

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

**FINANCIAL REPORT
JUNE 30, 2012**

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

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INDEPENDENT AUDITORS' REPORT

The Board of County Commissioners
of Garrett County
Oakland, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Board of County Commissioners of Garrett County, Maryland (the County) as of and for the year ended June 30, 2012, 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, 2012, and the respective changes in financial position and, cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended 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 December 27, 2012, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of benefit plan funding progress listed in the index to financial report be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of The Board of County Commissioners of Garrett County, Maryland. The other supplementary information listed in the index to financial report is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Oakland, Maryland
December 27, 2012

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

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, 2012. 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, 2012 by \$139,432,054 (net assets), compared to \$126,458,693 at June 30, 2011. The June 30, 2011 net asset balance, as previously reported, was restated to \$125,644,471 for the effects of an increase to sick leave benefits subject to accrual based on generally accepted accounting principles, but not previously recorded as such. Approximately 45 percent of total net assets are attributable to the Enterprise Funds. Of total net assets at June 30, 2012, \$14,088,604 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, which compares to \$25,030,105 at June 30, 2011. Another \$5,790,219 is restricted for specific purposes (restricted net assets) in comparison to \$1,609,726 at June 30, 2011. The total invested in capital assets, net of related debt was \$119,553,231 at June 30, 2012, compared to \$99,818,862 at June 30, 2011.

The County's total net assets increased by \$13,787,583 over the June 30, 2011 net asset balance, as restated.

As of June 30, 2012, the County's governmental funds reported combined fund balances of \$19,701,480, a decrease of \$4,009,453 compared to the prior year. Approximately 17.8 percent of the combined fund balance is available to meet the County's current and future needs (unassigned fund balance), 11 percent is nonspendable, 18.4 percent is restricted, and 52.8 percent is assigned for future use and capital projects.

At the close of the current fiscal year, unrestricted fund balance for the General Fund (primary operating fund) was \$13,911,261 or 17% of total general fund expenditures including operating transfers at June 30, 2012. Assigned fund balance of the general fund was \$10,400,214, or 75 percent of unrestricted fund balance.

Overview of the Financial Statements

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

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

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

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

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 and Recycling Management, Garrett County Sanitary District, Inc. d/b/a Garrett County Department of Public Utilities and the Garrett County Parks & Recreation Fund.

The government-wide financial statements include not only the operations of Garrett County Government itself (known as the primary government), but also the legally separate organizations of the Board of Education, Garrett College and the Ruth Enlow Library System of Garrett County. The financial information for these component units is reported separately from the primary government in the government-wide financial statements located on pages 18 and 19 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, 2012

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 7 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 20 to 24 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 26 to 31 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The County maintains four fiduciary funds: Garrett County Law Enforcement Personnel Retirement Plan, the Garrett County Government Personnel Retirement Plan, Garrett County Other Post Employment Benefits Plan (OPEB) and the Volunteer Length of Service Awards Plan (LOSAP) for volunteers of the 11 Fire Departments and two Rescue Squads. The Fiduciary Fund financial statements can be found on pages 32 and 33 of this report.

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

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

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

fund financial statements. The notes to the financial statements can be found on pages 34 through 76 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and other supplementary information that are not considered a part of the basic financial statements. Schedules in these sections include schedules of funding progress for the County's retirement plans and a budgetary comparison for the General Fund to demonstrate compliance with the annually adopted budget. Required supplementary information and other supplementary information is located immediately following the notes to the financial statements and can be found on pages 77 through 93 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In Garrett County, assets exceeded liabilities by \$139,432,054 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 (85.7 percent) reflect its investment in capital assets net of depreciation (e.g., land and easements, buildings, machinery, equipment, infrastructure and improvements), less any unmatured debt used to acquire those assets. The County uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Restricted net assets represent 4.2 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 \$14,088,604 (10.1 percent of total net assets), which may be used to meet the government's ongoing obligations to citizens and creditors.

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

Garrett County Government's Net Assets
June 30, 2012

	Governmental Activities		Business-type Activities		Total Government	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Assets:						
Current & Other Assets	\$ 35,288,430	\$ 38,974,801	\$ 6,405,703	\$ 9,051,470	\$ 41,694,133	\$ 48,026,271
Capital Assets	60,739,593	58,614,712	89,360,051	68,459,124	150,099,644	127,073,836
Total Assets	96,028,023	97,589,513	95,765,754	77,510,594	191,793,777	175,100,107
Liabilities:						
Long-Term Liabilities	6,847,966	5,842,681	33,904,036	32,758,395	40,752,002	38,601,076
Other Liabilities	12,605,940	12,937,343	(996,219)	(2,897,005)	11,609,721	10,040,338
Total Liabilities	19,453,906	18,780,024	32,907,817	29,861,390	52,361,723	48,641,414
Net Assets:						
Invested Capital Assets						
Net of Related Debt	60,739,593	58,614,712	58,813,638	41,204,150	119,553,231	99,818,862
Restricted	5,790,219	1,188,937	0	420,789	5,790,219	1,609,726
Unrestricted	10,044,305	19,005,840	4,044,299	6,024,265	14,088,604	25,030,105
Total Net Assets	\$ 76,574,117	\$ 78,809,489	\$ 62,857,937	\$ 47,649,204	\$139,432,054	\$ 126,458,693

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

The following table indicates the changes in net assets.

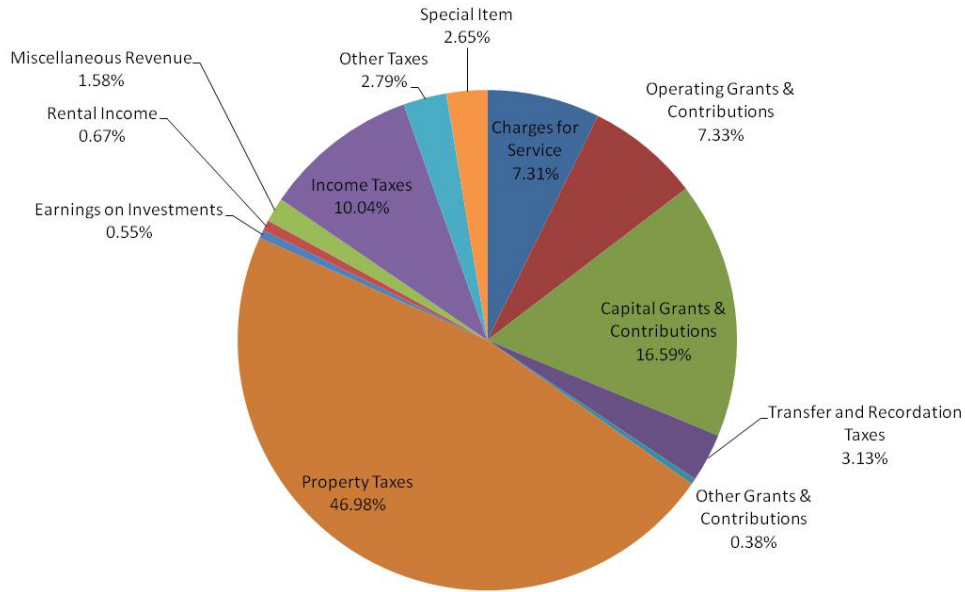
Garrett County Government's Changes in Net Assets
for the Year ended June 30, 2012

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,741,023	\$ 1,464,712	\$ 6,122,439	\$ 5,810,084	\$ 7,863,462	\$ 7,274,796
Operating Grants and Contributions	7,889,611	7,495,613	0	0	7,889,611	7,495,613
Capital Grants and Contributions	2,061,855	1,702,308	15,791,215	368,772	17,853,070	2,071,080
General Revenues:						
Property Taxes	48,145,894	46,332,585	2,419,961	2,291,639	50,565,855	48,624,224
Other Taxes and Licenses	17,185,352	16,992,144	0	0	17,185,352	16,992,144
Grants and Contributions	245,973	313,137	165,896	658,412	411,869	971,549
Other General Revenues	2,737,896	2,732,241	177,780	201,711	2,915,676	2,933,952
Total Revenues	\$ 80,007,604	\$ 77,032,740	\$ 24,677,291	\$ 9,330,618	\$ 104,684,895	\$ 86,363,358
Program Expenses:						
General Government	7,882,968	6,832,354	0	0	7,882,968	6,832,354
Public Safety	9,706,160	9,534,790	0	0	9,706,160	9,534,790
Public Works	18,152,195	18,422,238	0	0	18,152,195	18,422,238
Health & Hospital	1,447,964	1,355,187	0	0	1,447,964	1,355,187
Education - Board of Education	25,170,836	23,644,157	0	0	25,170,836	23,644,157
- Garrett College	10,603,285	5,437,384	0	0	10,603,285	5,437,384
Culture	18,000	18,000	0	0	18,000	18,000
Parks and Recreation	76,516	253,643	0	0	76,516	253,643
Library	997,744	991,443	0	0	997,744	991,443
Conservation of Natural Resources	167,575	339,573	0	0	167,575	339,573
Social Services	281,700	281,700	0	0	281,700	281,700
Community Development & Housing	263,000	0	0	0	263,000	0
Economic Opportunity & Development	5,579,002	5,478,006	0	0	5,579,002	5,478,006
Other	982,029	1,014,904	0	0	982,029	1,014,904
Garrett County Airport	0	0	1,062,561	1,026,713	1,062,561	1,026,713
Solid Waste Management	0	0	2,226,759	2,271,868	2,226,759	2,271,868
Garrett County Sanitary District, Inc.	0	0	8,213,805	8,193,606	8,213,805	8,193,606
Parks and Recreation Fund	0	0	912,564	0	912,564	0
Total Expenses	\$ 81,328,974	\$ 73,603,379	\$ 12,415,689	\$ 11,492,187	\$ 93,744,663	\$ 85,095,566
Excess before Special Items and Transfers	(1,321,370)	3,429,361	12,261,602	(2,161,569)	10,940,232	1,267,792
Special Item	0	0	2,847,351	0	2,847,351	0
Net Transfers In (Out)	(226,135)	171,343	226,135	(171,343)	0	0
Changes in Net Assets	(1,547,505)	3,600,704	15,335,088	(2,332,912)	13,787,583	1,267,792
Net Assets - Beginning of Year	78,121,622	75,208,785	47,522,849	49,982,116	125,644,471	125,190,901
Net Assets - End of Year	\$ 76,574,117	\$ 78,809,489	\$ 62,857,937	\$ 47,649,204	\$ 139,432,054	\$ 126,458,693

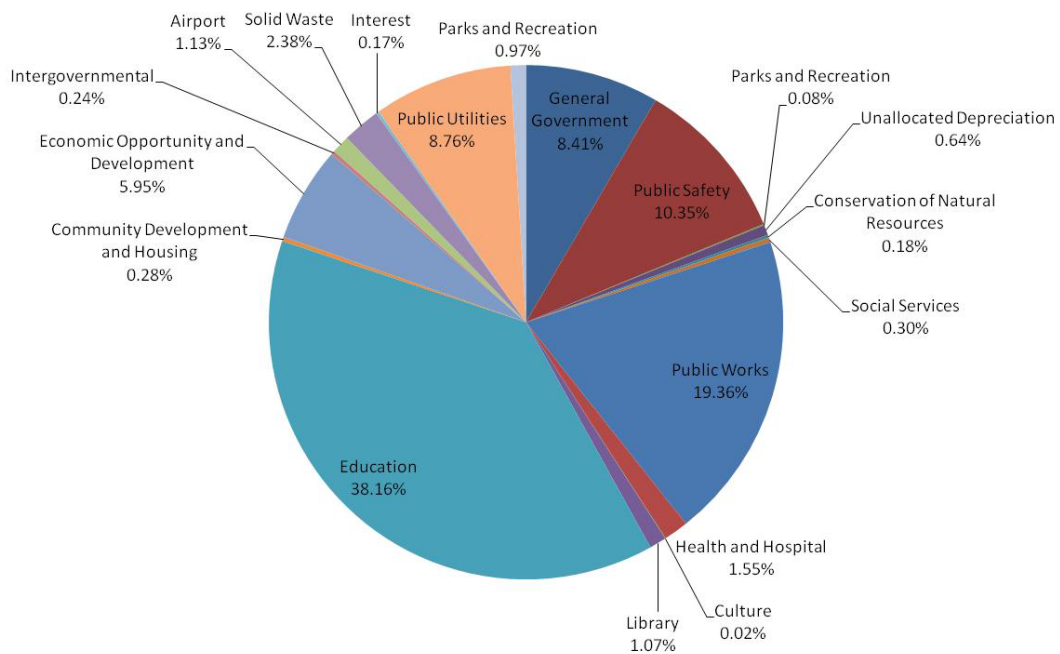
Net assets - beginning of year 2012 have been restated for the effect of a prior period adjustment. Management determined that certain additional sick leave benefits were subject to accrual based on generally accepted accounting principles, but not previously recorded as such.

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Revenues By Source - Primary Government



Expenditures - Primary Government



THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

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 \$13,787,583 for the year ended June 30, 2012. Key elements of this overall increase were the capital contribution of the net assets of the Adventure Sports Center, Inc. in the amount of \$14,237,083 to the Parks and Recreation Funds and a \$1,941,631 increase in property taxes. These increases were partially offset by increased funding to Garrett College and the Garrett County Board of Education.

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

Property taxes increased by \$1,941,631 (4%) during the year. The majority of this increase is due to increased property values as assessed by the State of Maryland Department of Assessments and Taxation. There was no change in the property tax rate as set by the County Commissioners. Property taxes account for 61.3% of General Fund revenues including other financing sources on a budgetary basis.

A change in the local economy began to occur during FY 2008 and continued into FY 2010 but a slight improvement was seen in FY 2011 and FY 2012. Property taxes remained high despite the declining real estate market because property assessments remain intact. As assessments catch up with the decline in real estate value, there will be an adverse affect on future property tax revenue. A slightly improving local economy and lower unemployment rates provided an increase in local income tax revenue. Income taxes account for 13.8% of General Fund revenues. Recordation and local transfer taxes show a decrease of 14.7% and 9.62%, respectively, for FY 2012.

Business-Type Activities. In 2012, total assets for the Airport decreased by \$685,373. This decrease is mainly due to the recording the current year's depreciation expense on assets. Total assets for the Garrett County Sanitary District, d/b/a Department of Public Utilities, decreased by \$1,761,825. This decrease is the result of depreciation on capital assets and debt service interest payments on long term debt. The Parks & Recreation Fund was established to account for the operations of the Adventure Sports Center, Inc.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

Government-wide Financial Analysis (cont'd)

Operating revenues net of in-house sales of the Sanitary District increased by \$16,904. An increase in customers, bulk water sales, and operating agreement rates contribute primarily to this increase. Operating expenditures for the Sanitary District increased by \$38,374. This increase is primarily the result of an increase in health insurance expenses.

The Garrett County Office of Solid Waste and Recycling's (Landfill) estimated disposal capacity changes over time based on variability in efficiencies with respect to waste compression. Based on the County's engineer estimates of costs to perform all closure and post-closure care activities, the balance of estimated costs to be recognized are approximately \$2,365,929 and will be recognized over the remaining useful life of the landfill, which, based on the current compaction rate is approximately 15 years. The County has established a landfill closure fund to provide funds to pay these closure and post-closure costs. As of June 30, 2012, the balance of these restricted cash assets was \$1,229,455.

On April 11, 2012, the County assumed the operations of Adventure Sports Center Inc. (ASC, Inc) to include day-to-day operations, and all financial and accounting aspects. Net assets for ASC, Inc. are stated at a total of \$16,337,383. Operating revenues were \$211,856 while operating expenditures were recorded as \$869,830 resulting in a net operating loss of \$657,974 for the year ended June 30, 2012. Operating expenditures include non-cash items such as depreciation (\$224,215), amortization (\$35,863) and bad debt expense (\$247,335).

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 \$19,701,480, a decrease of \$4,009,453. Approximately 18% of this total, \$3,511,047, constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is either nonspendable, restricted or assigned to indicate that it is not available for new spending. Assigned fund balance includes \$1,034,334 for the construction of a Community Aquatic Recreation Complex at Garrett College, \$2,779,452 for public works projects, \$1,224,343 for economic development projects and \$2,062,902 for subsequent year budget. \$3,342,261 has been restricted and \$1,525,301 has been assigned for self-funded health care. \$2,062,902 has been assigned for expenditure in the fiscal year 2013.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

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

The General Fund is the chief operating fund of the Garrett County Government. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,511,047, while total fund balance reached \$19,553,273. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 4.3% of the total General Fund expenditures including operating transfers, while total fund balance represents 24.1% of that same amount.

During the current fiscal year, the total fund balance of the County's General Fund decreased by \$3,969,705. The key factors for the decrease are as follows:

- Progress accelerated on several Capital Projects in Fiscal Year 2012 eliminating the delays in construction from past years.
- Overall revenue increased by \$1,830,148 and General Fund operating expenditures increased by \$9,794,062. As a result, overall revenue was not enough to support operating expenditures thereby resulting in a decrease in Fund Balance.

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

Garrett County's Debt Service Fund reports assets of \$3,720,807, which include amounts owing from the Garrett County Memorial Hospital Bonds, Series 2004 and 2007, for the expansion and renovation of the Emergency Room/Same Day Surgery/Admissions Project.

The Non-Major Special Revenue Funds have a total fund balance of \$148,207, all of which is restricted.

Proprietary funds. Garrett County's proprietary fund statements provide the same type of information found in the government-wide financial statements, only in more detail. The total unrestricted net assets of the proprietary funds at the end of the year amounted to \$4,044,299. The total increase in net assets for the proprietary funds was \$15,335,088. This significant increase is due to including the net assets of the Adventure Sports Center, Inc. in the Garrett County Parks & recreation Fund. Other factors concerning these funds' finances have been addressed in the discussion of Garrett County government's business-type activities.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

Budgetary Highlights

The difference between original revenue budget amounts of \$71,999,802 and final revenue budget amounts of \$75,172,816 is an increase of \$3,173,014. This difference is mainly due to budget amendments that occurred throughout the fiscal year to reduce or increase the original budget to reflect more accurately the actual revenue received. Some significant differences are increases in what was originally budgeted in federal and state grant revenue. This is a result of notification of grants awarded after the fiscal year had already begun and grants such as ARRA for Weatherization, Energy Efficiency and Conservation, ARC-Exhibit Hall and the Rural Legacy Program. The difference between the final revenue budget of \$75,172,816 and the actual revenue recorded of \$78,525,213 resulted in a positive variance of \$3,352,397.

