

# *Cecil County* *Maryland*



## *Comprehensive Annual Financial Report* *For The Year Ended June 30, 2010*

*Prepared by the Cecil County Treasurer's Office*

**CECIL COUNTY, MARYLAND**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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# CECIL COUNTY, MARYLAND

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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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





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October 27, 2010

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

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, 2010.

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 for the fiscal year ended June 30, 2010, 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 auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Cecil County's financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as 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 auditor 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.

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 the MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

### **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 nearly 104,000 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 companies 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 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.

The annual budget is the foundation for Cecil County's financial planning and control. The County maintains certain budgetary controls (further explained in Notes 2A and 2B 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 82.

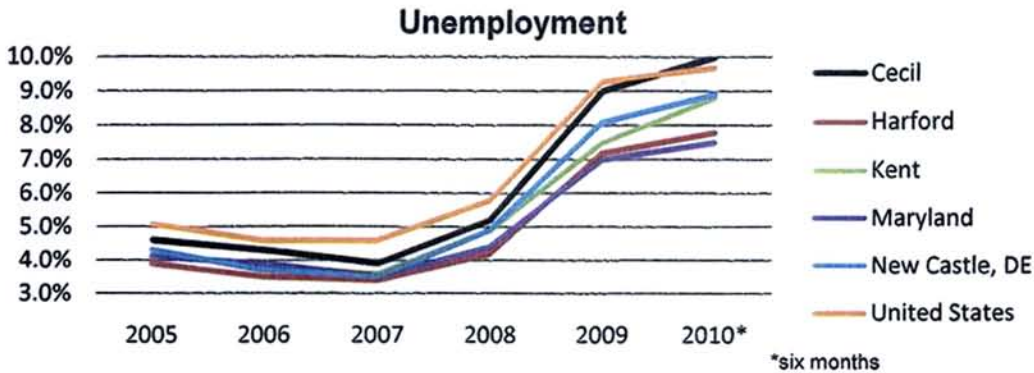
### **Economic Condition and Outlook**

The Maryland Department of Planning estimates Cecil County's population to 103,850. Due to its location midway between Baltimore and Philadelphia and the availability of commercial and industrial land, Cecil County is projected to be among the fastest growing counties in Maryland through 2030 and is expected to see its population increase to 155,000 within the next twenty years. 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 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, but Cecil is developing a well diversified local economy. Cecil's manufacturing sector is nearly three times that of the State of Maryland with an average weekly wage of \$1,314 and provides jobs for 15% of the total workforce. Employment at the County's three major private sector employers, W.L. Gore, Terumo and ATK Elkton has remained strong. Terumo has taken on new projects and increased employment at its two Cecil plants, while W.L Gore has expanded or retooled one of its twelve in-county plants each year since 2006. Employment opportunities for over 55% of those employed in the County are provided by four other sectors: government; trade and transportation; education and health services; and leisure and hospitality.

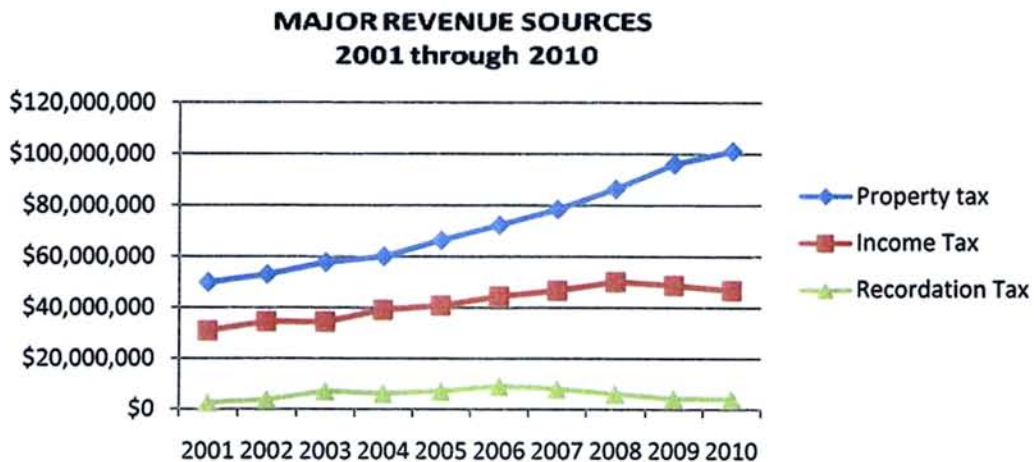
Payrolls in Cecil County have not seen the decline that current economic conditions are causing elsewhere. The average weekly wage is \$842 and is the second highest of Maryland's sixteen smallest counties. Median household income is \$64,900. However, Cecil has not been immune to the recession. The unemployment rate for the first six months of calendar 2010 has risen to 10%, largely due to plant closures at Chrysler, General Motors and Valero in neighboring New Castle County, Delaware.

