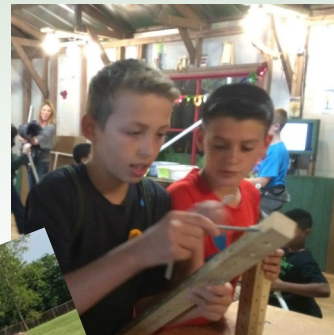


# Comprehensive Annual Financial Report

**Fiscal Year Ended June 30, 2016**



## Cecil County Public Schools

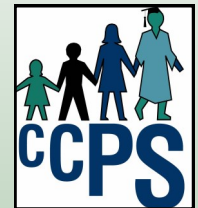
A Component Unit of Cecil County

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, 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, 2016

### BOARD OF EDUCATION

Dawn K. Branch, President  
Wendy A. Wintersgill, Vice President  
Lauren C. Camphausen, Member  
William C. Manlove, Member  
William H. Malesh, Member  
Harriet Starr, Student Member

D'Ette Devine, Ed.D., Superintendent of Schools and Secretary/Treasurer  
Jeffrey A. Lawson, Ed.D., Associate Superintendent for Education Services  
Carolyn Teigland, 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, 2016**

**Table of Contents**

|   |     |
|---|-----|
| INTRODUCTORY SECTION .....  | 7   |
| Organization Chart .....  | 9   |
| Leadership Team .....   | 10  |
| Letter of Transmittal .....   | 11  |
| GFOA Certificate of Achievement .....   | 22  |
| ASBO International Certificate of Excellence .....  | 23  |
| FINANCIAL SECTION .....   | 25  |
| Independent Auditor’s Report .....  | 27  |
| Management’s Discussion and Analysis .....  | 30  |
| Government-wide Statements .....  | 33  |
| BASIC FINANCIAL STATEMENTS .....  | 47  |
| Statement of Net Position .....   | 49  |
| Statement of Activities .....   | 50  |
| Balance Sheet - Governmental Funds .....  | 51  |
| Reconciliation of Governmental Funds Balance Sheet with the Statement of Net Position .....   | 52  |
| Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds .....   | 53  |
| Reconciliation of Net Change in Fund Balance with Change in Net Position .....  | 54  |
| Statement of Revenue, Expenditures, Encumbrances, and Changes in Fund Balance - Budget (non-GAAP Budgetary Basis) and Actual - General Fund ..... | 55  |
| Statement of Fiduciary Net Position .....   | 56  |
| Statement of Changes in Fiduciary Net Position - Retiree Benefit Trust Fund .....   | 57  |
| Notes to Basic Financial Statements .....   | 58  |
| REQUIRED SUPPLEMENTARY INFORMATION .....  | 93  |
| Schedule of Funding Progress by Valuation Date .....  | 95  |
| Schedule of Employer Contributions .....  | 95  |
| Schedule of the Proportionate Share of the Net Pension Liability for the Employee’s Retirement and Pension System .....                           | 96  |
| Schedule of the Proportionate Share of Net Pension Liability for the Teachers’ Retirement & Pension Systems .....                                 | 96  |
| INDIVIDUAL FUND FINANCIAL STATEMENT .....   | 97  |
| Statement of Changes in Assets and Liabilities - Agency Fund - Student Activities .....   | 99  |
| STATISTICAL SECTION .....   | 101 |
| Statistical Section Contents .....  | 103 |
| Net Position by Component .....   | 105 |
| Changes in Net Position, Governmental Funds .....   | 106 |
| Fund Balances of Governmental Funds .....   | 107 |

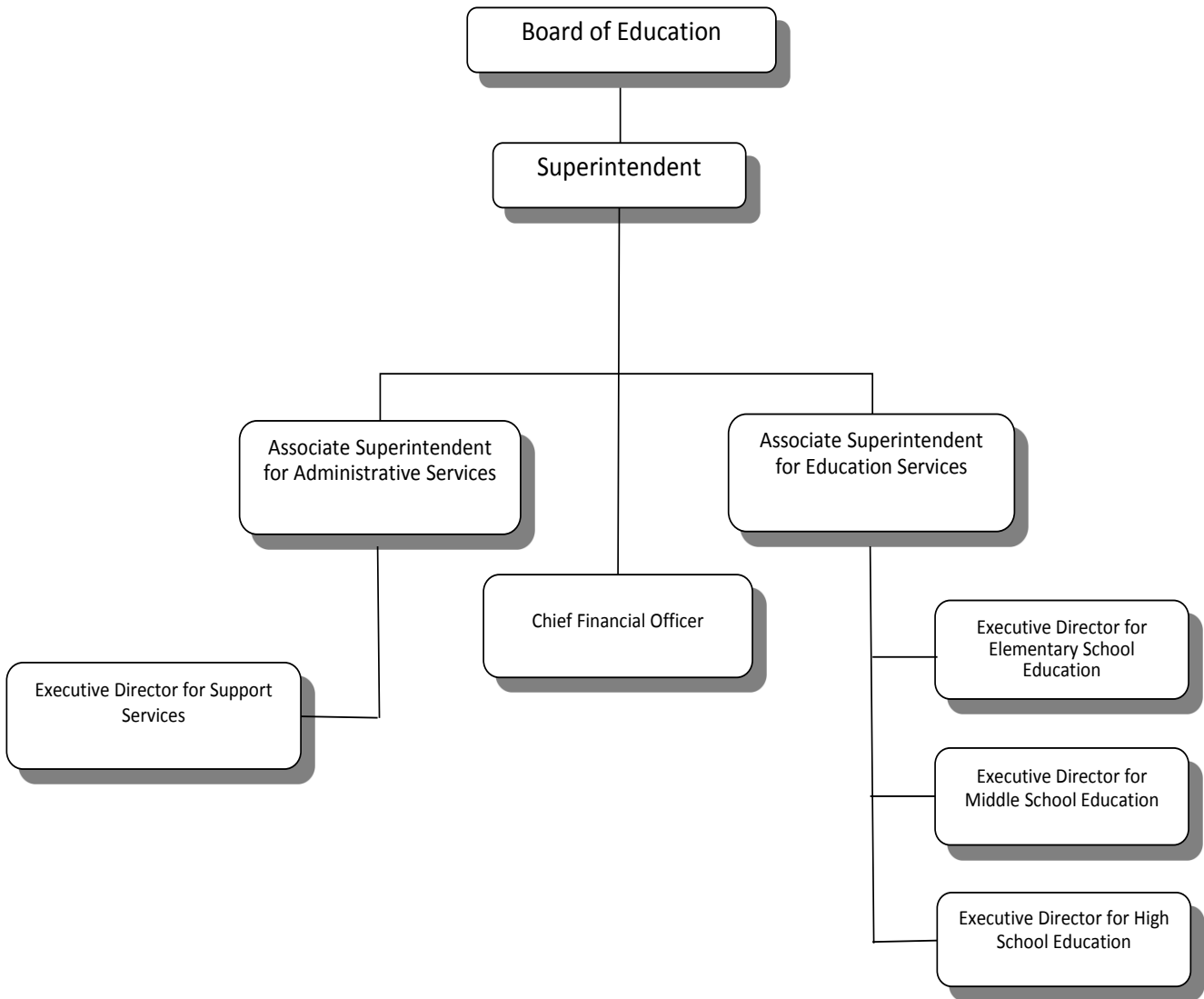
|   |     |
|---|-----|
| Changes in Fund Balance of Governmental Funds .....   | 108 |
| Current Expense Fund, Final Approved Budget by Function .....   | 109 |
| Current Expense Fund, Revenues by Source .....  | 110 |
| Current Expense Fund, Expenditures by Function, Budgetary Basis (non-GAAP) .....  | 111 |
| Special Revenue Fund, Revenues by Source .....  | 112 |
| Special Revenue Fund, Expenditures by Object .....  | 113 |
| Capital Project Fund, Revenues by Source .....  | 114 |
| Capital Project Fund, Expenditures by Type .....  | 115 |
| Government-wide, Revenues by Source .....   | 116 |
| Government-wide, Expenditures by Function .....   | 117 |
| Enrollments by School .....   | 118 |
| Principal Employers .....   | 119 |
| Demographics and Economic Statistics .....  | 120 |
| Full-Time Equivalent Employees Budgeted by Function-General Fund .....  | 121 |
| Cost per Student Budgetary Basis (non-GAAP) .....   | 122 |
| Other Operating Data .....  | 123 |
| Capital Asset Information .....   | 124 |
| Student Academic Performance .....  | 125 |
| Outstanding Capital Leases .....  | 126 |
| Schedule of Capital Leases .....  | 126 |
| OTHER SUPPLEMENTARY INFORMATION .....   | 127 |
| Independent Auditors Report on Internal Control Over Financial Reporting and on Compliance<br>and Other Matters Based on an Audit of Financial Statements Performed in Accordance with<br>Government Auditing Standards ..... | 129 |
| Independent Auditor's Report on Compliance for Each Major Program and on Internal Control<br>over Compliance Required by the Uniform Guidance .....   | 131 |
| Schedule of Findings and Questioned Costs .....   | 133 |
| Schedule of Expenditures of Federal Awards .....  | 135 |
| Notes to Schedule of Expenditures of Federal Awards .....   | 137 |

# INTRODUCTORY SECTION





**Cecil County Public Schools  
Organization Chart  
As of July 1, 2016**



*Our mission is to provide an excellent pre-kindergarten 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, 2016**

|                            |  |
|----------------------------|--|
| D'Ette W. Devine, Ed.D.    | Superintendent of Schools and<br>Secretary/Treasurer of the Board of Education |
| Jeffrey A. Lawson, Ed.D.   | Associate Superintendent for Education Services                                |
| Carolyn J. Teigland, Ed.D. | Associate Superintendent for Administrative Services                           |
| Thomas M. Kappra           | Chief Financial Officer  |
| Anne M. Gellrich           | Executive Director for High School Education                                   |
| Robert J. Buckley, Ed.D.   | Executive Director for Middle School Education                                 |
| Georgia B. Clark           | Executive Director for Elementary School Education                             |
| Perry A. Willis            | Executive Director for Support Services  |



# CECIL COUNTY PUBLIC SCHOOLS

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D'Ette W. Devine, Ed.D., *Superintendent*

201 Booth Street, Elkton, MD 21921

September 30, 2016

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, 2016 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

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# CECIL COUNTY PUBLIC SCHOOLS

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D'Ette W. Devine, Ed.D., *Superintendent*

201 Booth Street, Elkton, MD 21921

15,859 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 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.

Approximately 2.4 million square feet of building space and 718 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 buildings in use are two school facilities built in 1991 and the recently acquired School of Technology building built in 1992. Twenty-four 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 \$46.1 million in deferred maintenance expense, \$10,412,162 will be eliminated with the implementation of our five-year capital improvement plan. This includes the renovation of the replacement of Gilpin Manor Elementary School and Chesapeake City Elementary School, the elimination of Leeds Elementary School and the renovation/addition of North East Middle 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 2017 totals \$195,920,434, funded 41.2% by the County, 54.0% by the State and 4.8% by Federal and other sources.

## **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, including *Race to the Top* and teachers' pension funding. Current state funding formulas are based on a foundation per student amount that is capped at a maximum 1% increase annually. Preschool and pre-kindergarten students are not included in the State or County MOE funding formulas.

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.

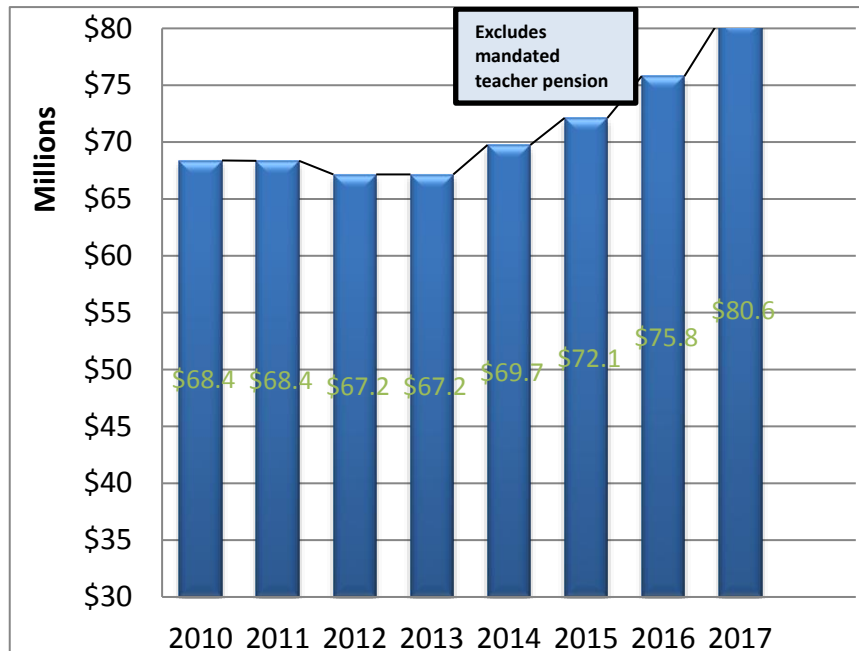
# CECIL COUNTY PUBLIC SCHOOLS

D’Ette W. Devine, Ed.D., *Superintendent*

201 Booth Street, Elkton, MD 21921

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 2017, the School System will receive a 1.1% increase in County funding for a total regular appropriation of \$80,610,438. This is the minimum MOE level of funding based on increased enrollment. This amount is \$1,627,286 less than the Board’s request. Total projected revenue for fiscal year 2017 is \$195,920,434 and is partially based on an increase in enrollment of 1.04%



## ECONOMIC CONDITION AND OUTLOOK

According to the U.S. Census Population Estimates, the population of Cecil County as of July 1, 2015 was 102,382. 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 next 30 years.

The labor force in Cecil County continues to hover around 53,000 persons. The most recent monthly labor force number in 2016 was 53,285. The number of in-county jobs has remained fairly steady between 30,000 and 31,000. As of May 2016, the unemployment rate was 4.7%, comparable to 5.8% measured in the same month last year. The median household income for Cecil County, as calculated by the United States Census Bureau's American Community Survey,

# CECIL COUNTY PUBLIC SCHOOLS

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D'Ette W. Devine, Ed.D., *Superintendent*

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was estimated to be \$65,124 in 2014, the most recent year measured. The same source reported that 87.4% of Cecil County citizens over the age of 25 are high school graduates or higher.

The Maryland Department of Labor, Licensing and Regulation reported a total of 1,962 active businesses in Cecil County in 2015. With direct access to the major thoroughfares of I-95 and U.S. Route 40, 22.7% of the employers in Cecil County are in the trade, transportation and utility industry. The manufacturing sector in Cecil County continues to be strong, employing an average of 4,255 or 13.9% of the total workforce. The County's manufacturing sector employment concentration is over three times that of the State of Maryland. In Cecil, these employees earn an average weekly wage of \$1,549. Major manufacturers in the County include W.L. Gore, Orbital ATK, Terumo Medical Corporation and Terumo Cardiovascular Systems.

In addition, the combination of 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. However, the county currently experiences an out-commute that is roughly twice as large as the in-commute on a daily basis.

The top employer in Cecil County is W.L. Gore which specializes in medical products and research and development, currently employing over 2,300 people. Cecil County is also home to several large logistics and transportation organizations such as IKEA, Restoration Hardware, Burris Logistics, and Performance Food Group that all employ over 200 workers, with IKEA employing nearly 600. The county's prime location near I-95 makes it a great destination for these organizations.

Cecil County continues to see high commercial and industrial prospect activity within and around its Growth Corridor, including three Fast Track projects. These projects will result in over 2.2 million square feet of new warehousing, manufacturing, office and plant processing space. In turn, this amount of space has the potential to create over 1,800 new full-time jobs. 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.

An important segment of Cecil County's economy involves the tourism industry. A Tourism Impact Study that measures tourism impact on Cecil County revealed that visitors generated \$161 million in expenditures during 2014. This was a 5% increase from the previous year. Approximately \$23 million was created in local and state taxes from these visitors. In addition, the Cecil County tourism industry employed over 2,300 people, and total wages for these employees increased from \$90 million in 2013 to \$91 million in 2014. On average, every Maryland household would have to pay more than \$1,000 additional in taxes to replace the tax

# CECIL COUNTY PUBLIC SCHOOLS

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D'Ette W. Devine, Ed.D., *Superintendent*

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revenues generated by visitors.

Approximately 70% of Cecil County is rural. Therefore, agriculture also significantly contributes to the local economy. About 34.6% of Cecil County acreage is farmland. Much of this land is devoted to cash grain and dairy farms. Principal crops are corn, soybeans and wheat. According to the U.S. Census, agriculture product sales were \$113 million in 2012. This number is a near 18% increase in market value of production from 2007. Equally impressive is the value of equine inventory in the county. As of the 2010 Equine Census, there are 740 equine places with an inventory of 6,200 for a total value of \$94 million.

The Enterprise Zone, Revolving Loan Fund, and access to Video Lottery Terminal (VLT) funds continue to be attractive to businesses looking to invest in Cecil County. In 2015, Cecil's Enterprise Zone, which provides tax incentives to both property and business owners who meet certain criteria, was expanded further to include the Town of Port Deposit and the Bainbridge property within it.

## **MAJOR SCHOOL SYSTEM INITIATIVES**

### **Our Mission**

Our mission is to provide an excellent pre-kindergarten 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
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,

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# CECIL COUNTY PUBLIC SCHOOLS

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D'Ette W. Devine, Ed.D., *Superintendent*

201 Booth Street, Elkton, MD 21921

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 2015-16 school year show an all-time high in the number of AP tests taken and the number of AP tests passed. Approximately 77.6% 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 2016:

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

- Twilight School as an alternative to suspension in all secondary schools
- Half day pre-kindergarten 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
- World language instruction for high school credit in every middle school
- Serving the needs of students with disabilities in an inclusive, least restrictive environment
- Revised Grading and Reporting Policy and Procedures

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
-



# CECIL COUNTY PUBLIC SCHOOLS

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D'Ette W. Devine, Ed.D., *Superintendent*

201 Booth Street, Elkton, MD 21921

- Ongoing implementation of a revised Student Code of Conduct
- Regular safety reviews at each school to assess readiness to respond to incidents

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

- Professional development in Strategic Instructional Models for Success
- 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

## **The Future**

Funding for the following major programmatic initiatives are included in the fiscal year 2017 budget:

Our efforts to improve the academic achievement 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 cost of living adjustments (COLA) for employees per collective bargaining arrangements
- Resources to support the implementation of new curriculum

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
- Replacement vehicles and equipment for maintenance

# CECIL COUNTY PUBLIC SCHOOLS

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D'Ette W. Devine, Ed.D., *Superintendent*

201 Booth Street, Elkton, MD 21921

## **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 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, activity 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.

# CECIL COUNTY PUBLIC SCHOOLS

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D’Ette W. Devine, Ed.D., *Superintendent*

201 Booth Street, Elkton, MD 21921

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.

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.

# CECIL COUNTY PUBLIC SCHOOLS

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D'Ette W. Devine, Ed.D., *Superintendent*

201 Booth Street, Elkton, MD 21921

## **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, 2015. This is the thirteenth 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 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, 2015. 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 thirteenth consecutive year the School System was awarded the ASBO Certificate of Excellence

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# CECIL COUNTY PUBLIC SCHOOLS

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D'Ette W. Devine, Ed.D., *Superintendent*

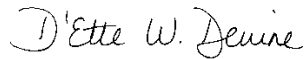
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in Financial Reporting. We believe our current CAFR continues to conform to the Certificate of Excellence Program requirements and we are submitting it to ASBO International for consideration.

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,



D'Ette W. Devine, Ed.D.  
Superintendent of Schools  
Secretary/Treasurer



Thomas M. Kappa  
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, 2015**

Executive Director/CEO



ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

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

## **Cecil County Public Schools**

**for its Comprehensive Annual Financial Report (CAFR)  
for the Fiscal Year Ended June 30, 2015.**

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



*Brenda Burkett*

Brenda R. Burkett, CPA, CSBA, SFO  
President

*John D. Musso*

John D. Musso, CAE, RSBA  
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 basic financial statements, as defined in the Management Discussion and Analysis, of the governmental activities and each major 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, 2016, 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 governmental activities and each major fund of the School System as of June 30, 2016, 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

### *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 School System's actuarially determined funding progress and required contributions for the School System's Retiree Benefit Trust Fund on page 93, and Schedules of Required Pension Related Supplementary Information on page 94 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 Statements 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 Statements 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 procedures, 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 30, 2016 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit

performed in accordance with Government Auditing Standards in considering the School System's internal control over financial reporting and compliance.

*CohnReznick LLP*

Baltimore, Maryland  
September 30, 2016

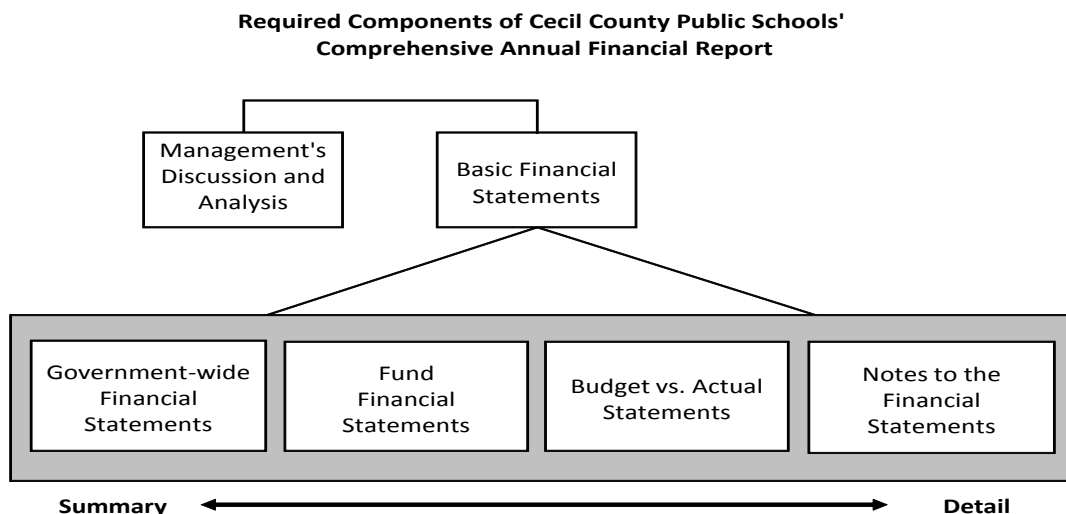
This section of Cecil County Public Schools' Comprehensive Annual Financial Report (CAFR) represents our discussion and analysis of the School System's financial performance during the fiscal year ending June 30, 2016. The Management's Discussion and Analysis, Financial Statements, and related footnotes 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 \$182,542,592 of which \$181,891,093 is a net investment in capital assets.
- Net position increased \$6,390,149 for the year, most of which is attributable to an increase in cash and cash equivalents of \$4,666,341, a decrease in receivables of \$1,743,315, and an increase in net investment of capital assets of \$3,817,997.
- General revenues of \$143,507,839 account for 64.6% of all revenues; program revenues of \$78,673,557 account for 35.4%.
- The Food and Nutrition department received \$1,824,286 from charges for services, accounting for 27.2% of Food and Nutrition total revenue.
- The operating budget was amended during the year for a net increase of \$2,226,259. This included additional revenue from restricted State and Federal grants of \$1,610,456, and additional other revenue of \$615,803.

**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<br>-Statement of Activities                                 | -Balance Sheet<br>-Statement of Revenues, Expenditures, and Changes in Fund Balance   | -Statement of Fiduciary Net Position<br>-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   |

## 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)*, *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 fiscal year 2016, the School System implemented the following GASB Statements:

GASB Statement No. 72, *Fair Value Measurement and Application*, effective for the School System beginning with its fiscal year ending June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, effective for the School System beginning with its fiscal year ending June 30, 2016. This Statement establishes criteria for an external investment pool to qualify for making the election to measure its investments at amortized cost for financial reporting purposes, as well as establishes criteria to address how the external investment pool transacts with participants; the requirements for portfolio maturity, quality, diversification, and liquidity; and the calculation and requirements of a shadow price. The provisions on portfolio quality, custodial credit risk, and shadow pricing will be effective for the School System beginning with its fiscal year ending June 30, 2017.



