

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

**FINANCIAL REPORT
JUNE 30, 2013**

**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, 2013, 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 auditors 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, 2013, 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 schedules of benefit plan funding progress 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 and 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 30, 2013, 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 Rodheaver Group, P.C.

Oakland, Maryland
December 30, 2013

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Our discussion and analysis of the financial performance of The Board of County Commissioners of Garrett County, Maryland provides an overview of the County's financial activities for the fiscal year ended June 30, 2013. We encourage readers to use the information presented here in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

The assets of Garrett County exceeded its liabilities at the close of the fiscal year ended June 30, 2013 by \$145,128,442 (net position), compared to \$139,432,054 at June 30, 2012. Approximately 42 percent of total net position are attributable to the Enterprise Funds. Of total net assets at June 30, 2013, \$20,405,952 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, which compares to \$14,088,604 at June 30, 2012. Another \$5,664,060 is restricted for specific purposes (restricted net position) in comparison to \$5,790,219 at June 30, 2012. The total net investment in capital assets was \$119,058,430 at June 30, 2013, compared to \$119,553,231 at June 30, 2012.

The County's total net position increased by \$5,696,388 over the June 30, 2012 balance.

As of June 30, 2013, the County's governmental funds reported combined fund balances of \$26,642,003, an increase of \$6,940,523 compared to the prior year. Approximately 13.5 percent of the combined fund balance is available to meet the County's current and future needs (unassigned fund balance), 7.9 percent is nonspendable, 13.3 percent is restricted, and 65.3 percent is assigned for future use and capital projects.

At the close of the current fiscal year, unrestricted fund balance for the General Fund (primary operating fund) was \$21,001,082 or 29% of total general fund expenditures including operating transfers at June 30, 2013. Assigned fund balance of the general fund was \$17,408,422, or 83 percent of unrestricted fund balance.

Overview of the Financial Statements

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

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

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

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2013

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

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).

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

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 (Reporting the County’s Most Significant Funds)

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

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

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

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

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

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

Garrett County Government maintains 6 individual governmental funds including the General Fund, Capital Projects Fund, various Special Revenue Funds and the Debt Service Fund. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Capital Projects Fund, and the Debt Service Fund. Data from the other governmental funds are combined into a single, aggregate presentation. The basic governmental funds financial statements can be found on pages 21 to 25 of this report.

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

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 County. 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 two Rescue Squads. The Fiduciary Fund financial statements can be found on pages 33 and 34 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to creating a full understanding of the data provided in the government-wide and

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

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

fund financial statements. The notes to the financial statements can be found on pages 35 through 76 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 77 through 93 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In Garrett County, assets exceeded liabilities by \$145,128,442 at the close of the current fiscal year. Garrett County's net position are divided into three categories, net investment in capital assets, restricted net position and unrestricted net position. The largest portion of the county's net position (82 percent) reflect its investment in capital assets net of depreciation (e.g., land and easements, buildings, machinery, equipment, infrastructure and improvements), less any unmatured debt used to acquire those assets. The County uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Restricted net position represent 3.9 percent of total net position. Restricted net position are resources that are subject to external restrictions on how they may be used. Unrestricted net position of the government have a balance of \$20,405,952 (14.1 percent of total net position), which may be used to meet the government's ongoing obligations to citizens and creditors.

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

Garrett County Government's Net Position
June 30, 2013

	Governmental Activities		Business-type Activities		Total Government	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Assets:						
Current & Other Assets	\$ 42,309,923	\$ 35,288,430	\$ 11,026,136	\$ 6,405,703	\$ 53,336,059	\$ 41,694,133
Capital Assets	62,767,793	60,739,593	90,843,919	89,360,051	153,611,712	150,099,644
Total Assets	105,077,716	96,028,023	101,870,055	95,765,754	206,947,771	191,793,777
Liabilities:						
Long-Term Liabilities	7,260,778	6,847,966	41,154,844	33,904,036	48,415,622	40,752,002
Other Liabilities	13,647,258	12,605,940	(243,551)	(996,219)	13,403,707	11,609,721
Total Liabilities	20,908,036	19,453,906	40,911,293	32,907,817	61,819,329	52,361,723
Net Position:						
Net Investment						
In Capital Assets	62,767,793	60,739,593	56,290,637	58,813,638	119,058,430	119,553,231
Restricted	5,640,921	5,790,219	23,139	0	5,664,060	5,790,219
Unrestricted	15,760,966	10,044,305	4,644,986	4,044,299	20,405,952	14,088,604
Total Net Position	\$ 84,169,680	\$ 76,574,117	\$ 60,958,762	\$ 62,857,937	\$ 145,128,442	\$ 139,432,054

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

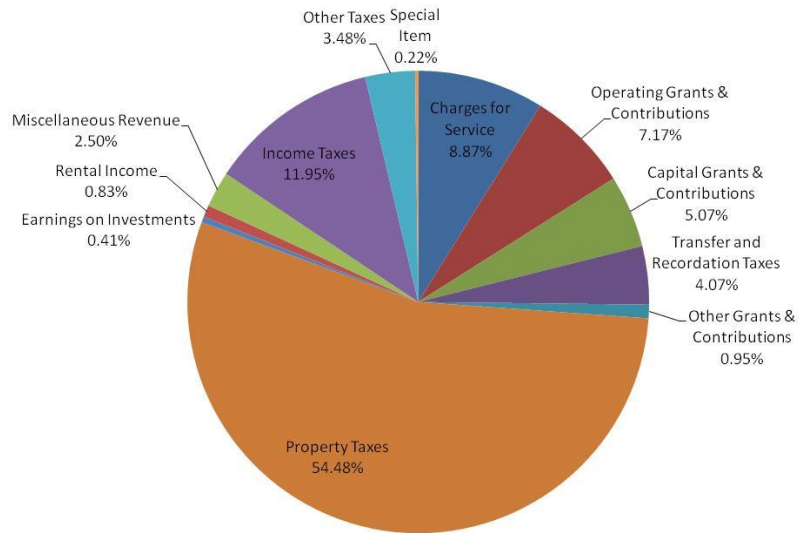
The following table indicates the changes in net position.

Garrett County Government's Changes in Net Position
for the Year ended June 30, 2013

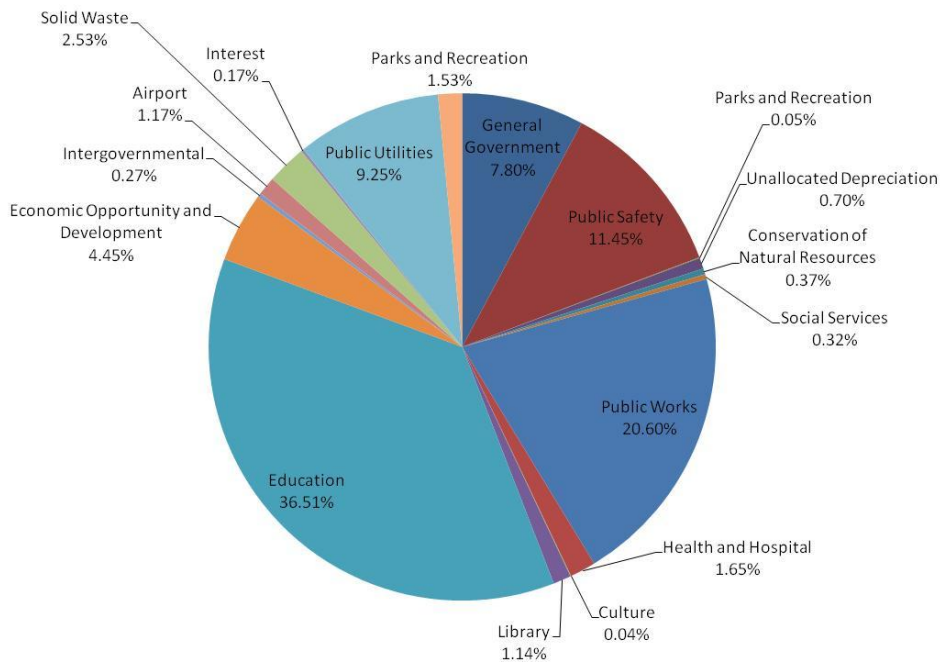
	Governmental Activities		Business-type Activities		Total Government	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,420,346	\$ 1,741,023	\$ 6,899,154	\$ 6,122,439	\$ 8,319,500	\$ 7,863,462
Operating Grants and Contributions	6,611,270	7,889,611	116,083	0	6,727,353	7,889,611
Capital Grants and Contributions	4,376,759	2,061,855	381,556	15,791,215	4,758,315	17,853,070
General Revenues:						
Property Taxes	48,608,823	48,145,894	2,522,195	2,419,961	51,131,018	50,565,855
Other Taxes and Licenses	18,288,904	17,185,352	0	0	18,288,904	17,185,352
Grants and Contributions	310,764	245,973	576,814	165,896	887,578	411,869
Other General Revenues	3,332,916	2,737,896	170,812	177,780	3,503,728	2,915,676
Total Revenues	\$ 82,949,782	\$ 80,007,604	\$ 10,666,614	\$ 24,677,291	\$ 93,616,396	\$ 104,684,895
Program Expenses:						
General Government	6,871,905	7,882,968	0	0	6,871,905	7,882,968
Public Safety	10,090,959	9,706,160	0	0	10,090,959	9,706,160
Public Works	18,150,182	18,152,195	0	0	18,150,182	18,152,195
Health & Hospital	1,455,727	1,447,964	0	0	1,455,727	1,447,964
Education - Board of Education	26,172,514	25,170,836	0	0	26,172,514	25,170,836
- Garrett College	5,996,562	10,603,285	0	0	5,996,562	10,603,285
Culture	35,000	18,000	0	0	35,000	18,000
Parks and Recreation	45,133	76,516	0	0	45,133	76,516
Library	1,005,627	997,744	0	0	1,005,627	997,744
Conservation of Natural Resources	328,973	167,575	0	0	328,973	167,575
Social Services	281,700	281,700	0	0	281,700	281,700
Community Development & Housing	0	263,000	0	0	0	263,000
Economic Opportunity & Development	3,919,460	5,579,002	0	0	3,919,460	5,579,002
Other	1,007,908	982,029	0	0	1,007,908	982,029
Garrett County Airport	0	0	1,029,868	1,062,561	1,029,868	1,062,561
Solid Waste Management	0	0	2,229,742	2,226,759	2,229,742	2,226,759
Garrett County Sanitary District, Inc.	0	0	8,149,855	8,213,805	8,149,855	8,213,805
Parks and Recreation Fund	0	0	1,352,699	912,564	1,352,699	912,564
Total Expenses	\$ 75,361,650	\$ 81,328,974	\$ 12,762,164	\$ 12,415,689	\$ 88,123,814	\$ 93,744,663
Excess before Special Items and Transfers	7,588,132	(1,321,370)	(2,095,550)	12,261,602	5,492,582	10,940,232
Special Item	0	0	203,806	2,847,351	203,806	2,847,351
Net Transfers In (Out)	7,431	(226,135)	(7,431)	226,135	0	0
Changes in Net Assets	7,595,563	(1,547,505)	(1,899,175)	15,335,088	5,696,388	13,787,583
Net Assets – Beginning of Year	76,574,117	78,121,622	62,857,937	47,522,849	139,432,054	125,644,471
Net Assets – End of Year	\$ 84,169,680	\$ 76,574,117	\$ 60,958,762	\$ 62,857,937	\$ 145,128,442	\$ 139,432,054

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

Revenues By Source - Primary Government



Expenditures - Primary Government



THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Government-wide Financial Analysis (cont'd)

Overall, the financial position of Garrett County improved during the year. Garrett County Government's net position increased by \$5,696,388 for the year ended June 30, 2013. Key elements of this overall increase were a \$565,163 increase in property taxes, a \$1,103,552 increase in Other Taxes and Licenses and a \$4,606,723 decrease in program expenses for Garrett College. These changes were partially offset by increased funding to the Garrett County Board of Education.

Governmental Activities. To aid in the understanding of the Statement of Activities, some additional explanation is provided. Of particular interest is the format of this statement. The reader will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions 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.

Property taxes increased by \$565,163 (1.12%) during the year. The majority of this increase is due to increased property values as assessed by the State of Maryland Department of Assessments and Taxation. There was no change in the property tax rate as set by the County Commissioners. Property taxes account for 62.01% of General Fund revenues including other financing sources on a budgetary basis.

A change in the local economy began to occur during FY 2008 and continued into FY 2010 but a slight improvement was seen in FY 2011, and FY 2012. In FY 2013 property taxes are beginning to level out due to the declining real estate market. As assessments continue to catch up with the decline in real estate value, there will be an adverse effect on future property tax revenue. A slightly improving local economy and lower unemployment rates provided an increase in local income tax revenue. Income taxes account for 14.3% of General Fund revenues including other financing sources on a budgetary basis. Recordation and local transfer taxes show an increase of 12.9% and 14.9%, respectively, for FY 2013.

Business-Type Activities. In 2013, total assets for the Airport decreased by \$739,739. This decrease is mainly due to the recording the current year's depreciation expense on assets. Total assets for the Garrett County Sanitary District, d/b/a Department of Public Utilities, increased by \$6,363,452. This increase is primarily the result of proceeds from bonds issued to fund the Thayerville water project. The Parks & Recreation Fund was established to account for the operations of the Adventure Sports Center, Inc. Total assets for the Parks & Recreation Fund held fairly steady with only a slight decrease of \$4,575.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Government-wide Financial Analysis (cont'd)

Operating revenues net of in-house sales of the Sanitary District increased by \$50,569. An increase in customers and operating agreement revenues contribute primarily to this increase. Operating expenditures for the Sanitary District decreased by \$102,767. This decrease is the combined result of decreases in salaries, fringe benefits, repairs and supplies.

The Garrett County Office of Solid Waste and Recycling's (Landfill) estimated disposal capacity changes over time based on variability in efficiencies with respect to waste compression. Based on the County's engineer estimates of costs to perform all closure and post-closure care activities, the balance of estimated costs to be recognized are approximately \$2,267,073 and will be recognized over the remaining useful life of the landfill, which, based on the current compaction rate is approximately 16 years. The County has established a landfill closure fund to provide funds to pay these closure and post-closure costs. As of June 30, 2013, the balance of these restricted cash assets was \$1,239,947.

Net position for Adventure Sports Center, Inc. are stated at a total of \$15,991,169. Operating revenues were \$702,679 while operating expenditures were recorded as \$1,352,699 resulting in a net operating loss of \$650,020 for the year ended June 30, 2013. Operating expenditures include non-cash items such as depreciation (\$450,333) and bad debt expense (\$3,088).

Financial Analysis of the County's Funds

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

Governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financial requirements. In particular, unrestricted 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 \$26,642,003, an increase of \$6,940,523. Approximately 13.5% of this total, \$3,592,660, 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. \$3,354,251 has been restricted for self-funded health care. Assigned fund balance totals \$17,408,422 and includes \$12,576,470 for expenditure in FY 2014, and \$4,831,952 for self-funded health care. Items included for expenditure in FY 2014 are \$1,565,146 for Economic Development projects, and \$2,653,654 for Roads projects and equipment.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

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

The General Fund is the chief operating fund of the Garrett County Government. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,592,660, while total fund balance reached \$26,501,224. 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 4.96% of the total General Fund expenditures including operating transfers, while total fund balance represents 36.6% of that same amount.

During the current fiscal year, the total fund balance of the County's General Fund increased by \$6,947,951. The key factors for the increase are as follows:

- Progress was delayed on several Capital Projects in Fiscal Year 2013 thus necessitating the need for expenditure in Fiscal Year 2014 to complete the projects.
- General Fund revenue increased by \$1,369,365 and General Fund operating expenditures decreased by \$8,927,358. As a result, General Fund revenue was enough to support operating expenditures thereby resulting in an increase in Fund Balance.

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

Garrett County's Debt Service Fund reports assets of \$3,594,369, which include amounts owing from the Garrett County Memorial Hospital Bonds, Series 2004 and 2007, for the expansion and renovation of the Emergency Room/Same Day Surgery/Admissions Project.

The Non-Major Special Revenue Funds have a total fund balance of \$140,779, 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 \$4,644,986. The total decline in net position for the proprietary funds was \$1,899,175. Other factors concerning these funds' finances have been addressed in the discussion of Garrett County government's business-type activities.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Budgetary Highlights

The difference between original revenue budget amounts of \$72,081,985 and final revenue budget amounts of \$76,198,720 is an increase of \$4,116,735. This difference is mainly due to budget amendments that occurred throughout the fiscal year to reduce or increase the original budget to reflect more accurately the actual revenue received. Some significant differences are increases in what was originally budgeted in Other Local Taxes such as Income Tax, Recordation and Transfer Tax, and in federal and state grant revenue. The difference between the final revenue budget of \$76,198,720 and the actual revenue recorded of \$78,387,940 resulted in a positive variance of \$2,189,220.

Significant differences between the original expenditure budget amounts of \$73,281,985 and final expenditure budget amounts of \$81,500,681, resulting in a budget increase of \$8,218,696, are due to budget amendments that occurred to increase capital projects capital outlay to be more in alignment with actual project costs and to accurately reflect costs incurred in fiscal year 2013 resulting from unspent capital funds carried over from fiscal year 2012.

The difference between the final budget expenditures of \$81,500,681 and the actual expenditures recorded of \$72,440,195 represented a variance of \$9,060,486. The difference is, in large part, due to timing differences between budgeted capital outlays versus actual expenditures for these various capital outlay projects.

