

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

**FINANCIAL REPORT
JUNE 30, 2018**

**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

Report on the Financial Statements

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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the index to financial report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of the Primary Government's proportionate share of the net pension liability - Maryland State Retirement and Pension System, schedule of the Primary Government's contributions - Maryland State Retirement and Pension System, schedules of changes in net pension liability and related ratios, schedules of employer pension contributions, and the schedule of changes in the County's net OPEB liability and related ratios, listed in the index to financial report be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Garrett County, Maryland. The other supplementary information 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 listed in the index to financial report is the responsibility of management, was derived from, and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 28, 2018, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control over financial reporting and compliance.

The Rodeheaver Group, P.C.

Oakland, Maryland
December 28, 2018

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

As management of Garrett County, Maryland (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the fiscal year ended June 30, 2018 by \$108,065,843 (net position). This amount is net of a \$7,200,361 deficit balance in unrestricted net position. The implementation of governmental accounting standard 75 (GASB 75), whereby entities must report the total liability of unfunded post-employment benefits other than pensions, contributes to this deficit. Of the total net position, \$111,185,810 is net investment in capital assets and \$4,080,394 is restricted for specific purposes.
- The County's total net position decreased by \$16,273,933. This includes a \$2,820,192 decrease in net position for fiscal year 2018 activities and a \$13,453,741 decrease in net position for a prior period adjustment related to the implementation of GASB 75.
- As of the close of fiscal year 2018, the County's governmental funds reported combined fund balances of \$20,549,034, an increase of \$219,229 in comparison with prior year. Approximately 19%, or \$3.8 million, of the combined fund balance is available for spending at the County's discretion (unassigned fund balance), \$2 million is nonspendable, \$2.1 million is restricted, and \$12.7 million is assigned for capital projects and future use.
- At the end of fiscal year 2018, the unrestricted fund balance for the general fund was \$16,468,640 or 80% of total general fund balance. Assigned fund balance of the general fund was \$12,665,943 or 77% of unrestricted fund balance.
- The County's government-wide long-term debt increased by \$305,426 during fiscal year 2018 as detailed on page 16 and in note 7.

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 supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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.

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June 30, 2018

The statement of net position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (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, community development and housing and economic opportunity and development. The business-type activities of the County include Garrett County Airport, Solid Waste and Recycling Management, Garrett County Sanitary District, Inc. d/b/a Garrett County Department of Public Utilities, Garrett County Parks & Recreation Fund the Garrett County Department of Technology & Communication, and the Liquor Control Board.

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 19 and 20 of this report.

Fund Financial Statements

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 resources, as well as on balances of spendable resources available at the end of the fiscal year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

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 eight individual governmental funds. 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, all of which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. The basic governmental funds financial statements can be found on pages 21 to 24 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 maintains six enterprise funds to account for the Garrett County Airport, the Garrett County Solid Waste & Recycling office, the Garrett County Sanitary District, Inc. d/b/a Garrett County Department of Public Utilities, the Garrett County Parks & Recreation Fund, the Department of Technology & Communications, and the Liquor Control Board.

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 27 to 32 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The County maintains four fiduciary funds: Garrett County Law Enforcement Personnel Retirement Plan, the Garrett County Government Personnel Retirement Plan, Garrett County Other Post-Employment Benefits Plan (OPEB) and the Volunteer Length of Service Awards Plan (LOSAP) for volunteers of the 11 Fire Departments and 2 Rescue Squads. The fiduciary fund financial statements can be found on pages 33 and 34 of this report.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

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 35 through 93 of this report.

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 94 through 117 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 \$108,065,843 at the close of the current fiscal year.

	Governmental Activities		Business-type Activities		Total Government	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<u>Assets:</u>						
Current & Other Assets	\$ 44,245,144	\$ 47,744,409	\$ 11,899,556	\$ 8,483,009	\$ 56,144,700	\$ 56,227,418
Capital Assets	56,672,848	57,281,712	89,230,874	90,282,486	145,903,722	147,564,198
Total Assets	100,917,992	105,026,121	101,130,430	98,765,495	202,048,422	203,791,616
Deferred Outflows of Resources	1,625,795	1,972,861	181,180	229,092	1,806,975	2,201,953
Total Assets and Deferred Outflows of Resources	102,543,787	106,998,982	101,311,610	98,994,587	203,855,397	205,993,569
<u>Liabilities:</u>						
Long-Term Liabilities	39,790,122	31,968,517	41,474,898	41,223,167	81,265,020	73,191,684
Other Liabilities	6,578,546	7,919,764	1,781,097	(470,320)	8,359,643	7,449,444
Total Liabilities	46,368,668	39,888,281	43,255,995	40,752,847	89,624,663	80,641,128
Deferred Inflows of Resources	6,082,829	904,066	82,062	108,599	6,164,891	1,012,665
<u>Net Assets:</u>						
Net Investment in Capital Assets	56,672,848	57,281,712	54,512,962	55,537,237	111,185,810	112,818,949
Restricted	4,080,394	4,869,967			4,080,394	4,869,967
Unrestricted	-10,660,952	4,054,956	3,460,591	2,595,904	-7,200,361	6,650,860
Total Net Assets	50,092,290	66,206,635	57,973,553	58,133,141	108,065,843	124,339,776
Total Liabilities, Deferred Inflows of Resources and Net Position	\$102,543,787	\$106,998,982	\$101,311,610	\$ 98,994,587	\$203,855,397	\$ 205,993,569

By far the largest portion of the Garrett County's net position (\$111 million) reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment) less any related outstanding debt that was used to acquire those assets.

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June 30, 2018

Garrett County uses these capital assets to provide a variety of services to its citizens; accordingly, these assets are not available for future spending. Although Garrett County's investment in its capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of Garrett County's net position, \$4,080,394 or 3.78%, represents resources that are subject to external restrictions on how they may be used.

The County's unrestricted net position reflects a negative balance of \$7,200,361. The implementation of governmental accounting standard 75, whereby entities must report the total liability of unfunded post-employment benefits other than pensions, contributed to this deficit.

Overall, the financial position of Garrett County declined during the year by \$16.3 million. The governmental activities reported a decline of \$16.1 million in net position at June 30, 2018 while the business-type activities reported a decline of \$0.2 million during the same period. The implementation of GASB 75 which required a prior period adjustment of \$13,453,741 is the biggest driver of the decline. In addition, because net investment in capital assets makes up the majority of net assets, as assets continue to depreciate at a faster pace than new capital assets are being placed in service this is expected.

The following table indicates the changes in net position:

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GARRETT COUNTY, MARYLAND**

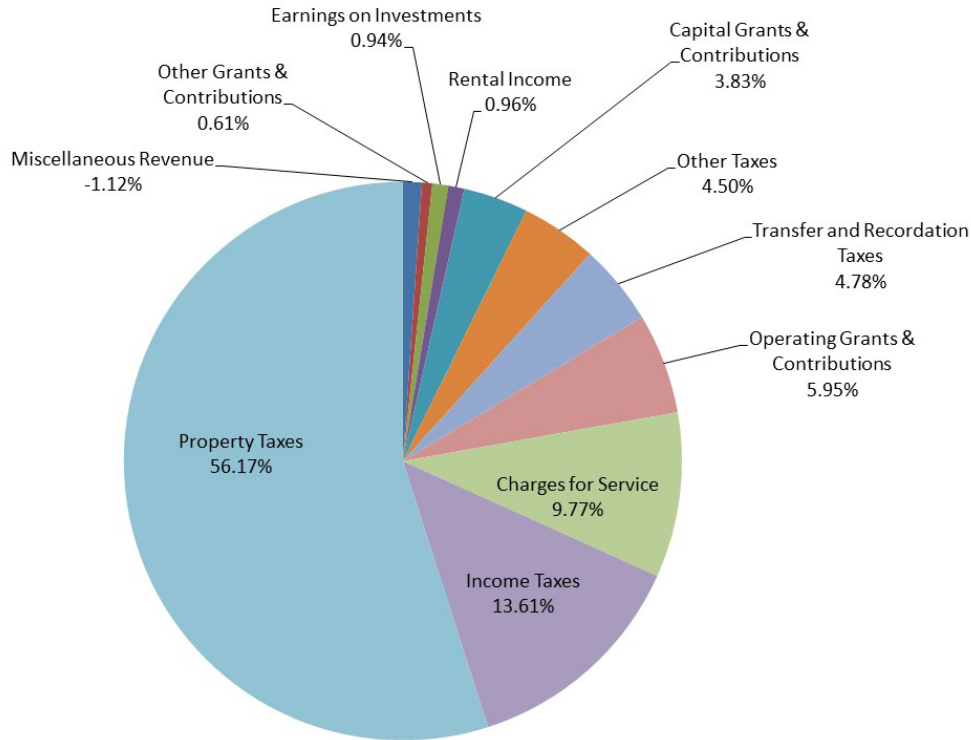
**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

	Governmental Activities		Business-type Activities		Total Government	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,262,776	\$ 1,434,517	\$ 7,708,654	\$ 7,565,390	\$ 8,971,430	\$ 8,999,907
Operating Grants and Contributions	5,457,993	6,574,353	0	0	5,457,993	6,574,353
Capital Grants and Contributions	3,183,220	1,519,703	333,703	99,704	3,516,923	1,619,407
General Revenues:						
Property Taxes	48,993,027	49,034,923	2,567,258	2,555,400	51,560,285	51,590,323
Other Taxes and Licenses	21,013,921	20,143,375	0	0	21,013,921	20,143,375
Grants and Contributions	0	735,047	560,590	516,015	560,590	1,251,062
Other General Revenues	487,593	1,954,454	230,847	121,782	718,440	2,076,236
Total Revenues	\$ 80,398,530	\$ 81,396,372	\$ 11,401,052	\$ 10,858,291	\$ 91,799,582	\$ 92,254,663
Program Expenses:						
General Government	7,336,612	7,194,589	0	0	7,336,612	7,194,589
Public Safety	11,866,681	11,940,195	0	0	11,866,681	11,940,195
Public Works	15,180,007	19,153,424	0	0	15,180,007	19,153,424
Health & Hospital	1,920,456	1,904,395	0	0	1,920,456	1,904,395
Education						
Board of Education	28,317,026	28,968,339	0	0	28,317,026	28,968,339
Garrett College	8,552,043	6,732,244	0	0	8,552,043	6,732,244
Culture	48,000	43,500	0	0	48,000	43,500
Parks and Recreation	26,102	68,970	0	0	26,102	68,970
Library	1,017,000	1,070,715	0	0	1,017,000	1,070,715
Conservation of Natural Resources	229,392	219,878	0	0	229,392	219,878
Social Services	0	294,516	0	0	0	294,516
Economic Opportunity & Development	5,706,116	4,643,564	0	0	5,706,116	4,643,564
Community Development & Public Housing	114,463	35,537	0	0	114,463	35,537
Other	1,303,665	1,336,976	0	0	1,303,665	1,336,976
Garrett County Airport	0	0	545,705	546,357	545,705	546,357
Solid Waste Management	0	0	2,239,888	1,934,035	2,239,888	1,934,035
Garrett County Sanitary District, Inc.	0	0	8,126,060	8,319,876	8,126,060	8,319,876
Parks and Recreation Fund	0	0	882,564	1,066,387	882,564	1,066,387
Department of Technology & Communications	0	0	1,192,308	866,619	1,192,308	866,619
Liquor Control Board	0	0	15,686	0	15,686	0
Total Expenses	\$ 81,617,563	\$ 83,606,842	\$ 13,002,211	\$ 12,733,274	\$ 94,619,774	\$ 96,340,116
Excess before Special Items and Transfers	(1,219,033)	(2,210,470)	(1,601,159)	(1,874,983)	(2,820,192)	(4,085,453)
Special Item	0	0	0	0	0	0
Net Transfers In (Out)	(1,441,571)	(954,069)	1,441,571	954,069	0	0
Changes in Net Assets	(2,660,604)	(3,164,539)	(159,588)	(920,914)	(2,820,192)	(4,085,453)
Net Assets – Beginning of Year	66,206,635	69,371,174	58,133,141	59,054,055	124,339,776	128,425,229
Prior Period Adjustment	(13,453,741)	0	0	0	(13,453,741)	0
Net Assets – End of Year	\$ 50,092,290	\$ 66,206,635	\$ 57,973,553	\$ 58,133,141	\$ 108,065,843	\$ 124,339,776

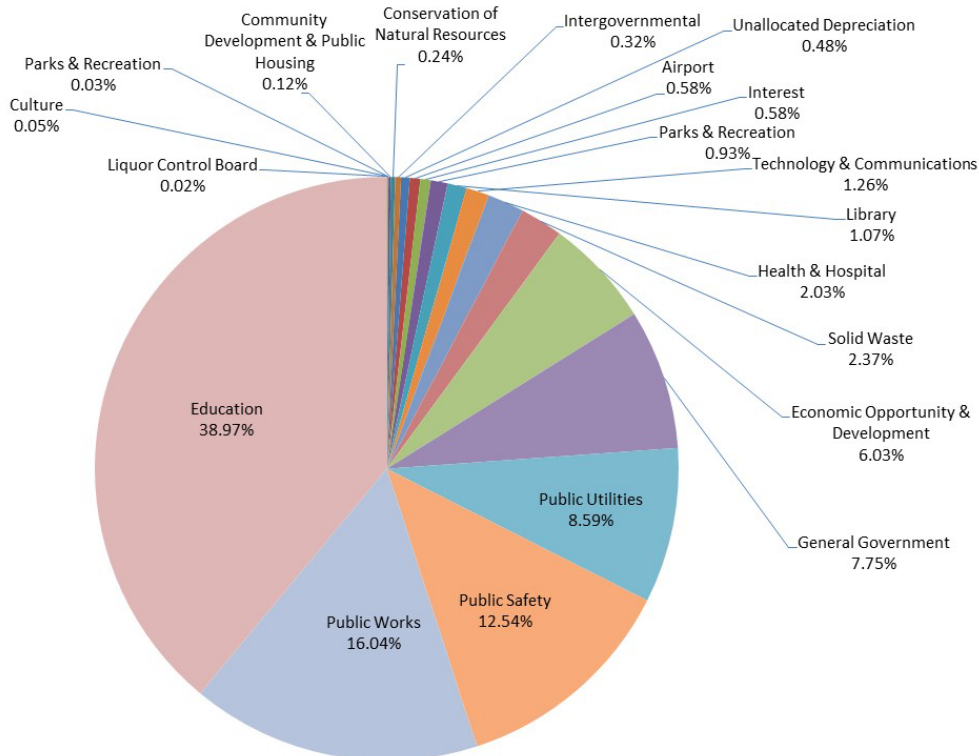
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

Total Primary Government Revenue



Total Primary Government Expenditures



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**MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2018**

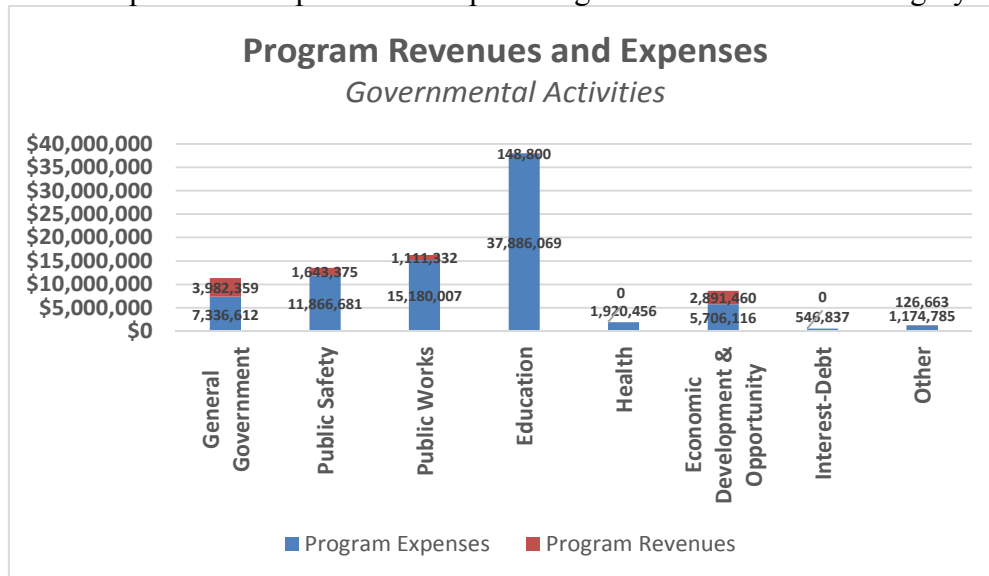
Governmental Activities

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 on page 20 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 of government 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.

During the current fiscal year, the net position for governmental activities decreased by \$2,660,604 from the prior fiscal year. Additionally, there was a prior period adjustment decrease of \$13,453,741 to reflect implementation of GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions which resulted in an ending balance of \$50,092,290. See notes 12 and 17 on pages 84 and 93 for further details.

Both revenues and expenses decreased in fiscal year 2018. Key elements of the changes in governmental net assets are as follows:

- The largest categorical change was in Other General Revenues resulting in a decrease of \$1,466,861 compared to the prior fiscal year. The majority of this decrease was attributable to reporting losses on the disposition of fixed assets, the largest one being Cherry Glade Road (also known as Brian F. Thomas Drive) to the Town of Oakland at a book value of \$1,038,256.
- While Operating Grants and Contributions reported a decrease of \$1,116,360, Capital Grants and Contributions reported an increase of \$1,663,517.
- The largest decrease in expense was in Public Works. Less capital expenditures and less depreciation expense make up the largest difference in this category.



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June 30, 2018**

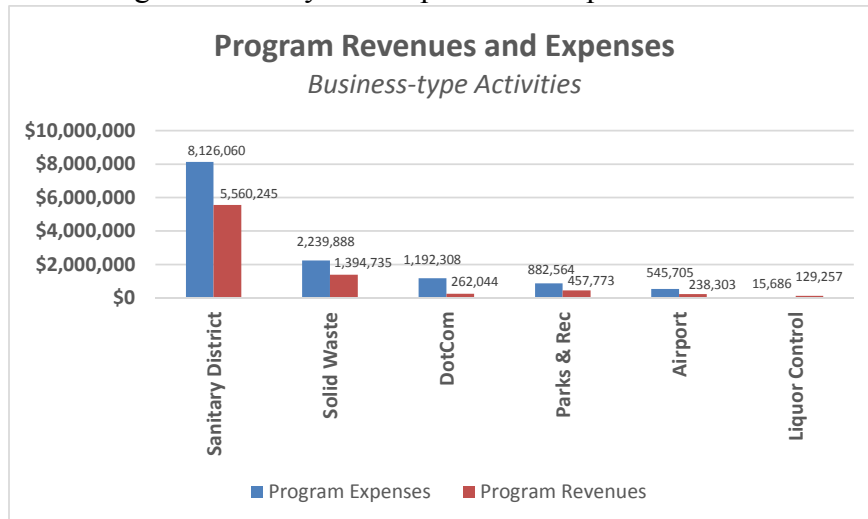
Business-Type Activities

Total assets for the Garrett County Sanitary District, d/b/a Department of Public Utilities, increased by \$617,344. Driving this increase was the ongoing construction of the Deep Creek western conveyance sewer collection system. Operating revenues net of in-house sales of the Sanitary District increased by \$61,689 as a result of additional customers and an increase in leachate treatment. Operating expenditures decreased by \$157,658 which is primarily the result of a decrease in depreciation expense as a result of fully depreciated assets.

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. According to a third party engineer survey and analysis, it is estimated that it will cost approximately \$5.8 million to perform all closure and post-closure care activities. The County recognizes these costs as tonnage is added to the Landfill and as cells fill up. As of June 30, 2018, the County recognized and reported a closure and post-closure liability of \$3,850,404 leaving a balance of estimated costs to be recognized at approximately \$1,984,572 over the remaining 14 year useful life of the landfill. The County has established a landfill closure fund to assure that future funds would be available at the time of actual closure to pay for these closure costs. As of June 30, 2018, the County had set aside \$3,683,573 in an investment account to offset the current recognized closure liability of \$3,850,404.

The Parks & Recreation Fund was established to account for the operations of the Adventure Sports Center, Inc. Net position for Adventure Sports Center, Inc. is stated at a total of \$16,085,299 which is a decrease of \$294,657 from 2017, primarily the result of depreciation of assets. Operating revenues were \$480,732 while operating expenditures were recorded as \$882,564 resulting in a net operating loss of \$401,832 for the year ended June 30, 2018. Operating expenditures include non-cash items such as depreciation (\$381,444).

In 2018, total assets for the Airport decreased by \$279,769. This decrease is mainly due to recording the current year’s depreciation expense on assets.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Financial Analysis of the County's Funds

As noted earlier, 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 financing requirements. In particular, unassigned 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 \$20,549,034, a slight increase of \$219,229 from the prior fiscal year. Approximately 18.5% of this total, or \$3,802,697, constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is either nonspendable, restricted or assigned to indicate that it is not available for new spending. \$1,970,582 was nonspendable for inventory, prepaid expenses, and notes receivable. \$2,109,812 was restricted, the majority being for self-funded health care, and \$12,665,943 was assigned for various reasons. \$2.15 million was assigned for capital expenditures approved during the fiscal year 2019 budget, \$5.9 million was assigned for the continuation of projects not completed in fiscal year 2018, \$3 million was assigned for future other post-employment benefits and healthcare, and \$1.6 million was assigned for future economic development projects.

The General Fund is the chief operating fund of the Garrett County Government. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,802,697, while total fund balance reached \$20,472,908. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 4.6% of the total General Fund expenditures including operating transfers, while total fund balance represents 24.7% of that same amount.

During the current fiscal year, the total fund balance of the County's General Fund increased by \$225,749. General Fund revenue increased by \$6,630,774 million and General Fund operating expenditures increased by \$2,751,439.

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 \$15,218,728 which include amounts owing from the Garrett County Memorial Hospital Bonds, Series 2004, 2007, 2014 and 2015, for the expansion and renovation of the facility.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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The Non-Major Special Revenue Funds have a total fund balance of \$76,126 all of which is restricted.

Proprietary funds

Garrett County's proprietary fund statements provide the same type of information found in the government-wide financial statements, only in more detail.

The total unrestricted net position of the proprietary funds at the end of the year amounted to \$3,460,591. The total increase in unrestricted net position for the proprietary funds was \$864,687. Other factors concerning these funds' finances have been addressed in the discussion of Garrett County government's business-type activities.

General Fund Budgetary Highlights

Original budget compared to final budget

The difference between original revenue budget amounts of \$75,756,722 and final revenue budget amounts of \$77,679,900 is an increase of \$1,923,178. The County monitors revenue patterns throughout the year and amends original budget figures when necessary. Several accounts were adjusted upward or downward to assure proper management and good stewardship so that deficit spending would not occur. Of the \$2 million net increase, Intergovernmental federal and state grants made up the majority of the increase equating to \$1.8 million. Grant revenues normally have offsetting expenditures associated with them.

