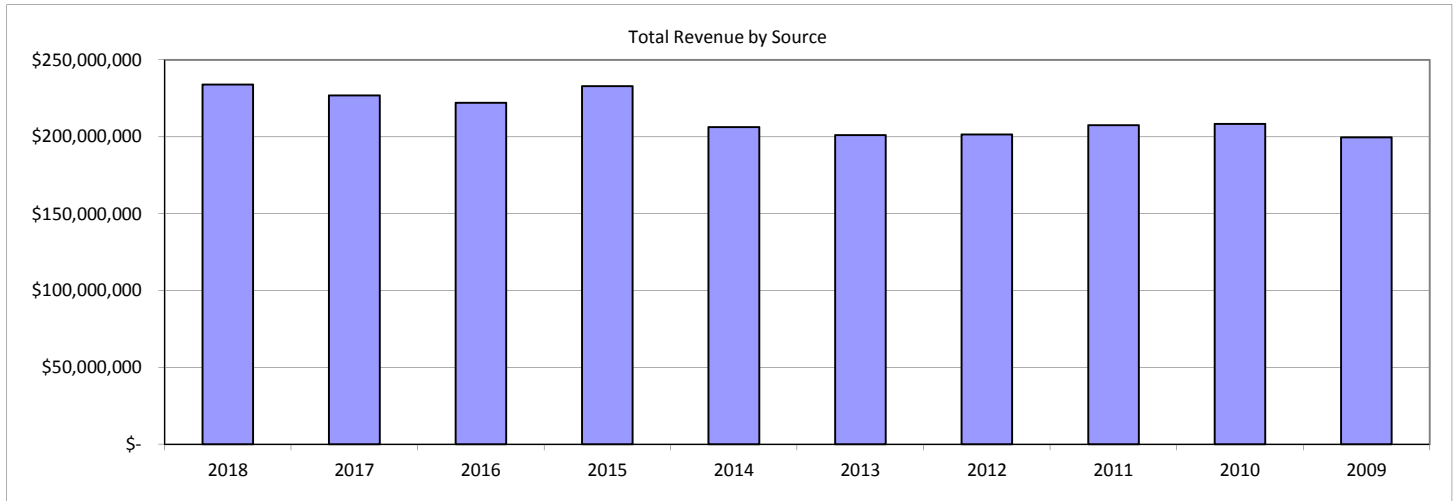
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Land	\$ 18,000	\$ -	\$ -	\$ 4,359,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Building	803,913	3,572,593	1,250,687	6,712,725	5,083,238	4,039,217	4,087,168	4,209,123	9,971,247	14,312,335
Site improvement	503,511	448,505	222,487	609,423	396,775	1,140,566	191,162	3,542	8,000	64,539
Remodeling	14,165,906	6,592,128	11,685,030	13,362,079	2,042,868	119,075	235,136	305,832	205,239	77,703
Equipment	-	25,075	168,153	240,639	-	-	234,174	94,980	213,379	56,497
<b>Total expenditures by type</b>	<b>\$ 15,491,330</b>	<b>\$ 10,638,301</b>	<b>\$ 13,326,357</b>	<b>\$ 25,284,166</b>	<b>\$ 7,522,881</b>	<b>\$ 5,298,858</b>	<b>\$ 4,747,640</b>	<b>\$ 4,613,477</b>	<b>\$ 10,397,865</b>	<b>\$ 14,511,074</b>
Increase over prior year	\$ 4,853,029 45.6%	\$ (2,688,056) -20.2%	\$ (11,957,809) -47.3%	\$ 17,761,285 236.1%	\$ 2,224,023 42.0%	\$ 551,218 11.6%	\$ 134,163 2.9%	\$ (5,784,388) -55.6%	\$ (4,113,209) -28.3%	\$ (9,019,482) -38.3%



