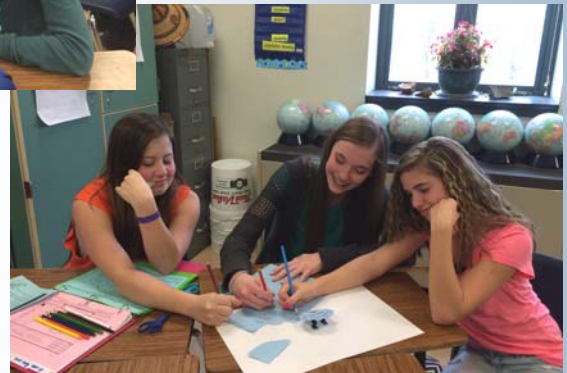


Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2015



Cecil County Public Schools

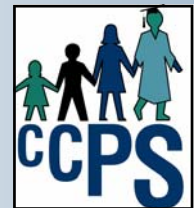
A Component Unit of Cecil County

George Washington Carver Education Leadership Center

201 Booth Street

Elkton, Maryland 21921

www.ccps.org



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

NONDISCRIMINATION POLICY: The Cecil County Public Schools does not discriminate in admissions, access, treatment or employment in its programs and activities on the basis of race, color, gender, age, national origin, religion, sexual orientation or disabling condition.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Cecil County Public Schools

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

FISCAL YEAR ENDED JUNE 30, 2015

BOARD OF EDUCATION

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Katherine F. Shields, Student Member

D'Ette Devine, Ed.D., Superintendent of Schools and Secretary/Treasurer
Carolyn Teigland, Ed.D., Associate Superintendent for Education Services
Vincent Cariello, Associate Superintendent for Administrative Services
Thomas Kappa, Chief Financial Officer

Prepared by the Department of Business Services

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**CECIL COUNTY PUBLIC SCHOOLS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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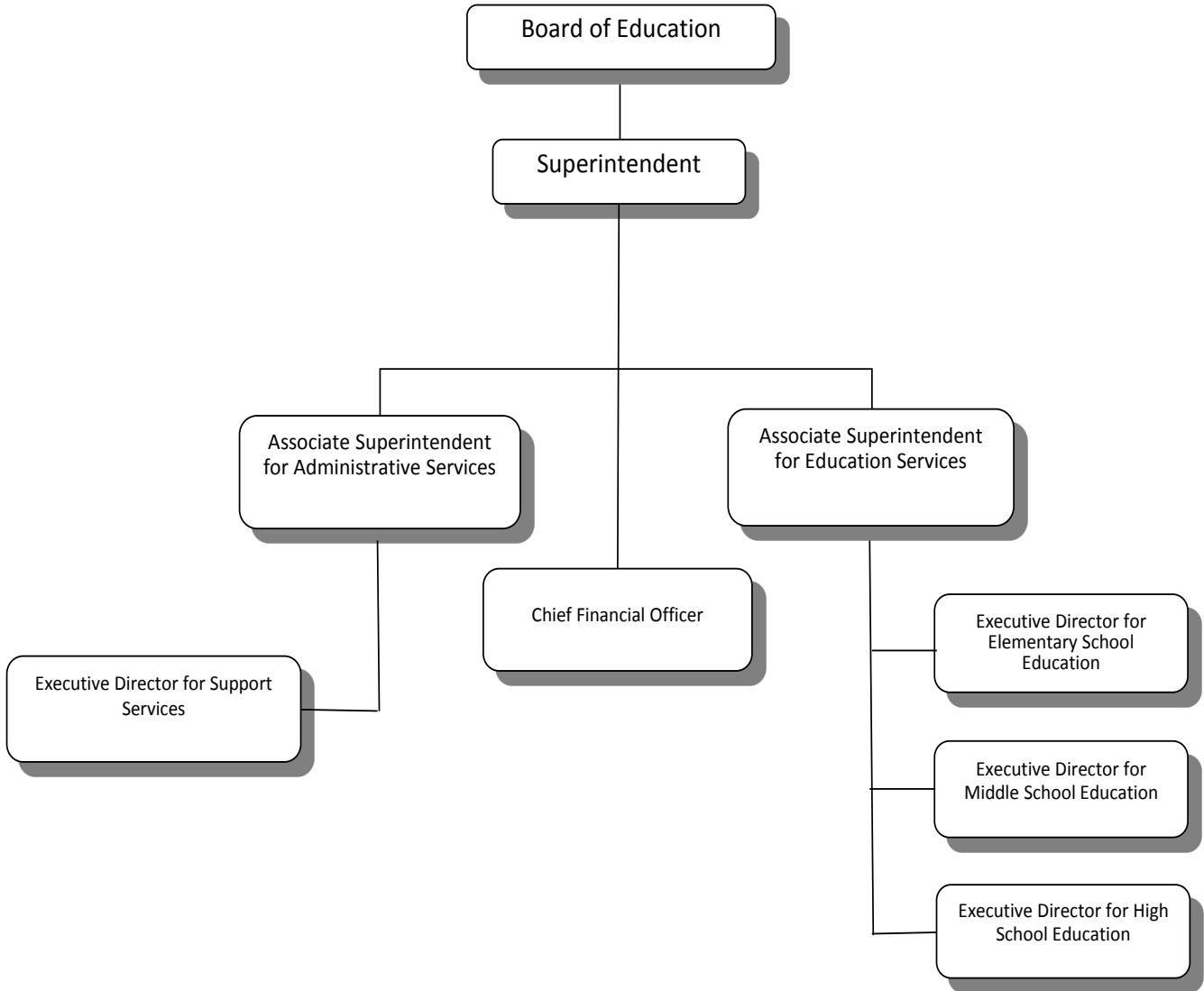
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INTRODUCTORY SECTION



**Cecil County Public Schools
Organization Chart
As of July 1, 2015**



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, 2015**

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 A. Cariello	Associate Superintendent for Administrative Services
Thomas M. Kappra	Chief Financial Officer
Jeffrey A. Lawson, Ed.D.	Executive Director for High School Education
Robert J. Buckley, Ed.D.	Executive Director for Middle School Education
Georgia B. Clark	Executive Director for Elementary School Education
Perry A. Willis	Executive Director for Support Services



CECIL COUNTY PUBLIC SCHOOLS

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

201 Booth Street, Elkton, MD 21921

October 29, 2015

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, 2015 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 preschool, elementary and secondary public school education. The School System serves

CECIL COUNTY PUBLIC SCHOOLS

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

201 Booth Street, Elkton, MD 21921

15,681 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 2.4 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 2.4 million square feet of building space and 718 acres of land is proudly maintained to ensure a safe and secure learning environment. Since 1998, the Maryland Public School Construction Program (IAC inspection) has rated our schools "superior" a total of 34 times; twelve schools have received this rating twice. Only two schools have received a rating of "adequate". The oldest building in use by the system is a school facility built in 1923. The newest buildings in use are two school facilities built in 1991. Twenty-three of the 32 buildings have undergone renovation at some point and another one is scheduled to undergo renovation beginning in June 2016. 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 \$40,000,000 in deferred maintenance expense, \$10,432,305 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 2016 totals \$188,411,080, funded 40.8% by the County, 54.2% by the State and 5.0% 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.

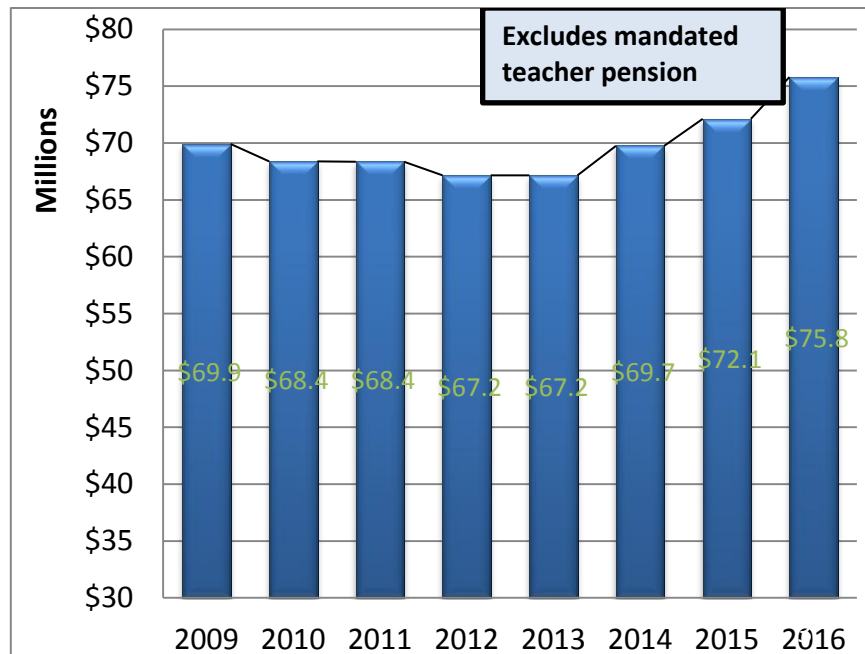
Federal funding is largely dependent on changes in student demographics among those receiving federally funded Free and Reduced Meals (FaRM) and students with Individual Education Plans (IEP). Federal funding is not expected to increase with several programs having the potential to be eliminated or reduced.

CECIL COUNTY PUBLIC SCHOOLS

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

201 Booth Street, Elkton, MD 21921

In order to receive an increase in State Foundation Aid, the County must appropriate an amount equal to, or greater than, the prior year per student appropriation. This Maintenance of Effort (MOE) calculation ensures equal funding relative to enrollment as that of prior years on a per student basis. Fiscal 2010 through fiscal 2012 were funded at the minimum MOE level. Because enrollment declined over that period, County funding was reduced by \$2,759,148.



For fiscal 2016, the School System will receive a 5.0% increase in County funding for a total regular appropriation of

\$75,807,033. This is the second consecutive year that the School System has received an increase in local funding above the fiscal 2009 amount. However, this amount is \$3,841,041 less than the Board's request. Total projected revenue for fiscal year 2016 is \$188,411,080 and is partially based on an increase in enrollment of .08%

ECONOMIC CONDITION AND OUTLOOK

According to the 2010 U.S. Census, the population of Cecil County is 101,108 and, as of July 2014, the Maryland Department of Planning projects that this is expected to increase by nearly 40% to 139,660 residents by 2040. Cecil County's population growth rate is expected to be the fourth highest among Maryland counties over the next 30 years.

The labor force in Cecil County continues to remain larger than 50,000 persons. The most recent monthly labor force number in 2015 was 52,978. The number of in-county jobs has remained fairly steady at approximately 30,000. As of June 2015, the unemployment rate was 6.2%, comparable to 6.1% measured in the same month last year. The median household income for Cecil County, as calculated by the United States Census Bureau's American Community Survey, was estimated to be \$66,689 in 2013, the most recent year measured. The

CECIL COUNTY PUBLIC SCHOOLS

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

201 Booth Street, Elkton, MD 21921

same source reported that 87.5% of Cecil County citizens over the age of 25 are high school graduates or higher.

The Maryland Department of Labor, Licensing and Regulation reported a total of 1,950 active businesses in Cecil County in 2014. With direct access to the major thoroughfares of I-95 and U.S. Route 40, 22.6% 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 4,248 or 13.9% of the total workforce. The County's manufacturing sector employment concentration is over three times that of the State of Maryland. In Cecil, these employees earn an average weekly wage of \$1,514. Major manufacturers in the County include W.L. Gore, Orbital ATK, Terumo Medical Corporation and Terumo Cardiovascular Systems.

In addition, the combination of local government, trade and transportation, education and health services, and leisure and hospitality sectors provide employment opportunities for over 60% of those employed in the county. However, the county currently experiences an out-commute of that is roughly twice as large as the in-commute on a daily basis.

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

Recent expansions have been made and will be made by AUI Power, Chateau Bu-De, i-Lighting, Quantum Controls, and Union Hospital. Old Dominion Electric Cooperative continues to move forward with construction on their state-of-the-art power generation facility in Conowingo, as well.

An important segment of Cecil County's economy involves the tourism industry. A Tourism Impact Study that measured tourism impact on Cecil County in 2013 revealed that visitors generated \$152 million in expenditures during 2012. This was a 7% increase from the previous year. Approximately \$22 million were created in local and state taxes from these visitors. In addition, the Cecil County tourism industry employed 2,422 people, and total wages for these employees increased from \$88 million in 2012 to \$90 million in 2013. Progress also continues on Calvert Regional Park, a 112-acre park that will offer a wide range of facilities and contribute to the growth of the County's sports tourism industry.

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

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201 Booth Street, Elkton, MD 21921

to the U.S. Census, agriculture product sales were \$113 million in 2012. This number is a near 18% increase in market value of production from 2007. Equally impressive is the value of equine inventory in the county. As of the 2010 Equine Census, there are 740 equine places with an inventory of 6,200 for a total value of \$94 million.

In June 2013, Cecil County received State approval to expand and renew its Enterprise Zone for an additional 10 years. In 2015, Cecil's Enterprise Zone was expanded further to include the Town of Port Deposit and the Bainbridge property. 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 now encompasses over 8,000 acres and nine business parks. In Fiscal Year 2015, \$80,000 in capital investment in the County's Enterprise Zone retained 12 full time 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.

CECIL COUNTY PUBLIC SCHOOLS

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

201 Booth Street, Elkton, MD 21921

A comprehensive, rigorous instructional program is provided for all students. Individual student needs are addressed through differentiation of instruction. Disabled students are educated in the least restrictive environment in their home school with their age appropriate peers to the degree possible. Supplemental aids and services are provided as needed to support student achievement. Students who are gifted and talented receive services through the challenge program. Cecil County students continue to demonstrate effective performance on state and national assessments. Cecil County Public Schools continues to grow both the number of students who take Advanced Placement Tests as well as the number of students who earn a passing score. In fact, AP results from the 2014-15 school year show an all-time high in the number of AP tests taken and the number of AP tests passed. Approximately 77.3% of Cecil County students report their intent to continue their education through a two or four-year college or specialized training school beyond graduation.

Recent Accomplishments

The School System is a diverse learning community where stakeholders are respected, valued and contribute to an excellent educational program in a rapidly changing global society. The following are the major programmatic initiatives accomplished before or within fiscal year 2015:

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

- Implementation of Twilight School as an alternative to suspension in all secondary schools
- Half day pre-kindergarten for qualified students in all 17 elementary schools
- Differentiated instruction designed to meet the needs of all students
- Curricular programs aligned with state and national standards
- Implementation of Maryland's Career and College Ready Curriculum in Reading, English Language Arts and Mathematics
- Adoption of the Next Generation Science Standards and a revision of our local curriculum to align
- World language instruction for high school credit in every middle school
- Serving the needs of students with disabilities in an inclusive, least restrictive environment
- Revised Grading and Reporting Policy and Procedures

CECIL COUNTY PUBLIC SCHOOLS

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

201 Booth Street, Elkton, MD 21921

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

- Expansion of Positive Behavior Interventions and Supports (PBIS) programs to all schools
- 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 our Food and Nutrition Department to provide nutritious meals
- The development of a comprehensive wellness program for staff

The Future

Funding for the following major programmatic initiatives are included in the fiscal year 2016 budget:

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

- Substitute release time for teachers to participate in professional development
- Additional special educators to provide specialized instruction
- Stipends for teachers to participate in professional development in the summer and beyond the duty day
- Step increases and COLA for employees per collective bargaining arrangements
- Social worker to support students in seven of our schools
- Teacher for Gifted and Talented Program
- Resources to support the implementation of new curriculum

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

- Additional various maintenance projects and small capital construction projects to reduce deferred maintenance
- Replacement vehicles and equipment for maintenance

CECIL COUNTY PUBLIC SCHOOLS

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

201 Booth Street, Elkton, MD 21921

FINANCIAL INFORMATION

Relevant Financial Policies

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

The School System has no authority to levy and collect taxes. All funding is provided by the Federal, State, and County governments.

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

All appropriated unrestricted funds not spent at the end of the fiscal year accrue to the operating fund balance. By Board policy, the target is to maintain a total fund balance of not less than 5% of annual operating expenditures for the fiscal year. Any excess funds may be appropriated for one time expenditures or used to manage revenue shortfalls in subsequent years' budgets. All funds must remain in the fund originally appropriated.

Budgetary Requirements

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

CECIL COUNTY PUBLIC SCHOOLS

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

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These categories include:

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

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

Local appropriation	State revenue
Federal revenue	Other revenue

A complete chart of accounts is available on the School System's website at www.ccps.org.

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

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

Internal Controls

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

CECIL COUNTY PUBLIC SCHOOLS

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

201 Booth Street, Elkton, MD 21921

INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accountants. The Board of Education selected the accounting firm of CohnReznick LLP to perform this audit under a contract awarded in fiscal year 2014, renewable for four succeeding years.

In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the OMB Circular A-133 Single Audit Act Amendments of 1996. The Independent Auditor's Report on the financial statements is included in the Financial Section of this Report. The Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance 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 auditor's report on the School System's basic financial statements is without qualification, the highest possible outcome of the audit process.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Cecil County Public Schools for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This is the twelfth 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, 2014. 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 twelfth 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

CECIL COUNTY PUBLIC SCHOOLS

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

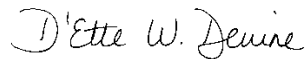
201 Booth Street, Elkton, MD 21921

Excellence Program requirements and we are submitting it to ASBO International for consideration.

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

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

Sincerely,



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



Thomas M. Kappa
Chief Financial Officer



Government Finance Officers Association

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

Presented to

**Cecil County Public Schools
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

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, 2014*

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



A handwritten signature in black ink, appearing to read "M. Pepera", written over a horizontal line.

Mark C. Pepera, MBA, RSBO, SFO
President

A handwritten signature in black ink, appearing to read "John D. Musso", written over a horizontal line.

John D. Musso, CAE, RSBA
Executive Director

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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, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the government activities and each major fund of the School System as of June 30, 2015, 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

Change in Accounting Principle

As discussed in Note 12 to the financial statements, the School System changed its method of accounting for employee pension plans in the year ended June 30, 2015, as required by the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to that matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 30 through 46, the School System's actuarially determined funding progress and required contributions for the School System's Retiree Benefit Trust Fund on page 92, and Schedules of Required Pension Related Supplementary Information on pages 92 and 93 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. 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 133 through 135 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 of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2015 on our consideration of the School System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School System's internal control over financial reporting and compliance.

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

Baltimore, Maryland
October 29, 2015

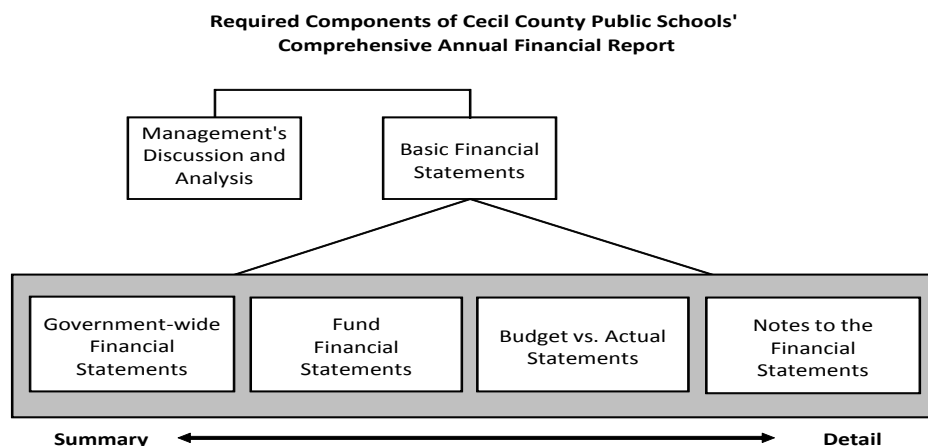
This section of Cecil County Public Schools' Comprehensive Annual Financial Report (CAFR) represents our discussion and analysis of the School System's financial performance during the fiscal year ending June 30, 2015. The management's discussion and analysis, financial statements, and related footnotes 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 \$176,152,443 of which \$178,073,096 is a net investment in capital assets.
- Net Position as of June 30, 2014 was restated by \$8.3 million as a result of CCPS' adoption of GASB no. 68, accounting for pensions.
- Net position increased \$17,530,391 for the year, most of which is attributable to an increase in cash and cash equivalents of \$1,825,428, an increase in receivables of \$1,780,979 and an increase in net investment of capital assets of \$14,464,073.
- General revenues of \$140,332,528 account for 60.2% of all revenues; program revenues of \$92,677,398 account for 39.8%.
- The Food and Nutrition department received \$1,959,515 from charges for services, accounting for 28.6% of Food and Nutrition total revenue.
- The operating budget was amended during the year for a net increase of \$4,580,156. This included additional revenue from restricted State and Federal grants of \$3,412,968, and additional other revenue of \$1,167,188.

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that will impact future fiscal years. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the School System.

During the fiscal year 2015, the School System implemented GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68*, which are effective for periods beginning after June 15, 2014. These statements replace the requirements of Statements No. 27 and No. 50, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.

As of the year ended June 30, 2015, GASB issued Statement 72, *Fair Value Measurement and Application*; Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68*, and *Amendments to certain Provisions of GASB Statements 67 and 68*; GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. These statements may have a material effect on the School System's financial statements once implemented. Management will be analyzing the effects of the pronouncements and plans to adopt them if applicable by their effective date.

