

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

**FINANCIAL REPORT
JUNE 30, 2016**

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

INDEX TO FINANCIAL REPORT

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-18
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	19
Statement of Activities	20
Fund Financial Statements:	
Balance Sheet - Governmental Funds	21
Reconciliation of the Governmental Funds Balance Sheet To the Statement of Net Position	22
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	23-24
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes In Fund Balances to the Statement of Activities	25
Statement of General Fund Revenues, Expenditures and Changes In Fund Balance - Budget and Actual (Budget Basis)	26
Statement of Net Position - Proprietary Funds	27-28
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	29-30
Statement of Cash Flows - Proprietary Funds	31-32
Statement of Net Position - Fiduciary Funds	33
Statement of Changes in Net Position - Fiduciary Funds	34
Notes to Financial Statements	35-94
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the Primary Government's Proportionate Share of the Net Pension Liability - Maryland State Retirement and Pension System	95
Schedule of the Primary Government's Contributions - Maryland State Retirement and Pension System	95
Schedules of Changes in Pension Funds Net Pension Liability and Related Ratios & Schedules of Employer Contributions:	
Government Personnel Retirement Plan	96-97
Law Enforcement Retirement Plan	98-99
Volunteer Length of Service Award Plan	100-101
Schedule of Funding Progress - Other Post-Employment Benefits	102

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

INDEX TO FINANCIAL REPORT

	<u>Page</u>
OTHER SUPPLEMENTARY INFORMATION	
General Fund:	
Schedule of Revenues and Other Financing Sources - Budget and Actual (Budget Basis)	103-105
Schedule of Expenditures and Other Financing Uses - Budget and Actual (Budget Basis)	106-108
Schedule of Taxes and Taxes Receivable - General Fund	109
Nonmajor Governmental Funds:	
Combining Balance Sheet - Special Revenue Funds	110
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds	111
Proprietary Funds:	
Schedule of Revenues, Expenses and Changes in Net Position by Cost Center - Garrett County Sanitary District, Inc.	112
Schedule of Costs Capitalized to Construction in Progress - Garrett County Sanitary District, Inc.	113
Schedule of Indirect Costs - Garrett County Sanitary District, Inc.	114
Comparative Schedule of Primary Government Long-Term Indebtedness	115
Fiduciary Funds:	
Combining Statement of Net Position	116
Combining Statement of Changes in Net Position	117

INDEPENDENT AUDITORS' REPORT

The Board of County Commissioners
of Garrett County
Oakland, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Board of County Commissioners of Garrett County, Maryland (the County) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the index to financial report.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Board of County Commissioners of Garrett County, Maryland as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of the Primary Government's proportionate share of the net pension liability - Maryland State Retirement and Pension System, schedule of the Primary Government's contributions - Maryland State Retirement and Pension System, schedules of changes in pension funds net pension liability and related ratios, schedules of employer contributions and the schedule of funding progress for the Other Postemployment Benefit (OPEB) Plan listed in the index to financial report be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 27, 2017, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control over financial reporting and compliance.

The Rodeheaver Group, P.C.

Oakland, Maryland
January 27, 2017

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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, 2016. 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, 2016 by \$128,425,229 (net position), compared to \$132,757,448 at June 30, 2015. Approximately 46 percent of total net position is attributable to the Enterprise Funds. Of total net assets at June 30, 2016, \$7,027,872 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, which compares to \$5,726,618 at June 30, 2015. Another \$6,048,867 is restricted for specific purposes (restricted net position) in comparison to \$9,327,443 at June 30, 2015. The total net investment in capital assets was \$115,348,490 at June 30, 2016, compared to \$117,703,387 at June 30, 2015.

The County's total net position decreased by \$4,332,219 from the June 30, 2015 balance.

As of June 30, 2016, the County's governmental funds reported combined fund balances of \$23,993,253 an increase of \$699,966 compared to the prior year. Approximately 15 percent of the combined fund balance is available to meet the County's current and future needs (unassigned fund balance), 8 percent is nonspendable, 17 percent is restricted, and 60 percent is assigned for future use and capital projects.

At the close of the current fiscal year, unrestricted fund balance for the General Fund (primary operating fund) was \$17,944,386 or 75 percent of general fund total fund balance at June 30, 2016. Assigned fund balance of the general fund was \$14,429,967, or 80 percent of unrestricted fund balance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. Garrett County's basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains 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 Statement of Net Position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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

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

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

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

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

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

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2016

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

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 8 individual governmental funds including the General Fund, Capital Projects Fund, various Special Revenue Funds and the Debt Service Fund. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Capital Projects Fund, and the Debt Service Fund. Data from the other governmental funds are combined into a single, aggregate presentation. The basic governmental funds financial statements can be found on pages 21 to 25 of this report.

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

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

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County’s own programs. The County maintains four fiduciary funds: Garrett County Law Enforcement Personnel Retirement Plan, the Garrett County Government Personnel Retirement Plan, Garrett County Other Post-Employment Benefits Plan (OPEB) and the Volunteer Length of Service Awards Plan (LOSAP) for volunteers of the 11 Fire Departments and 2 Rescue Squads. The Fiduciary Fund financial statements can be found on pages 33 and 34 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to creating a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35 through 94 of this report.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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 95 through 117 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In Garrett County, assets exceeded liabilities by \$128,425,229 at the close of the current fiscal year. Garrett County's net position is divided into three categories, net investment in capital assets, restricted net position and unrestricted net position. The largest portion of the county's net position (90 percent) reflect its investment in capital assets net of depreciation (e.g., land and easements, buildings, machinery, equipment, infrastructure and improvements), less any unmatured debt used to acquire those assets. The County uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Restricted net position represents 5 percent of total net position. Restricted net position is resources that are subject to external restrictions on how they may be used. Unrestricted net position of the government have a balance of \$7,027,872 (5 percent of total net position), which may be used to meet the government's ongoing obligations to citizens and creditors.

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

Garrett County Government's Net Assets						
June 30, 2016						
	Governmental Activities		Business-type Activities		Total Government	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Assets:						
Current & Other Assets	\$ 46,579,684	\$ 43,339,641	\$ 9,132,734	\$ 9,376,973	\$ 55,712,418	\$ 52,716,614
Capital Assets	58,759,474	61,472,680	87,008,795	88,544,529	145,768,269	150,017,209
Total Assets	105,339,158	104,812,321	96,141,529	97,921,502	201,480,687	202,733,823
Deferred Outflows of Resources	2,431,167	683,118	308,968	107,191	2,740,135	790,309
Total Assets and Deferred Outflows of Resources	107,770,325	105,495,439	96,450,497	98,028,693	204,220,822	203,524,132
Liabilities:						
Long-Term Liabilities	31,037,809	23,281,845	37,510,366	38,206,263	68,548,175	61,488,108
Other Liabilities	7,233,351	9,207,002	(113,924)	25,928	7,119,427	9,232,930
Total Liabilities	38,271,160	32,488,847	37,396,442	38,232,191	75,667,602	70,721,038
Deferred Inflows of Resources	127,991	45,646			127,991	45,646
Net Assets:						
Net Investment in Capital Assets	58,759,474	61,472,680	56,589,016	56,230,707	115,348,490	117,703,387
Restricted	6,048,867	9,327,443			6,048,867	9,327,443
Unrestricted	4,562,833	2,160,823	2,465,039	3,565,795	7,027,872	5,726,618
Total Net Assets	69,371,174	72,960,946	59,054,055	59,796,502	128,425,229	132,757,448
Total Liabilities, Deferred Inflows of Resources and Net Position	\$107,770,325	\$105,495,439	\$ 96,450,497	\$ 98,028,693	\$204,220,822	\$ 203,524,132

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Government-wide Financial Analysis (cont'd)

The following table indicates the changes in net position.

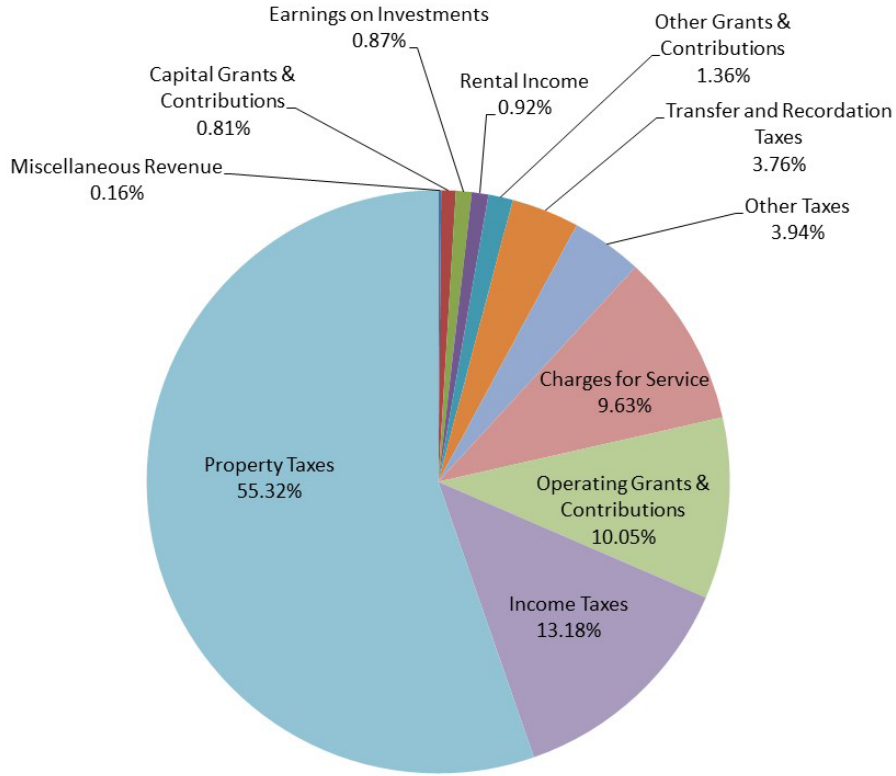
Garrett County Government's Changes in Net Assets
for the Year ended June 30, 2016

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,260,290	\$ 1,964,533	\$ 7,539,865	\$ 7,616,688	\$ 8,800,155	\$ 9,581,221
Operating Grants and Contributions	9,178,111	6,095,859	4,655	350,000	9,182,766	6,445,859
Capital Grants and Contributions	566,437	632,887	171,694	94,012	738,131	726,899
General Revenues:						
Property Taxes	47,042,418	45,648,735	3,496,290	3,283,440	50,538,708	48,932,175
Other Taxes and Licenses	19,066,745	18,836,641	0	0	19,066,745	18,836,641
Grants and Contributions	677,632	1,269,242	568,583	800,128	1,246,215	2,069,370
Other General Revenues	1,522,020	1,413,252	256,004	529,320	1,778,024	1,942,572
Total Revenues	\$ 79,313,653	\$ 75,861,149	\$ 12,037,091	\$ 12,673,588	\$ 91,350,744	\$ 88,534,737
Program Expenses:						
General Government	6,779,573	6,572,004	0	0	6,779,573	6,572,004
Public Safety	11,012,999	10,276,221	0	0	11,012,999	10,276,221
Public Works	19,052,639	18,597,943	0	0	19,052,639	18,597,943
Health & Hospital	1,904,688	1,954,640	0	0	1,904,688	1,954,640
Education						
Board of Education	28,937,642	28,687,630	0	0	28,937,642	28,687,630
Garrett College	6,035,247	5,363,417	0	0	6,035,247	5,363,417
Culture	38,000	39,000	0	0	38,000	39,000
Parks and Recreation	166,092	298,318	0	0	166,092	298,318
Library	994,337	982,700	0	0	994,337	982,700
Conservation of Natural Resources	178,784	232,073	0	0	178,784	232,073
Social Services	298,883	281,700	0	0	298,883	281,700
Economic Opportunity & Development	4,138,219	4,031,713	0	0	4,138,219	4,031,713
Community Development & Public Housing	1,495,570	0	0	0	1,495,570	0
Other	1,291,157	1,109,504	0	0	1,291,157	1,109,504
Garrett County Airport	0	0	938,044	944,179	938,044	944,179
Solid Waste Management	0	0	2,227,735	1,871,814	2,227,735	1,871,814
Garrett County Sanitary District, Inc.	0	0	8,304,234	8,918,107	8,304,234	8,918,107
Parks and Recreation Fund	0	0	1,095,308	2,833,955	1,095,308	2,833,955
Department of Technology & Communications	0	0	793,812	777,001	793,812	777,001
Total Expenses	\$ 82,323,830	\$ 78,426,863	\$ 13,359,133	\$ 15,345,056	\$ 95,682,963	\$ 93,771,919
Excess before Special Items and Transfers	(3,010,177)	(2,565,714)	(1,322,042)	(2,671,468)	(4,332,219)	(5,237,182)
Special Item	0	0	0	0	0	0
Net Transfers In (Out)	(579,595)	(4,445,278)	579,595	4,445,278	0	0
Changes in Net Assets	(3,589,772)	(7,010,992)	(742,447)	1,773,810	(4,332,219)	(5,237,182)
Net Assets – Beginning of Year	72,960,946	79,971,938	59,796,502	58,022,692	132,757,448	137,994,630
Net Assets – End of Year	\$ 69,371,174	\$ 72,960,946	\$ 59,054,055	\$ 59,796,502	\$ 128,425,229	\$ 132,757,448

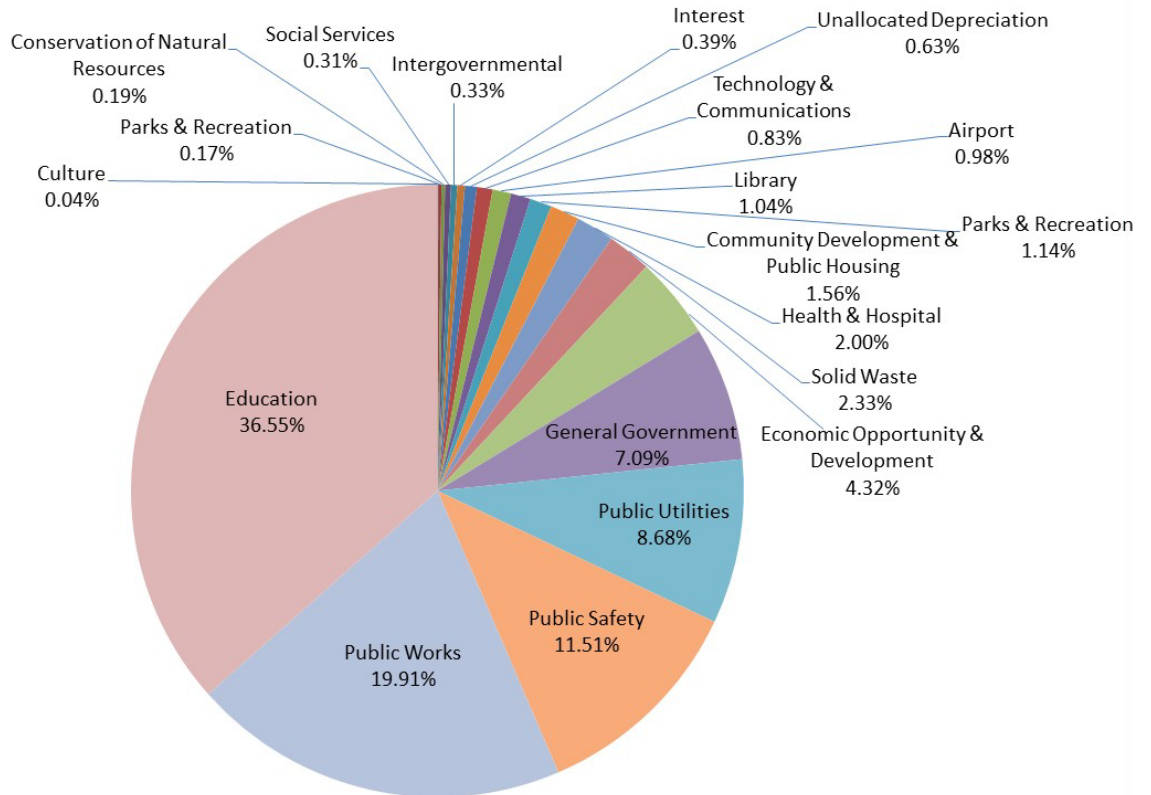
**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

Government-wide Financial Analysis (cont'd)

Revenues By Source - Primary Government



Expenditures - Primary Government



THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Government-wide Financial Analysis (cont'd)

Overall, the financial position of Garrett County declined during the year by \$4.3 million. The governmental activities reported a decline of \$3.6 million in net position at June 30, 2016 while the business-type activities reported a decline of \$0.7 million during the same period. This is expected as the net investment in capital assets makes up the majority of the decline. As assets continue to depreciate at a faster pace than new capital assets are being placed in service this is expected.

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

A change in the local economy began to occur during FY 2008 and continued into FY 2010 but the County has shown improvement since that time. One of the many indicators of a healthy local economy is local income tax revenues. Income tax revenue has steadily increased since 2010 and ended the fiscal year at \$12,035,921, an all-time high. Income taxes account for 16% of General Fund revenues including other financing sources on a budgetary basis.

As anticipated, real and personal property tax revenue increased by a combined \$1.4 million. Over \$1 million of this increase was a result of sixteen new wind turbines by Four Mile Ridge Wind Energy, LLC. For FY 2017 the County is projecting real property tax revenue to remain relatively flat with less than .30% increase projected from the triannual assessment. Wind turbine revenue is estimated to increase an additional \$700,000 with the addition of twelve new turbines from Fair Winds Power Partners. There was no change in the property tax rate as set by the County Commissioners. Property taxes account for 61% of General Fund revenues including other financing sources on a budgetary basis.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Government-wide Financial Analysis (cont'd)

Business-Type Activities. In 2016, total assets for the Airport decreased by \$486,700. This decrease is mainly due to the recording the current year's depreciation expense on assets. Total assets for the Garrett County Sanitary District, d/b/a Department of Public Utilities, decreased by \$428,530. The Parks & Recreation Fund was established to account for the operations of the Adventure Sports Center, Inc. Total assets for the Parks & Recreation Fund decreased by \$559,955 due to current year depreciation expense.

Operating revenues net of in-house sales of the Sanitary District decreased by \$179,527. A decrease in customers' connection charges contribute primarily to this decrease. Operating expenditures for the Sanitary District decreased by \$502,140. This decrease is the result of a decrease in depreciation expense.

The Garrett County Office of Solid Waste and Recycling's (Landfill) estimated disposal capacity changes over time based on variability in efficiencies with respect to waste compression. According to a third party engineer survey and analysis, it is estimated that it will cost approximately \$5.6 million to perform all closure and post-closure care activities. The County recognizes these costs as tonnage is added to the Landfill and as cells fill up. As of June 30, 2016, the County recognized and reported a closure and post-closure liability of \$3,504,439 leaving a balance of estimated costs to be recognized at approximately \$2,099,037 over the remaining 15 year useful life of the landfill. The County has established a landfill closure fund to assure that future funds would be available at the time of actual closure to pay for these closure costs. As of June 30, 2016, the County had set aside \$2,997,380 in an investment account to offset the current recognized closure liability of \$3,054,439.

Net position for Adventure Sports Center, Inc. is stated at a total of \$16,789,397. Operating revenues were \$600,040 while operating expenditures were recorded as \$1,095,308 resulting in a net operating loss of \$495,268 for the year ended June 30, 2016. Operating expenditures include non-cash items such as depreciation (\$562,648).

Financial Analysis of the County's Funds

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

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

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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

At the end of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$23,993,253, an increase of \$699,966. Approximately 14.7% of this total, \$3,514,419, constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is either nonspendable, restricted or assigned to indicate that it is not available for new spending. \$1,878,236 was nonspendable for inventory, prepaid expenses, and notes receivable. \$4,170,631 was restricted mainly for self-funded health care and \$14,429,967 was assigned for various reasons. \$1.40 million was assigned to healthcare, \$10.05 million was assigned for the continuation of projects not completed in fiscal year 2016, and \$2.95 million was assigned for future capital needs.

The General Fund is the chief operating fund of the Garrett County Government. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,514,419, while total fund balance reached \$23,900,745. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 4.60% of the total General Fund expenditures including operating transfers, while total fund balance represents 31.25% of that same amount.

During the current fiscal year, the total fund balance of the County's General Fund increased by \$724,029. General Fund revenue increased by \$1,714,103 and General Fund operating expenditures decreased by \$566,471.

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 \$13,623,859 which include amounts owing from the Garrett County Memorial Hospital Bonds, Series 2004, 2007, 2014 and 2015, for the expansion and renovation of the facility.

The Non-Major Special Revenue Funds have a total fund balance of \$92,508, all of which is restricted.

Proprietary funds. Garrett County's proprietary fund statements provide the same type of information found in the government-wide financial statements, only in more detail. The total unrestricted net position of the proprietary funds at the end of the year amounted to \$2,465,039. The total decrease in net position for the proprietary funds was \$742,447. 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, 2016

Budgetary Highlights

The difference between original revenue budget amounts of \$72,044,249 and final revenue budget amounts of \$74,573,287 is an increase of \$2,529,038. The County monitors revenue patterns throughout the year and amends original budget figures when necessary. Several accounts were adjusted upward or downward to assure proper management and good stewardship so that deficit spending would not occur. Of the \$2.5 million net increase, Intergovernmental federal and state grants made up the majority of the increase equating to \$2.3 million. Grant revenue normally has offsetting expenditures associated with them. The difference between the final revenue budget of \$74,573,287 and the actual revenue recorded of \$76,868,222 resulted in a positive variance of \$2,294,935. Total Real and Personal Property made up over \$1.12 million and the biggest portion of this positive variance. Over half of the \$1.12 variance in this category was due to underestimated values of sixteen wind turbines constructed by Four Mile Ridge Wind Energy, LLC. Income tax revenue finished the year at an unexpected all-time high of \$12 million which resulted in a \$1.1 million positive revenue variance. Other significant positive revenue budget variances were recordation tax of \$194,504, accommodations tax of \$304,619, and transfer tax of \$327,741.

