

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**FINANCIAL REPORT  
JUNE 30, 2008**



# RODEHEAVER & ASSOCIATES, P.C.

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## **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**

The Board of County Commissioners  
of Garrett County, Maryland  
Oakland, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of The Board of County Commissioners of Garrett County, Maryland, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 28, 2009. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the Ruth Enlow Library of Garrett County, as described in our report on the County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. In addition, this report does not include the results of our testing of internal control over financial reporting or compliance and other matters of the Board of Education of Garrett County or Garrett Community College because we were engaged to perform separate audits of each component unit in accordance with auditing standards generally accepted in the United States of America.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Garrett County's internal control over financial reporting as a basis for designing our audit procedures 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 County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

**Internal Control Over Financial Reporting** (continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

1. The County has inadequate design and documentation of the components of its internal control over significant accounts and processes and fraud risk.
2. The County has inadequate design of internal control over the preparation of the financial statements
3. County personnel lack the qualifications and training necessary to prepare financial statements in accordance with U.S. generally accepted accounting principles. The County does not have controls in place over the selection and application of accounting principles that are in conformity with U.S. generally accepted accounting principles including sufficient expertise in selecting and applying accounting principles as an aspect of such controls.
4. The County relies on the auditors to group its accounts and propose the adjustments, reclassifications and eliminations necessary to convert the governmental fund (modified accrual) basis financial statements to the government-wide (full accrual) basis financial statements. The Board also relies on the auditors to identify and propose a variety of other adjustments and reclassifications at the budgetary and fund level for financial reporting purposes.

**Internal Control Over Financial Reporting** (continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider all of the significant deficiencies described above to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Garrett County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The County's response to the findings identified in our audit is described in the schedule of findings and questioned costs which is included in the County's Single Audit Report for the year ended June 30, 2008. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of County Commissioners, County management personnel, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Rodheaver & Associates, P.C.*



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James M. Murray, CPA  
Denise L. Rinker, CPA

January 28, 2009

The Board of County Commissioners  
of Garrett County  
Oakland, Maryland

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Board of County Commissioners of Garrett County, Maryland (the County), for the year ended June 30, 2008 and have issued our report thereon dated January 28, 2009. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated June 4, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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.

Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on the County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County's compliance with those requirements.

#### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 9, 2008.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Garrett County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the Landfill closure post closure cost liability which is based on engineering estimates. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

##### *Difficulties Encountered in Performing the Audit*

The completion of our audit was delayed because of difficulties encountered in obtaining Garrett College trial balances, schedules and other audit information requested on a timely basis.

Furthermore, we want to acknowledge the cooperation of the County's staff during the course of our audit and the assistance provided in resolving accounting and reporting issues in the preparation of the Garrett County's basic financial statements.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- The material audit adjustments, reclassification and eliminations necessary to convert the fund basis (modified accrual) financial statements to the government-wide (full accrual) basis financial statements;
- The material audit adjustments and reclassifications necessary at the budgetary and fund level for financial reporting purposes.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 28, 2009.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

County Commissioners of Garrett County  
Oakland, Maryland  
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*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of The Board of County Commissioners of Garrett County and County management personnel and is not intended to be and should not be used by anyone other than these specified parties.

*Rodeheaver & Associates, P.C.*

Oakland, Maryland  
January 28, 2009



**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**FINANCIAL REPORT  
JUNE 30, 2008**

**R** **RODEHEAVER & ASSOCIATES, P. C.**  
*Certified Public Accountants*

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**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**FINANCIAL REPORT  
JUNE 30, 2008**

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

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**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

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**INDEPENDENT AUDITORS' REPORT**

The Board of County Commissioners  
of Garrett County  
Oakland, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Board of County Commissioners of Garrett County, Maryland (the County) as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the index to financial report. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Ruth Enlow Library of Garrett County. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Ruth Enlow Library of Garrett County, is based on the report of the other auditors.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors, provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Board of County Commissioners of Garrett County, Maryland as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 28, 2009, on our consideration of The Board of County Commissioners of Garrett County, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

The Board of County Commissioners  
of Garrett County, Maryland  
Independent Auditors' Report  
Page 2

The management's discussion and analysis on pages 3 through 16 and schedules of retirement plan funding progress on page 69 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The other supplementary information located on pages 70 through 84, as listed in the index to financial report, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Rodeheaver & Associates, P.C.*

Oakland, Maryland  
January 28, 2009

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2008**

Our discussion and analysis of the financial performance of The Board of County Commissioners of Garrett County, Maryland provides an overview of the County's financial activities for the fiscal year ended June 30, 2008. We encourage readers to use the information presented here in conjunction with the basic financial statements and the accompanying notes to those financial statements.

**Financial Highlights**

The assets of Garrett County exceeded its liabilities at the close of the fiscal year ended June 30, 2008 by \$132,714,726 (net assets), compared to \$126,717,331 at June 30, 2007. Approximately 39 percent of total net assets are attributable to the Enterprise Funds. Of total net assets at June 30, 2008, \$27,837,604 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, which compares to \$31,097,556 at June 30, 2007. Another \$1,456,772 is restricted for specific purposes (restricted net assets) in comparison to \$1,642,117 at June 30, 2007. The total invested in capital assets, net of related debt was \$103,420,350 at June 30, 2008, compared to \$93,977,658 at June 30, 2007.

The County's total net assets increased by \$5,997,395.

As of June 30, 2008, the County's governmental funds reported combined fund balances of \$29,965,609, a decrease of \$890,796 over the prior year. Approximately 12 percent of the combined fund balance is available to meet the County's current and future needs (unreserved and undesignated fund balance), 6 percent is reserved, and 82 percent is unreserved and designated for future use and capital projects.

At the close of the current fiscal year, unreserved fund balance for the General Fund (primary operating fund) was \$28,062,258 or 40% of general fund expenditures at June 30, 2008. Designated fund balance of the general fund was \$24,472,838, or 87 percent of unreserved fund balance.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the county's basic financial statements. Garrett County's basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements (Reporting on the County as a Whole)**

The government-wide financial statements are designed to provide readers with a broad overview of Garrett County Government's finances, in a manner similar to that of a private-sector business.

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2008**

**Government-wide Financial Statements (Reporting on the County as a Whole)**  
**(cont'd)**

The Statement of Net Assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods, (e.g., uncollected taxes, and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public safety, public works, health and hospital, education, culture, parks and recreation, library, conservation of natural resources, social services, community development and housing and economic opportunity and development. The business-type activities of the County include Garrett County Airport, Solid Waste Management and Garrett County Sanitary District, Inc. d/b/a/ Garrett County Department of Public Utilities.

The government-wide financial statements include not only the operations of Garrett County Government itself (known as the primary government), but also the legally separate organizations of the Board of Education, Garrett College and the Ruth Enlow Library System of Garrett County. The financial information for these component units is reported separately from the primary government in the government-wide financial statements located on pages 17 and 18 of this report.

**Fund Financial Statements (Reporting the County's Most Significant Funds)**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable



**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2008**

**Fund Financial Statements (Reporting the County's Most Significant Funds)**  
**(cont'd)**

resources, available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Garrett County Government maintains 11 individual governmental funds including the General Fund, Capital Projects Fund, various Special Revenue Funds and the Debt Service Fund. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Capital Projects Fund, and the Debt Service Fund. Data from the other governmental funds are combined into a single, aggregate presentation. The basic governmental funds financial statements can be found on pages 19 to 23 of this report.

**Proprietary Funds** – Proprietary fund types include enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the Garrett County Airport, the Garrett County Solid Waste office and the Garrett County Sanitary District, Inc. d/b/a/ Garrett County Department of Public Utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 25 to 30 of this report.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The County maintains two fiduciary funds: Garrett County Law Enforcement Personnel Retirement Plan and the Garrett County Government Personnel Retirement Plan. The Fiduciary Fund financial statements can be found on pages 31 and 32 of this report.

***Notes to the Financial Statements.*** The notes provide additional information that is essential to creating a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 through 68 of this report.

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2008**

**Fund financial statements (Reporting the County's Most Significant Funds) (cont'd)**

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and other supplementary information that are not considered a part of the basic financial statements. Schedules in these sections include schedules of funding progress for the County's retirement plans and a budgetary comparison for the General Fund to demonstrate compliance with the annually adopted budget. Required supplementary information and other supplementary information is located immediately following the notes to the financial statements and can be found on pages 69 through 84 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In Garrett County, assets exceeded liabilities by \$132,714,726 at the close of the current fiscal year. Garrett County's net assets are divided into three categories, invested in capital assets (net of related debt), restricted net assets and unrestricted net assets. The largest portion of the county's net assets (78 percent) reflect its investment in capital assets net of depreciation (e.g., land and easements, buildings, machinery, equipment, infrastructure and improvements), less any unmatured debt used to acquire those assets. The County uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Restricted net assets represent 1 percent of total net assets. Restricted net assets are resources that are subject to external restrictions on how they may be used. Unrestricted net assets of the government have a balance of \$27,837,604 (21 percent of total net assets), which may be used to meet the governments' ongoing obligations to citizens and creditors.

A comparative analysis of government-wide data is presented below.

**Garrett County Government's Net Assets**  
**June 30, 2008**

	Governmental Activities		Business-type Activities		Total Government	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
<b>Assets:</b>						
Current & Other Assets	\$ 41,921,896	\$ 42,582,772	\$ 17,190,055	\$ 14,618,981	\$ 59,111,951	\$ 57,201,753
Capital Assets	59,324,787	55,324,694	71,693,087	69,221,319	131,017,874	124,546,013
<b>Total Assets</b>	<b>101,246,683</b>	<b>97,907,466</b>	<b>88,883,142</b>	<b>83,840,300</b>	<b>190,129,825</b>	<b>181,747,766</b>
<b>Liabilities:</b>						
Long-Term Liabilities	10,749,248	11,517,388	35,027,704	30,896,274	45,776,952	42,413,662
Other Liabilities	10,010,558	10,223,724	1,627,589	2,393,049	11,638,147	12,616,773
<b>Total Liabilities</b>	<b>20,759,806</b>	<b>21,741,112</b>	<b>36,655,293</b>	<b>33,289,323</b>	<b>57,415,099</b>	<b>55,030,435</b>
<b>Net Assets:</b>						
Invested Capital Assets						
Net of Related Debt	56,373,763	52,162,668	47,046,587	41,814,990	103,420,350	93,977,658
Restricted	953,803	1,160,957	502,969	481,160	1,456,772	1,642,117
Unrestricted	23,159,311	22,842,729	4,678,293	8,254,827	27,837,604	31,097,556
<b>Total Net Assets</b>	<b>\$ 80,486,877</b>	<b>\$ 76,166,354</b>	<b>\$ 52,227,849</b>	<b>\$ 50,550,977</b>	<b>\$ 132,714,726</b>	<b>\$ 126,717,331</b>

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2008**

**Government-wide Financial Analysis (cont'd)**

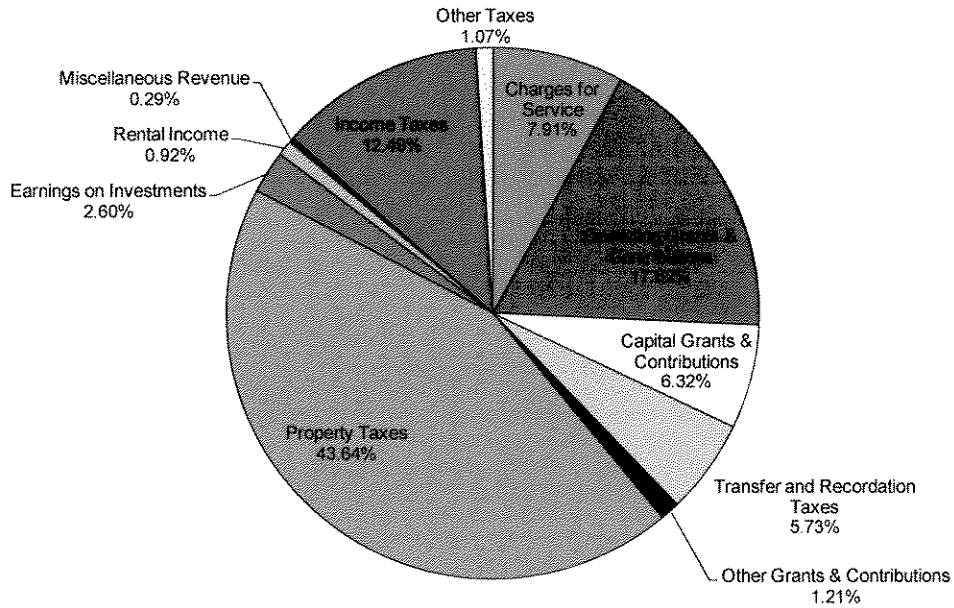
The following table indicates the changes in net assets.

**Garrett County Government's Changes in Net Assets  
for the Year ended June 30, 2008**

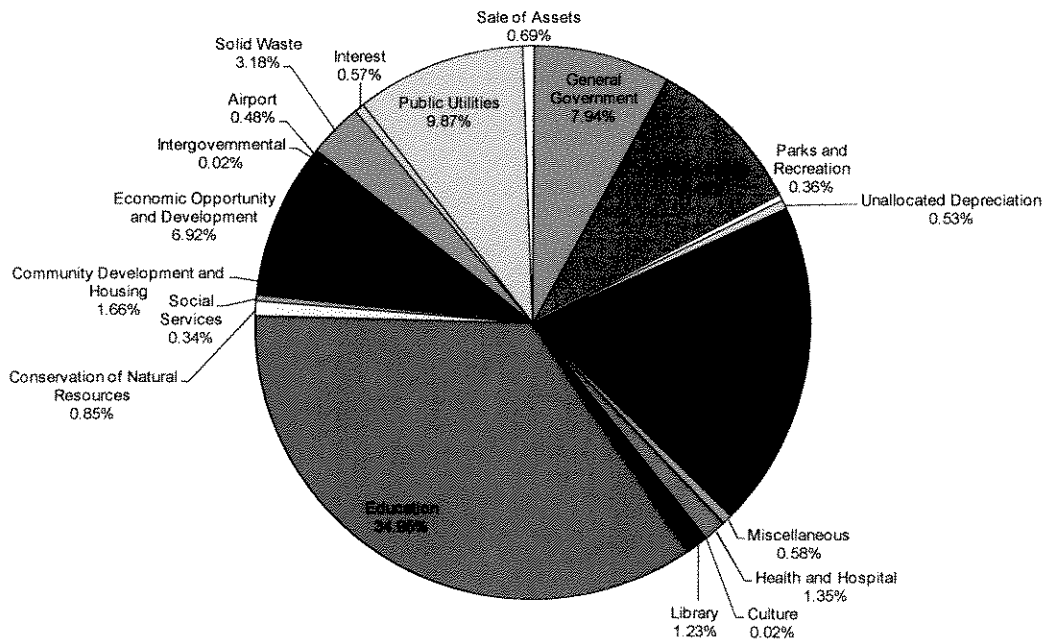
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 1,866,432	\$ 1,429,577	\$ 5,167,908	\$ 5,525,075	\$ 7,034,340	\$ 6,954,652
Operating Grants and Contributions	15,836,653	13,421,266	6,158	10,500	15,842,811	13,431,766
Capital Grants and Contributions	1,273,484	2,142,272	4,344,010	5,102,566	5,617,494	7,244,838
<b>General Revenues:</b>						
Property Taxes	37,019,445	32,786,958	1,784,836	1,605,874	38,804,281	34,392,832
Other Taxes and Licenses	17,165,405	17,683,611	0	0	17,165,405	17,683,611
Grants and Contributions	203,551	3,059	868,277	2,527,853	1,071,828	2,530,912
Other General Revenues	2,861,843	2,880,182	(44,051)	433,360	2,817,792	3,313,542
<b>Total Revenues</b>	<u>\$ 76,226,813</u>	<u>\$ 70,346,925</u>	<u>\$ 12,127,138</u>	<u>\$ 15,205,228</u>	<u>\$ 88,353,951</u>	<u>\$ 85,552,153</u>
<b>Program Expenses:</b>						
General Government	6,580,349	5,649,421	0	0	6,580,349	5,649,421
Public Safety	7,815,125	7,282,939	0	0	7,815,125	7,282,939
Public Works	15,788,774	14,112,674	0	0	15,788,774	14,112,674
Health & Hospital	1,119,960	984,689	0	0	1,119,960	984,689
Education - Board of Education	23,630,833	20,024,329	0	0	23,630,833	20,024,329
- Garrett College	5,352,790	4,584,848	0	0	5,352,790	4,584,848
Culture	18,000	18,000	0	0	18,000	18,000
Parks and Recreation	294,659	946,261	0	0	294,659	946,261
Library	1,016,438	991,308	0	0	1,016,438	991,308
Conservation of Natural Resources	706,717	365,746	0	0	706,717	365,746
Social Services	281,700	265,750	0	0	281,700	265,750
Community Development & Housing	1,380,000	67,556	0	0	1,380,000	67,556
Economic Opportunity & Development	5,738,223	5,634,465	0	0	5,738,223	5,634,465
Other	1,413,935	1,308,963	0	0	1,413,935	1,308,963
Garrett County Airport	0	0	401,092	363,504	401,092	363,504
Solid Waste Management	0	0	2,636,924	2,075,694	2,636,924	2,075,694
Garrett County Sanitary District, Inc.	0	0	8,181,037	7,320,670	8,181,037	7,320,670
<b>Total Expenses</b>	<u>\$ 71,137,503</u>	<u>\$ 62,236,949</u>	<u>\$ 11,219,053</u>	<u>\$ 9,759,868</u>	<u>\$ 82,356,556</u>	<u>\$ 71,996,817</u>
Excess before Special Item and Transfers	5,089,310	8,109,976	908,085	5,445,360	5,997,395	13,555,336
Special Item	0	(1,130,636)	0	0	0	(1,130,636)
Net Transfers In (Out)	(768,787)	(1,155,909)	768,787	1,155,909	0	0
Changes in Net Assets	4,320,523	5,823,431	1,676,872	6,601,269	5,997,395	12,424,700
Net Assets - Beginning of Year	76,166,354	70,342,923	50,550,977	43,949,708	126,717,331	114,292,631
Net Assets - End of Year	<u>\$ 80,486,877</u>	<u>\$ 76,166,354</u>	<u>\$ 52,227,849</u>	<u>\$ 50,550,977</u>	<u>\$ 132,714,726</u>	<u>\$ 126,717,331</u>

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2008**

**Revenues By Source - Primary Government**



**Expenditures - Primary Government**



**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2008**

**Government-wide Financial Analysis (cont'd)**

Overall, the financial position of Garrett County improved during the year. Garrett County Government's net assets increased by \$5,997,395 for the year ended June 30, 2008. This increase was \$6,427,305 smaller than the increase reported in the prior year. Key elements of this overall increase are due to increases in property taxes and increases in income tax. Property taxes increased by \$4,411,449 and income taxes increased by \$332,991.

**Governmental Activities.** To aid in the understanding of the Statement of Activities, some additional explanation is provided. Of particular interest is the format of this statement. The reader will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the County's taxpayers. It also identifies how much each function draws from the general revenues, or, if the function is self-supporting, through fees and grants. It is important to note that all taxes are classified as general revenues even if restricted for a specific purpose.

Property taxes increased by \$4,411,449 (13%) during the year. The majority of this increase is due to new growth and increased property values as assessed by the State of Maryland Department of Assessments and Taxation. There was no increase in the property tax rate as set by the County Commissioners. Property taxes account for 51% of General Fund revenues on a budgetary basis.

A sound local economy and low unemployment rates provided an increase in local income tax revenue. Income taxes account for 12% of General Fund revenues.

Recordation and local transfer taxes provided substantial revenue in fiscal year 2008 due to the volume of properties sold or refinanced and an increase in the market value of property.

Overall, expenditures remained relatively constant, as compared to the prior year.

**Business-Type Activities.** In 2008, capital contributions to the Airport were \$4,689,171 and consisted of grants from the FAA for the expansion of the airport runway. Total assets for the Airport grew by \$3,568,531. This increase was related to capital construction projects that occurred during the year. Total assets for the Garrett County Sanitary District, d/b/a Department of Public Utilities, increased by \$1,962,611. This increase is the result of unspent bond proceeds. Total net assets decreased by \$2,629,758. This decrease is largely the result of the depreciation of capital assets.

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2008**

**Government-wide Financial Analysis (cont'd)**

Operating revenues net of in-house sales of the Sanitary District decreased by \$57,652. An increase in customers attribute primarily to this increase. Operating expenditures for the Sanitary District increased by \$650,934. An increase in salaries and fringe benefits accounted for \$190,481 of this increase, utilities accounted for another \$74,162 of this increase, depreciation accounted for another \$231,748 of the increase, and indirect administration costs accounted for \$134,247 of the increase. The District obtained \$2,400,000 in permanent financing to fund the new maintenance and warehouse facility. The District also obtained \$4,500,000 in interim financing to fund the McHenry Water Expansion and Western Conveyance Wastewater Collections system projects.

The Garrett County Office of Solid Waste and Recycling's (Landfill) estimated disposal capacity changes over time based on variability in efficiencies with respect to waste compression. Based on the County's engineer estimates of costs to perform all closure and post-closure care activities, the balance of estimated costs to be recognized are approximately \$3,068,516 and will be recognized over the remaining useful life of the landfill, which based on the current compaction rate is approximately 14 years. The County has established a landfill closure fund through Maryland Environmental Services to provide funds to pay these closure and post-closure costs. As of June 30, 2008, the balance of these restricted cash assets was \$1,205,533.

