

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

**FINANCIAL REPORT
JUNE 30, 2011**

**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, 2011, 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, 2011, 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 23, 2011, 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.

Radebeaux & Associates, P.C.

Oakland, Maryland
December 23, 2011

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

June 30, 2011

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, 2011. 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, 2011 by \$126,458,693 (net assets), compared to \$125,190,901 at June 30, 2010. Approximately 38 percent of total net assets are attributable to the Enterprise Funds. Of total net assets at June 30, 2011, \$25,030,105 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, which compares to \$19,061,115 at June 30, 2010. Another \$1,609,726 is restricted for specific purposes (restricted net assets) in comparison to \$1,485,225 at June 30, 2010. The total invested in capital assets, net of related debt was \$99,818,862 at June 30, 2011, compared to \$104,644,561 at June 30, 2010.

The County's total net assets increased by \$1,267,792

As of June 30, 2011, the County's governmental funds reported combined fund balances of \$23,710,933, an increase of \$5,299,194 over the prior year. Approximately 24 percent of the combined fund balance is available to meet the County's current and future needs (unassigned fund balance), 3.7 percent is nonspendable, 1.3 percent is restricted, and 71 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 \$22,521,996 or 31.6% of total general fund expenditures including operating transfers at June 30, 2011. Assigned fund balance of the general fund was \$16,839,950, 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, 2011

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

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

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

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

The government-wide financial statements include not only the operations of Garrett County Government itself (known as the primary government), but also the legally separate organizations of the Board of Education, Garrett College and the Ruth Enlow Library System of Garrett County. The financial information for these component units is reported separately from the primary government in the government-wide financial statements located on pages 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, 2011

**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 and the Garrett County Sanitary District, Inc. d/b/a/ Garrett County Department of Public Utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 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 fund financial statements. The notes to the financial statements can be found on pages 34 through 75 of this report.

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

June 30, 2011

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and other supplementary information that are not considered a part of the basic financial statements. Schedules in these sections include schedules of funding progress for the County's retirement plans and a budgetary comparison for the General Fund to demonstrate compliance with the annually adopted budget. Required supplementary information and other supplementary information is located immediately following the notes to the financial statements and can be found on pages 76 through 92 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 \$126,458,693 at the close of the current fiscal year. Garrett County's net assets are divided into three categories, invested in capital assets (net of related debt), restricted net assets and unrestricted net assets. The largest portion of the county's net assets (78.9 percent) reflect its investment in capital assets net of depreciation (e.g., land and easements, buildings, machinery, equipment, infrastructure and improvements), less any unmatured debt used to acquire those assets. The County uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Restricted net assets represent 1.3 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 \$25,030,105 (19.8 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, 2011**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Assets:						
Current & Other Assets	\$ 38,974,801	\$ 35,078,643	\$ 9,051,470	\$ 9,802,255	\$ 48,026,271	\$ 44,880,898
Capital Assets	58,614,712	61,597,030	68,459,124	71,635,798	127,073,836	133,232,828
Total Assets	97,589,513	96,675,673	77,510,594	81,438,053	175,100,107	178,113,726
Liabilities:						
Long-Term Liabilities	5,842,681	7,498,093	32,758,395	33,378,388	38,601,076	40,876,481
Other Liabilities	12,937,343	13,968,795	(2,897,005)	(1,922,451)	10,040,338	12,046,344
Total Liabilities	18,780,024	21,466,888	29,861,390	31,455,937	48,641,414	52,922,825
Net Assets:						
Invested Capital Assets						
Net of Related Debt	58,614,712	60,953,905	41,204,150	43,690,656	99,818,862	104,644,561
Restricted	1,188,937	1,060,242	420,789	424,983	1,609,726	1,485,225
Unrestricted	19,005,840	13,194,638	6,024,265	5,866,477	25,030,105	19,061,115
Total Net Assets	\$ 78,809,489	\$ 75,208,785	\$ 47,649,204	\$ 49,982,116	\$126,458,693	\$ 125,190,901

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

Government-wide Financial Analysis (cont'd)

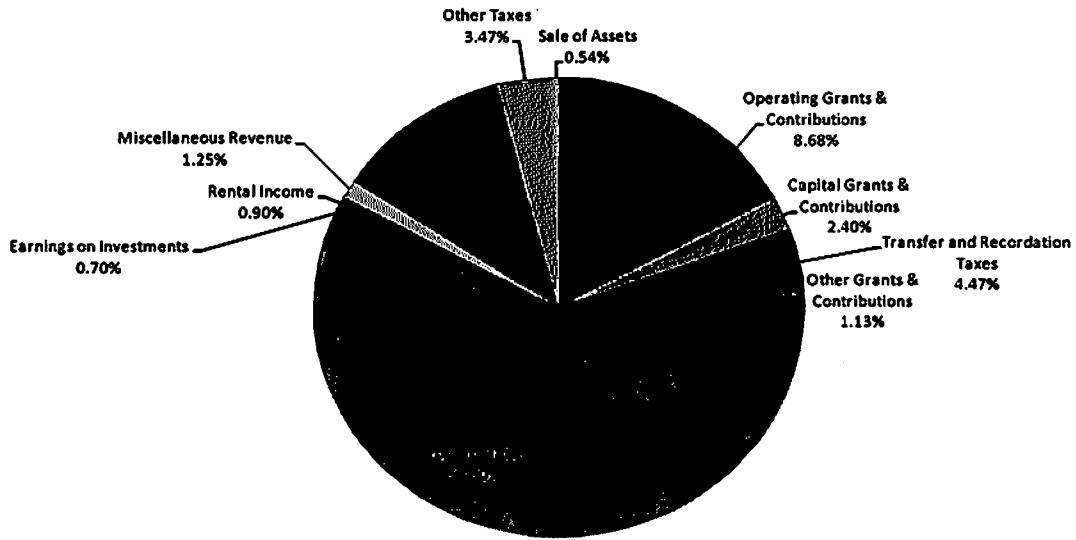
The following table indicates the changes in net assets.

Garrett County Government's Changes in Net Assets
for the Year ended June 30, 2011

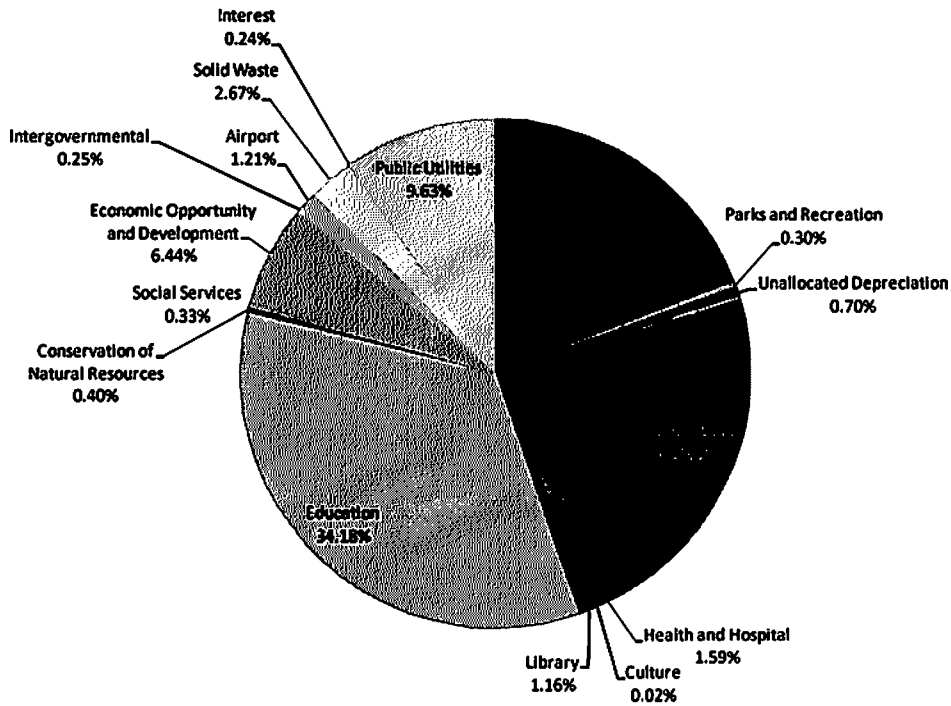
	Governmental Activities		Business-type Activities		Total Government	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Revenues:						
Program Revenues:						
Changes for Services	\$ 1,464,712	\$ 1,326,651	\$ 5,810,084	\$ 5,661,010	\$ 7,274,796	\$ 6,987,661
Operating Grants and Contributions	7,495,613	7,346,209	0	28,220	7,495,613	7,374,429
Capital Grants and Contributions	1,702,308	5,294,848	368,772	1,341,906	2,071,080	6,636,754
General Revenues:						
Property Taxes	46,332,585	43,921,993	2,291,639	2,174,543	48,624,224	46,096,536
Other Taxes and Licenses	16,992,144	15,786,718	0	0	16,992,144	15,786,718
Grants and Contributions	313,137	307,026	658,412	130,220	971,549	437,246
Other General Revenues	2,732,241	2,764,325	201,711	99,581	2,933,952	2,863,906
Total Revenues	\$ 77,032,740	\$ 76,747,770	\$ 9,330,618	\$ 9,435,480	\$ 86,363,358	\$ 86,183,250
Program Expenses:						
General Government	6,832,354	6,144,946	0	0	6,832,354	6,144,946
Public Safety	9,534,790	9,274,508	0	0	9,534,790	9,274,508
Public Works	18,422,238	18,999,584	0	0	18,422,238	18,999,584
Health & Hospital	1,355,187	1,369,647	0	0	1,355,187	1,369,647
Education - Board of Education	23,644,157	24,226,047	0	0	23,644,157	24,226,047
- Garrett College	5,437,384	4,999,110	0	0	5,437,384	4,999,110
Culture	18,000	18,000	0	0	18,000	18,000
Parks and Recreation	253,643	286,086	0	0	253,643	286,086
Library	991,443	1,001,825	0	0	991,443	1,001,825
Conservation of Natural Resources	339,573	224,155	0	0	339,573	224,155
Social Services	281,700	281,700	0	0	281,700	281,700
Community Development & Housing	0	0	0	0	0	0
Economic Opportunity & Development	5,478,006	6,034,858	0	0	5,478,006	6,034,858
Other	1,014,904	1,560,543	0	0	1,014,904	1,560,543
Garrett County Airport	0	0	1,026,713	1,032,470	1,026,713	1,032,470
Solid Waste Management	0	0	2,271,868	2,309,397	2,271,868	2,309,397
Garrett County Sanitary District, Inc.	0	0	8,193,606	7,844,998	8,193,606	7,844,998
Total Expenses	\$ 73,603,379	\$ 74,421,009	\$ 11,492,187	\$ 11,186,865	\$ 85,095,566	\$ 85,607,874
Excess before Special Items and Transfers	3,429,361	2,326,761	(2,161,569)	(1,751,385)	1,267,792	575,376
Special Item	0	(2,662,427)	0	0	0	(2,662,427)
Net Transfers In (Out)	171,343	(860,156)	(171,343)	860,156	0	0
Changes in Net Assets	3,600,704	(1,195,822)	(2,332,912)	(891,229)	1,267,792	(2,087,051)
Net Assets - Beginning of Year	75,208,785	76,404,607	49,982,116	50,873,345	125,190,901	127,277,952
Net Assets - End of Year	\$ 78,809,489	\$ 75,208,785	\$ 47,649,204	\$ 49,982,116	\$ 126,458,693	\$ 125,190,901

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

Revenues By Source - Primary Government



Expenditures - Primary Government



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

June 30, 2011

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 \$1,267,792 for the year ended June 30, 2011. This increase was the first recorded in the past two fiscal years. Key elements of this overall increase are due to increases in taxes to include property taxes, income taxes, transfer and recordation taxes. Property taxes increased by \$2,527,688, income taxes increased by \$269,495 and transfer and recordation taxes increased by \$619,762.

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 \$2,527,688 (5.5%) during the year. The majority of this increase is due to new growth and increased property values as assessed by the State of Maryland Department of Assessments and Taxation. There was no change in the property tax rate as set by the County Commissioners. Property taxes account for 61% 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. 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% of General Fund revenues. Recordation and local transfer taxes also show an increase of 22% and 15%, respectively, for FY 2011.

Business-Type Activities. In 2011, total assets for the Airport decreased by \$766,889. This decrease is the result of 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 \$2,664,766. This decrease is the result of depreciation on capital assets and debt service interest payments on long term debt.

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

June 30, 2011

Government-wide Financial Analysis (cont'd)

Operating revenues net of in-house sales of the Sanitary District increased by \$118,748. An increase in customers, bulk water sales, and operating agreement rates contribute primarily to this increase. Operating expenditures for the Sanitary District increased by \$302,638. This increase is primarily the result of an increase in depreciation expense and major repairs to a variety of sewer treatment equipment.

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 \$2,490,515 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 through Maryland Environmental Services to provide funds to pay these closure and post-closure costs. As of June 30, 2011, the balance of these restricted cash assets was \$1,228,224.

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 \$23,710,933, an increase of \$5,299,194. Approximately 24% of this total, \$5,682,046, 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 \$6,898,350 for the construction of a Community Aquatic Recreation Complex at Garrett College, \$2,455,474 for public works projects, and \$1,593,419 for economic development projects. \$3,342,261 has been assigned for self-funded health care. \$2,482,005 has been assigned for expenditure in the fiscal year 2012 budget to complete projects started in FY 2011.

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

June 30, 2011

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 \$5,682,046, while total fund balance reached \$23,522,978. 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 8% of the total General Fund expenditures including operating transfers, while total fund balance represents 33% of that same amount.

During the current fiscal year, the total fund balance of the County's General Fund increased by \$5,336,424. The key factors for the increase are as follows:

- Health Care premiums received over health care claims paid for proprietary funds and discretely presented component units resulted in an increase in fund balance attributable to self-funded health care of \$1,180,575.
- Progress was delayed on several Capital Projects in Fiscal Year 2011 which resulted in budgeted funds being assigned for continuation or completion of these projects in Fiscal Year 2012.
- Overall revenue increased by \$6,295,724 and non-capital General Fund operating expenditures decreased by \$200,208. As a result, overall revenue was more than enough to support operating expenditures thereby resulting in an increase in Fund Balance.