### **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. 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 2016 vs. 2015 is shown below:

|                                      | <u>2016</u>           | <u>2015</u>           | <u>Increase/(Decrease)</u> |          |
|--------------------------------------|-----------------------|-----------------------|----------------------------|----------|
| <b>Assets</b>                        |                       |                       |                            |          |
| Current assets                       | \$ 31,444,055         | \$ 28,936,734         | \$ 2,507,321               | 8.7%     |
| Capital assets, net                  | <u>186,064,167</u>    | <u>182,454,383</u>    | <u>3,609,784</u>           | 2.0%     |
| Total assets                         | <u>217,508,222</u>    | <u>211,391,117</u>    | <u>6,117,105</u>           | 2.9%     |
| <b>Deferred Outflow of Resources</b> |                       |                       |                            |          |
| Deferred Pension                     | <u>3,203,965</u>      | <u>1,220,202</u>      | <u>1,983,763</u>           | 162.6%   |
|                                      | <u>3,203,965</u>      | <u>1,220,202</u>      | <u>1,983,763</u>           | 162.6%   |
| <b>Liabilities</b>                   |                       |                       |                            |          |
| Current liabilities                  | 20,516,829            | 20,575,940            | (59,111)                   | (0.3)%   |
| Noncurrent liabilities               | <u>16,732,905</u>     | <u>14,951,834</u>     | <u>1,781,071</u>           | 11.9%    |
| Total liabilities                    | <u>37,249,734</u>     | <u>35,527,774</u>     | <u>1,721,960</u>           | 4.8%     |
| <b>Deferred Inflow of Resources</b>  |                       |                       |                            |          |
| Net Pension Liability                | <u>919,861</u>        | <u>931,102</u>        | <u>(11,241)</u>            | (1.2)%   |
|                                      | <u>919,861</u>        | <u>931,102</u>        | <u>(11,241)</u>            | (1.2)%   |
| <b>Net Position</b>                  |                       |                       |                            |          |
| Net investment in capital assets     | 181,891,093           | 178,073,096           | 3,817,997                  | 2.1%     |
| Restricted                           | 42,732                | 47,954                | (5,222)                    | 10.9%    |
| Unrestricted (deficit)               | <u>608,767</u>        | <u>(1,968,607)</u>    | <u>2,577,374</u>           | (130.9)% |
| Net Position, end of year            | <u>\$ 182,542,592</u> | <u>\$ 176,152,443</u> | <u>\$ 6,390,149</u>        | 3.6%     |

**Change in Net Position**

The School System's combined net position increased by \$6,390,149 or 3.6% on June 30, 2016, to \$182,542,592. Current assets increased by \$2,507,321 or 8.7% mainly due to an increase in cash and cash equivalents of \$4,621,231 and a decrease in receivables of \$1,743,315. Capital assets increased by \$3,609,784 or 2.0% due to the timing of construction projects.

Current liabilities decreased by \$59,111 or 0.3% mainly due to the decrease in accounts payable and accrued expenses of \$622,466 and the increase in capital leases due within one year of \$372,477.

**Statement of Activities**

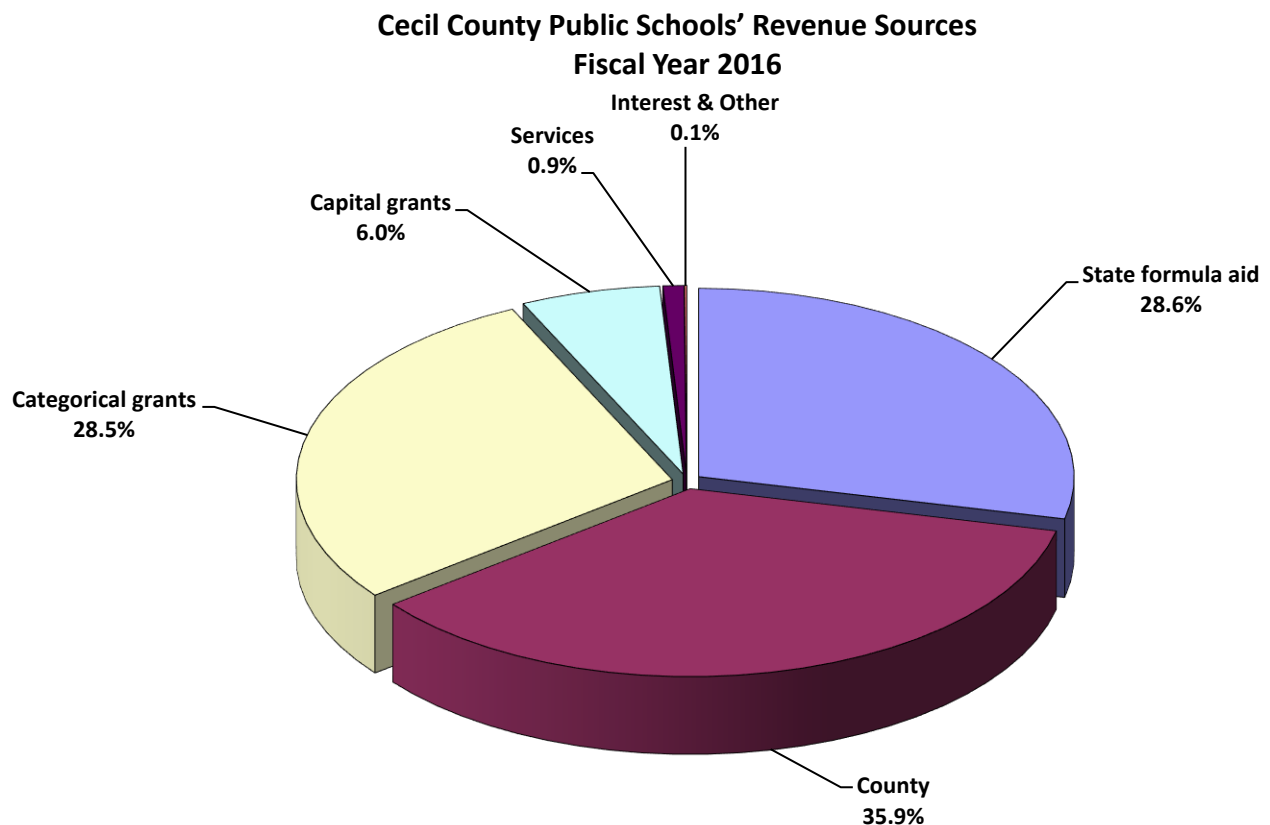
A comparison of revenue by source and expense by function for 2016 vs. 2015 is shown below:

|  | <u>2016</u>           | <u>2015</u>           | <u>Increase/(Decrease)</u> |         |
|--|-----------------------|-----------------------|----------------------------|---------|
| <b>Revenue</b>   |                       |                       |                            |         |
| Program Revenues   |                       |                       |                            |         |
| Charges for Services   | \$ 2,079,125          | \$ 2,175,921          | \$ (96,796)                | (4.4)%  |
| Operating grants and contributions                             | 63,273,384            | 65,012,660            | (1,739,276)                | (2.7)%  |
| Capital grants and contributions                               | 13,321,048            | 25,488,817            | (12,167,769)               | (47.7)% |
| General Revenues   |                       |                       |                            |         |
| Grants and contributions not restricted<br>to certain programs | 143,318,149           | 140,190,150           | 3,127,999                  | 2.2%    |
| Other  | 189,690               | 142,378               | 47,312                     | 33.2%   |
| Total revenue  | <u>222,181,396</u>    | <u>233,009,926</u>    | <u>(10,828,530)</u>        | (4.6)%  |
| <b>Expenses</b>  |                       |                       |                            |         |
| Administration   | 6,539,335             | 5,393,707             | 1,145,628                  | 21.2%   |
| Mid-level administration                                       | 18,851,033            | 18,803,673            | 47,360                     | 0.3%    |
| Instruction  | 116,003,217           | 117,832,446           | (1,829,229)                | (1.6)%  |
| Special education  | 35,654,707            | 34,004,467            | 1,650,240                  | 4.9%    |
| Student personnel services                                     | 1,471,433             | 1,521,216             | (49,783)                   | (3.3)%  |
| Student health services  | 2,263,233             | 2,167,347             | 95,886                     | 4.4%    |
| Student transportation   | 9,990,762             | 9,850,551             | 140,211                    | 1.4%    |
| Operation of plant   | 13,246,823            | 14,176,769            | (929,946)                  | (6.6)%  |
| Maintenance of plant   | 5,335,317             | 5,262,522             | 72,795                     | 1.4%    |
| Food and nutrition   | 6,274,713             | 6,177,158             | 97,555                     | 1.6%    |
| Community services   | 160,674               | 289,679               | (129,005)                  | (44.5)% |
| Total expenses   | <u>215,791,247</u>    | <u>215,479,535</u>    | <u>311,712</u>             | 0.1%    |
| Change in net position   | 6,390,149             | 17,530,391            | (11,140,242)               | 63.5%   |
| Net position - beginning                                       | <u>176,152,443</u>    | <u>158,622,052</u>    |                            |         |
| Net position - ending  | <u>\$ 182,542,592</u> | <u>\$ 176,152,443</u> |                            |         |

**Revenue (Statement of Activities)**

Cecil County Public Schools' revenues from fiscal year 2016 were in the amount of \$222,181,396. Program revenue came from three major sources. These include charges for services of \$2,079,125, operating program grants from the State and Federal government of \$63,273,384 and capital grants from the State of Maryland and Cecil County Government of \$13,321,048. In addition to program sources, the School System received general revenue from the State of Maryland of \$63,567,371, Cecil County Government of \$79,750,778, investment earnings and other miscellaneous income of \$189,690.

Charges for services decreased by \$96,796 or 4.4% mostly due to decreased meal sales. Operating grants and contributions decreased \$1,739,276 or 2.7% due to decreased federal and state grant funding. Capital grants and contributions decreased by \$12,167,769 or 47.7% due to the timing of construction projects.



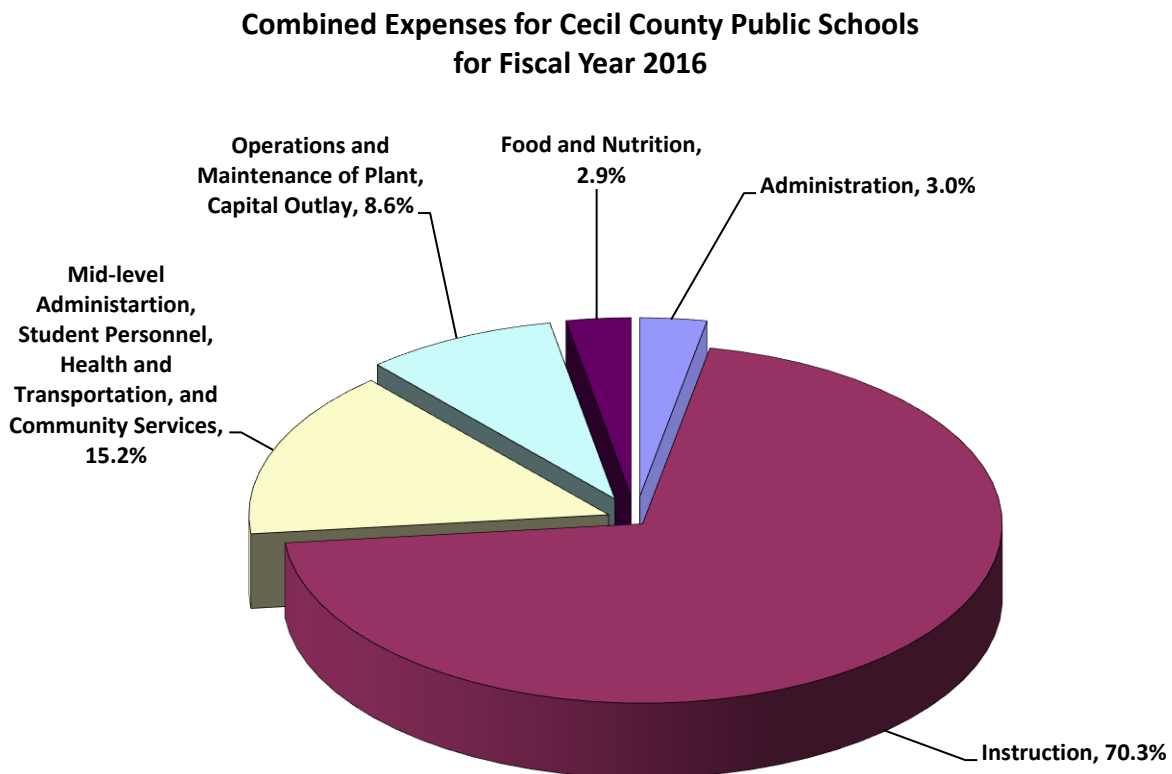
**Expenses (Statement of Activities)**

The revenues received during 2016 were used to pay expenses of \$215,791,247. This is an increase of \$311,712 or 0.1% over 2015. 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 decrease of \$1,829,229 or 1.6% in the instruction categories. Special Education increased by \$1,650,240 or 4.9% mainly due to salaries and wages and the related fixed charges. Mid-level Administration increased by \$47,360 or 0.3%. There was an increase in Administration of \$1,145,628 or 21.2% mostly due to contracted services and capital projects including wireless upgrades. Decreases in Maintenance and Operation of Plant of \$857,151 or 4.4% are all due to cost saving efforts.

Overall spending increased by \$311,712 or 0.1% and revenue decreased by \$10,828,530 or 4.6%, resulting in an increase in net position of \$6,390,149.

The expenses classified by the state's categorical functions can be further summarized for 2016 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 \$12,224,088. Total government fund revenues decreased by \$10,828,525, with a \$1,473,156 increase in the General Fund mostly due to an increase in state and local funding and a \$12,167,780 decrease in the Capital Project Fund. The School System received \$88,050,984 or 39.6% of its governmental activities funding from the County, \$117,552,194 or 52.9% from the State, and \$13,549,190 or 6.1% 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<br>Revenue | Capital<br>Projects | Total<br>Governmental<br>Funds |
|---------------------------------|---------------------|--------------------|---------------------|--------------------------------|
| Fund balance, beginning of year | \$ 8,973,095        | \$ 218,335         | \$ 47,954           | \$ 9,239,384                   |
| Fund balance, end of year       | <u>12,008,226</u>   | <u>173,130</u>     | <u>42,732</u>       | <u>12,224,088</u>              |
| Net change in fund balances     | <u>\$ 3,035,131</u> | <u>\$ (45,205)</u> | <u>\$ (5,222)</u>   | <u>\$ 2,984,704</u>            |

The General Fund increased \$3,035,131 from the previous year to \$12,008,226. 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. A portion of the fund balance was recovered in Fiscal 2015 and Fiscal 2016 making it possible, for the first time since Fiscal 2013, to obtain the target to maintain a total fund balance of not less than 5% of annual operating expenditures for the fiscal year.

The Special Revenue Fund decreased \$45,205 from the previous year to \$173,130. This represents 2.8% of total fund expenditures. This decrease is attributed to a decrease in breakfast sales.

The Capital Projects Fund decreased \$5,222 from the previous year to \$42,732. 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:

|                                    | <b>Original<br/>Budget</b>  | <b>Budget<br/>Amendments</b> | <b>Final<br/>Budget</b>     | <b>Actual</b>               | <b>Final Budget<br/>vs. Actual</b> |
|------------------------------------|-----------------------------|------------------------------|-----------------------------|-----------------------------|------------------------------------|
| <b>Revenue</b>                     |                             |                              |                             |                             |                                    |
| Intergovernmental                  |                             |                              |                             |                             |                                    |
| Cecil County, Maryland             | \$ 79,750,778               | \$ -                         | \$ 79,750,778               | \$ 79,750,778               | \$ -                               |
| State of Maryland                  | 99,638,364                  | 535,955                      | 100,174,319                 | 99,935,130                  | (239,189)                          |
| United States government           | 8,561,938                   | 1,074,501                    | 9,636,439                   | 8,958,880                   | (677,559)                          |
| Other sources                      |                             |                              |                             |                             |                                    |
| Investment interest                | 10,000                      | -                            | 10,000                      | 18,136                      | 8,136                              |
| Other                              | 450,000                     | 615,803                      | 1,065,803                   | 685,434                     | (380,369)                          |
| <b>Total revenue</b>               | <b><u>\$188,411,080</u></b> | <b><u>\$ 2,226,259</u></b>   | <b><u>\$190,637,339</u></b> | <b><u>\$189,348,358</u></b> | <b><u>\$ (1,288,981)</u></b>       |
| <b>Expenditures</b>                |                             |                              |                             |                             |                                    |
| Current                            |                             |                              |                             |                             |                                    |
| Administration                     | \$ 4,651,191                | \$ 76,733                    | \$ 4,727,924                | \$ 4,239,139                | \$ 488,785                         |
| Mid-level administration           | 13,654,507                  | 47,806                       | 13,702,313                  | 13,336,761                  | 365,552                            |
| Instruction salaries               | 70,781,134                  | (70,347)                     | 70,710,787                  | 70,388,331                  | 322,456                            |
| Instruction materials and supplies | 3,403,543                   | 529,063                      | 3,932,606                   | 3,064,304                   | 868,302                            |
| Instruction other costs            | 2,483,734                   | 921,615                      | 3,405,349                   | 3,264,019                   | 141,330                            |
| Special education                  | 25,266,817                  | 1,458,825                    | 26,725,642                  | 26,310,303                  | 415,339                            |
| Student personnel services         | 1,039,555                   | 15,064                       | 1,054,619                   | 1,035,422                   | 19,197                             |
| Student health services            | 1,605,743                   | 18,857                       | 1,624,600                   | 1,592,818                   | 31,782                             |
| Student transportation             | 9,675,142                   | 92,661                       | 9,767,803                   | 9,621,041                   | 146,762                            |
| Operation of plant                 | 12,199,920                  | (1,001,758)                  | 11,198,162                  | 10,928,625                  | 269,537                            |
| Maintenance of plant               | 3,851,363                   | 728,121                      | 4,579,484                   | 4,352,612                   | 226,872                            |
| Fixed charges                      | 39,343,631                  | (717,008)                    | 38,626,623                  | 37,760,931                  | 865,692                            |
| Community services                 | 109,208                     | 165,141                      | 274,349                     | 122,357                     | 151,992                            |
| Capital outlay                     | 345,592                     | (38,514)                     | 307,078                     | 296,564                     | 10,514                             |
| <b>Total expenditures</b>          | <b><u>\$188,411,080</u></b> | <b><u>\$ 2,226,259</u></b>   | <b><u>\$190,637,339</u></b> | <b><u>\$186,313,227</u></b> | <b><u>\$ 4,324,112</u></b>         |

The General Fund is the School System's primary operating fund. The final budget of \$190,637,339 exceeded the original budget by \$2,226,259, including \$1,818,469 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 \$4,324,112. \$912,174 is related to Federal, State, and Local grants that will carry over to fiscal 2017. Unrestricted funding exceeded expenditures by \$3,035,131. Salary savings, through employee turnover, amounted to \$475,137 primarily in Instruction, Instruction Leadership and Support, and Operation of Plant. Additional savings of \$717,008 are realized in Fixed Charges related to modifications made to our employee

healthcare plans. A savings of \$830,796 was realized in Operation of Plant due to fuel oil prices remaining low.

**Capital Assets and Long Term Debt Activity**

The School System's investment in capital assets for its governmental activities as of June 30, 2016 amounts to \$186,064,167 (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</b> |                |    |             |
|---|----------------|----|-------------|
| <b>(net of depreciation)</b>                      |                |    |             |
|   | 2016           |    | 2015        |
| Land  | \$ 5,561,453   | \$ | 5,561,453   |
| Buildings   | 147,180,109    |    | 142,287,255 |
| Improvements other than buildings                 | 11,160,035     |    | 11,404,460  |
| Furniture, fixtures, and equipment                | 5,779,737      |    | 5,972,320   |
| Construction in progress                          | 16,382,833     |    | 17,228,895  |
| Total   | \$ 186,064,167 | \$ | 182,454,383 |

The total increase in the School System's net capital assets during the year including depreciation was \$3,609,784. Major capital project expenditures during the fiscal year ended June 30, 2016 included:

- Completion of security initiatives at Administrative Services Center totaling \$22,316
- Completion of New School of Technology renovation totaling \$3,094,875
- Completion of roof repair at Conowingo Elementary totaling \$260,227
- Continuation of Perryville Elementary renovations totaling \$8,076,651
- Start of Cecilton Elementary exterior envelope repairs totaling \$10,000
- Start of a new school for Gilpin Manor Elementary totaling \$790,555
- Start of boiler replacements at Kenmore Elementary, Thomson Estates Elementary, and Cherry Hill Middle \$5,435

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 \$3,062,734. Please 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, 2016 the total funds held in cash and cash equivalents was \$1,603,564.

### **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 addresses 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.

The School System contribution to the Trust in fiscal year 2016 represents the actuarial determined pre-funding amount of \$659,012 necessary to result in a Net OPEB Obligation (NOO) of zero at year end.

### **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 qualified and expanded choice options for parents. A waiver has been granted to the State from the requirement that all students must reach proficiency levels on state assessments by 2014. 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*.

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To complicate matters further, we are now required by Maryland law to comply with the comprehensive reform brought about by the *Race to the Top* legislation including a comprehensive principal and teacher evaluation process tied to growth in student learning, the purchase and establishment of a longitudinal student data system, and adoption of common core standards which will result in new student assessments.

During fiscal year 2016, 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 2017 and plan for fiscal year 2018 and beyond.

### **THE BUDGET PROCESS**

The fiscal year 2017 approved operating budget, adopted in June 2016, 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 lists some of the items that were considered, reduced, or included in the fiscal year 2017 budget request:

#### **Requests Deferred:**

- Technology compliance and disaster recovery
- Additional mowers
- Various maintenance requests

#### **Budget Reductions:**

- Nine teacher positions
- .5 FTE Paraprofessional
- Elkton High School Video Camera Equipment
- Staff and curriculum development
- Instructional materials and supplies
- Lease vs. purchase of computers

**Programs Included:**

- Increase salaries and supplies for staff and curriculum development
- Increases for both classroom supplies and textbooks including Chromebooks
- Increase in Career and Technology supplies
- Consultants for home bound instruction
- Replacement firewalls and server
- Contractor payments for plumbing, HVAC, and various school projects
- Supplies and equipment for safe school initiative
- Supplies for various school projects
- Technology equipment and lease payments

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, 2016**

**ASSETS**

**Current assets**

|   |                   |
|---|-------------------|
| Cash, cash equivalents, and investments | \$ 26,965,743     |
| Due from State of Maryland              | 764,411           |
| Due from United States government       | 2,119,951         |
| Receivables (net)                       | 759,358           |
| Prepaid items                           | 640,769           |
| Inventories                             | <u>193,823</u>    |
| <b>Total current assets</b>             | <u>31,444,055</u> |

**Noncurrent assets**

|   |                    |
|---|--------------------|
| Land  | 5,561,453          |
| Buildings, net of accumulated depreciation                          | 147,180,109        |
| Improvements other than buildings, net of accumulated depreciation  | 11,160,035         |
| Furniture, fixtures, and equipment, net of accumulated depreciation | 5,779,737          |
| Construction in progress  | <u>16,382,833</u>  |
| <b>Total noncurrent assets</b>                                      | <u>186,064,167</u> |
| <b>Total assets</b>   | <u>217,508,222</u> |

**DEFERRED OUTFLOW OF RESOURCES**

|                                |                  |
|--------------------------------|------------------|
| Pension related                | <u>3,203,965</u> |
| <b>Total deferred outflows</b> | <u>3,203,965</u> |

**LIABILITIES**

**Current liabilities**

|   |                   |
|---|-------------------|
| Accounts payable and accrued expenses         | 18,565,244        |
| Advances from others                          | 586,905           |
| Capital leases due within one year            | 885,673           |
| Compensated absences due within one year      | 411,189           |
| Accrued revenue from United States government | <u>67,818</u>     |
| <b>Total current liabilities</b>              | <u>20,516,829</u> |

**Noncurrent liabilities**

|  |                   |
|--|-------------------|
| Capital leases due in more than one year       | 3,287,401         |
| Compensated absences due in more than one year | 2,627,888         |
| Net pension liability                          | <u>10,817,616</u> |
| <b>Total noncurrent liabilities</b>            | <u>16,732,905</u> |
| <b>Total liabilities</b>                       | <u>37,249,734</u> |

**DEFERRED INFLOW OF RESOURCES**

|                               |                |
|-------------------------------|----------------|
| Pension related               | <u>919,861</u> |
| <b>Total deferred inflows</b> | <u>919,861</u> |

**NET POSITION**

|                                  |                       |
|----------------------------------|-----------------------|
| Net Investment in capital assets | 181,891,093           |
| Restricted for:                  |                       |
| Capital projects                 | 42,732                |
| Unrestricted                     | <u>608,767</u>        |
| <b>Total net position</b>        | <u>\$ 182,542,592</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, 2016**

| Function/programs                             | Expenses              | Program Revenue         |  | Net (Expenses)<br>Revenue and<br>Changes in<br>Net Position |  |
|---|-----------------------|-------------------------|--|---|--|
|   |                       | Charges for<br>Services | Operating<br>Grants and<br>Contributions |   | Capital<br>Grants and<br>Contributions |
| Administration                                | \$ 6,539,335          | \$ -                    | \$ 687,979                               | \$ -  | \$ (5,851,356)                         |
| Mid-level administration                      | 18,851,033            | -                       | 1,415,566                                | -   | (17,435,467)                           |
| Instruction salaries                          | 100,858,425           | 220,719                 | 33,658,121                               | -   | (66,979,585)                           |
| Instruction materials and supplies            | 3,212,396             | -                       | 554,060                                  | 13,321,048  | 10,662,712                             |
| Instruction other costs                       | 11,932,396            | -                       | 393,832                                  | -   | (11,538,564)                           |
| Special education                             | 35,654,707            | -                       | 15,061,041                               | -   | (20,593,666)                           |
| Student personnel services                    | 1,471,433             | -                       | 244,252                                  | -   | (1,227,181)                            |
| Student health services                       | 2,263,233             | -                       | 147,502                                  | -   | (2,115,731)                            |
| Student transportation                        | 9,990,762             | -                       | 5,290,508                                | -   | (4,700,254)                            |
| Operation of plant                            | 13,246,823            | -                       | 511,404                                  | -   | (12,735,419)                           |
| Maintenance of plant                          | 5,335,317             | -                       | 311,864                                  | -   | (5,023,453)                            |
| Food and nutrition                            | 6,274,713             | 1,824,286               | 4,886,552                                | -   | 436,125                                |
| Community services                            | 160,674               | 34,120                  | 110,703                                  | -   | (15,851)                               |
| <b>Total government activities</b>            | <u>\$ 215,791,247</u> | <u>\$ 2,079,125</u>     | <u>\$ 63,273,384</u>                     | <u>\$ 13,321,048</u>  | <u>(137,117,690)</u>                   |
| State aid not restricted to specific purposes |                       |                         |  |   | 63,567,371                             |
| Local aid not restricted to specific purposes |                       |                         |  |   | 79,750,778                             |
| Interest and investment earnings              |                       |                         |  |   | 18,242                                 |
| Miscellaneous                                 |                       |                         |  |   | 171,448                                |
| <b>Total general revenues</b>                 |                       |                         |  |   | <u>143,507,839</u>                     |
| <b>Change in net position</b>                 |                       |                         |  |   | <u>6,390,149</u>                       |
| <b>Net position - beginning</b>               |                       |                         |  |   | <u>176,152,443</u>                     |
| <b>Net position - ending</b>                  |                       |                         |  |   | <u>\$ 182,542,592</u>                  |