Significant differences between the original expenditure budget amounts of \$74,644,249 and final expenditure budget amounts of \$85,442,301 resulting in a budget increase of \$10,798,052, are largely due to budget amendments that occurred to carryover funds from fiscal year 2015 to fiscal year 2016 for capital projects and capital outlay that were in progress at the end of fiscal year 2015. These carryover amendments equated to over \$7.3 million. As grant revenues increased, many of the revenues had offsetting expenses associated with them which resulted in corresponding budget amendments.

The difference between the final budget expenditures of \$85,442,301 and the actual expenditures recorded of \$76,338,443 represented a positive budget variance of \$9,103,858. This variance will be carried over into the subsequent fiscal year and will be re-budgeted to continue projects that were in process at the end of fiscal year 2016. Some of the projects include, but are not limited to, the Emergency Operations Center, the Glendale Road realignment, the McHenry Business Park road phase II, the Cherry Glade Access Road, Keyser's Ridge Industrial Park infrastructure improvements, the Meadow Mountain Trail, Broadband phase II & III, financial software conversion/implementation, STEM Building at Garrett College, and several road paving and bridge projects.

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

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2016

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, 2016 amounts to \$145,768,269 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, furniture, vehicles, and infrastructure. The total decrease in the County’s investment in capital assets for the current fiscal year was \$4,248,940 (2.83% decrease for governmental and business-type activities).

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

	Governmental Activities		Business-type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$9,739,442	\$9,698,727	\$3,243,738	\$3,248,775	\$12,983,180	\$12,947,502
Land Improvements	2,743,450	2,765,788	18,106,427	18,340,628	20,849,877	21,106,416
Construction in Progress	3,070,771	2,241,843	4,082,169	1,646,048	7,152,940	3,887,891
Infrastructure	23,930,726	26,698,746	55,933,960	59,165,131	79,864,686	85,863,877
Buildings	14,139,432	14,796,519	3,850,898	3,976,635	17,990,330	18,773,154
Furniture and Equipment	621,482	506,630	75,569	109,461	697,051	616,091
Vehicles	2,528,871	2,464,185	217,786	121,685	2,746,657	2,585,870
Machinery and Equipment	1,985,300	2,300,242	1,498,248	1,936,166	3,483,548	4,236,408
Total	<u>\$58,759,474</u>	<u>\$61,472,680</u>	<u>\$87,008,795</u>	<u>\$88,544,529</u>	<u>\$145,768,269</u>	<u>\$150,017,209</u>

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

- In 2016, Business-type Activities Construction in Progress increased significantly by \$2.4 million. The Department of Public Utilities Western Conveyance Project contributed 92% of this increase representing \$2.2 million of the addition.
- Both the Governmental Activities and the Business-type Activities saw significant decreases in the Infrastructure category. This was due to annual depreciation expense. Of the \$3.2 million decrease in business-type infrastructure, the Department of Public Utilities depreciation expense contributed \$2.3 million, the Airport contributed just under \$600,000, and the Adventure Sports Center made up the remaining \$300,000.

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

Long-term debt. At the end of the current fiscal year, Garrett County Government had notes and bonds outstanding of \$44,959,545, which are backed by the full faith and credit of the County.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2016

Capital Asset and Debt Administration (cont’d)

Garrett County’s Outstanding Debt
General Obligation Bonds and Notes Payable

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2016	2015	2016	2015	2016	2015
General Bonded Debt	<u>\$ 13,623,859</u>	<u>\$ 8,663,437</u>	<u>\$ 31,335,686</u>	<u>\$ 32,847,743</u>	<u>\$ 44,959,545</u>	<u>\$ 41,511,180</u>

During fiscal year 2016, the County’s total debt increased by \$3,448,365. While the Governmental Activities debt increased by a net \$4.96 million due mainly to the additional Series 2015 Garrett County Memorial Hospital Expansion Bond, Business-type Activities decreased by \$1.51 million as a result of regularly scheduled on-going debt service payments that were made during the fiscal year.

In FY 2009, Garrett County received enabling legislation to borrow up to \$21,000,000 for the financing of various capital projects for economic development, roads department, education, facilities and maintenance, and public safety. There are significant budgeted expenditures for capital project construction and capital outlay expenditures over fiscal years 2017 to 2021. The Commissioners continue to prioritize capital expenditures and amend their five-year capital plan accordingly. Planned capital activity should have no significant impact on the County’s credit ratings because the County must budget the resources to account for these expenditures and in the case of long-term debt, the County must budget the resources to service the debt.

Additional information on the County’s long-term debt can be found in Note 7 to the financial statements and on page 115 under Other Supplementary Information.

Economic Factors and Next Year’s Budget and Rates

- During FY 2008 Moody’s Investors Service completed a review of Garrett County’s bond rating and determined that due to the County maintaining a healthy financial position supported by conservative budgeting practices and possessing a strong economic outlook that includes economic growth in the County, Moody’s upgraded Garrett County’s bond rate two notches from an unsecured rating of Baa2 to A3. On May 1, 2010, Moody’s recalibrated Garrett County’s rating from A3 to A1. The recalibration was a result of Moody’s rating agency’s move to a Global Scale for municipal credit ratings. Currently, Garrett County does not have any outstanding public issued bonds that require a rating from an outside rating agency. The County does however have bonds backed by their full faith and credit for the Garrett County Memorial Hospital which are being repaid with hospital revenues.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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

- The annual average unemployment rate through October 2016 for the County is 5.8%, which is slightly higher than both the State's average of 4.5% and the national average of 4.9% through the same period.

- For January 1, 2017, Area 2 reassessment notices were mailed to 10,557 residential and 560 commercial owners. Area 2 is south central Garrett County, extending from the Deep Creek Bridge on Garrett Highway to just south of Oakland and west to the West Virginia border. The area consists of resort properties in the Deep Creek Area, residential single-family homes in Oakland & Mt. Lake Park, and rural agricultural properties south of Oakland. The group also includes the Southern Garrett Industrial Park and a concentration of retail properties in the Oakland Area. This entire area has stabilized since the last re-assessment. The County is projecting the overall increase in these areas to be relatively flat with a slight increase of less than two tenths of one percent.

These factors, as well as many others, will be considered in preparing the County's budget in subsequent years.

During fiscal year 2016, the County's total General Fund balance decreased by \$724,029. While Garrett County Government has always maintained and demonstrated a conservative budget philosophy, the County has been forced to budget more liberally in recent years than desired. Although the General Fund's fund balance decreased, the County still was able to set aside and maintain \$3.5 million, or 5% of its operating revenues, as a rainy day fund. In addition to this, the County was fortunate to assign an additional \$2.95 million into a capital reserve account to help offset upcoming capital needs during fiscal year 2018's budget process. Due to the favorable fund balance that the County has been experiencing over the past several years, the Commissioners were able to hold the tax rate for 2017 steady at \$.99 for every \$100 of assessable property.

Accounting standards for reporting the County's obligation for post-employment and pension benefits have been implemented by the County. 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 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. Since that time, the County has not funded any additional amounts to the OPEB trust fund to offset its long-term OPEB liabilities. More information on the County's other post-employment benefit plans can be found in Note 12 to the financial statements.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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

The GASB has issued Statement No. 74 entitled, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans; GASB Statement No. 75, entitled, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions; and GASB Statement No. 77; entitled, Tax Abatement Disclosures, which will require adoption in the future. These statements may have a material effect on the County's financial statements once implemented. The County will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

The Garrett County Sanitary District, d/b/a Department of Public Utilities, will continue construction of the Western Conveyance Water Distribution and Wastewater Collection Systems that will serve an additional 2,500 customers in the future. The combined cost for the distribution and collection systems is estimated to be an additional \$10,105,082 once completed over the next several years.

Adventure Sports Center, Inc. (ASC, Inc.) will continue to be reported as part of the County's financial statements. The County's goals for ASC, Inc. are to continue to make operations more efficient and to work with the strategic planning team to determine the best use of the facility. The County continues to outsource the sales, reservations, and marketing functions by partnering with the Wisp Resort in hopes of increasing efficiency and profits. On September 17-21, 2014, ASC, Inc. hosted the Deep Creek 2014 International Canoe Federation Canoe Slalom World Championships. These World Championships represented the return of the Olympic Sport to the United States after 25 years when they were held in Western Maryland. Forty-two nations sent over 393 athletes and team support staff and helped to put ASC, Inc. and Garrett County on the map as the United States epicenter of adventure sports and outdoor recreation.

The County, Garrett College and the Board of Education continue to be in a coalition to consolidate health insurance benefits for current and retired employees of these entities. This consolidation is instrumental in attempting to make health costs more affordable and cost effective. On July 1, 2009, the health insurance platform changed from fully insured to self insured. The self-insured platform allowed the coalition to put into place health insurance cost containment measures that positively affect future fiscal years. Effective January 1, 2013, Medicare eligible retirees were insured with a Senior Supplement and Prescription Drug Plan through United Health Care. Effective July 1, 2013, the Coalition implemented an expanded Wellness Program to further identify areas where health care costs could be contained and decreased. Effective July 1, 2014, the coalition changed third party health care vendors as a measure to keep health care costs affordable.

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

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 Kevin G. Null, County Administrator or
c/o Scott E. Weeks, Director of Finance

Or, visit our website at www.garrettcounty.org

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

Statement of Net Position

June 30, 2016

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 14,994,676	\$ 776,673	\$ 15,771,349
Investments	3,494,385	2,997,380	6,491,765
Taxes Receivable - Net	1,874,014	-	1,874,014
Due from Other Governments	3,612,536	13,661	3,626,197
Due from Primary Government	-	-	-
Other Receivables - Net	566,011	1,638,449	2,204,460
Inventories	774,019	1,189,963	1,963,982
Insurance Deposit	472,832	-	472,832
Prepaid Expenses	45,884	10,828	56,712
Restricted Cash	4,059,691	2,307,211	6,366,902
Restricted Investments	1,781,907	-	1,781,907
Restricted Accounts Receivable	13,623,859	198,569	13,822,428
Notes Receivable - Long-Term	1,058,333	-	1,058,333
Net Pension Asset	221,537	-	221,537
Non-Depreciable Capital Assets	12,810,213	15,223,425	28,033,638
Depreciable Capital Assets, Net of Accumulated Depreciation	45,949,261	71,785,370	117,734,631
Total Assets	105,339,158	96,141,529	201,480,687
DEFERRED OUTFLOWS OF RESOURCES	2,431,167	308,968	2,740,135
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	107,770,325	96,450,497	204,220,822
LIABILITIES			
Accounts Payable and Accrued Expenses	2,873,816	1,698,402	4,572,218
Internal Balances	1,946,663	(1,946,663)	-
Due to Component Units	139,561	-	139,561
Due to Other Governments	272,045	123,567	395,612
Due to Primary Government	-	-	-
Unearned Revenues	1,677,946	10,770	1,688,716
Other Liabilities	323,320	-	323,320
Long-Term Liabilities - Due Within One Year	748,960	1,570,292	2,319,252
Long-Term Liabilities - Due in More Than One Year	30,288,849	35,940,074	66,228,923
Total Liabilities	38,271,160	37,396,442	75,667,602
DEFERRED INFLOWS OF RESOURCES	127,991	-	127,991
NET POSITION			
Net Investment in Capital Assets	58,759,474	56,589,016	115,348,490
Restricted	6,048,867	-	6,048,867
Unrestricted	4,562,833	2,465,039	7,027,872
Total Net Position	69,371,174	59,054,055	128,425,229
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 107,770,325	\$ 96,450,497	\$ 204,220,822

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

Component Units			
Board of Education	College	Public Library	
\$ 8,361,260	\$ 2,431,677	\$	307,596
-	-		451,745
-	-		-
1,625,596	377,002		-
44,005	111,756		-
46,159	133,582	52,481	
153,090	111,938		-
-	-		-
-	226,128	11,607	
672,861	351,765		-
-	2,975,259		-
-	-		-
-	-		-
-	-		-
4,283,081	1,418,481	33,556	
44,066,296	41,090,982	1,121,299	
<u>59,252,348</u>	<u>49,228,570</u>	<u>1,978,284</u>	
<u>792,430</u>	<u>-</u>	<u>-</u>	
<u>60,044,778</u>	<u>49,228,570</u>	<u>1,978,284</u>	
7,811,062	760,837	24,038	
-	-	-	
-	-	-	
-	-	-	
-	-	16,200	
52,562	137,898	-	
-	85,658	-	
454,677	-	-	
14,833,504	8,058,952	37,394	
<u>23,151,805</u>	<u>9,043,345</u>	<u>77,632</u>	
<u>276,006</u>	<u>-</u>	<u>-</u>	
42,522,349	37,582,237	1,154,855	
2,398,534	3,074,144	27,837	
(8,303,916)	(471,156)	717,960	
<u>36,616,967</u>	<u>40,185,225</u>	<u>1,900,652</u>	
<u>\$ 60,044,778</u>	<u>\$ 49,228,570</u>	<u>\$ 1,978,284</u>	

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

Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 6,779,573	\$ 369,127	\$ 2,587,652	\$ 53,223
Public Safety	11,012,999	456,493	1,133,964	58,311
Public Works	19,052,639	285,870	717,061	211,626
Health and Hospital	1,904,688	-	691,692	-
Education				
Board of Education	28,937,642	148,800	-	-
College	6,035,247	-	-	-
Culture	38,000	-	-	-
Parks and Recreation	166,092	-	139,592	-
Library	994,337	-	-	-
Conservation of Natural Resources	178,784	-	-	-
Social Services	298,883	-	20,000	-
Economic Opportunity and Development	4,138,219	-	2,387,428	243,277
Community Development & Public Housing	1,495,570	-	1,500,722	-
Intergovernmental	314,147	-	-	-
Unallocated Depreciation	607,051	-	-	-
Interest on Long-Term Debt	369,959	-	-	-
Total Governmental Activities	<u>82,323,830</u>	<u>1,260,290</u>	<u>9,178,111</u>	<u>566,437</u>
Business-type activities				
Airport Fund	938,044	233,743	-	148,022
Solid Waste Fund	2,227,735	1,451,229	4,655	-
Garrett County Sanitary District, Inc.	8,304,234	5,033,719	-	23,672
Parks & Recreation Fund	1,095,308	590,437	-	-
Department of Technology & Communications	793,812	230,737	-	-
Total Business-Type Activities	<u>13,359,133</u>	<u>7,539,865</u>	<u>4,655</u>	<u>171,694</u>
Total Primary Government	<u>95,682,963</u>	<u>8,800,155</u>	<u>9,182,766</u>	<u>738,131</u>
Component Units				
Board of Education	60,332,219	795,145	9,437,203	877,823
College	17,574,458	4,161,235	2,820,748	-
Public Library	1,466,363	30,896	-	-
Total Component Units	<u>\$ 79,373,040</u>	<u>\$ 4,987,276</u>	<u>\$ 12,257,951</u>	<u>\$ 877,823</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
Total General Revenues & Transfers

Change in Net Position

Net Position - Beginning of Year

Net Position - End of Year

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Board of Education	College	Public Library
\$ (3,769,571)	\$ -	\$ (3,769,571)	\$ -	\$ -	\$ -
(9,364,231)	-	(9,364,231)	-	-	-
(17,838,082)	-	(17,838,082)	-	-	-
(1,212,996)	-	(1,212,996)	-	-	-
(28,788,842)	-	(28,788,842)	-	-	-
(6,035,247)	-	(6,035,247)	-	-	-
(38,000)	-	(38,000)	-	-	-
(26,500)	-	(26,500)	-	-	-
(994,337)	-	(994,337)	-	-	-
(178,784)	-	(178,784)	-	-	-
(278,883)	-	(278,883)	-	-	-
(1,507,514)	-	(1,507,514)	-	-	-
5,152	-	5,152	-	-	-
(314,147)	-	(314,147)	-	-	-
(607,051)	-	(607,051)	-	-	-
(369,959)	-	(369,959)	-	-	-
<u>(71,318,992)</u>	<u>-</u>	<u>(71,318,992)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	(556,279)	(556,279)	-	-	-
-	(771,851)	(771,851)	-	-	-
-	(3,246,843)	(3,246,843)	-	-	-
-	(504,871)	(504,871)	-	-	-
-	(563,075)	(563,075)	-	-	-
-	(5,642,919)	(5,642,919)	-	-	-
<u>(71,318,992)</u>	<u>(5,642,919)</u>	<u>(76,961,911)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	(49,222,048)	-	-
-	-	-	-	(10,592,475)	-
-	-	-	-	-	(1,435,467)
-	-	-	<u>(49,222,048)</u>	<u>(10,592,475)</u>	<u>(1,435,467)</u>
47,042,418	3,496,290	50,538,708	-	-	-
12,035,921	-	12,035,921	-	-	-
3,431,950	-	3,431,950	-	-	-
3,598,874	-	3,598,874	-	-	-
601,852	191,306	793,158	11,215	70,345	16,934
-	-	-	26,639,951	4,933,335	994,337
677,632	568,583	1,246,215	19,635,478	4,543,694	440,802
842,513	-	842,513	-	-	-
25,226	64,698	89,924	1,276,525	8,125	4,561
52,429	-	52,429	(13,278)	-	-
(579,595)	579,595	-	-	-	-
<u>67,729,220</u>	<u>4,900,472</u>	<u>72,629,692</u>	<u>47,549,891</u>	<u>9,555,499</u>	<u>1,456,634</u>
(3,589,772)	(742,447)	(4,332,219)	(1,672,157)	(1,036,976)	21,167
<u>72,960,946</u>	<u>59,796,502</u>	<u>132,757,448</u>	<u>38,289,124</u>	<u>41,222,201</u>	<u>1,879,485</u>
<u>\$ 69,371,174</u>	<u>\$ 59,054,055</u>	<u>\$ 128,425,229</u>	<u>\$ 36,616,967</u>	<u>\$ 40,185,225</u>	<u>\$ 1,900,652</u>

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Balance Sheet
Governmental Funds
June 30, 2016

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
ASSETS:					
Cash and Cash Equivalents	\$ 14,994,676	\$ -	\$ -	\$ -	\$ 14,994,676
Investments	3,494,385	-	-	-	3,494,385
Taxes Receivable - Net	1,874,014	-	-	-	1,874,014
Due from Other Governments	2,736,708	174,172	-	701,656	3,612,536
Due from Other Funds	-	895,562	-	208,342	1,103,904
Other Receivables - Net	563,711	-	-	2,300	566,011
Note Receivable	1,058,333	-	-	-	1,058,333
Inventories	774,019	-	-	-	774,019
Insurance Deposit	472,832	-	-	-	472,832
Prepaid Expenses	45,884	-	-	-	45,884
Restricted Cash	3,686,412	-	-	373,279	4,059,691
Restricted Investments	1,781,907	-	-	-	1,781,907
Restricted Accounts Receivable	-	-	13,623,859	-	13,623,859
TOTAL ASSETS	<u>31,482,881</u>	<u>1,069,734</u>	<u>13,623,859</u>	<u>1,285,577</u>	<u>47,462,051</u>
LIABILITIES:					
Accounts Payable and Accrued Expenses	2,614,787	69,734	-	189,295	2,873,816
Due to Other Funds	2,536,586	-	-	513,981	3,050,567
Due to Component Units	139,561	-	-	-	139,561
Due to Other Governments	272,045	-	-	-	272,045
Unearned Revenues	188,153	1,000,000	13,623,859	489,793	15,301,805
Other Liabilities	323,320	-	-	-	323,320
Total Liabilities	<u>6,074,452</u>	<u>1,069,734</u>	<u>13,623,859</u>	<u>1,193,069</u>	<u>21,961,114</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue - Property Taxes	1,507,684	-	-	-	1,507,684
Total Deferred Inflows of Resources	<u>1,507,684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,507,684</u>
FUND BALANCES:					
Nonspendable	1,878,236	-	-	-	1,878,236
Restricted	4,078,123	-	-	92,508	4,170,631
Assigned	14,429,967	-	-	-	14,429,967
Unassigned	3,514,419	-	-	-	3,514,419
Total Fund Balances	<u>23,900,745</u>	<u>-</u>	<u>-</u>	<u>92,508</u>	<u>23,993,253</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 31,482,881</u>	<u>\$ 1,069,734</u>	<u>\$ 13,623,859</u>	<u>\$ 1,285,577</u>	<u>\$ 47,462,051</u>

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2016

Total Fund Balances - Governmental Funds	\$ 23,993,253
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. The cost of these assets is \$152,193,061, net of accumulated depreciation of \$93,433,587.</p>	58,759,474
<p>The net pension asset arising from the LOSAP plan is not an available resource and, therefore, is not reported in the funds</p>	221,537
<p>Deferred outflows arising from changes in the net pension liability are not reported in the funds. Deferred outflows resulting from contributions made since the measure date amount to \$53,676. Deferred outflows resulting from changes in actuarial assumptions amount to \$855,459. Deferred outflows resulting from pension plan investments performance below projections amount to \$1,461,391. Deferred outflows resulting differences between expected and actual experience amount to \$60,641.</p>	2,431,167
<p>Long-term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end include compensated absences of \$2,869,340, the net OPEB obligation of \$3,171,702, and the net pension liability of \$11,372,908.</p>	(17,413,950)
<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 inflows in the funds.</p>	1,507,684
<p>Deferred inflows arising from changes in the net pension liability are not reported in the funds. Deferred inflows resulting from pension plan investment performance exceeding projections amount to \$34,234. Deferred inflows resulting from differences between expected and actual experience amount to \$93,757.</p>	(127,991)
Total Net Position - Governmental Activities	\$ 69,371,174

