

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

**FINANCIAL REPORT
JUNE 30, 2019**

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

INDEX TO FINANCIAL REPORT

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-18
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	19
Statement of Activities	20
Fund Financial Statements:	
Balance Sheet - Governmental Funds	21
Reconciliation of the Governmental Funds Balance Sheet To the Statement of Net Position	22
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	23-24
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes In Fund Balances to the Statement of Activities	25
Statement of General Fund Revenues, Expenditures and Changes In Fund Balance - Budget and Actual (Budget Basis)	26
Statement of Net Position - Proprietary Funds	27-28
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	29-30
Statement of Cash Flows - Proprietary Funds	31-32
Statement of Net Position - Fiduciary Funds	33
Statement of Changes in Net Position - Fiduciary Funds	34
Notes to Financial Statements	35-93
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the Primary Government's Proportionate Share of the Net Pension Liability - Maryland State Retirement and Pension System	94
Schedule of the Primary Government's Contributions - Maryland State Retirement and Pension System	95
Schedules of Changes in Net Pension Liability and Related Ratios & Schedules of Employer Pension Contributions:	
Government Personnel Retirement Plan	96-97
Law Enforcement Retirement Plan	98-99
Volunteer Length of Service Award Plan	100-101
Schedule of Changes in the County's Net OPEB Liability and Related Ratios	102

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

INDEX TO FINANCIAL REPORT

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

INDEPENDENT AUDITORS' REPORT

The Board of County Commissioners
of Garrett County
Oakland, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Board of County Commissioners of Garrett County, Maryland (the County) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the index to financial report.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Board of County Commissioners of Garrett County, Maryland as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 31, 2019, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control over financial reporting and compliance.

The Rodeheaver Group, P.C.

Oakland, Maryland
December 31, 2019

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

As management of Garrett County, Maryland (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the fiscal year ended June 30, 2019 by \$112,805,800 (net position). This amount is net of a \$163,479 deficit balance in unrestricted net position. The implementation of governmental accounting standard 75 (GASB 75), whereby entities must report the total liability of unfunded post-employment benefits other than pensions, contributes to this deficit. Of the total net position, \$110,334,829 is net investment in capital assets and \$2,634,450 is restricted for specific purposes.
- The County's total net position increased by \$4,739,957.
- As of the close of fiscal year 2019, the County's governmental funds reported combined fund balances of \$23,600,599 an increase of \$3,051,565 in comparison with prior year. Approximately 17%, or \$4.1 million, of the combined fund balance is available for spending at the County's discretion (unassigned fund balance), \$2 million is nonspendable, \$670 thousand is restricted, and \$16.9 million is assigned for capital projects and future use.
- At the end of fiscal year 2019, the unrestricted fund balance for the general fund was \$20,966,149 or 89% of total general fund balance. Assigned fund balance of the general fund was \$16,908,860 or 81% of unrestricted fund balance.
- The County's government-wide long-term debt decreased by \$1,958,323 million during fiscal year 2019 as detailed on page 16 and in note 7.

Overview of the Financial Statements

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

Government-wide Financial Statements

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, MARYLAND**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (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, community development and housing and economic opportunity and development. The business-type activities of the County include Garrett County Airport, Solid Waste and Recycling Management, Garrett County Sanitary District, Inc. d/b/a Garrett County Department of Public Utilities, Garrett County Parks & Recreation Fund the Garrett County Department of Technology & Communication, and the Liquor Control Board.

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

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

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 eight individual governmental funds. 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, all of which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. The basic governmental funds financial statements can be found on pages 21 to 24 of this report.

Proprietary Funds

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

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

Fiduciary Funds

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

Notes to the Financial Statements

The notes provide additional information that is essential to creating a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35 through 93 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and other supplementary information that are not considered a part of the basic financial statements. Schedules in these sections include schedules of funding progress for the County's retirement plans and a budgetary comparison for the general fund to demonstrate compliance with the annually adopted budget. Required supplementary information and other supplementary information is located immediately following the notes to the financial statements and can be found on pages 94 through 116 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In Garrett County, assets exceeded liabilities by \$112,805,800 at the close of the current fiscal year.

	Governmental Activities		Business-type Activities		Total Government	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Assets:						
Current & Other Assets	\$ 43,828,264	\$ 44,245,144	\$ 14,081,818	\$ 11,899,556	\$ 57,910,082	\$ 56,144,700
Capital Assets	57,280,505	56,672,848	86,973,236	89,230,874	144,253,741	145,903,722
Total Assets	101,108,769	100,917,992	101,055,054	101,130,430	202,163,823	202,048,422
Deferred Outflows of Resources	2,875,028	1,625,795	148,960	181,180	3,023,988	1,806,975
Total Assets and Deferred Outflows of Resources	103,983,797	102,543,787	101,204,014	101,311,610	205,187,811	203,855,397
Liabilities:						
Long-Term Liabilities	40,381,343	39,790,122	40,915,776	41,474,898	81,297,119	81,265,020
Other Liabilities	4,450,261	6,578,546	1,553,895	1,781,097	6,004,156	8,359,643
Total Liabilities	44,831,604	46,368,668	42,469,671	43,255,995	87,301,275	89,624,663
Deferred Inflows of Resources	5,027,955	6,082,829	52,781	82,062	5,080,736	6,164,891
Net Assets:						
Net Investment in Capital Assets	57,280,505	56,672,848	53,054,324	54,512,962	110,334,829	111,185,810
Restricted	2,634,450	4,080,394			2,634,450	4,080,394
Unrestricted	-5,790,717	-10,660,952	5,627,238	3,460,591	-163,479	-7,200,361
Total Net Assets	54,124,238	50,092,290	58,681,562	57,973,553	112,805,800	108,065,843
Total Liabilities, Deferred Inflows of Resources and Net Position	\$103,983,797	\$102,543,787	\$101,204,014	\$101,311,610	\$205,187,811	\$ 203,855,397

By far the largest portion of the Garrett County's net position (\$110 million) reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment) less any related outstanding debt that was used to acquire those assets. Garrett County uses these capital assets to provide a variety of services to its citizens;

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

accordingly, these assets are not available for future spending. Although Garrett County's investment in its capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of Garrett County's net position, \$2,634,450 or 2.34%, represents resources that are subject to external restrictions on how they may be used.

The County's unrestricted net position reflects a negative balance of \$163,479. The implementation of governmental accounting standard 75 in fiscal year 2018, whereby entities must report the total liability of unfunded post-employment benefits other than pensions, contributed to this deficit.

Overall, the financial position of Garrett County increased during the year by \$4.7 million. Both the governmental activities and the business-type activities reported increases of \$4 million and \$708,009 respectively in net position at June 30, 2019. Investment in capital assets makes up the majority of net assets. As assets continue to depreciate at a faster pace than new capital assets are being placed in service a decrease from one year to the next is expected.

The following table indicates the changes in net position:

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

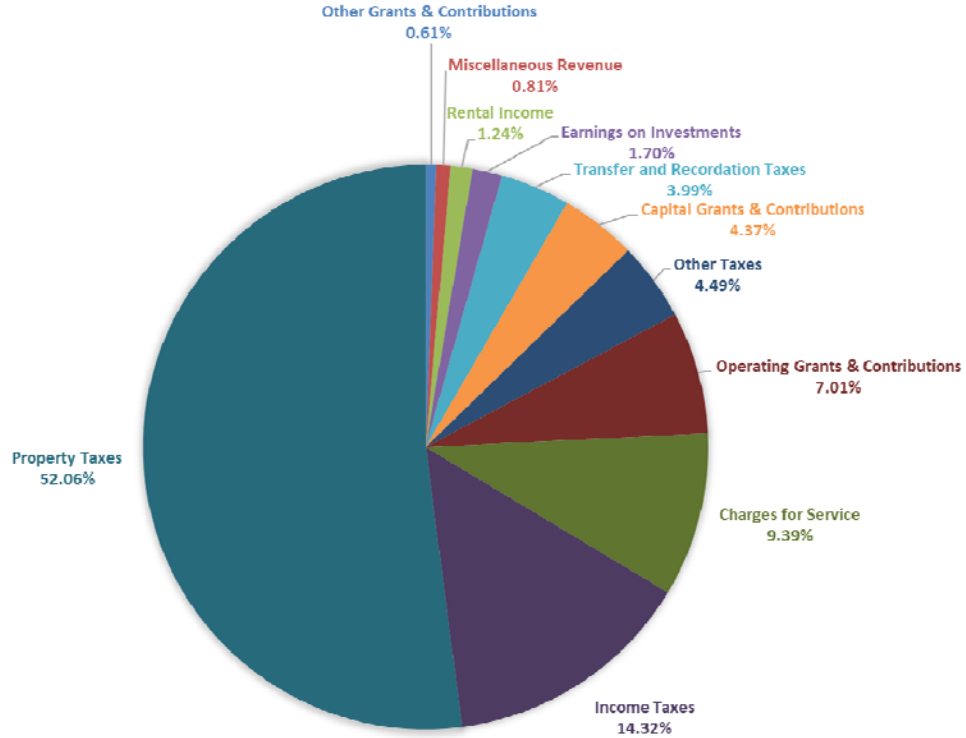
**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,322,811	\$ 1,262,776	\$ 8,035,922	\$ 7,708,654	\$ 9,358,733	\$ 8,971,430
Operating Grants and Contributions	6,989,611	5,457,993	0	0	6,989,611	5,457,993
Capital Grants and Contributions	3,806,505	3,183,220	545,251	333,703	4,351,756	3,516,923
General Revenues:						
Property Taxes	49,068,331	48,993,027	2,803,132	2,567,258	51,871,463	51,560,285
Other Taxes and Licenses	22,715,534	21,013,921	0	0	22,715,534	21,013,921
Grants and Contributions	0	0	612,650	560,590	612,650	560,590
Other General Revenues	3,080,065	487,593	659,248	230,847	3,739,313	718,440
Total Revenues	\$ 86,982,857	\$ 80,398,530	\$ 12,656,203	\$ 11,401,052	\$ 99,639,060	\$ 91,799,582
Program Expenses:						
General Government	7,806,438	7,336,612	0	0	7,806,438	7,336,612
Public Safety	12,211,707	11,866,681	0	0	12,211,707	11,866,681
Public Works	17,218,623	15,180,007	0	0	17,218,623	15,180,007
Health & Hospital	2,007,433	1,920,456	0	0	2,007,433	1,920,456
Education						
Board of Education	28,830,388	28,317,026	0	0	28,830,388	28,317,026
Garrett College	6,027,567	8,552,043	0	0	6,027,567	8,552,043
Culture	48,000	48,000	0	0	48,000	48,000
Parks and Recreation	26,500	26,102	0	0	26,500	26,102
Library	1,086,545	1,017,000	0	0	1,086,545	1,017,000
Conservation of Natural Resources	541,393	229,392	0	0	541,393	229,392
Social Services	335,459	0	0	0	335,459	0
Economic Opportunity & Development	4,128,653	5,706,116	0	0	4,128,653	5,706,116
Community Development & Public Housing	343,941	114,463	0	0	343,941	114,463
Other	1,315,719	1,303,665	0	0	1,315,719	1,303,665
Garrett County Airport	0	0	540,913	545,705	540,913	545,705
Solid Waste Management	0	0	2,229,210	2,239,888	2,229,210	2,239,888
Garrett County Sanitary District, Inc.	0	0	8,421,644	8,126,060	8,421,644	8,126,060
Parks and Recreation Fund	0	0	881,646	882,564	881,646	882,564
Department of Technology & Communications	0	0	880,319	1,192,308	880,319	1,192,308
Liquor Control Board	0	0	17,005	15,686	17,005	15,686
Total Expenses	\$ 81,928,366	\$ 81,617,563	\$ 12,970,737	\$ 13,002,211	\$ 94,899,103	\$ 94,619,774
Excess before Special Items and Transfers	5,054,491	(1,219,033)	(314,534)	(1,601,159)	4,739,957	(2,820,192)
Special Item	0	0	0	0	0	0
Net Transfers In (Out)	(1,022,543)	(1,441,571)	1,022,543	1,441,571	0	0
Changes in Net Assets	4,031,948	(2,660,604)	708,009	(159,588)	4,739,957	(2,820,192)
Net Assets – Beginning of Year	50,092,290	66,206,635	57,973,553	58,133,141	108,065,843	124,339,776
Prior Period Adjustment	0	(13,453,741)	0	0	0	(13,453,741)
Net Assets – End of Year	\$ 54,124,238	\$ 50,092,290	\$ 58,681,562	\$ 57,973,553	\$ 112,805,800	\$ 108,065,843

