

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

**FINANCIAL REPORT
JUNE 30, 2014**

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

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INDEPENDENT AUDITORS' REPORT

The Board of County Commissioners
of Garrett County
Oakland, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Board of County Commissioners of Garrett County, Maryland (the County) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the index to financial report.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Ruth Enlow Library of Garrett County. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Ruth Enlow Library of Garrett County, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Board of County Commissioners of Garrett County, Maryland as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Garrett County, Maryland. The other supplementary information listed in the index to financial report is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 29, 2014, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control over financial reporting and compliance.

THE RODEHEAVER GROUP, P.C.

Oakland, Maryland
December 29, 2014

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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, 2014. 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, 2014 by \$144,690,320 (net position), compared to \$145,128,442 at June 30, 2013. The June 30, 2013 net asset balance, as previously reported, was restated to \$144,017,475 for vacation leave earned during the current period not vested for use until the first day of the subsequent fiscal year still being an obligation of the County and should have been accrued at year end. Approximately 41 percent of total net position is attributable to the Enterprise Funds. Of total net assets at June 30, 2014, \$15,689,255 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, which compares to \$20,405,952 at June 30, 2013. Another \$9,573,041 is restricted for specific purposes (restricted net position) in comparison to \$5,664,060 at June 30, 2013. The total net investment in capital assets was \$119,428,024 at June 30, 2014, compared to \$119,058,430 at June 30, 2013.

The County's total net position decreased by \$672,845 over the June 30, 2013 balance, as restated.

As of June 30, 2014, the County's governmental funds reported combined fund balances of \$28,683,252, an increase of \$2,041,249 compared to the prior year. Approximately 12.4 percent of the combined fund balance is available to meet the County's current and future needs (unassigned fund balance), 7.1 percent is nonspendable, 26.2 percent is restricted, and 54.3 percent is assigned for future use and capital projects.

At the close of the current fiscal year, unrestricted fund balance for the General Fund (primary operating fund) was \$19,119,107 or 26% of total general fund expenditures at June 30, 2014. Assigned fund balance of the general fund was \$15,558,195, or 81 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, 2014

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

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

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

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

The government-wide financial statements include not only the operations of Garrett County Government itself (known as the primary government), but also the legally separate organizations of the Board of Education, Garrett College and the Ruth Enlow Library System of Garrett County. The financial information for these component units is reported separately from the primary government in the government-wide financial statements located on pages 19 and 20 of this report.

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

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

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

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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 21 to 25 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 27 to 32 of this report.

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

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

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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

fund financial statements. The notes to the financial statements can be found on pages 35 through 82 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and other supplementary information that are not considered a part of the basic financial statements. Schedules in these sections include schedules of funding progress for the County's retirement plans and a budgetary comparison for the General Fund to demonstrate compliance with the annually adopted budget. Required supplementary information and other supplementary information is located immediately following the notes to the financial statements and can be found on pages 83 through 100 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In Garrett County, assets exceeded liabilities by \$144,690,320 at the close of the current fiscal year. Garrett County's net position is divided into three categories, net investment in capital assets, restricted net position and unrestricted net position. The largest portion of the county's net position (82.5 percent) reflect its investment in capital assets net of depreciation (e.g., land and easements, buildings, machinery, equipment, infrastructure and improvements), less any unmatured debt used to acquire those assets. The County uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Restricted net position represents 6.6 percent of total net position. Restricted net position is resources that are subject to external restrictions on how they may be used. Unrestricted net position of the government have a balance of \$15,689,255 (10.9 percent of total net position), which may be used to meet the government's ongoing obligations to citizens and creditors.

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

Garrett County Government's Net Assets
June 30, 2014

	Governmental Activities		Business-type Activities		Total Government	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2012	June 30, 2014	June 30, 2013
Assets:						
Current & Other Assets	\$ 41,663,404	\$ 42,309,923	\$ 10,534,936	\$ 11,026,136	\$ 52,198,340	\$ 53,336,059
Capital Assets	62,865,668	62,767,793	92,060,477	90,843,919	154,926,145	153,611,712
Total Assets	104,529,072	105,077,716	102,595,413	101,870,055	207,124,485	206,947,771
Liabilities:						
Long-Term Liabilities	8,461,304	7,260,778	39,871,445	41,154,844	48,332,749	48,415,622
Other Liabilities	11,095,749	13,647,258	3,005,667	(243,551)	14,101,416	13,403,707
Total Liabilities	19,557,053	20,908,036	42,877,112	40,911,293	62,434,165	61,819,329
Net Assets:						
Net Investment in Capital Assets	62,865,668	62,767,793	56,562,356	56,290,637	119,428,024	119,058,430
Restricted	9,564,145	5,640,921	8,896	23,139	9,573,041	5,664,060
Unrestricted	12,542,206	15,760,966	3,147,049	4,644,986	15,689,255	20,405,952
Total Net Assets	\$ 84,972,019	\$ 84,169,680	\$ 59,718,301	\$ 60,958,762	\$144,690,320	\$ 145,128,442

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

The following table indicates the changes in net position.

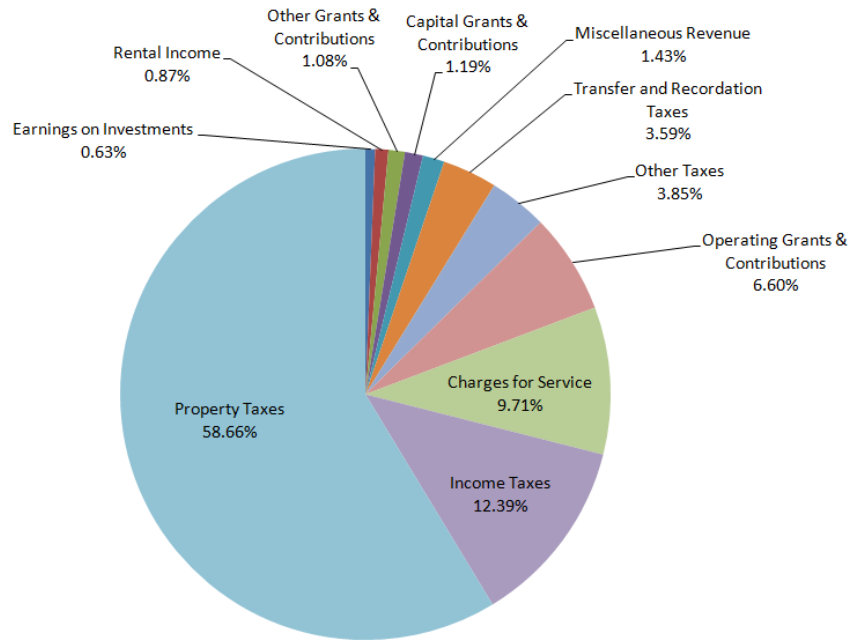
Garrett County Government's Changes in Net Assets
for the Year ended June 30, 2014

	Governmental Activities		Business-type Activities		Total Government	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,443,670	\$ 1,420,346	\$ 7,176,325	\$ 6,899,154	\$ 8,619,995	\$ 8,319,500
Operating Grants and Contributions	5,853,886	6,611,270	0	116,083	5,853,886	6,727,353
Capital Grants and Contributions	659,517	4,376,759	398,564	381,556	1,058,081	4,758,315
General Revenues:						
Property Taxes	48,722,663	48,608,823	3,327,392	2,522,195	52,050,055	51,131,018
Other Taxes and Licenses	17,596,947	18,288,904	0	0	17,596,947	18,288,904
Grants and Contributions	548,331	310,764	411,468	576,814	959,799	887,578
Other General Revenues	2,273,012	3,332,916	326,846	170,812	2,599,858	3,503,728
Total Revenues	\$ 77,098,026	\$ 82,949,782	\$ 11,640,595	\$ 10,666,614	\$ 88,738,621	\$ 93,616,396
Program Expenses:						
General Government	6,609,870	6,871,905	0	0	6,609,870	6,871,905
Public Safety	10,412,862	10,090,959	0	0	10,412,862	10,090,959
Public Works	17,782,422	18,150,182	0	0	17,782,422	18,150,182
Health & Hospital	1,877,731	1,455,727	0	0	1,877,731	1,455,727
Education						
Board of Education	26,361,938	26,172,514	0	0	26,361,938	26,172,514
Garrett College	5,178,228	5,996,562	0	0	5,178,228	5,996,562
Culture	35,000	35,000	0	0	35,000	35,000
Parks and Recreation	100,977	45,133	0	0	100,977	45,133
Library	1,072,175	1,005,627	0	0	1,072,175	1,005,627
Conservation of Natural Resources	216,407	328,973	0	0	216,407	328,973
Social Services	281,700	281,700	0	0	281,700	281,700
Economic Opportunity & Development	3,481,141	3,919,460	0	0	3,481,141	3,919,460
Other	1,002,619	1,007,908	0	0	1,002,619	1,007,908
Garrett County Airport	0	0	961,301	1,029,868	961,301	1,029,868
Solid Waste Management	0	0	1,896,756	2,229,742	1,896,756	2,229,742
Garrett County Sanitary District, Inc.	0	0	8,601,441	8,149,855	8,601,441	8,149,855
Parks and Recreation Fund	0	0	1,537,449	1,352,699	1,537,449	1,352,699
Department of Technology & Communications	0	0	655,759	0	655,759	0
Total Expenses	\$ 74,413,070	\$ 75,361,650	\$ 13,652,706	\$ 12,762,164	\$ 88,065,776	\$ 88,123,814
Excess before Special Items and Transfers	2,684,956	7,588,132	(2,012,111)	(2,095,550)	672,845	5,492,582
Special Item	0	0	0	203,806	0	203,806
Net Transfers In (Out)	(933,316)	7,431	933,316	(7,431)	0	0
Changes in Net Assets	1,751,640	7,595,563	(1,078,795)	(1,899,175)	672,845	5,696,388
Net Assets – Beginning of Year	83,220,379	76,574,117	60,797,096	62,857,937	144,017,475	139,432,054
Net Assets – End of Year	\$ 84,972,019	\$ 84,169,680	\$ 59,718,301	\$ 60,958,762	\$ 144,690,320	\$ 145,128,442

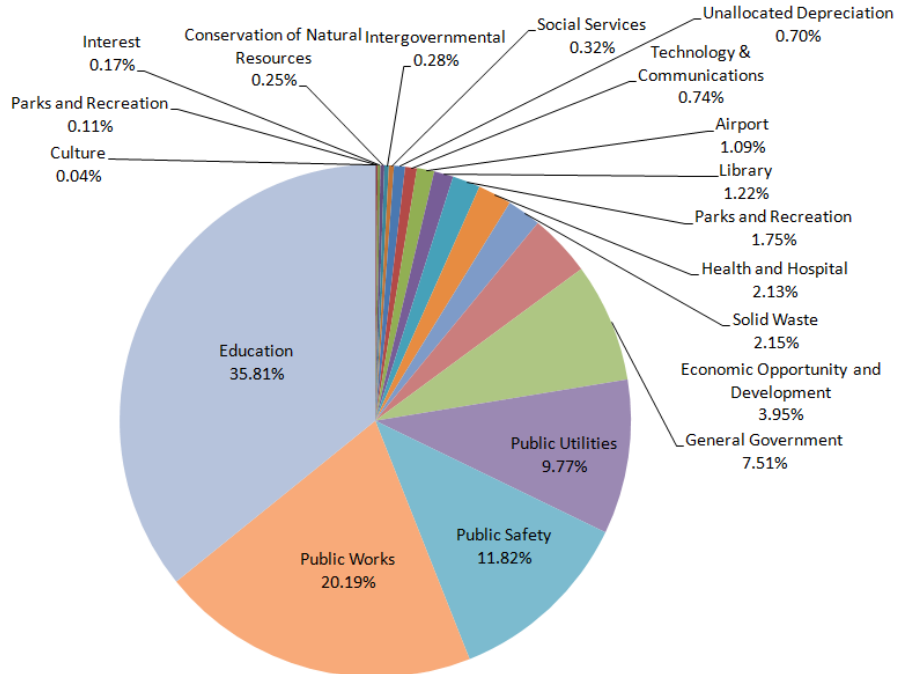
Net assets – beginning of year 2014 have been restated for the effect of a prior period adjustment as disclosed in Note 18 on page 82. During the year ended June 30, 2014, management determined that the vacation leave earned during the current period not vested for use until the first day of the subsequent fiscal year was still an obligation of the County and should be accrued at year end. Upon retirement any portion earned during the current year is required to be paid under the terms of the County's compensated absences policy.

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

Revenues By Source - Primary Government



Expenditures - Primary Government



THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Government-wide Financial Analysis (cont'd)

Overall, the financial position of Garrett County improved during the year. While the governmental activities reported a favorable change in net position of \$1.8 million for the year ended June 30, 2014, the business-type activities reported an unfavorable change in net position of \$1.1 million during the same period, resulting in an overall increase of \$672,845. Key elements of this overall net increase were a series of revenue line items coming in over their respective budgets in the governmental funds. The County saw unexpected favorable budget variances in real property taxes, income tax revenues, recordation & transfer taxes, and the hotel/motel taxes during the fiscal year. These few budget categories alone generated an additional \$1.2 million of unanticipated revenues. Business type activities \$1.1 million loss is mainly attributable to depreciation of fixed assets.

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.

A change in the local economy began to occur during FY 2008 and continued into FY 2010 but a slight improvement was seen in FY 2011, and FY 2012. In FY 2013 and FY 2014 property taxes began to level out due to the declining real estate market. Property taxes increased by \$919,037 (1.80%) during the year. While the governmental activities only recognized a slight increase, the majority of this increase was attributable to the business type activities, and more specifically the Garrett County Sanitary District, Inc. Approximately \$535,000 of the increase was for the newly formed Thayerville Water District, while another \$170,000 was due to ad valorem increases in three other water and sewer sanitary districts. There was no change in the property tax rate as set by the County Commissioners. Property taxes account for 63.2% of Governmental Activities revenues. As assessments continue to catch up with the decline in real estate values, there will be an adverse effect on future property tax revenue. For FY 2015 the County is projecting real property tax revenue to decrease by over \$3 million as a result of this property assessment adjustment.

One of the many indicators of a healthy local economy is local income tax revenues. A slightly improving local economy and lower unemployment rates provided a leveling out of income tax revenues after FY 2013's all-time high of \$11.2 million. Income tax at June 30, 2014 was just under \$11 million. Income taxes account for 14.3% of Governmental Activities revenues.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Government-wide Financial Analysis (cont'd)

Business-Type Activities. In 2014, total assets for the Airport decreased by \$524,962. This decrease is mainly due to the recording the current year's depreciation expense on assets. Total assets for the Garrett County Sanitary District, d/b/a Department of Public Utilities, decreased by \$2,298,468. This decrease is primarily the result of depreciation of existing infrastructure. The Parks & Recreation Fund was established to account for the operations of the Adventure Sports Center, Inc. Total assets for the Parks & Recreation Fund increased slightly by \$170,959 due to new capital improvement projects for the Deep Creek 2014 world championship event.

Operating revenues net of in-house sales of the Sanitary District increased by \$263,732. An increase in customers and connection charges contribute primarily to this increase. Operating expenditures for the Sanitary District increased by \$360,034. This increase is the combined result of a decrease in salaries and increases in repairs, supplies, and depreciation. The increase in repairs and supplies are the direct result of the increase in customers and connection charges.

The Garrett County Office of Solid Waste and Recycling's (Landfill) estimated disposal capacity changes over time based on variability in efficiencies with respect to waste compression. According to a third party engineer survey and analysis, it is estimated that it will cost approximately \$5.5 million to perform all closure and post-closure care activities. The County recognizes these costs as tonnage is added to the Landfill and as cells fill up. As of June 30, 2014, the County recognized and reported a closure and post-closure liability of \$3,259,785 leaving a balance of estimated costs to be recognized at approximately \$2,190,966 over the remaining 16 year useful life of the landfill. The County has established a landfill closure fund to assure that future funds would be available at the time of actual closure to pay for these closure costs. As of June 30, 2014, the County had set aside \$3,022,894 in an investment account to offset the current recognized closure liability of \$3,259,785.

Net position for the Parks & Recreation Fund is stated at a total of \$15,339,869. Operating revenues were \$786,149 while operating expenditures were recorded as \$1,537,449 resulting in a net operating loss of \$751,300 for the year ended June 30, 2014. Operating expenditures include non-cash items such as depreciation (\$472,936).

Financial Analysis of the County's Funds

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

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

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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

At the end of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$28,683,252 an increase of \$2,041,249. Approximately 12.4% of this total, \$3,560,912, 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. \$7,352,226 has been restricted for self-funded health care. Assigned fund balance totals \$15,558,195 and includes \$13,935,973 for expenditure in FY 2015, and \$1,622,222 for self-funded health care. Items included for expenditure in FY 2015 are \$10,350,573 for capital projects and \$3,585,400 for the operating budget.

The General Fund is the chief operating fund of the Garrett County Government. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,560,912, while total fund balance reached \$28,563,802. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 4.76% of the total General Fund expenditures including operating transfers, while total fund balance represents 38.2% of that same amount.

During the current fiscal year, the total fund balance of the County's General Fund increased by \$2,062,578. The key factors for the increase are as follows:

- Progress was delayed on several Capital Projects in Fiscal Year 2014 thus necessitating the need for expenditure in Fiscal Year 2015 to complete the projects.
- General Fund revenue decreased by \$3,069,289 and General Fund operating expenditures increased by \$1,726,328. Nonetheless, General Fund revenue was enough to support operating expenditures thereby resulting in an increase in Fund Balance.

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

Garrett County's Debt Service Fund reports assets of \$3,462,642, 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 \$119,450, 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

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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

total unrestricted net position of the proprietary funds at the end of the year amounted to \$3,147,049. The total decline in net position for the proprietary funds was \$1,078,795. Other factors concerning these funds' finances have been addressed in the discussion of Garrett County government's business-type activities.