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

**CECIL COUNTY PUBLIC SCHOOLS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

|  | General<br>Fund      | Special Revenue<br>Fund | Capital Projects<br>Fund | Total<br>Governmental<br>Funds |
|--|----------------------|-------------------------|--------------------------|--------------------------------|
| <b>ASSETS</b>                                  |                      |                         |                          |                                |
| Cash and cash equivalents                      | \$ 26,918,245        | \$ 2,388                | \$ 45,110                | \$ 26,965,743                  |
| Due from Cecil County, Maryland                | -                    | -                       | 179,473                  | 179,473                        |
| Due from State of Maryland                     | 743,844              | 20,567                  | -                        | 764,411                        |
| Due from United States Government              | 1,954,858            | 165,093                 | -                        | 2,119,951                      |
| Due from General fund                          | -                    | -                       | 82,899                   | 82,899                         |
| Due from Special Revenue fund                  | 31,172               | -                       | -                        | 31,172                         |
| Accounts receivable                            | 168,880              | 7,733                   | 403,272                  | 579,885                        |
| Prepaid items                                  | 640,769              | -                       | -                        | 640,769                        |
| Inventory                                      | -                    | 193,823                 | -                        | 193,823                        |
| Total assets                                   | <u>30,457,768</u>    | <u>389,604</u>          | <u>710,754</u>           | <u>31,558,126</u>              |
| <b>LIABILITIES AND FUND EQUITY</b>             |                      |                         |                          |                                |
| Accounts payable                               | \$ 2,432,045         | \$ 48,661               | \$ 457,732               | \$ 2,938,438                   |
| Accrued salaries                               | 14,018,133           | 2,673                   | -                        | 14,020,806                     |
| Estimated claims incurred but not reported     | 1,606,000            | -                       | -                        | 1,606,000                      |
| Advances from others                           | 310,345              | 66,270                  | 210,290                  | 586,905                        |
| Due to General fund                            | -                    | 31,172                  | -                        | 31,172                         |
| Due to Capital Projects Fund                   | 82,899               | -                       | -                        | 82,899                         |
| Unearned revenue from United States government | 120                  | 67,698                  | -                        | 67,818                         |
| Total liabilities                              | <u>18,449,542</u>    | <u>216,474</u>          | <u>668,022</u>           | <u>19,334,038</u>              |
| Fund balance                                   |                      |                         |                          |                                |
| Non-spendable                                  | 640,769              | 193,823                 | -                        | 834,592                        |
| Restricted                                     | -                    | -                       | 42,732                   | 42,732                         |
| Committed                                      | 5,737,241            | -                       | -                        | 5,737,241                      |
| Assigned                                       | 3,418,012            | -                       | -                        | 3,418,012                      |
| Unassigned                                     | 2,212,204            | (20,693)                | -                        | 2,191,511                      |
| Total fund balance                             | <u>12,008,226</u>    | <u>173,130</u>          | <u>42,732</u>            | <u>12,224,088</u>              |
| Total liabilities and fund balance             | <u>\$ 30,457,768</u> | <u>\$ 389,604</u>       | <u>\$ 710,754</u>        | <u>\$ 31,558,126</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  
YEAR ENDED JUNE 30, 2016**

|                    |    |            |
|--------------------|----|------------|
| Total fund balance | \$ | 12,224,088 |
|--------------------|----|------------|

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           | \$ 340,584,328       |             |
| Accumulated depreciation | <u>(154,520,161)</u> | 186,064,167 |

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 pension liability  | \$ (10,817,616)    |              |
| Capital leases payable | (4,173,074)        |              |
| Accrued vacation leave | <u>(3,039,077)</u> | (18,029,767) |

|                                       |  |           |
|---------------------------------------|--|-----------|
| Deferred outflows related to pensions |  | 3,203,965 |
|---------------------------------------|--|-----------|

|                                      |  |                  |
|--------------------------------------|--|------------------|
| Deferred inflows related to pensions |  | <u>(919,861)</u> |
|--------------------------------------|--|------------------|

|                    |    |                           |
|--------------------|----|---------------------------|
| Total net position | \$ | <u><u>182,542,592</u></u> |
|--------------------|----|---------------------------|

**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, 2016**

|                                    | General              | Special<br>Revenue | Capital<br>Projects | Total<br>Governmental<br>Funds |
|------------------------------------|----------------------|--------------------|---------------------|--------------------------------|
| <b>Revenue</b>                     |                      |                    |                     |                                |
| Intergovernmental                  |                      |                    |                     |                                |
| Cecil County, Maryland             | \$ 79,750,778        | \$ -               | \$ 8,300,206        | \$ 88,050,984                  |
| State of Maryland                  | 112,703,145          | 329,274            | 4,519,774           | 117,552,193                    |
| United States government           | 8,991,912            | 4,557,278          | -                   | 13,549,190                     |
| Other sources                      |                      |                    |                     |                                |
| Sale of food                       | -                    | 1,824,286          | -                   | 1,824,286                      |
| Investment interest                | 18,136               | 19                 | 87                  | 18,242                         |
| Other                              | 685,434              | -                  | 501,068             | 1,186,502                      |
| Total revenue                      | <u>202,149,405</u>   | <u>6,710,857</u>   | <u>13,321,135</u>   | <u>222,181,397</u>             |
| <b>Expenditures</b>                |                      |                    |                     |                                |
| Current                            |                      |                    |                     |                                |
| Administration                     | 4,239,139            | 285,728            | 616,068             | 5,140,935                      |
| Mid-level administration           | 13,336,761           | -                  | -                   | 13,336,761                     |
| Instruction salaries               | 70,388,331           | -                  | -                   | 70,388,331                     |
| Instruction materials and supplies | 3,062,033            | -                  | 150,363             | 3,212,396                      |
| Instruction other                  | 3,270,618            | -                  | -                   | 3,270,618                      |
| Special education                  | 26,318,771           | -                  | -                   | 26,318,771                     |
| Student personnel services         | 1,035,422            | -                  | -                   | 1,035,422                      |
| Student health services            | 1,592,818            | -                  | -                   | 1,592,818                      |
| Student transportation             | 9,621,041            | -                  | -                   | 9,621,041                      |
| Operation of plant                 | 10,928,625           | -                  | -                   | 10,928,625                     |
| Maintenance of plant               | 4,332,740            | -                  | 31,685              | 4,364,425                      |
| Fixed charges                      | 50,546,024           | 614,454            | -                   | 51,160,478                     |
| Community services                 | 145,387              | -                  | -                   | 145,387                        |
| Food service                       |                      |                    |                     |                                |
| Salaries and wages                 | -                    | 2,408,133          | -                   | 2,408,133                      |
| Food                               | -                    | 3,134,844          | -                   | 3,134,844                      |
| Contracted services                | -                    | 69,757             | -                   | 69,757                         |
| Supplies and materials             | -                    | 197,128            | -                   | 197,128                        |
| Other operating cost               | -                    | 46,018             | -                   | 46,018                         |
| Capital Outlay                     | 296,564              | -                  | 11,874,274          | 12,170,838                     |
| Debt Service                       |                      |                    |                     |                                |
| Principal                          | -                    | -                  | 563,457             | 563,457                        |
| Interest                           | -                    | -                  | 90,510              | 90,510                         |
| Total expenditures                 | <u>199,114,274</u>   | <u>6,756,062</u>   | <u>13,326,357</u>   | <u>219,196,693</u>             |
| Net change in fund balances        | 3,035,131            | (45,205)           | (5,222)             | 2,984,704                      |
| Fund balance, beginning of year    | <u>8,973,095</u>     | <u>218,335</u>     | <u>47,954</u>       | <u>9,239,384</u>               |
| Fund balance, end of year          | <u>\$ 12,008,226</u> | <u>\$ 173,130</u>  | <u>\$ 42,732</u>    | <u>\$ 12,224,088</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, 2016**

|                              |  |              |
|------------------------------|--|--------------|
| Total change in fund balance |  | \$ 2,984,704 |
|------------------------------|--|--------------|

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                           | \$ (9,497,139)   |           |
| Capital outlays                                | 13,222,803       |           |
| Disposal of capital assets net of depreciation | <u>(115,880)</u> | 3,609,784 |

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 | 613,249          |         |
| Capital lease additons               | <u>(405,036)</u> | 208,213 |

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. (316,017)

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. (96,535)

|                              |  |                            |
|------------------------------|--|----------------------------|
| Total change in net position |  | \$ <u><u>6,390,149</u></u> |
|------------------------------|--|----------------------------|

**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, 2016**

|   | Budgeted Amounts   |                    | Actual               | Variance            |
|---|--------------------|--------------------|----------------------|---------------------|
|   | Original           | Final              |                      |                     |
| Revenue   |                    |                    |                      |                     |
| Intergovernmental   |                    |                    |                      |                     |
| Cecil County, Maryland                                      | \$ 79,750,778      | \$ 79,750,778      | \$ 79,750,778        | \$ -                |
| State of Maryland   | 99,638,364         | 100,174,319        | 99,935,130           | (239,189)           |
| United States government                                    | 8,561,938          | 9,636,439          | 8,958,880            | (677,559)           |
| Other sources   |                    |                    |                      |                     |
| Investment interest   | 10,000             | 10,000             | 18,136               | 8,136               |
| Other   | 450,000            | 1,065,803          | 685,434              | (380,369)           |
| <b>Total revenue</b>  | <b>188,411,080</b> | <b>190,637,339</b> | <b>189,348,358</b>   | <b>(1,288,981)</b>  |
| Expenditures  |                    |                    |                      |                     |
| Current   |                    |                    |                      |                     |
| Administration  | 4,651,191          | 4,727,924          | 4,239,139            | 488,785             |
| Mid-level administration                                    | 13,654,507         | 13,702,313         | 13,336,761           | 365,552             |
| Instruction salaries  | 70,781,134         | 70,710,787         | 70,388,331           | 322,456             |
| Instruction materials and supplies                          | 3,403,543          | 3,932,606          | 3,064,304            | 868,302             |
| Instruction other costs                                     | 2,483,734          | 3,405,349          | 3,264,019            | 141,330             |
| Special education   | 25,266,817         | 26,725,642         | 26,310,303           | 415,339             |
| Student personnel services                                  | 1,039,555          | 1,054,619          | 1,035,422            | 19,197              |
| Student health services                                     | 1,605,743          | 1,624,600          | 1,592,818            | 31,782              |
| Student transportation                                      | 9,675,142          | 9,767,803          | 9,621,041            | 146,762             |
| Operation of plant  | 12,199,920         | 11,198,162         | 10,928,625           | 269,537             |
| Maintenance of plant  | 3,851,363          | 4,579,484          | 4,352,612            | 226,872             |
| Fixed charges   | 39,343,631         | 38,626,623         | 37,760,931           | 865,692             |
| Community services  | 109,208            | 274,349            | 122,357              | 151,992             |
| Capital outlay  | 345,592            | 307,078            | 296,564              | 10,514              |
| <b>Total expenditures and encumbrances</b>                  | <b>188,411,080</b> | <b>190,637,339</b> | <b>186,313,227</b>   | <b>4,324,112</b>    |
| <b>(DEFICIENCY) EXCESS OF REVENUE<br/>OVER EXPENDITURES</b> | <b>\$ -</b>        | <b>\$ -</b>        | <b>3,035,131</b>     | <b>\$ 3,035,131</b> |
| Fund balance, beginning                                     |                    |                    | 9,507,464            |                     |
| Fund balance, ending  |                    |                    | <u>\$ 12,542,595</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, 2016**

| <b>ASSETS</b>                      | <u>Retiree Benefit<br/>Trust Fund</u> | <u>Student Activity<br/>Agency Fund</u> |
|------------------------------------|---------------------------------------|---|
| Cash and cash equivalents          | \$ 10,209,398                         | \$ 1,603,564                            |
| <b>Total assets</b>                | <u>10,209,398</u>                     | <u>1,603,564</u>                        |
| <b>LIABILITIES</b>                 |                                       |   |
| Due to other groups                | <u>-</u>                              | <u>1,603,564</u>                        |
| <b>Total liabilities</b>           | <u>-</u>                              | <u>1,603,564</u>                        |
| <b>NET POSITION</b>                |                                       |   |
| Held in trust for retiree benefits | <u>\$ 10,209,398</u>                  | <u>\$ -</u>                             |

**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, 2016**

**ADDITIONS**

|   |    |                 |
|---|----|-----------------|
| Contributions:                                |    |                 |
| Employer                                      | \$ | 659,012         |
| Member  |    | -               |
| Total contributions                           |    | <u>659,012</u>  |
| Investment income:                            |    |                 |
| Interest/Dividends                            |    | (53,409)        |
| Net increase in the fair value of investments |    | -               |
| Total investment activity                     |    | <u>(53,409)</u> |
| Investment activity expenses:                 |    |                 |
| Investment custodial fees                     |    | (45,428)        |
| Total investment expenses                     |    | <u>(45,428)</u> |
| Total net additions                           |    | 560,175         |

**DEDUCTIONS**

|                             |                      |
|-----------------------------|----------------------|
| Administration service fees | 2,184                |
| Auditing fees               | 3,111                |
| Insurance expense           | 2,872                |
| General legal fees          | 535                  |
| Office supplies             | 20                   |
| Travel and education        | 51                   |
| Total deductions            | <u>8,773</u>         |
| Change in net position      | 551,402              |
| Net position - beginning    | <u>9,657,996</u>     |
| Net position - ending       | <u>\$ 10,209,398</u> |

**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 pre-kindergarten 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, 2016, MABE held \$10,209,398 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. Securities of the MABE OPEB investment trust are valued daily on an amortized cost basis, which approximates market value, and are held to maturity under normal circumstances.

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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

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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 fixed asset but are not capitalized or depreciated over the life of the item. Donated capital assets are recorded at estimated fair value at the date of the donation.

Major outlays for capital assets and improvements are capitalized as projects are 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:

| Assets       | Years   |
|--------------|---------|
| 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

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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 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.
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- 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 then 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.

For the General Fund, the School System's \$12,008,226 fund balance is 6.2% of the fiscal year 2016 total final budget. \$640,769 is non-spendable, \$3,418,012 is assigned, \$2,212,204 is unassigned, and \$5,737,241 is committed as a reserve for contingencies for fiscal year 2017.

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|  | <u>General<br/>Fund</u> | <u>Special<br/>Revenue<br/>Fund</u> | <u>Capital<br/>Projects<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-------------------------|-------------------------------------|--------------------------------------|---|
| <b>Fund balance</b>                      |                         |                                     |                                      |   |
| Non-spendable                            |                         |                                     |                                      |   |
| Inventory                                | \$ -                    | \$ 193,823                          | \$ -                                 | \$ 193,823                              |
| Prepaid expenditures                     | <u>640,769</u>          | <u>-</u>                            | <u>-</u>                             | <u>640,769</u>                          |
|  | 640,769                 | 193,823                             | -                                    | 834,592                                 |
| Restricted                               | -                       | -                                   | 42,732                               | 42,732                                  |
| Committed                                |                         |                                     |                                      |   |
| Budget contingency                       | 5,737,241               | -                                   | -                                    | 5,737,241                               |
| Assigned                                 |                         |                                     |                                      |   |
| Health care                              | 3,418,012               | -                                   | -                                    | 3,418,012                               |
| Unassigned                               | <u>2,212,204</u>        | <u>(20,693)</u>                     | <u>-</u>                             | <u>2,191,511</u>                        |
| <b>Total fund balance, June 30, 2016</b> | <u>\$ 12,008,226</u>    | <u>\$ 173,130</u>                   | <u>\$ 42,732</u>                     | <u>\$ 12,224,088</u>                    |
| Total fund balance, June 30, 2015        | 8,973,095               | 218,335                             | 47,954                               | 9,239,384                               |
| Net change in fund balance               | <u>\$ 3,035,131</u>     | <u>\$ (45,205)</u>                  | <u>\$ (5,222)</u>                    | <u>\$ 2,984,704</u>                     |

### **Recent Accounting Pronouncements**

During fiscal year 2016, the School System implemented the following GASB Statements:

GASB Statement No. 72, *Fair Value Measurement and Application*, effective for the School System beginning with its fiscal year ending June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, effective for the School System beginning with its fiscal year ending June 30, 2016. This Statement establishes

criteria for an external investment pool to qualify for making the election to measure its investments at amortized cost for financial reporting purposes, as well as establishes criteria to address how the external investment pool transacts with participants; the requirements for portfolio maturity, quality, diversification, and liquidity; and the calculation and requirements of a shadow price. The provisions on portfolio quality, custodial credit risk, and shadow pricing will be effective for the School System beginning with its fiscal year ending June 30, 2017.

**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 annual budgets for its General Fund and Capital Projects Fund to the County Executive prior to February 1, 2017.
2. The County Executive must submit a complete County budget to the County Council by March 31, 2017.
3. Following public hearings, the County Council must approve the budgets by June 15, 2017.
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
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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, 2016 – Non-GAAP   | \$ 12,542,595        |
| Maryland State Department payments to State Retirement and Pension System on behalf of the School System for eligible employees |                      |
| Revenue   | 12,785,093           |
| Expenditures  | (12,785,093)         |
| Current year encumbrances reported as expenditures for budget purposes and not in GAAP statements                               | 58,890               |
| Cumulative effect of encumbrances reported as expenditures in prior years   | <u>(593,259)</u>     |
| Fund Balance Ending, June 30, 2016 – GAAP Basis   | <u>\$ 12,008,226</u> |

Encumbrances of \$58,890 were recorded in the General Fund for grant funds expected to be fully expended within 90 days.

**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, 2016 the carrying amount and bank balances of the School System's deposits with financial institutions totaled \$38,778,705 and \$41,032,666 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   | \$ 841,193             | \$ 803,279           |
| Uninsured-collateral held by bank in school system's name   | 19,864,512             | 22,156,487           |
| Certificate of Deposit due within one year-collateral<br>held by bank in the School System's name | <u>2,062,600</u>       | <u>2,062,600</u>     |
| Total Deposits  | 22,768,305             | 25,022,366           |
| Petty Cash  | 100                    | -                    |
| Investments-Maryland Local Government Investment Pool   | 5,800,902              | 5,800,902            |
| Investments-MABE OPEB Investment Trust  | <u>10,209,398</u>      | <u>10,209,398</u>    |
| Total Cash and Investments  | <u>\$ 38,778,705</u>   | <u>\$ 41,032,666</u> |
| Reconciliation of above to the Statement of Net Assets  |                        |                      |
| General Fund  | \$ 26,918,245          | \$ 26,920,650        |
| Special Revenue Fund  | 2,388                  | 2,336                |
| Capital Projects Fund   | 45,110                 | 45,110               |
| Total cash and cash equivalents-Statement of Net Assets   | <u>26,965,743</u>      | <u>26,968,096</u>    |
| Fiduciary Funds   | <u>11,812,962</u>      | <u>14,064,570</u>    |
| Total cash and investments  | <u>\$ 38,778,705</u>   | <u>\$ 41,032,666</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, 2016, MABE held \$10,209,398 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.

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

The composition of inter-fund balances as of June 30, 2016, is as follows:

Due to/from other funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Purpose</u>       | <u>Amount</u>     |
|------------------------|---------------------|----------------------|-------------------|
| General                | Special Revenue     | Deficit cash balance | \$ 31,172         |
| Capital Projects       | General             | Timing of payment    | <u>82,899</u>     |
| Total                  |                     |                      | <u>\$ 114,071</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 2016:

|   | <u>Beginning<br/>Balance</u> | <u>Increases</u>     | <u>Decreases</u>       | <u>Ending<br/>Balance</u> |
|---|------------------------------|----------------------|------------------------|---------------------------|
| Capital assets not being depreciated        |                              |                      |                        |                           |
| Land  | \$ 5,561,453                 | \$ -                 | \$ -                   | \$ 5,561,453              |
| Construction-in-progress                    | <u>17,228,895</u>            | <u>13,326,357</u>    | <u>(14,172,419)</u>    | <u>16,382,833</u>         |
| Total capital assets not being depreciated  | <u>22,790,348</u>            | <u>13,326,357</u>    | <u>(14,172,419)</u>    | <u>21,944,286</u>         |
| Capital assets being depreciated            |                              |                      |                        |                           |
| Buildings                                   | 267,195,979                  | 12,340,166           | -                      | 279,536,145               |
| Improvements other than buildings           | 16,662,251                   | 571,700              | -                      | 17,233,951                |
| Furniture, equipment and vehicles           | <u>22,981,610</u>            | <u>1,157,001</u>     | <u>(2,268,665)</u>     | <u>21,869,946</u>         |
| Total capital assets being depreciated      | <u>306,839,840</u>           | <u>14,068,867</u>    | <u>(2,268,665)</u>     | <u>318,640,042</u>        |
| Less accumulated depreciation for           |                              |                      |                        |                           |
| Buildings                                   | (124,908,724)                | (7,447,312)          | -                      | (132,356,036)             |
| Improvements other than buildings           | (5,257,791)                  | (816,125)            | -                      | (6,073,916)               |
| Furniture, equipment and vehicles           | <u>(17,009,293)</u>          | <u>(1,233,702)</u>   | <u>2,152,786</u>       | <u>(16,090,209)</u>       |
| Total accumulated depreciation              | <u>(147,175,808)</u>         | <u>(9,497,139)</u>   | <u>2,152,786</u>       | <u>(154,520,161)</u>      |
| Total capital assets being depreciated, net | <u>159,664,032</u>           | <u>4,571,728</u>     | <u>(115,879)</u>       | <u>164,119,881</u>        |
|   | <u>\$ 182,454,380</u>        | <u>\$ 17,898,085</u> | <u>\$ (14,288,298)</u> | <u>\$ 186,064,167</u>     |

Depreciation expense was charged to functions/programs as follows:

| <u>Government activities:</u> | <u>Amount</u>       |
|-------------------------------|---------------------|
| Administration                | \$ 692,734          |
| Mid-level administration      | 2,995               |
| Instruction other costs       | 8,372,608           |
| Special education             | 17,698              |
| Student personnel services    | -                   |
| Student health services       | 6,917               |
| Student transportation        | 78,963              |
| Operation of plant            | 74,204              |
| Maintenance of plant          | 111,998             |
| Food and nutrition            | <u>139,022</u>      |
|                               | <u>\$ 9,497,139</u> |

**B. Construction Commitments**

The School System has active construction projects as of June 30, 2016. 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<br/>Commitments</u> |
|------------------------------------|----------------------|----------------------------------|
| Perryville Elementary renovations  | \$ 15,744,430        | \$ 2,801,323                     |
| Gilpin Manor Elementary new school | 790,555              | 261,411                          |
| Total                              | <u>\$ 16,534,985</u> | <u>\$ 3,062,734</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:

| <u>Asset</u>                      | <u>Total</u>          |
|-----------------------------------|-----------------------|
| Buildings                         | \$ 117,912,607        |
| Improvements other than buildings | 12,862,842            |
| Furniture, fixtures and equipment | 14,902,912            |
| Less accumulated depreciation     | <u>(33,490,629)</u>   |
|                                   | <u>\$ 112,187,732</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, 2016:



| Fiscal years ending June 30:  | Total               |
|-------------------------------|---------------------|
| 2017                          | \$ 941,268          |
| 2018                          | 941,268             |
| 2019                          | 838,252             |
| 2020                          | 803,913             |
| 2021                          | <u>803,913</u>      |
| Total payments                | 4,328,614           |
| Less interest                 | <u>(155,540)</u>    |
| Capitalized lease obligations | <u>\$ 4,173,074</u> |

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

Noncurrent liabilities reported in the Statement of Net Position include capital leases and compensated absences. The schedule below presents the current year activity and year-end balances for the School System's noncurrent liabilities:

|                       | Beginning<br>Balance | Additions           | Reductions            | Ending Balance       | Due Within<br>One Year |
|-----------------------|----------------------|---------------------|-----------------------|----------------------|------------------------|
| Capital leases        | \$ 4,381,287         | \$ 405,036          | \$ (613,249)          | \$ 4,173,074         | \$ 885,673             |
| Compensated absences  | 2,942,542            | 450,909             | (354,374)             | 3,039,077            | 411,189                |
| Net pension liability | 8,506,595            | 3,408,169           | (1,097,148)           | 10,817,616           | -                      |
| Long-term liabilities | <u>\$ 15,830,424</u> | <u>\$ 4,264,114</u> | <u>\$ (2,064,771)</u> | <u>\$ 18,029,767</u> | <u>\$ 1,296,862</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 rent expenditures incurred in fiscal year 2016 under these leases amounted to \$418,229. The aggregate future rental payments under these commitments are \$1,725,647 summarized below:

| Fiscal year ending June 30: | Office Equipment    |
|-----------------------------|---------------------|
| 2017                        | \$ 431,551          |
| 2018                        | 431,551             |
| 2019                        | 430,994             |
| 2020                        | <u>431,551</u>      |
| Total                       | <u>\$ 1,725,647</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 \$78,673,557 during the fiscal year ended June 30, 2016, were used in the designated programs and did not supplant funding for the unrestricted programs. The General and Special Revenue Funds accounted for \$65,352,509 and the Capital Project Fund accounted for \$13,321,048.