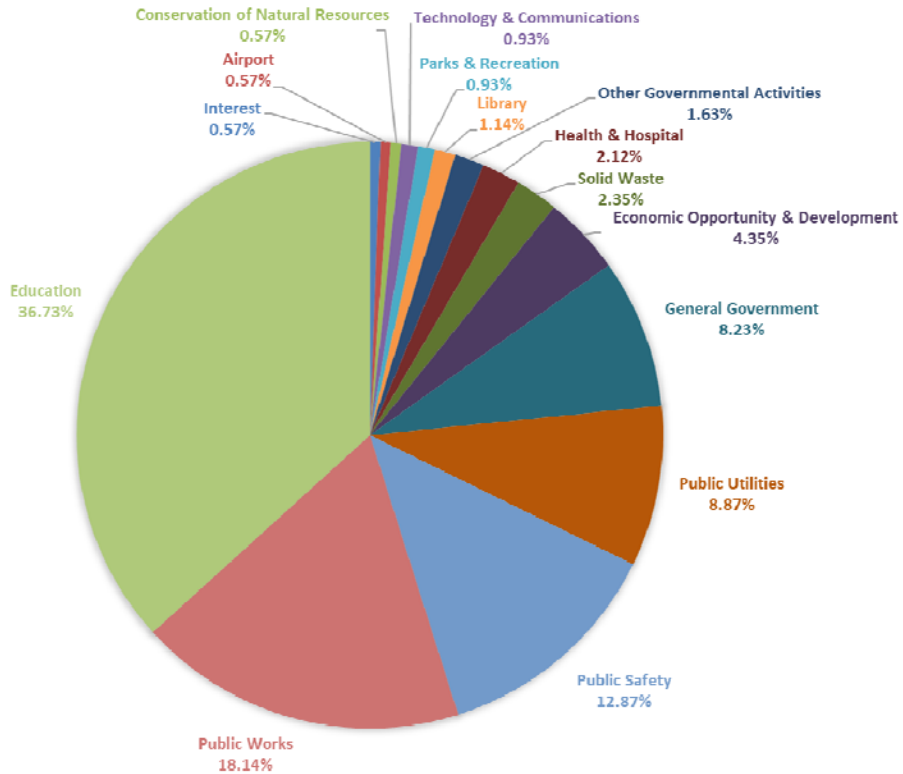
**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

TOTAL PRIMARY GOVERNMENT REVENUE



TOTAL PRIMARY GOVERNMENT EXPENDITURES



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

**MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2019**

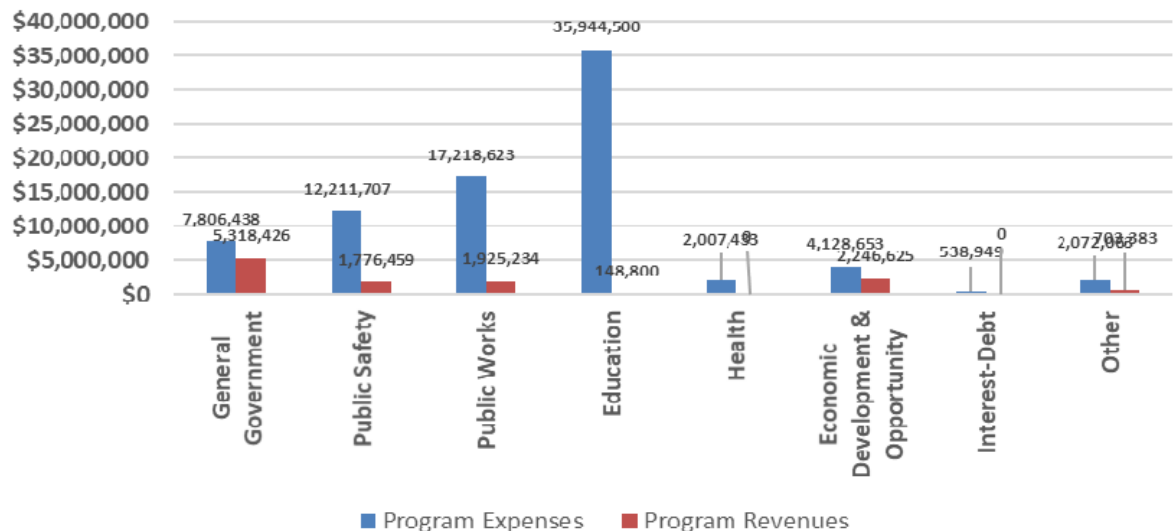
Governmental Activities

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 on page 20 that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a net (expense)/revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions of government on the County’s taxpayers. It also identifies how much each function draws from the general revenues, or, if the function is self-supporting through fees and grants. It is important to note that all taxes are classified as general revenues even if restricted for a specific purpose.

During the current fiscal year, the net position for governmental activities increased by \$4,031,948 from the prior fiscal year. Both revenues and expenses increased in fiscal year 2019. Key elements of the changes in governmental net assets are as follows:

- While every revenue category reported increases in fiscal year 2019, the largest categorical change was in Other General Revenues resulting in an increase of \$2,592,472 compared to the prior fiscal year. The majority of this increase was attributable to reporting losses on the disposition of Cherry Glade Road (also known as Brian F. Thomas Drive) to the Town of Oakland at a book value of \$1,038,256 in fiscal year 2018. In addition, rent income and investment earnings reported significant increases in this category for fiscal year 2019 combining for \$941,172 of this positive variance.
- The largest increase in expense was in Public Works equating to \$2,038,616. An increase in capital and special project expenditures from fiscal year 2018 to 2019 was the cause for this change.

Program Revenues and Expenses
Governmental Activities



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

**MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2019**

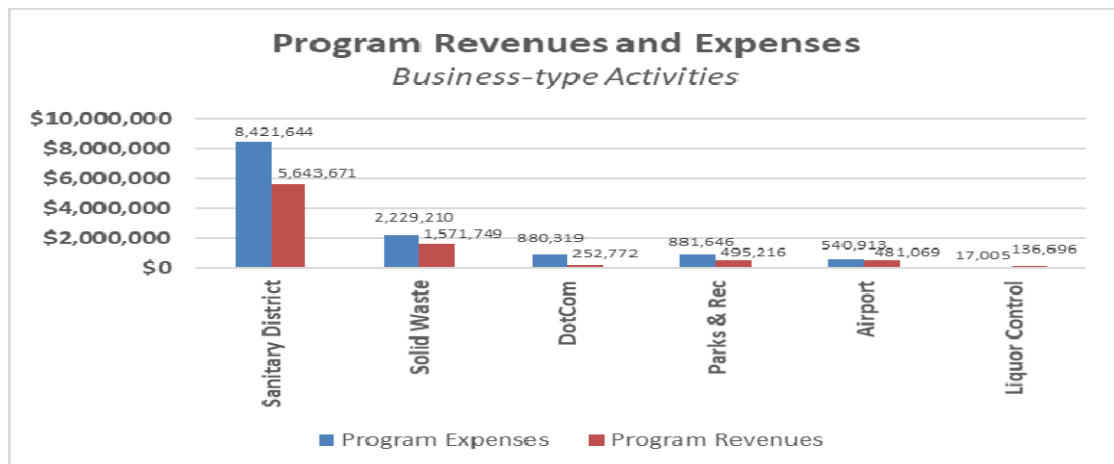
Business-Type Activities

Total assets for the Garrett County Sanitary District, d/b/a Department of Public Utilities, decreased by \$279,419. Driving this decrease was the increase in depreciation expense as a result of the recently completed Western Conveyance Sewer System. Operating revenues of the Sanitary District increased by \$95,351 as a result of additional customers and an increase in leachate treatment. Operating expenditures increased by \$237,944 which is primarily the result of a increase in depreciation expense as a result of recently completed capital projects.

The Garrett County Office of Solid Waste and Recycling’s (Landfill) estimated disposal capacity changes over time based on variability in efficiencies with respect to waste compression. According to a third party engineer survey and analysis, it is estimated that it will cost approximately \$5.9 million to perform all closure and post-closure care activities. The County recognizes these costs as tonnage is added to the Landfill and as cells fill up. As of June 30, 2019, the County recognized and reported a closure and post-closure liability of \$4,014,795 leaving a balance of estimated costs to be recognized at approximately \$1,921,064 over the remaining 14 year useful life of the landfill. The County has established a landfill closure fund to assure that future funds would be available at the time of actual closure to pay for these closure costs. As of June 30, 2019, the County had set aside \$3,836,965 in an investment account to offset the current recognized closure liability of \$4,104,795.

The Parks & Recreation Fund was established to account for the operations of the Adventure Sports Center, Inc. Net position for Adventure Sports Center, Inc. is stated at a total of \$15,820,206 which is a decrease of \$265,093 from 2018, primarily the result of depreciation of assets. Operating revenues were \$516,553 while operating expenditures were recorded as \$881,646 resulting in a net operating loss of \$365,093 for the year ended June 30, 2019. Operating expenditures include non-cash items such as depreciation (\$380,094).

In 2018, total assets for the Airport increased by \$89,146. This increase was mainly due to receivables due from other governments for grant funding associated with the airport apron project.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

Financial Analysis of the County's Funds

As noted earlier, 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 financing requirements. In particular, unassigned 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 \$23,600,599, an increase of \$3,051,565 from the prior fiscal year. Approximately 17.2% of this total, or \$4,057,289, constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is either nonspendable, restricted or assigned to indicate that it is not available for new spending. \$1,963,840 was nonspendable for inventory, prepaid expenses, and notes receivable. \$670,610 was restricted, the majority being for self-funded health care, and \$16,908,860 was assigned for various reasons. \$800,000 was assigned for capital expenditures approved during the fiscal year 2020 budget, \$11.9 million was assigned for the continuation of projects and capital expenditures encumbered in fiscal year 2019, \$3 million was assigned for future other post-employment benefits and healthcare, and \$175,000 was assigned for future economic development projects.

The General Fund is the chief operating fund of the Garrett County Government. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,057,289, while total fund balance reached \$23,516,749. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 5.1% of the total General Fund expenditures including operating transfers, while total fund balance represents 29.4% of that same amount.

During the current fiscal year, the total fund balance of the County's General Fund increased by \$3,043,841. General Fund revenue increased by \$1,181,282 million and General Fund operating expenditures decreased by \$946,215.

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

Garrett County's Debt Service Fund reports assets of \$14,058,846 which include amounts owing from the Garrett County Memorial Hospital Bonds, Series 2004, 2007, 2014 and 2015, for the expansion and renovation of the facility.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

The Non-Major Special Revenue Funds have a total fund balance of \$83,850 all of which is restricted.

Proprietary funds

Garrett County's proprietary fund statements provide the same type of information found in the government-wide financial statements, only in more detail.

The total unrestricted net position of the proprietary funds at the end of the year amounted to \$5,627,238, an increase of \$2,166,647 from fiscal year 2018. Other factors concerning these funds' finances have been addressed in the discussion of Garrett County government's business-type activities.

General Fund Budgetary Highlights

Original budget compared to final budget

The difference between original revenue budget amounts of \$77,856,988 and final revenue budget amounts of \$81,055,729 is an increase of \$3,198,741. The County monitors revenue patterns throughout the year and amends original budget figures when necessary. Several accounts were adjusted upward or downward to assure proper management and good stewardship so that deficit spending would not occur. Of the \$3.2 million net increase, Intergovernmental federal and state grants made up the majority of the increase equating to \$3.1 million. Grant revenues normally have offsetting expenditures associated with them.

Significant differences between the original expenditure budget amounts of \$80,006,988 and final expenditure budget amounts of \$93,721,847 resulting in a budget increase of \$13,714,859 are largely due to budget amendments that occurred to carryover funds from fiscal year 2018 to fiscal year 2019 for capital projects and capital outlay that were in progress at the end of fiscal year 2018. These carryover amendments equated to over \$10.5 million. As grant revenues increased, many of these revenues had offsetting expenses associated with them which resulted in corresponding budget amendments.

Final budget compared to actual results

The difference between the final revenue budget of \$81,055,729 and the actual revenue recorded of \$84,353,897 resulted in a positive variance of \$3,298,168. The largest positive budget variance of \$2.3 million was with income tax. We believe this significant variance is a result of the Tax Cut Job Act (TCJA) and taxpayers not meeting the itemization threshold for their Maryland returns. In addition, Maryland's minimum wage continues to increase and the market and investment earnings were up in comparison to the previous year. All these factors have a positive impact on income tax. Other significant positive revenue budget variances included accommodation tax of \$693,760, interest revenue of \$501,454, transfer tax of \$323,634, recordation tax of \$137,652, and admission and amusement tax of

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

\$124,433. These line items combine to create the majority of the net positive budget variance.

The difference between the final budget expenditures of \$93,721,847 and the actual expenditures recorded of \$81,310,056 represented a positive budget variance of \$12,411,791. The majority of this variance will be carried over into the subsequent fiscal year and will be re-budgeted to continue projects that were in process at the end of fiscal year 2019. Some of the projects include, but are not limited to, the Emergency Operations Center, the Glendale Road realignment, Keyser's Ridge Industrial Park water tank, sewer, and road infrastructure improvements, software conversion/implementation, Garrett College Performing Arts Center, and several road paving and bridge projects.

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

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, 2019 amounts to \$144,253,741 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, furniture, vehicles, and infrastructure. The County's investment in capital assets for the current fiscal year decreased by \$1,649,981 or 1.13%.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$10,052,912	\$9,739,442	\$3,243,738	\$3,243,738	\$13,296,650	\$12,983,180
Land Improvements	3,196,556	3,239,134	17,784,650	18,016,102	20,981,206	21,255,236
Construction in Progress	4,150,824	2,535,613	2,485,563	12,185,884	6,636,387	14,721,497
Infrastructure	22,789,095	23,158,349	58,393,563	50,657,030	81,182,658	73,815,379
Buildings	12,441,371	13,124,897	3,473,572	3,599,422	15,914,943	16,724,319
Furniture and Equipment	1,091,334	1,031,199	11,786	15,734	1,103,120	1,046,933
Vehicles	2,229,517	2,280,700	206,938	226,930	2,436,455	2,507,630
Machinery and Equipment	1,328,896	1,563,514	1,373,426	1,286,034	2,702,322	2,849,548
Total	<u>\$57,280,505</u>	<u>\$56,672,848</u>	<u>\$86,973,236</u>	<u>\$89,230,874</u>	<u>\$144,253,741</u>	<u>\$145,903,722</u>

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

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

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2019

- A 126.52-acre parcel of land was acquired utilizing funds from program open space. The property is located near Fork Run in McHenry and adjoins existing County property. The property was acquired at a value of \$313,470.
- Construction in progress reported a net increase of \$1,615,211. CIP activity was highlighted by the following additions of the Keyser’s Ridge water and sewer projects totaling \$1,257,811, weather station construction of \$55,999, the Emergency Operations Center of \$188,657, financial software of \$18,249, and the Swallow Falls Bridge of \$174,687. Increases in CIP were partially offset as the following assets were placed in service, the Grantsville security system at \$22,430, the Jasper Riley Road Bridge at \$105,515, and the Courthouse Security Equipment at \$46,400.
- Infrastructure decreased by \$369,254. While there was an increase of \$2,815,637 for the installation of guardrails and the completion paving and road projects, depreciation expense offset this increase by \$3,290,406.

