

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

**FINANCIAL REPORT  
JUNE 30, 2006**

**R** **RODEHEAVER & ASSOCIATES, P. C.**  
*Certified Public Accountants*

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF BASIC FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Board of County Commissioners  
of Garrett County, Maryland  
Oakland, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of The Board of County Commissioners of Garrett County, Maryland, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 8, 2006. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Garrett County, Maryland's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The results of our tests disclosed the following reportable conditions:

### **Garrett County Sanitary District, Inc. - General Ledger Account Reconciliations**

During the course of our audit we noted that monthly reconciliations were not being performed with respect to a number of general ledger accounts. Our preliminary analytical procedures identified differences between the balances in a variety of general ledger accounts in comparison to the underlying detail. Management should perform monthly reconciliations of general ledger account balances and make the adjustments necessary to reconcile the balances to the underlying supporting detail.

### **Garrett County Sanitary District, Inc - Accounts Receivable Subsidiary Ledger/Aging**

A detailed accounts receivable subsidiary ledger customer aging report could not be produced through UMS for customer account balances outstanding as of June 30, 2006. Customer account information was downloaded from UMS into Access where June 30, 2006 customer balances were recreated by backing into them. As a result, USL general ledger accounts receivable balances could not be adjusted to actual until well after the year-end scheduled close-out of the Sanitary District's accounting records. Management should develop the capability of reconciling the UMS subsidiary records to the USL general ledger on a timely basis using the acquired interface between the two applications. In addition, management should develop the ability to produce detailed accounts receivable subsidiary ledger customer aging reports from UMS to support general ledger reporting balances.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Garrett County, Maryland's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Board of County Commissioners  
of Garrett County, Maryland  
Government Audit Standards  
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We also noted certain additional matters that we reported to management of Garrett County, Maryland in a separate letter dated December 8, 2006.

This report is intended solely for the information and use of the Board of County Commissioners, County management personnel, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Rodeheaver & Associates, P.C.*

Oakland, Maryland  
December 8, 2006

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

**FINANCIAL REPORT  
JUNE 30, 2006**

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

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## **INDEPENDENT AUDITORS' REPORT**

The Board of County Commissioners  
of Garrett County  
Oakland, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Board of County Commissioners of Garrett County, Maryland (the County) as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the index to financial report. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Ruth Enlow Library of Garrett County. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Ruth Enlow Library of Garrett County, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Board of County Commissioners of Garrett County, Maryland as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2006, on our consideration of The Board of County Commissioners of Garrett County, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.



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of Garrett County, Maryland  
Independent Auditors' Report  
Page 2

The management's discussion and analysis on pages 3 through 16 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The other supplementary information located on pages 70 through 83, as listed in the index to financial report, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Rodman & Associates, P.C.*

Oakland, Maryland  
December 8, 2006

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2006**

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, 2006. 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, 2006 by \$113,781,965 (net assets), compared to \$103,305,973 at June 30, 2005. Approximately 39 percent of total net assets are attributable to the Enterprise Funds. Of total net assets at June 30, 2006, \$29,928,636 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, which compares to \$23,777,681 at June 30, 2005. Another \$1,761,085 is restricted for specific purposes (restricted net assets) in comparison to \$1,571,631 at June 30, 2005. The total invested in capital assets, net of related debt was \$82,092,244 at June 30, 2006, compared to \$77,956,661 at June 30, 2005.

The County's total net assets increased by \$10,475,992.

As of June 30, 2006, the County's governmental funds reported combined fund balances of \$26,495,421, an increase of \$4,325,214 over the prior year. Approximately 20 percent of the combined fund balance is available to meet the County's current and future needs (unreserved and undesignated fund balance), 3 percent is reserved, 77 percent is unreserved and designated for future use and capital projects.

At the close of the current fiscal year, unreserved fund balance for the General Fund (primary operating fund) was \$25,687,823 or 45% of general fund expenditures at June 30, 2006. Designated fund balance of the general fund was \$20,298,738, or 79 percent of unreserved fund balance.

**Overview of the Financial Statements**

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

**Government-wide financial statements (Reporting on the County as a Whole)**

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

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

**June 30, 2006**

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

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

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

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

The government-wide financial statements include not only the operations of Garrett County Government itself (known as the primary government), but also the legally separate organizations of the Board of Education, Garrett College and the Ruth Enlow Library System of Garrett County. The financial information for these component units is reported separately from the primary government in the government-wide financial statements located on pages 17 and 18 of this report.

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

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

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

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2006**

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

resources, available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Garrett County Government maintains 12 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 19 to 23 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 25 to 30 of this report.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The County maintains two fiduciary funds: Garrett County Law Enforcement Personnel Retirement Plan and the Garrett County Government Personnel Retirement Plan. The Fiduciary Fund financial statements can be found on pages 31 and 32 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 33 through 69 of this report.

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2006**

**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 other supplementary information and disclosures that are not considered a part of the basic financial statements. Schedules in this section include a budgetary comparison for the General Fund to demonstrate compliance with the annually adopted budget. The other supplementary information is located immediately following the notes to the financial statements and can be found on pages 70 through 83 of this report.

**Government-wide Financial Analysis**

This year is the fourth period that the Governmental Accounting Standards Board (GASB) Statement No. 34 has been applied in the preparation of the financial statements of Garrett County Government. A comparative analysis of government-wide data is presented below.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In Garrett County, assets exceeded liabilities by \$113,781,965 at the close of the current fiscal year. Garrett County's net assets are divided into three categories, invested in capital assets (net of related debt), restricted net assets and unrestricted net assets. The largest portion of the county's net assets (72 percent) reflects its investment in capital assets net of depreciation (e.g., land and easements, buildings, machinery, equipment, infrastructure and improvements), less any unmatured debt used to acquire those assets. The County uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Restricted net assets represent 2 percent of total net assets. Restricted net assets are resources that are subject to external restrictions on how they may be used. Unrestricted net assets of the government have a balance of \$29,928,636 (26 percent of total net assets), which may be used to meet the governments' ongoing obligations to citizens and creditors.

**Garrett County Government's Net Assets**  
**June 30, 2006**

	Governmental Activities		Business-type Activities		Total Government	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
<b>Assets:</b>						
Current & Other Assets	\$ 36,901,916	\$ 32,792,583	\$ 16,211,551	\$ 12,006,487	\$ 53,113,467	\$ 44,799,070
Capital Assets	54,185,223	52,530,681	60,565,403	47,463,584	114,750,626	99,994,265
<b>Total Assets</b>	<b>91,087,139</b>	<b>85,323,264</b>	<b>76,776,954</b>	<b>59,470,071</b>	<b>167,864,093</b>	<b>144,793,335</b>
<b>Liabilities:</b>						
Long-Term Liabilities	12,168,750	13,478,793	31,269,068	16,564,655	43,437,818	30,043,448
Other Liabilities	8,992,638	9,253,111	1,651,672	2,190,803	10,644,310	11,443,914
<b>Total Liabilities</b>	<b>21,161,388</b>	<b>22,731,904</b>	<b>32,920,740</b>	<b>18,755,458</b>	<b>54,082,128</b>	<b>41,487,362</b>
<b>Net Assets:</b>						
Invested Capital Assets						
Net of Related Debt	44,428,765	42,492,362	37,663,479	35,464,299	82,092,244	77,956,661
Restricted	807,598	639,975	953,487	931,656	1,761,085	1,571,631
Unrestricted	24,689,388	19,459,023	5,239,248	4,318,658	29,928,636	23,777,681
<b>Total Net Assets</b>	<b>\$ 69,925,751</b>	<b>\$ 62,591,360</b>	<b>\$ 43,856,214</b>	<b>\$ 40,714,613</b>	<b>\$ 113,781,965</b>	<b>\$ 103,305,973</b>

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

**June 30, 2006**

**Government-wide Financial Analysis (cont'd)**

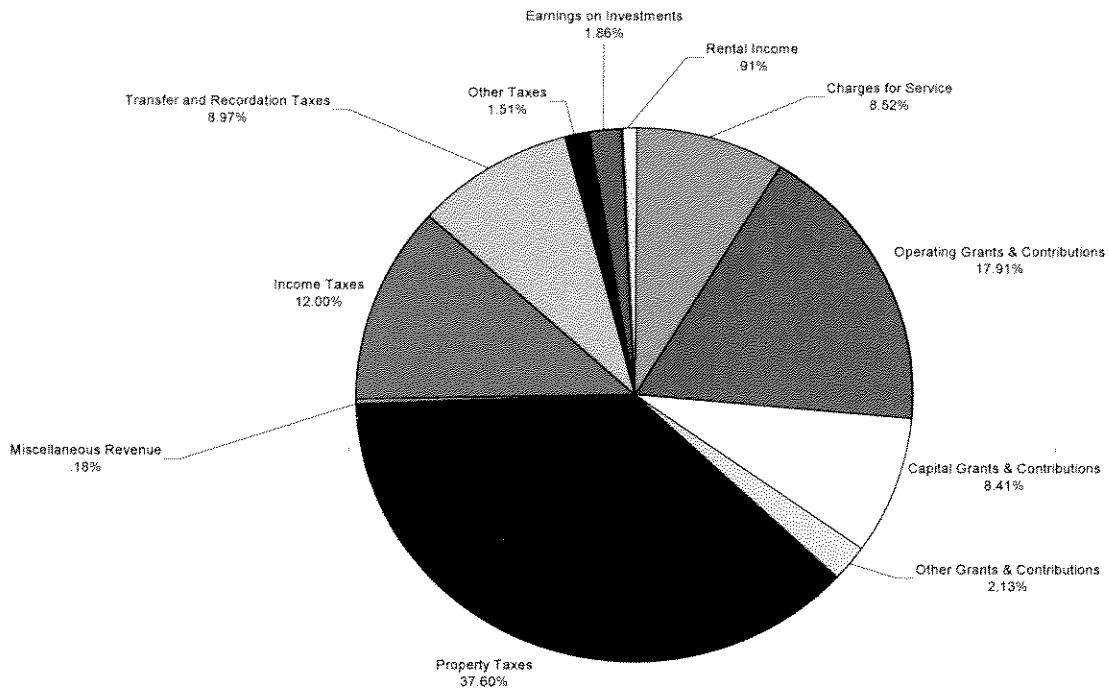
The following table indicates the changes in net assets.

**Garrett County Government's Changes in Net Assets  
for the Year ended June 30, 2006**

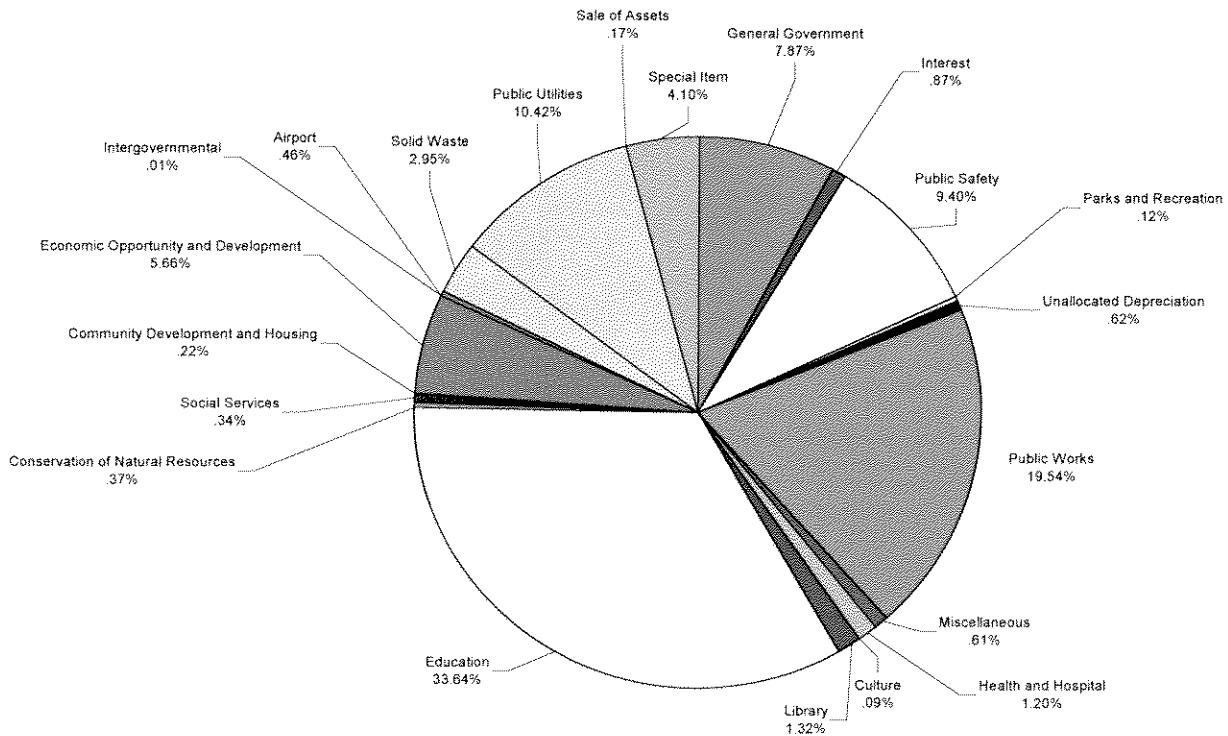
	Governmental Activities		Business-type Activities		Total Government	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 1,459,246	\$ 1,280,981	\$ 5,221,712	\$ 4,876,354	\$ 6,680,958	\$ 6,157,335
Operating Grants and Contributions	14,047,604	10,827,546	0	0	14,047,604	10,827,546
Capital Grants and Contributions	3,081,556	13,850	3,514,429	1,946,856	6,595,985	1,960,706
<b>General Revenues:</b>						
Property Taxes	28,076,447	26,089,784	1,412,061	1,299,598	29,488,508	27,389,382
Other Taxes and Licenses	17,629,112	17,006,872	0	0	17,629,112	17,006,872
Grants and Contributions	30,719	4,325,014	1,636,032	458,675	1,666,751	4,783,689
Other General Revenues	1,856,627	(620,448)	344,496	319,635	2,201,123	(300,813)
<b>Total Revenues</b>	<b>\$ 66,181,311</b>	<b>\$ 58,923,599</b>	<b>\$ 12,128,730</b>	<b>\$ 8,901,118</b>	<b>\$ 78,310,041</b>	<b>\$ 67,824,717</b>
<b>Program Expenses:</b>						
General Government	5,386,737	4,450,975	0	0	5,386,737	4,450,975
Public Safety	6,432,927	5,454,716	0	0	6,432,927	5,454,716
Public Works	13,377,543	11,576,615	0	0	13,377,543	11,576,615
Health & Hospital	824,679	796,931	0	0	824,679	796,931
Education - Board of Education	19,707,813	19,533,703	0	0	19,707,813	19,533,703
- Garrett College	3,318,200	3,003,117	0	0	3,318,200	3,003,117
Culture	58,715	14,616	0	0	58,715	14,616
Parks and Recreation	84,581	26,959	0	0	84,581	26,959
Library	904,100	833,323	0	0	904,100	833,323
Conservation of Natural Resources	251,364	255,076	0	0	251,364	255,076
Social Services	235,780	192,783	0	0	235,780	192,783
Community Development & Housing	149,636	474,876	0	0	149,636	474,876
Economic Opportunity & Development	3,876,958	2,482,125	0	0	3,876,958	2,482,125
Other	1,446,168	1,390,695	0	0	1,446,168	1,390,695
Garrett County Airport	0	0	316,150	259,186	0	259,186
Solid Waste Management	0	0	2,021,763	1,957,826	2,021,763	1,957,826
Garrett County Sanitary District, Inc.	0	0	7,133,802	5,963,460	7,133,802	5,963,460
<b>Total Expenses</b>	<b>\$ 56,055,201</b>	<b>\$ 50,486,510</b>	<b>\$ 9,471,715</b>	<b>\$ 8,180,472</b>	<b>\$ 65,210,766</b>	<b>\$ 58,666,982</b>
Excess before Special Item and Transfers	10,126,110	8,437,089	2,657,015	720,646	12,783,125	9,157,735
Special Item	(2,809,133)				(2,809,133)	
Net Transfers In (Out)	(484,586)	(1,757,684)	484,586	1,757,684	0	0
Changes in Net Assets	6,832,391	6,679,405	3,141,601	2,478,330	9,973,992	9,157,735
Net Assets - Beginning of Year	63,093,360	56,413,955	40,714,613	38,236,283	103,807,973	94,650,238
Net Assets - End of Year	<b>\$ 69,925,751</b>	<b>\$ 63,093,360</b>	<b>\$ 43,856,214</b>	<b>\$ 40,714,613</b>	<b>\$ 113,781,965</b>	<b>\$ 103,807,973</b>

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2006**

**Revenues by Source - Primary Government**



**Expenses - Primary Government**



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

June 30, 2006

**Government-wide Financial Analysis (cont'd)**

Overall, the financial position of Garrett County improved during the year. Garrett County Government's net assets increased by \$9,973,992 for the year ended June 30, 2006. This increase was \$1,318,257 larger than the increase reported in the prior year. Key elements of this overall increase are due to projected increases in property taxes and earnings on investments and unexpected increases in recordation, and local transfer tax revenues caused by low interest rates and strong housing markets. Property taxes increased by \$1,986,663, and earnings on investments increased by \$421,046. There was a combined increase in transfer and recordation tax of \$283,086. These increases were partially offset by an increase in expenditures associated with a fixed asset transfer. Infrastructure improvements made at the Northern Garrett Industrial Park were transferred by the County to a private business enterprise. This transfer is reflected in the government wide statement of activities as a special item.

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

Property taxes increased by \$1,986,663 (8%) during the year. The majority of this increase is due to new growth and increased property values as assessed by the State of Maryland Department of Assessments and Taxation. There was no increase in the property tax rate as set by the County Commissioners. Property taxes account for 45% of General Fund revenues on a budgetary basis.

A sound local economy and low unemployment rates provided an increase in local income tax revenue. Income taxes account for 15% of General Fund revenues.

Recordation and local transfer taxes provided substantial revenue in fiscal year 2006 due to the volume of properties sold or refinanced and an increase in the market value of property.

Overall, expenditures remained relatively constant, compared to the prior year, with the exception of health insurance costs.

**Business-Type Activities.** In 2006, capital contributions to the Airport were \$3,394,384 and consisted of grants from the FAA for the expansion of the airport runway. Total assets for the Garrett County Sanitary District d/b/a Department of Public Utilities grew by \$13,841,266. This increase was related to capital construction projects and other asset acquisitions during the year. Net assets decreased by \$558,611. This decrease is largely the result of depreciation in excess of contributed capital.