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, 2016

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
REVENUES:					
Taxes	\$ 66,303,414	\$ -	\$ -	\$ -	\$ 66,303,414
Licenses and Permits	314,537	-	-	-	314,537
Intergovernmental	8,553,691	134,277	807,523	1,731,154	11,226,645
Fines and Forfeitures	5,947	-	-	27,361	33,308
Charges for Services	732,452	-	-	31,193	763,645
Investment Income	231,548	-	369,959	345	601,852
Rents and Concessions	991,313	-	-	-	991,313
Contributions	3,058	-	-	-	3,058
Miscellaneous	25,226	-	-	-	25,226
Total Revenues	<u>77,161,186</u>	<u>134,277</u>	<u>1,177,482</u>	<u>1,790,053</u>	<u>80,262,998</u>
EXPENDITURES:					
General Government	6,387,795	-	-	3,795	6,391,590
Public Safety	9,795,289	-	-	283,779	10,079,068
Public Works	14,640,292	-	-	-	14,640,292
Health and Hospital	1,904,688	-	-	-	1,904,688
Education					
Board of Education	28,937,642	-	-	-	28,937,642
College	6,035,247	-	-	-	6,035,247
Culture	38,000	-	-	-	38,000
Parks and Recreation	166,092	-	-	-	166,092
Library	994,337	-	-	-	994,337
Conservation of Natural Resources	178,784	-	-	-	178,784
Social Services	298,883	-	-	-	298,883
Economic Opportunity and Development	3,786,824	-	-	-	3,786,824
Community Development & Public Housing	-	-	-	1,495,570	1,495,570
Capital Outlay	2,365,230	193,638	-	25,820	2,584,688
Debt Service	-	-	1,177,482	-	1,177,482
Intergovernmental	314,147	-	-	-	314,147
Total Expenditures	<u>75,843,250</u>	<u>193,638</u>	<u>1,177,482</u>	<u>1,808,964</u>	<u>79,023,334</u>
REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) SUBTOTAL	<u>\$ 1,317,936</u>	<u>\$ (59,361)</u>	<u>\$ -</u>	<u>\$ (18,911)</u>	<u>\$ 1,239,664</u>

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds (Continued)
Year Ended June 30, 2016

	<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	\$ 1,317,936	\$ (59,361)	\$ -	\$ (18,911)	\$ 1,239,664
OTHER FINANCING SOURCES (USES):					
Sale of Capital Assets	44,934	-	-	-	44,934
Transfers					
Capital Projects Fund	(59,361)	59,361	-	-	-
Other Governmental Funds	5,152	-	-	(5,152)	-
Airport Fund	(45,386)	-	-	-	(45,386)
Parks & Recreation Fund	(100,000)	-	-	-	(100,000)
Dept. of Tech. & Communication Fund	(439,246)	-	-	-	(439,246)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES & OTHER FINANCING USES	724,029	-	-	(24,063)	699,966
FUND BALANCES, BEGINNING OF YEAR	<u>23,176,716</u>	<u>-</u>	<u>-</u>	<u>116,571</u>	<u>23,293,287</u>
FUND BALANCES, End of Year	<u><u>\$ 23,900,745</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 92,508</u></u>	<u><u>\$ 23,993,253</u></u>

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

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

Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2016

Change in Fund Balances - Governmental Funds	\$ 699,966
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$6,285,804 exceeded capital outlays of \$3,524,388 in the current year.	(2,761,416)
Governmental funds report only the cash 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 or sold.	7,495
Governmental funds do not report transfers of fixed assets as an other financing source.	5,037
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	807,523
Receipt of debt principal payments from the hospital is revenue in the governmental funds, but the receipt reduces the receivable in the statement of net position.	(807,523)
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.	(545,758)
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.	(194,251)
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.	(476,613)
Changes to the net pension liability and related deferred outflow and inflow accounts are not reported in the governmental funds. These changes impact pension expense in the statement of activities.	(324,232)
Change in Net Position - Governmental Activities	<u>\$ (3,589,772)</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, 2016

	Original Budget	Final Budget	Actual	Over (Under) Budget
REVENUES:				
Taxes	\$ 63,056,883	\$ 63,221,883	\$ 66,109,164	\$ 2,887,281
Licenses and Permits	271,450	271,450	314,537	43,087
Intergovernmental	5,699,680	8,757,004	8,553,691	(203,313)
Fines and Forfeitures	1,300	1,300	5,947	4,647
Charges for Services	1,055,425	944,825	732,452	(212,373)
Investment Income	210,000	210,000	231,548	21,548
Rents and Concessions	842,511	842,511	842,513	2
Contributions	3,000	3,000	3,058	58
Miscellaneous	4,000	21,314	25,226	3,912
Total Revenues	<u>71,144,249</u>	<u>74,273,287</u>	<u>76,818,136</u>	<u>2,544,849</u>
EXPENDITURES:				
General Government	5,829,754	6,149,909	5,497,554	(652,355)
Public Safety	9,689,635	10,045,205	9,795,289	(249,916)
Public Works	15,593,241	16,178,768	14,640,292	(1,538,476)
Health and Hospital	1,879,353	1,913,665	1,904,688	(8,977)
Education	32,795,570	36,624,311	34,824,089	(1,800,222)
Culture	39,000	39,000	38,000	(1,000)
Parks and Recreation	26,500	166,092	166,092	-
Library	997,873	1,054,348	994,337	(60,011)
Conservation of Natural Resources	212,430	212,430	178,784	(33,646)
Social Services	278,883	298,883	298,883	-
Economic Development and Opportunity	3,321,669	5,049,339	3,786,824	(1,262,515)
Capital Outlay	1,557,644	3,879,168	2,365,230	(1,513,938)
Intergovernmental	302,205	314,147	314,147	-
Miscellaneous	987,451	636,125	890,241	254,116
Total Expenditures	<u>73,511,208</u>	<u>82,561,390</u>	<u>75,694,450</u>	<u>(6,866,940)</u>
REVENUES (UNDER) OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>(2,366,959)</u>	<u>(8,288,103)</u>	<u>1,123,686</u>	<u>9,411,789</u>
OTHER FINANCING SOURCES (USES):				
Sale of Capital Assets	300,000	300,000	44,934	(255,066)
Operating Transfers				
Capital Projects Fund	(495,675)	(2,218,830)	(59,361)	(2,159,469)
Other Governmental Funds	600,000	-	5,152	5,152
Airport Fund	(63,136)	(64,062)	(45,386)	(18,676)
Parks & Recreation	(100,000)	(100,000)	(100,000)	-
Department of Technology & Communication	(474,230)	(498,019)	(439,246)	(58,773)
Total Other Financing Sources (Uses)	<u>(233,041)</u>	<u>(2,580,911)</u>	<u>(593,907)</u>	<u>(1,987,004)</u>
REVENUES (UNDER) OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>(2,600,000)</u>	<u>(10,869,014)</u>	<u>529,779</u>	<u>\$ 11,398,793</u>
Fund Balance, Beginning of Year	<u>23,176,716</u>	<u>23,176,716</u>	<u>23,176,716</u>	
FUND BALANCE, End of Year, Budgetary Basis	<u>\$ 20,576,716</u>	<u>\$ 12,307,702</u>	<u>\$ 23,706,495</u>	

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

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

Statement of Net Position

Proprietary Funds

June 30, 2016

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Parks & Recreation Fund</u>	<u>Department of Technology & Communications</u>	<u>Total</u>
ASSETS:						
Current Assets:						
Cash and Cash Equivalents	\$ 100	\$ 300	\$ 776,056	\$ 217	\$ -	\$ 776,673
Investments	-	2,997,380	-	-	-	2,997,380
Due from Other Governments	8,306	5,355	-	-	-	13,661
Due from Primary Government	-	2,405,979	-	-	6,412	2,412,391
Other Receivables - Net	14,287	159,558	1,244,755	171,029	48,820	1,638,449
Inventories	52,941	-	1,137,022	-	-	1,189,963
Prepaid Expense	-	-	-	10,828	-	10,828
Total Current Assets	<u>75,634</u>	<u>5,568,572</u>	<u>3,157,833</u>	<u>182,074</u>	<u>55,232</u>	<u>9,039,345</u>
Noncurrent Restricted Assets:						
Restricted Cash	-	-	2,307,211	-	-	2,307,211
Restricted Other Receivables	-	-	198,569	-	-	198,569
Total Noncurrent Restricted Assets	<u>-</u>	<u>-</u>	<u>2,505,780</u>	<u>-</u>	<u>-</u>	<u>2,505,780</u>
Capital and Other Assets:						
Non-Depreciable Capital Assets	979,531	113,994	4,972,382	9,157,518	-	15,223,425
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>11,896,711</u>	<u>4,135,247</u>	<u>44,303,005</u>	<u>10,985,807</u>	<u>464,600</u>	<u>71,785,370</u>
Total Capital and Other Assets	<u>12,876,242</u>	<u>4,249,241</u>	<u>49,275,387</u>	<u>20,143,325</u>	<u>464,600</u>	<u>87,008,795</u>
TOTAL ASSETS	<u>12,951,876</u>	<u>9,817,813</u>	<u>54,939,000</u>	<u>20,325,399</u>	<u>519,832</u>	<u>98,553,920</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>10,253</u>	<u>51,284</u>	<u>209,252</u>	<u>-</u>	<u>38,179</u>	<u>308,968</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 12,962,129</u>	<u>\$ 9,869,097</u>	<u>\$ 55,148,252</u>	<u>\$ 20,325,399</u>	<u>\$ 558,011</u>	<u>\$ 98,862,888</u>

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

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

Statement of Net Position

Proprietary Funds

June 30, 2016

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Parks & Recreation Fund</u>	<u>Department of Technology & Communications</u>	<u>Total</u>
LIABILITIES:						
Current Liabilities:						
Accounts Payable and Accrued Expenses	\$ 22,808	\$ 69,966	\$ 1,513,404	\$ 78,185	\$ 14,039	\$ 1,698,402
Bonds and Loans Payable - Current Portion	-	132,302	1,410,990	-	-	1,543,292
Closure/Postclosure Liabilities - Current Portion	-	27,000	-	-	-	27,000
Due to Other Governments	-	-	123,567	-	-	123,567
Due to Primary Government	34,714	-	70,621	360,393	-	465,728
Unearned Revenue	5,845	116	-	4,809	-	10,770
Total Current Liabilities	<u>63,367</u>	<u>229,384</u>	<u>3,118,582</u>	<u>443,387</u>	<u>14,039</u>	<u>3,868,759</u>
Noncurrent Liabilities:						
Bonds and Loans Payable	-	-	26,699,779	3,092,615	-	29,792,394
Compensated Absences	12,267	128,732	375,880	-	41,193	558,072
Net Pension Liability	75,342	342,339	1,433,919	-	260,569	2,112,169
Closure/Postclosure Liabilities	-	3,477,439	-	-	-	3,477,439
Total Noncurrent Liabilities	<u>87,609</u>	<u>3,948,510</u>	<u>28,509,578</u>	<u>3,092,615</u>	<u>301,762</u>	<u>35,940,074</u>
TOTAL LIABILITIES	<u>150,976</u>	<u>4,177,894</u>	<u>31,628,160</u>	<u>3,536,002</u>	<u>315,801</u>	<u>39,808,833</u>
NET POSITION						
Net Investment in Capital Assets	12,876,242	4,116,939	22,005,525	17,125,710	464,600	56,589,016
Unrestricted Net Position	(65,089)	1,574,264	1,514,567	(336,313)	(222,390)	2,465,039
Total Net Position	<u>12,811,153</u>	<u>5,691,203</u>	<u>23,520,092</u>	<u>16,789,397</u>	<u>242,210</u>	<u>59,054,055</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 12,962,129</u>	<u>\$ 9,869,097</u>	<u>\$ 55,148,252</u>	<u>\$ 20,325,399</u>	<u>\$ 558,011</u>	<u>\$ 98,862,888</u>

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2016

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Parks & Recreation Fund</u>	<u>Department of Technology & Communications</u>	<u>Total</u>
OPERATING REVENUES:						
Charges for Services	\$ 232,710	\$ 1,451,229	\$ 4,513,507	\$ 590,437	\$ 230,737	\$ 7,018,620
Other	1,033	55,095	520,212	9,603	-	585,943
Total Operating Revenues	<u>233,743</u>	<u>1,506,324</u>	<u>5,033,719</u>	<u>600,040</u>	<u>230,737</u>	<u>7,604,563</u>
OPERATING EXPENSES:						
Salaries	90,507	624,429	1,720,843	137,415	266,823	2,840,017
Fringe Benefits	29,580	205,321	852,947	39,046	111,894	1,238,788
Maintenance and Repairs	1,919	51,332	609,098	7,228	46,850	716,427
Supplies	103,517	40,417	556,828	15,839	-	716,601
Utilities	20,855	28,329	541,130	154,035	16,025	760,374
Transportation	7,091	-	123,740	-	3,949	134,780
Contracted Services	5,713	279,002	46,571	111,391	139,866	582,543
Insurance	4,508	17,587	5,428	37,502	-	65,025
Direct Administration	-	-	125,683	9,012	55,531	190,226
Indirect Administration	-	58,020	230,505	21,192	-	309,717
Depreciation Expense	664,996	343,282	2,477,786	562,648	152,874	4,201,586
Amortization - Other	-	428,670	-	-	-	428,670
Bad Debt Expense	-	50	50	-	-	100
Other	9,358	137,694	-	-	-	147,052
Total Operating Expenses	<u>938,044</u>	<u>2,214,133</u>	<u>7,290,609</u>	<u>1,095,308</u>	<u>793,812</u>	<u>12,331,906</u>
NET OPERATING LOSS	<u>(704,301)</u>	<u>(707,809)</u>	<u>(2,256,890)</u>	<u>(495,268)</u>	<u>(563,075)</u>	<u>(4,727,343)</u>
NON-OPERATING REVENUES (EXPENSES):						
Federal Grant Revenue	-	4,655	-	-	-	4,655
Tap Fees - Capital Revenue	-	-	568,583	-	-	568,583
Investment Income	-	120,180	71,126	-	-	191,306
Ad Valorem Tax	-	970,795	2,525,495	-	-	3,496,290
Sale of Assets	-	-	-	(5,037)	-	(5,037)
Interest Expense	-	(6,852)	(1,013,625)	-	-	(1,020,477)
Asset Management Fees	-	(6,750)	-	-	-	(6,750)
Net Other Revenues (Expenses)	<u>-</u>	<u>1,082,028</u>	<u>2,151,579</u>	<u>(5,037)</u>	<u>-</u>	<u>3,228,570</u>
(LOSS) INCOME BEFORE CAPITAL CONTRIBUTIONS/TRANSFERS	<u>\$ (704,301)</u>	<u>\$ 374,219</u>	<u>\$ (105,311)</u>	<u>\$ (500,305)</u>	<u>\$ (563,075)</u>	<u>\$ (1,498,773)</u>

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds (Continued)
Year Ended June 30, 2016

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Parks & Recreation Fund</u>	<u>Department of Technology & Communications</u>	<u>Total</u>
(LOSS) INCOME BEFORE CAPITAL CONTRIBUTIONS/TRANSFERS						
Balances Brought Forward	\$ (704,301)	\$ 374,219	\$ (105,311)	\$ (500,305)	\$ (563,075)	\$ (1,498,773)
CAPITAL CONTRIBUTIONS/TRANSFERS						
Capital Contributions from						
State	15,704	-	-	-	-	15,704
Federal	132,318	-	23,672	-	-	155,990
Primary Government	8,160	-	-	-	37,199	45,359
Other	-	-	-	-	-	-
Transfers from Primary Government	37,226	-	-	100,000	402,047	539,273
NET CHANGE IN NET POSITION	(510,893)	374,219	(81,639)	(400,305)	(123,829)	(742,447)
NET POSITION - BEGINNING OF YEAR	13,322,046	5,316,984	23,601,731	17,189,702	366,039	59,796,502
NET POSITION - END OF YEAR	<u>\$ 12,811,153</u>	<u>\$ 5,691,203</u>	<u>\$ 23,520,092</u>	<u>\$ 16,789,397</u>	<u>\$ 242,210</u>	<u>\$ 59,054,055</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, 2016

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Parks & Recreation Fund</u>	<u>Department of Technology & Communications</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash Received from Customers	\$ 238,669	\$ 1,516,278	\$ 5,176,235	\$ 549,598	\$ 208,209	\$ 7,688,989
Cash Paid to Suppliers	(165,595)	(693,110)	(2,452,786)	(313,083)	(287,640)	(3,912,214)
Cash Paid to Employees and for Employee Benefits	(119,009)	(887,770)	(2,461,736)	(192,402)	(342,125)	(4,003,042)
Net Cash (Used In)/Provided By Operating Activities	<u>(45,935)</u>	<u>(64,602)</u>	<u>261,713</u>	<u>44,113</u>	<u>(421,556) #</u>	<u>(226,267)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:						
Transfer from Primary Government	37,226	-	-	100,000	402,047	539,273
Increase (Decrease) in Amounts Due to General Fund	6,099	-	(165,259)	(153,019)	-	(312,179)
(Increase) Decrease in Amounts Due from General Fund	-	(707,781)	-	-	19,509	(688,272)
Net Cash Provided By/(Used In) Non-Capital Financing Activities	<u>43,325</u>	<u>(707,781)</u>	<u>(165,259)</u>	<u>(53,019)</u>	<u>421,556</u>	<u>(461,178)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Capital Contributions	158,792	-	64,020	-	37,199	260,011
Proceeds from Tap Fees	-	-	568,583	-	-	568,583
Ad Valorem Taxes and Other Assessments Collected	-	974,832	2,544,214	-	-	3,519,046
Payment of Expenses Related to Landfill Closure	-	(22,309)	-	-	-	(22,309)
Acquisition and Construction of Capital Assets	(156,182)	(12,422)	(1,390,636)	-	(37,199)	(1,596,439)
Principal Paid on Long-Term Debt	-	(128,063)	(1,383,994)	-	-	(1,512,057)
Interest Paid on Long-Term Debt	-	(8,618)	(1,016,192)	-	-	(1,024,810)
Net Cash Provided By/(Used In) Capital and Related Financing Activities	<u>\$ 2,610</u>	<u>\$ 803,420</u>	<u>\$ (614,005)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192,025</u>

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Cash Flows
Proprietary Funds (Continued)
Year Ended June 30, 2016

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Parks & Recreation Fund</u>	<u>Department of Technology & Communications</u>	<u>Total</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest Income	\$ -	\$ 120,180	\$ 71,126	\$ -	\$ -	\$ 191,306
Asset Management Fees	-	(6,750)	-	-	-	(6,750)
Government & Agency Bonds	-	(154,030)	-	-	-	(154,030)
Net Cash (Used In)/Provided By Investing Activities	-	(40,600)	71,126	-	-	30,526
DECREASE IN CASH AND CASH EQUIVALENTS						
	-	(9,563)	(446,425)	(8,906)	-	(464,894)
Cash and Cash Equivalents, Beginning of Year	100	9,863	3,529,692	9,123	-	3,548,778
CASH AND CASH EQUIVALENTS, End of Year	\$ 100	\$ 300	\$ 3,083,267	\$ 217	\$ -	\$ 3,083,884
Reconciliation of Operating Loss to Net Cash (Used In)/Provided By Operating Activities						
Operating Loss	(704,301)	(707,809)	(2,256,890)	(495,268)	(563,075)	(4,727,343)
Adjustments to Reconcile Operating Loss to Net Cash (Used In)/Provided By Operating Activities:						
Depreciation and Amortization	664,996	771,952	2,477,786	562,648	152,874	4,630,256
Increase in Deferred Outflows of Resources	(6,365)	(34,011)	(136,440)	-	(24,961)	(201,777)
(Increase) Decrease in assets:						
Due from other governments	-	(700)	-	-	-	(700)
Accounts receivable	5,056	11,649	142,516	(50,842)	(22,528)	85,851
Inventories	(31,355)	-	(249,509)	-	-	(280,864)
Prepaid expenses	1,575	9,127	17,331	34,206	5,790	68,029
Increase (Decrease) in liabilities						
Accounts payable	13,677	(178,419)	(23,197)	(7,031)	(9,162)	(204,132)
Due to other governments	-	-	(4,661)	-	-	(4,661)
Deferred revenue	(130)	(995)	-	400	-	(725)
Net pension liability	8,443	45,119	181,005	-	33,114	267,681
Compensated absences	2,469	19,485	113,772	-	6,392	142,118
Net Cash (Used In)/Provided By Operating Activities	\$ (45,935)	\$ (64,602)	\$ 261,713	\$ 44,113	\$ (421,556)	\$ (226,267)

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

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

Statement of Net Position

Fiduciary Funds

June 30, 2016

	<u>Benefit Plan Trust Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 2,705,759
Investments:	
Certificates of Deposit	53,010
Fixed Income Securities	10,168,739
Mutual Funds	9,565,827
Equity Securities	10,793,557
Total Investments	<u>30,581,133</u>
Interest Receivable	<u>136,456</u>
TOTAL ASSETS	33,423,348
LIABILITIES	<u>-</u>
NET POSITION	
Held in Trust for Retirement Benefits and OPEB	<u>\$ 33,423,348</u>

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

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

Statement of Changes in Net Position

Fiduciary Funds

For the Year Ended June 30, 2016

	Benefit Plan Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 1,537,296
Plan Members	579,131
Total Contributions	2,116,427
Investment Earnings:	
Realized Net Gains on Investments	453,467
Interest and Dividends	822,395
Net Decrease in Fair Value of Investments	(455,895)
Investment Activity Expense	(111,881)
Total Net Investment Earnings	708,086
Total Additions	2,824,513
DEDUCTIONS	
Benefits	1,675,790
Administrative	16,608
Total Deductions	1,692,398
Change In Net Position	1,132,115
Net Position - Beginning of Year	32,291,233
Net Position - End of Year	\$ 33,423,348

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, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

**Notes to Financial Statements
June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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

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

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

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

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

The accompanying financial statements do not include the activities of the Liquor Control Board of Garrett County. However, these financial statements do include governmental activities revenues in the government-wide financial statements and general fund revenues in the governmental funds financial statements in the amount of \$116,269, 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 85% of the Liquor Control Board's gross revenues for the fiscal year ended June 30, 2016. Total assets of the Liquor Control Board as of June 30, 2016 are \$132,279.