Major capital asset events during the current fiscal year for business-type activities included the following:

- Construction in progress decreased overall for the Department of Public Utilities due to work performed on the Bloomington Water project in the amount of \$38,288, the McHenry Water project in the amount of \$370,739, the Friendsville Sewer Tank in the amount of \$129,097, the Thayerville/McHenry connections project in the amount of \$89,350, and a collection of smaller and early projects totaling \$25,833. These increases in CIP projects were offset by a decrease of \$10,619,358 as the Deep Creek Lake Collection & Conveyance project was completed and placed in service.

For the remainder of the asset classifications not specifically referenced the net decreases are the result of depreciation and dispositions in excess of the cost of additions. Additional information on the County’s capital assets can be found in Note 5 on pages 54-56 of the financial statements.

Long-term debt

At the end of the current fiscal year, Garrett County Government had notes and bonds outstanding of \$48,254,665 which are backed by the full faith and credit of the County.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2019	2018	2019	2018	2019	2018
General Bonded Debt	\$ 14,058,846	\$ 15,218,728	\$ 34,195,819	\$ 34,994,260	\$48,254,665	\$50,212,988

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

During fiscal year 2019, the County's total debt decreased by \$1,958,323. The Governmental Activities debt decreased by a net \$1,159,882 while the business-type activities decreased by \$798,441. These changes resulted from principal payments being made without incurring any new additional debt.

In FY 2009, Garrett County received enabling legislation to borrow up to \$21,000,000 for the financing of various capital projects for economic development, roads department, education, facilities and maintenance, and public safety. There are significant budgeted expenditures for capital project construction and capital outlay expenditures over fiscal years 2020 to 2024. The Commissioners continue to prioritize capital expenditures and amend their five-year capital plan accordingly. Planned capital activity should have no significant impact on the County's credit ratings because the County must budget the resources to account for these expenditures and in the case of long-term debt, the County must budget the resources to service the debt.

Additional information on the County's long-term debt can be found in Note 7 to the financial statements and on page 114 under Other Supplementary Information.

Economic Factors and Next Year's Budget and Rates

The following economic factors currently affect the County and were considered in developing the 2020 fiscal year budget:

- The unemployment rate for Garrett County was 4.6% for June 2019, which was slightly higher than both the State's average of 3.9% and the national average of 3.7% for the same time period.
- Income tax revenue finished the year at an all-time high of \$14.3 million. The fiscal year 2020 income tax rate remains at 2.65%.
- Accommodations tax revenue finished the year at an all-time high of \$3.1 million.
- Admission and amusement tax revenue finished the year at an all-time high of \$999,433.
- The fiscal year 2020 property tax rate was increased by \$.066 to \$1.056. This increase is expected to generate an additional \$3.4 million in real property tax revenue. While the property tax rate hasn't been increased since FY 1996, it was necessary to do so with the \$1.7 million of mandated operating and capital costs from the state. Property tax assessments are expected to remain relatively constant in the next several fiscal years with the exception of any potential new construction.
- As the Federal Reserve continues to raise rates, the County will consider the impact on borrowing rates with could affect the investment activity at Deep Creek

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

Lake. This could also have an adverse impact on recordation and transfer taxes. At the end of fiscal year 2019, fed funds rate was 2.50% compared to 2.00% and 1.25% for fiscal year 2018 and 2017 respectively.

- Garrett County issued 342 building permits valued at approximately \$54.1 million during fiscal year 2019 compared to 319 permits in fiscal year 2018 valued at approximately \$47.6 million.
- The County will use \$800,000 of fund balance resources in fiscal year 2020 to fund two economic development projects, the McHenry Business Park shell building and the Keyser's Ridge Waste Water project. Total capital spending in fiscal year is expected to be around \$4.7 million.
- The County has set aside 6% of operating revenues, or \$4 million, as a rainy day fund.
- Garrett County does not have any outstanding public issued bonds that require a rating from an outside rating agency. The County does however have \$14 million of private bonds with financial institutions that are backed by their full faith and credit for the Garrett County Memorial Hospital which are being repaid with hospital revenues. Prior to liquidating the public bonds, the County's last bond rating with Moody's was an A1 in 2010.

Request for Information

Separately issued financial statements of the component units can be obtained from the Department of Financial Services or from the County Administrator's office.

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

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

Or, visit our website at www.garrettcounty.org

BASIC FINANCIAL STATEMENTS

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

Statement of Net Position

June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 8,676,931	\$ 4,896,328	\$ 13,573,259
Investments	7,579,054	3,836,965	11,416,019
Taxes Receivable - Net	1,860,885	-	1,860,885
Due from Other Governments	156,174	304,733	460,907
Due from Component Units	17,012	-	17,012
Due from Primary Government	-	-	-
Other Receivables - Net	5,611,875	1,334,338	6,946,213
Inventories	854,092	1,228,684	2,082,776
Insurance Deposit	472,832	-	472,832
Prepaid Expenses	134,278	4,739	139,017
Restricted Cash	2,941,251	2,077,846	5,019,097
Restricted Investments	329,488	-	329,488
Restricted Accounts Receivable	14,058,846	119,912	14,178,758
Accounts and Notes Receivable - Long-Term	975,470	278,273	1,253,743
Net Pension Asset	160,076	-	160,076
Non-Depreciable Capital Assets	14,203,736	13,626,819	27,830,555
Depreciable Capital Assets, Net of Accumulated Depreciation	43,076,769	73,346,417	116,423,186
Total Assets	101,108,769	101,055,054	202,163,823
DEFERRED OUTFLOWS OF RESOURCES	2,875,028	148,960	3,023,988
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	103,983,797	101,204,014	205,187,811
LIABILITIES			
Accounts Payable and Accrued Expenses	3,390,499	598,861	3,989,360
Internal Balances	(689,659)	689,659	-
Due to Component Units	323,009	-	323,009
Due to Other Governments	167,680	127,520	295,200
Due to Primary Government	-	-	-
Unearned Revenues	994,236	137,855	1,132,091
Other Liabilities	264,496	-	264,496
Long-Term Liabilities - Due Within One Year	865,317	1,619,560	2,484,877
Long-Term Liabilities - Due in More Than One Year	39,516,026	39,296,216	78,812,242
Total Liabilities	44,831,604	42,469,671	87,301,275
DEFERRED INFLOWS OF RESOURCES	5,027,955	52,781	5,080,736
NET POSITION			
Net Investment in Capital Assets	57,280,505	53,054,324	110,334,829
Restricted	2,634,450	-	2,634,450
Unrestricted	(5,790,717)	5,627,238	(163,479)
Total Net Position	54,124,238	58,681,562	112,805,800
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 103,983,797	\$ 101,204,014	\$ 205,187,811

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

Component Units		
Board of Education	College	Public Library
\$ 11,032,251	\$ 3,276,417	\$ 347,641
-	-	462,135
-	-	-
1,910,661	223,812	-
-	-	-
72,033	250,976	-
80,391	256,989	67,071
128,048	45,075	-
-	-	-
63,912	235,962	7,627
-	168,750	77,032
-	6,201,017	-
-	-	-
-	-	-
4,579,363	1,722,677	33,556
39,863,036	37,821,429	1,114,843
<u>57,729,695</u>	<u>50,203,104</u>	<u>2,109,905</u>
<u>2,394,594</u>	<u>-</u>	<u>-</u>
<u>60,124,289</u>	<u>50,203,104</u>	<u>2,109,905</u>
6,407,065	863,522	38,867
-	-	-
-	-	-
-	-	-
-	-	17,012
43,341	155,769	-
-	69,599	-
487,199	133,061	52,940
40,188,269	8,369,906	19,917
<u>47,125,874</u>	<u>9,591,857</u>	<u>128,736</u>
<u>2,048,110</u>	<u>832,273</u>	<u>-</u>
39,606,119	35,286,789	1,148,399
1,706,032	6,276,107	77,032
(30,361,846)	(1,783,922)	755,738
<u>10,950,305</u>	<u>39,778,974</u>	<u>1,981,169</u>
<u>\$ 60,124,289</u>	<u>\$ 50,203,104</u>	<u>\$ 2,109,905</u>

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

Statement of Activities
Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities				
General Government	\$ 7,806,438	\$ 298,657	\$ 4,434,384	\$ 585,385
Public Safety	12,211,707	604,467	723,869	448,123
Public Works	17,218,623	270,887	1,122,717	531,630
Health and Hospital	2,007,433	-	-	-
Education				
Board of Education	28,830,388	148,800	-	-
College	6,027,567	-	-	-
Culture	48,000	-	-	-
Parks and Recreation	26,500	-	-	-
Library	1,086,545	-	-	-
Conservation of Natural Resources	541,393	-	338,183	-
Social Services	335,459	-	21,259	-
Economic Opportunity and Development	4,128,653	-	5,258	2,241,367
Community Development & Public Housing	343,941	-	343,941	-
Intergovernmental	306,705	-	-	-
Unallocated Depreciation	470,065	-	-	-
Interest on Long-Term Debt	538,949	-	-	-
Total Governmental Activities	<u>81,928,366</u>	<u>1,322,811</u>	<u>6,989,611</u>	<u>3,806,505</u>
Business-type activities				
Airport Fund	540,913	221,528	-	259,541
Solid Waste Fund	2,229,210	1,571,749	-	-
Garrett County Sanitary District, Inc.	8,421,644	5,357,961	-	285,710
Parks & Recreation Fund	881,646	495,216	-	-
Department of Technology & Communications	880,319	252,772	-	-
Liquor Control Board	17,005	136,696	-	-
Total Business-Type Activities	<u>12,970,737</u>	<u>8,035,922</u>	<u>-</u>	<u>545,251</u>
Total Primary Government	<u>94,899,103</u>	<u>9,358,733</u>	<u>6,989,611</u>	<u>4,351,756</u>
Component Units				
Board of Education	60,325,679	768,941	10,177,987	265,133
College	17,528,553	3,573,015	2,189,990	1,525,770
Public Library	1,537,877	28,335	-	-
Total Component Units	<u>\$ 79,392,109</u>	<u>\$ 4,370,291</u>	<u>\$ 12,367,977</u>	<u>\$ 1,790,903</u>

General Revenues:

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

Change in Net Position

Net Position - Beginning of Year

Net Position - End of Year

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Board of Education	College	Public Library
\$ (2,488,012)	\$ -	(2,488,012)	\$ -	\$ -	\$ -
(10,435,248)	-	(10,435,248)	-	-	-
(15,293,389)	-	(15,293,389)	-	-	-
(2,007,433)	-	(2,007,433)	-	-	-
(28,681,588)	-	(28,681,588)	-	-	-
(6,027,567)	-	(6,027,567)	-	-	-
(48,000)	-	(48,000)	-	-	-
(26,500)	-	(26,500)	-	-	-
(1,086,545)	-	(1,086,545)	-	-	-
(203,210)	-	(203,210)	-	-	-
(314,200)	-	-	-	-	-
(1,882,028)	-	(1,882,028)	-	-	-
-	-	-	-	-	-
(306,705)	-	(306,705)	-	-	-
(470,065)	-	(470,065)	-	-	-
(538,949)	-	(538,949)	-	-	-
<u>(69,809,439)</u>	<u>-</u>	<u>(69,495,239)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	(59,844)	(59,844)	-	-	-
-	(657,461)	(657,461)	-	-	-
-	(2,777,973)	(2,777,973)	-	-	-
-	(386,430)	(386,430)	-	-	-
-	(627,547)	(627,547)	-	-	-
-	119,691	119,691	-	-	-
-	<u>(4,389,564)</u>	<u>(4,389,564)</u>	-	-	-
<u>(69,809,439)</u>	<u>(4,389,564)</u>	<u>(73,884,803)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	(49,113,618)	-	-
-	-	-	-	(10,239,778)	-
-	-	-	-	-	(1,509,542)
-	-	-	<u>(49,113,618)</u>	<u>(10,239,778)</u>	<u>(1,509,542)</u>
49,068,331	2,803,132	51,871,463	-	-	-
14,272,901	-	14,272,901	-	-	-
3,972,416	-	3,972,416	-	-	-
4,470,217	-	4,470,217	-	-	-
1,331,984	366,091	1,698,075	161,135	428,639	28,163
-	-	-	27,449,975	4,784,000	1,086,545
-	612,650	612,650	19,494,366	7,123,597	521,176
1,212,728	21,337	1,234,065	-	-	-
433,135	45,609	478,744	101,629	10,397	-
102,218	226,211	328,429	-	-	454
<u>(1,022,543)</u>	<u>1,022,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>73,841,387</u>	<u>5,097,573</u>	<u>78,938,960</u>	<u>47,207,105</u>	<u>12,346,633</u>	<u>1,636,338</u>
4,031,948	708,009	4,739,957	(1,906,513)	2,106,855	126,796
<u>50,092,290</u>	<u>57,973,553</u>	<u>108,065,843</u>	<u>12,856,818</u>	<u>37,672,119</u>	<u>1,854,373</u>
<u>\$ 54,124,238</u>	<u>\$ 58,681,562</u>	<u>\$ 112,805,800</u>	<u>\$ 10,950,305</u>	<u>\$ 39,778,974</u>	<u>\$ 1,981,169</u>

