

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

**FINANCIAL REPORT
JUNE 30, 2009**

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

INDEX TO FINANCIAL REPORT

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-17
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	18
Statement of Activities	19
Fund Financial Statements:	
Balance Sheet - Governmental Funds	20
Reconciliation of the Governmental Funds Balance Sheet To the Statement of Net Assets	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	22-23
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes In Fund Balances to the Statement of Activities	24
Statement of General Fund Revenues, Expenditures and Changes In Fund Balance - Budget and Actual (Budget Basis)	25
Statement of Net Assets - Proprietary Funds	26-27
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	28-29
Statement of Cash Flows - Proprietary Funds	30-31
Statement of Net Assets - Fiduciary Funds	32
Statement of Changes in Net Assets - Fiduciary Funds	33
Notes to Financial Statements	34-71
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress - Garrett County Law Enforcement Personnel Retirement Plan	72
Schedule of Funding Progress - Garrett County Government Personnel Retirement Plan	72
Notes to the Required Supplementary Information	72
Schedule of Funding Progress - Other Post Employment Benefits	73
Schedule of Employer Contributions - Other Post Employment Benefits	73

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

INDEX TO FINANCIAL REPORT

	<u>Page</u>
OTHER SUPPLEMENTARY INFORMATION	
General Fund:	
Schedule of Revenues and Other Financing Sources - Budget and Actual (Budget Basis)	74-76
Schedule of Expenditures and Other Financing Uses - Budget and Actual (Budget Basis)	77-79
Schedule of Taxes and Taxes Receivable - General Fund	80
Nonmajor Governmental Funds:	
Combining Balance Sheet - Special Revenue Funds	81
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds	82
Proprietary Funds:	
Schedule of Revenues, Expenses and Changes in Net Assets by Cost Center - Garrett County Sanitary District, Inc.	83
Schedule of Costs Capitalized to Construction in Progress	84
Schedule of Indirect Costs	85
Comparative Schedule of Primary Government Long-Term Indebtedness	86
Fiduciary Funds:	
Combining Statement of Net Assets	87
Combining Statement of Changes in Net Assets	88

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INDEPENDENT AUDITORS' REPORT

The Board of County Commissioners
of Garrett County
Oakland, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Board of County Commissioners of Garrett County, Maryland (the County) as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements as listed in the index to financial report. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Ruth Enlow Library of Garrett County. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Ruth Enlow Library of Garrett County, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Board of County Commissioners of Garrett County, Maryland as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 23, 2009, on our consideration of The Board of County Commissioners of Garrett County, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

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

The management's discussion and analysis on pages 3 through 17 and schedules of benefit plan funding progress on pages 72 through 73 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The other supplementary information located on pages 74 through 88, as listed in the index to financial report, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Rodeheaver & Associates, P.C.

Oakland, Maryland
December 23, 2009

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

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, 2009. 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, 2009 by \$127,277,952 (net assets), compared to \$132,714,726 at June 30, 2008. Approximately 40 percent of total net assets are attributable to the Enterprise Funds. Of total net assets at June 30, 2009, \$21,508,362 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, which compares to \$27,837,604 at June 30, 2008. Another \$1,469,601 is restricted for specific purposes (restricted net assets) in comparison to \$1,456,772 at June 30, 2008. The total invested in capital assets, net of related debt was \$104,299,989 at June 30, 2009, compared to \$103,420,350 at June 30, 2008.

The County's total net assets decreased by \$5,436,774.

As of June 30, 2009, the County's governmental funds reported combined fund balances of \$21,866,430, a decrease of \$8,099,179 over the prior year. Approximately 13 percent of the combined fund balance is available to meet the County's current and future needs (unreserved and undesignated fund balance), 15 percent is reserved, and 72 percent is unreserved and designated for future use and capital projects.

At the close of the current fiscal year, unreserved fund balance for the General Fund (primary operating fund) was \$18,566,195 or 24% of general fund expenditures at June 30, 2009. Designated fund balance of the general fund was \$15,758,082, or 85 percent of unreserved fund balance.

Overview of the Financial Statements

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

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

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

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

June 30, 2009

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

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

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

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

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

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

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

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

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

June 30, 2009

**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 10 individual governmental funds including the General Fund, Capital Projects Fund, various Special Revenue Funds and the Debt Service Fund. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Capital Projects Fund, and the Debt Service Fund. Data from the other governmental funds are combined into a single, aggregate presentation. The basic governmental funds financial statements can be found on pages 20 to 24 of this report.

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

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

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The County maintains three fiduciary funds: Garrett County Law Enforcement Personnel Retirement Plan, the Garrett County Government Personnel Retirement Plan, and Garrett County OPEB Plan. The Fiduciary Fund financial statements can be found on pages 32 and 33 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to creating a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34 through 71 of this report.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and other supplementary information that are not considered a part of the basic financial statements. Schedules in these sections include schedules of funding progress for the County's retirement plans and a budgetary comparison for the General Fund to demonstrate compliance with the annually adopted budget. Required supplementary information and other supplementary information is located immediately following the notes to the financial statements and can be found on pages 72 through 88 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In Garrett County, assets exceeded liabilities by \$127,277,952 at the close of the current fiscal year. Garrett County's net assets are divided into three categories, invested in capital assets (net of related debt), restricted net assets and unrestricted net assets. The largest portion of the county's net assets (82 percent) reflect its investment in capital assets net of depreciation (e.g., land and easements, buildings, machinery, equipment, infrastructure and improvements), less any unmatured debt used to acquire those assets. The County uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Restricted net assets represent 1 percent of total net assets. Restricted net assets are resources that are subject to external restrictions on how they may be used. Unrestricted net assets of the government have a balance of \$21,508,362 (17 percent of total net assets), which may be used to meet the governments' ongoing obligations to citizens and creditors.

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

Garrett County Government's Net Assets
June 30, 2009

	Governmental Activities		Business-type Activities		Total Government	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Assets:						
Current & Other Assets	\$ 36,716,052	\$ 41,921,896	\$ 11,631,590	\$ 17,190,055	\$ 48,347,642	\$ 59,111,951
Capital Assets	60,029,844	59,324,787	72,610,067	71,693,087	132,639,911	131,017,874
Total Assets	96,745,896	101,246,683	84,241,657	88,883,142	180,987,553	190,129,825
Liabilities:						
Long-Term Liabilities	7,866,525	10,749,248	34,272,663	35,027,704	42,139,188	45,776,952
Other Liabilities	12,474,764	10,010,558	(904,351)	1,627,589	11,570,413	11,638,147
Total Liabilities	20,341,289	20,759,806	33,368,312	36,655,293	53,709,601	57,415,099
Net Assets:						
Invested Capital Assets						
Net of Related Debt	59,300,469	56,373,763	44,999,520	47,046,587	104,299,989	103,420,350
Restricted	958,868	953,803	510,733	502,969	1,469,601	1,456,772
Unrestricted	16,145,270	23,159,311	5,363,092	4,678,293	21,508,362	27,837,604
Total Net Assets	\$ 76,404,607	\$ 80,486,877	\$ 50,873,345	\$ 52,227,849	\$ 127,277,952	\$ 132,714,726

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

Government-wide Financial Analysis (cont'd)

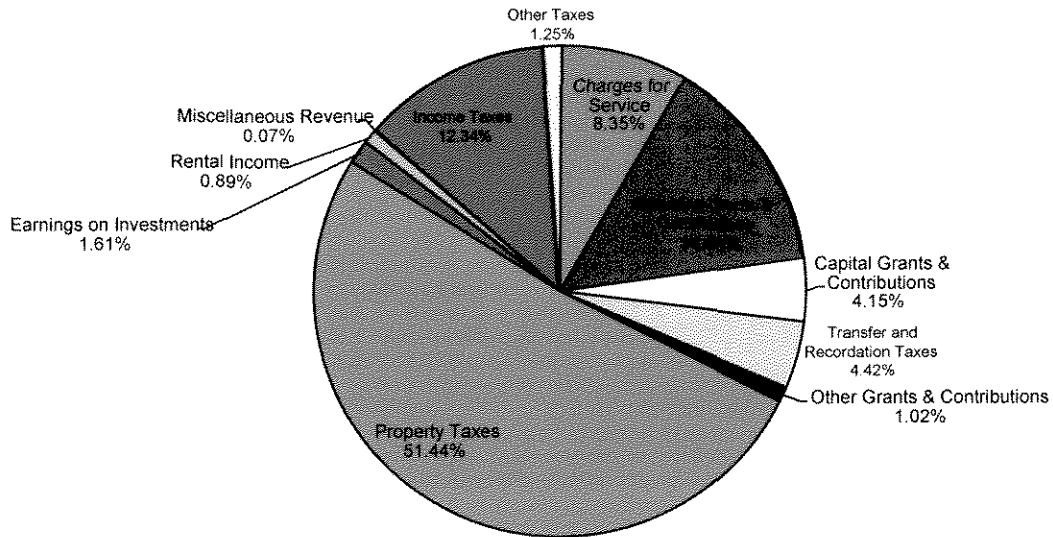
The following table indicates the changes in net assets.

Garrett County Government's Changes in Net Assets
for the Year ended June 30, 2009

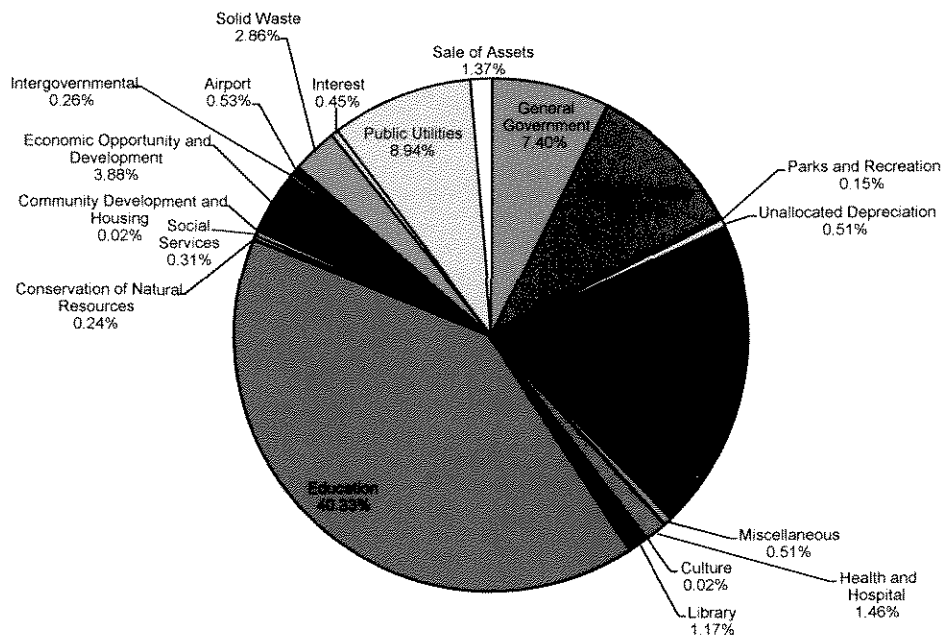
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,627,857	\$ 1,866,432	\$ 5,422,612	\$ 5,167,908	\$ 7,050,469	\$ 7,034,340
Operating Grants and Contributions	12,206,170	15,836,653	1,107	6,158	12,207,277	15,842,811
Capital Grants and Contributions	2,292,952	1,273,484	1,213,311	4,344,010	3,506,263	5,617,494
General Revenues:						
Property Taxes	41,384,576	37,019,445	2,047,449	1,784,836	43,432,025	38,804,281
Other Taxes and Licenses	15,208,457	17,165,405	0	0	15,208,457	17,165,405
Grants and Contributions	607,861	203,551	251,969	868,277	859,830	1,071,828
Other General Revenues	695,503	2,861,843	241,679	(44,051)	937,182	2,817,792
Total Revenues	\$ 74,023,376	\$ 76,226,813	\$ 9,178,127	\$ 12,127,138	\$ 83,201,503	\$ 88,353,951
Program Expenses:						
General Government	6,634,651	6,580,349	0	0	6,634,651	6,580,349
Public Safety	8,981,498	7,815,125	0	0	8,981,498	7,815,125
Public Works	17,635,439	15,788,774	0	0	17,635,439	15,788,774
Health & Hospital	1,315,378	1,119,960	0	0	1,315,378	1,119,960
Education - Board of Education	31,462,104	23,630,833	0	0	31,462,104	23,630,833
- Garrett College	4,787,548	5,352,790	0	0	4,787,548	5,352,790
Culture	19,000	18,000	0	0	19,000	18,000
Parks and Recreation	132,043	294,659	0	0	132,043	294,659
Library	1,047,785	1,016,438	0	0	1,047,785	1,016,438
Conservation of Natural Resources	214,108	706,717	0	0	214,108	706,717
Social Services	281,700	281,700	0	0	281,700	281,700
Community Development & Housing	20,000	1,380,000	0	0	20,000	1,380,000
Economic Opportunity & Development	3,483,352	5,738,223	0	0	3,483,352	5,738,223
Other	1,548,025	1,413,935	0	0	1,548,025	1,413,935
Garrett County Airport	0	0	475,059	401,092	475,059	401,092
Solid Waste Management	0	0	2,567,661	2,636,924	2,567,661	2,636,924
Garrett County Sanitary District, Inc.	0	0	8,032,926	8,181,037	8,032,926	8,181,037
Total Expenses	\$ 77,562,631	\$ 71,137,503	\$ 11,075,646	\$ 11,219,053	\$ 88,638,277	\$ 82,356,556
Excess before Transfers	(3,539,255)	5,089,310	(1,897,519)	908,085	(5,436,774)	5,997,395
Net Transfers In (Out)	(543,015)	(768,787)	543,015	768,787	0	0
Changes in Net Assets	(4,082,270)	4,320,523	(1,354,504)	1,676,872	(5,436,774)	5,997,395
Net Assets - Beginning of Year	80,486,877	76,166,354	52,227,849	50,550,977	132,714,726	126,717,331
Net Assets - End of Year	\$ 76,404,607	\$ 80,486,877	\$ 50,873,345	\$ 52,227,849	\$ 127,277,952	\$ 132,714,726

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

Revenues By Source - Primary Government



Expenditures - Primary Government



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

June 30, 2009

Government-wide Financial Analysis (cont'd)

Overall, the financial position of Garrett County declined during the year. This is largely due to the national economic recession and State budget decisions that affected the County. Garrett County Government's net assets decreased by \$5,436,774 for the year ended June 30, 2009. Key elements of this overall decrease are due to reductions in highway user funds, local income taxes, transfer taxes and recordation tax revenues. The State took statutory action to reduce the highway user funds.

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

Property taxes increased by \$4,365,130 (12%) during the year. The majority of this increase is due to new growth and increased property values as assessed by the State of Maryland Department of Assessments and Taxation. There was no increase in the property tax rate as set by the County Commissioners. Property taxes account for 57% of General Fund revenues on a budgetary basis.

A change in the local economy began to occur during FY 2008 and continued during FY 2009. Unstable fuel prices and a declining real estate market began to erode revenues as the economy suffered. Property taxes remained high despite the declining real estate market because property assessments remain intact. As assessments catch up with the decline in real estate value, there will be an adverse affect on future property tax revenue. The downward turn in the economy is also evident in the decline in income taxes – down \$687,633 or 6% as compared to FY 2008. Income taxes account for 14% of General Fund revenues. Recordation and local transfer taxes also show a decrease of 22% and 31% respectively for FY 2009.

Business-Type Activities. In 2009, capital contributions to the Airport were \$1,705,857 and consisted of grants from the FAA for the expansion of the airport runway. Total assets for the Airport grew by \$268,181. This increase was related to continued capital improvements, the near completion of the runway extension project and the construction of 12 new airport hangars. Total assets for the Garrett County Sanitary District, d/b/a Department of Public Utilities, decreased by \$4,220,446. This decrease is the result of depreciation on capital assets and debt service interest payments on long term debt.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

Government-wide Financial Analysis (cont'd)

Operating revenues net of in-house sales of the Sanitary District increased by \$238,547. An increase in sewer rates attribute primarily to this increase. Operating expenditures for the Sanitary District decreased by \$122,005. This decrease is primarily the result of a decrease in warehouse sales and corresponding inventory purchase.

The Garrett County Office of Solid Waste and Recycling's (Landfill) estimated disposal capacity changes over time based on variability in efficiencies with respect to waste compression. Based on the County's engineer estimates of costs to perform all closure and post-closure care activities, the balance of estimated costs to be recognized are approximately \$2,838,214 and will be recognized over the remaining useful life of the landfill, which based on the current compaction rate is approximately 18 years. The County has established a landfill closure fund through Maryland Environmental Services to provide funds to pay these closure and post-closure costs. As of June 30, 2009, the balance of these restricted cash assets was \$1,216,865.

Financial Analysis of the County's Funds

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

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

At the end of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$21,866,430, a decrease of \$8,099,179. Approximately 13% of this total, \$2,808,113, constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is either designated or reserved to indicate that it is not available for new spending because it has already been committed for a designated purpose. Fund balance designated for capital projects includes \$7,500,000 designated for the construction of a Community Athletic Recreation Center at Garrett College, \$452,013 for the completion of renovations at Northern Middle School, \$1,110,828 designated for public works projects, \$2,308,231 designated for economic development projects and \$25,000 for general government projects. \$4,362,010 has been designated to balance the fiscal year 2010 budget.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

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

The General Fund is the chief operating fund of the Garrett County Government. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$2,808,113, while total fund balance reached \$19,325,766. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 4% of the total General Fund expenditures, while total fund balance represents 25% of that same amount.

