



Comprehensive Annual Financial Report



CECIL COUNTY PUBLIC SCHOOLS

A Component Unit of Cecil County
201 Booth Street
Elkton, Maryland 21921
www.ccps.org



Fiscal Year Ended June 30, 2006

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



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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, 2006

BOARD OF EDUCATION

Lisa A. Koch, President
Anthony L. Wong, Vice President
William W. Herold, Member
Earl M. Piner, Member
Stewart C. Wilson, Member
Christopher C. Foltz, Student Member

Carl D. Roberts, Ed.D., Superintendent of Schools and Secretary-Treasurer
A. Barbara Wheeler, Ed.D., Associate Superintendent for Education Services
Henry A. Shaffer, Associate Superintendent for Administrative Services
Thomas M. Kappra, Chief Financial Officer

Prepared by the Department of Business Services

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**CECIL COUNTY PUBLIC SCHOOLS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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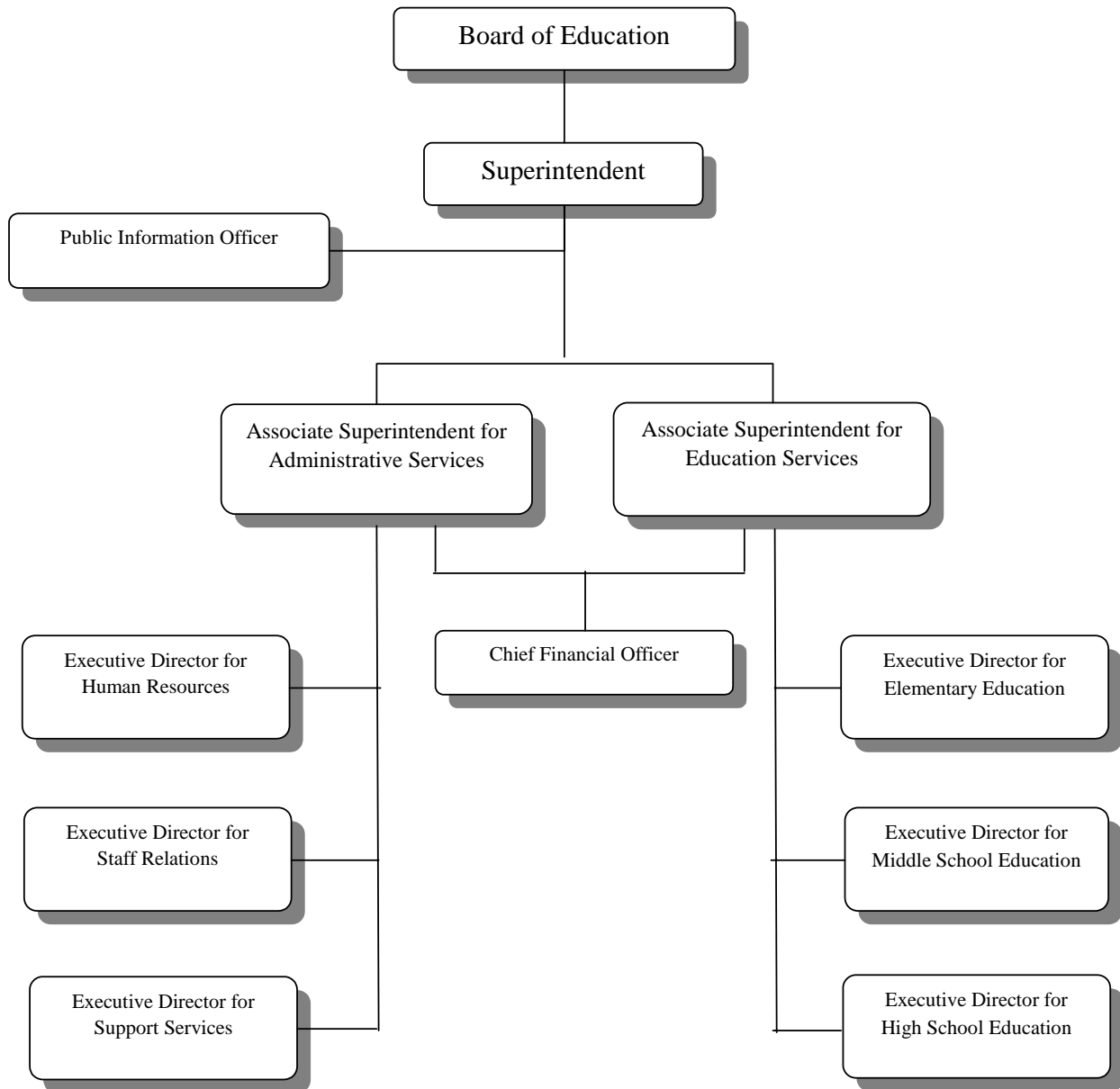
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INTRODUCTORY SECTION

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Cecil County Public Schools
Organization Chart
As of June 30, 2006



**LEADERSHIP TEAM
AS OF JUNE 30, 2006**

| | |
|----------------------------|---|
| Carl D. Roberts, Ed.D. | Superintendent of Schools and Secretary/ Treasurer of the Board of Education |
| A. Barbara Wheeler, Ed.D. | Associate Superintendent for Education Services |
| Henry A. Shaffer | Associate Superintendent for Administrative Services |
| Carolyn J. Teigland, Ed.D. | Executive Director for Elementary Education |
| Peter L. McCallum, Ed.D. | Executive Director for Middle School Education |
| Mary Etta Reedy | 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 |
| Karen L. Emery | Public Information Officer |

CECIL COUNTY PUBLIC SCHOOLS

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

201 Booth Street, Elkton, MD 21921



*“Building a
Foundation for
Lifelong
Learning”*

September 9, 2006

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, 2006 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 appointed 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

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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.

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 16,521 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 14th largest of the 24 School Systems in Maryland.

As one of the largest employers in Cecil County, the School System has approximately 2,198 employees including 1,299 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 50 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 97,800, 50% 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 2007, the County will provide \$164 per student above the Maintenance of Effort per student amount of \$3,851.

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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 2007, this represents an increase in state aid of 13.4% for an increase of \$618 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 2007 totals \$160.6 million dollars, funded 41% by the County, 53% 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 2006 will evaluate the effectiveness of our strategies in 2005 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 professional and support staff 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

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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 2006 approved operating budget:

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

- Pre-Kindergarten for all economically disadvantaged four year olds
- Progress toward implementing full day Kindergarten in all elementary schools
- Support for students learning English as a second language
- First phase of foreign language at the middle school level
- Comprehensive education that addresses state outcomes
- Special Education services utilizing assistive technology and inclusive practices
- Intervention services to help students at risk of not meeting school success
- Technology instruction integrated into curriculum units

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

- Counseling and educational efforts to eliminate violent and disruptive behaviors
- Educational efforts to help students avoid substance abuse and to help those who have made inappropriate choices
- Training and practice to help school leaders prepare for crisis situations
- 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
- A wide range of extracurricular activities including athletics, music, art and service activities to extend student learning and engagement

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

- Active recruitment of a diversified and highly qualified work force that mirrors our community composition
- Retention of our trained staff with competitive salaries and attractive benefits
- Ongoing training and support for certified and support personnel to maintain the federal requirements of a highly qualified workforce
- Implement improvements in business processes for increased efficiency and effectiveness
- Provide staff development for all staff to apply principles of systems thinking for continuous improvement to the operation of their classrooms, offices and departments

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The Future

Funding for the following major programmatic initiatives were included in the annual operating budget in fiscal year 2007:

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

- Full day Kindergarten in all schools
- Additional weekly physical education / Dance 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

ECONOMIC CONDITION AND OUTLOOK

The County, with a population of 97,800, contributes 47,800 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 over 20,000 Cecil County residents commute to jobs in Baltimore City, Harford, Baltimore, New Castle and Chester Counties each day. Non-residents fill approximately 7,600 Cecil jobs.

The County's unemployment rate for the January-July 2006 period was 4.1% as compared to 4.7% during the same months in 2005. Trade, transportation and utilities industries, manufacturing and

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leisure and hospitality services account for 19.0, 14.8 and 10.5 percent, respectively, of the total employment numbers.

Cecil County enjoys an extremely diverse economic base ranging from traditional primary industries to high-technology businesses. The County's 1,810 private businesses employ 21,200 workers; an estimated 31 of these businesses have 100 or more workers. Key employers include a host of world-class companies such as ATK Elkton, DuPont Viton, General Electric, W.L. Gore & Associates, IKEA, and Terumo Medical Corporation.

The industrial sector's assessable real property has increased from \$104,574,105 in 1999 to \$299,574,979 in 2005. In just six years this private investment in Cecil County has doubled the industrial tax base, as a percentage of total tax base, from 2.4 to 4.8 percent thus diversifying the tax base of the county.

Major economic development activity during fiscal year 2006 includes the following:

- C & S Wholesale Grocers is expanding an 89,000 square foot refrigerated distribution center in the North East area to 250,000 square feet at a cost of \$12,000,000, expected to employ 120.
- Champion Properties is constructing a speculative 600,000 square foot distribution center in the North East area with an investment of \$28,000,000.
- Stewart Associates are constructing the first of five 45,000 square foot flex/office buildings in the Principio Industrial Park near North East. Estimated cost is \$4,000,000.
- W. L. Gore is expanding its production facilities at the Cherry Hill and Appleton Central plants. The 22,000 square foot expansion is expected to cost \$5,500,000 and increase employment by 140 jobs.

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, 2005. This is the third 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, 2005.

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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 third 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 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 is 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.

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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 2006, these investments provided income for all funds in the amount of \$781,977. A comparable figure for fiscal year 2005 was \$272,663. The increase was mainly due to the increase in interest rates.

Independent Audit

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

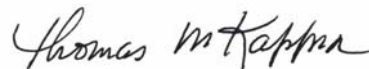
Acknowledgements

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. Kappra
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, 2005

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.



Carla E. Perry

President

Jeffrey R. Emer

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, 2005**

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

Interim Executive Director

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, 2006, 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 governmental activities and each major fund of the School System as of June 30, 2006, 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 August 24, 2006, 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 15 through 26 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 79 through 82 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 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.

Baltimore, Maryland
August 24, 2006

Reznick Group, P.C.

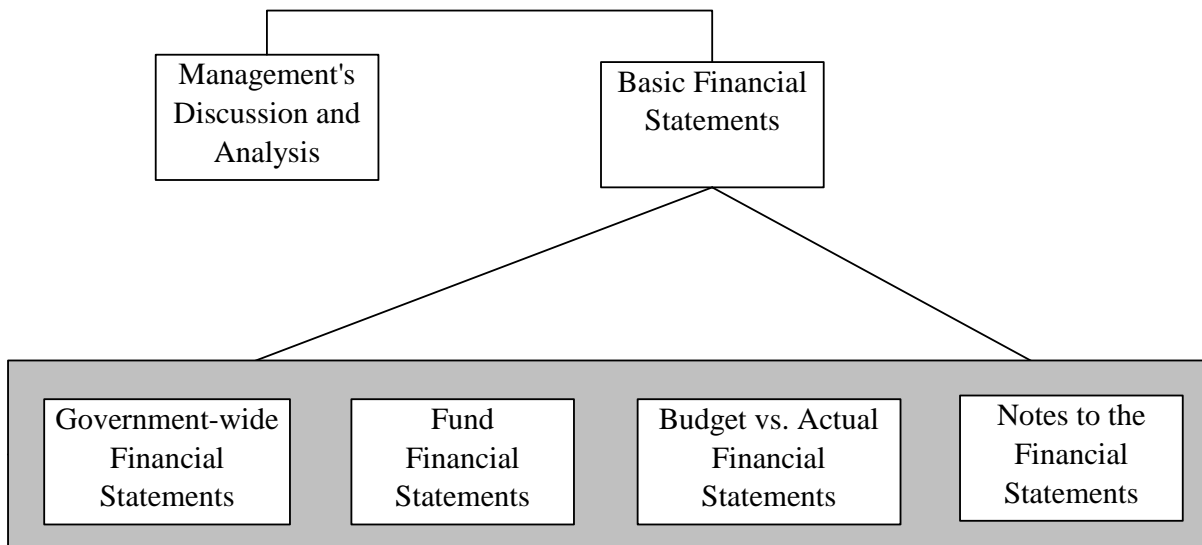
Management’s Discussion and Analysis

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, 2006. 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.

| Major Features of the Government-wide and Fund Financial Statements | | | |
|--|--|---|---|
| | Government-wide Statements | Fund Financial Statements | |
| | | Government Funds | Fiduciary Funds |
| Scope | 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 |
| Required financial statements | <ul style="list-style-type: none"> - Statement of net assets - Statement of activities | <ul style="list-style-type: none"> - Balance sheet - Statement of revenues, expenditures, and changes in fund balance | <ul style="list-style-type: none"> - Statement of fiduciary net assets - Statement of changes in fiduciary net assets |
| Accounting basis and measurement focus | Accrual accounting and economic resource focus | Modified accrual basis and current financial resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | 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 |
| Type of inflow/outflow information | 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 27 and 28), the *Fund Financial Statements* (pages 29, 31 and 34) and the *Budget vs. Actual Financial Statements* (pages 32 and 43). The *Notes to the Basic Financial Statements* (pages 35-51) 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 of accounting basis. 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 30 and 33.

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 34) 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 vs. 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 immediately following the basic governmental fund financial statements on page 32. The Special Revenue Fund does not require a legally adopted budget, and therefore, a budget vs. actual comparison is not reported here.

GOVERNMENT-WIDE FINANCIAL HIGHLIGHTS

The School System has no authority to levy taxes or issue bonded debt. Accordingly, the financial condition of the School System is directly related to the financial condition of the funding authorities. Any appropriated funds that are unspent at the end of the fiscal year must be re-appropriated by the County government in the subsequent fiscal year before they can be spent. Key financial highlights are as follows:

- The school System's net assets at the end of the fiscal year total \$126.1 million, of which \$124 million is invested in capital assets, net of related debt
- Net assets increased \$15.1 million for the year, most of which is attributable to capital construction projects
- General revenues of \$118.0 million account for 65% of all revenues, program revenues of \$63.4 million account for 35%
- The food and nutrition department received \$2.7 million from charges for services, accounting for 53% of food and nutrition total revenue

GOVERNMENT-WIDE FINANCIAL ANALYSIS**Net Assets**

As of June 30, 2006, the School System had total assets of \$153.2 million. Of the \$24.8 million current assets, approximately 83.7% was in cash and cash equivalents and 12.5% was due from other governments. Non current assets, 83.8% of the total assets, represent the value of land, buildings, furniture and equipment net of accumulated depreciation. Of the \$27.2 million in total liabilities as of June 30, 2006, 75.7% are current liabilities to settle within the next fiscal year. Non-current liabilities, 24.3% 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 \$126.0 million in net assets consists of \$124.0 million invested in capital assets (net of related debt), \$1.6 million unrestricted and \$0.49 million restricted for capital projects.

