

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

**FINANCIAL REPORT
JUNE 30, 2010**

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

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INDEPENDENT AUDITORS' REPORT

The Board of County Commissioners
of Garrett County
Oakland, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Board of County Commissioners of Garrett County, Maryland (the County) as of and for the year ended June 30, 2010, 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, 2010, and the respective changes in financial position and, cash flows, where applicable, 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 13, 2010, 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.

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

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

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

Rodheaver & Associates, P.C.

Oakland, Maryland
December 13, 2010

BASIC FINANCIAL STATEMENTS

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

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, 2010. 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, 2010 by \$125,190,901 (net assets), compared to \$127,277,952 at June 30, 2009. Approximately 40 percent of total net assets are attributable to the Enterprise Funds. Of total net assets at June 30, 2010, \$19,061,115 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, which compares to \$21,508,362 at June 30, 2009. Another \$1,485,225 is restricted for specific purposes (restricted net assets) in comparison to \$1,469,601 at June 30, 2009. The total invested in capital assets, net of related debt was \$104,644,561 at June 30, 2010, compared to \$104,299,989 at June 30, 2009.

The County's total net assets decreased by \$2,087,051.

As of June 30, 2010, the County's governmental funds reported combined fund balances of \$18,411,739, a decrease of \$3,454,691 over the prior year. Approximately 20 percent of the combined fund balance is available to meet the County's current and future needs (unreserved and undesignated fund balance), 6 percent is reserved, and 74 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 \$17,351,497 or 25% of general fund expenditures at June 30, 2010. Designated fund balance of the general fund was \$13,661,069, or 79 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, 2010

**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, 2010

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

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

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

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The County maintains 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 72 of this report.

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

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 73 through 89 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 \$125,190,901 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 (84 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 \$19,061,115 (15 percent of total net assets), which may be used to meet the government's ongoing obligations to citizens and creditors.

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

**Garrett County Government's Net Assets
June 30, 2010**

	Governmental Activities		Business-type Activities		Total Government	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Assets:						
Current & Other Assets	\$ 35,078,643	\$ 36,716,052	\$ 9,802,255	\$ 11,631,590	\$ 44,880,898	\$ 48,347,642
Capital Assets	61,597,030	60,029,844	71,635,798	72,610,067	133,232,828	132,639,911
Total Assets	96,675,673	96,745,896	81,438,053	84,241,657	178,113,726	180,987,553
Liabilities:						
Long-Term Liabilities	7,498,093	7,866,525	33,378,388	34,272,663	40,876,481	42,139,188
Other Liabilities	13,968,795	12,474,764	(1,922,451)	(904,351)	12,046,344	11,570,413
Total Liabilities	21,466,888	20,341,289	31,455,937	33,368,312	52,922,825	53,709,601
Net Assets:						
Invested Capital Assets						
Net of Related Debt	60,953,905	59,300,469	43,690,656	44,999,520	104,644,561	104,299,989
Restricted	1,060,242	958,868	424,983	510,733	1,485,225	1,469,601
Unrestricted	13,194,638	16,145,270	5,866,477	5,363,092	19,061,115	21,508,362
Total Net Assets	\$ 75,208,785	\$ 76,404,607	\$ 49,982,116	\$ 50,873,345	\$125,190,901	\$ 127,277,952

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

Government-wide Financial Analysis (cont'd)

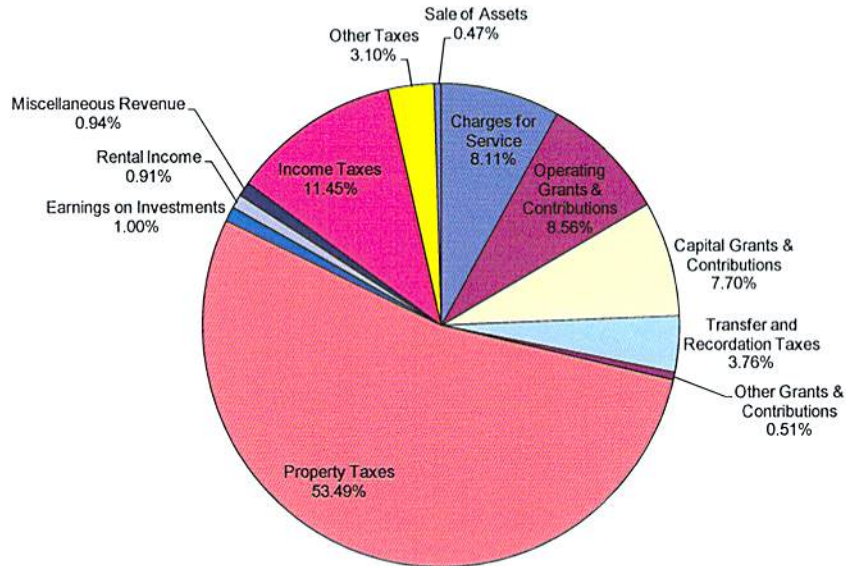
The following table indicates the changes in net assets.

Garrett County Government's Changes in Net Assets
for the Year ended June 30, 2010

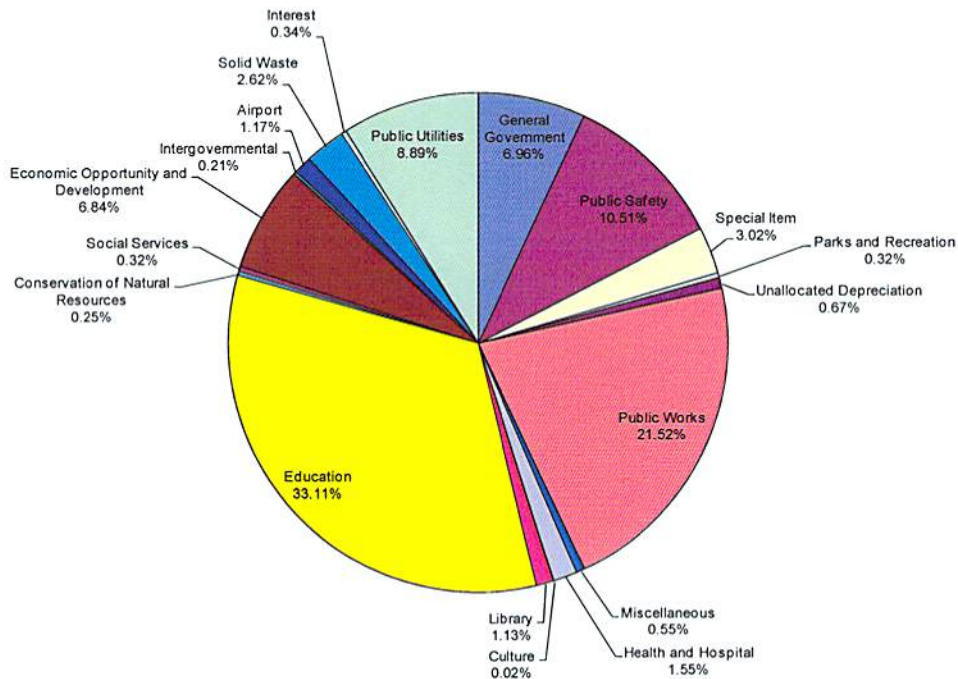
	Governmental Activities		Business-type Activities		Total Government	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,326,651	\$ 1,627,857	\$ 5,661,010	\$ 5,422,612	\$ 6,987,661	\$ 7,050,469
Operating Grants and Contributions	7,346,209	12,206,170	28,220	1,107	7,374,429	12,207,277
Capital Grants and Contributions	5,294,848	2,292,952	1,341,906	1,213,311	6,636,754	3,506,263
General Revenues:						
Property Taxes	43,921,993	41,384,576	2,174,543	2,047,449	46,096,536	43,432,025
Other Taxes and Licenses	15,786,718	15,208,457	0	0	15,786,718	15,208,457
Grants and Contributions	307,026	607,861	130,220	251,969	437,246	859,830
Other General Revenues	2,764,325	695,503	99,581	241,679	2,863,906	937,182
Total Revenues	\$ 76,747,770	\$ 74,023,376	\$ 9,435,480	\$ 9,178,127	\$ 86,183,250	\$ 83,201,503
Program Expenses:						
General Government	6,144,946	6,634,651	0	0	6,144,946	6,634,651
Public Safety	9,274,508	8,981,498	0	0	9,274,508	8,981,498
Public Works	18,999,584	17,635,439	0	0	18,999,584	17,635,439
Health & Hospital	1,369,647	1,315,378	0	0	1,369,647	1,315,378
Education - Board of Education	24,226,047	31,462,104	0	0	24,226,047	31,462,104
- Garrett College	4,999,110	4,787,548	0	0	4,999,110	4,787,548
Culture	18,000	19,000	0	0	18,000	19,000
Parks and Recreation	286,086	132,043	0	0	286,086	132,043
Library	1,001,825	1,047,785	0	0	1,001,825	1,047,785
Conservation of Natural Resources	224,155	214,108	0	0	224,155	214,108
Social Services	281,700	281,700	0	0	281,700	281,700
Community Development & Housing	0	20,000	0	0	0	20,000
Economic Opportunity & Development	6,034,858	3,483,352	0	0	6,034,858	3,483,352
Other	1,560,543	1,548,025	0	0	1,560,543	1,548,025
Garrett County Airport	0	0	1,032,470	475,059	1,032,470	475,059
Solid Waste Management	0	0	2,309,397	2,567,661	2,309,397	2,567,661
Garrett County Sanitary District, Inc.	0	0	7,844,998	8,032,926	7,844,998	8,032,926
Total Expenses	\$ 74,421,009	\$ 77,562,631	\$ 11,186,865	\$ 11,075,646	\$ 85,607,874	\$ 88,638,277
Excess before Special Items and Transfers	2,326,761	(3,539,255)	(1,751,385)	(1,897,519)	575,376	(5,436,774)
Special Item	(2,662,427)	0	0	0	(2,662,427)	0
Net Transfers In (Out)	(860,156)	(543,015)	860,156	543,015	0	0
Changes in Net Assets	(1,195,822)	(4,082,270)	(891,229)	(1,354,504)	(2,087,051)	(5,436,774)
Net Assets - Beginning of Year	76,404,607	80,486,877	50,873,345	52,227,849	127,277,952	132,714,726
Net Assets - End of Year	\$ 75,208,785	\$ 76,404,607	\$ 49,982,116	\$ 50,873,345	\$ 125,190,901	\$ 127,277,952

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

Revenues By Source - Primary Government



Expenditures - Primary Government



THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

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 \$2,087,051 for the year ended June 30, 2010. Key elements of this overall decrease are due to further 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. Additionally, costs associated with an infrastructure project for the Town of Oakland were transferred to the Town and reported as a special expense item in FY '10.

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

Property taxes increased by \$2,537,417 (6%) 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 a decrease of 1 cent in the property tax rate as set by the County Commissioners. Property taxes account for 62% of General Fund revenues on a budgetary basis.

A change in the local economy began to occur during FY 2008 and continued into FY 2010. 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 \$555,566 or 5% as compared to FY 2009. Income taxes account for 14% of General Fund revenues. Recordation and local transfer taxes also show a decrease of 13% and 14%, respectively, for FY 2010.

Business-Type Activities. In 2010, total assets for the Airport decreased by \$1,034,910. This decrease is the result of placing the runway extension project in service at the beginning of FY 2010 and recording a full year's depreciation on the project. Total assets for the Garrett County Sanitary District, d/b/a Department of Public Utilities, decreased by \$867,922. 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, 2010

Government-wide Financial Analysis (cont'd)

Operating revenues net of in-house sales of the Sanitary District increased by \$378,423. An increase in sewer rates contribute primarily to this increase. Operating expenditures for the Sanitary District decreased by \$194,781. This decrease is primarily the result of a decrease in warehouse sales and corresponding inventory purchased, general repairs and maintenance, and depreciation expenses.

The Garrett County Office of Solid Waste and Recycling's (Landfill) estimated disposal capacity changes over time based on variability in efficiencies with respect to waste compression. Based on the County's engineer estimates of costs to perform all closure and post-closure care activities, the balance of estimated costs to be recognized are approximately \$2,634,737 and will be recognized over the remaining useful life of the landfill, which, based on the current compaction rate is approximately 16 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, 2010, the balance of these restricted cash assets was \$1,224,118.

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 \$18,411,739, a decrease of \$3,454,691. Approximately 20% of this total, \$3,690,428, 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 \$7,204,200 designated for the construction of a Community Athletic Recreation Center at Garrett College, \$150,000 for the paving of the parking lot at Southern High School, \$1,112,094 designated for public works projects, \$1,222,702 designated for economic development projects and \$75,000 to purchase Public Safety vehicles. \$699,793 has been designated for self-funded health care. \$3,197,280 has been designated for expenditure in the fiscal year 2011 budget to complete projects started in FY 2010.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

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 \$3,690,428, while total fund balance reached \$18,186,554. 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 5% of the total General Fund expenditures, while total fund balance represents 26% of that same amount.

The total fund balance of the County's General Fund decreased by \$1,139,212 during the current fiscal year. The key factors for the decrease are as follows:

- Progress accelerated on Capital Projects in Fiscal Year 2010 eliminating the delays in construction from past years.
- Overall revenue decreased by \$2,109,725 and even though non-capital General Fund operating expenditures decreased by \$7,117,202, overall revenue was not enough to support operating 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 \$3,959,217, which include amounts owing from the Garrett County Memorial Hospital Bonds, Series 2004 and 2007, for the expansion and renovation of the Emergency Room/Same Day Surgery/Admissions Project.

The Non-Major Special Revenue Funds have a total fund balance of \$225,185, 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 \$5,866,477. The total decline in net assets for the proprietary funds was \$891,229. 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, 2010

Budgetary Highlights

The difference between original revenue budget amounts of \$70,784,452 and final revenue budget amounts of \$67,822,848 is a decrease of \$2,961,604. 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, local Transfer Taxes, Hotel Rental Tax 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 \$67,822,848 and the actual revenue recorded of \$70,029,181 resulted in a positive variance of \$2,206,333.

Significant differences between the original expenditure budget amounts of \$70,786,452 and final expenditure budget amounts of \$83,095,080, resulting in a budget increase of \$12,308,628, 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 2010 by the amount of unspent capital funds in fiscal year 2009.

The difference between the final budget expenditures of \$83,095,080 and the actual expenditures recorded of \$71,344,882 represented a variance of \$11,750,198. The difference is, in large part, due to timing differences between budgeted capital outlay versus actual expenditures for these various capital outlay projects.

