

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2013



Cecil County Public Schools

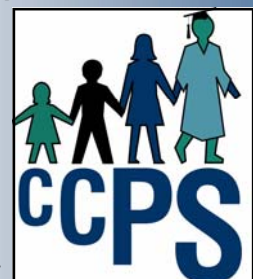
A Component Unit of Cecil County

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, 2013

BOARD OF EDUCATION

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Carolyn Teigland, Ed.D., Associate Superintendent for Education Services
Vincent Cariello, Associate Superintendent for Administrative Services
Thomas Kappra, Chief Financial Officer

Prepared by the Department of Business Services

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**CECIL COUNTY PUBLIC SCHOOLS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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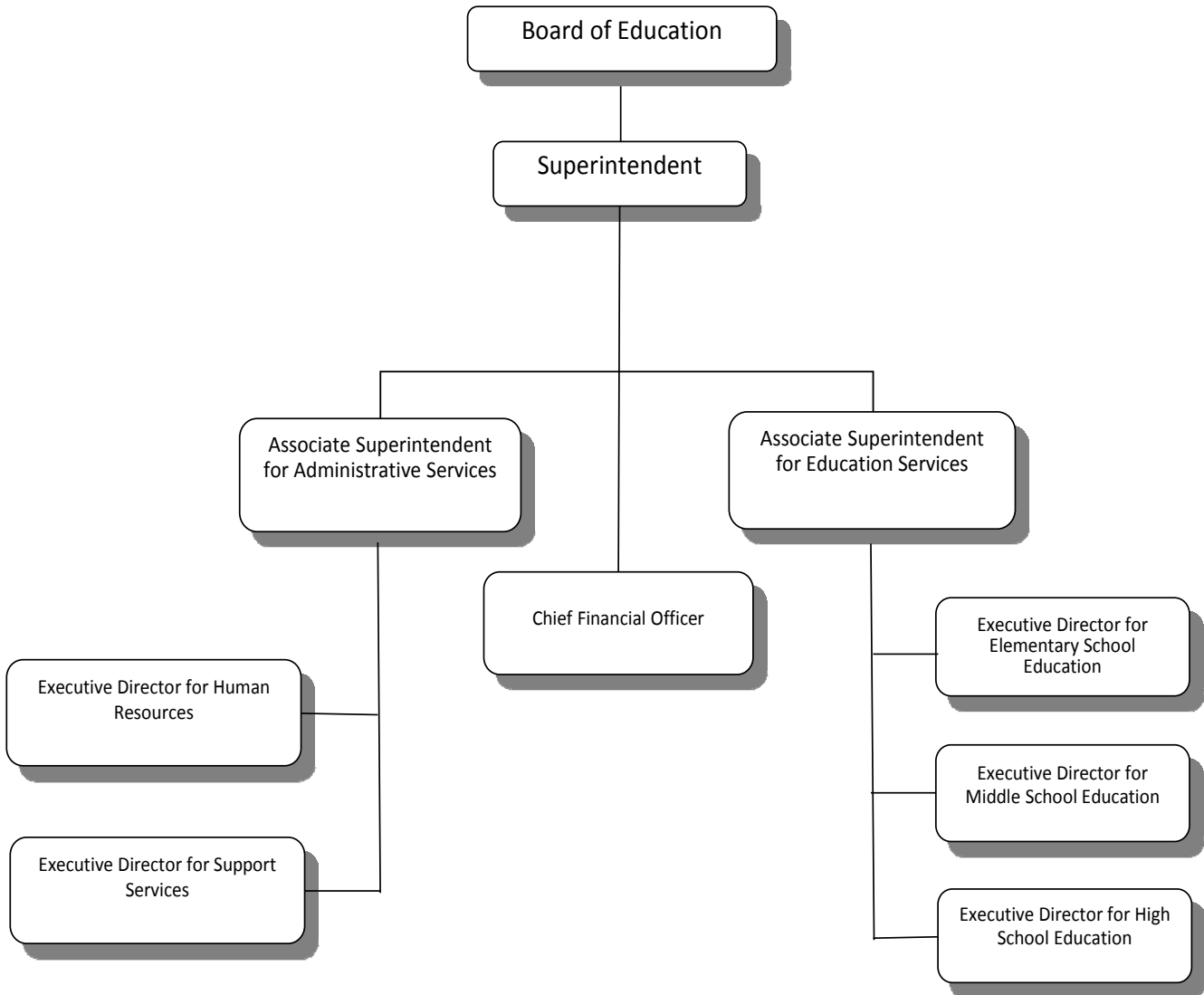
**CECIL COUNTY PUBLIC SCHOOLS
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INTRODUCTORY SECTION

**Cecil County Public Schools
Organization Chart
As of June 30, 2013**



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

**LEADERSHIP TEAM
AS OF JULY 1, 2013**

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



CECIL COUNTY PUBLIC SCHOOLS

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

201 Booth Street, Elkton, MD 21921

September 30, 2013

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, 2013 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 Cecil County School System, a component unit of the Cecil County Government, as they relate to the services provided for a comprehensive pre-school, elementary and secondary public school education. The School System serves

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15,634 students in 30 schools throughout our county including 17 elementary, 6 middle, 5 high schools, a career and technology center and an alternative school. Our fleet of buses travel 2.2 million miles annually transporting students safely to and from school. Cecil County Public Schools is the 14th largest of the 24 School Systems in Maryland.

Approximately 2.2 million square feet of building space and 616 acres of land is proudly maintained to ensure a safe and secure learning environment. Of the 32 buildings maintained, one is internally rated as adequate, twelve are rated as good and nineteen are rated superior. In fiscal year 2011, the Maryland Public School Construction Program Interagency Committee on School Construction (IAC Inspection) awarded Perryville Middle School, built in 1928 and renovated in 2008, the highest score ever for a superior rating. The oldest building in use by the system is a school facility built in 1923. The newest buildings in use are two school facilities built in 1991. Eighteen of the 32 buildings have undergone renovation at some point. The school buildings are multi-use facilities, serving many community groups and organizations for meetings and recreational use when school is not in session.

Of an estimated \$50,759,444 in deferred maintenance expense, \$10,267,139 will be eliminated with the implementation of our five-year capital improvement plan. This includes the renovation of the Perryville Elementary School and replacement of Gilpin Manor Elementary and Chesapeake City Elementary Schools.

The annual operating budget of the School System is approved by the County Council of Cecil County in June each year for the following fiscal year. The School System's approved budget for fiscal year 2014 totals \$180,088,202, funded 40.9% by the County, 54.2% by the State and 4.9% by Federal and other sources.

Long-term Financial Planning

In 2002 the state legislature enacted the *Bridge to Excellence in Public Schools Act (BTE)*. This law initiated major changes in state financing of local schools to achieve adequate and equitable funding to Maryland's twenty four districts. The state legislature is expected to again review the current funding formulas in light of recent federal and state mandates including, *Race to the Top* and teachers' pension funding. Current state funding formulas are based on a foundation per student amount that is capped at a maximum 1% increase annually. Preschool and pre-kindergarten students are not included in the state or county MOE funding formulas.

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

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In order to receive an increase in State Foundation Aid, the county must appropriate an amount equal to, or greater than, the prior year per student appropriation. This Maintenance of Effort (MOE) calculation ensures equal funding relative to enrollment as that of prior years on a per student basis. Fiscal 2013 was the first time in four years that the county funded above MOE, however, no additional funding was provided above the amount funded in fiscal 2012. Continued funding at this minimum level will seriously impact the school system long-term. While enrollment has declined in recent years, the decline has not provided the school system with the basis to reduce costs or expand current programs. Further funding by the county at the MOE level will result in the necessity to eliminate programs and increase class size. For fiscal 2014, the school system will receive a 3.8% increase in county funding for a total regular appropriation of \$69,730,403. This is exclusive of mandated teacher pension costs of \$2,574,380. This increase almost restores local funding to the amount appropriated in fiscal 2009 of \$69,915,162.

ECONOMIC CONDITION AND OUTLOOK

According to the 2010 U.S. Census, the population of Cecil County is 101,108 and is expected to increase by nearly 50% to 155,200 residents by 2040. Cecil County's population growth rate is expected to be the second highest amongst Maryland counties over the next 30 years.

The 2012 labor force in Cecil County averaged 51,078. It has remained over 50,000 for the past five years. The number of in-county jobs has remained fairly steady at approximately 30,000. As of July 2013, the unemployment rate was 8.2% which is a decrease of from the 9% in July 2012. The average weekly wage in Cecil County increased between 2010 and 2012 from \$764 to \$803. The median household income for Cecil County, as calculated by the American Community Survey (ACS) three year estimates for 2009-2011, is \$64,513. The ACS also reported that over 87% of Cecil County citizens over the age of 25 are high school graduates or higher, and the workforce is comprised of 75% white collar jobs.

The Maryland Department of Labor, Licensing and Regulation reported a total of 1,993 active businesses in Cecil County in 2012. With direct access to the major thoroughfares of I-95 and U.S. Route 40, 23% of the employers in Cecil County are in the trade, transportation and utility industry. The manufacturing sector in Cecil County continues to be strong, employing an average of 4,246 or 14.5% of the total workforce. The County's manufacturing sector employs over three times that of the State of Maryland, with an average weekly wage of \$1,384. Major manufacturers in the County include W.L. Gore, ATK, Terumo Medical and Terumo Cardiovascular Systems.

In addition, the combination of local government, trade and transportation, education and health services, and leisure and hospitality sectors provide employment opportunities for over

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55% of those employed in the County. However, the County currently experiences an out-commute of 53% to neighboring states and counties.

Thirty of the County's 1,993 businesses each employ over 100 workers. The top employer in Cecil County is W.L. Gore which specializes in medical products and research and development, currently employing over 2,300 people. In March 2013, Gore announced its commitment to expand the Lovett Farm Facility on Airport Road, Elkton, a \$30 million dollar capital investment at this County site. Restoration Hardware, a home furnishing distributor, has expanded their operation in the Principio Business Park in North East by an additional 600,000 square feet. This expansion also included an additional 100 jobs bringing their employment total to 200. Another significant expansion was with Penn National Gaming. As a result of the Maryland legislature approving the use of table games, Hollywood Casino, located in Perryville, recently expanded with a \$1 million capital investment and an additional 100 jobs, for a total of 350 employees. West Cecil Health Center opened a new 24,000 sq.ft. health care facility in Conowingo. In Warwick, the Warwick Mushroom Farms invested \$25 million for an 83,000 sq.ft. expansion and added 25 new jobs.

A much anticipated expansion will take place in Rising Sun. Old Dominion Electric Cooperative (ODEC) will construct a state-of-the-art natural gas fueled electric generation facility five miles west of the town of Rising Sun. It will create approximately 600 temporary construction jobs and roughly 30 permanent jobs.

An important segment of Cecil County's economy involves the tourism industry. Visitors generated \$113 million in expenditures during 2011. This was a 7% increase from the previous year. Approximately \$17 million was created in local and state taxes from these visitors. In addition, Cecil County tourism industry employs 2,000 people. Total wages for these employees increased by 4% to \$71 million in 2011.

Approximately 70% of Cecil County is rural. Therefore, agriculture also significantly contributes to the local economy. About 34.6% of Cecil County acreage is farmland. Much of this land is devoted to cash grain and dairy farms. Principal crops are corn, soybeans and wheat. According to the U.S. Census, agriculture product sales were \$96 million in 2007. This represents a 40% increase in market value of production from 2002. Equally impressive is the value of Equine inventory in the County. As of the 2010 Equine Census, there are 740 equine places with an inventory of 6,200 for a total value of \$94 million.

In June 2013, Cecil County received state approval to expand and renew its Enterprise Zone for an additional 10 years. This zone is an important economic development tool used to recruit businesses. Enterprise zones provide tax incentives to both property and business owners. The Cecil County Enterprise Zone encompasses 6,685 acres and eight business parks, with 19

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businesses currently utilizing the tax credits. In 2011, over \$2 million in capital investment in the county's enterprise zone resulted in 48 net new jobs. In 2012, \$65 million in capital investment created 200 new jobs.

MAJOR SCHOOL SYSTEM INITIATIVES

Our Mission

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

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

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

1. All students will meet or exceed high academic standards
2. All students will learn in safe, secure and inviting environments
3. All students will benefit from effective and efficient support and services provided by a learning organization

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

A comprehensive, rigorous instructional program is provided for all students. Individual student needs are addressed through differentiation of instruction. Disabled students are educated in the least restrictive environment in their home school with their age appropriate peers to the degree possible. Supplemental aids and services are provided as needed to support student achievement. Students who are gifted and talented receive services through the challenge program. Cecil County students continue to demonstrate effective performance on state and national assessments with 76.1% of students taking advanced placement (AP) exams and scoring a three or better. This compares to a state average of 64.1% and a national

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average of 61.5%. The 4-year Cohort Graduation Rate for Cecil County students in 2012 was 89.0% compared to 82.8% for the state. Approximately 80% 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 are the major programmatic initiatives accomplished before or within fiscal year 2013:

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

- Pre-kindergarten in 13 of our 17 elementary schools and full day kindergarten in all schools
- Implementation of Twilight School as an alternative to suspension in all secondary schools
- Differentiated instruction designed to meet the needs of all students
- Curriculum programs aligned with state and national standards
- Implementation of the Common Core Curriculum in Reading, English Language Arts and Mathematics
- World language instruction for high school credit in every middle school
- Serving the needs of disabled learners in an inclusive, least restrictive environment
- Revised Grading and Reporting Policy and Procedures

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

- Expansion of positive behavior interventions and supports programs
- Ongoing surveys of staff and parents to assess our school system efforts
- Active partnerships with business and community leaders
- Implementation of a revised Student Code of Conduct
- Regular safety reviews at each school to assess readiness to respond to incidents
- Improved communication equipment at every school

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

- Professional development in Strategic Instructional Models for Success
- Advanced Leadership Series for teachers and administrators
- A schedule of training opportunities for administrative professionals
- A wellness policy by Food and Nutrition to provide nutritious meals
- The development of a comprehensive wellness program for staff

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The Future

Funding for the following major programmatic initiatives were included in the annual operating budget for the fiscal year 2014:

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

- Continued alignment of our curriculum with Common Core Standards
- Expansion of early intervention, pre-kindergarten, child find, and infants and toddlers
- Alignment of career and technology programs with state requirements
- Use of Twilight School to support students not meeting HSA requirements

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

- Expanding partnerships with business and community leaders
- Updating safe schools CERT training to help school leaders prepare for crisis situations
- Expanding positive behavior, intervention and support programs

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

- Continued recruitment and retention efforts to ensure every child is taught by highly qualified staff
- On-line staff development and collaboration
- Additional investment in technology and support services to improve infrastructure and integrate technology in curriculum and drive data-based decision making

FINANCIAL INFORMATION

Relevant Financial Policies

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

The school system has no authority to levy and collect taxes. All funding is provided by the federal, state, and county governments.

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

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All appropriated unrestricted funds not spent at the end of the fiscal year accrue to the operating fund balance. By Board policy, a minimum of 5% of the school system's operating budget must be maintained as fund balance. Any excess funds may be appropriated for one time expenditures or used to manage revenue shortfalls in subsequent years' budgets. All funds must remain in the fund originally appropriated.

Budgetary Requirements

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

These categories include:

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

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

Local appropriation	State revenue
Federal revenue	Other revenue

A complete chart of accounts is available on the school system's website at ccps.org.

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

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201 Booth Street, Elkton, MD 21921

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

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

Internal Controls

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

INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accountants. The Board of Education selected the accounting firm of CohnReznick LLP. to perform this audit under a contract awarded in fiscal year 2009, renewable for four succeeding years.

In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the OMB Circular A-133 Single Audit Act Amendments of 1996. The Independent Auditors' Report on the financial statements is included in the Financial Section of this Report. The Independent Auditors' Reports on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and the Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 are included as Other Supplementary Information following the Statistical Section of the report.

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

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AWARDS AND ACKNOWLEDGEMENTS

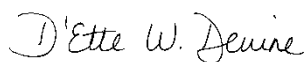
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Cecil County Public Schools for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. This is the tenth 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.

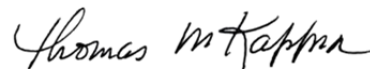
The Association of School Business Officials (ASBO) International has awarded a Certificate of Excellence in Financial Reporting to Cecil County Public Schools for its CAFR for the fiscal year ended June 30, 2012. The Certificate of Excellence in Financial Reporting is the highest recognition in School 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 tenth 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,



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



Thomas M. Kappra
Chief Financial Officer



Government Finance Officers Association

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

Presented to

**Cecil County Public Schools
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

Association of School Business Officials International



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

Cecil County Public Schools

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2012*

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



A handwritten signature in black ink, reading "Ron McCulley".

Ron McCulley, CPPB, RSBO
President

A handwritten signature in black ink, reading "John D. Musso".

John D. Musso, CAE, RSBA
Executive Director

FINANCIAL SECTION

Independent Auditor's Report

Board of Education of
Cecil County, Maryland

Report on the Financial Statements

We have audited the accompanying basic financial statements, as defined in the Management Discussion and Analysis, of the governmental activities and each major fund of Cecil County Public Schools (the School System), a component unit of Cecil County, Maryland, as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these basic 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 the 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 basic financial statements are free of material misstatement.

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

accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

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

Opinions

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, 2013, and the changes in its net position for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the basic financial statements referred to above present fairly, in all material respects, the budgetary comparison for the general fund in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 18 through 34 and the School System's actuarially determined funding progress and required contributions for the School System's Retiree Benefit Trust Fund on page 67, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the 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 Schedule of Expenditures of Federal Awards on pages 101 through 103 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-

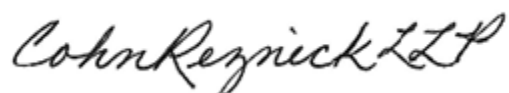
133, "Audits of States, Local Governments, and Non-Profit Organizations," and is also not a required part of the basic financial statements.

The Individual Fund Financial Statements and the Schedule of Expenditures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our reports dated September 30, 2013, 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 image shows a handwritten signature in cursive script that reads "CohnReznick LLP". The signature is written in black ink and is positioned above the typed address and date.

Baltimore, Maryland
September 30, 2013

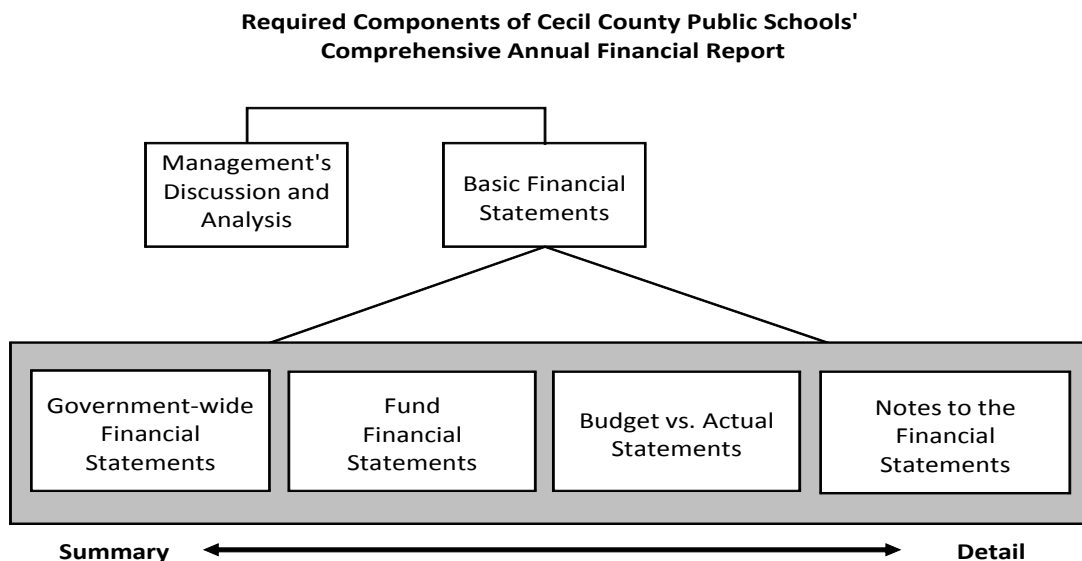
This section of Cecil County Public Schools' Comprehensive Annual Financial Report (CAFR) represents our discussion and analysis of the School System's financial performance during the fiscal year ending June 30, 2013. The management's discussion and analysis, financial statements, and related footnotes are the responsibility of management. Please read this section in conjunction with the transmittal letter, the School System's financial statements and the notes to the basic financial statements that follow.