A comparison of Net Assets for 2006 vs. 2005 is shown below:

| | <u>2006</u> | <u>2005</u> | <u>Increase/ (Decrease)</u> |
|--|-----------------------|-----------------------|---------------------------------|
| Assets | | | |
| Current assets | \$ 24,844,369 | \$ 19,442,229 | \$ 5,402,140 |
| Capital assets | <u>128,364,289</u> | <u>108,815,969</u> | <u>19,548,320</u> |
| Total assets | <u>153,208,658</u> | <u>128,258,198</u> | <u>24,950,460</u> |
| Liabilities | | | |
| Current liabilities | 20,557,670 | 14,565,820 | 5,991,850 |
| Long term liabilities | <u>6,606,280</u> | <u>2,748,890</u> | <u>3,857,390</u> |
| Total liabilities | <u>27,163,950</u> | <u>17,314,710</u> | <u>9,849,240</u> |
| Net Assets | | | |
| Investment in capital assets, net of related debt | 123,977,382 | 108,410,260 | 15,567,122 |
| Restricted for capital projects | 487,935 | 346,608 | 141,327 |
| Unrestricted (deficit) | <u>1,579,391</u> | <u>2,186,620</u> | <u>(607,229)</u> |
| Net assets, end of year | <u>\$ 126,044,708</u> | <u>\$ 110,943,488</u> | <u>\$ 15,101,220</u> |

Change in Net Assets

The School System's combined net assets increased by \$15.1 million or 13.6% on June 30, 2006, to \$126 million as summarized below. Current assets increased by \$5.4 million due to an increase in cash and cash equivalents of \$3.7 million, an increase in funds due from other governmental agencies of \$1.8 million, an increase in accounts receivable of \$.1 million and a decrease in other

current assets of \$.1 million. Capital assets increased by \$19.6 million or 18% due to additions to capital assets exceeding depreciation for the fiscal year.

Current liabilities increased by \$6 million or 41.1%. Accrued salaries increased \$1.3 million. This represents salaries earned by 10 month employees who elect to be paid over 12 months. Outstanding accounts payable increased by \$4.3 million while estimated health care claims incurred but not reported increased by \$.3 million. Long-term liabilities increased \$3.9 million or 140.3% due mainly to an increase in capital leases.

Statement of Activities

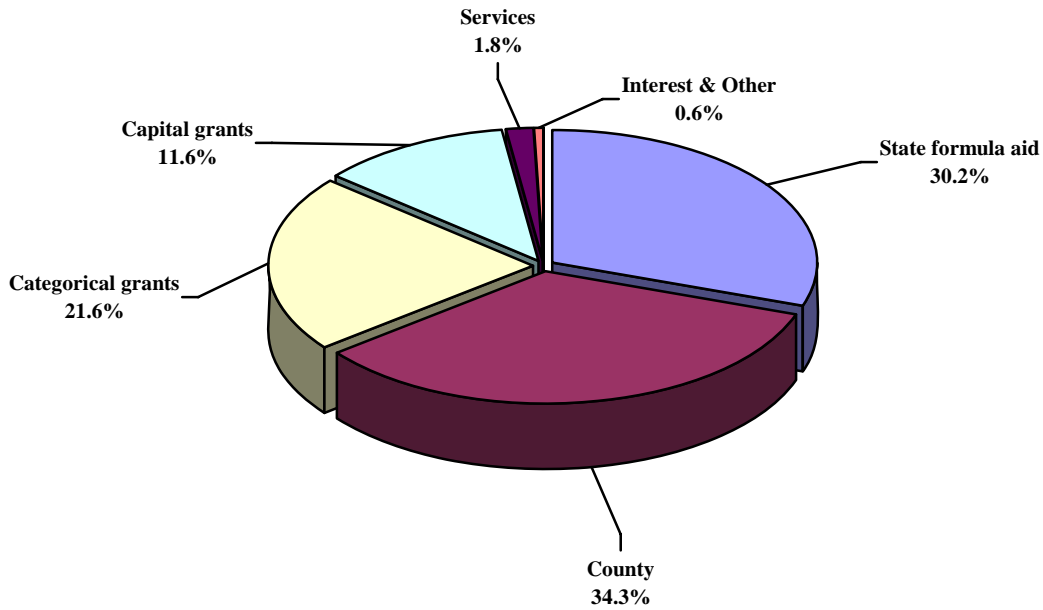
A comparison of revenue by source for 2006 vs. 2005 is shown below.

| | <u>2006</u> | <u>2005</u> | <u>Increase/ (Decrease)</u> |
|---|----------------------|--------------------|---------------------------------|
| Revenue | | | |
| Program Revenues | | | |
| Charges for Services | \$ 3,169,858 | \$ 3,163,084 | \$ 6,774 |
| Operating grants and contributions | 39,155,944 | 35,217,219 | 3,938,725 |
| Capital grants and contributions | 21,119,550 | 2,483,459 | 18,636,091 |
| General Revenues | | | |
| Grants and contributions not restricted to certain programs | 117,022,124 | 108,117,286 | 8,904,838 |
| Other | 1,017,929 | 347,293 | 670,636 |
| Total Revenue | <u>181,485,405</u> | <u>149,328,341</u> | <u>32,157,064</u> |
| Expenses | | | |
| Administration | 4,559,329 | 3,789,294 | 770,035 |
| Mid-level administration | 15,176,098 | 14,158,839 | 1,017,259 |
| Instruction | 83,893,607 | 79,351,829 | 4,541,778 |
| Special education | 25,674,929 | 21,904,331 | 3,770,598 |
| Student personnel services | 973,329 | 878,333 | 94,996 |
| Student health services | 1,785,583 | 1,698,234 | 87,349 |
| Student transportation | 8,305,099 | 7,570,359 | 734,740 |
| Operation of plant | 11,372,420 | 10,644,108 | 728,312 |
| Maintenance of plant | 4,472,663 | 3,802,878 | 669,785 |
| Food and nutrition | 4,905,918 | 4,611,152 | 294,766 |
| Community services | 368,156 | 295,110 | 73,046 |
| Capital outlay | 4,883,382 | 418,741 | 4,464,641 |
| Interest on long-term debt | 13,672 | 14,030 | (358) |
| Total expenses | <u>166,384,185</u> | <u>149,137,238</u> | <u>17,246,947</u> |
| Change in net assets | <u>\$ 15,101,220</u> | <u>\$ 191,103</u> | <u>\$ 14,910,117</u> |

Revenue

Cecil County Public Schools' revenues from fiscal year 2006 were in the amount of \$181.5 million and came from three major sources. These include charges for services of \$3.2 million; operating program grants from the state and federal government of \$39.2 million; and capital grants from the State of Maryland and Cecil County Government of \$21.1 million. In addition to program sources, the School System received general revenue from the State of Maryland of \$54.8 million, Cecil County Government of \$62.2 million, investment earnings and other miscellaneous income of \$1 million.

**Cecil County Public Schools' Revenue Sources
Fiscal Year 2006**

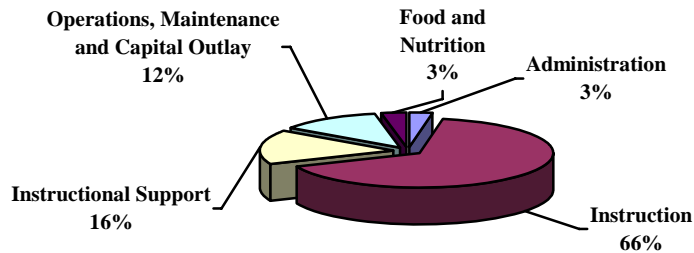


Expenses

The revenues received during 2006 were used to pay expenses of \$166.4 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 2006 as follows:

**Combined Expenses for Cecil County Public Schools
for the Fiscal Year 2006**



GOVERNMENT FUNDS FINANCIAL HIGHLIGHTS

The total assets of the School System’s government funds exceeded liabilities at the end of the fiscal year by \$4.8 million. Total government fund revenues increased \$31.9 million, with \$18.8 million in capital projects and \$12.7 in the general fund. The School System received \$68.1 million for 39% of its governmental activities funding from the County, and \$ 92.0 million for 53% from the State and Federal entitlement grants of \$9.7 million for 6%.

GOVERNMENT FUNDS FINANCIAL ANALYSIS

Major Fund Balances

The total Governmental Funds balance as of June 30, 2006 was \$4,780,267, a decrease of \$431,677 from the previous year. The General Fund decreased \$322,444 from the previous year to \$3,269,349. This represents 2.2% 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.

Special Revenue Fund decreased \$250,560 from the previous year to \$1,022,983. This represents 19.2% of total fund expenditures. Since the School System receives a major portion of its revenue from fees charged for services, a fund balance equal to two to three months expenditures (16%-25%) is recommended.

The Capital Projects Fund increased \$141,327 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, 2006, amounts to \$128.4 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)**

| | 2006 | 2005 |
|------------------------------------|----------------|----------------|
| Land | \$ 1,202,153 | \$ 1,202,153 |
| Buildings | 97,033,026 | 94,324,112 |
| Improvements other buildings | 3,135,635 | 2,738,141 |
| Furniture, fixtures, and equipment | 7,316,585 | 7,228,035 |
| Construction in progress | 19,676,890 | 3,323,528 |
| Total | \$ 128,364,289 | \$ 108,815,969 |

The total increase in the School System’s net capital assets during the year was \$19.5 million. Major capital projects during the fiscal year ended June 30, 2006 included:

- Continuation of the addition/expansion project at Elkton High School totaling \$12.8 million
- Kindergarten classrooms at seven elementary schools totaling \$4.4 million
- An addition/renovation project for Perryville Middle School totaling \$3.0 million
- Facility improvements at twenty nine buildings under an energy performance contract totaling \$4.3 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, 2006, the total debt service costs paid by the county government totaled \$5,684,114.

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, 2006 the total funds held in cash and cash equivalents was \$1,160,256.

FUTURE FINANCIAL IMPACTS

The State of Maryland *Bridge to Excellence in Public Schools* and the federal *No Child Left Behind* Acts established a number of requirements for Public School Systems. Some of these requirements include; full-day kindergarten for all elementary schools by fiscal year 2008, all teachers must be highly qualified by fiscal 2006, expanded choice options for parents, all students must reach proficiency levels on state assessments by 2014, new certification and assessment standards for paraprofessionals, and extensive data tracking and reporting requirements. All of these requirements have potential cost impacts. The financial well being of both the State and County has had 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 2006, 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 2006 and plan for fiscal year 2007 and beyond.

The fiscal year 2007 approved operating budget approved in May, 2006, 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 in effect for this period.

The approved fiscal 2007 budget includes additional \$10.2 million representing a 13.6% increase in state funding and \$3.5 million representing a 5.6% increase in county funding.

Major program initiatives in the fiscal 2007 operating budget include:

- \$8.4 million in salary and benefit cost increases to retain a quality workforce
- \$1.4 million for program expansion in foreign language, physical education / dance, increased graduation requirements and academic intervention

- \$1.3 million in utility and transportation cost increases
- \$1.1 million for the Special Education inclusion initiative and an alternative education program
- \$.8 million for full implementation of full day Kindergarten
- \$.6 million to further integrate technology throughout the curriculum
- Projected savings in energy cost of \$.6 million resulting from completion of an energy performance contract under a municipal lease agreement. \$4.1 million for improvements to facilities were completed with a remaining \$5.2 million complete in fiscal 2007 under the Capital Projects Fund.

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, 2006

ASSETS

Current assets

| | |
|-----------------------------------|-------------------|
| Cash and cash equivalents | \$ 20,798,269 |
| Due from Cecil County | 298,525 |
| Due from State of Maryland | 1,259,852 |
| Due from United States government | 1,536,284 |
| Accounts receivable | 279,110 |
| Prepaid items | 510,755 |
| Inventory | 161,574 |
| Total current assets | <u>24,844,369</u> |

Noncurrent assets

Capital assets (net of accumulated depreciation)

| | |
|-----------------------------------|--------------------|
| Land | 1,202,153 |
| Buildings | 97,033,026 |
| Improvements other than buildings | 3,135,635 |
| Furniture, fixtures and equipment | 7,316,586 |
| Construction in progress | 19,676,889 |
| Total noncurrent assets | <u>128,364,289</u> |

Total assets \$ 153,208,658

LIABILITIES

Current liabilities

| | |
|--|-------------------|
| Accounts payable | \$ 6,672,030 |
| Accrued salaries | 9,104,405 |
| Estimated claims incurred but not reported | 2,224,361 |
| Capital leases due within one year | 245,697 |
| Compensated absences due within one year | 247,871 |
| Unearned revenue - federal | 1,872,191 |
| Unearned revenue - state | 30,096 |
| Unearned revenue - other | 161,019 |
| Total current liabilities | <u>20,557,670</u> |

Noncurrent liabilities

| | |
|--|------------------|
| Capital leases due in more than one year | 4,141,210 |
| Compensated absences due in more than one year | 2,465,070 |
| Total noncurrent liabilities | <u>6,606,280</u> |

Total liabilities \$ 27,163,950

NET ASSETS

| | |
|---|-----------------------|
| Invested in capital assets, net of related debt | \$ 123,977,382 |
| Restricted for | |
| Capital projects | 487,935 |
| Unrestricted | 1,579,391 |
| Total net assets | <u>\$ 126,044,708</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, 2006

| | Program Revenue | | | Net (Expenses) | |
|---|-------------------------|--|--|---|-----------------------|
| Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Assets | |
| Function/programs | | | | | |
| Administration | \$ 4,559,329 | \$ - | \$ 410,725 | \$ - | \$ (4,148,604) |
| Mid-level administration | 15,176,098 | - | 970,986 | - | (14,205,112) |
| Instruction salaries | 76,741,777 | 478,198 | 17,362,189 | - | (58,901,390) |
| Instruction materials and supplies | 2,863,712 | - | 206,330 | - | (2,657,382) |
| Instruction other costs | 4,288,118 | - | 541,043 | - | (3,747,075) |
| Special education | 25,674,929 | - | 11,486,633 | - | (14,188,296) |
| Student personnel services | 973,329 | - | 78,350 | - | (894,979) |
| Student health services | 1,785,583 | - | 272,013 | - | (1,513,570) |
| Student transportation | 8,305,099 | - | 4,041,636 | - | (4,263,463) |
| Operation of plant | 11,372,420 | - | 349,064 | - | (11,023,356) |
| Maintenance of plant | 4,472,663 | - | 772,447 | - | (3,700,216) |
| Food and nutrition | 4,905,918 | 2,664,251 | 2,323,026 | - | 81,359 |
| Community services | 368,156 | 27,409 | 334,378 | - | (6,369) |
| Capital outlay | 4,883,382 | - | 7,124 | 21,119,550 | 16,243,292 |
| Interest on long-term debt | 13,672 | - | - | - | (13,672) |
| | \$ 166,384,185 | \$ 3,169,858 | \$ 39,155,944 | \$ 21,119,550 | (102,938,833) |
| General revenue | | | | | |
| | | | | | 54,793,124 |
| State aid not restricted to specific purposes | | | | | 62,229,000 |
| Local aid not restricted to specific purposes | | | | | 781,976 |
| Interest and investment earnings | | | | | 235,953 |
| Miscellaneous | | | | | 118,040,053 |
| Total general revenues | | | | | |
| Change in net assets | | | | | 15,101,220 |
| Net assets - beginning | | | | | 110,943,488 |
| Net assets - ending | | | | | \$ 126,044,708 |