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

**Notes to Financial Statements
June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

**Notes to Financial Statements
June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The County reports the following major governmental funds:

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

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

The Debt Service Fund accounts for the accumulation of resources and the payment of, general obligation debt principal and interest on the Garrett County Memorial Hospital Bonds, Series 2004, 2007, 2014 & 2015. The proceeds were loaned to Garrett County Memorial Hospital for the purpose of capital improvements made to the hospital.

The County reports the following major proprietary funds:

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

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

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

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

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

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

**Notes to Financial Statements
June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the County reports the following additional fund types:

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

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

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

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

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

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

**Notes to Financial Statements
June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Investments – Primary Government 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.

Fiduciary fund investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Receivables and Payables - In order to maximize investment earnings and for efficient operation of the accounting system, substantially all receipts and disbursements of the Primary Government, excluding the Garrett County Sanitary District, Inc. and ASC, Inc. (reported as blended component units), are accounted for in one bank account. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "due to/from Primary Government". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". All trade and property tax receivables are reported net of an allowance for doubtful accounts. The allowance for doubtful accounts recorded in the general fund and netted against taxes receivable was \$50,000 as of June 30, 2016. The allowance for doubtful accounts recorded by the Garrett County Sanitary District, Inc. and netted against other receivables was \$10,344 as of June 30, 2016.

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

**Notes to Financial Statements
June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 \$4,059,691 which represents general fund cash balances from self-funded health insurance and special revenue funds' cash balances related to Keyzers Ridge Business Park operations and Public Safety Narcotics Task Force operations. This column also includes restricted investments of \$1,781,907 which represents general fund investment balances related to self-funded health insurance.

Restricted receivables of \$13,623,859 reflect amounts owed by Garrett County Memorial Hospital to the County under loan agreements related to Garrett County Memorial Hospital 2004, 2007, 2014 and 2015 Bonds. Amounts receivable are to be collected through June 30, 2037.

Restricted assets attributable to the Garrett County Sanitary District, Inc. of \$2,505,780 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

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

**Notes to Financial Statements
June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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:

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

Deferred Inflows/Outflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has four items that qualify for reporting in this category. At June 30, 2016 deferred outflows consisted of retirement plan contributions paid in the current fiscal year subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Additionally, deferred outflows at June 30, 2016 consisted of differences between actual and expected experience, changes in retirement plan actuarial assumptions and differences in the projected and actual investment earnings related to the determination of the net pension liability that are being amortized over periods ranging from five to six years.

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

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

**Notes to Financial Statements
June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, deferred inflows at June 30, 2016 consisted of differences between actual and expected experience and differences in the projected and actual investment earnings related to the determination of the net pension liability that are being amortized over periods ranging from five to six years.

Unearned Revenues - Unearned revenues as reported only in the governmental funds financial statements include amounts advanced to Garrett County Memorial Hospital from bonded indebtedness issued by the County to fund certain hospital construction and renovation projects. These advances are being repaid to the County and recognized as revenues in the financial statements as the Hospital makes the required payments on the related bonded indebtedness. Unearned revenues as reported in the government-wide and governmental funds financial statements include \$1,000,000 in One Maryland funds received for Keyser's Ridge Infrastructure. These funds had not been spent on the project as of year-end. Unearned revenues also consist of taxes and fees that were prepaid to the County and expenditure driven grants of \$489,793, where the cash has been received, but the qualifying expenditures have not been incurred. In addition, see note below for a description of unearned revenue reported only in the government-wide financial statements.

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 six months of service, employees of the Primary Government are entitled to carry over sick leave, compensatory leave, holiday and banked 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 estate. Compensatory leave benefits can be carried over to the subsequent year in varying amounts up to a maximum of 240 hours for hourly employees, 480 hours for public safety employees, and 100 hours for all other government employees.

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

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

**Notes to Financial Statements
June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Long-term Obligations - In the government-wide financial statements, and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. In the fund financial statements, governmental funds report the face amount of the debt issued as other financing sources. Bond and other loan issuance costs are recognized as an expense in the period incurred in both the fund and government-wide financial statements.

E. Net Position/Fund Balance Classifications

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

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

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

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

Committed Fund Balance - Amounts constrained for a specific purpose by the governing body using its highest level of decision making authority. These constraints can only be removed or changed by the same governing body using its decision making authority to reverse a decision. Actions to constrain resources should occur prior to the end of a fiscal year, although the exact amount may be determined subsequent to year-end. The County had no committed fund balance as of June 30, 2016.

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

**Notes to Financial Statements
June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Net Position/Fund Balance Classifications (Continued)

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

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

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

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

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

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

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

**Notes to Financial Statements
June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Net Position Flow Assumptions

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

G. Fund Balance Flow Assumptions

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

H. Use of Estimates

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

I. Budgets and Budgetary Accounting

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

All department heads and agencies submit budget requests in accordance with management’s annual budget calendar. The budget is adopted upon setting the local property tax rate. Appropriations lapse at the end of the fiscal year except for capital projects appropriations which

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

**Notes to Financial Statements
June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Budgets and Budgetary Accounting (Continued)

are subject to approval for carryover by the County Commissioners and certain federal and state grants that extend beyond the current fiscal year.

The annual budget is adopted on a basis consistent with generally accepted accounting principles (GAAP) except that real property taxes are budgeted as estimated revenues when levied. All budgetary comparisons presented in this report are on this non-GAAP budgetary basis. The budgeted amounts are reported as originally adopted on June 16, 2015, by the County Commissioners and as finally amended.

J. Implementation of New Accounting Principles

The Governmental Accounting Standards Board(GASB) has issued Statement No. 72, entitled Fair Value Measurement and Application and Statement No. 76, entitled The Hierarchy of Generally Accepted Accounting Principles for State and Local Government; These statements did not have a material effect on the County's financial statements.

The GASB has also issued Statement No. 74 entitled, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans; GASB Statement No. 75, entitled, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions; and GASB Statement No. 77; entitled, Tax Abatement Disclosures, which will require adoption in the future, if applicable. These statements may have a material effect on the County's financial statements once implemented. The County will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

K. Retirement Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maryland State Retirement and Pension System - Employees Retirement and Pension System (ERPS) and additions to/deductions from ERPS's fiduciary net position have been determined on the same basis as they are reported by ERPS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

There are two employee retirement plans for County employees. The County plans cover all full-time employees other than those employed prior to July 1, 2005, who elected to retain membership in the Maryland State Retirement System. The assets of the County plans are held by a trustee.

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

**Notes to Financial Statements
June 30, 2016**

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, 2016 to the statement of net position:

	Governmental Activities	Business-Type Activities	Primary Government	Fiduciary Funds
Cash and Cash Equivalents	\$ 14,994,676	\$ 776,673	\$ 15,771,349	\$ -
Restricted Cash	4,059,691	2,307,211	6,366,902	2,705,759
Investments	3,494,385	2,997,380	6,491,765	-
Restricted Investments	1,781,907	-	1,781,907	30,581,133
Total	<u>24,330,659</u>	<u>6,081,264</u>	<u>30,411,923</u>	<u>33,286,892</u>

Deposit and Investment Summary

	Governmental Activities	Business-Type Activities	Primary Government	Fiduciary Funds
Deposits	16,783,653	2,335,240	19,118,893	2,705,759
Repurchase Agreements	264,576	747,794	1,012,370	-
Certificates of Deposit	3,006,784	-	3,006,784	53,010
U.S. Government Obligations	3,494,385	2,997,380	6,491,765	3,530,835
Fixed Income Securities	79,361	-	79,361	6,637,904
Mutual Funds	700,000	-	700,000	9,565,827
Equity Securities	-	-	-	10,793,557
Cash on Hand	1,900	850	2,750	-
Total	<u>\$ 24,330,659</u>	<u>\$ 6,081,264</u>	<u>\$ 30,411,923</u>	<u>\$ 33,286,892</u>

Deposits

At year end, the carrying amount of the Primary Government's deposits including certificates of deposit was \$22,125,677 and the bank balance of collected funds was \$22,126,094. Of the bank balance \$5,428,382 was insured by the Federal Deposit Insurance Corporation (FDIC), \$16,697,712 was collateralized by securities held by the County's agent in the County's name.

Statutes require collateral to be pledged as security for deposits in excess of available depository insurance and the market value of such collateral shall be at least equal to the amount of moneys on deposit. The market value of collateral pledged as security for the County's deposits (including cash and certificates of deposit) at June 30, 2016 was \$32,568,090.

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

**Notes to Financial Statements
June 30, 2016**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Deposits (Continued)

The Government Personnel Retirement Plan, Law Enforcement Employee Retirement Plan, Volunteer Length of Service Award Plan and Other Post Employment Benefit Plan (Fiduciary Funds) had combined deposits including certificates of deposit of \$2,758,769 at June 30, 2016. Of those deposits \$2,758,769 were insured by the FDIC. 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, 2016, the County held repurchase agreements with a carrying amount of \$1,012,370 and a bank balance of \$4,197,649. The bank balance was held at various interest rates and collateralized by U.S government agency securities with a market value of \$4,287,064.

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

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

**Notes to Financial Statements
June 30, 2016**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments (Continued)

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

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

As of June 30, 2016, 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 \$30,528,123 at June 30, 2016, were exposed to custodial credit risk as they were uninsured and held by the counterparty’s trust department but not in the name of the County.

The Fiduciary Funds have investment policies specifying that investments in corporate bonds be primarily investment grade securities rated by Moody’s or Standard and Poor’s. The Fiduciary Fund investment policies further limit credit risk by prescribing that the fixed income portfolio be well diversified with respect to type, industry and issuer. Fiduciary Fund mutual fund investments include bond mutual funds all of which were unrated as of June 30, 2016. The investments of the Primary Government and Fiduciary Funds included debt securities having the following ratings as of June 30, 2016:

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

**Notes to Financial Statements
June 30, 2016**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments (Continued)

<u>Security Ratings</u>	<u>Primary Government 6/30/16</u>	<u>Fiduciary Funds 6/30/16</u>
AA2	\$ -	\$ 767,856
AA3	79,361	54,226
A1	-	535,363
A2	-	602,282
A3	-	900,909
BAA1	-	1,145,981
BAA2	-	1,541,239
BAA3	-	682,620
Not Rated	-	407,428
Total Market Value	<u>\$ 79,361</u>	<u>\$ 6,637,904</u>

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

<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Primary Government 6/30/16</u>
2017	0.45%-1.00%	\$ 2,756,784
2018	1.24%	250,000
2029	4.00%	79,361
2031	1.75%-2.00%	6,491,765
	Total Market Value	<u>\$ 9,577,910</u>

<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Fiduciary Funds 6/30/16</u>
2017	4.70%-6.40%	\$ 332,639
2018	5.50%-6.13%	583,853
2019	2.30%-6.00%	684,122
2020	2.25%-5.55%	476,287
2021	3.38%-5.25%	768,791
2022-2026	2.45%-5.95%	3,830,044
2027-2031	3.63%-6.95%	2,825,518
2032-2036	3.50%-7.15%	720,495
	Total Market Value	<u>\$ 10,221,749</u>

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

**Notes to Financial Statements
June 30, 2016**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments (Continued)

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. U. S. Government Obligations and Fixed Income Securities are valued by the County’s pricing agent using either quotes from current buyers or by referencing similar transactions that occurred near the measurement date.

	<u>June 30, 2016</u>	<u>Fair Value Measurement Using</u>	
		<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Market Inputs (Level 2)</u>
Primary Government			
U.S. Government Obligations	\$ 6,491,765	\$ -	\$ 6,491,765
Fixed Income Securities	79,361	-	79,361
Mutual Funds	700,000	700,000	-
Total	<u>\$ 7,271,126</u>	<u>\$ 700,000</u>	<u>\$ 6,571,126</u>
Fiduciary Funds			
U.S. Government Obligations	\$ 3,530,835	\$ -	\$ 3,530,835
Fixed Income Securities	6,637,904	-	6,637,904
Mutual Funds	9,565,827	9,565,827	-
Equity Securities	10,793,557	10,793,557	-
Total	<u>\$ 30,528,123</u>	<u>\$ 20,359,384</u>	<u>\$ 10,168,739</u>

NOTE 3 – NOTES RECEIVABLE

During the year ended June 30, 2012, the County sold certain real property located in the Southern Garrett Business and Industrial Park to GCC Technologies, LLC in exchange for a note receivable in the original amount of \$1,150,000. The note receivable is payable to the County in 360 equal installments of \$4,848 each, including principal and interest calculated at 3% per annum. Under the terms of the note, interest incurred during the first six and one-half years of the note will be forgiven if the borrower achieves certain new jobs creation targets. The principal balance of the note was \$1,058,333 as of June 30, 2016 and is reported in the general fund and government-wide financial statements.

The interest payments received from the borrower totaled \$121,665 through June 30, 2016 and are reported as unearned revenue in both the general fund and government-wide financial statements.

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

**Notes to Financial Statements
June 30, 2016**

NOTE 4 – DEBT SERVICE FUND

The County issued Garrett County Memorial Hospital Bonds, Series 2004, 2007, 2014, and 2015 in the amounts of \$1,400,000, \$3,000,000, \$10,000,000 and \$5,000,000, respectively. At June 30, 2016, only \$1,104,886 of the 2015 Bonds had been drawn, with the balance expected to be drawn during the year ending June 30, 2017. 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. The 2014 and 2015 Bonds were used for hospital expansion projects. 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. Terms of the Series 2014 \$10,000,000 loan include annual principal payments of \$400,000 and semi-annual interest payments at the rate of 3.53% (fixed rate for 15 years) and having a maturity date of September 15, 2029 at which point a balloon payment of \$4,127,000 is due. Terms of the Series 2015 \$5,000,000 loan include annual principal payments of \$200,000 and semi-annual interest payments at the rate of 3.53% (fixed rate for 15 years) and having a maturity date of December 23, 2030 at which point a balloon payment of \$2,200,000 is due.

The funds disbursed to the Hospital from the Garrett County Memorial Hospital Bonds, Series 2004, 2007, 2014 and 2015 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 in the governmental funds and long-term debt in the government-wide statements. Payments made by the Hospital to conform with the various loan agreements are being recognized as revenue in the year received in the governmental funds. Debt service payments on the County's bonded indebtedness are also recognized in the government-wide statement of activities as reducing long-term debt. 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>
2017	\$ 748,960	\$ 531,084	\$ 1,280,044
2018	755,191	476,603	1,231,794
2019	761,684	445,921	1,207,605
2020	768,447	417,925	1,186,372
2021	775,494	389,646	1,165,140
2022-2037	9,814,083	2,586,415	12,400,498
Total	<u>\$ 13,623,859</u>	<u>\$ 4,847,594</u>	<u>\$ 18,471,453</u>

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

**Notes to Financial Statements
June 30, 2016**

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the Primary Government for the fiscal year ended June 30, 2016 was as follows:

	<u>Balance as of June 30, 2015</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance as of June 30, 2016</u>
<u>Governmental Activities</u>				
Capital assets, not depreciated				
Land and easements	\$ 9,698,727	\$ 35,678	\$ 5,037	\$ 9,739,442
Construction in progress	2,241,843	959,529	(130,601)	3,070,771
Total capital assets, not depreciated	<u>11,940,570</u>	<u>995,207</u>	<u>(125,564)</u>	<u>12,810,213</u>
Capital assets, being depreciated				
Land improvements	2,919,572	-	-	2,919,572
Buildings	26,418,290	35,459	-	26,453,749
Machinery & equipment	3,774,909	-	-	3,774,909
Vehicles	15,348,728	1,219,051	(186,772)	16,381,007
Furniture & equipment	2,209,538	345,362	(677,433)	1,877,467
Infrastructure	86,873,061	972,482	130,601	87,976,144
Total capital assets, being depreciated	<u>137,544,098</u>	<u>2,572,354</u>	<u>(733,604)</u>	<u>139,382,848</u>
Less accumulated depreciation for:				
Land improvements	(153,784)	(22,338)	-	(176,122)
Buildings	(11,621,771)	(692,546)	-	(12,314,317)
Machinery & equipment	(1,474,667)	(314,942)	-	(1,789,609)
Vehicles	(12,884,543)	(1,154,365)	186,772	(13,852,136)
Furniture & equipment	(1,702,908)	(230,510)	677,433	(1,255,985)
Infrastructure	(60,174,315)	(3,871,103)	-	(64,045,418)
Total accumulated depreciation	<u>(88,011,988)</u>	<u>(6,285,804)</u>	<u>864,205</u>	<u>(93,433,587)</u>
Total capital assets, being depreciated, net	<u>49,532,110</u>	<u>(3,713,450)</u>	<u>130,601</u>	<u>45,949,261</u>
Governmental activities capital assets, net	<u>\$ 61,472,680</u>	<u>\$ (2,718,243)</u>	<u>\$ 5,037</u>	<u>\$ 58,759,474</u>

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

Governmental activities:	
General Government	\$ 36,676
Public Works	4,807,991
Public Safety	507,529
Economic Development	326,557
Unallocated	607,051
Total depreciation expense - governmental activities	<u>\$ 6,285,804</u>

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

**Notes to Financial Statements
June 30, 2016**

NOTE 5 – CAPITAL ASSETS (Continued)

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance June 30, 2016</u>
<u>Business-type activities</u>				
Capital assets, not depreciated				
Land and easements	\$ 3,248,775	\$ -	\$ (5,037)	\$ 3,243,738
Construction in progress	1,646,048	2,449,783	(13,662)	4,082,169
Land improvements	7,897,518	-	-	7,897,518
Total capital assets, not depreciated	<u>12,792,341</u>	<u>2,449,783</u>	<u>(18,699)</u>	<u>15,223,425</u>
Capital assets, being depreciated				
Land improvements	20,110,090	-	-	20,110,090
Buildings	4,962,597	-	-	4,962,597
Machinery & equipment	4,926,761	37,199	(6,741)	4,957,219
Vehicles	1,932,829	166,790	-	2,099,619
Infrastructure	18,753,628	-	-	18,753,628
Furniture & equipment	196,946	11,137	13,662	221,745
Water facilities	33,069,471	5,980	-	33,075,451
Sewer facilities	70,809,539	-	-	70,809,539
Total capital assets, being depreciated	<u>154,761,861</u>	<u>221,106</u>	<u>6,921</u>	<u>154,989,888</u>
Less accumulated depreciation for:				
Land improvements	(9,666,980)	(234,201)	-	(9,901,181)
Buildings	(985,962)	(125,737)	-	(1,111,699)
Machinery & equipment	(2,990,595)	(475,117)	6,741	(3,458,971)
Vehicles	(1,811,144)	(70,689)	-	(1,881,833)
Infrastructure	(5,671,667)	(878,300)	-	(6,549,967)
Furniture & equipment	(87,485)	(58,691)	-	(146,176)
Water facilities	(11,481,067)	(890,797)	-	(12,371,864)
Sewer facilities	(46,314,773)	(1,468,054)	-	(47,782,827)
Total accumulated depreciation	<u>(79,009,673)</u>	<u>(4,201,586)</u>	<u>6,741</u>	<u>(83,204,518)</u>
Total capital assets, being depreciated, net	<u>75,752,188</u>	<u>(3,980,480)</u>	<u>13,662</u>	<u>71,785,370</u>
Business-type activities capital assets, net	<u>\$ 88,544,529</u>	<u>\$ (1,530,697)</u>	<u>\$ (5,037)</u>	<u>\$ 87,008,795</u>

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

Business-type activities	
Airport	\$ 664,996
Solid Waste	343,282
Sanitary District	2,477,786
Parks & Recreation	562,648
Department of Technology & Communications	152,874
Total depreciation expense - business-type activities	<u>\$ 4,201,586</u>

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

**Notes to Financial Statements
June 30, 2016**

NOTE 5 – CAPITAL ASSETS (Continued)

Construction in progress of the Primary Government is composed of the following:

	<u>Project Authorization</u>	<u>CIP as of June 30, 2016</u>	<u>Remaining Commitment</u>
<u>Governmental Activities</u>			
Public Works	\$ 8,814,536	\$ 2,159,398	\$ 6,655,138
Public Safety	855,000	180,888	674,112
Economic Development	608,760	321,673	287,087
General Government	700,000	408,812	291,188
Total governmental activities	<u>10,978,296</u>	<u>3,070,771</u>	<u>7,907,525</u>
<u>Business-type Activities</u>			
Keyzers Ridge Water Holding Tank	110,027	110,027	-
Keyzers Ridge Water	1,159,616	218,830	940,786
Keyzers Ridge Sewer	2,562,086	12,086	2,550,000
McHenry Water	2,800,000	3,135	2,796,865
DCL Waste Water Treatment Plant	150,000	12,854	137,146
Bloomington Water	1,479,150	11,907	1,467,243
Friendsville Sewer	960,000	10,395	949,605
Deep Creek Lake Collection & Conveyance	10,750,000	3,444,926	7,305,074
Airport Hill Removal Phase 1	119,345	119,345	-
Airport Environmental Assessment Project	483,664	138,664	345,000
Total business-type activities	<u>\$ 20,573,888</u>	<u>\$ 4,082,169</u>	<u>\$ 16,491,719</u>

NOTE 6 – INTERNAL AND INTERFUND BALANCES AND ACTIVITY

Interfund transfers between the General Fund and the Capital Projects Fund of \$59,361 represent funding for construction projects. Interfund transfers between the General Fund and the Airport Fund of \$45,386 are comprised of an operating subsidy of \$37,226 and funding for construction projects in the amount of \$8,160. Interfund transfers between the General Fund and the Parks & Recreation Fund of \$100,000 are comprised of a \$100,000 debt repayment subsidy. Interfund transfers between the General Fund and the Department of Technology and Communications are comprised of an operating subsidy amount of \$402,047 and capital contributions of \$37,199.

