

Cecil County *Maryland*



Comprehensive Annual Financial Report *For The Year Ended June 30, 2009*

Prepared by the Cecil County Treasurer's Office

CECIL COUNTY, MARYLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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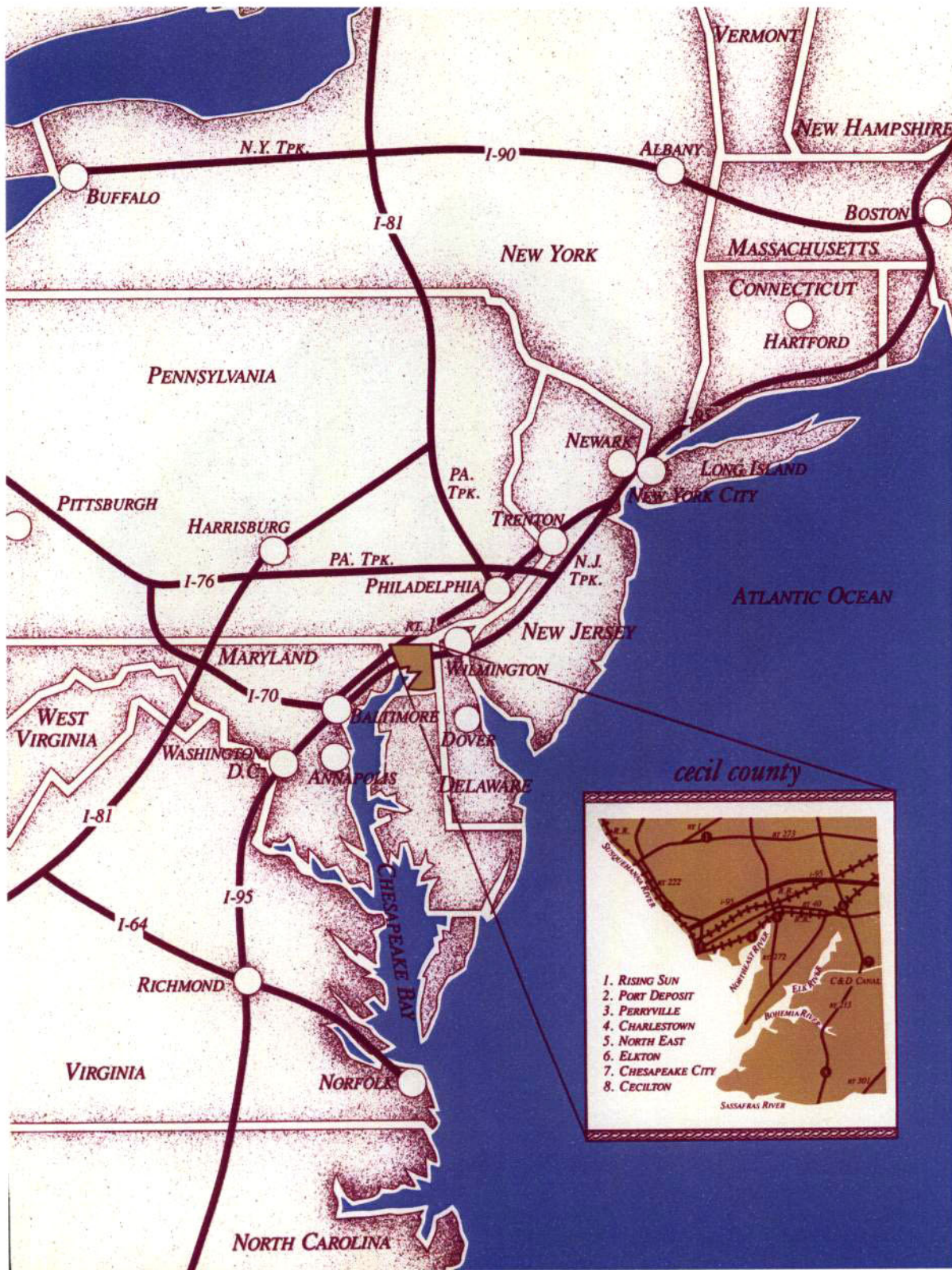
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- cecil county*
1. RISING SUN
 2. PORT DEPOSIT
 3. PERRYVILLE
 4. CHARLESTOWN
 5. NORTH EAST
 6. ELKTON
 7. CHESAPEAKE CITY
 8. CECILTON