FINANCIAL HIGHLIGHTS

- The School System's net position at the end of the fiscal year totaled \$174,385,866, of which \$165,066,192 is invested in capital assets, net of related debt.
- Net position decreased \$7,146,821 for the year, most of which is attributable to a reduction in capital assets of \$5,524,741 as a result of reduced investment in capital improvement projects.
- General revenues of \$132,386,404 account for 65.8% of all revenues; program revenues of \$68,688,906 account for 34.2%.
- The food and nutrition department received \$1,964,488 from charges for services, accounting for 32.3% of food and nutrition total revenue.
- The operating budget was amended during the year for a net increase of \$4,660,409. This included additional revenue from restricted State and Federal grants of \$3,337,678 and an addition in other revenue of \$1,322,731.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



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

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

Recent Accounting Pronouncements

During fiscal year 2013, the School System implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The objective of this statement is to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future.

During fiscal year 2013, the School System implemented early adoption of GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. The objective of this statement is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources or inflows of resources.

Certain reclassifications have been made, none of which affected the results of activities and changes net position, to present the financial statements on a consistent basis. Deferred outflows and inflows from the prior year have been restated for reporting consistency.

Government-wide Statements

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

The *Statement of Net Position* presents all of the School System's assets and deferred

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

- The **General Fund** is used to focus upon the operation of the School System's educational and support services programs.
- 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 Fiduciary funds financial statements are used to account for resources held for the benefit of parties outside the School System. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the School System's own programs. Additionally, there is no analysis of the School System's fiduciary fund in this management's discussion and analysis. Fiduciary funds use the accrual basis of accounting.

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

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

Budget vs. Actual Financial Statements

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

A comparison of Net Position for 2013 vs. 2012 is shown below:

	2013	2012 (Restated)	Increase/(Decrease)	
Assets				
Current assets	\$ 27,039,504	\$ 31,065,450	\$ (4,025,946)	(13.0)%
Capital assets, net	<u>171,257,242</u>	<u>176,781,983</u>	<u>(5,524,741)</u>	(3.1)%
Total assets	<u>198,296,746</u>	<u>207,847,433</u>	<u>(9,550,687)</u>	(4.6)%
Deferred Outflow of Resources				
Unavailable revenue due from State of Maryland	1,127,203	1,573,010	(445,807)	(28.3)%
Unavailable revenue due from United States government	<u>2,456,001</u>	<u>1,845,120</u>	<u>610,881</u>	33.1%
	<u>3,583,204</u>	<u>3,418,130</u>	<u>165,074</u>	4.8%
Liabilities				
Current liabilities	19,632,366	21,054,617	(1,422,251)	(6.8)%
Noncurrent liabilities	<u>7,743,871</u>	<u>8,558,510</u>	<u>(814,639)</u>	(9.5)%
Total liabilities	<u>27,376,237</u>	<u>29,613,127</u>	<u>(2,236,890)</u>	(7.6)%
Deferred Inflow of Resources				
Unearned Revenue from State of Maryland	-	9,969	(9,969)	(100.0)%
Unearned Revenue from United States government	<u>117,847</u>	<u>109,780</u>	<u>8,067</u>	7.3%
	<u>117,847</u>	<u>119,749</u>	<u>(1,902)</u>	(1.6)%
Net Position				
Net investment in capital assets	165,066,192	169,073,812	(4,007,620)	(2.4)%
Unrestricted (deficit)	<u>9,319,674</u>	<u>12,458,875</u>	<u>(3,139,201)</u>	(25.2)%
Net Position, end of year	<u>\$ 174,385,866</u>	<u>\$ 181,532,687</u>	<u>\$ (7,146,821)</u>	(3.9)%

Change in Net Position

The School System's combined net position decreased by \$7,146,821 or 3.9% on June 30, 2013, to \$174,385,866. Current assets decreased by \$4,025,946 mainly due to a decrease in cash and cash equivalents of \$4,298,114. Cash reserves were utilized to supplement the operating budget and resulted in a reduction of \$3,139,258 unrestricted fund balance. Capital assets decreased by \$5,524,741 or 3.1% due to depreciation expense exceeding new capital projects.

Current liabilities decreased by \$1,422,251 or 6.8% largely due to a reduction in accounts payable.

Statement of Activities

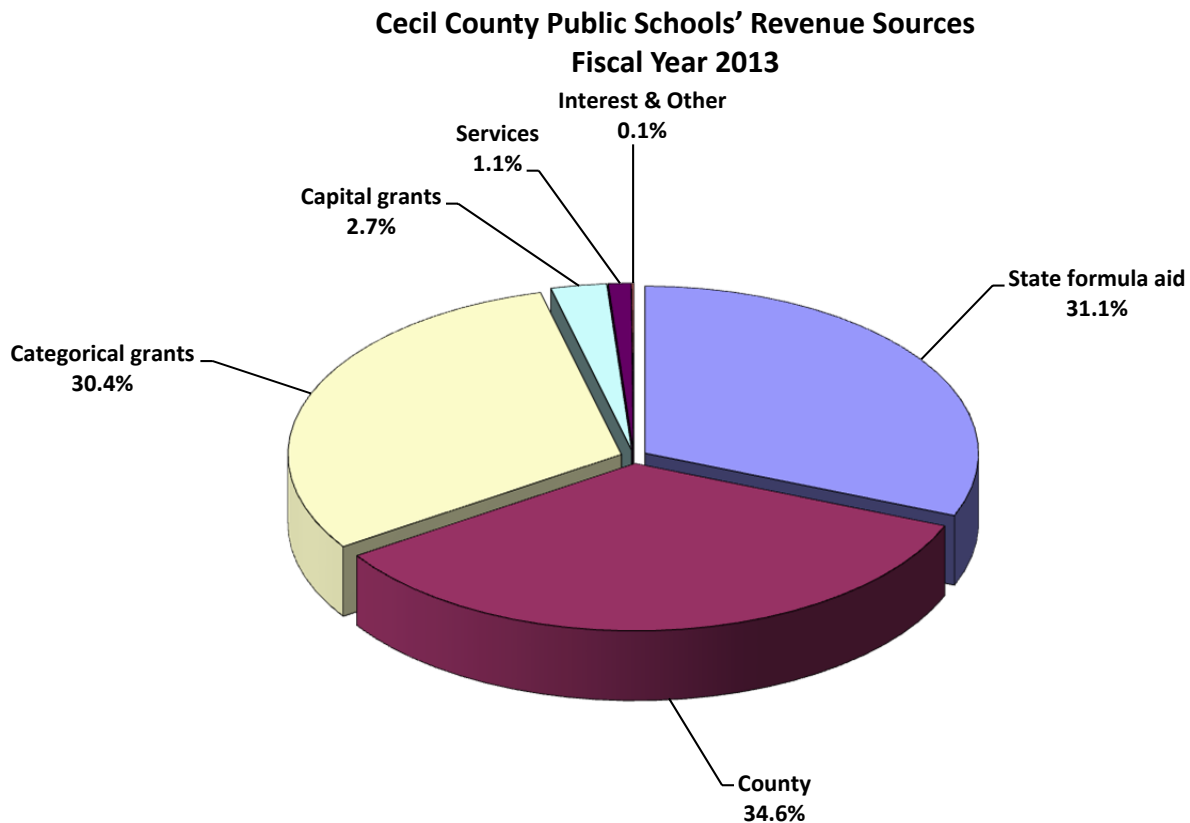
A comparison of revenue by source and expense by function for 2013 vs. 2012 is shown below:

	<u>2013</u>	<u>2012</u>	<u>Increase/ (Decrease)</u>	
Revenue				
Program Revenues				
Charges for Services	\$ 2,219,084	\$ 2,469,932	\$ (250,848)	(10.2)%
Operating grants and contributions	61,170,964	63,533,480	(2,362,516)	(3.7)%
Capital grants and contributions	5,298,858	4,747,799	551,059	11.6%
General Revenues				
Grants and contributions not restricted to certain programs	132,104,859	130,544,486	1,560,373	1.2%
Other	281,545	267,261	14,284	5.3%
Total revenue	<u>201,075,310</u>	<u>201,562,958</u>	<u>(487,648)</u>	(0.2)%
Expenses				
Administration	5,884,713	5,848,216	36,497	0.6%
Mid-level administration	19,036,087	18,645,814	390,273	2.1%
Instruction	112,413,781	110,162,844	2,250,937	2.0%
Special education	32,548,523	33,206,278	(657,755)	(2.0)%
Student personnel services	1,376,623	1,351,480	25,143	1.9%
Student health services	2,161,877	2,219,629	(57,752)	(2.6)%
Student transportation	9,895,907	9,658,855	237,052	2.5%
Operation of plant	13,553,078	12,884,659	668,419	5.2%
Maintenance of plant	5,097,180	4,794,807	302,373	6.3%
Food and nutrition	5,838,318	5,816,017	22,301	0.4%
Community services	406,090	454,449	(48,359)	(10.6)%
Interest on long-term debt	9,954	155,244	(145,290)	(93.6)%
Total expenses	<u>208,222,131</u>	<u>205,198,292</u>	<u>3,023,839</u>	1.5%
Change in net position	(7,146,821)	(3,635,334)	(3,511,487)	96.6%
Net position - beginning	<u>181,532,687</u>	<u>185,168,021</u>		
Net position - ending	<u>\$ 174,385,866</u>	<u>\$ 181,532,687</u>		

Revenue (Statement of Activities)

Cecil County Public Schools' revenues from fiscal year 2013 were in the amount of \$201,075,310. Program revenue came from three major sources. These include charges for services of \$2,219,084, operating program grants from the state and federal government of \$61,170,964 and capital grants from the State of Maryland and Cecil County Government of \$5,298,858. In addition to program sources, the School System received general revenue from the State of Maryland of \$62,489,026, Cecil County Government of \$69,615,833, investment earnings and other miscellaneous income of \$281,545.

Charges for services decreased by \$250,848 or 10.2% largely due to a reduction in participation in food and nutrition programs. Operating grants and contributions declined \$2,362,516 or 3.7% due to a reduction in federal grant funding.



Expenses (Statement of Activities)

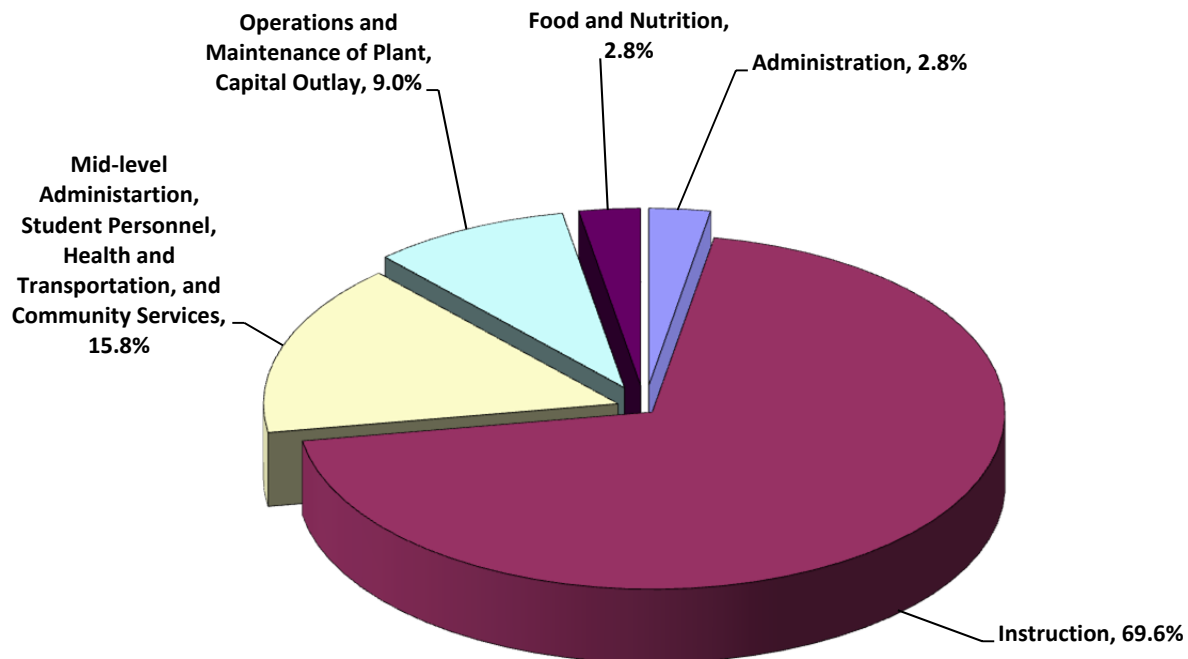
The revenues received during 2013 were used to pay expenses of \$208,222,131. These expenses are reported by functional categories of activities established by the Maryland State Department of Education. Fringe benefit costs for employees have been distributed across each functional category to more accurately report the expenses of each function.

Increases in instruction salaries and wages, and instruction technology resulted in an overall increase \$2,250,937 or 2.0% in the instruction categories. Operation of plant increased by \$668,419 or 5.2% mainly due to increased utility costs and maintenance of plant expenses increased by \$302,373 or 6.3% to address some deferred maintenance projects.

Overall spending increased by \$3,023,839 or 1.5% while revenue declined by \$487,648 or 0.2%, resulting in a decrease in net position of \$3,511,487.

The expenses classified by the State's categorical functions can be further summarized for 2013 as follows:

**Combined Expenses for Cecil County Public Schools
for Fiscal Year 2013**



GOVERNMENT FUNDS FINANCIAL HIGHLIGHTS

The total assets of the School System's government funds exceeded liabilities at the end of the fiscal year by \$12,360,200. Total government fund revenues decreased by \$455,932, with a \$840,932 decrease in the general fund mostly due to a reduction in State funding and a \$551,073 increase in the capital project fund. The School System received \$73,121,775 or 36.4% of its governmental activities funding from the county, \$111,289,209 or 55.3% from the state, and \$13,869,753 or 6.9% from federal entitlement grants.

GOVERNMENT FUNDS FINANCIAL ANALYSIS

Major Fund Balances

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

	General	Special Revenue	Capital Projects	Total Governmental Funds
Fund balance, beginning of year	\$ 14,963,539	\$ 260,237	\$ 47,848	\$ 15,271,624
Fund balance, end of year	<u>12,360,200</u>	<u>32,052</u>	<u>47,905</u>	<u>12,440,157</u>
Net change in fund balances	<u>\$ (2,603,339)</u>	<u>\$ (228,185)</u>	<u>\$ 57</u>	<u>\$ (2,831,467)</u>

The General Fund decreased \$2,603,339 from the previous year to \$12,360,200. The fiscal 2013 operating budget included an appropriation to utilize \$1,588,063 in revenue from the fund balance. Several years of reductions in discretionary spending, and deferred purchases and repairs caused a need to utilize a slightly larger portion of the fund balance than originally planned.

The Special Revenue Fund decreased \$228,185 from the previous year to \$32,052. This represents less than .01% of total fund expenditures. This decrease is attributed to a general increase in the cost of food, an increase in the use of fresh fruits and vegetables and a decrease in student participation. An increase in meal prices for fiscal 2014 is planned to offset the loss incurred in fiscal 2013 and anticipated increase in costs.

The Capital Projects Fund increased \$57 from the previous year to \$47,905. All capital expenditures are approved on a project basis. Any fluctuation in the fund balance is due to the timing of expenditures and miscellaneous income not related to expenditures.

General Fund Budgetary Highlights

This measure can be useful as a measure of the general fund's liquidity. However, it is important to note that the School System is fiscally dependent on grants and appropriations from the county, state and federal governments. Once the budget is adopted through the

budget process prior to the start of the fiscal year, these amounts rarely change.

The School System is authorized to transfer funds between major categories of the budget. The following schedule shows the 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	\$ 69,615,833	\$ 69,615,833	\$ -	\$ -	\$ -
State of Maryland	98,017,207	98,474,606	457,399	-	457,399
United States government	8,177,559	11,057,838	2,880,279	-	2,880,279
Other sources					
Investment interest	50,000	50,000	-	-	-
Other	1,928,063	3,250,794	1,322,731	-	1,322,731
Total revenue	<u>\$ 177,788,662</u>	<u>\$ 182,449,071</u>	<u>\$ 4,660,409</u>	<u>\$ -</u>	<u>\$ 4,660,409</u>
Expenditures					
Current					
Administration	\$ 3,870,170	\$ 4,773,500	\$ 903,330	\$ -	\$ 903,330
Mid-level administration	13,273,363	13,578,940	305,577	-	305,577
Instruction salaries	67,244,473	68,715,627	1,471,154	-	1,471,154
Instruction materials and supplies	3,548,765	3,850,647	301,882	-	301,882
Instruction other costs	2,873,280	3,583,950	710,670	-	710,670
Special education	25,123,022	25,206,821	83,799	-	83,799
Student personnel services	864,691	999,151	134,460	-	134,460
Student health services	1,584,837	1,531,252	-	53,585	(53,585)
Student transportation	9,332,229	9,633,236	301,007	-	301,007
Operation of plant	10,845,846	11,288,368	442,522	-	442,522
Maintenance of plant	4,015,802	4,750,480	734,678	-	734,678
Fixed charges	34,714,723	33,921,087	-	793,636	(793,636)
Community services	314,744	404,215	89,471	-	89,471
Capital outlay	182,717	211,797	29,080	-	29,080
Total expenditures	<u>\$ 177,788,662</u>	<u>\$ 182,449,071</u>	<u>\$ 5,507,630</u>	<u>\$ 847,221</u>	<u>\$ 4,660,409</u>

The General Fund is the School System's primary operating fund. The final budget of \$182,449,071 exceeded the original budget by \$4,660,409. This is primarily due to additional restricted grants received from federal sources of \$2,880,279 and the related expenditures. Instruction salaries expenditures increased by \$1,471,154 due to an unbudgeted mid-year cost of living increase. Instruction materials and supplies and instruction other costs were increased by \$301,882 and \$710,670 to allow for additional spending to improve various schools' wireless technology infrastructure. The operation of plant budget category increased by \$442,522 due to unanticipated increases in utility costs and the maintenance of plant category increased by \$734,678 to address some deferred projects.

Capital Assets and Long Term Debt Activity

The School System's investment in capital assets for its governmental activities as of June 30, 2013 amounts to \$171,257,242 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, and construction in progress. The School System has no infrastructure assets (roads, bridges, streets, etc.).

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

Cecil County Public Schools Capital Assets		
(net of depreciation)		
	<u>2013</u>	<u>2012</u>
Land	\$ 1,202,153	\$ 1,202,153
Buildings	142,667,782	149,300,301
Improvements other than buildings	10,735,742	11,409,016
Furniture, fixtures, and equipment	8,612,498	10,326,746
Construction in progress	<u>8,039,067</u>	<u>4,543,767</u>
Total	<u>\$ 171,257,242</u>	<u>\$ 176,781,983</u>

The total decrease in the School System's net capital assets during the year including depreciation was \$5,524,741. Major capital project expenditures during the fiscal year ended June 30, 2013 included:

- Completion of ceiling repairs at Perryville High totaling \$367,098
- Completion of the elevator addition at North East Middle totaling \$304,092
- Continuation of systemic window and door repairs at North East High totaling \$97,688
- Continuation of HVAC repairs at Rising Sun High totaling \$2,110,770
- Began repairs to stadium bleachers at North East High totaling \$490,566
- Began mechanical repairs at Rising Sun Elementary totaling \$72,187
- Began mechanical repairs to Conowingo Elementary totaling \$76,433
- Began repairs to windows and doors at Thomson Estates Elementary totaling \$60,131
- Began planning and design of Perryville Elementary renovation totaling \$119,075

By State Statute, the School System owns assets but not the debt associated with those facilities as it is fully dependent on the state and county governments. Capital expenditures are approved and funded by the state and local governments on a project basis. Future commitments on projects in progress total \$2,349,444. Please see Note 5 for details of changes in capital assets and construction commitments and Note 6 for long-term obligations.

