

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017



Cecil County Public Schools

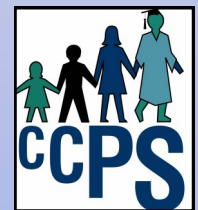
A Component Unit of Cecil County

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, 2017

BOARD OF EDUCATION

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Jeffrey A. Lawson, Ed.D., Associate Superintendent for Education Services
Carolyn Teigland, Ed.D., 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, 2017**

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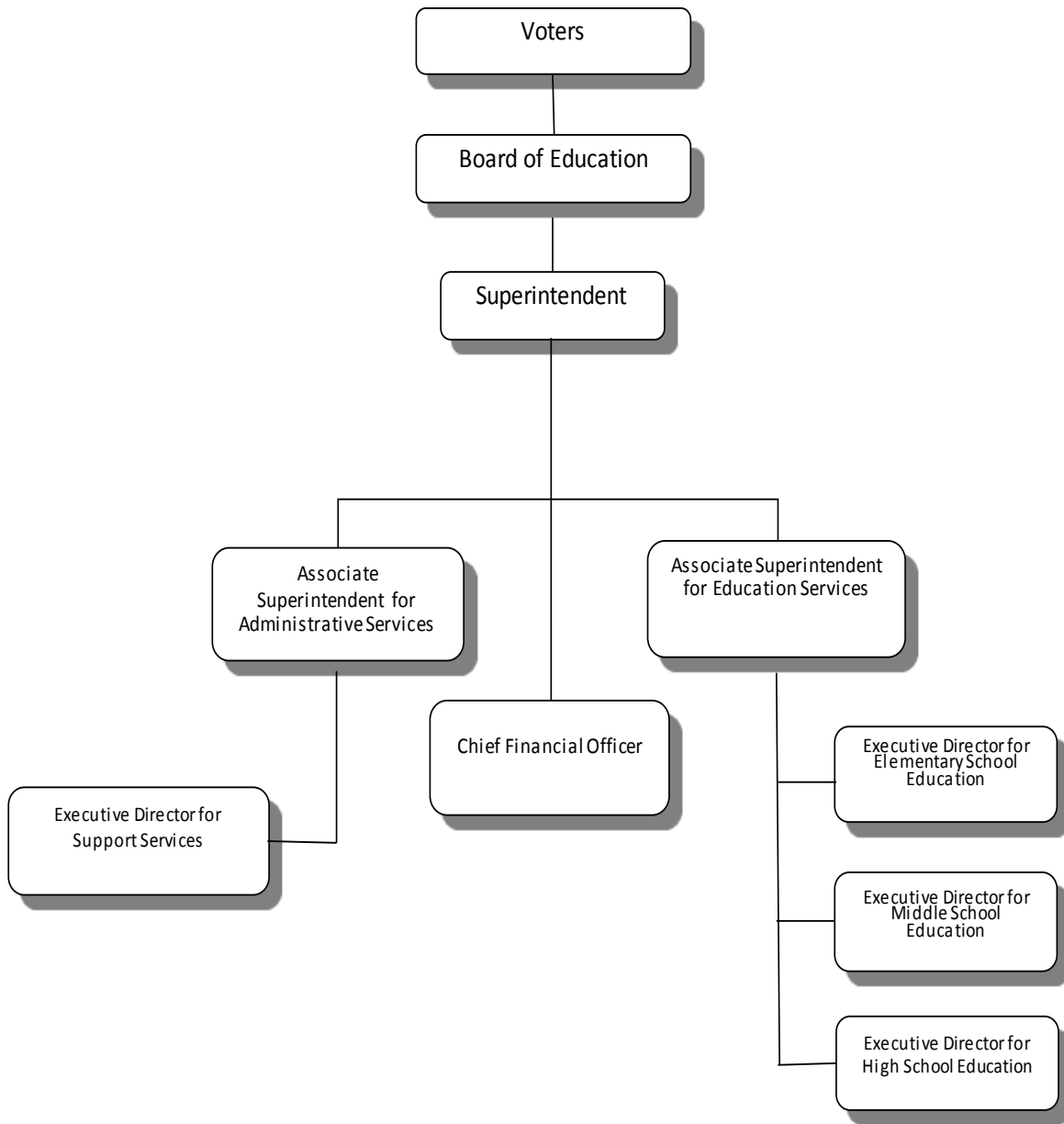
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INTRODUCTORY SECTION



**Cecil County Public Schools
Organization Chart
As of July 1, 2017**



Our mission is to provide an excellent prekindergarten 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, 2017**

D'Ette W. Devine, Ed.D.	Superintendent of Schools and Secretary/Treasurer of the Board of Education
Jeffrey A. Lawson, Ed.D.	Associate Superintendent for Education Services
Carolyn J. Teigland, Ed.D.	Associate Superintendent for Administrative Services
Thomas M. Kappra	Chief Financial Officer
Anne M. Gellrich	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 26, 2017

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, 2017 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

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

201 Booth Street, Elkton, MD 21921

15,633 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 2.3 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 2.3 million square feet of building space and 712 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 36 times; thirteen 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 building in use is the fully renovated, Perryville Elementary School. The approximate 65,000 square foot school was closed for two years starting in 2014 and reopened to students and teachers in the fall of 2016. Twenty-four of the 32 buildings have undergone renovation at some point. The school buildings are multi-use facilities, serving many community groups and organizations for meetings and recreational use when school is not in session.

Of the total \$49.6 million in deferred maintenance expense, \$8,285,943 will be eliminated with the implementation of our five-year capital improvement plan. This includes the replacement of Gilpin Manor Elementary School and Chesapeake City Elementary School, the elimination of Leeds Elementary School and the renovation/addition of North East Middle School.

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 2018 totals \$198,457,147, funded 41.2% by the County, 54.1% by the State and 4.7% 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, the requirements of the Every Student Succeeds Act (ESSA) signed into law on December 10, 2015, and teachers' pension funding. Current state funding formulas are based on a foundation per student amount. 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 (FaRMs) and students with Individual Education Plans

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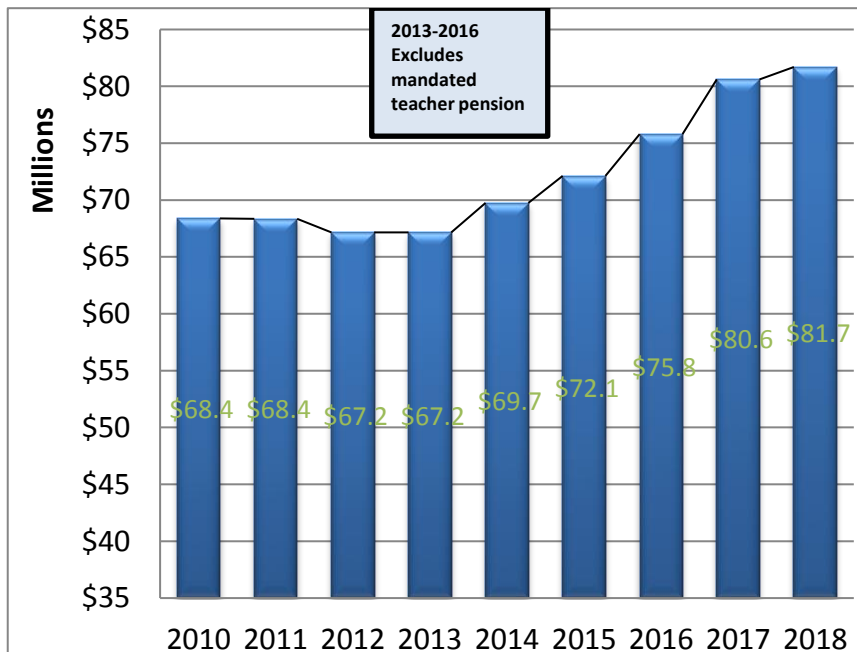
D’Ette W. Devine, Ed.D., *Superintendent*

201 Booth Street, Elkton, MD 21921

(IEP). Federal funding is not expected to increase with several programs having the potential to be eliminated or reduced.

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 2018, the School System will receive a 1.3% increase in County funding for a total regular appropriation of \$81,688,528. This is greater than minimum MOE level of funding based on increased enrollment. This amount is \$2,042,877 less than the Board’s request. Total projected revenue for fiscal year 2018 is \$198,457,147.



ECONOMIC CONDITION AND OUTLOOK

According to the U.S. Census Population Estimates, the population of Cecil County as of July 1, 2016 was 102,603. As of July 2014, the Maryland Department of Planning projects that this number 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 amongst Maryland counties over the next 30 years.

The labor force in Cecil County continues to remain around 54,000. The most recent monthly labor force number in 2017 was 53,920. The number of in-county jobs has remained fairly steady

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between 30,000 and 31,000. However, Cecil County's private sector job base is expected to grow by more than seven percent, with Amazon, Fortress Steel, Lidl, PetSmart, and TruAire creating over 1,800 jobs by December 2018.

As of July 2017, the unemployment rate was 5.0%. The median household income for Cecil County, as calculated by the United States Census Bureau's American Community Survey, was \$66,396 in 2015, the most recent year measured. The same source reported that 87.9% of Cecil County citizens over the age of 25 are high school graduates.

The Maryland Department of Labor, Licensing and Regulation reported a total of 1,951 active businesses in Cecil County in the first quarter of 2017. With direct access to the major thoroughfares of I-95 and U.S. Route 40, 22.7% of the employers in Cecil County are in the trade, transportation and utility industry. 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.

The manufacturing sector in Cecil County continues to be strong, employing an average of 4,207 or 13.6% of the total in-County jobs. The County's manufacturing sector employment concentration is over three times that of the State of Maryland. These employees earn an average weekly wage of \$1,810. Major manufacturers in the County include W.L. Gore, Orbital ATK, Terumo Medical Corporation and Terumo Cardiovascular Systems.

The top employer in Cecil County is W.L. Gore which specializes in medical products and research and development, currently employing over 2,400 people. Cecil County is also home to several large logistics and transportation organizations such as IKEA, Restoration Hardware, Burriss Logistics, and Performance Food Group. The county's prime location near I-95 makes it a great destination for these organizations.

Cecil County continues to see high commercial and industrial prospect activity within and around its growth corridor. As mentioned above, current projects underway including Amazon, Fortress Steel, Lidl, and TruAire will create over 1,800 jobs by December 2018. Several of these projects received Fast Track designation. The Fast Track process is an important economic development tool used to encourage large scale commercial and industrial capital improvements. The process, which requires businesses to meet certain job creation and investment requirements, accelerates the review and approval of development projects that will have a major impact on Cecil County. The Enterprise Zone, which provides tax incentives to both property and business owners who meet certain criteria, continues to be attractive to businesses looking to expand in or relocate to Cecil County. Other helpful tools include the Workforce Training Partnership Program and business loans.

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An important segment of Cecil County's economy involves the tourism industry. A Tourism Impact Study that measures tourism impact on Cecil County revealed that visitors spent \$164 million during 2015. This resulted in approximately \$23.6 million in local and state taxes. In addition, the tourism industry employed over 2,350 people.

Cecil County comprises 222,824 acres, in which approximately 34.6% is farmland. The working landscapes are devoted mainly to cash grain crops (corn, soybeans, wheat, hay and barley). Other rural land uses include tree fruits (apples, peaches, and pears), table grapes and berries, plant nurseries and vegetables.

Warwick Mushroom Farms is the largest single-site, high tech energy efficient mushroom growing operation in the Western hemisphere with over a half-million square feet of growing surface.

Equine is big business in Cecil County, home to equine operations of all sizes, including the Fair Hill Training Center, Select Breeders Services International headquarters, Hassler Dressage's world class facility at Riveredge, Winbak Farm in Chesapeake City, headquarters of their largest Standardbred operation in North America, Northview Stallion Station – a renown Thoroughbred operation, as well as the backyard pasture with individual pleasure riding horses.

Diversification of traditional farming includes vineyards and wineries, on-farm breweries and distilleries, pub breweries, and agri-tourism.

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

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3. All students will benefit from effective and efficient support and services provided by a learning organization

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

A comprehensive, rigorous instructional program is provided for all students. Individual student needs are addressed through differentiation of instruction. Disabled students are educated in the least restrictive environment in their home school with their age appropriate peers to the degree possible. Supplemental aids and services are provided as needed to support student achievement. Students who are gifted and talented receive services through the challenge program. Cecil County students continue to demonstrate effective performance on state and national assessments. 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 2016-17 school year show an all-time high in the number of AP tests taken and the number of AP tests passed. Approximately 68.6% 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 2017:

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

- 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
- Serving the needs of students with disabilities in an inclusive, least restrictive environment
- Revised Grading and Reporting Policy and Procedures

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- F.A.M.E (Formative Assessment for Maryland Educators) training
- Freshman Academy in each high school
- Alignment and revision of English Language Arts and Mathematics curriculum and resources grades K-12
- Coaching support for new elementary reading program
- Focus on literacy in all content areas

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

- Ongoing implementation of Positive Behavior Interventions and Supports (PBIS) programs to all schools
- Active partnerships with business and community leaders
- Ongoing implementation of a revised Student Code of Conduct
- Regular safety reviews at each school to assess readiness to respond to incidents
- Training for all schools in A.L.I.C.E. (Alert, Lockdown, Inform, Counter, Evacuate) active shooter protocols
- Academic supports for students with behavioral challenges are available in all schools
- Cultural proficiency training for administrators and all staff

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

- A schedule of training opportunities for administrative professionals
- A wellness policy by our Food and Nutrition Department to provide nutritious meals
- Ongoing implementation of a comprehensive wellness program for staff
- Increased access and integration to technology through the deployment of Chromebook carts in all schools
- Completed 4 year implementation of Chromebook technology across all levels of schooling
- Over 10,000 Chromebook devices are available to students for daily instruction as well as supporting online testing requirements.

The Future

Funding for the following major programmatic initiatives are included in the fiscal year 2018 budget:

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

- Substitute release time for teachers to participate in professional development

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- 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
- Resources to support the implementation of new curriculum
- Implement distance learning in areas of need
- Creation of Early College Program in collaboration with Cecil College
- Implementation of Diesel Technician and Work Based Learning programs at Cecil County School of Technology

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

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.

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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, project, department and discipline to fulfill organizational needs. Revenues are classified as local, state, federal or other. Expenses are classified by category and further classified by object.

These categories include:

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

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

Local appropriation	State revenue
Federal revenue	Other revenue

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

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Internal Controls

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

INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accountants. The Board of Education selected the accounting firm of CohnReznick LLP to perform this audit under a contract awarded in fiscal year 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 Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (the Uniform Guidance). 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 Required by the Uniform Guidance 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, 2016. This is the fourteenth 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.

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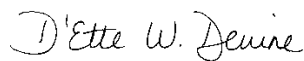
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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, 2016. 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 fourteenth consecutive year the School System was awarded the ASBO Certificate of Excellence in Financial Reporting. We believe our current CAFR continues to conform to the Certificate of Excellence Program requirements and we are submitting it to ASBO International for consideration.

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. Kappra
Chief Financial Officer



Government Finance Officers Association

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

Presented to

**Cecil County Public Schools
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

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, 2016.**

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 'Anthony N. Dragona', written over a horizontal line.

Anthony N. Dragona, Ed.D., RS
Anthony N. Dragona, Ed.D., RSBA
President

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

John D. Musso, CAE
Executive Director

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FINANCIAL SECTION



Independent Auditor's Report

To the Board of Education
Cecil County, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the Statement of Revenue, Expenditures, Encumbrances, and Changes in Fund Balance - Budget (non-GAAP Budgetary Basis) and Actual - General 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, 2017, and the related notes to the financial statements, which collectively comprise the School System's basic financial statements, 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 respective financial position of the government activities, each major fund, the aggregate remaining fund information and the Statement of Revenue, Expenditures, Encumbrances, and Changes in Fund Balance - Budget (non-GAAP Budgetary Basis) and Actual - General Fund of the School System as of June 30, 2017, and the respective changes in its net position for the year and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 30 through 45, the School System's actuarially determined funding progress, Schedule of Changes in the Net OPEB Liability and Related Ratios, Schedule of Board Contributions, and Schedule of Investment Returns for the School System's Retiree Benefit Trust Fund on pages 99 and 100, and Schedules of Required Pension Related Supplementary Information on page 101 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 that collectively comprise the Cecil County Public Schools' basic financial statements. 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 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 procedure, 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 Matter

As discussed in Note 14, the financial statements have been reissued to reflect the adoption of GASB Statement No. 74 - *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2017 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 solely 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 effectiveness of the School System's 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 "CohnReznick LLP".

Baltimore, Maryland

October 26, 2017, except for Note 10 and Note 14,
as to which the date is December 21, 2017

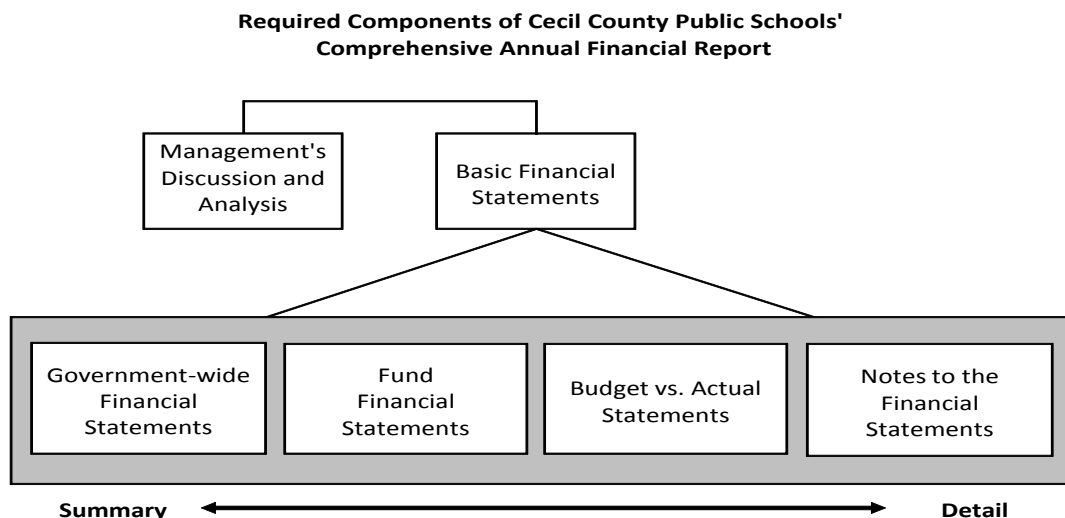
This section of Cecil County Public Schools' Comprehensive Annual Financial Report (CAFR) represents our discussion and analysis of the School System's financial performance during the fiscal year ending June 30, 2017. The Management's Discussion and Analysis, Financial Statements, and related footnotes 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 \$182,400,041 of which \$177,415,257 is a net investment in capital assets.
- Net position decreased \$142,551 for the year, most of which is attributable to an increase in cash and cash equivalents of \$8,388,597, a decrease in noncurrent assets of \$5,217,317, and an decrease in net investment of capital assets of \$4,475,836.
- General revenues of \$147,796,315 account for 65.1% of all revenues; program revenues of \$79,134,902 account for 34.9%.
- The Food and Nutrition department received \$1,849,130 from charges for services, accounting for 27.4% of Food and Nutrition total revenue.
- The operating budget was amended during the year for a net increase of \$2,552,642. This included additional revenue from restricted State and Federal grants of \$807,043, and additional other revenue of \$1,745,599.

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	All additions and deletions during the year, regardless of when cash is received or paid

		and the related liabilities are due and payable	
Deferred outflows/inflows of resources	Changes in the net pension liability not included in pension expense are required to be reported as deferred outflows or deferred inflows of resources related to pensions.	Changes in the net pension liability not included in pension expense are required to be reported as deferred outflows or deferred inflows of resources related to pensions.	N/A

BASIC FINANCIAL STATEMENTS

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

Recent Accounting Pronouncements

During fiscal year 2017, the School System implemented the following GASB Statement:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*, effective for the School System beginning in its fiscal year ending June 30, 2017. GASB 74 specifies the required approach for measuring the net OPEB liability of employers with defined benefit OPEB plans that are administered through trusts meeting the specified criteria and also stipulates certain note disclosures and Required Supplementary Information for the financial reports of defined OPEB plans. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*.