Source: Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds

**CECIL COUNTY PUBLIC SCHOOLS  
GOVERNMENT-WIDE  
REVENUES BY SOURCE  
LAST TEN FISCAL YEARS**

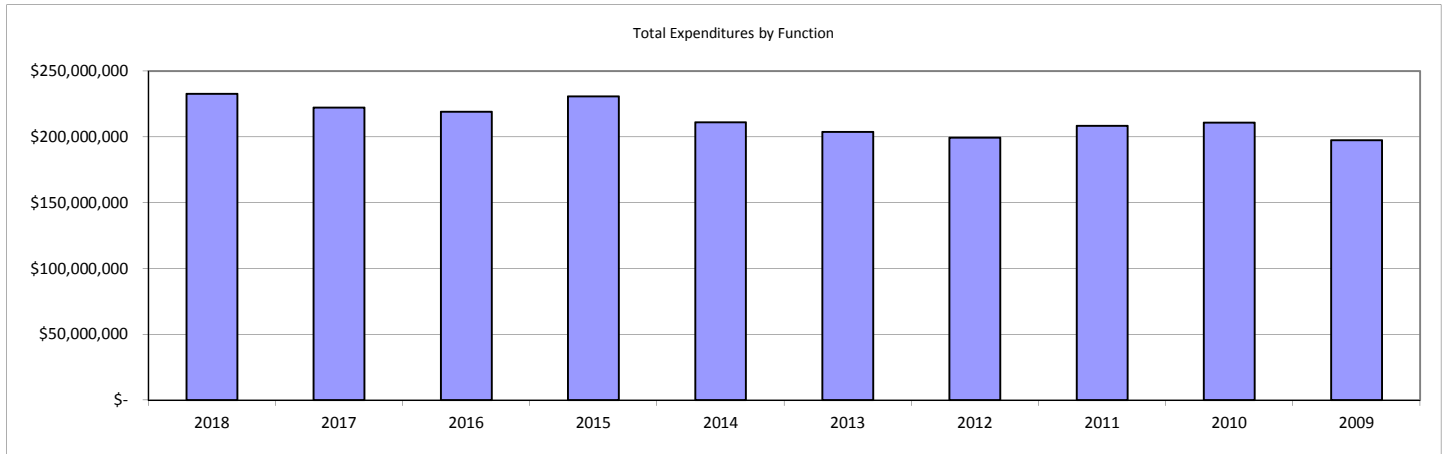
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Cecil County	\$ 89,881,090	\$ 86,107,741	\$ 88,050,984	\$ 92,411,466	\$ 77,613,523	\$ 73,121,775	\$ 69,361,935	\$ 72,619,885	\$ 74,891,456	\$ 80,676,398
State of Maryland	127,274,639	124,517,950	117,552,193	123,360,144	112,692,627	111,289,209	115,057,469	111,044,514	113,375,504	102,650,748
Federal government	13,720,838	13,616,684	13,549,190	14,502,361	13,167,657	13,869,753	13,956,731	20,783,182	16,233,041	11,194,258
Sale of meals	1,921,257	1,849,130	1,824,286	1,959,515	1,917,694	1,964,487	2,212,794	2,451,420	2,620,110	2,913,331
Interest earned	316,539	87,206	18,242	7,683	8,178	10,855	25,693	67,056	136,820	382,313
Other	940,424	752,506	1,186,502	768,753	895,188	819,232	916,622	722,397	1,196,103	1,829,221
<b>Total revenue by source</b>	<b>\$ 234,054,787</b>	<b>\$ 226,931,217</b>	<b>\$ 222,181,397</b>	<b>\$ 233,009,922</b>	<b>\$ 206,294,867</b>	<b>\$ 201,075,311</b>	<b>\$ 201,531,244</b>	<b>\$ 207,688,454</b>	<b>\$ 208,453,034</b>	<b>\$ 199,646,269</b>
<b>Increase over prior year</b>	<b>\$ 7,123,570</b> 3.1%	<b>\$ 4,749,820</b> 2.1%	<b>\$ (10,828,525)</b> -4.6%	<b>\$ 26,715,055</b> 12.9%	<b>\$ 5,219,556</b> 2.6%	<b>\$ (455,933)</b> -0.2%	<b>\$ (6,157,210)</b> -3.0%	<b>\$ (764,580)</b> -0.4%	<b>\$ 8,806,765</b> 4.4%	<b>\$ 4,396,243</b> 2.3%



Source: Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds

**CECIL COUNTY PUBLIC SCHOOLS  
GOVERNMENT-WIDE  
EXPENDITURES BY FUNCTION  
LAST TEN FISCAL YEARS**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Administration	\$ 5,845,485	\$ 6,088,651	\$ 5,140,935	\$ 5,196,245	\$ 5,238,087	\$ 4,969,511	\$ 4,403,811	\$ 4,672,204	\$ 4,664,203	\$ 4,244,817
Mid-level administration	14,136,118	13,901,636	13,336,761	13,375,657	13,274,860	13,566,354	13,313,116	14,161,065	13,916,489	13,503,143
Instruction										
Salaries	73,105,335	72,519,546	70,388,331	70,323,326	69,545,018	68,237,315	66,720,063	69,238,303	68,835,894	67,418,883
Materials and supplies	4,728,922	5,077,775	3,212,396	5,102,917	3,799,800	3,653,853	2,816,463	4,303,967	2,866,679	4,800,674
Other costs	19,195,545	4,068,239	3,270,618	26,028,685	8,752,929	8,788,310	7,719,258	10,600,268	16,205,022	17,699,218
Special education	27,330,111	26,279,454	26,318,771	25,217,748	24,583,137	25,135,508	24,921,881	26,082,161	25,741,368	25,141,877
Student personnel services	1,499,819	1,321,324	1,035,422	1,071,994	1,073,218	996,891	998,593	957,021	1,078,355	1,181,589
Student health services	1,669,881	1,631,860	1,592,818	1,520,898	1,506,440	1,526,033	1,565,596	1,561,453	1,538,634	1,551,549
Student transportation	10,786,695	10,021,991	9,621,041	9,456,522	9,391,768	9,599,678	9,248,641	9,181,668	9,175,806	9,057,367
Operation of plant	11,084,642	11,114,043	10,928,625	11,900,684	11,636,532	11,286,391	10,654,869	11,549,454	11,424,861	11,455,733
Maintenance of plant	4,908,868	4,619,523	4,364,425	4,206,479	4,542,525	4,219,071	3,784,948	3,578,039	3,735,664	3,900,601
Fixed charges	50,199,827	50,077,857	51,160,478	50,518,337	51,298,438	46,086,196	47,530,256	46,911,870	46,325,393	32,002,395
Community services	317,915	358,580	145,387	281,964	235,790	388,028	405,943	350,298	304,972	303,880
Food and nutrition	5,787,450	5,575,668	5,855,880	5,794,539	5,476,662	5,453,639	5,437,983	5,345,062	5,086,393	4,938,805
Capital outlay	1,119,804	8,792,710	12,170,838	-	-	-	-	-	-	262,921
Debt service	1,078,383	989,961	653,967	803,910	813,910	-	-	-	-	-
<b>Total expenditures by function</b>	<b>\$ 232,794,800</b>	<b>\$ 222,438,818</b>	<b>\$ 219,196,693</b>	<b>\$ 230,799,905</b>	<b>\$ 211,169,114</b>	<b>\$ 203,906,778</b>	<b>\$ 199,521,421</b>	<b>\$ 208,492,833</b>	<b>\$ 210,899,733</b>	<b>\$ 197,463,452</b>
<b>Increase over prior year</b>	<b>\$ 10,355,982</b> 4.7%	<b>\$ 3,242,125</b> 1.5%	<b>\$ (11,603,212)</b> -5.0%	<b>\$ 19,630,791</b> 9.3%	<b>\$ 7,262,336</b> 3.6%	<b>\$ 4,385,357</b> 2.2%	<b>\$ (8,971,412)</b> -4.3%	<b>\$ (2,406,900)</b> -1.1%	<b>\$ 13,436,281</b> 6.8%	<b>\$ (5,049,972)</b> -2.5%



Source: Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds  
Note: Capital Outlay was allocated to other functions beginning in 2010.