**Financial Analysis of the County's Funds**

Garrett County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$29,965,609, a decrease of \$890,726. Approximately 12% of this total, \$3,589,420 constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is either designated or reserved to indicate that it is not available for new spending because it has already been committed for a designated purpose. Fund balance designated for capital projects includes \$2,756,562 designated for the construction of a public works facility, \$6,759,829 designated for the construction of a Community Athletic Recreation Center at Garrett College, \$5,349,062 for renovations at Northern Middle and Grantsville Elementary Schools, \$790,864 designated for other public works projects and \$1,560,166 designated for economic development projects. \$6,620,300 has been designated to balance the fiscal year 2009 budget.

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2008**

**Financial analysis of the County's Funds (cont'd)**

The General Fund is the chief operating fund of the Garrett County Government. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$3,589,420, while total fund balance reached \$28,817,721. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 5% of the total General Fund expenditures, while total fund balance represents 41% of that same amount.

The total fund balance of the County's General Fund decreased by \$1,645,334 during the current fiscal year. The key factors for the decrease are as follows:

- Progress accelerated on Capital Projects in Fiscal Year 2008 eliminating the delays in construction from past years. The increase in General Fund transfers to support these projects amounted to \$2,059,471.
- Capital Outlay expenditures increased by \$945,683.
- Other non-capital General Fund operating expenditures increased by \$6,272,961.
- Although revenue increased by \$3,560,350, this was not enough to support the increase in expenditures thereby resulting in a net decrease in Fund Balance.

The County maintains a Capital Projects Fund in order to separate long-term ongoing capital project activity from general government operations. The fund operates on a pay as you go basis. The County appropriates local share dollars to fund these projects as a transfer from the General Fund.

Garrett County's Debt Service Fund reports assets of \$5,052,970, which include amounts owing from the Garrett County Memorial Hospital, Bond Series 2004 and 2007, for the expansion and renovation of the Emergency Room/Same Day Surgery/Admissions Project.

The Non-Major Special Revenue Funds have a total fund balance of \$198,340, all of which is reserved.

**Proprietary funds.** Garrett County's proprietary fund statements provide the same type of information found in the governmental-wide financial statements, only in more detail. The total unrestricted net assets of the proprietary funds at the end of the year amounted to \$4,678,293. The total growth in net assets for the proprietary funds was \$1,676,872. Other factors concerning these funds' finances have been addressed in the discussion of Garrett County government's business-type activities.

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2008**

**Budgetary Highlights**

The difference between original revenue budget amounts of \$67,813,681 and final revenue budget amounts of \$73,224,658 is an increase of \$5,410,977. This difference is mainly due to budget amendments that occurred throughout the fiscal year to reduce or increase the original budget to reflect more accurately the actual revenue received. Some significant differences are increases in what was originally budgeted for Income Taxes, Accommodations Tax and Interest earned revenue. There were also significant increases in federal and state grant revenue. This is a result of notification of grants awarded after the fiscal year had already begun. The difference between the final revenue budget of \$73,224,658 and the actual revenue recorded of \$72,996,182 showed a variance of \$228,476.

Significant differences between the original expenditure budget amounts of \$80,659,806 and final expenditure budget amounts of \$102,807,676, resulting in a budget increase of \$22,147,870, are budget amendments that occurred to increase capital projects and capital outlay to be more in alignment with actual project costs and to accurately reflect amounts for fiscal year 2008 by the amount of unspent capital funds in fiscal year 2007.

The difference between the final budget expenditures of \$102,807,676 and the actual expenditures recorded of \$74,404,887 represented a variance of \$28,402,789. The difference is, in a large part, due to a timing difference of budgeted capital outlay versus actual expenditures for these various capital outlay projects.

Significant differences between the final budget expenditures and actual budget expenditures are as follows: Capital Outlay and Capital Projects actual expenditures were well under what was budgeted due to a delay in construction or a delay in when the product was available for purchase. Some of these items include various General Service expenditures for courthouse building maintenance such as: roof replacement on the courthouse plaza and painting of the courthouse exterior, purchase of single-axle dump trucks for the Roads Department and Northern Middle School renovation and a building addition for Head Start program at Grantsville Elementary School. A significant factor contributing to actual expenditures being less than final budgeted expenditures was an agreement between the County Commissioners and the local Board of Education to reduce the county's appropriation to the Board of Education by an amount that would enable the Board of Education to carry a fund balance equal to \$800,000. The effect of this agreement resulted in the County's appropriation to the Board of Education being \$444,169 less than originally budgeted.

Currently known budgetary variations that may have an effect on future liquidity or services are minimal and will not materially affect the level of governmental services.



**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2008**

**Capital Asset and Debt Administration**

**Capital Assets.** The County's investment in capital assets for its governmental and business-type activities as of June 30, 2008 amounts to \$131,017,874 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, furniture, vehicles, and infrastructure. The total increase in the County's investment in capital assets for the current fiscal year was \$6,471,861 (a 5% increase for governmental and business-type activities).

**Garrett County Government's Capital Assets  
(net of depreciation)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$7,465,541	\$7,327,687	\$1,787,826	\$1,747,826	\$9,253,367	\$9,075,513
Land Improvements	138,405	146,165	3,646,208	1,645,397	3,784,613	1,791,562
Construction in Progress	5,948,285	3,418,649	16,583,906	14,665,623	22,532,191	18,084,272
Infrastructure	30,003,234	28,795,274	47,348,451	49,529,750	77,351,685	78,325,024
Buildings	12,572,065	12,578,054	1,032,078	397,198	13,604,143	12,975,252
Furniture and Equipment	940,530	1,020,046	6,096	8,021	946,626	1,028,067
Vehicles	1,788,800	1,514,773	470,415	514,462	2,259,215	2,029,235
Machinery and Equipment	467,927	524,046	818,107	713,042	1,286,034	1,237,088
<b>Total</b>	<u>\$59,324,787</u>	<u>\$55,324,694</u>	<u>\$71,693,087</u>	<u>\$69,221,319</u>	<u>\$131,017,874</u>	<u>\$124,546,013</u>

Major capital asset events during the current fiscal year included the following:

- Various construction projects contributed to the net increase of \$2,500,000 in the governmental activities Construction In Progress line item, the most significant being the continuation of the Public Works Facility.
- Roads paving and improvement projects, along with continued bridge replacements, added a net \$1,200,000 to governmental activities infrastructure.
- Vehicles purchased for various County departments, along with heavy equipment purchased for the Roads Department, added a net increase of \$274,000 to governmental activities Vehicles.
- Major projects for the Garrett County Sanitary District included the continuation of the McHenry Water System and the start of construction for a new maintenance warehouse. These two projects alone added \$1,300,000 to Construction In Progress for Business-type Activities. The Garrett County Sanitary District also was successful in completing and placing the Table Rock Water System in service equating to \$324,000.
- The Garrett County Landfill placed Cell #3 in service in Fiscal Year 2008. The total cost for this cell equated to \$2,850,000. Other significant capital expenditures included the purchase of a new compactor totaling \$218,000.

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2008**

**Capital Asset and Debt Administration (cont'd)**

- The Garrett County Airport continued progress on the runway extension project. An additional \$3,700,000 was expended on the project in Fiscal Year 2008. In conjunction with this project, \$374,000 and \$376,000 was placed in service for the newly constructed airport terminal building and group of twelve airport hangars.

Additional information on the County's capital assets can be found in Note 4 to the financial statements.

**Long-term debt.** At the end of the current fiscal year, Garrett County Government had notes and bonds outstanding of \$41,160,294, which are backed by the full faith and credit of the County.

**Garrett County's Outstanding Debt  
General Obligation Bonds and Note Payable**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
General Bonded Debt	<u>\$9,353,994</u>	<u>\$10,210,950</u>	<u>\$31,806,300</u>	<u>\$27,915,035</u>	<u>\$41,160,294</u>	<u>\$38,125,985</u>

During fiscal year 2008, the County's total debt increased by \$3,034,309. This increase is mainly attributable to the addition of interim financing with M&T Bank for the Deep Creek Sewer and McHenry Water Improvements in the amount of \$4,500,000 and the Department of Public Works Warehouse Project in the amount of \$2,400,000.

For fiscal year 2008, Garrett County received enabling legislation to borrow up to \$21,000,000 for the financing of various capital projects for economic development, roads department, education, general services and public safety. There are significant budgeted expenditures for capital project construction and capital outlay expenditures over fiscal years 2009, 2010 and 2011. These projects include the completion of the Public Works facility, the continuation and completion of the Northern Middle School renovation, Southern Middle School renovation and the construction of a Community Athletic and Recreation Center at Garrett College. This planned activity should have no significant impact on the County's credit ratings because the County has the resources budgeted to account for these expenditures and in the case of long-term debt, the County has the resources to service the debt.

Additional information on the County's long-term debt can be found in Note 6 to the financial statements and on page 82 under Other Supplementary Information

**Economic Factors and Next Year's Budget and Rates**

- The County continues to maintain insured security ratings of "Aaa" from Moody's Investors Service and an "AAA" from Standard & Poor's. Moody's Investors Service recently completed a review of Garrett County's bond rating

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2008**

**Economic Factors and Next Year's Budget and Rates (cont'd)**

and determined that due to the County maintaining a healthy financial position supported by conservative budgeting practices and possessing a strong economic outlook that includes economic growth in the County, Moody's upgraded Garrett County's bond rate two notches from an unsecured rating of Baa2 to A3.

- The annual average unemployment rate through November 2008 for the County is 5.4%, which is higher than the State's average of 5.1% and lower than the national average of 6.7% through the same period.
- For January 1, 2009, six districts were reassessed. District 5-Accident - increase of 20.48%, District 6-Sang Run - increase of 18.16%, District 8-Red House - increase of 9.3%, District 10-Deer Park - increase of 5.79%, District 12-Bittinger - increase of 14.44%, and District 18-Deep Creek Lake (North) - increase of 5.51%. These areas included 9,456 real estate tax accounts and consisted of a mix of farm communities, and lake area properties. The biggest increase has been in the rural areas close to Deep Creek Lake. Rural Districts 5, 6 and 12 have double digit increases as opposed to the other rural district (District 8) which only experienced an increase in the single digits. Although the percentages in the rural Districts 5, 6, 8 and 12 are higher it should be noted that the properties sold in these areas tend to be trailers or lower end standard units and a 10% increase would only amount in the \$5,000 to \$10,000 range. The Deep Creek Lake area had a 5.51% increase. This reassessment reconciled the values of lake properties in Area 2 with Area 3. There was a decrease in total number of sales but the sales price was up slightly.
- Inflationary trends in the region compare favorably to national averages.

These factors, as well as many others, were considered in preparing the County's budget for fiscal year 2009.

During fiscal year 2008, the County's total governmental funds fund balance decreased by \$890,726. However, the unreserved/undesignated increased by 3,552,795, which exceeded budget expectations that were originally forecasted to break even. This demonstrates the conservative budget philosophy of County Government. The County has appropriated \$6,620,300 million of the Unreserved Fund Balance for spending in fiscal year 2009, down from \$14,806,467 in fiscal year 2008. Due to the favorable fund balance that the County has been experiencing over the past several years, the Commissioners were able to hold the tax rate for 2008 steady at \$1.00 for \$100 of assessable property, down from \$1.036 for \$100 of assessable property in 2005.

The Garrett County Sanitary District, d/b/a/ Department of Public Utilities, has numerous projects planned for fiscal year 2009. Water projects include continuing the expansion to the McHenry Water System designed to serve an additional 1,000 customers at an estimated cost of \$6,000,000 and water systems upgrades in Crellin and Mountain Lake Park with a combined estimated cost of \$1,300,000. The District will begin construction on the Thayerville water project that will serve an additional 1,200

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2008**

**Economic Factors and Next Year's Budget and Rates (cont'd)**

customers in the future. The cost of the Thayerville water system is estimated at approximately \$5,000,000.

The District will begin construction of the Western Conveyance Wastewater Collection System that will serve an additional 2,500 customers in the future. The cost for the collection systems is estimated to be nearly \$5,900,000 once completed over the next several years. The District will also begin a rehabilitation project on the Friendsville Wastewater Collection system which will serve 200 customers. The estimate cost of the Friendsville Rehabilitation project is \$1,200,000.

There are a few major capital projects that will continue into Fiscal Year 2009. These projects include a Technology and Trades Training Center, the continuation of the runway extension Phase 11 at the Airport, Landfill - construction of Cell 4, and the continuation of a new Public Works facility to house the main headquarters of the Garrett County Roads Department.

The County, Garrett College and the Board of Education continue to be involved in a coalition to consolidate health insurance benefits for current and retired employees of these entities under one plan with Carefirst Blue Cross/Blue Shield. All three entities have the same insurance premium rates, the same benefits and the same employee co-pays. This consolidation is instrumental in attempting to make health costs more affordable and cost effective.

**Request for Information**

Separately issued financial statements of the component units can be obtained from their respective administrative offices or from the County administrator's office.

This report is designed to provide a general overview of Garrett County's finances for all those with an interest in the County's finances. Questions concerning any information provided in this report should be addressed to:

Garrett County Commissioners  
203 South 4<sup>th</sup> Street  
Room 206  
Oakland, Maryland 21550  
c/o R. Lamont Pagenhardt, County Administrator or  
c/o Wendy K. Yoder, Director, Department of Financial Services

**Or, visit our website at [www.garrettcountry.org](http://www.garrettcountry.org)**

**BASIC FINANCIAL STATEMENTS**

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
Statement of Net Assets  
June 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 24,099,391	\$ 263,935	\$ 24,363,326
Investments	3,939,917		3,939,917
Taxes Receivable - Net	2,469,217		2,469,217
Due from Other Governments	4,055,622	1,750,610	5,806,232
Due from Primary Government			
Other Receivables - Net	548,685	1,016,232	1,564,917
Inventories	1,534,924	529,226	2,064,150
Prepaid Expenses	38,720	54,282	93,002
Restricted Cash	102,743	12,799,350	12,902,093
Restricted Accounts Receivable	5,052,970	562,742	5,615,712
Restricted Notes Receivable		179,325	179,325
Restricted Other Assets			
Non-Depreciable Capital Assets	13,413,826	18,371,732	31,785,558
Depreciable Capital Assets, Net of Accumulated Depreciation	45,910,961	53,321,355	99,232,316
Deferred Charges	79,707	34,353	114,060
<b>TOTAL ASSETS</b>	<b>\$ 101,246,683</b>	<b>\$ 88,883,142</b>	<b>\$ 190,129,825</b>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Expenses	\$ 2,153,380	\$ 1,125,667	\$ 3,279,047
Internal Balances	(358,314)	358,314	0
Due to Component Units	1,528,168		1,528,168
Due to Other Governments	276,519	120,115	396,634
Deferred Revenues	6,156,290	23,493	6,179,783
Other Liabilities	254,515		254,515
Long-Term Liabilities			
Due Within One Year	992,827	1,318,100	2,310,927
Due in More Than One Year	9,756,421	33,709,604	43,466,025
<b>Total Liabilities</b>	<b>\$ 20,759,806</b>	<b>\$ 36,655,293</b>	<b>\$ 57,415,099</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	\$ 56,373,763	\$ 47,046,587	\$ 103,420,350
Restricted for:			
Debt Service		502,969	502,969
Other	953,803		953,803
Unrestricted	23,159,311	4,678,293	27,837,604
<b>Total Net Assets</b>	<b>\$ 80,486,877</b>	<b>\$ 52,227,849</b>	<b>\$ 132,714,726</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 101,246,683</b>	<b>\$ 88,883,142</b>	<b>\$ 190,129,825</b>

The Notes to Financial Statements are an integral part of this statement.

Component Units		
<u>Board of Education</u>	<u>Community College</u>	<u>Public Library</u>
\$ 6,541,323	\$ 2,685,659	\$ 284,098
	2,045,228	131,777
1,885,015	1,317,990	
1,527,385	783	
21,413	642,322	14,707
169,281	109,394	
	129,284	
	184,255	
10,303,902	1,875,335	33,556
31,483,647	17,587,032	1,588,852
	174,227	
<u>\$ 51,931,966</u>	<u>\$ 26,751,509</u>	<u>\$ 2,052,990</u>
\$ 8,682,913	\$ 610,132	\$ 32,395
492,223	644,316	
	325,520	
95,571		
620,741	7,275,924	29,087
<u>\$ 9,891,448</u>	<u>\$ 8,855,892</u>	<u>\$ 61,482</u>
\$ 41,770,192	\$ 12,751,990	\$ 1,622,408
169,281	2,239,460	65,832
101,045	2,904,167	303,268
<u>\$ 42,040,518</u>	<u>\$ 17,895,617</u>	<u>\$ 1,991,508</u>
<u>\$ 51,931,966</u>	<u>\$ 26,751,509</u>	<u>\$ 2,052,990</u>

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

Statement of Activities  
Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government</b>				
Governmental Activities				
General Government	\$ 6,580,349	\$ 451,351	\$ 2,913,963	\$ 66,705
Public Safety	7,815,125	886,874	533,976	47,854
Public Works	15,788,774	306,223	5,193,748	720,204
Health and Hospital	1,119,960		546,100	
Education				
Board of Education	23,630,833	148,800		
Community College	5,352,790			
Culture	18,000			
Parks and Recreation	294,659		955,833	
Library	1,016,438			
Conservation of Natural Resources	706,717	73,184		
Social Services	281,700			
Community Development and Housing	1,380,000		1,395,000	
Economic Opportunity and Development	5,738,223		4,298,033	438,721
Intergovernmental	14,705			
Miscellaneous	482,477			
Unallocated Depreciation	442,006			
Interest on Long-Term Debt	474,747			
Total Governmental Activities	<u>\$ 71,137,503</u>	<u>\$ 1,866,432</u>	<u>\$ 15,836,653</u>	<u>\$ 1,273,484</u>
Business-type activities				
Airport Fund	\$ 401,092	\$ 132,661	\$	\$ 4,019,960
Solid Waste Fund	2,636,924	1,194,883	6,158	
Garrett County Sanitary District, Inc.	8,181,037	3,840,364		324,050
Total Business-Type Activities	<u>\$ 11,219,053</u>	<u>\$ 5,167,908</u>	<u>\$ 6,158</u>	<u>\$ 4,344,010</u>
Total Primary Government	<u>\$ 82,356,556</u>	<u>\$ 7,034,340</u>	<u>\$ 15,842,811</u>	<u>\$ 5,617,494</u>
<b>Component Units</b>				
Board of Education	\$ 59,044,474	\$ 1,199,999	\$ 8,040,142	\$ 8,801,792
Community College	13,508,695	3,341,424	2,229,612	2,602,690
Public Library	1,369,301	40,861	102,427	75,438
Total Component Units	<u>\$ 73,922,470</u>	<u>\$ 4,582,284</u>	<u>\$ 10,372,181</u>	<u>\$ 11,479,920</u>

**General Revenues:**

Taxes:

- Property Taxes
- Income Taxes
- Transfer and Recordation Taxes
- Other Taxes
- Earnings/Loss on Investments
- Appropriation From Garrett County
- Grants and Contributions Not Restricted to Specific Programs
- Rental Income
- Miscellaneous Revenue
- Sale of Assets
- Transfers

Total General Revenues, Special Item and Transfers

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

The Notes to Financial Statements are an integral part of this statement.



**Net (Expense) Revenue and Changes in Net Assets**

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Public Library
\$ (3,148,330)	\$	\$ (3,148,330)	\$	\$	\$
(6,346,421)		(6,346,421)			
(9,568,599)		(9,568,599)			
(573,860)		(573,860)			
(23,482,033)		(23,482,033)			
(5,352,790)		(5,352,790)			
(18,000)		(18,000)			
661,174		661,174			
(1,016,438)		(1,016,438)			
(633,533)		(633,533)			
(281,700)		(281,700)			
15,000		15,000			
(1,001,469)		(1,001,469)			
(14,705)		(14,705)			
(482,477)		(482,477)			
(442,006)		(442,006)			
(474,747)		(474,747)			
<u>\$ (52,160,934)</u>	<u>\$</u>	<u>\$ (52,160,934)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$	\$ 3,751,529	\$ 3,751,529	\$	\$	\$
	(1,435,883)	(1,435,883)			
	(4,016,623)	(4,016,623)			
<u>\$</u>	<u>\$ (1,700,977)</u>	<u>\$ (1,700,977)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>\$ (52,160,934)</u>	<u>\$ (1,700,977)</u>	<u>\$ (53,861,911)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$	\$	\$	\$ (41,002,541)	\$	\$
				(5,334,969)	
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ (41,002,541)</u>	<u>\$ (5,334,969)</u>	<u>\$ (1,150,575)</u>
					<u>\$ (1,150,575)</u>
\$ 37,019,445	\$ 1,784,836	\$ 38,804,281	\$	\$	\$
11,110,742		11,110,742			
5,099,124		5,099,124			
955,539		955,539			
1,939,629	369,766	2,309,395	248,470	(1,428)	8,474
			21,612,852	4,319,086	941,000
203,551	868,277	1,071,828	25,834,425	3,770,740	227,190
816,061		816,061			
203,815	58,021	261,836	129,445		3,241
(97,662)	(471,838)	(569,500)	(1,466)		(1,659)
(768,787)	768,787	(0)			
<u>\$ 56,481,457</u>	<u>\$ 3,377,849</u>	<u>\$ 59,859,306</u>	<u>\$ 47,823,726</u>	<u>\$ 8,088,398</u>	<u>\$ 1,178,246</u>
\$ 4,320,523	\$ 1,676,872	\$ 5,997,395	\$ 6,821,185	\$ 2,753,429	\$ 27,671
76,166,354	50,550,977	126,717,331	35,219,333	15,142,188	1,963,837
<u>\$ 80,486,877</u>	<u>\$ 52,227,849</u>	<u>\$ 132,714,726</u>	<u>\$ 42,040,518</u>	<u>\$ 17,895,617</u>	<u>\$ 1,991,508</u>

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
Balance Sheet  
Governmental Funds  
June 30, 2008

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 24,099,391	\$	\$	\$	\$ 24,099,391
Investments	3,939,917				3,939,917
Taxes Receivable - Net	2,469,217				2,469,217
Due from Other Governments	3,683,907	361,953		9,762	4,055,622
Due from Other Funds	1,526,858	1,523,925		126,038	3,176,821
Other Receivables - Net	542,965			5,720	548,685
Inventories	585,376	949,548			1,534,924
Prepaid Expenses	38,720				38,720
Restricted Cash	21,989			80,754	102,743
Restricted Accounts Receivable			5,052,970		5,052,970
<b>TOTAL ASSETS</b>	<u>\$ 36,908,340</u>	<u>\$ 2,835,426</u>	<u>\$ 5,052,970</u>	<u>\$ 222,274</u>	<u>\$ 45,019,010</u>
<b>LIABILITIES:</b>					
Accounts Payable and Accrued Expenses	\$ 1,197,483	\$ 885,878	\$	\$ 5,372	\$ 2,088,733
Due to Other Funds	2,818,507				2,818,507
Due to Component Units	1,528,168				1,528,168
Due to Other Governments	276,519				276,519
Deferred Revenues	2,015,427	1,000,000	5,052,970	18,562	8,086,959
Other Liabilities	254,515				254,515
<b>Total Liabilities</b>	<u>\$ 8,090,619</u>	<u>\$ 1,885,878</u>	<u>\$ 5,052,970</u>	<u>\$ 23,934</u>	<u>\$ 15,053,401</u>
<b>FUND BALANCES:</b>					
Reserved	\$ 755,463	\$ 949,548	\$	\$ 198,340	\$ 1,903,351
Designated for Subsequent Year's Budget	6,620,300				6,620,300
Designated for Capital Projects	17,852,538				17,852,538
Unreserved - Undesignated	3,589,420				3,589,420
<b>Total Fund Balances</b>	<u>\$ 28,817,721</u>	<u>\$ 949,548</u>	<u>\$ 0</u>	<u>\$ 198,340</u>	<u>\$ 29,965,609</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 36,908,340</u>	<u>\$ 2,835,426</u>	<u>\$ 5,052,970</u>	<u>\$ 222,274</u>	<u>\$ 45,019,010</u>

The Notes to Financial Statements are an integral part of this statement.

