

Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2008



Perryville Middle School

Rendering by Marshall Craft Associates, Inc.

Cecil County Public Schools

A Component Unit of Cecil County

George Washington Carver Education Leadership Center

201 Booth Street

Elkton, Maryland 21921

www.ccps.org

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

FISCAL YEAR ENDED JUNE 30, 2008

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Carolyn Teigland, Ed.D., Associate Superintendent for Education Services
D'Ette Devine, Ed.D., Associate Superintendent for Administrative Services
Thomas M. Kappra, Chief Financial Officer

Prepared by the Department of Business Services

**CECIL COUNTY PUBLIC SCHOOLS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Organization Chart.....	1
Leadership Team.....	2
Letter of Transmittal.....	3
GFOA Certificate of Achievement.....	11
ASBO International Certificate in Excellence.....	12
 FINANCIAL SECTION	
Independent Auditors' Report.....	13
Management's Discussion and Analysis.....	15
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets.....	29
Statement of Activities.....	30
Fund Financial Statements	
Balance Sheet – Government Funds.....	31
Reconciliation of Government Funds Balance Sheet with the Statement of Net Assets.....	32
Statement of Revenue, Expenditures, and Changes in Fund Balances Governmental Funds.....	33
Reconciliation of Net Change in Fund Balance with Change in Net Assets.....	34
Statement of Revenue, Expenditures, Encumbrances, and Changes in Fund Balance – Budget (Non- GAAP Budgetary Basis) and Actual – General Fund.....	35
Statement of Fiduciary Net Assets.....	36
Statement of Changes in Fiduciary Net Assets.....	37
Notes to Basic Financial Statements.....	38
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress.....	57
Schedule of Employer Contributions.....	57
INDIVIDUAL FUND FINANCIAL STATEMENTS	
Statement of Changes in Assets and Liabilities – Agency Fund – Student Activities.....	59

**CECIL COUNTY PUBLIC SCHOOLS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

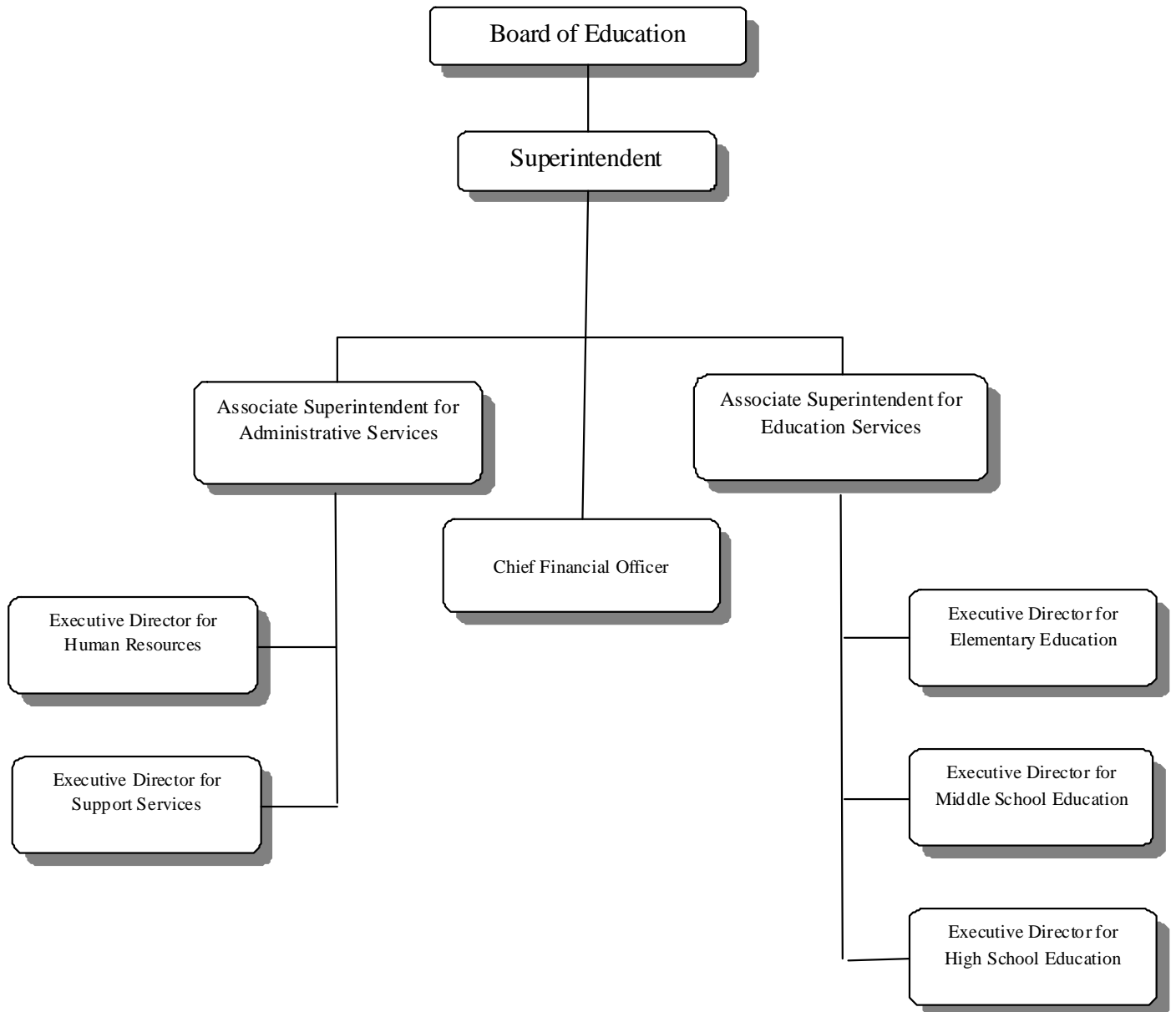
TABLE OF CONTENTS (continued)

	Page
STATISTICAL SECTION	
Statistical Section Contents	61
Net Assets by Component.....	63
Changes in Net Assets, Governmental Funds.....	64
Fund Balances of Governmental Funds.....	65
Changes in Fund Balance of Governmental Funds.....	66
Current Expense Fund, Final Approved Budget by Function.....	67
Current Expense Fund, Revenues by Source.....	68
Current Expense Fund, Expenditures by Function, Budgetary Basis (non-GAAP).....	69
Special Revenue Fund, Revenues by Source.....	70
Special Revenue Fund, Expenditures by Object.....	71
Capital Project Fund, Revenues by Source.....	72
Capital Project Fund, Expenditures by Type.....	73
Government-wide, Revenues by Source.....	74
Government-wide, Expenditures by Function.....	75
Enrollments by School.....	76
Principal Employers	77
Cecil County Demographic and Economic Statistics	78
Full-Time Equivalent Employees Budgeted by Function.....	79
Cost per Student	80
Other Operating Data	81
 OTHER SUPPLEMENTARY INFORMATION	
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.....	83
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.....	85
Schedule of Findings and Questioned Costs – Financial Reporting.....	87
Schedule of Expenditures of Federal Awards.....	89
Notes to Schedule of Expenditures of Federal Awards.....	93

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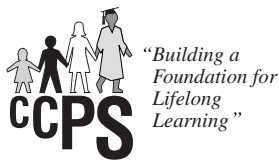
INTRODUCTORY SECTION

Cecil County Public Schools
Organization Chart
As of June 30, 2008



**LEADERSHIP TEAM
AS OF JUNE 30, 2008**

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



CECIL COUNTY PUBLIC SCHOOLS

Henry A. Shaffer, *Superintendent*

201 Booth Street, Elkton, MD 21921

September 22, 2008

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, 2008 is prepared pursuant to the requirements of Section 5-109 of the Public School Laws of Maryland. The School System is one governed by a Board of Education (Board) consisting of five elected members pursuant to State law and to which Cecil County provides partial fiscal support. Because of this fiscal relationship and the County's control over the budget process, the School System is a component unit of the County for financial reporting purposes, a requirement of the Governmental Accounting Standards Board (GASB). Responsibilities for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the School System. We believe the data is accurate in all material respects and presented in a manner that fairly reflects the financial position and the results of operations of the School System. All disclosures necessary to enable the readers to gain maximum understanding of the School System's financial affairs are provided.

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

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

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 16,290 students in 30 schools throughout our county including 17 elementary, 6 middle, 5 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 2.2 million miles annually transporting students safely to and from school. Cecil County Public Schools is the 13th largest of the 24 School Systems in Maryland.

CECIL COUNTY PUBLIC SCHOOLS

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As one of the largest employers in Cecil County, the School System has approximately 2,468 employees including 1,356 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 53 members lends their expertise and resources to further strengthen our School System.

Funding

The School System has no authority to levy and collect taxes. All funding is provided by the federal, state and county governments. The School System has authority to transfer funds within major categories of expenditure, as defined by statute, upon the approval of the Cecil County Board of Commissioners.

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. In fiscal year 2008, the County provided \$28 per student above the Maintenance of Effort amount of \$4,015 per student in fiscal year 2008. For fiscal year 2009, the County will provide \$359 per student above the Maintenance of Effort amount of \$4,375 per student.

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 year 2008, this represents an increase in state aid of 13.2% to \$5,926 per student. Fiscal year 2008 is the final year of adequate level funding under the BTE Act. The state legislature has frozen the per student appropriation for fiscal years 2009 and 2010. In fiscal 2009, our formula funding will increase our total state appropriation by 1.6% to a per student amount of \$6,081. Future funding is dependent upon identifying revenue streams beyond fiscal 2009.

The annual operating budget of the School System is approved by the Cecil County Board of Commissioners in May each year for the following fiscal year. The School System's approved budget for fiscal year 2009 totals \$180.3 million dollars, funded 39% by the County, 54% by the State and 7% 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

CECIL COUNTY PUBLIC SCHOOLS

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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 2008 will evaluate the effectiveness of our strategies in 2008 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 services and to be taught by highly qualified professionals in well-maintained and instructionally conducive facilities.

A comprehensive, rigorous instructional program is provided for all students. Individual student needs are addressed through differentiation of instruction. Disabled students are educated in the least restrictive environment in their home school with their age appropriate peers to the degree possible. Supplemental aids and services are provided as needed to support student achievement. Students who are gifted and talented receive services through the challenge program. 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.

Recent Accomplishments

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 accomplished before or within fiscal year 2008:

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

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

CECIL COUNTY PUBLIC SCHOOLS

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

- 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
- Active partnerships with business and community leaders
- Middle school and high school Maryland Student Assistance Programs (MSAP) to identify and address needs of students who have suspected or confirmed drug abuse issues
- Participation in annual tabletop drills at all schools within a high school attendance zone in which a hypothetical situation is encountered by one or more schools
- Foreign language instruction for high school credit in every middle school

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

- Recruitment and retention efforts and continuation of implementation of *No Child Left Behind* requirements
- Professional development in Baldrige and Strategic Instructional Models for Success
- On-line staff development and collaboration tool developed in partnership with Johns Hopkins University
- Laptop Initiative in middle schools to put laptops into every teacher's hands
- Implementation of a wellness policy by Food and Nutrition to provide nutritious meals for all students

The Future

Other tasks are ongoing challenges for our district. Funding for the following major programmatic initiatives were included in the annual operating budget for the fiscal year 2009:

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

- Expansion of early intervention, pre-kindergarten, child find and infants and toddlers programs
- Consolidated federally funded (Title I) support for elementary schools with highest poverty
- Maintain the Chinese foreign language program at the middle and high school level within one high school attendance zone
- Confirm the alignment of career and technology programs with state requirements
- Addition of a challenge resource position
- Appropriate Assistance class to support students not meeting HSA requirements
- Continue implementation of the freshman academy program in two high schools

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

- Expansion of the alternative education program with increased transition services and coordination to students' home school
- Expand partnerships with business and community leaders
- Review and update safe schools CERT training and practices to help school leaders prepare for crisis situations
- Conduct background checks for volunteers to support the safe schools program

CECIL COUNTY PUBLIC SCHOOLS

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

- Continue recruitment and retention efforts to assure that every child is taught by highly qualified staff
- Expand professional development in Baldrige and Strategic Instructional Models for Success
- Expand on-line staff development and collaboration tools
- Additional investment in technology and support services to expand integrating technology in curriculum and drive data based decision making

ECONOMIC CONDITION AND OUTLOOK

Cecil County encompasses 352 square miles in the northeastern corner of Maryland, bordering neighboring states of Delaware and Pennsylvania. According to the Maryland Department of Planning, the population of Cecil County is now 103,490 and is projected to be among the fastest growing counties in Maryland through 2030. Cecil County has a workforce of 51,558 and has seen a modest increase in the unemployment rate during the first half of 2008. During the past year, the unemployment rate has averaged 4.0% as compared to the national average of 5.5%.

The number of in-county jobs continues to climb steadily reaching 30,748 during 2007, an increase of over 5,000 new jobs since 2001. Payrolls in Cecil County have yet to see the decline that the current economic conditions are causing. The weekly wage in Cecil County is \$827, the 2nd highest wage among Maryland's sixteen smallest counties and the median household income is \$62,100.

Thirty-two of the county's 1,880 businesses employ over 100 workers. The manufacturing sector in Cecil County continues to be strong, employing 4,564 or 15.2% of the total workforce. Cecil County's manufacturing sector is nearly three times that of the State of Maryland with an average weekly wage of \$1,077 in 2005.

In the past two years, there has been substantial plant and employment growth at both W.L. Gore and ATK Elkton. Terumo Medical had a major project line moved to an overseas location a couple of years ago but Terumo Cardiovascular has taken on new projects and has increased employment in each of the past three years. DuPont Dow Viton is in the process of increasing the size of their Elkton facility. Recently, PTFE Compounds, a manufacturer from New Castle County, moved their entire operation to the Upper Chesapeake Corporate Center building, a 22,000 square foot facility. On a negative note, Mitsubishi Kagaha Imaging has stopped the production of copier toner at their Elkton facility and Basell has decreased their workforce and has placed their Appleton Road headquarters and R&D building on the market. Also expected to have an impact on Cecil County residents is the pending closure of the Chrysler Assembly Plant in Newark, Delaware.

The Regional Transformation of BRAC

Base Realignment and Closure (BRAC) is the process the Department of Defense (DOD) uses to reorganize its installation infrastructure to more efficiently and effectively support its forces, increase operational readiness and facilitate new ways of doing business. The BRAC 2005 decision resulted in significant gains for Aberdeen Proving Ground (APG) in neighboring Harford County, MD bringing 8,200 civilian DOD jobs to the Post and 7,500-10,000 indirect jobs in support of the

CECIL COUNTY PUBLIC SCHOOLS

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defense community. Many of these jobs are highly scientific and technical with average salaries above \$87,000. Many require a bachelor's degree, most will require a security clearance and all require U.S. citizenship.

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

The arrival of these tech sector jobs to our region has begun with 340 positions transferring to APG in September 2008; another 600 will follow in 2009. Communications and electronics, research and development, test and evaluation, and bio-chemical are technical fields driving curriculum in the area of Science, Technology, Engineering and Math or STEM, preparing our young people today for tomorrow's skilled workforce. We anticipate approximately 50 percent or more of the jobs relocating to APG to come unstaffed, providing ample opportunity for the regional workforce (which currently commutes extensively out of the region for such technical jobs) to have the ability to work in their own communities. Because of required specialized job skills and a global competitive market, lifelong learning is an integral part of this knowledge economy. The School System, colleges and universities are partnering with the private sector to offer tailored coursework to meet market demands.

The BRAC 2005 decision, which encompasses the growth at APG and 25 other growth communities around the country, must be fully implemented by September 15, 2011, by federal mandate. The Chesapeake Science and Security Corridor (CSSC), comprised of central and northeastern Maryland and the BRAC-impacted border jurisdictions of Delaware and Pennsylvania, is poised with the workforce, education and quality of life desirable to support a thriving defense community.

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.

CECIL COUNTY PUBLIC SCHOOLS

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201 Booth Street, Elkton, MD 21921

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 expenditure 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 expenses 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 Trust Fund, 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 CareFirst 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 CareFirst premiums and the projected maximum liability for medical claims.

Cash Management

Investment of temporarily idle funds is made in accordance with Section 22 of Article 95 of the Annotated Code of Maryland and related Board of Education policy and is limited to securities issued or guaranteed by the Federal government. Investments are made principally through the Maryland Local Government Investment Pool (MLGIP), money market and certificates of deposit. The MLGIP is rated "AAAm" by Standard and Poor's (their highest rating). The MLGIP, under the administrative control of the State Treasurer, is managed by PNC Institutional Investments. In fiscal year 2008, these investments provided income for all funds in the amount of \$852,892. A comparable figure for fiscal year 2007 was \$930,608. The decrease was mainly due to the decrease 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 fifth 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; Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 are included as Other Supplementary Information following the Statistical Section of the report.

CECIL COUNTY PUBLIC SCHOOLS

Henry A. Shaffer, *Superintendent*

201 Booth Street, Elkton, MD 21921

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.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Cecil County Public Schools for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007. This is the fifth consecutive year that the School System achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The Association of School Business Officials (ASBO) International has awarded a Certificate of Excellence in Financial Reporting to Cecil County Public Schools for its CAFR for the fiscal year ended June 30, 2007.

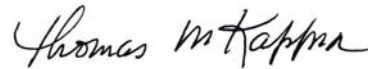
The Certificate of Excellence in Financial Reporting is the highest recognition in School System financial reporting issued by ASBO International and is only conferred to School Systems that have met or exceeded the standards of the program. This is the fifth consecutive year the School System was awarded 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.

The preparation of this 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 this report conforms reflects the professional competence of all individuals responsible for its preparation. We wish to express our appreciation for a job well done.

Sincerely,



Henry A. Shaffer
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, 2007

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.



Oliver S. Cox

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, 2007**

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

President

Executive Director

FINANCIAL SECTION

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, 2008, as listed in the table of contents. These financial statements are the responsibility of the School System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the government activities and each major fund of the School System as of June 30, 2008, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our reports dated September 22, 2008, 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 required supplementary information such as Management's Discussion and Analysis on pages 15 through 27 and School System's actuarially determined funding progress and required contributions for the School System's Retiree Benefit Trust Fund on page 57 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 89 through 92 are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations" and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Reznick Group, P.C.