Significant differences between the original expenditure budget amounts of \$78,319,222 and final expenditure budget amounts of \$89,313,215 resulting in a budget increase of \$10,993,993 are largely due to budget amendments that occurred to carryover funds from fiscal year 2017 to fiscal year 2018 for capital projects and capital outlay that were in progress at the end of fiscal year 2017. These carryover amendments equated to over \$9 million. As grant revenues increased, many of these revenues had offsetting expenses associated with them which resulted in corresponding budget amendments.

Final budget compared to actual results

The difference between the final revenue budget of \$77,679,900 and the actual revenue recorded of \$84,584,282 resulted in a positive variance of \$6,904,382. The largest positive budget variance of \$2.9 million was under the ordinary business corporation tax line item. Because of the timing of payments, fiscal year 2017's wind turbine taxes for two wind farms were reported in fiscal year 2018 causing a doubling up effect. Other significant positive revenue budget variances included real property of \$2,310,627, transfer tax of \$768,699, recordation tax of \$550,807, income tax of \$540,262 and accommodations tax of \$432,144. These line items combine to create the majority of the positive budget variance.

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**MANAGEMENT’S DISCUSSION AND ANALYSIS
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The difference between the final budget expenditures of \$89,313,215 and the actual expenditures recorded of \$82,886,206 represented a positive budget variance of \$6,427,009. The majority of this variance will be carried over into the subsequent fiscal year and will be re-budgeted to continue projects that were in process at the end of fiscal year 2018. Some of the projects include, but are not limited to, the Emergency Operations Center, the Glendale Road realignment, Keyser’s Ridge Industrial Park water, sewer, and road infrastructure improvements, software conversion/implementation, Garrett College Performing Arts Center, and several road paving and bridge projects.

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.

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, 2018 amounts to \$145,903,722 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, furniture, vehicles, and infrastructure. The County’s investment in capital assets for the current fiscal year decreased by \$1,660,476 or 1.12%.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$9,739,442	\$9,739,442	\$3,243,738	\$3,243,738	\$12,983,180	\$12,983,180
Land Improvements	3,239,134	2,871,792	18,016,102	18,001,159	21,255,236	20,872,951
Construction in Progress	2,535,613	2,164,654	12,185,884	10,468,783	14,721,497	12,633,437
Infrastructure	23,158,349	23,624,712	50,657,030	53,227,609	73,815,379	76,852,321
Buildings	13,124,897	13,740,939	3,599,422	3,725,159	16,724,319	17,466,098
Furniture and Equipment	1,031,199	1,013,433	15,734	19,579	1,046,933	1,033,012
Vehicles	2,280,700	2,381,876	226,930	211,512	2,507,630	2,593,388
Machinery and Equipment	1,563,514	1,744,864	1,286,034	1,384,947	2,849,548	3,129,811
Total	<u>\$56,672,848</u>	<u>\$57,281,712</u>	<u>\$89,230,874</u>	<u>\$90,282,486</u>	<u>\$145,903,722</u>	<u>\$147,564,198</u>

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

- The Meadow Mountain Trail project was completed and placed into service in FY18 increasing land improvements \$699,005. In addition, several land improvement assets totaling 328,540, for the Cherry Glade project were transferred to the Town of Oakland.

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MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2018

- Construction in progress reported a net increase of \$370,959 due to the additions of the Keyser’s Ridge water and sewer projects totaling \$441,999, courthouse security equipment of \$44,059, the Emergency Operations Center of \$189,856, financial software of \$58,277, and the Swallow Falls Bridge of \$94,566. The Meadow Mountain Trail was completed and transferred into service at \$351,383.
- Infrastructure decreased by \$466,363. While there was an increase of \$3,559,770 for the Oakland Sang Run Road Bridge and additional paving and road projects, depreciation expense offset this increase by \$2,987,876. The Cherry Glade Road (also known as Brian F. Thomas Drive) was transferred to the Town of Oakland at a book value of \$1,038,256.

Major capital asset events during the current fiscal year for business-type activities included the following:

- Construction in progress increased for the Department of Public Utilities due to work performed on the Bloomington Water project in the amount of \$593,476 and the Western Conveyance project in the amount of \$1,039,621.

For the remainder of the asset classifications not specifically referenced the net decreases are the result of depreciation and dispositions in excess of the cost of additions. Additional information on the County’s capital assets can be found in Note 5 on pages 54-56 of the financial statements.

Long-term debt

At the end of the current fiscal year, Garrett County Government had notes and bonds outstanding of \$50,212,988, which are backed by the full faith and credit of the County.

**Garrett County’s Outstanding Debt
General Obligation Bonds and Notes Payable**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2018	2017	2018	2017	2018	2017
General Bonded Debt	\$ 15,218,728	\$ 14,886,521	\$ 34,994,260	\$ 35,021,041	\$ 50,212,988	\$ 49,907,562

During fiscal year 2018, the County’s total debt increased by \$305,426. While the Governmental Activities debt increased by a net \$332,207 due mainly to the additional Series 2015 Garrett County Memorial Hospital Expansion Bond, business-type activities decreased by \$26,781.

In FY 2009, 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, facilities and maintenance, and public safety. There are significant budgeted expenditures for capital project construction and capital outlay expenditures over fiscal years 2019 to 2023. The Commissioners continue to

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

prioritize capital expenditures and amend their five-year capital plan accordingly. Planned capital activity should have no significant impact on the County's credit ratings because the County must budget the resources to account for these expenditures and in the case of long-term debt, the County must budget the resources to service the debt.

Additional information on the County's long-term debt can be found in Note 7 to the financial statements and on page 115 under Other Supplementary Information.

Economic Factors and Next Year's Budget and Rates

The following economic factors currently affect the County and were considered in developing the 2019 fiscal year budget:

- The unemployment rate for Garrett County was 4.9% for June 2018, which was slightly higher than both the State's average of 4.5% and the national average of 4.0% for the same time period.
- Income tax revenue finished the year at an all-time high of \$12.5 million. The fiscal year 2019 income tax rate remains at 2.65%.
- Accommodations tax revenue finished the year at an all-time high of \$2.8 million.
- Admission and amusement tax revenue finished the year at an all-time high of \$923,162.
- The fiscal year 2019 property tax rate was reduced to the constant yield tax rate of \$.9899. Property tax revenues are expected to remain relatively constant in fiscal year 2019 with the exception of any potential new construction.
- As the Federal Reserve continues to raise rates, the County will consider the impact on borrowing rates with could affect the investment activity at Deep Creek Lake. This could also have an adverse impact on recordation and transfer taxes. As of the fiscal year end, fed funds rate was 2.0% compared to 1.25% for the prior fiscal year end.
- Garrett County issued 319 building permits valued at approximately \$47.6 million during fiscal year 2018 compared to 321 permits in fiscal year 2017 valued at approximately \$40.9 million.
- The County will use \$2.15 million of fund balance resources in fiscal year 2019 to fund \$3.6 million of capital projects and other capital outlay.

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June 30, 2018

- The County has set aside 5% of operating revenues, or \$3.8 million, as a rainy day fund. In addition, \$1.6 million was set aside for future economic development projects to retain and attract businesses.
- Garrett County does not have any outstanding public issued bonds that require a rating from an outside rating agency. The County does however have \$15.2 million of private bonds with financial institutions that are backed by their full faith and credit for the Garrett County Memorial Hospital which are being repaid with hospital revenues. Prior to liquidating the public bonds, the County's last bond rating with Moody's was an A1 in 2010.

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 4th Street Room 206
Oakland, Maryland 21550
c/o Kevin G. Null, County Administrator or
c/o Scott E. Weeks, Director of Finance

Or, visit our website at www.garrettcounty.org

BASIC FINANCIAL STATEMENTS

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

Statement of Net Position

June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 11,898,790	\$ 3,487,792	\$ 15,386,582
Investments	5,414,354	3,683,573	9,097,927
Taxes Receivable - Net	1,770,581	-	1,770,581
Due from Other Governments	136,612	54,353	190,965
Due from Component Units	16,461	-	16,461
Due from Primary Government	-	-	-
Other Receivables - Net	3,915,053	1,298,223	5,213,276
Inventories	829,331	1,120,162	1,949,493
Insurance Deposit	472,832	-	472,832
Prepaid Expenses	139,667	44,648	184,315
Restricted Cash	1,119,864	1,752,109	2,871,973
Restricted Investments	2,082,994	-	2,082,994
Restricted Accounts Receivable	15,218,728	144,506	15,363,234
Accounts and Notes Receivable - Long-Term	1,001,584	314,190	1,315,774
Net Pension Asset	228,293	-	228,293
Non-Depreciable Capital Assets	12,275,055	23,327,140	35,602,195
Depreciable Capital Assets, Net of Accumulated Depreciation	44,397,793	65,903,734	110,301,527
Total Assets	100,917,992	101,130,430	202,048,422
DEFERRED OUTFLOWS OF RESOURCES	1,625,795	181,180	1,806,975
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	102,543,787	101,311,610	203,855,397
LIABILITIES			
Accounts Payable and Accrued Expenses	3,865,700	820,401	4,686,101
Internal Balances	(694,060)	694,060	-
Due to Component Units	356,862	-	356,862
Due to Other Governments	213,711	126,578	340,289
Due to Primary Government	-	-	-
Unearned Revenues	2,460,974	140,058	2,601,032
Other Liabilities	375,359	-	375,359
Long-Term Liabilities - Due Within One Year	959,900	8,203,793	9,163,693
Long-Term Liabilities - Due in More Than One Year	38,830,222	33,271,105	72,101,327
Total Liabilities	46,368,668	43,255,995	89,624,663
DEFERRED INFLOWS OF RESOURCES	6,082,829	82,062	6,164,891
NET POSITION			
Net Investment in Capital Assets	56,672,848	54,512,962	111,185,810
Restricted	4,080,394	-	4,080,394
Unrestricted	(10,660,952)	3,460,591	(7,200,361)
Total Net Position	50,092,290	57,973,553	108,065,843
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 102,543,787	\$ 101,311,610	\$ 203,855,397

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

Component Units		
Board of Education	College	Public Library
\$ 10,043,940	\$ 3,466,553	\$ 285,562
-	-	472,119
-	-	-
2,585,298	123,406	-
-	-	-
174,158	182,704	-
67,559	105,536	77,177
123,913	90,101	-
-	-	-
-	251,299	7,032
-	254,021	-
-	3,647,834	-
-	-	-
-	-	-
-	-	-
4,165,273	8,028,107	33,556
<u>42,022,610</u>	<u>31,965,475</u>	<u>1,098,237</u>
<u>59,182,751</u>	<u>48,115,036</u>	<u>1,973,683</u>
<u>1,409,859</u>	<u>-</u>	<u>-</u>
<u>60,592,610</u>	<u>48,115,036</u>	<u>1,973,683</u>
6,406,802	585,813	36,031
-	-	-
-	-	-
-	-	-
-	-	16,461
39,016	196,939	-
-	72,105	-
441,947	140,698	-
<u>38,437,718</u>	<u>8,492,810</u>	<u>66,818</u>
<u>45,325,483</u>	<u>9,488,365</u>	<u>119,310</u>
<u>2,410,309</u>	<u>954,552</u>	<u>-</u>
40,997,902	35,564,648	1,131,793
5,948,580	3,766,511	86,453
<u>(34,089,664)</u>	<u>(1,659,040)</u>	<u>636,127</u>
<u>12,856,818</u>	<u>37,672,119</u>	<u>1,854,373</u>
<u>\$ 60,592,610</u>	<u>\$ 48,115,036</u>	<u>\$ 1,973,683</u>

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

Statement of Activities
Year Ended June 30, 2018

<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>
Primary Government				
Governmental Activities				
General Government	\$ 7,336,612	\$ 276,905	\$ 3,451,590	\$ 253,864
Public Safety	11,866,681	574,758	762,776	305,841
Public Works	15,180,007	262,313	773,367	75,652
Health and Hospital	1,920,456	-	-	-
Education				
Board of Education	28,317,026	148,800	-	-
College	8,552,043	-	-	-
Culture	48,000	-	-	-
Parks and Recreation	26,102	-	-	-
Library	1,017,000	-	-	-
Conservation of Natural Resources	229,392	-	12,200	-
Economic Opportunity and Development	5,706,116	-	343,597	2,547,863
Community Development & Public Housing	114,463	-	114,463	-
Intergovernmental	302,205	-	-	-
Unallocated Depreciation	454,623	-	-	-
Interest on Long-Term Debt	546,837	-	-	-
Total Governmental Activities	<u>81,617,563</u>	<u>1,262,776</u>	<u>5,457,993</u>	<u>3,183,220</u>
Business-type activities				
Airport Fund	545,705	202,235	-	36,068
Solid Waste Fund	2,239,888	1,394,735	-	-
Garrett County Sanitary District, Inc.	8,126,060	5,262,610	-	297,635
Parks & Recreation Fund	882,564	457,773	-	-
Department of Technology & Communications	1,192,308	262,044	-	-
Liquor Control Board	15,686	129,257	-	-
Total Business-Type Activities	<u>13,002,211</u>	<u>7,708,654</u>	<u>-</u>	<u>333,703</u>
Total Primary Government	<u>94,619,774</u>	<u>8,971,430</u>	<u>5,457,993</u>	<u>3,516,923</u>
Component Units				
Board of Education	58,129,361	765,098	9,486,527	1,975,228
College	16,910,151	3,695,639	2,332,634	5,843,254
Public Library	1,534,485	29,331	-	-
Total Component Units	<u>\$ 76,573,997</u>	<u>\$ 4,490,068</u>	<u>\$ 11,819,161</u>	<u>\$ 7,818,482</u>

General Revenues:

Taxes:

Property Taxes

Income Taxes

Transfer and Recordation Taxes

Other Taxes

Earnings on Investments

Appropriation From Garrett County

Grants and Contributions Not Restricted to Specific Programs

Rental Income

Miscellaneous Revenue

Gain/(Loss) Sale of Assets

Transfers

Total General Revenues & Transfers

Change in Net Position

Net Position - Beginning of Year, As Restated

Net Position - End of Year

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Board of Education	College	Public Library
\$ (3,354,253)	\$ -	\$ (3,354,253)	\$ -	\$ -	\$ -
(10,223,306)	-	(10,223,306)	-	-	-
(14,068,675)	-	(14,068,675)	-	-	-
(1,920,456)	-	(1,920,456)	-	-	-
(28,168,226)	-	(28,168,226)	-	-	-
(8,552,043)	-	(8,552,043)	-	-	-
(48,000)	-	(48,000)	-	-	-
(26,102)	-	(26,102)	-	-	-
(1,017,000)	-	(1,017,000)	-	-	-
(217,192)	-	(217,192)	-	-	-
(2,814,656)	-	(2,814,656)	-	-	-
-	-	-	-	-	-
(302,205)	-	(302,205)	-	-	-
(454,623)	-	(454,623)	-	-	-
(546,837)	-	(546,837)	-	-	-
<u>(71,713,574)</u>	<u>-</u>	<u>(71,713,574)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	(307,402)	(307,402)	-	-	-
-	(845,153)	(845,153)	-	-	-
-	(2,565,815)	(2,565,815)	-	-	-
-	(424,791)	(424,791)	-	-	-
-	(930,264)	(930,264)	-	-	-
-	113,571	113,571	-	-	-
-	(4,959,854)	(4,959,854)	-	-	-
<u>(71,713,574)</u>	<u>(4,959,854)</u>	<u>(76,673,428)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	(45,902,508)	-	-
-	-	-	-	(5,038,624)	-
-	-	-	-	-	(1,505,154)
-	-	-	<u>(45,902,508)</u>	<u>(5,038,624)</u>	<u>(1,505,154)</u>
48,993,027	2,567,258	51,560,285	-	-	-
12,490,262	-	12,490,262	-	-	-
4,391,834	-	4,391,834	-	-	-
4,131,825	-	4,131,825	-	-	-
772,170	88,451	860,621	26,821	233,516	3,719
-	-	-	27,314,472	4,734,000	1,017,000
-	560,590	560,590	19,486,190	4,849,184	403,229
861,370	22,959	884,329	-	-	-
159,775	46,186	205,961	145,099	12,045	-
(1,305,722)	73,251	(1,232,471)	-	-	510
(1,441,571)	1,441,571	-	-	-	-
<u>69,052,970</u>	<u>4,800,266</u>	<u>73,853,236</u>	<u>46,972,582</u>	<u>9,828,745</u>	<u>1,424,458</u>
(2,660,604)	(159,588)	(2,820,192)	1,070,074	4,790,121	(80,696)
<u>52,752,894</u>	<u>58,133,141</u>	<u>110,886,035</u>	<u>11,786,744</u>	<u>32,881,998</u>	<u>1,935,069</u>
<u>\$ 50,092,290</u>	<u>\$ 57,973,553</u>	<u>\$ 108,065,843</u>	<u>\$ 12,856,818</u>	<u>\$ 37,672,119</u>	<u>\$ 1,854,373</u>

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

Balance Sheet
Governmental Funds
June 30, 2018

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
ASSETS:					
Cash and Cash Equivalents	\$ 10,910,693	\$ 988,097	\$ -	\$ -	\$ 11,898,790
Investments	5,414,354	-	-	-	5,414,354
Taxes Receivable - Net	1,770,581	-	-	-	1,770,581
Due from Other Governments	-	136,612	-	-	136,612
Due from Component Units	16,461	-	-	-	16,461
Due from Other Funds	694,060	-	-	-	694,060
Other Receivables - Net	3,912,672	-	-	2,381	3,915,053
Note Receivable	1,001,584	-	-	-	1,001,584
Inventories	829,331	-	-	-	829,331
Insurance Deposit	472,832	-	-	-	472,832
Prepaid Expenses	139,667	-	-	-	139,667
Restricted Cash	499,535	-	-	620,329	1,119,864
Restricted Investments	2,082,994	-	-	-	2,082,994
Restricted Accounts Receivable	-	-	15,218,728	-	15,218,728
TOTAL ASSETS	<u>27,744,764</u>	<u>1,124,709</u>	<u>15,218,728</u>	<u>622,710</u>	<u>44,710,911</u>
LIABILITIES:					
Accounts Payable and Accrued Expenses	3,758,049	261,322	-	44,545	4,063,916
Due to Component Units	356,862	-	-	-	356,862
Due to Other Governments	213,711	-	-	-	213,711
Unearned Revenues	1,095,548	863,387	15,218,728	502,039	17,679,702
Other Liabilities	375,359	-	-	-	375,359
Total Liabilities	<u>5,799,529</u>	<u>1,124,709</u>	<u>15,218,728</u>	<u>546,584</u>	<u>22,689,550</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue - Property Taxes	1,472,327	-	-	-	1,472,327
Total Deferred Inflows of Resources	<u>1,472,327</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,472,327</u>
FUND BALANCES:					
Nonspendable	1,970,582	-	-	-	1,970,582
Restricted	2,033,686	-	-	76,126	2,109,812
Assigned	12,665,943	-	-	-	12,665,943
Unassigned	3,802,697	-	-	-	3,802,697
Total Fund Balances	<u>20,472,908</u>	<u>-</u>	<u>-</u>	<u>76,126</u>	<u>20,549,034</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 27,744,764</u>	<u>\$ 1,124,709</u>	<u>\$ 15,218,728</u>	<u>\$ 622,710</u>	<u>\$ 44,710,911</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 Position
June 30, 2018

Total Fund Balances - Governmental Funds	\$ 20,549,034
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. The cost of these assets is \$160,611,893, net of accumulated depreciation of \$103,939,045.	56,672,848
The net pension asset arising from the LOSAP plan is not an available resource and, therefore, is not reported in the funds.	228,293
Deferred outflows arising from changes in the net OPEB liability and the net pension liabilities are not reported in the funds. Deferred outflows from contributions made since the measure date amount to \$54,143. Deferred outflows resulting from changes in actuarial assumptions amount to \$638,697. Deferred outflows resulting from OPEB and pension plan investment performance below projections amount to \$728,140. Deferred outflows resulting from differences between expected and actual experience amount to \$204,815.	1,625,795
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 compensated absences of \$2,945,570, the net OPEB liability of \$11,013,285, and the net pension liability of \$10,414,323.	(24,373,178)
County revenue that is collected after year-end and unavailable soon enough to pay for the current period's expenditures is reported as deferred inflows in the funds.	1,472,327
Deferred inflows arising from changes in the net OPEB liability and the net pension liabilities are not reported in the funds. Deferred inflows from changes in actuarial assumptions amount to \$4,403,116. Deferred inflows resulting from OPEB and pension plan investment performance exceeding projections amount to \$492,397. Deferred inflows resulting from differences between expected and actual experience amount to \$1,187,316	<u>(6,082,829)</u>
Total Net Position - Governmental Activities	<u>\$ 50,092,290</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, 2018

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Totals
REVENUES:					
Taxes	\$ 72,805,738	\$ -	\$ -	\$ -	\$ 72,805,738
Licenses and Permits	209,116	-	-	-	209,116
Intergovernmental	7,820,204	398,877	1,153,270	422,132	9,794,483
Fines and Forfeitures	5,778	-	-	12,198	17,976
Charges for Services	863,984	-	-	22,900	886,884
Investment Income	224,741	-	546,837	592	772,170
Rents and Concessions	1,010,170	-	-	-	1,010,170
Miscellaneous	159,775	-	-	-	159,775
Total Revenues	83,099,506	398,877	1,700,107	457,822	85,656,312
EXPENDITURES:					
General Government	7,615,618	-	-	4,373	7,619,991
Public Safety	10,965,927	-	-	345,506	11,311,433
Public Works	15,459,704	-	-	-	15,459,704
Health and Hospital	1,922,341	-	-	-	1,922,341
Education					
Board of Education	28,317,026	-	-	-	28,317,026
College	8,552,043	-	-	-	8,552,043
Culture	48,000	-	-	-	48,000
Parks and Recreation	26,102	-	-	-	26,102
Library	1,017,000	-	-	-	1,017,000
Conservation of Natural Resources	229,392	-	-	-	229,392
Economic Opportunity and Development	4,796,871	-	-	-	4,796,871
Community Development & Public Housing	-	-	-	114,463	114,463
Capital Outlay	1,782,057	844,455	-	-	2,626,512
Debt Service	-	-	1,700,107	-	1,700,107
Intergovernmental	302,205	-	-	-	302,205
Total Expenditures	81,034,286	844,455	1,700,107	464,342	84,043,190
REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) SUBTOTAL					
	\$ 2,065,220	\$ (445,578)	\$ -	\$ (6,520)	\$ 1,613,122

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 (Continued)
Year Ended June 30, 2018