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

**June 30, 2006**

**Government-wide Financial Analysis (cont'd)**

Operating revenues increased by \$291,446. An increase in user rates through the adoption of universal rates attribute primarily to this increase. Operating expenditures for the Sanitary District increased by \$685,538. An increase in salaries and fringe benefits accounted for \$96,437 of this increase, supplies accounted for \$277,781 of this increase and utilities accounted for another \$46,963 of this increase. The District obtained several Federal and State grants for capital projects. The District recognized \$118,802 in Federal grants for fiscal year 2006. Of this amount, \$91,621 is a grant from ARC for the Keyser's Ridge Water project. The remaining federal grant funds for fiscal year 2006 are from USDA-Rural Development for Deep Creek Lake Sewer Pump Station Rehabilitation. The District also obtained three loans totaling \$12,615,800 – two through M&T Bank for interim financing for the Deep Creek Lake Waste Water Treatment Plant and one for \$115,800 from USDA for the Keyser's Ridge Water Road. Permanent financing for the Deep Creek Lake Waste Water Treatment Plant will be acquired from USDA-Rural Development.

The Garrett County Office of Solid Waste and Recycling's (Landfill) estimated disposal capacity changes over time based on variability in efficiencies with respect to waste compression. Based on the County's engineer estimates of costs to perform all closure and post-closure care activities, the balance of estimated costs to be recognized are approximately \$3,052,508 and will be recognized over the remaining useful life of the new landfill, which is approximately 20 years. The County has established a landfill closure fund through Maryland Environmental Services to provide funds to pay these closure and post-closure costs. As of June 30, 2006, the balance of these restricted cash assets was \$1,023,827.

**Financial Analysis of the County's Funds**

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

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

At the end of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$26,495,421, an increase of \$3,823,214. Approximately 20% of this total, \$5,389,085 constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is either designated or reserved to indicate that it is not available for new spending because it has already been committed for a designated purpose. Fund balance designated for capital projects includes \$3,266,507 designated for the future construction of a public

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

**June 30, 2006**

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

safety facility, \$4,772,586 designated for the construction of the Exhibit Hall, \$3,076,899 designated for the construction of a public works facility, \$3,696,510 designated for construction at Garrett College, \$1,233,681 designated for other public works projects and \$2,750,000 designated for Adventure Sports. \$1,351,069 has been designated to balance the fiscal year 2007 budget.

The General Fund is the chief operating fund of the Garrett County Government. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$5,389,085, while total fund balance reached \$26,388,848 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 9% of the total General Fund expenditures, while total fund balance represents 46% of that same amount.

The fund balance of the County's General Fund increased by \$3,823,214 during the current fiscal year. The key factors for the increase are as follows:

- An increase of real estate property tax revenue of \$1,986,663 is due to new construction and increased property values, specifically in the Deep Creek Lake area.
- Recordation & transfer tax revenues increased by \$283,086, due to a strong refinancing market and new construction.
- Due to wise investment choices and diversification of funds, earnings on investments increased by \$396,489.

The County created a Capital Projects Fund in fiscal year 2004 to separate long-term ongoing capital projects 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 General Fund.

Garrett County's Debt Service Fund reports assets of \$5,080,312, which include amounts owing from the Garrett County Memorial Hospital, Bond Series 2002, 2003, and 2004, for the expansion and renovation of the Emergency Room/Same Day Surgery/Admissions Project.

The Non-Major Special Revenue Funds have a total fund balance of \$106,573, all of which is reserved.

**Proprietary funds.** Garrett County's proprietary fund statements provide the same type of information found in the governmental-wide financial statements, only in more detail. The total unrestricted net assets of the proprietary funds at the end of the year amounted to \$5,239,248. The total growth in net assets for the proprietary funds was \$3,141,601.

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

**June 30, 2006**

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

Other factors concerning these funds' finances have been addressed in the discussion of Garrett County government's business-type activities.

**Budgetary Highlights**

The difference between the original budget expenditures of \$55,957,439 and the final budget expenditures of \$59,752,397 represented an increase of \$3,794,958. The difference is, in a large part, due to an increase in Adventure Sports for the additional appropriation given by the Garrett County.

Significant differences between the final budget expenditures and actual budget expenditures are as follows: Over expenditures in the Sheriff's department were attributable to overtime and automotive expenses exceeding budget amounts; corrections over expenditures were reported in food and medical expense categories resulting from increased utilization; non-budgeted Project Open Space revenues cover the over expenditure in Parks and Recreation; agricultural Land Preservation Program expenditures for easement purchases of \$57,794 are not budgeted - however, they are funded from agricultural transfer taxes restricted for that purpose; Community Action Programs' over-expenditures of \$295,781 are the result of grant program expenditures incurred up to the level of funding which exceeded budgeted amounts; revenues received in excess of budgeted amounts cover the over-expenditure; additional over-expenditures resulted from the County budgeting capital expenditures funded through a Homeland Security grant as operating expenses; emergency alarm & communication expenditures consisting of a County-wide GPS tracking system was funded by the Emergency Numbers Systems Board Trust Fund - neither revenues nor expenses were budgeted; and operating transfer variances consist of the cost of bringing water services to the property line of Northern High School, which was not budgeted.

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

**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, 2006 amounts to \$114,750,626 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, furniture, vehicles, and infrastructure. The total increase in the County's investment in capital assets for the current fiscal year was \$14,756,361 (a 15% increase for governmental and business-type activities).

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2006**

**Capital Asset and Debt Administration (cont'd)**

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

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$5,786,933	\$5,783,527	\$1,552,782	\$1,189,680	\$7,339,715	\$6,973,207
Land Improvements	1,770,700	1,653,714	2,013,743	2,382,089	3,784,443	4,035,803
Construction in Progress	3,004,934	3,433,480	20,747,459	5,499,253	23,752,393	8,932,733
Infrastructure	27,245,155	26,167,094	34,791,147	36,715,477	62,036,302	62,882,571
Buildings	13,058,553	13,308,483	230,842	243,565	13,289,395	13,552,048
Furniture and Equipment	801,390	94,413	0	0	801,390	94,413
Vehicles	2,105,994	1,835,720	572,318	805,163	2,678,312	2,640,883
Machinery and Equipment	411,564	254,250	657,112	628,357	1,068,676	882,607
Total	<u>\$54,185,223</u>	<u>\$52,530,681</u>	<u>\$60,565,403</u>	<u>\$47,463,584</u>	<u>\$114,750,626</u>	<u>\$99,994,265</u>

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

- Various roads projects added \$4.5 million to Infrastructure.
- The purchase of the Phenix Technologies complex added \$706,000 to Buildings and \$53,000 to Land.
- Various construction projects including Economic Development (Exhibit Hall, Keyzers Ridge Infrastructure), Public Works Facility and Roads Department (various bridge construction) projects added \$2.4 million to construction in progress.
- Vehicles purchased for various County departments added \$799,000 to Vehicles.
- Construction in progress projects for the Garrett County Sanitary District included additions in the amount of \$9.3 million to the Deep Creek Lake Capacity Upgrade, \$311,000 to the Northern High School complex water project, and \$210,000 to the Deep Creek Lake Collection and Conveyance Project.
- Construction in progress additions at the Garrett County Landfill in the amount of \$1.9 million which were mainly associated with the construction of a new waste collection site.
- Construction in progress additions at the Garrett County Airport in the amount of \$3.5 million which were mainly associated with the runway extension project.

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2006**

**Capital Asset and Debt Administration (cont'd)**

Additional information on the County's capital assets can be found in Note 5 to the financial statements.

**Long-term debt.** At the end of the current fiscal year, Garrett County Government had notes and bonds outstanding of \$39,543,329, which are backed by the full faith and credit of the County.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2006	2005	2006	2005	2006	2005
General Bonded Debt	<u>\$11,089,786</u>	<u>\$12,533,454</u>	<u>\$28,453,543</u>	<u>\$13,948,005</u>	<u>\$39,543,329</u>	<u>\$26,481,459</u>

During fiscal year 2006, the County's total debt increased by \$13,061,870. This increase is mainly attributable to three new Sanitary District loans in the amount of \$12,615,800 for interim financing for the Deep Creek Lake Waste Water Treatment Plant and a loan for Keyser's Ridge Water Road. Bond and note payoffs included a loan for Trout Run Lab Equipment.

Additional information on the County's long-term debt can be found in Note 6 to the financial statements and on page 81 under Other Supplementary Information

**Economic Factors and Next Year's Budget and Rates**

- The County continues to maintain insured security ratings of "Aaa" from Moody's Investment service and an "AAA" from Standard & Poor's.
- The unemployment rate for the County is currently 4.8%, which is higher than the State's average of 3.9% and higher than the national average of 4.7%.
- There were 7700 tax accounts in Swanton, Friendsville, Grantsville, Bloomington, Accident, Finzel, Elbow, Kitzmiller and Avilton that were reassessed during 2006. The properties in these areas experienced an average increase in land value of over 40%. This, along with the continued steady growth in new construction at Deep Creek Lake, will cause real property tax revenues to grow substantially when compared to years before 2006. Low interest rates, good housing starts and a steadily growing local economy are expected to continue as Garrett County's quality of life has been discovered as a great place to live and play.
- Inflationary trends in the region compare favorably to national averages.

These factors, as well as many others, were considered in preparing the County's budget for fiscal year 2007.

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

**June 30, 2006**

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

During fiscal year 2006, the County's governmental funds fund balance increased by \$3,823,214, which exceeded budget expectations that were originally forecast to break even. This demonstrates the conservative budget philosophy of County Government. The County has appropriated \$2,836,569 million of the Unreserved Fund Balance for spending in fiscal year 2007. 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 2007 steady at \$1.00 for \$100 of assessable property, down from \$1.036 for \$100 of assessable property in 2005.

The Garrett County Sanitary District d/b/a Department of Public Utilities has numerous projects planned for fiscal year 2007. They include continuing the expansion to the McHenry Water System designed to serve an additional 1,000 customers at an estimated cost of \$4,600,000, and water systems upgrades in Crellin and Mountain Lake Park with a combined estimated cost of \$2,300,000.

The District will also continue to install radio read water meters throughout the county to increase the accuracy and efficiency of the billing functions.

The District will continue the construction of the new Deep Creek Lake Wastewater treatment plant and begin construction of the Western Conveyance Wastewater Collection System that will serve an additional 2,500 customers in the future. The combined cost for the plant and collection system is estimated to be nearly \$30,000,000 once completed over the next several years.

There are a few major capital projects that will continue into Fiscal Year 2007. These projects include a Public Safety facility to house the Garrett County Jail, Emergency Management and 911 facilities, Airport runway extension, Landfill and a new Public Works facility to house the main headquarters of the Garrett County Roads Department. A new Business Park is in the planning stages for McHenry to boost Economic Development in that area.

The County, Garrett College and the Board of Education have entered into a coalition to consolidate health insurance benefits for current and retired employees of these entities under one plan with Carefirst Blue Cross/Blue Shield. All three entities will now have the same insurance premium rates, the same benefits and the same employee co-pays. This consolidation is instrumental in attempting to make health costs more affordable and cost effective.

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

**June 30, 2006**

**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 4<sup>th</sup> Street  
Room 206  
Oakland, Maryland 21550  
c/o R. Lamont Pagenhardt, County Administrator or  
c/o Wendy K. Yoder, Director, Department of Financial Services

Or, visit our website at [www.garrettcountry.org](http://www.garrettcountry.org)

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

Statement of Net Assets

June 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 8,087,579	\$ 2,545,893	\$ 10,633,472
Investments	16,586,701		16,586,701
Taxes Receivable - Net	1,566,524		1,566,524
Due from Other Governments	3,096,392	697,808	3,794,200
Due from Primary Government			
Due from Component Units	82,084		82,084
Other Receivables - Net	521,190	868,881	1,390,071
Inventories	386,068	556,357	942,425
Prepaid Expenses	86,888	26,908	113,796
Restricted Cash	74,850	5,452,957	5,527,807
Restricted Investments	1,212,660	5,231,034	6,443,694
Restricted Accounts Receivable	5,080,312	555,045	5,635,357
Restricted Notes Receivable		215,853	215,853
Restricted Other Assets			
Long-Term Receivables			
Non-Depreciable Capital Assets	8,791,867	22,300,241	31,092,108
Depreciable Capital Assets, Net of Accumulated Depreciation	45,393,356	38,265,162	83,658,518
Deferred Charges	120,668	60,815	181,483
<b>TOTAL ASSETS</b>	<b>\$ 91,087,139</b>	<b>\$ 76,776,954</b>	<b>\$ 167,864,093</b>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Expenses	\$ 619,473	\$ 1,942,872	\$ 2,562,345
Internal Balances	331,049	(331,049)	0
Due to Component Units	198,428		198,428
Due to Primary Government			
Due to Other Governments	218,007	39,849	257,856
Deferred Revenues	6,164,363		6,164,363
Other Liabilities	1,461,318		1,461,318
Long-Term Liabilities			
Due Within One Year	3,582,929	1,083,952	4,666,881
Due in More Than One Year	8,585,821	30,185,116	38,770,937
<b>Total Liabilities</b>	<b>\$ 21,161,388</b>	<b>\$ 32,920,740</b>	<b>\$ 54,082,128</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	\$ 44,428,765	\$ 37,663,479	\$ 82,092,244
Restricted for:			
Debt Service		953,487	953,487
Other	807,598		807,598
Unrestricted	24,689,388	5,239,248	29,928,636
<b>Total Net Assets</b>	<b>\$ 69,925,751</b>	<b>\$ 43,856,214</b>	<b>\$ 113,781,965</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 91,087,139</b>	<b>\$ 76,776,954</b>	<b>\$ 167,864,093</b>

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



		Component Units			
		Board of	Community		
		Education	College	Public Library	
\$	8,020,954	\$	2,774,946	\$	157,396
			2,598,280		77,759
	1,117,691		384,900		
	198,428				
	45,158		841,719		4,000
	134,270		55,975		
			73,574		
			155,184		
			57,008		
	1,079,714		1,005,547		33,556
	33,526,060		5,478,675		1,636,394
	<u>44,122,275</u>		<u>13,425,808</u>		<u>1,909,105</u>
\$	6,453,571	\$	669,113	\$	26,850
	81,599				485
	649,617		840,309		
			259,606		
	75,372		5,311		
	742,465		207,532		23,769
\$	<u>8,002,624</u>	\$	<u>1,981,871</u>	\$	<u>51,104</u>
\$	34,537,567	\$	6,484,222	\$	1,669,950
	459,394		3,510,918		65,832
	1,122,690		1,448,797		122,219
\$	<u>36,119,651</u>	\$	<u>11,443,937</u>	\$	<u>1,858,001</u>
\$	<u>44,122,275</u>	\$	<u>13,425,808</u>	\$	<u>1,909,105</u>

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

Statement of Activities  
Year Ended June 30, 2006

<u>Functions/Programs</u>	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities				
General Government	\$ 5,386,737	\$ 416,462	\$ 2,413,736	\$
Public Safety	6,432,927	852,764	1,082,229	680,133
Public Works	13,377,543	41,220	5,291,349	874,741
Health and Hospital	824,679		1,499,289	
Education				
Board of Education	19,707,813	148,800		
Community College	3,318,200			
Culture	58,715			
Parks and Recreation	84,581		1,046,002	
Library	904,100			
Conservation of Natural Resources	251,364			
Social Services	235,780			
Community Development and Housing	149,636		149,636	
Economic Opportunity and Development	3,876,958		2,565,363	1,526,682
Intergovernmental	5,205			
Miscellaneous	418,608			
Unallocated Depreciation	423,560			
Interest on Long-Term Debt	598,795			
Total Governmental Activities	\$ 56,055,201	\$ 1,459,246	\$ 14,047,604	\$ 3,081,556
Business-type activities				
Airport Fund	\$ 316,150	\$ 92,710	\$	\$ 3,394,384
Solid Waste Fund	2,021,763	1,080,669		
Garrett County Sanitary District, Inc.	7,133,802	4,048,333		120,045
Total Business-Type Activities	\$ 9,471,715	\$ 5,221,712	\$	\$ 3,514,429
Total Primary Government	\$ 65,526,916	\$ 6,680,958	\$ 14,047,604	\$ 6,595,985
<b>Component Units</b>				
Board of Education	\$ 50,985,690	\$ 1,165,020	\$ 7,430,452	\$ 1,107,305
Community College	10,184,625	2,523,528	1,443,858	238,573
Public Library	1,245,436	30,707	78,100	61,195
Total Component Units	\$ 62,415,751	\$ 3,719,255	\$ 8,952,410	\$ 1,407,073

**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  
Sale of Assets  
Special Item  
Transfers  
Total General Revenues, Special Item and Transfers

Change in Net Assets

Net Assets - Beginning of Year, as Restated

Net Assets - End of Year

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

**Net (Expense) Revenue and Changes in Net Assets**

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Public Library
\$ (2,556,539)	\$	\$ (2,556,539)	\$	\$	\$
(3,817,801)		(3,817,801)			
(7,170,233)		(7,170,233)			
674,610		674,610			
(19,559,013)		(19,559,013)			
(3,318,200)		(3,318,200)			
(58,715)		(58,715)			
961,421		961,421			
(904,100)		(904,100)			
(251,364)		(251,364)			
(235,780)		(235,780)			
215,087		215,087			
(5,205)		(5,205)			
(418,608)		(418,608)			
(423,560)		(423,560)			
(598,795)		(598,795)			
<u>\$ (37,466,795)</u>	<u>\$</u>	<u>\$ (37,466,795)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$	\$ 3,170,944	\$ 3,170,944	\$	\$	\$
	(941,094)	(941,094)			
	(2,965,424)	(2,965,424)			
<u>\$</u>	<u>\$ (735,574)</u>	<u>\$ (735,574)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>\$ (37,466,795)</u>	<u>\$ (735,574)</u>	<u>\$ (38,202,369)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$	\$	\$	\$ (41,282,913)	\$	\$
				(5,978,666)	
					(1,075,434)
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ (41,282,913)</u>	<u>\$ (5,978,666)</u>	<u>\$ (1,075,434)</u>
\$ 28,076,447	\$ 1,412,061	\$ 29,488,508	\$	\$	\$
9,413,527		9,413,527			
7,032,489		7,032,489			
1,183,096		1,183,096			
1,110,751	348,312	1,459,063	259,689	182,714	9,268
			18,978,958	3,103,000	840,500
30,719	1,636,032	1,666,751	21,630,525	3,058,998	202,880
716,543		716,543			
118,869	20,823	139,692	169,576	948	639
(89,536)	(24,639)	(114,175)	9,964	2,169	
(2,809,133)		(2,809,133)			
(484,586)	484,586	(0)			
<u>\$ 44,299,186</u>	<u>\$ 3,877,175</u>	<u>\$ 48,176,361</u>	<u>\$ 41,048,712</u>	<u>\$ 6,347,829</u>	<u>\$ 1,053,287</u>
\$ 6,832,391	\$ 3,141,601	\$ 9,973,992	\$ (234,201)	\$ 369,163	\$ (22,147)
63,093,360	40,714,613	103,807,973	36,353,852	11,074,774	1,880,148
<u>\$ 69,925,751</u>	<u>\$ 43,856,214</u>	<u>\$ 113,781,965</u>	<u>\$ 36,119,651</u>	<u>\$ 11,443,937</u>	<u>\$ 1,858,001</u>