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
Reconciliation of the Governmental Funds Balance Sheet  
To the Statement of Net Assets  
June 30, 2008

Total Fund Balances - Governmental Funds	\$	29,965,609
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. The cost of these assets is \$104,666,553, net of accumulated depreciation of \$45,341,766.</p>		59,324,787
<p>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 include the long-term portion of compensated absences.</p>		(10,749,248)
<p>Bond issuance costs incurred are not financial resources, and therefore, are not reported in the funds. The cost of these assets is \$270,022, net of accumulated amortization of \$190,315.</p>		79,707
<p>Interest on long term debt is not accrued in funds, but is recognized as an expenditure when due.</p>		(64,647)
<p>County revenue that is collected after year-end and unavailable soon enough to pay for the current period's expenditures is reported as deferred revenue in the funds.</p>		<u>1,930,669</u>
Total Net Assets - Governmental Activities	\$	<u><u>80,486,877</u></u>

The Notes to Financial Statements are an integral part of this statement.

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
Year Ended June 30, 2008

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Totals
<b>REVENUES:</b>					
Taxes	\$ 55,573,140				\$ 55,573,140
Licenses and Permits	281,877				281,877
Intergovernmental	13,089,866	726,486	517,829	1,670,225	16,004,406
Fines and Forfeitures	7,884			19,024	26,908
Charges for Services	985,781			53,384	1,039,165
Investment Income	1,698,596		241,032		1,939,628
Rents and Concessions	964,861				964,861
Contributions	2,420				2,420
Miscellaneous	85,301				85,301
<b>Total Revenues</b>	<b>\$ 72,689,726</b>	<b>\$ 726,486</b>	<b>\$ 758,861</b>	<b>\$ 1,742,633</b>	<b>\$ 75,917,706</b>
<b>EXPENDITURES:</b>					
General Government	\$ 6,398,315			\$ 31,212	\$ 6,429,527
Public Safety	7,460,192			253,265	7,713,457
Public Works	15,359,977				15,359,977
Health and Hospital Education	1,108,328				1,108,328
Board of Education	23,627,566				23,627,566
Community College	5,352,790				5,352,790
Culture	18,000				18,000
Parks and Recreation	294,659				294,659
Library	1,016,438				1,016,438
Conservation of Natural Resources	706,717				706,717
Social Services	281,700				281,700
Community Development and Housing				1,380,000	1,380,000
Economic Opportunity and Development	5,665,881				5,665,881
Capital Outlay	1,918,836	3,550,441			5,469,277
Debt Service	577,501		758,861		1,336,362
Intergovernmental	14,705				14,705
Miscellaneous	482,477				482,477
<b>Total Expenditures</b>	<b>\$ 70,284,082</b>	<b>\$ 3,550,441</b>	<b>\$ 758,861</b>	<b>\$ 1,664,477</b>	<b>\$ 76,257,861</b>
<b>REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>					
<b>SUBTOTAL</b>	<b>\$ 2,405,644</b>	<b>\$ (2,823,955)</b>	<b>\$ 0</b>	<b>\$ 78,156</b>	<b>\$ (340,155)</b>

The Notes to Financial Statements are an integral part of this statement.

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
Year Ended June 30, 2008

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<b>REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>					
Balances Brought Forward	\$ 2,405,644	\$ (2,823,955)	\$ 0	\$ 78,156	\$ (340,155)
<b>OTHER FINANCING SOURCES (USES):</b>					
Sale of Capital Assets	66,677			1,685	68,362
Operating Transfers					
Capital Projects Fund	(3,498,722)	3,498,722			0
Airport Fund	(770,883)				(770,883)
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES &amp; OTHER USES</b>	\$ (1,797,284)	\$ 674,767	\$ 0	\$ 79,841	\$ (1,042,676)
<b>Fund Balances, Beginning of Year,</b>	\$ 30,463,055	\$ 274,781	\$ 0	\$ 118,499	\$ 30,856,335
<b>Other Increases - Reserves</b>	151,950				151,950
<b>FUND BALANCES, End of Year</b>	<u>\$ 28,817,721</u>	<u>\$ 949,548</u>	<u>\$ 0</u>	<u>\$ 198,340</u>	<u>\$ 29,965,609</u>

The Notes to Financial Statements are an integral part of this statement.

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
Reconciliation of the Governmental Funds Statement of  
Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities  
For the Year Ended June 30, 2008

Change in Fund Balances - Governmental Funds \$ (890,726)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$9,887,957 exceeded depreciation expense of \$5,723,936 in the current year. 4,164,021

Governmental funds report only the proceeds from the sale of capital assets. In the statement of activities the net book value is written-off against the proceeds, if any, when assets are disposed of or sold. (163,928)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 856,955

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used. (88,815)

Governmental funds report debt issuance costs as expenditures. However, in the statement of activities, these costs are allocated over the life of the related debt as amortization expense. This is the amount of amortization expense in the current year. (16,901)

Interest on long term debt is not accrued in funds, but is recognized as an expenditure when due in the statement of activities. 4,660

Revenues that do not provide current financial resources are reported as deferred revenue in the funds. The amount of the change in deferred revenue is not reported in the statement of activities. 455,257

Change in Net Assets - Governmental Activities \$ 4,320,523

The Notes to Financial Statements are an integral part of this statement.

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
Statement of General Fund Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual (Budget Basis) -  
Primary Government - General Fund  
Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>REVENUES:</b>				
Taxes	\$ 55,158,398	\$ 56,054,416	\$ 56,028,396	\$ (26,020)
Licenses and Permits	177,950	273,850	281,877	8,027
Intergovernmental	10,515,463	13,323,366	13,089,866	(233,500)
Fines and Forfeitures	7,000	7,000	7,884	884
Charges for Services	429,500	978,039	985,781	7,742
Investment Income	716,000	1,707,200	1,698,596	(8,604)
Rents and Concessions	764,370	815,370	816,061	691
Contributions	1,500	1,500	2,420	920
Miscellaneous	43,500	63,917	85,301	21,384
Total Revenues	<u>\$ 67,813,681</u>	<u>\$ 73,224,658</u>	<u>\$ 72,996,182</u>	<u>\$ (228,476)</u>
<b>EXPENDITURES:</b>				
General Government	\$ 7,044,038	\$ 6,740,410	\$ 6,398,315	\$ (342,095)
Public Safety	7,766,572	7,852,642	7,460,192	(392,450)
Public Works	16,186,137	16,460,565	15,359,977	(1,100,588)
Health and Hospital	1,108,328	1,108,328	1,108,328	0
Social Services	281,700	281,700	281,700	0
Education	35,757,902	40,986,869	28,831,556	(12,155,313)
Culture	18,000	18,000	18,000	0
Parks and Recreation	24,000	296,885	294,659	(2,226)
Library	1,010,550	1,020,102	1,016,438	(3,664)
Conservation of Natural Resources	311,005	533,155	706,717	173,562
Economic Development and Opportunity	2,860,072	7,845,880	5,665,881	(2,179,999)
Capital Outlay	1,694,588	2,847,162	1,918,836	(928,326)
Debt Service	549,230	577,501	577,501	0
Intergovernmental	5,205	14,705	14,705	0
Miscellaneous	722,000	2,729,812	482,477	(2,247,335)
Total Expenditures	<u>\$ 75,339,327</u>	<u>\$ 89,313,716</u>	<u>\$ 70,135,282</u>	<u>\$ (19,178,434)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<u>\$ (7,525,646)</u>	<u>\$ (16,089,058)</u>	<u>\$ 2,860,900</u>	<u>\$ 18,949,958</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Capital Assets	\$ 20,000	\$ 65,000	\$ 66,677	\$ 1,677
Operating Transfers				
Capital Projects Fund	(4,990,156)	(13,163,637)	(3,498,722)	(9,664,915)
Airport Fund	(330,323)	(330,323)	(770,883)	440,560
Total Other Financing Sources (Uses)	<u>\$ (5,300,479)</u>	<u>\$ (13,428,960)</u>	<u>\$ (4,202,928)</u>	<u>\$ 9,226,032</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ (12,826,125)</u>	<u>\$ (29,518,018)</u>	<u>\$ (1,342,028)</u>	<u>\$ 28,175,990</u>
<b>Fund Balance, Beginning of Year</b>	30,463,055	30,463,055	30,463,055	
<b>Other Increases (Decreases) - Reserves</b>	<u>0</u>	<u>0</u>	<u>151,950</u>	
<b>FUND BALANCE, End of Year, Budgetary Basis</b>	<u>\$ 17,636,930</u>	<u>\$ 945,037</u>	<u>\$ 29,272,977</u>	

The Notes to Financial Statements are an integral part of this statement.

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

Statement of Net Assets

Proprietary Funds

June 30, 2008

	<b>Airport Fund</b>	<b>Solid Waste Fund</b>	<b>Garrett County Sanitary District, Inc.</b>	<b>Total</b>
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 100	\$ 163,304	\$ 100,531	\$ 263,935
Due from Other Governments	1,475,007	1,608	273,995	1,750,610
Due from Primary Government		1,160,106	8,438	1,168,544
Other Receivables - Net	10,762	208,876	796,594	1,016,232
Inventories	57,352		471,874	529,226
Prepaid Expense		19,060	35,222	54,282
<b>Total Current Assets</b>	<b>\$ 1,543,221</b>	<b>\$ 1,552,954</b>	<b>\$ 1,686,654</b>	<b>\$ 4,782,829</b>
<b>Noncurrent Restricted Assets:</b>				
Restricted Cash	\$	\$ 2,211,258	\$ 10,588,092	\$ 12,799,350
Restricted Other Receivables			562,742	562,742
Restricted Notes Receivable			179,325	179,325
<b>Total Noncurrent Restricted Assets</b>	<b>\$</b>	<b>\$ 2,211,258</b>	<b>\$ 11,330,159</b>	<b>\$ 13,541,417</b>
<b>Capital and Other Assets:</b>				
Non-Depreciable Capital Assets	\$ 14,578,216	\$ 130,214	\$ 3,663,302	\$ 18,371,732
Depreciable Capital Assets, Net of Accumulated Depreciation	1,416,405	4,142,681	47,762,269	53,321,355
Bond Discount, Net of Amortization		7,407		7,407
Loan Issuance Costs, Net of Amortization		26,946		26,946
<b>Total Capital and Other Assets</b>	<b>\$ 15,994,621</b>	<b>\$ 4,307,248</b>	<b>\$ 51,425,571</b>	<b>\$ 71,727,440</b>
<b>TOTAL ASSETS</b>	<b>\$ 17,537,842</b>	<b>\$ 8,071,460</b>	<b>\$ 64,442,384</b>	<b>\$ 90,051,686</b>

The Notes to Financial Statements are an integral part of this statement.



**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

Statement of Net Assets

Proprietary Funds

June 30, 2008

	<b>Airport Fund</b>	<b>Solid Waste Fund</b>	<b>Garrett County Sanitary District, Inc.</b>	<b>Total</b>
<b>LIABILITIES:</b>				
<b>Current Liabilities:</b>				
Accounts Payable and Accrued Expenses	\$ 5,448	\$ 114,161	\$ 1,006,058	\$ 1,125,667
Bonds and Loans Payable - Current Portion		466,960	377,699	844,659
Closure/Postclosure Liabilities - Current Portion		473,441		473,441
Due to Other Governments			120,115	120,115
Due to Primary Government	1,526,858			1,526,858
Deferred Revenue	3,055		20,438	23,493
<b>Total Current Liabilities</b>	<b>\$ 1,535,361</b>	<b>\$ 1,054,562</b>	<b>\$ 1,524,310</b>	<b>\$ 4,114,233</b>
<b>Noncurrent Liabilities:</b>				
Bonds and Loans Payable	\$	\$ 3,092,036	\$ 27,869,605	\$ 30,961,641
Compensated Absences	7,860	108,834	147,532	264,226
Closure/Postclosure Liabilities		2,483,737		2,483,737
<b>Total Noncurrent Liabilities</b>	<b>\$ 7,860</b>	<b>\$ 5,684,607</b>	<b>\$ 28,017,137</b>	<b>\$ 33,709,604</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 1,543,221</b>	<b>\$ 6,739,169</b>	<b>\$ 29,541,447</b>	<b>\$ 37,823,837</b>
<b>NET ASSETS (DEFICIT)</b>				
Investment in Capital Assets, Net of Related Debt	\$ 15,994,621	\$ 1,219,644	\$ 29,832,322	\$ 47,046,587
Restricted Net Assets Debt Service		502,969		502,969
Unrestricted Net Assets (Deficit)		(390,322)	5,068,615	4,678,293
<b>Total Net Assets</b>	<b>\$ 15,994,621</b>	<b>\$ 1,332,291</b>	<b>\$ 34,900,937</b>	<b>\$ 52,227,849</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 17,537,842</b>	<b>\$ 8,071,460</b>	<b>\$ 64,442,384</b>	<b>\$ 90,051,686</b>

The Notes to Financial Statements are an integral part of this statement.

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
Year Ended June 30, 2008

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Total
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 132,029	\$ 1,194,883	\$ 3,158,346	\$ 4,485,258
Other	632	58,021	682,018	740,671
<b>Total Operating Revenues</b>	<b>\$ 132,661</b>	<b>\$ 1,252,904</b>	<b>\$ 3,840,364</b>	<b>\$ 5,225,929</b>
<b>OPERATING EXPENSES:</b>				
Salaries	\$ 80,483	\$ 666,846	\$ 1,045,416	\$ 1,792,745
Fringe Benefits	23,532	242,335	474,042	739,909
Maintenance and Repairs	3,019	61,591	338,595	403,205
Contracted Services	3,025	162,300	42,596	207,921
Supplies	79,406	99,428	765,795	944,629
Utilities	14,416	21,136	619,885	655,437
Transportation	5,014		106,063	111,077
Insurance	7,189	22,402		29,591
Direct Administration - Plant			153,159	153,159
Depreciation Expense	166,759	829,550	2,753,799	3,750,108
Amortization - Closure/Post Closure Costs		213,981		213,981
Amortization - Other		12,365		12,365
Indirect Administration		31,643	978,581	1,010,224
Bad Debt Expense			83	83
Other	18,249	89,812		108,061
<b>Total Operating Expenses</b>	<b>\$ 401,092</b>	<b>\$ 2,453,389</b>	<b>\$ 7,278,014</b>	<b>\$ 10,132,495</b>
<b>NET OPERATING LOSS</b>	<b>\$ (268,431)</b>	<b>\$ (1,200,485)</b>	<b>\$ (3,437,650)</b>	<b>\$ (4,906,566)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Tap Fees - Capital Revenue	\$	\$	\$ 868,277	\$ 868,277
Intergovernmental		6,158		6,158
Interest Income		111,510	258,256	369,766
Ad Valorem Tax		1,537,746	247,090	1,784,836
Sale of Assets	(186,646)		(285,192)	(471,838)
Interest Expense		(176,785)	(903,023)	(1,079,808)
Asset Management Fees		(6,750)		(6,750)
<b>Net Other Revenues</b>	<b>\$ (186,646)</b>	<b>\$ 1,471,879</b>	<b>\$ 185,408</b>	<b>\$ 1,470,641</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS/ TRANSFERS</b>	<b>\$ (455,077)</b>	<b>\$ 271,394</b>	<b>\$ (3,252,242)</b>	<b>\$ (3,435,925)</b>

The Notes to Financial Statements are an integral part of this statement.

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
Year Ended June 30, 2008

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Total</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS/TRANSFERS</b>				
Balances Brought Forward	\$ (455,077)	\$ 271,394	\$ (3,252,242)	\$ (3,435,925)
<b>CAPITAL CONTRIBUTIONS/ TRANSFERS</b>				
Capital Contributions (to) from				
Federal	3,894,857			3,894,857
State	125,103		273,995	399,098
Primary Government	669,211	(3,935)	1,839	667,115
Other			50,055	50,055
Transfers between Proprietary Funds	(296,595)		296,595	0
Transfers from Primary Government	101,672			101,672
<b>NET INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$ 4,039,171</b>	<b>\$ 267,459</b>	<b>\$ (2,629,758)</b>	<b>\$ 1,676,872</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>\$ 11,955,450</b>	<b>\$ 1,064,832</b>	<b>\$ 37,530,695</b>	<b>\$ 50,550,977</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 15,994,621</b>	<b>\$ 1,332,291</b>	<b>\$ 34,900,937</b>	<b>\$ 52,227,849</b>

The Notes to Financial Statements are an integral part of this statement.

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2008

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 128,044	\$ 1,236,651	\$ 3,898,214	\$ 5,262,909
Cash Paid to Suppliers	(1,470,497)	(678,333)	(2,547,959)	(4,696,789)
Cash Paid to Employees and for Employee Benefits	(100,678)	(887,030)	(1,473,652)	(2,461,360)
<b>Net Cash Provided By/(Used In) Operating Activities</b>	<u>\$ (1,443,131)</u>	<u>\$ (328,712)</u>	<u>\$ (123,397)</u>	<u>\$ (1,895,240)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Transfer From Primary Government	\$ 101,673	\$	\$	\$ 101,673
Intergovernmental Operating Grants		15,050		15,050
Increase/(Decrease) in Amounts Due from General Fund	857,758		(201,068)	656,690
Decrease in Amounts Due from General Fund		(350,544)		306,146
<b>Net Cash Provided By/(Used In) Non-Capital Financing Activities</b>	<u>\$ 959,431</u>	<u>\$ (335,494)</u>	<u>\$ (201,068)</u>	<u>\$ 1,079,559</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from Long-Term Debt	\$	\$	\$ 6,900,000	\$ 6,900,000
Capital Contributions	5,172,872		129,814	5,302,686
Increase In Restricted Notes Receivable			18,481	18,481
Proceeds from Tap Fees			868,277	868,277
Ad Valorem Taxes and Other Assessments Collected		1,521,369	249,227	1,770,596
Payment of Expenses Related to Landfill Closure		(23,252)		(23,252)
Acquisition and Construction of Capital Assets	(4,689,172)	(313,905)	(2,055,245)	(7,058,322)
Principal Paid on Long-Term Debt		(443,693)	(2,565,042)	(3,008,735)
Interest Paid on Long-Term Debt		(168,044)	(907,669)	(1,075,713)
Proceeds from Disposition of Capital Assets			376,997	376,997
<b>Net Cash Provided By Capital and Related Financing Activities</b>	<u>\$ 483,700</u>	<u>\$ 572,475</u>	<u>\$ 3,014,840</u>	<u>\$ 4,071,015</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest Income	\$	\$ 111,510	\$ 258,256	\$ 369,766
Asset Management Fees		(6,750)		(6,750)
Redemption of Certificates of Deposit, Net			1,557,146	1,557,146
<b>Net Cash Provided By Investing Activities</b>	<u>\$ 0</u>	<u>\$ 104,760</u>	<u>\$ 1,815,402</u>	<u>\$ 1,920,162</u>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	\$ 0	\$ 13,029	\$ 4,505,777	\$ 4,518,806
Cash and Cash Equivalents, Beginning of Year	<u>100</u>	<u>2,361,533</u>	<u>6,182,846</u>	<u>8,544,479</u>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<u><u>\$ 100</u></u>	<u><u>\$ 2,374,562</u></u>	<u><u>\$ 10,688,623</u></u>	<u><u>\$ 13,063,285</u></u>

The Notes to Financial Statements are an integral part of this statement.