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)					
Balances Brought Forward	\$ 2,065,220	\$ (445,578)	\$ -	\$ (6,520)	\$ 1,613,122
OTHER FINANCING SOURCES (USES):					
Sale of Capital Assets	47,678	-	-	-	47,678
Transfers					
Capital Projects Fund	(547,323)	547,323	-	-	-
Airport Fund	(97,271)	-	-	-	(97,271)
Solid Waste Fund	(476,262)	-	-	-	(476,262)
Garrett County Sanitary District, Inc.	-	(101,745)	-	-	(101,745)
Parks & Recreation Fund	(100,000)	-	-	-	(100,000)
Dept. of Tech. & Communication Fund	(779,864)	-	-	-	(779,864)
Liquor Control Board	113,571	-	-	-	113,571
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES & OTHER FINANCING SOURCES (USES)	225,749	-	-	(6,520)	219,229
FUND BALANCES, BEGINNING OF YEAR	<u>20,247,159</u>	<u>-</u>	<u>-</u>	<u>82,646</u>	<u>20,329,805</u>
FUND BALANCES, End of Year	<u>\$ 20,472,908</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,126</u>	<u>\$ 20,549,034</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, 2018

Change in Fund Balances - Governmental Funds	\$	219,229
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 outlay of \$5,848,774 exceeded depreciation expense of \$5,104,238 in the current year.		744,536
Governmental funds report only the cash 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 or sold.		(1,353,400)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		1,153,270
Receipt of debt principal payments from the hospital is revenue in the governmental funds, but the receipt reduces the receivable in the statement of net position.		(1,153,270)
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.		(58,124)
Revenues that do not provide current financial resources are reported as deferred revenue in the governmental funds. The amount of the change in deferred revenue is not reported in the statement of activities.		(2,798,790)
Changes to the net OPEB liability and related deferred outflow and inflow accounts are not reported in the governmental funds. These changes impact OPEB expense in the statement of activities.		761,479
Changes to the net pension liability and related deferred outflow and inflow accounts are not reported in the governmental funds. These changes impact pension expense in the statement of activities.		(175,534)
Change in Net Position - Governmental Activities	<u>\$</u>	<u>(2,660,604)</u>

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES:				
Taxes	\$ 67,337,226	\$ 67,337,226	\$ 74,278,065	\$ 6,940,839
Licenses and Permits	174,800	177,800	209,116	31,316
Intergovernmental	5,868,504	7,777,482	7,820,204	42,722
Fines and Forfeitures	-	-	5,778	5,778
Charges for Services	1,232,811	1,093,811	863,984	(229,827)
Investment Income	185,000	185,000	224,741	39,741
Rents and Concessions	842,605	991,405	861,370	(130,035)
Miscellaneous	5,900	7,300	159,775	152,475
Total Revenues	<u>75,646,846</u>	<u>77,570,024</u>	<u>84,423,033</u>	<u>6,853,009</u>
EXPENDITURES:				
General Government	5,993,102	6,585,057	6,091,109	(493,948)
Public Safety	10,943,087	11,257,846	10,965,927	(291,919)
Public Works	16,010,995	16,290,237	15,459,704	(830,533)
Health and Hospital	1,919,000	1,923,345	1,922,341	(1,004)
Education	34,193,972	36,505,611	36,720,269	214,658
Culture	49,000	49,000	48,000	(1,000)
Parks and Recreation	26,500	26,500	26,102	(398)
Library	1,017,000	1,017,000	1,017,000	-
Conservation of Natural Resources	222,809	222,809	229,392	6,583
Economic Development and Opportunity	3,347,308	5,037,800	4,796,871	(240,929)
Capital Outlay	845,414	2,074,295	1,782,057	(292,238)
Intergovernmental	302,205	302,205	302,205	-
Miscellaneous	562,000	1,412,000	1,524,509	112,509
Total Expenditures	<u>75,432,392</u>	<u>82,703,705</u>	<u>80,885,486</u>	<u>(1,818,219)</u>
REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)				
	<u>214,454</u>	<u>(5,133,681)</u>	<u>3,537,547</u>	<u>8,671,228</u>
OTHER FINANCING SOURCES (USES):				
Sale of Capital Assets	-	-	47,678	47,678
Operating Transfers				
Capital Projects Fund	(1,471,000)	(5,018,680)	(547,323)	(4,471,357)
Airport Fund	(56,064)	(56,064)	(97,271)	41,207
Solid Waste Fund	(476,262)	(476,262)	(476,262)	-
Parks & Recreation	(100,000)	(100,000)	(100,000)	-
Department of Technology & Communication	(783,504)	(958,504)	(779,864)	(178,640)
Liquor Control Board	109,876	109,876	113,571	3,695
Total Other Financing Sources (Uses)	<u>(2,776,954)</u>	<u>(6,499,634)</u>	<u>(1,839,471)</u>	<u>(4,660,163)</u>
REVENUES (UNDER) OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)				
	<u>(2,562,500)</u>	<u>(11,633,315)</u>	<u>1,698,076</u>	<u>\$ 13,331,391</u>
Fund Balance, Beginning of Year	<u>20,247,159</u>	<u>20,247,159</u>	<u>20,247,159</u>	
FUND BALANCE, End of Year, Budgetary Basis	<u>\$ 17,684,659</u>	<u>\$ 8,613,844</u>	<u>\$ 21,945,235</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 Position

Proprietary Funds

June 30, 2018

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Parks & Recreation Fund</u>	<u>Department of Technology & Communications</u>	<u>Liquor Control Board</u>	<u>Total</u>
ASSETS:							
Current Assets:							
Cash and Cash Equivalents	\$ 100	\$ 1,879,005	\$ 896,880	\$ 580,689	\$ -	\$ 131,118	\$ 3,487,792
Investments	-	3,683,573	-	-	-	-	3,683,573
Due from Other Governments	505	-	53,848	-	-	-	54,353
Other Receivables - Net	7,945	129,562	972,787	107,690	80,239	-	1,298,223
Inventories	51,917	-	1,068,245	-	-	-	1,120,162
Prepaid Expense	1,523	9,248	17,590	10,845	5,442	-	44,648
Total Current Assets	<u>61,990</u>	<u>5,701,388</u>	<u>3,009,350</u>	<u>699,224</u>	<u>85,681</u>	<u>131,118</u>	<u>9,688,751</u>
Noncurrent Restricted Assets:							
Restricted Cash	-	-	1,752,109	-	-	-	1,752,109
Restricted Other Receivables	-	-	144,506	-	-	-	144,506
Total Noncurrent Restricted Assets	<u>-</u>	<u>-</u>	<u>1,896,615</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,896,615</u>
Capital and Other Assets:							
Non-Depreciable Capital Assets	721,522	113,994	13,334,106	9,157,518	-	-	23,327,140
Depreciable Capital Assets, Net of Accumulated Depreciation	11,767,236	3,601,706	40,237,215	10,118,409	179,168	-	65,903,734
Other Receivables	-	-	314,190	-	-	-	314,190
Total Capital and Other Assets	<u>12,488,758</u>	<u>3,715,700</u>	<u>53,885,511</u>	<u>19,275,927</u>	<u>179,168</u>	<u>-</u>	<u>89,230,874</u>
TOTAL ASSETS	<u>12,550,748</u>	<u>9,417,088</u>	<u>58,791,476</u>	<u>19,975,151</u>	<u>264,849</u>	<u>131,118</u>	<u>101,130,430</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>6,099</u>	<u>26,085</u>	<u>126,368</u>	<u>-</u>	<u>22,628</u>	<u>-</u>	<u>181,180</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 12,556,847</u>	<u>\$ 9,443,173</u>	<u>\$ 58,917,844</u>	<u>\$ 19,975,151</u>	<u>\$ 287,477</u>	<u>\$ 131,118</u>	<u>\$ 101,311,610</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 Position

Proprietary Funds

June 30, 2018

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Parks & Recreation Fund</u>	<u>Department of Technology & Communications</u>	<u>Liquor Control Board</u>	<u>Total</u>
LIABILITIES:							
Current Liabilities:							
Accounts Payable and Accrued Expenses	\$ 4,407	\$ 75,805	\$ 606,395	\$ 99,134	\$ 33,702	\$ 958	\$ 820,401
Bonds and Loans Payable - Current Portion	-	-	8,159,055	-	-	-	8,159,055
Compensated Absences - Current Portion	-	-	19,738	-	-	-	19,738
Closure/Postclosure Liabilities - Current Portion	-	25,000	-	-	-	-	25,000
Due to Other Governments	-	-	126,578	-	-	-	126,578
Due to Primary Government	-	-	-	694,060	-	-	694,060
Unearned Revenue	5,855	-	-	4,043	-	130,160	140,058
Total Current Liabilities	<u>10,262</u>	<u>100,805</u>	<u>8,911,766</u>	<u>797,237</u>	<u>33,702</u>	<u>131,118</u>	<u>9,984,890</u>
Noncurrent Liabilities:							
Bonds and Loans Payable	-	-	23,742,590	3,092,615	-	-	26,835,205
Compensated Absences	28,967	182,127	321,217	-	48,856	-	581,167
Net Pension Liability	72,810	327,612	1,378,612	-	250,295	-	2,029,329
Closure/Postclosure Liabilities	-	3,825,404	-	-	-	-	3,825,404
Total Noncurrent Liabilities	<u>101,777</u>	<u>4,335,143</u>	<u>25,442,419</u>	<u>3,092,615</u>	<u>299,151</u>	<u>-</u>	<u>33,271,105</u>
TOTAL LIABILITIES	<u>112,039</u>	<u>4,435,948</u>	<u>34,354,185</u>	<u>3,889,852</u>	<u>332,853</u>	<u>131,118</u>	<u>43,255,995</u>
DEFERRED INFLOWS OF RESOURCES	<u>2,541</u>	<u>14,923</u>	<u>54,460</u>	<u>-</u>	<u>10,138</u>	<u>-</u>	<u>82,062</u>
NET POSITION							
Net Investment in Capital Assets	12,488,758	3,715,700	21,771,024	16,358,312	179,168	-	54,512,962
Unrestricted Net Position	(46,491)	1,276,602	2,738,175	(273,013)	(234,682)	-	3,460,591
Total Net Position	<u>12,442,267</u>	<u>4,992,302</u>	<u>24,509,199</u>	<u>16,085,299</u>	<u>(55,514)</u>	<u>-</u>	<u>57,973,553</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 12,556,847</u>	<u>\$ 9,443,173</u>	<u>\$ 58,917,844</u>	<u>\$ 19,975,151</u>	<u>\$ 287,477</u>	<u>\$ 131,118</u>	<u>\$ 101,311,610</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, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2018

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Parks & Recreation Fund	Department of Technology & Communications	Liquor Control Board	Total
OPERATING REVENUES:							
Charges for Services	\$ 202,235	\$ 1,394,735	\$ 4,693,956	\$ 457,773	\$ 262,044	\$ 129,257	\$ 7,140,000
Other	389	45,797	568,654	22,959	-	-	637,799
Total Operating Revenues	<u>202,624</u>	<u>1,440,532</u>	<u>5,262,610</u>	<u>480,732</u>	<u>262,044</u>	<u>129,257</u>	<u>7,777,799</u>
OPERATING EXPENSES:							
Salaries	92,591	725,948	1,658,019	-	272,642	7,520	2,756,720
Fringe Benefits	29,673	264,647	808,980	-	112,347	575	1,216,222
Maintenance and Repairs	23,775	55,478	607,645	39,644	61,549	-	788,091
Supplies	90,321	77,499	562,471	9,329	-	-	739,620
Utilities	11,192	153,065	611,433	150,685	31,836	-	958,211
Transportation	1,952	-	126,754	-	9,765	-	138,471
Contracted Services	3,371	259,158	207,239	245,156	4,748	-	719,672
Insurance	2,884	15,105	18,645	29,489	-	-	66,123
Direct Administration	-	-	35,450	4,968	-	7,591	48,009
Indirect Administration	-	-	242,516	21,849	-	-	264,365
Depreciation Expense	268,317	358,470	2,287,188	381,444	154,696	-	3,450,115
Amortization - Other	-	239,317	-	-	-	-	239,317
Bad Debt Expense	-	-	590	-	-	-	590
Other	21,629	91,201	-	-	544,725	-	657,555
Total Operating Expenses	<u>545,705</u>	<u>2,239,888</u>	<u>7,166,930</u>	<u>882,564</u>	<u>1,192,308</u>	<u>15,686</u>	<u>12,043,081</u>
NET OPERATING LOSS	<u>(343,081)</u>	<u>(799,356)</u>	<u>(1,904,320)</u>	<u>(401,832)</u>	<u>(930,264)</u>	<u>113,571</u>	<u>(4,265,282)</u>
NON-OPERATING REVENUES (EXPENSES):							
Tap Fees - Capital Revenue	-	-	560,590	-	-	-	560,590
Investment Income	-	(1,931)	90,382	-	-	-	88,451
Ad Valorem Tax	-	-	2,567,258	-	-	-	2,567,258
Gain on Sale of Assets	-	36,849	29,227	7,175	-	-	73,251
Interest Expense	-	-	(959,130)	-	-	-	(959,130)
Net Other Revenues (Expenses)	<u>-</u>	<u>34,918</u>	<u>2,288,327</u>	<u>7,175</u>	<u>-</u>	<u>-</u>	<u>2,330,420</u>
(LOSS) INCOME BEFORE CAPITAL CONTRIBUTIONS/TRANSFERS	<u>\$ (343,081)</u>	<u>\$ (764,438)</u>	<u>\$ 384,007</u>	<u>\$ (394,657)</u>	<u>\$ (930,264)</u>	<u>\$ 113,571</u>	<u>\$ (1,934,862)</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, Expenses and Changes in Net Position
Proprietary Funds (Continued)
Year Ended June 30, 2018

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Parks & Recreation Fund</u>	<u>Department of Technology & Communications</u>	<u>Liquor Control Board</u>	<u>Total</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS/TRANSFERS							
Balances Brought Forward	\$ (343,081)	\$ (764,438)	\$ 384,007	\$ (394,657)	\$ (930,264)	\$ 113,571	\$ (1,934,862)
CAPITAL CONTRIBUTIONS/TRANSFERS							
Capital Contributions from							
State	1,898	-	-	-	-	-	1,898
Federal	34,170	-	297,635	-	-	-	331,805
Primary Government	1,898	69,666	101,745	-	8,800	-	182,109
Transfers from Primary Government	95,373	406,596	-	100,000	771,064	(113,571)	1,259,462
NET CHANGE IN NET POSITION	(209,742)	(288,176)	783,387	(294,657)	(150,400)	-	(159,588)
NET POSITION - BEGINNING OF YEAR	12,652,009	5,280,478	23,725,812	16,379,956	94,886	-	58,133,141
NET POSITION - END OF YEAR	<u>\$ 12,442,267</u>	<u>\$ 4,992,302</u>	<u>\$ 24,509,199</u>	<u>\$ 16,085,299</u>	<u>\$ (55,514)</u>	<u>\$ -</u>	<u>\$ 57,973,553</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
Proprietary Funds
Year Ended June 30, 2018

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Parks & Recreation Fund	Department of Technology & Communications	Liquor Control Board	Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Cash Received from Customers	\$ 206,805	\$ 1,420,212	\$ 5,191,707	\$ 481,618	\$ 234,361	\$ 130,272	\$ 7,534,703
Cash Paid to Suppliers	(182,938)	(691,622)	(2,366,120)	(508,147)	(642,475)	(7,591)	(4,391,302)
Cash Paid to Employees and for Employee Benefits	(118,639)	(924,861)	(2,471,261)	(6,329)	(370,413)	(7,270)	(3,891,503)
Net Cash (Used In)/Provided By Operating Activities	(94,772)	(196,271)	354,326	(32,858)	(778,527)	115,411	(748,102)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:							
Transfer from (to) Primary Government	95,373	406,596	101,745	100,000	771,064	(113,571)	1,474,778
Increase (Decrease) in Amounts Due to General Fund	(56,716)	-	-	506,155	-	-	449,439
Decrease (Increase) in Amounts Due from General Fund	-	1,795,522	61,854	-	7,463	129,278	1,864,839
Net Cash Provided By Non-Capital Financing Activities	38,657	2,202,118	163,599	606,155	778,527	15,707	3,789,056
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Capital Contributions	94,082	69,666	276,817	-	8,800	-	449,365
Proceeds from Tap Fees	-	-	560,590	-	-	-	560,590
Ad Valorem Taxes and Other Assessments Collected	-	-	2,605,079	-	-	-	2,605,079
Payment of Expenses Related to Landfill Closure	-	(21,881)	-	-	-	-	(21,881)
Acquisition and Construction of Capital Assets	(37,967)	(69,669)	(2,398,030)	-	(8,800)	-	(2,514,466)
Proceeds from Sale of Capital Assets	-	37,250	29,225	7,175	-	-	73,650
Proceeds from Long-Term Debt	-	-	1,426,888	-	-	-	1,426,888
Principal Paid on Long-Term Debt	-	-	(1,453,669)	-	-	-	(1,453,669)
Interest Paid on Long-Term Debt	-	-	(950,661)	-	-	-	(950,661)
Net Cash Provided By Capital and Related Financing Activities	\$ 56,115	\$ 15,366	\$ 96,239	\$ 7,175	\$ -	\$ -	\$ 174,895

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 (Continued)
Year Ended June 30, 2018

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Parks & Recreation Fund</u>	<u>Department of Technology & Communications</u>	<u>Liquor Control Board</u>	<u>Total</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Investment Income/(Loss)	\$ -	\$ (1,931)	\$ 90,382	\$ -	\$ -	\$ -	\$ 88,451
Government & Agency Bonds	-	(150,577)	-	-	-	-	(150,577)
Net Cash (Used In)/Provided By Investing Activities	<u>-</u>	<u>(152,508)</u>	<u>90,382</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(62,126)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	-	1,868,705	704,546	580,472	-	131,118	3,284,841
Cash and Cash Equivalents, Beginning of Year	100	10,300	1,944,443	217	-	-	1,955,060
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 100</u>	<u>\$ 1,879,005</u>	<u>\$ 2,648,989</u>	<u>\$ 580,689</u>	<u>\$ -</u>	<u>\$ 131,118</u>	<u>\$ 5,239,901</u>
Reconciliation of Operating Income (Loss) To Cash (Used In)/Provided By Operating Activities							
Operating Income (Loss)	(343,081)	(799,356)	(1,904,320)	(401,832)	(930,264)	113,571	(4,378,853)
Adjustments to Reconcile Operating Income (Loss) to Net Cash (Used In)/Provided By Operating Activities:							
Depreciation and Amortization	268,317	597,787	2,287,188	381,444	154,696	-	3,689,432
Decrease in Deferred Outflows of Resources	1,623	10,106	30,431	-	5,752	-	47,912
(Decrease) in Deferred Inflows of Resources	(899)	(5,597)	(16,855)	-	(3,186)	-	(26,537)
(Increase) Decrease in assets:							
Due from other governments	-	-	-	-	-	-	-
Accounts receivable	4,446	(20,320)	(70,903)	1,252	(27,683)	-	(113,208)
Inventories	(11,736)	-	51,696	-	-	-	39,960
Prepaid expenses	593	9,249	22,832	(8,232)	(5,442)	-	19,000
Increase (Decrease) in liabilities							
Accounts payable and accrued expenses	(16,212)	(44,123)	(23,622)	(108)	17,254	825	(66,811)
Due to other governments	-	-	296	-	-	-	296
Unearned revenue	(265)	-	-	(366)	-	1,015	(631)
Net pension liability	1,428	8,891	26,774	-	5,061	-	42,154
Compensated absences	1,014	47,092	(49,191)	(5,016)	5,285	-	(816)
Net Cash (Used In)/Provided By Operating Activities	<u>\$ (94,772)</u>	<u>\$ (196,271)</u>	<u>\$ 354,326</u>	<u>\$ (32,858)</u>	<u>\$ (778,527)</u>	<u>\$ 115,411</u>	<u>\$ (748,102)</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 Position

Fiduciary Funds

June 30, 2018

	<u>Benefit Plan Trust Funds</u>
ASSETS	
Cash and Cash Equivalents	2,733,944
Investments:	
Certificates of Deposit	49,569
Fixed Income Securities	11,557,493
Mutual Funds	12,262,230
Equity Securities	11,734,463
Total Investments	<u>35,603,755</u>
Interest Receivable	<u>148,497</u>
TOTAL ASSETS	38,486,196
LIABILITIES	<u>-</u>
NET POSITION	
Held in Trust for Retirement Benefits and OPEB	<u>\$ 38,486,196</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 Position

Fiduciary Funds

Year Ended June 30, 2018

	<u>Benefit Plan Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	2,163,813
Plan Members	601,294
Total Contributions	<u>2,765,107</u>
Investment Earnings:	
Realized Net Gains on Investments	2,115,763
Interest and Dividends	942,775
Net Decrease in Fair Value of Investments	(561,997)
Investment Activity Expense	<u>(129,573)</u>
Total Net Investment Earnings	<u>2,366,968</u>
Total Additions	<u>5,132,075</u>
DEDUCTIONS	
Benefits	3,319,292
Administrative	<u>26,675</u>
Total Deductions	<u>3,345,967</u>
Change In Net Position	1,786,108
Net Position - Beginning of Year	<u>36,700,088</u>
Net Position - End of Year	<u><u>\$ 38,486,196</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, 2018**

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.

On April 11, 2012, the Board of County Commissioners assumed all operating and managerial control of the Adventure Sports Center, Inc., (ASC, Inc.) and its wholly owned subsidiary LLCs. On that date, the Board of County Commissioners replaced ASC, Inc.'s existing board of directors and was vested with all executive powers and governance responsibilities. ASC, Inc. is a not-for-profit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization's main source of revenue is from rafting program service fees on its manmade white water course. The County Parks & Recreation Fund is used to account for the activities of ASC, Inc. which 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 ASC, Inc. and management of the County have operational responsibility for the activities of ASC, Inc. The Parks & Recreation Fund is reported in the accompanying financial statements as an enterprise fund.

The Garrett County Board of License Commissioners also known as the Liquor Control Board was established under Article 2B of the Alcoholic Beverage Laws of the State of Maryland, and is empowered to administer the provisions of the Alcoholic Beverage Laws applicable to Garrett County. The three-member Board is appointed by the Governor. The Liquor Control Board is reported as a blended component unit within the accompanying financial statements by virtue of the fact that the Board provides services almost exclusively for the benefit of the Garrett County Commissioners. The Liquor Control Board is reported in the accompanying financial statements as an enterprise fund.

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

**Notes to Financial Statements
June 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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 and is therefore fiscally dependent on the County Commissioners to fund its operating and capital budgets.

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 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 Foundation also owns a student residence hall providing student housing to students in attendance at Garrett College. 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

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

**Notes to Financial Statements
June 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements – The government-wide financial statements (i.e. the statement of net position 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 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.

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

**Notes to Financial Statements
June 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 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 and the payment of, general obligation debt principal and interest on the Garrett County Memorial Hospital Bonds, Series 2004, 2007, 2014 & 2015. The proceeds were loaned to Garrett Regional Medical Center 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. provides water treatment and distribution services, sewage collection, and treatment services throughout the County. The District is reported as a blended component unit within the accompanying financial statements.