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. It accounts for all financial resources for the School System except those resources required to be accounted for in another fund.
- The **Special Revenue Fund** is used to record the financial transactions of the Food and Nutrition program. Revenue is primarily generated from the State and Federal grants, Federal commodities, and the sale of student meals and a la carte items. The expenses are those related to providing student meals.
- The **Capital Projects Fund** reports the revenue and expenditures related to school construction projects ranging from site improvements to minor and major building renovation and addition projects. County and State resources primarily fund these expenditures.

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

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

- The **Student Activity Agency Fund** consists primarily of funds raised by students, for
-

their benefit, which are held in trust by the School System. The basic fiduciary fund statements include the *Statement of Fiduciary Net Position* in the Basic Financial Statements section and the *Statement of Changes in Assets and Liabilities-Agency Fund-Student Activities* in the Individual Fund Financial Statement section.

- The **Retiree Benefit Trust Fund** consists of contributions of the School System to establish a reserve to pay for health and welfare benefits of future retirees. Contributions to the trust qualify as contributions within the meaning of Governmental Accounting Standards Board Statement Numbers 43 and 45. The basic fiduciary fund statements include the *Statement of Fiduciary Net Position* and the *Statement of Changes in Fiduciary Net Position - Retiree Healthcare Benefit Trust Fund* both in the Basic Financial Statements section.

Budget vs. Actual Financial Statements

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

A comparison of Net Position for 2015 vs. 2014 is shown below:

	<u>2015</u>	<u>2014</u> <u>(as restated)</u>	<u>Increase/(Decrease)</u>	
Assets				
Current assets	\$ 28,936,734	\$ 25,493,947	\$ 3,442,787	13.5%
Capital assets, net	182,454,383	167,990,310	14,464,073	8.6%
Total assets	<u>211,391,117</u>	<u>193,484,257</u>	<u>17,906,860</u>	9.3%
Deferred Outflow of Resources				
Deferred Pension	1,220,202	-	1,220,202	100.0%
	<u>1,220,202</u>	<u>-</u>	<u>1,220,202</u>	100.0%
Liabilities				
Current liabilities	20,575,940	19,453,246	1,122,694	5.8%
Noncurrent liabilities	14,951,834	7,147,416	7,804,418	109.2%
Total liabilities	<u>35,527,774</u>	<u>26,600,662</u>	<u>8,927,112</u>	33.6%
Deferred Inflow of Resources				
Net Pension Liability	931,102	-	931,102	100.0%
	<u>931,102</u>	<u>-</u>	<u>931,102</u>	100.0%
Net Position				
Net investment in capital assets	178,073,096	162,961,619	15,111,477	9.3%
Restricted	47,954	(156,795)	204,749	130.6%
Unrestricted (deficit)	(1,968,607)	(4,182,772)	2,214,165	(52.9)%
Net Position, end of year	<u>\$ 176,152,443</u>	<u>\$ 158,622,052</u>	<u>\$ 17,530,391</u>	11.1%

Change in Net Position

The School System's combined net position increased by \$17,530,391 or 11.1% on June 30, 2015, to \$176,152,443. Current assets increased by \$3,442,788 or 13.5% mainly due to an increase in cash and cash equivalents of \$1,825,428 and an increase in receivables of \$1,780,979. Capital assets increased by \$14,464,073 or 8.6% mainly due to the acquisition of the new Cecil County School of Technology building.

Current liabilities increased by \$8,927,112 or 33.6% mainly due to the addition of Net Pension Liability in the implementation of GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Statement of Activities

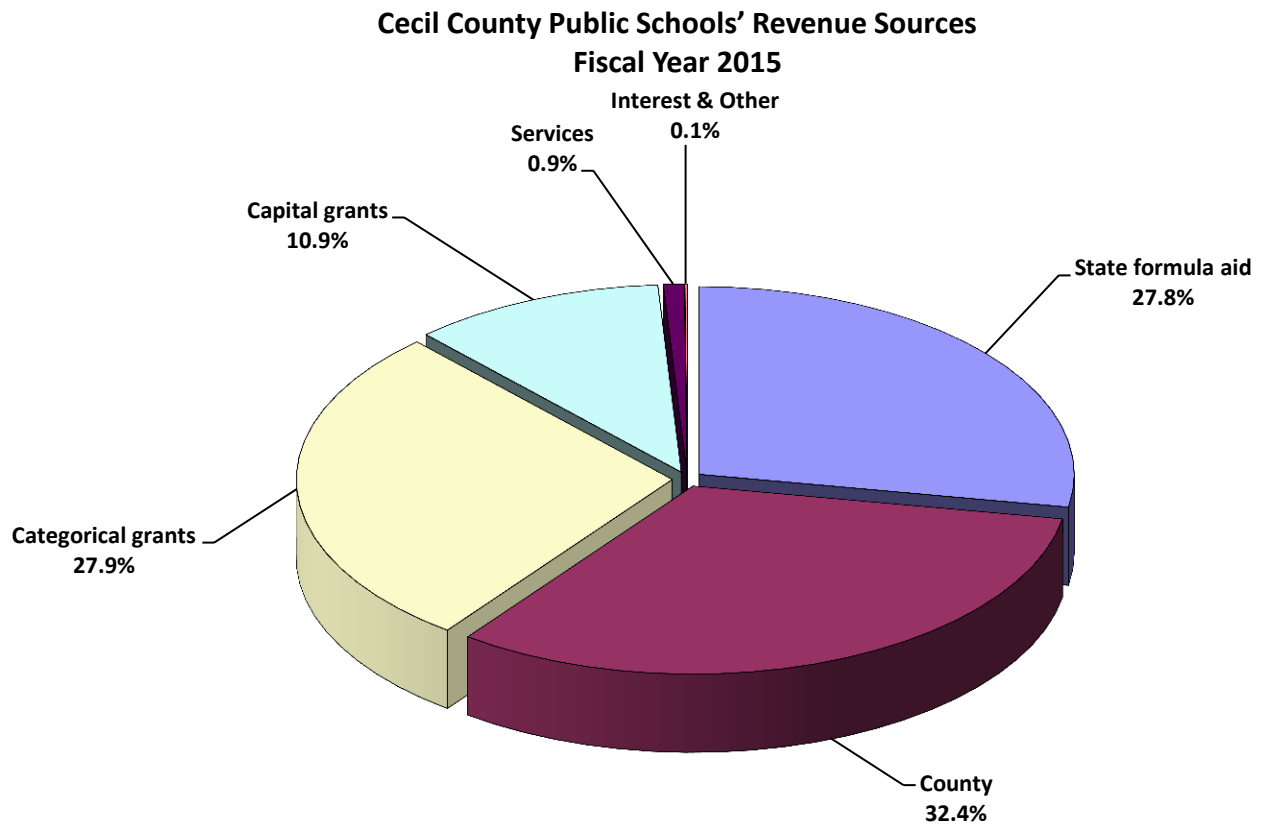
A comparison of revenue by source and expense by function for 2015 vs. 2014 is shown below:

	<u>2015</u>	<u>2014</u>	<u>Increase/(Decrease)</u>	
Revenue				
Program Revenues				
Charges for Services	\$ 2,175,921	\$ 2,177,752	\$ (1,831)	(0.1)%
Operating grants and contributions	65,012,660	61,617,596	3,395,064	5.5%
Capital grants and contributions	25,488,817	7,318,153	18,170,664	248.3%
General Revenues				
Grants and contributions not restricted to certain programs	140,190,150	134,925,010	5,265,140	3.9%
Other	142,378	256,353	(113,975)	(44.5)%
Total revenue	<u>233,009,926</u>	<u>206,294,864</u>	<u>26,715,062</u>	12.9%
Expenses				
Administration	5,393,707	6,093,367	(699,660)	(11.5)%
Mid-level administration	18,803,673	19,109,759	(306,086)	(1.6)%
Instruction	117,832,446	116,268,434	1,564,012	1.3%
Special education	34,004,467	32,756,261	1,248,206	3.8%
Student personnel services	1,521,216	1,516,362	4,854	0.3%
Student health services	2,167,347	2,199,501	(32,154)	(1.5)%
Student transportation	9,850,551	9,820,844	29,707	0.3%
Operation of plant	14,176,769	14,156,260	20,509	0.1%
Maintenance of plant	5,262,522	5,745,818	(483,296)	(8.4)%
Food and nutrition	6,177,158	5,888,310	288,848	4.9%
Community services	289,679	242,219	47,460	19.6%
Total expenses	<u>215,479,535</u>	<u>213,797,135</u>	<u>1,682,400</u>	0.8%
Change in net position	17,530,391	(7,502,271)	25,032,662	333.7%
Net position - beginning, as restated	<u>158,622,052</u>	<u>166,124,323</u>		
Net position - ending	<u>\$ 176,152,443</u>	<u>\$ 158,622,052</u>		

Revenue (Statement of Activities)

Cecil County Public Schools' revenues from fiscal year 2015 were in the amount of \$233,009,926. Program revenue came from three major sources. These include charges for services of \$2,175,921, operating program grants from the State and Federal government of \$65,012,660 and capital grants from the State of Maryland and Cecil County Government of \$25,488,817. In addition to program sources, the School System received general revenue from the State of Maryland of \$64,666,305, Cecil County Government of \$75,523,845, investment earnings and other miscellaneous income of \$142,378.

Charges for services decreased by \$1,831 or 0.1% due to a reduction in fees charged for miscellaneous items. Operating grants and contributions increased \$3,395,064 or 5.5% due to increased federal and state grant funding as well as additional state aid funding.



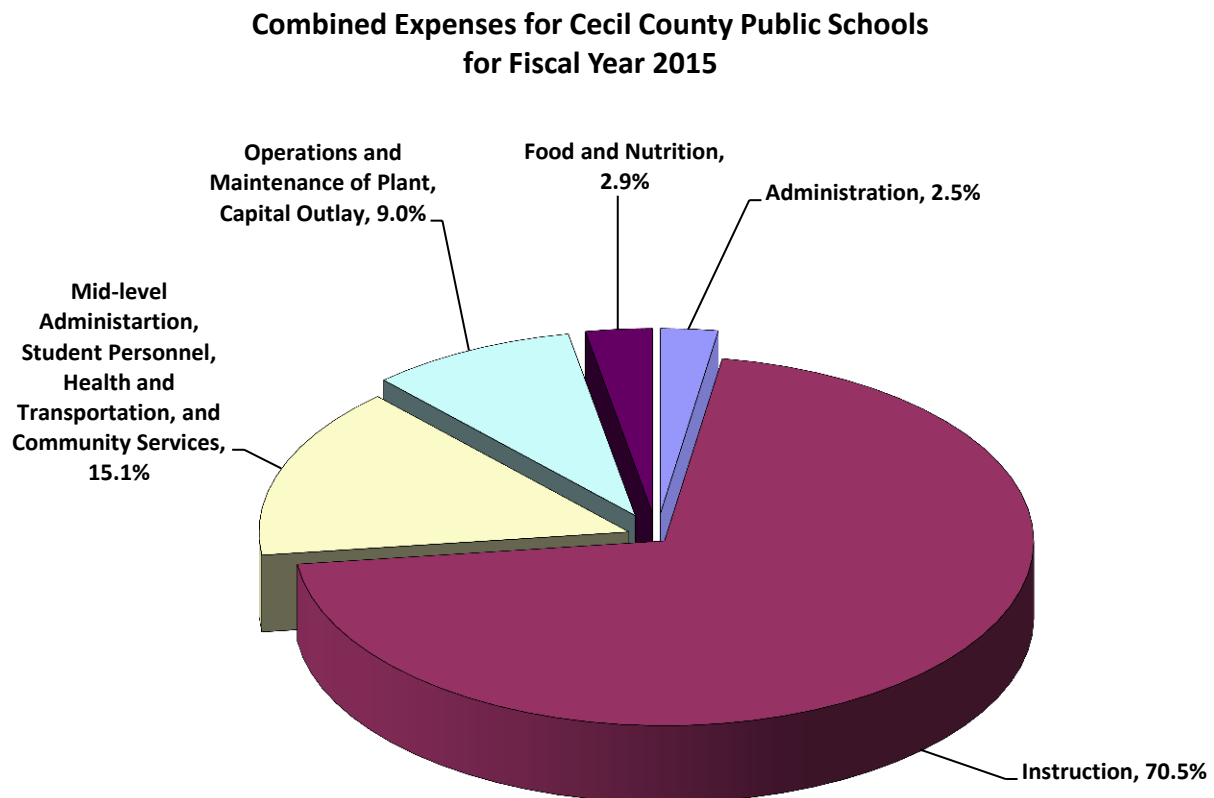
Expenses (Statement of Activities)

The revenues received during 2015 were used to pay expenses of \$215,479,535. This is an increase of \$1,682,400 or 0.8% over 2014. 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, supplies and materials, instruction technology and equipment resulted in an overall increase of \$1,564,012 or 1.3% in the instruction categories. Special Education increased by \$1,248,206 or 3.8% mainly due to salaries and wages, related fixed charges and contracted services. There are decreases in Administration of \$699,660 or 11.5%, Mid-level Administration of \$306,086 or 1.6% and Maintenance of Plant of \$483,296 of 8.4% all due to cost saving efforts.

Overall spending increased by \$1,682,400 or 0.8% and revenue increased by \$26,715,062 or 12.9%, resulting in an increase in net position of \$17,530,391.

The expenses classified by the state's categorical functions can be further summarized for 2015 as follows:



GOVERNMENT FUNDS FINANCIAL HIGHLIGHTS

The total assets of the School System's government funds exceeded liabilities at the end of the fiscal year by \$9,239,384. Total government fund revenues increased by \$26,715,055, with an \$8,095,728 increase in the General Fund mostly due to an increase in state and local funding and an \$18,170,734 increase in the Capital Project Fund. The School System received \$92,411,466 or 39.7% of its governmental activities funding from the County, \$123,360,144 or 52.9% from the State, and \$14,502,361 or 6.2% 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	\$ 7,127,567	\$ 58,595	\$ (156,795)	\$ 7,029,367
Fund balance, end of year	<u>8,973,095</u>	<u>218,335</u>	<u>47,954</u>	<u>9,239,384</u>
Net change in fund balances	<u>\$ 1,845,528</u>	<u>\$ 159,740</u>	<u>\$ 204,749</u>	<u>\$ 2,210,017</u>

The General Fund increased \$1,845,528 from the previous year to \$8,973,095. Several years of reductions in discretionary spending, and deferred purchases and repairs, rising healthcare costs and increased utility costs due to the polar vortex caused a need to utilize a larger portion of the fund balance than originally planned. A portion of the fund balance was recovered in Fiscal 2015, but still unable to obtain the target to maintain a total fund balance of not less than 5% of annual operating expenditures for the fiscal year.

The Special Revenue Fund increased \$159,740 from the previous year to \$218,335. This represents 2.4% of total fund expenditures. This increase is attributed to menu changes, better portion control and a slight reduction in labor.

The Capital Projects Fund increased \$204,749 from the previous year to \$47,954. 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.

CECIL COUNTY PUBLIC SCHOOLS
Management's Discussion and Analysis

Year Ended June 30, 2015

The School System is authorized to transfer funds between major categories of the budget. The following schedule shows the budget amendments, the actual revenue and expenditures, and the remaining budget in each major category:

	Original Budget	Budget Amendments	Final Budget	Actual	Final Budget vs. Actual
Revenue					
Intergovernmental					
Cecil County, Maryland	\$ 75,523,845	\$ -	\$ 75,523,845	\$ 75,523,845	\$ -
State of Maryland	100,473,726	1,364,201	101,837,927	101,384,372	(453,555)
United States government	8,609,480	2,048,767	10,658,247	10,047,466	(610,781)
Other sources					
Investment interest	10,000	-	10,000	7,571	(2,429)
Other	725,000	1,167,188	1,892,188	614,039	(1,278,149)
Total revenue	<u>\$ 185,342,051</u>	<u>\$ 4,580,156</u>	<u>\$ 189,922,207</u>	<u>\$ 187,577,293</u>	<u>\$ (2,344,914)</u>
Expenditures					
Current					
Administration	\$ 4,106,626	\$ 54,038	\$ 4,160,664	\$ 4,074,201	\$ 86,463
Mid-level administration	13,490,055	149,721	13,639,776	13,375,657	264,119
Instruction salaries	69,979,237	1,281,066	71,260,303	70,323,326	936,977
Instruction materials and supplies	4,524,036	1,158,747	5,682,783	4,631,463	1,051,320
Instruction other costs	2,139,636	629,919	2,769,555	2,574,449	195,106
Special education	25,494,094	344,980	25,839,074	25,226,216	612,858
Student personnel services	1,021,387	62,832	1,084,219	1,071,994	12,225
Student health services	1,565,135	(10,826)	1,554,309	1,520,898	33,411
Student transportation	9,561,367	36,198	9,597,565	9,456,522	141,043
Operation of plant	11,703,596	261,864	11,965,460	11,900,684	64,776
Maintenance of plant	3,945,147	327,560	4,272,707	4,092,319	180,388
Fixed charges	37,196,489	164,130	37,360,619	36,882,453	478,166
Community services	290,460	119,927	410,387	304,995	105,392
Capital outlay	324,786	-	324,786	296,588	28,198
Total expenditures	<u>\$ 185,342,051</u>	<u>\$ 4,580,156</u>	<u>\$ 189,922,207</u>	<u>\$ 185,731,765</u>	<u>\$ 4,190,442</u>

The General Fund is the School System's primary operating fund. The final budget of \$189,922,207 exceeded the original budget by \$4,580,156, including \$3,601,398 in Federal, State, and Local Grants. Those funds are primarily in the categories of Instruction Salaries, Instruction Other Costs, and Community Services. The increase in instructional materials and supplies is largely due to an initiative to put Chromebooks in the hands of students.

Actual expenditures were less than the final budget by \$4,190,442. \$1,064,336 is related to Federal and State Grants that will carry over to fiscal 2016. Unrestricted funding exceeded expenditures by \$1,845,528. Salary Savings, by eliminating positions through attrition and employee turnover, amounted to \$1,564,037 primarily in Instruction and Operation of Plant. Additional savings were realized in Fixed Charges related to modifications made to our employee healthcare plans.

Capital Assets and Long Term Debt Activity

The School System's investment in capital assets for its governmental activities as of June 30, 2015 amounts to \$182,454,383 (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:

	2015	2014
Land	\$ 5,561,453	\$ 1,202,153
Buildings	142,287,255	143,604,083
Improvements other than buildings	11,404,460	10,516,384
Furniture, fixtures, and equipment	5,972,320	7,036,885
Construction in progress	17,228,895	5,630,805
Total	\$ 182,454,383	\$ 167,990,310

The total increase in the School System's net capital assets during the year including depreciation was \$14,464,073. Major capital project expenditures during the fiscal year ended June 30, 2015 included:

- Completion of security initiatives at Chesapeake City Elementary, Cherry Hill Middle, and Rising Sun Middle totaling \$361,597
- Completion of roof repair at Rising Sun Elementary totaling \$740,240
- Continuation of Perryville Elementary renovations totaling \$6,928,520
- Continuation of New School of Technology renovation totaling \$15,288,491
- Continuation of roof repair at Conowingo Elementary totaling \$14,041

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 \$12,422,335. Please see Note 5 for details of changes in capital assets and construction commitments and Note 6 for long-term obligations.

Capital Leases

The School System's capital leases represent obligations incurred to finance the purchase of school maintenance vehicles, relocatables, and improvements to buildings. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been

recorded at the present value of the future minimum lease payments at the inception date. Both the General Fund and the Capital Projects Fund are being used to liquidate capital leases. Additional information on capital leases can be found in Note 6 to the financial statements.

Agency Fund

The School System's Student Activity Agency Fund reports funds raised by students, for their benefit, which are held in trust by the School System. For the fiscal year ended June 30, 2015 the total funds held in cash and cash equivalents was \$1,566,895.

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 2015 represents the actuarial determined pre-funding amount of \$659,012 necessary to result in a Net OPEB Obligation (NOO) of zero at year end.

FUTURE FINANCIAL IMPACTS

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

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 2015, the Board of Education used the Strategic Plan to monitor progress and School System priorities. Generally, the School System has been very successful in addressing all aspects of the Strategic Plan. The Strategic Plan, which is updated each year, will continue to serve as a guide to the School System to monitor performance in fiscal year 2016 and plan for fiscal year 2017 and beyond.

THE BUDGET PROCESS

The fiscal year 2016 approved operating budget, adopted in June 2015, was constructed using a modified application of zero-based budgeting based upon the School System's Strategic Plan and long range fiscal plan. This budget supports the School System's mission by addressing the three primary goals and thirteen major objectives of the Board of Education.