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

Balance Sheet  
Governmental Funds  
June 30, 2006

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Totals
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 8,087,579	\$	\$	\$	8,087,579
Investments	16,586,701				16,586,701
Taxes Receivable - Net	1,566,524				1,566,524
Due from Other Governments	2,733,943	342,797		19,652	3,096,392
Due from Component Units	82,084				82,084
Due from Other Funds	700,574	713,398		97,262	1,511,234
Other Receivables - Net	519,534			1,655	521,189
Inventories	386,068				386,068
Prepaid Expenses	86,888				86,888
Restricted Cash	48,030			26,820	74,850
Restricted Investments	1,212,660				1,212,660
Restricted Accounts Receivable			5,080,312		5,080,312
<b>TOTAL ASSETS</b>	<b>\$ 32,010,585</b>	<b>\$ 1,056,195</b>	<b>\$ 5,080,312</b>	<b>\$ 145,389</b>	<b>\$ 38,292,481</b>
<b>LIABILITIES:</b>					
Accounts Payable and Accrued Expenses	\$ 473,648	\$ 56,195	\$	\$ 4,822	\$ 534,665
Due to Other Funds	1,827,941			14,342	1,842,283
Due to Component Units	198,428				198,428
Due to Other Governments	218,007				218,007
Deferred Revenues	1,462,047	1,000,000	5,080,312		7,542,359
Other Liabilities	1,441,666			19,652	1,461,318
<b>Total Liabilities</b>	<b>\$ 5,621,737</b>	<b>\$ 1,056,195</b>	<b>\$ 5,080,312</b>	<b>\$ 38,816</b>	<b>\$ 11,797,060</b>
<b>FUND BALANCES:</b>					
Reserved	\$ 701,025	\$	\$	\$ 106,573	\$ 807,598
Designated for Subsequent Year's Budget	1,351,069				1,351,069
Designated for Capital Projects	18,947,669				18,947,669
Unreserved - Undesignated	5,389,085				5,389,085
<b>Total Fund Balances</b>	<b>\$ 26,388,848</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 106,573</b>	<b>\$ 26,495,421</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 32,010,585</b>	<b>\$ 1,056,195</b>	<b>\$ 5,080,312</b>	<b>\$ 145,389</b>	<b>\$ 38,292,481</b>

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

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
Reconciliation of the Governmental Funds Balance Sheet  
To the Statement of Net Assets  
June 30, 2006

Total Fund Balances - Governmental Funds	\$	26,495,421
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. The cost of these assets is \$89,097,167, net of accumulated depreciation of \$34,911,944.</p>		54,185,223
<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 the long-term portion of compensated absences.</p>		(12,168,750)
<p>Bond issuance costs incurred are not financial resources, and therefore, are not reported in the funds. The cost of these assets is \$324,522, net of accumulated amortization of \$203,854.</p>		120,668
<p>Interest on long term debt is not accrued in funds, but is recognized as an expenditure when due.</p>		(84,808)
<p>County revenue that is collected after year-end and unavailable soon enough to pay for the current period's expenditures is reported as deferred revenue in the funds.</p>		<u>1,377,997</u>
Total Net Assets - Governmental Activities	\$	<u><u>69,925,751</u></u>

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

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
Year Ended June 30, 2006

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Totals
<b>REVENUES:</b>					
Taxes	\$ 47,138,336	\$	\$	\$	\$ 47,138,336
Licenses and Permits	224,159				224,159
Intergovernmental	12,281,369	2,151,422	1,042,161	175,824	15,650,776
Fines and Forfeitures	9,234			26,231	35,465
Charges for Services	650,946			46,966	697,912
Investment Income	1,110,751		316,832		1,427,583
Rents and Concessions	865,343				865,343
Contributions	1,732				1,732
Miscellaneous	103,184				103,184
<b>Total Revenues</b>	<b>\$ 62,385,054</b>	<b>\$ 2,151,422</b>	<b>\$ 1,358,993</b>	<b>\$ 249,021</b>	<b>\$ 66,144,490</b>
<b>EXPENDITURES:</b>					
General Government	\$ 5,024,674	\$	\$	28,392	\$ 5,053,066
Public Safety	6,091,267			74,640	6,165,907
Public Works	13,295,574				13,295,574
Health and Hospital	804,067				804,067
Education					
Board of Education	19,690,659				19,690,659
Community College	3,318,200				3,318,200
Culture	58,715				58,715
Parks and Recreation	84,581				84,581
Library	904,100				904,100
Conservation of Natural Resources	251,364				251,364
Social Services	235,780				235,780
Community Development and Housing				149,637	149,637
Economic Opportunity and Development	4,737,262				4,737,262
Capital Outlay	1,939,101	3,136,655		14,000	5,089,756
Debt Service	683,471		1,358,993		2,042,464
Intergovernmental	5,205				5,205
Miscellaneous	418,608				418,608
<b>Total Expenditures</b>	<b>\$ 57,542,628</b>	<b>\$ 3,136,655</b>	<b>\$ 1,358,993</b>	<b>\$ 266,669</b>	<b>\$ 62,304,945</b>
<b>REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) SUBTOTAL</b>					
	<b>\$ 4,842,426</b>	<b>\$ (985,233)</b>	<b>\$ 0</b>	<b>\$ (17,648)</b>	<b>\$ 3,839,545</b>

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, 2006

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<b>REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>					
Balances Brought Forward	\$ 4,842,426	\$ (985,233)	\$ 0	\$ (17,648)	\$ 3,839,545
<b>OTHER FINANCING SOURCES (USES):</b>					
Bond Proceeds					
Sale of Capital Assets	436,980			1,975	438,955
Operating Transfers					
Capital Projects Fund	(965,608)	965,608			0
Special Revenue Fund	(3,316)			3,316	0
Airport Fund	(173,691)				(173,691)
Sanitary District	(310,895)				(310,895)
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	\$ 3,825,896	\$ (19,625)	\$ 0	\$ (12,357)	\$ 3,793,914
<b>Fund Balances, Beginning of Year As Previously Reported</b>	22,031,652	19,625	0	118,930	22,170,207
<b>Prior Period Adjustment</b>	502,000				502,000
<b>Fund Balances, Beginning of Year As Restated</b>	\$ 22,533,652	\$ 19,625	\$ 0	\$ 118,930	\$ 22,672,207
<b>Other Increases (Decreases) - Reserves</b>	29,300				29,300
<b>FUND BALANCES, End of Year</b>	<u>\$ 26,388,848</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 106,573</u>	<u>\$ 26,495,421</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, 2006

Change in Fund Balances - Governmental Funds	\$	3,823,214
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$9,722,003 exceeded depreciation expense of \$4,757,997 in the current year.</p>		4,964,006
<p>Governmental funds do not report donated assets, however, the fair market value of these assets are reported as revenue in the statement of activities.</p>		28,160
<p>Governmental funds report only the proceeds from the sale of capital assets. In the statement of activities the net book value is written-off against the proceeds, if any, when assets are disposed of or sold.</p>		(528,492)
<p>Governmental funds do not report the net book value of capital assets transferred to other entities. In the statement of activities the net book value is shown as a special item.</p>		(2,809,133)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		1,443,669
<p>In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used.</p>		(133,627)
<p>Governmental funds report debt issuance costs as expenditures. However, in the statement of activities, these costs are allocated over the life of the related debt as amortization expense. This is the amount of amortization expense in the current year.</p>		(30,609)
<p>Interest on long term debt is not accrued in funds, but is recognized as an expenditure when due in the statement of activities.</p>		6,303
<p>Revenues that do not provide current financial resources are reported as deferred revenue in the funds. The amount of the change in deferred revenue is not reported in the statement of activities.</p>		<u>68,900</u>
Change in Net Assets - Governmental Activities	\$	<u><u>6,832,391</u></u>

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



**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
Statement of General Fund Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual (Budget Basis) -  
Primary Government - General Fund  
Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>REVENUES:</b>				
Taxes	\$ 44,405,829	\$ 44,405,829	\$ 47,285,136	\$ 2,879,307
Licenses and Permits	262,880	266,380	224,159	(42,221)
Intergovernmental	10,363,547	11,289,237	12,281,369	992,132
Fines and Forfeitures	7,000	7,000	9,234	2,234
Charges for Services	494,114	490,614	650,946	160,332
Investment Income	484,000	884,000	1,110,751	226,751
Rents and Concessions	750,657	713,550	716,543	2,993
Contributions	1,500	1,500	1,732	232
Miscellaneous	17,000	92,000	103,184	11,184
Total Revenues	<u>\$ 56,786,527</u>	<u>\$ 58,150,110</u>	<u>\$ 62,383,054</u>	<u>\$ 4,232,944</u>
<b>EXPENDITURES:</b>				
General Government	\$ 5,444,739	\$ 5,460,302	\$ 5,024,674	\$ (435,628)
Public Safety	6,174,338	6,213,650	6,091,267	(122,383)
Public Works	13,046,429	13,385,124	13,295,574	(89,550)
Health and Hospital	804,067	804,067	804,067	0
Social Services	235,780	235,780	235,780	0
Education	24,989,200	25,528,639	22,860,059	(2,668,580)
Culture	14,000	58,383	58,715	332
Parks and Recreation	20,000	20,000	84,581	64,581
Library	890,500	906,000	904,100	(1,900)
Conservation of Natural Resources	150,868	194,546	251,364	56,818
Economic Development and Opportunity	2,199,407	4,533,935	4,737,262	203,327
Capital Outlay	931,222	1,039,173	1,939,101	899,928
Debt Service	543,184	683,480	683,471	(9)
Intergovernmental	5,205	5,205	5,205	0
Miscellaneous	508,500	684,113	418,608	(265,505)
Total Expenditures	<u>\$ 55,957,439</u>	<u>\$ 59,752,397</u>	<u>\$ 57,393,828</u>	<u>\$ (2,358,569)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<u>\$ 829,088</u>	<u>\$ (1,602,287)</u>	<u>\$ 4,989,226</u>	<u>\$ 6,591,513</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Capital Assets	\$ 20,000	\$ 428,782	\$ 436,980	\$ 8,198
Operating Transfers				
Capital Projects Fund	(3,727,385)	(8,841,868)	(965,608)	(7,876,260)
Special Revenue Fund	0	0	(3,316)	3,316
Airport	(693,303)	(693,303)	(173,691)	(519,612)
Sanitary District	(57,400)	(57,400)	(310,895)	253,495
Total Other Financing Sources (Uses)	<u>\$ (4,458,088)</u>	<u>\$ (9,163,789)</u>	<u>\$ (1,016,530)</u>	<u>\$ 8,147,259</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ (3,629,000)</u>	<u>\$ (10,766,076)</u>	<u>\$ 3,972,696</u>	<u>\$ 14,738,772</u>
<b>Fund Balance, Beginning of Year</b>	22,031,652	22,031,652	22,031,652	
<b>Other Increases (Decreases) - Reserves</b>	<u>0</u>	<u>0</u>	<u>29,300</u>	
<b>FUND BALANCE, End of Year, Budgetary Basis</b>	<u>\$ 18,402,652</u>	<u>\$ 11,265,576</u>	<u>\$ 26,033,648</u>	

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

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

Statement of Net Assets  
Proprietary Funds  
June 30, 2006

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Total</u>
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 226	\$ 345,168	\$ 2,200,499	\$ 2,545,893
Due from Other Governments	697,808			697,808
Due from Primary Government		1,013,808	3,473	1,017,281
Other Receivables - Net	6,063	81,141	781,677	868,881
Inventories	18,699		537,658	556,357
Prepaid Expense		12,764	14,144	26,908
<b>Total Current Assets</b>	<u>\$ 722,796</u>	<u>\$ 1,452,881</u>	<u>\$ 3,537,451</u>	<u>\$ 5,713,128</u>
<b>Noncurrent Restricted Assets:</b>				
Restricted Cash	\$	\$ 2,237,084	\$ 3,215,873	\$ 5,452,957
Restricted Investments			5,231,034	5,231,034
Restricted Other Receivables			555,045	555,045
Restricted Notes Receivable			215,853	215,853
<b>Total Noncurrent Restricted Assets</b>	<u>\$</u>	<u>\$ 2,237,084</u>	<u>\$ 9,217,805</u>	<u>\$ 11,454,889</u>
<b>Capital and Other Assets:</b>				
Non-Depreciable Capital Assets	\$ 4,903,150	\$ 2,274,358	\$ 15,122,733	\$ 22,300,241
Depreciable Capital Assets, Net of Accumulated Depreciation	1,094,125	1,835,018	35,336,019	38,265,162
Bond Discount, Net of Amortization		13,765		13,765
Loan Issuance Costs, Net of Amortization		47,050		47,050
<b>Total Capital and Other Assets</b>	<u>\$ 5,997,275</u>	<u>\$ 4,170,191</u>	<u>\$ 50,458,752</u>	<u>\$ 60,626,218</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,720,071</u>	<u>\$ 7,860,156</u>	<u>\$ 63,214,008</u>	<u>\$ 77,794,235</u>

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

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

Statement of Net Assets

Proprietary Funds

June 30, 2006

	<b>Airport Fund</b>	<b>Solid Waste Fund</b>	<b>Garrett County Sanitary District, Inc.</b>	<b>Total</b>
<b>LIABILITIES:</b>				
<b>Current Liabilities:</b>				
Accounts Payable and Accrued Expenses	\$ 65,843	\$ 321,116	\$ 1,555,913	\$ 1,942,872
Bonds and Loans Payable - Current Portion		420,531	218,802	639,333
Closure/Postclosure Liabilities - Current Portion		444,619		444,619
Due to Other Governments			39,849	39,849
Due to Primary Government	678,003		8,229	686,232
<b>Total Current Liabilities</b>	<b>\$ 743,846</b>	<b>\$ 1,186,266</b>	<b>\$ 1,822,793</b>	<b>\$ 3,752,905</b>
<b>Noncurrent Liabilities:</b>				
Bonds and Loans Payable	\$	\$ 4,002,688	\$ 23,811,522	\$ 27,814,210
Compensated Absences	3,112	78,235	94,306	175,653
Closure/Postclosure Liabilities		2,195,253		2,195,253
<b>Total Noncurrent Liabilities</b>	<b>\$ 3,112</b>	<b>\$ 6,276,176</b>	<b>\$ 23,905,828</b>	<b>\$ 30,185,116</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 746,958</b>	<b>\$ 7,462,442</b>	<b>\$ 25,728,621</b>	<b>\$ 33,938,021</b>
<b>NET ASSETS (DEFICIT)</b>				
Investment in Capital Assets, Net of Related Debt	\$ 5,997,275	\$ 6,742	\$ 31,659,462	\$ 37,663,479
Restricted Net Assets				
Debt Service		953,487		953,487
Unrestricted Net Assets	(24,162)	(562,515)	5,825,925	5,239,248
<b>Total Net Assets</b>	<b>\$ 5,973,113</b>	<b>\$ 397,714</b>	<b>\$ 37,485,387</b>	<b>\$ 43,856,214</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,720,071</b>	<b>\$ 7,860,156</b>	<b>\$ 63,214,008</b>	<b>\$ 77,794,235</b>

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

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
Year Ended June 30, 2006

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Total
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 87,010	\$ 1,080,669	\$ 2,890,426	\$ 4,058,105
Other	5,700	20,823	1,157,907	1,184,430
<b>Total Operating Revenues</b>	<b>\$ 92,710</b>	<b>\$ 1,101,492</b>	<b>\$ 4,048,333</b>	<b>\$ 5,242,535</b>
<b>OPERATING EXPENSES:</b>				
Salaries	\$ 63,086	\$ 559,069	\$ 816,413	\$ 1,438,568
Fringe Benefits	13,346	204,760	356,423	574,529
Maintenance and Repairs	10,180	54,906	340,146	405,232
Contracted Services	925	142,168	44,048	187,141
Supplies	51,973	84,389	1,208,142	1,344,504
Utilities	9,430	19,013	366,773	395,216
Transportation	1,180		96,916	98,096
Insurance	5,453	20,721		26,174
Lab Tests			48,001	48,001
Direct Administration - Plant			76,802	76,802
Depreciation Expense	155,711	408,490	2,299,471	2,863,672
Amortization - Closure/Post Closure Costs		212,320		212,320
Amortization - Other		15,730		15,730
Indirect Administration		35,000	715,584	750,584
Bad Debt Expense			7,329	7,329
Other	4,866	44,063		48,929
<b>Total Operating Expenses</b>	<b>\$ 316,150</b>	<b>\$ 1,800,629</b>	<b>\$ 6,376,048</b>	<b>\$ 8,492,827</b>
<b>NET OPERATING LOSS</b>	<b>\$ (223,440)</b>	<b>\$ (699,137)</b>	<b>\$ (2,327,715)</b>	<b>\$ (3,250,292)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Tap Fees - Capital Revenue	\$	\$	\$ 1,636,032	\$ 1,636,032
Interest Income	105	107,299	240,908	348,312
Ad Valorem Tax		1,179,043	233,018	1,412,061
Tap Fees - Capital Expense			(492,053)	(492,053)
Sale of Assets		(10,599)	(14,040)	(24,639)
Interest Expense		(214,384)	(265,701)	(480,085)
Asset Management Fees		(6,750)		(6,750)
<b>Net Other Revenues</b>	<b>\$ 105</b>	<b>\$ 1,054,609</b>	<b>\$ 1,338,164</b>	<b>\$ 2,392,878</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS/ TRANSFERS</b>	<b>\$ (223,335)</b>	<b>\$ 355,472</b>	<b>\$ (989,551)</b>	<b>\$ (857,414)</b>

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

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
Year Ended June 30, 2006

	<b>Airport Fund</b>	<b>Solid Waste Fund</b>	<b>Garrett County Sanitary District, Inc.</b>	<b>Total</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS/ TRANSFERS</b>				
Balances Brought Forward	\$ (223,335)	\$ 355,472	\$ (989,551)	\$ (857,414)
<b>CAPITAL CONTRIBUTIONS/ TRANSFERS</b>				
Capital Contributions				
Federal	3,307,243		118,802	3,426,045
State	87,141			87,141
Other			1,243	1,243
Transfers from Primary Government	173,691		310,895	484,586
<b>NET INCREASE (DECREASE) IN NET ASSETS</b>	\$ 3,344,740	\$ 355,472	\$ (558,611)	\$ 3,141,601
<b>NET ASSETS - BEGINNING OF YEAR</b>	2,628,373	42,242	38,043,998	40,714,613
<b>NET ASSETS - END OF YEAR</b>	\$ 5,973,113	\$ 397,714	\$ 37,485,387	\$ 43,856,214