The Parks & Recreation Fund provides adventure sport and other recreational activities and related services. The Parks & Recreation Fund is used to operate and account for ASC, Inc., a blended component unit.

The Department of Technology & Communications provides technology and communication services for commercial use. This fund accounts for the operations of the County's technology and communication services.

The Liquor Control Board is responsible for issuing alcoholic beverage licenses at the retail level and enforcement of State and local laws, rules, and regulations governing retail sales.

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

**Notes to Financial Statements
June 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 as non-major governmental funds. The special revenue funds are used to account for HUD, Public Safety, Commissary, Law Library & Keyzers Ridge proceeds, all of which are legally or otherwise restricted to expenditures for specified purposes. HUD revenue is restricted federal grant revenue restricted by HUD for community development and public housing projects. The Public Safety revenue arises from the seizure and forfeiture of assets relating to narcotics investigations. These funds are required by the State's Attorney to be expended for the Narcotics Task Force. Public Safety revenue also includes an annual grant for the local volunteer fire and rescue squads. Commissary revenue arises from the operation of the inmate commissary. The Maryland Code requires that all profit from the commissary be used for goods or services that benefit the general inmate population. The Law Library derives revenue from appearance fees. This revenue is required by the Maryland Code to be used for the maintenance of a Law Library. Revenue generated from investment earnings and renting and leasing of the Keyzers Ridge Business Park is to be remitted to the Maryland Department of Commerce in return for their investment in the business park.

The *Garrett County Government Personnel Retirement Trust Fund*, the *Garrett County Law Enforcement Employee Retirement Trust Fund*, the *Volunteer Length of Service Award Trust Fund* and the *Garrett County Other Post Employment Benefit Trust Fund* are fiduciary fund types used to accumulate resources for retirement benefit payments to qualified County employees and volunteer fire and rescue personnel.

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.

Amounts reported as program revenue include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

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, Garrett County Sanitary District, the Parks & Recreation, the Department of Technology & Communications, and the Liquor Control Board enterprise funds are charges to customers for sales and services.

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

**Notes to Financial Statements
June 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Sanitary 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 Deferred Inflows/Outflows of Resources

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, repurchase agreements, and the Maryland Local Government Investment Pool) with original maturities of three months or less when purchased.

Investments – Primary Government 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.

Fiduciary fund investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

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 \$50,000 as of June 30, 2018. The allowance for doubtful accounts recorded by the Garrett County Sanitary District, Inc. and netted against other receivables was \$10,344 as of June 30, 2018.

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

**Notes to Financial Statements
June 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Deferred Inflows/Outflows of Resources (Continued)

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. All 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 \$1,119,864 which represents general fund cash balances from self-funded health insurance and special revenue funds' cash balances related to Keyzers Ridge Business Park operations and Public Safety operations. This column also includes restricted investments of \$2,082,994, which represents general fund investment balances related to self-funded health insurance.

Restricted receivables of \$15,218,728 reflect amounts owed by Garrett Regional Medical Center to the County under loan agreements related to Garrett County Memorial Hospital 2004, 2007, 2014 and 2015 Bonds. Amounts receivable are to be collected through June 30, 2037.

Restricted assets attributable to the Garrett County Sanitary District, Inc. of \$1,896,615 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. The government defines capital assets 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

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

**Notes to Financial Statements
June 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Deferred Inflows/Outflows of Resources (Continued)

historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of the donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Business-type activities follow the policy of capitalizing interest as a component of the cost of capital assets constructed for its own use.

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:

Assets	Years
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

Deferred Inflows/Outflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has four items that qualify for reporting in this category. At June 30, 2018, deferred outflows consisted of pension plan contributions paid in the current fiscal year subsequent to the measurement date, which will be recognized as a reduction of net pension liabilities in the year ending June 30, 2019. Additionally, deferred outflows at June 30, 2018 consisted of differences between actual and expected experience, changes in OPEB and pension plan actuarial assumptions and differences in the projected and actual investment earnings related to the determination of the net OPEB and pension plan liability that are being amortized over periods ranging from five to nineteen years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has four types of items which qualify for reporting in this category. The first item, unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

**Notes to Financial Statements
June 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Deferred Inflows/Outflows of Resources (Continued)

Additionally, deferred inflows at June 30, 2018 consisted of differences between actual and expected experience, changes in OPEB and pension plan actuarial assumptions and differences in the projected and actual investment earnings related to the determination of the net OPEB and pension plan liability that are being amortized over periods ranging from five to seventeen years.

Unearned Revenues - Unearned revenues as reported only in the governmental funds financial statements include amounts advanced to Garrett County Regional Medical Center 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. Unearned revenues as reported in the government-wide and governmental funds financial statements include \$863,387 in One Maryland funds received for Keyser's Ridge Infrastructure. These funds had not been spent on the project as of year-end. Unearned revenues also consist of taxes and fees that were prepaid to the County for future tax year levies of \$824,564 and expenditure driven grants of \$502,039, where the cash has been received, but the qualifying expenditures have not been incurred.

Compensated Absences - Permanent full-time employees of the Primary Government and its component units are granted vacation benefits in varying amounts. Sick leave, holiday leave and compensatory leave accrue to permanent full-time employees up to specified maximums. After six months of service, employees of the Primary Government are entitled to carry over sick leave, compensatory leave, holiday and banked vacation leave up to specified amounts to be used in subsequent years. Accrued vacation, holiday leave, sick leave, and compensatory leave vest in accordance with County policies and are payable when the employee separates from service with the County. 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 estate. 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 (amounts owed to employees who have officially tendered their resignation or retirement notice) of accrued compensated absences 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.

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

**Notes to Financial Statements
June 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Deferred Inflows/Outflows of Resources (Continued)

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 position. In the fund financial statements, governmental funds report the face amount of the debt issued as other financing sources. Bond and other loan issuance costs are recognized as an expense in the period incurred in both the fund and government-wide financial statements.

E. Net Position/Fund Balance Classifications

In the government-wide financial statements, net position is classified into the following components: net investment in capital assets; other restricted funds; and unrestricted net position. Net investment in capital assets, 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. Other restricted funds consist of net position 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 position consists of all other net position not included in the above categories.

In the funds financial statements, fund equity is classified as net position/fund balance. Proprietary fund net position is classified the same as in the government-wide statements. The County classifies governmental fund balances as follows:

Non-spendable Fund Balance - Amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted Fund Balance - Amounts constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - Amounts constrained for a specific purpose by the governing body using its highest level of decision making authority. These constraints can only be removed or changed by the same governing body using its decision making authority to reverse a decision. Actions to constrain resources should occur prior to the end of a fiscal year, although the exact amount may be determined subsequent to year-end. The County had no committed fund balance as of June 30, 2018.

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

**Notes to Financial Statements
June 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Net Position/Fund Balance Classifications (Continued)

Assigned Fund Balance - Amounts intended to be used for a specific purpose. This intent is expressed by the governing body or another body such as the budget/finance committee or other approved individual designee of the governing body. This classification includes residual amounts for all governmental funds other than the general fund not otherwise classified as nonspendable, restricted, or committed. Amounts reported as assigned should not result in a deficit in unassigned fund balance within a fund.

The Board of Garrett County Commissioners (Board) is the governing body with the highest level of decision-making authority relative to Garrett County Government's fund balances. The Board through formal action is the only body that can commit fund balance. This action must be in the form of a Board Resolution approved and documented within the minutes of the Board meetings. Once established, only the Board may modify or rescind a fund balance commitment. Modification or rescission can only occur with an additional approved Board Resolution to act upon the modification or rescission.

The elected Board has delegated to the County Administrator and the Director of Finance the authority to assign fund balance subject to Board review and approval.

It is the Board's policy to first use restricted fund balances for expenses incurred for which both restricted and unrestricted fund balances are available unless a local match is required. Where a local match is required, the expense is allocated to restricted and unrestricted fund balances based on the required match percentages. In the event that expenditures are made from multiple unrestricted fund balance classifications, the order of fund spending is as follows: Committed, Assigned, and Unassigned.

The Board's minimum fund balance policy with respect to unrestricted General Fund balance (unrestricted equals the combination of committed, assigned and unassigned) is that it be maintained at a level which, at a minimum, equals 5% of General Fund operating revenues in order to protect the financial stability of Garrett County Government, to provide sufficient liquidity required for daily operations and to address unplanned needs. In the event the Unrestricted General Fund balance falls below a level of 2% of the budgeted General Fund regular operating revenues, the funds will be replenished from revenues in the General Fund within two years to a level equal to at least 5% of the budgeted General Fund regular operating revenues. Conditions that are considered an emergency or contingency, are within the sole discretion of the Board of County Commissioners of Garrett County, Maryland.

Administrative staff review the minimum fund balance policy every year to assure that it is appropriate and is meeting all the stated objectives. If there are any changes to the policy objectives, or substantial changes in revenues or expenditures, this policy may only be modified by the Board of County Commissioners of Garrett County, Maryland.

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

**Notes to Financial Statements
June 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Net Position Flow Assumptions

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County’s policy to consider restricted net position to have been depleted before unrestricted – net position is applied.

G. Fund Balance Flow Assumptions

Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) 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.

I. 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, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Budgets and Budgetary Accounting (Continued)

The annual budget is adopted on a basis consistent with 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, 2017, by the County Commissioners and as finally amended.

J. Retirement Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maryland State Retirement and Pension System - Employees Retirement and Pension System (ERPS) and additions to/deductions from ERPS's fiduciary net position have been determined on the same basis as they are reported by ERPS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

There are two employee retirement plans for County employees. The County plans cover all full-time employees other than those employed prior to July 1, 2005, who elected to retain membership in the Maryland State Retirement System. The assets of the County plans are held by a trustee.

K. Postemployment Benefits Other Than Pensions

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Garrett County Employees Health Care Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. New Governmental Accounting Standards Board (GASB) Standard

The County has adopted the provisions of Governmental Accounting Standard Board (GASB) issued Statement No. 75, entitled Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

GASB has also issued Statement No. 83, entitled, Certain Asset Retirement Obligations; and Statement No. 84 entitled, Fiduciary Activities. Statement No. 87 entitled Leases, Statement No. 88 entitled Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements and Statement No. 89 entitled Accounting for Interest Cost Incurred before the End of a Construction Period. The County will be evaluating the effects of these pronouncements on its financial statements and plans to adopt them as applicable by their effective date.

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

**Notes to Financial Statements
June 30, 2018**

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, 2018 to the statement of net position:

	Governmental Activities	Business-Type Activities	Primary Government	Fiduciary Funds
Cash and Cash Equivalents	\$ 11,898,790	\$ 3,487,792	\$ 15,386,582	\$ -
Restricted Cash	1,119,864	1,752,109	2,871,973	2,733,944
Investments	5,414,354	3,683,573	9,097,927	-
Restricted Investments	2,082,994	-	2,082,994	35,603,755
Total	<u>\$ 20,516,002</u>	<u>\$ 8,923,474</u>	<u>\$ 29,439,476</u>	<u>\$ 38,337,699</u>

Deposit and Investment Summary

	Governmental Activities	Business-Type Activities	Primary Government	Fiduciary Funds
Deposits	\$ 13,016,754	\$ 5,239,151	\$ 18,255,905	\$ 2,733,944
Certificates of Deposit	3,552,355	-	3,552,355	49,569
Bonds	-	-	-	4,009,303
U.S. Government Obligations	3,868,690	3,683,573	7,552,263	-
Fixed Income Securities	76,303	-	76,303	7,548,190
Mutual Funds	-	-	-	12,262,230
Equity Securities	-	-	-	11,734,463
Cash on Hand	1,900	750	2,650	-
Total	<u>\$ 20,516,002</u>	<u>\$ 8,923,474</u>	<u>\$ 29,439,476</u>	<u>\$ 38,337,699</u>

Deposits

At year end, the carrying amount of the Primary Government's deposits including certificates of deposit was \$21,808,260 and the bank balance of collected funds was \$24,063,036. Of the bank balance \$2,793,416 was insured by the Federal Deposit Insurance Corporation (FDIC), \$21,269,620 was collateralized by securities held by the County's agent in the County's name.

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, 2018 was \$29,344,570.

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

**Notes to Financial Statements
June 30, 2018**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Deposits (Continued)

The Government Personnel Retirement Plan, Law Enforcement Employee Retirement Plan, Volunteer Length of Service Award Plan and OPEB Plan (Fiduciary Funds) had combined deposits including certificates of deposit of \$2,783,513 at June 30, 2018. Of those deposits \$2,783,513 were insured by the FDIC. 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'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 exceeding three years in the instance that such investments are made with maturity dates coinciding with the expected need for the related funds.

To reduce concentration of credit risk, the County seeks to maintain a balanced portfolio by issuer or financial institution or class of security. All of the County's investments representing greater than five percent of the County's portfolio are invested in investments issued by or explicitly guaranteed by the U.S. Government as of June 30, 2018.

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:

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

**Notes to Financial Statements
June 30, 2018**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments (Continued)

<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%

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 \$35,554,186 at June 30, 2018, 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 Poor’s. 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. Fiduciary Fund mutual fund investments include bond mutual funds all of which were unrated as of June 30, 2018. Fiduciary Fund investment policies do not place limits on investment managers with respect to the duration of their investments.

The investments of the Primary Government and Fiduciary Funds included debt securities having the following ratings as of June 30, 2018:

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

**Notes to Financial Statements
June 30, 2018**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments (Continued)

<u>Security Ratings</u>	<u>Primary Government 6/30/18</u>	<u>Fiduciary Funds 6/30/18</u>
AAA	\$ -	\$ 938,101
AA1	-	1,083,620
AA2	-	1,297,599
AA3	76,303	103,655
A1	-	1,006,292
A2	-	853,337
A3	-	1,097,593
BAA1	-	1,882,179
BAA2	-	2,428,488
BAA3	-	295,361
Not Rated	-	571,268
Total Market Value	\$ 76,303	\$ 11,557,493

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>Primary Government 6/30/18</u>
2019	0.45%-2.20%	\$ 4,051,824
2027	2.00%	171,406
2030	4.00%	76,303
2031	1.75%-2.50%	6,642,083
2032	2.50%	239,305
	Total Market Value	\$ 11,180,921

<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Fiduciary Funds 6/30/18</u>
2019	0.00%-6.00%	\$ 637,828
2020	2.00%-5.55%	599,295
2021	3.375%-4.40%	459,443
2022	2.05%-5.25%	1,368,029
2023	2.40%-6.20%	673,936
2024-2028	3.00%-7.15%	5,245,877
2029-2033	3.35%-7.15%	2,125,433
2034-2038	2.45%-6.00%	497,221
	Total Market Value	\$ 11,607,062

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

**Notes to Financial Statements
June 30, 2018**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments (Continued)

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. U. S. Government Obligations and Fixed Income Securities are valued by the County’s pricing agent using either quotes from current buyers or by referencing similar transactions that occurred near the measurement date.

	<u>June 30, 2018</u>	<u>Fair Value Measurement Using</u>	
		<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Market Inputs (Level 2)</u>
Primary Government			
U.S. Government Obligations	\$ 7,552,263	\$ -	\$ 7,552,263
Fixed Income Securities	76,303	-	76,303
Total	<u>\$ 7,628,566</u>	<u>\$ -</u>	<u>\$ 7,628,566</u>
Fiduciary Funds			
Bonds	\$ 4,009,303	\$ -	\$ 4,009,303
Fixed Income Securities	7,548,190	-	7,548,190
Mutual Funds	12,262,230	12,262,230	-
Equity Securities	11,734,463	11,734,463	-
Total	<u>\$ 35,554,186</u>	<u>\$ 23,996,693</u>	<u>\$ 11,557,493</u>

NOTE 3 – NOTES RECEIVABLE

During the year ended June 30, 2012, the County sold certain real property located in the Southern Garrett Business and Industrial Park to GCC Technologies, LLC in exchange for a note receivable in the original amount of \$1,150,000. The note receivable is payable to the County in 360 equal installments of \$4,848 each, including principal and interest calculated at 3% per annum. Under the terms of the note, interest incurred during the first six and one-half years of the note will be forgiven if the borrower achieves certain new jobs creation targets. The principal balance of the note was \$1,001,584 as of June 30, 2018 and is reported in the general fund and government-wide financial statements.

The interest payments received from the borrower totaled \$186,127 through June 30, 2018 and are reported as unearned revenue in both the general fund and government-wide financial statements.

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

**Notes to Financial Statements
June 30, 2018**

NOTE 4 – DEBT SERVICE FUND

The County issued Garrett County Memorial Hospital Bonds, Series 2004, 2007, 2014, and 2015 in the amounts of \$1,400,000, \$3,000,000, \$10,000,000 and \$5,000,000, 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. The 2014 and 2015 Bonds were used for hospital expansion projects. 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. Terms of the Series 2014 \$10,000,000 loan include annual principal payments of \$400,000 and semi-annual interest payments at the rate of 3.53% (fixed rate for 15 years) and having a maturity date of September 15, 2029 at which point a balloon payment of \$3,599,999 is due. Terms of the Series 2015 \$5,000,000 loan include annual principal payments of \$200,000 and semi-annual interest payments at the rate of 3.53% (fixed rate for 15 years) and having a maturity date of December 23, 2030 at which point a balloon payment of \$1,933,290 is due.

The funds disbursed to the Hospital from the Garrett County Memorial Hospital Bonds, Series 2004, 2007, 2014 and 2015 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 in the governmental funds and long-term debt in the government-wide statements. Payments made by the Hospital to conform with the various loan agreements are being recognized as revenue in the year received in the governmental funds. Debt service payments on the County’s bonded indebtedness are also recognized in the government-wide statement of activities as reducing long-term debt. 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>
2019	\$ 761,684	\$ 529,645	\$ 1,291,329
2020	768,447	501,701	1,270,148
2021	775,494	473,475	1,248,969
2022	782,836	444,953	1,227,789
2023	790,484	416,124	1,206,608
2024-2037	<u>11,339,783</u>	<u>2,265,379</u>	<u>13,605,162</u>
Total	<u>\$ 15,218,728</u>	<u>\$ 4,631,277</u>	<u>\$ 19,850,005</u>

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

**Notes to Financial Statements
June 30, 2018**

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the Primary Government for the fiscal year ended June 30, 2018 was as follows:

	<u>Balance as of June 30, 2017</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance as of June 30, 2018</u>
<u>Governmental Activities</u>				
Capital assets, not depreciated				
Land and easements	\$ 9,739,442	\$ -	\$ -	\$ 9,739,442
Construction in progress	2,164,654	1,263,203	(892,244)	2,535,613
Total capital assets, not depreciated	<u>11,904,096</u>	<u>1,263,203</u>	<u>(892,244)</u>	<u>12,275,055</u>
Capital assets, being depreciated				
Land improvements	3,070,252	-	370,465	3,440,717
Buildings	26,753,433	94,961	(12,700)	26,835,694
Machinery & equipment	3,839,582	113,327	-	3,952,909
Vehicles	17,486,495	798,171	(95,163)	18,189,503
Furniture & equipment	2,520,516	233,079	(34,734)	2,718,861
Infrastructure	90,902,546	3,346,033	(1,049,425)	93,199,154
Total capital assets, being depreciated	<u>144,572,824</u>	<u>4,585,571</u>	<u>(821,557)</u>	<u>148,336,838</u>
Less accumulated depreciation for:				
Land improvements	(198,460)	(20,501)	17,378	(201,583)
Buildings	(13,012,494)	(706,452)	8,149	(13,710,797)
Machinery & equipment	(2,094,718)	(294,677)	-	(2,389,395)
Vehicles	(15,104,619)	(899,347)	95,163	(15,908,803)
Furniture & equipment	(1,507,083)	(195,385)	14,806	(1,687,662)
Infrastructure	(67,277,834)	(2,987,876)	224,905	(70,040,805)
Total accumulated depreciation	<u>(99,195,208)</u>	<u>(5,104,238)</u>	<u>360,401</u>	<u>(103,939,045)</u>
Total capital assets, being depreciated, net	<u>45,377,616</u>	<u>(518,667)</u>	<u>(461,156)</u>	<u>44,397,793</u>
Governmental activities capital assets, net	<u>\$ 57,281,712</u>	<u>\$ 744,536</u>	<u>\$ (1,353,400)</u>	<u>\$ 56,672,848</u>

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

Governmental activities:	
General Government	\$ 54,008
Public Works	3,594,919
Public Safety	537,180
Economic Development	463,508
Unallocated	454,623
Total depreciation expense - governmental activities	<u>\$ 5,104,238</u>

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

**Notes to Financial Statements
June 30, 2018**

NOTE 5 – CAPITAL ASSETS (Continued)

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance June 30, 2018</u>
<u>Business-type activities</u>				
Capital assets, not depreciated				
Land and easements	\$ 3,243,738	\$ -	\$ -	\$ 3,243,738
Construction in progress	10,468,783	1,905,954	(188,853)	12,185,884
Land improvements	7,897,518	-	-	7,897,518
Total capital assets, not depreciated	<u>21,610,039</u>	<u>1,905,954</u>	<u>(188,853)</u>	<u>23,327,140</u>
Capital assets, being depreciated				
Land improvements	20,234,965	56,700	188,853	20,480,518
Buildings	4,962,597	-	(6,699)	4,955,898
Machinery & equipment	5,317,984	397,152	(161,748)	5,553,388
Vehicles	2,099,619	33,094	(197,382)	1,935,331
Infrastructure	18,753,628	-	-	18,753,628
Furniture & equipment	221,745	-	(18,624)	203,121
Water & Sewer facilities	103,922,957	6,000	(13,726)	103,915,231
Total capital assets, being depreciated	<u>155,513,495</u>	<u>492,946</u>	<u>(209,326)</u>	<u>155,797,115</u>
Less accumulated depreciation for:				
Land improvements	(10,131,324)	(230,610)	-	(10,361,934)
Buildings	(1,237,438)	(125,737)	6,699	(1,356,476)
Machinery & equipment	(3,933,037)	(496,065)	161,748	(4,267,354)
Vehicles	(1,888,107)	(17,275)	196,981	(1,708,401)
Infrastructure	(7,021,547)	(471,166)	-	(7,492,713)
Furniture & equipment	(202,166)	(3,845)	18,624	(187,387)
Water & Sewer facilities	(62,427,429)	(2,105,417)	13,730	(64,519,116)
Total accumulated depreciation	<u>(86,841,048)</u>	<u>(3,450,115)</u>	<u>397,782</u>	<u>(89,893,381)</u>
Total capital assets, being depreciated, net	<u>68,672,447</u>	<u>(2,957,169)</u>	<u>188,456</u>	<u>65,903,734</u>
Business-type activities capital assets, net	<u>\$ 90,282,486</u>	<u>\$ (1,051,215)</u>	<u>\$ (397)</u>	<u>\$ 89,230,874</u>

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

Business-type activities	
Airport	\$ 268,317
Solid Waste	358,470
Sanitary District	2,287,188
Parks & Recreation	381,444
Department of Technology & Communications	154,696
Total depreciation expense - business-type activities	<u>\$ 3,450,115</u>

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

**Notes to Financial Statements
June 30, 2018**

NOTE 5 – 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, 2018</u>	<u>Remaining Commitment</u>
<u>Governmental Activities</u>			
Public Works	\$ 13,424,178	\$ 1,710,570	\$ 11,713,608
Public Safety	1,350,000	232,253	1,117,747
General Government	778,400	592,790	185,610
Total governmental activities	<u>\$ 15,552,578</u>	<u>\$ 2,535,613</u>	<u>\$ 13,016,965</u>
<u>Business-type Activities</u>			
Keyzers Ridge Water & Sewer	\$ 1,444,384	\$ 554,411	\$ 889,973
McHenry Water	1,750,000	159,493	1,590,507
Bloomington Water	1,800,000	616,168	1,183,832
Friendsville Sewer	960,000	50,216	909,784
Deep Creek Lake Collection & Conveyance	11,600,000	10,608,305	991,695
Thayerville / McHenry Connection	1,500,000	55,070	1,444,930
Other Garrett County Sanitary District Projects	142,221	142,221	-
Total business-type activities	<u>\$ 19,196,605</u>	<u>\$ 12,185,884</u>	<u>\$ 7,010,721</u>

NOTE 6 – INTERNAL AND INTERFUND BALANCES AND ACTIVITY

Interfund transfers between the General Fund and the Capital Projects Fund of \$547,323 represent funding for construction projects. Interfund transfers between the General Fund and the Airport Fund of an operating subsidy of \$95,373 and funding for construction projects in the amount of \$1,898. Interfund transfers between the General Fund and the Solid Waste Fund are comprised of an operating subsidy of \$406,596 and funding for construction projects in the amount of \$69,666. Interfund transfers between the Capital Projects Fund and the Garrett County Sanitary District, Inc. are comprised of funding for construction projects in the amount of \$101,745. Interfund transfers between the General Fund and the Parks & Recreation Fund of \$100,000 for a debt repayment subsidy. Interfund transfers between the General Fund and the Department of Technology and Communications are comprised of an operating subsidy amount of \$771,064 and capital contributions of \$8,800. Interfund transfers between the Liquor Control Board and the General Fund totaled \$113,571, representing the net income of the Liquor Control Board.