Significant differences between the final budget expenditures and actual expenditures on a budgetary basis are as follows: Capital Outlay actual expenditures were under what was budgeted due to a delay in construction or a delay in when the product was available for purchase. Some of these items include various bridge projects, and the delay in the purchase of capital equipment for the Roads Department, purchase of equipment for the Emergency Operations Center, and the construction of Meadow Mountain Trail.

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

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2013

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, 2013 amounts to \$153,611,712 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, furniture, vehicles, and infrastructure. The total increase in the County’s investment in capital assets for the current fiscal year was \$3,512,068 (a 2.3% increase for governmental and business-type activities).

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

	Governmental Activities		Business-type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$9,703,158	\$7,518,445	\$3,109,919	\$3,008,824	\$12,813,077	\$10,527,269
Land Improvements	2,810,464	2,746,135	15,384,859	15,576,426	18,195,323	18,322,561
Construction in Progress	2,879,757	1,948,630	9,028,995	6,264,609	11,908,752	8,213,239
Infrastructure	26,505,707	27,436,741	57,815,020	58,653,388	84,320,727	86,090,129
Buildings	14,358,253	14,944,701	3,790,538	3,883,239	18,148,791	18,827,940
Furniture and Equipment	844,872	1,029,839	26,295	0	871,167	1,029,839
Vehicles	3,602,672	2,997,535	316,622	308,670	3,919,294	3,306,205
Machinery and Equipment	2,062,910	2,117,567	1,371,671	1,664,895	3,434,581	3,782,462
Total	<u>\$62,767,793</u>	<u>\$60,739,593</u>	<u>\$90,843,919</u>	<u>\$89,360,051</u>	<u>\$153,611,712</u>	<u>\$150,099,644</u>

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

- Although there was a net decrease of \$1.17 million in Buildings for governmental activities due to current year’s depreciation exceeding all new additions, there were over \$68,000 of building improvements or additions. The public entrance at the Garrett County Courthouse was expanded to better accommodate the security screening station. This improvement was funded by a Maryland Judiciary Administrative Office of the Courts grant. In addition, improvements were made at the Career Technology Training Center and a pole building was added at the Grantsville Roads Garage.
- Construction in Progress for governmental activities increased by a net \$931,000. \$1.77 million was added to Construction in Progress comprised of over \$1.3 million from the Bayard Corona Bridge project and over \$325,000 from the McHenry Business Park Road Project. Almost \$840,000 of Construction in Progress projects were placed in service including the McHenry Business Park Utilities. Land Improvements showed a net increase for governmental activities equating to almost \$65,000 due to the completion of the Deep Creek Trail and installation of a security gate at the Oakland Roads Complex.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2013

Capital Asset and Debt Administration (cont’d)

- Although Infrastructure showed a net decrease of \$931,000 due to current years depreciation expense exceeding all new additions, \$2.9 million of roads improvements were added to the asset base in FY2013.
- Although Machinery and Equipment for governmental activities showed a net decrease of \$55,000 due to current years depreciation expense exceeding all new additions, over \$150,000 of equipment was added to the Career Technology Training Center to expand its program offerings.
- Vehicles for governmental activities grew by a net of \$605,000. New tandem axle trucks, brush chippers, and a paver for the Roads Department comprised the majority of this increase.
- Although Furniture and Equipment for governmental activities decreased by a net of \$185,000 due to current years depreciation expense exceeding all new additions, over \$35,000 of Emergency Management/Emergency Medical Services/911 equipment upgrades were added.
- Governmental activities Land asset base increased by nearly \$2.2 million in FY2013 due to the acquisition from Maryland Economic Development Corporation of over 175 acres of land in the Keyzers Ridge Business Park.

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

Long-term debt. At the end of the current fiscal year, Garrett County Government had notes and bonds outstanding of \$41,312,090, which are backed by the full faith and credit of the County.

Garrett County’s Outstanding Debt
General Obligation Bonds and Note Payable

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2013	2012	2013	2012	2013	2012
General Bonded Debt	\$ 3,594,369	\$ 3,720,807	\$ 37,717,721	\$ 30,586,138	\$ 41,312,090	\$ 34,306,945

During fiscal year 2013, the County’s total debt increased by \$7,005,145. This net increase is attributable to the refinancing and consolidation of several loans for the Garrett County Sanitary District, Inc. All other required on-going debt service payments were made during the year.

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, general services and public safety. There are significant budgeted expenditures for capital project construction and capital outlay expenditures over fiscal years 2014 to 2018. These projects include the renovation of Southern Middle

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Capital Asset and Debt Administration (cont'd)

School, Keyser's Ridge Industrial Park Sewer, a new library building for the town of Friendsville, a materials storage building for the Garrett County Roads Department and several bridge projects. This planned 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 6 to the financial statements and on page 91 under Other Supplementary Information.

Economic Factors and Next Year's Budget and Rates

- During FY 2008 Moody's Investors Service completed a review of Garrett County's bond rating and determined that due to the County maintaining a healthy financial position supported by conservative budgeting practices and possessing a strong economic outlook that includes economic growth in the County, Moody's upgraded Garrett County's bond rate two notches from an unsecured rating of Baa2 to A3. On May 1, 2010, Moody's recalibrated Garrett County's rating from A3 to A1. The recalibration was a result of Moody's rating agency's move to a Global Scale for municipal credit ratings. Currently, Garrett County has no outstanding bonds other than bonds which are to be repaid with hospital revenues.
- The annual average unemployment rate through October 2013 for the County is 6.1%, which is lower than both the State's average of 6.7% and the national average of 7.3% through the same period.
- For January 1, 2014, reassessment notices will be mailed to 9,702 residential and 883 commercial property owners in Area 2. Geographically, this area starts at the center of the county and goes to the West Virginia line. Area 2 includes Election Districts 7 – the area east of Oakland, 14 – the town and surrounding areas of Mountain Lake Park, 17 – the town of Oakland, part of 18 – the majority of Deep Creek Lake. District 18 – Deep Creek Lake – account for more than half of these parcels overall. An analysis of this reassessment shows two distinct markets. The first encompassing Districts 7, 14, 16 and 17 shows a flat market while District 18 shows a significant drop in values.
- Inflationary trends in the region compare favorably to national averages.

These factors, as well as many others, were considered in preparing the County's budget for fiscal year 2014.

During fiscal year 2013, the County's total general fund balance increased by \$6,947,951. Garrett County Government has always maintained and demonstrated a conservative budget philosophy. Even though, due to the downturn in the economy, the

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

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

County has been forced to budget more liberally than desired, the County was able and has appropriated \$5,376,470 of the Assigned Fund Balance for spending in fiscal year 2014. Due to the favorable fund balance that the County has been experiencing over the past several years, the Commissioners were able to hold the tax rate for 2013 steady at \$.99 for every \$100 of assessable property.

Accounting standards for reporting the County's obligation for post-employment benefits went into effect for the fiscal year ended June 30, 2009. Benefits will accrue during the employee's active years of service for government-wide financial reporting purposes. Since the County, the Board of Education and Garrett College formed a coalition for health insurance benefits, OPEB costs were also calculated to include all three entities. An OPEB trust fund was established and the County acted as the funding source for OPEB obligations for all three entities. For FY 2009, the County funded \$613,000 directly to the OPEB Trust Fund for the Garrett County Board of Education, \$103,000 for Garrett College and the balance of \$120,000 for the County. For FY 2010, the County originally budgeted funding in the amount of \$566,174 for the Board of Education, \$95,167 for Garrett College and \$120,000 for the County. However, due to reductions in State revenue, the County was not able to fund the 2010 increase in the net OPEB obligation to the OPEB Trust Fund nor was any amount funded in FY 2011, FY 2012 or FY 2013. More information on the County's other post-employment benefit plans can be found in Note 10 to the financial statements.

The Garrett County Sanitary District, d/b/a Department of Public Utilities, has numerous projects planned for fiscal year 2014. Water projects include completion of the Thayerville Water Project which will serve an additional 1,200 customers in the future. The cost of the Thayerville Water System is estimated to be approximately \$8,400,000 for FY 2014. The District also plans to replace sections of the Mountain Lake Park water distribution system which serves 1,150 customers. The estimated cost of the Mountain Lake Park water system replacements for 2014 is \$200,000.

The District will begin construction of the Western Conveyance Wastewater Collection System that will serve an additional 2,500 customers in the future. The cost for the collection system is estimated to be an additional \$5,500,000 once completed over the next several years. The District will also begin the extension of the Friendsville Wastewater Collection system to address the problem of failing septic systems for current residents. The estimated cost of the Friendsville Sewer Line Extension is \$468,000 for FY 2014.

Adventure Sports Center, Inc. (ASC, Inc.) will continue to be reported as part of the County's financial statements. The County's goals for ASC, Inc. are to continue to make operations more efficient, work with the strategic planning team to determine the best use of the facility, expand the adventure park atmosphere by adding a giant swing and continue with capital improvements in preparation of Deep Creek 2014 world games.

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

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

There are a few major capital projects that will continue into Fiscal Year 2014. These projects include the continuation of construction of Cell 4 and Cell 5 at the Garrett County Landfill, the continuation of the Glendale Roads realignment, the McHenry Business Park Road Phase II, the construction of a new building at the Keyser's Ridge Industrial Park, the continuation of the Cherry Glade Run Project (Phase II) and design for the renovation of Southern Middle School.

The County, Garrett College and the Board of Education continue to be involved in a coalition to consolidate health insurance benefits for current and retired employees of these entities. All three entities have the same insurance premium rates, the same benefits and the same employee co-pays. This consolidation is instrumental in attempting to make health costs more affordable and cost effective. On July 1, 2009, the health insurance platform changed from fully insured to self insured. The self insured platform allowed the coalition to put into place health insurance cost containment measures that positively affect future fiscal years. Effective January 1, 2013, Medicare eligible retirees were insured with a Senior Supplement and Prescription Drug Plan through United Health Care. Effective July 1, 2013, the Coalition implemented an expanded Wellness Program to further identify areas where health care costs could be contained and decreased. As a measure to keep health care costs affordable, health insurance benefits will be subject to public bid with an effective date of July 1, 2014.

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 R. Lamont Pagenhardt, County Administrator or
c/o Wendy K. Yoder, Director, Department of Financial Services

Or, visit our website at www.garrettcountry.org

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

Statement of Net Position

June 30, 2013

	Primary Government		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 22,300,778	\$ 2,865,002	\$ 25,165,780
Investments	2,914,370		2,914,370
Taxes Receivable - Net	2,381,957		2,381,957
Due from Other Governments	3,308,929	5,000	3,313,929
Due from Primary Government			
Other Receivables - Net	990,587	1,316,921	2,307,508
Inventories	816,232	949,274	1,765,506
Prepaid Expenses	145,262	30,134	175,396
Restricted Cash	3,434,824	5,532,241	8,967,065
Restricted Investments			
Restricted Accounts Receivable	3,594,369	327,564	3,921,933
Notes Receivable - Long-Term	2,422,615		2,422,615
Non-Depreciable Capital Assets	12,582,915	20,036,432	32,619,347
Depreciable Capital Assets, Net of Accumulated Depreciation	50,184,878	70,807,487	120,992,365
Other Assets			
TOTAL ASSETS	<u>\$ 105,077,716</u>	<u>\$ 101,870,055</u>	<u>\$ 206,947,771</u>
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 2,700,605	\$ 976,659	\$ 3,677,264
Internal Balances	1,400,259	(1,400,259)	
Due to Component Units	2,637,837		2,637,837
Due to Other Governments	219,246	130,944	350,190
Unearned Revenues	6,339,950	49,105	6,389,055
Other Liabilities	349,361		349,361
Long-Term Liabilities			
Due Within One Year	180,023	1,830,537	2,010,560
Due in More Than One Year	7,080,755	39,324,307	46,405,062
Total Liabilities	<u>\$ 20,908,036</u>	<u>\$ 40,911,293</u>	<u>\$ 61,819,329</u>
NET POSITION			
Net Investment in Capital Assets	\$ 62,767,793	\$ 56,290,637	\$ 119,058,430
Restricted	5,640,921	23,139	5,664,060
Unrestricted	15,760,966	4,644,986	20,405,952
Total Net Position	<u>\$ 84,169,680</u>	<u>\$ 60,958,762</u>	<u>\$ 145,128,442</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 105,077,716</u>	<u>\$ 101,870,055</u>	<u>\$ 206,947,771</u>

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

Component Units		
<u>Board of Education</u>	<u>Community College</u>	<u>Public Library</u>
\$ 6,630,878	\$ 2,898,788	\$ 394,143
		259,440
1,788,596	408,949	
2,168,643	469,194	
29,727	125,423	18,488
106,065	107,078	
	230,709	5,952
	628,026	
	2,350,696	
870,162	1,058,801	33,556
49,458,503	44,727,764	1,275,914
	92,114	
<u>\$ 61,052,574</u>	<u>\$ 53,097,542</u>	<u>\$ 1,987,493</u>
\$ 7,907,625	\$ 638,670	\$ 25,075
57,351	13,722	
	102,568	
96,040	155,532	
8,100,331	7,880,295	29,805
<u>\$ 16,161,347</u>	<u>\$ 8,790,787</u>	<u>\$ 54,880</u>
\$ 46,340,417	\$ 40,218,208	\$ 1,309,470
2,227,854	2,764,904	19,972
(3,677,044)	1,323,643	603,171
<u>\$ 44,891,227</u>	<u>\$ 44,306,755</u>	<u>\$ 1,932,613</u>
<u>\$ 61,052,574</u>	<u>\$ 53,097,542</u>	<u>\$ 1,987,493</u>

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

Statement of Activities
Year Ended June 30, 2013

<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	\$ 6,871,905	\$ 382,471	\$ 2,598,727	\$ 23,999
Public Safety	10,090,959	406,088	1,773,299	382,694
Public Works	18,150,182	482,987	467,156	1,445,490
Health and Hospital	1,455,727		325,001	
Education				
Board of Education	26,172,514	148,800		
College	5,996,562			
Culture	35,000			
Parks and Recreation	45,133		22,903	
Library	1,005,627			
Conservation of Natural Resources	328,973			
Social Services	281,700			
Community Development and Housing				
Economic Opportunity and Development	3,919,460		1,424,184	2,524,576
Intergovernmental	242,205			
Unallocated Depreciation	614,105			
Interest on Long-Term Debt	151,598			
Total Governmental Activities	\$ 75,361,650	\$ 1,420,346	\$ 6,611,270	\$ 4,376,759
Business-type activities				
Airport Fund	\$ 1,029,868	\$ 278,543	\$	\$
Solid Waste Fund	2,229,742	1,314,607	38,584	2,750
Garrett County Sanitary District, Inc.	8,149,855	4,643,555	77,499	378,806
Parks & Recreation Fund	1,352,699	662,449		
Total Business-Type Activities	\$ 12,762,164	\$ 6,899,154	\$ 116,083	\$ 381,556
Total Primary Government	\$ 88,123,814	\$ 8,319,500	\$ 6,727,353	\$ 4,758,315
Component Units				
Board of Education	\$ 59,274,200	\$ 938,439	\$ 9,147,227	\$ 18,651
College	18,248,080	4,091,755	3,033,913	8,090,222
Public Library	1,378,251	33,464		22,927
Total Component Units	\$ 78,900,531	\$ 5,063,658	\$ 12,181,140	\$ 8,131,800

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
- Special Item

Total General Revenues, Transfers & Special Item

Change in Net Position

Net Position - Beginning of Year

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
\$ (3,866,708)		\$ (3,866,708)	\$		\$
(7,528,878)		(7,528,878)			
(15,754,549)		(15,754,549)			
(1,130,726)		(1,130,726)			
(26,023,714)		(26,023,714)			
(5,996,562)		(5,996,562)			
(35,000)		(35,000)			
(22,230)		(22,230)			
(1,005,627)		(1,005,627)			
(328,973)		(328,973)			
(281,700)		(281,700)			
29,300		29,300			
(242,205)		(242,205)			
(614,105)		(614,105)			
(151,598)		(151,598)			
<u>\$ (62,953,275)</u>	<u>\$</u>	<u>\$ (62,953,275)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$	\$ (751,325)	\$ (751,325)	\$	\$	\$
	(873,801)	(873,801)			
	(3,049,995)	(3,049,995)			
	(690,250)	(690,250)			
<u>\$</u>	<u>\$ (5,365,371)</u>	<u>\$ (5,365,371)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>\$ (62,953,275)</u>	<u>\$ (5,365,371)</u>	<u>\$ (68,318,646)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$	\$	\$	\$ (49,169,883)	\$	\$
				(3,032,190)	
					(1,321,860)
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ (49,169,883)</u>	<u>\$ (3,032,190)</u>	<u>\$ (1,321,860)</u>
\$ 48,608,823	\$ 2,522,195	\$ 51,131,018	\$	\$	\$
11,206,954		11,206,954			
3,821,090		3,821,090			
3,260,860		3,260,860			
285,436	94,909	380,345	10,624	233,478	412
			26,023,714	4,523,000	982,700
310,764	576,814	887,578	21,525,798	3,715,721	269,724
774,174		774,174		137,649	
2,210,429	97,668	2,308,097	115,666	7,465	16,804
62,877	(21,765)	41,112	(151,707)		5,348
7,431	(7,431)				
	203,806	203,806			
<u>\$ 70,548,838</u>	<u>\$ 3,466,196</u>	<u>\$ 74,015,034</u>	<u>\$ 47,524,095</u>	<u>\$ 8,617,313</u>	<u>\$ 1,274,988</u>
\$ 7,595,563	\$ (1,899,175)	\$ 5,696,388	\$ (1,645,788)	\$ 5,585,123	\$ (46,872)
76,574,117	62,857,937	139,432,054	46,537,015	38,721,632	1,979,485
<u>\$ 84,169,680</u>	<u>\$ 60,958,762</u>	<u>\$ 145,128,442</u>	<u>\$ 44,891,227</u>	<u>\$ 44,306,755</u>	<u>\$ 1,932,613</u>