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

CECIL COUNTY PUBLIC SCHOOLS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2006

| | General Fund | Special Revenue Fund | Capital Projects Fund | Total Governmental Funds |
|--|--------------------------|----------------------------|-----------------------------|--------------------------------|
| <u>ASSETS</u> | | | | |
| Cash and cash equivalents | \$ 15,532,884 | \$ 961,278 | \$ 4,304,107 | \$ 20,798,269 |
| Due from | | | | |
| Cecil County, Maryland | - | - | 298,525 | 298,525 |
| State of Maryland | 1,259,852 | - | - | 1,259,852 |
| United States government | 1,536,284 | - | - | 1,536,284 |
| Capital projects fund | 47,296 | - | - | 47,296 |
| Special revenue fund | 142,864 | - | - | 142,864 |
| Accounts receivable | 169,614 | 109,496 | - | 279,110 |
| Prepaid items | 510,755 | - | - | 510,755 |
| Inventory | - | 161,574 | - | 161,574 |
| Total Assets | \$ 19,199,549 | \$ 1,232,348 | \$ 4,602,632 | \$ 25,034,529 |
| <u>LIABILITIES AND FUND EQUITY</u> | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 2,614,638 | \$ 27,803 | \$ 4,029,589 | \$ 6,672,030 |
| Accrued salaries | 9,103,894 | 511 | - | 9,104,405 |
| Estimated claims incurred but not reported | 2,224,361 | - | - | 2,224,361 |
| Deferred revenue - federal | 1,834,004 | 38,187 | - | 1,872,191 |
| Deferred revenue - state | 30,096 | - | - | 30,096 |
| Deferred revenue - other | 123,207 | - | 37,812 | 161,019 |
| Due to general fund | - | 142,864 | 47,296 | 190,160 |
| Total liabilities | 15,930,200 | 209,365 | 4,114,697 | 20,254,262 |
| Fund balance | | | | |
| Reserved | | | | |
| Encumbrances | 43,726 | - | - | 43,726 |
| Unreserved | | | | |
| Designated for subsequent year's expenditures | 500,000 | - | - | 500,000 |
| Designated for health insurance | 1,107,740 | - | - | 1,107,740 |
| Designated for Automated External Defibrillators | 100,000 | - | - | 100,000 |
| Designated reserve for emergency | 417,883 | - | - | 417,883 |
| Designated reserve for fuel cost contingency | 600,000 | - | - | 600,000 |
| Designated reserve for technology | 500,000 | - | - | 500,000 |
| Undesignated | - | 1,022,983 | 487,935 | 1,510,918 |
| Total fund balance | 3,269,349 | 1,022,983 | 487,935 | 4,780,267 |
| Total liabilities and fund balance | \$ 19,199,549 | \$ 1,232,348 | \$ 4,602,632 | \$ 25,034,529 |

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

**CECIL COUNTY PUBLIC SCHOOLS
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS
JUNE 30, 2006**

| | | |
|--------------------|----|-----------|
| Total fund balance | \$ | 4,780,267 |
|--------------------|----|-----------|

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 | \$ | 209,807,772 | |
| Accumulated depreciation | | <u>(81,443,483)</u> | 128,364,289 |

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 | \$ | (4,386,907) | |
| Accrued vacation leave | | <u>(2,712,941)</u> | <u>(7,099,848)</u> |

| | | |
|------------------|----|---------------------------|
| Total net assets | \$ | <u><u>126,044,708</u></u> |
|------------------|----|---------------------------|

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

CECIL COUNTY PUBLIC SCHOOLS
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

| | General | Special Revenue | Capital Projects | Total Governmental Funds |
|---|---------------------|---------------------|---------------------|--------------------------------|
| Revenue | | | | |
| Intergovernmental | | | | |
| Cecil County | \$ 62,229,000 | \$ - | \$ 5,872,426 | \$ 68,101,426 |
| State of Maryland | 76,628,427 | 176,781 | 15,214,197 | 92,019,405 |
| United States government | 7,840,748 | 1,859,263 | - | 9,700,011 |
| Other sources | | | | |
| Sale of food | - | 2,951,232 | - | 2,951,232 |
| Investment interest | 557,947 | 85,202 | 138,828 | 781,977 |
| Other | 771,363 | 3,302 | 32,927 | 807,592 |
| Total revenue | <u>148,027,485</u> | <u>5,075,780</u> | <u>21,258,378</u> | <u>174,361,643</u> |
| Expenditures | | | | |
| Current | | | | |
| Administration | 3,592,672 | 217,646 | 3,908 | 3,814,226 |
| Mid-level administration | 11,701,656 | - | 22,786 | 11,724,442 |
| Instruction salaries | 57,924,179 | - | - | 57,924,179 |
| Instruction materials and supplies | 2,863,712 | - | - | 2,863,712 |
| Instruction other costs | 3,356,482 | - | 1,808 | 3,358,290 |
| Special education | 20,631,222 | - | - | 20,631,222 |
| Student personnel services | 741,104 | - | - | 741,104 |
| Student health services | 1,365,813 | - | - | 1,365,813 |
| Student transportation | 8,113,016 | - | - | 8,113,016 |
| Operation of plant | 9,883,587 | - | 1,926 | 9,885,513 |
| Maintenance of plant | 3,845,849 | - | - | 3,845,849 |
| Fixed charges | 23,840,596 | 426,614 | - | 24,267,210 |
| Community services | 359,832 | - | - | 359,832 |
| Food service | | | | |
| Salaries and wages | - | 1,869,478 | - | 1,869,478 |
| Food | - | 2,275,904 | - | 2,275,904 |
| Contracted services | - | 39,740 | - | 39,740 |
| Supplies and materials | - | 324,717 | - | 324,717 |
| Other operating cost | - | 52,147 | - | 52,147 |
| Capital outlay | 117,227 | 120,094 | 25,067,131 | 25,304,452 |
| Debt service | | | | |
| Principal | 11,370 | - | 85,072 | 96,442 |
| Interest | 1,612 | - | 12,060 | 13,672 |
| Total expenditures | <u>148,349,929</u> | <u>5,326,340</u> | <u>25,194,691</u> | <u>178,870,960</u> |
| Excess(deficiency) of revenues over expenditures | (322,444) | (250,560) | (3,936,313) | (4,509,317) |
| Other financing sources (uses) | | | | |
| Capital leases | - | - | 4,077,640 | 4,077,640 |
| Net change in fund balances | (322,444) | (250,560) | 141,327 | (431,677) |
| Fund balance, beginning of year | 3,591,793 | 1,273,543 | 346,608 | 5,211,944 |
| Fund balance, end of year | <u>\$ 3,269,349</u> | <u>\$ 1,022,983</u> | <u>\$ 487,935</u> | <u>\$ 4,780,267</u> |

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

CECIL COUNTY PUBLIC SCHOOLS

**STATEMENT OF REVENUE, EXPENDITURES, ENCUMBRANCES, AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**

GENERAL FUND

YEAR ENDED JUNE 30, 2006

| | Budgeted Amounts | | Actual | Variance |
|---|--------------------|--------------------|---------------------|----------------------------|
| | Original | Final | | Favorable (Unfavorable) |
| Revenue | | | | |
| Intergovernmental | | | | |
| Cecil County | \$ 62,229,000 | \$ 62,229,000 | \$ 62,229,000 | \$ - |
| State of Maryland | 75,603,650 | 76,799,537 | 76,670,671 | (128,866) |
| United States government | 7,944,368 | 8,727,395 | 7,838,765 | (888,630) |
| Other sources | | | | |
| Investment interest | 200,000 | 200,000 | 557,947 | 357,947 |
| Other | 1,002,258 | 1,195,581 | 771,363 | (424,218) |
| Total revenue | <u>146,979,276</u> | <u>149,151,513</u> | <u>148,067,746</u> | <u>(1,083,767)</u> |
| Expenditures | | | | |
| Current | | | | |
| Administration | 3,493,295 | 3,604,719 | 3,592,672 | 12,047 |
| Mid-level administration | 11,546,974 | 11,715,451 | 11,701,656 | 13,795 |
| Instruction salaries | 58,841,576 | 58,177,958 | 57,924,179 | 253,779 |
| Instruction materials and supplies | 3,149,912 | 2,941,079 | 2,866,571 | 74,508 |
| Instruction other costs | 1,951,701 | 3,436,801 | 3,356,482 | 80,319 |
| Special education | 18,092,878 | 20,639,515 | 20,631,440 | 8,075 |
| Student personnel services | 730,731 | 743,728 | 741,104 | 2,624 |
| Student health services | 1,352,275 | 1,370,105 | 1,365,813 | 4,292 |
| Student transportation | 7,653,163 | 8,179,091 | 8,113,016 | 66,075 |
| Operation of plant | 9,680,442 | 9,885,229 | 9,883,587 | 1,642 |
| Maintenance of plant | 3,492,437 | 3,900,348 | 3,894,402 | 5,946 |
| Fixed charges | 26,556,825 | 24,031,765 | 23,842,208 | 189,557 |
| Community services | 320,779 | 407,936 | 359,832 | 48,104 |
| Capital outlay | 116,288 | 117,788 | 117,227 | 561 |
| Total expenditures and encumbrances | <u>146,979,276</u> | <u>149,151,513</u> | <u>148,390,189</u> | <u>761,324</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES | <u>\$ -</u> | <u>\$ -</u> | <u>(322,443)</u> | <u>\$ (322,443)</u> |
| Fund balance, beginning | | | <u>4,126,168</u> | |
| Fund balance, ending | | | <u>\$ 3,803,725</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
JUNE 30, 2006**

Total change in fund balance \$ (431,677)

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 | \$ (6,763,303) | |
| Capital outlays | <u>22,233,984</u> | 15,470,681 |

Capital lease proceeds which provide current financial resources in the governmental funds, are not reported as revenues in the statement of net activities 4,077,640

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 | \$ 96,441 | |
| New capital leases | <u>(4,077,640)</u> | (3,981,199) |

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. (34,225)

Total change in net assets \$ 15,101,220

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

CECIL COUNTY PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2006

ASSETS

| | |
|---------------------------|------------------|
| Cash and cash equivalents | \$ 1,160,256 |
| Accounts receivable | <u>-</u> |
| Total assets | <u>1,160,256</u> |

LIABILITIES AND NET ASSETS

Liabilities

| | |
|--------------------------|------------------|
| Due to other groups | - |
| Due to student groups | <u>1,160,256</u> |
| Total liabilities | <u>1,160,256</u> |

| | |
|-------------------|-------------|
| Net Assets | <u>\$ -</u> |
|-------------------|-------------|

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 appointed 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. All other funds are combined under Other Governmental 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 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 dept rating in the highest letter; commercial paper and money market mutual funds that contain only securities listed above receiving the highest possible rating.

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

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, Capital Fund and Debt Service Fund prior to March 15th. The Special Revenue Fund does not require legal adoption.
2. Following public hearings, the County Commissioners must approve the budgets by June 1st. 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 | |

The Debt Service Fund appropriations are authorized annually at the fund level. The Capital Projects Fund appropriations are authorized on a project basis by funding source.

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.

General Fund

| | |
|--|--------------|
| Fund Balance Ending, June 30, 2006– Non-GAAP | \$ 3,803,725 |
|--|--------------|

Maryland State Department payments to State Retirement and Pension System on behalf of the School System for eligible employees

| | |
|--------------|-------------|
| Revenue | 7,123,762 |
| Expenditures | (7,123,762) |

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

(578,102)

Fund Balance Ending, June 30, 2006 – GAAP Basis

\$ 3,269,349

C. Debt Services Budgetary Schedule

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, and is included in the School System's annual authorized budget. The schedule below reports the budget basis debt service activity for the fiscal year ended June 30, 2006:

**SCHEDULE OF REVENUE, EXPENDITURES, ENCUMBRANCES, AND CHANGES IN FUND BALANCE -
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 DEBT SERVICE FUND
 YEAR ENDED JUNE 30, 2006**

| | | Budgeted Amounts | | | Variance |
|---------------------|-------------------------------------|---------------------|---------------------|---------------------|----------------------------|
| | | Original | Final | Actual | Favorable (Unfavorable) |
| Revenue | Cecil County | <u>\$ 5,471,969</u> | <u>\$ 5,684,114</u> | <u>\$ 5,684,114</u> | <u>\$ -</u> |
| Expenditures | Principal | 3,755,723 | 3,755,723 | 3,755,723 | - |
| | Interest | <u>1,716,246</u> | <u>1,928,391</u> | <u>1,928,391</u> | - |
| | Total Expenditures | <u>5,471,969</u> | <u>5,684,114</u> | <u>5,684,114</u> | - |
| | EXCESS OF REVENUE OVER EXPENDITURES | <u>\$ -</u> | <u>\$ -</u> | - | <u>\$ -</u> |
| | Fund balance, beginning | | | - | |
| | Fund balance, ending | | | <u>\$ -</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, 2006, the carrying amount and bank balances of the School System’s deposits with financial institutions totaled \$21,958,525 and \$23,592,373, respectively. All of the bank deposits are covered by federal deposit insurance and/or collateral held in the School System’s name.

| Government Funds | Carrying Amount | Bank Balance |
|---|----------------------------|-------------------------|
| <u>Deposits</u> | | |
| Insured - Federal Deposit Insurance Corporation | \$ 619,080 | \$ 620,247 |
| Uninsured - collateral held by bank in school system's name | 3,611,575 | 5,244,751 |
| 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 | 495 | - |
| Total deposits | <u>7,231,150</u> | <u>8,864,998</u> |
| <u>Investments</u> - Maryland Local Government Investment Pool | <u>14,727,375</u> | <u>14,727,375</u> |
| Total cash and investments | <u>\$ 21,958,525</u> | <u>\$ 23,592,373</u> |
| Reconciliation of above to the Statement of Net Assets: | | |
| General Fund | \$ 15,532,884 | \$ 17,028,405 |
| Special Revenue Fund | 961,278 | 1,010,800 |
| Capital Projects Fund | <u>4,304,107</u> | <u>4,304,107</u> |
| Total cash and cash equivalents - Statement of Net Assets | <u>20,798,269</u> | <u>22,343,312</u> |
| Fiduciary Fund | <u>1,160,256</u> | <u>1,249,061</u> |
| Total cash and investments | <u>\$ 21,958,525</u> | <u>\$ 23,592,373</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

NOTE 4 INTER-FUND RECEIVABLES, PAYABLES

The composition of inter-fund balances as of June 30, 2006, 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 | \$ 47,296 |
| General | Special Revenue | Deficit cash balance | <u>142,864</u> |
| Total | | | <u>\$ 190,160</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 2006.

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|----------------------|-----------------------|---------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 1,202,153 | \$ - | \$ - | \$ 1,202,153 |
| Construction-in-progress | <u>3,323,528</u> | <u>21,117,050</u> | <u>(4,763,689)</u> | <u>19,676,889</u> |
| Total capital assets not being depreciated | <u>4,525,681</u> | <u>21,117,050</u> | <u>(4,763,689)</u> | <u>20,879,042</u> |
| Capital assets being depreciated | | | | |
| Buildings | 158,520,352 | 7,830,406 | (570,680) | 165,780,078 |
| Improvements other than buildings | 3,602,691 | 617,897 | (61,600) | 4,158,988 |
| Furniture, equipment and vehicles | <u>18,319,223</u> | <u>2,215,758</u> | <u>(1,545,317)</u> | <u>18,989,664</u> |
| Total capital assets being depreciated | <u>180,442,266</u> | <u>10,664,061</u> | <u>(2,177,597)</u> | <u>188,928,730</u> |
| Less accumulated depreciation for | | | | |
| Buildings | (64,196,240) | (4,791,619) | 240,807 | (68,747,052) |
| Improvements other than buildings | (864,550) | (179,772) | 20,968 | (1,023,354) |
| Furniture, equipment and vehicles | <u>(11,091,188)</u> | <u>(1,791,911)</u> | <u>1,210,022</u> | <u>(11,673,077)</u> |
| Total accumulated depreciation | <u>(76,151,978)</u> | <u>(6,763,302)</u> | <u>1,471,797</u> | <u>(81,443,483)</u> |
| Total capital assets being depreciated, net | <u>104,290,288</u> | <u>3,900,759</u> | <u>(705,800)</u> | <u>107,485,247</u> |
| | <u>\$ 108,815,969</u> | <u>\$ 25,017,809</u> | <u>\$ (5,469,489)</u> | <u>\$ 128,364,289</u> |

Depreciation expense was charged to functions/programs as follows:

| <u>Government activities:</u> | <u>Amount</u> |
|-------------------------------|---------------------|
| Administration | \$ 81,409 |
| Mid Level Administration | 141,978 |
| Instruction | 6,141,361 |
| Special Education | 110,274 |
| Student Services | 3,804 |
| Health Services | 5,401 |
| Transportation | 46,567 |
| Operations | 23,732 |
| Maintenance | 64,265 |
| Food Service | 144,298 |
| Capital Outlay | 213 |
| | <u>\$ 6,763,302</u> |