Following is a chart depicting unemployment in Cecil and the surrounding areas for the past five and a half years.



A long history of conservative financial management practices coupled with an increase in property tax revenue helped shelter the County from the worst of the recession in FY2010. Property tax revenue increased by \$5,171,456 to \$101,345,357 as a result of increased assessment values attributable to the final phase-in for properties assessed in 2006. Actual general fund expenditures were \$4 million less than budget and helped offset a \$3.5 million shortfall in revenue. Additionally, a series of mid-year budget cuts in FY2009 combined with across-the-board cuts in FY2010 enabled the County to finish the year with \$34,640,965 in fund balance. Although the fund balance decreased \$1.7 million from the prior year, the County had budgeted for a \$3.2 million decrease in fund balance. In accordance with its Fund Balance Policy, the County committed 7.5% of its FY2010 revenue, \$12,063,774, to its contingency (rainy day) fund.

As previously mentioned, property tax revenue increased by 5.4% in FY2010, but is expected to be flat for the next two to three years. Income tax revenue declined by 4.2% to \$46,816,208. Recordation tax, which is closely tied to the real estate market, declined by 4.9% when compared to last year, but it should be noted that the County saved \$219,128 in administrative fees by collecting the tax in-house rather than having the State collect on the County's behalf. Total recordation tax for the year totaled \$4,418,308. The following chart depicts three of the County's most important revenue sources for the past ten years.



Despite the recent economic downturn, the future looks bright for Cecil County. Penn National Gaming's 75,000 square foot Hollywood Casino slots facility opened September 25, 2010, bringing 350 new jobs and a real property tax assessment of approximately \$35 million. Micropore, a manufacturer from New Castle County, is expanding its operation to the Upper Chesapeake Corporate Center and will occupy a previously vacant facility. The transfer of jobs from Fort Monmouth, New Jersey to nearby Aberdeen Proving Ground under the 2005 Base Realignment and Closure (BRAC) is expected to be completed in September 2011. Over 3.5 million square feet of office and laboratory space is being added to APG along with approximately 8,200 new civilian jobs with an average pay of \$87,000. Much of the construction has been completed and 2,500 new employees are already in place. Of the current on-base jobs, 12% are held by County residents. It is expected that in excess of 10,000 indirect and induced jobs will be created in the region as a result of this move.

### **Major Initiatives**

**Current Year.** In fiscal year 2010, the County funded several major programs designed to improve services for citizens including the following:

- Completed renovations on the County courthouse that included an additional courtroom, new security system and a more efficient use of overall space. Total expenditure during fiscal year was \$3.7 million.
- Substantially completed construction of a new physical education building at Cecil College. County's share of project for FY2010 was nearly \$8.3 million.
- Completed the Elk River Park Boat Ramp at a total cost of \$1.7 million dollars funded by several grants.
- Renovation of Elkton High School was completed; the County's share of this project was \$32 million. Capital projects at several schools included Perryville High roof and HVAC system, and renovation of Calvert Elementary.

The County continues to fund a portion of its capital improvement program through pay-as-you-go funding. Accordingly, it has assigned over \$2.1 million of its June 30, 2010, General Fund fund balance toward capital projects. Some capital projects currently underway or in the planning stages include a \$30.6 million renovation to the Cecil County Detention Center, renovation to Thomson Estates Elementary and North East High Schools, and replacement of two bridges.

### **Factors Affecting Financial Condition**

The County's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. As a result, due to the extraordinarily low interest rates during the year, the County's General Fund investment earnings were down 53.8% to \$868,961.

**Risk Management.** The County became self-insured for Workers' Compensation for its employees in FY2010. The County is self-insured for health care 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.

**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, 2009. This was the twenty-fourth 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.