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, 2006

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 94,398	\$ 1,190,010	\$ 3,894,439	\$ 5,178,847
Cash Paid to Suppliers	(262,708)	(258,374)	(2,981,200)	(3,502,282)
Cash Paid to Employees and for Employee Benefits	(76,925)	(753,961)	(1,151,767)	(1,982,653)
	<b>Net Cash Provided By (Used In)</b>	<b>Operating Activities</b>	<b>Net Cash Provided By (Used In)</b>	<b>Operating Activities</b>
	\$ (245,235)	\$ 177,675	\$ (238,528)	\$ (306,088)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Transfer From Primary Government	\$ 173,691	\$	\$ 310,895	\$ 484,586
(Decrease) in Amounts Due from Garrett County Commissioners		(312,880)		(312,880)
Increase (Decrease) in Amounts Due to Garrett County Commissioners	355,279		(9,841)	345,438
	<b>Net Cash Provided By (Used In) Non-Capital</b>	<b>Financing Activities</b>	<b>Net Cash Provided By (Used In) Non-Capital</b>	<b>Financing Activities</b>
	\$ 528,970	\$ (312,880)	\$ 301,054	\$ 517,144
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from Long-Term Debt	\$	\$	\$ 15,115,800	\$ 15,115,800
Capital Contributions	3,266,923		161,286	3,428,209
Mortgage Note Collections			23,313	23,313
Proceeds from Tap Fees			927,532	927,532
Ad Valorem Taxes and Other Assessments Collected		1,179,043	232,237	1,411,280
Payment of Expenses Related to Landfill Closure		(30,783)		(30,783)
Acquisition and Construction of Capital Assets	(3,550,598)	(2,003,372)	(10,634,539)	(16,188,509)
Principal Paid on Long-Term Debt		(397,470)	(212,792)	(610,262)
Interest Paid on Long-Term Debt		(227,499)	(160,153)	(387,652)
Proceeds from Disposition of Capital Assets		3,560	185,016	188,576
	<b>Net Cash Provided (Used In) Capital and</b>	<b>Related Financing Activities</b>	<b>Net Cash Provided (Used In) Capital and</b>	<b>Related Financing Activities</b>
	\$ (283,675)	\$ (1,476,521)	\$ 5,637,700	\$ 3,877,504
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest Income	\$ 105	\$ 107,299	\$ 240,908	\$ 348,312
Asset Management Fees		(6,750)		(6,750)
Purchase of Certificates of Deposit, Net			(5,146,034)	(5,146,034)
	<b>Net Cash Provided By (Used In)</b>	<b>Investing Activities</b>	<b>Net Cash Provided By (Used In)</b>	<b>Investing Activities</b>
	\$ 105	\$ 100,549	\$ (4,905,126)	\$ (4,804,472)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	\$ 165	\$ (1,511,177)	\$ 795,100	\$ (715,912)
Cash and Cash Equivalents, Beginning of Year	61	4,093,429	4,621,272	8,714,762
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b>226</b>	<b>2,582,252</b>	<b>5,416,372</b>	<b>7,998,850</b>

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

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
Statement of Cash Flows (Continued)  
Proprietary Funds  
Year Ended June 30, 2006

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Total</u>
<b>Reconciliation of Operating Loss to Net</b>				
<b>Cash Provided By (Used In) Operating Activities:</b>				
Operating Loss	\$ (223,440)	\$ (699,137)	(2,327,715)	\$ (3,250,292)
Adjustments to Reconcile Operating Loss to Net				
Cash Provided By (Used In) Operating Activities:				
Depreciation and Amortization	155,711	636,540	2,309,274	3,101,525
Changes in Current Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	1,688	88,518	(153,894)	(63,688)
(Increase) Decrease in Inventories	7,225		(189,999)	(182,774)
Decrease in Prepaid Expenses		12,500	14,144	26,644
Increase (Decrease) in Accounts Payable	(185,728)	133,315	118,468	66,055
(Decrease) in Due to Other Governments			(20,896)	(20,896)
Increase (Decrease) in Compensated Absences	(691)	5,939	12,090	17,338
	<u>(691)</u>	<u>5,939</u>	<u>12,090</u>	<u>17,338</u>
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>\$ <u>(245,235)</u></b>	<b>\$ <u>177,675</u></b>	<b>\$ <u>(238,528)</u></b>	<b>\$ <u>(306,088)</u></b>

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

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

Statement of Net Assets

Fiduciary Funds

June 30, 2006

	<u>Retirement Plan Trust Funds</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ <u>236,692</u>
Investments:	
Certificates of Deposit	\$ 165,000
Fixed Income Securities	2,235,891
Mutual Funds	3,095,326
Equity Securities	<u>2,160,418</u>
Total Investments	\$ <u>7,656,635</u>
Interest Receivable	\$ <u>27,607</u>
<b>TOTAL ASSETS</b>	\$ 7,920,934
<b>LIABILITIES</b>	<u>0</u>
<b>NET ASSETS:</b>	
Held in Trust for Benefits and Other Purposes	\$ <u><u>7,920,934</u></u>

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



**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
Statement of Changes in Net Assets  
Fiduciary Funds  
For the Year Ended June 30, 2006

	<u>Retirement Plan Trust Funds</u>
<b>ADDITIONS</b>	
Contributions:	
Maryland State Retirement System	\$ 5,737,964
Employer	947,774
Plan Members	205,996
Total Contributions	<u>\$ 6,891,734</u>
Investment Earnings:	
Net Increase in Fair Value of Investments	\$ 128,166
Realized Gains on Investments	108,541
Interest and Dividends	175,868
Investment Activity Expense	(37,458)
Total Net Investment Earnings	<u>\$ 375,117</u>
<b>Total Additions</b>	<u>\$ 7,266,851</u>
<b>DEDUCTIONS</b>	
Benefits	\$ 690,858
Administrative	9,913
<b>Total Deductions</b>	<u>\$ 700,771</u>
<b>Change In Net Assets</b>	\$ 6,566,080
<b>Net Assets - Beginning of Year</b>	<u>1,354,854</u>
<b>Net Assets - End of Year</b>	<u><u>\$ 7,920,934</u></u>

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

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

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

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

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**A. Reporting Entity** (Continued)

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The 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 \$242,434 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 91% of the Liquor Control Board's gross revenues for the fiscal year ended June 30, 2006. Total assets of the Liquor Control Board as of June 30, 2006 are \$92,105.

**B. Government-Wide and Fund Financial Statements**

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

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

The County reports the following major governmental funds:

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

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

The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, general obligation debt principal and interest on the Garrett County Memorial Hospital Refunding Bonds of 1997 and the Garrett County Memorial Hospital Bonds, Series 2002, 2003 and 2004. 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 and recycling facilities.

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

Additionally, the County reports the following additional fund types:

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

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

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

**D. Assets, Liabilities, and Net Assets or Equity**

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

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

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

Inventory included in the General Fund, consisting of Road's Department materials and supplies, has been recorded as expenditures at the time the individual items were purchased. This inventory has been reflected for information purposes only, as an asset offset by a reserve in governmental fund equity in an equal amount. All other inventories are recorded as expenditures when consumed rather than when purchased.

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

**Restricted Assets** – The governmental activities column of the government-wide and governmental funds financial statements include restricted cash and investments of \$1,287,510 of which \$1,212,660 represents unspent bond proceeds from the Garrett County Memorial Hospital Bonds, Series 2002 and 2003, that the County had not disbursed to the hospital under the terms of related loan agreements as of June 30, 2006. The County also reports special revenue funds' cash balances of \$26,820 as restricted cash.

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Restricted receivables of \$5,080,312 reflect amounts owed by Garrett County Memorial Hospital to the County under prior loan agreements related to the Garrett County Memorial Hospital Refunding Bond of 1997 and cumulative advances related to the Series 2002 and 2003 bonds as well as receivable amounts related to the 2004 Hospital Refunding Bond.

Restricted assets reported in the business-type activities column of the government-wide and proprietary fund financial statements consist of restricted cash of the Solid Waste Fund, including, \$1,023,827 restricted for closure and post-closure activities; \$259,770 of unexpended bond proceeds restricted for future construction; and \$953,487 restricted for debt service payments.

Restricted assets attributable to the Garrett County Sanitary District, Inc. of \$9,217,805 represents cash, investments and receivables maintained in accordance with bond resolutions, loan agreements, grant awards and other resolutions and formal actions of the District or by agreement for the purpose of funding certain debt service payments, major repair and replacement activities and other improvements to its water and sewer systems.

**Capital Assets** - Capital assets which include property, plant and equipment, infrastructure assets (e.g. roads, bridges, and related subsystems), and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Business-type activities follow the policy of capitalizing interest as a component of the cost of capital assets constructed for its own use. Net interest costs of \$353,727 were capitalized as part of the cost of capital assets under construction in connection with wastewater treatment facilities projects.

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

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

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



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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Compensated Absences** - Permanent full-time employees of the primary government and its component units are granted vacation benefits in varying amounts. Vacation leave, sick leave, holiday leave and compensatory leave accrue to permanent full-time employees up to specified maximums. After one year of service, employees of the primary government are entitled to carry over vacation, sick leave, compensatory leave and holiday leave up to specified amounts to be used in subsequent years. Accrued vacation, holiday leave, sick leave, and compensatory leave vest and are payable when the employee separates from service with the County. Sick leave benefits up to 15 days per year of service can be used toward retirement credit within the Maryland State Retirement and Pension System. Upon separation from service for retirement or death only, up to 75 days of sick leave is reimbursed to the retiring employee or the employee's dependents. Compensatory leave benefits can be carried over to the subsequent year in varying amounts up to a maximum of 240 hours for hourly employees, 480 hours for public safety employees, and 100 hours for all other government employees.

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

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

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

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

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

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

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

**E. Use of Estimates**

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

**F. Budgets and Budgetary Accounting**

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

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

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Budgets and Budgetary Accounting (Continued)**

The annual budget is adopted on a basis consistent with generally accepted accounting principles (GAAP) except that real property taxes are budgeted as estimated revenues when levied. All budgetary comparisons presented in this report are on this non-GAAP budgetary basis. The budgeted amounts are reported as originally adopted on June 14, 2005, by the County Commissioners and as finally amended.

**NOTE 2 - CASH AND INVESTMENTS**

The following is a reconciliation of cash and cash equivalents and investments of the Primary Government as of June 30, 2006 to the statement of net assets:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Cash and Cash Equivalents	\$ 8,087,579	\$ 2,545,893	\$ 10,633,472	\$
Restricted Cash	74,850	5,452,957	5,527,807	236,692
Investments	16,586,701		16,586,701	
Restricted Investments	<u>1,212,660</u>	<u>5,231,034</u>	<u>6,443,694</u>	<u>7,656,635</u>
Total	<u>\$ 25,961,790</u>	<u>\$ 13,229,884</u>	<u>\$ 39,191,674</u>	<u>\$ 7,893,327</u>

**Deposit and Investment Summary**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Deposits	\$ 7,363,353	\$ 1,419,753	\$ 8,783,106	\$ 236,692
Repurchase Agreements	760,702	5,365,064	6,125,766	
Certificates of Deposit	2,453,121	5,231,034	7,684,155	165,000
U.S. Government Obligations	15,239,596		15,239,596	1,827,998
Fixed Income Securities				407,893
Equity Securities				2,160,418
Money Market Mutual Funds	106,645	1,213,257	1,319,902	3,095,326
Cash on Hand	<u>38,373</u>	<u>776</u>	<u>39,149</u>	
Total	<u>\$ 25,961,790</u>	<u>\$ 13,229,884</u>	<u>\$ 39,191,674</u>	<u>\$ 7,893,327</u>

**Deposits**

At year end, the carrying amount of the primary government's deposits including certificates of deposit was \$16,467,261 and the bank balance of collected funds was \$16,587,454. Of the bank balance \$2,524,098 was insured by the Federal Deposit Insurance Corporation (FDIC), \$259,277 was collateralized by securities held by the pledging banks' custodians as agent for the County, and \$13,804,079 was collateralized by securities held by the pledging banks' custodians as agent for the bank.

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 2 - CASH AND INVESTMENTS** (Continued)

**Deposits** (Continued)

With respect to the securities held by the pledging banks' custodians as agent for the bank, the custodians' records indicate the County's security interest.

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, 2006 was \$20,160,368.

The Law Enforcement Employee and Government Personnel Retirement Plans (Fiduciary Funds) deposits including certificates of deposits of \$401,692 were all fully insured by the FDIC at year end.

**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 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 a third party custodian for the account of the County, but not in the County's name. At June 30, 2006, the County held repurchase agreements of \$6,125,766 at various interest rates collateralized by U.S. government agency securities with a market value of \$6,248,281.

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.

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**Investments (Continued)**

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. Fiduciary Fund investments include debt securities with interest rate risk specifically identified as follows with respect to maturity dates:

<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Market Value</u> <u>6/30/06</u>
2006	4.00 – 5.70%	\$ 29,411
2007	5.00%	9,894
2008	4.85 – 7.00%	18,354
2009	5.38 – 6.00%	29,830
2011	5.00 – 7.00%	49,119
2013	4.00 – 5.80%	19,075
2017	5.50 – 6.00%	141,170
2018	4.00%	45,786
2020	6.00 – 6.30%	<u>65,254</u>
Total Market Value		<u>\$ 407,893</u>

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%

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 2 - CASH AND INVESTMENTS** (Continued)

**Investments** (Continued)

As of June 30, 2006, the Primary Government had no investment instruments with credit quality ratings requiring disclosure. The investments of the Fiduciary Funds included debt securities having the following ratings as of June 30, 2006:

<u>Security Ratings</u>	<u>Market Value</u> <u>6/30/06</u>
▪ B1	\$ 28,847
▪ AAA	93,803
▪ AA3	169,552
▪ A1	18,936
▪ A2	29,968
▪ A3	37,847
▪ BA2	10,021
▪ BA1	18,919
	<u>\$ 407,893</u>

**NOTE 3 - DEBT SERVICE FUND**

The County issued Hospital Refunding Bonds of 1997. According to the terms of the bonds, the County entered into an agreement with Garrett County Memorial Hospital under which the Hospital will make payments to the County sufficient to provide for the payment of principal and interest on the bonds when due. The total obligation of the 1997 Bonds at an average interest rate of 4.97% consist of \$4,275,000 principal and \$1,786,410 interest payable from 1998 through 2010. The outstanding balance due the County at June 30, 2006 is \$1,675,000.

In addition, the County issued Garrett County Memorial Hospital Bonds, Series 2002, 2003 and 2004 in the amounts of \$6,600,000, \$1,684,862 and \$1,400,000 respectively. \$784,862 of the proceeds were applied to the outstanding balance of existing indebtedness originally incurred for hospital renovations. The remaining proceeds are being issued to the Hospital for construction of emergency department renovations, and expansion of the admissions and same day surgery departments. The proceeds of the 2004 Bonds were used to retire a portion of the 2002 Bonds.

According to the terms of the bonds, the County entered into additional agreements with the Hospital under which the Hospital will make payments to the County sufficient to provide for the payment of principal and interest on the bonds when due. Terms of the \$6,600,000 loan include monthly interest payments at the rate of 4.20% and one remaining annual principal payment of \$1,879,569 due June 1, 2007. Terms of the \$1,684,862 loan include monthly interest payments at a rate of 6.85% on \$800,654 and a single principal payment due December 1, 2006.

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 3 - DEBT SERVICE FUND (Continued)**

Additional payments due under the Series 2003 bond include monthly payments of \$15,694 including principal and interest at the rate of 3.47% through December 1, 2007. Terms of the \$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.

The funds disbursed to the Hospital from the Hospital Refunding Bonds of 1997, and cumulative advances to the Hospital from the Garrett County Memorial Hospital Bonds, Series 2002, 2003 and 2004 have been recorded as a restricted note receivable in the government-wide (governmental activities) and governmental funds (Debt Service Fund) financial statements with an offsetting credit to Deferred Revenue. Payments made by the Hospital to conform with the various loan agreements are being recognized as revenue in the year received. Debt service payments on the County's bonded indebtedness are also recognized in the government-wide statement of activities and governmental funds financial statements.

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

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 3,295,448	\$ 242,075	\$ 3,537,523
2008	577,060	119,315	696,375
2009	478,320	95,191	573,511
2010	505,539	71,297	576,836
2011	57,852	45,585	103,437
2012-2025	<u>1,062,899</u>	<u>333,490</u>	<u>1,396,389</u>
Total	<u>\$ 5,977,118</u>	<u>\$ 906,953</u>	<u>\$ 6,884,071</u>

**NOTE 4 - INTERNAL AND INTERFUND BALANCES AND ACTIVITY**

Interfund transfers between the General Fund and the Airport Fund of \$173,691 consisted of \$86,550 for operating subsidy and \$87,141 local match for the runway extension project. Interfund transfers between the General Fund and the Sanitary District of \$310,895 represented the cost of bringing public water to the property line of Northern High School.

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 \$796,318 within the government-wide financial statements.

Interfund receivables and payables between the primary government and its component units for the year ended June 30, 2006, consisted of \$198,428 due to the Board of Education and \$81,599 due from the Board of Education for capital projects and \$485 from Ruth Enlow Library.