B. Construction Commitments

The School System has active construction projects as of June 30, 2006. 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 | \$ 15,354,868 | \$ 29,779,317 |
| Perryville Middle Addition / Renovation | 3,626,772 | 17,802,191 |
| Bay View Elementary Kindergarten Addition | 146,936 | 366,379 |
| Cecilton Elementary Kindergarten Addition | 112,933 | 347,721 |
| Chesapeake City Elementary Kindergarten Addition | 116,194 | 486,912 |
| Elk Neck Elementary Kindergarten Addition | 116,548 | 322,140 |
| Holly Hall Elementary Kindergarten Addition | 148,733 | 291,530 |
| Kemore Elementary Kindergarten Addition | 72,743 | 380,411 |
| Performance Contract | 5,589,434 | 3,739,360 |
| Total | <u>\$ 25,285,161</u> | <u>\$ 53,515,961</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) | \$ 20,627 |
| Vans (2) | 34,510 |
| Relocatables (6) | 465,419 |
| Improvements other than buildings | <u>4,077,640</u> |
| | 4,598,196 |
| Less accumulated depreciation | <u>43,421</u> |
| | <u><u>\$ 4,554,775</u></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, 2006, \$5,589,434 in progress payments were paid to JCI. \$4,077,640 of that amount was capitalized and included in the above schedule, leaving \$5,251,152 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, 2006:

| <u>Fiscal years ending June 30:</u> | <u>Total</u> |
|--|----------------------------|
| 2007 | \$ 924,023 |
| 2008 | 924,023 |
| 2009 | 924,023 |
| 2010-2021 | <u>9,766,915</u> |
| Total payments | 12,538,984 |
| Less interest | <u>(2,900,925)</u> |
| Lease obligations | <u>9,638,059</u> |
| Less accounts payable and construction in progress | <u>(5,251,152)</u> |
| Capitalized Lease Obligations | <u><u>\$ 4,386,907</u></u> |

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:

| | <u>Beginning</u> | | | | <u>Due Within One</u> |
|-----------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|
| | <u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Year</u> |
| Capital leases | \$ 405,709 | \$ 4,077,640 | \$ (96,442) | \$ 4,386,907 | \$ 245,697 |
| Compensated absences | <u>2,678,716</u> | <u>314,898</u> | <u>(280,674)</u> | <u>2,712,941</u> | <u>247,871</u> |
| Long-term liabilities | <u>\$ 3,084,425</u> | <u>\$ 4,392,538</u> | <u>\$ (377,116)</u> | <u>\$ 7,099,848</u> | <u>\$ 493,568</u> |

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 2006 under these leases amounted to \$450,602. The aggregate future rental payments under these commitments are \$1,323,537 as summarized below:

| | <u>Operating Leases</u> | |
|------------------------------------|-------------------------|-------------------------|
| <u>Fiscal year ending June 30:</u> | <u>Building Rent</u> | <u>Office Equipment</u> |
| 2007 | \$ 77,018 | \$ 324,057 |
| 2008 | 78,068 | 302,722 |
| 2009 | 42,000 | 289,036 |
| 2010 | 42,000 | 53,322 |
| 2011 | 42,000 | 31,314 |
| 2012 | 42,000 | - |
| Total | \$ 323,086 | \$ 1,000,451 |

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 \$60,275,494 during the fiscal year ended June 30, 2006, were used in the designated programs, did not supplant funding for the unrestricted programs. The general and special revenue funds accounted for approximately \$39,155,944 and the capital fund accounted for approximately \$21,119,550.

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. Sick Leave

As of June 30, 2006, the amount of accumulated unused sick leave was estimated to be \$27,214,317. 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.

C. Sick Leave Bank

As of June 30, 2006, the amount of accumulated unused sick leave included in the sick leave bank was estimated to be \$1,012,898. 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.

D. 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, 2006, the compliance audits of certain of these 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.

E. 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 second 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 2% of earnable compensation. Employer contribution rates are determined actuarially. The employer contribution rates for fiscal year 2006 were 9.35% for the Teacher Systems and 12.29% and 7.29% 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, 2006, was \$7,123,762. The fiscal 2006 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, 2006, 2005, and 2004 were \$1,207,506, \$1,130,805 and \$737,201 respectively, all of which were 100% of the required contribution.

The computation of the pension contribution requirements for fiscal year 2006 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 357 retirees meet this requirement. The School System pays retirees' healthcare premiums up to a maximum of \$4,849 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 2006, approximately \$1,223,236 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, 2006

| | <u>Balance</u> <u>June 30, 2005</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2006</u> |
|---------------------------|--|--------------------------|----------------------|--|
| Assets: | | | | |
| Cash and cash equivalents | \$ 1,035,022 | \$ 125,234 | \$ - | \$ 1,160,256 |
| Accounts receivable | <u>256</u> | <u>-</u> | <u>256</u> | <u>-</u> |
| Total Assets | <u><u>\$ 1,035,278</u></u> | <u><u>\$ 125,234</u></u> | <u><u>\$ 256</u></u> | <u><u>\$ 1,160,256</u></u> |
| | | | | |
| Liabilities: | | | | |
| Due to other groups | \$ 256 | \$ - | \$ 256 | \$ - |
| Due to student groups | <u>1,035,022</u> | <u>125,234</u> | <u>-</u> | <u>1,160,256</u> |
| Total Liabilities | <u><u>\$ 1,035,278</u></u> | <u><u>\$ 125,234</u></u> | <u><u>\$ 256</u></u> | <u><u>\$ 1,160,256</u></u> |

The notes to the basic financial statements are an integral 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 | 56 |
| <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 | 60 |
| <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 | 68 |
| <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 | 70 |
| <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
CHANGES IN NET ASSETS
GOVERNMENTAL FUNDS
LAST FIVE FISCAL YEARS**

| | 2006 | 2005 | 2004 | 2003 | 2002 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Expenses | | | | | |
| Government activities: | | | | | |
| Administration | \$ 4,559,329 | \$ 3,789,294 | \$ 3,155,072 | \$ 3,088,035 | \$ 2,951,853 |
| Mid-level administration | 15,176,098 | 14,158,839 | 13,329,431 | 12,515,270 | 11,368,249 |
| Instruction salaries | 76,741,777 | 71,729,858 | 66,932,297 | 62,776,576 | 60,259,909 |
| Instruction materials and supplies | 2,863,712 | 2,763,589 | 2,634,229 | 2,897,518 | 2,446,763 |
| Instruction other costs | 4,288,118 | 4,858,382 | 1,650,215 | 1,708,612 | 1,312,826 |
| Special education | 25,674,929 | 21,904,331 | 20,126,357 | 18,476,142 | 17,135,205 |
| Student personnel services | 973,329 | 878,333 | 796,439 | 747,294 | 747,526 |
| Student health services | 1,785,583 | 1,698,234 | 1,548,604 | 1,460,961 | 1,388,403 |
| Student transportation | 8,305,099 | 7,570,359 | 7,051,501 | 6,713,711 | 6,238,274 |
| Operation of plant | 11,372,420 | 10,644,108 | 9,475,506 | 9,117,663 | 8,044,433 |
| Maintenance of plant | 4,472,663 | 3,802,878 | 3,789,486 | 3,488,245 | 3,796,502 |
| Food and nutrition | 4,905,918 | 4,611,152 | 4,555,062 | 4,223,165 | 3,826,252 |
| Community services | 368,156 | 295,110 | 724,890 | 877,412 | 663,412 |
| Capital outlay | 4,883,382 | 418,741 | 7,012,381 * | 7,483,438 * | 6,021,379 |
| Interest on long-term debt | 13,672 | 14,030 | - | - | - |
| Total governmental activities expense | <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> |
| Program Revenues | | | | | |
| Government activities: | | | | | |
| Charges for services: | | | | | |
| Instruction salaries | \$ 478,198 | \$ 571,836 | \$ 526,998 | \$ 174,574 | \$ 243,983 |
| Maintenance of plant | - | - | 8,495 | 10,085 | 15,872 |
| Food and nutrition | 2,664,251 | 2,584,766 | 2,633,070 | 2,468,692 | 4,029,520 |
| Community services | 27,409 | 6,482 | - | - | - |
| Operating grants and contributions | 39,155,944 | 35,217,219 | 31,523,443 | 29,059,168 | 27,548,981 |
| Capital grants and contributions | 21,119,550 | 2,483,459 | 4,883,765 | 7,778,010 | 8,728,059 |
| Total governmental activities program revenue | <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> |
| General Revenue and Other Changes in Net Assets | | | | | |
| Government activities: | | | | | |
| State aid not restricted to specific purposes | \$ 54,793,124 | \$ 49,408,575 | \$ 45,748,277 | \$ 43,555,339 | \$ 38,020,051 |
| Local aid not restricted to specific purposes | 62,229,000 | 58,708,711 | 56,089,930 | 53,984,355 | 50,884,355 |
| Interest and investment earnings | 781,976 | 272,663 | 171,972 | 203,401 | 305,743 |
| Miscellaneous | 235,953 | 74,630 | 37,987 | 346,805 | 624,261 |
| Total governmental activities | <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> |
| Change in Net Assets | <u>\$ 15,101,220</u> | <u>\$ 191,103</u> | <u>\$ (1,157,533)</u> | <u>\$ 2,006,387</u> | <u>\$ 4,199,839</u> |

* includes unallocated depreciation

Source: Statement of Activities

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

| | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| General fund | | | | | | | | | | |
| Reserved | \$ 44 | \$ 4 | \$ 5 | \$ 23 | \$ 67 | \$ 290 | \$ 1,020 | \$ 1,167 | \$ 747 | \$ 448 |
| Unreserved | <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> | <u>1,774</u> |
| Total General Fund | <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> | <u>\$ 2,222</u> |
| All other governmental funds | | | | | | | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ 1 | \$ 98 | \$ 267 | \$ 172 | \$ 149 | \$ 215 | \$ 52 |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue fund | 1,023 | 1,274 | 1,104 | 1,207 | 1,170 | 1,124 | 895 | 750 | 571 | 554 |
| Capital project fund | <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> | <u>102</u> |
| Total all other governmental funds | <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> | <u>\$ 708</u> |

Source: Balance Sheet - Governmental Funds

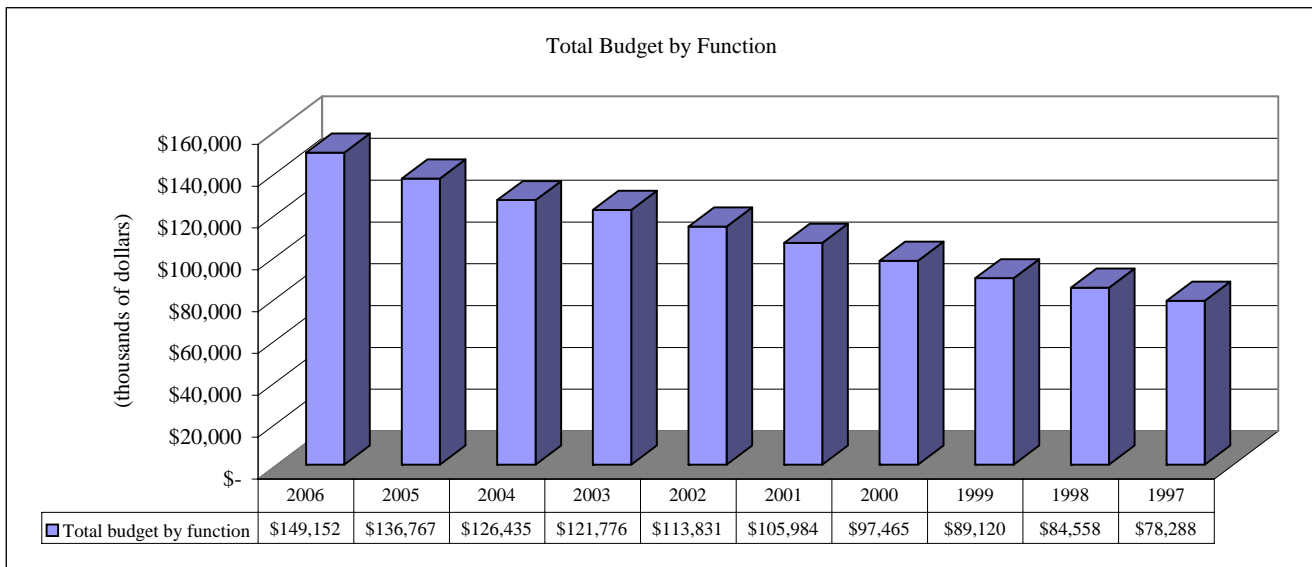
CECIL COUNTY PUBLIC SCHOOLS
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(dollars in thousands)

| | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
|---|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|------------------|
| Revenue | | | | | | | | | | |
| Intergovernmental | | | | | | | | | | |
| Cecil County | \$ 73,786 | \$ 65,762 | \$ 65,566 | \$ 63,045 | \$ 62,088 | \$ 60,645 | \$ 57,075 | \$ 52,894 | \$ 49,577 | \$ 47,046 |
| State of Maryland | 92,019 | 67,545 | 61,128 | 66,699 | 60,778 | 59,630 | 56,319 | 53,571 | 50,224 | 48,415 |
| United States government | 9,700 | 10,419 | 9,926 | 9,272 | 8,087 | 7,197 | 6,234 | 5,499 | 4,688 | 4,207 |
| Other sources | | | | | | | | | | |
| Sale of food | 2,951 | 2,585 | 2,600 | 2,460 | 2,679 | 2,203 | 1,862 | 1,719 | 1,557 | 1,477 |
| Investment interest | 782 | 273 | 172 | 203 | 306 | 724 | 662 | 463 | 424 | 361 |
| Other | 808 | 783 | 711 | 771 | 733 | 773 | 431 | 885 | 523 | 271 |
| Total revenue | <u>\$180,046</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> | <u>\$101,777</u> |
| Expenditures | | | | | | | | | | |
| Administration | \$ 3,597 | \$ 3,171 | \$ 2,519 | \$ 2,601 | \$ 2,433 | \$ 2,399 | \$ 2,198 | \$ 1,916 | \$ 1,641 | \$ 2,713 |
| Mid-level administration | 11,724 | 10,975 | 10,394 | 9,907 | 8,996 | 8,518 | 8,130 | 7,874 | 7,100 | - |
| Instruction salaries | 57,924 | 54,207 | 51,033 | 48,502 | 46,470 | 42,890 | 40,533 | 38,625 | 36,308 | 39,463 |
| Instruction materials and supplies | 2,864 | 2,764 | 2,634 | 2,898 | 2,457 | 2,363 | 2,504 | 2,185 | 1,581 | - |
| Instruction other costs | 3,358 | 2,206 | 2,266 | 2,002 | 1,871 | 1,919 | 1,877 | 1,870 | 1,658 | 2,696 |
| Special education | 20,631 | 17,606 | 16,240 | 15,151 | 13,955 | 12,565 | 10,782 | 9,724 | 8,917 | 8,156 |
| Student personnel services | 741 | 683 | 619 | 587 | 586 | 325 | 307 | 293 | 265 | 284 |
| Student health services | 1,366 | 1,292 | 1,203 | 1,135 | 1,084 | 1,006 | 853 | 633 | 514 | 418 |
| Student transportation | 8,113 | 7,426 | 6,865 | 6,666 | 6,149 | 6,013 | 5,373 | 4,868 | 4,548 | 4,424 |
| Operation of plant | 9,886 | 9,226 | 8,260 | 8,005 | 7,069 | 7,304 | 6,436 | 5,977 | 5,799 | 5,737 |
| Maintenance of plant | 3,857 | 3,316 | 3,274 | 2,931 | 3,339 | 2,700 | 2,185 | 2,863 | 2,200 | 2,078 |
| Fixed charges | 23,842 | 21,784 | 19,542 | 23,317 | 22,075 | 21,569 | 20,108 | 19,569 | 19,662 | 18,015 |
| Community services | 360 | 289 | 659 | 783 | 561 | 574 | 286 | 203 | 126 | 77 |
| Food service | - | - | - | - | 3,947 | 3,432 | 3,103 | 2,996 | 2,713 | 2,795 |
| Salaries and wages | 1,869 | 1,679 | 1,653 | 1,521 | - | - | - | - | - | - |
| Food | 2,276 | 2,026 | 2,087 | 1,885 | - | - | - | - | - | - |
| Contracted services | 40 | 41 | 209 | 22 | - | - | - | - | - | - |
| Supplies and materials | 325 | 155 | 16 | 171 | - | - | - | - | - | - |
| Other operating cost | 696 | 396 | 429 | 517 | - | - | - | - | - | - |
| Capital outlay | 25,402 | 3,257 | 5,034 | 8,052 | 9,203 | 14,483 | 11,806 | 10,844 | 10,132 | 11,754 |
| Debt service | - | - | - | 4,869 | 4,269 | 4,156 | 5,852 | 3,415 | 3,212 | 2,589 |
| Principal | 3,756 | 3,068 | 3,161 | - | - | - | - | - | - | - |
| Interest | 1,928 | 1,797 | 1,788 | - | - | - | - | - | - | - |
| Total expenditures | <u>\$184,555</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> | <u>\$101,199</u> |
| Excess of revenues over (under) expenditures | (4,509) | 3 | 218 | 928 | 207 | (1,044) | 250 | 1,176 | 617 | 578 |
| Other financing sources (uses) | | | | | | | | | | |
| Proceeds of capital lease obligation | 4,078 | 521 | - | - | - | - | - | - | - | - |
| Net change in fund balances | <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> | <u>\$ 578</u> |