INTRODUCTORY SECTION



PAMELA R. HOWARD
CECIL COUNTY TREASURER
200 CHESAPEAKE BLVD., SUITE 1100
ELKTON, MARYLAND 21921

TELEPHONE: (410) 996-5385 OR (410) 658-4041
FAX: (410) 996-5319

October 30, 2009

To The Board of County Commissioners and
The Citizens of Cecil County, Maryland

Pursuant to Maryland state law that requires essentially all local governments to prepare a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants, we hereby issue the Comprehensive Annual Financial Report of Cecil County for the fiscal year ended June 30, 2009.

This report consists of management's representations concerning the finances of Cecil County. Consequently, management of the County assumes responsibility for the completeness and fairness of the presentation, including all disclosures. To provide a reasonable basis for making these representations, the management of Cecil County has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient information for the preparation of the County's financial statements in conformity with GAAP. Because the cost should not outweigh the benefits, Cecil County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Cecil County's financial statements have been audited by SB & Company, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of Cecil County as of and for the fiscal year ended June 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent public accountants concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Cecil County's financial statements as of and for the fiscal year ended June 30, 2009, are fairly presented in conformity with GAAP. The independent public accountants report is the first component of the financial section of this report.

The independent audit of the financial statements of Cecil County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent public accountant to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the County's separately issued Single Audit Report.

The annual budget serves as the foundation for Cecil County's financial planning and control. The County maintains certain budgetary controls (further explained in Note 2 to the financial statements) to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County's Board of Estimates. Activities of the General Fund, certain Special Revenue Funds, and the Debt Service Fund are included in the annual budget. The County Commissioners may pass budget amendments through the end of the fiscal year and, with certain limitations, department heads may make transfers of appropriations within a department. The County uses a six-year Capital Improvement Program to plan and budget for its capital projects. This plan is updated throughout the fiscal year and is used as a management tool for decisions involving the scheduling and funding of various capital projects. The County includes the current portion of the Capital Improvement Plan in its annual operating budget. The County maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual operating budget has been adopted. For the General Fund and other major funds, this comparison is presented starting on page 22 as part of the basic financial statements for the governmental funds. For non-major governmental funds with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report starting on page 80.

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). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A is located immediately following the report of the independent public accountants.

Profile of the Government

Cecil County was incorporated in 1674 and is located in the northeast corner of the State of Maryland. Local government is provided by a Board of five Commissioners, elected every four years, who exercise those powers granted by the General Assembly of Maryland. The Commissioners exercise both legislative and executive powers under a Maryland commissioner form of government. Other elected officials include the County Treasurer, the Sheriff, the State's Attorney, and three Circuit Court Judges.

The government serves a population of approximately 100,000 over a land area of 352 square miles. The County is empowered to levy a property tax on real property and certain personal property used in business, an income tax on residents and non-residents working in the County, and to levy or collect various other taxes and charges for services. Cecil County provides a wide range of services to its citizens including police, a correctional institution, and emergency management; the construction and maintenance of highways, streets, bridges, other infrastructure; and recreational activities and cultural events. Fire protection is provided by several volunteer fire departments located throughout the County and the County assists with the funding of these companies. Water and wastewater services are provided by the County in certain areas and a

central landfill is maintained. Cecil County is also financially accountable for, and provides significant financial support to, the legally separate Board of Education of Cecil County, Cecil Community College, the Cecil County Public Library and the Bainbridge Development Corporation. These entities, considered component units of the County, are included in these financial statements and are further described in Note 1 to the financial statements.

Economic Condition and Outlook

Located in the northeastern part of the State, midway between Baltimore and Philadelphia, Cecil County is projected to be among the fastest growing counties in Maryland through 2030. From a residential, industrial and commercial standpoint, Cecil County's location is ideal. Interstate 95, the most important business corridor on the Country's east coast, traverses the northern part of the county from east to west and provides Cecil County easy access to major Mid-Atlantic markets which has resulted in strong economic growth. Cecil County has an abundance of industrial land, much of it is accessible by rail, available for development and the County continues to pursue its primary economic development objective of encouraging substantial growth in the industrial sector, with emphasis on light manufacturing, distribution, research and development, and corporate office development.