Baltimore, Maryland
September 22, 2008

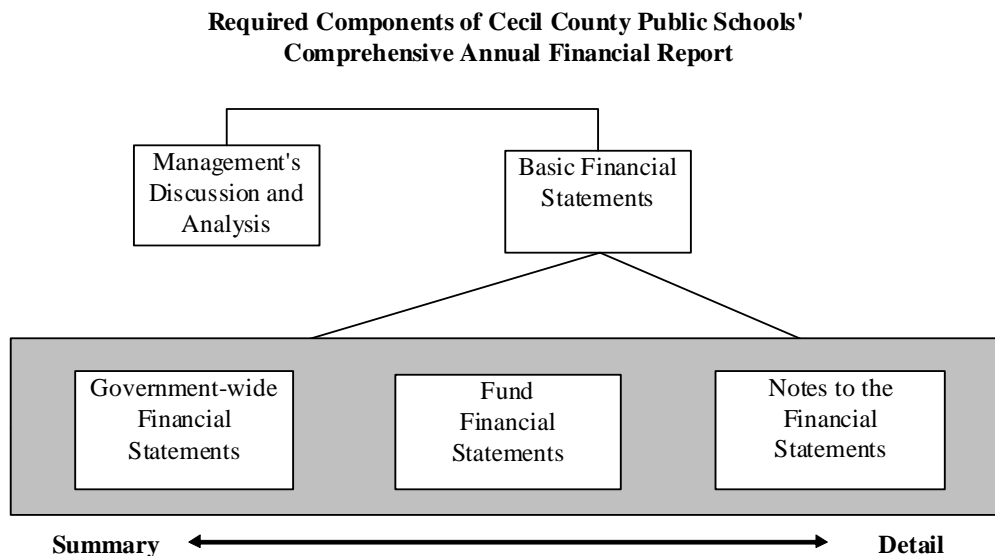
This section of Cecil County Public Schools' Comprehensive Annual Financial Report (CAFR) represents our discussion and analysis of the School System's financial performance during the fiscal year ending June 30, 2008. The management's discussion and analysis, financial statements, and related footnotes are the responsibility of management. Please read this section in conjunction with the transmittal letter, the School System's financial statements and the notes to the basic financial statements that follow.

FINANCIAL HIGHLIGHTS

- The School System's net assets at the end of the fiscal year total \$174.1 million, of which \$167.8 million is invested in capital assets, net of related debt
- Net assets increased \$11.9 million for the year, most of which is attributable to capital construction projects
- General revenues of \$135.4 million account for 66% of all revenues, program revenues of \$70.1 million account for 34%
- The food and nutrition department received \$2.9 million from charges for services, accounting for 53% of food and nutrition total revenue. Higher transportation and food costs resulted in a net operating loss of \$(.6) million.
- The operating budget was amended during the year for a net increase of \$1.3 million. This included a reduction in the County appropriation of \$(1.5) million, offset by additional revenue from restricted State and Federal grants of \$3.1 million.

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.



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 fund and funds held in trust for a specific purpose, such as retiree healthcare
Required financial statements	-Statement of net assets -Statement of activities	-Balance sheet -Statement of revenues, expenditures, and changes in fund balance	-Statement of fiduciary net assets -Statement of changes in fiduciary net assets
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 29 and 30), the *Fund Financial Statements* (pages 31, 33, 36 and 37) and the *Budget vs. Actual Financial Statement* (page 35). The *Notes to the Basic Financial Statements* (pages 38-55) are an integral part of these financial statements. They explain some of the information in the financial statements and provide more detail.

Government-wide Statements

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

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

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

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

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

In the government-wide financial statements, the School System's activities include administration, regular instruction and special education, student personnel and health services, plant operations and maintenance, transportation, food and nutrition, community services and capital outlay. County appropriations funded by taxes and other fees, as well as state formula aid, finance most of these activities.

The School System's food and nutrition program serves lunch at all schools and breakfast at many schools. The Food and Nutrition operation is supported by charges for meals, donated federal food commodities, and reimbursements in accordance with government food programs.

The government-wide financial statements can be found immediately following this *Management's Discussion and Analysis*.

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, there are differences in the information presented for government funds with similar information presented in the government-wide statements. A reconciliation and description of the relationship between governmental activities (Statement of Net Assets and Statement of Activities) and government funds can be found on pages 38 and 40.

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 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.

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 Fiduciary Funds consist of the following:

- The **Student Activity Agency Fund** consists primarily of funds raised by students, for their benefit, which are held in trust by the School System. The basic fiduciary fund statements

include the *Statement of Fiduciary Assets and Liabilities* (page 36) and the *Statement of Changes in Assets and Liabilities-Agency Fund-Student Activities* (page 59).

- The **Retiree Benefit Trust Fund** consists of contributions of the School System to establish a reserve to pay for health and welfare benefits of future retirees. Contributions to the Trust qualify as contributions within the meaning of Governmental Accounting Standards Board Statement Numbers 43 and 45. The basic fiduciary fund statements include the *Statement of Fiduciary Assets and Liabilities* (page 36) and the *Statement of Changes in Fiduciary Net Assets- Retiree Healthcare Benefit Trust Fund* (page 37).

Budget vs. Actual Financial Statements

A *Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual* is presented for the General Fund which is a legally adopted budget. This statement shows original and final adopted budgets, along with actual revenues and expenditures compared to the final budget. Open encumbrances are treated as expenditures in this statement. This statement can be found on page 35.

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

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

The *Debt Service Fund* is used to account for principal and interest payments on general obligation bonds for the acquisition and construction of major capital projects. The School System has no authority to issue bonded debt and consequently does not have a debt policy. The outstanding debt is reported in the financial statements of the County government and therefore, no debt service information is reported here.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

As of June 30, 2008, the School System had total assets of \$206.3 million. Of the \$27.9 million current assets, approximately 82.8% was in cash and cash equivalents and 12.7% was due from other governments. Noncurrent assets, 86.5% of the total assets, represent the value of land, buildings, furniture and equipment net of accumulated depreciation. Of the \$32.2 million in total liabilities as of June 30, 2008, 63.4% are current liabilities to settle within the next fiscal year. Non-current liabilities, 36.6% 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 \$174.1 million in net assets consists of \$167.8 million invested in capital assets (net of related debt), \$6.3 million unrestricted and \$0.04 million restricted for capital projects.

A comparison of Net Assets for 2008 vs. 2007 is shown below:

	<u>2008</u>	<u>2007</u>	<u>Increase/ (Decrease)</u>	
Assets				
Current assets	\$ 27,939,442	\$ 29,659,162	\$ (1,719,720)	(5.8)%
Capital assets	<u>178,357,007</u>	<u>160,481,350</u>	<u>17,875,657</u>	11.1%
Total assets	<u>206,296,449</u>	<u>190,140,512</u>	<u>16,155,937</u>	8.5%
Liabilities				
Current liabilities	20,416,711	22,131,491	(1,714,780)	(7.7)%
Long term liabilities	<u>11,767,382</u>	<u>5,804,610</u>	<u>5,962,772</u>	102.7%
Total liabilities	<u>32,184,093</u>	<u>27,936,101</u>	<u>4,247,992</u>	15.2%
Net Assets				
Investment in capital assets, net of related debt	167,798,316	156,528,166	11,270,150	7.2%
Restricted for capital projects	40,074	611,410	(571,336)	(93.4)%
Unrestricted (deficit)	<u>6,273,966</u>	<u>5,064,835</u>	<u>1,209,131</u>	23.9%
Net assets, end of year	<u>\$ 174,112,356</u>	<u>\$ 162,204,411</u>	<u>\$ 11,907,945</u>	7.3%

Change in Net Assets

The School System's combined net assets increased by \$11.9 million or 7.3% on June 30, 2008, to \$174.1 million. Current assets decreased by \$1.7 million due to a decrease in cash and cash equivalents of \$0.04 million, a decrease in funds due from other governmental agencies of \$2.2 million, an increase in accounts receivable of \$0.1 million and an increase in other current assets of \$0.5 million. Capital assets increased by \$17.9 million or 11.1% due to additions to construction in progress of which \$16.2 million is related to two major addition/renovation projects at Elkton High School and Perryville Middle School.

Current liabilities decreased by \$1.7 million or 7.7%. Accrued salaries increased \$1.7 million. This represents salaries earned by 10 month employees who elect to be paid over 12 months. Accounts payable decreased by \$3.2 million while estimated health care claims incurred but not reported decreased by \$.007 million. Long-term liabilities increased by \$6 million or 103% due to additional long-term lease obligations.

Statement of Activities

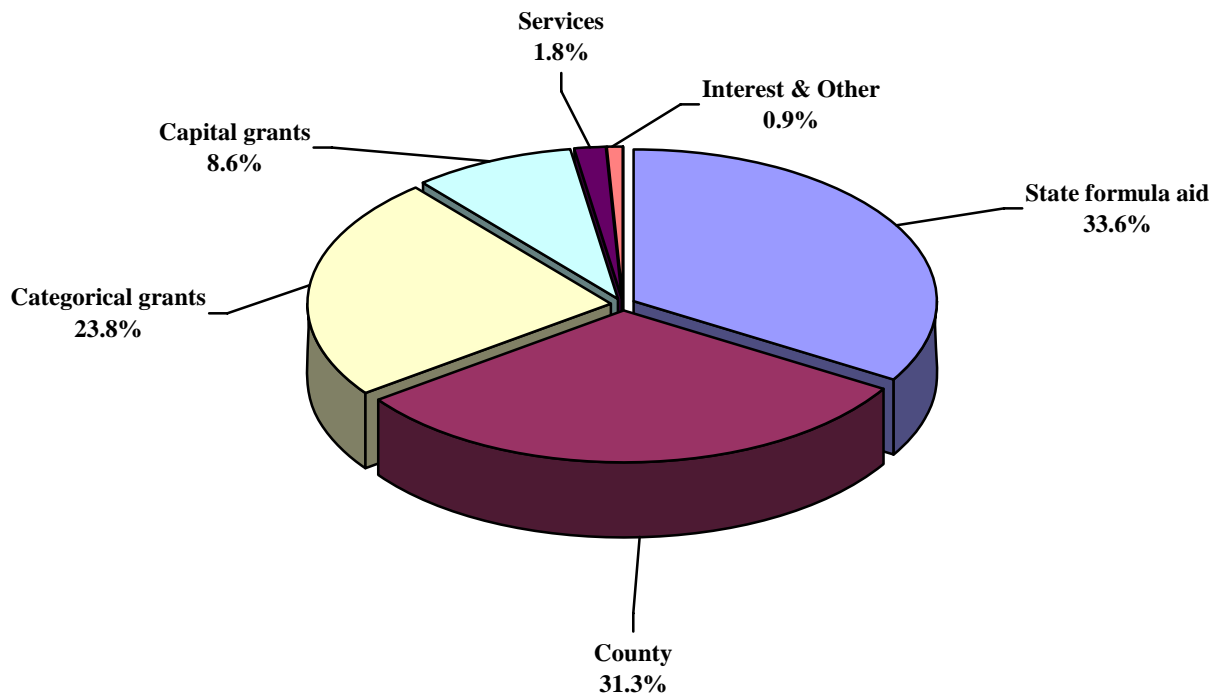
A comparison of revenue by source for 2008 vs. 2007 is shown below:

	<u>2008</u>	<u>2007</u>	<u>Increase/ (Decrease)</u>	
Revenue				
Program Revenues				
Charges for Services	\$ 3,568,839	\$ 3,377,578	\$ 191,261	5.7%
Operating grants and contributions	48,901,527	43,428,584	5,472,943	12.6%
Capital grants and contributions	17,653,368	37,684,828	(20,031,460)	(53.2)%
General Revenues				
Grants and contributions not restricted to certain programs	133,523,694	126,728,815	6,794,879	5.4%
Other	1,826,944	1,359,060	467,884	34.4%
Total Revenue	<u>205,474,372</u>	<u>212,578,865</u>	<u>(7,104,493)</u>	<u>(3.3)%</u>
Expenses				
Administration	5,345,436	4,876,720	468,716	9.6%
Mid-level administration	17,641,192	16,004,079	1,637,113	10.2%
Instruction	100,659,951	89,739,839	10,920,112	12.2%
Special education	30,677,957	27,118,984	3,558,973	13.1%
Student personnel services	1,163,427	993,420	170,007	17.1%
Student health services	2,024,228	1,932,511	91,717	4.7%
Student transportation	9,479,243	8,633,675	845,568	9.8%
Operation of plant	14,126,567	12,366,791	1,759,776	14.2%
Maintenance of plant	4,857,755	4,794,585	63,170	1.3%
Food and nutrition	5,439,250	4,965,606	473,644	9.5%
Community services	312,701	254,059	58,642	23.1%
Capital outlay	1,837,886	4,737,281	(2,899,395)	(61.2)%
Interest on long-term debt	834	1,612	(778)	(48.3)%
Total expenses	193,566,427	176,419,162	17,147,265	9.7%
 Change in net assets	 <u>\$ 11,907,945</u>	 <u>\$ 36,159,703</u>	 <u>\$ (24,251,758)</u>	 <u>(67.1)%</u>

Revenue

Cecil County Public Schools' revenues from fiscal year 2008 were in the amount of \$205.5 million and came from three major sources. These include charges for services of \$3.6 million, operating program grants from the state and federal government of \$48.9 million and capital grants from the State of Maryland and Cecil County Government of \$17.7 million. In addition to program sources, the School System received general revenue from the State of Maryland of \$69.1 million, Cecil County Government of \$64.4 million, investment earnings and other miscellaneous income of \$1.8 million.

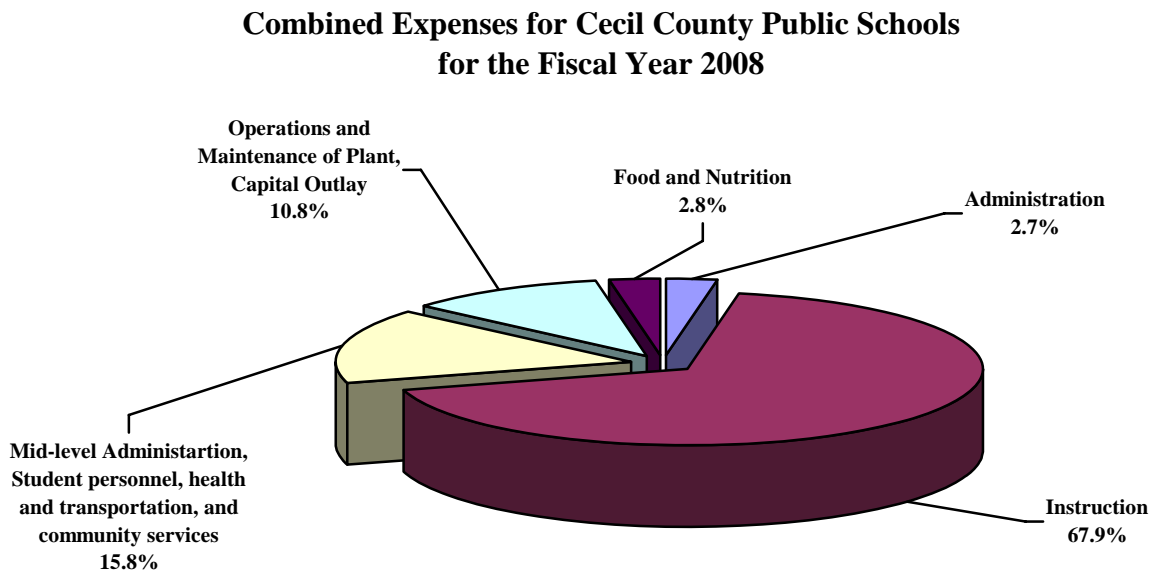
**Cecil County Public Schools' Revenue Sources
Fiscal Year 2008**



Expenses

The revenues received during 2008 were used to pay expenses of \$193.6 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 2008 as follows:



GOVERNMENT FUNDS FINANCIAL HIGHLIGHTS

The total assets of the School System's government funds exceeded liabilities at the end of the fiscal year by \$9.1 million. Total government fund revenues decreased \$9.4 million, with a \$20 million decrease in capital projects and a \$10.3 million increase in the general fund. The School System received \$79.3 million or 41% of its governmental activities funding from the county and \$100.2 million or 51% from the state and federal entitlement grants of \$10.3 million for 5%.

GOVERNMENT FUNDS FINANCIAL ANALYSIS

Major Fund Balances

The combined Governmental Funds balance as of June 30, 2008 was \$9.1 million, an increase of \$.7 million from the previous year. The General Fund increased \$1.9 million from the previous year to \$9.1 million. This represents 5.3% 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

CECIL COUNTY PUBLIC SCHOOLS
Management's Discussion and Analysis

Year Ended June 30, 2008

fiscally dependent on grants and appropriations from the county, state and federal governments. Once the budget is adopted through the budget process prior to the start of the fiscal year, these amounts rarely change.

The School System is authorized to transfer funds between major categories of the budget. The following schedule shows the total additions, reductions and transfers made to the original operating budget by major category:

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Change</u>
Revenue					
Intergovernmental					
Cecil County, Maryland	\$ 65,915,162	\$ 64,435,162	\$ -	\$ 1,480,000	\$ (1,480,000)
State of Maryland	96,687,340	97,710,853	1,023,513	-	1,023,513
United States government	6,784,236	8,932,965	2,148,729	-	2,148,729
Other sources					
Investment interest	220,000	220,000	-	-	-
Other	2,610,000	2,252,128	-	357,872	(357,872)
Total revenue	<u>\$ 172,216,738</u>	<u>\$ 173,551,108</u>	<u>\$ 3,172,242</u>	<u>\$ 1,837,872</u>	<u>\$ 1,334,370</u>
Expenditures					
Current					
Administration	\$ 4,498,835	\$ 4,487,486	\$ -	\$ 11,349	\$ (11,349)
Mid-level administration	13,170,792	13,174,739	3,947	-	3,947
Instruction salaries	65,727,155	65,875,628	148,473	-	148,473
Instruction materials and supplies	3,114,771	3,511,322	396,551	-	396,551
Instruction other costs	2,286,877	2,992,522	705,645	-	705,645
Special education	22,656,137	24,202,546	1,546,409	-	1,546,409
Student personnel services	817,064	1,056,848	239,784	-	239,784
Student health services	1,589,305	1,581,126	-	8,179	(8,179)
Student transportation	9,363,255	9,359,598	-	3,657	(3,657)
Operation of plant	11,270,316	12,467,016	1,196,700	-	1,196,700
Maintenance of plant	3,844,756	4,246,735	401,979	-	401,979
Fixed charges	33,319,135	29,921,089	-	3,398,046	(3,398,046)
Community services	296,715	412,116	115,401	-	115,401
Capital outlay	261,625	262,337	712	-	712
Total expenditures	<u>\$ 172,216,738</u>	<u>\$ 173,551,108</u>	<u>\$ 4,755,601</u>	<u>\$ 3,421,231</u>	<u>\$ 1,334,370</u>

The General Fund is the School System's primary operating fund. The final budget of \$173.6 million exceeded the original budget of \$172.2 million by \$1.4 million. This is due to additional restricted grants received from state and federal sources of \$3.1 million and a reduction in the County appropriation of \$(1.5) million.

Actual expenditures of \$170.1 million were \$3.4 million or 2% less than the final budget. Lower than projected health care claims by our self insured fund and lower property and liability insurance resulted in fixed charges being \$4.6 million less than budgeted. In addition, improved bus routing resulted in a reduction of 9.5% of total miles driven which helped offset unexpected increases in fuel costs and resulted in transportation expenses being \$200 thousand less than budgeted. Savings in these categories offset unfavorable budget results in Special Education of \$(1.4) million due to an increase in related services delivery and non-public placement cost and \$(1.1) million in Operations

due to increases in utility costs.