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)**

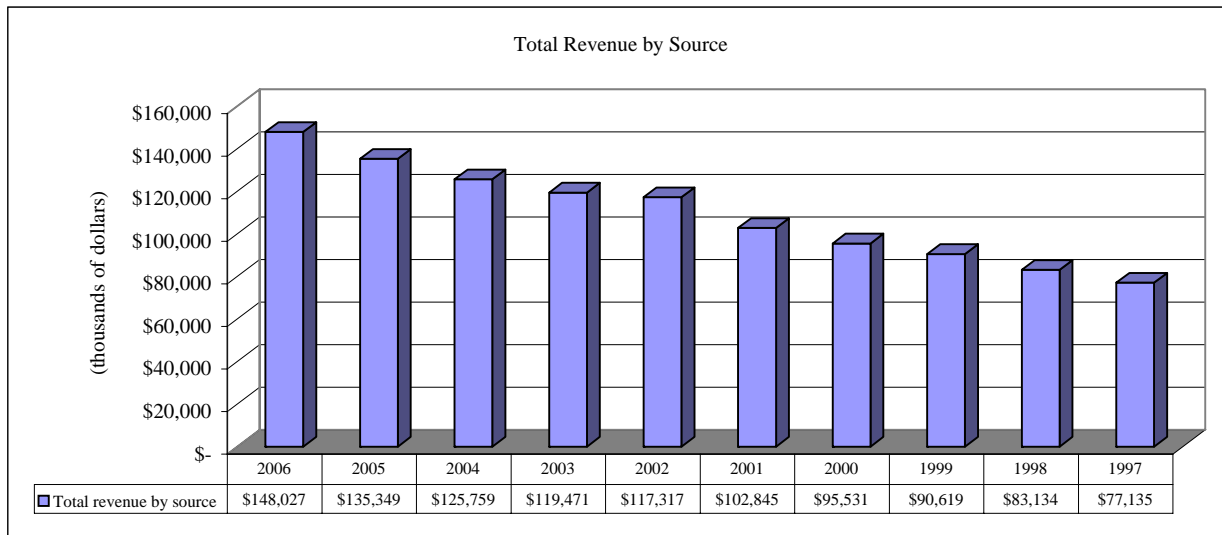
| | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
|------------------------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Administration | \$ 3,605 | \$ 3,181 | \$ 2,633 | \$ 2,673 | \$ 2,661 | \$ 2,366 | \$ 2,181 | \$ 1,925 | \$ 1,652 | \$ 2,799 |
| Mid-level administration | 11,715 | 10,983 | 10,424 | 9,908 | 9,007 | 8,585 | 8,140 | 7,832 | 7,187 | - |
| Instruction salaries | 58,178 | 54,470 | 51,195 | 49,364 | 47,523 | 44,372 | 41,215 | 39,494 | 36,837 | 42,446 |
| Instruction materials and supplies | 2,941 | 2,895 | 2,659 | 2,961 | 2,717 | 2,529 | 2,399 | 2,403 | 1,875 | - |
| Instruction other costs | 3,437 | 2,458 | 2,331 | 2,008 | 1,910 | 2,069 | 1,792 | 1,918 | 1,796 | - |
| Special education | 20,640 | 17,672 | 16,517 | 15,522 | 14,217 | 12,730 | 10,798 | 10,202 | 9,228 | 8,552 |
| Student personnel services | 744 | 689 | 660 | 588 | 586 | 337 | 309 | 303 | 317 | 296 |
| Student health services | 1,370 | 1,302 | 1,204 | 1,135 | 1,094 | 1,026 | 881 | 640 | 545 | 421 |
| Student transportation | 8,179 | 7,507 | 6,866 | 6,685 | 6,160 | 5,756 | 5,434 | 4,914 | 4,612 | 4,429 |
| Operation of plant | 9,885 | 9,238 | 8,274 | 7,852 | 7,106 | 7,150 | 6,761 | 6,260 | 6,067 | 5,785 |
| Maintenance of plant | 3,900 | 3,673 | 3,278 | 3,077 | 3,168 | 2,863 | 2,833 | 60 | 2,271 | 2,056 |
| Community services | 24,032 | 22,204 | 660 | 1,002 | 612 | 799 | 619 | 210 | 171 | 82 |
| Capital outlay | 408 | 379 | 105 | 105 | 99 | 96 | 92 | 88 | 92 | - |
| Fixed charges | 118 | 116 | 19,629 | 18,896 | 16,971 | 15,306 | 14,011 | 12,871 | 11,908 | 11,422 |
| Total budget by function | \$149,152 | \$136,767 | \$126,435 | \$121,776 | \$113,831 | \$105,984 | \$ 97,465 | \$ 89,120 | \$ 84,558 | \$ 78,288 |
| Increase over prior year | \$ 12,385 9.1% | \$ 10,332 8.2% | \$ 4,659 3.8% | \$ 7,945 7.0% | \$ 7,847 7.4% | \$ 8,519 8.7% | \$ 8,345 9.4% | \$ 4,562 5.4% | \$ 6,270 8.0% | \$ 3,143 4.2% |



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

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

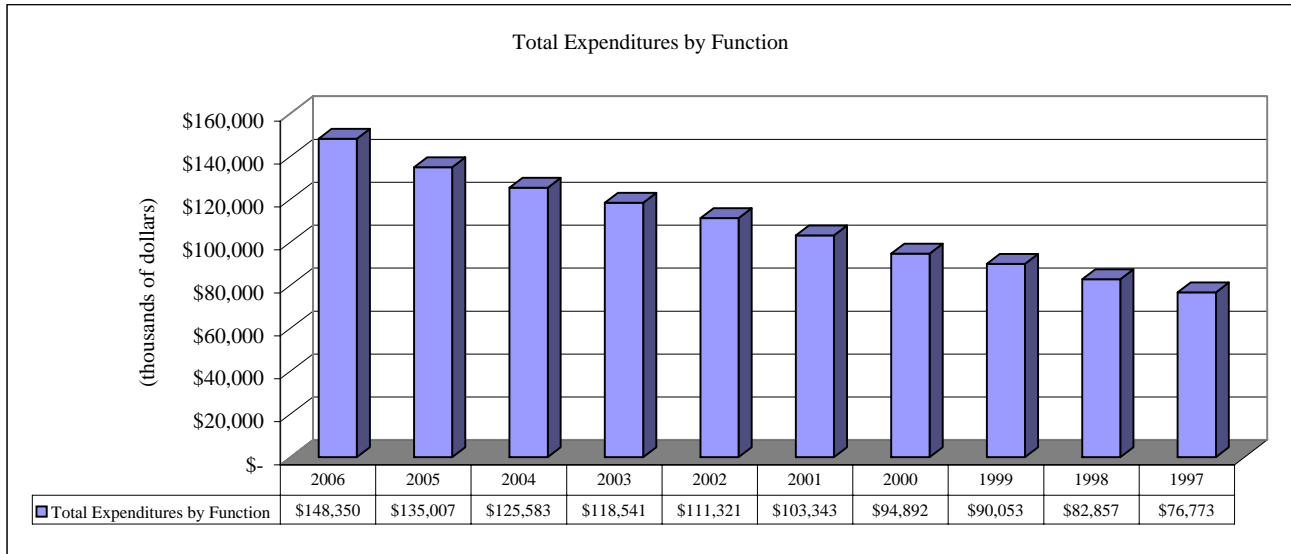
| | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
|---------------------------------|--------------------------|-------------------------|-------------------------|-------------------------|---------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Cecil County | \$ 62,229 | \$ 58,709 | \$ 56,090 | \$ 53,984 | \$ 50,884 | \$ 48,407 | \$ 45,407 | \$ 42,407 | \$ 39,107 | \$ 36,945 |
| State of Maryland | 76,628 | 67,216 | 60,752 | 57,085 | 58,984 | 47,370 | 44,138 | 42,957 | 39,585 | 36,620 |
| Federal government | 7,841 | 8,521 | 8,179 | 7,697 | 6,736 | 5,915 | 5,031 | 4,366 | 3,543 | 2,984 |
| Other sources | | | | | | | | | | |
| Interest earned | 558 | 235 | 153 | 174 | 264 | 649 | 588 | 429 | 399 | 341 |
| Other | 771 | 668 | 585 | 531 | 449 | 504 | 367 | 460 | 500 | 245 |
| Total revenue by source | \$ 148,027 | \$ 135,349 | \$ 125,759 | \$ 119,471 | \$ 117,317 | \$ 102,845 | \$ 95,531 | \$ 90,619 | \$ 83,134 | \$ 77,135 |
| Increase over prior year | \$ 12,678 9.4% | \$ 9,590 7.6% | \$ 6,288 5.3% | \$ 2,154 1.8% | \$ 14,472 14.1% | \$ 7,314 7.7% | \$ 4,912 5.4% | \$ 7,485 9.0% | \$ 5,999 7.8% | \$ 3,174 4.3% |



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)**

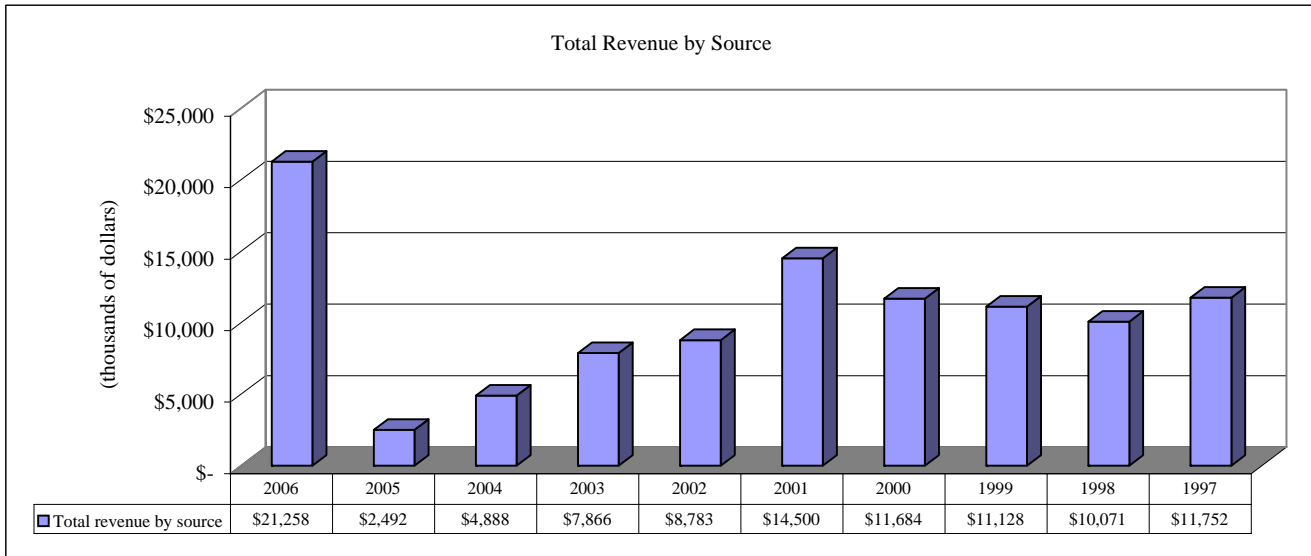
| | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|
| Administration | \$ 3,593 | \$ 3,171 | \$ 2,519 | \$ 2,601 | \$ 2,435 | \$ 2,365 | \$ 2,172 | \$ 1,916 | \$ 1,652 | \$ 2,755 |
| Mid-level administration | 11,702 | 10,975 | 10,394 | 9,907 | 8,996 | 8,495 | 8,129 | 7,817 | 7,180 | - |
| Instruction salaries | 57,924 | 54,207 | 51,033 | 48,502 | 46,470 | 42,866 | 40,533 | 38,962 | 36,308 | 42,137 |
| Instruction materials and supplies | 2,864 | 2,768 | 2,639 | 2,910 | 2,446 | 2,215 | 2,150 | 2,523 | 1,780 | - |
| Instruction other costs | 3,356 | 2,206 | 2,266 | 2,006 | 1,868 | 1,919 | 1,754 | 1,839 | 1,738 | - |
| Special education | 20,631 | 17,606 | 16,240 | 15,151 | 13,765 | 12,461 | 10,799 | 9,950 | 8,820 | 8,246 |
| Student personnel services | 741 | 683 | 619 | 587 | 586 | 324 | 307 | 293 | 263 | 287 |
| Student health services | 1,366 | 1,292 | 1,203 | 1,135 | 1,084 | 1,006 | 853 | 633 | 514 | 418 |
| Student transportation | 8,113 | 7,426 | 6,865 | 6,671 | 6,149 | 6,013 | 5,370 | 4,871 | 4,546 | 4,426 |
| Operation of plant | 9,884 | 9,226 | 8,260 | 8,005 | 7,069 | 7,116 | 6,600 | 5,978 | 5,815 | 5,743 |
| Maintenance of plant | 3,857 | 3,260 | 3,274 | 2,931 | 3,314 | 2,493 | 2,363 | 2,513 | 2,208 | 2,087 |
| Community services | 360 | 289 | 659 | 783 | 561 | 574 | 286 | 168 | 125 | 124 |
| Capital outlay | 117 | 114 | 70 | 81 | 98 | 97 | 90 | 83 | 87 | 76 |
| Fixed charges | 23,842 | 21,784 | 19,542 | 17,271 | 16,480 | 15,399 | 13,486 | 12,507 | 11,821 | 10,474 |
| Total Expenditures by Function | \$ 148,350 | \$ 135,007 | \$ 125,583 | \$ 118,541 | \$ 111,321 | \$ 103,343 | \$ 94,892 | \$ 90,053 | \$ 82,857 | \$ 76,773 |
| Increase over prior year | \$ 13,343 9.9% | \$ 9,424 7.5% | \$ 7,042 5.9% | \$ 7,220 6.5% | \$ 7,978 7.7% | \$ 8,451 8.9% | \$ 4,839 5.4% | \$ 7,196 8.7% | \$ 6,084 7.9% | \$ 2,703 3.6% |



