

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

**FINANCIAL REPORT
JUNE 30, 2007**

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

**FINANCIAL REPORT
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INDEPENDENT AUDITORS' REPORT

The Board of County Commissioners
of Garrett County
Oakland, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Board of County Commissioners of Garrett County, Maryland (the County) as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the index to financial report. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Ruth Enlow Library of Garrett County. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Ruth Enlow Library of Garrett County, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors, provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Board of County Commissioners of Garrett County, Maryland as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 28, 2008, on our consideration of The Board of County Commissioners of Garrett County, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The other supplementary information located on pages 71 through 85, as listed in the index to financial report, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Rodheaver & Associates, P.C.

Oakland, Maryland
January 28, 2008

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

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, 2007. 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, 2007 by \$126,717,331 (net assets), compared to \$113,781,965 at June 30, 2006. Approximately 40 percent of total net assets are attributable to the Enterprise Funds. Of total net assets at June 30, 2007, \$31,097,556 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, which compares to \$29,928,636 at June 30, 2006. Another \$1,642,117 is restricted for specific purposes (restricted net assets) in comparison to \$1,761,085 at June 30, 2006. The total invested in capital assets, net of related debt was \$93,977,658 at June 30, 2007, compared to \$82,092,244 at June 30, 2006.

The County's total net assets increased by \$12,935,366.

As of June 30, 2007, the County's governmental funds reported combined fund balances of \$30,856,335, an increase of \$4,360,914 over the prior year. Approximately .1 percent of the combined fund balance is available to meet the County's current and future needs (unreserved and undesignated fund balance), 4 percent is reserved, 96 percent is unreserved and designated for future use and capital projects.

At the close of the current fiscal year, unreserved fund balance for the General Fund (primary operating fund) was \$30,819,710 or 49% of general fund expenditures at June 30, 2007. Designated fund balance of the general fund was \$29,658,753, or 99.9 percent of unreserved fund balance.

Overview of the Financial Statements

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

Government-wide financial statements (Reporting on the County as a Whole)

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

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Government-wide financial statements (Reporting on the County as a Whole)
(cont'd)

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

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

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

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

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

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

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

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

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

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

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to creating a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 through 70 of this report.

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information and disclosures that are not considered a part of the basic financial statements. Schedules in this section include a budgetary comparison for the General Fund to demonstrate compliance with the annually adopted budget. The other supplementary information is located immediately following the notes to the financial statements and can be found on pages 71 through 85 of this report.

Government-wide Financial Analysis

This year is the fourth period that the Governmental Accounting Standards Board (GASB) Statement No. 34 has been applied in the preparation of the financial statements of Garrett County Government. A comparative analysis of government-wide data is presented below.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In Garrett County, assets exceeded liabilities by \$126,717,331 at the close of the current fiscal year. Garrett County's net assets are divided into three categories, invested in capital assets (net of related debt), restricted net assets and unrestricted net assets. The largest portion of the county's net assets (74 percent) reflects its investment in capital assets net of depreciation (e.g., land and easements, buildings, machinery, equipment, infrastructure and improvements), less any unmatured debt used to acquire those assets. The County uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Restricted net assets represent 1 percent of total net assets. Restricted net assets are resources that are subject to external restrictions on how they may be used. Unrestricted net assets of the government have a balance of \$31,097,556 (25 percent of total net assets), which may be used to meet the governments' ongoing obligations to citizens and creditors.

**Garrett County Government's Net Assets
June 30, 2007**

| | Governmental Activities | | Business-type Activities | | Total Government | |
|--------------------------|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | June 30, 2007 | June 30, 2006 | June 30, 2007 | June 30, 2006 | June 30, 2007 | June 30, 2006 |
| Assets: | | | | | | |
| Current & Other Assets | \$ 42,582,772 | \$ 36,901,916 | \$ 14,618,981 | \$ 16,211,551 | \$ 57,201,753 | \$ 53,113,467 |
| Capital Assets | 55,324,694 | 54,185,223 | 69,221,319 | 60,565,403 | 124,546,013 | 114,750,626 |
| Total Assets | 97,907,466 | 91,087,139 | 83,840,300 | 76,776,954 | 181,747,766 | 167,864,093 |
| Liabilities: | | | | | | |
| Long-Term Liabilities | 11,517,388 | 12,168,750 | 30,896,274 | 31,269,068 | 42,413,662 | 43,437,818 |
| Other Liabilities | 10,223,724 | 8,992,638 | 2,393,049 | 1,651,672 | 12,616,773 | 10,644,310 |
| Total Liabilities | 21,741,112 | 21,161,388 | 33,289,323 | 32,920,740 | 55,030,435 | 54,082,128 |
| Net Assets: | | | | | | |
| Invested Capital Assets | | | | | | |
| Net of Related Debt | 52,162,668 | 44,428,765 | 41,814,990 | 37,663,479 | 93,977,658 | 82,092,244 |
| Restricted | 1,160,957 | 807,598 | 481,160 | 953,487 | 1,642,117 | 1,761,085 |
| Unrestricted | 22,842,729 | 24,689,388 | 8,254,827 | 5,239,248 | 31,097,556 | 29,928,636 |
| Total Net Assets | \$ 76,166,354 | \$ 69,925,751 | \$ 50,550,977 | \$ 43,856,214 | \$ 126,717,331 | \$ 113,781,965 |

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Government-wide Financial Analysis (cont'd)

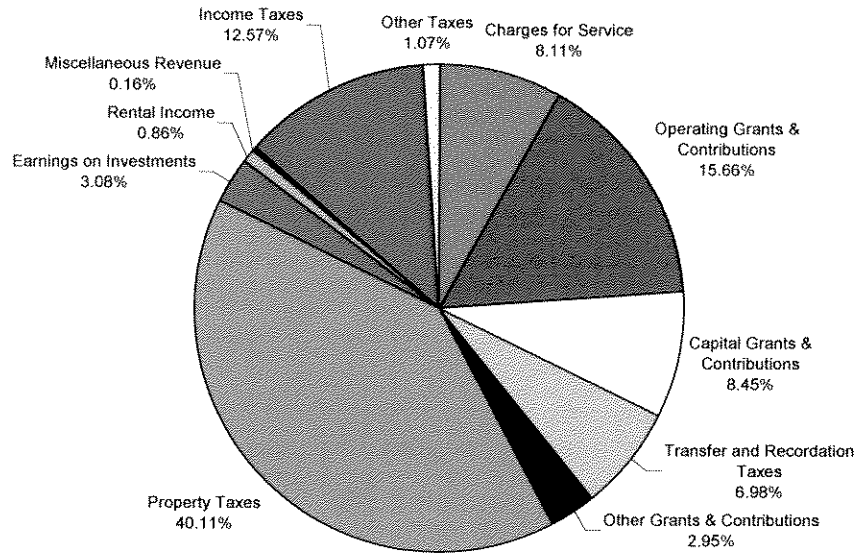
The following table indicates the changes in net assets.

**Garrett County Government's Changes in Net Assets
for the Year ended June 30, 2007**

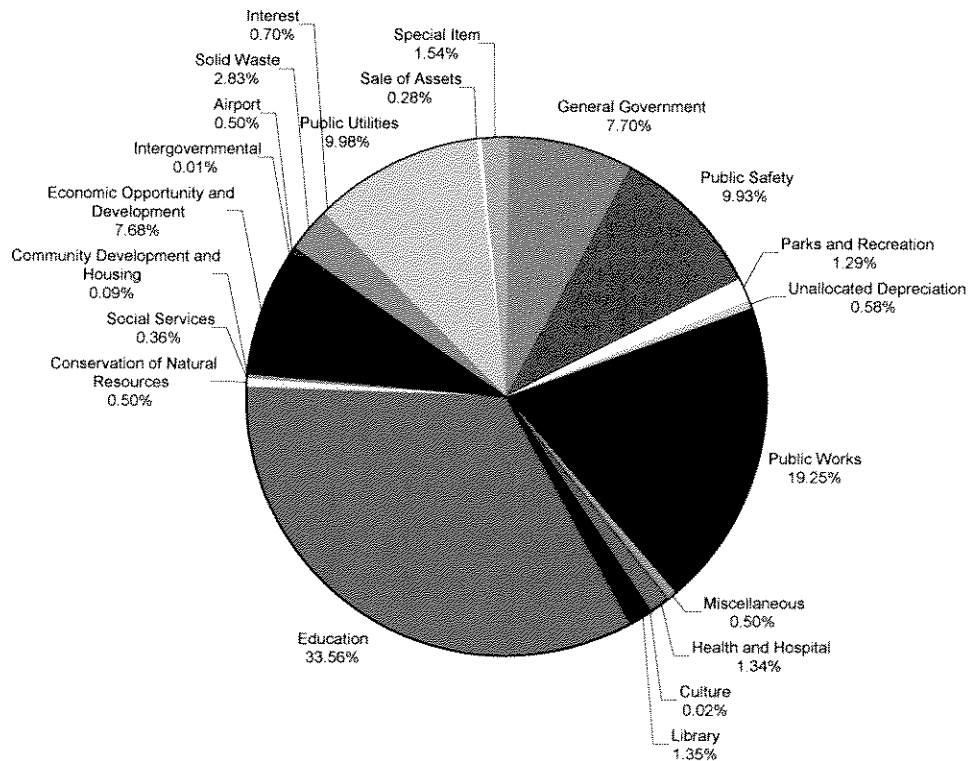
| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total Government</u> | |
|--|--------------------------------|----------------------|---------------------------------|----------------------|-------------------------|-----------------------|
| | <u>June 30, 2007</u> | <u>June 30, 2006</u> | <u>June 30, 2007</u> | <u>June 30, 2006</u> | <u>June 30, 2007</u> | <u>June 30, 2006</u> |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 1,429,577 | \$ 1,459,246 | \$ 5,525,075 | \$ 5,221,712 | \$ 6,954,652 | \$ 6,680,958 |
| Operating Grants and Contributions | 13,421,266 | 14,047,604 | 10,500 | 0 | 13,431,766 | 14,047,604 |
| Capital Grants and Contributions | 2,142,272 | 3,081,556 | 5,102,566 | 3,514,429 | 7,244,838 | 6,595,985 |
| General Revenues: | | | | | | |
| Property Taxes | 32,786,958 | 28,076,447 | 1,605,874 | 1,412,061 | 34,392,832 | 29,488,508 |
| Other Taxes and Licenses | 17,683,611 | 17,629,112 | 0 | 0 | 17,683,611 | 17,629,112 |
| Grants and Contributions | 3,059 | 30,719 | 2,527,853 | 1,636,032 | 2,530,912 | 1,666,751 |
| Other General Revenues | 2,880,182 | 1,856,627 | 433,360 | 344,496 | 3,313,542 | 2,201,123 |
| Total Revenues | \$ 70,346,925 | \$ 66,181,311 | \$ 15,205,228 | \$ 12,128,730 | \$ 85,552,153 | \$ 78,310,041 |
| Program Expenses: | | | | | | |
| General Government | 5,649,421 | 5,386,737 | 0 | 0 | 5,649,421 | 5,386,737 |
| Public Safety | 7,282,939 | 6,432,927 | 0 | 0 | 7,282,939 | 6,432,927 |
| Public Works | 14,112,674 | 13,377,543 | 0 | 0 | 14,112,674 | 13,377,543 |
| Health & Hospital | 984,689 | 824,679 | 0 | 0 | 984,689 | 824,679 |
| Education - Board of Education | 20,024,329 | 19,707,813 | 0 | 0 | 20,024,329 | 19,707,813 |
| - Garrett College | 4,584,848 | 3,318,200 | 0 | 0 | 4,584,848 | 3,318,200 |
| Culture | 18,000 | 58,715 | 0 | 0 | 18,000 | 58,715 |
| Parks and Recreation | 946,261 | 84,581 | 0 | 0 | 946,261 | 84,581 |
| Library | 991,308 | 904,100 | 0 | 0 | 991,308 | 904,100 |
| Conservation of Natural Resources | 365,746 | 251,364 | 0 | 0 | 365,746 | 251,364 |
| Social Services | 265,750 | 235,780 | 0 | 0 | 265,750 | 235,780 |
| Community Development & Housing | 67,556 | 149,636 | 0 | 0 | 67,556 | 149,636 |
| Economic Opportunity & Development | 5,634,465 | 3,876,958 | 0 | 0 | 5,634,465 | 3,876,958 |
| Other | 1,308,963 | 1,446,168 | 0 | 0 | 1,308,963 | 1,446,168 |
| Garrett County Airport | 0 | 0 | 363,504 | 316,150 | 363,504 | 316,150 |
| Solid Waste Management | 0 | 0 | 2,075,694 | 2,021,763 | 2,075,694 | 2,021,763 |
| Garrett County Sanitary District, Inc. | 0 | 0 | 7,320,670 | 7,133,802 | 7,320,670 | 7,133,802 |
| Total Expenses | \$ 62,236,949 | \$ 56,055,201 | \$ 9,759,868 | \$ 9,471,715 | \$ 71,996,817 | \$ 65,526,916 |
| Excess before Special Item and Transfers | 8,109,976 | 10,126,110 | 5,445,360 | 2,657,015 | 13,555,336 | 12,783,125 |
| Special Item | (1,130,636) | (2,809,133) | | | (1,130,636) | (2,809,133) |
| Net Transfers In (Out) | (1,155,909) | (484,586) | 1,155,909 | 484,586 | 0 | 0 |
| Changes in Net Assets | 5,823,431 | 6,832,391 | 6,601,269 | 3,141,601 | 12,424,700 | 9,973,992 |
| Net Assets - Beginning of Year | 70,342,923 | 63,093,360 | 43,949,708 | 40,714,613 | 114,292,631 | 103,807,973 |
| Net Assets - End of Year | \$ 76,166,354 | \$ 69,925,751 | \$ 50,550,977 | \$ 43,856,214 | \$ 126,717,331 | \$ 113,781,965 |

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

Revenues By Source - Primary Government



Expenditures - Primary Government



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

June 30, 2007

Government-wide Financial Analysis (cont'd)

Overall, the financial position of Garrett County improved during the year. Garrett County Government's net assets increased by \$12,424,700 for the year ended June 30, 2007. This increase was \$2,450,708 larger than the increase reported in the prior year. Key elements of this overall increase are due to projected increases in property taxes and earnings on investments and unexpected increases in income tax. Property taxes increased by \$4,904,324 and earnings on investments increased by \$1,182,895. There was an increase in income taxes of \$1,364,224. These increases were partially offset by an increase in expenditures associated with infrastructure improvements made at the Northern Garrett Industrial Park. This transfer is reflected in the government wide statement of activities as a special item.

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

Property taxes increased by \$4,904,324 (17%) during the year. The majority of this increase is due to new growth and increased property values as assessed by the State of Maryland Department of Assessments and Taxation. There was no increase in the property tax rate as set by the County Commissioners. Property taxes account for 47% of General Fund revenues on a budgetary basis.

A sound local economy and low unemployment rates provided an increase in local income tax revenue. Income taxes account for 16% of General Fund revenues.

Recordation and local transfer taxes provided substantial revenue in fiscal year 2007 due to the volume of properties sold or refinanced and an increase in the market value of property.

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

Business-Type Activities. In 2007, capital contributions to the Airport were \$5,102,566 and consisted of grants from the FAA for the expansion of the airport runway. Total assets for the Airport grew by \$7,249,240. This increase was related to capital construction projects that occurred during the year. Total assets for the Garrett County Sanitary District d/b/a Department of Public Utilities decreased by \$734,235. This decrease is largely the result of the completion of capital projects, being placed in service and depreciated.

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

June 30, 2007

Government-wide Financial Analysis (cont'd)

Operating revenues of the Sanitary District increased by \$163,234. An increase in user rates through the adoption of universal rates attribute primarily to this increase. Operating expenditures for the Sanitary District increased by \$679,887. An increase in salaries and fringe benefits accounted for \$156,141 of this increase, utilities accounted for another \$178,950 of this increase and indirect administration costs accounted for \$128,750 of the increase. The District obtained three permanent financing loans totaling \$15,600,000 from USDA for the Deep Creek Lake Waste Water Treatment Plant.

The Garrett County Office of Solid Waste and Recycling's (Landfill) estimated disposal capacity changes over time based on variability in efficiencies with respect to waste compression. Based on the County's engineer estimates of costs to perform all closure and post-closure care activities, the balance of estimated costs to be recognized are approximately \$3,066,774 and will be recognized over the remaining useful life of the new landfill, which is approximately 19 years. The County has established a landfill closure fund through Maryland Environmental Services to provide funds to pay these closure and post-closure costs. As of June 30, 2007, the balance of these restricted cash assets was \$1,067,997.

Financial Analysis of the County's Funds

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

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

At the end of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$30,856,335, an increase of \$4,360,914. Approximately .1% of this total, \$36,625 constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is either designated or reserved to indicate that it is not available for new spending because it has already been committed for a designated purpose. Fund balance designated for capital projects includes \$3,708,164 designated for the future construction of a public safety facility, \$2,494,198 designated for the construction of a public works facility, \$5,056,470 designated for construction at Garrett College, \$1,851,683 designated for other public works projects and \$1,065,706 designated for economic development projects. \$14,806,467 has been designated to balance the fiscal year 2008 budget.

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

June 30, 2007

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

The General Fund is the chief operating fund of the Garrett County Government. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$36,625, while total fund balance reached \$30,463,055 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents .06% of the total General Fund expenditures, while total fund balance represents 49% of that same amount.

The fund balance of the County's General Fund increased by \$4,074,207 during the current fiscal year. The key factors for the increase are as follows:

- An increase of real estate property tax revenue of \$4,570,999 is due to new construction and increased property values, specifically in the Deep Creek Lake area.
- Accommodations tax revenue increased by \$222,161 due to an increase in rental properties in Garrett County.
- Due to wise investment choices, diversification of funds and delays in construction of various capital projects, earnings on investments increased by \$827,130.

The County created a Capital Projects Fund in fiscal year 2004 to separate long-term ongoing capital projects 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 General Fund.

Garrett County's Debt Service Fund reports assets of \$4,673,993, which include amounts owing from the Garrett County Memorial Hospital, Bond Series 2004 and 2007, for the expansion and renovation of the Emergency Room/Same Day Surgery/Admissions Project.

The Non-Major Special Revenue Funds have a total fund balance of \$118,499, all of which is reserved.

Proprietary funds. Garrett County's proprietary fund statements provide the same type of information found in the governmental-wide financial statements, only in more detail. The total unrestricted net assets of the proprietary funds at the end of the year amounted to \$8,254,827. The total growth in net assets for the proprietary funds was \$6,694,763.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

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

Other factors concerning these funds' finances have been addressed in the discussion of Garrett County government's business-type activities.

Budgetary Highlights

The difference between original revenue budget amounts of \$63,955,925 and final revenue budget amounts of \$67,535,578 is an increase of \$3,579,653. This difference is mainly due to budget amendments that occurred to reduce or increase the original budget to reflect more accurately the actual revenue received. Some significant differences are increases in what was originally budgeted for Income Taxes, Accommodations Tax and Interest earned revenue. There were also significant increases in federal and state grant revenue. This is a result of notification of grants awarded after the fiscal year had already begun. In addition, the difference between the final revenue budget of \$67,535,578 and the actual revenue recorded of \$69,247,391 showed an increase of \$1,711,813. This increase is due largely a conservative approach in budgeting revenues. Revenues that provided the largest impact to this increase is Real Property Taxes, Income Taxes, Recordation and Transfer Taxes and Program Open Space revenue.

Significant differences between the original expenditure budget amounts of \$66,792,494 and final expenditure budget amounts of \$85,130,569, resulting in a budget increase of \$18,338,075, are budget amendments that occurred to increase capital projects and capital outlay to be more in alignment with actual project costs.

The difference between the final budget expenditures of \$85,130,569 and the actual expenditures recorded of \$65,126,772 represented a decrease of \$20,003,797. The difference is, in a large part, due to a timing difference of budgeted capital outlay versus actual expenditures for these various capital outlay projects.

Significant differences between the final budget expenditures and actual budget expenditures are as follows: Capital Outlay and Capital Projects actual expenditures were well under what was budgeted due to a delay in construction or a delay in when the product was available for purchase. Some of these items include various General Service expenditures for courthouse building maintenance such as: sidewalk repairs and painting of the courthouse exterior, purchase of single-axle dump trucks for the Roads Department and Northern Middle School renovation and a building addition for Head Start program at Grantsville Elementary School. A very significant factor in the decrease in actual expenditures versus final budgeted expenditures was a result of an agreement between the County Commissioners and the local Board of Education to reduce the county's appropriation to the Board of Education by an amount that would enable the Board of Education to carry a fund balance equal to \$800,000. The effect of this agreement was the major cause of the reduction in actual expenditures from budgeted expenditures to the Board of Education in the amount of \$1,497,078.