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, 2013 the total funds held in cash and cash equivalents was \$1,491,010.

Fiduciary Fund

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

The School System contribution to the Trust in fiscal year 2013 represents the actuarial determined pre-funding amount of \$827,935 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 wellbeing of the State and County has a significant impact upon the School System's ability to meet the requirements of the *Bridge to Excellence* and *No Child Left Behind Acts*.

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

During fiscal year 2013, 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 2014 and plan for fiscal year 2015 and beyond.

The fiscal year 2014 approved operating budget, adopted in June 2013, was constructed using a modified application of zero-based budgeting based upon the School System's Strategic Plan and long range fiscal plan. This budget supports the School System's mission by addressing the three primary goals and thirteen major objectives of the Board of Education.

Throughout the process of preparing the operating budget request, input is received from various stakeholders groups. All requests for additions, changes, and reductions are evaluated at the department and leadership level before the Superintendent makes a recommendation to the Board of Education for final adoption. The following lists some of the items that were considered, reduced, or included in the fiscal 2014 request:

Requests Deferred:

- 23 staff positions requested by schools to meet challenges including--
 - Support for intervention services
 - Additional social studies/science teachers
 - Modified Instruction Program (MIP) paraprofessional
- Universal pre-kindergarten
- Teachers for class size reduction across the district
- Expansion of Biomedical Project Lead the Way to other four high schools
- Expansion of Positive Behavior Interventions and Supports (PBIS) program to all schools
- Expansion of the musical strings program
- Technology expansion
- World Language expansion
- Reinstatement of assistant athletic coaches
- Additional social worker positions at schools with high needs students
- Full-time assistant principals at Cecilton and Chesapeake City Elementary Schools
- Instructional Coaches
- On-line databases and subscriptions
- Replacement of technology hardware
- Various deferred maintenance projects at several schools
- Carpet replacement, painting, repair or replacement of blacktop at various locations

Budget Reductions:

- Kindergarten paraprofessional positions through attrition
- Instructional Coordinator for Performance Excellence
- Nurse Coordinator relocated to a school to eliminate one nursing position
- Three classroom teachers at Perryville High School
- Three instructional specialists
- One high school assistant principal position at Perryville High School
- One Pupil Personnel Worker position
- Special Education secretary
- Five contracted buses, one per feeder pattern
- Reduction of 74,000 bus miles traveled; 3,400 hours of time traveled

Programs Included:

- Pre-Kindergarten expansion to four remaining schools
- Twilight School expansion
- Substitute release time for teachers to participate in professional development
- North Bay 4-day program
- Athletic equipment replacement including helmets
- Stipends for teachers to participate in professional development
- Step increases and cost of living allowances (COLA) for employees per collective bargaining arrangements
- Social worker to support Cecil Manor and Holly Hall Elementary Schools
- Special Education Transition Specialist
- Coordinator for Student Services
- Increase in school-based classroom supplies
- Resources to support the implementation of the Common Core Curriculum
- English for Speakers of Other Languages (ESOL) teacher to support increased need
- Implementation of AP Human Geography and AP Government
- Contract with High Roads to provide alternative programs for at-risk students
- Expansion of PBIS program to two schools
- Continuation of Safe School initiatives
- Implementation of software to improve parent/student financial interaction with school
- Improve the process of the Letter of Intent for better efficiency and hiring decisions
- Expansion of recruitment efforts in hiring certificated employees
- Support for student assessment and accountability
- Lift equipped bus for Special Education
- Equip all school buses with GPS
- Increase in the local share of Teacher Pension Costs

Contact for Additional Information

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

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BASIC FINANCIAL STATEMENTS

CECIL COUNTY PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2013

ASSETS

Current assets

Cash and cash equivalents	\$	25,574,056
Investments		44,974
Receivables (net)		374,558
Prepaid items		787,321
Inventories		258,595
Total current assets		<u>27,039,504</u>

Noncurrent assets

Realized gain from investments		
Land		1,202,153
Buildings		142,667,782
Improvements other than buildings		10,735,742
Furniture, fixtures and equipment		8,612,498
Construction in progress		8,039,067
Total noncurrent assets		<u>171,257,242</u>
Total assets		<u>198,296,746</u>

DEFERRED OUTFLOW OF RESOURCES

Unavailable revenue due from State of Maryland		1,127,203
Unavailable revenue due from United States government		2,456,001
Total deferred outflows		<u>3,583,204</u>

LIABILITIES

Current liabilities

Accounts payable and accrued expenses		17,498,268
Advances from others		566,436
Capital leases due within one year		1,162,359
Compensated absences due within one year		405,303
Total current liabilities		<u>19,632,366</u>

Noncurrent liabilities

Capital leases due in more than one year		5,028,691
Compensated absences due in more than one year		2,715,180
Total noncurrent liabilities		<u>7,743,871</u>
Total liabilities		<u>27,376,237</u>

DEFERRED INFLOW OF RESOURCES

Unearned Revenue from United States government		117,847
Total deferred inflows		<u>117,847</u>

NET POSITION

Net Investment in capital assets		165,066,192
Restricted for:		
Capital projects		47,905
Unrestricted		9,271,769
Total net position	\$	<u>174,385,866</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, 2013**

	Program Revenue			Net (Expenses) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Function/programs					
Administration	\$ 5,884,713	\$ -	\$ 997,504	\$ -	\$ (4,887,209)
Mid-level administration	19,036,087	-	1,401,712	-	(17,634,375)
Instruction salaries	95,861,417	230,547	32,428,218	-	(63,202,652)
Instruction materials and supplies	3,653,853	-	588,843	5,298,858	2,233,848
Instruction other costs	12,898,511	-	586,820	-	(12,311,691)
Special education	32,548,523	-	14,146,695	-	(18,401,828)
Student personnel services	1,376,623	-	211,772	-	(1,164,851)
Student health services	2,161,877	-	126,212	-	(2,035,665)
Student transportation	9,895,907	-	5,157,196	-	(4,738,711)
Operation of plant	13,553,078	-	585,283	-	(12,967,795)
Maintenance of plant	5,097,180	-	487,389	-	(4,609,791)
Food and nutrition	5,838,318	1,964,488	4,108,869	-	235,039
Community services	406,090	24,049	344,451	-	(37,590)
Interest on long-term debt	9,954	-	-	-	(9,954)
Total government activities	<u>\$ 208,222,131</u>	<u>\$ 2,219,084</u>	<u>\$ 61,170,964</u>	<u>\$ 5,298,858</u>	<u>(139,533,225)</u>
					62,489,026
					69,615,833
					10,855
					270,690
					<u>132,386,404</u>
Change in net position					(7,146,821)
Net position - beginning					<u>181,532,687</u>
Net position - ending					<u>\$ 174,385,866</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, 2013

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 25,570,108	\$ 3,948	\$ 44,974	\$ 25,619,030
Due from Cecil County, Maryland	-	-	146,630	146,630
Due from General fund	-	-	162,940	162,940
Due from Special revenue fund	222,027	-	-	222,027
Accounts receivable	213,375	14,553	-	227,928
Prepaid items	787,321	-	-	787,321
Inventory	-	258,595	-	258,595
Total Assets	<u>26,792,831</u>	<u>277,096</u>	<u>354,544</u>	<u>27,424,471</u>
DEFERRED OUTFLOWS OF RESOURCES				
Unavailable revenue due from State of Maryland	980,888	22,234	124,081	1,127,203
Unavailable revenue due from United States government	2,295,810	160,191	-	2,456,001
Total Deferred Outflows	<u>3,276,698</u>	<u>182,425</u>	<u>124,081</u>	<u>3,583,204</u>
Total assets and deferred outflows	<u>\$ 30,069,529</u>	<u>\$ 459,521</u>	<u>\$ 478,625</u>	<u>\$ 31,007,675</u>
LIABILITIES AND FUND EQUITY				
Accounts payable	\$ 1,972,859	\$ 39,099	\$ 270,710	\$ 2,282,668
Accrued salaries	13,408,159	1,441	-	13,409,600
Estimated claims incurred but not reported	1,806,000	-	-	1,806,000
Advances from others	351,442	54,984	160,010	566,436
Due to capital fund	162,940	-	-	162,940
Due to general fund	-	222,027	-	222,027
Total liabilities	<u>17,701,400</u>	<u>317,551</u>	<u>430,720</u>	<u>18,449,671</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned Revenue from United States government	7,929	109,918	-	117,847
Total Deferred Inflows	<u>7,929</u>	<u>109,918</u>	<u>-</u>	<u>117,847</u>
Fund balance				
Non-spendable	787,321	258,595	-	1,045,916
Committed	1,784,391	-	-	1,784,391
Assigned	6,317,721	-	-	6,317,721
Unassigned	3,470,767	(226,543)	47,905	3,292,129
Total fund balance	<u>12,360,200</u>	<u>32,052</u>	<u>47,905</u>	<u>12,440,157</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 30,069,529</u>	<u>\$ 459,521</u>	<u>\$ 478,625</u>	<u>\$ 31,007,675</u>

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

**CECIL COUNTY PUBLIC SCHOOLS
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET POSITION
JUNE 30, 2013**

Total fund balance	\$	12,440,157
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Amounts reported in the statement of net position are different because:

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

Capital Assets	\$	301,041,700	
Accumulated depreciation		<u>(129,784,458)</u>	171,257,242

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	\$	(6,191,050)	
Accrued vacation leave		<u>(3,120,483)</u>	<u>(9,311,533)</u>

Total net position	\$	<u><u>174,385,866</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, 2013

	General	Special Revenue	Capital Projects	Total Governmental Funds
Revenue				
Intergovernmental				
Cecil County, Maryland	\$ 69,615,833	\$ -	\$ 3,505,942	\$ 73,121,775
State of Maryland	109,272,301	298,946	1,717,962	111,289,209
United States government	10,022,655	3,772,143	74,955	13,869,753
Other sources				
Sale of food	-	1,964,487	-	1,964,487
Investment interest	9,997	801	57	10,855
Other	781,438	37,794	-	819,232
Total revenue	<u>189,702,224</u>	<u>6,074,171</u>	<u>5,298,916</u>	<u>201,075,311</u>
Expenditures				
Current				
Administration	4,717,989	251,522	-	4,969,511
Mid-level administration	13,566,354	-	-	13,566,354
Instruction salaries	68,237,315	-	-	68,237,315
Instruction materials and supplies	3,643,215	-	10,638	3,653,853
Instruction other	3,500,089	-	5,288,221	8,788,310
Special education	25,135,508	-	-	25,135,508
Student personnel services	996,891	-	-	996,891
Student health services	1,526,033	-	-	1,526,033
Student transportation	9,599,678	-	-	9,599,678
Operation of plant	11,286,391	-	-	11,286,391
Maintenance of plant	4,219,071	-	-	4,219,071
Fixed charges	45,489,001	597,195	-	46,086,196
Community services	388,028	-	-	388,028
Food service				
Salaries and wages	-	2,408,000	-	2,408,000
Food	-	2,718,438	-	2,718,438
Contracted services	-	58,193	-	58,193
Supplies and materials	-	223,287	-	223,287
Other operating cost	-	45,721	-	45,721
Total expenditures	<u>192,305,563</u>	<u>6,302,356</u>	<u>5,298,859</u>	<u>203,906,778</u>
Net change in fund balances	(2,603,339)	(228,185)	57	(2,831,467)
Fund balance, beginning of year	<u>14,963,539</u>	<u>260,237</u>	<u>47,848</u>	<u>15,271,624</u>
Fund balance, end of year	<u>\$ 12,360,200</u>	<u>\$ 32,052</u>	<u>\$ 47,905</u>	<u>\$ 12,440,157</u>

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

**CECIL COUNTY PUBLIC SCHOOLS
RECONCILIATION OF NET CHANGE IN FUND BALANCE
WITH CHANGE IN NET POSITION
YEAR ENDED JUNE 30, 2013**

Total change in fund balance \$ (2,831,467)

Amounts reported in the statement of activities are different because:

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

Depreciation expense	\$ (10,770,419)	
Capital outlays	5,369,143	
Disposal of capital assets net of depreciation	<u>(123,465)</u>	(5,524,741)

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

Repayment of existing capital leases \$ 1,517,121

In the statement of activities, accrued leave is measured by amounts earned during the year. In the governmental funds, however, expenditures for this item are measured by the amount of financial resources used. This year, vacation used was less than the amounts earned.

(307,734)

Total change in net position \$ (7,146,821)

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, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue				
Intergovernmental				
Cecil County, Maryland	\$ 69,615,833	\$ 69,615,833	\$ 69,615,833	\$ -
State of Maryland	98,017,207	98,474,606	97,833,610	(640,996)
United States government	8,177,559	11,057,838	9,960,376	(1,097,462)
Other sources				
Investment interest	50,000	50,000	9,997	(40,003)
Other	1,928,063	3,250,794	781,438	(2,469,356)
Total revenue	<u>177,788,662</u>	<u>182,449,071</u>	<u>178,201,254</u>	<u>(4,247,817)</u>
Expenditures				
Current				
Administration	3,870,170	4,773,500	4,717,989	55,511
Mid-level administration	13,273,363	13,578,940	13,566,354	12,586
Instruction salaries	67,244,473	68,715,627	68,237,315	478,312
Instruction materials and supplies	3,548,765	3,850,647	3,643,215	207,432
Instruction other costs	2,873,280	3,583,950	3,227,280	356,670
Special education	25,123,022	25,206,821	25,134,429	72,392
Student personnel services	864,691	999,151	996,891	2,260
Student health services	1,584,837	1,531,252	1,526,033	5,219
Student transportation	9,332,229	9,633,236	9,599,678	33,558
Operation of plant	10,845,846	11,288,368	11,286,391	1,977
Maintenance of plant	4,015,802	4,750,480	4,472,504	277,976
Fixed charges	34,714,723	33,921,087	33,796,877	124,210
Community services	314,744	404,215	388,028	16,187
Capital outlay	182,717	211,797	211,609	188
Total expenditures and encumbrances	<u>177,788,662</u>	<u>182,449,071</u>	<u>180,804,593</u>	<u>1,644,478</u>
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>(2,603,339)</u>	<u>\$ (2,603,339)</u>
Fund balance, beginning			<u>15,497,908</u>	
Fund balance, ending			<u>\$ 12,894,569</u>	

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

**CECIL COUNTY PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013**

ASSETS	<u>Retiree Benefit Trust Fund</u>	<u>Student Activity Agency Fund</u>
Cash and cash equivalents	\$ 7,096,486	\$ 1,491,010
Total assets	<u>7,096,486</u>	<u>1,491,010</u>
LIABILITIES		
Due to other groups	<u>-</u>	<u>1,491,010</u>
Total liabilities	<u>-</u>	<u>1,491,010</u>
NET POSITION		
Held in trust for retiree benefits	<u>\$ 7,096,486</u>	<u>\$ -</u>

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

**CECIL COUNTY PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
RETIREE BENEFIT TRUST FUND
YEAR ENDED JUNE 30, 2013**

ADDITIONS

Contributions:	
Employer	\$ 827,935
Member	-
Total contributions	<u>827,935</u>
Investment income:	
Interest/Dividends	140,562
Net increase in the fair value of investments	<u>359,620</u>
Total investment activity	<u>500,182</u>
Investment activity expenses:	
Investment custodial fees	<u>(34,163)</u>
Total investment expenses	<u>(34,163)</u>
Total net additions	1,293,954

DEDUCTIONS

Administration service fees	1,947
Auditing fees	3,218
Insurance expense	2,540
General legal fees	28
Office supplies	<u>12</u>
Total deductions	<u>7,745</u>
Change in net position	1,286,209
Net position - beginning	<u>5,810,277</u>
Net position - ending	<u>\$ 7,096,486</u>

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Government-wide Financial Statements

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

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

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

Government-wide Financial Statements are reported using the economic resource

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

Government Funds Financial Statements are reported using the current financial resources measurement focus and the modified 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 and are reported using the economic resource measurement focus and the accrual basis of accounting under which expenses are recorded when the liability is incurred. Fiduciary funds are not reported in the government-wide financial statements.

D. Assets, Liabilities, and Net Position or Equity

Cash 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. These payments are expended in future periods using the consumption method of accounting.

Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Costs of uncompleted projects are accumulated in construction-in-progress and are carried at the lower of cost or market. The School System does not incur debt for the construction of capital projects; therefore, construction period interest is not capitalized.

Land improvements, buildings and equipment with a value in excess of \$5,000 are depreciated using the straight-line method over the following estimated useful life:

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

Accrued Salaries

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

Health Insurance and Estimated Claims Incurred But Not Reported

The School System participates in a "minimum premium plan" for its two healthcare insurance plans. Under these plans, the School System is responsible for paying all claims up to an agreed upon level. Individual stop loss insurance policies are responsible for claims in excess of \$200,000. The School System has provided an accrual for claims incurred for the current fiscal year but not reported.

Compensated Absences

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

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

Long-term Obligations

The School System has no authority to issue bonded debt. Debt incurred by the county or state governments to finance school construction remains a debt of the issuing government and along with the related debt service, is not reported in the School System's financial statements. The school system occasionally finances the purchase of technology equipment, school buses, maintenance vehicles and relocatable classrooms, over periods ranging from three to five

years. In addition, the School System has a fifteen year capital lease for various building improvements as part of an energy performance contract. All long-term obligations are subject to the School System's annual appropriation from the state and local governments.

Deferred/Unearned Revenue

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

In the *Statement of Net Position*, net position is 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 *Balance Sheet - Government Funds* the fund balance is reported in four components - non-spendable, committed, assigned and unassigned in accordance with Board adopted Fund Balance Policy. The fund balance of the Board has been accumulated to provide stability and flexibility to respond to unexpected adversity and/or opportunities. The target is to maintain a fund balance of not less than 5% of annual operating expenditures for the fiscal year.

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

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

The Board will spend the most restricted dollars before less restricted in the following order:

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

Non-spendable – This component includes prepaid expenses related to health care and inventory related to food services.

Restricted – This component includes funds that are constrained to specific purposes by their

providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.

Committed – This component includes funds which were approved by the Board of Education for use on fiscal year 2014 operating expenses in the general fund.

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

Unassigned – This component consists of the amount that has not been committed or assigned to a specific purpose and exceeds the 5% of the annual operating budget fund balance minimum requirement.

For the General Fund, the School System’s \$12,360,200 fund balance is 6.6% of the fiscal year 2014 total budget. \$787,321 is non-spendable, and \$1,784,391 is committed to balance the fiscal 2014 operating budget with anticipated revenue. The unassigned balance is 1.8% of fiscal year 2014 general fund budget.

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Fund balance				
Non-spendable				
Inventory	\$ -	\$ 258,595	\$ -	\$ 258,595
Prepaid expenses	<u>787,321</u>	<u>-</u>	<u>-</u>	<u>787,321</u>
	787,321	258,595	-	1,045,916
Committed				
Subsequent year's expenditures	1,784,391	-	-	1,784,391
Assigned				
Health care	3,538,600	-	-	3,538,600
Budget contingency	<u>2,920,360</u>	<u>-</u>	<u>-</u>	<u>2,920,360</u>
	6,458,960	-	-	6,458,960
Unassigned	<u>3,329,528</u>	<u>(226,543)</u>	<u>47,905</u>	<u>3,150,890</u>
Total fund balance, June 30, 2013	<u>\$ 12,360,200</u>	<u>\$ 32,052</u>	<u>\$ 47,905</u>	<u>\$ 12,440,157</u>
Total fund balance, June 30, 2012	<u>14,963,539</u>	<u>260,237</u>	<u>47,848</u>	<u>15,271,624</u>
Net change in fund balance	<u>\$ (2,603,339)</u>	<u>\$ (228,185)</u>	<u>\$ 57</u>	<u>\$ (2,831,467)</u>

Recent Accounting Pronouncements

During fiscal year 2013, the School System implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The objective of this statement is to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future.

During fiscal year 2013, the School System implemented early adoption of GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. The objective of this statement is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources or inflows of resources.