Throughout the process of preparing the operating budget request, input is received from various stakeholder groups. All requests for additions, changes, and reductions are evaluated at the department and leadership level before the Superintendent makes a recommendation to the Board of Education for final adoption. The following lists some of the items that were considered, reduced, or included in the fiscal year 2016 budget request:

Requests Deferred:

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

Budget Reductions:

- Building Automation technician
- Three teacher positions
- Assistant Principal position
- Replacement bus
- Computer refresh
- Media, Gifted and Talented, and Early Childhood supplies

Programs Included:

- Camera systems for NEMS and RSMS
 - Replacement ERP System
 - Replacement bus
 - Replace and expand bus security
-

- Transportation for the Twilight program
- Bohemia Manor Middle/High water/sewer upgrades
- Three maintenance vehicles
- Increase in contracted services (CAP, Technology, Cecil College dual enrollment)
- Drug Education program
- AED and vision screener replacement
- Increase in General Assistant hours

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, 2015

ASSETS

Current assets

Cash and cash equivalents	\$ 22,299,402
Due from State of Maryland	1,267,601
Due from United States government	2,065,042
Investments	45,023
Receivables (net)	2,502,673
Prepaid items	614,961
Inventories	<u>142,032</u>
Total current assets	<u>28,936,734</u>

Noncurrent assets

Land	5,561,453
Buildings	142,287,255
Improvements other than buildings	11,404,460
Furniture, fixtures and equipment	5,972,320
Construction in progress	<u>17,228,895</u>
Total noncurrent assets	<u>182,454,383</u>
Total assets	<u>211,391,117</u>

DEFERRED OUTFLOW OF RESOURCES

Pension related	<u>1,220,202</u>
Total deferred outflows	<u>1,220,202</u>

LIABILITIES

Current liabilities

Accounts payable and accrued expenses	19,187,710
Advances from others	481,952
Capital leases due within one year	513,196
Compensated absences due within one year	365,394
Accrued revenue from State of Maryland	4,206
Accrued revenue from United States government	<u>23,482</u>
Total current liabilities	<u>20,575,940</u>

Noncurrent liabilities

Capital leases due in more than one year	3,868,091
Compensated absences due in more than one year	2,577,148
Net pension liability	<u>8,506,595</u>
Total noncurrent liabilities	<u>14,951,834</u>
Total liabilities	<u>35,527,774</u>

DEFERRED INFLOW OF RESOURCES

Pension related	<u>931,102</u>
Total deferred inflows	<u>931,102</u>

NET POSITION

Net Investment in capital assets	178,073,096
Restricted for:	
Capital projects	47,954
Unrestricted	<u>(1,968,607)</u>
Total net position	<u>\$ 176,152,443</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, 2015

		Program Revenue			Net (Expenses)
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Revenue and Changes in Net Position
Function/programs					
Administration	\$ 5,393,707	\$ -	\$ 760,430	\$ -	\$ (4,633,277)
Mid-level administration	18,803,673	-	1,593,567	-	(17,210,106)
Instruction salaries	100,348,057	212,633	34,522,666	-	(65,612,758)
Instruction materials and supplies	4,806,329	-	852,063	25,488,817	21,534,551
Instruction other costs	12,678,060	-	544,609	-	(12,133,451)
Special education	34,004,467	-	14,555,670	-	(19,448,797)
Student personnel services	1,521,216	-	255,454	-	(1,265,762)
Student health services	2,167,347	-	130,419	-	(2,036,928)
Student transportation	9,850,551	-	5,273,231	-	(4,577,320)
Operation of plant	14,176,769	-	660,290	-	(13,516,479)
Maintenance of plant	5,262,522	-	714,188	-	(4,548,334)
Food and nutrition	6,177,158	1,959,515	4,885,229	-	667,586
Community services	289,679	3,773	264,844	-	(21,062)
	\$ 215,479,535	\$ 2,175,921	\$ 65,012,660	\$ 25,488,817	(122,802,137)
					64,666,305
					75,523,845
					7,683
					134,695
					140,332,528
					17,530,391
					166,883,595
					(8,261,543)
					158,622,052
					\$ 176,152,443

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

CECIL COUNTY PUBLIC SCHOOLS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 22,295,806	\$ 3,596	\$ 45,023	\$ 22,344,425
Due from Cecil County, Maryland	-	-	2,016,469	2,016,469
Due from State of Maryland	1,002,470	25,154	239,977	1,267,601
Due from United States Government	1,816,034	249,008	-	2,065,042
Due from Special Revenue fund	67,030	-	-	67,030
Due from Capital Projects fund	1,313,264	-	-	1,313,264
Accounts receivable	448,384	10,890	26,930	486,204
Prepaid items	614,961	-	-	614,961
Inventory	-	142,032	-	142,032
Total assets	<u>27,557,949</u>	<u>430,680</u>	<u>2,328,399</u>	<u>30,317,028</u>
LIABILITIES AND FUND EQUITY				
Accounts payable	\$ 2,655,338	\$ 58,935	\$ 783,206	\$ 3,497,479
Accrued salaries	13,772,209	3,022	-	13,775,231
Estimated claims incurred but not reported	1,915,000	-	-	1,915,000
Advances from others	234,286	63,691	183,975	481,952
Unearned revenue from State government	4,206	-	-	4,206
Unearned revenue from United States government	3,815	19,667	-	23,482
Due to General fund	-	67,030	1,313,264	1,380,294
Total liabilities	<u>18,584,854</u>	<u>212,345</u>	<u>2,280,445</u>	<u>21,077,644</u>
Fund balance				
Non-spendable	614,961	142,032	-	756,993
Restricted	-	-	47,954	47,954
Committed	4,742,665	-	-	4,742,665
Assigned	3,615,469	-	-	3,615,469
Unassigned	-	76,303	-	76,303
Total fund balance	<u>8,973,095</u>	<u>218,335</u>	<u>47,954</u>	<u>9,239,384</u>
Total liabilities and fund balance	<u>\$ 27,557,949</u>	<u>\$ 430,680</u>	<u>\$ 2,328,399</u>	<u>\$ 30,317,028</u>

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

**CECIL COUNTY PUBLIC SCHOOLS
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2015**

Total fund balance	\$	9,239,384
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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	\$	329,630,190	
Accumulated depreciation		<u>(147,175,807)</u>	182,454,383

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Net pension liability	\$	(8,506,595)	
Capital leases payable		(4,381,287)	
Accrued vacation leave		<u>(2,942,542)</u>	(15,830,424)

Deferred outflows related to pensions	1,220,202
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Deferred inflows related to pensions	<u>(931,102)</u>
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Total net position	\$	<u><u>176,152,443</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, 2015

	General	Special Revenue	Capital Projects	Total Governmental Funds
Revenue				
Intergovernmental				
Cecil County, Maryland	\$ 75,523,845	\$ -	\$ 16,887,621	\$ 92,411,466
State of Maryland	114,520,872	392,790	8,446,482	123,360,144
United States government	10,009,922	4,492,439	-	14,502,361
Other sources				
Sale of food	-	1,959,515	-	1,959,515
Investment interest	7,571	14	98	7,683
Other	614,039	-	154,714	768,753
Total revenue	<u>200,676,249</u>	<u>6,844,758</u>	<u>25,488,915</u>	<u>233,009,922</u>
Expenditures				
Current				
Administration	4,074,201	279,730	842,314	5,196,245
Mid-level administration	13,375,657	-	-	13,375,657
Instruction salaries	70,323,326	-	-	70,323,326
Instruction materials and supplies	4,919,836	-	183,081	5,102,917
Instruction other	2,573,824	-	23,454,861	26,028,685
Special education	25,217,748	-	-	25,217,748
Student personnel services	1,071,994	-	-	1,071,994
Student health services	1,520,898	-	-	1,520,898
Student transportation	9,456,522	-	-	9,456,522
Operation of plant	11,900,684	-	-	11,900,684
Maintenance of plant	4,206,479	-	-	4,206,479
Fixed charges	49,907,588	610,749	-	50,518,337
Community services	281,964	-	-	281,964
Food service				
Salaries and wages	-	2,391,077	-	2,391,077
Food	-	3,084,534	-	3,084,534
Contracted services	-	57,648	-	57,648
Supplies and materials	-	180,388	-	180,388
Other operating cost	-	80,892	-	80,892
Debt Service				
Principal	-	-	647,404	647,404
Interest	-	-	156,506	156,506
Total expenditures	<u>198,830,721</u>	<u>6,685,018</u>	<u>25,284,166</u>	<u>230,799,905</u>
Net change in fund balances	1,845,528	159,740	204,749	2,210,017
Fund balance, beginning of year	<u>7,127,567</u>	<u>58,595</u>	<u>(156,795)</u>	<u>7,029,367</u>
Fund balance, end of year	<u>\$ 8,973,095</u>	<u>\$ 218,335</u>	<u>\$ 47,954</u>	<u>\$ 9,239,384</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, 2015**

Total change in fund balance	\$	2,210,017
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Amounts reported in the statement of activities are different because:

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

Depreciation expense	\$	(9,877,716)	
Capital outlays		24,456,136	
Disposal of capital assets net of depreciation		<u>(114,347)</u>	14,464,073

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		647,404
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Pension costs reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		44,048
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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 slightly more than the amounts earned.		<u>164,849</u>
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Total change in net position	\$	<u><u>17,530,391</u></u>
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The notes to the basic financial statements are an integral part of this statement.

CECIL COUNTY PUBLIC SCHOOLS
STATEMENT OF REVENUE, EXPENDITURES, ENCUMBRANCES, AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue				
Intergovernmental				
Cecil County, Maryland	\$ 75,523,845	\$ 75,523,845	\$ 75,523,845	\$ -
State of Maryland	100,473,726	101,837,927	101,384,372	(453,555)
United States government	8,609,480	10,658,247	10,047,466	(610,781)
Other sources				
Investment interest	10,000	10,000	7,571	(2,429)
Other	725,000	1,892,188	614,039	(1,278,149)
Total revenue	185,342,051	189,922,207	187,577,293	(2,344,914)
Expenditures				
Current				
Administration	4,106,626	4,160,664	4,074,201	86,463
Mid-level administration	13,490,055	13,639,776	13,375,657	264,119
Instruction salaries	69,979,237	71,260,303	70,323,326	936,977
Instruction materials and supplies	4,524,036	5,682,783	4,631,463	1,051,320
Instruction other costs	2,139,636	2,769,555	2,574,449	195,106
Special education	25,494,094	25,839,074	25,226,216	612,858
Student personnel services	1,021,387	1,084,219	1,071,994	12,225
Student health services	1,565,135	1,554,309	1,520,898	33,411
Student transportation	9,561,367	9,597,565	9,456,522	141,043
Operation of plant	11,703,596	11,965,460	11,900,684	64,776
Maintenance of plant	3,945,147	4,272,707	4,092,319	180,388
Fixed charges	37,196,489	37,360,619	36,882,453	478,166
Community services	290,460	410,387	304,995	105,392
Capital outlay	324,786	324,786	296,588	28,198
Total expenditures and encumbrances	185,342,051	189,922,207	185,731,765	4,190,442
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENDITURES	\$ -	\$ -	1,845,528	\$ 1,845,528
Fund balance, beginning			7,661,936	
Fund balance, ending			\$ 9,507,464	

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, 2015**

ASSETS	<u>Retiree Benefit Trust Fund</u>	<u>Student Activity Agency Fund</u>
Cash and cash equivalents	\$ 9,657,996	\$ 1,566,895
Total assets	<u>9,657,996</u>	<u>1,566,895</u>
LIABILITIES		
Due to other groups	<u>-</u>	<u>1,566,895</u>
Total liabilities	<u>-</u>	<u>1,566,895</u>
NET POSITION		
Held in trust for retiree benefits	<u>\$ 9,657,996</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, 2015**

ADDITIONS

Contributions:		
Employer	\$	659,012
Member		<u>-</u>
Total contributions		<u>659,012</u>
Investment income:		
Interest/Dividends		109,373
Net increase in the fair value of investments		<u>-</u>
Total investment activity		<u>109,373</u>
Investment activity expenses:		
Investment custodial fees		<u>(47,238)</u>
Total investment expenses		<u>(47,238)</u>
Total net additions		721,147

DEDUCTIONS

Administration service fees	2,394
Auditing fees	2,837
Insurance expense	2,862
General legal fees	69
Office supplies	8
Travel and education	<u>25</u>
Total deductions	<u>8,195</u>
Change in net position	712,952
Net position - beginning	<u>8,945,044</u>
Net position - ending	<u>\$ 9,657,996</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. An elected County Council is responsible for approving the School System's budget. The County is responsible for levying taxes and collecting and distributing funds to the School System. The School System is financially dependent upon appropriations from the County.

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

B. Government-wide Financial Statements

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

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

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

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

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

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

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

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

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

- The **General Fund** is used to focus upon the operation of the School System's educational and support services programs. It accounts for all financial resources for the School System except those resources required to be accounted for in another fund. Major revenue sources are the County, State and Federal governments. Minor sources of revenue come from other sources such as rebates, tuition, and interest.
- The **Special Revenue Fund** is used to record the financial transactions of the Food and Nutrition program. Revenue is primarily generated from the State and Federal grants, Federal commodities, and the sale of student meals and a la carte items.
- The **Capital Projects Fund** reports the revenue and expenditures related to school construction projects ranging from site improvements to minor and major building renovation and addition projects. County and State resources primarily fund these expenditures.

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

- The **Student Activity Agency Fund** consists primarily of funds raised by students, for their benefit, which are held in trust by the School System. Agency funds are custodial in nature and do not measure results of operations or have a measurement focus. Agency funds do, however, use the accrual basis of accounting.
- The **Retiree Benefit Fiduciary Trust Fund** consists of contributions of the School System to establish a reserve to pay for health and welfare benefits of future retirees. Contributions to the trust qualify as contributions and are reported using the economic resource measurement focus and the accrual basis of accounting under which expenses are recorded when the liability is incurred. Fiduciary funds are not reported in the government-wide financial statements.

D. Assets, Liabilities, and Net Position or Equity

Cash 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 completed. Costs of uncompleted projects are accumulated in construction-in-progress and are carried at the lower of cost or market. The School System does not incur debt for the construction of capital projects; therefore, construction period interest is not capitalized. Land improvements, buildings and equipment with a value in excess of \$5,000 are depreciated using the straight-line method over the following estimated useful life:

<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 \$250,000. The School System has provided an accrual for claims incurred for the current fiscal year but not reported.

Compensated Absences

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

Employees are also eligible to earn sick leave and accrue unused balances throughout their employment. There is no liability reported for sick leave because employees are not paid their

unused balance upon separation, except for up to 10 days upon retirement. Based on past experience, management does not expect such amounts to be significant.

Long-term Obligations

The School System has no authority to issue bonded debt. Debt incurred by the County or State governments to finance school construction remains a debt of the issuing government and along with the related debt service, is not reported in the School System's financial statements. The School System occasionally finances the purchase of school buses, maintenance vehicles and relocatable classrooms, over periods ranging from three to five years. In addition, the School System has a fifteen year capital lease for various building improvements as part of an energy performance contract. All long-term obligations are subject to the School System's annual appropriation from the state and local governments.

Unearned Revenue

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

Net Position and Fund Balance

In the *Statement of Net Position*, net position is reported as net invested in capital assets, restricted (based on some externally imposed restrictions 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 is governed by Board Policy DFAA, and stems from the following:

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

The Board policy states that most restricted dollars will be spent before less restricted dollars in the following order:

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

Non-spendable – Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact. This component includes prepaid expenses related to healthcare and inventory related to food services.

Restricted – This component includes funds that are constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation.

Committed – This component includes funds approved in the current fiscal year for use in the subsequent fiscal year. Board Policy states that the target is to maintain a total fund balance of not less than 5% of annual operating expenditures for the fiscal year. Any addition amount must be committed by formal action by the Board prior to June 30.

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

Unassigned – This component consists of the amount that has not been committed or assigned to a specific purpose and exceeds the 5% of the annual operating budget fund balance minimum requirement. A negative unassigned balance may be reported if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

For the General Fund, the School System's \$8,973,095 fund balance is 4.8% of the fiscal year 2015 total budget. \$614,961 is non-spendable, \$3,615,469 is assigned and \$4,742,665 is committed as a reserve for contingencies for fiscal year 2016. There is no unassigned balance for the General Fund. Due to several years of flat funding prior to fiscal year 2015, the 5% fund balance required by Board policy was not attainable.

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Fund balance				
Non-spendable				
Inventory	\$ -	\$ 142,032	\$ -	\$ 142,032
Prepaid expenses	614,961	-	-	614,961
	<u>614,961</u>	<u>142,032</u>	<u>-</u>	<u>756,993</u>
Restricted	-	-	47,954	47,954
Committed				
Budget contingency	4,742,665	-	-	4,742,665
Assigned				
Health care	3,615,469	-	-	3,615,469
Unassigned	-	76,303	-	76,303
Total fund balance, June 30, 2015	<u>\$ 8,973,095</u>	<u>\$ 218,335</u>	<u>\$ 47,954</u>	<u>\$ 9,239,384</u>
Total fund balance, June 30, 2014	<u>7,127,567</u>	<u>58,595</u>	<u>(156,795)</u>	<u>7,029,367</u>
Net change in fund balance	<u>\$ 1,845,528</u>	<u>\$ 159,740</u>	<u>\$ 204,749</u>	<u>\$ 2,210,017</u>

Recent Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that will impact future fiscal years. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the School System.

During the fiscal year 2015, the School System implemented GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68*, which are effective for periods beginning after June 15, 2014. These statements replace the requirements of Statements No. 27 and No. 50, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.

As of the year ended June 30, 2015, GASB issued Statement 72, *Fair Value Measurement and Application*; Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68*, and *Amendments to certain Provisions of GASB Statements 67 and 68*; GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. These statements may have a material effect on the School System’s financial statements once

implemented. Management will be analyzing the effects of the pronouncements and plans to adopt them if applicable by their effective date.

NOTE 2 BUDGETARY INFORMATION

A. Budgetary Requirements

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

1. The School System must submit annual budgets for its General Fund and Capital Projects Fund to the County Executive prior to February 1, 2016.
2. The County Executive must submit a complete County budget to the County Council by March 1, 2016.
3. Following public hearings, the County Council must approve the budgets by June 15, 2016.
4. Subsequent supplemental appropriations also require the County Executive and County Council's approval.
5. The General Fund budget is prepared and approved by major expenditure categories as specified by state law. Actual expenditures may not exceed appropriations for a category. These categories include:

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

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

7. The management and staff of the School System are responsible for preparing the budget, monitoring budgetary expenditures, reporting, and making recommendations for transfers between objects of expenditure and major categories.
8. Unencumbered appropriations lapse at the end of each year, except in the capital projects fund where appropriations do not lapse. Encumbered appropriations are liquidated through expenditures in the subsequent fiscal year. The portion of fund balance related to lapsed appropriations must be re-appropriated.

B. Reconciliation between GAAP and Budgetary Basis

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

The differences between the GAAP and budgetary basis relating to the General Fund are shown below.

General Fund

Fund Balance Ending, June 30, 2015 – Non-GAAP		\$	9,507,464
Maryland State Department payments to State Retirement and Pension System on behalf of the School System for eligible employees			
	Revenue		13,025,135
	Expenditures		(13,025,135)
Current year encumbrances reported as expenditures for budget purposes and not in GAAP statements			(74,845)
Cumulative effect of encumbrances reported as expenditures in prior years			<u>(459,524)</u>
Fund Balance Ending, June 30, 2015 – GAAP Basis		\$	<u>8,973,095</u>

Encumbrances of \$74,845 were recorded in the General Fund for grant funds expected to be fully expended within 90 days.

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, 2015 the carrying amount and bank balances of the School System's deposits with financial institutions totaled \$23,911,320 and \$24,184,346 respectively. All of the bank deposits are covered by federal deposit insurance and/or collateral held in the School System's name.