Significant differences between the original expenditure budget amounts of \$72,999,802 and final expenditure budget amounts of \$89,405,653, resulting in a budget increase of \$16,405,851, are due to budget amendments that occurred to increase capital projects capital outlay to be more in alignment with actual project costs and to accurately reflect costs incurred in fiscal year 2012 resulting from unspent capital funds carried over from fiscal year 2011.

The difference between the final budget expenditures of \$89,405,653 and the actual expenditures recorded of \$81,839,758 represented a variance of \$7,565,895. The difference is, in large part, due to timing differences between budgeted capital outlay versus actual expenditures for these various capital outlay projects.

Significant differences between the final budget expenditures and actual expenditures on a budgetary basis are as follows: Capital Outlay actual expenditures were under what was budgeted due to a delay in construction or a delay in when the product was available for purchase. Some of these items include various bridge projects, and the delay in the purchase of capital equipment for the Roads Department, the continuation of the construction of the Community Aquatic Recreation Complex at Garrett College and the completion of the Exhibit Hall/Trade Enterprise Center at the fairgrounds.

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, 2012

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, 2012 amounts to \$150,099,644 (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 \$23,025,808 (an 18.1% 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$7,518,445	\$7,525,091	\$10,906,342	\$1,748,824	\$18,424,787	\$9,273,915
Land Improvements	2,746,135	2,435,953	7,678,908	8,355,091	10,425,043	10,791,044
Construction in Progress	1,948,630	1,557,159	6,264,609	1,863,613	8,213,239	3,420,772
Infrastructure	27,436,741	29,182,983	58,653,388	53,744,152	86,090,129	82,927,135
Buildings	14,944,701	14,969,981	3,883,239	1,334,454	18,827,940	16,304,435
Furniture and Equipment	1,029,839	783,982	0	321	1,029,839	784,303
Vehicles	2,997,535	950,255	308,670	191,511	3,306,205	1,141,766
Machinery and Equipment	2,117,567	1,209,308	1,664,895	1,221,158	3,782,462	2,430,466
Total	<u>\$60,739,593</u>	<u>\$58,614,712</u>	<u>\$89,360,051</u>	<u>\$68,459,124</u>	<u>\$150,099,644</u>	<u>\$127,073,836</u>

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

- Although there was little overall change in Buildings for governmental activities, the Career Technology Training Center was placed in service along with significant heating and cooling improvements in the Courthouse building funded by the American Recovery and Reinvestment Act. However, the former Oakland Roads Garage was demolished for the Cherry Glade Access Road project.
- Construction in Progress for governmental activities increased by a net \$391,000. \$1.6 million was added to Construction in Progress along with \$1.2 million being placed in service including the Cherry Glade Access Road and Career Technology Training Center Phase II Building Improvements. Land Improvements showed a net increase for governmental activities equating to \$310,000. The entire increase was attributable to the Cherry Glade Access Road.
- Although Infrastructure showed a net decrease of \$1.7 million due to current years depreciation expense exceeding all new additions, \$3.2 million of roads improvements were added to the asset base in FY2012.
- Machinery and Equipment for governmental activities grew by a net \$908,000. A new 911 System and equipment upgrades at communication towers made up the majority of this increase.

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2012**

Capital Asset and Debt Administration (cont’d)

- Vehicles for governmental activities grew by a net of \$2 million. New graders, loaders, skid-steers, and pick-up trucks for the Roads Department comprised the majority of this increase.
- Furniture and Equipment for governmental activities grew by a net of \$246,000. Various improvements to the 911 Center comprised the majority of this increase.
- For business-type activities, Land, Infrastructure, Buildings, Vehicles, and Machinery and Equipment all significantly increased due to the acquisition of the Adventure Sports Center. Construction in Progress also increased for business-type activities due to the continued progress on Solid Waste & Recycling’s Landfill Cell 4 and Permit Modification and the various on-going water and sewer improvements by The Sanitary District.

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

Long-term debt. At the end of the current fiscal year, Garrett County Government had notes and bonds outstanding of \$34,306,945, 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	
	2012	2011	2012	2011	2012	2011
General Bonded Debt	\$ 3,720,807	\$ 3,842,192	\$ 30,586,138	\$ 29,590,514	\$34,306,945	\$33,432,706

During fiscal year 2012, the County’s total debt increased by \$874,239. This net increase is attributable to the assumption of debt for the Adventure Sports Center, Inc., when the County assumed operations of the center on April 11, 2012. Other significant observations to the County’s outstanding debt that should be noted are the pay-off of the 1993 \$6,030,000 Landfill Project Revenue Bonds on June 29, 2012. All other required on-going debt service payments were made during the year.

In FY 2009, Garrett County received enabling legislation to borrow up to \$21,000,000 for the financing of various capital projects for economic development, roads department, education, general services and public safety. There are significant budgeted expenditures for capital project construction and capital outlay expenditures over fiscal years 2013 to 2017. These projects include the renovation of Southern Middle School and Keyser’s Ridge Industrial Park Sewer. This planned activity should have no significant impact on the County’s credit ratings because the County must budget the resources to account for these expenditures and in the case of long-term debt, the County must budget the resources to service the debt.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

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 91 under Other Supplementary Information.

Economic Factors and Next Year's Budget and Rates

- The County continues to maintain insured security ratings of "A1" from Moody's Investors Service. During FY 2008 Moody's Investors Service completed a review of Garrett County's bond rating and determined that due to the County maintaining a healthy financial position supported by conservative budgeting practices and possessing a strong economic outlook that includes economic growth in the County, Moody's upgraded Garrett County's bond rate two notches from an uninsured rating of Baa2 to A3. On May 1, 2010, Moody's recalibrated Garrett County's rating from A3 to A1. The recalibration was a result of Moody's rating agency's move to a Global Scale for municipal credit ratings.
- The annual average unemployment rate through October 2012 for the County is 6.3%, which is equal to the State's average of 6.3% and lower than the national average of 7.5% through the same period.
- For January 1, 2013, reassessment notices will be mailed to 7,199 residential and 686 commercial property owners in Area 1. Geographically, this area starts at the far western corner of the Mason-Dixon Line where Maryland, Pennsylvania and West Virginia meet and runs east to the boundary with Allegany County, then south along this border to the Potomac River. From there it again heads westward toward the center of the county. Area 1 includes Election Districts 2 – Friendsville, Part of 5 – North of Accident, 3 – Grantsville, 9 – Finzel, 15 – Avilton, 11 – Elbow, 4 – Bloomington and 13 – Kitzmiller. Historically, this area exhibits a very stable market but this reassessment cycle will show a very slight downward trend.
- 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 2013.

During fiscal year 2012, the County's total general fund balance decreased by \$3,969,705. Garrett County Government has always maintained and demonstrated a conservative budget philosophy. Even though, due to the downturn in the economy, the County has been forced to budget more liberally than desired, the County is still able and has appropriated \$2,062,902 of the Assigned Fund Balance for spending in fiscal year

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

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

2013. 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 2012 steady at \$.99 for every \$100 of assessable property.

Accounting standards for reporting the County's obligation for post-employment benefits went into effect for the fiscal year ended June 30, 2009. Under GASB Statement Number 45, benefits will accrue during the employee's active years of service for government-wide financial reporting purposes. Since the County, the Board of Education and Garrett College formed a coalition for health insurance benefits, OPEB costs were also calculated to include all three entities. An OPEB trust fund was established and the County acted as the funding source for OPEB obligations for all three entities. For FY 2009, the County funded \$613,000 directly to the OPEB Trust Fund for the Garrett County Board of Education, \$103,000 for Garrett College and the balance of \$120,000 for the County. For FY 2010, the County originally budgeted funding in the amount of \$566,174 for the Board of Education, \$95,167 for Garrett College and \$120,000 for the County. However, due to reductions in State revenue, the County was not able to fund the 2010 increase in the net OPEB obligation to the OPEB Trust Fund nor was any amount funded in FY 2011 or FY 2012. More information on the County's other post-employment benefit plans can be found in Note 10 to the financial statements.

The Garrett County Sanitary District, d/b/a Department of Public Utilities, has numerous projects planned for fiscal year 2013. Water projects include completion of the Thayerville Water Project which will serve an additional 1,200 customers in the future. The cost of the Thayerville Water System is estimated to be approximately \$8,400,000 for FY 2013. The District also plans to replace sections of the Mountain Lake Park water distribution system which serves 1,150 customers. The estimated cost of the Mountain Lake Park water system replacements for 2013 is \$200,000.

The District will begin construction of the Western Conveyance Wastewater Collection System that will serve an additional 2,500 customers in the future. The cost for the collection system is estimated to be an additional \$5,500,000 once completed over the next several years. The District will also begin the extension of the Friendsville Wastewater Collection system to address the problem of failing septic systems for current residents. The estimated cost of the Friendsville Sewer Line Extension is \$468,000 for FY 2013.

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

There are a few major capital projects that will continue into Fiscal Year 2013. These projects include the continuation of construction of Cell 4 at the Garrett County

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

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

Landfill, the continuation of several bridge projects as well as the continuation of the Cherry Glade Run Project (Phase II).

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

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.garrettcounty.org

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

Statement of Net Assets

June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 10,065,226	\$ 474,293	\$ 10,539,519
Investments	6,477,716		6,477,716
Taxes Receivable - Net	4,646,075		4,646,075
Due from Other Governments	2,694,925	158,550	2,853,475
Due from Primary Government			
Other Receivables - Net	790,407	1,460,369	2,250,776
Inventories	832,169	867,512	1,699,681
Prepaid Expenses	189,669	28,611	218,280
Restricted Cash	3,422,443	1,712,459	5,134,902
Restricted Investments		1,229,455	1,229,455
Restricted Accounts Receivable	3,720,807	371,076	4,091,883
Restricted Notes Receivable		100,862	100,862
Notes Receivable - Long-Term	2,440,555		2,440,555
Non-Depreciable Capital Assets	9,467,075	17,170,951	26,638,026
Depreciable Capital Assets, Net of Accumulated Depreciation	51,272,518	72,189,100	123,461,618
Deferred Charges	8,438	2,516	10,954
TOTAL ASSETS	\$ 96,028,023	\$ 95,765,754	\$ 191,793,777
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 3,059,398	\$ 1,334,597	\$ 4,393,995
Internal Balances	2,480,131	(2,480,131)	
Due to Component Units	448,090		448,090
Due to Other Governments	248,038	108,254	356,292
Deferred Revenues	6,192,461	41,061	6,233,522
Other Liabilities	177,822		177,822
Long-Term Liabilities			
Due Within One Year	125,876	1,053,329	1,179,205
Due in More Than One Year	6,722,090	32,850,707	39,572,797
Total Liabilities	\$ 19,453,906	\$ 32,907,817	\$ 52,361,723
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 60,739,593	\$ 58,813,638	\$ 119,553,231
Restricted	5,790,219		5,790,219
Unrestricted	10,044,305	4,044,299	14,088,604
Total Net Assets	\$ 76,574,117	\$ 62,857,937	\$ 139,432,054
TOTAL LIABILITIES AND NET ASSETS	\$ 96,028,023	\$ 95,765,754	\$ 191,793,777

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

Component Units		
<u>Board of Education</u>	<u>Community College</u>	<u>Public Library</u>
\$ 8,208,733	\$ 3,102,668	\$ 244,519
		351,313
894,569	506,521	
11,013	437,077	
24,408	170,178	36,309
143,586	127,716	
	279,547	
2,665,176	695,881	
	2,233,965	
2,599,362	10,503,886	33,556
47,111,126	28,655,706	1,362,533
	154,657	
<u>\$ 61,657,973</u>	<u>\$ 46,867,802</u>	<u>\$ 2,028,230</u>
\$ 7,412,526	\$ 648,648	\$ 17,169
66,675	6,634	
	119,056	
91,966	115,006	
7,549,791	7,417,414	31,576
<u>\$ 15,120,958</u>	<u>\$ 8,306,758</u>	<u>\$ 48,745</u>
\$ 48,182,878	\$ 33,339,207	\$ 1,396,089
706,897	2,647,140	102,883
(2,352,760)	2,574,697	480,513
<u>\$ 46,537,015</u>	<u>\$ 38,561,044</u>	<u>\$ 1,979,485</u>
<u>\$ 61,657,973</u>	<u>\$ 46,867,802</u>	<u>\$ 2,028,230</u>

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

Statement of Activities
Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities				
General Government	\$ 7,882,968	\$ 342,078	\$ 3,172,562	\$ 186,692
Public Safety	9,706,160	394,393	953,445	1,204,533
Public Works	18,152,195	855,752	257,903	460,075
Health and Hospital	1,447,964		283,254	
Education				
Board of Education	25,170,836	148,800		
College	10,603,285			
Culture	18,000			
Parks and Recreation	76,516		66,516	
Library	997,744			
Conservation of Natural Resources	167,575			
Social Services	281,700			
Community Development and Housing	263,000		263,000	
Economic Opportunity and Development	5,579,002		2,892,931	210,555
Intergovernmental	227,205			
Unallocated Depreciation	598,173			
Interest on Long-Term Debt	156,651			
Total Governmental Activities	<u>\$ 81,328,974</u>	<u>\$ 1,741,023</u>	<u>\$ 7,889,611</u>	<u>\$ 2,061,855</u>
Business-type activities				
Airport Fund	\$ 1,062,561	\$ 242,332		\$ 25,385
Solid Waste Fund	2,226,759	1,089,468		
Garrett County Sanitary District, Inc.	8,213,805	4,592,986		1,528,747
Parks & Recreation Fund	912,564	197,653		14,237,083
Total Business-Type Activities	<u>\$ 12,415,689</u>	<u>\$ 6,122,439</u>		<u>\$ 15,791,215</u>
Total Primary Government	<u>\$ 93,744,663</u>	<u>\$ 7,863,462</u>	<u>\$ 7,889,611</u>	<u>\$ 17,853,070</u>
Component Units				
Board of Education	\$ 61,661,091	\$ 1,036,288	\$ 8,501,830	\$ 159,102
College	16,678,060	4,193,366	3,342,544	10,043,866
Public Library	1,423,713	41,129	112,211	15,043
Total Component Units	<u>\$ 79,762,864</u>	<u>\$ 5,270,783</u>	<u>\$ 11,956,585</u>	<u>\$ 10,218,011</u>

General Revenues:

Taxes:

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

Total General Revenues, Transfers & Special Item

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	College	Public Library
\$ (4,181,636)		\$ (4,181,636)	\$		\$
(7,153,789)		(7,153,789)			
(16,578,465)		(16,578,465)			
(1,164,710)		(1,164,710)			
(25,022,036)		(25,022,036)			
(10,603,285)		(10,603,285)			
(18,000)		(18,000)			
(10,000)		(10,000)			
(997,744)		(997,744)			
(167,575)		(167,575)			
(281,700)		(281,700)			
(2,475,516)		(2,475,516)			
(227,205)		(227,205)			
(598,173)		(598,173)			
(156,651)		(156,651)			
<u>\$ (69,636,485)</u>	<u>\$</u>	<u>\$ (69,636,485)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$	\$ (794,844)	\$ (794,844)	\$	\$	\$
	(1,137,291)	(1,137,291)			
	(2,092,072)	(2,092,072)			
	13,522,172	13,522,172			
<u>\$</u>	<u>\$ 9,497,965</u>	<u>\$ 9,497,965</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>\$ (69,636,485)</u>	<u>\$ 9,497,965</u>	<u>\$ (60,138,520)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$	\$	\$	\$ (51,963,871)	\$	\$
				901,716	
					(1,255,330)
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ (51,963,871)</u>	<u>\$ 901,716</u>	<u>\$ (1,255,330)</u>
\$ 48,145,894	\$ 2,419,961	\$ 50,565,855	\$	\$	\$
10,808,277		10,808,277			
3,371,890		3,371,890			
3,005,185		3,005,185			
523,311	66,175	589,486	9,901	114,373	7,274
			24,859,000	4,273,000	982,700
245,973	165,896	411,869	23,794,914	3,914,262	243,963
726,451		726,451			
1,550,128	148,998	1,699,126	249,138	8,974	2,062
(61,994)	(37,393)	(99,387)	(112,270)		2,564
(226,135)	226,135				
	2,847,351	2,847,351			
<u>\$ 68,088,980</u>	<u>\$ 5,837,123</u>	<u>\$ 73,926,103</u>	<u>\$ 48,800,683</u>	<u>\$ 8,310,609</u>	<u>\$ 1,238,563</u>
\$ (1,547,505)	\$ 15,335,088	\$ 13,787,583	\$ (3,163,188)	\$ 9,212,325	\$ (16,767)
78,121,622	47,522,849	125,644,471	49,700,203	29,348,719	1,996,252
<u>\$ 76,574,117</u>	<u>\$ 62,857,937</u>	<u>\$ 139,432,054</u>	<u>\$ 46,537,015</u>	<u>\$ 38,561,044</u>	<u>\$ 1,979,485</u>

