

# Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2007



## Cecil County Public Schools

A Component Unit of Cecil County

201 Booth Street

Elkton, Maryland 21921

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



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



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

**Cecil County Public Schools**  
A Component Unit of Cecil County  
201 Booth Street, Elkton, Maryland 21921

FISCAL YEAR ENDED JUNE 30, 2007

## BOARD OF EDUCATION

Lisa A. Koch, President  
Christine M. Sopa, Vice President  
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Carl D. Roberts, Ed.D., Superintendent of Schools and Secretary/Treasurer  
Carolyn Teigland, Ed.D., Associate Superintendent for Education Services  
Henry A. Shaffer, Associate Superintendent for Administrative Services  
Thomas M. Kappa, 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, 2007**

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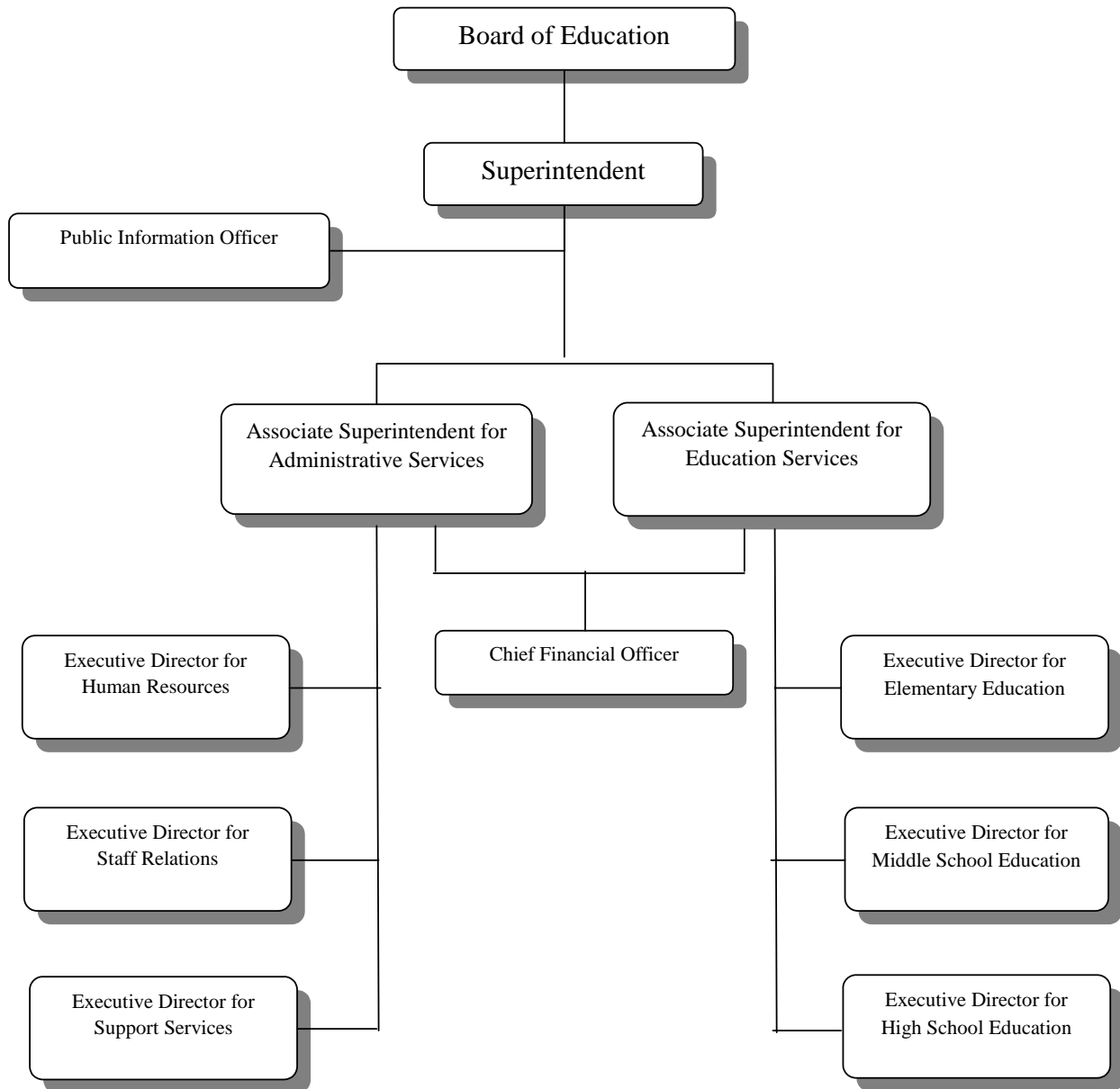
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# INTRODUCTORY SECTION

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**Cecil County Public Schools**  
Organization Chart  
As of June 30, 2007



**LEADERSHIP TEAM  
AS OF JUNE 30, 2007**

Carl D. Roberts, Ed.D.	Superintendent of Schools and Secretary/ Treasurer of the Board of Education
Carolyn J. Teigland, Ed.D.	Associate Superintendent for Education Services
Henry A. Shaffer	Associate Superintendent for Administrative Services
Susan U. Jones	Executive Director for Elementary Education
Peter L. McCallum, Ed.D.	Executive Director for Middle School Education
Vincent Cariello	Executive Director for High School Education
Perry A. Willis	Executive Director for Support Services
Robert L. Davis	Executive Director for Human Resources
D'Ette W. Devine, Ed.D.	Executive Director for Staff Relations
Thomas M. Kappra	Chief Financial Officer

# CECIL COUNTY PUBLIC SCHOOLS

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Carl D. Roberts, Ed.D., *Superintendent*

201 Booth Street, Elkton, MD 21921



*“Building a  
Foundation for  
Lifelong  
Learning”*

September 10, 2007

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, 2007 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.

This report is presented in three sections: introductory, financial and statistical. The introductory section includes the School System’s organization chart, this transmittal letter and a list of the leadership team members. The financial section includes the independent auditor’s report, the management’s discussion and analysis (MD&A), School System’s government-wide financial statements, fund financial statements and the budgetary comparison schedules. The statistical section includes selected financial and demographic information, which is generally presented on a multi-year basis. Included as other supplemental information immediately following the statistical section are the independent auditor’s reports, required schedules and accompanying notes in compliance with the Single Audit of Federal Awards performed in compliance with Government Auditing Standards and the Office of Management and Budget’s (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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 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

# CECIL COUNTY PUBLIC SCHOOLS

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Team members, appropriate officials of the State of Maryland and Cecil County, all of the schools and their related parent-teacher-student associations, and 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 School System as they relate to the services provided for a comprehensive pre-school, elementary and secondary public school education. The School System serves 16,421 students in 30 schools throughout our county including seventeen elementary, six middle, five high schools, a career and technology center, and an alternative school. Approximately 2.1 million square feet of building space is proudly maintained to ensure a safe and secure learning environment. The school buildings are multi-use facilities outside of the instructional day, serving many community groups and organizations for meetings and recreational use. Our fleet of buses travel 2.6 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.

As one of the largest employers in Cecil County, the School System has approximately 2,322 employees including 1,238 teachers. A strong new teacher support program as well as mentor opportunities and leadership academies are in place to ensure teacher success and promote a quality work experience throughout the School System. A core business partnership council of 55 members lends their expertise and resources to further strengthen our School System.

Cecil County encompasses 352 square miles in the northeastern corner of Maryland, bordering neighboring states of Delaware and Pennsylvania. With an estimated population of 99,506, about 51 percent of Cecil County's current employed workforce commutes outside of the county each day. Nestled at the top of the Chesapeake Bay, Cecil County is the most rural county along the I-95 corridor between Virginia and Boston, Massachusetts. Conveniently located midway between two metropolitan areas, Cecil County is only an hour's drive to both Baltimore and Philadelphia, providing easy access to a wide array of cultural events and attractions.

## **Funding**

The School System has no authority to levy and collect taxes. All funding is provided by the Federal, State and County Government. The School System has authority to transfer funds within major categories of expenditure, as defined by statute, upon the approval of Cecil County Council.

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' calculation ensures equal funding relative to enrollment as that of prior years in terms of total dollars. The County has continuously provided appropriations in excess of Maintenance of Effort levels. For fiscal 2008, the County will provide \$14 per student above the Maintenance of Effort per student amount of \$4,029.

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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. In fiscal 2008, this represents an increase in state aid of 12.9% for an increase of \$665 per student. Fiscal 2008 is the final year of funding under the BTE Act. Future funding is dependant upon identifying revenue streams beyond fiscal 2008.

The Annual Operating Budget of the School System is approved by the County Council in May each year for the following fiscal year. The School System's Approved Budget for fiscal 2008 totals \$172.2 million dollars, funded 38% by the County, 56% by the State and 6% by Federal and other sources.

## MAJOR 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 submitted its five year *Strategic Plan* in accordance with the Maryland *Bridge to Excellence Act*. The Maryland State Board of Education approved the Plan in December 2003. It now serves as the framework for the School System's continuous improvement efforts to achieve our Mission. An update to the Plan submitted in October 2007 will evaluate the effectiveness of our strategies in 2007 and modify the Plan as necessary.

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 in which technology is incorporated as a tool to enhance learning, thus preparing students for college and/or the world of work. We want all students to learn in safe, secure and inviting environments ready to respond to emergencies, abstaining from violent, disruptive or harmful behaviors with the support of parents, guardians and the community. We want all students to benefit from effective and efficient support and services, 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 appropriated peers to the degree

# CECIL COUNTY PUBLIC SCHOOLS

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201 Booth Street, Elkton, MD 21921

possible. Supplemental aids and services are provided and needed to support student achievement. Students who are gifted and talented receive services through the challenge program. Technology is embedded in all curricula areas and is a tool to enhance learning for ALL students. Cecil County students continue to demonstrate effective performance on state and national assessments, and more students pursue rigorous coursework and elect to take Scholastic Aptitude Tests (SATs). Approximately 70% of Cecil County Students report their intent to continue their education through a two or four-year college or specialized training school beyond graduation.

## **For the Year**

The School System is a diverse learning community where stakeholders are respected, valued and contribute to an excellent education program in an ever-changing global society. The following were the major programmatic initiatives undertaken in the fiscal year 2007 approved operating budget:

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

- Full day Kindergarten in all schools
- Additional weekly integrated arts in the elementary schools
- Federally funded (Title I) support for schools with highest poverty
- Balanced literacy instruction designed to meet the needs of all students
- Curriculum programs aligned with state and national standards

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

- Guidance and child development counselors in every school to provide first line prevention services in the areas of positive student behavior and avoidance of substance abuse
- Ongoing surveys of community members and parents to assess our School System efforts
- Increased parent awareness and engagement
- Active partnerships with business and community leaders
- Each middle school and high school has a Maryland Student Assistance Program (MSAP) to identify and address needs of students who have suspected or confirmed drug abuse issues
- All schools with a high school attendance zone will participate in annual tabletop drills in which a hypothetical situation is encountered by one or more schools

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

- Recruitment and retention efforts and continuation of implementation of *No Child Left Behind* requirements
- Professional development in Baldrige and Making Schools Work
- On-line staff development and collaboration tool developed in partnership with Johns Hopkins University
- Provide the tools and support to meet the needs of technology users
- Implementation of a wellness policy by Food and Nutrition to provide nutritious meals for all students

# CECIL COUNTY PUBLIC SCHOOLS

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## The Future

Funding for the following major programmatic initiatives were included in the annual operating budget in fiscal year 2008:

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

- Expansion of early intervention programs; pre-kindergarten, child find and infants and toddlers
- Additional integrated arts positions to complete implementation of integrated arts for all elementary schools
- Consolidated federally funded (Title I) support for schools with highest poverty elementary schools
- Completion of the middle school foreign language program
- Pilot the Chinese foreign language program at the middle school level
- Align career and technology programs with State requirements
- Addition of challenge resource and media specialist positions
- Appropriate assistance to support students not meeting HSA requirements
- Continue implementation of the freshman academy program

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

- Guidance and child development counselors in every school and additional high school guidance counselors to provide first line prevention services in the areas of positive student behavior and avoidance of substance abuse
- Expansion of the alternative education program with increased transition services and coordination to students' home school
- Staff support to increase articulation between student services and education services
- Ongoing surveys of community members and parents to assess our School System efforts
- Increased parent awareness and engagement
- Active partnerships with business and community leaders
- Safe schools CERT training and practice to help school leaders prepare for crisis situations
- Background checks for volunteers to support the safe schools program
- All schools with a high school attendance zone will participate in annual tabletop drills in which a hypothetical situation is encountered by one or more schools

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

- Continue recruitment and retention efforts and continuation of implementation of *No Child Left Behind* requirements
- Professional development in Baldrige and Making Schools Work
- On-line staff development and collaboration tool developed in partnership with Johns Hopkins University
- Additional investment in technology and support services to expand integrating technology in curriculum and drive data based decision making

# CECIL COUNTY PUBLIC SCHOOLS

Carl D. Roberts, Ed.D., *Superintendent*

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## **ECONOMIC CONDITION AND OUTLOOK**

The County, with an estimated 2006 population of 99,506, contributes 50,960 workers to the region's labor force. The County's economy is integrated with the other jurisdictions in the tri-state area as evidenced by the degree of inter-jurisdictional commuting. Over fifty percent of the County's labor force works in other jurisdictions. It is estimated that 51.4 percent of Cecil County residents commute to jobs outside the County each day. This is down from 56.1 percent in 2000. According to the Dept. of Labor, Licensing and Regulation and the U.S. Census estimates, it appears that we may be gaining ground by reducing the percentage of Cecil residents who are forced to commute out of the County for jobs.

The County's unemployment rate during 2006 period was 4.4 percent as compared to 4.5 percent during the same months in 2005. In 2006, the County's median household income was \$62,100. The per-capita income was \$33,214.

Cecil County enjoys an extremely diverse economic base ranging from traditional primary industries to high-technology businesses. Currently, the County's 1,934 private businesses employ 22,877 workers; an estimated 37 of these businesses have 100 or more workers. Key employers include a host of world-class companies such as W.L. Gore & Associates, ATK Tactica Systems, IKEA/Genco, Terumo Medical Corporation, Basell North America and Wal-mart.

The industrial sector's assessable real property has increased from \$104,574,105 in 1999 to \$333,574,979 in 2006. The industrial sector contributes over 4.6 percent of the County's total tax base.

## **THE REGIONAL TRANSFORMATION OF BRAC**

Base Realignment and Closure, or "BRAC" is the process the Department of Defense (DoD) uses to reorganize its installation infrastructure to more efficiently and effectively support its forces, increase operational readiness, and facilitates new ways of doing business. The BRAC 2005 decision resulted in significant gains for Aberdeen Proving Ground, MD bringing 8,200 civilian DoD jobs to the Post and 7,500-10,000 indirect jobs in support of the defense community. Many of these jobs are highly scientific and technical with average salaries at \$86k+ and a majority requiring security clearances.

The growth to this area will have significant impact on regional infrastructure including water, sewer, school capacity, etc. and collaboration among local, state and federal agencies is coordinating planning efforts to address critical needs for successful BRAC implementation.

The arrival of these technology sectors new to our region, particularly the communications and electronics, also drives curriculum in the area of Science, Technology, Engineering and Math or STEM, preparing our young people today for tomorrow's skilled workforce. We anticipate a large number of the jobs coming to the region to arrive unstaffed, providing ample opportunity for the regional workforce, which currently commutes extensively out of the region for such technical jobs, to have the ability to work in their own communities. Because of required specialized job skills and a



# CECIL COUNTY PUBLIC SCHOOLS

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global competitive market, lifelong learning is an integral part of this thriving economy. Colleges and universities are partnering with the private sector and offering tailored coursework to meet market demand.

The BRAC 2005 decisions, which encompass the growth at APG and surrounding communities, must be fully implemented by September 15, 2011, by federal mandate. However, the impact of the tech sector in our region and the connectivity to national defense, IT and communications along the eastern seaboard will continue to thrive as the Chesapeake Science and Security Corridor becomes an epicenter for a world-class professional workforce and a thriving defense community.

## **The Government Finance Officers Association Award**

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 for the fiscal year ended June 30, 2006. This is the fourth 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 comprehensive annual financial report. 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 International Award**

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, 2006.

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 fourth consecutive year the School System was awarded the ASBO Certificate of Excellence in Financial Reporting. We believe our current CAFR continues to conform to the Certificate of Excellence Program requirements and we are submitting it to ASBO International for consideration.

## **FINANCIAL INFORMATION**

### **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

# CECIL COUNTY PUBLIC SCHOOLS

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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.

## **Budgetary Controls**

The budget is divided into State mandated categories of expenditures including Administration, Mid-Level Administration, Instruction Salaries, Instruction Materials and Supplies, Other Instruction Costs, Special Education, Student Personnel Services, Student Health Services, Student Transportation, Operation of Plant, Maintenance of Plant, Fixed Charges, Community Services and Capital Outlay.

Budgetary control is maintained at the various expenditure levels by the encumbrance of estimated purchase amounts before release of purchase orders and by the encumbrance of salaries. Open encumbrances are reported as reservations of fund balance at the end of the fiscal year.

Budgetary, encumbrance and expenditures data are available on-line to all personnel responsible for the management of specific lines and categories of the budget. In addition, monthly reports comparing budget to actual expense are distributed to each responsible account manager.

## **Risk Management**

Through its participation as a member of the Maryland Association of Boards of Education Local Government Pool and Workers Compensation Pool, the School System is self-insured to provide coverage for the management of risks related to general liability and property damage, including vehicular, as well as workers' compensation. In addition, the majority of the School System's health care insurance program is self-funded through Care First of Maryland. Through this arrangement, stop loss insurance is provided for medical claims that exceed the projected maximum liability. A portion of the General Fund balance is designated for the difference between the projected Care First premiums and the projected maximum liability for medical claims.

## **Cash Management**

Investment of temporarily idle funds is made in accordance with Section 22 of Article 95 of the Annotated Code of Maryland and related Board of Education policy and is limited to securities issued or guaranteed by the Federal government. Investments are made principally through the Maryland Local Government Investment Pool, money market and certificates of deposit. Based on daily balance requirements, the excess funds are used to invest in the Local Government Investment Pool, a money market mutual fund with Fidelity Investments. In fiscal year 2007, these investments provided income for all funds in the amount of \$930,608. A comparable figure for fiscal year 2006 was \$781,977. The increase was mainly due to the consistent increase and consistency in interest rates.

## **Independent Audit**

State statutes require an annual audit by independent certified public accountants. The Board of

# CECIL COUNTY PUBLIC SCHOOLS

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Carl D. Roberts, Ed.D., *Superintendent*

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Education selected the accounting firm of Reznick Group, P.C. to perform this audit under a contract awarded in fiscal year 2004, renewable for four succeeding years. This represents the fourth year of this five-year commitment.