<u>Government Funds</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured-Federal Deposit Insurance Corporation	\$ 839,591	\$ 847,653
Uninsured-collateral held by bank in school system's name	19,817,706	23,037,647
Certificate of Deposit due within one year-collateral held by bank in the School System's name	3,087,207	3,087,207
Total Deposits	<u>23,744,504</u>	<u>26,972,507</u>
Investments-Maryland Local Government Investment Pool	166,816	211,839
Total Cash and Investments	<u>\$ 23,911,320</u>	<u>\$ 27,184,346</u>
Reconciliation of above to the Statement of Net Position		
General Fund	\$ 22,295,806	\$ 22,474,974
Special Revenue Fund	3,596	2,472
Capital Projects Fund	45,023	45,023
Total cash and cash equivalents-Statement of Net Position	<u>22,344,425</u>	<u>22,522,469</u>
Fiduciary Fund	1,566,895	1,661,877
Total cash and investments	<u>\$ 23,911,320</u>	<u>\$ 24,184,346</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, 2015, MABE held \$9,657,995 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, 2015, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Purpose	Amount
General	Capital Projects	Deficit cash balance	\$ 1,313,264
General	Special Revenue	Deficit cash balance	67,030
Total			<u>\$ 1,380,294</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 2015:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 1,202,153	\$ 4,359,300	\$ -	\$ 5,561,453
Construction-in-progress	5,630,805	25,284,166	(13,686,076)	17,228,895
Total capital assets not being depreciated	<u>6,832,958</u>	<u>29,643,466</u>	<u>(13,686,076)</u>	<u>22,790,348</u>
Capital assets being depreciated				
Buildings	261,179,660	6,016,319	-	267,195,979
Improvements other than buildings	15,023,594	1,638,657	-	16,662,251
Furniture, equipment and vehicles	23,231,282	843,768	(1,093,438)	22,981,612
Total capital assets being depreciated	<u>299,434,536</u>	<u>8,498,744</u>	<u>(1,093,438)</u>	<u>306,839,842</u>
Less accumulated depreciation for				
Buildings	(117,575,577)	(7,333,147)	-	(124,908,724)
Improvements other than buildings	(4,507,210)	(750,581)	-	(5,257,791)
Furniture, equipment and vehicles	(16,194,397)	(1,793,988)	979,093	(17,009,292)
Total accumulated depreciation	<u>(138,277,184)</u>	<u>(9,877,716)</u>	<u>979,093</u>	<u>(147,175,807)</u>
Total capital assets being depreciated, net	<u>161,157,352</u>	<u>(1,378,972)</u>	<u>(114,345)</u>	<u>159,664,035</u>
	<u>\$ 167,990,310</u>	<u>\$ 28,264,494</u>	<u>\$ (13,800,421)</u>	<u>\$ 182,454,383</u>

Depreciation expense was charged to functions/programs as follows:

<u>Government activities:</u>	<u>Amount</u>
Administration	\$ 570,549
Mid-level administration	39,158
Instruction other costs	8,791,074
Special education	61,753
Student personnel services	546
Student health services	12,421
Student transportation	77,261
Operation of plant	76,958
Maintenance of plant	101,188
Food and nutrition	146,808
	<u>\$ 9,877,716</u>

B. Construction Commitments

The School System has active construction projects as of June 30, 2015. 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>
Perryville Elementary renovations	\$ 7,667,788	\$ 9,728,383
New School of Technology renovations	16,711,176	2,446,484
Conowingo Elementary roof repair	14,041	247,468
Total	<u>\$ 24,393,005</u>	<u>\$ 12,422,335</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	\$ 5,726,183
Less accumulated depreciation	(510,295)
	<u>\$ 5,215,888</u>

The following are the future minimum payments under the School System's capital lease obligations and represent the present value of the minimum lease payments for the amount capitalized as of the fiscal year ended June 30, 2015:

<u>Fiscal years ending June 30:</u>	<u>Total</u>
2016	\$ 602,935
2017	803,913
2018	803,913
2019	803,913
2020	803,913
2021	803,880
Total payments	4,622,467
Less interest	(241,180)
Capitalized lease obligations	<u>\$ 4,381,287</u>

C. Changes in Long-term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	\$ 5,028,691	\$ -	\$ (647,404)	\$ 4,381,287	\$ 513,196
Compensated absences	3,107,391	351,833	(516,682)	2,942,542	365,394
Net pension liability	9,378,562	245,052	(1,117,019)	8,506,595	-
Long-term liabilities	<u>\$ 17,514,644</u>	<u>\$ 596,885</u>	<u>\$ (2,281,105)</u>	<u>\$ 15,830,424</u>	<u>\$ 878,590</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 2015 under these leases amounted to \$679,082. The aggregate future rental payments under these commitments are \$2,238,972 summarized below:

<u>Fiscal year ending June 30:</u>	<u>Building Rent</u>	<u>Office Equipment</u>
2016	\$ 260,208	\$ 432,021
2017	268,014	426,243
2018	-	426,243
2019	-	426,243
Total	<u>\$ 528,222</u>	<u>\$ 1,710,750</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 \$92,677,398 during the fiscal year ended June 30, 2015, were used in the designated programs and did not supplant funding for the unrestricted programs. The General and Special Revenue Funds accounted for \$64,968,612 and the Capital Project Fund accounted for \$25,488,817.

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, 2015 are estimated to be in the amount of \$1,915,000. This amount is \$69,000 more 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 Year	Beginning Balance	Increase	Decrease	Ending Balance
2014	\$ 1,806,000	\$ 40,000	\$ -	1,846,000
2015	\$ 1,846,000	\$ 69,000	\$ -	1,915,000

C. Sick Leave

As of June 30, 2015, the amount of accumulated unused sick leave was estimated to be \$26,979,595. 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, 2015, the amount of accumulated unused sick leave included in the sick leave bank was estimated to be \$2,041,282. The sick leave bank is an extra source of sick leave available to those employees who are eligible and elect to participate. Participation is based on a formula for donating sick days to the bank based on the employees' classification and accrued sick leave. Management believes it is not practical to estimate the portion of such amount which will ultimately be paid because payment is contingent upon employees' future illnesses.

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

E. Special Grants

The School System participates in a number of Federal and State assisted programs. These programs are generally subject to program compliance audits by the grantors or their representatives. As of June 30, 2015, 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 through June 30, 2016 is a three year agreement with a 1.8% COLA for the first year and COLA for years 2 and 3 will be based on the CPI-U not to exceed 2% as reported in November of 2013 for fiscal year 2014 and November of 2014 for fiscal year 2015. The 1.8% COLA was applied retroactively to the fiscal year 2013 pay scale at the midpoint of the pay year for this group. The fiscal year 2015 increase based on COLA is 1.2%. Incremental steps are to be funded for each of the three years. For retiree healthcare, a 5% improvement was made for those retirees who had accumulated 24 to 29 years of service in Cecil County Public Schools (CCPS) and a 13% improvement was made for those retirees who had accumulated 30 or more 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 through June 30, 2016 is a three year agreement with a 1.8% COLA for the first year and COLA for years 2 and 3 will be based on the CPI-U not to exceed 2% as reported in November of 2013 for fiscal year 2014 and November of 2014 for fiscal year 2015. The 1.8% COLA was applied retroactively to the fiscal year 2013 pay scale at the midpoint of the pay year for this group. The fiscal year 2015 increase based on COLA is 1.2%. Incremental steps are to be funded for each of the three years. For retiree healthcare, 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 or more years of service in CCPS.

The collective bargaining agreement with the Cecil Education Support Personnel Association (CESPA) for the period July 1, 2013 through June 30, 2016 is a three year agreement with a 1.8% COLA for the first year and COLA for years 2 and 3 will be based on the CPI-U not to exceed 2% as reported in November of 2013 for fiscal year 2014 and November of 2014 for fiscal year 2015. The 1.8% COLA was applied retroactively to the fiscal year 2013 pay scale at the midpoint of the pay year for this group. The fiscal year 2015 increase based on COLA is 1.2%. Incremental steps are to be funded for each of the three years. For retiree healthcare, 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 or more years of service in CCPS.

Meet and Confer discussions with the Central Office Support Services Leadership Association (COSSLA) for the period July 1, 2013 through June 30, 2016 resulted in a three year agreement with a 1.8% COLA for the first year and COLA for years 2 and 3 will be based on the CPI-U not to

exceed 2% as reported in November of 2013 for fiscal year 2014 and November of 2014 for fiscal year 2015. The 1.8% COLA was applied retroactively to the fiscal year 2013 pay scale at the midpoint of the pay year for this group. The fiscal year 2015 increase based on COLA is 1.2%. Incremental steps are to be funded for each of the three years. For retiree healthcare, 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 or more 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 OTHER POST EMPLOYMENT BENEFITS

A. Plan Description

The Cecil County Public Schools Retiree Health and Welfare Plan (the "Plan") is a single employer defined benefit healthcare plan administered by the School System. The Plan provides medical, prescription drug, dental and vision benefits to eligible retirees, their spouses and eligible dependents. All classes of employees are eligible to participate in the Plan upon retirement. Participants must meet the eligibility requirements of the Maryland State Teachers' pension system, which are age 55 with 15 years of service, 30 years of service or age 62 with 5 years of service. To be eligible for continued retiree healthcare coverage, the retiree must have been enrolled in the School System's sponsored Plan for at least one full year immediately prior to retirement. In addition, eligible spouses and dependents desiring coverage through the eligible retiree's plan must be enrolled in the Plan immediately prior to the retiree's effective date of retirement. As of July 1, 2014, the date of the last actuarial valuation, approximately 668 retirees and their beneficiaries were receiving benefits, and an estimated 2,003 active employees were potentially eligible to receive future benefits.

B. Funding Policy

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

For the fiscal year 2015, retirees contributed \$3,306,113 or 44.2% of the total premiums and benefits cost of \$7,481,326. In May 2008, the School System created the Retiree Benefit Trust of the Board of Education of Cecil County (the "Trust") in order to arrange for the establishment of a reserve to pay promised future health and welfare benefits for employee services that have already occurred. The School System intends the contributions to the Trust qualify as "contributions in relation to the actuarial required contribution" that the Trust will qualify as a "trust or equivalent arrangement".

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

In May 2008, the School System entered into an agreement with the Maryland Association of Boards of Education (MABE), together with certain member Boards of Education in Maryland to establish the MABE Pooled OPEB Investment Trust (MABE Pool) in order to pool assets of the member Boards of Education for investment purposes only. Each member of the MABE Pool is required to designate a member trustee who is a trustee of the member trust. The member trustees of the MABE Pool shall ensure that the MABE Pool keep such records as are necessary in order to maintain a separation of the assets of the Trust from the assets of trusts maintained by other governmental employers. Assets of the member trusts are reported in their respective CAFR using the economic resources measurement focus and the accrual basis of accounting under which expenses are recorded when the liability is incurred. Employer contributions are recorded in the accounting period in which they are earned and become measurable. Investments are reported at fair value and are based on published prices and quotations from major investment brokers at current exchange rates, as available.

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

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

C. Annual OPEB Cost and Net OPEB Obligation

The School System's annual Other Post-Employment Benefit (OPEB) cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined within the

parameters set forth by the Governmental Accounting Standards Board (GASB). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year plus any unfunded liability amortized over a period not to exceed thirty years. The adjustment to the ARC is the difference between the ARC and the actual expenditures for the fiscal year. The School System pays post-retirement medical benefits (normal cost) from the General Fund, not from the Trust.

Annual required contribution	\$ 3,510,585
Adjustment to annual required contribution	<u>202,587</u>
Annual OPEB cost	3,713,172
Payments to retirees from general fund	(3,054,160)
Prefunding contribution	<u>(659,012)</u>
Increase in net OPEB obligation	-
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u><u>\$ -</u></u>

The School System's OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal 2014 and 2015, are as follows:

Fiscal Year	Annual OPEB	Percentage of Annual	Net OPEB
Ended	Cost	OPEB Cost Contributed	Obligation
June 30, 2014	\$ 4,002,430	100.0%	\$ -
June 30, 2015	\$ 3,713,172	100.0%	\$ -

D. Funding Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$53,079,271 with an actuarial value of assets of \$8,945,044 and resulting in an unfunded actuarial accrued liability (UAAL) of \$44,134,227. The annual payroll of active employees covered by the Plan was \$114,573,158 and the ratio of the UAAL to covered payroll was 38.5%. The School System established the Retiree Benefit Trust Fund in May 2008 with the intention to fully fund the annual required contribution (ARC). As of June 30, 2015, there were \$9,657,995 in net position. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, is designed to present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

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

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

NOTE 11 PENSION PLAN

A. Summary

The School System has adopted GASB No. 68 - *Accounting and Financial Reporting for Pensions* (GASB No. 68) for the ended June 30, 2015. The School System participates in the Maryland State Retirement and Pension System (the System) and qualifies as a Participating Governmental Unit (PGU). The State Retirement Agency (the Agency) is the Plan administrator and fiduciary. GASB No. 68 requires that a PGU recognize its proportionate share of the System's net pension liability (i.e. unfunded pension liability) and pension expense. The System is comprised of the Teachers' Retirement and Pension Systems, Employees' Retirement and Pension Systems, State Police Retirement Pension System, Judges' Retirement System, and the Law Enforcement Officers' Pension System. The School System's employees participate in both the Teachers' Retirement and Pension Systems and the Employees' Retirement and Pension Systems. The School System's proportionate share for employees participating in the Employee's Retirement and Pension Systems is based on total System contributions and approximates 0.0479% as of the measurement date of June 30, 2014. The School System has also adopted GASB No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB No. 68*. GASB No. 71 requires that contributions to the pension plan subsequent to the measurement date be recognized as a deferred outflow of resources. The School System's fiscal 2015 contribution in December 2014, for employees participating in the Employees' Retirement and Pension Systems, of \$1,097,148 is therefore recognized as a pension related deferred outflow of resources.

The School System's employees participate in the System and contribute 7 percent of their compensation during fiscal 2015 as stipulated by the System. For employees participating in the Employees' Retirement and Pension Systems, the School System contributed \$1,097,148 to the System for fiscal 2015 which was actuarially determined based on statutory provisions. In relation to these employees, the School System has also recognized in Pension Expense its proportionate share of the System's deferred inflows of resources (an increase in Pension Expense) attributable to the net difference between projected and actual investment earnings on pension plan assets and its proportionate share of the System's deferred outflows of resources (a decrease in Pension Expense) attributable to changes in assumptions.

For employees participating in the Teachers' Retirement and Pension Systems, the State of Maryland (the non-employer contributing entity) pays the full employer pension cost, except for those employees eligible under the Teachers' Pension System working on federal grant programs. During the year ended June 30, 2015, the State of Maryland paid \$13,025,135 in pension costs, relating to employees of the School System participating in the Teachers' Retirement and Pension Systems, which equaled approximately 12.8% of the covered payroll. The County's contribution on behalf of the School System to the Teachers System for the year ended June 30, 2015 was \$3,352,878. Any pension liability, deferred outflow of resources, deferred inflow of resources and related financial reporting disclosures, in relation to these employees are included in the State of Maryland Comprehensive Annual Financial Report.

Basis of presentation and basis of accounting

In relation to the Employee's Retirement and Pension Systems of the System:

1. Employers participating in the System's cost-sharing multiple-employer defined benefit plans are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The Schedule of Employer Allocations and Schedule of Pension Amounts by Employer (pension allocation schedules) provide employers with the required information for financial reporting. The System's financial statements are prepared on the accrual basis of accounting and are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) that apply to governmental accounting for the fiduciary funds.
2. Actual employer contributions billed to participating government units for the year ending June 30, 2014, are used as the basis for determining each employer's proportionate share of the collective pension amounts reported in the Schedule of Employer Allocations. The contributions were adjusted by increasing contributions by approximately \$598 million to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland.
3. The components of the calculation of the net pension liability for the system of June 30,

2014, calculated in accordance with GASB Statement No. 67, are shown in the following table.

(Expressed in thousands)	
Total Pension Liability	\$ 63,086,719
Plan Fiduciary Net Position	<u>45,339,988</u>
Net Pension Liability	<u><u>\$ 17,746,731</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>71.87%</u>

Actuarial Assumptions

- Actuarial - Entry Age Normal
- Amortization Method - Level Percentage of Payroll, Closed
- Asset Valuation Method - 5-year smoothed market; 20% collar
- Inflation - 2.9% general, 3.4% wage
- Salary increases - 3.4% to 11.9% including inflation
- Discount Rate - 7.65%
- Investment Rate of Return - 7.65%
- Retirement Age - Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2006-2010.

Note: There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the following assumptions changes in the 2014 valuation:

- Investment return assumption changed from 7.70% to 7.65%
- Inflation assumption changed from 2.95% to 2.90%

Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Pension system’s Board after considering input from the investment consultant(s) and actuary(s). For each major asset class that is included in the Pension System’s target asset allocation, these, these best estimates are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Public Equity	35%	4.70%
Fixed Income	10%	2.00%
Credit Opportunity	10%	3.00%
Real Return	14%	2.80%
Absolute Return	10%	5.00%
Private Equity	10%	6.30%
Real Estate	10%	4.50%
Cash	<u>1%</u>	1.40%
Total	<u>100%</u>	

The above was the Pension System’s Board of Trustees adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2014.

Discount Rate

A single discount rate of 7.65% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.65%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

B. Sensitivity of the Net Pension Liability

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the System’s net pension liability and the School System’s proportionate share of the System’s net pension liability, calculated using a single discount rate of 7.65%, a single discount rate that is 1-percentage point lower (i.e. 6.65%) and as single discount rate that is 1-percentage point higher (i.e. 8.65%):

	<u>1% Lower - 6.65%</u>	<u>Current Rate - 7.65%</u>	<u>1% Higher - 8.65%</u>
The System's Net Pension Liability	\$ 25,575,273	\$ 17,746,731	\$ 11,189,338
The School System's Proportionate Share of Net Pension Liability for the Employee's Retirement & Pension Systems	12,259,073	8,506,595	5,363,419
The School System's Proportionate Share of Net Pension Liability for the Teachers' Retirement & Pension Systems	\$ -	\$ -	\$ -

C. Pension Plan Description

Organization

The State Retirement Agency (the Agency) is administrator of the System. The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The system is made up of two cost-sharing employer pools: the "State Pool" consists of the State agencies, boards of education, community colleges, and libraries. The "Municipal Pool" consists of the participating governmental units that elected to join the System. Neither pool shares in each other's actuarial liabilities, thus participating governmental units that elect to join the System (the "Municipal Pool"), share in the liabilities of the Municipal Pool only. The State of Maryland is the statutory guarantor for the payment of all pensions, annuities, retirement allowances, refunds, reserves, and other benefits of the System. The Agency is legally authorized to use all assets accumulated for the payment of benefits to pay such obligations to any plan member or beneficiary as defined by the terms of the plan. Consequently, the System is accounted for as a single plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 25*. Additionally, the System is fiscally dependent on the State by virtue of the legislative and executive controls exercised with respect to its operations, policies, and administrative budget. Accordingly, the System is included in the State's reporting entity and disclosed in its financial statements as a pension trust fund. The System is comprised of the Teachers' Retirement and Pension Systems, Employees' Retirement and Pension Systems, State Police Retirement System, Judges' Retirement System, and the Law Enforcement Officers' Pension System. The School System's employees participate in both the Teachers' Retirement and Pension System and the Employees' Retirement and Pension System.

Covered Members

The Teachers' Retirement System was established on August 1, 1927, to provide retirement allowances and other benefits to teachers in the State. Effective January 1, 1980, the Teachers' Retirement System was closed to new members and the Teachers' Pension System was established. As a result, teachers hired after December 31, 1979, became members of the Teachers' Pension System as a condition of employment. On or after January 1, 2005, an individual who is a member of the Teachers' Retirement System may not transfer membership to the Teachers' Pension System.

On October 1, 1941, the Employees' Retirement System was established to provide retirement allowances and other benefits to State employees, elected and appointed officials and the employees of participating governmental units. Effectively January 1, 1980, the Employees' Retirement System was essentially closed to new members and the Employees' Pension System was established. As a result, State employees (other than correctional officers) and employees of participating units hired after December 31, 1979, became members of the Employees' Pension System as a condition of employment, while all State correctional officers and members of the Maryland General Assembly continue to be enrolled as members of the Employee's Retirement System. On or after January 1, 2005, an individual who is a member of the Employee's Retirement System may not transfer membership to the Employees' Pension System. Currently, more than 150 governmental units participate in the Employees' Retirement System.

Summary of Significant Plan Provisions

All plan benefits are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. For all individuals who are members of the System on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For any individual who becomes a member of one of the pension systems on or after July 1, 2011, pension allowances are computed using both the highest five consecutive years' AFC and the actual number of years accumulated creditable services. Various retirement options are available under each system which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors. Beginning July 1, 2011, the member contribution rate was increased for members of the Teachers' Pension System and Employees' Pension System from 5% to 7%, and from 4% to 6% respectively, in fiscal year 2013. In addition, the benefit attributable to service on or after July 1, 2011 in many of the pension systems now will be subject to different cost-of-living adjustments (COLA) that is based on the increase in the Consumer Price Index (CPI) and capped at 2.5% or 1.0% based on whether the market value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation. A brief summary of the retirement eligibility requirements of and the benefits

available under various systems in effect during fiscal year 2014, are as follows:

Service Retirement Allowances

A member of the Teachers' or Employee's Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals $1/55$ (1.81%) of the member's AFC multiplied by the number of years of accumulated creditable service. An individual who is a member of the Teachers' or Employees' Pension System on or before June 30, 2011, is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of the Teachers' or Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and as accrued at least 10 years of eligibility service. For most individuals who retired from either the Teachers' or the Employees' Pension System on or before June 30, 2006, the annual or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of the Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and as accrued at least 10 years of eligibility service. For most individuals who retired from the Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Teachers' or Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the members AFC, multiplied by the number of years of credible service accumulated prior to July 1, 1998, plus 1.8% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of the Teachers' or Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Teachers' or Employees' Pension System. Exceptions to these benefit formulas apply to members of the Employees' Pension System, who are employed by a participating governmental unit that does not provide the 1998 or 2006 enhanced pension benefits or the 2011 reformed pension benefits. The pension allowance for these members equals 0.8% of the member's AFC up to the social security integration level (SSIL), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the social security wage bases for the past 35 calendar years ending with the year the retiree separated from services.

Vested Allowances

Any individual who is a member of the System on or before June 30, 2011 (other than a judge or a legislator), and who terminates employment before attaining retirement age but

after accumulating 5 years of eligibility service is eligible for a vested retirement allowance. Any individual who joins the System on or after July 1, 2011 (other than a judge or a legislator), and who terminates employment before attaining retirement age but after accumulating 10 years of eligibility services is eligible for a vested retirement allowance. A member, who terminates employment prior to attaining retirement age and before vesting, receives a refund of all member contributions and interest.

Early Service Retirement

A member of the Teachers' or Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of credible service, whichever is less. The maximum reduction for a Teachers' or an Employees' Retirement System member is 30%. An individual who is a member of the Teachers' or Employees' Pension System on or before June 30, 2011, may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the Teachers' or Employees' Pension System is 42%. An individual who becomes a member of the either the Teachers' or Employees' Pension System on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the Teachers' or Employees' Pension System is 30%.