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

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

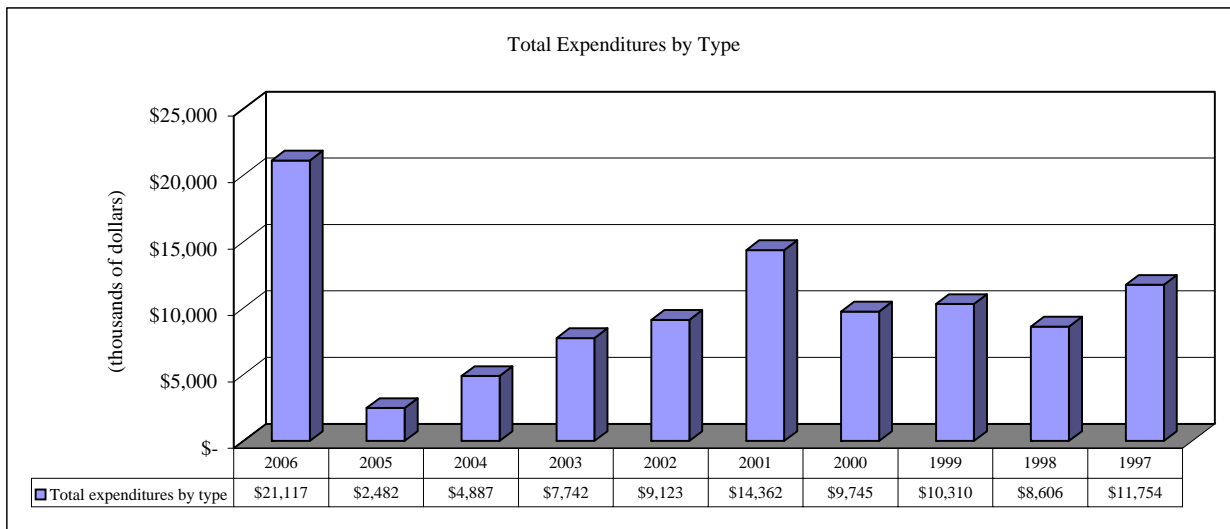
| | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
|---------------------------------|----------------------------|-----------------------------|-----------------------------|---------------------------|-----------------------------|--------------------------|-----------------------|--------------------------|-----------------------------|--------------------------|
| Cecil County | \$ 5,872 | \$ 2,189 | \$ 4,526 | \$ 4,191 | \$ 6,898 | \$ 8,176 | \$ 5,886 | \$ 7,124 | \$ 7,303 | \$ 7,512 |
| State of Maryland | 15,214 | 183 | 232 | 3,438 | 1,822 | 6,034 | 5,761 | 3,580 | 2,761 | 4,219 |
| Federal government | - | - | - | - | - | - | - | - | - | - |
| Interest earned | 139 | 9 | 4 | 6 | 10 | 21 | 20 | 3 | - | - |
| Donated items, other | 33 | 111 | 126 | 231 | 53 | 269 | 17 | 421 | 7 | 21 |
| Total revenue by source | \$ 21,258 | \$ 2,492 | \$ 4,888 | \$ 7,866 | \$ 8,783 | \$ 14,500 | \$ 11,684 | \$ 11,128 | \$ 10,071 | \$ 11,752 |
| Increase over prior year | \$ 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% | \$ (380) -3.1% |



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)**

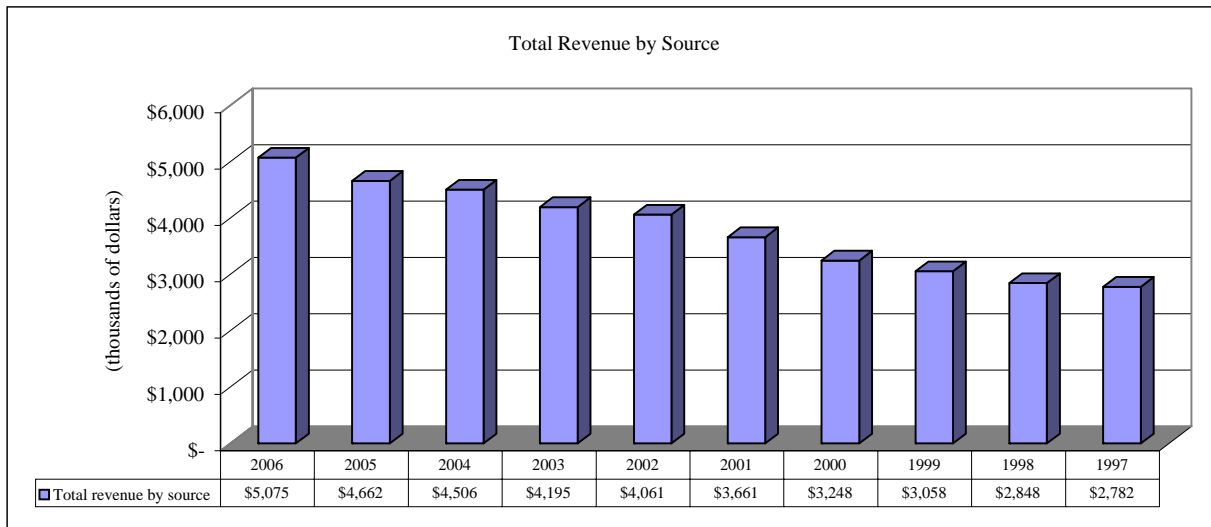
| | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
|-----------------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|--------------------------|--------------------------|--------------------------|-----------------------------|--------------------------|
| Land | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Building | 21,087 | 2,275 | 1,730 | 6,052 | 7,774 | 11,681 | 8,815 | 7,999 | 7,513 | - |
| Site Improvement | - | - | - | 90 | 4 | 7 | 60 | 110 | - | 9,983 |
| Remodeling | - | - | 2,772 | 1,045 | 755 | 2,086 | 374 | 1,645 | 656 | 556 |
| Equipment | 30 | 207 | 385 | 555 | 590 | 588 | 496 | 556 | 437 | 1,215 |
| Total expenditures by type | \$ 21,117 | \$ 2,482 | \$ 4,887 | \$ 7,742 | \$ 9,123 | \$ 14,362 | \$ 9,745 | \$ 10,310 | \$ 8,606 | \$ 11,754 |
| Increase over prior year | \$ 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% | \$ (371) -3.1% |



Source: Schedule of Revenue, Expenditures, Encumbrances, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - All Budgetary Funds - Capital Project Fund

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

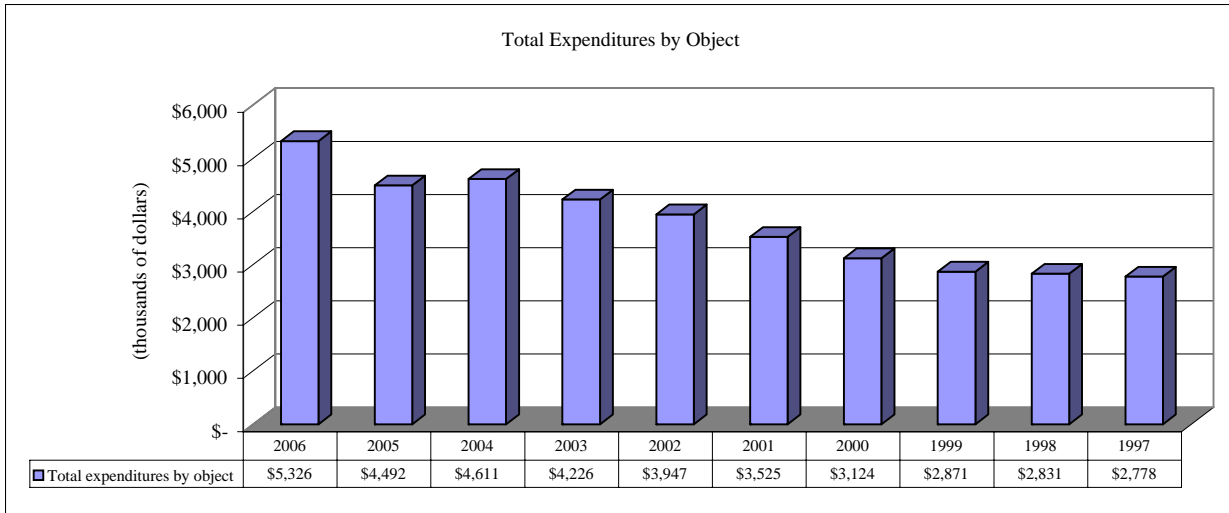
| | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|------------------------|-----------------------|-----------------------|----------------------|-----------------------|
| State of Maryland | \$ 177 | \$ 146 | \$ 144 | \$ 130 | \$ - | \$ 60 | \$ 63 | \$ 54 | \$ 51 | \$ 53 |
| Federal Government | 1,859 | 1,898 | 1,747 | 1,574 | 1,351 | 1,344 | 1,269 | 1,253 | 1,200 | 1,227 |
| Sale of meals | 2,951 | 2,585 | 2,600 | 2,460 | 2,679 | 2,203 | 1,862 | 1,719 | 1,557 | 1,477 |
| Interest earned | 85 | 29 | 15 | 23 | 31 | 54 | 54 | 32 | 26 | 20 |
| Other | 3 | 4 | - | 8 | - | - | - | - | 14 | 5 |
| Total revenue by source | \$ 5,075 | \$ 4,662 | \$ 4,506 | \$ 4,195 | \$ 4,061 | \$ 3,661 | \$ 3,248 | \$ 3,058 | \$ 2,848 | \$ 2,782 |
| Increase over prior year | \$ 414 8.9% | \$ 157 3.5% | \$ 311 7.4% | \$ 134 3.3% | \$ 400 10.9% | \$ 413 12.7% | \$ 190 6.2% | \$ 210 7.4% | \$ 66 2.4% | \$ 210 8.2% |



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)**

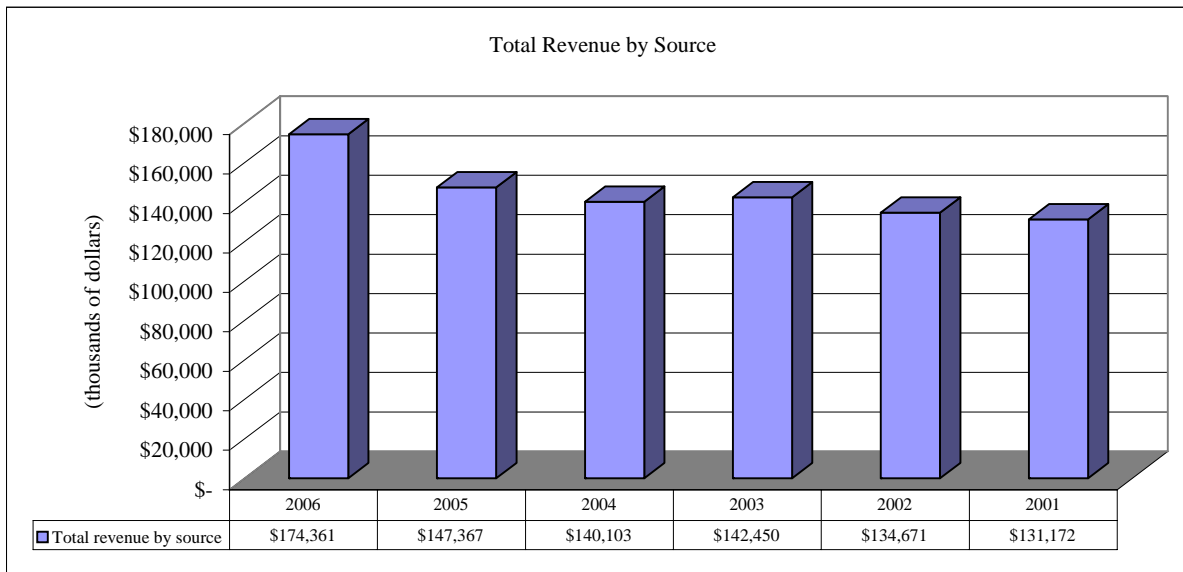
| | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
|-------------------------------------|------------------------|--------------------------|-----------------------|-----------------------|------------------------|------------------------|-----------------------|----------------------|----------------------|----------------------|
| Salary | \$ 1,869 | \$ 1,679 | \$ 1,653 | \$ 1,521 | \$ 1,407 | \$ 1,301 | \$ 1,201 | \$ 1,130 | \$ 1,090 | \$ 1,055 |
| Food, incl. donated comm. | 2,276 | 2,026 | 2,087 | 1,885 | 1,850 | 1,616 | 1,464 | 1,367 | 1,300 | 1,337 |
| Contracted service | 40 | 41 | 209 | 22 | 151 | 23 | 7 | 6 | 7 | - |
| Supplies | 325 | 155 | 156 | 171 | 107 | 127 | 95 | 114 | 73 | 90 |
| Other charges | 696 | 396 | 429 | 517 | 343 | 312 | 309 | 228 | 214 | 208 |
| Equipment | 120 | 195 | 77 | 110 | 89 | 146 | 48 | 26 | 147 | 88 |
| Total expenditures by object | \$ 5,326 | \$ 4,492 | \$ 4,611 | \$ 4,226 | \$ 3,947 | \$ 3,525 | \$ 3,124 | \$ 2,871 | \$ 2,831 | \$ 2,778 |
| Increase over prior year | \$ 834 18.6% | \$ (119) -2.6% | \$ 385 9.1% | \$ 279 7.1% | \$ 422 12.0% | \$ 401 12.8% | \$ 253 8.8% | \$ 40 1.4% | \$ 53 1.9% | \$ 71 2.6% |



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

**CECIL COUNTY PUBLIC SCHOOLS
GOVERNMENT WIDE
REVENUES BY SOURCE
LAST SIX FISCAL YEARS
(dollars in thousands)**

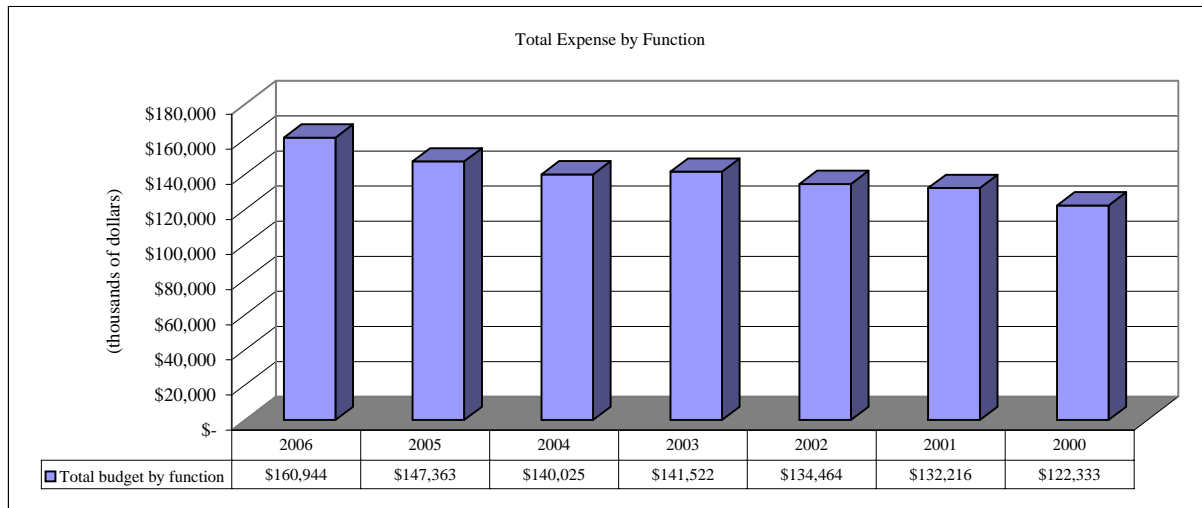
| | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|--------------------------------|--------------------|-------------------|---------------------|-------------------|-------------------|-------------------|
| Cecil County | \$ 68,101 | \$ 65,762 | \$ 65,566 | \$ 63,045 | \$ 62,088 | \$ 60,645 |
| State of Maryland | 92,019 | 67,545 | 61,128 | 66,699 | 60,778 | 59,630 |
| Federal Government | 9,700 | 10,419 | 9,926 | 9,272 | 8,087 | 7,197 |
| Sale of meals | 2,951 | 2,585 | 2,600 | 2,460 | 2,679 | 2,203 |
| Interest earned | 782 | 273 | 172 | 203 | 306 | 724 |
| Other | 808 | 783 | 711 | 771 | 733 | 773 |
| Total revenue by source | \$ 174,361 | \$ 147,367 | \$ 140,103 | \$ 142,450 | \$ 134,671 | \$ 131,172 |
| Increase over prior year | \$ 26,994 18.3% | \$ 7,264 5.2% | \$ (2,347) -1.6% | \$ 7,779 5.8% | \$ 3,499 2.7% | \$ 8,589 7.0% |