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
Statement of Cash Flows (Continued)  
Proprietary Funds  
Year Ended June 30, 2008

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Total</u>
<b>Reconciliation of Operating Loss to Net</b>				
<b>Cash Provided By/(Used In) Operating Activities:</b>				
Operating Loss	\$ (268,431)	\$ (1,200,485)	\$ (3,437,650)	\$ (4,906,566)
Adjustments to Reconcile Operating Loss to Net				
Cash Provided By (Used In) Operating Activities:				
Depreciation and Amortization	166,759	1,055,896	2,753,799	3,976,454
Changes in Current Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(7,672)	(16,253)	57,850	33,925
(Increase) Decrease in Inventories	(30,027)		94,244	64,217
(Increase) Decrease in Prepaid Expenses	24,638	(18,900)	(34,327)	(28,589)
Increase (Decrease) in Accounts Payable	(1,334,258)	(165,766)	403,803	(1,096,221)
Increase in Due to Other Governments			9,049	9,049
Increase in Deferred Revenue	3,055			3,055
Increase in Compensated Absences	2,805	16,796	29,835	49,436
	<u>2,805</u>	<u>16,796</u>	<u>29,835</u>	<u>49,436</u>
<b>Net Cash Provided Used In Operating Activities</b>	<u>\$ (1,443,131)</u>	<u>\$ (328,712)</u>	<u>\$ (123,397)</u>	<u>\$ (1,895,240)</u>

The Notes to Financial Statements are an integral part of this statement.

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

Statement of Net Assets  
Fiduciary Funds  
June 30, 2008

	<u>Retirement Plan Trust Funds</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ <u>821,737</u>
Investments:	
Certificates of Deposit	\$ 20,000
Fixed Income Securities	3,528,600
Mutual Funds	4,387,975
Equity Securities	2,510,667
Total Investments	\$ <u>10,447,242</u>
Interest Receivable	\$ <u>55,398</u>
<b>TOTAL ASSETS</b>	\$ 11,324,377
<b>LIABILITIES</b>	<u>0</u>
<b>NET ASSETS:</b>	
Held in Trust for Benefits and Other Purposes	\$ <u><u>11,324,377</u></u>

The Notes to Financial Statements are an integral part of this statement.

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
Statement of Changes in Net Assets  
Fiduciary Funds  
For the Year Ended June 30, 2008

	<u>Retirement Plan Trust Funds</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 1,303,244
Plan Members	409,029
Total Contributions	<u>\$ 1,712,273</u>
Investment Earnings:	
Net Decrease in Fair Value of Investments	\$ (1,103,238)
Realized Gains on Investments	99,211
Interest and Dividends	352,686
Investment Activity Expense	(70,082)
Total Net Investment Earnings	<u>\$ (721,423)</u>
<b>Total Additions</b>	<u>\$ 990,850</u>
<b>DEDUCTIONS</b>	
Benefits	\$ 123,864
Administrative	16,864
<b>Total Deductions</b>	<u>\$ 140,728</u>
<b>Change In Net Assets</b>	\$ 850,122
<b>Net Assets - Beginning of Year</b>	<u>10,474,255</u>
<b>Net Assets - End of Year</b>	<u><u>\$ 11,324,377</u></u>

The Notes to Financial Statements are an integral part of this statement.

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Garrett County, Maryland was formed as a municipal corporation in 1872 by an Act of the General Assembly of the State of Maryland. All executive and legislative functions of the County are vested in an elected three-member Board of County Commissioners. The accompanying financial statements present the government and all of its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

**Blended Component Units** - The Garrett County Sanitary District, Inc. (District) provides water and wastewater disposal services to the citizens of Garrett County. The District is governed by The Board of County Commissioners of Garrett County. The District is reported as a blended component unit within the accompanying financial statements by virtue of the fact that the County Commissioners have executive authority over the affairs of the District including approval of rates for user charges, debt issuance authority and, responsibility to levy taxes to recover debt incurred by the District. The Garrett County Sanitary District, Inc. is subject to the administrative control of the Garrett County Department of Public Utilities. The District is reported in the accompanying financial statements as an enterprise fund.

**Discretely Presented Component Units** - The Board of Education of Garrett County is responsible for the operation of the public school system within the County. The five members of the School Board are elected by the voters. The Board of Education of Garrett County is reported as a component unit within the accompanying financial statements by virtue of the County's responsibility for levying taxes and its budgetary control over the Board of Education.

Garrett Community College, doing business as Garrett College (the College) provides post-secondary education programs of learning leading to Associates in Arts and Applied Science degrees and a variety of one-year certificate programs as well as noncredit classes. The College is governed by a seven-member Board of Trustees, appointed by the governor of the State for six year renewable terms. The College is reported as a component unit within the accompanying financial statements because the College is fiscally dependent on the County Commissioners to fund its operating and capital budgets. As defined by generally accepted accounting principles, the financial reporting entity of the College includes the Garrett Community College Foundation, Inc. (the Foundation) based on the nature and significance of its relationship with the College. However, the Foundation is not financially accountable to the College.



**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The 12-member board of the Foundation is self-perpetuating and consists of graduates and friends of the College. The financial statements of the College have been combined with the financial statements of the Foundation in reporting the College in the accompanying government wide financial statements.

The Ruth Enlow Library of Garrett County (Library) is a public library system with five branches located throughout the County. It is governed by a seven member Board of Trustees. The Library is reported as a component unit within the accompanying financial statements because the Library is fiscally dependent on the County Commissioners to fund its operating and capital budgets.

Complete financial statements for each of the individual discretely presented component units can be obtained from their respective administrative offices listed below:

Garrett County Public Schools 40 South Second Street Oakland, MD 21550	Garrett College 687 Mosser Road McHenry, MD 21541	Ruth Enlow Library 6 North Second Street Oakland, MD 21550
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The accompanying financial statements do not include the activities of the Liquor Control Board of Garrett County. However, these financial statements do include governmental activities revenues in the government-wide financial statements and general fund revenues in the governmental funds financial statements in the amount of \$89,536 which was transferred by the Liquor Control Board to the County in accordance with the Alcoholic Beverage Laws applicable to Garrett County. This amount represents approximately 80% of the Liquor Control Board's gross revenues for the fiscal year ended June 30, 2008. Total assets of the Liquor Control Board as of June 30, 2008 are \$105,299.

**B. Government-Wide and Fund Financial Statements**

**Government-Wide Financial Statements** – The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**B. Government-Wide and Fund Financial Statements** (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, multi-purpose grants and other items not properly included among program revenues are reported instead as *general revenues*.

**Fund Financial Statements** – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. This focus is on the determination of, and changes in financial position. Generally, only current assets and current liabilities are included on the balance sheet. Revenues are recorded as soon as they are both measurable and available. Revenues are considered to be *available* if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major revenue source subject to the availability criterion is property tax revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

The County reports the following major governmental funds:

The *General Fund* is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Capital Projects Fund* is used to account for financial resources related to the acquisition or long-term construction of major capital facilities of the County (other than those financed by proprietary funds).

The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, general obligation debt principal and interest on the Garrett County Memorial Hospital Refunding Bonds of 1997 and the Garrett County Memorial Hospital Bonds, Series 2004 & 2007. The proceeds were loaned to Garrett County Memorial Hospital for the purpose of capital improvements made to the hospital.

The County reports the following major proprietary funds:

The *Airport Fund* provides air traffic control, aircraft storage and related services. This fund accounts for the operations of the County's airport and related facilities.

The *Solid Waste Fund* provides solid waste disposal and recycling facilities for residential and commercial use. This fund accounts for the operations of the County's landfill collection and recycling facilities.

The *Garrett County Sanitary District, Inc.* is reported as a blended component unit within the accompanying financial statements. The District provides water treatment and distribution services and sewage collection and treatment services throughout the County.

Additionally, the County reports the following additional fund types:

The County reports various *special revenue funds*, used to account for the proceeds of specific revenue sources that are legally or otherwise restricted to expenditures for specified purposes as non-major governmental funds.

The *Garrett County Law Enforcement Employee Retirement Trust Fund* and the *Garrett County Government Personnel Retirement Trust Fund* are fiduciary fund types used to accumulate resources for retirement benefit payments to qualified County employees.

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation** (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the County's landfill and water and sewer functions and various other governmental activity functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Airport, the County Solid Waste and Recycling Facility and the Garrett County Sanitary District enterprise funds are charges to customers for sales and services. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, unless grantor requires local/unrestricted funds to be spent first. After first using available restricted resources, then unrestricted resources are used as needed.

**D. Assets, Liabilities, and Net Assets or Equity**

**Cash and Cash Equivalents** - The County's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments (certificates of deposit and repurchase agreements) with original maturities of three months or less when purchased.

**Investments** - Investments consist of certificates of deposit with original maturities of more than three months when purchased, U.S. Treasury obligations and other government agency bonds and mutual funds. Investments of the County are reported at fair value, or amortized cost which approximates fair value.

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**D. Assets, Liabilities, and Net Assets or Equity** (Continued)

**Receivables and Payables** – In order to maximize investment earnings and for efficient operation of the accounting system, substantially all receipts and disbursements of the primary government, excluding the Garrett County Sanitary District, Inc. (reported as a blended component unit), are accounted for in one bank account. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” or “due to/from primary government”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”. All trade and property tax receivables are reported net of an allowance for doubtful accounts. The allowance for doubtful accounts recorded in the general fund and netted against taxes receivable was \$100,000 as of June 30, 2008. The allowance for doubtful accounts recorded by the Garrett County Sanitary District, Inc. and netted against other receivables was \$13,082 as of June 30, 2008.

**Property Taxes** - The County's property taxes are levied each July 1 at rates enacted by the Board of County Commissioners on the total assessed value as determined by the Maryland State Department of Assessments and Taxation. State law stipulates that the rates of levy cannot exceed the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation without public notice and only after public hearings.

Property taxes attach as an enforceable lien when levied on July 1 of each fiscal year and become delinquent on October 1 of the following year. Interest accrues on unpaid property taxes beginning October 1 of the current year. Tax liens on real property are sold at public auction in May on taxes delinquent since October 1 of the previous fiscal year.

**Inventories and Prepaid Items** - Inventory, consisting principally of expendable items held for consumption or sale to the general public, is stated generally at the lower of cost or market on a first-in, first-out basis or, in the case of the Sanitary District, at average cost.

Inventory included in the General Fund, consisting of Road's Department materials and supplies, are recorded as expenditures at the time of purchase. This inventory is recorded as an asset and is offset by a reserve in governmental fund equity in an equal amount. All other inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors for services such as insurance and postage that will benefit future periods are recorded as prepaid items.

**Restricted Assets** – The governmental activities column of the government-wide and governmental funds financial statements include restricted cash of \$102,743 which represents general fund and special revenue funds' cash balances related to public safety narcotics task force and search and seizure operations.

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**D. Assets, Liabilities, and Net Assets or Equity** (Continued)

Restricted receivables of \$5,052,970 reflect amounts owed by Garrett County Memorial Hospital to the County under prior loan agreements related to the Garrett County Memorial Hospital Refunding Bond of 1997 as well as receivable amounts related to the 2004 and 2007 Hospital Refinancing Bonds. Amounts receivable are to be collected through June 30, 2037.

Restricted assets reported in the business-type activities column of the government-wide and proprietary fund financial statements consist of restricted cash of the Solid Waste Fund, including, \$1,205,533 restricted for closure and post-closure activities; \$4,418 of unexpended bond proceeds restricted for future construction; and \$1,001,307 restricted for debt service payments.

Restricted assets attributable to the Garrett County Sanitary District, Inc. of \$11,330,159 represent cash and receivables maintained in accordance with bond resolutions, loan agreements, grant awards and other resolutions and formal actions of the District or by agreement for the purpose of funding certain debt service payments, major repair and replacement activities and other improvements to its water and sewer systems.

**Capital Assets** - Capital assets which include property, plant and equipment, infrastructure assets (e.g. roads, bridges, and related subsystems), and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government 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 or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Business-type activities follow the policy of capitalizing interest as a component of the cost of capital assets constructed for its own use. Net interest costs of \$17,474 were capitalized as part of the cost of capital assets under construction in connection with wastewater treatment facilities projects.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20-30
Buildings and Improvements	15-40
Heavy Machinery and Equipment	5-20
Vehicles	5
Office Furniture and Equipment	5-10
Infrastructure	5-50

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**D. Assets, Liabilities, and Net Assets or Equity** (Continued)

**Compensated Absences** - Permanent full-time employees of the primary government and its component units are granted vacation benefits in varying amounts. Vacation leave, sick leave, holiday leave and compensatory leave accrue to permanent full-time employees up to specified maximums. After one year of service, employees of the primary government are entitled to carry over vacation, sick leave, compensatory leave and holiday leave up to specified amounts to be used in subsequent years. Accrued vacation, holiday leave, sick leave, and compensatory leave vest and are payable when the employee separates from service with the County. Sick leave benefits up to 15 days per year of service can be used toward retirement credit within the Maryland State Retirement and Pension System. Upon separation from service for retirement or death only, up to 75 days of sick leave is reimbursed to the retiring employee or the employee's dependents. Compensatory leave benefits can be carried over to the subsequent year in varying amounts up to a maximum of 240 hours for hourly employees, 480 hours for public safety employees, and 100 hours for all other government employees.

All accrued compensated absence benefits, including employer paid payroll taxes and benefits, are accrued when incurred in the government-wide and proprietary fund financial statements. Generally accepted accounting principles require the current portion (amount estimated to be paid within one year) of accrued vacation leave benefits attributable to the County's governmental funds and similar component units to be recorded as an expenditure and liability in the respective funds that will pay the benefit.

**Deferred Revenues** - Deferred revenues as reported in the governmental activities column of the government-wide and governmental funds financial statements include amounts advanced to Garrett County Memorial Hospital from bonded indebtedness issued by the County to fund certain hospital construction and renovation projects. These advances are being repaid to the County and recognized as revenues in the financial statements as the Hospital makes the required payments on the related bonded indebtedness. Deferred revenues also include \$1,000,000 in One Maryland funds received for Keyser's Ridge Infrastructure. These funds had not been spent on the project as of year-end.

**Long-term Obligations** – In the government-wide financial statements, and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond and other loan issuance costs are deferred and amortized over the life of the bonds or related debt.

In the fund financial statements, governmental funds recognize bond and other loan issuance costs during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The face amount of the debt issued is reported as other financing sources. There is no related bond premium or discounts on outstanding indebtedness of the County.

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**Fund Equity** – In the government-wide financial statements, net assets are classified in the following components: invested in capital assets, net of related liabilities; restricted for debt service; other restricted funds; and unrestricted net assets. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to assets of discretely presented component units or other organizations is excluded from that determination. Restricted for debt service, and other restricted funds consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities. Unrestricted net assets consist of all other net assets not included in the above categories.

In the fund financial statements, governmental funds and proprietary funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**E. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that will affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**F. Budgets and Budgetary Accounting**

The County prepares an annual budget showing all revenues and expenditures for the General Fund. The appropriations budget is prepared by function, department or activity, and object. The Capital Projects Fund budget is generally prepared for entire projects in the year the project is scheduled to begin and assumes that the project will be completed within the same fiscal year. Consequently, the budget is not comparable to annual operating results. Budgets are not legally required for the Debt Service Fund or for the various programs and activities reported as Special Revenue Funds (nonmajor governmental funds).

All department heads and agencies submit budget requests in accordance with management's annual budget calendar. The budget is adopted upon setting the local property tax rate. Appropriations lapse at the end of the fiscal year except for capital projects appropriations which are subject to approval for carryover by the County Commissioners and certain federal and state grants that extend beyond the current fiscal year.



**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Budgets and Budgetary Accounting (Continued)**

The annual budget is adopted on a basis consistent with generally accepted accounting principles (GAAP) except that real property taxes are budgeted as estimated revenues when levied. All budgetary comparisons presented in this report are on this non-GAAP budgetary basis. The budgeted amounts are reported as originally adopted on June 5, 2007, by the County Commissioners and as finally amended.

**NOTE 2 - CASH AND INVESTMENTS**

The following is a reconciliation of cash and cash equivalents and investments of the Primary Government as of June 30, 2008 to the statement of net assets:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Cash and Cash Equivalents	\$ 24,099,391	\$ 263,935	\$ 24,363,326	\$
Restricted Cash	102,743	12,799,350	12,902,093	821,737
Investments	3,939,917		3,939,917	
Restricted Investments				10,447,242
Total	<u>\$ 28,142,051</u>	<u>\$ 13,063,285</u>	<u>\$ 41,205,336</u>	<u>\$11,268,979</u>

**Deposit and Investment Summary**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Deposits	\$ 23,872,937	\$ 8,806,775	\$ 32,679,712	\$ 821,737
Repurchase Agreements	327,804	64,087	391,891	
Certificates of Deposit	2,000,000	4,191,673	6,191,671	20,000
U.S. Government Obligations	1,939,917		1,939,917	1,854,532
Fixed Income Securities				1,674,069
Equity Securities				2,510,667
Money Market Mutual Funds				4,387,974
Cash on Hand	1,393	750	2,143	
Total	<u>\$ 28,142,051</u>	<u>\$ 13,063,285</u>	<u>\$ 41,205,336</u>	<u>\$11,268,979</u>

**Deposits**

At year end, the carrying amount of the primary government's deposits including certificates of deposit was \$38,871,385 and the bank balance of collected funds was \$37,982,597. Of the bank balance \$619,780 was insured by the Federal Deposit Insurance Corporation (FDIC), \$7,441,072 was collateralized by securities held by the County's agent in the County's name and \$29,921,745 was exposed to custodial credit risk as it was uninsured and collateralized with securities held by the government's agent but not in the County's name.

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**Deposits (Continued)**

Statutes require collateral to be pledged as security for deposits in excess of available depository insurance and the market value of such collateral shall be at least equal to the amount of moneys on deposit. The market value of collateral pledged as security for the County's deposits (including cash and certificates of deposit) at June 30, 2008 was \$45,016,484.

The Law Enforcement Employee and Government Personnel Retirement Plans (Fiduciary Funds) deposits including certificates of deposits of \$841,737 were insured by the FDIC in amounts equal to \$100,000 at year end. The remaining deposits of \$741,737 were exposed to custodial credit risk as they were uninsured and collateralized with securities held by the County's agent but not in the County's name. The Primary Government and the Fiduciary Funds' investment policies do not limit exposure to custodial credit risk.

**Investments**

The County is restricted by State law as to the kinds of investments that can be made. Authorized investments include (1) obligations of which the faith and credit of the United States of America are pledged, (2) obligations of federal governmental agencies issued pursuant to acts of Congress, (3) bankers acceptances, (4) repurchase agreements that are secured by any bond or other obligations of the federal government having a market value of not less than 102% of the principal cost, and (5) an investment trust whose portfolio consists of bonds or other obligations of the federal government. The County is also authorized under State law to make deposits in banks, savings and loans, etc. which have the lawfully required escrow deposits or which have authorized collateral. Fiduciary Funds are authorized by the Plans' Board of Trustees to invest in instruments identified above and, additionally, to invest in debt and equity securities.

The County utilizes repurchase agreements for temporary investment of County funds. Securities underlying overnight repurchase agreements are pledged against a segregated collateral pool for the account of the County and consist of U.S. Treasury securities, U.S. government agency securities, and other qualified investment grade securities. The securities are exposed to custodial credit risk because they are uninsured and collateralized with securities held by the County's agent, but not in the County's name. At June 30, 2008, the County held repurchase agreements with a carrying amount of \$391,891 and a bank balance of \$4,132,385. The bank balance was held at various interest rates and collateralized by U.S government agency securities with a market value of \$4,217,232.

The County's investment policy limits exposure to fair value losses arising from increasing interest rates by periodically redetermining an appropriate weighted average portfolio maturity based on the latest cash flow projections and by limiting investments to those maturing in less than three years from date of purchase. Reserve funds may, however, be invested in securities

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**Investments (Continued)**

exceeding three years in the instance that such investments are made with maturity dates coinciding with the expected need for the related funds.

The County's investment policy limits its credit risk by establishing maximum portfolio percentages for investments in specific instruments and individual financial institutions as follows:

<u>Diversification by Instrument</u>	<u>Maximum % of Portfolio</u>
▪ U. S. Treasury Obligations	100%
▪ U.S. Government Agency and U.S. Government – sponsored instrumentalities	100%
▪ Repurchase Agreements (Master Repurchase Agreement required)	100%
▪ Collateralized Certificates of Deposit (Only Maryland Commercial Banks)	40%
▪ Bankers' Acceptances	40%
▪ Money Market Mutual Funds	60%
<u>Diversification by Institution</u>	<u>Maximum % of Portfolio</u>
▪ Government Dealers (Repurchase Agreements)	50%
▪ Commercial Banks (Certificates of Deposits)	30%
▪ Money Market Treasury Funds	40%
▪ Banker's Acceptances by Institution	25%

As of June 30, 2008, the Primary Government had no investment instruments with credit quality ratings requiring disclosure.

The Fiduciary Funds have employed professional investment managers to manage retirement plan assets and to follow the plans' investment policies which are designed to protect plan principal and to achieve a real rate of return over the long term. Fiduciary Fund investments, having a market value of \$10,427,242 at June 30, 2008, were exposed to custodial credit risk as they were uninsured and held by the counterparty's trust department but not in the name of the County.

The Fiduciary Funds have investment policies specifying that investments in corporate bonds be primarily investment grade securities rated by Moody's or Standard and Poors. The Fiduciary Fund investment policies further limit credit risk by prescribing that the fixed income portfolio be well diversified with respect to type, industry and issuer.