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

Balance Sheet
Governmental Funds
June 30, 2012

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
ASSETS:					
Cash and Cash Equivalents	\$ 10,065,226	\$	\$	\$	\$ 10,065,226
Investments	6,477,716				6,477,716
Taxes Receivable - Net	4,646,075				4,646,075
Due from Other Governments	2,540,740	152,590		1,595	2,694,925
Due from Other Funds	1,133,511	926,347		230,887	2,290,745
Other Receivables - Net	1,933,117			7,290	1,940,407
Inventories	832,169				832,169
Prepaid Expenses	189,669				189,669
Restricted Cash	3,382,350			40,093	3,422,443
Restricted Accounts Receivable			3,720,807		3,720,807
TOTAL ASSETS	<u>\$ 31,200,573</u>	<u>\$ 1,078,937</u>	<u>\$ 3,720,807</u>	<u>\$ 279,865</u>	<u>\$ 36,280,182</u>
LIABILITIES:					
Accounts Payable and Accrued Expenses	\$ 2,927,562	\$ 78,937	\$	\$ 52,899	\$ 3,059,398
Due to Other Funds	4,770,876				4,770,876
Due to Component Units	448,090				448,090
Due to Other Governments	248,038				248,038
Deferred Revenues	3,074,912	1,000,000	3,720,807	78,759	7,874,478
Other Liabilities	177,822				177,822
Total Liabilities	<u>\$ 11,647,300</u>	<u>\$ 1,078,937</u>	<u>\$ 3,720,807</u>	<u>\$ 131,658</u>	<u>\$ 16,578,702</u>
FUND BALANCES:					
Nonspendable	\$ 2,171,838	\$	\$	\$	\$ 2,171,838
Restricted	3,470,174			148,207	3,618,381
Assigned	10,400,214				10,400,214
Unassigned	3,511,047				3,511,047
Total Fund Balances	<u>\$ 19,553,273</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 148,207</u>	<u>\$ 19,701,480</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 31,200,573</u>	<u>\$ 1,078,937</u>	<u>\$ 3,720,807</u>	<u>\$ 279,865</u>	<u>\$ 36,280,182</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, 2012

Total Fund Balances - Governmental Funds	\$	19,701,480
<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 \$131,194,739, net of accumulated depreciation of \$70,455,146.</p>		60,739,593
<p>Long-term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end include compensated absences of \$1,857,832 and the net OPEB obligation of \$1,269,327.</p>		(6,847,966)
<p>Bond issuance costs incurred are not financial resources, and therefore, are not reported in the funds. The cost of these assets is \$13,500, net of accumulated amortization of \$5,062.</p>		8,438
<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>		2,936,894
<p>Note receivable issued in connection with land sale not recognized in funds.</p>		1,290,555
<p>Deferred gain recorded in connection with land sale not recorded in funds.</p>		<u>(1,254,877)</u>
Total Net Assets - Governmental Activities	\$	<u><u>76,574,117</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, 2012

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
REVENUES:					
Taxes	\$ 64,676,086	\$	\$	\$	\$ 64,676,086
Licenses and Permits	265,933				265,933
Intergovernmental	8,919,200	615,380	121,385	461,165	10,117,130
Fines and Forfeitures	13,696			28,448	42,144
Charges for Services	901,678			65,732	967,410
Investment Income	366,595		156,651	65	523,311
Rents and Concessions	875,251				875,251
Contributions	6,571				6,571
Miscellaneous	1,940,602				1,940,602
Total Revenues	<u>\$ 77,965,612</u>	<u>\$ 615,380</u>	<u>\$ 278,036</u>	<u>\$ 555,410</u>	<u>\$ 79,414,438</u>
EXPENDITURES:					
General Government	\$ 6,914,125	\$	\$	22,166	\$ 6,936,291
Public Safety	8,889,645			275,470	9,165,115
Public Works	15,798,007				15,798,007
Health and Hospital	1,447,289				1,447,289
Education					
Board of Education	25,170,836				25,170,836
College	10,603,285				10,603,285
Culture	18,000				18,000
Parks and Recreation	76,516				76,516
Library	997,744				997,744
Conservation of Natural Resources	167,575				167,575
Social Services	281,700				281,700
Economic Opportunity and Development	5,310,247			263,000	5,573,247
Capital Outlay	4,524,017	1,286,771		40,132	5,850,920
Debt Service			278,036		278,036
Intergovernmental	227,205				227,205
Miscellaneous	664,841				664,841
Total Expenditures	<u>\$ 81,091,032</u>	<u>\$ 1,286,771</u>	<u>\$ 278,036</u>	<u>\$ 600,768</u>	<u>\$ 83,256,607</u>
REVENUES UNDER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)					
SUBTOTAL	<u>\$ (3,125,420)</u>	<u>\$ (671,391)</u>	<u>\$</u>	<u>\$ (45,358)</u>	<u>\$ (3,842,169)</u>

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds (Continued)
Year Ended June 30, 2012

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
REVENUES UNDER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)					
Balances Brought Forward	\$ (3,125,420)	\$ (671,391)	\$ 0	\$ (45,358)	\$ (3,842,169)
OTHER FINANCING SOURCES (USES):					
Sale of Capital Assets	53,241			5,610	58,851
Operating Transfers					
Capital Projects Fund	(823,160)	823,160			0
Airport Fund	(74,366)				(74,366)
Garrett County Sanitary District, Inc.		(151,769)			(151,769)
REVENUES AND OTHER FINANCING SOURCES UNDER EXPENDITURES & OTHER USES	\$ (3,969,705)	\$ 0	\$ 0	\$ (39,748)	\$ (4,009,453)
Fund Balances, Beginning of Year,	<u>23,522,978</u>	<u>0</u>	<u>0</u>	<u>187,955</u>	<u>23,710,933</u>
FUND BALANCES, End of Year	<u>\$ 19,553,273</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 148,207</u>	<u>\$ 19,701,480</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, 2012

Change in Fund Balances - Governmental Funds	\$ (4,009,453)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$8,890,011 exceeded depreciation expense of \$6,644,285 in the current year.	2,245,726
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.	(120,845)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	121,385
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.	50,384
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.	(675)
Revenues that do not provide current financial resources are reported as deferred revenue in the governmental funds. The amount of the change in deferred revenue is not reported in the statement of activities.	655,160
OPEB costs related to the unfunded net OPEB obligation do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	<u>(489,187)</u>
Change in Net Assets - Governmental Activities	\$ <u><u>(1,547,505)</u></u>

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of General Fund Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Budget Basis) -
Primary Government - General Fund
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Over (Under) Budget
REVENUES:				
Taxes	\$ 63,252,317	\$ 63,266,817	\$ 65,331,246	\$ 2,064,429
Licenses and Permits	264,500	264,500	265,933	1,433
Intergovernmental	5,797,437	8,868,163	8,919,200	51,037
Fines and Forfeitures	8,000	8,000	13,696	5,696
Charges for Services	1,009,150	1,199,878	901,678	(298,200)
Investment Income	250,000	250,000	366,595	116,595
Rents and Concessions	741,250	741,250	726,451	(14,799)
Contributions	3,000	3,000	6,571	3,571
Miscellaneous	12,000	333,884	1,940,602	1,606,718
Total Revenues	\$ 71,337,654	\$ 74,935,492	\$ 78,471,972	\$ 3,536,480
EXPENDITURES:				
General Government	\$ 6,723,243	\$ 7,825,731	\$ 6,914,125	\$ (911,606)
Public Safety	8,874,378	9,018,558	8,889,645	(128,913)
Public Works	16,858,627	17,073,226	15,798,007	(1,275,219)
Health and Hospital	1,447,289	1,447,289	1,447,289	0
Social Services	281,700	281,700	281,700	0
Education	29,707,500	36,647,268	35,625,321	(1,021,947)
Culture	18,000	18,000	18,000	0
Parks and Recreation	37,000	78,516	76,516	(2,000)
Library	998,000	998,000	997,744	(256)
Conservation of Natural Resources	170,842	186,392	167,575	(18,817)
Economic Development and Opportunity	3,906,240	5,865,416	5,310,247	(555,169)
Capital Outlay	1,932,000	5,714,230	4,524,017	(1,190,213)
Debt Service	33,399			0
Intergovernmental	242,205	242,205	227,205	(15,000)
Miscellaneous	954,168	752,659	664,841	(87,818)
Total Expenditures	\$ 72,184,591	\$ 86,149,190	\$ 80,942,232	\$ (5,206,958)
REVENUES (UNDER) OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	\$ (846,937)	\$ (11,213,698)	\$ (2,470,260)	\$ 8,743,438
OTHER FINANCING SOURCES (USES):				
Sale of Capital Assets	\$ 2,000	\$ 237,324	\$ 53,241	\$ (184,083)
Loan Proceeds	660,148			0
Operating Transfers				
Capital Projects Fund	(689,300)	(3,113,193)	(823,160)	(2,290,033)
Airport Fund	(125,911)	(143,270)	(74,366)	(68,904)
Total Other Financing Sources (Uses)	\$ (153,063)	\$ (3,019,139)	\$ (844,285)	\$ 2,174,854
REVENUES AND OTHER FINANCING SOURCES (UNDER) OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	\$ (1,000,000)	\$ (14,232,837)	\$ (3,314,545)	\$ 10,918,292
Fund Balance, Beginning of Year	23,522,978	23,522,978	23,522,978	
FUND BALANCE, End of Year, Budgetary Basis	\$ 22,522,978	\$ 9,290,141	\$ 20,208,433	

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, 2012

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Parks & Recreation Fund</u>	<u>Total</u>
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ 100	\$ 667	\$ 385,059	\$ 88,467	\$ 474,293
Due from Other Governments	25,385		133,080	85	158,550
Due from Primary Government		3,608,679	4,324	639	3,613,642
Other Receivables - Net	13,800	282,707	1,147,374	16,488	1,460,369
Inventories	58,145		809,367		867,512
Prepaid Expense		9,138	17,184	2,289	28,611
Total Current Assets	<u>\$ 97,430</u>	<u>\$ 3,901,191</u>	<u>\$ 2,496,388</u>	<u>\$ 107,968</u>	<u>\$ 6,602,977</u>
Noncurrent Restricted Assets:					
Restricted Cash	\$		\$ 1,712,459	\$	\$ 1,712,459
Restricted Investments		1,229,455			1,229,455
Restricted Other Receivables			371,076		371,076
Restricted Notes Receivable			100,862		100,862
Total Noncurrent Restricted Assets	<u>\$ 0</u>	<u>\$ 1,229,455</u>	<u>\$ 2,184,397</u>	<u>\$ 0</u>	<u>\$ 3,413,852</u>
Capital and Other Assets:					
Non-Depreciable Capital Assets	\$ 721,522	\$ 1,731,447	\$ 5,560,464	\$ 9,157,518	\$ 17,170,951
Depreciable Capital Assets, Net of Accumulated Depreciation	14,499,899	1,602,914	44,686,176	11,400,111	72,189,100
Loan Issuance Costs, Net of Amortization		2,516			2,516
Total Capital and Other Assets	<u>\$ 15,221,421</u>	<u>\$ 3,336,877</u>	<u>\$ 50,246,640</u>	<u>\$ 20,557,629</u>	<u>\$ 89,362,567</u>
TOTAL ASSETS	<u>\$ 15,318,851</u>	<u>\$ 8,467,523</u>	<u>\$ 54,927,425</u>	<u>\$ 20,665,597</u>	<u>\$ 99,379,396</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, 2012

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Parks & Recreation Fund	Total
LIABILITIES:					
Current Liabilities:					
Accounts Payable and Accrued Expenses	\$ 8,222	\$ 497,196	\$ 505,605	\$ 323,574	\$ 1,334,597
Bonds and Loans Payable - Current Portion		116,144	635,185	275,000	1,026,329
Closure/Postclosure Liabilities - Current Portion		27,000			27,000
Due to Other Governments			108,254		108,254
Due to Primary Government	78,514		178,588	876,409	1,133,511
Deferred Revenue	5,445			35,616	41,061
Total Current Liabilities	\$ 92,181	\$ 640,340	\$ 1,427,632	\$ 1,510,599	\$ 3,670,752
Noncurrent Liabilities:					
Bonds and Loans Payable		\$ 504,314	\$ 26,237,880	\$ 2,817,615	\$ 29,559,809
Compensated Absences	5,249	57,499	211,200		273,948
Closure/Postclosure Liabilities		3,016,950			3,016,950
Total Noncurrent Liabilities	\$ 5,249	\$ 3,578,763	\$ 26,449,080	\$ 2,817,615	\$ 32,850,707
TOTAL LIABILITIES	\$ 97,430	\$ 4,219,103	\$ 27,876,712	\$ 4,328,214	\$ 36,521,459
NET ASSETS					
Investment in Capital Assets, Net of Related Debt	\$ 15,221,421	\$ 2,713,903	\$ 23,738,300	\$ 17,140,014	\$ 58,813,638
Unrestricted Net Assets		1,534,517	3,312,413	(802,631)	4,044,299
Total Net Assets	\$ 15,221,421	\$ 4,248,420	\$ 27,050,713	\$ 16,337,383	\$ 62,857,937
TOTAL LIABILITIES AND NET ASSETS	\$ 15,318,851	\$ 8,467,523	\$ 54,927,425	\$ 20,665,597	\$ 99,379,396

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, 2012

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Parks & Recreation Fund</u>	<u>Total</u>
OPERATING REVENUES:					
Charges for Services	\$ 238,507	\$ 1,089,468	\$ 4,176,958	\$ 197,653	\$ 5,702,586
Other	3,825	134,795	416,028	14,203	568,851
Total Operating Revenues	<u>\$ 242,332</u>	<u>\$ 1,224,263</u>	<u>\$ 4,592,986</u>	<u>\$ 211,856</u>	<u>\$ 6,271,437</u>
OPERATING EXPENSES:					
Salaries	\$ 91,152	\$ 554,978	\$ 1,036,698	\$ 132,807	\$ 1,815,635
Fringe Benefits	32,824	210,973	517,257	36,863	797,917
Maintenance and Repairs	8,546	78,312	448,424	15,060	550,342
Supplies	118,476	68,261	451,916	18,767	657,420
Utilities	18,397	23,979	592,382	57,971	692,729
Transportation	5,278		137,879		143,157
Contracted Services	1,412	215,285	34,741	13,457	264,895
Lab Tests			845		845
Insurance	5,764	14,680		15,706	36,150
Direct Administration			92,008	47,269	139,277
Indirect Administration		126,701	1,088,746	23,397	1,238,844
Depreciation Expense	771,249	699,865	2,901,337	224,215	4,596,666
Amortization - Other		74,442		35,863	110,305
Bad Debt Expense				247,335	247,335
Other	9,463	78,949	7	1,120	89,539
Total Operating Expenses	<u>\$ 1,062,561</u>	<u>\$ 2,146,425</u>	<u>\$ 7,302,240</u>	<u>\$ 869,830</u>	<u>\$ 11,381,056</u>
NET OPERATING LOSS	<u>\$ (820,229)</u>	<u>\$ (922,162)</u>	<u>\$ (2,709,254)</u>	<u>\$ (657,974)</u>	<u>\$ (5,109,619)</u>
NON-OPERATING REVENUES (EXPENSES):					
Tap Fees - Capital Revenue	\$	\$	165,896	\$	165,896
Interest Income		12,815	53,360		66,175
Ad Valorem Tax		2,027,505	392,456		2,419,961
Sale of Assets		8,187	763	(46,343)	(37,393)
Interest Expense		(73,584)	(911,565)	(42,734)	(1,027,883)
Asset Management Fees		(6,750)			(6,750)
Net Other Revenues (Expenses)	<u>\$ 0</u>	<u>\$ 1,968,173</u>	<u>\$ (299,090)</u>	<u>\$ (89,077)</u>	<u>\$ 1,580,006</u>
(LOSS) INCOME BEFORE CAPITAL CONTRIBUTIONS/TRANSFERS	<u>\$ (820,229)</u>	<u>\$ 1,046,011</u>	<u>\$ (3,008,344)</u>	<u>\$ (747,051)</u>	<u>\$ (3,529,613)</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 (Continued)
Year Ended June 30, 2012

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Parks & Recreation Fund</u>	<u>Total</u>
(LOSS) INCOME BEFORE CAPITAL CONTRIBUTIONS/TRANSFERS					
Balances Brought Forward	\$ (820,229)	\$ 1,046,011	\$ (3,008,344)	\$ (747,051)	\$ (3,529,613)
CAPITAL CONTRIBUTIONS/TRANSFERS					
Capital Contributions from					
State	25,385		1,528,747		1,554,132
Primary Government	25,386		151,769		177,155
Adventure Sports Center, Inc.				14,237,083	14,237,083
Transfers from Primary Government	48,980				48,980
NET (DECREASE) INCREASE IN NET ASSETS BEFORE SPECIAL ITEM	\$ (720,478)	\$ 1,046,011	\$ (1,327,828)	\$ 13,490,032	\$ 12,487,737
SPECIAL ITEM				2,847,351	2,847,351
NET ASSETS - BEGINNING OF YEAR AS RESTATED	<u>15,941,899</u>	<u>3,202,409</u>	<u>28,378,541</u>	<u>0</u>	<u>47,522,849</u>
NET ASSETS - END OF YEAR	<u>\$ 15,221,421</u>	<u>\$ 4,248,420</u>	<u>\$ 27,050,713</u>	<u>\$ 16,337,383</u>	<u>\$ 62,857,937</u>

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, 2012

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Parks & Recreation Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers	\$ 245,302	\$ 1,222,801	\$ 4,439,634	\$ 484,247	\$ 6,391,984
Cash Paid to Suppliers	(207,240)	(262,268)	(2,846,088)	(398,376)	(3,713,972)
Cash Paid to Employees and for Employee Benefits	(122,724)	(778,067)	(1,664,888)	(185,416)	(2,751,095)
Net Cash (Used In)/Provided By Operating Activities	<u>\$ (84,662)</u>	<u>\$ 182,466</u>	<u>\$ (71,342)</u>	<u>\$ (99,545)</u>	<u>\$ (73,083)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Transfer from Primary Government	\$ 48,980		\$ 151,769		\$ 200,749
Increase in Amounts Due to General Fund	61,067		169,521	113,909	344,497
Decrease (Increase) in Amounts Due from General Fund		125,907		(639)	125,268
Transfer from Adventure Sports Center, Inc.				74,742	74,742
Net Cash Provided By Non-Capital Financing Activities	<u>\$ 110,047</u>	<u>\$ 125,907</u>	<u>\$ 321,290</u>	<u>\$ 188,012</u>	<u>\$ 745,256</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital Contributions	\$ 25,386		\$ 1,538,668		\$ 1,564,054
Decrease In Restricted Notes Receivable			20,319		20,319
Proceeds from Tap Fees			165,896		165,896
Ad Valorem Taxes and Other Assessments Collected		1,954,599	378,499		2,333,098
Payment of Expenses Related to Landfill Closure		(23,396)			(23,396)
Acquisition and Construction of Capital Assets	(50,771)	(1,602,129)	(3,161,853)		(4,814,753)
Principal Paid on Long-Term Debt		(1,472,423)	(624,568)		(2,096,991)
Interest Paid on Long-Term Debt		(104,226)	(914,045)		(1,018,271)
Proceeds from Disposition of Capital Assets		8,187	99,767		107,954
Net Cash Used In Capital and Related Financing Activities	<u>\$ (25,385)</u>	<u>\$ (1,239,388)</u>	<u>\$ (2,497,317)</u>	<u>\$ 0</u>	<u>\$ (3,762,090)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest Income		\$ 12,815	\$ 53,360		\$ 66,175
Asset Management Fees		(6,750)			(6,750)
Net Cash Provided By Investing Activities	<u>\$ 0</u>	<u>\$ 6,065</u>	<u>\$ 53,360</u>	<u>\$ 0</u>	<u>\$ 59,425</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>\$ 0</u>	<u>\$ (924,950)</u>	<u>\$ (2,194,009)</u>	<u>\$ 88,467</u>	<u>\$ (3,030,492)</u>
Cash and Cash Equivalents, Beginning of Year	100	2,155,072	4,291,527	0	6,446,699
CASH AND CASH EQUIVALENTS, End of Year	<u><u>\$ 100</u></u>	<u><u>\$ 1,230,122</u></u>	<u><u>\$ 2,097,518</u></u>	<u><u>\$ 88,467</u></u>	<u><u>\$ 3,416,207</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 (Continued)
Year Ended June 30, 2012