Interfund balances between the General Fund and the proprietary funds are comprised of amounts due from the Parks & Recreation Fund for other financing on their behalf. Interfund receivables and payables between the Primary Government and its component units for the year ended June 30, 2018, consisted of \$174,158 due to the Board of Education, and \$182,704 due to Garrett College and \$16,461 due from the Public Library.

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

**Notes to Financial Statements
June 30, 2018**

NOTE 7 – LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions for the fiscal year ended June 30, 2018:

	Balance June 30, 2017	Additions	Principal Repayments & Other Reductions	Balance June 30, 2018	Due Within One Year
Governmental activities:					
General Fund					
General Obligation Bonds	\$ 14,886,521	\$ 1,485,477	\$ (1,153,270)	\$ 15,218,728	\$ 761,684
Compensated Absences	3,015,396	286,599	(158,209)	3,143,786	198,216
Net OPEB Liability	17,025,426	1,234,194	(7,246,335)	11,013,285	-
Net Pension Liability - MSRS	650,096	-	(104,008)	546,088	-
Net Pension Liability - GCGEP	8,253,928	2,844,693	(2,683,425)	8,415,196	-
Net Pension Liability - GCLEP	1,590,891	1,061,293	(1,199,145)	1,453,039	-
Governmental activities Long-term liabilities	<u>\$ 45,422,258</u>	<u>\$ 6,912,256</u>	<u>\$ (12,544,392)</u>	<u>\$ 39,790,122</u>	<u>\$ 959,900</u>
Business-type activities:					
Garrett County Sanitary District					
Bonds and Loans Payable	\$ 31,928,426	\$ 1,426,888	\$ (1,453,669)	\$ 31,901,645	\$8,159,055
Parks & Recreation					
Loans Payable	3,092,615	-	-	3,092,615	-
Subtotal	<u>35,021,041</u>	<u>1,426,888</u>	<u>(1,453,669)</u>	<u>34,994,260</u>	<u>8,159,055</u>
Landfill closure/post-closure	<u>3,632,968</u>	<u>239,317</u>	<u>(21,881)</u>	<u>3,850,404</u>	<u>25,000</u>
Net Pension Liability - GCGEP					
Airport	71,382	25,121	(23,693)	72,810	-
Solid Waste Fund	318,721	156,804	(147,913)	327,612	-
G.C. Sanitary District	1,351,838	472,206	(445,432)	1,378,612	-
Dept. of Tech & Comm.	245,234	89,345	(84,284)	250,295	-
	<u>1,987,175</u>	<u>743,476</u>	<u>(701,322)</u>	<u>2,029,329</u>	<u>-</u>
Compensated Absences					
Airport	27,953	1,014	-	28,967	-
Solid Waste Fund	135,035	47,092	-	182,127	-
G.C. Sanitary District	370,408	38,990	(68,443)	340,955	19,738
Parks & Recreation Fund	5,016	-	(5,016)	-	-
Dept. of Tech & Comm.	43,571	5,285	-	48,856	-
	<u>581,983</u>	<u>92,381</u>	<u>(73,459)</u>	<u>600,905</u>	<u>19,738</u>
Business-type activities Long-term liabilities	<u>\$ 41,223,167</u>	<u>\$ 2,502,062</u>	<u>\$ (2,250,331)</u>	<u>\$ 41,474,898</u>	<u>\$8,203,793</u>

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

**Notes to Financial Statements
June 30, 2018**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Interest Expense

Total interest expense of \$1,505,967 incurred by the Primary Government includes \$546,837 charged to governmental activities and \$959,130 charged to business-type activities.

Details of certain long-term debt obligations at June 30, 2018 are as follows:

	Balance June 30, 2018
Governmental Activities:	
<u>Garrett County Memorial Hospital Refunding Bond, Series 2004</u>	
\$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.	\$ 591,767
<u>Garrett County Memorial Hospital Refunding Bond, Series 2007</u>	
\$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.	2,293,672
<u>Garrett County Memorial Hospital Expansion Bond, Series 2014</u>	
\$10,000,000 Bonds dated November 5, 2014 are being repaid by annual principal payments of \$400,000 and semi-annual interest payments at the rate of 3.53% maturing September 15, 2029. Issued to fund the Garrett County Memorial Hospital expansion. To be repaid from hospital revenues.	7,999,999
<u>Garrett County Memorial Hospital Expansion Bond, Series 2015</u>	
\$5,000,000 Bonds dated December 23, 2015 are being repaid by annual principal payments of \$200,000 and semi-annual interest payments at the rate of 3.53% maturing December 23, 2030. Issued to fund the Garrett County Memorial Hospital expansion. To be repaid from hospital revenues.	4,333,290
Total Governmental Activities	\$ 15,218,728

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

**Notes to Financial Statements
June 30, 2018**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

	<u>Balance</u> <u>June 30, 2018</u>
Business-type Activities:	
<u>Garrett County Sanitary District, Inc.</u>	
\$1,998,000 Maryland Water Quality Financing (Deep Creek Lake Sewer Extension), payable in annual installments of \$132,748, including semiannual interest at 2.87% through February 1, 2019.	\$ 69,483
\$120,175 State of Maryland (Jennings Sewer Revolving Loan), payable in annual installments of \$7,615, including semiannual interest at 2.37% through February 1, 2019.	7,438
\$260,000 Maryland Water Quality Financing (Deer Park Water), payable in semiannual installments of \$4,995, including interest at .4% through February 2034.	147,162
\$128,653 Maryland Department of the Environment (Mt. Lake Park Water), payable in annual installments of principal only of \$9,077 through February 2024.	46,964
\$549,085 Maryland Department of the Environment (Deep Creek & Friendsville I&I), payable in annual installments of principal only of \$34,318 through 2025.	141,662
\$50,050 BB&T (Jennings), payable in monthly installments of \$292, including interest of 3.5% through August 2032.	38,904
\$800,770 BB&T (Mountain Lake Park Water), payable in monthly installments of \$4,665, including interest of 3.5% through August 2032.	\$ 622,446

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

**Notes to Financial Statements
June 30, 2018**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

	<u>Balance June 30, 2018</u>
<u>Garrett County Sanitary District, Inc. (Continued)</u>	
\$6,655,535 BB&T Western Conveyance), payable in the entirety in December 2018, including interest of 1.98%.	\$ 6,655,535
\$7,499,000 BB&T (Thayerville Water), payable in monthly installments of \$43,687, including interest of 3.5% through August 2032.	5,829,128
\$23,597,980 BB&T (Refinance), payable in monthly installments of \$137,475, including interest of 3.5% through August 2032.	<u>18,342,923</u>
Total Garrett County Sanitary District, Inc.	<u>31,901,645</u>
 <u>Parks & Recreation Fund</u>	
Non-interest bearing note payable to Maryland Department of Commerce, repayment of principal based on excess cash flows as defined in the terms and conditions of the restated loan agreement dated April 11, 2016.	2,817,615
\$275,000 non-interest bearing note payable to Garrett County Community Action Committee, Inc. (GCCAC) due on July 8, 2007. No principal payments are currently being made on the note as the County is negotiating repayment terms.	<u>275,000</u>
Total Parks & Recreation Fund	<u>3,092,615</u>
 Total Business-type Activities	 <u>34,994,260</u>
 Total Primary Government	 <u><u>\$ 50,212,988</u></u>

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

**Notes to Financial Statements
June 30, 2018**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Maturities of long-term debt are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Governmental Activities:			
2019	\$ 761,684	\$ 529,645	\$ 1,291,329
2020	768,447	501,701	1,270,148
2021	775,494	473,475	1,248,969
2022	782,836	444,953	1,227,789
2023	790,484	416,124	1,206,608
2024-2028	3,700,812	1,658,576	5,359,388
2029-2033	7,002,487	552,344	7,554,831
2034-2037	636,484	54,459	690,943
Total governmental activities	<u>\$ 15,218,728</u>	<u>\$ 4,631,277</u>	<u>\$ 19,850,005</u>
Business-Type Activities:			
2019	\$ 8,159,055	\$ 862,381	\$ 9,021,436
2020	1,473,994	812,815	2,286,809
2021	1,527,516	759,293	2,286,809
2022	1,580,758	706,051	2,286,809
2023	1,605,993	650,889	2,256,882
2024-2028	8,861,031	2,357,623	11,218,654
2029-2033	8,683,821	670,592	9,354,413
2034	9,477	513	9,990
Thereafter	3,092,615	-	3,092,615
Total Business-type activities	<u>\$ 34,994,260</u>	<u>\$ 6,820,157</u>	<u>\$ 41,814,417</u>

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Grant and Loan Compliance

The County participates in numerous Federal and State grant/loan programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant/loan programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the laws and regulations governing the programs, refunds of any money received may be required or, the collectability of any related receivable at June 30, 2018 may be impaired. 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.

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

**Notes to Financial Statements
June 30, 2018**

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

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.

Lease Commitments

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. The value of this building at June 30, 2018 was \$927,169 less accumulated depreciation of \$320,646. Total future minimum payments under the operating lease as of June 30, 2018 are as follows:

Year Ending June 30, 2019	\$ 64,752
June 30, 2020	64,752
June 30, 2021	64,752
June 30, 2022	64,752
June 30, 2023	64,752
Thereafter	<u>658,312</u>
Total	<u>\$ 982,072</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. The value of this building at June 30, 2018 was \$1,000,563 less accumulated depreciation of \$433,577.

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

**Notes to Financial Statements
June 30, 2018**

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

Lease Commitments (Continued)

The County leases a building to C. Palmer Manufacturing, Inc. (CPM) located at the Southern Garrett Industrial Park. The lease can be renewed at the option of the lessee in 5 year increments ending on January 31, 2020 at an annual rate of \$62,799. The future minimum lease payments remaining under the current renewal term, which expires January 31, 2020, are \$162,231. The value of this building at June 30, 2018 was \$1,304,263 less accumulated depreciation of \$847,771.

On June 28, 2013, the County entered into a lease with Strata Safety Products, LLC (Strata) for the rental of property located at the Keyser's Ridge Business Park. The initial lease term ends December 31, 2018 with an annual rate of \$61,600. The value of this building at June 30, 2018 was \$1,666,096 less accumulated depreciation of \$138,841.

NOTE 9 – STATE RETIREMENT PLAN

General Information about the Pension Plan

The Primary Government participates in the Maryland State Retirement and Pension System (the System), a cost sharing multiple-employer public employee retirement system. Substantially all full-time and permanent part-time employees of the Primary Government 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. The System is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland and managed by a 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, 2017 (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.

For all individuals who became members of the pension systems of the State Retirement and Pension System on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For any individual who becomes a member of one of the pension systems on or after July 1, 2011, pension allowances are computed using both the highest five consecutive years' AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors.

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

**Notes to Financial Statements
June 30, 2018**

NOTE 9 – STATE RETIREMENT PLAN (Continued)

General Information about the Pension Plan (Continued)

A member of the Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals $1/55$ (1.81%) of the member's AFC multiplied by the number of years of accumulated creditable service.

An individual who became a member of the Employees' Pension System on or before June 30, 2011, is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of the Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

Any individual who became a member of the State Retirement and Pension System on or before June 30, 2011 and who terminates employment before attaining retirement age but after accumulating 5 years of eligibility service is eligible for a vested retirement allowance. Any individual who joins the State Retirement and Pension System on or after July 1, 2011 and who terminates employment before attaining retirement age but after accumulating 10 years of eligibility service is eligible for a vested retirement allowance.

A member of the Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for an Employees' Retirement System member is 30%.

An individual who became a member of the Employees' Retirement System on or before June 30, 2011, may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the Employees' Retirement System is 42%. An individual who becomes a member of the Teachers' Pension System on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65.

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

**Notes to Financial Statements
June 30, 2018**

NOTE 9 – STATE RETIREMENT PLAN (Continued)

General Information about the Pension Plan (Continued)

Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. A member who is permanently and totally disabled as the result of an accident occurring in the line of duty receives 2/3 (66.7%) of the member's AFC plus an annuity based on all member contributions and interest. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

Retirement and pension allowances are increased annually to provide for changes in the cost of living according to prescribed formulae. Such adjustments for retirees are based on the annual change in the CPI. For the Employees' Retirement Systems, the method by which the annual COLA's are computed depends upon elections made by members who were active on July 1, 1984 (or within 90 days of returning to service, for members who were inactive on July 1, 1984) enabling the member to receive either an unlimited COLA, a COLA limited to 5% or a two-part combination COLA depending upon the COLA election made by the member.

However, beginning July 1, 2011, for benefits attributable to service earned on or after July 1, 2011 the adjustment is capped at the lesser of 2.5% or the increase in CPI if the most recent calendar year market value rate of return was greater than or equal to the assumed rate. The adjustment is capped at the lesser of 1% or the increase in CPI if the market value return was less than the assumed rate of return. In years in which COLAs would be less than zero due to a decline in the CPI, retirement allowances will not be adjusted. COLAs in succeeding years are adjusted until the difference between the negative COLA that would have applied and the zero COLA is fully recovered.

The Primary Government pays all employer contributions for employees who participate in the Employees' Retirement System (ERS). Employer contribution rates are established by annual actuarial valuations, subject to the approval of the systems' Board of Trustees in accordance with the Annotated Code of Maryland.

Local government employees covered under the ERS are required to contribute 7% of earned compensation.

The Primary Government's contributions for the year ended June 30, 2018 were \$51,143 to the ERS, which were equal to the County's required contributions for that year.

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

**Notes to Financial Statements
June 30, 2018**

NOTE 9 – STATE RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At June 30, 2018, the Primary Government reported a liability of \$546,088 for its proportionate share of the ERS net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Primary Government's proportion of the net pension liability was based on a projection of the Primary Government's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the Primary Government's proportion was 0.003 percent.

Due to net favorable changes, the Primary Government's pension expense for the ERS Plan for the year ended June 30, 2018 was a net benefit of \$81,465.

At June 30, 2018, the Primary Government reported deferred outflows of resources and deferred inflows of resources related to the state System from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 20,523	\$ -
Changes in experience	-	33,228
Net difference between projected and actual earnings on pension plan investments	72,693	38,796
County contributions to the Employees' Pension System subsequent to the measurement date	54,143	-
Total	<u>\$ 147,359</u>	<u>\$ 72,024</u>

Deferred outflows of resources of \$54,143 reported as related to the State System resulting from Primary Government's contributions to the Employees' Pension System subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the state System will be recognized in pension expense as follows:

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

**Notes to Financial Statements
June 30, 2018**

NOTE 9 – STATE RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Year ending June 30:	
2019	\$ 9,943
2020	19,846
2021	7,245
2022	(11,601)
2023	(4,241)

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following key actuarial assumptions, applied to all periods included in the measurement:

Actuarial	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Inflation	2.65% general, 3.15% wage
Salary increases	3.15% to 9.15%, including inflation
Discount rate	7.50%
Investment rate of return	7.50%
Mortality	RP-2014 Mortality Tables

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the System after considering input from the System’s investment consultant(s) and actuary(s). For each major asset class that is included in the System’s target asset allocation, these best estimates are summarized in the following table:

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

**Notes to Financial Statements
June 30, 2018**

NOTE 9 – STATE RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	36.00%	5.30%
Private Equity	11.00%	7.00%
Rate Sensitive	21.00%	1.20%
Credit Opportunity	9.00%	3.60%
Real Assets	15.00%	5.70%
Absolute Return	8.00%	3.10%
Total	100.00%	

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and contributions from the State will be made at current statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the County’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	6.50%	Rate 7.50%	8.50%
County's proportionate share of the net pension liability	\$ 773,903	\$ 546,088	\$ 357,051

Detailed information about the State Retirement and Pension System of Maryland's fiduciary net position is available in the separately issued System report.

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

**Notes to Financial Statements
June 30, 2018**

NOTE 9 – STATE RETIREMENT PLAN (Continued)

Funded Status and Funding Progress

At June 30, 2018, the Primary Government and Board of Education reported a liability for their proportionate share of the ERS net pension liability based on their participation in that plan. The Board of Education and College participate in the Teachers' Retirement System (TRS), which has a special funding situation. Because the State of Maryland is legally responsible for paying the unfunded pension liability and the Board of Education and College pay the normal cost for the teachers' pensions, the Board of Education and College are not required under GASB 68 to record their share of the unfunded liability for the TRS but instead, that liability is recorded by the State of Maryland. The County's portion of the net pension liability recorded by the State of Maryland, the amount recognized by the County as its proportionate share of the ERS net pension liability, and the total portion of the State's net pension liability that was associated with the County were as follows as of June 30, 2018:

	Teachers' Retirement and Pension System	Employees' Retirement and Pension System	Total All State Systems
Primary Government's proportionate share of net pension liability	\$ -	\$ 546,088	\$ 546,088
Board of Education's proportionate share of net pension liability	-	3,318,137	3,318,137
State's proportionate share of the net pension liability associated with the Board of Education	46,727,480	-	46,727,480
State's proportionate share of the net pension liability associated with the College	6,492,345	-	6,492,345
Total County portion of the State's net pension liability	\$ 53,219,825	\$ 3,864,225	\$ 57,084,050

Contributions by the State of Maryland to the TRS on behalf of the Board of Education and College totaled \$3,020,355 and \$459,749, respectively, for the year ended June 30, 2018. Board of Education and College contributions to the State Retirement Plan totaled \$1,485,865 and \$40,708, respectively, for the year ended June 30, 2018. All contributions were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed annually.

Detailed information about the Board of Education and College's participation in the State Retirement and Pension System of Maryland is available in the separately issued component unit reports.

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

**Notes to Financial Statements
June 30, 2018**

NOTE 10 – COUNTY RETIREMENT PLANS

Government Personnel Retirement Plan

The County adopted the Garrett County Government Personnel Retirement Plan, a single employer plan, effective July 1, 2005, for all covered employees of the Primary Government. 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 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 June 30, 2018 (most recent available data) may be obtained from the County Commissioners of Garrett County, Maryland.

The Plan provides retirement, disability and death benefits for all eligible employees. Administrative, investment, and member contribution and benefit service responsibilities are provided by a Board of Trustees that is comprised of the County Commissioners and others they designate. Participating employees are required to contribute 3.39% of earnings. The contribution requirements of Plan members and the County are established and may be amended by the County Commissioners.

The benefits payable under the County's Plan not funded by employee contributions are funded entirely by the County. The Plan does not issue a stand-alone financial report and is not included in the report of a public employee retirement system or another entity.

Normal retirement is after the completion of 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. The Plan's fiduciary net position has been determined on the same basis as that used by the Plan. The Plan follows the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The government's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The actuarial value of assets was determined by the market value of investments.

The Plan Investment Policy states that the objective for the Plan is a balanced portfolio including both current income and long term growth. The Plan has established asset allocation ranges as follows:

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

**Notes to Financial Statements
June 30, 2018**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Government Personnel Retirement Plan (Continued)

Cash & cash equivalents	5-15%
Equities	30-60%
Fixed income	30-65%

All information that follows for the Plan is measured as of June 30, 2018, which is the latest actuarial report available. Liabilities were measured as of July 1, 2017 and rolled to the measurement date using standard actuarial valuation techniques.

Membership of the Plan consisted of the following as of July 1, 2017, the date liabilities were last measured:

Retirees and beneficiaries receiving benefits	87
Terminated Plan members entitled but not yet receiving benefits	21
Active Plan members	240
Total	348

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2018 is as follows:

Investment Type	% of Portfolio	Rate of Return
Equities	60-70%	5-8%
Fixed Income	30-40%	1-4%

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of expense, was 6.80%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

**Notes to Financial Statements
June 30, 2018**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Government Personnel Retirement Plan (Continued)

The total pension liability for the current year was determined as part of the July 1, 2017 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7% investment rate of return (net of administrative expenses), and (b) projected salary increases of 2% per year. The actuary determined rates of mortality were based on RP-2000; 2-year set forward tables. The assumptions did not include postretirement benefit increases. Full descriptions of the actuarial assumptions are available in the June 30, 2018 actuarial valuation report.

The discount rate used to measure the total pension liability was 7 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The net pension liability is equal to the total pension liability minus the net position of the Plan. The result as of June 30, 2018 is as follows:

Total pension liability	\$37,999,022
Net position	<u>(27,554,497)</u>
Net pension liability	<u><u>\$10,444,525</u></u>

Net position as a percentage of total pension liability is 72.51%.