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**Investments (Continued)**

The investments of the Fiduciary Funds included debt securities having the following ratings as of June 30, 2008:

<u>Security Ratings</u>	<u>Market Value</u> <u>6/30/08</u>
AA2	\$ 400,660
AAA	188,454
BAA1	144,512
AA3	94,958
B3	18,984
A1	208,808
A2	252,235
BAA2	112,713
A3	232,827
AA1	10,267
BA2	<u>9,651</u>
Total Market Value	<u>\$ 1,674,069</u>

Fiduciary Fund investment policies do not place limits on investment managers with respect to the duration of their investments. Fiduciary Fund investments include all fixed income securities with interest rates specifically identified as follows with respect to maturity dates:

<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Market Value</u> <u>6/30/08</u>
2009	3.80 – 6.00%	\$ 101,922
2010	5.00%	46,541
2011	4.25 – 7.00%	40,135
2012	5.00%	25,086
2013	4.00 – 5.80%	35,236
2015-2019	4.27 – 6.40%	1,104,538
2020-2023	5.00 – 6.38%	1,632,095
2026-2027	5.75 – 6.00%	527,542
2034	6.30%	<u>15,505</u>
Total Market Value		<u>\$ 3,528,600</u>

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 3 - DEBT SERVICE FUND**

The County issued Hospital Refunding Bonds of 1997. According to the terms of the bonds, the County entered into an agreement with Garrett County Memorial Hospital under which the Hospital will make payments to the County sufficient to provide for the payment of principal and interest on the bonds when due. The total obligation of the 1997 Bonds at an average interest rate of 4.97% consist of \$4,275,000 principal and \$1,786,410 interest payable from 1998 through 2010. The outstanding balance due the County at June 30, 2008 is \$875,000.

In addition, the County issued Garrett County Memorial Hospital Bonds, Series 2004 and 2007 in the amounts of \$1,400,000 and \$3,000,000 respectively. The proceeds of the 2004 Bonds were used to retire a portion of the 2002 Bonds and the proceeds of the 2007 Bonds were used to retire the outstanding balances of the 2002 and 2003 Bonds.

According to the terms of the bonds, the County entered into additional agreements with the Hospital under which the Hospital will make payments to the County sufficient to provide for the payment of principal and interest on the bonds when due. Terms of the Series 2004 \$1,400,000 loan include semi-annual payments of \$51,718 including interest at the rate of 4.12% (fixed rate for 10 years) and having a maturity date of November 19, 2024. Terms of the Series 2007 \$3,000,000 loan include monthly payments of \$14,550 including interest at the rate of 4.125% (fixed rate for 30 years) and having a maturity date of June 28, 2037.

The funds disbursed to the Hospital from the Hospital Refunding Bonds of 1997, and cumulative advances to the Hospital from the Garrett County Memorial Hospital Bonds, Series 2004 and 2007 are recorded as a restricted note receivable in the government-wide (governmental activities) and governmental funds (Debt Service Fund) financial statements with an offsetting credit to Deferred Revenue. Payments made by the Hospital to conform with the various loan agreements are being recognized as revenue in the year received. Debt service payments on the County's bonded indebtedness are also recognized in the government-wide statement of activities and governmental funds financial statements.

The following schedule identifies future receipts from the Hospital based on the entire bond proceeds having been advanced by the County.

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	532,321	215,790	748,111
2010	561,811	189,626	751,437
2011	116,488	161,548	278,036
2012	121,361	156,675	278,036
2013	126,438	151,598	278,036
2014-2037	<u>3,594,551</u>	<u>1,778,090</u>	<u>5,372,641</u>
Total	<u>\$ 5,052,970</u>	<u>\$ 2,653,327</u>	<u>\$ 7,706,297</u>

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the Primary Government for the fiscal year ended June 30, 2008 was as follows:

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance June 30, 2008</u>
<b><u>Governmental activities</u></b>				
Capital assets, not depreciated				
Land and easements	\$ 7,327,687	\$ 15,295	\$ 122,559	\$ 7,465,541
Construction in progress	<u>3,418,649</u>	<u>4,270,805</u>	<u>(1,741,169)</u>	<u>5,948,285</u>
Total capital assets, not depreciated	<u>\$ 10,746,336</u>	<u>\$ 4,286,100</u>	<u>\$ (1,618,610)</u>	<u>\$ 13,413,826</u>
Capital assets, being depreciated				
Land improvements	\$ 168,213	\$	\$	\$ 168,213
Buildings	19,631,839	82,632	454,098	20,168,569
Machinery & equipment	782,556	25,806	(10,465)	797,897
Vehicles	10,991,350	1,020,774	(111,151)	11,900,973
Furniture & equipment	1,499,001	79,085	(151,402)	1,426,684
Infrastructure	<u>51,386,987</u>	<u>4,393,561</u>	<u>1,009,843</u>	<u>56,790,391</u>
Total capital assets being depreciated	<u>\$ 84,459,946</u>	<u>\$ 5,601,858</u>	<u>\$ 1,190,923</u>	<u>\$ 91,252,727</u>
Less accumulated depreciation for:				
Land improvements	\$ (22,048)	\$ (7,760)	\$	\$ (29,808)
Buildings	(7,053,785)	(542,719)		(7,596,504)
Machinery & equipment	(258,510)	(81,923)	10,463	(329,970)
Vehicles	(9,476,577)	(748,843)	113,247	(10,112,173)
Furniture & equipment	(478,955)	(147,247)	140,048	(486,154)
Infrastructure	<u>(22,591,713)</u>	<u>(4,195,444)</u>		<u>(26,787,157)</u>
Total accumulated depreciation	<u>\$(39,881,588)</u>	<u>\$(5,723,936)</u>	<u>\$ 263,758</u>	<u>\$(45,341,766)</u>
Total capital assets, being depreciated, net	<u>\$ 44,578,358</u>	<u>\$ (122,078)</u>	<u>\$ 1,454,681</u>	<u>\$ 45,910,961</u>
Governmental activities capital assets, net	<u>\$ 55,324,694</u>	<u>\$ 4,164,022</u>	<u>\$ (163,929)</u>	<u>\$ 59,324,787</u>

Depreciation expense was charged to the various governmental activity functions as follows:

Governmental activities:	
General Government	\$ 65,165
Public Works	4,843,772
Public Safety	307,575
Economic Development	65,418
Unallocated	<u>442,006</u>
Total depreciation expense – governmental activities	<u>\$ 5,723,936</u>

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 4 – CAPITAL ASSETS (Continued)**

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance June 30, 2008</u>
<b><u>Business-type activities</u></b>				
Capital assets, not depreciated				
Land and easements	\$ 1,747,826	\$ 99,961	\$ (59,961)	\$ 1,787,826
Construction in progress	<u>14,665,623</u>	<u>6,135,042</u>	<u>(4,216,759)</u>	<u>16,583,906</u>
Total capital assets, not depreciated	<u>\$ 16,413,449</u>	<u>\$ 6,235,003</u>	<u>\$ (4,276,720)</u>	<u>\$ 18,371,732</u>
Capital assets, being depreciated				
Land improvements	\$ 6,797,521	\$ 15,445	\$ 2,692,456	\$ 9,505,422
Buildings	535,465	16,600	542,764	1,094,829
Machinery & equipment	1,710,576	248,048	(267,389)	1,691,235
Vehicles	1,460,016	161,246	81,893	1,703,155
Furniture & equipment	38,641		(10,853)	27,788
Water facilities	16,983,789	76,802	323,954	17,384,545
Sewer facilities	<u>65,589,639</u>	<u>8,582</u>	<u>(26,215)</u>	<u>68,572,006</u>
Total capital assets being depreciated	<u>\$ 96,115,647</u>	<u>\$ 526,723</u>	<u>\$ 3,336,610</u>	<u>\$ 99,978,980</u>
Less accumulated depreciation for:				
Land improvements	\$ (5,152,124)	\$ (787,743)	\$ 80,653	\$ (5,859,214)
Building	(138,267)	(25,804)	101,320	(62,751)
Machinery & equipment	(997,534)	(142,983)	267,389	(873,128)
Vehicles	(945,554)	(203,170)	(84,016)	(1,232,740)
Furniture & equipment	(30,620)	(1,926)	10,854	(21,692)
Water facilities	(6,518,004)	(511,074)		(7,029,078)
Sewer facilities	<u>(29,525,674)</u>	<u>(2,077,408)</u>	<u>24,060</u>	<u>(31,579,022)</u>
Total accumulated depreciation	<u>\$(43,307,777)</u>	<u>\$ (3,750,108)</u>	<u>\$ 400,260</u>	<u>\$ (46,657,625)</u>
Total capital assets, being depreciated, net	<u>\$ 52,807,870</u>	<u>\$ (3,223,385)</u>	<u>\$ 3,736,870</u>	<u>\$ 53,321,355</u>
Business-type activities capital assets, net	<u>\$ 69,221,319</u>	<u>\$ 3,011,618</u>	<u>\$ (539,850)</u>	<u>\$ 71,693,087</u>

Depreciation expense was charged to the various business-type activity functions as follows:

Business-type activities:	
Airport	\$ 166,759
Solid Waste	829,550
Sanitary District	<u>2,753,799</u>
Total depreciation expense – business-type activities	<u>\$ 3,750,108</u>

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 4 – CAPITAL ASSETS (Continued)**

Construction in progress of the primary government is composed of the following:

	<u>Project Authorization</u>	<u>CIP as of June 30, 2008</u>	<u>Remaining Commitment</u>
<b><u>Governmental Activities</u></b>			
Public Works	\$ 12,784,872	\$ 4,338,920	\$ 8,445,952
Public Safety	21,970,830	590,976	21,379,854
General Government	160,000	8,407	151,593
Economic Development	<u>5,794,861</u>	<u>1,009,982</u>	<u>4,784,879</u>
Total governmental activities	<u>\$ 40,710,563</u>	<u>\$ 5,948,285</u>	<u>\$ 34,762,278</u>
<b><u>Business-type Activities</u></b>			
Airport Runway Extension	\$ 15,050,599	\$ 12,975,220	\$ 2,075,379
Airport Sewer and Water	869,428	883,864	5,564
Landfill Land Clearing Debris Cell	300,000	16,220	283,780
Keysers Ridge Water Holding Tank	814	814	0
Crellin Water Improvement	341,770	91,270	250,500
McHenry Water System	6,009,763	1,041,463	4,968,300
Keysers Ridge Water	51,234	51,234	0
Deep Creek Lake Collection & Conveyance	5,989,639	645,139	5,334,500
Mountain Lake Park Water	932,100	113,900	818,200
Friendsville Sewer	1,149,156	129,156	1,020,000
Maintenance Warehouse	2,400,000	553,401	1,846,599
Thayerville Water	<u>5,082,225</u>	<u>82,225</u>	<u>5,000,000</u>
Total business-type activities	<u>\$ 38,196,728</u>	<u>\$ 16,583,906</u>	<u>\$ 21,612,822</u>

**NOTE 5 – INTERNAL AND INTERFUND BALANCES AND ACTIVITY**

Interfund transfers between the General Fund and the Capital Projects Fund of \$3,498,722 represent funding for construction projects. Interfund transfers between the General Fund and the Airport Fund of \$770,883 consisted of \$101,672 for operating subsidy and \$669,211 local match for the runway extension project. Interfund transfers between the Airport and the Sanitary District of \$296,595 represent the additional cost paid for land above the original carrying value.

Interfund receivables and payables between the General Fund, Capital Projects Fund and Special Revenue Funds have been eliminated from governmental activities in the net amount of \$1,649,963 within the government-wide financial statements.

Interfund balances between the General Fund and the proprietary funds are comprised of amounts due from the Airport Fund for construction project advances and amounts due to the Solid Waste Fund for Ad Valorem Taxes levied on their behalf. The amounts due to the Solid Waste Fund are not expected to be repaid by the General Fund within one year.



**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 5 – INTERNAL AND INTERFUND BALANCES AND ACTIVITY (Continued)**

Interfund receivables and payables between the primary government and its component units for the year ended June 30, 2008, consisted of \$1,527,385 due to the Board of Education and \$783 due to Garrett College.

Interfund receivables and payables within the primary government at June 30, 2008 are as follows:

	<u>Due From</u>	<u>Due To</u>
<b>General Fund:</b>		
Capital Projects Fund	\$	\$ 1,523,925
Special Revenue Funds:		
508 Program		15,385
DARE Program		719
Commissary		77,802
Law Library		32,132
Proprietary Funds:		
Airport Fund	1,526,858	
Sanitary District		8,438
Solid Waste Fund		<u>1,160,106</u>
<b>Total General Fund</b>	<u>\$ 1,526,858</u>	<u>\$ 2,818,507</u>
<b>Capital Projects Fund:</b>		
General Fund	<u>\$ 1,523,925</u>	<u>\$ 0</u>
<b>Special Revenue Funds:</b>		
General Fund:		
508 Program	\$ 15,385	\$
DARE Program	719	
Commissary	77,802	
Law Library	<u>32,132</u>	
<b>Total Special Revenue Funds</b>	<u>\$ 126,038</u>	<u>\$ 0</u>
<b>Total Governmental Funds</b>	<u>\$ 2,119,068</u>	<u>\$ 2,818,507</u>
<b>Proprietary Funds:</b>		
General Fund - Airport	\$	\$ 1,526,858
General Fund - Solid Waste	1,160,106	
General Fund - Sanitary District	<u>8,438</u>	
<b>Total Proprietary Funds</b>	<u>\$ 1,168,544</u>	<u>\$ 1,526,858</u>
<b>Total Primary Government</b>	<u>\$ 4,345,365</u>	<u>\$ 4,345,365</u>

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 6 - LONG-TERM DEBT**

The following is a summary of debt transactions of the County for the fiscal year ended June 30, 2008:

	<u>Balance 7/01/07</u>	<u>Additions</u>	<u>Principal Repayments</u>	<u>Balance 6/30/08</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
<u>General Fund</u>					
General Obligation Bonds	\$ 10,210,950	\$	\$ (856,956)	\$ 9,353,994	\$ 859,602
Compensated Absences	<u>1,306,438</u>	<u>270,599</u>	<u>(181,783)</u>	<u>1,395,254</u>	<u>133,225</u>
Governmental activities					
Long-term liabilities	<u>\$ 11,517,388</u>	<u>\$ 270,599</u>	<u>\$ (1,038,739)</u>	<u>\$ 10,749,248</u>	<u>\$ 992,827</u>
<b>Business-type activities:</b>					
<u>Solid Waste Fund</u>					
Bonds Payable	\$ 4,002,689	\$	\$ (443,693)	\$ 3,558,996	\$ 466,960
<u>Garrett County Sanitary District</u>					
Bonds and Loans Payable	<u>23,912,346</u>	<u>6,900,000</u>	<u>(2,565,042)</u>	<u>28,247,304</u>	<u>377,699</u>
Subtotal	<u>\$ 27,915,035</u>	<u>\$ 6,900,000</u>	<u>\$ (3,008,735)</u>	<u>\$ 31,806,300</u>	<u>\$ 844,659</u>
Landfill closure/postclosure	<u>\$ 2,766,449</u>	<u>\$ 213,981</u>	<u>\$ (23,252)</u>	<u>\$ 2,957,178</u>	<u>\$ 473,441</u>
Compensated Absences					
Airport	\$ 5,055	\$ 2,805	\$	\$ 7,860	\$
Solid Waste Fund	92,038	16,796		108,834	
G. C. Sanitary District	<u>117,697</u>	<u>29,835</u>		<u>147,532</u>	
	<u>\$ 214,790</u>	<u>\$ 49,436</u>	<u>\$ 0</u>	<u>\$ 264,226</u>	<u>\$ 0</u>
Business-type activities					
Long-term liabilities	<u>\$ 30,896,274</u>	<u>\$ 7,163,417</u>	<u>\$ (3,031,987)</u>	<u>\$ 35,027,704</u>	<u>\$ 1,318,100</u>

**Prior Year Defeasance of Debt**

In prior years, the County defeased certain hospital bonds by placing the proceeds of the new bonds in an escrow deposit fund between the County and The Bank of New York for all future debt service payments on the old bonds. Accordingly, the escrow deposit fund assets and liabilities for the defeased bonds are not included in the County's financial statements. The outstanding balance of bonds considered defeased at June 30, 2008 is \$1,255,000.

**Interest Expense**

Total interest expense of \$1,572,029 incurred by the primary government includes, \$474,747 charged to governmental activities, \$1,079,808 charged to business-type activities, and \$17,474 of net interest expense capitalized in enterprise fund capital assets.

Details of certain long-term debt obligations at June 30, 2008 are as follows:

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 6 - LONG-TERM DEBT** (Continued)

Balance  
June 30, 2008

**Governmental Activities:**

**General Obligation Bonds**

\$4,000,000 Public Facilities Bonds of 1996 dated May 2, 1996 in \$5,000 denominations at rates from 4.7% to 6.5% payable semi-annually. Maturing May 1, 1997 through May 1, 2016. For public school construction and roads projects capital expenditures.

\$ 2,160,000

**General Obligation Bonds**

\$3,382,000 Community Health Center Bond of 2002 dated January 17, 2002 at 4.75% interest per annum. Principal and interest payments semi-annually of \$106,331. Matures on January 17, 2032. For construction of Garrett County Health Center.

2,141,024

**Garrett County Hospital Refunding Bonds of 1997**

\$4,275,000 Bonds dated January 28, 1997 in \$5,000 denominations at rates from 4.75% to 5.20% payable semi-annually. Maturing July 1, 1997 through July 1, 2010. Issued to refund the Garrett County Hospital Bonds of 1986. To be repaid from hospital revenues.

875,000

**Garrett County Memorial Hospital Refunding Bond, Series 2004**

\$1,400,000 Bonds dated November 19, 2004 are being repaid by semi-annual payments of \$51,718 including interest at a rate of 4.12%, maturing November 19, 2024. Issued to refinance a portion of the Garrett County Memorial Hospital Bonds, Series 2002. To be repaid from hospital revenues.

1,229,610

**Garrett County Memorial Hospital Refunding Bond, Series 2007**

\$3,000,000 Bonds dated June 28, 2007 are being repaid by monthly payments of \$14,550 including interest at a rate of 4.125%, maturing June 28, 2037. Issued to refinance the Garrett County Memorial Hospital Bonds, Series 2002 and 2003 bonds. To be repaid from hospital revenues.

2,948,360

**Total Governmental Activities**

\$ 9,353,994

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 6 - LONG-TERM DEBT (Continued)**

Balance  
June 30, 2008

**Business-type Activities**

**Solid Waste Fund**

\$6,030,000 Garrett County Landfill Project Revenue Bonds, dated June 1, 1993, to fund construction costs of new landfill. Currently payable in monthly installments of \$22,917 plus interest at 5.125% through September 1, 2004; 5.5% through maturity in 2013. \$ 2,510,000

Maryland Water Quality Financing Administration Bond dated May 21, 1996. Total authorized of \$1,997,000 of which \$1,970,000 has been advanced to date. Semiannual payments of interest at 3.31%. Principal is payable February 1 of each year through February 1, 2017. 1,048,996

Total Solid Waste Fund \$ 3,558,996

**Garrett County Sanitary District, Inc.**

\$197,000 Rural Development (Bloomington Water Project), payable in monthly installments of \$964, including interest at 5% through June 2022. \$ 107,863

\$765,400 Rural Development (Upper Youghiogheny Project), payable in quarterly installments of \$10,337, including interest at 4.5% through November 28, 2035. 636,787

\$875,500 Rural Development (Chestnut Ridge Project), payable in quarterly installments of \$47,316, including interest at 4.5% through April 2, 2036. 750,035

\$104,400 Maryland Department of the Environment (Mt. Lake Park/Powles Addition Water), payable in annual installments of \$6,637 including interest at 4.5% through March 2026. 80,660

\$243,100 Rural Development (Chestnut Ridge Project), payable in quarterly installments of \$13,140, including interest at 4.5% through April 2, 2036. 208,231

\$200,000 GE Capital Asset Management (Friendsville Water), payable in annual installments of varying amounts, including interest at 5% through January 1, 2014. 60,000

\$400,700 Rural Development (Deer Park Sewer), payable in quarterly installments of \$5,414, including interest at 4.5% through December 28, 2038. 352,163

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 6 - LONG-TERM DEBT (Continued)**

	<u>Balance June 30, 2008</u>
\$1,998,000 Maryland Water Quality Financing (Deep Creek Lake Sewer Extension), payable in annual installments of \$132,748, including semi-annual interest at 2.87% through February 1, 2019.	\$ 666,143
\$425,000 Maryland Water Quality Financing (Deep Creek Lake Septage Facility), payable in annual installments of \$29,641, including semi-annual interest at 3.00% through February 1, 2016.	207,939
\$120,175 State of Maryland (Jennings Sewer Revolving Loan), payable in annual installments of \$7,615, including semi-annual interest at 2.37% through February 1, 2017.	72,978
\$400,550 Maryland Water Quality Financing (Goodwill Mennonite Sewer Project), payable in annual installments of \$10,967, including semi-annual interest at 2.4% through February 1, 2021.	177,199
\$408,000 Rural Development (Meadow Mountain Sewer), payable in quarterly installments of \$5,513, including interest at 4.5% through February 28, 2042.	382,621
\$233,800 Rural Development (McHenry Water - Storage Tank), payable in quarterly installments of \$3,159, including interest at 4.5% through December 2043.	220,594
\$615,911 Rural Development (McHenry Water - Storage Tank), payable in quarterly installments of \$8,321, including interest at 4.5% through December 2043.	581,145
\$564,300 Rural Development (Keyser's Ridge Water Project), payable in quarterly installments of \$7,624, including interest at 4.5% through February 2043.	533,926
\$573,200 Rural Development (Deer Park Water Project), payable in quarterly installments of \$7,744, including interest at 4.5% through October 2043.	540,852
\$260,000 Maryland Water Quality Financing (Deer Park Water), payable in semi-annual installments including interest at .4% through February 2034.	234,478