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

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

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

June 30, 2010

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, 2010 amounts to \$133,232,828 (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 \$592,917 (a .4% 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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$7,525,091	\$7,427,379	\$1,748,824	\$1,784,325	\$9,273,915	\$9,211,704
Land Improvements	1,024,020	934,396	9,040,003	2,978,706	10,064,023	3,913,102
Construction in Progress	4,535,543	1,499,736	2,865,381	19,635,694	7,400,924	21,135,430
Infrastructure	29,942,980	32,124,752	55,235,061	45,608,184	85,178,041	77,732,936
Buildings	15,612,130	14,635,358	1,372,623	1,410,884	16,984,753	16,046,242
Furniture and Equipment	820,633	924,476	2,246	4,171	822,879	928,647
Vehicles	1,278,212	1,618,985	247,851	350,676	1,526,063	1,969,661
Machinery and Equipment	858,421	864,762	1,123,809	837,427	1,982,230	1,702,189
Total	\$61,597,030	\$60,029,844	\$71,635,798	\$72,610,067	\$133,232,828	\$132,639,911

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

- Various construction projects contributed to the net increase of approximately \$3,000,000 in the governmental activities construction in progress line item, the most significant being the continued work on the McHenry Business Park.
- The depreciation of roads and bridge projects contributed to a net decrease of approximately \$2,200,000 in governmental activities infrastructure.
- The completion of the Career Technology Training Center contributed to the net increase of approximately \$977,000 in governmental buildings.
- The completion of two major Garrett County Sanitary District projects – McHenry Water System and the maintenance warehouse – significantly contributed to the increase in infrastructure for business-type activities by approximately \$3,200,000. Other ongoing major Garrett County Sanitary District projects include the Deep Creek Collection and Conveyance, Mtn. Lake Park Water, and Thayerville Water projects.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

Capital Asset and Debt Administration (cont'd)

- The completion of the Garrett County Airport runway expansion project significantly contributed to net increases by adding approximately \$6,700,000 to business-type activities infrastructure, \$6,100,000 to business-type activities land improvements and \$286,000 to business-type activities machinery and equipment.
- Due to completion and placing in service of these three major business-type activities projects noted above, there was a net decrease in business-type activities construction in progress of approximately \$16,800,000.

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 \$35,959,508, which are backed by the full faith and credit of the County.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Bonded Debt	<u>\$ 5,674,217</u>	<u>\$ 6,465,836</u>	<u>\$ 30,285,291</u>	<u>\$ 30,962,537</u>	<u>\$35,959,508</u>	<u>\$37,428,373</u>

During fiscal year 2010, the County's total debt decreased by \$1,468,865. This decrease is attributable to the debt service payments made during the year.

In FY 2009, Garrett County received enabling legislation to borrow up to \$21,000,000 for the financing of various capital projects for economic development, roads department, education, general services and public safety. There are significant budgeted expenditures for capital project construction and capital outlay expenditures over fiscal years 2011 to 2015. These projects include the completion of the Northern High School Road and Parking Lot, Board of Education Maintenance Building, Southern Middle School renovation and the construction of a Public Works Administrative Office Building and Warehouse. 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 87 under Other Supplementary Information.

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

June 30, 2010

Economic Factors and Next Year's Budget and Rates

- The County continues to maintain insured security ratings of "A1" from Moody's Investors Service and an "AAA" from Standard & Poor's. During FY 2008 Moody's Investors Service completed a review of Garrett County's bond rating and determined that due to the County maintaining a healthy financial position supported by conservative budgeting practices and possessing a strong economic outlook that includes economic growth in the County, Moody's upgraded Garrett County's bond rate two notches from an uninsured rating of Baa2 to A3. On May 1, 2010, Moody's recalibrated Garrett County's rating from A3 to A1. The recalibration was a result of Moody's rating agency's move to a Global Scale for municipal credit ratings.
- The annual average unemployment rate through October 2010 for the County is 8.3%, which is higher than the State's average of 7.4% and lower than the national average of 10.6% through the same period.
- Property values in five districts were reassessed to be effective January 1, 2011. These districts included District 7-East of Oakland, District 14-West of Oakland, District 16-Mountain Lake Park, District 17-Oakland, District 18-Deep Creek Lake (south of the Route 219 Bridge). These areas include 12,068 real estate tax accounts and cover the south-western portion of Garrett County. The assessed values in these areas are holding steady or decreasing slightly.
- 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 2011.

During fiscal year 2010, the County's total general fund balance decreased by \$1,139,212. 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 \$3,197,280 of the Unreserved Fund Balance for spending in fiscal year 2011, down from \$4,362,010 in fiscal year 2009. Due to the favorable fund balance that the County has been experiencing over the past several years, the Commissioners were able to reduce the tax rate for 2010 by 1 cent from \$1.00 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 accrue during the employee's active years of service for government-wide financial reporting purposes. Since the County, the Board of Education and Garrett College formed a coalition for health insurance benefits, OPEB costs were also calculated to include all three entities. An OPEB trust fund was established and the County acted as the funding source for OPEB obligations for all three entities. For FY 2009, the County funded \$613,000 directly to the OPEB Trust Fund for

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

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

the Garrett County Board of Education, \$103,000 for Garrett College and the balance of \$120,000 for the County. For FY 2010, the County originally budgeted funding in the amount of \$566,174 for the Board of Education, \$95,167 for Garrett College and \$120,000 for the County. However, due to reductions in State revenue, the County was not able to fund the 2010 increase in the net OPEB obligation to the OPEB Trust Fund nor is this funding budgeted in FY 2011. More information on the County's other post-employment benefit plans can be found in Note 10 to the financial statements.

The Garrett County Sanitary District, d/b/a/ Department of Public Utilities, has numerous projects planned for fiscal year 2011. Water projects include continuing the expansion to the McHenry Water System designed to serve an additional 1,000 customers at an estimated cost of \$2,000,000 to complete the project, and a water system upgrade in Mountain Lake Park at an estimated cost of \$100,000. Upgrades to the Mountain Lake Park Water Distribution System are scheduled to begin in FY 2012 at an estimated cost of over \$1,500,000. The District is continuing construction on the Thayerville water project which will serve an additional 1,200 customers in the future. The cost of the Thayerville water system is estimated at approximately \$6,800,000 for FY 2011.

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 continue the rehabilitation project on the Friendsville Wastewater Collection system which will serve 200 customers. The estimated cost of the Friendsville Rehabilitation project is \$400,000 for FY 2011.

There are a few major capital projects that will continue into Fiscal Year 2011. These projects include the Landfill – design and construction of Cell 4, the continuation of several bridge projects as well as the continuation of the Glendale Road re-alignment project, completion of the McHenry Business Park Road, Phase I of the Cherry Glade Run Road Project, and the continuation of Economic Development projects such as Phase II of the Career and Technology Trades Center.

The County, Garrett College and the Board of Education continue to be involved in a coalition to consolidate health insurance benefits for current and retired employees of these entities. All three entities have the same insurance premium rates, the same benefits and the same employee co-pays. This consolidation is instrumental in attempting to make health costs more affordable and cost effective. On July 1, 2009, the health insurance platform changed from fully insured to self-insured. The self-insured platform will allow the coalition to put into place health insurance cost containment measures that would positively affect future fiscal years.

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

Request for Information

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

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

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

Or, visit our website at www.garrettcounty.org

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

Statement of Net Assets

June 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 9,158,882	\$ 621,944	\$ 9,780,826
Investments	9,142,130		9,142,130
Taxes Receivable - Net	3,679,120		3,679,120
Due from Other Governments	5,800,868	887,396	6,688,264
Due from Primary Government			
Other Receivables - Net	674,538	1,147,464	1,822,002
Inventories	654,513	611,432	1,265,945
Prepaid Expenses	385,348	175	385,523
Restricted Cash	100,452	5,924,242	6,024,694
Restricted Investments			
Restricted Accounts Receivable	3,959,217	453,398	4,412,615
Restricted Notes Receivable		141,024	141,024
Notes Receivable - Long-Term	1,483,055		1,483,055
Non-Depreciable Capital Assets	12,060,634	4,614,205	16,674,839
Depreciable Capital Assets, Net of Accumulated Depreciation	49,536,396	67,021,593	116,557,989
Deferred Charges	40,520	15,180	55,700
TOTAL ASSETS	\$ 96,675,673	\$ 81,438,053	\$ 178,113,726
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 3,779,267	\$ 802,099	\$ 4,581,366
Internal Balances	2,849,035	(2,849,035)	0
Due to Component Units	480,724		480,724
Due to Other Governments	192,789	119,090	311,879
Deferred Revenues	6,320,736	5,395	6,326,131
Other Liabilities	346,244		346,244
Long-Term Liabilities			
Due Within One Year	741,903	1,083,264	1,825,167
Due in More Than One Year	6,756,190	32,295,124	39,051,314
Total Liabilities	\$ 21,466,888	\$ 31,455,937	\$ 52,922,825
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 60,953,905	\$ 43,690,656	\$ 104,644,561
Restricted for:			
Debt Service		424,983	424,983
Other	1,060,242		1,060,242
Unrestricted	13,194,638	5,866,477	19,061,115
Total Net Assets	\$ 75,208,785	\$ 49,982,116	\$ 125,190,901
TOTAL LIABILITIES AND NET ASSETS	\$ 96,675,673	\$ 81,438,053	\$ 178,113,726

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>
\$	7,819,125	\$ 4,568,219	\$ 364,048
			140,469
	1,688,121	715,465	
	169,004	299,046	12,674
	12,618	96,473	8,498
	127,467	99,294	
		305,237	
		1,102,755	
		1,606,246	
	1,104,676	2,087,792	33,556
	51,148,154	16,707,085	1,497,424
		161,942	
\$	<u>62,069,165</u>	<u>\$ 27,749,554</u>	<u>\$ 2,056,669</u>
\$	8,012,248	\$ 831,111	\$ 13,534
	19,952	1,867,042	
		188,983	
	84,000	50,000	
	1,245,614	7,257,284	34,247
\$	<u>9,361,814</u>	<u>\$ 10,194,420</u>	<u>\$ 47,781</u>
\$	52,252,830	\$ 12,551,383	\$ 1,530,980
	540,328	2,179,148	78,635
	(85,807)	2,824,603	399,273
\$	<u>52,707,351</u>	<u>\$ 17,555,134</u>	<u>\$ 2,008,888</u>
\$	<u>62,069,165</u>	<u>\$ 27,749,554</u>	<u>\$ 2,056,669</u>

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Activities
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 6,144,946	\$ 460,265	\$ 2,178,970	\$
Public Safety	9,274,508	393,890	1,121,131	10,364
Public Works	18,999,584	323,696	257,207	609,990
Health and Hospital	1,369,647		853,910	
Education				
Board of Education	24,226,047	148,800		
Community College	4,999,110			
Culture	18,000			
Parks and Recreation	286,086		263,712	
Library	1,001,825			
Conservation of Natural Resources	224,155			
Social Services	281,700			
Community Development and Housing				
Economic Opportunity and Development	6,034,858		2,609,330	4,674,494
Intergovernmental	182,285			
Miscellaneous	487,808		61,949	
Unallocated Depreciation	592,520			
Interest on Long-Term Debt	297,930			
Total Governmental Activities	<u>\$ 74,421,009</u>	<u>\$ 1,326,651</u>	<u>\$ 7,346,209</u>	<u>\$ 5,294,848</u>
Business-type activities				
Airport Fund	\$ 1,032,470	\$ 178,921	\$ 1,349	\$ (7,089)
Solid Waste Fund	2,309,397	1,024,755	22,379	
Garrett County Sanitary District, Inc.	7,844,998	4,457,334	4,492	1,348,995
Total Business-Type Activities	<u>\$ 11,186,865</u>	<u>\$ 5,661,010</u>	<u>\$ 28,220</u>	<u>\$ 1,341,906</u>
Total Primary Government	<u>\$ 85,607,874</u>	<u>\$ 6,987,661</u>	<u>\$ 7,374,429</u>	<u>\$ 6,636,754</u>
Component Units				
Board of Education	\$ 62,617,605	\$ 1,075,264	\$ 10,096,728	\$ 1,327,910
Community College	15,284,446	3,786,557	3,757,277	640,844
Public Library	1,421,896	31,686	82,120	19,125
Total Component Units	<u>\$ 79,323,947</u>	<u>\$ 4,893,507</u>	<u>\$ 13,936,125</u>	<u>\$ 1,987,879</u>

General Revenues:

Taxes:

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

Total General Revenues, Special Items and Transfers

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Public Library
\$ (3,505,711)	\$	\$ (3,505,711)	\$	\$	
(7,749,123)		(7,749,123)			
(17,808,691)		(17,808,691)			
(515,737)		(515,737)			
(24,077,247)		(24,077,247)			
(4,999,110)		(4,999,110)			
(18,000)		(18,000)			
(22,374)		(22,374)			
(1,001,825)		(1,001,825)			
(224,155)		(224,155)			
(281,700)		(281,700)			
1,248,966		1,248,966			
(182,285)		(182,285)			
(425,859)		(425,859)			
(592,520)		(592,520)			
(297,930)		(297,930)			
<u>\$ (60,453,301)</u>	<u>\$</u>	<u>\$ (60,453,301)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$	\$ (859,289)	\$ (859,289)	\$	\$	\$
	(1,262,263)	(1,262,263)			
	<u>(2,034,177)</u>	<u>(2,034,177)</u>			
<u>\$</u>	<u>\$ (4,155,729)</u>	<u>\$ (4,155,729)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>\$ (60,453,301)</u>	<u>\$ (4,155,729)</u>	<u>\$ (64,609,030)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$	\$	\$	\$ (50,117,703)	\$	\$
				(7,099,768)	
					(1,288,965)
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ (50,117,703)</u>	<u>\$ (7,099,768)</u>	<u>\$ (1,288,965)</u>
\$ 43,921,993	\$ 2,174,543	\$ 46,096,536	\$	\$	\$
9,867,543		9,867,543			
3,243,257		3,243,257			
2,675,918		2,675,918			
721,635	140,592	862,227	20,990	211,191	10,591
			23,158,999	4,273,000	982,700
307,026	130,220	437,246	25,230,118	4,100,690	244,665
780,191		780,191			
751,144	68,981	820,125	184,549	10,948	132
511,355	(109,992)	401,363	2,198		2,379
(860,156)	860,156	0			
(2,662,427)		(2,662,427)		(1,887,514)	
<u>\$ 59,257,479</u>	<u>\$ 3,264,500</u>	<u>\$ 62,521,979</u>	<u>\$ 48,596,854</u>	<u>\$ 6,708,315</u>	<u>\$ 1,240,467</u>
\$ (1,195,822)	\$ (891,229)	\$ (2,087,051)	\$ (1,520,849)	\$ (391,453)	\$ (48,498)
76,404,607	50,873,345	127,277,952	54,228,200	17,946,587	2,057,386
<u>\$ 75,208,785</u>	<u>\$ 49,982,116</u>	<u>\$ 125,190,901</u>	<u>\$ 52,707,351</u>	<u>\$ 17,555,134</u>	<u>\$ 2,008,888</u>