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the Plan, calculated using a discount rate of 7% as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate:

	1% decrease 6%	Current rate 7%	1% increase 8%
Net pension liability	<u><u>\$ 14,857,029</u></u>	<u><u>\$ 10,444,525</u></u>	<u><u>\$ 6,706,112</u></u>

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

**Notes to Financial Statements
June 30, 2018**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Government Personnel Retirement Plan (Continued)

The following presents changes in the net pension liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2017	\$ 36,077,428	\$ 25,836,325	\$ 10,241,103
Changes for the year:			
Service cost	798,198	-	798,198
Interest	2,471,833	-	2,471,833
Differences between expected and actual experience	208,948	-	208,948
Contributions - employer	-	1,190,560	(1,190,560)
Contributions - employee	-	380,215	(380,215)
Net investment income	-	1,813,963	(1,813,963)
Benefit payments and refunds of member contributions	(1,557,385)	(1,557,385)	-
Administrative expense	-	(109,181)	109,181
Net Changes	<u>1,921,594</u>	<u>1,718,172</u>	<u>203,422</u>
Balances as of June 30, 2018	<u>\$ 37,999,022</u>	<u>\$ 27,554,497</u>	<u>\$ 10,444,525</u>

For the year ended June 30, 2018, the County recognized pension expense of \$1,497,132 and made contributions to the Plan of \$1,190,560. As of June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 211,881	\$ 31,086
Change in assumptions	130,692	-
Net difference between projected and actual investment earnings	569,732	390,056
	<u>\$ 912,305</u>	<u>\$ 421,142</u>

The above amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in the pension expense as follows:

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

**Notes to Financial Statements
June 30, 2018**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Government Personnel Retirement Plan (Continued)

Year ending June 30:

2019	\$ 303,481
2020	165,233
2021	(50,508)
2022	47,240
2023	25,717
Thereafter	-

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 projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Law Enforcement Retirement Plan

The County adopted the Garrett County Law Enforcement Retirement Plan, a single employer plan, effective July 1, 2002, for all employees classified by the Primary Government as the Sheriff, correctional officers, or sworn law-enforcement officers with the Sheriff's Department or Office of the State's Attorney, and employees classified as emergency management personnel. 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 June 30, 2018 (most recent available data) may be obtained from the County Commissioners of Garrett County, Maryland.

The Plan provides retirement, disability and death benefits for all eligible employees. Administrative, investment, and member contribution and benefit service responsibilities are provided by a Board of Trustees, which is comprised of the County Commissioners and others they designate. Participating employees are required to contribute 7.59% of earnings. The contribution requirements of Plan members and the County are established and may be amended by the County Commissioners.

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

**Notes to Financial Statements
June 30, 2018**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Law Enforcement Retirement Plan (Continued)

The benefits payable under the County’s Plan not funded by employee contributions are funded entirely by the County. The plan does not issue a stand-alone financial report and is not included in the report of a public employee retirement system or another entity.

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. The Plan's fiduciary net position has been determined on the same basis as that used by the plan. The Plan follows the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The government’s contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The actuarial value of assets was determined by the market value of investments.

The Plan Investment Policy states that the objective for the Plan is a balanced portfolio including both current income and long term growth. The Plan has established asset allocation ranges as follows:

Cash & cash equivalents	5-15%
Equities	30-60%
Fixed income	30-65%

All information that follows for the Plan is measured as of June 30, 2018, which is the latest actuarial report available. Liabilities were measured as of July 1, 2017 and rolled to the measurement date using standard actuarial valuation techniques.

Membership of the Plan consisted of the following as of July 1, 2017, the date liabilities were last measured:

Retirees and beneficiaries receiving benefits	16
Terminated Plan members entitled but not yet receiving benefits	8
Active Plan members	64
Total	88

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

**Notes to Financial Statements
June 30, 2018**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Law Enforcement Retirement Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2018 is as follows:

<u>Investment Type</u>	<u>% of Portfolio</u>	<u>Rate of Return</u>
Equities	60-70%	5-8%
Fixed Income	30-40%	1-4%

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of expense, was 6.92%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The total pension liability for the current year was determined as part of the July 1, 2017 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7% investment rate of return (net of administrative expenses), and (b) projected salary increases of 2% per year. The actuary determined rates of mortality were based on RP-2000; 2-year set forward tables. The assumptions did not include postretirement benefit increases. Full descriptions of the actuarial assumptions are available in the June 30, 2018 actuarial valuation report.

The discount rate used to measure the total pension liability was 7 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The net pension liability is equal to the total pension liability minus the net position of the Plan. The result as of June 30, 2018 is as follows:

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

**Notes to Financial Statements
June 30, 2018**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Law Enforcement Retirement Plan (Continued)

Total pension liability	\$10,588,876
Net position	<u>(9,135,837)</u>
Net pension liability	<u><u>\$ 1,453,039</u></u>

Net position as a percentage of total pension liability is 86.28%.

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the Plan, calculated using a discount rate of 7% as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate:

	1% decrease 6%	Current rate 7%	1% increase 8%
Net pension liability	<u>\$ 2,823,516</u>	<u>\$ 1,453,039</u>	<u>\$ 313,039</u>

The following presents changes in the net pension liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2017	\$ 9,943,557	\$ 8,352,666	\$ 1,590,891
Changes for the year:			
Service cost	316,767	-	316,767
Interest	683,047	-	683,047
Differences between expected and actual experience	23,392	-	23,392
Contributions - employer	-	373,253	(373,253)
Contributions - employee	-	221,079	(221,079)
Net investment income	-	604,813	(604,813)
Benefit payments and refunds of member contributions	(377,887)	(377,887)	-
Administrative expense	-	(38,087)	38,087
Plan Change	-	-	-
Net Changes	<u>645,319</u>	<u>783,171</u>	<u>(137,852)</u>
Balances as of June 30, 2018	<u>\$10,588,876</u>	<u>\$ 9,135,837</u>	<u>\$ 1,453,039</u>

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

**Notes to Financial Statements
June 30, 2018**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Law Enforcement Retirement Plan (Continued)

For the year ended June 30, 2018, the County recognized pension expense of \$314,174 and made contributions to the Plan of \$373,253. As of June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,255	\$ 220,199
Change in assumptions	377,805	-
Net difference between projected and actual investment earnings	155,591	128,353
	\$ 553,651	\$ 348,552

The above amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in the pension expense as follows:

Year ending June 30:

2019	\$	88,005
2020		48,923
2021		(9,330)
2022		29,679
2023		32,510
Thereafter		15,312

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 projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

**Notes to Financial Statements
June 30, 2018**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Volunteer Length of Service Award Plan

The County adopted the Garrett County Volunteer Length of Service Award Plan (LOSAP), effective July 1, 2008, for all eligible volunteers who are active members of one or more Garrett County fire, rescue, or emergency medical services, or support organizations approved by Garrett County Emergency Services. The Plan provides retirement and death benefits for eligible volunteers who become covered under the plan. Eligible volunteers will be certified on an annual basis using a form designated and furnished by the Department of Public Safety/Emergency Management. Administrative, investment, and member benefit service responsibilities are provided by a Board of Trustees. The actuarial valuation report as of June 30, 2018 (most recent available data) may be obtained from the County Commissioners of Garrett County, Maryland.

Effective July 1, 2013, an active volunteer who has attained the normal benefit eligibility age of 60 and completed a minimum of 25 years of active LOSAP service credit will receive a monthly benefit payment of \$100 per month until the date of death. In addition, an active volunteer will receive an additional benefit payment of \$4 per month for each additional year of active LOSAP service credit in excess of 25 years, not to exceed a combined monthly payment of \$175. An active volunteer, who attains age 70 but has not been credited with 25 or more years of active LOSAP service credit, will receive \$4 per month for each year of active LOSAP service credit until the date of death. An eligible volunteer must earn a minimum of 50 service points each year in order to obtain an active LOSAP service year of credit. Service credit points are awarded based on the performance of service duties as defined by the Plan.

The benefits payable under the County's Plan are funded entirely by the County. The Plan does not issue a stand-alone financial report and is not included in the report of a public employee retirement system or another entity.

The Plan is classified by the Primary Government as a Pension Trust Fund. The Plan's fiduciary net position has been determined on the same basis as that used by the Plan. The Plan follows the accrual basis of accounting. The government's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The actuarial value of assets was determined by the market value of investments.

The Plan Investment Policy states that the objective for the Plan is a balanced portfolio including both current income and long term growth. The Plan has established asset allocation ranges as follows:

Cash & cash equivalents	5-15%
Equities	30-60%
Fixed income	30-65%

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

**Notes to Financial Statements
June 30, 2018**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Volunteer Length of Service Award Plan (Continued)

All information that follows for the Plan is measured as of June 30, 2018, which is the latest actuarial report available. Liabilities were measured as of July 1, 2017 and rolled to the measurement date using standard actuarial valuation techniques.

Membership of the Plan consisted of the following as of July 1, 2017, the date the liabilities were last measured:

Retirees and beneficiaries receiving benefits	7
Inactive Plan members	289
Active Plan members	259
Total	555

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2018 is as follows:

Investment Type	% of Portfolio	Rate of Return
Equities	60-70%	5-8%
Fixed Income	30-40%	1-4%

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of expense, was 6.92%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The total pension liability for the current year was determined as part of the July 1, 2017 actuarial valuation using the entry age normal cost method. The actuarial assumptions included a 6% investment rate of return (net of administrative expenses). The actuary determined rates of mortality were based on RP-2000; 2-year set forward tables. The assumptions did not include postretirement benefit increases. Full descriptions of the actuarial assumptions are available in the June 30, 2018 actuarial valuation report.

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

**Notes to Financial Statements
June 30, 2018**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Volunteer Length of Service Award Plan (Continued)

The discount rate used to measure the total pension liability was 6 percent. The projection of cash flows used to determine the discount rate assumed County contributions will be made at rates equal to or greater than actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive volunteers. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The net pension asset is equal to the total pension liability minus the net position of the Plan. The result as of June 30, 2018 is as follows:

Total pension liability	\$ 740,490
Net position	(968,783)
Net pension asset	<u>\$ (228,293)</u>

Net position as a percentage of total pension liability is 130.83%.

Sensitivity of the net pension asset to changes in the discount rate:

The following presents the net pension asset of the Plan, calculated using a discount rate of 6% as well as what the Plan's net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (5%) or 1-percentage point higher (7%) than the current rate:

	1% decrease 5%	Current rate 6%	1% increase 7%
Net pension asset	<u>\$ (100,309)</u>	<u>\$ (228,293)</u>	<u>\$ (331,026)</u>

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

**Notes to Financial Statements
June 30, 2018**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Volunteer Length of Service Award Plan (Continued)

The following represents changes in the net pension liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Balances as of June 30, 2017	\$ 746,007	\$ 955,259	\$ (209,252)
Changes for the year:			
Service cost	23,172	-	23,172
Interest	43,548	-	43,548
Differences between expected and actual experience	3,730	-	3,730
Changes in assumptions	(34,951)	-	(34,951)
Net investment income	-	62,572	(62,572)
Benefit payments and refunds of member contributions	(41,016)	(41,016)	-
Administrative expense	-	(8,032)	8,032
Net Changes	<u>(5,517)</u>	<u>13,524</u>	<u>(19,041)</u>
Balances as of June 30, 2018	<u>\$ 740,490</u>	<u>\$ 968,783</u>	<u>\$ (228,293)</u>

For the year ended June 30, 2018, the County recognized pension expense of \$32,491 and made contributions to the Plan of \$0. As of June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,581	\$ -
Change in assumptions	136,756	32,947
Net difference between projected and actual investment earnings	17,140	16,381
	<u>\$ 170,477</u>	<u>\$ 49,328</u>

The above amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in the pension expense as follows:

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

**Notes to Financial Statements
June 30, 2018**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Volunteer Length of Service Award Plan (Continued)

Year ending June 30:

2019	\$ 13,604
2020	8,874
2021	2,669
2022	6,340
2023	7,682
Thereafter	81,980

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 projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

County Defined Contribution Plan

The Primary Government offers additional retirement benefits under the Garrett County 401(a) Deferred Compensation Matching Plan, a defined contribution PEBSCO 401(A) Employee Match Program. The Plan is administered by the Garrett County Commissioners.

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 Primary Government'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, 2018, the Primary Government contributed \$297,473 or 2.41 percent of earned compensation. Covered payroll approximated \$12,367,599. Primary Government contribution amounts included contributions made on behalf of the employees of Garrett County Sanitary District, Inc. in the amount of \$28,709 on covered payroll of approximately \$1,186,307.

Employees are 100% vested in employer contributions from the time that contributions are made to their accounts which results in no forfeitures upon distribution.

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

**Notes to Financial Statements
June 30, 2018**

NOTE 11 – 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 12 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The County’s defined benefit other post-employment benefit plan (the “Plan”) provides healthcare benefits to eligible retirees. The Plan is a single-employer defined benefit OPEB plan. The County formed and administers an OPEB Trust Fund to allow for prefunding of future OPEB benefits. The County and Plan Trustee at their discretion may establish, alter, amend, modify or terminate their practice of providing healthcare benefits to retirees in accordance with the terms outlined in the OPEB Trust Agreement. They may also require retirees to make greater contributions toward the funding of their benefits. The County makes the annual determination as to the amount that will be contributed to the OPEB Trust Fund. The OPEB Trust Fund does not issue a stand-alone financial report and is included as a fiduciary fund in this financial report.

The Plan Investment Policy states that the objective for the Plan is a balanced portfolio including both current income and long-term growth. The Plan has established asset allocation ranges as follows:

Cash & cash equivalents	5-15%
Equities	30-60%
Fixed Income	30-65%

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

**Notes to Financial Statements
June 30, 2018**

**NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION
BENEFITS (Continued)**

Details of the post-employment benefits under the Plan are as follows:

The County provides post-employment health care benefits based on age and years of service to all permanent full-time employees of the County. Retirees must have a minimum of 10 years full-time equivalent service with Garrett College, The Board of Garrett County Commissioners, The Board of Education of Garrett County, or a combination thereof. After June 30, 2018, the County and College no longer offer retiree benefits to new hires.

Retirees are given the option to maintain health insurance coverage after they retire and until they reach age 65. After age 65, the County contributes a monthly amount to a Health Reimbursement Account (HRA) based on the retiree's age and years of service.

For the employees hired on or after July 1, 2006, dependent insurance coverage may be purchased upon retirement at the retiree's own cost. The component for retirees age 65 and over was made effective on January 1, 2017.

At July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	151
Active employees	<u>296</u>
	<u><u>447</u></u>

The OPEB Trust Fund is used to account for prefunding contributions made by the County on behalf of the plan participants. Current OPEB premium payments made on behalf of retirees as well as the costs incurred to administer the OPEB Plan are paid from the general operating funds of the County.

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

**Notes to Financial Statements
June 30, 2018**

**NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION
BENEFITS (Continued)**

The following table outlines coverage percentages paid by the retiree and County under the plan based on years of service at date of retirement:

Government Personnel Employees Hired On Or After July 1, 2006

Years of Service	Retiree	
	Individual Percentage	Employer Percentage
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%

Government Personnel Employees Hired prior to July 1, 2006

Years of Service	Retiree	
	Individual Percentage	Employer Percentage
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 more years	0%	100%

All Law Enforcement Personnel Employees

Years of Service	Retiree	
	Individual Percentage	Employer Percentage
Less than 10 years	No coverage	No coverage
10 or less than 15 years	60%	40%
15 or less than 20 years	50%	50%
20 or less than 25 years	40%	60%
25 or more years	0%	100%

Currently, 151 County retirees participate in this program.

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**NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION
BENEFITS (Continued)**

Net OPEB Liability

The County’s net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of July 1, 2017.

Actuarial assumptions. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.0 percent
Salary increase	2.0 percent
Investment rate of return	6.50 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	8.0 percent for 2019, decreasing 0.5 percent per year to an ultimate rate of 5.0 percent.

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, net expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	40.00%	3-5%
Private Equity	55.00%	8-10%
Cash	5.00%	N/A

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**Notes to Financial Statements
June 30, 2018**

**NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION
BENEFITS (Continued)**

Net OPEB Liability (Continued)

The current level of plan assets is sufficient to cover the expected costs of the plan. As such, all future years of expected payments were discounted using the long-term expected rate of return per paragraph 36 of GASB 75. As of June 30, 2018, the long-term rate of return was 6.50%. The discount rate at June 30, 2017 was 3.13%.

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 2.11 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances as of July 1, 2017	\$17,248,752	\$ 223,326	\$17,025,426
Changes for the year:			
Service cost	700,952	-	700,952
Interest	532,295	-	532,295
Differences between expected and actual experience	(1,054,289)	-	(1,054,289)
Assumption changes	(5,098,531)	-	(5,098,531)
Contributions - employer	-	1,088,815	(1,088,815)
Net investment income	-	4,700	(4,700)
Benefit payments	(488,815)	(488,815)	-
Administrative expense	-	(947)	947
Net Changes	(5,408,388)	603,753	(6,012,141)
Balances as of June 30, 2018	\$11,840,364	\$ 827,079	\$11,013,285

Changes in the Net OPEB Liability

The assumption changes affecting the decrease in the net OPEB liability were the change in the discount rate from 3.13% to 6.50% and the difference between expected and actual experience trends.

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

**Notes to Financial Statements
June 30, 2018**

**NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION
BENEFITS (Continued)**

Changes in the Net OPEB Liability (Continued)

The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage point higher (7.50 percent) than the current discount rate:

	1% decrease (5.50%)	Current rate (6.50%)	1% increase (7.50%)
Net OPEB liability	\$ 12,253,392	\$ 11,013,285	\$ 9,950,120

The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.0 percent decreasing to 4.0 percent) or 1-percentage-point higher (9.0 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% decrease (7.0% decreasing to 4.0%)	Healthcare Cost Trend Rates (8.0% decreasing to 5.0%)	1% increase (9.0% decreasing to 6.0%)
Net OPEB liability	\$ 9,824,260	\$ 11,013,285	\$ 12,430,641

For the year ended June 30, 2018, the County recognized OPEB expense of \$327,336. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 903,676
Change of assumptions	-	4,370,169
Net difference between projected and actual investment earnings	23,183	
	\$ 23,183	\$5,273,845

**THE BOARD OF COUNTY COMMISSIONERS OF
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**Notes to Financial Statements
June 30, 2018**

**NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION
BENEFITS (Continued)**

Changes in the Net OPEB Liability (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2019	\$ (873,179)
2020	(873,179)
2021	(873,179)
2022	(873,180)
2023	(878,975)
Thereafter	(878,970)

**NOTE 13 – 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 current 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 Solid Waste Fund has recorded a landfill closure and post-closure care liability of \$3,850,404 as of June 30, 2018, representing the cumulative operating expenses reported to date based on the Round Glade landfill at full capacity (\$618,568) and the current landfill at 62% of its estimated capacity (\$3,231,836). The County will recognize the balance of estimated closure and post-closure costs of approximately \$1,984,572 over the remaining useful life of the current 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 June 30, 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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, 2018, which satisfies the financial assurance provisions of the Act.

**THE BOARD OF COUNTY COMMISSIONERS OF
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**Notes to Financial Statements
June 30, 2018**

NOTE 14 – RISK MANAGEMENT

Liability Insurance

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, 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.

Self-Insured Health Care

Effective July 1, 2009, the Garrett County Employees Health Care Plan became self-insured for medical, prescription, and dental benefits provided to its employees within specific limits. The County participates in the Plan with the Board of Education of Garrett County and Garrett College. The County's actuarial firm established premium rates for Plan participants based on claims history. The Board of Education of Garrett County and Garrett College submit the pro-rata portion of the actuarially prescribed premiums to the Board of Garrett County Commissioners at the end of each pay period based on the number of employees covered and types of coverages in effect. Should actual claims exceed the projected claims used by the actuaries in establishing rates, the shortfall would be made up through future premium rate increases.

The County pays a third-party administrator a monthly fixed fee for various claim administrative services on a per enrolled employee basis to administer the plan. The third-party administrator submits invoices periodically for all processed claims and administrative fees, and the County issues payment to the third-party administrator, who in turn issues individual claims checks. To protect itself against significant losses, the County has a stop-loss policy in place for individual participant care claims in excess of \$250,000 per year.

The third-party administrator estimated the non-discounted claims liability reported in the general fund at June 30, 2018. It is based on the requirements of accounting standards, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Because actual claims liabilities depend on such complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic factors. The estimate for claims incurred but not reported was \$1,250,000 at June 30, 2018.

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

**Notes to Financial Statements
June 30, 2018**

NOTE 14 – RISK MANAGEMENT (Continued)

Self-Insured Health Care (Continued)

For the year ended June 30, 2018, claims incurred of \$15,009,294 exceeded the combined premiums charged to the Plan participants of \$14,119,864. The excess claims of \$889,430 are comprised of 480,739 related to the Primary Government and \$408,691 in excess claims related to the Board of Education and Garrett College. The deficiency created by claims incurred in excess of premiums charged has been reported as an expenditure in the general fund.

NOTE 15 – FUND EQUITY

A summary of fund balances as of June 30, 2018 is as follows:

	General Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:			
Inventory	\$ 829,331	\$ -	\$ 829,331
Prepaid Expense	139,667	-	139,667
Note Receivable	1,001,584	-	1,001,584
Total Nonspendable Fund Balance	1,970,582	-	1,970,582
Restricted For:			
Agricultural Land Preservation	1,685	-	1,685
Special Revenue Funds	-	76,126	76,126
Self Funded Health Care	2,032,001	-	2,032,001
Total Restricted Fund Balance	2,033,686	76,126	2,109,812
Assigned For:			
Capital projects:			
Garrett College	1,325,460	-	1,325,460
Board of Education	19,773	-	19,773
Public Works	2,544,227	-	2,544,227
Economic Development	2,113,321	-	2,113,321
Public Safety	546,875	-	546,875
General Government	207,324	-	207,324
Capital Projects Subtotal	6,756,980	-	6,756,980
Subsequent Year Budget	5,908,963	-	5,908,963
Total Assigned Fund Balance	12,665,943	-	12,665,943
Unassigned:	3,802,697	-	3,802,697
Total Fund Balance	\$ 20,472,908	\$ 76,126	\$ 20,549,034

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

**Notes to Financial Statements
June 30, 2018**

NOTE 16 – 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 GAAP.