In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the OMB Circular A-133 Single Audit Act Amendments of 1996. The Independent Auditor's Report on the financial statements is included in the Financial Section of this Report. The Independent Auditors' Reports 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, Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 are included as Other Supplementary Information following the Statistical Section of the report.

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

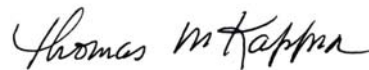
## **Acknowledgements**

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

Respectfully Submitted,



Carl D. Roberts, Ed.D.  
Superintendent of Schools  
Secretary/Treasurer



Thomas M. Kappa  
Chief Financial Officer

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, 2006

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



A handwritten signature in cursive script, appearing to read "Ronald J. Blum".

President

A handwritten signature in cursive script, appearing to read "Jeffrey R. Enow".

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

**CECIL COUNTY PUBLIC SCHOOLS**

**For its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2006**

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

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# FINANCIAL SECTION

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## INDEPENDENT AUDITORS' REPORT

Board of Education of  
Cecil County, Maryland

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, 2007, as listed in the table of contents. These financial statements are the responsibility of the School System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the government activities and each major fund of the School System as of June 30, 2007, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our reports dated September 24, 2007, 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 those reports 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. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The accompanying Management Discussion and Analysis on pages 17 through 28 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying Schedule of Expenditures of Federal Awards on pages 81 through 85 are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations" and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purposes of forming opinions on the basic financial statements of the School System. 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 Individual Fund Financial Statement has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Reznick Group, P.C.*

Baltimore, Maryland  
September 24, 2007

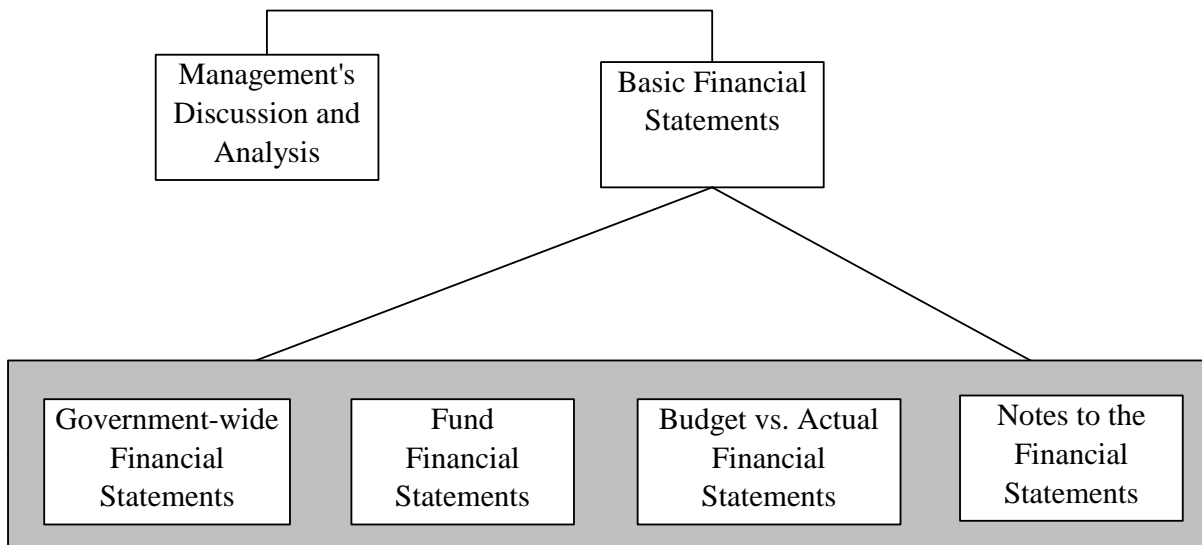
## Management’s Discussion and Analysis

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, 2007. 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.

### 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 financial statements, and notes to the financial statements.

#### Required Components of Cecil County Public Schools’ Annual Financial Report



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 funds
<b>Required financial statements</b>	-Statement of net assets -Statement of activities	-Balance sheet -Statement of revenues, expenditures, and changes in fund balance	-Statement of fiduciary net assets -Statement of changes in fiduciary net assets
<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 include three kinds of financial statements that present different views of the School System's activities and financial position; the *Government-wide Financial Statements* (pages 29 and 30), the *Fund Financial Statements* (pages 31, 33 and 36) and the *Budget vs. Actual Financial Statement* (page 35). The *Notes to the Basic Financial Statements* (pages 37-52) are an integral part of these financial statements. They explain some of the information in the financial statements, and provide more detail.

### 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 Assets* presents all of the School System's assets and liabilities with the difference between the two reported as net assets. 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 assets and how they have changed. Net assets, the difference between the School System's assets and liabilities, are one way to measure the School System's financial health or position. Over time, the increases or decreases in the School System's net assets 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, plant operations and maintenance, transportation, food and nutrition, community services and capital outlay. 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 Assets and Statement of Activities) and government funds can be found on pages 32 and 34.

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.
- The **Special Revenue Fund** is used to record the financial transactions of the school food and nutrition program.
- 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.

The **Debt Service Fund** reports the current principal and interest on long term bonds issued by the County to fund school construction projects. The School System has no authority to issue bonded debt. The County or State may issue debt to fund school construction. The outstanding debt is reported in the financial statements of the issuing government, while the assets are reported in the School System's financial statement.

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 discussion and analysis. Fiduciary funds use the accrual basis of accounting.

The School System's only Fiduciary Fund is the *Student Activity Agency Fund*. The student activity funds are primarily 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 Assets and Liabilities* (page 36) and the *Statement of Changes in Assets and Liabilities-Agency Fund-Student Activities* (page 53).

### **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 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. This statement can be found on page 35.

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 and therefore, a budget vs. actual comparison is not reported here.

The Debt Service Fund is used to account for principle and interest payments on general obligation bonds for the acquisition and construction of major capital projects. The School System has no authority to issue bonded debt. The outstanding debt is reported in the financial statements of the County government and therefore, a budget vs. actual comparison is not reported here.

### **GOVERNMENT-WIDE FINANCIAL HIGHLIGHTS**

- The School System's net assets at the end of the fiscal year total \$162.2 million, of which \$156.5 million is invested in capital assets, net of related debt
- Net assets increased \$36.2 million for the year, most of which is attributable to capital construction projects
- General revenues of \$128.1 million account for 60% of all revenues, program revenues of \$84.5 million account for 40%
- The food and nutrition department received \$2.8 million from charges for services, accounting for 54% of food and nutrition total revenue

**GOVERNMENT-WIDE FINANCIAL ANALYSIS****Net Assets**

As of June 30, 2007, the School System had total assets of \$190.1 million. Of the \$29.7 million current assets, approximately 78.1% was in cash and cash equivalents and 19.3% was due from other governments. Noncurrent assets, 84.4% of the total assets, represent the value of land, buildings, furniture and equipment net of accumulated depreciation. Of the \$27.9 million in total liabilities as of June 30, 2007, 79.2% are current liabilities to settle within the next fiscal year. Non-current liabilities, 20.8% of total liabilities, include principal payments on lease-purchase agreements and accrued liability for earned annual leave for the School System's current employees.

The resulting \$162.2 million in net assets consists of \$156.5 million invested in capital assets (net of related debt), \$5.1 million unrestricted and \$0.6 million restricted for capital projects.

A comparison of Net Assets for 2007 vs. 2006 is shown below:

	<u>2007</u>	<u>2006</u>	<u>Increase/ (Decrease)</u>	
<b>Assets</b>				
Current assets	\$ 29,659,162	\$ 24,844,369	\$ 4,814,793	19.4%
Capital assets	<u>160,481,350</u>	<u>128,364,289</u>	<u>32,117,061</u>	<u>25.0%</u>
Total assets	<u>190,140,512</u>	<u>153,208,658</u>	<u>36,931,854</u>	<u>24.1%</u>
<b>Liabilities</b>				
Current liabilities	22,131,491	20,557,670	1,573,821	7.7%
Long term liabilities	<u>5,804,610</u>	<u>6,606,280</u>	<u>(801,670)</u>	<u>(12.1)%</u>
Total liabilities	<u>27,936,101</u>	<u>27,163,950</u>	<u>772,151</u>	<u>2.8%</u>
<b>Net Assets</b>				
Investment in capital assets, net of related debt	156,528,166	123,977,382	32,550,784	26.3%
Restricted for capital projects	611,410	487,935	123,475	25.3%
Unrestricted (deficit)	<u>5,064,835</u>	<u>1,579,391</u>	<u>3,485,444</u>	<u>220.7%</u>
Net assets, end of year	<u>\$ 162,204,411</u>	<u>\$ 126,044,708</u>	<u>\$ 36,159,703</u>	<u>28.7%</u>

**Change in Net Assets**

The School System's combined net assets increased by \$36.1 million or 28.7% on June 30, 2007, to \$162.2 million. Current assets increased by \$4.8 million due to an increase in cash and cash equivalents of \$2.4 million, an increase in funds due from other governmental agencies of \$2.6 million, an increase in accounts receivable of \$.02 million and a decrease in other current assets of



\$.2 million. Capital assets increased by \$32.5 million or 26.3% due to additions to construction in progress of \$32.7 million relating to two major addition/renovation projects in progress at Elkton High School and Perryville Middle School.

Current liabilities increased by \$1.6 million or 7.7%. Accrued salaries increased \$.65 million. This represents salaries earned by 10 month employees who elect to be paid over 12 months. Outstanding accounts payable increased by \$1.6 million while estimated health care claims incurred but not reported decreased by \$.9 million. Long-term liabilities decreased \$.8 million or 12.1%.

### Statement of Activities

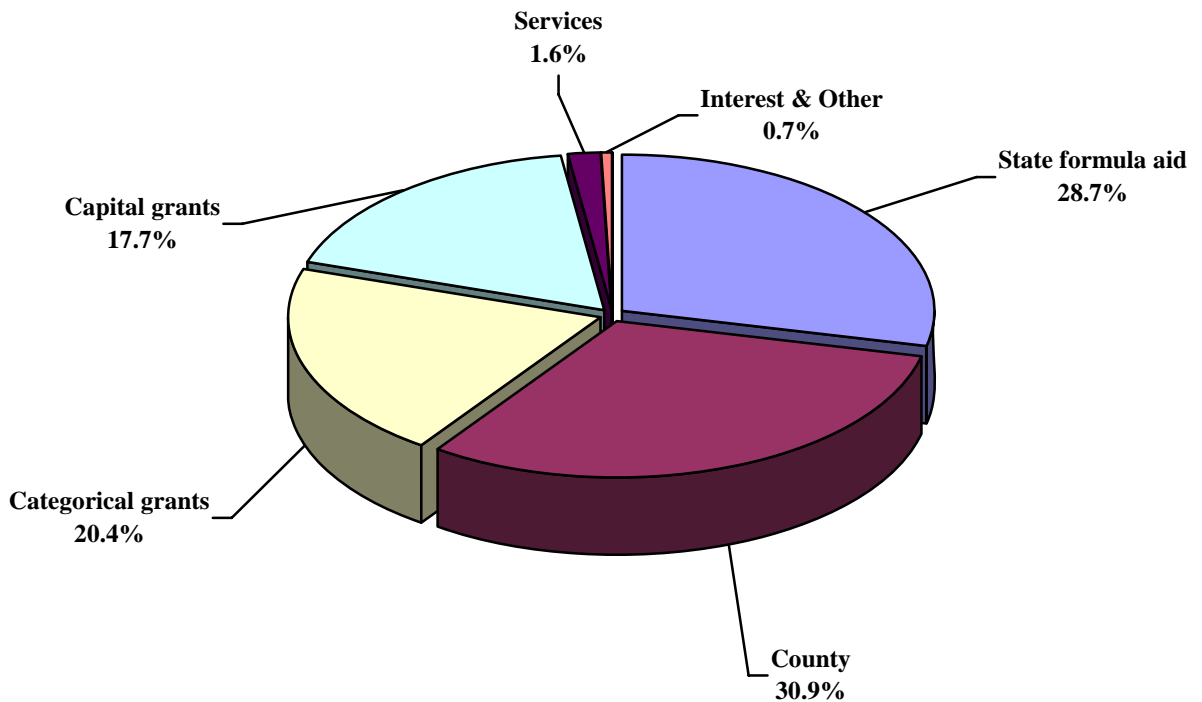
A comparison of revenue by source for 2007 vs. 2006 is shown below.

<b>Cecil County Public Schools' Revenue Sources</b>				
	<u>2007</u>	<u>2006</u>	<u>Increase/ (Decrease)</u>	
<b>Revenue</b>				
Program Revenues				
Charges for Services	\$ 3,377,578	\$ 3,169,858	\$ 207,720	6.6%
Operating grants and contributions	43,428,584	39,155,944	4,272,640	10.9%
Capital grants and contributions	37,684,828	21,119,550	16,565,278	78.4%
General Revenues				
Grants and contributions not restricted to certain programs	126,728,815	117,022,124	9,706,691	8.3%
Other	<u>1,359,060</u>	<u>1,017,929</u>	<u>341,131</u>	33.5%
Total Revenue	<u>212,578,865</u>	<u>181,485,405</u>	<u>31,093,460</u>	17.1%
<b>Expenses</b>				
Administration	4,876,720	4,559,329	317,391	7.0%
Mid-level administration	16,004,079	15,176,098	827,981	5.5%
Instruction	89,739,839	83,893,607	5,846,232	7.0%
Special education	27,118,984	25,674,929	1,444,055	5.6%
Student personnel services	993,420	973,329	20,091	2.1%
Student health services	1,932,511	1,785,583	146,928	8.2%
Student transportation	8,633,675	8,305,099	328,576	4.0%
Operation of plant	12,366,791	11,372,420	994,371	8.7%
Maintenance of plant	4,794,585	4,472,663	321,922	7.2%
Food and nutrition	4,965,606	4,905,918	59,688	1.2%
Community services	254,059	368,156	(114,097)	(31.0)%
Capital outlay	4,737,281	4,883,382	(146,101)	(3.0)%
Interest on long-term debt	<u>1,612</u>	<u>13,672</u>	<u>(12,060)</u>	(88.2)%
Total expenses	<u>176,419,162</u>	<u>166,384,185</u>	<u>10,034,977</u>	6.0%
Change in net assets	<u>\$ 36,159,703</u>	<u>\$ 15,101,220</u>	<u>\$ 21,058,483</u>	139.4%

**Revenue**

Cecil County Public Schools' revenues from fiscal year 2007 were in the amount of \$212.6 million and came from three major sources. These include charges for services of \$3.4 million; operating program grants from the state and federal government of \$43.4 million; and capital grants from the State of Maryland and Cecil County Government of \$37.7 million. In addition to program sources, the School System received general revenue from the State of Maryland of \$61.0 million, Cecil County Government of \$65.7 million, investment earnings and other miscellaneous income of \$1.4 million.

**Cecil County Public Schools' Revenue Sources  
Fiscal Year 2007**

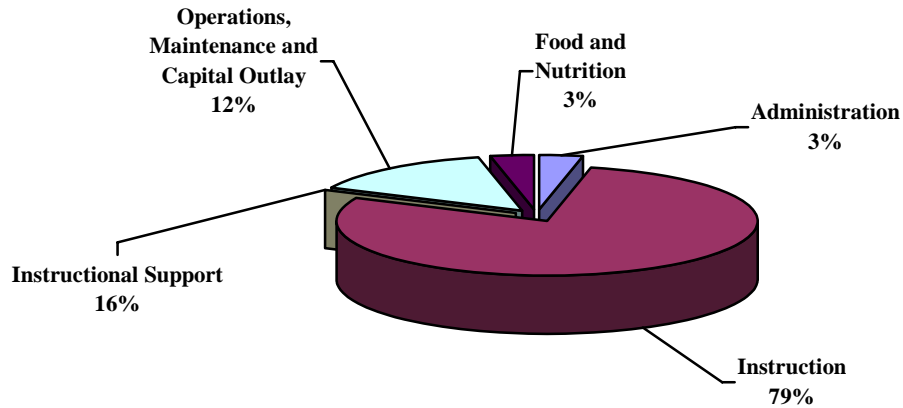


**Expenses**

The revenues received during 2007 were used to pay expenses of \$176.4 million. 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.

The expenses classified by the State’s categorical functions can be further summarized for 2007 as follows:

**Combined Expenses for Cecil County Public Schools  
for the Fiscal Year 2007**



**GOVERNMENT FUNDS FINANCIAL HIGHLIGHTS**

The total assets of the School System’s government funds exceeded liabilities at the end of the fiscal year by \$8.5 million. Total government fund revenues increased \$30.3 million, with \$16.6 million in capital projects and \$13.6 in the general fund. The School System received \$89 million for 44% of its governmental activities funding from the County, and \$ 100.5 million for 49% from the State and Federal entitlement grants of \$9.8 million for 5%.

**GOVERNMENT FUNDS FINANCIAL ANALYSIS****Major Fund Balances**

The combined Governmental Funds balance as of June 30, 2007 was \$8,453,840, an increase of \$3,673,573 from the previous year. The General Fund increased \$4,009,149 from the previous year to \$7,278,498. This represents 4.6% of total fund expenditures. 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 General Fund is the School System's primary operating fund. The final budget of \$163.0 million exceeded the original budget of \$160.6 million by \$2.4 million. This is due to additional restricted grants received from State and Federal sources.

Actual expenditures of \$157.6 million were \$5.4 million, 3.3% less than the final budget. Lower than projected health care claims by our self insured fund and lower claims incurred but not reported accrual resulted in healthcare being \$4.0 million less than budgeted. In addition, favorable utility expenditures as a result of purchase arrangements through participation in the Eastern Shore of Maryland Education Consortium (ESMEC) Energy Trust were \$1.0 million less than budgeted.

Special Revenue Fund decreased \$459,051 from the previous year to \$563,932. This represents 9.9% of total fund expenditures. Lower ala carte sales and increase expenditures to upgrade the point of sale software and equipment resulted in the fund balance decrease. Since the School System receives a major portion of its revenue from fees charged for services, lunch fees will be increased to provide additional revenue. After the increase, Cecil County's meal prices will still remain among the lowest in the State.

The Capital Projects Fund increased \$123,475 from the previous year to \$487,935. All capital expenditures are approved on a project basis. Any fluctuation in the fund balance is due to the timing of expenditures.

**Capital Assets**

The School System's investment in capital assets for its governmental activities as of June 30, 2007 amounts to \$160.5 million (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).