The total fund balance of the County's General Fund decreased by \$9,491,955 during the current fiscal year. The key factors for the decrease are as follows:

- Progress accelerated on Capital Projects in Fiscal Year 2009 eliminating the delays in construction from past years.
- Other non-capital General Fund operating expenditures increased by \$8,411,462.
- Overall revenue decreased by \$740,261 and was not enough to support the increase in expenditures thereby resulting in a net decrease in Fund Balance.

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

Garrett County's Debt Service Fund reports assets of \$4,520,836, which include amounts owing from the Garrett County Memorial Hospital, Bond Series 2004 and 2007, for the expansion and renovation of the Emergency Room/Same Day Surgery/Admissions Project.

The Non-Major Special Revenue Funds have a total fund balance of \$199,297, all of which is reserved.

Proprietary funds. Garrett County's proprietary fund statements provide the same type of information found in the government-wide financial statements, only in more detail. The total unrestricted net assets of the proprietary funds at the end of the year amounted to \$5,363,092. The total decline in net assets for the proprietary funds was \$1,354,504. Other factors concerning these funds' finances have been addressed in the discussion of Garrett County government's business-type activities.

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

June 30, 2009

Budgetary Highlights

The difference between original revenue budget amounts of \$72,923,016 and final revenue budget amounts of \$71,238,774 is a decrease of \$1,684,242. This difference is mainly due to budget amendments that occurred throughout the fiscal year to reduce or increase the original budget to reflect more accurately the actual revenue received. Some significant differences are decreases in what was originally budgeted for Income Taxes, Recordation and local Transfer Taxes, and Highway User revenue. There were also significant changes in federal and state grant revenue. This is a result of notification of grants awarded after the fiscal year had already begun. The difference between the final revenue budget of \$71,238,774 and the actual revenue recorded of \$72,169,071 showed a variance of \$930,297.

Significant differences between the original expenditure budget amounts of \$85,098,802 and final expenditure budget amounts of \$97,968,489, resulting in a budget increase of \$12,869,687, are budget amendments that occurred to increase capital projects and capital outlay to be more in alignment with actual project costs and to accurately reflect amounts for fiscal year 2009 by the amount of unspent capital funds in fiscal year 2008.

The difference between the final budget expenditures of \$97,968,489 and the actual expenditures recorded of \$81,341,314 represented a variance of \$16,627,175. The difference is, in a large part, due to a timing difference of budgeted capital outlay versus actual expenditures for these various capital outlay projects.

Significant differences between the final budget expenditures and actual expenditures on a budgetary basis are as follows: Capital Outlay and Capital Projects actual expenditures were well under what was budgeted due to a delay in construction or a delay in when the product was available for purchase. Some of these items include various bridge projects and the purchase of a vacuum truck for the Roads Department, and the completion of Northern Middle School renovation. A significant factor contributing to actual expenditures being less than final budgeted expenditures was an amendment to the agreement between the County Commissioners and the local Board of Education to reduce the county's appropriation to the Board of Education by an amount that would enable the Board of Education to carry a fund balance equal to \$500,000, amended from \$800,000. The effect of this agreement resulted in the County's appropriation to the Board of Education being \$259,146 less than originally budgeted.

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, 2009

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, 2009 amounts to \$132,639,911 (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 \$1,622,037 (a 1% increase for governmental and business-type activities).

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$7,427,379	\$7,465,541	\$1,784,325	\$1,787,826	\$9,211,704	\$9,253,367
Land Improvements	934,396	138,405	2,978,706	3,646,208	3,913,102	3,784,613
Construction in Progress	1,499,736	5,948,285	19,635,694	16,583,906	21,135,430	22,532,191
Infrastructure	32,124,752	30,003,234	45,608,184	47,348,451	77,732,936	77,351,685
Buildings	14,635,358	12,572,065	1,410,884	1,032,078	16,046,242	13,604,143
Furniture and Equipment	924,476	940,530	4,171	6,096	928,647	946,626
Vehicles	1,618,985	1,788,800	350,676	470,415	1,969,661	2,259,215
Machinery and Equipment	864,762	467,927	837,427	818,107	1,702,189	1,286,034
Total	<u>\$60,029,844</u>	<u>\$59,324,787</u>	<u>\$72,610,067</u>	<u>\$71,693,087</u>	<u>\$132,639,911</u>	<u>\$131,017,874</u>

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

- Various construction projects completed and placed in service or projects abandoned contributed to the net decrease of \$4,500,000 in the governmental activities Construction In Progress line item, the most significant being the completion of the Public Works Facility.
- Roads paving and improvement projects, along with continued bridge replacements and the infrastructure completion at the Public Works Facility and Keyser's Ridge Business Park, contributed to the net increase of \$2,100,000 in governmental activities infrastructure.
- The completion of the Public Works Facility contributed to the net increases of approximately \$800,000 in governmental land improvements, \$2,000,000 in governmental buildings, and \$400,000 in governmental machinery and equipment.
- Several major projects continued for the Garrett County Sanitary District including the McHenry Water System, Mountain Lake Park Water System, and the new maintenance warehouse. These projects added approximately \$2,500,000 to Construction in Progress for Business-Type Activities.

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

Capital Asset and Debt Administration (cont'd)

- The Garrett County Airport continued progress on the runway extension project. An additional \$1,200,000 was expended on the project in Fiscal Year 2009. In conjunction with this project, \$420,000 was placed in service for a group of twelve airport hangars respectively.

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

Long-term debt. At the end of the current fiscal year, Garrett County Government had notes and bonds outstanding of \$37,428,373, which are backed by the full faith and credit of the County.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General Bonded Debt	<u>\$ 6,465,836</u>	<u>\$ 9,353,994</u>	<u>\$ 30,962,537</u>	<u>\$ 31,806,300</u>	<u>\$ 37,428,373</u>	<u>\$ 41,160,294</u>

During fiscal year 2009, the County's total debt decreased by \$3,731,921. This decrease is mainly attributable to the retiring of the Community Health Center Bond of 2002.

Garrett County received enabling legislation to borrow up to \$21,000,000 for the financing of various capital projects for economic development, roads department, education, general services and public safety. There are significant budgeted expenditures for capital project construction and capital outlay expenditures over fiscal years 2010 to 2014. These projects include the continuation and completion of the Northern Middle School renovation, Southern Middle School renovation and the construction of a Community Athletic and Recreation Center at Garrett College. This planned activity should have no significant impact on the County's credit ratings because the County has the resources budgeted to account for these expenditures and in the case of long-term debt, the County has the resources to service the debt.

Additional information on the County's long-term debt can be found in Note 6 to the financial statements and on page 86 under Other Supplementary Information

Economic Factors and Next Year's Budget and Rates

- The County continues to maintain insured security ratings of "Aaa" from Moody's Investors Service and an "AAA" from Standard & Poor's. During FY 2008 Moody's Investors Service completed a review of Garrett County's bond rating and determined that due to the County maintaining a healthy financial

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

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

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.

- The annual average unemployment rate through October 2009 for the County is 7.8%, which is higher than the State's average of 7.2% and lower than the national average of 9.1% through the same period.
- Nine districts were reassessed to be effective January 1, 2010. These districts included District 1-Swanton, District 2-Friendsville, District 3-Grantsville, District 4-Bloomington, District 5-Accident (north of Interstate 68), District 9-Finzel, District 11-Elbow, District 13-Kitzmilller and District 15-Avilton. These areas include 7,559 real estate tax accounts and cover Garrett County's most rural areas. These districts typically have the lowest increase in assessed values.
- Inflationary trends in the region compare favorably to national averages.

These factors, as well as many others, were considered in preparing the County's budget for fiscal year 2010.

During fiscal year 2009, the County's total governmental funds fund balance decreased by \$8,099,179. The unreserved/undesignated also decreased by \$781,307. Garrett County Government has always maintained and demonstrated a conservative budget philosophy. Even though, due to the downturn in the economy, the County has been forced to budget more liberally than desired, the County is still able and has appropriated \$4,362,010 of the Unreserved Fund Balance for spending in fiscal year 2010, down from \$6,620,300 in fiscal year 2008. Due to the favorable fund balance that the County has been experiencing over the past several years, the Commissioners were able to not only hold the tax rate for 2009 steady at \$1.00 for every \$100 of assessable property which was down from \$1.036 for every \$100 of assessable property in 2005 and were also able to reduce the tax rate for 2010 by 1 cent to \$.99 for every \$100 of assessable property.

New accounting standards for reporting the County's obligation for post-employment benefits went into effect for the fiscal year ended June 30, 2009. Under GASB Statement Number 45, benefits will be accrued during the employee's active years of service for government-wide financial reporting purposes. Since the County, the Board of Education and Garrett College formed a coalition for health insurance benefits, OPEB costs were also calculated to include all three entities. An OPEB trust fund was established and the County acted as the funding source for OPEB obligations for all three entities. For FY 2009, the County funded \$613,000 directly to the OPEB Trust Fund for the Garrett County Board of Education, \$103,000 for Garrett College and the balance of \$120,000 for the County. For FY 2010, the County has budgeted funding in the amount of \$566,174 for the Board of Education, \$95,167 for Garrett College and \$120,000 for the

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

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

County. More information on the County's other post-employment benefit plans can be found in Note 10 to the financial statements.

The Garrett County Sanitary District, d/b/a/ Department of Public Utilities, has numerous projects planned for fiscal year 2010. Water projects include continuing the expansion to the McHenry Water System designed to serve an additional 1,000 customers at an estimated cost of \$4,000,000 and water systems upgrades in Crellin and Mountain Lake Park with a combined estimated cost of \$1,255,000. The District will begin construction on the Thayerville water project that will serve an additional 1,200 customers in the future. The cost of the Thayerville water system is estimated at approximately \$7,250,000.

The District will begin construction of the Western Conveyance Wastewater Collection System that will serve an additional 2,500 customers in the future. The cost for the collection systems is estimated to be an additional \$5,344,500 once completed over the next several years. The District will also begin a rehabilitation project on the Friendsville Wastewater Collection system which will serve 200 customers. The estimate cost of the Friendsville Rehabilitation project is \$1,020,000.

There are a few major capital projects that will continue into Fiscal Year 2010. These projects include the continuation and completion of the runway extension Phase II at the Airport, Landfill – preliminary design of Cell 4, the continuation of several Bridge projects as well as the continuation of the Glendale Road re-alignment project, the completion of the renovation of Northern Middle School, the continuation of Economic Development projects such as the McHenry Business Park and the Career and Technology Trades Center, and the commencement of the construction for the Community Athletic and Recreation Center at Garrett College.

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 under one plan with Carefirst Blue Cross/Blue Shield. All three entities have the same insurance premium rates, the same benefits and the same employee co-pays. This consolidation is instrumental in attempting to make health costs more affordable and cost effective. On July 1, 2009, the health insurance platform changed from fully insured to self insured. The self-insured platform should allow the coalition to put into place health insurance cost containment measures that would positively affect future fiscal years.

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

Request for Information

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

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

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

Or, visit our website at www.garrettcountry.org

BASIC FINANCIAL STATEMENTS

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

Statement of Net Assets
June 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 14,264,051	\$ 267,535	\$ 14,531,586
Investments	6,500,000		6,500,000
Taxes Receivable - Net	2,715,265		2,715,265
Due from Other Governments	3,906,152	250,444	4,156,596
Due from Primary Government			
Other Receivables - Net	401,176	981,878	1,383,054
Inventories	2,919,426	570,261	3,489,687
Prepaid Expenses	59,220	31,092	90,312
Restricted Cash	82,200	8,841,616	8,923,816
Restricted Investments			
Restricted Accounts Receivable	4,520,836	504,551	5,025,387
Restricted Notes Receivable		160,402	160,402
Notes Receivable - Long-Term	1,290,555		1,290,555
Non-Depreciable Capital Assets	8,927,115	21,420,019	30,347,134
Depreciable Capital Assets, Net of Accumulated Depreciation	51,102,729	51,190,048	102,292,777
Deferred Charges	57,171	23,811	80,982
TOTAL ASSETS	\$ 96,745,896	\$ 84,241,657	\$ 180,987,553
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 1,333,911	\$ 620,072	\$ 1,953,983
Internal Balances	1,647,973	(1,647,973)	0
Due to Component Units	2,181,912		2,181,912
Due to Other Governments	176,946	117,690	294,636
Deferred Revenues	6,930,611	5,860	6,936,471
Other Liabilities	203,411		203,411
Long-Term Liabilities			
Due Within One Year	934,017	1,395,274	2,329,291
Due in More Than One Year	6,932,508	32,877,389	39,809,897
Total Liabilities	\$ 20,341,289	\$ 33,368,312	\$ 53,709,601
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 59,300,469	\$ 44,999,520	\$ 104,299,989
Restricted for:			
Debt Service		510,733	510,733
Other	958,868		958,868
Unrestricted	16,145,270	5,363,092	21,508,362
Total Net Assets	\$ 76,404,607	\$ 50,873,345	\$ 127,277,952
TOTAL LIABILITIES AND NET ASSETS	\$ 96,745,896	\$ 84,241,657	\$ 180,987,553

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

Component Units

<u>Board of Education</u>	<u>Community College</u>	<u>Public Library</u>
\$ 6,592,891	\$ 5,393,671	\$ 334,125
		124,588
1,762,134	625,440	
2,136,599	27,279	18,034
26,422	110,830	14,170
173,393	94,214	
	208,483	
	548,148	
	1,681,294	
17,181,801	2,216,992	33,556
35,845,738	16,768,579	1,574,346
	168,085	
<u>\$ 63,718,978</u>	<u>\$ 27,843,015</u>	<u>\$ 2,098,819</u>
\$ 8,684,703	\$ 467,353	\$ 11,225
26,464	1,857,594	
	303,511	
89,786	50,000	
689,825	7,217,970	30,208
<u>\$ 9,490,778</u>	<u>\$ 9,896,428</u>	<u>\$ 41,433</u>
\$ 53,021,753	\$ 12,508,636	\$ 1,607,902
672,315	2,114,843	75,455
534,132	3,323,108	374,029
<u>\$ 54,228,200</u>	<u>\$ 17,946,587</u>	<u>\$ 2,057,386</u>
<u>\$ 63,718,978</u>	<u>\$ 27,843,015</u>	<u>\$ 2,098,819</u>

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

Statement of Activities
Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities				
General Government	\$ 6,634,651	\$ 461,054	\$ 2,837,926	\$ 29,875
Public Safety	8,981,498	726,831	929,795	2,876
Public Works	17,635,439	291,022	4,554,933	1,728,067
Health and Hospital	1,315,378		717,849	
Education				
Board of Education	31,462,104	148,800		
Community College	4,787,548			
Culture	19,000			
Parks and Recreation	132,043		112,042	
Library	1,047,785			
Conservation of Natural Resources	214,108	150		
Social Services	281,700			
Community Development and Housing	20,000		20,000	
Economic Opportunity and Development	3,483,352		2,934,800	532,134
Intergovernmental	233,218			
Miscellaneous	458,953		98,825	
Unallocated Depreciation	454,914			
Interest on Long-Term Debt	400,940			
Total Governmental Activities	<u>\$ 77,562,631</u>	<u>\$ 1,627,857</u>	<u>\$ 12,206,170</u>	<u>\$ 2,292,952</u>
Business-type activities				
Airport Fund	\$ 475,059	\$ 227,742		\$ 1,213,311
Solid Waste Fund	2,567,661	1,115,959	1,107	
Garrett County Sanitary District, Inc.	8,032,926	4,078,911		
Total Business-Type Activities	<u>\$ 11,075,646</u>	<u>\$ 5,422,612</u>	<u>\$ 1,107</u>	<u>\$ 1,213,311</u>
Total Primary Government	<u>\$ 88,638,277</u>	<u>\$ 7,050,469</u>	<u>\$ 12,207,277</u>	<u>\$ 3,506,263</u>
Component Units				
Board of Education	\$ 60,569,348	\$ 1,223,843	\$ 8,673,215	\$ 13,381,989
Community College	14,609,821	3,187,323	3,151,442	27,330
Public Library	1,414,505	32,938	90,772	65,085
Total Component Units	<u>\$ 76,593,674</u>	<u>\$ 4,444,104</u>	<u>\$ 11,915,429</u>	<u>\$ 13,474,404</u>

General Revenues:

Taxes:

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

Change in Net Assets

Net Assets - Beginning of Year, as Restated

Net Assets - End of Year

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Public Library
\$ (3,305,796)	\$	\$ (3,305,796)	\$	\$	\$
(7,321,996)		(7,321,996)			
(11,061,417)		(11,061,417)			
(597,529)		(597,529)			
(31,313,304)		(31,313,304)			
(4,787,548)		(4,787,548)			
(19,000)		(19,000)			
(20,001)		(20,001)			
(1,047,785)		(1,047,785)			
(213,958)		(213,958)			
(281,700)		(281,700)			
(16,418)		(16,418)			
(233,218)		(233,218)			
(360,128)		(360,128)			
(454,914)		(454,914)			
(400,940)		(400,940)			
<u>\$ (61,435,652)</u>	<u>\$</u>	<u>\$ (61,435,652)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$	\$ 965,994	\$ 965,994	\$	\$	\$
	(1,450,595)	(1,450,595)			
	(3,954,015)	(3,954,015)			
<u>\$</u>	<u>\$ (4,438,616)</u>	<u>\$ (4,438,616)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>\$ (61,435,652)</u>	<u>\$ (4,438,616)</u>	<u>\$ (65,874,268)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$	\$	\$	\$ (37,290,301)	\$	\$
				(8,243,726)	
					(1,225,710)
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ (37,290,301)</u>	<u>\$ (8,243,726)</u>	<u>\$ (1,225,710)</u>
\$ 41,384,576	\$ 2,047,449	\$ 43,432,025	\$	\$	\$
10,423,109		10,423,109			
3,731,490		3,731,490			
1,053,858		1,053,858			
1,178,608	179,971	1,358,579	64,705	(195,240)	(1,608)
			23,212,854	4,376,000	982,700
607,861	251,969	859,830	25,614,071	4,031,366	307,408
751,050		751,050			
6,429	55,035	61,464	214,928		416
(1,240,584)	6,673	(1,233,911)	(63,762)		2,672
(543,015)	543,015	0			
<u>\$ 57,353,382</u>	<u>\$ 3,084,112</u>	<u>\$ 60,437,494</u>	<u>\$ 49,042,796</u>	<u>\$ 8,212,126</u>	<u>\$ 1,291,588</u>
\$ (4,082,270)	\$ (1,354,504)	\$ (5,436,774)	\$ 11,752,495	\$ (31,600)	\$ 65,878
<u>80,486,877</u>	<u>52,227,849</u>	<u>132,714,726</u>	<u>42,475,705</u>	<u>17,978,187</u>	<u>1,991,508</u>
<u>\$ 76,404,607</u>	<u>\$ 50,873,345</u>	<u>\$ 127,277,952</u>	<u>\$ 54,228,200</u>	<u>\$ 17,946,587</u>	<u>\$ 2,057,386</u>

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

Balance Sheet
Governmental Funds
June 30, 2009

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
ASSETS:					
Cash and Cash Equivalents	\$ 14,264,051	\$	\$	\$	\$ 14,264,051
Investments	6,500,000				6,500,000
Taxes Receivable - Net	2,715,265				2,715,265
Due from Other Governments	2,842,113	1,060,462		3,577	3,906,152
Due from Other Funds	304,117	473,832		247,621	1,025,570
Other Receivables - Net	398,987			2,189	401,176
Inventories	578,059	2,341,367			2,919,426
Prepaid Expenses	59,220				59,220
Restricted Cash	8,658			73,542	82,200
Restricted Accounts Receivable			4,520,836		4,520,836
TOTAL ASSETS	<u>\$ 27,670,470</u>	<u>\$ 3,875,661</u>	<u>\$ 4,520,836</u>	<u>\$ 326,929</u>	<u>\$ 36,393,896</u>
LIABILITIES:					
Accounts Payable and Accrued Expenses	\$ 732,923	\$ 534,294	\$	\$ 49,628	\$ 1,316,845
Due to Other Funds	2,673,543				2,673,543
Due to Component Units	2,181,912				2,181,912
Due to Other Governments	176,946				176,946
Deferred Revenues	2,375,969	1,000,000	4,520,836	78,004	7,974,809
Other Liabilities	203,411				203,411
Total Liabilities	<u>\$ 8,344,704</u>	<u>\$ 1,534,294</u>	<u>\$ 4,520,836</u>	<u>\$ 127,632</u>	<u>\$ 14,527,466</u>
FUND BALANCES:					
Reserved	\$ 759,571	\$ 2,341,367	\$	\$ 199,297	\$ 3,300,235
Designated for Subsequent Year's Budget	4,362,010				4,362,010
Designated for Capital Projects	11,396,072				11,396,072
Unreserved - Undesignated	2,808,113				2,808,113
Total Fund Balances	<u>\$ 19,325,766</u>	<u>\$ 2,341,367</u>	<u>\$ 0</u>	<u>\$ 199,297</u>	<u>\$ 21,866,430</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 27,670,470</u>	<u>\$ 3,875,661</u>	<u>\$ 4,520,836</u>	<u>\$ 326,929</u>	<u>\$ 36,393,896</u>

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Assets
June 30, 2009

Total Fund Balances - Governmental Funds	\$	21,866,430
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. The cost of these assets is \$110,998,952, net of accumulated depreciation of \$50,969,108.		60,029,844
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 and the net OPEB obligation.		(7,866,525)
Bond issuance costs incurred are not financial resources, and therefore, are not reported in the funds. The cost of these assets is \$270,022, net of accumulated amortization of \$212,851.		57,171
Interest on long term debt is not accrued in funds, but is recognized as an expenditure when due.		(17,066)
County revenue that is collected after year-end and unavailable soon enough to pay for the current period's expenditures is reported as deferred revenue in the funds.		2,299,075
Note receivable issued in connection with land sale not recognized in funds.		1,290,555
Deferred gain recorded in connection with land sale not recorded in funds.		<u>(1,254,877)</u>
Total Net Assets - Governmental Activities	\$	<u><u>76,404,607</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, 2009

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
REVENUES:					
Taxes	\$ 57,925,683	\$	\$	\$	\$ 57,925,683
Licenses and Permits	289,148				289,148
Intergovernmental	10,841,103	1,925,557	532,134	186,533	13,485,327
Fines and Forfeitures	10,457			31,580	42,037
Charges for Services	814,882			48,236	863,118
Investment Income	962,606		215,978		1,178,584
Rents and Concessions	899,850				899,850
Contributions	4,145				4,145
Miscellaneous	201,591				201,591
Total Revenues	\$ 71,949,465	\$ 1,925,557	\$ 748,112	\$ 266,349	\$ 74,889,483
EXPENDITURES:					
General Government	\$ 6,540,875	\$	\$	28,941	\$ 6,569,816
Public Safety	8,414,826			186,879	8,601,705
Public Works	16,124,926				16,124,926
Health and Hospital	1,298,111				1,298,111
Education					
Board of Education	31,458,837				31,458,837
Community College	4,787,548				4,787,548
Culture	19,000				19,000
Parks and Recreation	132,043				132,043
Library	1,047,785				1,047,785
Conservation of Natural Resources	214,097				214,097
Social Services	281,700				281,700
Community Development and Housing				20,000	20,000
Economic Opportunity and Development	3,176,780				3,176,780
Capital Outlay	923,237	3,780,892		34,287	4,738,416
Debt Service	2,588,567		748,112		3,336,679
Intergovernmental	233,218				233,218
Miscellaneous	458,395				458,395
Total Expenditures	\$ 77,699,945	\$ 3,780,892	\$ 748,112	\$ 270,107	\$ 82,499,056
REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) SUBTOTAL					
	\$ (5,750,480)	\$ (1,855,335)	\$ 0	\$ (3,758)	\$ (7,609,573)

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, 2009

	<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	\$ (5,750,480)	\$ (1,855,335)	\$ 0	\$ (3,758)	\$ (7,609,573)
OTHER FINANCING SOURCES (USES):					
Sale of Capital Assets	57,048			4,715	61,763
Operating Transfers					
Capital Projects Fund	(3,247,154)	3,247,154			0
Airport Fund	(543,015)				(543,015)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	\$ (9,483,601)	\$ 1,391,819	\$ 0	\$ 957	\$ (8,090,825)
Fund Balances, Beginning of Year,	\$ 28,817,721	\$ 949,548	\$ 0	\$ 198,340	\$ 29,965,609
Other Decreases - Reserves	(8,354)				(8,354)
FUND BALANCES, End of Year	<u>\$ 19,325,766</u>	<u>\$ 2,341,367</u>	<u>\$ 0</u>	<u>\$ 199,297</u>	<u>\$ 21,866,430</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, 2009

Change in Fund Balances - Governmental Funds	\$	(8,099,179)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$8,139,080 exceeded depreciation expense of \$6,110,423 in the current year.</p>		2,028,657
<p>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.</p>		(1,287,922)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		2,888,158
<p>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.</p>		51,684
<p>Governmental funds report debt issuance costs as expenditures. However, in the statement of activities, these costs are allocated over the life of the related debt as amortization expense. This is the amount of amortization expense in the current year.</p>		(22,536)
<p>Interest on long term debt is not accrued in funds, but is recognized as an expenditure when due in the statement of activities.</p>		47,581
<p>Revenues that do not provide current financial resources are reported as deferred revenue in the funds. The amount of the change in deferred revenue is not reported in the statement of activities.</p>		368,406
<p>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 the funds.</p>		<u>(57,119)</u>
Change in Net Assets - Governmental Activities	\$	<u><u>(4,082,270)</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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES:				
Taxes	\$ 59,376,615	\$ 57,431,774	\$ 58,294,089	\$ 862,315
Licenses and Permits	278,350	278,350	289,148	10,798
Intergovernmental	11,458,556	10,821,161	10,841,103	19,942
Fines and Forfeitures	7,000	7,661	10,457	2,796
Charges for Services	473,650	805,175	814,882	9,707
Investment Income	503,500	953,500	962,606	9,106
Rents and Concessions	764,345	764,345	751,050	(13,295)
Contributions	2,000	4,040	4,145	105
Miscellaneous	59,000	172,768	201,591	28,823
Total Revenues	<u>\$ 72,923,016</u>	<u>\$ 71,238,774</u>	<u>\$ 72,169,071</u>	<u>\$ 930,297</u>
EXPENDITURES:				
General Government	\$ 7,884,614	\$ 7,103,724	\$ 6,540,875	\$ (562,849)
Public Safety	8,531,778	8,833,284	8,414,826	(418,458)
Public Works	16,742,714	17,298,485	16,124,926	(1,173,559)
Health and Hospital	1,298,111	1,298,111	1,298,111	0
Social Services	281,700	281,700	281,700	0
Education	41,295,714	45,477,358	36,097,585	(9,379,773)
Culture	19,000	19,000	19,000	0
Parks and Recreation	24,000	115,000	132,043	17,043
Library	1,049,800	1,049,800	1,047,785	(2,015)
Conservation of Natural Resources	326,699	283,221	214,097	(69,124)
Economic Development and Opportunity	2,640,419	4,978,751	3,176,780	(1,801,971)
Capital Outlay	1,053,002	1,768,367	923,237	(845,130)
Debt Service	548,723	2,588,567	2,588,567	0
Intergovernmental	235,962	235,962	233,218	(2,744)
Miscellaneous	842,000	431,261	458,395	27,134
Total Expenditures	<u>\$ 82,774,236</u>	<u>\$ 91,762,591</u>	<u>\$ 77,551,145</u>	<u>\$ (14,211,446)</u>
REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>\$ (9,851,220)</u>	<u>\$ (20,523,817)</u>	<u>\$ (5,382,074)</u>	<u>\$ 15,141,743</u>
OTHER FINANCING SOURCES (USES):				
Bond Proceeds	\$ 7,500,000	\$	\$	0
Sale of Capital Assets	2,000	56,500	57,048	548
Operating Transfers				
Capital Projects Fund	(2,141,399)	(5,676,481)	(3,247,154)	(2,429,327)
Airport Fund	(183,167)	(529,417)	(543,015)	13,598
Total Other Financing Sources (Uses)	<u>\$ 5,177,434</u>	<u>\$ (6,149,398)</u>	<u>\$ (3,733,121)</u>	<u>\$ 2,416,277</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (4,673,786)</u>	<u>\$ (26,673,215)</u>	<u>\$ (9,115,195)</u>	<u>\$ 17,558,020</u>
Fund Balance, Beginning of Year	28,817,721	28,817,721	28,817,721	
Other Increases (Decreases) - Reserves	<u>0</u>	<u>0</u>	<u>(8,354)</u>	
FUND BALANCE, End of Year, Budgetary Basis	<u>\$ 24,143,935</u>	<u>\$ 2,144,506</u>	<u>\$ 19,694,172</u>	

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

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

Statement of Net Assets
Proprietary Funds
June 30, 2009

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Total</u>
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 100	\$ 207,648	\$ 59,787	\$ 267,535
Due from Other Governments	250,444			250,444
Due from Primary Government		1,937,429	14,661	1,952,090
Other Receivables - Net	7,798	200,311	773,769	981,878
Inventories	38,111		532,150	570,261
Prepaid Expense	3,150	10,055	17,887	31,092
Total Current Assets	<u>\$ 299,603</u>	<u>\$ 2,355,443</u>	<u>\$ 1,398,254</u>	<u>\$ 4,053,300</u>
Noncurrent Restricted Assets:				
Restricted Cash	\$	\$ 2,233,245	\$ 6,608,371	\$ 8,841,616
Restricted Other Receivables			504,551	504,551
Restricted Notes Receivable			160,402	160,402
Total Noncurrent Restricted Assets	<u>\$</u>	<u>\$ 2,233,245</u>	<u>\$ 7,273,324</u>	<u>\$ 9,506,569</u>
Capital and Other Assets:				
Non-Depreciable Capital Assets	\$ 14,905,565	\$ 144,559	\$ 6,369,895	\$ 21,420,019
Depreciable Capital Assets, Net of Accumulated Depreciation	2,600,855	3,408,728	45,180,465	51,190,048
Bond Discount, Net of Amortization		4,905		4,905
Loan Issuance Costs, Net of Amortization		18,906		18,906
Total Capital and Other Assets	<u>\$ 17,506,420</u>	<u>\$ 3,577,098</u>	<u>\$ 51,550,360</u>	<u>\$ 72,633,878</u>
TOTAL ASSETS	<u>\$ 17,806,023</u>	<u>\$ 8,165,786</u>	<u>\$ 60,221,938</u>	<u>\$ 86,193,747</u>

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

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

Statement of Net Assets
Proprietary Funds
June 30, 2009

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Total
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Expenses	\$ 4,235	\$ 160,198	\$ 455,639	\$ 620,072
Bonds and Loans Payable - Current Portion		485,335	477,095	962,430
Closure/Postclosure Liabilities - Current Portion		432,844		432,844
Due to Other Governments			117,690	117,690
Due to Primary Government	282,612		21,505	304,117
Deferred Revenue	5,860			5,860
Total Current Liabilities	\$ 292,707	\$ 1,078,377	\$ 1,071,929	\$ 2,443,013
Noncurrent Liabilities:				
Bonds and Loans Payable	\$	\$ 2,606,701	\$ 27,393,406	\$ 30,000,107
Compensated Absences	6,896	77,806	113,398	198,100
Closure/Postclosure Liabilities		2,679,182		2,679,182
Total Noncurrent Liabilities	\$ 6,896	\$ 5,363,689	\$ 27,506,804	\$ 32,877,389
TOTAL LIABILITIES	\$ 299,603	\$ 6,442,066	\$ 28,578,733	\$ 35,320,402
NET ASSETS (DEFICIT)				
Investment in Capital Assets, Net of Related Debt	\$ 17,506,420	\$ 964,494	\$ 26,528,606	\$ 44,999,520
Restricted Net Assets				
Debt Service		510,733		510,733
Unrestricted Net Assets		248,493	5,114,599	5,363,092
Total Net Assets	\$ 17,506,420	\$ 1,723,720	\$ 31,643,205	\$ 50,873,345
TOTAL LIABILITIES AND NET ASSETS	\$ 17,806,023	\$ 8,165,786	\$ 60,221,938	\$ 86,193,747

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

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

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2009

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Total
OPERATING REVENUES:				
Charges for Services	\$ 221,902	\$ 1,115,959	\$ 3,685,800	\$ 5,023,661
Other	5,840	55,035	393,111	453,986
Total Operating Revenues	\$ 227,742	\$ 1,170,994	\$ 4,078,911	\$ 5,477,647
OPERATING EXPENSES:				
Salaries	\$ 85,128	\$ 660,785	\$ 1,063,877	\$ 1,809,790
Fringe Benefits	30,466	249,926	485,193	765,585
Maintenance and Repairs	2,658	83,482	400,517	486,657
Supplies	121,500	73,296	563,794	758,590
Utilities	16,108	22,588	562,031	600,727
Transportation	4,090		110,727	114,817
Contracted Services	2,141	178,928	42,697	223,766
Lab Tests			6,305	6,305
Insurance	6,444	19,226		25,670
Direct Administration - Plant			101,546	101,546
Indirect Administration		30,599	1,046,969	1,077,568
Depreciation Expense	196,446	759,818	2,767,353	3,723,617
Amortization - Closure/Post Closure Costs		230,301		230,301
Amortization - Other		10,542		10,542
Bad Debt Expense		340	5,000	5,340
Other	10,078	87,558		97,636
Total Operating Expenses	\$ 475,059	\$ 2,407,389	\$ 7,156,009	\$ 10,038,457
NET OPERATING LOSS	\$ (247,317)	\$ (1,236,395)	\$ (3,077,098)	\$ (4,560,810)
NON-OPERATING REVENUES (EXPENSES):				
Tap Fees - Capital Revenue	\$	\$	\$ 251,969	\$ 251,969
Intergovernmental		1,107		1,107
Interest Income		42,428	137,543	179,971
Ad Valorem Tax		1,728,789	318,660	2,047,449
Sale of Assets	400	15,772	(9,499)	6,673
Interest Expense		(153,522)	(876,917)	(1,030,439)
Asset Management Fees		(6,750)		(6,750)
Net Other Revenues (Expenses)	\$ 400	\$ 1,627,824	\$ (178,244)	\$ 1,449,980
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS/ TRANSFERS	\$ (246,917)	\$ 391,429	\$ (3,255,342)	\$ (3,110,830)