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Parks & Recreation Fund</u>	<u>Total</u>
Reconciliation of Operating Loss to Net					
Cash (Used In)/Provided By Operating Activities					
Operating Loss	\$ (820,229)	\$ (922,162)	\$ (2,709,254)	\$ (657,974)	\$ (5,109,619)
Adjustments to Reconcile Operating Loss to Net					
Cash (Used In)/Provided By Operating Activities:					
Depreciation and Amortization	771,249	774,307	2,901,337	260,078	4,706,971
Changes in Current Assets and Liabilities:					
(Increase) in Due From Other Governments				(85)	(85)
(Increase) Decrease in Accounts Receivable	2,420	(1,462)	(153,352)	239,023	86,629
(Increase) in Inventories	(14,890)		(150,786)		(165,676)
Decrease in Prepaid Expenses	2,750	9,137	17,183	9,847	38,917
Increase (Decrease) in Accounts Payable	(26,732)	336,876	38,728	16,113	364,985
Decrease in Due to Other Governments			(7,885)		(7,885)
Increase in Deferred Revenue	550			33,453	34,003
Increase (Decrease) in Compensated Absences	220	(14,230)	(7,313)		(21,323)
Net Cash (Used In)/Provided By Operating Activities	<u>\$ (84,662)</u>	<u>\$ 182,466</u>	<u>\$ (71,342)</u>	<u>\$ (99,545)</u>	<u>\$ (73,083)</u>

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

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

Statement of Net Assets

Fiduciary Funds

June 30, 2012

	<u>Benefit Plan Trust Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 941,764
Investments:	
Certificates of Deposit	\$ 51,165
Fixed Income Securities	6,695,568
Mutual Funds	7,103,126
Equity Securities	7,240,087
Total Investments	<u>\$ 21,089,946</u>
Interest Receivable	<u>\$ 111,690</u>
TOTAL ASSETS	\$ 22,143,400
LIABILITIES	<u>0</u>
NET ASSETS	
Held in Trust for Retirement Benefits and OPEB	<u><u>\$ 22,143,400</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, 2012

	<u>Benefit Plan Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 1,481,070
Plan Members	549,019
Total Contributions	<u>\$ 2,030,089</u>
Investment Earnings:	
Net Increase in Fair Value of Investments	\$ 392,742
Realized Net Gains on Investments	140,114
Interest and Dividends	581,149
Investment Activity Expense	<u>(109,104)</u>
Total Net Investment Earnings	<u>\$ 1,004,901</u>
Total Additions	<u>\$ 3,034,990</u>
DEDUCTIONS	
Benefits	\$ 872,335
Administrative	<u>16,689</u>
Total Deductions	<u>\$ 889,024</u>
Change In Net Assets	\$ 2,145,966
Net Assets - Beginning of Year	<u>19,997,434</u>
Net Assets - End of Year	<u><u>\$ 22,143,400</u></u>

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

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

**Notes to Financial Statements
June 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

**Notes to Financial Statements
June 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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

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

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

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

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

The accompanying financial statements do not include the activities of the Liquor Control Board of Garrett County. However, these financial statements do include governmental activities revenues in the government-wide financial statements and general fund revenues in the governmental funds financial statements in the amount of \$91,637, 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 77% of the Liquor Control Board's gross revenues for the fiscal year ended June 30, 2012. Total assets of the Liquor Control Board as of June 30, 2012 are \$114,839.

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

**Notes to Financial Statements
June 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

**Notes to Financial Statements
June 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The County reports the following major governmental funds:

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

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

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

The County reports the following major proprietary funds:

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

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

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

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

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

**Notes to Financial Statements
June 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the County reports the following additional fund types:

The County reports various *special revenue funds*, used to account for the proceeds of specific revenue sources as non-major governmental funds. The special revenue funds are used to account for Public Safety, Commissary and Law Library proceeds, all of which are legally or otherwise restricted to expenditures for specified purposes.

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

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, Garrett County Sanitary District and the Parks & Recreation enterprise funds are charges to customers for sales and services. The Sanitary District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

**Notes to Financial Statements
June 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Receivables and Payables - In order to maximize investment earnings and for efficient operation of the accounting system, substantially all receipts and disbursements of the primary government, excluding the Garrett County Sanitary District, Inc. and ASC, Inc. (reported as a blended component units), are accounted for in one bank account. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "due to/from primary government". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". All trade and property tax receivables are reported net of an allowance for doubtful accounts. The allowance for doubtful accounts recorded in the general fund and netted against taxes receivable was \$100,000 as of June 30, 2012. The allowance for doubtful accounts recorded by the Garrett County Sanitary District, Inc. and netted against other receivables was \$17,414 as of June 30, 2012.

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

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

Inventories and Prepaid Items - Inventory, consisting principally of expendable items held for consumption or sale to the general public, is stated generally at the lower of cost or market on a first-in, first-out basis or, in the case of the Sanitary District, at average cost. All inventories are recorded as expenditures when consumed rather than when purchased.

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

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

**Notes to Financial Statements
June 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity

Restricted Assets - The governmental activities column of the government-wide and governmental funds financial statements include restricted cash of \$3,422,443 which represents general fund and special revenue funds' cash balances related to public safety narcotics task force and search and seizure operations.

Restricted receivables of \$3,720,807 reflect amounts owed by Garrett County Memorial Hospital to the County under prior loan agreements related to the Garrett County Memorial Hospital 2004 and 2007 Hospital Refinancing Bonds. Amounts receivable are to be collected through June 30, 2037.

Restricted assets reported in the business-type activities column of the government-wide and proprietary fund financial statements consist of restricted cash of the Solid Waste Fund in the amount of \$1,229,455 restricted for closure and post-closure activities.

Restricted assets attributable to the Garrett County Sanitary District, Inc. of \$2,184,397 represent cash and receivables maintained in accordance with bond resolutions, loan agreements, grant awards and other resolutions and formal actions of the District or by agreement for the purpose of funding certain debt service payments, major repair and replacement activities and other improvements to its water and sewer systems.

Capital Assets - Capital assets which include property, plant and equipment, infrastructure assets (e.g. roads, bridges, and related subsystems), and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Business-type activities follow the policy of capitalizing interest as a component of the cost of capital assets constructed for its own use. Net interest costs of \$139,655 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.

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

**Notes to Financial Statements
June 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets (Continued)

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

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

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

All accrued compensated absence benefits, including employer paid payroll taxes and benefits, are accrued when incurred in the government-wide and proprietary fund financial statements. Generally accepted accounting principles require the current portion (amounts owed to employees who have officially tendered their resignation or retirement notice) of accrued compensated absences attributable to the County's governmental funds and similar component units to be recorded as an expenditure and liability in the respective funds that will pay the benefit.

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. In addition, see Note 12 for a description of deferred revenue reported only in the government-wide financial statements.

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

**Notes to Financial Statements
June 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Long-term Obligations - In the government-wide financial statements, and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net 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.

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

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

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

Committed Fund Balance - Amounts constrained for a specific purpose by the governing body using its highest level of decision making authority. These constraints can only be removed or changed by the same governing body using its decision making authority to reverse a decision. Actions to constrain resources should occur prior to the end of a fiscal year, although the exact amount may be determined subsequent to year-end. The County had no committed fund balance as of June 30, 2012.

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

**Notes to Financial Statements
June 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Equity (Continued)

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

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

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

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

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

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

**Notes to Financial Statements
June 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Equity (Continued)

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

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 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 7, 2011, by the County Commissioners and as finally amended.

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

**Notes to Financial Statements
June 30, 2012**

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, 2012 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	\$ 10,065,226	\$ 474,293	\$ 10,539,519	\$
Restricted Cash	3,422,443	1,712,459	5,134,902	941,764
Investments	6,477,716		6,477,716	
Restricted Investments		1,229,455	1,229,455	21,089,946
Total	<u>\$ 19,965,385</u>	<u>\$ 3,416,207</u>	<u>\$ 23,381,592</u>	<u>\$ 22,031,710</u>

Deposit and Investment Summary

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Deposits	\$ 13,485,744	\$ 1,829,437	\$ 15,315,181	\$ 941,764
Repurchase Agreements		355,352	355,352	
Certificates of Deposit	4,126,849	1,229,455	5,356,304	51,165
U.S. Government Obligations	2,350,867		2,350,867	2,046,232
Fixed Income Securities				4,649,336
Mutual Funds				7,103,126
Equity Securities				7,240,087
Cash on Hand	1,925	1,963	3,888	
Total	<u>\$ 19,965,385</u>	<u>\$ 3,416,207</u>	<u>\$ 23,381,592</u>	<u>\$ 22,031,710</u>

Deposits

At year end, the carrying amount of the primary government's deposits including certificates of deposit was \$20,671,485 and the bank balance of collected funds was \$20,963,919. Of the bank balance \$1,565,630 was insured by the Federal Deposit Insurance Corporation (FDIC), \$16,305,698 was collateralized by securities held by the County's agent in the County's name and \$3,092,591 was exposed to custodial credit risk as it was uninsured and collateralized with securities held by the government's agent but not in the County's name.

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, 2012 was \$49,903,908.

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

**Notes to Financial Statements
June 30, 2012**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Deposits (Continued)

The Government Personnel Retirement, Law Enforcement Employee Retirement, Volunteer Length of Service Award Plan and Other Post Employment Benefit Plan (Fiduciary Funds) had combined deposits including certificates of deposit of \$992,929 at June 30, 2012. Of those deposits \$554,841 were insured by the FDIC. The remaining deposits of \$438,088 were exposed to custodial credit risk as they were uninsured and collateralized with securities held by the County's agent but not in the County's name. The Primary Government and the Fiduciary Funds' investment policies do not limit exposure to custodial credit risk.

Investments

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

The County utilizes repurchase agreements for temporary investment of County funds. Securities underlying overnight repurchase agreements are pledged against a segregated collateral pool for the account of the County and consist of U.S. Treasury securities, U.S. government agency securities, and other qualified investment grade securities. The securities are exposed to custodial credit risk because they are uninsured and collateralized with securities held by the County's agent, but not in the County's name. At June 30, 2012, the County held repurchase agreements with a carrying amount of \$355,352 and a bank balance of \$4,530,421. The bank balance was held at various interest rates and collateralized by U.S government agency securities with a market value of \$4,622,339.

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

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

**Notes to Financial Statements
June 30, 2012**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investments (Continued)

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

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

As of June 30, 2012, the Primary Government had no investment instruments with credit quality ratings requiring disclosure.

The Fiduciary Funds have employed professional investment managers to manage retirement plan assets and to follow the plans' investment policies which are designed to protect plan principal and to achieve a real rate of return over the long term. Fiduciary Fund investments, having a market value of \$18,992,549 at June 30, 2012, were exposed to custodial credit risk as they were uninsured and held by the counterparty's trust department but not in the name of the County.

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

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

**Notes to Financial Statements
June 30, 2012**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investments (Continued)

The investments of the Fiduciary Funds included debt securities having the following ratings as of June 30, 2012:

Security Ratings	Market Value 6/30/12
AA2	\$ 863,851
BAA1	44,683
AA3	23,355
BAA2	10,286
BAA3	671,828
A1	570,295
A2	914,762
BAA2	557,540
A3	572,146
BA1	17,621
Not Rated	402,969
Total Market Value	\$ 4,649,336

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

Maturity Date	Interest Rates	Market Value 6/30/12
2013	4.00%-5.25%	\$ 124,720
2014	No Maturities	0
2015	No Maturities	0
2016	3.00%-5.75%	424,570
2017	4.70%-6.40%	343,950
2018-2022	3.00%-6.13%	2,710,018
2023-2027	3.00%-6.20%	2,247,382
2028-2032	4.00%-6.95%	546,565
2033-2037	6.00%-7.15%	298,363
	Total Market Value	\$ 6,695,568

Fiduciary Fund mutual fund investments include bond mutual funds all of which were unrated as of June 30, 2012.

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

**Notes to Financial Statements
June 30, 2012**

NOTE 3 - DEBT SERVICE FUND

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

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

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

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

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 125,876	\$ 151,598	\$ 277,474
2014	131,727	146,309	278,036
2015	137,237	140,799	278,036
2016	142,979	135,058	278,037
2017	148,960	129,076	278,036
2018-2037	3,034,028	1,226,848	4,260,876
Total	<u>\$ 3,720,807</u>	<u>\$ 1,929,688</u>	<u>\$ 5,650,495</u>

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

**Notes to Financial Statements
June 30, 2012**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the Primary Government for the fiscal year ended June 30, 2012 was as follows:

	<u>Balance as of June 30, 2011</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance as of June 30, 2012</u>
<u>Governmental Activities</u>				
Capital assets, not depreciated				
Land and easments	\$ 7,525,091	\$	\$ (6,646)	\$ 7,518,445
Construction in progress	<u>1,557,159</u>	<u>1,579,396</u>	<u>(1,187,925)</u>	<u>1,948,630</u>
Total capital assets, not depreciated	<u>\$ 9,082,250</u>	<u>\$ 1,579,396</u>	<u>\$ (1,194,571)</u>	<u>\$ 9,467,075</u>
Capital assets, being depreciated				
Land improvements	\$ 2,504,756	\$	\$ 328,539	\$ 2,833,295
Buildings	24,359,192	269,036	(19,376)	24,608,852
Machinery & equipment	1,729,261	1,101,591		2,830,852
Vehicles	12,197,081	2,623,777	(242,046)	14,578,812
Furniture & equipment	1,713,641	212,348	236,348	2,162,337
Infrastructure	<u>71,444,900</u>	<u>3,103,863</u>	<u>164,753</u>	<u>74,713,516</u>
Total capital assets, being depreciated	<u>\$ 113,948,831</u>	<u>\$ 7,310,615</u>	<u>\$ 468,218</u>	<u>\$ 121,727,664</u>
Less accumulated depreciation for:				
Land improvements	\$ (68,803)	\$ (18,357)	\$	\$ (87,160)
Buildings	(9,389,211)	(638,403)	363,463	(9,664,151)
Machinery & equipment	(519,953)	(193,332)		(713,285)
Vehicles	(11,246,826)	(576,496)	242,045	(11,581,277)
Furniture & equipment	(929,659)	(202,839)		(1,132,498)
Infrastructure	<u>(42,261,917)</u>	<u>(5,014,858)</u>		<u>(47,276,775)</u>
Total accumulated depreciation	<u>\$ (64,416,369)</u>	<u>\$ (6,644,285)</u>	<u>\$ 605,508</u>	<u>\$ (70,455,146)</u>
Total capital assets, being depreciated, net	<u>\$ 49,532,462</u>	<u>\$ 666,330</u>	<u>\$ 1,073,726</u>	<u>\$ 51,272,518</u>
Governmental activities capital assets, net	<u>\$ 58,614,712</u>	<u>\$ 2,245,726</u>	<u>\$ (120,845)</u>	<u>\$ 60,739,593</u>

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

Governmental activities:	
General Government	\$ 35,770
Public Works	5,315,300
Public Safety	407,987
Economic Development	287,055
Unallocated	598,173
Total depreciation expense - governmental activities	<u>\$ 6,644,285</u>

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

**Notes to Financial Statements
June 30, 2012**

NOTE 4 – CAPITAL ASSETS (Continued)

	Balance June 30, 2011	Additions	Transfers and Retirements	Balance June 30, 2012
<u>Business-type activities</u>				
Capital assets, not depreciated				
Land and easments	\$ 10,906,342	\$	\$	\$ 10,906,342
Construction in progress	1,863,613	4,400,996		6,264,609
Total capital assets, not depreciated	\$ 12,769,955	\$ 4,400,996	\$ 0	\$ 17,170,951
Capital assets, being depreciated				
Land improvements	\$ 16,334,382	\$ 25,934	\$	\$ 16,360,316
Buildings	4,511,462			4,511,462
Machinery & equipment	3,686,016	32,090	(149,798)	3,568,308
Vehicles	1,743,069	321,980	(75,058)	1,989,991
Infrastructure	17,685,108	24,837	(3,143)	17,706,802
Furniture & equipment	56,003		(30,637)	25,366
Water facilities	22,798,092	8,916		22,807,008
Sewer facilities	70,290,376			70,290,376
Total capital assets, being depreciated	\$ 137,104,508	\$ 413,757	\$ (258,636)	\$ 137,259,629
Less accumulated depreciation for:				
Land improvements	\$ (7,976,982)	\$ (704,426)	\$	\$ (8,681,408)
Buildings	(551,566)	(76,657)		(628,223)
Machinery & equipment	(1,796,901)	(229,970)	123,458	(1,903,413)
Vehicles	(1,551,558)	(95,491)	(34,272)	(1,681,321)
Infrastructure	(2,390,191)	(710,412)	1,420	(3,099,183)
Furniture & equipment	(47,727)	(321)	22,682	(25,366)
Water facilities	(8,555,220)	(636,398)		(9,191,618)
Sewer facilities	(37,717,006)	(2,142,991)		(39,859,997)
Total accumulated depreciation	\$ (60,587,151)	\$ (4,596,666)	\$ 113,288	\$ (65,070,529)
Total capital assets, being depreciated, net	\$ 76,517,357	\$ (4,182,909)	\$ (145,348)	\$ 72,189,100
Business-type activities capital assets, net	\$ 89,287,312	\$ 218,087	\$ (145,348)	\$ 89,360,051

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

Business-type activities	
Airport	\$ 771,249
Solid Waste	699,865
Sanitary District	2,901,337
Parks & Recreation	224,215
Total depreciation expense - business-type activities	\$ 4,596,666

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

**Notes to Financial Statements
June 30, 2012**

NOTE 4 – CAPITAL ASSETS (Continued)

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

	<u>Project Authorization</u>	<u>CIP as of June 30, 2012</u>	<u>Remaining Commitment</u>
<u>Governmental Activities</u>			
Public Works	\$ 6,390,079	\$ 1,167,673	\$ 5,222,406
Economic Development	829,515	780,957	48,558
Total governmental activities	<u>\$ 7,219,594</u>	<u>\$ 1,948,630</u>	<u>\$ 5,270,964</u>
<u>Business-type Activities</u>			
Kings Run Collection Site Expansion	\$ 168,000	\$ 12,502	\$ 155,498
Landfill Cell 4	2,500,000	1,604,951	895,049
Keysers Ridge Water Holding Tank	58,772	58,772	
McHenry Water System	837,623	837,623	
Keysers Ridge Water	128,451	128,451	
Deep Creek Lake Collection & Conveyance	907,963	907,963	
Friendsville Sewer	488,932	20,932	468,000
Pee Wee Hill Water	1,466,958	1,466,958	
Thayerville Water	9,561,101	1,161,101	8,400,000
Mountain Lake Park Water	33,897	33,897	
Mountain Lake Park Water Line	212,076	12,076	200,000
Business Park Water & Sewer	19,383	19,383	
Jennings Sewer Pump Station	50,000		50,000
Total business-type activities	<u>\$ 16,433,156</u>	<u>\$ 6,264,609</u>	<u>\$ 10,168,547</u>

NOTE 5 – INTERNAL AND INTERFUND BALANCES AND ACTIVITY

Interfund transfers between the General Fund and the Capital Projects Fund of \$823,160 represent funding for construction projects. Interfund transfers between the General Fund and the Airport Fund totaling \$74,366 are comprised of an operating subsidy of \$48,980 and funding for construction projects in the amount of \$25,386. Interfund transfers between the General Fund and the Garrett County Sanitary District, Inc. of \$151,769 represent funding for construction projects.