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 6 - LONG-TERM DEBT (Continued)**

	<u>Balance June 30, 2008</u>
\$123,913 Maryland Water Quality Financing (Septage Hauling Truck), payable in semi-annual installments including interest at .4% through February 2011.	\$ 62,327
\$115,800 Rural Development (Keyser's Ridge Water Road), payable in quarterly installments of \$1,508, including interest at 4.25% through February 2046.	112,869
\$9,999,999 Rural Development (Deep Creek Lake Wastewater Treatment Plant), payable in quarterly installments of \$127,900, including interest at 4.13% through June 2047.	9,899,363
\$4,617,900 Rural Development (Deep Creek Lake Wastewater Treatment Plant), payable in quarterly installments of \$59,063, including interest at 4.13% through June 2047.	4,571,427
\$982,101 Rural Development (Deep Creek Lake Wastewater Treatment Plant), payable in quarterly installments of \$12,562, including interest at 4.13% through June 2047.	972,214
\$4,500,000 M&T Bank temporary financing (Deep Creek Sewer & McHenry Water Improvements), payable in semi-annual installments of \$72,900, representing interest only at 3.24% through December 2012 at which time loan to be permanently financed.	4,500,000
\$2,400,000 M&T Bank (Department of Public Works Warehouse Project), payable in semi annual installments through December 2027 including interest at 3.7% fixed rate through 2017 at which time the rate resets to M&T's 5 year funds rate plus 110 basis points through December 2027.	<u>2,315,490</u>
Total Garrett County Sanitary District, Inc.	<u>\$ 28,247,304</u>
<b>Total Business-type Activities</b>	<u>\$ 31,806,300</u>
<b>Total Primary Government</b>	<u>\$ 41,160,294</u>

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 6 - LONG-TERM DEBT** (Continued)

Maturities of long-term debt are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>Governmental Activities:</b>			
2009	\$ 859,602	\$ 418,284	\$ 1,277,886
2010	909,488	376,791	1,286,279
2011	484,822	330,256	815,078
2012	510,623	306,625	817,248
2013	536,912	281,146	818,058
2014-2018	2,432,629	1,017,406	3,450,035
2019-2023	1,620,406	590,227	2,210,633
2024-2028	693,647	334,507	1,028,154
2029-2033	669,198	203,802	873,000
2034-2037	<u>636,667</u>	<u>54,458</u>	<u>691,125</u>
Total governmental activities	<u>\$ 9,353,994</u>	<u>\$ 3,913,502</u>	<u>\$ 13,267,496</u>
<b>Business-type Activities:</b>			
2009	\$ 844,659	\$ 1,268,261	\$ 2,112,920
2010	962,429	1,227,552	2,189,981
2011	1,008,869	1,185,016	2,193,885
2012	1,029,148	1,140,095	2,169,243
2013	1,157,935	1,087,915	2,245,850
2014-2018	4,587,408	4,847,311	9,434,719
2019-2023	3,765,288	4,109,324	7,874,612
2024-2028	4,407,625	3,329,953	7,737,578
2029-2033	4,229,452	2,489,396	6,718,848
2034-2038	3,285,624	1,720,647	5,006,271
2039-2043	3,586,107	1,006,477	4,592,584
2044-2048	<u>2,941,756</u>	<u>263,883</u>	<u>3,205,639</u>
Total business-type activities	<u>\$ 31,806,300</u>	<u>\$ 23,675,830</u>	<u>\$ 55,482,130</u>

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

**Loan Guarantees**

The full faith and credit of the County is unconditionally pledged to the payment of all bonded indebtedness and notes of the Garrett County Sanitary District, Inc., but that indebtedness is payable in the first instance from certain charges that the Sanitary District is authorized to levy and, in the case of bond anticipation notes, from the sales proceeds of the bonds in anticipation of which they were issued.

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 7 - COMMITMENTS AND CONTINGENCIES** (Continued)

**Grant and Loan Compliance**

The County participates in a number of federal and state assisted programs, principal of which are grants/loans from the Department of Agriculture, Department of Housing and Urban Development, Appalachian Regional Commission, Rural Development, the Department of Transportation and the State of Maryland. These programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures for projects which may be disallowed by the granting/lending agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

**Lease Commitments – Component Units**

Garrett College has entered into a lease with the County for the rental of a student dormitory building, known as “Garrett Hall”. Terms of the lease include monthly rental payments of \$5,396 for a period of 29 years. At the end of the initial term of the lease, the College has the option to extend the lease. Total future minimum payments under the operating lease as of June 30, 2008 are as follows:

Year Ending June 30, 2009	\$ 64,752
June 30, 2010	64,752
June 30, 2011	64,752
June 30, 2012	64,752
Thereafter	<u>1,694,344</u>
Total	<u>\$ 1,953,352</u>

In addition, the County leases administrative offices to the Board of Education at no charge. The annual fair market value of the space occupied is \$148,800. The fair market value of the appropriated space is recorded in the accompanying government-wide and fund financial statements as both a revenue and an expenditure.

**NOTE 8 - EMPLOYEES' RETIREMENT PLANS**

**State Retirement and Pension System of Maryland**

The County participates in the State Retirement and Pension System of Maryland, a cost sharing multiple-employer public employee retirement system. Substantially all full-time and permanent part-time employees of the County employed prior to July 1, 2005, were eligible to participate in the system, which provides retirement, disability and death benefits to plan members and beneficiaries in accordance with State statutes.

Effective July 1, 2005, a majority of County employees participating in the State system transferred to the Garrett County Government Personnel Retirement Plan administered by the County. (See below)



**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 8 - EMPLOYEES' RETIREMENT PLANS** (Continued)

The State Retirement and Pension System of Maryland is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland and managed by the State Retirement Agency and its board of trustees. The System issues a publicly available annual financial report that includes financial statements and required supplementary information for all of the various employee groups within the State system. The annual report for the year ended June 30, 2007 (most recent available data) may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, MD 21202 or by calling 1-800-492-5909.

The State Personnel and Pensions Article requires active members to contribute either 5.0% or 7.0% of earnable compensation depending upon the retirement options selected. All employees (except local government employees) covered under the Teachers and Employees Pension Systems are required by State statute to contribute 2% of earnable compensation. Local government employees covered under the Employees Pension System are required to contribute 5% of their regular compensation which exceeds the social security wage base.

Contribution rates for employers and other "non-employer" contributing entities are established by annual actuarial valuations using the entry age normal cost method with projection to determine costs. The primary government's employer contribution rates for 2008 were 10.27% for the Employee Retirement System and 5.27% for the Employee Pension System. These rates are sufficient to fund normal costs and amortize the unfunded actuarial accrued liability as a level percentage of payroll in distinct pieces. The liquidation period for the unfunded actuarial accrued liability which existed as of June 30, 2000 is 13 years to June 30, 2020. The additional unfunded actuarial liability which arose subsequent to June 30, 2000, is being amortized in separate annual layers over a 25 year period.

The annual pension cost of the County was as follows:

	<u>Annual Pension Cost</u>
<u>Primary Government</u>	
General Fund	\$ 40,624
Solid Waste Fund	<u>1,510</u>
Total Primary Government	<u>\$ 42,134</u>

The annual pension cost was equal to the required and actual contributions.

Assets are valued for funding purposes using a simplified five-year moving average. Under this method, the actuarial value of assets is one-fifth of the current fiscal year market value, plus four-fifths of the expected market value, where the expected market value is the preceding year's actuarial asset value adjusted for the current year's cash flows with interest at the actuarial assumed rate of return on investments.

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)**

**Three Year Trend Information - State Retirement and Pension System of Maryland**

<u>Entity</u>	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Primary Government - County	June 30, 2006	\$ 64,633	100%	0
	June 30, 2007	55,731	100%	0
	June 30, 2008	42,134	100%	0

**Law Enforcement Personnel Retirement Plan**

The County adopted the Garrett County Law Enforcement Personnel Retirement Plan, a single employer plan, effective July 1, 2002, for all employees classified by the County as the Sheriff, correctional officer, or sworn law-enforcement officer with the Sheriff's Department or Office of the State's Attorney. The Plan provides retirement, disability and death benefits for all eligible employees. Administrative, investment, and member benefit service responsibilities are provided by a Board of Trustees. The actuarial valuation report as of July 1, 2008 (most recent available data) may be obtained from the County Commissioners of Garrett County, Maryland.

Normal retirement is after the completion of 25 years of credited service or the attainment of age 62. Normal retirement benefits are equal to 2% of the participant's average compensation multiplied by the number of years of credited service. Early retirement is at age 50 with 20 years of eligible service. Disability benefits are available after five years of credited service. Death benefits are calculated by formulae.

The Plan is classified by the Primary Government as a Pension Trust Fund. Employee and employer contributions are recognized as revenue in the period in which employee services are performed and expenses and benefits are incurred, regardless of when payment is made. Investment of the pension funds, represented by cash and investments, are carried at market value as reported by the investment managers.

Contributions to the Plan were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of July 1, 2007. Participant contributions are included in the plan assets and are 100% vested with the employee. These contribution rates are sufficient to fund normal costs and amortize the unfunded actuarial accrued liability as a level percentage of payroll. Upon termination of employment, a participant may elect to receive a refund of contributions.

Contribution rates as a percentage of covered payroll during fiscal year 2008 are as follows:

<u>Employee Rate</u>	<u>Employer Rate</u>
7.50%	12.23%

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)**

**Law Enforcement Personnel Retirement Plan (Continued)**

Annual pension cost (APC) is the actuarially required employer contribution to the pension plan. The net pension obligation (NPO) represents the difference between the APC and the actual employer contributions. The APC was \$227,196. Based on recommendations from the County's actuary, the actual employer contribution for fiscal year 2008 was \$280,800. There was no NPO outstanding at June 30, 2008.

**Three Year Trend Information - Law Enforcement Personnel Retirement Plan**

<u>Entity</u>	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Primary Government - County	June 30, 2006	\$ 149,436	100%	0
	June 30, 2007	221,442	100%	0
	June 30, 2008	227,196	100%	0

**Current Year Funding Progress - Law Enforcement Personnel Retirement Plan**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/08	\$ 2,483,512	\$ 4,533,448	\$ 2,049,936	54.78%	\$ 2,207,084	92.88%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The actuarial method used to determine costs of the Plan is the entry age normal cost method. The asset valuation method used to value Plan assets is market value. Significant assumptions used to compute the actuarially determined contribution requirements as of July 1, 2008, the most recent actuarial valuation date, are as follows:

- a) A rate of return on investments of 6-8% compounded annually.
- b) Projected salary increases of 4% compounded annually.
- c) Rates of mortality are based on 1971 GAM.

The County has adopted the Garrett County Government Personnel Retirement Plan, a single employer plan, effective July 1, 2005, for all employees of the County. Eligible personnel employed prior to July 1, 2005, could elect to participate in the Plan effective July 1, 2005. Such election was irrevocable. Participation in the Plan is mandatory for all eligible personnel hired after July 1, 2005.

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 8 - EMPLOYEES' RETIREMENT PLANS** (Continued)

**Government Personnel Retirement Plan**

The Plan provides retirement, disability and death benefits for all eligible employees. Administrative, investment, and member benefit service responsibilities are provided by a Board of Trustees. The actuarial valuation report as of July 1, 2008, (most recent available data) may be obtained from the County Commissioners of Garrett County, Maryland.

Normal retirement is after the completion 30 years of credited service or the attainment of age 62. Normal retirement benefits are equal to 1.67% of the participant's average compensation multiplied by the number of years of credited service. Early retirement is at age 55 with 15 years of credited service. Disability benefits are available after five years of credited service. Death benefits are calculated by formulae.

The Plan is classified by the Primary Government as a Pension Trust Fund. Employee and employer contributions are recognized as revenue in the period in which employee services are performed and expenses and benefits are incurred, regardless of when payment is made. Investment of the pension funds, represented by cash and investments, are carried at market value as reported by the investment managers.

Contributions to the Plan were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of July 1, 2007. Participant contributions are included in the plan assets and are 100% vested with the employee. These contribution rates are sufficient to fund normal costs and amortize the unfunded actuarial accrued liability as a level percentage of payroll. Upon termination of employment, a participant may elect to receive a refund of contributions.

Contribution rates as a percentage of covered payroll during fiscal year 2008 are as follows:

<u>Employee Rate</u>	<u>Employer Rate</u>
2.275%	8.60%

Annual pension costs (APC) are the actuarially required employer contribution to the pension plan. The net pension obligation (NPO) represents the difference between the APC and the actual employer contributions. The APC was \$1,093,329. Based on recommendations from the County's actuary, the actual employer contribution for fiscal year 2008 was \$1,263,957. There was no NPO outstanding at June 30, 2008.

**Three Year Trend Information - Government Personnel Retirement Plan**

<u>Entity</u>	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Primary Government - County	June 30, 2006	\$ 733,186	100%	0
	June 30, 2007	994,011	100%	0
	June 30, 2008	1,093,329	100%	0

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)**

**Government Personnel Retirement Plan (Continued)**

**Current Year Funding Progress - Government Personnel Retirement Plan**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/08	\$ 8,829,720	\$ 15,210,614	\$ 6,380,894	58.05%	\$ 10,171,303	62.73%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The actuarial method used to determine costs of the Plan is the projected unit credit method. The asset valuation method used to value Plan assets is market value. Significant assumptions used to compute the actuarially determined contribution requirements as of July 1, 2008, the most recent actuarial valuation date, are as follows:

- a) A rate of return on investments of 6-8% compounded annually.
- b) Projected salary increases of 4% compounded annually.
- c) Rates of mortality are based on RP-2000; 2 year set forward.

**County Defined Contribution Plan**

The County and Sanitary District offer additional retirement benefits under a defined contribution PEBSCO 401(A) Employee Match Program. Benefits depend on the amounts contributed to the plan plus investment earnings. Eligible participants include all full-time employees who elect to participate in the County's IRC Section 457 deferred compensation plan. Employees deferring at least two percent of earned compensation under the deferred compensation plan are eligible to receive an employer contribution to the defined contribution plan. During the year ended June 30, 2008 the County contributed \$217,304 or 2.42 percent of earned compensation. Covered payroll approximated \$8,979,534. County contribution amounts included contributions made on behalf of the employees of Garrett County Sanitary District, Inc. in the amount of \$23,154 on covered payroll of approximately \$956,757.

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 9 - DEFERRED COMPENSATION**

Employees of Garrett County and the Sanitary District may participate in a deferred compensation plan adopted under the provisions of the Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the County and the Sanitary District. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

The deferred compensation plan is administered by an unrelated compensation and benefit consulting organization. Under the terms of IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts are held by the compensation and benefit consulting organization until paid or made available to the employees or beneficiaries. Plan assets are held in trust, with the administrator serving as trustee, for the exclusive benefit of the plan participants and their beneficiaries. The assets will not be diverted to any other purpose. Consequently, the County does not report IRC Section 457 plan assets in its financial statements.

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS**

**Primary Government**

In addition to the pension benefits described above, the County provides post retirement health care benefits as approved by the Board of County Commissioners to all permanent full-time employees of the primary government eligible to retire under Maryland State Retirement, Garrett County Government Personnel Retirement and Garrett County Law Enforcement Retirement guidelines. Currently, 126 retirees/spouses meet those eligibility requirements. The County contributes a percentage of the cost of coverage depending on years of service as follows:

<u>Years of Service</u>	<u>Retiree</u>	
	<u>Individual Percentage</u>	<u>County Percentage</u>
Less than 10 years	No coverage	No Coverage
10 or less than 15 years	60 %	40 %
15 or less than 21 years	50 %	50 %
21 or less than 26 years	40 %	60 %
26 or less than 30 years	20 %	80 %
30 or more years	0 %	100 %

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Primary Government (Continued)**

Expenditures for post retirement health care benefits are funded on a pay-as-you-go basis. During the year ended June 30, 2008, expenditures of approximately \$435,805 were recognized for post retirement health care and life insurance benefits. For County employees hired on or after July 1, 2006 dependent insurance coverage may be purchased upon retirement at the retiree's own cost.

New accounting standards for reporting these post-employment insurance benefits go into effect for the County for the fiscal year ending June 30, 2009. Under GASB Statement Number 45, benefits will be accrued during the employee's active years of service for government-wide financial reporting purposes. The latest review performed by the County's actuary projects this annual cost to be in the range of \$2,500 to \$3,500 for each active law enforcement employee and \$25 to \$1,201 for each active non-law enforcement employee. Under GASB Statement Number 45 there is no requirement to fund this accrued annual liability however, any unfunded liability will be reported as such in the government-wide statement of net assets.

Pay-as-you-go expenses incurred by the County on behalf of qualified retirees will continue to be reported in the governmental funds financial statements after the adoption of the new standard. The additional accrued expense for active employees under the provisions of GASB Statement Number 45 represents an additional expense in the government-wide financial statements above and beyond the pay-as-you-go post employment benefits expenses currently being reported.

**NOTE 11 - ACCOUNTING FOR MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND  
POST-CLOSURE CARE COSTS**

State and federal laws and regulations required the County to place a final cover on its Round Glade landfill site which stopped accepting waste in September 1994. Regulations also require the County to perform certain maintenance and monitoring activities at the site for thirty years after closure. The County began operations at its new landfill site in August 1994. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County accrues a portion of these closure and post-closure care costs in each year based on landfill capacity used as of the end of the year and engineer estimates of projected closure and post-closure costs.

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 11 - ACCOUNTING FOR MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND  
POST-CLOSURE CARE COSTS** (Continued)

The Solid Waste Fund has recorded a landfill closure and post-closure care liability of \$2,957,178 as of June 30, 2008, representing the cumulative operating expenses reported to date based on the Round Glade landfill at full capacity (\$884,815) and the new landfill at 35% of its estimated capacity (\$2,072,363). The County will recognize the balance of estimated closure and post-closure costs of approximately \$3,068,516 over the remaining useful life of the new landfill, which approximates 14 years. These amounts are based on the County's engineer estimates of costs to perform all closure and post-closure care activities as of 2008. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County has established a landfill closure fund through Maryland Environmental Services to provide funds to pay the above closure and post-closure costs. The balance of these restricted cash assets at June 30, 2008 was \$1,205,533.

The County is required by state and federal laws and regulations to prove that it satisfies the Resource Conservation and Recovery Act's (RCRA) financial assurance provisions, which requires owners and operators of municipal solid waste landfills to have adequate funds available for the costs of closure, post-closure and corrective actions associated with their facilities. The County has met the local government financial test as of June 30, 2008, which satisfies the financial assurance provisions of the Act.

**NOTE 12 - RISK MANAGEMENT**

The County 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 natural disasters. The County participates in the Local Government Insurance Trust (LGIT), a joint Association of Maryland Local Governments established pursuant to Article 48A, Section 482B of the Annotated Code of Maryland (1957 Edition, as replaced, supplemented and amended) for the purpose of enabling local governments to pool together to provide insurance protection for casualty and property risks and supporting additional coverage, including excess liability. The Trust also provides risk management and loss control services to local governments, all for the purpose of minimizing the cost of casualty insurance and property insurance claims and administration to local governments.

The County pays an annual premium to LGIT for its participation in the various pools of the Trust, including the primary liability pool, the property pool and the excess liability pool. The Sanitary District also participates in the various pools and reimburses the County for their proportionate premium costs.



**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 13 - FUND EQUITY**

A summary of fund balances as of June 30, 2008 is as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Reserved For			
Agricultural land preservation	\$ 188,063	\$	\$ 188,063
Inventory	567,400		567,400
Capital projects fund		949,548	949,548
Special revenue funds		<u>198,340</u>	<u>198,340</u>
Total reserved fund balance	<u>\$ 755,463</u>	<u>\$ 1,147,888</u>	<u>\$ 1,903,351</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Unreserved – Designated For:			
Capital projects:			
Detention Center	\$ 121,435	\$	\$ 121,435
Public Safety	19,802		19,802
Public Works Facility	2,756,562		2,756,562
Garrett College	6,759,830		6,759,830
Board of Education	5,349,062		5,349,062
Community Health	203,777		203,777
Public Works	790,864		790,864
General Government	291,040		291,040
Economic Development	<u>1,560,166</u>		<u>1,560,166</u>
Capital Projects Subtotal	\$ 17,852,538	\$ 0	\$ 17,852,538
Subsequent year budget	<u>6,620,300</u>		<u>6,620,300</u>
Total Designated Fund Balance	<u>\$ 24,472,838</u>	<u>\$ 0</u>	<u>\$ 24,472,838</u>
Unreserved – Undesignated	<u>\$ 3,589,420</u>	<u>\$ 0</u>	<u>\$ 3,589,420</u>
Total Fund Balance	<u>\$ 28,817,721</u>	<u>\$ 1,147,888</u>	<u>\$ 29,965,609</u>

**Business-type Activities - Solid Waste Fund**

Debt service reserves of \$498,338 established at the time of bond issuance are reported as an increase to investment in capital assets net of related debt. Cumulative deposits for current debt service payments on the outstanding bonds of \$502,969 are reported as net assets restricted for debt service.

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 14 - FUND EQUITY (Continued)**

**Business-type Activities - Solid Waste Fund (Continued)**

Maryland Environmental Services (MES) is holding unexpended bond proceeds of approximately \$4,000 from Garrett County Landfill Project Revenue Bonds, Series 1993 that MES is contractually obligated to disburse on future cell expansion of the new landfill. In addition, the County levies an ad valorem tax to fund Solid Waste Fund debt service costs which generated \$1,537,746 in revenue during the year ended June 30, 2008.

**NOTE 15 - BUDGETARY BASIS RECONCILIATION - GENERAL FUND**

The Garrett County Charter and the approved annual budget for the General Fund require that certain transactions be accounted for on a basis other than generally accepted accounting principles (GAAP basis).

