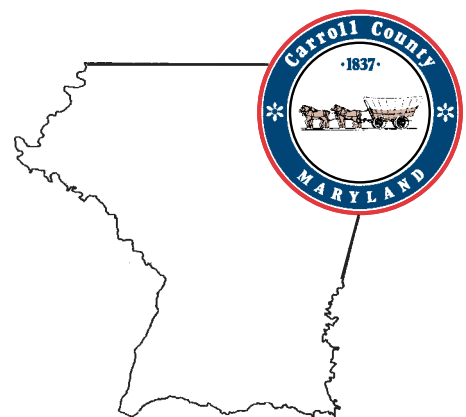


Introductory Section



THE COUNTY COMMISSIONERS OF CARROLL COUNTY
Westminster, Maryland

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2009

INTRODUCTORY SECTION

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THE COUNTY COMMISSIONERS OF CARROLL COUNTY
Westminster, Maryland

Comprehensive Annual Financial Report
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Department of the
Comptroller

Robert M. Burk
Comptroller

November 18, 2009

The Board of County Commissioners and
The Citizens of Carroll County, Maryland

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of audited financial statements. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of Carroll County, Maryland for the fiscal year ended June 30, 2009.

This report consists of management's representations concerning the finances of Carroll County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal controls should not outweigh their benefits, Carroll 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.

Carroll County's financial statements have been audited by Clifton Gunderson LLP, a firm of licensed certified public accountants. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified ("clean") opinion that Carroll County's financial statements for the fiscal year ended June 30, 2009, are fairly presented in conformity with Generally Accepted Accounting Principles (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 Carroll 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. The Single Audit Report starts on page 167.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

Carroll County was created pursuant to an Act of the General Assembly of the State of Maryland on January 19, 1837. Carroll County is situated in the north central part of Maryland lying south of the Pennsylvania state line, which is part of the historic Mason-Dixon line. It is bordered on the east by Baltimore County, on the south by Howard County and on the west by Frederick County. The County is 456 square miles in area and is approximately 27 miles both in length and width with a 2009 population estimate of 174,909. The County seat and principal city is Westminster. Carroll County is empowered to levy a property tax on both real and personal properties located within its boundaries. During the last two decades, the basic character of the County's land and citizens has changed from predominantly rural to suburban and rural.

Carroll County has operated under the commissioner form of government since the County was formed by the State of Maryland legislature. The County is governed by an elected three-member Board of County Commissioners (the "Board"). The Board may only exercise such powers as are conferred upon it by the General Assembly of Maryland. The Board operates under the Code of Public Local Laws of Carroll County, 2004 Edition, as amended, being Article 7 of the Code of Public Local Laws of Maryland. Both the executive and legislative functions of the County are vested in the elected three-member Board of County Commissioners. The Board is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and appointing an Executive Assistant, a Clerk to the Board, and the directors of various departments. The Chief of Staff and Clerk to the Board are charged, generally, with the day-to-day management of the County. The commissioners are elected on a countywide basis and serve four-year terms.

Carroll County provides a full range of services including public safety (police, volunteer fire protection, and detention center), highways and streets, sanitation, planning and zoning, economic development, culture-recreation, education, a community college, libraries, and general administrative services. The County also operates, in conjunction with the state, services related to general community health and social services. In addition, the County operates a water and wastewater utility, a solid waste operations, a septage treatment operation, an airport, and a firearms facility (shooting range) as enterprise funds.

Carroll County is also financially accountable for a legally separate board of education, community college, library system, and economic development services to commercial enterprises, all of which are reported separately within Carroll County's financial statements. Additional information on these legally separate entities can be found in Note 1 of the notes to the financial statements.