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

Garrett County's Debt Service Fund reports assets of \$3,842,192, 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 \$187,955, 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 \$6,024,265. The total decline in net assets for the proprietary funds was \$2,332,912. 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, 2011

Budgetary Highlights

The difference between original revenue budget amounts of \$67,538,695 and final revenue budget amounts of \$72,227,139 is an increase of \$4,688,444. This difference is mainly due to budget amendments that occurred throughout the fiscal year to reduce or increase the original budget to reflect more accurately the actual revenue received. Some significant differences are increases in what was originally budgeted for Income Taxes, Recordation Taxes, local Transfer Taxes, and Hotel Rental Tax. There were also significant changes in federal and state grant revenue. This is a result of notification of grants awarded after the fiscal year had already begun. The difference between the final revenue budget of \$72,227,139 and the actual revenue recorded of \$76,109,275 resulted in a positive variance of \$3,882,136.

Significant differences between the original expenditure budget amounts of \$67,738,695 and final expenditure budget amounts of \$85,589,773, resulting in a budget increase of \$17,851,078, are budget amendments that occurred to increase capital projects and capital outlay to be more in alignment with actual project costs and to accurately reflect amounts for fiscal year 2011 by the amount of unspent capital funds in fiscal year 2010.

The difference between the final budget expenditures of \$85,589,773 and the actual expenditures recorded of \$71,367,515 represented a variance of \$14,222,258. 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 well under what was budgeted due to a delay in construction or a delay in when the product was available for purchase. Some of these items include various 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, 2011

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, 2011 amounts to \$127,073,836 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, furniture, vehicles, and infrastructure. The total decrease in the County's investment in capital assets for the current fiscal year was \$6,158,992 (a 4.6% decrease 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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$7,525,091	\$7,525,091	\$1,748,824	\$1,748,824	\$9,273,915	\$9,273,915
Land Improvements	2,435,953	1,024,020	8,355,091	9,040,003	10,791,044	10,064,023
Construction in Progress	1,557,159	4,535,543	1,863,613	2,865,381	3,420,772	7,400,924
Infrastructure	29,182,983	29,942,980	53,744,152	55,235,061	82,927,135	85,178,041
Buildings	14,969,981	15,612,130	1,334,454	1,372,623	16,304,435	16,984,753
Furniture and Equipment	783,982	820,633	321	2,246	784,303	822,879
Vehicles	950,255	1,278,212	191,511	247,851	1,141,766	1,526,063
Machinery and Equipment	1,209,308	858,421	1,221,158	1,123,809	2,430,466	1,982,230
Total	<u>\$58,614,712</u>	<u>\$61,597,030</u>	<u>\$68,459,124</u>	<u>\$71,635,798</u>	<u>\$127,073,836</u>	<u>\$133,232,828</u>

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

- Construction in Progress for governmental activities decreased by \$3 million. This was attributable to placing the \$3.5 million McHenry Business Park project into service as of June 30, 2011. Land Improvements showed a significant increase for governmental activities equating to \$1.4 million. The entire \$1.4 increase was again attributable to the earthwork, gates, and fencing for the McHenry Business Park project.
- Although Infrastructure showed a net decrease of \$760,000 due to current years depreciation expense exceeding all new additions, \$2.9 million of roads improvements were added to the asset base in FY 2011. New Germany/Chestnut Ridge Road contributed to \$1.2 million of the roads added and was 100% grant funded by the American Recovery and Reinvestment Act.
- Machinery and Equipment for governmental activities grew by a net \$351,000. A new control panel totaling \$256,000 for the Jail made up the majority of this increase.
- Infrastructure for business-type activities showed a \$1.5 million net decrease. The current years increased depreciation expense for new assets placed in service

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

June 30, 2011

Capital Asset and Debt Administration (cont'd)

at the end of Fiscal Year 2010 is the main contributor for the net decrease. These assets include the Airport runway extension project, the McHenry Water System, and the Department of Public works maintenance warehouse. Significant additions to the Infrastructure asset base include upgrades to the wells, lines, and tank for the Mt. Lake Park Water system totaling \$1.5 million.

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 \$33,432,706, which are backed by the full faith and credit of the County.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General Bonded Debt	<u>\$ 3,842,192</u>	<u>\$ 5,674,217</u>	<u>\$ 29,590,514</u>	<u>\$ 30,285,291</u>	<u>\$ 33,432,706</u>	<u>\$ 35,959,508</u>

During fiscal year 2011, the County's total debt decreased by \$2,526,802. This decrease is attributable to the pay-off of the 1996 \$4,000,000 General Obligation Bond issue on November 15, 2010 and to other on-going debt service payments 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 2012 to 2016. These projects include the construction of a County Detention Center, 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.

Additional information on the County's long-term debt can be found in Note 6 to the financial statements and on page 90 under Other Supplementary Information.

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

June 30, 2011

Economic Factors and Next Year's Budget and Rates

- The County continues to maintain insured security ratings of "A1" from Moody's Investors Service and an "AAA" from Standard & Poor's. 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 2011 for the County is 6.4%, which is lower than the State's average of 6.8% and the national average of 8.5% through the same period.
- Property values in six districts were reassessed to be effective January 1, 2012. These districts included District 5-Accident, District 6-McHenry/Sang Run, District 8-Red House, District 10-Deer Park, District 12-Bittinger and District 18-Deep Creek Lake (McHenry area north of the Route 219 Bridge). These areas include 9,152 taxable residential accounts and 510 commercial properties. The assessed values in these areas reflect a decrease in assessments, the highest decrease being District 18-Deep Creek Lake (north of the Route 219 Bridge).
- 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 2012.

During fiscal year 2011, the County's total general fund balance increased by \$5,336,424. 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 \$2,482,005 of the Assigned Fund Balance for spending in fiscal year 2012, down from \$3,197,280 in fiscal year 2010. 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 2011 steady at \$.99 for every \$100 of assessable property.

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

June 30, 2011

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

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. 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 2012. Water projects include completion of the expansion to the McHenry Water System designed to serve an additional 1,000 customers at an estimated cost of \$600,443 to complete the project. The District is continuing construction on 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 \$6,720,000 for FY 2012.

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 \$374,400 for FY 2012.

There are a few major capital projects that will continue into Fiscal Year 2012. These projects include the Landfill – design and construction of Cell 4, the continuation of several bridge projects as well as the continuation of the Glendale Road re-alignment project, completion of the McHenry Business Park Road, and the continuation of Economic Development projects such as Phase II of the Career and Technology Trades Center.

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 will allow the coalition to put into place health insurance cost containment measures that would positively affect future fiscal years.

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

June 30, 2011

Request for Information

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

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

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

Or, visit our website at www.garrettcountry.org

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

Statement of Net Assets

June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 17,483,517	\$ 410,190	\$ 17,893,707
Investments	8,196,660		8,196,660
Taxes Receivable - Net	2,928,579		2,928,579
Due from Other Governments	2,169,808	99,573	2,269,381
Due from Primary Government			
Other Receivables - Net	1,841,385	1,203,708	3,045,093
Inventories	747,418	701,836	1,449,254
Prepaid Expenses	139,279	55,392	194,671
Restricted Cash	103,795	6,036,509	6,140,304
Restricted Investments			
Restricted Accounts Receivable	3,842,192	414,504	4,256,696
Restricted Notes Receivable		121,181	121,181
Notes Receivable - Long-Term	1,513,055		1,513,055
Non-Depreciable Capital Assets	9,082,250	3,612,437	12,694,687
Depreciable Capital Assets, Net of Accumulated Depreciation	49,532,462	64,846,687	114,379,149
Deferred Charges	9,113	8,577	17,690
TOTAL ASSETS	\$ 97,589,513	\$ 77,510,594	\$ 175,100,107
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 2,308,015	\$ 695,273	\$ 3,003,288
Internal Balances	3,713,312	(3,713,312)	
Due to Component Units	71,423		71,423
Due to Other Governments	207,216	116,139	323,355
Deferred Revenues	6,276,054	4,895	6,280,949
Other Liabilities	361,323		361,323
Long-Term Liabilities			
Due Within One Year	120,823	1,103,543	1,224,366
Due in More Than One Year	5,721,858	31,654,852	37,376,710
Total Liabilities	\$ 18,780,024	\$ 29,861,390	\$ 48,641,414
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 58,614,712	\$ 41,204,150	\$ 99,818,862
Restricted for:			
Debt Service		420,789	420,789
Other	1,188,937		1,188,937
Unrestricted	19,005,840	6,024,265	25,030,105
Total Net Assets	\$ 78,809,489	\$ 47,649,204	\$ 126,458,693
TOTAL LIABILITIES AND NET ASSETS	\$ 97,589,513	\$ 77,510,594	\$ 175,100,107

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

Component Units		
Board of Education	Community College	Public Library
\$ 7,541,790	\$ 3,805,889	\$ 223,782
		345,547
2,144,263	2,533,574	
65,181	6,242	
58,315	39,577	10,224
121,650	117,403	
	236,869	
	825,862	
	2,058,677	
1,152,026	13,501,906	33,556
49,307,134	16,115,951	1,430,342
	155,800	
<u>\$ 60,390,359</u>	<u>\$ 39,397,750</u>	<u>\$ 2,043,451</u>
\$ 7,643,346	\$ 2,477,269	\$ 16,626
590,097	31,653	
	123,980	
91,522	55,000	
2,365,191	7,361,129	30,573
<u>\$ 10,690,156</u>	<u>\$ 10,049,031</u>	<u>\$ 47,199</u>
\$ 50,459,160	\$ 23,598,805	\$ 1,463,898
724,641	2,623,376	90,486
(1,483,598)	3,126,538	441,868
<u>\$ 49,700,203</u>	<u>\$ 29,348,719</u>	<u>\$ 1,996,252</u>
<u>\$ 60,390,359</u>	<u>\$ 39,397,750</u>	<u>\$ 2,043,451</u>

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

Statement of Activities
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 6,832,354	\$ 496,462	\$ 2,667,872	\$
Public Safety	9,534,790	361,109	851,884	206,943
Public Works	18,422,238	458,341	358,867	1,277,280
Health and Hospital	1,355,187		372,864	
Education				
Board of Education	23,644,157	148,800		
College	5,437,384			
Culture	18,000			
Parks and Recreation	253,643		232,526	
Library	991,443			
Conservation of Natural Resources	339,573			
Social Services	281,700			
Community Development and Housing				
Economic Opportunity and Development	5,478,006		3,011,600	218,085
Intergovernmental	213,665			
Unallocated Depreciation	592,801			
Interest on Long-Term Debt	208,438			
Total Governmental Activities	\$ 73,603,379	\$ 1,464,712	\$ 7,495,613	\$ 1,702,308
Business-type activities				
Airport Fund	\$ 1,026,713	\$ 192,860	\$	\$
Solid Waste Fund	2,271,868	1,041,142		2,059
Garrett County Sanitary District, Inc.	8,193,606	4,576,082		366,713
Total Business-Type Activities	\$ 11,492,187	\$ 5,810,084	\$	\$ 368,772
Total Primary Government	\$ 85,095,566	\$ 7,274,796	\$ 7,495,613	\$ 2,071,080
Component Units				
Board of Education	\$ 63,029,646	\$ 1,069,099	\$ 11,059,160	\$ 530,437
College	17,355,096	3,665,342	5,100,263	11,679,496
Public Library	1,404,285	35,750	96,474	8,744
Total Component Units	\$ 81,789,027	\$ 4,770,191	\$ 16,255,897	\$ 12,218,677

General Revenues:

Taxes:

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

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Board of Education	College	Public Library
\$ (3,668,020)	\$	\$ (3,668,020)	\$	\$	\$
(8,114,854)		(8,114,854)			
(16,327,750)		(16,327,750)			
(982,323)		(982,323)			
(23,495,357)		(23,495,357)			
(5,437,384)		(5,437,384)			
(18,000)		(18,000)			
(21,117)		(21,117)			
(991,443)		(991,443)			
(339,573)		(339,573)			
(281,700)		(281,700)			
(2,248,321)		(2,248,321)			
(213,665)		(213,665)			
(592,801)		(592,801)			
(208,438)		(208,438)			
<u>\$ (62,940,746)</u>	<u>\$</u>	<u>\$ (62,940,746)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$	\$ (833,853)	\$ (833,853)	\$	\$	\$
	(1,228,667)	(1,228,667)			
	<u>(3,250,811)</u>	<u>(3,250,811)</u>			
<u>\$</u>	<u>\$ (5,313,331)</u>	<u>\$ (5,313,331)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>\$ (62,940,746)</u>	<u>\$ (5,313,331)</u>	<u>\$ (68,254,077)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$	\$	\$	\$ (50,370,950)	\$	\$
				3,090,005	
					(1,263,317)
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ (50,370,950)</u>	<u>\$ 3,090,005</u>	<u>\$ (1,263,317)</u>
\$ 46,332,585	\$ 2,291,639	\$ 48,624,224	\$	\$	\$
10,137,038		10,137,038			
3,863,019		3,863,019			
2,992,087		2,992,087			
512,298	95,946	608,244	10,733	314,473	11,397
			23,159,000	4,293,252	982,700
313,137	658,412	971,549	23,822,519	4,217,806	254,057
775,863		775,863			
1,004,679	76,478	1,081,157	374,623	2,267	88
439,401	29,287	468,688	(3,073)	(124,218)	2,439
171,343	(171,343)				
<u>\$ 66,541,450</u>	<u>\$ 2,980,419</u>	<u>\$ 69,521,869</u>	<u>\$ 47,363,802</u>	<u>\$ 8,703,580</u>	<u>\$ 1,250,681</u>
\$ 3,600,704	\$ (2,332,912)	\$ 1,267,792	\$ (3,007,148)	\$ 11,793,585	\$ (12,636)
75,208,785	49,982,116	125,190,901	52,707,351	17,555,134	2,008,888
<u>\$ 78,809,489</u>	<u>\$ 47,649,204</u>	<u>\$ 126,458,693</u>	<u>\$ 49,700,203</u>	<u>\$ 29,348,719</u>	<u>\$ 1,996,252</u>