The Special Revenue Fund decreased \$622,797 from the previous year to \$(58,865). This represents 0.9% of total fund expenditures. Lower a la carte sales and increased expenditures due to raising food and transportation costs resulted in the fund balance decrease. Since the School System receives a major portion of its revenue from fees charged for services, lunch fees will be increased to provide additional revenue. After the increase, Cecil County's meal prices will still remain among the lowest in the state.

The Capital Projects Fund decreased \$571,336 from the previous year to \$40,074. 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, 2008 amounts to \$178.4 million (net of accumulated depreciation of \$93.3 million). 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)

	2008	2007
Land	\$ 1,202,153	\$ 1,202,153
Buildings	95,371,427	94,847,980
Improvements other than buildings	3,205,617	3,394,017
Furniture, fixtures, and equipment	9,930,593	8,633,842
Construction in progress	68,647,218	52,403,358
Total	\$ 178,357,008	\$ 160,481,350

The total increase in the School System's net capital assets during the year was \$17.9 million. Major capital projects during the fiscal year ended June 30, 2008 included:

- Continuation of the addition/expansion project at Elkton High School totaling \$10.7 million
- Continuation of the HVAC/roof replacement at Perryville High School totaling \$1.3 million
- Continuation of the addition/renovation project for Perryville Middle School totaling \$3.8 million

Future commitments on major capital projects in progress total \$13.7 million.

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, 2008 the total funds held in cash and cash equivalents was \$1,389,644.

Fiduciary Fund

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*, commonly referred to as Other Post Employment Benefits (OPEB). The School System has implemented GASB Statement No. 45 in fiscal year 2008. This addresses how governmental entities should account for and report their cost and obligation related to post employment healthcare and other non-pension benefits. Annual OPEB cost for employers our size will be based on actuarially determined amounts that, if paid on an ongoing basis, will provide sufficient resources to pay retiree benefits accrued during active service. The School System established an OPEB Trust and entered that Trust in a Pooled OPEB Investment Trust. Fiduciary responsibilities remain with the member Trustees serving as Trustees of the Pooled OPEB Investment Trust.

The School System contribution to the Trust in fiscal year 2008 represents the actuarial determined pre-funding amount of \$1,480,000 necessary to result in a Net OPEB Obligation (NOO) of zero at year end.

FUTURE FINANCIAL IMPACTS

The State of Maryland *Bridge to Excellence in Public Schools* and the Federal *No Child Left Behind* Acts established a number of requirements for public school systems. Some of these requirements include full-day kindergarten for all elementary schools (completed in fiscal 2007), all teachers must be highly qualified and expanded choice options for parents. All students must reach proficiency levels on state assessments by 2014. In addition there are new certification and assessment standards for paraprofessionals and extensive data tracking and reporting requirements. All of these requirements have cost impacts. The financial well being of the State and County has a significant impact upon the School System's ability to meet the requirements of the *Bridge to Excellence* and *No Child Left Behind* Acts.

During fiscal year 2008, 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 2009 and plan for fiscal year 2010 and beyond.

The fiscal year 2009 approved operating budget, adopted in May 2008, was constructed using a modified application of zero-based budgeting based upon the School System's Strategic Plan and long range fiscal plan. This budget supports the School System's mission by addressing the three primary goals and thirteen major objectives of the Board of Education.

The approved fiscal 2009 budget includes an additional \$8.1 million representing a \$1.6 million or 1.7% increase in state funding and \$4.0 million or a 6.1% increase in county funding.

Major program initiatives in the fiscal year 2009 operating budget include:

- \$5.3 million in salary and benefit cost increases to retain a quality workforce
- \$1.5 million OPEB pre-funding amount
- \$.6 million for textbooks for new curricula and program improvements
- \$1.8 million in utility and student transportation costs
- \$2.2 million in new positions and benefit costs to support instructional and operational needs
- \$.3 million to further integrate technology throughout the curriculum

Contact for Additional Information

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

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BASIC FINANCIAL STATEMENTS

CECIL COUNTY PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS

Current assets

Cash and cash equivalents	\$ 23,139,878
Due from Cecil County, Maryland	1,317,326
Due from State of Maryland	1,418,295
Due from United States government	802,778
Accounts receivable	423,654
Prepaid items	670,574
Inventory	166,937
Total current assets	<u>27,939,442</u>

Noncurrent assets

Capital assets (net of accumulated depreciation)

Land	1,202,153
Buildings	95,371,428
Improvements other than buildings	3,205,617
Furniture, fixtures and equipment	9,930,592
Construction in progress	68,647,217
Total noncurrent assets	<u>178,357,007</u>

Total assets \$ 206,296,449

LIABILITIES

Current liabilities

Accounts payable	\$ 4,780,471
Accrued salaries	11,420,398
Estimated healthcare claims incurred but not reported	1,317,600
Capital leases due within one year	1,256,901
Compensated absences due within one year	332,771
Unearned revenue - federal	984,781
Unearned revenue - state	7,960
Unearned revenue - other	315,829
Total current liabilities	<u>20,416,711</u>

Noncurrent liabilities

Capital leases due in more than one year	9,301,790
Compensated absences due in more than one year	2,465,592
Total noncurrent liabilities	<u>11,767,382</u>

Total liabilities \$ 32,184,093

NET ASSETS

Invested in capital assets, net of related debt	\$ 167,798,316
Restricted for	
Capital projects	40,074
Unrestricted	6,273,966
Total net assets	<u><u>\$ 174,112,356</u></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, 2008**

	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	\$ 5,345,436	\$ -	\$ 517,513	\$ -
Mid-level administration	17,641,192	-	1,289,459	-
Instruction salaries	88,770,368	589,832	23,121,058	-
Instruction materials and supplies	3,191,191	-	469,838	-
Instruction other costs	8,698,392	-	419,006	-
Special education	30,677,957	-	14,403,339	-
Student personnel services	1,163,427	-	87,589	-
Student health services	2,024,228	-	177,343	-
Student transportation	9,479,243	-	4,501,715	-
Operation of plant	14,126,567	-	493,836	-
Maintenance of plant	4,857,755	-	462,022	-
Food and nutrition	5,439,250	2,951,531	2,653,775	-
Community services	312,701	27,476	281,518	-
Capital outlay	1,837,886	-	23,516	17,653,368
Interest on long-term debt	834	-	-	-
	<u>\$ 193,566,427</u>	<u>\$ 3,568,839</u>	<u>\$ 48,901,527</u>	<u>\$ 17,653,368</u>
Total government activities				<u>(123,442,693)</u>
General revenue				
State aid not restricted to specific purposes				69,088,532
Local aid not restricted to specific purposes				64,435,162
Interest and investment earnings				852,892
Miscellaneous				974,052
Total general revenues				<u>135,350,638</u>
Change in net assets				11,907,945
				-
Net assets - beginning				<u>162,204,411</u>
Net assets - ending				<u>\$174,112,356</u>

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

CECIL COUNTY PUBLIC SCHOOLS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 21,608,602	\$ 1,045,999	\$ 485,277	\$ 23,139,878
Due from				
Cecil County, Maryland	-	-	1,317,326	1,317,326
State of Maryland	1,088,645	-	329,650	1,418,295
United States government	802,778	-	-	802,778
Capital projects fund	332,330	-	-	332,330
Special revenue fund	1,243,234	-	-	1,243,234
Accounts receivable	350,272	73,383	-	423,655
Prepaid items	670,574	-	-	670,574
Inventory	-	166,937	-	166,937
Total Assets	\$ 26,096,435	\$ 1,286,319	\$ 2,132,253	\$ 29,515,007
 <u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Accounts payable	\$ 3,096,784	\$ 89,933	\$ 1,614,767	\$ 4,801,484
Accrued salaries	11,419,885	-	-	11,419,885
Estimated claims incurred but not reported	1,317,600	-	-	1,317,600
Deferred revenue - federal	984,781	-	-	984,781
Deferred revenue - state	7,960	-	-	7,960
Deferred revenue - other	138,231	12,017	145,082	295,330
Due to general fund	-	1,243,234	332,330	1,575,564
Total liabilities	16,965,241	1,345,184	2,092,179	20,402,604
 Fund balance				
Reserved				
Encumbrances	95,090	-	-	95,090
Unreserved				
Designated for subsequent year's expenditures	3,000,000	-	-	3,000,000
Designated for health care	2,082,689	-	-	2,082,689
Designated reserve for fuel cost contingency	700,000	-	-	700,000
Designated reserve for technology	500,000	-	-	500,000
Designated reserve for emergency	2,753,415	-	-	2,753,415
Undesignated	-	(58,865)	40,074	(18,791)
Total fund balance	9,131,194	(58,865)	40,074	9,112,403
 Total liabilities and fund balance	 \$ 26,096,435	 \$ 1,286,319	 \$ 2,132,253	 \$ 29,515,007

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, 2008**

Total fund balance	\$	9,112,403
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Amounts reported in the statement of net assets are different because:

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

Capital assets	\$	271,705,960	
Accumulated depreciation		<u>(93,348,953)</u>	178,357,007

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	\$	(10,558,691)	
Accrued vacation leave		<u>(2,798,363)</u>	<u>(13,357,054)</u>

Total net assets	\$	<u><u>174,112,356</u></u>
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The notes to the basic financial statements are an integral part of this statement.

CECIL COUNTY PUBLIC SCHOOLS
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Special Revenue	Capital Projects	Total Governmental Funds
Revenue				
Intergovernmental				
Cecil County, Maryland	\$ 64,435,162	\$ -	\$ 14,907,393	\$ 79,342,555
State of Maryland	97,140,744	272,031	2,745,975	100,158,750
United States government	7,897,822	2,381,744	-	10,279,566
Other sources				
Sale of food	-	2,951,522	-	2,951,522
Investment interest	782,377	38,294	32,221	852,892
Other	1,641,233	1,032	22,476	1,664,741
Total revenue	<u>171,897,338</u>	<u>5,644,623</u>	<u>17,708,065</u>	<u>195,250,026</u>
Expenditures				
Current				
Administration	4,206,929	254,493	1,224	4,462,646
Mid-level administration	13,184,316	-	-	13,184,316
Instruction salaries	65,284,743	-	-	65,284,743
Instruction materials and supplies	3,191,191	-	-	3,191,191
Instruction other	5,258,440	-	9,669	5,268,109
Special education	24,135,599	-	-	24,135,599
Student personnel services	876,693	-	-	876,693
Student health services	1,535,533	-	-	1,535,533
Student transportation	9,276,228	-	-	9,276,228
Operation of plant	12,405,004	-	-	12,405,004
Maintenance of plant	4,089,328	-	-	4,089,328
Fixed charges	28,705,419	548,491	-	29,253,910
Community services	304,802	-	-	304,802
Food service				
Salaries and wages	-	2,279,254	-	2,279,254
Food	-	2,644,705	-	2,644,705
Contracted services	-	98,591	-	98,591
Supplies and materials	-	198,850	-	198,850
Other operating cost	-	243,036	-	243,036
Capital outlay	261,223	-	23,519,663	23,780,886
Total expenditures	<u>172,715,448</u>	<u>6,267,420</u>	<u>23,530,556</u>	<u>202,513,424</u>
Excess (deficiency) of revenues over expenditures	(818,110)	(622,797)	(5,822,491)	(7,263,398)
Other financing sources (uses)				
Capital leases	2,670,806	-	5,251,155	7,921,961
Net change in fund balances	1,852,696	(622,797)	(571,336)	658,563
Fund balance, beginning of year	7,278,498	563,932	611,410	8,453,840
Fund balance, end of year	<u>\$ 9,131,194</u>	<u>\$ (58,865)</u>	<u>\$ 40,074</u>	<u>\$ 9,112,403</u>

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

**CECIL COUNTY PUBLIC SCHOOLS
RECONCILIATION OF NET CHANGE IN FUND BALANCE
WITH CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2008**

Total change in fund balance	\$	658,563
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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	\$ (8,011,375)	
Capital outlays	<u>17,965,071</u>	9,953,696

Capital lease proceeds which provide current financial resources in the governmental funds, are not reported as revenues in the statement of activities		7,921,961
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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	\$ 1,316,454	
New capital leases	<u>(7,921,961)</u>	(6,605,507)

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.

(20,768)

Total change in net assets	\$	<u><u>11,907,945</u></u>
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The notes to the basic financial statements are an integral part of this statement.

CECIL COUNTY PUBLIC SCHOOLS

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

GENERAL FUND

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenue				
Intergovernmental				
Cecil County, Maryland	\$ 65,915,162	\$ 64,435,162	\$ 64,435,162	\$ -
State of Maryland	96,687,340	97,710,853	97,230,358	(480,495)
United States government	6,784,236	8,932,965	7,903,301	(1,029,664)
Other sources				
Investment interest	220,000	220,000	782,377	562,377
Other	2,610,000	2,252,128	1,641,234	(610,894)
Total revenue	<u>172,216,738</u>	<u>173,551,108</u>	<u>171,992,432</u>	<u>(1,558,676)</u>
Expenditures				
Current				
Administration	4,498,835	4,487,486	4,205,829	281,657
Mid-level administration	13,170,792	13,174,739	13,110,617	64,122
Instruction salaries	65,727,155	65,875,628	65,284,748	590,880
Instruction materials and supplies	3,114,771	3,511,322	3,196,670	314,652
Instruction other costs	2,286,877	2,992,522	2,745,854	246,668
Special education	22,656,137	24,202,546	24,112,326	90,220
Student personnel services	817,064	1,056,848	876,691	180,157
Student health services	1,589,305	1,581,126	1,535,541	45,585
Student transportation	9,363,255	9,359,598	9,216,073	143,525
Operation of plant	11,270,316	12,467,016	12,404,997	62,019
Maintenance of plant	3,844,756	4,246,735	4,178,169	68,566
Fixed charges	33,319,135	29,921,089	28,706,198	1,214,891
Community services	296,715	412,116	304,801	107,315
Capital outlay	261,625	262,337	261,222	1,115
Total expenditures and encumbrances	<u>172,216,738</u>	<u>173,551,108</u>	<u>170,139,736</u>	<u>3,411,372</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>1,852,696</u>	<u>\$ 1,852,696</u>
Fund balance, beginning			<u>7,812,872</u>	
Fund balance, ending			<u>\$ 9,665,568</u>	

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

**CECIL COUNTY PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2008**

ASSETS	Retiree Benefit Trust Fund	Student Activity Agency Fund
Cash and cash equivalents	<u>\$ 1,480,000</u>	<u>\$ 1,389,644</u>
Total assets	<u>1,480,000</u>	<u>1,389,644</u>
LIABILITIES AND NET ASSETS		
Due to student groups	<u>-</u>	<u>1,389,644</u>
Total liabilities	<u>-</u>	<u>1,389,644</u>
Net Assets	<u><u>\$ 1,480,000</u></u>	<u><u>\$ -</u></u>

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

**CECIL COUNTY PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
RETIREE BENEFIT TRUST FUND
YEAR ENDED JUNE 30, 2008**

ADDITIONS

Contributions:

Employer	\$ 1,480,000
Total additions	<u>1,480,000</u>

DEDUCTIONS

Total deductions	<u>-</u>
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Net assets - beginning	<u>-</u>
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Net assets - ending	<u>\$ 1,480,000</u>
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The School System is a body politic and corporate established through the Education Article of the Annotated Code of Maryland in 1868. Educational services are provided to students pre-kindergarten through graduation in 30 school facilities owned and operated in Cecil County, Maryland by the Board of Education of Cecil County, consisting of five members elected to five-year terms and one student member who serves for one year. The Board has the responsibility to maintain a reasonable, uniform system of public schools to provide quality education for all youth of Cecil County. A small number of students are placed in state-operated and non-public educational facilities to meet their special needs.

The School System is a component unit of Cecil County, Maryland and the School System's financial results are included in the County's comprehensive annual financial report. Elected County Commissioners are responsible for approving the School System's budget and establishing spending limitations. The County is responsible for levying taxes and collecting and distributing funds to the School System. The School System is financially dependent upon appropriations from the County.

The financial statements of the School System are prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America, applicable to governmental entities, as prescribed by the Governmental Accounting Standards Board (GASB).

B. Government-wide Financial Statements

The Government-wide financial statements report on all of the non-fiduciary activities of the primary government. Activities between funds that are representative of lending borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds and are eliminated from the statements. Inter-fund charges to the Special Revenue Fund representing administrative overhead charges from the General Fund are included in direct expenses and not eliminated. The School System does not have business-type activities; therefore, the statements only include governmental activities.

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

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

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

Government Funds Financial Statements are reported using the current financial resources measurement focus and the modified basis of accounting. Revenues are recognized as soon as they are measurable and available. Generally, the School System considers revenue measurable and available when appropriated or otherwise known to be forthcoming from the funding sources. For this purpose, the School System considers revenues available if they are collected within 60 days of the end of the fiscal year. Special grant program revenue is recognized in accordance with the terms of the grant; generally, at the time program funds are expended. Principal revenue sources considered susceptible to accrual include federal and state grants and local County government appropriations. The School System on a direct basis generates no tax revenue.

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

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

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

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

- The *General Fund* is used to focus upon the operation of the School System's educational and support services programs.
- The *Special Revenue Fund* is used to record the financial transactions of the 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 School System's Fiduciary Funds consist of the following:

- *Student Activity Agency Fund* consists primarily of funds raised by students, for their benefit, which are held in trust by the School System. Agency funds are custodial in nature and do not measure results of operations or have a measurement focus. Agency funds do, however, use the accrual basis of accounting.
- *Retiree Benefit Fiduciary Trust Fund* consists of contributions of the School System to establish a reserve to pay for health and welfare benefits of future retirees. Contributions to the Trust qualify as contributions within the meaning of Governmental Accounting Standards Board Statement Numbers 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and is reported using the economic resource measurement focus and the accrual basis of accounting under which expenses are recorded when the liability is incurred. Fiduciary funds are not reported in the government-wide financial statements. The School System has implemented GASB Statement Numbers 43 and 45 in fiscal 2008.

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, an obligation for which the United States has pledged its full faith and credit for the payment of the principal and interest; an obligation that a federal agency or a federal instrumentality has issued in accordance with an act of congress; a repurchase agreement collateralized in an amount not less than 102% of the principal amount by an obligation of the United States, its agencies or instrumentalities; bankers' acceptances guaranteed by a financial institution with a short-term debt rating in the highest letter; commercial paper and money market mutual funds that contain only securities listed above receiving the highest possible rating.

Receivables

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

Inter-fund Balances/Inter-fund Activity

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

Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items in both the government-wide and fund financial statements.

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 CareFirst 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 \$175,000 per claim and in the aggregate of 125% 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 technology equipment, school busses, maintenance vehicles and relocatable classrooms, over periods ranging from three to five years. In addition, the School System has a fifteen year capital lease for various building improvements as part of an energy performance contract. All long-term obligations are subject to the School System annual appropriation from the state and local governments.