Certain reclassifications have been made, none of which affected the results of activities and changes net position, to present the financial statements on a consistent basis. Deferred outflows and inflows from the prior year have been restated for reporting consistency.

NOTE 2 BUDGETARY INFORMATION

A. Budgetary Requirements

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

1. The School System must submit annual budgets for its General Fund and Capital Improvement Fund to the County Executive prior to February 18, 2014.
2. The County Executive must submit a complete County budget to the County Council by March 1, 2014.
3. Following public hearings, the County Council must approve the budgets by May 20, 2014.
4. Subsequent supplemental appropriations also require the County Executive and Council's approval.

5. The General Fund budget is prepared and approved by major expenditure categories as specified by state law. Actual expenditures may not exceed appropriations for a category. These categories include:

Administration	Student transportation
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	

6. The School System has the authority to transfer funds between objects of expenditures (i.e. salaries and wages, contracted services, materials and supplies, other charges, and equipment) within major categories, but must notify the County of such action at the end of each month. In accordance with the Education Article, Title 5, §5-105, of Maryland Annotated Code, the School System may not exceed the appropriation by category.
7. The management and staff of the School System are responsible for preparing the budget, monitoring budgetary expenditures, reporting, and making recommendations for transfers between objects of expenditure and major categories.
8. Unencumbered appropriations lapse at the end of each year, except in the Capital Projects Fund where appropriations do not lapse. Encumbered appropriations are liquidated through expenditures in the subsequent fiscal year. The portion of fund balance related to lapsed appropriations must be re-appropriated.

B. Reconciliation between GAAP and Budgetary Basis

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

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

General Fund

Fund Balance Ending, June 30, 2013 – Non-GAAP		\$	12,894,569
Maryland State Department payments to State Retirement and Pension System on behalf of the School System for eligible employees			
	Revenue		11,692,124
	Expenditures		(11,692,124)
Current year encumbrances reported as expenditures for budget purposes and not in GAAP statements			(369,348)
Cumulative effect of encumbrances reported as expenditures in prior years			<u>(165,021)</u>
Fund Balance Ending, June 30, 2013 – GAAP Basis		\$	<u>12,360,200</u>

NOTE 3 CASH AND CASH EQUIVALENTS

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, 2013 the carrying amount and bank balances of the School System's deposits with financial institutions totaled \$27,110,040 and \$27,966,166 respectively. All of the bank deposits are covered by federal deposit insurance and/or collateral held in the School System's name.

<u>Government Funds</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
<u>Deposits</u>		
Insured - Federal Deposit Insurance Corporation	\$ 1,222,550	\$ 1,225,269
Uninsured - collateral held by bank in School System's name	18,396,295	19,249,702
Certificate of Deposit due within one year - collateral held by bank in the School System's name	<u>3,081,425</u>	<u>3,081,425</u>
Total deposits	<u>22,700,270</u>	<u>23,556,396</u>
<u>Investments</u> - Maryland Local Government Investment Pool	<u>4,409,770</u>	<u>4,409,770</u>
Total cash and investments	<u>\$ 27,110,040</u>	<u>\$ 27,966,166</u>
 Reconciliation of above to the Statement of Net Assets:		
General Fund	\$ 25,570,109	\$ 26,328,996
Special Revenue Fund	3,947	3,945
Capital Projects Fund	<u>44,974</u>	<u>44,974</u>
Total cash and cash equivalents - Statement of Net Assets	<u>25,619,030</u>	<u>26,377,915</u>
Fiduciary Fund	<u>1,491,010</u>	<u>1,588,251</u>
Total cash and investments	<u>\$ 27,110,040</u>	<u>\$ 27,966,166</u>

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

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

Investment in External Investment Pool - The Board has funds designated for Other Post-Employment Benefits that are held by Maryland Association of Boards of Education (MABE). As of June 30, 2013, MABE held \$7,096,486 in cash and cash equivalents in the investment pool for the Board. The investment policy of MABE is set and monitored by MABE's Board of Trustees. MABE primarily invests in registered securities and mutual funds.

NOTE 4 INTER-FUND RECEIVABLES, PAYABLES

The composition of inter-fund balances as of June 30, 2013, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Purpose	Amount
Capital Projects	General	Timing	\$ 162,940
General	Special Revenue	Deficit cash balance	222,027
Total			<u>\$ 384,967</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 2013:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 1,202,153	\$ -	\$ -	\$ 1,202,153
Construction-in-progress	4,543,767	5,298,858	(1,803,558)	8,039,067
Total capital assets not being depreciated	<u>5,745,920</u>	<u>5,298,858</u>	<u>(1,803,558)</u>	<u>9,241,220</u>
Capital assets being depreciated				
Buildings	252,350,378	832,834	-	253,183,212
Improvements other than buildings	14,498,457	34,571	-	14,533,028
Furniture, equipment and vehicles	25,232,592	1,006,438	(2,154,790)	24,084,240
Total capital assets being depreciated	<u>292,081,427</u>	<u>1,873,843</u>	<u>(2,154,790)</u>	<u>291,800,480</u>
Less accumulated depreciation for				
Buildings	(103,050,076)	(7,465,354)	-	(110,515,430)
Improvements other than buildings	(3,089,441)	(707,845)	-	(3,797,286)
Furniture, equipment and vehicles	(14,905,847)	(2,597,220)	2,031,325	(15,471,742)
Total accumulated depreciation	<u>(121,045,364)</u>	<u>(10,770,419)</u>	<u>2,031,325</u>	<u>(129,784,458)</u>
Total capital assets being depreciated, net	<u>171,036,063</u>	<u>(8,896,576)</u>	<u>(123,465)</u>	<u>162,016,022</u>
	<u>\$ 176,781,983</u>	<u>\$ (3,597,718)</u>	<u>\$ (1,927,023)</u>	<u>\$ 171,257,242</u>

Depreciation expense was charged to functions/programs as follows:

<u>Government activities:</u>	<u>Amount</u>
Administration	\$ 313,934
Mid-level administration	68,565
Instruction other costs	9,849,380
Special education	109,925
Student personnel services	2,729
Student health services	15,769
Student transportation	81,113
Operation of plant	73,834
Maintenance of plant	100,263
Food and nutrition	154,663
Community service	244
	<u>\$ 10,770,419</u>

B. Construction Commitments

The School System has active construction projects as of June 30, 2013. 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>
Rising Sun Elementary mechanical repairs	\$ 72,187	\$ 1,546,000
Thomson Estates Elementary windows and doors	60,131	388,879
Conowingo Elementary mechanical repairs	76,433	414,565
Total	<u>\$ 208,751</u>	<u>\$ 2,349,444</u>

NOTE 6 LONG-TERM OBLIGATIONS

A. Compensated Absences

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

B. Capital Leases

The School System's capital leases represent obligations incurred to finance the purchase of school maintenance vehicles, relocatables, and improvements to buildings. These lease

agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments at the inception date. Both the General Fund and the Capital Projects Fund are being used to liquidate capital leases. The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Total</u>
Improvements other than buildings	\$ 5,654,537
Technology equipment (FY2011)	536,513
	<u>6,191,050</u>
Less accumulated depreciation	(1,263,419)
	<u><u>\$ 4,927,631</u></u>

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, 2013:

<u>Fiscal years ending June 30:</u>	<u>Total</u>
2014	\$ 1,350,453
2015	813,910
2016	813,910
2017	813,910
2018	813,910
2019-2021	<u>2,441,697</u>
Total payments	7,047,790
Less interest	(856,740)
Capitalized lease obligations	<u><u>\$ 6,191,050</u></u>

C. Changes in Long-term Liabilities

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

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Capital leases	\$ 7,708,171	\$ -	\$ (1,517,121)	\$ 6,191,050	\$ 1,162,359
Compensated absences	2,812,749	494,067	(186,333)	3,120,483	405,303
Long-term liabilities	<u>\$ 10,520,920</u>	<u>\$ 494,067</u>	<u>\$ (1,703,454)</u>	<u>\$ 9,311,533</u>	<u>\$ 1,567,662</u>

NOTE 7 OPERATING LEASES

The School System has long-term commitments as the lessee under various non-cancelable operating leases for warehouse space, office space and bus parking. Total rent expenditures incurred in fiscal year 2013 under these leases amounted to \$1,202,888. The aggregate future rental payments under these commitments are \$1,798,388 summarized below:

<u>Fiscal year ending June 30:</u>	<u>Building Rent</u>	<u>Office Equipment</u>
2014	\$ 245,271	\$ 611,876
2015	252,629	72,486
2016	260,208	44,709
2017	268,014	39,872
2018	-	3,323
Total	<u>\$ 1,026,122</u>	<u>\$ 772,266</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 \$66,469,822 during the fiscal year ended June 30, 2013, were used in the designated programs and did not supplant funding for the unrestricted programs. The general and special revenue funds accounted for \$61,170,964 and the capital project fund accounted for \$5,298,858.

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, 2013 are estimated to be in the amount of \$1,806,000. This amount is \$141,000 less than the claims estimated to be outstanding in the prior year and the total is expected to be paid within the next fiscal year.

Fiscal	Beginning			Ending
Year	Balance	Increase	Decrease	Balance
2012	\$ 1,604,000	\$ 343,000	\$ -	1,947,000
2013	\$ 1,947,000	\$ -	\$ 141,000	1,806,000

C. Sick Leave

As of June 30, 2013, the amount of accumulated unused sick leave was estimated to be \$28,648,397. It is not practical to estimate the portion of such amount that will ultimately be paid because payment is contingent upon employees' future illnesses. Management expects the School System's commitment to provide sick leave to be met during the normal course of activities over the working lives of its present employees.

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

D. Sick Leave Bank

As of June 30, 2013, the amount of accumulated unused sick leave included in the sick leave bank was estimated to be \$1,719,196. The sick leave bank is an extra source of sick leave available to those employees who are eligible and elect to participate. Participation is based on a formula for donating sick days to the bank based on the employees' classification and accrued sick leave. Management believes it is not practical to estimate the portion of such amount which will ultimately be paid because payment is contingent upon employees' future illnesses.

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

E. Special Grants

The School System participates in a number of federal and state assisted programs. These programs are subject generally to program compliance audits by the grantors or their representatives. As of June 30, 2013, the compliance audits of certain programs have not yet been conducted and/or accepted by the appropriate authorities. Accordingly, the system's compliance with applicable program requirements for these programs will be established conclusively at some future date. The amount, if any, of expenditures which may be disallowed

by the granting agencies cannot be determined at this time. Based on past experience, the School System does not expect such amounts, if any, to be significant.

F. Labor Relations

The collective bargaining agreement with the Cecil County Classroom Teachers' Association (CCCTA) for the period July 1, 2013 thru June 30, 2016 is a three year agreement with a 1.8% for the first year. The 1.8% COLA was applied retroactively to the pay scale at the midpoint of the pay year for this group. COLA for years 2 and 3 will be based on the CPI-U not to exceed 2% as reported in November of 2013 for FY 2014 and November of 2014 for FY 2015. Incremental steps are to be funded for each of the three years. For Retiree Health Care, a 5% improvement was made for those retirees who had accumulated 24 to 29 years of service in CCPS and a 13% improvement was made for those retirees who had accumulated 30+ years of service in CCPS.

The collective bargaining agreement with the Cecil County Public Schools Administrators' and Supervisors' Association (CCPSASA) for the period July 1, 2013 thru June 30, 2016 is a three year agreement with a 1.8% COLA for the first year. The 1.8% COLA was applied retroactively to the pay scale at the midpoint of the pay year for this group. COLA for years 2 and 3 will be based on the CPI-U not to exceed 2% as reported in November of 2013 for FY 2014 and November of 2014 for FY 2015. Incremental steps are to be funded for each of the three years. For Retiree Health Care, a 5% improvement was made for those retirees who had accumulated 24 to 29 years of service in CCPS and a 13% improvement was made for those retirees who had accumulated 30+ years of service in CCPS.

The collective bargaining agreement with the Cecil Education Support Personnel Association (CESPA) for the period July 1, 2013 thru June 30, 2016 is a three year agreement with a 1.8% COLA for the first year. The 1.8% COLA was applied retroactively to the pay scale at the midpoint of the pay year for this group. COLA for years 2 and 3 will be based on the CPI-U not to exceed 2% as reported in November of 2013 for FY 2014 and November of 2014 for FY 2015. Incremental steps are to be funded for each of the three years. For Retiree Health Care, a 5% improvement was made for those retirees who had accumulated 24 to 29 years of service in CCPS and a 13% improvement was made for those retirees who had accumulated 30+ years of service in CCPS.

Meet and Confer discussions with the Central Office Support Services Leadership Association (COSSLA) for the period July 1, 2013 thru June 30, 2016 resulted in a three year agreement with a 1.8% COLA for the first year. The 1.8% COLA was applied retroactively to the pay scale at the midpoint of the pay year for this group. COLA for years 2 and 3 will be based on the CPI-U not to exceed 2% as reported in November of 2013 for FY 2014 and November of 2014 for FY 2015. Incremental steps are to be funded for each of the three years. For Retiree Health Care, a 5% improvement was made for those retirees who had accumulated 24 to 29 years of service in CCPS and a 13% improvement was made for those retirees who had accumulated 30+ years of service in CCPS.

G. Litigation

The School System is a defendant in lawsuits and other claims that occur in the ordinary course of School System operations. It is the opinion of management that such lawsuits and claims will not have a material adverse impact on the School System's financial condition.

NOTE 10 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 and Employees' Pension System are required to contribute 7% of their earnable compensation. Employer contribution rates are determined actuarially. The employer contribution rates for fiscal year 2013 were 13.29% for the Teacher Systems and 12.29% of covered payroll for the Employee Pension System.

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, 2013 was \$11,692,124. For the first time, a portion of teacher pension costs were passed on from the State to the County. The County's contribution on behalf of the School System to the Teachers System for the year ended June 30, 2013 was \$2,459,819. Fiscal 2013 contributions made by the State and the County 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, 2013, 2012, and 2011, were \$1,508,489, \$1,854,035, and \$1,973,779 respectively, all of which were 100% of the required contribution.

The computation of the pension contribution requirements for fiscal year 2013 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 dependents. All classes of employees are eligible to participate in the Plan upon retirement. Participants must meet the eligibility requirements of the Maryland State Teachers' pension system, which are age 55 with 15 years of service, 30 years of service or age 62 with 5 years of service. To be eligible for continued retiree healthcare coverage, the retiree must have been enrolled in the School System's sponsored Plan for at least one full year immediately prior to retirement. In addition, eligible spouses and dependents desiring coverage through the eligible retiree's plan must be enrolled in the Plan immediately prior to the retiree's effective date of retirement. As of July 1, 2012, the date of the last actuarial valuation, approximately 514 retirees and their beneficiaries were receiving benefits, and an estimated 2,019 active employees are potentially eligible to receive future benefits.

B. Funding Policy

The School System contributes towards the retiree's healthcare premiums based on the retiree's age and years-of-service. Under 65/non-Medicare eligible retirees may receive from \$3,592 annually for 14 years-of-service up to \$8,583 annually for 30+ years of service. Over 65/Medicare eligible retirees may receive from \$2,132 annually for 14 years of service up to \$3,692 annually for 30+ years of service. The retiree pays the remaining premium for the selected plan, including the cost of eligible dependents. The amount of the subsidy may be subject to the collective bargaining process and/or the School System's determination of contribution limits. The authority to establish and amend benefit provisions of the Plan rests with the School System.

For the fiscal year 2013, retirees contributed \$2,095,596 or 40.8% of the total premiums and benefits cost of \$5,133,052. In May 2008, the School System created the Retiree Benefit Trust

of the Board of Education of Cecil County (the "Trust") in order to arrange for the establishment of a reserve to pay promised future health and welfare benefits for employee services that have already occurred. The School System intends the contributions to the Trust qualify as "contributions in relation to the actuarial required contribution" that the Trust will qualify as a "trust or equivalent arrangement".

Contributions by the School System are solely dependent on the governmental entities that provide funding for the School System. Employee and retiree contributions are not permitted. The Chief Financial Officer, Associate Superintendent for Administrative Services and the 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. Assets of the member trusts are reported in their respective CAFR using the economic resources measurement focus and the accrual basis of accounting under which expenses are recorded when the liability is incurred. Employer contributions are recorded in the accounting period in which they are earned and become measurable. Investments are reported at fair value and are based on published prices and quotations from major investment brokers at current exchange rates, as available.

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

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

C. Annual OPEB Cost and Net OPEB Obligation

The School System's annual other post-employment benefit (OPEB) cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined within the parameters set forth by the Governmental Accounting Standards Board (GASB). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost

each year plus any unfunded liability amortized over a period not to exceed thirty years. The adjustment to the ARC is the difference between the ARC and the actual expenditures for the fiscal year. The School System pays post-retirement medical benefits (normal cost) from the General Fund, not from the Trust.

Annual required contribution	\$ 3,510,585
Adjustment to annual required contribution	<u>(85,016)</u>
Annual OPEB cost	3,425,569
Payments to retirees from general fund	(2,597,634)
Prefunding contribution	<u>(827,935)</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 2012 and 2013, are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 3,568,075	100.0%	\$ -
June 30, 2013	\$ 3,425,569	100.0%	\$ -

D. Funding Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$44,200,003 with an actuarial value of assets of \$5,810,277 and resulting in an unfunded actuarial accrued liability (UAAL) of \$38,389,726. The annual payroll of active employees covered by the Plan was \$111,941,866 and the ratio of the UAAL to covered payroll was 34.3%. The School System established the Retiree Benefit Trust Fund in May 2008 with the intention to fully fund the annual required contribution (ARC). As of June 30, 2013, there were \$7,096,486 in net position. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, is designed to present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

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

In the July 1, 2012 actuarial valuation, the cost method used was the projected unit credit, with linear proration to decrement attribution. The actuarial assumptions include a 3% salary increase and 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 retiree benefit subsidy is increased at the same rate as the healthcare cost trend. The UAAL is being amortized with open periods over thirty years based on a level percentage of projected payrolls.

NOTE 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. The School System performs an actuarial biennially.