Budgetary Highlights

The difference between original revenue budget amounts of \$74,968,128 and final revenue budget amounts of \$76,425,530 is an increase of \$1,457,402. The County monitors revenue patterns throughout the year and amends original budget figures when necessary. Several accounts were adjusted upward or downward to assure proper management and good stewardship so that deficit spending would not occur. Federal and state grants made up the majority of the net increase equating to \$1.7 million. Other accounts that showed significant changes were: Income Tax, amended downward by \$525,000; Recordation Tax, amended downward by \$500,000; Accommodations Tax, amended upward by \$300,000; Transfer Tax amended upward by \$150,000; and Sale of Capital Assets amended upward by \$492,800. The difference between the final revenue budget of \$76,425,530 and the actual revenue recorded of \$76,675,381 resulted in a positive variance of \$249,851.

Significant differences between the original expenditure budget amounts of \$77,168,128 and final expenditure budget amounts of \$89,002,000, resulting in a budget increase of \$11,833,872, are due to budget amendments that occurred to carryover funds from fiscal year 2013 to fiscal year 2014 for capital projects and capital outlay that were in progress at the end of fiscal year 2013.

The difference between the final budget expenditures of \$89,002,000 and the actual expenditures recorded of \$74,720,954 represented a variance of \$14,281,046. Approximately \$12,240,159, or 86%, of this variance will be carried over into the subsequent fiscal year and re-budgeted to continue projects that are in process at the end of fiscal year 2014. Some of the projects include the continuation of the Glendale Road realignment, the McHenry Business Park Road Phase II, the Keyser's Ridge Industrial Park Improvements, the Cherry Glade Run Project (Phase II), the design for the renovation of Southern Middle School, the Meadow Mountain Trail, Broadband Phase I & II, and several bridge projects.

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

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2014

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, 2014 amounts to \$154,926,145 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, furniture, vehicles, and infrastructure. The total increase in the County’s investment in capital assets for the current fiscal year was \$1,314,433 (less than a 1% increase for governmental and business-type activities).

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

	Governmental Activities		Business-type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$9,703,158	\$9,703,158	\$3,248,775	\$3,109,919	\$12,951,933	\$12,813,077
Land Improvements	2,788,126	2,810,464	15,354,463	15,384,859	18,142,589	18,195,323
Construction in Progress	2,509,887	2,879,757	5,281,368	9,028,995	7,791,255	11,908,752
Infrastructure	28,266,879	26,505,707	62,125,985	57,815,020	90,392,864	84,320,727
Buildings	13,706,647	14,358,253	3,674,824	3,790,538	17,381,471	18,148,791
Furniture and Equipment	571,810	844,872	17,015	26,295	588,825	871,167
Vehicles	3,400,562	3,602,672	149,867	316,622	3,550,429	3,919,294
Machinery and Equipment	1,918,599	2,062,910	2,208,180	1,371,671	4,126,779	3,434,581
Total	<u>\$62,865,668</u>	<u>\$62,767,793</u>	<u>\$92,060,477</u>	<u>\$90,843,919</u>	<u>\$154,926,145</u>	<u>\$153,611,712</u>

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

- In 2014, there were several significant additions to Governmental Activities Construction in Progress. These additions include over \$399,000 from the McHenry Business Park Road Project, \$494,000 from the Keyser’s Ridge Business Park Project, and \$140,000 from the Oakland Sang Run Bridge Project. The Bayard Corona Bridge project was also transferred out of Construction in Progress and placed in service at a final cost of \$1,668,000.
- The Business-type Activities Construction in Progress accounts show additions to multiple projects as well. These projects include \$846,000 for the Solid Waste Cell 4 Construction Project, \$561,000 in improvements to the Adventure Sports facility to host the Deep Creek 2014 event, and \$2,681,991 for the Thayerville Water Project. Projects transferred out of Construction in Progress were Thayerville Water Project at a final cost of \$7,770,500 and the Friendsville Sewer Maple Street Extension Project at a final cost of \$426,548.
- Major additions to the Governmental Activities Infrastructure for 2014 include \$3,968,000 in paving and overlay.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Capital Asset and Debt Administration (cont'd)

- Major additions to Business-type Activities Machinery & Equipment were a \$396,000 compactor for Solid Waste and Recycling and \$558,000 for the new data center including a back-up generator.

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

Long-term debt. At the end of the current fiscal year, Garrett County Government had notes and bonds outstanding of \$39,668,187, 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>	
	2014	2013	2014	2013	2014	2013
General Bonded Debt	<u>\$ 3,462,642</u>	<u>\$ 3,594,369</u>	<u>\$ 36,205,545</u>	<u>\$ 37,717,721</u>	<u>\$ 39,668,187</u>	<u>\$ 41,312,090</u>

During fiscal year 2014, the County's total debt decreased by \$1,643,903. This net decrease was a result of regularly scheduled on-going debt service payments that were made during the fiscal 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, facilities and maintenance, and public safety. There are significant budgeted expenditures for capital project construction and capital outlay expenditures over fiscal years 2015 to 2019. These projects include but are not limited to, the renovation of Southern Middle School, a STEM building at Garrett College, Keyser's Ridge Industrial Park improvements, and various road's equipment and bridge replacements. 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 98 under Other Supplementary Information.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Economic Factors and Next Year's Budget and Rates

- During FY 2008 Moody's Investors Service completed a review of Garrett County's bond rating and determined that due to the County maintaining a healthy financial position supported by conservative budgeting practices and possessing a strong economic outlook that includes economic growth in the County, Moody's upgraded Garrett County's bond rate two notches from an unsecured rating of Baa2 to A3. On May 1, 2010, Moody's recalibrated Garrett County's rating from A3 to A1. The recalibration was a result of Moody's rating agency's move to a Global Scale for municipal credit ratings. Currently, Garrett County does not have any outstanding public issued bonds that require a rating from an outside rating agency. The County does however have bonds backed by their full faith and credit for the Garrett County Memorial Hospital which are being repaid with hospital revenues. On November 26, 2014 the County issued an additional \$10 million of tax exempt bank qualified general obligation bonds to a local financial institution for another hospital renovation project. The hospital will pay for this debt service as well.
- The annual average unemployment rate through October 2014 for the County is 6.5%, which is slightly higher than both the State's average of 5.9% and the national average of 5.8% through the same period.
- For January 1, 2015, reassessment notices will be mailed to 9,109 residential and 757 commercial property owners in Area 3. Geographically, this area is primarily in the central part of the county. It is composed of Accident (Election District 05), Sang Run (Election District 6), Red House (Election District 8), Deer Park (Election District 10), Bittering (Election District 12), and the northern part of Deep Creek Lake (Election District 18). The area is mostly rural with a few small towns. An analysis of this reassessment shows that the market is beginning to level out and stabilize. The County is projecting the overall increase in these areas to be relatively flat, at zero to one percent increase.
- 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 2015.

During fiscal year 2014, the County's total general fund balance increased by \$2,062,578. 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 was able and has appropriated \$4,431,296 of the Assigned Fund Balance for spending in fiscal year 2015. 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 2014 steady at \$.99 for every \$100 of assessable property.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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

The County has adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 67, entitled *Financial Reporting for Pension Plans*. The adoption of this standard did not have a material effect on the County's financial statements. As of the year ended June 30, 2014, GASB issued Statement No. 68, entitled *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The County is analyzing the effects of these pronouncements which are expected to be material, and plans to adopt them as applicable by their effective date.

The Garrett County Sanitary District, d/b/a Department of Public Utilities, will begin construction of the Western Conveyance Water Distribution and Wastewater Collection Systems that will serve an additional 2,500 customers in the future. The combined cost for the distribution and collection systems is estimated to be an additional \$13,835,108 once completed over the next several years.

Adventure Sports Center, Inc. (ASC, Inc.) will continue to be reported as part of the County's financial statements. The County's goals for ASC, Inc. are to continue to make operations more efficient and work with the strategic planning team to determine the best use of the facility. During 2014 the County began outsourcing the sales, reservations, and marketing functions in hopes of increasing efficiency and profits. Additionally, the Deep Creek 2014 world games were held in September, 2014.

Although there were no capital expenditures approved for Fiscal Year 2015 numerous projects had funds carried over from Fiscal Year 2014. These projects include the continuation of the Glendale Roads realignment, the McHenry Business Park Road Phase II, the Keyser's Ridge Industrial Park Improvements, the Cherry Glade Run Project (Phase II), the design for the renovation of Southern Middle School, the Meadow Mountain Trail, Broadband Phase I & II, and several bridge projects.

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. The health insurance platform is self insured. The self insured platform allows the coalition to put into place health insurance cost containment measures that positively affect future fiscal years. Effective January 1, 2013, Medicare eligible retirees were insured with a Senior Supplement and Prescription Drug Plan through United Health Care. Effective July 1, 2013, the Coalition implemented an expanded Wellness Program to further identify areas where health care costs could be contained and decreased. Effective July 1, 2014, the coalition changed third party health care vendors as a measure to keep health care costs affordable. It is estimated that this change will equate to approximately \$277,000 in administrative cost savings.

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

Request for Information

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

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

Garrett County Commissioners
203 South 4th Street Room 206
Oakland, Maryland 21550
c/o R. Lamont Pagenhardt, County Administrator or
c/o Scott E. Weeks, Director of Finance

Or, visit our website at www.garrettcounty.org

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

Statement of Net Position

June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 15,681,739	\$ 2,842,866	\$ 18,524,605
Investments	4,076,079	3,010,206	7,086,285
Taxes Receivable - Net	2,219,063		2,219,063
Due from Other Governments	2,812,059	25,911	2,837,970
Due from Primary Government			
Other Receivables - Net	1,501,424	1,478,829	2,980,253
Inventories	759,021	948,322	1,707,343
Insurance Deposit	844,000		844,000
Prepaid Expenses	171,314	97,304	268,618
Restricted Cash	5,233,112	1,836,922	7,070,034
Restricted Investments	2,502,817		2,502,817
Restricted Accounts Receivable	3,462,642	294,576	3,757,218
Notes Receivable - Long-Term	2,400,134		2,400,134
Non-Depreciable Capital Assets	12,213,045	16,427,661	28,640,706
Depreciable Capital Assets, Net of Accumulated Depreciation	50,652,623	75,632,816	126,285,439
Other Assets			
TOTAL ASSETS	\$ 104,529,072	\$ 102,595,413	\$ 207,124,485
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 3,385,523	\$ 1,375,689	\$ 4,761,212
Internal Balances	(1,437,808)	1,437,808	
Due to Component Units	2,294,306		2,294,306
Due to Other Governments	206,150	127,064	333,214
Unearned Revenues	6,309,216	65,106	6,374,322
Other Liabilities	338,362		338,362
Long-Term Liabilities			
Due Within One Year	157,426	1,596,471	1,753,897
Due in More Than One Year	8,303,878	38,274,974	46,578,852
Total Liabilities	\$ 19,557,053	\$ 42,877,112	\$ 62,434,165
NET POSITION			
Net Investment in Capital Assets	\$ 62,865,668	\$ 56,562,356	\$ 119,428,024
Restricted	9,564,145	8,896	9,573,041
Unrestricted	12,542,206	3,147,049	15,689,255
Total Net Position	\$ 84,972,019	\$ 59,718,301	\$ 144,690,320
TOTAL LIABILITIES AND NET POSITION	\$ 104,529,072	\$ 102,595,413	\$ 207,124,485

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

Component Units		
<u>Board of Education</u>	<u>College</u>	<u>Public Library</u>
\$ 6,118,437	\$ 3,104,492	\$ 423,150
		242,749
1,538,521	369,958	
2,195,056	97,548	1,702
36,981	118,984	44,309
101,522	97,045	
	192,497	7,286
	669,432	
	2,683,776	
962,169	1,112,564	33,556
47,175,493	43,189,870	1,286,437
	88,947	
<u>\$ 58,128,179</u>	<u>\$ 51,725,113</u>	<u>\$ 2,039,189</u>
\$ 7,583,395	\$ 616,848	\$ 18,089
60,097	90,911	
	130,446	
228,945	163,714	
8,550,412	7,929,840	27,958
<u>\$ 16,422,849</u>	<u>\$ 8,931,759</u>	<u>\$ 46,047</u>
\$ 44,280,355	\$ 38,990,394	\$ 1,319,993
1,792,500	3,150,448	20,993
(4,367,525)	652,512	652,156
<u>\$ 41,705,330</u>	<u>\$ 42,793,354</u>	<u>\$ 1,993,142</u>
<u>\$ 58,128,179</u>	<u>\$ 51,725,113</u>	<u>\$ 2,039,189</u>

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

Statement of Activities
Year Ended June 30, 2014

<u>Functions/Programs</u>	Program Revenue			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government				
Governmental Activities				
General Government	\$ 6,609,870	\$ 394,529	\$ 2,571,062	\$ 4,517
Public Safety	10,412,862	378,510	999,837	20,122
Public Works	17,782,422	521,831	785,082	406,803
Health and Hospital	1,877,731		242,187	
Education				
Board of Education	26,361,938	148,800		
College	5,178,228			
Culture	35,000			
Parks and Recreation	100,977		74,477	
Library	1,072,175			
Conservation of Natural Resources	216,407			
Social Services	281,700		90,678	
Economic Opportunity and Development	3,481,141		1,090,563	228,075
Intergovernmental	242,205			
Unallocated Depreciation	614,105			
Interest on Long-Term Debt	146,309			
Total Governmental Activities	\$ 74,413,070	\$ 1,443,670	\$ 5,853,886	\$ 659,517
Business-type activities				
Airport Fund	\$ 961,301	\$ 268,430		\$ 89,739
Solid Waste Fund	1,896,756	1,270,426		
Garrett County Sanitary District, Inc.	8,601,441	4,907,287		
Parks & Recreation Fund	1,537,449	539,646		
Department of Technology & Communications	655,759	190,536		308,825
Total Business-Type Activities	\$ 13,652,706	\$ 7,176,325	\$	\$ 398,564
Total Primary Government	\$ 88,065,776	\$ 8,619,995	\$ 5,853,886	\$ 1,058,081
Component Units				
Board of Education	\$ 59,708,197	\$ 886,371	\$ 8,705,456	\$ 62,715
College	17,378,384	3,872,471	2,661,191	41,955
Public Library	1,367,346	30,108		89,475
Total Component Units	\$ 78,453,927	\$ 4,788,950	\$ 11,366,647	\$ 194,145

General Revenues:

Taxes:

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

Change in Net Position

Net Position - Beginning of Year, as Restated

Net Position - End of Year

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Board of Education	College	Public Library
\$ (3,639,762)	\$	\$ (3,639,762)	\$	\$	
(9,014,393)		(9,014,393)			
(16,068,706)		(16,068,706)			
(1,635,544)		(1,635,544)			
(26,213,138)		(26,213,138)			
(5,178,228)		(5,178,228)			
(35,000)		(35,000)			
(26,500)		(26,500)			
(1,072,175)		(1,072,175)			
(216,407)		(216,407)			
(191,022)		(191,022)			
(2,162,503)		(2,162,503)			
(242,205)		(242,205)			
(614,105)		(614,105)			
(146,309)		(146,309)			
<u>\$ (66,455,997)</u>	<u>\$</u>	<u>\$ (66,455,997)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$	\$ (603,132)	\$ (603,132)	\$	\$	\$
	(626,330)	(626,330)			
	(3,694,154)	(3,694,154)			
	(997,803)	(997,803)			
	(156,398)	(156,398)			
<u>\$</u>	<u>\$ (6,077,817)</u>	<u>\$ (6,077,817)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>\$ (66,455,997)</u>	<u>\$ (6,077,817)</u>	<u>\$ (72,533,814)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$	\$	\$	\$ (50,053,655)	\$	\$
				(10,802,767)	
					(1,247,763)
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ (50,053,655)</u>	<u>\$ (10,802,767)</u>	<u>\$ (1,247,763)</u>
\$ 48,722,663	\$ 3,327,392	\$ 52,050,055	\$	\$	\$
10,992,150		10,992,150			
3,186,551		3,186,551			
3,418,246		3,418,246			
452,584	106,082	558,666	10,032	366,429	7,985
			26,201,544	4,559,045	982,700
548,331	411,468	959,799	20,398,889	4,354,737	301,580
774,956		774,956			
925,938	180,426	1,106,364	329,907	9,155	16,232
119,534	40,338	159,872	(72,614)		(205)
(933,316)	933,316				
<u>\$ 68,207,637</u>	<u>\$ 4,999,022</u>	<u>\$ 73,206,659</u>	<u>\$ 46,867,758</u>	<u>\$ 9,289,366</u>	<u>\$ 1,308,292</u>
\$ 1,751,640	\$ (1,078,795)	\$ 672,845	\$ (3,185,897)	\$ (1,513,401)	\$ 60,529
83,220,379	60,797,096	144,017,475	44,891,227	44,306,755	1,932,613
<u>\$ 84,972,019</u>	<u>\$ 59,718,301</u>	<u>\$ 144,690,320</u>	<u>\$ 41,705,330</u>	<u>\$ 42,793,354</u>	<u>\$ 1,993,142</u>