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

Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Totals
ASSETS:					
Cash and Cash Equivalents	\$ 22,300,778	\$	\$	\$	\$ 22,300,778
Investments	2,914,370				2,914,370
Taxes Receivable - Net	2,381,957				2,381,957
Due from Other Governments	2,600,841	706,683		1,405	3,308,929
Due from Other Funds	1,580,992	951,254		180,060	2,712,306
Other Receivables - Net	985,028			5,559	990,587
Note Receivable	1,132,060				1,132,060
Inventories	816,232				816,232
Prepaid Expenses	145,262				145,262
Restricted Cash	3,369,083			65,741	3,434,824
Restricted Accounts Receivable			3,594,369		3,594,369
TOTAL ASSETS	\$ 38,226,603	\$ 1,657,937	\$ 3,594,369	\$ 252,765	\$ 43,731,674
LIABILITIES:					
Accounts Payable and Accrued Expenses	\$ 2,042,883	\$ 657,937	\$	\$ 48,081	\$ 2,748,901
Due to Other Funds	4,112,565				4,112,565
Due to Component Units	2,637,837				2,637,837
Due to Other Governments	219,246				219,246
Unearned Revenues	426,799	1,000,000	3,594,369	63,905	5,085,073
Other Liabilities	349,361				349,361
Total Liabilities	\$ 9,788,691	\$ 1,657,937	\$ 3,594,369	\$ 111,986	\$ 15,152,983
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue - Property Taxes	\$ 1,936,688	\$	\$	\$	\$ 1,936,688
Total Deferred Inflows of Resources	\$ 1,936,688	\$ 0	\$ 0	\$ 0	\$ 1,936,688
FUND BALANCES:					
Nonspendable	\$ 2,093,554	\$	\$	\$	\$ 2,093,554
Restricted	3,406,588			140,779	3,547,367
Assigned	17,408,422				17,408,422
Unassigned	3,592,660				3,592,660
Total Fund Balances	\$ 26,501,224	\$ 0	\$ 0	\$ 140,779	\$ 26,642,003
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 38,226,603	\$ 1,657,937	\$ 3,594,369	\$ 252,765	\$ 43,731,674

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, 2013

Total Fund Balances - Governmental Funds	\$	26,642,003
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. The cost of these assets is \$139,960,039, net of accumulated depreciation of \$77,192,246.</p>		62,767,793
<p>Long-term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end include compensated absences of \$1,916,099 and the net OPEB obligation of \$1,702,014.</p>		(7,212,482)
<p>County revenue that is collected after year-end and unavailable soon enough to pay for the current period's expenditures is reported as deferred revenue in the funds.</p>		1,936,688
<p>Note receivable issued in connection with land sale not recognized in funds.</p>		1,290,555
<p>Deferred gain recorded in connection with land sale not recorded in funds.</p>		<u>(1,254,877)</u>
Total Net Position - Governmental Activities	\$	<u><u>84,169,680</u></u>

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2013

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
REVENUES:					
Taxes	\$ 67,897,933	\$	\$	\$	\$ 67,897,933
Licenses and Permits	266,183				266,183
Intergovernmental	6,938,309	1,792,644	126,438	218,210	9,075,601
Fines and Forfeitures	10,385			24,448	34,833
Charges for Services	908,449			62,081	970,530
Investment Income	133,795		151,598	43	285,436
Rents and Concessions	922,974				922,974
Contributions	7,225				7,225
Miscellaneous	2,249,724				2,249,724
Total Revenues	<u>\$ 79,334,977</u>	<u>\$ 1,792,644</u>	<u>\$ 278,036</u>	<u>\$ 304,782</u>	<u>\$ 81,710,439</u>
EXPENDITURES:					
General Government	\$ 6,112,931	\$	\$	34,575	\$ 6,147,506
Public Safety	9,139,804			306,322	9,446,126
Public Works	15,566,083				15,566,083
Health and Hospital	1,447,289				1,447,289
Education					
Board of Education	26,172,514				26,172,514
College	5,996,562				5,996,562
Culture	35,000				35,000
Parks and Recreation	45,133				45,133
Library	1,005,627				1,005,627
Conservation of Natural Resources	328,973				328,973
Social Services	281,700				281,700
Economic Opportunity and Development	3,500,649				3,500,649
Capital Outlay	1,818,130	2,054,501		5,200	3,877,831
Debt Service			278,036		278,036
Intergovernmental	242,205				242,205
Miscellaneous	471,074				471,074
Total Expenditures	<u>\$ 72,163,674</u>	<u>\$ 2,054,501</u>	<u>\$ 278,036</u>	<u>\$ 346,097</u>	<u>\$ 74,842,308</u>
REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) SUBTOTAL					
	<u>\$ 7,171,303</u>	<u>\$ (261,857)</u>	<u>\$ 0</u>	<u>\$ (41,315)</u>	<u>\$ 6,868,131</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 (Continued)
Year Ended June 30, 2013

	<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	\$ 7,171,303	\$ (261,857)	\$ 0	\$ (41,315)	6,868,131
OTHER FINANCING SOURCES (USES):					
Sale of Capital Assets	62,023			2,938	64,961
Operating Transfers					0
Federal Forfeiture Funds	(30,949)			30,949	0
Capital Projects Fund	(261,857)	261,857			0
Airport Fund	(31,010)				(31,010)
Parks & Recreation Fund	(100,000)				(100,000)
Transfer from Enterprise Funds	138,441				138,441
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES & OTHER FINANCING USES	\$ 6,947,951	\$ 0	\$ 0	\$ (7,428)	6,940,523
FUND BALANCES, BEGINNING OF YEAR	<u>19,553,273</u>	<u>0</u>	<u>0</u>	<u>148,207</u>	<u>19,701,480</u>
FUND BALANCES, End of Year	<u>\$ 26,501,224</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 140,779</u>	<u>\$ 26,642,003</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, 2013

Change in Fund Balances - Governmental Funds	\$	6,940,523
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 depreciation expense of \$6,759,755 exceeded capital outlay of \$6,613,367 in the current year.		(146,388)
Governmental funds do not record the value of donated capital assets.		2,176,672
Governmental funds report only the proceeds from the sale of capital assets. In the statement of activities the net book value is written-off against the proceeds, if any, when assets are disposed of or sold.		(2,084)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		126,438
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.		(58,267)
Governmental funds report debt issuance costs as expenditures. However, in the statement of activities, these costs are allocated over the life of the related debt as amortization expense. This is the amount of amortization expense in the current year.		(8,438)
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.		(1,000,206)
OPEB costs related to the unfunded net OPEB obligation do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.		<u>(432,687)</u>
Change in Net Position - Governmental Activities	\$	<u><u>7,595,563</u></u>

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of General Fund Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Budget Basis) -
Primary Government - General Fund
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Budget
REVENUES:				
Taxes	\$ 63,239,998	\$ 66,232,114	\$ 66,897,727	\$ 665,613
Licenses and Permits	249,508	249,508	266,183	16,675
Intergovernmental	6,007,021	7,498,849	6,938,309	(560,540)
Fines and Forfeitures	10,000	10,000	10,385	385
Charges for Services	1,318,733	857,745	908,449	50,704
Investment Income	125,000	125,000	133,795	8,795
Rents and Concessions	777,125	777,125	774,174	(2,951)
Contributions	3,000	3,000	7,225	4,225
Miscellaneous	351,600	395,619	2,249,724	1,854,105
Total Revenues	\$ 72,081,985	\$ 76,148,960	\$ 78,185,971	\$ 2,037,011
EXPENDITURES:				
General Government	\$ 6,636,148	\$ 7,150,786	\$ 6,112,931	\$ (1,037,855)
Public Safety	8,810,082	9,404,683	9,139,804	(264,879)
Public Works	16,629,169	16,839,790	15,566,083	(1,273,707)
Health and Hospital	1,447,289	1,447,289	1,447,289	0
Social Services	281,700	281,700	281,700	0
Education	30,996,714	32,189,930	32,020,276	(169,654)
Culture	35,000	35,000	35,000	0
Parks and Recreation	24,000	46,903	45,133	(1,770)
Library	1,007,700	1,031,700	1,005,627	(26,073)
Conservation of Natural Resources	186,500	333,825	328,973	(4,852)
Economic Development and Opportunity	4,828,381	4,205,694	3,500,649	(705,045)
Capital Outlay	855,500	3,115,326	1,818,130	(1,297,196)
Intergovernmental	242,205	242,205	242,205	0
Miscellaneous	1,007,500	636,080	471,074	(165,006)
Total Expenditures	\$ 72,987,888	\$ 76,960,911	\$ 72,014,874	\$ (4,946,037)
REVENUES (UNDER) OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)				
	\$ (905,903)	\$ (811,951)	\$ 6,171,097	\$ 6,983,048
OTHER FINANCING SOURCES (USES):				
Sale of Capital Assets	\$	\$ 49,760	\$ 62,023	\$ 12,263
Operating Transfers				
Capital Projects Fund	(96,000)	(4,352,261)	(261,857)	(4,090,404)
Airport Fund	(98,097)	(87,509)	(32,515)	(54,994)
Special Revenue Funds			(30,949)	30,949
Parks & Recreation	(100,000)	(100,000)	(100,000)	0
Transfer from Enterprise Funds			139,946	(139,946)
Total Other Financing Sources (Uses)	\$ (294,097)	\$ (4,490,010)	\$ (223,352)	\$ 4,266,658
REVENUES (UNDER) OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)				
	\$ (1,200,000)	\$ (5,301,961)	\$ 5,947,745	\$ 11,249,706
Fund Balance, Beginning of Year	19,553,273	19,553,273	19,553,273	
FUND BALANCE, End of Year, Budgetary Basis	\$ 18,353,273	\$ 14,251,312	\$ 25,501,018	

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, 2013

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Parks & Recreation Fund	Total
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ 100	\$ 300	\$ 2,736,198	\$ 128,404	\$ 2,865,002
Due from Other Governments			5,000		5,000
Due from Primary Government		2,981,251			2,981,251
Other Receivables - Net	12,504	147,535	1,140,296	16,586	1,316,921
Inventories	63,252		886,022		949,274
Prepaid Expense	2,150			27,984	30,134
Total Current Assets	\$ 78,006	\$ 3,129,086	\$ 4,767,516	\$ 172,974	\$ 8,147,582
Noncurrent Restricted Assets:					
Restricted Cash	\$	\$ 1,239,947	\$ 4,292,294	\$	\$ 5,532,241
Restricted Other Receivables			327,564		327,564
Total Noncurrent Restricted Assets	\$ 0	\$ 1,239,947	\$ 4,619,858	\$ 0	\$ 5,859,805
Capital and Other Assets:					
Non-Depreciable Capital Assets	\$ 721,522	\$ 2,477,539	\$ 7,679,853	\$ 9,157,518	\$ 20,036,432
Depreciable Capital Assets, Net of Accumulated Depreciation	13,779,584	1,473,723	44,223,650	11,330,530	70,807,487
Total Capital and Other Assets	\$ 14,501,106	\$ 3,951,262	\$ 51,903,503	\$ 20,488,048	\$ 90,843,919
TOTAL ASSETS	\$ 14,579,112	\$ 8,320,295	\$ 61,290,877	\$ 20,661,022	\$ 104,851,306

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, 2013

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Parks & Recreation Fund	Total
LIABILITIES:					
Current Liabilities:					
Accounts Payable and Accrued Expenses	\$ 43,659	\$ 156,481	\$ 646,587	\$ 129,932	\$ 976,659
Bonds and Loans Payable - Current Portion		119,988	1,408,549	275,000	1,803,537
Closure/Postclosure Liabilities - Current Portion		27,000			27,000
Due to Other Governments			130,944		130,944
Due to Primary Government	24,687		152,659	1,403,646	1,580,992
Unearned Revenue	5,445			43,660	49,105
Total Current Liabilities	\$ 73,791	\$ 303,469	\$ 2,338,739	\$ 1,852,238	\$ 4,568,237
Noncurrent Liabilities:					
Bonds and Loans Payable		\$ 384,326	\$ 32,712,243	\$ 2,817,615	\$ 35,914,184
Compensated Absences	4,215	58,545	217,240		280,000
Closure/Postclosure Liabilities		3,130,123			3,130,123
Total Noncurrent Liabilities	\$ 4,215	\$ 3,572,994	\$ 32,929,483	\$ 2,817,615	\$ 39,324,307
TOTAL LIABILITIES	\$ 78,006	\$ 3,876,463	\$ 35,268,222	\$ 4,669,853	\$ 43,892,544
NET POSITION					
Net Investment in Capital Assets	\$ 14,501,106	\$ 3,446,948	\$ 21,172,150	\$ 17,170,433	\$ 56,290,637
Restricted Net Position				23,139	23,139
Unrestricted Net Position		996,884	4,850,505	(1,202,403)	4,644,986
Total Net Position	\$ 14,501,106	\$ 4,443,832	\$ 26,022,655	\$ 15,991,169	\$ 60,958,762
TOTAL LIABILITIES AND NET POSITION	\$ 14,579,112	\$ 8,320,295	\$ 61,290,877	\$ 20,661,022	\$ 104,851,306

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, 2013

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Parks & Recreation Fund	Total
OPERATING REVENUES:					
Charges for Services	\$ 241,948	\$ 1,314,607	\$ 4,256,442	\$ 662,449	\$ 6,475,446
Other	36,595	57,438	387,113	40,230	521,376
Total Operating Revenues	\$ 278,543	\$ 1,372,045	\$ 4,643,555	\$ 702,679	\$ 6,996,822
OPERATING EXPENSES:					
Salaries	\$ 88,776	\$ 564,057	\$ 1,028,124	\$ 225,066	\$ 1,906,023
Fringe Benefits	25,744	182,185	454,423	42,111	704,463
Maintenance and Repairs	2,788	66,115	423,116	26,410	518,429
Supplies	151,821	81,854	415,822	109,663	759,160
Utilities	16,033	24,581	601,641	196,355	838,610
Transportation	6,705		158,543		165,248
Contracted Services	3,305	236,475	39,387	134,443	413,610
Insurance	5,282	15,238		36,904	57,424
Direct Administration			148,368	100,300	248,668
Indirect Administration		130,877	1,021,941	24,823	1,177,641
Depreciation Expense	720,315	685,249	2,897,437	450,333	4,753,334
Amortization - Other		150,038			150,038
Bad Debt Expense		36		3,088	3,124
Other	9,099	67,352	10,671	3,203	90,325
Total Operating Expenses	\$ 1,029,868	\$ 2,204,057	\$ 7,199,473	\$ 1,352,699	\$ 11,786,097
NET OPERATING LOSS	\$ (751,325)	\$ (832,012)	\$ (2,555,918)	\$ (650,020)	\$ (4,789,275)
NON-OPERATING REVENUES (EXPENSES):					
Federal Operating Grant Revenue	\$	\$ 38,584	\$ 77,499	\$	\$ 116,083
Tap Fees - Capital Revenue			576,814		576,814
Interest Income		19,963	74,946		94,909
Ad Valorem Tax		1,012,768	1,509,427		2,522,195
Sale of Assets			(21,765)		(21,765)
Interest Expense		(18,935)	(950,382)		(969,317)
Asset Management Fees		(6,750)			(6,750)
Net Other Revenues (Expenses)	\$ 0	\$ 1,045,630	\$ 1,266,539	\$	\$ 2,312,169
(LOSS) INCOME BEFORE CAPITAL CONTRIBUTIONS/TRANSFERS	\$ (751,325)	\$ 213,618	\$ (1,289,379)	\$ (650,020)	\$ (2,477,106)

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, 2013

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Parks & Recreation Fund</u>	<u>Total</u>
(LOSS) INCOME BEFORE CAPITAL CONTRIBUTIONS/TRANSFERS					
Balances Brought Forward	\$ (751,325)	\$ 213,618	\$ (1,289,379)	\$ (650,020)	\$ (2,477,106)
CAPITAL CONTRIBUTIONS/TRANSFERS					
Capital Contributions from					
State		2,750			2,750
Federal			378,806		378,806
Transfers to Primary Government		(20,956)	(117,485)		(138,441)
Transfers from Primary Government	31,010			100,000	131,010
NET (DECREASE) INCREASE IN NET ASSETS BEFORE SPECIAL ITEM	\$ (720,315)	\$ 195,412	\$ (1,028,058)	\$ (550,020)	\$ (2,102,981)
SPECIAL ITEM				203,806	203,806
NET POSITION - BEGINNING OF YEAR	<u>15,221,421</u>	<u>4,248,420</u>	<u>27,050,713</u>	<u>16,337,383</u>	<u>62,857,937</u>
NET POSITION - END OF YEAR	<u>\$ 14,501,106</u>	<u>\$ 4,443,832</u>	<u>\$ 26,022,655</u>	<u>\$ 15,991,169</u>	<u>\$ 60,958,762</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, 2013