**SCHEDULE OF FUNDING PROGRESS
 BY VALUATION DATE**

Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL)	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
July 1, 2007	\$ -	\$ 49,099,000	\$ 49,099,000	0.0%	\$ 106,223,798	46.2%
July 1, 2008	\$ 1,480,000	\$ 41,746,315	\$ 40,266,315	3.5%	\$ 111,175,780	36.2%
July 1, 2010	\$ 3,261,278	\$ 44,137,456	\$ 40,876,178	7.4%	\$ 114,560,974	35.7%
July 1, 2012	\$ 5,810,277	\$ 44,200,003	\$ 38,389,726	7.4%	\$ 111,941,866	34.3%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Annual Required Contribution	Percentage Contributed
June 30, 2008	\$ 3,215,737	100.0%
June 30, 2009	\$ 3,163,196	100.0%
June 30, 2010	\$ 3,412,156	100.0%
June 30, 2011	\$ 2,978,542	100.0%
June 30, 2012	\$ 3,568,075	100.0%
June 30, 2013	\$ 3,425,569	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, 2013

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
Assets:				
Cash and cash equivalents	\$ 1,470,382	\$ 2,395,054	\$ (2,374,426)	\$ 1,491,010
Total Assets	<u>\$ 1,470,382</u>	<u>\$ 2,395,054</u>	<u>\$ (2,374,426)</u>	<u>\$ 1,491,010</u>
Liabilities:				
Due to student groups	\$ 1,470,382	\$ 2,395,054	\$ (2,374,426)	\$ 1,491,010
Total Liabilities	<u>\$ 1,470,382</u>	<u>\$ 2,395,054</u>	<u>\$ (2,374,426)</u>	<u>\$ 1,491,010</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	73
<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	75
<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	86
<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	89
<i>These schedules contain data to help the reader understand how the information in the School System's financial report relates to the services the School System provides.</i>	

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities										
Invested in capital assets net of related debt	\$165,066,192	\$169,073,812	\$174,717,150	\$177,912,434	\$175,023,380	\$167,798,316	\$156,528,166	\$123,977,382	\$108,410,260	\$108,515,175
Restricted for capital projects	47,905	47,848	47,644	47,563	47,460	40,074	611,410	487,935	346,608	336,530
Unrestricted	9,271,769	12,411,027	10,403,227	8,731,626	9,759,167	6,273,966	5,064,835	1,579,391	2,186,620	1,900,680
Total governmental activities net position	<u>\$174,385,866</u>	<u>\$181,532,687</u>	<u>\$185,168,021</u>	<u>\$186,691,623</u>	<u>\$184,830,007</u>	<u>\$174,112,356</u>	<u>\$162,204,411</u>	<u>\$126,044,708</u>	<u>\$110,943,488</u>	<u>\$110,752,385</u>

Source: Statement of Net Position

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses										
Government activities:										
Administration	\$ 5,884,713	\$ 5,848,216	\$ 5,894,409	\$ 5,985,974	\$ 5,785,097	\$ 5,345,436	\$ 4,876,720	\$ 4,559,329	\$ 3,789,294	\$ 3,155,072
Mid-level administration	19,036,087	18,645,814	19,318,057	19,061,356	18,379,730	17,641,192	16,004,079	15,176,098	14,158,839	13,329,431
Instruction										
Salaries	95,861,417	94,677,121	96,947,288	96,126,396	92,771,442	88,770,368	81,836,635	76,741,777	71,729,858	66,932,297
Materials and supplies	3,653,853	2,816,463	2,411,173	2,866,679	3,554,132	3,191,191	3,101,396	2,863,712	2,763,589	2,634,229
Other costs	12,898,511	12,669,260	13,718,011	11,795,884	11,067,537	8,698,392	4,801,808	4,288,118	4,858,382	1,650,215
Special education	32,548,523	33,206,278	33,654,336	33,516,554	32,465,449	30,677,957	27,118,984	25,674,929	21,904,331	20,126,357
Student personnel services	1,376,623	1,351,480	1,327,915	1,476,303	1,562,735	1,163,427	993,420	973,329	878,333	796,439
Student health services	2,161,877	2,219,629	2,172,688	2,161,204	2,136,947	2,024,228	1,932,511	1,785,583	1,698,234	1,548,604
Student transportation	9,895,907	9,658,855	9,581,266	9,367,220	9,270,764	9,479,243	8,633,675	8,305,099	7,570,359	7,051,501
Operation of plant	13,553,078	12,884,659	13,753,124	13,615,550	13,531,123	14,126,567	12,366,791	11,372,420	10,644,108	9,475,506
Maintenance of plant	5,097,180	4,794,807	4,581,731	4,735,829	4,684,698	4,857,755	4,794,585	4,472,663	3,802,878	3,789,486
Food and nutrition	5,838,318	5,816,017	5,723,356	5,445,415	4,377,939	5,439,250	4,965,606	4,905,918	4,611,152	4,555,062
Community services	406,090	454,449	383,375	317,774	315,148	312,701	254,059	368,156	295,110	724,890
Capital outlay	-	-	-	-	-	1,837,886	4,737,281	4,883,382	418,741	7,012,381
Interest on long-term debt	9,954	155,244	110,918	119,282	102,772	834	1,612	13,672	14,030	-
Total governmental activities expenses	<u>\$ 208,222,131</u>	<u>\$ 205,198,292</u>	<u>\$ 209,577,647</u>	<u>\$ 206,591,420</u>	<u>\$ 200,005,513</u>	<u>\$ 193,566,427</u>	<u>\$ 176,419,162</u>	<u>\$ 166,384,185</u>	<u>\$ 149,137,238</u>	<u>\$ 142,781,470</u>
Program Revenues										
Government activities:										
Charges for services:										
Instruction salaries	\$ 230,547	\$ 240,862	\$ 245,955	\$ 470,817	\$ 454,827	\$ 589,832	\$ 571,537	\$ 478,198	\$ 571,836	\$ 526,998
Maintenance of plant	-	-	-	-	-	-	-	-	-	8,495
Food and nutrition	1,964,488	2,212,433	2,450,764	2,624,443	2,913,331	2,951,531	2,779,343	2,664,251	2,584,766	2,633,070
Community services	24,049	16,637	35,655	31,823	18,931	27,476	26,698	27,409	6,482	-
Operating grants and contributions	61,170,964	63,533,480	66,136,117	59,739,771	51,554,961	48,901,527	43,428,584	39,155,944	35,217,219	31,523,443
Capital grants and contributions	5,298,858	4,747,799	4,613,476	10,397,865	14,513,846	17,653,368	37,684,828	21,119,550	2,483,459	4,883,765
Total governmental activities program revenue	<u>\$ 68,688,906</u>	<u>\$ 70,751,211</u>	<u>\$ 73,481,967</u>	<u>\$ 73,264,719</u>	<u>\$ 69,455,896</u>	<u>\$ 70,123,734</u>	<u>\$ 84,490,990</u>	<u>\$ 63,445,352</u>	<u>\$ 40,863,762</u>	<u>\$ 39,575,771</u>
Total governmental activities net expense	(139,533,225)	(134,447,081)	(136,095,680)	(133,326,701)	(130,549,617)	(123,442,693)	(91,928,172)	(102,938,833)	(108,273,476)	(103,205,699)
General Revenue and Other Changes in Net Position										
Government activities:										
Federal aid not restricted to specific purposes	\$ -	\$ -	\$ 1,646,113	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State aid not restricted to specific purposes	62,489,026	63,388,472	63,952,691	66,376,929	69,823,348	69,088,532	61,013,725	54,793,124	49,408,575	45,748,277
Local aid not restricted to specific purposes	69,615,833	67,156,014	68,350,618	68,385,625	69,915,162	64,435,162	65,715,090	62,229,000	58,708,711	56,089,930
Interest and investment earnings	10,855	25,693	67,056	136,820	382,313	852,892	1,143,097	781,976	272,663	171,972
Miscellaneous	270,690	241,568	555,600	288,943	1,146,445	974,052	215,963	235,953	74,630	37,987
Total governmental activities	<u>\$ 132,386,404</u>	<u>\$ 130,811,747</u>	<u>\$ 134,572,078</u>	<u>\$ 135,188,317</u>	<u>\$ 141,267,268</u>	<u>\$ 135,350,638</u>	<u>\$ 128,087,875</u>	<u>\$ 118,040,053</u>	<u>\$ 108,464,579</u>	<u>\$ 102,048,166</u>
Change in Net Position	<u>\$ (7,146,821)</u>	<u>\$ (3,635,334)</u>	<u>\$ (1,523,602)</u>	<u>\$ 1,861,616</u>	<u>\$ 10,717,651</u>	<u>\$ 11,907,945</u>	<u>\$ 36,159,703</u>	<u>\$ 15,101,220</u>	<u>\$ 191,103</u>	<u>\$ (1,157,533)</u>

Source: Statement of Activities

Notes: Capital Outlay includes unallocated depreciation in years 2002, 2003 and 2004. Capital Outlay has been allocated to other functions since 2009.

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General fund										
Non-spendable	\$ 787,321	\$ 777,885	\$ 1,026,595	\$ 759,082	\$ 689,098	\$ 670,574	\$ 280,800	\$ 510,755	\$ 697,469	\$ 385,422
Committed	1,784,391	1,588,063	1,798,419	2,000,000	3,000,000	3,000,000	1,000,000	500,000	484,000	559,000
Assigned	6,317,721	4,045,024	3,358,296	3,178,184	3,237,484	2,782,689	4,223,048	1,807,740	2,084,171	2,132,207
Unassigned	<u>3,470,767</u>	<u>8,552,567</u>	<u>6,671,073</u>	<u>5,375,627</u>	<u>5,489,030</u>	<u>2,677,931</u>	<u>1,774,650</u>	<u>450,854</u>	<u>326,153</u>	<u>169,526</u>
Total general fund	<u>\$12,360,200</u>	<u>\$14,963,539</u>	<u>\$12,854,383</u>	<u>\$11,312,893</u>	<u>\$12,415,612</u>	<u>\$9,131,194</u>	<u>\$7,278,498</u>	<u>\$3,269,349</u>	<u>\$3,591,793</u>	<u>\$3,246,155</u>
All other governmental funds										
Special Revenue Fund:										
Non-spendable	\$ 258,595	\$ 223,646	\$ 171,597	\$ 189,107	\$ 196,398	\$ 166,937	\$ 185,835	\$ 161,574	\$ 103,596	\$ 111,886
Unassigned	(226,543)	36,591	156,463	101,142	(45,987)	(225,802)	378,097	861,409	1,169,947	992,604
Capital Project Fund										
Unassigned	<u>47,905</u>	<u>47,848</u>	<u>47,644</u>	<u>47,563</u>	<u>47,460</u>	<u>40,074</u>	<u>611,410</u>	<u>487,935</u>	<u>346,608</u>	<u>336,530</u>
Total all other governmental funds	<u>\$ 79,957</u>	<u>\$ 308,085</u>	<u>\$ 375,704</u>	<u>\$ 337,812</u>	<u>\$ 197,871</u>	<u>\$ (18,791)</u>	<u>\$ 1,175,342</u>	<u>\$ 1,510,918</u>	<u>\$ 1,620,151</u>	<u>\$ 1,441,020</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)

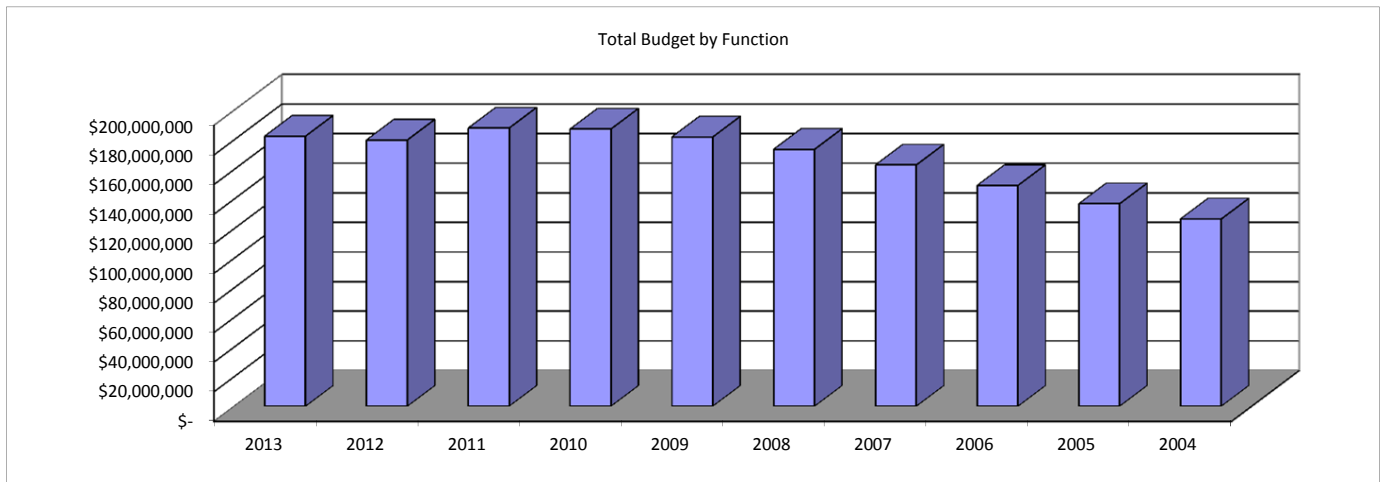
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenue										
Intergovernmental										
Cecil County	\$ 73,121,775	\$ 69,361,935	\$ 72,619,885	\$ 74,891,456	\$ 80,676,398	\$ 79,342,555	\$ 88,968,786	\$ 68,101,426	\$ 60,897,650	\$ 60,616,197
State of Maryland	111,289,209	115,057,469	111,044,514	113,375,504	102,650,748	100,158,750	100,521,180	92,019,405	67,545,464	61,128,078
United States government	13,869,753	13,956,731	20,783,182	16,233,041	11,194,258	10,279,566	9,885,344	9,986,993	10,418,590	9,926,312
Other sources										
Sale of food	1,964,487	2,212,794	2,451,420	2,620,110	2,913,331	2,951,522	2,978,660	2,664,250	2,584,768	2,599,999
Investment interest	10,855	25,693	67,056	136,820	382,313	852,892	1,143,097	781,977	272,663	171,972
Other	819,232	916,622	722,397	1,196,103	1,829,221	1,664,741	1,142,843	807,592	783,004	710,791
Total revenue	<u>\$201,075,311</u>	<u>\$201,531,244</u>	<u>\$207,688,454</u>	<u>\$208,453,034</u>	<u>\$199,646,269</u>	<u>\$195,250,026</u>	<u>\$ 204,639,910</u>	<u>\$174,361,643</u>	<u>\$142,502,139</u>	<u>\$135,153,349</u>
Expenditures										
Administration	\$ 4,969,511	\$ 4,403,811	\$ 4,672,204	\$ 4,664,203	\$ 4,244,817	\$ 4,462,646	\$ 4,198,799	\$ 3,814,226	\$ 3,170,595	\$ 2,518,893
Mid-level administration	13,566,354	13,313,116	14,161,065	13,916,489	13,503,143	13,184,316	12,447,326	11,724,442	10,975,494	10,393,809
Instruction										
Salaries	68,237,315	66,720,063	69,238,303	68,835,894	67,418,883	65,284,743	62,111,692	57,924,179	54,207,475	51,033,162
Materials and supplies	3,653,853	2,816,463	4,303,967	2,866,679	4,800,674	3,191,191	3,101,396	2,863,712	2,763,589	2,634,229
Other costs	8,788,310	7,719,258	10,600,268	16,205,022	17,699,218	5,268,109	3,651,467	3,358,290	2,205,561	2,266,233
Special education	25,135,508	24,921,881	26,082,161	25,741,368	25,141,877	24,135,599	21,837,669	20,631,222	17,605,865	16,240,239
Student personnel services	996,891	998,593	957,021	1,078,355	1,181,589	876,693	757,159	741,104	682,552	618,698
Student health services	1,526,033	1,565,596	1,561,453	1,538,634	1,551,549	1,535,533	1,540,252	1,365,813	1,292,101	1,203,225
Student transportation	9,599,678	9,248,641	9,181,668	9,175,806	9,057,367	9,276,228	8,482,576	8,113,016	7,426,357	6,865,039
Operation of plant	11,286,391	10,654,869	11,549,454	11,424,861	11,455,733	12,405,004	10,979,716	9,885,513	9,226,095	8,259,725
Maintenance of plant	4,219,071	3,784,948	3,578,039	3,735,664	3,900,601	4,089,328	4,175,611	3,858,831	3,315,542	3,274,108
Fixed charges	46,086,196	47,530,256	46,911,870	46,325,393	32,002,395	29,253,910	24,729,453	24,267,210	21,784,323	19,541,851
Community services	388,028	405,943	350,298	304,972	303,880	304,802	247,512	359,832	288,500	658,716
Food service										
Salaries and wages	2,408,000	2,380,172	2,404,221	2,349,073	2,320,630	2,279,254	2,068,668	1,869,478	1,679,448	1,653,166
Food	2,718,438	2,685,361	2,435,173	2,366,052	2,358,512	2,644,705	2,363,182	2,275,904	2,025,601	2,086,816
Contracted services	58,193	67,903	66,763	61,155	40,293	98,591	51,788	39,740	41,033	208,977
Supplies and materials	223,287	232,765	165,428	192,814	170,666	198,850	251,665	324,717	154,796	15,555
Other operating cost	45,721	71,782	273,477	117,299	48,704	243,036	57,173	52,147	396,027	428,732
Capital outlay	-	-	-	-	262,921	23,780,886	37,913,233	25,401,584	3,256,972	5,033,670
Total expenditures	<u>\$203,906,778</u>	<u>\$199,521,421</u>	<u>\$208,492,833</u>	<u>\$210,899,733</u>	<u>\$197,463,452</u>	<u>\$202,513,424</u>	<u>\$ 200,966,337</u>	<u>\$178,870,960</u>	<u>\$142,497,926</u>	<u>\$134,934,843</u>
Excess of revenues over (under) expenditures	(2,831,467)	2,009,823	(804,379)	(2,446,699)	2,182,817	(7,263,398)	3,673,573	(4,509,317)	4,213	218,506
Other financing sources (uses)										
Sale of capital assets	\$ -	\$ 31,709	\$ 365,592	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital lease proceeds	-	-	2,018,169	1,483,921	1,318,263	7,921,961	-	4,077,640	520,556	-
Net change in fund balances	<u>\$ (2,831,467)</u>	<u>\$ 2,041,532</u>	<u>\$ 1,579,382</u>	<u>\$ (962,778)</u>	<u>\$ 3,501,080</u>	<u>\$ 658,563</u>	<u>\$ 3,673,573</u>	<u>\$ (431,677)</u>	<u>\$ 524,769</u>	<u>\$ 218,506</u>

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

Note: Capital Outlay was allocated to other functions beginning in 2010. See page 40 Reconciliation Of Net Change in Fund Balance and page 56 Notes to Basic Financial Statements 6B

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

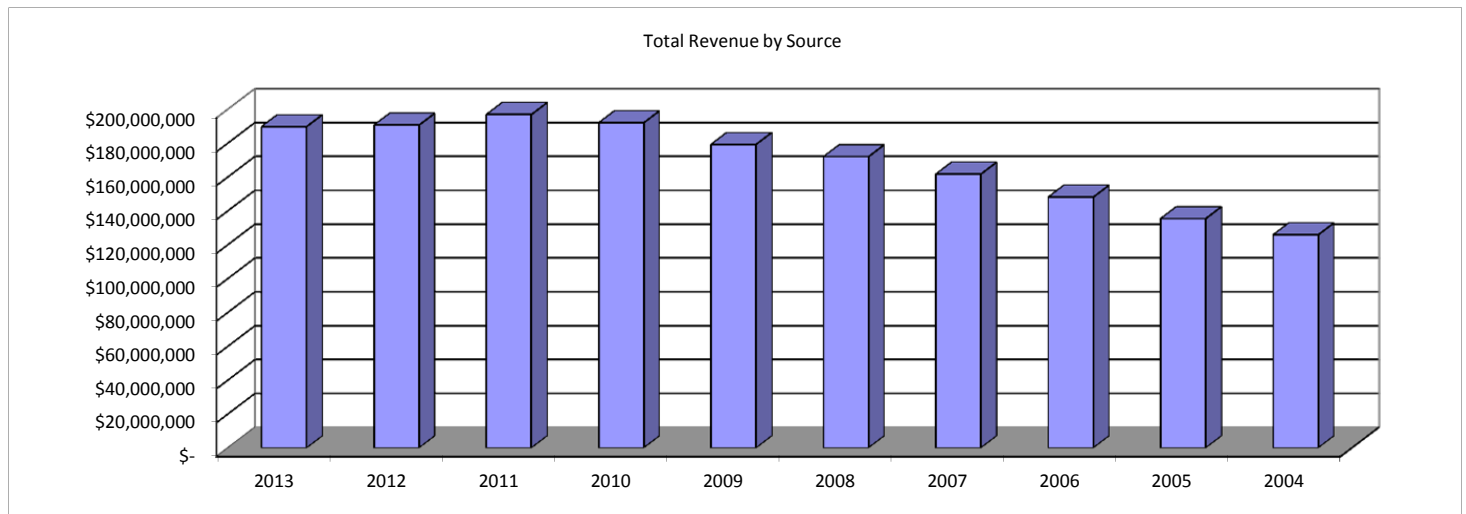
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Administration	\$ 4,773,500	\$ 4,336,427	\$ 4,529,978	\$ 4,876,625	\$ 4,392,656	\$ 4,487,486	\$ 4,174,847	\$ 3,604,719	\$ 3,180,908	\$ 2,632,936
Mid-level administration	13,578,940	13,701,040	14,468,298	13,983,555	13,610,518	13,174,739	12,499,961	11,715,451	10,983,002	10,423,900
Instruction salaries	68,715,627	67,631,258	70,298,996	69,325,912	68,071,684	65,875,628	62,523,864	58,177,958	54,469,564	51,194,879
Instruction supplies	3,850,647	3,032,117	3,008,621	3,212,806	3,730,402	3,511,322	3,367,758	2,941,079	2,895,422	2,659,247
Instruction other costs	3,583,950	3,312,599	6,997,621	4,983,237	3,657,985	2,992,522	3,891,850	3,436,801	2,457,853	2,331,456
Special education	25,206,821	25,847,801	26,691,475	28,425,214	25,245,749	24,202,546	22,109,940	20,639,515	17,671,775	16,516,837
Student personnel services	999,151	1,098,301	1,074,676	1,097,652	1,179,127	1,056,848	781,833	743,728	689,043	660,188
Student health services	1,531,252	1,576,333	1,568,897	1,597,388	1,564,277	1,581,126	1,553,096	1,370,105	1,302,407	1,204,205
Pupil transportation	9,633,236	9,502,420	9,398,723	9,526,608	9,534,990	9,359,598	8,822,452	8,179,091	7,507,035	6,865,705
Operation of plant	11,288,368	10,924,044	11,722,226	11,874,521	12,644,815	12,467,016	11,024,182	9,885,229	9,237,863	8,273,751
Maintenance of plant	4,750,480	3,936,360	3,731,257	3,884,927	4,021,544	4,246,735	4,328,488	3,900,348	3,672,589	3,277,800
Fixed charges	33,921,087	34,323,737	33,834,872	33,824,110	33,570,528	29,921,089	27,341,300	24,031,765	22,203,877	19,628,607
Community services	404,215	459,768	403,152	387,912	370,676	412,116	191,454	117,788	115,704	659,912
Capital outlay	211,797	182,347	187,828	256,548	274,977	262,337	367,481	407,936	379,070	104,816
Total Budget by Function	\$ 182,449,071	\$ 179,864,552	\$ 187,916,620	\$ 187,257,015	\$ 181,869,928	\$ 173,551,108	\$ 162,978,506	\$ 149,151,513	\$ 136,766,112	\$ 126,434,239
Increase over prior year	\$ 2,584,519 1.4%	\$ (8,052,068) -4.3%	\$ 659,605 0.4%	\$ 5,387,087 3.0%	\$ 8,318,820 4.8%	\$ 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%