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 \$1,157,234 within the government-wide financial statements.

Interfund balances between the General Fund and the proprietary funds are comprised of amounts due to the Solid Waste Fund and the Garrett County Sanitary District, Inc., for Ad Valorem Taxes levied on their behalf. The amounts due to the Solid Waste Fund are not expected to be repaid by the General Fund within one year.

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

**Notes to Financial Statements
June 30, 2012**

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

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

Interfund receivables and payables between the primary government and its component units for the year ended June 30, 2012, consisted of \$11,013 due to the Board of Education and \$437,077 due to Garrett College.

Interfund receivables and payables within the primary government at June 30, 2012 are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Capital Projects Fund	\$	\$ 926,347
Special Revenue Funds:		
508 Program		129,429
Commissary		76,302
Law Library		25,156
Proprietary Funds:		
Airport Fund	78,514	
Solid Waste Fund		3,608,679
Sanitary District	178,588	4,324
Parks & Recreation	876,409	639
Total General Fund	<u>\$ 1,133,511</u>	<u>\$ 4,770,876</u>
Capital Projects Funds:		
General Fund	<u>\$ 926,347</u>	<u>\$ 0</u>
Special Revenue Funds:		
General Fund:		
508 Program	\$ 129,429	\$
Commissary	76,302	
Law Library	25,156	
Total Special Revenue Funds	<u>\$ 230,887</u>	<u>\$ 0</u>
Total Governmental Funds	<u>\$ 2,290,745</u>	<u>\$ 4,770,876</u>
Proprietary Funds:		
General Fund - Airport	\$	\$ 78,514
General Fund - Solid Waste	3,608,679	
General Fund - Sanitary District	4,324	178,588
General Fund - Parks & Recreation	639	876,409
Total Proprietary Funds	<u>\$ 3,613,642</u>	<u>\$ 1,133,511</u>
Total Primary Government	<u>\$ 5,904,387</u>	<u>\$ 5,904,387</u>

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

**Notes to Financial Statements
June 30, 2012**

NOTE 6 - LONG-TERM DEBT

The following is a summary of debt transactions of the County for the fiscal year ended June 30, 2012:

	Balance June 30, 2011	Additions	Principal Repayments & Other Reductions	Balance June 30, 2012	Due Within One Year
Governmental activities:					
General Fund					
General Obligation Bonds	\$ 3,842,192	\$	\$ (121,385)	\$ 3,720,807	\$ 125,876
Compensated Absences	1,908,216		(50,384)	1,857,832	
Net OPEB Obligation	780,140	489,187		1,269,327	
Governmental activities					
Long-term liabilities	<u>\$ 6,530,548</u>	<u>\$ 489,187</u>	<u>\$ (171,769)</u>	<u>\$ 6,847,966</u>	<u>\$ 125,876</u>
Business-type activities:					
Solid Waste Fund					
Bonds Payable	\$ 2,092,881	\$	\$ (1,472,423)	\$ 620,458	\$ 116,144
Garrett County Sanitary District					
Bonds and Loans Payable	27,497,633		(624,568)	26,873,065	635,185
Parks & Recreation					
Loans Payable	6,322,615		(3,230,000)	3,092,615	275,000
Subtotal	<u>\$ 35,913,129</u>	<u>\$ 0</u>	<u>\$ (5,326,991)</u>	<u>\$ 30,586,138</u>	<u>\$ 1,026,329</u>
Landfill closure/post-closure	<u>\$ 2,998,965</u>	<u>\$ 44,985</u>	<u>\$</u>	<u>\$ 3,043,950</u>	<u>\$ 27,000</u>
Compensated Absences					
Airport	\$ 5,029	\$ 220	\$	\$ 5,249	\$
Solid Waste Fund	71,729		(14,230)	57,499	
G.C. Sanitary District	218,513		(7,313)	211,200	
	<u>\$ 295,271</u>	<u>\$ 220</u>	<u>\$ (21,543)</u>	<u>\$ 273,948</u>	<u>\$ 0</u>
Business-type activities					
Long-term liabilities	<u>\$ 39,207,365</u>	<u>\$ 45,205</u>	<u>\$ (5,348,534)</u>	<u>\$ 33,904,036</u>	<u>\$ 1,053,329</u>

Interest Expense

Total interest expense of \$1,324,189 incurred by the primary government includes, \$156,651 charged to governmental activities, \$1,027,883 charged to business-type activities, and \$139,655 of net interest expense capitalized in enterprise fund capital assets.

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

**Notes to Financial Statements
June 30, 2012**

NOTE 6 - LONG-TERM DEBT (Continued)

Details of certain long-term debt obligations at June 30, 2012 are as follows:

	<u>Balance June 30, 2012</u>
<u>Governmental Activities:</u>	
<u>Garrett County Memorial Hospital Refunding Bond, Series 2004</u>	
\$1,400,000 Bonds dated November 19, 2004 are being repaid by semi-annual payments of \$51,718 including interest at a rate of 4.12%, maturing November 19, 2024. Issued to refinance a portion of the Garrett County Memorial Hospital Bonds, Series 2002. To be repaid from hospital revenues.	\$ 1,002,640
<u>Garrett County Memorial Hospital Refunding Bond, Series 2007</u>	
\$3,000,000 Bonds dated June 28, 2007 are being repaid by monthly payments of \$14,550 including interest at a rate of 4.125%, maturing June 28, 2037. Issued to refinance the Garrett County Memorial Hospital Bonds, Series 2002 and 2003 bonds. To be repaid from hospital revenues.	<u>2,718,167</u>
Total Governmental Activities	\$ <u>3,720,807</u>
 <u>Business-type Activities</u>	
<u>Solid Waste Fund</u>	
Maryland Water Quality Financing Administration Bond dated May 21, 1996. Total authorized of \$1,997,000 of which \$1,970,000 has been advanced to date. Semiannual payments of interest at 3.31%. Principal is payable February 1 of each year through February 1, 2017.	\$ <u>620,458</u>
Total Solid Waste Fund	\$ <u>620,458</u>

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

**Notes to Financial Statements
June 30, 2012**

NOTE 6 - LONG-TERM DEBT (Continued)

	<u>Balance June 30, 2012</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.	\$ 80,585
\$765,400 Rural Development (Upper Youghiogheny Project), payable in quarterly installments of \$10,337, including interest at 4.5% through November 28, 2035.	581,454
\$875,500 Rural Development (Chestnut Ridge Project), payable in quarterly installments of \$47,316, including interest at 4.5% through April 2, 2036.	690,947
\$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.	67,818
\$243,100 Rural Development (Chestnut Ridge Project), payable in quarterly installments of \$13,140, including interest at 4.5% through April 2, 2036.	191,814
\$200,000 GE Capital Asset Management (Friendsville Water), payable in annual installments of varying amounts, including interest at 5% through January 1, 2014.	22,000
\$400,700 Rural Development (Deer Park Sewer), payable in quarterly installments of \$5,414, including interest at 4.5% through December 28, 2038.	326,863
\$1,998,000 Maryland Water Quality Financing (Deep Creek Lake Sewer Extension), payable in annual installments of \$132,748, including semiannual interest at 2.87% through February 1, 2019.	447,515
\$425,000 Maryland Water Quality Financing (Deep Creek Lake Septage Facility), payable in annual installments of \$29,641, including semiannual interest at 3.00% through February 1, 2016.	112,803
\$120,175 State of Maryland (Jennings Sewer Revolving Loan), payable in annual installments of \$7,615, including semiannual interest at 2.37% through February 1, 2017.	48,588

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

**Notes to Financial Statements
June 30, 2012**

NOTE 6 - LONG-TERM DEBT (Continued)

	<u>Balance June 30, 2012</u>
\$400,550 Maryland Water Quality Financing (Goodwill Mennonite Sewer Project), payable in annual installments of \$10,967, including semiannual interest at 2.4% through February 1, 2021.	99,666
\$408,000 Rural Development (Meadow Mountain Sewer), payable in quarterly installments of \$5,513, including interest at 4.5% through February 28, 2042.	361,578
\$233,800 Rural Development (McHenry Water - Storage Tank), payable in quarterly installments of \$3,159, including interest at 4.5% through December 2043.	208,794
\$615,911 Rural Development (McHenry Water - Storage Tank), payable in quarterly installments of \$8,321, including interest at 4.5% through December 2043.	550,079
\$564,300 Rural Development (Keyser's Ridge Water Project), payable in quarterly installments of \$7,624, including interest at 4.5% through February 2043.	505,764
\$573,200 Rural Development (Deer Park Water Project), payable in quarterly installments of \$7,744, including interest at 4.5% through October 2043.	511,945
\$260,000 Maryland Water Quality Financing (Deer Park Water), payable in semiannual installments including interest at .4% through February 2034.	199,969
\$115,800 Rural Development (Keyser's Ridge Water Road), payable in quarterly installments of \$1,508, including interest at 4.25% through February 2046.	107,498
\$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.	9,452,856
\$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.	4,365,233

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

**Notes to Financial Statements
June 30, 2012**

NOTE 6 - LONG-TERM DEBT (Continued)

	<u>Balance June 30, 2012</u>
\$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.	928,345
\$4,500,000 M&T Bank temporary financing (Deep Creek Sewer & McHenry Water Improvements), payable in semiannual installments of \$72,900, representing interest only at 3.24% through December 2012 at which time loan to be permanently financed.	4,500,000
\$2,400,000 M&T Bank (Department of Public Works Warehouse Project), payable in semiannual installments through December 2027 including interest at 3.7% fixed rate through 2017 at which time the rate resets to M&T's 5 year funds rate plus 110 basis points through December 2027.	2,061,959
\$128,653 Maryland Department of the Environment (Mt. Lake Park Water), payable in semiannual installments principal only of \$9,077 through February 2024.	101,423
\$549,085 Maryland Department of the Environment (Deep Creek & Friendsville I&I), payable in annual installments of principal only of \$34,318 through 2025.	<u>347,569</u>
Total Garrett County Sanitary District, Inc.	<u>\$ 26,873,065</u>
<u>Parks & Recreation Fund</u>	
Note payable to Maryland Department of Business and Economic Development, maturing September, 2039, 3.00% interest per annum. No principal or interest payments are currently being made on the note as the County is negotiating repayment terms.	\$ 2,817,615
\$275,000 non-interest bearing note payable to Garrett County Community Action Committee, Inc.(GCCAC) due on July 8, 2007. No principal payments are currently being made on the note as the County is negotiating repayment terms.	<u>275,000</u>
Total Parks & Recreation Fund	<u>\$ 3,092,615</u>
Total Business-type Activities	<u>\$ 30,586,138</u>
Total Primary Government	<u>\$ 34,306,945</u>

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

**Notes to Financial Statements
June 30, 2012**

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:			
2013	\$ 125,876	\$ 151,598	\$ 277,474
2014	131,727	146,309	278,036
2015	137,238	140,798	278,036
2016	142,979	135,057	278,036
2017	148,960	129,077	278,037
2018-2022	843,652	675,605	1,519,257
2023-2027	766,046	460,745	1,226,791
2028-2032	642,201	292,078	934,279
2033-2037	782,128	119,346	901,474
Total governmental activities	<u>\$ 3,720,807</u>	<u>\$ 2,250,613</u>	<u>\$ 5,971,420</u>
Business-Type Activities:			
2013	1,026,329	1,172,244	2,198,573
2014	858,909	1,124,977	1,983,886
2015	933,359	1,081,096	2,014,455
2016	1,020,575	1,049,390	2,069,965
2017	1,012,844	1,014,090	2,026,934
2018-2022	4,493,772	4,589,792	9,083,564
2023-2027	4,828,423	3,748,384	8,576,807
2028-2032	4,962,007	2,826,842	7,788,849
2033-2037	3,986,739	1,945,642	5,932,381
2038-2042	3,801,524	1,166,302	4,967,826
2043-2047	3,661,657	403,534	4,065,191
Total Business-type activities	<u>\$ 30,586,138</u>	<u>\$ 20,122,293</u>	<u>\$ 50,708,431</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, 2012**

NOTE 7 - COMMITMENTS AND CONTINGENCIES (Continued)

Grant and Loan Compliance

The County participates in numerous Federal and State grant/loan programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant/loan programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the laws and regulations governing the programs, refunds of any money received may be required or, the collectability of any related receivable at June 30, 2012 may be impaired. The amount, if any, of expenditures for projects which may be disallowed by the granting/lending agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

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, 2012 are as follows:

Year Ending June 30, 2013	\$ 64,752
June 30, 2014	64,752
June 30, 2015	64,752
June 30, 2016	64,752
June 30, 2017	64,752
Thereafter	<u>1,046,824</u>
Total	<u>\$ 1,370,584</u>

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

NOTE 8 - EMPLOYEES' RETIREMENT PLANS

State Retirement and Pension System of Maryland

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

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

**Notes to Financial Statements
June 30, 2012**

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

State Retirement and Pension System of Maryland (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, 2011 (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 2012 were 12.4% for the Employee Retirement System and 7.4% for the Employee Pension System. These rates are sufficient to fund normal costs and amortize the unfunded actuarial accrued liability as a level percentage of payroll in distinct pieces.

The annual pension cost of the County for the year ended June 30, 2012 was \$32,290 which was equal to the required and actual contributions.

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

<u>Entity</u>	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Primary Government - County	June 30, 2010	\$ 25,696	100%	0
	June 30, 2011	36,275	100%	0
	June 30, 2012	32,290	100%	0

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

**Notes to Financial Statements
June 30, 2012**

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

Law Enforcement Personnel Retirement Plan

The County adopted the Garrett County Law Enforcement Personnel Retirement Plan, a single employer plan, effective July 1, 2002, for all employees classified by the County as the Sheriff, correctional officers, or sworn law-enforcement officers with the Sheriff's Department or Office of the State's Attorney, and employees classified as emergency management personnel. The Plan provides retirement, disability and death benefits for all eligible employees. Administrative, investment, and member benefit service responsibilities are provided by a Board of Trustees. The actuarial valuation report as of July 1, 2012 (most recent available data) may be obtained from the County Commissioners of Garrett County, Maryland.

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

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

Contributions to the Plan were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of July 1, 2011. Participant contributions are included in the plan assets and are 100% vested with the employee. Contribution rates are sufficient to fund normal costs and amortize the unfunded actuarial accrued liability as a level percentage of payroll. Upon termination of employment, a participant may elect to receive a refund of contributions.

Contribution rates as a percentage of covered payroll during fiscal year 2012 are as follows:

<u>Employee Rate</u>	<u>Employer Rate</u>
7.9%	12.23%

Annual pension cost (APC) is the actuarially required employer contribution to the pension plan. The net pension obligation (NPO) represents the difference between the APC and the actual employer contributions. The APC was \$432,345. Based on recommendations from the County's actuary, the actual employer contribution for fiscal year 2012 was \$326,789. Actual participant contributions for fiscal year 2012 were \$193,423. There was no NPO outstanding at June 30, 2012.

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

**Notes to Financial Statements
June 30, 2012**

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

Law Enforcement Personnel Retirement Plan (Continued)

Three Year Trend Information - Law Enforcement Personnel Retirement Plan

<u>Entity</u>	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Primary Government -	June 30, 2010	\$ 240,273	100%	0
County	June 30, 2011	245,759	100%	0
	June 30, 2012	432,345	100%	0

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

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

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

Government Personnel Retirement Plan

The County adopted the Garrett County Government Personnel Retirement Plan, a single employer plan, effective July 1, 2005, for all employees of the County. Eligible personnel employed prior to July 1, 2005, could elect to participate in the Plan effective July 1, 2005. Such election was irrevocable. Participation in the Plan is mandatory for all eligible personnel hired after July 1, 2005. Administrative, investment, and member benefit service responsibilities are provided by a Board of Trustees. The actuarial valuation report as of July 1, 2012 (most recent available data) may be obtained from the County Commissioners of Garrett County, Maryland.