Interfund receivables and payables within the primary government at June 30, 2006 are as follows:

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 4 – INTERNAL AND INTERFUND BALANCES AND ACTIVITY (Continued)**

	<u>Due From</u>	<u>Due To</u>
<b>General Fund:</b>		
Capital Projects Fund	\$	\$ 713,398
Special Revenue Funds:		
SALT Program		698
EMS Program		92
HUD Program		9
DARE Program		794
Commissary		50,934
Law Library		44,735
Gaming	14,342	
Proprietary Funds:		
Airport Fund	678,003	
Sanitary District	8,229	3,473
Solid Waste Fund		<u>1,013,808</u>
<b>Total General Fund</b>	<u>\$ 700,574</u>	<u>\$ 1,827,941</u>
<b>Capital Projects Fund:</b>		
General Fund	<u>\$ 713,398</u>	<u>\$ 0</u>
<b>Special Revenue Funds:</b>		
General Fund:		
SALT Program	\$ 698	\$
EMS Program	92	
HUD Program	9	
DARE Program	794	
Commissary	50,934	
Law Library	44,735	
Gaming		<u>14,342</u>
<b>Total Special Revenue Funds</b>	<u>\$ 97,262</u>	<u>\$ 14,342</u>
<b>Total Governmental Funds</b>	<u>\$ 1,511,234</u>	<u>\$ 1,842,283</u>
<b>Proprietary Funds:</b>		
General Fund - Airport	\$	\$ 678,003
General Fund - Solid Waste	1,013,808	
General Fund - Sanitary District	<u>3,473</u>	<u>8,229</u>
<b>Total Proprietary Funds</b>	<u>\$ 1,017,281</u>	<u>\$ 686,232</u>
<b>Total Primary Government</b>	<u>\$ 2,528,515</u>	<u>\$ 2,528,515</u>



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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the Primary Government for the fiscal year ended June 30, 2006 was as follows:

	Balance June 30, 2005	<u>Additions</u>	Transfers and <u>Retirements</u>	Balance June 30, 2006
<b><u>Governmental activities</u></b>				
Capital assets, not depreciated				
Land and easements	\$ 5,783,527	\$ 46,869	\$ (43,463)	\$ 5,786,933
Construction in progress	<u>3,433,480</u>	<u>2,433,250</u>	<u>(2,861,796)</u>	<u>3,004,934</u>
Total capital assets, not depreciated	<u>\$ 9,217,007</u>	<u>\$ 2,480,119</u>	<u>\$ (2,905,259)</u>	<u>\$ 8,791,867</u>
Capital assets, being depreciated				
Land improvements	\$ 1,665,232	\$ 117,456	\$ 2,300	\$ 1,784,988
Buildings	19,445,481	749,762	(605,858)	19,589,385
Machinery & equipment	398,164	216,679	(9,742)	605,101
Vehicles	10,580,369	776,570	(255,319)	11,101,620
Furniture & equipment	411,189	781,695	(30,975)	1,161,909
Infrastructure	<u>41,585,074</u>	<u>4,455,368</u>	<u>21,856</u>	<u>46,062,298</u>
Total capital assets being depreciated	<u>\$ 74,085,509</u>	<u>\$ 7,097,530</u>	<u>\$ (877,738)</u>	<u>\$ 80,305,301</u>
Less accumulated depreciation for:				
Land improvements	\$ (11,518)	\$ (2,770)	\$	\$ (14,288)
Buildings	(6,136,998)	(521,887)	128,053	(6,530,832)
Machinery & equipment	(143,914)	(59,365)	9,742	(193,537)
Vehicles	(8,744,649)	(701,073)	450,096	(8,995,626)
Furniture & equipment	(316,776)	(73,739)	29,996	(360,519)
Infrastructure	<u>(15,417,980)</u>	<u>(3,399,163)</u>	<u></u>	<u>(18,817,143)</u>
Total accumulated depreciation	<u>\$(30,771,835)</u>	<u>\$(4,757,997)</u>	<u>\$ 617,887</u>	<u>\$(34,911,945)</u>
Total capital assets, being depreciated, net	<u>\$ 43,313,674</u>	<u>\$ 2,339,533</u>	<u>\$ (259,851)</u>	<u>\$ 45,393,356</u>
Governmental activities capital assets, net	<u>\$ 52,530,681</u>	<u>\$ 4,819,652</u>	<u>\$ (3,165,110)</u>	<u>\$ 54,185,223</u>

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

Governmental activities:	
General Government	\$ 55,731
Public Works	4,006,750
Public Safety	211,944
Economic Development	60,012
Unallocated	<u>423,560</u>
Total depreciation expense – governmental activities	<u>\$ 4,757,997</u>

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 5 – CAPITAL ASSETS (Continued)**

	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance June 30, 2006</u>
<b><u>Business-type activities</u></b>				
Capital assets, not depreciated				
Land and easements	\$ 1,189,680	\$ 389,627	\$ (26,525)	\$ 1,552,782
Construction in progress	<u>5,499,253</u>	<u>15,248,206</u>		<u>20,747,459</u>
Total capital assets, not depreciated	<u>\$ 6,688,933</u>	<u>\$ 15,637,833</u>	<u>\$ (26,525)</u>	<u>\$ 22,300,241</u>
Capital assets, being depreciated				
Land improvements	\$ 6,797,521	\$	\$	\$ 6,797,521
Buildings	355,661			355,661
Machinery & equipment	1,508,862	195,859	(98,341)	1,606,380
Vehicles	1,443,061	130,187	(150,560)	1,422,688
Furniture & equipment	33,398		(4,382)	29,016
Water facilities	16,220,307	210,336		16,430,643
Sewer facilities	<u>52,015,970</u>	<u>14,294</u>		<u>52,030,264</u>
Total capital assets being depreciated	<u>\$ 78,374,780</u>	<u>\$ 550,676</u>	<u>\$ (253,283)</u>	<u>\$ 78,672,173</u>
Less accumulated depreciation for:				
Land improvements	\$ (4,415,432)	\$ (368,346)	\$	\$ (4,783,778)
Building	(112,096)	(12,723)		(124,819)
Machinery & equipment	(880,505)	(152,930)	84,167	(949,268)
Vehicles	(637,898)	(190,516)	(21,956)	(850,370)
Furniture & equipment	(33,398)		4,382	(29,016)
Water facilities	(5,530,750)	(485,065)		(6,015,815)
Sewer facilities	<u>(25,990,050)</u>	<u>(1,663,895)</u>		<u>(27,653,945)</u>
Total accumulated depreciation	<u>\$(37,600,129)</u>	<u>\$ (2,873,475)</u>	<u>\$ 66,593</u>	<u>\$ (40,407,011)</u>
Total capital assets, being depreciated, net	<u>\$ 40,774,651</u>	<u>\$ (2,322,799)</u>	<u>\$ (186,690)</u>	<u>\$ 38,265,162</u>
Business-type activities capital assets, net	<u>\$ 47,463,584</u>	<u>\$ 13,315,034</u>	<u>\$ (213,215)</u>	<u>\$ 60,565,403</u>

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

Business-type activities:	
Airport	\$ 155,711
Solid Waste	408,490
Sanitary District	<u>2,309,274</u>
Total depreciation expense – business-type activities	<u>\$ 2,873,475</u>

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

**Notes to Financial Statements  
June 30, 2006**

**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, 2006</u>	<u>Remaining Commitment</u>
<b><u>Governmental Activities</u></b>			
Public Works	\$ 13,429,963	\$ 868,619	\$ 12,561,344
Public Safety	13,918,000	34,301	13,883,699
Economic Development	<u>12,315,094</u>	<u>2,102,014</u>	<u>10,213,080</u>
Total governmental activities	<u>\$ 39,663,057</u>	<u>\$ 3,004,934</u>	<u>\$ 36,658,123</u>
<b><u>Business-type Activities</u></b>			
Airport Runway Extension	\$ 13,431,694	\$ 4,429,822	\$ 9,001,872
Airport Equipment Building	30,000	28,075	1,925
Airport Sewer and Water	990,000	21,128	968,872
Landfill Municipal Cell Construction	3,097,500	2,050,421	1,047,079
Landfill Land Clearing Debris Cell	250,000	16,220	233,780
Landfill Office/Scalehouse	165,000	87,211	77,789
Landfill Permits Processing System	20,000	6,511	13,489
Deep Creek Lake Capacity Upgrade	17,635,000	12,842,113	4,792,887
Crellin Water Improvement	335,000	43,437	291,563
Keyzers Ridge Sewer	560,000	69,090	490,910
McHenry Water System	4,613,000	208,814	4,404,186
Keyzers Ridge Water	700,000	47,925	652,075
Deep Creek Lake Collection & Conveyance	5,700,000	258,206	5,441,794
Trout Run Sewer	250,000	136,073	113,927
Mountain Lake Park Water	918,000	18,116	899,884
Gorman Sewer	520,000	36,067	483,933
Friendsville Sewer	1,100,000	120,033	979,967
Northern High School Water	334,993	310,895	24,098
Thayerville Water	<u>5,000,000</u>	<u>17,302</u>	<u>4,982,698</u>
Total business-type activities	<u>\$ 55,650,187</u>	<u>\$ 20,747,459</u>	<u>\$ 34,902,728</u>

**NOTE 6 - LONG-TERM DEBT**

The following is a summary of debt transactions of the County for the fiscal year ended June 30, 2006:

	<u>Balance 7/01/05</u>	<u>Additions</u>	<u>Principal Repayments</u>	<u>Balance 6/30/06</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
<b><u>General Fund</u></b>					
General Obligation Bonds	\$ 12,533,454	\$	\$ (1,443,668)	\$ 11,089,786	\$ 3,582,929
Compensated Absences	<u>945,339</u>	<u>279,400</u>	<u>(145,775)</u>	<u>1,078,964</u>	<u></u>
Governmental activities					
Long-term liabilities	<u>\$ 13,478,793</u>	<u>\$ 279,400</u>	<u>\$ (1,589,443)</u>	<u>\$ 12,168,750</u>	<u>\$ 3,582,929</u>

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 6 - LONG-TERM DEBT (Continued)**

	<u>Balance 7/01/05</u>	<u>Additions</u>	<u>Principal Repayments</u>	<u>Balance 6/30/06</u>	<u>Due Within One Year</u>
<b>Business-type activities:</b>					
<u>Solid Waste Fund</u>					
Bonds Payable	\$ 4,820,689	\$	\$ 397,470	\$ 4,423,219	\$ 420,531
<u>Garrett County Sanitary District</u>					
Bonds and Loans Payable	<u>9,127,316</u>	<u>15,115,800</u>	<u>212,792</u>	<u>24,030,324</u>	<u>218,802</u>
Subtotal	<u>\$ 13,948,005</u>	<u>\$ 15,115,800</u>	<u>\$ 610,262</u>	<u>\$ 28,453,543</u>	<u>\$ 639,333</u>
Landfill closure/postclosure	<u>\$ 2,458,335</u>	<u>\$ 239,445</u>	<u>\$ 57,908</u>	<u>\$ 2,639,872</u>	<u>\$ 444,619</u>
Compensated Absences					
Airport	\$ 3,803	\$	\$ 691	\$ 3,112	\$
Solid Waste Fund	72,296	5,939		78,235	
G. C. Sanitary District	82,216	12,090		94,306	
	<u>\$ 158,315</u>	<u>\$ 18,029</u>	<u>\$ 691</u>	<u>\$ 175,653</u>	<u>\$ 0</u>
Business-type activities					
Long-term liabilities	<u>\$ 16,564,655</u>	<u>\$ 15,373,274</u>	<u>\$ 668,861</u>	<u>\$ 31,269,068</u>	<u>\$ 1,083,952</u>

**Prior Year Defeasance of Debt**

In prior years, the County defeased certain hospital bonds by placing the proceeds of the new bonds in an escrow deposit fund between the County and The Bank of New York for all future debt service payments on the old bonds. Accordingly, the escrow deposit fund assets and liabilities for the defeased bonds are not included in the County's financial statements. The outstanding balance of bonds considered defeased at June 30, 2006 is \$1,955,000.

**Interest Expense**

Total interest expense of \$1,423,607 incurred by the primary government includes, \$598,795 charged to governmental activities, \$480,085 charged to business-type activities, and \$353,727 of net interest expense capitalized in enterprise fund capital assets.

Details of certain long-term debt obligations at June 30, 2006 are as follows:

Balance  
June 30, 2006

**Governmental Activities:**

**General Obligation Bonds**

\$4,000,000 Public Facilities Bonds of 1996 dated May 2, 1996 in \$5,000 denominations at rates from 4.7% to 6.5% payable semi-annually. Maturing May 1, 1997 through May 1, 2016. For public school construction and roads projects capital expenditures.

\$ 2,560,000

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 6 - LONG-TERM DEBT (Continued)**

	<u>Balance June 30, 2006</u>
<u>General Obligation Bonds</u>	
\$3,382,000 Community Health Center Bond of 2002 dated January 17, 2002 at 4.75% interest per annum. Principal and interest payments semi-annually of \$106,331. Matures on January 17, 2032. For construction of Garrett County Health Center.	\$ 2,552,668
<u>Garrett County Hospital Refunding Bonds of 1997</u>	
\$4,275,000 Bonds dated January 28, 1997 in \$5,000 denominations at rates from 4.75% to 5.20% payable semi-annually. Maturing July 1, 1997 through July 1, 2010. Issued to refund the Garrett County Hospital Bonds of 1986. To be repaid from hospital revenues.	1,675,000
<u>Garrett County Memorial Hospital Bond, Series 2002</u>	
\$6,600,000 Bonds dated December 30, 2002. Monthly interest payments at variable interest rates (currently 4.20%) and principal payment of \$1,879,569 due June 1, 2007. Proceeds to fund renovation of the emergency department, admissions and same day surgery. To be repaid from hospital revenues.	1,879,569
<u>Garrett County Memorial Hospital Bond, Series 2003</u>	
\$1,684,862 Bonds dated June 18, 2003. \$784,862 is being repaid by monthly payments of \$15,694 including principal and interest at a rate of 3.47%, matures December 1, 2007. Proceeds were used to payoff balance of \$1,500,000 hospital renovations time loan dated January 14, 1998. \$800,654 is being repaid in monthly payments of interest only, at a rate of 6.85%, principal balance due December 1, 2006. Proceeds to fund renovation of the emergency department, admissions and same day surgery. To be repaid from hospital revenues.	1,092,607
<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.	<u>1,329,942</u>
<b>Total Governmental Activities</b>	<b><u>\$ 11,089,786</u></b>

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 6 - LONG-TERM DEBT (Continued)**

	<u>Balance June 30, 2006</u>
 <b><u>Business-type Activities</u></b>	
<b><u>Solid Waste Fund</u></b>	
\$6,030,000 Garrett County Landfill Project Revenue Bonds, dated June 1, 1993, to fund construction costs of new landfill. Currently payable in monthly installments of \$22,917 plus interest at 5.125% through September 1, 2004; 5.5% through maturity in 2013.	\$ 3,180,000
Maryland Water Quality Financing Administration Bond dated May 21, 1996. Total authorized of \$1,997,000 of which \$1,970,000 has been advanced to date. Semiannual payments of interest at 3.31%. Principal is payable February 1 of each year through February 1, 2017.	<u>1,243,219</u>
Total Solid Waste Fund	<u>\$ 4,423,219</u>
 <b><u>Garrett County Sanitary District, Inc.</u></b>	
\$197,000 Rural Development (Bloomington Water Project), payable in monthly installments of \$964, including interest at 5% through June 2022.	\$ 119,592
\$765,400 Rural Development (Upper Youghiogheny Project), payable in quarterly installments of \$10,337, including interest at 4.5% through November 28, 2035.	660,952
\$875,500 Rural Development (Chestnut Ridge Project), payable in quarterly installments of \$47,316, including interest at 4.5% through April 2, 2036.	775,827
\$104,400 Maryland Department of the Environment (Mt. Lake Park/Powles Addition Water), payable in annual installments of \$6,637 including interest at 4.5% through March 2026.	86,280
\$243,100 Rural Development (Chestnut Ridge Project), payable in quarterly installments of \$13,140, including interest at 4.5% through April 2, 2036.	215,402
\$200,000 GE Capital Asset Management (Friendsville Water), payable in annual installments of varying amounts, including interest at 5% through January 1, 2014.	76,000
\$400,700 Rural Development (Deer Park Sewer), payable in quarterly installments of \$5,414, including interest at 4.5% through December 28, 2038.	363,213

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 6 - LONG-TERM DEBT** (Continued)

	<u>Balance June 30, 2006</u>
\$1,998,000 Maryland Water Quality Financing (Deep Creek Lake Sewer Extension), payable in annual installments of \$132,748, including semi-annual interest at 2.87% through February 1, 2019.	\$ 766,519
\$425,000 Maryland Water Quality Financing (Deep Creek Lake Septage Facility), payable in annual installments of \$29,641, including semi-annual interest at 3.00% through February 1, 2016.	251,452
\$120,175 State of Maryland (Jennings Sewer Revolving Loan), payable in annual installments of \$7,615, including semi-annual interest at 2.37% through February 1, 2017.	84,342
\$400,550 Maryland Water Quality Financing (Goodwill Mennonite Sewer Project), payable in annual installments of \$10,967, including semi-annual interest at 2.4% through February 1, 2021.	213,293
\$408,000 Rural Development (Meadow Mountain Sewer), payable in quarterly installments of \$5,513, including interest at 4.5% through February 28, 2042.	391,812
\$233,800 Rural Development (McHenry Water - Storage Tank), payable in quarterly installments of \$3,159, including interest at 4.5% through December 2043.	225,748
\$615,911 Rural Development (McHenry Water - Storage Tank), payable in quarterly installments of \$8,321, including interest at 4.5% through December 2043.	594,713
\$564,300 Rural Development (Keyser's Ridge Water Project), payable in quarterly installments of \$7,624, including interest at 4.5% through February 2043.	546,225
\$573,200 Rural Development (Deer Park Water Project), payable in quarterly installments of \$7,744, including interest at 4.5% through October 2043.	553,477
\$188,550 M&T Bank (McKenzie Property), payable in monthly installments of \$1,945, including interest at 4.39% through February 2013.	135,251

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 6 - LONG-TERM DEBT (Continued)**

	<u>Balance June 30, 2006</u>
\$5,000,000 M&T Bank credit line, (DCL WWTP Interim Financing), payable in monthly interest payments at the current variable rate of 7.03%, principal payable on demand. Permanent financing is currently scheduled to include annual payments of principal and interest at the rate of 4.5% in the amount of \$271,716 for a period of 40 years.	\$ 5,000,000
\$260,000 Maryland Water Quality Financing (Deer Park Water), payable in semi-annual interest payments at .4% through February 2034.	251,527
\$123,913 Maryland Water Quality Financing (Septage Hauling Truck), payable in semi-annual interest payments at .4% through February 2011.	103,466
\$115,800 USDA (Keyser's Ridge Water Road), payable in quarterly installments of \$1,508, including interest at 4.25% through February 2046.	115,233
\$3,700,000 M&T Bank (DCL WWTP Interim Financing), payable in monthly interest payments at 3.61%, principal payable in full July 13, 2007. Permanent financing is currently scheduled to include annual payments of principal and interest at the rate of 4.5% in the amount of \$201,070 for a period of 40 years.	3,700,000
\$8,800,000 M&T Bank (DCL WWTP Interim Financing), payable in monthly interest payments at 3.59%, principal payable in full July 15, 2007. Permanent financing is currently scheduled to include annual payments of principal and interest at the rate of 4.5% in the amount of \$478,220 for a period of 40 years.	<u>8,800,000</u>
Total Garrett County Sanitary District, Inc.	<u>\$ 24,030,324</u>
<b>Total Business-type Activities</b>	<u>\$ 28,453,543</u>
<b>Total Primary Government</b>	<u>\$ 39,543,329</u>



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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 6 - LONG-TERM DEBT** (Continued)

Maturities of long-term debt are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>Governmental Activities:</b>			
2007	\$ 3,582,929	\$ 482,871	\$ 4,065,800
2008	878,987	345,751	1,224,738
2009	794,906	308,380	1,103,286
2010	842,008	269,671	1,111,679
2011	414,438	226,040	640,478
2012-2016	2,441,184	789,760	3,230,944
2017-2021	1,215,578	364,914	1,580,492
2022-2026	919,756	75,172	994,928
Total governmental activities	<u>\$ 11,089,786</u>	<u>\$ 2,862,559</u>	<u>\$ 13,952,345</u>
<b>Business-type Activities:</b>			
2007	\$ 639,333	\$ 1,278,025	\$ 1,917,358
2008	832,733	1,222,316	2,055,049
2009	871,346	1,184,777	2,056,123
2010	904,665	1,145,520	2,050,185
2011	949,721	1,104,427	2,054,148
2012-2016	4,184,965	4,893,062	9,078,027
2017-2021	2,335,024	4,243,671	6,578,695
2022-2026	2,377,530	3,764,367	6,141,897
2027-2031	2,919,014	3,180,723	6,099,737
2032-2036	3,532,761	2,473,576	6,006,337
2037-2041	3,799,046	1,664,608	5,463,654
2042-2046	4,197,352	769,697	4,967,049
2047	910,053	40,952	951,005
Total business-type activities	<u>\$ 28,453,543</u>	<u>\$ 26,965,721</u>	<u>\$ 55,419,264</u>

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

**Loan Guarantees**

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

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 7 - COMMITMENTS AND CONTINGENCIES** (Continued)

**Grant and Loan Compliance**

The County participates in a number of federal and state assisted programs, principal of which are grants from the Department of Housing and Urban Development, Appalachian Regional Commission, Rural Development, Environmental Protection Agency, Maryland Department of the Environment, and loans from the State of Maryland. These programs are subject to program compliance audits by the grantors or their representatives. The audit for these programs for and including the year ended June 30, 2006, has not yet been concluded. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures for projects which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

**Lease Commitments – Component Units**

Garrett College has entered into a lease with the County for the rental of a student dormitory building, known as "Garrett Hall". Terms of the lease include monthly rental payments of \$5,396 for a period of 29 years. At the end of the initial term of the lease, the College has the option to extend the lease. Total future minimum payments under the operating lease as of June 30, 2006 are as follows:

Year Ending June 30, 2007	\$ 64,752
June 30, 2008	64,752
June 30, 2009	64,752
June 30, 2010	64,752
June 30, 2011	64,752
Thereafter	<u>1,759,096</u>
Total	<u>\$ 2,082,856</u>

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

**NOTE 8 - EMPLOYEES' RETIREMENT PLANS**

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

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 8 - EMPLOYEES' RETIREMENT PLANS** (Continued)

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

The State Retirement and Pension System of Maryland is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland and managed by the State Retirement Agency and its board of trustees. The System issues a publicly available annual financial report that includes financial statements and required supplementary information for all of the various employee groups within the State system. The annual report for the year ended June 30, 2005 (most recent available data) may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, MD 21202 or by calling 1-800-492-5909.