Deferred/Unearned Revenue

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

Net Assets and Fund Balance

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

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

NOTE 2 BUDGETARY INFORMATION

A. Budgetary Requirements

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

1. The School System must submit annual budgets for its General Fund prior to March 15th.
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	Maintenance of plant
Instruction materials and supplies	Fixed charges
Instruction other costs	Community services
Special education	Food and nutrition
Student personnel services	Capital outlay
Student health services	

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 School System 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, 2008 – Non-GAAP	\$ 9,665,568
Maryland State Department payments to State Retirement and Pension System on behalf of the School System for eligible employees	
Revenue	10,224,346
Expenditures	(10,224,346)
Current year encumbrances reported as expenditures for budget purposes and not in GAAP statements	(95,090)
Cumulative effect of encumbrances reported as expenditures in prior years	<u>(439,284)</u>
Fund Balance Ending, June 30, 2008 – GAAP Basis	<u>\$ 9,131,194</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, 2008, the carrying amount and bank balances of the School System’s deposits with financial institutions totaled \$24,529,522 and \$26,204,804, 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	\$ 513,352	\$ 518,644
Uninsured - collateral held by bank in school system's name	282,204	1,952,194
Certificate of Deposit due within one year - collateral held by bank in the School System's name	1,500,000	1,500,000
Total deposits	2,295,556	3,970,838
<u>Investments</u> - Maryland Local Government Investment Pool	22,233,966	22,233,966
Total cash and investments	\$ 24,529,522	\$ 26,204,804
 Reconciliation of above to the Statement of Net Assets:		
General Fund	\$ 21,608,602	\$ 23,181,896
Special Revenue Fund	1,045,999	1,045,999
Capital Projects Fund	485,277	485,277
Total cash and cash equivalents - Statement of Net Assets	23,139,878	24,713,172
Fiduciary Fund	1,389,644	1,491,632
Total cash and investments	\$ 24,529,522	\$ 26,204,804

Credit Risk- It is the School Systems policy to invest pursuant to the Annotated Code of Maryland 6-222. The Maryland Local Government Investment Pool is duly chartered, administered and subject to regulatory oversight by the State of Maryland. This pool is managed in a “Rule 2(a)-7 like” manner and has an S&P rating of AAAm. The fair value of our position in the pool is equal to the shares outstanding.

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

NOTE 4 INTER-FUND RECEIVABLES, PAYABLES

The composition of inter-fund balances as of June 30, 2008, 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	\$ 332,330
General	Special Revenue	Deficit cash balance	<u>1,243,234</u>
Total			<u>\$ 1,575,564</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 2008:

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Capital assets not being depreciated				
Land	\$ 1,202,153	\$ -	\$ -	\$ 1,202,153
Construction-in-progress	<u>52,403,359</u>	<u>18,279,402</u>	<u>(2,035,544)</u>	<u>68,647,217</u>
Total capital assets not being depreciated	<u>53,605,512</u>	<u>18,279,402</u>	<u>(2,035,544)</u>	<u>69,849,370</u>
Capital assets being depreciated				
Buildings	168,603,137	5,727,772	(209,249)	174,121,660
Improvements other than buildings	4,627,415	44,544	(3,160)	4,668,799
Furniture, equipment and vehicles	<u>20,339,263</u>	<u>4,093,168</u>	<u>(1,366,301)</u>	<u>23,066,130</u>
Total capital assets being depreciated	<u>193,569,815</u>	<u>9,865,484</u>	<u>(1,578,710)</u>	<u>201,856,589</u>
Less accumulated depreciation for				
Buildings	(73,755,157)	(5,075,991)	80,915	(78,750,233)
Improvements other than buildings	(1,233,399)	(231,515)	1,732	(1,463,182)
Furniture, equipment and vehicles	<u>(11,705,421)</u>	<u>(2,703,869)</u>	<u>1,273,753</u>	<u>(13,135,537)</u>
Total accumulated depreciation	<u>(86,693,977)</u>	<u>(8,011,375)</u>	<u>1,356,400</u>	<u>(93,348,952)</u>
Total capital assets being depreciated, net	<u>106,875,838</u>	<u>1,854,109</u>	<u>(222,310)</u>	<u>108,507,637</u>
	<u>\$ 160,481,350</u>	<u>\$ 20,133,511</u>	<u>\$ (2,257,854)</u>	<u>\$ 178,357,007</u>

Depreciation expense was charged to functions/programs as follows:

<u>Government activities:</u>	<u>Amount</u>
Administration	\$ 172,319
Mid-level administration	151,569
Instruction	7,215,882
Special education	90,826
Student personnel services	3,216
Student health services	14,520
Student transportation	84,514
Operation of plant	50,678
Maintenance of plant	79,224
Food and nutrition	147,616
Capital outlay	1,011
	<u>\$ 8,011,375</u>

B. Construction Commitments

The School System has active construction projects as of June 30, 2008. 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	\$ 44,082,397	\$ 6,102,570
Perryville Middle Addition/Renovation	22,539,266	675,819
Perryville High HVAC/Roofing	739,607	1,362,265
Cecil Technical High Planning	673,865	5,636,464
Total	<u>\$ 68,035,135</u>	<u>\$ 13,777,118</u>

NOTE 6 LONG-TERM OBLIGATIONS

A. Compensated Absences

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

B. Capital Leases

The School System's capital leases represent obligations incurred to finance the purchase of school maintenance vehicles, relocatables, and improvements to buildings. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments at the inception date. 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:

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, 2008:

<u>Asset</u>	<u>Total</u>
Truck (1)	\$ 28,088
Vans (2)	34,592
Relocatables (6)	465,039
Improvements other than buildings	9,328,794
Technology equipment	2,670,805
	<u>12,527,318</u>
Less accumulated depreciation	1,109,738
	<u>\$ 11,417,580</u>

<u>Fiscal years ending June 30:</u>	<u>Total</u>
2009	\$ 1,626,833
2010	1,516,719
2011	1,516,749
2012	813,910
2013	813,910
2014-2018	4,069,548
2019-2021	2,441,730
Total payments	12,799,399
Less interest	2,240,708
Capitalized lease obligations	<u>\$ 10,558,691</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>Ending</u>	<u>Due Within</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Capital leases	\$ 3,953,184	\$ 7,921,961	\$ (1,316,454)	\$ 10,558,691	\$ 1,256,901
Compensated absences:	2,777,595	315,639	(294,871)	2,798,363	332,771
Long-term liabilities	\$ 6,730,779	\$ 8,237,600	\$ (1,611,325)	\$ 13,357,054	\$ 1,589,672

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 2008 under these leases amounted to \$236,524. The aggregate future rental payments under these commitments are \$1,562,022 as summarized below:

<u>Fiscal year ending June 30:</u>	<u>Building Rent</u>	<u>Office Equipment</u>
2009	\$ 233,591	\$ 376,063
2010	231,180	85,884
2011	238,128	75,315
2012	245,268	59,865
2013	-	16,728
Total	<u>\$ 948,167</u>	<u>\$ 613,855</u>

NOTE 8 GRANT PROGRAM REVENUE

Certain programs serving specific needs and purposes of the School System and the welfare of the students are funded by restricted federal and state grants. Monies so acquired, amounting to approximately \$66,554,895 during the fiscal year ended June 30, 2008, were used in the designated programs, did not supplant funding for the unrestricted programs. The general and special revenue funds accounted for approximately \$48,901,527 and the capital project fund accounted for approximately \$17,653,368.

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. Healthcare Claims Incurred But Not Reported

The School System is self insured for the core healthcare plan. Healthcare claims incurred but not reported as of June 30, 2008, are estimated to be in the amount of \$1,317,600. This amount is \$7,400 less than the claims estimated to be outstanding in the prior year.

Fiscal Year	Beginning Balance	Increase/ (Decrease)	Ending Balance
2007	\$ 2,224,361	\$ (899,361)	1,325,000
2008	\$ 1,325,000	\$ (7,400)	1,317,600

C. Sick Leave

As of June 30, 2008, the amount of accumulated unused sick leave was estimated to be \$28,036,879. It is not practical to estimate the portion of such amount that will ultimately be paid because payment is contingent upon employees' future illnesses. Management expects the School System's commitment to provide sick leave to be met during the normal course of activities over the working lives of its present employees.

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

D. Sick Leave Bank

As of June 30, 2008, the amount of accumulated unused sick leave included in the sick leave bank was estimated to be \$932,997. The sick leave bank is an extra source of sick leave available to those employees who are eligible to participate. Participation is based on a formula for donating sick days to the bank. The donation calculation considers the employee type and the employee's accrued sick leave. Management believes it is not practical to estimate the portion of such amount which will ultimately be paid because payment is contingent upon employees' future illnesses.

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

E. Special Grants

The School System participates in a number of federal and state assisted programs. These programs are subject generally to program compliance audits by the grantors or their representatives. As of June 30, 2008, the compliance audits of certain programs have not yet been conducted and/or accepted by the appropriate authorities. Accordingly, the system's compliance with applicable program requirements for these programs will be established conclusively at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time: although the system, based on past experience, does not expect such amounts, if any, to be significant.

F. Labor Relations

This fiscal year represents the first year of a three year collective bargaining agreement with the Cecil County Classroom Teachers' Association (CCCTA), reached in fiscal year 2008, which provides for Cost of Living Adjustments (COLA) of 4.0% for fiscal 2009 and a COLA at the CPI-U rate not to exceed 4.0% in fiscal years 2010 and 2011 respectively. In addition to COLA increases, this agreement also provides improvements in tuition reimbursement, extra pay for extra duty and retiree health care.

This fiscal year represents the first year of a three year collective bargaining agreement with the Cecil County Public Schools Administrators' and Supervisors' Association (CCPSASA) which provides for COLA increases of 4.0% for fiscal 2009 and a COLA at the CPI-U rate not to exceed 4.0% in fiscal years 2010 and 2011 respectively. In addition to COLA increases, this agreement also provides improvements in tuition reimbursement and retiree health care.

This fiscal year represents the last year of a three 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 provided COLA increases of 4.0%, 4.5% and 4.0% in fiscal years 2007, 2008 and 2009 respectively. In addition to COLA increases, this agreement also provides improvements in tuition reimbursement and retiree health care.

Meet and confer discussions with the Central Office Support Services Leadership Association (COSSLA) in fiscal 2006 resulted in a three year agreement with 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 health care.

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 and Employee's Retirement Systems participants are required to contribute 5% or 7% of their earnable compensation depending on their retirement option. Members of the Employees' Pension System are required to contribute 5% of earnable compensation. Employer contribution rates are determined actuarially. The employer contribution rates for fiscal year 2008 were 11.6% for the Teacher Systems and 12.69% and 7.69% 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, 2008 was \$10,224,346. The fiscal 2008 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, 2008, 2007, and 2006 were \$1,507,179, \$1,294,625 and \$1,207,506 respectively, all of which were 100% of the required contribution.

The computation of the pension contribution requirements for fiscal year 2008 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.

NOTE 11 OTHER POST EMPLOYMENT BENEFITS

A. PLAN DESCRIPTION

The Cecil County Public Schools Retiree Health and Welfare Plan (the "Plan") is a single employer defined benefit healthcare plan administered by the School System. The Plan provides medical, prescription drug, dental and vision benefits to eligible retirees, their spouses and eligible dependants. All classes of employees are eligible to participate in the Plan upon retirement. Participants must meet the eligibility requirements of the Maryland State Teachers' pension system, which are age 55 with 15 years of service, 30 years of service or age 62 with 5 years of service. To be eligible for continued retiree healthcare coverage, the retiree must have been enrolled in the School System's sponsored Plan for at least one full year immediately prior to retirement. In addition, eligible spouses and dependants desiring coverage through the eligible retiree's plan must be enrolled in the Plan immediately prior to the retiree's effective date of retirement. As of July 1, 2007, the date of the last actuarial valuation, approximately 425 retirees and their beneficiaries were receiving benefits, and an estimated 1,597 active employees are potentially eligible to receive future benefits.

B. Funding Policy

The School System pays retiree healthcare premiums based on years-of-service from \$3,041 for 14 years-of-service to \$5,666 for 30+ years of service until the retiree reaches age 65 up to a maximum of \$5,466 per year based on years of service. The retiree pays the remaining premium for the selected plan, including the cost of eligible dependants. The amount of the subsidy may be subject to the collective bargaining process and/or the School System's determination of contribution limits. Authority to establish and amend benefit provisions of the Plan rests with the School System.

For the fiscal year 2008, retirees contributed \$1.4 million or 44.5% of the total premiums and benefits cost of \$3.1 million. In May 2008, the School System created the Retiree Benefit Trust of the Board of Education of Cecil County (the "Trust") in order to arrange for the establishment of a reserve to pay promised future health and welfare benefits for employee services that have already occurred. The School System intends the contributions to the Trust will qualify as "contributions in relation to the actuarial required contribution" within the meaning of GASB Statement Number 45 and that the Trust will qualify as a "trust or equivalent arrangement" within the meaning of GASB Statements 43 and 45.

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

In May 2008, the School System entered into an agreement with the Maryland Association of Boards of Education (MABE), together with certain member Boards of Education in Maryland to establish the MABE Pooled OPEB Investment Trust (MABE Pool) in order to pool assets of the member Boards of Education for investment purposes only. Each member of the MABE Pool is required to designate a member Trustee who is a trustee of the member trust. The member trustees of the MABE Pool shall ensure that the MABE Pool keep such records as are necessary in order to maintain a separation of the assets of the Trust from the assets of trusts maintained by other governmental employers. The MABE Pool does not issue a publicly available financial report. Assets of the member trusts are reported in their respective CAFR using the economic resources measurement focus and the accrual basis of accounting under which expenses are recorded when the liability is incurred. Employer contributions are recorded in the accounting period in which they are earned and become measurable. Investments are reported at fair value and are based on published prices and quotations from major investment brokers at current exchange rates, as available.

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

C. Annual OPEB Cost and Net OPEB Obligation

The School System’s annual other post employment benefit (OPEB) cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined within the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year plus any unfunded liability amortized over a period not to exceed thirty years. The School System is implementing GASB Statement 45 prospectively in fiscal year 2008, therefore the net OPEB obligation at the beginning of the fiscal year is zero. The School System pays post retirement medical benefits (normal cost) from the General Fund, not from the Trust.

Annual required contribution	\$ 3,911,000
Adjustment to annual required contribution	<u>(695,263)</u>
Annual OPEB cost	3,215,737
Payments to retirees from general fund	(1,735,737)
Prefunding contribution	<u>(1,480,000)</u>
Increase in net OPEB obligation	-
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u><u>\$ -</u></u>

The School System’s OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal 2008, the first year of reporting OPEB obligations, are as follows:

Fiscal Year	Annual OPEB	Percentage of Annual	
		OPEB Cost	Net OPEB
Ended	Cost	Contributed	Obligation
June 30, 2008	\$ 3,215,737	100.0%	\$ -

D. Funding Status and Funding Progress

As of July 1, 2007 the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$42.7 million with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$42.7 million. The annual payroll of active employees covered by the Plan was \$106.2 million and the ratio of the UAAL to covered payroll was 40.2%. The School System established the Retiree Benefit Trust Fund in May 2008 with the intention to fully fund the annual required contribution (ARC). At the actual valuation date there were no trust fund assets. As of June 30, 2008, there were \$1.48 million in net assets.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made

about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, is designed to present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

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

In the July 1, 2007 actuarial valuation, the cost method used was the projected unit credit, with linear proration to decrement attribution. The actuarial assumptions include an 8% investment return per annum. The projected annual healthcare cost trend rate is 10.5% initially, reduced by decrements to an ultimate rate of 5.5% after five years. The UAAL is being amortized over thirty years based on a level percentage of projected payrolls.

NOTE 12 INSURANCE POOLS

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

The Pool and the Fund have excess loss insurance for both specific and aggregate losses. Although the Pool and the Fund maintain reserves, the School System could be assessed for its share of any future shortfalls.

The School System's Other Post Employment Benefit Plan (OPEB Plan) is administered through the School System's Retiree Benefits Trust Fund as an irrevocable trust and a member trust of the Maryland Association of Boards of Education (MABE) Pooled OPEB Investment Trust (MABE Pool). Assets of the trust fund are dedicated to providing post-retirement health insurance coverage to current and eligible future retirees.

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

The following schedules present the School System's actuarially determined funding progress and required contributions for the School System's Retiree Benefit Trust Fund.

**SCHEDULE OF FUNDING PROGRESS
 BY VALUATION DATE**

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
July 1, 2007	\$ -	\$ 42,714,000	\$ 42,714,000	0.0%	\$ 106,223,798	40.2%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Annual Required Contribution	Percentage Contributed
June 30, 2008	\$ 3,215,737	100.0%

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INDIVIDUAL FUND
FINANCIAL STATEMENT

CECIL COUNTY PUBLIC SCHOOLS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND - STUDENT ACTIVITIES
YEAR ENDED JUNE 30, 2008

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2008</u>
Assets:				
Cash and cash equivalents	\$ 1,209,318	\$ 2,896,206	\$ (2,715,880)	\$ 1,389,644
Total Assets	<u>\$ 1,209,318</u>	<u>\$ 2,896,206</u>	<u>\$ (2,715,880)</u>	<u>\$ 1,389,644</u>
 Liabilities:				
Due to student groups	\$ 1,209,318	\$ 2,896,206	\$ (2,715,880)	\$ 1,389,644
Total Liabilities	<u>\$ 1,209,318</u>	<u>\$ 2,896,206</u>	<u>\$ (2,715,880)</u>	<u>\$ 1,389,644</u>

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STATISTICAL
SECTION

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	63
<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	67
<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	76
<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	79
<i>These schedules contain data to help the reader understand how the information in the School System's financial report relates to the services the School System provides.</i>	

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**CECIL COUNTY PUBLIC SCHOOLS
NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS**

	2008	2007	2006	2005	2004	2003	2002
Governmental activities							
Invested in capital assets net of related debt	\$167,798,316	\$156,528,166	\$123,977,382	\$108,410,260	\$108,515,175	\$109,704,348	\$108,324,787
Restricted for capital projects	40,074	611,410	487,935	346,608	336,530	335,461	29,460
Unrestricted	<u>6,273,966</u>	<u>5,064,835</u>	<u>1,579,391</u>	<u>2,186,620</u>	<u>1,900,680</u>	<u>1,870,109</u>	<u>2,000,923</u>
Total governmental activities net assets	<u>\$174,112,356</u>	<u>\$162,204,411</u>	<u>\$126,044,708</u>	<u>\$110,943,488</u>	<u>\$110,752,385</u>	<u>\$111,909,918</u>	<u>\$110,355,170</u>