The Plan provides retirement, disability and death benefits for all eligible employees. Administrative, investment, and member benefit service responsibilities are provided by a Board of Trustees.

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

**Notes to Financial Statements
June 30, 2012**

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

Government Personnel Retirement Plan (Continued)

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

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

Contributions to the Plan were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of July 1, 2011. Participant contributions are included in the plan assets and are 100% vested with the employee. These contribution rates are sufficient to fund normal costs and amortize the unfunded actuarial accrued liability as a level percentage of payroll. Upon termination of employment, a participant may elect to receive a refund of contributions.

Contribution rates as a percentage of covered payroll during fiscal year 2012 are as follows:

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

Annual pension costs (APC) are the actuarially required employer contribution to the pension plan. The net pension obligation (NPO) represents the difference between the APC and the actual employer contributions. The APC was \$1,300,796. Based on recommendations from the County's actuary, the actual employer contribution for fiscal year 2012 was \$1,154,281. Actual participant contributions for fiscal year 2012 were \$355,596. There was no NPO outstanding at June 30, 2012.

Three Year Trend Information - Government Personnel Retirement Plan

<u>Entity</u>	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Primary Government - County	June 30, 2010	\$ 1,285,626	100%	0
	June 30, 2011	1,281,433	100%	0
	June 30, 2012	1,300,796	100%	0

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

**Notes to Financial Statements
June 30, 2012**

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

Government Personnel Retirement Plan (Continued)

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

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

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

Volunteer Length of Service Award Plan

The County adopted the Garrett County Volunteer Length of Service Award Plan (LOSAP), effective July 1, 2008, for all eligible volunteers who are active members of one or more Garrett County fire, rescue, or emergency medical services, or support organizations approved by Garrett County Emergency Services. The Plan provides retirement and death benefits for eligible volunteers who become covered under the plan. Eligible volunteers will be certified on an annual basis using a form designated and furnished by the Department of Public Safety/Emergency Management.

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

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

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

**Notes to Financial Statements
June 30, 2012**

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

Volunteer Length of Service Award Plan (Continued)

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

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

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

The actuarial method used to determine costs of the Plan is the projected unit credit method. The asset valuation method used to value Plan assets is market value. Significant assumptions used to compute the actuarially determined contribution requirements as of July 1, 2011, the most recent actuarial valuation date, are as follows:

- a) A rate of return on investments of 6-8% compounded annually.
- b) Rates of mortality are based on 1983 & 1984 GAM.
- c) 90% of current active participants are assumed to earn credits until retirement age.

County Defined Contribution Plan

The County and Sanitary District offer additional retirement benefits under a defined contribution PEBSCO 401(A) Employee Match Program. Benefits depend on the amounts contributed to the plan plus investment earnings. Eligible participants include all full-time employees who elect to participate in the County's IRC Section 457 deferred compensation plan. Employees deferring at least two percent of earned compensation under the deferred compensation plan are eligible to receive an employer contribution to the defined contribution plan. During the year ended June 30, 2012, the County contributed \$225,194 or 2.42 percent of earned compensation. Covered payroll approximated \$9,305,557. County contribution amounts included contributions made on behalf of the employees of Garrett County Sanitary District, Inc. in the amount of \$26,901 on covered payroll of approximately \$1,111,597.

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

**Notes to Financial Statements
June 30, 2012**

NOTE 9 - DEFERRED COMPENSATION

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

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

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

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

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

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

Retirees Receiving Benefits	275
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	N/A
Active Plan Members	974

**THE BOARD OF COUNTY COMMISSIONERS OF
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**Notes to Financial Statements
June 30, 2012**

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

The OPEB Trust Fund is used to account for prefunding contributions made by the County on behalf of the plan participants. For the year ended June 30, 2012, the County did not make prefunding contributions to the OPEB Trust. Current OPEB premium payments made on behalf of retirees as well as the costs incurred to administer the OPEB plan are paid from the general operating funds of the participating employers.

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

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

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

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

Currently, 116 County retirees participate in this program. Expenditures for post retirement health care benefits to current participants are funded on a pay-as-you-go basis. During the year ended June 30, 2012, County expenditures of approximately \$644,932 were recognized for post retirement health care benefits. For County employees hired on or after July 1, 2006 dependent insurance coverage may be purchased upon retirement at the retiree's own cost.

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

**Notes to Financial Statements
June 30, 2012**

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

Annual OPEB Cost and Net OPEB Obligation – Primary Government

The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Components of Net OPEB Obligation - Primary Government

Annual Required Contribution	\$	1,412,839
Interest on Net OPEB Obligation		35,106
Adjustment to Annual Required Contribution		(42,954)
Annual OPEB Cost (Expense)	\$	1,404,991
Contributions Made		(915,804)
Increase in Net OPEB Obligation	\$	489,187
Net OPEB Obligation (Beginning of Year)		780,140
Net OPEB Obligation (End of Year)	\$	1,269,327

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2012, 2011 and 2010 are as follows:

Fiscal Year	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
Ending	\$		\$
June 30, 2010	1,037,642	81%	252,725
June 30, 2011	1,409,885	63%	780,140
June 30, 2012	1,404,991	65%	1,269,327

Actuarial Methods and Assumptions – Primary Government

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

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

**Notes to Financial Statements
June 30, 2012**

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

Actuarial Methods and Assumptions – Primary Government (Continued)

In the July 1, 2011, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after three years.

The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement plan asset returns. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period as of July 1, 2011, was twenty-seven years.

Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2011
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level percentage of projected payroll over a 30 year period
Asset Valuation Method	Market value
Actuarial Assumptions:	
Investment Rate of Return	4.5 %
Discount Rate	4.5 %
Salary Scale	2.5 % per year under discount rate
Healthcare Cost Trend Rates	8 % initially, decreasing linearly each year to an ultimate annual increase rate of 5 %
Retirement Age:	
Non-Law Enforcement	5 % probability of retirement
Age 55+ & 10+ years of service	80 % probability of electing coverage
Non-Law Enforcement	100 % probability of retirement
Age 55+ & 30+ years of service	80 % probability of electing coverage
Non-Law Enforcement	50 % probability of retirement
Age 62	80 % probability of electing coverage
Non-Law Enforcement	100 % probability of retirement
Age 65+	80 % probability of electing coverage
Law Enforcement	100 % probability of retirement
Age 40+ & 25+ years of service	80 % probability of electing coverage
Non-Law Enforcement	100 % probability of retirement
Age 51+	80 % probability of electing coverage

**THE BOARD OF COUNTY COMMISSIONERS OF
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**Notes to Financial Statements
June 30, 2012**

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

Funded Status and Funding Progress – Primary Government

As of July 1, 2011, the most recent actuarial valuation date, the plan was 1% funded. The actuarial accrued liability for benefits was \$15,791,494, and the actuarial value of assets was \$149,167, resulting in an unfunded actuarial accrued liability (UAAL) of \$15,642,327. The covered payroll (annual payroll of active employees covered by the plan) was \$13,311,000, and the ratio of the UAAL to the covered payroll was 118%.

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

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

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

The Solid Waste Fund has recorded a landfill closure and post-closure care liability of \$3,043,950 as of June 30, 2012, representing the cumulative operating expenses reported to date based on the Round Glade landfill at full capacity (\$773,646) and the current landfill at 49% of its estimated capacity (\$2,270,304). The County will recognize the balance of estimated closure and post-closure costs of approximately \$2,365,929 over the remaining useful life of the current landfill, which approximates 15 years. These amounts are based on the County's engineer estimates of costs to perform all closure and post-closure care activities as of 2012. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

**Notes to Financial Statements
June 30, 2012**

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

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, 2012 was \$1,229,455.

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, 2012, which satisfies the financial assurance provisions of the Act.

NOTE 12 - DEFERRED REVENUE

During the year ended June 30, 2009, the County transferred 37 acres of land to the American Woodmark Corporation in exchange for a long-term note receivable in the amount of \$1,290,555. The terms of the loan agreement contain provisions whereby all or some portion of the loan may be forgiven should American Woodmark meet certain jobs creation and project expenditure targets within time frames prescribed in the loan agreement. The gain on the sale of the land was deferred and is reported in the government-wide statement of net assets in the amount of \$1,254,877. As of June 30, 2012 American Woodmark had not met the targets to qualify for note forgiveness.

NOTE 13 - RISK MANAGEMENT

Liability Insurance

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

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

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

**Notes to Financial Statements
June 30, 2012**

NOTE 13 - RISK MANAGEMENT (Continued)

Self-Insured Health Care

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

The County pays a third-party administrator a monthly fixed fee for various claim administrative services on a per enrolled employee basis to administer the plan. The third-party administrator submits invoices periodically for all processed claims and administrative fees, and the County issues payment to the third-party administrator, who in turn issues individual claims checks. To protect itself against significant losses, the County has a stop-loss policy in place for individual participant care claims in excess of \$200,000 per year.

The third-party administrator estimated the non-discounted claims liability reported in the general fund at June 30, 2012. It is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Because actual claims liabilities depend on such complex factors as inflation, change in legal doctrines and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic factors. Changes in the balance of estimated claims incurred but not reported for the fiscal year 2012 are as follows:

Balance at July 1, 2011	\$ 1,430,000
Claims and changes in estimates, net	82,000
Claim payments	<u>0</u>
Balance at June 30, 2012	<u>\$ 1,512,000</u>

For the year ended June 30, 2012, the combined premiums charged to the Plan participants of \$14,978,434 exceeded the combination of the reported claims incurred of \$13,371,133 and the increase in estimated claims incurred but not reported of \$82,000. The excess of \$1,525,301, is comprised of \$179,955 related to the Primary Government and \$1,345,346 related to the Board of Education and Garrett College. The excess of premiums charged over claims incurred has been reported as revenue in the general fund for the portion related to the Board of Education and Garrett College.

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

**Notes to Financial Statements
June 30, 2012**

NOTE 14 - FUND EQUITY

A summary of fund balances as of June 30, 2012 is as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Inventory	\$ 832,169	\$	\$ 832,169
Prepaid Expense	189,669		189,669
Note Receivable	1,150,000		1,150,000
Total nonspendable fund balance	<u>\$ 2,171,838</u>	<u>\$ 0</u>	<u>\$ 2,171,838</u>
Restricted For:			
Agricultural land preservation	\$ 96,964	\$	\$ 96,964
Federal forfeiture	30,949		30,949
Special revenue funds		148,207	148,207
Self funded health care	3,342,261		3,342,261
Total restricted fund balance	<u>\$ 3,470,174</u>	<u>\$ 148,207</u>	<u>\$ 3,618,381</u>
Assigned For:			
Self funded health care	\$ 1,525,301	\$	\$ 1,525,301
Capital projects:			
Garrett College	1,034,334		1,034,334
Board of Education	3,882		3,882
Public Works	2,779,452		2,779,452
Economic Development	1,244,343		1,244,343
General Government	1,750,000		1,750,000
Capital projects subtotal	<u>\$ 6,812,011</u>	<u>\$ 0</u>	<u>\$ 6,812,011</u>
Subsequent year budget	2,062,902		2,062,902
Total assigned fund balance	<u>\$ 10,400,214</u>	<u>\$ 0</u>	<u>\$ 10,400,214</u>
Unassigned:	<u>\$ 3,511,047</u>	<u>\$ 0</u>	<u>\$ 3,511,047</u>
Total fund balance	<u>\$ 19,553,273</u>	<u>\$ 148,207</u>	<u>\$ 19,701,480</u>

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

**Notes to Financial Statements
June 30, 2012**

NOTE 15 - BUDGETARY BASIS RECONCILIATION - GENERAL FUND

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

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

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Effect on Fund Balance</u>
As Reported on Budget Basis	\$ 78,471,972	\$ 80,942,232	\$ (844,285)	\$ (3,314,545)
<u>Property Tax Revenue</u>				
Recognized in Year Levied on Budget Basis but in Year "Available" on GAAP Basis	(655,160)			(655,160)
 <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>\$ 77,965,612</u>	<u>\$ 81,091,032</u>	<u>\$ (844,285)</u>	<u>\$ (3,969,705)</u>

NOTE 16 - SPECIAL ITEM

On March 29, 2012 the Board of County Commissioners of Garrett County negotiated an assignment agreement with Susquehanna Bank wherein the bank assigned all of the rights, title and interest in its ASC, Inc. indebtedness which totaled \$3,447,351 as of December 31, 2011 to the County for the sum of \$600,000. On April 11, 2012 the Board of County Commissioners assumed all operating and managerial control of the Adventure Sports Center, Inc. (ASC, Inc.) and its wholly owned subsidiary LLCs. The \$2,847,351 difference between the carrying amount of the indebtedness on ASC, Inc.'s books and the amount paid by the County to retire the indebtedness is reflected in Parks & Recreation Fund and government-wide business-type activity financial statements as a special item.

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

**Notes to Financial Statements
June 30, 2012**

NOTE 17 - CAPITAL CONTRIBUTION - ADVENTURE SPORTS CENTER, INC.

On April 11, 2012, the date at which the Board of County Commissioners assumed all operating and managerial control of the Adventure Sports Center, Inc. the assets and liabilities of the Organization were transferred into the Parks & Recreation Fund. The net assets transferred of \$14,237,083 are presented as a capital contribution in the Parks & Recreation Fund in the accompanying government-wide statement of activities and in the proprietary funds' statement of revenues, expenses and changes in net assets.

NOTE 18 - PRIOR PERIOD ADJUSTMENT – CORRECTION OF ERROR

During the year ended June 30, 2012, management determined that certain additional sick leave benefits were subject to accrual based on generally accepted accounting principles, but not previously recorded as such. These benefits are payable upon retirement or death.

Government-wide net assets as of the beginning of the current fiscal year have been restated for the effect of the above adjustment as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Assets – Beginning of Year	\$ 78,809,489	\$ 47,649,204	\$ 126,458,693
Increase in compensated absence liability for additional benefits payable upon termination or retirement.	<u>(687,867)</u>	<u>(126,355)</u>	<u>(814,222)</u>
Net Assets – Beginning of Year, As Restated	<u>\$ 78,121,622</u>	<u>\$ 47,522,849</u>	<u>\$ 125,644,471</u>

The proprietary funds' financial statements have also been restated for the effect of the above adjustment as follows:

	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Total</u>
Net Assets – Beginning of Year	\$ 3,216,150	\$ 28,491,155	\$ 31,707,305
Increase in compensated absence liability for additional benefits payable upon termination or retirement.	<u>(13,741)</u>	<u>(112,614)</u>	<u>(126,355)</u>
Net Assets – Beginning of Year, As Restated	<u>\$ 3,202,409</u>	<u>\$ 28,378,541</u>	<u>\$ 31,580,950</u>

NOTE 19 - SUBSEQUENT EVENT

On August 24, 2012 the Garrett County Sanitary District, Inc. obtained additional financing of \$31,947,800 in the form of bonds issued through Susquehanna Bank. The proceeds of these bonds were used to retire \$23,597,980 in existing debt with the balance being used to fund the Thayerville water, Mountain Lake Park water and Jennings sewer projects.

REQUIRED SUPPLEMENTARY INFORMATION

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

**Required Supplementary Information
June 30, 2012**

SCHEDULES OF FUNDING PROGRESS—GARRETT COUNTY RETIREMENT PLANS

The following schedules reflect the plans' funding progress for the three years ended June 30, 2012:

Schedule of Funding Progress - Law Enforcement Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/10	\$ 2,953,632	\$ 4,899,030	\$ 1,945,398	60.29%	\$ 2,176,652	89.38%
6/30/11	4,216,511	5,688,136	1,471,625	74.13%	2,302,626	63.91%
6/30/12	4,677,865	6,272,962	1,595,097	74.57%	2,306,854	69.15%

Schedule of Funding Progress - Government Personnel Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/10	\$ 11,212,436	\$ 17,280,340	\$ 6,067,904	64.89%	\$ 10,283,038	59.01%
6/30/11	14,081,837	19,760,465	5,678,628	71.26%	9,856,709	57.61%
6/30/12	15,714,302	21,549,269	5,834,967	72.92%	9,746,397	59.87%

Schedule of Funding Progress - Volunteer Length of Service Award Plan

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

**Required Supplementary Information
June 30, 2012**

SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFIT PLAN

The following schedule reflects the plan’s funding progress for the three years ended June 30, 2012:

Schedule of Funding Progress – Other Post-Employment Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/09	\$ 120,000	\$ 11,951,475	\$ 11,831,475	1.01%	\$ 14,591,245	81.09%
7/1/10	125,552	15,791,494	15,665,942	0.80%	13,311,000	117.69%
7/1/11	149,167	15,791,494	15,642,327	0.95%	13,311,000	117.51%

SCHEDULE OF EMPLOYER CONTRIBUTIONS – OTHER POST-EMPLOYMENT BENEFIT PLAN

The following schedule reflects employer contributions for the three years ended June 30, 2012:

Schedule of Employer Contributions – Other Post-Employment Benefit Plan

Fiscal Year	Annual Required Contribution (ARC)	Actual Employer Contribution	Percentage Contributed
2010	1,037,642	842,036	81.15%
2011	1,409,885	882,470	62.59%
2012	1,404,991	915,804	65.18%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The above schedules are presented to provide a consistent basis for measuring the Plans’ annual progress toward funding their actuarial accrued liabilities in accordance with the Plans’ funding methods. The primary measure of funding progress are the Plans’ funded ratios (i.e., actuarial value of assets expressed as a percentage of the actuarial accrued liability). An increase in the funded ratio indicates improvement in the Plans’ abilities to pay all projected benefits as they come due. The Plans’ are fully funded if the funded ratio is greater than or equal to 100 percent. The covered payroll census data used in the valuation of the actuarial accrued liability was the same for the valuations performed as of July 1, 2010 and 2011. The increase in the UAAL resulted from the decision made by the County not to make contributions to the OPEB Trust Fund for the years ended June 30, 2010 and 2011.