**CECIL COUNTY PUBLIC SCHOOLS  
ENROLLMENTS BY SCHOOL  
LAST TEN FISCAL YEARS**

	2018 Capacity	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
County Population		102,746	102,603	102,382	102,383	101,108	101,696	101,694	101,108	103,850	99,926
<b><u>Elementary Schools</u></b>											
Bainbridge Elementary	449	311	313	532	515	358	402	396	410	423	383
Bay View Elementary	608	542	591	609	617	571	619	641	618	621	615
Calvert Elementary	433	455	472	479	483	516	420	323	325	332	321
Cecil Manor Elementary	523	424	453	470	450	462	501	530	474	487	454
Cecilton Elementary	350	301	324	345	309	303	297	319	322	338	339
Charlestown Elementary	292	249	246	436	406	224	213	205	184	211	200
Chesapeake City Elementary	353	323	314	343	357	337	314	306	311	315	307
Conowingo Elementary	534	451	466	474	476	480	527	542	567	560	567
Elk Neck Elementary	501	443	446	408	428	434	412	424	430	432	446
Gilpin Manor Elementary	416	405	412	466	457	490	429	405	439	423	431
Holly Hall Elementary	624	512	578	650	629	625	632	633	610	602	619
Kenmore Elementary	306	317	310	339	331	346	326	331	314	305	315
Leeds Elementary	408	393	384	407	402	404	396	406	411	394	402
North East Elementary	542	561	564	527	524	486	512	501	507	477	492
Perryville Elementary	500	405	407	-	-	371	371	368	369	395	375
Rising Sun Elementary	715	703	699	755	690	665	615	665	669	679	721
Thomson Estates Elementary	614	495	527	456	469	510	491	473	490	510	533
Elementary School Total	8,168	7,290	7,506	7,696	7,543	7,582	7,477	7,468	7,450	7,504	7,520
<b><u>Middle Schools</u></b>											
Bohemia Manor Middle	601	494	502	506	472	473	473	477	487	478	478
Cherry Hill Middle	775	412	426	416	442	465	439	479	501	529	494
Elkton Middle	712	547	557	554	551	554	569	589	585	591	626
North East Middle	712	753	750	732	754	780	726	725	727	774	753
Perryville Middle	860	558	554	556	550	558	565	597	597	570	615
Rising Sun Middle	818	674	649	679	677	718	713	714	695	706	688
Middle School Total	4,478	3,438	3,438	3,443	3,446	3,548	3,485	3,581	3,592	3,648	3,654
<b><u>High Schools</u></b>											
Bohemia Manor High	643	643	650	656	620	629	641	635	664	736	733
Elkton High	1,380	993	982	1,026	1,067	1,124	1,105	1,097	1,087	1,122	1,112
North East High	1,009	1,098	1,083	1,065	1,028	1,005	1,037	1,078	1,121	1,129	1,084
Perryville High	944	763	802	802	810	789	775	812	846	892	905
Rising Sun High	924	1,139	1,172	1,171	1,167	1,147	1,114	1,156	1,177	1,174	1,201
High School Total	4,900	4,636	4,689	4,720	4,692	4,694	4,672	4,778	4,895	5,053	5,035
<b><u>Other Schools</u></b>											
Cecil County High School*	106	79	87	75	97	71	72	62	58	84	90
School of Technology*	459	744	674	387	258	247	253	254	255	254	240
<b>Grand Total</b>	<b>18,111</b>	<b>15,364</b>	<b>15,633</b>	<b>15,859</b>	<b>15,681</b>	<b>15,824</b>	<b>15,634</b>	<b>15,827</b>	<b>15,937</b>	<b>16,205</b>	<b>16,209</b>
Increase / (Decrease)		(269)	(226)	178	(143)	190	(193)	(110)	(268)	(4)	(81)
% Increase / Decrease		-1.7%	-1.4%	1.1%	-0.9%	1.2%	-1.2%	-0.7%	-1.7%	0.0%	-0.5%
High School Graduates		1,097	1,071	1,143	1,059	1,082	1,085	1,132	1,122	1,137	1,080

Source: U.S. Census Bureau, Cecil County Public Schools Department of Student Services

\*Includes schools that are not home based. Students are taken from their primary location for a period of time during the school day.



**CECIL COUNTY, MARYLAND  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO**

Employer	2018			2009		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
W. L. Gore & Associates, Inc.	2,405	1	4.76%	2,300	2	4.76%
Cecil County Board of Education	2,159	2	4.27%	2,464	1	5.10%
Perry Point V.A. Medical Center	1,500	3	2.97%	1,125	3	2.33%
Union Hospital	1,235	4	2.44%	713	5	1.48%
Amazon	1,100	5	2.18%	*		
Wal-Mart Stores, Inc.	830	6	1.64%	500	7	1.03%
Cecil County Government	614	7	1.21%	610	6	1.26%
Terumo Corporation	610	8	1.21%	345	9	0.71%
IKEA/Genco	580	9	1.15%	370	8	0.77%
Cecil College	530	10	1.05%	300	10	0.62%
Orbital ATK, Inc. (formerly Thiokol Corp.)	*			795	4	1.65%
Totals	<u>11,563</u>		<u>22.88%</u>	<u>9,522</u>		<u>19.71%</u>

Source: Cecil County Office of Economic Development

\*Note: Employer is not one of the ten largest employers during the year noted.