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 on the GAAP basis is explained as follows:

	Revenues	Expenditures	Other Financing Sources (Uses)	Effect on Fund Balance
As Reported on Budget Basis	\$ 84,423,033	\$ 80,885,486	\$(1,839,471)	\$ 1,698,076
<u>Property Tax Revenue</u>				
Recognized in year levied on budget basis but in year "available" on GAAP basis	(1,472,327)	-	-	(1,472,327)
 <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	\$ 83,099,506	\$ 81,034,286	\$(1,839,471)	\$ 225,749

NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLE

Government-wide net position of the County as of July 1, 2017 has been reduced by \$13,453,741 due to the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in order to record the beginning net OPEB liability for the defined benefit OPEB plan. The impact on beginning net position is as follows:

	Governmental Activities
Net Position - beginning of year	\$ 66,206,635
Increase in net OPEB liability	(13,453,741)
Net Position - beginning of year - as restated	\$ 52,752,894

REQUIRED SUPPLEMENTARY INFORMATION

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

**Required Supplementary Information
June 30, 2018**

**SCHEDULE OF THE PRIMARY GOVERNMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - MARYLAND
STATE RETIREMENT AND PENSION SYSTEM**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
The County's proportion of the net pension liability	0.003%	0.003%	0.003%	0.002%
The County's proportionate share of the net pension liability	\$ 546,088	\$ 650,096	\$ 552,462	\$ 417,028
The County's covered payroll	\$ 485,329	\$ 519,945	\$ 510,206	\$ 508,602
The County's proportionate share of the net pension liability as a percentage of its covered payroll	112.52%	125.03%	108.28%	81.99%
Plan fiduciary net position as a percentage of the total pension liability	69.38%	65.79%	68.78%	71.87%

This schedule is presented to illustrate the requirement to show the information for 10 years. However, until a full 10-year trend is compiled the County will present information for those years for which the information is available.

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

**Required Supplementary Information
June 30, 2018**

SCHEDULE OF THE PRIMARY GOVERNMENT'S CONTRIBUTIONS MARYLAND STATE RETIREMENT AND PENSION SYSTEM

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 54,143	\$ 51,400	\$ 53,676	\$ 56,032
Contributions in relation to the contractually required contribution	<u>(54,143)</u>	<u>(51,400)</u>	<u>(53,676)</u>	<u>(56,032)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The County's covered payroll	\$485,329	\$ 519,945	\$ 510,206	\$ 508,602
Contributions as a percentage of covered payroll	11.16%	9.89%	10.52%	11.02%

This schedule is presented to illustrate the requirement to show the information for 10 years. However, until a full 10-year trend is compiled the County will present information for those years for which the information is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes in Benefit Terms - There were no benefit changes during the year.

Changes in Assumptions

Adjustments to the roll-forward liabilities were made to reflect the following assumptions changes in the 2017 valuation:

- Salary increase range assumptions changed from 3.3% - 9.2% to 3.15% - 9.15%
- Rates of expected inflation changed from 2.7% general, 3.2% wage to 2.65% general to 3.15% wage
- The discount rate used for calculating the present value decreased from 7.55% to 7.50%

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

**Required Supplementary Information
June 30, 2018**

**SCHEDULE OF CHANGES IN PENSION FUND NET PENSION LIABILITY AND RELATED RATIOS - GOVERNMENT PERSONNEL
RETIREMENT PLAN JUNE 30, 2018, 2017, 2016, 2015 AND 2014**

	2018	2017	2016	2015	2014
Service Cost: Retirement benefits administration	\$ 798,198	\$ 786,979	\$ 718,592	\$ 914,186	\$ 859,717
Interest	2,471,833	2,365,165	2,255,447	2,104,135	1,970,282
Difference between expected and actual experience	208,948	(45,546)	73,685	-	-
Assumption changes	-	-	246,009	-	-
Benefit payments	(1,557,385)	(1,544,826)	(1,335,519)	(1,013,431)	(834,562)
Net changes in total pension liability	1,921,594	1,561,772	1,958,214	2,004,890	1,995,437
Total pension liability - beginning	36,077,428	34,515,656	32,557,442	30,552,552	28,557,115
Total pension liability - ending (a)	<u>\$ 37,999,022</u>	<u>\$ 36,077,428</u>	<u>\$ 34,515,656</u>	<u>\$ 32,557,442</u>	<u>\$ 30,552,552</u>
Plan fiduciary net position					
Contributions - employer	\$ 1,190,560	\$ 1,184,533	\$ 1,166,260	\$ 1,150,819	\$ 1,140,077
Contributions - employee	380,215	363,390	359,559	354,820	352,066
Net investment income	1,813,963	2,205,811	455,688	768,993	2,817,855
Benefit payments, including refunds of member contributions	(1,557,385)	(1,544,826)	(1,335,519)	(1,013,431)	(834,562)
Administrative expense	(109,181)	(15,021)	(7,057)	(24,709)	(8,986)
Net changes in plan fiduciary net position	1,718,172	2,193,887	638,931	1,236,492	3,466,450
Plan fiduciary net position - beginning	25,836,325	23,642,438	23,003,507	21,767,015	18,300,565
Plan fiduciary net position - ending (b)	<u>\$ 27,554,497</u>	<u>\$ 25,836,325</u>	<u>\$ 23,642,438</u>	<u>\$ 23,003,507</u>	<u>\$ 21,767,015</u>
County's net pension liability - ending (a) - (b)	\$ 10,444,525	\$ 10,241,103	\$ 10,873,218	\$ 9,553,935	\$ 8,785,537
Plan fiduciary net position as a percentage of total pension liability	72.51%	71.61%	68.50%	70.66%	71.24%
Covered payroll	\$ 10,624,180	\$ 10,679,519	\$ 9,618,611	\$ 10,031,765	\$ 10,818,408
Net liability as a percentage of covered payroll	98.31%	95.89%	113.04%	95.24%	81.21%
Annual money-weighted rate of return, net of investment expense	6.80%	8.92%	1.95%	3.44%	14.07%

Notes to schedule

This information is not available for previous years

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

**Required Supplementary Information
June 30, 2018**

SCHEDULE OF GOVERNMENT PERSONNEL RETIREMENT PLAN EMPLOYER CONTRIBUTIONS JUNE 30, 2018, 2017, 2016, 2015 AND 2014

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contributions	\$ 1,570,775	\$ 1,547,923	\$ 1,525,819	\$ 1,505,639	\$ 1,335,074
Contributions in relation to the actuarially determined contributions	1,570,775	1,547,923	1,525,819	1,505,639	1,492,143
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (157,069)</u>
 Covered payroll	 \$ 10,624,180	 \$ 10,679,519	 \$ 9,618,611	 \$ 10,031,765	 \$ 10,818,408
 Contribution as a percentage of covered payroll	 14.78%	 14.49%	 15.86%	 15.01%	 13.79%

Notes to schedule

Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2017.

12 months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Cost method	Entry age normal
Investment return	7%
Mortality	RP-2000; 2-year set forward tables
Turnover	T5 Table
Salary Scale	2.0% increases per year - prior valuations were based on a 4% assumption
Retirement age	See related footnote for retirement age assumptions
Valuation of assets	Market value as reported by plan administrator

This information is not available for previous years

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

**Required Supplementary Information
June 30, 2018**

**SCHEDULE OF CHANGES IN PENSION FUND NET PENSION LIABILITY AND RELATED RATIOS - LAW ENFORCEMENT RETIREMENT
PLAN JUNE 30, 2018, 2017, 2016, 2015 AND 2014**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service Cost: Retirement benefits administration	\$ 316,767	\$ 303,426	\$ 263,191	\$ 281,985	\$ 244,908
Interest	683,047	643,188	616,786	548,471	516,719
Difference between expected and actual experience	23,392	(204,945)	(92,747)	-	-
Assumption changes	-	-	566,709	-	-
Plan Change	-	57,717	-	-	-
Benefit payments	(377,887)	(376,540)	(335,310)	(321,895)	(294,636)
Net changes in total pension liability	<u>645,319</u>	<u>422,846</u>	<u>1,018,629</u>	<u>508,561</u>	<u>466,991</u>
Total pension liability - beginning	9,943,557	9,520,711	8,502,082	7,993,521	7,526,530
Total pension liability - ending (a)	<u>\$ 10,588,876</u>	<u>\$ 9,943,557</u>	<u>\$ 9,520,711</u>	<u>\$ 8,502,082</u>	<u>\$ 7,993,521</u>
Plan fiduciary net position					
Contributions - employer	\$ 373,253	\$ 363,950	\$ 371,036	\$ 341,098	\$ 331,733
Contributions - employee	221,079	215,417	219,572	201,877	202,237
Net investment income	604,813	695,799	183,789	246,157	904,083
Benefit payments, including refunds of member contributions	(377,887)	(376,540)	(335,311)	(321,895)	(294,636)
Administrative expense	(38,087)	(7,272)	(6,594)	(11,123)	(35,478)
Net changes in plan fiduciary net position	<u>783,171</u>	<u>891,354</u>	<u>432,492</u>	<u>456,114</u>	<u>1,107,939</u>
Plan fiduciary net position - beginning	8,352,666	7,461,312	7,028,820	6,572,706	5,464,767
Plan fiduciary net position - ending (b)	<u>\$ 9,135,837</u>	<u>\$ 8,352,666</u>	<u>\$ 7,461,312</u>	<u>\$ 7,028,820</u>	<u>\$ 6,572,706</u>
County's net pension liability - ending (a) - (b)	\$ 1,453,039	\$ 1,590,891	\$ 2,059,399	\$ 1,473,262	\$ 1,420,815
Plan fiduciary net position as a percentage of total pension liability	86.28%	84.00%	78.37%	82.67%	82.23%
Covered payroll	\$ 2,723,946	\$ 3,017,143	\$ 2,661,063	\$ 2,567,771	\$ 2,350,135
Net liability as a percentage of covered payroll	53.34%	52.73%	77.39%	57.38%	60.46%
Annual money-weighted rate of return, net of investment expense	6.92%	8.80%	2.54%	3.62%	15.02%

Notes to schedule

This information is not available for previous years

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

**Required Supplementary Information
June 30, 2018**

SCHEDULE OF LAW ENFORCEMENT RETIREMENT PLAN EMPLOYER CONTRIBUTIONS JUNE 30, 2018, 2017, 2016, 2015 AND 2014

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contributions	\$ 594,332	\$ 579,367	\$ 590,608	\$ 542,975	\$ 437,358
Contributions in relation to the actuarially determined contributions	594,332	579,367	590,608	542,975	533,970
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (96,612)</u>
Covered payroll	\$2,723,946	\$3,017,143	\$2,661,063	\$2,567,771	\$2,350,135
Contribution as a percentage of covered payroll	21.82%	19.20%	22.19%	21.15%	22.72%

Notes to schedule

Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2017,
12 months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Cost method	Entry age normal
Investment return	7%
Mortality	RP-2000; 2-year set forward tables
Turnover	T2 Table
Salary Scale	2.0% increases per year - prior valuations were based on a 4% assumption
Retirement age	See related footnote for retirement age assumptions
Valuation of assets	Market value as reported by plan administrator

This information is not available for previous years

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

**Required Supplementary Information
June 30, 2018**

**SCHEDULE OF CHANGES IN PENSION FUND NET PENSION LIABILITY AND RELATED RATIOS - VOLUNTEER LENGTH OF SERVICE
AWARD PLAN JUNE 30, 2018, 2017, 2016, 2015 AND 2014**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service Cost: Retirement benefits administration	\$ 23,172	\$ 37,664	\$ 30,045	\$ 17,028	\$ 29,096
Interest	43,548	40,171	35,854	27,247	23,666
Difference between expected and actual experience	3,730	3,620	11,701	-	-
Assumption changes	(34,951)	-	162,722	-	-
Benefit payments	(41,016)	(2,657)	(4,960)	(3,280)	-
Net changes in total pension liability	<u>(5,517)</u>	<u>78,798</u>	<u>235,362</u>	<u>40,995</u>	<u>52,762</u>
Total pension liability - beginning	746,007	667,209	431,847	390,852	338,090
Total pension liability - ending (a)	<u><u>\$ 740,490</u></u>	<u><u>\$ 746,007</u></u>	<u><u>\$ 667,209</u></u>	<u><u>\$ 431,847</u></u>	<u><u>\$ 390,852</u></u>
Plan fiduciary net position					
Contributions - employer	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - employee	-	-	-	-	-
Net investment income	62,572	76,920	26,515	31,979	113,323
Benefit payments, including refunds of member contributions	(41,016)	(2,657)	(4,960)	(3,280)	-
Administrative expense	(8,032)	(7,750)	(2,958)	(2,436)	(4,157)
Net changes in plan fiduciary net position	<u>13,524</u>	<u>66,513</u>	<u>18,597</u>	<u>26,263</u>	<u>109,166</u>
Plan fiduciary net position - beginning	955,259	888,746	870,149	843,886	734,720
Plan fiduciary net position - ending (b)	<u><u>\$ 968,783</u></u>	<u><u>\$ 955,259</u></u>	<u><u>\$ 888,746</u></u>	<u><u>\$ 870,149</u></u>	<u><u>\$ 843,886</u></u>
County's net pension asset - ending (a) - (b)	<u>\$ (228,293)</u>	<u>\$ (209,252)</u>	<u>\$ (221,537)</u>	<u>\$ (438,302)</u>	<u>\$ (453,034)</u>
Plan fiduciary net position as a percentage of total pension liability	130.83%	128.05%	133.20%	201.49%	215.91%
Covered payroll	N/A	N/A	N/A	N/A	N/A
Net liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A
Annual money-weighted rate of return, net of investment expense	6.50%	8.34%	3.01%	3.73%	14.36%

Notes to schedule

This information is not available for previous years

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

**Required Supplementary Information
June 30, 2018**

SCHEDULE OF VOLUNTEER LENGTH OF SERVICE AWARD PLAN EMPLOYER CONTRIBUTIONS JUNE 30, 2018, 2017, 2016, 2015 AND 2014

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contributions	\$ -	\$ -	\$ -	\$ -	\$ 4,356
Contributions in relation to the actuarially determined contributions	-	-	-	-	-
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,356</u>
Covered payroll	N/A	N/A	N/A	N/A	N/A
Contribution as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

Notes to schedule

Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2017,
12 months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Cost method	Entry age normal
Investment return	6%
Mortality	RP-2000; 2-year set forward tables
Turnover	Table T-4
Salary Scale	N/A
Retirement age	See related footnote for retirement age assumptions
Valuation of assets	Market value as reported by plan administrator

This information is not available for previous years

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

**Required Supplementary Information
June 30, 2018**

SCHEDULE OF CHANGES IN THE COUNTY'S NET OPEB LIABILITY AND RELATED RATIOS JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Service Cost	\$ 700,952	\$ 707,384
Interest	532,295	513,547
Difference between expected and actual experience	(1,054,289)	-
Changes of assumptions	(5,098,531)	-
Benefit payments	(488,815)	(753,061)
Net changes in total OPEB liability	<u>(5,408,388)</u>	<u>467,870</u>
Total OPEB liability - beginning	17,248,752	16,780,882
Total OPEB liability - ending (a)	<u>\$ 11,840,364</u>	<u>\$ 17,248,752</u>
Plan fiduciary net position		
Contributions - employer	\$ 1,088,815	\$ 753,061
Net investment income	4,700	18,934
Benefit payments	(488,815)	(753,061)
Administrative expense	(947)	(993)
Net changes in plan fiduciary net position	<u>603,753</u>	<u>17,941</u>
Plan fiduciary net position - beginning	223,326	205,385
Plan fiduciary net position - ending (b)	<u>\$ 827,079</u>	<u>\$ 223,326</u>
County's net OPEB liability - ending (a) - (b)	<u>\$ 11,013,285</u>	<u>\$ 17,025,426</u>
Plan fiduciary net position as a percentage of total OPEB liability	6.99%	1.29%
Covered payroll	\$ 14,114,319	\$ 14,875,814
Net liability as a percentage of covered payroll	84%	116%
Annual money-weighted rate of return, net of investment expense	2.11%	8.79%

This schedule is presented to illustrate the required information for 10 years. Prior information is not available

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes in Benefit Terms - There were no benefit changes during the year.

Changes in Assumptions

The assumption change affecting the decrease in the net OPEB liability was the change in the discount rate from 3.13% to 6.50%. This was offset somewhat by the update in expected and actual experience trends.

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
TAXES:				
Local Real and Personal Property:				
Real Property	\$ 41,728,968	\$ 41,728,968	\$ 44,039,595	\$ 2,310,627
Railroads and Public Utilities	3,091,847	3,091,847	2,804,791	(287,056)
Ordinary Business Corporations	3,486,211	3,486,211	6,357,698	2,871,487
Enterprise Zone Tax Refund	40,000	40,000	64,729	24,729
Penalties and Interest	500,000	500,000	502,709	2,709
	<u>48,847,026</u>	<u>48,847,026</u>	<u>53,769,522</u>	<u>4,922,496</u>
Less: Discounts and Credits	<u>(120,000)</u>	<u>(120,000)</u>	<u>(505,378)</u>	<u>(385,378)</u>
Total Real and Personal Property	<u>48,727,026</u>	<u>48,727,026</u>	<u>53,264,144</u>	<u>4,537,118</u>
Other Local Taxes:				
Income	11,950,000	11,950,000	12,490,262	540,262
Admissions and Amusement	875,000	875,000	923,162	48,162
Recordation	1,600,000	1,600,000	2,150,807	550,807
Coal Tonnage	65,000	65,000	84,202	19,202
Trailer Court	37,000	37,000	38,926	1,926
Natural Gas	600	600	705	105
Accommodations Tax	2,350,000	2,350,000	2,782,144	432,144
Transfer Tax	1,450,000	1,450,000	2,218,699	768,699
Franchise Tax	100	100	365	265
Coal Tax	50,000	50,000	61,679	11,679
911 Fees	185,000	185,000	186,541	1,541
Agricultural Transfer Tax	3,500	3,500	25,987	22,487
Tax Sale Revenue	44,000	44,000	50,442	6,442
	<u>18,610,200</u>	<u>18,610,200</u>	<u>21,013,921</u>	<u>2,403,721</u>
Total Other Local Taxes	<u>18,610,200</u>	<u>18,610,200</u>	<u>21,013,921</u>	<u>2,403,721</u>
Total Taxes	<u>67,337,226</u>	<u>67,337,226</u>	<u>74,278,065</u>	<u>6,940,839</u>
LICENSES AND PERMITS:				
Business:				
Traders	69,000	69,000	69,162	162
Other Licenses and Permits:				
Animal	5,600	5,600	5,583	(17)
Marriage	1,800	1,800	1,850	50
TVRU License	85,000	85,000	100,505	15,505
Highways and Streets	10,000	10,000	12,491	2,491
Other Permits	3,400	6,400	19,525	13,125
	<u>174,800</u>	<u>177,800</u>	<u>209,116</u>	<u>31,316</u>
Total Licenses and Permits	<u>\$ 174,800</u>	<u>\$ 177,800</u>	<u>\$ 209,116</u>	<u>\$ 31,316</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
INTERGOVERNMENTAL:				
Grants From Federal Government:				
Federal Aid in Lieu of Taxes	\$ 4,000	\$ 4,000	\$ 5,943	\$ 1,943
Master's Program	17,140	17,140	10,581	(6,559)
Domestic Violence	34,247	34,247	35,403	1,156
Crossmatch Grant	-	21,007	19,714	(1,293)
Child Support	12,077	12,077	12,635	558
EMPG - Emergency Management	71,910	71,910	70,768	(1,142)
Homeland Security	296,753	296,753	265,083	(31,670)
Emergency Medical Services	-	21,044	21,044	-
ARC - Economic Development Grants	-	298,242	272,815	(25,427)
National Recreational Trails	-	72,723	72,723	-
DOT - CAC Mass Transit	661,468	1,522,458	1,522,458	-
Emergency Solutions Grant	145,000	80,284	80,284	-
CAC - Emergency Transitional Housing Service	10,143	10,143	10,143	-
Miscellaneous	4,375	4,375	4,831	456
Grants From State Government:				
Disparity Grant	2,537,671	2,537,671	2,537,671	-
Forestry & Parks	470,000	470,000	666,217	196,217
Program Open Space	-	125,315	125,315	-
Jury Reimbursement	12,000	12,000	8,895	(3,105)
Family Services	144,498	144,498	129,485	(15,013)
DNR - Watershed	19,216	19,216	19,716	500
Deep Creek Dredging	-	131,728	65,718	(66,010)
Police Protection	205,927	205,927	208,253	2,326
School Bus Violation	18,000	18,000	20,271	2,271
Sex Offender Registration	11,800	11,800	11,400	(400)
Sex Offender Compliance	7,420	7,420	8,380	960
Housing of State Inmates	25,000	25,000	17,370	(7,630)
Emergency Numbers Systems Board - 911	2,685	2,685	3,530	845
Highway User Tax	774,363	527,975	526,979	(996)
SHA Transportation	-	246,388	246,388	-
Rural Legacy Grant	-	-	12,200	12,200
Heritage Grant	-	80,000	80,000	-
Homeless Women Crisis Center	20,000	20,000	20,000	-
Mass Transit	177,484	277,301	277,301	-
Service Linked Housing	30,792	30,792	30,792	-
Rental Allowance Program	40,000	40,000	40,000	-
Emergency Solutions Grant	-	123,431	123,431	-
MD Department of Aging Senior Center	20,000	35,184	35,184	-
Other	46,123	87,013	84,529	(2,484)
Subtotal - Intergovernmental	\$ 5,820,092	\$ 7,645,747	\$ 7,703,450	\$ 57,703