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Parks & Recreation Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers	\$ 279,838	\$ 1,361,504	\$ 4,691,429	\$ 710,710	\$ 7,043,481
Cash Paid to Suppliers	(166,766)	(954,684)	(2,570,202)	(643,228)	(4,334,880)
Cash Paid to Employees and for Employee Benefits	(115,641)	(743,015)	(1,603,106)	(274,669)	(2,736,431)
Net Cash (Used In)/Provided By Operating Activities	\$ (2,569)	\$ (336,195)	\$ 518,121	\$ (207,187)	\$ (27,830)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Transfer from Primary Government	\$ 31,010	\$	\$	\$ 100,000	\$ 131,010
Transfer to Primary Government		(20,956)	(117,485)		(138,441)
Federal Operating Grant		38,584	77,499		116,083
Increase (Decrease) in Amounts Due to General Fund	(53,826)		(25,929)	527,237	447,482
Decrease in Amounts Due from General Fund		627,428		639	628,067
Net Cash (Used In)/Provided By Non-Capital Financing Activities	\$ (22,816)	\$ 645,056	\$ (65,915)	\$ 627,876	\$ 1,184,201
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital Contributions	\$ 25,385	\$ 2,750	\$ 550,398	\$	\$ 578,533
Decrease In Restricted Notes Receivable			100,862		100,862
Proceeds from Tap Fees			576,814		576,814
Ad Valorem Taxes and Other Assessments Collected		1,158,481	1,472,955		2,631,436
Payment of Expenses Related to Landfill Closure		(34,349)			(34,349)
Acquisition and Construction of Capital Assets		(1,302,150)	(4,576,065)	(380,752)	(6,258,967)
Proceeds from Long-Term Debt			31,947,800		31,947,800
Principal Paid on Long-Term Debt		(116,144)	(24,700,073)		(24,816,217)
Interest Paid on Long-Term Debt		(20,537)	(968,869)		(989,406)
Net Cash Provided By/(Used In) Capital and Related Financing Activities	\$ 25,385	\$ (311,949)	\$ 4,403,822	\$ (380,752)	\$ 3,736,506
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest Income	\$	\$ 19,963	\$ 74,946	\$	\$ 94,909
Asset Management Fees		(6,750)			(6,750)
Net Cash Provided By Investing Activities	\$ 0	\$ 13,213	\$ 74,946	\$ 0	\$ 88,159
INCREASE IN CASH AND CASH EQUIVALENTS					
	\$ 0	\$ 10,125	\$ 4,930,974	\$ 39,937	\$ 4,981,036
Cash and Cash Equivalents, Beginning of Year	100	1,230,122	2,097,518	88,467	3,416,207
CASH AND CASH EQUIVALENTS, End of Year	\$ 100	\$ 1,240,247	\$ 7,028,492	\$ 128,404	\$ 8,397,243

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, 2013

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Parks & Recreation Fund</u>	<u>Total</u>
Reconciliation of Operating Loss to Net					
Cash (Used In)/Provided By Operating Activities					
Operating Loss	\$ (751,325)	\$ (832,012)	\$ (2,555,918)	\$ (650,020)	\$ (4,789,275)
Adjustments to Reconcile Operating Loss to Net					
Cash (Used In)/Provided By Operating Activities:					
Depreciation and Amortization	720,315	835,287	2,897,437	450,333	4,903,372
Changes in Current Assets and Liabilities:					
Decrease in Due From Other Governments				85	85
(Increase) Decrease in Accounts Receivable	1,295	(10,541)	47,874	(98)	38,530
(Increase) in Inventories	(5,107)		(76,655)		(81,762)
(Increase) Decrease in Prepaid Expenses	(2,150)	9,138	17,184	(25,695)	(1,523)
Increase (Decrease) in Accounts Payable	35,437	(339,113)	159,469	10,164	(134,043)
Increase in Due to Other Governments			22,690		22,690
Increase in Deferred Revenue				8,044	8,044
Increase (Decrease) in Compensated Absences	(1,034)	1,046	6,040		6,052
Net Cash (Used In)/Provided By Operating Activities	<u>\$ (2,569)</u>	<u>\$ (336,195)</u>	<u>\$ 518,121</u>	<u>\$ (207,187)</u>	<u>\$ (27,830)</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, 2013

	<u>Benefit Plan Trust Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,830,511
Investments:	
Certificates of Deposit	\$ 50,901
Fixed Income Securities	6,629,701
Mutual Funds	8,677,531
Equity Securities	8,391,580
Total Investments	\$ 23,749,713
Interest Receivable	\$ 105,840
TOTAL ASSETS	\$ 25,686,064
LIABILITIES	<u>0</u>
NET POSITION	
Held in Trust for Retirement Benefits and OPEB	\$ <u><u>25,686,064</u></u>

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

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

Statement of Changes in Net Position

Fiduciary Funds

For the Year Ended June 30, 2013

	<u>Benefit Plan Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 1,473,720
Plan Members	547,437
Total Contributions	<u>\$ 2,021,157</u>
Investment Earnings:	
Net Increase in Fair Value of Investments	\$ 1,330,395
Realized Net Gains on Investments	525,549
Interest and Dividends	639,281
Investment Activity Expense	(138,488)
Total Net Investment Earnings	<u>\$ 2,356,737</u>
Total Additions	<u>\$ 4,377,894</u>
DEDUCTIONS	
Benefits	\$ 820,059
Administrative	15,171
Total Deductions	<u>\$ 835,230</u>
Change In Net Position	\$ 3,542,664
Net Position - Beginning of Year	<u>22,143,400</u>
Net Position - End of Year	<u><u>\$ 25,686,064</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, 2013**

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.

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.

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

**Notes to Financial Statements
June 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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	Garrett College	Ruth Enlow Library
40 South Second Street	687 Mosser Road	6 North Second Street
Oakland, MD 21550	McHenry, MD 21541	Oakland, MD 21550

The accompanying financial statements do not include the activities of the Liquor Control Board of Garrett County. However, these financial statements do include governmental activities revenues in the government-wide financial statements and general fund revenues in the governmental funds financial statements in the amount of \$106,821, which was transferred by the Liquor Control Board to the County in accordance with the Alcoholic Beverage Laws applicable to Garrett County. This amount represents approximately 82% of the Liquor Control Board's gross revenues for the fiscal year ended June 30, 2013. Total assets of the Liquor Control Board as of June 30, 2013 are \$122,133.

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

**Notes to Financial Statements
June 30, 2013**

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, 2013**

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. The proceeds were loaned to Garrett County Memorial Hospital for the purpose of capital improvements made to the hospital.

The County reports the following major proprietary funds:

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

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

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

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 BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements
June 30, 2013**

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 Public Safety, Commissary and Law Library proceeds, all of which are legally or otherwise restricted to expenditures for specified purposes. 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.

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.

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 and the Parks & Recreation enterprise funds are charges to customers for sales and services. 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.

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

**Notes to Financial Statements
June 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and repurchase agreements) with original maturities of three months or less when purchased.

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

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. and ASC, Inc. (reported as blended component units), are accounted for in one bank account. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "due to/from primary government". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". All trade and property tax receivables are reported net of an allowance for doubtful accounts. The allowance for doubtful accounts recorded in the general fund and netted against taxes receivable was \$100,000 as of June 30, 2013. The allowance for doubtful accounts recorded by the Garrett County Sanitary District, Inc. and netted against other receivables was \$17,414 as of June 30, 2013.

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.

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

**Notes to Financial Statements
June 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Restricted Assets - The governmental activities column of the government-wide and governmental funds financial statements include restricted cash of \$3,434,824 which represents general fund and special revenue funds' cash balances related to Public Safety Narcotics Task Force, search and seizure operations and self-funded health insurance.

Restricted receivables of \$3,594,369 reflect amounts owed by Garrett County Memorial Hospital to the County under prior loan agreements related to the Garrett County Memorial Hospital 2004 and 2007 Hospital Refinancing Bonds. Amounts receivable are to be collected through June 30, 2037.

Restricted assets reported in the business-type activities column of the government-wide and proprietary fund financial statements consist of restricted cash of the Solid Waste Fund in the amount of \$1,239,947 restricted for closure and post-closure activities.

Restricted assets attributable to the Garrett County Sanitary District, Inc. of \$4,619,858 represent cash and receivables maintained in accordance with bond resolutions, loan agreements, grant awards and other resolutions and formal actions of the District or by agreement for the purpose of funding certain debt service payments, major repair and replacement activities and other improvements to its water and sewer systems.

Capital Assets - Capital assets which include property, plant and equipment, infrastructure assets (e.g. roads, bridges, and related subsystems), and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Business-type activities follow the policy of capitalizing interest as a component of the cost of capital assets constructed for its own use. Net interest costs of \$240,377 were capitalized as part of the cost of capital assets under construction in connection with water infrastructure projects.

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

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

**Notes to Financial Statements
June 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets (Continued)

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

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

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 currently has no items meeting this criteria.

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 only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, 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.

Unearned Revenues - Unearned revenues as reported in the governmental activities column of the government-wide and governmental funds financial statements include amounts advanced to Garrett County Memorial Hospital from bonded indebtedness issued by the County to fund certain hospital construction and renovation projects. These advances are being repaid to the County and recognized as revenues in the financial statements as the Hospital makes the required payments on the related bonded indebtedness. Unearned revenues also include \$1,000,000 in One Maryland funds received for Keyser's Ridge Infrastructure. These funds had not been spent on the project as of year-end. Unearned revenues also include expenditure driven grants of \$63,905, where the cash has been received, but the qualify expenditures has not been made. In addition, see Note 12 for a description of unearned revenue reported only in the government-wide financial statements.

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

**Notes to Financial Statements
June 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 one year of service, employees of the primary government are entitled to carry over sick leave, compensatory leave, holiday and 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 dependents. Compensatory leave benefits can be carried over to the subsequent year in varying amounts up to a maximum of 240 hours for hourly employees, 480 hours for public safety employees, and 100 hours for all other government employees.

All accrued compensated absence benefits, including employer paid payroll taxes and benefits, are accrued when incurred in the government-wide and proprietary fund financial statements. Generally accepted accounting principles require the current portion (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.

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. Bond and other loan issuance costs are deferred and amortized over the life of the bonds or related debt.

In the fund financial statements, governmental funds recognize bond and other loan issuance costs during the current period. The face amount of the debt issued is reported as other financing sources.

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.

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

**Notes to Financial Statements
June 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Net Position/Fund Balance Classifications (Continued)

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, 2013.

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 OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements
June 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Net Position/Fund Balance Classifications (Continued)

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 which are considered as 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.

F. Use of Estimates

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

G. 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, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Budgets and Budgetary Accounting (Continued)

The annual budget is adopted on a basis consistent with generally accepted accounting principles (GAAP) except that real property taxes are budgeted as estimated revenues when levied. All budgetary comparisons presented in this report are on this non-GAAP budgetary basis. The budgeted amounts are reported as originally adopted on June 5, 2012, by the County Commissioners and as finally amended.

NOTE 2 - CASH AND INVESTMENTS

The following is a reconciliation of cash and cash equivalents and investments of the primary government as of June 30, 2013 to the statement of net position:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Cash and Cash Equivalents	\$ 22,300,778	\$ 2,865,002	\$ 25,165,780	\$
Restricted Cash	3,434,824	5,532,241	8,967,065	1,830,511
Investments	2,914,370		2,914,370	
Restricted Investments			0	23,749,713
Total	<u>\$ 28,649,972</u>	<u>\$ 8,397,243</u>	<u>\$ 37,047,215</u>	<u>\$ 25,580,224</u>

Deposit and Investment Summary

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Deposits	\$ 25,733,677	\$ 4,436,557	\$ 30,170,234	\$ 1,830,511
Repurchase Agreements		2,718,789	2,718,789	
Certificates of Deposit		1,239,947	1,239,947	50,901
U.S. Government Obligations	2,914,370		2,914,370	1,963,322
Fixed Income Securities			0	4,666,379
Mutual Funds			0	8,677,531
Equity Securities			0	8,391,580
Cash on Hand	1,925	1,950	3,875	
Total	<u>\$ 28,649,972</u>	<u>\$ 8,397,243</u>	<u>\$ 37,047,215</u>	<u>\$ 25,580,224</u>

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

**Notes to Financial Statements
June 30, 2013**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Deposits

At year end, the carrying amount of the primary government's deposits including certificates of deposit was \$31,410,181 and the bank balance of collected funds was \$30,837,536. Of the bank balance \$1,111,943 was insured by the Federal Deposit Insurance Corporation (FDIC), \$25,313,228 was collateralized by securities held by the County's agent in the County's name and \$2,854,251 was exposed to custodial credit risk as it was uninsured and collateralized with securities held by the government's agent but not in the County's name and \$1,558,144 was exposed to custodial credit risk as it was uninsured and uncollateralized.

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, 2013 was \$49,524,474.

The Government Personnel Retirement, Law Enforcement Employee Retirement, Volunteer Length of Service Award Plan and Other Post Employment Benefit Plan (Fiduciary Funds) had combined deposits including certificates of deposit of \$1,881,412 at June 30, 2013. Of those deposits \$676,064 were insured by the FDIC. The remaining deposits of \$1,205,348 were exposed to custodial credit risk as they were uninsured and collateralized with securities held by the County's agent but not in the County's name. The primary government and the Fiduciary Funds' investment policies do not limit exposure to custodial credit risk.

Investments

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

The County utilizes repurchase agreements for temporary investment of County funds. Securities underlying overnight repurchase agreements are pledged against a segregated collateral pool for the account of the County and consist of U.S. Treasury securities, U.S. government agency securities, and other qualified investment grade securities. The securities are exposed to custodial credit risk because they are uninsured and collateralized with securities held by the County's agent, but not in the County's name.

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

**Notes to Financial Statements
June 30, 2013**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investments (Continued)

At June 30, 2013, the County held repurchase agreements with a carrying amount of \$2,718,789 and a bank balance of \$5,599,575. The bank balance was held at various interest rates and collateralized by U.S government agency securities with a market value of \$5,711,690.

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.

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

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

As of June 30, 2013, the primary government had no investment instruments with credit quality ratings requiring disclosure.

The Fiduciary Funds have employed professional investment managers to manage retirement plan assets and to follow the plans' investment policies which are designed to protect plan principal and to achieve a real rate of return over the long term. Fiduciary Fund investments, having a market value of \$21,735,490 at June 30, 2013, 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 BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements
June 30, 2013**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investments (Continued)

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, 2013. The investments of the Fiduciary Funds included debt securities having the following ratings as of June 30, 2013:

Security Ratings	Market Value 6/30/13
AA2	\$ 709,771
AA3	22,583
A1	625,955
A2	470,446
A3	708,772
BAA1	512,666
BAA2	308,220
BAA3	924,007
BA2	19,650
CAA1	60,464
Not Rated	303,845
Total Market Value	\$ 4,666,379

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

Maturity Date	Interest Rates	Market Value 6/30/13
2014	5.25%	\$ 50,587
2015	No Maturities	0
2016	3.00%-5.75%	420,975
2017	4.70%-6.40%	241,640
2018	5.50%-6.13%	627,296
2019-2023	3.00%-6.00%	2,347,149
2024-2028	3.00%-6.63%	2,133,421
2029-2033	4.00%-8.00%	391,311
2034-2038	4.00%-7.15%	417,321
Total Market Value		\$ 6,629,700

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

**Notes to Financial Statements
June 30, 2013**

NOTE 3 - DEBT SERVICE FUND

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

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

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

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

<u>Years Ending June 30, 2013</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	131,727	146,309	278,036
2015	137,237	140,799	278,036
2016	142,979	135,058	278,037
2017	148,960	129,076	278,036
2018	155,191	122,845	278,036
2019-2037	2,878,275	1,104,003	3,982,278
Total	<u>\$ 3,594,369</u>	<u>\$ 1,778,090</u>	<u>\$ 5,372,459</u>

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

**Notes to Financial Statements
June 30, 2013**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the primary government for the fiscal year ended June 30, 2013 was as follows:

	<u>Balance as of June 30, 2012</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance as of June 30, 2013</u>
<u>Governmental Activities</u>				
Capital assets, not depreciated				
Land and easements	\$ 7,518,445	\$ 2,186,797	\$ (2,084)	\$ 9,703,158
Construction in progress	1,948,630	1,770,777	(839,650)	2,879,757
Total capital assets, not depreciated	<u>\$ 9,467,075</u>	<u>\$ 3,957,574</u>	<u>\$ (841,734)</u>	<u>\$ 12,582,915</u>
Capital assets, being depreciated				
Land improvements	\$ 2,833,295	\$ 23,375	\$ 62,902	\$ 2,919,572
Buildings	24,608,852	68,648		24,677,500
Machinery & equipment	2,830,852	178,538		3,009,390
Vehicles	14,578,812	1,628,722	(22,655)	16,184,879
Furniture & equipment	2,162,337	38,131		2,200,468
Infrastructure	74,713,516	2,895,051	776,748	78,385,315
Total capital assets, being depreciated	<u>\$ 121,727,664</u>	<u>\$ 4,832,465</u>	<u>\$ 816,995</u>	<u>\$ 127,377,124</u>
Less accumulated depreciation for:				
Land improvements	\$ (87,160)	\$ (21,948)	\$	\$ (109,108)
Buildings	(9,664,151)	(655,096)		(10,319,247)
Machinery & equipment	(713,285)	(233,195)		(946,480)
Vehicles	(11,581,277)	(1,000,930)		(12,582,207)
Furniture & equipment	(1,132,498)	(245,753)	22,655	(1,355,596)
Infrastructure	(47,276,775)	(4,602,833)		(51,879,608)
Total accumulated depreciation	<u>\$ (70,455,146)</u>	<u>\$ (6,759,755)</u>	<u>\$ 22,655</u>	<u>\$ (77,192,246)</u>
Total capital assets, being depreciated, net	<u>\$ 51,272,518</u>	<u>\$ (1,927,290)</u>	<u>\$ 839,650</u>	<u>\$ 50,184,878</u>
Governmental activities capital assets, net	<u>\$ 60,739,593</u>	<u>\$ 2,030,284</u>	<u>\$ (2,084)</u>	<u>\$ 62,767,793</u>