As of the year ended June 30, 2017, GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The School System expects implementation GASB Statement No. 75, *Accounting and Financial Reporting for*

Postemployment Benefits Other Than Pensions to cause a reduction of net position of \$81,579,528.

GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the School System beginning with its fiscal year ending June 30, 2017. This Statement addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 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*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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 plus deferred outflows of resources and liabilities plus deferred inflows of resources, 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 2017 vs. 2016 is shown below:

	<u>2017</u>	<u>2016</u>	<u>Increase/(Decrease)</u>	
Assets				
Current assets	\$ 41,574,030	\$ 31,444,055	\$ 10,129,975	32.2%
Capital assets, net	180,846,852	186,064,167	(5,217,315)	(2.8)%
Total assets	<u>222,420,882</u>	<u>217,508,222</u>	<u>4,912,660</u>	2.3%
Deferred Outflow of Resources				
Deferred Pension	3,830,965	3,203,965	627,000	19.6%
	<u>3,830,965</u>	<u>3,203,965</u>	<u>627,000</u>	19.6%
Liabilities				
Other liabilities	26,030,125	20,516,829	5,513,296	26.9%
Long-term liabilities	16,577,781	16,732,905	(155,124)	(0.9)%
Total liabilities	<u>42,607,906</u>	<u>37,249,734</u>	<u>5,358,172</u>	14.4%
Deferred Inflow of Resources				
Net Pension Liability	1,243,900	919,861	324,039	35.2%
	<u>1,243,900</u>	<u>919,861</u>	<u>324,039</u>	35.2%
Net Position				
Net investment in capital assets	177,415,257	181,891,093	(4,475,836)	(2.5)%
Restricted	48,402	42,732	5,670	(13.3)%
Unrestricted (deficit)	4,936,382	608,767	4,327,615	710.9%
Net Position, end of year	<u>\$ 182,400,041</u>	<u>\$ 182,542,592</u>	<u>\$ (142,551)</u>	(0.1)%

Change in Net Position

The School System's combined net position decreased by \$142,551 or -0.1% on June 30, 2017, to \$182,400,041. Current assets increased by \$10,129,975 or 32.2% mainly due to an increase in cash and cash equivalents of \$8,388,597. Capital assets decreased by \$5,217,315 or 2.8% due to asset retirements.

Other liabilities increased by \$5,513,296 or 26.9% mainly due to the increase in accounts payable and accrued expenses of \$5,208,926.

Statement of Activities

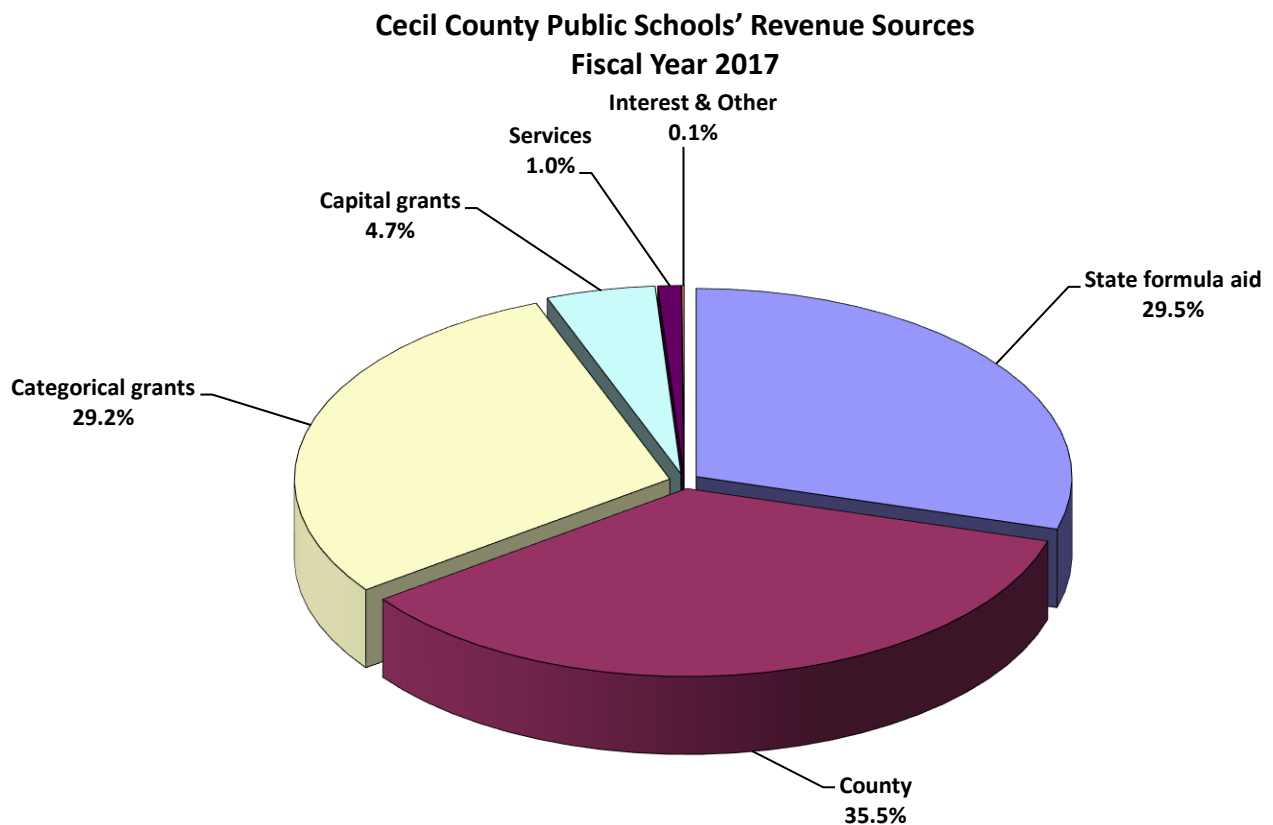
A comparison of revenue by source and expense by function for 2017 vs. 2016 is shown below:

	<u>2017</u>	<u>2016</u>	<u>Increase/(Decrease)</u>	
Revenue				
Program Revenues				
Charges for Services	\$ 2,194,058	\$ 2,079,125	\$ 114,933	5.5%
Operating grants and contributions	66,297,108	63,273,384	3,023,724	4.8%
Capital grants and contributions	10,643,736	13,321,048	(2,677,312)	(20.1)%
General Revenues				
Grants and contributions not restricted to certain programs	147,530,150	143,318,149	4,212,001	2.9%
Other	266,165	189,690	76,475	40.3%
Total revenue	<u>226,931,217</u>	<u>222,181,396</u>	<u>4,749,821</u>	2.1%
Expenses				
Administration	7,122,734	6,539,335	583,399	8.9%
Mid-level administration	18,815,470	18,851,033	(35,563)	(0.2)%
Instruction	125,113,077	116,003,217	9,109,860	7.9%
Special education	36,745,712	35,654,707	1,091,005	3.1%
Student personnel services	1,790,269	1,471,433	318,836	21.7%
Student health services	2,225,308	2,263,233	(37,925)	(1.7)%
Student transportation	10,411,349	9,990,762	420,587	4.2%
Operation of plant	13,117,398	13,246,823	(129,425)	(1.0)%
Maintenance of plant	5,391,514	5,335,317	56,197	1.1%
Food and nutrition	5,960,076	6,274,713	(314,637)	(5.0)%
Community services	380,861	160,674	220,187	137.0%
Total expenses	<u>227,073,768</u>	<u>215,791,247</u>	<u>11,282,521</u>	5.2%
Change in net position	(142,551)	6,390,149	(6,532,700)	(102.2)%
Net position - beginning	182,542,592	176,152,443		
Net position - ending	<u>\$ 182,400,041</u>	<u>\$ 182,542,592</u>		

Revenue (Statement of Activities)

Cecil County Public Schools' revenues from fiscal year 2017 were in the amount of \$226,931,217. Program revenue came from three major sources. These include charges for services of \$2,194,058, operating program grants from the State and Federal government of \$66,297,108 and capital grants from the State of Maryland and Cecil County Government of \$10,643,736. In addition to program sources, the School System received general revenue from the State of Maryland of \$66,919,712, Cecil County Government of \$80,610,438, investment earnings and other miscellaneous income of \$266,165.

Charges for services increased by \$114,933 or 5.5% mostly due to increased meal sales. Operating grants and contributions decreased \$3,023,724 or 4.8% due to decreased federal and state grant funding. Capital grants and contributions decreased by \$2,677,312 or 20.1% due to the timing of construction projects.



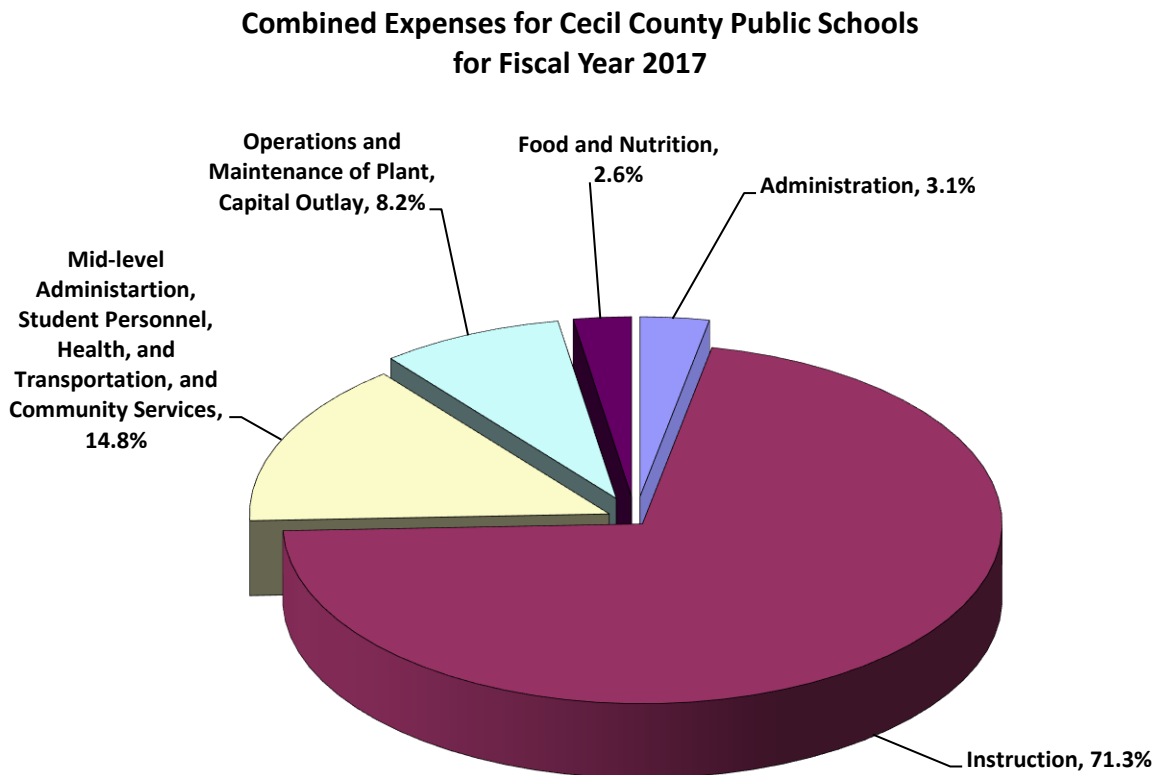
Expenses (Statement of Activities)

The revenues received during 2017 were used to pay expenses of \$227,073,768. This is an increase of \$11,282,521 or 5.2% over 2016. 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.

Instruction salaries and wages, supplies and materials, instruction technology and equipment resulted in an overall increase of \$9,109,860 or 7.9% in the instruction categories. Special Education increased by \$1,091,005 or 3.1% mainly due to salaries and wages and the related fixed charges. Mid-level Administration and Student Services increased by \$886,122 or 2.7%. There was an increase in Administration of \$583,399 or 8.9%. Decreases in Maintenance and Operation of Plant of \$73,228 or 0.4% are all due to continued cost saving efforts.

Overall spending increased by \$11,282,521 or 5.2% and revenue increased by \$4,749,822 or 2.1%, resulting in a decrease in net position of \$142,551.

The expenses classified by the state's categorical functions can be further summarized for 2017 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 \$16,908,029. Total government fund revenues increased by \$4,749,820, with a \$7,354,276 increase in the General Fund mostly due to an increase in state and local funding and a \$2,677,164 decrease in the Capital Project Fund. The School System received \$86,107,741 or 37.9% of its governmental activities funding from the County, \$124,517,950 or 54.9% from the State, and \$13,616,684 or 6.0% 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	\$ 12,008,226	\$ 173,130	\$ 42,732	\$ 12,224,088
Fund balance, end of year	<u>16,339,378</u>	<u>520,249</u>	<u>48,402</u>	<u>16,908,029</u>
Net change in fund balances	<u>\$ 4,331,152</u>	<u>\$ 347,119</u>	<u>\$ 5,670</u>	<u>\$ 4,683,941</u>

The General Fund increased \$4,331,152 from the previous year to \$16,339,378. Several years of reductions in discretionary spending, and deferred purchases and repairs, rising healthcare costs and increased utility costs had caused a need to utilize a larger portion of the fund balance than originally planned in previous years. Portions of the fund balance were recovered in Fiscal Years 2015, 2016 and 2017. For the first time since fiscal 2013, the target to maintain a total fund balance of not less than 5% of annual operating expenditures for the fiscal year was achieved in fiscal 2016.

The Special Revenue Fund increased \$347,119 from the previous year to \$520,249. This represents 8.1% of total fund expenditures. This increase is attributed to savings in salaries and food.

The Capital Projects Fund increased \$5,670 from the previous year to \$48,402. All capital expenditures are approved on a project basis. Any fluctuation in the fund balance is due to the timing of expenditures and miscellaneous income not related to expenditures.

General Fund Budgetary Highlights

This measure can be useful as a measure of the General Fund's liquidity. However, it is important to note that the School System is fiscally dependent on grants and appropriations from the

County, State and Federal governments. Once the budget is adopted through the budget process prior to the start of the fiscal year, these amounts rarely change.

The School System is authorized to transfer funds between major categories of the budget. The following schedule shows the 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	\$ 80,610,438	\$ -	\$ 80,610,438	\$ 80,610,438	\$ -
State of Maryland	105,863,909	131,861	105,995,770	105,671,198	(324,572)
United States government	8,986,087	675,182	9,661,269	9,060,163	(601,106)
Other sources					
Investment interest	10,000	\$ -	10,000	86,795	76,795
Other	450,000	1,745,599	2,195,599	728,980	(1,466,619)
Total revenue	<u>\$ 195,920,434</u>	<u>\$ 2,552,642</u>	<u>\$ 198,473,076</u>	<u>\$ 196,157,574</u>	<u>\$ (2,315,502)</u>
Expenditures					
Current		-			
Administration	\$ 5,259,193	\$ 92,562	\$ 5,351,755	\$ 5,150,687	\$ 201,068
Mid-level administration	14,139,542	62,322	14,201,864	13,901,636	300,228
Instruction salaries	72,708,252	155,000	72,863,252	72,519,546	343,706
Instruction materials and supplies	4,176,808	1,190,347	5,367,155	4,679,832	687,323
Instruction other costs	3,141,775	1,023,781	4,165,556	3,735,052	430,504
Special education	27,130,120	(188,532)	26,941,588	26,279,454	662,134
Student personnel services	963,127	399,954	1,363,081	1,321,324	41,757
Student health services	1,625,301	14,360	1,639,661	1,631,860	7,801
Student transportation	9,618,935	655,373	10,274,308	10,057,070	217,238
Operation of plant	12,080,489	(611,049)	11,469,440	11,114,043	355,397
Maintenance of plant	4,131,103	716,188	4,847,291	4,492,271	355,020
Fixed charges	40,335,346	(1,246,705)	39,088,641	36,163,739	2,924,902
Community services	260,199	154,172	414,371	358,580	55,791
Capital outlay	355,244	129,869	485,113	421,328	63,785
Total expenditures	<u>\$ 195,925,434</u>	<u>\$ 2,547,642</u>	<u>\$ 198,473,076</u>	<u>\$ 191,826,422</u>	<u>\$ 6,646,654</u>

The General Fund is the School System's primary operating fund. The final budget of \$198,473,076 exceeded the original budget by \$2,552,642, including \$807,043 in Federal, State, and Local Grants. Those funds are primarily in the categories of Instruction Salaries, Instruction Other Costs, and Community Services.

Actual expenditures were less than the final budget by \$6,646,654. \$728,420 is related to Federal, State, and Local grants that will carry over to fiscal 2018. Unrestricted funding exceeded expenditures by \$4,331,152. Salary savings, through employee turnover, amounted to \$1,322,589 primarily in Instruction, Instruction Leadership and Support, and Operation of Plant. Additional savings of \$2,924,902 are realized in Fixed Charges primarily related to modifications

made to our employee healthcare plans. A savings of \$662,134 was realized in Special Education due to reductions in non-public placements, and salaries for school psychologists, and other related services.

Capital Assets and Long Term Debt Activity

The School System’s investment in capital assets for its governmental activities as of June 30, 2017 amounts to \$180,846,852 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, and construction in progress. The School System has no infrastructure assets (roads, bridges, streets, etc.).

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

Cecil County Public Schools Capital Assets (net of depreciation)		
	<u>2017</u>	<u>2016</u>
Land	\$ 5,561,453	\$ 5,561,453
Buildings	163,985,640	147,180,109
Improvements other than buildings	141,650	11,160,035
Furniture, fixtures, and equipment	7,295,923	5,779,737
Construction in progress	<u>3,862,186</u>	<u>16,382,835</u>
Total	<u>\$ 180,846,852</u>	<u>\$ 186,064,169</u>

The total decrease in the School System’s net capital assets during the year including depreciation was \$5,217,317. Major capital project expenditures during the fiscal year ended June 30, 2017 included:

- Completion of Perryville Elementary renovations totaling \$3,067,456
- Completion of Cecilton Elementary exterior envelope repairs totaling \$478,116
- Completion of boiler replacements at Kenmore Elementary, Thomson Estates Elementary, Cherry Hill Middle, and Bohemia Manor High totaling \$1,878,143
- Completion of Perryville High Cooling Tower replacement totaling \$146,956
- Continuation of a new school for Gilpin Manor Elementary totaling \$2,904,533
- Start of Cecil Manor Elementary water line installation totaling \$8,502
- Start of a new school for Chesapeake City Elementary totaling \$100,000
- Start of North East High girls’ locker room renovations totaling \$58,596

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 \$17,757,716. 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, 2017 the total funds held in cash and cash equivalents was \$1,611,238.

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 2017 represents the actuarial determined pre-funding amount of \$277,197 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, the state legislature is expected to again review the current funding formulas in light of recent Federal and State mandates, the requirements of the Every Student Succeeds Act (ESSA) signed into law on December 10, 2015, and teachers' pension funding. Current state funding formulas are based on a foundation per student amount. Preschool and pre-kindergarten students are not included in the State or County MOE funding formulas.

During fiscal year 2017, 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 2018 and plan for fiscal year 2019 and beyond.