Disability and Death Benefits

Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of services receives a service allowance based on a minimum (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. A member (other than a member of the Maryland General Assembly or a judge, both of which are ineligible for accidental disability benefits) who is permanently and totally disabled as a result of an accident occurring in the line of duty receives 2/3 (66.7%) of the member's annual salary as of the date of death plus all member contributions and interest.

Adjusted Retirement Allowances (as applicable)

Retirement and pension allowances are increased annually to provide for changes in the cost of living according to prescribed formulae. Such adjustments for retirees are based on the annual change in the CPI. For the Teachers' and Employees' Retirement Systems (TRS/ERS) the method by which the annual COLA's are computed depends upon elections made by members who were active on July 1, 1984 (or within 90 days of returning to service, for members who were active on July 1, 1984) enabling the member to receive either an unlimited COLA, a COLA limited to 5% or a two part combination COLA depending upon the COLA election by the member. With certain exceptions, effective July 1, 1998, for Teachers', Employees', and Law Enforcement Officers' Pension System retirees, the adjustment is capped at a maximum 3% compounded and is applied to all benefits which have been in payment for one year. The annual increases to pension allowances for Employees' Pension System retirees who were employed by a participating governmental unit that does not provide enhanced pension benefits are limited to 3% of the initial allowance. However, beginning July 1, 2011, for benefits attributable to service earned on or after July 1, 2011, in all of the systems except the judges' and legislators' systems, the adjustment is capped at the lesser of 2.5% or the increase in CPI if the most recent calendar year market value of return was greater than or equal to the assumed rate. The adjustment is capped at the lesser of 1% or the increase in CPI if the market value return was less than the assumed rate of return. In years in which COLAs would be less than zero due to a decline in CPI, retirement allowances will not be adjusted. COLAs in succeeding years are adjusted until the difference between the negative COLA that would have applied and the zero COLA is fully recovered.

D. Pension Liabilities, Pension Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions

In relation to employees participating in the Employees' Retirement and Pension System, at June 30, 2015, the School System reported a liability of \$8,506,595 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation of that date. The School System's proportion of the net pension liability was based on a projection of the School System's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. At June 30, 2014, the School System's proportion was approximately 0.0479 %.

In relation to these employees, for the year ended June 30, 2015, the School System recognized pension expense of \$1,072,971. At June 30, 2015 the School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Changes of assumptions	\$ 123,054	\$ -
Net difference between projected and actual earnings on pension plan investments	-	931,102
Contributions subsequent to the measurement date	<u>1,097,148</u>	<u>-</u>
Total	<u>\$ 1,220,202</u>	<u>\$ 931,102</u>

The deferred outflow of resources of \$123,054 due to changes in assumption and the deferred inflows of resources of \$931,102 due to differences in projected and actual investment earnings represent the School System's proportionate share of the unamortized portions of the System's original amounts, which are being amortized over a five-year period beginning in fiscal 2015. These unamortized amounts will be ratably recognized in pension expense over the next four years. In accordance with GASB 71, the deferred outflows of resources of \$1,097,148 relating to contributions subsequent to the measurement date will be recognized as a reduction of the School System's net pension liability in the year ended June 30, 2016.

Net Pension Liability

The components of the School System's proportionate share of the Pension System's net pension liability as the measurement date of June 30, 2014 were as follows:

	In relation to employees participating in the Employees' Retirement and Pension System	In relation to employees participating in the Teachers' Retirement and Pension System	Total
Total Pension Liability	\$ 30,239,549	\$ 351,472,603	\$ 381,712,152
Plan Fiduciary Net Position	21,732,954	252,600,925	274,333,879
Net Pension Liability	\$ 8,506,595	\$ 98,871,677	\$ 107,378,272
Plan fiduciary net position as a percentage of total pension liability	71.87%	71.87%	71.87%

The School System's proportionate share for the employees participating in the Employee's Retirement and Pension Systems and the State of Maryland's (the non-employer contributing entity's) proportionate share for the employees participating in the Teachers' Retirement and Pension Systems are both based on total System contributions for fiscal year 2104 and approximate 0.0479% and 0.5571%, respectively, as a measurement date of June 30, 2014.

E. The Pension Plan Fiduciary

Plan Information as well as the Comprehensive Annual Financial Report the Maryland State

Retirement and Pension System for the years ended June 30, 2014 and 2013 are available from:

State Retirement and Pension System of Maryland
120 East Baltimore Street
Baltimore, MD 21202

www.sra.state.md.us

NOTE 12 CUMULATIVE CHANGE IN ACCOUNTING PRINCIPLE

The School System has adopted GASB No. 68 - Accounting and Financial Reporting for Pensions (GASB No. 68) for the ended June 30, 2015. The School System participates in the Maryland State Retirement and Pension System (the System) and qualifies as a Participating Governmental Unit (PGU). The Pension System is the plan administrator and fiduciary. GASB No. 68 requires that a PGU recognize its proportionate share of the Pension Systems net pension liability (i.e. unfunded pension liability) and pension expense. The presentation of net pension liability and pension expense in accordance with GASB No. 68 required the restatement of beginning of the year net position. Beginning of the year net position was reduced by the beginning of the year net pension liability of \$9,378,562 and increased by the pension related deferred outflows of \$1,117,019, for a cumulative effect on net position of \$8,261,543.

NOTE 13 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.

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.

BY VALUATION DATE

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

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%
June 30, 2014	\$ 4,002,430	100.0%
June 30, 2015	\$ 3,713,172	100.0%

Additional Information - Schedule of Required Pension Related Supplementary Information

Schedule of the Proportionate Share of the Net Pension Liability for the Employee's Retirement and Pension System

Proportion (%) of collective net pension liability	FY 2015
	0.0479%
Proportionate share (\$) of collective net pension liability	\$ 8,506,595
Covered-employee payroll (\$)	\$ 11,275,928
Proportionate share of collective net pension liability as a percentage of its covered-employee payroll	58.9%
Pension plan's fiduciary net position as a percentage of the total pension	71.87%

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

	<u>FY 2015</u>
Proportion (%) of collective net pension liability	0.0%
Proportionate share (\$) of collective net pension liability	\$ -
Portion of the State of Maryland's total proportionate share (\$) of collective net pension liability that is associated with the School System	\$ 98,871,677
Sum of the School System's and portion of the State of Maryland's total proportionate share (\$) of collective net pension liability that is associated with the School System	\$ 98,871,677
School System's covered payroll (\$)	\$ 101,986,232
School System's proportionate share of collective net pension liability as a percentage of its covered payroll	0.0%
Pension plan's fiduciary net position as a percentage of the total pension liability	71.87%

The above schedules are presented to illustrate the requirement for specified information for 10 years. However, until a full 10-year trend is compiled, information is only presented for those years for which information is available.

CECIL COUNTY PUBLIC SCHOOLS
SCHEDULE OF PENSION PLAN CONTRIBUTIONS FOR THE EMPLOYEES' RETIREMENT AND PENSION SYSTEM
LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 1,097,148	\$ 1,117,019	\$ 998,507	\$ 1,229,056	\$ 1,222,619	\$ 859,455	\$ 793,648	\$ 885,961	\$ 757,742	\$ 627,280
Contributions in relation to the contractually required contribution	<u>1,097,148</u>	<u>1,117,019</u>	<u>998,507</u>	<u>1,229,056</u>	<u>1,222,619</u>	<u>859,455</u>	<u>793,648</u>	<u>885,961</u>	<u>757,742</u>	<u>627,280</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cecil County Public Schools' covered-employee payroll	\$11,275,928	\$11,192,273	\$11,106,870	\$11,234,516	\$11,289,187	\$11,313,583	\$10,719,289	\$ 9,955,566	\$ 9,235,499	\$ 8,538,438
Contributions as a percentage of covered-employee payroll	9.73%	9.98%	8.99%	10.94%	10.83%	7.60%	7.40%	8.90%	8.20%	7.35%

INDIVIDUAL FUND FINANCIAL STATEMENT



CECIL COUNTY PUBLIC SCHOOLS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND - STUDENT ACTIVITIES
YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
Assets:				
Cash and cash equivalents	\$ 1,527,723	\$ 2,511,346	\$ (2,472,174)	\$ 1,566,895
Total Assets	<u>\$ 1,527,723</u>	<u>\$ 2,511,346</u>	<u>\$ (2,472,174)</u>	<u>\$ 1,566,895</u>
Liabilities:				
Due to student groups	\$ 1,527,723	\$ 2,511,346	\$ (2,472,174)	\$ 1,566,895
Total Liabilities	<u>\$ 1,527,723</u>	<u>\$ 2,511,346</u>	<u>\$ (2,472,174)</u>	<u>\$ 1,566,895</u>

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STATISTICAL SECTION



Statistical Section Contents

This part of the Cecil County Public School’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

	Page
FINANCIAL	101
<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	104
<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	114
<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	119
<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**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities										
Net Investment in capital assets	\$178,073,096	\$162,961,619	\$165,066,192	\$169,073,812	\$174,717,150	\$177,912,434	\$175,023,380	\$167,798,316	\$156,528,166	\$123,977,382
Restricted for capital projects	47,954	(156,795)	47,905	47,848	47,644	47,563	47,460	40,074	611,410	487,935
Unrestricted	<u>(1,968,607)</u>	<u>(4,182,772)</u>	<u>9,271,769</u>	<u>12,411,027</u>	<u>10,403,227</u>	<u>8,731,626</u>	<u>9,759,167</u>	<u>6,273,966</u>	<u>5,064,835</u>	<u>1,579,391</u>
Total governmental activities net position	<u>\$176,152,443</u>	<u>\$158,622,052</u>	<u>\$174,385,866</u>	<u>\$181,532,687</u>	<u>\$185,168,021</u>	<u>\$186,691,623</u>	<u>\$184,830,007</u>	<u>\$174,112,356</u>	<u>\$162,204,411</u>	<u>\$126,044,708</u>

Source: Statement of Net Position

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses										
Government activities:										
Administration	\$ 5,393,707	\$ 6,093,367	\$ 5,884,713	\$ 5,848,216	\$ 5,894,409	\$ 5,985,974	\$ 5,785,097	\$ 5,345,436	\$ 4,876,720	\$ 4,559,329
Mid-level administration	18,803,673	19,109,759	19,036,087	18,645,814	19,318,057	19,061,356	18,379,730	17,641,192	16,004,079	15,176,098
Instruction										
Salaries	100,348,057	100,282,010	95,861,417	94,677,121	96,947,288	96,126,396	92,771,442	88,770,368	81,836,635	76,741,777
Materials and supplies	4,806,329	3,799,800	3,653,853	2,816,463	2,411,173	2,866,679	3,554,132	3,191,191	3,101,396	2,863,712
Other costs	12,678,060	12,186,624	12,898,511	12,669,260	13,718,011	11,795,884	11,067,537	8,698,392	4,801,808	4,288,118
Special education	34,004,467	32,756,261	32,548,523	33,206,278	33,654,336	33,516,554	32,465,449	30,677,957	27,118,984	25,674,929
Student personnel services	1,521,216	1,516,362	1,376,623	1,351,480	1,327,915	1,476,303	1,562,735	1,163,427	993,420	973,329
Student health services	2,167,347	2,199,501	2,161,877	2,219,629	2,172,688	2,161,204	2,136,947	2,024,228	1,932,511	1,785,583
Student transportation	9,850,551	9,820,844	9,895,907	9,658,855	9,581,266	9,367,220	9,270,764	9,479,243	8,633,675	8,305,099
Operation of plant	14,176,769	14,156,260	13,553,078	12,884,659	13,753,124	13,615,550	13,531,123	14,126,567	12,366,791	11,372,420
Maintenance of plant	5,262,522	5,745,818	5,097,180	4,794,807	4,581,731	4,735,829	4,684,698	4,857,755	4,794,585	4,472,663
Food and nutrition	6,177,158	5,888,310	5,838,318	5,816,017	5,723,356	5,445,415	4,377,939	5,439,250	4,965,606	4,905,918
Community services	289,679	242,219	406,090	454,449	383,375	317,774	315,148	312,701	254,059	368,156
Capital outlay	-	-	-	-	-	-	-	1,837,886	4,737,281	4,883,382
Interest on long-term debt	-	-	9,954	155,244	110,918	119,282	102,772	834	1,612	13,672
Total governmental activities expenses	\$ 215,479,535	\$ 213,797,135	\$ 208,222,131	\$ 205,198,292	\$ 209,577,647	\$ 206,591,420	\$ 200,005,513	\$ 193,566,427	\$ 176,419,162	\$ 166,384,185
Program Revenues										
Government activities:										
Charges for services:										
Instruction salaries	\$ 212,633	\$ 218,990	\$ 230,547	\$ 240,862	\$ 245,955	\$ 470,817	\$ 454,827	\$ 589,832	\$ 571,537	\$ 478,198
Maintenance of plant	-	-	-	-	-	-	-	-	-	-
Food and nutrition	1,959,515	1,949,265	1,964,488	2,212,433	2,450,764	2,624,443	2,913,331	2,951,531	2,779,343	2,664,251
Community services	3,773	9,497	24,049	16,637	35,655	31,823	18,931	27,476	26,698	27,409
Operating grants and contributions	65,012,660	61,617,596	61,170,964	63,533,480	66,136,117	59,739,771	51,554,961	48,901,527	43,428,584	39,155,944
Capital grants and contributions	25,488,817	7,318,153	5,298,858	4,747,799	4,613,476	10,397,865	14,513,846	17,653,368	37,684,828	21,119,550
Total governmental activities program revenue	\$ 92,677,398	\$ 71,113,501	\$ 68,688,906	\$ 70,751,211	\$ 73,481,967	\$ 73,264,719	\$ 69,455,896	\$ 70,123,734	\$ 84,490,990	\$ 63,445,352
Total governmental activities net expense	(122,802,137)	(142,683,634)	(139,533,225)	(134,447,081)	(136,095,680)	(133,326,701)	(130,549,617)	(123,442,693)	(91,928,172)	(102,938,833)
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	64,666,305	62,076,718	62,489,026	63,388,472	63,952,691	66,376,929	69,823,348	69,088,532	61,013,725	54,793,124
Local aid not restricted to specific purposes	75,523,845	72,848,292	69,615,833	67,156,014	68,350,618	68,385,625	69,915,162	64,435,162	65,715,090	62,229,000
Interest and investment earnings	7,683	8,178	10,855	25,693	67,056	136,820	382,313	852,892	1,143,097	781,976
Miscellaneous	134,695	248,175	270,690	241,568	555,600	288,943	1,146,445	974,052	215,963	235,953
Total governmental activities	\$ 140,332,528	\$ 135,181,363	\$ 132,386,404	\$ 130,811,747	\$ 134,572,078	\$ 135,188,317	\$ 141,267,268	\$ 135,350,638	\$ 128,087,875	\$ 118,040,053
Change in Net Position	\$ 17,530,391	\$ (7,502,271)	\$ (7,146,821)	\$ (3,635,334)	\$ (1,523,602)	\$ 1,861,616	\$ 10,717,651	\$ 11,907,945	\$ 36,159,703	\$ 15,101,220

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

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General fund:										
Non-spendable	\$ 614,961	\$ 579,811	\$ 787,321	\$ 777,885	\$ 1,026,595	\$ 759,082	\$ 689,098	\$ 670,574	\$ 280,800	\$ 510,755
Committed	4,742,665	2,847,015	1,784,391	1,588,063	1,798,419	2,000,000	3,000,000	3,000,000	1,000,000	500,000
Assigned	3,615,469	3,700,741	6,317,721	4,045,024	3,358,296	3,178,184	3,237,484	2,782,689	4,223,048	1,807,740
Unassigned	-	-	3,470,767	8,552,567	6,671,073	5,375,627	5,489,030	2,677,931	1,774,650	450,854
Total general fund	<u>\$ 8,973,095</u>	<u>\$ 7,127,567</u>	<u>\$ 12,360,200</u>	<u>\$ 14,963,539</u>	<u>\$ 12,854,383</u>	<u>\$ 11,312,893</u>	<u>\$ 12,415,612</u>	<u>\$ 9,131,194</u>	<u>\$ 7,278,498</u>	<u>\$ 3,269,349</u>
All other governmental funds										
Special Revenue Fund:										
Non-spendable	\$ 142,032	\$ 175,435	\$ 258,595	\$ 223,646	\$ 171,597	\$ 189,107	\$ 196,398	\$ 166,937	\$ 185,835	\$ 161,574
Unassigned	76,303	(116,840)	(226,543)	36,591	156,463	101,142	(45,987)	(225,802)	378,097	861,409
Capital Project Fund:										
Restricted	47,954	(156,795)	47,905	47,848	47,644	47,563	47,460	40,074	611,410	487,935
Total all other governmental funds	<u>\$ 266,289</u>	<u>\$ (98,200)</u>	<u>\$ 79,957</u>	<u>\$ 308,085</u>	<u>\$ 375,704</u>	<u>\$ 337,812</u>	<u>\$ 197,871</u>	<u>\$ (18,791)</u>	<u>\$ 1,175,342</u>	<u>\$ 1,510,918</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)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenue										
Intergovernmental										
Cecil County	\$ 92,411,466	\$ 77,613,523	\$ 73,121,775	\$ 69,361,935	\$ 72,619,885	\$ 74,891,456	\$ 80,676,398	\$ 79,342,555	\$ 88,968,786	\$ 68,101,426
State of Maryland	123,360,144	112,692,627	111,289,209	115,057,469	111,044,514	113,375,504	102,650,748	100,158,750	100,521,180	92,019,405
United States government	14,502,361	13,167,657	13,869,753	13,956,731	20,783,182	16,233,041	11,194,258	10,279,566	9,885,344	9,986,993
Other sources										
Sale of food	1,959,515	1,917,694	1,964,487	2,212,794	2,451,420	2,620,110	2,913,331	2,951,522	2,978,660	2,664,250
Investment interest	7,683	8,178	10,855	25,693	67,056	136,820	382,313	852,892	1,143,097	781,977
Other	768,753	895,188	819,232	916,622	722,397	1,196,103	1,829,221	1,664,741	1,142,843	807,592
Total revenue	\$ 233,009,922	\$ 206,294,867	\$ 201,075,311	\$ 201,531,244	\$ 207,688,454	\$ 208,453,034	\$ 199,646,269	\$ 195,250,026	\$ 204,639,910	\$ 174,361,643
Expenditures										
Administration	\$ 5,196,245	\$ 5,238,087	\$ 4,957,485	\$ 4,392,050	\$ 4,643,092	\$ 4,644,684	\$ 4,235,127	\$ 4,462,349	\$ 4,198,799	\$ 3,814,226
Mid-level administration	13,375,657	13,274,860	13,539,533	13,286,921	14,106,804	13,868,208	13,481,172	13,164,420	12,447,326	11,724,442
Instruction										
Salaries	70,323,326	69,545,018	68,237,315	66,720,063	69,238,303	68,835,894	67,418,883	65,284,743	62,111,692	57,924,179
Materials and supplies	5,102,917	3,799,800	3,653,853	2,816,463	4,303,967	2,866,679	4,800,674	3,191,191	3,101,396	2,863,712
Other costs	26,028,685	8,752,929	7,134,392	6,073,506	7,815,463	14,140,822	15,866,289	3,696,977	3,198,573	3,261,159
Special education	25,217,748	24,583,137	25,108,086	24,894,481	26,056,081	25,735,182	25,136,868	24,129,315	21,837,669	20,631,222
Student personnel services	1,071,994	1,073,218	995,116	996,861	953,701	1,075,781	1,180,715	876,693	757,159	741,104
Student health services	1,520,898	1,506,440	1,524,399	1,564,001	1,558,357	1,536,245	1,550,723	1,535,533	1,540,252	1,365,813
Student transportation	9,456,522	9,391,768	9,599,678	9,248,641	9,167,297	9,162,173	9,044,421	9,259,986	8,482,576	8,113,016
Operation of plant	11,900,684	11,636,532	11,284,622	10,653,100	11,548,142	11,424,861	11,455,733	12,405,004	10,979,716	9,885,513
Maintenance of plant	4,206,479	4,542,525	4,218,355	3,784,767	3,574,484	3,733,605	3,886,081	4,077,178	4,164,241	3,847,461
Fixed charges	50,518,337	51,298,438	46,076,241	47,510,605	46,824,727	46,228,500	31,921,333	29,253,078	24,727,841	24,265,598
Community services	281,964	235,790	388,028	405,943	350,298	304,972	303,880	304,802	247,512	359,832
Food service										
Salaries and wages	2,391,077	2,350,508	2,408,000	2,380,172	2,404,221	2,349,073	2,320,630	2,279,254	2,068,668	1,869,478
Food	3,084,534	2,726,121	2,718,438	2,685,361	2,435,173	2,366,052	2,358,512	2,644,705	2,363,182	2,275,904
Contracted services	57,648	46,449	58,193	67,903	66,763	61,155	40,293	98,591	51,788	39,740
Supplies and materials	180,388	313,708	223,287	232,765	165,428	192,814	170,666	198,850	251,665	324,717
Other operating cost	80,892	39,876	45,721	71,782	273,477	117,299	48,704	243,036	57,173	52,147
Capital outlay	-	-	-	-	-	-	262,484	23,780,886	37,913,233	25,401,584
Debt service										
Principal	647,404	1,162,359	1,517,120	1,487,251	2,671,278	1,891,358	1,610,332	1,316,454	245,697	96,441
Interest	156,506	188,094	218,916	248,785	335,777	364,376	369,932	310,379	220,179	13,672
Total expenditures	\$ 230,799,905	\$ 211,705,657	\$ 203,906,778	\$ 199,521,421	\$ 208,492,833	\$ 210,899,733	\$ 197,463,452	\$ 202,513,424	\$ 200,966,337	\$ 178,870,960
Excess of revenues over (under) expenditures	2,210,017	(5,410,790)	(2,831,467)	2,009,823	(804,379)	(2,446,699)	2,182,817	(7,263,398)	3,673,573	(4,509,317)
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
Net change in fund balances	\$ 2,210,017	\$ (5,410,790)	\$ (2,831,467)	\$ 2,041,532	\$ 1,579,382	\$ (962,778)	\$ 3,501,080	\$ 658,563	\$ 3,673,573	\$ (431,677)
Debt Service as a percentage of noncapital expenditures*	0.39%	0.66%	0.87%	0.89%	1.49%	1.12%	1.08%	0.88%	0.28%	0.07%