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

Contribution rates for employers and other "non-employer" contributing entities are established by annual actuarial valuations using the entry age normal cost method with projection to determine costs. The primary government's employer contribution rates for 2006 were 9.80% for the Employee Retirement System and 4.8% for the Employee Pension System. These rates are sufficient to fund normal costs and amortize the unfunded actuarial accrued liability as a level percentage of payroll in distinct pieces. The liquidation period for the unfunded actuarial accrued liability which existed as of June 30, 2000 is 15 years to June 30, 2020. The additional unfunded actuarial liability which arose subsequent to June 30, 2000, is being amortized in separate annual layers over a 25 year period.

The annual pension cost of the County was as follows:

	<u>Annual Pension Cost</u>
<u>Primary Government</u>	
General Fund	\$ 63,422
Solid Waste Fund	<u>1,211</u>
Total Primary Government	<u>\$ 64,633</u>

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)**

The annual pension cost was equal to the required and actual contributions.

Assets are valued for funding purposes using a simplified five-year moving average. Under this method, the actuarial value of assets is one-fifth of the current fiscal year market value, plus four-fifths of the expected market value, where the expected market value is the preceding year's actuarial asset value adjusted for the current year's cash flows with interest at the actuarial assumed rate of return on investments.

The following significant assumptions were used in the actuarial valuation as of June 30, 2005:

- 1) A rate of return on investments of 7.75% compounded annually.
- 2) Projected salary increases of 4% compounded annually, attributable to inflation.
- 3) Additional projected salary increases ranging from 0.00% to 11.96% per year attributable to seniority and merit.
- 4) Post-retirement benefit increases ranging from 3% to 4% per year depending on the system.
- 5) Rates of mortality, termination of service, disablement and retirement are based on actual experience during the period from 1981 through 2002.
- 6) The aggregate active member payroll is assumed to increase by 4% annually.

There were no significant changes in actuarial assumptions, actuarial funding methods, benefit provisions or any other significant factors used to determine pension contribution requirements.

**Three Year Trend Information**

<u>Entity</u>	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Primary Government - County	June 30, 2004	\$ 289,489	100%	0
	June 30, 2005	498,680	100%	0
	June 30, 2006	64,633	100%	0

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 8 - EMPLOYEES' RETIREMENT PLANS** (Continued)

The Maryland State Retirement and Pension System's annual report does not make separate funding progress measurements by individual employers. The following schedule reflects the total Systems' funding progress as a whole.

<b>Required Supplementary Information</b>						
Schedule of Funding Progress						
(Expressed in Thousands)						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/03	\$ 32,631,465	\$ 34,974,601	\$ 2,343,136	93.30%	\$ 8,134,419	29 %
6/30/04	33,484,657	36,325,704	2,841,047	92.18%	8,069,481	35 %
6/30/05	34,519,500	39,133,450	4,613,950	88.21%	8,603,761	54 %

**Defined Contribution Plan**

The County and Sanitary District offer additional retirement benefits under a defined contribution PEBSCO 401(A) Employee Match Program. Benefits depend on the amounts contributed to the plan plus investment earnings. Eligible participants include all full-time employees who elect to participate in the County's IRC Section 457 deferred compensation plan. Employees deferring at least two percent of earned compensation under the deferred compensation plan are eligible to receive an employer contribution to the defined contribution plan. During the year ended June 30, 2006, the County contributed \$182,129 or 2.42 percent of earned compensation. Covered payroll approximated \$7,525,996. The Sanitary District contributed \$14,583 on covered payroll of approximately \$602,597.

**Law Enforcement Personnel Retirement Plan**

The County adopted the Garrett County Law Enforcement Personnel Retirement Plan effective July 1, 2002, for all employees classified by the County as the Sheriff, correctional officer, or sworn law-enforcement officer with the Sheriff's Department or Office of the State's Attorney. The Plan provides retirement, disability and death benefits for all eligible employees. Administrative, investment, and member benefit service responsibilities are provided by a Board of Trustees. The actuarial valuation report as of July 1, 2006 (most recent available data) may be obtained from the County Commissioners of Garrett County, Maryland.

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 8 - EMPLOYEES' RETIREMENT PLANS** (Continued)

**Law Enforcement Personnel Retirement Plan** (Continued)

Normal retirement is at any age with 25 years of eligibility service or, at age 62 with up to 20 years of eligibility service. 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 eligibility service. Disability benefits are available after five years of credited service. Death benefits are calculated by formulae.

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

Contributions to the Plan were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of July 1, 2005. Participant contributions are included in the plan assets and are 100% vested with the employee. Upon termination of employment, a participant may elect to receive a refund of contributions.

Contribution rates as a percentage of covered payroll during fiscal year 2006 are as follows:

<u>Employee Rate</u>	<u>Employer Rate</u>	<u>Covered Payroll</u>
7.00%	12.23%	\$1,717,428

Annual pension costs (APC) are the actuarially required employer contribution to the pension plan. The net pension obligation (NPO) represents the difference between the APC and the actual employer contributions. The APC was \$149,436. Based on recommendations from the County's actuary, the actual employer contribution for fiscal year 2006 was \$210,042. There was no NPO outstanding at June 30, 2006.

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

- a) A rate of return on investments of 8% compounded annually.
- b) Projected salary increases of 4% compounded annually.
- c) Rates of mortality are based on 1971 GAM.

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)**

**Law Enforcement Personnel Retirement Plan (Continued)**

The following schedule reflects the plans funding progress for the three years ended June 30, 2006:

	<u>6/30/06</u>	<u>6/30/05</u>	<u>6/30/04</u>
Actuarial valuation of assets	\$1,691,471	\$ 1,348,906	\$ 1,044,530
Accrued actuarial liability (AAL)	\$2,754,000	\$ 2,353,404	\$ 1,849,261
Unfunded accrued actuarial liability (UAAL)	\$1,062,529	\$ 1,004,498	\$ 805,090
Funded ratio	61.62%	57.32%	56.47%
Covered payroll	\$1,717,428	\$ 1,370,716	\$ 1,220,684
UAAL as a percentage of covered payroll	61.87%	73.28%	65.95%

**Government Personnel Retirement Plan**

The County has adopted the Garrett County Government Personnel Retirement Plan effective July 1, 2005, for all employees classified by the County. Eligible personnel employed prior to July 1, 2005, could elect to participate in the Plan effective July 1, 2005. Such election was irrevocable. Participation in the Plan is mandatory for all eligible personnel hired after July 1, 2005. The Plan provides retirement, disability and death benefits for all eligible employees. Administrative, investment, and member benefit service responsibilities are provided by a Board of Trustees. The actuarial valuation report as of July 1, 2006, (most recent available data) may be obtained from the County Commissioners of Garrett County, Maryland.

Normal retirement is at any age with 30 years of eligibility service or, at age 62 with at least 5 years of credited service. Normal retirement benefits are equal to 1.67% of the participant's average compensation multiplied by the number of years of credited service. Early retirement is at age 55 with 15 years of credited service. Disability benefits are available after five years of credited service. Death benefits are calculated by formulae.

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

Contributions to the Plan were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of July 1, 2005. Participant contributions are included in the plan assets and are 100% vested with the employee. Upon termination of employment, a participant may elect to receive a refund of contributions.

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 8 - EMPLOYEES' RETIREMENT PLANS (Continued)**

**Government Personnel Retirement Plan (Continued)**

Contribution rates as a percentage of covered payroll during fiscal year 2006 are as follows:

<u>Employee Rate</u>	<u>Employer Rate</u>	<u>Covered Payroll</u>
1.00%	8.60%	\$8,591,132

Annual pension costs (APC) are the actuarially required employer contribution to the pension plan. The net pension obligation (NPO) represents the difference between the APC and the actual employer contributions. The APC was \$733,186. Based on recommendations from the County's actuary, the actual employer contribution for fiscal year 2006 was \$737,732. There was no NPO outstanding at June 30, 2006.

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

- a) A rate of return on investments of 8% compounded annually.
- b) Projected salary increases of 3.5% compounded annually.
- c) Rates of mortality are based on RP-2000; 2 year set forward.

The following schedule reflects the plans funding progress for the first year ended June 30, 2006:

Actuarial valuation date	<u>6/30/06</u>
Actuarial valuation of assets	\$6,221,885
Accrued actuarial liability (AAL)	\$9,927,566
Unfunded accrued actuarial liability (UAAL)	\$3,705,681
Funded ratio	62.67%
Covered payroll	\$8,591,132
UAAL as a percentage of covered payroll	43.13%



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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 9 - DEFERRED COMPENSATION**

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

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

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

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS**

**Primary Government**

In addition to the pension benefits described above, the County provides post retirement health care benefits as approved by the Board of County Commissioners to all permanent full-time employees of the primary government eligible to retire under Maryland State Retirement, Garrett County Government Personnel Retirement and Garrett County Law Enforcement Retirement guidelines. Currently, 129 retirees/spouses meet those eligibility requirements. The County contributes a percentage of the cost of coverage including dependent coverage depending on years of service as follows:

<u>Years of Service</u>	<u>Retiree</u>		<u>Dependents</u>	
	<u>Individual Percentage</u>	<u>County Percentage</u>	<u>Individual Percentage</u>	<u>County Percentage</u>
Prior to January 1, 1995:				
No Minimum Service	40 %	60 %	40 %	60 %
Effective January 1, 1995:				
Less than 10 years		No Coverage	Provided	
10 or less than 15 years	60 %	40 %	100 %	0 %
15 or less than 21 years	50 %	50 %	75 %	25 %
21 or less than 26 years	40 %	60 %	60 %	40 %
26 or more years	0 %	100 %	50 %	50 %

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

**Notes to Financial Statements  
June 30, 2006**

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

**Primary Government (Continued)**

The County also provides a \$1,500 life insurance benefit to eligible participants at no cost to the retiree. Expenditures for post retirement health care benefits are funded on a pay-as-you-go basis. During the year ended June 30, 2006, expenditures of approximately \$404,510 were recognized for post retirement health care and life insurance benefits. For County employees hired on or after June 1, 2005, health care benefits are provided upon retirement for employees only. Retiree's dependent health care coverage is no longer being offered.

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

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

The Solid Waste Fund has recorded a landfill closure and post-closure care liability of \$2,639,872 as of June 30, 2006, representing the cumulative operating expenses reported to date based on the Round Glade landfill at full capacity (\$932,420) and the new landfill at 31% of its estimated capacity (\$1,707,452). The County will recognize the balance of estimated closure and post-closure costs of approximately \$3,052,508 over the remaining useful life of the new landfill, which approximates 20 years. These amounts are based on the County's engineer estimates of costs to perform all closure and post-closure care activities as of 2006. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County has established a landfill closure fund through Maryland Environmental Services to provide funds to pay the above closure and post-closure costs. The balance of these restricted cash assets at June 30, 2006 was \$1,023,827.

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, 2006, which satisfies the financial assurance provisions of the Act.

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 12 - FUND EQUITY**

A summary of fund balances as of June 30, 2006 is as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Reserved For			
Agricultural land preservation	\$ 283,532	\$	\$ 283,532
Inventory	364,450		364,450
Excess received from tax sale	53,043		53,043
Special revenue funds	<u>                    </u>	<u>106,573</u>	<u>106,573</u>
Total reserved fund balance	<u>\$ 701,025</u>	<u>\$ 106,573</u>	<u>\$ 807,598</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Unreserved -- Designated For:			
Capital projects:			
Detention Center	\$ 3,266,507	\$	\$ 3,266,507
Exhibit Hall	4,772,586		4,772,586
Adventure Sports	2,750,000		2,750,000
Public Works Facility	3,076,899		3,076,899
Garrett College	3,696,510		3,696,510
Board of Education	118,589		118,589
Law Library	18,000		18,000
Public Works	1,233,681		1,233,681
General Services	1,183		1,183
Economic Development	<u>13,714</u>		<u>13,714</u>
Capital Projects Subtotal	<u>\$ 18,947,669</u>	<u>\$ 0</u>	<u>\$ 18,947,669</u>
Subsequent year budget	<u>1,351,069</u>		<u>1,351,069</u>
Total Designated Fund Balance	<u>\$ 20,298,738</u>	<u>\$ 0</u>	<u>\$ 20,298,738</u>
Unreserved -- Undesignated	<u>\$ 5,389,085</u>	<u>\$ 0</u>	<u>\$ 5,389,085</u>
Total Fund Balance	<u>\$ 26,388,848</u>	<u>\$ 106,573</u>	<u>\$ 26,495,421</u>

**Business-type Activities - Solid Waste Fund**

The amount of closure and post-closure care liabilities in excess of restricted assets available to fund the liability is \$1,616,045. The deficit net assets in the Solid Waste Fund attributable to capital assets, net of related debt, indicates that the outstanding indebtedness exceeds the reported book value of the Solid Waste Fund's capital assets.

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 12 - FUND EQUITY (Continued)**

**Business-type Activities - Solid Waste Fund (Continued)**

Debt service reserves and cumulative deposits for current debt service payments on the outstanding bonds are reported as restricted net assets in the amount of \$953,487. Maryland Environmental Services (MES) is holding unexpended bond proceeds of approximately \$260,000 from Garrett County Landfill Project Revenue Bonds, Series 1993 that MES is contractually obligated to disburse on future cell expansion of the new landfill. In addition, the County levies an ad valorem tax to fund Solid Waste Fund debt service costs which generated \$1,179,043 in revenue during the year ended June 30, 2006.

**NOTE 13 - BUDGETARY BASIS RECONCILIATION - GENERAL FUND**

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

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

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Effect on Fund Balance</u>
As Reported on Budget Basis	\$ 62,383,054	\$ 57,393,828	\$ ( 1,016,530)	\$ 3,972,696
<u>Property Tax Revenue</u>				
Recognized in Year Levied on Budget Basis but in Year "Available" on GAAP Basis	(146,800)			(146,800)
<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	<u>\$ 62,385,054</u>	<u>\$ 57,542,628</u>	<u>\$ ( 1,016,530)</u>	<u>\$ 3,825,896</u>

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 14 - RISK MANAGEMENT**

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

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

**NOTE 15 - COMPLIANCE AND ACCOUNTABILITY**

**Over-expenditures**

Over-expenditures in the Sheriff's department were attributable to overtime and automotive expenses exceeding budget amounts. Correction's over-expenditures were reported in food and medical expense categories resulting from increased utilization. Non-budgeted Project Open Space revenues cover the over-expenditure in Parks and Recreation. Agricultural Land Preservation Program expenditures for easement purchases of \$57,794 are not budgeted; however, they are funded from agricultural transfer taxes restricted for that purpose. Community Action Programs' over-expenditures of \$295,781 are the result of grant program expenditures incurred up to the level of funding which exceeded budgeted amounts. Revenues received in excess of budgeted amounts cover the over-expenditure. Additional over-expenditures resulted from the County budgeting capital expenditures funded through a Homeland Security grant as operating expenses. Emergency alarm & communication expenditures consisting of a County-wide GPS tracking system was funded by the Emergency Numbers Systems Board Trust Fund. Neither revenues nor expenses were budgeted. Operating transfer variances consist of the cost of bringing water services to the property line of Northern High School, which was not budgeted.

**NOTE 16 - SUPPLEMENTAL CASH FLOW INFORMATION**

Non-cash financing and investing activities include the current year addition to the Solid Waste Fund closure and post-closure liability of \$212,320 which was charged to operations in the government-wide and proprietary funds financial statements.

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

**Notes to Financial Statements  
June 30, 2006**

**NOTE 16 - SUPPLEMENTAL CASH FLOW INFORMATION** (Continued)

In addition, the Garrett County Sanitary District canceled a note receivable in the amount of \$492,053 in exchange for system capacity previously reserved under the terms of the note. The cancellation of this note is reflected as a non-operating capital expense on the statement of revenue, expenses and changes in fund net assets of the proprietary funds and is reported as a functional expense of the Sanitary District on the government-wide statement of activities.

**NOTE 17 - SPECIAL ITEM**

During the year ended June 30, 2006, the County transferred certain infrastructure improvements made at the Northern Garrett Industrial Park to a private business enterprise. The costs of these improvements were incurred in prior fiscal years and previously recorded as construction in progress in the County's financial statements. The cost basis of the improvements transferred was \$2,809,133. The transfer is reflected in accompanying government-wide statement of activities as a special item.

**NOTE 18 - PRIOR PERIOD ADJUSTMENT - CORRECTION OF ERROR**

Certain expenses attributable to capital projects of the Board of Education were advance funded by the County in fiscal year 2005. The Maryland Board of Public Works had approved the Board of Education projects for funding in fiscal year 2006. As a result, County appropriations to the Board of Education were overstated in 2005 in the amount of \$502,000. The County recorded State revenues in fiscal year 2006 when the funds were received directly from the State. However, these funds represented revenues to the Board of Education and a reimbursement to the County for advancing the funds to allow the project to be completed at an earlier date. The accompanying fund financial statements reflect the correction of an error to record the revenue offset in the prior fiscal year. The effect is to increase fund balance as of June 30, 2005, by \$502,000.