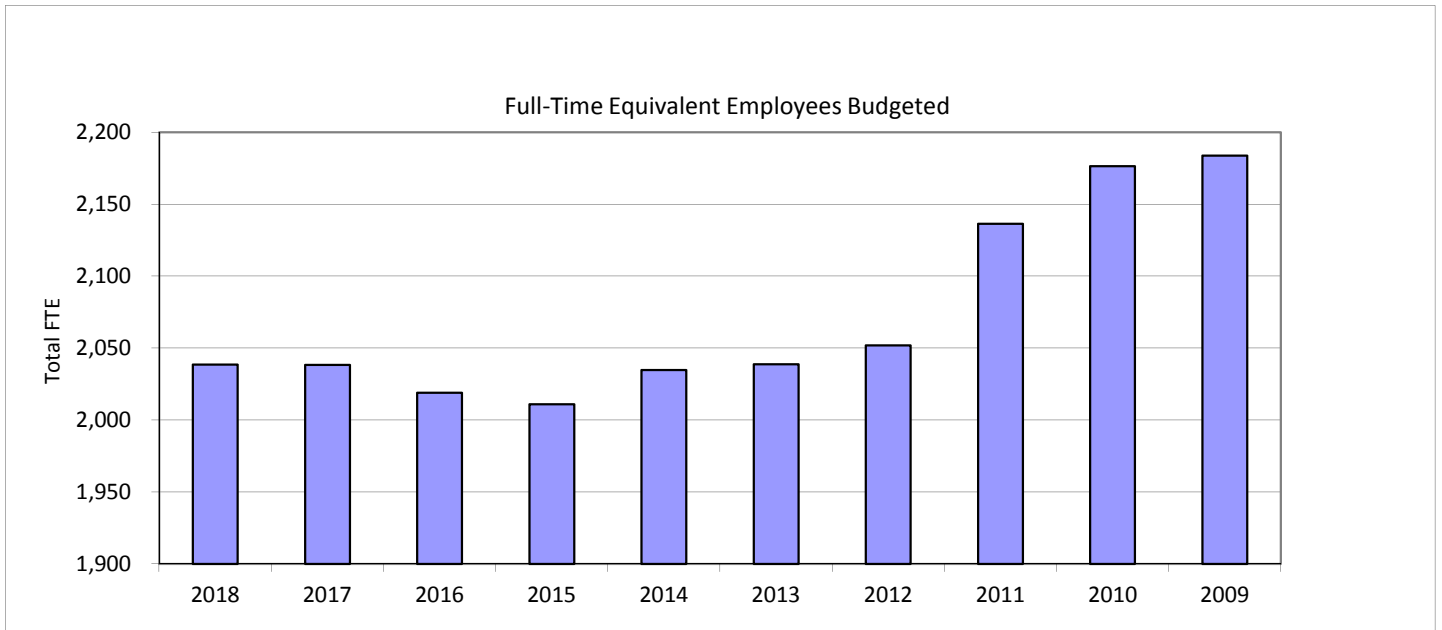
**CECIL COUNTY, MARYLAND  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN CALENDAR YEARS**

Calendar Year	Population	Personal Income (amounts expressed in thousands)	Per Capita Income	Employment	Unemployment Rate	Median Price of Housing Sales	School Enrollment
2017	102,746	\$ 3,151,836	\$ 30,676	50,558	4.8%	\$ 216,484	15,364
2016	102,603	3,030,687	29,538	49,918	5.1%	194,765	15,633
2015	102,382	2,971,638	29,025	50,042	6.0%	197,902	15,859
2014	102,383	3,022,141	29,518	48,665	6.6%	194,000	15,681
2013	101,108	2,934,660	29,025	51,202	6.1%	195,000	15,824
2012	101,696	2,864,776	28,170	51,078	8.2%	199,900	15,634
2011	101,694	2,957,160	29,079	46,188	8.9%	199,900	15,827
2010	101,108	2,896,845	28,651	45,326	9.6%	242,500	15,937
2009	103,850	3,370,452	32,455	46,259	9.0%	225,000	16,271
2008	99,926	3,206,925	32,093	48,310	5.3%	235,000	16,290

Source: Cecil County Office of Economic Development, Maryland Association of Realtors, U.S. Census Bureau

**CECIL COUNTY PUBLIC SCHOOLS  
FULL-TIME EQUIVALENT EMPLOYEES BUDGETED BY FUNCTION  
GENERAL FUND  
LAST TEN FISCAL YEARS**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Administration	47.50	47.00	47.00	47.00	47.00	47.50	49.75	49.75	49.75	50.75
Mid-level administration	194.60	195.10	197.10	196.10	196.10	196.60	201.25	206.25	208.00	206.25
Instruction salaries	1,099.70	1,102.40	1,101.10	1,103.40	1,120.66	1,126.86	1,131.56	1,190.00	1,213.23	1,217.94
Special education	437.40	437.50	419.90	411.10	418.20	414.20	412.70	424.00	434.46	434.97
Student personnel services	15.90	13.90	15.90	15.90	15.90	14.70	14.60	15.00	15.00	14.00
Student health services	32.00	31.00	31.00	31.00	31.00	32.00	32.00	32.00	34.00	34.00
Student transportation	23.00	23.00	23.00	25.00	25.00	25.00	27.00	27.00	27.00	27.00
Operation of plant	134.50	134.50	132.00	130.50	131.00	131.00	132.00	140.00	140.00	142.00
Maintenance of plant	48.00	48.00	49.00	48.50	47.50	47.50	47.50	50.00	51.50	53.00
Community services	3.00	3.00	-	-	-	1.00	1.00	-	-	-
Capital outlay	3.00	3.00	3.00	2.50	2.50	2.50	2.50	2.50	3.50	4.00
<b>Total by function</b>	<b>2,038.60</b>	<b>2,038.40</b>	<b>2,019.00</b>	<b>2,011.00</b>	<b>2,034.86</b>	<b>2,038.86</b>	<b>2,051.86</b>	<b>2,136.50</b>	<b>2,176.44</b>	<b>2,183.91</b>
Increase over prior year	0.20	19.40	8.00	-23.86	-4.00	-13.00	-84.64	-39.94	-7.47	25.91
	0.0%	1.0%	0.4%	-1.2%	-0.2%	-0.6%	-4.0%	-1.8%	-0.3%	1.2%