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

Governmental activities:	
General Government	\$ 35,303
Public Works	5,290,076
Public Safety	495,619
Economic Development	324,652
Unallocated	614,105
Total depreciation expense - governmental activities	<u>\$ 6,759,755</u>

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

**Notes to Financial Statements
June 30, 2013**

NOTE 4 – CAPITAL ASSETS (Continued)

	Balance June 30, 2012	Additions	Transfers and Retirements	Balance June 30, 2013
<u>Business-type activities</u>				
Capital assets, not depreciated				
Land and easements	\$ 3,008,824	\$	\$ 101,095	\$ 3,109,919
Construction in progress	6,264,609	5,273,032	(2,508,646)	9,028,995
Land improvements	7,897,518			7,897,518
Total capital assets, not depreciated	\$ 17,170,951	\$ 5,273,032	\$ (2,407,551)	\$ 20,036,432
Capital assets, being depreciated				
Land improvements	\$ 16,360,316	\$ 433,450	\$ 28,190	\$ 16,821,956
Buildings	4,511,462		22,683	4,534,145
Machinery & equipment	3,568,308	473	(5,140)	3,563,641
Vehicles	1,989,991	94,580		2,084,571
Infrastructure	17,706,802	352,910	71,735	18,131,447
Furniture & equipment	25,366	27,842		53,208
Water facilities	22,807,008		2,263,178	25,070,186
Sewer facilities	70,290,376	76,680	5,140	70,372,196
Total capital assets, being depreciated	\$ 137,259,629	\$ 985,935	\$ 2,385,786	\$ 140,631,350
Less accumulated depreciation for:				
Land improvements	\$ (8,681,408)	\$ (653,207)	\$	\$ (9,334,615)
Buildings	(628,223)	(115,384)		(743,607)
Machinery & equipment	(1,903,413)	(288,557)		(2,191,970)
Vehicles	(1,681,321)	(86,628)		(1,767,949)
Infrastructure	(3,099,183)	(837,569)		(3,936,752)
Furniture & equipment	(25,366)	(1,547)		(26,913)
Water facilities	(9,191,618)	(627,288)		(9,818,906)
Sewer facilities	(39,859,997)	(2,143,154)		(42,003,151)
Total accumulated depreciation	\$ (65,070,529)	\$ (4,753,334)	\$ -	\$ (69,823,863)
Total capital assets, being depreciated, net	\$ 72,189,100	\$ (3,767,399)	\$ 2,385,786	\$ 70,807,487
Business-type activities capital assets, net	\$ 89,360,051	\$ 1,505,633	\$ (21,765)	\$ 90,843,919

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

Business-type activities	
Airport	\$ 720,315
Solid Waste	685,249
Sanitary District	2,897,437
Parks & Recreation	450,333
Total depreciation expense - business-type activities	\$ 4,753,334

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

**Notes to Financial Statements
June 30, 2013**

NOTE 4 – CAPITAL ASSETS (Continued)

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

	<u>Project Authorization</u>	<u>CIP as of June 30, 2013</u>	<u>Remaining Commitment</u>
<u>Governmental Activities</u>			
Public Works	\$ 9,790,069	\$ 2,871,785	\$ 6,918,284
Economic Development	1,600,000	7,972	1,592,028
Total governmental activities	<u>\$ 11,390,069</u>	<u>\$ 2,879,757</u>	<u>\$ 8,510,312</u>
<u>Business-type Activities</u>			
Landfill Cell 4	\$ 2,872,000	\$ 2,363,545	\$ 508,455
Keyzers Ridge Water Holding Tank	85,067	85,067	
Keyzers Ridge Water	147,327	147,327	
Deep Creek Lake Collection & Conveyance	930,631	930,631	
Friendsville Sewer	401,798	401,798	
Thayerville Water	8,400,000	5,088,509	3,311,491
Mountain Lake Park Water Line	212,076	12,118	199,958
Total business-type activities	<u>\$ 13,048,899</u>	<u>\$ 9,028,995</u>	<u>\$ 4,019,904</u>

NOTE 5 – INTERNAL AND INTERFUND BALANCES AND ACTIVITY

Interfund transfers between the General Fund and the Capital Projects Fund of \$261,857 represent funding for construction projects. Interfund transfers between the General Fund and the Airport Fund of \$31,010 represent an operating subsidy. Interfund transfers between the General Fund and the Parks & Recreation Fund of \$100,000 represent a debt repayment subsidy. Interfund transfers between the General Fund and the Garrett County Sanitary District, Inc. and Solid Waste Fund of \$117,485 and \$20,956, respectively, represent health insurance premiums paid by these enterprise funds to the General Fund in excess of claims incurred.

Interfund balances between the General Fund and the proprietary funds are comprised of amounts due to the Solid Waste Fund and amounts due from the Airport Fund, Garrett County Sanitary District, Inc., and the Parks & Recreation Fund for operating expenses and other financing on their behalf. The amounts due to the Solid Waste Fund and from the Parks & Recreation Fund are not expected to be repaid within one year.

Interfund receivables and payables between the General Fund, Capital Projects Fund and Special Revenue Funds have been eliminated from governmental activities in the net amount of \$1,113,314 within the government-wide financial statements.

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

**Notes to Financial Statements
June 30, 2013**

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

Interfund receivables and payables between the primary government and its component units for the year ended June 30, 2013, consisted of \$2,168,643 due to the Board of Education and \$469,194 due to Garrett College.

Interfund receivables and payables within the primary government at June 30, 2013 are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Capital Projects Fund	\$	\$ 951,254
Special Revenue Funds:		
508 Program		110,059
Commissary		65,165
Law Library		4,836
Proprietary Funds:		
Airport Fund	24,687	
Solid Waste Fund		2,981,251
Sanitary District	152,659	
Parks & Recreation	1,403,646	
Total General Fund	<u>\$ 1,580,992</u>	<u>\$ 4,112,565</u>
Capital Projects Funds:		
General Fund	<u>\$ 951,254</u>	<u>\$ 0</u>
Special Revenue Funds:		
General Fund:		
508 Program	\$ 110,059	\$
Commissary	65,165	
Law Library	4,836	
Total Special Revenue Funds	<u>\$ 180,060</u>	<u>\$ 0</u>
Total Governmental Funds	<u>\$ 2,712,306</u>	<u>\$ 4,112,565</u>
Proprietary Funds:		
General Fund - Airport	\$	\$ 24,687
General Fund - Solid Waste	2,981,251	
General Fund - Sanitary District		152,659
General Fund - Parks & Recreation		1,403,646
Total Proprietary Funds	<u>\$ 2,981,251</u>	<u>\$ 1,580,992</u>
Total Primary Government	<u><u>\$ 5,693,557</u></u>	<u><u>\$ 5,693,557</u></u>

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

**Notes to Financial Statements
June 30, 2013**

NOTE 6 - LONG-TERM DEBT

The following is a summary of debt transactions of the County for the fiscal year ended June 30, 2013:

	Balance June 30, 2012	Additions	Principal Repayments & Other Reductions	Balance June 30, 2013	Due Within One Year
Governmental activities:					
General Fund					
General Obligation Bonds	\$ 3,720,807	\$	\$ (126,438)	\$ 3,594,369	\$ 131,727
Compensated Absences	1,857,832	376,675	(270,112)	1,964,395	48,296
Net OPEB Obligation	1,269,327	432,687		1,702,014	
Governmental activities					
Long-term liabilities	<u>\$ 6,847,966</u>	<u>\$ 809,362</u>	<u>\$ (396,550)</u>	<u>\$ 7,260,778</u>	<u>\$ 180,023</u>
Business-type activities:					
Solid Waste Fund					
Bonds Payable	\$ 620,458	\$	\$ (116,144)	\$ 504,314	\$ 119,988
Garrett County Sanitary District					
Bonds and Loans Payable	26,873,065	31,947,800	(24,700,073)	34,120,792	1,408,549
Parks & Recreation					
Loans Payable	3,092,615			3,092,615	275,000
Subtotal	<u>\$ 30,586,138</u>	<u>\$ 31,947,800</u>	<u>\$ (24,816,217)</u>	<u>\$ 37,717,721</u>	<u>\$ 1,803,537</u>
Landfill closure/post-closure	<u>\$ 3,043,950</u>	<u>\$ 147,522</u>	<u>\$ (34,349)</u>	<u>\$ 3,157,123</u>	<u>\$ 27,000</u>
Compensated Absences					
Airport	\$ 5,249	\$	\$ (1,034)	\$ 4,215	\$
Solid Waste Fund	57,499	1,046		58,545	
G.C. Sanitary District	211,200	6,040		217,240	
	<u>\$ 273,948</u>	<u>\$ 7,086</u>	<u>\$ (1,034)</u>	<u>\$ 280,000</u>	<u>\$ 0</u>
Business-type activities					
Long-term liabilities	<u>\$ 33,904,036</u>	<u>\$ 32,102,408</u>	<u>\$ (24,851,600)</u>	<u>\$ 41,154,844</u>	<u>\$ 1,830,537</u>

Interest Expense

Total interest expense of \$1,361,292 incurred by the primary government includes \$151,598 charged to governmental activities, \$969,317 charged to business-type activities, and \$240,377 of net interest expense capitalized in enterprise fund capital assets.

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

**Notes to Financial Statements
June 30, 2013**

NOTE 6 - LONG-TERM DEBT (Continued)

Details of certain long-term debt obligations at June 30, 2013 are as follows:

	<u>Balance June 30, 2013</u>
<u>Governmental Activities:</u>	
<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.	\$ 939,873
<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.	<u>2,654,496</u>
Total Governmental Activities	<u>\$ 3,594,369</u>
 <u>Business-type Activities</u>	
<u>Solid Waste Fund</u>	
Maryland Water Quality Financing Administration Bond dated May 21, 1996. Total authorized of \$1,997,000 of which \$1,970,000 has been advanced to date. Semiannual payments of interest at 3.31%. Principal is payable February 1 of each year through February 1, 2017.	<u>\$ 504,314</u>
Total Solid Waste Fund	<u>\$ 504,314</u>

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

**Notes to Financial Statements
June 30, 2013**

NOTE 6 - LONG-TERM DEBT (Continued)

	<u>Balance June 30, 2013</u>
<u>Garrett County Sanitary District, Inc.</u>	
\$200,000 GE Capital Asset Management (Friendsville Water), payable in annual installments of varying amounts, including interest at 5% through January 1, 2014.	\$ 11,000
\$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.	388,882
\$425,000 Maryland Water Quality Financing (Deep Creek Lake Septage Facility), payable in annual installments of \$29,641, including semiannual interest at 3.00% through February 1, 2016.	87,208
\$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, 2017.	42,125
\$260,000 Maryland Water Quality Financing (Deer Park Water), payable in semiannual installments including interest at .4% through February 2034.	191,256
\$2,400,000 M&T Bank (Department of Public Works Warehouse Project), payable in semiannual installments through December 2027 including interest at 3.7% fixed rate through 2017 at which time the rate resets to M&T's 5 year funds rate plus 110 basis points through December 2027.	1,977,449
\$128,653 Maryland Department of the Environment (Mt. Lake Park Water), payable in semiannual installments principal only of \$9,077 through February 2024.	92,347
\$549,085 Maryland Department of the Environment (Deep Creek & Friendsville I&I), payable in annual installments of principal only of \$34,318 through 2025.	313,251
\$50,050 Susquehanna Bank (Jennings), payable in monthly installments of \$292, including interest of 3.5% through August 2032.	48,592

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

**Notes to Financial Statements
June 30, 2013**

NOTE 6 - LONG-TERM DEBT (Continued)

	<u>Balance June 30, 2013</u>
\$800,770 Susquehanna Bank (Mountain Lake Park Water), payable in monthly installments of \$4,665, including interest of 3.5% through August 2032.	777,445
\$7,499,000 Susquehanna Bank (Thayerville Water), payable in monthly installments of \$43,687, including interest of 3.5% through August 2032.	7,280,637
\$23,597,980 Susquehanna Bank (Refinance), payable in monthly installments of \$137,475, including interest of 3.5% through August 2032.	<u>22,910,600</u>
Total Garrett County Sanitary District, Inc.	<u>\$ 34,120,792</u>
<u>Parks & Recreation Fund</u>	
Note payable to Maryland Department of Business and Economic Development, maturing September, 2039, 3.00% interest per annum. No principal or interest payments are currently being made on the note as the County is negotiating repayment terms.	\$ 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>\$ 37,717,721</u>
Total Primary Government	<u>\$ 41,312,060</u>

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

**Notes to Financial Statements
June 30, 2013**

NOTE 6 - LONG-TERM DEBT (Continued)

Maturities of long-term debt are as follows:

<u>Years Ending June 30, 2013</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Governmental Activities:			
2014	\$ 131,727	\$ 146,309	\$ 278,036
2015	137,238	140,798	278,036
2016	142,979	135,057	278,036
2017	148,960	129,077	278,037
2018	155,191	122,845	278,036
2019-2023	878,945	511,236	1,390,181
2024-2028	693,647	334,507	1,028,154
2029-2033	669,198	203,802	873,000
2034-2038	636,484	54,459	690,943
Total governmental activities	<u>\$ 3,594,369</u>	<u>\$ 1,778,090</u>	<u>\$ 5,372,459</u>
Business-Type Activities:			
2014	1,528,538	1,185,222	2,713,760
2015	1,569,471	1,132,670	2,702,141
2016	1,622,402	1,082,625	2,705,027
2017	1,648,674	1,023,684	2,672,358
2018	1,568,747	966,853	2,535,600
2019-2023	8,335,051	3,995,409	12,330,460
2024-2028	9,658,798	2,431,121	12,089,919
2029-2033	8,683,948	670,593	9,354,541
2034-2038	9,477	514	9,991
Thereafter	3,092,615		3,092,615
Total Business-type activities	<u>\$ 37,717,721</u>	<u>\$ 12,488,691</u>	<u>\$ 50,206,412</u>

NOTE 7 - 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, 2013 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, 2013**

NOTE 7 - 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, 2013 was \$927,169 less accumulated depreciation of \$204,750. Total future minimum payments under the operating lease as of June 30, 2013 are as follows:

Year Ending June 30, 2014	\$ 64,752
June 30, 2015	64,752
June 30, 2016	64,752
June 30, 2017	64,752
June 30, 2018	64,752
Thereafter	<u>982,072</u>
Total	<u>\$ 1,305,832</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, 2013 was \$1,000,563 less accumulated depreciation of \$308,507.

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 a annual rate of \$62,799. The future minimum lease payments are \$62,799 and \$36,633 for the fiscal years ending June 30, 2014 and 2015, respectively. The value of this building at June 30, 2013 was \$1,304,263 less accumulated depreciation of \$684,738.

On June 28, 2013, the County entered into a lease with Strata Safety Products, LLC (Strata) for the rental of property under construction located at the Keyser's Ridge Business Park. The annual rent is based on the total project cost, with possible rates ranging from \$50,000 to \$61,600 per year. At June 30, 2013, the project was not complete and Strata had yet to take possession of the property. The initial lease term ends December 31, 2018.

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**Notes to Financial Statements
June 30, 2013**

NOTE 8 - EMPLOYEES' RETIREMENT PLANS

State Retirement and Pension System of Maryland

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

The State Retirement and Pension System of Maryland is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland and managed by the State Retirement Agency and its Board of Trustees. The System issues a publicly available annual financial report that includes financial statements and required supplementary information for all of the various employee groups within the State system. The annual report for the year ended June 30, 2012 (most recent available data) may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, MD 21202 or by calling 1-800-492-5909.

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

Contribution rates for employers and other “non-employer” contributing entities are established by annual actuarial valuations using the entry age normal cost method with projection to determine costs. The primary government’s employer contribution rates for 2013 were 10.46% for the Employee Retirement System and 5.46% for the Employee Pension System. These rates are sufficient to fund normal costs and amortize the unfunded actuarial accrued liability as a level percentage of payroll in distinct pieces.

The annual pension cost of the County for the year ended June 30, 2013 was \$25,510 which was equal to the required and actual contributions.

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

Entity	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Primary Government - County	June 30, 2011	\$ 36,275	100%	0
	June 30, 2012	32,290	100%	0
	June 30, 2013	25,510	100%	0

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

**Notes to Financial Statements
June 30, 2013**

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

Law Enforcement Personnel Retirement Plan

The County adopted the Garrett County Law Enforcement Personnel Retirement Plan, a single employer plan, effective July 1, 2002, for all employees classified by the County as the Sheriff, correctional 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 July 1, 2013 (most recent available data) may be obtained from the County Commissioners of Garrett County, Maryland.

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

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

Contributions to the Plan were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of July 1, 2012. Participant contributions are included in the plan assets and are 100% vested with the employee. Contribution rates are sufficient to fund normal costs and amortize the unfunded actuarial accrued liability as a level percentage of payroll. Upon termination of employment, a participant may elect to receive a refund of contributions.

Contribution rates as a percentage of covered payroll during fiscal year 2013 are as follows:

<u>Employee Rate</u>	<u>Employer Rate</u>
7.59%	12.23%

Annual pension cost (APC) is the actuarially required employer contribution to the pension plan. The net pension obligation (NPO) represents the difference between the APC and the actual employer contributions. The APC was \$443,819. Based on recommendations from the County's actuary, the actual employer contribution for fiscal year 2013 was \$327,170. Actual participant contributions for fiscal year 2013 were \$193,843. There was no NPO outstanding at June 30, 2013.