THE BUDGET PROCESS

The fiscal year 2018 approved operating budget, adopted in June 2017, 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 2018 budget request:

Requests Deferred:

- Technology compliance and disaster recovery
- Various maintenance requests
- 1.0 Custodian
- 1.0 Field Inspector
- 7.0 Teachers

Budget Reductions:

- Lease vs. purchase of computers , maintenance vehicles, and bus
- Armored car service
- Textbooks
- Non-public placement

- Elkton Boulevard lease
- Utilities
- Retiree healthcare

Programs Included:

- 1.0 Social Worker
- A.L.I.C.E. training
- Provide support to help teachers and paraprofessionals meet the Every Student Succeeds Act (ESSA) requirements
- Provide salary, benefit plans, and other employment services that reflect efficient and effective use of resources while meeting the needs of employees
- Career and Technology supplies
- Additional school bus driver and management training
- Expand use of school bus cameras to maintain student discipline
- Provide professional learning opportunities at regional meetings and conferences
- Increase student access to technology for instruction and assessment
- Provide software licensing that supports classroom instruction
- Contracted services to support technology
- Contracted psychological services
- Continued replacement of AEDs
- Promote employee wellness program
- Special transportation
- Zonar and other software upgrades
- Increase scheduled and preventative maintenance
- Active employee healthcare

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, 2017

ASSETS

Current assets

Cash, cash equivalents, and investments	\$ 35,354,340
Due from State of Maryland	2,543,128
Due from United States Government	1,682,160
Receivables (net)	1,360,622
Prepaid items	484,018
Inventories	149,762
Total current assets	<u>41,574,030</u>

Noncurrent assets

Land	5,561,453
Buildings, net of accumulated depreciation	163,985,640
Improvements other than buildings, net of accumulated depreciation	141,650
Furniture, fixtures, and equipment, net of accumulated depreciation	7,295,923
Construction in progress	3,862,186
Total noncurrent assets	<u>180,846,852</u>
Total assets	<u>222,420,882</u>

DEFERRED OUTFLOW OF RESOURCES

Pension related	<u>3,830,965</u>
Total deferred outflows	<u>3,830,965</u>

LIABILITIES

Current liabilities

Accounts payable and accrued expenses	23,774,170
Advances from others	854,144
Capital leases due within one year	961,930
Compensated absences due within one year	402,194
Unearned revenue from United States government	37,687
Total current liabilities	<u>26,030,125</u>

Noncurrent liabilities

Capital leases due in more than one year	2,469,665
Compensated absences due in more than one year	2,564,721
Net pension liability	11,543,395
Total noncurrent liabilities	<u>16,577,781</u>
Total liabilities	<u>42,607,906</u>

DEFERRED INFLOW OF RESOURCES

Pension related	<u>1,243,900</u>
Total deferred inflows	<u>1,243,900</u>

NET POSITION

Net Investment in capital assets	177,415,257
Restricted for:	
Capital projects	48,402
Unrestricted	4,936,382
Total net position	<u>\$ 182,400,041</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, 2017**

Function/programs	Expenses	Program Revenue		Net (Expenses) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Administration	\$ 7,122,734	\$ -	\$ 725,844	\$ -	\$ (6,396,890)
Mid-level administration	18,815,470	-	1,518,665	-	(17,296,805)
Instruction salaries	101,825,291	188,538	36,061,444	-	(65,575,309)
Instruction materials and supplies	5,077,775	-	571,507	10,643,736	6,137,468
Instruction other costs	18,210,011	-	344,810	-	(17,865,201)
Special education	36,745,712	-	15,362,283	-	(21,383,429)
Student personnel services	1,790,269	-	133,391	-	(1,656,878)
Student health services	2,225,308	-	133,776	-	(2,091,532)
Student transportation	10,411,349	-	5,451,829	-	(4,959,520)
Operation of plant	13,117,398	-	533,658	-	(12,583,740)
Maintenance of plant	5,391,514	-	314,933	-	(5,076,581)
Food and nutrition	5,960,076	1,849,130	4,910,733	-	799,787
Community services	<u>380,861</u>	<u>156,390</u>	<u>234,235</u>	-	<u>9,764</u>
Total government activities	<u>\$ 227,073,768</u>	<u>\$ 2,194,058</u>	<u>\$ 66,297,108</u>	<u>\$ 10,643,736</u>	<u>(147,938,866)</u>
State aid not restricted to specific purposes					66,919,712
Local aid not restricted to specific purposes					80,610,438
Interest and investment earnings					87,206
Miscellaneous					<u>178,959</u>
Total general revenues					<u>147,796,315</u>
Change in net position					<u>(142,551)</u>
Net position - beginning					<u>182,542,592</u>
Net position - ending					<u>\$ 182,400,041</u>

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

CECIL COUNTY PUBLIC SCHOOLS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 35,294,986	\$ 14,009	\$ 45,345	\$ 35,354,340
Due from Cecil County, Maryland	-	-	-	-
Due from State of Maryland	692,870	209,585	1,640,673	2,543,128
Due from United States Government	1,682,160	-	-	1,682,160
Due from General fund	-	308,915	-	308,915
Due from Capital Projects fund	462,489	-	-	462,489
Accounts receivable	296,240	1,481	1,062,901	1,360,622
Prepaid items	484,018	-	-	484,018
Inventory	-	149,762	-	149,762
Total assets	<u>\$ 38,912,763</u>	<u>\$ 683,752</u>	<u>\$ 2,748,919</u>	<u>\$ 42,345,434</u>
LIABILITIES AND FUND EQUITY				
Accounts payable	\$ 5,951,986	\$ 74,584	\$ 1,781,571	\$ 7,808,141
Accrued salaries	14,251,388	1,641	-	14,253,029
Estimated claims incurred but not reported	1,713,000	-	-	1,713,000
Advances from others	344,615	53,072	456,457	854,144
Due to General fund	-	-	462,489	462,489
Due to Special Revenue fund	308,915	-	-	308,915
Unearned revenue from United States government	3,481	34,206	-	37,687
Total liabilities	<u>22,573,385</u>	<u>163,503</u>	<u>2,700,517</u>	<u>25,437,405</u>
Fund balance				
Non-spendable	484,018	149,762	-	633,780
Restricted	-	-	48,402	48,402
Committed	5,888,839	-	-	5,888,839
Assigned	3,550,000	370,487	-	3,920,487
Unassigned	6,416,521	-	-	6,416,521
Total fund balance	<u>16,339,378</u>	<u>520,249</u>	<u>48,402</u>	<u>16,908,029</u>
Total liabilities and fund balance	<u>\$ 38,912,763</u>	<u>\$ 683,752</u>	<u>\$ 2,748,919</u>	<u>\$ 42,345,434</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, 2017**

Total fund balance	\$	16,908,029
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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	\$	350,536,207	
Accumulated depreciation		<u>(169,689,355)</u>	180,846,852

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	\$	(11,543,395)	
Capital leases payable		(3,431,595)	
Accrued vacation leave		<u>(2,966,915)</u>	(17,941,905)

Deferred outflows related to pensions	3,830,965
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Deferred inflows related to pensions	<u>(1,243,900)</u>
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Total net position	\$	<u><u>182,400,041</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, 2017

	General	Special Revenue	Capital Projects	Total Governmental Funds
Revenue				
Intergovernmental				
Cecil County, Maryland	\$ 80,610,438	\$ -	\$ 5,497,303	\$ 86,107,741
State of Maryland	119,046,123	325,394	5,146,433	124,517,950
United States government	9,031,345	4,585,339	-	13,616,684
Other sources				
Sale of food	-	1,849,130	-	1,849,130
Investment interest	86,795	176	235	87,206
Other	728,980	23,526	-	752,506
Total revenue	<u>209,503,681</u>	<u>6,783,565</u>	<u>10,643,971</u>	<u>226,931,217</u>
Expenditures				
Current				
Administration	5,116,462	269,130	703,059	6,088,651
Mid-level administration	13,901,636	-	-	13,901,636
Instruction salaries	72,519,546	-	-	72,519,546
Instruction materials and supplies	4,651,014	-	426,761	5,077,775
Instruction other	3,735,052	-	333,187	4,068,239
Special education	26,279,454	-	-	26,279,454
Student personnel services	1,321,324	-	-	1,321,324
Student health services	1,631,860	-	-	1,631,860
Student transportation	10,021,991	-	-	10,021,991
Operation of plant	11,114,043	-	-	11,114,043
Maintenance of plant	4,619,523	-	-	4,619,523
Fixed charges	49,486,209	591,648	-	50,077,857
Community services	358,580	-	-	358,580
Food service				
Salaries and wages	-	2,377,355	-	2,377,355
Food	-	2,746,848	-	2,746,848
Contracted services	-	67,642	-	67,642
Supplies and materials	-	280,868	-	280,868
Other operating cost	-	102,955	-	102,955
Capital outlay	421,328	-	8,371,382	8,792,710
Debt service				
Principal	181,997	-	751,024	933,021
Interest	4,052	-	52,888	56,940
Total expenditures	<u>205,364,071</u>	<u>6,436,446</u>	<u>10,638,301</u>	<u>222,438,818</u>
Excess (deficiency) of revenues over expenditures	4,139,610	347,119	5,670	4,492,399
Other financing sources (uses)				
Capital leases	191,542	-	-	191,542
Total other financing sources (uses)	<u>191,542</u>	<u>-</u>	<u>-</u>	<u>191,542</u>
Net change in fund balances	4,331,152	347,119	5,670	4,683,941
Fund balance, beginning of year	<u>12,008,226</u>	<u>173,130</u>	<u>42,732</u>	<u>12,224,088</u>
Fund balance, end of year	<u>\$ 16,339,378</u>	<u>\$ 520,249</u>	<u>\$ 48,402</u>	<u>\$ 16,908,029</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, 2017**

Total change in fund balance \$ 4,683,941

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	\$ (15,278,463)	
Capital outlays	10,109,966	
Disposal of capital assets net of depreciation	<u>(48,820)</u>	(5,217,317)

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	933,021	
Capital lease additons	<u>(191,542)</u>	741,479

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. (422,816)

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.

72,162

Total change in net position \$ (142,551)

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, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue				
Intergovernmental				
Cecil County, Maryland	\$ 80,610,438	\$ 80,610,438	\$ 80,610,438	\$ -
State of Maryland	105,863,909	105,995,770	105,671,198	(324,572)
United States government	8,986,087	9,661,269	9,060,163	(601,106)
Other sources				
Investment interest	10,000	10,000	86,795	76,795
Other	450,000	2,195,599	728,980	(1,466,619)
Total revenue	195,920,434	198,473,076	196,157,574	(2,315,502)
Expenditures				
Current				
Administration	5,259,193	5,351,755	5,150,687	201,068
Mid-level administration	14,139,542	14,201,864	13,901,636	300,228
Instruction salaries	72,703,252	72,863,252	72,519,546	343,706
Instruction materials and supplies	4,176,808	5,367,155	4,679,832	687,323
Instruction other costs	3,141,775	4,165,556	3,735,052	430,504
Special education	27,130,120	26,941,588	26,279,454	662,134
Student personnel services	963,127	1,363,081	1,321,324	41,757
Student health services	1,625,301	1,639,661	1,631,860	7,801
Student transportation	9,618,935	10,274,308	10,057,070	217,238
Operation of plant	12,080,489	11,469,440	11,114,043	355,397
Maintenance of plant	4,131,103	4,847,291	4,492,271	355,020
Fixed charges	40,335,346	39,088,641	36,163,739	2,924,902
Community services	260,199	414,371	358,580	55,791
Capital outlay	355,244	485,113	421,328	63,785
Total expenditures and encumbrances	195,920,434	198,473,076	191,826,422	6,646,654
EXCESS OF REVENUE OVER EXPENDITURES	\$ -	\$ -	4,331,152	\$ 4,331,152
Fund balance, beginning			12,008,226	
Fund balance, ending			<u>\$ 16,339,378</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, 2017**

ADDITIONS

Contributions:	
Employer	\$ 277,197
Member	-
Total contributions	<u>277,197</u>
Investment income:	
Interest/dividends	1,184,921
Net increase in the fair value of investments	-
Total investment activity	<u>1,184,921</u>
Investment activity expenses:	
Investment custodial fees	<u>(28,021)</u>
Total investment expenses	<u>(28,021)</u>
Total net additions	1,434,097

DEDUCTIONS

Administration service fees	2,138
Auditing fees	3,000
Insurance expense	2,862
General legal fees	1,221
Office supplies	364
Travel and education	<u>6</u>
Total deductions	<u>9,591</u>
Change in net position	1,424,506
Net position - beginning	<u>10,209,398</u>
Net position - ending	<u>\$ 11,633,904</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, Cash Equivalents and Investments

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.

The School System follows Government Accounting Standards Board Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value.

The School System also follows Government Accounting Standards Board Statement 79, "Certain External Investment Pools and Pool Participants," which requires disclosure of specific criteria regarding external investment pools. The School System has an Investment Pool account with the Maryland Local Government Investment Pool ("MLGIP") and other funds designated for Other Post-Employment Benefits held by the Maryland Association of Boards of Education (MABE).

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 MLGIP. No direct investment may have a maturity date of more than 13 months after its acquisition. Securities of the MLGIP are valued daily on an amortized cost basis, which approximates market value, and are held to maturity under normal circumstances.

MLGIP seeks to maintain constant unit value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the MLGIP, marked to market, is calculated and maintained on a daily basis to ensure a \$1.00 per unit constant value. Investment guidelines and limits require liquidity and diversification regarding the MLGIP. There is no formal minimum overnight liquidity position: however, it is anticipated that the MLGIP generally will operate with a minimum of 10% of the total assets in next business day maturities. Generally the MLGIP's average life will range between 25-55 days. Maximum overnight liquidity position may be 100% of assets. The MLGIP has set standards regarding exposure to specific diversification. The limits are set to minimize risk.

The fair value of the position in the MLGIP is the same as the value of the MLGIP net assets (shares). 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. This report can be obtained in writing: Maryland Local Government Investment Pool; c/o PNC Institutional Investments Group; One East Pratt Street; Baltimore, Maryland, 21202; by calling 1-800-492-5160; or the website, www.mlqip.com.

The Board has funds designated for Other Post- Employment Benefits that are held by MABE. As of June 30, 2017, MABE held \$11,633,904 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. The MABE Trust is a Common trust fund which is comprised of shares or units in a commingled fund that is not publicly traded.

Underlying assets in these funds include money market funds, U.S. government securities, fixed income securities, asset backed securities, equity securities, mutual funds and exchange traded fund and are valued at their Net Asset Values (“NAVs”) calculated by the Trust Administrator. The School System may terminate its membership in the Trust and withdrawal its allocated investment balance by providing written notification to the Trust six months prior to the intended withdrawal date.

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 capital asset but are not capitalized or depreciated over the life of the item. Donated capital assets are recorded at acquisition 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 on 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 amounts for which constraints have been imposed by the Board, using the highest level of decision-making authority via Board vote. In addition, these constraints can only be removed or changed through formal action by the Board. 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 portion of the fund balance required to meet the 5% policy is automatically considered a committed balance. Any additional amount greater than 5% must be determined by Board vote prior to June 30 of the current reporting period.

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. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

For the General Fund, the School System’s \$16,339,378 fund balance is 8.3% of the fiscal year 2017 total final budget. \$484,018 is non-spendable, \$3,550,000 is assigned, \$6,416,521 is unassigned, and \$5,888,839 is committed as a reserve for contingencies for fiscal year 2018.

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Fund balance				
Non-spendable				
Inventory	\$ -	\$ 149,762	\$ -	\$ 149,762
Prepaid expenditures	484,018	-	-	484,018
	<u>484,018</u>	<u>149,762</u>	<u>-</u>	<u>633,780</u>
Restricted	-	-	48,402	48,402
Committed				
Budget contingency	5,888,839	-	-	5,888,839
Assigned				
Health care	3,550,000	-	-	3,550,000
Unassigned	6,416,521	370,487	-	6,787,008
Total fund balance, June 30, 2017	<u>\$ 16,339,378</u>	<u>\$ 520,249</u>	<u>\$ 48,402</u>	<u>\$ 16,908,029</u>
Total fund balance, June 30, 2016	<u>12,008,226</u>	<u>173,130</u>	<u>42,732</u>	<u>12,224,088</u>
Net change in fund balance	<u>\$ 4,331,152</u>	<u>\$ 347,119</u>	<u>\$ 5,670</u>	<u>\$ 4,683,941</u>

Recent Accounting Pronouncements

During fiscal year 2017, the School System implemented the following GASB Statement:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*, effective for the School System beginning in its fiscal year ending June 30, 2017.

GASB 74 specifies the required approach for measuring the net OPEB liability of employers with defined benefit OPEB plans that are administered through trusts meeting the specified criteria and also stipulates certain note disclosures and Required Supplementary Information for the financial reports of defined OPEB plans. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*.

As of the year ended June 30, 2017, GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The School System expects implementation GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions to cause a reduction of net position of \$81,579,528.

GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the School System beginning with its fiscal year ending June 30, 2017. This Statement addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 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*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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 an annual budget for its General Fund and project budgets for its Capital Projects Fund to the County Executive prior to February 15, 2018.
 2. The County Executive must submit a complete County budget to the County Council by March 31, 2018.
 3. Following public hearings, the County Council must approve the budgets by June 15, 2018.
 4. Subsequent supplemental appropriations also require the County Executive and County Council's approval.
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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, 2017 – Non-GAAP	\$ 16,339,378
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Maryland State Department payments to State Retirement and Pension System on behalf of the School System for eligible employees

Revenue	13,326,522
Expenditures	(13,326,522)

Net encumbrances reported as expenditures for budget purposes and not in GAAP statements

Revenue	19,585
Expenditures	<u>(19,585)</u>

Fund Balance Ending, June 30, 2017– GAAP Basis	<u>\$ 16,339,378</u>
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Encumbrances of \$19,585 were recorded in the General Fund for grant funds expected to be fully expended within 90 days.

NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS

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, 2017 the carrying amount and bank balances of the School System's deposits with financial institutions totaled \$48,599,482 and \$49,383,756 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	\$ 750,102	\$ 750,102
Uninsured-collateral held by bank in school system's name	12,311,291	13,094,937
Certificate of Deposit due within one year-collateral held by bank in the School System's name	1,025,827	1,025,827
Total Deposits	14,087,220	14,870,866
Petty Cash	100	-
Investments-Maryland Local Government Investment Pool	22,878,257	22,878,986
Investments-MABE OPEB Investment Trust	11,633,904	11,633,904
Total Cash and Investments	<u>\$ 48,599,482</u>	<u>\$ 49,383,756</u>
Reconciliation of above to the Statement of Net Position		
General Fund	\$ 35,294,986	\$ 35,958,825
Special Revenue Fund	14,009	12,556
Capital Projects Fund	45,345	45,345
Total cash and cash equivalents-Statement of Net Position	<u>35,354,340</u>	<u>36,016,725</u>
Fiduciary Funds	13,245,142	13,367,031
Total cash, cash equivalents, and investments	<u>\$ 48,599,482</u>	<u>\$ 49,383,756</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, 2017, MABE held \$11,633,904 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, 2017, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Purpose	Amount
Special Revenue	General	Timing of payment	\$ 308,915
General	Capital Projects	Timing of payment	462,489
Total			<u>\$ 771,404</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 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 5,561,453	\$ -	\$ -	\$ 5,561,453
Construction-in-progress	16,382,833	10,638,302	(23,158,949)	3,862,186
Total capital assets not being depreciated	<u>21,944,286</u>	<u>10,638,302</u>	<u>(23,158,949)</u>	<u>9,423,639</u>
Capital assets being depreciated				
Buildings	279,536,145	17,920,859	-	297,457,004
Improvements other than buildings	17,233,951	168,059	-	17,402,010
Furniture, equipment and vehicles	<u>21,869,948</u>	<u>4,541,695</u>	<u>(158,089)</u>	<u>26,253,554</u>
Total capital assets being depreciated	<u>318,640,042</u>	<u>22,630,613</u>	<u>(158,089)</u>	<u>341,112,568</u>
Less accumulated depreciation for				
Buildings	(132,356,036)	(1,115,328)	-	(133,471,364)
Improvements other than buildings	(6,073,916)	(11,186,444)	-	(17,260,360)
Furniture, equipment and vehicles	<u>(16,090,209)</u>	<u>(2,976,691)</u>	<u>109,269</u>	<u>(18,957,631)</u>
Total accumulated depreciation	<u>(154,520,161)</u>	<u>(15,278,463)</u>	<u>109,269</u>	<u>(169,689,355)</u>
Total capital assets being depreciated, net	<u>164,119,881</u>	<u>7,352,150</u>	<u>(48,820)</u>	<u>171,423,213</u>
	<u>\$ 186,064,167</u>	<u>\$ 17,990,452</u>	<u>\$ (23,207,769)</u>	<u>\$ 180,846,852</u>

Depreciation expense was charged to functions/programs as follows:

<u>Government activities:</u>	<u>Amount</u>
Administration	\$ 781,594
Mid-level administration	2,381
Instruction other costs	14,028,250
Special education	23,305
Student health services	4,821
Student transportation	102,891
Operation of plant	65,868
Maintenance of plant	133,199
Food and nutrition	129,192
Community Services	471
Capital Outlay	6,491
	<u>\$ 15,278,463</u>

B. Construction Commitments

The School System has active construction projects as of June 30, 2017. 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>
Gilpin Manor Elementary new school	\$ 3,695,088	\$ 16,923,372
Cecil Manor Elementary water line installation	8,502	9,948
Chesapeake City Elementary new school	100,000	548,192
North East High girls' locker room renovation	58,596	276,204
	<u>\$ 3,862,186</u>	<u>\$ 17,757,716</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>
Buildings	\$ 465,039
Improvements other than buildings	5,446,293
Furniture, fixtures and equipment	4,456,712
Less accumulated depreciation	<u>(4,278,494)</u>
	<u>\$ 6,089,550</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, 2017:

<u>Fiscal years ending June 30:</u>	<u>Total</u>
2018	\$ 1,006,182
2019	903,124
2020	820,136
2021	<u>803,912</u>
Total payments	3,533,354
Less interest	<u>(101,759)</u>
Capitalized lease obligations	<u>\$ 3,431,595</u>

C. Changes in Long-term Liabilities

Noncurrent liabilities reported in the Statement of Net Position include capital leases and compensated absences. A portion of the capital leases are liquidated through the capital projects fund and a portion is liquidated through the general fund. The other liabilities are liquidated through the general fund. The schedule below presents the current year activity and year-end balances for the School System’s noncurrent liabilities:

	Beginning				Due Within
	Balance	Additions	Reductions	Ending Balance	One Year
Capital leases	\$ 4,173,074	\$ 191,542	\$ (933,021)	\$ 3,431,595	\$ 961,930
Compensated absences	3,039,077	297,735	(369,897)	2,966,915	402,194
Net pension liability	10,817,618	1,677,410	(951,633)	11,543,395	-
Long-term liabilities	<u>\$ 18,029,767</u>	<u>\$ 2,166,687</u>	<u>\$ (2,254,551)</u>	<u>\$ 17,941,905</u>	<u>\$ 1,364,124</u>

NOTE 7 OPERATING LEASES

The School System has long-term commitments as the lessee under various non-cancelable operating leases for copiers and duplicating equipment. Total expenditures incurred in fiscal year 2017 under these leases amounted to \$1,232,592. The aggregate future rental payments under these commitments are \$3,299,267 summarized below:

Fiscal year ending June 30:	Office Equipment
2018	\$ 1,351,203
2019	986,399
2020	533,982
2021	427,683
Total	<u>\$ 3,299,267</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 \$79,134,902 during the fiscal year ended June 30, 2017, were used in the designated programs and did not supplant funding for the unrestricted programs. The General and Special Revenue Funds accounted for \$66,297,108 and the Capital Project Fund accounted for \$10,643,736.