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**

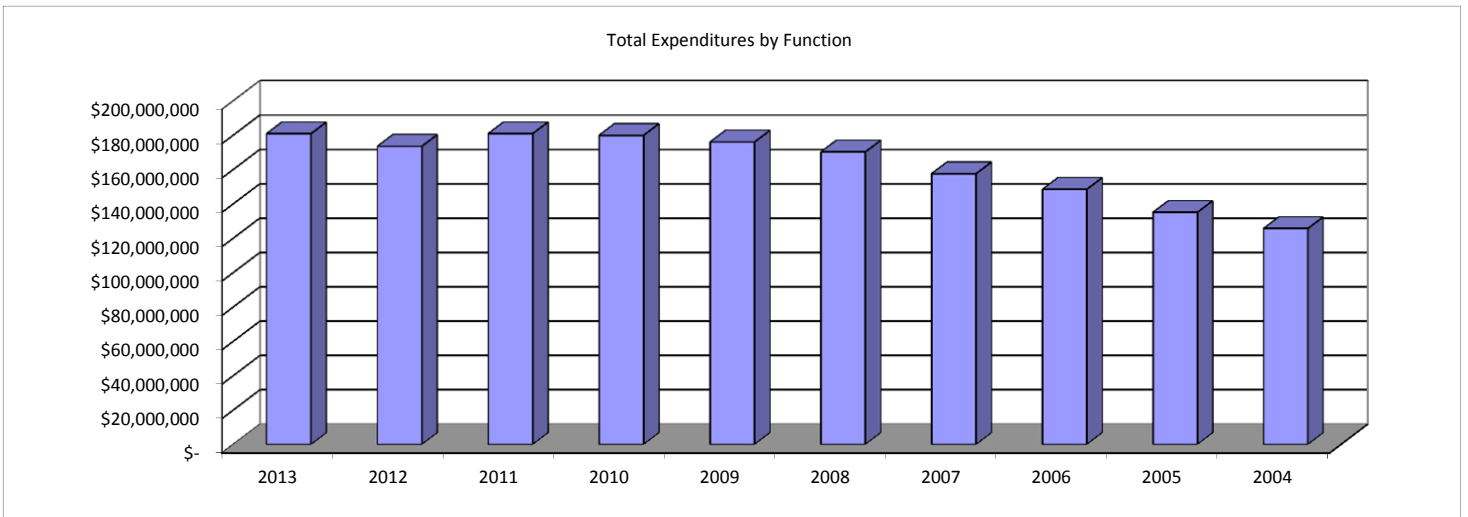
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Cecil County	\$ 69,615,833	\$ 67,156,014	\$ 68,350,618	\$ 68,385,625	\$ 69,915,162	\$ 64,435,162	\$ 65,715,090	\$ 62,229,000	\$ 58,708,711	\$ 56,089,930
State of Maryland	109,272,301	112,323,918	110,534,963	109,451,038	98,716,390	97,140,744	85,994,422	76,628,427	67,216,157	60,752,254
Federal government	10,022,655	10,274,500	17,289,329	13,040,030	8,421,734	7,897,822	7,921,279	7,840,748	8,520,909	8,179,000
Other sources										
Interest earned	9,997	22,946	62,361	126,983	360,840	782,377	968,642	557,947	234,895	152,894
Other	781,438	765,778	578,159	946,757	1,769,954	1,641,233	1,006,559	771,363	668,173	584,830
Total revenue by source	\$ 189,702,224	\$ 190,543,156	\$ 196,815,430	\$ 191,950,433	\$ 179,184,080	\$ 171,897,338	\$ 161,605,992	\$ 148,027,485	\$ 135,348,845	\$ 125,758,908
Increase over prior year	\$ (840,932) -0.4%	\$ (6,272,274) -3.2%	\$ 4,864,997 2.5%	\$ 12,766,353 7.1%	\$ 7,286,742 4.2%	\$ 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%



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**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Administration	\$ 4,717,989	\$ 4,064,357	\$ 4,404,543	\$ 4,278,297	\$ 3,972,509	\$ 4,205,829	\$ 3,945,416	\$ 3,592,672	\$ 3,170,595	\$ 2,518,893
Mid-level administration	13,566,354	13,313,116	14,126,804	13,802,737	13,463,355	13,110,617	12,447,326	11,701,656	10,975,494	10,393,809
Instruction										
Salaries	68,237,315	66,720,063	69,238,303	68,835,894	67,418,883	65,284,748	62,111,692	57,924,179	54,207,475	51,033,162
Materials and supplies	3,643,215	2,767,490	2,266,800	2,780,870	3,342,175	3,196,670	3,095,071	2,866,571	2,767,818	2,638,926
Other costs	3,227,280	2,955,980	5,967,724	4,483,947	3,417,105	2,745,854	3,566,308	3,356,482	2,205,561	2,266,233
Special education	25,134,429	24,922,960	25,980,955	25,737,862	25,141,877	24,112,326	21,837,451	20,631,440	17,605,865	16,240,490
Student personnel services	996,891	998,593	957,021	1,071,343	1,178,331	876,691	757,159	741,104	682,552	618,698
Student health services	1,526,033	1,565,596	1,561,453	1,532,178	1,548,471	1,535,541	1,540,252	1,365,813	1,292,101	1,203,225
Student transportation	9,599,678	9,247,557	9,181,668	9,175,806	9,057,367	9,216,073	8,482,576	8,113,016	7,426,357	6,865,039
Operation of plant	11,286,391	10,654,869	11,549,454	11,424,861	11,455,733	12,404,997	10,979,716	9,883,587	9,226,095	8,259,725
Maintenance of plant	4,472,504	3,778,356	3,606,893	3,754,132	3,894,868	4,178,169	4,136,816	3,894,402	3,260,405	3,274,108
Fixed charges	33,796,877	31,912,483	31,457,110	32,443,812	31,443,817	28,706,198	24,218,125	23,842,208	21,784,323	19,541,851
Community services	388,028	392,844	363,398	304,971	302,251	304,801	247,512	359,832	288,500	658,716
Capital outlay	211,609	181,910	186,338	223,969	262,921	261,222	187,698	117,227	114,296	70,085
Total expenditures by function	\$ 180,804,593	\$ 173,476,174	\$ 180,848,464	\$ 179,850,679	\$ 175,899,663	\$ 170,139,736	\$ 157,553,118	\$ 148,390,189	\$ 135,007,437	\$ 125,582,960
Increase over prior year	7,328,419 4.2%	(7,372,290) -4.1%	997,785 0.6%	3,951,016 2.2%	5,759,927 3.4%	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%

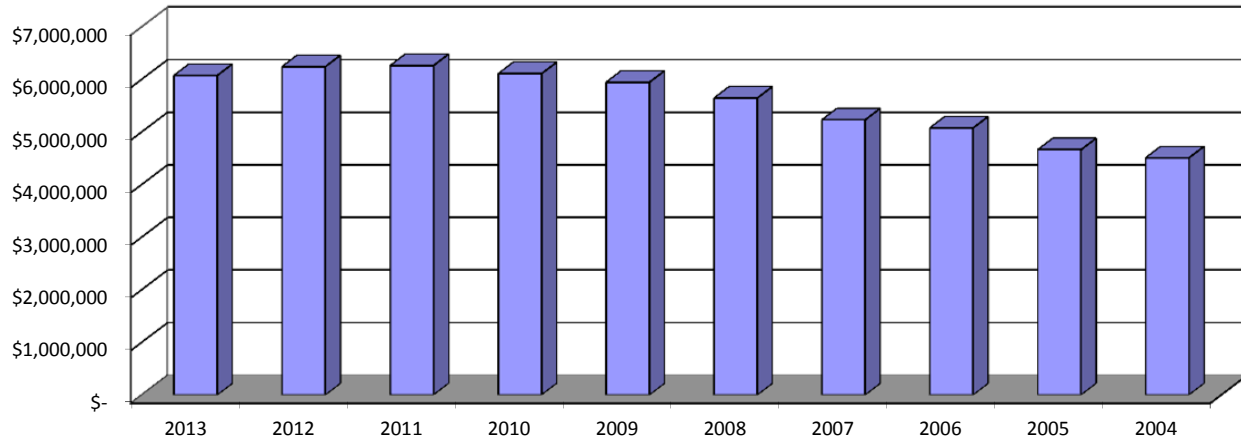


Source: Statement of Revenue, Expenditures, Encumbrances, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - General Fund

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
State of Maryland	\$ 298,946	\$ 282,936	\$ 263,863	\$ 253,811	\$ 241,016	\$ 272,031	\$ 226,256	\$ 176,781	\$ 146,114	\$ 144,287
United States government	3,772,143	3,682,231	3,493,853	3,193,011	2,772,524	2,381,744	2,163,320	1,859,263	1,897,681	1,747,312
Sale of food	1,964,487	2,212,794	2,451,420	2,620,110	2,913,331	2,951,522	2,779,343	2,951,232	2,584,768	2,599,999
Investment Interest	801	2,702	4,614	9,734	16,858	38,294	55,430	85,202	28,814	14,826
Other	37,794	59,581	45,716	27,967	-	1,032	5,717	3,302	3,504	-
Total revenue by source	\$ 6,074,171	\$ 6,240,244	\$ 6,259,466	\$ 6,104,633	\$ 5,943,729	\$ 5,644,623	\$ 5,230,066	\$ 5,075,780	\$ 4,660,881	\$ 4,506,424
Increase over prior year	\$ (166,073) -2.7%	\$ (19,222) -0.3%	\$ 154,833 2.5%	\$ 160,904 2.7%	\$ 299,106 5.3%	\$ 414,557 7.9%	\$ 154,286 3.0%	\$ 414,899 8.9%	\$ 154,457 3.4%	\$ 310,057 7.4%

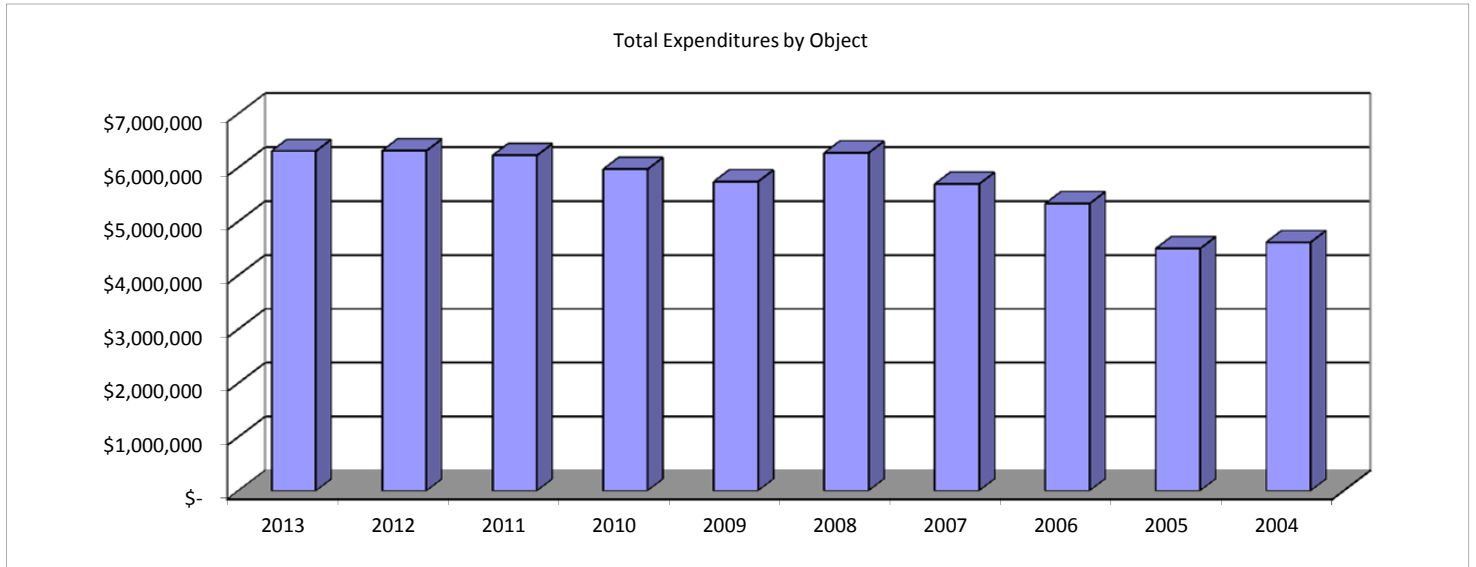
Total Revenue by Source



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**

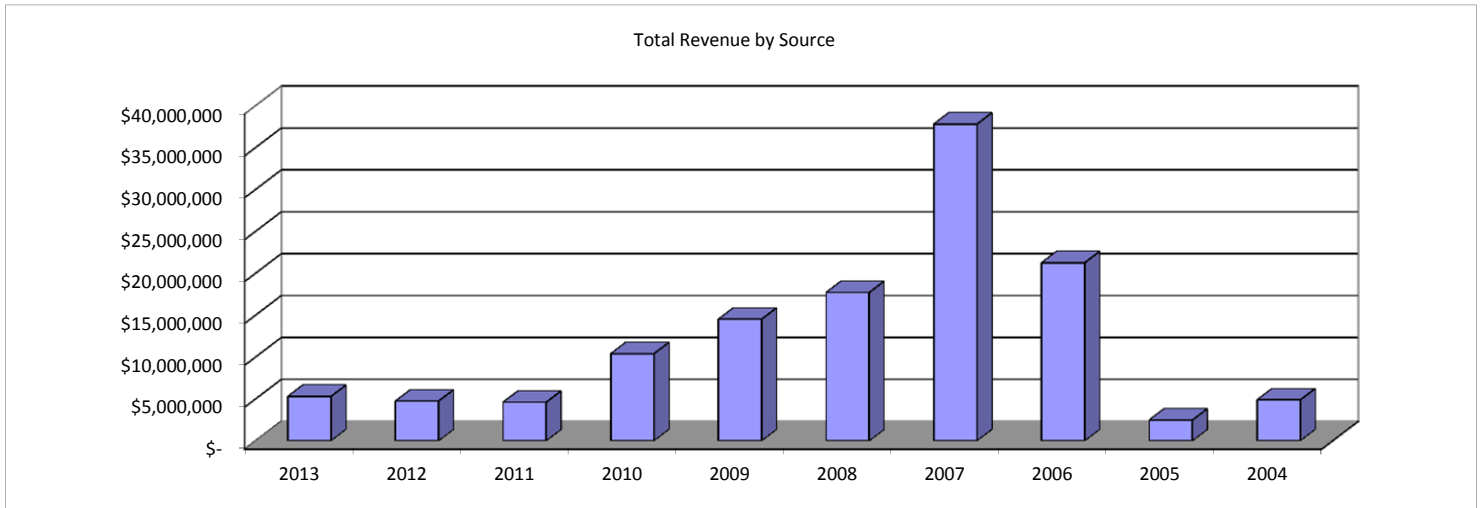
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Salaries and wages	\$2,408,000	\$2,380,172	\$2,404,221	\$2,349,073	\$2,320,630	\$2,279,254	\$2,068,668	\$1,869,478	\$1,679,448	\$1,653,166
Food	2,718,438	2,685,361	2,435,173	2,366,052	2,358,512	2,644,705	2,363,182	2,275,904	2,025,601	2,086,816
Contracted services	58,193	67,903	66,763	61,155	40,293	98,591	51,788	39,740	41,033	208,977
Supplies and materials	223,287	232,765	165,428	192,814	170,666	198,850	251,665	324,717	154,796	155,557
Other operating cost	872,758	897,140	1,065,984	907,279	828,941	844,184	784,448	696,407	396,027	428,732
Equipment	21,680	44,726	84,086	88,422	15,411	201,836	169,366	120,094	194,923	76,636
Total expenditures by object	\$6,302,356	\$6,308,067	\$6,221,655	\$5,964,795	\$5,734,453	\$6,267,420	\$5,689,117	\$5,326,340	\$4,491,828	\$4,609,884
Increase over prior year	\$ (5,711)	\$ 86,412	\$ 256,860	\$ 230,342	\$ (532,967)	\$ 578,303	\$ 362,777	\$ 834,512	\$ (118,056)	\$ 383,454
	-0.1%	1.4%	4.3%	4.0%	-8.5%	10.2%	6.8%	18.6%	-2.6%	9.1%



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**

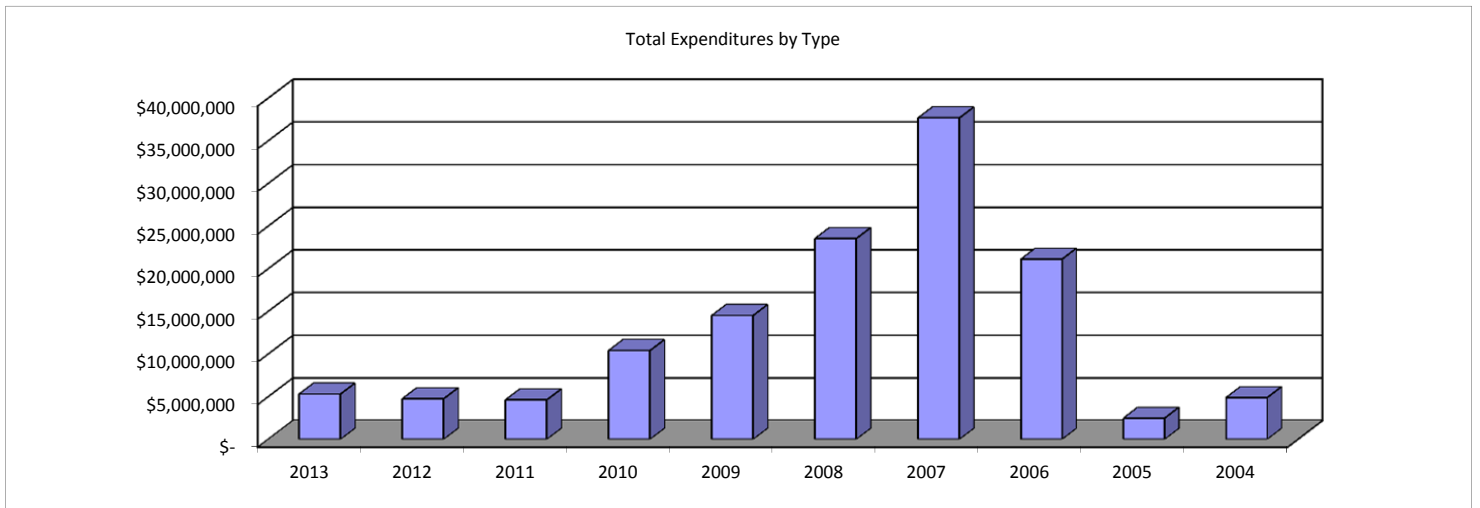
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Cecil County	\$ 3,505,942	\$ 2,205,921	\$ 4,269,267	\$ 6,505,831	\$ 10,761,236	\$ 14,907,393	\$ 23,253,696	\$ 5,872,426	\$ 2,188,939	\$ 4,526,267
State of Maryland	1,717,962	2,450,615	245,688	3,670,655	3,693,342	2,745,975	14,300,564	15,214,197	183,193	231,537
United States government	74,955	-	-	-	-	-	-	-	-	-
Investment interest	57	45	81	103	4,615	32,221	119,025	138,828	8,953	4,253
Other	-	91,263	98,522	221,379	59,267	22,476	130,567	32,927	111,327	125,961
Total	\$ 5,298,916	\$ 4,747,844	\$ 4,613,558	\$ 10,397,968	\$ 14,518,460	\$ 17,708,065	\$ 37,803,852	\$ 21,258,378	\$ 2,492,412	\$ 4,888,018
Increase over prior year	\$ 551,072 11.6%	\$ 134,286 2.9%	\$ (5,784,410) -55.6%	\$ (4,120,492) -28.4%	\$ (3,189,605) -18.0%	\$ (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%