**THE BOARD OF COUNTY COMMISSIONERS OF
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**Notes to Financial Statements
June 30, 2013**

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

Law Enforcement Personnel Retirement Plan (Continued)

Three Year Trend Information - Law Enforcement Personnel Retirement Plan

<u>Entity</u>	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Primary Government - County	June 30, 2011	\$ 245,759	100%	0
	June 30, 2012	432,345	100%	0
	June 30, 2013	443,819	100%	0

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

The actuarial method used to determine costs of the Plan is the entry age normal cost method. The asset valuation method used to value Plan assets is market value. Significant assumptions used to compute the actuarially determined contribution requirements as of July 1, 2013, the most recent actuarial valuation date, are as follows:

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

Government Personnel Retirement Plan

The County adopted the Garrett County Government Personnel Retirement Plan, a single employer plan, effective July 1, 2005, for all employees of the County. Eligible personnel employed prior to July 1, 2005, could elect to participate in the Plan effective July 1, 2005. Such election was irrevocable. Participation in the Plan is mandatory for all eligible personnel hired after July 1, 2005. Administrative, investment, and member benefit service responsibilities are provided by a Board of Trustees. The actuarial valuation report as of July 1, 2013 (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 benefit service responsibilities are provided by a Board of Trustees.

**THE BOARD OF COUNTY COMMISSIONERS OF
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**Notes to Financial Statements
June 30, 2013**

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

Government Personnel Retirement Plan (Continued)

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

Contributions to the Plan were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of July 1, 2012. Participant contributions are included in the plan assets and are 100% vested with the employee. These contribution rates are sufficient to fund normal costs and amortize the unfunded actuarial accrued liability as a level percentage of payroll. Upon termination of employment, a participant may elect to receive a refund of contributions.

Contribution rates as a percentage of covered payroll during fiscal year 2013 are as follows:

<u>Employee Rate</u>	<u>Employer Rate</u>
3.388%	8.6%

Annual pension costs (APC) are the actuarially required employer contribution to the pension plan. The net pension obligation (NPO) represents the difference between the APC and the actual employer contributions. The APC was \$1,338,311. Based on recommendations from the County's actuary, the actual employer contribution for fiscal year 2013 was \$1,146,549. Actual participant contributions for fiscal year 2013 were \$353,594. There was no NPO outstanding at June 30, 2013.

Three Year Trend Information - Government Personnel Retirement Plan

<u>Entity</u>	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Primary Government - County	June 30, 2011	\$ 1,281,433	100%	0
	June 30, 2012	1,300,796	100%	0
	June 30, 2013	1,338,311	100%	0

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

**Notes to Financial Statements
June 30, 2013**

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

Government Personnel Retirement Plan (Continued)

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

The actuarial method used to determine costs of the Plan is the projected unit credit method. The asset valuation method used to value Plan assets is market value. Significant assumptions used to compute the actuarially determined contribution requirements as of July 1, 2013, the most recent actuarial valuation date, are as follows:

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

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.

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 Plan is classified by the primary government as a Pension Trust Fund. County contributions are recognized as revenue in the period in which contributions are made by the County regardless of when volunteer services are performed. Investment of the pension funds, represented by cash and investments are carried at market value as reported by the investment managers.

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

**Notes to Financial Statements
June 30, 2013**

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

Volunteer Length of Service Award Plan (Continued)

Annual pension cost (APC) is the actuarially required employer contribution to the pension plan. The net pension obligation (NPO) represents the difference between the APC and the actual employer contributions.

<u>Entity</u>	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Primary Government -	June 30, 2012	\$ 51,016	100%	0
County	June 30, 2013	4,708	100%	0

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

The actuarial method used to determine costs of the Plan is the projected unit credit method. The asset valuation method used to value Plan assets is market value. Significant assumptions used to compute the actuarially determined contribution requirements as of July 1, 2012, the most recent actuarial valuation date, are as follows:

- a) A rate of return on investments of 6% compounded annually.
- b) Rates of mortality are based on 1983 GAM.
- c) 90% of current active participants are assumed to earn credits until retirement age.

County Defined Contribution Plan

The County and Sanitary District offer additional retirement benefits under a defined contribution PEBSCO 401(A) Employee Match Program. Benefits depend on the amounts contributed to the plan plus investment earnings. Eligible participants include all full-time employees who elect to participate in the County's IRC Section 457 deferred compensation plan. Employees deferring at least two percent of earned compensation under the deferred compensation plan are eligible to receive an employer contribution to the defined contribution plan. During the year ended June 30, 2013, the County contributed \$224,885 or 2.42 percent of earned compensation. Covered payroll approximated \$9,292,754. County contribution amounts included contributions made on behalf of the employees of Garrett County Sanitary District, Inc. in the amount of \$23,997 on covered payroll of approximately \$991,631.

**THE BOARD OF COUNTY COMMISSIONERS OF
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**Notes to Financial Statements
June 30, 2013**

NOTE 9 - DEFERRED COMPENSATION

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

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

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

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The County participates with the Board of Education of Garrett County and Garrett College in the Garrett County Employees Health Care Plan, an agent multiple benefit plan which includes other post-employment benefits (OPEB). The Plan provides healthcare benefits to eligible retirees. The County formed and administers an OPEB Trust Fund to allow for prefunding of future OPEB benefits. The combined Boards of the three participating entities, through a joint action, may, at their discretion, establish, alter, amend, modify or terminate their practice of providing healthcare benefits to retirees. They may also require retirees to make greater contributions toward the funding of their benefits. The Board of County Commissioners makes the annual determination as to the extent to which the net OPEB obligation will be contributed to the OPEB Trust Fund. The participating entities may amend or terminate the Plan at any time by a duly adopted joint resolution of the Boards of the participating entities. The OPEB Trust Fund does not issue a stand-alone financial report and is not included in the report of a public employee retirement system of another entity.

Membership of the Plan consisted of the following members based on the census data provided to the actuary for the most recent actuarial valuation:

Retirees Receiving Benefits	341
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	N/A
Active Plan Members	894

**THE BOARD OF COUNTY COMMISSIONERS OF
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**Notes to Financial Statements
June 30, 2013**

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

The OPEB Trust Fund is used to account for prefunding contributions made by the County on behalf of the plan participants. For the year ended June 30, 2013, the County did not make prefunding contributions to the OPEB Trust. 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 participating employers.

Details of the post-employment benefits under the Garrett County Employees Health Care Plan are as follows:

The County provides post-employment health care benefits as approved by the Board of County Commissioners to all permanent full-time employees of the primary government, The Board of Education of Garrett County and Garrett College. Retirees must have a minimum of 10 years full-time equivalent service with The Board of Garrett County Commissioners, The Board of Education of Garrett County, Garrett College, or a combination thereof.

Retirees are given the option to maintain health insurance coverage after they retire and until they reach age 65. After age 65, they can elect to be covered under a supplemental coverage plan. Generally, retirees pay a percentage (from 0% to 60% depending upon years of service at retirement) of the COBRA equivalent cost of the pre-65 Maryland Point of Service individual plan benefit for themselves. After age 65, the County, Board & College pay the same percentage for the retirees' Medicare Supplemental Standard Program (including drugs). The following table outlines coverage percentages paid by the retiree and County, Board & College under the plan based on years of service at date of retirement:

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

Currently, 134 County retirees participate in this program. Expenditures for post retirement health care benefits to current participants are funded on a pay-as-you-go basis. During the year ended June 30, 2013, County expenditures of approximately \$589,025 were recognized for post retirement health care benefits. For County employees hired on or after July 1, 2006 dependent insurance coverage may be purchased upon retirement at the retiree's own cost.

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

**Notes to Financial Statements
June 30, 2013**

**NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION
BENEFITS** (Continued)

Annual OPEB Cost and Net OPEB Obligation – Primary Government

The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Components of Net OPEB Obligation - Primary Government

Annual Required Contribution	\$	1,281,977
Interest on Net OPEB Obligation		57,120
Adjustment to Annual Required Contribution		(69,994)
Annual OPEB Cost (Expense)	\$	1,269,103
Contributions Made		(836,416)
Increase in Net OPEB Obligation	\$	432,687
Net OPEB Obligation (Beginning of Year)		1,269,327
Net OPEB Obligation (End of Year)	\$	<u>1,702,014</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2013, 2012 and 2011 are as follows:

Fiscal Year	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
<u>Ending</u>			
June 30, 2011	\$ 1,409,885	63%	780,140
June 30, 2012	1,404,991	65%	1,269,327
June 30, 2013	1,269,103	66%	1,702,014

Actuarial Methods and Assumptions – Primary Government

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

**Notes to Financial Statements
June 30, 2013**

**NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION
BENEFITS** (Continued)

Actuarial Methods and Assumptions – Primary Government (Continued)

In the July 1, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5%.

The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement plan asset returns. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period as of July 1, 2012, was twenty-six years.

Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2012
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level percentage of projected payroll over a 30 year period
Asset Valuation Method	Market value
Actuarial Assumptions:	
Investment Rate of Return	4.5 %
Discount Rate	4.5 %
Salary Scale	2.5 % per year under discount rate
Healthcare Cost Trend Rates	8 % initially, decreasing linearly each year to an ultimate annual increase rate of 5 %
Retirement Age:	
Non-Law Enforcement	5 % probability of retirement
Age 55+ & 10+ years of service	80 % probability of electing coverage
Non-Law Enforcement	100 % probability of retirement
Age 55+ & 30+ years of service	80 % probability of electing coverage
Non-Law Enforcement	50 % probability of retirement
Age 62	80 % probability of electing coverage
Non-Law Enforcement	100 % probability of retirement
Age 65+	80 % probability of electing coverage
Law Enforcement	100 % probability of retirement
Age 40+ & 25+ years of service	80 % probability of electing coverage
Non-Law Enforcement	100 % probability of retirement
Age 51+	80 % probability of electing coverage

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GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements
June 30, 2013**

**NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION
BENEFITS** (Continued)

Funded Status and Funding Progress – Primary Government

As of July 1, 2012, the most recent actuarial valuation date, the plan was 1% funded. The actuarial accrued liability for benefits was \$13,983,999, and the actuarial value of assets was \$154,533, resulting in an unfunded actuarial accrued liability (UAAL) of \$13,829,466. The covered payroll (annual payroll of active employees covered by the plan) was \$12,204,000, and the ratio of the UAAL to the covered payroll was 113%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is intended to present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

State and federal laws and regulations required the County to place a final cover on its Round Glade landfill site which stopped accepting waste in September 1994. Regulations also require the County to perform certain maintenance and monitoring activities at the site for thirty years after closure. The County began operations at its 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 \$3,157,123 as of June 30, 2013, representing the cumulative operating expenses reported to date based on the Round Glade landfill at full capacity (\$739,298) and the current landfill at 49% of its estimated capacity (\$2,417,825). The County will recognize the balance of estimated closure and post-closure costs of approximately \$2,267,073 over the remaining useful life of the current landfill, which approximates 16 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, 2013. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**THE BOARD OF COUNTY COMMISSIONERS OF
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**Notes to Financial Statements
June 30, 2013**

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

The County has established a landfill closure fund to provide funds to pay the above closure and post-closure costs. The balance of these restricted cash assets at June 30, 2013 was \$1,239,947.

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, 2013, which satisfies the financial assurance provisions of the Act.

NOTE 12 - UNEARNED REVENUE

During the year ended June 30, 2009, the County transferred 37 acres of land to the American Woodmark Corporation in exchange for a long-term note receivable in the amount of \$1,290,555. The terms of the loan agreement contain provisions whereby all or some portion of the loan may be forgiven should American Woodmark meet certain jobs creation and project expenditure targets within time frames prescribed in the loan agreement. The gain on the sale of the land was unearned and is reported in the government-wide statement of net position in the amount of \$1,254,877. As of June 30, 2013, American Woodmark had not met the targets to qualify for note forgiveness.

NOTE 13 - 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 and property insurance claims and administration to local governments.

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

**THE BOARD OF COUNTY COMMISSIONERS OF
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**Notes to Financial Statements
June 30, 2013**

NOTE 13 - RISK MANAGEMENT (Continued)

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 \$225,000 per year.

The third-party administrator estimated the non-discounted claims liability reported in the general fund at June 30, 2013. 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 as inflation, change in legal doctrines and damage awards, 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. Changes in the balance of estimated claims incurred but not reported for the fiscal year 2013 are as follows:

Balance at July 1, 2012	\$ 1,512,000
Claims and changes in estimates, net	(949,000)
Claim payments	<u>0</u>
Balance at June 30, 2013	<u>\$ 563,000</u>

For the year ended June 30, 2013, the combined premiums charged to the Plan participants of \$14,730,279 exceeded the combination of the reported claims incurred of \$12,372,626 and the decrease in estimated claims incurred but not reported of \$949,000. The excess of \$3,306,653, is comprised of \$1,146,226 related to the primary government and \$2,160,427 related to the Board of Education and Garrett College. The excess of premiums charged over claims incurred has been reported as revenue in the general fund for the portion related to the Board of Education and Garrett College.

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

**Notes to Financial Statements
June 30, 2013**

NOTE 14 - FUND EQUITY

A summary of fund balances as of June 30, 2013 is as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Inventory	\$ 816,232	\$	\$ 816,232
Prepaid Expense	145,262		145,262
Note Receivable	1,132,060		1,132,060
Total Nonspendable Fund Balance	<u>\$ 2,093,554</u>	<u>\$ 0</u>	<u>\$ 2,093,554</u>
Restricted For:			
Agricultural Land Preservation	\$ 52,337	\$	\$ 52,337
Special Revenue Funds		140,779	140,779
Self Funded Health Care	3,354,251		3,354,251
Total Restricted Fund Balance	<u>\$ 3,406,588</u>	<u>\$ 140,779</u>	<u>\$ 3,547,367</u>
Assigned For:			
Self Funded Health Care	\$ 4,831,952	\$	\$ 4,831,952
Capital projects:			
Garrett College	161,418		161,418
Board of Education	3,882		3,882
Ruth Enlow Library	26,073		26,073
Public Works	2,653,654		2,653,654
Economic Development	1,565,146		1,565,146
Public Safety	21,123		21,123
General Government	5,000,000		5,000,000
Capital Projects Subtotal	<u>\$ 9,431,296</u>	<u>\$ 0</u>	<u>\$ 9,431,296</u>
Subsequent Year Budget	3,145,174		3,145,174
Total Assigned Fund Balance	<u>\$ 17,408,422</u>	<u>\$ 0</u>	<u>\$ 17,408,422</u>
Unassigned:	<u>\$ 3,592,660</u>	<u>\$ 0</u>	<u>\$ 3,592,660</u>
Total Fund Balance	<u><u>\$ 26,501,224</u></u>	<u><u>\$ 140,779</u></u>	<u><u>\$ 26,642,003</u></u>

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

**Notes to Financial Statements
June 30, 2013**

NOTE 15 - BUDGETARY BASIS RECONCILIATION - GENERAL FUND

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

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

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Effect on Fund Balance</u>
As Reported on Budget Basis	\$ 78,185,971	\$ 72,014,874	\$ (223,352)	\$ 5,947,745
<u>Property Tax Revenue</u>				
Recognized in year levied on budget basis but in year "available" on GAAP basis	1,000,206			1,000,206
<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	\$ 79,334,977	\$ 72,163,674	\$ (223,352)	\$ 6,947,951

NOTE 16 - SPECIAL ITEM

The County is currently restructuring the debt of the Adventure Sports Center, Inc. (ASC, Inc.) with the Maryland Department of Business and Economic Development (DBED). As part of the restructuring, DBED agreed to forgive all previously accrued interest payable in the amount of \$203,806. This amount is reflected in Parks & Recreation Fund and government-wide business-type activity financial statements as a special item.

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

**Notes to Financial Statements
June 30, 2013**

NOTE 17 - CAPITAL CONTRIBUTION

On April 14, 2013, the County and the Maryland Department of Business and Economic Development (DBED) entered into an Investment Agreement in which the County was deeded 181.83 acres of land from DBED as part of the Keyzers Ridge Industrial Park. The current value of the land was estimated to be \$2,186,797. The County paid \$10,125 in closing and title transfer costs. The value of the property is presented as an Economic Opportunity and Development capital contribution in the government-wide statement of activities.

NOTE 18 - CONTINGENT LIABILITY

The State of Maryland currently allows Maryland citizens who earn personal income in jurisdictions outside Maryland to take a credit against their Maryland Personal Income Tax for the income taxes paid to the other jurisdictions. Maryland has not allowed this credit against the Maryland local (county or municipal) income taxes. A suit was brought against the State, the Wynne Case, asserting that this unequal treatment violated the Federal Commerce Clause. The State lost the case and while it is under appeal, the final outcome will likely result in the State allowing credits against local income taxes with a resulting reduction in annual state-shared income tax revenue. For Garrett County, the estimated effect is a future revenue reduction of \$113,000 per year. In addition the court decision will allow refunds of overpayments for three preceding tax years. The State Comptroller has estimated Garrett County's liability for these refunds to approximate \$339,000.