Source: Cecil County Public Schools, Approved Budget

**CECIL COUNTY PUBLIC SCHOOLS  
COST PER STUDENT  
BUDGETARY BASIS (non-GAAP)  
LAST TEN FISCAL YEARS**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total student enrollment	15,364	15,633	15,859	15,681	15,824	15,634	15,827	15,937	16,271	16,209
Administration	\$ 367	\$ 329	\$ 267	\$ 260	\$ 267	\$ 302	\$ 257	\$ 276	\$ 263	\$ 245
Mid-level administration	920	889	841	853	839	868	841	886	848	831
Instruction										
Salaries	4,758	4,639	4,438	4,485	4,395	4,365	4,216	4,345	4,231	4,159
Materials and supplies	310	299	193	295	240	233	175	142	171	206
Other costs	295	239	206	164	185	206	187	374	276	211
Special education	1,779	1,681	1,659	1,609	1,555	1,608	1,575	1,630	1,582	1,551
Student personnel services	98	85	65	68	68	64	63	60	66	73
Student health services	109	104	100	97	95	98	99	98	94	96
Student transportation	707	643	607	603	594	614	584	576	564	559
Operation of plant	721	711	689	759	735	722	673	725	702	707
Maintenance of plant	319	287	274	261	273	286	239	226	231	240
Fixed charges	2,403	2,313	2,381	2,352	2,382	2,162	2,016	1,974	1,994	1,940
Community services	21	23	8	19	15	25	25	23	19	19
Capital outlay	117	27	19	19	25	14	11	12	14	16
Total cost per student	<u>\$ 12,924</u>	<u>\$ 12,269</u>	<u>\$ 11,747</u>	<u>\$ 11,844</u>	<u>\$ 11,668</u>	<u>\$ 11,567</u>	<u>\$ 10,961</u>	<u>\$ 11,347</u>	<u>\$ 11,055</u>	<u>\$ 10,853</u>
Increase over prior year	\$ 655 5.3%	\$ 522 4.4%	\$ (97) -0.8%	\$ 176 1.5%	\$ 101 0.9%	\$ 606 5.5%	\$ (386) -3.4%	\$ 292 2.6%	\$ 202 1.9%	\$ 408 3.9%

Source: Statement of Revenue, Expenditures, Encumbrances, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - General Fund

**CECIL COUNTY PUBLIC SCHOOLS  
OTHER OPERATING DATA  
LAST TEN FISCAL YEARS**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total student enrollment	15,364	15,633	15,859	15,681	15,824	15,634	15,827	15,937	16,271	16,209	16,290
<b><u>FOOD &amp; NUTRITION</u></b>											
Number of days lunch served	180	180	180	178	177	179	179	180	179	180	179
Average number of lunches served daily:											
Free lunch	4,186	4,041	4,156	4,182	4,100	3,841	4,023	3,803	3,475	3,054	2,595
Reduced price	429	471	508	523	504	519	547	606	660	680	690
Regular price	2,194	2,109	2,209	2,291	2,269	2,449	2,740	3,158	3,358	3,883	4,662
Total average number of lunches served daily	6,809	6,621	6,873	6,996	6,873	6,809	7,310	7,567	7,493	7,617	7,947
Percentage of student participation:											
Students receiving free lunch	27.2%	25.8%	26.2%	26.7%	25.9%	24.6%	25.4%	23.9%	21.4%	18.8%	15.9%
Students paying reduced price	2.8%	3.0%	3.2%	3.3%	3.2%	3.3%	3.5%	3.8%	4.1%	4.2%	4.2%
Students paying regular price	14.3%	13.5%	13.9%	14.6%	14.3%	15.7%	17.3%	19.8%	20.6%	24.0%	28.6%
Total percentage of student participation	44.3%	42.3%	43.3%	44.6%	43.4%	43.6%	46.2%	47.5%	46.1%	47.0%	48.7%
Cost per lunch to student:											
Elementary	\$ 2.60	\$ 2.60	\$ 2.50	\$ 2.50	\$2.45	\$2.25	\$2.15	\$2.10	\$2.10	\$2.10	\$1.60
Secondary	\$ 2.60	\$ 2.75	\$ 2.65	\$ 2.65	\$2.60	\$2.40	\$2.30	\$2.25	\$2.25	\$2.25	\$1.75
<b><u>STUDENT TRANSPORTATION</u></b>											
Number of students eligible to ride the bus	14,731	14,286	14,373	14,735	14,565	14,673	14,664	14,820	14,971	14,841	15,187
Number of school bus riders daily	10,091	10,718	11,355	10,914	10,459	11,117	11,390	11,087	11,858	10,935	11,136
Percentage of student participation	65.7%	68.6%	71.6%	69.6%	66.1%	71.1%	72.0%	69.6%	72.9%	67.5%	68.4%
Number of school bus routes:											
County	8	8	8	8	9	9	9	10	10	10	10
Private contractor	144	235	145	143	142	142	147	147	147	147	147
<b><u>TEACHER DATA</u></b>											
Total number of budgeted teachers	1,330.60	1,328.40	1,310.50	1,296.50	1,296.90	1,299.20	1,280.20	1,328.70	1,347.80	1,347.30	1,349.60
Minimum salary (190 days)	\$ 45,886	\$ 45,208	\$ 44,760	\$ 44,186	\$ 43,662	\$ 42,890	\$ 42,890	\$ 42,890	\$ 42,132	\$ 41,674	\$ 40,061
Maximum salary * (190 days)	\$ 84,638	\$ 83,563	\$ 80,829	\$ 79,919	\$ 79,089	\$ 77,866	\$ 77,866	\$ 77,193	\$ 76,003	\$ 70,284	\$ 67,692
Average annual salary	\$ 65,535	\$ 64,373	\$ 63,100	\$ 63,520	\$ 61,061	\$ 60,943	\$ 60,440	\$ 59,789	\$ 58,189	\$ 56,885	\$ 54,519
Increase/decrease over prior year	1.8%	2.0%	-0.7%	4.0%	0.2%	0.8%	1.1%	2.7%	2.3%	4.3%	3.6%
Percentage of teachers with Master's and/or APC	66.6%	66.4%	65.9%	68.7%	67.8%	67.0%	65.9%	64.4%	62.7%	60.9%	55.1%
Percentage of teachers with Master's plus credits	6.2%	5.6%	6.0%	6.3%	6.4%	6.2%	6.1%	5.9%	5.4%	5.1%	5.2%
Percentage of teachers with Doctorate	0.4%	0.5%	0.3%	0.3%	0.5%	0.5%	0.3%	0.4%	0.4%	0.4%	0.4%
Student/Teacher ratio	11.5	11.8	12.1	12.1	12.2	12.0	12.4	12.0	12.0	12.0	12.1