Source: Statement of Net Assets
Note: Data is not available for 1999-2001

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

	2008	2007	2006	2005	2004	2003	2002
Expenses							
Government activities:							
Administration	\$ 5,345,436	\$ 4,876,720	\$ 4,559,329	\$ 3,789,294	\$ 3,155,072	\$ 3,088,035	\$ 2,951,853
Mid-level administration	17,641,192	16,004,079	15,176,098	14,158,839	13,329,431	12,515,270	11,368,249
Instruction							
Salaries	88,770,368	81,836,635	76,741,777	71,729,858	66,932,297	62,776,576	60,259,909
Materials and supplies	3,191,191	3,101,396	2,863,712	2,763,589	2,634,229	2,897,518	2,446,763
Other costs	8,698,392	4,801,808	4,288,118	4,858,382	1,650,215	1,708,612	1,312,826
Special education	30,677,957	27,118,984	25,674,929	21,904,331	20,126,357	18,476,142	17,135,205
Student personnel services	1,163,427	993,420	973,329	878,333	796,439	747,294	747,526
Student health services	2,024,228	1,932,511	1,785,583	1,698,234	1,548,604	1,460,961	1,388,403
Student transportation	9,479,243	8,633,675	8,305,099	7,570,359	7,051,501	6,713,711	6,238,274
Operation of plant	14,126,567	12,366,791	11,372,420	10,644,108	9,475,506	9,117,663	8,044,433
Maintenance of plant	4,857,755	4,794,585	4,472,663	3,802,878	3,789,486	3,488,245	3,796,502
Food and nutrition	5,439,250	4,965,606	4,905,918	4,611,152	4,555,062	4,223,165	3,826,252
Community services	312,701	254,059	368,156	295,110	724,890	877,412	663,412
Capital outlay	1,837,886	4,737,281	4,883,382	418,741	7,012,381	7,483,438	6,021,379
Interest on long-term debt	834	1,612	13,672	14,030	-	-	-
Total governmental activities expenses	\$193,566,427	\$176,419,162	\$166,384,185	\$149,137,238	\$142,781,470	\$135,574,042	\$126,200,986
Program Revenues							
Government activities:							
Charges for services:							
Instruction salaries	\$ 589,832	\$ 571,537	\$ 478,198	\$ 571,836	\$ 526,998	\$ 174,574	\$ 243,983
Maintenance of plant	-	-	-	-	8,495	10,085	15,872
Food and nutrition	2,951,531	2,779,343	2,664,251	2,584,766	2,633,070	2,468,692	4,029,520
Community services	27,476	26,698	27,409	6,482	-	-	-
Operating grants and contributions	48,901,527	43,428,584	39,155,944	35,217,219	31,523,443	29,059,168	27,548,981
Capital grants and contributions	17,653,368	37,684,828	21,119,550	2,483,459	4,883,765	7,778,010	8,728,059
Total governmental activities program revenue	\$ 70,123,734	\$ 84,490,990	\$ 63,445,352	\$ 40,863,762	\$ 39,575,771	\$ 39,490,529	\$ 40,566,415
General Revenue and Other Changes in Net Assets							
Government activities:							
State aid not restricted to specific purposes	\$ 69,088,532	\$ 61,013,725	\$ 54,793,124	\$ 49,408,575	\$ 45,748,277	\$ 43,555,339	\$ 38,020,051
Local aid not restricted to specific purposes	64,435,162	65,715,090	62,229,000	58,708,711	56,089,930	53,984,355	50,884,355
Interest and investment earnings	852,892	1,143,097	781,976	272,663	171,972	203,401	305,743
Miscellaneous	974,052	215,963	235,953	74,630	37,987	346,805	624,261
Total governmental activities	\$135,350,638	\$128,087,875	\$118,040,053	\$108,464,579	\$102,048,166	\$ 98,089,900	\$ 89,834,410
Change in Net Assets	\$ 11,907,945	\$ 36,159,703	\$ 15,101,220	\$ 191,103	\$ (1,157,533)	\$ 2,006,387	\$ 4,199,839

Source: Statement of Activities

Notes: Data is not available for years 1999-2001. Capital Outlay includes unallocated depreciation in years 2002, 2003 2004.

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

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General fund										
Reserved	\$ 95,090	\$ -	\$ 43,726	\$ 4,229	\$ 4,948	\$ 23,034	\$ 66,994	\$ 290,308	\$ 1,019,514	\$ 1,167,391
Unreserved	<u>9,036,104</u>	<u>7,278,498</u>	<u>3,225,623</u>	<u>3,587,564</u>	<u>3,241,207</u>	<u>3,042,225</u>	<u>2,498,691</u>	<u>2,098,881</u>	<u>2,664,387</u>	<u>2,357,874</u>
Total general fund	<u>\$ 9,131,194</u>	<u>\$ 7,278,498</u>	<u>\$ 3,269,349</u>	<u>\$ 3,591,793</u>	<u>\$ 3,246,155</u>	<u>\$ 3,065,259</u>	<u>\$ 2,565,685</u>	<u>\$ 2,389,189</u>	<u>\$ 3,683,901</u>	<u>\$ 3,525,265</u>
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,058	\$ 97,813	\$ 266,593	\$ 172,035	\$ 148,716
Unreserved, reported in:										
Special revenue fund	(58,865)	563,932	1,022,983	1,273,543	1,104,490	1,206,893	1,169,661	1,123,880	894,863	750,090
Capital project fund	<u>40,074</u>	<u>611,410</u>	<u>487,935</u>	<u>346,608</u>	<u>336,530</u>	<u>335,461</u>	<u>300,455</u>	<u>146,688</u>	<u>221,890</u>	<u>301,605</u>
Total all other governmental fi	<u>\$ (18,791)</u>	<u>\$ 1,175,342</u>	<u>\$ 1,510,918</u>	<u>\$ 1,620,151</u>	<u>\$ 1,441,020</u>	<u>\$ 1,543,412</u>	<u>\$ 1,567,929</u>	<u>\$ 1,537,161</u>	<u>\$ 1,288,788</u>	<u>\$ 1,200,411</u>

Source: Balance Sheet - Governmental Funds

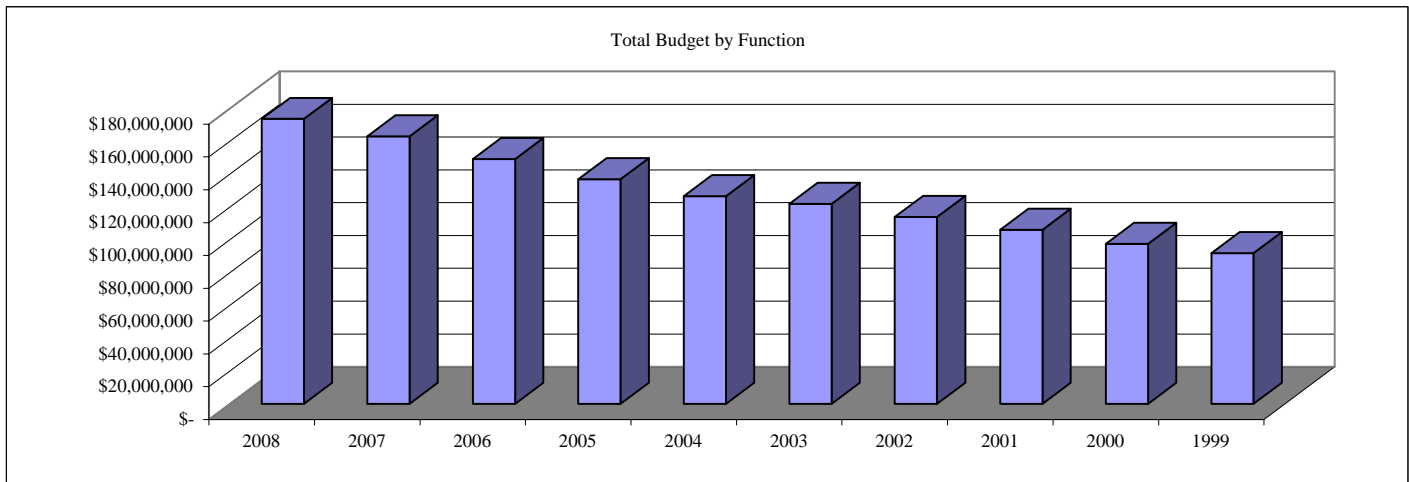
CECIL COUNTY PUBLIC SCHOOLS
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Revenue										
Intergovernmental										
Cecil County	\$ 79,342,555	\$ 88,968,786	\$ 68,101,426	\$ 65,762,152	\$ 65,565,985	\$ 63,044,845	\$ 62,088,358	\$ 60,645,112	\$ 57,074,717	\$ 52,894,476
State of Maryland	100,158,750	100,521,180	92,019,405	67,545,464	61,128,078	66,698,690	60,777,801	59,629,539	56,319,015	53,570,722
United States government	10,279,566	9,885,344	9,986,993	10,418,590	9,926,312	9,271,524	8,086,996	7,197,204	6,233,544	5,498,846
Other sources										
Sale of food	2,951,522	2,978,660	2,664,250	2,584,768	2,599,999	2,460,442	2,678,673	2,202,608	1,861,754	1,719,484
Investment interest	852,892	1,143,097	781,977	272,663	171,972	203,401	305,743	724,233	662,381	463,423
Other	1,664,741	1,142,843	807,592	783,004	710,791	770,885	732,682	772,809	430,682	884,931
Total revenue	\$195,250,026	\$ 204,639,910	\$ 174,361,643	\$ 147,366,641	\$ 140,103,137	\$ 142,449,787	\$ 134,670,253	\$ 131,171,505	\$ 122,582,093	\$ 115,031,882
Expenditures										
Administration	\$ 4,462,646	\$ 4,198,799	\$ 3,814,226	\$ 3,170,595	\$ 2,518,893	\$ 2,601,009	\$ 2,433,402	\$ 2,399,317	\$ 2,198,475	\$ 1,916,240
Mid-level administration	13,184,316	12,447,326	11,724,442	10,975,494	10,393,809	9,907,445	8,996,357	8,518,157	8,130,319	7,873,675
Instruction										
Salaries	65,284,743	62,111,692	57,924,179	54,207,475	51,033,162	48,502,455	46,469,692	42,890,178	40,532,997	38,624,854
Materials and supplies	3,191,191	3,101,396	2,863,712	2,763,589	2,634,229	2,897,518	2,456,789	2,362,930	2,503,689	2,185,171
Other costs	5,268,109	3,651,467	3,358,290	2,205,561	2,266,233	2,002,129	1,870,595	1,919,273	1,877,031	1,869,543
Special education	24,135,599	21,837,669	20,631,222	17,605,865	16,240,239	15,150,669	13,955,302	12,565,158	10,782,310	9,723,738
Student personnel services	876,693	757,159	741,104	682,552	618,698	587,119	585,766	324,606	307,252	292,611
Student health services	1,535,533	1,540,252	1,365,813	1,292,101	1,203,225	1,134,861	1,084,359	1,006,369	853,066	633,087
Student transportation	9,276,228	8,482,576	8,113,016	7,426,357	6,865,039	6,665,516	6,148,803	6,013,354	5,373,364	4,868,381
Operation of plant	12,405,004	10,979,716	9,885,513	9,226,095	8,259,725	8,005,471	7,068,961	7,303,630	6,436,321	5,976,863
Maintenance of plant	4,089,328	4,162,629	3,845,849	3,315,542	3,274,108	2,931,453	3,338,629	2,700,454	2,185,264	2,862,825
Fixed charges	29,253,910	24,729,453	24,267,210	21,784,323	19,541,851	23,316,796	22,074,615	21,568,819	20,108,249	19,569,096
Community services	304,802	247,512	359,832	288,500	658,716	783,449	560,804	574,469	286,476	203,339
Food service										
Salaries and wages	2,279,254	2,068,668	1,869,478	1,679,448	1,653,166	1,520,737				
Food	2,644,705	2,363,182	2,275,904	2,025,601	2,086,816	1,885,482	3,946,835	3,431,824	3,103,136	2,996,490
Contracted services	98,591	51,788	39,740	41,033	208,977	21,804				
Supplies and materials	198,850	251,665	324,717	154,796	15,555	171,084				
Other operating cost	243,036	57,173	52,147	396,027	428,732	516,993				
Capital outlay	23,780,886	37,816,102	25,304,452	3,256,972	5,033,670	8,051,743	9,202,652	14,483,301	11,805,596	10,843,785
Debt service										
Principal	-	99,691	96,442	3,067,686	3,161,444	-	-	-	-	-
Interest	-	10,422	13,672	1,796,816	1,788,344	-	-	-	-	-
Total expenditures	\$202,513,424	\$ 200,966,337	\$ 178,870,960	\$ 147,362,428	\$ 139,884,631	\$ 141,523,091	\$ 134,462,989	\$ 132,217,844	\$ 122,335,080	\$ 113,854,236
Excess of revenues over (under) expenditures	(7,263,398)	3,673,573	(4,509,317)	4,213	218,506	926,696	207,264	(1,046,339)	247,013	1,177,646
Other financing sources (uses)										
Proceeds of capital lease obligation	7,921,961	-	4,077,640	520,556	-	-	-	-	-	-
Net change in fund balances	\$ 658,563	\$ 3,673,573	\$ (431,677)	\$ 524,769	\$ 218,506	\$ 926,696	\$ 207,264	\$ (1,046,339)	\$ 247,013	\$ 1,177,646

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**

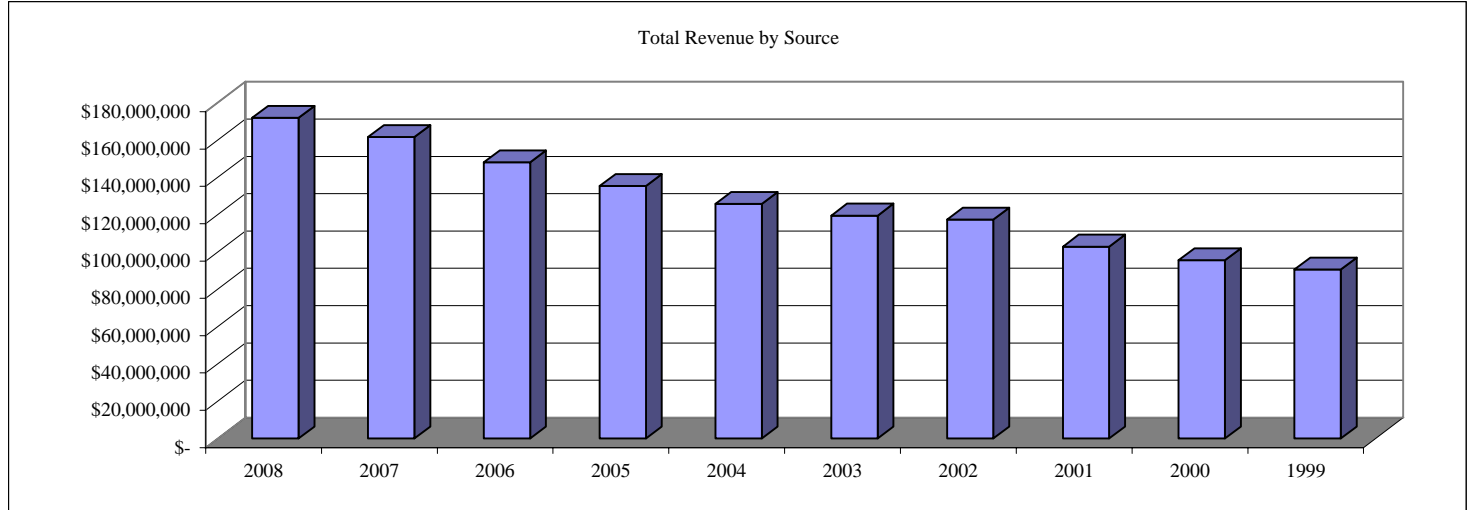
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Administration	\$ 4,487,486	\$ 4,174,847	\$ 3,604,719	\$ 3,180,908	\$ 2,632,936	\$ 2,672,814	\$ 2,660,771	\$ 2,365,830	\$ 2,181,414	\$ 1,924,584
Mid-level administration	13,174,739	12,499,961	11,715,451	10,983,002	10,423,900	9,907,757	9,007,411	8,584,867	8,139,991	7,831,975
Instruction salaries	65,875,628	62,523,864	58,177,958	54,469,564	51,194,879	49,364,096	47,523,436	44,371,766	41,214,527	39,494,014
Instruction supplies	3,511,322	3,367,758	2,941,079	2,895,422	2,659,247	2,961,365	2,716,540	2,528,784	2,398,835	2,402,680
Instruction other costs	2,992,522	3,891,850	3,436,801	2,457,853	2,331,456	2,008,488	1,909,643	2,069,199	1,791,951	1,917,592
Special education	24,202,546	22,109,940	20,639,515	17,671,775	16,516,837	15,522,133	14,217,065	12,729,884	10,798,339	10,202,099
Student personnel services	1,056,848	781,833	743,728	689,043	660,188	588,348	585,871	336,583	309,120	303,063
Student health services	1,581,126	1,553,096	1,370,105	1,302,407	1,204,205	1,134,861	1,093,667	1,026,498	881,353	640,264
Pupil transportation	9,359,598	8,822,452	8,179,091	7,507,035	6,865,705	6,685,441	6,159,845	5,755,964	5,433,938	4,913,818
Operation of plant	12,467,016	11,024,182	9,885,229	9,237,863	8,273,751	7,852,195	7,106,459	7,149,914	6,760,749	6,260,148
Maintenance of plant	4,246,735	4,328,488	3,900,348	3,672,589	3,277,800	3,076,805	3,167,765	2,863,036	2,832,640	2,685,474
Fixed charges	29,921,089	27,341,300	24,031,765	22,203,877	19,628,607	18,896,050	16,971,289	15,306,352	14,010,534	12,871,439
Community services	412,116	191,454	117,788	115,704	659,912	104,807	99,416	96,052	92,103	87,545
Capital outlay	262,337	367,481	407,936	379,070	104,816	1,002,137	612,169	799,424	618,799	209,788
Total Budget by Function	\$173,551,108	\$162,978,506	\$149,151,513	\$136,766,112	\$126,434,239	\$121,777,297	\$113,831,347	\$105,984,153	\$ 97,464,293	\$ 91,744,483
Increase over prior year	\$ 10,572,602 6.5%	\$ 13,826,993 9.3%	\$ 12,385,401 9.1%	\$ 10,331,873 8.2%	\$ 4,656,942 3.8%	\$ 7,945,950 7.0%	\$ 7,847,194 7.4%	\$ 8,519,860 8.7%	\$ 5,719,810 6.2%	\$ 7,186,817 8.5%