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

Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Totals
ASSETS:					
Cash and Cash Equivalents	\$ 8,676,931	\$ -	\$ -	\$ -	\$ 8,676,931
Investments	7,579,054	-	-	-	7,579,054
Taxes Receivable - Net	1,860,885	-	-	-	1,860,885
Due from Other Governments	-	156,174	-	-	156,174
Due from Component Units	17,012	-	-	-	17,012
Due from Other Funds	835,615	-	-	-	835,615
Other Receivables - Net	5,609,608	-	-	2,267	5,611,875
Note Receivable	975,470	-	-	-	975,470
Inventories	854,092	-	-	-	854,092
Insurance Deposit	472,832	-	-	-	472,832
Prepaid Expenses	134,278	-	-	-	134,278
Restricted Cash	2,297,249	-	-	644,002	2,941,251
Restricted Investments	329,488	-	-	-	329,488
Restricted Accounts Receivable	-	-	14,058,846	-	14,058,846
TOTAL ASSETS	29,642,514	156,174	14,058,846	646,269	44,503,803
LIABILITIES:					
Accounts Payable and Accrued Expenses	3,452,815	10,218	-	24,336	3,487,369
Due to other funds	-	145,956	-	-	145,956
Due to Component Units	323,009	-	-	-	323,009
Due to Other Governments	167,680	-	-	-	167,680
Unearned Revenues	456,153	-	14,058,846	538,083	15,053,082
Other Liabilities	264,496	-	-	-	264,496
Total Liabilities	4,664,153	156,174	14,058,846	562,419	19,441,592
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue - Property Taxes	1,461,612	-	-	-	1,461,612
Total Deferred Inflows of Resources	1,461,612	-	-	-	1,461,612
FUND BALANCES:					
Nonspendable	1,963,840	-	-	-	1,963,840
Restricted	586,760	-	-	83,850	670,610
Assigned	16,908,860	-	-	-	16,908,860
Unassigned	4,057,289	-	-	-	4,057,289
Total Fund Balances	23,516,749	-	-	83,850	23,600,599
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 29,642,514	\$ 156,174	\$ 14,058,846	\$ 646,269	\$ 44,503,803

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2019

Total Fund Balances - Governmental Funds	\$ 23,600,599
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. The cost of these assets is \$166,154,950, net of accumulated depreciation of \$108,874,445.</p>	57,280,505
<p>The net pension asset arising from the LOSAP plan is not an available resource and, therefore, is not reported in the funds.</p>	160,076
<p>Deferred outflows arising from changes in the net OPEB liability and the net pension liabilities are not reported in the funds. Deferred outflows from contributions made since the measure date amount to \$56,553. Deferred outflows resulting from changes in actuarial assumptions amount to \$1,488,614. Deferred outflows resulting from OPEB and pension plan investment performance below projections amount to \$352,701. Deferred outflows resulting from differences between expected and actual experience amount to \$977,160.</p>	2,875,028
<p>Long-term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end include compensated absences of \$3,006,911, the net OPEB liability of \$12,572,145, and the net pension liability of \$10,646,571.</p>	(26,225,627)
<p>County revenue that is collected after year-end and unavailable soon enough to pay for the current period's expenditures is reported as deferred inflows in the funds.</p>	1,461,612
<p>Deferred inflows arising from changes in the net OPEB liability and the net pension liabilities are not reported in the funds. Deferred inflows from changes in actuarial assumptions amount to \$3,672,750. Deferred inflows resulting from OPEB and pension plan investment performance exceeding projections amount to \$352,178. Deferred inflows resulting from differences between expected and actual experience amount to \$1,003,027</p>	(5,027,955)
Total Net Position - Governmental Activities	\$ 54,124,238

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, 2019

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Totals
REVENUES:					
Taxes	\$ 71,794,580	\$ -	\$ -	\$ -	\$ 71,794,580
Licenses and Permits	237,812	-	-	-	237,812
Intergovernmental	8,779,066	1,400,709	1,159,881	616,341	11,955,997
Fines and Forfeitures	3,517	-	-	22,206	25,723
Charges for Services	878,005	-	-	30,780	908,785
Investment Income	791,454	-	538,949	1,581	1,331,984
Rents and Concessions	1,361,528	-	-	-	1,361,528
Miscellaneous	434,826	-	-	-	434,826
Total Revenues	84,280,788	1,400,709	1,698,830	670,908	88,051,235
EXPENDITURES:					
General Government	7,797,058	-	-	4,211	7,801,269
Public Safety	11,661,709	-	-	315,032	11,976,741
Public Works	15,855,717	-	-	-	15,855,717
Health and Hospital	2,007,433	-	-	-	2,007,433
Education					
Board of Education	28,830,388	-	-	-	28,830,388
College	6,027,567	-	-	-	6,027,567
Culture	48,000	-	-	-	48,000
Parks and Recreation	26,500	-	-	-	26,500
Library	1,086,545	-	-	-	1,086,545
Conservation of Natural Resources	541,393	-	-	-	541,393
Social Services	335,459	-	-	-	335,459
Economic Opportunity and Development	3,633,247	-	-	-	3,633,247
Community Development & Public Housing	-	-	-	343,941	343,941
Capital Outlay	1,930,350	1,629,260	-	-	3,559,610
Debt Service	-	-	1,698,830	-	1,698,830
Intergovernmental	306,705	-	-	-	306,705
Total Expenditures	80,088,071	1,629,260	1,698,830	663,184	84,079,345
REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) SUBTOTAL					
	\$ 4,192,717	\$ (228,551)	\$ -	\$ 7,724	\$ 3,971,890

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds (Continued)
Year Ended June 30, 2019

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)					
Balances Brought Forward	\$ 4,192,717	\$ (228,551)	\$ -	\$ 7,724	\$ 3,971,890
OTHER FINANCING SOURCES (USES):					
Sale of Capital Assets	102,218	-	-	-	102,218
Transfers					
Capital Projects Fund	(228,551)	228,551	-	-	-
Airport Fund	(88,995)	-	-	-	(88,995)
Solid Waste Fund	(468,775)	-	-	-	(468,775)
Garrett County Sanitary District, Inc.	-	-	-	-	-
Parks & Recreation Fund	(100,000)	-	-	-	(100,000)
Dept. of Tech. & Communication Fund	(484,464)	-	-	-	(484,464)
Liquor Control Board	119,691	-	-	-	119,691
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES & OTHER FINANCING SOURCES (USES)	3,043,841	-	-	7,724	3,051,565
FUND BALANCES, BEGINNING OF YEAR	20,472,908	-	-	76,126	20,549,034
FUND BALANCES, End of Year	<u>\$ 23,516,749</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,850</u>	<u>\$ 23,600,599</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, 2019

Change in Fund Balances - Governmental Funds	\$	3,051,565
<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 outlay of \$5,987,819 exceeded depreciation expense of \$5,380,162 in the current year.</p>		607,657
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		1,159,881
<p>Receipt of debt principal payments from the hospital is revenue in the governmental funds, but the receipt reduces the receivable in the statement of net position.</p>		(1,159,881)
<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>		(61,341)
<p>Revenues that do not provide current financial resources are reported as deferred revenue in the governmental funds. The amount of the change in deferred revenue is not reported in the statement of activities.</p>		(10,715)
<p>Changes to the net OPEB liability and related deferred outflow and inflow accounts are not reported in the governmental funds. These changes impact OPEB expense in the statement of activities.</p>		667,698
<p>Changes to the net pension liability and related deferred outflow and inflow accounts are not reported in the governmental funds. These changes impact pension expense in the statement of activities.</p>		(222,916)
		(222,916)
Change in Net Position - Governmental Activities	\$	4,031,948

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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES:				
Taxes	\$ 68,097,903	\$ 68,097,903	\$ 71,794,580	\$ 3,696,677
Licenses and Permits	191,000	192,500	237,812	45,312
Intergovernmental	7,246,062	10,366,684	8,779,066	(1,587,618)
Fines and Forfeitures	3,000	3,000	3,517	517
Charges for Services	1,053,600	1,064,867	878,005	(186,862)
Investment Income	290,000	290,000	791,454	501,454
Rents and Concessions	856,873	856,873	1,212,728	355,855
Miscellaneous	5,700	45,900	434,826	388,926
Total Revenues	<u>77,744,138</u>	<u>80,917,727</u>	<u>84,131,988</u>	<u>3,214,261</u>
EXPENDITURES:				
General Government	6,484,486	7,086,880	6,250,511	(836,369)
Public Safety	12,050,889	12,553,944	11,661,709	(892,235)
Public Works	16,384,935	17,269,626	15,855,717	(1,413,909)
Health and Hospital	1,967,000	2,008,004	2,007,433	(571)
Education	34,174,326	35,519,560	34,709,155	(810,405)
Culture	49,000	49,000	48,000	(1,000)
Parks and Recreation	26,500	26,500	26,500	-
Library	1,086,600	1,086,600	1,086,545	(55)
Conservation of Natural Resources	227,299	1,140,359	541,393	(598,966)
Social Services	321,700	335,459	335,459	-
Economic Development and Opportunity	2,979,591	4,123,352	3,633,247	(490,105)
Capital Outlay	935,650	2,227,885	1,930,350	(297,535)
Intergovernmental	302,205	306,705	306,705	-
Miscellaneous	1,182,000	3,891,008	1,546,547	(2,344,461)
Total Expenditures	<u>78,172,181</u>	<u>87,624,882</u>	<u>79,939,271</u>	<u>(7,685,611)</u>
REVENUES (UNDER) OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>(428,043)</u>	<u>(6,707,155)</u>	<u>4,192,717</u>	<u>10,899,872</u>
OTHER FINANCING SOURCES (USES):				
Sale of Capital Assets	-	25,152	102,218	77,066
Operating Transfers				
Capital Projects Fund	(500,000)	(4,740,432)	(228,551)	(4,511,881)
Airport Fund	(78,714)	(79,365)	(88,995)	9,630
Solid Waste Fund	(463,725)	(468,775)	(468,775)	-
Parks & Recreation	(100,000)	(100,000)	(100,000)	-
Department of Technology & Communication	(692,368)	(708,393)	(484,464)	(223,929)
Liquor Control Board	112,850	112,850	119,691	6,841
Total Other Financing Sources (Uses)	<u>(1,721,957)</u>	<u>(5,958,963)</u>	<u>(1,148,876)</u>	<u>(4,810,087)</u>
REVENUES (UNDER) OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>(2,150,000)</u>	<u>(12,666,118)</u>	<u>3,043,841</u>	<u>\$ 15,709,959</u>
Fund Balance, Beginning of Year	<u>20,472,908</u>	<u>20,472,908</u>	<u>20,472,908</u>	
FUND BALANCE, End of Year, Budgetary Basis	<u>\$ 18,322,908</u>	<u>\$ 7,806,790</u>	<u>\$ 23,516,749</u>	

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

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

Statement of Net Position

Proprietary Funds

June 30, 2019

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Parks & Recreation Fund	Department of Technology & Communications	Liquor Control Board	Total
ASSETS:							
Current Assets:							
Cash and Cash Equivalents	\$ 100	\$ 2,140,829	\$ 1,931,902	\$ 690,688	\$ -	\$ 132,809	\$ 4,896,328
Investments	-	3,836,965	-	-	-	-	3,836,965
Due from Other Governments	77,616	-	227,117	-	-	-	304,733
Due from Primary Government	-	-	875	-	-	-	875
Other Receivables - Net	10,851	136,115	972,858	153,002	61,512	-	1,334,338
Inventories	51,842	-	1,176,842	-	-	-	1,228,684
Prepaid Expense	-	-	-	2,052	2,687	-	4,739
Total Current Assets	140,409	6,113,909	4,309,594	845,742	64,199	132,809	11,606,662
Noncurrent Restricted Assets:							
Restricted Cash	-	-	2,077,846	-	-	-	2,077,846
Restricted Other Receivables	-	-	119,912	-	-	-	119,912
Total Noncurrent Restricted Assets	-	-	2,197,758	-	-	-	2,197,758
Capital and Other Assets:							
Non-Depreciable Capital Assets	997,377	113,994	3,357,930	9,157,518	-	-	13,626,819
Depreciable Capital Assets, Net of Accumulated Depreciation	11,502,108	3,687,501	48,368,502	9,738,315	49,991	-	73,346,417
Other Receivables	-	-	278,273	-	-	-	278,273
Total Capital and Other Assets	12,499,485	3,801,495	52,004,705	18,895,833	49,991	-	86,973,236
TOTAL ASSETS	12,639,894	9,915,404	58,512,057	19,741,575	114,190	132,809	101,055,929
DEFERRED OUTFLOWS OF RESOURCES	5,040	19,339	105,605	-	18,976	-	148,960
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 12,644,934	\$ 9,934,743	\$ 58,617,662	\$ 19,741,575	\$ 133,166	\$ 132,809	\$ 101,204,889