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

Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Totals
ASSETS:					
Cash and Cash Equivalents	\$ 15,681,739	\$	\$	\$	\$ 15,681,739
Investments	4,076,079				4,076,079
Taxes Receivable - Net	2,219,063				2,219,063
Due from Other Governments	2,706,536	104,833		690	2,812,059
Due from Other Funds	2,230,650	896,038		212,606	3,339,294
Other Receivables - Net	1,500,901			523	1,501,424
Note Receivable	1,109,579				1,109,579
Inventories	759,021				759,021
Insurance Deposit	844,000				844,000
Prepaid Expenses	170,932			382	171,314
Restricted Cash	4,861,752			371,360	5,233,112
Restricted Investments	2,502,817				2,502,817
Restricted Accounts Receivable			3,462,642		3,462,642
	<u>\$ 38,663,069</u>	<u>\$ 1,000,871</u>	<u>\$ 3,462,642</u>	<u>\$ 585,561</u>	<u>\$ 43,712,143</u>
TOTAL ASSETS					
LIABILITIES:					
Accounts Payable and Accrued Expenses	\$ 3,389,926	\$ 871	\$	\$ 14,914	\$ 3,405,711
Due to Other Funds	1,901,486				1,901,486
Due to Component Units	2,294,306				2,294,306
Due to Other Governments	206,150				206,150
Unearned Revenues	148,835	1,000,000	3,462,642	442,862	5,054,339
Other Liabilities	330,027			8,335	338,362
	<u>\$ 8,270,730</u>	<u>\$ 1,000,871</u>	<u>\$ 3,462,642</u>	<u>\$ 466,111</u>	<u>\$ 13,200,354</u>
Total Liabilities					
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue - Property Taxes	\$ 1,828,537	\$	\$	\$	\$ 1,828,537
	<u>\$ 1,828,537</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,828,537</u>
Total Deferred Inflows of Resources					
FUND BALANCES:					
Nonspendable	\$ 2,039,532	\$	\$	\$	\$ 2,039,532
Restricted	7,405,163			119,450	7,524,613
Assigned	15,558,195				15,558,195
Unassigned	3,560,912				3,560,912
	<u>\$ 28,563,802</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 119,450</u>	<u>\$ 28,683,252</u>
Total Fund Balances					
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
	<u>\$ 38,663,069</u>	<u>\$ 1,000,871</u>	<u>\$ 3,462,642</u>	<u>\$ 585,561</u>	<u>\$ 43,712,143</u>

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2014

Total Fund Balances - Governmental Funds	\$	28,683,252
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. The cost of these assets is \$145,006,637, net of accumulated depreciation of \$82,140,969.</p>		62,865,668
<p>Long-term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end include compensated absences of \$2,809,605 and the net OPEB obligation of \$2,168,869.</p>		(8,441,116)
<p>County revenue that is collected after year-end and unavailable soon enough to pay for the current period's expenditures is reported as deferred revenue in the funds.</p>		1,828,537
<p>Note receivable issued in connection with land sale not recognized in funds.</p>		1,290,555
<p>Deferred gain recorded in connection with land sale not recorded in funds.</p>		<u>(1,254,877)</u>
Total Net Position - Governmental Activities	\$	<u><u>84,972,019</u></u>

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2014

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
REVENUES:					
Taxes	\$ 66,427,761	\$	\$	\$	\$ 66,427,761
Licenses and Permits	301,694				301,694
Intergovernmental	6,439,336	352,803	131,727	134,246	7,058,112
Fines and Forfeitures	11,191			34,240	45,431
Charges for Services	926,923			20,822	947,745
Investment Income	306,011		146,309	264	452,584
Rents and Concessions	923,756				923,756
Contributions	3,622				3,622
Miscellaneous	925,394			544	925,938
Total Revenues	<u>\$ 76,265,688</u>	<u>\$ 352,803</u>	<u>\$ 278,036</u>	<u>\$ 190,116</u>	<u>\$ 77,086,643</u>
EXPENDITURES:					
General Government	\$ 6,466,820	\$	\$	21,640	\$ 6,488,460
Public Safety	9,651,295			189,805	9,841,100
Public Works	16,892,757				16,892,757
Health and Hospital	1,877,731				1,877,731
Education					
Board of Education	26,361,938				26,361,938
College	5,178,228				5,178,228
Culture	35,000				35,000
Parks and Recreation	100,977				100,977
Library	1,072,175				1,072,175
Conservation of Natural Resources	216,407				216,407
Social Services	281,700				281,700
Economic Opportunity and Development	3,135,818				3,135,818
Capital Outlay	2,376,951	437,489			2,814,440
Debt Service			278,036		278,036
Intergovernmental	242,205				242,205
Total Expenditures	<u>\$ 73,890,002</u>	<u>\$ 437,489</u>	<u>\$ 278,036</u>	<u>\$ 211,445</u>	<u>\$ 74,816,972</u>
REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) SUBTOTAL					
	<u>\$ 2,375,686</u>	<u>\$ (84,686)</u>	<u>\$ 0</u>	<u>\$ (21,329)</u>	<u>\$ 2,269,671</u>

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds (Continued)
Year Ended June 30, 2014

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)					
Balances Brought Forward	\$ 2,375,686	\$ (84,686)	\$ 0	\$ (21,329)	\$ 2,269,671
OTHER FINANCING SOURCES (USES):					
Sale of Capital Assets	666,644				666,644
Transfers					
Capital Projects Fund	(152,884)	152,884			0
Airport Fund	(54,011)				(54,011)
Garrett County Sanitary District, Inc.		(68,198)			(68,198)
Parks & Recreation Fund	(100,000)				(100,000)
Dept. of Tech. & Communication Fund	(672,857)				(672,857)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES & OTHER FINANCING USES	\$ 2,062,578	\$ 0	\$ 0	\$ (21,329)	\$ 2,041,249
FUND BALANCES, BEGINNING OF YEAR	<u>26,501,224</u>	<u>0</u>	<u>0</u>	<u>140,779</u>	<u>26,642,003</u>
FUND BALANCES, End of Year	<u>\$ 28,563,802</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 119,450</u>	<u>\$ 28,683,252</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, 2014

Change in Fund Balances - Governmental Funds	\$ 2,041,249
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$7,045,941 exceeded depreciation expense of \$6,362,534 in the current year.	683,407
Governmental funds report only the proceeds from the sale of capital assets. In the statement of activities the net book value is written-off against the proceeds, if any, when assets are disposed of or sold.	(585,532)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	131,727
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.	55,795
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.	(108,151)
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>(466,855)</u>
Change in Net Position - Governmental Activities	\$ <u><u>1,751,640</u></u>

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of General Fund Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Budget Basis) -
Primary Government - General Fund
Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES:				
Taxes	\$ 65,774,751	\$ 65,151,651	\$ 66,319,610	\$ 1,167,959
Licenses and Permits	251,234	251,234	301,694	50,460
Intergovernmental	6,422,815	8,236,329	6,439,336	(1,796,993)
Fines and Forfeitures	9,000	9,000	11,191	2,191
Charges for Services	1,343,150	1,057,450	926,923	(130,527)
Investment Income	175,000	175,000	306,011	131,011
Rents and Concessions	812,178	775,278	774,956	(322)
Contributions	3,000	3,300	3,622	322
Miscellaneous	2,000	98,488	925,394	826,906
Total Revenues	<u>\$ 74,793,128</u>	<u>\$ 75,757,730</u>	<u>\$ 76,008,737</u>	<u>\$ 251,007</u>
EXPENDITURES:				
General Government	\$ 5,824,959	\$ 6,607,574	\$ 5,869,163	\$ (738,411)
Public Safety	9,557,847	9,740,282	9,651,295	(88,987)
Public Works	17,046,698	17,915,560	16,892,757	(1,022,803)
Health and Hospital	1,876,932	1,876,932	1,877,731	799
Social Services	281,700	281,700	281,700	0
Education	32,086,266	32,290,244	31,391,366	(898,878)
Culture	35,000	35,000	35,000	0
Parks and Recreation	26,500	100,977	100,977	0
Library	1,107,700	1,133,773	1,072,175	(61,598)
Conservation of Natural Resources	207,494	224,494	216,407	(8,087)
Economic Development and Opportunity	3,754,931	3,934,262	3,135,818	(798,444)
Capital Outlay	2,645,000	5,165,772	2,376,951	(2,788,821)
Intergovernmental	242,205	242,205	242,205	0
Miscellaneous	(141,900)	(577,790)	597,657	1,175,447
Total Expenditures	<u>\$ 74,551,332</u>	<u>\$ 78,970,985</u>	<u>\$ 73,741,202</u>	<u>\$ (5,229,783)</u>
REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>\$ 241,796</u>	<u>\$ (3,213,255)</u>	<u>\$ 2,267,535</u>	<u>\$ 5,480,790</u>
OTHER FINANCING SOURCES (USES):				
Sale of Capital Assets	\$ 175,000	\$ 667,800	\$ 666,644	\$ (1,156)
Operating Transfers				
Capital Projects Fund		(7,371,455)	(152,884)	(7,218,571)
Airport Fund	(78,638)	(81,173)	(54,011)	(27,162)
Parks & Recreation	(1,850,000)	(1,850,000)	(100,000)	(1,750,000)
Department of Technology & Communication	(688,158)	(728,387)	(672,857)	(55,530)
Total Other Financing Sources (Uses)	<u>\$ (2,441,796)</u>	<u>\$ (9,363,215)</u>	<u>\$ (313,108)</u>	<u>\$ (9,050,107)</u>
REVENUES (UNDER) OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>\$ (2,200,000)</u>	<u>\$ (12,576,470)</u>	<u>\$ 1,954,427</u>	<u>\$ 14,530,897</u>
Fund Balance, Beginning of Year	<u>26,501,224</u>	<u>26,501,224</u>	<u>26,501,224</u>	
FUND BALANCE, End of Year, Budgetary Basis	<u>\$ 24,301,224</u>	<u>\$ 13,924,754</u>	<u>\$ 28,455,651</u>	

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

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

Statement of Net Position

Proprietary Funds

June 30, 2014

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Parks & Recreation Fund</u>	<u>Department of Technology & Communications</u>	<u>Total</u>
ASSETS:						
Current Assets:						
Cash and Cash Equivalents	\$ 100	\$ 12,988	\$ 2,794,420	\$ 35,358	\$	\$ 2,842,866
Investments		3,010,206				3,010,206
Due from Other Governments	25,911					25,911
Due from Primary Government		762,609			30,233	792,842
Other Receivables - Net	23,559	165,027	1,169,530	106,157	14,556	1,478,829
Inventories	56,230		892,092			948,322
Prepaid Expense	1,750	18,253	34,663	31,059	11,579	97,304
Total Current Assets	<u>\$ 107,550</u>	<u>\$ 3,969,083</u>	<u>\$ 4,890,705</u>	<u>\$ 172,574</u>	<u>\$ 56,368</u>	<u>\$ 9,196,280</u>
Noncurrent Restricted Assets:						
Restricted Cash	\$	\$	\$ 1,836,922	\$	\$	\$ 1,836,922
Restricted Other Receivables			294,576			294,576
Total Noncurrent Restricted Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,131,498</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,131,498</u>
Capital and Other Assets:						
Non-Depreciable Capital Assets	\$ 761,500	\$ 3,323,460	\$ 2,619,364	\$ 9,723,337	\$	\$ 16,427,661
Depreciable Capital Assets, Net of Accumulated Depreciation	13,185,100	1,606,095	49,350,842	10,936,070	554,709	75,632,816
Total Capital and Other Assets	<u>\$ 13,946,600</u>	<u>\$ 4,929,555</u>	<u>\$ 51,970,206</u>	<u>\$ 20,659,407</u>	<u>\$ 554,709</u>	<u>\$ 92,060,477</u>
TOTAL ASSETS	<u>\$ 14,054,150</u>	<u>\$ 8,898,638</u>	<u>\$ 58,992,409</u>	<u>\$ 20,831,981</u>	<u>\$ 611,077</u>	<u>\$ 103,388,255</u>

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

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

Statement of Net Position

Proprietary Funds

June 30, 2014

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Parks & Recreation Fund</u>	<u>Department of Technology & Communications</u>	<u>Total</u>
LIABILITIES:						
Current Liabilities:						
Accounts Payable and Accrued Expenses	\$ 53,062	\$ 202,222	\$ 670,926	\$ 425,851	\$ 23,628	\$ 1,375,689
Bonds and Loans Payable - Current Portion		123,960	1,445,511			1,569,471
Closure/Postclosure Liabilities - Current Portion		27,000				27,000
Due to Other Governments			127,064			127,064
Due to Primary Government	39,294		277,106	1,914,250		2,230,650
Unearned Revenue	5,710			59,396		65,106
Total Current Liabilities	<u>\$ 98,066</u>	<u>\$ 353,182</u>	<u>\$ 2,520,607</u>	<u>\$ 2,399,497</u>	<u>\$ 23,628</u>	<u>\$ 5,394,980</u>
Noncurrent Liabilities:						
Bonds and Loans Payable		\$ 260,365	\$ 31,283,094	\$ 3,092,615		\$ 34,636,074
Compensated Absences	9,484	106,757	257,134		32,740	406,115
Closure/Postclosure Liabilities		3,232,785				3,232,785
Total Noncurrent Liabilities	<u>\$ 9,484</u>	<u>\$ 3,599,907</u>	<u>\$ 31,540,228</u>	<u>\$ 3,092,615</u>	<u>\$ 32,740</u>	<u>\$ 38,274,974</u>
TOTAL LIABILITIES	<u>\$ 107,550</u>	<u>\$ 3,953,089</u>	<u>\$ 34,060,835</u>	<u>\$ 5,492,112</u>	<u>\$ 56,368</u>	<u>\$ 43,669,954</u>
NET POSITION						
Net Investment in Capital Assets	\$ 13,946,600	\$ 4,545,230	\$ 20,074,025	\$ 17,441,792	\$ 554,709	\$ 56,562,356
Restricted Net Position				8,896		8,896
Unrestricted Net Position		400,319	4,857,549	(2,110,819)		3,147,049
Total Net Position	<u>\$ 13,946,600</u>	<u>\$ 4,945,549</u>	<u>\$ 24,931,574</u>	<u>\$ 15,339,869</u>	<u>\$ 554,709</u>	<u>\$ 59,718,301</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 14,054,150</u>	<u>\$ 8,898,638</u>	<u>\$ 58,992,409</u>	<u>\$ 20,831,981</u>	<u>\$ 611,077</u>	<u>\$ 103,388,255</u>

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2014

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Parks & Recreation Fund</u>	<u>Department of Technology & Communications</u>	<u>Total</u>
OPERATING REVENUES:						
Charges for Services	\$ 267,906	\$ 1,270,426	\$ 4,340,690	\$ 539,646	\$ 190,536	\$ 6,609,204
Other	524	87,166	566,597	246,503		900,790
Total Operating Revenues	<u>\$ 268,430</u>	<u>\$ 1,357,592</u>	<u>\$ 4,907,287</u>	<u>\$ 786,149</u>	<u>\$ 190,536</u>	<u>\$ 7,509,994</u>
OPERATING EXPENSES:						
Salaries	\$ 88,373	\$ 652,727	\$ 942,754	\$ 386,775	\$ 284,072	\$ 2,354,701
Fringe Benefits	26,433	241,455	480,132	53,960	111,547	913,527
Maintenance and Repairs	2,960	84,137	515,879	43,618	61,389	707,983
Supplies	139,313	65,568	505,962	47,936		758,779
Utilities	18,416	24,616	605,379	214,947	5,853	869,211
Transportation	5,752		159,155		1,424	166,331
Contracted Services	2,655	283,941	57,570	125,664	79,871	549,701
Insurance	5,117	16,637	11,590	32,551		65,895
Direct Administration			74,003	135,588	69,843	279,434
Indirect Administration		39,649	1,147,546	20,752		1,207,947
Depreciation Expense	663,499	238,180	3,058,306	472,936	41,760	4,474,681
Amortization - Other		127,627				127,627
Bad Debt Expense		203	1,231			1,434
Other	8,783	99,878		2,722		111,383
Total Operating Expenses	<u>\$ 961,301</u>	<u>\$ 1,874,618</u>	<u>\$ 7,559,507</u>	<u>\$ 1,537,449</u>	<u>\$ 655,759</u>	<u>\$ 12,588,634</u>
NET OPERATING LOSS	<u>\$ (692,871)</u>	<u>\$ (517,026)</u>	<u>\$ (2,652,220)</u>	<u>\$ (751,300)</u>	<u>\$ (465,223)</u>	<u>\$ (5,078,640)</u>
NON-OPERATING REVENUES (EXPENSES):						
Tap Fees - Capital Revenue	\$	\$	\$ 258,225	\$	\$	\$ 258,225
Investment Income		30,921	75,161			106,082
Ad Valorem Tax		1,006,222	2,321,170			3,327,392
Sale of Assets		31,020	9,318			40,338
Interest Expense		(15,038)	(1,041,934)			(1,056,972)
Asset Management Fees		(7,100)				(7,100)
Net Other Revenues (Expenses)	<u>\$ 0</u>	<u>\$ 1,046,025</u>	<u>\$ 1,621,940</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,667,965</u>
(LOSS) INCOME BEFORE CAPITAL CONTRIBUTIONS/TRANSFERS	<u>\$ (692,871)</u>	<u>\$ 528,999</u>	<u>\$ (1,030,280)</u>	<u>\$ (751,300)</u>	<u>\$ (465,223)</u>	<u>\$ (2,410,675)</u>

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds (Continued)
Year Ended June 30, 2014

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Parks & Recreation Fund</u>	<u>Department of Technology & Communications</u>	<u>Total</u>
(LOSS) INCOME BEFORE CAPITAL CONTRIBUTIONS/TRANSFERS						
Balances Brought Forward	\$ (692,871)	\$ 528,999	\$ (1,030,280)	\$ (751,300)	\$ (465,223)	\$ (2,410,675)
CAPITAL CONTRIBUTIONS/TRANSFERS						
Capital Contributions from						
State	53,759					53,759
Federal	35,980				308,825	344,805
Primary Government	19,254		68,198		287,644	375,096
Transfers from Primary Government	34,757			100,000	423,463	558,220
NET CHANGE IN NET POSITION	\$ (549,121)	\$ 528,999	\$ (962,082)	\$ (651,300)	\$ 554,709	\$ (1,078,795)
NET POSITION - BEGINNING OF YEAR AS RESTATED	<u>14,495,721</u>	<u>4,416,550</u>	<u>25,893,656</u>	<u>15,991,169</u>	<u>0</u>	<u>60,797,096</u>
NET POSITION - END OF YEAR	<u>\$ 13,946,600</u>	<u>\$ 4,945,549</u>	<u>\$ 24,931,574</u>	<u>\$ 15,339,869</u>	<u>\$ 554,709</u>	<u>\$ 59,718,301</u>