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, 2007

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, 2007 amounts to \$124,546,013 (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 \$9,795,387 (a 9% increase for governmental and business-type activities).

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

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|--------------------------|--------------------------------|---------------------|---------------------------------|---------------------|----------------------|----------------------|
| | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
| Land | \$7,327,687 | \$5,786,933 | \$1,747,826 | \$1,552,782 | \$9,075,513 | \$7,339,715 |
| Land Improvements | 146,165 | 1,770,700 | 1,645,397 | 2,013,743 | 1,791,562 | 3,784,443 |
| Construction in Progress | 3,418,649 | 3,179,065 | 14,665,623 | 20,747,459 | 18,084,272 | 23,926,524 |
| Infrastructure | 28,795,274 | 27,215,018 | 49,529,750 | 34,791,147 | 78,325,024 | 62,006,165 |
| Buildings | 12,578,054 | 13,058,553 | 397,198 | 230,842 | 12,975,252 | 13,289,395 |
| Furniture and Equipment | 1,020,046 | 801,390 | 8,021 | 0 | 1,028,067 | 801,390 |
| Vehicles | 1,514,773 | 2,105,994 | 514,462 | 572,318 | 2,029,235 | 2,678,312 |
| Machinery and Equipment | 524,046 | 411,564 | 713,042 | 657,112 | 1,237,088 | 1,068,676 |
| Total | \$55,324,694 | \$54,329,217 | \$69,221,319 | \$60,565,403 | \$124,546,013 | \$114,894,620 |

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

- Complete various roads projects added \$5,355,000 to Infrastructure.
- The purchase of property for the Airport runway extension project for the purpose of a safety zone increased the Land value by \$195,000.
- Various construction projects including Economic Development (Keyzers Ridge Infrastructure), Public Works Facility and Roads Department (various bridge construction projects) added \$1,677,000 to construction in progress.
- Vehicles purchased for various County departments added \$299,000 to Vehicles.
- Furniture and Equipment increased significantly by \$347,000. Upgrades to the 911 mapping system and console accounted for \$331,000 of this increase.
- Machinery and Equipment revealed an increase of \$486,000. This was due to upgrades to the 911 console representing \$177,000 of this increase and purchases of a new dozer, loader, and compactor containers at the Landfill equated to \$289,000.

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

Capital Asset and Debt Administration (cont'd)

- Construction in progress projects for the Garrett County Sanitary District included additions in the amount of \$3,675,000 to construct a new Deep Creek Lake Wastewater Treatment Plant, and \$317,000 to the Deep Creek Lake Collection and Conveyance Project.
- Construction in progress additions at the Garrett County Landfill in the amount of \$789,000 associated with the construction of a new waste collection site.
- Construction in progress additions at the Garrett County Airport in the amount of \$5,905,000, which were mainly associated with the runway extension project.

Additional information on the County's capital assets can be found in Note 5 to the financial statements.

Long-term debt. At the end of the current fiscal year, Garrett County Government had notes and bonds outstanding of \$38,125,985, which are backed by the full faith and credit of the County.

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

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| General Bonded Debt | <u>\$10,210,950</u> | <u>\$11,089,786</u> | <u>\$27,915,035</u> | <u>\$28,453,543</u> | <u>\$38,125,985</u> | <u>\$39,543,329</u> |

During fiscal year 2007, the County's total debt decreased by \$1,417,344. This decrease is mainly attributable to the refinancing of the Garrett County Memorial Hospital Bonds, Series 2002 and 2003 and permanent financing with USDA-Rural Development for the Deep Creek Lake Wastewater Treatment Plant in the amount of \$15,600,000 that replaced interim financing with M&T Bank for the same project.

For fiscal year 2008, Garrett County is requesting enabling legislation to borrow up to \$10,000,000 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 over the next two fiscal years, 2008 and 2009. The County may require legislation to finance capital projects for fiscal year 2009 as well. These projects include the continuation of the Public Safety facility, the completion of the Public Works facility, the continuation and completion of the Northern Middle School renovation and the construction of an Athletic and Recreation Center at Garrett College. This planned activity should have no significant impact on the County's credit ratings because the County has the resources budgeted to account for these expenditures and in the case of long-term debt, the County has the resources to service the debt.

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

June 30, 2007

Capital Asset and Debt Administration (cont'd)

Additional information on the County's long-term debt can be found in Note 6 to the financial statements and on page 83 under Other Supplementary Information

Economic Factors and Next Year's Budget and Rates

- The County continues to maintain insured security ratings of "Aaa" from Moody's Investment service and an "AAA" from Standard & Poor's.
- The annual average unemployment rate through November 2007 for the County is 4.7%, which is higher than the State's average of 3.8% and higher than the national average of 4.6% through the same period.
- During 2007, the Area 2 reassessment area for Garrett County encompassed the communities of Oakland, Mtn. Lake Park, Loch Lynn Heights, Crellin, and Hutton. It also included rural areas west of Oakland near Swallow Falls State Park and Herrington Manor State Park, an area east of US Route 219 from Thayerville to Gortner and the Deep Creek Lake area south of the US Route 219 Bridge. The Deep Creek lake reassessment area is resort/vacation oriented in nature. There were 11,279 accounts reassessed in Area 2. Residential accounts numbered 10,424 while there were 855 commercial accounts. Assessments in the town of Oakland increased an average of 48%. Assessments in Mtn. Lake Park and Loch Lynn Heights increase an average of 48%. Assessments in Crellin and Hutton as well as the areas near the state parks increase an average of 54% and assessments in the areas east of the US Route 219 between Thayerville and Gortner raised an average of 48%. Assessments located in the vacation area of Deep Creek Lake went up an average of 24%. There was a strong demand for non vacation, residential housing in established residential areas. Due to the tightening credit market and higher prices, more buyers sought lake access and lake influence properties over the valuable lake front properties. The overall percentage increase in assessments for those areas that were reassessed in 2007 was 29%.
- 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 2008.

During fiscal year 2007, the County's governmental funds fund balance increased by \$4,087,735, which exceeded budget expectations that were originally forecast to break even. This demonstrates the conservative budget philosophy of County Government. The County has appropriated \$14,806,467 million of the Unreserved Fund Balance for spending in fiscal year 2008. Due to the favorable fund balance that the County has been experiencing over the past several years, the Commissioners were able to hold the tax rate for 2008 steady at \$1.00 for \$100 of assessable property, down from \$1.036 for \$100 of assessable property in 2005.

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

June 30, 2007

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

The Garrett County Sanitary District d/b/a Department of Public Utilities has numerous projects planned for fiscal year 2008. They include continuing the expansion to the McHenry Water System designed to serve an additional 1,000 customers at an estimated cost of \$5,200,000, and water systems upgrades in Crellin and Mountain Lake Park with a combined estimated cost of \$1,300,000.

The District will also continue to install radio read water meters throughout the county to increase the accuracy and efficiency of the billing functions.

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 nearly \$5,300,000 once completed over the next several years.

There are a few major capital projects that will continue into Fiscal Year 2008. These projects include a Public Safety facility to house the Garrett County Jail, Emergency Management and 911 facilities, Airport runway extension - Phase II, Landfill - the continued construction of a Recycling Processing Facility, and a new Public Works facility to house the main headquarters of the Garrett County Roads Department. A new business park is in the planning stages for McHenry to boost Economic Development in that area.

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

Request for Information

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

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

Garrett County Commissioners
203 South 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

BASIC FINANCIAL STATEMENTS

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

Statement of Net Assets

June 30, 2007

| | Primary Government | | |
|---|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 28,660,827 | \$ 2,530,484 | \$ 31,191,311 |
| Investments | 1,622,368 | | 1,622,368 |
| Taxes Receivable - Net | 1,894,236 | | 1,894,236 |
| Due from Other Governments | 3,907,243 | 1,969,208 | 5,876,451 |
| Due from Primary Government | | | |
| Due from Component Units | 9,939 | | 9,939 |
| Other Receivables - Net | 621,427 | 991,932 | 1,613,359 |
| Inventories | 709,435 | 593,443 | 1,302,878 |
| Prepaid Expenses | 19,251 | 25,693 | 44,944 |
| Restricted Cash | 30,564 | 6,013,995 | 6,044,559 |
| Restricted Investments | 336,881 | 1,557,146 | 1,894,027 |
| Restricted Accounts Receivable | 4,673,993 | 692,556 | 5,366,549 |
| Restricted Notes Receivable | | 197,806 | 197,806 |
| Restricted Other Assets | | | |
| Long-Term Receivables | | | |
| Non-Depreciable Capital Assets | 10,746,336 | 16,413,449 | 27,159,785 |
| Depreciable Capital Assets, Net of Accumulated Depreciation | 44,578,358 | 52,807,870 | 97,386,228 |
| Deferred Charges | 96,608 | 46,718 | 143,326 |
| TOTAL ASSETS | \$ 97,907,466 | \$ 83,840,300 | \$ 181,747,766 |
| LIABILITIES | | | |
| Accounts Payable and Accrued Expenses | \$ 1,892,007 | \$ 2,223,745 | \$ 4,115,752 |
| Internal Balances | (58,238) | 58,238 | 0 |
| Due to Component Units | 1,684,330 | | 1,684,330 |
| Due to Primary Government | | | |
| Due to Other Governments | 219,333 | 111,066 | 330,399 |
| Deferred Revenues | 5,833,895 | | 5,833,895 |
| Other Liabilities | 652,397 | | 652,397 |
| Long-Term Liabilities | | | |
| Due Within One Year | 828,828 | 3,283,236 | 4,112,064 |
| Due in More Than One Year | 10,688,560 | 27,613,038 | 38,301,598 |
| Total Liabilities | \$ 21,741,112 | \$ 33,289,323 | \$ 55,030,435 |
| NET ASSETS | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 52,162,668 | \$ 41,814,990 | \$ 93,977,658 |
| Restricted for: | | | |
| Debt Service | | 481,160 | 481,160 |
| Other | 1,160,957 | | 1,160,957 |
| Unrestricted | 22,842,729 | 8,254,827 | 31,097,556 |
| Total Net Assets | \$ 76,166,354 | \$ 50,550,977 | \$ 126,717,331 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 97,907,466 | \$ 83,840,300 | \$ 181,747,766 |

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

| Component Units | | |
|-----------------------|----------------------|---------------------|
| Board of Education | Community College | Public Library |
| \$ 6,659,568 | \$ 2,164,768 | \$ 221,383 |
| | 4,438,482 | 132,047 |
| 1,265,510 | 1,063,311 | |
| 990,775 | 693,555 | |
| 21,525 | 1,005,805 | 12,340 |
| 178,930 | 77,543 | |
| | 173,258 | |
| | 164,031 | |
| | 42,578 | |
| 1,605,347 | 8,945,226 | 33,556 |
| 33,248,247 | 5,567,194 | 1,631,910 |
| | 180,370 | |
| <u>\$ 43,969,902</u> | <u>\$ 24,516,121</u> | <u>\$ 2,031,236</u> |
| \$ 7,304,237 | \$ 900,880 | \$ 32,988 |
| | | 9,939 |
| 645,494 | 1,054,068 | |
| | 289,732 | |
| 59,527 | | |
| 741,311 | 7,224,175 | 24,472 |
| <u>\$ 8,750,569</u> | <u>\$ 9,468,855</u> | <u>\$ 67,399</u> |
| \$ 34,818,710 | \$ 10,562,030 | \$ 1,665,466 |
| 366,577 | 2,500,532 | 65,832 |
| 34,046 | 1,984,704 | 232,539 |
| <u>\$ 35,219,333</u> | <u>\$ 15,047,266</u> | <u>\$ 1,963,837</u> |
| <u>\$ 43,969,902</u> | <u>\$ 24,516,121</u> | <u>\$ 2,031,236</u> |

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Activities
Year Ended June 30, 2007

| <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 | \$ 5,649,421 | \$ 501,916 | \$ 2,352,297 | \$ |
| Public Safety | 7,282,939 | 749,544 | 828,585 | 343,383 |
| Public Works | 14,112,674 | 29,317 | 5,415,017 | 229,726 |
| Health and Hospital | 984,689 | | 594,585 | |
| Education | | | | |
| Board of Education | 20,024,329 | 148,800 | | 45,000 |
| Community College | 4,584,848 | | | |
| Culture | 18,000 | | | |
| Parks and Recreation | 946,261 | | 1,882,083 | |
| Library | 991,308 | | | |
| Conservation of Natural Resources | 365,746 | | | |
| Social Services | 265,750 | | | |
| Community Development and Housing | 67,556 | | 87,546 | |
| Economic Opportunity and Development | 5,634,465 | | 2,261,153 | 1,524,163 |
| Intergovernmental | 5,205 | | | |
| Miscellaneous | 367,953 | | | |
| Unallocated Depreciation | 423,037 | | | |
| Interest on Long-Term Debt | 512,768 | | | |
| Total Governmental Activities | <u>\$ 62,236,949</u> | <u>\$ 1,429,577</u> | <u>\$ 13,421,266</u> | <u>\$ 2,142,272</u> |
| Business-type activities | | | | |
| Airport Fund | \$ 363,504 | \$ 111,294 | \$ | \$ 5,102,566 |
| Solid Waste Fund | 2,075,694 | 1,202,214 | 10,500 | |
| Garrett County Sanitary District, Inc. | 7,320,670 | 4,211,567 | | |
| Total Business-Type Activities | <u>\$ 9,759,868</u> | <u>\$ 5,525,075</u> | <u>\$ 10,500</u> | <u>\$ 5,102,566</u> |
| Total Primary Government | <u>\$ 71,996,817</u> | <u>\$ 6,954,652</u> | <u>\$ 13,431,766</u> | <u>\$ 7,244,838</u> |
| Component Units | | | | |
| Board of Education | \$ 54,758,541 | \$ 1,164,033 | \$ 7,579,482 | \$ 1,650,876 |
| Community College | 12,658,760 | 2,808,911 | 1,915,308 | 3,026,279 |
| Public Library | 1,263,012 | 29,512 | 125,193 | 91,309 |
| Total Component Units | <u>\$ 68,680,313</u> | <u>\$ 4,002,456</u> | <u>\$ 9,619,983</u> | <u>\$ 4,768,464</u> |

General Revenues:

Taxes:

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

Total General Revenues, Special Item and Transfers

Change in Net Assets

Net Assets - Beginning of Year, as Restated

Net Assets - End of Year

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

Net (Expense) Revenue and Changes in Net Assets

| Primary Government | | | Component Units | | |
|-------------------------|--------------------------|------------------------|------------------------|-----------------------|-----------------------|
| Governmental Activities | Business-type Activities | Total | Board of Education | Community College | Public Library |
| \$ (2,795,208) | \$ | \$ (2,795,208) | \$ | \$ | \$ |
| (5,361,427) | | (5,361,427) | | | |
| (8,438,614) | | (8,438,614) | | | |
| (390,104) | | (390,104) | | | |
| (19,830,529) | | (19,830,529) | | | |
| (4,584,848) | | (4,584,848) | | | |
| (18,000) | | (18,000) | | | |
| 935,822 | | 935,822 | | | |
| (991,308) | | (991,308) | | | |
| (365,746) | | (365,746) | | | |
| (265,750) | | (265,750) | | | |
| 19,990 | | 19,990 | | | |
| (1,849,149) | | (1,849,149) | | | |
| (5,205) | | (5,205) | | | |
| (367,953) | | (367,953) | | | |
| (423,037) | | (423,037) | | | |
| (512,768) | | (512,768) | | | |
| <u>\$ (45,243,834)</u> | <u>\$</u> | <u>\$ (45,243,834)</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| \$ | \$ 4,850,356 | \$ 4,850,356 | \$ | \$ | \$ |
| | (862,980) | (862,980) | | | |
| | <u>(3,109,103)</u> | <u>(3,109,103)</u> | | | |
| \$ | \$ 878,273 | \$ 878,273 | \$ | \$ | \$ |
| <u>\$ (45,243,834)</u> | <u>\$ 878,273</u> | <u>\$ (44,365,561)</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| \$ | \$ | \$ | \$ (44,364,150) | \$ | \$ |
| | | | | (4,908,262) | |
| | | | | | (1,016,998) |
| <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$ (44,364,150)</u> | <u>\$ (4,908,262)</u> | <u>\$ (1,016,998)</u> |
| \$ 32,786,958 | \$ 1,605,874 | \$ 34,392,832 | \$ | \$ | \$ |
| 10,777,751 | | 10,777,751 | | | |
| 5,984,272 | | 5,984,272 | | | |
| 921,588 | | 921,588 | | | |
| 2,207,226 | 434,732 | 2,641,958 | 335,397 | 492,618 | 19,229 |
| | | | 19,309,902 | 3,628,203 | 900,000 |
| 3,059 | 2,527,853 | 2,530,912 | 23,569,356 | 4,446,613 | 211,703 |
| 740,028 | | 740,028 | | | |
| 107,405 | 26,837 | 134,242 | 231,137 | 4,042 | 3,351 |
| (174,477) | (28,209) | (202,686) | 18,040 | (59,885) | (11,449) |
| (1,130,636) | | (1,130,636) | | | |
| (1,155,909) | 1,155,909 | (0) | | | |
| <u>\$ 51,067,265</u> | <u>\$ 5,722,996</u> | <u>\$ 56,790,261</u> | <u>\$ 43,463,832</u> | <u>\$ 8,511,591</u> | <u>\$ 1,122,834</u> |
| \$ 5,823,431 | \$ 6,601,269 | \$ 12,424,700 | \$ (900,318) | \$ 3,603,329 | \$ 105,836 |
| 70,342,923 | 43,949,708 | 114,292,631 | 36,119,651 | 11,443,937 | 1,858,001 |
| <u>\$ 76,166,354</u> | <u>\$ 50,550,977</u> | <u>\$ 126,717,331</u> | <u>\$ 35,219,333</u> | <u>\$ 15,047,266</u> | <u>\$ 1,963,837</u> |

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

Balance Sheet
Governmental Funds
June 30, 2007

| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Debt Service Fund</u> | <u>Other Governmental Funds</u> | <u>Totals</u> |
|--|-------------------------|--------------------------------------|----------------------------------|---|----------------------|
| ASSETS: | | | | | |
| Cash and Cash Equivalents | \$ 28,660,827 | \$ | \$ | \$ | \$ 28,660,827 |
| Investments | 1,622,368 | | | | 1,622,368 |
| Taxes Receivable - Net | 1,894,236 | | | | 1,894,236 |
| Due from Other Governments | 3,691,000 | 216,244 | | | 3,907,244 |
| Due from Component Units | 9,939 | | | | 9,939 |
| Due from Other Funds | 881,618 | 1,144,692 | | 92,758 | 2,119,068 |
| Other Receivables - Net | 605,730 | | | 15,697 | 621,427 |
| Inventories | 434,653 | 274,781 | | | 709,434 |
| Prepaid Expenses | 19,251 | | | | 19,251 |
| Restricted Cash | 6,544 | | | 24,020 | 30,564 |
| Restricted Investments | 336,881 | | | | 336,881 |
| Restricted Accounts Receivable | | | 4,673,993 | | 4,673,993 |
| TOTAL ASSETS | <u>\$ 38,163,047</u> | <u>\$ 1,635,717</u> | <u>\$ 4,673,993</u> | <u>\$ 132,475</u> | <u>\$ 44,605,232</u> |
| LIABILITIES: | | | | | |
| Accounts Payable and Accrued Expenses | \$ 1,459,238 | \$ 360,936 | \$ | \$ 2,526 | \$ 1,822,700 |
| Due to Other Funds | 2,049,380 | | | 11,450 | 2,060,830 |
| Due to Component Units | 1,684,330 | | | | 1,684,330 |
| Due to Other Governments | 219,333 | | | | 219,333 |
| Deferred Revenues | 1,635,314 | 1,000,000 | 4,673,993 | | 7,309,307 |
| Other Liabilities | 652,397 | | | | 652,397 |
| Total Liabilities | <u>\$ 7,699,992</u> | <u>\$ 1,360,936</u> | <u>\$ 4,673,993</u> | <u>\$ 13,976</u> | <u>\$ 13,748,897</u> |
| FUND BALANCES: | | | | | |
| Reserved | \$ 767,677 | \$ 274,781 | \$ | \$ 118,499 | \$ 1,160,957 |
| Designated for Subsequent Year's Budget | 14,806,467 | | | | 14,806,467 |
| Designated for Capital Projects | 14,852,286 | | | | 14,852,286 |
| Unreserved - Undesignated | 36,625 | | | | 36,625 |
| Total Fund Balances | <u>\$ 30,463,055</u> | <u>\$ 274,781</u> | <u>\$ 0</u> | <u>\$ 118,499</u> | <u>\$ 30,856,335</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 38,163,047</u> | <u>\$ 1,635,717</u> | <u>\$ 4,673,993</u> | <u>\$ 132,475</u> | <u>\$ 44,605,232</u> |