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

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

Statement of Net Position

Proprietary Funds

June 30, 2019

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Parks & Recreation Fund	Department of Technology & Communications	Liquor Control Board	Total
LIABILITIES:							
Current Liabilities:							
Accounts Payable and Accrued Expenses	\$ 59,899	\$ 43,208	\$ 339,683	\$ 138,220	\$ 16,777	\$ 1,074	\$ 598,861
Bonds and Loans Payable - Current Portion	-	-	1,594,560	-	-	-	1,594,560
Compensated Absences - Current Portion	-	-	-	-	-	-	-
Closure/Postclosure Liabilities - Current Portion	-	25,000	-	-	-	-	25,000
Due to Other Governments	-	-	127,520	-	-	-	127,520
Due to Primary Government	-	-	-	690,534	-	-	690,534
Unearned Revenue	6,120	-	-	-	-	131,735	137,855
Total Current Liabilities	66,019	68,208	2,061,763	828,754	16,777	132,809	3,174,330
Noncurrent Liabilities:							
Bonds and Loans Payable	-	-	29,508,644	3,092,615	-	-	32,601,259
Compensated Absences	30,235	192,062	338,371	-	50,548	-	611,216
Net Pension Liability	74,934	341,141	1,420,252	-	257,619	-	2,093,946
Closure/Postclosure Liabilities	-	3,989,795	-	-	-	-	3,989,795
Total Noncurrent Liabilities	105,169	4,522,998	31,267,267	3,092,615	308,167	-	39,296,216
TOTAL LIABILITIES	171,188	4,591,206	33,329,030	3,921,369	324,944	132,809	42,470,546
DEFERRED INFLOWS OF RESOURCES	1,579	8,792	35,591	-	6,819	-	52,781
NET POSITION							
Net Investment in Capital Assets	12,499,485	3,801,495	20,725,135	15,978,218	49,991	-	53,054,324
Unrestricted Net Position	(27,318)	1,533,250	4,527,906	(158,012)	(248,588)	-	5,627,238
Total Net Position	12,472,167	5,334,745	25,253,041	15,820,206	(198,597)	-	58,681,562
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 12,644,934	\$ 9,934,743	\$ 58,617,662	\$ 19,741,575	\$ 133,166	\$ 132,809	\$ 101,204,889

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2019

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Parks & Recreation Fund	Department of Technology & Communications	Liquor Control Board	Total
OPERATING REVENUES:							
Charges for Services	\$ 221,528	\$ 1,571,749	\$ 4,767,836	\$ 495,216	\$ 252,772	\$ 136,696	\$ 7,445,797
Other	749	44,860	590,125	21,337	-	-	657,071
Total Operating Revenues	<u>222,277</u>	<u>1,616,609</u>	<u>5,357,961</u>	<u>516,553</u>	<u>252,772</u>	<u>136,696</u>	<u>8,102,868</u>
OPERATING EXPENSES:							
Salaries	94,175	750,327	1,632,234	-	291,148	7,520	2,775,404
Fringe Benefits	31,149	298,632	841,502	-	123,330	575	1,295,188
Maintenance and Repairs	6,029	68,952	571,174	21,118	22,685	-	689,958
Supplies	103,010	68,050	592,140	11,121	-	-	774,321
Utilities	12,967	170,563	573,395	154,861	29,777	-	941,563
Transportation	3,181	-	114,294	-	9,700	-	127,175
Contracted Services	2,392	237,857	160,593	257,443	-	-	658,285
Insurance	3,712	15,059	18,962	30,232	-	-	67,965
Direct Administration	-	-	31,591	4,856	-	8,910	45,357
Indirect Administration	-	-	252,860	21,921	-	-	274,781
Depreciation Expense	265,128	351,495	2,611,083	380,094	129,177	-	3,736,977
Amortization - Other	-	189,955	-	-	-	-	189,955
Bad Debt Expense	-	2,139	5,046	-	-	-	7,185
Other	19,170	76,181	-	-	274,502	-	369,853
Total Operating Expenses	<u>540,913</u>	<u>2,229,210</u>	<u>7,404,874</u>	<u>881,646</u>	<u>880,319</u>	<u>17,005</u>	<u>11,953,967</u>
NET OPERATING LOSS	<u>(318,636)</u>	<u>(612,601)</u>	<u>(2,046,913)</u>	<u>(365,093)</u>	<u>(627,547)</u>	<u>119,691</u>	<u>(3,851,099)</u>
NON-OPERATING REVENUES (EXPENSES):							
Tap Fees - Capital Revenue	-	-	612,650	-	-	-	612,650
Investment Income	-	280,660	85,431	-	-	-	366,091
Ad Valorem Tax	-	-	2,803,132	-	-	-	2,803,132
Gain on Sale of Assets	-	205,609	20,602	-	-	-	226,211
Interest Expense	-	-	(1,016,770)	-	-	-	(1,016,770)
Net Other Revenues (Expenses)	<u>-</u>	<u>486,269</u>	<u>2,505,045</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,991,314</u>
(LOSS) INCOME BEFORE CAPITAL CONTRIBUTIONS/TRANSFERS	<u>\$ (318,636)</u>	<u>\$ (126,332)</u>	<u>\$ 458,132</u>	<u>\$ (365,093)</u>	<u>\$ (627,547)</u>	<u>\$ 119,691</u>	<u>\$ (859,785)</u>

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds (Continued)
Year Ended June 30, 2019

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Parks & Recreation Fund</u>	<u>Department of Technology & Communications</u>	<u>Liquor Control Board</u>	<u>Total</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS/TRANSFERS							
Balances Brought Forward	\$ (318,636)	\$ (126,332)	\$ 458,132	\$ (365,093)	\$ (627,547)	\$ 119,691	\$ (859,785)
CAPITAL CONTRIBUTIONS/TRANSFERS							
Capital Contributions from							
Local	-	-	103,617	-	-	-	103,617
State	13,660	-	164,000	-	-	-	177,660
Federal	245,881	-	18,093	-	-	-	263,974
Primary Government	16,313	-	-	-	-	-	16,313
Transfers from (to) Primary Government	72,682	468,775	-	100,000	484,464	(119,691)	1,006,230
NET CHANGE IN NET POSITION	29,900	342,443	743,842	(265,093)	(143,083)	-	708,009
NET POSITION - BEGINNING OF YEAR	12,442,267	4,992,302	24,509,199	16,085,299	(55,514)	-	57,973,553
NET POSITION - END OF YEAR	<u>\$ 12,472,167</u>	<u>\$ 5,334,745</u>	<u>\$ 25,253,041</u>	<u>\$ 15,820,206</u>	<u>\$ (198,597)</u>	<u>\$ -</u>	<u>\$ 58,681,562</u>

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Parks & Recreation Fund	Department of Technology & Communications	Liquor Control Board	Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Cash Received from Customers	\$ 219,636	\$ 1,607,973	\$ 5,480,362	\$ 467,198	\$ 271,499	\$ 138,271	\$ 8,046,668
Cash Paid to Suppliers	(150,372)	(662,582)	(2,404,237)	(453,673)	(351,922)	(8,910)	(4,022,786)
Cash Paid to Employees and for Employee Benefits	(118,914)	(1,024,448)	(2,429,712)	-	(404,041)	(7,979)	(3,977,115)
Net Cash (Used In)/Provided By Operating Activities	(49,650)	(79,057)	646,413	13,525	(484,464)	121,382	46,767
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:							
Transfer from (to) Primary Government	72,682	468,775	-	100,000	484,464	(119,691)	1,125,921
Increase (Decrease) in Amounts Due to General Fund	-	-	-	(3,526)	-	-	(3,526)
Decrease (Increase) in Amounts Due from General Fund	-	-	(875)	-	-	-	(875)
Net Cash Provided By/(Used In) Non-Capital Financing Activities	72,682	468,775	(875)	96,474	484,464	(119,691)	1,121,520
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Capital Contributions	198,743	-	137,035	-	-	-	335,778
Proceeds from Tap Fees	-	-	612,650	-	-	-	612,650
Ad Valorem Taxes and Other Assessments Collected	-	2,083	2,716,577	-	-	-	2,718,660
Payment of Expenses Related to Landfill Closure	-	(25,564)	-	-	-	-	(25,564)
Acquisition and Construction of Capital Assets	(221,775)	(437,290)	(1,033,872)	-	-	-	(1,692,937)
Proceeds from Sale of Capital Assets	-	205,609	20,602	-	-	-	226,211
Proceeds from Long-Term Debt	-	-	8,185,129	-	-	-	8,185,129
Principal Paid on Long-Term Debt	-	-	(8,983,570)	-	-	-	(8,983,570)
Interest Paid on Long-Term Debt	-	-	(1,024,761)	-	-	-	(1,024,761)
Net Cash (Used In)/Provided By Capital and Related Financing Activities	\$ (23,032)	\$ (255,162)	\$ 629,790	\$ -	\$ -	\$ -	\$ 351,596

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

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

Statement of Cash Flows
Proprietary Funds (Continued)
Year Ended June 30, 2019

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Parks & Recreation Fund	Department of Technology & Communications	Liquor Control Board	Total
CASH FLOWS FROM INVESTING ACTIVITIES:							
Investment Income/(Loss)	\$ -	\$ 280,660	\$ 85,431	\$ -	\$ -	\$ -	\$ 366,091
Government & Agency Bonds	-	(153,392)	-	-	-	-	(153,392)
Net Cash Provided By Investing Activities	-	127,268	85,431	-	-	-	212,699
INCREASE IN CASH AND CASH EQUIVALENTS	-	261,824	1,360,759	109,999	-	1,691	1,734,273
Cash and Cash Equivalents, Beginning of Year	100	1,879,005	2,648,989	580,689	-	131,118	5,239,901
CASH AND CASH EQUIVALENTS, End of Year	\$ 100	\$ 2,140,829	\$ 4,009,748	\$ 690,688	\$ -	\$ 132,809	\$ 6,974,174
Reconciliation of Operating Income (Loss) To Cash (Used In)/Provided By Operating Activities							
Operating Income (Loss)	(318,636)	(612,601)	(2,046,913)	(365,093)	(627,547)	119,691	(3,970,790)
Adjustments to Reconcile Operating Income (Loss) to Net Cash (Used In)/Provided By Operating Activities:							
Depreciation and Amortization	265,128	541,450	2,611,083	380,094	129,177	-	3,926,932
Decrease in Deferred Outflows of Resources	1,059	6,746	20,763	-	3,652	-	32,220
(Decrease) in Deferred Inflows of Resources	(962)	(6,131)	(18,869)	-	(3,319)	-	(29,281)
(Increase) Decrease in assets:							
Accounts receivable	(2,906)	(8,636)	122,401	(45,312)	18,727	-	84,274
Inventories	75	-	(108,597)	-	-	-	(108,522)
Prepaid expenses	1,523	9,248	17,590	8,793	2,755	-	39,909
Increase (Decrease) in liabilities							
Accounts payable and accrued expenses	1,412	(32,597)	(10,781)	39,086	(16,925)	116	(19,805)
Due to other governments	-	-	942	-	-	-	942
Unearned revenue	265	-	-	(4,043)	-	1,575	(3,778)
Net pension liability	2,124	13,529	41,640	-	7,324	-	64,617
Compensated absences	1,268	9,935	17,154	-	1,692	-	30,049
Net Cash (Used In)/Provided By Operating Activities	\$ (49,650)	\$ (79,057)	\$ 646,413	\$ 13,525	\$ (484,464)	\$ 121,382	\$ 46,767

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

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

Statement of Net Position

Fiduciary Funds

June 30, 2019

	Benefit Plan Trust Funds
ASSETS	
Cash and Cash Equivalents	1,827,200
Investments:	
Certificates of Deposit	425,209
Fixed Income Securities	12,485,182
Mutual Funds	13,676,323
Equity Securities	13,152,213
Total Investments	39,738,927
Interest Receivable	145,280
TOTAL ASSETS	41,711,407
LIABILITIES	-
NET POSITION	
Held in Trust for Retirement Benefits and OPEB	<u>\$ 41,711,407</u>

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2019

	<u>Benefit Plan Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	2,210,599
Plan Members	608,936
Total Contributions	<u>2,819,535</u>
Investment Earnings:	
Realized Net Gains on Investments	2,050,817
Interest and Dividends	1,009,429
Net Decrease in Fair Value of Investments	(401,156)
Investment Activity Expense	(136,218)
Total Net Investment Earnings	<u>2,522,872</u>
Total Additions	<u>5,342,407</u>
DEDUCTIONS	
Benefits	2,079,026
Administrative	38,170
Total Deductions	<u>2,117,196</u>
Change In Net Position	3,225,211
Net Position - Beginning of Year	<u>38,486,196</u>
Net Position - End of Year	<u><u>\$ 41,711,407</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, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

The Garrett County Board of License Commissioners also known as the Liquor Control Board was established under Article 2B of the Alcoholic Beverage Laws of the State of Maryland, and is empowered to administer the provisions of the Alcoholic Beverage Laws applicable to Garrett County. The three-member Board is appointed by the Governor. The Liquor Control Board is reported as a blended component unit within the accompanying financial statements by virtue of the fact that the Board provides services almost exclusively for the benefit of the Garrett County Commissioners. The Liquor Control Board is reported in the accompanying financial statements as an enterprise fund.

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

**Notes to Financial Statements
June 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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

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

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

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

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

Garrett County Public Schools
40 South Second Street
Oakland, MD 21550

Garrett College
687 Mosser Road
McHenry, MD 21541

Ruth Enlow Library
6 North Second Street
Oakland, MD 21550

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

**Notes to Financial Statements
June 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

**Notes to Financial Statements
June 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The County reports the following major governmental funds:

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

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

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

The County reports the following major proprietary funds:

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

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

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

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

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

The Liquor Control Board is responsible for issuing alcoholic beverage licenses at the retail level and enforcement of State and local laws, rules, and regulations governing retail sales.