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2009

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Total</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS/TRANSFERS				
Balances Brought Forward	\$ (246,917)	\$ 391,429	\$ (3,255,342)	\$ (3,110,830)
CAPITAL CONTRIBUTIONS/TRANSFERS				
Capital Contributions (to) from				
Federal	1,133,902			1,133,902
State	79,409			79,409
Primary Government	492,546			492,546
Transfers between Proprietary Funds	2,390		(2,390)	0
Transfers from Primary Government	50,469			50,469
NET INCREASE (DECREASE) IN NET ASSETS	\$ 1,511,799	\$ 391,429	\$ (3,257,732)	\$ (1,354,504)
NET ASSETS - BEGINNING OF YEAR	\$ 15,994,621	\$ 1,332,291	\$ 34,900,937	\$ 52,227,849
NET ASSETS - END OF YEAR	\$ 17,506,420	\$ 1,723,720	\$ 31,643,205	\$ 50,873,345

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, 2009

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 233,511	\$ 1,193,817	\$ 4,060,433	\$ 5,487,761
Cash Paid to Suppliers	(148,498)	(437,256)	(3,432,163)	(4,017,917)
Cash Paid to Employees and for Employee Benefits	(116,201)	(936,245)	(1,577,703)	(2,630,149)
Net Cash Used In Operating Activities	\$ (31,188)	\$ (179,684)	\$ (949,433)	\$ (1,160,305)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfer From Primary Government	\$ 50,469	\$	\$	\$ 50,469
Intergovernmental Operating Grants		2,715		2,715
Increase/(Decrease) in Amounts Due to General Fund	(1,244,246)		21,505	(1,222,741)
Increase in Amounts Due from General Fund		(777,323)		(2,000,064)
Net Cash Provided By/(Used In) Non-Capital Financing Activities	\$ (1,193,777)	\$ (774,608)	\$ 21,505	\$ (3,169,621)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from Long-Term Debt	\$	\$	\$	\$ 0
Capital Contributions	2,930,421		375,129	3,305,550
Decrease In Restricted Notes Receivable			18,923	18,923
Proceeds from Tap Fees			251,969	251,969
Ad Valorem Taxes and Other Assessments Collected		1,714,531	303,685	2,018,216
Payment of Expenses Related to Landfill Closure		(59,233)		(59,233)
Acquisition and Construction of Capital Assets	(1,705,856)	(64,659)	(2,938,344)	(4,708,859)
Principal Paid on Long-Term Debt		(466,960)	(376,803)	(843,763)
Interest Paid on Long-Term Debt		(162,735)	(878,514)	(1,041,249)
Proceeds from Disposition of Capital Assets	400	24,001	13,875	38,276
Net Cash Provided By/(Used In) Capital and Related Financing Activities	\$ 1,224,965	\$ 984,945	\$ (3,230,080)	\$ (1,020,170)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Income	\$	\$ 42,428	\$ 137,543	\$ 179,971
Asset Management Fees		(6,750)		(6,750)
Net Cash Provided By Investing Activities	\$ 0	\$ 35,678	\$ 137,543	\$ 173,221
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
	\$ 0	\$ 66,331	\$ (4,020,465)	\$ (3,954,134)
Cash and Cash Equivalents, Beginning of Year	100	2,374,562	10,688,623	13,063,285
CASH AND CASH EQUIVALENTS, End of Year	\$ 100	\$ 2,440,893	\$ 6,668,158	\$ 9,109,151

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended June 30, 2009

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Total
Reconciliation of Operating Loss to Net				
Cash Used In Operating Activities:				
Operating Loss	\$ (247,317)	\$ (1,236,395)	\$ (3,077,098)	\$ (4,560,810)
Adjustments to Reconcile Operating Loss to Net				
Cash Used In Operating Activities:				
Depreciation and Amortization	196,446	1,000,661	2,767,353	3,964,460
Changes in Current Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	2,964	22,823	(18,478)	7,309
(Increase) Decrease in Inventories	19,241		(60,276)	(41,035)
(Increase) Decrease in Prepaid Expenses	(3,150)	9,005	17,335	23,190
Increase (Decrease) in Accounts Payable	(1,213)	55,250	(541,710)	(487,673)
Decrease in Due to Other Governments			(2,425)	(2,425)
Increase in Deferred Revenue	2,805			2,805
Decrease in Compensated Absences	(964)	(31,028)	(34,134)	(66,126)
	<u>(964)</u>	<u>(31,028)</u>	<u>(34,134)</u>	<u>(66,126)</u>
Net Cash Used In Operating Activities	<u>\$ (31,188)</u>	<u>\$ (179,684)</u>	<u>\$ (949,433)</u>	<u>\$ (1,160,305)</u>

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Net Assets
Fiduciary Funds
June 30, 2009

	<u>Benefit Plan Trust Funds</u>
ASSETS:	
Cash and Cash Equivalents	\$ 2,080,481
Investments:	
Certificates of Deposit	\$ 155,000
Fixed Income Securities	4,311,220
Mutual Funds	3,481,811
Equity Securities	2,063,316
Total Investments	<u>\$ 10,011,347</u>
Interest Receivable	<u>\$ 70,390</u>
TOTAL ASSETS	<u>\$ 12,162,218</u>
LIABILITIES	<u>0</u>
NET ASSETS:	
Held in Trust for Retirement Benefits and OPEB	<u><u>\$ 12,162,218</u></u>

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Changes in Net Assets
Fiduciary Funds
For the Year Ended June 30, 2009

	<u>Benefit Plan Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 2,210,813
Plan Members	428,303
Total Contributions	<u>\$ 2,639,116</u>
Investment Earnings:	
Net Decrease in Fair Value of Investments	\$ (1,591,122)
Realized Losses on Investments	(324,616)
Interest and Dividends	385,808
Investment Activity Expense	(64,533)
Total Net Investment Earnings (Loss)	<u>\$ (1,594,463)</u>
Total Additions	<u>\$ 1,044,653</u>
DEDUCTIONS	
Benefits	\$ 177,410
Administrative	29,402
Total Deductions	<u>\$ 206,812</u>
Change In Net Assets	\$ 837,841
Net Assets - Beginning of Year	<u>11,324,377</u>
Net Assets - End of Year	<u><u>\$ 12,162,218</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, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

**Notes to Financial Statements
June 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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

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

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

Garrett County Public Schools 40 South Second Street Oakland, MD 21550	Garrett College 687 Mosser Road McHenry, MD 21541	Ruth Enlow Library 6 North Second Street Oakland, MD 21550
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The accompanying financial statements do not include the activities of the Liquor Control Board of Garrett County. However, these financial statements do include governmental activities revenues in the government-wide financial statements and general fund revenues in the governmental funds financial statements in the amount of \$104,781, 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, 2009. Total assets of the Liquor Control Board as of June 30, 2009 are \$110,716.

B. Government-Wide and Fund Financial Statements

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

THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND

Notes to Financial Statements
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

**Notes to Financial Statements
June 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The County reports the following major governmental funds:

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

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

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

The County reports the following major proprietary funds:

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

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

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

Additionally, the County reports the following additional fund types:

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

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

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

**Notes to Financial Statements
June 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

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

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

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

**Notes to Financial Statements
June 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Receivables and Payables – In order to maximize investment earnings and for efficient operation of the accounting system, substantially all receipts and disbursements of the primary government, excluding the Garrett County Sanitary District, Inc. (reported as a blended component unit), are accounted for in one bank account. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” or “due to/from primary government”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”. All trade and property tax receivables are reported net of an allowance for doubtful accounts. The allowance for doubtful accounts recorded in the general fund and netted against taxes receivable was \$100,000 as of June 30, 2009. 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, 2009.

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

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

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

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

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

Restricted Assets – The governmental activities column of the government-wide and governmental funds financial statements include restricted cash of \$82,200 which represents general fund and special revenue funds' cash balances related to public safety narcotics task force and search and seizure operations.

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

**Notes to Financial Statements
June 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Restricted receivables of \$4,520,836 reflect amounts owed by Garrett County Memorial Hospital to the County under prior loan agreements related to the Garrett County Memorial Hospital Refunding Bond of 1997 as well as receivable amounts related to the 2004 and 2007 Hospital Refinancing Bonds. Amounts receivable are to be collected through June 30, 2037.

Restricted assets reported in the business-type activities column of the government-wide and proprietary fund financial statements consist of restricted cash of the Solid Waste Fund, including, \$1,216,865 restricted for closure and post-closure activities; \$7,309 of unexpended bond proceeds restricted for future construction; and \$1,009,071 restricted for debt service payments.

Restricted assets attributable to the Garrett County Sanitary District, Inc. of \$7,273,324 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 \$133,729 were capitalized as part of the cost of capital assets under construction in connection with wastewater treatment facilities projects.

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

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

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

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

Notes to Financial Statements
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Compensated Absences - Permanent full-time employees of the primary government and its component units are granted vacation benefits in varying amounts. Sick leave, holiday leave and compensatory leave accrue to permanent full-time employees up to specified maximums. After one year of service, employees of the primary government are entitled to carry over sick leave, compensatory leave and holiday leave up to specified amounts to be used in subsequent years. During the year ended June 30, 2009 the County changed its vacation leave policy capping leave banks for existing employees at the vacation balance that existed on October 1, 2008 and disallowing the carry forward of any future unused vacation leave. Accrued vacation, holiday leave, sick leave, and compensatory leave vest and are payable when the employee separates from service with the County. Upon separation from service for retirement or death only, up to 75 days of sick leave is reimbursed to the retiring employee or the employee's dependents. Compensatory leave benefits can be carried over to the subsequent year in varying amounts up to a maximum of 240 hours for hourly employees, 480 hours for public safety employees, and 100 hours for all other government employees.

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

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

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

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

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

**Notes to Financial Statements
June 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

E. Use of Estimates

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

F. Budgets and Budgetary Accounting

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

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

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

**Notes to Financial Statements
June 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgets and Budgetary Accounting (Continued)

The annual budget is adopted on a basis consistent with generally accepted accounting principles (GAAP) except that real property taxes are budgeted as estimated revenues when levied. All budgetary comparisons presented in this report are on this non-GAAP budgetary basis. The budgeted amounts are reported as originally adopted on June 3, 2008, by the County Commissioners and as finally amended.

NOTE 2 - CASH AND INVESTMENTS

The following is a reconciliation of cash and cash equivalents and investments of the Primary Government as of June 30, 2009 to the statement of net assets:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Cash and Cash Equivalents	\$ 14,264,051	\$ 267,535	\$ 14,531,586	\$
Restricted Cash	82,200	8,841,616	8,923,816	2,080,481
Investments	6,500,000		6,500,000	
Restricted Investments				10,011,347
Total	<u>\$ 20,846,251</u>	<u>\$ 9,109,151</u>	<u>\$ 29,955,402</u>	<u>\$ 12,091,828</u>

Deposit and Investment Summary

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Deposits	\$ 11,783,504	\$ 9,083,417	\$ 20,866,921	\$ 2,080,481
Repurchase Agreements	2,561,422	24,984	2,586,406	
Certificates of Deposit	6,500,000		6,500,000	155,000
U.S. Government Obligations				1,650,708
Fixed Income Securities				2,660,512
Equity Securities				2,063,316
Money Market Mutual Funds				3,481,811
Cash on Hand	1,325	750	2,075	
Total	<u>\$ 20,846,251</u>	<u>\$ 9,109,151</u>	<u>\$ 29,955,402</u>	<u>\$ 12,091,828</u>

Deposits

At year end, the carrying amount of the primary government's deposits including certificates of deposit was \$27,366,921 and the bank balance of collected funds was \$27,358,046. Of the bank balance \$3,507,520 was insured by the Federal Deposit Insurance Corporation (FDIC), \$22,633,661 was collateralized by securities held by the County's agent in the County's name and \$1,216,865 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.

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

**Notes to Financial Statements
June 30, 2009**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Deposits (Continued)

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, 2009 was \$27,025,049.

The Government Personnel Retirement, Law Enforcement Employee Retirement and Other Post Employment Benefit Plans (Fiduciary Funds) deposits including certificates of deposits of \$155,000 were insured by the FDIC at year end. The remaining deposits of \$2,080,481 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, 2009, the County held repurchase agreements with a carrying amount of \$2,586,406 and a bank balance of \$4,590,444. The bank balance was held at various interest rates and collateralized by U.S government agency securities with a market value of \$4,684,404.

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

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

**Notes to Financial Statements
June 30, 2009**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investments (Continued)

exceeding three years in the instance that such investments are made with maturity dates coinciding with the expected need for the related funds.

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

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

As of June 30, 2009, 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 \$9,856,347 at June 30, 2009, were exposed to custodial credit risk as they were uninsured and held by the counterparty's trust department but not in the name of the County.

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

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

**Notes to Financial Statements
June 30, 2009**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investments (Continued)

The investments of the Fiduciary Funds included debt securities having the following ratings as of June 30, 2009:

<u>Security Ratings</u>	<u>Market Value</u> <u>6/30/09</u>
AA2	\$ 641,659
BAA1	112,028
AA3	143,418
BAA3	186,602
A1	277,080
A2	681,947
BAA2	312,594
A3	204,802
AA1	40,549
WR	<u>59,833</u>
Total Market Value	<u>\$ 2,660,512</u>

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

<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Market Value</u> <u>6/30/09</u>
2010	4.00 – 5.40%	\$ 90,960
2011	5.00%	47,042
2012	4.25 – 6.13%	31,762
2013	No Maturities	0
2014	4.00 – 5.80%	123,204
2015-2019	5.00 – 6.40%	1,233,227
2020-2024	4.01 – 6.38%	1,862,542
2025-2029	4.07 – 7.25%	857,652
2030-2034	6.30 – 6.95%	<u>64,831</u>
Total Market Value		<u>\$ 4,311,220</u>

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

**Notes to Financial Statements
June 30, 2009**

NOTE 3 - DEBT SERVICE FUND

The County issued Hospital Refunding Bonds of 1997. According to the terms of the bonds, the County entered into an agreement with Garrett County Memorial Hospital under which the Hospital will make payments to the County sufficient to provide for the payment of principal and interest on the bonds when due. The total obligation of the 1997 Bonds at an average interest rate of 4.97% consist of \$4,275,000 principal and \$1,786,410 interest payable from 1998 through 2010. The outstanding balance due the County at June 30, 2009 is \$450,000.

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

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

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 561,811	\$ 189,626	\$ 751,437
2011	116,488	161,548	278,036
2012	121,361	156,675	278,036
2013	126,438	151,598	278,036
2014	131,727	146,309	278,036
2015-2037	<u>3,463,011</u>	<u>1,631,781</u>	<u>5,094,792</u>
Total	<u>\$ 4,520,836</u>	<u>\$ 2,437,537</u>	<u>\$ 6,958,373</u>

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

**Notes to Financial Statements
June 30, 2009**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the Primary Government for the fiscal year ended June 30, 2009 was as follows:

	<u>Balance as of June 30, 2008</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance as of June 30, 2009</u>
<u>Governmental Activities</u>				
Capital assets, not depreciated				
Land and easments	\$ 7,465,541	\$	\$ (38,162)	\$ 7,427,379
Construction in progress	5,948,285	3,859,183	(8,307,732)	1,499,736
Total capital assets, not depreciated	<u>\$ 13,413,826</u>	<u>\$ 3,859,183</u>	<u>\$ (8,345,894)</u>	<u>\$ 8,927,115</u>
Capital assets, being depreciated				
Land improvements	\$ 168,213	\$ 33,471	\$ 770,373	\$ 972,057
Buildings	20,168,569		2,611,188	22,779,757
Machinery & equipment	797,897	6,678	399,098	1,203,673
Vehicles	11,900,973	545,652	(387,804)	12,058,821
Furniture & equipment	1,426,684	74,918	41,757	1,543,359
Infrastructure	56,790,391	3,619,178	3,104,601	63,514,170
Total capital assets, being depreciated	<u>\$ 91,252,727</u>	<u>\$ 4,279,897</u>	<u>\$ 6,539,213</u>	<u>\$ 102,071,837</u>
Less accumulated depreciation for:				
Land improvements	\$ (29,808)	\$ (7,853)	\$	\$ (37,661)
Buildings	(7,596,504)	(551,693)	3,798	(8,144,399)
Machinery & equipment	(329,970)	(78,795)	69,854	(338,911)
Vehicles	(10,112,173)	(715,467)	387,804	(10,439,836)
Furniture & equipment	(486,154)	(150,229)	17,500	(618,883)
Infrastructure	(26,787,157)	(4,606,386)	4,125	(31,389,418)
Total accumulated depreciation	<u>\$ (45,341,766)</u>	<u>\$ (6,110,423)</u>	<u>\$ 483,081</u>	<u>\$ (50,969,108)</u>
Total capital assets, being depreciated, net	<u>\$ 45,910,961</u>	<u>\$ (1,830,526)</u>	<u>\$ 7,022,294</u>	<u>\$ 51,102,729</u>
Governmental activities capital assets, net	<u>\$ 59,324,787</u>	<u>\$ 2,028,657</u>	<u>\$ (1,323,600)</u>	<u>\$ 60,029,844</u>

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

Governmental activities:	
General Government	\$ 66,862
Public Works	5,171,145
Public Safety	315,180
Economic Development	102,322
Unallocated	454,914
Total depreciation expense - governmental activities	<u>\$ 6,110,423</u>

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

**Notes to Financial Statements
June 30, 2009**

NOTE 4 – CAPITAL ASSETS (Continued)