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

**CECIL COUNTY PUBLIC SCHOOLS
GOVERNMENT WIDE
EXPENDITURES BY FUNCTION
LAST SEVEN FISCAL YEARS
(dollars in thousands)**

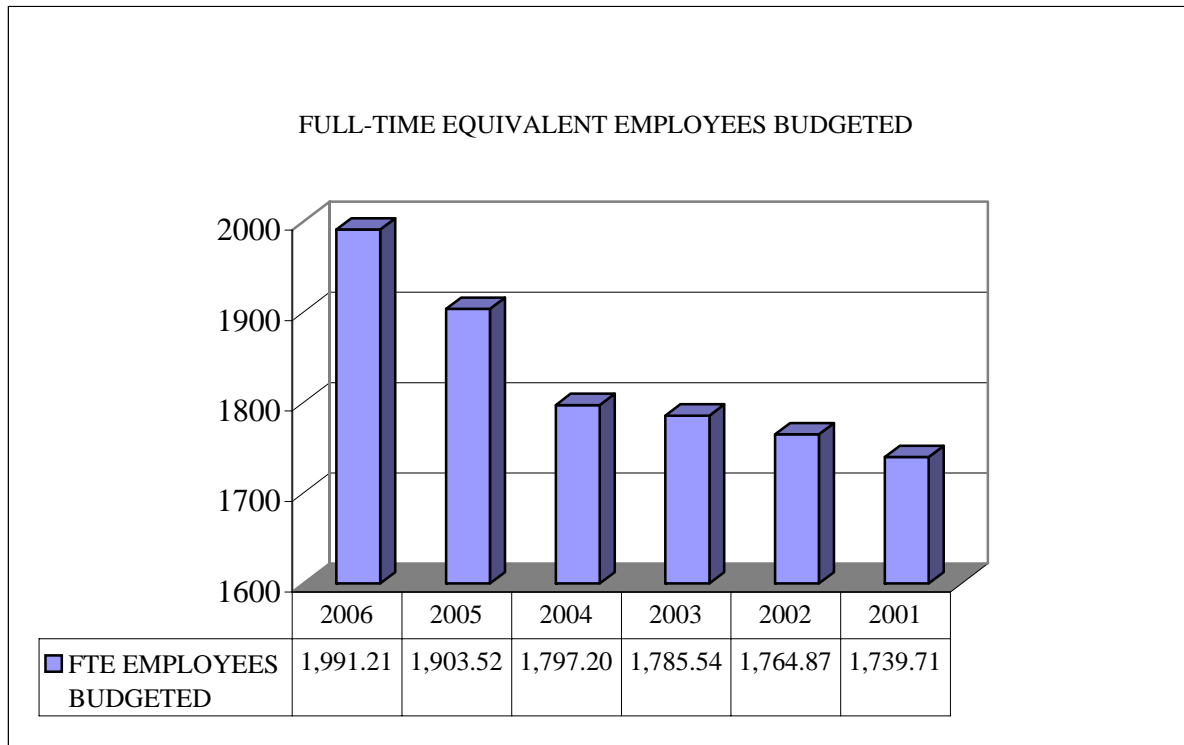
| | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|------------------------------------|--------------------------|-------------------------|----------------------------|-------------------------|-------------------------|-------------------------|-------------------|
| Administration | \$ 3,593 | \$ 3,171 | \$ 2,519 | \$ 2,601 | \$ 2,433 | \$ 2,399 | \$ 2,198 |
| Mid level administration | 11,702 | 10,975 | 10,394 | 9,907 | 8,996 | 8,518 | 8,130 |
| Instruction salaries | 57,924 | 54,207 | 51,033 | 48,502 | 46,470 | 42,890 | 40,533 |
| Instruction materials and supplies | 2,864 | 2,764 | 2,634 | 2,898 | 2,457 | 2,363 | 2,504 |
| Instruction other costs | 3,356 | 2,206 | 2,266 | 2,002 | 1,871 | 1,919 | 1,877 |
| Special education | 20,631 | 17,606 | 16,240 | 15,151 | 13,955 | 12,565 | 10,782 |
| Student personnel services | 741 | 683 | 619 | 587 | 586 | 325 | 307 |
| Student health services | 1,366 | 1,292 | 1,203 | 1,135 | 1,084 | 1,006 | 853 |
| Student transportation | 8,113 | 7,426 | 6,865 | 6,666 | 6,149 | 6,013 | 5,373 |
| Operation of plant | 9,884 | 9,226 | 8,260 | 8,005 | 7,069 | 7,304 | 6,436 |
| Maintenance of plant | 3,316 | 3,316 | 3,274 | 2,931 | 3,339 | 2,700 | 2,185 |
| Fixed charges | 23,842 | 21,784 | 19,542 | 23,317 | 22,075 | 21,569 | 20,108 |
| Community services | 360 | 289 | 659 | 783 | 561 | 574 | 286 |
| Food and nutrition | 5,326 | 4,492 | 4,533 | 4,116 | 3,947 | 3,432 | 3,103 |
| Capital outlay | 3,062 | 3,062 | 5,034 | 8,052 | 9,203 | 14,483 | 11,806 |
| Debt Service | 4,864 | 4,864 | 4,950 | 4,869 | 4,269 | 4,156 | 5,852 |
| Total budget by function | \$ 160,944 | \$ 147,363 | \$ 140,025 | \$ 141,522 | \$ 134,464 | \$ 132,216 | \$ 122,333 |
| Increase over prior year | \$ 13,581 9.2% | \$ 7,338 5.2% | \$ (1,497) -1.1% | \$ 7,058 5.2% | \$ 2,248 1.7% | \$ 9,883 8.1% | |



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 SIX FISCAL YEARS**

| | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|----------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Administration | 46.75 | 43.75 | 40.25 | 38.75 | 36.50 | 36.50 |
| Mid level administration | 196.00 | 192.00 | 162.50 | 159.50 | 155.03 | 154.53 |
| Instruction salaries | 1,135.85 | 1,071.72 | 1,032.00 | 1,041.16 | 1,024.74 | 1,028.00 |
| Special education | 349.55 | 337.05 | 313.45 | 305.00 | 303.60 | 292.60 |
| Student personnel services | 20.00 | 20.00 | 12.00 | 11.25 | 6.00 | 5.00 |
| Student health services | 32.56 | 32.50 | 30.50 | 30.38 | 29.50 | 28.58 |
| Student transportation | 26.00 | 28.00 | 28.50 | 28.50 | 28.50 | 27.50 |
| Operation of plant | 136.50 | 130.50 | 125.00 | 124.00 | 121.50 | 120.00 |
| Maintenance of plant | 46.00 | 46.00 | 45.00 | 45.00 | 45.00 | 45.00 |
| Community services | - | - | 6.00 | - | 12.50 | - |
| Capital outlay | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| Total by function | <u>1,991.21</u> | <u>1,903.52</u> | <u>1,797.20</u> | <u>1,785.54</u> | <u>1,764.87</u> | <u>1,739.71</u> |
| Increase over prior year | 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

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

| | 2006 Capacity | 2006 | 2005 | 2004 | 2003 | 2002 |
|-----------------------------------|------------------|--------|--------|--------|--------|--------|
| County Population: | | 97,796 | 95,536 | 92,955 | 90,335 | 88,394 |
| <u>Elementary Schools:</u> | | | | | | |
| Bainbridge Elementary | 455 | 264 | 278 | 292 | 301 | 304 |
| Bay View Elementary | 556 | 595 | 540 | 503 | 466 | 485 |
| Calvert Elementary | 304 | 341 | 355 | 360 | 364 | 389 |
| Cecil Manor Elementary | 504 | 460 | 478 | 524 | 539 | 513 |
| Cecilton Elementary | 295 | 337 | 319 | 309 | 336 | 376 |
| Charlestown Elementary | 292 | 198 | 184 | 168 | 184 | 180 |
| Chesapeake City Elementary | 331 | 302 | 301 | 286 | 305 | 325 |
| Conowingo Elementary | 458 | 544 | 528 | 512 | 534 | 544 |
| Elk Neck Elementary | 479 | 418 | 423 | 479 | 605 | 615 |
| Gilpin Manor Elementary | 512 | 424 | 455 | 463 | 469 | 447 |
| Holly Hall Elementary | 601 | 587 | 579 | 531 | 490 | 483 |
| Kenmore Elementary | 275 | 296 | 307 | 326 | 337 | 344 |
| Leeds Elementary | 364 | 395 | 407 | 426 | 440 | 440 |
| North East Elementary | 510 | 521 | 515 | 487 | 373 | 396 |
| Perryville Elementary | 581 | 370 | 430 | 438 | 450 | 496 |
| Rising Sun Elementary | 615 | 839 | 798 | 754 | 726 | 726 |
| Thomson Estates Elementary | 660 | 598 | 619 | 683 | 662 | 675 |
| Elementary School Total: | 7,792 | 7,489 | 7,516 | 7,541 | 7,581 | 7,738 |
| <u>Middle Schools:</u> | | | | | | |
| Bohemia Manor Middle | 519 | 513 | 551 | 544 | 522 | 498 |
| Cherry Hill Middle | 754 | 571 | 565 | 536 | 560 | 532 |
| Elkton Middle | 712 | 662 | 662 | 636 | 593 | 572 |
| North East Middle | 712 | 826 | 822 | 822 | 797 | 788 |
| Perryville Middle | 688 | 709 | 721 | 767 | 771 | 756 |
| Rising Sun Middle | 775 | 712 | 710 | 743 | 747 | 735 |
| Middle School Total: | 4,160 | 3,993 | 4,031 | 4,048 | 3,990 | 3,881 |
| <u>High Schools:</u> | | | | | | |
| Bohemia Manor High | 725 | 717 | 671 | 658 | 580 | 562 |
| Elkton High | 941 | 1097 | 1,066 | 1,039 | 1,012 | 966 |
| North East High | 1009 | 1110 | 1,094 | 1,079 | 991 | 939 |
| Perryville High | 860 | 986 | 1,039 | 1,039 | 1,019 | 1,044 |
| Rising Sun High | 903 | 1,129 | 1,117 | 1,068 | 1,027 | 945 |
| High School Total: | 4,438 | 5,039 | 4,987 | 4,883 | 4,629 | 4,456 |
| <u>Other Schools:</u> | | | | | | |
| Cecil County High School | 48 | - | 1 | 3 | 3 | 20 |
| School of Technology* | 475 | 458 | 464 | 557 | 518 | 455 |
| Grand Total | 16,913 | 16,521 | 16,535 | 16,475 | 16,203 | 16,095 |
| High School Graduates: | | 996 | 1,048 | 950 | 907 | 892 |

*Note: 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 TEN FISCAL YEARS
(dollars in thousands)**

| | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Total Student Enrollment | 16,521 | 16,535 | 16,475 | 16,203 | 16,095 | 15,905 | 15,680 | 15,550 | 15,327 | 14,897 |
| Administration | \$ 217 | \$ 192 | \$ 153 | \$ 161 | \$ 151 | \$ 149 | \$ 139 | \$ 123 | \$ 108 | \$ 185 |
| Mid level administration | 708 | 664 | 631 | 611 | 559 | 534 | 518 | 503 | 468 | - |
| Instruction salaries | 3,506 | 3,278 | 3,098 | 2,993 | 2,887 | 2,695 | 2,585 | 2,506 | 2,369 | 2,829 |
| Instruction materials and supplies | 173 | 167 | 160 | 180 | 152 | 139 | 137 | 162 | 116 | - |
| Instruction other costs | 203 | 133 | 138 | 124 | 116 | 121 | 112 | 118 | 113 | - |
| Special education | 1,249 | 1,065 | 986 | 935 | 855 | 783 | 689 | 640 | 575 | 554 |
| Student personnel services | 45 | 41 | 38 | 36 | 36 | 20 | 20 | 19 | 17 | 19 |
| Student health services | 83 | 78 | 73 | 70 | 67 | 63 | 54 | 41 | 34 | 28 |
| Student transportation | 491 | 449 | 417 | 412 | 382 | 378 | 342 | 313 | 297 | 297 |
| Operation of plant | 598 | 558 | 501 | 494 | 439 | 447 | 421 | 384 | 379 | 386 |
| Maintenance of plant | 233 | 197 | 199 | 181 | 206 | 157 | 151 | 162 | 144 | 140 |
| Capital outlay | 7 | 7 | 4 | 5 | 6 | 6 | 6 | 5 | 6 | 5 |
| Fixed charges | 1,443 | 1,317 | 1,186 | 1,066 | 1,024 | 968 | 860 | 804 | 771 | 703 |
| Community services | 22 | 17 | 40 | 48 | 35 | 36 | 18 | 11 | 8 | 8 |
| Total Cost Per Student | <u>\$ 8,978</u> | <u>\$ 8,163</u> | <u>\$ 7,624</u> | <u>\$ 7,316</u> | <u>\$ 6,915</u> | <u>\$ 6,496</u> | <u>\$ 6,052</u> | <u>\$ 5,791</u> | <u>\$ 5,405</u> | <u>\$ 5,154</u> |
| Increase over prior year | \$ 815 10.0% | \$ 539 7.1% | \$ 308 4.2% | \$ 401 5.8% | \$ 419 6.5% | \$ 444 7.3% | \$ 261 4.5% | \$ 386 7.1% | \$ 251 4.9% | N/A N/A |

Source: Current Expense Fund Expenditures by Function Budgetary Basis (non-GAAP)

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

| | 2006 | 2005 | 2004 | 2003 | 2002 |
|--|-----------|-----------|-----------|-----------|-----------|
| Total Student Enrollment: | 16,521 | 16,535 | 16,475 | 16,203 | 16,095 |
| <u>FOOD & NUTRITION</u> | | | | | |
| Number of Days Lunch Served | 180 | 180 | 179 | 178 | 180 |
| Average Number of Lunches Served Daily: | | | | | |
| Free Lunch | 2,453 | 2,295 | 2,144 | 2,052 | 1,958 |
| Reduced Price | 671 | 628 | 589 | 544 | 508 |
| Regular Price | 4,613 | 4,274 | 3,897 | 3,766 | 3,824 |
| Total Average Number of Lunches Served Daily: | 7,737 | 7,197 | 6,630 | 6,362 | 6,290 |
| Percentage of Student Participation: | | | | | |
| Students Receiving Free Lunch | 14.8% | 13.9% | 13.0% | 12.7% | 12.2% |
| Students Paying Reduced Price | 4.1% | 3.8% | 3.6% | 3.4% | 3.2% |
| Students Paying Regular Price | 27.9% | 25.8% | 23.7% | 23.2% | 23.8% |
| Total Percentage of Student Participation | 46.8% | 43.5% | 40.3% | 39.3% | 39.2% |
| Cost Per Lunch to Student: | | | | | |
| Elementary | \$1.35 | \$1.35 | \$1.35 | \$1.35 | \$1.35 |
| Secondary | \$1.50 | \$1.50 | \$1.50 | \$1.50 | \$1.50 |
| <u>STUDENT TRANSPORTATION</u> | | | | | |
| Number of Students Eligible to ride the School Bus | 15,062 | 14,911 | 14,324 | 14,163 | 14,098 |
| Number of School Bus Riders Daily | 11,119 | 10,578 | 10,604 | N/A | N/A |
| Percentage of Student Participation | 67.3% | 64.0% | 64.4% | N/A | N/A |
| Number of School Bus Routes: | | | | | |
| County | 10 | 10 | 13 | 13 | 13 |
| Private Contractor | 142 | 138 | 127 | 125 | 128 |
| <u>TEACHER DATA</u> | | | | | |
| Total Number of Budgeted Teachers | 1,156.50 | 1,110.87 | 1,067.25 | 1,052.93 | 1,049.44 |
| Minimum Salary | \$ 36,862 | \$ 35,788 | \$ 34,412 | \$ 33,088 | \$ 31,815 |
| Maximum Salary * | \$ 67,673 | \$ 64,889 | \$ 62,480 | \$ 60,404 | \$ 57,908 |
| Average Annual Salary | \$ 51,048 | \$ 49,800 | \$ 48,635 | \$ 46,946 | \$ 45,165 |
| Increase over prior year | 2.5% | 2.4% | 3.6% | 3.9% | 4.9% |
| Percentage of Teachers with Master's and/or APC | 55.0% | 55.8% | 56.4% | 55.6% | 54.9% |
| Percentage of Teachers with Master's plus credits | 6.3% | 6.2% | 7.1% | 7.2% | 7.4% |
| Percentage of Teachers with Doctorate | 0.4% | 0.2% | 0.3% | 0.3% | 0.3% |
| Student/Teacher Ratio | 14.3 | 14.9 | 15.4 | 15.4 | 15.3 |

*Includes additional stipends for advanced training and longevity

Source: Department of Food Services, Department of Student Transportation, Cecil County Classroom Teacher's Association

**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, 2006, and have issued our report thereon dated August 24, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the combined financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

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 August 24, 2006.