**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, 2016 are estimated to be in the amount of \$1,606,000. This amount is \$309,000 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<br/>Year</b> | <b>Beginning<br/>Balance</b> | <b>Increase</b> | <b>Decrease</b> | <b>Ending<br/>Balance</b> |
|------------------------|------------------------------|-----------------|-----------------|---------------------------|
| 2015                   | \$ 1,846,000                 | \$ 69,000       | \$ -            | 1,915,000                 |
| 2016                   | \$ 1,915,000                 | \$ -            | \$ 309,000      | 1,606,000                 |

**C. Sick Leave**

As of June 30, 2016, the amount of accumulated unused sick leave was estimated to be \$26,382,719. 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, 2016, the amount of accumulated unused sick leave included in the sick leave bank was estimated to be \$2,255,998. 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, 2016, 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

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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, 2016 through June 30, 2018 is a two year agreement with a 1.0% COLA for the first year and COLA for year 2 will be based on the CPI-U not to exceed 1.5% as reported in November of 2016 for fiscal year 2017. Incremental steps are to be funded for each of the two years.

Meet and Confer discussions with the Central Office Support Services Leadership Association (COSSLA) for the period July 1, 2016 through June 30, 2018 resulted in a two year agreement with a 1.0% COLA for the first year and COLA for year 2 will be based on the CPI-U not to exceed 1.5% as reported in November of 2016 for fiscal year 2017. Incremental steps are to be funded for each of the two years.

#### **G. Litigation**

The School System is a defendant in lawsuits and other claims that occur in the ordinary course of School System operations. 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**

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. 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 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 July 1, 2014, the date of the last actuarial valuation, approximately 668 retirees and their beneficiaries were receiving benefits, and an estimated 2,003 active employees were potentially eligible to receive future benefits.

**B. Funding Policy**

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 \$8,583 annually for 30 or more years of service. Over 65/Medicare eligible retirees may receive from \$2,132 annually for 14 years of service up to \$3,692 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.

For the fiscal year 2016, retirees contributed \$3,048,448 or 47.0% of the total premiums and benefits cost of \$6,489,720. 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

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pertaining to the Trust.

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 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.

### **C. Annual OPEB Cost and Net OPEB Obligation**

The School System's annual Other Post-Employment Benefit (OPEB) cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined within the parameters set forth by the Governmental Accounting Standards Board (GASB). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year plus any unfunded liability amortized over a period not to exceed thirty years. The adjustment to the ARC is the difference between the ARC and the actual expenditures for the fiscal year. The School System pays post-retirement medical benefits (normal cost) from the General Fund, not from the Trust.

|  |                    |
|--|--------------------|
| Annual required contribution               | \$ 4,014,423       |
| Adjustment to annual required contribution | <u>(780,467)</u>   |
| Annual OPEB cost                           | 3,233,956          |
| Payments to retirees from general fund     | (2,574,944)        |
| Prefunding contribution                    | <u>(659,012)</u>   |
| Increase in net OPEB obligation            | -                  |
| Net OPEB obligation - beginning of year    | <u>-</u>           |
| Net OPEB obligation - end of year          | <u><u>\$ -</u></u> |

The School System’s OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal 2015 and 2016, are as follows:

| <u>Fiscal Year</u><br><u>Ended</u> | <u>Annual OPEB</u><br><u>Cost</u> | <u>Percentage of Annual</u><br><u>OPEB Cost Contributed</u> | <u>Net OPEB</u><br><u>Obligation</u> |
|------------------------------------|-----------------------------------|---|--------------------------------------|
| June 30, 2015                      | \$ 3,713,172                      | 100.0%  | \$ -                                 |
| June 30, 2016                      | 3,233,956                         | 100.0%  | \$ -                                 |

**D. Funding Status and Funding Progress**

As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$53,079,271 with an actuarial value of assets of \$8,945,044 and resulting in an unfunded actuarial accrued liability (UAAL) of \$44,134,227. The annual payroll of active employees covered by the Plan was \$114,573,158 and the ratio of the UAAL to covered payroll was 38.5%. The School System established the Retiree Benefit Trust Fund in May 2008 with the intention to fully fund the annual required contribution (ARC). As of June 30, 2016, there were \$10,209,398 in net position. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, is designed to present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**E. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing

benefit costs between the employer and Plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and Plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of net position, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the cost method used was the projected unit credit, with linear proration to decrement attribution. The actuarial assumptions include a 3% salary increase, an 8% investment return per annum and a 3% inflation rate. The projected annual healthcare cost trend rate is 8.5% initially, reduced by decrements to an ultimate rate of 5.5% after four years. The retiree benefit subsidy is increased at the same rate as the healthcare cost trend. The UAAL is being amortized with open periods over thirty years based on a level percentage of projected payrolls.

**NOTE 11 PENSION PLAN**

**A. Summary**

The School System adopted GASB No. 68 - *Accounting and Financial Reporting for Pensions* (GASB No. 68) for the year ended June 30, 2015. 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 0.0521% as of the measurement date of June 30, 2015. The School System has 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 years GASB No. 68 was adopted, requires that contributions to the pension plan subsequent to the measurement date be recognized as a deferred outflow of resources. The School System's fiscal 2015 contribution in December 2014, for employees participating in the Employees' Retirement and Pension Systems, of \$1,097,148 is therefore recognized as the beginning pension related deferred outflow of resources.

The School System's employees participate in the System and contribute 7 percent of their compensation during fiscal 2016 as stipulated by the System. For employees participating in the

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Employees' Retirement and Pension Systems, the School System contributed \$953,101 to the System for fiscal 2016 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, 2016, the State of Maryland paid \$12,785,093 in pension costs, relating to employees of the School System participating in the Teachers' Retirement and Pension Systems, which equaled approximately 10.5% of the covered payroll. The County's contribution on behalf of the School System to the Teachers System for the year ended June 30, 2016 was \$3,946,745. 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.
  2. Actual employer contributions billed to participating government units for the year ending June 30, 2015, 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 \$251 million to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland.
  3. The components of the calculation of the net pension liability for the system of June 30, 2015, calculated in accordance with GASB Statement No. 67, are shown in the following
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table.

| (Expressed in thousands)  |                      |
|---|----------------------|
| Total Pension Liability   | \$ 66,571,552        |
| Plan Fiduciary Net Position   | <u>45,789,840</u>    |
| Net Pension Liability   | <u>\$ 20,781,712</u> |
|   |                      |
| Plan Fiduciary Net Position as a Percentage<br>of the Total Pension Liability | <u>68.78%</u>        |

**Actuarial Assumptions**

- Actuarial - Entry Age Normal
- Amortization Method - Level Percentage of Payroll, Closed
- Asset Valuation Method - 5-year smoothed market; 20% collar
- Inflation - 2.95% general, 3.45% wage
- Discount Rate - 7.55%
- Investment Rate of Return - 7.55%
- Retirement Age - Experience-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.

Note: There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumptions changes:

- Investment return assumption changed from 7.65% to 7.55%

**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, these best estimates are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocations</u> | <u>Long-Term Expected Real<br/>Rate of Return</u> |
|--------------------|---------------------------|---|
| Public Equity      | 35%                       | 6.30%   |
| Fixed Income       | 10%                       | 0.60%   |
| Credit Opportunity | 10%                       | 3.20%   |
| Real Return        | 14%                       | 1.80%   |
| Absolute Return    | 10%                       | 4.20%   |
| Private Equity     | 10%                       | 7.20%   |
| Real Estate        | 10%                       | 4.40%   |
| Cash               | <u>1%</u>                 | 0.00%   |
| Total              | <u><u>100%</u></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, 2015.

**Discount Rate**

A single discount rate of 7.55% 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 7.55%. 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.

**B. 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 7.55%, a single discount rate that is 1-percentage point lower (i.e. 6.55%) and as single discount rate that is 1-percentage point higher (i.e. 8.55%):

|  | <u>1% Lower - 6.55%</u> | <u>Current Rate - 7.55%</u> | <u>1% Higher - 8.55%</u> |
|--|-------------------------|-----------------------------|--------------------------|
| The System's Net Pension Liability   | \$ 29,371,763,000       | \$ 20,781,712,000           | \$ 13,658,848,000        |
| The School System's Proportionate Share of Net Pension Liability for the Employee's Retirement & Pension Systems | 15,289,031              | 10,817,616                  | 7,109,908                |
| The School System's Proportionate Share of Net Pension Liability for the Teachers' Retirement & Pension Systems  | \$ -                    | \$ -                        | -                        |

**C. 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

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2016, are as follows:

### **Service Retirement Allowances**

A member of the Teachers' or Employee's Retirement System is generally eligible for full 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 as accrued at least 10 years of eligibility service. For most individuals who retired from either the Teachers' or the Employees' Pension System on or before June 30, 2006, the annual or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of the 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 as accrued at least 10 years of eligibility service. For most individuals who retired from the 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 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 members AFC, multiplied by the number of years of credible 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

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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 the 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.

### **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

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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 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.

**D. 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, 2016, the School System reported a liability of \$10,817,616 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2015, the School System's proportion was approximately 0.0521 %.

In relation to these employees, for the year ended June 30, 2016, the School System recognized pension expense of \$316,017. At the measurement date of June 30, 2015 the School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



**CECIL COUNTY PUBLIC SCHOOLS**  
**Notes to Basic Financial Statements**

**Year Ended June 30, 2016**

| <u>Measurement Date of June 30, 2015</u>   | <u>Deferred Outflows</u> | <u>Deferred Inflows</u> |
|--|--------------------------|-------------------------|
| Changes in assumptions   | \$ 633,797               | \$ -                    |
| Difference between actual and expected experience                                | -                        | 221,535                 |
| Net difference between projected and actual earnings on pension plan investments | 952,807                  | 698,326                 |
| Change in proportion   | 664,260                  | -                       |
| Contributions subsequent to the measurement date                                 | 953,101                  | -                       |
| Total  | <u>\$ 3,203,965</u>      | <u>\$ 919,861</u>       |

The deferred outflow of resources of \$953,101 relating to contributions subsequent to the measurement date of June 30, 2015 will be recognized as a reduction of the School System's net pension liability during the fiscal year ended June 30, 2017. 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 are being amortized over the remaining service life of 5.87 years. The 2014 deferred outflows not related to investment activity are being amortized over the remaining service life of 5 years. The net difference in investment earnings for both 2015 and 2014 are being amortized over a closed 5 year period. These unamortized amounts will be ratably recognized in pension expense over these services lives and closed 5 year period.

The following table shows the amortization of these deferred outflows and inflows:

| Fiscal Year Ended June 30 | Amortization of 2015 Balance                              |   |  |  | Amortization of 2014 Balance              |  |
|---------------------------|---|---|--|--|---|--|
|                           | Deferred Outflows - Net Difference in Investment Earnings | Deferred Outflows - Change in Assumptions | Deferred Outflows - Change in Proportion | Deferred Inflows - Actual vs Expected Experience | Deferred Outflows - Change in Assumptions | Deferred Inflows - Net Difference in Investment Earnings |
| 2017                      | \$ 238,201  | \$ 111,192                                | \$ 136,398                               | \$ 45,490  | \$ 30,764                                 | \$ 232,776   |
| 2018                      | 238,201   | 111,192                                   | 136,398                                  | 45,490   | 30,764                                    | 232,776  |
| 2019                      | 238,201   | 111,192                                   | 136,398                                  | 45,490   | 30,764                                    | 232,776  |
| 2020                      | 238,201   | 111,192                                   | 136,398                                  | 45,490   |   |  |
| 2021                      |   | 96,737                                    | 118,667                                  | 39,576   |   |  |

**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, 2015 were as follows:

|  | <b>In relation to<br/>employees<br/>participating in the<br/>Employees'<br/>Retirement and<br/>Pension System</b> | <b>In relation to<br/>employees<br/>participating in the<br/>Teachers' Retirement<br/>and Pension System</b> | <b>Total</b>   |
|--|---|--|----------------|
| Total Pension Liability  | \$ 34,652,830   | \$ 411,392,091   | \$ 446,044,921 |
| Plan Fiduciary Net Position  | 23,835,214  | 282,967,386  | 306,802,600    |
| Net Pension Liability  | 10,817,616  | 128,424,705  | 139,242,321    |
| Plan fiduciary net position as a percentage of total pension liability | 68.78%  | 68.78%   | 68.78%         |

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 2015 and approximate 0.0521% and 0.6180%, respectively, as a measurement date of June 30, 2015.

**E. The Pension Plan Fiduciary**

Plan Information as well as the Comprehensive Annual Financial Report the Maryland State Retirement and Pension System for the years ended June 30, 2015 and 2014 are 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 has 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, 2016:

| <u>Investment Type</u>                                  | <u>Fair Value</u>    | <u>Investment Maturities (Years)</u> |             |             |
|---|----------------------|--------------------------------------|-------------|-------------|
|   |                      | <u>Less than 1</u>                   | <u>1-5</u>  | <u>5+</u>   |
| <b>Pooled Investments</b>                               |                      |                                      |             |             |
| MLGIP - Mutual Funds (General Fund)                     | \$ 5,677,336         | \$ 5,677,336                         | \$ -        | \$ -        |
| MLGIP - Mutual Funds (Special Revenue Fund)             | 2,247                | 2,247                                | -           | -           |
| MLGIP - Mutual Funds (Capital Projects Fund)            | 45,110               | 45,110                               | -           | -           |
| MLGIP - Mutual Funds (Fiduciary - Agency Fund)          | 76,209               | 76,209                               | -           | -           |
| MABE OPEB Trust - Mutual Funds (Fiduciary - Trust Fund) | 10,209,398           | 10,209,398                           | -           | -           |
| <b>Total Investments</b>                                | <u>\$ 16,010,300</u> | <u>\$ 16,010,300</u>                 | <u>\$ -</u> | <u>\$ -</u> |

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

|   | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>         |
|---|----------------|----------------|----------------|----------------------|
| Investments by fair value level:                        |                |                |                |                      |
| None  | \$ -           | \$ -           | \$ -           | \$ -                 |
| Investments carried at amortized cost:                  |                |                |                |                      |
| MLGIP - Mutual Funds (General Fund)                     |                |                |                | \$ 5,677,336         |
| MLGIP - Mutual Funds (Special Revenue Fund)             |                |                |                | 2,247                |
| MLGIP - Mutual Funds (Capital Projects Fund)            |                |                |                | 45,110               |
| MLGIP - Mutual Funds (Fiduciary - Agency Fund)          |                |                |                | 76,209               |
| MABE OPEB Trust - Mutual Funds (Fiduciary - Trust Fund) |                |                |                | 10,209,398           |
| <b>Total Investments</b>                                |                |                |                | <u>\$ 16,010,300</u> |

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# REQUIRED SUPPLEMENTARY INFORMATION



The following schedules present the School System’s actuarially determined funding progress and required contributions for the School System’s Retiree Benefit Trust Fund. The School System performs an actuarial biennially.

**Schedule of Funding Progress by Valuation Date**

| <b>Valuation Date</b> | <b>Actuarial Value of Assets</b> | <b>Actuarial Accrued Liability (AAL)</b> | <b>Unfunded Actuarial Accrued Liability (UAAL)</b> | <b>Funded Ratio</b> | <b>Annual Covered Payroll</b> | <b>UAAL as a % of Covered Payroll</b> |
|-----------------------|----------------------------------|--|--|---------------------|-------------------------------|---------------------------------------|
| July 1, 2007          | \$ -                             | \$ 49,099,000                            | \$ 49,099,000                                      | 0.0%                | \$ 106,223,798                | 46.2%                                 |
| July 1, 2008          | \$ 1,480,000                     | \$ 41,746,315                            | \$ 40,266,315                                      | 3.5%                | \$ 111,175,780                | 36.2%                                 |
| July 1, 2010          | \$ 3,261,278                     | \$ 44,137,456                            | \$ 40,876,178                                      | 7.4%                | \$ 114,560,974                | 35.7%                                 |
| July 1, 2012          | \$ 5,810,277                     | \$ 44,200,003                            | \$ 38,389,726                                      | 13.1%               | \$ 111,941,866                | 34.3%                                 |
| July 1, 2014          | \$ 8,945,044                     | \$ 53,079,271                            | \$ 44,134,227                                      | 16.9%               | \$ 114,573,158                | 38.5%                                 |

**Schedule of Employer Contributions**

| <b>Year Ended</b> | <b>Annual Required Contribution</b> | <b>Percentage Contributed</b> |
|-------------------|-------------------------------------|-------------------------------|
| June 30, 2007     | \$ 3,911,000                        | 100.0%                        |
| June 30, 2008     | \$ 3,911,000                        | 100.0%                        |
| June 30, 2009     | \$ 3,775,274                        | 100.0%                        |
| June 30, 2010     | \$ 3,775,274                        | 100.0%                        |
| June 30, 2011     | \$ 3,958,437                        | 100.0%                        |
| June 30, 2012     | \$ 3,958,437                        | 100.0%                        |
| June 30, 2013     | \$ 3,510,585                        | 100.0%                        |
| June 30, 2014     | \$ 3,510,585                        | 100.0%                        |
| June 30, 2015     | \$ 4,014,423                        | 100.0%                        |
| June 30, 2016     | \$ 4,014,423                        | 100.0%                        |

**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 2016       | FY 2015       |
|---|---------------|---------------|
| Proportion (%) of collective net pension liability  | 0.0521%       | 0.0479%       |
| Proportionate share (\$) of collective net pension liability  | \$ 10,817,616 | \$ 8,506,595  |
| Covered-employee payroll (\$)   | \$ 11,442,991 | \$ 11,275,928 |
| Proportionate share of collective net pension liability as a percentage of its covered-employee payroll | 73.7%         | 58.9%         |
| Pension plan's fiduciary net position as a percentage of the total pension                              | 68.78%        | 71.87%        |

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

|  | FY 2016        | FY 2015        |
|--|----------------|----------------|
| Proportion (%) of collective net pension liability   | 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                                | \$ 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 | \$ 128,424,705 | \$ 98,871,677  |
| School System's covered payroll (\$)   | \$ 102,679,586 | \$ 101,986,232 |
| School System's proportionate share of collective net pension liability as a percentage of its covered payroll   | 0.0%           | 0.0%           |
| Pension plan's fiduciary net position as a percentage of the total pension liability   | 68.78%         | 71.87%         |

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' RETIRMENT AND PENSION SYSTEM**

|  | 2016           | 2015             | 2014             | 2013           | 2012             | 2011             | 2010           | 2009           | 2008           | 2007           |
|--|----------------|------------------|------------------|----------------|------------------|------------------|----------------|----------------|----------------|----------------|
| Contractually required contribution                                  | \$ 953,101     | \$ 1,097,148     | \$ 1,117,019     | \$ 998,507     | \$ 1,229,056     | \$ 1,222,619     | \$ 859,455     | \$ 793,648     | \$ 885,961     | \$ 757,742     |
| Contributions in relation to the contractually required contribution | <u>953,101</u> | <u>1,097,148</u> | <u>1,117,019</u> | <u>998,507</u> | <u>1,229,056</u> | <u>1,222,619</u> | <u>859,455</u> | <u>793,648</u> | <u>885,961</u> | <u>757,742</u> |
| Contribution deficiency (excess)                                     | \$ -           | \$ -             | \$ -             | \$ -           | \$ -             | \$ -             | \$ -           | \$ -           | \$ -           | \$ -           |
| Cecil County Public Schools' covered-employee payroll                | \$ 11,442,991  | \$ 11,275,928    | \$ 11,192,273    | \$ 11,106,870  | \$ 11,234,516    | \$ 11,289,187    | \$ 11,313,583  | \$ 10,719,289  | \$ 9,955,566   | \$ 9,235,499   |
| Contributions as a percentage of covered-employee payroll            | 8.33%          | 9.73%            | 9.98%            | 8.99%          | 10.94%           | 10.83%           | 7.60%          | 7.40%          | 8.90%          | 8.20%          |



# INDIVIDUAL FUND FINANCIAL STATEMENT



**CECIL COUNTY PUBLIC SCHOOLS**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND - STUDENT ACTIVITIES**  
**YEAR ENDED JUNE 30, 2016**

|                           | Balance<br>June 30, 2015 | Additions           | Deductions            | Balance<br>June 30, 2016 |
|---------------------------|--------------------------|---------------------|-----------------------|--------------------------|
| Assets:                   |                          |                     |                       |                          |
| Cash and cash equivalents | \$ 1,566,895             | \$ 2,486,079        | \$ (2,449,410)        | \$ 1,603,564             |
| Total Assets              | <u>\$ 1,566,895</u>      | <u>\$ 2,486,079</u> | <u>\$ (2,449,410)</u> | <u>\$ 1,603,564</u>      |
| <br>                      |                          |                     |                       |                          |
| Liabilities:              |                          |                     |                       |                          |
| Due to student groups     | \$ 1,566,895             | \$ 2,486,079        | \$ (2,449,410)        | \$ 1,603,564             |
| Total Liabilities         | <u>\$ 1,566,895</u>      | <u>\$ 2,486,079</u> | <u>\$ (2,449,410)</u> | <u>\$ 1,603,564</u>      |

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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>  | 105  |
| <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>  | 108  |
| <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>  | 119  |
| <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>  | 123  |
| <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**

|  | 2016                 | 2015                 | 2014                 | 2013                 | 2012                 | 2011                 | 2010                 | 2009                 | 2008                 | 2007                 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental activities                    |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net Investment in capital assets           | \$181,891,093        | \$178,073,096        | \$162,961,619        | \$165,066,192        | \$169,073,812        | \$174,717,150        | \$177,912,434        | \$175,023,380        | \$167,798,316        | \$156,528,166        |
| Restricted for capital projects            | 42,732               | 47,954               | (156,795)            | 47,905               | 47,848               | 47,644               | 47,563               | 47,460               | 40,074               | 611,410              |
| Unrestricted                               | <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>     | <u>6,273,966</u>     | <u>5,064,835</u>     |
| Total governmental activities net position | <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> | <u>\$174,112,356</u> | <u>\$162,204,411</u> |

Source: Statement of Net Position

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

| Fiscal Year | Total Outstanding Debt | Debt per Capita |
|-------------|------------------------|-----------------|
| 2016        | \$ 4,173,074           | \$ 40.76        |
| 2015        | 4,381,287              | 42.79           |
| 2014        | 5,028,691              | 49.74           |
| 2013        | 6,191,050              | 60.88           |
| 2012        | 7,708,171              | 75.80           |
| 2011        | 9,195,422              | 90.95           |
| 2010        | 9,859,183              | 94.94           |
| 2009        | 10,266,621             | 102.74          |
| 2008        | 10,558,691             | 102.03          |
| 2007        | 9,204,338              | 92.50           |

**CECIL COUNTY PUBLIC SCHOOLS  
SCHEDULE OF CAPITAL LEASES  
AS OF JUNE 30, 2016**

| Fiscal Year | Principal           | Interest          | Total Debt Service  |
|-------------|---------------------|-------------------|---------------------|
| 2017        | \$ 885,672          | \$ 55,595         | 941,268             |
| 2018        | 898,244             | 43,024            | 941,268             |
| 2019        | 807,705             | 30,547            | 838,252             |
| 2020        | 784,923             | 18,990            | 803,913             |
| 2021        | 796,530             | 7,384             | 803,913             |
|             | <u>\$ 4,173,074</u> | <u>\$ 155,540</u> | <u>\$ 4,328,614</u> |

Capital lease is for a system-wide performance contract.