	Balance June 30, 2008	Additions	Transfers and Retirements	Balance June 30, 2009
<u>Business-type activities</u>				
Capital assets, not depreciated				
Land and easments	\$ 1,787,826	\$	\$ (3,501)	\$ 1,784,325
Construction in progress	16,583,906	3,957,436	(905,648)	19,635,694
Total capital assets, not depreciated	<u>\$ 18,371,732</u>	<u>\$ 3,957,436</u>	<u>\$ (909,149)</u>	<u>\$ 21,420,019</u>
Capital assets, being depreciated				
Land improvements	\$ 9,505,422	\$ 34,094	\$ (1,141)	\$ 9,538,375
Buildings	1,094,829	420,495	(10,826)	1,504,498
Machinery & equipment	1,691,235	176,889	(188,794)	1,679,330
Vehicles	1,703,155	92,198	(113,370)	1,681,983
Infrastructure			889,428	889,428
Furniture & equipment	27,788		(1,970)	25,818
Water facilities	17,384,545	7,212	(102,879)	17,288,878
Sewer facilities	68,572,006		(40,437)	68,531,569
Total capital assets, being depreciated	<u>\$ 99,978,980</u>	<u>\$ 730,888</u>	<u>\$ 430,011</u>	<u>\$ 101,139,879</u>
Less accumulated depreciation for:				
Land improvements	\$ (5,859,214)	\$ (700,987)	\$ 532	\$ (6,559,669)
Buildings	(62,751)	(35,770)	4,907	(93,614)
Machinery & equipment	(873,128)	(155,042)	186,267	(841,903)
Vehicles	(1,232,740)	(211,904)	113,337	(1,331,307)
Infrastructure		(22,236)		(22,236)
Furniture & equipment	(21,692)	(1,925)	1,970	(21,647)
Water facilities	(7,029,078)	(518,106)	96,141	(7,451,043)
Sewer facilities	(31,579,022)	(2,077,647)	28,257	(33,628,412)
Total accumulated depreciation	<u>\$ (46,657,625)</u>	<u>\$ (3,723,617)</u>	<u>\$ 431,411</u>	<u>\$ (49,949,831)</u>
Total capital assets, being depreciated, net	<u>\$ 53,321,355</u>	<u>\$ (2,992,729)</u>	<u>\$ 861,422</u>	<u>\$ 51,190,048</u>
Business-type activities capital assets, net	<u>\$ 71,693,087</u>	<u>\$ 964,707</u>	<u>\$ (47,727)</u>	<u>\$ 72,610,067</u>

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

Business-type activities	
Airport	\$ 196,446
Solid Waste	759,818
Sanitary District	2,767,353
Total depreciation expense - business-type activities	<u>\$ 3,723,617</u>

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

**Notes to Financial Statements
June 30, 2009**

NOTE 4 – CAPITAL ASSETS (Continued)

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

	<u>Project Authorization</u>	<u>CIP as of June 30, 2009</u>	<u>Remaining Commitment</u>
<u>Governmental Activities</u>			
Public Works	\$ 7,110,110	\$ 807,260	\$ 6,302,850
Economic Development	6,335,286	692,476	5,642,810
Total governmental activities	<u>\$ 13,445,396</u>	<u>\$ 1,499,736</u>	<u>\$ 11,945,660</u>
<u>Business-type Activities</u>			
Airport Runway Extension	\$ 14,779,096	\$ 14,184,043	\$ 595,053
Landfill Land Clearing Debris Cell	35,491	30,565	4,926
Keysers Ridge Water Holding Tank	25,869	25,869	0
Crellin Water Improvement	346,580	96,080	250,500
McHenry Water System	5,804,152	1,804,152	4,000,000
Keysers Ridge Water	56,762	56,762	0
Deep Creek Lake Collection & Conveyance	6,057,171	712,671	5,344,500
Mountain Lake Park Water	1,442,764	467,764	975,000
Friendsville Sewer	1,176,113	156,113	1,020,000
Maintenance Warehouse	1,917,374	1,917,374	0
Thayerville Water	7,424,303	174,303	7,250,000
Business Park Water	5,718	5,718	0
Business Park Sewer	4,280	4,280	0
Total business-type activities	<u>\$ 39,075,673</u>	<u>\$ 19,635,694</u>	<u>\$ 19,439,979</u>

NOTE 5 – INTERNAL AND INTERFUND BALANCES AND ACTIVITY

Interfund transfers between the General Fund and the Capital Projects Fund of \$3,247,154 represent funding for construction projects. Interfund transfers between the General Fund and the Airport Fund of \$543,015 consisted of \$50,469 for operating subsidy and \$492,546 local match for the runway extension project. Interfund transfers between the Airport and the Sanitary District represent the net book value of fixed assets transferred between the funds.

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 \$721,453 within the government-wide financial statements.

Interfund balances between the General Fund and the proprietary funds are comprised of amounts due from the Airport Fund for construction project advances and amounts due to the Solid Waste Fund for Ad Valorem Taxes levied on their behalf. The amounts due to the Solid Waste Fund are not expected to be repaid by the General Fund within one year.

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

**Notes to Financial Statements
June 30, 2009**

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

Interfund receivables and payables between the primary government and its component units for the year ended June 30, 2009, consisted of \$2,136,599 due to the Board of Education, \$27,279 due to Garrett College and \$18,034 due to the Ruth Enlow Library.

Interfund receivables and payables within the primary government at June 30, 2009 are as follows:

	Due From	Due To
General Fund:		
Capital Projects Fund	\$	\$ 473,832
Special Revenue Funds:		
508 Program		123,118
DARE Program		694
Commissary		79,462
Law Library		44,347
Proprietary Funds:		
Airport Fund	282,612	
Sanitary District	21,505	14,661
Solid Waste Fund		1,937,429
Total General Fund	\$ 304,117	\$ 2,673,543
Capital Projects Funds:		
General Fund	\$ 473,832	\$ 0
Special Revenue Funds:		
General Fund:		
508 Program	\$ 123,118	\$
DARE Program	694	
Commissary	79,462	
Law Library	44,347	
Total Special Revenue Funds	\$ 247,621	\$ 0
Total Governmental Funds	\$ 1,025,570	\$ 2,673,543
Proprietary Funds:		
General Fund - Airport	\$	\$ 282,612
General Fund - Solid Waste	1,937,429	
General Fund - Sanitary District	14,661	21,505
Total Proprietary Funds	\$ 1,952,090	\$ 304,117
Total Primary Government	\$ 2,977,660	\$ 2,977,660

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

**Notes to Financial Statements
June 30, 2009**

NOTE 6 - LONG-TERM DEBT

The following is a summary of debt transactions of the County for the fiscal year ended June 30, 2009:

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Principal Repayments</u>	<u>Balance June 30, 2009</u>	<u>Due Within One Year</u>
Governmental activities:					
<u>General Fund</u>					
General Obligation Bonds	\$ 9,353,994	\$	\$ (2,888,158)	\$ 6,465,836	\$ 791,810
Compensated Absences	1,395,254	91,118	(142,802)	1,343,570	142,207
Net OPEB Obligation		57,119		57,119	
Governmental activities Long-term liabilities	<u>\$ 10,749,248</u>	<u>\$ 148,237</u>	<u>\$ (3,030,960)</u>	<u>\$ 7,866,525</u>	<u>\$ 934,017</u>
Business-type activities:					
<u>Solid Waste Fund</u>					
Bonds Payable	\$ 3,558,996	\$	\$ (466,960)	\$ 3,092,036	\$ 485,335
<u>Garrett County Sanitary District</u>					
Bonds and Loans Payable	28,247,304		(376,803)	27,870,501	477,095
Subtotal	<u>\$ 31,806,300</u>	<u>\$ 0</u>	<u>\$ (843,763)</u>	<u>\$ 30,962,537</u>	<u>\$ 962,430</u>
Landfill closure/post-closure Compensated Absences	<u>\$ 2,957,178</u>	<u>\$ 230,301</u>	<u>\$ (75,453)</u>	<u>\$ 3,112,026</u>	<u>\$ 432,844</u>
Airport	\$ 7,860	\$	\$ (964)	\$ 6,896	\$
Solid Waste Fund	108,834		(31,028)	77,806	
G.C. Sanitary District	147,532		(34,134)	113,398	
	<u>\$ 264,226</u>	<u>\$ 0</u>	<u>\$ (66,126)</u>	<u>\$ 198,100</u>	<u>\$ 0</u>
Business-type activities Long-term liabilities	<u>\$ 35,027,704</u>	<u>\$ 230,301</u>	<u>\$ (985,342)</u>	<u>\$ 34,272,663</u>	<u>\$ 1,395,274</u>

Prior Year Defeasance of Debt

In prior years, the County defeased certain hospital bonds by placing the proceeds of the new bonds in an escrow deposit fund between the County and The Bank of New York for all future debt service payments on the old bonds. Accordingly, the escrow deposit fund assets and liabilities for the defeased bonds are not included in the County's financial statements. The outstanding balance of bonds considered defeased at June 30, 2009 is \$860,000.

Interest Expense

Total interest expense of \$1,565,108 incurred by the primary government includes, \$400,940 charged to governmental activities, \$1,030,439 charged to business-type activities, and \$133,729 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, 2009**

NOTE 6 - LONG-TERM DEBT (Continued)

Details of certain long-term debt obligations at June 30, 2009 are as follows:

	<u>Balance June 30, 2009</u>
<u>Governmental Activities:</u>	
<u>General Obligation Bonds</u>	
\$4,000,000 Public Facilities Bonds of 1996 dated May 2, 1996 in \$5,000 denominations at rates from 4.7% to 6.5% payable semi-annually. Maturing May 1, 1997 through May 1, 2016. For public school construction and roads projects capital expenditures.	\$ 1,945,000
<u>Garrett County Hospital Refunding Bonds of 1997</u>	
\$4,275,000 Bonds dated January 28, 1997 in \$5,000 denominations at rates from 4.75% to 5.20% payable semi-annually. Maturing July 1, 1997 through July 1, 2010. Issued to refund the Garrett County Hospital Bonds of 1986. To be repaid from hospital revenues.	450,000
<u>Garrett County Memorial Hospital Refunding Bond, Series 2004</u>	
\$1,400,000 Bonds dated November 19, 2004 are being repaid by semi-annual payments of \$51,718 including interest at a rate of 4.12%, maturing November 19, 2024. Issued to refinance a portion of the Garrett County Memorial Hospital Bonds, Series 2002. To be repaid from hospital revenues.	1,176,289
<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>2,894,547</u>
Total Governmental Activities	<u>\$ 6,465,836</u>

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

**Notes to Financial Statements
June 30, 2009**

NOTE 6 - LONG-TERM DEBT (Continued)

	<u>Balance June 30, 2009</u>
<u>Business-type Activities</u>	
<u>Solid Waste Fund</u>	
\$6,030,000 Garrett County Landfill Project Revenue Bonds, dated June 1, 1993, to fund construction costs of new landfill. Currently payable in monthly installments of \$22,917 plus interest at 5.5% through maturity in 2013.	\$ 2,145,000
Maryland Water Quality Financing Administration Bond dated May 21, 1996. Total authorized of \$1,997,000 of which \$1,970,000 has been advanced to date. Semiannual payments of interest at 3.31%. Principal is payable February 1 of each year through February 1, 2017.	<u>947,036</u>
Total Solid Waste Fund	<u>\$ 3,092,036</u>
<u>Garrett County Sanitary District, Inc.</u>	
\$197,000 Rural Development (Bloomington Water Project), payable in monthly installments of \$964, including interest at 5% through June 2022.	\$ 101,545
\$765,400 Rural Development (Upper Youghiogheny Project), payable in quarterly installments of \$10,337, including interest at 4.5% through November 28, 2035.	623,867
\$875,500 Rural Development (Chestnut Ridge Project), payable in quarterly installments of \$47,316, including interest at 4.5% through April 2, 2036.	736,242
\$104,400 Maryland Department of the Environment (Mt. Lake Park/Powles Addition Water), payable in annual installments of \$6,637 including interest at 4.5% through March 2026.	77,659
\$243,100 Rural Development (Chestnut Ridge Project), payable in quarterly installments of \$13,140, including interest at 4.5% through April 2, 2036.	204,398
\$200,000 GE Capital Asset Management (Friendsville Water), payable in annual installments of varying amounts, including interest at 5% through January 1, 2014.	51,000
\$400,700 Rural Development (Deer Park Sewer), payable in quarterly installments of \$5,414, including interest at 4.5% through December 28, 2038.	346,256

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

**Notes to Financial Statements
June 30, 2009**

NOTE 6 - LONG-TERM DEBT (Continued)

	<u>Balance June 30, 2009</u>
\$1,998,000 Maryland Water Quality Financing (Deep Creek Lake Sewer Extension), payable in annual installments of \$132,748, including semi-annual interest at 2.87% through February 1, 2019.	\$ 613,783
\$425,000 Maryland Water Quality Financing (Deep Creek Lake Septage Facility), payable in annual installments of \$29,641, including semi-annual interest at 3.00% through February 1, 2016.	185,199
\$120,175 State of Maryland (Jennings Sewer Revolving Loan), payable in annual installments of \$7,615, including semi-annual interest at 2.37% through February 1, 2017.	67,093
\$400,550 Maryland Water Quality Financing (Goodwill Mennonite Sewer Project), payable in annual installments of \$10,967, including semi-annual interest at 2.4% through February 1, 2021.	158,500
\$408,000 Rural Development (Meadow Mountain Sewer), payable in quarterly installments of \$5,513, including interest at 4.5% through February 28, 2042.	377,708
\$233,800 Rural Development (McHenry Water - Storage Tank), payable in quarterly installments of \$3,159, including interest at 4.5% through December 2043.	217,839
\$615,911 Rural Development (McHenry Water - Storage Tank), payable in quarterly installments of \$8,321, including interest at 4.5% through December 2043.	573,892
\$564,300 Rural Development (Keyser's Ridge Water Project), payable in quarterly installments of \$7,624, including interest at 4.5% through February 2043.	527,351
\$573,200 Rural Development (Deer Park Water Project), payable in quarterly installments of \$7,744, including interest at 4.5% through October 2043.	534,102
\$260,000 Maryland Water Quality Financing (Deer Park Water), payable in semi-annual installments including interest at .4% through February 2034.	225,902

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

**Notes to Financial Statements
June 30, 2009**

NOTE 6 - LONG-TERM DEBT (Continued)

	<u>Balance June 30, 2009</u>
\$123,913 Maryland Water Quality Financing (Septage Hauling Truck), payable in semi-annual installments including interest at .4% through February 2011.	\$ 41,635
\$115,800 Rural Development (Keyser's Ridge Water Road), payable in quarterly installments of \$1,508, including interest at 4.25% through February 2046.	111,610
\$9,999,999 Rural Development (Deep Creek Lake Wastewater Treatment Plant), payable in quarterly installments of \$127,900, including interest at 4.13% through June 2047.	9,794,511
\$4,617,900 Rural Development (Deep Creek Lake Wastewater Treatment Plant), payable in quarterly installments of \$59,063, including interest at 4.13% through June 2047.	4,523,007
\$982,101 Rural Development (Deep Creek Lake Wastewater Treatment Plant), payable in quarterly installments of \$12,562, including interest at 4.13% through June 2047.	961,912
\$4,500,000 M&T Bank temporary financing (Deep Creek Sewer & McHenry Water Improvements), payable in semi-annual installments of \$72,900, representing interest only at 3.24% through December 2012 at which time loan to be permanently financed.	4,500,000
\$2,400,000 M&T Bank (Department of Public Works Warehouse Project), payable in semi annual 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.	<u>2,315,490</u>
Total Garrett County Sanitary District, Inc.	\$ <u>27,870,501</u>
Total Business-type Activities	\$ <u>30,962,537</u>
Total Primary Government	\$ <u>37,428,373</u>

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

**Notes to Financial Statements
June 30, 2009**

NOTE 6 - LONG-TERM DEBT (Continued)

Maturities of long-term debt are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Governmental Activities:			
2010	\$ 791,810	\$ 281,807	\$ 1,073,617
2011	361,488	240,928	602,416
2012	381,361	223,225	604,586
2013	401,438	203,958	605,396
2014	426,727	182,789	609,516
2015-2019	1,386,051	669,193	2,055,244
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
2035-2037	485,673	31,040	516,713
Total governmental activities	<u>\$ 6,465,836</u>	<u>\$ 2,789,551</u>	<u>\$ 9,255,387</u>
Business-Type Activities:			
2010	\$ 962,430	\$ 1,227,552	\$ 2,189,982
2011	1,008,869	1,185,016	2,193,885
2012	1,029,148	1,140,095	2,169,243
2013	1,157,935	1,087,915	2,245,850
2014	1,300,514	1,040,449	2,340,963
2015-2019	4,052,273	4,683,988	8,736,261
2020-2024	3,819,139	3,964,166	7,783,305
2025-2029	4,399,802	3,161,960	7,561,762
2030-2034	4,086,482	2,324,892	6,411,374
2035-2039	3,290,855	1,582,024	4,872,879
2040-2044	3,606,730	856,373	4,463,103
2045-2049	2,248,360	153,140	2,401,500
Total Business-type activities	<u>\$ 30,962,537</u>	<u>\$ 22,407,570</u>	<u>\$ 53,370,107</u>

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Loan Guarantees

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

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

Notes to Financial Statements

June 30, 2009

NOTE 7 - COMMITMENTS AND CONTINGENCIES (Continued)

Grant and Loan Compliance

The County participates in a number of federal and state assisted programs, principal of which are grants/loans from the Department of Agriculture, Department of Housing and Urban Development, Appalachian Regional Commission, Rural Development, the Department of Transportation and the State of Maryland. These programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures for projects which may be disallowed by the granting/lending agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Lease Commitments – Component Units

Garrett College has entered into a lease with the County for the rental of a student dormitory building, known as “Garrett Hall”. Terms of the lease include monthly rental payments of \$5,396 for a period of 29 years. At the end of the initial term of the lease, the College has the option to extend the lease. Total future minimum payments under the operating lease as of June 30, 2009 are as follows:

Year Ending June 30, 2010	\$ 64,752
June 30, 2011	64,752
June 30, 2012	64,752
June 30, 2013	64,752
June 30, 2014	64,752
Thereafter	<u>1,241,080</u>
Total	<u>\$ 1,564,840</u>

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

NOTE 8 - EMPLOYEES' RETIREMENT PLANS

State Retirement and Pension System of Maryland

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

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

**Notes to Financial Statements
June 30, 2009**

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

State Retirement and Pension System of Maryland (Continued)

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

The State Retirement and Pension System of Maryland is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland and managed by the State Retirement Agency and its board of trustees. The System issues a publicly available annual financial report that includes financial statements and required supplementary information for all of the various employee groups within the State system. The annual report for the year ended June 30, 2008 (most recent available data) may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, MD 21202 or by calling 1-800-492-5909.