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Parks & Recreation Fund</u>	<u>Department of Technology & Communications</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash Received from Customers	\$ 257,640	\$ 1,334,540	\$ 4,932,199	\$ 712,314	\$ 175,980	\$ 7,412,673
Cash Paid to Suppliers	(166,375)	(587,401)	(3,092,514)	(336,260)	(187,308)	(4,369,858)
Cash Paid to Employees and for Employee Benefits	(114,718)	(871,337)	(1,518,439)	(435,409)	(381,902)	(3,321,805)
Net Cash (Used In)/Provided By Operating Activities	\$ (23,453)	\$ (124,198)	\$ 321,246	\$ (59,355)	\$ (393,230)	\$ (278,990)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:						
Transfer from Primary Government	\$ 34,757	\$	\$	\$ 100,000	\$ 423,463	\$ 558,220
Increase (Decrease) in Amounts Due to General Fund	14,607		124,447	510,604	(30,233)	619,425
Decrease in Amounts Due from General Fund		2,218,642				2,218,642
Net Cash Provided By Non-Capital Financing Activities	\$ 49,364	\$ 2,218,642	\$ 124,447	\$ 610,604	\$ 393,230	\$ 3,396,287
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Capital Contributions	\$ 83,082	\$	\$ 106,186	\$	\$ 558,219	\$ 747,487
Proceeds from Tap Fees			258,225			258,225
Ad Valorem Taxes and Other Assessments Collected		1,011,782	2,267,024			3,278,806
Payment of Expenses Related to Landfill Closure		(24,965)				(24,965)
Acquisition and Construction of Capital Assets	(108,993)	(1,337,473)	(3,125,009)	(644,295)	(558,219)	(5,773,989)
Proceeds from Sale of Capital Assets		152,020	9,318			161,338
Principal Paid on Long-Term Debt		(119,989)	(1,392,187)			(1,512,176)
Interest Paid on Long-Term Debt		(16,693)	(1,041,561)			(1,058,254)
Net Cash Used In Capital and Related Financing Activities	\$ (25,911)	\$ (335,318)	\$ (2,918,004)	\$ (644,295)	\$ 0	\$ (3,923,528)

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

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

Statement of Cash Flows
Proprietary Funds (Continued)
Year Ended June 30, 2014

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Parks & Recreation Fund	Department of Technology & Communications	Total
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest Income	\$	\$ 30,921	\$ 75,161	\$	\$	\$ 106,082
Asset Management Fees		(7,100)				(7,100)
Government & Agency Bonds		(3,010,206)				(3,010,206)
Net Cash (Used In)/Provided By Investing Activities	<u>\$ 0</u>	<u>\$ (2,986,385)</u>	<u>\$ 75,161</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (2,911,224)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	\$ 0	\$ (1,227,259)	\$ (2,397,150)	\$ (93,046)	\$ 0	\$ (3,717,455)
Cash and Cash Equivalents, Beginning of Year	<u>100</u>	<u>1,240,247</u>	<u>7,028,492</u>	<u>128,404</u>	<u>0</u>	<u>8,397,243</u>
CASH AND CASH EQUIVALENTS, End of Year	<u><u>\$ 100</u></u>	<u><u>\$ 12,988</u></u>	<u><u>\$ 4,631,342</u></u>	<u><u>\$ 35,358</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 4,679,788</u></u>
Reconciliation of Operating Loss to Net Cash (Used In)/Provided By Operating Activities						
Operating Loss	\$ (692,871)	\$ (517,026)	\$ (2,652,220)	\$ (751,300)	\$ (465,223)	\$ (5,078,640)
Adjustments to Reconcile Operating Loss to Net Cash (Used In)/Provided By Operating Activities:						
Depreciation and Amortization	663,499	365,807	3,058,306	472,936	41,760	4,602,308
Changes in Current Assets and Liabilities:						
(Increase) Decrease in Accounts Receivable	(11,055)	(23,052)	24,912	(89,571)	(14,556)	(113,322)
(Increase) Decrease in Inventories	7,022		(6,070)			952
(Increase) Decrease in Prepaid Expenses	400	(18,253)	(34,663)	(3,075)	(11,579)	(67,170)
Increase in Accounts Payable	9,403	47,396	23,966	295,919	23,628	400,312
Decrease in Due to Other Governments			(3,880)			(3,880)
Increase in Deferred Revenue	265			15,736		16,001
Increase (Decrease) in Compensated Absences	(116)	20,930	(89,105)		32,740	(35,551)
Net Cash (Used In)/Provided By Operating Activities	<u><u>\$ (23,453)</u></u>	<u><u>\$ (124,198)</u></u>	<u><u>\$ 321,246</u></u>	<u><u>\$ (59,355)</u></u>	<u><u>\$ (393,230)</u></u>	<u><u>\$ (278,990)</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 Net Position

Fiduciary Funds

June 30, 2014

	<u>Benefit Plan Trust Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,297,060
Investments:	
Certificates of Deposit	\$ 50,240
Fixed Income Securities	7,963,171
Mutual Funds	11,549,425
Equity Securities	9,570,602
Total Investments	\$ 29,133,438
Interest Receivable	\$ 109,419
TOTAL ASSETS	\$ 30,539,917
LIABILITIES	<u>0</u>
NET POSITION	
Held in Trust for Retirement Benefits and OPEB	\$ <u><u>30,539,917</u></u>

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2014

	<u>Benefit Plan Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 1,471,810
Plan Members	554,303
Total Contributions	<u>\$ 2,026,113</u>
Investment Earnings:	
Net Increase in Fair Value of Investments	\$ 2,530,178
Realized Net Gains on Investments	922,390
Interest and Dividends	669,828
Investment Activity Expense	(153,149)
Total Net Investment Earnings	<u>\$ 3,969,247</u>
Total Additions	<u>\$ 5,995,360</u>
DEDUCTIONS	
Benefits	\$ 1,129,198
Administrative	12,309
Total Deductions	<u>\$ 1,141,507</u>
Change In Net Position	\$ 4,853,853
Net Position - Beginning of Year	<u>25,686,064</u>
Net Position - End of Year	<u><u>\$ 30,539,917</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, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

**Notes to Financial Statements
June 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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

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

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

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

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

The accompanying financial statements do not include the activities of the Liquor Control Board of Garrett County. However, these financial statements do include governmental activities revenues in the government-wide financial statements and general fund revenues in the governmental funds financial statements in the amount of \$109,777, 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, 2014. Total assets of the Liquor Control Board as of June 30, 2014 are \$117,165.

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

**Notes to Financial Statements
June 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

**Notes to Financial Statements
June 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The County reports the following major governmental funds:

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

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

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

The County reports the following major proprietary funds:

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

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

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

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

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

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

**Notes to Financial Statements
June 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the County reports the following additional fund types:

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

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Airport, the County Solid Waste and Recycling Facility, Garrett County Sanitary District, the Parks & Recreation, and the Department of Technology & Communications enterprise funds are charges to customers for sales and services. The Sanitary District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system.

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

**Notes to Financial Statements
June 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

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

Receivables and Payables - In order to maximize investment earnings and for efficient operation of the accounting system, substantially all receipts and disbursements of the primary government, excluding the Garrett County Sanitary District, Inc. and ASC, Inc. (reported as blended component units), are accounted for in one bank account. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "due to/from primary government". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". All trade and property tax receivables are reported net of an allowance for doubtful accounts. The allowance for doubtful accounts recorded in the general fund and netted against taxes receivable was \$100,000 as of June 30, 2014. 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, 2014.

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.

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

**Notes to Financial Statements
June 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 \$5,233,112 which represents general fund cash balances from self-funded health insurance and special revenue funds' cash balances related to Keyzers Ridge Business Park operations and Public Safety Narcotics Task Force, operations. This column also includes restricted investments of \$2,502,817 which represents general fund investment balances related to self-funded health insurance.

Restricted receivables of \$3,462,642 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 attributable to the Garrett County Sanitary District, Inc. of \$2,131,498 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 \$134,114 were capitalized as part of the cost of capital assets under construction in connection with water infrastructure projects.

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

**Notes to Financial Statements
June 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Deferred Inflows/Outflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County currently has no items meeting this criteria.

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

Unearned Revenues - Unearned revenues as reported in the governmental activities column of the government-wide and governmental funds financial statements include amounts advanced to Garrett County Memorial Hospital from bonded indebtedness issued by the County to fund certain hospital construction and renovation projects. These advances are being repaid to the County and recognized as revenues in the financial statements as the Hospital makes the required payments on the related bonded indebtedness. Unearned revenues also include \$1,000,000 in One Maryland funds received for Keyser's Ridge Infrastructure. These funds had not been spent on the project as of year-end. Unearned revenues also include expenditure driven grants of \$442,862, where the cash has been received, but the qualifying expenditures has not been made. In addition, see Note 13 for a description of unearned revenue reported only in the government-wide financial statements.

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

**Notes to Financial Statements
June 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

E. Net Position/Fund Balance Classifications

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

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

**Notes to Financial Statements
June 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Net Position/Fund Balance Classifications (Continued)

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

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

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

Committed Fund Balance - Amounts constrained for a specific purpose by the governing body using its highest level of decision making authority. These constraints can only be removed or changed by the same governing body using its decision making authority to reverse a decision. Actions to constrain resources should occur prior to the end of a fiscal year, although the exact amount may be determined subsequent to year-end. The County had no committed fund balance as of June 30, 2014.

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

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

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

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

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

**Notes to Financial Statements
June 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Net Position/Fund Balance Classifications (Continued)

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

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

F. Net Position Flow Assumptions

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

G. Fund Balance Flow Assumptions

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

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

**Notes to Financial Statements
June 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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.

I. Budgets and Budgetary Accounting

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

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

The 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 4, 2013, by the County Commissioners and as finally amended.

J. Implementation of New Accounting Principles

The County has adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 67, entitled *Financial Reporting for Pension Plans*. The adoption of this standards did not have a material effect on the County's financial statements.

As of the year ended June 30, 2014, GASB issued Statement No. 68, entitled *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The County is analyzing the effects of these pronouncements which are expected to be material, and plans to adopt them as applicable by their effective date.

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

**Notes to Financial Statements
June 30, 2014**

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, 2014 to the statement of net position:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Cash and Cash Equivalents	\$ 15,681,739	\$ 2,842,866	\$ 18,524,605	\$
Restricted Cash	5,233,112	1,836,922	7,070,034	1,297,060
Investments	4,076,079	3,010,206	7,086,285	
Restricted Investments	2,502,817		2,502,817	29,133,438
Total	<u>\$ 27,493,747</u>	<u>\$ 7,689,994</u>	<u>\$ 35,183,741</u>	<u>\$ 30,430,498</u>

Deposit and Investment Summary

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Deposits	\$ 20,912,926	\$ 1,895,219	\$ 22,808,145	\$ 1,297,060
Repurchase Agreements		2,783,719	2,783,719	
Certificates of Deposit	2,502,817		2,502,817	50,240
U.S. Government Obligations	4,076,079		4,076,079	2,533,628
Fixed Income Securities		3,010,206	3,010,206	5,429,543
Mutual Funds			0	11,549,425
Equity Securities			0	9,570,602
Cash on Hand	1,925	850	2,775	
Total	<u>\$ 27,493,747</u>	<u>\$ 7,689,994</u>	<u>\$ 35,183,741</u>	<u>\$ 30,430,498</u>

Deposits

At year end, the carrying amount of the primary government's deposits including certificates of deposit was \$25,310,962 and the bank balance of collected funds was \$25,080,090. Of the bank balance \$3,498,526 was insured by the Federal Deposit Insurance Corporation (FDIC), \$17,233,742 was collateralized by securities held by the County's agent in the County's name and \$4,347,822 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, 2014 was \$37,438,431.

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

**Notes to Financial Statements
June 30, 2014**

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 \$1,347,300 at June 30, 2014. Of those deposits \$710,931 were insured by the FDIC. The remaining deposits of \$636,369 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, 2014, the County held repurchase agreements with a carrying amount of \$2,783,719 and a bank balance of \$5,274,223. The bank balance was held at various interest rates and collateralized by U.S government agency securities with a market value of \$5,381,538.

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, 2014**

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, 2014, 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 \$26,549,570 at June 30, 2014, were exposed to custodial credit risk as they were uninsured and held by the counterparty's trust department but not in the name of the County.

The Fiduciary Funds have investment policies specifying that investments in corporate bonds be primarily investment grade securities rated by Moody's or Standard and Poor's. The Fiduciary Fund investment policies further limit credit risk by prescribing that the fixed income portfolio be well diversified with respect to type, industry and issuer. Fiduciary Fund mutual fund investments include bond mutual funds all of which were unrated as of June 30, 2014. The investments of the Fiduciary Funds included debt securities having the following ratings as of June 30, 2014:

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

**Notes to Financial Statements
June 30, 2014**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Security Ratings	Market Value 6/30/14
AA2	\$ 728,978
AA3	73,147
A1	536,139
A2	627,163
A3	735,331
BAA1	940,289
BAA2	666,222
BAA3	697,306
BA2	19,650
Not Rated	405,318
Total Market Value	\$ 5,429,543

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

Maturity Date	Interest Rates	Market Value 6/30/14
2015	No Maturities	\$ -
2016	3.00%-5.75%	406,038
2017	3.00%-6.40%	253,558
2018	5.50%-6.13%	622,884
2019	2.00%-6.00%	866,248
2020-2024	3.00%-5.55%	2,696,262
2025-2029	3.00%-6.95%	2,400,890
2030-2034	4.00%-8.00%	403,500
2035-2039	4.00%-6.30%	313,791
	Total Market Value	\$ 7,963,171

NOTE 3 - NOTES RECEIVABLE

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

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

**Notes to Financial Statements
June 30, 2014**

NOTE 3 - NOTES RECEIVABLE (Continued)

The principal balance of the note was \$1,109,579 as of June 30, 2014 and is reported in the general fund and government-wide financial statements. The interest payments received from the borrower totaled \$56,548 through June 30, 2014 and are reported as unearned revenue in both the general fund and government-wide financial statements. See Note 13 for additional note receivable reported only in the government-wide financial statements.

NOTE 4 - 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, 2014</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	137,238	140,799	278,037
2016	142,979	135,057	278,036
2017	148,960	129,076	278,036
2018	155,191	122,845	278,036
2019	161,684	116,352	278,036
2020-2037	2,716,590	987,651	3,704,241
Total	<u>\$ 3,462,642</u>	<u>\$ 1,631,780</u>	<u>\$ 5,094,422</u>

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

**Notes to Financial Statements
June 30, 2014**

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the primary government for the fiscal year ended June 30, 2014 was as follows:

	<u>Balance as of June 30, 2013</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance as of June 30, 2014</u>
<u>Governmental Activities</u>				
Capital assets, not depreciated				
Land and easements	\$ 9,703,158	\$ 533,499	\$ (533,499)	\$ 9,703,158
Construction in progress	2,879,757	1,298,604	(1,668,474)	2,509,887
Total capital assets, not depreciated	<u>\$ 12,582,915</u>	<u>\$ 1,832,103</u>	<u>\$ (2,201,973)</u>	<u>\$ 12,213,045</u>
Capital assets, being depreciated				
Land improvements	\$ 2,919,572	\$	\$	\$ 2,919,572
Buildings	24,677,500	5,830		24,683,330
Machinery & equipment	3,009,390	112,813	(44,211)	3,077,992
Vehicles	16,184,879	852,362	(1,292,252)	15,744,989
Furniture & equipment	2,200,468	11,332	(122,559)	2,089,241
Infrastructure	78,385,315	4,231,501	1,661,652	84,278,468
Total capital assets, being depreciated	<u>\$ 127,377,124</u>	<u>\$ 5,213,838</u>	<u>\$ 202,630</u>	<u>\$ 132,793,592</u>
Less accumulated depreciation for:				
Land improvements	\$ (109,108)	\$ (22,338)	\$	\$ (131,446)
Buildings	(10,319,247)	(657,436)		(10,976,683)
Machinery & equipment	(946,480)	(243,513)	30,600	(1,159,393)
Vehicles	(12,582,207)	(1,077,127)	1,314,907	(12,344,427)
Furniture & equipment	(1,355,596)	(228,698)	66,863	(1,517,431)
Infrastructure	(51,879,608)	(4,133,422)	1,441	(56,011,589)
Total accumulated depreciation	<u>\$ (77,192,246)</u>	<u>\$ (6,362,534)</u>	<u>\$ 1,413,811</u>	<u>\$ (82,140,969)</u>
Total capital assets, being depreciated, net	<u>\$ 50,184,878</u>	<u>\$ (1,148,696)</u>	<u>\$ 1,616,441</u>	<u>\$ 50,652,623</u>
Governmental activities capital assets, net	<u>\$ 62,767,793</u>	<u>\$ 683,407</u>	<u>\$ (585,532)</u>	<u>\$ 62,865,668</u>

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

Governmental activities:	
General Government	\$ 23,525
Public Works	4,897,635
Public Safety	491,186
Economic Development	336,083
Unallocated	614,105
Total depreciation expense - governmental activities	<u>\$ 6,362,534</u>

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

**Notes to Financial Statements
June 30, 2014**

NOTE 5 – CAPITAL ASSETS (Continued)