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

**Notes to Financial Statements
June 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the County reports the following additional fund types:

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

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

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

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

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

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

**Notes to Financial Statements
June 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

Receivables and Payables - In order to maximize investment earnings and for efficient operation of the accounting system, substantially all receipts and disbursements of the Primary Government, excluding the Garrett County Sanitary District, Inc. (reported as a blended component unit), are accounted for in one bank account. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "due to/from Primary Government". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". All trade and property tax receivables are reported net of an allowance for doubtful accounts. The allowance for doubtful accounts recorded in the general fund and netted against taxes receivable was \$50,000 as of June 30, 2019. The allowance for doubtful accounts recorded by the Garrett County Sanitary District, Inc. and netted against other receivables was \$10,344 as of June 30, 2019.

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

**Notes to Financial Statements
June 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Restricted Assets - The governmental activities column of the government-wide and governmental funds financial statements include restricted cash of \$2,941,251 which represents general fund cash balances from self-funded health insurance and special revenue funds' cash balances related to Keyzers Ridge Business Park operations and Public Safety operations. This column also includes restricted investments of \$329,488, which represents general fund investment balances related to self-funded health insurance.

Restricted receivables of \$14,058,846 reflect amounts owed by Garrett Regional Medical Center to the County under loan agreements related to Garrett County Memorial Hospital 2004, 2007, 2014 and 2015 Bonds. Amounts receivable are to be collected through June 30, 2037.

Restricted assets attributable to the Garrett County Sanitary District, Inc. of \$2,197,758 represent cash and receivables maintained in accordance with bond resolutions, loan agreements, grant awards and other resolutions and formal actions of the District or by agreement for the purpose of funding certain debt service payments, major repair and replacement activities and other improvements to its water and sewer systems.

Capital Assets - Capital assets which include property, plant and equipment, infrastructure assets (e.g. roads, bridges, and related subsystems), and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at

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

**Notes to Financial Statements
June 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of the donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Business-type activities follow the policy of capitalizing interest as a component of the cost of capital assets constructed for its own use.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

Deferred Inflows/Outflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has four items that qualify for reporting in this category. At June 30, 2019, deferred outflows consisted of pension plan contributions paid in the current fiscal year subsequent to the measurement date, which will be recognized as a reduction of net pension liabilities in the year ending June 30, 2020. Additionally, deferred outflows at June 30, 2019 consisted of differences between actual and expected experience, changes in OPEB and pension plan actuarial assumptions and differences in the projected and actual investment earnings related to the determination of the net OPEB and pension plan liability that are being amortized over periods ranging from five to nineteen years.

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

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

**Notes to Financial Statements
June 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, deferred inflows at June 30, 2019 consisted of differences between actual and expected experience, changes in OPEB and pension plan actuarial assumptions and differences in the projected and actual investment earnings related to the determination of the net OPEB and pension plan liability that are being amortized over periods ranging from five to seventeen years.

Unearned Revenues - Unearned revenues as reported only in the governmental funds financial statements include amounts advanced to Garrett County Regional Medical Center from bonded indebtedness issued by the County to fund certain hospital construction and renovation projects. These advances are being repaid to the County and recognized as revenues in the financial statements as the hospital makes the required payments on the related bonded indebtedness. Unearned revenues as reported in the government-wide and governmental funds financial statements include taxes and fees that were prepaid to the County for future tax year levies of \$171,352 and expenditure driven grants of \$538,083, where the cash has been received, but the qualifying expenditures have not been incurred.

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

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

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

**Notes to Financial Statements
June 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

E. Net Position/Fund Balance Classifications

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

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

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

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

Committed Fund Balance - Amounts constrained for a specific purpose by the governing body using its highest level of decision making authority. These constraints can only be removed or changed by the same governing body using its decision making authority to reverse a decision. Actions to constrain resources should occur prior to the end of a fiscal year, although the exact amount may be determined subsequent to year-end. The County had no committed fund balance as of June 30, 2019.

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

**Notes to Financial Statements
June 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Net Position/Fund Balance Classifications (Continued)

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

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

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

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

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

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

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

**Notes to Financial Statements
June 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Net Position Flow Assumptions

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

G. Fund Balance Flow Assumptions

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

H. Use of Estimates

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

I. Budgets and Budgetary Accounting

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

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

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

**Notes to Financial Statements
June 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Budgets and Budgetary Accounting (Continued)

The annual budget is adopted on a basis consistent with 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 19, 2018, by the County Commissioners and as finally amended.

J. Retirement Plans

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

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

K. Postemployment Benefits Other Than Pensions

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Garrett County Employees Health Care Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. New Governmental Accounting Standards Board (GASB) Standard

The County has adopted the provisions of Governmental Accounting Standard Board (GASB) issued Statement No. 88, entitled Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.

GASB has also issued Statement No. 84 entitled, Fiduciary Activities, Statement No. 87 entitled Leases, and Statement No. 89 entitled Accounting for Interest Cost Incurred before the End of a Construction Period. The County will be evaluating the effects of these pronouncements on its financial statements and plans to adopt them as applicable by their effective date.

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

**Notes to Financial Statements
June 30, 2019**

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, 2019 to the statement of net position:

	Governmental Activities	Business-Type Activities	Primary Government	Fiduciary Funds
Cash and Cash Equivalents	\$ 8,676,931	\$ 4,896,328	\$ 13,573,259	\$ -
Restricted Cash	2,941,251	2,077,846	5,019,097	1,827,200
Investments	7,579,054	3,836,965	11,416,019	-
Restricted Investments	329,488	-	329,488	39,738,927
Total	<u>\$ 19,526,724</u>	<u>\$ 10,811,139</u>	<u>\$ 30,337,863</u>	<u>\$ 41,566,127</u>

Deposit and Investment Summary

	Governmental Activities	Business-Type Activities	Primary Government	Fiduciary Funds
Deposits	\$ 11,617,353	\$ 6,973,424	\$ 18,590,777	\$ 1,827,200
Certificates of Deposit	4,352,169	-	4,352,169	425,209
U.S. Government Obligations	3,556,373	3,836,965	7,393,338	-
Fixed Income Securities	-	-	-	12,485,182
Mutual Funds	-	-	-	13,676,323
Equity Securities	-	-	-	13,152,213
Cash on Hand	829	750	1,579	-
Total	<u>\$ 19,526,724</u>	<u>\$ 10,811,139</u>	<u>\$ 30,337,863</u>	<u>\$ 41,566,127</u>

Deposits

At year end, the carrying amount of the Primary Government's deposits including certificates of deposit was \$22,942,946 and the bank balance of collected funds was \$25,730,286. Of the bank balance \$3,570,574 was insured by the Federal Deposit Insurance Corporation (FDIC), \$22,159,712 was collateralized by securities held by the County's agent in the County's name.

Statutes require collateral to be pledged as security for deposits in excess of available depository insurance and the market value of such collateral shall be at least equal to the amount of moneys on deposit. The market value of collateral pledged as security for the County's deposits (including cash and certificates of deposit) at June 30, 2019 was \$29,241,807.

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

**Notes to Financial Statements
June 30, 2019**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Deposits (Continued)

The Government Personnel Retirement Plan, Law Enforcement Employee Retirement Plan, Volunteer Length of Service Award Plan and OPEB Plan (Fiduciary Funds) had combined deposits including certificates of deposit of \$2,252,409 at June 30, 2019. Of those deposits \$2,252,409 were insured by the FDIC. The Primary Government and the Fiduciary Funds' investment policies do not limit exposure to custodial credit risk.

Investments

The County is restricted by State law as to the kinds of investments that can be made. Authorized investments include (1) obligations of which the faith and credit of the United States of America are pledged, (2) obligations of federal governmental agencies issued pursuant to Acts of Congress, (3) bankers acceptances, (4) repurchase agreements that are secured by any bond or other obligations of the federal government having a market value of not less than 102% of the principal cost, and (5) an investment trust whose portfolio consists of bonds or other obligations of the federal government. The County is also authorized under State law to make deposits in banks, savings and loans, etc. which have the lawfully required escrow deposits or which have authorized collateral. Fiduciary Funds are authorized by the Plans' Board of Trustees to invest in instruments identified above and, additionally, to invest in debt and equity securities.

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

To reduce concentration of credit risk, the County seeks to maintain a balanced portfolio by issuer or financial institution or class of security. All of the County's investments representing greater than five percent of the County's portfolio are invested in investments issued by or explicitly guaranteed by the U.S. Government as of June 30, 2019.

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:

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

**Notes to Financial Statements
June 30, 2019**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments (Continued)

<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 Fiduciary Funds have employed professional investment managers to manage retirement plan assets and to follow the plans’ investment policies which are designed to protect plan principal and to achieve a real rate of return over the long term. Fiduciary Fund investments, having a market value of \$39,313,718 at June 30, 2019, were exposed to custodial credit risk as they were uninsured and held by the counterparty’s trust department but not in the name of the County.

The Fiduciary Funds have investment policies specifying that investments in corporate bonds be primarily investment grade securities rated by Moody’s or Standard and Poor’s. The Fiduciary Fund investment policies further limit credit risk by prescribing that the fixed income portfolio be well diversified with respect to type, industry and issuer. Fiduciary Fund mutual fund investments include bond mutual funds all of which were unrated as of June 30, 2019. Fiduciary Fund investment policies do not place limits on investment managers with respect to the duration of their investments.

The investments of the Primary Government and Fiduciary Funds included debt securities having the following ratings as of June 30, 2019:

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

**Notes to Financial Statements
June 30, 2019**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments (Continued)

<u>Security Ratings</u>	<u>Primary Government 6/30/19</u>	<u>Fiduciary Funds 6/30/19</u>
AA	\$ 7,313,890	\$ -
AAA	-	987,712
AA1	-	1,220,904
AA2	-	1,338,771
AA3	79,448	101,933
A1	-	624,812
A2	-	1,303,320
A3	-	1,461,115
BAA1	-	2,625,446
BAA2	-	1,608,561
BAA3	-	302,280
Not Rated	-	910,328
Total Market Value	<u>\$ 7,393,338</u>	<u>\$ 12,485,182</u>

Fiduciary Fund investments include all fixed income securities with interest rates specifically identified as follows with respect to maturity dates:

<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Primary Government 6/30/19</u>
2027	2.00%	\$ 174,277
2029	4.00%	79,448
2031	1.75%-3.00%	6,892,003
2032	2.50%	247,610
	Total Market Value	<u>\$ 7,393,338</u>
<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Fiduciary Funds 6/30/19</u>
2020	2.00%-5.55%	\$ 602,128
2021	3.38%-4.40%	453,932
2022	2.05%-5.25%	1,095,199
2023	2.40%-5.00%	786,663
2024	3.25%-4.88%	484,660
2025-2029	3.00%-6.95%	7,005,080
2030-2034	3.35%-7.15%	1,702,220
2035-2039	4.00%-6.00%	355,300
	Total Market Value	<u>\$ 12,485,182</u>

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

**Notes to Financial Statements
June 30, 2019**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments (Continued)

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

		<u>Fair Value Measurement Using</u>	
	<u>June 30, 2019</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Market Inputs (Level 2)</u>
Primary Government			
U.S. Government Obligations	\$ 7,393,338	\$ -	\$ 7,393,338
Total	\$ 7,393,338	\$ -	\$ 7,393,338
Fiduciary Funds			
Fixed Income Securities	\$ 12,485,182	\$ -	\$ 12,485,182
Mutual Funds	13,676,323	13,676,323	-
Equity Securities	13,152,213	13,152,213	-
Total	\$ 39,313,718	\$ 26,828,536	\$ 12,485,182

NOTE 3 – NOTES RECEIVABLE

During the year ended June 30, 2012, the County sold certain real property located in the Southern Garrett Business and Industrial Park to GCC Technologies, LLC in exchange for a note receivable in the original amount of \$1,150,000. The note receivable is payable to the County in 360 equal installments of \$4,848 each, including principal and interest calculated at 3% per annum. Under the terms of the note, interest incurred during the first six and one-half years of the note will be forgiven if the borrower achieves certain new jobs creation targets. The principal balance of the note was \$975,470 as of June 30, 2019 and is reported in the general fund and government-wide financial statements.

The interest payments received from the borrower totaled \$213,346 through June 30, 2019 and are reported as unearned revenue in both the general fund and government-wide financial statements.

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

**Notes to Financial Statements
June 30, 2019**

NOTE 4 – DEBT SERVICE FUND

The County issued Garrett County Memorial Hospital Bonds, Series 2004, 2007, 2014, and 2015 in the amounts of \$1,400,000, \$3,000,000, \$10,000,000 and \$5,000,000, respectively. The proceeds of the 2004 Bonds were used to retire a portion of the 2002 Bonds and the proceeds of the 2007 Bonds were used to retire the outstanding balances of the 2002 and 2003 Bonds. The 2014 and 2015 Bonds were used for hospital expansion projects. According to the terms of the bonds, the County entered into additional agreements with the Hospital under which the Hospital will make payments to the County sufficient to provide for the payment of principal and interest on the bonds when due. Terms of the Series 2004 \$1,400,000 loan include semi-annual payments of \$51,718 including interest at the rate of 4.38% (fixed rate for 10 years) and having a maturity date of November 19, 2024. Terms of the Series 2007 \$3,000,000 loan include monthly payments of \$14,550 including interest at the rate of 4.125% (fixed rate for 30 years) and having a maturity date of June 28, 2037. Terms of the Series 2014 \$10,000,000 loan include annual principal payments of \$400,000 and semi-annual interest payments at the rate of 3.50% (fixed rate for 15 years) and having a maturity date of September 15, 2029 at which point a balloon payment of \$3,333,332 is due. Terms of the Series 2015 \$5,000,000 loan include annual principal payments of \$200,000 and semi-annual interest payments at the rate of 3.53% (fixed rate for 15 years) and having a maturity date of December 23, 2030 at which point a balloon payment of \$1,799,957 is due.