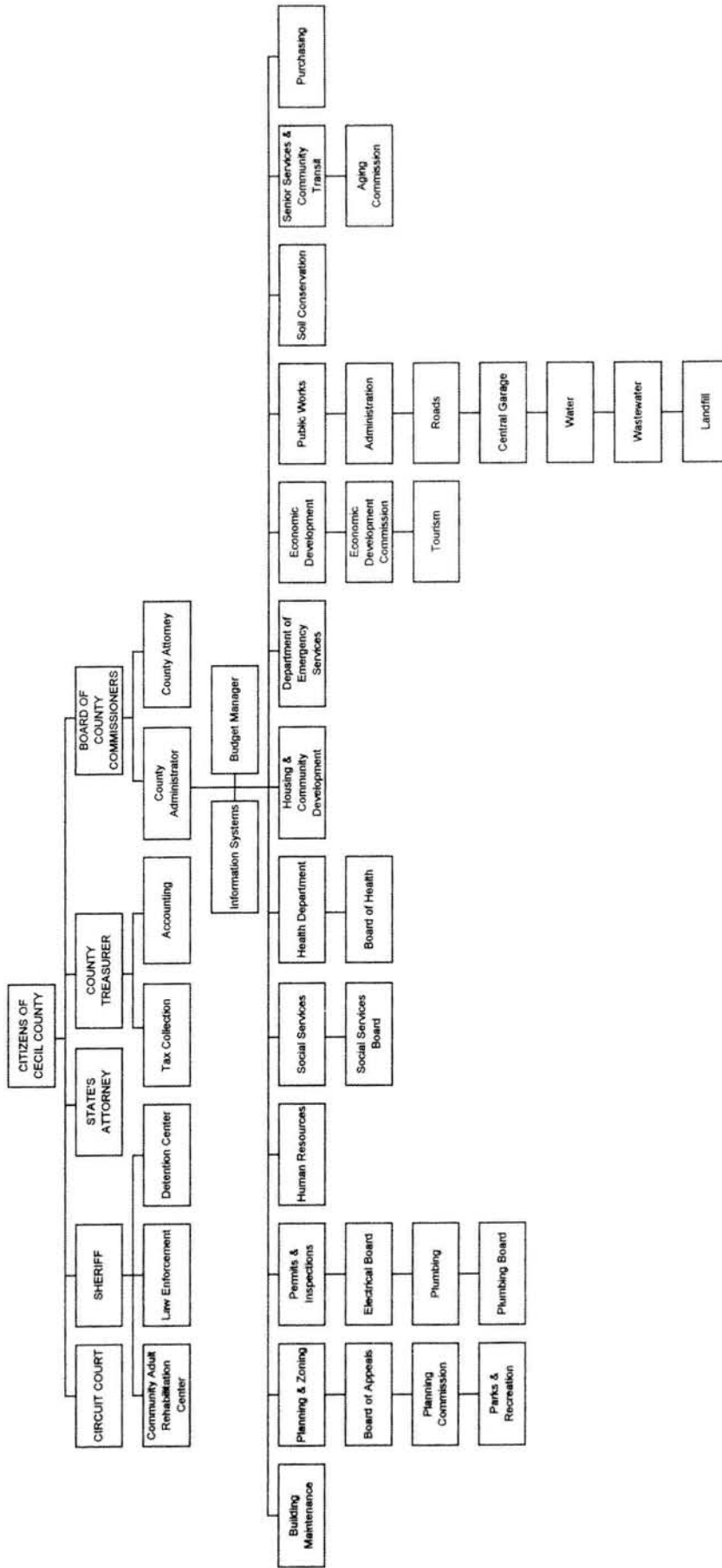
In closing, with the leadership and support of the Board of County Commissioners, preparation of this report reflects the interest and support in planning and conducting the operations of Cecil County Government in a responsible and progressive manner.

Respectfully Submitted,



Pamela R. Howard  
Treasurer of Cecil County

# COUNTY ORGANIZATIONAL CHART CECIL COUNTY, MARYLAND FISCAL YEAR 2010



**Cecil County, Maryland**

**Principal Officials**

**June 30, 2010**

**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

O. Robert Lidums  
V. Michael Whelan

**Other Officials and Department Directors**

County Administrator  
County Attorney

Alfred C. Wein, Jr.  
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

Al Wein (Acting)  
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, 2009

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