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

Balance Sheet
Governmental Funds
June 30, 2010

	<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	\$ 9,158,882	\$	\$	\$	\$ 9,158,882
Investments	9,142,130				9,142,130
Taxes Receivable - Net	3,679,120				3,679,120
Due from Other Governments	3,814,553	1,984,855		1,460	5,800,868
Due from Other Funds	393,776			200,547	594,323
Other Receivables - Net	860,343			6,695	867,038
Inventories	654,513				654,513
Prepaid Expenses	385,348				385,348
Restricted Cash	2,703			97,749	100,452
Restricted Accounts Receivable			3,959,217		3,959,217
TOTAL ASSETS	<u>\$ 28,091,368</u>	<u>\$ 1,984,855</u>	<u>\$ 3,959,217</u>	<u>\$ 306,451</u>	<u>\$ 34,341,891</u>
LIABILITIES:					
Accounts Payable and Accrued Expenses	\$ 3,125,802	\$ 636,213	\$	\$ 1,847	\$ 3,763,862
Due to Other Funds	3,094,716	348,642			3,443,358
Due to Component Units	480,724				480,724
Due to Other Governments	192,789				192,789
Deferred Revenues	2,664,539	1,000,000	3,959,217	79,419	7,703,175
Other Liabilities	346,244				346,244
Total Liabilities	<u>\$ 9,904,814</u>	<u>\$ 1,984,855</u>	<u>\$ 3,959,217</u>	<u>\$ 81,266</u>	<u>\$ 15,930,152</u>
FUND BALANCES:					
Reserved	\$ 835,057	\$	\$	\$ 225,185	\$ 1,060,242
Designated for Self Funded Health Care	699,793				699,793
Designated for Capital Projects	9,763,996				9,763,996
Designated for Subsequent Year's Budget	3,197,280				3,197,280
Unreserved - Undesignated	3,690,428				3,690,428
Total Fund Balances	<u>\$ 18,186,554</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 225,185</u>	<u>\$ 18,411,739</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 28,091,368</u>	<u>\$ 1,984,855</u>	<u>\$ 3,959,217</u>	<u>\$ 306,451</u>	<u>\$ 34,341,891</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, 2010

Total Fund Balances - Governmental Funds	\$	18,411,739
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. The cost of these assets is \$119,032,918, net of accumulated depreciation of \$57,435,888.</p>		61,597,030
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end include compensated absences of \$1,571,151 and the net OPEB obligation of \$252,725.</p>		(7,498,093)
<p>Bond issuance costs incurred are not financial resources, and therefore, are not reported in the funds. The cost of these assets is \$262,522, net of accumulated amortization of \$222,002.</p>		40,520
<p>Interest on long term debt is not accrued in funds, but is recognized as an expenditure when due.</p>		(15,405)
<p>County revenue that is collected after year-end and unavailable soon enough to pay for the current period's expenditures is reported as deferred revenue in the funds.</p>		2,637,316
<p>Note receivable issued in connection with land sale not recognized in funds.</p>		1,290,555
<p>Deferred gain recorded in connection with land sale not recorded in funds.</p>		<u>(1,254,877)</u>
Total Net Assets - Governmental Activities	\$	<u><u>75,208,785</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, 2010

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
REVENUES:					
Taxes	\$ 59,370,470	\$	\$	\$	\$ 59,370,470
Licenses and Permits	276,309				276,309
Intergovernmental	7,071,129	5,016,069	561,619	222,643	12,871,460
Fines and Forfeitures	10,753			22,959	33,712
Charges for Services	802,458			34,126	836,584
Investment Income	531,773		189,818		721,591
Rents and Concessions	928,991				928,991
Contributions	3,469				3,469
Miscellaneous	844,388				844,388
Total Revenues	\$ 69,839,740	\$ 5,016,069	\$ 751,437	\$ 279,728	\$ 75,886,974
EXPENDITURES:					
General Government	\$ 6,062,945	\$	\$	17,768	\$ 6,080,713
Public Safety	8,491,337			248,547	8,739,884
Public Works	15,779,628				15,779,628
Health and Hospital	1,358,265				1,358,265
Education					
Board of Education	24,222,780				24,222,780
Community College	4,999,110				4,999,110
Culture	18,000				18,000
Parks and Recreation	286,086				286,086
Library	1,001,825				1,001,825
Conservation of Natural Resources	224,119				224,119
Social Services	281,700				281,700
Economic Opportunity and Development	5,925,772				5,925,772
Capital Outlay	716,011	4,953,018			5,669,029
Debt Service	339,773		751,437		1,091,210
Intergovernmental	182,285				182,285
Miscellaneous	485,881				485,881
Total Expenditures	\$ 70,375,517	\$ 4,953,018	\$ 751,437	\$ 266,315	\$ 76,346,287
REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) SUBTOTAL					
	\$ (535,777)	\$ 63,051	\$ 0	\$ 13,413	\$ (459,313)

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, 2010

	<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	\$ (535,777)	\$ 63,051	\$ 0	\$ 13,413	\$ (459,313)
OTHER FINANCING SOURCES (USES):					
Sale of Capital Assets	514,730			12,475	527,205
Operating Transfers					
Capital Projects Fund	(1,032,864)	1,032,864			0
Airport Fund	(66,679)				(66,679)
Garrett County Sanitary District, Inc.	(18,622)	(774,855)			(793,477)
REVENUES AND OTHER FINANCING					
SOURCES OVER (UNDER)					
EXPENDITURES & OTHER USES	\$ (1,139,212)	\$ 321,060	\$ 0	\$ 25,888	\$ (792,264)
SPECIAL ITEM		(2,662,427)			(2,662,427)
REVENUES AND OTHER FINANCING					
SOURCES OVER (UNDER) EXPENDITURES					
AND OTHER USES & SPECIAL ITEM	\$ (1,139,212)	\$ (2,341,367)	\$ 0	\$ 25,888	\$ (3,454,691)
Fund Balances, Beginning of Year,	\$ 19,325,766	\$ 2,341,367	\$ 0	\$ 199,297	\$ 21,866,430
FUND BALANCES, End of Year	\$ 18,186,554	\$ 0	\$ 0	\$ 225,185	\$ 18,411,739

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, 2010

Change in Fund Balances - Governmental Funds	\$	(3,454,691)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$8,361,091 exceeded depreciation expense of \$6,789,255 in the current year.		1,571,836
Governmental funds do not report donated assets, however, the fair market value of these assets are reported as revenue in the statement of activities.		11,200
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.		(15,850)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		791,619
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used.		(227,581)
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.		(16,651)
Interest on long term debt is not accrued in governmental funds, but is recognized as an expenditure when due in the statement of activities.		1,661
Revenues that do not provide current financial resources are reported as deferred revenue in the governmental funds. The amount of the change in deferred revenue is not reported in the statement of activities.		338,241
OPEB costs related to the unfunded net OPEB obligation do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		<u>(195,606)</u>
Change in Net Assets - Governmental Activities	\$	<u><u>(1,195,822)</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES:				
Taxes	\$ 60,963,708	\$ 58,618,208	\$ 59,708,711	\$ 1,090,503
Licenses and Permits	267,300	266,300	276,309	10,009
Intergovernmental	7,868,393	6,915,840	7,071,129	155,289
Fines and Forfeitures	7,500	7,500	10,753	3,253
Charges for Services	687,300	781,105	802,458	21,353
Investment Income	155,000	358,000	531,773	173,773
Rents and Concessions	774,251	774,251	780,191	5,940
Contributions	2,000	5,442	3,469	(1,973)
Miscellaneous	59,000	96,202	844,388	748,186
Total Revenues	<u>\$ 70,784,452</u>	<u>\$ 67,822,848</u>	<u>\$ 70,029,181</u>	<u>\$ 2,206,333</u>
EXPENDITURES:				
General Government	\$ 6,622,067	\$ 6,535,210	\$ 6,062,945	\$ (472,265)
Public Safety	8,957,465	9,393,579	8,491,337	(902,242)
Public Works	16,763,702	16,160,947	15,779,628	(381,319)
Health and Hospital	1,358,265	1,358,265	1,358,265	0
Social Services	281,700	281,700	281,700	0
Education	29,483,278	36,278,184	29,073,090	(7,205,094)
Culture	18,000	18,000	18,000	0
Parks and Recreation	24,000	288,000	286,086	(1,914)
Library	1,002,700	1,002,700	1,001,825	(875)
Conservation of Natural Resources	285,628	222,362	224,119	1,757
Economic Development and Opportunity	3,503,182	6,262,508	5,925,772	(336,736)
Capital Outlay	801,518	1,423,178	716,011	(707,167)
Debt Service	339,773	339,773	339,773	0
Intergovernmental	189,875	189,875	182,285	(7,590)
Miscellaneous	893,000	487,556	485,881	(1,675)
Total Expenditures	<u>\$ 70,524,153</u>	<u>\$ 80,241,837</u>	<u>\$ 70,226,717</u>	<u>\$ (10,015,120)</u>
REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>\$ 260,299</u>	<u>\$ (12,418,989)</u>	<u>\$ (197,536)</u>	<u>\$ 12,221,453</u>
OTHER FINANCING SOURCES (USES):				
Sale of Capital Assets	\$ 2,000	\$ 1,114,150	\$ 514,730	\$ (599,420)
Operating Transfers				
Capital Projects Fund	(184,101)	(2,773,660)	(1,032,864)	(1,740,796)
Airport Fund	(78,198)	(79,583)	(66,679)	(12,904)
Garrett County Sanitary District, Inc.			(18,622)	18,622
Total Other Financing Sources (Uses)	<u>\$ (260,299)</u>	<u>\$ (1,739,093)</u>	<u>\$ (603,435)</u>	<u>\$ 1,135,658</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ 0</u>	<u>\$ (14,158,082)</u>	<u>\$ (800,971)</u>	<u>\$ 13,357,111</u>
Fund Balance, Beginning of Year	<u>19,325,766</u>	<u>19,325,766</u>	<u>19,325,766</u>	
FUND BALANCE, End of Year, Budgetary Basis	<u>\$ 19,325,766</u>	<u>\$ 5,167,684</u>	<u>\$ 18,524,795</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, 2010

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Total
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 100	\$ 300	\$ 621,544	\$ 621,944
Due from Other Governments	1,349	9,690	876,357	887,396
Due from Primary Government		2,889,768	4,401	2,894,169
Other Receivables - Net	7,356	243,349	896,759	1,147,464
Inventories	48,498		562,934	611,432
Prepaid Expense		175		175
Total Current Assets	\$ 57,303	\$ 3,143,282	\$ 2,961,995	\$ 6,162,580
Noncurrent Restricted Assets:				
Restricted Cash	\$	\$ 2,154,809	\$ 3,769,433	\$ 5,924,242
Restricted Other Receivables			453,398	453,398
Restricted Notes Receivable			141,024	141,024
Total Noncurrent Restricted Assets	\$	\$ 2,154,809	\$ 4,363,855	\$ 6,518,664
Capital and Other Assets:				
Non-Depreciable Capital Assets	\$ 721,522	\$ 113,994	\$ 3,778,689	\$ 4,614,205
Depreciable Capital Assets, Net of Accumulated Depreciation	15,992,288	2,779,828	48,249,477	67,021,593
Bond Discount, Net of Amortization		2,884		2,884
Loan Issuance Costs, Net of Amortization		12,296		12,296
Total Capital and Other Assets	\$ 16,713,810	\$ 2,909,002	\$ 52,028,166	\$ 71,650,978
TOTAL ASSETS	\$ 16,771,113	\$ 8,207,093	\$ 59,354,016	\$ 84,332,222

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, 2010

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Total
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Expenses	\$ 9,258	\$ 203,842	\$ 588,999	\$ 802,099
Bonds and Loans Payable - Current Portion		513,821	538,443	1,052,264
Closure/Postclosure Liabilities - Current Portion		31,000		31,000
Due to Other Governments			119,090	119,090
Due to Primary Government	36,775		8,359	45,134
Deferred Revenue	5,395			5,395
Total Current Liabilities	\$ 51,428	\$ 748,663	\$ 1,254,891	\$ 2,054,982
Noncurrent Liabilities:				
Bonds and Loans Payable	\$	\$ 2,092,881	\$ 27,140,146	\$ 29,233,027
Compensated Absences	5,875	100,103	108,111	214,089
Closure/Postclosure Liabilities		2,848,008		2,848,008
Total Noncurrent Liabilities	\$ 5,875	\$ 5,040,992	\$ 27,248,257	\$ 32,295,124
TOTAL LIABILITIES	\$ 57,303	\$ 5,789,655	\$ 28,503,148	\$ 34,350,106
NET ASSETS				
Investment in Capital Assets, Net of Related Debt	\$ 16,713,810	\$ 788,352	\$ 26,188,494	\$ 43,690,656
Restricted Net Assets				
Debt Service		424,983		424,983
Unrestricted Net Assets		1,204,103	4,662,374	5,866,477
Total Net Assets	\$ 16,713,810	\$ 2,417,438	\$ 30,850,868	\$ 49,982,116
TOTAL LIABILITIES AND NET ASSETS	\$ 16,771,113	\$ 8,207,093	\$ 59,354,016	\$ 84,332,222

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, 2010

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Total</u>
OPERATING REVENUES:				
Charges for Services	\$ 177,081	\$ 1,024,755	\$ 4,119,396	\$ 5,321,232
Other	1,840	68,981	337,938	408,759
Total Operating Revenues	<u>\$ 178,921</u>	<u>\$ 1,093,736</u>	<u>\$ 4,457,334</u>	<u>\$ 5,729,991</u>
OPERATING EXPENSES:				
Salaries	\$ 87,237	\$ 673,841	\$ 1,042,677	\$ 1,803,755
Fringe Benefits	31,787	254,289	467,207	753,283
Maintenance and Repairs	5,098	93,740	381,995	480,833
Supplies	76,146	53,875	528,166	658,187
Utilities	17,601	22,969	588,008	628,578
Transportation	4,696		103,210	107,906
Contracted Services	3,281	215,930	42,187	261,398
Lab Tests			2,707	2,707
Insurance	6,429	17,750		24,179
Direct Administration - Plant			96,547	96,547
Indirect Administration		38,368	969,280	1,007,648
Depreciation Expense	792,646	709,930	2,739,244	4,241,820
Amortization - Other		8,631		8,631
Other	7,549	79,969		87,518
Total Operating Expenses	<u>\$ 1,032,470</u>	<u>\$ 2,169,292</u>	<u>\$ 6,961,228</u>	<u>\$ 10,162,990</u>
NET OPERATING LOSS	<u>\$ (853,549)</u>	<u>\$ (1,075,556)</u>	<u>\$ (2,503,894)</u>	<u>\$ (4,432,999)</u>
NON-OPERATING REVENUES (EXPENSES):				
Tap Fees - Capital Revenue	\$	\$	\$ 130,220	\$ 130,220
Intergovernmental	1,349	22,379	4,492	28,220
Interest Income		36,671	103,921	140,592
Ad Valorem Tax		1,848,279	326,264	2,174,543
Sale of Assets		2,050	(112,042)	(109,992)
Interest Expense		(133,355)	(883,770)	(1,017,125)
Asset Management Fees		(6,750)		(6,750)
Net Other Revenues (Expenses)	<u>\$ 1,349</u>	<u>\$ 1,769,274</u>	<u>\$ (430,915)</u>	<u>\$ 1,339,708</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS/ TRANSFERS	<u>\$ (852,200)</u>	<u>\$ 693,718</u>	<u>\$ (2,934,809)</u>	<u>\$ (3,093,291)</u>