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Balance Sheet
Governmental Funds
June 30, 2011

	<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	\$ 17,483,517	\$	\$	\$	\$ 17,483,517
Investments	8,196,660				8,196,660
Taxes Receivable - Net	2,928,579				2,928,579
Due from Other Governments	2,069,991	98,984		833	2,169,808
Due from Other Funds	26,514	911,049		230,509	1,168,072
Other Receivables - Net	2,060,096			3,789	2,063,885
Inventories	747,418				747,418
Prepaid Expenses	139,279				139,279
Restricted Cash	42,097			61,698	103,795
Restricted Accounts Receivable			3,842,192		3,842,192
TOTAL ASSETS	\$ 33,694,151	\$ 1,010,033	\$ 3,842,192	\$ 296,829	\$ 38,843,205
LIABILITIES:					
Accounts Payable and Accrued Expenses	\$ 2,266,031	\$ 10,033	\$	\$ 31,951	\$ 2,308,015
Due to Other Funds	4,881,384				4,881,384
Due to Component Units	71,423				71,423
Due to Other Governments	207,216				207,216
Deferred Revenues	2,383,796	1,000,000	3,842,192	76,923	7,302,911
Other Liabilities	361,323				361,323
Total Liabilities	\$ 10,171,173	\$ 1,010,033	\$ 3,842,192	\$ 108,874	\$ 15,132,272
FUND BALANCES:					
Nonspendable	\$ 886,697	\$	\$	\$	\$ 886,697
Restricted	114,285			187,955	302,240
Assigned	16,839,950				16,839,950
Unassigned	5,682,046				5,682,046
Total Fund Balances	\$ 23,522,978	\$ 0	\$ 0	\$ 187,955	\$ 23,710,933
TOTAL LIABILITIES AND FUND BALANCES	\$ 33,694,151	\$ 1,010,033	\$ 3,842,192	\$ 296,829	\$ 38,843,205

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, 2011

Total Fund Balances - Governmental Funds	\$	23,710,933
 Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. The cost of these assets is \$123,031,081, net of accumulated depreciation of \$64,416,369.		58,614,712
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 \$1,220,349 and the net OPEB obligation of \$780,140.		(5,842,681)
Bond issuance costs incurred are not financial resources, and therefore, are not reported in the funds. The cost of these assets is \$262,522, net of accumulated amortization of \$253,409.		9,113
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.		2,281,734
Note receivable issued in connection with land sale not recognized in funds.		1,290,555
Deferred gain recorded in connection with land sale not recorded in funds.		<u>(1,254,877)</u>
Total Net Assets - Governmental Activities	\$	<u>78,809,489</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, 2011

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
REVENUES:					
Taxes	\$ 63,680,311	\$	\$	\$	\$ 63,680,311
Licenses and Permits	282,620				282,620
Intergovernmental	8,748,878	263,177	117,025	202,496	9,331,576
Fines and Forfeitures	12,020			21,591	33,611
Charges for Services	930,124			48,129	978,253
Investment Income	351,259		161,011	28	512,298
Rents and Concessions	924,663				924,663
Contributions	4,382				4,382
Miscellaneous	1,201,207				1,201,207
Total Revenues	\$ 76,135,464	\$ 263,177	\$ 278,036	\$ 272,244	\$ 76,948,921
EXPENDITURES:					
General Government	\$ 6,204,561	\$	\$	\$ 18,471	\$ 6,223,032
Public Safety	8,948,534			252,211	9,200,745
Public Works	14,441,232				14,441,232
Health and Hospital Education	1,354,511				1,354,511
Board of Education	23,625,104				23,625,104
College	5,437,384				5,437,384
Culture	18,000				18,000
Parks and Recreation	253,643				253,643
Library	991,443				991,443
Conservation of Natural Resources	339,573				339,573
Social Services	281,700				281,700
Economic Opportunity and Development	5,193,806				5,193,806
Capital Outlay	1,837,672	414,783			2,252,455
Debt Service	1,777,832		278,036		2,055,868
Intergovernmental	213,665				213,665
Miscellaneous	378,310				378,310
Total Expenditures	\$ 71,296,970	\$ 414,783	\$ 278,036	\$ 270,682	\$ 72,260,471
REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) SUBTOTAL					
	\$ 4,838,494	\$ (151,606)	\$ 0	\$ 1,562	\$ 4,688,450

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, 2011

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)					
Balances Brought Forward	\$ 4,838,494	\$ (151,606)	\$ 0	\$ 1,562	\$ 4,688,450
OTHER FINANCING SOURCES (USES):					
Sale of Capital Assets	424,800			14,601	439,401
Operating Transfers					
Capital Projects Fund	(151,606)	151,606			0
Airport Fund	(67,739)				(67,739)
Law Library Fund	4,312			(4,312)	0
DARE Program Fund	454			(454)	0
Federal Forfeiture Fund	48,627			(48,627)	0
Transfer from Enterprise Funds	239,082				239,082
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	\$ 5,336,424	\$ 0	\$ 0	\$ (37,230)	\$ 5,299,194
Fund Balances, Beginning of Year,	<u>\$ 18,186,554</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 225,185</u>	<u>\$ 18,411,739</u>
FUND BALANCES, End of Year	<u>\$ 23,522,978</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 187,955</u>	<u>\$ 23,710,933</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, 2011

Change in Fund Balances - Governmental Funds	\$	5,299,194
 Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$6,982,579 exceeded capital outlay of \$4,000,261 in the current year.		(2,982,318)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		1,832,025
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.		350,802
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.		(31,407)
Interest on long term debt is not accrued in governmental funds, but is recognized as an expenditure when due in the statement of activities.		15,405
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.		(355,582)
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>(527,415)</u>
Change in Net Assets - Governmental Activities	\$	<u>3,600,704</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES:				
Taxes	\$ 60,325,612	\$ 60,347,612	\$ 63,324,729	\$ 2,977,117
Licenses and Permits	267,785	267,785	282,620	14,835
Intergovernmental	5,096,597	9,286,472	8,748,878	(537,594)
Fines and Forfeitures	7,500	7,500	12,020	4,520
Charges for Services	851,950	877,160	930,124	52,964
Investment Income	200,000	200,000	351,259	151,259
Rents and Concessions	774,251	774,251	775,863	1,612
Contributions	3,000	4,390	4,382	(8)
Miscellaneous	11,000	36,969	1,201,207	1,164,238
Total Revenues	<u>\$ 67,537,695</u>	<u>\$ 71,802,139</u>	<u>\$ 75,631,082</u>	<u>\$ 3,828,943</u>
EXPENDITURES:				
General Government	\$ 6,595,771	\$ 7,010,756	\$ 6,204,561	\$ (806,195)
Public Safety	8,648,197	9,391,114	8,948,534	(442,580)
Public Works	15,405,821	15,889,136	14,441,232	(1,447,904)
Health and Hospital	1,354,511	1,354,511	1,354,511	0
Social Services	281,700	281,700	281,700	0
Education	27,982,000	36,022,097	28,913,688	(7,108,409)
Culture	18,000	18,000	18,000	0
Parks and Recreation	24,000	256,526	253,643	(2,883)
Library	992,700	992,700	991,443	(1,257)
Conservation of Natural Resources	201,821	225,821	339,573	113,752
Economic Development and Opportunity	3,565,395	6,369,769	5,193,806	(1,175,963)
Capital Outlay	497,000	2,311,246	1,837,672	(473,574)
Debt Service	342,411	1,778,427	1,777,832	(595)
Intergovernmental	242,205	242,205	213,665	(28,540)
Miscellaneous	979,984	882,862	378,310	(504,552)
Total Expenditures	<u>\$ 67,131,516</u>	<u>\$ 83,026,870</u>	<u>\$ 71,148,170</u>	<u>\$ (11,878,700)</u>
REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>\$ 406,179</u>	<u>\$ (11,224,731)</u>	<u>\$ 4,482,912</u>	<u>\$ 15,707,643</u>
OTHER FINANCING SOURCES (USES):				
Sale of Capital Assets	\$ 1,000	\$ 425,000	\$ 424,800	\$ (200)
Operating Transfers				
Capital Projects Fund	(524,775)	(2,475,499)	(151,606)	(2,323,893)
Airport Fund	(82,404)	(87,404)	(67,739)	(19,665)
Special Revenue Funds			53,393	53,393
Transfer From Enterprise Funds			239,082	239,082
Total Other Financing Sources (Uses)	<u>\$ (606,179)</u>	<u>\$ (2,137,903)</u>	<u>\$ 497,930</u>	<u>\$ 2,635,833</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (200,000)</u>	<u>\$ (13,362,634)</u>	<u>\$ 4,980,842</u>	<u>\$ 18,343,476</u>
Fund Balance, Beginning of Year	<u>18,186,554</u>	<u>18,186,554</u>	<u>18,186,554</u>	
FUND BALANCE, End of Year, Budgetary Basis	<u>\$ 17,986,554</u>	<u>\$ 4,823,920</u>	<u>\$ 23,167,396</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, 2011

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Total
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 100	\$ 300	\$ 409,790	\$ 410,190
Due from Other Governments			99,573	99,573
Due from Primary Government		3,734,586	5,240	3,739,826
Other Receivables - Net	16,220	208,339	979,149	1,203,708
Inventories	43,255		658,581	701,836
Prepaid Expense	2,750	18,275	34,367	55,392
Total Current Assets	\$ 62,325	\$ 3,961,500	\$ 2,186,700	\$ 6,210,525
Noncurrent Restricted Assets:				
Restricted Cash	\$	\$ 2,154,772	\$ 3,881,737	\$ 6,036,509
Restricted Other Receivables			414,504	414,504
Restricted Notes Receivable			121,181	121,181
Total Noncurrent Restricted Assets	\$	\$ 2,154,772	\$ 4,417,422	\$ 6,572,194
Capital and Other Assets:				
Non-Depreciable Capital Assets	\$ 721,522	\$ 161,408	\$ 2,729,507	\$ 3,612,437
Depreciable Capital Assets, Net of Accumulated Depreciation	15,220,377	2,270,689	47,355,621	64,846,687
Bond Discount, Net of Amortization		1,374		1,374
Loan Issuance Costs, Net of Amortization		7,203		7,203
Total Capital and Other Assets	\$ 15,941,899	\$ 2,440,674	\$ 50,085,128	\$ 68,467,701
TOTAL ASSETS	\$ 16,004,224	\$ 8,556,946	\$ 56,689,250	\$ 81,250,420

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, 2011

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Total
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Expenses	\$ 34,954	\$ 190,962	\$ 469,357	\$ 695,273
Bonds and Loans Payable - Current Portion		537,423	535,120	1,072,543
Closure/Postclosure Liabilities - Current Portion		31,000		31,000
Due to Other Governments			116,139	116,139
Due to Primary Government	17,447		9,067	26,514
Deferred Revenue	4,895			4,895
Total Current Liabilities	\$ 57,296	\$ 759,385	\$ 1,129,683	\$ 1,946,364
Noncurrent Liabilities:				
Bonds and Loans Payable	\$	\$ 1,555,458	\$ 26,962,513	\$ 28,517,971
Compensated Absences	5,029	57,988	105,899	168,916
Closure/Postclosure Liabilities		2,967,965		2,967,965
Total Noncurrent Liabilities	\$ 5,029	\$ 4,581,411	\$ 27,068,412	\$ 31,654,852
TOTAL LIABILITIES	\$ 62,325	\$ 5,340,796	\$ 28,198,095	\$ 33,601,216
NET ASSETS				
Investment in Capital Assets, Net of Related Debt	\$ 15,941,899	\$ 838,938	\$ 24,423,313	\$ 41,204,150
Restricted Net Assets				
Debt Service		420,789		420,789
Unrestricted Net Assets		1,956,423	4,067,842	6,024,265
Total Net Assets	\$ 15,941,899	\$ 3,216,150	\$ 28,491,155	\$ 47,649,204
TOTAL LIABILITIES AND NET ASSETS	\$ 16,004,224	\$ 8,556,946	\$ 56,689,250	\$ 81,250,420

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, 2011

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Total</u>
OPERATING REVENUES:				
Charges for Services	\$ 190,624	\$ 1,041,142	\$ 4,215,056	\$ 5,446,822
Other	2,236	76,478	361,026	439,740
Total Operating Revenues	<u>\$ 192,860</u>	<u>\$ 1,117,620</u>	<u>\$ 4,576,082</u>	<u>\$ 5,886,562</u>
OPERATING EXPENSES:				
Salaries	\$ 87,527	\$ 626,869	\$ 1,050,996	\$ 1,765,392
Fringe Benefits	27,990	189,778	379,333	597,101
Maintenance and Repairs	4,561	49,534	539,497	593,592
Supplies	90,735	61,217	495,545	647,497
Utilities	19,109	25,092	572,519	616,720
Transportation	8,768		134,067	142,835
Contracted Services	2,158	234,835	34,172	271,165
Lab Tests			3,899	3,899
Insurance	5,658	15,120		20,778
Direct Administration - Plant			126,111	126,111
Indirect Administration		38,093	1,043,133	1,081,226
Depreciation Expense	771,911	704,008	2,875,735	4,351,654
Amortization - Other		150,825		150,825
Other	8,296	70,173	8,859	87,328
Total Operating Expenses	<u>\$ 1,026,713</u>	<u>\$ 2,165,544</u>	<u>\$ 7,263,866</u>	<u>\$ 10,456,123</u>
NET OPERATING LOSS	<u>\$ (833,853)</u>	<u>\$ (1,047,924)</u>	<u>\$ (2,687,784)</u>	<u>\$ (4,569,561)</u>
NON-OPERATING REVENUES (EXPENSES):				
Tap Fees - Capital Revenue	\$	\$	\$ 658,412	\$ 658,412
Interest Income		23,895	72,051	95,946
Ad Valorem Tax		1,951,740	339,899	2,291,639
Sale of Assets		29,287		29,287
Interest Expense		(99,574)	(929,740)	(1,029,314)
Asset Management Fees		(6,750)		(6,750)
Net Other Revenues	<u>\$</u>	<u>\$ 1,898,598</u>	<u>\$ 140,622</u>	<u>\$ 2,039,220</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS/TRANSFERS	<u>\$ (833,853)</u>	<u>\$ 850,674</u>	<u>\$ (2,547,162)</u>	<u>\$ (2,530,341)</u>