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Assets
June 30, 2007

| | | |
|---|----|--------------------------|
| Total Fund Balances - Governmental Funds | \$ | 30,856,335 |
| <p>Amounts reported for governmental activities in the statement of net assets are different because:</p> | | |
| <p>Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. The cost of these assets is \$95,206,282, net of accumulated depreciation of \$39,881,588.</p> | | 55,324,694 |
| <p>Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end include the long-term portion of compensated absences.</p> | | (11,517,388) |
| <p>Bond issuance costs incurred are not financial resources, and therefore, are not reported in the funds. The cost of these assets is \$324,522, net of accumulated amortization of \$227,914.</p> | | 96,608 |
| <p>Interest on long term debt is not accrued in funds, but is recognized as an expenditure when due.</p> | | (69,307) |
| <p>County revenue that is collected after year-end and unavailable soon enough to pay for the current period's expenditures is reported as deferred revenue in the funds.</p> | | <u>1,475,412</u> |
| Total Net Assets - Governmental Activities | \$ | <u><u>76,166,354</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, 2007

| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Debt Service Fund</u> | <u>Other Governmental Funds</u> | <u>Totals</u> |
|--|-------------------------|--------------------------------------|----------------------------------|---|----------------------|
| REVENUES: | | | | | |
| Taxes | \$ 52,112,387 | \$ | \$ | \$ | \$ 52,112,387 |
| Licenses and Permits | 299,589 | | | | 299,589 |
| Intergovernmental | 13,116,538 | 395,280 | 406,319 | 79,344 | 13,997,481 |
| Fines and Forfeitures | 10,234 | | | 24,261 | 34,495 |
| Charges for Services | 493,454 | | | 69,060 | 562,514 |
| Investment Income | 1,937,881 | | 269,345 | | 2,207,226 |
| Rents and Concessions | 888,828 | | | | 888,828 |
| Contributions | 3,604 | | | | 3,604 |
| Miscellaneous | 266,861 | | | | 266,861 |
| Total Revenues | <u>\$ 69,129,376</u> | <u>\$ 395,280</u> | <u>\$ 675,664</u> | <u>\$ 172,665</u> | <u>\$ 70,372,985</u> |
| EXPENDITURES: | | | | | |
| General Government | \$ 5,504,240 | \$ | \$ | \$ 30,701 | \$ 5,534,941 |
| Public Safety | 6,851,770 | | | 76,959 | 6,928,729 |
| Public Works | 13,802,133 | | | | 13,802,133 |
| Health and Hospital | 965,898 | | | | 965,898 |
| Education | | | | | |
| Board of Education | 20,021,062 | | | | 20,021,062 |
| Community College | 4,584,848 | | | | 4,584,848 |
| Culture | 18,000 | | | | 18,000 |
| Parks and Recreation | 946,261 | | | | 946,261 |
| Library | 991,308 | | | | 991,308 |
| Conservation of Natural Resources | 365,746 | | | | 365,746 |
| Social Services | 265,750 | | | | 265,750 |
| Community Development and Housing | | | | 67,556 | 67,556 |
| Economic Opportunity and Development | 5,540,034 | | | | 5,540,034 |
| Capital Outlay | 973,153 | 1,433,561 | | | 2,406,714 |
| Debt Service | 731,441 | | 3,675,664 | | 4,407,105 |
| Intergovernmental | 5,205 | | | | 5,205 |
| Miscellaneous | 367,953 | | | | 367,953 |
| Total Expenditures | <u>\$ 61,934,802</u> | <u>\$ 1,433,561</u> | <u>\$ 3,675,664</u> | <u>\$ 175,216</u> | <u>\$ 67,219,243</u> |
| REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) SUBTOTAL | | | | | |
| | <u>\$ 7,194,574</u> | <u>\$ (1,038,281)</u> | <u>\$ (3,000,000)</u> | <u>\$ (2,551)</u> | <u>\$ 3,153,742</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, 2007

| | <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 | \$ 7,194,574 | \$ (1,038,281) | \$ (3,000,000) | \$ (2,551) | 3,153,742 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Bond Proceeds | | | 3,000,000 | | 3,000,000 |
| Sale of Capital Assets | 169,403 | | | 135 | 169,538 |
| Operating Transfers | | | | | |
| Capital Projects Fund | (1,039,883) | 1,039,883 | | | 0 |
| Special Revenue Fund | (14,342) | | | 14,342 | 0 |
| Airport Fund | (1,131,811) | | | | (1,131,811) |
| Sanitary District | (24,098) | | | | (24,098) |
| REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES EXPENDITURES & OTHER USES | \$ 5,153,843 | \$ 1,602 | \$ 0 | \$ 11,926 | \$ 5,167,371 |
| SPECIAL ITEM | (1,130,636) | | | | (1,130,636) |
| REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES & SPECIAL ITEM | \$ 4,023,207 | \$ 1,602 | \$ 0 | \$ 11,926 | \$ 4,036,735 |
| Fund Balances, Beginning of Year, As Previously Reported | \$ 26,388,848 | \$ 0 | \$ 0 | \$ 106,573 | \$ 26,495,421 |
| Prior Period Adjustment | | 273,179 | | | 273,179 |
| Fund Balances, Beginning of Year, As Restated | \$ 26,388,848 | \$ 273,179 | \$ 0 | \$ 106,573 | \$ 26,768,600 |
| Other Increases - Reserves | 51,000 | | | | 51,000 |
| FUND BALANCES, End of Year | <u>\$ 30,463,055</u> | <u>\$ 274,781</u> | <u>\$ 0</u> | <u>\$ 118,499</u> | <u>\$ 30,856,335</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, 2007

| | | |
|--|----|-----------|
| Change in Fund Balances - Governmental Funds | \$ | 4,087,735 |
|--|----|-----------|

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

| | | |
|---|--|-------------|
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$6,569,586 exceeded depreciation expense of \$5,230,094 in the current year. | | 1,339,492 |
| 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. | | (344,014) |
| Proceeds from bonds are reported as other financing sources in the governmental funds, but the issuance of debt increases long-term liabilities in the statement of net assets. | | (3,000,000) |
| Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. | | 3,878,836 |
| 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. | | (227,475) |
| 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. | | (24,060) |
| Interest on long term debt is not accrued in funds, but is recognized as an expenditure when due in the statement of activities. | | 15,505 |
| Revenues that do not provide current financial resources are reported as deferred revenue in the funds. The amount of the change in deferred revenue is not reported in the statement of activities. | | 97,412 |

| | | |
|--|----|------------------|
| Change in Net Assets - Governmental Activities | \$ | <u>5,823,431</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, 2007

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Over (Under) Budget</u> |
|--|----------------------------|-------------------------|-----------------------|------------------------------------|
| REVENUES: | | | | |
| Taxes | \$ 50,323,153 | \$ 49,913,340 | \$ 52,209,799 | \$ 2,296,459 |
| Licenses and Permits | 255,437 | 271,837 | 299,589 | 27,752 |
| Intergovernmental | 11,402,166 | 14,276,715 | 13,116,538 | (1,160,177) |
| Fines and Forfeitures | 7,000 | 7,050 | 10,234 | 3,184 |
| Charges for Services | 521,500 | 461,900 | 493,454 | 31,554 |
| Investment Income | 660,000 | 1,761,700 | 1,937,881 | 176,181 |
| Rents and Concessions | 721,169 | 733,536 | 740,028 | 6,492 |
| Contributions | 26,500 | 3,300 | 3,604 | 304 |
| Miscellaneous | 19,000 | 45,500 | 266,861 | 221,361 |
| Total Revenues | <u>\$ 63,935,925</u> | <u>\$ 67,474,878</u> | <u>\$ 69,077,988</u> | <u>\$ 1,603,110</u> |
| EXPENDITURES: | | | | |
| General Government | \$ 6,103,400 | \$ 6,086,627 | \$ 5,504,240 | \$ (582,387) |
| Public Safety | 7,222,727 | 7,127,869 | 6,851,770 | (276,099) |
| Public Works | 14,025,574 | 14,093,574 | 13,802,133 | (291,441) |
| Health and Hospital | 959,898 | 965,898 | 965,898 | 0 |
| Social Services | 265,750 | 265,750 | 265,750 | 0 |
| Education | 27,559,761 | 29,806,579 | 24,457,110 | (5,349,469) |
| Culture | 18,000 | 18,000 | 18,000 | 0 |
| Parks and Recreation | 24,000 | 774,000 | 946,261 | 172,261 |
| Library | 1,001,175 | 1,001,175 | 991,308 | (9,867) |
| Conservation of Natural Resources | 255,401 | 255,401 | 365,746 | 110,345 |
| Economic Development and Opportunity | 3,009,717 | 10,133,948 | 6,670,670 | (3,463,278) |
| Capital Outlay | 1,886,422 | 1,855,684 | 973,153 | (882,531) |
| Debt Service | 549,184 | 731,450 | 731,441 | (9) |
| Intergovernmental | 5,205 | 5,205 | 5,205 | 0 |
| Miscellaneous | 720,500 | 835,903 | 367,953 | (467,950) |
| Total Expenditures | <u>\$ 63,606,714</u> | <u>\$ 73,957,063</u> | <u>\$ 62,916,638</u> | <u>\$ (11,040,425)</u> |
| REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) | <u>\$ 329,211</u> | <u>\$ (6,482,185)</u> | <u>\$ 6,161,350</u> | <u>\$ 12,643,535</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Sale of Capital Assets | \$ 20,000 | \$ 60,700 | \$ 169,403 | \$ 108,703 |
| Operating Transfers | | | | |
| Capital Projects Fund | (1,880,646) | (9,868,372) | (1,039,883) | (8,828,489) |
| Special Revenue Fund | | | (14,342) | 14,342 |
| Airport Fund | (1,305,134) | (1,305,134) | (1,131,811) | (173,323) |
| Sanitary District | | | (24,098) | 24,098 |
| Total Other Financing Sources (Uses) | <u>\$ (3,165,780)</u> | <u>\$ (11,112,806)</u> | <u>\$ (2,040,731)</u> | <u>\$ 9,072,075</u> |
| REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | <u>\$ (2,836,569)</u> | <u>\$ (17,594,991)</u> | <u>\$ 4,120,619</u> | <u>\$ 21,715,610</u> |
| Fund Balance, Beginning of Year | 26,388,848 | 26,388,848 | 26,388,848 | |
| Other Increases (Decreases) - Reserves | <u>0</u> | <u>0</u> | <u>51,000</u> | |
| FUND BALANCE, End of Year, Budgetary Basis | <u>\$ 23,552,279</u> | <u>\$ 8,793,857</u> | <u>\$ 30,560,467</u> | |

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

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

Statement of Net Assets
Proprietary Funds
June 30, 2007

| | <u>Airport Fund</u> | <u>Solid Waste Fund</u> | <u>Garrett County Sanitary District, Inc.</u> | <u>Total</u> |
|--|-------------------------|---------------------------------|---|----------------------|
| ASSETS: | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | \$ 100 | \$ 302,578 | \$ 2,227,806 | \$ 2,530,484 |
| Due from Other Governments | 1,958,708 | 10,500 | | 1,969,208 |
| Due from Primary Government | | 809,562 | 2,368 | 811,930 |
| Other Receivables - Net | 3,090 | 176,246 | 812,596 | 991,932 |
| Inventories | 27,325 | | 566,118 | 593,443 |
| Prepaid Expense | 24,638 | 160 | 895 | 25,693 |
| Total Current Assets | <u>\$ 2,013,861</u> | <u>\$ 1,299,046</u> | <u>\$ 3,609,783</u> | <u>\$ 6,922,690</u> |
| Noncurrent Restricted Assets: | | | | |
| Restricted Cash | \$ | \$ 2,058,955 | \$ 3,955,040 | \$ 6,013,995 |
| Restricted Investments | | | 1,557,146 | 1,557,146 |
| Restricted Other Receivables | | | 692,556 | 692,556 |
| Restricted Notes Receivable | | | 197,806 | 197,806 |
| Total Noncurrent Restricted Assets | <u>\$</u> | <u>\$ 2,058,955</u> | <u>\$ 6,402,548</u> | <u>\$ 8,461,503</u> |
| Capital and Other Assets: | | | | |
| Non-Depreciable Capital Assets | \$ 10,975,116 | \$ 2,990,418 | \$ 2,447,915 | \$ 16,413,449 |
| Depreciable Capital Assets, Net of Accumulated Depreciation | 980,334 | 1,808,009 | 50,019,527 | 52,807,870 |
| Bond Discount, Net of Amortization | | 10,368 | | 10,368 |
| Loan Issuance Costs, Net of Amortization | | 36,350 | | 36,350 |
| Total Capital and Other Assets | <u>\$ 11,955,450</u> | <u>\$ 4,845,145</u> | <u>\$ 52,467,442</u> | <u>\$ 69,268,037</u> |
| TOTAL ASSETS | <u>\$ 13,969,311</u> | <u>\$ 8,203,146</u> | <u>\$ 62,479,773</u> | <u>\$ 84,652,230</u> |

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

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

Statement of Net Assets

Proprietary Funds

June 30, 2007

| | Airport Fund | Solid Waste Fund | Garrett County Sanitary District, Inc. | Total |
|--|-------------------------|---------------------------------|---|----------------------|
| LIABILITIES: | | | | |
| Current Liabilities: | | | | |
| Accounts Payable and Accrued Expenses | \$ 1,339,706 | \$ 277,138 | \$ 606,901 | \$ 2,223,745 |
| Bonds and Loans Payable - Current Portion | | 443,693 | 2,382,413 | 2,826,106 |
| Closure/Postclosure Liabilities - Current Portion | | 457,130 | | 457,130 |
| Due to Other Governments | | | 111,066 | 111,066 |
| Due to Primary Government | 669,100 | | 201,068 | 870,168 |
| Total Current Liabilities | \$ 2,008,806 | \$ 1,177,961 | \$ 3,301,448 | \$ 6,488,215 |
| Noncurrent Liabilities: | | | | |
| Bonds and Loans Payable | \$ | \$ 3,558,996 | \$ 21,529,933 | \$ 25,088,929 |
| Compensated Absences | 5,055 | 92,038 | 117,697 | 214,790 |
| Closure/Postclosure Liabilities | | 2,309,319 | | 2,309,319 |
| Total Noncurrent Liabilities | \$ 5,055 | \$ 5,960,353 | \$ 21,647,630 | \$ 27,613,038 |
| TOTAL LIABILITIES | \$ 2,013,861 | \$ 7,138,314 | \$ 24,949,078 | \$ 34,101,253 |
| NET ASSETS (DEFICIT) | | | | |
| Investment in Capital Assets, Net of Related Debt | \$ 11,955,450 | \$ 1,304,444 | \$ 28,555,096 | \$ 41,814,990 |
| Restricted Net Assets | | | | |
| Debt Service | | 481,160 | | 481,160 |
| Unrestricted Net Assets (Deficit) | | (720,772) | 8,975,599 | 8,254,827 |
| Total Net Assets | \$ 11,955,450 | \$ 1,064,832 | \$ 37,530,695 | \$ 50,550,977 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 13,969,311 | \$ 8,203,146 | \$ 62,479,773 | \$ 84,652,230 |

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2007

| | <u>Airport Fund</u> | <u>Solid Waste Fund</u> | <u>Garrett County Sanitary District, Inc.</u> | <u>Total</u> |
|--|-------------------------|---------------------------------|---|-----------------------|
| OPERATING REVENUES: | | | | |
| Charges for Services | \$ 109,564 | \$ 1,202,214 | \$ 2,995,365 | \$ 4,307,143 |
| Other | 1,730 | 26,837 | 1,216,202 | 1,244,769 |
| Total Operating Revenues | <u>\$ 111,294</u> | <u>\$ 1,229,051</u> | <u>\$ 4,211,567</u> | <u>\$ 5,551,912</u> |
| OPERATING EXPENSES: | | | | |
| Salaries | \$ 72,996 | \$ 607,381 | \$ 912,766 | \$ 1,593,143 |
| Fringe Benefits | 18,893 | 225,679 | 416,211 | 660,783 |
| Maintenance and Repairs | 497 | 69,763 | 303,440 | 373,700 |
| Contracted Services | 2,225 | 164,557 | 51,263 | 218,045 |
| Supplies | 81,404 | 78,616 | 1,194,773 | 1,354,793 |
| Utilities | 10,370 | 21,916 | 545,723 | 578,009 |
| Transportation | 6,135 | | 98,318 | 104,453 |
| Insurance | 6,266 | 24,384 | | 30,650 |
| Lab Tests | | | 40,944 | 40,944 |
| Direct Administration - Plant | | | 120,763 | 120,763 |
| Depreciation Expense | 156,374 | 399,513 | 2,522,051 | 3,077,938 |
| Amortization - Closure/Post Closure Costs | | 150,931 | | 150,931 |
| Amortization - Other | | 14,097 | | 14,097 |
| Indirect Administration | | 34,595 | 844,334 | 878,929 |
| Bad Debt Expense | | | 5,349 | 5,349 |
| Other | 8,344 | 78,668 | | 87,012 |
| Total Operating Expenses | <u>\$ 363,504</u> | <u>\$ 1,870,100</u> | <u>\$ 7,055,935</u> | <u>\$ 9,289,539</u> |
| NET OPERATING LOSS | <u>\$ (252,210)</u> | <u>\$ (641,049)</u> | <u>\$ (2,844,368)</u> | <u>\$ (3,737,627)</u> |
| NON-OPERATING REVENUES (EXPENSES): | | | | |
| Tap Fees - Capital Revenue | \$ | \$ | \$ 2,527,853 | \$ 2,527,853 |
| Intergovernmental | | 10,500 | | 10,500 |
| Interest Income | 170 | 102,882 | 331,680 | 434,732 |
| Ad Valorem Tax | | 1,372,838 | 233,036 | 1,605,874 |
| Sale of Assets | | (40,308) | 12,099 | (28,209) |
| Interest Expense | | (198,844) | (264,735) | (463,579) |
| Asset Management Fees | | (6,750) | | (6,750) |
| Net Other Revenues | <u>\$ 170</u> | <u>\$ 1,240,318</u> | <u>\$ 2,839,933</u> | <u>\$ 4,080,421</u> |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS/ TRANSFERS | <u>\$ (252,040)</u> | <u>\$ 599,269</u> | <u>\$ (4,435)</u> | <u>\$ 342,794</u> |

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2007

| | <u>Airport Fund</u> | <u>Solid Waste Fund</u> | <u>Garrett County Sanitary District, Inc.</u> | <u>Total</u> |
|---|-----------------------------|---------------------------------|---|-----------------------------|
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS/TRANSFERS | | | | |
| Balances Brought Forward | \$ (252,040) | \$ 599,269 | \$ (4,435) | \$ 342,794 |
| CAPITAL CONTRIBUTIONS/ TRANSFERS | | | | |
| Capital Contributions | | | | |
| Federal | 4,794,605 | | | 4,794,605 |
| State | 307,961 | | | 307,961 |
| Transfers from Primary Government | 1,131,811 | | 24,098 | 1,155,909 |
| NET INCREASE IN NET ASSETS | <u>\$ 5,982,337</u> | <u>\$ 599,269</u> | <u>\$ 19,663</u> | <u>\$ 6,601,269</u> |
| NET ASSETS - BEGINNING OF YEAR, AS PREVIOUSLY REPORTED | \$ 5,973,113 | \$ 397,714 | \$ 37,485,387 | \$ 43,856,214 |
| Prior Period Adjustment | | 67,849 | 25,645 | 93,494 |
| NET ASSETS - BEGINNING OF YEAR, AS RESTATED | <u>\$ 5,973,113</u> | <u>\$ 465,563</u> | <u>\$ 37,511,032</u> | <u>\$ 43,949,708</u> |
| NET ASSETS - END OF YEAR | <u><u>\$ 11,955,450</u></u> | <u><u>\$ 1,064,832</u></u> | <u><u>\$ 37,530,695</u></u> | <u><u>\$ 50,550,977</u></u> |