	Balance June 30, 2013	Additions	Transfers and Retirements	Balance June 30, 2014
<u>Business-type activities</u>				
Capital assets, not depreciated				
Land and easements	\$ 3,109,919	\$ 5,037	\$ 133,819	\$ 3,248,775
Construction in progress	9,028,995	4,449,422	(8,197,049)	5,281,368
Land improvements	7,897,518			7,897,518
Total capital assets, not depreciated	\$ 20,036,432	\$ 4,454,459	\$ (8,063,230)	\$ 16,427,661
Capital assets, being depreciated				
Land improvements	\$ 16,821,956	\$ 67,173	\$	\$ 16,889,129
Buildings	4,534,145			4,534,145
Machinery & equipment	3,563,641	1,173,737	(7,953)	4,729,425
Vehicles	2,084,571	46,092	(205,195)	1,925,468
Infrastructure	18,131,447		6,650	18,138,097
Furniture & equipment	53,208		(3,475)	49,733
Water facilities	25,070,186	32,528	7,636,682	32,739,396
Sewer facilities	70,372,196		426,548	70,798,744
Total capital assets, being depreciated	\$ 140,631,350	\$ 1,319,530	\$ 7,853,257	\$ 149,804,137
Less accumulated depreciation for:				
Land improvements	\$ (9,334,615)	\$ (97,569)	\$	\$ (9,432,184)
Buildings	(743,607)	(115,714)		(859,321)
Machinery & equipment	(2,191,970)	(394,040)	64,765	(2,521,245)
Vehicles	(1,767,949)	(68,076)	60,424	(1,775,601)
Infrastructure	(3,936,752)	(855,299)	(1,441)	(4,793,492)
Furniture & equipment	(26,913)	(9,280)	3,475	(32,718)
Water facilities	(9,818,906)	(779,015)		(10,597,921)
Sewer facilities	(42,003,151)	(2,155,688)		(44,158,839)
Total accumulated depreciation	\$ (69,823,863)	\$ (4,474,681)	\$ 127,223	\$ (74,171,321)
Total capital assets, being depreciated, net	\$ 70,807,487	\$ (3,155,151)	\$ 7,980,480	\$ 75,632,816
Business-type activities capital assets, net	\$ 90,843,919	\$ 1,299,308	\$ (82,750)	\$ 92,060,477

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

Business-type activities	
Airport	\$ 663,499
Solid Waste	238,180
Sanitary District	3,058,306
Parks & Recreation	472,936
Department of Technology & Communications	41,760
Total depreciation expense - business-type activities	\$ 4,474,681

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

**Notes to Financial Statements
June 30, 2014**

NOTE 5 – CAPITAL ASSETS (Continued)

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

	<u>Project Authorization</u>	<u>CIP as of June 30, 2014</u>	<u>Remaining Commitment</u>
<u>Governmental Activities</u>			
Public Works	\$ 9,414,740	\$ 2,004,374	\$ 7,410,366
Public Safety	307,000	2,957	304,043
Economic Development	2,208,760	502,556	1,706,204
Total governmental activities	<u>\$ 11,930,500</u>	<u>\$ 2,509,887</u>	<u>\$ 9,420,613</u>
<u>Business-type Activities</u>			
Landfill Cell 4	\$ 3,253,810	\$ 3,209,466	\$ 44,344
Keysers Ridge Water Holding Tank	108,652	108,652	
Keysers Ridge Water	155,790	155,790	
Deep Creek Lake Collection & Conveyance	1,055,873	1,055,873	
Mountain Lake Park Water System Improvements	150,827	150,827	
Airport Hill Removal Phase 1	123,200	39,978	83,222
ASCI Vehicular Bridge	500,000	1,152	498,848
ASCI Pavilion	410,521	77,606	332,915
ASCI Amphitheater	235,967	83,178	152,789
ASCI Viewing Platform	101,121	63,429	37,692
ASCI Course Gate System	50,013	5,649	44,364
ASCI Course Modification Phase 2	199,130	195,568	3,562
ASCI Wireless Connectivity	156,431	134,200	22,231
Total business-type activities	<u>\$ 6,501,335</u>	<u>\$ 5,281,368</u>	<u>\$ 1,219,967</u>

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

**Notes to Financial Statements
June 30, 2014**

NOTE 6 – INTERNAL AND INTERFUND BALANCES AND ACTIVITY

Interfund transfers between the General Fund and the Capital Projects Fund of \$152,884 represent funding for construction projects. Interfund transfers between the General Fund and the Airport Fund of \$54,011 are comprised of an operating subsidy of 34,757 and funding for construction projects in the amount of 19,254. Interfund transfers between the General Fund and the Parks & Recreation Fund of \$100,000 represent a debt repayment subsidy. Interfund transfers between the General Fund and the Garrett County Sanitary District, Inc. of \$68,198 represent funding for construction projects. Interfund transfers between the General Fund and the Department of Technology and Communications are comprised of an operating subsidy in the amount of \$423,463 and capital contributions of \$287,644.

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

Interfund receivables and payables between the General Fund, Capital Projects Fund and Special Revenue Funds have been eliminated from governmental activities in the net amount of \$1,108,644 within the government-wide financial statements.

Interfund receivables and payables between the primary government and its component units for the year ended June 30, 2014, consisted of \$2,195,056 due to the Board of Education, \$97,548 due to Garrett College and \$1,702 due to the Ruth Enlow Library.

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

**Notes to Financial Statements
June 30, 2014**

NOTE 6 – INTERNAL AND INTERFUND BALANCES AND ACTIVITY (Continued)

Interfund receivables and payables within the primary government at June 30, 2014 are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Capital Projects Fund	\$	\$ 896,038
Special Revenue Funds:		
508 Program		142,720
Commissary		60,033
Law Library		1,518
Keyzers Ridge		8,335
Proprietary Funds:		
Airport Fund	39,294	
Solid Waste Fund		762,609
Sanitary District	277,106	
Parks & Recreation	1,914,250	
Dept. of Technology & Communication		30,233
Total General Fund	<u>\$ 2,230,650</u>	<u>\$ 1,901,486</u>
Capital Projects Funds:		
General Fund	<u>\$ 896,038</u>	<u>\$ 0</u>
Special Revenue Funds:		
General Fund:		
508 Program	\$ 142,720	\$
Commissary	60,033	
Law Library	1,518	
Keyzers Ridge	8,335	
Total Special Revenue Funds	<u>\$ 212,606</u>	<u>\$ 0</u>
Total Governmental Funds	<u>\$ 3,339,294</u>	<u>\$ 1,901,486</u>
Proprietary Funds:		
General Fund - Airport	\$	\$ 39,294
General Fund - Solid Waste	762,609	
General Fund - Sanitary District		277,106
General Fund - Parks & Recreation		1,914,250
General Fund -Tech. & Comm.	30,233	
Total Proprietary Funds	<u>\$ 792,842</u>	<u>\$ 2,230,650</u>
Total Primary Government	<u><u>\$ 4,132,136</u></u>	<u><u>\$ 4,132,136</u></u>

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

**Notes to Financial Statements
June 30, 2014**

NOTE 7 - LONG-TERM DEBT

The following is a summary of debt transactions of the County for the fiscal year ended June 30, 2014:

	Balance June 30, 2013	Additions	Principal Repayments & Other Reductions	Balance June 30, 2014	Due Within One Year
Governmental activities:					
General Fund					
General Obligation Bonds	\$ 3,594,369	\$	\$ (131,727)	\$ 3,462,642	\$ 137,238
Compensated Absences	2,913,696	201,887	(285,790)	2,829,793	20,188
Net OPEB Obligation	1,702,014	466,855		2,168,869	
Governmental activities					
Long-term liabilities	<u>\$ 8,210,079</u>	<u>\$ 668,742</u>	<u>\$ (417,517)</u>	<u>\$ 8,461,304</u>	<u>\$ 157,426</u>
Business-type activities:					
Solid Waste Fund					
Bonds Payable	\$ 504,314	\$	\$ (119,989)	\$ 384,325	\$ 123,960
Garrett County Sanitary District					
Bonds and Loans Payable	34,120,792		(1,392,187)	32,728,605	1,445,511
Parks & Recreation					
Loans Payable	3,092,615			3,092,615	
Subtotal	<u>\$ 37,717,721</u>	<u>\$ 0</u>	<u>\$ (1,512,176)</u>	<u>\$ 36,205,545</u>	<u>\$ 1,569,471</u>
Landfill closure/post-closure	<u>\$ 3,157,123</u>	<u>\$ 127,626</u>	<u>\$ (24,964)</u>	<u>\$ 3,259,785</u>	<u>\$ 27,000</u>
Compensated Absences					
Airport	\$ 9,600	\$	\$ (116)	\$ 9,484	\$
Solid Waste Fund	85,827	20,930		106,757	
G.C. Sanitary District	346,239		(89,105)	257,134	
Dept. of Tech & Comm.		32,740		32,740	
	<u>\$ 441,666</u>	<u>\$ 53,670</u>	<u>\$ (89,221)</u>	<u>\$ 406,115</u>	<u>\$ 0</u>
Business-type activities					
Long-term liabilities	<u>\$ 41,316,510</u>	<u>\$ 181,296</u>	<u>\$ (1,626,361)</u>	<u>\$ 39,871,445</u>	<u>\$ 1,596,471</u>

Interest Expense

Total interest expense of \$1,337,395 incurred by the primary government includes \$146,309 charged to governmental activities, \$1,056,972 charged to business-type activities, and \$134,114 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, 2014**

NOTE 7 - LONG-TERM DEBT (Continued)

Details of certain long-term debt obligations at June 30, 2014 are as follows:

	<u>Balance June 30, 2014</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.	\$ 874,493
<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>2,588,149</u>
Total Governmental Activities	<u>\$ 3,462,642</u>
 <u>Business-type Activities</u>	
<u>Solid Waste Fund</u>	
Maryland Water Quality Financing Administration Bond dated May 21, 1996. Total authorized of \$1,997,000 of which \$1,970,000 has been advanced to date. Semiannual payments of interest at 3.31%. Principal is payable February 1 of each year through February 1, 2017.	<u>\$ 384,325</u>
Total Solid Waste Fund	<u>\$ 384,325</u>

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

**Notes to Financial Statements
June 30, 2014**

NOTE 7 - LONG-TERM DEBT (Continued)

	<u>Balance June 30, 2014</u>
<u>Garrett County Sanitary District, Inc.</u>	
\$1,998,000 Maryland Water Quality Financing (Deep Creek Lake Sewer Extension), payable in annual installments of \$132,748, including semiannual interest at 2.87% through February 1, 2019.	\$ 328,565
\$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.	60,846
\$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.	35,509
\$260,000 Maryland Water Quality Financing (Deer Park Water), payable in semiannual installments including interest at .4% through February 2034.	182,507
\$2,400,000 M&T Bank (Department of Public Works Warehouse Project), payable in semiannual installments through December 2027 including interest at 3.7% fixed rate through 2017 at which time the rate resets to M&T's 5 year funds rate plus 110 basis points through December 2027.	1,892,939
\$128,653 Maryland Department of the Environment (Mt. Lake Park Water), payable in semiannual installments principal only of \$9,077 through February 2024.	83,270
\$549,085 Maryland Department of the Environment (Deep Creek & Friendsville I&I), payable in annual installments of principal only of \$34,318 through 2025.	278,933
\$50,050 Susquehanna Bank (Jennings), payable in monthly installments of \$292, including interest of 3.5% through August 2032.	46,789

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

**Notes to Financial Statements
June 30, 2014**

NOTE 7 - LONG-TERM DEBT (Continued)

	<u>Balance June 30, 2014</u>
\$800,770 Susquehanna Bank (Mountain Lake Park Water), payable in monthly installments of \$4,665, including interest of 3.5% through August 2032.	\$ 748,589
\$7,499,000 Susquehanna Bank (Thayerville Water), payable in monthly installments of \$43,687, including interest of 3.5% through August 2032.	7,010,413
\$23,597,980 Susquehanna Bank (Refinance), payable in monthly installments of \$137,475, including interest of 3.5% through August 2032.	<u>22,060,245</u>
Total Garrett County Sanitary District, Inc.	<u>\$ 32,728,605</u>
<u>Parks & Recreation Fund</u>	
Note payable to Maryland Department of Business and Economic Development, maturing September, 2039, 3.00% interest per annum. No principal or interest payments are currently being made on the note as the County is negotiating repayment terms.	\$ 2,817,615
\$275,000 non-interest bearing note payable to Garrett County Community Action Committee, Inc.(GCCAC) due on July 8, 2007. No principal payments are currently being made on the note as the County is negotiating repayment terms.	<u>275,000</u>
Total Parks & Recreation Fund	<u>\$ 3,092,615</u>
Total Business-type Activities	<u>\$ 36,205,545</u>
Total Primary Government	<u>\$ 39,668,187</u>

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

**Notes to Financial Statements
June 30, 2014**

NOTE 7 - 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:			
2015	\$ 137,238	\$ 140,798	\$ 278,036
2016	142,979	135,057	278,036
2017	148,960	129,077	278,037
2018	155,191	122,845	278,036
2019	161,684	116,353	278,037
2020-2024	915,714	474,467	1,390,181
2025-2029	618,244	306,474	924,718
2030-2034	697,330	175,670	873,000
2035-2039	485,302	31,039	516,341
Total governmental activities	<u>\$ 3,462,642</u>	<u>\$ 1,631,780</u>	<u>\$ 5,094,422</u>
Business-Type Activities:			
2015	1,569,471	1,132,670	2,702,141
2016	1,623,644	1,082,625	2,706,269
2017	1,648,674	1,023,684	2,672,358
2018	1,568,747	966,853	2,535,600
2019	1,623,000	912,521	2,535,521
2020-2024	8,504,982	3,704,131	12,209,113
2025-2029	9,848,744	2,085,537	11,934,281
2030-2034	6,725,668	395,446	7,121,114
Thereafter	3,092,615		3,092,615
Total Business-type activities	<u>\$ 36,205,545</u>	<u>\$ 11,303,467</u>	<u>\$ 47,509,012</u>

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Grant and Loan Compliance

The County participates in numerous Federal and State grant/loan programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant/loan programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the laws and regulations governing the programs, refunds of any money received may be required or, the collectability of any related receivable at June 30, 2014 may be impaired. The amount, if any, of expenditures for projects which may be disallowed by the granting/lending agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

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

**Notes to Financial Statements
June 30, 2014**

NOTE 8 - COMMITMENTS AND CONTINGENCIES (Continued)

Loan Guarantees

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

Lease Commitments

Garrett College has entered into a lease with the County for the rental of a student dormitory building, known as "Garrett Hall". Terms of the lease include monthly rental payments of \$5,396 for a period of 29 years. At the end of the initial term of the lease, the College has the option to extend the lease. The value of this building at June 30, 2014 was \$927,169 less accumulated depreciation of \$227,929. Total future minimum payments under the operating lease as of June 30, 2014 are as follows:

Year Ending June 30, 2015	\$ 64,752
June 30, 2016	64,752
June 30, 2017	64,752
June 30, 2018	64,752
June 30, 2019	64,752
Thereafter	<u>917,320</u>
Total	<u>\$ 1,241,080</u>

In addition, the County leases administrative offices to the Board of Education at no charge. The annual fair market value of the space occupied is \$148,800. The fair market value of the appropriated space is recorded in the accompanying government-wide and fund financial statements as both a revenue and an expenditure. The value of this building at June 30, 2014 was \$1,000,563 less accumulated depreciation of \$333,521.

The County leases a building to C. Palmer Manufacturing, Inc. (CPM) located at the Southern Garrett Industrial Park. The lease can be renewed at the option of the lessee in 5 year increments ending on January 31, 2020 at a annual rate of \$62,799. The future minimum lease payments remaining under the current renewal term which expires January 31, 2015 are \$36,633. The value of this building at June 30, 2014 was \$1,304,263 less accumulated depreciation of \$717,345.

On June 28, 2013, the County entered into a lease with Strata Safety Products, LLC (Strata) for the rental of property under construction located at the Keyser's Ridge Business Park. The annual rent is based on the total project cost, with possible rates ranging from \$50,000 to \$61,600 per year. At June 30, 2014, the project was not complete and Strata had yet to take possession of the property. The initial lease term ends December 31, 2018.

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

**Notes to Financial Statements
June 30, 2014**

NOTE 9 - EMPLOYEES' RETIREMENT PLANS

State Retirement and Pension System of Maryland

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

The State Retirement and Pension System of Maryland is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland and managed by the State Retirement Agency and its Board of Trustees. The System issues a publicly available annual financial report that includes financial statements and required supplementary information for all of the various employee groups within the State system. The annual report for the year ended June 30, 2013 (most recent available data) may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, MD 21202 or by calling 1-800-492-5909.

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

Contribution rates for employers and other “non-employer” contributing entities are established by annual actuarial valuations using the entry age normal cost method with projection to determine costs. The primary government’s employer contribution rates for 2014 were 11.47% for the Employee Retirement System and 6.47% 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, 2014 was \$30,187 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, 2012	\$ 32,290	100%	0
	June 30, 2013	25,510	100%	0
	June 30, 2014	30,187	100%	0

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

**Notes to Financial Statements
June 30, 2014**

NOTE 9 - EMPLOYEES' RETIREMENT PLANS (Continued)

Government Personnel Retirement Plan

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

The Plan provides retirement, disability and death benefits for all eligible employees. Administrative, investment, and member benefit service responsibilities are provided by a Board of Trustees. Participating employees are required to contribute 3.39% of earnings.

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.

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

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

Membership of the Plan consisted of the following as of July, 1, 2013, the date of the most recent actuarial valuation:

Retirees and beneficiaries receiving benefits	47
Terminated Plan members entitled but not yet receiving benefits	11
Active Plan members	242
Total	<u>300</u>

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

**Notes to Financial Statements
June 30, 2014**

NOTE 9 - EMPLOYEES' RETIREMENT PLANS (Continued)

Government Personnel Retirement Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2014 is as follows:

<u>Investment Type</u>	<u>% of Portfolio</u>	<u>Rate of Return</u>
Equities	60-70%	8-11%
Fixed Income	30-40%	3-5%

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 \$1,335,074. Based on recommendations from the County's actuary, the actual employer contribution for fiscal year 2014 was \$1,140,077. Actual participant contributions for fiscal year 2014 were \$352,066. There was no NPO outstanding at June 30, 2014.

Three Year Trend Information - Government Personnel Retirement Plan

<u>Entity</u>	<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of PPC Contributed</u>	<u>Net Pension Obligation</u>
Primary Government -	June 30, 2012	\$ 1,300,796	100%	0
County	June 30, 2013	1,338,311	100%	0
	June 30, 2014	1,335,074	100%	0

The total pension liability for the current year was determined as part of the July 1, 2013, actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7% investment rate of return (net of administrative expenses), and (b) projected salary increases of 4.0% per year. The actuary determined rates of mortality based on RP-2000; 2-year set forward tables. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined by the market value of investments.