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2011

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Total
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS/TRANSFERS				
Balances Brought Forward	\$ (833,853)	\$ 850,674	\$ (2,547,162)	\$ (2,530,341)
CAPITAL CONTRIBUTIONS/TRANSFERS				
Capital Contributions from				
Federal			112,810	112,810
State		2,059	253,903	255,962
Transfers to Primary Government	(5,797)	(54,021)	(179,264)	(239,082)
Transfers from Primary Government	67,739			67,739
NET INCREASE (DECREASE) IN NET ASSETS	\$ (771,911)	\$ 798,712	\$ (2,359,713)	\$ (2,332,912)
NET ASSETS - BEGINNING OF YEAR	\$ 16,713,810	\$ 2,417,438	\$ 30,850,868	\$ 49,982,116
NET ASSETS - END OF YEAR	\$ 15,941,899	\$ 3,216,150	\$ 28,491,155	\$ 47,649,204

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, 2011

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 183,496	\$ 1,121,893	\$ 4,493,974	\$ 5,799,363
Cash Paid to Suppliers	(107,663)	(513,547)	(3,142,884)	(3,764,094)
Cash Paid to Employees and for Employee Benefits	(119,796)	(856,035)	(1,497,540)	(2,473,371)
Net Cash Used In Operating Activities	<u>\$ (43,963)</u>	<u>\$ (247,689)</u>	<u>\$ (146,450)</u>	<u>\$ (438,102)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfer from Primary Government	\$ 67,739	\$	\$	\$ 67,739
Transfer to Primary Government	(5,797)	(54,021)	(179,264)	(239,082)
Intergovernment Operating Grants	1,349	11,749		13,098
Increase (Decrease) in Amounts Due to General Fund	(19,328)		708	(18,620)
Increase in Amounts Due from General Fund		(844,818)		(863,438)
Net Cash (Used In)/Provided By Non-Capital Financing Activities	<u>\$ 43,963</u>	<u>\$ (887,090)</u>	<u>\$ (178,556)</u>	<u>\$ (1,040,303)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from Long-Term Debt	\$	\$	\$ 360,791	\$ 360,791
Capital Contributions			1,182,391	1,182,391
Decrease in Restricted Notes Receivable			19,843	19,843
Proceeds from Tap Fees			658,412	658,412
Ad Valorem Taxes and Other Assessments Collected		1,982,477	338,778	2,321,255
Payment of Expenses Related to Landfill Closure		(24,264)		(24,264)
Acquisition and Construction of Capital Assets		(244,204)	(932,697)	(1,176,901)
Principal Paid on Long-Term Debt		(513,821)	(541,747)	(1,055,568)
Interest Paid on Long-Term Debt		(113,799)	(932,266)	(1,046,065)
Proceeds from Disposition of Capital Assets		31,208		31,208
Net Cash Provided By Capital and Related Financing Activities	<u>\$ 0</u>	<u>\$ 1,117,597</u>	<u>\$ 153,505</u>	<u>\$ 1,271,102</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Income	\$	\$ 23,895	\$ 72,051	\$ 95,946
Asset Management Fees		(6,750)		(6,750)
Net Cash Provided By Investing Activities	<u>\$ 0</u>	<u>\$ 17,145</u>	<u>\$ 72,051</u>	<u>\$ 89,196</u>
DECREASE IN CASH AND CASH EQUIVALENTS	<u>\$ 0</u>	<u>\$ (37)</u>	<u>\$ (99,450)</u>	<u>\$ (99,487)</u>
Cash and Cash Equivalents, Beginning of Year	<u>100</u>	<u>2,155,109</u>	<u>4,390,977</u>	<u>6,546,186</u>
CASH AND CASH EQUIVALENTS, End of Year	<u><u>\$ 100</u></u>	<u><u>\$ 2,155,072</u></u>	<u><u>\$ 4,291,527</u></u>	<u><u>\$ 6,446,699</u></u>

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended June 30, 2011

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Total</u>
Reconciliation of Operating Loss to Net				
Cash Used In Operating Activities:				
Operating Loss	\$ (833,853)	\$ (1,047,924)	\$ (2,687,784)	\$ (4,569,561)
Adjustments to Reconcile Operating Loss to Net				
Cash Used In Operating Activities:				
Depreciation and Amortization	771,911	854,833	2,875,735	4,502,479
Changes in Current Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(8,864)	4,273	(82,108)	(86,699)
(Increase) Decrease in Inventories	5,243		(95,647)	(90,404)
Increase in Prepaid Expenses	(2,750)	(18,100)	(34,367)	(55,217)
Increase (Decrease) in Accounts Payable	25,696	1,344	(117,116)	(90,076)
Decrease in Due to Other Governments			(2,951)	(2,951)
Decrease in Deferred Revenue	(500)			(500)
Decrease in Compensated Absences	(846)	(42,115)	(2,212)	(45,173)
Net Cash Used In Operating Activities	<u>\$ (43,963)</u>	<u>\$ (247,689)</u>	<u>\$ (146,450)</u>	<u>\$ (438,102)</u>

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

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

Statement of Net Assets

Fiduciary Funds

June 30, 2011

	<u>Benefit Plan Trust Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>1,567,565</u>
Investments:	
Certificates of Deposit	\$ 255,000
Fixed Income Securities	5,639,805
Mutual Funds	6,822,206
Equity Securities	5,617,791
Total Investments	\$ <u>18,334,802</u>
Interest Receivable	\$ <u>95,067</u>
TOTAL ASSETS	\$ 19,997,434
LIABILITIES	<u>0</u>
NET ASSETS	
Held in Trust for Retirement Benefits and OPEB	<u><u>\$ 19,997,434</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, 2011

	<u>Benefit Plan Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 2,044,726
Plan Members	533,259
Total Contributions	<u>\$ 2,577,985</u>
Investment Earnings:	
Net Increase in Fair Value of Investments	\$ 2,216,174
Realized Net Losses on Investments	371,502
Interest and Dividends	504,379
Investment Activity Expense	(94,625)
Total Net Investment Earnings	<u>\$ 2,997,430</u>
Total Additions	<u>\$ 5,575,415</u>
DEDUCTIONS	
Benefits	\$ 613,388
Administrative	<u>21,658</u>
Total Deductions	<u>\$ 635,046</u>
Change In Net Assets	\$ 4,940,369
Net Assets - Beginning of Year	<u>15,057,065</u>
Net Assets - End of Year	<u><u>\$ 19,997,434</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, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

**Notes to Financial Statements
June 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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

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

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

Garrett County Public Schools 40 South Second Street Oakland, MD 21550	Garrett College 687 Mosser Road McHenry, MD 21541	Ruth Enlow Library 6 North Second Street Oakland, MD 21550
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The accompanying financial statements do not include the activities of the Liquor Control Board of Garrett County. However, these financial statements do include governmental activities revenues in the government-wide financial statements and general fund revenues in the governmental funds financial statements in the amount of \$106,674, which was transferred by the Liquor Control Board to the County in accordance with the Alcoholic Beverage Laws applicable to Garrett County. This amount represents approximately 82% of the Liquor Control Board's gross revenues for the fiscal year ended June 30, 2011. Total assets of the Liquor Control Board as of June 30, 2011 are \$122,232.

B. Government-Wide and Fund Financial Statements

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

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

**Notes to Financial Statements
June 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

**Notes to Financial Statements
June 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The County reports the following major governmental funds:

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

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

The *Debt Service Fund* accounts for the accumulation of resources 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.

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.

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

**Notes to Financial Statements
June 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

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

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

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

**Notes to Financial Statements
June 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Receivables and Payables - In order to maximize investment earnings and for efficient operation of the accounting system, substantially all receipts and disbursements of the primary government, excluding the Garrett County Sanitary District, Inc. (reported as a blended component unit), are accounted for in one bank account. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” or “due to/from primary government”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”. All trade and property tax receivables are reported net of an allowance for doubtful accounts. The allowance for doubtful accounts recorded in the general fund and netted against taxes receivable was \$100,000 as of June 30, 2011. 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, 2011.

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

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

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

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

Restricted Assets - The governmental activities column of the government-wide and governmental funds financial statements include restricted cash of \$103,795 which represents general fund and special revenue funds' cash balances related to public safety narcotics task force and search and seizure operations.

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

**Notes to Financial Statements
June 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Restricted receivables of \$3,842,192 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, including, \$1,228,224 restricted for closure and post-closure activities; \$7,411 restricted for future construction; and \$919,137 restricted for debt service payments.

Restricted assets attributable to the Garrett County Sanitary District, Inc. of \$4,417,422 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 \$129,290 were capitalized as part of the cost of capital assets under construction in connection with wastewater treatment facilities projects.

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

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

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

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

**Notes to Financial Statements
June 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Compensated Absences - Permanent full-time employees of the primary government and its component units are granted vacation benefits in varying amounts. 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 (amount estimated to be paid within one year) of accrued vacation leave benefits attributable to the County's governmental funds and similar component units to be recorded as an expenditure and liability in the respective funds that will pay the benefit.

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

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

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

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

**Notes to Financial Statements
June 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

In the fund financial statements fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements. In accordance with Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, 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 occur prior to the end of a fiscal year, though the exact amount may be determined subsequently. The County had no committed fund balance as of June 30, 2011.

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 COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements
June 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Equity (Continued)

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

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

**Notes to Financial Statements
June 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 1, 2010, by the County Commissioners and as finally amended.

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

**Notes to Financial Statements
June 30, 2011**

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, 2011 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	\$ 17,483,517	\$ 410,190	\$ 17,893,707	\$
Restricted Cash	103,795	6,036,509	6,140,304	1,567,565
Investments	8,196,660		8,196,660	
Restricted Investments				18,334,802
Total	<u>\$ 25,783,972</u>	<u>\$ 6,446,699</u>	<u>\$ 32,230,671</u>	<u>\$ 19,902,367</u>

Deposit and Investment Summary

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Deposits	\$ 17,585,387	\$ 6,067,690	\$ 23,653,077	\$ 1,567,565
Repurchase Agreements		378,259	378,259	
Certificates of Deposit	4,095,971		4,095,971	255,000
U.S. Government Obligations	4,100,689		4,100,689	2,615,932
Fixed Income Securities				3,023,873
Mutual Funds				6,822,206
Equity Securities				5,617,791
Cash on Hand	1,925	750	2,675	
Total	<u>\$ 25,783,972</u>	<u>\$ 6,446,699</u>	<u>\$ 32,230,671</u>	<u>\$ 19,902,367</u>

Deposits

At year end, the carrying amount of the primary government's deposits including certificates of deposit was \$27,749,048 and the bank balance of collected funds was \$27,967,052. Of the bank balance \$1,104,275 was insured by the Federal Deposit Insurance Corporation (FDIC), \$25,634,553 was collateralized by securities held by the County's agent in the County's name and \$1,228,224 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, 2011 was \$41,918,435.

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

**Notes to Financial Statements
June 30, 2011**

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 \$1,822,565 at June 30, 2011. Of those deposits \$789,341 were insured by the FDIC. The remaining deposits of \$1,033,224 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, 2011, the County held repurchase agreements with a carrying amount of \$378,259 and a bank balance of \$3,725,419. The bank balance was held at various interest rates and collateralized by U.S government agency securities with a market value of \$3,800,614.

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, 2011**

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, 2011, 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 \$15,463,870 at June 30, 2011, 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, 2011**

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, 2011:

<u>Security Ratings</u>	<u>Market Value</u> <u>6/30/11</u>
AA2	\$ 852,088
BAA1	133,934
AA3	129,082
BAA3	126,100
A1	288,047
A2	840,445
BAA2	384,343
A3	259,635
Not Rated	10,199
Total Market Value	\$ 3,023,873

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

<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Market Value</u> <u>6/30/11</u>
2012	4.25 - 6.12%	\$ 20,244
2013	5.25 - 5.80%	129,086
2014	No Maturities	0
2015	No Maturities	0
2016	5.20 - 5.75%	0
2017-2021	1.25 - 6.40%	1,856,099
2022-2026	2.00 - 6.25%	990,645
2027-2031	4.85 - 6.95%	2,367,018
2032-2035	6.00 - 7.15%	276,713
Total Market Value		\$ 5,639,805

Fiduciary Fund mutual fund investments include bond mutual funds all of which were unrated as of June 30, 2011.