\*Includes additional stipends for advanced training and longevity

Source: Cecil County Public Schools Department of Food and Nutrition, Department of Student Transportation, Department of Human Resources

**CECIL COUNTY PUBLIC SCHOOLS  
CAPITAL ASSET INFORMATION  
AS OF JUNE 30, 2018**

	Square Feet	Acres	Capacity	Year Constructed	Most Recent Total Reno
<b><u>Central Offices</u></b>					
G.W. Carver Center	32,357	3	N/A	1953	2008
Administrative Services Center	76,700	50	500	1965	2016
<b><u>Elementary Schools</u></b>					
Bainbridge Elementary	51,818	15	449	1956	2001
Bay View Elementary	61,884	15	608	1961	2003
Calvert Elementary	58,857	16	433	1981	2011
Cecil Manor Elementary	49,586	10	523	1955	1995
Cecilton Elementary	35,321	8	350	1939	1997
Charlestown Elementary	42,522	20	292	1959	2003
Chesapeake City Elementary	41,027	10	353	1939	1939
Conowingo Elementary	44,696	19	534	1955	1993
Elk Neck Elementary	50,156	29	501	1991	1991
Gilpin Manor Elementary	51,035	9	416	1952	1980
Holly Hall Elementary	61,711	15	624	1963	2000
Kenmore Elementary	35,225	11	306	1985	1985
Leeds Elementary	40,414	17	408	1968	1968
North East Elementary	61,396	11	542	1951	2001
Perryville Elementary	69,649	10	500	1955	2016
Rising Sun Elementary	62,496	12	715	1957	1991
Thomson Estates Elementary	70,130	17	614	1976	1976
<b><u>Middle Schools</u></b>					
Bohemia Manor Middle*	N/A	N/A	601	1958	1995
Cherry Hill Middle	92,990	39	775	1968	1968
Elkton Middle	72,600	14	712	1937	1998
North East Middle	101,200	10	712	1932	1932
Perryville Middle	102,746	26	860	1928	2008
Rising Sun Middle	104,765	20	818	1931	1999
<b><u>High Schools</u></b>					
Bohemia Manor High*	136,024	35	643	1958	1995
Elkton High	187,046	37	1,380	1958	2008
North East High	123,890	50	1,009	1970	1970
Perryville High	130,672	39	944	1978	1978
Rising Sun High	114,400	42	924	1991	1991
<b><u>Other Schools</u></b>					
Providence	16,645	9	106	1923	1994
School of Technology	162,930	91	459	1992	2015
<b>Total:</b>	<b>2,342,888</b>	<b>709</b>	<b>18,611</b>		

\*See Bohemia Manor High School; Bohemia Manor Middle School and Bohemia Manor High School share the same building.