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

**Notes to Financial Statements
June 30, 2014**

NOTE 9 - EMPLOYEES' RETIREMENT PLANS (Continued)

Government Personnel Retirement Plan (Continued)

The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2014 is as follows:

Total pension liability	\$30,645,183
Net position	(21,767,015)
Net pension liability	<u>\$ 8,878,168</u>

Net position as a percentage of total pension liability is 71%.

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

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

	1% decrease (6%)	Current rate 7%	1% increase (8%)
Net pension liability	\$12,412,948	\$ 8,878,168	\$ 5,844,265

Law Enforcement Retirement Plan

The County adopted the Garrett County Law Enforcement Retirement Plan, a single employer plan, effective July 1, 2002, for all employees classified by the County as the Sheriff, correctional officers, or sworn law-enforcement officers with the Sheriff's Department or Office of the State's Attorney, and employees classified as emergency management personnel. The Plan provides retirement, disability and death benefits for all eligible employees. Administrative, investment, and member benefit service responsibilities are provided by a Board of Trustees. The actuarial valuation report as of July 1, 2013 (most recent available data) may be obtained from the County Commissioners of Garrett County, Maryland.

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. Participating employees are required to contribute 7.59% of earnings.

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

**Notes to Financial Statements
June 30, 2014**

NOTE 9 - EMPLOYEES' RETIREMENT PLANS (Continued)

Law Enforcement Retirement Plan (Continued)

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.

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

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

Membership of the Plan consisted of the following as of July, 1, 2013, the date of the most recent actuarial valuation:

Retirees and beneficiaries receiving benefits	11
Terminated Plan members entitled but not yet receiving benefits	4
Active Plan members	<u>60</u>
Total	<u><u>75</u></u>

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2014 is as follows:

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

**Notes to Financial Statements
June 30, 2014**

NOTE 9 - EMPLOYEES' RETIREMENT PLANS (Continued)

Law Enforcement Retirement Plan (Continued)

Investment Type	% of Portfolio	Rate of Return
Equities	60-70%	8-11%
Fixed Income	30-40%	3-5%

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 \$437,358. Based on recommendations from the County's actuary, the actual employer contribution for fiscal year 2014 was \$331,733. Actual participant contributions for fiscal year 2014 were \$202,237. There was no NPO outstanding at June 30, 2014.

Three Year Trend Information - Law Enforcement Retirement Plan

Entity	Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of PPC Contributed	Net Pension Obligation
Primary Government -	June 30, 2012	\$ 432,345	100%	0
County	June 30, 2013	443,819	100%	0
	June 30, 2014	437,358	100%	0

The total pension liability for the current year was determined as part of the July 1, 2013, actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7% investment rate of return (net of administrative expenses), and (b) projected salary increases of 4.0% per year. The actuary determined rates of mortality based on 1971 Group Annuity Mortality tables for males. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined by the market value of investments.

The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2014 is as follows:

Total pension liability	\$ 8,019,698
Net position	(6,572,706)
Net pension liability	\$ 1,446,992

Net position as a percentage of total pension liability is 82%.

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

**Notes to Financial Statements
June 30, 2014**

NOTE 9 - EMPLOYEES' RETIREMENT PLANS (Continued)

Law Enforcement Retirement Plan (Continued)

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

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

	1% decrease (6%)	Current rate 7%	1% increase (8%)
Net pension liability	<u>\$ 2,432,530</u>	<u>\$ 1,446,992</u>	<u>\$ 617,991</u>

Volunteer Length of Service Award Plan

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

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

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

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

**Notes to Financial Statements
June 30, 2014**

NOTE 9 - EMPLOYEES' RETIREMENT PLANS (Continued)

Volunteer Length of Service Award Plan (Continued)

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

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

Membership of the Plan consisted of the following as of July, 1, 2013, the date of the most recent actuarial valuation:

Retirees and beneficiaries receiving benefits	0
Terminated Plan members entitled but not yet receiving benefits	11
Active Plan members	289
Total	<u><u>300</u></u>

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2014 is as follows:

<u>Investment Type</u>	<u>% of Portfolio</u>	<u>Rate of Return</u>
Equities	60-70%	8-11%
Fixed Income	30-40%	3-5%

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 \$4,536. Based on recommendations from the County's actuary, the actual employer contribution for fiscal year 2014 was \$0. Actual participant contributions for fiscal year 2014 were \$0. There was no NPO outstanding at June 30, 2014.

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

**Notes to Financial Statements
June 30, 2014**

NOTE 9 - EMPLOYEES' RETIREMENT PLANS (Continued)

Volunteer Length of Service Award Plan (Continued)

Three Year Trend Information - Volunteer Length of Service Award Plan

<u>Entity</u>	<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of PPC Contributed</u>	<u>Net Pension Obligation</u>
Primary Government - County	June 30, 2012	\$ 51,016	100%	0
	June 30, 2013	4,708	100%	0
	June 30, 2014	4,536	100%	0

The total pension liability for the current year was determined as part of the July 1, 2013, actuarial valuation using the entry age normal cost method. The actuarial assumptions included a 7% investment rate of return (net of administrative expenses). The actuary determined rates of mortality based on 1983 Group Annuity Mortality tables. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined by the market value of investments.

The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2014 is as follows:

Total pension liability	\$ 385,343
Net position	<u>(843,886)</u>
Net pension asset	<u><u>\$ (458,543)</u></u>

Net position as a percentage of total pension liability is 219%.

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

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

	1% decrease (6%)	Current rate 7%	1% increase (8%)
Net pension asset	<u><u>\$ (383,461)</u></u>	<u><u>\$ (458,543)</u></u>	<u><u>\$ (519,439)</u></u>

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

**Notes to Financial Statements
June 30, 2014**

NOTE 9 - EMPLOYEES' RETIREMENT PLANS (Continued)

County Defined Contribution Plan

The County and Sanitary District offer additional retirement benefits under a defined contribution PEBSCO 401(A) Employee Match Program. Benefits depend on the amounts contributed to the plan plus investment earnings. Eligible participants include all full-time employees who elect to participate in the County's IRC Section 457 deferred compensation plan. Employees deferring at least two percent of earned compensation under the deferred compensation plan are eligible to receive an employer contribution to the defined contribution plan. During the year ended June 30, 2014, the County contributed \$224,127 or 2.42 percent of earned compensation. Covered payroll approximated \$9,261,447. County contribution amounts included contributions made on behalf of the employees of Garrett County Sanitary District, Inc. in the amount of \$20,270 on covered payroll of approximately \$837,616.

NOTE 10 - DEFERRED COMPENSATION

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

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

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

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

**Notes to Financial Statements
June 30, 2014**

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION
BENEFITS**

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

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

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

The 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, 2014, 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.

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

**Notes to Financial Statements
June 30, 2014**

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

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

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

Currently, 134 County retirees participate in this program. Expenditures for post retirement health care benefits to current participants are funded on a pay-as-you-go basis. During the year ended June 30, 2014, County expenditures of approximately \$551,006 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.

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, 2014, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

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

**Notes to Financial Statements
June 30, 2014**

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION
BENEFITS** (Continued)

Components of Net OPEB Obligation - Primary Government

Annual Required Contribution	\$	1,281,977
Interest on Net OPEB Obligation		57,120
Adjustment to Annual Required Contribution		(89,813)
Annual OPEB Cost (Expense)	\$	1,249,284
Contributions Made		(782,429)
Increase in Net OPEB Obligation	\$	466,855
Net OPEB Obligation (Beginning of Year)		1,702,014
Net OPEB Obligation (End of Year)	\$	<u>2,168,869</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, 2014, 2013 and 2012 are as follows:

Fiscal Year Ending	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 1,404,991	65%	\$ 1,269,327
June 30, 2013	1,269,103	66%	1,702,014
June 30, 2014	1,249,284	63%	2,168,869

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.

In the July 1, 2013, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5%.

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

**Notes to Financial Statements
June 30, 2014**

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

Actuarial Methods and Assumptions – Primary Government (Continued)

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, 2013, was twenty-five years.

Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2013
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

Funded Status and Funding Progress – Primary Government

As of July 1, 2013, the most recent actuarial valuation date, the plan was 1% funded. The actuarial accrued liability for benefits was \$13,983,999, and the actuarial value of assets was \$170,241, resulting in an unfunded actuarial accrued liability (UAAL) of \$13,813,758. The covered payroll (annual payroll of active employees covered by the plan) was \$12,204,000, and the ratio of the UAAL to the covered payroll was 113%.

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

**Notes to Financial Statements
June 30, 2014**

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

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

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

The Solid Waste Fund has recorded a landfill closure and post-closure care liability of \$3,259,785 as of June 30, 2014, representing the cumulative operating expenses reported to date based on the Round Glade landfill at full capacity (\$714,333) and the current landfill at 54% of its estimated capacity (\$2,545,452). The County will recognize the balance of estimated closure and post-closure costs of approximately \$2,190,966 over the remaining useful life of the current landfill, which approximates 16 years. These amounts are based on the County's engineer estimates of costs to perform all closure and post-closure care activities as of June 30, 2014. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to prove that it satisfies the Resource Conservation and Recovery Act's (RCRA) financial assurance provisions, which requires owners and operators of municipal solid waste landfills to have adequate funds available for the costs of closure, post-closure and corrective actions associated with their facilities. The County has met the local government financial test as of June 30, 2014, which satisfies the financial assurance provisions of the Act.

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

**Notes to Financial Statements
June 30, 2014**

NOTE 13 – UNEARNED REVENUE

During the year ended June 30, 2009, the County transferred 37 acres of land to the American Woodmark Corporation in exchange for a long-term note receivable in the amount of \$1,290,555. The terms of the loan agreement contain provisions whereby all or some portion of the loan may be forgiven should American Woodmark meet certain jobs creation and project expenditure targets within time frames prescribed in the loan agreement. The gain on the sale of the land was unearned and is reported in the government-wide statement of net position in the amount of \$1,254,877. As of June 30, 2014, American Woodmark had not met the targets to qualify for note forgiveness.

NOTE 14 - RISK MANAGEMENT

Liability Insurance

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

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

Self-Insured Health Care

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

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

**Notes to Financial Statements
June 30, 2014**

NOTE 14 - RISK MANAGEMENT (Continued)

Self-Insured Health Care (Continued)

The County pays a third-party administrator a monthly fixed fee for various claim administrative services on a per enrolled employee basis to administer the plan. The third-party administrator submits invoices periodically for all processed claims and administrative fees, and the County issues payment to the third-party administrator, who in turn issues individual claims checks. To protect itself against significant losses, the County has a stop-loss policy in place for individual participant care claims in excess of \$225,000 per year.

The third-party administrator estimated the non-discounted claims liability reported in the general fund at June 30, 2014. It is based on the requirements of accounting standards, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Because actual claims liabilities depend on such complex factors as inflation, change in legal doctrines and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic factors. Changes in the balance of estimated claims incurred but not reported for the fiscal year 2014 are as follows:

Balance at July 1, 2013	\$ 563,000
Claims and changes in estimates, net	687,000
Claim payments	<u>0</u>
Balance at June 30, 2014	<u>\$ 1,250,000</u>

For the year ended June 30, 2014, the combined premiums charged to the Plan participants of \$14,149,644 exceeded the combination of the reported claims incurred of \$12,655,585 and the increase in estimated claims incurred but not reported of \$687,000. The excess of \$807,059, is comprised of \$(108,981) related to the primary government and \$916,040 related to the Board of Education and Garrett College. The excess of premiums charged over claims incurred has been reported as revenue in the general fund for the portion related to the Board of Education and Garrett College.

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

**Notes to Financial Statements
June 30, 2014**

NOTE 15 - FUND EQUITY

A summary of fund balances as of June 30, 2014 is as follows:

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Nonspendable:			
Inventory	\$ 759,021	\$	\$ 759,021
Prepaid Expense	170,932		170,932
Note Receivable	1,109,579		1,109,579
Total Nonspendable Fund Balance	<u>\$ 2,039,532</u>	<u>\$ 0</u>	<u>\$ 2,039,532</u>
Restricted For:			
Agricultural Land Preservation	\$ 52,937	\$	\$ 52,937
Special Revenue Funds		119,450	119,450
Self Funded Health Care	7,352,226		7,352,226
Total Restricted Fund Balance	<u>\$ 7,405,163</u>	<u>\$ 119,450</u>	<u>\$ 7,524,613</u>
Assigned For:			
Self Funded Health Care	\$ 1,622,222	\$	\$ 1,622,222
Capital projects:			
Garrett College	111,191		111,191
Board of Education	787,688		787,688
Ruth Enlow Library	56,475		56,475
Public Works	1,868,332		1,868,332
Economic Development	2,179,536		2,179,536
Public Safety	330,351		330,351
General Government	5,017,000		5,017,000
Capital Projects Subtotal	<u>\$ 10,350,573</u>	<u>\$ 0</u>	<u>\$ 10,350,573</u>
Subsequent Year Budget	3,585,400		3,585,400
Total Assigned Fund Balance	<u>\$ 15,558,195</u>	<u>\$ 0</u>	<u>\$ 15,558,195</u>
Unassigned:	<u>\$ 3,560,912</u>	<u>\$ 0</u>	<u>\$ 3,560,912</u>
Total Fund Balance	<u>\$ 28,563,802</u>	<u>\$ 119,450</u>	<u>\$ 28,683,252</u>

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

**Notes to Financial Statements
June 30, 2014**

NOTE 16 - BUDGETARY BASIS RECONCILIATION - GENERAL FUND

The Garrett County Charter and the approved annual budget for the General Fund require that certain transactions be accounted for on a basis other than 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:

	Revenues	Expenditures	Other Financing Sources (Uses)	Effect on Fund Balance
As Reported on Budget Basis	\$ 76,008,737	\$ 73,741,202	\$ (313,108)	\$ 1,954,427
<u>Property Tax Revenue</u>				
Recognized in year levied on budget basis but in year "available" on GAAP basis	108,151			108,151
<u>In-Kind Rent</u>				
Board of Education administrative offices not reported as revenue on budget basis but recognized on a GAAP basis	148,800	148,800		
As Reported on GAAP Basis	\$ 76,265,688	\$ 73,890,002	\$ (313,108)	\$ 2,062,578

NOTE 17 - CONTINGENT LIABILITY

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

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

**Notes to Financial Statements
June 30, 2014**

NOTE 18 – PRIOR PERIOD ADJUSTMENT – CORRECTION OF ERROR

During the year ended June 30, 2014, management determined that the vacation leave earned during the current period not vested for use until the first day of the subsequent fiscal year was still an obligation of the County and should be accrued at year end. Upon retirement any portion earned during the current year is required to be paid under the terms of the County's compensated absences policy.

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

	Governmental Activities	Business Type Activities	Total
Net Position – Beginning of Year	\$ 84,169,680	\$ 60,958,762	\$ 145,128,442
Increase in compensated absence liability for additional benefits payable upon termination or retirement.	<u>(949,301)</u>	<u>(161,666)</u>	<u>(1,110,967)</u>
Net Position – Beginning of Year As Restated	<u>\$ 83,220,379</u>	<u>\$ 60,797,096</u>	<u>\$ 144,017,475</u>

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

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Total
Net Position – Beginning of Year	\$ 14,501,106	\$ 4,443,832	\$ 26,022,655	\$ 44,967,593
Increase in compensated absence liability for additional benefits payable upon termination or retirement.	<u>(5,385)</u>	<u>(27,282)</u>	<u>(128,999)</u>	<u>(161,666)</u>
Net Position – Beginning of Year As Restated	<u>\$ 14,495,721</u>	<u>\$ 4,416,550</u>	<u>\$ 25,893,656</u>	<u>\$ 44,805,927</u>

NOTE 19 – SUBSEQUENT EVENT - BOND ISSUANCE

On November 26, 2014, Garrett County issued the Garrett County Memorial Hospital Bond, Series 2014, a tax exempt bank qualified general obligation bond in the amount of \$10 million. The proceeds are being used to finance part of a hospital renovation project. The County also entered into an additional agreement with the Hospital under which the Hospital will make payments to the County sufficient to provide for the payment of all required principal and interest on the bonds when due.