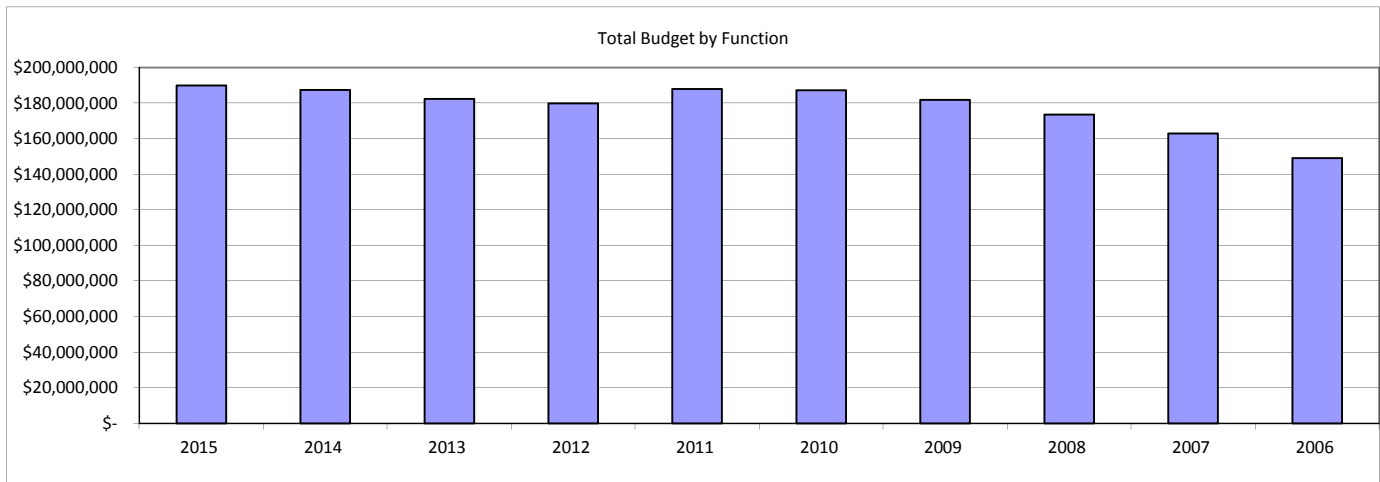
Source: Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds

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

*Debt issued to finance school construction is not an obligation of the School System, therefore the debt service relating to those obligations is not included in these financial statements.

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

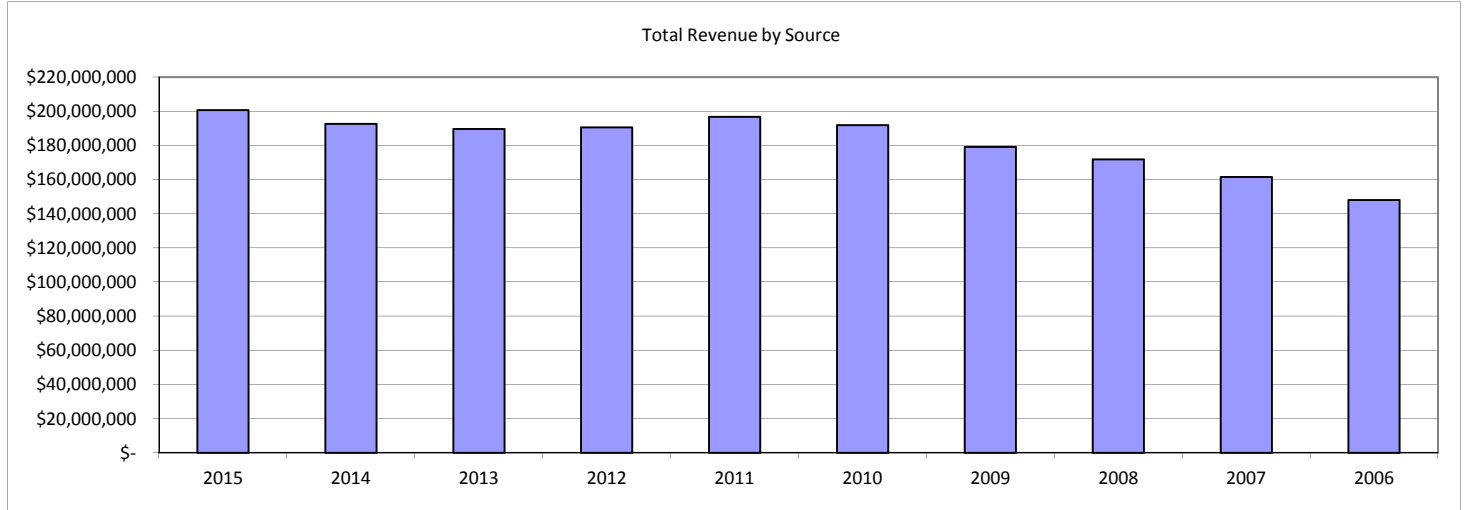
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Administration	\$ 4,160,664	\$ 4,297,023	\$ 4,773,500	\$ 4,336,427	\$ 4,529,978	\$ 4,876,625	\$ 4,392,656	\$ 4,487,486	\$ 4,174,847	\$ 3,604,719
Mid-level administration	13,639,776	13,361,918	13,578,940	13,701,040	14,468,298	13,983,555	13,610,518	13,174,739	12,499,961	11,715,451
Instruction salaries	71,260,303	70,108,553	68,715,627	67,631,258	70,298,996	69,325,912	68,071,684	65,875,628	62,523,864	58,177,958
Instruction supplies	5,682,783	4,278,504	3,850,647	3,032,117	3,008,621	3,212,806	3,730,402	3,511,322	3,367,758	2,941,079
Instruction other costs	2,769,555	3,173,948	3,583,950	3,312,599	6,997,621	4,983,237	3,657,985	2,992,522	3,891,850	3,436,801
Special education	25,839,074	24,750,029	25,206,821	25,847,801	26,691,475	28,425,214	25,245,749	24,202,546	22,109,940	20,639,515
Student personnel services	1,084,219	1,096,029	999,151	1,098,301	1,074,676	1,097,652	1,179,127	1,056,848	781,833	743,728
Student health services	1,554,309	1,547,755	1,531,252	1,576,333	1,568,897	1,597,388	1,564,277	1,581,126	1,553,096	1,370,105
Pupil transportation	9,597,565	9,491,291	9,633,236	9,502,420	9,398,723	9,526,608	9,534,990	9,359,598	8,822,452	8,179,091
Operation of plant	11,965,460	11,643,949	11,288,368	10,924,044	11,722,226	11,874,521	12,644,815	12,467,016	11,024,182	9,885,229
Maintenance of plant	4,272,707	4,863,548	4,750,480	3,936,360	3,731,257	3,884,927	4,021,544	4,246,735	4,328,488	3,900,348
Fixed charges	37,360,619	37,987,729	33,921,087	34,323,737	33,834,872	33,824,110	33,570,528	29,921,089	27,341,300	24,031,765
Community services	410,387	337,697	404,215	459,768	403,152	387,912	370,676	412,116	191,454	117,788
Capital outlay	324,786	406,424	211,797	182,347	187,828	256,548	274,977	262,337	367,481	407,936
Total Budget by Function	\$ 189,922,207	\$ 187,344,397	\$ 182,449,071	\$ 179,864,552	\$ 187,916,620	\$ 187,257,015	\$ 181,869,928	\$ 173,551,108	\$ 162,978,506	\$ 149,151,513
Increase over prior year	\$ 2,577,810 1.4%	\$ 4,895,326 2.7%	\$ 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%



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**

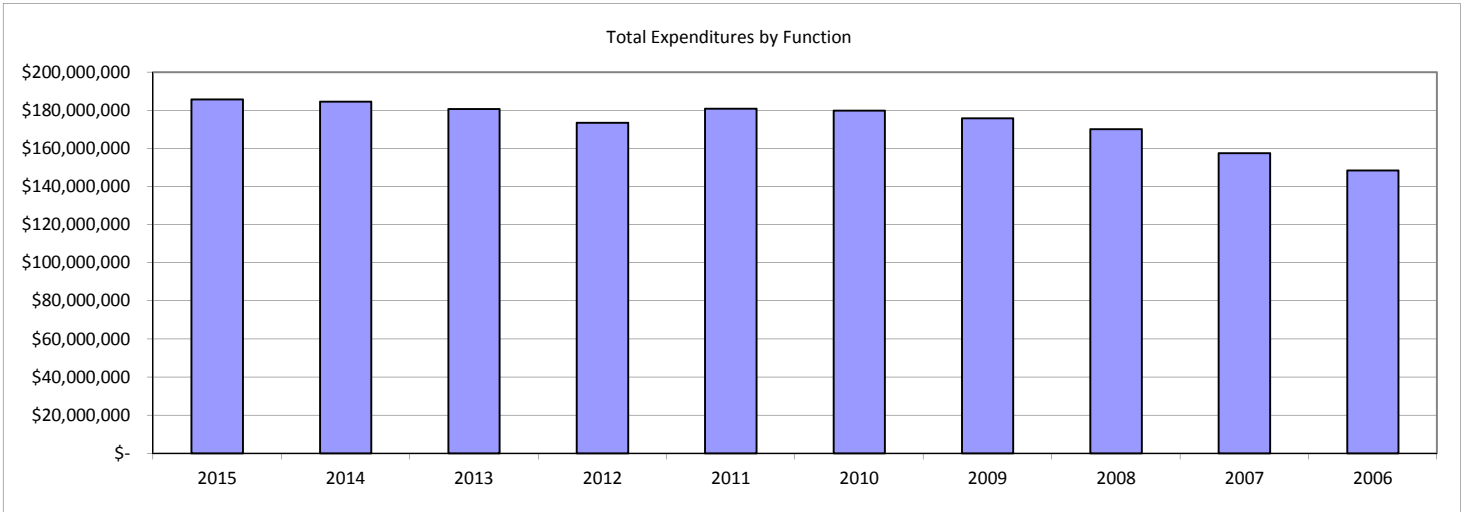
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Cecil County	\$ 75,523,845	\$ 72,848,292	\$ 69,615,833	\$ 67,156,014	\$ 68,350,618	\$ 68,385,625	\$ 69,915,162	\$ 64,435,162	\$ 65,715,090	\$ 62,229,000
State of Maryland	114,520,872	109,977,425	109,272,301	112,323,918	110,534,963	109,451,038	98,716,390	97,140,744	85,994,422	76,628,427
Federal government	10,009,922	9,065,853	10,022,655	10,274,500	17,289,329	13,040,030	8,421,734	7,897,822	7,921,279	7,840,748
Other sources										
Interest earned	7,571	8,099	9,997	22,946	62,361	126,983	360,840	782,377	968,642	557,947
Other	614,039	680,852	781,438	765,778	578,159	946,757	1,769,954	1,641,233	1,006,559	771,363
Total revenue by source	\$ 200,676,249	\$ 192,580,521	\$ 189,702,224	\$ 190,543,156	\$ 196,815,430	\$ 191,950,433	\$ 179,184,080	\$ 171,897,338	\$ 161,605,992	\$ 148,027,485
Increase over prior year	\$ 8,095,728 4.2%	\$ 2,878,297 1.5%	\$ (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%



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**

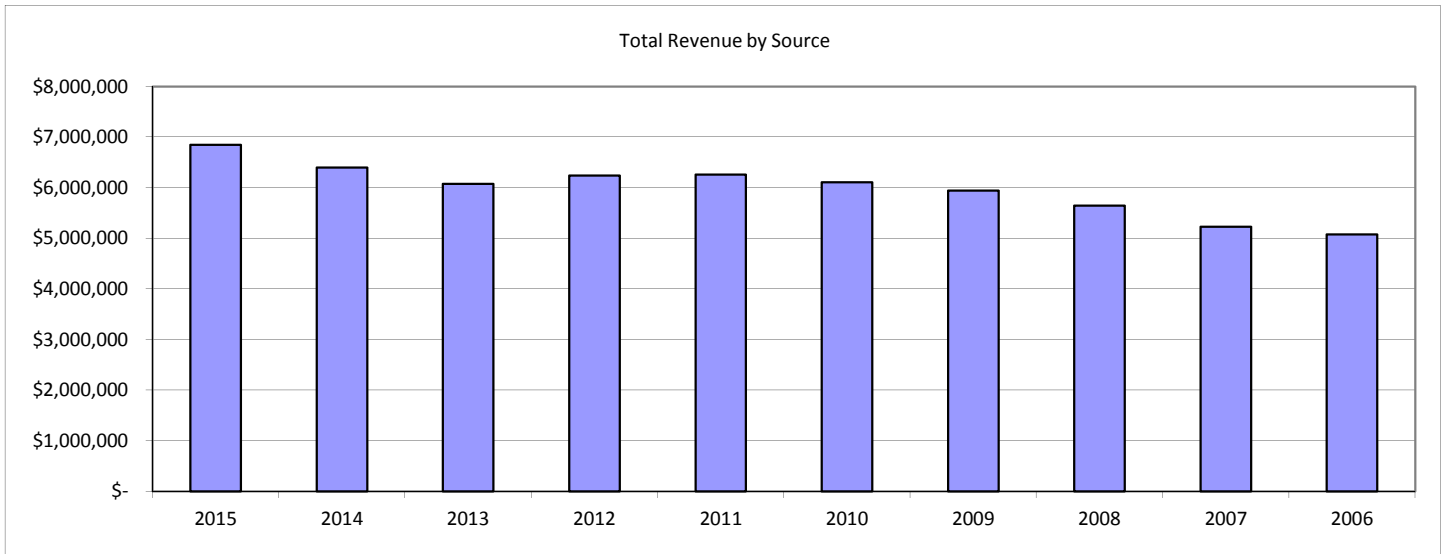
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Administration	\$ 4,074,201	\$ 4,221,468	\$ 4,717,989	\$ 4,064,357	\$ 4,404,543	\$ 4,278,297	\$ 3,972,509	\$ 4,205,829	\$ 3,945,416	\$ 3,592,672
Mid-level administration	13,375,657	13,275,794	13,566,354	13,313,116	14,126,804	13,802,737	13,463,355	13,110,617	12,447,326	11,701,656
Instruction										
Salaries	70,323,326	69,545,018	68,237,315	66,720,063	69,238,303	68,835,894	67,418,883	65,284,748	62,111,692	57,924,179
Materials and supplies	4,631,463	3,790,757	3,643,215	2,767,490	2,266,800	2,780,870	3,342,175	3,196,670	3,095,071	2,866,571
Other costs	2,574,449	2,923,302	3,227,280	2,955,980	5,967,724	4,483,947	3,417,105	2,745,854	3,566,308	3,356,482
Special education	25,226,216	24,609,671	25,134,429	24,922,960	25,980,955	25,737,862	25,141,877	24,112,326	21,837,451	20,631,440
Student personnel services	1,071,994	1,073,218	996,891	998,593	957,021	1,071,343	1,178,331	876,691	757,159	741,104
Student health services	1,520,898	1,506,440	1,526,033	1,565,596	1,561,453	1,532,178	1,548,471	1,535,541	1,540,252	1,365,813
Student transportation	9,456,522	9,391,768	9,599,678	9,247,557	9,181,668	9,175,806	9,057,367	9,216,073	8,482,576	8,113,016
Operation of plant	11,900,684	11,638,301	11,286,391	10,654,869	11,549,454	11,424,861	11,455,733	12,404,997	10,979,716	9,883,587
Maintenance of plant	4,092,319	4,315,867	4,472,504	3,778,356	3,606,893	3,754,132	3,894,868	4,178,169	4,136,816	3,894,402
Fixed charges	36,882,453	37,690,447	33,796,877	31,912,483	31,457,110	32,443,812	31,443,817	28,706,198	24,218,125	23,842,208
Community services	304,995	235,790	388,028	392,844	363,398	304,971	302,251	304,801	247,512	359,832
Capital outlay	296,588	391,580	211,609	181,910	186,338	223,969	262,921	261,222	187,698	117,227
Total expenditures by function	\$185,731,765	\$184,609,421	\$180,804,593	\$173,476,174	\$180,848,464	\$179,850,679	\$175,899,663	\$170,139,736	\$157,553,118	\$148,390,189
Increase over prior year	1,122,344 0.6%	3,804,828 2.1%	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%



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**

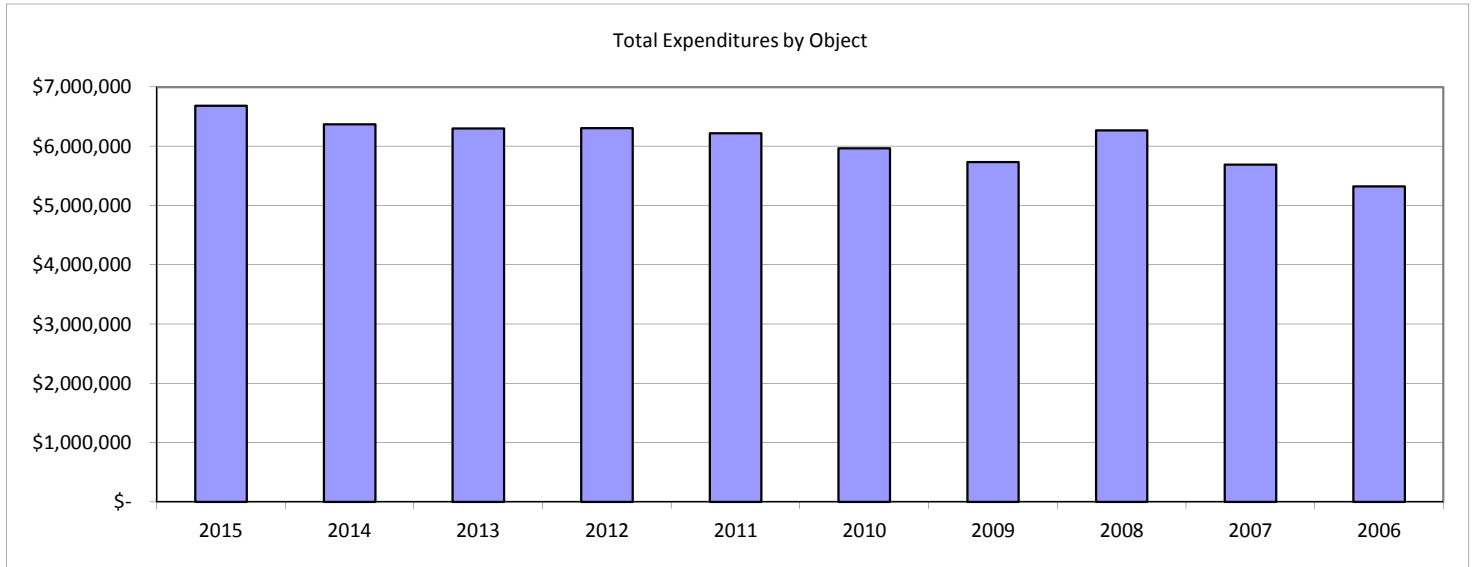
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
State of Maryland	\$ 392,790	\$ 345,042	\$ 298,946	\$ 282,936	\$ 263,863	\$ 253,811	\$ 241,016	\$ 272,031	\$ 226,256	\$ 176,781
United States government	4,492,439	4,101,804	3,772,143	3,682,231	3,493,853	3,193,011	2,772,524	2,381,744	2,163,320	1,859,263
Sale of food	1,959,515	1,917,694	1,964,487	2,212,794	2,451,420	2,620,110	2,913,331	2,951,522	2,779,343	2,951,232
Investment Interest	14	52	801	2,702	4,614	9,734	16,858	38,294	55,430	85,202
Other	-	31,573	37,794	59,581	45,716	27,967	-	1,032	5,717	3,302
Total revenue by source	\$ 6,844,758	\$ 6,396,165	\$ 6,074,171	\$ 6,240,244	\$ 6,259,466	\$ 6,104,633	\$ 5,943,729	\$ 5,644,623	\$ 5,230,066	\$ 5,075,780
Increase over prior year	\$ 448,593 7.0%	\$ 321,994 5.3%	\$ (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%