In accordance with its adopted land use plan, Cecil County encourages development in what is locally known as the "growth corridor" located between Route 40 and I-95. Agriculture remains a major segment of the economy and the County is taking steps to preserve its farmland. Cecil County has a growing tourism industry due to ready access to the Chesapeake Bay and five of its tributaries, several parks and outdoor recreation areas, scenic small towns and a wealth of history. The County continues to maintain an attractive mix of suburban and rural areas while still experiencing growth in the manufacturing area.

As a result of the recession, unemployment in the County increased from 3.9% for fiscal year 2008 to 5.3% in fiscal year 2009 which is below the State average of 7.4%. The County was adversely affected by the closing of the nearby General Motors Boxwood plant and Chrysler's Newark plant. However, we continue to see growth in the number of in-County jobs and Cecil's median income is \$63,850. Manufacturing employs 15.2% of the County workforce and, unlike most of the Country; this figure is increasing rather than decreasing.

Property taxes and local income taxes provided approximately 91% of Cecil County's operating revenue for the fiscal year ended June 30, 2009. It is anticipated that the future rate of growth from these two sources will be low as the County and the rest of the country work through the current recession. Demonstrating the County's fiscal responsibility and conservative financial management, a series of mid-year budget cuts enabled the County to reduce its planned use of fund balance by 59.4%. The County had planned to expend \$5.8 million of fund balance, but was only required to spend \$2,352,868 leaving an unreserved, undesignated fund balance of \$11,762,656.

Major Initiatives

Current Year. In fiscal year 2009, the County funded several major programs designed to improve services for citizens including the following:

- Began renovations on the County courthouse that included an additional courtroom. Total expenditure during the 2009 fiscal year was \$ \$3,018,815.
- Began construction of a new physical education building at Cecil College. The County's share of projects for FY2009 was just under seven million dollars.

- Design and engineering for the renovation of the Detention Center was completed and construction is expected to begin in the Fall of 2009.
- Continued with the County's bridge renovation plan and completed the bridge on Red Toad Road over Principio Creek. Total expenditure on road and bridge projects for the year exceeded \$4 million.

The County continues to fund much of its capital improvement program through pay-as-you-go funding. Accordingly, it has designated nearly \$7 million of its June 30, 2009, General Fund fund balance toward capital projects.

Over 400 new jobs were created in a variety of occupations in Cecil County as a result of new or expanded industrial development during FY2009. Total investment in these companies exceeded \$1.7 million. Some examples of the types of development the County experienced include:

- WL Gore, Elk Mills II, is producing a new product line for the world- famous company, thus creating 200 jobs.
- BRC Rail invested \$1.5 million in a facility to refurbish rail cars adding 65 new jobs.
- Philips Mushroom, a commercial mushroom grower, created 84 jobs and invested \$1.5 million in a new facility in the southern end of the County.

Long Term. Cecil County will continue to be one of the fastest growing counties in Maryland and expects to continue to experience moderate industrial growth due to its location and the availability of land.

The activities associated with the Base Realignment and Closure act (BRAC) are well ahead of schedule. This relocation will affect the entire region around Aberdeen Proving Grounds including Harford, Baltimore, and Cecil counties. While the Army's ordinance school will move, thus reducing the number of "military" jobs by about 4,000, the base will gain approximately 8,200 new civilian jobs in the electronics and advanced communications research and development fields. Average pay for the new jobs is expected to be in the upper \$80,000 range; 62% will require a four year degree and 20% will require a master's degree. Additionally, many new contractor jobs are expected to be created in the surrounding area. The first of the BRAC related companies to open in Cecil County is Integrity Tool and Fastener, Inc. which will open its doors in early fiscal year 2010.

Penn National Gaming has submitted an application to the State to construct a \$69.4 million Video Lottery Terminal casino with 1500 slots terminals in the western end of the County. This application will likely be approved in the Autumn of FY2010. The facility is expected to create 400 permanent jobs paying an average of \$40,000 per year. The casino will be the hub of a larger "entertainment center" which will include restaurants, retail shops, theaters, office space and a conference center hotel and ultimately provide over 800 jobs.