Please see Note 5 for details of changes in Capital Assets. The following schedule shows the School System's capital assets by type:

**Cecil County Public Schools Capital Assets  
(net of depreciation)**

	2007	2006
Land	\$ 1,202,153	\$ 1,202,153
Buildings	94,847,980	97,033,026
Improvements other buildings	3,394,017	3,135,635
Furniture, fixtures, and equipment	8,633,842	7,316,585
Construction in progress	52,403,358	19,676,890
Total	\$ 160,481,350	\$ 128,364,289

The total increase in the School System's net capital assets during the year was \$32.1 million. Major capital projects during the fiscal year ended June 30, 2007 included:

- Continuation of the addition/expansion project at Elkton High School totaling \$18 million
- Completion of kindergarten classrooms at six elementary schools totaling \$2.3 million
- Beginning an addition/renovation project for Perryville Middle School totaling \$15 million

### Debt Administration

The School System has no authority to issue bonded debt. The county or state governments may issue debt to finance school construction. The outstanding debt for school construction is reported in the financial statements of the issuing government, while corresponding assets are reported in the School System's financial statements. During the fiscal year ended June 30, 2007, the total debt service costs paid by the county government totaled \$6,314,968. For additional information on long-term obligations of the School System, please refer to Note 6 in the Basic Financial Statements section of this report.

### 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, 2007 the total funds held in cash and cash equivalents was \$1,209,318.

### 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 already completed include; full-day kindergarten for all elementary schools, all teachers must be highly qualified and expanded choice options for parents. All students must reach proficiency levels on state assessments by 2014, with 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.

During fiscal year 2007, 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 school system performance in fiscal year 2007 and plan for fiscal year 2008 and beyond.

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). 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 benefits accrued while active when they become due. We are required to implement Statement 45 in fiscal 2008. We have contracted with an actuary to provide information necessary to establish a beginning liability as of July 1, 2007.

The fiscal year 2008 approved operating budget approved in May 2007, 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.

The approved fiscal 2008 budget includes additional \$11 million representing a 13.2% increase in state funding and \$.2 million representing a .3% increase in county funding.

Major program initiatives in the fiscal 2008 operating budget include:

- \$5.9 million in salary and benefit cost increases to retain a quality workforce
- \$1.5 million OPEB pre-funding amount
- \$.7 million for program expansion in foreign language, physical education / dance, increased graduation requirements and academic intervention
- \$(.4) million in utility cost savings
- \$1.8 million for the Special Education inclusion and an alternative education program
- \$.7 million to further integrate technology throughout the curriculum

#### 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, 201 Booth Street, Elkton, Maryland 21921.*

# BASIC FINANCIAL STATEMENTS

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**CECIL COUNTY PUBLIC SCHOOLS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

**ASSETS**

**Current assets**

Cash and cash equivalents	\$ 23,176,123
Due from Cecil County	2,985,031
Due from State of Maryland	1,146,938
Due from United States government	1,587,581
Accounts receivable	296,854
Prepaid items	280,800
Inventory	185,835
<b>Total current assets</b>	<u>29,659,162</u>

**Noncurrent assets**

Capital assets (net of accumulated depreciation)

Land	1,202,153
Buildings	94,847,980
Improvements other than buildings	3,394,017
Furniture, fixtures and equipment	8,633,842
Construction in progress	52,403,358
<b>Total noncurrent assets</b>	<u>160,481,350</u>

**Total assets** \$ 190,140,512

**LIABILITIES**

**Current liabilities**

Accounts payable	\$ 8,002,490
Accrued salaries	9,754,867
Estimated healthcare claims incurred but not reported	1,325,000
Capital leases due within one year	613,644
Compensated absences due within one year	312,525
Unearned revenue - federal	1,867,781
Unearned revenue - state	26,001
Unearned revenue - other	229,183
<b>Total current liabilities</b>	<u>22,131,491</u>

**Noncurrent liabilities**

Capital leases due in more than one year	3,339,540
Compensated absences due in more than one year	2,465,070
<b>Total noncurrent liabilities</b>	<u>5,804,610</u>

**Total liabilities** \$ 27,936,101

**NET ASSETS**

Invested in capital assets, net of related debt	\$ 156,528,166
Restricted for	
Capital projects	611,410
Unrestricted	5,064,835
<b>Total net assets</b>	<u>\$ 162,204,411</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, 2007**

<u>Expenses</u>	Program Revenue			Net (Expenses)	
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Assets</u>	
<b>Function/programs</b>					
Administration	\$ 4,876,720	\$ -	\$ 398,297	\$ -	\$ (4,478,423)
Mid-level administration	16,004,079	-	1,007,985	-	(14,996,094)
Instruction salaries	81,836,635	571,537	20,304,789	-	(60,960,309)
Instruction materials and supplies	3,101,396	-	289,594	-	(2,811,802)
Instruction other costs	4,801,808	-	362,370	-	(4,439,438)
Special education	27,118,984	-	13,065,966	-	(14,053,018)
Student personnel services	993,420	-	56,925	-	(936,495)
Student health services	1,932,511	-	157,406	-	(1,775,105)
Student transportation	8,633,675	-	4,200,816	-	(4,432,859)
Operation of plant	12,366,791	-	493,115	-	(11,873,676)
Maintenance of plant	4,794,585	-	462,853	-	(4,331,732)
Food and nutrition	4,965,606	2,779,343	2,389,576	-	203,313
Community services	254,059	26,698	225,396	-	(1,965)
Capital outlay	4,737,281	-	13,496	37,684,828	32,961,043
Interest on long-term debt	1,612	-	-	-	(1,612)
	<u>\$ 176,419,162</u>	<u>\$ 3,377,578</u>	<u>\$ 43,428,584</u>	<u>\$ 37,684,828</u>	<u>(91,928,172)</u>
<b>Total government activities</b>					
<b>General revenue</b>					
State aid not restricted to specific purposes					61,013,725
Local aid not restricted to specific purposes					65,715,090
Interest and investment earnings					1,143,097
Miscellaneous					215,963
<b>Total general revenues</b>					<u>128,087,875</u>
<b>Change in net assets</b>					36,159,703
<b>Net assets - beginning</b>					<u>126,044,708</u>
<b>Net assets - ending</b>					<u>\$ 162,204,411</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, 2007**

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 20,076,943	\$ 1,012,290	\$ 2,086,890	\$ 23,176,123
Due from				
Cecil County, Maryland	-	-	2,985,031	2,985,031
State of Maryland	1,146,938	-	-	1,146,938
United States government	1,587,581	-	-	1,587,581
Capital projects fund	508,517	-	-	508,517
Special revenue fund	606,315	-	-	606,315
Accounts receivable	170,595	126,259	-	296,854
Prepaid items	280,800	-	-	280,800
Inventory	-	185,835	-	185,835
<b>Total Assets</b>	<b>\$ 24,377,689</b>	<b>\$ 1,324,384</b>	<b>\$ 5,071,921</b>	<b>\$ 30,773,994</b>
 <b><u>LIABILITIES AND FUND EQUITY</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 4,028,828	\$ 99,143	\$ 3,874,519	\$ 8,002,490
Accrued salaries	9,754,505	362	-	9,754,867
Estimated claims incurred but not reported	1,325,000	-	-	1,325,000
Deferred revenue - federal	1,819,629	48,152	-	1,867,781
Deferred revenue - state	26,001	-	-	26,001
Deferred revenue - other	145,228	6,480	77,475	229,183
Due to general fund	-	606,315	508,517	1,114,832
<b>Total liabilities</b>	<b>17,099,191</b>	<b>760,452</b>	<b>4,460,511</b>	<b>22,320,154</b>
 <b>Fund balance</b>				
Reserved				
Encumbrances	-	-	-	-
Unreserved				
Designated for subsequent year's expenditures	1,000,000	-	-	1,000,000
Designated for health insurance	3,173,048	-	-	3,173,048
Designated for safe schools lockdown	200,000	-	-	200,000
Designated for library inventory	250,000	-	-	250,000
Designated reserve for fuel cost contingency	600,000	-	-	600,000
Designated reserve for technology	500,000	-	-	500,000
Designated reserve for emergency	1,555,450	-	-	1,555,450
Undesignated	-	563,932	611,410	1,175,342
<b>Total fund balance</b>	<b>7,278,498</b>	<b>563,932</b>	<b>611,410</b>	<b>8,453,840</b>
 <b>Total liabilities and fund balance</b>	 <b>\$ 24,377,689</b>	 <b>\$ 1,324,384</b>	 <b>\$ 5,071,921</b>	 <b>\$ 30,773,994</b>

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

**CECIL COUNTY PUBLIC SCHOOLS  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
WITH THE STATEMENT OF NET ASSETS  
JUNE 30, 2007**

Total fund balance	\$	8,453,840
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Amounts reported in the statement of net assets are different because:

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

Capital assets	\$	247,175,327	
Accumulated depreciation		<u>(86,693,977)</u>	160,481,350

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:

Capital leases payable	\$	(3,953,184)	
Accrued vacation leave		<u>(2,777,595)</u>	<u>(6,730,779)</u>

Total net assets	\$	<u><u>162,204,411</u></u>
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**The notes to the basic financial statements are an integral part of this statement.**

**CECIL COUNTY PUBLIC SCHOOLS**  
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	General	Special Revenue	Capital Projects	Total Governmental Funds
<b>Revenue</b>				
Intergovernmental				
Cecil County, Maryland	\$ 65,715,090	\$ -	\$ 23,253,696	\$ 88,968,786
State of Maryland	85,994,422	226,256	14,300,564	100,521,242
United States government	7,921,279	2,163,320	-	10,084,599
Other sources				
Sale of food	-	2,779,343	-	2,779,343
Investment interest	968,642	55,430	119,025	1,143,097
Other	1,006,559	5,717	130,567	1,142,843
Total revenue	<u>161,605,992</u>	<u>5,230,066</u>	<u>37,803,852</u>	<u>204,639,910</u>
<b>Expenditures</b>				
Current				
Administration	3,945,416	214,335	39,048	4,198,799
Mid-level administration	12,447,326	-	-	12,447,326
Instruction salaries	62,111,692	-	-	62,111,692
Instruction materials and supplies	3,101,396	-	-	3,101,396
Instruction other	3,566,308	-	85,159	3,651,467
Special education	21,837,669	-	-	21,837,669
Student personnel services	757,159	-	-	757,159
Student health services	1,540,252	-	-	1,540,252
Student transportation	8,482,576	-	-	8,482,576
Operation of plant	10,979,716	-	-	10,979,716
Maintenance of plant	4,162,629	-	-	4,162,629
Fixed charges	24,216,513	512,940	-	24,729,453
Community services	247,512	-	-	247,512
Food service				
Salaries and wages	-	2,068,668	-	2,068,668
Food	-	2,363,182	-	2,363,182
Contracted services	-	51,788	-	51,788
Supplies and materials	-	251,665	-	251,665
Other operating cost	-	57,173	-	57,173
Capital outlay	187,697	169,366	37,459,039	37,816,102
Debt service				
Principal	11,370	-	88,321	99,691
Interest	1,612	-	8,810	10,422
<b>Total expenditures</b>	<u>157,596,843</u>	<u>5,689,117</u>	<u>37,680,377</u>	<u>200,966,337</u>
Excess (deficiency) of revenues over expenditures	4,009,149	(459,051)	123,475	3,673,573
<b>Other financing sources (uses)</b>				
Capital leases	-	-	-	-
<b>Net change in fund balances</b>	4,009,149	(459,051)	123,475	3,673,573
<b>Fund balance, beginning of year</b>	<u>3,269,349</u>	<u>1,022,983</u>	<u>487,935</u>	<u>4,780,267</u>
<b>Fund balance, end of year</b>	<u>\$ 7,278,498</u>	<u>\$ 563,932</u>	<u>\$ 611,410</u>	<u>\$ 8,453,840</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 ASSETS  
YEAR ENDED JUNE 30, 2007**

Total change in fund balance \$ 3,673,573

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 assets 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	\$ (5,250,494)	
Capital outlays	<u>37,367,555</u>	32,117,061

Capital lease proceeds which provide current financial resources in the governmental funds, are not reported as revenues in the statement of net activities -

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 assets and do not affect the statement of activities.

Repayment of existing capital leases	\$ 433,722	
New capital leases	<u>-</u>	433,722

In the statement of activities, accrued leave is measured by the 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 used was less than the amounts earned. (64,653)

Total change in net assets \$ 36,159,703

**The notes to the basic financial statements are an intergral 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, 2007**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenue				
Intergovernmental				
Cecil County, Maryland	\$ 65,715,090	\$ 65,715,090	\$ 65,715,090	\$ -
State of Maryland	85,840,073	86,716,641	85,952,179	(764,462)
United States government	7,633,990	8,893,930	7,919,796	(974,134)
Other sources				
Investment interest	220,000	220,000	968,642	748,642
Other	1,150,447	1,432,845	1,006,558	(426,287)
Total revenue	<u>160,559,600</u>	<u>162,978,506</u>	<u>161,562,265</u>	<u>(1,416,241)</u>
Expenditures				
Current				
Administration	3,749,734	4,174,847	3,945,416	229,431
Mid-level administration	12,300,729	12,499,961	12,447,326	52,635
Instruction salaries	62,368,493	62,523,864	62,111,692	412,172
Instruction materials and supplies	3,049,161	3,367,758	3,095,071	272,687
Instruction other costs	2,737,069	3,891,850	3,566,308	325,542
Special education	20,297,572	22,109,940	21,837,451	272,489
Student personnel services	782,238	781,833	757,159	24,674
Student health services	1,426,475	1,553,096	1,540,252	12,844
Student transportation	8,706,563	8,822,452	8,482,576	339,876
Operation of plant	11,114,947	11,024,182	10,979,716	44,466
Maintenance of plant	3,881,305	4,328,488	4,136,816	191,672
Fixed charges	29,640,931	27,341,300	24,218,125	3,123,175
Community services	322,929	367,481	247,512	119,969
Capital outlay	181,454	191,454	187,698	3,756
Total expenditures and encumbrances	160,559,600	162,978,506	157,553,118	5,425,388
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	4,009,147	<u>\$ 4,009,147</u>
Fund balance, beginning			<u>3,803,725</u>	
Fund balance, ending			<u>\$ 7,812,872</u>	

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

**CECIL COUNTY PUBLIC SCHOOLS**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**JUNE 30, 2007**

**ASSETS**

Cash and cash equivalents	\$ <u>1,209,318</u>
<b>Total assets</b>	<u>1,209,318</u>

**LIABILITIES AND NET ASSETS**

**Liabilities**

Due to student groups	\$ <u>1,209,318</u>
<b>Total liabilities</b>	<u>1,209,318</u>

<b>Net Assets</b>	<u><u>\$ -</u></u>
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**The notes to the basic financial statements are an intergral part of this statement.**



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Cecil County Public Schools 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, consisting of five members elected to five-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 Cecil County Public Schools is a component unit of Cecil County, Maryland and the School System's financial statements are included in the County's financial statements. Elected County Commissioners are responsible for approving the School System's budget and establishing spending limitations. The County Council 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 include: 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 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.
- The *Special Revenue Fund* is used to record the financial transactions of the school food and nutrition program.

- 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.

The *Debt Service Fund* reports the current principal and interest on long term bonds issued by the County to fund school construction projects. The School System has no authority to issue bonded debt. The County or State may issue debt to fund school construction. The outstanding debt is reported in the financial statements of the issuing government, while the assets are reported in the School System's financial statements.

*Fiduciary Agency Fund Financial Statements* are reported using the economic resource measurement focus and the accrual basic of accounting. Fiduciary funds are not reported in the government-wide financial statements. The School System maintains an agency fund that is used to account for assets held as an agent for student groups. The School System only reports assets related to student activity funds and does not report revenue and expenditures.

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

##### **Cash and Cash Equivalents**

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.

Investments are recorded at fair value, based on closing market prices at year-end. The fair value of the position in the Maryland Local Government Investment Pool is the same as the value of the pool shares.

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; 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.

**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 \$1,000 and an estimated useful life in excess of one year and sensitive items, such as cameras, computers and computer peripherals with a value of more than \$500. Such assets are recorded at historical cost. 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 constructed, costs of uncompleted projects are accumulated in construction-in-progress, which 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 \$1,000 are depreciated using the straight-line method over the following estimated useful life:

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

**Accrued Salaries**

Teachers' salaries are considered earned at the completion of the fiscal year. 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” with Blue Cross/Blue Shield for its healthcare insurance. Under this plan, the School System is responsible for paying all claims up to an agreed upon aggregate level. Individual and aggregate stop loss insurance policies are responsible for claims in excess of \$150,000 per claim and in the aggregate of 115% of estimated (expected) claims. The School System has provided an accrual for claims incurred for the current fiscal year but not reported.

**Compensated Absences**

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

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

**Long-term Obligations**

The School System has no authority to issue bonded debt. Debt incurred by the County or State governments to finance school construction remains a debt of the issuing government and along with the related debt service, is not reported in the School System’s financial statements. The school system occasionally finances the purchase of school busses, 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 annual appropriation from the State and local governments.

**Deferred/Unearned Revenue**

Deferred revenue occurs when the School System receives funds before it has a legal claim to them or funds received do not meet the criteria for recognition in the current period. Deferred 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 Assets and Fund Balance**

In the *Statement of Net Assets*, net assets are reported as invested in capital assets (net of related debt), restricted (based on some externally imposed restrictions or use of funds, such as grant

funding for a specific purpose), or unrestricted.

In the *Government Funds Financial Statements*, governmental funds report reservations of fund balance for encumbrances (outstanding purchase order commitments). Designations of fund balance represent tentative management plans that are subject to change. The School System has designated a portion of its unreserved fund balance as a contingency for the projected maximum liability for the medical, dental, vision and drug plans in excess of established premiums, a contingency for excessive fuel cost due to unforeseen events, contingencies for technology and any other unforeseen emergency, and a designation for subsequent year's expenditures.

## **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 prior to March 15<sup>th</sup>.
2. Following public hearings, the County Commissioners must approve the budgets by June 1<sup>st</sup>. Subsequent supplemental appropriations also require the County Commissioners' approval.
3. 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
Mid-level administration	Operation of plant
Instruction salaries and wages	Maintenance of plant
Instruction materials and supplies	Fixed charges
Instruction other costs	Community services
Special education	Food service
Student personnel services	Capital outlay
Student health services	

4. The School System may transfer funds between major categories with approval of the County Commissioners. 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 Commissioners 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.
5. The management and staff of the Cecil County Public Schools are responsible for preparing

the budget, monitoring budgetary expenditures, reporting, and making recommendations for transfers between objects of expenditure and major categories.

6. 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 accounting principles generally accepted in the United States of America (GAAP). *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 the legal requirements of the County, the State of Maryland, and special federal and state grant programs.

The differences between the GAAP and budgetary bases relating to the general fund are shown below.