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

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

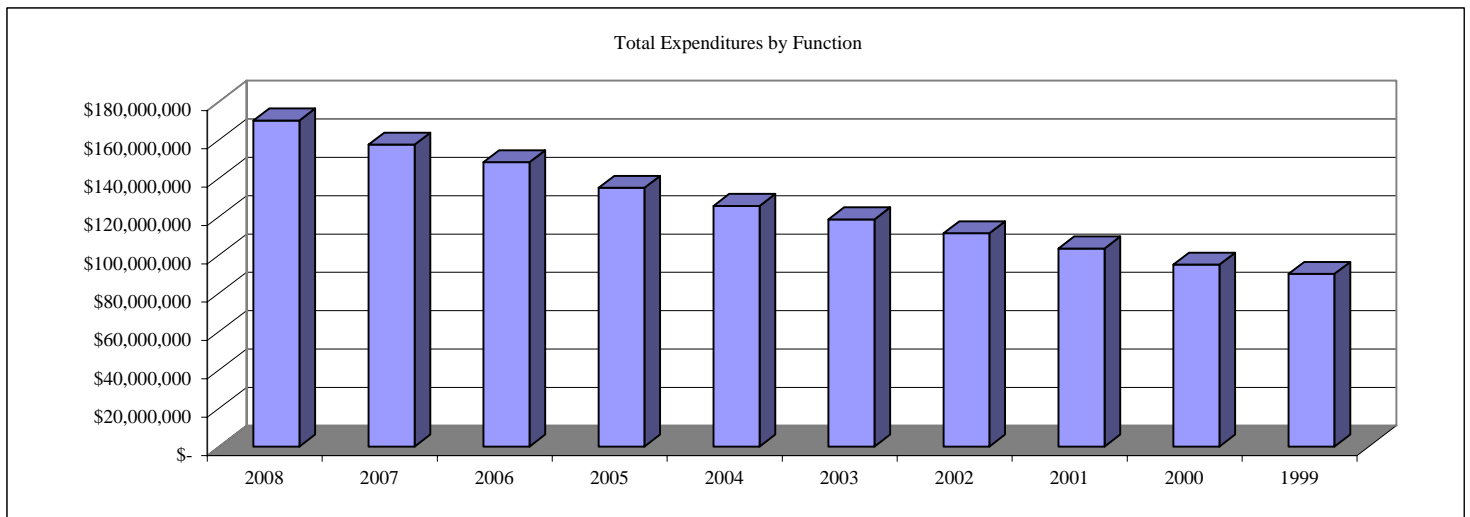
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Cecil County	\$ 64,435,162	\$ 65,715,090	\$ 62,229,000	\$ 58,708,711	\$ 56,089,930	\$ 53,984,355	\$ 50,884,355	\$ 48,407,433	\$ 45,407,433	\$ 42,407,433
State of Maryland	97,140,744	85,994,422	76,628,427	67,216,157	60,752,254	57,085,082	58,984,317	47,369,787	44,138,375	42,957,324
Federal government	7,897,822	7,921,279	7,840,748	8,520,909	8,179,000	7,697,118	6,736,149	5,914,837	5,030,632	4,365,806
Other sources										
Interest earned	782,377	968,642	557,947	234,895	152,894	174,169	264,254	648,589	587,853	428,920
Other	1,641,233	1,006,559	771,363	668,173	584,830	531,463	449,347	503,918	367,217	459,813
Total revenue by source	\$171,897,338	\$161,605,992	\$148,027,485	\$135,348,845	\$125,758,908	\$119,472,187	\$117,318,422	\$102,844,564	\$ 95,531,510	\$ 90,619,296
Increase over prior year	\$ 10,291,346 6.4%	\$ 13,578,507 9.2%	\$ 12,678,640 9.4%	\$ 9,589,937 7.6%	\$ 6,286,721 5.3%	\$ 2,153,765 1.8%	\$ 14,473,858 14.1%	\$ 7,313,054 7.7%	\$ 4,912,214 5.4%	\$ 7,484,543 9.0%



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**

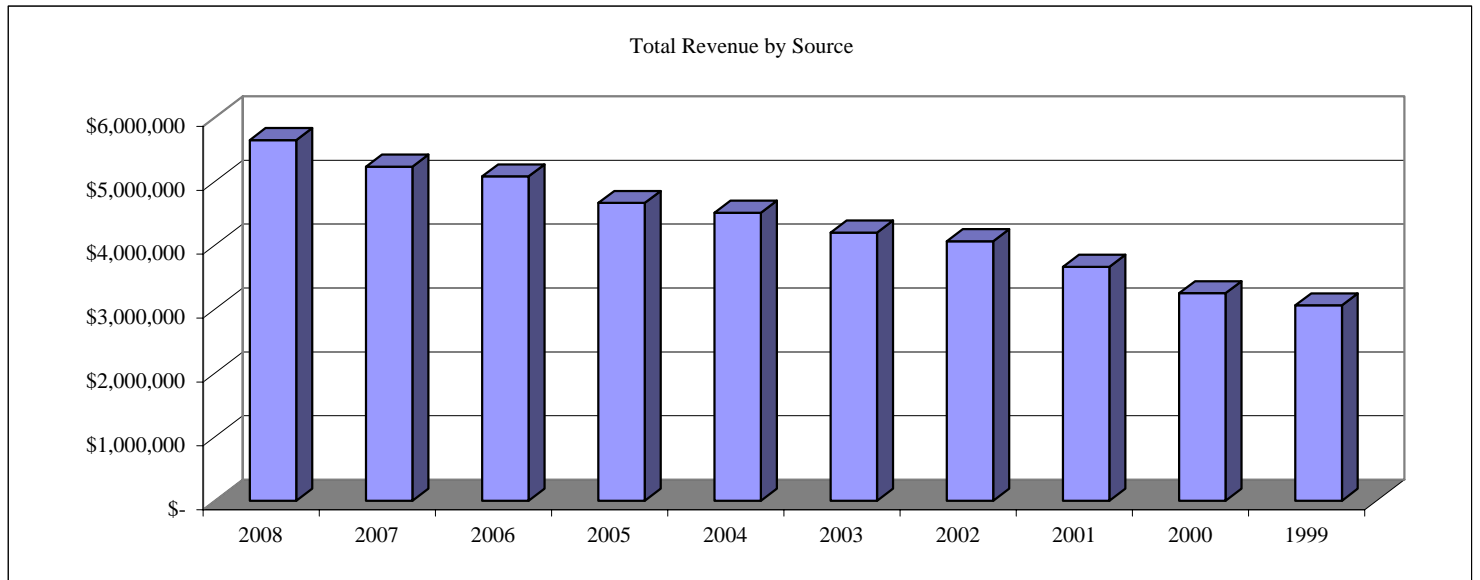
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Administration	\$ 4,205,829	\$ 3,945,416	\$ 3,592,672	\$ 3,170,595	\$ 2,518,893	\$ 2,601,222	\$ 2,434,643	\$ 2,364,661	\$ 2,172,441	\$ 1,915,689
Mid-level administration	13,110,617	12,447,326	11,701,656	10,975,494	10,393,809	9,907,445	8,996,428	8,495,456	8,129,321	7,816,899
Instruction										
Salaries	65,284,748	62,111,692	57,924,179	54,207,475	51,033,162	48,502,455	46,469,692	42,866,238	40,532,997	38,962,153
Materials and supplies	3,196,670	3,095,071	2,866,571	2,767,818	2,638,926	2,910,376	2,446,115	2,214,773	2,149,937	2,523,214
Other costs	2,745,854	3,566,308	3,356,482	2,205,561	2,266,233	2,006,043	1,868,162	1,919,273	1,753,808	1,838,743
Special education	24,112,326	21,837,451	20,631,440	17,605,865	16,240,490	15,151,180	13,765,148	12,461,471	10,799,483	9,949,944
Student personnel services	876,691	757,159	741,104	682,552	618,698	587,348	585,766	324,372	307,406	292,691
Student health services	1,535,541	1,540,252	1,365,813	1,292,101	1,203,225	1,134,861	1,084,359	1,005,938	853,253	633,216
Student transportation	9,216,073	8,482,576	8,113,016	7,426,357	6,865,039	6,670,916	6,148,803	6,013,249	5,370,242	4,871,323
Operation of plant	12,404,997	10,979,716	9,883,587	9,226,095	8,259,725	8,005,471	7,068,514	7,115,768	6,600,335	5,978,179
Maintenance of plant	4,178,169	4,136,816	3,894,402	3,260,405	3,274,108	2,931,453	3,313,624	2,493,369	2,362,644	2,513,187
Fixed charges	28,706,198	24,218,125	23,842,208	21,784,323	19,541,851	17,271,338	16,479,552	15,398,734	13,486,499	12,506,782
Community services	304,801	247,512	359,832	288,500	658,716	783,449	560,841	574,469	286,476	168,339
Capital outlay	261,222	187,698	117,227	114,296	70,085	80,542	97,852	96,505	89,663	82,539
Total expenditures by function	\$170,139,736	\$157,553,118	\$148,390,189	\$135,007,437	\$125,582,960	\$118,544,099	\$111,319,499	\$103,344,276	\$ 94,894,505	\$ 90,052,898
Increase over prior year	12,586,618 8.0%	9,162,929 6.2%	13,382,752 9.9%	9,424,477 7.5%	7,038,861 5.9%	7,224,600 6.5%	7,975,223 7.7%	8,449,771 8.9%	4,841,607 5.4%	7,196,546 8.7%



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

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

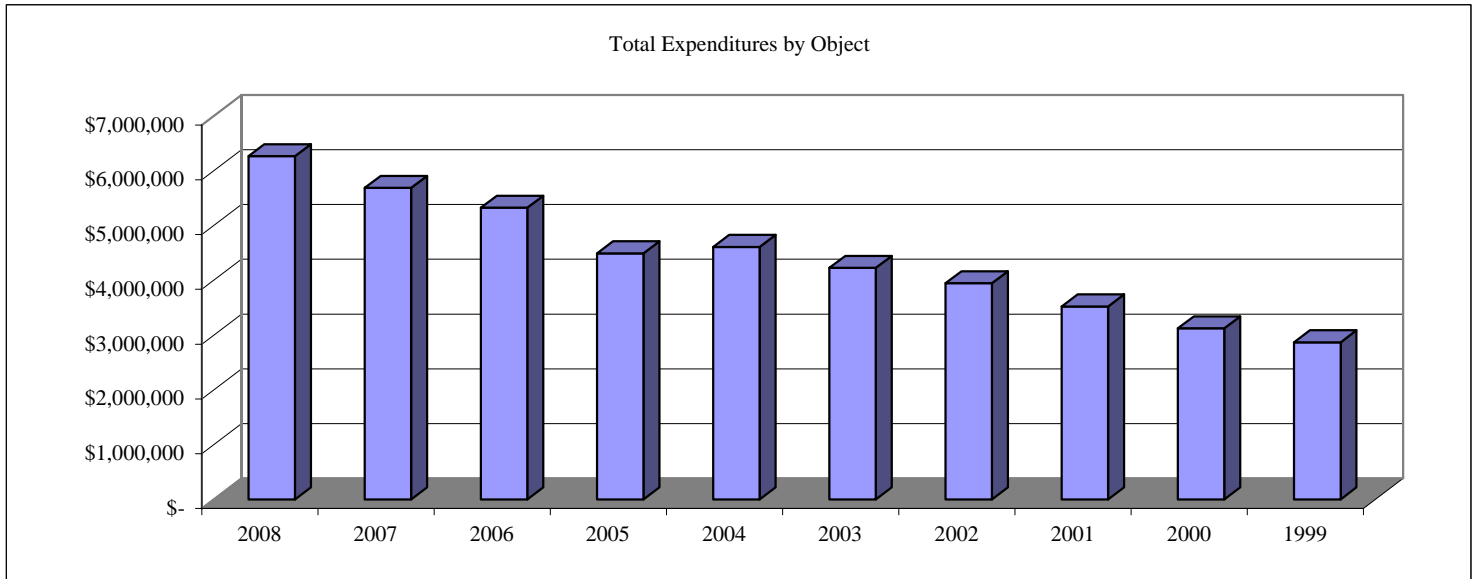
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
State of Maryland	\$ 272,031	\$ 226,256	\$ 176,781	\$ 146,114	\$ 144,287	\$ 129,944	\$ -	\$ 59,586	\$ 63,176	\$ 54,057
Federal government	2,381,744	2,163,320	1,859,263	1,897,681	1,747,312	1,574,406	1,350,847	1,344,305	1,268,537	1,252,785
Sale of meals	2,951,522	2,779,343	2,951,232	2,584,768	2,599,999	2,460,442	2,678,673	2,202,608	1,861,754	1,719,484
Interest earned	38,294	55,430	85,202	28,814	14,826	23,325	31,449	54,342	54,442	31,636
Other	1,032	5,717	3,302	3,504	-	8,250	-	-	-	-
Total revenue by source	\$ 5,644,623	\$ 5,230,066	\$ 5,075,780	\$ 4,660,881	\$ 4,506,424	\$ 4,196,367	\$ 4,060,969	\$ 3,660,841	\$ 3,247,909	\$ 3,057,962
Increase over prior year	\$ 414,557 7.9%	\$ 154,286 3.0%	\$ 414,899 8.9%	\$ 154,457 3.4%	\$ 310,057 7.4%	\$ 135,398 3.3%	\$ 400,128 10.9%	\$ 412,932 12.7%	\$ 189,947 6.2%	\$ 210,520 7.4%



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

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

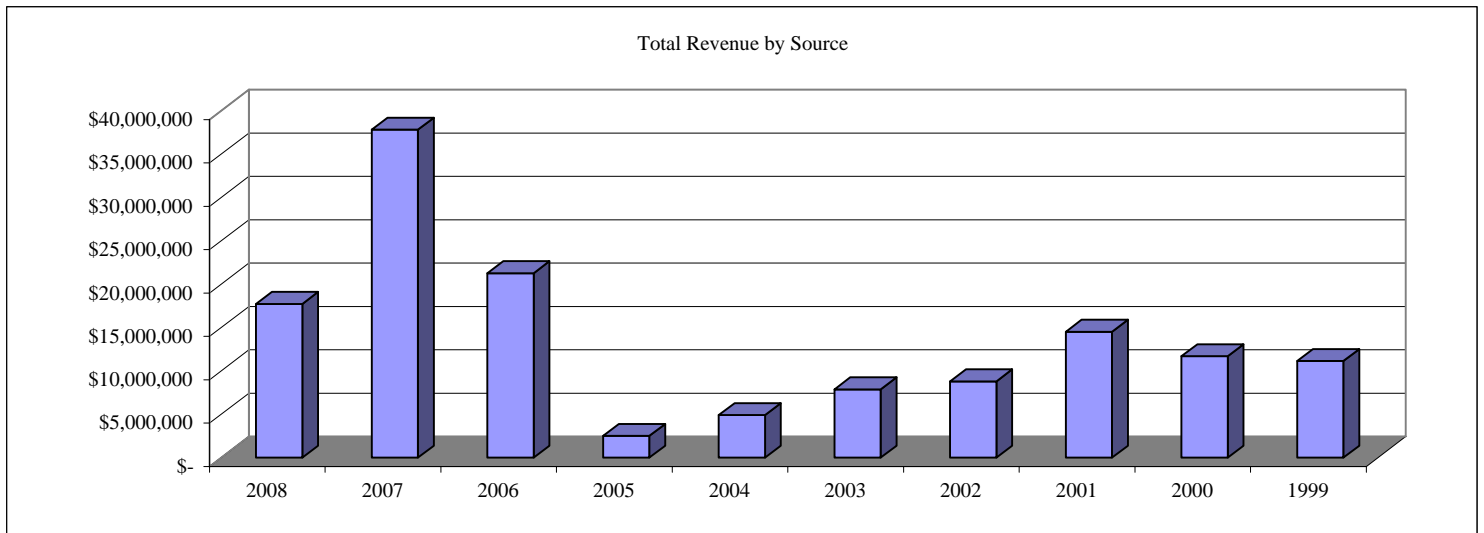
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Salary	\$2,279,254	\$2,068,668	\$1,869,478	\$1,679,448	\$1,653,166	\$1,520,737	\$1,406,775	\$1,300,641	\$1,201,321	\$1,129,541
Food, incl. donated comm.	2,644,705	2,363,182	2,275,904	2,025,601	2,086,816	1,885,482	1,849,539	1,616,258	1,463,665	1,366,929
Contracted service	98,591	51,788	39,740	41,033	208,977	21,804	150,934	23,282	7,245	6,000
Supplies	198,850	251,665	324,717	154,796	155,557	171,084	106,807	126,648	94,513	114,021
Other charges	844,184	784,448	696,407	396,027	428,732	516,993	343,479	311,765	309,069	227,989
Equipment	201,836	169,366	120,094	194,923	76,636	110,330	89,301	146,361	47,618	25,541
Total expenditures by object	\$6,267,420	\$5,689,117	\$5,326,340	\$4,491,828	\$4,609,884	\$4,226,430	\$3,946,835	\$3,524,955	\$3,123,431	\$2,870,021
Increase over prior year	\$ 578,303 10.2%	\$ 362,777 6.8%	\$ 834,512 18.6%	\$ (118,056) -2.6%	\$ 383,454 9.1%	\$ 279,595 7.1%	\$ 421,880 12.0%	\$ 401,524 12.9%	\$ 253,410 8.8%	\$ 38,966 1.4%



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

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

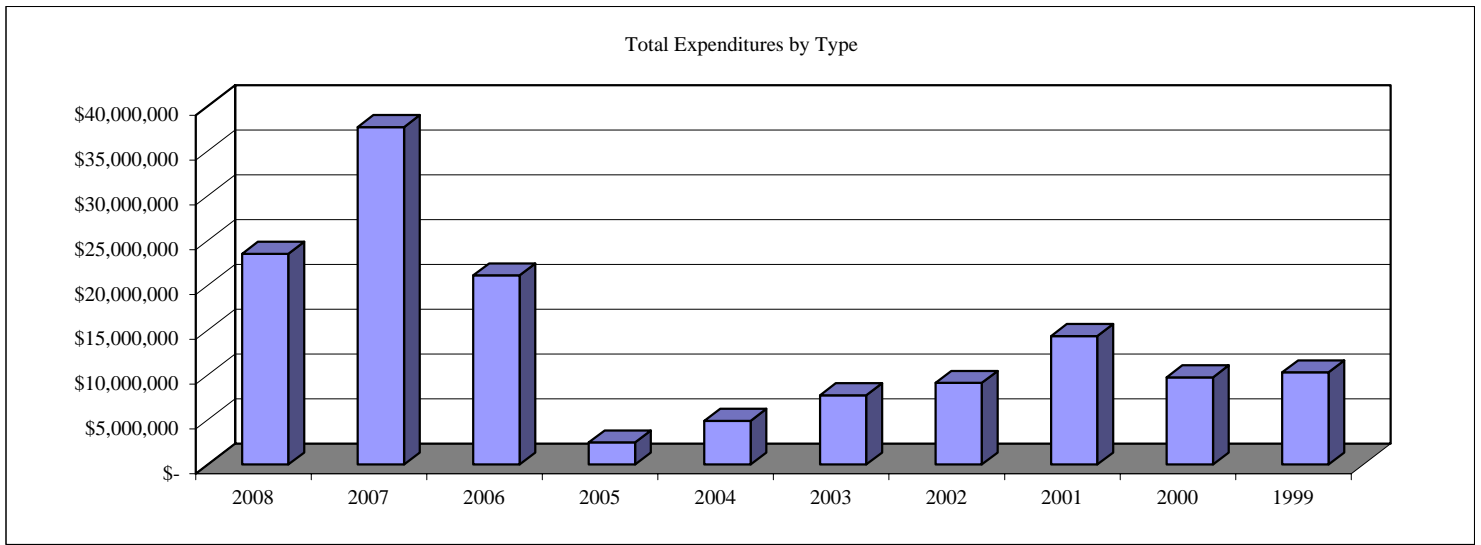
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Cecil County	\$ 14,907,393	\$ 23,253,696	\$ 5,872,426	\$ 2,188,939	\$ 4,526,267	\$ 4,191,132	\$ 6,898,493	\$ 8,176,232	\$ 5,885,708	\$ 7,123,508
State of Maryland	2,745,975	14,300,564	15,214,197	183,193	231,537	3,438,206	1,822,284	6,033,940	5,760,582	3,579,968
Federal government	-	-	-	-	-	-	-	-	-	-
Interest earned	32,221	119,025	138,828	8,953	4,253	5,907	10,040	21,302	20,086	2,867
Other	22,476	130,567	32,927	111,327	125,961	231,172	53,484	268,891	16,825	421,117
Total	\$ 17,708,065	\$ 37,803,852	\$ 21,258,378	\$ 2,492,412	\$ 4,888,018	\$ 7,866,417	\$ 8,784,301	\$ 14,500,365	\$ 11,683,201	\$ 11,127,460
Increase over prior year	\$(20,095,787) -53.2%	\$ 16,545,474 77.8%	\$ 18,765,966 752.9%	\$ (2,395,606) -49.0%	\$ (2,978,399) -37.9%	\$ (917,884) -10.4%	\$ (5,716,064) -39.4%	\$ 2,817,164 24.1%	\$ 555,741 5.0%	\$ 1,055,845 10.5%