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**

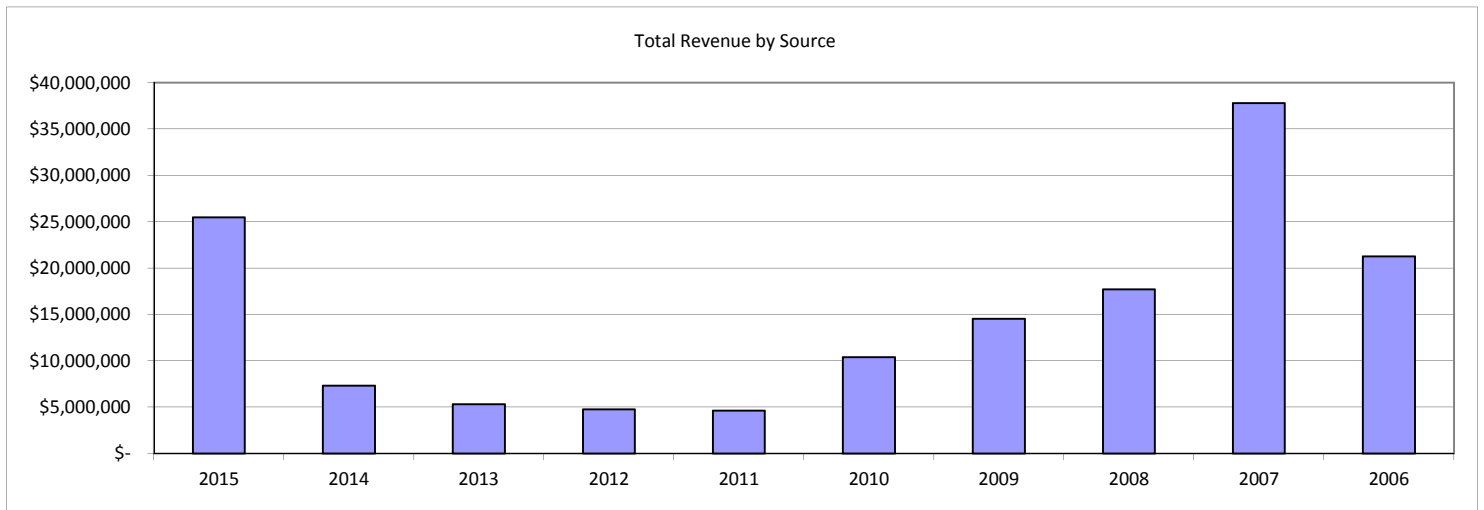
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Salaries and wages	\$2,391,077	\$2,350,508	\$2,408,000	\$2,380,172	\$2,404,221	\$2,349,073	\$2,320,630	\$2,279,254	\$2,068,668	\$1,869,478
Food	3,084,534	2,726,121	2,718,438	2,685,361	2,435,173	2,366,052	2,358,512	2,644,705	2,363,182	2,275,904
Contracted services	57,648	46,449	58,193	67,903	66,763	61,155	40,293	98,591	51,788	39,740
Supplies and materials	180,388	313,708	223,287	232,765	165,428	192,814	170,666	198,850	251,665	324,717
Other operating cost	925,743	921,611	872,758	897,140	1,065,984	907,279	828,941	844,184	784,448	696,407
Equipment	45,628	11,225	21,680	44,726	84,086	88,422	15,411	201,836	169,366	120,094
Total expenditures by object	\$6,685,018	\$6,369,622	\$6,302,356	\$6,308,067	\$6,221,655	\$5,964,795	\$5,734,453	\$6,267,420	\$5,689,117	\$5,326,340
Increase over prior year	\$ 315,396 5.0%	\$ 67,266 1.1%	\$ (5,711) -0.1%	\$ 86,412 1.4%	\$ 256,860 4.3%	\$ 230,342 4.0%	\$ (532,967) -8.5%	\$ 578,303 10.2%	\$ 362,777 6.8%	\$ 834,512 18.6%



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**

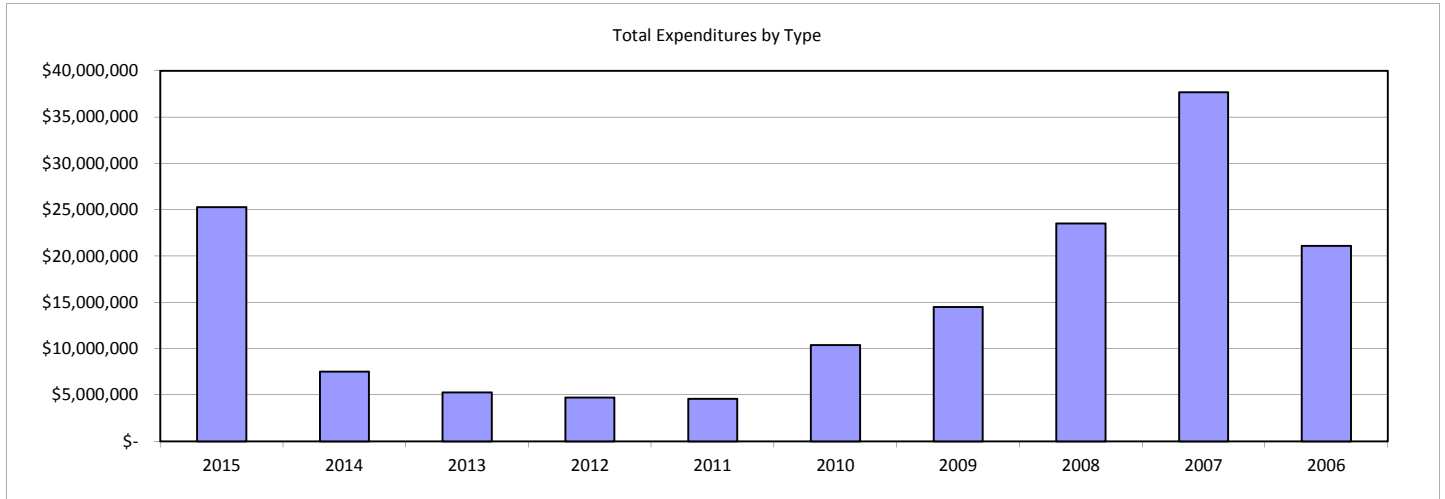
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Cecil County	\$ 16,887,621	\$ 4,765,231	\$ 3,505,942	\$ 2,205,921	\$ 4,269,267	\$ 6,505,831	\$ 10,761,236	\$ 14,907,393	\$ 23,253,696	\$ 5,872,426
State of Maryland	8,446,482	2,370,160	1,717,962	2,450,615	245,688	3,670,655	3,693,342	2,745,975	14,300,564	15,214,197
United States government	-	-	74,955	-	-	-	-	-	-	-
Investment interest	98	27	57	45	81	103	4,615	32,221	119,025	138,828
Other	154,714	182,763	-	91,263	98,522	221,379	59,267	22,476	130,567	32,927
Total	\$ 25,488,915	\$ 7,318,181	\$ 5,298,916	\$ 4,747,844	\$ 4,613,558	\$ 10,397,968	\$ 14,518,460	\$ 17,708,065	\$ 37,803,852	\$ 21,258,378
Increase over prior year	\$ 18,170,734 248.3%	\$ 2,019,265 38.1%	\$ 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%



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**

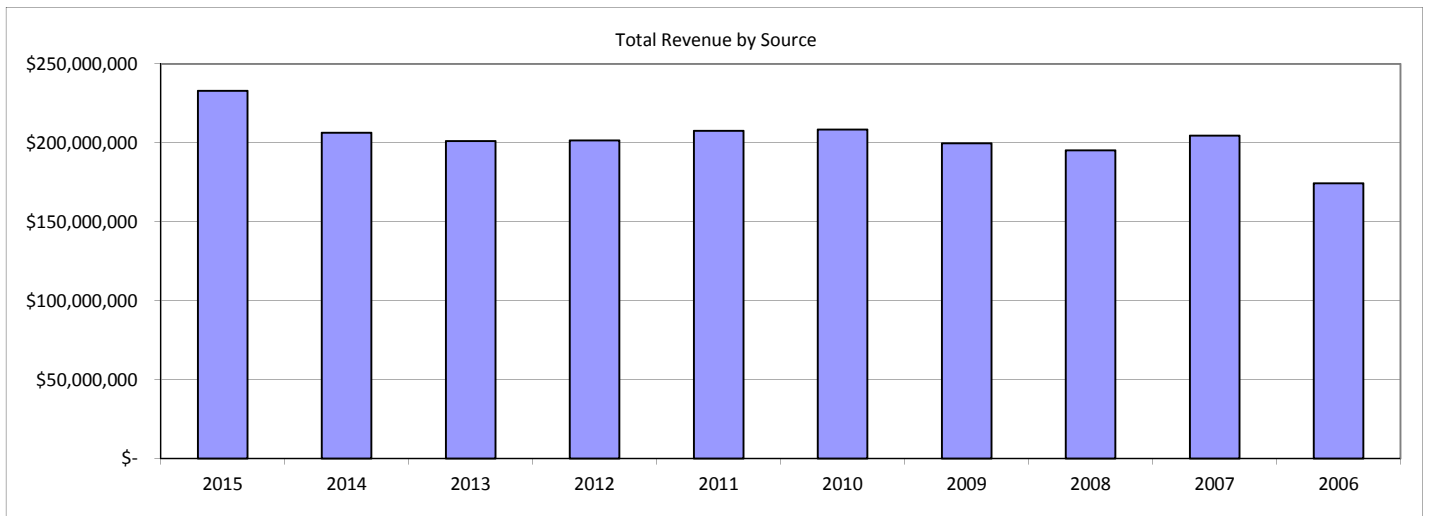
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Land	\$ 4,359,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Building	6,712,725	5,083,238	4,039,217	4,087,168	4,209,123	9,971,247	14,312,335	23,503,181	37,516,954	21,086,622
Site improvement	609,423	396,775	1,140,566	191,162	3,542	8,000	64,539	16,482	37,306	-
Remodeling	13,362,079	2,042,868	119,075	235,136	305,832	205,239	77,703	-	-	-
Equipment	240,639	-	-	234,174	94,980	213,379	56,497	10,893	126,117	30,428
Total expenditures by type	\$ 25,284,166	\$ 7,522,881	\$ 5,298,858	\$ 4,747,640	\$ 4,613,477	\$ 10,397,865	\$ 14,511,074	\$ 23,530,556	\$ 37,680,377	\$ 21,117,050
Increase over prior year	\$ 17,761,285 236.1%	\$ 2,224,023 42.0%	\$ 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%



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**

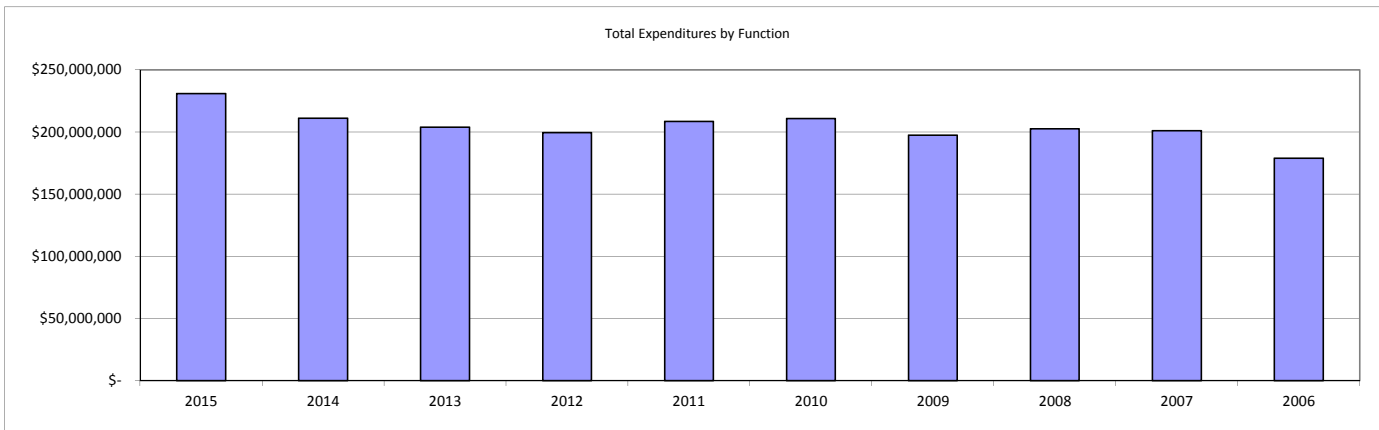
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Cecil County	\$ 92,411,466	\$ 77,613,523	\$ 73,121,775	\$ 69,361,935	\$ 72,619,885	\$ 74,891,456	\$ 80,676,398	\$ 79,342,555	\$ 88,968,786	\$ 68,101,426
State of Maryland	123,360,144	112,692,627	111,289,209	115,057,469	111,044,514	113,375,504	102,650,748	100,158,750	100,521,242	92,019,405
Federal government	14,502,361	13,167,657	13,869,753	13,956,731	20,783,182	16,233,041	11,194,258	10,279,566	10,084,599	9,700,011
Sale of meals	1,959,515	1,917,694	1,964,487	2,212,794	2,451,420	2,620,110	2,913,331	2,951,522	2,779,343	2,951,232
Interest earned	7,683	8,178	10,855	25,693	67,056	136,820	382,313	852,892	1,143,097	781,977
Other	<u>768,753</u>	<u>895,188</u>	<u>819,232</u>	<u>916,622</u>	<u>722,397</u>	<u>1,196,103</u>	<u>1,829,221</u>	<u>1,664,741</u>	<u>1,142,843</u>	<u>807,592</u>
Total revenue by source	\$ 233,009,922	\$ 206,294,867	\$ 201,075,311	\$ 201,531,244	\$ 207,688,454	\$ 208,453,034	\$ 199,646,269	\$ 195,250,026	\$ 204,639,910	\$ 174,361,643
Increase over prior year	\$ 26,715,055 12.9%	\$ 5,219,556 2.6%	\$ (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%



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**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Administration	\$ 5,196,245	\$ 5,238,087	\$ 4,969,511	\$ 4,403,811	\$ 4,672,204	\$ 4,664,203	\$ 4,244,817	\$ 4,462,646	\$ 4,198,799	\$ 3,814,226
Mid-level administration	13,375,657	13,274,860	13,566,354	13,313,116	14,161,065	13,916,489	13,503,143	13,184,316	12,447,326	11,724,442
Instruction										
Salaries	70,323,326	69,545,018	68,237,315	66,720,063	69,238,303	68,835,894	67,418,883	65,284,743	62,111,692	57,924,179
Materials and supplies	5,102,917	3,799,800	3,653,853	2,816,463	4,303,967	2,866,679	4,800,674	3,191,191	3,101,396	2,863,712
Other costs	26,028,685	8,752,929	8,788,310	7,719,258	10,600,268	16,205,022	17,699,218	5,268,109	3,651,467	3,358,290
Special education	25,217,748	24,583,137	25,135,508	24,921,881	26,082,161	25,741,368	25,141,877	24,135,599	21,837,669	20,631,222
Student personnel services	1,071,994	1,073,218	996,891	998,593	957,021	1,078,355	1,181,589	876,693	757,159	741,104
Student health services	1,520,898	1,506,440	1,526,033	1,565,596	1,561,453	1,538,634	1,551,549	1,535,533	1,540,252	1,365,813
Student transportation	9,456,522	9,391,768	9,599,678	9,248,641	9,181,668	9,175,806	9,057,367	9,276,228	8,482,576	8,113,016
Operation of plant	11,900,684	11,636,532	11,286,391	10,654,869	11,549,454	11,424,861	11,455,733	12,405,004	10,979,716	9,885,513
Maintenance of plant	4,206,479	4,542,525	4,219,071	3,784,948	3,578,039	3,735,664	3,900,601	4,089,328	4,175,611	3,858,831
Fixed charges	50,518,337	51,298,438	46,086,196	47,530,256	46,911,870	46,325,393	32,002,395	29,253,910	24,729,453	24,267,210
Community services	281,964	235,790	388,028	405,943	350,298	304,972	303,880	304,802	247,512	359,832
Food and nutrition	5,794,539	5,476,662	5,453,639	5,437,983	5,345,062	5,086,393	4,938,805	5,464,436	4,792,476	4,561,986
Capital outlay	-	-	-	-	-	-	262,921	23,780,886	37,913,233	25,401,584
Debt service	803,910	813,910	-	-	-	-	-	-	-	-
Total expenditures by function	\$ 230,799,905	\$ 211,169,114	\$ 203,906,778	\$ 199,521,421	\$ 208,492,833	\$ 210,899,733	\$ 197,463,452	\$ 202,513,424	\$ 200,966,337	\$ 178,870,960
Increase over prior year	\$ 19,630,791 9.3%	\$ 7,262,336 3.6%	\$ 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%



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**

	2015 Capacity	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
County Population		102,383	101,108	101,696	101,694	101,108	103,850	99,926	103,490	99,506	97,796
<u>Elementary Schools</u>											
Bainbridge Elementary	449	515	358	402	396	410	424	383	259	240	264
Bay View Elementary	608	617	571	619	641	618	621	615	609	602	595
Calvert Elementary	433	483	516	420	323	325	332	321	338	334	341
Cecil Manor Elementary	523	450	462	501	530	474	488	454	472	473	460
Cecilton Elementary	350	309	303	297	319	322	338	339	311	327	337
Charlestown Elementary	292	406	224	213	205	184	211	200	196	206	198
Chesapeake City Elementary	353	357	337	314	306	311	315	307	291	290	302
Conowingo Elementary	534	476	480	527	542	567	560	567	553	552	544
Elk Neck Elementary	501	428	434	412	424	430	433	446	443	418	418
Gilpin Manor Elementary	416	457	490	429	405	439	423	431	372	405	424
Holly Hall Elementary	624	629	625	632	633	610	603	619	577	547	587
Kenmore Elementary	306	331	346	326	331	314	306	315	329	316	296
Leeds Elementary	408	402	404	396	406	411	394	402	404	417	395
North East Elementary	542	524	486	512	501	507	478	492	493	524	521
Perryville Elementary	500	-	371	371	368	369	397	375	387	366	370
Rising Sun Elementary	715	690	665	615	665	669	681	721	823	830	839
Thomson Estates Elementary	614	469	510	491	473	490	512	533	535	548	598
Elementary School Total	8,168	7,543	7,582	7,477	7,468	7,450	7,516	7,520	7,392	7,395	7,489
<u>Middle Schools</u>											
Bohemia Manor Middle	601	472	473	473	477	487	479	478	488	508	513
Cherry Hill Middle	775	442	465	439	479	501	532	494	498	524	571
Elkton Middle	712	551	554	569	589	585	593	626	652	663	662
North East Middle	712	754	780	726	725	727	776	753	769	831	826
Perryville Middle	860	550	558	565	597	597	572	615	627	686	709
Rising Sun Middle	818	677	718	713	714	695	708	688	717	714	712
Middle School Total	4,478	3,446	3,548	3,485	3,581	3,592	3,660	3,654	3,751	3,926	3,993
<u>High Schools</u>											
Bohemia Manor High	643	620	629	641	635	664	740	733	742	739	717
Elkton High	1,380	1,067	1,124	1,105	1,097	1,087	1,141	1,112	1,120	1,109	1,097
North East High	1,009	1,028	1,005	1,037	1,078	1,121	1,138	1,084	1,143	1,114	1,110
Perryville High	944	810	789	775	812	846	899	905	948	972	986
Rising Sun High	924	1,167	1,147	1,114	1,156	1,177	1,177	1,201	1,194	1,166	1,129
High School Total	4,900	4,692	4,694	4,672	4,778	4,895	5,095	5,035	5,147	5,100	5,039
<u>Other Schools</u>											
Cecil County High School*	106	97	71	72	62	58	84	90	85	29	-
School of Technology*	580	258	247	253	254	255	254	240	275	256	229
Grand Total	18,232	15,681	15,824	15,634	15,827	15,937	16,271	16,209	16,290	16,421	16,521
High School Graduates		1,059	1,082	1,085	1,132	1,122	1,137	1,080	1,106	950	945

*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	2015			2006		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
W. L. Gore & Associates, Inc.	2,387	1	4.90%	2,506	1	4.92%
Cecil County Board of Education	2,011	2	4.13%	1,991	2	3.91%
Perry Point V.A. Hospital	1,500	3	3.08%	1,173	3	2.30%
Union Hospital	1,236	4	2.54%	900	4	1.77%
IKEA/Genco	580	5	1.19%	370	8	0.73%
Cecil County Government	573	6	1.18%	496	6	0.97%
Cecil College	521	7	1.07%	*		
Wal-Mart Stores, Inc.	500	8	1.03%	300	10	0.59%
Orbital ATK, Inc. (formerly Thiokol Corp.)	464	9	0.95%	580	5	1.14%
Penn National Gaming	405	10	0.83%	*		
Terumo Medical Corporation	*			400	7	0.78%
Basell North America, Inc. (formerly Montell USA)	*			350	9	0.69%
Totals	<u>10,177</u>		<u>20.90%</u>	<u>9,066</u>		<u>17.80%</u>