In the area of education, renovation of Elkton High School will be completed in FY2010. Renovations to Calvert Elementary School are progressing and the County will fund projects at the Perryville High School including repairs to the HVAC system and roof. Construction of Cecil College's new physical education building will continue through 2010. Additionally, the County has allocated funding for design and engineering of the new stadium at Elkton High School.

Factors Affecting Financial Condition

Debt Administration. The County received a rate increase from AA- to AA from Standard and Poor's and retained its Aa3 rating with Moody's Investors Service on its general obligation debt. Under current State statutes, the County's general obligation bonded debt issuances are subject to authorization by the Maryland State Legislature. The County has ongoing authority under State law to issue bonds for water and sewer projects up to 15% of the assessable base. At June 30, 2009, the County's net general obligation debt was \$147,566,584 and debt per capita equaled \$1,476.76.

Cash Management. Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, or other investments authorized by State statute and the County's Investment Policy. Each bank holding County funds provides regular reports of collateralization of the County's deposits. The County earned interest revenue of \$2,142,131 on all investments (excluding component units) for the year ended June 30, 2009.

The County's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. All investments held by the County during the year ended June 30, 2009, were classified in the lowest risk category as defined by the Governmental Accounting Standards Board.

Risk Management. The County is self-insured for the health care insurance provided for employees of County government, Cecil College and the Cecil County Public Library. The County insures liability, property damage and excess liability coverage through the Maryland Local Government Insurance Trust, which is a public entity risk pool. Workers' compensation insurance is provided through Injured Workers Insurance Fund, an independent agency of the State of Maryland, but the County will become self-insured as of July 1, 2009.

Pension and Other Post-employment Benefits. The County sponsors a single-employer defined benefit pension plan for its public safety employees. All other employees, excluding some contractual and part-time employees, are covered through the County's participation in the Maryland State Retirement and Pension System. The County has no obligation in connection with employee benefits offered through this plan beyond its annual contractual payment to the Pension System.

The County also provides \$75 to \$150 (based on years of service) per month towards post-retirement health and dental care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 66 retired employees receiving these benefits, which were previously financed on a pay-as-you-go basis. In Fiscal Year 2009, the County established the Cecil County, Maryland Non-Pension Post Employment Benefits Trust to accumulate funds to provide current and future other post employment benefits except pension (OPEB). The County established the Trust on June 17, 2008, and prefunded it with \$1,003,488 on August 25, 2008. Additional information regarding this fund can be found on pages 30-31 and in Note 15.

Additional information on the County's pension arrangements and post-employment benefits can be found in Notes 14 and 15 to the financial statements.

Awards and Acknowledgements

Awards. 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 for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2008. This was

the twenty-third consecutive year that the government has received this prestigious award which recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

Acknowledgements. The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the Cecil County Treasurer's Office; each member of the staff has my sincere appreciation.