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

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

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2007

| | Airport Fund | Solid Waste Fund | Garrett County Sanitary District, Inc. | Total |
|--|-----------------------|------------------------|---|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash Received from Customers | \$ 114,267 | \$ 1,218,635 | \$ 4,206,293 | \$ 5,539,195 |
| Cash Paid to Suppliers | 1,124,962 | (495,272) | (3,990,185) | (3,360,495) |
| Cash Paid to Employees and for Employee Benefits | (89,550) | (819,589) | (1,303,528) | (2,212,667) |
| Net Cash Provided By/(Used In) Operating Activities | \$ 1,149,679 | \$ (96,226) | \$ (1,087,420) | \$ (33,967) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | | | |
| Transfer From Primary Government | \$ 1,131,810 | \$ | \$ 24,098 | \$ 1,155,908 |
| (Increase)/Decrease in Amounts Due to Garrett County Commissioners | (8,903) | 208,690 | 192,839 | 392,626 |
| Net Cash Provided By Non-Capital Financing Activities | \$ 1,122,907 | \$ 208,690 | \$ 216,937 | \$ 1,548,534 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Proceeds from Long-Term Debt | \$ | \$ | \$ 15,600,000 | \$ 15,600,000 |
| Capital Contributions | 3,841,666 | | | 3,841,666 |
| Increase In Restricted Notes Receivable | | | (137,511) | (137,511) |
| Mortgage Note Collections | | | 18,047 | 18,047 |
| Proceeds from Tap Fees | | | 2,527,853 | 2,527,853 |
| Ad Valorem Taxes and Other Assessments Collected | | 1,351,554 | 234,140 | 1,585,694 |
| Payment of Expenses Related to Landfill Closure | | (24,354) | | (24,354) |
| Acquisition and Construction of Capital Assets | (6,114,548) | (1,128,872) | (4,542,514) | (11,785,934) |
| Principal Paid on Long-Term Debt | | (420,530) | (15,717,978) | (16,138,508) |
| Interest Paid on Long-Term Debt | | (207,113) | (362,758) | (569,871) |
| Proceeds from Disposition of Capital Assets | | | 12,110 | 12,110 |
| Net Cash (Used In) Capital and Related Financing Activities | \$ (2,272,882) | \$ (429,315) | \$ (2,368,611) | \$ (5,070,808) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Interest Income | \$ 170 | \$ 102,882 | \$ 331,680 | \$ 434,732 |
| Asset Management Fees | | (6,750) | | (6,750) |
| Redemption of Certificates of Deposit, Net | | | 3,673,888 | 3,673,888 |
| Net Cash Provided By Investing Activities | \$ 170 | \$ 96,132 | \$ 4,005,568 | \$ 4,101,870 |
| INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | | | |
| | \$ (126) | \$ (220,719) | \$ 766,474 | \$ 545,629 |
| Cash and Cash Equivalents, Beginning of Year | 226 | 2,582,252 | 5,416,372 | 7,998,850 |
| CASH AND CASH EQUIVALENTS, End of Year | \$ 100 | \$ 2,361,533 | \$ 6,182,846 | \$ 8,544,479 |

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended June 30, 2007

| | <u>Airport Fund</u> | <u>Solid Waste Fund</u> | <u>Garrett County Sanitary District, Inc.</u> | <u>Total</u> |
|--|-------------------------|---------------------------------|---|-----------------|
| Reconciliation of Operating Loss to Net | | | | |
| Cash Provided By/(Used In) Operating Activities: | | | | |
| Operating Loss | \$ (252,210) | \$ (641,049) | (2,844,368) | \$ (3,737,627) |
| Adjustments to Reconcile Operating Loss to Net | | | | |
| Cash Provided By (Used In) Operating Activities: | | | | |
| Depreciation and Amortization | 156,374 | 564,541 | 2,533,814 | 3,254,729 |
| Changes in Current Assets and Liabilities: | | | | |
| (Increase) Decrease in Accounts Receivable | 2,973 | (10,416) | (5,274) | (12,717) |
| (Increase) in Inventories | (8,626) | | (28,460) | (37,086) |
| (Increase) Decrease in Prepaid Expenses | (24,638) | 12,604 | 13,249 | 1,215 |
| Increase (Decrease) in Accounts Payable | 1,273,863 | (35,709) | (850,989) | 387,165 |
| Increase in Due to Other Governments | | | 71,217 | 71,217 |
| Increase in Compensated Absences | 1,943 | 13,803 | 23,391 | 39,137 |
| | <u>1,149,679</u> | <u>(96,226)</u> | <u>(1,087,420)</u> | <u>(33,967)</u> |
| Net Cash Provided By/(Used In) Operating Activities | \$ | \$ | \$ | \$ |

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

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

Statement of Net Assets

Fiduciary Funds

June 30, 2007

| | <u>Retirement Plan Trust Funds</u> |
|---|--|
| ASSETS: | |
| Cash and Cash Equivalents | \$ <u>101,461</u> |
| Investments: | |
| Certificates of Deposit | \$ 125,000 |
| Fixed Income Securities | 2,869,660 |
| Mutual Funds | 4,717,535 |
| Equity Securities | 2,622,657 |
| Total Investments | \$ <u>10,334,852</u> |
| Interest Receivable | \$ <u>37,942</u> |
| TOTAL ASSETS | \$ 10,474,255 |
| LIABILITIES | <u>0</u> |
| NET ASSETS: | |
| Held in Trust for Benefits and Other Purposes | \$ <u><u>10,474,255</u></u> |

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Changes in Net Assets
Fiduciary Funds
For the Year Ended June 30, 2007

| | <u>Retirement Plan Trust Funds</u> |
|---|--|
| ADDITIONS | |
| Contributions: | |
| Employer | \$ 1,081,821 |
| Plan Members | 274,628 |
| Total Contributions | <u>\$ 1,356,449</u> |
| Investment Earnings: | |
| Net Increase in Fair Value of Investments | \$ 871,542 |
| Realized Gains on Investments | 154,489 |
| Interest and Dividends | 291,702 |
| Investment Activity Expense | <u>(58,284)</u> |
| Total Net Investment Earnings | <u>\$ 1,259,449</u> |
| Total Additions | <u>\$ 2,615,898</u> |
| DEDUCTIONS | |
| Benefits | \$ 43,761 |
| Administrative | <u>18,816</u> |
| Total Deductions | <u>\$ 62,577</u> |
| Change In Net Assets | \$ 2,553,321 |
| Net Assets - Beginning of Year | <u>7,920,934</u> |
| Net Assets - End of Year | <u>\$ 10,474,255</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, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

**Notes to Financial Statements
June 30, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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

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

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

| | | |
|-------------------------------|-------------------|-----------------------|
| Garrett County Public Schools | 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 \$90,340 which was transferred by the Liquor Control Board to the County in accordance with the Alcoholic Beverage Laws applicable to Garrett County. This amount represents approximately 80% of the Liquor Control Board's gross revenues for the fiscal year ended June 30, 2006. Total assets of the Liquor Control Board as of June 30, 2007 are \$80,516.

B. Government-Wide and Fund Financial Statements

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

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

**Notes to Financial Statements
June 30, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

**Notes to Financial Statements
June 30, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The County reports the following major governmental funds:

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

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

The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, general obligation debt principal and interest on the Garrett County Memorial Hospital Refunding Bonds of 1997 and the Garrett County Memorial Hospital Bonds, Series 2002, 2003, 2004 & 2007. The proceeds were loaned to Garrett County Memorial Hospital for the purpose of capital improvements made to the hospital.

The County reports the following major proprietary funds:

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

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

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

Additionally, the County reports the following additional fund types:

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

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

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

**Notes to Financial Statements
June 30, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

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

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

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

**Notes to Financial Statements
June 30, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

Restricted Assets – The governmental activities column of the government-wide and governmental funds financial statements include restricted cash and investments of \$343,425 of which \$336,881 represents unspent bond proceeds from the Garrett County Memorial Hospital Bonds, Series 2002 and 2003, that the County had not disbursed to the hospital under the terms of related loan agreements as of June 30, 2007. The County also reports special revenue funds' cash balances of \$24,020 as restricted cash.

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

**Notes to Financial Statements
June 30, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Restricted receivables of \$4,673,993 reflect amounts owed by Garrett County Memorial Hospital to the County under prior loan agreements related to the Garrett County Memorial Hospital Refunding Bond of 1997 as well as receivable amounts related to the 2004 and 2007 Hospital Refinancing Bonds.

Restricted assets reported in the business-type activities column of the government-wide and proprietary fund financial statements consist of restricted cash of the Solid Waste Fund, including, \$1,067,997 restricted for closure and post-closure activities; \$11,460 of unexpended bond proceeds restricted for future construction; and \$979,498 restricted for debt service payments.

Restricted assets attributable to the Garrett County Sanitary District, Inc. of \$6,402,548 represents cash, investments 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 \$685,998 were capitalized as part of the cost of capital assets under construction in connection with wastewater treatment facilities projects.

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

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

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

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

**Notes to Financial Statements
June 30, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

**Notes to Financial Statements
June 30, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

E. Use of Estimates

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

F. Budgets and Budgetary Accounting

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

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

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

**Notes to Financial Statements
June 30, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgets and Budgetary Accounting (Continued)

The annual budget is adopted on a basis consistent with generally accepted accounting principles (GAAP) except that real property taxes are budgeted as estimated revenues when levied. All budgetary comparisons presented in this report are on this non-GAAP budgetary basis. The budgeted amounts are reported as originally adopted on June 6, 2006, 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, 2007 to the statement of net assets:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Primary Government</u> | <u>Fiduciary Funds</u> |
|---------------------------|------------------------------------|-------------------------------------|-------------------------------|----------------------------|
| Cash and Cash Equivalents | \$ 28,660,827 | \$ 2,530,484 | \$ 31,191,311 | \$ |
| Restricted Cash | 30,564 | 6,013,995 | 6,044,559 | 101,461 |
| Investments | 1,622,368 | | 1,622,368 | |
| Restricted Investments | 336,881 | 1,557,146 | 1,894,027 | 10,334,852 |
| Total | <u>\$ 30,650,640</u> | <u>\$ 10,101,625</u> | <u>\$ 40,752,265</u> | <u>\$10,436,313</u> |

Deposit and Investment Summary

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Primary Government</u> | <u>Fiduciary Funds</u> |
|-----------------------------|------------------------------------|-------------------------------------|-------------------------------|----------------------------|
| Deposits | \$ 26,679,646 | \$ 1,451,085 | \$ 28,130,731 | \$ 101,461 |
| Repurchase Agreements | 2,010,370 | 6,055,852 | 8,066,222 | |
| Certificates of Deposit | 336,881 | 1,602,980 | 1,939,861 | 125,000 |
| U.S. Government Obligations | 1,622,368 | | 1,622,368 | 2,394,518 |
| Fixed Income Securities | | | | 475,142 |
| Equity Securities | | | | 2,622,657 |
| Money Market Mutual Funds | | 990,958 | 990,958 | 4,717,535 |
| Cash on Hand | 1,375 | 750 | 2,125 | |
| Total | <u>\$ 30,650,640</u> | <u>\$ 10,101,625</u> | <u>\$ 40,752,265</u> | <u>\$10,436,313</u> |

Deposits

At year end, the carrying amount of the primary government's deposits including certificates of deposit was \$30,070,592 and the bank balance of collected funds was \$30,098,351. Of the bank balance \$581,995 was insured by the Federal Deposit Insurance Corporation (FDIC), \$1,804,348 was collateralized by securities held by the pledging banks' custodians as agent for the County, and \$27,712,008 was collateralized by securities held by the pledging banks' custodians as agent for the bank.

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

**Notes to Financial Statements
June 30, 2007**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Deposits (Continued)

With respect to the securities held by the pledging banks' custodians as agent for the bank, the custodians' records indicate the County's security interest.

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, 2007 was \$32,068,884.

The Law Enforcement Employee and Government Personnel Retirement Plans (Fiduciary Funds) deposits including certificates of deposits of \$226,461 were all fully insured by the FDIC at year end.

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 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 a third party custodian for the account of the County, but not in the County's name. At June 30, 2007, the County held repurchase agreements of \$8,066,222 at various interest rates collateralized by U.S. government agency securities with a market value of \$8,227,546.

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.

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

**Notes to Financial Statements
June 30, 2007**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investments (Continued)

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. Fiduciary Fund investments include debt securities with interest rate risk specifically identified as follows with respect to maturity dates:

| <u>Maturity Date</u> | <u>Interest Rates</u> | <u>Market Value</u> <u>6/30/07</u> |
|-----------------------|-----------------------|---------------------------------------|
| 2007 | 5.00% | \$ 9,975 |
| 2008 | 4.85 – 7.00% | 19,576 |
| 2009 | 5.38 – 6.00% | 30,027 |
| 2011 | 5.00 – 7.00% | 49,981 |
| 2013 | 4.00 – 5.80% | 19,362 |
| 2017 | 5.50 – 6.00% | 146,881 |
| 2018 | 4.00% | 47,057 |
| 2020 | 6.00 – 6.30% | 67,503 |
| 2022 | 5.95% | <u>84,780</u> |
| Total Market Value | | <u>\$ 475,142</u> |

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> | |
| ▪ Government Dealers (Repurchase Agreements) | 50% |
| ▪ Commercial Banks (Certificates of Deposits) | 30% |
| ▪ Money Market Treasury Funds | 40% |
| ▪ Banker's Acceptances by Institution | 25% |

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

**Notes to Financial Statements
June 30, 2007**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investments (Continued)

As of June 30, 2007, the Primary Government had no investment instruments with credit quality ratings requiring disclosure. The investments of the Fiduciary Funds included debt securities having the following ratings as of June 30, 2007:

| <u>Security Ratings</u> | <u>Market Value</u> <u>6/30/07</u> |
|-------------------------|---------------------------------------|
| ▪ B1 | \$ 9,841 |
| ▪ AAA | 97,580 |
| ▪ AA3 | 164,500 |
| ▪ A1 | 19,185 |
| ▪ AA1 | 10,218 |
| ▪ A2 | 114,984 |
| ▪ A3 | 38,909 |
| ▪ BA2 | 10,190 |
| ▪ BA1 | <u>9,735</u> |
| | <u>\$ 475,142</u> |

NOTE 3 - DEBT SERVICE FUND

The County issued Hospital Refunding Bonds of 1997. According to the terms of the bonds, the County entered into an agreement with Garrett County Memorial Hospital under which the Hospital will make payments to the County sufficient to provide for the payment of principal and interest on the bonds when due. The total obligation of the 1997 Bonds at an average interest rate of 4.97% consist of \$4,275,000 principal and \$1,786,410 interest payable from 1998 through 2010. The outstanding balance due the County at June 30, 2007 is \$1,290,000.

In addition, the County issued Garrett County Memorial Hospital Bonds, Series 2002, 2003 2004 and 2007 in the amounts of \$6,600,000, \$1,684,862, \$1,400,000 and \$3,000,000 respectively. \$3,491,509 of the proceeds were applied to the outstanding balance of existing indebtedness originally incurred for hospital renovations. The remaining proceeds are being issued to the Hospital for construction of emergency department renovations, and expansion of the admissions and same day surgery departments. 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.

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

**Notes to Financial Statements
June 30, 2007**

NOTE 3 - DEBT SERVICE FUND (Continued)

Terms of the Series 2007 \$3,000,000 loan include monthly payments of \$14,550 including interest at the rate of 4.125% (fixed rate for 30 years) and having a maturity date of June 28, 2037.

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

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

| <u>Years Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------|---------------------|---------------------|---------------------|
| 2008 | \$ 518,012 | \$ 240,850 | \$ 758,862 |
| 2009 | 532,321 | 215,790 | 748,111 |
| 2010 | 561,811 | 189,626 | 751,437 |
| 2011 | 116,488 | 161,548 | 278,036 |
| 2012 | 121,361 | 156,675 | 278,036 |
| 2013-2037 | <u>3,720,806</u> | <u>1,929,688</u> | <u>5,650,494</u> |
| Total | <u>\$ 5,570,799</u> | <u>\$ 2,894,177</u> | <u>\$ 8,464,976</u> |

NOTE 4 – INTERNAL AND INTERFUND BALANCES AND ACTIVITY

Interfund transfers between the General Fund and the Airport Fund of \$1,131,811 consisted of \$50,755 for operating subsidy and \$1,081,056 local match for the runway extension project. Interfund transfers between the General Fund and the Sanitary District of \$24,098 represented the remaining cost of bringing public water to the property line of Northern High School.

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 \$1,248,900 within the government-wide financial statements.

Interfund receivables and payables between the primary government and its component units for the year ended June 30, 2007, consisted of \$990,775 due to the Board of Education and \$693,555 due to Garrett College and \$9,939 due from Ruth Enlow Library.

Interfund receivables and payables within the primary government at June 30, 2007 are as follows:

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

**Notes to Financial Statements
June 30, 2007**

NOTE 4 – INTERNAL AND INTERFUND BALANCES AND ACTIVITY (Continued)

| | <u>Due From</u> | <u>Due To</u> |
|------------------------------------|---------------------|---------------------|
| General Fund: | | |
| Capital Projects Fund | \$ | \$ 1,144,692 |
| Special Revenue Funds: | | |
| SALT Program | | 698 |
| EMS Program | 11,450 | |
| DARE Program | | 111 |
| Commissary | | 65,732 |
| Law Library | | 26,217 |
| Proprietary Funds: | | |
| Airport Fund | 669,100 | |
| Sanitary District | 201,068 | 2,368 |
| Solid Waste Fund | | 809,562 |
| Total General Fund | <u>\$ 881,618</u> | <u>\$ 2,049,380</u> |
| Capital Projects Fund: | | |
| General Fund | <u>\$ 1,144,692</u> | <u>\$ 0</u> |
| Special Revenue Funds: | | |
| General Fund: | | |
| SALT Program | \$ 698 | \$ |
| EMS Program | | 11,450 |
| DARE Program | 111 | |
| Commissary | 65,732 | |
| Law Library | 26,217 | |
| Total Special Revenue Funds | <u>\$ 92,758</u> | <u>\$ 11,450</u> |
| Total Governmental Funds | <u>\$ 2,119,068</u> | <u>\$ 2,060,830</u> |
| Proprietary Funds: | | |
| General Fund - Airport | \$ | \$ 669,100 |
| General Fund - Solid Waste | 809,562 | |
| General Fund - Sanitary District | 2,368 | 201,068 |
| Total Proprietary Funds | <u>\$ 811,930</u> | <u>\$ 870,168</u> |
| Total Primary Government | <u>\$ 2,930,998</u> | <u>\$ 2,930,998</u> |

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

**Notes to Financial Statements
June 30, 2007**

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the Primary Government for the fiscal year ended June 30, 2007 was as follows:

| | Balance June 30, 2006 | Additions | Transfers and Retirements | Balance June 30, 2007 |
|--|--------------------------|-----------------------|------------------------------|--------------------------|
| <u>Governmental activities</u> | | | | |
| Capital assets, not depreciated | | | | |
| Land and easements | \$ 5,786,933 | \$ 15,000 | \$ 1,525,754 | \$ 7,327,687 |
| Construction in progress | <u>3,179,065</u> | <u>1,676,980</u> | <u>(1,437,396)</u> | <u>3,418,649</u> |
| Total capital assets, not depreciated | <u>\$ 8,965,998</u> | <u>\$ 1,691,980</u> | <u>\$ 88,358</u> | <u>\$ 10,746,336</u> |
| Capital assets, being depreciated | | | | |
| Land improvements | \$ 1,784,988 | \$ | \$ (1,616,775) | \$ 168,213 |
| Buildings | 19,589,385 | 42,454 | | 19,631,839 |
| Machinery & equipment | 605,101 | 177,455 | | 782,556 |
| Vehicles | 11,101,620 | 170,376 | (280,646) | 10,991,350 |
| Furniture & equipment | 1,161,909 | 337,092 | | 1,499,001 |
| Infrastructure | <u>46,032,161</u> | <u>4,150,228</u> | <u>1,204,598</u> | <u>51,386,987</u> |
| Total capital assets being depreciated | <u>\$ 80,275,164</u> | <u>\$ 4,877,605</u> | <u>\$ (692,823)</u> | <u>\$ 84,459,946</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | \$ (14,288) | \$ (7,760) | \$ | \$ (22,048) |
| Buildings | (6,530,832) | (522,953) | | (7,053,785) |
| Machinery & equipment | (193,537) | (64,973) | | (258,510) |
| Vehicles | (8,995,626) | (741,402) | 260,451 | (9,476,577) |
| Furniture & equipment | (360,519) | (118,436) | | (478,955) |
| Infrastructure | <u>(18,817,143)</u> | <u>(3,774,570)</u> | | <u>(22,591,713)</u> |
| Total accumulated depreciation | <u>\$(34,911,945)</u> | <u>\$ (5,230,094)</u> | <u>\$ 260,451</u> | <u>\$(39,881,588)</u> |
| Total capital assets, being depreciated, net | <u>\$ 45,363,219</u> | <u>\$ (352,489)</u> | <u>\$ (432,372)</u> | <u>\$ 44,578,358</u> |
| Governmental activities capital assets, net | <u>\$ 54,329,217</u> | <u>\$ 1,339,491</u> | <u>\$ (344,014)</u> | <u>\$ 55,324,694</u> |

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

| | |
|--|---------------------|
| Governmental activities: | |
| General Government | \$ 61,386 |
| Public Works | 4,411,079 |
| Public Safety | 269,174 |
| Economic Development | 65,418 |
| Unallocated | <u>423,037</u> |
| Total depreciation expense – governmental activities | <u>\$ 5,230,094</u> |