Actual results of operations are presented in the Statement of General Fund Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis), in accordance with legislative requirements, in order to provide a meaningful comparison of actual results with budget estimates. The difference between the County's Revenues Over (Under) Expenditures on the budgetary basis and the Revenues Over (Under) Expenditures, Transfers and Other Financing Sources (Uses) under the GAAP basis is explained as follows:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Effect on Fund Balance</u>
As Reported on Budget Basis	\$ 72,996,182	\$ 70,135,282	\$ (4,202,928)	\$ (1,342,028)
<u>Property Tax Revenue</u>				
Recognized in Year Levied on Budget Basis but in Year "Available" on GAAP Basis	(455,256)			(455,256)
<u>In-Kind Rent</u>				
Board of Education administrative offices not reported as revenue on Budget Basis but recognized on a GAAP Basis	148,800	148,800		
As Reported on GAAP Basis	<u>\$ 72,689,726</u>	<u>\$ 70,284,082</u>	<u>\$ (4,202,928)</u>	<u>\$ (1,797,284)</u>

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2008**

**NOTE 16 - COMPLIANCE AND ACCOUNTABILITY**

**Over-expenditures**

Agricultural Land Preservation Program expenditures for easement purchases of 198,097 are not budgeted; however, they are funded from agricultural transfer taxes restricted for that purpose.

**NOTE 17 - SUPPLEMENTAL CASH FLOW INFORMATION**

Non-cash financing and investing activities include the current year addition to the Solid Waste Fund closure and post-closure liability of \$213,981 which was charged to operations in the government-wide and proprietary funds financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

**Required Supplementary Information  
June 30, 2008**

**SCHEDULE OF FUNDING PROGRESS – GARRETT COUNTY LAW ENFORCEMENT  
PERSONNEL RETIREMENT PLAN**

The following schedule reflects the plans funding progress for the three years ended June 30, 2008:

**Schedule of Funding Progress - Law Enforcement Retirement Plan**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/06	\$ 1,691,471	\$ 2,991,547	\$ 1,300,076	56.54%	\$ 1,717,428	75.70%
6/30/07	2,345,094	4,000,561	1,665,468	58.62%	2,163,928	76.97%
6/30/08	2,483,512	4,533,448	2,049,936	54.78%	2,207,084	92.88%

**SCHEDULE OF FUNDING PROGRESS – GARRETT COUNTY GOVERNMENT  
PERSONNEL RETIREMENT PLAN**

The following schedule reflects the plans funding progress for the three years ended June 30, 2008:

**Schedule of Funding Progress - Government Personnel Retirement Plan**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/06	\$ 6,221,885	\$ 11,810,016	\$ 5,588,131	52.68%	\$ 8,591,132	65.05%
6/30/07	8,121,710	13,481,460	5,359,749	60.24%	9,392,028	57.07%
6/30/08	8,829,720	15,210,614	6,380,894	58.05%	10,171,303	62.73%

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The above schedules are presented to provide a consistent basis for measuring the Plans' annual progress toward funding their actuarial accrued liabilities in accordance with the Plans' funding methods. The primary measure of funding progress are the Plans' funded ratios (i.e., actuarial value of assets expressed as a percentage of the actuarial accrued liability). An increase in the funded ratio indicates improvement in the Plans' abilities to pay all projected benefits as they come due. The Plans' are fully funded if the funded ratio is greater than or equal to 100 percent.

**OTHER SUPPLEMENTARY INFORMATION**

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
General Fund Schedule of Revenues and Other Financing Sources -  
Budget and Actual (Budget Basis)  
Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>TAXES:</b>				
<b>Local Real and Personal Property:</b>				
Real Property	\$ 34,873,017	\$ 34,873,017	\$ 34,569,581	\$ (303,436)
Railroads and Public Utilities	2,399,881	2,399,881	2,402,510	2,629
Ordinary Business Corporations	0	0	38,278	38,278
	<u>\$ 37,272,898</u>	<u>\$ 37,272,898</u>	<u>\$ 37,010,369</u>	<u>\$ (262,529)</u>
Enterprise Zone Tax Refund	0	0	33,012	33,012
Addition and Abatements	(25,000)	(25,000)	(5,423)	19,577
Penalties and Interest	300,000	300,000	477,977	177,977
	<u>\$ 37,547,898</u>	<u>\$ 37,547,898</u>	<u>\$ 37,515,935</u>	<u>\$ (31,963)</u>
Less: Discounts and Credits	(450,000)	(450,000)	(496,489)	(46,489)
<b>Total Real and Personal Property</b>	<u>\$ 37,097,898</u>	<u>\$ 37,097,898</u>	<u>\$ 37,019,446</u>	<u>\$ (78,452)</u>
<b>Other Local Taxes:</b>				
Income	\$ 10,300,000	\$ 11,110,000	\$ 11,110,742	\$ 742
Admissions and Amusement	550,000	657,000	657,269	269
Recordation	3,200,000	2,986,200	2,986,155	(45)
Coal Tonnage	185,000	185,000	181,537	(3,463)
Trailer Court	30,000	60,000	60,078	78
Natural Gas	500	500	777	277
Accommodations Tax	1,350,000	1,563,000	1,563,698	698
Transfer Tax	2,100,000	2,014,100	2,014,036	(64)
Franchise Tax	0	0	130	130
Agriculture Transfer Tax/Refunds	65,000	65,000	98,933	33,933
Coal Tax	20,000	36,800	36,829	29
911 Fees	260,000	260,000	279,848	19,848
Tax Sale Revenue	0	18,918	18,918	0
<b>Total Other Local Taxes</b>	<u>\$ 18,060,500</u>	<u>\$ 18,956,518</u>	<u>\$ 19,008,950</u>	<u>\$ 52,432</u>
<b>Total Taxes</b>	<u>\$ 55,158,398</u>	<u>\$ 56,054,416</u>	<u>\$ 56,028,396</u>	<u>\$ (26,020)</u>
<b>LICENSES AND PERMITS:</b>				
<b>Business:</b>				
Beer, Wine and Liquor Licenses	\$ 0	\$ 89,000	\$ 89,535	\$ 535
Traders	65,000	71,900	71,931	31
<b>Other Licenses and Permits:</b>				
Animal	10,500	10,500	9,303	(1,197)
Marriage	1,650	1,650	1,640	(10)
TVRU License	80,000	80,000	86,275	6,275
Highways and Streets	15,600	15,600	17,304	1,704
Other Permits	5,200	5,200	5,889	689
<b>Total Licenses and Permits</b>	<u>\$ 177,950</u>	<u>\$ 273,850</u>	<u>\$ 281,877</u>	<u>\$ 8,027</u>

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
General Fund Schedule of Revenues and Other Financing Sources -  
Budget and Actual (Budget Basis)  
Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>INTERGOVERNMENTAL:</b>				
<b>Grants From Federal Government:</b>				
Bankhead - Jones Act	\$ 2,500	\$ 2,500	\$ 3,458	\$ 958
Department of Justice - Domestic Violence	38,400	36,614	36,715	101
CDBG - Weatherization Project	150,000	185,371	185,371	0
Sheriff - BYRN Victim Awareness	35,385	0	0	0
Civil Defense	27,549	27,549	50,415	22,866
Emergency Management Domestic Preparedness	141,915	163,315	163,337	22
Detention SCAAP Program	0	0	1,111	1,111
USDA - CAC - Emergency Food Assistance	10,000	18,500	18,514	14
Federal Aid in Lieu of Taxes	2,500	2,500	3,111	611
ARC - Special Incentives Grant	20,000	20,000	0	(20,000)
ARC - Recreation Trails	0	77,283	82,439	5,156
Emergency Management EPA Grant	9,200	0	0	0
ARC - Exhibit Hall	0	210,000	0	(210,000)
ARC - Master Plans	0	15,000	15,000	0
USDE - CAC - Energy Assistance	150,000	31,684	31,684	0
DOT - CAC Mass Transit	0	1,384,000	1,384,433	433
Jail - Domestic Violence Data Entry	15,000	5,500	5,320	(180)
<b>Grants From State Government:</b>				
Highway User Tax	5,500,000	5,194,000	5,193,749	(251)
Disparity Grant	2,089,259	2,089,259	2,089,259	0
Fire, Rescue and Ambulance (508 Funds)	200,000	0	0	0
Police Protection	198,000	198,000	201,896	3,896
Highway and Streets	100,000	100,000	64,863	(35,137)
Conservation of Natural Resources	450,000	673,000	673,658	658
Adult Community Services	27,000	27,000	27,000	0
MIEMSS Grant - Rural AED Grant	0	18,782	18,782	0
DSS - Wheels to Work	0	122,354	122,354	0
Emergency Shelter	28,350	37,688	37,688	0
Family Services Grant	129,973	93,993	93,993	0
Sheriff - School Bus Violation	10,000	17,000	14,400	(2,600)
Program Open Space	0	272,885	282,175	9,290
Emergency Numbers Systems Board - 911	0	26,199	26,294	95
Circuit Court Improvement	0	60,000	60,000	0
DBED/ASCI Grant	0	350,000	350,000	0
Dove Center	20,000	20,000	20,000	0
Youth Prevention Grant - CAC	34,666	34,616	34,616	0
Jury Reimbursement State	15,000	15,000	14,670	(330)
Electric Deregulation	11,907	11,907	11,518	(389)
Master Program Coop. Reimbursement	8,000	10,370	9,090	(1,280)
Electric Universal Service - CAC	50,000	117,882	117,882	0
Economic Development/DBED/TSSC	0	400,000	400,000	0
MDOT - CAC - Mass Transit	0	382,000	381,794	(206)
Planning/Rural Legacy Program	1,000,000	755,000	754,757	(243)
<b>Subtotal - Intergovernmental</b>	<b>\$ 10,474,604</b>	<b>\$ 13,206,751</b>	<b>\$ 12,981,346</b>	<b>\$ (225,405)</b>



**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
General Fund Schedule of Revenues and Other Financing Sources -  
Budget and Actual (Budget Basis)  
Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>INTERGOVERNMENTAL - Continued</b>				
Balances Brought Forward	\$ 10,474,604	\$ 13,206,751	\$ 12,981,346	\$ (225,405)
<b>Grants From State Government - Continued:</b>				
DSS - DHR Child Support	13,760	10,602	8,882	(1,720)
Sheriff Hotspot Community Policing	10,000	8,080	8,080	0
Sheriff SOCEM Grant	0	10,800	10,800	0
Sherrif Sex Offender Registration	0	9,800	9,800	0
LEPC - CRTK Funds	0	9,200	9,200	0
Other	7,599	14,304	11,536	(2,768)
<b>Other:</b>				
Budget Settlement - Health Department	0	28,271	28,271	0
Other	9,500	25,558	21,951	(3,607)
<b>Total Intergovernmental</b>	<u>\$ 10,515,463</u>	<u>\$ 13,323,366</u>	<u>\$ 13,089,866</u>	<u>\$ (233,500)</u>
<b>FINES AND FORFEITURES</b>	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ 7,884</u>	<u>\$ 884</u>
<b>SERVICE CHARGES FOR CURRENT SERVICES:</b>				
<b>General Government:</b>				
Zoning and Subdivision Fees	\$ 20,000	\$ 20,000	\$ 20,265	\$ 265
Gypsy Moth Suppression	0	73,184	73,184	0
Roads Fuel Sales and Street Signs	0.00	272,467	272,467	0
Miscellaneous	46,000	54,125	64,031	9,906
Enterprise Funds - Indirect Fees	106,000	106,000	100,559	(5,441)
<b>Public Safety:</b>				
BOCA	150,000	138,100	138,061	(39)
State Inmate Housing	10,000	206,000	206,031	31
Sheriff Fees	93,500	70,413	72,288	1,875
Emergency Medical Services - Cost Share	0	33,750	33,750	0
Animal Shelter	4,000	4,000	5,145	1,145
<b>Total Service Charges</b>	<u>\$ 429,500</u>	<u>\$ 978,039</u>	<u>\$ 985,781</u>	<u>\$ 7,742</u>
<b>MISCELLANEOUS:</b>				
Interest and Dividends	\$ 716,000	\$ 1,707,200	\$ 1,698,596	\$ (8,604)
Rents and Concessions	764,370	815,370	816,061	691
Other - General	31,500	31,500	54,281	22,781
Other - Sheriff	1,500	21,917	21,158	(759)
Other - Roads	12,000	12,000	12,282	282
<b>Total Miscellaneous</b>	<u>\$ 1,525,370</u>	<u>\$ 2,587,987</u>	<u>\$ 2,602,378</u>	<u>\$ 14,391</u>
<b>TOTAL REVENUES</b>	<u>\$ 67,813,681</u>	<u>\$ 73,224,658</u>	<u>\$ 72,996,182</u>	<u>\$ (228,476)</u>
<b>OTHER FINANCING SOURCES:</b>				
Sale of Capital Assets	<u>\$ 20,000</u>	<u>\$ 65,000</u>	<u>\$ 66,677</u>	<u>\$ 1,677</u>
<b>Total Other Financing Sources</b>	<u>\$ 20,000</u>	<u>\$ 65,000</u>	<u>\$ 66,677</u>	<u>\$ 1,677</u>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<u>\$ 67,833,681</u>	<u>\$ 73,289,658</u>	<u>\$ 73,062,859</u>	<u>\$ (226,799)</u>

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
General Fund Schedule of Expenditures and Other Financing Uses -  
Budget and Actual (Budget Basis)  
Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>GENERAL GOVERNMENT</b>				
<b>Legislative:</b>				
County Commissioners	\$ 797,547	\$ 708,611	\$ 555,448	\$ (153,163)
<b>Judicial:</b>				
Circuit Court	\$ 395,808	\$ 372,797	\$ 371,147	\$ (1,650)
Orphans Court	18,433	18,433	17,126	(1,307)
State's Attorney	587,451	587,451	578,848	(8,603)
Other	19,500	19,500	27,618	8,118
<b>Total Judicial</b>	<u>\$ 1,021,192</u>	<u>\$ 998,181</u>	<u>\$ 994,739</u>	<u>\$ (3,442)</u>
<b>Elections:</b>				
Board of Supervisors of Elections	\$ 354,893	\$ 354,893	\$ 330,437	\$ (24,456)
<b>Financial Administration:</b>				
Finance Office	\$ 435,296	\$ 435,296	\$ 431,144	\$ (4,152)
Tax Collection Office	267,875	286,793	275,892	(10,901)
Procurement	184,718	197,101	196,998	(103)
<b>Total Financial Administration</b>	<u>\$ 887,889</u>	<u>\$ 919,190</u>	<u>\$ 904,034</u>	<u>\$ (15,156)</u>
<b>Information Technology:</b>				
Information Technology	\$ 0	\$ 108,894	\$ 103,633	\$ (5,261)
<b>Law:</b>				
Legal Counsel	\$ 83,295	\$ 83,295	\$ 81,345	\$ (1,950)
<b>Personnel Administration:</b>				
Personnel Administration	\$ 179,708	\$ 198,783	\$ 193,406	\$ (5,377)
<b>Planning and Zoning:</b>				
Planning Commission	\$ 1,557,336	\$ 1,299,160	\$ 1,277,628	\$ (21,532)
<b>General Services:</b>				
County Buildings	\$ 2,162,178	\$ 2,069,403	\$ 1,957,645	\$ (111,758)
<b>Total General Government</b>	<u>\$ 7,044,038</u>	<u>\$ 6,740,410</u>	<u>\$ 6,398,315</u>	<u>\$ (336,834)</u>
<b>PUBLIC SAFETY</b>				
Sheriff's Department	\$ 2,516,315	\$ 2,674,351	\$ 2,612,472	\$ (61,879)
Corrections	1,988,859	1,877,951	1,795,801	(82,150)
Fire and Rescue Services	1,747,953	1,734,452	1,528,024	(206,428)
<b>Other Public Safety:</b>				
Permits and Inspections	555,189	564,706	556,085	(8,621)
Animal Control	192,373	192,373	192,812	439
Civil Defense/ Emergency Management	251,608	291,790	286,980	(4,810)
Emergency Alarm and Communications (911)	514,275	517,019	488,018	(29,001)
<b>Total Public Safety</b>	<u>\$ 7,766,572</u>	<u>\$ 7,852,642</u>	<u>\$ 7,460,192</u>	<u>\$ (392,450)</u>

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
General Fund Schedule of Expenditures and Other Financing Uses -  
Budget and Actual (Budget Basis)  
Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>PUBLIC WORKS</b>				
Highways and Streets	\$ 16,186,137	\$ 16,460,565	\$ 15,359,977	\$ (1,100,588)
<b>HEALTH AND HOSPITAL</b>				
Health Department	\$ 1,108,328	\$ 1,108,328	\$ 1,108,328	\$ 0
<b>SOCIAL SERVICES</b>				
Commission on Aging	\$ 281,700	\$ 281,700	\$ 281,700	\$ 0
<b>EDUCATION</b>				
Board of Education	\$ 28,565,435	\$ 28,872,090	\$ 23,478,766	\$ (5,393,324)
Community College	7,192,467	12,114,779	5,352,790	(6,761,989)
<b>Total Education</b>	<b>\$ 35,757,902</b>	<b>\$ 40,986,869</b>	<b>\$ 28,831,556</b>	<b>\$ (12,155,313)</b>
<b>CULTURE</b>	\$ 18,000	\$ 18,000	\$ 18,000	\$ 0
<b>PARKS AND RECREATION</b>	\$ 24,000	\$ 296,885	\$ 294,659	\$ (2,226)
<b>LIBRARY</b>	\$ 1,010,550	\$ 1,020,102	\$ 1,016,438	\$ (3,664)
<b>CONSERVATION OF NATURAL RESOURCES</b>				
Agriculture Extension Service	\$ 195,000	\$ 417,150	\$ 392,615	\$ (24,535)
Soil Conservation	51,005	51,005	51,005	0
Agricultural Land Preservation Program	65,000	65,000	263,097	198,097
<b>Total Conservation of Natural Resources</b>	<b>\$ 311,005</b>	<b>\$ 533,155</b>	<b>\$ 706,717</b>	<b>\$ 173,562</b>
<b>ECONOMIC DEVELOPMENT AND OPPORTUNITY</b>				
Economic Development	\$ 776,931	\$ 883,224	\$ 691,006	\$ (192,218)
Adventure Sports	0	710,000	710,000	0
Tourism	682,000	682,000	682,000	0
Community Action Programs	1,229,256	3,121,658	2,918,120	(203,538)
TSSC Project	0	429,720	429,337	(383)
Fair Board Agricultural Fair	0	1,775,000	0	(1,775,000)
Special Promotion	54,000	158,565	149,705	(8,860)
Other	117,885	85,713	85,713	0
<b>Total Economic Development         and Opportunity</b>	<b>\$ 2,860,072</b>	<b>\$ 7,845,880</b>	<b>\$ 5,665,881</b>	<b>\$ (2,179,999)</b>
<b>CAPITAL OUTLAY</b>				
Circuit Court	\$ 0	\$ 60,000	\$ 60,000	\$ 0
County Buildings	561,700	739,501	445,483	(294,018)
Sheriff's Department	63,000	81,172	81,172	0
Information Technology	0	167,800	16,084	(151,716)
Emergency Alarm & Communications - 911	100,000	146,001	25,538	(120,463)
<b>Subtotal Capital Outlay</b>	<b>\$ 724,700</b>	<b>\$ 1,194,474</b>	<b>\$ 628,277</b>	<b>\$ (566,197)</b>

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
General Fund Schedule of Expenditures and Other Financing Uses -  
Budget and Actual (Budget Basis)  
Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>CAPITAL OUTLAY - Continued</b>				
Balances Brought Forward	\$ 724,700	\$ 1,194,474	\$ 628,277	\$ (566,197)
Highways and Streets	953,888	1,607,316	1,245,317	(361,999)
Corrections	16,000	27,409	27,279	(130)
Animal Control	0	17,963	17,963	0
<b>Total Capital Outlay</b>	<u>\$ 1,694,588</u>	<u>\$ 2,847,162</u>	<u>\$ 1,918,836</u>	<u>\$ (928,326)</u>
<b>DEBT SERVICE</b>				
General Obligation Debt	\$ 548,364	\$ 576,635	\$ 576,635	\$ 0
Other	866	866	866	0
<b>Total Debt Service</b>	<u>\$ 549,230</u>	<u>\$ 577,501</u>	<u>\$ 577,501</u>	<u>\$ 0</u>
<b>INTERGOVERNMENTAL</b>	<u>\$ 5,205</u>	<u>\$ 14,705</u>	<u>\$ 14,705</u>	<u>\$ 0</u>
<b>MISCELLANEOUS</b>	<u>\$ 722,000</u>	<u>\$ 2,729,812</u>	<u>\$ 482,477</u>	<u>\$ (2,247,335)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 75,339,327</u>	<u>\$ 89,313,716</u>	<u>\$ 70,135,282</u>	<u>\$ (19,178,434)</u>
<b>OTHER FINANCING USES</b>				
Operating Transfers:				
Capital Projects Fund	\$ 4,990,156	\$ 13,163,637	\$ 3,498,722	\$ (9,664,915)
Airport	330,323	330,323	770,883	440,560
<b>Total Other Financing Uses</b>	<u>\$ 5,320,479</u>	<u>\$ 13,493,960</u>	<u>\$ 4,269,605</u>	<u>\$ (9,224,355)</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ 80,659,806</u>	<u>\$ 102,807,676</u>	<u>\$ 74,404,887</u>	<u>\$ (28,402,789)</u>

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
General Fund  
Schedule of Taxes and Taxes Receivable  
Year Ended June 30, 2008