Interfund balances between the General Fund and the proprietary funds are comprised of amounts due to the Solid Waste Fund and the Department of Technology & Communications and amounts due from the Airport Fund, Garrett County Sanitary District, Inc., and the Parks & Recreation Fund for operating expenses and other financing on their behalf. The amounts due to the Solid Waste Fund are not expected to be repaid within one year. Interfund receivables and payables between the General Fund, Capital Projects Fund and Special Revenue Funds have been eliminated from governmental activities in the net amount of \$1,103,904 within the government-wide financial statements.

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

**Notes to Financial Statements
June 30, 2016**

NOTE 6 – 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, 2016, consisted of \$341,066 due to the Board of Education, and \$39,345 due to Garrett College.

Interfund receivables and payables within the Primary Government at June 30, 2016 are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Capital Projects Fund	\$ -	\$ 895,562
Special Revenue Funds:		
508 Program	-	182,465
Commissary	-	15,610
Law Library	-	10,267
HUD	513,981	-
Proprietary Funds:		
Airport Fund	34,714	-
Solid Waste Fund	-	2,405,979
Sanitary District	70,621	-
Parks & Recreation	360,393	-
Dept. of Technology & Communication	-	6,412
Total General Fund	<u>979,709</u>	<u>3,516,295</u>
Capital Projects Funds:		
General Fund	<u>895,562</u>	<u>-</u>
Special Revenue Funds:		
General Fund:		
508 Program	182,465	-
Commissary	15,610	-
Law Library	10,267	-
HUD	-	513,981
Total Special Revenue Funds	<u>208,342</u>	<u>513,981</u>
Total Governmental Funds	<u>2,083,613</u>	<u>4,030,276</u>
Proprietary Funds:		
General Fund - Airport	-	34,714
General Fund - Solid Waste	2,405,979	-
General Fund - Sanitary District	-	70,621
General Fund - Parks & Recreation	-	360,393
General Fund -Tech. & Comm.	6,412	-
Total Proprietary Funds	<u>2,412,391</u>	<u>465,728</u>
Total Primary Government	<u><u>\$ 4,496,004</u></u>	<u><u>\$ 4,496,004</u></u>

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

**Notes to Financial Statements
June 30, 2016**

NOTE 7 – LONG-TERM LIABILITIES

The following is a summary of liability transactions for the fiscal year ended June 30, 2016:

	Balance June 30, 2015	Additions	Principal Repayments & Other Reductions	Balance June 30, 2016	Due Within One Year
Governmental activities:					
General Fund					
General Obligation Bonds	\$ 8,663,437	\$ 5,767,946	\$ (807,524)	\$ 13,623,859	\$ 748,960
Compensated Absences	2,323,582	613,623	(67,865)	2,869,340	-
Net OPEB Obligation	2,695,089	476,613	-	3,171,702	-
Net Pension Liability - MSRS	417,028	191,466	(56,032)	552,462	-
Net Pension Liability - GCGEP	7,709,447	1,981,315	(929,714)	8,761,048	-
Net Pension Liability - GCLEP	1,473,262	957,172	(371,036)	2,059,398	-
Governmental activities					
Long-term liabilities	<u>23,281,845</u>	<u>9,988,135</u>	<u>(2,232,171)</u>	<u>31,037,809</u>	<u>748,960</u>
Business-type activities:					
Solid Waste Fund					
Bonds Payable	260,365	-	(128,063)	132,302	132,302
Garrett County Sanitary District					
Bonds and Loans Payable	29,494,763	-	(1,383,994)	28,110,769	1,410,990
Parks & Recreation					
Loans Payable	3,092,615	-	-	3,092,615	-
Subtotal	<u>32,847,743</u>	<u>-</u>	<u>(1,512,057)</u>	<u>31,335,686</u>	<u>1,543,292</u>
Landfill closure/post-closure	<u>3,098,078</u>	<u>428,670</u>	<u>(22,309)</u>	<u>3,504,439</u>	<u>27,000</u>
Net Pension Liability - GCGEP					
Airport	66,899	15,869	(7,426)	75,342	-
Solid Waste Fund	297,220	84,991	(39,872)	342,339	-
G.C. Sanitary District	1,252,914	341,030	(160,025)	1,433,919	-
Dept. of Tech & Comm.	227,455	62,337	(29,223)	260,569	-
	<u>1,844,488</u>	<u>504,227</u>	<u>(236,546)</u>	<u>2,112,169</u>	<u>-</u>
Compensated Absences					
Airport	9,798	5,842	(3,373)	12,267	-
Solid Waste Fund	109,247	19,485	-	128,732	-
G.C. Sanitary District	262,108	130,618	(16,846)	375,880	-
Dept. of Tech & Comm.	34,801	6,392	-	41,193	-
	<u>415,954</u>	<u>162,337</u>	<u>(20,219)</u>	<u>558,072</u>	<u>-</u>
Business-type activities					
Long-term liabilities	<u>\$ 36,361,775</u>	<u>\$ 591,007</u>	<u>\$ (1,554,585)</u>	<u>\$ 37,510,366</u>	<u>\$ 1,570,292</u>

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

**Notes to Financial Statements
June 30, 2016**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Interest Expense

Total interest expense of \$1,390,436 incurred by the Primary Government includes \$369,959 charged to governmental activities and \$1,020,477 charged to business-type activities.

Details of certain long-term debt obligations at June 30, 2016 are as follows:

	Balance June 30, 2016
Governmental Activities:	
<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.	\$ 738,670
<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.	2,446,970
<u>Garrett County Memorial Hospital Expansion Bond, Series 2014</u> \$10,000,000 Bonds dated November 5, 2014 are being repaid by annual principal payments of \$400,000 and semi-annual interest payments at the rate of 3.53% maturing September 15, 2029. Issued to fund the Garrett County Memorial Hospital expansion. To be repaid from hospital revenues.	9,333,333
<u>Garrett County Memorial Hospital Expansion Bond, Series 2015</u> \$5,000,000 Bonds dated December 23, 2015 are being repaid by annual principal payments of \$200,000 and semi-annual interest payments at the rate of 3.53% maturing December 23, 2030. Issued to fund the Garrett County Memorial Hospital expansion. To be repaid from hospital revenues.	1,104,886
Total Governmental Activities	\$ 13,623,859

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

**Notes to Financial Statements
June 30, 2016**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

	<u>Balance</u> <u>June 30, 2016</u>
Business-type Activities:	
<u>Solid Waste Fund</u>	
Maryland Water Quality Financing Administration Bond dated May 21, 1996. Total authorized of \$1,997,000 of which \$1,970,000 has been advanced to date. Semiannual payments of interest at 3.31%. Principal is payable February 1 of each year through February 1, 2017.	<u>\$ 132,302</u>
Total Solid Waste Fund	<u>132,302</u>
<u>Garrett County Sanitary District, Inc.</u>	
\$1,998,000 Maryland Water Quality Financing (Deep Creek Lake Sewer Extension), payable in annual installments of \$132,748, including semiannual interest at 2.87% through February 1, 2019.	202,689
\$425,000 Maryland Water Quality Financing (Deep Creek Lake Septage Facility), payable in annual installments of \$29,641, including semiannual interest at 3.00% through February 1, 2016.	5,725
\$120,175 State of Maryland (Jennings Sewer Revolving Loan), payable in annual installments of \$7,615, including semiannual interest at 2.37% through February 1, 2017.	21,802
\$260,000 Maryland Water Quality Financing (Deer Park Water), payable in semiannual installments including interest at .4% through February 2034.	164,905
\$128,653 Maryland Department of the Environment (Mt. Lake Park Water), payable in semiannual installments principal only of \$9,077 through February 2024.	65,117
\$549,085 Maryland Department of the Environment (Deep Creek & Friendsville I&I), payable in annual installments of principal only of \$34,318 through 2025.	<u>\$ 210,298</u>

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

**Notes to Financial Statements
June 30, 2016**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

	<u>Balance June 30, 2016</u>
\$50,050 BB&T (Jennings), payable in monthly installments of \$292, including interest of 3.5% through August 2032.	\$ 42,988
\$800,770 BB&T (Mountain Lake Park Water), payable in monthly installments of \$4,665, including interest of 3.5% through August 2032.	687,786
\$7,499,000 BB&T (Thayerville Water), payable in monthly installments of \$43,687, including interest of 3.5% through August 2032.	6,441,014
\$23,597,980 BB&T (Refinance), payable in monthly installments of \$137,475, including interest of 3.5% through August 2032.	<u>20,268,445</u>
Total Garrett County Sanitary District, Inc.	<u>28,110,769</u>
<u>Parks & Recreation Fund</u>	
Note payable to Maryland Department of Business and Economic Development, maturing September, 2039, 3.00% interest per annum. No principal or interest payments are currently being made on the note as the County is negotiating repayment terms	2,817,615
\$275,000 non-interest bearing note payable to Garrett County Community Action Committee, Inc.(GCCAC) due on July 8, 2007. No principal payments are currently being made on the note as the County is negotiating repayment terms	<u>275,000</u>
Total Parks & Recreation Fund	<u>3,092,615</u>
Total Business-type Activities	<u>31,335,686</u>
Total Primary Government	<u>\$ 44,959,545</u>

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

**Notes to Financial Statements
June 30, 2016**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Bond Issuance

On December 23, 2015, Garrett County issued the Garrett County Memorial Hospital Bond, Series 2015, a tax exempt bank qualified general obligation bond in the amount of \$5 million. The proceeds are being used to finance a hospital renovation project. The County entered into an additional agreement with the Hospital under which the Hospital will make payments to the County sufficient to provide for the payment of all required principal and interest on the bonds when due.

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:			
2017	\$ 748,960	\$ 531,084	\$ 1,280,044
2018	755,191	476,603	1,231,794
2019	761,684	445,920	1,207,604
2020	768,447	417,925	1,186,372
2021	775,494	389,646	1,165,140
2022-2026	2,943,660	1,587,529	4,531,189
2027-2031	5,949,625	879,541	6,829,166
2032-2036	757,193	115,807	873,000
2037-2041	163,605	3,539	167,144
Total governmental activities	<u>13,623,859</u>	<u>4,847,594</u>	<u>18,471,453</u>
Business-Type Activities:			
2017	1,543,292	965,101	2,508,393
2018	1,453,531	912,370	2,365,901
2019	1,503,520	862,381	2,365,901
2020	1,473,994	812,815	2,286,809
2021	1,527,516	759,293	2,286,809
2022-2026	8,315,400	2,960,116	11,275,516
2027-2031	9,850,226	1,366,847	11,217,073
2032-2036	2,575,591	58,706	2,634,297
Thereafter	3,092,616	-	3,092,616
Total Business-type activities	<u>\$ 31,335,686</u>	<u>\$ 8,697,629</u>	<u>\$ 40,033,315</u>

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

**Notes to Financial Statements
June 30, 2016**

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Grant and Loan Compliance

The County participates in numerous Federal and State grant/loan programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant/loan programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the laws and regulations governing the programs, refunds of any money received may be required or, the collectability of any related receivable at June 30, 2016 may be impaired. The amount, if any, of expenditures for projects which may be disallowed by the granting/lending agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Loan Guarantees

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

Lease Commitments

Garrett College has entered into a lease with the County for the rental of a student dormitory building, known as “Garrett Hall”. Terms of the lease include monthly rental payments of \$5,396 for a period of 29 years. At the end of the initial term of the lease, the College has the option to extend the lease. The value of this building at June 30, 2016 was \$927,169 less accumulated depreciation of \$274,288. Total future minimum payments under the operating lease as of June 30, 2016 are as follows:

Year Ending June 30, 2017	\$ 64,752
June 30, 2018	64,752
June 30, 2019	64,752
June 30, 2020	64,752
June 30, 2021	64,752
Thereafter	<u>787,816</u>
Total	<u>\$ 1,111,576</u>

In addition, the County leases administrative offices to the Board of Education at no charge. The annual fair market value of the space occupied is \$148,800. The fair market value of the appropriated space is recorded in the accompanying government-wide and fund financial statements as both a revenue and an expenditure. The value of this building at June 30, 2016 was \$1,000,563 less accumulated depreciation of \$383,549.

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

**Notes to Financial Statements
June 30, 2016**

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

Lease Commitments (Continued)

The County leases a building to C. Palmer Manufacturing, Inc. (CPM) located at the Southern Garrett Industrial Park. The lease can be renewed at the option of the lessee in 5 year increments ending on January 31, 2020 at an annual rate of \$62,799. The future minimum lease payments remaining under the current renewal term which expires January 31, 2020 are \$225,030. The value of this building at June 30, 2016 was \$1,304,263 less accumulated depreciation of \$782,558.

On June 28, 2013, the County entered into a lease with Strata Safety Products, LLC (Strata) for the rental of property located at the Keyser's Ridge Business Park. The initial lease term ends December 31, 2018 with an annual rate of \$61,600. The value of this building at June 30, 2016 was \$1,666,096 less accumulated depreciation of \$55,537.

NOTE 9 – STATE RETIREMENT PLAN

General Information about the Pension Plan

The Primary Government participates in the Maryland State Retirement and Pension System (the System), a cost sharing multiple-employer public employee retirement system. Substantially all full-time and permanent part-time employees of the Primary Government 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 System is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland and managed by a 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, 2015 (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.

For all individuals who became members of the pension systems of the State Retirement and Pension System on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For any individual who becomes a member of one of the pension systems on or after July 1, 2011, pension allowances are computed using both the highest five consecutive years' AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors.

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

**Notes to Financial Statements
June 30, 2016**

NOTE 9 – STATE RETIREMENT PLAN (Continued)

General Information about the Pension Plan (Continued)

A member of the Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals $1/55$ (1.81%) of the member's AFC multiplied by the number of years of accumulated creditable service.

An individual who became a member of the Employees' Pension System on or before June 30, 2011, is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of the Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

Any individual who became a member of the State Retirement and Pension System on or before June 30, 2011 and who terminates employment before attaining retirement age but after accumulating 5 years of eligibility service is eligible for a vested retirement allowance. Any individual who joins the State Retirement and Pension System on or after July 1, 2011 and who terminates employment before attaining retirement age but after accumulating 10 years of eligibility service is eligible for a vested retirement allowance.

A member of the Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for an Employees' Retirement System member is 30%.

An individual who became a member of the Employees' Retirement System on or before June 30, 2011, may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the Employees' Retirement System is 42%. An individual who becomes a member of the Teachers' Pension System on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65.

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

**Notes to Financial Statements
June 30, 2016**

NOTE 9 – STATE RETIREMENT PLAN (Continued)

General Information about the Pension Plan (Continued)

Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. A member who is permanently and totally disabled as the result of an accident occurring in the line of duty receives 2/3 (66.7%) of the member's AFC plus an annuity based on all member contributions and interest. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

Retirement and pension allowances are increased annually to provide for changes in the cost of living according to prescribed formulae. Such adjustments for retirees are based on the annual change in the CPI. For the Employees' Retirement Systems, the method by which the annual COLA's are computed depends upon elections made by members who were active on July 1, 1984 (or within 90 days of returning to service, for members who were inactive on July 1, 1984) enabling the member to receive either an unlimited COLA, a COLA limited to 5% or a two-part combination COLA depending upon the COLA election made by the member.

However, beginning July 1, 2011, for benefits attributable to service earned on or after July 1, 2011 the adjustment is capped at the lesser of 2.5% or the increase in CPI if the most recent calendar year market value rate of return was greater than or equal to the assumed rate. The adjustment is capped at the lesser of 1% or the increase in CPI if the market value return was less than the assumed rate of return. In years in which COLAs would be less than zero due to a decline in the CPI, retirement allowances will not be adjusted. COLAs in succeeding years are adjusted until the difference between the negative COLA that would have applied and the zero COLA is fully recovered.

The Primary Government pays all employer contributions for employees who participate in the Employees' Retirement System(ERS). Employer contribution rates are established by annual actuarial valuations, subject to the approval of the systems' Board of Trustees in accordance with the Annotated Code of Maryland.

Local government employees covered under the ERS are required to contribute 7% of earned compensation.

The Primary Government's contributions for the year ended June 30, 2016 were \$53,676 to the ERS, which were equal to the County's required contributions for that year.

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

**Notes to Financial Statements
June 30, 2016**

NOTE 9 – STATE RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At June 30, 2016, the Primary Government reported a liability of \$552,462 for its proportionate share of the ERS net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Primary Government's proportion of the net pension liability was based on a projection of the Primary Government's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the Primary Government's proportion was 0.003 percent.

The Primary Government's pension expense for the ERS Plan for the year ended June 30, 2015 was \$62,887.

At June 30, 2016, the Primary Government reported deferred outflows of resources and deferred inflows of resources related to the state System from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 32,180	\$ -
Changes in experience	-	11,315
Net difference between projected and actual earnings on pension plan investments	48,659	34,234
County contributions to the Employees' Pension System subsequent to the measurement date	53,676	-
Total	\$ 134,515	\$ 45,549

\$53,676 reported as deferred outflows of resources related to the state System resulting from Primary Government's contributions to the Employees' Pension System subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the state System will be recognized in pension expense as follows:

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

**Notes to Financial Statements
June 30, 2016**

NOTE 9 – STATE RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Year ending June 30:	
2017	\$ 5,617
2018	5,617
2019	5,617
2020	15,520
2021	2,919

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following key actuarial assumptions, applied to all periods included in the measurement:

Actuarial	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Inflation	2.95% general, 3.45% wage
Salary increases	3.2% to 8.95%, including inflation
Discount rate	7.55%
Investment rate of return	7.55%
Mortality	RP-2014 Mortality Tables

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the System after considering input from the System’s investment consultant(s) and actuary(s). For each major asset class that is included in the System’s target asset allocation, these best estimates are summarized in the following table:

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

**Notes to Financial Statements
June 30, 2016**

NOTE 9 – STATE RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	35.00%	4.70%
Fixed Income	10.00%	2.00%
Credit Opportunity	10.00%	3.00%
Real Return	14.00%	2.80%
Absolute Return	10.00%	5.00%
Private Equity	10.00%	6.30%
Real Estate	10.00%	4.50%
Cash	1.00%	1.40%
Total	100.00%	

The discount rate used to measure the total pension liability was 7.55 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and contributions from the State will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.55 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.55 percent) or 1-percentage-point higher (8.55 percent) than the current rate:

	6.55%	Rate 7.55%	8.55%
County's proportionate share of the net pension liability	\$ 780,820	\$ 552,462	\$ 363,108

Detailed information about the State Retirement and Pension System of Maryland's fiduciary net position is available in the separately issued System report.

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

**Notes to Financial Statements
June 30, 2016**

NOTE 9 – STATE RETIREMENT PLAN (Continued)

Funded Status and Funding Progress

At June 30, 2016, the Primary Government and Board of Education reported a liability for their proportionate share of the ERS net pension liability based on their participation in that plan. The Board of Education and College participate in the Teachers' Retirement System (TRS) which has a special funding situation. Because the State of Maryland is legally responsible for paying the unfunded pension liability and the Board of Education and College pay the normal cost for the teachers' pensions, the Board of Education and College are not required under GASB 68 to record their share of the unfunded liability for the TRS but instead, that liability is recorded by the State of Maryland. The County's portion of the net pension liability recorded by the State of Maryland, the amount recognized by the County as its proportionate share of the ERS net pension liability, and the total portion of the State's net pension liability that was associated with the County were as follows as of June 30, 2016:

	Teachers' Retirement and Pension System	Employees' Retirement and Pension System	Total All State Systems
Primary Government's proportionate share of net pension liability	\$ -	\$ 552,462	\$ 552,462
Board of Education's proportionate share of net pension liability	-	3,248,091	3,248,091
State's proportionate share of the net pension liability associated with the Board of Education	41,722,945	-	41,722,945
State's proportionate share of the net pension liability associated with the College	4,909,776	-	4,909,776
Total County portion of the State's net pension liability	<u>\$ 46,632,721</u>	<u>\$ 3,800,553</u>	<u>\$ 50,433,274</u>

Contributions by the State of Maryland to the TRS on behalf of the Board of Education and College totaled \$2,960,111 and \$460,104, respectively, for the year ended June 30, 2016. Board of Education and College contributions to the State Retirement Plan totaled \$1,555,324 and \$57,466, respectively, for the year ended June 30, 2016. All contributions were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed annually.