REQUIRED SUPPLEMENTARY INFORMATION

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

**Required Supplementary Information
June 30, 2014**

**SCHEDULE OF CHANGES IN PENSION FUND NET PENSION LIABILITY AND
RELATED RATIOS - JUNE 30, 2014**

	Government Personnel Retirement Plan	Law Enforcement Retirement Plan	Volunteer Length of Service Award Plan
Service Cost: Retirement benefits administration	\$ 952,348	\$ 271,085	\$ 23,587
Interest	1,970,282	516,719	23,666
Benefit payments	(834,562)	(294,636)	-
Net changes in total pension liability	\$ 2,088,068	\$ 493,168	\$ 47,253
Total pension liability - beginning	28,557,115	7,526,530	338,090
Total pension liability - ending (a)	<u>\$ 30,645,183</u>	<u>\$ 8,019,698</u>	<u>\$ 385,343</u>
Plan fiduciary net position			
Contributions - employer	\$ 1,140,077	\$ 331,733	\$ -
Contributions - employee	352,066	202,237	-
Net investment income	2,927,376	904,083	113,323
Benefit payments, including refunds of member contributions	(834,562)	(294,636)	-
Administrative expense	(118,507)	(35,478)	(4,157)
Net changes in plan fiduciary net position	\$ 3,466,450	\$ 1,107,939	\$ 109,166
Plan fiduciary net position - beginning	18,300,565	5,464,767	734,720
Plan fiduciary net position - ending (b)	<u>\$ 21,767,015</u>	<u>\$ 6,572,706</u>	<u>\$ 843,886</u>
County's net pension liability - ending (a) - (b)	\$ 8,878,168	\$ 1,446,992	\$ (458,543)
Plan fiduciary net position as a percentage of total pension liability	71.03%	81.96%	219.00%
Covered employee payroll	\$ 10,818,408	\$ 2,350,135	N/A
Net liability as a percentage of covered payroll	82.07%	61.57%	N/A
Annual money-weighted rate of return, net of investment expense	15.79%	16.24%	15.82%

Notes to schedule

This information is not available for previous years

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

**Required Supplementary Information
June 30, 2014**

SCHEDULE OF PENSION FUND EMPLOYER CONTRIBUTIONS - JUNE 30, 2014

	Government Personnel Retirement Plan	Law Enforcement Retirement Plan	Volunteer Length of Service Award Plan
Actuarially determined contributions	\$ 1,335,074	\$ 437,358	\$ 4,356
Contributions in relation to the actuarially determined contributions	1,492,143	533,970	-
Contributions deficiency (excess)	<u>\$ (157,069)</u>	<u>\$ (96,612)</u>	<u>\$ 4,356</u>
Covered employee payroll	\$ 10,818,408	\$ 2,350,135	N/A
Contribution as a percentage of covered employee payroll	13.79%	22.72%	N/A

Notes to schedule

Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2013,
12 months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Investment return	7%	7%	7%
Mortality	See Note 9 for mortality assumptions unique to each plan		
Turnover	T5 Table	T2 Table	N/A
Salary Scale	Plus 4% per year	Plus 4% per year	N/A
Retirement age	See Note 9 for retirement age assumptions unique to each plan		
Valuation of assets	All Plans - market value as reported by plan administrator		

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

**Required Supplementary Information
June 30, 2014**

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, 2014:

Schedule of Funding Progress – Other Post-Employment Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/11	\$ 149,167	\$ 15,791,494	\$ 15,642,327	0.95%	\$ 13,311,000	117.51%
7/1/12	154,533	13,983,999	13,829,466	1.12%	12,204,000	113.32%
7/1/13	170,241	13,983,999	13,813,758	1.23%	12,204,000	113.19%

SCHEDULE OF EMPLOYER CONTRIBUTIONS – OTHER POST-EMPLOYMENT BENEFIT PLAN

The following schedule reflects employer contributions for the three years ended June 30, 2014:

Schedule of Employer Contributions – Other Post-Employment Benefit Plan

Fiscal Year	Annual Required Contribution (ARC)	Actual Employer Contribution	Percentage Contributed
2012	1,404,991	915,804	65.18%
2013	1,269,103	836,416	65.91%
2014	1,249,284	782,429	62.63%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

SUPPLEMENTARY INFORMATION

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
General Fund Schedule of Revenues and Other Financing Sources -
Budget and Actual (Budget Basis)
Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
TAXES:				
Local Real and Personal Property:				
Real Property	\$ 43,357,199	\$ 43,357,199	\$ 43,568,761	\$ 211,562
Railroads and Public Utilities	2,627,877	2,715,877	2,724,671	8,794
Ordinary Business Corporations	2,131,575	2,131,575	2,128,511	(3,064)
	<u>\$ 48,116,651</u>	<u>\$ 48,204,651</u>	<u>\$ 48,421,943</u>	<u>\$ 217,292</u>
Enterprise Zone Tax Refund	70,000	70,000	68,826	(1,174)
Addition and Abatements	(25,000)	(25,000)	2,902	27,902
Penalties and Interest	600,000	600,000	600,898	898
	<u>\$ 48,761,651</u>	<u>\$ 48,849,651</u>	<u>\$ 49,094,569</u>	<u>\$ 244,918</u>
Less: Discounts and Credits	<u>(383,000)</u>	<u>(383,000)</u>	<u>(371,906)</u>	<u>11,094</u>
Total Real and Personal Property	<u>\$ 48,378,651</u>	<u>\$ 48,466,651</u>	<u>\$ 48,722,663</u>	<u>\$ 256,012</u>
Other Local Taxes:				
Income	\$ 11,125,000	\$ 10,600,000	\$ 10,992,150	\$ 392,150
Admissions and Amusement	660,000	690,000	735,612	45,612
Recordation	2,000,000	1,500,000	1,694,481	194,481
Coal Tonnage	160,000	100,000	107,670	7,670
Trailer Court	38,000	38,000	36,694	(1,306)
Natural Gas	1,500	1,500	1,769	269
Accommodations Tax	1,900,000	2,100,000	2,231,485	131,485
Transfer Tax	1,150,000	1,300,000	1,488,304	188,304
Franchise Tax	100	100	185	85
Agriculture Transfer Tax/Refunds	7,500	7,500	3,766	(3,734)
Coal Tax	50,000	50,000	56,302	6,302
911 Fees	264,000	264,000	214,697	(49,303)
Tax Sale Revenue	40,000	33,900	33,832	(68)
	<u>\$ 17,396,100</u>	<u>\$ 16,685,000</u>	<u>\$ 17,596,947</u>	<u>\$ 911,947</u>
Total Other Local Taxes	<u>\$ 17,396,100</u>	<u>\$ 16,685,000</u>	<u>\$ 17,596,947</u>	<u>\$ 911,947</u>
Total Taxes	<u>\$ 65,774,751</u>	<u>\$ 65,151,651</u>	<u>\$ 66,319,610</u>	<u>\$ 1,167,959</u>
LICENSES AND PERMITS:				
Business:				
Beer, Wine and Liquor Licenses	\$ 92,334	\$ 92,334	\$ 109,777	\$ 17,443
Traders	66,000	66,000	66,293	293
Other Licenses and Permits:				
Animal	4,800	4,800	6,407	1,607
Marriage	1,600	1,600	2,795	1,195
TVRU License	75,000	75,000	103,289	28,289
Highways and Streets	6,700	6,700	8,299	1,599
Other Permits	4,800	4,800	4,834	34
	<u>\$ 251,234</u>	<u>\$ 251,234</u>	<u>\$ 301,694</u>	<u>\$ 50,460</u>
Total Licenses and Permits	<u>\$ 251,234</u>	<u>\$ 251,234</u>	<u>\$ 301,694</u>	<u>\$ 50,460</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, 2014

	<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	\$ 37,721	\$ 37,721	\$ 36,081	\$ (1,640)
Civil Defense	66,002	66,002	88,428	22,426
Emergency Management Domestic Preparedness	54,783	257,460	258,438	978
USDA - CAC - Emergency Food Assistance	9,000	9,000	9,000	0
Master's Child Support	12,877	12,877	13,167	290
Sheriff's Child Support	11,866	11,866	9,602	(2,264)
Federal Aid in Lieu of Taxes	4,800	4,800	6,320	1,520
USDA - Specialty Crop	0	20,045	20,045	0
National Recreational Trails	0	315,250	0	(315,250)
US Dept of Justice Cops	50,922	0	0	0
MIEMSS Hospital Bioterrorism	0	17,374	17,374	0
FEMA - Disaster Recovery	0	0	14,859	14,859
FEMA - Hazard Mitigation	0	137,464	58,541	(78,923)
CAC/Emergency Shelter	50,250	35,738	35,738	0
ARRA - CAC - Maryland Energy Assistance Program	0	4,786	4,786	0
DOT - CAC Mass Transit	440,000	374,518	374,518	0
ARC - Economic Development Grants	1,000,000	1,460,103	114,613	(1,345,490)
CAC - Emergency Transitional Housing Service	10,143	10,601	10,601	0
CBDG - Keyzers Ridge BP	625,000	625,000	223,534	(401,466)
Detention Center - BJAG	0	11,332	11,332	0
Miscellaneous	17,100	19,842	17,494	(2,348)
Grants From State Government:				
Highway User Tax	257,000	699,993	785,082	85,089
Disparity Grant	2,537,671	2,537,671	2,537,671	0
Police Protection	133,250	207,371	211,916	4,545
Conservation of Natural Resources	210,000	448,855	542,011	93,156
Adult Community Services	25,785	25,785	25,785	0
Court Improvement	0	4,517	4,517	0
Family Services Grant	114,000	114,000	102,269	(11,731)
Sheriff - School Bus Violation	18,000	18,000	18,000	0
DBED - Yough Welcome Center	0	0	50,000	50,000
Program Open Space	0	74,477	74,477	0
Emergency Numbers Systems Board - 911	5,300	12,185	8,790	(3,395)
Dove Center	20,000	21,680	21,680	0
CAC - Service Linked Housing	30,792	27,459	27,459	0
Jury Reimbursement State	12,000	12,000	12,360	360
CAC - Electric Universal Service	440,000	201,250	201,250	0
MDOT - CAC - Mass Transit	183,000	175,575	175,575	0
Sheriff SOCEM Grant	7,245	7,245	6,961	(284)
Sheriff Sex Offender Registration	11,500	11,500	13,800	2,300
LEPC - CRTK Funds	1,400	1,400	1,400	0
GCCAC - Rental Assistance Program	0	40,000	40,000	0
Other	14,688	10,429	10,086	(343)
Subtotal - Intergovernmental	\$ 6,412,095	\$ 8,083,171	\$ 6,195,560	\$ (1,887,611)

**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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
INTERGOVERNMENTAL - Continued				
Balances Brought Forward	\$ 6,412,095	\$ 8,083,171	\$ 6,195,560	\$ (1,887,611)
Other:				
Budget Settlement - Health Department	0	110,460	110,460	0
Other	10,720	42,698	133,316	90,618
Total Intergovernmental	<u>\$ 6,422,815</u>	<u>\$ 8,236,329</u>	<u>\$ 6,439,336</u>	<u>\$ (1,796,993)</u>
FINES AND FORFEITURES	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ 11,191</u>	<u>\$ 2,191</u>
SERVICE CHARGES FOR CURRENT SERVICES:				
General Government:				
Zoning and Subdivision Fees	\$ 11,000	\$ 11,000	\$ 17,290	\$ 6,290
Roads Fuel Sales and Street Signs	686,500	693,100	521,831	(171,269)
Miscellaneous	53,650	56,750	74,822	18,072
Enterprise Funds - Indirect Fees	315,000	0	0	0
Public Safety:				
BOCA	65,000	65,000	65,331	331
State Inmate Housing	10,000	10,000	22,770	12,770
Sheriff Fees	47,000	66,600	69,874	3,274
Emergency Medical Services - Cost Share	150,000	150,000	150,000	0
Animal Shelter	5,000	5,000	5,005	5
Total Service Charges	<u>\$ 1,343,150</u>	<u>\$ 1,057,450</u>	<u>\$ 926,923</u>	<u>\$ (130,527)</u>
MISCELLANEOUS:				
Interest and Dividends	\$ 175,000	\$ 175,000	\$ 306,011	\$ 131,011
Rents and Concessions	812,178	775,278	774,956	(322)
Contributions	3,000	3,300	3,622	322
Miscellaneous	2,000	98,488	925,394	826,906
Total Miscellaneous	<u>\$ 992,178</u>	<u>\$ 1,052,066</u>	<u>\$ 2,009,983</u>	<u>\$ 957,917</u>
TOTAL REVENUES	<u>\$ 74,793,128</u>	<u>\$ 75,757,730</u>	<u>\$ 76,008,737</u>	<u>\$ 251,007</u>
OTHER FINANCING SOURCES:				
Sale of Capital Assets	<u>\$ 175,000</u>	<u>\$ 667,800</u>	<u>\$ 666,644</u>	<u>\$ (1,156)</u>
Total Other Financing Sources	<u>\$ 175,000</u>	<u>\$ 667,800</u>	<u>\$ 666,644</u>	<u>\$ (1,156)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 74,968,128</u>	<u>\$ 76,425,530</u>	<u>\$ 76,675,381</u>	<u>\$ 249,851</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
GENERAL GOVERNMENT				
Legislative:				
County Commissioners	\$ 425,854	\$ 596,491	\$ 580,560	\$ (15,931)
Judicial:				
Circuit Court	\$ 412,610	\$ 409,248	\$ 404,145	\$ (5,103)
Orphans Court	17,239	17,239	15,652	(1,587)
State's Attorney	641,651	651,164	648,724	(2,440)
Jury and Witness Operating	22,000	22,000	28,386	6,386
	<u>\$ 1,093,500</u>	<u>\$ 1,099,651</u>	<u>\$ 1,096,907</u>	<u>\$ (2,744)</u>
Elections:				
Board of Supervisors of Elections	\$ 384,825	\$ 384,825	\$ 333,728	\$ (51,097)
Financial Administration:				
Finance Office	\$ 490,599	\$ 548,284	\$ 531,274	\$ (17,010)
Tax Collection Office	347,374	349,257	334,108	(15,149)
Department of Assessments & Taxation	260,211	260,211	235,172	(25,039)
Procurement	227,865	236,029	216,964	(19,065)
Total Financial Administration	<u>\$ 1,326,049</u>	<u>\$ 1,393,781</u>	<u>\$ 1,317,518</u>	<u>\$ (76,263)</u>
Law:				
Legal Counsel	\$ 97,882	\$ 97,882	\$ 88,387	\$ (9,495)
Personnel Administration:				
Personnel Administration	\$ 290,371	\$ 298,442	\$ 265,422	\$ (33,020)
Planning and Zoning:				
Planning Commission	\$ 499,523	\$ 592,495	\$ 571,694	\$ (20,801)
Facilities & Maintenance				
County Buildings	\$ 1,706,955	\$ 2,144,007	\$ 1,614,947	\$ (529,060)
Total General Government	<u>\$ 5,824,959</u>	<u>\$ 6,607,574</u>	<u>\$ 5,869,163</u>	<u>\$ (738,411)</u>
PUBLIC SAFETY				
Sheriff's Department	\$ 3,004,042	\$ 2,998,373	\$ 3,033,990	\$ 35,617
Corrections	1,969,002	1,959,488	1,895,566	(63,922)
Fire and Rescue Services	2,598,770	2,590,947	2,573,313	(17,634)
Other Public Safety:				
Permits and Inspections	678,344	660,405	652,075	(8,330)
Animal Control	232,519	235,353	224,547	(10,806)
Civil Defense/Emergency Management	264,766	489,180	472,792	(16,388)
Emergency Alarm and Communications (911)	810,404	806,536	799,012	(7,524)
Total Public Safety	<u>\$ 9,557,847</u>	<u>\$ 9,740,282</u>	<u>\$ 9,651,295</u>	<u>\$ (88,987)</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
PUBLIC WORKS				
Highways and Streets	\$ 17,046,698	\$ 17,915,560	\$ 16,892,757	\$ (1,022,803)
HEALTH AND HOSPITAL				
Health Department	\$ 1,876,932	\$ 1,876,932	\$ 1,877,731	\$ 799
SOCIAL SERVICES				
Commission on Aging	\$ 281,700	\$ 281,700	\$ 281,700	\$ 0
EDUCATION				
Board of Education	\$ 26,958,266	\$ 27,000,826	\$ 26,213,138	\$ (787,688)
Community College	5,128,000	5,289,418	5,178,228	(111,190)
Total Education	<u>\$ 32,086,266</u>	<u>\$ 32,290,244</u>	<u>\$ 31,391,366</u>	<u>\$ (898,878)</u>
CULTURE	\$ 35,000	\$ 35,000	\$ 35,000	\$ 0
PARKS AND RECREATION	\$ 26,500	\$ 100,977	\$ 100,977	\$ 0
LIBRARY	\$ 1,107,700	\$ 1,133,773	\$ 1,072,175	\$ (61,598)
CONSERVATION OF NATURAL RESOURCES				
Agriculture Extension Service	\$ 183,994	\$ 200,994	\$ 200,407	\$ (587)
Soil Conservation	16,000	16,000	16,000	0
Agricultural Land Preservation Program	7,500	7,500	0	(7,500)
Total Conservation of Natural Resources	<u>\$ 207,494</u>	<u>\$ 224,494</u>	<u>\$ 216,407</u>	<u>\$ (8,087)</u>
ECONOMIC DEVELOPMENT AND OPPORTUNITY				
Economic Development	\$ 1,231,575	\$ 1,684,572	\$ 909,958	\$ (774,614)
Tourism	782,000	782,000	782,000	0
Community Action Programs	1,469,185	1,144,928	1,144,928	0
Community Action Salaries and Benefits	69,677	75,586	75,515	(71)
Fair Board Agricultural Fair	20,000	20,000	20,000	0
Special Promotion	31,166	34,168	33,482	(686)
Other	151,328	193,008	169,935	(23,073)
Total Economic Development and Opportunity	<u>\$ 3,754,931</u>	<u>\$ 3,934,262</u>	<u>\$ 3,135,818</u>	<u>\$ (798,444)</u>
CAPITAL OUTLAY				
Sheriff's Department	112,000	112,000	112,784	784
Civil Defense/Emergency Management	35,000	475,563	48,703	(426,860)
Economic Development and Opportunity	1,600,000	2,636,560	1,028,083	(1,608,477)
Highways and Streets	898,000	1,941,649	1,187,381	(754,268)
Total Capital Outlay	<u>\$ 2,645,000</u>	<u>\$ 5,165,772</u>	<u>\$ 2,376,951</u>	<u>\$ (2,788,821)</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
INTERGOVERNMENTAL	\$ 242,205	\$ 242,205	\$ 242,205	\$ 0
MISCELLANEOUS	\$ (141,900)	\$ (577,790)	\$ 597,657	\$ 1,175,447
TOTAL EXPENDITURES	<u>\$ 74,551,332</u>	<u>\$ 78,970,985</u>	<u>\$ 73,741,202</u>	<u>\$ (5,229,783)</u>
OTHER FINANCING USES				
Operating Transfers:				
Capital Projects Fund	\$ 0	\$ 7,371,455	\$ 152,884	\$ (7,218,571)
Parks & Recreation	1,850,000	1,850,000	100,000	(1,750,000)
Airport	78,638	81,173	54,011	(27,162)
Department of Technology & Communication	688,158	728,387	672,857	(55,530)
Total Other Financing Uses	<u>\$ 2,616,796</u>	<u>\$ 10,031,015</u>	<u>\$ 979,752</u>	<u>\$ (9,051,263)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 77,168,128</u>	<u>\$ 89,002,000</u>	<u>\$ 74,720,954</u>	<u>\$ (14,281,046)</u>