Source: Educational Facilities Master Plan

**CECIL COUNTY PUBLIC SCHOOLS  
STUDENT ACADEMIC PERFORMANCE  
AS OF JUNE 30, 2018**

**Maryland Comprehensive Assessment Program (MCAP)  
Percentage of Students Meeting or Exceeding the Standard - 2018**

		English/Language Arts		Math	
		CECIL COUNTY	STATE	CECIL COUNTY	STATE
Grade 3	Meeting or Exceeding the Standard (Performance Level 4 or 5)	36.1	38.8	40.8	42.3
Grade 4	Meeting or Exceeding the Standard (Performance Level 4 or 5)	43.6	43.1	37.6	38.8
Grade 5	Meeting or Exceeding the Standard (Performance Level 4 or 5)	42.3	42.1	35.2	38.0
Grade 6	Meeting or Exceeding the Standard (Performance Level 4 or 5)	42.4	38.6	35.0	31.8
Grade 7	Meeting or Exceeding the Standard (Performance Level 4 or 5)	44.4	45.6	32.6	28.7
Grade 8	Meeting or Exceeding the Standard (Performance Level 4 or 5)	41.1	41.3	13.8	15.9

**Maryland Comprehensive Assessment Program (MCAP)  
Percentage of Students Meeting or Exceeding the Standard - 2018**

		CECIL COUNTY	STATE
English 10	Meeting or Exceeding the Standard (Performance Level 4 or 5)	49.3	42.4
Algebra 1	Meeting or Exceeding the Standard (Performance Level 4 or 5)	33.4	31.2
Algebra 2	Meeting or Exceeding the Standard (Performance Level 4 or 5)	35.8	28.2

**Scholastic Assessment Test - Average Score, 2017 Data Reported**

	CECIL COUNTY	STATE OF MARYLAND	NATION
Evidence-Based Reading and Writing	541	530	533
Math	532	520	527
Total	1,073	1,050	1,060

Source: MD Report Card, CollegeBoard

**CECIL COUNTY PUBLIC SCHOOLS  
OUTSTANDING CAPITAL LEASES  
LAST TEN FISCAL YEARS**

Fiscal Year	Total Outstanding Debt	Debt per Capita	Ratio of debt to total personal income
2018	\$ 2,678,306	\$ 26.07	118%
2017	3,431,626	33.45	88%
2016	4,173,074	40.76	71%
2015	4,381,287	42.79	69%
2014	5,028,691	49.74	58%
2013	6,191,050	60.88	46%
2012	7,708,171	75.80	38%
2011	9,195,422	90.95	32%
2010	9,859,183	94.94	34%
2009	10,266,621	102.74	31%

**CECIL COUNTY PUBLIC SCHOOLS  
SCHEDULE OF CAPITAL LEASES  
AS OF JUNE 30, 2018**

Fiscal Year	Principal	Interest	Total Debt Service
2019	\$ 961,802	\$ 34,086	\$ 995,887
2020	895,979	20,424	916,403
2021	820,526	7,453	827,979
2022	-	-	-
2023	-	-	-
	<u>\$ 2,678,306</u>	<u>\$ 61,963</u>	<u>\$ 2,740,269</u>

Source: Reconciliation of Net Change in Fund Balance with Change in Net Position, Cecil County Office of Economic Development, Notes to Financial Statements



# OTHER SUPPLEMENTARY INFORMATION



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*

To the Board of Education  
Cecil County, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the Statement of Revenue, Expenditures, Encumbrances, and Changes in Fund Balance - Budget (non-GAAP Budgetary Basis) and Actual - General Fund of Cecil County Public Schools (the "School System"), a component unit of Cecil County, Maryland, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School System's basic financial statements, as listed in the table of contents, and have issued our report thereon dated September 28, 2018, which included an emphasis of matter paragraph as indicated on page 28.

#### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School System's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances 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 School System's internal control. Accordingly, we do not express an opinion on the effectiveness of the School System's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School System's financial statements are free from 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*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Baltimore, Maryland  
September 28, 2018

Independent Auditor's Report on Compliance for Each Major Federal Program and  
on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Education  
Cecil County, Maryland

Report on Compliance for Each Major Federal Program

We have audited Cecil County Public Schools' (the "School System") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Cecil County Public Schools' major federal programs for the year ended June 30, 2018. The School System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

*Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the School System's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 School System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School System's compliance.

*Opinion on Each Major Federal Program*

In our opinion, Cecil County Public Schools complied, in all material respects, with the types of compliance 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, 2018.

## Report on Internal Control over Compliance

Management of the School System is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School System's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 School System'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. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Baltimore, Maryland  
September 28, 2018

Board of Education of Cecil County  
 Schedule of Findings and Questioned Costs  
 Financial Reporting  
 Year ended June 30, 2018

**I. Summary of Independent Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	___ Yes	___ <u>X</u> ___	No
Significant deficiency(ies) identified?	___ 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?	___ Yes	___ <u>X</u> ___	None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ 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>	<u>Expenditures</u>
Title I Grants to Local Educational Agencies	84.010	\$ 2,830,374
Special Education Cluster (IDEA)	84.027, 84.173	<u>3,755,199</u>
		<u>\$ 6,585,573</u>

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee?      \_\_\_ Yes       X  No

**II. Financial Statement Findings**

None reported.

**III. Federal Award Findings and Questioned Costs**

None reported.

**IV. Summary Schedule of Prior Audit Findings**

Finding No. 2017 – 001:      Material Weakness

*Condition*

The June 30, 2017 financial statements of the School System were reissued to reflect the adoption of GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

*Current status*

Corrected. The School System has adopted and implemented all required GASB requirements. No similar findings were noted in the audit for fiscal year 2018.