	<b>Total Assessed Value</b>	<b>Tax Rate Per \$100</b>	<b>Actual Tax Levy</b>	<b>Amount Collected</b>	<b>Balance of Taxes Receivable</b>
<b>CURRENT YEAR LEVY:</b>					
Real Property - Full Year					
Mt Lake Park	\$ 73,905,352	\$ 0.902	\$ 666,626		
Oakland	111,273,615	0.885	984,771		
All Others	<u>3,417,843,432</u>	0.960	<u>32,811,297</u>		
Total Full Year	\$ 3,603,022,399		\$ 34,462,694	\$ 32,398,203	\$ 2,064,491
Real Property - One-Half Year	<u>38,963,260</u>	0.478	<u>186,303</u>		<u>186,303</u>
Total Real Property	<u>\$ 3,641,985,659</u>		<u>\$ 34,648,997</u>	<u>\$ 32,398,203</u>	<u>\$ 2,250,794</u>
Personal Property - Corporate	<u>\$ 1,594,920</u>	2.400	<u>\$ 38,278</u>		<u>\$ 38,278</u>
Public Utilities	\$ 99,860,050	2.400	\$ 2,396,641		
Railroad Real Estate	<u>611,370</u>	0.960	<u>5,869</u>		
Total Railroads and Public Utilities	<u>\$ 100,471,420</u>		<u>\$ 2,402,510</u>	<u>\$ 2,303,874</u>	<u>\$ 98,636</u>
<b>Total Current Year</b>	<u><u>\$ 3,744,051,999</u></u>		<u><u>\$ 37,089,785</u></u>	<u><u>\$ 34,702,077</u></u>	<u><u>\$ 2,387,708</u></u>
<b>PRIOR YEAR RECEIVABLES:</b>					
	Year Ended June 30:				
	2007				47,936
	2006			\$	1,258
	2005				8,403
	2004				27,082
	2003				22,528
	2002				29,591
	2001				10,759
	2000				16,160
	1999				7,090
	1998				4,085
	1997				4,502
	1991-1996				<u>2,115</u>
<b>Total Prior Years</b>				\$	<u>181,509</u>
<b>TOTAL TAXES RECEIVABLE</b>				\$	2,569,217
Less: Allowance for Uncollectible Accounts					<u>(100,000)</u>
<b>TAXES RECEIVABLE - NET</b>				\$	<u><u>2,469,217</u></u>

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
Combining Balance Sheet  
Other Governmental Funds  
June 30, 2008

	<u>DARE Program</u>	<u>HUD Block Grant</u>	<u>Public Safety</u>
<b>ASSETS:</b>			
Due from Other Funds	\$ 719	\$	\$ 15,385
Accounts Receivable - Net			
Due from Other Governments			521
Restricted Cash			<u>80,754</u>
<b>TOTAL ASSETS</b>	<u>\$ 719</u>	<u>\$ 0</u>	<u>\$ 96,660</u>
<b>LIABILITIES:</b>			
Accounts Payable and Accrued Expenses	\$	\$	\$ 1,017
Deferred Revenue			<u>15,465</u>
<b>Total Liabilities</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,482</u>
<b>FUND BALANCES:</b>			
Reserved	<u>\$ 719</u>	<u>\$ 0</u>	<u>\$ 80,178</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 719</u>	<u>\$ 0</u>	<u>\$ 96,660</u>

<u>Commissary</u>	<u>Law Library</u>	<u>Total Other Governmental Funds</u>
\$ 77,802	\$ 32,132	\$ 126,038
5,720		5,720
	9,241	9,762
		80,754
<u>\$ 83,522</u>	<u>\$ 41,373</u>	<u>\$ 222,274</u>
\$ 2,273	\$ 2,082	\$ 5,372
	3,097	18,562
<u>\$ 2,273</u>	<u>\$ 5,179</u>	<u>\$ 23,934</u>
\$ 81,249	\$ 36,194	\$ 198,340
<u>\$ 83,522</u>	<u>\$ 41,373</u>	<u>\$ 222,274</u>

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances - Other Governmental Funds  
Year Ended June 30, 2008

	<u>DARE Program</u>	<u>HUD Block Grant</u>	<u>Public Safety</u>
<b>OPERATING REVENUES:</b>			
Intergovernmental	\$	\$ 1,380,000	\$ 259,013
Fines and Forfeitures			7,269
Charges for Services			
<b>Total Revenues</b>	<u>\$ 0</u>	<u>\$ 1,380,000</u>	<u>\$ 266,282</u>
<b>EXPENDITURES:</b>			
General Government	\$	\$	\$
Public Safety	110		211,641
Community Development and Housing		1,380,000	
<b>Total Expenditures</b>	<u>\$ 110</u>	<u>\$ 1,380,000</u>	<u>\$ 211,641</u>
<b>REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	\$ (110)	\$ 0	\$ 54,641
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of Capital Assets			1,685
Transfers between Special Revenue Funds	718		(718)
<b>REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES</b>	\$ 608	\$ 0	\$ 55,608
<b>Fund Balances, Beginning of Year</b>	<u>111</u>		<u>24,570</u>
<b>FUND BALANCES, End of Year</b>	<u><u>\$ 719</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 80,178</u></u>



<u>Commissary</u>	<u>Law Library</u>	<u>Total Other Governmental Funds</u>
\$	\$	\$
	31,212	1,670,225
	11,755	19,024
<u>53,384</u>		<u>53,384</u>
\$ <u>53,384</u>	\$ <u>42,967</u>	\$ <u>1,742,633</u>
\$	\$	\$
	31,212	31,212
41,514		253,265
<u>41,514</u>		<u>1,380,000</u>
\$ <u>41,514</u>	\$ <u>31,212</u>	\$ <u>1,664,477</u>
\$	\$	\$
11,870	11,755	78,156
		1,685
<u>11,870</u>	<u>11,755</u>	<u>0</u>
\$ <u>11,870</u>	\$ <u>11,755</u>	\$ <u>79,841</u>
<u>69,379</u>	<u>24,439</u>	<u>118,499</u>
\$ <u><u>81,249</u></u>	\$ <u><u>36,194</u></u>	\$ <u><u>198,340</u></u>

**GARRETT COUNTY SANITARY DISTRICT, INC.**

Combining Schedule of Revenues and Expenses  
Year Ended June 30, 2008

	<u>Water Systems</u>	<u>Other Water</u>	<u>Deep Creek Lab</u>	<u>Company Store</u>
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 1,059,711	\$ 57,707	\$ 78,007	\$
Other	83,307			541,188
<b>Total Operating Revenues</b>	<u>\$ 1,143,018</u>	<u>\$ 57,707</u>	<u>\$ 78,007</u>	<u>\$ 541,188</u>
<b>OPERATING EXPENSES:</b>				
Salaries	\$ 340,715	\$ 8,564	\$ 65,107	\$ 29,360
Fringe Benefits	152,888	4,471	29,398	11,715
Maintenance and Repairs	118,252		545	
Supplies	52,686	25,450	15,850	399,714
Utilities	158,847		1,200	5,135
Transportation	38,671	966	2,313	
Contracted Services	2,948		17,973	
Lab Tests	42,531	1,128	(128,216)	
Direct Administrative	35,148	59	6,870	36,408
Indirect Administrative	317,866	8,402	60,861	26,433
Depreciation	514,107		6,056	34
Bad Debt Expense			50	33
<b>Total Operating Expenses</b>	<u>\$ 1,774,659</u>	<u>\$ 49,040</u>	<u>\$ 78,007</u>	<u>\$ 508,832</u>
<b>OPERATING INCOME/(LOSS)</b>	<u>\$ (631,641)</u>	<u>\$ 8,667</u>	<u>\$ 0</u>	<u>\$ 32,356</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Tap Fees - Capital Charge	\$ 50,702	\$	\$	\$
Interest Revenue	37,016			3,809
Ad Valorem Tax	125,954			
Sale of Assets				
Interest Expense	(103,722)			
<b>Net Other Revenues</b>	<u>\$ 109,950</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,809</u>
<b>INCOME/(LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>\$ (521,691)</u>	<u>\$ 8,667</u>	<u>\$ 0</u>	<u>\$ 36,165</u>
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>				
Contributed Capital				
State	\$ 273,995	\$	\$	\$
Primary Government	1,839			
Other	50,055			
Transfers between Proprietary Funds				
<b>TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<u>\$ 325,889</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>INCREASE/(DECREASE) IN NET ASSETS</b>	<u>\$ (195,802)</u>	<u>\$ 8,667</u>	<u>\$ 0</u>	<u>\$ 36,165</u>

<u>Subtotal Water Projects</u>	<u>Sewer Systems</u>	<u>Trout Run</u>	<u>Other Sewer</u>	<u>Subtotal Sewer Projects</u>	<u>Total</u>
\$ 1,195,425	\$ 1,804,051	\$ 89,371	\$ 69,499	\$ 1,962,921	\$ 3,158,346
<u>624,495</u>	<u>55,531</u>		<u>1,992</u>	<u>57,523</u>	<u>682,018</u>
\$ <u>1,819,920</u>	\$ <u>1,859,582</u>	\$ <u>89,371</u>	\$ <u>71,491</u>	\$ <u>2,020,444</u>	\$ <u>3,840,364</u>
\$ 443,746	\$ 568,650	\$ 13,992	\$ 19,028	\$ 601,670	\$ 1,045,416
198,472	259,409	7,162	8,999	275,570	474,042
118,797	219,511	287	0	219,798	338,595
493,700	268,776	1,159	2,160	272,095	765,795
165,182	422,991	31,712		454,703	619,885
41,950	57,284	3,262	3,567	64,113	106,063
20,921	12,620	9,055		21,675	42,596
(84,557)	56,995	12,614	14,948	84,557	0
78,485	72,193	2,216	265	74,674	153,159
413,562	533,331	13,634	18,054	565,019	978,581
520,197	2,045,289	188,313		2,233,602	2,753,799
<u>83</u>				<u>0</u>	<u>83</u>
\$ <u>2,410,538</u>	\$ <u>4,517,049</u>	\$ <u>283,406</u>	\$ <u>67,021</u>	\$ <u>4,867,476</u>	\$ <u>7,278,014</u>
\$ <u>(590,618)</u>	\$ <u>(2,657,467)</u>	\$ <u>(194,035)</u>	\$ <u>4,470</u>	\$ <u>(2,847,032)</u>	\$ <u>(3,437,650)</u>
\$ 50,702	\$ 817,575	\$	\$	\$ 817,575	\$ 868,277
40,825	163,573	53,858		217,431	258,256
125,954	85,993	35,143		121,136	247,090
0	(285,192)			(285,192)	(285,192)
<u>(103,722)</u>	<u>(770,341)</u>	<u>(28,960)</u>		<u>(799,301)</u>	<u>(903,023)</u>
\$ <u>113,759</u>	\$ <u>11,608</u>	\$ <u>60,041</u>	\$ <u>0</u>	\$ <u>71,649</u>	\$ <u>185,408</u>
\$ <u>(476,859)</u>	\$ <u>(2,645,859)</u>	\$ <u>(133,994)</u>	\$ <u>4,470</u>	\$ <u>(2,775,383)</u>	\$ <u>(3,252,242)</u>
\$ 273,995	\$	\$	\$	\$ 0	\$ 273,995
1,839				0	1,839
50,055				0	50,055
<u>0</u>	<u>296,595</u>			<u>296,595</u>	<u>296,595</u>
\$ <u>325,889</u>	\$ <u>296,595</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>296,595</u>	\$ <u>622,484</u>
\$ <u>(150,970)</u>	\$ <u>(2,349,264)</u>	\$ <u>(133,994)</u>	\$ <u>4,470</u>	\$ <u>(2,478,788)</u>	\$ <u>(2,629,758)</u>

**GARRETT COUNTY SANITARY DISTRICT, INC.**

Schedule of Costs Capitalized to Construction in Progress  
Year Ended June 30, 2008

<b>PROJECT</b>	<b>Balance July 1, 2007</b>	<b>Construction (Net of Program Income)</b>	<b>Engineering</b>	<b>Salaries</b>
Keysers Ridge Water Holding Tank	\$	\$	\$	\$ 354
Crellin Water Improvement	53,112	19,712	5,320	5,492
Keysers Ridge Sewer	120,969			
McHenry Water System	274,952	682,001	26,107	19,972
Keysers Ridge Water	49,441	60		678
Deep Creek Lake Collection & Conveyance	574,889		26,713	8,818
Trout Run Sewer	107,425			65
Mountain Lake Park Water	40,794	22,291	19,306	13,424
Gorman Sewer	54,382			36
Friendsville Sewer	124,892		51	1,841
New Maintenance Warehouse		550,229		
Thayerville Water	26,924	20,966	22,442	4,916
Table Rock Water	5,474	281,523	9,250	11,630
<b>TOTAL</b>	<b>\$ 1,433,254</b>	<b>\$ 1,576,782</b>	<b>\$ 109,189</b>	<b>\$ 67,226</b>

<u>Fringe Benefits</u>	<u>Administrative</u>	<u>Interest</u>	<u>Indirect Costs</u>	<u>Total Additions</u>	<u>Retirements or Transfers (Completed Project)</u>	<u>Balance June 30, 2008</u>
\$ 137	\$	\$	\$ 323	\$ 814	\$	\$ 814
2,425	9		5,200	38,158		91,270
					(120,969)	0
8,035	5,322	6,675	18,399	766,511		1,041,463
288	132		635	1,793		51,234
3,568	15,388	7,627	8,136	70,250		645,139
28			61	154	(107,579)	0
5,593			12,492	73,106		113,900
14			33	83	(54,465)	0
701			1,671	4,264		129,156
		3,172		553,401		553,401
1,920	566		4,491	55,301		82,225
4,981	184		10,912	318,480	(323,954)	0
<u>\$ 27,690</u>	<u>\$ 21,601</u>	<u>\$ 17,474</u>	<u>\$ 62,353</u>	<u>\$ 1,882,315</u>	<u>\$ (606,967)</u>	<u>\$ 2,708,602</u>

**GARRETT COUNTY SANITARY DISTRICT, INC.**

Schedule of Indirect Costs  
Year Ended June 30, 2008

	<u>2008</u>
<b>TYPE:</b>	
Insurance	\$ 112,975
Administrative	103,754
Telephone	9,960
Professional and Legal	25,900
Office Supplies and Expenses	13,487
Salaries	523,479
Utilities	3,918
Fringe Benefits	242,701
Transportation	<u>4,760</u>
<b>Total</b>	<b>\$ <u>1,040,934</u></b>
 <b>ALLOCATION BASE:</b>	
Direct Salaries	\$ 1,112,642
Related Fringe Benefits	<u>501,732</u>
<b>Total Allocation Base</b>	<b>\$ <u>1,614,374</u></b>
 <b>INDIRECT COST RATE</b>	 <u>64.4791%</u>
 <b>COSTS REPORTED AS:</b>	
Operations	\$ 978,581
Construction in Progress	<u>62,353</u>
	<b>\$ <u>1,040,934</u></b>

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
Comparative Schedule of Primary Government Long-Term Indebtedness  
June 30, 2008 and 2007

	<b>June 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>LONG-TERM INDEBTEDNESS:</b>		
<b>Government Activities:</b>		
Bond Payable - Hospital Bonds of 2004	\$ 1,229,609	\$ 1,280,798
Bond Payable - Hospital Bonds of 2007	2,948,361	3,000,000
Bond Payable - Hospital Refunding Bonds of 1997	875,000	1,290,000
Bond Payable - General Obligation Public Facilities Bonds of 1996	2,160,000	2,365,000
Bond Payable - USDA Rural Development - Health Center	2,141,024	2,275,151
Accrued Compensated Absences - General Fund	1,395,254	1,306,439
<b>Total Governmental Activities</b>	<b>\$ 10,749,248</b>	<b>\$ 11,517,388</b>
<b>Business Type Activities:</b>		
<b>Airport</b>		
Accrued Compensated Absences - Airport	\$ 7,860	\$ 5,055
<b>Total Airport</b>	<b>\$ 7,860</b>	<b>\$ 5,055</b>
<b>Solid Waste</b>		
Bond Payable - Landfill Project, Series 1993	\$ 2,510,000	\$ 2,855,000
Bond Payable - Maryland Water Quality Financing Administration	1,048,996	1,147,689
Accrued Landfill Closure/Postclosure Liability	2,957,178	2,766,449
Accrued Compensated Absences - Landfill	108,834	92,038
<b>Total Solid Waste</b>	<b>\$ 6,625,008</b>	<b>\$ 6,861,176</b>
<b>Sanitary District</b>		
Note Payable - Rural Development-Bloomington	\$ 107,863	\$ 113,874
Note Payable - Rural Development-Youghiogheny	636,787	649,140
Note Payable - Rural Development-Chestnut Ridge	750,035	763,215
Note Payable - Maryland Department of the Environment-Mt. Lake Park/Powles	80,660	83,532
Note Payable - Rural Development-Chestnut Ridge	208,231	211,897
Note Payable - GE Capital Asset Management-Friendsville Water	60,000	68,000
Note Payable - Rural Development-Deer Park Sewer	352,163	357,812
Note Payable - Maryland Water Quality Financing-Deep Creek Lake Sewer Ext.	666,142	717,041
Note Payable - Maryland Water Quality Financing-Deep Creek Lake Septage	207,939	230,017
Note Payable - State of Maryland-Jennings Sewer	72,978	78,726
Note Payable - Maryland Water Quality Financing-Goodwill Mennonite Sewer	177,199	195,460
Note Payable - Rural Development-Meadow Mountain Sewer	382,622	387,321
Note Payable - Rural Development-McHenry Water	220,594	223,229
Note Payable - Rural Development-McHenry Water	581,145	588,081
Note Payable - Rural Development-Keysers Ridge Water	533,926	540,213
Note Payable - Rural Development-Deer Park Water	540,852	547,305
Note Payable - M & T Bank-DCL Plant Capacity		1,999,871
Note Payable - M & T Bank-McKenzie Property		117,579
Note Payable - Maryland Water Quality Financing-Deer Park Water	234,478	243,019
Note Payable - Maryland Water Quality Financing-Septage Hauling Truck	62,327	82,938
Note Payable - Rural Development Keyser's Ridge Water	112,869	114,076
Note Payable - USDA-DCL WWTP	9,899,363	9,999,999
Note Payable - USDA-DCL WWTP	4,571,427	4,617,900
Note Payable - USDA-DCL WWTP	972,214	982,101
Note Payable - M&T Bank-Deep Creek Sewer System & McHenry Water System	4,500,000	
Note Payable - M&T Bank-Warehouse Project	2,315,490	
Accrued Compensated Absences	147,532	117,697
<b>Total Sanitary District</b>	<b>\$ 28,394,836</b>	<b>\$ 24,030,043</b>
<b>Total Business Type Activities</b>	<b>\$ 35,027,704</b>	<b>\$ 30,896,274</b>
<b>TOTAL LONG-TERM INDEBTEDNESS</b>	<b>\$ 45,776,952</b>	<b>\$ 42,413,662</b>

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
Combining Statement of Net Assets  
Fiduciary Funds  
June 30, 2008

	<u>Government Personnel Retirement Plan</u>	<u>Law Enforcement Employee Retirement Plan</u>	<u>Total Retirement Plans</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 538,043	\$ 283,694	\$ 821,737
Investments:			
Certificates of Deposit	\$ 20,000	\$	\$ 20,000
Fixed Income Securities	2,871,281	657,319	3,528,600
Mutual Funds	3,418,047	969,928	4,387,975
Equity Securities	1,938,096	572,571	2,510,667
Total Investments	<u>\$ 8,247,424</u>	<u>\$ 2,199,818</u>	<u>\$ 10,447,242</u>
Interest Receivable	<u>\$ 44,253</u>	<u>\$ 11,145</u>	<u>\$ 55,398</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,829,720</u>	<u>\$ 2,494,657</u>	<u>\$ 11,324,377</u>
<b>LIABILITIES</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>NET ASSETS:</b>			
Held in Trust for Benefits and Other Purposes	<u>\$ 8,829,720</u>	<u>\$ 2,494,657</u>	<u>\$ 11,324,377</u>



**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**

Combining Statement of Changes in Net Assets

Fiduciary Funds

Year Ended June 30, 2008

	<u>Government Personnel Retirement Plan</u>	<u>Law Enforcement Employee Retirement Plan</u>	<u>Total Retirement Plans</u>
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 1,022,444	\$ 280,800	\$ 1,303,244
Plan Members	241,513	167,516	409,029
<b>Total Contributions</b>	<u>\$ 1,263,957</u>	<u>\$ 448,316</u>	<u>\$ 1,712,273</u>
Investment Earnings:			
Net Decrease in Fair Value of Investments	\$ (844,281)	\$ (258,957)	\$ (1,103,238)
Realized Gains on Investments	88,803	10,408	99,211
Interest and Dividends	273,339	79,347	352,686
Investment Activity Expense	(48,822)	(21,260)	(70,082)
<b>Total Net Investment Earnings</b>	<u>\$ (530,961)</u>	<u>\$ (190,462)</u>	<u>\$ (721,423)</u>
<b>Total Additions</b>	<u>\$ 732,996</u>	<u>\$ 257,854</u>	<u>\$ 990,850</u>
<b>DEDUCTIONS</b>			
Benefits	\$ 14,732	\$ 109,132	\$ 123,864
Administrative	10,254	6,610	16,864
<b>Total Deductions</b>	<u>\$ 24,986</u>	<u>\$ 115,742</u>	<u>\$ 140,728</u>
<b>Change In Net Assets</b>	\$ 708,010	\$ 142,112	\$ 850,122
<b>Net Assets - Beginning of Year</b>	<u>8,121,710</u>	<u>2,352,545</u>	<u>10,474,255</u>
<b>Net Assets - End of Year</b>	<u><u>\$ 8,829,720</u></u>	<u><u>\$ 2,494,657</u></u>	<u><u>\$ 11,324,377</u></u>