Detailed information about the Board of Education and College's participation in the State Retirement and Pension System of Maryland is available in the separately issued component unit reports.

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

**Notes to Financial Statements
June 30, 2016**

NOTE 10 – COUNTY RETIREMENT PLANS

Government Personnel Retirement Plan

The County adopted the Garrett County Government Personnel Retirement Plan, a single employer plan, effective July 1, 2005, for all covered employees of the Primary Government. 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. 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 June 30, 2016 (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 contribution and benefit service responsibilities are provided by a Board of Trustees which is comprised of the County Commissioners and others they designate. Participating employees are required to contribute 3.39% of earnings. The contribution requirements of Plan members and the County are established and may be amended by the County Commissioners.

The benefits payable under the County's Plan not funded by employee contributions are funded entirely by the County. The plan does not issue a stand-alone financial report and is not included in the report of a public employee retirement system or another entity.

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. The Plan's fiduciary net position has been determined on the same basis as that used by the plan. The plan follows the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The government's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The actuarial value of assets was determined by the market value of investments.

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

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

**Notes to Financial Statements
June 30, 2016**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Government Personnel Retirement Plan (Continued)

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

All information that follows for the Plan is measured as of June 30, 2016, which is the latest actuarial report available. Liabilities were measured as of July 1, 2015 and rolled to the measurement date using standard actuarial valuation techniques.

Membership of the Plan consisted of the following as of July 1, 2015, the date liabilities were last measured:

Retirees and beneficiaries receiving benefits	74
Terminated Plan members entitled but not yet receiving benefits	19
Active Plan members	<u>226</u>
Total	<u><u>319</u></u>

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2016 is as follows:

<u>Investment Type</u>	<u>% of Portfolio</u>	<u>Rate of Return</u>
Equities	60-70%	5-8%
Fixed Income	30-40%	1-4%

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of expense, was 2.29%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

**Notes to Financial Statements
June 30, 2016**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Government Personnel Retirement Plan (Continued)

The total pension liability for the current year was determined as part of the July 1, 2015 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7% investment rate of return (net of administrative expenses), and (b) projected salary increases of 2% per year. The actuary determined rates of mortality were based on RP-2000; 2-year set forward tables. The assumptions did not include postretirement benefit increases. Full descriptions of the actuarial assumptions are available in the June 30, 2016 actuarial valuation report.

The discount rate used to measure the total pension liability was 7 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2015 is as follows:

Total pension liability	\$34,515,656
Net position	(23,642,439)
Net pension liability	<u><u>\$10,873,217</u></u>

Net position as a percentage of total pension liability is 68.5%.

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

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

	1% decrease (6%)	Current rate 7%	1% increase (8%)
Net pension liability	<u><u>\$ 14,964,776</u></u>	<u><u>\$ 10,873,217</u></u>	<u><u>\$ 7,413,448</u></u>

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

**Notes to Financial Statements
June 30, 2016**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Government Personnel Retirement Plan (Continued)

The following presents changes in the net pension liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2015	\$ 32,557,442	\$ 23,003,507	\$ 9,553,935
Changes for the year:			
Service cost	718,592	-	718,592
Interest	2,255,447	-	2,255,447
Differences between expected and actual experience	73,685	-	73,685
Assumption changes	246,009	-	246,009
Contributions - employer	-	1,166,260	(1,166,260)
Contributions - employee	-	359,559	(359,559)
Net investment income	-	535,107	(535,107)
Benefit payments and refunds of member contributions	(1,335,519)	(1,335,519)	-
Administrative expense	-	(86,475)	86,475
Net Changes	<u>\$ 1,958,214</u>	<u>\$ 638,932</u>	<u>\$ 1,319,282</u>
Balances as of June 30, 2016	<u><u>\$ 34,515,656</u></u>	<u><u>\$ 23,642,439</u></u>	<u><u>\$ 10,873,217</u></u>

For the year ended June 30, 2016, the County recognized pension expense of \$1,491,078 and made contributions to the Plan of \$1,166,260. As of June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 62,172	\$ -
Change in assumptions	207,570	-
Net difference between projected and actual investment earnings	1,277,715	-
	<u><u>\$ 1,547,457</u></u>	<u><u>\$ -</u></u>

The above amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in the pension expense as follows:

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

**Notes to Financial Statements
June 30, 2016**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Government Personnel Retirement Plan (Continued)

Year ending June 30:

2017	\$ 403,943
2018	403,943
2019	403,943
2020	265,695
2021	49,953
Thereafter	19,980

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 projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Law Enforcement Retirement Plan

The County adopted the Garrett County Law Enforcement Retirement Plan, a single employer plan, effective July 1, 2002, for all employees classified by the Primary Government as the Sheriff, correctional officers, or sworn law-enforcement officers with the Sheriff's Department or Office of the State's Attorney, and employees classified as emergency management personnel. The Plan provides retirement, disability and death benefits for all eligible employees. Administrative, investment, and member benefit service responsibilities are provided by a Board of Trustees. The actuarial valuation report as of June 30, 2016 (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 contribution and benefit service responsibilities are provided by a Board of Trustees which is comprised of the County Commissioners and others they designate. Participating employees are required to contribute 7.59% of earnings. The contribution requirements of Plan members and the County are established and may be amended by the County Commissioners.

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

**Notes to Financial Statements
June 30, 2016**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Law Enforcement Retirement Plan (Continued)

The benefits payable under the County's Plan not funded by employee contributions are funded entirely by the County. The plan does not issue a stand-alone financial report and is not included in the report of a public employee retirement system or another entity.

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. The Plan's fiduciary net position has been determined on the same basis as that used by the plan. The plan follows the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The government's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The actuarial value of assets was determined by the market value of investments.

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

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

All information that follows for the Plan is measured as of June 30, 2016, which is the latest actuarial report available. Liabilities were measured as of July 1, 2015 and rolled to the measurement date using standard actuarial valuation techniques.

Membership of the Plan consisted of the following as of July, 1, 2015, the date liabilities were last measured:

Retirees and beneficiaries receiving benefits	61
Terminated Plan members entitled but not yet receiving benefits	2
Active Plan members	14
Total	<u>77</u>

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

**Notes to Financial Statements
June 30, 2016**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Law Enforcement Retirement Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2016 is as follows:

<u>Investment Type</u>	<u>% of Portfolio</u>	<u>Rate of Return</u>
Equities	60-70%	5-8%
Fixed Income	30-40%	1-4%

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of expense, was 2.88%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The total pension liability for the current year was determined as part of the July 1, 2015 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7% investment rate of return (net of administrative expenses), and (b) projected salary increases of 2% per year. The actuary determined rates of mortality were based on RP-2000; 2-year set forward tables. The assumptions did not include postretirement benefit increases. Full descriptions of the actuarial assumptions are available in the June 30, 2016 actuarial valuation report.

The discount rate used to measure the total pension liability was 7 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2016 is as follows:

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

**Notes to Financial Statements
June 30, 2016**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Law Enforcement Retirement Plan (Continued)

Total pension liability	\$ 9,520,710
Net position	<u>(7,461,312)</u>
Net pension liability	<u><u>\$ 2,059,398</u></u>

Net position as a percentage of total pension liability is 78%.

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

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

	1% decrease (6%)	Current rate 7%	1% increase (8%)
Net pension liability	<u>\$ 3,484,508</u>	<u>\$ 2,059,398</u>	<u>\$ 885,002</u>

The following presents changes in the net pension liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2015	\$ 8,502,082	\$ 7,028,820	\$ 1,473,262
Changes for the year:			
Service cost	263,191	-	263,191
Interest	616,786	-	616,786
Differences between expected and actual experience	(92,747)	-	(92,747)
Assumption changes	566,709	-	566,709
Contributions - employer	-	371,036	(371,036)
Contributions - employee	-	219,572	(219,572)
Net investment income	-	208,456	(208,456)
Benefit payments and refunds of member contributions	(335,311)	(335,311)	-
Administrative expense	-	(31,261)	31,261
Net Changes	<u>\$ 1,018,628</u>	<u>\$ 432,492</u>	<u>\$ 586,136</u>
Balances as of June 30, 2016	<u>\$ 9,520,710</u>	<u>\$ 7,461,312</u>	<u>\$ 2,059,398</u>

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

**Notes to Financial Statements
June 30, 2016**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Law Enforcement Retirement Plan (Continued)

For the year ended June 30, 2016, the County recognized pension expense of \$341,939 and made contributions to the Plan of \$371,036. As of June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 82,442
Change in assumptions	503,742	-
Net difference between projected and actual investment earnings	350,263	-
	\$ 854,005	\$ 82,442

The above amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in the pension expense as follows:

Year ending June 30:

2017	\$ 149,999
2018	149,999
2019	149,999
2020	110,916
2021	52,662
Thereafter	157,988

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 projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

**Notes to Financial Statements
June 30, 2016**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Volunteer Length of Service Award Plan

The County adopted the Garrett County Volunteer Length of Service Award Plan (LOSAP), effective July 1, 2008, for all eligible volunteers who are active members of one or more Garrett County fire, rescue, or emergency medical services, or support organizations approved by Garrett County Emergency Services. The Plan provides retirement and death benefits for eligible volunteers who become covered under the plan. Eligible volunteers will be certified on an annual basis using a form designated and furnished by the Department of Public Safety/Emergency Management. Administrative, investment, and member benefit service responsibilities are provided by a Board of Trustees. The actuarial valuation report as of June 30, 2016 (most recent available data) may be obtained from the County Commissioners of Garrett County, Maryland.

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

The benefits payable under the County's Plan are funded entirely by the County. The plan does not issue a stand-alone financial report and is not included in the report of a public employee retirement system or another entity.

The Plan is classified by the Primary Government as a Pension Trust Fund. The Plan's fiduciary net position has been determined on the same basis as that used by the plan. The plan follows the accrual basis of accounting. The government's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The actuarial value of assets was determined by the market value of investments.

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

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

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

**Notes to Financial Statements
June 30, 2016**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Volunteer Length of Service Award Plan (Continued)

All information that follows for the Plan is measured as of June 30, 2016, which is the latest actuarial report available. Liabilities were measured as of July 1, 2015 and rolled to the measurement date using standard actuarial valuation techniques.

Membership of the Plan consisted of the following as of July 1, 2015, the date the liabilities were last measured:

Retirees and beneficiaries receiving benefits	2
Terminated Plan members entitled but not yet receiving benefits	0
Active Plan members	297
Total	299

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2016 is as follows:

Investment Type	% of Portfolio	Rate of Return
Equities	60-70%	5-8%
Fixed Income	30-40%	1-4%

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of expense, was 3.36%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The total pension liability for the current year was determined as part of the July 1, 2015 actuarial valuation using the entry age normal cost method. The actuarial assumptions included a 7% investment rate of return (net of administrative expenses). The actuary determined rates of mortality were based on RP-2000; 2-year set forward tables. The assumptions did not include postretirement benefit increases. Full descriptions of the actuarial assumptions are available in the June 30, 2016 actuarial valuation report.

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

**Notes to Financial Statements
June 30, 2016**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Volunteer Length of Service Award Plan (Continued)

The discount rate used to measure the total pension liability was 7 percent. The projection of cash flows used to determine the discount rate assumed County contributions will be made at rates equal to or greater than actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive volunteers. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The net pension asset is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2016 is as follows:

Total pension liability	\$ 667,209
Net position	<u>(888,746)</u>
Net pension asset	<u><u>\$ (221,537)</u></u>

Net position as a percentage of total pension liability is 133%.

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

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

	1% decrease (6%)	Current rate 7%	1% increase (8%)
Net pension asset	<u><u>\$ (90,927)</u></u>	<u><u>\$ (221,537)</u></u>	<u><u>\$ (327,305)</u></u>

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

**Notes to Financial Statements
June 30, 2016**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Volunteer Length of Service Award Plan (Continued)

The following represents changes in the net pension liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Balances as of June 30, 2015	\$ 431,847	\$ 870,149	\$ (438,302)
Changes for the year:			
Service cost	30,045	-	30,045
Interest	35,854	-	35,854
Differences between expected and actual experience	11,701	-	11,701
Assumptions changes	162,722	-	162,722
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	29,508	(29,508)
Benefit payments and refunds of member contributions	(4,960)	(4,960)	-
Administrative expense	-	(5,951)	5,951
Net Changes	<u>\$ 235,362</u>	<u>\$ 18,597</u>	<u>\$ 216,765</u>
Balances as of June 30, 2016	<u>\$ 667,209</u>	<u>\$ 888,746</u>	<u>\$ (221,537)</u>

For the year ended June 30, 2016, the County recognized pension expense of \$31,528 and made contributions to the Plan of \$0. As of June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,079	\$ -
Change in assumptions	154,067	-
Net difference between projected and actual investment earnings	39,012	-
	<u>\$ 204,158</u>	<u>\$ -</u>

The above amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in the pension expense as follows:

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

**Notes to Financial Statements
June 30, 2016**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Volunteer Length of Service Award Plan (Continued)

Year ending June 30:

2017	\$ 20,213
2018	20,213
2019	20,213
2020	15,483
2021	9,278
Thereafter	118,758

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 projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

County Defined Contribution Plan

The Primary Government offers additional retirement benefits under the Garrett County 401(a) Deferred Compensation Matching Plan, a defined contribution PEBSCO 401(A) Employee Match Program. The Plan is administered by the Garrett County Commissioners.

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 Primary Government'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, 2016, the Primary Government contributed \$256,603 or 2.42 percent of earned compensation. Covered payroll approximated \$10,598,561. Primary Government contribution amounts included contributions made on behalf of the employees of Garrett County Sanitary District, Inc. in the amount of \$25,723 on covered payroll of approximately \$1,061,401.

Employees are 100% vested in employer contributions from the time that contributions are made to their accounts which results in no forfeitures upon distribution.

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

**Notes to Financial Statements
June 30, 2016**

NOTE 11 – DEFERRED COMPENSATION

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

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

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

**NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION
BENEFITS**

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

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

**Notes to Financial Statements
June 30, 2016**

**NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION
BENEFITS (Continued)**

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

	Primary Government	Board of Education	College	Total
Retirees Receiving Benefits	140	233	12	385
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	0	0	0	0
Active Plan Members	318	482	122	922
Total	458	715	134	1,307

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, 2016, the County did not make prefunding contributions to the OPEB Trust. Current OPEB premium payments made on behalf of retirees as well as the costs incurred to administer the OPEB plan are paid from the general operating funds of the participating employers.

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

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

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

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

**Notes to Financial Statements
June 30, 2016**

**NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION
BENEFITS (Continued)**

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

Currently, 140 Primary Government 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, 2016, Primary Government expenditures of approximately \$654,299 were recognized for post-retirement health care benefits. For employees hired on or after July 1, 2006 dependent insurance coverage may be purchased upon retirement at the retiree's own cost.

Annual OPEB Cost and Net OPEB Obligation

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, 2016, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Components of Net OPEB Obligation

	Primary Government	Board of Education	College	Total
Annual Required Contribution	\$ 1,412,364	\$1,973,810	\$ 307,460	\$3,693,634
Interest on Net OPEB Obligation	121,279	206,145	37,723	365,147
Adjustment to Annual Required Contribution	(127,925)	(218,869)	(39,790)	(386,584)
Annual OPEB Cost (Expense)	1,405,718	1,961,086	305,393	3,672,197
Contributions Made	(929,105)	(1,435,116)	(91,657)	(2,455,878)
Increase in Net OPEB Obligation	476,613	525,970	213,736	1,216,319
Net OPEB Obligation (Beginning of Year)	2,695,089	4,581,002	838,289	8,114,380
Net OPEB Obligation (End of Year)	\$ 3,171,702	\$5,106,972	\$1,052,025	\$9,330,699

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

**Notes to Financial Statements
June 30, 2016**

**NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION
BENEFITS (Continued)**

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, 2016, 2015 and 2014 are as follows:

Primary Government

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	\$ 1,405,718	66%	\$3,171,702
June 30, 2015	1,350,683	61%	2,695,089
June 30, 2014	1,249,284	63%	2,168,869

Board of Education

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	1,961,086	73%	5,106,972
June 30, 2015	1,876,078	70%	4,581,002
June 30, 2014	1,915,201	64%	4,013,207

College

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	305,393	30%	1,052,025
June 30, 2015	289,056	29%	838,289
June 30, 2014	204,550	25%	631,471

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the plan was funded as follows:

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Primary Government	\$ 199,343	\$ 16,747,553	\$ 16,548,210	1.19%	\$ 14,334,000	115.45%
Board of Education	1,018,310	23,648,103	22,629,793	4.31%	25,374,000	89.18%
College	171,103	3,167,852	2,996,749	5.40%	5,719,300	52.40%
Total	<u>\$ 1,388,756</u>	<u>\$ 43,563,508</u>	<u>\$ 42,174,752</u>	<u>3.29%</u>	<u>\$ 45,427,300</u>	<u>92.84%</u>

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

**Notes to Financial Statements
June 30, 2016**

**NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION
BENEFITS (Continued)**

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

Actuarial Methods and Assumptions

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

In the July 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 7% to 8% initially, reduced by decrements to an ultimate rate of 5%. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement plan asset returns. The UAAL is being amortized at a level percentage of payroll on an open basis over 30 years.

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

**Notes to Financial Statements
June 30, 2016**

**NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION
BENEFITS (Continued)**

Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2015
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level percentage of projected payroll over a 30 year period
Asset Valuation Method	Market value
Actuarial Assumptions:	
Investment Rate of Return	4.5 %
Discount Rate	4.5 %
Salary Scale	2.5 % per year under discount rate
Healthcare Cost Trend Rates	Pre-65 - 8 % initially, decreasing linearly each year to an ultimate annual increase rate of 5 % Post-65 - 7 % initially, reduced by decrements to an ultimate 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
Premium Equivalence	Based on current equivalent retiree rates for pre-65 coverage adjusted by 40% for the implicit subsidy. Post-65 rates are based on current cost of supplemental coverage
Cost Sharing	The plan's current service based cost sharing schedule was applied to both pre-65 and post-65 coverage. In addition, any costs in excess of \$7,225 per year for post-65 coverage were assumed to be paid by the retiree

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

**Notes to Financial Statements
June 30, 2016**

**NOTE 13 – ACCOUNTING FOR MUNICIPAL SOLID WASTE LANDFILL
CLOSURE AND POST-CLOSURE CARE COSTS**

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

The Solid Waste Fund has recorded a landfill closure and post-closure care liability of \$3,504,439 as of June 30, 2016, representing the cumulative operating expenses reported to date based on the Round Glade landfill at full capacity (\$666,314) and the current landfill at 57% of its estimated capacity (\$2,838,125). The County will recognize the balance of estimated closure and post-closure costs of approximately \$2,099,037 over the remaining useful life of the current landfill, which approximates 15 years. These amounts are based on the County's engineer estimates of costs to perform all closure and post-closure care activities as of June 30, 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to prove that it satisfies the Resource Conservation and Recovery Act's (RCRA) financial assurance provisions, which requires owners and operators of municipal solid waste landfills to have adequate funds available for the costs of closure, post-closure and corrective actions associated with their facilities. The County has met the local government financial test as of June 30, 2016, which satisfies the financial assurance provisions of the Act.

NOTE 14 – RISK MANAGEMENT

Liability Insurance

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

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

**Notes to Financial Statements
June 30, 2016**

NOTE 14 – RISK MANAGEMENT (Continued)

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

Self-Insured Health Care

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

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

The third-party administrator estimated the non-discounted claims liability reported in the general fund at June 30, 2016. It is based on the requirements of accounting standards, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Because actual claims liabilities depend on such complex factors as inflation, change in legal doctrines and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic factors. The estimate for claims incurred but not reported was \$1,250,000 at June 30, 2016.

For the year ended June 30, 2016, claims incurred of \$15,634,494 exceeded the combined premiums charged to the Plan participants of \$14,226,844. The excess of \$1,407,650 is comprised of \$198,921 in excess claims related to the Primary Government net of \$1,208,729 in excess claims related to the Board of Education and Garrett College. The deficiency of premiums charged under claims incurred has been reported as an expenditure in the general fund.

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

**Notes to Financial Statements
June 30, 2016**

NOTE 15 – FUND EQUITY

A summary of fund balances as of June 30, 2016 is as follows:

	General Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:			
Inventory	\$ 774,019	\$ -	\$ 774,019
Prepaid Expense	45,884	-	45,884
Note Receivable	1,058,333	-	1,058,333
Total Nonspendable Fund Balance	1,878,236	-	1,878,236
Restricted For:			
Agricultural Land Preservation	22,276	-	22,276
Special Revenue Funds	-	92,508	92,508
Self Funded Health Care	4,055,847	-	4,055,847
Total Restricted Fund Balance	4,078,123	92,508	4,170,631
Assigned For:			
Capital projects:			
Garrett College	3,889,268	-	3,889,268
Board of Education	333,310	-	333,310
Ruth Enlow Library	56,475	-	56,475
Public Works	1,107,950	-	1,107,950
Economic Development	5,418,769	-	5,418,769
Public Safety	1,216,308	-	1,216,308
General Government	194,411	-	194,411
Capital Projects Subtotal	12,216,491	-	12,216,491
Subsequent Year Budget	2,213,476	-	2,213,476
Total Assigned Fund Balance	14,429,967	-	14,429,967
Unassigned:	3,514,419	-	3,514,419
Total Fund Balance	\$ 23,900,745	\$ 92,508	\$ 23,993,253

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

**Notes to Financial Statements
June 30, 2016**

NOTE 16 – BUDGETARY BASIS RECONCILIATION - GENERAL FUND

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

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

	Revenues	Expenditures	Other Financing Sources (Uses)	Effect on Fund Balance
As Reported on Budget Basis	\$ 76,818,136	\$ 75,694,450	\$ (593,907)	\$ 529,779
<u>Property Tax Revenue</u>				
Recognized in year levied on budget basis but in year "available" on GAAP basis	194,250	-	-	194,250
<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	\$ 77,161,186	\$ 75,843,250	\$ (593,907)	\$ 724,029

REQUIRED SUPPLEMENTARY INFORMATION

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

**Required Supplementary Information
June 30, 2016**

**SCHEDULE OF THE PRIMARY GOVERNMENT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

	2016	2015
The County's proportion of the net pension liability	0.003%	0.002%
The County's proportionate share of the net pension liability	\$ 552,462	\$ 417,028
The County's covered payroll	\$ 510,206	\$ 508,602
The County's proportionate share of the net pension liability as a percentage of its covered payroll	108.28%	81.99%
Plan fiduciary net position as a percentage of the total pension liability	68.78%	71.87%

This schedule is presented to illustrate the requirement to show the information for 10 years. However, until a full 10-year trend is compiled the The County will present information for those years for which the information is available.