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2010

	<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	\$ (852,200)	\$ 693,718	\$ (2,934,809)	\$ (3,093,291)
CAPITAL CONTRIBUTIONS/TRANSFERS				
Capital Contributions (to) from				
Federal	(6,907)		948,995	942,088
State	(182)		400,000	399,818
Primary Government	6,943		793,477	800,420
Transfers from Primary Government	<u>59,736</u>			<u>59,736</u>
NET INCREASE (DECREASE) IN NET ASSETS	\$ (792,610)	\$ 693,718	\$ (792,337)	\$ (891,229)
NET ASSETS - BEGINNING OF YEAR	<u>\$ 17,506,420</u>	<u>\$ 1,723,720</u>	<u>\$ 31,643,205</u>	<u>\$ 50,873,345</u>
NET ASSETS - END OF YEAR	<u><u>\$ 16,713,810</u></u>	<u><u>\$ 2,417,438</u></u>	<u><u>\$ 30,850,868</u></u>	<u><u>\$ 49,982,116</u></u>

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

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

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2010

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 178,898	\$ 1,092,668	\$ 4,337,984	\$ 5,609,550
Cash Paid to Suppliers	(123,263)	(460,601)	(2,685,208)	(3,269,072)
Cash Paid to Employees and for Employee Benefits	(119,796)	(908,792)	(1,504,911)	(2,533,499)
Net Cash (Used In)/Provided By Operating Activities	\$ (64,161)	\$ (276,725)	\$ 147,865	\$ (193,021)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfer From Primary Government	\$ 59,736	\$	\$	\$ 59,736
Intergovernmental Operating Grants		12,689		12,689
Decrease in Amounts Due to General Fund	(245,837)		(13,146)	(258,983)
Increase in Amounts Due from General Fund		(952,339)		(1,211,322)
Net Cash Used In Non-Capital Financing Activities	\$ (186,101)	\$ (939,650)	\$ (13,146)	\$ (1,397,880)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from Long-Term Debt	\$	\$	\$ 316,947	\$ 316,947
Capital Contributions	250,262		1,321,760	1,572,022
Decrease In Restricted Notes Receivable			19,378	19,378
Proceeds from Tap Fees			130,220	130,220
Ad Valorem Taxes and Other Assessments Collected		1,806,309	332,884	2,139,193
Payment of Expenses Related to Landfill Closure		(233,018)		(233,018)
Acquisition and Construction of Capital Assets		(50,465)	(3,336,331)	(3,386,796)
Principal Paid on Long-Term Debt		(485,334)	(508,859)	(994,193)
Interest Paid on Long-Term Debt		(138,872)	(885,962)	(1,024,834)
Proceeds from Disposition of Capital Assets		2,050	94,142	96,192
Net Cash Provided By/(Used In) Capital and Related Financing Activities	\$ 250,262	\$ 900,670	\$ (2,515,821)	\$ (1,364,889)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Income	\$	\$ 36,671	\$ 103,921	\$ 140,592
Asset Management Fees		(6,750)		(6,750)
Net Cash Provided By Investing Activities	\$ 0	\$ 29,921	\$ 103,921	\$ 133,842
DECREASE IN CASH AND CASH EQUIVALENTS	\$ 0	\$ (285,784)	\$ (2,277,181)	\$ (2,562,965)
Cash and Cash Equivalents, Beginning of Year	100	2,440,893	6,668,158	9,109,151
CASH AND CASH EQUIVALENTS, End of Year	\$ 100	\$ 2,155,109	\$ 4,390,977	\$ 6,546,186

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, 2010

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Total</u>
Reconciliation of Operating Loss to Net				
Cash (Used In)/Provided By Operating Activities:				
Operating Loss	\$ (853,549)	\$ (1,075,556)	\$ (2,503,894)	\$ (4,432,999)
Adjustments to Reconcile Operating Loss to Net				
Cash Used In Operating Activities:				
Depreciation and Amortization	792,646	718,561	2,739,244	4,250,451
Changes in Current Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	442	(1,068)	(119,350)	(119,976)
Increase in Inventories	(10,387)		(30,784)	(41,171)
Decrease in Prepaid Expenses	3,150	9,880	17,887	30,917
Increase in Accounts Payable	5,023	49,161	48,649	102,833
Increase in Due to Other Governments			1,400	1,400
Decrease in Deferred Revenue	(465)			(465)
Increase (Decrease) in Compensated Absences	(1,021)	22,297	(5,287)	15,989
Net Cash (Used In)/Provided By Operating Activities	\$ (64,161)	\$ (276,725)	\$ 147,865	\$ (193,021)

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, 2010

	<u>Benefit Plan Trust Funds</u>
ASSETS:	
Cash and Cash Equivalents	\$ 998,948
Investments:	
Certificates of Deposit	\$ 305,000
Fixed Income Securities	4,694,525
Mutual Funds	6,427,229
Equity Securities	2,547,564
Total Investments	\$ 13,974,318
Interest Receivable	\$ 83,799
TOTAL ASSETS	\$ 15,057,065
LIABILITIES	<u>0</u>
NET ASSETS:	
Held in Trust for Retirement Benefits and OPEB	<u>\$ 15,057,065</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, 2010

	<u>Benefit Plan Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 1,386,598
Plan Members	428,665
Total Contributions	<u>\$ 1,815,263</u>
Investment Earnings:	
Net Increase in Fair Value of Investments	\$ 1,276,738
Realized Net Losses on Investments	(334,593)
Interest and Dividends	436,028
Investment Activity Expense	(71,576)
Total Net Investment Earnings	<u>\$ 1,306,597</u>
Total Additions	<u>\$ 3,121,860</u>
DEDUCTIONS	
Benefits	\$ 210,620
Administrative	16,393
Total Deductions	<u>\$ 227,013</u>
Change In Net Assets	\$ 2,894,847
Net Assets - Beginning of Year	<u>12,162,218</u>
Net Assets - End of Year	<u><u>\$ 15,057,065</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, 2010**

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, 2010**

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 \$99,694, 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 81% of the Liquor Control Board's gross revenues for the fiscal year ended June 30, 2010. Total assets of the Liquor Control Board as of June 30, 2010 are \$107,618.

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, 2010**

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, 2010**

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 1997 Bond Issue was retired during the year ended June 30, 2010.

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, 2010**

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, 2010**

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, 2010. 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, 2010.

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

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

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

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

Restricted Assets - The governmental activities column of the government-wide and governmental funds financial statements include restricted cash of \$100,452 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, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Restricted receivables of \$3,959,217 reflect amounts owed by Garrett County Memorial Hospital to the County under prior loan agreements related to the Garrett County Memorial Hospital 2004 and 2007 Hospital Refinancing Bonds. Amounts receivable are to be collected through June 30, 2037.

Restricted assets reported in the business-type activities column of the government-wide and proprietary fund financial statements consist of restricted cash of the Solid Waste Fund, including, \$1,224,118 restricted for closure and post-closure activities; \$7,360 of unexpended bond proceeds restricted for future construction; and \$923,331 restricted for debt service payments.

Restricted assets attributable to the Garrett County Sanitary District, Inc. of \$4,363,855 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 \$211,208 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, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

**Notes to Financial Statements
June 30, 2010**

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, 2010**

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 16, 2009, 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, 2010 to the statement of net assets:

	Governmental Activities	Business-Type Activities	Primary Government	Fiduciary Funds
Cash and Cash Equivalents	\$ 9,158,882	\$ 621,944	\$ 9,780,826	\$
Restricted Cash	100,452	5,924,242	6,024,694	998,948
Investments	9,142,130		9,142,130	
Restricted Investments				13,974,318
Total	<u>\$ 18,401,464</u>	<u>\$ 6,546,186</u>	<u>\$ 24,947,650</u>	<u>\$ 14,973,266</u>

Deposit and Investment Summary

	Governmental Activities	Business-Type Activities	Primary Government	Fiduciary Funds
Deposits	\$ 9,258,009	\$ 5,958,035	\$ 15,216,044	\$ 998,948
Repurchase Agreements		587,401	587,401	
Certificates of Deposit	4,046,572		4,046,572	305,000
U.S. Government Obligations	5,095,558		5,095,558	1,636,132
Fixed Income Securities				3,058,393
Mutual Funds				6,427,229
Equity Securities				2,547,564
Cash on Hand	1,325	750	2,075	
Total	<u>\$ 18,401,464</u>	<u>\$ 6,546,186</u>	<u>\$ 24,947,650</u>	<u>\$ 14,973,266</u>

Deposits

At year end, the carrying amount of the primary government's deposits including certificates of deposit was \$19,262,616 and the bank balance of collected funds was \$19,595,546. Of the bank balance \$1,650,702 was insured by the Federal Deposit Insurance Corporation (FDIC), \$16,720,726 was collateralized by securities held by the County's agent in the County's name and \$1,224,118 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, 2010**

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, 2010 was \$25,164,000.

The Government Personnel Retirement, Law Enforcement Employee Retirement and Other Post Employment Benefit Plans (Fiduciary Funds) deposits including certificates of deposits of \$590,715 were insured by the FDIC at year end. The remaining deposits of \$713,233 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, 2010, the County held repurchase agreements with a carrying amount of \$587,401 and a bank balance of \$4,353,961. The bank balance was held at various interest rates and collateralized by U.S government agency securities with a market value of \$4,442,523.

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, 2010**

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, 2010, 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 \$13,669,318 at June 30, 2010, 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, 2010**

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, 2010:

Security Ratings	Market Value 6/30/10
AA2	\$ 724,249
BAA1	123,501
AA3	156,083
BAA3	115,152
A1	375,236
A2	796,172
BAA2	386,216
A3	355,479
AA1	26,305
Total Market Value	\$ 3,058,393

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

Maturity Date	Interest Rates	Market Value 6/30/10
2011	4.25 – 6.13%	\$ 56,881
2012	No Maturities	0
2013	4.00 – 5.80%	130,451
2014	No Maturities	0
2015	5.00%	25,164
2016-2020	4.45 – 6.40%	1,961,551
2021-2025	4.70 – 6.25%	650,657
2026-2030	5.30 – 6.95%	1,598,695
2031-2035	6.00 – 7.15%	271,126
	Total Market Value	\$ 4,694,525

Fiduciary Fund mutual fund investments include bond mutual funds all of which were unrated as of June 30, 2010.

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

**Notes to Financial Statements
June 30, 2010**

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 made payments to the County sufficient to provide for the payment of principal and interest on the bonds when due. Total payments consisting of \$4,275,000 principal and \$1,786,410 interest were made by the Hospital to the County from 1998 through 2010. This bond was paid in full as of June 30, 2010.

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 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>
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	137,238	140,799	278,037
2016-2037	3,325,965	1,490,982	4,816,947
Total	\$ 3,959,217	\$ 2,247,911	\$ 6,207,128

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

**Notes to Financial Statements
June 30, 2010**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the Primary Government for the fiscal year ended June 30, 2010 was as follows:

	<u>Balance as of June 30, 2009</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance as of June 30, 2010</u>
<u>Governmental Activities</u>				
Capital assets, not depreciated				
Land and easments	\$ 7,427,379	\$ 91,144	\$ 6,568	\$ 7,525,091
Construction in progress	1,499,736	4,867,623	(1,831,816)	4,535,543
Total capital assets, not depreciated	<u>\$ 8,927,115</u>	<u>\$ 4,958,767</u>	<u>\$ (1,825,248)</u>	<u>\$ 12,060,634</u>
Capital assets, being depreciated				
Land improvements	\$ 972,057	\$	\$ 103,084	\$ 1,075,141
Buildings	22,779,757		1,579,435	24,359,192
Machinery & equipment	1,203,673	81,018		1,284,691
Vehicles	12,058,821	298,908	(322,475)	12,035,254
Furniture & equipment	1,543,359	51,932		1,595,291
Infrastructure	63,514,170	2,981,666	126,879	66,622,715
Total capital assets, being depreciated	<u>\$ 102,071,837</u>	<u>\$ 3,413,524</u>	<u>\$ 1,486,923</u>	<u>\$ 106,972,284</u>
Less accumulated depreciation for:				
Land improvements	\$ (37,661)	\$ (13,460)	\$	\$ (51,121)
Buildings	(8,144,399)	(602,663)		(8,747,062)
Machinery & equipment	(338,911)	(87,359)		(426,270)
Vehicles	(10,439,836)	(639,681)	322,475	(10,757,042)
Furniture & equipment	(618,883)	(155,775)		(774,658)
Infrastructure	(31,389,418)	(5,290,317)		(36,679,735)
Total accumulated depreciation	<u>\$ (50,969,108)</u>	<u>\$ (6,789,255)</u>	<u>\$ 322,475</u>	<u>\$ (57,435,888)</u>
Total capital assets, being depreciated, net	<u>\$ 51,102,729</u>	<u>\$ (3,375,731)</u>	<u>\$ 1,809,398</u>	<u>\$ 49,536,396</u>
Governmental activities capital assets, net	<u>\$ 60,029,844</u>	<u>\$ 1,583,036</u>	<u>\$ (15,850)</u>	<u>\$ 61,597,030</u>

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

Governmental activities:	
General Government	\$ 54,591
Public Works	5,733,279
Public Safety	303,856
Economic Development	105,009
Unallocated	592,520
Total depreciation expense - governmental activities	<u>\$ 6,789,255</u>

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

**Notes to Financial Statements
June 30, 2010**

NOTE 4 – CAPITAL ASSETS (Continued)