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

Contribution rates for employers and other "non-employer" contributing entities are established by annual actuarial valuations using the entry age normal cost method with projection to determine costs. The primary government's employer contribution rates for 2009 were 10.21% for the Employee Retirement System and 5.21% 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, 2009 was \$24,465 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, 2007	\$ 55,731	100%	0
	June 30, 2008	42,134	100%	0
	June 30, 2009	24,465	100%	0

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

**Notes to Financial Statements
June 30, 2009**

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

Law Enforcement Personnel Retirement Plan

The County adopted the Garrett County Law Enforcement Personnel Retirement Plan, a single employer plan, effective July 1, 2002, for all employees classified by the County as the Sheriff, correctional officer, or sworn law-enforcement officer with the Sheriff's Department or Office of the State's Attorney. The Plan provides retirement, disability and death benefits for all eligible employees. Administrative, investment, and member benefit service responsibilities are provided by a Board of Trustees. The actuarial valuation report as of July 1, 2009 (most recent available data) may be obtained from the County Commissioners of Garrett County, Maryland.

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

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

Contributions to the Plan were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of July 1, 2008. Participant contributions are included in the plan assets and are 100% vested with the employee. These contribution rates are sufficient to fund normal costs and amortize the unfunded actuarial accrued liability as a level percentage of payroll. Upon termination of employment, a participant may elect to receive a refund of contributions.

Contribution rates as a percentage of covered payroll during fiscal year 2009 are as follows:

<u>Employee Rate</u>	<u>Employer Rate</u>
7.50%	12.73%

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 \$446,967. Based on recommendations from the County's actuary, the actual employer contribution for fiscal year 2009 was \$291,444. Actual participant contributions for fiscal year 2009 were \$172,032. There was no NPO outstanding at June 30, 2009.

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

**Notes to Financial Statements
June 30, 2009**

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

Law Enforcement Personnel Retirement Plan (Continued)

Three Year Trend Information - Law Enforcement Personnel Retirement Plan

<u>Entity</u>	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Primary Government - County	June 30, 2007	\$ 221,442	100%	0
	June 30, 2008	227,196	100%	0
	June 30, 2009	446,967	100%	0

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

The actuarial method used to determine costs of the Plan is the entry age normal cost method. The asset valuation method used to value Plan assets is market value. Significant assumptions used to compute the actuarially determined contribution requirements as of July 1, 2009, the most recent actuarial valuation date, are as follows:

- a) A rate of return on investments of 6-8% compounded annually.
- b) Projected salary increases of 0% compounded annually.
- c) Rates of mortality are based on 1971 GAM.

Government Personnel Retirement Plan

The County has 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, 2009 (most recent available data) may be obtained from the County Commissioners of Garrett County, Maryland.

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

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

**Notes to Financial Statements
June 30, 2009**

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

Government Personnel Retirement Plan (Continued)

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

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

Contributions to the Plan were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of July 1, 2008. Participant contributions are included in the plan assets and are 100% vested with the employee. These contribution rates are sufficient to fund normal costs and amortize the unfunded actuarial accrued liability as a level percentage of payroll. Upon termination of employment, a participant may elect to receive a refund of contributions.

Contribution rates as a percentage of covered payroll during fiscal year 2009 are as follows:

<u>Employee Rate</u>	<u>Employer Rate</u>
2.28%	9.88%

Annual pension costs (APC) are the actuarially required employer contribution to the pension plan. The net pension obligation (NPO) represents the difference between the APC and the actual employer contributions. The APC was \$1,262,159. Based on recommendations from the County's actuary, the actual employer contribution for fiscal year 2009 was \$1,083,369. Actual participant contributions for fiscal year 2009 were \$256,271. There was no NPO outstanding at June 30, 2009.

Three Year Trend Information - Government Personnel Retirement Plan

<u>Entity</u>	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Primary Government - County	June 30, 2007	\$ 1,020,646	100%	0
	June 30, 2008	1,093,329	100%	0
	June 30, 2009	1,262,159	100%	0

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

**Notes to Financial Statements
June 30, 2009**

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

Government Personnel Retirement Plan (Continued)

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

The actuarial method used to determine costs of the Plan is the projected unit credit method. The asset valuation method used to value Plan assets is market value. Significant assumptions used to compute the actuarially determined contribution requirements as of July 1, 2009, the most recent actuarial valuation date, are as follows:

- a) A rate of return on investments of 6-8% compounded annually.
- b) Projected salary increases of 0% compounded annually.
- c) Rates of mortality are based on RP-2000; 2 year set forward.

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, 2009 the County contributed \$235,589 or 2.42 percent of earned compensation. Covered payroll approximated \$9,735,088. County contribution amounts included contributions made on behalf of the employees of Garrett County Sanitary District, Inc. in the amount of \$27,760 on covered payroll of approximately \$1,147,127.

NOTE 9 - DEFERRED COMPENSATION

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

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

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

**Notes to Financial Statements
June 30, 2009**

NOTE 9 - DEFERRED COMPENSATION (Continued)

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS 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 prefund 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 also may require retirees to make greater contributions to the funding of their benefits. The Board of Commissioners makes the annual determination as to the extent to which the net OPEB obligation will be funded 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 based on the census data provided to the actuary for the July 1, 2008 valuation:

Retirees Receiving Benefits	187
Terminated Plan Members Entities to But Not Yet Receiving Benefits	N/A
Active Plan Members	993

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, 2009, the County made total prefunding contributions to the OPEB Trust in the amount of \$836,000. The County's 2009 prefunding contribution was comprised of \$120,000, \$613,000 and \$103,000 to fund future OPEB benefits for the employees of the primary government, The Board of Education of Garrett County and Garrett College, respectively. 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.

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

**Notes to Financial Statements
June 30, 2009**

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(Continued)

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

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

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

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

Currently, 105 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, 2009, County expenditures of approximately \$440,336 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 implemented the provisions of GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, prospectively in the current year.

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

**Notes to Financial Statements
June 30, 2009**

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(Continued)

Annual OPEB Cost and Net OPEB Obligation – Primary Government (Continued)

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, 2009, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Components of Net OPEB Obligation - Primary Government

Annual Required Contribution	\$	1,008,025
Interest on Net OPEB Obligation		0
Adjustment to Annual Required Contribution		<u>0</u>
Annual OPEB Cost (Expense)	\$	1,008,025
Contributions Made		<u>(950,906)</u>
Increase in Net OPEB Obligation	\$	<u>57,119</u>
Net OPEB Obligation (Beginning of Year)		0
Net OPEB Obligation (End of Year)	\$	57,119

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

Fiscal Year <u>Ended</u>	<u>Annual OPEB Cost</u>	<u>OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 1,008,025	94.3%	\$ 57,119

Actuarial Methods and Assumptions – Primary Government

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

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

**Notes to Financial Statements
June 30, 2009**

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(Continued)

Actuarial Methods and Assumptions – Primary Government (Continued)

In the July 1, 2008, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after three years.

The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement plan asset returns. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period as of June 30, 2009, was twenty-nine years.

Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2008
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	7 %
Discount Rate	7 %
Salary Scale	2.5 % per year under discount rate
Healthcare Cost Trend Rates	8 % initially, decreasing linearly each year to an ultimate annual increase rate of 5 %
Retirement Age:	
Non-Law Enforcement	5 % probability of retirement
Age 55+ & 10+ years of service	80 % probability of electing coverage
Non-Law Enforcement	100 % probability of retirement
Age 55+ & 30+ years of service	80 % probability of electing coverage
Non-Law Enforcement	50 % probability of retirement
Age 62	80 % probability of electing coverage
Non-Law Enforcement	100 % probability of retirement
Age 65+	80 % probability of electing coverage
Law Enforcement	100 % probability of retirement
Age 40+ & 25+ years of service	80 % probability of electing coverage
Non-Law Enforcement	100 % probability of retirement
Age 51+	80 % probability of electing coverage

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

**Notes to Financial Statements
June 30, 2009**

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(Continued)

Funded Status and Funding Progress – Primary Government

As of July 1, 2008, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$11,590,370, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,590,370. The covered payroll (annual payroll of active employees covered by the plan) was \$14,591,245, and the ratio of the UAAL to the covered payroll was 79%.

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

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

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

The Solid Waste Fund has recorded a landfill closure and post-closure care liability of \$3,112,026 as of June 30, 2009, representing the cumulative operating expenses reported to date based on the Round Glade landfill at full capacity (\$851,959) and the new landfill at 40% of its estimated capacity (\$2,260,067). The County will recognize the balance of estimated closure and post-closure costs of approximately \$2,838,214 over the remaining useful life of the new landfill, which approximates 18 years. These amounts are based on the County's engineer estimates of costs to perform all closure and post-closure care activities as of 2009. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

Notes to Financial Statements

June 30, 2009

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

The County has established a landfill closure fund through Maryland Environmental Services to provide funds to pay the above closure and post-closure costs. The balance of these restricted cash assets at June 30, 2008 was \$1,216,865.

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, 2009, which satisfies the financial assurance provisions of the Act.

NOTE 12 - DEFERRED REVENUE

During the year ended June 30, 2009 the County transferred 37 acres of land to the American Woodmark Corporation in exchange for a long-term note receivable in the amount of \$1,290,555. The terms of the loan agreement contain provisions whereby all or some portion of the loan may be forgiven should American Woodmark meet certain jobs creation and project expenditure targets within time frames prescribed in the loan agreement. The gain on the sale of the land was deferred and is reported in the government-wide statement of net assets in the amount of \$1,254,877.

NOTE 13 - RISK MANAGEMENT

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

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

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

Notes to Financial Statements

June 30, 2009

NOTE 14 - FUNDEQUITY

A summary of fund balances as of June 30, 2009 is as follows:

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Reserved For:			
Agricultural land preservation	\$ 200,525	\$	\$ 200,525
Inventory	559,046		559,046
Capital projects fund		2,341,367	2,341,367
Special revenue funds		199,297	199,297
Total reserved fund balance	<u>\$ 759,571</u>	<u>\$ 2,540,664</u>	<u>\$ 3,300,235</u>
	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Unreserved - Designated For:			
Capital projects:			
Garrett College	\$ 7,500,000	\$	\$ 7,500,000
Board of Education	452,013		452,013
Public Works	1,110,828		1,110,828
General Government	25,000		25,000
Economic Development	2,308,231		2,308,231
Capital projects subtotal	<u>\$ 11,396,072</u>	<u>\$ 0</u>	<u>\$ 11,396,072</u>
Subsequent year budget	4,362,010		4,362,010
Total designated fund balance	<u>\$ 15,758,082</u>	<u>\$ 0</u>	<u>\$ 15,758,082</u>
Unreserved - Undesignated	<u>\$ 2,808,113</u>	<u>\$ 0</u>	<u>\$ 2,808,113</u>
Total fund balance	<u>\$ 19,325,766</u>	<u>\$ 2,540,664</u>	<u>\$ 21,866,430</u>

Business-type Activities Solid Waste Fund

Debt service reserves of \$498,338 established at the time of bond issuance are reported as an increase to investment in capital assets net of related debt. Cumulative deposits for current debt service payments on the outstanding bonds of \$510,733 are reported as net assets restricted for debt service.

NOTE 15 - BUDGETARY BASIS RECONCILIATION - GENERAL FUND

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

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

**Notes to Financial Statements
June 30, 2009**

NOTE 15 - BUDGETARY BASIS RECONCILIATION - GENERAL FUND (Continued)

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

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Effect on Fund Balance</u>
As Reported on Budget Basis	\$ 72,169,071	\$ 77,551,145	\$ (3,733,121)	\$ (9,115,195)
<u>Property Tax Revenue</u> Recognized in Year Levied on Budget Basis but in Year "Available" on GAAP Basis	(368,406)			(368,406)
<u>In-Kind Rent</u> Board of Education administrative offices not reported as revenue on Budget Basis but recognized on a GAAP Basis	<u>148,800</u>	<u>148,800</u>		
As Reported on GAAP Basis	<u>\$ 71,949,465</u>	<u>\$ 77,699,945</u>	<u>\$ (3,733,121)</u>	<u>\$ (9,483,601)</u>

NOTE 16 - SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing and investing activities include the current year addition to the Solid Waste Fund closure and post-closure liability of \$230,301 which was charged to operations in the government-wide and proprietary funds financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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

**Required Supplementary Information
June 30, 2009**

**SCHEDULE OF FUNDING PROGRESS – GARRETT COUNTY LAW ENFORCEMENT
PERSONNEL RETIREMENT PLAN**

The following schedule reflects the plans funding progress for the three years ended June 30, 2009:

Schedule of Funding Progress - Law Enforcement Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/07	\$ 2,345,094	\$ 4,000,561	\$ 1,665,468	58.62%	\$ 2,163,928	76.97%
6/30/08	2,483,512	4,533,448	2,049,936	54.78%	2,207,084	92.88%
6/30/09	2,403,171	4,515,879	2,112,708	53.22%	2,004,212	105.41%

**SCHEDULE OF FUNDING PROGRESS – GARRETT COUNTY GOVERNMENT
PERSONNEL RETIREMENT PLAN**

The following schedule reflects the plans funding progress for the three years ended June 30, 2009:

Schedule of Funding Progress - Government Personnel Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/07	\$ 8,121,710	\$ 13,481,460	\$ 5,359,749	60.24%	\$ 9,392,028	57.07%
6/30/08	8,829,720	15,210,614	6,380,894	58.05%	10,171,303	62.73%
6/30/09	8,906,819	15,632,264	6,725,445	56.98%	10,461,323	64.29%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

**Required Supplementary Information
June 30, 2009**

SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFIT PLAN

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
July 1, 2008	\$0	\$11,590,370	\$11,590,370	0%	\$14,591,245	79.43%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS – OTHER POST-EMPLOYMENT
BENEFIT PLAN**

<u>Fiscal Year</u>	<u>Annual Required Contribution (ARC)</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>
2009	\$1,008,025	\$950,906	94.33%