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

**CECIL COUNTY PUBLIC SCHOOLS  
STUDENT ACADEMIC PERFORMANCE  
AS OF JUNE 30, 2016**

**Partnership for Assessment of Readiness for College and Careers (PARCC)  
Percentage of Students Meeting or Exceeding the Standard - 2016**

|         |   | Reading      |       | Math         |       |
|---------|---|--------------|-------|--------------|-------|
|         |   | CECIL COUNTY | STATE | CECIL COUNTY | STATE |
| Grade 3 | Meeting or Exceeding the Standard<br>(Performance Level 4 or 5) | 30.5         | 37.5  | 35.0         | 44.0  |
| Grade 4 | Meeting or Exceeding the Standard<br>(Performance Level 4 or 5) | 30.4         | 40.4  | 24.5         | 37.0  |
| Grade 5 | Meeting or Exceeding the Standard<br>(Performance Level 4 or 5) | 31.3         | 39.4  | 22.9         | 36.6  |
| Grade 6 | Meeting or Exceeding the Standard<br>(Performance Level 4 or 5) | 28.4         | 37.1  | 30.7         | 32.6  |
| Grade 7 | Meeting or Exceeding the Standard<br>(Performance Level 4 or 5) | 33.6         | 39.5  | 28.4         | 24.2  |
| Grade 8 | Meeting or Exceeding the Standard<br>(Performance Level 4 or 5) | 31.9         | 38.6  | 14.0         | 21.9  |

**Partnership for Assessment of Readiness for College and Careers (PARCC)  
Percentage of Students Meeting or Exceeding the Standard - 2016**

|            |   | CECIL COUNTY | STATE |
|------------|---|--------------|-------|
| English 10 | Meeting or Exceeding the Standard<br>(Performance Level 4 or 5) | 33.3         | 44.4  |
| Algebra 1  | Meeting or Exceeding the Standard<br>(Performance Level 4 or 5) | 32.2         | 35.6  |

**Scholastic Assessment Test - Average Score \* 2015 Data Reported**

|         | CECIL COUNTY | STATE OF MARYLAND | NATION |
|---------|--------------|-------------------|--------|
| Reading | 488          | 481               | 495    |
| Math    | 494          | 485               | 511    |
| Writing | 467          | 468               | 484    |

Source: MD Report Card, CollegeBoard

**CECIL COUNTY PUBLIC SCHOOLS  
CAPITAL ASSET INFORMATION  
AS OF JUNE 30, 2016**

|                                  | Square Feet | Acres | Capacity | Year<br>Constructed |
|----------------------------------|-------------|-------|----------|---------------------|
| <b><u>Central Offices</u></b>    |             |       |          |                     |
| G.W. Carver Center               | 32,357      | 6     | N/A      | 1953                |
| Facilities Department            | 14,752      | 6     | N/A      | 1925                |
| Administrative Services Center   | 76,700      | 50    | 500      | 1965                |
| <b><u>Elementary Schools</u></b> |             |       |          |                     |
| Bainbridge Elementary            | 51,818      | 15    | 449      | 1956                |
| Bay View Elementary              | 61,884      | 15    | 608      | 1961                |
| Calvert Elementary               | 58,857      | 16    | 433      | 1981                |
| Cecil Manor Elementary           | 49,586      | 10    | 523      | 1955                |
| Cecilton Elementary              | 35,321      | 8     | 350      | 1939                |
| Charlestown Elementary           | 42,522      | 20    | 292      | 1959                |
| Chesapeake City Elementary       | 41,027      | 10    | 353      | 1939                |
| Conowingo Elementary             | 44,696      | 19    | 534      | 1955                |
| Elk Neck Elementary              | 50,156      | 29    | 501      | 1991                |
| Gilpin Manor Elementary          | 51,035      | 9     | 416      | 1952                |
| Holly Hall Elementary            | 61,711      | 15    | 624      | 1963                |
| Kenmore Elementary               | 35,225      | 11    | 306      | 1985                |
| Leeds Elementary                 | 40,414      | 17    | 408      | 1968                |
| North East Elementary            | 61,396      | 11    | 542      | 1951                |
| Perryville Elementary            | 69,649      | 10    | 500      | 2016                |
| Rising Sun Elementary            | 62,496      | 12    | 715      | 1957                |
| Thomson Estates Elementary       | 70,130      | 17    | 614      | 1976                |
| <b><u>Middle Schools</u></b>     |             |       |          |                     |
| Bohemia Manor Middle*            | N/A         | N/A   | 601      | 1958                |
| Cherry Hill Middle               | 92,990      | 39    | 775      | 1968                |
| Elkton Middle                    | 72,600      | 14    | 712      | 1937                |
| North East Middle                | 101,200     | 10    | 712      | 1932                |
| Perryville Middle                | 102,746     | 26    | 860      | 1928                |
| Rising Sun Middle                | 104,765     | 20    | 818      | 1931                |
| <b><u>High Schools</u></b>       |             |       |          |                     |
| Bohemia Manor High*              | 136,024     | 35    | 643      | 1958                |
| Elkton High                      | 187,046     | 37    | 1,380    | 1958                |
| North East High                  | 123,890     | 50    | 1,009    | 1970                |
| Perryville High                  | 130,672     | 39    | 944      | 1978                |
| Rising Sun High                  | 114,400     | 42    | 924      | 1991                |
| <b><u>Other Schools</u></b>      |             |       |          |                     |
| Providence                       | 16,645      | 9     | 106      | 1923                |
| School of Technology             | 160,000     | 91    | 580      | 1990                |
| <b>Total:</b>                    | 2,354,710   | 718   | 18,732   |                     |

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

Source: Educational Facilities Master Plan

Notes: G. W. Carver Center and the Facilities Department share the same parcel and there is no State Rated Capacity

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

|  | 2016                  | 2015                  | 2014                  | 2013                  | 2012                  | 2011                  | 2010                  | 2009                  | 2008                  | 2007                  |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Expenses</b>  |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Government activities:                                   |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Administration   | \$ 6,539,335          | \$ 5,393,707          | \$ 6,093,367          | \$ 5,884,713          | \$ 5,848,216          | \$ 5,894,409          | \$ 5,985,974          | \$ 5,785,097          | \$ 5,345,436          | \$ 4,876,720          |
| Mid-level administration                                 | 18,851,033            | 18,803,673            | 19,109,759            | 19,036,087            | 18,645,814            | 19,318,057            | 19,061,356            | 18,379,730            | 17,641,192            | 16,004,079            |
| Instruction  |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Salaries   | 100,858,425           | 100,348,057           | 100,282,010           | 95,861,417            | 94,677,121            | 96,947,288            | 96,126,396            | 92,771,442            | 88,770,368            | 81,836,635            |
| Materials and supplies                                   | 3,212,396             | 4,806,329             | 3,799,800             | 3,653,853             | 2,816,463             | 2,411,173             | 2,866,679             | 3,554,132             | 3,191,191             | 3,101,396             |
| Other costs  | 11,932,396            | 12,678,060            | 12,186,624            | 12,898,511            | 12,669,260            | 13,718,011            | 11,795,884            | 11,067,537            | 8,698,392             | 4,801,808             |
| Special education  | 35,654,707            | 34,004,467            | 32,756,261            | 32,548,523            | 33,206,278            | 33,654,336            | 33,516,554            | 32,465,449            | 30,677,957            | 27,118,984            |
| Student personnel services                               | 1,471,433             | 1,521,216             | 1,516,362             | 1,376,623             | 1,351,480             | 1,327,915             | 1,476,303             | 1,562,735             | 1,163,427             | 993,420               |
| Student health services                                  | 2,263,233             | 2,167,347             | 2,199,501             | 2,161,877             | 2,219,629             | 2,172,688             | 2,161,204             | 2,136,947             | 2,024,228             | 1,932,511             |
| Student transportation                                   | 9,990,762             | 9,850,551             | 9,820,844             | 9,895,907             | 9,658,855             | 9,581,266             | 9,367,220             | 9,270,764             | 9,479,243             | 8,633,675             |
| Operation of plant                                       | 13,246,823            | 14,176,769            | 14,156,260            | 13,553,078            | 12,884,659            | 13,753,124            | 13,615,550            | 13,531,123            | 14,126,567            | 12,366,791            |
| Maintenance of plant                                     | 5,335,317             | 5,262,522             | 5,745,818             | 5,097,180             | 4,794,807             | 4,581,731             | 4,735,829             | 4,684,698             | 4,857,755             | 4,794,585             |
| Food and nutrition                                       | 6,274,713             | 6,177,158             | 5,888,310             | 5,838,318             | 5,816,017             | 5,723,356             | 5,445,415             | 4,377,939             | 5,439,250             | 4,965,606             |
| Community services                                       | 160,674               | 289,679               | 242,219               | 406,090               | 454,449               | 383,375               | 317,774               | 315,148               | 312,701               | 254,059               |
| Capital outlay   | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     | 1,837,886             | 4,737,281             |
| Interest on long-term debt                               | -                     | -                     | -                     | 9,954                 | 155,244               | 110,918               | 119,282               | 102,772               | 834                   | 1,612                 |
| <b>Total governmental activities expenses</b>            | <b>\$ 215,791,247</b> | <b>\$ 215,479,535</b> | <b>\$ 213,797,135</b> | <b>\$ 208,222,131</b> | <b>\$ 205,198,292</b> | <b>\$ 209,577,647</b> | <b>\$ 206,591,420</b> | <b>\$ 200,005,513</b> | <b>\$ 193,566,427</b> | <b>\$ 176,419,162</b> |
| <b>Program Revenues</b>                                  |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Government activities:                                   |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Charges for services:                                    |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Instruction salaries                                     | \$ 220,719            | \$ 212,633            | \$ 218,990            | \$ 230,547            | \$ 240,862            | \$ 245,955            | \$ 470,817            | \$ 454,827            | \$ 589,832            | \$ 571,537            |
| Maintenance of plant                                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     |
| Food and nutrition                                       | 1,824,286             | 1,959,515             | 1,949,265             | 1,964,488             | 2,212,433             | 2,450,764             | 2,624,443             | 2,913,331             | 2,951,531             | 2,779,343             |
| Community services                                       | 34,120                | 3,773                 | 9,497                 | 24,049                | 16,637                | 35,655                | 31,823                | 18,931                | 27,476                | 26,698                |
| Operating grants and contributions                       | 63,273,384            | 65,012,660            | 61,617,596            | 61,170,964            | 63,533,480            | 66,136,117            | 59,739,771            | 51,554,961            | 48,901,527            | 43,428,584            |
| Capital grants and contributions                         | 13,321,048            | 25,488,817            | 7,318,153             | 5,298,858             | 4,747,799             | 4,613,476             | 10,397,865            | 14,513,846            | 17,653,368            | 37,684,828            |
| <b>Total governmental activities program revenue</b>     | <b>\$ 78,673,557</b>  | <b>\$ 92,677,398</b>  | <b>\$ 71,113,501</b>  | <b>\$ 68,688,906</b>  | <b>\$ 70,751,211</b>  | <b>\$ 73,481,967</b>  | <b>\$ 73,264,719</b>  | <b>\$ 69,455,896</b>  | <b>\$ 70,123,734</b>  | <b>\$ 84,490,990</b>  |
| <b>Total governmental activities net expense</b>         | <b>(137,117,690)</b>  | <b>(122,802,137)</b>  | <b>(142,683,634)</b>  | <b>(139,533,225)</b>  | <b>(134,447,081)</b>  | <b>(136,095,680)</b>  | <b>(133,326,701)</b>  | <b>(130,549,617)</b>  | <b>(123,442,693)</b>  | <b>(91,928,172)</b>   |
| <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            | 63,567,371            | 64,666,305            | 62,076,718            | 62,489,026            | 63,388,472            | 63,952,691            | 66,376,929            | 69,823,348            | 69,088,532            | 61,013,725            |
| Local aid not restricted to specific purposes            | 79,750,778            | 75,523,845            | 72,848,292            | 69,615,833            | 67,156,014            | 68,350,618            | 68,385,625            | 69,915,162            | 64,435,162            | 65,715,090            |
| Interest and investment earnings                         | 18,242                | 7,683                 | 8,178                 | 10,855                | 25,693                | 67,056                | 136,820               | 382,313               | 852,892               | 1,143,097             |
| Miscellaneous  | 171,448               | 134,695               | 248,175               | 270,690               | 241,568               | 555,600               | 288,943               | 1,146,445             | 974,052               | 215,963               |
| <b>Total governmental activities</b>                     | <b>\$ 143,507,839</b> | <b>\$ 140,332,528</b> | <b>\$ 135,181,363</b> | <b>\$ 132,386,404</b> | <b>\$ 130,811,747</b> | <b>\$ 134,572,078</b> | <b>\$ 135,188,317</b> | <b>\$ 141,267,268</b> | <b>\$ 135,350,638</b> | <b>\$ 128,087,875</b> |
| <b>Change in Net Position</b>                            | <b>\$ 6,390,149</b>   | <b>\$ 17,530,391</b>  | <b>\$ (7,502,271)</b> | <b>\$ (7,146,821)</b> | <b>\$ (3,635,334)</b> | <b>\$ (1,523,602)</b> | <b>\$ 1,861,616</b>   | <b>\$ 10,717,651</b>  | <b>\$ 11,907,945</b>  | <b>\$ 36,159,703</b>  |

Source: Statement of Activities  
Notes: Capital Outlay has been allocated to other functions since 2009.

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

|                                    | 2016                | 2015                | 2014                | 2013                | 2012                | 2011                | 2010                | 2009                | 2008                | 2007                |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General fund:                      |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Non-spendable                      | \$ 640,769          | \$ 614,961          | \$ 579,811          | \$ 787,321          | \$ 777,885          | \$ 1,026,595        | \$ 759,082          | \$ 689,098          | \$ 670,574          | \$ 280,800          |
| Committed                          | 5,737,241           | 4,742,665           | 2,847,015           | 1,784,391           | 1,588,063           | 1,798,419           | 2,000,000           | 3,000,000           | 3,000,000           | 1,000,000           |
| Assigned                           | 3,418,012           | 3,615,469           | 3,700,741           | 6,317,721           | 4,045,024           | 3,358,296           | 3,178,184           | 3,237,484           | 2,782,689           | 4,223,048           |
| Unassigned                         | <u>2,212,204</u>    | <u>-</u>            | <u>-</u>            | <u>3,470,767</u>    | <u>8,552,567</u>    | <u>6,671,073</u>    | <u>5,375,627</u>    | <u>5,489,030</u>    | <u>2,677,931</u>    | <u>1,774,650</u>    |
| Total general fund                 | <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> | <u>\$ 9,131,194</u> | <u>\$ 7,278,498</u> |
| All other governmental funds       |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Special Revenue Fund:              |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Non-spendable                      | \$ 193,823          | \$ 142,032          | \$ 175,435          | \$ 258,595          | \$ 223,646          | \$ 171,597          | \$ 189,107          | \$ 196,398          | \$ 166,937          | \$ 185,835          |
| Unassigned                         | (20,693)            | 76,303              | (116,840)           | (226,543)           | 36,591              | 156,463             | 101,142             | (45,987)            | (225,802)           | 378,097             |
| Capital Project Fund:              |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Restricted                         | <u>42,732</u>       | <u>47,954</u>       | <u>(156,795)</u>    | <u>47,905</u>       | <u>47,848</u>       | <u>47,644</u>       | <u>47,563</u>       | <u>47,460</u>       | <u>40,074</u>       | <u>611,410</u>      |
| Total all other governmental funds | <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>   | <u>\$ (18,791)</u>  | <u>\$ 1,175,342</u> |

Source: Balance Sheet - Governmental Funds

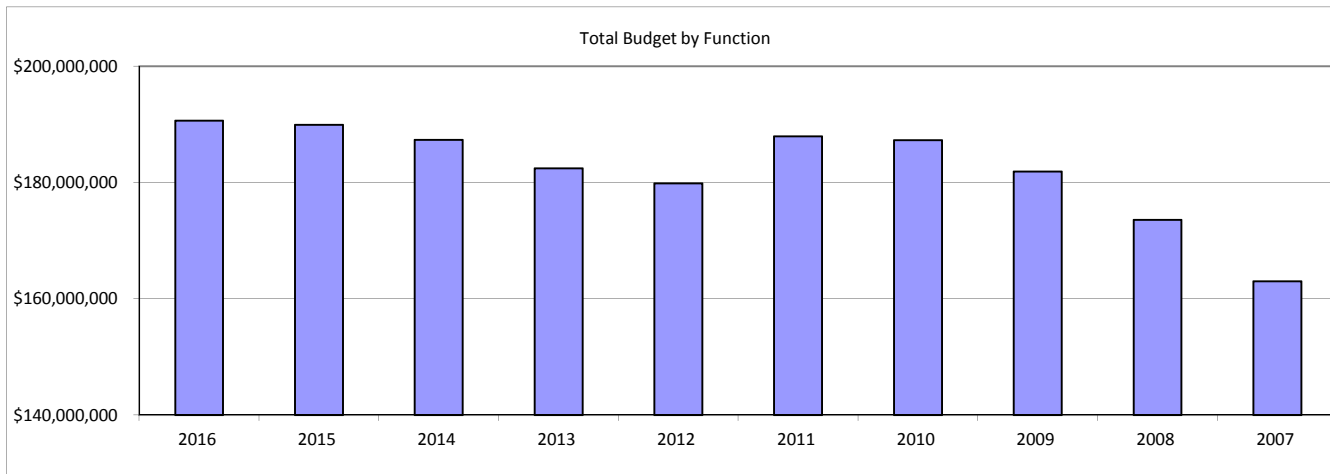
**CECIL COUNTY PUBLIC SCHOOLS**  
**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis of accounting)**

|  | 2016                | 2015                | 2014                  | 2013                  | 2012                | 2011                | 2010                | 2009                | 2008              | 2007                |
|--|---------------------|---------------------|-----------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|-------------------|---------------------|
| <b>Revenue</b>   |                     |                     |                       |                       |                     |                     |                     |                     |                   |                     |
| Intergovernmental  |                     |                     |                       |                       |                     |                     |                     |                     |                   |                     |
| Cecil County   | \$ 88,050,984       | \$ 92,411,466       | \$ 77,613,523         | \$ 73,121,775         | \$ 69,361,935       | \$ 72,619,885       | \$ 74,891,456       | \$ 80,676,398       | \$ 79,342,555     | \$ 88,968,786       |
| State of Maryland  | 117,552,193         | 123,360,144         | 112,692,627           | 111,289,209           | 115,057,469         | 111,044,514         | 113,375,504         | 102,650,748         | 100,158,750       | 100,521,180         |
| United States government                                 | 13,549,190          | 14,502,361          | 13,167,657            | 13,869,753            | 13,956,731          | 20,783,182          | 16,233,041          | 11,194,258          | 10,279,566        | 9,885,344           |
| Other sources  |                     |                     |                       |                       |                     |                     |                     |                     |                   |                     |
| Sale of food   | 1,824,286           | 1,959,515           | 1,917,694             | 1,964,487             | 2,212,794           | 2,451,420           | 2,620,110           | 2,913,331           | 2,951,522         | 2,978,660           |
| Investment interest                                      | 18,242              | 7,683               | 8,178                 | 10,855                | 25,693              | 67,056              | 136,820             | 382,313             | 852,892           | 1,143,097           |
| Other  | 1,186,502           | 768,753             | 895,188               | 819,232               | 916,622             | 722,397             | 1,196,103           | 1,829,221           | 1,664,741         | 1,142,843           |
| Total revenue  | \$ 222,181,397      | \$ 233,009,922      | \$ 206,294,867        | \$ 201,075,311        | \$ 201,531,244      | \$ 207,688,454      | \$ 208,453,034      | \$ 199,646,269      | \$ 195,250,026    | \$ 204,639,910      |
| <b>Expenditures</b>                                      |                     |                     |                       |                       |                     |                     |                     |                     |                   |                     |
| Administration   | \$ 5,140,935        | \$ 5,196,245        | \$ 5,238,087          | \$ 4,957,485          | \$ 4,392,050        | \$ 4,643,092        | \$ 4,644,684        | \$ 4,235,127        | \$ 4,462,349      | \$ 4,198,799        |
| Mid-level administration                                 | 13,336,761          | 13,375,657          | 13,274,860            | 13,539,533            | 13,286,921          | 14,106,804          | 13,868,208          | 13,481,172          | 13,164,420        | 12,447,326          |
| Instruction  |                     |                     |                       |                       |                     |                     |                     |                     |                   |                     |
| Salaries   | 70,388,331          | 70,323,326          | 69,545,018            | 68,237,315            | 66,720,063          | 69,238,303          | 68,835,894          | 67,418,883          | 65,284,743        | 62,111,692          |
| Materials and supplies                                   | 3,212,396           | 5,102,917           | 3,799,800             | 3,653,853             | 2,816,463           | 4,303,967           | 2,866,679           | 4,800,674           | 3,191,191         | 3,101,396           |
| Other costs  | 3,270,618           | 26,028,685          | 8,752,929             | 7,134,392             | 6,073,506           | 7,815,463           | 14,140,822          | 15,866,289          | 3,696,977         | 3,198,573           |
| Special education  | 26,318,771          | 25,217,748          | 24,583,137            | 25,108,086            | 24,894,481          | 26,056,081          | 25,735,182          | 25,136,868          | 24,129,315        | 21,837,669          |
| Student personnel services                               | 1,035,422           | 1,071,994           | 1,073,218             | 995,116               | 996,861             | 953,701             | 1,180,715           | 1,180,715           | 876,693           | 757,159             |
| Student health services                                  | 1,592,818           | 1,520,898           | 1,506,440             | 1,524,399             | 1,564,001           | 1,558,357           | 1,536,245           | 1,550,723           | 1,535,533         | 1,540,252           |
| Student transportation                                   | 9,621,041           | 9,456,522           | 9,391,768             | 9,599,678             | 9,248,641           | 9,167,297           | 9,162,173           | 9,044,421           | 9,259,986         | 8,482,576           |
| Operation of plant                                       | 10,928,625          | 11,900,684          | 11,636,532            | 11,284,622            | 10,653,100          | 11,548,142          | 11,424,861          | 11,455,733          | 12,405,004        | 10,979,716          |
| Maintenance of plant                                     | 4,364,425           | 4,206,479           | 4,542,525             | 4,218,355             | 3,784,767           | 3,574,484           | 3,733,605           | 3,886,081           | 4,077,178         | 4,164,241           |
| Fixed charges  | 51,160,478          | 50,518,337          | 51,298,438            | 46,076,241            | 47,510,605          | 46,824,727          | 46,228,500          | 31,921,333          | 29,253,078        | 24,727,841          |
| Community services                                       | 145,387             | 281,964             | 235,790               | 388,028               | 405,943             | 350,298             | 304,972             | 303,880             | 304,802           | 247,512             |
| Food service   |                     |                     |                       |                       |                     |                     |                     |                     |                   |                     |
| Salaries and wages                                       | 2,408,133           | 2,391,077           | 2,350,508             | 2,408,000             | 2,380,172           | 2,404,221           | 2,349,073           | 2,320,630           | 2,279,254         | 2,068,668           |
| Food   | 3,134,844           | 3,084,534           | 2,726,121             | 2,718,438             | 2,685,361           | 2,435,173           | 2,366,052           | 2,358,512           | 2,644,705         | 2,363,182           |
| Contracted services                                      | 69,757              | 57,648              | 46,449                | 58,193                | 67,903              | 66,763              | 61,155              | 40,293              | 98,591            | 51,788              |
| Supplies and materials                                   | 197,128             | 180,388             | 313,708               | 223,287               | 232,765             | 165,428             | 192,814             | 170,666             | 198,850           | 251,665             |
| Other operating cost                                     | 46,018              | 80,892              | 39,876                | 45,721                | 71,782              | 273,477             | 117,299             | 48,704              | 243,036           | 57,173              |
| Capital outlay   | 12,170,838          | -                   | -                     | -                     | -                   | -                   | -                   | 262,484             | 23,780,886        | 37,913,233          |
| Debt service   |                     |                     |                       |                       |                     |                     |                     |                     |                   |                     |
| Principal  | 563,457             | 647,404             | 1,162,359             | 1,517,120             | 1,487,251           | 2,671,278           | 1,891,358           | 1,610,332           | 1,316,454         | 245,697             |
| Interest   | 90,510              | 156,506             | 188,094               | 218,916               | 248,785             | 335,777             | 364,376             | 369,932             | 310,379           | 220,179             |
| Total expenditures                                       | \$ 219,196,693      | \$ 230,799,905      | \$ 211,705,657        | \$ 203,906,778        | \$ 199,521,421      | \$ 208,492,833      | \$ 210,899,733      | \$ 197,463,452      | \$ 202,513,424    | \$ 200,966,337      |
| Excess of revenues over (under) expenditures             | 2,984,704           | 2,210,017           | (5,410,790)           | (2,831,467)           | 2,009,823           | (804,379)           | (2,446,699)         | 2,182,817           | (7,263,398)       | 3,673,573           |
| <b>Other financing sources (uses)</b>                    |                     |                     |                       |                       |                     |                     |                     |                     |                   |                     |
| Sale of capital assets                                   | \$ -                | \$ -                | \$ -                  | \$ -                  | \$ 31,709           | \$ 365,592          | \$ -                | \$ -                | \$ -              | \$ -                |
| Capital lease proceeds                                   | -                   | -                   | -                     | -                     | -                   | 2,018,169           | 1,483,921           | 1,318,263           | 7,921,961         | -                   |
| <b>Net change in fund balances</b>                       | <b>\$ 2,984,704</b> | <b>\$ 2,210,017</b> | <b>\$ (5,410,790)</b> | <b>\$ (2,831,467)</b> | <b>\$ 2,041,532</b> | <b>\$ 1,579,382</b> | <b>\$ (962,778)</b> | <b>\$ 3,501,080</b> | <b>\$ 658,563</b> | <b>\$ 3,673,573</b> |
| Debt Service as a percentage of noncapital expenditures* | 0.32%               | 0.39%               | 0.66%                 | 0.87%                 | 0.89%               | 1.49%               | 1.12%               | 1.08%               | 0.88%             | 0.28%               |