**CECIL COUNTY PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended June 30, 2018**

Grant Name	CFDA Number	Grant Number	Federal Expenditures
<b>United States Department of Agriculture</b>			
Federal Programs administered through the Maryland State Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	N/A	\$ 1,420,095
National School Lunch Program	10.555	N/A	2,890,463
National School Lunch Program	10.555	N/A	421,699
Summer Food Service Program for Children	10.559	N/A	72,066
			<u>4,804,323</u>
Child and Adult Care Food Program	10.558	N/A	<u>9,179</u>
State Administrative Expenses for Child Nutrition	10.573	1640	<u>8,000</u>
Child Nutrition Discretionary Grants Limited Availability	10.579	171190-01	<u>17,411</u>
Total United States Department of Agriculture			<u>4,838,913</u>
<b>United States Department of Commerce</b>			
Federal Programs administered through the National Oceanic and Atmospheric Administration			
Chesapeake Bay Studies	11.457	NA15NMF4570196	<u>52,316</u>
Total United States Department of Commerce			<u>52,316</u>
<b>United States Department of Education</b>			
Federal programs administered through the Maryland State Department of Education			
Title I Grants to Local Educational Agencies	84.010	170829-01	290,457
Title I Grants to Local Educational Agencies	84.010	180655-01	2,539,917
			<u>2,830,374</u>
Special Education Cluster (IDEA)			
Special Education Grants to States	84.027A	170112-01	138,174
Special Education Grants to States	84.027A	170112-02	14,541
Special Education Grants to States	84.027	170112-04	19,947
Special Education Grants to States	84.027A	170112-06	4,437
Special Education Grants to States	84.027A	180204-01	47,071
Special Education Grants to States	84.027A	180306-01	3,268,838
Special Education Grants to States	84.027A	180306-02	19,619
Special Education Grants to States	84.027A	180306-03	2,500
Special Education Grants to States	84.027A	180306-04	56,413
Special Education Grants to States	84.027A	180306-05	500
Special Education Grants to States	84.027A	180306-06	14,389
Special Education Grants to States	84.027A	180306-07	30,672
Special Education Grants to States	84.027A	181022-01	12,359
Special Education Grants to States	84.027A	181022-02	142
Special Education Grants to States	84.027A	181274-01	12,434
Special Education Grants to States	84.027A	181472-01	848
Special Education Preschool Grants	84.173	180220-01	7,000
Special Education Preschool Grants	84.173	180220-02	3,835

**CECIL COUNTY PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year ended June 30, 2018**

<b>Grant Name</b>	<b>CFDA Number</b>	<b>Grant Number</b>	<b>Federal Expenditures</b>
<b>United States Department of Education (continued)</b>			
Federal programs administered through the Maryland State Department of Education (continued)			
Special Education Cluster (IDEA) (continued)			
Special Education Preschool Grants	84.173A	180305-01	\$ 99,498
Special Education Preschool Grants	84.173A	180305-02	1,982
			<u>3,755,199</u>
Career and Technical Education - Basic Grants to States	84.048	180600-01	<u>147,271</u>
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	190446-01	<u>8,016</u>
Special Education - Grants for Infants and Families	84.181A	180180-01	104,375
Special Education - Grants for Infants and Families	84.181A	180180-02	39,507
			<u>143,882</u>
Special Education - State Personnel Development	84.323A	180468-01	<u>9,695</u>
English Language Acquisition State Grants	84.365A	164296-01	784
English Language Acquisition State Grants	84.365A	170501-01	21,020
English Language Acquisition State Grants	84.365A	170501-02	28
English Language Acquisition State Grants	84.365A	180402-01	14,074
English Language Acquisition State Grants	84.365A	180402-02	5,191
			<u>41,097</u>
Supporting Effective Instruction State Grants	84.367	170972-01	29,692
Supporting Effective Instruction State Grants	84.367	171623-01	1
Supporting Effective Instruction State Grants	84.367	181265-01	458,162
			<u>487,855</u>
Competitive Grants for State Assessments	84.368A	181636-01	<u>7,750</u>
Statewide Longitudinal Data Systems	84.372	180712-01	<u>22,892</u>
Student Support and Academic Enrichment Program	84.424A	2017-CK-BX-0014	1,979
Student Support and Academic Enrichment Program	84.424A	181089-01	30,259
			<u>32,238</u>
			<u>7,486,269</u>
Total United States Department of Education			<u>7,486,269</u>
<b>Total Federal Expenditures</b>			<u>\$ 12,377,498</u>

CECIL COUNTY PUBLIC SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2018

**NOTE A—BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Cecil County Public Schools under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Cecil County Public Schools (“the School System”), it is not intended to and does not present the financial position, changes in net position, or cash flows of the School System.

**NOTE B - SCOPE OF SINGLE AUDIT PURSUANT TO UNIFORM GUIDANCE**

All federal financial assistance programs operated by the Cecil County Public Schools are included in the scope of the Uniform Guidance audit. This Single Audit was conducted in accordance with the provisions of the Office of Management and Budget’s Compliance Supplement (Provisional) and amended by the Maryland State Department of Education (MSDE) and in accordance with COMAR 13A.02.07 “Annual Audits of Financial Accounts and Federal Assistance.” Compliance testing of all requirements, as described in the Compliance Supplement and MSDE amendments, was performed.

The Maryland State Department of Education has been designated as the cognizant audit agency for the Uniform Guidance audit.

**NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the Uniform Guidance, or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) The School System has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

CECIL COUNTY PUBLIC SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2018

**NOTE D - FISCAL PERIOD AUDIT**

Single Audit testing procedures were performed for program transactions occurring during the fiscal year ended June 30, 2018 for the following major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>	<u>Expenditures</u>
Title I Grants to Local Educational Agencies	84.010	\$ 2,830,374
Special Education Cluster (IDEA)	84.027, 84.173	<u>3,755,199</u>
		<u>\$ 6,585,573</u>

**NOTE E - MEDICAL ASSISTANCE BUDGET**

The Medical Assistance Budget is considered to be charges for services and is not considered a grant; therefore, these grants are not included in the Schedule of Expenditures of Federal Awards. During fiscal year 2018, Cecil County Public Schools received \$1,343,340 in Medical Assistance monies.

Total Federal Grant Expenditures per financial statements	\$ 13,720,838
Medical Assistance Program	<u>(1,343,340)</u>
Total Schedule of Expenditures of Federal Awards	<u>\$ 12,377,498</u>