	Balance June 30, 2009	Additions	Transfers and Retirements	Balance June 30, 2010
<u>Business-type activities</u>				
Capital assets, not depreciated				
Land and easments	\$ 1,784,325	\$ 18,000	\$ (53,501)	\$ 1,748,824
Construction in progress	19,635,694	3,321,734	(20,092,047)	2,865,381
Total capital assets, not depreciated	<u>\$ 21,420,019</u>	<u>\$ 3,339,734</u>	<u>\$ (20,145,548)</u>	<u>\$ 4,614,205</u>
Capital assets, being depreciated				
Land improvements	\$ 9,538,375	\$	\$ 6,767,144	\$ 16,305,519
Buildings	1,504,498			1,504,498
Machinery & equipment	1,679,330	52,550	388,169	2,120,049
Vehicles	1,681,983	58,276	(51,442)	1,688,817
Infrastructure	889,428		7,213,066	8,102,494
Furniture & equipment	25,818			25,818
Water facilities	17,288,878	23,173	3,703,190	21,015,241
Sewer facilities	68,531,569		1,729,125	70,260,694
Total capital assets, being depreciated	<u>\$ 101,139,879</u>	<u>\$ 133,999</u>	<u>\$ 19,749,252</u>	<u>\$ 121,023,130</u>
Less accumulated depreciation for:				
Land improvements	\$ (6,559,669)	\$ (705,847)	\$	\$ (7,265,516)
Buildings	(93,614)	(38,261)		(131,875)
Machinery & equipment	(841,903)	(154,337)		(996,240)
Vehicles	(1,331,307)	(161,103)	51,444	(1,440,966)
Infrastructure	(22,236)	(587,866)		(610,102)
Furniture & equipment	(21,647)	(1,925)		(23,572)
Water facilities	(7,451,043)	(506,455)		(7,957,498)
Sewer facilities	(33,628,412)	(2,086,026)	138,670	(35,575,768)
Total accumulated depreciation	<u>\$ (49,949,831)</u>	<u>\$ (4,241,820)</u>	<u>\$ 190,114</u>	<u>\$ (54,001,537)</u>
Total capital assets, being depreciated, net	<u>\$ 51,190,048</u>	<u>\$ (4,107,821)</u>	<u>\$ 19,939,366</u>	<u>\$ 67,021,593</u>
Business-type activities capital assets, net	<u>\$ 72,610,067</u>	<u>\$ (768,087)</u>	<u>\$ (206,182)</u>	<u>\$ 71,635,798</u>

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

Business-type activities	
Airport	\$ 792,646
Solid Waste	709,930
Sanitary District	2,739,244
Total depreciation expense - business-type activities	<u>\$ 4,241,820</u>

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

**Notes to Financial Statements
June 30, 2010**

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, 2010</u>	<u>Remaining Commitment</u>
<u>Governmental Activities</u>			
Public Works	\$ 4,211,634	\$ 784,294	\$ 3,427,340
Economic Development	4,835,286	3,751,249	1,084,037
Total governmental activities	<u>\$ 9,046,920</u>	<u>\$ 4,535,543</u>	<u>\$ 4,511,377</u>
<u>Business-type Activities</u>			
Keyzers Ridge Water Holding Tank	\$ 34,767	\$ 34,767	\$
Crellin Water Improvement	186,393	186,393	
Keyzers Ridge Water	116,823	116,823	
Deep Creek Lake Collection & Conveyance	6,146,996	802,496	5,344,500
Mountain Lake Park Water	1,451,695	1,351,695	100,000
Thayerville Water	11,054,294	354,294	10,700,000
Business Park Water	12,805	12,805	
Business Park Sewer	6,108	6,108	
Total business-type activities	<u>\$ 19,009,881</u>	<u>\$ 2,865,381</u>	<u>\$ 16,144,500</u>

NOTE 5 – INTERNAL AND INTERFUND BALANCES AND ACTIVITY

Interfund transfers between the General Fund and the Capital Projects Fund of \$1,032,864 represent funding for construction projects. Interfund transfers between the General Fund and the Airport Fund of \$66,679 consisted of \$59,736 for operating subsidy and \$6,943 for capital acquisitions. Interfund transfers between the General/Capital Projects Funds and the Sanitary District of \$793,477 represent funding of construction projects including land acquisition costs.

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 \$148,095 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, 2010**

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, 2010, consisted of \$169,004 due to the Board of Education, \$299,046 due to Garrett College and \$12,674 due to the Ruth Enlow Library.

Interfund receivables and payables within the primary government at June 30, 2010 are as follows:

	Due From	Due To
General Fund:		
Capital Projects Fund	\$ 348,642	\$
Special Revenue Funds:		
508 Program		79,419
DARE Program		454
Commissary		77,990
Law Library		42,684
Proprietary Funds:		
Airport Fund	36,775	
Solid Waste Fund		2,889,768
Sanitary District	8,359	4,401
Total General Fund	\$ 393,776	\$ 3,094,716
Capital Projects Funds:		
General Fund	\$ 0	\$ 348,642
Special Revenue Funds:		
General Fund:		
508 Program	\$ 79,419	\$
DARE Program	454	
Commissary	77,990	
Law Library	42,684	
Total Special Revenue Funds	\$ 200,547	\$ 0
Total Governmental Funds	\$ 594,323	\$ 3,443,358
Proprietary Funds:		
General Fund - Airport	\$	\$ 36,775
General Fund - Solid Waste	2,889,768	
General Fund - Sanitary District	4,401	8,359
Total Proprietary Funds	\$ 2,894,169	\$ 45,134
Total Primary Government	\$ 3,488,492	\$ 3,488,492

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

**Notes to Financial Statements
June 30, 2010**

NOTE 6 - LONG-TERM DEBT

The following is a summary of debt transactions of the County for the fiscal year ended June 30, 2010:

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Principal Repayments</u>	<u>Balance June 30, 2010</u>	<u>Due Within One Year</u>
Governmental activities:					
<u>General Fund</u>					
General Obligation Bonds	\$ 6,465,836	\$	\$ (791,619)	\$ 5,674,217	\$ 361,488
Compensated Absences	1,343,570	360,472	(132,891)	1,571,151	139,487
Net OPEB Obligation	57,119	195,606		252,725	
Governmental activities Long-term liabilities	<u>\$ 7,866,525</u>	<u>\$ 556,078</u>	<u>\$ (924,510)</u>	<u>\$ 7,498,093</u>	<u>\$ 500,975</u>
Business-type activities:					
<u>Solid Waste Fund</u>					
Bonds Payable	\$ 3,092,036	\$	\$ (485,334)	\$ 2,606,702	\$ 513,821
<u>Garrett County Sanitary District</u>					
Bonds and Loans Payable	27,870,501	316,947	(508,859)	27,678,589	538,443
Subtotal	<u>\$ 30,962,537</u>	<u>\$ 316,947</u>	<u>\$ (994,193)</u>	<u>\$ 30,285,291</u>	<u>\$ 1,052,264</u>
Landfill closure/post-closure Compensated Absences	<u>\$ 3,112,026</u>	<u>\$ 0</u>	<u>\$ (233,018)</u>	<u>\$ 2,879,008</u>	<u>\$ 31,000</u>
Airport	\$ 6,896	\$	\$ (1,021)	\$ 5,875	\$
Solid Waste Fund	77,806	22,297		100,103	
G.C. Sanitary District	113,398		(5,287)	108,111	
	<u>\$ 198,100</u>	<u>\$ 22,297</u>	<u>\$ (6,308)</u>	<u>\$ 214,089</u>	<u>\$ 0</u>
Business-type activities Long-term liabilities	<u>\$ 34,272,663</u>	<u>\$ 339,244</u>	<u>\$ (1,233,519)</u>	<u>\$ 33,378,388</u>	<u>\$ 1,083,264</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 defeased bonds were fully retired as of June 30, 2010.

Interest Expense

Total interest expense of \$1,526,263 incurred by the primary government includes, \$297,930 charged to governmental activities, \$1,017,125 charged to business-type activities, and \$211,208 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, 2010**

NOTE 6 - LONG-TERM DEBT (Continued)

Details of certain long-term debt obligations at June 30, 2010 are as follows:

	<u>Balance June 30, 2010</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. On November 15, 2010 the County retired the balance outstanding on these Bonds.	\$ 1,715,000
<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.	1,120,750
<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>2,838,467</u>
Total Governmental Activities	<u>\$ 5,674,217</u>
<u>Business-type Activities</u>	
<u>Solid Waste Fund</u>	
\$6,030,000 Garrett County Landfill Project Revenue Bonds, dated June 1, 1993, to fund construction costs of new landfill. Currently payable in monthly installments of \$33,750 plus interest at 5.5% through maturity in 2013.	\$ 1,765,000
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>841,702</u>
Total Solid Waste Fund	<u>\$ 2,606,702</u>

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

**Notes to Financial Statements
June 30, 2010**

NOTE 6 - LONG-TERM DEBT (Continued)

	<u>Balance June 30, 2010</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.	\$ 94,905
\$765,400 Rural Development (Upper Youghiogheny Project), payable in quarterly installments of \$10,337, including interest at 4.5% through November 28, 2035.	610,358
\$875,500 Rural Development (Chestnut Ridge Project), payable in quarterly installments of \$47,316, including interest at 4.5% through April 2, 2036.	721,807
\$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.	74,522
\$243,100 Rural Development (Chestnut Ridge Project), payable in quarterly installments of \$13,140, including interest at 4.5% through April 2, 2036.	200,390
\$200,000 GE Capital Asset Management (Friendsville Water), payable in annual installments of varying amounts, including interest at 5% through January 1, 2014.	42,000
\$400,700 Rural Development (Deer Park Sewer), payable in quarterly installments of \$5,414, including interest at 4.5% through December 28, 2038.	340,078
\$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.	559,921
\$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.	161,777
\$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.	61,068

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

**Notes to Financial Statements
June 30, 2010**

NOTE 6 - LONG-TERM DEBT (Continued)

	<u>Balance June 30, 2010</u>
\$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.	139,352
\$408,000 Rural Development (Meadow Mountain Sewer), payable in quarterly installments of \$5,513, including interest at 4.5% through February 28, 2042.	372,570
\$233,800 Rural Development (McHenry Water - Storage Tank), payable in quarterly installments of \$3,159, including interest at 4.5% through December 2043.	214,958
\$615,911 Rural Development (McHenry Water - Storage Tank), payable in quarterly installments of \$8,321, including interest at 4.5% through December 2043.	566,306
\$564,300 Rural Development (Keyser's Ridge Water Project), payable in quarterly installments of \$7,624, including interest at 4.5% through February 2043.	520,474
\$573,200 Rural Development (Deer Park Water Project), payable in quarterly installments of \$7,744, including interest at 4.5% through October 2043.	527,044
\$260,000 Maryland Water Quality Financing (Deer Park Water), payable in semi-annual installments including interest at .4% through February 2034.	217,292
\$123,913 Maryland Water Quality Financing (Septage Hauling Truck), payable in semi-annual installments including interest at .4% through February 2011.	20,859
\$115,800 Rural Development (Keyser's Ridge Water Road), payable in quarterly installments of \$1,508, including interest at 4.25% through February 2046.	110,297
\$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.	9,685,266

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

**Notes to Financial Statements
June 30, 2010**

NOTE 6 - LONG-TERM DEBT (Continued)

	<u>Balance June 30, 2010</u>
\$4,617,900 Rural Development (Deep Creek Lake Wastewater Treatment Plant), payable in quarterly installments of \$59,063, including interest at 4.13% through June 2047.	4,472,559
\$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.	951,179
\$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.	2,230,978
\$10,000 Maryland Department of the Environment (Mt. Lake Park Water), payable in equal monthly installments principal only of \$756 through July 2011.	10,000
\$306,947 Maryland Department of the Environment (Deep Creek & Friendsville I&I), payable in annual installments of principal only of \$34,318 through 2018.	<u>272,629</u>
Total Garrett County Sanitary District, Inc.	<u>\$ 27,678,589</u>
Total Business-type Activities	<u>\$ 30,285,291</u>
Total Primary Government	<u><u>\$ 35,959,508</u></u>

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

**Notes to Financial Statements
June 30, 2010**

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:			
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	447,237	160,494	607,731
2016-2020	1,107,261	618,289	1,725,550
2021-2025	902,304	436,159	1,338,463
2026-2030	591,429	281,571	873,000
2031-2035	726,646	146,354	873,000
2036-2037	328,326	13,978	342,304
Total governmental activities	<u>\$ 5,674,217</u>	<u>\$ 2,507,745</u>	<u>\$ 8,181,962</u>
Business-Type Activities:			
2011	\$ 1,052,263	\$ 1,185,016	\$ 2,237,279
2012	1,064,389	1,140,094	2,204,483
2013	1,192,252	1,087,716	2,279,968
2014	1,334,832	1,040,448	2,375,280
2015	867,912	997,412	1,865,324
2016-2020	4,034,792	4,534,866	8,569,658
2021-2025	3,954,960	3,816,102	7,771,062
2026-2030	4,393,726	2,993,961	7,387,687
2031-2035	3,899,622	2,163,794	6,063,416
2036-2040	3,336,831	1,443,134	4,779,965
2041-2045	3,627,802	705,821	4,333,623
2046-2047	1,525,910	71,452	1,597,362
Total Business-type activities	<u>\$ 30,285,291</u>	<u>\$ 21,179,816</u>	<u>\$ 51,465,107</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, 2010**

NOTE 7 - COMMITMENTS AND CONTINGENCIES (Continued)

Grant and Loan Compliance

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

Lease Commitments – Component Units

Garrett College has entered into a lease with the County for the rental of a student dormitory building, known as “Garrett Hall”. Terms of the lease include monthly rental payments of \$5,396 for a period of 29 years. At the end of the initial term of the lease, the College has the option to extend the lease. Total future minimum payments under the operating lease as of June 30, 2010 are as follows:

Year Ending June 30, 2011	\$ 64,752
June 30, 2012	64,752
June 30, 2013	64,752
June 30, 2014	64,752
June 30, 2015	64,752
Thereafter	<u>1,176,328</u>
Total	<u>\$ 1,500,088</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, 2010**

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, 2009 (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 2010 were 9.05% for the Employee Retirement System and 4.05% 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, 2010 was \$24,696 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, 2008	\$ 42,134	100%	0
	June 30, 2009	24,465	100%	0
	June 30, 2010	25,696	100%	0

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

**Notes to Financial Statements
June 30, 2010**

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, 2010 (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, 2009. 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 2010 are as follows:

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

Annual pension cost (APC) is the actuarially required employer contribution to the pension plan. The net pension obligation (NPO) represents the difference between the APC and the actual employer contributions. The APC was \$240,273. Based on recommendations from the County's actuary, the actual employer contribution for fiscal year 2010 was \$285,996. Actual participant contributions for fiscal year 2010 were \$168,499. There was no NPO outstanding at June 30, 2010.

**THE BOARD OF COUNTY COMMISSIONERS OF
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**Notes to Financial Statements
June 30, 2010**

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

Law Enforcement Personnel Retirement Plan (Continued)

Three Year Trend Information - Law Enforcement Personnel Retirement Plan

<u>Entity</u>	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Primary Government -	June 30, 2008	\$ 227,196	100%	0
County	June 30, 2009	274,935	100%	0
	June 30, 2010	240,273	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, 2010, 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 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, 2010 (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
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**Notes to Financial Statements
June 30, 2010**

NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)

Government Personnel Retirement Plan (Continued)

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

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

Contributions to the Plan were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of July 1, 2009. 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 2010 are as follows:

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

Annual pension costs (APC) are the actuarially required employer contribution to the pension plan. The net pension obligation (NPO) represents the difference between the APC and the actual employer contributions. The APC was \$1,285,626. Based on recommendations from the County's actuary, the actual employer contribution for fiscal year 2010 was \$1,100,602. Actual participant contributions for fiscal year 2010 were \$260,166. There was no NPO outstanding at June 30, 2010.