Source: Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds  
Note: Capital Outlay was allocated to other functions beginning in 2010. 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  
CURRENT EXPENSE FUND  
FINAL APPROVED BUDGET BY FUNCTION  
LAST TEN FISCAL YEARS**

|                                 | 2016                  | 2015                  | 2014                  | 2013                  | 2012                    | 2011                  | 2010                  | 2009                  | 2008                  | 2007                  |
|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Administration                  | \$ 4,727,924          | \$ 4,160,664          | \$ 4,297,023          | \$ 4,773,500          | \$ 4,336,427            | \$ 4,529,978          | \$ 4,876,625          | \$ 4,392,656          | \$ 4,487,486          | \$ 4,174,847          |
| Mid-level administration        | 13,702,313            | 13,639,776            | 13,361,918            | 13,578,940            | 13,701,040              | 14,468,298            | 13,983,555            | 13,610,518            | 13,174,739            | 12,499,961            |
| Instruction salaries            | 70,710,787            | 71,260,303            | 70,108,553            | 68,715,627            | 67,631,258              | 70,298,996            | 69,325,912            | 68,071,684            | 65,875,628            | 62,523,864            |
| Instruction supplies            | 3,932,606             | 5,682,783             | 4,278,504             | 3,850,647             | 3,032,117               | 3,008,621             | 3,212,806             | 3,730,402             | 3,511,322             | 3,367,758             |
| Instruction other costs         | 3,405,349             | 2,769,555             | 3,173,948             | 3,583,950             | 3,312,599               | 6,997,621             | 4,983,237             | 3,657,985             | 2,992,522             | 3,891,850             |
| Special education               | 26,725,642            | 25,839,074            | 24,750,029            | 25,206,821            | 25,847,801              | 26,691,475            | 28,425,214            | 25,245,749            | 24,202,546            | 22,109,940            |
| Student personnel services      | 1,054,619             | 1,084,219             | 1,096,029             | 999,151               | 1,098,301               | 1,074,676             | 1,097,652             | 1,179,127             | 1,056,848             | 781,833               |
| Student health services         | 1,624,600             | 1,554,309             | 1,547,755             | 1,531,252             | 1,576,333               | 1,568,897             | 1,597,388             | 1,564,277             | 1,581,126             | 1,553,096             |
| Pupil transportation            | 9,767,803             | 9,597,565             | 9,491,291             | 9,633,236             | 9,502,420               | 9,398,723             | 9,526,608             | 9,534,990             | 9,359,598             | 8,822,452             |
| Operation of plant              | 11,198,162            | 11,965,460            | 11,643,949            | 11,288,368            | 10,924,044              | 11,722,226            | 11,874,521            | 12,644,815            | 12,467,016            | 11,024,182            |
| Maintenance of plant            | 4,579,484             | 4,272,707             | 4,863,548             | 4,750,480             | 3,936,360               | 3,731,257             | 3,884,927             | 4,021,544             | 4,246,735             | 4,328,488             |
| Fixed charges                   | 38,626,623            | 37,360,619            | 37,987,729            | 33,921,087            | 34,323,737              | 33,834,872            | 33,824,110            | 33,570,528            | 29,921,089            | 27,341,300            |
| Community services              | 274,349               | 410,387               | 337,697               | 404,215               | 459,768                 | 403,152               | 387,912               | 370,676               | 412,116               | 191,454               |
| Capital outlay                  | 307,078               | 324,786               | 406,424               | 211,797               | 182,347                 | 187,828               | 256,548               | 274,977               | 262,337               | 367,481               |
| <b>Total Budget by Function</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> | <b>\$ 173,551,108</b> | <b>\$ 162,978,506</b> |
| Increase over prior year        | \$ 715,132<br>0.4%    | \$ 2,577,810<br>1.4%  | \$ 4,895,326<br>2.7%  | \$ 2,584,519<br>1.4%  | \$ (8,052,068)<br>-4.3% | \$ 659,605<br>0.4%    | \$ 5,387,087<br>3.0%  | \$ 8,318,820<br>4.8%  | \$ 10,572,602<br>6.5% | \$ 13,826,993<br>9.3% |

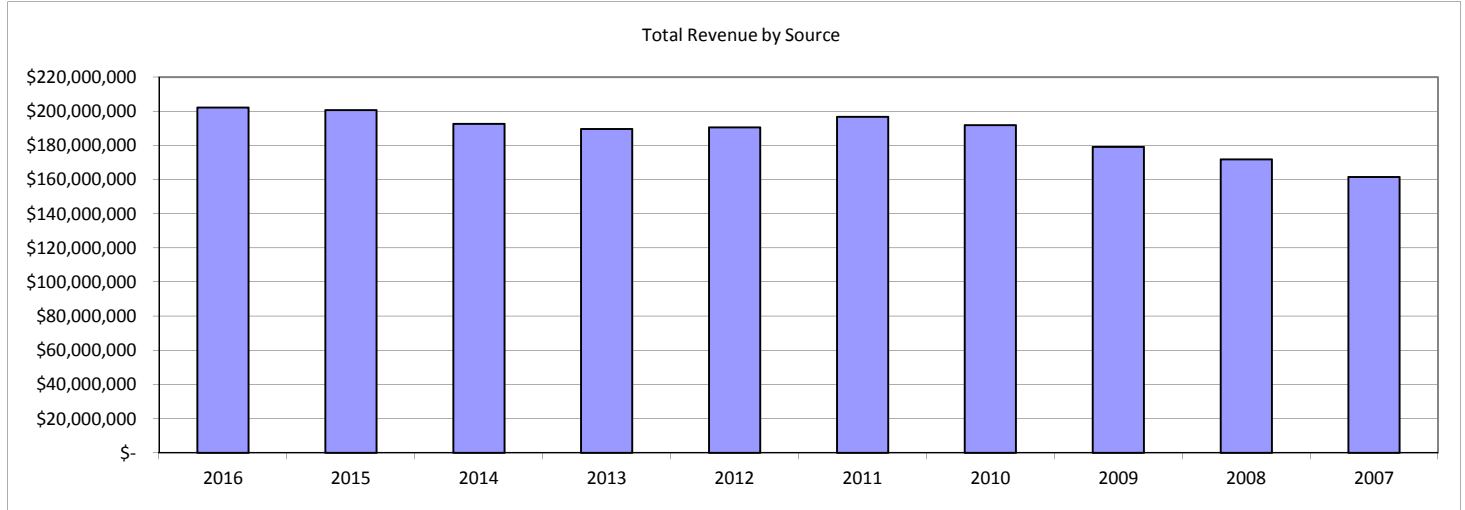


Source: Statement of Revenue, Expenditures, Encumbrances, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - General Fund



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

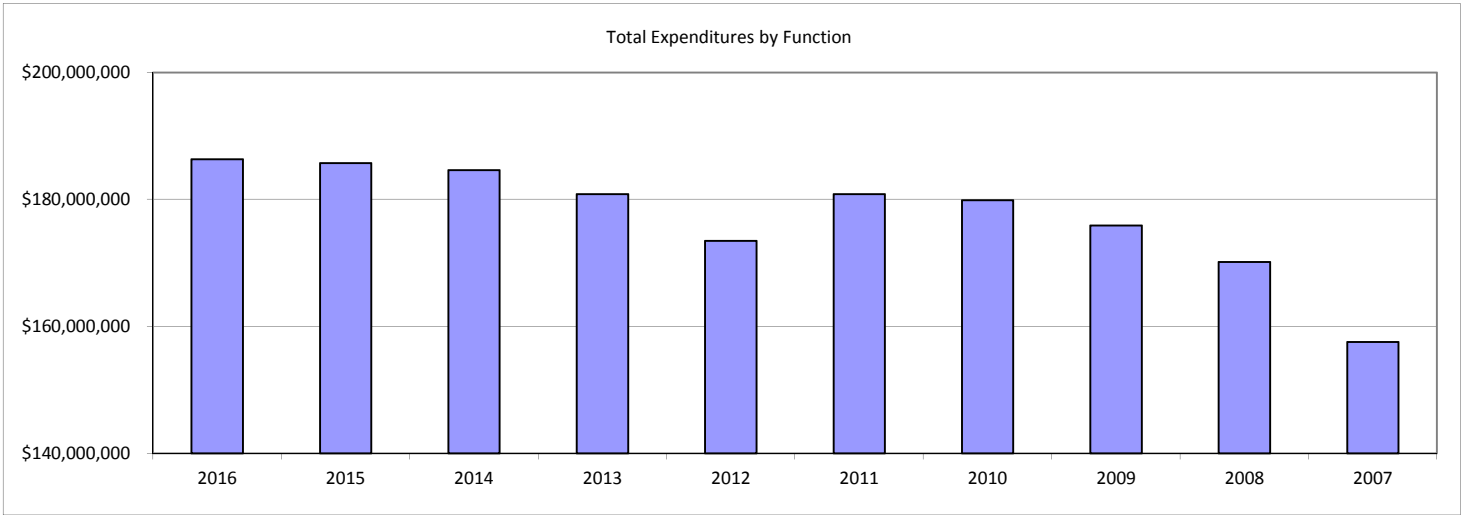
|                                | 2016                 | 2015                 | 2014                 | 2013                  | 2012                    | 2011                 | 2010                  | 2009                 | 2008                  | 2007                  |
|--------------------------------|----------------------|----------------------|----------------------|-----------------------|-------------------------|----------------------|-----------------------|----------------------|-----------------------|-----------------------|
| Cecil County                   | \$ 79,750,778        | \$ 75,523,845        | \$ 72,848,292        | \$ 69,615,833         | \$ 67,156,014           | \$ 68,350,618        | \$ 68,385,625         | \$ 69,915,162        | \$ 64,435,162         | \$ 65,715,090         |
| State of Maryland              | 112,703,145          | 114,520,872          | 109,977,425          | 109,272,301           | 112,323,918             | 110,534,963          | 109,451,038           | 98,716,390           | 97,140,744            | 85,994,422            |
| Federal government             | 8,991,912            | 10,009,922           | 9,065,853            | 10,022,655            | 10,274,500              | 17,289,329           | 13,040,030            | 8,421,734            | 7,897,822             | 7,921,279             |
| Other sources                  |                      |                      |                      |                       |                         |                      |                       |                      |                       |                       |
| Interest earned                | 18,136               | 7,571                | 8,099                | 9,997                 | 22,946                  | 62,361               | 126,983               | 360,840              | 782,377               | 968,642               |
| Other                          | 685,434              | 614,039              | 680,852              | 781,438               | 765,778                 | 578,159              | 946,757               | 1,769,954            | 1,641,233             | 1,006,559             |
| <b>Total revenue by source</b> | <b>\$202,149,405</b> | <b>\$200,676,249</b> | <b>\$192,580,521</b> | <b>\$189,702,224</b>  | <b>\$190,543,156</b>    | <b>\$196,815,430</b> | <b>\$191,950,433</b>  | <b>\$179,184,080</b> | <b>\$171,897,338</b>  | <b>\$161,605,992</b>  |
| Increase over prior year       | \$ 1,473,156<br>0.7% | \$ 8,095,728<br>4.2% | \$ 2,878,297<br>1.5% | \$ (840,932)<br>-0.4% | \$ (6,272,274)<br>-3.2% | \$ 4,864,997<br>2.5% | \$ 12,766,353<br>7.1% | \$ 7,286,742<br>4.2% | \$ 10,291,346<br>6.4% | \$ 13,578,507<br>9.2% |



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

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

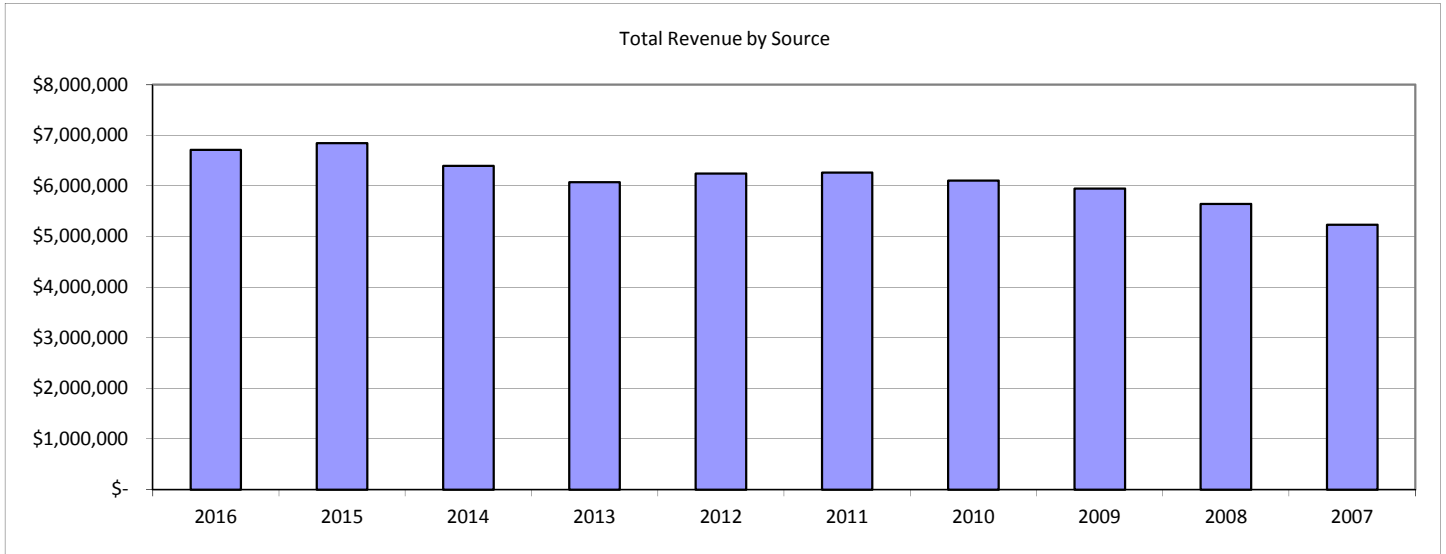
|                                       | 2016                 | 2015                 | 2014                 | 2013                 | 2012                 | 2011                 | 2010                 | 2009                 | 2008                 | 2007                 |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Administration                        | \$ 4,239,139         | \$ 4,074,201         | \$ 4,221,468         | \$ 4,717,989         | \$ 4,064,357         | \$ 4,404,543         | \$ 4,278,297         | \$ 3,972,509         | \$ 4,205,829         | \$ 3,945,416         |
| Mid-level administration              | 13,336,761           | 13,375,657           | 13,275,794           | 13,566,354           | 13,313,116           | 14,126,804           | 13,802,737           | 13,463,355           | 13,110,617           | 12,447,326           |
| Instruction                           |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Salaries                              | 70,388,331           | 70,323,326           | 69,545,018           | 68,237,315           | 66,720,063           | 69,238,303           | 68,835,894           | 67,418,883           | 65,284,748           | 62,111,692           |
| Materials and supplies                | 3,064,304            | 4,631,463            | 3,790,757            | 3,643,215            | 2,767,490            | 2,266,800            | 2,780,870            | 3,342,175            | 3,196,670            | 3,095,071            |
| Other costs                           | 3,264,019            | 2,574,449            | 2,923,302            | 3,227,280            | 2,955,980            | 5,967,724            | 4,483,947            | 3,417,105            | 2,745,854            | 3,566,308            |
| Special education                     | 26,310,303           | 25,226,216           | 24,609,671           | 25,134,429           | 24,922,960           | 25,980,955           | 25,737,862           | 25,141,877           | 24,112,326           | 21,837,451           |
| Student personnel services            | 1,035,422            | 1,071,994            | 1,073,218            | 996,891              | 998,593              | 957,021              | 1,071,343            | 1,178,331            | 876,691              | 757,159              |
| Student health services               | 1,592,818            | 1,520,898            | 1,506,440            | 1,526,033            | 1,565,596            | 1,561,453            | 1,532,178            | 1,548,471            | 1,535,541            | 1,540,252            |
| Student transportation                | 9,621,041            | 9,456,522            | 9,391,768            | 9,599,678            | 9,247,557            | 9,181,668            | 9,175,806            | 9,057,367            | 9,216,073            | 8,482,576            |
| Operation of plant                    | 10,928,625           | 11,900,684           | 11,638,301           | 11,286,391           | 10,654,869           | 11,549,454           | 11,424,861           | 11,455,733           | 12,404,997           | 10,979,716           |
| Maintenance of plant                  | 4,352,612            | 4,092,319            | 4,315,867            | 4,472,504            | 3,778,356            | 3,606,893            | 3,754,132            | 3,894,868            | 4,178,169            | 4,136,816            |
| Fixed charges                         | 37,760,931           | 36,882,453           | 37,690,447           | 33,796,877           | 31,912,483           | 31,457,110           | 32,443,812           | 31,443,817           | 28,706,198           | 24,218,125           |
| Community services                    | 122,357              | 304,995              | 235,790              | 388,028              | 392,844              | 363,398              | 304,971              | 302,251              | 304,801              | 247,512              |
| Capital outlay                        | 296,564              | 296,588              | 391,580              | 211,609              | 181,910              | 186,338              | 223,969              | 262,921              | 261,222              | 187,698              |
| <b>Total expenditures by function</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> | <b>\$170,139,736</b> | <b>\$157,553,118</b> |
| Increase over prior year              | 581,462<br>0.3%      | 1,122,344<br>0.6%    | 3,804,828<br>2.1%    | 7,328,419<br>4.2%    | (7,372,290)<br>-4.1% | 997,785<br>0.6%      | 3,951,016<br>2.2%    | 5,759,927<br>3.4%    | 12,586,618<br>8.0%   | 9,162,929<br>6.2%    |



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**

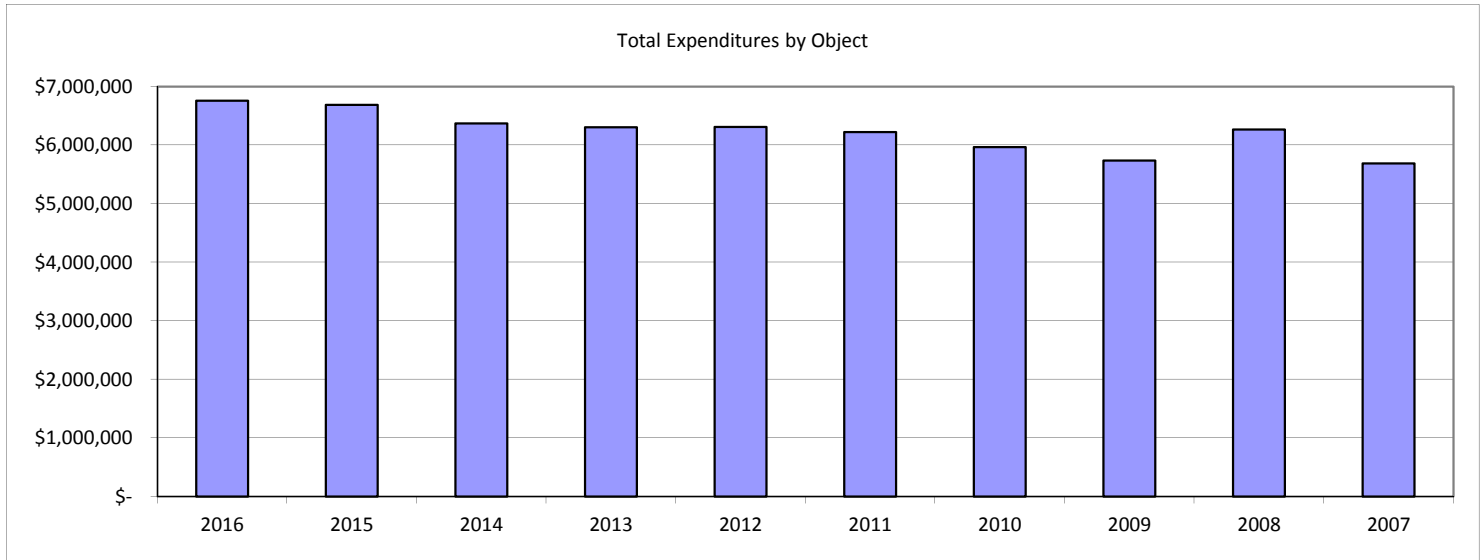
|                                 | 2016                         | 2015                      | 2014                      | 2013                         | 2012                        | 2011                      | 2010                      | 2009                      | 2008                      | 2007                      |
|---------------------------------|------------------------------|---------------------------|---------------------------|------------------------------|-----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| State of Maryland               | \$ 329,274                   | \$ 392,790                | \$ 345,042                | \$ 298,946                   | \$ 282,936                  | \$ 263,863                | \$ 253,811                | \$ 241,016                | \$ 272,031                | \$ 226,256                |
| United States government        | 4,557,278                    | 4,492,439                 | 4,101,804                 | 3,772,143                    | 3,682,231                   | 3,493,853                 | 3,193,011                 | 2,772,524                 | 2,381,744                 | 2,163,320                 |
| Sale of food                    | 1,824,286                    | 1,959,515                 | 1,917,694                 | 1,964,487                    | 2,212,794                   | 2,451,420                 | 2,620,110                 | 2,913,331                 | 2,951,522                 | 2,779,343                 |
| Investment Interest             | 19                           | 14                        | 52                        | 801                          | 2,702                       | 4,614                     | 9,734                     | 16,858                    | 38,294                    | 55,430                    |
| Other                           | -                            | -                         | 31,573                    | 37,794                       | 59,581                      | 45,716                    | 27,967                    | -                         | 1,032                     | 5,717                     |
| <b>Total revenue by source</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>       | <b>\$ 5,644,623</b>       | <b>\$ 5,230,066</b>       |
| <b>Increase over prior year</b> | <b>\$ (133,901)</b><br>-2.0% | <b>\$ 448,593</b><br>7.0% | <b>\$ 321,994</b><br>5.3% | <b>\$ (166,073)</b><br>-2.7% | <b>\$ (19,222)</b><br>-0.3% | <b>\$ 154,833</b><br>2.5% | <b>\$ 160,904</b><br>2.7% | <b>\$ 299,106</b><br>5.3% | <b>\$ 414,557</b><br>7.9% | <b>\$ 154,286</b><br>3.0% |



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**

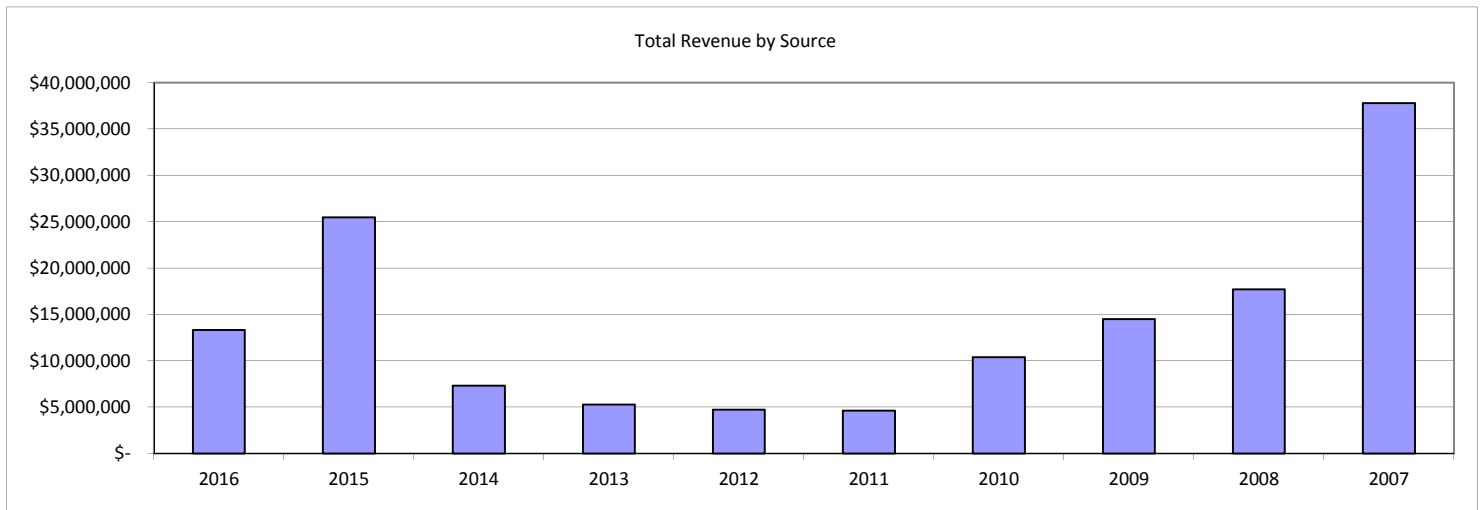
|                                     | 2016                | 2015                | 2014                | 2013                | 2012                | 2011                | 2010                | 2009                  | 2008                | 2007                |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|
| Salaries and wages                  | \$ 2,408,133        | \$ 2,391,077        | \$ 2,350,508        | \$ 2,408,000        | \$ 2,380,172        | \$ 2,404,221        | \$ 2,349,073        | \$ 2,320,630          | \$ 2,279,254        | \$ 2,068,668        |
| Food                                | 3,134,844           | 3,084,534           | 2,726,121           | 2,718,438           | 2,685,361           | 2,435,173           | 2,366,052           | 2,358,512             | 2,644,705           | 2,363,182           |
| Contracted services                 | 69,757              | 57,648              | 46,449              | 58,193              | 67,903              | 66,763              | 61,155              | 40,293                | 98,591              | 51,788              |
| Supplies and materials              | 197,128             | 180,388             | 313,708             | 223,287             | 232,765             | 165,428             | 192,814             | 170,666               | 198,850             | 251,665             |
| Other operating cost                | 930,701             | 925,743             | 921,611             | 872,758             | 897,140             | 1,065,984           | 907,279             | 828,941               | 844,184             | 784,448             |
| Equipment                           | 15,499              | 45,628              | 11,225              | 21,680              | 44,726              | 84,086              | 88,422              | 15,411                | 201,836             | 169,366             |
| <b>Total expenditures by object</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>   | <b>\$ 6,267,420</b> | <b>\$ 5,689,117</b> |
| Increase over prior year            | \$ 71,044<br>1.1%   | \$ 315,396<br>5.0%  | \$ 67,266<br>1.1%   | \$ (5,711)<br>-0.1% | \$ 86,412<br>1.4%   | \$ 256,860<br>4.3%  | \$ 230,342<br>4.0%  | \$ (532,967)<br>-8.5% | \$ 578,303<br>10.2% | \$ 362,777<br>6.8%  |