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 \$400,000 per incident beginning October 1, 2016 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, 2017 are estimated to be in the amount of \$1,713,000. This amount is \$107,000 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	Claims Incurred	Claims Paid	Ending Balance
2016	\$ 1,915,000	\$ 23,990,806	\$ 24,299,806	\$ 1,606,000
2017	\$ 1,606,000	\$ 23,271,092	\$ 23,164,092	\$ 1,713,000

C. Sick Leave

As of June 30, 2017, the amount of accumulated unused sick leave was estimated to be \$26,909,156. 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, 2017, the amount of accumulated unused sick leave included in the sick leave bank was estimated to be \$2,462,571. 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, 2017, 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, 2016 through June 30, 2019 is a three year agreement with a 1.0% COLA for the first year and COLA for years 2 and 3 will be based on the CPI-U not to exceed 1.5% as reported in November of 2017 for fiscal year 2018 and not to exceed 2.0% as reported in

November of 2018 for fiscal year 2019. Incremental steps are to be funded for each of the three years.

The collective bargaining agreement with the Cecil County Public Schools Administrators' and Supervisors' Association (CCPSASA) for the period July 1, 2016 through June 30, 2019 is a three year agreement with a 1.0% COLA for the first year and COLA for years 2 and 3 will be based on the CPI-U not to exceed 1.5% as reported in November of 2017 for fiscal year 2018 and not to exceed 2.0% as reported in November of 2018 for fiscal year 2019. Incremental steps are to be funded for each of the three years.

The collective bargaining agreement with the Cecil Education Support Personnel Association (CESPA) for the period July 1, 2016 through June 30, 2018 is a two year agreement with a 1.0% COLA for the first year and COLA for year 2 will be based on the CPI-U not to exceed 1.5% as reported in November of 2016 for fiscal year 2017. Incremental steps are to be funded for each of the two years.

Meet and Confer discussions with the Central Office Support Services Leadership Association (COSSLA) for the period July 1, 2016 through June 30, 2018 resulted in a two year agreement with a 1.0% COLA for the first year and COLA for year 2 will be based on the CPI-U not to exceed 1.5% as reported in November of 2016 for fiscal year 2017. Incremental steps are to be funded for each of the two years.

G. Litigation

The School System is a defendant in law suits and other claims that occur in the ordinary course of school system operations. Most lawsuits and claims are covered by the Maryland Association of Boards of Education Group Insurance Pool. During the year ended, June 30, 2017, the School System was named in a suit that could result in a liability not covered by insurance, although such costs are not estimable and determinable due to the early stage of the case. 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 and Benefits Provided

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 June 30, 2016, the date of the last actuarial valuation, approximately 686 retirees and their beneficiaries were receiving benefits, and an estimated 2,169 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. The School System establishes rates based on an actuarially determined rate. For the fiscal year 2017, the School System's contribution was \$277,197.

For the fiscal year 2017, retirees contributed \$3,036,712 or 56.6% of the total premiums and benefits cost of \$5,366,719. 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	\$ 3,338,107
Adjustment to annual required contribution	<u>(1,181,144)</u>
Annual OPEB cost	2,156,963
Payments to retirees from general fund	(1,879,766)
Prefunding contribution	<u>(277,197)</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 2015, 2016, and 2017, are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 3,713,172	100.0%	\$ -
June 30, 2016	\$ 3,233,956	100.0%	\$ -
June 30, 2017	2,156,963	100.0%	\$ -

D. Funding Status and Funding Progress

As of June 30, 2016, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$46,526,093 with an actuarial value of assets of \$10,209,398 and resulting in an unfunded actuarial accrued liability (UAAL) of \$39,316,695. The annual payroll of active Employees covered by the Plan was \$120,637,973 and the ratio of the UAAL to covered payroll was 32.6%. 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, 2017, there was \$11,633,904 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.

Investments

The MABE Trust’s policy in regard to the allocation of invested assets is established and may be amended by the Trustees by a majority vote of its members. It is the policy of the Trust to pursue an investment strategy that emphasizes growth of principal while avoiding excess risk. Short-term volatility will be tolerated inasmuch as it is consistent with the volatility of a comparable market index. The MABE Trust’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the School System’s adopted asset allocation policy as of June 30, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
Equity	59.90%
Fixed Income	37.10%
Cash	<u>3.00%</u>
Total	<u>100.00%</u>

For the fiscal year ended June 30, 2017, the total rate of return, net of investment expense, was 11.24%. The total rate of return represents a hypothetical return on the capital balance invested in the Trust during the entire year. Actual returns may vary due to the timing of capital contributions and redemptions.

Net OPEB Liability of the School System

The components of the net OPEB liability of the School System for fiscal year 2017, were as follows:

Total OPEB liability	\$ 91,788,926
Plan fiduciary net position	10,209,398
School System's net OPEB liability	<u>\$ 81,579,528</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 11.12%

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.

Significant valuation methods and assumptions are as follows:

Valuation Date	June 30, 2016
Actuarial Cost Method—GASB 45	Projected unit credit method
Actuarial Cost Method-GASB 74 & 75	Entry age normal
Amortization method	Level percentage of premium, open
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Discount Rate – GASB 45	4.25%
Discount Rate – GASB 74/75	2.91%
Investment Rate of Return	8.00% per year
Payroll Growth Rate	3.00%
Inflation Rate	3.00%
Healthcare Cost Trend Rates:	
Medical – GASB 45	8.50% initial year of valuation 5.50% final year of valuation
Medical (Subsidy) – GASB 74/75	2.00%

Mortality rates were based on the RP-2014 Mortality Fully Generational using Projection Scale MP-2015.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2017.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 real rates of return for each major asset class included in the target asset allocation as of June 30, 2017, (see the discussion of the MABE Trust’s investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of return
Equity	6.9%-11.1%
Fixed Income	4.1%-6.4%
Cash	2.60%

Discount rate

The discount rate used to measure the total OPEB liability was 2.91%, which represents a weighted rate consisting of the long-term expected rate of return of 8% and the 20-year rate for a tax-exempt general obligation AA municipal bond of 2.8%. The projection of cash flows used to determine the discount rate assumed that School System contributions will not be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore, to determine the total OPEB liability, the long-term expected rate of return on OPEB plan investments was applied to periods when the OPEB plan's fiduciary net position was projected to cover the projected benefit payments, while the 20-year municipal bond rate was applied to periods when the OPEB plan's fiduciary net position was not projected to cover the projected benefit payments.

The following presents the net OPEB liability of the School System, as well as what the School System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease 1.91%	Discount Rate 2.91%	1% Increase 3.91%
Net OPEB liability	\$ 97,493,801	\$ 81,579,528	\$ 68,941,132

The following presents the net OPEB liability of the School System, as well as what the School System's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	1% Decrease 1.0%	Healthcare Cost Trend Rates 2.0%	1% Increase 3.0%
Net OPEB liability	\$ 67,441,626	\$ 81,579,528	\$ 99,961,675

NOTE 11 PENSION PLAN

A. Summary

The School System follows GASB No. 68 - *Accounting and Financial Reporting for Pensions* (GASB No. 68). 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 0.489% as of the measurement date of June 30, 2016.

The School System previously adopted GASB No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB No. 68*. GASB No. 71, which is only applicable during the years GASB No. 68 was adopted, 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 the beginning pension related deferred outflow of resources.

In March 2016, the GASB issued Statement No. 82 – *Pension Issues*, which is effective for financial statements with periods beginning after June 15, 2016. The statement amends GASB 68 to require the presentation of covered payroll (the payroll or compensation paid to all employees on which contributions to the pension plan are based), and the related ratios, in the required supplementary information. Previously, GASB 68 required presentation of covered-employee payroll (the payroll of employees that are provided with pension through the pension plan), and the related ratios, in the required supplementary information. The School System adopted GASB 82 during the year ended June 30, 2017 and has retroactively applied the related changes to the accompanying required supplementary information to reflect covered payroll instead of covered-employee payroll for all periods presented.

The School System's employees participate in the System and contribute 7 percent of their compensation during fiscal 2017 as stipulated by the System. For employees participating in the Employees' Retirement and Pension Systems, the School System contributed \$951,633 to the System for fiscal 2017 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, 2017, the State of Maryland paid \$13,326,522 in pension costs, relating to employees of the School System participating in the Teachers' Retirement and Pension Systems, which equaled approximately 10.5% of the covered payroll. Therefore, 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, 2016, 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 \$77 million to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland for the year ended June 30, 2016.
3. The components of the calculation of the net pension liability for the system of June 30, 2016, calculated in accordance with GASB Statement No. 67, are shown in the following table.

(Expressed in thousands)

Total Pension Liability	\$	68,959,954
Plan Fiduciary Net Position		<u>45,365,927</u>
Net Pension Liability	\$	<u>23,594,027</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		65.79%

Actuarial Assumptions

As of the measurement date of June 30, 2016:

- Actuarial - Entry Age Normal
- Amortization Method - Level Percentage of Payroll, Closed
- Asset Valuation Method - 5-year smoothed market; 20% collar
- Inflation - 2.70% general, 3.20% wage
- Discount Rate - 7.55%
- Investment Rate of Return - 7.55%
- Retirement Age - Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
- Mortality – RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

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	37%	6.60%
Private Equity	10%	7.40%
Rate Sensitive	20%	1.30%
Credit Opportunity	9%	4.20%
Real Assets	15%	4.70%
Absolute Return	<u>9%</u>	3.70%
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, 2016.

Discount Rate

A single discount rate of 7.55% 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 7.55%. 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 7.55%, a single discount rate that is 1-percentage point lower (i.e. 6.55%) and as single discount rate that is 1-percentage point higher (i.e. 8.55%):

	<u>1% Lower - 6.55%</u>	<u>Current Rate - 7.55%</u>	<u>1% Higher - 8.55%</u>
The System's Net Pension Liability	\$ 32,408,442,000	\$ 23,594,027,000	\$ 16,259,112,000
The School System's Proportionate Share of Net Pension Liability for the Employee's Retirement & Pension Systems	\$ 15,855,863	\$ 11,543,395	\$ 7,954,787
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 2017, 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 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 prior to July 1, 1998, plus 1.4% 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, 2017, the School System reported a liability of \$11,543,393 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the School System’s proportion was approximately 0.0489%.

In relation to these employees, for the year ended June 30, 2017, the School System recognized pension expense of \$1,325,153. At the measurement date of June 30, 2016 the School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Measurement Date of June 30, 2016</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Changes in assumptions	\$ 491,841	\$ -
Difference between actual and expected experience	-	302,521
Net difference between projected and actual earnings on pension plan investments	1,859,629	465,550
Change in proportion	527,862	475,829
Contributions subsequent to the measurement date	951,633	-
Total	<u>\$ 3,830,965</u>	<u>\$ 1,243,900</u>

The deferred outflow of resources of \$951,633 relating to contributions subsequent to the measurement date of June 30, 2016 will be recognized as a reduction of the School System's net pension liability during the fiscal year ended June 30, 2018. The deferred outflows and inflows of resources due to changes in assumptions, differences between actual and expected experience, change in proportion, and differences between projected and actual investment earnings represent the School System’s proportionate share of the unamortized portions of the System’s original amounts. The deferred inflows and outflows related to non-investment activity for 2016, 2015, and 2014 are being amortized over the remaining service life of 5.8647, 5.87, and 5 years, respectively. The deferred outflows and inflow balances related to net difference in investment earnings for 2016, 2015, and 2014 are being amortized over a closed 5 year period. These unamortized amounts will be ratably recognized in pension expense over these services lives and closed 5 year period.

The following table shows the amortization of these deferred outflows and inflows:

Fiscal Year Ended June 30	Amortization of 2016 Balance		Amortization of 2015 Balance			Amortization of 2014 Balance	
	Deferred Outflows -		Deferred Outflows -			Deferred Inflows -	
	Net Difference in Investment Earnings	Deferred Inflows - Actual vs Expected Experience	Net Difference in Investment Earnings	Deferred Outflows - Change in Assumptions	Deferred Inflows - Actual vs Expected Experience	Deferred Outflows - Change in Assumptions	Net Difference in Investment Earnings
2018	\$ 286,256	\$ 25,999	\$ 238,201	\$ 111,192	\$ 45,490	\$ 30,764	\$ 232,776
2019	286,256	25,999	238,201	111,192	45,490	30,764	232,774
2020	286,256	25,999	238,201	111,192	45,490		
2021	286,258	25,999	-	96,737	39,576		
2022		22,479					

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, 2016 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	\$ 33,738,707	\$ 471,743,937	\$ 505,482,644
Plan Fiduciary Net Position	22,195,312	310,340,999	332,536,311
Net Pension Liability	11,543,395	161,402,938	172,946,333
Plan fiduciary net position as a percentage of total pension liability	65.79%	65.79%	65.79%

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 2016 and approximate 0.0489% and 0.6841%, respectively, as a measurement date of June 30, 2016.

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, 2015 and 2014 are available from:

State Retirement and Pension System of Maryland
 120 East Baltimore Street, Baltimore, MD 21202
www.sra.state.md.us

NOTE 12 INSURANCE POOLS

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

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

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

NOTE 13 FAIR VALUE MEASUREMENTS

The School System has adopted GASB Statement No 72 - *Fair Value Measurement and Application*. This statement establishes a hierarchy of inputs to valuation techniques used to measure fair value:

- Level 1 - quoted market prices in active markets
- Level 2 - inputs other than quoted market prices that are observable either directly or indirectly
- Level 3 - unobservable inputs

The School System currently has the following investments and maturities as of June 30, 2017:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>5+</u>
Pooled Investments				
MLGIP - Mutual Funds (General Fund)	\$ 22,754,777	\$ 22,754,777	\$ -	\$ -
MLGIP - Mutual Funds (Special Revenue Fund)	2,259	2,259	-	-
MLGIP - Mutual Funds (Capital Projects Fund)	45,345	45,345	-	-
MLGIP - Mutual Funds (Fiduciary - Agency Fund)	76,605	76,605	-	-
MABE OPEB Trust - Mutual Funds (Fiduciary - Trust Fund)	11,633,904	11,633,904	-	-
Total Investments	<u>\$ 34,512,890</u>	<u>\$ 34,512,890</u>	<u>\$ -</u>	<u>\$ -</u>

The following table presents the financial assets that the School System measures at fair value or amortized cost:

Investments carried at fair value	Level 1	Level 2	Level 3	Total
None	\$ -	\$ -	\$ -	\$ -
Investments carried at amortized cost				
MLGIP - Mutual Funds (General Fund)				\$ 22,754,777
MLGIP - Mutual Funds (Special Revenue Fund)				2,259
MLGIP - Mutual Funds (Capital Projects Fund)				45,345
MLGIP - Mutual Funds (Fiduciary - Agency Fund)				76,605
				\$ 22,878,986
Investments carried at net asset value (NAV)	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
MABE OPEB Trust	\$ 11,633,904	N/A	Daily	Six months

NOTE 14 REISSUANCE

The financial statements were reissued to reflect the adoption of GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*. This resulted in additional disclosures in Note 10 and three additional schedules in Required Supplementary Information – *Schedule of Changes in the Net OPEB Liability and Related Ratios, Schedule of Board Contributions, and Schedule of Investment Returns*.

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REQUIRED SUPPLEMENTARY INFORMATION



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

Schedule of Funding Progress by Valuation Date

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded		Funded Ratio	Annual Covered Payroll	UAAAL as a
			Actuarial Accrued Liability (UAAL)				% 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%
July 1, 2016	\$ 10,209,398	\$ 46,526,093	\$ 36,316,695		21.9%	\$ 120,637,973	30.1%

Schedule of Changes in Net OPEB Liability and Related Ratios

Last 10 Fiscal Years

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total OPEB liability										
Service cost										\$ 2,699,898
Interest										2,647,135
Changes of benefit terms										-
Differences between expected and actual experience										(537,573)
Changes of assumptions										-
Benefit payments										(2,574,944)
Net change in total OPEB liability										2,234,516
Total OPEB liability - beginning										89,554,410
Total OPEB liability - ending (a)										<u>\$ 91,788,926</u>
	Information for fiscal year 2016 and earlier is not available									
Plan fiduciary net position										
Contributions - employer										\$ 659,012
Net investment income										(53,409)
Benefit payments										-
Administrative expense										(54,201)
Net change in plan fiduciary net position										551,402
Plan fiduciary net position - beginning										9,657,996
Plan fiduciary net position - ending (b)										<u>10,209,398</u>
School System's net OPEB liability - ending (a) - (b)										81,579,528
Plan fiduciary net position as a percentage of the total OPEB liability										11.12%
Covered - employee payroll										\$ 120,637,973
Net OPEB liability as a percentage of covered-employee payroll										67.6%

Schedule of Board Contributions

Last 10 Fiscal Years

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution										\$ 4,817,838
Contributions in relation to the actuarially determined contribution										3,060,910
Contribution deficiency (excess)									Information for fiscal year 2016 and earlier is not available	\$ 1,756,928
Covered - employee payroll										\$ 120,637,973
Contribution as a percentage of covered employee payroll										3.99%

Notes to Schedule:

Valuation date: June 30, 2016
 Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
 Methods and assumptions used to determine contribution rates:
 Actuarial cost method: Entry age normal
 Amortization method: Level percentage of premium, open
 Asset valuation method: Market value of assets
 Inflation: 3.00%
 Healthcare cost trend rates: 2.00%
 Salary increases: 3.00%
 Investment rate of return: 8.00%
 Retirement age: Hired on or before 7/1/2011 - (i) Age 55 and 15 years of service, (ii) Age 62 and 5 years of service, (iii) 30 years of service
 Hired after 7/1/2011 - (i) Age 65 and 10 years of service, (ii) Rule of 90

Schedule of Investment Returns

Last 10 Fiscal Years

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Annuall money-weighted rate of return, net of investment									Information for fiscal year 2016 and earlier is not available	11.24%

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

	FY 2017	FY 2016	FY 2015
Proportion (%) of collective net pension liability	0.0489%	0.0521%	0.0479%
Proportionate share (\$) of collective net pension liability	\$ 11,543,395	\$ 10,817,616	\$ 8,506,595
Covered payroll (\$) ¹	\$ 12,003,972	\$ 11,442,991	\$ 11,297,736
Proportionate share of collective net pension liability as a percentage of its covered payroll	96.2%	94.5%	75.3%
Pension plan's fiduciary net position as a percentage of the total pension liability	65.79%	68.78%	71.87%

1 - In accordance with GASB No. 82, amounts shown represent the payroll on which contributions to the pension plan are based.