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

General Fund

Schedule of Taxes and Taxes Receivable

Year Ended June 30, 2014

	Total Assessed Value	Tax Rate Per \$100	Actual Tax Levy	Amount Collected	Balance of Taxes Receivable
CURRENT YEAR LEVY:					
Real Property - Full Year					
Mt Lake Park	\$ 102,651,515	\$ 0.907	\$ 931,049		
All Others	4,389,835,411	0.970	42,581,403		
Total Full Year	\$ 4,492,486,926		\$ 43,512,452	\$ 41,300,211	\$ 2,212,241
Real Property - One-Half Year	11,617,930	0.485	56,308	41,738	14,570
Total Real Property	\$ 4,504,104,856		\$ 43,568,760	\$ 41,341,949	\$ 2,226,811
Personal Property - Corporate	\$ 87,773,660	2.425	\$ 2,128,511	\$ 2,128,511	\$ 0
Public Utilities and Railroad	\$ 112,932,500	2.413	\$ 2,724,671	\$ 2,716,263	\$ 8,408
Total Current Year	\$ 4,704,811,016		\$ 48,421,942	\$ 46,186,723	\$ 2,235,219
PRIOR YEAR RECEIVABLES:					
	Year Ended June 30:				
	2013				\$ 33,254
	2012				14,483
	2011				11,177
	2010				2,173
	2009				347
	2008				249
	2007				68
	2006				1,561
	2005				48
	2004				3,200
	2003				4,599
	2002				1,810
	2001				1,501
	2000				9,358
	1996-1999				39
Total Prior Years					\$ 83,867
TOTAL TAXES RECEIVABLE					\$ 2,319,086
Less: Refunds Due					(23)
Less: Allowance for Uncollectible Accounts					(100,000)
TAXES RECEIVABLE - NET					\$ 2,219,063

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

Combining Balance Sheet
Other Governmental Funds
June 30, 2014

	Public Safety	Commissary	Law Library
ASSETS:			
Due from Other Governments	\$	\$	\$ 690
Due from Other Funds	142,720	60,033	1,518
Other Receivables - Net		523	
Prepaid Expenses	382		
Restricted Cash	57,380		
TOTAL ASSETS	\$ 200,482	\$ 60,556	\$ 2,208
LIABILITIES:			
Accounts Payable and Accrued Expenses	\$ 13,315	\$ 846	\$ 753
Unearned Revenues	129,659		
Other Liabilities			
Total Liabilities	\$ 142,974	\$ 846	\$ 753
FUND BALANCES:			
Restricted	\$ 57,508	\$ 59,710	\$ 1,455
TOTAL LIABILITIES AND FUND BALANCES	\$ 200,482	\$ 60,556	\$ 2,208

<u>Keysers Ridge</u>	<u>Total Other Governmental Funds</u>
\$	\$
8,335	690
	212,606
	523
	382
<u>313,980</u>	<u>371,360</u>
\$ <u>322,315</u>	\$ <u>585,561</u>
\$	\$
313,203	14,914
<u>8,335</u>	<u>442,862</u>
	8,335
\$ <u>321,538</u>	\$ <u>466,111</u>
\$ <u>777</u>	\$ <u>119,450</u>
\$ <u>322,315</u>	\$ <u>585,561</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, 2014

	<u>Public Safety</u>	<u>Commissary</u>	<u>Law Library</u>
REVENUES:			
Intergovernmental	\$ 134,246	\$	\$
Fines and Forfeitures	17,228		17,012
Investment Income	31		
Charges for Services		20,822	
Miscellaneous Revenue			
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 151,505	\$ 20,822	\$ 17,012
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
General Government	\$	\$	\$ 21,640
Public Safety	158,775	31,030	
	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 158,775	\$ 31,030	\$ 21,640
	<hr/>	<hr/>	<hr/>
REVENUES OVER/(UNDER) EXPENDITURES	\$ (7,270)	\$ (10,208)	\$ (4,628)
	<hr/>	<hr/>	<hr/>
Fund Balances, Beginning of Year	64,778	69,918	6,083
	<hr/>	<hr/>	<hr/>
FUND BALANCES, End of Year	\$ 57,508	\$ 59,710	\$ 1,455
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<u>Keysers Ridge</u>	<u>Total Other Governmental Funds</u>
\$	\$ 134,246
	34,240
233	264
544	20,822
<u>544</u>	<u>544</u>
\$ <u>777</u>	\$ <u>190,116</u>
\$	\$ 21,640
<u> </u>	<u>189,805</u>
\$ <u> </u>	\$ <u>211,445</u>
\$ 777	\$ (21,329)
<u>0</u>	<u>140,779</u>
\$ <u><u>777</u></u>	\$ <u><u>119,450</u></u>

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Garrett County Sanitary District, Inc.
Combining Schedule of Revenues and Expenses and Other Changes in Net Position
Year Ended June 30, 2014

	<u>Water Systems</u>	<u>Other Water</u>	<u>Deep Creek Lab</u>	<u>Company Store</u>
OPERATING REVENUES:				
Charges for Services	\$ 1,235,785	\$ 46,239	\$ 86,852	\$
Other	<u>272,570</u>			<u>194,961</u>
Total Operating Revenues	<u>\$ 1,508,355</u>	<u>\$ 46,239</u>	<u>\$ 86,852</u>	<u>\$ 194,961</u>
OPERATING EXPENSES:				
Salaries	\$ 284,951	\$ 9,703	\$ 64,519	\$ 28,252
Fringe Benefits	141,569	4,998	34,468	12,602
Maintenance and Repairs	157,240		796	234
Supplies	95,078	616	22,621	135,496
Utilities	127,215		1,200	9,553
Transportation	52,665	2,177	4,275	
Contracted Services	22,403		18,166	
Lab Tests	19,462	890	(155,733)	
Direct Administrative	23,876	10	7,490	4,193
Indirect Administrative	343,985	11,858	79,833	32,948
Depreciation	788,801		9,217	1,085
Bad Debt Expense				<u>1,231</u>
Total Operating Expenses	<u>\$ 2,057,245</u>	<u>\$ 30,252</u>	<u>\$ 86,852</u>	<u>\$ 225,594</u>
OPERATING (LOSS)/INCOME	<u>\$ (548,890)</u>	<u>\$ 15,987</u>	<u>\$ 0</u>	<u>\$ (30,633)</u>
NONOPERATING REVENUES (EXPENSES):				
Tap Fees - Capital Charge	\$ 28,850	\$	\$	\$
Interest Revenue	16,360			3,024
Ad Valorem Tax	932,738			
Sales of Assets				
Interest Expense	<u>(338,562)</u>			<u>(71,523)</u>
Net Other Revenues (Expenses)	<u>\$ 639,386</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (68,499)</u>
INCOME/(LOSS) BEFORE CAPTIAL CONTRIBUTIONS	<u>\$ 90,496</u>	<u>\$ 15,987</u>	<u>\$ 0</u>	<u>\$ (99,132)</u>
CAPITAL CONTRIBUTIONS				
Contributed Capital				
Primary Government	<u>\$ 68,198</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>\$ 68,198</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
INCREASE/(DECREASE) IN NET ASSETS	<u>\$ 158,694</u>	<u>\$ 15,987</u>	<u>\$ 0</u>	<u>\$ (99,132)</u>

	Subtotal Water Projects	Sewer Systems	Trout Run	Other Sewer	Subtotal Sewer Projects	Total
\$	1,368,876	\$ 2,760,172	\$ 111,590	\$ 100,052	\$ 2,971,814	\$ 4,340,690
	467,531	66,219		32,847	99,066	566,597
\$	<u>1,836,407</u>	<u>2,826,391</u>	<u>111,590</u>	<u>132,899</u>	<u>3,070,880</u>	<u>4,907,287</u>
\$	387,425	\$ 509,571	\$ 25,934	\$ 19,824	\$ 555,329	\$ 942,754
	193,637	265,654	9,488	11,353	286,495	480,132
	158,270	333,800	23,569	240	357,609	515,879
	253,811	238,813	10,214	3,124	252,151	505,962
	137,968	434,696	32,715		467,411	605,379
	59,117	91,872	1,724	6,442	100,038	159,155
	40,569	14,451	2,550		17,001	57,570
	(135,381)	91,774	21,229	33,968	146,971	11,590
	35,569	36,478	1,831	125	38,434	74,003
	468,624	625,211	28,567	25,144	678,922	1,147,546
	799,103	2,074,906	184,297		2,259,203	3,058,306
	1,231				0	1,231
\$	<u>2,399,943</u>	<u>4,717,226</u>	<u>342,118</u>	<u>100,220</u>	<u>5,159,564</u>	<u>7,559,507</u>
\$	<u>(563,536)</u>	<u>(1,890,835)</u>	<u>(230,528)</u>	<u>32,679</u>	<u>(2,088,684)</u>	<u>(2,652,220)</u>
\$	28,850	\$ 229,375	\$	\$	\$ 229,375	\$ 258,225
	19,384	55,072	705		55,777	75,161
	932,738	1,341,490	46,942		1,388,432	2,321,170
	0			9,318	9,318	9,318
	(410,085)	(611,888)	(19,961)		(631,849)	(1,041,934)
\$	<u>570,887</u>	<u>1,014,049</u>	<u>27,686</u>	<u>9,318</u>	<u>1,051,053</u>	<u>1,621,940</u>
\$	<u>7,351</u>	<u>(876,786)</u>	<u>(202,842)</u>	<u>41,997</u>	<u>(1,037,631)</u>	<u>(1,030,280)</u>
\$	<u>68,198</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>0</u>	<u>\$ 68,198</u>
\$	<u>68,198</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 68,198</u>
\$	<u>75,549</u>	<u>(876,786)</u>	<u>(202,842)</u>	<u>41,997</u>	<u>(1,037,631)</u>	<u>(962,082)</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, 2014

PROJECT	Balance July 1, 2013	Construction (Net of Program Income)	Engineering	Salaries
Keyzers Ridge Water Holding Tank	\$ 85,067	\$	\$ 23,321	\$ 104
Keyzers Ridge Water	147,327		8,410	22
Deep Creek Lake Collection & Conveyance	930,631	1,000	106,698	6,645
Friendsville Sewer	401,798	23,142		621
Thayerville Water	5,088,509	2,369,016	17,852	62,699
Mountain Lake Park Water Line	12,118	114,129		694
Mountain Lake Park Water			609	4,157
TOTAL	\$ 6,665,450	\$ 2,507,287	\$ 156,890	\$ 74,942

<u>Fringe Benefits</u>	<u>Administrative</u>	<u>Interest</u>	<u>Indirect Costs</u>	<u>Total Additions</u>	<u>Retirements or Transfers (Completed Project)</u>	<u>Balance June 30, 2014</u>
\$ 42	\$	\$	\$ 118	\$ 23,585	\$	\$ 108,652
8			23	8,463		155,790
3,067			7,832	125,242		1,055,873
269			718	24,750	(426,548)	0
24,159	4,102	134,114	70,050	2,681,992	(7,770,501)	0
324	11,977		820	127,944		140,062
1,235	415		4,349	10,765		10,765
<u>\$ 29,104</u>	<u>\$ 16,494</u>	<u>\$ 134,114</u>	<u>\$ 83,910</u>	<u>\$ 3,002,741</u>	<u>\$ (8,197,049)</u>	<u>\$ 1,471,142</u>

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

Garrett County Sanitary District, Inc.
Schedule of Indirect Costs
Year Ended June 30, 2014

2014

TYPE:

Insurance	\$ 93,714
Administrative	148,291
Telephone	3,129
Professional and Legal	17,500
Office Supplies and Expenses	2,489
Salaries	649,443
Utilities	3,765
Fringe Benefits	292,742
Uniforms	17,681
Transportation	2,702

Total \$ 1,231,456

ALLOCATION BASE:

Direct Salaries	\$ 1,017,696
Related Fringe Benefits	<u>509,236</u>

Total Allocation Base \$ 1,526,932

INDIRECT COST RATE

80.65%

COSTS REPORTED AS:

Operations	\$ 1,147,546
Construction in Progress	<u>83,910</u>

\$ 1,231,456

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Comparative Schedule of Primary Government Long-Term Indebtedness
June 30, 2014 and 2013

	June 30,	
	2014	2013
LONG-TERM INDEBTEDNESS:		
Government Activities:		
Bond Payable - Hospital Bonds of 2004	\$ 874,493	\$ 939,873
Bond Payable - Hospital Bonds of 2007	2,588,149	2,654,496
Total Governmental Activities	\$ 3,462,642	\$ 3,594,369
Business Type Activities:		
Solid Waste		
Bond Payable - Maryland Water Quality Financing Administration	\$ 384,325	\$ 504,314
Total Solid Waste	\$ 384,325	\$ 504,314
Sanitary District		
Note Payable - GE Capital Asset Management-Friendsville Water	\$	\$ 11,000
Note Payable - Maryland Water Quality Financing-Deep Creek Lake Sewer Ext.	328,565	388,882
Note Payable - Maryland Water Quality Financing-Deep Creek Lake Septage	60,846	87,208
Note Payable - State of Maryland-Jennings Sewer	35,509	42,125
Note Payable - Maryland Water Quality Financing-Deer Park Water	182,507	191,256
Note Payable - M&T Bank-Warehouse Project	1,892,939	1,977,449
Note Payable - Maryland Department of the Environment-Mountain Lake Park Water	83,270	92,347
Note Payable - Susquehanna USDA Refinance Loan	22,060,245	22,910,600
Note Payable - Susquehanna Mountain Lake Park Water Loan	748,589	777,445
Note Payable - Susquehanna Thayerville Water	7,010,413	7,280,637
Note Payable - Susquehanna Jennings	46,789	48,592
Note Payable - Maryland Department of the Environment-Deep Creek & Friendsville	278,933	313,251
Total Sanitary District	\$ 32,728,605	\$ 34,120,792
Parks & Recreation		
Note Payable - Garrett County Community Action Committee	\$ 275,000	\$ 275,000
Note Payable - Maryland Department of Business and Economic Development	2,817,615	2,817,615
Total Parks & Recreation	\$ 3,092,615	\$ 3,092,615
Total Business Type Activities	\$ 36,205,545	\$ 37,717,721
TOTAL LONG-TERM INDEBTEDNESS	\$ 39,668,187	\$ 41,312,090

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

Combining Statement of Net Position

Fiduciary Funds

June 30, 2014

	Government Personnel Retirement Plan	Law Enforcement Employee Retirement Plan	Volunteer Length of Service Award Plan	Other Post Employment Benefit Plan	Total Benefit Plan Trust Funds
ASSETS					
Cash and Cash Equivalents	\$ 591,313	\$ 545,056	\$ 37,515	\$ 123,176	\$ 1,297,060
Investments:					
Certificates of Deposit	\$ 50,240	\$	\$	\$	\$ 50,240
Fixed Income Securities	5,610,436	1,834,301	229,326	289,108	7,963,171
Mutual Funds	8,340,519	2,334,750	346,337	527,819	11,549,425
Equity Securities	7,092,646	1,836,656	228,354	412,946	9,570,602
Total Investments	<u>\$ 21,093,841</u>	<u>\$ 6,005,707</u>	<u>\$ 804,017</u>	<u>\$ 1,229,873</u>	<u>\$ 29,133,438</u>
Interest Receivable	<u>\$ 81,861</u>	<u>\$ 21,943</u>	<u>\$ 2,354</u>	<u>\$ 3,261</u>	<u>\$ 109,419</u>
TOTAL ASSETS	<u>\$ 21,767,015</u>	<u>\$ 6,572,706</u>	<u>\$ 843,886</u>	<u>\$ 1,356,310</u>	<u>\$ 30,539,917</u>
LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET POSITION					
Held in Trust for Retirement					
Benefits and OPEB	<u>\$ 21,767,015</u>	<u>\$ 6,572,706</u>	<u>\$ 843,886</u>	<u>\$ 1,356,310</u>	<u>\$ 30,539,917</u>

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

Combining Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2014

	Government Personnel Retirement Plan	Law Enforcement Employee Retirement Plan	Volunteer Length of Service Award Plan	Other Post Employment Benefit Plan	Total Benefit Plan Trust Funds
ADDITIONS					
Contributions:					
Employer	\$ 1,140,077	\$ 331,733	\$	\$	\$ 1,471,810
Plan Members	352,066	202,237			554,303
Total Contributions	\$ 1,492,143	\$ 533,970	\$ 0	\$ 0	\$ 2,026,113
Investment Earnings:					
Net Increase in					
Fair Value of Investments	\$ 1,822,743	\$ 506,201	\$ 79,051	122,183	\$ 2,530,178
Realized Gains on Investments	625,264	255,821	15,135	26,170	922,390
Interest and Dividends	479,369	142,061	19,137	29,261	669,828
Investment Activity Expense	(109,521)	(32,770)	(4,157)	(6,701)	(153,149)
Total Net Investment Earnings	\$ 2,817,855	\$ 871,313	\$ 109,166	\$ 170,913	\$ 3,969,247
Total Additions	\$ 4,309,998	\$ 1,405,283	\$ 109,166	\$ 170,913	\$ 5,995,360
DEDUCTIONS					
Benefits	\$ 834,562	\$ 294,636	\$	\$	\$ 1,129,198
Administrative	8,986	2,708		615	12,309
Total Deductions	\$ 843,548	\$ 297,344	\$ 0	\$ 615	\$ 1,141,507
Change In Net Position	\$ 3,466,450	\$ 1,107,939	\$ 109,166	\$ 170,298	\$ 4,853,853
Net Position - Beginning of Year	18,300,565	5,464,767	734,720	1,186,012	25,686,064
Net Position - End of Year	\$ 21,767,015	\$ 6,572,706	\$ 843,886	\$ 1,356,310	\$ 30,539,917