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**

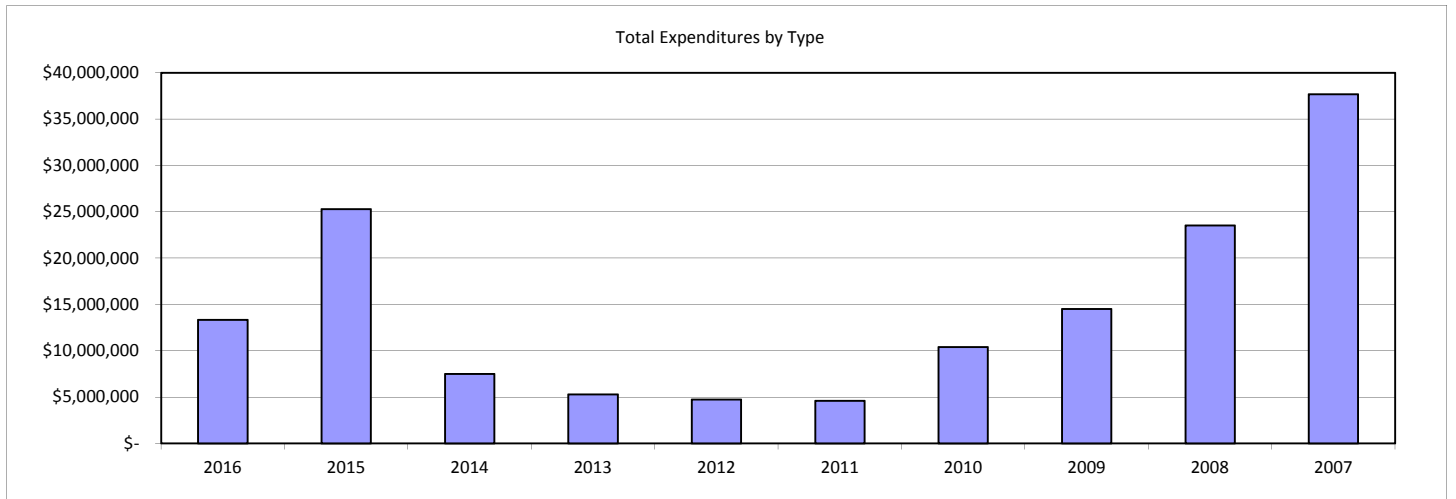
|                          | 2016                     | 2015                    | 2014                  | 2013                | 2012                | 2011                    | 2010                    | 2009                    | 2008                     | 2007                   |
|--------------------------|--------------------------|-------------------------|-----------------------|---------------------|---------------------|-------------------------|-------------------------|-------------------------|--------------------------|------------------------|
| Cecil County             | \$ 8,300,206             | \$ 16,887,621           | \$ 4,765,231          | \$ 3,505,942        | \$ 2,205,921        | \$ 4,269,267            | \$ 6,505,831            | \$ 10,761,236           | \$ 14,907,393            | \$ 23,253,696          |
| State of Maryland        | 4,519,774                | 8,446,482               | 2,370,160             | 1,717,962           | 2,450,615           | 245,688                 | 3,670,655               | 3,693,342               | 2,745,975                | 14,300,564             |
| United States government | -                        | -                       | -                     | 74,955              | -                   | -                       | -                       | -                       | -                        | -                      |
| Investment interest      | 87                       | 98                      | 27                    | 57                  | 45                  | 81                      | 103                     | 4,615                   | 32,221                   | 119,025                |
| Other                    | 501,068                  | 154,714                 | 182,763               | -                   | 91,263              | 98,522                  | 221,379                 | 59,267                  | 22,476                   | 130,567                |
| <b>Total</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>    | <b>\$ 17,708,065</b>     | <b>\$ 37,803,852</b>   |
| Increase over prior year | \$(12,167,780)<br>-47.7% | \$ 18,170,734<br>248.3% | \$ 2,019,265<br>38.1% | \$ 551,072<br>11.6% | \$ 134,286<br>2.9%  | \$(5,784,410)<br>-55.6% | \$(4,120,492)<br>-28.4% | \$(3,189,605)<br>-18.0% | \$(20,095,787)<br>-53.2% | \$ 16,545,474<br>77.8% |



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**

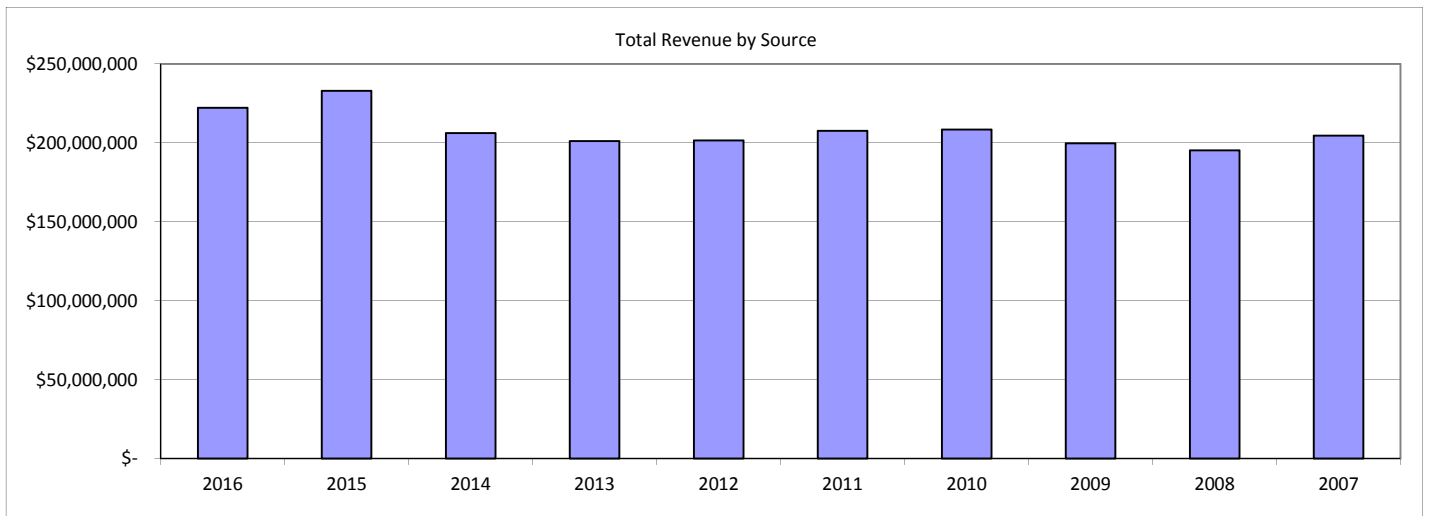
|                                   | 2016                      | 2015                    | 2014                  | 2013                | 2012                | 2011                     | 2010                     | 2009                     | 2008                      | 2007                   |
|-----------------------------------|---------------------------|-------------------------|-----------------------|---------------------|---------------------|--------------------------|--------------------------|--------------------------|---------------------------|------------------------|
| Land                              | \$ -                      | \$ 4,359,300            | \$ -                  | \$ -                | \$ -                | \$ -                     | \$ -                     | \$ -                     | \$ -                      | \$ -                   |
| Building                          | 1,250,687                 | 6,712,725               | 5,083,238             | 4,039,217           | 4,087,168           | 4,209,123                | 9,971,247                | 14,312,335               | 23,503,181                | 37,516,954             |
| Site improvement                  | 222,487                   | 609,423                 | 396,775               | 1,140,566           | 191,162             | 3,542                    | 8,000                    | 64,539                   | 16,482                    | 37,306                 |
| Remodeling                        | 11,685,030                | 13,362,079              | 2,042,868             | 119,075             | 235,136             | 305,832                  | 205,239                  | 77,703                   | -                         | -                      |
| Equipment                         | 168,153                   | 240,639                 | -                     | -                   | 234,174             | 94,980                   | 213,379                  | 56,497                   | 10,893                    | 126,117                |
| <b>Total expenditures by type</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>     | <b>\$ 23,530,556</b>      | <b>\$ 37,680,377</b>   |
| Increase over prior year          | \$ (11,957,809)<br>-47.3% | \$ 17,761,285<br>236.1% | \$ 2,224,023<br>42.0% | \$ 551,218<br>11.6% | \$ 134,163<br>2.9%  | \$ (5,784,388)<br>-55.6% | \$ (4,113,209)<br>-28.3% | \$ (9,019,482)<br>-38.3% | \$ (14,149,821)<br>-37.6% | \$ 16,563,327<br>78.4% |



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**

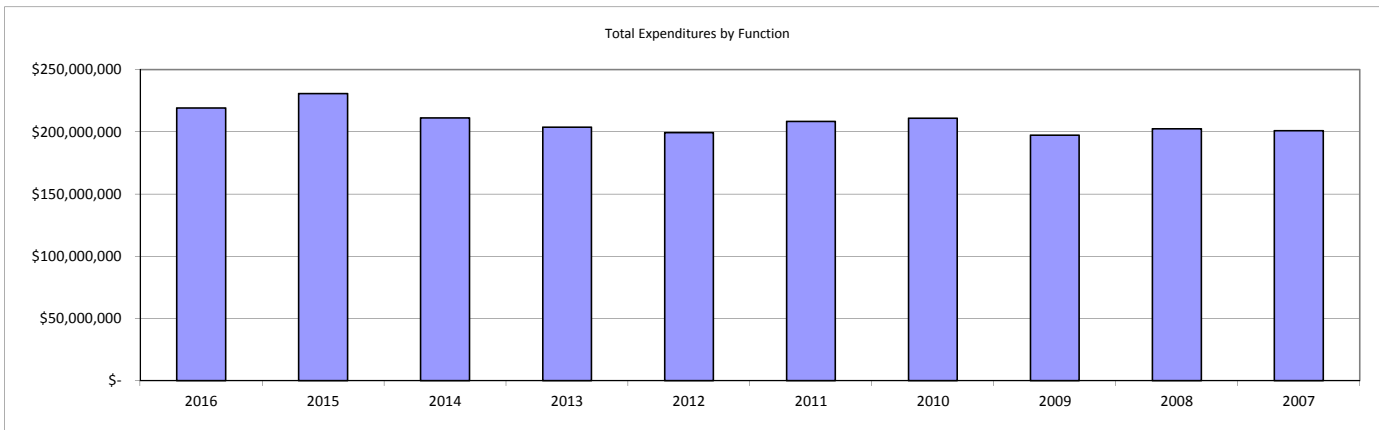
|                                | 2016                         | 2015                         | 2014                         | 2013                         | 2012                         | 2011                         | 2010                         | 2009                         | 2008                         | 2007                         |
|--------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Cecil County                   | \$ 88,050,984                | \$ 92,411,466                | \$ 77,613,523                | \$ 73,121,775                | \$ 69,361,935                | \$ 72,619,885                | \$ 74,891,456                | \$ 80,676,398                | \$ 79,342,555                | \$ 88,968,786                |
| State of Maryland              | 117,552,193                  | 123,360,144                  | 112,692,627                  | 111,289,209                  | 115,057,469                  | 111,044,514                  | 113,375,504                  | 102,650,748                  | 100,158,750                  | 100,521,242                  |
| Federal government             | 13,549,190                   | 14,502,361                   | 13,167,657                   | 13,869,753                   | 13,956,731                   | 20,783,182                   | 16,233,041                   | 11,194,258                   | 10,279,566                   | 10,084,599                   |
| Sale of meals                  | 1,824,286                    | 1,959,515                    | 1,917,694                    | 1,964,487                    | 2,212,794                    | 2,451,420                    | 2,620,110                    | 2,913,331                    | 2,951,522                    | 2,779,343                    |
| Interest earned                | 18,242                       | 7,683                        | 8,178                        | 10,855                       | 25,693                       | 67,056                       | 136,820                      | 382,313                      | 852,892                      | 1,143,097                    |
| Other                          | <u>1,186,502</u>             | <u>768,753</u>               | <u>895,188</u>               | <u>819,232</u>               | <u>916,622</u>               | <u>722,397</u>               | <u>1,196,103</u>             | <u>1,829,221</u>             | <u>1,664,741</u>             | <u>1,142,843</u>             |
| <b>Total revenue by source</b> | <b><u>\$ 222,181,397</u></b> | <b><u>\$ 233,009,922</u></b> | <b><u>\$ 206,294,867</u></b> | <b><u>\$ 201,075,311</u></b> | <b><u>\$ 201,531,244</u></b> | <b><u>\$ 207,688,454</u></b> | <b><u>\$ 208,453,034</u></b> | <b><u>\$ 199,646,269</u></b> | <b><u>\$ 195,250,026</u></b> | <b><u>\$ 204,639,910</u></b> |
| Increase over prior year       | \$ (10,828,525)<br>-4.6%     | \$ 26,715,055<br>12.9%       | \$ 5,219,556<br>2.6%         | \$ (455,933)<br>-0.2%        | \$ (6,157,210)<br>-3.0%      | \$ (764,580)<br>-0.4%        | \$ 8,806,765<br>4.4%         | \$ 4,396,243<br>2.3%         | \$ (9,389,884)<br>-4.6%      | \$ 30,278,267<br>17.4%       |



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**

|                                       | 2016                     | 2015                  | 2014                  | 2013                  | 2012                    | 2011                    | 2010                  | 2009                    | 2008                  | 2007                   |
|---------------------------------------|--------------------------|-----------------------|-----------------------|-----------------------|-------------------------|-------------------------|-----------------------|-------------------------|-----------------------|------------------------|
| Administration                        | \$ 5,140,935             | \$ 5,196,245          | \$ 5,238,087          | \$ 4,969,511          | \$ 4,403,811            | \$ 4,672,204            | \$ 4,664,203          | \$ 4,244,817            | \$ 4,462,646          | \$ 4,198,799           |
| Mid-level administration              | 13,336,761               | 13,375,657            | 13,274,860            | 13,566,354            | 13,313,116              | 14,161,065              | 13,916,489            | 13,503,143              | 13,184,316            | 12,447,326             |
| Instruction                           |                          |                       |                       |                       |                         |                         |                       |                         |                       |                        |
| Salaries                              | 70,388,331               | 70,323,326            | 69,545,018            | 68,237,315            | 66,720,063              | 69,238,303              | 68,835,894            | 67,418,883              | 65,284,743            | 62,111,692             |
| Materials and supplies                | 3,212,396                | 5,102,917             | 3,799,800             | 3,653,853             | 2,816,463               | 4,303,967               | 2,866,679             | 4,800,674               | 3,191,191             | 3,101,396              |
| Other costs                           | 3,270,618                | 26,028,685            | 8,752,929             | 8,788,310             | 7,719,258               | 10,600,268              | 16,205,022            | 17,699,218              | 5,268,109             | 3,651,467              |
| Special education                     | 26,318,771               | 25,217,748            | 24,583,137            | 25,135,508            | 24,921,881              | 26,082,161              | 25,741,368            | 25,141,877              | 24,135,599            | 21,837,669             |
| Student personnel services            | 1,035,422                | 1,071,994             | 1,073,218             | 996,891               | 998,593                 | 957,021                 | 1,078,355             | 1,181,589               | 876,693               | 757,159                |
| Student health services               | 1,592,818                | 1,520,898             | 1,506,440             | 1,526,033             | 1,565,596               | 1,561,453               | 1,538,634             | 1,551,549               | 1,535,533             | 1,540,252              |
| Student transportation                | 9,621,041                | 9,456,522             | 9,391,768             | 9,599,678             | 9,248,641               | 9,181,668               | 9,175,806             | 9,057,367               | 9,276,228             | 8,482,576              |
| Operation of plant                    | 10,928,625               | 11,900,684            | 11,636,532            | 11,286,391            | 10,654,869              | 11,549,454              | 11,424,861            | 11,455,733              | 12,405,004            | 10,979,716             |
| Maintenance of plant                  | 4,364,425                | 4,206,479             | 4,542,525             | 4,219,071             | 3,784,948               | 3,578,039               | 3,735,664             | 3,900,601               | 4,089,328             | 4,175,611              |
| Fixed charges                         | 51,160,478               | 50,518,337            | 51,298,438            | 46,086,196            | 47,530,256              | 46,911,870              | 46,325,393            | 32,002,395              | 29,253,910            | 24,729,453             |
| Community services                    | 145,387                  | 281,964               | 235,790               | 388,028               | 405,943                 | 350,298                 | 304,972               | 303,880                 | 304,802               | 247,512                |
| Food and nutrition                    | 5,855,880                | 5,794,539             | 5,476,662             | 5,453,639             | 5,437,983               | 5,345,062               | 5,086,393             | 4,938,805               | 5,464,436             | 4,792,476              |
| Capital outlay                        | 12,170,838               | -                     | -                     | -                     | -                       | -                       | -                     | 262,921                 | 23,780,886            | 37,913,233             |
| Debt service                          | 653,967                  | 803,910               | 813,910               | -                     | -                       | -                       | -                     | -                       | -                     | -                      |
| <b>Total expenditures by function</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>\$ 202,513,424</b> | <b>\$ 200,966,337</b>  |
| Increase over prior year              | \$ (11,603,212)<br>-5.0% | \$ 19,630,791<br>9.3% | \$ 7,262,336<br>3.6%  | \$ 4,385,357<br>2.2%  | \$ (8,971,412)<br>-4.3% | \$ (2,406,900)<br>-1.1% | \$ 13,436,281<br>6.8% | \$ (5,049,972)<br>-2.5% | \$ 1,547,087<br>0.8%  | \$ 22,095,377<br>12.4% |



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**

|                                  | 2016<br>Capacity | 2016          | 2015          | 2014          | 2013          | 2012          | 2011          | 2010          | 2009          | 2008          | 2007          |
|----------------------------------|------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| County Population                |                  | 102,382       | 102,383       | 101,108       | 101,696       | 101,694       | 101,108       | 103,850       | 99,926        | 103,490       | 99,506        |
| <b><u>Elementary Schools</u></b> |                  |               |               |               |               |               |               |               |               |               |               |
| Bainbridge Elementary            | 449              | 532           | 515           | 358           | 402           | 396           | 410           | 423           | 383           | 259           | 240           |
| Bay View Elementary              | 608              | 609           | 617           | 571           | 619           | 641           | 618           | 621           | 615           | 609           | 602           |
| Calvert Elementary               | 433              | 479           | 483           | 516           | 420           | 323           | 325           | 332           | 321           | 338           | 334           |
| Cecil Manor Elementary           | 523              | 470           | 450           | 462           | 501           | 530           | 474           | 487           | 454           | 472           | 473           |
| Cecilton Elementary              | 350              | 345           | 309           | 303           | 297           | 319           | 322           | 338           | 339           | 311           | 327           |
| Charlestown Elementary           | 292              | 436           | 406           | 224           | 213           | 205           | 184           | 211           | 200           | 196           | 206           |
| Chesapeake City Elementary       | 353              | 343           | 357           | 337           | 314           | 306           | 311           | 315           | 307           | 291           | 290           |
| Conowingo Elementary             | 534              | 474           | 476           | 480           | 527           | 542           | 567           | 560           | 567           | 553           | 552           |
| Elk Neck Elementary              | 501              | 408           | 428           | 434           | 412           | 424           | 430           | 432           | 446           | 443           | 418           |
| Gilpin Manor Elementary          | 416              | 466           | 457           | 490           | 429           | 405           | 439           | 423           | 431           | 372           | 405           |
| Holly Hall Elementary            | 624              | 650           | 629           | 625           | 632           | 633           | 610           | 602           | 619           | 577           | 547           |
| Kenmore Elementary               | 306              | 339           | 331           | 346           | 326           | 331           | 314           | 305           | 315           | 329           | 316           |
| Leeds Elementary                 | 408              | 407           | 402           | 404           | 396           | 406           | 411           | 394           | 402           | 404           | 417           |
| North East Elementary            | 542              | 527           | 524           | 486           | 512           | 501           | 507           | 477           | 492           | 493           | 524           |
| Perryville Elementary            | 500              | -             | -             | 371           | 371           | 368           | 369           | 395           | 375           | 387           | 366           |
| Rising Sun Elementary            | 715              | 755           | 690           | 665           | 615           | 665           | 669           | 679           | 721           | 823           | 830           |
| Thomson Estates Elementary       | 614              | 456           | 469           | 510           | 491           | 473           | 490           | 510           | 533           | 535           | 548           |
| Elementary School Total          | 8,168            | 7,696         | 7,543         | 7,582         | 7,477         | 7,468         | 7,450         | 7,504         | 7,520         | 7,392         | 7,395         |
| <b><u>Middle Schools</u></b>     |                  |               |               |               |               |               |               |               |               |               |               |
| Bohemia Manor Middle             | 601              | 506           | 472           | 473           | 473           | 477           | 487           | 478           | 478           | 488           | 508           |
| Cherry Hill Middle               | 775              | 416           | 442           | 465           | 439           | 479           | 501           | 529           | 494           | 498           | 524           |
| Elkton Middle                    | 712              | 554           | 551           | 554           | 569           | 589           | 585           | 591           | 626           | 652           | 663           |
| North East Middle                | 712              | 732           | 754           | 780           | 726           | 725           | 727           | 774           | 753           | 769           | 831           |
| Perryville Middle                | 860              | 556           | 550           | 558           | 565           | 597           | 597           | 570           | 615           | 627           | 686           |
| Rising Sun Middle                | 818              | 679           | 677           | 718           | 713           | 714           | 695           | 706           | 688           | 717           | 714           |
| Middle School Total              | 4,478            | 3,443         | 3,446         | 3,548         | 3,485         | 3,581         | 3,592         | 3,648         | 3,654         | 3,751         | 3,926         |
| <b><u>High Schools</u></b>       |                  |               |               |               |               |               |               |               |               |               |               |
| Bohemia Manor High               | 643              | 656           | 620           | 629           | 641           | 635           | 664           | 736           | 733           | 742           | 739           |
| Elkton High                      | 1,380            | 1,026         | 1,067         | 1,124         | 1,105         | 1,097         | 1,087         | 1,122         | 1,112         | 1,120         | 1,109         |
| North East High                  | 1,009            | 1,065         | 1,028         | 1,005         | 1,037         | 1,078         | 1,121         | 1,129         | 1,084         | 1,143         | 1,114         |
| Perryville High                  | 944              | 802           | 810           | 789           | 775           | 812           | 846           | 892           | 905           | 948           | 972           |
| Rising Sun High                  | 924              | 1,171         | 1,167         | 1,147         | 1,114         | 1,156         | 1,177         | 1,174         | 1,201         | 1,194         | 1,166         |
| High School Total                | 4,900            | 4,720         | 4,692         | 4,694         | 4,672         | 4,778         | 4,895         | 5,053         | 5,035         | 5,147         | 5,100         |
| <b><u>Other Schools</u></b>      |                  |               |               |               |               |               |               |               |               |               |               |
| Cecil County High School*        | 106              | 75            | 97            | 71            | 72            | 62            | 58            | 84            | 90            | 85            | 29            |
| School of Technology*            | 580              | 387           | 258           | 247           | 253           | 254           | 255           | 254           | 240           | 275           | 256           |
| <b>Grand Total</b>               | <b>18,232</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> | <b>16,290</b> | <b>16,421</b> |
| Increase / (Decrease)            |                  | 178           | (143)         | 190           | (193)         | (110)         | (268)         | (4)           | (81)          | (131)         | (100)         |
| % Increase / Decrease            |                  | 1.1%          | -0.9%         | 1.2%          | -1.2%         | -0.7%         | -1.7%         | 0.0%          | -0.5%         | -0.8%         | -0.6%         |
| High School Graduates            |                  | 1,143         | 1,059         | 1,082         | 1,085         | 1,132         | 1,122         | 1,137         | 1,080         | 1,106         | 950           |

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

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

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

| Employer  | 2016          |      |                                       | 2006         |      |                                       |
|---|---------------|------|---------------------------------------|--------------|------|---------------------------------------|
|   | Employees     | Rank | Percentage of Total County Employment | Employees    | Rank | Percentage of Total County Employment |
| W. L. Gore & Associates, Inc.                     | 2,405         | 1    | 4.81%                                 | 2,506        | 1    | 4.92%                                 |
| Cecil County Board of Education                   | 2,019         | 2    | 4.03%                                 | 1,991        | 2    | 3.91%                                 |
| Perry Point V.A. Medical Center                   | 1,500         | 3    | 3.00%                                 | 1,173        | 3    | 2.30%                                 |
| Union Hospital                                    | 1,236         | 4    | 2.47%                                 | 900          | 4    | 1.77%                                 |
| Cecil County Government                           | 590           | 5    | 1.18%                                 | 496          | 6    | 0.97%                                 |
| IKEA/Genco  | 580           | 6    | 1.16%                                 | 370          | 8    | 0.73%                                 |
| Cecil College                                     | 515           | 7    | 1.03%                                 | *            | N/A  | N/A                                   |
| Wal-Mart Stores, Inc.                             | 500           | 8    | 1.00%                                 | 300          | 10   | 0.59%                                 |
| Orbital ATK, Inc. (formerly Thiokol Corp.)        | 464           | 9    | 0.93%                                 | 580          | 5    | 1.14%                                 |
| Penn National Gaming                              | 334           | 10   | 0.67%                                 | *            | N/A  | N/A                                   |
| Terumo Medical Corporation                        | *             |      |                                       | 400          | 7    | 0.78%                                 |
| Basell North America, Inc. (formerly Montell USA) | *             |      |                                       | 350          | 9    | 0.69%                                 |
| Totals  | <u>10,143</u> |      | <u>20.28%</u>                         | <u>9,066</u> |      | <u>17.80%</u>                         |

Source: Cecil County Office of Economic Development  
\*Note: Employer is not one of the ten largest employers during the year noted.