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
TAXES:				
Local Real and Personal Property:				
Real Property	\$ 43,678,494	\$ 43,678,494	\$ 43,755,051	\$ 76,557
Railroads and Public Utilities	2,748,648	2,748,648	2,707,102	(41,546)
Ordinary Business Corporations	1,170,875	1,170,875	1,349,557	178,682
	<u>\$ 47,598,017</u>	<u>\$ 47,598,017</u>	<u>\$ 47,811,710</u>	<u>\$ 213,693</u>
Enterprise Zone Tax Refund	0	0	80,871	80,871
Addition and Abatements	(25,000)	(25,000)	(1,131)	23,869
Penalties and Interest	650,000	650,000	602,941	(47,059)
	<u>\$ 48,223,017</u>	<u>\$ 48,223,017</u>	<u>\$ 48,494,391</u>	<u>\$ 271,374</u>
Less: Discounts and Credits	<u>(363,000)</u>	<u>(363,000)</u>	<u>(348,497)</u>	<u>14,503</u>
Total Real and Personal Property	<u>\$ 47,860,017</u>	<u>\$ 47,860,017</u>	<u>\$ 48,145,894</u>	<u>\$ 285,877</u>
Other Local Taxes:				
Income	\$ 9,300,000	\$ 9,300,000	\$ 10,808,277	\$ 1,508,277
Admissions and Amusement	700,000	700,000	685,707	(14,293)
Recordation	2,200,000	2,200,000	2,113,050	(86,950)
Coal Tonnage	220,000	220,000	166,746	(53,254)
Trailer Court	38,000	38,000	40,000	2,000
Natural Gas	1,800	1,800	1,503	(297)
Accommodations Tax	1,400,000	1,400,000	1,752,381	352,381
Transfer Tax	1,200,000	1,200,000	1,239,497	39,497
Franchise Tax	0	0	135	135
Agriculture Transfer Tax/Refunds	7,500	7,500	19,343	11,843
Coal Tax	25,000	25,000	50,423	25,423
911 Fees	270,000	270,000	264,957	(5,043)
Tax Sale Revenue	30,000	44,500	43,333	(1,167)
	<u>\$ 15,392,300</u>	<u>\$ 15,406,800</u>	<u>\$ 17,185,352</u>	<u>\$ 1,778,552</u>
Total Other Local Taxes	<u>\$ 15,392,300</u>	<u>\$ 15,406,800</u>	<u>\$ 17,185,352</u>	<u>\$ 1,778,552</u>
Total Taxes	<u>\$ 63,252,317</u>	<u>\$ 63,266,817</u>	<u>\$ 65,331,246</u>	<u>\$ 2,064,429</u>
LICENSES AND PERMITS:				
Business:				
Beer, Wine and Liquor Licenses	\$ 89,500	\$ 89,500	\$ 91,637	\$ 2,137
Traders	70,000	70,000	66,203	(3,797)
Other Licenses and Permits:				
Animal	6,000	6,000	5,806	(194)
Marriage	1,400	1,400	1,710	310
TVRU License	85,000	85,000	88,265	3,265
Highways and Streets	8,100	8,100	6,216	(1,884)
Other Permits	4,500	4,500	6,096	1,596
	<u>\$ 264,500</u>	<u>\$ 264,500</u>	<u>\$ 265,933</u>	<u>\$ 1,433</u>
Total Licenses and Permits	<u>\$ 264,500</u>	<u>\$ 264,500</u>	<u>\$ 265,933</u>	<u>\$ 1,433</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
INTERGOVERNMENTAL:				
Grants From Federal Government:				
Department of Justice - Domestic Violence	\$ 35,748	\$ 35,748	\$ 34,967	\$ (781)
CDBG - Weatherization Project	45,000	0	0	0
ARRA - Weatherization	1,061,300	1,582,045	1,582,045	0
Civil Defense	61,724	61,724	37,509	(24,215)
Emergency Management Domestic Preparedness	149,000	149,000	145,893	(3,107)
USDA - CAC - Emergency Food Assistance	9,000	9,000	9,000	0
Master's Child Support	9,000	9,000	12,508	3,508
Sheriff's Child Support	10,000	10,000	10,774	774
Federal Aid in Lieu of Taxes	4,000	4,000	5,699	1,699
TEP Grant - Hoyes Run Stream	0	76,069	76,069	0
Hazard Mitigation Plan	0	18,692	18,692	0
National Recreational Trails	56,000	56,000	55,250	(750)
MIEMSS Highway Safety	0	9,280	0	(9,280)
ARC - Exhibit Hall	0	331,941	331,941	0
CAC/Emergency Shelter	40,000	33,169	33,169	0
MEA - Energy Efficiency & Conservation - ARRA	0	186,692	186,692	0
ARRA - CAC - Maryland Energy Assistance Program	0	3,518	3,518	0
DOT - CAC Mass Transit	300,000	364,932	364,932	0
DOT - CAC Mass Transit - ARRA	325,000	273,273	273,273	0
ARC - Economic Development Grants	344,926	133,000	87,476	(45,524)
CAC - Emergency Transitional Housing Service	18,036	15,034	15,034	0
Miscellaneous	9,900	17,658	19,499	1,841
Grants From State Government:				
Highway User Tax	259,605	259,605	257,903	(1,702)
Disparity Grant	2,131,271	2,131,271	2,131,271	0
Police Protection	133,250	133,250	133,250	0
Conservation of Natural Resources	210,000	210,000	240,274	30,274
Adult Community Services	24,500	24,500	25,785	1,285
Hoyes Run Stream	0	9,515	9,515	0
Family Services Grant	110,426	96,650	97,592	942
Sheriff - School Bus Violation	15,000	20,000	20,000	0
Program Open Space	25,000	66,516	66,516	0
Emergency Numbers Systems Board - 911	82,100	1,176,436	1,171,533	(4,903)
Dove Center	20,000	20,000	20,000	0
CAC - Service Linked Housing	0	26,424	26,424	0
Jury Reimbursement State	11,000	11,000	9,510	(1,490)
CAC - Electric Universal Service	0	7,617	7,617	0
MDOT - CAC - Mass Transit	150,000	171,502	171,502	0
Planning/Rural Legacy Program	0	811,000	845,354	34,354
Subtotal - Intergovernmental	\$ 5,650,786	\$ 8,555,061	\$ 8,537,986	\$ (17,075)

**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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
INTERGOVERNMENTAL - Continued				
Balances Brought Forward	\$ 5,650,786	\$ 8,555,061	\$ 8,537,986	\$ (17,075)
Grants From State Government - Continued:				
Sheriff SOCEM Grant	10,485	7,615	7,615	0
Sheriff Sex Offender Registration	10,000	10,000	13,400	3,400
LEPC - CRTK Funds	6,000	8,685	8,679	(6)
Other	15,188	16,688	15,680	(1,008)
Other:				
Budget Settlement - Health Department	92,778	92,778	161,869	69,091
Other	12,200	177,336	173,971	(3,365)
Total Intergovernmental	<u>\$ 5,797,437</u>	<u>\$ 8,868,163</u>	<u>\$ 8,919,200</u>	<u>\$ 51,037</u>
FINES AND FORFEITURES	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ 13,696</u>	<u>\$ 5,696</u>
SERVICE CHARGES FOR CURRENT SERVICES:				
General Government:				
Zoning and Subdivision Fees	\$ 10,000	\$ 10,000	\$ 13,555	\$ 3,555
Roads Fuel Sales and Street Signs	554,850	554,850	524,461	(30,389)
Miscellaneous	56,900	56,900	63,866	6,966
Enterprise Funds - Indirect Fees	118,000	273,708	0	(273,708)
Public Safety:				
BOCA	70,000	70,000	64,059	(5,941)
State Inmate Housing	6,000	21,000	21,375	375
Sheriff Fees	38,400	53,100	56,319	3,219
Emergency Medical Services - Cost Share	150,000	150,000	150,000	0
911 - Cost Share	0	2,320	0	(2,320)
Animal Shelter	5,000	8,000	8,043	43
Total Service Charges	<u>\$ 1,009,150</u>	<u>\$ 1,199,878</u>	<u>\$ 901,678</u>	<u>\$ (298,200)</u>
MISCELLANEOUS:				
Interest and Dividends	\$ 250,000	\$ 250,000	\$ 366,595	\$ 116,595
Rents and Concessions	741,250	741,250	726,451	(14,799)
Contributions	3,000	3,000	6,571	3,571
Miscellaneous	12,000	333,884	1,940,602	1,606,718
Total Miscellaneous	<u>\$ 1,006,250</u>	<u>\$ 1,328,134</u>	<u>\$ 3,040,219</u>	<u>\$ 1,712,085</u>
TOTAL REVENUES	<u>\$ 71,337,654</u>	<u>\$ 74,935,492</u>	<u>\$ 78,471,972</u>	<u>\$ 3,536,480</u>
OTHER FINANCING SOURCES:				
Sale of Capital Assets	\$ 2,000	\$ 237,324	\$ 53,241	\$ (184,083)
Loan Proceeds	660,148	0	0	0
Total Other Financing Sources	<u>\$ 662,148</u>	<u>\$ 237,324</u>	<u>\$ 53,241</u>	<u>\$ (184,083)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 71,999,802</u>	<u>\$ 75,172,816</u>	<u>\$ 78,525,213</u>	<u>\$ 3,352,397</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
GENERAL GOVERNMENT				
Legislative:				
County Commissioners	\$ 426,398	\$ 778,338	\$ 537,876	\$ (240,462)
Judicial:				
Circuit Court	407,622	393,062	383,171	(9,891)
Orphans Court	17,205	17,205	16,485	(720)
State's Attorney	634,372	641,263	640,631	(632)
Jury and Witness Operating	24,000	24,000	21,638	(2,362)
	<u>1,083,199</u>	<u>1,075,530</u>	<u>1,061,925</u>	<u>(13,605)</u>
Elections:				
Board of Supervisors of Elections	\$ 364,523	\$ 363,023	\$ 333,843	\$ (29,180)
Financial Administration:				
Finance Office	\$ 487,307	\$ 487,760	\$ 470,869	\$ (16,891)
Tax Collection Office	337,287	351,740	333,575	(18,165)
Department of Assessments & Taxation	411,000	411,000	410,986	(14)
Procurement	226,740	227,755	204,960	(22,795)
Total Financial Administration	<u>\$ 1,462,334</u>	<u>\$ 1,478,255</u>	<u>\$ 1,420,390</u>	<u>\$ (57,865)</u>
Information Technology:				
Information Technology	\$ 269,995	\$ 321,489	\$ 291,528	\$ (29,961)
Law:				
Legal Counsel	\$ 97,669	\$ 97,669	\$ 88,345	\$ (9,324)
Personnel Administration:				
Personnel Administration	\$ 277,400	\$ 280,924	\$ 247,499	\$ (33,425)
Planning and Zoning:				
Planning Commission	\$ 443,573	\$ 1,320,323	\$ 1,305,952	\$ (14,371)
Facilities & Maintenance				
County Buildings	\$ 2,298,152	\$ 2,110,180	\$ 1,626,767	\$ (483,413)
Total General Government	<u>\$ 6,723,243</u>	<u>\$ 7,825,731</u>	<u>\$ 6,914,125</u>	<u>\$ (911,606)</u>
PUBLIC SAFETY				
Sheriff's Department	\$ 2,631,923	\$ 2,691,467	\$ 2,658,918	\$ (32,549)
Corrections	1,744,782	1,808,089	1,782,821	(25,268)
Fire and Rescue Services	2,585,332	2,598,500	2,588,901	(9,599)
Other Public Safety:				
Permits and Inspections	671,593	673,737	620,613	(53,124)
Animal Control	226,040	242,180	236,652	(5,528)
Civil Defense/Emergency Management	261,589	234,423	233,695	(728)
Emergency Alarm and Communications (911)	753,119	770,162	768,045	(2,117)
Total Public Safety	<u>\$ 8,874,378</u>	<u>\$ 9,018,558</u>	<u>\$ 8,889,645</u>	<u>\$ (128,913)</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
PUBLIC WORKS				
Highways and Streets	\$ 16,858,627	\$ 17,073,226	\$ 15,798,007	\$ (1,275,219)
HEALTH AND HOSPITAL				
Health Department	\$ 1,447,289	\$ 1,447,289	\$ 1,447,289	\$ 0
SOCIAL SERVICES				
Commission on Aging	\$ 281,700	\$ 281,700	\$ 281,700	\$ 0
EDUCATION				
Board of Education	\$ 24,984,500	\$ 25,025,918	\$ 25,022,036	\$ (3,882)
Community College	4,723,000	11,621,350	10,603,285	(1,018,065)
Total Education	<u>\$ 29,707,500</u>	<u>\$ 36,647,268</u>	<u>\$ 35,625,321</u>	<u>\$ (1,021,947)</u>
CULTURE	\$ 18,000	\$ 18,000	\$ 18,000	\$ 0
PARKS AND RECREATION	\$ 37,000	\$ 78,516	\$ 76,516	\$ (2,000)
LIBRARY	\$ 998,000	\$ 998,000	\$ 997,744	\$ (256)
CONSERVATION OF NATURAL RESOURCES				
Agriculture Extension Service	\$ 147,342	\$ 162,892	\$ 151,575	\$ (11,317)
Soil Conservation	16,000	16,000	16,000	0
Agricultural Land Preservation Program	7,500	7,500	0	(7,500)
Total Conservation of Natural Resources	<u>\$ 170,842</u>	<u>\$ 186,392</u>	<u>\$ 167,575</u>	<u>\$ (18,817)</u>
ECONOMIC DEVELOPMENT AND OPPORTUNITY				
Economic Development	\$ 740,399	\$ 919,830	\$ 826,191	\$ (93,639)
Tourism	682,000	682,000	682,000	0
Community Action Programs	2,254,336	2,792,514	2,791,900	(614)
Community Action Salaries and Benefits	68,910	69,448	69,362	(86)
Fair Board Agricultural Fair	20,000	1,062,278	616,892	(445,386)
Special Promotion	39,267	238,018	222,574	(15,444)
Other	101,328	101,328	101,328	0
Total Economic Development and Opportunity	<u>\$ 3,906,240</u>	<u>\$ 5,865,416</u>	<u>\$ 5,310,247</u>	<u>\$ (555,169)</u>
CAPITAL OUTLAY				
Information Technology	\$ 20,000	\$ 38,059	\$ 38,857	\$ 798
Library	0	0	0	0
Facilities & Maintenance	32,000	331,673	295,032	(36,641)
Civil Defense/Emergency Management	75,000	1,395,375	1,383,447	(11,928)
Economic Development and Opportunity	1,183,000	1,246,617	92,320	(1,154,297)
Highways and Streets	622,000	2,702,506	2,714,361	11,855
Total Capital Outlay	<u>\$ 1,932,000</u>	<u>\$ 5,714,230</u>	<u>\$ 4,524,017</u>	<u>\$ (1,190,213)</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
DEBT SERVICE	\$ 33,399	\$ 0	\$ 0	\$ 0
INTERGOVERNMENTAL	\$ 242,205	\$ 242,205	\$ 227,205	\$ (15,000)
MISCELLANEOUS	\$ 954,168	\$ 752,659	\$ 664,841	\$ (87,818)
TOTAL EXPENDITURES	\$ 72,184,591	\$ 86,149,190	\$ 80,942,232	\$ (5,206,958)
OTHER FINANCING USES				
Operating Transfers:				
Capital Projects Fund	\$ 689,300	\$ 3,113,193	\$ 823,160	\$ (2,290,033)
Airport	125,911	143,270	74,366	(68,904)
Total Other Financing Uses	\$ 815,211	\$ 3,256,463	\$ 897,526	\$ (2,358,937)
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 72,999,802	\$ 89,405,653	\$ 81,839,758	\$ (7,565,895)

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

General Fund

Schedule of Taxes and Taxes Receivable

Year Ended June 30, 2012

	<u>Total Assessed Value</u>	<u>Tax Rate Per \$100</u>	<u>Actual Tax Levy</u>	<u>Amount Collected</u>	<u>Balance of Taxes Receivable</u>
CURRENT YEAR LEVY:					
Real Property - Full Year					
Mt Lake Park	\$ 96,734,313	\$ 0.899	\$ 869,641		
All Others	4,505,248,011	0.950	42,799,856		
Total Full Year	<u>\$ 4,601,982,324</u>		<u>\$ 43,669,497</u>	\$ 40,663,120	\$ 3,006,377
Real Property - One-Half Year	18,011,220	0.475	85,553	60,722	24,831
Total Real Property	<u>\$ 4,619,993,544</u>		<u>\$ 43,755,050</u>	<u>\$ 40,723,842</u>	<u>\$ 3,031,208</u>
Personal Property - Corporate	<u>\$ 56,823,439</u>	\$ 2.375	<u>\$ 1,349,557</u>	<u>\$ 37,460</u>	<u>\$ 1,312,097</u>
Public Utilities and Railroad	<u>\$ 114,478,850</u>	\$ 2.365	<u>\$ 2,707,102</u>	<u>\$ 2,706,721</u>	<u>\$ 381</u>
Total Current Year	<u><u>\$ 4,791,295,833</u></u>		<u><u>\$ 47,811,709</u></u>	<u><u>\$ 43,468,023</u></u>	<u><u>\$ 4,343,686</u></u>
PRIOR YEAR RECEIVABLES:					
	<u>Year Ended June 30:</u>				
	2011				\$ 368,117
	2010				12,031
	2009				7,486
	2008				450
	2007				201
	2006				1,693
	2005				183
	2004				3,329
	2003				4,722
	2002				1,927
	2001				1,614
	2000				9,466
	1992-1999				<u>964</u>
Total Prior Years					<u>\$ 412,183</u>
TOTAL TAXES RECEIVABLE					\$ 4,755,869
Less: Refunds Due					(9,794)
Less: Allowance for Uncollectible Accounts					<u>(100,000)</u>
TAXES RECEIVABLE - NET					<u><u>\$ 4,646,075</u></u>