Fund Balance Ending, June 30, 2007– Non-GAAP		\$	7,812,872
Maryland State Department payments to State Retirement and Pension System on behalf of the School System for eligible employees			
	Revenue		7,938,956
	Expenditures		(7,938,956)
Current year encumbrances reported as expenditures for budget purposes and not in GAAP statements			(43,726)
Cumulative effect of encumbrances reported as expenditures in prior years			(490,648)
Fund Balance Ending, June 30, 2007 – GAAP Basis		<u>\$</u>	<u>7,278,498</u>

**C. Debt Services**

As discussed in Note 1, debt issued by the County government to fund school construction projects and the related debt service is not reported in the School System's financial statements. The authorization for the annual debt service expenditures related to this debt is from the County government's operating budget. The schedule below reports the debt service activity for the fiscal year ended June 30, 2007:

**Debt Service Paid by Cecil County Government**

Principal	\$ 3,992,024
Interest	<u>2,322,944</u>
Total Expenditures	\$ <u>6,314,968</u>

**NOTE 3 CASH AND CASH EQUIVALENTS**

In March 2003, the GASB issued No. 40 "Deposits and Investment Risk Disclosures," which is effective for periods beginning after June 15, 2004. Risk disclosures in previous financial statements (under the provisions of GASB No. 3) focused only on custodial credit risk. GASB No. 40 not only addresses custodial credit risk but other common areas of investment risk as well.

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, 2007, the carrying amount and bank balances of the School System's deposits with financial institutions totaled \$24,385,441 and \$26,050,603, respectively. All of the bank deposits are covered by federal deposit insurance and/or collateral held in the School System's name.



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

**Year Ended June 30, 2007**

<b>Government Funds</b>	<b>Carrying Amount</b>	<b>Bank Balance</b>
<u>Deposits</u>		
Insured - Federal Deposit Insurance Corporation	\$ 624,181	\$ 627,575
Uninsured - collateral held by bank in school system's name	1,343,205	3,005,373
Certificate of Deposit due within one year - collateral held by bank in the School System's name	3,000,000	3,000,000
Petty Cash	400	-
Total deposits	<u>4,967,786</u>	<u>6,632,948</u>
<u>Investments</u> - Maryland Local Government Investment Pool	<u>19,417,655</u>	<u>19,417,655</u>
Total cash and investments	<u>\$ 24,385,441</u>	<u>\$ 26,050,603</u>
<b>Reconciliation of above to the Statement of Net Assets:</b>		
General Fund	\$ 20,076,943	\$ 21,788,536
Special Revenue Fund	1,012,290	1,012,137
Capital Projects Fund	<u>2,086,890</u>	<u>2,086,891</u>
Total cash and cash equivalents - Statement of Net Assets	<u>23,176,123</u>	<u>24,887,564</u>
Fiduciary Fund	<u>1,209,318</u>	<u>1,163,039</u>
Total cash and investments	<u>\$ 24,385,441</u>	<u>\$ 26,050,603</u>

**Credit Risk-** 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.

**Interest Rate Risk** - The School System limits its interest rate risk by primarily investing in securities with maturity dates under one year.

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

The composition of inter-fund balances as of June 30, 2007, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Capital Projects	Deficit cash balance	\$ 508,517
General	Special Revenue	Deficit cash balance	<u>606,315</u>
Total			<u>\$ 1,114,832</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 2007.

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated				
Land	\$ 1,202,153	\$ -	\$ -	\$ 1,202,153
Construction-in-progress	<u>19,676,889</u>	<u>37,680,377</u>	<u>(4,953,907)</u>	<u>52,403,359</u>
Total capital assets not being depreciated	<u>20,879,042</u>	<u>37,680,377</u>	<u>(4,953,907)</u>	<u>53,605,512</u>
Capital assets being depreciated				
Buildings	165,780,078	2,930,859	(107,800)	168,603,137
Improvements other than buildings	4,158,988	468,427	-	4,627,415
Furniture, equipment and vehicles	<u>18,989,664</u>	<u>3,409,771</u>	<u>(2,060,172)</u>	<u>20,339,263</u>
Total capital assets being depreciated	<u>188,928,730</u>	<u>6,809,057</u>	<u>(2,167,972)</u>	<u>193,569,815</u>
Less accumulated depreciation for				
Buildings	(68,747,052)	(5,010,620)	2,515	(73,755,157)
Improvements other than buildings	(1,023,354)	(210,045)	-	(1,233,399)
Furniture, equipment and vehicles	<u>(11,673,077)</u>	<u>(2,001,186)</u>	<u>1,968,842</u>	<u>(11,705,421)</u>
Total accumulated depreciation	<u>(81,443,483)</u>	<u>(7,221,851)</u>	<u>1,971,357</u>	<u>(86,693,977)</u>
Total capital assets being depreciated, net	<u>107,485,247</u>	<u>(412,794)</u>	<u>(196,615)</u>	<u>106,875,838</u>
	<u>\$ 128,364,289</u>	<u>\$ 37,267,583</u>	<u>\$ (5,150,522)</u>	<u>\$ 160,481,350</u>

Depreciation expense was charged to functions/programs as follows:

<b>Government activities:</b>	<b>Amount</b>
Administration	\$ 111,418
Mid-Level Administration	155,382
Instruction	6,520,082
Special education	107,698
Student personnel services	3,857
Student health services	11,253
Student transportation	59,981
Operation of plant	27,929
Maintenance of plant	71,045
Food and nutrition	152,317
Capital outlay	889
	<u>\$ 7,221,851</u>

**B. Construction Commitments**

The School System has active construction projects as of June 30, 2007. These projects are additions and renovations to school buildings. At year-end the School System commitments with contractors are as follows:

<u>Projects</u>	<u>Spent to Date</u>	<u>Remaining Commitments</u>
Elkton High Addition / Renovation	\$ 33,334,949	\$ 14,493,078
Perryville Middle Addition / Renovation	18,702,212	3,626,699
Performance Contract	<u>8,627,235</u>	<u>701,559</u>
Total	<u>\$ 60,664,396</u>	<u>\$ 18,821,336</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. Annual leave pay is accrued when incurred in the government-wide statement. A liability for the amounts is reported in the General Fund and Special Revenue Fund in the form of salary expenditures when liquidated.

**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. In prior years, both the General Fund and the Capital Projects Fund have been used to liquidate capital leases. The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Total</u>
Truck (1)	\$ 28,088
Vans (2)	34,592
Relocatables (6)	465,039
Improvements other than buildings	<u>4,077,637</u>
	4,605,356
Less accumulated depreciation	<u>239,102</u>
	<u>\$ 4,366,254</u>

In fiscal 2006, the School System entered into a lease purchase agreement with the Bank of New

York to fund improvements to various facilities per an energy performance contract with Johnson Control, Inc. (JCI) for a total \$9,328,794 and placed in escrow. As of June 30, 2007, \$8,627,235 in progress payments were paid to JCI. Of that amount, \$4,077,640 was capitalized and included in the above schedule, leaving \$5,251,154 in construction-in-progress and accounts payable.

The following are the future minimum payments under the School System's capital lease agreements, and represent the present value of the minimum lease payments for the amount capitalized as of the fiscal year ended June 30, 2007:

Fiscal years ending June 30:	Total
2008	\$ 924,023
2009	924,023
2010	813,910
2011-2021	8,953,006
Total payments	11,614,962
Less interest	2,410,624
Lease obligations	9,204,338
Less accounts payable and construction-in-progress	5,251,154
Capitalized lease obligations	\$ 3,953,184

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

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Capital leases	\$ 4,386,906	\$ -	\$ (433,722)	\$ 3,953,184	\$ 613,644
Compensated absences	2,712,941	490,800	(426,146)	2,777,595	312,525
Long-term liabilities	\$ 7,099,847	\$ 490,800	\$ (859,868)	\$ 6,730,779	\$ 926,169

**NOTE 7 OPERATING LEASES**

The school system has long-term commitments as lessee under various non-cancelable operating leases for warehouse space, office space and bus parking. Total rent expenditures incurred in Fiscal Year 2007 under these leases amounted to \$434,898.

The aggregate future rental payments under these commitments are \$2,302,372 as summarized below:

<u>Fiscal year ending June 30:</u>	<u>Operating Leases</u>	
	<u>Building Rent</u>	<u>Office Equipment</u>
2008	264,595	372,521
2009	234,252	372,786
2010	231,191	114,256
2011	238,139	114,537
2012	245,268	114,827
<b>Total</b>	<b>\$ 1,213,445</b>	<b>\$ 1,088,927</b>

**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 approximately \$81,113,412 during the fiscal year ended June 30, 2007, were used in the designated programs, did not supplant funding for the unrestricted programs. The general and special revenue funds accounted for approximately \$43,428,584 and the capital project fund accounted for approximately \$37,684,828.

**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 \$100,000 per incident 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. Health care claims incurred but not reported**

The School System is self insured for the core health care plan. Health care claims incurred but not reported as of June 30, 2007, are estimated to be in the amount of \$1,325,000. This amount is \$800,361 less than the claims estimated to be outstanding in the prior year.

**C. Sick Leave**

As of June 30, 2007, the amount of accumulated unused sick leave was estimated to be \$27,449,041. It is not practicable 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 for not more than ten days of 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, 2007, the amount of accumulated unused sick leave included in the sick leave bank was estimated to be \$933,627. The sick leave bank is an extra source of sick leave available to those employees who are eligible to participate. Participation is based on a formula for donating sick days to the bank. The donation calculation considers the employee type and the employee's 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 subject generally to program compliance audits by the grantors or their representatives. As of June 30, 2007, 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 although the system, based on past experience, does not expect such amounts, if any, to be significant.

**F. Labor Relations**

This fiscal year represents the first year of a three year collective bargaining agreement with the Cecil County Classroom Teachers' Association (CCCTA), reached in fiscal 2005, which provides for Cost of Living Adjustments (COLA) of 4.0%, 4.0% and 4.5% respectively. In addition to COLA increases, this agreement also provides improvements in tuition reimbursement, extra pay for extra duty and retiree healthcare.

This fiscal year represents the third year of a four year collective bargaining agreement with the Cecil County Public Schools Administrators' and Supervisors' Association (CCPSASA) which provides for COLA increases of 4.5%, 5.0% and 4.5% for fiscal years 2006, 2007 and 2008. In

addition to COLA increases, this agreement also provides improvements in tuition reimbursement and retiree healthcare.

This fiscal year represents the last year of a two year collective bargaining agreement with the Cecil Education Support Personnel Association (CESPA) which provides for a 4.0% COLA. A three year agreement reached in fiscal 2006 provides COLA increases of 4.0%, 4.5% and 4.0% in fiscal years 2007, 2008 and 2009. In addition to COLA increases, this agreement also provides improvements in tuition reimbursement and retiree healthcare.

Meet and confer discussions with the Central Office Support Services Leadership Association (COSSLA) resulted in an agreement to provide a COLA increase of 4.0% in fiscal 2006 and agreements to provide COLA increases of 4.0%, 4.5% and 4.0% in fiscal years 2007, 2008 and 2009. In addition to COLA increases, this agreement also provides improvements in tuition reimbursement, retiree healthcare.

## **NOTE 10 RETIREMENT SYSTEMS**

### **A. Plan Description**

The employees of the School System are covered by the State Retirement and Pension System of Maryland (the System). The State Retirement Agency (the Agency) is the administrator of the State Retirement and Pension System of Maryland, a cost sharing multiple-employer public-employee retirement system. The System was established by the State Personnel and Pension Articles of the Annotated Code of Maryland and provides retirement allowances to System members and beneficiaries. Responsibility for the administration and operation of the System is vested with a 14-member Board of Trustees (Trustees). Teachers and employees of the School System in related positions are covered by either the Teachers Retirement System or the Teachers Pension System (Teachers Systems) of the State of Maryland. The Employees Retirement and Pension Systems (Employees Systems) cover principally custodial, maintenance, cafeteria and administration employees not eligible to participate in the Teachers Systems. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Baltimore, Maryland 21202 or by calling (800) 492-5909.

### **B. Funding Policy**

Members of the Teacher Systems may elect to contribute 5% or 7% of their earnable compensation depending on their retirement option. Members of the Employee Systems are required to contribute 3% of earnable compensation. Employer contribution rates are determined actuarially. The employer contribution rates for fiscal year 2007 were 9.71% for the Teacher Systems and 13.1% and 8.1% of covered payroll for the Employee Retirement and Pension Systems respectively.

The State makes a substantial portion of the School System's annual required contributions to the Teachers Systems on behalf of the School System. The State's contributions on behalf of the School System to the Teachers Systems for the year ended June 30, 2007, was \$7,938,956. The fiscal 2007

contributions made by the State on behalf of the School System have been included as both revenues and expenditures in the General Fund in the accompanying *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*. The revenue is included in Intergovernmental Revenue - State of Maryland with the offsetting expense included in Fixed Charges.

The School System makes the entire employer required annual contributions to the Employees Systems as well as those that relate to positions in the Teachers Systems funded through Federal and State restricted programs. The School System's contributions to the Teachers and Employees Systems for the year ended June 30, 2007, 2006, and 2005 were \$1,294,625, \$1,207,506 and \$1,130,805 respectively, all of which were 100% of the required contribution.

The computation of the pension contribution requirements for fiscal year 2007 was based on the same actuarial assumptions, benefits provisions, actuarial funding method, and other significant factors used to determine pension contributions requirements in the previous year.

#### **Post Retirement Benefits**

The School System offers post-retirement healthcare benefits, in accordance with a School System adopted plan, to all retired employees who have completed 14 or more years of service and have been continuously covered by the School System's healthcare plan for the one year prior to retirement. Currently 426 retirees meet this requirement. The School System pays retirees' healthcare premiums up to a maximum of \$5,237 per year based on years of service. Expenditures for post-retirement healthcare benefits are recognized as retirees report claims and an accrual for an estimate of the amount payable at each year-end is provided. During the fiscal year 2007, approximately \$1,615,262 was recorded for post-retirement healthcare costs.

#### **NOTE 11 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 in the Pool or the Fund.



**INDIVIDUAL FUND  
FINANCIAL STATEMENT**

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**CECIL COUNTY PUBLIC SCHOOLS**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND - STUDENT ACTIVITIES**  
**JUNE 30, 2007**

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
Assets:				
Cash and cash equivalents	\$ 1,160,256	\$ 3,548,275	\$ 3,499,213	\$ 1,209,318
Total Assets	\$ 1,160,256	\$ 3,548,275	\$ 3,499,213	\$ 1,209,318
Liabilities:				
Due to student groups	\$ 1,160,256	\$ 3,548,275	\$ 3,499,213	\$ 1,209,318
Total Liabilities	\$ 1,160,256	\$ 3,548,275	\$ 3,499,213	\$ 1,209,318

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

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**STATISTICAL  
SECTION**

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## STATISTICAL SECTION

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
FINANCIAL	57
<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>	
REVENUE AND EXPENSE	61
<i>These schedules contain information to help the reader assess the School System's most significant revenue by source and expenditures by function.</i>	
DEMOGRAPHIC	70
<i>These schedules offer demographic indicators to help the reader understand the environment within which the School System's financial activities take place.</i>	
OPERATING	73
<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 ASSETS BY COMPONENT**  
**LAST SIX FISCAL YEARS**  
(dollars in thousands)

	2007	2006	2005	2004	2003	2002
Governmental activities						
Invested in capital assets, net of related debt	\$ 156,528	\$ 123,977	\$ 108,410	\$ 108,515	\$ 109,704	\$ 108,325
Restricted for Capital projects	611	488	347	337	335	29
Unrestricted	<u>5,065</u>	<u>1,579</u>	<u>2,187</u>	<u>1,901</u>	<u>1,870</u>	<u>2,001</u>
Total governmental activities net assets	<u>\$ 162,204</u>	<u>\$ 126,044</u>	<u>\$ 110,944</u>	<u>\$ 110,753</u>	<u>\$ 111,909</u>	<u>\$ 110,355</u>

Source: Statement of Net Assets  
Note: Data is not available for 1998-2001

**CECIL COUNTY PUBLIC SCHOOLS  
CHANGES IN NET ASSETS  
GOVERNMENTAL FUNDS  
LAST SIX FISCAL YEARS**

	2007	2006	2005	2004	2003	2002
<b>Expenses</b>						
Government activities:						
Administration	\$ 4,876,720	\$ 4,559,329	\$ 3,789,294	\$ 3,155,072	\$ 3,088,035	\$ 2,951,853
Mid-level administration	16,004,079	15,176,098	14,158,839	13,329,431	12,515,270	11,368,249
Instruction salaries	81,836,635	76,741,777	71,729,858	66,932,297	62,776,576	60,259,909
Instruction materials and supplies	3,101,396	2,863,712	2,763,589	2,634,229	2,897,518	2,446,763
Instruction other costs	4,801,808	4,288,118	4,858,382	1,650,215	1,708,612	1,312,826
Special education	27,118,984	25,674,929	21,904,331	20,126,357	18,476,142	17,135,205
Student personnel services	993,420	973,329	878,333	796,439	747,294	747,526
Student health services	1,932,511	1,785,583	1,698,234	1,548,604	1,460,961	1,388,403
Student transportation	8,633,675	8,305,099	7,570,359	7,051,501	6,713,711	6,238,274
Operation of plant	12,366,791	11,372,420	10,644,108	9,475,506	9,117,663	8,044,433
Maintenance of plant	4,794,585	4,472,663	3,802,878	3,789,486	3,488,245	3,796,502
Food and nutrition	4,965,606	4,905,918	4,611,152	4,555,062	4,223,165	3,826,252
Community services	254,059	368,156	295,110	724,890	877,412	663,412
Capital outlay	4,737,281	4,883,382	418,741	7,012,381	7,483,438	6,021,379
Interest on long-term debt	1,612	13,672	14,030	-	-	-
Total governmental activities expenses	<u>\$ 176,419,162</u>	<u>\$ 166,384,185</u>	<u>\$ 149,137,238</u>	<u>\$ 142,781,470</u>	<u>\$ 135,574,042</u>	<u>\$ 126,200,986</u>
<b>Program Revenues</b>						
Government activities:						
Charges for services:						
Instruction salaries	\$ 571,537	\$ 478,198	\$ 571,836	\$ 526,998	\$ 174,574	\$ 243,983
Maintenance of plant	-	-	-	8,495	10,085	15,872
Food and nutrition	2,779,343	2,664,251	2,584,766	2,633,070	2,468,692	4,029,520
Community services	26,698	27,409	6,482	-	-	-
Operating grants and contributions	43,428,584	39,155,944	35,217,219	31,523,443	29,059,168	27,548,981
Capital grants and contributions	37,684,828	21,119,550	2,483,459	4,883,765	7,778,010	8,728,059
Total governmental activities program revenue	<u>\$ 84,490,990</u>	<u>\$ 63,445,352</u>	<u>\$ 40,863,762</u>	<u>\$ 39,575,771</u>	<u>\$ 39,490,529</u>	<u>\$ 40,566,415</u>
<b>General Revenue and Other Changes in Net Assets</b>						
Government activities:						
State aid not restricted to specific purposes	\$ 61,013,725	\$ 54,793,124	\$ 49,408,575	\$ 45,748,277	\$ 43,555,339	\$ 38,020,051
Local aid not restricted to specific purposes	65,715,090	62,229,000	58,708,711	56,089,930	53,984,355	50,884,355
Interest and investment earnings	1,143,097	781,976	272,663	171,972	203,401	305,743
Miscellaneous	215,963	235,953	74,630	37,987	346,805	624,261
Total governmental activities	<u>\$ 128,087,875</u>	<u>\$ 118,040,053</u>	<u>\$ 108,464,579</u>	<u>\$ 102,048,166</u>	<u>\$ 98,089,900</u>	<u>\$ 89,834,410</u>
<b>Change in Net Assets</b>	<u>\$ 36,159,703</u>	<u>\$ 15,101,220</u>	<u>\$ 191,103</u>	<u>\$ (1,157,533)</u>	<u>\$ 2,006,387</u>	<u>\$ 4,199,839</u>