Net assets as of the beginning of the current fiscal year in the government wide financial statements have been restated for the effects of the above adjustment as follows:

	<u>Governmental Activities</u>
Net Assets – Beginning of Year, As Previously Reported	\$ 62,591,360
To record the revenue offset to capital expenditures recorded in the prior year.	<u>502,000</u>
Net Assets – Beginning of Year, As Restated	<u>\$ 63,093,360</u>

**OTHER SUPPLEMENTARY INFORMATION**

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
General Fund Schedule of Revenues and Other Financing Sources -  
Budget and Actual (Budget Basis)  
Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>TAXES:</b>				
<b>Local Real and Personal Property:</b>				
Real Property	\$ 25,846,743	\$ 25,846,743	\$ 25,871,019	\$ 24,276
Railroads and Public Utilities	2,220,071	2,220,071	2,323,681	103,610
Ordinary Business Corporations	0	0	29,959	29,959
	<u>\$ 28,066,814</u>	<u>\$ 28,066,814</u>	<u>\$ 28,224,659</u>	<u>\$ 157,845</u>
Enterprise Zone Tax Refund	0	0	22,338	22,338
Addition and Abatements	(50,000)	(50,000)	(25,675)	24,325
Penalties and Interest	295,000	295,000	320,536	25,536
	<u>\$ 28,311,814</u>	<u>\$ 28,311,814</u>	<u>\$ 28,541,858</u>	<u>\$ 230,044</u>
Less: Discounts and Credits	<u>(350,000)</u>	<u>(350,000)</u>	<u>(387,511)</u>	<u>(37,511)</u>
<b>Total Real and Personal Property</b>	<u>\$ 27,961,814</u>	<u>\$ 27,961,814</u>	<u>\$ 28,154,347</u>	<u>\$ 192,533</u>
<b>Other Local Taxes:</b>				
Income	\$ 9,300,000	\$ 9,300,000	\$ 9,413,527	\$ 113,527
Admissions and Amusement	400,000	400,000	541,268	141,268
Recordation	2,800,000	2,800,000	3,877,203	1,077,203
Beer	111,870	111,870	141,914	30,044
Coal Tonnage	150,000	150,000	304,617	154,617
Gaming	126,145	126,145	0	(126,145)
Trailer Court	50,000	50,000	40,388	(9,612)
Natural Gas	1,000	1,000	3,649	2,649
Accommodations Tax	1,090,000	1,090,000	1,242,121	152,121
Transfer Tax	2,000,000	2,000,000	3,063,982	1,063,982
Franchise Tax	0	0	150	150
Agriculture Transfer Tax/Refunds	25,000	25,000	91,304	66,304
Coal Tax	200,000	200,000	152,871	(47,129)
911 Fees	190,000	190,000	259,556	69,556
Tax Sale Revenue	0	0	(1,761)	(1,761)
	<u>\$ 16,444,015</u>	<u>\$ 16,444,015</u>	<u>\$ 19,130,789</u>	<u>\$ 2,686,774</u>
<b>Total Other Local Taxes</b>	<u>\$ 16,444,015</u>	<u>\$ 16,444,015</u>	<u>\$ 19,130,789</u>	<u>\$ 2,686,774</u>
<b>Total Taxes</b>	<u>\$ 44,405,829</u>	<u>\$ 44,405,829</u>	<u>\$ 47,285,136</u>	<u>\$ 2,879,307</u>
<b>LICENSES AND PERMITS:</b>				
<b>Business:</b>				
Beer, Wine and Liquor Licenses	\$ 92,180	\$ 92,180	\$ 100,520	\$ 8,340
Traders	60,000	60,000	65,538	5,538
<b>Other Licenses and Permits:</b>				
Animal	10,000	10,000	11,356	1,356
Marriage	1,500	1,500	1,815	315
Gaming	19,700	19,700	0	(19,700)
TVRU License	65,000	65,000	15,500	(49,500)
Highways and Streets	14,500	14,500	24,888	10,388
Other Permits	0	3,500	4,542	1,042
	<u>\$ 262,880</u>	<u>\$ 266,380</u>	<u>\$ 224,159</u>	<u>\$ (42,221)</u>
<b>Total Licenses and Permits</b>	<u>\$ 262,880</u>	<u>\$ 266,380</u>	<u>\$ 224,159</u>	<u>\$ (42,221)</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, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>INTERGOVERNMENTAL:</b>				
<b>Grants From Federal Government:</b>				
Bankhead - Jones Act	\$ 2,500	\$ 2,500	\$ 2,638	\$ 138
Department of Justice - Domestic Violence	38,408	38,408	26,497	(11,911)
CDBG - Weatherization Project	100,000	100,000	323,291	223,291
Sheriff - BYRN Victim Awareness	60,000	26,535	25,673	(862)
Sheriff - Zero Tolerance	4,000	4,000	0	(4,000)
Civil Defense	27,500	27,500	27,549	49
Emergency Mgt. Domestic Preparedness	270,550	270,550	380,691	110,141
Rural Dev. Grants	0	19,445	19,445	0
CAC - Emergency Food Assistance	10,000	10,000	14,496	4,496
Federal Aid in Lieu of Taxes	0	0	2,559	2,559
ARC - Special Incentives Grant	0	15,000	15,000	0
Other	100	100	0	(100)
<b>Grants From State Government:</b>				
Highway User Tax	5,500,000	5,295,000	5,291,349	(3,651)
Disparity Grant	2,039,677	2,039,677	2,039,677	0
Fire, Rescue and Ambulance (508 Funds)	200,000	200,000	200,000	0
Police Protection	198,000	198,000	201,038	3,038
Highway and Streets	80,000	80,000	108,219	28,219
Conservation of Natural Resources	600,000	600,000	948,382	348,382
Jail - Domestic Violence Data Entry	13,000	13,000	13,000	0
Master's Program	7,700	7,700	9,412	1,712
Adult Community Services	27,000	27,000	27,000	0
MIEMSS Grant - Rural AED Grant	0	9,947	9,947	0
Department of Social Services - Child Support	10,000	10,000	6,906	(3,094)
DSS - Wheels to Work	0	0	82,571	82,571
Emergency Shelter	28,350	28,350	34,830	6,480
Family Services Grant	116,189	93,956	95,819	1,863
Sheriff - School Bus Violation	13,000	12,000	11,980	(20)
Sheriff - Bullet Proof Vest	2,500	2,500	2,401	(99)
Firearms Safety Training	0	0	1,250	1,250
Program Open Space	0	0	97,620	97,620
Project Open Space - Recreation Trail	25,000	25,000	0	(25,000)
Emergency Numbers Systems Board - 911	0	2,700	680,133	677,433
State Department of Ed. - School Construction	502,000	502,000	0	(502,000)
DBED/ASCI Grant	0	1,000,000	1,000,000	0
Dove Center	45,000	45,000	20,000	(25,000)
Maryland Hotspot - Community Policing II	15,000	15,000	15,022	22
Planning/Rural Legacy Program	300,000	300,000	302,182	2,182
<b>Subtotal - Intergovernmental</b>	<b>\$ 10,235,474</b>	<b>\$ 11,020,868</b>	<b>\$ 12,036,577</b>	<b>\$ 1,015,709</b>

**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, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>INTERGOVERNMENTAL - Continued</b>				
Balances Brought Forward	\$ 10,235,474	\$ 11,020,868	\$ 12,036,577	\$ 1,015,709
<b>Grants From State Government - Continued:</b>				
MD Energy Assistance - CAC	50,000	50,000	28,943	(21,057)
Youth Prevention Grant - CAC	34,666	34,666	34,666	0
Other	26,907	26,907	24,327	(2,580)
<b>Other:</b>				
Budget Settlement - Health Department	0	140,296	140,296	0
Other	16,500	16,500	16,560	60
<b>Total Intergovernmental</b>	<u>\$ 10,363,547</u>	<u>\$ 11,289,237</u>	<u>\$ 12,281,369</u>	<u>\$ 992,132</u>
<b>FINES AND FORFEITURES</b>	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ 9,234</u>	<u>\$ 2,234</u>
<b>SERVICE CHARGES FOR CURRENT SERVICES:</b>				
<b>General Government:</b>				
Zoning and Subdivision Fees	\$ 14,000	\$ 14,000	\$ 22,726	\$ 8,726
Marriage Ceremony Fees	1,000	1,000	1,120	120
Miscellaneous	82,250	78,750	103,875	25,125
Enterprise Funds - Indirect Fees	103,364	103,364	103,500	136
<b>Public Safety:</b>				
BOCA	150,000	150,000	156,899	6,899
State Inmate Housing	50,000	50,000	167,965	117,965
Animal Control	4,000	4,000	3,935	(65)
Sheriff Fees	89,500	89,500	90,926	1,426
<b>Total Service Charges</b>	<u>\$ 494,114</u>	<u>\$ 490,614</u>	<u>\$ 650,946</u>	<u>\$ 160,332</u>
<b>MISCELLANEOUS:</b>				
Interest and Dividends	\$ 484,000	\$ 884,000	\$ 1,110,751	\$ 226,751
Rents and Concessions	750,657	713,550	716,543	2,993
Other - General	6,500	81,500	91,305	9,805
Other - Sheriff	2,000	2,000	1,516	(484)
Other - Roads	10,000	10,000	12,095	2,095
<b>Total Miscellaneous</b>	<u>\$ 1,253,157</u>	<u>\$ 1,691,050</u>	<u>\$ 1,932,210</u>	<u>\$ 241,160</u>
<b>TOTAL REVENUES</b>	<u>\$ 56,786,527</u>	<u>\$ 58,150,110</u>	<u>\$ 62,383,054</u>	<u>\$ 4,232,944</u>
<b>OTHER FINANCING SOURCES:</b>				
Sale of Capital Assets	<u>\$ 20,000</u>	<u>\$ 428,782</u>	<u>\$ 436,980</u>	<u>\$ 8,198</u>
<b>Total Other Financing Sources</b>	<u>\$ 20,000</u>	<u>\$ 428,782</u>	<u>\$ 436,980</u>	<u>\$ 8,198</u>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<u><u>\$ 56,806,527</u></u>	<u><u>\$ 58,578,892</u></u>	<u><u>\$ 62,820,034</u></u>	<u><u>\$ 4,241,142</u></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, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>GENERAL GOVERNMENT</b>				
<b>Legislative:</b>				
County Commissioners	\$ 438,966	\$ 451,718	\$ 435,141	\$ (16,577)
<b>Judicial:</b>				
Circuit Court	\$ 369,036	\$ 352,653	\$ 350,738	\$ (1,915)
Orphans Court	16,452	16,452	15,026	(1,426)
State's Attorney	491,644	491,644	467,490	(24,154)
Other	17,000	17,000	26,122	9,122
<b>Total Judicial</b>	<u>\$ 894,132</u>	<u>\$ 877,749</u>	<u>\$ 859,376</u>	<u>\$ (18,373)</u>
<b>Elections:</b>				
Board of Supervisors of Elections	\$ 298,072	\$ 298,072	\$ 263,277	\$ (34,795)
<b>Financial Administration:</b>				
Finance Office	\$ 370,186	\$ 370,186	\$ 364,544	\$ (5,642)
Tax Collection Office	247,533	247,533	232,627	(14,906)
Procurement	124,023	124,023	142,842	18,819
<b>Total Financial Administration</b>	<u>\$ 741,742</u>	<u>\$ 741,742</u>	<u>\$ 740,013</u>	<u>\$ (1,729)</u>
<b>Law:</b>				
Legal Counsel	\$ 87,329	\$ 87,329	\$ 77,756	\$ (9,573)
<b>Personnel Administration:</b>				
Personnel Administration	\$ 161,012	\$ 166,237	\$ 151,481	\$ (14,756)
<b>Planning and Zoning:</b>				
Planning Commission	\$ 1,050,279	\$ 1,050,279	\$ 773,744	\$ (276,535)
<b>General Services:</b>				
County Buildings	\$ 1,732,850	\$ 1,732,819	\$ 1,723,886	\$ (8,933)
Gaming	40,357	54,357	0	(54,357)
<b>Total General Services</b>	<u>\$ 1,773,207</u>	<u>\$ 1,787,176</u>	<u>\$ 1,723,886</u>	<u>\$ (63,290)</u>
<b>Total General Government</b>	<u>\$ 5,444,739</u>	<u>\$ 5,460,302</u>	<u>\$ 5,024,674</u>	<u>\$ (435,628)</u>
<b>PUBLIC SAFETY</b>				
Sheriff's Department	\$ 2,058,399	\$ 2,075,064	\$ 2,126,934	\$ 51,870
Corrections	1,472,377	1,482,377	1,568,968	86,591
Fire and Rescue Services	1,142,945	1,142,945	1,092,348	(50,597)
<b>Other Public Safety:</b>				
Permits and Inspections	550,739	550,739	487,134	(63,605)
Animal Control	152,398	152,398	151,843	(555)
Civil Defense/ Emergency Management	348,309	359,856	200,854	(159,002)
Emergency Alarm and Communications (911)	449,171	450,271	463,186	12,915
<b>Total Public Safety</b>	<u>\$ 6,174,338</u>	<u>\$ 6,213,650</u>	<u>\$ 6,091,267</u>	<u>\$ (122,383)</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, 2006

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>PUBLIC WORKS</b>				
Highways and Streets	\$ 13,046,429	\$ 13,385,124	\$ 13,295,574	\$ (89,550)
<b>HEALTH AND HOSPITAL</b>				
Health Department	\$ 804,067	\$ 804,067	\$ 804,067	\$ 0
<b>SOCIAL SERVICES</b>				
Commission on Aging	\$ 235,780	\$ 235,780	\$ 235,780	\$ 0
<b>EDUCATION</b>				
Board of Education	\$ 19,621,000	\$ 20,053,929	\$ 19,541,859	\$ (512,070)
Community College	5,368,200	5,474,710	3,318,200	(2,156,510)
Total Education	\$ 24,989,200	\$ 25,528,639	\$ 22,860,059	\$ (2,668,580)
<b>CULTURE</b>	\$ 14,000	\$ 58,383	\$ 58,715	\$ 332
<b>PARKS AND RECREATION</b>	\$ 20,000	\$ 20,000	\$ 84,581	\$ 64,581
<b>LIBRARY</b>	\$ 890,500	\$ 906,000	\$ 904,100	\$ (1,900)
<b>CONSERVATION OF NATURAL RESOURCES</b>				
Agriculture Extension Service	\$ 100,000	\$ 143,678	\$ 142,702	\$ (976)
Soil Conservation	50,868	50,868	50,868	0
Agricultural Land Preservation Program	0	0	57,794	57,794
Total Conservation of Natural Resources	\$ 150,868	\$ 194,546	\$ 251,364	\$ 56,818
<b>ECONOMIC DEVELOPMENT AND OPPORTUNITY</b>				
Economic Development	\$ 513,723	\$ 571,716	\$ 519,257	\$ (52,459)
Adventure Sports	350,000	2,600,000	2,600,000	0
Tourism	600,000	600,000	600,000	0
Community Action Programs	498,756	498,756	794,537	295,781
Special Promotion	138,900	138,900	123,199	(15,701)
Other	98,028	124,563	100,269	(24,294)
Total Economic Development and Opportunity	\$ 2,199,407	\$ 4,533,935	\$ 4,737,262	\$ 203,327
<b>CAPITAL OUTLAY</b>				
Circuit Court	\$ 0	\$ 18,000	\$ 0	\$ (18,000)
Planning and Zoning	20,983	20,983	17,057	(3,926)
Permits and Inspections	18,049	18,049	18,049	0
County Buildings	284,190	152,996	151,812	(1,184)
Sheriff's Department	84,000	113,824	113,732	(92)
Emergency Management	0	0	276,362	276,362
Emergency Alarm & Communications - 911	0	0	677,433	677,433
Highways and Streets	524,000	715,321	684,656	(30,665)
Total Capital Outlay	\$ 931,222	\$ 1,039,173	\$ 1,939,101	\$ 899,928

**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, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>DEBT SERVICE</b>				
General Obligation Debt	\$ 542,318	\$ 682,614	\$ 682,605	\$ (9)
Other	<u>866</u>	<u>866</u>	<u>866</u>	<u>0</u>
<b>Total Debt Service</b>	<u>\$ 543,184</u>	<u>\$ 683,480</u>	<u>\$ 683,471</u>	<u>\$ (9)</u>
<b>INTERGOVERNMENTAL</b>	<u>\$ 5,205</u>	<u>\$ 5,205</u>	<u>\$ 5,205</u>	<u>\$ 0</u>
<b>MISCELLANEOUS</b>	<u>\$ 508,500</u>	<u>\$ 684,113</u>	<u>\$ 418,608</u>	<u>\$ (265,505)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 55,957,439</u>	<u>\$ 59,752,397</u>	<u>\$ 57,393,828</u>	<u>\$ (2,358,569)</u>
<b>OTHER FINANCING USES</b>				
Operating Transfers:				
Capital Projects Fund	\$ 3,727,385	\$ 8,841,868	\$ 965,608	\$ (7,876,260)
Special Revenue Fund	0	0	3,316	3,316
Airport	693,303	693,303	173,691	(519,612)
Sanitary District	<u>57,400</u>	<u>57,400</u>	<u>310,895</u>	<u>253,495</u>
<b>Total Other Financing Uses</b>	<u>\$ 4,478,088</u>	<u>\$ 9,592,571</u>	<u>\$ 1,453,510</u>	<u>\$ (8,139,061)</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ 60,435,527</u>	<u>\$ 69,344,968</u>	<u>\$ 58,847,338</u>	<u>\$ (10,497,630)</u>

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
General Fund  
Schedule of Taxes and Taxes Receivable  
Year Ended June 30, 2006

	<b>Total Assessed Value</b>	<b>Tax Rate Per \$100</b>	<b>Actual Tax Levy</b>	<b>Amount Collected</b>	<b>Balance of Taxes Receivable</b>
<b>CURRENT YEAR LEVY:</b>					
Real Property - Full Year					
Mt Lake Park	\$ 71,542,844	\$ 0.795	\$ 568,765		
Oakland	98,951,614	0.885	875,722		
All Others	<u>2,528,449,764</u>	0.960	<u>24,273,118</u>		
Total Full Year	\$ 2,698,944,222		\$ 25,717,605	\$ 24,416,196	\$ 1,301,409
Real Property - One-Half Year	42,326,035	0.476	201,513	175,527	25,986
Total Real Property	<u>\$ 2,741,270,257</u>		<u>\$ 25,919,118</u>	<u>\$ 24,591,723</u>	<u>\$ 1,327,395</u>
Personal Property - Corporate	<u>\$ 1,248,290</u>	2.400	<u>\$ 29,959</u>	<u>\$ 29,959</u>	<u>\$ 0</u>
Public Utilities	\$ 96,617,200	2.400	\$ 2,318,813		
Railroad Real Estate	507,130	0.96	4,868		
Total Railroads and Public Utilities	<u>\$ 97,124,330</u>		<u>\$ 2,323,681</u>	<u>\$ 2,323,681</u>	<u>\$ 0</u>
<b>Total Current Year</b>	<u><u>\$ 2,839,642,877</u></u>		<u><u>\$ 28,272,758</u></u>	<u><u>\$ 26,945,363</u></u>	<u><u>\$ 1,327,395</u></u>
<b>PRIOR YEAR RECEIVABLES:</b>					
Year Ended June 30:					
2005					\$ 31,006
2004					69,427
2003					59,006
2002					79,713
2001					79,082
2000					73,000
1999					27,242
1998					14,746
1997					15,959
1996					13,737
1991-1995					<u>2,211</u>
<b>Total Prior Years</b>					<u>\$ 465,129</u>
<b>TOTAL TAXES RECEIVABLE</b>					\$ 1,792,524
Less: Allowance for Uncollectible Accounts					<u>(226,000)</u>
<b>TAXES RECEIVABLE - NET</b>					<u><u>\$ 1,566,524</u></u>