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

**Notes to Financial Statements
June 30, 2011**

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>
2012	\$ 120,823	\$ 156,675	\$ 277,499
2013	126,438	151,598	278,036
2014	131,727	146,309	278,036
2015	137,238	140,799	278,036
2016	142,979	135,058	278,036
2017-2037	3,182,987	1,355,924	4,538,911
Total	<u>\$ 3,842,192</u>	<u>\$ 2,086,363</u>	<u>\$ 5,928,555</u>

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

**Notes to Financial Statements
June 30, 2011**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the Primary Government for the fiscal year ended June 30, 2011 was as follows:

	<u>Balance as of June 30, 2010</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance as of June 30, 2011</u>
<u>Governmental Activities</u>				
Capital assets, not depreciated				
Land and easments	\$ 7,525,091	\$	\$	\$ 7,525,091
Construction in progress	4,535,543	510,673	(3,489,057)	1,557,159
Total capital assets, not depreciated	<u>\$ 12,060,634</u>	<u>\$ 510,673</u>	<u>\$ (3,489,057)</u>	<u>\$ 9,082,250</u>
Capital assets, being depreciated				
Land improvements	\$ 1,075,141	\$	\$ 1,429,615	\$ 2,504,756
Buildings	24,359,192			24,359,192
Machinery & equipment	1,284,691	255,507	189,063	1,729,261
Vehicles	12,035,254	161,827		12,197,081
Furniture & equipment	1,595,291	120,448	(2,098)	1,713,641
Infrastructure	66,622,715	2,951,806	1,870,379	71,444,900
Total capital assets, being depreciated	<u>\$ 106,972,284</u>	<u>\$ 3,489,588</u>	<u>\$ 3,486,959</u>	<u>\$ 113,948,831</u>
Less accumulated depreciation for:				
Land improvements	\$ (51,121)	\$ (17,682)	\$	\$ (68,803)
Buildings	(8,747,062)	(642,149)		(9,389,211)
Machinery & equipment	(426,270)	(93,683)		(519,953)
Vehicles	(10,757,042)	(489,784)		(11,246,826)
Furniture & equipment	(774,658)	(157,099)	2,098	(929,659)
Infrastructure	(36,679,735)	(5,582,182)		(42,261,917)
Total accumulated depreciation	<u>\$ (57,435,888)</u>	<u>\$ (6,982,579)</u>	<u>\$ 2,098</u>	<u>\$ (64,416,369)</u>
Total capital assets, being depreciated, net	<u>\$ 49,536,396</u>	<u>\$ (3,492,991)</u>	<u>\$ 3,489,057</u>	<u>\$ 49,532,462</u>
Governmental activities capital assets, net	<u>\$ 61,597,030</u>	<u>\$ (2,982,318)</u>	<u>\$ 0</u>	<u>\$ 58,614,712</u>

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

Governmental activities:	
General Government	\$ 37,273
Public Works	5,806,779
Public Safety	283,900
Economic Development	261,826
Unallocated	592,801
Total depreciation expense - governmental activities	<u>\$ 6,982,579</u>

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

**Notes to Financial Statements
June 30, 2011**

NOTE 4 – CAPITAL ASSETS (Continued)

	Balance June 30, 2010	Additions	Transfers and Retirements	Balance June 30, 2011
<u>Business-type activities</u>				
Capital assets, not depreciated				
Land and easments	\$ 1,748,824	\$	\$	\$ 1,748,824
Construction in progress	2,865,381	775,081	(1,776,849)	1,863,613
Total capital assets, not depreciated	\$ 4,614,205	\$ 775,081	\$ (1,776,849)	\$ 3,612,437
Capital assets, being depreciated				
Land improvements	\$ 16,305,519	\$ 18,512	\$	\$ 16,324,031
Buildings	1,504,498			1,504,498
Machinery & equipment	2,120,049	269,042	(94,751)	2,294,340
Vehicles	1,688,817	54,252		1,743,069
Infrastructure	8,102,494	24,330		8,126,824
Furniture & equipment	25,818		(166)	25,652
Water facilities	21,015,241	6,002	1,776,849	22,798,092
Sewer facilities	70,260,694	29,682		70,290,376
Total capital assets, being depreciated	\$ 121,023,130	\$ 401,820	\$ 1,681,932	\$ 123,106,882
Less accumulated depreciation for:				
Land improvements	\$ (7,265,516)	\$ (703,424)	\$	\$ (7,968,940)
Buildings	(131,875)	(38,169)		(170,044)
Machinery & equipment	(996,240)	(169,772)	92,830	(1,073,182)
Vehicles	(1,440,966)	(110,592)		(1,551,558)
Infrastructure	(610,102)	(588,812)		(1,198,914)
Furniture & equipment	(23,572)	(1,925)	166	(25,331)
Water facilities	(7,957,498)	(597,722)		(8,555,220)
Sewer facilities	(35,575,768)	(2,141,238)		(37,717,006)
Total accumulated depreciation	\$ (54,001,537)	\$ (4,351,654)	\$ 92,996	\$ (58,260,195)
Total capital assets, being depreciated, net	\$ 67,021,593	\$ (3,949,834)	\$ 1,774,928	\$ 64,846,687
Business-type activities capital assets, net	\$ 71,635,798	\$ (3,174,753)	\$ (1,921)	\$ 68,459,124

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

Business-type activities	
Airport	\$ 771,911
Solid Waste	704,008
Sanitary District	2,875,735
Total depreciation expense - business-type activities	\$ 4,351,654

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

**Notes to Financial Statements
June 30, 2011**

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, 2011</u>	<u>Remaining Commitment</u>
<u>Governmental Activities</u>			
Public Works	\$ 7,736,634	\$ 890,283	\$ 6,846,351
Public Safety	237,500	95,890	141,610
Economic Development	1,528,405	570,986	957,419
Total governmental activities	<u>\$ 9,502,539</u>	<u>\$ 1,557,159</u>	<u>\$ 7,945,380</u>
<u>Business-type Activities</u>			
Kings Run Collection Site Expansion	\$ 168,000	\$ 971	\$ 167,029
Landfill Cell 4	2,500,000	46,443	2,453,557
Keysers Ridge Water Holding Tank	38,625	38,625	
McHenry Water System	746,502	146,059	600,443
Keysers Ridge Water	121,672	121,672	
Deep Creek Lake Collection & Conveyance	6,388,750	888,750	5,500,000
Friendsville Sewer	474,388	6,388	468,000
Pee Wee Hill Water	96,762	96,762	
Thayerville Water	8,886,484	486,484	8,400,000
Mountain Lake Park Water	12,076	12,076	
Business Park Water	12,866	12,866	
Business Park Sewer	6,517	6,517	
Total business-type activities	<u>\$ 19,452,642</u>	<u>\$ 1,863,613</u>	<u>\$ 17,589,029</u>

NOTE 5 – INTERNAL AND INTERFUND BALANCES AND ACTIVITY

Interfund transfers between the General Fund and the Capital Projects Fund of \$151,606 represent funding for construction projects. Interfund transfers between the General Fund and the Airport Fund of \$67,739 represent an operating subsidy. Other interfund transfers between the General fund and the enterprise funds represent health insurance premiums paid by the enterprise funds to the General Fund in excess of claims incurred. Interfund transfers between the General Fund and the special revenue funds totaling \$49,081 represent the transfer of special revenue fund assets to the general Fund for special revenue funds not meeting the definition of a special revenue fund under GASB 54. The remaining transfer between the General Fund and the special revenue funds of \$4,312 reflects payroll cost incurred by the General Fund on behalf of the Law Library.

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 \$1,141,558 within the government-wide financial statements.

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

**Notes to Financial Statements
June 30, 2011**

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

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.

Interfund receivables and payables between the primary government and its component units for the year ended June 30, 2011, consisted of \$65,181 due to the Board of Education and \$6,242 due to Garrett College.

Interfund receivables and payables within the primary government at June 30, 2011 are as follows:

	Due From	Due To
General Fund:		
Capital Projects Fund	\$	\$ 911,049
Special Revenue Funds:		
508 Program		107,813
Commissary		89,664
Law Library		33,032
Proprietary Funds:		
Airport Fund	17,447	
Solid Waste Fund		3,734,586
Sanitary District	9,067	5,240
Total General Fund	\$ 26,514	\$ 4,881,384
Capital Projects Funds:		
General Fund	\$ 911,049	\$ 0
Special Revenue Funds:		
General Fund:		
508 Program	\$ 107,813	\$
Commissary	89,664	
Law Library	33,032	
Total Special Revenue Funds	\$ 230,509	\$ 0
Total Governmental Funds	\$ 1,168,072	\$ 4,881,384
Proprietary Funds:		
General Fund - Airport	\$	\$ 17,447
General Fund - Solid Waste	3,734,586	
General Fund - Sanitary District	5,240	9,067
Total Proprietary Funds	\$ 3,739,826	\$ 26,514
Total Primary Government	\$ 4,907,898	\$ 4,907,898

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

**Notes to Financial Statements
June 30, 2011**

NOTE 6 - LONG-TERM DEBT

The following is a summary of debt transactions of the County for the fiscal year ended June 30, 2011:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Principal Repayments</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
Governmental activities:					
<u>General Fund</u>					
General Obligation Bonds	\$ 5,674,217	\$	\$ (1,832,025)	\$ 3,842,192	\$ 120,823
Compensated Absences	1,571,151		(350,802)	1,220,349	
Net OPEB Obligation	<u>252,725</u>	<u>527,415</u>		<u>780,140</u>	
Governmental activities Long-term liabilities	<u>\$ 7,498,093</u>	<u>\$ 527,415</u>	<u>\$ (2,182,827)</u>	<u>\$ 5,842,681</u>	<u>\$ 120,823</u>
Business-type activities:					
<u>Solid Waste Fund</u>					
Bonds Payable	\$ 2,606,702	\$	\$ (513,821)	\$ 2,092,881	\$ 537,423
<u>Garrett County Sanitary District</u>					
Bonds and Loans Payable	<u>27,678,589</u>	<u>360,791</u>	<u>(541,747)</u>	<u>27,497,633</u>	<u>535,120</u>
Subtotal	<u>\$ 30,285,291</u>	<u>\$ 360,791</u>	<u>\$ (1,055,568)</u>	<u>\$ 29,590,514</u>	<u>\$ 1,072,543</u>
Landfill closure/post-closure Compensated Absences	<u>\$ 2,879,008</u>	<u>\$ 119,957</u>	<u>\$</u>	<u>\$ 2,998,965</u>	<u>\$ 31,000</u>
Airport	\$ 5,875	\$	\$ (846)	\$ 5,029	\$
Solid Waste Fund	100,103		(42,115)	57,988	
G.C. Sanitary District	<u>108,111</u>		<u>(2,212)</u>	<u>105,899</u>	
	<u>\$ 214,089</u>	<u>\$ 0</u>	<u>\$ (45,173)</u>	<u>\$ 168,916</u>	<u>\$ 0</u>
Business-type activities Long-term liabilities	<u>\$ 33,378,388</u>	<u>\$ 480,748</u>	<u>\$ (1,100,741)</u>	<u>\$ 32,758,395</u>	<u>\$ 1,103,543</u>

Interest Expense

Total interest expense of \$1,367,042 incurred by the primary government includes, \$208,438 charged to governmental activities, \$1,029,314 charged to business-type activities, and \$129,290 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, 2011**

NOTE 6 - LONG-TERM DEBT (Continued)

Details of certain long-term debt obligations at June 30, 2011 are as follows:

	<u>Balance June 30, 2011</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.	\$ 1,062,899
<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>2,779,293</u>
Total Governmental Activities	\$ <u>3,842,192</u>
<u>Business-type Activities</u>	
<u>Solid Waste Fund</u>	
\$6,030,000 Garrett County Landfill Project Revenue Bonds, dated June 1, 1993, to fund construction costs of new landfill. Currently payable in monthly installments of \$33,750 plus interest at 5.5% through maturity in 2013.	\$ 1,360,000
Maryland Water Quality Financing Administration Bond dated May 21, 1996. Total authorized of \$1,997,000 of which \$1,970,000 has been advanced to date. Semiannual payments of interest at 3.31%. Principal is payable February 1 of each year through February 1, 2017.	<u>732,881</u>
Total Solid Waste Fund	\$ <u>2,092,881</u>

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

**Notes to Financial Statements
June 30, 2011**

NOTE 6 - LONG-TERM DEBT (Continued)

	<u>Balance June 30, 2011</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.	\$ 87,923
\$765,400 Rural Development (Upper Youghiogheny Project), payable in quarterly installments of \$10,337, including interest at 4.5% through November 28, 2035.	596,229
\$875,500 Rural Development (Chestnut Ridge Project), payable in quarterly installments of \$47,316, including interest at 4.5% through April 2, 2036.	706,722
\$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.	71,244
\$243,100 Rural Development (Chestnut Ridge Project), payable in quarterly installments of \$13,140, including interest at 4.5% through April 2, 2036.	196,198
\$200,000 GE Capital Asset Management (Friendsville Water), payable in annual installments of varying amounts, including interest at 5% through January 1, 2014.	32,000
\$400,700 Rural Development (Deer Park Sewer), payable in quarterly installments of \$5,414, including interest at 4.5% through December 28, 2038.	333,618
\$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.	504,513
\$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.	137,651
\$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.	54,901

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

**Notes to Financial Statements
June 30, 2011**

NOTE 6 - LONG-TERM DEBT (Continued)

	<u>Balance June 30, 2011</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.	119,744
\$408,000 Rural Development (Meadow Mountain Sewer), payable in quarterly installments of \$5,513, including interest at 4.5% through February 28, 2042.	367,197
\$233,800 Rural Development (McHenry Water - Storage Tank), payable in quarterly installments of \$3,159, including interest at 4.5% through December 2043.	211,945
\$615,911 Rural Development (McHenry Water - Storage Tank), payable in quarterly installments of \$8,321, including interest at 4.5% through December 2043.	558,374
\$564,300 Rural Development (Keyser's Ridge Water Project), payable in quarterly installments of \$7,624, including interest at 4.5% through February 2043.	513,284
\$573,200 Rural Development (Deer Park Water Project), payable in quarterly installments of \$7,744, including interest at 4.5% through October 2043.	519,663
\$260,000 Maryland Water Quality Financing (Deer Park Water), payable in semiannual installments including interest at .4% through February 2034.	208,648
\$115,800 Rural Development (Keyser's Ridge Water Road), payable in quarterly installments of \$1,508, including interest at 4.25% through February 2046.	108,927
\$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.	9,571,445

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

**Notes to Financial Statements
June 30, 2011**

NOTE 6 - LONG-TERM DEBT (Continued)