Source: Statement of Activities

Notes: Financial information is not available for years 1998-2001. Capital Outlay includes unallocated depreciation in years 2002, 2003, & 2004

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

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General fund										
Reserved	\$ -	\$ 44	\$ 4	\$ 5	\$ 23	\$ 67	\$ 290	\$ 1,020	\$ 1,167	\$ 747
Unreserved	<u>7,278</u>	<u>3,226</u>	<u>3,588</u>	<u>3,241</u>	<u>3,042</u>	<u>2,499</u>	<u>2,099</u>	<u>2,664</u>	<u>2,358</u>	<u>1,990</u>
Total General fund	<u>\$ 7,278</u>	<u>\$ 3,270</u>	<u>\$ 3,592</u>	<u>\$ 3,246</u>	<u>\$ 3,065</u>	<u>\$ 2,566</u>	<u>\$ 2,389</u>	<u>\$ 3,684</u>	<u>\$ 3,525</u>	<u>\$ 2,737</u>
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 98	\$ 267	\$ 172	\$ 149	\$ 215
Unreserved, reported in:										
Special revenue fund	564	1,023	1,274	1,104	1,207	1,170	1,124	895	750	571
Capital project fund	<u>611</u>	<u>488</u>	<u>347</u>	<u>337</u>	<u>335</u>	<u>300</u>	<u>147</u>	<u>222</u>	<u>302</u>	<u>24</u>
Total all other governmental funds	<u>\$ 1,175</u>	<u>\$ 1,511</u>	<u>\$ 1,621</u>	<u>\$ 1,441</u>	<u>\$ 1,543</u>	<u>\$ 1,568</u>	<u>\$ 1,538</u>	<u>\$ 1,289</u>	<u>\$ 1,201</u>	<u>\$ 810</u>

Source: Balance Sheet - Governmental Funds

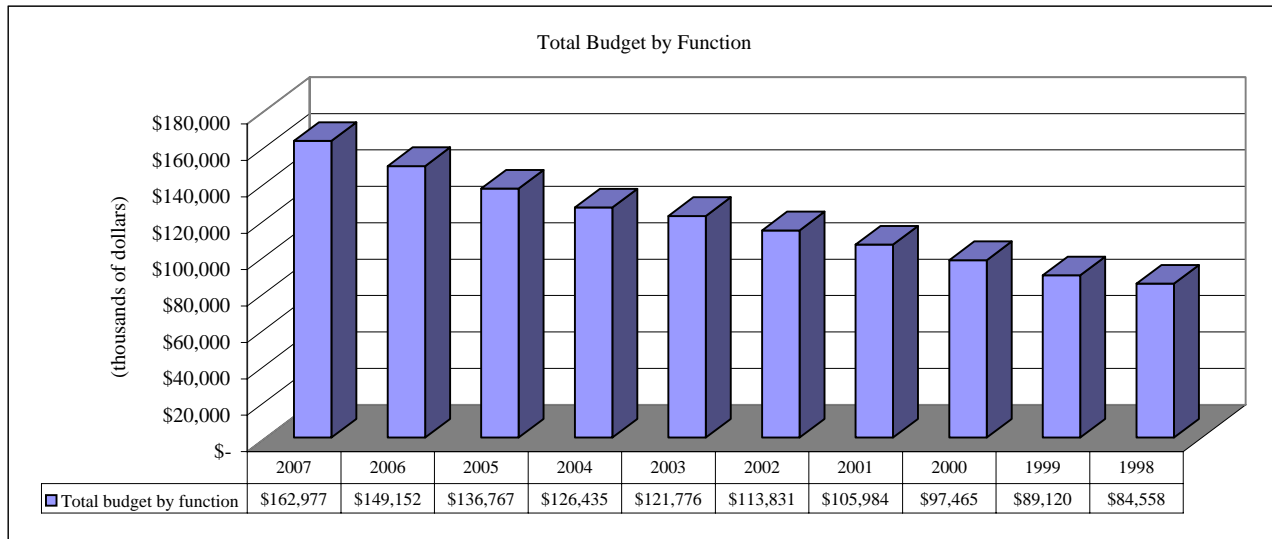
**CECIL COUNTY PUBLIC SCHOOLS**  
**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis of accounting)**  
**(dollars in thousands)**

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Revenue</b>										
Intergovernmental										
Cecil County	\$ 88,969	\$ 68,101	\$ 65,762	\$ 65,566	\$ 63,045	\$ 62,088	\$ 60,645	\$ 57,075	\$ 52,894	\$ 49,577
State of Maryland	100,521	92,019	67,545	61,128	66,699	60,778	59,630	56,319	53,571	50,224
United States government	9,885	9,987	10,419	9,926	9,272	8,087	7,197	6,234	5,499	4,688
Other sources										
Sale of food	2,979	2,664	2,585	2,600	2,460	2,679	2,203	1,862	1,719	1,557
Investment interest	1,143	782	273	172	203	306	724	662	463	424
Other	1,143	808	783	711	771	733	773	431	885	523
Total revenue	<u>\$204,640</u>	<u>\$174,361</u>	<u>\$147,367</u>	<u>\$140,103</u>	<u>\$142,450</u>	<u>\$134,671</u>	<u>\$131,172</u>	<u>\$122,583</u>	<u>\$115,031</u>	<u>\$106,993</u>
<b>Expenditures</b>										
Administration	\$ 4,199	\$ 3,814	\$ 3,171	\$ 2,519	\$ 2,601	\$ 2,433	\$ 2,399	\$ 2,198	\$ 1,916	\$ 1,641
Mid-level administration	12,447	11,724	10,975	10,394	9,907	8,996	8,518	8,130	7,874	7,100
Instruction salaries	62,112	57,924	54,207	51,033	48,502	46,470	42,890	40,533	38,625	36,308
Instruction materials and supplies	3,101	2,864	2,764	2,634	2,898	2,457	2,363	2,504	2,185	1,581
Instruction other costs	3,651	3,358	2,206	2,266	2,002	1,871	1,919	1,877	1,870	1,658
Special education	21,838	20,631	17,606	16,240	15,151	13,955	12,565	10,782	9,724	8,917
Student personnel services	757	741	683	619	587	586	325	307	293	265
Student health services	1,540	1,366	1,292	1,203	1,135	1,084	1,006	853	633	514
Student transportation	8,483	8,113	7,426	6,865	6,666	6,149	6,013	5,373	4,868	4,548
Operation of plant	10,980	9,886	9,226	8,260	8,005	7,069	7,304	6,436	5,977	5,799
Maintenance of plant	4,163	3,846	3,316	3,274	2,931	3,339	2,700	2,185	2,863	2,200
Fixed charges	24,729	24,267	21,784	19,542	23,317	22,075	21,569	20,108	19,569	19,662
Community services	248	360	289	659	783	561	574	286	203	126
Food service	-	-	-	-	-	3,947	3,432	3,103	2,996	2,713
Salaries and wages	2,069	1,869	1,679	1,653	1,521	-	-	-	-	-
Food	2,363	2,276	2,026	2,087	1,885	-	-	-	-	-
Contracted services	52	40	41	209	22	-	-	-	-	-
Supplies and materials	252	325	155	16	171	-	-	-	-	-
Other operating cost	57	52	396	429	517	-	-	-	-	-
Capital outlay	37,816	25,304	3,257	5,034	8,052	9,203	14,483	11,806	10,844	10,132
Debt service	-	-	-	-	4,869	4,269	4,156	5,852	3,415	3,212
Principal	100	96	3,068	3,161	-	-	-	-	-	-
Interest	10	14	1,797	1,788	-	-	-	-	-	-
Total expenditures	<u>\$200,967</u>	<u>\$178,870</u>	<u>\$147,364</u>	<u>\$139,885</u>	<u>\$141,522</u>	<u>\$134,464</u>	<u>\$132,216</u>	<u>\$122,333</u>	<u>\$113,855</u>	<u>\$106,376</u>
Excess of revenues over (under) expenditures	3,673	(4,509)	3	218	928	207	(1,044)	250	1,176	617
<b>Other financing sources (uses)</b>										
Proceeds of capital lease obligation	-	4,078	521	-	-	-	-	-	-	-
<b>Net change in fund balances</b>	<u>\$ 3,673</u>	<u>\$ (431)</u>	<u>\$ 524</u>	<u>\$ 218</u>	<u>\$ 928</u>	<u>\$ 207</u>	<u>\$ (1,044)</u>	<u>\$ 250</u>	<u>\$ 1,176</u>	<u>\$ 617</u>
<b>Debt Service as a Percentage of Non-capital Expenditures</b>										
	0.07%	0.08%	3.53%	4.20%	N/A	N/A	N/A	N/A	N/A	N/A

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

**CECIL COUNTY PUBLIC SCHOOLS  
CURRENT EXPENSE FUND  
FINAL APPROVED BUDGET BY FUNCTION  
LAST TEN FISCAL YEARS  
(dollars in thousands)**

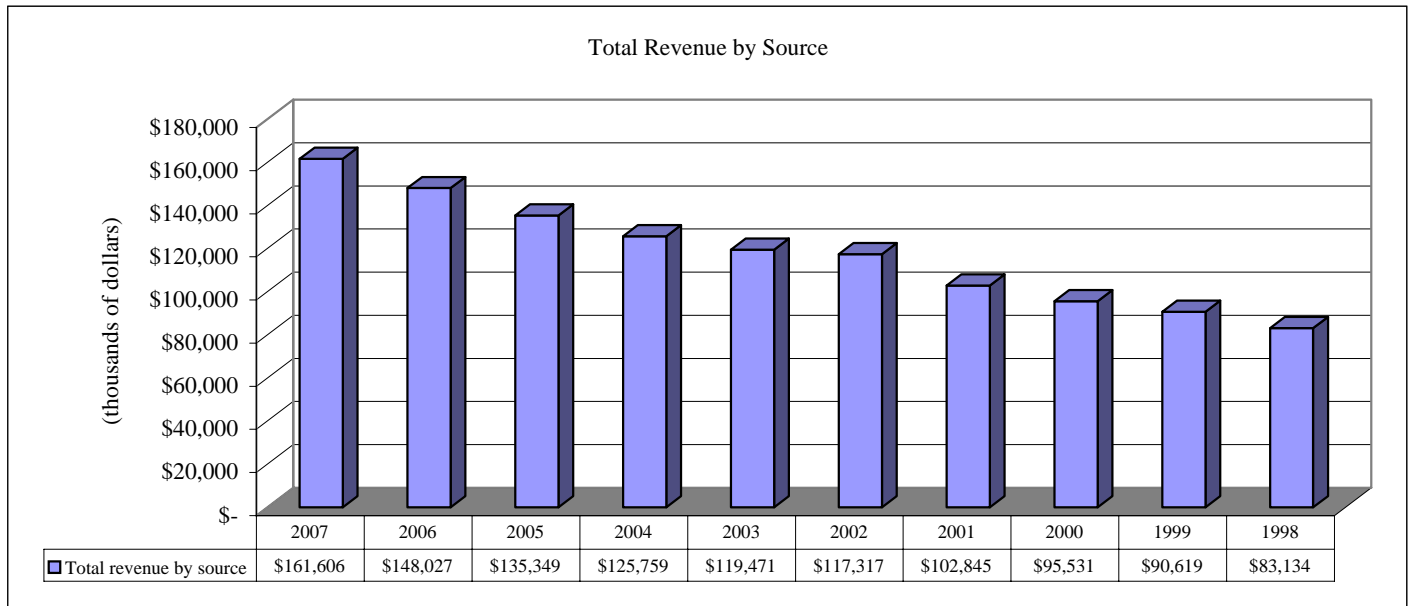
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Administration	\$ 4,175	\$ 3,605	\$ 3,181	\$ 2,633	\$ 2,673	\$ 2,661	\$ 2,366	\$ 2,181	\$ 1,925	\$ 1,652
Mid-level administration	12,500	11,715	10,983	10,424	9,908	9,007	8,585	8,140	7,832	7,187
Instruction salaries	62,524	58,178	54,470	51,195	49,364	47,523	44,372	41,215	39,494	36,837
Instruction materials and supplies	3,368	2,941	2,895	2,659	2,961	2,717	2,529	2,399	2,403	1,875
Instruction other costs	3,892	3,437	2,458	2,331	2,008	1,910	2,069	1,792	1,918	1,796
Special education	22,110	20,640	17,672	16,517	15,522	14,217	12,730	10,798	10,202	9,228
Student personnel services	782	744	689	660	588	586	337	309	303	317
Student health services	1,553	1,370	1,302	1,204	1,135	1,094	1,026	881	640	545
Student transportation	8,822	8,179	7,507	6,866	6,685	6,160	5,756	5,434	4,914	4,612
Operation of plant	11,024	9,885	9,238	8,274	7,852	7,106	7,150	6,761	6,260	6,067
Maintenance of plant	4,328	3,900	3,673	3,278	3,077	3,168	2,863	2,833	60	2,271
Fixed charges	27,341	24,032	22,204	660	1,002	612	799	619	210	171
Community services	367	408	379	105	105	99	96	92	88	92
Capital outlay	191	118	116	19,629	18,896	16,971	15,306	14,011	12,871	11,908
<b>Total budget by function</b>	<b>\$162,977</b>	<b>\$149,152</b>	<b>\$136,767</b>	<b>\$126,435</b>	<b>\$121,776</b>	<b>\$113,831</b>	<b>\$105,984</b>	<b>\$ 97,465</b>	<b>\$ 89,120</b>	<b>\$ 84,558</b>
<b>Increase over prior year</b>	<b>\$ 13,825</b> 9.3%	<b>\$ 12,385</b> 9.1%	<b>\$ 10,332</b> 8.2%	<b>\$ 4,659</b> 3.8%	<b>\$ 7,945</b> 7.0%	<b>\$ 7,847</b> 7.4%	<b>\$ 8,519</b> 8.7%	<b>\$ 8,345</b> 9.4%	<b>\$ 4,562</b> 5.4%	<b>\$ 6,270</b> 8.0%



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  
(dollars in thousands)**

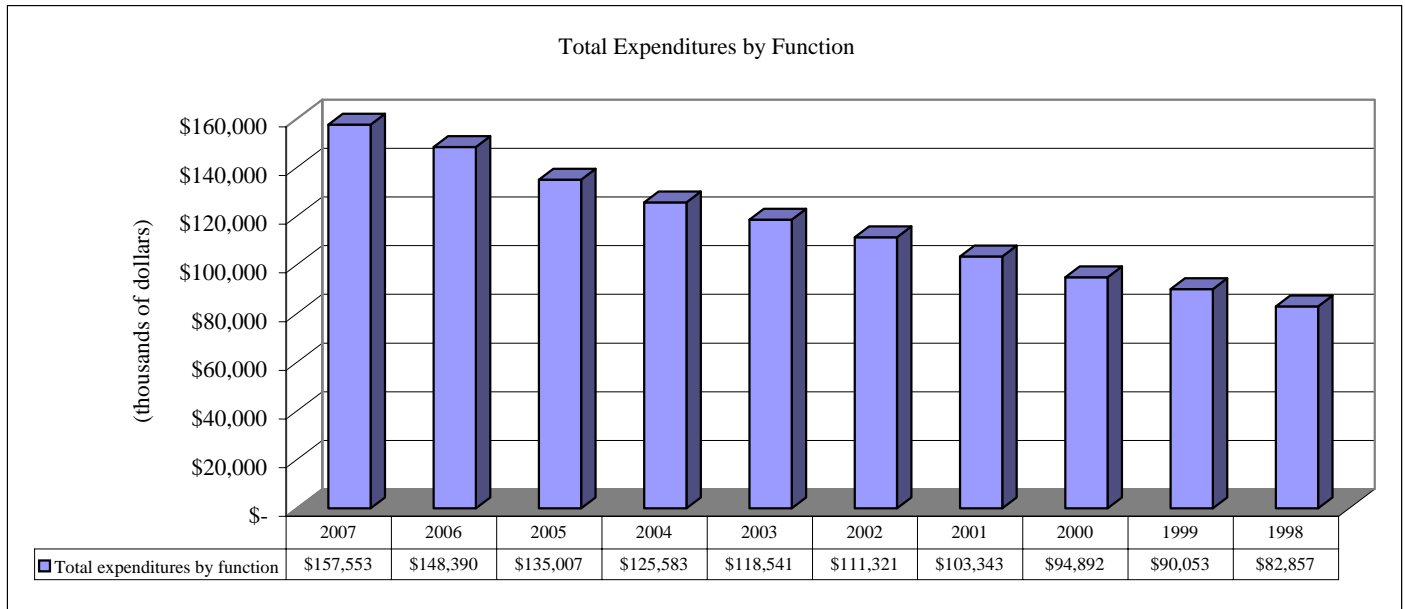
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Cecil County	\$ 65,715	\$ 62,229	\$ 58,709	\$ 56,090	\$ 53,984	\$ 50,884	\$ 48,407	\$ 45,407	\$ 42,407	\$ 39,107
State of Maryland	85,994	76,628	67,216	60,752	57,085	58,984	47,370	44,138	42,957	39,585
Federal government	7,921	7,841	8,521	8,179	7,697	6,736	5,915	5,031	4,366	3,543
Other sources										
Interest earned	969	558	235	153	174	264	649	588	429	399
Other	1,007	771	668	585	531	449	504	367	460	500
<b>Total revenue by source</b>	<b>\$161,606</b>	<b>\$148,027</b>	<b>\$135,349</b>	<b>\$125,759</b>	<b>\$119,471</b>	<b>\$117,317</b>	<b>\$102,845</b>	<b>\$ 95,531</b>	<b>\$ 90,619</b>	<b>\$ 83,134</b>
<b>Increase over prior year</b>	<b>\$ 13,579</b> 9.2%	<b>\$ 12,678</b> 9.4%	<b>\$ 9,590</b> 7.6%	<b>\$ 6,288</b> 5.3%	<b>\$ 2,154</b> 1.8%	<b>\$ 14,472</b> 14.1%	<b>\$ 7,314</b> 7.7%	<b>\$ 4,912</b> 5.4%	<b>\$ 7,485</b> 9.0%	<b>\$ 5,999</b> 7.8%