**SCHEDULE OF THE PRIMARY GOVERNMENT'S CONTRIBUTIONS MARYLAND
STATE RETIREMENT AND PENSION SYSTEM**

	2016	2015
Contractually required contribution	\$ 53,676	\$ 56,032
Contributions in relation to the contractually required contribution	(53,676)	(56,032)
Contribution deficiency (excess)	\$ -	\$ -
The County's covered-employee payroll	\$ 510,206	\$ 508,602
Contributions as a percentage of covered-employee payroll	10.52%	11.02%

This schedule is presented to illustrate the requirement to show the information for 10 years. However, until a full 10-year trend is compiled the County will present information for those years for which the information is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes in Benefit Terms - There were no benefit changes during the year.

Changes in Assumptions

Adjustments to the roll-forward liabilities were made to reflect the following assumptions changes in the 2015 valuation:

- Investment return assumption changed from 7.65% to 7.55%
- Inflation assumption changed from 2.90% to 2.95%

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

**Required Supplementary Information
June 30, 2016**

**SCHEDULE OF CHANGES IN PENSION FUND NET PENSION LIABILITY AND
RELATED RATIOS - GOVERNMENT PERSONNEL RETIREMENT PLAN JUNE 30, 2016,
2015 AND 2014**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service Cost: Retirement benefits administration	\$ 718,592	\$ 914,186	\$ 859,717
Interest	2,255,447	2,104,135	1,970,282
Difference between expected and actual experience	73,685	-	-
Assumption changes	246,009	-	-
Benefit payments	(1,335,519)	(1,013,431)	(834,562)
Net changes in total pension liability	<u>1,958,214</u>	<u>2,004,890</u>	<u>1,995,437</u>
Total pension liability - beginning	<u>32,557,442</u>	<u>30,552,552</u>	<u>28,557,115</u>
Total pension liability - ending (a)	<u><u>\$ 34,515,656</u></u>	<u><u>\$ 32,557,442</u></u>	<u><u>\$ 30,552,552</u></u>
Plan fiduciary net position			
Contributions - employer	\$ 1,166,260	\$ 1,150,819	\$ 1,140,077
Contributions - employee	359,559	354,820	352,066
Net investment income	535,107	768,993	2,817,855
Benefit payments, including refunds of member contributions	(1,335,519)	(1,013,431)	(834,562)
Administrative expense	(86,475)	(24,709)	(8,986)
Net changes in plan fiduciary net position	<u>638,932</u>	<u>1,236,492</u>	<u>3,466,450</u>
Plan fiduciary net position - beginning	<u>23,003,507</u>	<u>21,767,015</u>	<u>18,300,565</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 23,642,439</u></u>	<u><u>\$ 23,003,507</u></u>	<u><u>\$ 21,767,015</u></u>
County's net pension liability - ending (a) - (b)	\$ 10,873,217	\$ 9,553,935	\$ 8,785,537
Plan fiduciary net position as a percentage of total pension liability	68.50%	70.66%	71.24%
Covered employee payroll	\$ 9,618,611	\$ 10,031,765	\$ 10,818,408
Net liability as a percentage of covered payroll	113.04%	95.24%	81.21%
Annual money-weighted rate of return, net of investment expense	2.29%	3.44%	14.07%

Notes to schedule

This information is not available for previous years

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

**Required Supplementary Information
June 30, 2016**

**SCHEDULE OF GOVERNMENT PERSONNEL RETIREMENT PLAN EMPLOYER
CONTRIBUTIONS JUNE 30, 2016, 2015 AND 2014**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contributions	\$ 1,525,819	\$ 1,505,639	\$ 1,335,074
Contributions in relation to the actuarially determined contributions	1,525,819	1,505,639	1,492,143
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (157,069)</u>
Covered employee payroll	\$ 9,618,611	\$ 10,031,765	\$ 10,818,408
Contribution as a percentage of covered employee payroll	15.86%	15.01%	13.79%

Notes to schedule

Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2015,
12 months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Cost method	Entry age normal
Investment return	7%
Mortality	RP-2000; 2-year set forward tables
Turnover	T5 Table
Salary Scale	2.0% increases per year - prior valuations were based on a 4% assumption
Retirement age	See related footnote for retirement age assumptions
Valuation of assets	Market value as reported by plan administrator

This information is not available for previous years

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

**Required Supplementary Information
June 30, 2016**

**SCHEDULE OF CHANGES IN PENSION FUND NET PENSION LIABILITY AND
RELATED RATIOS - LAW ENFORCEMENT RETIREMENT PLAN JUNE 30, 2016, 2015
AND 2014**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service Cost: Retirement benefits administration	\$ 263,191	\$ 281,985	\$ 244,908
Interest	616,786	548,471	516,719
Difference between expected and actual experience	(92,747)	-	-
Assumption changes	566,709	-	-
Benefit payments	(335,311)	(321,895)	(294,636)
Net changes in total pension liability	<u>1,018,628</u>	<u>508,561</u>	<u>466,991</u>
Total pension liability - beginning	<u>8,502,082</u>	<u>7,993,521</u>	<u>7,526,530</u>
Total pension liability - ending (a)	<u><u>\$ 9,520,710</u></u>	<u><u>\$ 8,502,082</u></u>	<u><u>\$ 7,993,521</u></u>
Plan fiduciary net position			
Contributions - employer	\$ 371,036	\$ 341,098	\$ 331,733
Contributions - employee	219,572	201,877	202,237
Net investment income	208,456	246,157	904,083
Benefit payments, including refunds of member contributions	(335,311)	(321,895)	(294,636)
Administrative expense	(31,261)	(11,123)	(35,478)
Net changes in plan fiduciary net position	<u>432,492</u>	<u>456,114</u>	<u>1,107,939</u>
Plan fiduciary net position - beginning	<u>7,028,820</u>	<u>6,572,706</u>	<u>5,464,767</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 7,461,312</u></u>	<u><u>\$ 7,028,820</u></u>	<u><u>\$ 6,572,706</u></u>
County's net pension liability - ending (a) - (b)	<u>\$ 2,059,398</u>	<u>\$ 1,473,262</u>	<u>\$ 1,420,815</u>
Plan fiduciary net position as a percentage of total pension liability	78.37%	82.67%	82.23%
Covered employee payroll	\$ 2,661,063	\$ 2,567,771	\$ 2,350,135
Net liability as a percentage of covered payroll	77.39%	57.38%	60.46%
Annual money-weighted rate of return, net of investment expense	2.88%	3.62%	15.02%

Notes to schedule

This information is not available for previous years

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

**Required Supplementary Information
June 30, 2016**

**SCHEDULE OF LAW ENFORCEMENT RETIREMENT PLAN EMPLOYER
CONTRIBUTIONS JUNE 30, 2016, 2015 AND 2014**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contributions	\$ 590,608	\$ 542,975	\$ 437,358
Contributions in relation to the actuarially determined contributions	590,608	542,975	533,970
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (96,612)</u>
Covered employee payroll	\$ 2,661,063	\$ 2,567,771	\$ 2,350,135
Contribution as a percentage of covered employee payroll	22.19%	21.15%	22.72%

Notes to schedule

Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2015,
12 months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Cost method	Entry age normal
Investment return	7%
Mortality	RP-2000; 2-year set forward tables
Turnover	T2 Table
Salary Scale	2.0% increases per year - prior valuations were based on a 4% assumption
Retirement age	See related footnote for retirement age assumptions
Valuation of assets	Market value as reported by plan administrator

This information is not available for previous years

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

**Required Supplementary Information
June 30, 2016**

**SCHEDULE OF CHANGES IN PENSION FUND NET PENSION LIABILITY AND
RELATED RATIOS - VOLUNTEER LENGTH OF SERVICE AWARD PLAN JUNE 30, 2016,
2015 AND 2014**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service Cost: Retirement benefits administration	\$ 30,045	\$ 17,028	\$ 29,096
Interest	35,854	27,247	23,666
Difference between expected and actual experience	11,701	-	-
Assumption changes	162,722	-	-
Benefit payments	(4,960)	(3,280)	-
Net changes in total pension liability	<u>235,362</u>	<u>40,995</u>	<u>52,762</u>
Total pension liability - beginning	431,847	390,852	338,090
Total pension liability - ending (a)	<u>\$ 667,209</u>	<u>\$ 431,847</u>	<u>\$ 390,852</u>
Plan fiduciary net position			
Contributions - employer	\$ -	\$ -	\$ -
Contributions - employee	-	-	-
Net investment income	29,508	31,979	113,323
Benefit payments, including refunds of member contributions	(4,960)	(3,280)	-
Administrative expense	(5,951)	(2,436)	(4,157)
Net changes in plan fiduciary net position	<u>18,597</u>	<u>26,263</u>	<u>109,166</u>
Plan fiduciary net position - beginning	870,149	843,886	734,720
Plan fiduciary net position - ending (b)	<u>\$ 888,746</u>	<u>\$ 870,149</u>	<u>\$ 843,886</u>
County's net pension liability - ending (a) - (b)	<u>\$ (221,537)</u>	<u>\$ (438,302)</u>	<u>\$ (453,034)</u>
Plan fiduciary net position as a percentage of total pension liability	133.20%	201.49%	215.91%
Covered employee payroll	N/A	N/A	N/A
Net liability as a percentage of covered payroll	N/A	N/A	N/A
Annual money-weighted rate of return, net of investment expense	3.36%	3.73%	14.36%

Notes to schedule

This information is not available for previous years

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

**Required Supplementary Information
June 30, 2016**

**SCHEDULE OF VOLUNTEER LENGTH OF SERVICE AWARD PLAN EMPLOYER
CONTRIBUTIONS JUNE 30, 2016, 2015 AND 2014**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contributions	\$ -	\$ -	\$ 4,356
Contributions in relation to the actuarially determined contributions	-	-	-
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,356</u>
Covered employee payroll	N/A	N/A	N/A
Contribution as a percentage of covered employee payroll	N/A	N/A	N/A

Notes to schedule

Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2015,
12 months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Cost method	Entry age normal
Investment return	7%
Mortality	RP-2000; 2-year set forward tables
Turnover	None
Salary Scale	N/A
Retirement age	See related footnote for retirement age assumptions
Valuation of assets	Market value as reported by plan administrator

This information is not available for previous years

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

**Required Supplementary Information
June 30, 2016**

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
7/1/15	\$ 199,343	\$ 16,747,553	\$ 16,548,210	1.19%	\$ 14,334,000	115.45%
7/1/14	194,740	16,264,413	16,069,673	1.20%	14,334,000	112.11%
7/1/13	170,241	13,983,999	13,813,758	1.23%	12,204,000	113.19%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The above schedule is presented to provide a consistent basis for measuring the Plan's annual progress towards funding its actuarial accrued liability in accordance with the Plan's funding methods. The primary measure of funding progress are the Plan's 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 Plan's abilities to pay all projected benefits as they come due. The Plan is fully funded if the funded ratio is greater than or equal to 100 percent.

The increase in the AAL between July 1, 2013 and July 1, 2014 was as a result of additional benefit accruals and the following changes in actuarial assumptions:

- Increase in the implicit subsidy on active premiums from 30% to 40%
- Increase in projected future claims based on increases in actual claims incurred
- Increase in medical rate trends from 5% to 7-8%

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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
TAXES:				
Local Real and Personal Property:				
Real Property	\$ 40,384,459	\$ 40,384,459	\$ 40,633,247	\$ 248,788
Railroads and Public Utilities	2,753,179	2,753,179	2,969,193	216,014
Ordinary Business Corporations	2,371,145	2,371,145	2,945,636	574,491
Enterprise Zone Tax Refund	45,000	45,000	50,428	5,428
Addition and Abatements	(60,000)	(60,000)	690	60,690
Penalties and Interest	600,000	600,000	551,868	(48,132)
	<u>46,093,783</u>	<u>46,093,783</u>	<u>47,151,062</u>	<u>1,057,279</u>
Less: Discounts and Credits	(174,000)	(174,000)	(108,643)	65,357
Total Real and Personal Property	<u>45,919,783</u>	<u>45,919,783</u>	<u>47,042,419</u>	<u>1,122,636</u>
Other Local Taxes:				
Income	10,821,000	10,971,000	12,035,921	1,064,921
Admissions and Amusement	890,000	898,000	732,671	(165,329)
Recordation	1,500,000	1,500,000	1,694,504	194,504
Coal Tonnage	100,000	100,000	128,803	28,803
Trailer Court	36,000	36,000	37,397	1,397
Natural Gas	1,500	1,500	759	(741)
Accommodations Tax	2,100,000	2,100,000	2,404,619	304,619
Transfer Tax	1,400,000	1,400,000	1,727,741	327,741
Franchise Tax	100	100	400	300
Agriculture Transfer Tax/Refunds	3,500	3,500	9,705	6,205
Coal Tax	50,000	50,000	56,383	6,383
911 Fees	200,000	200,000	193,121	(6,879)
Agriculture Preservation Recapture	-	-	2,774	2,774
Tax Sale Revenue	35,000	42,000	41,947	(53)
	<u>17,137,100</u>	<u>17,302,100</u>	<u>19,066,745</u>	<u>1,764,645</u>
Total Other Local Taxes	<u>17,137,100</u>	<u>17,302,100</u>	<u>19,066,745</u>	<u>1,764,645</u>
Total Taxes	<u>63,056,883</u>	<u>63,221,883</u>	<u>66,109,164</u>	<u>2,887,281</u>
LICENSES AND PERMITS:				
Business:				
Beer, Wine and Liquor Licenses	102,250	102,250	116,269	14,019
Traders	65,000	65,000	72,727	7,727
Other Licenses and Permits:				
Animal	5,600	5,600	6,014	414
Marriage	1,800	1,800	1,970	170
TVRU License	85,000	85,000	96,395	11,395
Highways and Streets	7,800	7,800	16,376	8,576
Other Permits	4,000	4,000	4,786	786
	<u>271,450</u>	<u>271,450</u>	<u>314,537</u>	<u>43,087</u>
Total Licenses and Permits	<u>\$ 271,450</u>	<u>\$ 271,450</u>	<u>\$ 314,537</u>	<u>\$ 43,087</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
INTERGOVERNMENTAL:				
Grants From Federal Government:				
Department of Justice - Domestic Violence	\$ 35,000	\$ 35,000	\$ 33,941	\$ (1,059)
Civil Defense	71,036	71,036	71,024	(12)
Emergency Management Domestic Preparedness	102,363	124,363	125,106	743
USDA - CAC - Emergency Food Assistance	9,000	-	-	-
Master's Child Support	13,470	13,470	11,993	(1,477)
Sheriff's Child Support	11,737	11,737	9,897	(1,840)
Federal Aid in Lieu of Taxes	5,000	5,000	4,012	(988)
National Recreational Trails	-	315,250	243,277	(71,973)
MIEMSS Hospital Bioterrorism	-	3,030	3,030	-
FEMA - Hazard Mitigation	-	78,923	-	(78,923)
CAC/Emergency Shelter	130,500	40,734	40,734	-
DOT - CAC Mass Transit	507,909	534,565	534,565	-
ARC - Economic Development Grants	250,000	1,200,035	493,185	(706,850)
CAC - Emergency Transitional Housing Service	10,143	9,796	9,796	-
Detention Center - BJAG	-	19,162	19,162	-
FEMA	-	192,239	192,239	-
Miscellaneous	14,548	14,548	14,579	31
Grants From State Government:				
Highway User Tax	511,545	511,545	535,340	23,795
SHA Transportation Grant	-	77,349	77,349	-
Senior Center Grant	-	20,000	20,000	-
Disparity Grant	2,537,671	2,537,671	2,537,671	-
Police Protection	195,791	195,791	194,964	(827)
Conservation of Natural Resources	470,000	470,000	673,620	203,620
Adult Community Services	25,785	25,785	25,785	-
Family Services Grant	126,400	126,400	120,089	(6,311)
Sheriff - School Bus Violation	18,000	18,000	18,000	-
Program Open Space	-	139,592	139,592	-
Emergency Numbers Systems Board - 911	31,200	600,553	244,642	(355,911)
Dove Center	20,000	20,000	20,000	-
CAC - Service Linked Housing	30,792	23,024	23,024	-
Jury Reimbursement State	13,450	13,450	9,855	(3,595)
CAC - Electric Universal Service	100,000	-	-	-
MDOT - CAC - Mass Transit	191,250	177,957	177,957	-
Sheriff SOCEM Grant	7,420	7,420	7,420	-
Sheriff Sex Offender Registration	13,800	13,800	11,800	(2,000)
GCCAC - Rental Assistance Program	40,000	14,673	14,673	-
Emergency Shelter Grant	-	43,965	43,965	-
MEA Smart Energy Communities	142,500	142,500	53,223	(89,277)
Deep Creek Watershed	-	20,239	20,239	-
Other	6,123	31,063	30,398	(665)
Subtotal - Intergovernmental	<u>\$ 5,642,433</u>	<u>\$ 7,899,665</u>	<u>\$ 6,806,146</u>	<u>\$ (1,093,519)</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
INTERGOVERNMENTAL - Continued				
Balances Brought Forward	\$ 5,642,433	\$ 7,899,665	\$ 6,806,146	\$ (1,093,519)
Other:				
Budget Settlement - Health Department	-	691,692	691,692	-
Other	57,247	165,647	1,055,853	890,206
Total Intergovernmental	<u>5,699,680</u>	<u>8,757,004</u>	<u>8,553,691</u>	<u>(203,313)</u>
FINES AND FORFEITURES	<u>1,300</u>	<u>1,300</u>	<u>5,947</u>	<u>4,647</u>
SERVICE CHARGES FOR CURRENT SERVICES:				
General Government:				
Zoning and Subdivision Fees	11,000	11,000	17,725	6,725
Roads Fuel Sales and Street Signs	524,800	524,800	285,870	(238,930)
Miscellaneous	56,950	60,350	57,144	(3,206)
Enterprise Funds - Indirect Fees	140,000	-	-	-
Public Safety:				
BOCA	55,000	55,000	57,650	2,650
State Inmate Housing	30,825	30,825	30,735	(90)
Sheriff Fees	81,850	107,850	129,768	21,918
Emergency Medical Services - Cost Share	150,000	150,000	150,000	-
Animal Shelter	5,000	5,000	3,560	(1,440)
Total Service Charges	<u>1,055,425</u>	<u>944,825</u>	<u>732,452</u>	<u>(212,373)</u>
MISCELLANEOUS:				
Interest and Dividends	210,000	210,000	231,548	21,548
Rents and Concessions	842,511	842,511	842,513	2
Contributions	3,000	3,000	3,058	58
Miscellaneous	4,000	21,314	25,226	3,912
Total Miscellaneous	<u>1,059,511</u>	<u>1,076,825</u>	<u>1,102,345</u>	<u>25,520</u>
TOTAL REVENUES	<u>71,144,249</u>	<u>74,273,287</u>	<u>76,818,136</u>	<u>2,544,849</u>
OTHER FINANCING SOURCES:				
Sale of Capital Assets	300,000	300,000	44,934	(255,066)
Transfers - Other Governmental Funds	600,000	-	5,152	5,152
Total Other Financing Sources	<u>900,000</u>	<u>300,000</u>	<u>50,086</u>	<u>(249,914)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 72,044,249</u>	<u>\$ 74,573,287</u>	<u>\$ 76,868,222</u>	<u>\$ 2,294,935</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
GENERAL GOVERNMENT				
Legislative:				
County Commissioners	\$ 402,537	\$ 410,860	\$ 391,813	\$ (19,047)
Judicial:				
Circuit Court	417,580	426,815	416,873	(9,942)
Orphans Court	15,853	15,853	14,614	(1,239)
State's Attorney	686,560	698,443	694,638	(3,805)
Jury and Witness Operating	27,600	27,600	24,403	(3,197)
	<u>1,147,593</u>	<u>1,168,711</u>	<u>1,150,528</u>	<u>(18,183)</u>
Elections:				
Board of Supervisors of Elections	460,279	460,279	418,958	(41,321)
Financial Administration:				
Finance Office	464,447	473,451	431,180	(42,271)
Tax Collection Office	261,061	276,637	263,393	(13,244)
Department of Assessments & Taxation	244,816	273,471	273,471	-
Procurement	246,747	249,723	229,002	(20,721)
Total Financial Administration	<u>1,217,071</u>	<u>1,273,282</u>	<u>1,197,046</u>	<u>(76,236)</u>
Law:				
Legal Counsel	98,473	98,473	91,386	(7,087)
Personnel Administration:				
Personnel Administration	278,888	293,770	255,549	(38,221)
Planning and Zoning:				
Planning Commission	473,641	503,695	499,830	(3,865)
Facilities & Maintenance:				
County Buildings	1,751,272	1,940,839	1,492,444	(448,395)
Total General Government	<u>5,829,754</u>	<u>6,149,909</u>	<u>5,497,554</u>	<u>(652,355)</u>
PUBLIC SAFETY				
Sheriff's Department	3,136,098	3,202,827	3,126,663	(76,164)
Corrections	2,066,464	2,100,344	1,969,112	(131,232)
Fire and Rescue Services	2,633,828	2,750,900	2,729,322	(21,578)
Other Public Safety:				
Permits and Inspections	506,790	543,250	528,913	(14,337)
Animal Control	228,869	231,850	222,704	(9,146)
Civil Defense/Emergency Management	278,654	336,462	360,311	23,849
Emergency Alarm and Communications (911)	838,932	879,572	858,264	(21,308)
Total Public Safety	<u>\$ 9,689,635</u>	<u>\$ 10,045,205</u>	<u>\$ 9,795,289</u>	<u>\$ (249,916)</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
PUBLIC WORKS				
Highways and Streets	\$ 15,593,241	\$ 16,178,768	\$ 14,640,292	\$ (1,538,476)
HEALTH AND HOSPITAL				
Health Department	1,879,353	1,913,665	1,904,688	(8,977)
EDUCATION				
Board of Education	27,440,300	27,440,300	28,788,842	1,348,542
Community College	5,355,270	9,184,011	6,035,247	(3,148,764)
Total Education	<u>32,795,570</u>	<u>36,624,311</u>	<u>34,824,089</u>	<u>(1,800,222)</u>
CULTURE	39,000	39,000	38,000	(1,000)
PARKS AND RECREATION	26,500	166,092	166,092	-
LIBRARY	997,873	1,054,348	994,337	(60,011)
CONSERVATION OF NATURAL RESOURCES				
Agriculture Extension Service	193,090	193,090	162,944	(30,146)
Soil Conservation	15,840	15,840	15,840	-
Agricultural Land Preservation Program	3,500	3,500	-	(3,500)
Total Conservation of Natural Resources	<u>212,430</u>	<u>212,430</u>	<u>178,784</u>	<u>(33,646)</u>
SOCIAL SERVICES				
Commission on Aging	278,883	298,883	298,883	-
ECONOMIC DEVELOPMENT AND OPPORTUNITY				
Economic Development	1,021,983	2,564,532	1,355,531	(1,209,001)
Tourism	775,000	775,000	775,000	-
Community Action Programs	1,322,534	1,282,982	1,230,482	(52,500)
Community Action Salaries and Benefits	4,823	4,823	5,193	370
Fair Board Agricultural Fair	20,000	20,000	20,000	-
Special Promotion	76,397	286,397	285,013	(1,384)
Other	100,932	115,605	115,605	-
Total Economic Development and Opportunity	<u>3,321,669</u>	<u>5,049,339</u>	<u>3,786,824</u>	<u>(1,262,515)</u>
CAPITAL OUTLAY				
Sheriff's Department	64,046	201,480	61,480	(140,000)
Emergency Medical	-	201,000	199,391	(1,609)
County Detention	-	25,545	25,545	-
Civil Defense/Emergency Management	168,598	976,318	474,467	(501,851)
Economic Development and Opportunity	-	534,673	247,586	(287,087)
Facilities & Maintenance	75,000	217,500	127,649	(89,851)
Finance Department	100,000	196,637	152,226	(44,411)
Highways and Streets	1,150,000	1,526,015	1,076,886	(449,129)
Total Capital Outlay	<u>\$ 1,557,644</u>	<u>\$ 3,879,168</u>	<u>\$ 2,365,230</u>	<u>\$ (1,513,938)</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
INTERGOVERNMENTAL	\$ 302,205	\$ 314,147	\$ 314,147	\$ -
MISCELLANEOUS	987,451	636,125	890,241	254,116
TOTAL EXPENDITURES	<u>73,511,208</u>	<u>82,561,390</u>	<u>75,694,450</u>	<u>(6,866,940)</u>
OTHER FINANCING USES				
Operating Transfers:				
Capital Projects Fund	495,675	2,218,830	59,361	(2,159,469)
Airport	63,136	64,062	45,386	(18,676)
Parks & Recreation	100,000	100,000	100,000	-
Department of Technology & Communication	474,230	498,019	439,246	(58,773)
Total Other Financing Uses	<u>1,133,041</u>	<u>2,880,911</u>	<u>643,993</u>	<u>(2,236,918)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 74,644,249</u>	<u>\$ 85,442,301</u>	<u>\$ 76,338,443</u>	<u>\$ (9,103,858)</u>