	<u>Balance June 30, 2011</u>
\$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.	4,419,993
\$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.	939,997
\$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.	2,146,468
\$128,653 Maryland Department of the Environment (Mt. Lake Park Water), payable in semiannual installments principal only of \$9,077 through February 2024.	110,500
\$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>480,449</u>
Total Garrett County Sanitary District, Inc.	<u>\$ 27,497,633</u>
Total Business-type Activities	<u>\$ 29,590,514</u>
Total Primary Government	<u>\$ 33,432,706</u>

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

**Notes to Financial Statements
June 30, 2011**

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:			
2012	\$ 120,823	\$ 156,675	\$ 277,498
2013	126,438	151,598	278,036
2014	131,727	146,309	278,036
2015	137,238	140,799	278,037
2016	142,979	135,057	278,036
2017-2021	809,777	580,404	1,390,181
2022-2026	835,560	399,467	1,235,027
2027-2031	616,292	256,708	873,000
2032-2036	757,193	115,807	873,000
2037	164,165	3,539	167,704
Total governmental activities	<u>\$ 3,842,192</u>	<u>\$ 2,086,363</u>	<u>\$ 5,928,555</u>
Business-Type Activities:			
2012	1,072,543	1,140,095	2,212,638
2013	1,201,329	1,087,716	2,289,045
2014	1,343,909	1,040,449	2,384,358
2015	876,988	997,413	1,874,401
2016	906,664	968,244	1,874,908
2017-2021	4,028,366	4,387,192	8,415,558
2022-2026	4,254,860	3,662,764	7,917,624
2027-2031	4,390,967	2,825,937	7,216,904
2032-2036	3,692,979	2,010,466	5,703,445
2037-2041	3,399,407	1,299,670	4,699,077
2042-2046	3,647,441	554,820	4,202,261
2047-2051	775,061	20,037	795,098
Total Business-type activities	<u>\$ 29,590,514</u>	<u>\$ 19,994,803</u>	<u>\$ 49,585,317</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, 2011**

NOTE 7 - COMMITMENTS AND CONTINGENCIES (Continued)

Grant and Loan Compliance

The County participates in a number of federal and state assisted programs, principal of which are grants/loans from the Department of Commerce, the Department of Energy, the Department of Homeland Security, the Department of Transportation, the Environmental Protection Agency and the State of Maryland. These programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures for projects which may be disallowed by the granting/lending agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Lease Commitments – Component Units

Garrett College has entered into a lease with the County for the rental of a student dormitory building, known as “Garrett Hall”. Terms of the lease include monthly rental payments of \$5,396 for a period of 29 years. At the end of the initial term of the lease, the College has the option to extend the lease. Total future minimum payments under the operating lease as of June 30, 2011 are as follows:

Year Ending June 30, 2012	\$	64,752
June 30, 2013		64,752
June 30, 2014		64,752
June 30, 2015		64,752
June 30, 2016		64,752
Thereafter		<u>1,111,576</u>
Total	\$	<u>1,435,336</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, 2011**

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, 2010 (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 2011 were 12.3% for the Employee Retirement System and 7.3% 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, 2011 was \$36,275 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, 2009	\$ 24,465	100%	0
	June 30, 2010	25,696	100%	0
	June 30, 2011	36,275	100%	0

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

**Notes to Financial Statements
June 30, 2011**

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, 2011 (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, 2010. 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 2011 are as follows:

<u>Employee Rate</u>	<u>Employer Rate</u>
7.585%	12.815%

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 \$245,759. Based on recommendations from the County's actuary, the actual employer contribution for fiscal year 2011 was \$304,194. Actual participant contributions for fiscal year 2011 were \$180,047. There was no NPO outstanding at June 30, 2011.

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

**Notes to Financial Statements
June 30, 2011**

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

Law Enforcement Personnel Retirement Plan (Continued)

Three Year Trend Information - Law Enforcement Personnel Retirement Plan

<u>Entity</u>	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Primary Government - County	June 30, 2009	\$ 274,935	100%	0
	June 30, 2010	240,273	100%	0
	June 30, 2011	245,759	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, 2011, 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, 2011 (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, 2011**

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, 2010. 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 2011 are as follows:

<u>Employee Rate</u>	<u>Employer Rate</u>
3.388%	10.988%

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 \$1,281,433. Based on recommendations from the County's actuary, the actual employer contribution for fiscal year 2011 was \$1,140,533. Actual participant contributions for fiscal year 2011 were \$353,212. There was no NPO outstanding at June 30, 2011.

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, 2009	\$ 1,262,159	100%	0
	June 30, 2010	1,285,626	100%	0
	June 30, 2011	1,281,433	100%	0

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

**Notes to Financial Statements
June 30, 2011**

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, 2011, 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

On December 7, 2010 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. The Board of County Commissioners has the right to amend or discontinue the Plan, at any time. In the event of Plan termination, benefit payments to those participants then receiving benefit payments under the Plan will continue. Any remaining funds would be distributed to other eligible participants on an actuarially determined basis.

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 BOARD OF COUNTY COMMISSIONERS OF
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**Notes to Financial Statements
June 30, 2011**

**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, 2011, the County did not make prefunding contributions to the OPEB Trust. Current OPEB premium payments made on behalf of retirees as well as the costs incurred to administer the OPEB plan are paid from the general operating funds of the participating employers.

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

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

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

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

Currently, 115 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, 2011, County expenditures of approximately \$611,723 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, 2011**

**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, 2011, 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		11,373
Adjustment to Annual Required Contribution		<u>(14,327)</u>
Annual OPEB Cost (Expense)	\$	1,409,885
Contributions Made		<u>(882,470)</u>
Increase in Net OPEB Obligation	\$	527,415
Net OPEB Obligation (Beginning of Year)		<u>252,725</u>
Net OPEB Obligation (End of Year)	\$	<u><u>780,140</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2011, 2010 and 2009 are as follows:

Fiscal Year Ending	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 1,008,025	94%	\$ 57,119
June 30, 2010	1,037,642	81%	252,725
June 30, 2011	1,409,885	63%	780,140

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, 2011**

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

Actuarial Methods and Assumptions – Primary Government (Continued)

In the July 1, 2010, 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, 2010, was twenty-eight years.

Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2010
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
GARRETT COUNTY, MARYLAND**

**Notes to Financial Statements
June 30, 2011**

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

Funded Status and Funding Progress – Primary Government

As of July 1, 2010, 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 \$125,552, resulting in an unfunded actuarial accrued liability (UAAL) of \$15,665,942. The covered payroll (annual payroll of active employees covered by the plan) was \$13,310,880, 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 new landfill site in August 1994. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County accrues a portion of these closure and post-closure care costs in each year based on landfill capacity used as of the end of the year and engineer estimates of projected closure and post-closure costs.

The Solid Waste Fund has recorded a landfill closure and post-closure care liability of \$2,998,965 as of June 30, 2011, representing the cumulative operating expenses reported to date based on the Round Glade landfill at full capacity (\$797,042) and the new landfill at 47% of its estimated capacity (\$2,201,923). The County will recognize the balance of estimated closure and post-closure costs of approximately \$2,490,515 over the remaining useful life of the new 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 2011. 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, 2011**

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, 2011. 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 2011 are as follows:

Balance at July 1, 2010	\$ 1,400,000
Claims and changes in estimates, net	30,000
Claim payments	<u>0</u>
Balance at June 30, 2011	<u>\$ 1,430,000</u>

For the year ended June 30, 2011, the combined premiums charged to the Plan participants of \$14,040,780 exceeded the combination of the reported claims incurred of \$11,368,312 and the increase in estimated claims incurred but not reported of \$30,000. The excess of \$2,642,468, is comprised of \$1,700,975 related to the Primary Government and \$941,493 related to the Board of Education and Garrett College. The excess of premiums charged over claims incurred has been reported as a reduction in health care expenditures in the governmental and proprietary funds and 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, 2011**

NOTE 14 - FUND EQUITY

A summary of fund balances as of June 30, 2011 is as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Inventory	\$ 747,418	\$	\$ 747,418
Prepaid Expense	139,279		139,279
Total nonspendable fund balance	<u>\$ 886,697</u>	<u>\$ 0</u>	<u>\$ 886,697</u>
Restricted For:			
Agricultural land preservation	\$ 77,621	\$	\$ 77,621
Federal forfeiture	36,664		36,664
Special revenue funds		187,955	187,955
Total restricted fund balance	<u>\$ 114,285</u>	<u>\$ 187,955</u>	<u>\$ 302,240</u>
Assigned For:			
Self funded health care	\$ 3,342,261	\$	\$ 3,342,261
Capital projects:			
Garrett College	6,898,350		6,898,350
Board of Education	68,441		68,441
Public Works	2,455,474		2,455,474
Economic Development	1,593,419		1,593,419
Capital projects subtotal	<u>\$ 14,357,945</u>	<u>\$ 0</u>	<u>\$ 14,357,945</u>
Subsequent year budget	2,482,005		2,482,005
Total assigned fund balance	<u>\$ 16,839,950</u>	<u>\$ 0</u>	<u>\$ 16,839,950</u>
Unassigned:	<u>\$ 5,682,046</u>	<u>\$ 0</u>	<u>\$ 5,682,046</u>
Total fund balance	<u>\$ 23,522,978</u>	<u>\$ 187,955</u>	<u>\$ 23,710,933</u>

Business-type Activities Solid Waste Fund

Debt service reserves of \$498,348 established at the time of bond issuance are reported as an increase to investment in capital assets net of related debt. Cumulative deposits for current debt service payments on the outstanding bonds of \$420,789 are reported as net assets restricted for debt service.

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

**Notes to Financial Statements
June 30, 2011**

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	\$ 75,631,082	\$ 71,148,170	\$ 497,930	\$ 4,980,842
<u>Property Tax Revenue</u>				
Recognized in Year Levied on Budget Basis but in Year "Available" on GAAP Basis	355,582			355,582
<u>In-Kind Rent</u>				
Board of Education administrative offices not reported as revenue on Budget Basis but recognized on a GAAP Basis	<u>148,800</u>	<u>148,800</u>		
As Reported on GAAP Basis	<u>\$ 76,135,464</u>	<u>\$ 71,296,970</u>	<u>\$ 497,930</u>	<u>\$ 5,336,424</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

**Notes to Financial Statements
June 30, 2011**

SCHEDULES OF FUNDING PROGRESS—GARRETT COUNTY RETIREMENT PLANS

The following schedules reflect the plans' funding progress for the three years ended June 30, 2011:

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
6/30/09	\$ 2,403,171	4,515,879	2,112,708	53.22%	2,004,212	105.41%
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%

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
6/30/09	8,906,819	15,632,264	6,725,445	56.98%	10,461,323	64.29%
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%

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, 2011**

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, 2011:

Schedule of Funding Progress – Other Post-Employment Benefit Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/08	0	11,590,370	11,590,370	0.00%	14,591,245	79.43%
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%	13,310,880	117.69%

SCHEDULE OF EMPLOYER CONTRIBUTIONS – OTHER POST-EMPLOYMENT BENEFIT PLAN

The following schedule reflects employer contributions for the three years ended June 30, 2011:

Schedule of Employer Contributions – Other Post-Employment Benefit Plan

<u>Fiscal Year</u>	<u>Annual Required Contribution (ARC)</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>
2009	\$1,008,025	\$950,906	94.33%
2010	1,037,642	842,036	81.15%
2011	1,409,885	882,470	62.59%

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, 2009 and 2008. The increase in the UAAL and the decline in the employer contributions as a percentage of the ARC 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.