REQUIRED SUPPLEMENTARY INFORMATION

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

**Required Supplementary Information
June 30, 2013**

SCHEDULES OF FUNDING PROGRESS—GARRETT COUNTY RETIREMENT PLANS

The following schedules reflect the plans' funding progress for the three years ended June 30, 2013:

Schedule of Funding Progress - Law Enforcement Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/11	\$ 4,216,511	\$ 5,688,136	\$ 1,471,625	74.13%	\$ 2,302,626	63.91%
6/30/12	4,677,865	6,272,962	1,595,097	74.57%	2,306,854	69.15%
6/30/13	5,464,767	6,877,698	1,412,931	79.46%	2,411,572	58.59%

Schedule of Funding Progress - Government Personnel Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/11	\$ 14,081,837	\$ 19,760,465	\$ 5,678,628	71.26%	\$ 9,856,709	57.61%
6/30/12	15,714,302	21,549,269	5,834,967	72.92%	9,746,397	59.87%
6/30/13	18,300,564	23,309,775	5,009,211	78.51%	9,942,359	50.38%

Schedule of Funding Progress - Volunteer Length of Service Award Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/11	\$ 639,639	\$ 107,624	\$ (532,015)	594.33%	N/A	N/A
7/1/12	\$ 672,331	\$ 120,885	\$ (551,446)	556.17%	N/A	N/A

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

**Required Supplementary Information
June 30, 2013**

SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFIT PLAN

The following schedule reflects the plan’s funding progress for the three years ended June 30, 2013:

Schedule of Funding Progress – Other Post-Employment Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/10	\$ 125,552	\$ 15,791,494	\$ 15,665,942	0.80%	\$ 13,311,000	117.69%
7/1/11	149,167	15,791,494	15,642,327	0.95%	13,311,000	117.51%
7/1/12	154,533	13,983,999	13,829,466	1.12%	12,204,000	113.32%

SCHEDULE OF EMPLOYER CONTRIBUTIONS – OTHER POST-EMPLOYMENT BENEFIT PLAN

The following schedule reflects employer contributions for the three years ended June 30, 2013:

Schedule of Employer Contributions – Other Post-Employment Benefit Plan

Fiscal Year	Annual Required Contribution (ARC)	Actual Employer Contribution	Percentage Contributed
2011	1,409,885	882,470	62.59%
2012	1,404,991	915,804	65.18%
2013	1,269,103	836,416	65.91%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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, 2013

	Original Budget	Final Budget	Actual	Over (Under) Budget
TAXES:				
Local Real and Personal Property:				
Real Property	\$ 43,242,486	\$ 43,242,486	\$ 43,272,662	\$ 30,176
Railroads and Public Utilities	2,675,324	2,675,324	2,662,155	(13,169)
Ordinary Business Corporations	794,188	2,207,304	2,220,708	13,404
	\$ 46,711,998	\$ 48,125,114	\$ 48,155,525	\$ 30,411
Enterprise Zone Tax Refund	0	80,000	80,075	75
Addition and Abatements	(25,000)	(25,000)	(35,245)	(10,245)
Penalties and Interest	575,000	575,000	784,382	209,382
	\$ 47,261,998	\$ 48,755,114	\$ 48,984,737	\$ 229,623
Less: Discounts and Credits	(363,000)	(363,000)	(375,914)	(12,914)
	\$ 46,898,998	\$ 48,392,114	\$ 48,608,823	\$ 216,709
Other Local Taxes:				
Income	\$ 10,100,000	\$ 11,000,000	\$ 11,206,954	\$ 206,954
Admissions and Amusement	700,000	700,000	686,667	(13,333)
Recordation	1,900,000	2,300,000	2,386,470	86,470
Coal Tonnage	170,000	170,000	150,760	(19,240)
Trailer Court	38,000	38,000	39,027	1,027
Natural Gas	1,500	1,500	4,508	3,008
Accommodations Tax	1,900,000	1,900,000	2,006,797	106,797
Transfer Tax	1,200,000	1,375,000	1,424,217	49,217
Franchise Tax	0	0	860	860
Agriculture Transfer Tax/Refunds	7,500	7,500	10,403	2,903
Coal Tax	30,000	30,000	56,973	26,973
911 Fees	264,000	264,000	261,432	(2,568)
Tax Sale Revenue	30,000	54,000	53,836	(164)
	\$ 16,341,000	\$ 17,840,000	\$ 18,288,904	\$ 448,904
	\$ 63,239,998	\$ 66,232,114	\$ 66,897,727	\$ 665,613
LICENSES AND PERMITS:				
Business:				
Beer, Wine and Liquor Licenses	\$ 89,008	\$ 89,008	\$ 106,821	\$ 17,813
Traders	67,000	67,000	65,459	(1,541)
Other Licenses and Permits:				
Animal	5,500	5,500	4,888	(612)
Marriage	1,600	1,600	1,845	245
TVRU License	75,000	75,000	72,378	(2,622)
Highways and Streets	6,200	6,200	8,987	2,787
Other Permits	5,200	5,200	5,805	605
	\$ 249,508	\$ 249,508	\$ 266,183	\$ 16,675

**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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
INTERGOVERNMENTAL:				
Grants From Federal Government:				
Department of Justice - Domestic Violence	\$ 34,969	\$ 34,969	\$ 36,430	\$ 1,461
CDBG - Weatherization Project	64,371	0	0	0
ARRA - Weatherization	200,000	108,518	108,518	0
Civil Defense	61,724	61,724	45,000	(16,724)
Emergency Management Domestic Preparedness	102,000	150,455	142,088	(8,367)
USDA - CAC - Emergency Food Assistance	9,000	9,000	9,000	0
Master's Child Support	12,743	12,743	12,310	(433)
Sheriff's Child Support	10,400	10,400	9,987	(413)
Federal Aid in Lieu of Taxes	4,000	4,000	5,238	1,238
USDA - Specialty Crop	0	20,045	0	(20,045)
National Recreational Trails	316,000	316,000	750	(315,250)
MIEMSS Highway Safety	0	9,280	9,280	0
MIEMSS Hospital Bioterrorism	0	18,181	18,181	0
FEMA - Disaster Recovery	0	949,964	949,964	0
CAC/Emergency Shelter	23,000	21,516	21,516	0
ARRA - CAC - Maryland Energy Assistance Program	82,752	150,214	150,214	0
DOT - CAC Mass Transit	300,000	408,890	408,890	0
DOT - CAC Mass Transit - ARRA	0	63,770	63,770	0
ARC - Economic Development Grants	500,000	548,182	85,407	(462,775)
CAC - Emergency Transitional Housing Service	13,524	9,442	9,442	0
Miscellaneous	20,200	19,090	18,636	(454)
Grants From State Government:				
Highway User Tax	211,000	300,000	467,156	167,156
Disparity Grant	2,537,671	2,537,671	2,537,671	0
Police Protection	133,250	133,250	133,250	0
Conservation of Natural Resources	210,000	210,000	305,526	95,526
Adult Community Services	25,785	25,785	25,785	0
Court Improvement	0	23,999	23,999	0
Family Services Grant	97,194	104,815	104,815	0
Sheriff - School Bus Violation	20,000	18,000	17,820	(180)
Public Safety Facility	0	339,598	339,598	0
Program Open Space	0	22,903	22,903	0
Emergency Numbers Systems Board - 911	5,600	43,363	43,096	(267)
Dove Center	20,000	20,000	18,320	(1,680)
CAC - Service Linked Housing	30,792	29,486	29,486	0
Jury Reimbursement State	12,000	12,000	11,925	(75)
CAC - Electric Universal Service	767,150	330,624	330,624	0
MDOT - CAC - Mass Transit	150,000	178,872	178,872	0
Sheriff SOCEM Grant	7,615	7,245	7,245	0
Sheriff Sex Offender Registration	10,000	10,000	11,600	1,600
LEPC - CRTK Funds	7,843	7,843	7,843	0
Other	2,688	2,688	2,243	(445)
Subtotal - Intergovernmental	\$ 6,003,271	\$ 7,284,525	\$ 6,724,398	\$ (560,127)

**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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
INTERGOVERNMENTAL - Continued				
Balances Brought Forward	\$ 6,003,271	\$ 7,284,525	\$ 6,724,398	\$ (560,127)
Other:				
Budget Settlement - Health Department	0	198,563	198,563	0
Other	<u>3,750</u>	<u>15,761</u>	<u>15,348</u>	<u>(413)</u>
Total Intergovernmental	<u>\$ 6,007,021</u>	<u>\$ 7,498,849</u>	<u>\$ 6,938,309</u>	<u>\$ (560,540)</u>
FINES AND FORFEITURES	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 10,385</u>	<u>\$ 385</u>
SERVICE CHARGES FOR CURRENT SERVICES:				
General Government:				
Zoning and Subdivision Fees	\$ 11,000	\$ 11,000	\$ 10,840	\$ (160)
Roads Fuel Sales and Street Signs	691,500	476,000	482,987	6,987
Miscellaneous	59,625	52,125	65,442	13,317
Enterprise Funds - Indirect Fees	285,708	45,000	45,758	758
Public Safety:				
BOCA	65,000	65,000	60,316	(4,684)
State Inmate Housing	10,000	10,000	24,885	14,885
Sheriff Fees	41,400	41,800	60,286	18,486
Emergency Medical Services - Cost Share	150,000	150,000	150,000	0
911 - Cost Share	0	2,320	2,320	0
Animal Shelter	<u>4,500</u>	<u>4,500</u>	<u>5,615</u>	<u>1,115</u>
Total Service Charges	<u>\$ 1,318,733</u>	<u>\$ 857,745</u>	<u>\$ 908,449</u>	<u>\$ 50,704</u>
MISCELLANEOUS:				
Interest and Dividends	\$ 125,000	\$ 125,000	\$ 133,795	\$ 8,795
Rents and Concessions	777,125	777,125	774,174	(2,951)
Contributions	3,000	3,000	7,225	4,225
Miscellaneous	<u>351,600</u>	<u>395,619</u>	<u>2,249,724</u>	<u>1,854,105</u>
Total Miscellaneous	<u>\$ 1,256,725</u>	<u>\$ 1,300,744</u>	<u>\$ 3,164,918</u>	<u>\$ 1,864,174</u>
TOTAL REVENUES	<u>\$ 72,081,985</u>	<u>\$ 76,148,960</u>	<u>\$ 78,185,971</u>	<u>\$ 2,037,011</u>
OTHER FINANCING SOURCES:				
Sale of Capital Assets	\$ 0	\$ 49,760	\$ 62,023	\$ 12,263
Transfers From Enterprise Funds	<u>0</u>	<u>0</u>	<u>139,946</u>	<u>139,946</u>
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ 49,760</u>	<u>\$ 201,969</u>	<u>\$ 152,209</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 72,081,985</u>	<u>\$ 76,198,720</u>	<u>\$ 78,387,940</u>	<u>\$ 2,189,220</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, 2013

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Over</u> <u>(Under)</u> <u>Budget</u>
GENERAL GOVERNMENT				
Legislative:				
County Commissioners	\$ 425,582	\$ 657,451	\$ 539,098	\$ (118,353)
Judicial:				
Circuit Court	\$ 401,929	\$ 408,661	\$ 371,340	\$ (37,321)
Orphans Court	17,209	17,293	15,658	(1,635)
State's Attorney	627,334	638,841	617,493	(21,348)
Jury and Witness Operating	24,000	24,000	28,163	4,163
	<u>\$ 1,070,472</u>	<u>\$ 1,088,795</u>	<u>\$ 1,032,654</u>	<u>\$ (56,141)</u>
Elections:				
Board of Supervisors of Elections	\$ 361,606	\$ 362,134	\$ 341,855	\$ (20,279)
Financial Administration:				
Finance Office	\$ 491,072	\$ 500,678	\$ 466,524	\$ (34,154)
Tax Collection Office	338,719	362,803	333,475	(29,328)
Department of Assessments & Taxation	411,000	411,000	411,294	294
Procurement	224,285	229,695	196,796	(32,899)
Total Financial Administration	<u>\$ 1,465,076</u>	<u>\$ 1,504,176</u>	<u>\$ 1,408,089</u>	<u>\$ (96,087)</u>
Information Technology:				
Information Technology	\$ 395,605	\$ 432,689	\$ 367,911	\$ (64,778)
Law:				
Legal Counsel	\$ 97,679	\$ 97,935	\$ 82,876	\$ (15,059)
Personnel Administration:				
Personnel Administration	\$ 274,765	\$ 298,358	\$ 259,191	\$ (39,167)
Planning and Zoning:				
Planning Commission	\$ 503,062	\$ 551,775	\$ 480,536	\$ (71,239)
Facilities & Maintenance				
County Buildings	\$ 2,042,301	\$ 2,157,473	\$ 1,600,721	\$ (556,752)
Total General Government	<u>\$ 6,636,148</u>	<u>\$ 7,150,786</u>	<u>\$ 6,112,931</u>	<u>\$ (1,037,855)</u>
PUBLIC SAFETY				
Sheriff's Department	\$ 2,669,044	\$ 2,816,963	\$ 2,721,264	\$ (95,699)
Corrections	1,766,509	1,788,914	1,759,724	(29,190)
Fire and Rescue Services	2,516,275	2,530,924	2,502,574	(28,350)
Other Public Safety:				
Permits and Inspections	657,610	673,958	635,135	(38,823)
Animal Control	230,270	247,205	227,841	(19,364)
Civil Defense/Emergency Management	212,528	500,339	495,110	(5,229)
Emergency Alarm and Communications (911)	757,846	846,380	798,156	(48,224)
Total Public Safety	<u>\$ 8,810,082</u>	<u>\$ 9,404,683</u>	<u>\$ 9,139,804</u>	<u>\$ (264,879)</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
PUBLIC WORKS				
Highways and Streets	\$ 16,629,169	\$ 16,839,790	\$ 15,566,083	\$ (1,273,707)
HEALTH AND HOSPITAL				
Health Department	\$ 1,447,289	\$ 1,447,289	\$ 1,447,289	\$ 0
SOCIAL SERVICES				
Commission on Aging	\$ 281,700	\$ 281,700	\$ 281,700	\$ 0
EDUCATION				
Board of Education	\$ 26,023,714	\$ 26,027,596	\$ 26,023,714	\$ (3,882)
Community College	4,973,000	6,162,334	5,996,562	(165,772)
Total Education	<u>\$ 30,996,714</u>	<u>\$ 32,189,930</u>	<u>\$ 32,020,276</u>	<u>\$ (169,654)</u>
CULTURE	\$ 35,000	\$ 35,000	\$ 35,000	\$ 0
PARKS AND RECREATION	\$ 24,000	\$ 46,903	\$ 45,133	\$ (1,770)
LIBRARY	\$ 1,007,700	\$ 1,031,700	\$ 1,005,627	\$ (26,073)
CONSERVATION OF NATURAL RESOURCES				
Agriculture Extension Service	\$ 163,000	\$ 310,325	\$ 257,944	\$ (52,381)
Soil Conservation	16,000	16,000	16,000	0
Agricultural Land Preservation Program	7,500	7,500	55,029	47,529
Total Conservation of Natural Resources	<u>\$ 186,500</u>	<u>\$ 333,825</u>	<u>\$ 328,973</u>	<u>\$ (4,852)</u>
ECONOMIC DEVELOPMENT AND OPPORTUNITY				
Economic Development	\$ 1,780,050	\$ 1,306,337	\$ 704,354	\$ (601,983)
Tourism	782,000	782,000	782,000	0
Community Action Programs	1,946,589	1,616,331	1,616,331	0
Community Action Salaries and Benefits	68,319	70,320	68,264	(2,056)
Fair Board Agricultural Fair	20,000	21,274	21,564	290
Special Promotion	130,095	288,059	208,488	(79,571)
Other	101,328	121,373	99,648	(21,725)
Total Economic Development and Opportunity	<u>\$ 4,828,381</u>	<u>\$ 4,205,694</u>	<u>\$ 3,500,649</u>	<u>\$ (705,045)</u>
CAPITAL OUTLAY				
Circuit Court	\$ 0	\$ 23,999	\$ 23,999	\$ 0
Sheriff's Department	79,500	79,500	82,863	3,363
Facilities & Maintenance	316,000	191,800	101,849	(89,951)
Civil Defense/Emergency Management	170,000	329,028	60,102	(268,926)
Economic Development and Opportunity	0	675,311	66,235	(609,076)
Highways and Streets	290,000	1,815,688	1,483,082	(332,606)
Total Capital Outlay	<u>\$ 855,500</u>	<u>\$ 3,115,326</u>	<u>\$ 1,818,130</u>	<u>\$ (1,297,196)</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
INTERGOVERNMENTAL	\$ 242,205	\$ 242,205	\$ 242,205	\$ 0
MISCELLANEOUS	\$ 1,007,500	\$ 636,080	\$ 471,074	\$ (165,006)
TOTAL EXPENDITURES	\$ 72,987,888	\$ 76,960,911	\$ 72,014,874	\$ (4,946,037)
OTHER FINANCING USES				
Operating Transfers:				
Capital Projects Fund	\$ 96,000	\$ 4,352,261	\$ 261,857	\$ (4,090,404)
Special Revenue Funds	0	0	30,949	30,949
Parks & Recreation	100,000	100,000	100,000	0
Airport	98,097	87,509	32,515	(54,994)
Total Other Financing Uses	\$ 294,097	\$ 4,539,770	\$ 425,321	\$ (4,114,449)
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 73,281,985	\$ 81,500,681	\$ 72,440,195	\$ (9,060,486)

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

General Fund

Schedule of Taxes and Taxes Receivable

Year Ended June 30, 2013

	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	\$ 99,676,876	\$ 0.913	\$ 910,050		
All Others	4,363,258,088	0.970	42,323,603		
Total Full Year	\$ 4,462,934,964		\$ 43,233,653	\$ 40,898,974	\$ 2,334,679
Real Property - One-Half Year	8,043,010	0.485	39,009	35,329	3,680
Total Real Property	\$ 4,470,977,974		\$ 43,272,662	\$ 40,934,303	\$ 2,338,359
Personal Property - Corporate	\$ 91,575,580	2.425	\$ 2,220,708	\$ 2,220,708	\$ 0
Public Utilities and Railroad	\$ 110,340,160	2.413	\$ 2,662,155	\$ 2,660,732	\$ 1,423
Total Current Year	\$ 4,672,893,714		\$ 48,155,525	\$ 45,815,743	\$ 2,339,782
PRIOR YEAR RECEIVABLES:					
	Year Ended June 30:				
	2012				\$ 58,780
	2011				44,726
	2010				11,539
	2009				7,486
	2008				450
	2007				201
	2006				1,693
	2005				183
	2004				3,329
	2003				4,722
	2002				1,927
	2001				1,614
	2000				9,466
	1992-1999				964
Total Prior Years					\$ 147,080
TOTAL TAXES RECEIVABLE					\$ 2,486,862
Less: Refunds Due					(4,905)
Less: Allowance for Uncollectible Accounts					(100,000)
TAXES RECEIVABLE - NET					\$ 2,381,957