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, 2008	\$ 1,093,329	100%	0
	June 30, 2009	1,262,159	100%	0
	June 30, 2010	1,285,626	100%	0

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

**Notes to Financial Statements
June 30, 2010**

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, 2010, 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, 2010 the County contributed \$239,277 or 2.42 percent of earned compensation. Covered payroll approximated \$9,887,490. County contribution amounts included contributions made on behalf of the employees of Garrett County Sanitary District, Inc. in the amount of \$26,122 on covered payroll of approximately \$1,079,414.

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, 2010**

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 most recent actuarial valuation:

Retirees Receiving Benefits	197
Terminated Plan Members Entitled 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, 2010, the County did not make prefunding contributions to the OPEB Trust. Current OPEB premium payments made on behalf of retirees as well as the costs incurred to administer the OPEB plan are paid from the general operating funds of the participating employers.

**THE BOARD OF COUNTY COMMISSIONERS OF
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**Notes to Financial Statements
June 30, 2010**

**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:

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

Currently, 102 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, 2010, County expenditures of approximately \$473,361 were recognized for post retirement health care benefits. For County employees hired on or after July 1, 2006 dependent insurance coverage may be purchased upon retirement at the retiree's own cost.

**THE BOARD OF COUNTY COMMISSIONERS OF
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**Notes to Financial Statements
June 30, 2010**

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

Annual OPEB Cost and Net OPEB Obligation – Primary Government

The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2010, 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	\$	1,036,908
Interest on Net OPEB Obligation		3,998
Adjustment to Annual Required Contribution		(3,264)
Annual OPEB Cost (Expense)	\$	1,037,642
Contributions Made		(842,036)
Increase in Net OPEB Obligation	\$	195,606
Net OPEB Obligation (Beginning of Year)		57,119
Net OPEB Obligation (End of Year)	\$	<u>252,725</u>

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

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

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, 2010**

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

Actuarial Methods and Assumptions – Primary Government (Continued)

In the July 1, 2009, 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 July 1, 2009, was twenty-nine years.

Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2009
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, 2010**

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

Funded Status and Funding Progress – Primary Government

As of July 1, 2009, the most recent actuarial valuation date, the plan was 1% funded. The actuarial accrued liability for benefits was \$11,951,475, and the actuarial value of assets was \$120,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,831,475. 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 81%.

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

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

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

The Solid Waste Fund has recorded a landfill closure and post-closure care liability of \$2,879,008 as of June 30, 2010, representing the cumulative operating expenses reported to date based on the Round Glade landfill at full capacity (\$821,307) and the new landfill at 44% of its estimated capacity (\$2,057,701). The County will recognize the balance of estimated closure and post-closure costs of approximately \$2,634,737 over the remaining useful life of the new landfill, which approximates 16 years. These amounts are based on the County's engineer estimates of costs to perform all closure and post-closure care activities as of 2010. 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, 2010**

**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, 2010 was \$1,224,118.

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, 2010, 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

Liability Insurance

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

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

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

**Notes to Financial Statements
June 30, 2010**

NOTE 13 - RISK MANAGEMENT (Continued)

Self-Insured Health Care

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

The County pays a third-party administrator a monthly fixed fee for various claim administrative services on a per enrolled employee basis to administer the plan. The third-party administrator submits invoices periodically for all processed claims and administrative fees, and the County issues payment to the third-party administrator, who in turn issues individual claims checks. To protect itself against significant losses, the County has a stop-loss policy in place for individual participant care claims in excess of \$175,000 per year.

The third-party administrator estimated the non-discounted claims liability reported in the general fund at June 30, 2010. It is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Because actual claims liabilities depend on such complex factors as inflation, change in legal doctrines and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic factors. Changes in the balance of estimated claims incurred but not reported for the fiscal year 2010 are as follows:

Balance at July 1, 2009	\$ 0
Claims and changes in estimates	1,400,000
Claim payments	<u>0</u>
Balance at June 30, 2010	<u>\$ 1,400,000</u>

For the year ended June 30, 2010 the combined premiums charged to the Plan participants of \$13,471,575 exceeded the combination of the reported claims incurred of \$11,371,782 and estimated claims incurred but not reported of \$1,400,000. The excess of \$699,793, reported as revenue in the general fund, has been designated for future self funded health care costs in the general fund.

**THE BOARD OF COUNTY COMMISSIONERS OF
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**Notes to Financial Statements
June 30, 2010**

NOTE 14 - FUND EQUITY

A summary of fund balances as of June 30, 2010 is as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Reserved For:			
Agricultural land preservation	\$ 196,509	\$	\$ 196,509
Inventory	638,548		638,548
Special revenue funds		225,185	225,185
Total reserved fund balance	<u>\$ 835,057</u>	<u>\$ 225,185</u>	<u>\$ 1,060,242</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Unreserved - Designated For:			
Self funded health care	\$ 699,793	\$	\$ 699,793
Capital projects:			
Garrett College	7,204,200		7,204,200
Board of Education	150,000		150,000
Public Works	1,112,094		1,112,094
Public Safety	75,000		75,000
Economic Development	1,222,702		1,222,702
Capital projects subtotal	<u>\$ 9,763,996</u>	<u>\$ 0</u>	<u>\$ 9,763,996</u>
Subsequent year budget	3,197,280		3,197,280
Total designated fund balance	<u>\$ 13,661,069</u>	<u>\$ 0</u>	<u>\$ 13,661,069</u>
Unreserved - Undesignated	<u>\$ 3,690,428</u>	<u>\$ 0</u>	<u>\$ 3,690,428</u>
Total fund balance	<u>\$ 18,186,554</u>	<u>\$ 225,185</u>	<u>\$ 18,411,739</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 \$424,983 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, 2010**

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	\$ 70,029,181	\$ 70,226,717	\$ (603,435)	\$ (800,971)
<u>Property Tax Revenue</u> Recognized in Year Levied on Budget Basis but in Year "Available" on GAAP Basis	(338,241)			(338,241)
<u>In-Kind Rent</u> Board of Education administrative offices not reported as revenue on Budget Basis but recognized on a GAAP Basis	148,800	148,800		
As Reported on GAAP Basis	\$ 69,839,740	\$ 70,375,517	\$ (603,435)	\$ (1,139,212)

NOTE 16 - SPECIAL ITEMS

During the year ended June 30, 2010, the County transferred certain infrastructure improvements made to the 3rd Street Bridge to the Town of Oakland. The costs of these improvements were incurred over several years in the capital projects fund and recorded as inventories. The cost basis of the improvements transferred was \$2,662,427. The transfer is reflected in both the capital projects fund and governmental activities in the government-wide financial statements as a special item.

During the year ended June 30, 2010, Garrett College redesigned and reengineered the Community Athletic and Recreation Center under a new lower cost construction plan. Engineering and architectural costs incurred in association with the original higher cost construction plan were written off during 2010. The write-off in the amount of \$1,887,514 is reflected in the Community College government-wide financial statements as a special item.

REQUIRED SUPPLEMENTARY INFORMATION

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

**Required Supplementary Information
June 30, 2010**

SCHEDULES OF FUNDING PROGRESS—GARRETT COUNTY RETIREMENT PLANS

The following schedules reflect the plans' funding progress for the three years ended June 30, 2010:

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
6/30/08	\$ 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%
6/30/10	2,953,632	4,899,030	1,945,398	60.29%	2,176,652	89.38%

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
6/30/08	\$ 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%
6/30/10	11,212,436	17,280,340	6,067,904	64.89%	10,283,038	59.01%

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, 2010**

SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFIT PLAN

The following schedule reflects the plan's funding progress for the two years ended June 30, 2010:

Schedule of Funding Progress – Other Post-Employment Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/08	\$ 0	\$ 11,590,370	\$ 11,590,370	0%	\$ 14,591,245	79.43%
7/1/09	120,000	11,951,475	11,831,475	1.01%	14,591,245	81.09%

SCHEDULE OF EMPLOYER CONTRIBUTIONS – OTHER POST-EMPLOYMENT BENEFIT PLAN

The following schedule reflects employer contributions for the two years ended June 30, 2010:

Schedule of Employer Contributions – Other Post-Employment Benefit Plan

Fiscal Year	Annual Required Contribution (ARC)	Actual Employer Contribution	Percentage Contributed
2009	\$1,008,025	\$950,906	94.33%
2010	1,037,642	842,036	81.15%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The above schedules are presented to provide a consistent basis for measuring the Plans' annual progress toward funding their actuarial accrued liabilities in accordance with the Plans' funding methods. The primary measure of funding progress are the Plans' funded ratios (i.e., actuarial value of assets expressed as a percentage of the actuarial accrued liability). An increase in the funded ratio indicates improvement in the Plans' abilities to pay all projected benefits as they come due. The Plans' are fully funded if the funded ratio is greater than or equal to 100 percent. The covered payroll census data used in the valuation of the actuarial accrued liability was the same for the valuations performed as of July 1, 2009 and 2008. The decline in the employer contribution as a percentage of the ARC resulted from the decision made by the County not to make contributions to the OPEB Trust Fund for the year ended June 30, 2010.

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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
TAXES:				
Local Real and Personal Property:				
Real Property	\$ 41,489,952	\$ 40,939,952	\$ 40,930,729	\$ (9,223)
Railroads and Public Utilities	2,943,006	2,755,006	2,752,957	(2,049)
Ordinary Business Corporations	0	0	45,651	45,651
	<u>\$ 44,432,958</u>	<u>\$ 43,694,958</u>	<u>\$ 43,729,337</u>	<u>\$ 34,379</u>
Enterprise Zone Tax Refund	0	0	80,161	80,161
Addition and Abatements	(25,000)	100,000	99,021	(979)
Penalties and Interest	475,000	515,000	630,243	115,243
	<u>\$ 44,882,958</u>	<u>\$ 44,309,958</u>	<u>\$ 44,538,762</u>	<u>\$ 228,804</u>
Less: Discounts and Credits	<u>(535,000)</u>	<u>(617,000)</u>	<u>(616,769)</u>	<u>231</u>
Total Real and Personal Property	<u>\$ 44,347,958</u>	<u>\$ 43,692,958</u>	<u>\$ 43,921,993</u>	<u>\$ 229,035</u>
Other Local Taxes:				
Income	\$ 10,500,000	\$ 9,400,000	\$ 9,867,543	\$ 467,543
Admissions and Amusement	600,000	600,000	657,011	57,011
Recordation	2,000,000	2,000,000	2,037,153	37,153
Coal Tonnage	310,000	160,000	192,660	32,660
Trailer Court	40,000	40,000	38,755	(1,245)
Natural Gas	750	750	3,552	2,802
Accommodations Tax	1,500,000	1,350,000	1,442,463	92,463
Transfer Tax	1,300,000	1,050,000	1,194,788	144,788
Franchise Tax	0	0	60	60
Agriculture Transfer Tax/Refunds	65,000	13,000	11,316	(1,684)
Coal Tax	25,000	25,000	28,788	3,788
911 Fees	250,000	250,000	275,737	25,737
Tax Sale Revenue	25,000	36,500	36,892	392
	<u>\$ 16,615,750</u>	<u>\$ 14,925,250</u>	<u>\$ 15,786,718</u>	<u>\$ 861,468</u>
Total Other Local Taxes	<u>\$ 16,615,750</u>	<u>\$ 14,925,250</u>	<u>\$ 15,786,718</u>	<u>\$ 861,468</u>
Total Taxes	<u>\$ 60,963,708</u>	<u>\$ 58,618,208</u>	<u>\$ 59,708,711</u>	<u>\$ 1,090,503</u>
LICENSES AND PERMITS:				
Business:				
Beer, Wine and Liquor Licenses	\$ 90,000	\$ 90,000	\$ 99,694	\$ 9,694
Traders	70,000	70,000	67,914	(2,086)
Other Licenses and Permits:				
Animal	7,500	6,500	5,942	(558)
Marriage	1,600	1,600	1,605	5
TVRU License	85,000	85,000	84,641	(359)
Highways and Streets	10,200	10,200	11,220	1,020
Other Permits	3,000	3,000	5,293	2,293
	<u>\$ 267,300</u>	<u>\$ 266,300</u>	<u>\$ 276,309</u>	<u>\$ 10,009</u>
Total Licenses and Permits	<u>\$ 267,300</u>	<u>\$ 266,300</u>	<u>\$ 276,309</u>	<u>\$ 10,009</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
INTERGOVERNMENTAL:				
Grants From Federal Government:				
Bankhead - Jones Act	\$ 2,500	\$ 2,500	\$ 2,933	\$ 433
Department of Justice - Domestic Violence	35,767	35,767	35,026	(741)
CDBG - Weatherization Project	178,073	210,573	210,475	(98)
ARRA - Weatherization	0	626,000	625,554	(446)
FEMA	0	0	167,345	167,345
Civil Defense	56,445	56,445	60,878	4,433
Emergency Management Domestic Preparedness	185,077	185,077	184,285	(792)
Sheriff's/ARRA BJAG Tactical	13,251	13,251	13,251	0
USDA - CAC - Emergency Food Assistance	28,938	13,276	13,277	1
Master's Child Support	9,000	9,000	9,766	766
Sheriff's Child Support	10,316	10,316	9,210	(1,106)
Federal Aid in Lieu of Taxes	2,500	2,500	4,843	2,343
MIEMSS Hospital Bioterrorism	0	40,995	40,995	0
SHA/ARC Frazee Estates Drive	0	228,948	202,950	(25,998)
ARC - Exhibit Hall	0	210,000	0	(210,000)
CAC/Emergency Shelter	35,850	32,113	32,113	0
USDE - CAC - Energy Assistance	30,066	30,066	30,066	0
DOT - CAC Mass Transit	650,000	351,400	351,385	(15)
ARRA - Mass Transit	0	107,000	255,054	148,054
ARC Economic Development Grant	500,000	520,000	202,501	(317,499)
Family Services Supervised Visit	0	8,700	6,430	(2,270)
Miscellaneous	8,000	17,940	17,907	(33)
Grants From State Government:				
Highway User Tax	2,570,285	223,300	257,207	33,907
Disparity Grant	2,131,271	2,131,271	2,131,271	0
Hoyes Run Additional State Funds	0	12,000	11,862	(138)
Police Protection	200,000	133,250	133,250	0
Highway Inmate Work Crew	0	29,352	29,352	0
Conservation of Natural Resources	200,000	200,000	290,983	90,983
Adult Community Services	27,000	27,000	27,000	0
Acid Mine Remediation	0	17,000	5,880	(11,120)
Family Services Grant	138,629	104,429	104,429	0
Sheriff - School Bus Violation	12,000	20,000	20,000	0
Sheriff Hotspot Community Policing	8,000	8,000	9,840	1,840
Program Open Space	0	264,000	263,712	(288)
Emergency Numbers Systems Board - 911	6,000	13,205	10,364	(2,841)
Dove Center	20,000	18,000	18,000	0
Youth Prevention Grant - CAC	34,616	0	0	0
Jury Reimbursement State	15,000	15,000	10,270	(4,730)
Exhibit Hall	0	0	300,000	300,000
Electric Universal Service - CAC	81,084	393,884	393,921	37
MDOT - CAC - Mass Transit	125,000	171,100	171,104	4
Planning/Rural Legacy Program	500,000	0	0	0
Subtotal - Intergovernmental	\$ 7,814,668	\$ 6,492,658	\$ 6,664,689	\$ 172,031