**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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
TAXES:				
Local Real and Personal Property:				
Real Property	\$ 43,434,345	\$ 43,434,345	\$ 43,411,556	\$ (22,789)
Railroads and Public Utilities	2,765,267	2,765,267	2,772,630	7,363
Ordinary Business Corporations			41,616	41,616
	<u>\$ 46,199,612</u>	<u>\$ 46,199,612</u>	<u>\$ 46,225,802</u>	<u>\$ 26,190</u>
Enterprise Zone Tax Refund			92,113	92,113
Addition and Abatements	(25,000)	(25,000)	(28,472)	(3,472)
Penalties and Interest	500,000	500,000	718,540	218,540
	<u>\$ 46,674,612</u>	<u>\$ 46,674,612</u>	<u>\$ 47,007,983</u>	<u>\$ 333,371</u>
Less: Discounts and Credits	<u>(630,000)</u>	<u>(630,000)</u>	<u>(675,398)</u>	<u>(45,398)</u>
Total Real and Personal Property	<u>\$ 46,044,612</u>	<u>\$ 46,044,612</u>	<u>\$ 46,332,585</u>	<u>\$ 287,973</u>
Other Local Taxes:				
Income	\$ 9,000,000	\$ 9,000,000	\$ 10,137,038	\$ 1,137,038
Admissions and Amusement	650,000	650,000	722,948	72,948
Recordation	1,950,000	1,950,000	2,475,847	525,847
Coal Tonnage	130,000	130,000	274,040	144,040
Trailer Court	37,000	37,000	40,795	3,795
Natural Gas	2,000	2,000	1,509	(491)
Accommodations Tax	1,300,000	1,300,000	1,603,614	303,614
Transfer Tax	900,000	900,000	1,371,460	471,460
Franchise Tax			904	904
Agriculture Transfer Tax/Refunds	12,000	12,000	15,712	3,712
Coal Tax	25,000	25,000	36,121	11,121
911 Fees	250,000	250,000	267,038	17,038
Tax Sale Revenue	<u>25,000</u>	<u>47,000</u>	<u>45,118</u>	<u>(1,882)</u>
Total Other Local Taxes	<u>\$ 14,281,000</u>	<u>\$ 14,303,000</u>	<u>\$ 16,992,144</u>	<u>\$ 2,689,144</u>
Total Taxes	<u>\$ 60,325,612</u>	<u>\$ 60,347,612</u>	<u>\$ 63,324,729</u>	<u>\$ 2,977,117</u>
LICENSES AND PERMITS:				
Business:				
Beer, Wine and Liquor Licenses	\$ 91,435	\$ 91,435	\$ 106,674	\$ 15,239
Traders	70,000	70,000	68,303	(1,697)
Other Licenses and Permits:				
Animal	6,500	6,500	6,492	(8)
Marriage	1,600	1,600	1,755	155
TVRU License	85,000	85,000	85,125	125
Highways and Streets	8,250	8,250	7,331	(919)
Other Permits	<u>5,000</u>	<u>5,000</u>	<u>6,940</u>	<u>1,940</u>
Total Licenses and Permits	<u>\$ 267,785</u>	<u>\$ 267,785</u>	<u>\$ 282,620</u>	<u>\$ 14,835</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
INTERGOVERNMENTAL:				
Grants From Federal Government:				
Department of Justice - Domestic Violence	\$ 34,951	\$ 34,951	\$ 34,856	\$ (95)
CDBG - Weatherization Project	500,000	43,457	43,457	0
ARRA - Weatherization		571,488	571,488	0
Energy Efficiency & Conservation Grant	170,000	170,000		(170,000)
Civil Defense	61,724	61,724	46,805	(14,919)
Emergency Management Domestic Preparedness	158,343	158,343	128,218	(30,125)
USDA - CAC - Emergency Food Assistance	9,000	9,000	9,000	0
ARRA - CAC - Emergency Food Assistance		15,502	15,502	0
Master's Child Support	9,000	9,000	11,837	2,837
Sheriff's Child Support	10,000	10,000	8,933	(1,067)
Federal Aid in Lieu of Taxes	4,000	5,055	5,055	0
MIEMSS Hospital Bioterrorism		10,473	10,457	(16)
SHA/ARC Frazee Estates Drive		22,550	22,550	0
ARRA - Roads		1,204,000	1,204,000	0
ARC - Exhibit Hall		1,510,000	1,178,059	(331,941)
CAC/Emergency Shelter	33,660	34,487	34,487	0
USDE - CAC - Energy Assistance	30,066			0
ARRA - CAC - Maryland Energy Assistance Program		96,891	96,891	0
DOT - CAC Mass Transit	400,000	280,936	280,936	0
ARC - Economic Development Grants	10,000	63,720	27,105	(36,615)
CAC - Emergency Transitional Housing Service		11,473	11,473	0
Miscellaneous	12,100	16,938	16,525	(413)
Grants From State Government:				
Highway User Tax	222,370	222,370	358,867	136,497
Disparity Grant	2,131,271	2,131,271	2,131,271	0
DBED - Exhibit Hall		300,000	300,000	0
Police Protection	129,960	133,250	133,250	0
Conservation of Natural Resources	200,000	200,000	308,082	108,082
Adult Community Services	27,000	25,785	25,785	0
Acid Mine Remediation		11,120	11,120	0
Family Services Grant	105,441	110,425	97,862	(12,563)
Sheriff - School Bus Violation	20,000	20,000	19,980	(20)
Program Open Space		232,526	232,526	0
Emergency Numbers Systems Board - 911	4,000	315,500	199,943	(115,557)
Dove Center	20,000	20,000	20,000	0
CAC - Service Linked Housing		28,174	28,174	0
Jury Reimbursement State	15,000	15,000	11,885	(3,115)
CAC - Electric Universal Service	81,084	136,946	136,946	0
MDOT - CAC - Mass Transit	150,000	164,333	164,333	0
Planning/Rural Legacy Program	500,000	500,000	428,591	(71,409)
Subtotal - Intergovernmental	\$ 5,048,970	\$ 8,906,688	\$ 8,366,249	\$ (540,439)

**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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
INTERGOVERNMENTAL - Continued				
Balances Brought Forward	\$ 5,048,970	\$ 8,906,688	\$ 8,366,249	\$ (540,439)
Grants From State Government - Continued:				
Sheriff SOCEM Grant	10,000	16,781	16,605	(176)
Sheriff Sex Offender Registration	10,000	10,000	11,800	1,800
LEPC - CRTK Funds	6,077	6,077	5,538	(539)
Other		13,793	16,076	2,283
Other:				
Budget Settlement - Health Department		255,839	255,839	0
Roads Special Project Town Share		5,638	5,638	0
Other	21,550	71,656	71,133	(523)
Total Intergovernmental	<u>\$ 5,096,597</u>	<u>\$ 9,286,472</u>	<u>\$ 8,748,878</u>	<u>\$ (537,594)</u>
FINES AND FORFEITURES	<u>\$ 7,500</u>	<u>\$ 7,500</u>	<u>\$ 12,020</u>	<u>\$ 4,520</u>
SERVICE CHARGES FOR CURRENT SERVICES:				
General Government:				
Zoning and Subdivision Fees	\$ 10,000	\$ 10,000	\$ 14,117	\$ 4,117
Roads Fuel Sales and Street Signs	391,500	391,500	431,976	40,476
Miscellaneous	48,250	62,950	90,200	27,250
Enterprise Funds - Indirect Fees	128,000	128,000	114,597	(13,403)
Public Safety:				
BOCA	80,000	80,000	76,371	(3,629)
State Inmate Housing		6,210	6,210	0
Sheriff Fees	39,200	43,500	42,173	(1,327)
Emergency Medical Services - Cost Share	150,000	150,000	150,000	0
Animal Shelter	5,000	5,000	4,480	(520)
Total Service Charges	<u>\$ 851,950</u>	<u>\$ 877,160</u>	<u>\$ 930,124</u>	<u>\$ 52,964</u>
MISCELLANEOUS:				
Interest and Dividends	\$ 200,000	\$ 200,000	\$ 351,259	\$ 151,259
Rents and Concessions	774,251	774,251	775,863	1,612
Contributions	3,000	4,390	4,382	(8)
Miscellaneous	11,000	36,969	1,201,207	1,164,238
Total Miscellaneous	<u>\$ 988,251</u>	<u>\$ 1,015,610</u>	<u>\$ 2,332,711</u>	<u>\$ 1,317,101</u>
TOTAL REVENUES	<u>\$ 67,537,695</u>	<u>\$ 71,802,139</u>	<u>\$ 75,631,082</u>	<u>\$ 3,828,943</u>
OTHER FINANCING SOURCES:				
Sale of Capital Assets	\$ 1,000	\$ 425,000	\$ 424,800	\$ (200)
Transfers From Special Revenue Funds			53,393	53,393
Transfers From Enterprise Funds			239,082	239,082
Total Other Financing Sources	<u>\$ 1,000</u>	<u>\$ 425,000</u>	<u>\$ 717,275</u>	<u>\$ 292,275</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 67,538,695</u>	<u>\$ 72,227,139</u>	<u>\$ 76,348,357</u>	<u>\$ 4,121,218</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
DEBT SERVICE				
General Obligation Debt	\$ 341,545	\$ 1,767,027	\$ 1,767,027	\$ 0
Other	<u>866</u>	<u>11,400</u>	<u>10,805</u>	<u>(595)</u>
Total Debt Service	<u>\$ 342,411</u>	<u>\$ 1,778,427</u>	<u>\$ 1,777,832</u>	<u>\$ (595)</u>
INTERGOVERNMENTAL	<u>\$ 242,205</u>	<u>\$ 242,205</u>	<u>\$ 213,665</u>	<u>\$ (28,540)</u>
MISCELLANEOUS	<u>\$ 979,984</u>	<u>\$ 882,862</u>	<u>\$ 378,310</u>	<u>\$ (504,552)</u>
TOTAL EXPENDITURES	<u>\$ 67,131,516</u>	<u>\$ 83,026,870</u>	<u>\$ 71,148,170</u>	<u>\$ (11,878,700)</u>
OTHER FINANCING USES				
Operating Transfers:				
Capital Projects Fund	\$ 524,775	\$ 2,475,499	\$ 151,606	\$ (2,323,893)
Airport	<u>82,404</u>	<u>87,404</u>	<u>67,739</u>	<u>(19,665)</u>
Total Other Financing Uses	<u>\$ 607,179</u>	<u>\$ 2,562,903</u>	<u>\$ 219,345</u>	<u>\$ (2,343,558)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 67,738,695</u>	<u>\$ 85,589,773</u>	<u>\$ 71,367,515</u>	<u>\$ (14,222,258)</u>

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

General Fund

Schedule of Taxes and Taxes Receivable

Year Ended June 30, 2011

	<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	\$ 95,157,923	\$ 0.902	\$ 858,324		
All Others	<u>4,478,218,088</u>	0.950	<u>42,543,072</u>		
Total Full Year	\$ <u>4,573,376,011</u>		\$ <u>43,401,396</u>	\$ 40,526,058	\$ 2,875,338
Real Property - One-Half Year	<u>16,572,856</u>	0.474	<u>78,612</u>		<u>78,612</u>
Total Real Property	\$ <u>4,589,948,867</u>		\$ <u>43,480,008</u>	\$ <u>40,526,058</u>	\$ <u>2,953,950</u>
Personal Property - Corporate	\$ <u>1,752,240</u>	\$ 2.375	\$ <u>41,616</u>	\$ <u>41,616</u>	\$ <u>0</u>
Public Utilities and Railroad	\$ <u>117,171,210</u>	\$ 2.366	\$ <u>2,772,630</u>	\$ <u>2,762,984</u>	\$ <u>9,646</u>
Total Current Year	\$ <u><u>4,708,872,317</u></u>		\$ <u><u>46,294,254</u></u>	\$ <u><u>43,330,658</u></u>	\$ <u><u>2,963,596</u></u>
PRIOR YEAR RECEIVABLES:					
	<u>Year Ended June 30:</u>				
	2010				\$ 30,183
	2009				10,118
	2008				532
	2007				219
	2006				1,709
	2005				200
	2004				3,329
	2003				4,722
	2002				1,927
	2001				1,614
	2000				9,466
	1992-1999				<u>964</u>
Total Prior Years					\$ <u>64,983</u>
TOTAL TAXES RECEIVABLE					\$ 3,028,579
Less: Allowance for Uncollectible Accounts					<u>(100,000)</u>
TAXES RECEIVABLE - NET					\$ <u><u>2,928,579</u></u>

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

Combining Balance Sheet
Other Governmental Funds
June 30, 2011

	<u>DARE Program</u>	<u>Public Safety</u>	<u>Commissary</u>
ASSETS:			
Due from Other Governments	\$	\$	\$
Due from Other Funds		107,813	89,664
Other Receivables - Net			3,789
Restricted Cash		<u>61,698</u>	
TOTAL ASSETS	<u>\$ 0</u>	<u>\$ 169,511</u>	<u>\$ 93,453</u>
LIABILITIES:			
Accounts Payable and Accrued Expenses	\$	\$ 30,987	\$ 964
Deferred Revenues		<u>76,923</u>	
Total Liabilities	<u>\$ 0</u>	<u>\$ 107,910</u>	<u>\$ 964</u>
FUND BALANCES:			
Restricted	\$	<u>61,601</u>	<u>92,489</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 0</u>	<u>\$ 169,511</u>	<u>\$ 93,453</u>

<u>Law Library</u>	<u>Total Other Governmental Funds</u>
\$ 833	\$ 833
33,032	230,509
	3,789
	<u>61,698</u>
<u>\$ 33,865</u>	<u>\$ 296,829</u>
\$	\$ 31,951
	<u>76,923</u>
<u>\$ 0</u>	<u>\$ 108,874</u>
<u>\$ 33,865</u>	<u>\$ 187,955</u>
<u>\$ 33,865</u>	<u>\$ 296,829</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, 2011

	DARE Program	Public Safety	Commissary
REVENUES:			
Intergovernmental	\$	\$ 202,496	\$
Fines and Forfeitures		8,198	
Investment Income		28	
Charges for Services			48,129
Total Revenues	\$ 0	\$ 210,722	\$ 48,129
EXPENDITURES:			
General Government	\$	\$	\$
Public Safety		212,159	40,052
Total Expenditures	\$ 0	\$ 212,159	\$ 40,052
REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	\$	\$ (1,437)	\$ 8,077
OTHER FINANCING SOURCES (USES)			
Transfer to General Fund	(454)	(48,627)	
Sale of Capital Assets		14,601	
Total Financing Sources (Uses)	\$ (454)	\$ (34,026)	\$ 0
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	\$ (454)	\$ (35,463)	\$ 8,077
Fund Balances, Beginning of Year	454	97,064	84,412
FUND BALANCES, End of Year	\$ 0	\$ 61,601	\$ 92,489

<u>Law Library</u>	<u>Total Other Governmental Funds</u>
\$ 13,393	\$ 202,496
	21,591
	28
	<u>48,129</u>
<u>\$ 13,393</u>	<u>\$ 272,244</u>
\$ 18,471	\$ 18,471
	<u>252,211</u>
<u>\$ 18,471</u>	<u>\$ 270,682</u>
\$ (5,078)	\$ 1,562
(4,312)	(53,393)
	<u>14,601</u>
<u>\$ (4,312)</u>	<u>\$ (38,792)</u>
\$ (9,390)	\$ (37,230)
43,255	<u>225,185</u>
<u>\$ 33,865</u>	<u>\$ 187,955</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, 2011