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

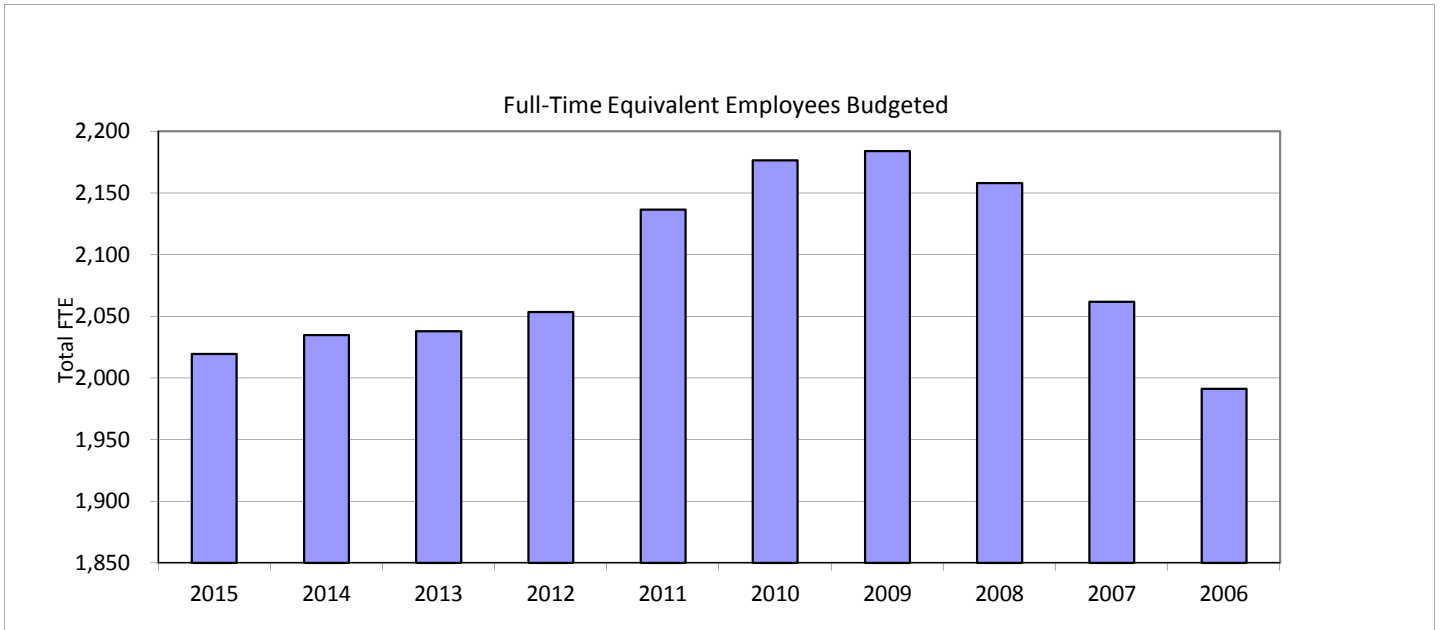
**CECIL COUNTY, MARYLAND
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

Calendar Year	Population	Personal Income (amounts expressed in thousands)	Per Capita Income	Employment	Unemployment Rate	Median Price of Housing Sales	School Enrollment
2014	102,383	\$ 3,022,141	\$ 29,518	48,665	6.6%	\$ 194,000	15,681
2013	101,108	2,934,660	29,025	51,202	6.1%	195,000	15,824
2012	101,696	2,864,776	28,170	51,078	8.2%	199,900	15,634
2011	101,694	2,957,160	29,079	46,188	8.9%	199,900	15,827
2010	101,108	2,896,845	28,651	45,326	9.6%	242,500	15,937
2009	103,850	3,370,452	32,455	46,259	9.0%	225,000	16,271
2008	99,926	3,206,925	32,093	48,310	5.3%	235,000	16,290
2007	103,490	3,229,405	31,205	51,558	4.0%	279,157	16,421
2006	99,506	3,304,992	33,214	50,960	4.4%	299,000	16,521
2005	97,796	3,027,764	30,960	49,105	4.0%	225,000	16,535

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

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Administration	47.00	47.00	47.50	49.75	49.75	49.75	50.75	49.75	47.75	46.75
Mid-level administration	196.10	196.10	196.60	201.25	206.25	208.00	206.25	204.25	197.00	196.00
Instruction salaries	1,108.40	1,120.66	1,126.86	1,132.00	1,190.00	1,213.23	1,217.94	1,213.00	1,182.53	1,135.85
Special education	413.60	418.20	413.20	413.00	424.00	434.46	434.97	419.00	368.60	349.55
Student personnel services	15.90	15.90	14.70	15.00	15.00	15.00	14.00	14.00	14.00	20.00
Student health services	31.00	31.00	32.00	32.00	32.00	34.00	34.00	34.00	33.00	32.56
Student transportation	25.00	25.00	25.00	27.00	27.00	27.00	27.00	28.00	27.00	26.00
Operation of plant	130.50	131.00	131.00	132.00	140.00	140.00	142.00	141.00	138.00	136.50
Maintenance of plant	48.50	47.50	47.50	48.00	50.00	51.50	53.00	51.00	51.00	46.00
Community services	-	-	1.00	1.00	-	-	-	-	-	-
Capital outlay	3.50	2.50	2.50	2.50	2.50	3.50	4.00	4.00	3.00	2.00
Total by function	2,019.50	2,034.86	2,037.86	2,053.50	2,136.50	2,176.44	2,183.91	2,158.00	2,061.88	1,991.21
Increase over prior year	-15.36 -0.8%	-3.00 -0.1%	-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%



Source: Cecil County Public Schools, Approved Budget

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total student enrollment	15,681	15,824	15,634	15,827	15,937	16,271	16,209	16,290	16,421	16,521
Administration	\$ 260	\$ 267	\$ 302	\$ 257	\$ 276	\$ 263	\$ 245	\$ 258	\$ 240	\$ 217
Mid-level administration	853	839	868	841	886	848	831	805	758	708
Instruction										
Salaries	4,485	4,395	4,365	4,216	4,345	4,231	4,159	4,008	3,782	3,506
Materials and supplies	295	240	233	175	142	171	206	196	188	174
Other costs	164	185	206	187	374	276	211	169	217	203
Special education	1,609	1,555	1,608	1,575	1,630	1,582	1,551	1,480	1,330	1,249
Student personnel services	68	68	64	63	60	66	73	54	46	45
Student health services	97	95	98	99	98	94	96	94	94	83
Student transportation	603	594	614	584	576	564	559	566	517	491
Operation of plant	759	735	722	673	725	702	707	762	669	598
Maintenance of plant	261	273	286	239	226	231	240	256	252	236
Fixed charges	2,352	2,382	2,162	2,016	1,974	1,994	1,940	1,762	1,475	1,443
Community services	19	15	25	25	23	19	19	19	15	22
Capital outlay	19	25	14	11	12	14	16	16	11	7
Total cost per student	<u>\$ 11,844</u>	<u>\$ 11,668</u>	<u>\$ 11,567</u>	<u>\$ 10,961</u>	<u>\$ 11,347</u>	<u>\$ 11,055</u>	<u>\$ 10,853</u>	<u>\$ 10,445</u>	<u>\$ 9,594</u>	<u>\$ 8,982</u>
Increase over prior year	\$ 176 1.5%	\$ 101 0.9%	\$ 606 5.5%	\$ (386) -3.4%	\$ 292 2.6%	\$ 202 1.9%	\$ 408 3.9%	\$ 851 8.9%	\$ 612 6.8%	\$ 819 10.0%

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

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total student enrollment	15,681	15,824	15,634	15,827	15,937	16,271	16,209	16,290	16,421	16,521
<u>FOOD & NUTRITION</u>										
Number of days lunch served	178	177	179	179	180	179	180	179	180	180
Average number of lunches served daily:										
Free lunch	4,182	4,100	3,841	4,023	3,803	3,475	3,054	2,595	2,460	2,453
Reduced price	523	504	519	547	606	660	680	690	685	671
Regular price	2,291	2,269	2,449	2,740	3,158	3,358	3,883	4,662	4,755	4,613
Total average number of lunches served daily	6,996	6,873	6,809	7,310	7,567	7,493	7,617	7,947	7,900	7,737
Percentage of student participation:										
Students receiving free lunch	26.7%	25.9%	24.6%	25.4%	23.9%	21.4%	18.8%	15.9%	15.0%	14.8%
Students paying reduced price	3.3%	3.2%	3.3%	3.5%	3.8%	4.1%	4.2%	4.2%	4.2%	4.1%
Students paying regular price	14.6%	14.3%	15.7%	17.3%	19.8%	20.6%	24.0%	28.6%	29.0%	27.9%
Total percentage of student participation	44.6%	43.4%	43.6%	46.2%	47.5%	46.1%	47.0%	48.7%	48.2%	46.8%
Cost per lunch to student:										
Elementary	\$ 2.50	\$2.45	\$2.25	\$2.15	\$2.10	\$2.10	\$2.10	\$1.60	\$1.45	\$1.35
Secondary	\$ 2.65	\$2.60	\$2.40	\$2.30	\$2.25	\$2.25	\$2.25	\$1.75	\$1.60	\$1.50
<u>STUDENT TRANSPORTATION</u>										
Number of students eligible to ride the bus	14,735	14,565	14,673	14,664	14,820	14,971	14,841	15,187	15,169	15,062
Number of school bus riders daily	10,914	10,459	11,117	11,390	11,087	11,858	10,935	11,136	10,974	11,119
Percentage of student participation	69.6%	66.1%	71.1%	72.0%	69.6%	72.9%	67.5%	68.4%	66.8%	67.3%
Number of school bus routes:										
County	8	9	9	9	10	10	10	10	11	10
Private contractor	143	142	142	147	147	147	147	147	145	142
<u>TEACHER DATA</u>										
Total number of budgeted teachers	1,296.50	1,296.90	1,299.20	1,280.20	1,328.70	1,347.80	1,347.30	1,349.60	1,311.60	1,269.03
Minimum salary (190 days)	\$ 44,186	\$ 43,662	\$ 42,890	\$ 42,890	\$ 42,890	\$ 42,132	\$ 41,674	\$ 40,061	\$ 38,336	\$ 36,862
Maximum salary * (190 days)	\$ 79,919	\$ 79,089	\$ 77,866	\$ 77,866	\$ 77,193	\$ 76,003	\$ 70,284	\$ 67,692	\$ 64,986	\$ 67,673
Average annual salary	\$ 63,520	\$ 61,061	\$ 60,943	\$ 60,440	\$ 59,789	\$ 58,189	\$ 56,885	\$ 54,519	\$ 52,646	\$ 51,048
Increase over prior year	4.0%	0.2%	0.8%	1.1%	2.7%	2.3%	4.3%	3.6%	3.1%	2.5%
Percentage of teachers with Master's and/or APC	68.7%	67.8%	67.0%	65.9%	64.4%	62.7%	60.9%	55.1%	54.8%	55.0%
Percentage of teachers with Master's plus credits	6.3%	6.4%	6.2%	6.1%	5.9%	5.4%	5.1%	5.2%	5.6%	6.3%
Percentage of teachers with Doctorate	0.3%	0.5%	0.5%	0.3%	0.4%	0.4%	0.4%	0.4%	0.3%	0.4%
Student/Teacher ratio	12.1	12.2	12.0	12.4	12.0	12.1	12.0	12.1	12.5	13.0

*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, 2015**

	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
Administrative Services Center	76,700	50	500	1965
<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	41,027	10	353	1939
Conowingo Elementary	44,696	19	534	1955
Elk Neck Elementary	50,156	29	501	1991
Gilpin Manor Elementary	51,035	9	416	1952
Holly Hall Elementary	61,711	15	624	1963
Kenmore Elementary	35,225	11	306	1985
Leeds Elementary	40,414	17	408	1968
North East Elementary	61,396	11	542	1951
Perryville Elementary	63,074	10	500	1955
Rising Sun Elementary	62,496	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	101,200	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*	136,024	35	643	1958
Elkton High	187,046	37	1,380	1958
North East High	123,890	50	1,009	1970
Perryville High	130,672	39	944	1978
Rising Sun High	114,400	42	924	1991
<u>Other Schools</u>				
Providence	16,645	9	106	1923
School of Technology	160,000	91	580	1990
Total:	2,348,135	718	18,732	

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

Source: Educational Facilities Master Plan

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

**CECIL COUNTY PUBLIC SCHOOLS
STUDENT ACADEMIC PERFORMANCE
AS OF JUNE 30, 2015**

Maryland School Assessment (MSA) Percentage of Students Passing*

		Reading		Math	
		CECIL COUNTY	STATE	CECIL COUNTY	STATE
Grade 3	Advanced	7.4	14.8	9.1	19.4
	Proficient	61.5	62.3	62.7	54.8
	Basic	31.1	22.8	28.2	25.8
Grade 4	Advanced	25.4	30.8	17.8	32.2
	Proficient	61.5	55.5	61.8	48.4
	Basic	13.1	13.7	20.4	19.4
Grade 5	Advanced	51.5	54.4	7.0	19.9
	Proficient	36.7	34.5	63.2	52.9
	Basic	11.7	11.0	29.8	27.2
Grade 6	Advanced	33.2	43.7	8.7	21.4
	Proficient	47.2	39.5	52.4	46.4
	Basic	19.6	16.8	38.8	32.2
Grade 7	Advanced	39.4	42.8	14.0	19.6
	Proficient	38.3	35.9	51.2	43.5
	Basic	22.3	21.2	34.8	36.9
Grade 8	Advanced	30.8	40.3	19.4	25.9
	Proficient	40.4	36.6	34.7	32.8
	Basic	28.8	23.1	45.9	41.3

High School Assessment - Percentage of Students Passing**

	English	Biology	Government	Algebra
Grade 10 Cecil County	71.3	84.4	76.6	84.1
Grade 10 State of Maryland	77.1	84.5	78.7	83.6
Grade 11 Cecil County	79.6	88.8	66.7	90.6
Grade 11 State of Maryland	84.2	88.0	77.4	88.1
Grade 12 Cecil County	81.9	90.5	85.2	93.8
Grade 12 State of Maryland	85.9	87.6	80.9	88.2

Scholastic Assessment Test - Average Score***

	CECIL COUNTY	STATE	NATION
Reading	494	482	497
Math	497	486	513
Writing	468	470	487

*2014 results are presented due to PARCC field testing. PARCC results not yet available.

**2014 results. Not all students participated in HSA as PARCC was field tested.

***2014 results

Source: MD Report Card, CollegeBoard

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

Fiscal Year	Total Outstanding Debt	Debt per Capita
2015	\$ 4,381,287	\$ 42.79
2014	5,028,691	49.74
2013	6,191,050	60.88
2012	7,708,171	75.80
2011	9,195,422	90.95
2010	9,859,183	94.94
2009	10,266,621	102.74
2008	10,558,691	102.03
2007	9,204,338	92.50
2006	9,638,059	98.55

**CECIL COUNTY PUBLIC SCHOOLS
SCHEDULE OF CAPITAL LEASES
AS OF JUNE 30, 2015**

Fiscal Year	Principal	Interest	Total Debt Service
2016	\$ 513,196	\$ 89,739	602,935
2017	751,024	52,888	803,913
2018	762,158	41,755	803,913
2019	773,457	30,456	803,913
2020	784,923	18,990	803,913
2021	796,529	7,352	803,880
	<u>\$ 4,381,287</u>	<u>\$ 241,180</u>	<u>\$ 4,622,467</u>

Capital lease is for a system-wide performance contract.

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, 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, 2015, and the related notes to the financial statements, which collectively comprise the School System's basic financial statements, and have issued our report thereon dated October 29, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School System's financial statements are free 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*.

Purpose of this Report

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

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

Baltimore, Maryland
October 29, 2015

Independent Auditor's Report on Compliance for Each Major Federal Program and
on Internal Control over Compliance Required by 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 *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School System's major federal programs for the year ended June 30, 2015. The School System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School System's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 of the School System's compliance.

Opinion on Each Major Federal Program

In our opinion, the School System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the School System is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School System's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Baltimore, Maryland
October 29, 2015

Board of Education of Cecil County
Schedule of Findings and Questioned Costs
Financial Reporting
Year ended June 30, 2015

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None reported

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

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

Identification of Major Programs

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
Title I, Part A Cluster	84.010
Title II - Improving Teacher Quality	84.367
State Fiscal Stabilization - Race-to-the-Top Incentive Grants	84.395
State Fiscal Stabilization - Race-to-the-Top Early Learning Challenge	84.412

Dollar threshold used to distinguish between type A and type B programs
\$390,519

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, 2015

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	\$ 1,321,782
National School Lunch Program	10.555	N/A	2,676,064
National School Lunch Program	10.555	N/A	412,589
Summer Food Service Program for Children	10.559	N/A	24,838
			<u>4,435,273</u>
Child and Adult Care Food Program	10.558	N/A	<u>34,134</u>
State Administrative Expenses for Child Nutrition	10.560	154497-01	<u>7,141</u>
Team Nutrition Grants	10.574	145369-01	<u>12,935</u>
Total United States Department of Agriculture			<u>4,489,483</u>
United States Department of Commerce			
Federal Programs administered through the National Oceanic and Atmospheric Administration			
Chesapeake Bay Studies	11.457	NA12NMF4570012	72,000
Chesapeake Bay Studies	11.457	NA10NMF4570051	<u>6,413</u>
Total United States Department of Commerce			<u>78,413</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	144484-01	211,911
Title I Grants to Local Educational Agencies	84.010	145212-01	18,353
Title I Grants to Local Educational Agencies	84.010	154357-01	2,728,660
Title I Grants to Local Educational Agencies	84.010	155168-01	96,059
			<u>3,054,983</u>
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	144206-06	2,780
Special Education - Grants to States	84.027	144220-02	8,683
Special Education - Grants to States	84.027	145252-01	15,291
Special Education - Grants to States	84.027	145276-01	18,062
Special Education - Grants to States	84.027	154186-01	3,221,007
Special Education - Grants to States	84.027	154186-02	49,543
Special Education - Grants to States	84.027	154186-05	2,500
Special Education - Grants to States	84.027	154186-06	104,336
Special Education - Grants to States	84.027	154230-02	58,986
Special Education - Preschool Grants	84.173	144560-02	523
Special Education - Preschool Grants	84.173	154186-03	98,437
Special Education - Preschool Grants	84.173	154186-04	1,305
Special Education - Preschool Grants	84.173	154230-03	7,000
Special Education - Preschool Grants	84.173	155341-02	2,877
			<u>3,591,330</u>

CECIL COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2015

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)			
Career and Technical Education - Basic Grants to States	84.048	144667-01	\$ 5,650
Career and Technical Education - Basic Grants to States	84.048	155118-01	150,704
Career and Technical Education - Basic Grants to States	84.048	155131-01	400
			<u>156,754</u>
Early Intervention Services (IDEA) Cluster			
Special Education - Grants for Infants and Families	84.181	154230-01	<u>102,515</u>
English Language Acquisition State Grants	84.365A	134213-01	5,930
English Language Acquisition State Grants	84.365A	144583-01	17,466
English Language Acquisition State Grants	84.365A	154428-01	13,549
English Language Acquisition State Grants	84.365A	154428-02	5,048
			<u>41,993</u>
Mathematics and Science Partnerships	84.366B	145117-01	<u>12,367</u>
Improving Teacher Quality State Grants	84.367	144765-01	100,387
Improving Teacher Quality State Grants	84.367	154935-01	508,925
Improving Teacher Quality State Grants	84.367	155630-01	679
			<u>609,991</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	115746-01	154,091
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	115746-02	455
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	115746-03	7,180
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	115746-06	2
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	144515-01	2,500
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	144941-01	36,167
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	145383-01	55,931
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	154284-01	808
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	154474-01	1,347
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	154596-01	2,509
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	154640-01	174,277
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	154640-02	22,820
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	154696-01	16,000
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	154843-01	8,065
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	154899-01	3,732
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	155144-01	633
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	155267-01	4,029
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	155267-02	3,750
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	155307-01	180,588
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	155393-01	965
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	155645-01	54,450
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	164198-01	20,000
			<u>750,299</u>

CECIL COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2015

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)			
Race to the Top - Early Learning Challenge	84.412A	145105-01	\$ 11,227
Race to the Top - Early Learning Challenge	84.412A	154453-02	49,500
Race to the Top - Early Learning Challenge	84.412A	154453-03	26,470
Race to the Top - Early Learning Challenge	84.412A	154252-02	17,400
Race to the Top - Early Learning Challenge	84.412A	155294-01	20,000
Race to the Top - Early Learning Challenge	84.412A	155341-03	150
			<u>124,747</u>
Total United States Department of Education			<u>8,444,979</u>
United States Department of Health and Human Services			
Federal programs administered through the Maryland Department of Health and Mental Hygiene			
Preventive Health and Health Services Block Grant	93.991	N/A	1,460
Preventive Health and Health Services Block Grant	93.991	N/A	2,956
			<u>4,416</u>
Total United States Department of Health and Human Services			<u>4,416</u>
Total Federal Expenditures			<u>\$ 13,017,291</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, 2015 for the following major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>	<u>Expenditures</u>
Title I, Part A Cluster	84.010	\$ 3,054,983
Title II - Improving Teacher Quality	84.367	609,991
State Fiscal Stabilization - Race-to-the-Top Incentive Grants	84.395	750,299
State Fiscal Stabilization - Race-to-the-Top Early Learning Challenge	84.412	124,747
		<u>\$ 4,540,020</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 2015, Cecil County Public Schools received \$1,485,070 in Medical Assistance monies.

Total Federal Grant Expenditures per financial statements	\$ 14,502,361
Medical Assistance Program	<u>(1,485,070)</u>
Total Schedule of Expenditures of Federal Awards	<u>\$ 13,017,291</u>