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

	FY 2017	FY 2016	FY 2015
Proportion (%) of collective net pension liability	0.0%	0.0%	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	\$ 161,402,938	\$ 128,424,705	\$ 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	\$ 161,402,938	\$ 128,424,705	\$ 98,871,677
School System's covered payroll (\$) ¹	\$ 108,244,834	\$ 104,593,637	\$ 102,679,586
School System's proportionate share of collective net pension liability as a percentage of its covered payroll	0.0%	0.0%	0.0%
Pension plan's fiduciary net position as a percentage of the total pension liability	65.79%	68.78%	71.87%

1 - In accordance with GASB No. 82, amounts shown represent the payroll on which contributions to the pension plan are based.

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.

SCHEDULE OF PENSION PLAN CONTRIBUTIONS FOR THE EMPLOYEES' RETIREMENT AND PENSION SYSTEM

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 951,633	\$ 953,101	\$ 1,097,148	\$ 1,117,019	\$ 998,507	\$ 1,229,056	\$ 1,222,619	\$ 859,455	\$ 793,648	\$ 885,961
Contributions in relation to the contractually required contribution	<u>951,633</u>	<u>953,101</u>	<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>
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	\$ 11,297,736	\$ 11,442,991	\$ 11,275,928	\$ 11,192,273	\$ 11,106,870	\$ 11,234,516	\$ 11,289,187	\$ 11,313,583	\$ 10,719,289	\$ 9,955,566
Contributions as a percentage of covered-employee payroll	8.42%	8.33%	9.73%	9.98%	8.99%	10.94%	10.83%	7.60%	7.40%	8.90%

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INDIVIDUAL FUND FINANCIAL STATEMENT



CECIL COUNTY PUBLIC SCHOOLS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND - STUDENT ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Assets:				
Cash and cash equivalents	\$ 1,603,564	\$ 3,112,565	\$ (3,104,891)	\$ 1,611,238
Total Assets	<u>\$ 1,603,564</u>	<u>\$ 3,112,565</u>	<u>\$ (3,104,891)</u>	<u>\$ 1,611,238</u>
Liabilities:				
Due to student groups	\$ 1,603,564	\$ 3,112,565	\$ (3,104,891)	\$ 1,611,238
Total Liabilities	<u>\$ 1,603,564</u>	<u>\$ 3,112,565</u>	<u>\$ (3,104,891)</u>	<u>\$ 1,611,238</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	111
<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	115
<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	124
<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	129
<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**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities										
Net Investment in capital assets	\$ 177,415,257	\$ 181,891,093	\$ 178,073,096	\$ 162,961,619	\$ 165,066,192	\$ 169,073,812	\$ 174,717,150	\$ 177,912,434	\$ 175,023,380	\$ 167,798,316
Restricted for capital projects	48,402	42,732	47,954	(156,795)	47,905	47,848	47,644	47,563	47,460	40,074
Unrestricted	<u>4,936,382</u>	<u>608,767</u>	<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>
Total governmental activities net position	<u>\$ 182,400,041</u>	<u>\$ 182,542,592</u>	<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>

Source: Statement of Net Position

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Government activities:										
Administration	\$ 7,122,734	\$ 6,539,335	\$ 5,393,707	\$ 6,093,367	\$ 5,884,713	\$ 5,848,216	\$ 5,894,409	\$ 5,985,974	\$ 5,785,097	\$ 5,345,436
Mid-level administration	18,815,470	18,851,033	18,803,673	19,109,759	19,036,087	18,645,814	19,318,057	19,061,356	18,379,730	17,641,192
Instruction										
Salaries	101,825,291	100,858,425	100,348,057	100,282,010	95,861,417	94,677,121	96,947,288	96,126,396	92,771,442	88,770,368
Materials and supplies	5,077,775	3,212,396	4,806,329	3,799,800	3,653,853	2,816,463	2,411,173	2,866,679	3,554,132	3,191,191
Other costs	18,210,011	11,932,396	12,678,060	12,186,624	12,898,511	12,669,260	13,718,011	11,795,884	11,067,537	8,698,392
Special education	36,745,712	35,654,707	34,004,467	32,756,261	32,548,523	33,206,278	33,654,336	33,516,554	32,465,449	30,677,957
Student personnel services	1,790,269	1,471,433	1,521,216	1,516,362	1,376,623	1,351,480	1,327,915	1,476,303	1,562,735	1,163,427
Student health services	2,225,308	2,263,233	2,167,347	2,199,501	2,161,877	2,219,629	2,172,688	2,161,204	2,136,947	2,024,228
Student transportation	10,411,349	9,990,762	9,850,551	9,820,844	9,895,907	9,658,855	9,581,266	9,367,220	9,270,764	9,479,243
Operation of plant	13,117,398	13,246,823	14,176,769	14,156,260	13,553,078	12,884,659	13,753,124	13,615,550	13,531,123	14,126,567
Maintenance of plant	5,391,514	5,335,317	5,262,522	5,745,818	5,097,180	4,794,807	4,581,731	4,735,829	4,684,698	4,857,755
Food and nutrition	5,960,076	6,274,713	6,177,158	5,888,310	5,838,318	5,816,017	5,723,356	5,445,415	4,377,939	5,439,250
Community services	380,861	160,674	289,679	242,219	406,090	454,449	383,375	317,774	315,148	312,701
Capital outlay	-	-	-	-	-	-	-	-	-	1,837,886
Interest on long-term debt	-	-	-	-	9,954	155,244	110,918	119,282	102,772	834
Total governmental activities expenses	\$ 227,073,768	\$ 215,791,247	\$ 215,479,535	\$ 213,797,135	\$ 208,222,131	\$ 205,198,292	\$ 209,577,647	\$ 206,591,420	\$ 200,005,513	\$ 193,566,427
Program Revenues										
Government activities:										
Charges for services:										
Instruction salaries	\$ 188,538	\$ 220,719	\$ 212,633	\$ 218,990	\$ 230,547	\$ 240,862	\$ 245,955	\$ 470,817	\$ 454,827	\$ 589,832
Maintenance of plant										
Food and nutrition	1,849,130	1,824,286	1,959,515	1,949,265	1,964,488	2,212,433	2,450,764	2,624,443	2,913,331	2,951,531
Community services	156,390	34,120	3,773	9,497	24,049	16,637	35,655	31,823	18,931	27,476
Operating grants and contributions	66,297,108	63,273,384	65,012,660	61,617,596	61,170,964	63,533,480	66,136,117	59,739,771	51,554,961	48,901,527
Capital grants and contributions	10,643,736	13,321,048	25,488,817	7,318,153	5,298,858	4,747,799	4,613,476	10,397,865	14,513,846	17,653,368
Total governmental activities program revenue	\$ 79,134,902	\$ 78,673,557	\$ 92,677,398	\$ 71,113,501	\$ 68,688,906	\$ 70,751,211	\$ 73,481,967	\$ 73,264,719	\$ 69,455,896	\$ 70,123,734
Total governmental activities net expense	(147,938,866)	(137,117,690)	(122,802,137)	(142,683,634)	(139,533,225)	(134,447,081)	(136,095,680)	(133,326,701)	(130,549,617)	(123,442,693)
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	66,919,712	63,567,371	64,666,305	62,076,718	62,489,026	63,388,472	63,952,691	66,376,929	69,823,348	69,088,532
Local aid not restricted to specific purposes	80,610,438	79,750,778	75,523,845	72,848,292	69,615,833	67,156,014	68,350,618	68,385,625	69,915,162	64,435,162
Interest and investment earnings	87,206	18,242	7,683	8,178	10,855	25,693	67,056	136,820	382,313	852,892
Miscellaneous	178,959	171,448	134,695	248,175	270,690	241,568	555,600	288,943	1,146,445	974,052
Total governmental activities	\$ 147,796,315	\$ 143,507,839	\$ 140,332,528	\$ 135,181,363	\$ 132,386,404	\$ 130,811,747	\$ 134,572,078	\$ 135,188,317	\$ 141,267,268	\$ 135,350,638
Change in Net Position	\$ (142,551)	\$ 6,390,149	\$ 17,530,391	\$ (7,502,271)	\$ (7,146,821)	\$ (3,635,334)	\$ (1,523,602)	\$ 1,861,616	\$ 10,717,651	\$ 11,907,945

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)**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General fund:										
Non-spendable	\$ 484,018	\$ 640,769	\$ 614,961	\$ 579,811	\$ 787,321	\$ 777,885	\$ 1,026,595	\$ 759,082	\$ 689,098	\$ 670,574
Committed	5,888,839	5,737,241	4,742,665	2,847,015	1,784,391	1,588,063	1,798,419	2,000,000	3,000,000	3,000,000
Assigned	3,550,000	3,418,012	3,615,469	3,700,741	6,317,721	4,045,024	3,358,296	3,178,184	3,237,484	2,782,689
Unassigned	6,416,521	2,212,204	-	-	3,470,767	8,552,567	6,671,073	5,375,627	5,489,030	2,677,931
Total general fund	<u>\$ 16,339,378</u>	<u>\$ 12,008,226</u>	<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>
All other governmental funds										
Special Revenue Fund:										
Non-spendable	\$ 149,762	\$ 193,823	\$ 142,032	\$ 175,435	\$ 258,595	\$ 223,646	\$ 171,597	\$ 189,107	\$ 196,398	\$ 166,937
Unassigned	370,487	(20,693)	76,303	(116,840)	(226,543)	36,591	156,463	101,142	(45,987)	(225,802)
Capital Project Fund:										
Restricted	48,402	42,732	47,954	(156,795)	47,905	47,848	47,644	47,563	47,460	40,074
Total all other governmental funds	<u>\$ 568,651</u>	<u>\$ 215,862</u>	<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>

Source: Balance Sheet - Governmental Funds

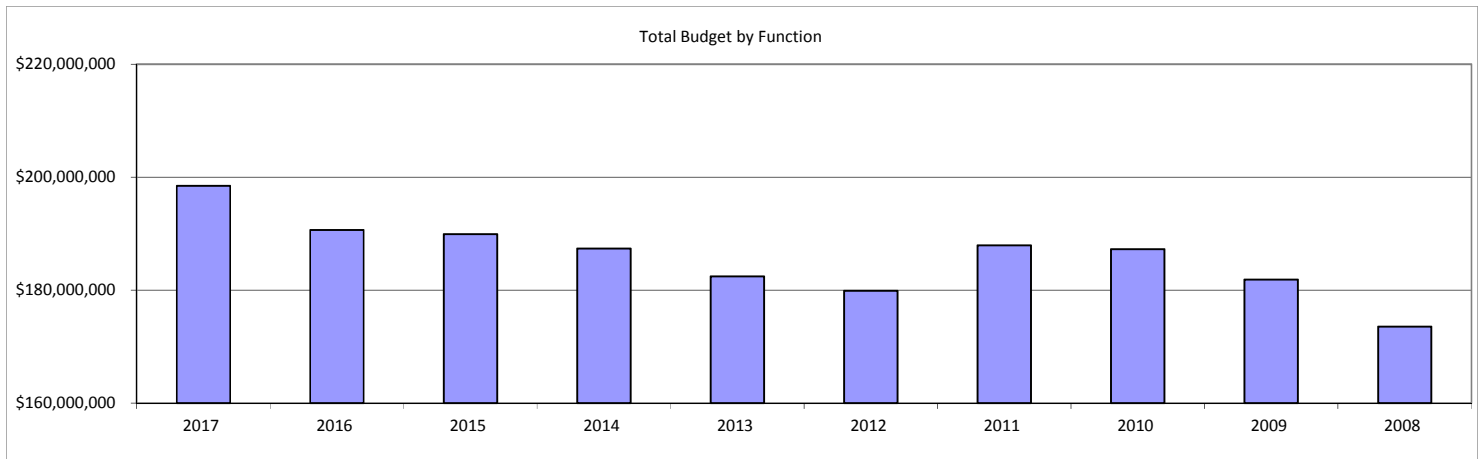
Cecil County Public Schools
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenue										
Intergovernmental										
Cecil County	\$ 86,107,741	\$ 88,050,984	\$ 92,411,466	\$ 77,613,523	\$ 73,121,775	\$ 69,361,935	\$ 72,619,885	\$ 74,891,456	\$ 80,676,398	\$ 79,342,555
State of Maryland	124,517,950	117,552,193	123,360,144	112,692,627	111,289,209	115,057,469	111,044,514	113,375,504	102,650,748	100,158,750
United States government	13,616,684	13,549,190	14,502,361	13,167,657	13,869,753	13,956,731	20,783,182	16,233,041	11,194,258	10,279,566
Other sources										
Sale of food	1,849,130	1,824,286	1,959,515	1,917,694	1,964,487	2,212,794	2,451,420	2,620,110	2,913,331	2,951,522
Investment interest	87,206	18,242	7,683	8,178	10,855	25,693	67,056	136,820	382,313	852,892
Other	752,506	1,186,502	768,753	895,188	819,232	916,622	722,397	1,196,103	1,829,221	1,664,741
Total revenue	<u>\$ 226,931,217</u>	<u>\$ 222,181,397</u>	<u>\$ 233,009,922</u>	<u>\$ 206,294,867</u>	<u>\$ 201,075,311</u>	<u>\$ 201,531,244</u>	<u>\$ 207,688,454</u>	<u>\$ 208,453,034</u>	<u>\$ 199,646,269</u>	<u>\$ 195,250,026</u>
Expenditures										
Administration	\$ 6,088,651	\$ 5,140,935	\$ 5,196,245	\$ 5,238,087	\$ 4,957,485	\$ 4,392,050	\$ 4,643,092	\$ 4,644,684	\$ 4,235,127	\$ 4,462,349
Mid-level administration	13,901,636	13,336,761	13,375,657	13,274,860	13,539,533	13,286,921	14,106,804	13,868,208	13,481,172	13,164,420
Instruction										
Salaries	72,519,546	70,388,331	70,323,326	69,545,018	68,237,315	66,720,063	69,238,303	68,835,894	67,418,883	65,284,743
Materials and supplies	5,077,775	3,212,396	5,102,917	3,799,800	3,653,853	2,816,463	4,303,967	2,866,679	4,800,674	3,191,191
Other costs	4,068,239	3,270,618	26,028,685	8,752,929	7,134,392	6,073,506	7,815,463	14,140,822	15,866,289	3,696,977
Special education	26,279,454	26,318,771	25,217,748	24,583,137	25,108,086	24,894,481	26,056,081	25,735,182	25,136,868	24,129,315
Student personnel services	1,321,324	1,035,422	1,071,994	1,073,218	995,116	996,861	953,701	1,075,781	1,180,715	876,693
Student health services	1,631,860	1,592,818	1,520,898	1,506,440	1,524,399	1,564,001	1,558,357	1,536,245	1,550,723	1,535,533
Student transportation	10,021,991	9,621,041	9,456,522	9,391,768	9,599,678	9,248,641	9,167,297	9,162,173	9,044,421	9,259,986
Operation of plant	11,114,043	10,928,625	11,900,684	11,636,532	11,284,622	10,653,100	11,548,142	11,424,861	11,455,733	12,405,004
Maintenance of plant	4,619,523	4,364,425	4,206,479	4,542,525	4,218,355	3,784,767	3,574,484	3,733,605	3,886,081	4,077,178
Fixed charges	50,077,857	51,160,478	50,518,337	51,298,438	46,076,241	47,510,605	46,824,727	46,228,500	31,921,333	29,253,078
Community services	358,580	145,387	281,964	235,790	388,028	405,943	350,298	304,972	303,880	304,802
Food service										
Salaries and wages	2,377,355	2,408,133	2,391,077	2,350,508	2,408,000	2,380,172	2,404,221	2,349,073	2,320,630	2,279,254
Food	2,746,848	3,134,844	3,084,534	2,726,121	2,718,438	2,685,361	2,435,173	2,366,052	2,358,512	2,644,705
Contracted services	67,642	69,757	57,648	46,449	58,193	67,903	66,763	61,155	40,293	98,591
Supplies and materials	280,868	197,128	180,388	313,708	223,287	232,765	165,428	192,814	170,666	198,850
Other operating cost	102,955	46,018	80,892	39,876	45,721	71,782	273,477	117,299	48,704	243,036
Capital outlay	8,792,710	12,170,838	-	-	-	-	-	-	262,484	23,780,886
Debt service										
Principal	933,021	563,457	647,404	1,162,359	1,517,120	1,487,251	2,671,278	1,891,358	1,610,332	1,316,454
Interest	56,940	90,510	156,506	188,094	218,916	248,785	335,777	364,376	369,932	310,379
Total expenditures	<u>\$ 222,438,818</u>	<u>\$ 219,196,693</u>	<u>\$ 230,799,905</u>	<u>\$ 211,705,657</u>	<u>\$ 203,906,778</u>	<u>\$ 199,521,421</u>	<u>\$ 208,492,833</u>	<u>\$ 210,899,733</u>	<u>\$ 197,463,452</u>	<u>\$ 202,513,424</u>
Excess of revenues over (under) expenditures	4,492,399	2,984,704	2,210,017	(5,410,790)	(2,831,467)	2,009,823	(804,379)	(2,446,699)	2,182,817	(7,263,398)
Other financing sources (uses)										
Sale of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,709	\$ 365,592	\$ -	\$ -	\$ -
Capital lease proceeds	191,542	-	-	-	-	-	2,018,169	1,483,921	1,318,263	7,921,961
Net change in fund balances	<u>\$ 4,683,941</u>	<u>\$ 2,984,704</u>	<u>\$ 2,210,017</u>	<u>\$ (5,410,790)</u>	<u>\$ (2,831,467)</u>	<u>\$ 2,041,532</u>	<u>\$ 1,579,382</u>	<u>\$ (962,778)</u>	<u>\$ 3,501,080</u>	<u>\$ 658,563</u>
Debt Service as a percentage of noncapital expenditures*	0.47%	0.32%	0.39%	0.66%	0.87%	0.89%	1.49%	1.12%	1.08%	0.88%

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
GENERAL FUND
FINAL APPROVED BUDGET BY FUNCTION
LAST TEN FISCAL YEARS**