The annual budget serves as the foundation for Carroll County's financial planning and control. All agencies of the County are required to submit requests for appropriation to the Department of Management and Budget in December of each year. Management and Budget uses these requests as the starting point for developing a proposed budget. Management and Budget then presents this proposed budget to the Commissioners for review prior to April 30. The Commissioners are required to hold public hearings on the proposed budget and to adopt a final budget by no later than 30 days before the close of the County's current fiscal year. The appropriated budget is prepared by fund, function (e.g., general government), and department (e.g., planning). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the approval of the Board. A budget-to-actual comparison is provided in this report for the individual governmental funds for which a legal appropriated annual budget has been adopted. The general fund comparison is presented on page 33 as part of the basic financial statements for the governmental funds. For governmental funds, other than the

general fund, with appropriated annual budgets, this comparison is presented in the Supplementary Information subsection of the report, which starts on page 111.

Local Economy. Carroll County currently enjoys a favorable economic environment and local indicators point to continued stability. The County has a mix of manufacturing, industrial, and service businesses that when joined with the strong agri-business, provides for a stable business climate. The top ten employers in the County show the diversity as it contains the County Government, County Board of Education, two hospitals, a retirement community, two colleges, a warehouse and distribution business, a manufacturer, and a clothing manufacturer. Included in these employers are companies like Random House, General Dynamics Robotic Systems, and Jos. A. Banks Clothiers.

The County has a labor force of approximately 93,902 as of June 2009, which was an increase of 3% from last year.

Long-term Financial Planning. The County Commissioners six-year community investment plan is set up to meet numerous pressing needs. The six-year program includes \$26.7 million to extend the life of the existing analog radio system until a transition to digital can be accomplished. The program includes \$38.1 million for the modernization and addition to Mount Airy Middle School. The program also includes \$56.9 million to continue the County's efforts in purchasing agriculture land preservation easements. The program also includes \$61.2 million for water source development and infrastructure and \$84 million in road improvements for projects like several connector roads to relieve congestion in areas of growth.

The program includes \$10 million for enhanced nutrient removal from the Freedom Waste Water Treatment Plant, with the funding being collected by way of connection fees and an annual assessment on current and future users. A funding program for water and sewer projects estimated to be needed to build-out has been put in place that would fund all needed projects through user assessments and connection fees and not require new debt financing. The program also includes \$74.1 million, funded primarily by the Federal Aviation Administration, for a runway expansion to meet the increasing demands of corporate aircraft which strengthen the County's economy.

Cash Management and Investment Policies and Practices. Cash held temporarily idle during the year by Carroll County, excluding component units, was invested in repurchase agreements, certificates of deposits, obligations of federal government agencies instrumentalities, the State of Maryland Local Government Investment Pool and Branch Banking and Trust money rate savings account, all of which are fully collateralized by United States government obligations for periods ranging from one day to 20 years. At June 30, 2009, \$37 million was invested in federal government instrumentality obligations, \$6 million in the Maryland Local Government Investment Pool, and \$10 million in certificates of deposits. As part of the County's program of purchasing agricultural land easements, the County had entered into several long-term purchase agreements and purchased U.S. Treasury Bonds and Strips totaling \$7,251,195 to fund the purchases. The County also had \$96,032,182 in Branch Banking & Trust's money rate savings account, which is fully collateralized. The average yield on the investments for fiscal year 2009 was 1.99 percent. Investment income includes appreciation or depreciation in the fair value of investments. Increases in fair value during the current year, do not necessarily represent trends that will continue, nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that are held to maturity.

The County has a written investment policy and procedures manual that insures that the investment program is strictly adhered to and the security of County investments are maximized. The County also has a delivered collateral policy and a master repurchase agreement as part of its overall investment program.

Self-Insurance/Risk Management. The County Risk Manager oversees the County's insurance coverage, self-insurance coverage, self-insurance retention, claims handling and all loss prevention programs. For property, general, excess, and environmental liability coverage, the County became a member of the Maryland Local Government Insurance Trust (LGIT). The Trust is a public entity risk pool, which is owned and directed by the local governments that subscribe to its coverages and operates under the terms of a Trust Agreement. The County pays LGIT an annual premium, and claims are processed and recoveries are subject to deductibles and to annual aggregate/per occurrence dollar limits.