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

**Notes to Financial Statements
June 30, 2007**

NOTE 5 – CAPITAL ASSETS (Continued)

| | <u>Balance June 30, 2006</u> | <u>Additions</u> | <u>Transfers and Retirements</u> | <u>Balance June 30, 2007</u> |
|--|----------------------------------|-----------------------|--------------------------------------|----------------------------------|
| <u>Business-type activities</u> | | | | |
| Capital assets, not depreciated | | | | |
| Land and easements | \$ 1,552,782 | \$ 195,044 | \$ | \$ 1,747,826 |
| Construction in progress | <u>20,747,459</u> | <u>10,921,344</u> | <u>(17,003,180)</u> | <u>14,665,623</u> |
| Total capital assets, not depreciated | <u>\$ 22,300,241</u> | <u>\$ 11,116,388</u> | <u>\$ (17,003,180)</u> | <u>\$ 16,413,449</u> |
| Capital assets, being depreciated | | | | |
| Land improvements | \$ 6,797,521 | \$ | \$ | \$ 6,797,521 |
| Buildings | 355,661 | 67,929 | 111,875 | 535,465 |
| Machinery & equipment | 1,606,380 | 308,202 | (204,006) | 1,710,576 |
| Vehicles | 1,422,688 | 129,076 | (91,748) | 1,460,016 |
| Furniture & equipment | 29,016 | 9,625 | | 38,641 |
| Water facilities | 16,430,643 | 218,153 | 334,993 | 16,983,789 |
| Sewer facilities | <u>52,030,264</u> | <u>12,986</u> | <u>16,546,389</u> | <u>68,589,639</u> |
| Total capital assets being depreciated | <u>\$ 78,672,173</u> | <u>\$ 745,971</u> | <u>\$ 16,697,503</u> | <u>\$ 96,115,647</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | \$ (4,783,778) | \$ (368,346) | \$ | \$ (5,152,124) |
| Building | (124,819) | (13,448) | | (138,267) |
| Machinery & equipment | (949,268) | (145,464) | 97,198 | (997,534) |
| Vehicles | (850,370) | (186,921) | 91,737 | (945,554) |
| Furniture & equipment | (29,016) | (1,604) | | (30,620) |
| Water facilities | (6,015,815) | (502,189) | | (6,518,004) |
| Sewer facilities | <u>(27,653,945)</u> | <u>(1,871,729)</u> | | <u>(29,525,674)</u> |
| Total accumulated depreciation | <u>\$(40,407,011)</u> | <u>\$ (3,089,701)</u> | <u>\$ 188,935</u> | <u>\$ (43,307,777)</u> |
| Total capital assets, being depreciated, net | <u>\$ 38,265,162</u> | <u>\$ (2,343,730)</u> | <u>\$ 16,886,438</u> | <u>\$ 52,807,870</u> |
| Business-type activities capital assets, net | <u>\$ 60,565,584</u> | <u>\$ 8,772,658</u> | <u>\$ (116,742)</u> | <u>\$ 69,221,319</u> |

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

| | |
|---|---------------------|
| Business-type activities: | |
| Airport | \$ 156,374 |
| Solid Waste | 399,513 |
| Sanitary District | <u>2,533,814</u> |
| Total depreciation expense – business-type activities | <u>\$ 3,089,701</u> |

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

**Notes to Financial Statements
June 30, 2007**

NOTE 5 – CAPITAL ASSETS (Continued)

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

| | <u>Project Authorization</u> | <u>CIP as of June 30, 2007</u> | <u>Remaining Commitment</u> |
|---|----------------------------------|------------------------------------|---------------------------------|
| <u>Governmental Activities</u> | | | |
| Public Works | \$ 18,223,601 | \$ 2,157,252 | \$ 16,066,349 |
| Public Safety | 19,442,000 | 110,644 | 19,331,356 |
| General Government | 515,155 | 149,143 | 366,012 |
| Economic Development | 8,941,969 | 1,001,610 | 7,940,359 |
| Total governmental activities | <u>\$ 47,122,725</u> | <u>\$ 3,418,649</u> | <u>\$ 43,704,076</u> |
| <u>Business-type Activities</u> | | | |
| Airport Runway Extension | \$ 12,459,142 | \$ 9,281,742 | \$ 3,177,400 |
| Airport Terminal Building/Hangars | 736,248 | 331,596 | 404,652 |
| Airport Sewer and Water | 990,000 | 742,607 | 247,393 |
| Landfill Municipal Cell Construction | 2,860,204 | 2,860,204 | 0 |
| Landfill Land Clearing Debris Cell | 300,000 | 16,220 | 283,780 |
| Crellin Water Improvement | 338,612 | 53,112 | 285,500 |
| Keyzers Ridge Sewer | 120,969 | 120,969 | 0 |
| McHenry Water System | 5,231,184 | 274,952 | 4,956,232 |
| Keyzers Ridge Water | 49,441 | 49,441 | 0 |
| Deep Creek Lake Collection & Conveyance | 5,857,889 | 574,889 | 5,283,000 |
| Trout Run Sewer | 287,425 | 107,425 | 180,000 |
| Mountain Lake Park Water | 933,854 | 40,794 | 893,060 |
| Gorman Sewer | 54,382 | 54,382 | 0 |
| Friendsville Sewer | 2,484,830 | 124,892 | 2,359,938 |
| Table Rock Water | 5,474 | 5,474 | 0 |
| Thayerville Water | 5,026,924 | 26,924 | 5,000,000 |
| Total business-type activities | <u>\$ 37,736,578</u> | <u>\$ 14,665,623</u> | <u>\$ 23,070,955</u> |

NOTE 6 - LONG-TERM DEBT

The following is a summary of debt transactions of the County for the fiscal year ended June 30, 2007:

| | <u>Balance 7/01/06</u> | <u>Additions</u> | <u>Principal Repayments</u> | <u>Balance 6/30/07</u> | <u>Due Within One Year</u> |
|---------------------------------|----------------------------|---------------------|---------------------------------|----------------------------|--------------------------------|
| Governmental activities: | | | | | |
| <u>General Fund</u> | | | | | |
| General Obligation Bonds | \$ 11,089,786 | \$ 3,000,000 | \$ (3,878,836) | \$ 10,210,950 | \$ 828,828 |
| Compensated Absences | <u>1,078,964</u> | <u>325,944</u> | <u>(98,470)</u> | <u>1,306,438</u> | <u> </u> |
| Governmental activities | | | | | |
| Long-term liabilities | <u>\$ 12,168,750</u> | <u>\$ 3,325,944</u> | <u>\$ (3,977,306)</u> | <u>\$ 11,517,388</u> | <u>\$ 828,828</u> |

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

**Notes to Financial Statements
June 30, 2007**

NOTE 6 - LONG-TERM DEBT (Continued)

| | <u>Balance 7/01/06</u> | <u>Additions</u> | <u>Principal Repayments</u> | <u>Balance 6/30/07</u> | <u>Due Within One Year</u> |
|--|----------------------------|----------------------|---------------------------------|----------------------------|--------------------------------|
| Business-type activities: | | | | | |
| <u>Solid Waste Fund</u> | | | | | |
| Bonds Payable | \$ 4,423,219 | \$ | \$ 420,530 | \$ 4,002,689 | \$ 443,693 |
| <u>Garrett County Sanitary District</u> | | | | | |
| Bonds and Loans Payable | <u>24,030,324</u> | <u>15,600,000</u> | <u>15,717,978</u> | <u>23,912,346</u> | <u>2,382,413</u> |
| Subtotal | <u>\$ 28,453,543</u> | <u>\$ 15,600,000</u> | <u>\$ 16,138,508</u> | <u>\$ 27,915,035</u> | <u>\$ 2,826,106</u> |
| Landfill closure/postclosure Compensated Absences | <u>\$ 2,639,872</u> | <u>\$ 150,931</u> | <u>\$ 24,354</u> | <u>\$ 2,766,449</u> | <u>\$ 457,130</u> |
| Airport | \$ 3,112 | \$ 1,943 | \$ | \$ 5,055 | \$ |
| Solid Waste Fund | 78,235 | 13,803 | | 92,038 | |
| G. C. Sanitary District | <u>94,306</u> | <u>23,391</u> | <u> </u> | <u>117,697</u> | <u> </u> |
| | <u>\$ 175,653</u> | <u>\$ 39,137</u> | <u>\$ 0</u> | <u>\$ 214,790</u> | <u>\$ 0</u> |
| Business-type activities Long-term liabilities | <u>\$ 31,269,068</u> | <u>\$ 15,790,068</u> | <u>\$ 16,162,862</u> | <u>\$ 30,896,274</u> | <u>\$ 3,283,236</u> |

Prior Year Defeasance of Debt

In prior years, the County defeased certain hospital bonds by placing the proceeds of the new bonds in an escrow deposit fund between the County and The Bank of New York for all future debt service payments on the old bonds. Accordingly, the escrow deposit fund assets and liabilities for the defeased bonds are not included in the County's financial statements. The outstanding balance of bonds considered defeased at June 30, 2007 is \$1,615,000.

Interest Expense

Total interest expense of \$1,662,345 incurred by the primary government includes, \$512,768 charged to governmental activities, \$463,579 charged to business-type activities, and \$685,998 of net interest expense capitalized in enterprise fund capital assets.

Details of certain long-term debt obligations at June 30, 2007 are as follows:

Balance
June 30, 2007

Governmental Activities:

General Obligation Bonds

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

\$ 2,365,000

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

**Notes to Financial Statements
June 30, 2007**

NOTE 6 - LONG-TERM DEBT (Continued)

| | <u>Balance June 30, 2007</u> |
|--|----------------------------------|
| <u>General Obligation Bonds</u> | |
| \$3,382,000 Community Health Center Bond of 2002 dated January 17, 2002 at 4.75% interest per annum. Principal and interest payments semi-annually of \$106,331. Matures on January 17, 2032. For construction of Garrett County Health Center. | \$ 2,275,151 |
| <u>Garrett County Hospital Refunding Bonds of 1997</u> | |
| \$4,275,000 Bonds dated January 28, 1997 in \$5,000 denominations at rates from 4.75% to 5.20% payable semi-annually. Maturing July 1, 1997 through July 1, 2010. Issued to refund the Garrett County Hospital Bonds of 1986. To be repaid from hospital revenues. | 1,290,000 |
| <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. | 1,280,799 |
| <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>3,000,000</u> |
| Total Governmental Activities | <u>\$ 10,210,950</u> |

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

**Notes to Financial Statements
June 30, 2007**

NOTE 6 - LONG-TERM DEBT (Continued)

| | <u>Balance June 30, 2007</u> |
|---|----------------------------------|
| <u>Business-type Activities</u> | |
| <u>Solid Waste Fund</u> | |
| \$6,030,000 Garrett County Landfill Project Revenue Bonds, dated June 1, 1993, to fund construction costs of new landfill. Currently payable in monthly installments of \$22,917 plus interest at 5.125% through September 1, 2004; 5.5% through maturity in 2013. | \$ 2,855,000 |
| Maryland Water Quality Financing Administration Bond dated May 21, 1996. Total authorized of \$1,997,000 of which \$1,970,000 has been advanced to date. Semiannual payments of interest at 3.31%. Principal is payable February 1 of each year through February 1, 2017. | <u>1,147,689</u> |
| Total Solid Waste Fund | <u>\$ 4,002,689</u> |
| <u>Garrett County Sanitary District, Inc.</u> | |
| \$197,000 Rural Development (Bloomington Water Project), payable in monthly installments of \$964, including interest at 5% through June 2022. | \$ 113,873 |
| \$765,400 Rural Development (Upper Youghiogheny Project), payable in quarterly installments of \$10,337, including interest at 4.5% through November 28, 2035. | 649,139 |
| \$875,500 Rural Development (Chestnut Ridge Project), payable in quarterly installments of \$47,316, including interest at 4.5% through April 2, 2036. | 763,215 |
| \$104,400 Maryland Department of the Environment (Mt. Lake Park/Powles Addition Water), payable in annual installments of \$6,637 including interest at 4.5% through March 2026. | 83,532 |
| \$243,100 Rural Development (Chestnut Ridge Project), payable in quarterly installments of \$13,140, including interest at 4.5% through April 2, 2036. | 211,897 |
| \$200,000 GE Capital Asset Management (Friendsville Water), payable in annual installments of varying amounts, including interest at 5% through January 1, 2014. | 68,000 |
| \$400,700 Rural Development (Deer Park Sewer), payable in quarterly installments of \$5,414, including interest at 4.5% through December 28, 2038. | 357,812 |

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

**Notes to Financial Statements
June 30, 2007**

NOTE 6 - LONG-TERM DEBT (Continued)

| | <u>Balance June 30, 2007</u> |
|--|----------------------------------|
| \$1,998,000 Maryland Water Quality Financing (Deep Creek Lake Sewer Extension), payable in annual installments of \$132,748, including semi-annual interest at 2.87% through February 1, 2019. | \$ 717,042 |
| \$425,000 Maryland Water Quality Financing (Deep Creek Lake Septage Facility), payable in annual installments of \$29,641, including semi-annual interest at 3.00% through February 1, 2016. | 230,017 |
| \$120,175 State of Maryland (Jennings Sewer Revolving Loan), payable in annual installments of \$7,615, including semi-annual interest at 2.37% through February 1, 2017. | 78,726 |
| \$400,550 Maryland Water Quality Financing (Goodwill Mennonite Sewer Project), payable in annual installments of \$10,967, including semi-annual interest at 2.4% through February 1, 2021. | 195,460 |
| \$408,000 Rural Development (Meadow Mountain Sewer), payable in quarterly installments of \$5,513, including interest at 4.5% through February 28, 2042. | 387,320 |
| \$233,800 Rural Development (McHenry Water - Storage Tank), payable in quarterly installments of \$3,159, including interest at 4.5% through December 2043. | 223,229 |
| \$615,911 Rural Development (McHenry Water - Storage Tank), payable in quarterly installments of \$8,321, including interest at 4.5% through December 2043. | 588,081 |
| \$564,300 Rural Development (Keyser's Ridge Water Project), payable in quarterly installments of \$7,624, including interest at 4.5% through February 2043. | 540,213 |
| \$573,200 Rural Development (Deer Park Water Project), payable in quarterly installments of \$7,744, including interest at 4.5% through October 2043. | 547,306 |
| \$188,550 M&T Bank (McKenzie Property), payable in monthly installments of \$1,945, including interest at 4.39% through February 2013. | 117,579 |

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

**Notes to Financial Statements
June 30, 2007**

NOTE 6 - LONG-TERM DEBT (Continued)

| | <u>Balance June 30, 2007</u> |
|---|----------------------------------|
| \$5,000,000 M&T Bank credit line, (DCL WWTP Interim Financing), payable in monthly interest payments at the current variable rate of 7.27%, principal payable on demand. Principal to be repaid in July 2008 from proceeds of USDA permanent financing. | \$ 1,999,871 |
| \$260,000 Maryland Water Quality Financing (Deer Park Water), payable in semi-annual interest payments at .4% through February 2034. | 243,020 |
| \$123,913 Maryland Water Quality Financing (Septage Hauling Truck), payable in semi-annual interest payments at .4% through February 2011. | 82,938 |
| \$115,800 Rural Development (Keyser's Ridge Water Road), payable in quarterly installments of \$1,508, including interest at 4.25% through February 2046. | 114,076 |
| \$9,999,999 Rural Development (Deep Creek Lake Wastewater Treatment Plant), payable in quarterly installments of \$127,900, including interest at 4.13% through June 2047. | 9,999,999 |
| \$4,617,900 Rural Development (Deep Creek Lake Wastewater Treatment Plant), payable in quarterly installments of \$59,063, including interest at 4.13% through June 2047. | 4,617,900 |
| \$982,101 Rural Development (Deep Creek Lake Wastewater Treatment Plant), payable in quarterly installments of \$12,562, including interest at 4.13% through June 2047. | <u>982,101</u> |
| Total Garrett County Sanitary District, Inc. | <u>\$ 23,912,346</u> |
| Total Business-type Activities | <u>\$ 27,915,035</u> |
| Total Primary Government | <u>\$ 38,125,985</u> |

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

**Notes to Financial Statements
June 30, 2007**

NOTE 6 - LONG-TERM DEBT (Continued)

Maturities of long-term debt are as follows:

| <u>Years Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------------|----------------------|----------------------|----------------------|
| Governmental Activities: | | | |
| 2008 | \$ 828,828 | \$ 458,395 | \$ 1,287,223 |
| 2009 | 858,224 | 419,662 | 1,277,886 |
| 2010 | 908,044 | 378,235 | 1,286,279 |
| 2011 | 483,308 | 331,770 | 815,078 |
| 2012 | 509,036 | 308,212 | 817,248 |
| 2013-2017 | 2,633,880 | 1,143,514 | 3,777,394 |
| 2018-2022 | 1,775,050 | 678,441 | 2,453,491 |
| 2023-2027 | 790,812 | 366,141 | 1,156,953 |
| 2028-2032 | 642,201 | 230,799 | 873,000 |
| 2033-2037 | 781,567 | 83,975 | 865,542 |
| Total governmental activities | <u>\$ 10,210,950</u> | <u>\$ 4,399,144</u> | <u>\$ 14,610,094</u> |
| Business-type Activities: | | | |
| 2008 | \$ 2,826,106 | \$ 1,076,908 | \$ 3,903,014 |
| 2009 | 864,069 | 1,039,149 | 1,903,218 |
| 2010 | 896,552 | 1,000,128 | 1,896,680 |
| 2011 | 940,713 | 960,530 | 1,901,243 |
| 2012 | 958,636 | 918,026 | 1,876,662 |
| 2013-2017 | 3,729,881 | 4,024,066 | 7,753,947 |
| 2018-2022 | 2,088,576 | 3,492,271 | 5,580,847 |
| 2023-2027 | 2,325,229 | 3,036,533 | 5,361,762 |
| 2028-2032 | 2,831,461 | 2,503,752 | 5,335,213 |
| 2033-2037 | 3,271,308 | 1,858,773 | 5,130,081 |
| 2038-2042 | 3,520,647 | 1,155,378 | 4,676,025 |
| 2043-2047 | 3,661,857 | 403,534 | 4,065,391 |
| Total business-type activities | <u>\$ 27,915,035</u> | <u>\$ 21,469,048</u> | <u>\$ 49,384,083</u> |

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Loan Guarantees

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

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

**Notes to Financial Statements
June 30, 2007**

NOTE 7 - COMMITMENTS AND CONTINGENCIES (Continued)

Grant and Loan Compliance

The County participates in a number of federal and state assisted programs, principal of which are grants/loans from the Department of Housing and Urban Development, Appalachian Regional Commission, Rural Development, the Department of Transportation and the State of Maryland. These programs are subject to program compliance audits by the grantors or their representatives. The audit for these programs for and including the year ended June 30, 2007, has not yet been concluded. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures for projects which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Lease Commitments – Component Units

Garrett College has entered into a lease with the County for the rental of a student dormitory building, known as "Garrett Hall". Terms of the lease include monthly rental payments of \$5,396 for a period of 29 years. At the end of the initial term of the lease, the College has the option to extend the lease. Total future minimum payments under the operating lease as of June 30, 2007 are as follows:

| | |
|---------------------------|---------------------|
| Year Ending June 30, 2008 | \$ 64,752 |
| June 30, 2009 | 64,752 |
| June 30, 2010 | 64,752 |
| June 30, 2011 | 64,752 |
| June 30, 2012 | 64,752 |
| Thereafter | <u>1,694,344</u> |
| Total | <u>\$ 2,018,104</u> |

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

NOTE 8 - EMPLOYEES' RETIREMENT PLANS

The County participates in the State Retirement and Pension System of Maryland, an agent 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 BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements
June 30, 2007**

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

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

The 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, 2006 (most recent available data) may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, MD 21202 or by calling 1-800-492-5909.

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

Contribution rates for employers and other "non-employer" contributing entities are established by annual actuarial valuations using the entry age normal cost method with projection to determine costs. The primary government's employer contribution rates for 2007 were 10.68% for the Employee Retirement System and 5.68% for the Employee Pension System. These rates are sufficient to fund normal costs and amortize the unfunded actuarial accrued liability as a level percentage of payroll in distinct pieces. The liquidation period for the unfunded actuarial accrued liability which existed as of June 30, 2000 is 14 years to June 30, 2020. The additional unfunded actuarial liability which arose subsequent to June 30, 2000, is being amortized in separate annual layers over a 25 year period.

The annual pension cost of the County was as follows:

| | <u>Annual Pension Cost</u> |
|---------------------------|--------------------------------|
| <u>Primary Government</u> | |
| General Fund | \$ 54,211 |
| Solid Waste Fund | <u>1,520</u> |
| Total Primary Government | <u>\$ 55,731</u> |

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

**Notes to Financial Statements
June 30, 2007**

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

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

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

The following significant assumptions were used in the actuarial valuation as of June 30, 2006:

- 1) A rate of return on investments of 7.75% compounded annually.
- 2) Projected salary increases of 4% compounded annually, attributable to inflation.
- 3) Additional projected salary increases ranging from 0.00% to 11.96% per year attributable to seniority and merit.
- 4) Post-retirement benefit increases ranging from 3% to 4% per year depending on the system.
- 5) Rates of mortality, termination of service, disablement and retirement are based on actual experience during the period from 1981 through 2002.
- 6) The aggregate active member payroll is assumed to increase by 4% annually.