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  
(dollars in thousands)**

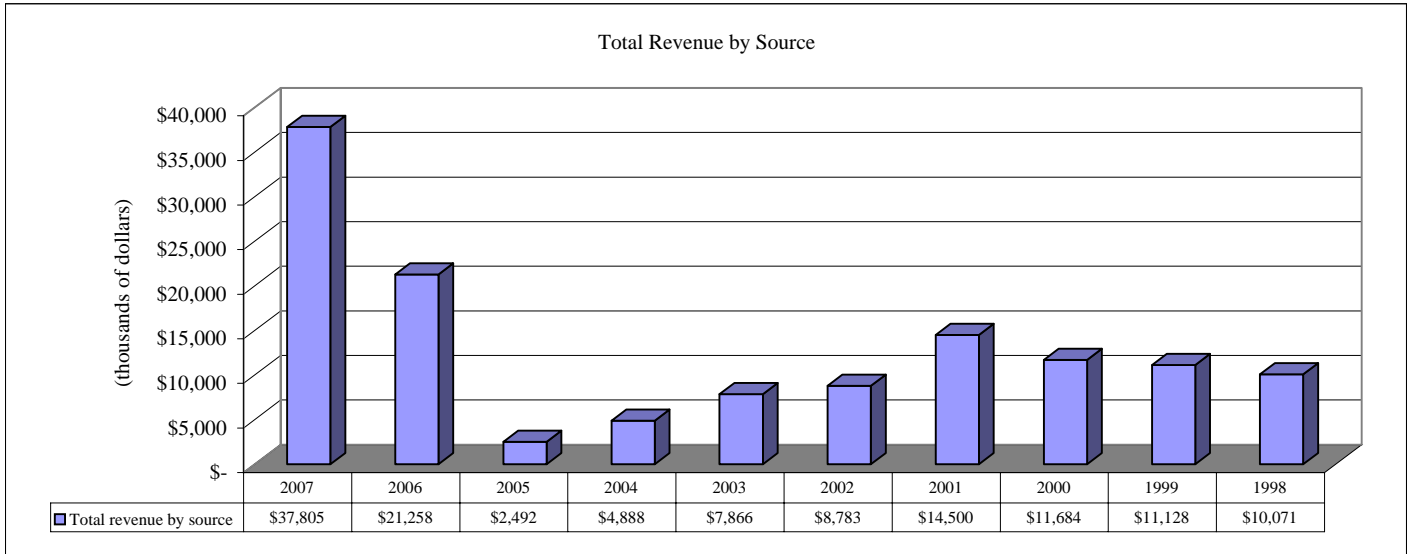
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Administration	\$ 3,945	\$ 3,593	\$ 3,171	\$ 2,519	\$ 2,601	\$ 2,435	\$ 2,365	\$ 2,172	\$ 1,916	\$ 1,652
Mid-level administration	12,447	11,702	10,975	10,394	9,907	8,996	8,495	8,129	7,817	7,180
Instruction salaries	62,112	57,924	54,207	51,033	48,502	46,470	42,866	40,533	38,962	36,308
Instruction materials and supplies	3,095	2,867	2,768	2,639	2,910	2,446	2,215	2,150	2,523	1,780
Instruction other costs	3,566	3,356	2,206	2,266	2,006	1,868	1,919	1,754	1,839	1,738
Special education	21,837	20,631	17,606	16,240	15,151	13,765	12,461	10,799	9,950	8,820
Student personnel services	757	741	683	619	587	586	324	307	293	263
Student health services	1,540	1,366	1,292	1,203	1,135	1,084	1,006	853	633	514
Student transportation	8,483	8,113	7,426	6,865	6,671	6,149	6,013	5,370	4,871	4,546
Operation of plant	10,980	9,884	9,226	8,260	8,005	7,069	7,116	6,600	5,978	5,815
Maintenance of plant	4,137	3,894	3,260	3,274	2,931	3,314	2,493	2,363	2,513	2,208
Fixed charges	24,218	23,842	21,784	19,542	17,271	16,480	15,399	13,486	12,507	11,821
Community services	248	360	289	659	783	561	574	286	168	125
Capital outlay	188	117	114	70	81	98	97	90	83	87
<b>Total expenditures by function</b>	<b>\$157,553</b>	<b>\$148,390</b>	<b>\$135,007</b>	<b>\$125,583</b>	<b>\$118,541</b>	<b>\$111,321</b>	<b>\$103,343</b>	<b>\$ 94,892</b>	<b>\$ 90,053</b>	<b>\$ 82,857</b>
<b>Increase over prior year</b>	<b>\$ 9,163</b> 6.2%	<b>\$ 13,383</b> 9.9%	<b>\$ 9,424</b> 7.5%	<b>\$ 7,042</b> 5.9%	<b>\$ 7,220</b> 6.5%	<b>\$ 7,978</b> 7.7%	<b>\$ 8,451</b> 8.9%	<b>\$ 4,839</b> 5.4%	<b>\$ 7,196</b> 8.7%	<b>\$ 6,084</b> 7.9%



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

**CECIL COUNTY PUBLIC SCHOOLS  
CAPITAL PROJECT FUND  
REVENUES BY SOURCE  
LAST TEN FISCAL YEARS  
(dollars in thousands)**

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Cecil County	\$ 23,254	\$ 5,872	\$ 2,189	\$ 4,526	\$ 4,191	\$ 6,898	\$ 8,176	\$ 5,886	\$ 7,124	\$ 7,303
State of Maryland	14,301	15,214	183	232	3,438	1,822	6,034	5,761	3,580	2,761
Federal government	-	-	-	-	-	-	-	-	-	-
Interest earned	119	139	9	4	6	10	21	20	3	-
Donated items, other	131	33	111	126	231	53	269	17	421	7
<b>Total revenue by source</b>	<b>\$ 37,805</b>	<b>\$ 21,258</b>	<b>\$ 2,492</b>	<b>\$ 4,888</b>	<b>\$ 7,866</b>	<b>\$ 8,783</b>	<b>\$ 14,500</b>	<b>\$ 11,684</b>	<b>\$ 11,128</b>	<b>\$ 10,071</b>
Increase over prior year	\$ 16,547 77.8%	\$ 18,766 753.0%	\$ (2,396) -49.0%	\$ (2,978) -37.9%	\$ (917) -10.4%	\$ (5,717) -39.4%	\$ 2,816 24.1%	\$ 556 5.0%	\$ 1,057 10.5%	\$ (1,681) -14.3%

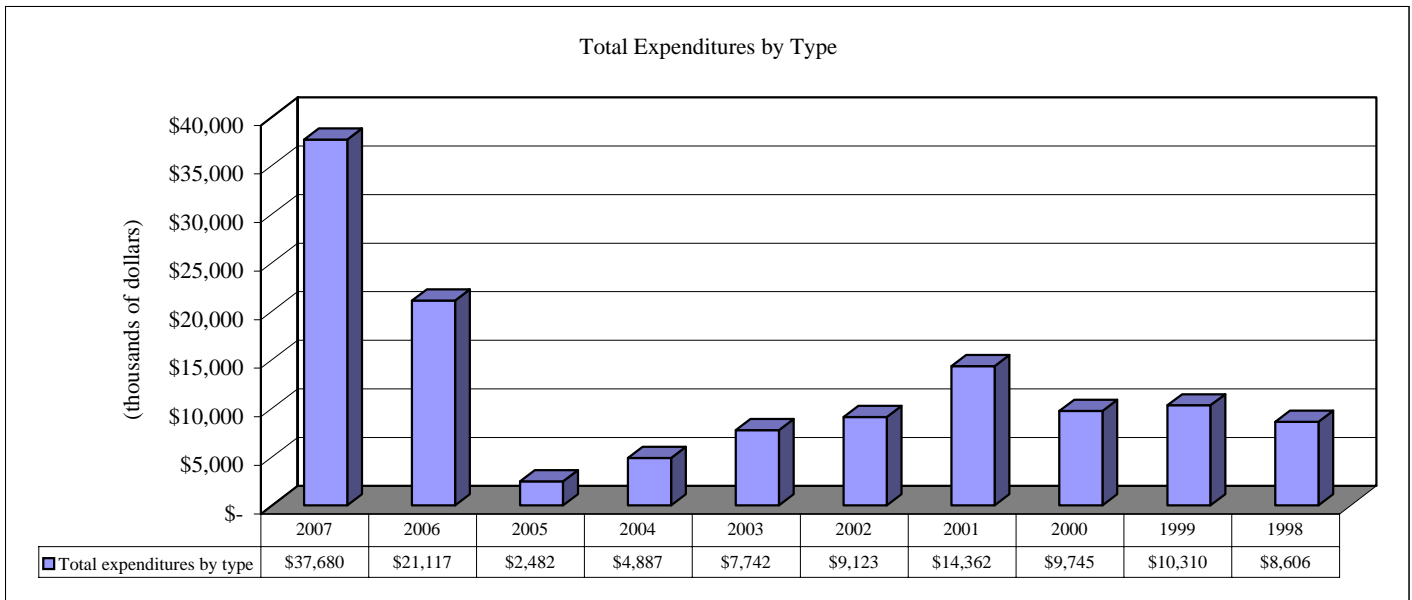


Source: Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds



**CECIL COUNTY PUBLIC SCHOOLS  
CAPITAL PROJECT FUND  
EXPENDITURES BY TYPE  
LAST TEN FISCAL YEARS  
(dollars in thousands)**

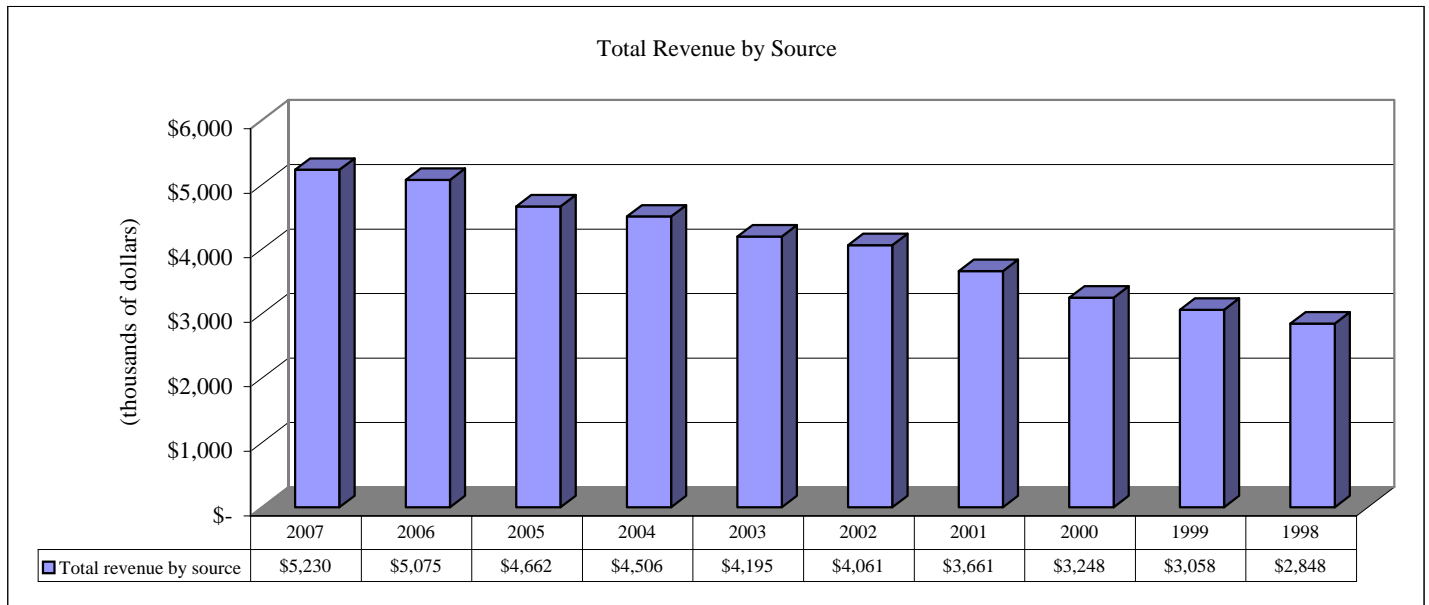
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Building	37,517	21,087	2,275	1,730	6,052	7,774	11,681	8,815	7,999	7,513
Site improvement	37	-	-	-	90	4	7	60	110	-
Remodeling	-	-	-	2,772	1,045	755	2,086	374	1,645	656
Equipment	126	30	207	385	555	590	588	496	556	437
<b>Total expenditures by type</b>	<b>\$ 37,680</b>	<b>\$ 21,117</b>	<b>\$ 2,482</b>	<b>\$ 4,887</b>	<b>\$ 7,742</b>	<b>\$ 9,123</b>	<b>\$ 14,362</b>	<b>\$ 9,745</b>	<b>\$ 10,310</b>	<b>\$ 8,606</b>
Increase over prior year	\$ 16,563 78.4%	\$ 18,635 750.8%	\$ (2,405) -49.2%	\$ (2,855) -36.9%	\$ (1,381) -15.1%	\$ (5,239) -36.5%	\$ 4,617 47.4%	\$ (565) -5.5%	\$ 1,704 19.8%	\$ (3,148) -26.8%



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

**CECIL COUNTY PUBLIC SCHOOLS  
SPECIAL REVENUE FUND  
REVENUES BY SOURCE  
LAST TEN FISCAL YEARS  
(dollars in thousands)**

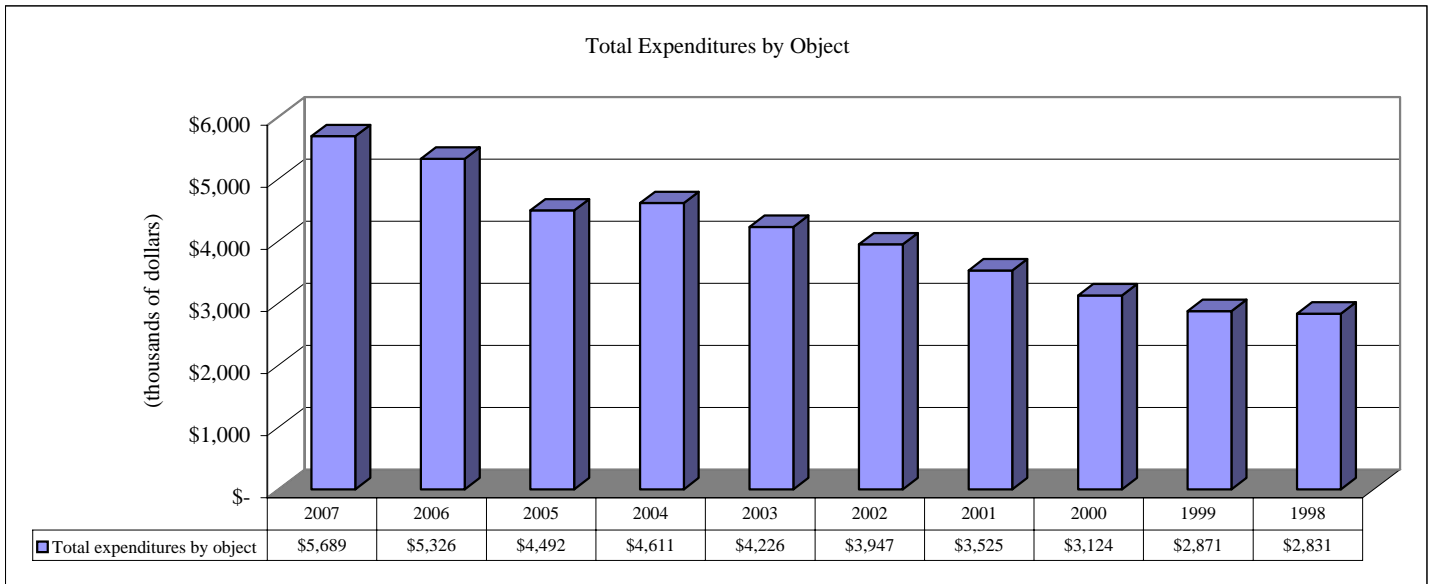
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
State of Maryland	\$ 226	\$ 177	\$ 146	\$ 144	\$ 130	\$ -	\$ 60	\$ 63	\$ 54	\$ 51
Federal government	1,964	1,859	1,898	1,747	1,574	1,351	1,344	1,269	1,253	1,200
Sale of meals	2,979	2,951	2,585	2,600	2,460	2,679	2,203	1,862	1,719	1,557
Interest earned	55	85	29	15	23	31	54	54	32	26
Other	6	3	4	-	8	-	-	-	-	14
<b>Total revenue by source</b>	<b>\$ 5,230</b>	<b>\$ 5,075</b>	<b>\$ 4,662</b>	<b>\$ 4,506</b>	<b>\$ 4,195</b>	<b>\$ 4,061</b>	<b>\$ 3,661</b>	<b>\$ 3,248</b>	<b>\$ 3,058</b>	<b>\$ 2,848</b>
<b>Increase over prior year</b>	<b>\$ 155</b> 3.1%	<b>\$ 414</b> 8.9%	<b>\$ 157</b> 3.5%	<b>\$ 311</b> 7.4%	<b>\$ 134</b> 3.3%	<b>\$ 400</b> 10.9%	<b>\$ 413</b> 12.7%	<b>\$ 190</b> 6.2%	<b>\$ 210</b> 7.4%	<b>\$ 66</b> 2.4%