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**

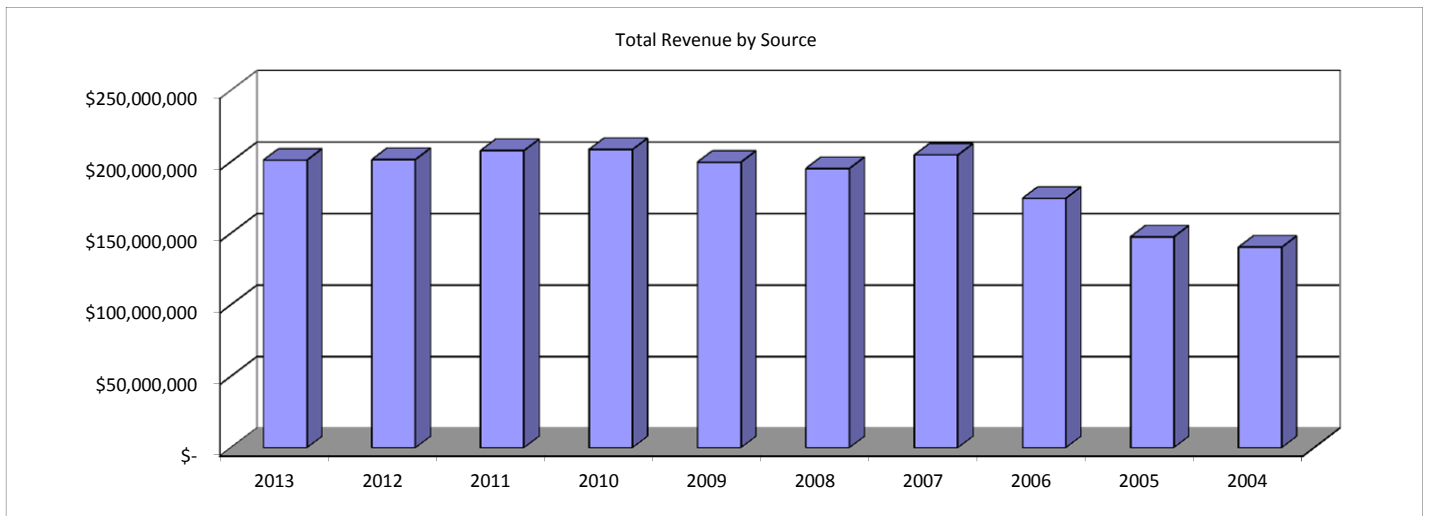
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Building	4,039,217	4,087,168	4,209,123	9,971,247	14,312,335	23,503,181	37,516,954	21,086,622	2,274,853	1,729,853
Site improvement	1,140,566	191,162	3,542	8,000	64,539	16,482	37,306	-	-	-
Remodeling	119,075	235,136	305,832	205,239	77,703	-	-	-	-	2,772,467
Equipment	-	234,174	94,980	213,379	56,497	10,893	126,117	30,428	207,480	384,629
Total expenditures by type	\$ 5,298,858	\$ 4,747,640	\$ 4,613,477	\$ 10,397,865	\$ 14,511,074	\$ 23,530,556	\$ 37,680,377	\$ 21,117,050	\$ 2,482,333	\$ 4,886,949
Increase over prior year	\$ 551,218 11.6%	\$ 134,163 2.9%	\$ (5,784,388) -55.6%	\$ (4,113,209) -28.3%	\$ (9,019,482) -38.3%	\$ (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%



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**

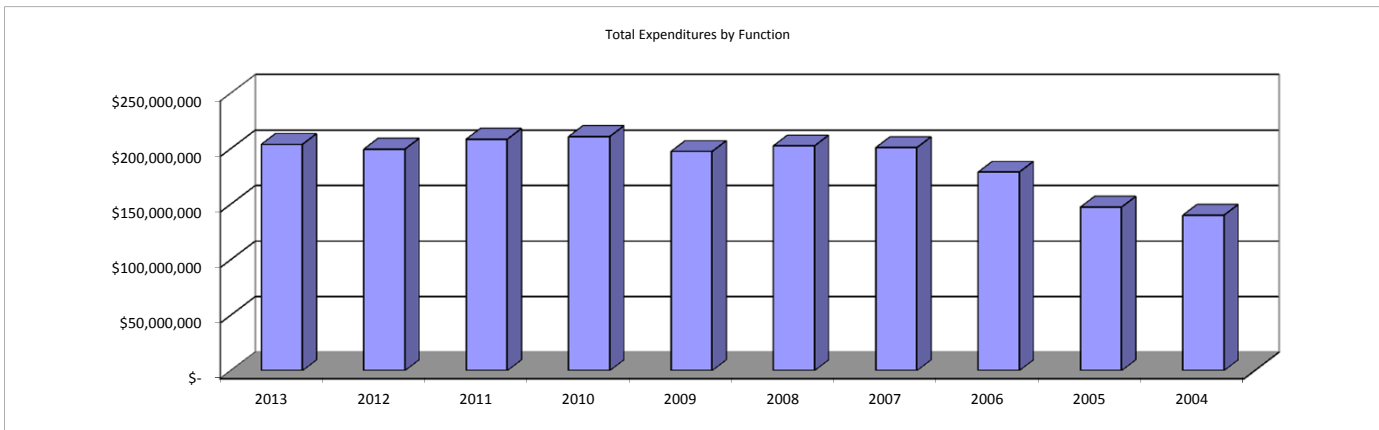
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Cecil County	\$ 73,121,775	\$ 69,361,935	\$ 72,619,885	\$ 74,891,456	\$ 80,676,398	\$ 79,342,555	\$ 88,968,786	\$ 68,101,426	\$ 65,762,152	\$ 65,565,985
State of Maryland	111,289,209	115,057,469	111,044,514	113,375,504	102,650,748	100,158,750	100,521,242	92,019,405	67,545,464	61,128,078
Federal government	13,869,753	13,956,731	20,783,182	16,233,041	11,194,258	10,279,566	10,084,599	9,700,011	10,418,590	9,926,312
Sale of meals	1,964,487	2,212,794	2,451,420	2,620,110	2,913,331	2,951,522	2,779,343	2,951,232	2,584,768	2,599,999
Interest earned	10,855	25,693	67,056	136,820	382,313	852,892	1,143,097	781,977	272,662	171,972
Other	819,232	916,622	722,397	1,196,103	1,829,221	1,664,741	1,142,843	807,592	783,004	710,790
Total revenue by source	\$ 201,075,311	\$ 201,531,244	\$ 207,688,454	\$ 208,453,034	\$ 199,646,269	\$ 195,250,026	\$ 204,639,910	\$ 174,361,643	\$ 147,366,640	\$ 140,103,136
Increase over prior year	\$ (455,933) -0.2%	\$ (6,157,210) -3.0%	\$ (764,580) -0.4%	\$ 8,806,765 4.4%	\$ 4,396,243 2.3%	\$ (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%



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**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Administration	\$ 4,969,511	\$ 4,403,811	\$ 4,672,204	\$ 4,664,203	\$ 4,244,817	\$ 4,462,646	\$ 4,198,799	\$ 3,814,226	\$ 3,170,595	\$ 2,518,893
Mid-level administration	13,566,354	13,313,116	14,161,065	13,916,489	13,503,143	13,184,316	12,447,326	11,724,442	10,975,494	10,393,809
Instruction										
Salaries	68,237,315	66,720,063	69,238,303	68,835,894	67,418,883	65,284,743	62,111,692	57,924,179	54,207,475	51,033,162
Materials and supplies	3,653,853	2,816,463	4,303,967	2,866,679	4,800,674	3,191,191	3,101,396	2,863,712	2,763,589	2,634,229
Other costs	8,788,310	7,719,258	10,600,268	16,205,022	17,699,218	5,268,109	3,651,467	3,358,290	2,205,561	2,266,233
Special education	25,135,508	24,921,881	26,082,161	25,741,368	25,141,877	24,135,599	21,837,669	20,631,222	17,605,865	16,240,239
Student personnel services	996,891	998,593	957,021	1,078,355	1,181,589	876,693	757,159	741,104	682,552	618,698
Student health services	1,526,033	1,565,596	1,561,453	1,538,634	1,551,549	1,535,533	1,540,252	1,365,813	1,292,101	1,203,225
Student transportation	9,599,678	9,248,641	9,181,668	9,175,806	9,057,367	9,276,228	8,482,576	8,113,016	7,426,357	6,865,039
Operation of plant	11,286,391	10,654,869	11,549,454	11,424,861	11,455,733	12,405,004	10,979,716	9,885,513	9,226,095	8,259,725
Maintenance of plant	4,219,071	3,784,948	3,578,039	3,735,664	3,900,601	4,089,328	4,175,611	3,858,831	3,315,542	3,274,108
Fixed charges	46,086,196	47,530,256	46,911,870	46,325,393	32,002,395	29,253,910	24,729,453	24,267,210	21,784,323	19,541,851
Community services	388,028	405,943	350,298	304,972	303,880	304,802	247,512	359,832	288,500	658,716
Food and nutrition	5,453,639	5,437,983	5,345,062	5,086,393	4,938,805	5,464,436	4,792,476	4,561,986	4,296,905	4,533,248
Capital outlay	-	-	-	-	262,921	23,780,886	37,913,233	25,401,584	3,256,972	5,033,670
Debt service	-	-	-	-	-	-	-	-	4,864,502	4,949,788
Total expenditures by function	\$ 203,906,778	\$ 199,521,421	\$ 208,492,833	\$ 210,899,733	\$ 197,463,452	\$ 202,513,424	\$ 200,966,337	\$ 178,870,960	\$ 147,362,428	\$ 140,024,633
Increase over prior year	\$ 4,385,357 2.2%	\$ (8,971,412) -4.3%	\$ (2,406,900) -1.1%	\$ 13,436,281 6.8%	\$ (5,049,972) -2.5%	\$ 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%



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

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

	2013 Capacity	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
County Population:		101,696	101,694	101,108	103,850	99,926	103,490	99,506	97,796	95,536	92,955
<u>Elementary Schools:</u>											
Bainbridge Elementary	449	402	396	410	424	383	259	240	264	278	292
Bay View Elementary	608	619	641	618	621	615	609	602	595	540	503
Calvert Elementary	433	420	323	325	332	321	338	334	341	355	360
Cecil Manor Elementary	523	501	530	474	488	454	472	473	460	478	524
Cecilton Elementary	350	297	319	322	338	339	311	327	337	319	309
Charlestown Elementary	292	213	205	184	211	200	196	206	198	184	168
Chesapeake City Elementary	353	314	306	311	315	307	291	290	302	301	286
Conowingo Elementary	534	527	542	567	560	567	553	552	544	528	512
Elk Neck Elementary	501	412	424	430	433	446	443	418	418	423	479
Gilpin Manor Elementary	416	429	405	439	423	431	372	405	424	455	463
Holly Hall Elementary	624	632	633	610	603	619	577	547	587	579	531
Kenmore Elementary	306	326	331	314	306	315	329	316	296	307	326
Leeds Elementary	408	396	406	411	394	402	404	417	395	407	426
North East Elementary	542	512	501	507	478	492	493	524	521	515	487
Perryville Elementary	500	371	368	369	397	375	387	366	370	430	438
Rising Sun Elementary	715	615	665	669	681	721	823	830	839	798	754
Thomson Estates Elementary	614	491	473	490	512	533	535	548	598	619	683
Elementary School Total:	8,168	7,477	7,468	7,450	7,516	7,520	7,392	7,395	7,489	7,516	7,541
<u>Middle Schools:</u>											
Bohemia Manor Middle	601	473	477	487	479	478	488	508	513	551	544
Cherry Hill Middle	775	439	479	501	532	494	498	524	571	565	536
Elkton Middle	712	569	589	585	593	626	652	663	662	662	636
North East Middle	712	726	725	727	776	753	769	831	826	822	822
Perryville Middle	860	565	597	597	572	615	627	686	709	721	767
Rising Sun Middle	818	713	714	695	708	688	717	714	712	710	743
Middle School Total:	4,478	3,485	3,581	3,592	3,660	3,654	3,751	3,926	3,993	4,031	4,048
<u>High Schools:</u>											
Bohemia Manor High	643	641	635	664	740	733	742	739	717	671	658
Elkton High	1,380	1,105	1,097	1,087	1,141	1,112	1,120	1,109	1,097	1,066	1,039
North East High	1,009	1,037	1,078	1,121	1,138	1,084	1,143	1,114	1,110	1,094	1,079
Perryville High	944	775	812	846	899	905	948	972	986	1,039	1,039
Rising Sun High	924	1,114	1,156	1,177	1,177	1,201	1,194	1,166	1,129	1,117	1,068
High School Total:	4,900	4,672	4,778	4,895	5,095	5,035	5,147	5,100	5,039	4,987	4,883
<u>Other Schools:</u>											
Cecil County High School*	106	72	62	58	84	90	85	29	-	1	3
School of Technology*	500	253	254	255	254	240	275	256	229	232	279
Grand Total	18,152	15,634	15,827	15,937	16,271	16,209	16,290	16,421	16,521	16,535	16,475
High School Graduates:		1,085	1,132	1,122	1,137	1,080	1,106	950	945	1,015	929

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

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

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

Employer	2013			2004		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
W. L. Gore & Associates, Inc.	2,387	1	4.67%	2,324	1	4.78%
Cecil County Board of Education	2,038	2	3.99%	1,933	2	3.97%
Union Hospital	1,236	3	2.42%	864	4	1.78%
Perry Point V.A. Hospital	1,125	4	2.20%	1,173	3	2.41%
Cecil County Government	532	5	1.04%	500	6	1.03%
Wal-Mart Stores, Inc.	500	6	0.98%	350	8	0.72%
Cecil College	485	7	0.95%	*		
ATK Taktical Systems (formerly Thiokol Corp.)	436	8	0.85%	404	7	0.83%
IKEA/Genco	370	9	0.72%	*		
Penn National Gaming	350	10	0.69%	*		
Terumo Medical Corporation	*			520	5	1.07%
Basell North America, Inc. (formerly Montell USA)	*			350	9	0.72%
Moon Nurseries	*			250	10	0.51%
Totals	<u>9,459</u>		<u>18.51%</u>	<u>8,668</u>		<u>17.82%</u>

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

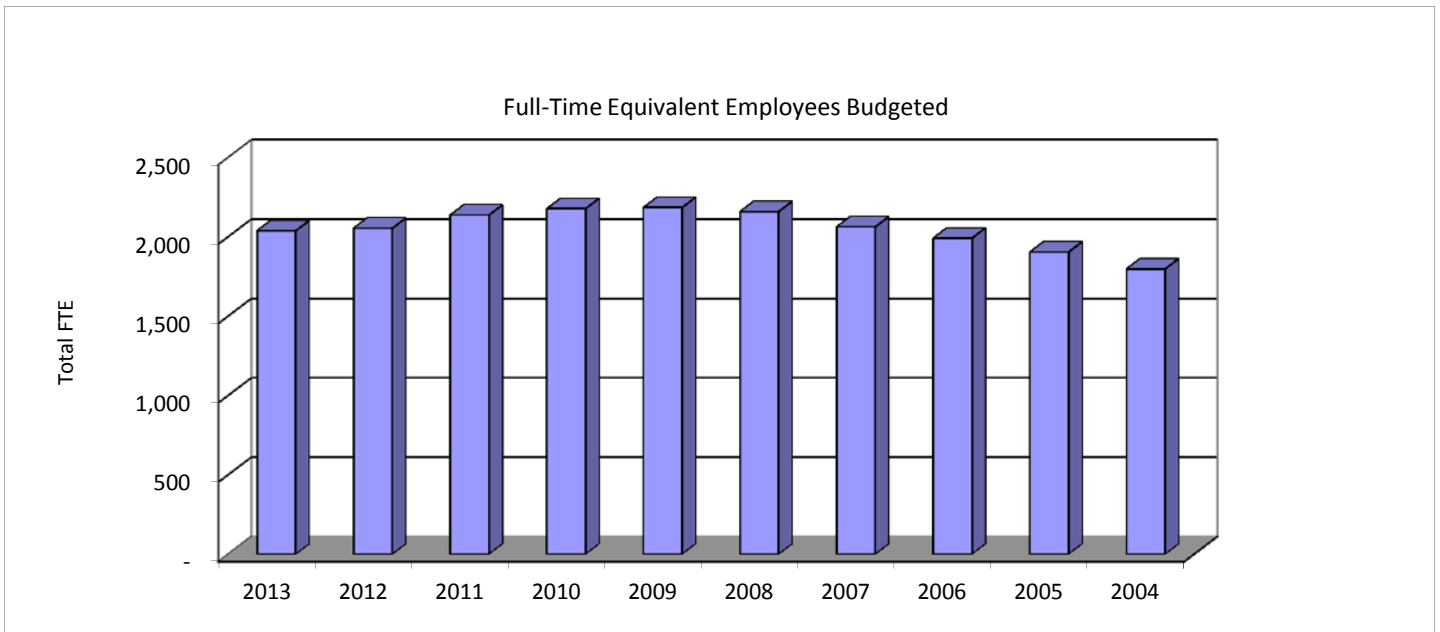
**CECIL COUNTY, MARYLAND
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

Calendar Year	Population	Personal Income (amounts expressed in thousands)	Per Capita Income	Employment	Unemployment Rate	Median Price of Housing Sales	School Enrollment
2012	101,696	\$ 2,864,776	\$ 28,170	51,078	8.2%	\$ 199,900	15,634
2011	101,694	\$ 2,957,160	\$ 29,079	46,188	8.9%	\$ 199,900	15,827
2010	101,108	\$ 2,896,845	\$ 28,651	45,326	9.6%	\$ 242,500	15,937
2009	103,850	\$ 3,370,452	\$ 32,455	46,259	9.0%	\$ 225,000	16,271
2008	99,926	\$ 3,206,925	\$ 32,093	48,310	5.3%	\$ 235,000	16,290
2007	103,490	\$ 3,229,405	\$ 31,205	51,558	4.0%	\$ 279,157	16,421
2006	99,506	\$ 3,304,992	\$ 33,214	50,960	4.4%	\$ 299,000	16,521
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