There were no significant changes in actuarial assumptions, actuarial funding methods, benefit provisions or any other significant factors used to determine pension contribution requirements.

Three Year Trend Information

| <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, 2005 | \$ 498,680 | 100% | 0 |
| | June 30, 2006 | 64,633 | 100% | 0 |
| | June 30, 2007 | 55,731 | 100% | 0 |

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

**Notes to Financial Statements
June 30, 2007**

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

The Maryland State Retirement and Pension System's annual report does not make separate funding progress measurements by individual employers. The following schedule reflects the total Systems' funding progress as a whole.

| Required Supplementary Information | | | | | | |
|---|---------------------------------|--|---------------------------|-----------------|--------------------|--|
| Schedule of Funding Progress | | | | | | |
| (Expressed in Thousands) | | | | | | |
| 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 |
| 6/30/04 | \$ 33,484,657 | \$ 36,325,704 | \$ 2,841,047 | 92.18% | \$ 8,069,481 | 35 % |
| 6/30/05 | 33,519,500 | 39,133,450 | 4,613,950 | 88.21% | 8,603,761 | 54 % |
| 6/30/06 | 35,795,025 | 43,243,492 | 7,448,467 | 82.78% | 9,287,576 | 80 % |

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, 2007, the County contributed \$194,547 or 2.42 percent of earned compensation. Covered payroll approximated \$8,039,141. The Sanitary District contributed \$17,514 on covered payroll of approximately \$723,714.

Law Enforcement Personnel Retirement Plan

The County adopted the Garrett County Law Enforcement Personnel Retirement Plan effective July 1, 2002, for all employees classified by the County as the Sheriff, correctional officer, or sworn law-enforcement officer with the Sheriff's Department or Office of the State's Attorney. The Plan provides retirement, disability and death benefits for all eligible employees. Administrative, investment, and member benefit service responsibilities are provided by a Board of Trustees. The actuarial valuation report as of July 1, 2007 (most recent available data) may be obtained from the County Commissioners of Garrett County, Maryland.

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

**Notes to Financial Statements
June 30, 2007**

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

Law Enforcement Personnel Retirement Plan (Continued)

Normal retirement is at any age with 25 years of eligibility service or, at age 62 with up to 20 years of eligibility service. 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 eligibility 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, 2006. Participant contributions are included in the plan assets and are 100% vested with the employee. 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 2007 are as follows:

| <u>Employee Rate</u> | <u>Employer Rate</u> | <u>Covered Payroll</u> |
|----------------------|----------------------|------------------------|
| 7.50% | 12.23% | \$2,163,928 |

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 \$221,442. Based on recommendations from the County's actuary, the actual employer contribution for fiscal year 2007 was \$275,766. There was no NPO outstanding at June 30, 2007.

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 are as follows:

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

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

**Notes to Financial Statements
June 30, 2007**

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

Law Enforcement Personnel Retirement Plan (Continued)

The following schedule reflects the plans funding progress for the three years ended June 30, 2007:

| | <u>6/30/07</u> | <u>6/30/06</u> | <u>6/30/05</u> |
|---|----------------|----------------|----------------|
| Actuarial valuation of assets | \$2,345,094 | \$ 1,691,471 | \$ 1,348,906 |
| Accrued actuarial liability (AAL) | \$4,000,561 | \$ 2,991,547 | \$ 2,353,404 |
| Unfunded accrued actuarial liability (UAAL) | \$1,665,468 | \$ 1,300,076 | \$ 1,004,498 |
| Funded ratio | 58.37% | 56.54% | 57.32% |
| Covered payroll | \$2,163,928 | \$ 1,717,428 | \$ 1,370,716 |
| UAAL as a percentage of covered payroll | 76.97% | 75.70% | 73.28% |

Government Personnel Retirement Plan

The County has adopted the Garrett County Government Personnel Retirement Plan effective July 1, 2005, for all employees classified by the County. Eligible personnel employed prior to July 1, 2005, could elect to participate in the Plan effective July 1, 2005. Such election was irrevocable. Participation in the Plan is mandatory for all eligible personnel hired after July 1, 2005. The 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, 2007, (most recent available data) may be obtained from the County Commissioners of Garrett County, Maryland.

Normal retirement is at any age with 30 years of eligibility service or, at age 62 with at least 5 years of credited service. 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, 2006. Participant contributions are included in the plan assets and are 100% vested with the employee. Upon termination of employment, a participant may elect to receive a refund of contributions.

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

**Notes to Financial Statements
June 30, 2007**

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

Government Personnel Retirement Plan (Continued)

Contribution rates as a percentage of covered payroll during fiscal year 2007 are as follows:

| <u>Employee Rate</u> | <u>Employer Rate</u> | <u>Covered Payroll</u> |
|----------------------|----------------------|------------------------|
| 2.275% | 8.60% | \$9,392,028 |

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 \$847,416. Based on recommendations from the County's actuary, the actual employer contribution for fiscal year 2006 was \$905,374. There was no NPO outstanding at June 30, 2007.

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 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.

The following schedule reflects the plans funding progress for the two years ended June 30, 2007:

| Actuarial valuation date | <u>6/30/07</u> | <u>6/30/06</u> |
|---|----------------|----------------|
| Actuarial valuation of assets | \$8,121,710 | \$6,221,885 |
| Accrued actuarial liability (AAL) | \$13,481,460 | \$11,810,016 |
| Unfunded accrued actuarial liability (UAAL) | \$5,359,749 | \$5,588,131 |
| Funded ratio | 60.24% | 52.68% |
| Covered payroll | \$9,392,028 | \$8,591,132 |
| UAAL as a percentage of covered payroll | 57.07% | 65.05% |

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

**Notes to Financial Statements
June 30, 2007**

NOTE 9 - DEFERRED COMPENSATION

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

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

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

Primary Government

In addition to the pension benefits described above, the County provides post retirement health care benefits as approved by the Board of County Commissioners to all permanent full-time employees of the primary government eligible to retire under Maryland State Retirement, Garrett County Government Personnel Retirement and Garrett County Law Enforcement Retirement guidelines. Currently, 135 retirees/spouses meet those eligibility requirements. The County contributes a percentage of the cost of coverage depending on years of service as follows:

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

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

**Notes to Financial Statements
June 30, 2007**

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Primary Government (Continued)

Expenditures for post retirement health care benefits are funded on a pay-as-you-go basis. During the year ended June 30, 2007, expenditures of approximately \$403,074 were recognized for post retirement health care and life insurance benefits. For County employees hired on or after June 1, 2005, health care benefits are provided upon retirement for employees and retiree's dependent health care coverage is no longer being offered. For County employees hired on or after July 1, 2006 dependent insurance coverage may be purchased upon retirement at the retiree's own cost.

New accounting standards for reporting these post-employment insurance benefits go into effect for the County for the fiscal year ending June 30, 2009. Under GASB Statement Number 45, benefits will be accrued during the employee's active years of service for government-wide financial reporting purposes. Initial review by the Board's actuary projects this annual cost to be in the range of \$3,175 to \$4,475 for each active law enforcement employee and \$675 to \$2,082 for each active non law enforcement employee. Under GASB Statement Number 45 there is no requirement to fund this accrued annual liability however, any unfunded liability will be reported as such in the government-wide statement of net assets.

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

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

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

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

**Notes to Financial Statements
June 30, 2007**

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

The Solid Waste Fund has recorded a landfill closure and post-closure care liability of \$2,766,449 as of June 30, 2007, representing the cumulative operating expenses reported to date based on the Round Glade landfill at full capacity (\$908,066) and the new landfill at 32% of its estimated capacity (\$1,858,383). The County will recognize the balance of estimated closure and post-closure costs of approximately \$3,066,774 over the remaining useful life of the new landfill, which approximates 19 years. These amounts are based on the County's engineer estimates of costs to perform all closure and post-closure care activities as of 2007. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County has established a landfill closure fund through Maryland Environmental Services to provide funds to pay the above closure and post-closure costs. The balance of these restricted cash assets at June 30, 2007 was \$1,067,997.

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, 2007, which satisfies the financial assurance provisions of the Act.

NOTE 14 - RISK MANAGEMENT

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

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

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

**Notes to Financial Statements
June 30, 2007**

NOTE 12 - FUND EQUITY

A summary of fund balances as of June 30, 2007 is as follows:

| | <u>General Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------|-------------------------|---|---|
| Reserved For | | | |
| Agricultural land preservation | \$ 352,227 | \$ | \$ 352,227 |
| Inventory | 415,450 | | 415,450 |
| Capital projects fund | | 274,781 | 274,781 |
| Special revenue funds | | <u>118,499</u> | <u>118,499</u> |
| Total reserved fund balance | <u>\$ 767,677</u> | <u>\$ 393,280</u> | <u>\$ 1,160,957</u> |
| | | | |
| | <u>General Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
| Unreserved – Designated For: | | | |
| Capital projects: | | | |
| Detention Center | \$ 3,708,164 | \$ | \$ 3,708,164 |
| Public Safety | 40,495 | | 40,495 |
| Public Works Facility | 2,494,198 | | 2,494,198 |
| Garrett College | 5,056,470 | | 5,056,470 |
| Board of Education | 306,655 | | 306,655 |
| Ruth Enlow Library | 9,552 | | 9,552 |
| Public Works | 1,851,683 | | 1,851,683 |
| General Services | 319,363 | | 319,363 |
| Economic Development | <u>1,065,706</u> | | <u>1,065,706</u> |
| Capital Projects Subtotal | \$ 14,852,286 | \$ 0 | \$ 14,852,286 |
| Subsequent year budget | <u>14,806,467</u> | | <u>14,806,467</u> |
| Total Designated Fund Balance | <u>\$ 29,658,753</u> | <u>\$ 0</u> | <u>\$ 29,658,753</u> |
| Unreserved – Undesignated | <u>\$ 36,625</u> | <u>\$ 0</u> | <u>\$ 36,625</u> |
| Total Fund Balance | <u>\$ 30,463,055</u> | <u>\$ 393,280</u> | <u>\$ 30,856,335</u> |

Business-type Activities - Solid Waste Fund

Debt service reserves of \$498,338 established at the time of bond issuance are reported as an increase to investment in capital assets net of related debt. Cumulative deposits for current debt service payments on the outstanding bonds of \$481,160 are reported as net assets restricted for debt service.

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

**Notes to Financial Statements
June 30, 2007**

NOTE 12 - FUND EQUITY (Continued)

Business-type Activities - Solid Waste Fund (Continued)

Maryland Environmental Services (MES) is holding unexpended bond proceeds of approximately \$11,000 from Garrett County Landfill Project Revenue Bonds, Series 1993 that MES is contractually obligated to disburse on future cell expansion of the new landfill. In addition, the County levies an ad valorem tax to fund Solid Waste Fund debt service costs which generated \$1,372,838 in revenue during the year ended June 30, 2007.

NOTE 13 - 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 | \$ 69,077,988 | \$ 62,916,638 | \$ (2,040,731) | \$ 4,120,619 |
| <u>Property Tax Revenue</u> | | | | |
| Recognized in Year Levied on Budget Basis but in Year "Available" on GAAP Basis | (97,412) | | | (97,412) |
| <u>Special Item</u> | | | | |
| Recognized as Economic Development expenditures on Budget Basis but as a Special Item on GAAP Basis | | (1,130,636) | | 1,130,636 |
| <u>In-Kind Rent</u> | | | | |
| Board of Education administrative offices not reported as revenue on Budget Basis but recognized on a GAAP Basis | 148,800 | 148,800 | | |
| As Reported on GAAP Basis | <u>\$ 69,129,376</u> | <u>\$ 61,934,802</u> | <u>\$ (2,040,731)</u> | <u>\$ 5,153,843</u> |

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

**Notes to Financial Statements
June 30, 2007**

NOTE 15 - COMPLIANCE AND ACCOUNTABILITY

Over-expenditures

Non-budgeted Project Open Space revenues cover the over-expenditure in Parks and Recreation. Agricultural Land Preservation Program expenditures for easement purchases of \$45,040 are not budgeted; however, they are funded from agricultural transfer taxes restricted for that purpose. Agricultural Extension Service over-expenditures of \$65,305 resulted from an expansion of the gypsy moth suppression spraying program. Emergency Alarm & Communication expenditures consisting of a County-wide mapping enhancement project was funded by the Emergency Numbers Systems Board Trust Fund. Neither revenues nor expenses were budgeted.

NOTE 16 - SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing and investing activities include the current year addition to the Solid Waste Fund closure and post-closure liability of \$150,931 which was charged to operations in the government-wide and proprietary funds financial statements. In addition, the Solid Waste Fund received a trade-in allowance of \$66,500 on existing equipment which was applied towards the purchase of new equipment.

NOTE 17 - SPECIAL ITEM

During the year ended June 30, 2007, the County transferred certain infrastructure improvements made at the Northern Garrett Industrial Park to a private business enterprise. The costs of these improvements were incurred in the current fiscal year and recorded as economic development and opportunity expenditures in the County's budgetary basis statement of general fund revenues, expenditures and changes in fund balance. The cost basis of the improvements transferred was \$1,130,636. The transfer is reflected in both the general fund and governmental activities in the government-wide financial statements as a special item.

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

**Notes to Financial Statements
June 30, 2007**

NOTE 18 - PRIOR PERIOD ADJUSTMENT - CORRECTION OF ERRORS

Certain costs incurred in connection with two County bridge projects were direct paid to contractors by the State Highway Administration under the terms of the grant/project agreements and not recorded in the County's financial statements. The beginning fund balance of the Capital Projects Fund within the governmental funds financial statements has been restated to reflect prior period costs associated with the Third Street bridge project in the amount of \$273,179. The Town of Oakland will own the bridge upon completion of the project. In addition, prior period costs associated with a County owned bridge project that were direct paid by the State to the contractor in the amount of \$143,993 were not previously recorded. Direct paid costs associated with both of these projects have the effect of increasing net assets of the governmental activities within the government-wide financial statements. Consequently, net assets as of July 1, 2006 have been restated to reflect the costs associated with both of these projects.

Fund balance and net assets as of the beginning of the current fiscal year have been restated for the effects of the above adjustments as follows:

| | <u>Capital Projects Fund Balance</u> | <u>Governmental Activities Government Wide Statement of Net Assets</u> |
|---|--|--|
| Fund Balance/Net Assets – Beginning of Year, As Previously Reported | \$ 0 | \$ 69,925,751 |
| Prior Period Adjustments | <u>273,179</u> | <u>417,172</u> |
| Fund Balance/Net Assets – Beginning of Year, As Restated | <u>\$ 273,179</u> | <u>\$ 70,342,923</u> |

In addition, the County has historically recorded Landfill and Sanitary District ad valorem tax revenues in the related enterprise funds as they were collected. Revenues related to ad valorem taxes levied but not collected have not been previously recorded as required by generally accepted accounting principles. Net assets as of the beginning of the current fiscal year have been restated for the effects of these adjustments as follows:

| | <u>Solid Waste Fund</u> | <u>Garrett County Sanitary District, Inc.</u> | <u>Business Type Activities Government Wide Statement of Net Assets</u> |
|--|-----------------------------|---|---|
| Net Assets – Beginning of Year, As Previously Reported | \$ 397,714 | \$ 37,485,387 | \$ 43,856,214 |
| Prior Period Adjustments | <u>67,849</u> | <u>25,645</u> | <u>93,494</u> |
| Net Assets – Beginning of Year, As Restated | <u>\$ 465,563</u> | <u>\$ 37,511,032</u> | <u>\$ 43,949,708</u> |

OTHER SUPPLEMENTARY INFORMATION

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

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Over (Under) Budget</u> |
|--|----------------------------|-------------------------|----------------------|------------------------------------|
| TAXES: | | | | |
| Local Real and Personal Property: | | | | |
| Real Property | \$ 29,883,278 | \$ 29,883,278 | \$ 30,442,018 | \$ 558,740 |
| Railroads and Public Utilities | 2,245,162 | 2,245,162 | 2,365,659 | 120,497 |
| Ordinary Business Corporations | 0 | 0 | 42,189 | 42,189 |
| | <u>\$ 32,128,440</u> | <u>\$ 32,128,440</u> | <u>\$ 32,849,866</u> | <u>\$ 721,426</u> |
| Enterprise Zone Tax Refund | 0 | 35,600 | 35,612 | 12 |
| Addition and Abatements | (30,000) | (30,000) | (21,483) | 8,517 |
| Penalties and Interest | 300,000 | 300,000 | 364,495 | 64,495 |
| | <u>\$ 32,398,440</u> | <u>\$ 32,434,040</u> | <u>\$ 33,228,490</u> | <u>\$ 794,450</u> |
| Less: Discounts and Credits | <u>(390,000)</u> | <u>(440,000)</u> | <u>(441,533)</u> | <u>(1,533)</u> |
| Total Real and Personal Property | <u>\$ 32,008,440</u> | <u>\$ 31,994,040</u> | <u>\$ 32,786,957</u> | <u>\$ 792,917</u> |
| Other Local Taxes: | | | | |
| Income | \$ 9,300,000 | \$ 10,200,000 | \$ 10,777,751 | \$ 577,751 |
| Admissions and Amusement | 450,000 | 475,000 | 537,808 | 62,808 |
| Recordation | 3,850,000 | 3,200,000 | 3,436,399 | 236,399 |
| Coal Tonnage | 200,000 | 200,000 | 205,235 | 5,235 |
| Gaming | 152,213 | 0 | 0 | 0 |
| Trailer Court | 30,000 | 30,000 | 40,131 | 10,131 |
| Natural Gas | 500 | 500 | 2,537 | 2,037 |
| Accommodations Tax | 1,025,000 | 1,350,000 | 1,464,282 | 114,282 |
| Transfer Tax | 3,000,000 | 2,100,000 | 2,384,138 | 284,138 |
| Franchise Tax | 0 | 0 | 650 | 650 |
| Agriculture Transfer Tax/Refunds | 50,000 | 50,000 | 163,735 | 113,735 |
| Coal Tax | 12,000 | 68,800 | 151,561 | 82,761 |
| 911 Fees | 245,000 | 245,000 | 274,949 | 29,949 |
| Tax Sale Revenue | 0 | 0 | (16,334) | (16,334) |
| | <u>\$ 18,314,713</u> | <u>\$ 17,919,300</u> | <u>\$ 19,422,842</u> | <u>\$ 1,503,542</u> |
| Total Other Local Taxes | <u>\$ 18,314,713</u> | <u>\$ 17,919,300</u> | <u>\$ 19,422,842</u> | <u>\$ 1,503,542</u> |
| Total Taxes | <u>\$ 50,323,153</u> | <u>\$ 49,913,340</u> | <u>\$ 52,209,799</u> | <u>\$ 2,296,459</u> |
| LICENSES AND PERMITS: | | | | |
| Business: | | | | |
| Beer, Wine and Liquor Licenses | \$ 79,237 | \$ 79,237 | \$ 90,340 | \$ 11,103 |
| Traders | 65,000 | 65,000 | 73,578 | 8,578 |
| Other Licenses and Permits: | | | | |
| Animal | 10,500 | 10,500 | 11,108 | 608 |
| Marriage | 1,500 | 1,500 | 1,610 | 110 |
| Gaming | 19,700 | 0 | 0 | 0 |
| TVRU License | 65,000 | 95,000 | 97,825 | 2,825 |
| Highways and Streets | 14,500 | 16,500 | 20,666 | 4,166 |
| Other Permits | 0 | 4,100 | 4,462 | 362 |
| | <u>\$ 255,437</u> | <u>\$ 271,837</u> | <u>\$ 299,589</u> | <u>\$ 27,752</u> |
| Total Licenses and Permits | <u>\$ 255,437</u> | <u>\$ 271,837</u> | <u>\$ 299,589</u> | <u>\$ 27,752</u> |