**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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
INTERGOVERNMENTAL - Continued				
Balances Brought Forward	\$ 7,814,668	\$ 6,492,658	\$ 6,664,689	\$ 172,031
Grants From State Government - Continued:				
Sheriff SOCEM Grant	8,800	10,364	10,238	(126)
Sherriff Sex Offender Registration	10,000	10,000	11,600	1,600
LEPC - CRTK Funds	8,500	8,500	0	(8,500)
Other	0	2,829	5,681	2,852
Other:				
Budget Settlement - Health Department	0	292,291	292,291	0
Roads Special Project Town Share	0	68,755	65,465	(3,290)
Other	26,425	30,443	21,165	(9,278)
Total Intergovernmental	<u>\$ 7,868,393</u>	<u>\$ 6,915,840</u>	<u>\$ 7,071,129</u>	<u>\$ 155,289</u>
FINES AND FORFEITURES	<u>\$ 7,500</u>	<u>\$ 7,500</u>	<u>\$ 10,753</u>	<u>\$ 3,253</u>
SERVICE CHARGES FOR CURRENT SERVICES:				
General Government:				
Zoning and Subdivision Fees	\$ 13,000	\$ 13,000	\$ 12,162	\$ (838)
Roads Fuel Sales and Street Signs	255,000	333,000	314,567	(18,433)
Miscellaneous	43,550	46,750	63,356	16,606
Enterprise Funds - Indirect Fees	101,000	109,300	112,334	3,034
Public Safety:				
BOCA	100,000	80,000	93,123	13,123
State Inmate Housing	0	5,805	5,805	0
Sheriff Fees	35,750	37,750	44,586	6,836
Emergency Medical Services - Cost Share	135,000	150,000	150,000	0
Animal Shelter	4,000	5,500	6,525	1,025
Total Service Charges	<u>\$ 687,300</u>	<u>\$ 781,105</u>	<u>\$ 802,458</u>	<u>\$ 21,353</u>
MISCELLANEOUS:				
Interest and Dividends	\$ 155,000	\$ 358,000	\$ 531,773	\$ 173,773
Rents and Concessions	774,251	774,251	780,191	5,940
Contributions	2,000	5,442	3,469	(1,973)
Miscellaneous	59,000	96,202	844,388	748,186
Total Miscellaneous	<u>\$ 990,251</u>	<u>\$ 1,233,895</u>	<u>\$ 2,159,821</u>	<u>\$ 925,926</u>
TOTAL REVENUES	<u>\$ 70,784,452</u>	<u>\$ 67,822,848</u>	<u>\$ 70,029,181</u>	<u>\$ 2,206,333</u>
OTHER FINANCING SOURCES:				
Sale of Capital Assets	\$ 2,000	\$ 1,114,150	\$ 514,730	\$ (599,420)
Total Other Financing Sources	<u>\$ 2,000</u>	<u>\$ 1,114,150</u>	<u>\$ 514,730</u>	<u>\$ (599,420)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 70,786,452</u>	<u>\$ 68,936,998</u>	<u>\$ 70,543,911</u>	<u>\$ 1,606,913</u>

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
General Fund Schedule of Expenditures and Other Financing Uses -
Budget and Actual (Budget Basis)
Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
GENERAL GOVERNMENT				
Legislative:				
County Commissioners	\$ 410,738	\$ 648,724	\$ 482,517	\$ (166,207)
Judicial:				
Circuit Court	\$ 433,301	\$ 420,383	\$ 396,847	\$ (23,536)
Orphans Court	17,914	17,898	17,246	(652)
State's Attorney	627,300	627,153	627,091	(62)
Jury and Witness Operating	19,500	19,500	24,405	4,905
Total Judicial	<u>\$ 1,098,015</u>	<u>\$ 1,084,934</u>	<u>\$ 1,065,589</u>	<u>\$ (19,345)</u>
Elections:				
Board of Supervisors of Elections	\$ 330,547	\$ 330,532	\$ 249,130	\$ (81,402)
Financial Administration:				
Finance Office	\$ 486,535	\$ 486,178	\$ 481,230	\$ (4,948)
Tax Collection Office	317,506	338,738	329,662	(9,076)
Procurement	224,346	224,176	219,979	(4,197)
Total Financial Administration	<u>\$ 1,028,387</u>	<u>\$ 1,049,092</u>	<u>\$ 1,030,871</u>	<u>\$ (18,221)</u>
Information Technology:				
Information Technology	\$ 216,014	\$ 226,920	\$ 226,923	\$ 3
Law:				
Legal Counsel	\$ 95,875	\$ 95,818	\$ 94,286	\$ (1,532)
Personnel Administration:				
Personnel Administration	\$ 297,071	\$ 297,447	\$ 291,253	\$ (6,194)
Planning and Zoning:				
Planning Commission	\$ 1,071,672	\$ 570,107	\$ 557,532	\$ (12,575)
General Services:				
County Buildings	\$ 2,073,748	\$ 2,231,636	\$ 2,064,844	\$ (166,792)
Total General Government	<u>\$ 6,622,067</u>	<u>\$ 6,535,210</u>	<u>\$ 6,062,945</u>	<u>\$ (472,265)</u>
PUBLIC SAFETY				
Sheriff's Department	\$ 2,763,538	\$ 2,722,463	\$ 2,506,586	\$ (215,877)
Corrections	1,933,781	1,923,608	1,913,104	(10,504)
Fire and Rescue Services	2,612,712	3,052,528	2,450,265	(602,263)
Other Public Safety:				
Permits and Inspections	603,083	591,987	586,674	(5,313)
Animal Control	216,643	218,996	191,559	(27,437)
Civil Defense/ Emergency Management	299,651	340,494	307,992	(32,502)
Emergency Alarm and Communications (911)	528,057	543,503	535,157	(8,346)
Total Public Safety	<u>\$ 8,957,465</u>	<u>\$ 9,393,579</u>	<u>\$ 8,491,337</u>	<u>\$ (902,242)</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
PUBLIC WORKS				
Highways and Streets	\$ 16,763,702	\$ 16,160,947	\$ 15,779,628	\$ (381,319)
HEALTH AND HOSPITAL				
Health Department	\$ 1,358,265	\$ 1,358,265	\$ 1,358,265	\$ 0
SOCIAL SERVICES				
Commission on Aging	\$ 281,700	\$ 281,700	\$ 281,700	\$ 0
EDUCATION				
Board of Education	\$ 24,715,111	\$ 24,074,784	\$ 24,073,980	\$ (804)
Community College	4,768,167	12,203,400	4,999,110	(7,204,290)
Total Education	\$ 29,483,278	\$ 36,278,184	\$ 29,073,090	\$ (7,205,094)
CULTURE	\$ 18,000	\$ 18,000	\$ 18,000	\$ 0
PARKS AND RECREATION	\$ 24,000	\$ 288,000	\$ 286,086	\$ (1,914)
LIBRARY	\$ 1,002,700	\$ 1,002,700	\$ 1,001,825	\$ (875)
CONSERVATION OF NATURAL RESOURCES				
Agriculture Extension Service	\$ 167,224	\$ 156,007	\$ 155,432	\$ (575)
Soil Conservation	53,404	53,355	53,355	0
Agricultural Land Preservation Program	65,000	13,000	15,332	2,332
Total Conservation of Natural Resources	\$ 285,628	\$ 222,362	\$ 224,119	\$ 1,757
ECONOMIC DEVELOPMENT AND OPPORTUNITY				
Economic Development	\$ 569,780	\$ 609,349	\$ 870,625	\$ 261,276
Tourism	682,000	682,000	682,000	0
Community Action Programs	1,469,867	2,241,652	2,389,189	147,537
Community Action Salaries and Benefits	69,035	68,970	68,894	(76)
Fair Board Agricultural Fair	610,000	2,338,972	1,655,741	(683,231)
Special Promotion	15,000	236,065	173,823	(62,242)
Other	87,500	85,500	85,500	0
Total Economic Development and Opportunity	\$ 3,503,182	\$ 6,262,508	\$ 5,925,772	\$ (336,736)
CAPITAL OUTLAY				
Information Technology	\$ 14,500	\$ 28,440	\$ 28,380	\$ (60)
General Services	0	14,476	14,476	0
Sheriff's Department	25,000	24,979	24,979	0
Corrections	52,718	38,418	6,344	(32,074)
Civil Defense/Emergency Management	0	0	24,920	24,920
Economic Development	\$ 400,000	\$ 400,000	\$ 59,779	\$ (340,221)
Subtotal Capital Outlay	\$ 492,218	\$ 506,313	\$ 158,878	\$ (7,214)

**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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
CAPITAL OUTLAY - Continued				
Balances Brought Forward	\$ 492,218	\$ 506,313	\$ 158,878	\$ (7,214)
Highways and Streets	<u>309,300</u>	<u>916,865</u>	<u>557,133</u>	<u>(359,732)</u>
Total Capital Outlay	\$ 801,518	\$ 1,423,178	\$ 716,011	\$ (366,946)
DEBT SERVICE				
General Obligation Debt	\$ 338,907	\$ 338,907	\$ 338,907	\$ 0
Other	<u>866</u>	<u>866</u>	<u>866</u>	<u>0</u>
Total Debt Service	\$ 339,773	\$ 339,773	\$ 339,773	\$ 0
INTERGOVERNMENTAL	<u>\$ 189,875</u>	<u>\$ 189,875</u>	<u>\$ 182,285</u>	<u>\$ (7,590)</u>
MISCELLANEOUS	<u>\$ 893,000</u>	<u>\$ 487,556</u>	<u>\$ 485,881</u>	<u>\$ (1,675)</u>
TOTAL EXPENDITURES	\$ 70,524,153	\$ 80,241,837	\$ 70,226,717	\$ (10,015,120)
OTHER FINANCING USES				
Operating Transfers:				
Capital Projects Fund	\$ 184,101	\$ 2,773,660	\$ 1,032,864	\$ (1,740,796)
Airport	78,198	79,583	66,679	(12,904)
Garrett County Sanitary District, Inc.	<u>0</u>	<u>0</u>	<u>18,622</u>	<u>18,622</u>
Total Other Financing Uses	\$ 262,299	\$ 2,853,243	\$ 1,118,165	\$ (1,735,078)
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 70,786,452	\$ 83,095,080	\$ 71,344,882	\$ (11,750,198)

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

General Fund

Schedule of Taxes and Taxes Receivable

Year Ended June 30, 2010

	<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	\$ 85,461,259	\$ 0.897	\$ 766,587		
Oakland	136,107,345	0.950	1,293,020		
All Others	<u>4,076,049,494</u>	0.950	<u>38,722,470</u>		
Total Full Year	\$ 4,297,618,098		\$ 40,782,077	\$ 37,731,367	\$ 3,050,710
Real Property - One-Half Year	<u>31,316,873</u>	0.475	<u>148,656</u>	0	<u>148,656</u>
Total Real Property	\$ <u>4,328,934,971</u>		\$ <u>40,930,733</u>	\$ <u>37,731,367</u>	\$ <u>3,199,366</u>
Personal Property - Corporate	\$ <u>1,922,130</u>	\$ 2.375	\$ <u>45,651</u>	\$ <u>45,651</u>	\$ <u>0</u>
Public Utilities and Railroad	\$ <u>116,310,040</u>	\$ 2.367	\$ <u>2,752,957</u>	\$ <u>2,303,839</u>	\$ <u>449,118</u>
Total Current Year	\$ <u><u>4,447,167,141</u></u>		\$ <u><u>43,729,341</u></u>	\$ <u><u>40,080,857</u></u>	\$ <u><u>3,648,484</u></u>
PRIOR YEAR RECEIVABLES:					
	<u>Year Ended June 30:</u>				
	2009			\$ 30,743	
	2008			3,993	
	2007			3,063	
	2006			409	
	2005			7,818	
	2004			18,642	
	2003			16,946	
	2002			11,708	
	2001			9,452	
	2000			15,594	
	1992-1999			<u>12,268</u>	
Total Prior Years				\$ <u>130,636</u>	
TOTAL TAXES RECEIVABLE				\$ 3,779,120	
Less: Allowance for Uncollectible Accounts				<u>(100,000)</u>	
TAXES RECEIVABLE - NET				\$ <u><u>3,679,120</u></u>	

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

Combining Balance Sheet
Other Governmental Funds
June 30, 2010

	DARE Program	Public Safety	Commissary
ASSETS:			
Due from Other Governments	\$	\$	\$
Due from Other Funds	454	79,419	77,990
Other Receivables - Net		136	6,559
Restricted Cash		97,749	
TOTAL ASSETS	\$ 454	\$ 177,304	\$ 84,549
LIABILITIES:			
Accounts Payable and Accrued Expenses	\$	\$ 821	\$ 137
Deferred Revenues		79,419	
Total Liabilities	\$ 0	\$ 80,240	\$ 137
FUND BALANCES:			
Reserved	\$ 454	\$ 97,064	\$ 84,412
TOTAL LIABILITIES AND FUND BALANCES	\$ 454	\$ 177,304	\$ 84,549

<u>Law Library</u>	<u>Total Other Governmental Funds</u>
\$ 1,460	\$ 1,460
42,684	200,547
	6,695
	<u>97,749</u>
<u>\$ 44,144</u>	<u>\$ 306,451</u>
\$ 889	\$ 1,847
	<u>79,419</u>
<u>\$ 889</u>	<u>\$ 81,266</u>
\$ 43,255	\$ 225,185
<u>\$ 44,144</u>	<u>\$ 306,451</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, 2010

	<u>DARE Program</u>	<u>Public Safety</u>	<u>Commissary</u>
REVENUES:			
Intergovernmental	\$	\$ 222,643	\$
Fines and Forfeitures		6,368	
Charges for Services			34,126
Total Revenues	\$ 0	\$ 229,011	\$ 34,126
EXPENDITURES:			
General Government	\$	\$	\$
Public Safety	200	217,556	30,791
Total Expenditures	\$ 200	\$ 217,556	\$ 30,791
REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	\$ (200)	\$ 11,455	\$ 3,335
OTHER FINANCING SOURCES			
Sale of Capital Assets		12,475	
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	\$ (200)	\$ 23,930	\$ 3,335
Fund Balances, Beginning of Year	654	73,134	81,077
FUND BALANCES, End of Year	\$ 454	\$ 97,064	\$ 84,412

<u>Law Library</u>	<u>Total Other Governmental Funds</u>
\$	\$
16,591	222,643
	22,959
	34,126
<u>\$</u>	<u>\$</u>
16,591	279,728
\$	\$
17,768	17,768
	248,547
<u>\$</u>	<u>\$</u>
17,768	266,315
\$	\$
(1,177)	13,413
	12,475
<u>\$</u>	<u>\$</u>
(1,177)	25,888
44,432	199,297
<u>\$</u>	<u>\$</u>
43,255	225,185