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  
(dollars in thousands)**

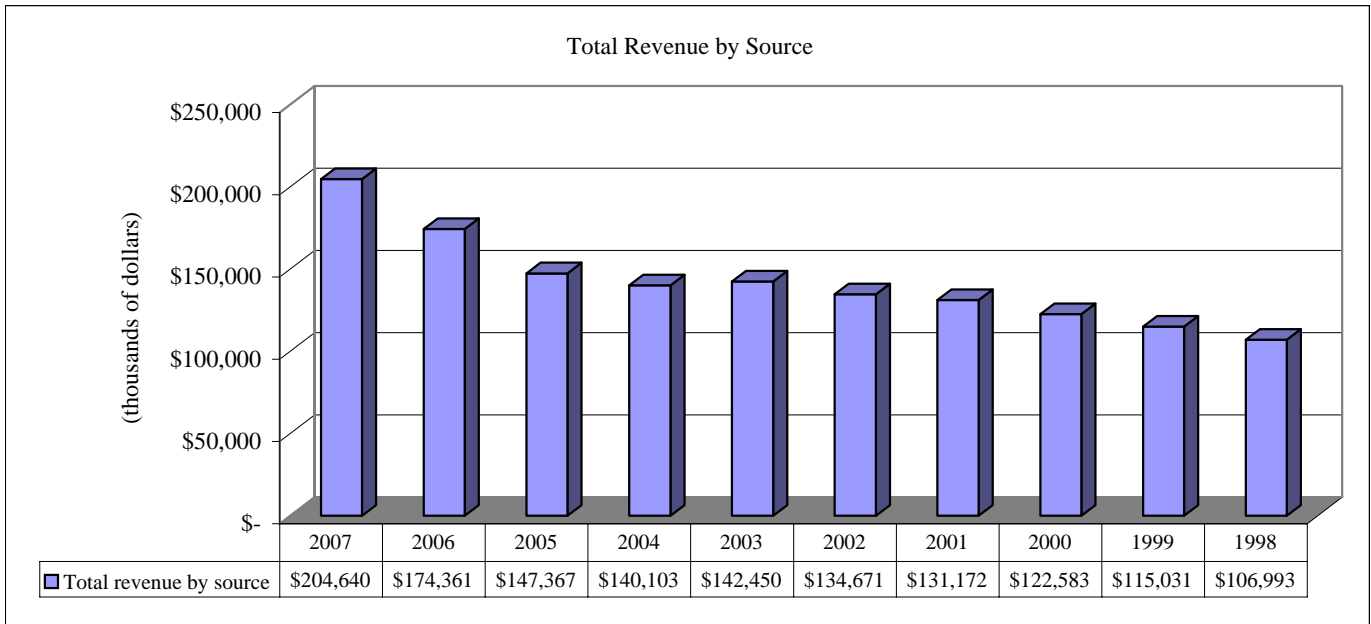
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Salary	\$ 2,069	\$ 1,869	\$ 1,679	\$ 1,653	\$ 1,521	\$ 1,407	\$ 1,301	\$ 1,201	\$ 1,130	\$ 1,090
Food, incl. donated comm.	2,363	2,276	2,026	2,087	1,885	1,850	1,616	1,464	1,367	1,300
Contracted service	52	40	41	209	22	151	23	7	6	7
Supplies	252	325	155	156	171	107	127	95	114	73
Other charges	784	696	396	429	517	343	312	309	228	214
Equipment	169	120	195	77	110	89	146	48	26	147
<b>Total expenditures by object</b>	<b>\$ 5,689</b>	<b>\$ 5,326</b>	<b>\$ 4,492</b>	<b>\$ 4,611</b>	<b>\$ 4,226</b>	<b>\$ 3,947</b>	<b>\$ 3,525</b>	<b>\$ 3,124</b>	<b>\$ 2,871</b>	<b>\$ 2,831</b>
<b>Increase over prior year</b>	<b>\$ 363</b> 6.8%	<b>\$ 834</b> 18.6%	<b>\$ (119)</b> -2.6%	<b>\$ 385</b> 9.1%	<b>\$ 279</b> 7.1%	<b>\$ 422</b> 12.0%	<b>\$ 401</b> 12.8%	<b>\$ 253</b> 8.8%	<b>\$ 40</b> 1.4%	<b>\$ 53</b> 1.9%



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  
(dollars in thousands)**

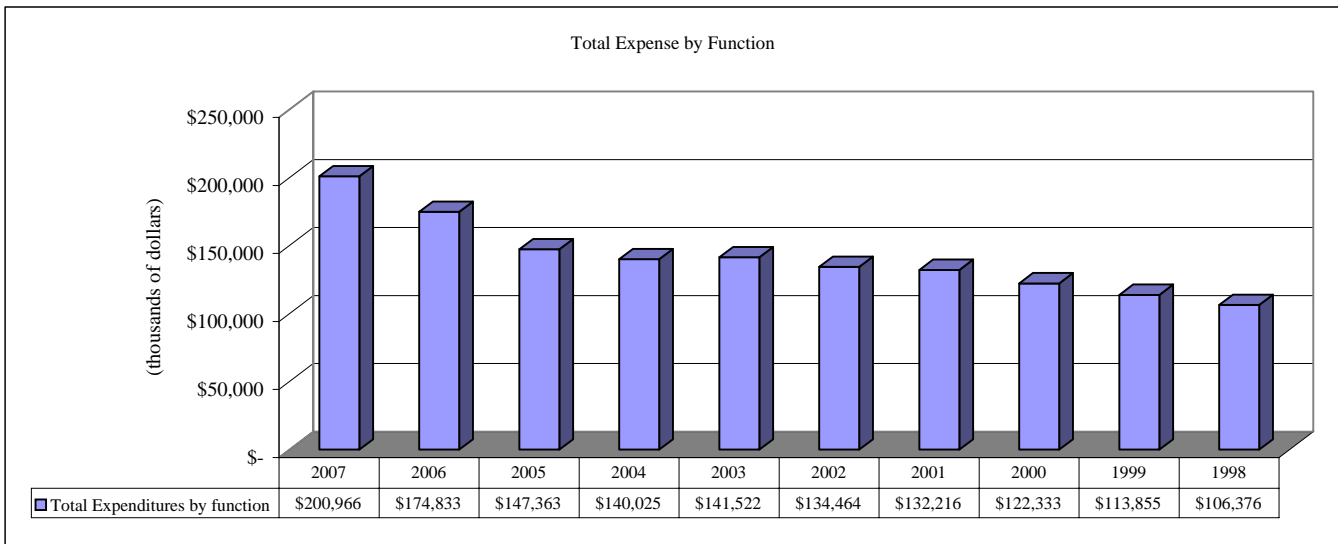
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Cecil County	\$ 88,969	\$ 68,101	\$ 65,762	\$ 65,566	\$ 63,045	\$ 62,088	\$ 60,645	\$ 57,075	\$ 52,894	\$ 49,577
State of Maryland	100,521	92,019	67,545	61,128	66,699	60,778	59,630	56,319	53,571	50,224
Federal government	9,885	9,700	10,419	9,926	9,272	8,087	7,197	6,234	5,499	4,688
Sale of meals	2,979	2,951	2,585	2,600	2,460	2,679	2,203	1,862	1,719	1,557
Interest earned	1,143	782	273	172	203	306	724	662	463	424
Other	1,143	808	783	711	771	733	773	431	885	523
<b>Total revenue by source</b>	<b><u>\$204,640</u></b>	<b><u>\$174,361</u></b>	<b><u>\$147,367</u></b>	<b><u>\$140,103</u></b>	<b><u>\$142,450</u></b>	<b><u>\$134,671</u></b>	<b><u>\$131,172</u></b>	<b><u>\$122,583</u></b>	<b><u>\$115,031</u></b>	<b><u>\$106,993</u></b>
<b>Increase over prior year</b>	<b>\$ 30,279</b> 17.4%	<b>\$ 26,994</b> 18.3%	<b>\$ 7,264</b> 5.2%	<b>\$ (2,347)</b> -1.6%	<b>\$ 7,779</b> 5.8%	<b>\$ 3,499</b> 2.7%	<b>\$ 8,589</b> 7.0%	<b>\$ 7,552</b> 6.6%	<b>\$ 8,038</b> 7.5%	<b>\$106,993</b> N/A



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  
(dollars in thousands)**

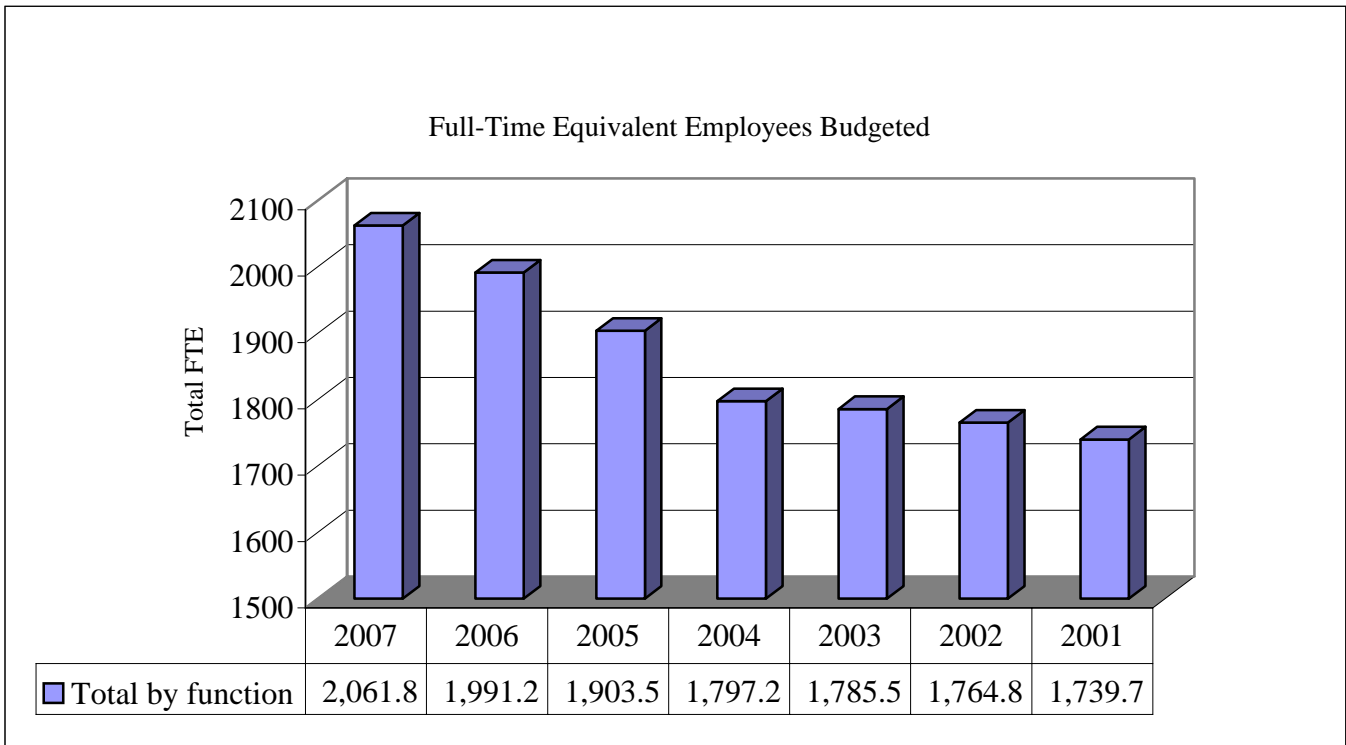
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Administration	\$ 4,199	\$ 3,593	\$ 3,171	\$ 2,519	\$ 2,601	\$ 2,433	\$ 2,399	\$ 2,198	\$ 1,916	\$ 1,641
Mid-level administration	12,447	11,702	10,975	10,394	9,907	8,996	8,518	8,130	7,874	7,100
Instruction salaries	62,112	57,924	54,207	51,033	48,502	46,470	42,890	40,533	38,625	36,308
Instruction materials and supplies	3,101	2,867	2,764	2,634	2,898	2,457	2,363	2,504	2,185	1,581
Instruction other costs	3,651	3,356	2,206	2,266	2,002	1,871	1,919	1,877	1,870	1,658
Special education	21,838	20,631	17,606	16,240	15,151	13,955	12,565	10,782	9,724	8,917
Student personnel services	757	741	683	619	587	586	325	307	293	265
Student health services	1,540	1,366	1,292	1,203	1,135	1,084	1,006	853	633	514
Student transportation	8,483	8,113	7,426	6,865	6,666	6,149	6,013	5,373	4,868	4,548
Operation of plant	10,980	9,884	9,226	8,260	8,005	7,069	7,304	6,436	5,977	5,799
Maintenance of plant	4,163	3,894	3,316	3,274	2,931	3,339	2,700	2,185	2,863	2,200
Fixed charges	24,729	23,842	21,784	19,542	23,317	22,075	21,569	20,108	19,569	19,662
Community services	248	360	289	659	783	561	574	286	203	126
Food and nutrition	4,792	5,326	4,492	4,533	4,116	3,947	3,432	3,103	2,996	2,713
Capital outlay	37,816	21,234	3,062	5,034	8,052	9,203	14,483	11,806	10,844	10,132
Debt service	110	-	4,864	4,950	4,869	4,269	4,156	5,852	3,415	3,212
<b>Total Expenditures by function</b>	<b>\$200,966</b>	<b>\$174,833</b>	<b>\$147,363</b>	<b>\$140,025</b>	<b>\$141,522</b>	<b>\$134,464</b>	<b>\$132,216</b>	<b>\$122,333</b>	<b>\$113,855</b>	<b>\$106,376</b>
<b>Increase over prior year</b>	<b>\$ 26,133</b>	<b>\$ 27,470</b>	<b>\$ 7,338</b>	<b>\$ (1,497)</b>	<b>\$ 7,058</b>	<b>\$ 2,248</b>	<b>\$ 9,883</b>	<b>\$ 8,478</b>	<b>\$ 7,479</b>	<b>N/A</b>
	14.9%	18.6%	5.2%	-1.1%	5.2%	1.7%	8.1%	7.4%	7.0%	N/A



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

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

	2007	2006	2005	2004	2003	2002	2001
Administration	47.75	46.75	43.75	40.25	38.75	36.50	36.50
Mid-level administration	197.00	196.00	192.00	162.50	159.50	155.03	154.53
Instruction salaries	1,182.53	1,135.85	1,071.72	1,032.00	1,041.16	1,024.74	1,028.00
Special education	368.60	349.55	337.05	313.45	305.00	303.60	292.60
Student personnel services	14.00	20.00	20.00	12.00	11.25	6.00	5.00
Student health services	33.00	32.56	32.50	30.50	30.38	29.50	28.58
Student transportation	27.00	26.00	28.00	28.50	28.50	28.50	27.50
Operation of plant	138.00	136.50	130.50	125.00	124.00	121.50	120.00
Maintenance of plant	51.00	46.00	46.00	45.00	45.00	45.00	45.00
Community services	-	-	-	6.00	-	12.50	-
Capital outlay	3.00	2.00	2.00	2.00	2.00	2.00	2.00
<b>Total by function</b>	<b>2,061.88</b>	<b>1,991.21</b>	<b>1,903.52</b>	<b>1,797.20</b>	<b>1,785.54</b>	<b>1,764.87</b>	<b>1,739.71</b>
Increase over prior year	70.67 3.55%	87.69 4.61%	106.32 5.92%	11.66 0.65%	20.67 1.17%	25.16 1.45%	N/A



Source: Cecil County Public Schools, Approved Budget  
Note: FTE information is not available for years 1998-2000

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

	2007 Capacity	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
County Population:		99,506	97,796	95,536	92,955	90,335	88,394	86,481	85,951	N/A	N/A
<b><u>Elementary Schools:</u></b>											
Bainbridge Elementary	455	240	264	278	292	301	304	308	327	350	353
Bay View Elementary	556	602	595	540	503	466	485	434	435	456	457
Calvert Elementary	304	334	341	355	360	364	389	357	370	394	411
Cecil Manor Elementary	504	473	460	478	524	539	513	527	531	510	466
Cecilton Elementary	295	327	337	319	309	336	376	367	357	358	334
Charlestown Elementary	292	206	198	184	168	184	180	191	221	239	243
Chesapeake City Elementary	331	290	302	301	286	305	325	344	356	356	368
Conowingo Elementary	458	552	544	528	512	534	544	582	566	551	531
Elk Neck Elementary	479	418	418	423	479	605	615	648	643	601	609
Gilpin Manor Elementary	512	405	424	455	463	469	447	413	413	404	367
Holly Hall Elementary	601	547	587	579	531	490	483	475	446	456	497
Kenmore Elementary	275	316	296	307	326	337	344	355	390	393	412
Leeds Elementary	364	417	395	407	426	440	440	461	452	431	416
North East Elementary	510	524	521	515	487	373	396	399	367	388	437
Perryville Elementary	581	366	370	430	438	450	496	526	523	526	527
Rising Sun Elementary	615	830	839	798	754	726	726	751	767	766	782
Thomson Estates Elementary	660	548	598	619	683	662	675	670	677	665	634
Elementary School Total:	7,792	7,395	7,489	7,516	7,541	7,581	7,738	7,808	7,841	7,844	7,844
<b><u>Middle Schools:</u></b>											
Bohemia Manor Middle	601	508	513	551	544	522	498	480	441	431	403
Cherry Hill Middle	754	524	571	565	536	560	532	528	535	503	666
Elkton Middle	712	663	662	662	636	593	572	546	519	508	352
North East Middle	712	831	826	822	822	797	788	784	756	729	723
Perryville Middle	688	686	709	721	767	771	756	822	777	776	752
Rising Sun Middle	775	714	712	710	743	747	735	670	631	652	595
Middle School Total:	4,242	3,926	3,993	4,031	4,048	3,990	3,881	3,830	3,659	3,599	3,491
<b><u>High Schools:</u></b>											
Bohemia Manor High	643	739	717	671	658	580	562	520	485	480	445
Elkton High	944	1109	1097	1,066	1,039	1,012	966	941	937	911	944
North East High	1009	1114	1110	1,094	1,079	991	939	925	919	932	909
Perryville High	860	972	986	1,039	1,039	1,019	1,044	968	896	849	813
Rising Sun High	903	1166	1129	1,117	1,068	1,027	945	880	893	885	881
High School Total:	4,359	5,100	5,039	4,987	4,883	4,629	4,456	4,234	4,130	4,057	3,992
<b><u>Other Schools:</u></b>											
Cecil County High School*	48	29	-	1	3	3	20	33	50	50	-
School of Technology*	475	512	458	464	557	518	455	N/A	N/A	N/A	N/A
<b>Grand Total</b>	16,916	16,421	16,521	16,535	16,475	16,203	16,095	15,905	15,680	15,550	15,327
High School Graduates:		1,003	996	1,048	950	907	892	823	829	797	854

\*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 Public Schools Department of Guidance

**CECIL COUNTY PUBLIC SCHOOLS**  
**COST PER STUDENT**  
**BUDGETARY BASIS (non-GAAP)**  
**LAST SIX FISCAL YEARS**  
**(dollars in thousands)**

	2007	2006	2005	2004	2003	2002
Total Student Enrollment	16,421	16,521	16,535	16,475	16,203	16,095
Administration	\$ 297	\$ 276	\$ 229	\$ 192	\$ 191	\$ 183
Mid-level administration	975	919	856	809	772	706
Instruction salaries	4,984	4,645	4,338	4,063	3,874	3,744
Instruction materials and supplies	189	173	167	160	179	152
Instruction other costs	292	260	294	100	105	82
Special education	1,651	1,554	1,325	1,222	1,140	1,065
Student personnel services	60	59	53	48	46	46
Student health services	118	108	103	94	90	86
Student transportation	526	503	458	428	414	388
Operation of plant	753	688	644	575	563	500
Maintenance of plant	292	271	230	230	215	236
Food and nutrition	302	297	279	276	261	238
Community services	15	22	18	44	54	41
Capital outlay	288	296	25	426	462	374
Interest on long-term debt	-	1	1	-	-	-
Total cost per student	<u>\$ 10,742</u>	<u>\$ 10,072</u>	<u>\$ 9,020</u>	<u>\$ 8,667</u>	<u>\$ 8,366</u>	<u>\$ 7,841</u>
Increase over prior year	\$ 670 6.7%	\$ 1,052 11.7%	\$ 353 4.1%	\$ 301 3.6%	\$ 525 6.7%	N/A N/A