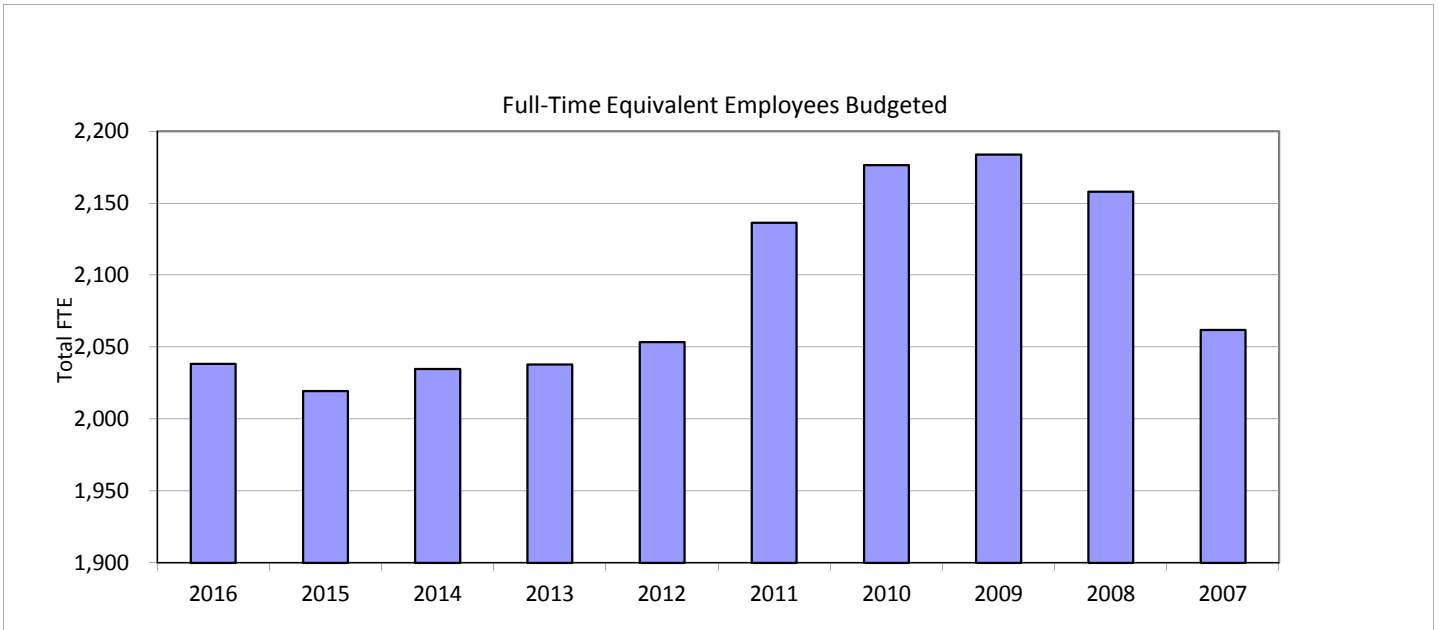
**CECIL COUNTY, MARYLAND  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN CALENDAR YEARS**

| Calendar<br>Year | Population | Personal<br>Income<br>(amounts<br>expressed in<br>thousands) | Per Capita<br>Income | Employment | Unemployment<br>Rate | Median<br>Price of<br>Housing<br>Sales | School<br>Enrollment |
|------------------|------------|--|----------------------|------------|----------------------|--|----------------------|
| 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               |
| 2007             | 103,490    | 3,229,405  | 31,205               | 51,558     | 4.0%                 | 279,157                                | 16,421               |
| 2006             | 99,506     | 3,304,992  | 33,214               | 50,960     | 4.4%                 | 299,000                                | 16,521               |

Sources: 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**

|                            | 2016            | 2015            | 2014            | 2013            | 2012            | 2011            | 2010            | 2009            | 2008            | 2007            |
|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Administration             | 47.00           | 47.00           | 47.00           | 47.50           | 49.75           | 49.75           | 49.75           | 50.75           | 49.75           | 47.75           |
| Mid-level administration   | 195.10          | 196.10          | 196.10          | 196.60          | 201.25          | 206.25          | 208.00          | 206.25          | 204.25          | 197.00          |
| Instruction salaries       | 1,102.40        | 1,108.40        | 1,120.66        | 1,126.86        | 1,132.00        | 1,190.00        | 1,213.23        | 1,217.94        | 1,213.00        | 1,182.53        |
| Special education          | 437.50          | 413.60          | 418.20          | 413.20          | 413.00          | 424.00          | 434.46          | 434.97          | 419.00          | 368.60          |
| Student personnel services | 13.90           | 15.90           | 15.90           | 14.70           | 15.00           | 15.00           | 15.00           | 14.00           | 14.00           | 14.00           |
| Student health services    | 31.00           | 31.00           | 31.00           | 32.00           | 32.00           | 32.00           | 34.00           | 34.00           | 34.00           | 33.00           |
| Student transportation     | 23.00           | 25.00           | 25.00           | 25.00           | 27.00           | 27.00           | 27.00           | 27.00           | 28.00           | 27.00           |
| Operation of plant         | 134.50          | 130.50          | 131.00          | 131.00          | 132.00          | 140.00          | 140.00          | 142.00          | 141.00          | 138.00          |
| Maintenance of plant       | 48.00           | 48.50           | 47.50           | 47.50           | 48.00           | 50.00           | 51.50           | 53.00           | 51.00           | 51.00           |
| Community services         | 3.00            | -               | -               | 1.00            | 1.00            | -               | -               | -               | -               | -               |
| Capital outlay             | 3.00            | 3.50            | 2.50            | 2.50            | 2.50            | 2.50            | 3.50            | 4.00            | 4.00            | 3.00            |
| <b>Total by function</b>   | <b>2,038.40</b> | <b>2,019.50</b> | <b>2,034.86</b> | <b>2,037.86</b> | <b>2,053.50</b> | <b>2,136.50</b> | <b>2,176.44</b> | <b>2,183.91</b> | <b>2,158.00</b> | <b>2,061.88</b> |
| Increase over prior year   | 18.90<br>0.9%   | -15.36<br>-0.8% | -3.00<br>-0.1%  | -15.64<br>-0.8% | -83.00<br>-3.9% | -39.94<br>-1.8% | -7.47<br>-0.3%  | 25.91<br>1.2%   | 96.12<br>4.7%   | 70.67<br>3.5%   |



Source: Cecil County Public Schools, Approved Budget

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

|                            | 2016             | 2015             | 2014             | 2013             | 2012              | 2011             | 2010             | 2009             | 2008             | 2007            |
|----------------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|------------------|-----------------|
| Total student enrollment   | 15,859           | 15,681           | 15,824           | 15,634           | 15,827            | 15,937           | 16,271           | 16,209           | 16,290           | 16,421          |
| Administration             | \$ 267           | \$ 260           | \$ 267           | \$ 302           | \$ 257            | \$ 276           | \$ 263           | \$ 245           | \$ 258           | \$ 240          |
| Mid-level administration   | 841              | 853              | 839              | 868              | 841               | 886              | 848              | 831              | 805              | 758             |
| Instruction                |                  |                  |                  |                  |                   |                  |                  |                  |                  |                 |
| Salaries                   | 4,438            | 4,485            | 4,395            | 4,365            | 4,216             | 4,345            | 4,231            | 4,159            | 4,008            | 3,782           |
| Materials and supplies     | 193              | 295              | 240              | 233              | 175               | 142              | 171              | 206              | 196              | 188             |
| Other costs                | 206              | 164              | 185              | 206              | 187               | 374              | 276              | 211              | 169              | 217             |
| Special education          | 1,659            | 1,609            | 1,555            | 1,608            | 1,575             | 1,630            | 1,582            | 1,551            | 1,480            | 1,330           |
| Student personnel services | 65               | 68               | 68               | 64               | 63                | 60               | 66               | 73               | 54               | 46              |
| Student health services    | 100              | 97               | 95               | 98               | 99                | 98               | 94               | 96               | 94               | 94              |
| Student transportation     | 607              | 603              | 594              | 614              | 584               | 576              | 564              | 559              | 566              | 517             |
| Operation of plant         | 689              | 759              | 735              | 722              | 673               | 725              | 702              | 707              | 762              | 669             |
| Maintenance of plant       | 274              | 261              | 273              | 286              | 239               | 226              | 231              | 240              | 256              | 252             |
| Fixed charges              | 2,381            | 2,352            | 2,382            | 2,162            | 2,016             | 1,974            | 1,994            | 1,940            | 1,762            | 1,475           |
| Community services         | 8                | 19               | 15               | 25               | 25                | 23               | 19               | 19               | 19               | 15              |
| Capital outlay             | 19               | 19               | 25               | 14               | 11                | 12               | 14               | 16               | 16               | 11              |
| Total cost per student     | <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> | <u>\$ 10,445</u> | <u>\$ 9,594</u> |
| Increase over prior year   | \$ (97)<br>-0.8% | \$ 176<br>1.5%   | \$ 101<br>0.9%   | \$ 606<br>5.5%   | \$ (386)<br>-3.4% | \$ 292<br>2.6%   | \$ 202<br>1.9%   | \$ 408<br>3.9%   | \$ 851<br>8.9%   | \$ 612<br>6.8%  |

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

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

|   | 2016      | 2015      | 2014      | 2013      | 2012      | 2011      | 2010      | 2009      | 2008      | 2007      |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total student enrollment                          | 15,859    | 15,681    | 15,824    | 15,634    | 15,827    | 15,937    | 16,271    | 16,209    | 16,290    | 16,421    |
| <b><u>FOOD &amp; NUTRITION</u></b>                |           |           |           |           |           |           |           |           |           |           |
| Number of days lunch served                       | 180       | 178       | 177       | 179       | 179       | 180       | 179       | 180       | 179       | 180       |
| Average number of lunches served daily:           |           |           |           |           |           |           |           |           |           |           |
| Free lunch  | 4,156     | 4,182     | 4,100     | 3,841     | 4,023     | 3,803     | 3,475     | 3,054     | 2,595     | 2,460     |
| Reduced price                                     | 508       | 523       | 504       | 519       | 547       | 606       | 660       | 680       | 690       | 685       |
| Regular price                                     | 2,209     | 2,291     | 2,269     | 2,449     | 2,740     | 3,158     | 3,358     | 3,883     | 4,662     | 4,755     |
| Total average number of lunches served daily      | 6,873     | 6,996     | 6,873     | 6,809     | 7,310     | 7,567     | 7,493     | 7,617     | 7,947     | 7,900     |
| Percentage of student participation:              |           |           |           |           |           |           |           |           |           |           |
| Students receiving free lunch                     | 26.2%     | 26.7%     | 25.9%     | 24.6%     | 25.4%     | 23.9%     | 21.4%     | 18.8%     | 15.9%     | 15.0%     |
| Students paying reduced price                     | 3.2%      | 3.3%      | 3.2%      | 3.3%      | 3.5%      | 3.8%      | 4.1%      | 4.2%      | 4.2%      | 4.2%      |
| Students paying regular price                     | 13.9%     | 14.6%     | 14.3%     | 15.7%     | 17.3%     | 19.8%     | 20.6%     | 24.0%     | 28.6%     | 29.0%     |
| Total percentage of student participation         | 43.3%     | 44.6%     | 43.4%     | 43.6%     | 46.2%     | 47.5%     | 46.1%     | 47.0%     | 48.7%     | 48.2%     |
| Cost per lunch to student:                        |           |           |           |           |           |           |           |           |           |           |
| Elementary  | \$ 2.50   | \$ 2.50   | \$2.45    | \$2.25    | \$2.15    | \$2.10    | \$2.10    | \$2.10    | \$1.60    | \$1.45    |
| Secondary   | \$ 2.65   | \$ 2.65   | \$2.60    | \$2.40    | \$2.30    | \$2.25    | \$2.25    | \$2.25    | \$1.75    | \$1.60    |
| <b><u>STUDENT TRANSPORTATION</u></b>              |           |           |           |           |           |           |           |           |           |           |
| Number of students eligible to ride the bus       | 14,373    | 14,735    | 14,565    | 14,673    | 14,664    | 14,820    | 14,971    | 14,841    | 15,187    | 15,169    |
| Number of school bus riders daily                 | 11,355    | 10,914    | 10,459    | 11,117    | 11,390    | 11,087    | 11,858    | 10,935    | 11,136    | 10,974    |
| Percentage of student participation               | 71.6%     | 69.6%     | 66.1%     | 71.1%     | 72.0%     | 69.6%     | 72.9%     | 67.5%     | 68.4%     | 66.8%     |
| Number of school bus routes:                      |           |           |           |           |           |           |           |           |           |           |
| County  | 8         | 8         | 9         | 9         | 9         | 10        | 10        | 10        | 10        | 11        |
| Private contractor                                | 145       | 143       | 142       | 142       | 147       | 147       | 147       | 147       | 147       | 145       |
| <b><u>TEACHER DATA</u></b>                        |           |           |           |           |           |           |           |           |           |           |
| Total number of budgeted teachers                 | 1310.50   | 1,296.50  | 1,296.90  | 1,299.20  | 1,280.20  | 1,328.70  | 1,347.80  | 1,347.30  | 1,349.60  | 1,311.60  |
| Minimum salary (190 days)                         | \$44,760  | \$ 44,186 | \$ 43,662 | \$ 42,890 | \$ 42,890 | \$ 42,890 | \$ 42,132 | \$ 41,674 | \$ 40,061 | \$ 38,336 |
| Maximum salary * (190 days)                       | \$80,829  | \$ 79,919 | \$ 79,089 | \$ 77,866 | \$ 77,866 | \$ 77,193 | \$ 76,003 | \$ 70,284 | \$ 67,692 | \$ 64,986 |
| Average annual salary                             | \$ 63,100 | \$ 63,520 | \$ 61,061 | \$ 60,943 | \$ 60,440 | \$ 59,789 | \$ 58,189 | \$ 56,885 | \$ 54,519 | \$ 52,646 |
| Increase over prior year                          | -0.7%     | 4.0%      | 0.2%      | 0.8%      | 1.1%      | 2.7%      | 2.3%      | 4.3%      | 3.6%      | 3.1%      |
| Percentage of teachers with Master's and/or APC   | 65.9%     | 68.7%     | 67.8%     | 67.0%     | 65.9%     | 64.4%     | 62.7%     | 60.9%     | 55.1%     | 54.8%     |
| Percentage of teachers with Master's plus credits | 6.0%      | 6.3%      | 6.4%      | 6.2%      | 6.1%      | 5.9%      | 5.4%      | 5.1%      | 5.2%      | 5.6%      |
| Percentage of teachers with Doctorate             | 0.3%      | 0.3%      | 0.5%      | 0.5%      | 0.3%      | 0.4%      | 0.4%      | 0.4%      | 0.4%      | 0.3%      |
| Student/Teacher ratio                             | 12.1      | 12.1      | 12.2      | 12.0      | 12.4      | 12.0      | 12.0      | 12.0      | 12.1      | 12.5      |

\*Includes additional stipends for advanced training and longevity

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

# 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 basic financial statements, as defined in the Management Discussion and Analysis, of the governmental activities and each major 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, 2016, and the related notes to the financial statements, which collectively comprise the School System's basic financial statements, and have issued our report thereon dated September 30, 2016.

#### 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.

A handwritten signature in cursive script that reads "CohnReznick LLP".

Baltimore, Maryland  
September 30, 2016

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 the 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, 2016. 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, 2016.

## 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 our testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CohnReznick LLP".

Baltimore, Maryland  
September 30, 2016

Board of Education of Cecil County

Schedule of Findings and Questioned Costs

Financial Reporting

Year ended June 30, 2016

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?                     | <u>    </u> Yes | <u>  X  </u> No            |
| Significant deficiency(ies) identified?               | <u>    </u> Yes | <u>  X  </u> None reported |
| Noncompliance material to financial statements noted? | <u>    </u> Yes | <u>  X  </u> No            |

*Federal Awards*

Internal control over major programs:

|   |                 |                            |
|---|-----------------|----------------------------|
| Material weakness(es) identified?       | <u>    </u> Yes | <u>  X  </u> No            |
| Significant deficiency(ies) identified? | <u>    </u> 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)? | <u>    </u> Yes | <u>  X  </u> No |
|--|-----------------|-----------------|

*Identification of Major Programs*

| <u>Name of Federal Program or Cluster</u> | <u>CFDA Number(s)</u> |
|---|-----------------------|
| Special Education Cluster (IDEA)          | 84.027, 84.173        |

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

Auditee qualified as low-risk auditee?       X  Yes          No

**II. Financial Statement Findings**

None reported.

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

None reported.

**CECIL COUNTY PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year ended June 30, 2016

| Grant Name  | CFDA<br>Number | Grant<br>Number | Federal<br>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             | \$ 1,357,603            |
| National School Lunch Program   | 10.555         | N/A             | 2,759,030               |
| National School Lunch Program   | 10.555         | N/A             | 364,838                 |
| Summer Food Service Program for Children  | 10.559         | N/A             | 47,298                  |
|   |                |                 | <u>4,528,769</u>        |
| Child and Adult Care Food Program   | 10.558         | N/A             | <u>24,777</u>           |
| State Administrative Expenses for Child Nutrition   | 10.560         | 154497-01       | <u>3,732</u>            |
| Total United States Department of Agriculture   |                |                 | <u>4,557,278</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>34,607</u>           |
| Total United States Department of Commerce  |                |                 | <u>34,607</u>           |
| <b>United States Department of Education</b>  |                |                 |                         |
| Federal programs administered through the Maryland State Department of Education          |                |                 |                         |
| Title I, Part A Cluster   |                |                 |                         |
| Title I Grants to Local Educational Agencies  | 84.010         | 154357-01       | 258,047                 |
| Title I Grants to Local Educational Agencies  | 84.010         | 155168-01       | 20,299                  |
| Title I Grants to Local Educational Agencies  | 84.010         | 165095-01       | 2,556,270               |
|   |                |                 | <u>2,834,616</u>        |
| Special Education Cluster (IDEA)  |                |                 |                         |
| Special Education - Grants to States  | 84.027         | 145252-01       | 20,085                  |
| Special Education - Grants to States  | 84.027         | 145276-01       | 1,741                   |
| Special Education - Grants to States  | 84.027         | 154186-02       | 6,836                   |
| Special Education - Grants to States  | 84.027         | 155341-01       | 12,000                  |
| Special Education - Grants to States  | 84.027         | 155554-01       | 12,612                  |
| Special Education - Grants to States  | 84.027A        | 164506-01       | 20,571                  |
| Special Education - Grants to States  | 84.027A        | 164507-01       | 50,498                  |
| Special Education - Grants to States  | 84.027         | 164546-01       | 3,103,859               |
| Special Education - Grants to States  | 84.027A        | 164546-02       | 35,771                  |
| Special Education - Grants to States  | 84.027A        | 164546-03       | 2,500                   |
| Special Education - Grants to States  | 84.027A        | 164546-04       | 103,183                 |
| Special Education - Grants to States  | 84.027A        | 164547-01       | 34,966                  |
| Special Education - Grants to States  | 84.027A        | 164547-02       | 17,499                  |
| Special Education - Preschool Grants  | 84.173         | 154186-03       | 1,738                   |
| Special Education - Preschool Grants  | 84.173         | 155341-02       | 9,123                   |
| Special Education - Preschool Grants  | 84.173A        | 164505-01       | 7,000                   |
| Special Education - Preschool Grants  | 84.173A        | 164505-02       | 4,114                   |

**CECIL COUNTY PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended June 30, 2016**

| Grant Name   | CFDA<br>Number | Grant<br>Number | Federal<br>Expenditures |
|--|----------------|-----------------|-------------------------|
| <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        | 164548-01       | \$ 99,993               |
| Special Education - Preschool Grants   | 84.173A        | 164548-02       | 1,487                   |
|  |                |                 | <u>3,545,576</u>        |
| Career and Technical Education - Basic Grants to States  | 84.048         | 155118-01       | 12,022                  |
| Career and Technical Education - Basic Grants to States  | 84.048         | 164976-01       | 14,745                  |
| Career and Technical Education - Basic Grants to States  | 84.048         | 165048-01       | 144,318                 |
|  |                |                 | <u>171,085</u>          |
| Early Intervention Services (IDEA) Cluster   |                |                 |                         |
| Special Education - Grants for Infants and Families  | 84.181         | 164508-01       | 106,178                 |
| English Language Acquisition State Grants  | 84.365A        | 144583-01       | 4,861                   |
| English Language Acquisition State Grants  | 84.365A        | 154428-01       | 5,300                   |
| English Language Acquisition State Grants  | 84.365A        | 164296-01       | 13,340                  |
| English Language Acquisition State Grants  | 84.365A        | 164296-02       | 4,127                   |
| English Language Acquisition State Grants  | 84.365B        | 164951-01       | 24,018                  |
|  |                |                 | <u>51,646</u>           |
| Mathematics and Science Partnerships   | 84.366B        | 145117-01       | 9,232                   |
| Improving Teacher Quality State Grants   | 84.367         | 165281-01       | 501,440                 |
| Improving Teacher Quality State Grants   | 84.367         | 154935-01       | 44,179                  |
| Improving Teacher Quality State Grants   | 84.367         | 155630-01       | 36,716                  |
| Improving Teacher Quality State Grants   | 84.367         | 164772-01       | 218                     |
|  |                |                 | <u>582,553</u>          |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act                 | 84.395         | 155645-01       | 16,856                  |
|  |                |                 | <u>16,856</u>           |
| Race to the Top - Early Learning Challenge   | 84.412A        | 145105-01       | 6,570                   |
| Race to the Top - Early Learning Challenge   | 84.412A        | 154453-03       | 23,030                  |
| Race to the Top - Early Learning Challenge   | 84.412A        | 155341-03       | 5,768                   |
|  |                |                 | <u>35,368</u>           |
| Total United States Department of Education  |                |                 | <u>7,353,110</u>        |
| <b>United States Department of Health and Human Services</b>   |                |                 |                         |
| Federal programs administered through the Maryland Department of Health and Mental Hygiene                     |                |                 |                         |
| Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF) | 93.758         | N/A             | 5,276                   |
| Total United States Department of Health and Human Services  |                |                 | <u>5,276</u>            |
| <b>Total Federal Expenditures</b>  |                |                 | <u>\$ 11,950,271</u>    |



**CECIL COUNTY PUBLIC SCHOOLS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended June 30, 2016**

**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, 2016. 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, 2016**

**NOTE D - FISCAL PERIOD AUDIT**

Single Audit testing procedures were performed for program transactions occurring during the fiscal year ended June 30, 2016 for the following major programs:

| <u>Name of Federal Program or Cluster</u> | <u>CFDA Number(s)</u> | <u>Expenditures</u> |
|---|-----------------------|---------------------|
| Special Education Cluster (IDEA)          | 84.027, 84.173        | <u>\$ 3,545,576</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 2016, Cecil County Public Schools received \$1,598,919 in Medical Assistance monies.

|   |                      |
|---|----------------------|
| Total Federal Grant Expenditures per financial statements | \$ 13,549,190        |
| Medical Assistance Program                                | <u>(1,598,919)</u>   |
| Total Schedule of Expenditures of Federal Awards          | <u>\$ 11,950,271</u> |