OTHER SUPPLEMENTARY INFORMATION

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
General Fund Schedule of Revenues and Other Financing Sources -
Budget and Actual (Budget Basis)
Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
TAXES:				
Local Real and Personal Property:				
Real Property	\$ 38,891,455	\$ 38,191,455	\$ 38,543,602	\$ 352,147
Railroads and Public Utilities	2,403,160	2,403,160	2,676,359	273,199
Ordinary Business Corporations	0	0	34,367	34,367
	<u>\$ 41,294,615</u>	<u>\$ 40,594,615</u>	<u>\$ 41,254,328</u>	<u>\$ 659,713</u>
Enterprise Zone Tax Refund	0	71,149	71,149	0
Addition and Abatements	(25,000)	(25,000)	97,571	122,571
Penalties and Interest	350,000	350,000	553,200	203,200
	<u>\$ 41,619,615</u>	<u>\$ 40,990,764</u>	<u>\$ 41,976,248</u>	<u>\$ 985,484</u>
Less: Discounts and Credits	<u>(475,000)</u>	<u>(475,000)</u>	<u>(591,672)</u>	<u>(116,672)</u>
Total Real and Personal Property	<u>\$ 41,144,615</u>	<u>\$ 40,515,764</u>	<u>\$ 41,384,576</u>	<u>\$ 868,812</u>
Other Local Taxes:				
Income	\$ 10,700,000	\$ 10,400,000	\$ 10,423,109	\$ 23,109
Admissions and Amusement	600,000	655,000	658,550	3,550
Recordation	2,800,000	2,329,975	2,335,811	5,836
Coal Tonnage	200,000	290,000	273,906	(16,094)
Trailer Court	40,000	40,000	44,760	4,760
Natural Gas	2,000	2,000	5,531	3,531
Accommodations Tax	1,425,000	1,425,000	1,426,900	1,900
Transfer Tax	2,100,000	1,380,035	1,383,217	3,182
Franchise Tax	0	0	135	135
Agriculture Transfer Tax/Refunds	65,000	65,000	12,462	(52,538)
Coal Tax	25,000	25,000	41,567	16,567
911 Fees	275,000	275,000	274,156	(844)
Tax Sale Revenue	0	29,000	29,409	409
	<u>\$ 18,232,000</u>	<u>\$ 16,916,010</u>	<u>\$ 16,909,513</u>	<u>\$ (6,497)</u>
Total Other Local Taxes	<u>\$ 18,232,000</u>	<u>\$ 16,916,010</u>	<u>\$ 16,909,513</u>	<u>\$ (6,497)</u>
Total Taxes	<u>\$ 59,376,615</u>	<u>\$ 57,431,774</u>	<u>\$ 58,294,089</u>	<u>\$ 862,315</u>
LICENSES AND PERMITS:				
Business:				
Beer, Wine and Liquor Licenses	\$ 87,350	\$ 87,350	\$ 104,781	\$ 17,431
Traders	70,000	70,000	73,787	3,787
Other Licenses and Permits:				
Animal	10,500	10,500	8,319	(2,181)
Marriage	1,600	1,600	1,790	190
TVRU License	90,000	90,000	88,212	(1,788)
Highways and Streets	15,200	15,200	9,128	(6,072)
Other Permits	3,700	3,700	3,131	(569)
	<u>\$ 278,350</u>	<u>\$ 278,350</u>	<u>\$ 289,148</u>	<u>\$ 10,798</u>
Total Licenses and Permits	<u>\$ 278,350</u>	<u>\$ 278,350</u>	<u>\$ 289,148</u>	<u>\$ 10,798</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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
INTERGOVERNMENTAL:				
Grants From Federal Government:				
Bankhead - Jones Act	\$ 2,500	\$ 2,500	\$ 3,079	\$ 579
Department of Justice - Domestic Violence	34,392	34,392	35,063	671
CDBG - Weatherization Project	178,073	163,535	163,627	92
Sheriff - BJAG/CapWIN	23,344	23,344	23,344	0
Civil Defense	30,361	56,445	70,636	14,191
Emergency Management Domestic Preparedness	209,529	157,529	157,171	(358)
Detention SCAAP Program	0	2,200	2,261	61
USDA - CAC - Emergency Food Assistance	10,000	5,194	5,194	0
Federal Aid in Lieu of Taxes	2,500	2,500	6,210	3,710
ARC - Special Initiatives Grant	0	20,000	0	(20,000)
SHA/ARC Frazee Estates Drive	0	210,240	210,240	0
Emergency Management EPA Grant	8,900	0	0	0
ARC - Exhibit Hall	0	210,000	0	(210,000)
CAC/Emergency Shelter	28,350	25,697	25,697	0
USDE - CAC - Energy Assistance	30,066	30,066	30,066	0
DOT - CAC Mass Transit	243,061	760,969	760,969	0
USDA - Sherriff's Crime Scene	24,212	20,340	20,340	0
ARC Economic Development Grant	0	20,000	20,000	0
Family Services - Mediation	0	5,312	2,619	(2,693)
Miscellaneous	10,602	28,022	29,402	1,380
Grants From State Government:				
Highway User Tax	5,300,000	4,440,450	4,554,933	114,483
Disparity Grant	2,012,030	2,012,030	2,012,030	0
Courthouse Security Grant	0	29,875	29,875	0
Police Protection	240,000	200,000	200,372	372
Bullrt Proof Vest Grant	1,500	0	0	0
Conservation of Natural Resources	800,000	602,000	601,651	(349)
Adult Community Services	27,000	27,000	27,000	0
DSS - Wheels to Work	0	3,500	3,500	0
Family Services Grant	133,976	108,225	106,878	(1,347)
Sheriff - School Bus Violation	15,000	20,025	20,025	0
Program Open Space	0	91,000	112,042	21,042
Emergency Numbers Systems Board - 911	25,000	2,500	2,876	376
Dove Center	20,000	20,000	20,000	0
Youth Prevention Grant - CAC	34,666	34,616	34,616	0
Jury Reimbursement State	15,000	15,000	7,485	(7,515)
Electric Deregulation	11,907	0	0	0
Master Program Coop. Reimbursement	9,500	2,800	2,726	(74)
Electric Universal Service - CAC	81,084	81,084	81,084	0
Emergency Management/MDE LEPC	1,500	0	0	0
Economic Development/DBED/Fair Study	0	20,000	20,000	0
MDOT - CAC - Mass Transit	239,123	186,992	186,992	0
Planning/Rural Legacy Program	1,600,000	766,000	765,925	(75)
Subtotal - Intergovernmental	\$ 11,403,176	\$ 10,441,382	\$ 10,355,928	\$ (85,454)

**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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
INTERGOVERNMENTAL - Continued				
Balances Brought Forward	\$ 11,403,176	\$ 10,441,382	\$ 10,355,928	\$ (85,454)
Grants From State Government - Continued:				
Sheriff Hotspot Community Policing	8,080	8,080	7,540	(540)
Sheriff SOCEM Grant	10,800	10,800	10,800	0
Sherriff Sex Offender Registration	11,000	11,000	10,600	(400)
LEPC - CRTK Funds	0	8,900	14,605	5,705
Other:				
Budget Settlement - Health Department	0	185,715	185,715	0
Other	25,500	155,284	255,915	100,631
Total Intergovernmental	<u>\$ 11,458,556</u>	<u>\$ 10,821,161</u>	<u>\$ 10,841,103</u>	<u>\$ 19,942</u>
FINES AND FORFEITURES	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ 9,409</u>	<u>\$ 2,409</u>
SERVICE CHARGES FOR CURRENT SERVICES:				
General Government:				
Zoning and Subdivision Fees	\$ 20,000	\$ 20,000	\$ 17,600	\$ (2,400)
Gypsy Moth Suppression	0	0	150	150
Roads Fuel Sales and Street Signs	0	272,468	285,527	13,059
Miscellaneous	46,150	47,811	46,271	(1,540)
Enterprise Funds - Indirect Fees	101,000	101,000	95,845	(5,155)
Public Safety:				
BOCA	125,000	96,000	95,457	(543)
State Inmate Housing	10,000	77,500	77,502	2
Sheriff Fees	32,500	52,057	56,968	4,911
Emergency Medical Services - Cost Share	135,000	135,000	135,000	0
Animal Shelter	4,000	4,000	5,610	1,610
Total Service Charges	<u>\$ 473,650</u>	<u>\$ 805,836</u>	<u>\$ 815,930</u>	<u>\$ 10,094</u>
MISCELLANEOUS:				
Interest and Dividends	\$ 503,500	\$ 953,500	\$ 962,606	\$ 9,106
Rents and Concessions	764,345	764,345	751,050	(13,295)
Contributions	2,000	4,040	4,145	105
Miscellaneous	59,000	172,768	201,591	28,823
Total Miscellaneous	<u>\$ 1,328,845</u>	<u>\$ 1,894,653</u>	<u>\$ 1,919,392</u>	<u>\$ 24,739</u>
TOTAL REVENUES	<u>\$ 72,923,016</u>	<u>\$ 71,238,774</u>	<u>\$ 72,169,071</u>	<u>\$ 930,297</u>
OTHER FINANCING SOURCES:				
Bond Proceeds	\$ 7,500,000	\$ 0	\$ 0	\$ 0
Sale of Capital Assets	2,000	56,500	57,048	548
Total Other Financing Sources	<u>\$ 7,502,000</u>	<u>\$ 56,500</u>	<u>\$ 57,048</u>	<u>\$ 548</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 80,425,016</u>	<u>\$ 71,295,274</u>	<u>\$ 72,226,119</u>	<u>\$ 930,845</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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
GENERAL GOVERNMENT				
Legislative:				
County Commissioners	\$ 591,926	\$ 722,669	\$ 453,753	\$ (268,916)
Judicial:				
Circuit Court	\$ 419,744	\$ 406,634	\$ 394,360	\$ (12,274)
Orphans Court	18,428	18,428	17,288	(1,140)
State's Attorney	610,139	612,832	611,357	(1,475)
Jury and Witness Operating	19,500	19,500	18,948	(552)
Total Judicial	<u>\$ 1,067,811</u>	<u>\$ 1,057,394</u>	<u>\$ 1,041,953</u>	<u>\$ (15,441)</u>
Elections:				
Board of Supervisors of Elections	\$ 420,758	\$ 283,858	\$ 283,749	\$ (109)
Financial Administration:				
Finance Office	\$ 466,677	\$ 466,766	\$ 467,377	\$ 611
Tax Collection Office	283,368	312,457	308,344	(4,113)
Procurement	212,565	212,632	214,920	2,288
Total Financial Administration	<u>\$ 962,610</u>	<u>\$ 991,855</u>	<u>\$ 990,641</u>	<u>\$ (1,214)</u>
Information Technology:				
Information Technology	\$ 198,296	\$ 222,143	\$ 239,785	\$ 17,642
Law:				
Legal Counsel	\$ 92,008	\$ 92,030	\$ 90,902	\$ (1,128)
Personnel Administration:				
Personnel Administration	\$ 274,697	\$ 259,434	\$ 264,271	\$ 4,837
Planning and Zoning:				
Planning Commission	\$ 2,149,180	\$ 1,315,336	\$ 1,296,566	\$ (18,770)
General Services:				
County Buildings	\$ 2,127,328	\$ 2,159,005	\$ 1,879,255	\$ (279,750)
Total General Government	<u>\$ 7,884,614</u>	<u>\$ 7,103,724</u>	<u>\$ 6,540,875</u>	<u>\$ (562,849)</u>
PUBLIC SAFETY				
Sheriff's Department	\$ 2,724,071	\$ 2,809,704	\$ 2,827,729	\$ 18,025
Corrections	1,927,807	1,988,539	1,983,107	(5,432)
Fire and Rescue Services	2,254,609	2,454,765	2,056,905	(397,860)
Other Public Safety:				
Permits and Inspections	592,563	592,741	565,117	(27,624)
Animal Control	211,519	215,626	210,533	(5,093)
Civil Defense/ Emergency Management	315,978	264,000	263,681	(319)
Emergency Alarm and Communications (911)	505,231	507,909	507,754	(155)
Total Public Safety	<u>\$ 8,531,778</u>	<u>\$ 8,833,284</u>	<u>\$ 8,414,826</u>	<u>\$ (418,458)</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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
PUBLIC WORKS				
Highways and Streets	\$ 16,742,714	\$ 17,298,485	\$ 16,124,926	\$ (1,173,559)
HEALTH AND HOSPITAL				
Health Department	\$ 1,298,111	\$ 1,298,111	\$ 1,298,111	\$ 0
SOCIAL SERVICES				
Commission on Aging	\$ 281,700	\$ 281,700	\$ 281,700	\$ 0
EDUCATION				
Board of Education	\$ 26,962,134	\$ 32,321,196	\$ 31,310,037	\$ (1,011,159)
Community College	14,333,580	13,156,162	4,787,548	(8,368,614)
Total Education	\$ 41,295,714	\$ 45,477,358	\$ 36,097,585	\$ (9,379,773)
CULTURE	\$ 19,000	\$ 19,000	\$ 19,000	\$ 0
PARKS AND RECREATION	\$ 24,000	\$ 115,000	\$ 132,043	\$ 17,043
LIBRARY	\$ 1,049,800	\$ 1,049,800	\$ 1,047,785	\$ (2,015)
CONSERVATION OF NATURAL RESOURCES				
Agriculture Extension Service	\$ 209,382	\$ 165,882	\$ 161,400	\$ (4,482)
Soil Conservation	52,317	52,339	52,697	358
Agricultural Land Preservation Program	65,000	65,000	0	(65,000)
Total Conservation of Natural Resources	\$ 326,699	\$ 283,221	\$ 214,097	\$ (69,124)
ECONOMIC DEVELOPMENT AND OPPORTUNITY				
Economic Development	\$ 617,764	\$ 548,845	\$ 544,686	\$ (4,159)
Tourism	682,000	682,000	682,000	0
Community Action Programs	1,205,218	1,688,332	1,689,473	1,141
Community Action Benefits	12,937	12,959	12,671	(288)
Fair Board Agricultural Fair	20,000	1,795,000	66,028	(1,728,972)
Special Promotion	15,000	164,115	94,422	(69,693)
Other	87,500	87,500	87,500	0
Total Economic Development and Opportunity	\$ 2,640,419	\$ 4,978,751	\$ 3,176,780	\$ (1,801,971)
CAPITAL OUTLAY				
Economic Development	\$ 17,857	\$ 221,634	\$ 221,634	\$ 0
County Buildings	91,967	238,354	141,864	(96,490)
Sheriff's Department	115,180	170,927	147,513	(23,414)
Information Technology	29,500	48,063	0	(48,063)
Emergency Alarm & Communications - 911	25,000	19,802	6,678	(13,124)
Subtotal Capital Outlay	\$ 279,504	\$ 698,780	\$ 517,689	\$ (181,091)

**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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
CAPITAL OUTLAY - Continued				
Balances Brought Forward	\$ 279,504	\$ 698,780	\$ 517,689	\$ (181,091)
Highways and Streets	741,641	1,028,951	366,943	(662,008)
Planning and Zoning	14,000	14,000	11,969	(2,031)
Permits and Inspections	17,857	17,857	17,857	0
State's Attorney	0	8,779	8,779	0
Total Capital Outlay	<u>\$ 1,053,002</u>	<u>\$ 1,768,367</u>	<u>\$ 923,237</u>	<u>\$ (845,130)</u>
DEBT SERVICE				
General Obligation Debt	\$ 547,857	\$ 2,587,701	\$ 2,587,701	\$ 0
Other	866	866	866	0
Total Debt Service	<u>\$ 548,723</u>	<u>\$ 2,588,567</u>	<u>\$ 2,588,567</u>	<u>\$ 0</u>
INTERGOVERNMENTAL	<u>\$ 235,962</u>	<u>\$ 235,962</u>	<u>\$ 233,218</u>	<u>\$ (2,744)</u>
MISCELLANEOUS	<u>\$ 842,000</u>	<u>\$ 431,261</u>	<u>\$ 458,395</u>	<u>\$ 27,134</u>
TOTAL EXPENDITURES	<u>\$ 82,774,236</u>	<u>\$ 91,762,591</u>	<u>\$ 77,551,145</u>	<u>\$ (14,211,446)</u>
OTHER FINANCING USES				
Operating Transfers:				
Capital Projects Fund	\$ 2,141,399	\$ 5,676,481	\$ 3,247,154	\$ (2,429,327)
Airport	183,167	529,417	543,015	13,598
Total Other Financing Uses	<u>\$ 2,324,566</u>	<u>\$ 6,205,898</u>	<u>\$ 3,790,169</u>	<u>\$ (2,415,729)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u><u>\$ 85,098,802</u></u>	<u><u>\$ 97,968,489</u></u>	<u><u>\$ 81,341,314</u></u>	<u><u>\$ (16,627,175)</u></u>

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

General Fund

Schedule of Taxes and Taxes Receivable
Year Ended June 30, 2009

	<u>Total Assessed Value</u>	<u>Tax Rate Per \$100</u>	<u>Actual Tax Levy</u>	<u>Amount Collected</u>	<u>Balance of Taxes Receivable</u>
CURRENT YEAR LEVY:					
Real Property - Full Year					
Mt Lake Park	\$ 79,558,514	\$ 0.902	\$ 717,618		
Oakland	123,108,644	0.960	1,181,843		
All Others	<u>3,803,451,924</u>	0.960	<u>36,513,138</u>		
Total Full Year	\$ 4,006,119,082		\$ 38,412,599	\$ 35,858,688	\$ 2,553,911
Real Property - One-Half Year	<u>32,170,954</u>	0.480	<u>154,271</u>	0	<u>154,271</u>
Total Real Property	\$ <u>4,038,290,036</u>		\$ <u>38,566,870</u>	\$ <u>35,858,688</u>	\$ <u>2,708,182</u>
Personal Property - Corporate	\$ <u>1,431,940</u>	\$ 2.400	\$ <u>34,367</u>	\$ <u>34,367</u>	\$ <u>0</u>
Public Utilities and Railroad	\$ <u>115,624,790</u>	\$ 2.400	\$ <u>2,676,359</u>	\$ <u>2,676,359</u>	\$ <u>0</u>
Total Current Year	\$ <u><u>4,155,346,766</u></u>		\$ <u><u>41,277,596</u></u>	\$ <u><u>38,569,414</u></u>	\$ <u><u>2,708,182</u></u>
PRIOR YEAR RECEIVABLES:					
	<u>Year Ended June 30:</u>				
	2008			\$	6,730
	2007				3,123
	2006				423
	2005				7,831
	2004				18,654
	2003				16,946
	2002				11,708
	2001				9,465
	2000				15,723
	1999				6,771
	1998				3,930
	1991-1997				<u>5,779</u>
Total Prior Years				\$	<u>107,083</u>
TOTAL TAXES RECEIVABLE				\$	2,815,265
Less: Allowance for Uncollectible Accounts					<u>(100,000)</u>
TAXES RECEIVABLE - NET				\$	<u><u>2,715,265</u></u>

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

Combining Balance Sheet
Other Governmental Funds
June 30, 2009

	<u>DARE Program</u>	<u>HUD Block Grant</u>	<u>Public Safety</u>
ASSETS:			
Due from Other Funds	\$ 694	\$	\$ 123,118
Accounts Receivable - Net			
Due from Other Governments			1,040
Restricted Cash			<u>73,542</u>
TOTAL ASSETS	<u>\$ 694</u>	<u>\$ 0</u>	<u>\$ 197,700</u>
LIABILITIES:			
Accounts Payable and Accrued Expenses	\$ 40	\$	\$ 46,562
Deferred Revenue			<u>78,004</u>
Total Liabilities	<u>\$ 40</u>	<u>\$ 0</u>	<u>\$ 124,566</u>
FUND BALANCES:			
Reserved	<u>\$ 654</u>	<u>\$</u>	<u>\$ 73,134</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 694</u>	<u>\$ 0</u>	<u>\$ 197,700</u>