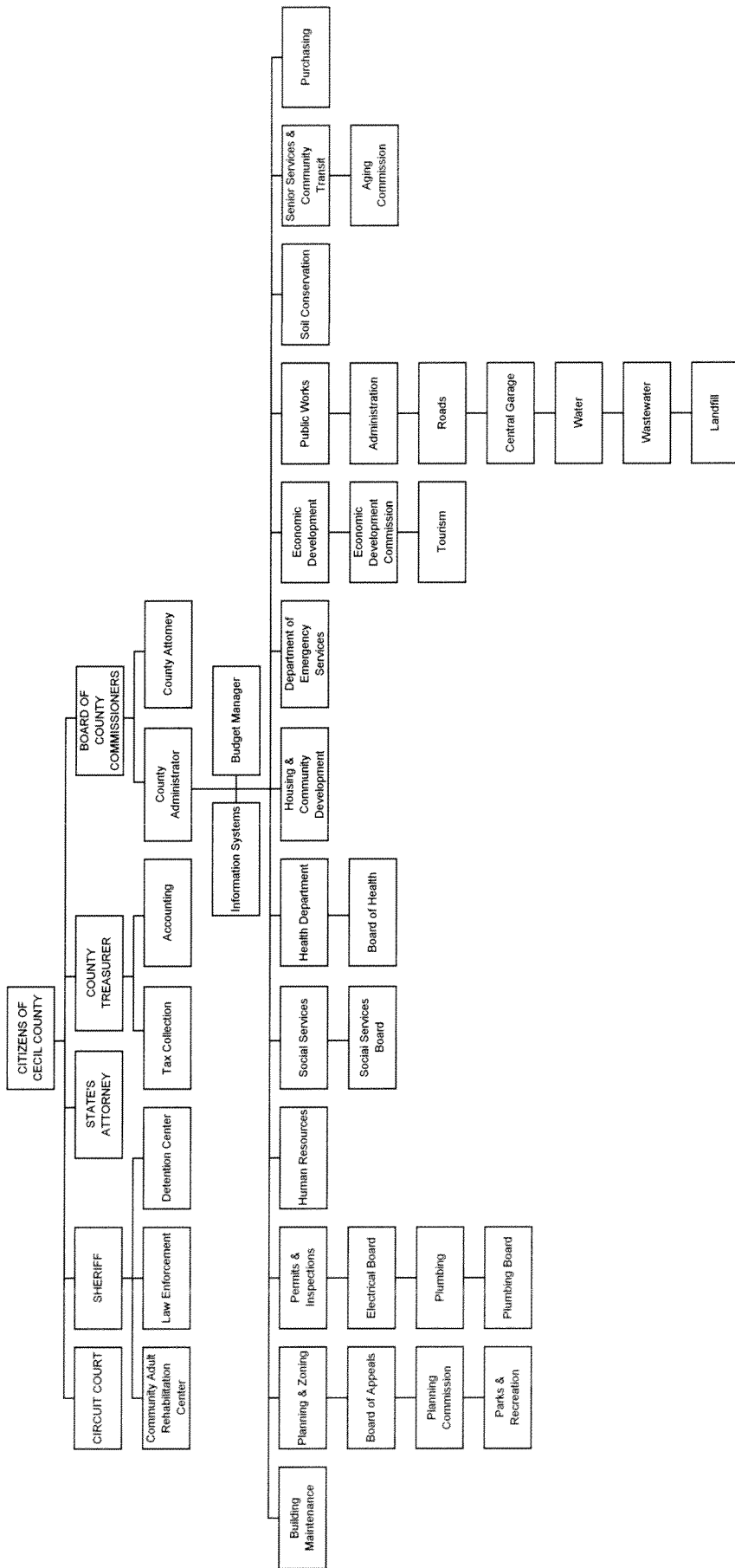
In closing, with the leadership and support of the Board of County Commissioners, preparation of this report reflects the interest and support in planning and conducting the operations of Cecil County Government in a responsible and progressive manner.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Pamela R. Howard". The signature is written in black ink and is positioned above the printed name and title.

Pamela R. Howard
Treasurer of Cecil County

COUNTY ORGANIZATIONAL CHART CECIL COUNTY, MARYLAND FISCAL YEAR 2009



Cecil County, Maryland

Principal Officials

June 30, 2009

Elected Officials

Board of County Commissioners

President

Vice President

Commissioner

Commissioner

Commissioner

Brian L. Lockhart

Rebecca J. Demmler

Robert J. Hodge

James T. Mullins

Wayne L. Tome

Treasurer

Pamela R. Howard

Sheriff

Barry A. Janney, Sr.

State's Attorney

Christopher J. Eastridge

Circuit Court

Administrative Judge

Judge

Judge

Richard E. Jackson

O. Robert Lidums

Dexter M. Thompson, Jr.

Other Officials and Department Directors

County Administrator

Alfred C. Wein, Jr.

County Attorney

H. Norman Wilson, Jr.

Department Directors

Senior Services & Community Transit

Economic Development

Emergency Management

Housing & Community Development

Human Resources

Permits and Inspections

Planning and Zoning

Public Works

Susan Twigg

Vernon Thompson

Richard K. Brooks, III

David B. Mahaney

Donna M. Nichols

Patrick T. Conway

Eric S. Sennstrom

W. Scott Flanigan

District Court

Administrative Judge

Judge

Stephen J. Baker

Bonnie G. Schneider

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Cecil County
Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