Source: Statement of Activities  
Note: Data is not available for 1998-2001



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

	2007	2006	2005	2004	2003	2002
Total Student Enrollment:	16,421	16,521	16,535	16,475	16,203	16,095
<b><u>FOOD &amp; NUTRITION</u></b>						
Number of days lunch served	180	180	180	179	178	180
Average number of lunches served daily:						
Free lunch	2,460	2,453	2,295	2,144	2,052	1,958
Reduced price	685	671	628	589	544	508
Regular price	4,755	4,613	4,274	3,897	3,766	3,824
Total average number of lunches served daily:	7,900	7,737	7,197	6,630	6,362	6,290
Percentage of student participation:						
Students receiving free lunch	15.0%	14.8%	13.9%	13.0%	12.7%	12.2%
Students paying reduced price	4.2%	4.1%	3.8%	3.6%	3.4%	3.2%
Students paying regular price	29.0%	27.9%	25.8%	23.7%	23.2%	23.8%
Total percentage of student participation	48.2%	46.8%	43.5%	40.3%	39.3%	39.2%
Cost per lunch to student:						
Elementary	\$1.45	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35
Secondary	\$1.60	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50
<b><u>STUDENT TRANSPORTATION</u></b>						
Number of students eligible to ride the school bus	15,169	15,062	14,911	14,324	14,163	14,098
Number of school bus riders daily	10,974	11,119	10,578	10,604	N/A	N/A
Percentage of student participation	66.8%	67.3%	64.0%	64.4%	N/A	N/A
Number of school bus routes:						
County	11	10	10	13	13	13
Private Contractor	145	142	138	127	125	128
<b><u>TEACHER DATA</u></b>						
Total number of budgeted teachers	1,190.30	1,156.50	1,110.87	1,067.25	1,052.93	1,049.44
Minimum salary	\$ 38,336	\$ 36,862	\$ 35,788	\$ 34,412	\$ 33,088	\$ 31,815
Maximum salary *	\$ 64,986	\$ 67,673	\$ 64,889	\$ 62,480	\$ 60,404	\$ 57,908
Average annual salary	\$ 52,646	\$ 51,048	\$ 49,800	\$ 48,635	\$ 46,946	\$ 45,165
Increase over prior year	3.1%	2.5%	2.4%	3.6%	3.9%	4.9%
Percentage of teachers with Master's and/or APC	54.8%	55.0%	55.8%	56.4%	55.6%	54.9%
Percentage of teachers with Master's plus credits	5.6%	6.3%	6.2%	7.1%	7.2%	7.4%
Percentage of teachers with Doctorate	0.3%	0.4%	0.2%	0.3%	0.3%	0.3%
Student/Teacher Ratio	13.8	14.3	14.9	15.4	15.4	15.3

\*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

**CECIL COUNTY PUBLIC SCHOOLS  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO**

Employer	Calendar Year 1997			Calendar Year 2006		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
W. L. Gore & Associates, Inc.	1727	1	4.21%	2506	1	4.92%
Cecil County Board of Education	1662	2	4.05%	1991	2	3.91%
Perry Point V.A. Hospital	1284	3	3.13%	1173	3	2.30%
Union Hospital	705	4	1.72%	900	4	1.77%
ATK Taktical Systems (formerly Thiokol Corp.)	410	6	1.00%	580	5	1.14%
Cecil County Government	436	7	1.06%	496	6	0.97%
Terumo Medical Corporation	408	8	1.00%	400	7	0.78%
IKEA/Genco	N/A	N/A	N/A	370	8	0.73%
Basell North America, Inc. (formerly Montell USA)	225		0.55%	350	9	0.69%
Wal-Mart Stores, Inc.	229	10	0.56%	300	10	0.59%
Acme Markets	230	9	0.56%	*		
Maryland Transportation Authority	468	5	1.14%	*		
Totals	<u>7,784</u>		<u>18.98%</u>	<u>9,066</u>		<u>17.80%</u>

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

**OTHER SUPPLEMENTARY  
INFORMATION**

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INDEPENDENT AUDITORS' 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

Board of Education of  
Cecil County, Maryland

We have audited the basic financial statements of Cecil County Public Schools (the School System), as of and for the year ended June 30, 2007, and have issued our report thereon dated September 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

### Compliance and Other Matters

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

We noted certain matters that we reported to management of the School System in a separate letter dated September 24, 2007.

This report is intended for the information of the school board, management, the federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Reznick Group, P.C.*

Baltimore, Maryland  
September 24, 2007

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education of  
Cecil County, Maryland

Compliance

We have audited the compliance of Cecil County Public Schools (the School System) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs - Financial Reporting. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School System's management. Our responsibility is to express an opinion on the School System's compliance based on our audit.

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

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

## Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School System's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the School System's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the School System's internal control.

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

This report is intended for the information of the school board, management, the federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Reznick Group, P.C.*

Baltimore, Maryland  
September 24, 2007



Board of Education of Cecil County

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –**

**FINANCIAL REPORTING**

Year ended June 30, 2007

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Cecil County Public Schools.
2. No significant deficiencies were identified during the audit of the financial statements.
3. No instances of noncompliance material to the basic financial statements of Cecil County Public Schools were disclosed during the audit.
4. No reportable conditions were identified during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for Cecil County Public Schools expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for Cecil County Public Schools.
7. The programs tested as major programs include – See Note B in the Notes to Schedule of Expenditures of Federal Awards.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Cecil County Public Schools was determined to be a low-risk auditee.

**B. FINDINGS – BASIC FINANCIAL STATEMENTS AUDIT**

NONE

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

NONE

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year ended June 30, 2007

Grant Name	MSDE Grant Number	Federal Grant Number	CCPS Grant Number	Project Period		Total Grant Award	Expenditures
				From	To		
<b>General Fund:</b>							
Federal Programs administered through the Maryland State Department of Education							
<u>Department of Education, Office of Elementary and Secondary Education</u> <i>Elementary and Secondary Education Act of 1965</i>							
Title I Grants to Local Educational Agencies	700539-01	84.010	100-108	07/01/06	06/30/08	\$ 2,077,256	\$ 1,939,544
Title I Grants to Local Educational Agencies	600540-01	84.010	112	07/01/05	06/30/07	2,076,620	130,228
Title I Grants to Local Educational Agencies	602111-01	84.010	109	10/01/05	08/31/06	10,677	4,797
Title I Grants to Local Educational Agencies	701880-01	84.010	151	03/01/07	06/30/07	2,746	2,746
Title I Grants to Local Educational Agencies	601816-01	84.010	150	12/01/05	09/30/06	12,432	3,909
State Grants for Innovative Programs	700618-01	84.298	115	07/01/06	06/30/08	26,718	22,303
State Grants for Innovative Programs	600440-01	84.298	116	07/01/05	06/30/07	52,946	1,219
Education Technology State Grants	700675-01	84.318	189	07/01/06	06/30/08	21,465	1,627
Education Technology State Grants	700675-02	84.318	191	07/01/06	06/30/07	94	94
Education Technology State Grants	601025-02	84.318	190	07/01/05	06/30/07	39,251	38,256
Improving Teacher Quality State Grants	700642-01	84.367	154	07/01/06	06/30/08	680,474	637,224
Improving Teacher Quality State Grants	600466-01	84.367	164	07/01/05	06/30/07	676,684	63,254
Subtotal						5,677,363	2,845,201
<i>Elementary and Secondary Education Act (ESEA)</i>							
English Language Acquisition Grants	700350-01	84.365A	143	07/01/06	06/30/08	23,082	17,724
English Language Acquisition Grants	600492-01	84.365A	144	07/01/05	06/30/07	25,400	153
Subtotal						48,482	17,877
<u>Department of Education, Office of Special Education and Rehabilitative Services</u> <i>Individuals with Disabilities Education Act (IDEA)</i>							
Special Education Grants to States	700151-01	84.027	401	07/01/06	06/30/07	3,113,691	3,113,691
Special Education Grants to States	600321-01	84.027	401	07/01/05	09/30/06	3,101,025	-
Special Education Grants to States	700151-02	84.027	403	07/01/06	09/30/07	18,530	18,530
Special Education Grants to States	700151-03	84.027	404	07/01/06	09/30/07	6,000	4,675
Special Education Grants to States	600321-02	84.027	403, 431, 434	07/01/05	09/30/06	34,530	1,177
Special Education Grants to States	700151-04	84.027	410	07/01/06	09/30/07	25,000	11,940
Special Education Grants to States	700151-05	84.027	412	07/01/06	09/30/07	2,500	550
Special Education Grants to States	600321-03	84.027	432	07/01/05	09/30/06	2,500	189
Special Education Grants to States	700151-06	84.027	419	07/01/06	09/30/07	10,000	9,112
Special Education Grants to States	700151-07	84.027	406	07/01/06	09/30/07	32,435	29,383
Special Education Grants to States	600321-04	84.027	406	07/01/05	09/30/06	32,435	-
Special Education Preschool Grants	700151-08	84.173	405	07/01/06	06/30/07	117,543	117,543
Special Education Grants to States	600674-01	84.027	433	07/01/05	09/30/06	9,000	2,787
Special Education Grants to States	700161-01	84.027	422	07/01/06	09/30/07	50,160	10,315
Special Education Grants to States	600683-01	84.027	421	07/01/05	12/31/06	50,000	31,915
Special Education Preschool Grants	700564-02	84.173	491	07/01/06	06/30/07	2,082	2,082
Special Education Grants to States	700413-01	84.027	413	07/01/06	09/30/07	38,635	18,219
Special Education Grants to States	700284-01	84.027	417	07/01/06	09/30/07	12,500	12,500

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2007

Grant Name	MSDE Grant Number	Federal Grant Number	CCPS Grant Number	Project Period		Total Grant Award	Expenditures
				From	To		
<b>General Fund:</b>							
Federal Programs Administered through the Maryland State Department of Education - Continued							
<u>Department of Education, Office of Special Education and Rehabilitative Services - Continued</u>							
<i>Individuals with Disabilities Education Act (IDEA)</i>							
Special Education State Personnel							
Development	601313-01	84.323	424	07/01/05	09/30/06	\$ 12,244	\$ 4,956
Special Education Grants for Infants and Families with Disabilities	700708-01	84.181	407	07/01/06	06/30/07	6,747	6,747
Special Education Grants for Infants and Families with Disabilities	600364-01	84.181	408	07/01/05	06/30/06	19,179	218
Special Education Grants for Infants and Families with Disabilities	700708-02	84.181	427	07/01/06	06/30/07	104,487	104,487
Special Education Preschool Grants	700708-04	84.173	428	07/01/06	06/30/07	7,000	7,000
Special Education Grants to States	700708-03	84.027	429	07/01/06	06/30/07	16,802	16,802
Special Education Grants to States	702142-01	84.027	426	06/15/07	06/30/08	2,323	-
Subtotal						<u>6,827,348</u>	<u>3,524,818</u>
<u>Department of Education, Office of Assistant Secretary for Vocational and Adult Education</u>							
<i>Carl D. Perkins Vocational and Technical Education Act of 1998</i>							
Vocational Education Basic Grants to States	700889-01	84.048	113	07/01/06	06/30/07	169,346	169,346
Vocational Education Basic Grants to States	701570-02	84.048	120	07/01/06	09/30/07	8,664	5,103
Vocational Education Basic Grants to States	701570-01	84.048	121	07/01/06	06/30/07	9,828	8,783
Subtotal						<u>187,838</u>	<u>183,232</u>
<u>Department of Education, Office of Vocational and Adult Education</u>							
<i>Carl D. Perkins Vocational and Technical Education Amendments of 1998</i>							
Tech-Prep Education	701786-01	84.243	123	11/09/06	12/30/07	25,000	11,203
Tech-Prep Education	702180-01	84.243	114	06/01/07	06/30/08	9,510	-
Subtotal						<u>34,510</u>	<u>11,203</u>
<u>Department of Education, Office of Safe and Drug-Free Schools</u>							
<i>Elementary and Secondary Education Act</i>							
Safe and Drug-Free Schools and Communities State Grants	700190-01	84.186	201	07/01/06	06/30/08	59,268	45,686
Safe and Drug-Free Schools and Communities State Grants	600512-01	84.186	204	07/01/05	06/30/07	75,657	4,060
Subtotal						<u>134,925</u>	<u>49,746</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2007

Grant Name	MSDE Grant Number	Federal Grant Number	CCPS Grant Number	Project Period		Total Grant Award	Expenditures
				From	To		
<b>General Fund:</b>							
Federal Programs Administered through the Maryland State Department of Education - Continued							
<u>Corporation for National and Community Service</u> <i>National and Community Services Act of 1990</i>							
Learn and Serve America School and Community Based Programs	701772-01	94.004	214	09/01/06	08/31/07	\$ 15,000	\$ 13,516
Learn and Serve America School and Community Based Programs	601008-01	94.004	208	09/01/05	08/31/06	10,651	5,334
Subtotal						<u>25,651</u>	<u>18,850</u>
<u>Department of Health and Human Services, Centers for Disease Control and Prevention</u> <i>Public Health Services Act</i>							
Preventive Health and Health Services Block Grant	701616-01	93.991	195	11/01/06	09/30/07	11,500	6,506
Preventive Health and Health Services Block Grant	600369-01	93.991	193	07/01/05	06/30/06	13,000	1,007
Subtotal						<u>24,500</u>	<u>7,513</u>
<u>Department of Health and Human Services, Health Resources and Services Administration</u> <i>Public Health Services Act</i>							
Sexual Harassment/Assault Prevention Grant	500950-01	93.126	194	10/01/04	06/30/06	13,000	257
Subtotal						<u>13,000</u>	<u>257</u>
<u>Department of Health and Human Services, Centers for Medicare and Medicaid Services</u> <i>Social Security Act</i>							
Medical Assistance Program	600197-01	93.778	450	07/01/05	09/30/06	1,151,652	417,915
Medical Assistance Program	600226-01	93.778	451	07/01/05	09/30/06	75,000	13,607
Subtotal						<u>1,226,652</u>	<u>431,522</u>
<u>Department of Education, Office of Innovation and Improvement</u> <i>Elementary and Secondary Education Act</i>							
Advanced Placement Program	700786-01	84.330C	174	10/01/06	12/31/07	60,502	28,953
Advanced Placement Program	700786-02	84.330C	173	10/01/06	12/31/07	6,000	-
Advanced Placement Program	600865-01	84.330C	175	09/01/05	12/31/06	45,637	24,147
Advanced Placement Program	602188-01	84.330C	176	06/01/06	09/30/06	12,312	332
Subtotal						<u>124,451</u>	<u>53,432</u>
<u>Department of Education</u> <i>Hurricane Education Recovery Act</i>							
Hurricane Education Recovery	700388-01	84.938C	241	07/01/06	09/30/06	12,000	12,000
Hurricane Education Recovery	602019-01	84.938C	240	09/01/05	09/30/06	12,000	-
Subtotal						<u>24,000</u>	<u>12,000</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2007

Grant Name	MSDE Grant Number	Federal Grant Number	CCPS Grant Number	Project Period		Total Grant Award	Expenditures
				From	To		
<b>General Fund:</b>							
Federal Programs Administered through Other Government Agencies							
<u>Department of Education, Office of Elementary and Secondary Education</u>							
<i>Elementary and Secondary Education Act of 1965</i>							
Education Technology State Grants	N/A	84.318	186	10/01/04	09/30/06	\$ 10,000	\$ -
Education Technology State Grants	N/A	84.318	181	07/01/04	09/30/06	20,366	11,960
Education Technology State Grants	N/A	84.318	280	07/01/05	09/30/07	3,590	97
Education Technology State Grants	N/A	84.318	281	07/01/04	09/30/06	2,560	1,122
Education Technology State Grants	N/A	84.318	188	10/01/05	09/30/07	16,346	1,938
Education Technology State Grants	N/A	84.318	184	07/01/04	09/30/06	16,590	7,928
Subtotal						69,452	23,045
<u>Department of Health and Human Services, Centers for Medicare and Medicaid Services</u>							
<i>Social Security Act</i>							
Medical Assistance Program	N/A	N/A	452	07/01/05	09/30/06	1,175	1,175
Subtotal						1,175	1,175
<u>Department of Health and Human Services, Administration for Children and Families</u>							
<i>Mental Retardation Facilities and Construction Act of 1963</i>							
Developmental Disabilities Basic Support and Advocacy Grants	N/A	93.630	439	10/01/05	12/31/06	40,000	4,424
Subtotal						40,000	4,424
<u>Department of Health and Human Services, Administration for Children and Families</u>							
<i>Part A of Title IV of the Social Security Act as included in the Deficit Reduction Act of 2005</i>							
Healthy Marriage Promotion and Responsible Fatherhood Grants	N/A	93.086	135	09/30/06	09/29/07	100,000	49,527
Subtotal						100,000	49,527
<u>Department of Justice, Office of Community Oriented Policing Services</u>							
<i>Omnibus Crime Control and Safe Streets Act of 1968</i>							
Public Safety Partnership And Community Policing Grants	N/A	16.710	250	09/01/06	08/31/08	107,886	107,886
Subtotal						107,886	107,886
Total Federal Programs - General Fund						\$14,667,233	\$ 7,341,708

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2007

Grant Name	MSDE Grant Number	Federal Grant Number	CCPS Grant Number	Project Period		Total Grant Award	Expenditures
				From	To		
<b>Special Revenue Fund:</b>							
<u>U.S. Department of Agriculture, Food and Nutrition Services</u>							
<i>National School Lunch Act</i>							
National School Lunch Program	N/A	10.555	N/A	07/01/06	06/30/07	N/A	\$ 1,508,264
Food Donation	N/A	10.550	N/A	07/01/06	06/30/07	N/A	199,317
Subtotal							<u>1,707,581</u>
<i>Child Nutrition Act of 1966</i>							
School Breakfast Program	N/A	10.553	N/A	07/01/06	06/30/07	N/A	<u>455,739</u>
Subtotal							<u>455,739</u>
Total Federal Programs - Special Revenue Fund							<u><u>\$ 2,163,320</u></u>

**CECIL COUNTY PUBLIC SCHOOLS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2007**

**NOTE A - SCOPE OF SINGLE AUDIT PURSUANT TO OMB CIRCULAR A-133**

All federal financial assistance programs operated by the Cecil County Public Schools are included in the scope of the OMB Circular A-133 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 OMB Circular A-133 audit.

**NOTE B – FISCAL PERIOD AUDITED**

Single Audit testing procedures were performed for program transactions occurring during the fiscal year ended June 30, 2007 for the following major programs:

<b><u>Grant Name</u></b>	<b><u>Federal Grant Number</u></b>	<b><u>Expenditures</u></b>
Special Education Grants to States	84.027	\$ 3,281,785
Special Education Preschool Grants	84.173	\$ 126,625
USDA School Lunch	10.555	1,508,264
USDA School Breakfast	10.553	455,739
		<u>\$ 5,372,413</u>