The funds disbursed to the Hospital from the Garrett County Memorial Hospital Bonds, Series 2004, 2007, 2014 and 2015 are recorded as a restricted note receivable in the government-wide (governmental activities) and governmental funds (Debt Service Fund) financial statements with an offsetting credit to deferred revenue in the governmental funds and long-term debt in the government-wide statements. Payments made by the Hospital to conform with the various loan agreements are being recognized as revenue in the year received in the governmental funds. Debt service payments on the County's bonded indebtedness are also recognized in the government-wide statement of activities as reducing long-term debt. The following schedule identifies future receipts from the Hospital based on the entire bond proceeds having been advanced by the County.

<u>Years Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 768,447	\$ 501,701	\$ 1,270,148
2021	775,494	473,475	1,248,969
2022	782,836	444,953	1,227,789
2023	790,484	416,124	1,206,608
2024	798,453	386,926	1,185,379
2025-2037	10,143,132	1,878,453	12,021,585
Total	<u>\$ 14,058,846</u>	<u>\$ 4,101,632</u>	<u>\$ 18,160,478</u>

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

**Notes to Financial Statements
June 30, 2019**

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the Primary Government for the fiscal year ended June 30, 2019 was as follows:

	<u>Balance as of June 30, 2018</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance as of June 30, 2019</u>
<u>Governmental Activities</u>				
Capital assets, not depreciated				
Land and easements	\$ 9,739,442	\$ 313,470	\$ -	\$ 10,052,912
Construction in progress	<u>2,535,613</u>	<u>1,789,556</u>	<u>(174,345)</u>	<u>4,150,824</u>
Total capital assets, not depreciated	<u>12,275,055</u>	<u>2,103,026</u>	<u>(174,345)</u>	<u>14,203,736</u>
Capital assets, being depreciated				
Land improvements	3,440,717	-	-	3,440,717
Buildings	26,835,694	27,118	-	26,862,812
Machinery & equipment	3,952,909	6,351	76,700	4,035,960
Vehicles	18,189,503	756,463	(441,157)	18,504,809
Furniture & equipment	2,718,861	279,224	(11,475)	2,986,610
Infrastructure	<u>93,199,154</u>	<u>2,815,637</u>	<u>105,515</u>	<u>96,120,306</u>
Total capital assets, being depreciated	<u>148,336,838</u>	<u>3,884,793</u>	<u>(270,417)</u>	<u>151,951,214</u>
Less accumulated depreciation for:				
Land improvements	(201,583)	(42,578)	-	(244,161)
Buildings	(13,710,797)	(710,644)	-	(14,421,441)
Machinery & equipment	(2,389,395)	(309,799)	(7,870)	(2,707,064)
Vehicles	(15,908,803)	(807,646)	441,157	(16,275,292)
Furniture & equipment	(1,687,662)	(219,089)	11,475	(1,895,276)
Infrastructure	<u>(70,040,805)</u>	<u>(3,290,406)</u>	<u>-</u>	<u>(73,331,211)</u>
Total accumulated depreciation	<u>(103,939,045)</u>	<u>(5,380,162)</u>	<u>444,762</u>	<u>(108,874,445)</u>
Total capital assets, being depreciated, net	<u>44,397,793</u>	<u>(1,495,369)</u>	<u>174,345</u>	<u>43,076,769</u>
Governmental activities capital assets, net	<u>\$ 56,672,848</u>	<u>\$ 607,657</u>	<u>\$ -</u>	<u>\$ 57,280,505</u>

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

Governmental activities:	
General Government	\$ 57,825
Public Works	3,794,642
Public Safety	574,603
Economic Development	483,027
Unallocated	470,065
Total depreciation expense - governmental activities	<u>\$ 5,380,162</u>

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

**Notes to Financial Statements
June 30, 2019**

NOTE 5 – CAPITAL ASSETS (Continued)

	Balance June 30, 2018	Additions	Transfers and Retirements	Balance June 30, 2018
<u>Business-type activities</u>				
Capital assets, not depreciated				
Land and easements	\$ 3,243,738	\$ -	\$ -	\$ 3,243,738
Construction in progress	12,185,884	929,162	(10,629,483)	2,485,563
Land improvements	7,897,518	-	-	7,897,518
Total capital assets, not depreciated	<u>23,327,140</u>	<u>929,162</u>	<u>(10,629,483)</u>	<u>13,626,819</u>
Capital assets, being depreciated				
Land improvements	20,480,518	-	-	20,480,518
Buildings	4,955,898	-	-	4,955,898
Machinery & equipment	5,553,388	560,302	(645,261)	5,468,429
Vehicles	1,935,331	-	(25,255)	1,910,076
Infrastructure	18,753,628	-	-	18,753,628
Furniture & equipment	203,121	-	-	203,121
Water & Sewer facilities	103,915,231	-	10,619,358	114,534,589
Total capital assets, being depreciated	<u>155,797,115</u>	<u>560,302</u>	<u>9,948,842</u>	<u>166,306,259</u>
Less accumulated depreciation for:				
Land improvements	(10,361,934)	(231,452)	-	(10,593,386)
Buildings	(1,356,476)	(125,850)	-	(1,482,326)
Machinery & equipment	(4,267,354)	(472,910)	645,261	(4,095,003)
Vehicles	(1,708,401)	(19,992)	25,255	(1,703,138)
Infrastructure	(7,492,713)	(469,930)	-	(7,962,643)
Furniture & equipment	(187,387)	(3,948)	-	(191,335)
Water & Sewer facilities	(64,519,116)	(2,412,895)	-	(66,932,011)
Total accumulated depreciation	<u>(89,893,381)</u>	<u>(3,736,977)</u>	<u>670,516</u>	<u>(92,959,842)</u>
Total capital assets, being depreciated, net	<u>65,903,734</u>	<u>(3,176,675)</u>	<u>10,619,358</u>	<u>73,346,417</u>
Business-type activities capital assets, net	<u>\$ 89,230,874</u>	<u>\$ (2,247,513)</u>	<u>\$ (10,125)</u>	<u>\$ 86,973,236</u>

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

Business-type activities	
Airport	\$ 265,128
Solid Waste	351,495
Sanitary District	2,611,083
Parks & Recreation	380,094
Department of Technology & Communications	129,177
Total depreciation expense - business-type activities	<u>\$ 3,736,977</u>

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

**Notes to Financial Statements
June 30, 2019**

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, 2019</u>	<u>Remaining Commitment</u>
<u>Governmental Activities</u>			
Public Works	\$ 15,281,095	\$ 3,129,343	\$ 12,151,752
Public Safety	1,911,201	476,911	1,434,290
General Government	650,000	544,570	105,430
Total governmental activities	<u>\$ 17,842,296</u>	<u>\$ 4,150,824</u>	<u>\$ 13,691,472</u>
<u>Business-type Activities</u>			
West Apron	\$ 6,975,000	\$ 275,855	\$ 6,699,145
Keysers Ridge Water & Sewer	556,111	556,111	-
McHenry Water	530,232	530,232	-
Bloomington Water	2,389,624	654,456	1,735,168
Friendsville Sewer	1,458,899	179,313	1,279,586
Thayerville / McHenry Connection	1,744,420	144,420	1,600,000
Other Garrett County Sanitary District Projects	145,176	145,176	-
Total business-type activities	<u>\$ 13,799,462</u>	<u>\$ 2,485,563</u>	<u>\$ 11,313,899</u>

NOTE 6 – INTERNAL AND INTERFUND BALANCES AND ACTIVITY

Interfund transfers between the General Fund and the Capital Projects Fund of \$228,551 represent funding for construction projects. Interfund transfers between the General Fund and the Airport Fund of an operating subsidy of \$72,682 and funding for construction projects in the amount of \$16,313. Interfund transfers between the General Fund and the Solid Waste Fund is comprised of an operating subsidy of \$468,775. Interfund transfers between the General Fund and the Parks & Recreation Fund of \$100,000 for a debt repayment subsidy. Interfund transfers between the General Fund and the Department of Technology and Communications are comprised of an operating subsidy amount of \$484,464. Interfund transfers between the Liquor Control Board and the General Fund totaled \$119,691, representing the net income of the Liquor Control Board.

Interfund balances between the General Fund and the proprietary funds are comprised of amounts due from the Parks & Recreation Fund for other financing on their behalf. Interfund receivables and payables between the Primary Government and its component units for the year ended June 30, 2019, consisted of \$72,033 due to the Board of Education, and \$250,976 due to Garrett College and \$17,012 due from the Public Library.

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

**Notes to Financial Statements
June 30, 2019**

NOTE 7 – LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions for the fiscal year ended June 30, 2019:

	Balance June 30, 2018	Additions	Principal Repayments & Other Reductions	Balance June 30, 2019	Due Within One Year
Governmental activities:					
General Fund					
General Obligation Bonds	\$ 15,218,728	\$ -	\$ (1,159,882)	\$ 14,058,846	\$ 768,447
Compensated Absences	3,143,786	301,952	(341,957)	3,103,781	96,870
Net OPEB Liability	11,013,285	2,716,063	(1,157,203)	12,572,145	-
Net Pension Liability - MSRS	546,088	23,610	-	569,698	-
Net Pension Liability - GCGEP	8,415,196	2,955,944	(2,718,948)	8,652,192	-
Net Pension Liability - GCLEP	1,453,039	1,261,583	(1,289,941)	1,424,681	-
Governmental activities Long-term liabilities	<u>\$ 39,790,122</u>	<u>\$ 7,259,152</u>	<u>\$ (6,667,931)</u>	<u>\$ 40,381,343</u>	<u>\$ 865,317</u>
Business-type activities:					
Garrett County Sanitary District					
Bonds and Loans Payable	\$ 31,901,645	\$ 8,185,129	\$ (8,983,570)	\$ 31,103,204	\$ 1,594,560
Parks & Recreation					
Loans Payable	3,092,615	-	-	3,092,615	-
Subtotal	<u>34,994,260</u>	<u>8,185,129</u>	<u>(8,983,570)</u>	<u>34,195,819</u>	<u>1,594,560</u>
Landfill closure/post-closure	<u>3,850,404</u>	<u>189,954</u>	<u>(25,563)</u>	<u>4,014,795</u>	<u>25,000</u>
Net Pension Liability - GCGEP					
Airport	72,810	26,345	(24,221)	74,934	-
Solid Waste Fund	327,612	168,900	(155,371)	341,141	-
G.C. Sanitary District	1,378,612	519,491	(477,851)	1,420,252	-
Dept. of Tech & Comm.	250,295	91,409	(84,085)	257,619	-
	<u>2,029,329</u>	<u>806,145</u>	<u>(741,528)</u>	<u>2,093,946</u>	<u>-</u>
Compensated Absences					
Airport	28,967	1,268	-	30,235	-
Solid Waste Fund	182,127	9,935	-	192,062	-
G.C. Sanitary District	340,955	26,502	(29,086)	338,371	-
Parks & Recreation Fund	-	-	-	-	-
Dept. of Tech & Comm.	48,856	1,692	-	50,548	-
	<u>600,905</u>	<u>39,397</u>	<u>(29,086)</u>	<u>611,216</u>	<u>-</u>
Business-type activities Long-term liabilities	<u>\$ 41,474,898</u>	<u>\$ 9,220,625</u>	<u>\$ (9,779,747)</u>	<u>\$ 40,915,776</u>	<u>\$ 1,619,560</u>

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

**Notes to Financial Statements
June 30, 2019**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Interest Expense

Total interest expense of \$1,555,719 incurred by the Primary Government includes \$538,949 charged to governmental activities and \$1,016,770 charged to business-type activities.