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**

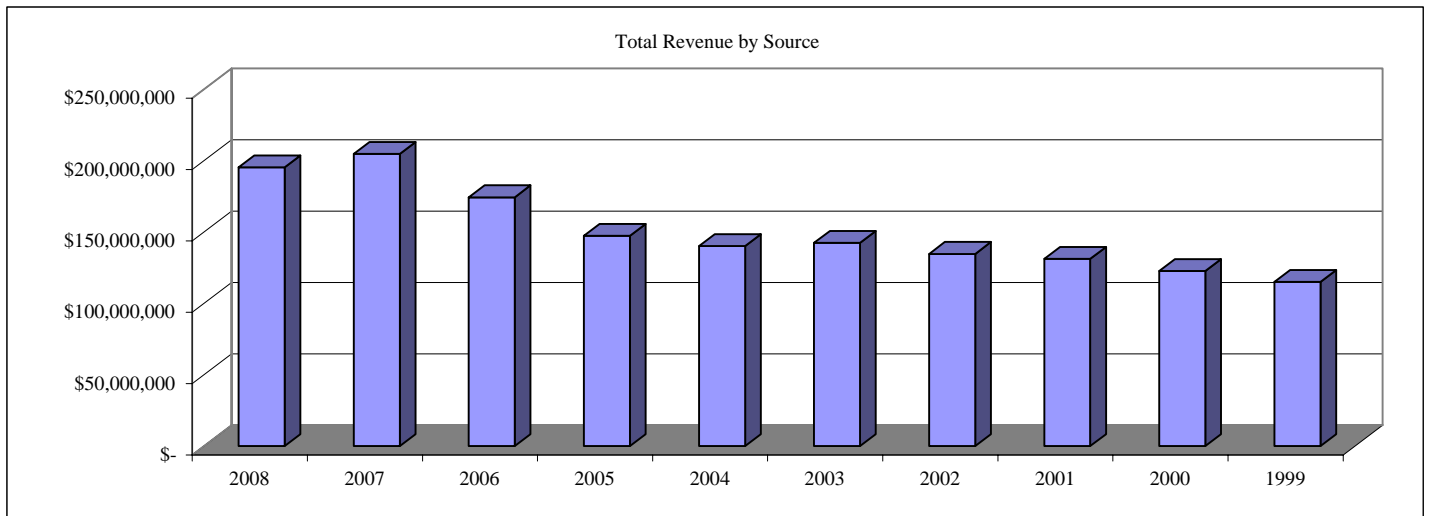
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Building	23,503,181	37,516,954	21,086,622	2,274,853	1,729,853	6,052,049	7,774,087	11,680,546	8,815,489	7,999,484
Site improvement	16,482	37,306	-	-	-	89,780	3,880	7,464	59,804	109,920
Remodeling	-	-	-	-	2,772,467	1,044,782	755,150	2,085,673	373,549	1,644,713
Equipment	10,893	126,117	30,428	207,480	384,629	554,527	589,990	588,224	495,631	555,722
Total expenditures by type	\$ 23,530,556	\$37,680,377	\$21,117,050	\$ 2,482,333	\$ 4,886,949	\$ 7,741,138	\$ 9,123,107	\$14,361,907	\$ 9,744,473	\$10,309,839
Increase over prior year	\$ (14,149,821) -37.6%	\$16,563,327 78.4%	\$18,634,717 750.7%	\$ (2,404,616) -49.2%	\$ (2,854,189) -36.9%	\$ (1,381,969) -15.1%	\$ (5,238,800) -36.5%	\$ 4,617,434 47.4%	\$ (565,366) -5.5%	\$ 1,704,085 19.8%



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

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

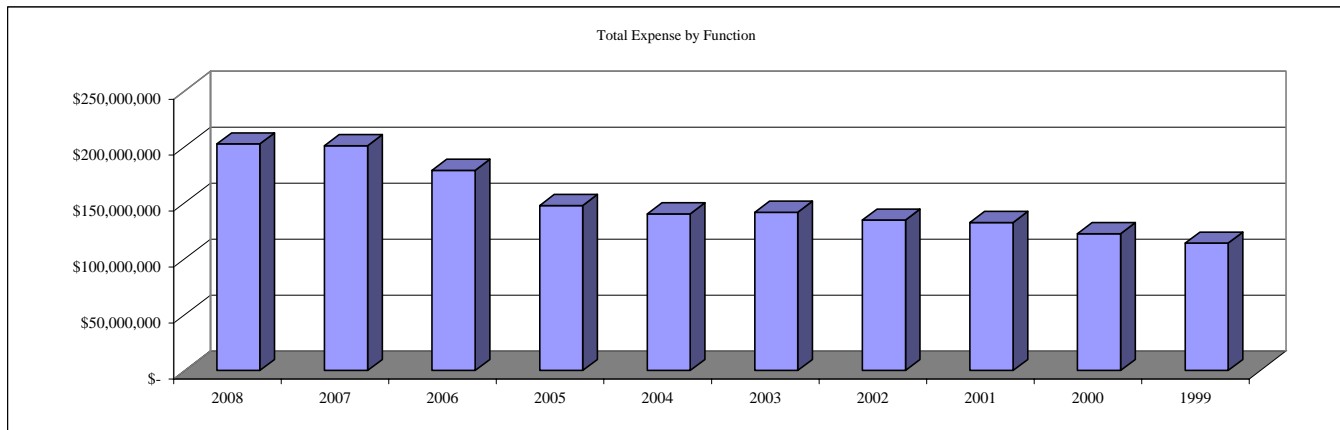
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Cecil County	\$ 79,342,555	\$ 88,968,786	\$ 68,101,426	\$ 65,762,152	\$ 65,565,985	\$ 63,044,845	\$ 62,088,358	\$ 60,645,112	\$ 57,074,717	\$ 52,894,476
State of Maryland	100,158,750	100,521,242	92,019,405	67,545,464	61,128,078	66,698,690	60,777,801	59,629,539	56,319,015	53,570,722
Federal government	10,279,566	10,084,599	9,700,011	10,418,590	9,926,312	9,271,524	8,086,996	7,197,204	6,233,544	5,498,846
Sale of meals	2,951,522	2,779,343	2,951,232	2,584,768	2,599,999	2,460,442	2,678,673	2,202,608	1,861,754	1,719,484
Interest earned	852,892	1,143,097	781,977	272,662	171,972	203,401	305,743	724,233	662,381	463,423
Other	1,664,741	1,142,843	807,592	783,004	710,790	770,885	732,682	772,809	430,682	884,931
Total revenue by source	\$ 195,250,026	\$ 204,639,910	\$ 174,361,643	\$ 147,366,640	\$ 140,103,136	\$ 142,449,787	\$ 134,670,253	\$ 131,171,505	\$ 122,582,093	\$ 115,031,882
Increase over prior year	\$ (9,389,884) -4.6%	\$ 30,278,267 17.4%	\$ 26,995,003 18.3%	\$ 7,263,504 5.2%	\$ (2,346,651) -1.6%	\$ 7,779,534 5.8%	\$ 3,498,748 2.7%	\$ 8,589,412 7.0%	\$ 7,550,211 6.6%	\$ 8,038,889 7.5%



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

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

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Administration	\$ 4,462,646	\$ 4,198,799	\$ 3,814,226	\$ 3,170,595	\$ 2,518,893	\$ 2,601,009	\$ 2,433,402	\$ 2,399,317	\$ 2,198,475	\$ 1,916,240
Mid-level administration	13,184,316	12,447,326	11,724,442	10,975,494	10,393,809	9,907,445	8,996,357	8,518,157	8,130,319	7,873,675
Instruction										
Salaries	65,284,743	62,111,692	57,924,179	54,207,475	51,033,162	48,502,455	46,469,692	42,890,178	40,532,997	38,624,854
Materials and supplies	3,191,191	3,101,396	2,863,712	2,763,589	2,634,229	2,897,518	2,456,789	2,362,930	2,503,689	2,185,171
Other costs	5,268,109	3,651,467	3,358,290	2,205,561	2,266,233	2,002,129	1,870,595	1,919,273	1,877,031	1,869,543
Special education	24,135,599	21,837,669	20,631,222	17,605,865	16,240,239	15,150,669	13,955,302	12,565,158	10,782,310	9,723,738
Student personnel services	876,693	757,159	741,104	682,552	618,698	587,119	585,766	324,606	307,252	292,611
Student health services	1,535,533	1,540,252	1,365,813	1,292,101	1,203,225	1,134,861	1,084,359	1,006,369	853,066	633,087
Student transportation	9,276,228	8,482,576	8,113,016	7,426,357	6,865,039	6,665,516	6,148,803	6,013,354	5,373,364	4,868,381
Operation of plant	12,405,004	10,979,716	9,885,513	9,226,095	8,259,725	8,005,471	7,068,961	7,303,630	6,436,321	5,976,863
Maintenance of plant	4,089,328	4,162,629	3,845,849	3,315,542	3,274,108	2,931,453	3,338,629	2,700,454	2,185,264	2,862,825
Fixed charges	29,253,910	24,729,453	24,267,210	21,784,323	19,541,851	23,316,796	22,074,615	21,568,819	20,108,249	19,569,096
Community services	304,802	247,512	359,832	288,500	658,716	783,449	560,804	574,469	286,476	203,339
Food and nutrition	5,464,436	4,792,476	4,561,986	4,296,905	4,533,248	4,116,100	3,946,835	3,431,824	3,103,136	2,996,490
Capital outlay	23,780,886	37,816,102	25,304,452	3,256,972	5,033,670	8,051,743	9,202,652	14,483,301	11,805,596	10,843,785
Debt service	-	110,113	110,114	4,864,502	4,949,788	4,869,358	4,269,428	4,156,005	5,851,535	3,414,538
Total expenditures by function	\$ 202,513,424	\$ 200,966,337	\$ 178,870,960	\$ 147,362,428	\$ 140,024,633	\$ 141,523,091	\$ 134,462,989	\$ 132,217,844	\$ 122,335,080	\$ 113,854,236
Increase over prior year	\$ 1,547,087 0.8%	\$ 22,095,377 12.4%	\$ 31,508,532 21.4%	\$ 7,337,795 5.2%	\$ (1,498,458) -1.1%	\$ 7,060,102 5.3%	\$ 2,245,145 1.7%	\$ 9,882,764 8.1%	\$ 8,480,844 7.4%	\$ 7,478,429 7.0%



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

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

	2008 Capacity	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
County Population:		103,490	99,506	97,796	95,536	92,955	90,335	88,394	86,481	85,951	N/A
<u>Elementary Schools:</u>											
Bainbridge Elementary	455	259	240	264	278	292	301	304	308	327	350
Bay View Elementary	556	609	602	595	540	503	466	485	434	435	456
Calvert Elementary	304	338	334	341	355	360	364	389	357	370	394
Cecil Manor Elementary	504	472	473	460	478	524	539	513	527	531	510
Cecilton Elementary	295	311	327	337	319	309	336	376	367	357	358
Charlestown Elementary	292	196	206	198	184	168	184	180	191	221	239
Chesapeake City Elementary	332	291	290	302	301	286	305	325	344	356	356
Conowingo Elementary	499	553	552	544	528	512	534	544	582	566	551
Elk Neck Elementary	504	443	418	418	423	479	605	615	648	643	601
Gilpin Manor Elementary	512	372	405	424	455	463	469	447	413	413	404
Holly Hall Elementary	596	577	547	587	579	531	490	483	475	446	456
Kenmore Elementary	332	329	316	296	307	326	337	344	355	390	393
Leeds Elementary	354	404	417	395	407	426	440	440	461	452	431
North East Elementary	546	493	524	521	515	487	373	396	399	367	388
Perryville Elementary	581	387	366	370	430	438	450	496	526	523	526
Rising Sun Elementary	756	823	830	839	798	754	726	726	751	767	766
Thomson Estates Elementary	660	535	548	598	619	683	662	675	670	677	665
Elementary School Total:	8,078	7,392	7,395	7,489	7,516	7,541	7,581	7,738	7,808	7,841	7,844
<u>Middle Schools:</u>											
Bohemia Manor Middle	540	488	508	513	551	544	522	498	480	441	431
Cherry Hill Middle	711	498	524	571	565	536	560	532	528	535	503
Elkton Middle	713	652	663	662	662	636	593	572	546	519	508
North East Middle	712	769	831	826	822	822	797	788	784	756	729
Perryville Middle	688	627	686	709	721	767	771	756	822	777	776
Rising Sun Middle	775	717	714	712	710	743	747	735	670	631	652
Middle School Total:	4,139	3,751	3,926	3,993	4,031	4,048	3,990	3,881	3,830	3,659	3,599
<u>High Schools:</u>											
Bohemia Manor High	643	742	739	717	671	658	580	562	520	485	480
Elkton High	944	1,120	1,109	1,097	1,066	1,039	1,012	966	941	937	911
North East High	1,009	1,143	1,114	1,110	1,094	1,079	991	939	925	919	932
Perryville High	860	948	972	986	1,039	1,039	1,019	1,044	968	896	849
Rising Sun High	903	1,194	1,166	1,129	1,117	1,068	1,027	945	880	893	885
High School Total:	4,359	5,147	5,100	5,039	4,987	4,883	4,629	4,456	4,234	4,130	4,057
<u>Other Schools:</u>											
Cecil County High School*	48	85	29	-	1	3	3	20	33	50	50
School of Technology*	475	550	512	458	464	557	518	455	N/A	N/A	N/A
Grand Total	17,099	16,290	16,421	16,521	16,535	16,475	16,203	16,095	15,905	15,680	15,550
High School Graduates:		1,113	1,003	996	1,048	950	907	892	823	829	797

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

Employer	1999			2008		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
W. L. Gore & Associates, Inc.	1,947	1	4.66%	2,667	1	5.17%
Cecil County Board of Education	1,778	2	4.26%	2,464	2	4.78%
Perry Point V.A. Hospital	1,321	3	3.16%	1,000	3	1.94%
Union Hospital	727	4	1.74%	864	4	1.68%
ATK Tactical Systems (formerly Thiokol Corp.)	410	8	0.98%	682	5	1.32%
Cecil County Government	446	6	1.07%	551	6	1.07%
Wal-Mart Stores, Inc.	*			500	7	0.97%
IKEA/Genco	N/A	N/A	N/A	370	8	0.72%
Terumo Medical Corporation	431	7	1.03%	345	9	0.67%
Cecil College	*			300	10	0.58%
Basell North America, Inc. (formerly Montell USA)	225	10	0.54%	*		
Acme Markets	230	9	0.55%	*		
Maryland Transportation Authority	475	5	1.14%	*		
Totals	<u>7,990</u>		<u>19.12%</u>	<u>9,743</u>		<u>18.90%</u>

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

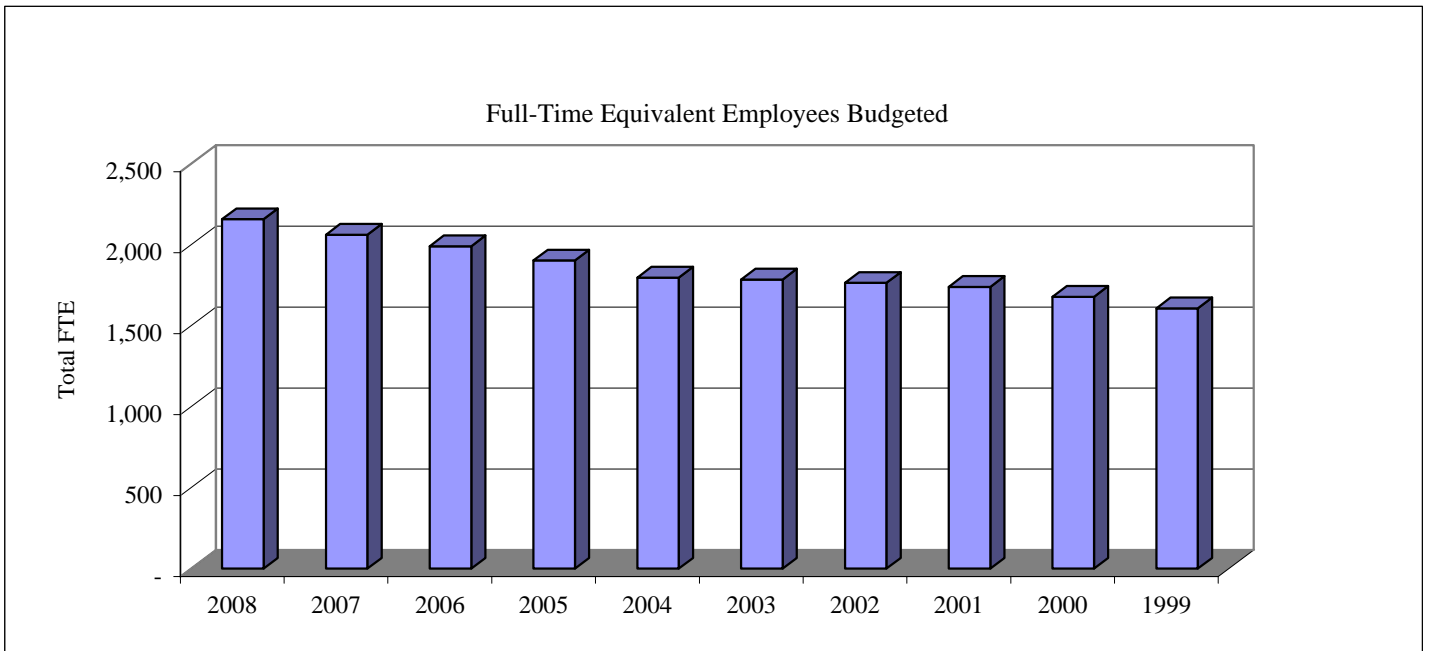
**CECIL COUNTY, MARYLAND
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