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

Combining Balance Sheet
Other Governmental Funds
June 30, 2013

	Public Safety	Commissary	Law Library
ASSETS:			
Due from Other Governments	\$	\$	\$ 1,405
Due from Other Funds	110,059	65,165	4,836
Other Receivables - Net		5,559	
Restricted Cash	65,741		
TOTAL ASSETS	\$ 175,800	\$ 70,724	\$ 6,241
LIABILITIES:			
Accounts Payable and Accrued Expenses	\$ 47,117	\$ 806	\$ 158
Deferred Revenues	63,905		
Total Liabilities	\$ 111,022	\$ 806	\$ 158
FUND BALANCES:			
Restricted	\$ 64,778	\$ 69,918	\$ 6,083
TOTAL LIABILITIES AND FUND BALANCES	\$ 175,800	\$ 70,724	\$ 6,241

**Total Other
Governmental
Funds**

\$ 1,405
180,060
5,559
65,741

\$ 252,765

\$ 48,081
63,905

\$ 111,986

\$ 140,779

\$ 252,765

**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, 2013

	<u>Public Safety</u>	<u>Commissary</u>	<u>Law Library</u>
REVENUES:			
Intergovernmental	\$ 218,210	\$	\$
Fines and Forfeitures	10,450		13,998
Investment Income	43		
Charges for Services		62,081	
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 228,703	\$ 62,081	\$ 13,998
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
General Government	\$	\$	\$ 34,575
Public Safety	237,604	68,718	
Capital Outlay		5,200	
	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 237,604	\$ 73,918	\$ 34,575
	<hr/>	<hr/>	<hr/>
REVENUES UNDER EXPENDITURES BEFORE OTHER FINANCING SOURCES	\$ (8,901)	\$ (11,837)	\$ (20,577)
OTHER FINANCING SOURCES			
Sale of Capital Assets	\$ 2,938	\$	\$
Transfer from Primary Government	30,949		
	<hr/>	<hr/>	<hr/>
Total Financing Sources	\$ 30,949	\$ 0	\$ 0
	<hr/>	<hr/>	<hr/>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	\$ 24,986	\$ (11,837)	\$ (20,577)
Fund Balances, Beginning of Year	<hr/> 39,792	<hr/> 81,755	<hr/> 26,660
FUND BALANCES, End of Year	<hr/> <u>\$ 64,778</u>	<hr/> <u>\$ 69,918</u>	<hr/> <u>\$ 6,083</u>

**Total Other
Governmental
Funds**

\$ 218,210
24,448
43
62,081

\$ 304,782

\$ 34,575
306,322
5,200

\$ 346,097

\$ (41,315)

\$ 2,938
30,949

\$ 33,887

\$ (7,428)

148,207

\$ 140,779

**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, 2013

	<u>Water Systems</u>	<u>Other Water</u>	<u>Deep Creek Lab</u>	<u>Company Store</u>
OPERATING REVENUES:				
Charges for Services	\$ 1,189,917	\$ 45,867	\$ 83,634	\$
Other	107,729			187,486
Total Operating Revenues	<u>\$ 1,297,646</u>	<u>\$ 45,867</u>	<u>\$ 83,634</u>	<u>\$ 187,486</u>
OPERATING EXPENSES:				
Salaries	\$ 261,093	\$ 8,594	\$ 73,332	\$ 32,152
Fringe Benefits	113,770	4,220	36,138	14,273
Maintenance and Repairs	114,484		864	900
Supplies	97,713		19,540	140,440
Utilities	136,417		1,200	9,066
Transportation	47,665	2,034	3,042	
Contracted Services	8,098		17,450	
Lab Tests	21,274	1,662	(157,142)	
Direct Administrative	49,001	163	7,630	3,292
Indirect Administrative	258,399	8,834	75,459	32,001
Depreciation	637,073		6,121	2,170
Bad Debt Expense				10,671
Total Operating Expenses	<u>\$ 1,744,987</u>	<u>\$ 25,507</u>	<u>\$ 83,634</u>	<u>\$ 244,965</u>
OPERATING (LOSS)/INCOME	<u>\$ (447,341)</u>	<u>\$ 20,360</u>	<u>\$ 0</u>	<u>\$ (57,479)</u>
NONOPERATING REVENUES (EXPENSES):				
Federal Operating Grant Revenue	\$ 77,499	\$	\$	\$
Tap Fees - Capital Charge	840			
Interest Revenue	20,902			3,598
Ad Valorem Tax	316,680			
Sales of Assets				
Interest Expense	(210,278)			(74,661)
Net Other Revenues (Expenses)	<u>\$ 205,643</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (71,063)</u>
(LOSS)/INCOME BEFORE CAPITAL CONTRIBUTIONS	<u>\$ (241,698)</u>	<u>\$ 20,360</u>	<u>\$ 0</u>	<u>\$ (128,542)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Contributed Capital				
Federal	\$	\$	\$	\$
Transfers to General Fund	(117,485)			
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>\$ (117,485)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
(DECREASE)/INCREASE IN NET ASSETS	<u><u>\$ (359,183)</u></u>	<u><u>\$ 20,360</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ (128,542)</u></u>

	Subtotal Water Projects	Sewer Systems	Trout Run	Other Sewer	Subtotal Sewer Projects	Total
\$	1,319,418	\$ 2,738,379	\$ 91,673	\$ 106,972	\$ 2,937,024	\$ 4,256,442
	<u>295,215</u>	<u>67,355</u>		<u>24,543</u>	<u>91,898</u>	<u>387,113</u>
\$	<u>1,614,633</u>	<u>2,805,734</u>	<u>91,673</u>	<u>131,515</u>	<u>3,028,922</u>	<u>4,643,555</u>
\$	375,171	\$ 615,979	\$ 17,179	\$ 19,795	\$ 652,953	\$ 1,028,124
	168,401	269,078	5,983	10,961	286,022	454,423
	116,248	293,727	13,034	107	306,868	423,116
	257,693	154,951	3,141	37	158,129	415,822
	146,683	420,624	34,334		454,958	601,641
	52,741	97,557	3,625	4,620	105,802	158,543
	25,548	10,909	2,930		13,839	39,387
	(134,206)	86,888	24,033	23,285	134,206	0
	60,086	86,091	1,740	451	88,282	148,368
	374,693	610,083	15,966	21,199	647,248	1,021,941
	645,364	2,067,776	184,297		2,252,073	2,897,437
	<u>10,671</u>				<u>0</u>	<u>10,671</u>
\$	<u>2,099,093</u>	<u>4,713,663</u>	<u>306,262</u>	<u>80,455</u>	<u>5,100,380</u>	<u>7,199,473</u>
\$	<u>(484,460)</u>	<u>(1,907,929)</u>	<u>(214,589)</u>	<u>51,060</u>	<u>(2,071,458)</u>	<u>(2,555,918)</u>
\$	77,499	\$	\$	\$	0	\$ 77,499
	840	575,974			575,974	576,814
	24,500	49,807	639		50,446	74,946
	316,680	1,146,407	46,340		1,192,747	1,509,427
	0			(21,765)	(21,765)	(21,765)
	<u>(284,939)</u>	<u>(644,070)</u>	<u>(21,373)</u>		<u>(665,443)</u>	<u>(950,382)</u>
\$	<u>134,580</u>	<u>1,128,118</u>	<u>25,606</u>	<u>(21,765)</u>	<u>1,131,959</u>	<u>1,266,539</u>
\$	<u>(349,880)</u>	<u>(779,811)</u>	<u>(188,983)</u>	<u>29,295</u>	<u>(939,499)</u>	<u>(1,289,379)</u>
\$	0	\$ 378,806	\$	\$	378,806	\$ 378,806
	<u>(117,485)</u>				<u>0</u>	<u>(117,485)</u>
\$	<u>(117,485)</u>	<u>378,806</u>	<u>0</u>	<u>0</u>	<u>378,806</u>	<u>261,321</u>
\$	<u>(467,365)</u>	<u>(401,005)</u>	<u>(188,983)</u>	<u>29,295</u>	<u>(560,693)</u>	<u>(1,028,058)</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, 2013

PROJECT	Balance July 1, 2012	Construction (Net of Program Income)	Engineering	Salaries
Keysers Ridge Water Holding Tank	\$ 58,772	\$	\$ 24,444	\$ 812
McHenry Water System	837,623			
Keysers Ridge Water	128,451	15,233		1,553
Deep Creek Lake Collection & Conveyance	907,963	10,436	85	6,100
Mountain Lake Park Water	33,897	4,275		
Friendsville Sewer	20,932	335,094	16,682	12,732
Pee Wee Hill Water	1,466,958	160		
Thayerville Water	1,161,101	3,494,449	48,400	69,046
Mountain Lake Park Water Line	12,076			
Business Park Water	12,866			
Business Park Sewer	6,517			
TOTAL	\$ 4,647,156	\$ 3,859,647	\$ 89,611	\$ 90,243

<u>Fringe Benefits</u>	<u>Administrative</u>	<u>Interest</u>	<u>Indirect Costs</u>	<u>Total Additions</u>	<u>Retirements or Transfers (Completed Project)</u>	<u>Balance June 30, 2013</u>
\$ 284	\$	\$	\$ 755	\$ 26,295	\$	\$ 85,067
		23,742		23,742	(861,365)	0
570	56		1,464	18,876		147,327
2,351		(2,130)	5,826	22,668		930,631
				4,275	(38,172)	0
4,425	106		11,827	380,866		401,798
				160	(1,467,118)	0
22,415	11,287	218,765	63,046	3,927,408		5,088,509
	42			42		12,118
				0	(12,866)	0
				0	(6,517)	0
<u>\$ 30,045</u>	<u>\$ 11,491</u>	<u>\$ 240,377</u>	<u>\$ 82,918</u>	<u>\$ 4,404,332</u>	<u>\$ (2,386,038)</u>	<u>\$ 6,665,450</u>

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

Garrett County Sanitary District, Inc.

Schedule of Indirect Costs

Year Ended June 30, 2013

2013

TYPE:

Insurance	\$ 76,814
Administrative	147,340
Telephone	5,712
Professional and Legal	21,000
Office Supplies and Expenses	6,955
Salaries	606,904
Utilities	3,833
Fringe Benefits	228,672
Transportation	<u>7,629</u>
Total	<u><u>\$ 1,104,859</u></u>

ALLOCATION BASE:

Direct Salaries	\$ 1,118,367
Related Fringe Benefits	<u>484,468</u>
Total Allocation Base	<u><u>\$ 1,602,835</u></u>

INDIRECT COST RATE

68.9315%

COSTS REPORTED AS:

Operations	\$ 1,021,941
Construction in Progress	<u>82,918</u>
	<u><u>\$ 1,104,859</u></u>

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Comparative Schedule of Primary Government Long-Term Indebtedness
June 30, 2013 and 2012

	June 30,	
	2013	2012
LONG-TERM INDEBTEDNESS:		
Government Activities:		
Bond Payable - Hospital Bonds of 2004	\$ 939,873	\$ 1,002,640
Bond Payable - Hospital Bonds of 2007	2,654,496	2,718,167
Total Governmental Activities	\$ 3,594,369	\$ 3,720,807
Business Type Activities:		
Solid Waste		
Bond Payable - Maryland Water Quality Financing Administration	\$ 504,314	\$ 620,458
Total Solid Waste	\$ 504,314	\$ 620,458
Sanitary District		
Note Payable - Rural Development-Bloomington	\$	\$ 80,585
Note Payable - Rural Development-Youghiogheny		581,454
Note Payable - Rural Development-Chestnut Ridge		690,947
Note Payable - Maryland Department of the Environment-Mt. Lake Park/Powles		67,818
Note Payable - Rural Development-Chestnut Ridge		191,814
Note Payable - GE Capital Asset Management-Friendsville Water	11,000	22,000
Note Payable - Rural Development-Deer Park Sewer		326,863
Note Payable - Maryland Water Quality Financing-Deep Creek Lake Sewer Ext.	388,882	447,515
Note Payable - Maryland Water Quality Financing-Deep Creek Lake Septage	87,208	112,803
Note Payable - State of Maryland-Jennings Sewer	42,125	48,588
Note Payable - Maryland Water Quality Financing-Goodwill Mennonite Sewer		99,666
Note Payable - Rural Development-Meadow Mountain Sewer		361,578
Note Payable - Rural Development-McHenry Water		208,794
Note Payable - Rural Development-McHenry Water		550,079
Note Payable - Rural Development-Keysers Ridge Water		505,764
Note Payable - Rural Development-Deer Park Water		511,945
Note Payable - Maryland Water Quality Financing-Deer Park Water	191,256	199,969
Note Payable - Rural Development Keyser's Ridge Water		107,498
Note Payable - USDA-DCL WWTP		9,452,856
Note Payable - USDA-DCL WWTP		4,365,233
Note Payable - USDA-DCL WWTP		928,345
Note Payable - M&T Bank-Deep Creek Sewer System & McHenry Water System		4,500,000
Note Payable - M&T Bank-Warehouse Project	1,977,449	2,061,959
Note Payable - Maryland Department of the Environment-Mountain Lake Park Water	92,347	101,423
Note Payable - Susquehanna USDA Refinance Loan	22,910,600	
Note Payable - Susquehanna Mountain Lake Park Water Loan	777,445	
Note Payable - Susquehanna Thayerville Water	7,280,637	
Note Payable - Susquehanna Jennings	48,592	
Note Payable - Maryland Department of the Environment-Deep Creek & Friendsville	313,251	347,569
Total Sanitary District	\$ 34,120,792	\$ 26,873,065
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	\$ 37,717,721	\$ 30,586,138
TOTAL LONG-TERM INDEBTEDNESS	\$ 41,312,090	\$ 34,306,945

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

Combining Statement of Net Position

Fiduciary Funds

June 30, 2013

	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	\$ 1,323,094	\$ 382,254	\$ 51,335	\$ 73,828	\$ 1,830,511
Investments:					
Certificates of Deposit	\$ 50,901	\$	\$	\$	\$ 50,901
Fixed Income Securities	4,753,983	1,428,814	195,047	251,857	6,629,701
Mutual Funds	6,005,047	1,899,104	280,814	492,566	8,677,531
Equity Securities	6,088,249	1,733,727	205,277	364,327	8,391,580
Total Investments	<u>\$ 16,898,180</u>	<u>\$ 5,061,645</u>	<u>\$ 681,138</u>	<u>\$ 1,108,750</u>	<u>\$ 23,749,713</u>
Interest Receivable	<u>\$ 79,291</u>	<u>\$ 20,868</u>	<u>\$ 2,247</u>	<u>\$ 3,434</u>	<u>\$ 105,840</u>
TOTAL ASSETS	<u>\$ 18,300,565</u>	<u>\$ 5,464,767</u>	<u>\$ 734,720</u>	<u>\$ 1,186,012</u>	<u>\$ 25,686,064</u>
LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET POSITION					
Held in Trust for Retirement					
Benefits and OPEB	<u>\$ 18,300,565</u>	<u>\$ 5,464,767</u>	<u>\$ 734,720</u>	<u>\$ 1,186,012</u>	<u>\$ 25,686,064</u>

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

Combining Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2013

	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	\$ 1,146,549	\$ 327,171	\$	\$	\$ 1,473,720
Plan Members	353,594	193,843			547,437
Total Contributions	<u>\$ 1,500,143</u>	<u>\$ 521,014</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,021,157</u>
Investment Earnings:					
Net Increase in					
Fair Value of Investments	\$ 998,205	\$ 237,824	\$ 40,282	54,084	\$ 1,330,395
Realized Gains on Investments	331,184	150,136	12,714	31,515	525,549
Interest and Dividends	457,080	132,845	19,096	30,260	639,281
Investment Activity Expense	(99,232)	(29,484)	(3,750)	(6,022)	(138,488)
Total Net Investment Earnings	<u>\$ 1,687,237</u>	<u>\$ 491,321</u>	<u>\$ 68,342</u>	<u>\$ 109,837</u>	<u>\$ 2,356,737</u>
Total Additions	<u>\$ 3,187,380</u>	<u>\$ 1,012,335</u>	<u>\$ 68,342</u>	<u>\$ 109,837</u>	<u>\$ 4,377,894</u>
DEDUCTIONS					
Benefits	\$ 600,117	\$ 219,942	\$	\$	\$ 820,059
Administrative	1,001	5,491	8,276	403	15,171
Total Deductions	<u>\$ 601,118</u>	<u>\$ 225,433</u>	<u>\$ 8,276</u>	<u>\$ 403</u>	<u>\$ 835,230</u>
Change In Net Position	\$ 2,586,262	\$ 786,902	\$ 60,066	\$ 109,434	\$ 3,542,664
Net Position - Beginning of Year	<u>15,714,303</u>	<u>4,677,865</u>	<u>674,654</u>	<u>1,076,578</u>	<u>22,143,400</u>
Net Position - End of Year	<u>\$ 18,300,565</u>	<u>\$ 5,464,767</u>	<u>\$ 734,720</u>	<u>\$ 1,186,012</u>	<u>\$ 25,686,064</u>