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.

Baltimore, Maryland
August 24, 2006

Reznick Group, P.C.

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, 2006. 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, 2006.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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.

Baltimore, Maryland
August 24, 2006

Reznick Group, P.C.

Board of Education of Cecil County

SCHEDULE OF FINDINGS AND QUESTIONED COSTS –

FINANCIAL REPORTING

Year ended June 30, 2006

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 reportable conditions 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, 2006

| Grant Name | MSDE Grant Number | Federal Grant Number | CCPS Grant Number | Project Period | | Total Grant Award | Expenditures |
|--|-------------------------|----------------------------|-------------------------|----------------|----------|-------------------------|------------------|
| | | | | From | To | | |
| General Fund: | | | | | | | |
| 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 | 600540-01 | 84.010 | 100-108 | 07/01/05 | 06/30/07 | \$ 2,076,620 | \$ 1,946,392 |
| Title I Grants to Local Educational Agencies | 500369-01 | 84.010 | 112 | 07/01/04 | 06/30/06 | 2,063,062 | 148,411 |
| Title I Grants to Local Educational Agencies | 602111-01 | 84.010 | 109 | 10/01/05 | 08/31/06 | 10,677 | 5,880 |
| Title I Grants to Local Educational Agencies | 601054-01 | 84.010 | 110 | 07/01/05 | 09/30/05 | 55,395 | 55,395 |
| Title I Grants to Local Educational Agencies | 601816-01 | 84.010 | 150 | 12/01/05 | 09/30/06 | 12,432 | 8,523 |
| Title I Grants to Local Educational Agencies | 501410-01 | 84.010 | 151 | 12/01/04 | 06/30/05 | 21,701 | 587 |
| State Grants for Innovative Programs | 600440-01 | 84.298 | 115 | 07/01/05 | 06/30/07 | 52,946 | 51,727 |
| State Grants for Innovative Programs | 500373-01 | 84.298 | 116 | 07/01/04 | 06/30/06 | 52,588 | 517 |
| Education Technology State Grants | 601025-02 | 84.318 | 190 | 07/01/05 | 06/30/07 | 39,251 | 995 |
| Education Technology State Grants | 500371-01 | 84.318 | 189 | 07/01/04 | 06/30/06 | 55,778 | 19,259 |
| Comprehensive School Reform Demonstration | 500972-01 | 84.332A | 123 | 07/01/04 | 09/30/05 | 148,878 | 11,740 |
| Improving Teacher Quality State Grants | 600466-01 | 84.367 | 154 | 07/01/05 | 06/30/07 | 676,684 | 613,430 |
| Improving Teacher Quality State Grants | 500370-01 | 84.367 | 164 | 07/01/04 | 06/30/06 | 688,459 | - |
| Subtotal | | | | | | <u>5,954,471</u> | <u>2,862,856</u> |
| <i>Elementary and Secondary Education Act (ESEA)</i> | | | | | | | |
| English Language Acquisition Grants | 600492-01 | 84.365A | 144 | 07/01/05 | 06/30/07 | 25,400 | 25,247 |
| English Language Acquisition Grants | 500463-01 | 84.365A | 143 | 07/01/04 | 06/30/06 | 20,270 | - |
| Subtotal | | | | | | <u>45,670</u> | <u>25,247</u> |
| <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 | 600321-01 | 84.027 | 401 | 07/01/05 | 06/30/06 | 3,101,025 | 3,101,025 |
| Special Education Grants to States | 600321-02 | 84.027 | 403, 404, 419 | 07/01/05 | 09/30/06 | 34,530 | 33,353 |
| Special Education Grants to States | 500600-02 | 84.027 | 403, 404, 419 | 07/01/04 | 09/30/05 | 34,662 | 4,592 |
| Special Education Grants to States | 600321-03 | 84.027 | 412 | 07/01/05 | 09/30/06 | 2,500 | 2,311 |
| Special Education Grants to States | 500600-03 | 84.027 | 412 | 07/01/04 | 09/30/05 | 2,500 | - |
| Special Education Grants to States | 600321-04 | 84.027 | 406 | 07/01/05 | 09/30/06 | 32,435 | 32,435 |
| Special Education Grants to States | 500600-04 | 84.027 | 406 | 07/01/04 | 09/30/05 | 40,314 | - |
| Special Education Grants to States | 600674-01 | 84.027 | 417 | 07/01/05 | 09/30/06 | 9,000 | 6,213 |
| Special Education Grants to States | 500600-07 | 84.027 | 417 | 07/01/04 | 09/30/05 | 7,500 | - |
| Special Education Grants to States | 600683-01 | 84.027 | 421 | 07/01/05 | 09/30/06 | 50,000 | 18,085 |
| Special Education Grants to States | 500747-01 | 84.027 | 422 | 07/01/04 | 12/30/05 | 49,446 | 29,388 |
| Special Education Grants to States | 501084-01 | 84.027 | 423 | 07/01/04 | 09/30/05 | 30,022 | 11,541 |
| Special Education Grants to States | 602132-01 | 84.027 | 409 | 07/01/05 | 06/30/06 | 103,965 | 103,965 |
| Special Education Grants to States | 500751-01 | 84.027 | 440 | 07/01/04 | 09/30/05 | 50,000 | - |
| Special Education Grants to States | 600321-07 | 84.027 | 410 | 07/01/05 | 06/30/06 | 25,000 | 25,000 |
| Special Education Preschool Grants | 600321-05 | 84.173 | 405 | 07/01/05 | 06/30/06 | 117,543 | 117,543 |
| Special Education Preschool Grants | 600321-06 | 84.173 | 413 | 07/01/05 | 06/30/06 | 27,000 | 27,000 |
| Special Education State Personnel Development | 601313-01 | 84.323 | 424 | 07/01/05 | 09/30/06 | 12,244 | 7,288 |

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2006

| Grant Name | MSDE Grant Number | Federal Grant Number | CCPS Grant Number | Project Period | | Total Grant Award | Expenditures |
|---|-------------------------|----------------------------|-------------------------|----------------|----------|-------------------------|--------------|
| | | | | From | To | | |
| General Fund: | | | | | | | |
| 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 Preschool Grants | 602132-02 | 84.173 | 415 | 07/01/05 | 06/30/06 | \$ 1,018 | \$ 1,018 |
| Special Education Grants for Infants and Families with Disabilities | 600364-01 | 84.181 | 407 | 07/01/05 | 06/30/06 | 19,179 | 18,961 |
| Special Education Preschool Grants | 600364-04 | 84.173 | 428 | 07/01/05 | 06/30/06 | 7,000 | 7,000 |
| Special Education Grants for Infants and Families with Disabilities | 600364-02 | 84.181 | 427 | 07/01/05 | 06/30/06 | 104,487 | 104,487 |
| Special Education Grants to States | 600364-03 | 84.027 | 429 | 07/01/05 | 06/30/06 | 14,540 | 14,540 |
| Special Education Preschool Grants | 601797-02 | 84.173 | 408 | 07/01/05 | 06/30/06 | 484 | 484 |
| Special Education Grants to States | 601797-01 | 84.027 | 411 | 07/01/05 | 06/30/06 | 11,014 | 11,014 |
| Subtotal | | | | | | 3,887,408 | 3,677,243 |
| <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 | 600598-01 | 84.048 | 113 | 07/01/05 | 06/30/06 | 179,624 | 179,624 |
| Vocational Education Basic Grants to States | 500563-01 | 84.048 | 114 | 07/01/04 | 06/30/05 | 179,688 | 2,879 |
| Vocational Education Basic Grants to States | 502013-01 | 84.048 | 120 | 03/12/05 | 09/30/05 | 1,800 | 1,800 |
| Vocational Education Basic Grants to States | 601745-01 | 84.048 | 121 | 10/01/05 | 06/30/06 | 3,450 | 3,450 |
| Subtotal | | | | | | 364,562 | 187,753 |
| <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 National Programs | N/A | 84.184 | 161 | 03/12/04 | 09/30/05 | 136,144 | 12,382 |
| Safe and Drug-Free Schools and Communities National Programs | N/A | 84.184B | 166 | 05/01/05 | 06/30/06 | 90,000 | 90,000 |
| Safe and Drug-Free Schools and Communities State Grants | 600512-01 | 84.186 | 204 | 07/01/05 | 06/30/07 | 75,657 | 71,597 |
| Safe and Drug-Free Schools and Communities State Grants | 500372-01 | 84.186 | 201 | 07/01/04 | 06/30/06 | 77,198 | - |
| Subtotal | | | | | | 378,999 | 173,979 |
| <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 | 601008-01 | 94.004 | 208 | 09/01/05 | 08/31/06 | 16,865 | 5,317 |
| Learn and Serve America School and Community Based Programs | 500766-01 | 94.004 | 214 | 09/01/04 | 12/31/05 | 10,211 | 8,950 |
| Subtotal | | | | | | 27,076 | 14,267 |

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2006

| Grant Name | MSDE Grant Number | Federal Grant Number | CCPS Grant Number | Project Period | | Total Grant Award | Expenditures |
|---|-------------------------|----------------------------|-------------------------|----------------|----------|-------------------------|--------------|
| | | | | From | To | | |
| General Fund: | | | | | | | |
| Federal Programs Administered through the Maryland State Department of Education - Continued | | | | | | | |
| <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 | 600369-01 | 93.991 | 193 | 07/01/05 | 06/30/06 | \$ 13,000 | \$ 11,263 |
| Subtotal | | | | | | 13,000 | 11,263 |
| <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 | 2,764 |
| Subtotal | | | | | | 13,000 | 2,764 |
| <u>Department of Health and Human Services, Centers for Medicare and Medicaid Services</u> <i>State Grants for Innovative Programs</i> | | | | | | | |
| Medical Assistance Program | 600197-01 | 93.778 | 450 | 07/01/05 | 09/30/06 | 1,350,000 | 732,929 |
| Medical Assistance Program | 600226-01 | 93.778 | 451 | 07/01/05 | 09/30/06 | 75,000 | 35,552 |
| Medical Assistance Program | N/A | N/A | 452 | 07/01/05 | 06/30/06 | 10,649 | 10,649 |
| Subtotal | | | | | | 1,435,649 | 779,130 |
| <u>Department of Education, Office of Innovation and Improvement</u> <i>Elementary and Secondary Education Act</i> | | | | | | | |
| Advanced Placement Program | 600865-01 | 84.330C | 175 | 09/01/05 | 12/31/06 | 45,637 | 21,490 |
| Education Technology State Grants | 602188-01 | 84.330C | 176 | 06/01/06 | 09/30/06 | 12,312 | 11,980 |
| Subtotal | | | | | | 57,949 | 33,470 |
| <u>Department of Education</u> <i>Hurricane Education Recovery Act</i> | | | | | | | |
| Hurricane Education Recovery | 602019-01 | 84.938C | 240 | 09/01/05 | 07/31/06 | 12,000 | 12,000 |
| Subtotal | | | | | | 12,000 | 12,000 |

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2006

| Grant Name | MSDE Grant Number | Federal Grant Number | CCPS Grant Number | Project Period | | Total Grant Award | Expenditures |
|---|-------------------------|----------------------------|-------------------------|----------------|----------|-------------------------|--------------|
| | | | | From | To | | |
| General Fund: | | | | | | | |
| 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 | \$ 5,909 |
| Education Technology State Grants | N/A | 84.318 | 181 | 07/01/04 | 09/30/06 | 20,366 | 762 |
| Education Technology State Grants | N/A | 84.318 | 280 | 07/01/03 | 09/30/05 | 4,386 | 2,631 |
| Education Technology State Grants | N/A | 84.318 | 281 | 07/01/04 | 09/30/06 | 1,775 | 1,438 |
| Education Technology State Grants | N/A | 84.318 | 188 | 06/01/06 | 09/30/07 | 10,000 | 6,055 |
| Education Technology State Grants | N/A | 84.318 | 187 | 10/01/03 | 09/30/05 | 10,000 | - |
| Education Technology State Grants | N/A | 84.318 | 183 | 07/01/03 | 09/30/05 | 17,500 | - |
| Education Technology State Grants | N/A | 84.318 | 184 | 07/01/04 | 09/30/06 | 16,590 | 8,406 |
| Subtotal | | | | | | 90,617 | 25,201 |
| <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 | 09/30/06 | 40,000 | 35,576 |
| Subtotal | | | | | | 40,000 | 35,576 |
| Total Federal Programs - General Fund | | | | | | \$ 12,320,401 | \$ 7,840,749 |
| Special Revenue Fund: | | | | | | | |
| <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 | | 07/01/05 | 06/30/06 | N/A | \$ 1,440,510 |
| Food Donation | N/A | 10.550 | | 07/01/05 | 06/30/06 | N/A | 286,593 |
| Subtotal | | | | | | | 1,727,103 |
| <u>U.S. Department of Agriculture, Food and Nutrition Services</u> <i>Child Nutrition Act of 1966</i> | | | | | | | |
| School Breakfast Program | N/A | 10.553 | | 07/01/05 | 06/30/06 | N/A | 418,752 |
| Subtotal | | | | | | | 418,752 |
| Total Federal Programs - Special Revenue Fund | | | | | | \$ 2,145,855 | |

CECIL COUNTY PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2006

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, 2006 for the following major programs:

| <u>Grant Name</u> | <u>Federal Grant Number</u> | <u>Expenditures</u> |
|--------------------------|------------------------------------|----------------------------|
| ESEA Title IIA | 84.367 | \$ 613,430 |
| USDA School Lunch | 10.555 | 1,440,510 |
| USDA School Breakfast | 10.553 | 418,752 |
| | | <u>\$ 2,472,692</u> |

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