Calendar Year	Population	Personal Income (amounts expressed in thousands)	Per Capita Income	Employment	Unemployment Rate	Median Price of Housing Sales	School Enrollment
2007	103,490	\$ 3,229,405	\$ 31,205	51,558	4.0%	\$ 279,157	16,421
2006	99,506	3,304,992	33,214	50,960	4.4%	299,000	16,521
2005	97,796	3,027,764	30,960	49,105	4.0%	225,000	16,535
2004	95,536	3,034,128	31,759	44,585	4.4%	199,000	16,475
2003	92,955	2,807,334	30,201	40,008	7.2%	167,000	16,203
2002	90,335	2,633,265	29,150	40,168	6.0%	150,000	16,095
2001	88,394	2,512,069	28,419	39,775	5.6%	135,000	15,905
2000	86,481	2,442,223	28,240	39,368	5.5%	127,000	15,680
1999	85,951	2,297,814	26,734	39,841	3.9%	125,951	15,550
1998	82,603	2,117,693	25,637	38,910	7.3%	116,567	15,327

Sources: Cecil County Department of Economic Development, Maryland Association of Realtors, U.S. Census Bureau

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

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Administration	49.75	47.75	46.75	43.75	40.25	38.75	36.50	36.50	34.50	34.00
Mid-level administration	204.25	197.00	196.00	192.00	162.50	159.50	155.03	154.53	155.77	152.00
Instruction salaries	1,212.84	1,182.53	1,135.85	1,071.72	1,032.00	1,041.16	1,024.74	1,028.00	1,005.42	1,002.10
Special education	419.41	368.60	349.55	337.05	313.45	305.00	303.60	292.60	264.40	207.20
Student personnel services	14.00	14.00	20.00	20.00	12.00	11.25	6.00	5.00	5.00	5.00
Student health services	34.00	33.00	32.56	32.50	30.50	30.38	29.50	28.58	22.50	19.75
Student transportation	28.00	27.00	26.00	28.00	28.50	28.50	28.50	27.50	27.50	27.00
Operation of plant	141.00	138.00	136.50	130.50	125.00	124.00	121.50	120.00	118.00	115.00
Maintenance of plant	51.00	51.00	46.00	46.00	45.00	45.00	45.00	45.00	43.50	43.50
Community services	-	-	-	-	6.00	-	12.50	-	-	-
Capital outlay	4.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Total by function	2,158.25	2,061.88	1,991.21	1,903.52	1,797.20	1,785.54	1,764.87	1,739.71	1,678.59	1,607.55
Increase over prior year	96.37 4.7%	70.67 3.5%	87.69 4.6%	106.32 5.9%	11.66 0.7%	20.67 1.2%	25.16 1.4%	61.12 3.6%	71.04 4.4%	N/A N/A



Source: Cecil County Public Schools, Approved Budget

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

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Total student enrollment	16,290	16,421	16,521	16,535	16,475	16,203	16,095	15,905	15,680	15,550
Administration	\$ 328	\$ 297	\$ 276	\$ 229	\$ 192	\$ 191	\$ 183	\$ 151	\$ 140	\$ 123
Mid-level administration	1,083	975	919	856	809	772	706	536	519	506
Instruction										
Salaries	5,449	4,984	4,645	4,338	4,063	3,874	3,744	2,697	2,585	2,484
Materials and supplies	196	189	173	167	160	179	152	149	160	141
Other costs	534	292	260	294	100	105	82	121	120	120
Special education	1,883	1,651	1,554	1,325	1,222	1,140	1,065	790	688	625
Student personnel services	71	60	59	53	48	46	46	20	20	19
Student health services	124	118	108	103	94	90	86	63	54	41
Student transportation	582	526	503	458	428	414	388	378	343	313
Operation of plant	867	753	688	644	575	563	500	459	410	384
Maintenance of plant	298	292	271	230	230	215	236	170	139	184
Food and nutrition	334	302	297	279	276	261	238	216	198	193
Community services	19	15	22	18	44	54	41	36	18	13
Capital outlay	113	288	296	25	426	462	374	911	753	697
Interest on long-term debt	0	0	1	1	-	-	-	-	-	-
Total cost per student	<u>\$ 11,883</u>	<u>\$ 10,744</u>	<u>\$ 10,071</u>	<u>\$ 9,019</u>	<u>\$ 8,667</u>	<u>\$ 8,367</u>	<u>\$ 7,841</u>	<u>\$ 6,696</u>	<u>\$ 6,146</u>	<u>\$ 5,844</u>
Increase over prior year	\$ 1,139 10.6%	\$ 672 6.7%	\$ 1,052 11.7%	\$ 353 4.1%	\$ 299 3.6%	\$ 526 6.7%	\$ 1,145 17.1%	\$ 549 8.9%	\$ 303 5.2%	N/A N/A

Source: Statement of Activities

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

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Total student enrollment:	16,290	16,421	16,521	16,535	16,475	16,203	16,095	15,905	15,680	15,550
<u>FOOD & NUTRITION</u>										
Number of days lunch served	179	180	180	180	179	178	180	180	177	180
Average number of lunches served daily:										
Free lunch	2,595	2,460	2,453	2,295	2,144	2,052	1,958	1,813	1,845	1,876
Reduced price	690	685	671	628	589	544	508	496	465	433
Regular price	4,662	4,755	4,613	4,274	3,897	3,766	3,824	3,598	3,318	3,254
Total average number of lunches served daily:	7,947	7,900	7,737	7,197	6,630	6,362	6,290	5,907	5,628	5,563
Percentage of student participation:										
Students receiving free lunch	15.9%	15.0%	14.8%	13.9%	13.0%	12.7%	12.2%	11.4%	11.8%	12.1%
Students paying reduced price	4.2%	4.2%	4.1%	3.8%	3.6%	3.4%	3.2%	3.1%	3.0%	2.8%
Students paying regular price	28.6%	29.0%	27.9%	25.8%	23.7%	23.2%	23.8%	22.6%	21.2%	20.9%
Total percentage of student participation	48.7%	48.2%	46.8%	43.5%	40.3%	39.3%	39.2%	37.1%	36.0%	35.8%
Cost per lunch to student:										
Elementary	\$1.60	\$1.45	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35
Secondary	\$1.75	\$1.60	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50
<u>STUDENT TRANSPORTATION</u>										
Number of students eligible to ride the bus	15,187	15,169	15,062	14,911	14,324	14,219	14,098	13,815	13,837	13,781
Number of school bus riders daily	11,136	10,974	11,119	10,578	10,604	10,171	N/A	N/A	N/A	N/A
Percentage of student participation	68.4%	66.8%	67.3%	64.0%	64.4%	62.8%	N/A	N/A	N/A	N/A
Number of school bus routes:										
County	10	11	10	10	13	13	13	14	14	14
Private contractor	147	145	142	138	127	125	128	122	119	117
<u>TEACHER DATA</u>										
Total number of budgeted teachers	1,234.16	1,190.30	1,156.50	1,110.87	1,067.25	1,052.93	1,049.44	1,028.00	1,005.42	1,002.10
Minimum salary	\$ 40,061	\$ 38,336	\$ 36,862	\$ 35,788	\$ 34,412	\$ 33,088	\$ 31,815	\$ 30,300	\$ 28,956	\$ 28,113
Maximum salary *	\$ 67,692	\$ 64,986	\$ 67,673	\$ 64,889	\$ 62,480	\$ 60,404	\$ 57,908	\$ 55,532	\$ 52,576	\$ 51,263
Average annual salary	\$ 54,519	\$ 52,646	\$ 51,048	\$ 49,800	\$ 48,635	\$ 46,946	\$ 45,165	\$ 43,066	\$ 37,803	\$ 36,347
Increase over prior year	3.6%	3.1%	2.5%	2.4%	3.6%	3.9%	4.9%	13.9%	4.0%	N/A
Percentage of teachers with Master's and/or APC	55.1%	54.8%	55.0%	55.8%	56.4%	55.6%	54.9%	54.3%	N/A	N/A
Percentage of teachers with Master's plus credits	5.2%	5.6%	6.3%	6.2%	7.1%	7.2%	7.4%	7.4%	N/A	N/A
Percentage of teachers with Doctorate	0.4%	0.3%	0.4%	0.2%	0.3%	0.3%	0.3%	0.3%	N/A	N/A
Student/Teacher ratio	13.2	13.8	14.3	14.9	15.4	15.4	15.3	15.5	15.6	15.5

*Includes additional stipends for advanced training and longevity

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

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**OTHER SUPPLEMENTARY
INFORMATION**

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, 2008, and have issued our report thereon dated September 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the School System in a separate letter dated September 22, 2008.

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

Reznick Group, P.C.

Baltimore, Maryland
September 22, 2008

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, 2008. 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 of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2008.

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 the internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School System's internal control over compliance.

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

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

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

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

Reznick Group, P.C.

Baltimore, Maryland
September 22, 2008

Board of Education of Cecil County

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL REPORTING

Year ended June 30, 2008

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Cecil County Public Schools.
2. No significant deficiencies were identified during the audit of the financial statements.
3. No instances of noncompliance material to the basic financial statements of Cecil County Public Schools were disclosed during the audit.
4. No significant deficiencies 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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CECIL COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2008

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	800826-01	84.010	100-107	07/01/07	06/30/09	\$ 2,272,149	\$ 2,031,107
Title I Grants to Local Educational Agencies	700539-01	84.010	112	07/01/06	06/30/08	2,077,256	137,712
Title I Grants to Local Educational Agencies	802064-01	84.010	150	02/01/08	06/30/08	11,515	11,515
State Grants for Innovative Programs	800758-01	84.298	116	07/01/07	06/30/09	25,056	24,379
State Grants for Innovative Programs	700618-01	84.298	115	07/01/06	06/30/08	26,718	4,415
Education Technology - State Grants	800949-01	84.318	190	07/01/07	06/30/09	23,266	22,128
Education Technology - State Grants	700675-01	84.318	189	07/01/06	06/30/08	21,465	19,838
Improving Teacher Quality - State Grants	800784-01	84.367	154	07/01/07	06/30/09	681,240	659,707
Improving Teacher Quality - State Grants	800784-02	84.367	165	07/01/07	06/30/08	149	149
Improving Teacher Quality - State Grants	700642-01	84.367	164	07/01/06	06/30/08	680,474	43,250
Subtotal						5,819,288	2,954,200
<i>Elementary and Secondary Education Act (ESEA)</i>							
Advanced Placement Program	800687-01	84.330C	175	09/03/07	12/31/08	59,313	52,235
Advanced Placement Program	700786-01	84.330C	174	10/01/06	12/31/07	60,502	31,549
Advanced Placement Program	700786-02	84.330C	173	10/01/06	12/31/07	6,000	6,000
English Language Acquisition Grants	800605-01	84.365A	144	07/01/07	06/30/09	23,545	16,876
English Language Acquisition Grants	700350-01	84.365A	143	07/01/06	06/30/08	23,082	5,359
Subtotal						172,442	112,019
<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	800166-01	84.027	401	07/01/07	09/30/08	3,160,979	3,156,842
Special Education Grants to States	800166-02	84.027	430	07/01/07	09/30/08	17,879	17,879
Special Education Grants to States	700151-02	84.027	403	07/01/06	09/30/07	18,530	-
Special Education Grants to States	800166-03	84.027	431	07/01/07	09/30/08	6,000	6,000
Special Education Grants to States	700151-03	84.027	404	07/01/06	09/30/07	6,000	1,325
Special Education Grants to States	800166-04	84.027	436	07/01/07	09/30/08	25,000	19,647
Special Education Grants to States	700151-04	84.027	410	07/01/06	09/30/07	25,000	13,060
Special Education Grants to States	800166-05	84.027	432	07/01/07	09/30/08	2,500	198
Special Education Grants to States	700151-05	84.027	412	07/01/06	09/30/07	2,500	1,950
Special Education Grants to States	800166-06	84.027	434	07/01/07	09/30/08	10,000	8,778
Special Education Grants to States	700151-06	84.027	419	07/01/06	09/30/07	10,000	888
Special Education Grants to States	800166-07	84.027	435	07/01/07	09/30/08	54,781	54,781
Special Education Grants to States	700151-07	84.027	406	07/01/06	09/30/07	32,435	3,052
Special Education Grants to States	800166-09	84.027	438	07/01/07	09/30/08	12,735	12,735
Special Education Grants to States	800203-01	84.027	421	07/01/07	09/30/08	43,543	34,934
Special Education Grants to States	700161-01	84.027	422	07/01/06	09/30/07	50,160	21,533
Special Education Grants to States	800184-01	84.027	437	07/01/07	09/30/08	41,348	23,452
Special Education Grants to States	700413-01	84.027	413	07/01/06	09/30/07	38,635	20,416

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

Year ended June 30, 2008

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 Grants to States	800185-01	84.027	433	07/01/07	09/30/08	\$ 15,000	\$ 11,476
Special Education Grants to States	700284-01	84.027	417	07/01/06	09/30/07	12,500	-
Special Education Grants to States	702142-01	84.027	426	06/15/07	06/30/08	2,323	2,323
Special Education Grants to States	800246-02	84.027	429	07/01/07	09/30/08	17,489	17,489
Special Education Preschool Grants	800166-08	84.173	405	07/01/07	09/30/08	117,543	117,543
Special Education Preschool Grants	800966-02	84.173	491	07/01/07	09/30/08	3,465	742
Special Education Preschool Grants	800246-03	84.173	428	07/01/07	09/30/08	7,000	7,000
Special Education Grants for Infants and Families	800246-01	84.181	427	07/01/07	09/30/08	104,487	104,487
Subtotal						<u>3,837,832</u>	<u>3,658,530</u>
<u>Department of Education, Office of Assistant Secretary for Vocational and Adult Education</u>							
<i>Carl D. Perkins Career and Technical Education Act of 2006</i>							
Career and Technical Education - Grants							
to States	801494-01	84.048	113	07/01/07	06/30/08	158,773	154,720
Career and Technical Education - Grants to States	701570-02	84.048	120	07/01/06	09/30/07	8,664	647
Subtotal						<u>167,437</u>	<u>155,367</u>
<u>Department of Education, Office of Vocational and Adult Education</u>							
<i>Carl D. Perkins Career and Technical Education Act of 2006</i>							
Tech-Prep Education	701786-01	84.243	123	11/09/06	06/30/08	25,000	13,797
Tech-Prep Education	702180-01	84.243	114	06/01/07	07/31/08	9,510	8,881
Tech-Prep Education	801494-02	84.243	118	07/01/07	06/30/08	18,941	18,941
Tech-Prep Education	801995-01	84.243	125	11/09/06	06/30/08	10,000	10,000
Subtotal						<u>63,451</u>	<u>51,619</u>
<u>Department of Education, Office of Safe and Drug-Free Schools</u>							
<i>Elementary and Secondary Education Act</i>							
Safe and Drug-Free Schools and Communities - State Grants							
	800402-01	84.186	204	07/01/07	06/30/09	58,765	44,687
Safe and Drug-Free Schools and Communities - State Grants	700190-01	84.186	201	07/01/06	06/30/08	59,268	13,582
Subtotal						<u>118,033</u>	<u>58,269</u>

CECIL COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2008

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>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	801419-01	94.004	208	09/01/07	08/31/08	\$ 15,000	\$ 10,348
Learn and Serve America - School and Community Based Programs	701772-01	94.004	214	09/01/06	12/31/07	15,000	1,484
Subtotal						30,000	11,832
<u>Department of Health and Human Services, Centers for Disease Control and Prevention</u> <i>Public Health Service Act</i>							
Preventive Health and Health Services Block Grant	801630-01	93.991	193	11/01/07	09/30/08	11,500	5,155
Preventive Health and Health Services Block Grant	701616-01	93.991	195	11/01/06	09/30/07	11,500	970
Subtotal						23,000	6,125
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	184	10/01/06	09/30/08	15,670	10,256
Education Technology State Grants	N/A	84.318	186	09/01/07	09/30/08	3,000	3,000
Education Technology State Grants	N/A	84.318	187	10/01/07	09/30/08	5,000	316
Education Technology State Grants	N/A	84.318	280	07/01/05	09/30/07	3,694	3,597
Education Technology State Grants	N/A	84.318	188	10/01/05	09/30/07	16,346	8,354
Subtotal						43,710	25,523
<u>Department of Health and Human Services, Administration for Children and Families</u> <i>Social Security Act, Title IV, Part A as included in the Deficit Reduction Act of 2005</i>							
Healthy Marriage Promotion and Responsible Fatherhood Grants	N/A	93.086	136	09/30/07	09/29/08	60,000	21,282
Healthy Marriage Promotion and Responsible Fatherhood Grants	N/A	93.086	135	09/30/06	09/29/07	100,000	8,564
Subtotal						160,000	29,846

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

Year ended June 30, 2008

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 - Continued							
<u>Department of Justice, Office of Community Oriented Policing Services</u> <i>Omnibus Crime Control and Safe Streets Act of 1968</i>							
Public Safety Partnership And Community							
Policing Grants	N/A	16.710	250	09/01/06	08/31/08	\$ 107,886	\$ -
Subtotal						<u>107,886</u>	<u>-</u>
Total Federal Programs - General Fund						<u>\$10,543,079</u>	<u>\$ 7,063,330</u>
SPECIAL REVENUE FUND:							
Federal Programs administered through the Maryland State Department of Education							
<u>U.S. Department of Agriculture, Food and Nutrition Services</u> <i>National School Lunch Act</i>							
National School Lunch Program	N/A	10.555	N/A	07/01/07	06/30/08	N/A	\$ 1,588,834
National School Lunch Program	N/A	10.555	N/A	07/01/07	06/30/08	N/A	<u>243,366</u>
Subtotal							<u>1,832,200</u>
<i>Child Nutrition Act of 1966</i>							
School Breakfast Program	N/A	10.553	N/A	07/01/07	06/30/08	N/A	<u>549,544</u>
Subtotal							<u>549,544</u>
Total Federal Programs - Special Revenue Fund						<u>\$ 2,381,744</u>	

**CECIL COUNTY PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENITURES OF FEDERAL AWARDS
JUNE 30, 2008**

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, 2008 for the following major programs:

<u>Grant Name</u>	<u>Federal Grant Number</u>	<u>Expenditures</u>
Title I	84.010	\$ 2,180,334
USDA School Lunch	10.555	1,832,200
USDA School Breakfast	10.553	549,544
		\$ 4,562,078

NOTE C – MEDICAL ASSISTANCE BUDGET

The Medical Assistance Budget is considered to be charges for services and is not considered a grant; therefore, these grants should be not included on the schedule of Expenditures of Federal Awards. During the fiscal year 2008, Cecil County Public Schools received \$776,467 and \$58,025 in Medical Assistance monies.

Total Federal Grant Expenditures per Financial Statements	\$ 10,279,566
Cecil County Medical Assistance - School Aged	(776,467)
Cecil County Medical Assistance - Infant and Toddler	(58,025)
Total Schedule of Expenditures of Federal Awards	\$ 9,445,074

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