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

Combining Balance Sheet
Other Governmental Funds
June 30, 2012

	HUD Program	Public Safety	Commissary
ASSETS:			
Due from Other Governments	\$	\$	\$
Due from Other Funds		129,429	76,302
Other Receivables - Net			7,290
Restricted Cash		40,093	
TOTAL ASSETS	\$ 0	\$ 169,522	\$ 83,592
LIABILITIES:			
Accounts Payable and Accrued Expenses	\$	\$ 50,971	\$ 1,837
Deferred Revenues		78,759	
Total Liabilities	\$ 0	\$ 129,730	\$ 1,837
FUND BALANCES:			
Restricted	\$	\$ 39,792	\$ 81,755
TOTAL LIABILITIES AND FUND BALANCES	\$ 0	\$ 169,522	\$ 83,592

<u>Law Library</u>	<u>Total Other Governmental Funds</u>
\$ 1,595	\$ 1,595
25,156	230,887
	7,290
	40,093
<u>\$ 26,751</u>	<u>\$ 279,865</u>
\$ 91	\$ 52,899
	78,759
<u>\$ 91</u>	<u>\$ 131,658</u>
<u>\$ 26,660</u>	<u>\$ 148,207</u>
<u>\$ 26,751</u>	<u>\$ 279,865</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, 2012

	HUD Program	Public Safety	Commissary
REVENUES:			
Intergovernmental	\$ 263,000	\$ 198,165	\$
Fines and Forfeitures		13,487	
Investment Income		65	
Charges for Services			65,732
Total Revenues	\$ 263,000	\$ 211,717	\$ 65,732
EXPENDITURES:			
General Government	\$	\$	\$
Public Safety		211,515	63,955
Economic Opportunity & Development	263,000		
Capital Outlay		27,621	12,511
Total Expenditures	\$ 263,000	\$ 239,136	\$ 76,466
REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	\$	\$ (27,419)	\$ (10,734)
OTHER FINANCING SOURCES			
Sale of Capital Assets		5,610	
Total Financing Sources	\$ 0	\$ 5,610	\$ 0
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	\$ 0	\$ (21,809)	\$ (10,734)
Fund Balances, Beginning of Year	0	61,601	92,489
FUND BALANCES, End of Year	\$ 0	\$ 39,792	\$ 81,755

<u>Law Library</u>	<u>Total Other Governmental Funds</u>
\$	\$
14,961	461,165
	28,448
	65
	<u>65,732</u>
\$ <u>14,961</u>	\$ <u>555,410</u>
\$	\$
22,166	22,166
	275,470
	263,000
	<u>40,132</u>
\$ <u>22,166</u>	\$ <u>600,768</u>
\$	\$
(7,205)	(45,358)
	<u>5,610</u>
\$ <u>0</u>	\$ <u>5,610</u>
\$	\$
(7,205)	(39,748)
<u>33,865</u>	<u>187,955</u>
\$ <u><u>26,660</u></u>	\$ <u><u>148,207</u></u>

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Garrett County Sanitary District, Inc.
Combining Schedule of Revenues and Expenses and Other Changes in Net Assets
Year Ended June 30, 2012

	<u>Water Systems</u>	<u>Other Water</u>	<u>Deep Creek Lab</u>	<u>Company Store</u>
OPERATING REVENUES:				
Charges for Services	\$ 1,213,405	\$ 42,540	\$ 70,691	\$
Other	91,859			235,957
Total Operating Revenues	<u>\$ 1,305,264</u>	<u>\$ 42,540</u>	<u>\$ 70,691</u>	<u>\$ 235,957</u>
OPERATING EXPENSES:				
Salaries	\$ 292,487	\$ 11,226	\$ 74,426	\$ 29,318
Fringe Benefits	131,863	6,591	38,444	13,456
Maintenance and Repairs	84,061		7	249
Supplies	69,811		17,678	181,789
Utilities	123,872		1,200	7,625
Transportation	42,110	1,188	2,101	
Contracted Services	10,069		12,144	
Lab Tests	28,881	1,531	(166,972)	
Direct Administrative	22,232	239	6,841	3,326
Indirect Administrative	297,312	12,483	79,080	29,968
Depreciation	646,184		5,742	2,170
Bad Debt Expense				7
Total Operating Expenses	<u>\$ 1,748,882</u>	<u>\$ 33,258</u>	<u>\$ 70,691</u>	<u>\$ 267,908</u>
OPERATING (LOSS)/INCOME	<u>\$ (443,618)</u>	<u>\$ 9,282</u>	<u>\$ 0</u>	<u>\$ (31,951)</u>
NONOPERATING REVENUES (EXPENSES):				
Tap Fees - Capital Charge	\$ 24,156		\$	\$
Interest Revenue	7,716			2,190
Ad Valorem Tax	219,096			
Sales of Assets				
Interest Expense	(94,771)			(77,787)
Net Other Revenues (Expenses)	<u>\$ 156,197</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (75,597)</u>
(LOSS)/INCOME BEFORE CAPTIAL CONTRIBUTIONS	<u>\$ (287,421)</u>	<u>\$ 9,282</u>	<u>\$ 0</u>	<u>\$ (107,548)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Contributed Capital				
State	\$ 1,528,747		\$	\$
Transfers from General Fund	151,769			
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>\$ 1,680,516</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
INCREASE/(DECREASE) IN NET ASSETS	<u>\$ 1,393,095</u>	<u>\$ 9,282</u>	<u>\$ 0</u>	<u>\$ (107,548)</u>

	Subtotal Water Projects	Sewer Systems	Trout Run	Other Sewer	Subtotal Sewer Projects	Total
\$	1,326,636	\$ 2,679,065	\$ 90,880	\$ 80,377	\$ 2,850,322	\$ 4,176,958
	<u>327,816</u>	<u>46,304</u>		<u>41,908</u>	<u>88,212</u>	<u>416,028</u>
\$	<u>1,654,452</u>	<u>2,725,369</u>	<u>90,880</u>	<u>122,285</u>	<u>2,938,534</u>	<u>4,592,986</u>
\$	407,457	\$ 578,873	\$ 22,553	\$ 27,815	\$ 629,241	\$ 1,036,698
	190,354	301,751	9,061	16,091	326,903	517,257
	84,317	340,371	23,025	711	364,107	448,424
	269,278	175,145	4,723	2,770	182,638	451,916
	132,697	429,602	30,083		459,685	592,382
	45,399	86,419	2,624	3,437	92,480	137,879
	22,213	7,128	5,400		12,528	34,741
	(136,560)	92,514	22,860	22,031	137,405	845
	32,638	56,289	2,523	558	59,370	92,008
	418,843	616,992	22,150	30,761	669,903	1,088,746
	654,096	2,062,944	184,297		2,247,241	2,901,337
	<u>7</u>				<u>0</u>	<u>7</u>
\$	<u>2,120,739</u>	<u>4,748,028</u>	<u>329,299</u>	<u>104,174</u>	<u>5,181,501</u>	<u>7,302,240</u>
\$	<u>(466,287)</u>	<u>(2,022,659)</u>	<u>(238,419)</u>	<u>18,111</u>	<u>(2,242,967)</u>	<u>(2,709,254)</u>
\$	24,156	\$ 141,740	\$	\$	\$ 141,740	\$ 165,896
	9,906	42,691	763		43,454	53,360
	219,096	131,814	41,546		173,360	392,456
	0			763	763	763
	<u>(172,558)</u>	<u>(712,478)</u>	<u>(26,529)</u>		<u>(739,007)</u>	<u>(911,565)</u>
\$	<u>80,600</u>	<u>(396,233)</u>	<u>15,780</u>	<u>763</u>	<u>(379,690)</u>	<u>(299,090)</u>
\$	<u>(385,687)</u>	<u>(2,418,892)</u>	<u>(222,639)</u>	<u>18,874</u>	<u>(2,622,657)</u>	<u>(3,008,344)</u>
\$	1,528,747	\$	\$	\$	0	\$ 1,528,747
	<u>151,769</u>				<u>0</u>	<u>151,769</u>
\$	<u>1,680,516</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,680,516</u>
\$	<u>1,294,829</u>	<u>(2,418,892)</u>	<u>(222,639)</u>	<u>18,874</u>	<u>(2,622,657)</u>	<u>(1,327,828)</u>

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Garrett County Sanitary District, Inc.
Schedule of Costs Capitalized to Construction in Progress
Year Ended June 30, 2012

PROJECT	Balance July 1, 2011	Construction (Net of Program Income)	Engineering	Salaries
Keysers Ridge Water Holding Tank	\$ 38,625	\$	\$ 18,345	\$ 718
McHenry Water System	146,059	494,107	3,854	28,538
Keysers Ridge Water	121,672			2,771
Deep Creek Lake Collection & Conveyance	888,750		1,788	710
Mountain Lake Park Water	0	33,222	134	221
Friendsville Sewer	6,388	203	10,594	1,591
Pee Wee Hill Water	96,762	1,313,631	3,321	23,742
Thayerville Water	486,484	477,476	133,693	25,891
Mountain Lake Park Water Line	12,076			
Business Park Water	12,866			
Business Park Sewer	6,517			
TOTAL	\$ 1,816,199	\$ 2,318,639	\$ 171,729	\$ 84,182

<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, 2012</u>
\$ 341	\$	\$	\$ 743	\$ 20,147	\$	\$ 58,772
11,449	1,674	123,926	28,016	691,564		837,623
1,215			2,793	6,779		128,451
288		15,729	698	19,213		907,963
97			223	33,897		33,897
595	30		1,531	14,544		20,932
7,540	45		21,917	1,370,196		1,466,958
11,102	537		25,918	674,617		1,161,101
				0		12,076
				0		12,866
				0		6,517
<u>\$ 32,627</u>	<u>\$ 2,286</u>	<u>\$ 139,655</u>	<u>\$ 81,839</u>	<u>\$ 2,830,957</u>	<u>\$ 0</u>	<u>\$ 4,647,156</u>

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

Garrett County Sanitary District, Inc.

Schedule of Indirect Costs

Year Ended June 30, 2012

TYPE:	<u>2012</u>
Insurance	\$ 81,481
Administrative	138,378
Telephone	5,896
Professional and Legal	22,200
Office Supplies and Expenses	11,957
Salaries	625,600
Utilities	4,228
Fringe Benefits	280,555
Transportation	5,215
Unemployment	<u>(4,925)</u>
Total	<u><u>\$ 1,170,585</u></u>
ALLOCATION BASE:	
Direct Salaries	\$ 1,120,880
Related Fringe Benefits	<u>549,884</u>
Total Allocation Base	<u><u>\$ 1,670,764</u></u>
INDIRECT COST RATE	<u><u>70.0629%</u></u>
COSTS REPORTED AS:	
Operations	\$ 1,088,746
Construction in Progress	<u>81,839</u>
	<u><u>\$ 1,170,585</u></u>

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Comparative Schedule of Primary Government Long-Term Indebtedness
June 30, 2012 and 2011

	June 30,	
	2012	2011
LONG-TERM INDEBTEDNESS:		
Government Activities:		
Bond Payable - Hospital Bonds of 2004	\$ 1,002,640	\$ 1,062,899
Bond Payable - Hospital Bonds of 2007	2,718,167	2,779,293
Total Governmental Activities	\$ 3,720,807	\$ 3,842,192
Business Type Activities:		
Solid Waste		
Bond Payable - Landfill Project, Series 1993	\$	\$ 1,360,000
Bond Payable - Maryland Water Quality Financing Administration	620,458	732,881
Total Solid Waste	\$ 620,458	\$ 2,092,881
Sanitary District		
Note Payable - Rural Development-Bloomington	\$ 80,585	\$ 87,923
Note Payable - Rural Development-Youghiogheny	581,454	596,229
Note Payable - Rural Development-Chestnut Ridge	690,947	706,722
Note Payable - Maryland Department of the Environment-Mt. Lake Park/Powles	67,818	71,244
Note Payable - Rural Development-Chestnut Ridge	191,814	196,198
Note Payable - GE Capital Asset Management-Friendsville Water	22,000	32,000
Note Payable - Rural Development-Deer Park Sewer	326,863	333,618
Note Payable - Maryland Water Quality Financing-Deep Creek Lake Sewer Ext.	447,515	504,513
Note Payable - Maryland Water Quality Financing-Deep Creek Lake Septage	112,803	137,651
Note Payable - State of Maryland-Jennings Sewer	48,588	54,901
Note Payable - Maryland Water Quality Financing-Goodwill Mennonite Sewer	99,666	119,744
Note Payable - Rural Development-Meadow Mountain Sewer	361,578	367,197
Note Payable - Rural Development-McHenry Water	208,794	211,945
Note Payable - Rural Development-McHenry Water	550,079	558,374
Note Payable - Rural Development-Keysers Ridge Water	505,764	513,284
Note Payable - Rural Development-Deer Park Water	511,945	519,663
Note Payable - Maryland Water Quality Financing-Deer Park Water	199,969	208,648
Note Payable - Rural Development Keyser's Ridge Water	107,498	108,927
Note Payable - USDA-DCL WWTP	9,452,856	9,571,445
Note Payable - USDA-DCL WWTP	4,365,233	4,419,993
Note Payable - USDA-DCL WWTP	928,345	939,997
Note Payable - M&T Bank-Deep Creek Sewer System & McHenry Water System	4,500,000	4,500,000
Note Payable - M&T Bank-Warehouse Project	2,061,959	2,146,468
Note Payable - Maryland Department of the Environment-Mountain Lake Park Water	101,423	110,500
Note Payable - Maryland Department of the Environment-Deep Creek & Friendsville	347,569	480,449
Total Sanitary District	\$ 26,873,065	\$ 27,497,633
Parks & Recreation		
Note Payable - Garrett County Community Action Committee	\$ 275,000	\$
Note Payable - Maryland Department of Business and Economic Development	2,817,615	
Total Parks & Recreation	\$ 3,092,615	\$ 0
Total Business Type Activities	\$ 30,586,138	\$ 29,590,514
TOTAL LONG-TERM INDEBTEDNESS	\$ 34,306,945	\$ 33,432,706

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

Combining Statement of Net Assets

Fiduciary Funds

June 30, 2012

	Government Personnel Retirement Plan	Law Enforcement Employee Retirement Plan	Volunteer Length of Service Award Plan	Other Post Employment Benefit Plan	Total Benefit Plan Trust Funds
ASSETS					
Cash and Cash Equivalents	\$ 688,088	\$ 233,079	\$ 10,427	\$ 10,170	\$ 941,764
Investments:					
Certificates of Deposit	\$ 51,165	\$	\$	\$	\$ 51,165
Fixed Income Securities	4,782,936	1,429,527	222,794	260,311	6,695,568
Mutual Funds	4,956,343	1,436,513	262,053	448,217	7,103,126
Equity Securities	5,152,172	1,556,548	177,057	354,310	7,240,087
Total Investments	<u>\$ 14,942,616</u>	<u>\$ 4,422,588</u>	<u>\$ 661,904</u>	<u>\$ 1,062,838</u>	<u>\$ 21,089,946</u>
Interest Receivable	<u>\$ 83,599</u>	<u>\$ 22,198</u>	<u>\$ 2,323</u>	<u>\$ 3,570</u>	<u>\$ 111,690</u>
TOTAL ASSETS	<u>\$ 15,714,303</u>	<u>\$ 4,677,865</u>	<u>\$ 674,654</u>	<u>\$ 1,076,578</u>	<u>\$ 22,143,400</u>
LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET ASSETS					
Held in Trust for Retirement					
Benefits and OPEB	<u><u>\$ 15,714,303</u></u>	<u><u>\$ 4,677,865</u></u>	<u><u>\$ 674,654</u></u>	<u><u>\$ 1,076,578</u></u>	<u><u>\$ 22,143,400</u></u>

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

Combining Statement of Changes in Net Assets
Fiduciary Funds
Year Ended June 30, 2012

	<u>Government Personnel Retirement Plan</u>	<u>Law Enforcement Employee Retirement Plan</u>	<u>Volunteer Length of Service Award Plan</u>	<u>Other Post Employment Benefit Plan</u>	<u>Total Benefit Plan Trust Funds</u>
ADDITIONS					
Contributions:					
Employer	\$ 1,154,281	\$ 326,789	\$	\$	\$ 1,481,070
Plan Members	355,596	193,423			549,019
Total Contributions	<u>\$ 1,509,877</u>	<u>\$ 520,212</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,030,089</u>
Investment Earnings:					
Net Increase in					
Fair Value of Investments	\$ 296,758	\$ 80,122	\$ 17,734	(1,872)	\$ 392,742
Realized Gains on Investments	101,026	19,382	2,522	17,184	140,114
Interest and Dividends	411,815	123,178	18,184	27,972	581,149
Investment Activity Expense	(77,035)	(23,138)	(3,425)	(5,506)	(109,104)
Total Net Investment Earnings	<u>\$ 732,564</u>	<u>\$ 199,544</u>	<u>\$ 35,015</u>	<u>\$ 37,778</u>	<u>\$ 1,004,901</u>
Total Additions	<u>\$ 2,242,441</u>	<u>\$ 719,756</u>	<u>\$ 35,015</u>	<u>\$ 37,778</u>	<u>\$ 3,034,990</u>
DEDUCTIONS					
Benefits	\$ 624,485	\$ 247,850	\$	\$	\$ 872,335
Administrative	12,800	3,495		394	16,689
Total Deductions	<u>\$ 637,285</u>	<u>\$ 251,345</u>	<u>\$ 0</u>	<u>\$ 394</u>	<u>\$ 889,024</u>
OTHER FINANCING SOURCES (USES)					
Transfers	<u>\$ 27,310</u>	<u>\$ (27,310)</u>	<u>\$</u>	<u>\$</u>	<u>\$ 0</u>
Total Other Financing Sources (Uses)	<u>\$ 27,310</u>	<u>\$ (27,310)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Change In Net Assets	\$ 1,632,466	\$ 441,101	\$ 35,015	\$ 37,384	\$ 2,145,966
Net Assets - Beginning of Year	<u>14,081,837</u>	<u>4,236,764</u>	<u>639,639</u>	<u>1,039,194</u>	<u>19,997,434</u>
Net Assets - End of Year	<u>\$ 15,714,303</u>	<u>\$ 4,677,865</u>	<u>\$ 674,654</u>	<u>\$ 1,076,578</u>	<u>\$ 22,143,400</u>