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
Combining Balance Sheet  
Other Governmental Funds  
June 30, 2006

	<u>DARE Program</u>	<u>HUD Block Grant</u>	<u>Gaming</u>
<b>ASSETS:</b>			
Due from Other Funds	\$ 794	\$ 9	\$
Due from Other Governments		19,652	
Other Receivables - Net			
Restricted Cash		<u>1</u>	
<b>TOTAL ASSETS</b>	<u>\$ 794</u>	<u>\$ 19,662</u>	<u>\$ 0</u>
<b>LIABILITIES:</b>			
Accounts Payable and Accrued Expenses	\$ 26	\$	\$
Due to Other Funds			14,342
Other Liabilities		<u>19,652</u>	
<b>Total Liabilities</b>	<u>\$ 26</u>	<u>\$ 19,652</u>	<u>\$ 14,342</u>
<b>FUND BALANCES:</b>			
Reserved	<u>\$ 768</u>	<u>\$ 10</u>	<u>\$ (14,342)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 794</u>	<u>\$ 19,662</u>	<u>\$ 0</u>

<u>Public Safety</u>	<u>Commissary</u>	<u>Law Library</u>	<u>Total Other Governmental Funds</u>
\$ 790	\$ 50,934	\$ 44,735	\$ 97,262
	1,655		19,652
<u>26,819</u>			<u>1,655</u>
			<u>26,820</u>
<u>\$ 27,609</u>	<u>\$ 52,589</u>	<u>\$ 44,735</u>	<u>\$ 145,389</u>
\$ 521	\$ 1,187	\$ 3,088	4,822
			14,342
			<u>19,652</u>
<u>\$ 521</u>	<u>\$ 1,187</u>	<u>\$ 3,088</u>	<u>\$ 38,816</u>
<u>\$ 27,088</u>	<u>\$ 51,402</u>	<u>\$ 41,647</u>	<u>\$ 106,573</u>
<u>\$ 27,609</u>	<u>\$ 52,589</u>	<u>\$ 44,735</u>	<u>\$ 145,389</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, 2006

	<u>DARE Program</u>	<u>HUD Block Grant</u>	<u>Gaming</u>
<b>OPERATING REVENUES:</b>			
Intergovernmental	\$	\$ 149,636	\$
Fines and Forfeitures			
Charges for Services			
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Revenues</b>	\$ <u>                    </u>	\$ <u>149,636</u>	\$ <u>                    </u>
<b>EXPENDITURES:</b>			
General Government	\$	\$	\$ 342
Public Safety	1,496		
Community Development and Housing		149,637	
Capital Outlay			14,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Expenditures</b>	\$ <u>1,496</u>	\$ <u>149,637</u>	\$ <u>14,342</u>
<b>REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES</b>	\$ (1,496)	\$ (1)	\$ (14,342)
<b>OTHER FINANCING SOURCES</b>			
Sale of Capital Assets			
Operating Transfers			
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	\$ (1,496)	\$ (1)	\$ (14,342)
<b>Fund Balances, Beginning of Year</b>	<u>2,264</u>	<u>11</u>	<u>0</u>
<b>FUND BALANCES, End of Year</b>	\$ <u><u>768</u></u>	\$ <u><u>10</u></u>	\$ <u><u>(14,342)</u></u>

<u>Public Safety</u>	<u>Commissary</u>	<u>Law Library</u>	<u>Total Other Governmental Funds</u>
\$ 6,188	\$	\$ 20,000	\$ 175,824
12,976		13,255	26,231
	46,966		46,966
<u>\$ 19,164</u>	<u>\$ 46,966</u>	<u>\$ 33,255</u>	<u>\$ 249,021</u>
\$	\$	\$ 28,050	\$ 28,392
29,311	43,833		74,640
			149,637
			14,000
<u>\$ 29,311</u>	<u>\$ 43,833</u>	<u>\$ 28,050</u>	<u>\$ 266,669</u>
\$ (10,147)	\$ 3,133	\$ 5,205	\$ (17,648)
1,975			1,975
3,316			3,316
<u>\$ (4,856)</u>	<u>\$ 3,133</u>	<u>\$ 5,205</u>	<u>\$ (12,357)</u>
31,944	48,269	36,442	118,930
<u>\$ 27,088</u>	<u>\$ 51,402</u>	<u>\$ 41,647</u>	<u>\$ 106,573</u>

**GARRETT COUNTY SANITARY DISTRICT, INC.**

Combining Schedule of Revenues and Expenses and Changes in Net Assets by Cost Center  
Year Ended June 30, 2006

	<u>Water Systems</u>	<u>Other Water</u>	<u>Deep Creek Lab</u>	<u>Company Store</u>
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 963,144	\$ 17,680	\$ 105,246	\$
Other	132,013			951,680
<b>Total Operating Revenues</b>	<b>\$ 1,095,157</b>	<b>\$ 17,680</b>	<b>\$ 105,246</b>	<b>\$ 951,680</b>
<b>OPERATING EXPENSES:</b>				
Salaries	\$ 301,282	\$ 4,375	\$ 61,962	\$ 24,675
Fringe Benefits	130,358	1,754	25,600	10,759
Maintenance and Repairs	124,930	20	4,027	368
Supplies	86,197	311	13,932	838,522
Utilities	81,960		537	2,559
Transportation	39,606	384	2,580	
Contracted Services	11,169		13,511	
Lab Tests	44,797	337	(86,823)	
Direct Administrative	19,000	64	6,789	23,448
Indirect Administrative	263,357	3,740	53,424	21,619
Depreciation	538,395		9,707	1,190
Bad Debt Expense				4,049
<b>Total Operating Expenses</b>	<b>\$ 1,641,051</b>	<b>\$ 10,985</b>	<b>\$ 105,246</b>	<b>\$ 927,189</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ (545,894)</b>	<b>\$ 6,695</b>	<b>\$ 0</b>	<b>\$ 24,491</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Tap Fees - Capital Charge	\$ 178,032		\$	
Interest Revenue	54,037			3,169
Ad Valorem Tax	107,079			
Tap Fees - Capital Expense				
Sale of Assets				
Interest Expense	(105,104)			
<b>Net Other Revenues</b>	<b>\$ 234,044</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 3,169</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	<b>\$ (311,850)</b>	<b>\$ 6,695</b>	<b>\$ 0</b>	<b>\$ 27,660</b>
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>				
Contributed Capital				
Federal	\$ 91,621		\$	\$
Other	1,243			
Transfers from Primary Government	310,895			
<b>TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>\$ 403,759</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$ 91,909</b>	<b>\$ 6,695</b>	<b>\$ 0</b>	<b>\$ 27,660</b>

<u>Subtotal Water Projects</u>	<u>Sewer Systems</u>	<u>Trout Run</u>	<u>Other Sewer</u>	<u>Subtotal Sewer Projects</u>	<u>Total</u>
\$ 1,086,070	\$ 1,676,603	\$ 74,491	\$ 53,262	\$ 1,804,356	\$ 2,890,426
<u>1,083,693</u>	<u>72,739</u>		<u>1,475</u>	<u>74,214</u>	<u>1,157,907</u>
\$ <u>2,169,763</u>	\$ <u>1,749,342</u>	\$ <u>74,491</u>	\$ <u>54,737</u>	\$ <u>1,878,570</u>	\$ <u>4,048,333</u>
\$ 392,294	\$ 392,696	\$ 17,676	\$ 13,747	\$ 424,119	\$ 816,413
168,471	173,956	7,527	6,469	187,952	356,423
129,345	198,569	9,748	2,484	210,801	340,146
938,962	254,773	13,698	709	269,180	1,208,142
85,056	249,880	31,837		281,717	366,773
42,570	49,281	1,588	3,477	54,346	96,916
24,680	14,493	4,875		19,368	44,048
(41,689)	60,417	12,873	16,400	89,690	48,001
49,301	25,531	1,731	239	27,501	76,802
342,140	345,733	15,377	12,334	373,444	715,584
549,292	1,560,116	190,063		1,750,179	2,299,471
4,049	3,280			3,280	7,329
\$ <u>2,684,471</u>	\$ <u>3,328,725</u>	\$ <u>306,993</u>	\$ <u>55,859</u>	\$ <u>3,691,577</u>	\$ <u>6,376,048</u>
\$ (514,708)	\$ (1,579,383)	\$ (232,502)	\$ (1,122)	\$ (1,813,007)	\$ (2,327,715)
\$ 178,032	\$ 1,458,000	\$	\$	\$ 1,458,000	\$ 1,636,032
57,206	147,603	36,099		183,702	240,908
107,079	88,049	37,890		125,939	233,018
0	(492,053)			(492,053)	(492,053)
0	(14,040)			(14,040)	(14,040)
<u>(105,104)</u>	<u>(130,568)</u>	<u>(30,029)</u>		<u>(160,597)</u>	<u>(265,701)</u>
\$ <u>237,213</u>	\$ <u>1,056,991</u>	\$ <u>43,960</u>	\$ <u>0</u>	\$ <u>1,100,951</u>	\$ <u>1,338,164</u>
\$ <u>(277,495)</u>	\$ <u>(522,392)</u>	\$ <u>(188,542)</u>	\$ <u>(1,122)</u>	\$ <u>(712,056)</u>	\$ <u>(989,551)</u>
\$ 91,621	\$ 27,181	\$	\$	\$ 27,181	\$ 118,802
1,243				0	1,243
<u>310,895</u>				<u>0</u>	<u>310,895</u>
\$ <u>403,759</u>	\$ <u>27,181</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>27,181</u>	\$ <u>430,940</u>
\$ <u>126,264</u>	\$ <u>(495,211)</u>	\$ <u>(188,542)</u>	\$ <u>(1,122)</u>	\$ <u>(684,875)</u>	\$ <u>(558,611)</u>

**GARRETT COUNTY SANITARY DISTRICT, INC.**

Schedule of Costs Capitalized to Construction in Progress  
Year Ended June 30, 2006

<b>PROJECT</b>	<b>Balance July 1, 2005</b>	<b>Construction (Net of Program Income)</b>	<b>Engineering</b>	<b>Salaries</b>
Deep Creek Lake Capacity Upgrade	\$ 3,533,606	\$ 8,517,229	\$ 365,093	\$ 23,528
Crellin Water Improvement	35,365		1	3,605
Keysers Ridge Sewer	62,886		27	2,789
McHenry Water System	154,246	7,025	13,722	15,588
Keysers Ridge Water		10,080	12,756	6,786
Deep Creek Lake Collection & Conveyance	48,957		168,256	16,148
Trout Run Sewer	43,880	29,612	53,595	4,125
Mountain Lake Park Water	10,444		102	3,552
Gorman Sewer	4,610		30,000	673
Friendsville Sewer	24,687		79,562	6,653
Northern High School Water		245,395	65,500	
Thayerville Water			16,870	
<b>TOTAL</b>	<b>\$ 3,918,681</b>	<b>\$ 8,809,341</b>	<b>\$ 805,483</b>	<b>\$ 83,446</b>

<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, 2006</u>
\$ 8,330	\$ 27,493	\$ 353,727	\$ 13,107	\$ 9,308,507	\$	\$ 12,842,113
1,393	24		3,049	8,072		43,437
1,047			2,340	6,203		69,090
5,347	113		12,773	54,568		208,814
2,545	10,065		5,693	47,925		47,925
5,334	73		19,438	209,249		258,206
1,448	14		3,400	92,193		136,073
1,150			2,869	7,672		18,116
232			552	31,457		36,067
2,403	1,204		5,525	95,347		120,033
				310,895		310,895
	432			17,302		17,302
<u>\$ 29,229</u>	<u>\$ 39,418</u>	<u>\$ 353,727</u>	<u>\$ 68,747</u>	<u>\$ 10,189,390</u>	<u>\$ 0</u>	<u>\$ 14,108,072</u>

**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
Comparative Schedule of Primary Government Long-Term Indebtedness  
June 30, 2006 and 2005

	June 30,	
	2006	2005
<b>LONG-TERM INDEBTEDNESS:</b>		
<b>Government Activities:</b>		
Bond Payable - Hospital Bonds of 2002	\$ 1,879,569	\$ 2,230,529
Bond Payable - Hospital Bonds of 2003	1,092,607	1,366,627
Bond Payable - Hospital Bonds of 2004	1,329,942	1,377,122
Bond Payable - Hospital Refunding Bonds of 1997	1,675,000	2,045,000
Bond Payable - General Obligation Public Facilities Bonds of 1996	2,560,000	2,740,000
Bond Payable - USDA Rural Development - Health Center	2,552,668	2,774,176
Accrued Compensated Absences - General Fund	1,078,964	945,339
<b>Total Governmental Activities</b>	<b>\$ 12,168,750</b>	<b>\$ 13,478,793</b>
<b>Business Type Activities:</b>		
<b>Airport</b>		
Accrued Compensated Absences - Airport	\$ 3,112	\$ 3,803
<b>Total Airport</b>	<b>\$ 3,112</b>	<b>\$ 3,803</b>
<b>Solid Waste</b>		
Bond Payable - Landfill Project, Series 1993	\$ 3,180,000	\$ 3,485,000
Bond Payable - Maryland Water Quality Financing Administration	1,243,219	1,335,689
Accrued Landfill Closure/Postclosure Liability	2,639,872	2,458,335
Accrued Compensated Absences - Landfill	78,235	72,296
<b>Total Solid Waste</b>	<b>\$ 7,141,326</b>	<b>\$ 7,351,320</b>
<b>Sanitary District</b>		
Note Payable - Rural Development-Bloomington	\$ 119,592	\$ 125,031
Note Payable - Rural Development-Youghiogheny	660,952	672,249
Note Payable - Rural Development-Chestnut Ridge	775,827	787,888
Note Payable - Maryland Department of the Environment-Mt. Lake Park/Powles	86,280	88,909
Note Payable - Rural Development-Chestnut Ridge	215,402	218,753
Note Payable - GE Capital Asset Management-Friendsville Water	76,000	84,000
Note Payable - Rural Development-Deer Park Sewer	363,213	368,378
Note Payable - Maryland Water Quality Financing-Deep Creek Lake Sewer Ext.	766,519	814,617
Note Payable - Maryland Water Quality Financing-Deep Creek Lake Septage	251,452	272,263
Note Payable - State of Maryland-Jennings Sewer	84,342	89,828
Note Payable - Maryland Water Quality Financing-Goodwill Mennonite Sewer	213,293	230,708
Note Payable - Rural Development-Meadow Mountain Sewer	391,812	396,108
Note Payable - Rural Development-McHenry Water	225,748	228,157
Note Payable - Rural Development-McHenry Water	594,713	601,055
Note Payable - Rural Development-Keysers Ridge Water	546,225	551,974
Note Payable - Rural Development-Deer Park Water	553,477	559,378
Note Payable - M & T Bank-DCL Plant Capacity	5,000,000	2,500,000
Note Payable - M & T Bank-McKenzie Property	135,251	152,145
Note Payable - M & T Bank-Trout Run Lab Equipment		1,962
Note Payable - Maryland Water Quality Financing-Deer Park Water	251,527	260,000
Note Payable - Maryland Water Quality Financing-Septage Hauling Truck	103,466	123,913
Note Payable - Rural Development Keyser's Ridge Water	115,233	
Note Payable - M&T Bank-DCL Interim Financing	3,700,000	
Note Payable - M&T Bank-DCL Interim Financing	8,800,000	
Accrued Compensated Absences	94,306	82,216
<b>Total Sanitary District</b>	<b>\$ 24,124,630</b>	<b>\$ 9,209,532</b>
<b>Total Business Type Activities</b>	<b>\$ 31,269,068</b>	<b>\$ 16,564,655</b>
<b>TOTAL LONG-TERM INDEBTEDNESS</b>	<b>\$ 43,437,818</b>	<b>\$ 30,043,448</b>

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

Combining Statement of Net Assets  
Fiduciary Funds  
June 30, 2006

	<u>Government Personnel Retirement Plan</u>	<u>Law Enforcement Employee Retirement Plan</u>	<u>Total Retirement Plans</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 196,331	\$ 40,361	\$ 236,692
Investments:			
Certificates of Deposit	\$	\$ 165,000	\$ 165,000
Fixed Income Securities	1,807,379	428,512	2,235,891
Mutual Funds	2,495,292	600,034	3,095,326
Equity Securities	1,671,963	488,455	2,160,418
Total Investments	<u>\$ 5,974,634</u>	<u>\$ 1,682,001</u>	<u>\$ 7,656,635</u>
Interest Receivable	<u>\$ 20,029</u>	<u>\$ 7,578</u>	<u>\$ 27,607</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,190,994</u>	<u>\$ 1,729,940</u>	<u>\$ 7,920,934</u>
<b>LIABILITIES:</b> Internal Balances	<u>\$ 30,891</u>	<u>\$ (30,891)</u>	<u>\$ 0</u>
<b>NET ASSETS:</b>			
Held in Trust for Benefits and Other Purposes	<u><u>\$ 6,221,885</u></u>	<u><u>\$ 1,699,049</u></u>	<u><u>\$ 7,920,934</u></u>



**THE BOARD OF COUNTY COMMISSIONERS OF  
GARRETT COUNTY, MARYLAND**  
Combining Statement of Changes in Net Assets  
Fiduciary Funds  
For the Year Ended June 30, 2006

	<u>Government Personnel Retirement Plan</u>	<u>Law Enforcement Employee Retirement Plan</u>	<u>Total Retirement Plans</u>
<b>ADDITIONS</b>			
Contributions:			
Maryland State Retirement System	\$ 5,737,964	\$	\$ 5,737,964
Employer	737,732	210,042	947,774
Plan Members	85,786	120,210	205,996
Total Contributions	<u>\$ 6,561,482</u>	<u>\$ 330,252</u>	<u>\$ 6,891,734</u>
Investment Earnings:			
Net Increase (Decrease) in Fair Value of Investments	\$ 139,858	\$ (11,692)	\$ 128,166
Realized Gains on Investments	64,041	44,500	108,541
Interest and Dividends	125,484	50,384	175,868
Investment Activity Expense	(24,224)	(13,234)	(37,458)
Total Net Investment Earnings	<u>\$ 305,159</u>	<u>\$ 69,958</u>	<u>\$ 375,117</u>
<b>Total Additions</b>	<u>\$ 6,866,641</u>	<u>\$ 400,210</u>	<u>\$ 7,266,851</u>
<b>DEDUCTIONS</b>			
Benefits	\$ 642,956	\$ 47,902	\$ 690,858
Administrative	1,800	8,113	9,913
<b>Total Deductions</b>	<u>\$ 644,756</u>	<u>\$ 56,015</u>	<u>\$ 700,771</u>
<b>Change In Net Assets</b>	\$ 6,221,885	\$ 344,195	\$ 6,566,080
<b>Net Assets - Beginning of Year</b>	<u>0</u>	<u>1,354,854</u>	<u>1,354,854</u>
<b>Net Assets - End of Year</b>	<u>\$ 6,221,885</u>	<u>\$ 1,699,049</u>	<u>\$ 7,920,934</u>