In 1997 the County established a limited risk management program for worker's compensation. A commercial insurer administers the plan. The County also is self-insuring its medical coverage for its employees and retirees. To limit its risks, the County's contract provides for an overall cap on claims it must pay in a given year. Additional information about the County's risk management activity can be found in Note 16 of the notes to the financial statements.

Pension and Other Post Employment Benefits. Employees of the County hired prior to July 1, 1985 are covered either by the State Employees Retirement Plan or the State Employees Non-contributory Pension Plan, cost sharing multiple-employer pension systems operated by the State of Maryland. The Maryland State Retirement Agency administers these defined benefit pension plans, and the benefits to plan members are specified in the State Personnel and Pension Article of the Annotated Code of Maryland.

Employees hired July 1, 1985 and after participate in the Carroll County Employee Pension Plan, a defined benefit plan established by the County in fiscal year 2004 and administered by the County.

With the exception of those who participate in the State Employees Retirement Plan, all regular employees also participate in the County's 401(k) defined contribution retirement plan. The benefits to members depend on amounts contributed to the Plan plus any investment earnings. Administration of this plan is provided by the County, with recordkeeping services provided by the American Funds Group. Additional information on the plans can be found in Note 11 of the notes to the financial statements.

During fiscal year 2004 the County established the Volunteer Firemen's Length Of Service Award Program (LOSAP) to account for the pension system for the volunteer fire personnel serving the various independent volunteer fire companies in the County. Additional information on the plans can be found in Note 11 of the notes to the financial statements.

The County provides access to medical insurance benefits to eligible retirees who retire from County service in accordance with County policy. Retirees with at least ten years of service may qualify for membership in the County's retiree group medical plan(s). Full-time employees who retire may also insure their spouses. As of June 30, 2009, retirees pay between 8 percent and 100 percent of the County's full premium equivalent cost, based upon their age and years of County service at retirement. The County started an other post employment benefits trust during fiscal year 2008 to accumulate funds and pay these obligations. Additional information on post-employment benefits can be found in Note 12 of the notes to the financial statements.

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 Carroll County, Maryland for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2008. Carroll County, Maryland has received a Certificate of Achievement for the last twenty-four consecutive years (fiscal years 1985-2008). The Certificate of Achievement is a prestigious national award

that 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 County published an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

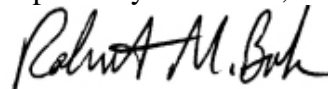
A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its fiscal year 2008 adopted budget document. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The Distinguished Budget Presentation Award is valid for a period of one year only. Carroll County has received the Distinguished Budget Presentation Award for the last two consecutive years (2008-2009). Currently, the County has submitted its fiscal year 2010 adopted budget document for award consideration.

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff in the Department of the Comptroller. Each member of the department has my sincere appreciation for the contributions made in the preparation of this report. In closing, I would like to thank the County Commissioners for their continuing interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,



Robert M. Burk, CPA
Comptroller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Carroll 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.



A handwritten signature in black ink, appearing to read "M. L. Post".