<u>Commissary</u>	<u>Law Library</u>	<u>Total Other Governmental Funds</u>
\$ 79,462	\$ 44,347	\$ 247,621
2,189		2,189
	2,537	3,577
		73,542
<u>\$ 81,651</u>	<u>\$ 46,884</u>	<u>\$ 326,929</u>
\$ 574	\$ 2,452	\$ 49,628
		78,004
<u>\$ 574</u>	<u>\$ 2,452</u>	<u>\$ 127,632</u>
<u>\$ 81,077</u>	<u>\$ 44,432</u>	<u>\$ 199,297</u>
<u>\$ 81,651</u>	<u>\$ 46,884</u>	<u>\$ 326,929</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, 2009

	<u>DARE Program</u>	<u>HUD Block Grant</u>	<u>Public Safety</u>
OPERATING REVENUES:			
Intergovernmental	\$	\$ 20,000	\$ 143,436
Fines and Forfeitures			17,498
Charges for Services			
Total Revenues	<u>\$ 0</u>	<u>\$ 20,000</u>	<u>\$ 160,934</u>
EXPENDITURES:			
General Government	\$	\$	\$
Public Safety	65		151,620
Community Development and Housing		20,000	
Capital Outlay			21,073
Total Expenditures	<u>\$ 65</u>	<u>\$ 20,000</u>	<u>\$ 172,693</u>
REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	\$ (65)	\$ 0	\$ (11,759)
OTHER FINANCING SOURCES			
Sale of Capital Assets			4,715
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	\$ (65)	\$ 0	\$ (7,044)
Fund Balances, Beginning of Year	<u>719</u>	<u>0</u>	<u>80,178</u>
FUND BALANCES, End of Year	<u><u>\$ 654</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 73,134</u></u>

<u>Commissary</u>	<u>Law Library</u>	<u>Total Other Governmental Funds</u>
\$	\$ 23,097	\$ 186,533
	14,082	31,580
<u>48,236</u>		<u>48,236</u>
\$ <u>48,236</u>	\$ <u>37,179</u>	\$ <u>266,349</u>
\$	\$ 28,941	\$ 28,941
35,194		186,879
13,214		20,000
<u>13,214</u>		<u>34,287</u>
\$ <u>48,408</u>	\$ <u>28,941</u>	\$ <u>270,107</u>
\$ (172)	\$ 8,238	\$ (3,758)
		<u>4,715</u>
\$ (172)	\$ 8,238	\$ 957
<u>81,249</u>	<u>36,194</u>	<u>198,340</u>
\$ <u><u>81,077</u></u>	\$ <u><u>44,432</u></u>	\$ <u><u>199,297</u></u>

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Garrett County Sanitary District, Inc.
Combining Schedule of Revenues and Expenses and Other Changes in Net Assets
Year Ended June 30, 2009

	<u>Water Systems</u>	<u>Other Water</u>	<u>Deep Creek Lab</u>	<u>Company Store</u>
OPERATING REVENUES:				
Charges for Services	\$ 1,106,193	\$ 35,845	\$ 71,298	\$
Other	62,718			308,524
Total Operating Revenues	<u>\$ 1,168,911</u>	<u>\$ 35,845</u>	<u>\$ 71,298</u>	<u>\$ 308,524</u>
OPERATING EXPENSES:				
Salaries	\$ 348,058	\$ 11,894	\$ 59,961	\$ 32,087
Fringe Benefits	148,691	6,222	28,956	13,531
Maintenance and Repairs	118,670		105	5
Supplies	53,536	1,827	16,126	258,277
Utilities	132,833		1,200	7,846
Transportation	38,385	1,828	2,796	
Contracted Services	7,070		14,303	
Lab Tests	28,450	341	(127,141)	
Direct Administrative	21,844	670	8,742	22,299
Indirect Administrative	335,716	12,243	60,234	30,834
Depreciation	521,444		6,016	1,085
Bad Debt Expense				5,000
Total Operating Expenses	<u>\$ 1,754,697</u>	<u>\$ 35,025</u>	<u>\$ 71,298</u>	<u>\$ 370,964</u>
OPERATING INCOME/(LOSS)	<u>\$ (585,786)</u>	<u>\$ 820</u>	<u>\$ 0</u>	<u>\$ (62,440)</u>
NONOPERATING REVENUES (EXPENSES):				
Tap Fees - Capital Charge	\$ 57,919	\$	\$	\$
Interest Revenue	16,781			3,488
Ad Valorem Tax	162,322			
Sale of Assets				
Interest Expense	(101,640)			
Net Other Revenues (Expenses)	<u>\$ 135,382</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,488</u>
INCOME/(LOSS) BEFORE TRANSFERS	<u>\$ (450,404)</u>	<u>\$ 820</u>	<u>\$ 0</u>	<u>\$ (58,952)</u>
Transfers between Proprietary Funds				
INCREASE/(DECREASE) IN NET ASSETS	<u>\$ (450,404)</u>	<u>\$ 820</u>	<u>\$ 0</u>	<u>\$ (58,952)</u>

	<u>Subtotal Water Projects</u>	<u>Sewer Systems</u>	<u>Trout Run</u>	<u>Other Sewer</u>	<u>Subtotal Sewer Projects</u>	<u>Total</u>
\$	1,213,336	\$ 2,313,000	\$ 70,235	\$ 89,229	\$ 2,472,464	\$ 3,685,800
	<u>371,242</u>	<u>17,245</u>		<u>4,624</u>	<u>21,869</u>	<u>393,111</u>
\$	<u>1,584,578</u>	<u>2,330,245</u>	<u>70,235</u>	<u>93,853</u>	<u>2,494,333</u>	<u>4,078,911</u>
\$	452,000	\$ 561,419	\$ 20,130	\$ 30,328	\$ 611,877	\$ 1,063,877
	197,400	262,462	10,200	15,131	287,793	485,193
	118,780	272,085	9,222	430	281,737	400,517
	329,766	227,056	3,819	3,153	234,028	563,794
	141,879	374,461	45,691		420,152	562,031
	43,009	60,509	2,745	4,464	67,718	110,727
	21,373	12,099	9,225		21,324	42,697
	(98,350)	77,493	13,380	13,782	104,655	6,305
	53,555	45,835	1,789	367	47,991	101,546
	439,027	556,715	20,499	30,728	607,942	1,046,969
	528,545	2,050,495	188,313		2,238,808	2,767,353
	<u>5,000</u>				<u>0</u>	<u>5,000</u>
\$	<u>2,231,984</u>	<u>4,500,629</u>	<u>325,013</u>	<u>98,383</u>	<u>4,924,025</u>	<u>7,156,009</u>
\$	<u>(647,406)</u>	<u>(2,170,384)</u>	<u>(254,778)</u>	<u>(4,530)</u>	<u>(2,429,692)</u>	<u>(3,077,098)</u>
\$	57,919	\$ 194,050	\$	\$	\$ 194,050	\$ 251,969
	20,269	116,627	647		117,274	137,543
	162,322	109,900	46,438		156,338	318,660
	0	(9,499)			(9,499)	(9,499)
	<u>(101,640)</u>	<u>(746,884)</u>	<u>(28,393)</u>		<u>(775,277)</u>	<u>(876,917)</u>
\$	<u>138,870</u>	<u>(335,806)</u>	<u>18,692</u>	<u>0</u>	<u>(317,114)</u>	<u>(178,244)</u>
\$	(508,536)	(2,506,190)	(236,086)	(4,530)	(2,746,806)	(3,255,342)
	<u>0</u>	<u>(2,390)</u>			<u>(2,390)</u>	<u>(2,390)</u>
\$	<u>(508,536)</u>	<u>(2,508,580)</u>	<u>(236,086)</u>	<u>(4,530)</u>	<u>(2,749,196)</u>	<u>(3,257,732)</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, 2009

<u>PROJECT</u>	<u>Balance July 1, 2008</u>	<u>Construction (Net of Program Income)</u>	<u>Engineering</u>	<u>Salaries</u>
Keysers Ridge Water Holding Tank	\$ 814	\$	\$ 14,129	\$ 4,654
Crellin Water Improvement	91,270		643	1,657
McHenry Water System	1,041,463	579,370	33,500	33,022
Keysers Ridge Water	51,234		1,103	1,866
Deep Creek Lake Collection & Conveyance	645,139		24,715	5,848
Mountain Lake Park Water	113,900	265,831	34,735	11,122
Friendsville Sewer	129,156		12,149	6,017
New Maintenance Warehouse	553,401	1,324,126		
Thayerville Water	82,225	60,640	20,905	4,450
Business Park Water				2,478
Business Park Sewer				1,858
TOTAL	<u>\$ 2,708,602</u>	<u>\$ 2,229,967</u>	<u>\$ 141,879</u>	<u>\$ 72,972</u>

<u>Fringe Benefits</u>	<u>Administrative</u>	<u>Interest</u>	<u>Indirect Costs</u>	<u>Total Additions</u>	<u>Retirements or Transfers (Completed Project)</u>	<u>Balance June 30, 2009</u>
\$ 1,767	165	\$	\$ 4,340	\$ 25,055	\$	\$ 25,869
682	247		1,581	4,810		96,080
12,983	3,258	69,462	31,094	762,689		1,804,152
705	116		1,738	5,528		56,762
2,146	5,000	24,420	5,403	67,532		712,671
4,324	27,412		10,440	353,864		467,764
2,160	1,105		5,526	26,957		156,113
		39,847		1,363,973		1,917,374
1,701	225		4,157	92,078		174,303
934			2,306	5,718		5,718
696			1,726	4,280		4,280
<u>\$ 28,098</u>	<u>\$ 37,528</u>	<u>\$ 133,729</u>	<u>\$ 68,311</u>	<u>\$ 2,712,484</u>	<u>\$ 0</u>	<u>\$ 5,421,086</u>

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

Garrett County Sanitary District, Inc.
Schedule of Indirect Costs
Year Ended June 30, 2009

	<u>2009</u>
TYPE:	
Insurance	\$ 69,421
Administrative	109,280
Telephone	6,012
Professional and Legal	19,700
Office Supplies and Expenses	37,553
Salaries	590,682
Utilities	4,082
Fringe Benefits	272,708
Transportation	<u>5,842</u>
Total	<u>\$ 1,115,280</u>
 ALLOCATION BASE:	
Direct Salaries	\$ 1,136,849
Related Fringe Benefits	<u>513,291</u>
Total Allocation Base	<u>\$ 1,650,140</u>
 INDIRECT COST RATE	<u>67.5870%</u>
 COSTS REPORTED AS:	
Operations	\$ 1,046,969
Construction in Progress	<u>68,311</u>
	<u>\$ 1,115,280</u>

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Comparative Schedule of Primary Government Long-Term Indebtedness
June 30, 2009 and 2008

	June 30,	
	2009	2008
LONG-TERM INDEBTEDNESS:		
Government Activities:		
Bond Payable - Hospital Bonds of 2004	\$ 1,176,289	\$ 1,229,609
Bond Payable - Hospital Bonds of 2007	2,894,547	2,948,361
Bond Payable - Hospital Refunding Bonds of 1997	450,000	875,000
Bond Payable - General Obligation Public Facilities Bonds of 1996	1,945,000	2,160,000
Bond Payable - USDA Rural Development - Health Center		2,141,024
Accrued Compensated Absences - General Fund	1,343,570	1,395,254
Total Governmental Activities	\$ 7,809,406	\$ 10,749,248
Business Type Activities:		
Airport		
Accrued Compensated Absences - Airport	\$ 6,896	\$ 7,860
Total Airport	\$ 6,896	\$ 7,860
Solid Waste		
Bond Payable - Landfill Project, Series 1993	\$ 2,145,000	\$ 2,510,000
Bond Payable - Maryland Water Quality Financing Administration	947,036	1,048,996
Accrued Landfill Closure/Postclosure Liability	3,112,026	2,957,178
Accrued Compensated Absences - Landfill	77,806	108,834
Total Solid Waste	\$ 6,281,868	\$ 6,625,008
Sanitary District		
Note Payable - Rural Development-Bloomington	\$ 101,545	\$ 107,863
Note Payable - Rural Development-Youghiogheny	623,867	636,787
Note Payable - Rural Development-Chestnut Ridge	736,242	750,035
Note Payable - Maryland Department of the Environment-Mt. Lake Park/Powles	77,659	80,660
Note Payable - Rural Development-Chestnut Ridge	204,398	208,231
Note Payable - GE Capital Asset Management-Friendsville Water	51,000	60,000
Note Payable - Rural Development-Deer Park Sewer	346,256	352,163
Note Payable - Maryland Water Quality Financing-Deep Creek Lake Sewer Ext.	613,783	666,142
Note Payable - Maryland Water Quality Financing-Deep Creek Lake Septage	185,199	207,939
Note Payable - State of Maryland-Jennings Sewer	67,093	72,978
Note Payable - Maryland Water Quality Financing-Goodwill Mennonite Sewer	158,500	177,199
Note Payable - Rural Development-Meadow Mountain Sewer	377,708	382,622
Note Payable - Rural Development-McHenry Water	217,839	220,594
Note Payable - Rural Development-McHenry Water	573,892	581,145
Note Payable - Rural Development-Keysers Ridge Water	527,351	533,926
Note Payable - Rural Development-Deer Park Water	534,102	540,852
Note Payable - Maryland Water Quality Financing-Deer Park Water	225,902	234,478
Note Payable - Maryland Water Quality Financing-Septage Hauling Truck	41,635	62,327
Note Payable - Rural Development Keyser's Ridge Water	111,610	112,869
Note Payable - USDA-DCL WWTP	9,794,511	9,899,363
Note Payable - USDA-DCL WWTP	4,523,007	4,571,427
Note Payable - USDA-DCL WWTP	961,912	972,214
Note Payable - M&T Bank-Deep Creek Sewer System & McHenry Water System	4,500,000	4,500,000
Note Payable - M&T Bank-Warehouse Project	2,315,490	2,315,490
Accrued Compensated Absences	113,398	147,532
Total Sanitary District	\$ 27,983,899	\$ 28,394,836
Total Business Type Activities	\$ 34,272,663	\$ 35,027,704
TOTAL LONG-TERM INDEBTEDNESS	\$ 42,082,069	\$ 45,776,952

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

Combining Statement of Net Assets

Fiduciary Funds

June 30, 2009

	<u>Government Personnel Retirement Plan</u>	<u>Law Enforcement Employee Retirement Plan</u>	<u>Other Post Employment Benefit Plan</u>	<u>Total Benefit Plan Trust Funds</u>
ASSETS:				
Cash and Cash Equivalents	\$ 1,064,249	\$ 180,232	\$ 836,000	\$ 2,080,481
Investments:				
Certificates of Deposit	\$ 20,000	\$ 135,000	\$	\$ 155,000
Fixed Income Securities	3,453,710	857,510		4,311,220
Mutual Funds	2,718,629	763,182		3,481,811
Equity Securities	1,596,069	467,247		2,063,316
Total Investments	\$ 7,788,408	\$ 2,222,939	\$ 0	\$ 10,011,347
Interest Receivable	\$ 54,163	\$ 16,227	\$ 0	\$ 70,390
TOTAL ASSETS	\$ 8,906,820	\$ 2,419,398	\$ 836,000	\$ 12,162,218
LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET ASSETS:				
Held in Trust for Retirement Benefits and OPEB	\$ <u>8,906,820</u>	\$ <u>2,419,398</u>	\$ <u>836,000</u>	\$ <u>12,162,218</u>

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

Combining Statement of Changes in Net Assets
Fiduciary Funds
Year Ended June 30, 2009

	<u>Government Personnel Retirement Plan</u>	<u>Law Enforcement Employee Retirement Plan</u>	<u>Other Post Employment Benefit Plan</u>	<u>Total Benefit Plan Trust Funds</u>
ADDITIONS				
Contributions:				
Employer	\$ 1,083,369	\$ 291,444	\$ 836,000	\$ 2,210,813
Plan Members	256,271	172,032		428,303
Total Contributions	<u>\$ 1,339,640</u>	<u>\$ 463,476</u>	<u>\$ 836,000</u>	<u>\$ 2,639,116</u>
Investment Earnings:				
Net Decrease in Fair Value of Investments	\$ (1,257,624)	\$ (333,498)		\$ (1,591,122)
Realized Losses on Investments	(215,549)	(109,067)		(324,616)
Interest and Dividends	300,023	85,785		385,808
Investment Activity Expense	(45,195)	(19,338)		(64,533)
Total Net Investment Earnings (Loss)	<u>\$ (1,218,345)</u>	<u>\$ (376,118)</u>	<u>\$ 0</u>	<u>\$ (1,594,463)</u>
Total Additions	<u>\$ 121,295</u>	<u>\$ 87,358</u>	<u>\$ 836,000</u>	<u>\$ 1,044,653</u>
DEDUCTIONS				
Benefits	\$ 24,298	\$ 153,112		\$ 177,410
Administrative	19,897	9,505		29,402
Total Deductions	<u>\$ 44,195</u>	<u>\$ 162,617</u>	<u>\$ 0</u>	<u>\$ 206,812</u>
Change In Net Assets	\$ 77,100	\$ (75,259)	\$ 836,000	\$ 837,841
Net Assets - Beginning of Year	<u>8,829,720</u>	<u>2,494,657</u>	<u>0</u>	<u>11,324,377</u>
Net Assets - End of Year	<u><u>\$ 8,906,820</u></u>	<u><u>\$ 2,419,398</u></u>	<u><u>\$ 836,000</u></u>	<u><u>\$ 12,162,218</u></u>