**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, 2010

	<u>Water Systems</u>	<u>Other Water</u>	<u>Deep Creek Lab</u>	<u>Company Store</u>
OPERATING REVENUES:				
Charges for Services	\$ 1,169,957	\$ 46,237	\$ 66,131	\$
Other	<u>35,361</u>	<u></u>	<u></u>	<u>262,681</u>
Total Operating Revenues	\$ <u>1,205,318</u>	\$ <u>46,237</u>	\$ <u>66,131</u>	\$ <u>262,681</u>
OPERATING EXPENSES:				
Salaries	\$ 328,139	\$ 13,131	\$ 67,387	\$ 33,715
Fringe Benefits	135,615	6,564	32,366	13,785
Maintenance and Repairs	130,946		221	71
Supplies	53,269	1,107	16,614	198,884
Utilities	128,983		1,200	5,855
Transportation	33,885	1,293	1,884	
Contracted Services	13,124		14,187	
Lab Tests	41,977	1,390	(145,405)	
Direct Administrative	31,401	457	7,807	3,895
Indirect Administrative	297,711	12,644	64,036	30,493
Depreciation	<u>510,335</u>	<u></u>	<u>5,834</u>	<u>2,170</u>
Total Operating Expenses	\$ <u>1,705,385</u>	\$ <u>36,586</u>	\$ <u>66,131</u>	\$ <u>288,868</u>
OPERATING INCOME/(LOSS)	\$ <u>(500,067)</u>	\$ <u>9,651</u>	\$ <u>0</u>	\$ <u>(26,187)</u>
NONOPERATING REVENUES (EXPENSES):				
Tap Fees - Capital Charge	\$ 15,237	\$	\$	\$
Intergovernmental				
Interest Revenue	17,424			6,045
Ad Valorem Tax	167,215			
Sale of Assets				
Interest Expense	<u>(109,915)</u>	<u></u>	<u></u>	<u></u>
Net Other Revenues (Expenses)	\$ <u>89,961</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>6,045</u>
INCOME/(LOSS) BEFORE CAPITAL CONTRIBUTIONS	\$ <u>(410,106)</u>	\$ <u>9,651</u>	\$ <u>0</u>	\$ <u>(20,142)</u>
CAPITAL CONTRIBUTIONS				
Federal	\$ 686,560	\$	\$	\$
State				
Primary Government	<u></u>	<u></u>	<u></u>	<u></u>
TOTAL CAPITAL CONTRIBUTIONS	\$ <u>686,560</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
INCREASE/(DECREASE) IN NET ASSETS	\$ <u><u>276,454</u></u>	\$ <u><u>9,651</u></u>	\$ <u><u>0</u></u>	\$ <u><u>(20,142)</u></u>

<u>Subtotal Water Projects</u>	<u>Sewer Systems</u>	<u>Trout Run</u>	<u>Other Sewer</u>	<u>Subtotal Sewer Projects</u>	<u>Total</u>
\$ 1,282,325	\$ 2,669,971	\$ 75,955	\$ 91,145	\$ 2,837,071	\$ 4,119,396
<u>298,042</u>	<u>34,934</u>		<u>4,962</u>	<u>39,896</u>	<u>337,938</u>
\$ <u>1,580,367</u>	\$ <u>2,704,905</u>	\$ <u>75,955</u>	\$ <u>96,107</u>	\$ <u>2,876,967</u>	\$ <u>4,457,334</u>
\$ 442,372	\$ 548,774	\$ 20,934	\$ 30,597	\$ 600,305	\$ 1,042,677
188,330	255,426	7,760	15,691	278,877	467,207
131,238	244,933	5,772	52	250,757	381,995
269,874	256,219	982	1,091	258,292	528,166
136,038	412,039	39,931		451,970	588,008
37,062	60,416	2,473	3,259	66,148	103,210
27,311	9,021	5,855		14,876	42,187
(102,038)	75,703	12,557	16,485	104,745	2,707
43,560	50,875	1,868	244	52,987	96,547
404,884	516,261	18,421	29,714	564,396	969,280
<u>518,339</u>	<u>2,032,596</u>	<u>188,309</u>		<u>2,220,905</u>	<u>2,739,244</u>
\$ <u>2,096,970</u>	\$ <u>4,462,263</u>	\$ <u>304,862</u>	\$ <u>97,133</u>	\$ <u>4,864,258</u>	\$ <u>6,961,228</u>
\$ <u>(516,603)</u>	\$ <u>(1,757,358)</u>	\$ <u>(228,907)</u>	\$ <u>(1,026)</u>	\$ <u>(1,987,291)</u>	\$ <u>(2,503,894)</u>
\$ 15,237	\$ 114,983	\$	\$	\$ 114,983	\$ 130,220
0	4,492			4,492	4,492
23,469	79,650	802		80,452	103,921
167,215	107,847	51,202		159,049	326,264
0	(112,042)			(112,042)	(112,042)
<u>(109,915)</u>	<u>(746,056)</u>	<u>(27,799)</u>		<u>(773,855)</u>	<u>(883,770)</u>
\$ <u>96,006</u>	\$ <u>(551,126)</u>	\$ <u>24,205</u>	\$ <u>0</u>	\$ <u>(526,921)</u>	\$ <u>(430,915)</u>
\$ <u>(420,597)</u>	\$ <u>(2,308,484)</u>	\$ <u>(204,702)</u>	\$ <u>(1,026)</u>	\$ <u>(2,514,212)</u>	\$ <u>(2,934,809)</u>
\$ 686,560	\$ 262,435	\$	\$	\$ 262,435	\$ 948,995
0	400,000			400,000	400,000
<u>0</u>	<u>793,477</u>			<u>793,477</u>	<u>793,477</u>
\$ <u>686,560</u>	\$ <u>1,455,912</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>1,455,912</u>	\$ <u>2,142,472</u>
\$ <u>265,963</u>	\$ <u>(852,572)</u>	\$ <u>(204,702)</u>	\$ <u>(1,026)</u>	\$ <u>(1,058,300)</u>	\$ <u>(792,337)</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, 2010

PROJECT	Balance July 1, 2009	Construction (Net of Program Income)	Engineering	Salaries
Keysers Ridge Water Holding Tank	\$ 25,869	\$	\$ 3,173	\$ 1,543
Crellin Water Improvement	96,080	46,969	954	17,013
McHenry Water System	1,804,152	600,331	49,529	22,826
Keysers Ridge Water	56,762	28,756	19,791	4,895
Deep Creek Lake Collection & Conveyance	712,671		26,285	6,651
Mountain Lake Park Water	467,764	791,349	41,603	22,366
Friendsville Sewer	156,113	563,266	11,451	27,895
New Maintenance Warehouse	1,917,374	421,875		
Thayerville Water	174,303		148,365	13,677
Business Park Water	5,718			3,148
Business Park Sewer	4,280			812
TOTAL	\$ 5,421,086	\$ 2,452,546	\$ 301,151	\$ 120,826

<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, 2010</u>
\$ 654	2,118	\$	\$ 1,410	\$ 8,898	\$	\$ 34,767
8,634	278		16,465	90,313		186,393
9,504	41,091	115,049	20,754	859,084	(2,663,236)	0
2,091	44		4,484	60,061		116,823
2,623	22,115	26,198	5,953	89,825		802,496
6,859	2,993		18,761	883,931		1,351,695
10,254	6,371		24,490	643,727	(799,840)	0
	191	69,961		492,027	(2,409,401)	0
4,971	1,006		11,972	179,991		354,294
1,168			2,771	7,087		12,805
301			715	1,828		6,108
<u>\$ 47,059</u>	<u>\$ 76,207</u>	<u>\$ 211,208</u>	<u>\$ 107,775</u>	<u>\$ 3,316,772</u>	<u>\$ (5,872,477)</u>	<u>\$ 2,865,381</u>

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Garrett County Sanitary District, Inc.
Schedule of Indirect Costs
Year Ended June 30, 2010

	2010
TYPE:	
Insurance	\$ 80,260
Administrative	115,240
Telephone	5,782
Professional and Legal	20,100
Office Supplies and Expenses	16,985
Salaries	574,443
Utilities	4,131
Fringe Benefits	255,181
Transportation	4,933
Total	\$ 1,077,055
 ALLOCATION BASE:	
Direct Salaries	\$ 1,163,503
Related Fringe Benefits	514,266
Total Allocation Base	\$ 1,677,769
INDIRECT COST RATE	64.1957%
 COSTS REPORTED AS:	
Operations	\$ 969,280
Construction in Progress	107,775
	\$ 1,077,055

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Comparative Schedule of Primary Government Long-Term Indebtedness
June 30, 2010 and 2009

	June 30,	
	2010	2009
LONG-TERM INDEBTEDNESS:		
Government Activities:		
Bond Payable - Hospital Bonds of 2004	\$ 1,120,750	\$ 1,176,289
Bond Payable - Hospital Bonds of 2007	2,838,467	2,894,547
Bond Payable - Hospital Refunding Bonds of 1997		450,000
Bond Payable - General Obligation Public Facilities Bonds of 1996	1,715,000	1,945,000
Total Governmental Activities	\$ 5,674,217	\$ 6,465,836
Business Type Activities:		
Solid Waste		
Bond Payable - Landfill Project, Series 1993	\$ 1,765,000	\$ 2,145,000
Bond Payable - Maryland Water Quality Financing Administration	841,702	947,036
Total Solid Waste	\$ 2,606,702	\$ 3,092,036
Sanitary District		
Note Payable - Rural Development-Bloomington	\$ 94,905	\$ 101,545
Note Payable - Rural Development-Youghioghenny	610,358	623,868
Note Payable - Rural Development-Chestnut Ridge	721,807	736,242
Note Payable - Maryland Department of the Environment-Mt. Lake Park/Powles	74,522	77,659
Note Payable - Rural Development-Chestnut Ridge	200,390	204,398
Note Payable - GE Capital Asset Management-Friendsville Water	42,000	51,000
Note Payable - Rural Development-Deer Park Sewer	340,078	346,256
Note Payable - Maryland Water Quality Financing-Deep Creek Lake Sewer Ext.	559,921	613,783
Note Payable - Maryland Water Quality Financing-Deep Creek Lake Septage	161,777	185,199
Note Payable - State of Maryland-Jennings Sewer	61,068	67,093
Note Payable - Maryland Water Quality Financing-Goodwill Mennonite Sewer	139,352	158,500
Note Payable - Rural Development-Meadow Mountain Sewer	372,570	377,708
Note Payable - Rural Development-McHenry Water	214,958	217,839
Note Payable - Rural Development-McHenry Water	566,306	573,892
Note Payable - Rural Development-Keysers Ridge Water	520,474	527,350
Note Payable - Rural Development-Deer Park Water	527,044	534,102
Note Payable - Maryland Water Quality Financing-Deer Park Water	217,292	225,902
Note Payable - Maryland Water Quality Financing-Septage Hauling Truck	20,859	41,635
Note Payable - Rural Development Keyser's Ridge Water	110,297	111,610
Note Payable - USDA-DCL WWTP	9,685,266	9,794,511
Note Payable - USDA-DCL WWTP	4,472,559	4,523,007
Note Payable - USDA-DCL WWTP	951,179	961,912
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	2,230,978	2,315,490
Note Payable - Maryland Department of the Environment-Mountain Lake Park Water	10,000	
Note Payable - Maryland Department of the Environment-Deep Creek & Friendsville	272,629	
Total Sanitary District	\$ 27,678,589	\$ 27,870,501
Total Business Type Activities	\$ 30,285,291	\$ 30,962,537
TOTAL LONG-TERM INDEBTEDNESS	\$ 35,959,508	\$ 37,428,373

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Combining Statement of Net Assets
Fiduciary Funds
June 30, 2010

	<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	\$ 803,163	\$ 175,070	\$ 20,715	\$ 998,948
Investments:				
Certificates of Deposit	\$ 100,000	\$ 135,000	\$ 70,000	\$ 305,000
Fixed Income Securities	3,574,532	897,998	221,995	4,694,525
Mutual Funds	4,754,782	1,271,540	400,907	6,427,229
Equity Securities	1,916,747	474,024	156,793	2,547,564
Total Investments	<u>\$ 10,346,061</u>	<u>\$ 2,778,562</u>	<u>\$ 849,695</u>	<u>\$ 13,974,318</u>
Interest Receivable	<u>\$ 63,211</u>	<u>\$ 16,322</u>	<u>\$ 4,266</u>	<u>\$ 83,799</u>
TOTAL ASSETS	<u>\$ 11,212,435</u>	<u>\$ 2,969,954</u>	<u>\$ 874,676</u>	<u>\$ 15,057,065</u>
LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET ASSETS:				
Held in Trust for Retirement Benefits and OPEB	<u>\$ 11,212,435</u>	<u>\$ 2,969,954</u>	<u>\$ 874,676</u>	<u>\$ 15,057,065</u>

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Combining Statement of Changes in Net Assets
Fiduciary Funds
Year Ended June 30, 2010

	<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	\$ 1,100,602	\$ 285,996	\$	\$ 1,386,598
Plan Members	260,166	168,499		428,665
Total Contributions	<u>\$ 1,360,768</u>	<u>\$ 454,495</u>	<u>\$ 0</u>	<u>\$ 1,815,263</u>
Investment Earnings:				
Net Increase in Fair Value of Investments	\$ 964,793	\$ 296,525	\$ 15,420	\$ 1,276,738
Realized Gains/(Losses) on Investments	(251,279)	(90,895)	7,581	(334,593)
Interest and Dividends	324,260	91,435	20,333	436,028
Investment Activity Expense	(55,402)	(16,174)		(71,576)
Total Net Investment Earnings	<u>\$ 982,372</u>	<u>\$ 280,891</u>	<u>\$ 43,334</u>	<u>\$ 1,306,597</u>
Total Additions	<u>\$ 2,343,140</u>	<u>\$ 735,386</u>	<u>\$ 43,334</u>	<u>\$ 3,121,860</u>
DEDUCTIONS				
Benefits	\$ 29,041	\$ 181,579		\$ 210,620
Administrative	8,484	3,251	4,658	16,393
Total Deductions	<u>\$ 37,525</u>	<u>\$ 184,830</u>	<u>\$ 4,658</u>	<u>\$ 227,013</u>
Change In Net Assets	<u>\$ 2,305,615</u>	<u>\$ 550,556</u>	<u>\$ 38,676</u>	<u>\$ 2,894,847</u>
Net Assets - Beginning of Year	<u>8,906,820</u>	<u>2,419,398</u>	<u>836,000</u>	<u>12,162,218</u>
Net Assets - End of Year	<u>\$ 11,212,435</u>	<u>\$ 2,969,954</u>	<u>\$ 874,676</u>	<u>\$ 15,057,065</u>