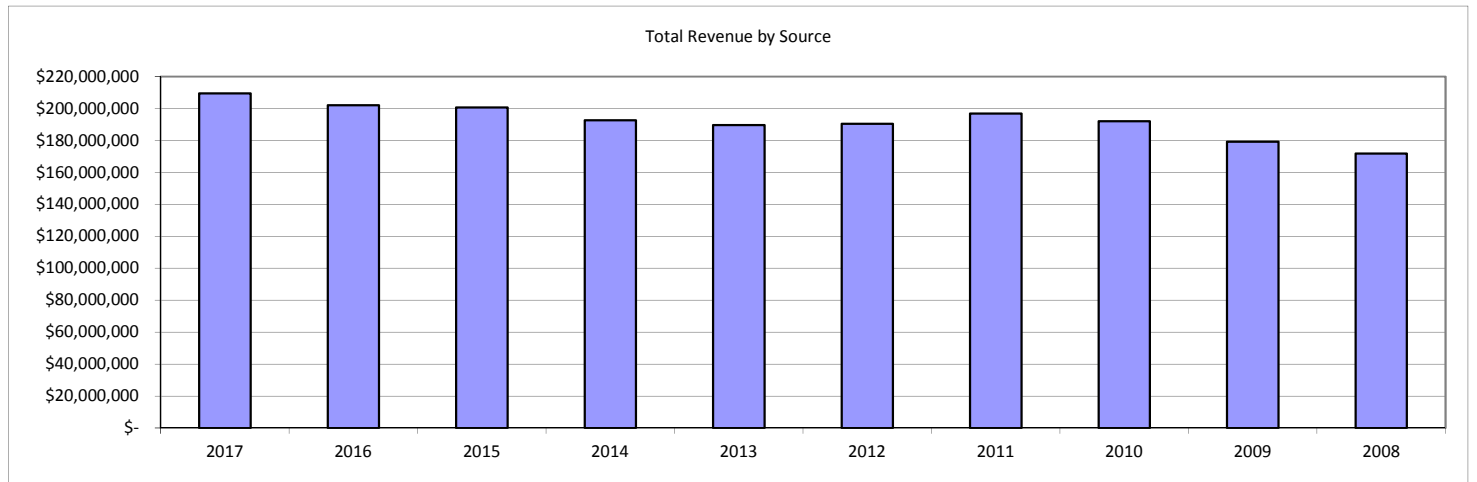
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Administration	\$ 5,351,755	\$ 4,727,924	\$ 4,160,664	\$ 4,297,023	\$ 4,773,500	\$ 4,336,427	\$ 4,529,978	\$ 4,876,625	\$ 4,392,656	\$ 4,487,486
Mid-level administration	14,201,864	13,702,313	13,639,776	13,361,918	13,578,940	13,701,040	14,468,298	13,983,555	13,610,518	13,174,739
Instruction salaries	72,863,252	70,710,787	71,260,303	70,108,553	68,715,627	67,631,258	70,298,996	69,325,912	68,071,684	65,875,628
Instruction supplies	5,367,155	3,932,606	5,682,783	4,278,504	3,850,647	3,032,117	3,008,621	3,212,806	3,730,402	3,511,322
Instruction other costs	4,165,556	3,405,349	2,769,555	3,173,948	3,583,950	3,312,599	6,997,621	4,983,237	3,657,985	2,992,522
Special education	26,941,588	26,725,642	25,839,074	24,750,029	25,206,821	25,847,801	26,691,475	28,425,214	25,245,749	24,202,546
Student personnel services	1,363,081	1,054,619	1,084,219	1,096,029	999,151	1,098,301	1,074,676	1,097,652	1,179,127	1,056,848
Student health services	1,639,661	1,624,600	1,554,309	1,547,755	1,531,252	1,576,333	1,568,897	1,597,388	1,564,277	1,581,126
Pupil transportation	10,274,308	9,767,803	9,597,565	9,491,291	9,633,236	9,502,420	9,398,723	9,526,608	9,534,990	9,359,598
Operation of plant	11,469,440	11,198,162	11,965,460	11,643,949	11,288,368	10,924,044	11,722,226	11,874,521	12,644,815	12,467,016
Maintenance of plant	4,847,291	4,579,484	4,272,707	4,863,548	4,750,480	3,936,360	3,731,257	3,884,927	4,021,544	4,246,735
Fixed charges	39,088,641	38,626,623	37,360,619	37,987,729	33,921,087	34,323,737	33,834,872	33,824,110	33,570,528	29,921,089
Community services	414,371	274,349	410,387	337,697	404,215	459,768	403,152	387,912	370,676	412,116
Capital outlay	485,113	307,078	324,786	406,424	211,797	182,347	187,828	256,548	274,977	262,337
Total Budget by Function	\$ 198,473,076	\$ 190,637,339	\$ 189,922,207	\$ 187,344,397	\$ 182,449,071	\$ 179,864,552	\$ 187,916,620	\$ 187,257,015	\$ 181,869,928	\$ 173,551,108
Increase over prior year	\$ 7,835,737 4.1%	\$ 715,132 0.4%	\$ 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%



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

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

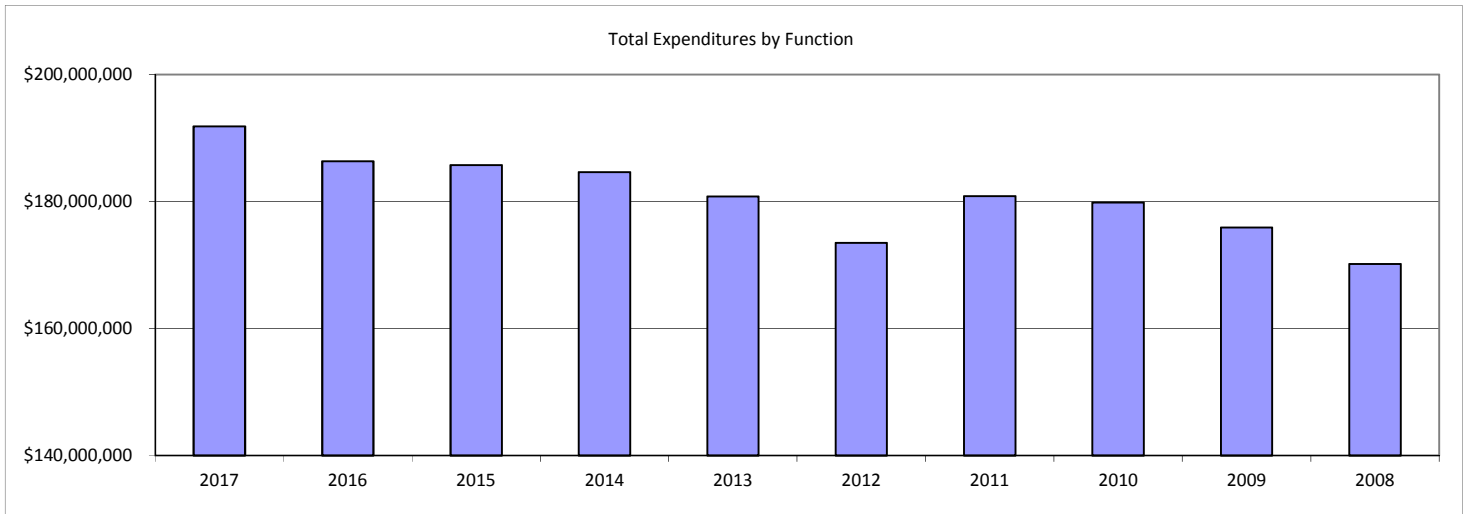
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Cecil County	\$ 80,610,438	\$ 79,750,778	\$ 75,523,845	\$ 72,848,292	\$ 69,615,833	\$ 67,156,014	\$ 68,350,618	\$ 68,385,625	\$ 69,915,162	\$ 64,435,162
State of Maryland	119,046,123	112,703,145	114,520,872	109,977,425	109,272,301	112,323,918	110,534,963	109,451,038	98,716,390	97,140,744
Federal government	9,031,345	8,991,912	10,009,922	9,065,853	10,022,655	10,274,500	17,289,329	13,040,030	8,421,734	7,897,822
Other sources										
Interest earned	86,795	18,136	7,571	8,099	9,997	22,946	62,361	126,983	360,840	782,377
Other	<u>728,980</u>	<u>685,434</u>	<u>614,039</u>	<u>680,852</u>	<u>781,438</u>	<u>765,778</u>	<u>578,159</u>	<u>946,757</u>	<u>1,769,954</u>	<u>1,641,233</u>
Total revenue by source	\$ 209,503,681	\$ 202,149,405	\$ 200,676,249	\$ 192,580,521	\$ 189,702,224	\$ 190,543,156	\$ 196,815,430	\$ 191,950,433	\$ 179,184,080	\$ 171,897,338
Increase over prior year	\$ 7,354,276 3.6%	\$ 1,473,156 0.7%	\$ 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%



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

**CECIL COUNTY PUBLIC SCHOOLS
GENERAL FUND
EXPENDITURES BY FUNCTION
BUDGETARY BASIS (non-GAAP)
LAST TEN FISCAL YEARS**

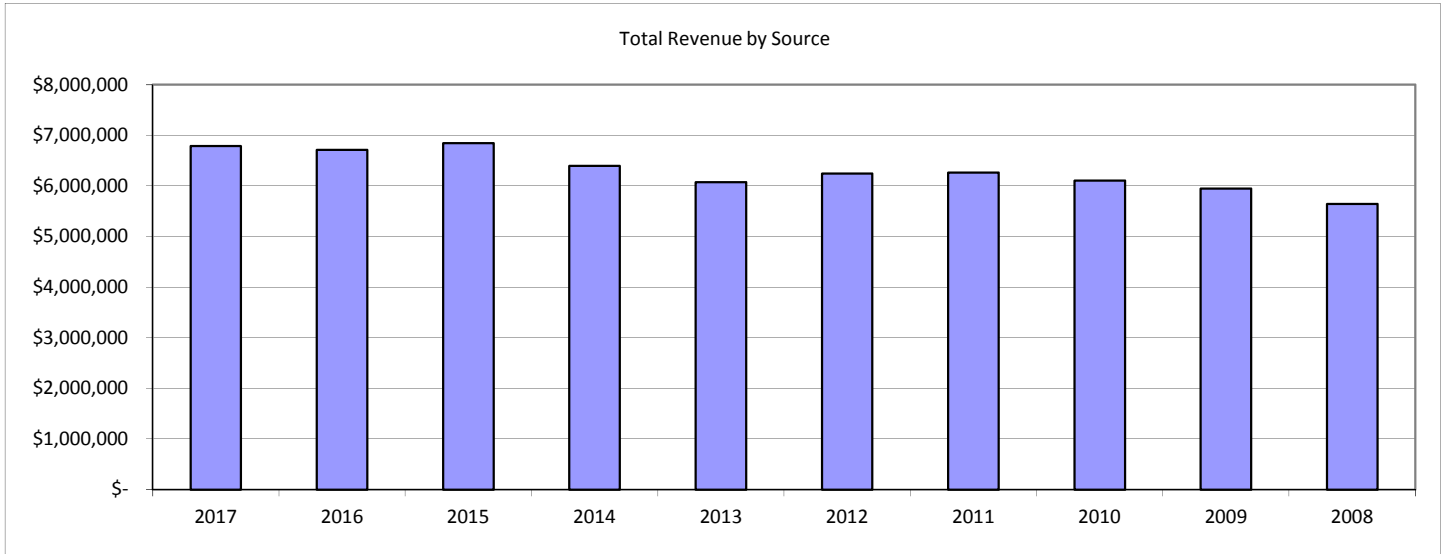
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Administration	\$ 5,150,687	\$ 4,239,139	\$ 4,074,201	\$ 4,221,468	\$ 4,717,989	\$ 4,064,357	\$ 4,404,543	\$ 4,278,297	\$ 3,972,509	\$ 4,205,829
Mid-level administration	13,901,636	13,336,761	13,375,657	13,275,794	13,566,354	13,313,116	14,126,804	13,802,737	13,463,355	13,110,617
Instruction										
Salaries	72,519,546	70,388,331	70,323,326	69,545,018	68,237,315	66,720,063	69,238,303	68,835,894	67,418,883	65,284,748
Materials and supplies	4,679,832	3,064,304	4,631,463	3,790,757	3,643,215	2,767,490	2,266,800	2,780,870	3,342,175	3,196,670
Other costs	3,735,052	3,264,019	2,574,449	2,923,302	3,227,280	2,955,980	5,967,724	4,483,947	3,417,105	2,745,854
Special education	26,279,454	26,310,303	25,226,216	24,609,671	25,134,429	24,922,960	25,980,955	25,737,862	25,141,877	24,112,326
Student personnel services	1,321,324	1,035,422	1,071,994	1,073,218	996,891	998,593	957,021	1,071,343	1,178,331	876,691
Student health services	1,631,860	1,592,818	1,520,898	1,506,440	1,526,033	1,565,596	1,561,453	1,532,178	1,548,471	1,535,541
Student transportation	10,057,070	9,621,041	9,456,522	9,391,768	9,599,678	9,247,557	9,181,668	9,175,806	9,057,367	9,216,073
Operation of plant	11,114,043	10,928,625	11,900,684	11,638,301	11,286,391	10,654,869	11,549,454	11,424,861	11,455,733	12,404,997
Maintenance of plant	4,492,271	4,352,612	4,092,319	4,315,867	4,472,504	3,778,356	3,606,893	3,754,132	3,894,868	4,178,169
Fixed charges	36,163,739	37,760,931	36,882,453	37,690,447	33,796,877	31,912,483	31,457,110	32,443,812	31,443,817	28,706,198
Community services	358,580	122,357	304,995	235,790	388,028	392,844	363,398	304,971	302,251	304,801
Capital outlay	421,328	296,564	296,588	391,580	211,609	181,910	186,338	223,969	262,921	261,222
Total expenditures by function	\$191,826,422	\$186,313,227	\$185,731,765	\$184,609,421	\$180,804,593	\$173,476,174	\$180,848,464	\$179,850,679	\$175,899,663	\$170,139,736
Increase over prior year	5,513,195 3.0%	581,462 0.3%	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%



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**

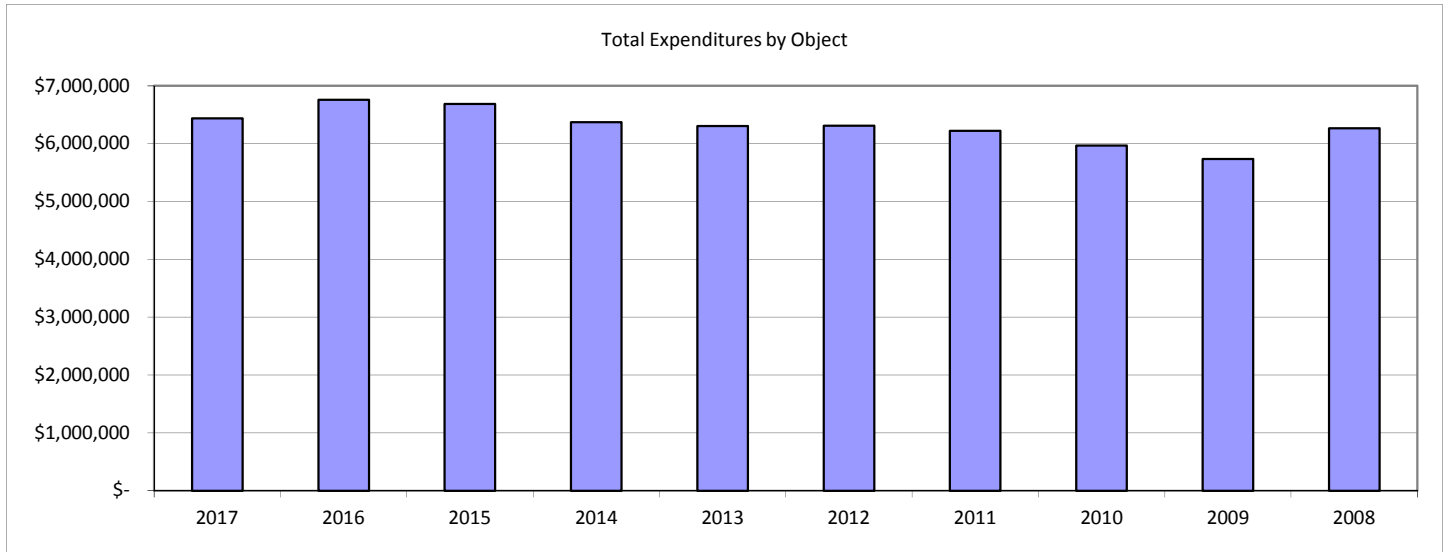
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
State of Maryland	\$ 325,394	\$ 329,274	\$ 392,790	\$ 345,042	\$ 298,946	\$ 282,936	\$ 263,863	\$ 253,811	\$ 241,016	\$ 272,031
United States government	4,585,339	4,557,278	4,492,439	4,101,804	3,772,143	3,682,231	3,493,853	3,193,011	2,772,524	2,381,744
Sale of food	1,849,130	1,824,286	1,959,515	1,917,694	1,964,487	2,212,794	2,451,420	2,620,110	2,913,331	2,951,522
Investment Interest	176	19	14	52	801	2,702	4,614	9,734	16,858	38,294
Other	23,526	-	-	31,573	37,794	59,581	45,716	27,967	-	1,032
Total revenue by source	\$ 6,783,565	\$ 6,710,857	\$ 6,844,758	\$ 6,396,165	\$ 6,074,171	\$ 6,240,244	\$ 6,259,466	\$ 6,104,633	\$ 5,943,729	\$ 5,644,623
Increase over prior year	\$ 72,708 1.1%	\$ (133,901) -2.0%	\$ 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%



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**

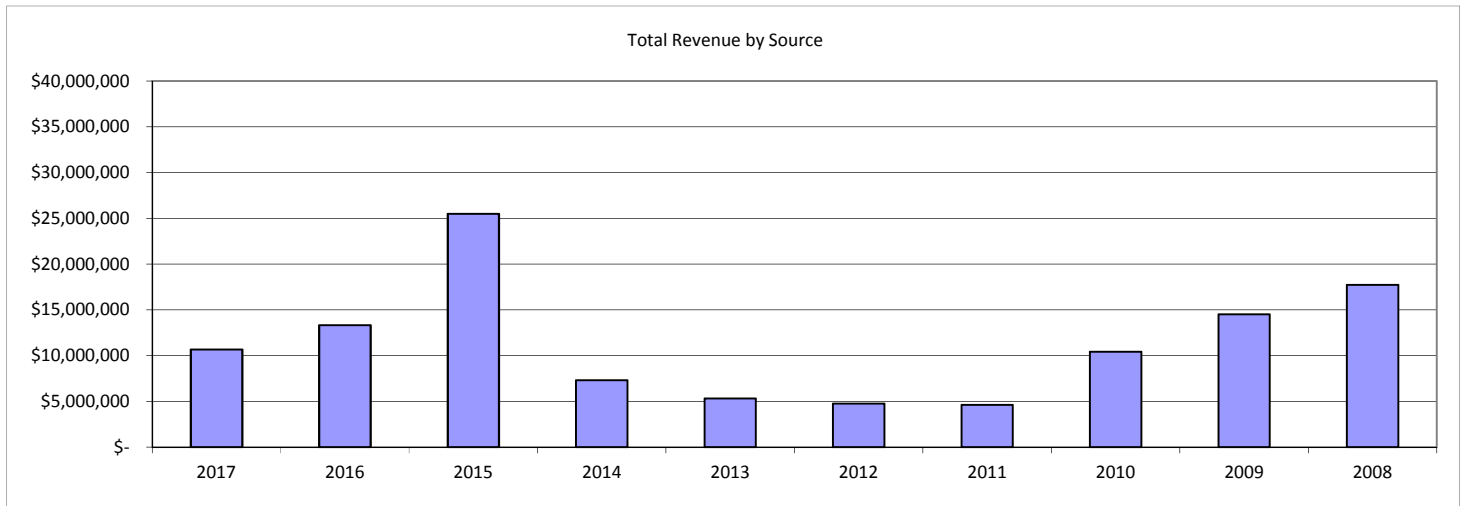
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Salaries and wages	\$ 2,377,355	\$ 2,408,133	\$ 2,391,077	\$ 2,350,508	\$ 2,408,000	\$ 2,380,172	\$ 2,404,221	\$ 2,349,073	\$ 2,320,630	\$ 2,279,254
Food	2,746,848	3,134,844	3,084,534	2,726,121	2,718,438	2,685,361	2,435,173	2,366,052	2,358,512	2,644,705
Contracted services	67,642	69,757	57,648	46,449	58,193	67,903	66,763	61,155	40,293	98,591
Supplies and materials	280,868	197,128	180,388	313,708	223,287	232,765	165,428	192,814	170,666	198,850
Other operating cost	887,047	930,701	925,743	921,611	872,758	897,140	1,065,984	907,279	828,941	844,184
Equipment	76,686	15,499	45,628	11,225	21,680	44,726	84,086	88,422	15,411	201,836
Total expenditures by object	\$ 6,436,446	\$ 6,756,062	\$ 6,685,018	\$ 6,369,622	\$ 6,302,356	\$ 6,308,067	\$ 6,221,655	\$ 5,964,795	\$ 5,734,453	\$ 6,267,420
Increase over prior year	\$ (319,616) -4.7%	\$ 71,044 1.1%	\$ 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%