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

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Over (Under) Budget</u> |
|---|----------------------------|-------------------------|----------------------|------------------------------------|
| INTERGOVERNMENTAL: | | | | |
| Grants From Federal Government: | | | | |
| Bankhead - Jones Act | \$ 2,500 | \$ 2,500 | \$ 2,565 | \$ 65 |
| Department of Justice - Domestic Violence | 38,400 | 41,020 | 22,939 | (18,081) |
| CDBG - Weatherization Project | 100,000 | 150,000 | 150,000 | 0 |
| Sheriff - BYRN Victim Awareness | 35,385 | 23,470 | 17,450 | (6,020) |
| Civil Defense | 27,500 | 27,500 | 29,658 | 2,158 |
| Emergency Management Domestic Preparedness | 173,442 | 173,442 | 160,305 | (13,137) |
| Rural Development Grants | 0 | 10,555 | 10,555 | 0 |
| USDA - CAC - Emergency Food Assistance | 10,000 | 10,000 | 7,433 | (2,567) |
| Federal Aid in Lieu of Taxes | 0 | 0 | 3,059 | 3,059 |
| ARC - Special Incentives Grant | 0 | 14,357 | 14,651 | 294 |
| ARC - Economic Development | 0 | 20,000 | 12,026 | (7,974) |
| ARC - TEA 21 ClosetMaid Road | 0 | 330,140 | 330,140 | 0 |
| ARC - Exhibit Hall | 0 | 1,000,000 | 0 | (1,000,000) |
| ARC - Master Plans | 0 | 0 | 20,000 | 20,000 |
| USDE - CAC - Energy Assistance | 0 | 150,000 | 150,000 | 0 |
| CDBG - ClosetMaid | 828,468 | 828,468 | 828,469 | 1 |
| Grants From State Government: | | | | |
| Highway User Tax | 5,700,000 | 5,600,000 | 5,412,956 | (187,044) |
| Disparity Grant | 2,307,278 | 2,307,278 | 2,307,278 | 0 |
| Fire, Rescue and Ambulance (508 Funds) | 200,000 | 200,000 | 185,310 | (14,690) |
| Police Protection | 198,000 | 198,000 | 203,272 | 5,272 |
| Highway and Streets | 80,000 | 80,000 | 110,738 | 30,738 |
| Conservation of Natural Resources | 875,000 | 450,000 | 957,858 | 507,858 |
| Jail - Domestic Violence Data Entry | 15,000 | 15,000 | 0 | (15,000) |
| Master's Program | 8,000 | 8,000 | 10,075 | 2,075 |
| Adult Community Services | 27,000 | 27,000 | 27,000 | 0 |
| MIEMSS Grant - Rural AED Grant | 0 | 10,835 | 10,835 | 0 |
| Department of Social Services - Child Support | 6,000 | 6,000 | 8,875 | 2,875 |
| DSS - Wheels to Work | 0 | 82,000 | 82,328 | 328 |
| Emergency Shelter | 28,350 | 28,350 | 34,130 | 5,780 |
| Family Services Grant | 120,106 | 120,106 | 88,268 | (31,838) |
| Sheriff - School Bus Violation | 10,000 | 10,000 | 14,000 | 4,000 |
| Sheriff - Bullet Proof Vest | 1,500 | 1,500 | 482 | (1,018) |
| Firearms Safety Training | 650 | 650 | 1,400 | 750 |
| Program Open Space | 0 | 750,000 | 924,225 | 174,225 |
| Emergency Numbers Systems Board - 911 | 0 | 0 | 331,273 | 331,273 |
| State Department of Ed. - School Construction | 91,587 | 45,000 | 45,000 | 0 |
| DBED/ASCI Grant | 0 | 200,000 | 200,000 | 0 |
| Dove Center | 20,000 | 20,000 | 19,999 | (1) |
| Maryland Hotspot - Community Policing II | 10,000 | 15,040 | 15,040 | 0 |
| Planning/Rural Legacy Program | 371,705 | 371,705 | 9,447 | (362,258) |
| Subtotal - Intergovernmental | \$ 11,285,871 | \$ 13,327,916 | \$ 12,759,039 | \$ (568,877) |

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

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Over (Under) Budget</u> |
|---|----------------------------|-------------------------|----------------------|------------------------------------|
| INTERGOVERNMENTAL - Continued | | | | |
| Balances Brought Forward | \$ 11,285,871 | \$ 13,327,916 | \$ 12,759,039 | \$ (568,877) |
| Grants From State Government - Continued: | | | | |
| MD Energy Assistance - CAC | 50,000 | 0 | 0 | 0 |
| Youth Prevention Grant - CAC | 34,666 | 34,666 | 34,666 | 0 |
| DBED Exhibit Hall | 0 | 600,000 | 0 | (600,000) |
| Electric Universal Service - CAC | 0 | 81,084 | 81,084 | 0 |
| Other | 25,529 | 36,907 | 36,283 | (624) |
| Other: | | | | |
| Budget Settlement - Health Department | 0 | 188,266 | 188,266 | 0 |
| Other | 6,100 | 7,876 | 17,200 | 9,324 |
| Total Intergovernmental | <u>\$ 11,402,166</u> | <u>\$ 14,276,715</u> | <u>\$ 13,116,538</u> | <u>\$ (1,160,177)</u> |
| FINES AND FORFEITURES | <u>\$ 7,000</u> | <u>\$ 7,050</u> | <u>\$ 10,234</u> | <u>\$ 3,184</u> |
| SERVICE CHARGES FOR CURRENT SERVICES: | | | | |
| General Government: | | | | |
| Zoning and Subdivision Fees | \$ 15,000 | \$ 20,900 | \$ 25,502 | \$ 4,602 |
| Marriage Ceremony Fees | 1,000 | 1,000 | 980 | (20) |
| Miscellaneous | 73,500 | 78,400 | 86,460 | 8,060 |
| Enterprise Funds - Indirect Fees | 106,000 | 106,000 | 106,343 | 343 |
| Public Safety: | | | | |
| BOCA | 150,000 | 150,000 | 141,796 | (8,204) |
| State Inmate Housing | 80,000 | 8,000 | 13,196 | 5,196 |
| Animal Control | 4,000 | 4,000 | 5,740 | 1,740 |
| Sheriff Fees | 92,000 | 93,600 | 113,437 | 19,837 |
| Total Service Charges | <u>\$ 521,500</u> | <u>\$ 461,900</u> | <u>\$ 493,454</u> | <u>\$ 31,554</u> |
| MISCELLANEOUS: | | | | |
| Interest and Dividends | \$ 660,000 | \$ 1,761,700 | \$ 1,937,881 | \$ 176,181 |
| Rents and Concessions | 721,169 | 733,536 | 740,028 | 6,492 |
| Other - General | 31,500 | 40,300 | 60,005 | 19,705 |
| Other - Economic Development | 0 | 0 | 200,000 | 200,000 |
| Other - Sheriff | 1,500 | 1,500 | 4,435 | 2,935 |
| Other - Roads | 12,500 | 7,000 | 6,025 | (975) |
| Total Miscellaneous | <u>\$ 1,426,669</u> | <u>\$ 2,544,036</u> | <u>\$ 2,948,374</u> | <u>\$ 404,338</u> |
| TOTAL REVENUES | <u>\$ 63,935,925</u> | <u>\$ 67,474,878</u> | <u>\$ 69,077,988</u> | <u>\$ 1,603,110</u> |
| OTHER FINANCING SOURCES: | | | | |
| Sale of Capital Assets | \$ 20,000 | \$ 60,700 | \$ 169,403 | \$ 108,703 |
| Total Other Financing Sources | <u>\$ 20,000</u> | <u>\$ 60,700</u> | <u>\$ 169,403</u> | <u>\$ 108,703</u> |
| TOTAL REVENUES AND OTHER FINANCING SOURCES | <u>\$ 63,955,925</u> | <u>\$ 67,535,578</u> | <u>\$ 69,247,391</u> | <u>\$ 1,711,813</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, 2007

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Over (Under) Budget</u> |
|--|----------------------------|-------------------------|---------------------|------------------------------------|
| GENERAL GOVERNMENT | | | | |
| Legislative: | | | | |
| County Commissioners | \$ 426,594 | \$ 426,594 | \$ 423,407 | \$ (3,187) |
| Judicial: | | | | |
| Circuit Court | \$ 407,153 | \$ 407,914 | \$ 359,114 | \$ (48,800) |
| Orphans Court | 14,437 | 14,437 | 16,739 | 2,302 |
| State's Attorney | 537,164 | 538,664 | 543,425 | 4,761 |
| Other | 19,000 | 19,000 | 23,089 | 4,089 |
| Total Judicial | <u>\$ 977,754</u> | <u>\$ 980,015</u> | <u>\$ 942,367</u> | <u>\$ (37,648)</u> |
| Elections: | | | | |
| Board of Supervisors of Elections | \$ 394,803 | \$ 394,803 | \$ 335,075 | \$ (59,728) |
| Financial Administration: | | | | |
| Finance Office | \$ 387,680 | \$ 387,680 | \$ 394,061 | \$ 6,381 |
| Tax Collection Office | 257,576 | 257,576 | 237,492 | (20,084) |
| Procurement | 169,777 | 169,777 | 164,353 | (5,424) |
| Total Financial Administration | <u>\$ 815,033</u> | <u>\$ 815,033</u> | <u>\$ 795,906</u> | <u>\$ (19,127)</u> |
| Law: | | | | |
| Legal Counsel | \$ 77,695 | \$ 77,695 | \$ 74,362 | \$ (3,333) |
| Personnel Administration: | | | | |
| Personnel Administration | \$ 170,581 | \$ 178,446 | \$ 174,487 | \$ (3,959) |
| Planning and Zoning: | | | | |
| Planning Commission | \$ 1,098,764 | \$ 1,098,764 | \$ 630,425 | \$ (468,339) |
| General Services: | | | | |
| County Buildings | \$ 2,104,924 | \$ 2,115,277 | \$ 2,128,211 | \$ 12,934 |
| Gaming | 37,252 | 0 | 0 | 0 |
| Total General Services | <u>\$ 2,142,176</u> | <u>\$ 2,115,277</u> | <u>\$ 2,128,211</u> | <u>\$ 12,934</u> |
| Total General Government | <u>\$ 6,103,400</u> | <u>\$ 6,086,627</u> | <u>\$ 5,504,240</u> | <u>\$ (582,387)</u> |
| PUBLIC SAFETY | | | | |
| Sheriff's Department | \$ 2,541,495 | \$ 2,559,655 | \$ 2,485,289 | \$ (74,366) |
| Corrections | 1,838,357 | 1,838,357 | 1,794,182 | (44,175) |
| Fire and Rescue Services | 1,387,838 | 1,263,985 | 1,144,997 | (118,988) |
| Other Public Safety: | | | | |
| Permits and Inspections | 540,647 | 540,647 | 519,590 | (21,057) |
| Animal Control | 185,270 | 186,362 | 177,842 | (8,520) |
| Civil Defense/ Emergency Management | 262,798 | 273,633 | 254,173 | (19,460) |
| Emergency Alarm and Communications (911) | 466,322 | 465,230 | 475,697 | 10,467 |
| Total Public Safety | <u>\$ 7,222,727</u> | <u>\$ 7,127,869</u> | <u>\$ 6,851,770</u> | <u>\$ (276,099)</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, 2007

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Over (Under) Budget</u> |
|---|----------------------------|-------------------------|----------------------|------------------------------------|
| PUBLIC WORKS | | | | |
| Highways and Streets | \$ 14,025,574 | \$ 14,093,574 | \$ 13,802,133 | \$ (291,441) |
| HEALTH AND HOSPITAL | | | | |
| Health Department | \$ 959,898 | \$ 965,898 | \$ 965,898 | \$ 0 |
| SOCIAL SERVICES | | | | |
| Commission on Aging | \$ 265,750 | \$ 265,750 | \$ 265,750 | \$ 0 |
| EDUCATION | | | | |
| Board of Education | \$ 21,229,032 | \$ 21,369,340 | \$ 19,872,262 | \$ (1,497,078) |
| Community College | 6,330,729 | 8,437,239 | 4,584,848 | (3,852,391) |
| Total Education | <u>\$ 27,559,761</u> | <u>\$ 29,806,579</u> | <u>\$ 24,457,110</u> | <u>\$ (5,349,469)</u> |
| CULTURE | \$ 18,000 | \$ 18,000 | \$ 18,000 | \$ 0 |
| PARKS AND RECREATION | \$ 24,000 | \$ 774,000 | \$ 946,261 | \$ 172,261 |
| LIBRARY | \$ 1,001,175 | \$ 1,001,175 | \$ 991,308 | \$ (9,867) |
| CONSERVATION OF NATURAL RESOURCES | | | | |
| Agriculture Extension Service | \$ 156,386 | \$ 156,386 | \$ 221,691 | \$ 65,305 |
| Soil Conservation | 49,015 | 49,015 | 49,015 | 0 |
| Agricultural Land Preservation Program | 50,000 | 50,000 | 95,040 | 45,040 |
| Total Conservation of Natural Resources | <u>\$ 255,401</u> | <u>\$ 255,401</u> | <u>\$ 365,746</u> | <u>\$ 110,345</u> |
| ECONOMIC DEVELOPMENT AND OPPORTUNITY | | | | |
| Economic Development | \$ 1,567,514 | \$ 1,940,576 | \$ 1,876,841 | \$ (63,735) |
| Adventure Sports | 0 | 2,950,000 | 2,950,000 | 0 |
| Tourism | 650,000 | 650,000 | 650,000 | 0 |
| Community Action Programs | 504,256 | 817,340 | 820,881 | 3,541 |
| Special Promotion | 149,900 | 3,649,900 | 281,932 | (3,367,968) |
| Other | 138,047 | 126,132 | 91,016 | (35,116) |
| Total Economic Development and Opportunity | <u>\$ 3,009,717</u> | <u>\$ 10,133,948</u> | <u>\$ 6,670,670</u> | <u>\$ (3,463,278)</u> |
| CAPITAL OUTLAY | | | | |
| Circuit Court | \$ 0 | \$ 17,239 | \$ 6,255 | \$ (10,984) |
| County Buildings | 604,652 | 624,757 | 207,336 | (417,421) |
| Sheriff's Department | 121,170 | 121,170 | 121,170 | 0 |
| Emergency Management | 0 | 0 | 130 | 130 |
| Emergency Alarm & Communications - 911 | 200,000 | 200,000 | 508,292 | 308,292 |
| Subtotal Capital Outlay | <u>\$ 925,822</u> | <u>\$ 963,166</u> | <u>\$ 843,183</u> | <u>\$ (119,983)</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, 2007

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Over (Under) Budget</u> |
|--|-----------------------------|-----------------------------|-----------------------------|------------------------------------|
| CAPITAL OUTLAY - Continued | | | | |
| Balances Brought Forward | \$ 925,822 | \$ 963,166 | \$ 843,183 | \$ (119,983) |
| Highways and Streets | 700,600 | 632,518 | 129,970 | (502,548) |
| Corrections | 10,000 | 10,000 | 0 | (10,000) |
| Economic Development and Opportunity | 250,000 | 250,000 | 0 | (250,000) |
| Total Capital Outlay | <u>\$ 1,886,422</u> | <u>\$ 1,855,684</u> | <u>\$ 973,153</u> | <u>\$ (882,531)</u> |
| DEBT SERVICE | | | | |
| General Obligation Debt | \$ 548,318 | \$ 730,584 | \$ 730,575 | \$ (9) |
| Other | 866 | 866 | 866 | 0 |
| Total Debt Service | <u>\$ 549,184</u> | <u>\$ 731,450</u> | <u>\$ 731,441</u> | <u>\$ (9)</u> |
| INTERGOVERNMENTAL | <u>\$ 5,205</u> | <u>\$ 5,205</u> | <u>\$ 5,205</u> | <u>\$ 0</u> |
| MISCELLANEOUS | <u>\$ 720,500</u> | <u>\$ 835,903</u> | <u>\$ 367,953</u> | <u>\$ (467,950)</u> |
| TOTAL EXPENDITURES | <u>\$ 63,606,714</u> | <u>\$ 73,957,063</u> | <u>\$ 62,916,638</u> | <u>\$ (11,040,425)</u> |
| OTHER FINANCING USES | | | | |
| Operating Transfers: | | | | |
| Capital Projects Fund | \$ 1,880,646 | \$ 9,868,372 | \$ 1,039,883 | \$ (8,828,489) |
| Special Revenue Fund | 0 | 0 | 14,342 | 14,342 |
| Airport | 1,305,134 | 1,305,134 | 1,131,811 | (173,323) |
| Sanitary District | 0 | 0 | 24,098 | 24,098 |
| Total Other Financing Uses | <u>\$ 3,185,780</u> | <u>\$ 11,173,506</u> | <u>\$ 2,210,134</u> | <u>\$ (8,963,372)</u> |
| TOTAL EXPENDITURES AND OTHER FINANCING USES | <u><u>\$ 66,792,494</u></u> | <u><u>\$ 85,130,569</u></u> | <u><u>\$ 65,126,772</u></u> | <u><u>\$ (20,003,797)</u></u> |

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
General Fund
Schedule of Taxes and Taxes Receivable
Year Ended June 30, 2007

| | 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 | \$ 70,392,610 | \$ 0.795 | \$ 637,053 | | |
| Oakland | 104,703,855 | 0.885 | 926,629 | | |
| All Others | <u>2,998,443,188</u> | 0.960 | <u>28,785,055</u> | | |
| Total Full Year | \$ 3,173,539,653 | | \$ 30,348,737 | \$ 28,837,639 | \$ 1,511,098 |
| Real Property - One-Half Year | <u>36,175,807</u> | 0.479 | <u>173,419</u> | | <u>173,419</u> |
| Total Real Property | \$ <u>3,209,715,460</u> | | \$ <u>30,522,156</u> | \$ <u>28,837,639</u> | \$ <u>1,684,517</u> |
| Personal Property - Corporate | <u>1,757,870</u> | 2.400 | <u>42,189</u> | | <u>42,189</u> |
| Public Utilities | \$ 98,352,160 | 2.400 | \$ 2,360,452 | | |
| Railroad Real Estate | <u>542,460</u> | 0.960 | <u>5,207</u> | | |
| Total Railroads and Public Utilities | \$ <u>98,894,620</u> | | \$ <u>2,365,659</u> | \$ <u>2,365,659</u> | \$ <u>0</u> |
| | | | | | |
| Total Current Year | \$ <u>3,310,367,950</u> | | \$ <u>32,930,004</u> | \$ <u>31,203,298</u> | \$ <u>1,726,706</u> |
| | | | | | |
| PRIOR YEAR RECEIVABLES: | | | | | |
| | Year Ended June 30: | | | | |
| | 2006 | | | | \$ 23,186 |
| | 2005 | | | | 19,992 |
| | 2004 | | | | 66,224 |
| | 2003 | | | | 58,115 |
| | 2002 | | | | 79,667 |
| | 2001 | | | | 79,037 |
| | 2000 | | | | 72,987 |
| | 1999 | | | | 27,242 |
| | 1998 | | | | 14,746 |
| | 1997 | | | | 15,959 |
| | 1991-1996 | | | | <u>15,948</u> |
| | | | | | |
| Total Prior Years | | | | | \$ <u>473,104</u> |
| | | | | | |
| TOTAL TAXES RECEIVABLE | | | | | \$ 2,199,810 |
| | | | | | |
| Less: Allowance for Uncollectible Accounts | | | | | <u>(305,574)</u> |
| | | | | | |
| TAXES RECEIVABLE - NET | | | | | \$ <u>1,894,236</u> |

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

Combining Balance Sheet
Other Governmental Funds
June 30, 2007

| | <u>DARE Program</u> | <u>HUD Block Grant</u> | <u>Gaming</u> |
|--|-------------------------|----------------------------|--------------------|
| ASSETS: | | | |
| Due from Other Funds | \$ 111 | \$ | \$ |
| Other Receivables - Net | | | |
| Restricted Cash | | | |
| | <hr/> | <hr/> | <hr/> |
| TOTAL ASSETS | \$ <u>111</u> | \$ <u>0</u> | \$ <u>0</u> |
| LIABILITIES: | | | |
| Accounts Payable and Accrued Expenses | \$ | \$ | \$ |
| Due to Other Funds | | | |
| | <hr/> | <hr/> | <hr/> |
| Total Liabilities | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> |
| FUND BALANCES: | | | |
| Reserved | \$ 111 | \$ 0 | \$ 0 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL LIABILITIES AND FUND BALANCES | \$ <u>111</u> | \$ <u>0</u> | \$ <u>0</u> |

| <u>Public Safety</u> | <u>Commissary</u> | <u>Law Library</u> | <u>Total Other Governmental Funds</u> |
|--------------------------|-------------------|------------------------|---|
| \$ 698 | \$ 65,732 | \$ 26,217 | \$ 92,758 |
| 11,450 | 4,247 | | 15,697 |
| <u>24,020</u> | | | <u>24,020</u> |
| <u>\$ 36,168</u> | <u>\$ 69,979</u> | <u>\$ 26,217</u> | <u>\$ 132,475</u> |
| \$ 148 | \$ 600 | \$ 1,778 | \$ 2,526 |
| <u>11,450</u> | | | <u>11,450</u> |
| <u>\$ 11,598</u> | <u>\$ 600</u> | <u>\$ 1,778</u> | <u>\$ 13,976</u> |
| <u>\$ 24,570</u> | <u>\$ 69,379</u> | <u>\$ 24,439</u> | <u>\$ 118,499</u> |
| <u>\$ 36,168</u> | <u>\$ 69,979</u> | <u>\$ 26,217</u> | <u>\$ 132,475</u> |

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

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Other Governmental Funds
Year Ended June 30, 2007

| | <u>DARE Program</u> | <u>HUD Block Grant</u> | <u>Gaming</u> |
|--|-------------------------|----------------------------|---------------|
| OPERATING REVENUES: | | | |
| Intergovernmental | \$ | \$ 67,546 | \$ |
| Fines and Forfeitures | | | |
| Charges for Services | | | |
| | <hr/> | <hr/> | <hr/> |
| Total Revenues | \$ 0 | \$ 67,546 | \$ 0 |
| | <hr/> | <hr/> | <hr/> |
| EXPENDITURES: | | | |
| General Government | \$ | \$ | \$ |
| Public Safety | 657 | | |
| Community Development and Housing | | 67,556 | |
| | <hr/> | <hr/> | <hr/> |
| Total Expenditures | \$ 657 | \$ 67,556 | \$ 0 |
| | <hr/> | <hr/> | <hr/> |
| REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES | \$ (657) | \$ (10) | \$ 0 |
| | <hr/> | <hr/> | <hr/> |
| OTHER FINANCING SOURCES | | | |
| Sale of Capital Assets | | | |
| Operating Transfers | | | 14,342 |
| | <hr/> | <hr/> | <hr/> |
| REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES | \$ (657) | \$ (10) | \$ 14,342 |
| | <hr/> | <hr/> | <hr/> |
| Fund Balances, Beginning of Year | 768 | 10 | (14,342) |
| | <hr/> | <hr/> | <hr/> |
| FUND BALANCES, End of Year | \$ 111 | \$ 0 | \$ 0 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

| <u>Public Safety</u> | <u>Commissary</u> | <u>Law Library</u> | <u>Total Other Governmental Funds</u> |
|--------------------------|-------------------|------------------------|---|
| \$ 11,798 | \$ | \$ | \$ 79,344 |
| 10,768 | | 13,493 | 24,261 |
| | 69,060 | | 69,060 |
| <u>\$ 22,566</u> | <u>\$ 69,060</u> | <u>\$ 13,493</u> | <u>\$ 172,665</u> |
| \$ 25,219 | \$ 51,083 | \$ 30,701 | \$ 30,701 |
| | | | 76,959 |
| | | | 67,556 |
| <u>\$ 25,219</u> | <u>\$ 51,083</u> | <u>\$ 30,701</u> | <u>\$ 175,216</u> |
| \$ (2,653) | \$ 17,977 | \$ (17,208) | \$ (2,551) |
| 135 | | | 135 |
| | | | 14,342 |
| <u>\$ (2,518)</u> | <u>\$ 17,977</u> | <u>\$ (17,208)</u> | <u>\$ 11,926</u> |
| 27,088 | 51,402 | 41,647 | 106,573 |
| <u>\$ 24,570</u> | <u>\$ 69,379</u> | <u>\$ 24,439</u> | <u>\$ 118,499</u> |

GARRETT COUNTY SANITARY DISTRICT, INC.