	<u>Water Systems</u>	<u>Other Water</u>	<u>Deep Creek Lab</u>	<u>Company Store</u>
OPERATING REVENUES:				
Charges for Services	\$ 1,190,619	\$ 51,180	\$ 62,526	\$
Other	<u>54,224</u>			<u>242,313</u>
Total Operating Revenues	<u>\$ 1,244,843</u>	<u>\$ 51,180</u>	<u>\$ 62,526</u>	<u>\$ 242,313</u>
OPERATING EXPENSES:				
Salaries	\$ 306,501	\$ 13,225	\$ 62,543	\$ 30,385
Fringe Benefits	100,026	5,168	24,162	10,310
Maintenance and Repairs	108,374		5,205	3,014
Supplies	67,565	59	14,804	174,754
Utilities	137,319		1,220	7,418
Transportation	38,706	1,692	2,717	285
Contracted Services	9,643		9,442	
Lab Tests	32,544	1,213	(133,854)	
Direct Administrative	23,675	248	7,264	2,891
Indirect Administrative	296,480	13,415	63,234	29,678
Depreciation	613,126		5,789	2,170
Bad Debt Expense				<u>8,859</u>
Total Operating Expenses	<u>\$ 1,733,959</u>	<u>\$ 35,020</u>	<u>\$ 62,526</u>	<u>\$ 269,764</u>
OPERATING INCOME/(LOSS)	<u>\$ (489,116)</u>	<u>\$ 16,160</u>	<u>\$ 0</u>	<u>\$ (27,451)</u>
NONOPERATING REVENUES (EXPENSES):				
Tap Fees - Capital Charge	\$ 44,685			\$
Interest Revenue	13,528			4,073
Ad Valorem Tax	172,559			
Interest Expense	<u>(112,854)</u>			<u>(42,232)</u>
Net Other Revenues (Expenses)	<u>\$ 117,918</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (38,159)</u>
INCOME/(LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>\$ (371,198)</u>	<u>\$ 16,160</u>	<u>\$ 0</u>	<u>\$ (65,610)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Contributed Capital				
Federal	\$ 112,810			\$
State	253,903			
Transfers to General Fund	<u>(48,515)</u>	<u>(2,552)</u>	<u>(11,372)</u>	<u>(4,147)</u>
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>\$ 318,198</u>	<u>\$ (2,552)</u>	<u>\$ (11,372)</u>	<u>\$ (4,147)</u>
INCREASE/(DECREASE) IN NET ASSETS	<u>\$ (53,000)</u>	<u>\$ 13,608</u>	<u>\$ (11,372)</u>	<u>\$ (69,757)</u>

	<u>Subtotal Water Projects</u>	<u>Sewer Systems</u>	<u>Trout Run</u>	<u>Other Sewer</u>	<u>Subtotal Sewer Projects</u>	<u>Total</u>
\$	1,304,325	\$ 2,706,803	\$ 115,160	\$ 88,768	\$ 2,910,731	\$ 4,215,056
	<u>296,537</u>	<u>35,972</u>		<u>28,517</u>	<u>64,489</u>	<u>361,026</u>
\$	<u>1,600,862</u>	<u>2,742,775</u>	<u>115,160</u>	<u>117,285</u>	<u>2,975,220</u>	<u>4,576,082</u>
\$	412,654	\$ 591,742	\$ 19,490	\$ 27,110	\$ 638,342	\$ 1,050,996
	139,666	224,040	5,103	10,524	239,667	379,333
	116,593	406,802	15,838	264	422,904	539,497
	257,182	236,038	1,549	776	238,363	495,545
	145,957	395,465	31,097		426,562	572,519
	43,400	83,209	3,171	4,287	90,667	134,067
	19,085	9,437	5,650		15,087	34,172
	(100,097)	73,770	12,403	17,823	103,996	3,899
	34,078	89,726	1,711	596	92,033	126,111
	402,807	594,948	17,934	27,444	640,326	1,043,133
	621,085	2,070,353	184,297		2,254,650	2,875,735
	<u>8,859</u>					<u>8,859</u>
\$	<u>2,101,269</u>	<u>4,775,530</u>	<u>298,243</u>	<u>88,824</u>	<u>5,162,597</u>	<u>7,263,866</u>
\$	<u>(500,407)</u>	<u>(2,032,755)</u>	<u>(183,083)</u>	<u>28,461</u>	<u>(2,187,377)</u>	<u>(2,687,784)</u>
\$	44,685	\$ 613,727	\$	\$	\$ 613,727	\$ 658,412
	17,601	53,674	776		54,450	72,051
	172,559	110,137	57,203		167,340	339,899
	<u>(155,086)</u>	<u>(747,476)</u>	<u>(27,178)</u>		<u>(774,654)</u>	<u>(929,740)</u>
\$	<u>79,759</u>	<u>30,062</u>	<u>30,801</u>	<u>0</u>	<u>60,863</u>	<u>140,622</u>
\$	<u>(420,648)</u>	<u>(2,002,693)</u>	<u>(152,282)</u>	<u>28,461</u>	<u>(2,126,514)</u>	<u>(2,547,162)</u>
\$	112,810	\$	\$	\$	0	\$ 112,810
	253,903				0	253,903
	<u>(66,586)</u>	<u>(106,022)</u>	<u>(1,186)</u>	<u>(5,470)</u>	<u>(112,678)</u>	<u>(179,264)</u>
\$	<u>300,127</u>	<u>(106,022)</u>	<u>(1,186)</u>	<u>(5,470)</u>	<u>(112,678)</u>	<u>187,449</u>
\$	<u>(120,521)</u>	<u>(2,108,715)</u>	<u>(153,468)</u>	<u>22,991</u>	<u>(2,239,192)</u>	<u>(2,359,713)</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, 2011

PROJECT	Balance July 1, 2010	Construction (Net of Program Income)	Engineering	Salaries
Keysers Ridge Water Holding Tank	\$ 34,767	\$ 2,001	\$	\$ 724
Crellin Water Improvement	186,393	2,457	121	1,653
McHenry Water System		17,404	2,720	12,962
Keysers Ridge Water	116,823	43		2,096
Deep Creek Lake Collection & Conveyance	802,496		35,308	3,782
Mountain Lake Park Water	1,351,695	205,236	3,810	8,224
Friendsville Sewer			1,651	2,023
Pee Wee Hill Water		88,847	59	3,523
Thayerville Water	354,294	9,540	95,024	12,110
Mountain Lake Park Water Line		11,593	483	
Business Park Water	12,805			27
Business Park Sewer	6,108			184
TOTAL	\$ 2,865,381	\$ 337,121	\$ 139,176	\$ 47,308

Fringe Benefits	Administrative	Interest	Indirect Costs	Total Additions	Retirements or Transfers (Completed Project)	Balance June 30, 2011
\$ 350		\$	\$ 783	\$ 3,858	\$	\$ 38,625
632	34		1,667	6,564	(192,957)	
3,893	271	96,517	12,292	146,059		146,059
658	44		2,008	4,849		121,672
1,157	9,632	32,773	3,602	86,254		888,750
2,758	4,159		8,010	232,197	(1,583,892)	
716			1,998	6,388		6,388
1,020			3,313	96,762		96,762
3,533	575		11,408	132,190		486,484
				12,076		12,076
8			26	61		12,866
53			172	409		6,517
<u>\$ 14,778</u>	<u>\$ 14,715</u>	<u>\$ 129,290</u>	<u>\$ 45,279</u>	<u>\$ 727,667</u>	<u>\$ (1,776,849)</u>	<u>\$ 1,816,199</u>

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Garrett County Sanitary District, Inc.
Schedule of Indirect Costs
Year Ended June 30, 2011

TYPE:	<u>2011</u>
Insurance	\$ 101,400
Administrative	136,658
Telephone	5,384
Professional and Legal	21,100
Office Supplies and Expenses	15,906
Salaries	587,131
Utilities	1,538
Fringe Benefits	213,235
Transportation	7,410
Unemployment	<u>(1,350)</u>
Total	<u><u>\$ 1,088,412</u></u>
ALLOCATION BASE:	
Direct Salaries	\$ 1,098,304
Related Fringe Benefits	<u>394,111</u>
Total Allocation Base	<u><u>\$ 1,492,415</u></u>
INDIRECT COST RATE	<u><u>72.9296%</u></u>
COSTS REPORTED AS:	
Operations	\$ 1,043,133
Construction in Progress	<u>45,279</u>
	<u><u>\$ 1,088,412</u></u>

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Comparative Schedule of Primary Government Long-Term Indebtedness
June 30, 2011 and 2010

	June 30,	
	2011	2010
LONG-TERM INDEBTEDNESS:		
Government Activities:		
Bond Payable - Hospital Bonds of 2004	\$ 1,062,899	\$ 1,120,750
Bond Payable - Hospital Bonds of 2007	2,779,293	2,838,467
Bond Payable - General Obligation Public Facilities Bonds of 1996		1,715,000
Total Governmental Activities	\$ 3,842,192	\$ 5,674,217
Business Type Activities:		
Solid Waste		
Bond Payable - Landfill Project, Series 1993	\$ 1,360,000	\$ 1,765,000
Bond Payable - Maryland Water Quality Financing Administration	732,881	841,702
Total Solid Waste	\$ 2,092,881	\$ 2,606,702
Sanitary District		
Note Payable - Rural Development-Bloomington	\$ 87,923	\$ 94,905
Note Payable - Rural Development-Youghiogeny	596,229	610,358
Note Payable - Rural Development-Chestnut Ridge	706,722	721,807
Note Payable - Maryland Department of the Environment-Mt. Lake Park/Powles	71,244	74,522
Note Payable - Rural Development-Chestnut Ridge	196,198	200,390
Note Payable - GE Capital Asset Management-Friendsville Water	32,000	42,000
Note Payable - Rural Development-Deer Park Sewer	333,618	340,078
Note Payable - Maryland Water Quality Financing-Deep Creek Lake Sewer Ext.	504,513	559,921
Note Payable - Maryland Water Quality Financing-Deep Creek Lake Septage	137,651	161,777
Note Payable - State of Maryland-Jennings Sewer	54,901	61,068
Note Payable - Maryland Water Quality Financing-Goodwill Mennonite Sewer	119,744	139,352
Note Payable - Rural Development-Meadow Mountain Sewer	367,197	372,570
Note Payable - Rural Development-McHenry Water	211,945	214,958
Note Payable - Rural Development-McHenry Water	558,374	566,306
Note Payable - Rural Development-Keysers Ridge Water	513,284	520,474
Note Payable - Rural Development-Deer Park Water	519,663	527,044
Note Payable - Maryland Water Quality Financing-Deer Park Water	208,648	217,292
Note Payable - Maryland Water Quality Financing-Septage Hauling Truck		20,859
Note Payable - Rural Development Keyser's Ridge Water	108,927	110,297
Note Payable - USDA-DCL WWTP	9,571,445	9,685,266
Note Payable - USDA-DCL WWTP	4,419,993	4,472,559
Note Payable - USDA-DCL WWTP	939,997	951,179
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	2,146,468	2,230,978
Note Payable - Maryland Department of the Environment-Mountain Lake Park Water	110,500	10,000
Note Payable - Maryland Department of the Environment-Deep Creek & Friendsville	480,449	272,629
Total Sanitary District	\$ 27,497,633	\$ 27,678,589
Total Business Type Activities	\$ 29,590,514	\$ 30,285,291
TOTAL LONG-TERM INDEBTEDNESS	\$ 33,432,706	\$ 35,959,508

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Combining Statement of Net Assets
Fiduciary Funds
June 30, 2011

	<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>
ASSETS					
Cash and Cash Equivalents	\$ 1,283,224	\$ 184,698	\$ 24,625	\$ 75,018	\$ 1,567,565
Investments:					
Certificates of Deposit	\$ 100,000	\$ 135,000	\$	\$ 20,000	\$ 255,000
Fixed Income Securities	3,971,968	1,218,927	194,210	254,700	5,639,805
Mutual Funds	4,646,887	1,472,520	305,491	397,308	6,822,206
Equity Securities	4,011,318	1,205,366	112,666	288,441	5,617,791
Total Investments	<u>\$ 12,730,173</u>	<u>\$ 4,031,813</u>	<u>\$ 612,367</u>	<u>\$ 960,449</u>	<u>\$ 18,334,802</u>
Interest Receivable	<u>\$ 68,440</u>	<u>\$ 20,253</u>	<u>\$ 2,647</u>	<u>\$ 3,727</u>	<u>\$ 95,067</u>
TOTAL ASSETS	<u>\$ 14,081,837</u>	<u>\$ 4,236,764</u>	<u>\$ 639,639</u>	<u>\$ 1,039,194</u>	<u>\$ 19,997,434</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>\$ 14,081,837</u>	<u>\$ 4,236,764</u>	<u>\$ 639,639</u>	<u>\$ 1,039,194</u>	<u>\$ 19,997,434</u>

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Combining Statement of Changes in Net Assets
Fiduciary Funds
Year Ended June 30, 2011

	<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	\$ 1,140,532	\$ 304,194	\$ 600,000	\$	\$ 2,044,726
Plan Members	353,212	180,047			533,259
Total Contributions	<u>\$ 1,493,744</u>	<u>\$ 484,241</u>	<u>\$ 600,000</u>	<u>\$ 0</u>	<u>\$ 2,577,985</u>
Investment Earnings:					
Net Increase in					
Fair Value of Investments	\$ 1,644,256	\$ 435,341	\$ 23,712	112,865	\$ 2,216,174
Realized Gains on Investments	249,832	81,092	6,639	33,939	371,502
Interest and Dividends	364,162	103,795	11,556	24,866	504,379
Investment Activity Expense	(68,077)	(19,128)	(2,268)	(5,152)	(94,625)
Total Net Investment Earnings	<u>\$ 2,190,173</u>	<u>\$ 601,100</u>	<u>\$ 39,639</u>	<u>\$ 166,518</u>	<u>\$ 2,997,430</u>
Total Additions	<u>\$ 3,683,917</u>	<u>\$ 1,085,341</u>	<u>\$ 639,639</u>	<u>\$ 166,518</u>	<u>\$ 5,575,415</u>
DEDUCTIONS					
Benefits	\$ 436,297	\$ 177,091	\$	\$	\$ 613,388
Administrative	14,872	4,786		2,000	21,658
Total Deductions	<u>\$ 451,169</u>	<u>\$ 181,877</u>	<u>\$ 0</u>	<u>\$ 2,000</u>	<u>\$ 635,046</u>
OTHER FINANCING SOURCES (USES)					
Transfers	\$ (363,346)	\$ 363,346	\$	\$	\$ 0
Total Other Financing Sources (Uses)	<u>\$ (363,346)</u>	<u>\$ 363,346</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Change In Net Assets	\$ 3,232,748	\$ 903,464	\$ 639,639	\$ 164,518	\$ 4,940,369
Net Assets - Beginning of Year	<u>11,212,435</u>	<u>2,969,954</u>	<u></u>	<u>874,676</u>	<u>15,057,065</u>
Net Assets - End 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>