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**

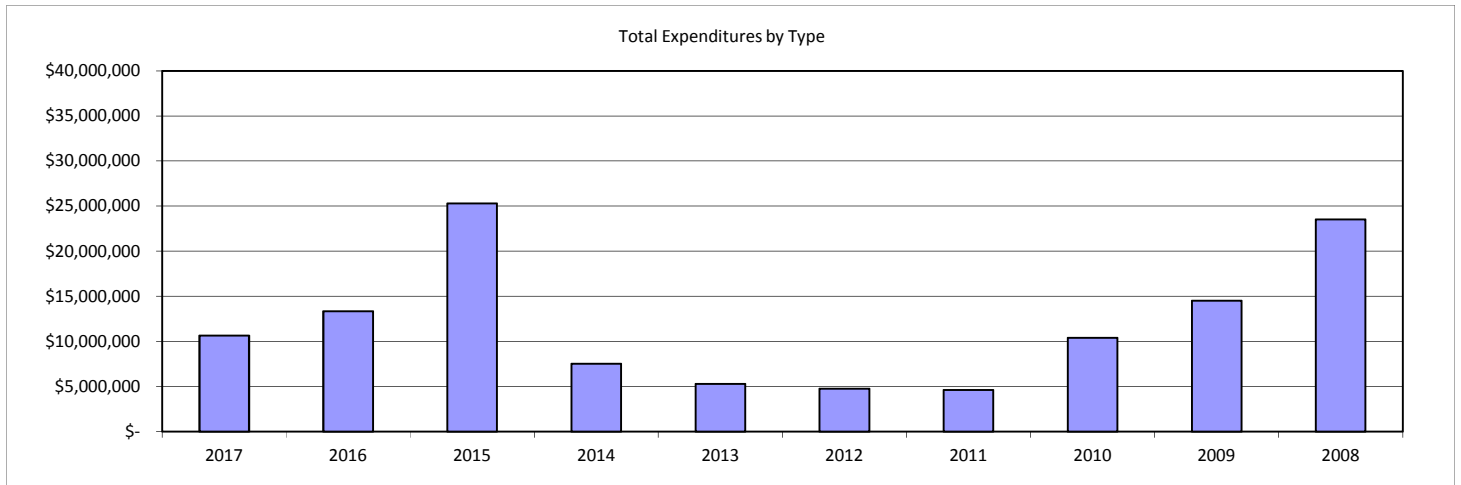
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Cecil County	\$ 5,497,303	\$ 8,300,206	\$ 16,887,621	\$ 4,765,231	\$ 3,505,942	\$ 2,205,921	\$ 4,269,267	\$ 6,505,831	\$ 10,761,236	\$ 14,907,393
State of Maryland	5,146,433	4,519,774	8,446,482	2,370,160	1,717,962	2,450,615	245,688	3,670,655	3,693,342	2,745,975
United States government	-	-	-	-	74,955	-	-	-	-	-
Investment interest	235	87	98	27	57	45	81	103	4,615	32,221
Other	-	501,068	154,714	182,763	-	91,263	98,522	221,379	59,267	22,476
Total	\$ 10,643,971	\$ 13,321,135	\$ 25,488,915	\$ 7,318,181	\$ 5,298,916	\$ 4,747,844	\$ 4,613,558	\$ 10,397,968	\$ 14,518,460	\$ 17,708,065
Increase over prior year	\$ (2,677,164) -20.1%	\$ (12,167,780) -47.7%	\$ 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%



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**

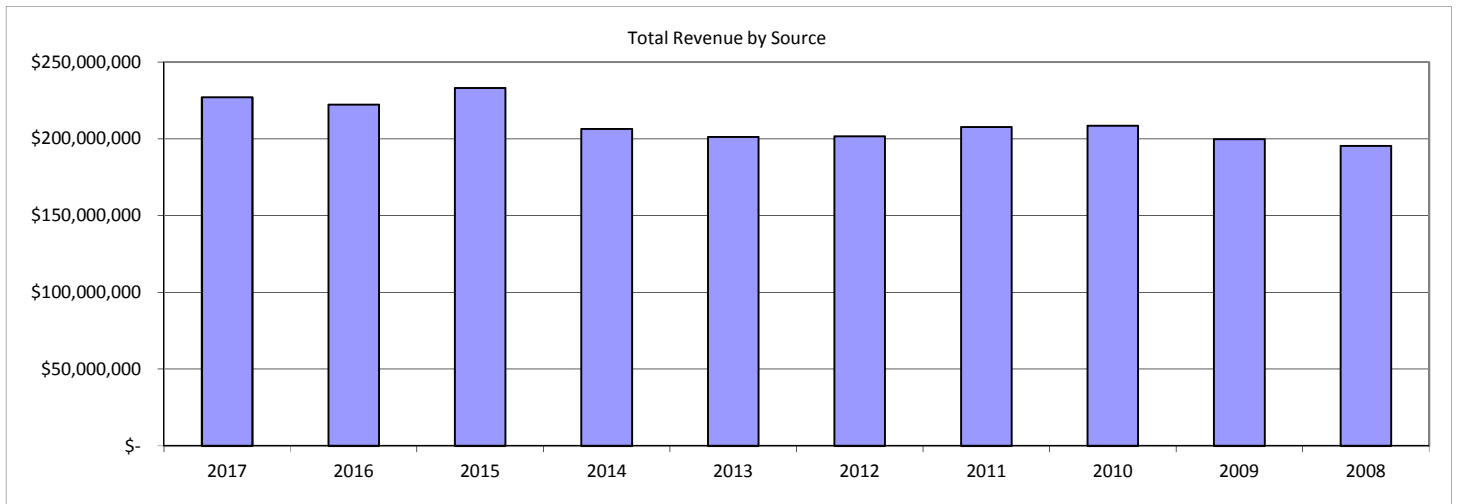
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Land	\$ -	\$ -	\$ 4,359,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Building	3,572,593	1,250,687	6,712,725	5,083,238	4,039,217	4,087,168	4,209,123	9,971,247	14,312,335	23,503,181
Site improvement	448,505	222,487	609,423	396,775	1,140,566	191,162	3,542	8,000	64,539	16,482
Remodeling	6,592,128	11,685,030	13,362,079	2,042,868	119,075	235,136	305,832	205,239	77,703	-
Equipment	25,075	168,153	240,639	-	-	234,174	94,980	213,379	56,497	10,893
Total expenditures by type	\$ 10,638,301	\$ 13,326,357	\$ 25,284,166	\$ 7,522,881	\$ 5,298,858	\$ 4,747,640	\$ 4,613,477	\$ 10,397,865	\$ 14,511,074	\$ 23,530,556
Increase over prior year	\$ (2,688,056) -20.2%	\$ (11,957,809) -47.3%	\$ 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%



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**

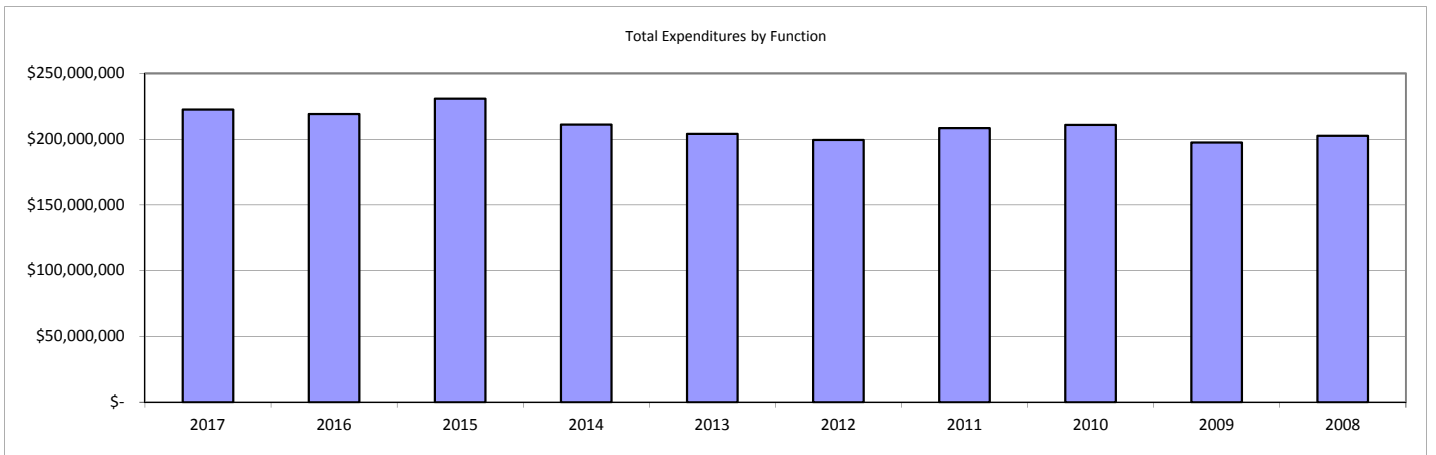
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Cecil County	\$ 86,107,741	\$ 88,050,984	\$ 92,411,466	\$ 77,613,523	\$ 73,121,775	\$ 69,361,935	\$ 72,619,885	\$ 74,891,456	\$ 80,676,398	\$ 79,342,555
State of Maryland	124,517,950	117,552,193	123,360,144	112,692,627	111,289,209	115,057,469	111,044,514	113,375,504	102,650,748	100,158,750
Federal government	13,616,684	13,549,190	14,502,361	13,167,657	13,869,753	13,956,731	20,783,182	16,233,041	11,194,258	10,279,566
Sale of meals	1,849,130	1,824,286	1,959,515	1,917,694	1,964,487	2,212,794	2,451,420	2,620,110	2,913,331	2,951,522
Interest earned	87,206	18,242	7,683	8,178	10,855	25,693	67,056	136,820	382,313	852,892
Other	<u>752,506</u>	<u>1,186,502</u>	<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>
Total revenue by source	\$ 226,931,217	\$ 222,181,397	\$ 233,009,922	\$ 206,294,867	\$ 201,075,311	\$ 201,531,244	\$ 207,688,454	\$ 208,453,034	\$ 199,646,269	\$ 195,250,026
Increase over prior year	\$ 4,749,820 2.1%	\$ (10,828,525) -4.6%	\$ 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%



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**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Administration	\$ 6,088,651	\$ 5,140,935	\$ 5,196,245	\$ 5,238,087	\$ 4,969,511	\$ 4,403,811	\$ 4,672,204	\$ 4,664,203	\$ 4,244,817	\$ 4,462,646
Mid-level administration	13,901,636	13,336,761	13,375,657	13,274,860	13,566,354	13,313,116	14,161,065	13,916,489	13,503,143	13,184,316
Instruction										
Salaries	72,519,546	70,388,331	70,323,326	69,545,018	68,237,315	66,720,063	69,238,303	68,835,894	67,418,883	65,284,743
Materials and supplies	5,077,775	3,212,396	5,102,917	3,799,800	3,653,853	2,816,463	4,303,967	2,866,679	4,800,674	3,191,191
Other costs	4,068,239	3,270,618	26,028,685	8,752,929	8,788,310	7,719,258	10,600,268	16,205,022	17,699,218	5,268,109
Special education	26,279,454	26,318,771	25,217,748	24,583,137	25,135,508	24,921,881	26,082,161	25,741,368	25,141,877	24,135,599
Student personnel services	1,321,324	1,035,422	1,071,994	1,073,218	996,891	998,593	957,021	1,078,355	1,181,589	876,693
Student health services	1,631,860	1,592,818	1,520,898	1,506,440	1,526,033	1,565,596	1,561,453	1,538,634	1,551,549	1,535,533
Student transportation	10,021,991	9,621,041	9,456,522	9,391,768	9,599,678	9,248,641	9,181,668	9,175,806	9,057,367	9,276,228
Operation of plant	11,114,043	10,928,625	11,900,684	11,636,532	11,286,391	10,654,869	11,549,454	11,424,861	11,455,733	12,405,004
Maintenance of plant	4,619,523	4,364,425	4,206,479	4,542,525	4,219,071	3,784,948	3,578,039	3,735,664	3,900,601	4,089,328
Fixed charges	50,077,857	51,160,478	50,518,337	51,298,438	46,086,196	47,530,256	46,911,870	46,325,393	32,002,395	29,253,910
Community services	358,580	145,387	281,964	235,790	388,028	405,943	350,298	304,972	303,880	304,802
Food and nutrition	5,575,668	5,855,880	5,794,539	5,476,662	5,453,639	5,437,983	5,345,062	5,086,393	4,938,805	5,464,436
Capital outlay	8,792,710	12,170,838	-	-	-	-	-	-	262,921	23,780,886
Debt service	989,961	653,967	803,910	813,910	-	-	-	-	-	-
Total expenditures by function	\$ 222,438,818	\$ 219,196,693	\$ 230,799,905	\$ 211,169,114	\$ 203,906,778	\$ 199,521,421	\$ 208,492,833	\$ 210,899,733	\$ 197,463,452	\$ 202,513,424
Increase over prior year	\$ 3,242,125 1.5%	\$ (11,603,212) -5.0%	\$ 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%



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**

	2017 Capacity	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
County Population		102,603	102,382	102,383	101,108	101,696	101,694	101,108	103,850	99,926	103,490
<u>Elementary Schools</u>											
Bainbridge Elementary	449	313	532	515	358	402	396	410	423	383	259
Bay View Elementary	608	591	609	617	571	619	641	618	621	615	609
Calvert Elementary	433	472	479	483	516	420	323	325	332	321	338
Cecil Manor Elementary	523	453	470	450	462	501	530	474	487	454	472
Cecilton Elementary	350	324	345	309	303	297	319	322	338	339	311
Charlestown Elementary	292	246	436	406	224	213	205	184	211	200	196
Chesapeake City Elementary	353	314	343	357	337	314	306	311	315	307	291
Conowingo Elementary	534	466	474	476	480	527	542	567	560	567	553
Elk Neck Elementary	501	446	408	428	434	412	424	430	432	446	443
Gilpin Manor Elementary	416	412	466	457	490	429	405	439	423	431	372
Holly Hall Elementary	624	578	650	629	625	632	633	610	602	619	577
Kenmore Elementary	306	310	339	331	346	326	331	314	305	315	329
Leeds Elementary	408	384	407	402	404	396	406	411	394	402	404
North East Elementary	542	564	527	524	486	512	501	507	477	492	493
Perryville Elementary	500	407	-	-	371	371	368	369	395	375	387
Rising Sun Elementary	715	699	755	690	665	615	665	669	679	721	823
Thomson Estates Elementary	614	527	456	469	510	491	473	490	510	533	535
Elementary School Total	8,168	7,506	7,696	7,543	7,582	7,477	7,468	7,450	7,504	7,520	7,392
<u>Middle Schools</u>											
Bohemia Manor Middle	601	502	506	472	473	473	477	487	478	478	488
Cherry Hill Middle	775	426	416	442	465	439	479	501	529	494	498
Elkton Middle	712	557	554	551	554	569	589	585	591	626	652
North East Middle	712	750	732	754	780	726	725	727	774	753	769
Perryville Middle	860	554	556	550	558	565	597	597	570	615	627
Rising Sun Middle	818	649	679	677	718	713	714	695	706	688	717
Middle School Total	4,478	3,438	3,443	3,446	3,548	3,485	3,581	3,592	3,648	3,654	3,751
<u>High Schools</u>											
Bohemia Manor High	643	650	656	620	629	641	635	664	736	733	742
Elkton High	1,380	982	1,026	1,067	1,124	1,105	1,097	1,087	1,122	1,112	1,120
North East High	1,009	1,083	1,065	1,028	1,005	1,037	1,078	1,121	1,129	1,084	1,143
Perryville High	944	802	802	810	789	775	812	846	892	905	948
Rising Sun High	924	1,172	1,171	1,167	1,147	1,114	1,156	1,177	1,174	1,201	1,194
High School Total	4,900	4,689	4,720	4,692	4,694	4,672	4,778	4,895	5,053	5,035	5,147
<u>Other Schools</u>											
Cecil County High School*	106	87	75	97	71	72	62	58	84	90	85
School of Technology*	580	674	387	258	247	253	254	255	254	240	275
Grand Total	18,232	15,633	15,859	15,681	15,824	15,634	15,827	15,937	16,205	16,209	16,290
Increase / (Decrease)		(226)	178	(143)	190	(193)	(110)	(268)	(4)	(81)	(131)
% Increase / Decrease		-1.4%	1.1%	-0.9%	1.2%	-1.2%	-0.7%	-1.7%	0.0%	-0.5%	-0.8%
High School Graduates		1,071	1,143	1,059	1,082	1,085	1,132	1,122	1,137	1,080	1,106

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

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

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

Employer	2017			2008		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
W. L. Gore & Associates, Inc.	2,405	1	4.82%	2,667	1	5.17%
Cecil County Board of Education	2,200	2	4.41%	2,464	2	4.78%
Perry Point V.A. Medical Center	1,500	3	3.00%	1,000	3	1.94%
Union Hospital	1,235	4	2.47%	864	4	1.68%
Wal-Mart Stores, Inc.	795	5	N/A	500	7	0.97%
Terumo Medical Corporation	610	6	1.22%	345	9	0.67%
Cecil County Government	603	7	1.21%	551	6	1.07%
IKEA/Genco	580	8	1.16%	370	8	0.72%
Cecil College	515	9	1.03%	300	10	0.58%
Orbital ATK, Inc. (formerly Thiokol Corp.)	465	10	0.93%	682	5	1.32%
Totals	10,908		20.25%	9,743		18.90%

Source: Cecil County Office of Economic Development

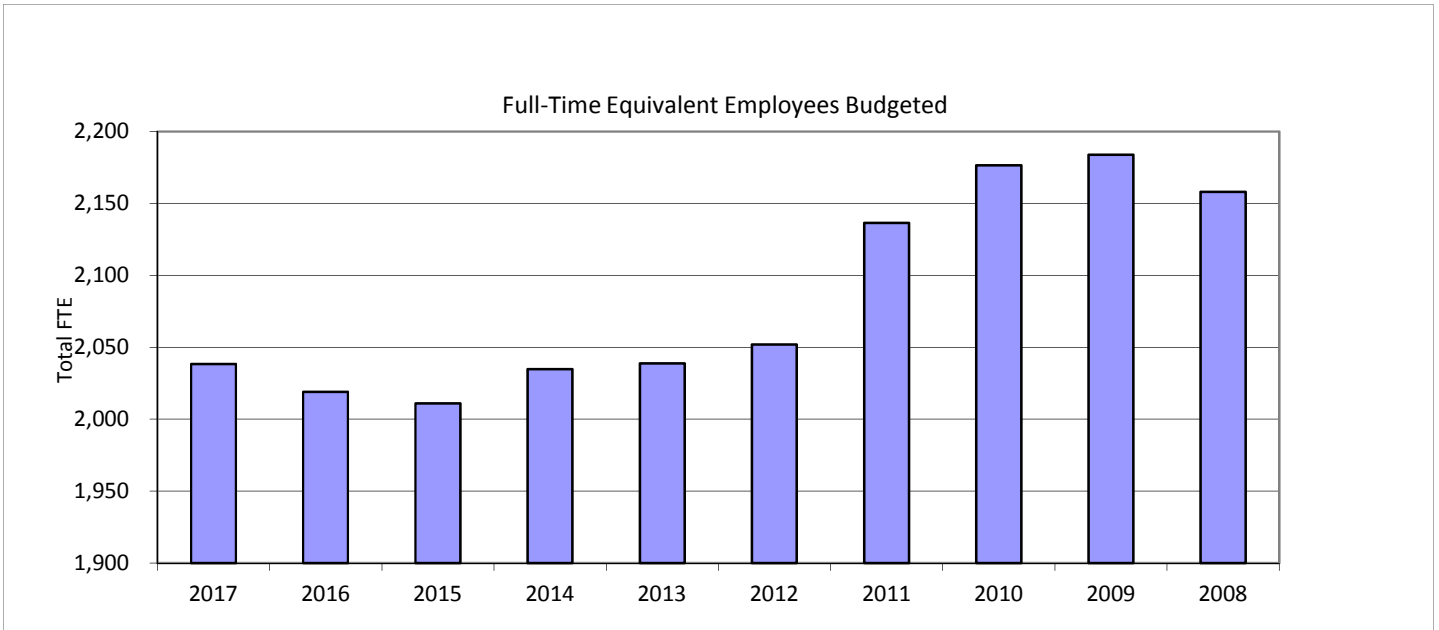
**CECIL COUNTY, MARYLAND
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