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**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Administration	47.50	49.75	49.75	49.75	50.75	49.75	47.75	46.75	43.75	40.25
Mid-level administration	196.60	201.25	206.25	208.00	206.25	204.25	197.00	196.00	192.00	162.50
Instruction salaries	1,126.86	1,132.00	1,190.00	1,213.23	1,217.94	1,213.00	1,182.53	1,135.85	1,071.72	1,032.00
Special education	413.20	413.00	424.00	434.46	434.97	419.00	368.60	349.55	337.05	313.45
Student personnel services	14.70	15.00	15.00	15.00	14.00	14.00	14.00	20.00	20.00	12.00
Student health services	32.00	32.00	32.00	34.00	34.00	34.00	33.00	32.56	32.50	30.50
Student transportation	25.00	27.00	27.00	27.00	27.00	28.00	27.00	26.00	28.00	28.50
Operation of plant	131.00	132.00	140.00	140.00	142.00	141.00	138.00	136.50	130.50	125.00
Maintenance of plant	47.50	48.00	50.00	51.50	53.00	51.00	51.00	46.00	46.00	45.00
Community services	1.00	1.00	-	-	-	-	-	-	-	6.00
Capital outlay	2.50	2.50	2.50	3.50	4.00	4.00	3.00	2.00	2.00	2.00
Total by function	<u>2,037.86</u>	<u>2,053.50</u>	<u>2,136.50</u>	<u>2,176.44</u>	<u>2,183.91</u>	<u>2,158.00</u>	<u>2,061.88</u>	<u>1,991.21</u>	<u>1,903.52</u>	<u>1,797.20</u>
Increase over prior year	-15.64 -0.8%	-83.00 -3.9%	-39.94 -1.8%	-7.47 -0.3%	25.91 1.2%	96.12 4.7%	70.67 3.5%	87.69 4.6%	106.32 5.9%	11.66 0.7%



Source: Cecil County Public Schools, Approved Budget

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Total student enrollment	15,634	15,827	15,937	16,271	16,209	16,290	16,421	16,521	16,535	16,475
Administration	\$ 302	\$ 257	\$ 276	\$ 263	\$ 245	\$ 258	\$ 240	\$ 217	\$ 192	\$ 153
Mid-level administration	868	841	886	848	831	805	758	708	664	631
Instruction										
Salaries	4,365	4,216	4,345	4,231	4,159	4,008	3,782	3,506	3,278	3,098
Materials and supplies	233	175	142	171	206	196	188	174	167	160
Other costs	206	187	374	276	211	169	217	203	133	138
Special education	1,608	1,575	1,630	1,582	1,551	1,480	1,330	1,249	1,065	986
Student personnel services	64	63	60	66	73	54	46	45	41	38
Student health services	98	99	98	94	96	94	94	83	78	73
Student transportation	614	584	576	564	559	566	517	491	449	417
Operation of plant	722	673	725	702	707	762	669	598	558	501
Maintenance of plant	286	239	226	231	240	256	252	236	197	199
Fixed charges	2,162	2,016	1,974	1,994	1,940	1,762	1,475	1,443	1,317	1,186
Community services	25	25	23	19	19	19	15	22	17	40
Capital outlay	14	11	12	14	16	16	11	7	7	4
Total cost per student	<u>\$ 11,567</u>	<u>\$ 10,961</u>	<u>\$ 11,347</u>	<u>\$ 11,055</u>	<u>\$ 10,853</u>	<u>\$ 10,445</u>	<u>\$ 9,594</u>	<u>\$ 8,982</u>	<u>\$ 8,163</u>	<u>\$ 7,624</u>
Increase over prior year	\$ 606 5.5%	\$ (386) -3.4%	\$ 292 2.6%	\$ 202 1.9%	\$ 408 3.9%	\$ 851 8.9%	\$ 612 6.8%	\$ 819 10.0%	\$ 539 7.1%	\$ 308 4.2%

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

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Total student enrollment:	15,634	15,827	15,937	16,271	16,209	16,290	16,421	16,521	16,535	16,475
<u>FOOD & NUTRITION</u>										
Number of days lunch served	179	179	180	179	180	179	180	180	180	179
Average number of lunches served daily:										
Free lunch	3,841	4,023	3,803	3,475	3,054	2,595	2,460	2,453	2,295	2,144
Reduced price	519	547	606	660	680	690	685	671	628	589
Regular price	2,449	2,740	3,158	3,358	3,883	4,662	4,755	4,613	4,274	3,897
Total average number of lunches served daily:	6,809	7,310	7,567	7,493	7,617	7,947	7,900	7,737	7,197	6,630
Percentage of student participation:										
Students receiving free lunch	24.6%	25.4%	23.9%	21.4%	18.8%	15.9%	15.0%	14.8%	13.9%	13.0%
Students paying reduced price	3.3%	3.5%	3.8%	4.1%	4.2%	4.2%	4.2%	4.1%	3.8%	3.6%
Students paying regular price	15.7%	17.3%	19.8%	20.6%	24.0%	28.6%	29.0%	27.9%	25.8%	23.7%
Total percentage of student participation	43.6%	46.2%	47.5%	46.1%	47.0%	48.7%	48.2%	46.8%	43.5%	40.3%
Cost per lunch to student:										
Elementary	\$2.25	\$2.15	\$2.10	\$2.10	\$2.10	\$1.60	\$1.45	\$1.35	\$1.35	\$1.35
Secondary	\$2.40	\$2.30	\$2.25	\$2.25	\$2.25	\$1.75	\$1.60	\$1.50	\$1.50	\$1.50
<u>STUDENT TRANSPORTATION</u>										
Number of students eligible to ride the bus	14,673	14,664	14,820	14,971	14,841	15,187	15,169	15,062	14,911	14,324
Number of school bus riders daily	11,117	11,390	11,087	11,858	10,935	11,136	10,974	11,119	10,578	10,604
Percentage of student participation	71.1%	72.0%	69.6%	72.9%	67.5%	68.4%	66.8%	67.3%	64.0%	64.4%
Number of school bus routes:										
County	9	9	10	10	10	10	11	10	10	13
Private contractor	142	147	147	147	147	147	145	142	138	127
<u>TEACHER DATA</u>										
Total number of budgeted teachers	1,299.20	1,280.20	1,328.70	1,347.80	1,347.30	1,349.60	1,311.60	1,269.03	1,209.90	1,180.90
Minimum salary	\$ 42,890	\$ 42,890	\$ 42,890	\$ 42,132	\$ 41,674	\$ 40,061	\$ 38,336	\$ 36,862	\$ 35,788	\$ 34,412
Maximum salary *	\$ 77,866	\$ 77,866	\$ 77,193	\$ 76,003	\$ 70,284	\$ 67,692	\$ 64,986	\$ 67,673	\$ 64,889	\$ 62,480
Average annual salary	\$ 60,943	\$ 60,440	\$ 59,789	\$ 58,189	\$ 56,885	\$ 54,519	\$ 52,646	\$ 51,048	\$ 49,800	\$ 48,635
Increase over prior year	0.8%	1.1%	2.7%	2.3%	4.3%	3.6%	3.1%	2.5%	2.4%	3.6%
Percentage of teachers with Master's and/or APC	67.0%	65.9%	64.4%	62.7%	60.9%	55.1%	54.8%	55.0%	55.8%	56.4%
Percentage of teachers with Master's plus credits	6.2%	6.1%	5.9%	5.4%	5.1%	5.2%	5.6%	6.3%	6.2%	7.1%
Percentage of teachers with Doctorate	0.5%	0.3%	0.4%	0.4%	0.4%	0.4%	0.3%	0.4%	0.2%	0.3%
Student/Teacher ratio	12.0	12.4	12.0	12.1	12.0	12.1	12.5	13.0	13.7	14.0

*Includes additional stipends for advanced training and longevity

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

**CECIL COUNTY PUBLIC SCHOOLS
CAPITAL ASSET INFORMATION
AS OF JUNE 30, 2013**

	Square Feet	Acres	Capacity	Year Constructed
<u>Central Offices:</u>				
G.W. Carver Center	32,357	6	N/A	1953
Facilities Department	14,752	6	N/A	1925
<u>Elementary Schools:</u>				
Bainbridge Elementary	51,818	15	449	1956
Bay View Elementary	61,884	15	608	1961
Calvert Elementary	58,857	16	433	1981
Cecil Manor Elementary	49,586	10	523	1955
Cecilton Elementary	35,321	8	350	1939
Charlestown Elementary	42,522	20	292	1959
Chesapeake City Elementary	42,727	10	353	1939
Conowingo Elementary	48,946	19	534	1955
Elk Neck Elementary	52,706	29	501	1991
Gilpin Manor Elementary	54,435	9	416	1952
Holly Hall Elementary	61,711	15	624	1963
Kenmore Elementary	37,775	11	306	1985
Leeds Elementary	42,964	17	408	1968
North East Elementary	61,396	11	542	1951
Perryville Elementary	62,520	10	500	1955
Rising Sun Elementary	69,296	12	715	1957
Thomson Estates Elementary	70,130	17	614	1976
<u>Middle Schools:</u>				
Bohemia Manor Middle*	N/A	N/A	601	1958
Cherry Hill Middle	92,990	39	775	1968
Elkton Middle	72,600	14	712	1937
North East Middle	103,750	10	712	1932
Perryville Middle	102,746	26	860	1928
Rising Sun Middle	104,765	20	818	1931
<u>High Schools:</u>				
Bohemia Manor High*	141,124	35	643	1958
Elkton High	187,046	37	1,380	1958
North East High	129,840	50	1,009	1970
Perryville High	135,772	39	944	1978
Rising Sun High	124,600	42	924	1991
<u>Other Schools:</u>				
Cecil County High School	16,645	9	106	1923
School of Technology	76,700	50	500	1965
Total:	2,240,281	627	18,152	

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

Source: Educational Facilities Master Plan

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

**CECIL COUNTY PUBLIC SCHOOLS
STUDENT ACADEMIC PERFORMANCE
AS OF JUNE 30, 2013**

Maryland School Assessment (MSA) Percentage of Students Passing

		Reading		Math	
		CECIL	STATE	CECIL	STATE
		COUNTY		COUNTY	
Grade 3	Advanced	16.3	22.1	14.7	28.9
	Proficient	64.0	61.0	60.5	53.3
	Basic	19.0	17.0	24.8	17.8
Grade 4	Advanced	26.0	30.0	26.7	46.7
	Proficient	63.0	58.0	56.6	42.1
	Basic	11.0	12.0	16.7	11.2
Grade 5	Advanced	50.0	57.0	7.4	25.3
	Proficient	36.0	32.0	65.3	55.5
	Basic	14.7	11.6	27.4	19.1
Grade 6	Advanced	42.0	43.5	16.0	29.1
	Proficient	42.2	40.6	53.6	48.0
	Basic	15.7	15.9	30.4	22.9
Grade 7	Advanced	41.4	48.1	15.7	23.3
	Proficient	39.7	36.9	54.6	49.3
	Basic	18.9	15.0	29.7	27.4
Grade 8	Advanced	38.2	46.1	25.0	30.6
	Proficient	38.7	34.9	38.4	36.4
	Basic	23.0	19.0	36.6	33.0

High School Assessment - Percentage of Students Passing*

	English	Biology	Government	Algebra
Grade 10 Cecil County	78.9	90.1	85.9	90.3
Grade 10 State of Maryland	79.2	84.7	81.8	83.9
Grade 11 Cecil County	83.9	87.6	91.0	93.4
Grade 11 State of Maryland	85.3	85.7	86.2	87.9
Grade 12 Cecil County	88.2	88.4	94.4	95.0
Grade 12 State of Maryland	86.4	84.9	87.9	87.9

Scholastic Assessment Test - Average Score*

	CECIL		
	COUNTY	STATE	NATION
Reading	494	489	496
Math	503	498	514
Writing	476	480	488

*2013 test results are not available, 2012 test results are presented

Source: Maryland Report Card

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**OTHER SUPPLEMENTARY
INFORMATION**

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

Board of Education of
Cecil County, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of Cecil County Public Schools (the School System), as of and for the year ended June 30, 2013, and have issued our report thereon dated September 30, 2013.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School System's 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 30, 2013.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Baltimore, Maryland
September 30, 2013

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Board of Education of Cecil County, Maryland

Report on Compliance for Each Major Federal Program

We have audited Cecil County Public School's (the School System) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have direct and material effect on each of the School System's major federal programs for the year ended June 30, 2013. The School System's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs - Financial Reporting.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of the School System's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination on the School System's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the School System complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

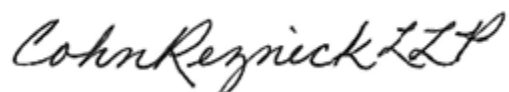
Report on Internal Control over Compliance

Management of the School System is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit, we considered the School System's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School System's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Baltimore, Maryland
September 30, 2013

Board of Education of Cecil County
Schedule of Findings and Questioned Costs
Financial Reporting
Year ended June 30, 2013

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial
statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

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

Any audit findings disclosed that are
required to be reported in accordance with
Section 510(a) of OMB Circular A-133? Yes No

Identification of Major Programs

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
Child Nutrition Cluster	10.553, 10.555, 10.559
State Fiscal Stabilization - Race-to-the-Top Incentive Grants	84.395

Dollar threshold used to distinguish between type A and type B programs
\$372,394

Auditee qualified as low-risk auditee? X Yes No

II. Financial Statement Findings

None

III. Federal Award Findings and Questioned Costs

None

CECIL COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2013

Grant Name	CFDA Number	Grant Number	Federal Expenditures
United States Department of Agriculture			
Federal Programs administered through the Maryland State Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	N/A	\$ 1,047,909
National School Lunch Program	10.555	N/A	2,380,903
National School Lunch Program	10.555	N/A	289,902
Summer Food Service Program for Children	10.559	N/A	<u>13,045</u>
			<u>3,731,759</u>
Child and Adult Care Food Program	10.558	N/A	<u>2,905</u>
State Administrative Expenses for Child Nutrition	10.560	125678-02	5,292
State Administrative Expenses for Child Nutrition	10.560	135369-01	<u>1,589</u>
			<u>6,881</u>
Team Nutrition Grants	10.574	125678-01	<u>24,595</u>
Total United States Department of Agriculture			<u>3,766,140</u>
United States Department of Commerce			
Federal Programs administered through the National Oceanic and Atmospheric Administration			
Chesapeake Bay Studies	11.457	NA12NMF4570012	<u>72,000</u>
Total United States Department of Commerce			<u>72,000</u>
United States Department of Energy			
Federal Programs administered through the Maryland Energy Administration			
Energy Efficiency and Conservation Block Grant Program	81.128	N/A	<u>74,955</u>
Total United States Department of Energy			<u>74,955</u>
United States Department of Education			
Federal programs administered through the Maryland State Department of Education			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	124530-01	220,371
Title I Grants to Local Educational Agencies	84.010	134393-01	2,483,143
Title I Grants to Local Educational Agencies	84.010	135044-02	7,070
Title I Grants to Local Educational Agencies	84.010	135172-02	<u>17,408</u>
			<u>2,727,992</u>
Special Education (IDEA) Cluster			
Special Education Grants to States	84.027	124169-02	-
Special Education Grants to States	84.027	124250-01	30,143
Special Education Grants to States	84.027	124250-02	-
Special Education Grants to States	84.027	124250-04	2,508
Special Education Grants to States	84.027	124250-05	-
Special Education Grants to States	84.027	124250-06	5,487
Special Education Grants to States	84.027	124250-07	-
Special Education Grants to States	84.027	124577-01	10,926
Special Education Grants to States	84.027	124578-01	12,921

CECIL COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2013

Grant Name	CFDA Number	Grant Number	Federal Expenditures
United States Department of Education (continued)			
Federal programs administered through the Maryland State Department of Education (continued)			
Special Education (IDEA) Cluster (continued)			
Special Education Grants to States	84.027	125113-01	\$ 26,957
Special Education Grants to States	84.027	134264-01	3,309,984
Special Education Grants to States	84.027	134264-02	31,539
Special Education Grants to States	84.027	134264-05	12,857
Special Education Grants to States	84.027	134264-06	2,500
Special Education Grants to States	84.027	134264-07	4,314
Special Education Grants to States	84.027	134264-08	56,911
Special Education Grants to States	84.027	134372-02	17,611
Special Education Grants to States	84.027	134372-05	59,801
Special Education - Preschool Grants	84.173	124169-03	-
Special Education - Preschool Grants	84.173	124250-03	-
Special Education - Preschool Grants	84.173	124552-02	6,359
Special Education - Preschool Grants	84.173	134264-03	98,871
Special Education - Preschool Grants	84.173	134264-04	1,412
Special Education - Preschool Grants	84.173	134372-03	7,000
Special Education - Preschool Grants	84.173	134523-03	1,012
			<u>3,699,113</u>
Career and Technical Education - Basic Grants to States	84.048	134769-01	161,251
Career and Technical Education - Basic Grants to States	84.048	134946-01	6,531
			<u>167,782</u>
Early Intervention Services (IDEA) Cluster			
Special Education - Grants for Infants and Families	84.181	124169-01	-
Special Education - Grants for Infants and Families	84.181	134372-01	102,223
			<u>102,223</u>
Educational Technology State Grants Cluster			
Education Technology State Grants	84.318	115141-01	9,357
English Language Acquisition State Grants			
English Language Acquisition State Grants	84.365A	115185-01	7,664
English Language Acquisition State Grants	84.365A	124288-01	18,947
English Language Acquisition State Grants	84.365A	124288-02	-
English Language Acquisition State Grants	84.365A	134213-01	3,033
			<u>29,644</u>
Mathematics and Science Partnerships			
Mathematics and Science Partnerships	84.366B	125618-01	46,923
Mathematics and Science Partnerships	84.366B	135039-01	13,659
			<u>60,582</u>
Improving Teacher Quality State Grants			
Improving Teacher Quality State Grants	84.367	124205-01	136,687
Improving Teacher Quality State Grants	84.367	134589-01	4,882
Improving Teacher Quality State Grants	84.367	134589-02	464,256
			<u>605,825</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	115746-01	215,249
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	115746-02	5,906
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	115746-03	254,061
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	115746-04	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	115746-05	19,934
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	115746-06	89,518

CECIL COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2013

Grant Name	CFDA Number	Grant Number	Federal Expenditures
United States Department of Education (continued)			
Federal programs administered through the Maryland State Department of Education (continued)			
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	115746-07	\$ -
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	115746-08	32,499
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	115746-09	60,093
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	115746-10	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	115746-99	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	125238-01	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	125373-01	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	125373-02	7,500
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	125639-01	74,734
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	125639-02	750
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	125705-01	200,000
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	134853-01	10,000
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	134996-01	2,024
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	134996-02	750
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	135304-01	102,393
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	135304-02	750
			<u>1,076,161</u>
ARRA - Education Jobs Fund	84.410	115722-02	-
ARRA - Education Jobs Fund	84.410	125598-01	-
ARRA - Education Jobs Fund	84.410	134311-01	3,254
			<u>3,254</u>
Total United States Department of Education			<u>8,481,933</u>
United States Department of Health and Human Services			
Federal programs administered through the Maryland State Department of Education			
Head Start Cluster			
ARRA - Head Start	93.708	135085-01	50
Federal programs administered through the Maryland Department of Health and Mental Hygiene			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	10-CSA-2	848
Community Transformation Grants and National Dissemination and Support for Community Transformation Grants	93.531	N/A	17,200
Total United States Department of Health and Human Services			<u>18,098</u>
Total Federal Expenditures			<u>\$ 12,413,126</u>

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 AUDIT

Single Audit testing procedures were performed for program transactions occurring during the fiscal year ended June 30, 2013 for the following major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>	<u>Expenditures</u>
Child Nutrition Cluster	10.553, 10.555, 10.559	\$ 3,731,759
State Fiscal Stabilization - Race-to-the-Top Incentive Grants	84.395	<u>1,076,161</u>
		<u>\$ 4,807,920</u>

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 are not included in the Schedule of Expenditures of Federal Awards. During fiscal year 2013, Cecil County Public Schools received \$1,456,627 in Medical Assistance monies.

Total Federal Grant Expenditures per financial statements	\$ 13,869,753
Medical Assistance Program	<u>(1,456,627)</u>
Total Schedule of Expenditures of Federal Awards	<u>\$ 12,413,126</u>