**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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
INTERGOVERNMENTAL - Continued				
Balances Brought Forward	\$ 5,820,092	\$ 7,645,747	\$ 7,703,450	\$ 57,703
Other:				
Other	48,412	131,735	116,754	(14,981)
Total Intergovernmental	<u>5,868,504</u>	<u>7,777,482</u>	<u>7,820,204</u>	<u>42,722</u>
FINES AND FORFEITURES	<u>-</u>	<u>-</u>	<u>5,778</u>	<u>5,778</u>
SERVICE CHARGES FOR CURRENT SERVICES:				
General Government:				
Credit Card Convenience Fees	21,000	32,000	31,730	(16,075)
Zoning and Subdivision Fees	11,000	11,000	15,925	40,034
Building Inspection	45,000	45,000	51,034	6,034
Inventory Sales	427,011	427,011	251,902	(175,109)
Miscellaneous	206,800	56,800	61,704	4,904
Public Safety:				
Fingerprinting Fees	37,000	37,000	34,579	(2,421)
Work Release	34,000	34,000	22,901	(11,099)
Emergency Medical Services - Patient Billing	315,000	315,000	229,518	(85,482)
Volunteer Rescue Cost Share	135,000	135,000	164,091	29,091
Miscellaneous	1,000	1,000	600	(400)
Total Service Charges	<u>1,232,811</u>	<u>1,093,811</u>	<u>863,984</u>	<u>(229,827)</u>
MISCELLANEOUS:				
Interest and Dividends	185,000	185,000	224,741	39,741
Rents and Concessions	842,605	991,405	861,370	(130,035)
Miscellaneous	5,900	7,300	159,775	152,475
Total Miscellaneous	<u>1,033,505</u>	<u>1,183,705</u>	<u>1,245,886</u>	<u>62,181</u>
TOTAL REVENUES	<u>75,646,846</u>	<u>77,570,024</u>	<u>84,423,033</u>	<u>6,853,009</u>
OTHER FINANCING SOURCES:				
Sale of Capital Assets	-	-	47,678	47,678
Transfers - Liquor Control Board	109,876	109,876	113,571	3,695
Total Other Financing Sources	<u>109,876</u>	<u>109,876</u>	<u>161,249</u>	<u>51,373</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 75,756,722</u>	<u>\$ 77,679,900</u>	<u>\$ 84,584,282</u>	<u>\$ 6,904,382</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
GENERAL GOVERNMENT				
Legislative:				
County Commissioners	\$ 405,017	\$ 423,202	\$ 413,104	\$ (10,098)
Judicial:				
Circuit Court	529,405	571,255	516,829	(54,426)
Orphans Court	16,176	16,176	14,900	(1,276)
State's Attorney	693,212	693,212	703,528	10,316
	<u>1,238,793</u>	<u>1,280,643</u>	<u>1,235,257</u>	<u>(45,386)</u>
Elections:				
Board of Supervisors of Elections	429,154	429,154	395,662	(33,492)
Financial Administration:				
Finance Office	506,698	520,493	486,305	(34,188)
Tax Collection Office	279,123	299,173	273,952	(25,221)
Department of Assessments & Taxation	273,264	275,129	275,127	(2)
Procurement	252,278	252,278	230,762	(21,516)
Total Financial Administration	<u>1,311,363</u>	<u>1,347,073</u>	<u>1,266,146</u>	<u>(80,927)</u>
Law:				
Legal Counsel	98,467	99,467	91,342	(8,125)
Personnel Administration:				
Personnel Administration	286,093	453,758	411,489	(42,269)
Planning and Zoning:				
Planning Commission	666,233	962,776	808,127	(154,649)
Facilities & Maintenance:				
County Buildings	1,557,982	1,588,984	1,469,982	(119,002)
Total General Government	<u>5,993,102</u>	<u>6,585,057</u>	<u>6,091,109</u>	<u>(493,948)</u>
PUBLIC SAFETY				
Sheriff's Department	3,407,137	3,441,949	3,336,453	(105,496)
Corrections	2,099,251	2,104,893	2,058,407	(46,486)
Fire and Rescue Services	3,347,264	3,528,158	3,621,221	93,063
Other Public Safety:				
Permits and Inspections	429,377	429,377	415,947	(13,430)
Animal Control	275,991	323,798	266,993	(56,805)
Civil Defense/Emergency Management	365,148	388,545	289,806	(98,739)
Emergency Alarm and Communications (911)	1,018,919	1,041,126	977,100	(64,026)
Total Public Safety	<u>\$ 10,943,087</u>	<u>\$ 11,257,846</u>	<u>\$ 10,965,927</u>	<u>\$ (291,919)</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
PUBLIC WORKS				
Highways and Streets	\$ 16,010,995	\$ 16,290,237	\$ 15,459,704	\$ (830,533)
HEALTH AND HOSPITAL				
Health Department	1,919,000	1,923,345	1,922,341	(1,004)
EDUCATION				
Board of Education	28,848,972	28,056,878	28,168,226	111,348
Community College	5,345,000	8,448,733	8,552,043	103,310
Total Education	<u>34,193,972</u>	<u>36,505,611</u>	<u>36,720,269</u>	<u>214,658</u>
CULTURE	49,000	49,000	48,000	(1,000)
PARKS AND RECREATION	26,500	26,500	26,102	(398)
LIBRARY	1,017,000	1,017,000	1,017,000	-
CONSERVATION OF NATURAL RESOURCES				
Agriculture Extension Service	199,603	199,603	186,918	(12,685)
Soil Conservation	19,706	19,706	19,706	-
Agricultural Land Preservation Program	3,500	3,500	22,768	19,268
Total Conservation of Natural Resources	<u>222,809</u>	<u>222,809</u>	<u>229,392</u>	<u>6,583</u>
ECONOMIC DEVELOPMENT AND OPPORTUNITY				
Economic Development	465,878	781,164	584,681	(196,483)
Tourism	800,000	800,000	800,000	-
Community Action Programs	1,525,710	2,782,732	2,781,672	(1,060)
Fair Board Agricultural Fair	20,000	20,000	20,000	-
Special Promotion	117,088	220,088	176,702	(43,386)
Other	418,632	433,816	433,816	-
Total Economic Development and Opportunity	<u>\$ 3,347,308</u>	<u>\$ 5,037,800</u>	<u>\$ 4,796,871</u>	<u>\$ (240,929)</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
CAPITAL OUTLAY				
Finance Office	-	181,956	58,277	(123,679)
Permits and Inspections	-	26,704	26,704	-
Sheriff's Department	102,000	165,200	162,716	(2,484)
Animal Control	30,000	30,000	26,936	(3,064)
Emergency Management	-	14,800	222,542	207,742
Emergency Medical	-	35,000	35,120	120
County Detention	36,414	30,772	30,772	-
Emergency Alarm and Communications (911)	-	65,000	63,948	(1,052)
Highways and Streets	592,000	964,182	617,490	(346,692)
Economic Development and Opportunity Facilities & Maintenance	-	377,331	377,331	-
	85,000	183,350	160,221	(23,129)
Total Capital Outlay	<u>845,414</u>	<u>2,074,295</u>	<u>1,782,057</u>	<u>(292,238)</u>
INTERGOVERNMENTAL	<u>302,205</u>	<u>302,205</u>	<u>302,205</u>	<u>-</u>
MISCELLANEOUS	<u>562,000</u>	<u>1,412,000</u>	<u>1,524,509</u>	<u>112,509</u>
TOTAL EXPENDITURES	<u>75,432,392</u>	<u>82,703,705</u>	<u>80,885,486</u>	<u>(1,818,219)</u>
OTHER FINANCING USES				
Operating Transfers:				
Capital Projects Fund	1,471,000	5,018,680	547,323	(4,471,357)
Airport Fund	56,064	56,064	97,271	41,207
Solid Waste Fund	476,262	476,262	476,262	-
Parks & Recreation Fund	100,000	100,000	100,000	-
Dept. of Tech. & Communication Fund	783,504	958,504	779,864	(178,640)
Total Other Financing Uses	<u>2,886,830</u>	<u>6,609,510</u>	<u>2,000,720</u>	<u>(4,608,790)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 78,319,222</u>	<u>\$ 89,313,215</u>	<u>\$ 82,886,206</u>	<u>\$ (6,427,009)</u>

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

General Fund

Schedule of Taxes and Taxes Receivable

Year Ended June 30, 2018

	Total Assessed Value	Tax Rate Per \$100	Actual Tax Levy	Amount Collected	Balance of Taxes Receivable
CURRENT YEAR LEVY:					
Real Property - Full Year					
Mt Lake Park	\$ 104,754,138	0.928	\$ 972,119		
All Others	4,156,136,807	0.990	41,145,754		
Total Full Year	4,260,890,945		42,117,873		
Real Property - One-Half Year	7,484,885	0.990	74,100		
Total Real Property	4,268,375,830		42,191,973	\$ 40,480,338	\$ 1,711,635
Personal Property - Corporate	143,248,530	2.475	3,545,401	3,545,401	-
Public Utilities and Railroad	125,733,470	2.231	2,804,791	2,794,671	10,120
Total Current Year	\$ 4,537,357,830		\$ 48,542,165	\$ 46,820,410	1,721,755
PRIOR YEAR RECEIVABLES:					
	Year Ended June 30:				
	2017				38,843
	2016				19,002
	2015				15,907
	2014				15,384
	2013				3,613
	2012				2,025
	2011				2,018
	2010				1,170
	2009				334
	2008				232
	2007				55
	2006				54
	2005				48
	2004				20
	2003				20
	2002				20
	1996-2001				81
Total Prior Years					98,826
TOTAL TAXES RECEIVABLE					1,820,581
Less: Allowance for Uncollectible Accounts					(50,000)
TAXES RECEIVABLE - NET					\$ 1,770,581

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

Combining Balance Sheet
Other Governmental Funds
June 30, 2018

	<u>Public Safety</u>	<u>Commissary</u>	<u>Law Library</u>
ASSETS:			
Other Receivables - Net	\$ -	\$ 1,907	\$ 474
Restricted Cash	283,540	10,366	17,081
TOTAL ASSETS	<u>283,540</u>	<u>12,273</u>	<u>17,555</u>
LIABILITIES:			
Accounts Payable and Accrued Expenses	43,444	425	676
Unearned Revenues	194,711	-	-
Total Liabilities	<u>238,155</u>	<u>425</u>	<u>676</u>
FUND BALANCES:			
Restricted	45,385	11,848	16,879
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 283,540</u>	<u>\$ 12,273</u>	<u>\$ 17,555</u>

Keysers Ridge	HUD	Total Other Governmental Funds
\$ -	\$ -	\$ 2,381
<u>309,342</u>	<u>-</u>	<u>620,329</u>
<u>309,342</u>	<u>-</u>	<u>622,710</u>
-	-	44,545
<u>307,328</u>	<u>-</u>	<u>502,039</u>
<u>307,328</u>	<u>-</u>	<u>546,584</u>
2,014	-	76,126
<u>\$ 309,342</u>	<u>\$ -</u>	<u>\$ 622,710</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, 2018

	Public Safety	Commissary	Law Library
REVENUES:			
Intergovernmental	\$ 307,669	\$ -	\$ -
Fines and Forfeitures	4,717	-	7,481
Investment Income	283	-	-
Charges for Services	-	22,900	-
Total Revenues	312,669	22,900	7,481
EXPENDITURES:			
General Government	-	-	4,373
Public Safety	321,123	24,383	-
Community Development & Public Housing	-	-	-
Total Expenditures	321,123	24,383	4,373
REVENUES OVER/(UNDER) EXPENDITURES	(8,454)	(1,483)	3,108
FUND BALANCES, BEGINNING OF YEAR	53,839	13,331	13,771
FUND BALANCES, END OF YEAR	\$ 45,385	\$ 11,848	\$ 16,879

Keysers Ridge	HUD	Total Other Governmental Funds
\$ -	\$ 114,463	\$ 422,132
-	-	12,198
309	-	592
-	-	22,900
<u>309</u>	<u>114,463</u>	<u>457,822</u>
-	-	4,373
-	-	345,506
<u>-</u>	<u>114,463</u>	<u>114,463</u>
<u>-</u>	<u>114,463</u>	<u>464,342</u>
309	-	(6,520)
<u>1,705</u>	<u>-</u>	<u>82,646</u>
<u>\$ 2,014</u>	<u>-</u>	<u>\$ 76,126</u>

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Garrett County Sanitary District, Inc.
Combining Schedule of Revenues and Expenses and Other Changes in Net Position
Year Ended June 30, 2018

	<u>Water Systems</u>	<u>Deep Creek Lab</u>	<u>Company Store</u>	<u>Subtotal Water Projects</u>
OPERATING REVENUES:				
Charges for Services	\$ 1,579,209	\$ 87,608	\$ -	\$ 1,666,817
Other	172,968	-	336,284	509,252
Total Operating Revenues	<u>1,752,177</u>	<u>87,608</u>	<u>336,284</u>	<u>2,176,069</u>
OPERATING EXPENSES:				
Salaries	603,826	101,061	49,629	754,516
Fringe Benefits	275,517	50,063	20,482	346,062
Maintenance and Repairs	117,835	558	964	119,357
Supplies	109,839	24,304	227,913	362,056
Utilities	146,460	2,221	13,827	162,508
Transportation	46,324	7,977	-	54,301
Contracted Services	32,042	30,426	1,440	63,908
Insurance	9	-	-	9
Lab Tests	28,876	(142,902)	-	(114,026)
Direct Administrative	9,928	6,345	1,115	17,388
Indirect Administrative	102,028	-	-	102,028
Depreciation	816,861	7,555	-	824,416
Bad Debt Expense	-	-	590	590
Total Operating Expenses	<u>2,289,545</u>	<u>87,608</u>	<u>315,960</u>	<u>2,693,113</u>
OPERATING (LOSS)/INCOME	<u>(537,368)</u>	<u>-</u>	<u>20,324</u>	<u>(517,044)</u>
NONOPERATING REVENUES (EXPENSES):				
Tap Fees - Capital Charge	(4,360)	-	-	(4,360)
Interest Revenue	46,699	-	-	46,699
Ad Valorem Tax	2,567,258	-	-	2,567,258
Gain on Sale of Assets	-	-	-	-
Interest Expense	(434,961)	-	-	(434,961)
Net Other Revenues (Expenses)	<u>2,174,636</u>	<u>-</u>	<u>-</u>	<u>2,174,636</u>
INCOME/(LOSS) BEFORE CAPTIAL CONTRIBUTIONS	<u>1,637,268</u>	<u>-</u>	<u>20,324</u>	<u>1,657,592</u>
CAPITAL CONTRIBUTIONS				
Contributed Capital				
Primary Government	52,216	-	-	52,216
Federal	297,635	-	-	297,635
Total Capital Contributions	<u>349,851</u>	<u>-</u>	<u>-</u>	<u>349,851</u>
INCREASE/(DECREASE) IN NET ASSETS	<u>\$ 1,987,119</u>	<u>\$ -</u>	<u>\$ 20,324</u>	<u>\$ 2,007,443</u>

Sewer Systems	Trout Run	Subtotal Sewer Projects	Total
\$ 2,916,208	\$ 110,931	\$ 3,027,139	\$ 4,693,956
59,402	-	59,402	568,654
<u>2,975,610</u>	<u>110,931</u>	<u>3,086,541</u>	<u>5,262,610</u>
844,725	58,778	903,503	1,658,019
393,891	69,027	462,918	808,980
469,469	18,819	488,288	607,645
197,105	3,310	200,415	562,471
409,471	39,454	448,925	611,433
63,895	8,558	72,453	126,754
133,609	9,722	143,331	207,239
18,636	-	18,636	18,645
103,685	10,341	114,026	-
17,014	1,048	18,062	35,450
140,488	-	140,488	242,516
1,281,914	180,858	1,462,772	2,287,188
-	-	-	590
<u>4,073,902</u>	<u>399,915</u>	<u>4,473,817</u>	<u>7,166,930</u>
<u>(1,098,292)</u>	<u>(288,984)</u>	<u>(1,387,276)</u>	<u>(1,904,320)</u>
564,950	-	564,950	560,590
43,683	-	43,683	90,382
-	-	-	2,567,258
29,227	-	29,227	29,227
<u>(507,480)</u>	<u>(16,689)</u>	<u>(524,169)</u>	<u>(959,130)</u>
<u>130,380</u>	<u>(16,689)</u>	<u>113,691</u>	<u>2,288,327</u>
<u>(967,912)</u>	<u>(305,673)</u>	<u>(1,273,585)</u>	<u>384,007</u>
49,529	-	49,529	101,745
-	-	-	297,635
<u>49,529</u>	<u>-</u>	<u>49,529</u>	<u>399,380</u>
<u>\$ (918,383)</u>	<u>\$ (305,673)</u>	<u>\$ (1,224,056)</u>	<u>\$ 783,387</u>

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

Garrett County Sanitary District, Inc.
Schedule of Costs Capitalized to Construction in Progress
Year Ended June 30, 2018

PROJECT	Balance July 1, 2017	Construction (Net of Program Income)	Engineering	Salaries
Keysers Ridge Water Holding Tank	\$ 110,027	\$ -	\$ -	\$ -
Keysers Ridge Water	351,733	-	(1,700)	-
Keysers Ridge Sewer	94,351	-	-	-
Deep Creek Lake Collection & Conveyance	9,568,684	836,583	75,003	20,996
Deep Creek Lake Waste Water Treatment Plant	52,383	-	19,665	-
Bloomington Water	22,695	526,603	66,533	-
McHenry Water	37,557	33,486	88,292	-
Friendsville Sewer Tank	10,438	-	39,600	-
Trout Run WWTP Upgrades	32,062	-	8,000	-
Mountain Lake Park Water District	-	-	12,000	-
Water Wheel Road	-	-	10,125	-
Thayerville/McHenry Connection	-	-	55,070	-
TOTAL	<u>\$ 10,279,930</u>	<u>\$ 1,396,672</u>	<u>\$ 372,588</u>	<u>\$ 20,996</u>

Fringe Benefits	Administrative	Interest	Indirect Costs	Total Additions (Reductions)	Retirements or Transfers (Completed Project)	Balance June 30, 2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,027
-	-	-	-	(1,700)	-	350,033
-	-	-	-	-	-	94,351
1,609	465	104,965	-	1,039,621	-	10,608,305
-	-	-	-	19,665	-	72,048
-	337	-	-	593,473	-	616,168
-	158	-	-	121,936	-	159,493
-	178	-	-	39,778	-	50,216
-	7,986	-	-	15,986	-	48,048
-	-	-	-	12,000	-	12,000
-	-	-	-	10,125	-	10,125
-	-	-	-	55,070	-	55,070
\$ 1,609	\$ 9,124	\$ 104,965	\$ -	\$ 1,905,954	\$ -	\$ 12,185,884

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

Garrett County Sanitary District, Inc.
Schedule of Indirect Costs
Year Ended June 30, 2018

	<u>2018</u>
TYPE:	
Contracted Services	\$ 94,579
Insurance	51,780
Supplies	51,651
Professional and Legal	20,755
Utilities	10,128
Telephone	6,599
Administrative	4,089
Repairs	2,935
	<hr/>
Total	242,516
	<hr/> <hr/>
ALLOCATION BASE:	
Direct Salaries	1,679,015
Related Fringe Benefits	810,589
	<hr/>
Total Allocation Base	2,489,604
	<hr/> <hr/>
INDIRECT COST RATE	10%
	<hr/> <hr/>
COSTS REPORTED AS:	
Operations	242,516
Construction in Progress	-
	<hr/>
	\$ 242,516
	<hr/> <hr/>

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Comparative Schedule of Primary Government Long-Term Indebtedness
June 30, 2018 and 2017

	June 30,	
	2018	2017
LONG-TERM INDEBTEDNESS:		
Government Activities:		
Bond Payable - Hospital Bonds of 2004	\$ 591,767	\$ 666,810
Bond Payable - Hospital Bonds of 2007	2,293,672	2,371,899
Bond Payable - Hospital Bonds of 2014	7,999,999	8,666,666
Bond Payable - Hospital Bonds of 2015	4,333,290	3,181,146
Total Governmental Activities	15,218,728	14,886,521
Business Type Activities:		
Sanitary District		
Note Payable - Maryland Water Quality Financing-Deep Creek Lake Sewer Ext.	69,483	137,028
Note Payable - State of Maryland-Jennings Sewer	7,438	14,704
Note Payable - Maryland Water Quality Financing-Deer Park Water	147,162	156,051
Note Payable - Maryland Department of the Environment-Mountain Lake Park Water	46,964	56,040
Note Payable - BB&T USDA Refinance Loan	18,342,923	19,322,792
Note Payable - BB&T Mountain Lake Park Water Loan	622,446	655,696
Note Payable - BB&T Thayerville Water	5,829,128	6,140,503
Note Payable - BB&T Jennings	38,904	40,982
Note Payable - Maryland Department of the Environment-Deep Creek & Friendsville	141,662	175,980
Note Payable - BB&T- DCL Western Conv.	6,655,535	5,228,650
Total Sanitary District	31,901,645	31,928,426
Parks & Recreation		
Note Payable - Garrett County Community Action Committee	275,000	275,000
Note Payable - Maryland Department of Business and Economic Development	2,817,615	2,817,615
Total Parks & Recreation	3,092,615	3,092,615
Total Business Type Activities	34,994,260	35,021,041
TOTAL LONG-TERM INDEBTEDNESS	\$ 50,212,988	\$ 49,907,562

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

Combining Statement of Net Position

Fiduciary Funds

June 30, 2018

	Government Personnel Retirement Plan	Law Enforcement Employee Retirement Plan	Volunteer Length of Service Award Plan	Other Post Employment Benefit Plan	Total Benefit Plan Trust Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,338,643	\$ 746,760	\$ 35,663	\$ 612,878	\$ 2,733,944
Investments:					
Certificates of Deposit	49,569	-	-	-	49,569
Fixed Income Securities	8,341,152	2,891,217	265,662	59,462	11,557,493
Mutual Funds	8,912,075	2,894,830	342,312	113,013	12,262,230
Equity Securities	8,805,600	2,565,875	321,894	41,094	11,734,463
Total Investments	<u>26,108,396</u>	<u>8,351,922</u>	<u>929,868</u>	<u>213,569</u>	<u>35,603,755</u>
Interest Receivable	<u>107,458</u>	<u>37,155</u>	<u>3,252</u>	<u>632</u>	<u>148,497</u>
TOTAL ASSETS	27,554,497	9,135,837	968,783	827,079	38,486,196
LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION					
Held in Trust for Retirement					
Benefits and OPEB	<u>\$ 27,554,497</u>	<u>\$ 9,135,837</u>	<u>\$ 968,783</u>	<u>\$ 827,079</u>	<u>\$ 38,486,196</u>

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

Combining Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2018

	Government Personnel Retirement Plan	Law Enforcement Employee Retirement Plan	Volunteer Length of Service Award Plan	Other Post Employment Benefit Plan	Total Benefit Plan Trust Funds
ADDITIONS					
Contributions:					
Employer	\$ 1,190,560	\$ 373,253	\$ -	\$ 600,000	\$ 2,163,813
Plan Members	380,215	221,079	-	-	601,294
Total Contributions	<u>1,570,775</u>	<u>594,332</u>	<u>-</u>	<u>600,000</u>	<u>2,765,107</u>
Investment Earnings:					
Realized Net Gains on Investments	1,539,619	536,182	25,359	14,603	2,115,763
Interest and Dividends	664,441	216,532	56,341	5,461	942,775
Net Decrease in					
Fair Value of Investments	(390,097)	(147,901)	(19,128)	(4,871)	(561,997)
Investment Activity Expense	(94,455)	(30,863)	(3,405)	(850)	(129,573)
Total Net Investment Earnings	<u>1,719,508</u>	<u>573,950</u>	<u>59,167</u>	<u>14,343</u>	<u>2,366,968</u>
Total Additions	<u>3,290,283</u>	<u>1,168,282</u>	<u>59,167</u>	<u>614,343</u>	<u>5,132,075</u>
DEDUCTIONS					
Benefits	1,557,385	377,887	41,016	1,343,004	3,319,292
Administrative	14,726	7,224	4,627	98	26,675
Total Deductions	<u>1,572,111</u>	<u>385,111</u>	<u>45,643</u>	<u>1,343,102</u>	<u>3,345,967</u>
Net Increase In Net Position	1,718,172	783,171	13,524	(728,759)	1,786,108
Net Position - Beginning of Year	<u>25,836,325</u>	<u>8,352,666</u>	<u>955,259</u>	<u>1,555,838</u>	<u>36,700,088</u>
Net Position - End of Year	<u>\$ 27,554,497</u>	<u>\$ 9,135,837</u>	<u>\$ 968,783</u>	<u>\$ 827,079</u>	<u>\$ 38,486,196</u>