Combining Schedule of Revenues and Expenses
Year Ended June 30, 2007

| | <u>Water Systems</u> | <u>Other Water</u> | <u>Deep Creek Lab</u> | <u>Company Store</u> |
|--|----------------------------|------------------------|-------------------------------|--------------------------|
| OPERATING REVENUES: | | | | |
| Charges for Services | \$ 1,014,865 | \$ 12,909 | \$ 116,859 | \$ |
| Other | <u>117,506</u> | | | <u>1,026,619</u> |
| Total Operating Revenues | <u>\$ 1,132,371</u> | <u>\$ 12,909</u> | <u>\$ 116,859</u> | <u>\$ 1,026,619</u> |
| OPERATING EXPENSES: | | | | |
| Salaries | \$ 317,709 | \$ 3,043 | \$ 59,260 | \$ 28,872 |
| Fringe Benefits | 150,799 | 1,647 | 24,525 | 11,628 |
| Maintenance and Repairs | 117,381 | 326 | 1,897 | 264 |
| Supplies | 65,466 | 102 | 23,282 | 886,557 |
| Utilities | 144,614 | | 1,200 | 4,511 |
| Transportation | 39,838 | 246 | 2,691 | |
| Contracted Services | 10,222 | | 22,247 | |
| Lab Tests | 27,113 | 373 | (86,361) | |
| Direct Administrative | 33,853 | 42 | 4,997 | 28,090 |
| Indirect Administrative | 297,540 | 2,979 | 53,210 | 25,720 |
| Depreciation | 558,559 | | 9,881 | 912 |
| Bad Debt Expense | | | 30 | <u>5,319</u> |
| Total Operating Expenses | <u>\$ 1,763,094</u> | <u>\$ 8,758</u> | <u>\$ 116,859</u> | <u>\$ 991,873</u> |
| OPERATING INCOME/(LOSS) | <u>\$ (630,723)</u> | <u>\$ 4,151</u> | <u>\$ 0</u> | <u>\$ 34,746</u> |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Tap Fees - Capital Charge | \$ 144,903 | | | |
| Interest Revenue | 57,685 | | | 3,131 |
| Ad Valorem Tax | 119,990 | | | |
| Sale of Assets | | | | |
| Interest Expense | <u>(105,277)</u> | | | |
| Net Other Revenues | <u>\$ 217,301</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 3,131</u> |
| INCOME/(LOSS) BEFORE TRANSFERS | <u>\$ (413,422)</u> | <u>\$ 4,151</u> | <u>\$ 0</u> | <u>\$ 37,877</u> |
| Transfers from Primary Government | <u>\$ 24,098</u> | | | |
| INCREASE/(DECREASE) IN NET ASSETS | <u><u>\$ (389,324)</u></u> | <u><u>\$ 4,151</u></u> | <u><u>\$ 0</u></u> | <u><u>\$ 37,877</u></u> |

| <u>Subtotal Water Projects</u> | <u>Sewer Systems</u> | <u>Trout Run</u> | <u>Other Sewer</u> | <u>Subtotal Sewer Projects</u> | <u>Total</u> |
|--|--------------------------|----------------------|------------------------|--|-----------------------|
| \$ 1,144,633 | \$ 1,725,200 | \$ 73,108 | \$ 52,424 | \$ 1,850,732 | \$ 2,995,365 |
| <u>1,144,125</u> | <u>60,735</u> | | <u>11,342</u> | <u>72,077</u> | <u>1,216,202</u> |
| \$ <u>2,288,758</u> | \$ <u>1,785,935</u> | \$ <u>73,108</u> | \$ <u>63,766</u> | \$ <u>1,922,809</u> | \$ <u>4,211,567</u> |
| \$ 408,884 | \$ 478,374 | \$ 12,357 | \$ 13,151 | \$ 503,882 | \$ 912,766 |
| 188,599 | 214,470 | 6,575 | 6,567 | 227,612 | 416,211 |
| 119,868 | 179,372 | 3,564 | 636 | 183,572 | 303,440 |
| 975,407 | 216,475 | 2,209 | 682 | 219,366 | 1,194,773 |
| 150,325 | 357,706 | 37,692 | | 395,398 | 545,723 |
| 42,775 | 50,965 | 1,363 | 3,215 | 55,543 | 98,318 |
| 32,469 | 12,818 | 5,976 | | 18,794 | 51,263 |
| (58,875) | 69,411 | 15,741 | 14,667 | 99,819 | 40,944 |
| 66,982 | 46,368 | 7,209 | 204 | 53,781 | 120,763 |
| 379,449 | 440,340 | 12,023 | 12,522 | 464,885 | 844,334 |
| 569,352 | 1,763,896 | 188,803 | | 1,952,699 | 2,522,051 |
| 5,349 | 0 | | | 0 | 5,349 |
| \$ <u>2,880,584</u> | \$ <u>3,830,195</u> | \$ <u>293,512</u> | \$ <u>51,644</u> | \$ <u>4,175,351</u> | \$ <u>7,055,935</u> |
| \$ <u>(591,826)</u> | \$ <u>(2,044,260)</u> | \$ <u>(220,404)</u> | \$ <u>12,122</u> | \$ <u>(2,252,542)</u> | \$ <u>(2,844,368)</u> |
| \$ 144,903 | \$ 2,382,950 | \$ | \$ | \$ 2,382,950 | \$ 2,527,853 |
| 60,816 | 218,816 | 52,048 | | 270,864 | 331,680 |
| 119,990 | 79,484 | 33,562 | | 113,046 | 233,036 |
| 0 | 12,099 | | | 12,099 | 12,099 |
| <u>(105,277)</u> | <u>(130,106)</u> | <u>(29,352)</u> | | <u>(159,458)</u> | <u>(264,735)</u> |
| \$ <u>220,432</u> | \$ <u>2,563,243</u> | \$ <u>56,258</u> | \$ <u>0</u> | \$ <u>2,619,501</u> | \$ <u>2,839,933</u> |
| \$ (371,394) | \$ 518,983 | \$ (164,146) | \$ 12,122 | \$ 366,959 | \$ (4,435) |
| \$ <u>24,098</u> | \$ | \$ | \$ | \$ <u>0</u> | \$ <u>24,098</u> |
| \$ <u>(347,296)</u> | \$ <u>518,983</u> | \$ <u>(164,146)</u> | \$ <u>12,122</u> | \$ <u>366,959</u> | \$ <u>19,663</u> |

GARRETT COUNTY SANITARY DISTRICT, INC.

Schedule of Costs Capitalized to Construction in Progress
Year Ended June 30, 2007

| <u>PROJECT</u> | <u>Balance July 1, 2006</u> | <u>Construction (Net of Program Income)</u> | <u>Engineering</u> | <u>Salaries</u> |
|---|---------------------------------|---|--------------------|------------------|
| Deep Creek Lake Capacity Upgrade | \$ 12,842,113 | \$ 2,713,999 | \$ 214,845 | \$ 18,995 |
| Crellin Water Improvement | 43,437 | (998) | 2,234 | 3,251 |
| Keysers Ridge Sewer | 69,090 | | 50,000 | 745 |
| McHenry Water System | 208,814 | 24,942 | 15,437 | 11,471 |
| Keysers Ridge Water | 47,925 | | 13 | 670 |
| Deep Creek Lake Collection & Conveyance | 258,206 | | 275,508 | 18,169 |
| Trout Run Sewer | 136,073 | | | 416 |
| Mountain Lake Park Water | 18,116 | | 5,350 | 7,119 |
| Gorman Sewer | 36,067 | | 17,500 | 344 |
| Friendsville Sewer | 120,033 | | | 2,059 |
| Northern High School Water | 310,895 | 24,098 | 0 | |
| Thayerville Water | 17,302 | | 9,620 | |
| Table Rock Water | | | 165 | 2,276 |
| TOTAL | <u>\$ 14,108,071</u> | <u>\$ 2,762,041</u> | <u>\$ 590,672</u> | <u>\$ 65,515</u> |

| <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, 2007</u> |
|------------------------|-----------------------|-------------------|-----------------------|------------------------|---|------------------------------|
| \$ 8,029 | \$ 15,967 | \$ 685,998 | \$ 16,831 | \$ 3,674,664 | \$ (16,516,777) | \$ 0 |
| 1,506 | 662 | | 3,020 | 9,675 | | 53,112 |
| 404 | | | 730 | 51,879 | | 120,969 |
| 4,193 | 147 | | 9,948 | 66,138 | | 274,952 |
| 249 | | | 584 | 1,516 | | 49,441 |
| 6,918 | 156 | | 15,932 | 316,683 | | 574,889 |
| 174 | | | 375 | 964 | (29,612) | 107,425 |
| 3,096 | 626 | | 6,487 | 22,678 | | 40,794 |
| 154 | | | 316 | 18,315 | | 54,382 |
| 774 | 226 | | 1,799 | 4,858 | | 124,892 |
| | | | | 24,098 | (334,993) | 0 |
| | 2 | | | 9,622 | | 26,924 |
| 950 | 36 | | 2,048 | 5,474 | | 5,474 |
| <u>\$ 26,447</u> | <u>\$ 17,822</u> | <u>\$ 685,998</u> | <u>\$ 58,071</u> | <u>\$ 4,206,565</u> | <u>\$ (16,881,382)</u> | <u>\$ 1,433,254</u> |

GARRETT COUNTY SANITARY DISTRICT, INC.

Schedule of Indirect Costs
Year Ended June 30, 2007

| | <u>2007</u> |
|---------------------------------|----------------------------|
| TYPE: | |
| Insurance | \$ 68,601 |
| Administrative | 100,022 |
| Telephone | 10,243 |
| Professional and Legal | 18,740 |
| Office Supplies and Expenses | 7,054 |
| Salaries | 472,831 |
| Utilities | 3,631 |
| Fringe Benefits | 209,519 |
| Depreciation - Office Equipment | <u>11,763</u> |
| Total | \$ <u>902,405</u> |
| ALLOCATION BASE: | |
| Direct Salaries | \$ 978,283 |
| Related Fringe Benefits | <u>442,658</u> |
| Total Allocation Base | \$ <u>1,420,940</u> |
| INDIRECT COST RATE | <u>63.5076%</u> |
| COSTS REPORTED AS: | |
| Operations | \$ 844,334 |
| Construction in Progress | <u>58,071</u> |
| | \$ <u>902,405</u> |

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Comparative Schedule of Primary Government Long-Term Indebtedness
June 30, 2007 and 2006

| | June 30, | |
|--|----------------------|----------------------|
| | 2007 | 2006 |
| LONG-TERM INDEBTEDNESS: | | |
| Government Activities: | | |
| Bond Payable - Hospital Bonds of 2002 | \$ | \$ 1,879,569 |
| Bond Payable - Hospital Bonds of 2003 | | 1,092,607 |
| Bond Payable - Hospital Bonds of 2004 | 1,280,798 | 1,329,942 |
| Bond Payable - Hospital Bonds of 2007 | 3,000,000 | |
| Bond Payable - Hospital Refunding Bonds of 1997 | 1,290,000 | 1,675,000 |
| Bond Payable - General Obligation Public Facilities Bonds of 1996 | 2,365,000 | 2,560,000 |
| Bond Payable - USDA Rural Development - Health Center | 2,275,151 | 2,552,668 |
| Accrued Compensated Absences - General Fund | 1,306,439 | 1,078,964 |
| Total Governmental Activities | \$ 11,517,388 | \$ 12,168,750 |
| Business Type Activities: | | |
| Airport | | |
| Accrued Compensated Absences - Airport | \$ 5,055 | \$ 3,112 |
| Total Airport | \$ 5,055 | \$ 3,112 |
| Solid Waste | | |
| Bond Payable - Landfill Project, Series 1993 | \$ 2,855,000 | \$ 3,180,000 |
| Bond Payable - Maryland Water Quality Financing Administration | 1,147,689 | 1,243,219 |
| Accrued Landfill Closure/Postclosure Liability | 2,766,449 | 2,639,872 |
| Accrued Compensated Absences - Landfill | 92,038 | 78,235 |
| Total Solid Waste | \$ 6,861,176 | \$ 7,141,326 |
| Sanitary District | | |
| Note Payable - Rural Development-Bloomington | \$ 113,874 | \$ 119,592 |
| Note Payable - Rural Development-Youghiogeny | 649,140 | 660,952 |
| Note Payable - Rural Development-Chestnut Ridge | 763,215 | 775,827 |
| Note Payable - Maryland Department of the Environment-Mt. Lake Park/Powles | 83,532 | 86,280 |
| Note Payable - Rural Development-Chestnut Ridge | 211,897 | 215,402 |
| Note Payable - GE Capital Asset Management-Friendsville Water | 68,000 | 76,000 |
| Note Payable - Rural Development-Deer Park Sewer | 357,812 | 363,213 |
| Note Payable - Maryland Water Quality Financing-Deep Creek Lake Sewer Ext. | 717,041 | 766,519 |
| Note Payable - Maryland Water Quality Financing-Deep Creek Lake Septage | 230,017 | 251,452 |
| Note Payable - State of Maryland-Jennings Sewer | 78,726 | 84,342 |
| Note Payable - Maryland Water Quality Financing-Goodwill Mennonite Sewer | 195,460 | 213,293 |
| Note Payable - Rural Development-Meadow Mountain Sewer | 387,321 | 391,812 |
| Note Payable - Rural Development-McHenry Water | 223,229 | 225,748 |
| Note Payable - Rural Development-McHenry Water | 588,081 | 594,713 |
| Note Payable - Rural Development-Keysers Ridge Water | 540,213 | 546,225 |
| Note Payable - Rural Development-Deer Park Water | 547,305 | 553,477 |
| Note Payable - M & T Bank-DCL Plant Capacity | 1,999,871 | 5,000,000 |
| Note Payable - M & T Bank-McKenzie Property | 117,579 | 135,251 |
| Note Payable - Maryland Water Quality Financing-Deer Park Water | 243,019 | 251,527 |
| Note Payable - Maryland Water Quality Financing-Septage Hauling Truck | 82,938 | 103,466 |
| Note Payable - Rural Development Keyser's Ridge Water | 114,076 | 115,233 |
| Note Payable - M&T Bank-DCL Interim Financing | | 3,700,000 |
| Note Payable - M&T Bank-DCL Interim Financing | | 8,800,000 |
| Note Payable - USDA-DCL WWTP | 9,999,999 | |
| Note Payable - USDA-DCL WWTP | 4,617,900 | |
| Note Payable - USDA-DCL WWTP | 982,101 | |
| Accrued Compensated Absences | 117,697 | 94,306 |
| Total Sanitary District | \$ 24,030,043 | \$ 24,124,630 |
| Total Business Type Activities | \$ 30,896,274 | \$ 31,269,068 |
| TOTAL LONG-TERM INDEBTEDNESS | \$ 42,413,662 | \$ 43,437,818 |

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Combining Statement of Net Assets
Fiduciary Funds
June 30, 2007

| | <u>Government Personnel Retirement Plan</u> | <u>Law Enforcement Employee Retirement Plan</u> | <u>Total Retirement Plans</u> |
|---|---|---|---------------------------------------|
| ASSETS: | | | |
| Cash and Cash Equivalents | \$ 66,953 | \$ 34,508 | \$ 101,461 |
| Investments: | | | |
| Certificates of Deposit | \$ | \$ 125,000 | \$ 125,000 |
| Fixed Income Securities | 2,384,529 | 485,131 | 2,869,660 |
| Mutual Funds | 3,649,914 | 1,067,621 | 4,717,535 |
| Equity Securities | 1,989,824 | 632,833 | 2,622,657 |
| Total Investments | <u>\$ 8,024,267</u> | <u>\$ 2,310,585</u> | <u>\$ 10,334,852</u> |
| Interest Receivable | <u>\$ 30,490</u> | <u>\$ 7,452</u> | <u>\$ 37,942</u> |
| TOTAL ASSETS | <u>\$ 8,121,710</u> | <u>\$ 2,352,545</u> | <u>\$ 10,474,255</u> |
| LIABILITIES | <u>0</u> | <u>0</u> | <u>0</u> |
| NET ASSETS: | | | |
| Held in Trust for Benefits and Other Purposes | <u>\$ 8,121,710</u> | <u>\$ 2,352,545</u> | <u>\$ 10,474,255</u> |

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Combining Statement of Changes in Net Assets
Fiduciary Funds
For the Year Ended June 30, 2007

| | Government Personnel Retirement Plan | Law Enforcement Employee Retirement Plan | Total Retirement Plans |
|---|---|---|---------------------------------------|
| ADDITIONS | | | |
| Contributions: | | | |
| Employer | \$ 806,056 | \$ 275,765 | \$ 1,081,821 |
| Plan Members | 105,511 | 169,117 | 274,628 |
| Total Contributions | \$ 911,567 | \$ 444,882 | \$ 1,356,449 |
| Investment Earnings: | | | |
| Net Increase in Fair Value of Investments | \$ 685,047 | \$ 186,495 | \$ 871,542 |
| Realized Gains on Investments | 131,319 | 23,170 | 154,489 |
| Interest and Dividends | 226,167 | 65,535 | 291,702 |
| Investment Activity Expense | (40,992) | (17,292) | (58,284) |
| Total Net Investment Earnings | \$ 1,001,541 | \$ 257,908 | \$ 1,259,449 |
| Total Additions | \$ 1,913,108 | \$ 702,790 | \$ 2,615,898 |
| DEDUCTIONS | | | |
| Benefits | \$ 873 | \$ 42,888 | \$ 43,761 |
| Administrative | 12,410 | 6,406 | 18,816 |
| Total Deductions | \$ 13,283 | \$ 49,294 | \$ 62,577 |
| Change In Net Assets | \$ 1,899,825 | \$ 653,496 | \$ 2,553,321 |
| Net Assets - Beginning of Year | 6,221,885 | 1,699,049 | 7,920,934 |
| Net Assets - End of Year | \$ 8,121,710 | \$ 2,352,545 | \$ 10,474,255 |