Calendar Year	Population	Personal Income (amounts expressed in thousands)	Per Capita Income	Employment	Unemployment Rate	Median Price of Housing Sales	School Enrollment
2016	102,603	\$ 3,030,687	\$ 29,538	49,918	5.1%	\$ 194,765	15,633
2015	102,382	2,971,638	29,025	50,042	6.0%	197,902	15,859
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

Source: 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**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Administration	47.00	47.00	47.00	47.00	47.50	49.75	49.75	49.75	50.75	49.75
Mid-level administration	195.10	197.10	196.10	196.10	196.60	201.25	206.25	208.00	206.25	204.25
Instruction salaries	1,102.40	1,101.10	1,103.40	1,120.66	1,126.86	1,131.56	1,190.00	1,213.23	1,217.94	1,213.00
Special education	437.50	419.90	411.10	418.20	414.20	412.70	424.00	434.46	434.97	419.00
Student personnel services	13.90	15.90	15.90	15.90	14.70	14.60	15.00	15.00	14.00	14.00
Student health services	31.00	31.00	31.00	31.00	32.00	32.00	32.00	34.00	34.00	34.00
Student transportation	23.00	23.00	25.00	25.00	25.00	27.00	27.00	27.00	27.00	28.00
Operation of plant	134.50	132.00	130.50	131.00	131.00	132.00	140.00	140.00	142.00	141.00
Maintenance of plant	48.00	49.00	48.50	47.50	47.50	47.50	50.00	51.50	53.00	51.00
Community services	3.00	-	-	-	1.00	1.00	-	-	-	-
Capital outlay	3.00	3.00	2.50	2.50	2.50	2.50	2.50	3.50	4.00	4.00
Total by function	2,038.40	2,019.00	2,011.00	2,034.86	2,038.86	2,051.86	2,136.50	2,176.44	2,183.91	2,158.00
Increase over prior year	19.40	8.00	-23.86	-4.00	-13.00	-84.64	-39.94	-7.47	25.91	96.12
	1.0%	0.4%	-1.2%	-0.2%	-0.6%	-4.0%	-1.8%	-0.3%	1.2%	4.7%



Source: Cecil County Public Schools, Approved Budget

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total student enrollment	15,633	15,859	15,681	15,824	15,634	15,827	15,937	16,271	16,209	16,290
Administration	\$ 329	\$ 267	\$ 260	\$ 267	\$ 302	\$ 257	\$ 276	\$ 263	\$ 245	\$ 258
Mid-level administration	889	841	853	839	868	841	886	848	831	805
Instruction										
Salaries	4,639	4,438	4,485	4,395	4,365	4,216	4,345	4,231	4,159	4,008
Materials and supplies	299	193	295	240	233	175	142	171	206	196
Other costs	239	206	164	185	206	187	374	276	211	169
Special education	1,681	1,659	1,609	1,555	1,608	1,575	1,630	1,582	1,551	1,480
Student personnel services	85	65	68	68	64	63	60	66	73	54
Student health services	104	100	97	95	98	99	98	94	96	94
Student transportation	643	607	603	594	614	584	576	564	559	566
Operation of plant	711	689	759	735	722	673	725	702	707	762
Maintenance of plant	287	274	261	273	286	239	226	231	240	256
Fixed charges	2,313	2,381	2,352	2,382	2,162	2,016	1,974	1,994	1,940	1,762
Community services	23	8	19	15	25	25	23	19	19	19
Capital outlay	27	19	19	25	14	11	12	14	16	16
Total cost per student	<u>\$ 12,269</u>	<u>\$ 11,747</u>	<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>
Increase over prior year	\$ 522 4.4%	\$ (97) -0.8%	\$ 176 1.5%	\$ 101 0.9%	\$ 606 5.5%	\$ (386) -3.4%	\$ 292 2.6%	\$ 202 1.9%	\$ 408 3.9%	\$ 851 8.9%

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

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total student enrollment	15,633	15,859	15,681	15,824	15,634	15,827	15,937	16,271	16,209	16,290
<u>FOOD & NUTRITION</u>										
Number of days lunch served	180	180	178	177	179	179	180	179	180	179
Average number of lunches served daily:										
Free lunch	4,041	4,156	4,182	4,100	3,841	4,023	3,803	3,475	3,054	2,595
Reduced price	471	508	523	504	519	547	606	660	680	690
Regular price	2,109	2,209	2,291	2,269	2,449	2,740	3,158	3,358	3,883	4,662
Total average number of lunches served daily	6,621	6,873	6,996	6,873	6,809	7,310	7,567	7,493	7,617	7,947
Percentage of student participation:										
Students receiving free lunch	25.8%	26.2%	26.7%	25.9%	24.6%	25.4%	23.9%	21.4%	18.8%	15.9%
Students paying reduced price	3.0%	3.2%	3.3%	3.2%	3.3%	3.5%	3.8%	4.1%	4.2%	4.2%
Students paying regular price	13.5%	13.9%	14.6%	14.3%	15.7%	17.3%	19.8%	20.6%	24.0%	28.6%
Total percentage of student participation	42.3%	43.3%	44.6%	43.4%	43.6%	46.2%	47.5%	46.1%	47.0%	48.7%
Cost per lunch to student:										
Elementary	\$ 2.60	\$ 2.50	\$ 2.50	\$2.45	\$2.25	\$2.15	\$2.10	\$2.10	\$2.10	\$1.60
Secondary	\$ 2.75	\$ 2.65	\$ 2.65	\$2.60	\$2.40	\$2.30	\$2.25	\$2.25	\$2.25	\$1.75
<u>STUDENT TRANSPORTATION</u>										
Number of students eligible to ride the bus	14,286	14,373	14,735	14,565	14,673	14,664	14,820	14,971	14,841	15,187
Number of school bus riders daily	10,718	11,355	10,914	10,459	11,117	11,390	11,087	11,858	10,935	11,136
Percentage of student participation	68.6%	71.6%	69.6%	66.1%	71.1%	72.0%	69.6%	72.9%	67.5%	68.4%
Number of school bus routes:										
County	8	8	8	9	9	9	10	10	10	10
Private contractor	235	145	143	142	142	147	147	147	147	147
<u>TEACHER DATA</u>										
Total number of budgeted teachers	1,328.40	1310.50	1,296.50	1,296.90	1,299.20	1,280.20	1,328.70	1,347.80	1,347.30	1,349.60
Minimum salary (190 days)	\$45,208	\$44,760	\$ 44,186	\$ 43,662	\$ 42,890	\$ 42,890	\$ 42,890	\$ 42,132	\$ 41,674	\$ 40,061
Maximum salary * (190 days)	\$83,563	\$80,829	\$ 79,919	\$ 79,089	\$ 77,866	\$ 77,866	\$ 77,193	\$ 76,003	\$ 70,284	\$ 67,692
Average annual salary	\$ 64,373	\$ 63,100	\$ 63,520	\$ 61,061	\$ 60,943	\$ 60,440	\$ 59,789	\$ 58,189	\$ 56,885	\$ 54,519
Increase/decrease over prior year	2.0%	-0.7%	4.0%	0.2%	0.8%	1.1%	2.7%	2.3%	4.3%	3.6%
Percentage of teachers with Master's and/or APC	66.4%	65.9%	68.7%	67.8%	67.0%	65.9%	64.4%	62.7%	60.9%	55.1%
Percentage of teachers with Master's plus credits	5.6%	6.0%	6.3%	6.4%	6.2%	6.1%	5.9%	5.4%	5.1%	5.2%
Percentage of teachers with Doctorate	0.5%	0.3%	0.3%	0.5%	0.5%	0.3%	0.4%	0.4%	0.4%	0.4%
Student/Teacher ratio	11.8	12.1	12.1	12.2	12.0	12.4	12.0	12.0	12.0	12.1

*Includes additional stipends for advanced training and longevity

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

**CECIL COUNTY PUBLIC SCHOOLS
CAPITAL ASSET INFORMATION
AS OF JUNE 30, 2017**

	Square Feet	Acres	Capacity	Year Constructed
<u>Central Offices</u>				
G.W. Carver Center	32,357	6	N/A	1953
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	69,649	10	500	2016
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	162,930	91	580	1990
Total:	2,342,888	712	18,732	

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

**CECIL COUNTY PUBLIC SCHOOLS
STUDENT ACADEMIC PERFORMANCE
AS OF JUNE 30, 2017**

**Partnership for Assessment of Readiness for College and Careers (PARCC)
Percentage of Students Meeting or Exceeding the Standard - 2017**

		<u>English/Language Arts</u>		<u>Math</u>	
		CECIL COUNTY	STATE	CECIL COUNTY	STATE
Grade 3	Meeting or Exceeding the Standard (Performance Level 4 or 5)	35.1	39.8	41.8	43.0
Grade 4	Meeting or Exceeding the Standard (Performance Level 4 or 5)	38.1	41.9	35.7	37.5
Grade 5	Meeting or Exceeding the Standard (Performance Level 4 or 5)	40.0	41.4	32.5	35.5
Grade 6	Meeting or Exceeding the Standard (Performance Level 4 or 5)	36.2	38.4	33.1	32.2
Grade 7	Meeting or Exceeding the Standard (Performance Level 4 or 5)	48.1	43.0	30.6	25.4
Grade 8	Meeting or Exceeding the Standard (Performance Level 4 or 5)	38.8	38.9	16.7	16.8

**Partnership for Assessment of Readiness for College and Careers (PARCC)
Percentage of Students Meeting or Exceeding the Standard - 2017**

		CECIL COUNTY	STATE
English 10	Meeting or Exceeding the Standard (Performance Level 4 or 5)	52.4	49.3
Algebra 1	Meeting or Exceeding the Standard (Performance Level 4 or 5)	47.2	36.5
Algebra 2	Meeting or Exceeding the Standard (Performance Level 4 or 5)	78.1	27.3
Geometry	Meeting or Exceeding the Standard (Performance Level 4 or 5)	54.3	47.9

Scholastic Assessment Test - Average Score, 2016 Data Reported

	CECIL COUNTY	STATE OF MARYLAND	NATION
Reading	481	480	494
Math	492	482	508
Writing	459	466	482

Source: MD Report Card, CollegeBoard

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

Fiscal Year	Total Outstanding Debt	Debt per Capita	Ratio of debt to total personal income
2017	\$ 3,431,595	\$ 33.45	88%
2016	4,173,074	40.76	71%
2015	4,381,287	42.79	69%
2014	5,028,691	49.74	58%
2013	6,191,050	60.88	46%
2012	7,708,171	75.80	38%
2011	9,195,422	90.95	32%
2010	9,859,183	94.94	34%
2009	10,266,621	102.74	31%
2008	10,558,691	102.03	31%

**CECIL COUNTY PUBLIC SCHOOLS
SCHEDULE OF CAPITAL LEASES
AS OF JUNE 30, 2017**

Fiscal Year	Principal	Interest	Total Debt Service
2018	\$ 961,930	\$ 44,252	\$ 1,006,182
2019	872,001	31,123	903,124
2020	801,105	19,031	820,136
2021	796,559	7,353	803,912
2022	-	-	-
	<u>\$ 3,431,595</u>	<u>\$ 101,759</u>	<u>\$ 3,533,354</u>

Capital lease is for a system-wide performance contract.

Source: Reconciliation of Net Change in Fund Balance with Change in Net Position, Cecil County Office of Economic Development, Notes to Financial Statements

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

To the Board of Education
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 accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the Statement of Revenue, Expenditures, Encumbrances, and Changes in Fund Balance - Budget (non-GAAP Budgetary Basis) and Actual - General 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, 2017, and the related notes to the financial statements, which collectively comprise the School System's basic financial statements, as listed in the table of contents, and have issued our report thereon dated October 26, 2017.

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 opinions 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness, and is included as Finding 2017-001.

Compliance and Other Matters

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

Other Matter

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 Schedule of Findings and Questioned Costs have been reissued to reflect a material weakness in internal control over financial reporting, as a result of the reissuance of the financial statements.

School System's Response to Findings

The School System's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School System's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Baltimore, Maryland

October 26, 2017, except for the fourth, sixth and seventh paragraphs of this report,
as to which the date is December 21, 2017

Independent Auditor's Report on Compliance for Each Major Federal Program and
on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Education
Cecil County, Maryland

Report on Compliance for Each Major Federal Program

We have audited Cecil County Public Schools' (the "School System") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Cecil County Public Schools' major federal programs for the year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance 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, Cecil County Public Schools 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, 2017.

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 the Uniform Guidance, 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 that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Baltimore, Maryland
October 26, 2017

Board of Education of Cecil County

Schedule of Findings and Questioned Costs

Financial Reporting

Year ended June 30, 2017

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?	<u> X </u> Yes	<u> </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> 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 2 CFR 200.516(a)?	<u> </u> Yes	<u> X </u> No
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Identification of Major Programs

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>	<u>Expenditures</u>
Child Nutrition Cluster	10.553, 10.555, 10.559	\$ 4,547,799
		<u>\$ 4,547,799</u>

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee? X Yes No

II. Financial Statement Findings

Finding No. 2017 – 001

Material Weakness

Condition/Context

The June 30, 2017 financial statements of the School System were reissued to reflect the adoption of GASB Statement No. 74 - *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans* (GASB 74). This resulted in additional disclosures in Note 10 and three additional schedules in Required Supplementary Information (RSI) – *Schedule of Changes in the Net OPEB Liability and Related Ratios, Schedule of Board Contributions, and Schedule of Investment Returns.*

Criteria

COSO/Internal Control Framework defines control activities as “policies and procedures that help to ensure management’s directives are carried out.” Management review controls are defined as “the activities of a person, different than the preparer, through analyzing and performing oversight activities performed, and is an integral part of any internal control structure.” COSO/Internal Control Framework state that control activities must be in place for there to be adequate internal control procedures over financial reporting. Furthermore, these control activities should be performed timely to ensure financial transactions and disclosures are included in the correct reporting period in compliance with the standards set by the Governmental Accounting Standards Board.

Cause

The reissuance was due to the omission of required disclosures and RSI under GASB 74. Management’s disclosures in Note 10 and RSI, as previously issued, reflected the requirements with the standards set by the Governmental Accounting Standards Board under GASB 43. The actuarial assessment previously performed for the fiscal year ending June 30, 2017 was under GASB 43, and not GASB 74, and therefore the

required actuarial information was not available for disclosure in the previously issued financial statements.

Effect

The June 30, 2017 financial statements of the School System were reissued to include the omitted disclosures and RSI.

Recommendation

We recommend that management of the School System work with an actuary to assess the OPEB plan to ensure all required information is readily available for future implementation of GASB 75, required to be adopted in fiscal year ending June 30, 2018. We recommend management review the GASB implementation guides and illustrative examples to ensure all financial adjustments and disclosures are prepared and reviewed in a timely manner.

Views of the Responsible Officials and Planned Corrective Actions

Procedures are in place to determine the applicability and necessary steps to gather all required information in a timely manner to ensure all financial adjustments and disclosures are reported in the proper period.

III. Federal Award Findings and Questioned Costs

None reported.

CECIL COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2017

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	\$ 1,400,194
National School Lunch Program	10.555	N/A	2,744,750
National School Lunch Program	10.555	N/A	353,139
Summer Food Service Program for Children	10.559	N/A	49,716
			<u>4,547,799</u>
Child and Adult Care Food Program	10.558	N/A	<u>36,880</u>
State Administrative Expenses for Child Nutrition	10.560	170377-01	<u>661</u>
Total United States Department of Agriculture			<u>4,585,340</u>
United States Department of Commerce			
Federal Programs administered through the National Oceanic and Atmospheric Administration			
Chesapeake Bay Studies	11.457	NA15NMF4570196	<u>22,629</u>
Total United States Department of Commerce			<u>22,629</u>
United States Department of Education			
Federal programs administered through the Maryland State Department of Education			
Title I Grants to Local Educational Agencies	84.010	165095-01	343,867
Title I Grants to Local Educational Agencies	84.010	165592-01	1,625
Title I Grants to Local Educational Agencies	84.010	170829-01	2,719,191
			<u>3,064,683</u>
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027A	164506-01	4,082
Special Education - Grants to States	84.027	164546-01	97,234
Special Education - Grants to States	84.027A	164546-02	11,346
Special Education - Grants to States	84.027A	164546-04	5,612
Special Education - Grants to States	84.027A	170112-01	3,182,275
Special Education - Grants to States	84.027A	170112-02	23,805
Special Education - Grants to States	84.027A	170112-03	2,500
Special Education - Grants to States	84.027	170112-04	74,916
Special Education - Grants to States	84.027A	170112-05	215
Special Education - Grants to States	84.027A	170112-06	30,395
Special Education - Grants to States	84.027A	170129-01	49,780
Special Education - Grants to States	84.027A	171078-01	5,221
Special Education - Grants to States	84.027A	171078-02	77
Special Education - Preschool Grants	84.173	170126-01	100,357
Special Education - Preschool Grants	84.173	170126-02	1,123
Special Education - Preschool Grants	84.173A	170224-01	7,000
Special Education - Preschool Grants	84.173A	170224-02	4,056
			<u>3,599,994</u>

CECIL COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2017

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	164976-01	2,550
Career and Technical Education - Basic Grants to States	84.048	165048-01	6,853
Career and Technical Education - Basic Grants to States	84.048	170523-01	149,020
Career and Technical Education - Basic Grants to States	84.048	170698-01	17,047
			<u>175,470</u>
Special Education - Grants for Infants and Families	84.181	170255-01	<u>110,383</u>
English Language Acquisition State Grants	84.365A	154428-01	4,911
English Language Acquisition State Grants	84.365A	164296-01	11,807
English Language Acquisition State Grants	84.365A	164296-02	870
English Language Acquisition State Grants	84.365A	170501-01	8,653
English Language Acquisition State Grants	84.365A	170501-02	5,075
English Language Acquisition State Grants	84.365B	164951-01	4,319
			<u>35,635</u>
Supporting Effective Instruction State Grants	84.367	165281-01	46,778
Supporting Effective Instruction State Grants	84.367	170972-01	508,049
Supporting Effective Instruction State Grants	84.367	171623-01	2,053
			<u>556,880</u>
			<u>7,543,045</u>
Total United States Department of Education			<u>7,543,045</u>
Total Federal Expenditures			<u><u>\$ 12,151,014</u></u>

CECIL COUNTY PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2017

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Cecil County Public Schools under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Cecil County Public Schools (“the School System”), it is not intended to and does not present the financial position, changes in net position, or cash flows of the School System.

NOTE B - SCOPE OF SINGLE AUDIT PURSUANT TO UNIFORM GUIDANCE

All federal financial assistance programs operated by the Cecil County Public Schools are included in the scope of the Uniform Guidance 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 Uniform Guidance audit.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the Uniform Guidance, or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) The School System has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

CECIL COUNTY PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2017

NOTE D - FISCAL PERIOD AUDIT

Single Audit testing procedures were performed for program transactions occurring during the fiscal year ended June 30, 2017 for the following major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>	<u>Expenditures</u>
Child Nutrition Cluster	10.553, 10.555, 10.559	\$ 4,547,799
		<u>\$ 4,547,799</u>

NOTE E - 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 2017, Cecil County Public Schools received \$1,465,671 in Medical Assistance monies.

Total Federal Grant Expenditures per financial statements	\$ 13,616,685
Medical Assistance Program	<u>(1,465,671)</u>
Total Schedule of Expenditures of Federal Awards	<u>\$ 12,151,014</u>

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