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

General Fund

Schedule of Taxes and Taxes Receivable

Year Ended June 30, 2016

	Total Assessed Value	Tax Rate Per \$100	Actual Tax Levy	Amount Collected	Balance of Taxes Receivable
CURRENT YEAR LEVY:					
Real Property - Full Year					
Mt Lake Park	\$ 102,766,717	0.911	\$ 936,205		
All Others	4,080,711,520	0.970	39,582,902		
Total Full Year	4,183,478,237		40,519,107	\$ 38,725,056	\$ 1,794,051
Real Property - One-Half Year	23,534,117	0.485	114,140	114,140	-
Total Real Property	4,207,012,354		40,633,247	38,839,196	1,794,051
Personal Property - Corporate	121,469,520	2.425	2,945,636	2,917,083	28,553
Public Utilities and Railroad	123,005,320	2.414	2,969,193	2,969,114	79
Total Current Year	\$ 4,451,487,194		\$ 46,548,076	\$ 44,725,393	1,822,683
PRIOR YEAR RECEIVABLES:					
	Year Ended June 30:				
	2015				47,266
	2014				32,870
	2013				7,163
	2012				6,059
	2011				5,787
	2010				1,273
	2009				347
	2008				249
	2007				68
	2006				54
	2005				48
	2004				24
	2003				22
	2002				21
	2001				20
	1996-2000				60
Total Prior Years					101,331
TOTAL TAXES RECEIVABLE					1,924,014
Less: Allowance for Uncollectible Accounts					(50,000)
TAXES RECEIVABLE - NET					\$ 1,874,014

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

Combining Balance Sheet

Other Governmental Funds

June 30, 2016

	<u>Public Safety</u>	<u>Commissary</u>	<u>Law Library</u>
ASSETS:			
Due from Other Governments	\$ -	\$ -	\$ 630
Due from Other Funds	182,465	15,610	10,267
Other Receivables - Net	-	2,300	-
Restricted Cash	64,555	-	-
TOTAL ASSETS	<u>247,020</u>	<u>17,910</u>	<u>10,897</u>
LIABILITIES:			
Accounts Payable and Accrued Expenses	626	1,036	588
Due to Other Funds	-	-	-
Unearned Revenues	182,465	-	-
Total Liabilities	<u>183,091</u>	<u>1,036</u>	<u>588</u>
FUND BALANCES:			
Restricted	63,929	16,874	10,309
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 247,020</u>	<u>\$ 17,910</u>	<u>\$ 10,897</u>

Keysers Ridge	HUD	Total Other Governmental Funds
\$ -	\$ 701,026	\$ 701,656
-	-	208,342
-	-	2,300
<u>308,724</u>	<u>-</u>	<u>373,279</u>
<u>308,724</u>	<u>701,026</u>	<u>1,285,577</u>
-	187,045	189,295
-	513,981	513,981
<u>307,328</u>	<u>-</u>	<u>489,793</u>
<u>307,328</u>	<u>701,026</u>	<u>1,193,069</u>
<u>1,396</u>	<u>-</u>	<u>92,508</u>
<u>\$ 308,724</u>	<u>\$ 701,026</u>	<u>\$ 1,285,577</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, 2016

	Public Safety	Commissary	Law Library
REVENUES:			
Intergovernmental	\$ 230,432	\$ -	\$ -
Fines and Forfeitures	19,455	-	7,906
Investment Income	36	-	-
Charges for Services	-	31,193	-
Total Revenues	249,923	31,193	7,906
EXPENDITURES:			
General Government	-	-	3,795
Public Safety	240,314	43,465	-
Community Development & Public Housing	-	-	-
Capital Outlay	20,520	5,300	-
Total Expenditures	260,834	48,765	3,795
REVENUES OVER/(UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES	(10,911)	(17,572)	4,111
OTHER FINANCING USES			
Transfer from Primary Government	-	-	-
REVENUES AND OTHER FINANCING USES OVER (UNDER) EXPENDITURES	(10,911)	(17,572)	4,111
FUND BALANCES, BEGINNING OF YEAR	74,840	34,446	6,198
FUND BALANCES, END OF YEAR	\$ 63,929	\$ 16,874	\$ 10,309

Keysers Ridge	HUD	Total Other Governmental Funds
\$ -	\$ 1,500,722	\$ 1,731,154
-	-	27,361
309	-	345
-	-	31,193
<u>309</u>	<u>1,500,722</u>	<u>1,790,053</u>
-	-	3,795
-	-	283,779
-	1,495,570	1,495,570
-	-	25,820
<u>-</u>	<u>1,495,570</u>	<u>1,808,964</u>
309	5,152	(18,911)
<u>-</u>	<u>(5,152)</u>	<u>(5,152)</u>
309	-	(24,063)
<u>1,087</u>	<u>-</u>	<u>116,571</u>
<u>\$ 1,396</u>	<u>\$ -</u>	<u>\$ 92,508</u>

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Garrett County Sanitary District, Inc.
Combining Schedule of Revenues and Expenses and Other Changes in Net Position
Year Ended June 30, 2016

	<u>Water Systems</u>	<u>Other Water</u>	<u>Deep Creek Lab</u>	<u>Company Store</u>
OPERATING REVENUES:				
Charges for Services	\$ 1,390,570	\$ 44,989	\$ 83,605	\$ -
Other	184,805	-	-	232,834
Total Operating Revenues	<u>1,575,375</u>	<u>44,989</u>	<u>83,605</u>	<u>232,834</u>
OPERATING EXPENSES:				
Salaries	615,070	-	99,181	48,194
Fringe Benefits	281,185	-	52,799	21,098
Maintenance and Repairs	140,508	-	119	1,619
Supplies	146,414	9	23,324	159,155
Utilities	131,344	-	1,200	5,916
Transportation	43,494	-	7,637	3,711
Contracted Services	22,977	-	12,769	-
Lab Tests	23,720	240	(145,865)	-
Direct Administrative	36,022	-	10,985	2,641
Indirect Administrative	81,681	-	13,851	6,315
Depreciation	903,781	-	7,555	-
Bad Debt Expense	-	-	50	-
Total Operating Expenses	<u>2,426,196</u>	<u>249</u>	<u>83,605</u>	<u>248,649</u>
OPERATING (LOSS)/INCOME	<u>(850,821)</u>	<u>44,740</u>	<u>-</u>	<u>(15,815)</u>
NONOPERATING REVENUES (EXPENSES):				
Tap Fees - Capital Charge	35,279	-	-	-
Interest Revenue	22,566	-	-	821
Ad Valorem Tax	1,002,549	-	-	-
Interest Expense	(434,974)	-	-	-
Net Other Revenues	<u>625,420</u>	<u>-</u>	<u>-</u>	<u>821</u>
(LOSS)/INCOME BEFORE CAPITAL CONTRIBUTIONS	<u>(225,401)</u>	<u>44,740</u>	<u>-</u>	<u>(14,994)</u>
CAPITAL CONTRIBUTIONS				
Contributed Capital				
Federal	11,836	-	-	-
(DECREASE)/INCREASE IN NET ASSETS	<u>\$ (213,565)</u>	<u>\$ 44,740</u>	<u>\$ -</u>	<u>\$ (14,994)</u>

Subtotal Water Projects	Sewer Systems	Trout Run	Other Sewer	Subtotal Sewer Projects	Total
\$ 1,519,164	\$ 2,779,905	\$ 117,906	\$ 96,532	\$ 2,994,343	\$ 4,513,507
417,639	69,250	-	33,323	102,573	520,212
<u>1,936,803</u>	<u>2,849,155</u>	<u>117,906</u>	<u>129,855</u>	<u>3,096,916</u>	<u>5,033,719</u>
762,445	901,881	56,517	-	958,398	1,720,843
355,082	448,977	4,323	44,565	497,865	852,947
142,246	410,541	55,598	713	466,852	609,098
328,902	223,204	4,722	-	227,926	556,828
138,460	373,217	29,453	-	402,670	541,130
54,842	64,546	4,352	-	68,898	123,740
35,746	8,575	2,250	-	10,825	46,571
(121,905)	93,674	26,275	7,384	127,333	5,428
49,648	72,024	4,007	4	76,035	125,683
101,847	123,113	5,545	-	128,658	230,505
911,336	1,382,745	183,705	-	1,566,450	2,477,786
50	-	-	-	-	50
<u>2,758,699</u>	<u>4,102,497</u>	<u>376,747</u>	<u>52,666</u>	<u>4,531,910</u>	<u>7,290,609</u>
<u>(821,896)</u>	<u>(1,253,342)</u>	<u>(258,841)</u>	<u>77,189</u>	<u>(1,434,994)</u>	<u>(2,256,890)</u>
35,279	533,304	-	-	533,304	568,583
23,387	47,116	623	-	47,739	71,126
1,002,549	1,473,043	49,903	-	1,522,946	2,525,495
(434,974)	(560,241)	(18,410)	-	(578,651)	(1,013,625)
<u>626,241</u>	<u>1,493,222</u>	<u>32,116</u>	<u>-</u>	<u>1,525,338</u>	<u>2,151,579</u>
<u>(195,655)</u>	<u>239,880</u>	<u>(226,725)</u>	<u>77,189</u>	<u>90,344</u>	<u>(105,311)</u>
11,836	-	-	-	11,836	23,672
<u>11,836</u>	<u>11,836</u>	<u>-</u>	<u>-</u>	<u>11,836</u>	<u>23,672</u>
<u>\$ (183,819)</u>	<u>\$ 251,716</u>	<u>\$ (226,725)</u>	<u>\$ 77,189</u>	<u>\$ 102,180</u>	<u>\$ (81,639)</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, 2016

PROJECT	Balance July 1, 2015	Construction (Net of Program Income)	Engineering	Salaries
Keysers Ridge Water Holding Tank	\$ 110,027	\$ -	\$ -	\$ -
Keysers Ridge Water	162,093	-	56,737	-
Keysers Ridge Sewer	11,802	-	-	-
Deep Creek Lake Collection & Conveyance	1,247,922	2,083,063	88,327	21,421
Deep Creek Lake Waste Water Treatment Plant	-	-	12,854	-
Bloomington Water	-	-	11,843	-
McHenry Water	-	-	3,135	-
Friendsville Sewer Tank	-	-	10,395	-
TOTAL	\$ 1,531,844	\$ 2,083,063	\$ 183,291	\$ 21,421

<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, 2016</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,027
-	-	-	-	56,737	-	218,830
-	284	-	-	284	-	12,086
2,664	1,529	-	-	2,197,004	-	3,444,926
-	-	-	-	12,854	-	12,854
-	64	-	-	11,907	-	11,907
-	-	-	-	3,135	-	3,135
-	-	-	-	10,395	-	10,395
<u>\$ 2,664</u>	<u>\$ 1,877</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,292,316</u>	<u>\$ -</u>	<u>\$ 3,824,160</u>

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Garrett County Sanitary District, Inc.
Schedule of Indirect Costs
Year Ended June 30, 2016

TYPE:	<u>2016</u>
Insurance	\$ 72,371
Administrative	125,034
Telephone	1,863
Professional and Legal	20,450
Office Supplies and Expenses	7,376
Utilities	<u>3,411</u>
Total	<u><u>230,505</u></u>
ALLOCATION BASE:	
Direct Salaries	1,720,843
Related Fringe Benefits	<u>852,947</u>
Total Allocation Base	<u><u>2,573,790</u></u>
INDIRECT COST RATE	<u><u>9%</u></u>
COSTS REPORTED AS:	
Operations	<u>230,505</u>
	<u><u>\$ 230,505</u></u>

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Comparative Schedule of Primary Government Long-Term Indebtedness
June 30, 2016 and 2015

	June 30,	
	2016	2015
LONG-TERM INDEBTEDNESS:		
Government Activities:		
Bond Payable - Hospital Bonds of 2004	\$ 738,670	\$ 807,485
Bond Payable - Hospital Bonds of 2007	2,446,970	2,519,012
Bond Payable - Hospital Bonds of 2014	9,333,333	5,336,940
Bond Payable - Hospital Bonds of 2015	1,104,886	-
Total Governmental Activities	13,623,859	8,663,437
Business Type Activities:		
Solid Waste		
Bond Payable - Maryland Water Quality Financing Administration	132,302	260,365
Total Solid Waste	132,302	260,365
Sanitary District		
Note Payable - Maryland Water Quality Financing-Deep Creek Lake Sewer Ext.	202,689	266,517
Note Payable - Maryland Water Quality Financing-Deep Creek Lake Septage	5,725	33,693
Note Payable - State of Maryland-Jennings Sewer	21,802	28,736
Note Payable - Maryland Water Quality Financing-Deer Park Water	164,905	173,724
Note Payable - Maryland Department of the Environment-Mountain Lake Park Water	65,117	74,194
Note Payable - Susquehanna USDA Refinance Loan	20,268,445	21,179,227
Note Payable - Susquehanna Mountain Lake Park Water Loan	687,786	718,692
Note Payable - Susquehanna Thayerville Water	6,441,014	6,730,444
Note Payable - Susquehanna Jennings	42,988	44,920
Note Payable - Maryland Department of the Environment-Deep Creek & Friendsville	210,298	244,616
Total Sanitary District	28,110,769	29,494,763
Parks & Recreation		
Note Payable - Garrett County Community Action Committee	275,000	275,000
Note Payable - Maryland Department of Business and Economic Development	2,817,615	2,817,615
Total Parks & Recreation	3,092,615	3,092,615
Total Business Type Activities	31,335,686	32,847,743
TOTAL LONG-TERM INDEBTEDNESS	\$ 44,959,545	\$ 41,511,180

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Combining Statement of Net Position
Fiduciary Funds
June 30, 2016

	Government Personnel Retirement Plan	Law Enforcement Employee Retirement Plan	Volunteer Length of Service Award Plan	Other Post Employment Benefit Plan	Total Benefit Plan Trust Funds
ASSETS					
Cash and Cash Equivalents	\$ 2,028,107	\$ 603,192	\$ 36,307	\$ 38,153	\$ 2,705,759
Investments:					
Certificates of Deposit	53,010	-	-	-	53,010
Fixed Income Securities	7,074,382	2,356,178	265,513	472,666	10,168,739
Mutual Funds	6,541,382	2,224,207	310,155	490,083	9,565,827
Equity Securities	7,845,483	2,249,378	274,057	424,639	10,793,557
Total Investments	<u>21,514,257</u>	<u>6,829,763</u>	<u>849,725</u>	<u>1,387,388</u>	<u>30,581,133</u>
Interest Receivable	<u>100,075</u>	<u>28,357</u>	<u>2,714</u>	<u>5,310</u>	<u>136,456</u>
TOTAL ASSETS	23,642,439	7,461,312	888,746	1,430,851	33,423,348
LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION					
Held in Trust for Retirement					
Benefits and OPEB	<u>\$ 23,642,439</u>	<u>\$ 7,461,312</u>	<u>\$ 888,746</u>	<u>\$ 1,430,851</u>	<u>\$ 33,423,348</u>

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

Combining Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2016

	Government Personnel Retirement Plan	Law Enforcement Employee Retirement Plan	Volunteer Length of Service Award Plan	Other Post Employment Benefit Plan	Total Benefit Plan Trust Funds
ADDITIONS					
Contributions:					
Employer	\$ 1,166,260	\$ 371,036	\$ -	\$ -	\$ 1,537,296
Plan Members	359,559	219,572	-	-	579,131
Total Contributions	<u>1,525,819</u>	<u>590,608</u>	<u>-</u>	<u>-</u>	<u>2,116,427</u>
Investment Earnings:					
Realized Net Gains on Investments	297,468	106,717	18,042	31,240	453,467
Interest and Dividends	586,423	176,754	22,991	36,227	822,395
Net Decrease in					
Fair Value of Investments	(348,784)	(75,015)	(11,525)	(20,571)	(455,895)
Investment Activity Expense	(79,419)	(24,667)	(2,993)	(4,802)	(111,881)
Total Net Investment Earnings	<u>455,688</u>	<u>183,789</u>	<u>26,515</u>	<u>42,094</u>	<u>708,086</u>
Total Additions	<u>1,981,507</u>	<u>774,397</u>	<u>26,515</u>	<u>42,094</u>	<u>2,824,513</u>
DEDUCTIONS					
Benefits	1,335,519	335,311	4,960	-	1,675,790
Administrative	7,056	6,594	2,958	-	16,608
Total Deductions	<u>1,342,575</u>	<u>341,905</u>	<u>7,918</u>	<u>-</u>	<u>1,692,398</u>
Change In Net Position	638,932	432,492	18,597	42,094	1,132,115
Net Position - Beginning of Year	<u>23,003,507</u>	<u>7,028,820</u>	<u>870,149</u>	<u>1,388,757</u>	<u>32,291,233</u>
Net Position - End of Year	<u>\$ 23,642,439</u>	<u>\$ 7,461,312</u>	<u>\$ 888,746</u>	<u>\$ 1,430,851</u>	<u>\$ 33,423,348</u>