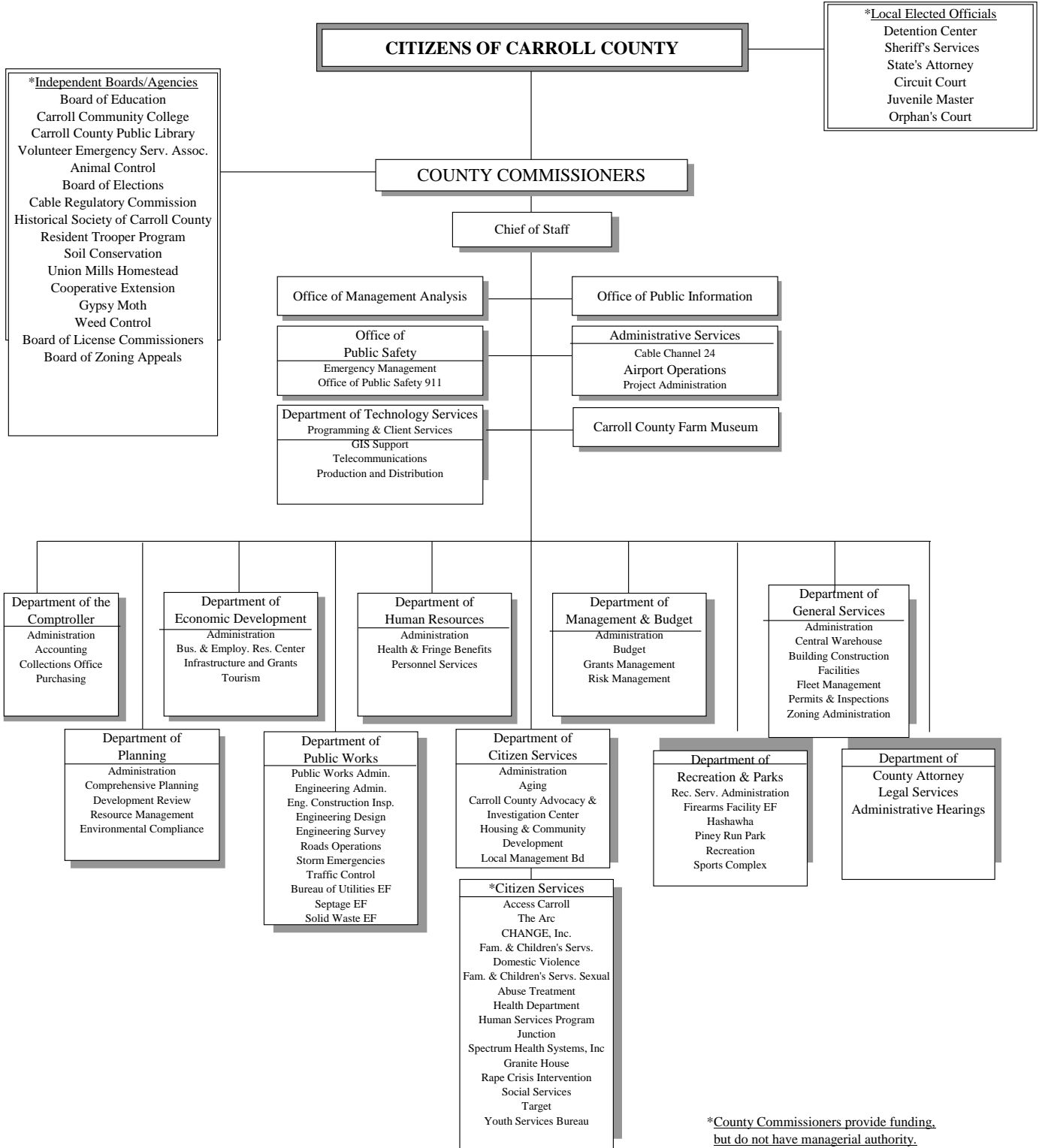
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

CARROLL COUNTY GOVERNMENT

Organizational Chart



Carroll County, Maryland

225 North Center Street
Westminster, Maryland 21157
Telephone (410) 386-2085
Fax (410) 840-8932
ccgovernment.carr.org

Appointed Officials

Steven D. Powell
Chief of Staff
Kathryn L. Rauschenberg
County Clerk
Cynthia M. Parr
Chief of Administrative Services
Robert M. Burk
Comptroller
Theodore Zaleski, III
Director of Management and Budget
Kimberly A. Millender
County Attorney
Corale V. Hammen
Director of Human Resources
Jolene G. Sullivan
Director of Citizen Services
James Michael Evans
Director of Public Works
Jeff R. Degitz
Director of Recreation and Parks
Steven C. Horn
Director of Planning
Lawrence F. Twele
Director of Economic Development
Tom Rio
Director of General Services
Mark Ripper
Director of Technology Services

Independent Auditors

Clifton Gunderson LLP,
Timonium, Maryland

Bond Counsel

McKennon Shelton & Henn LLP,
Baltimore, Maryland

Financial Advisor

Davenport & Company LLC,
Baltimore, Maryland

Board of County Commissioners



Julia W. Gouge
President



Dean L. Minnich
Vice President



Michael D. Zimmer
Secretary