Details of certain long-term debt obligations at June 30, 2019 are as follows:

	Balance June 30, 2019
Governmental Activities:	
<u>Garrett County Memorial Hospital Refunding Bond, Series 2004</u>	
\$1,400,000 Bonds dated November 19, 2004 are being repaid by semi-annual payments of \$51,718 including interest at a rate of 4.38%, maturing November 19, 2024. Issued to refinance a portion of the Garrett County Memorial Hospital Bonds, Series 2002. To be repaid from hospital revenues.	\$ 513,401
<u>Garrett County Memorial Hospital Refunding Bond, Series 2007</u>	
\$3,000,000 Bonds dated June 28, 2007 are being repaid by monthly payments of \$14,550 including interest at a rate of 4.125%, maturing June 28, 2037. Issued to refinance the Garrett County Memorial Hospital Bonds, Series 2002 and 2003 bonds. To be repaid from hospital revenues.	2,212,156
<u>Garrett County Memorial Hospital Expansion Bond, Series 2014</u>	
\$10,000,000 Bonds dated November 5, 2014 are being repaid by annual principal payments of \$400,000 and semi-annual interest payments at the rate of 3.50% maturing September 15, 2029. Issued to fund the Garrett County Memorial Hospital expansion. To be repaid from hospital revenues.	7,333,332
<u>Garrett County Memorial Hospital Expansion Bond, Series 2015</u>	
\$5,000,000 Bonds dated December 23, 2015 are being repaid by annual principal payments of \$200,000 and semi-annual interest payments at the rate of 3.53% maturing December 23, 2030. Issued to fund the Garrett County Memorial Hospital expansion. To be repaid from hospital revenues.	3,999,957
Total Governmental Activities	\$ 14,058,846

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

**Notes to Financial Statements
June 30, 2019**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

	<u>Balance June 30, 2019</u>
Business-type Activities:	
<u>Garrett County Sanitary District, Inc.</u>	
\$260,000 Maryland Water Quality Financing (Deer Park Water), payable in semiannual installments of \$4,995, including interest at .4% through February 2034.	\$ 138,237
\$128,653 Maryland Department of the Environment (Mt. Lake Park Water), payable in annual installments of principal only of \$9,077 through February 2024.	37,887
\$549,085 Maryland Department of the Environment (Deep Creek & Friendsville I&I), payable in annual installments of principal only of \$34,318 through 2025.	107,344
\$50,050 BB&T (Jennings), payable in monthly installments of \$292, including interest of 3.5% through August 2032.	36,751
\$800,770 BB&T (Mountain Lake Park Water), payable in monthly installments of \$4,665, including interest of 3.5% through August 2032.	587,998
\$7,499,000 BB&T (Thayerville Water), payable in monthly installments of \$43,687, including interest of 3.5% through August 2032	5,506,538
\$7,420,000 United States Department of Agriculture payable in monthly installments of \$69,006, including interest of 2.125% through 2059.	7,360,668
\$23,597,980 BB&T (Refinance), payable in monthly installments of \$137,475, including interest of 3.5% through August 2032.	<u>17,327,781</u>
Total Garrett County Sanitary District, Inc.	<u>\$ 31,103,204</u>

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

**Notes to Financial Statements
June 30, 2019**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

	<u>Balance June 30, 2019</u>
<u>Parks & Recreation Fund</u>	
Non-interest bearing note payable to Maryland Department of Commerce, repayment of principal based on excess cash flows as defined in the terms and conditions of the restated loan agreement dated April 11, 2016.	2,817,615
\$275,000 non-interest bearing note payable to Garrett County Community Action Committee, Inc. (GCCAC) due on July 8, 2007. No principal payments are currently being made on the note as the County is negotiating repayment terms.	<u>275,000</u>
Total Parks & Recreation Fund	<u>3,092,615</u>
Total Business-type Activities	<u>34,195,819</u>
Total Primary Government	<u>\$ 48,254,665</u>

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

**Notes to Financial Statements
June 30, 2019**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Maturities of long-term debt are as follows:

Years Ending June 30,	Principal	Interest	Total
Governmental Activities:			
2020	\$ 768,447	\$ 501,701	\$ 1,270,148
2021	775,494	473,475	1,248,969
2022	782,836	444,953	1,227,789
2023	790,484	416,124	1,206,608
2024	798,453	386,926	1,185,379
2025-2029	3,627,211	1,531,047	5,158,258
2030-2034	6,030,619	316,365	6,346,984
2035-2038	485,302	31,041	516,343
Total governmental activities	<u>\$ 14,058,846</u>	<u>\$ 4,101,632</u>	<u>\$ 18,160,478</u>
Business-Type Activities:			
2020	\$ 1,594,560	\$ 968,273	\$ 2,562,833
2021	1,650,665	912,168	2,562,833
2022	1,706,545	856,288	2,562,833
2023	1,734,474	798,432	2,532,906
2024	1,780,884	740,136	2,521,020
2025-2029	9,878,689	2,718,504	12,597,193
2030-2034	7,503,245	997,811	8,501,056
2035-2039	864,698	515,422	1,380,120
2040-2044	961,361	418,759	1,380,120
2045-2049	1,068,828	311,292	1,380,120
2050-2054	1,188,310	191,810	1,380,120
2055-2059	1,170,946	59,464	1,230,410
Thereafter	3,092,614	-	3,092,614
Total Business-type activities	<u>\$ 34,195,819</u>	<u>\$ 9,488,359</u>	<u>\$ 43,684,178</u>

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

**Notes to Financial Statements
June 30, 2019**

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Grant and Loan Compliance

The County participates in numerous Federal and State grant/loan programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant/loan programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the laws and regulations governing the programs, refunds of any money received may be required or, the collectability of any related receivable at June 30, 2019 may be impaired. The amount, if any, of expenditures for projects which may be disallowed by the granting/lending agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Loan Guarantees

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

Lease Commitments

Garrett College has entered into a lease with the County for the rental of a student dormitory building, known as “Garrett Hall”. Terms of the lease include monthly rental payments of \$5,396 for a period of 29 years. At the end of the initial term of the lease, the College has the option to extend the lease. The value of this building at June 30, 2019 was \$927,169 less accumulated depreciation of \$343,899. Total future minimum payments under the operating lease as of June 30, 2019 are as follows:

Year Ending June 30, 2020	\$ 64,752
June 30, 2021	64,752
June 30, 2022	64,752
June 30, 2023	64,752
June 30, 2024	64,752
Thereafter	<u>593,560</u>
Total	<u>\$ 917,320</u>

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

**Notes to Financial Statements
June 30, 2019**

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

Lease Commitments (Continued)

In addition, the County leases administrative offices to the Board of Education at no charge. The annual fair market value of the space occupied is \$148,800. The fair market value of the appropriated space is recorded in the accompanying government-wide and fund financial statements as both a revenue and an expenditure. The value of this building at June 30, 2019 was \$1,000,563 less accumulated depreciation of \$458,683.

On April 22, 2014, the County entered into a lease with Strata Safety Products, LLC (Strata) for the rental of property located at the Keyser's Ridge Business Park. The initial lease term ends April 30, 2020 with an annual rate of \$61,600. The value of this building at June 30, 2019 was \$1,666,096 less accumulated depreciation of \$180,589.

NOTE 9 – STATE RETIREMENT PLAN

General Information about the Pension Plan

The Primary Government participates in the Maryland State Retirement and Pension System (the System), a cost sharing multiple-employer public employee retirement system. Substantially all full-time and permanent part-time employees of the Primary Government employed prior to July 1, 2005, were eligible to participate in the System, which provides retirement, disability and death benefits to plan members and beneficiaries in accordance with State statutes. The System is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland and managed by a board of trustees. The System issues a publicly available annual financial report that includes financial statements and required supplementary information for all of the various employee groups within the state System. The annual report for the year ended June 30, 2018 (most recent available data) may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, MD 21202 or by calling 1-800-492-5909.

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

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

**Notes to Financial Statements
June 30, 2019**

NOTE 9 – STATE RETIREMENT PLAN (Continued)

General Information about the Pension Plan (Continued)

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

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

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

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

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

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

**Notes to Financial Statements
June 30, 2019**

NOTE 9 – STATE RETIREMENT PLAN (Continued)

General Information about the Pension Plan (Continued)

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

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

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

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

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

The Primary Government's contributions for the year ended June 30, 2019 were \$56,553 to the ERS, which were equal to the County's required contributions for that year.

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

**Notes to Financial Statements
June 30, 2019**

NOTE 9 – STATE RETIREMENT PLAN (Continued)

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

At June 30, 2019, the Primary Government reported a liability of \$569,698 for its proportionate share of the ERS net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Primary Government's proportion of the net pension liability was based on a projection of the Primary Government's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the Primary Government's proportion was 0.003 percent.

The Primary Government's pension expense for the ERS Plan for the year ended June 30, 2019 was \$28,577.

At June 30, 2019, the Primary Government reported deferred outflows of resources and deferred inflows of resources related to the state System from the following sources:

Deferred outflows of resources of \$56,553 reported as related to the State System resulting from Primary Government's contributions to the Employees' Pension System subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the state System will be recognized in pension expense as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 16,236	\$ -
Changes in experience	-	44,613
Net difference between projected and actual earnings on pension plan investments	44,407	22,104
County contributions to the Employees' Pension System subsequent to the measurement date	56,553	-
Total	<u>\$ 117,196</u>	<u>\$ 66,717</u>

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

**Notes to Financial Statements
June 30, 2019**

NOTE 9 – STATE RETIREMENT PLAN (Continued)

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

Year ending June 30:	
2020	\$ 17,397
2021	4,794
2022	(14,051)
2023	(12,145)
2024	(2,069)

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following key actuarial assumptions, applied to all periods included in the measurement:

Actuarial	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Inflation	2.60% general, 3.10% wage
Salary increases	3.10% to 9.10%, including inflation
Discount rate	7.45%
Investment rate of return	7.45%
Mortality	RP-2014 Mortality Tables

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

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

**Notes to Financial Statements
June 30, 2019**

NOTE 9 – STATE RETIREMENT PLAN (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37.00%	5.80%
Private Equity	13.00%	6.70%
Rate Sensitive	19.00%	1.10%
Credit Opportunity	9.00%	3.60%
Real Assets	14.00%	4.80%
Absolute Return	8.00%	3.20%
Total	100.00%	

The discount rate used to measure the total pension liability was 7.45 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and contributions from the State will be made at current statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the County’s proportionate share of the net pension liability calculated using the discount rate of 7.45 percent, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.45 percent) or 1-percentage-point higher (8.45 percent) than the current rate:

	6.45%	Rate 7.45%	8.45%
County's proportionate share of the net pension liability	\$ 820,414	\$ 569,698	\$ 361,496

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

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

**Notes to Financial Statements
June 30, 2019**

NOTE 9 – STATE RETIREMENT PLAN (Continued)

Funded Status and Funding Progress

At June 30, 2019, the Primary Government and Board of Education reported a liability for their proportionate share of the ERS net pension liability based on their participation in that plan. The Board of Education and College participate in the Teachers' Retirement System (TRS), which has a special funding situation. Because the State of Maryland is legally responsible for paying the unfunded pension liability and the Board of Education and College pay the normal cost for the teachers' pensions, the Board of Education and College are not required under GASB 68 to record their share of the unfunded liability for the TRS but instead, that liability is recorded by the State of Maryland. The County's portion of the net pension liability recorded by the State of Maryland, the amount recognized by the County as its proportionate share of the ERS net pension liability, and the total portion of the State's net pension liability that was associated with the County were as follows as of June 30, 2019:

	Teachers' Retirement and Pension System	Employees' Retirement and Pension System	Total All State Systems
Primary Government's proportionate share of net pension liability	\$ -	\$ 569,698	\$ 569,698
Board of Education's proportionate share of net pension liability	-	3,456,888	3,456,888
State's proportionate share of the net pension liability associated with the Board of Education	43,957,397	-	43,957,397
State's proportionate share of the net pension liability associated with the College	6,109,117	-	6,109,117
Total County portion of the State's net pension liability	\$ 50,066,514	\$ 4,026,586	\$ 54,093,100

Contributions by the State of Maryland to the TRS on behalf of the Board of Education and College totaled \$2,927,546 and \$466,175, respectively, for the year ended June 30, 2019. Board of Education and College contributions to the State Retirement Plan totaled \$1,474,610 and \$37,267, respectively, for the year ended June 30, 2019. All contributions were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed annually.

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

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

**Notes to Financial Statements
June 30, 2019**

NOTE 10 – COUNTY RETIREMENT PLANS

Government Personnel Retirement Plan

The County adopted the Garrett County Government Personnel Retirement Plan, a single employer plan, effective July 1, 2005, for all covered employees of the Primary Government. Eligible personnel employed prior to July 1, 2005, could elect to participate in the Plan effective July 1, 2005. Such election was irrevocable. Participation in the Plan is mandatory for all eligible personnel hired after July 1, 2005. The Plan provides retirement, disability and death benefits for all eligible employees. Administrative, investment, and member benefit service responsibilities are provided by a Board of Trustees. The actuarial valuation report as of June 30, 2019 (most recent available data) may be obtained from the County Commissioners of Garrett County, Maryland.

The Plan provides retirement, disability and death benefits for all eligible employees. Administrative, investment, and member contribution and benefit service responsibilities are provided by a Board of Trustees that is comprised of the County Commissioners and others they designate. Participating employees are required to contribute 3.39% of earnings. The contribution requirements of Plan members and the County are established and may be amended by the County Commissioners.

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

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

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

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

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

**Notes to Financial Statements
June 30, 2019**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Government Personnel Retirement Plan (Continued)

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

All information that follows for the Plan is measured as of June 30, 2019, which is the latest actuarial report available. Liabilities were measured as of July 1, 2018 and rolled to the measurement date using standard actuarial valuation techniques.

Membership of the Plan consisted of the following as of July 1, 2018, the date liabilities were last measured:

Retirees and beneficiaries receiving benefits	93
Terminated Plan members entitled but not yet receiving benefits	20
Active Plan members	243
Total	356

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2019 is as follows:

Investment Type	% of Portfolio	Rate of Return
Equities	30-60%	8-10%
Fixed Income	30-65%	3-4%

For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of expense, was 6.60%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

**Notes to Financial Statements
June 30, 2019**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Government Personnel Retirement Plan (Continued)

The total pension liability for the current year was determined as part of the July 1, 2018 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7% investment rate of return (net of administrative expenses), and (b) projected salary increases of 2% per year. The actuary determined rates of mortality were based on RP-2000; 2-year set forward tables. The assumptions did not include postretirement benefit increases. Full descriptions of the actuarial assumptions are available in the June 30, 2019 actuarial valuation report.

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

The net pension liability is equal to the total pension liability minus the net position of the Plan. The result as of June 30, 2019 is as follows:

Total pension liability	\$40,039,285
Net position	<u>(29,293,147)</u>
Net pension liability	<u><u>\$10,746,138</u></u>

Net position as a percentage of total pension liability is 73.16%.

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

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

	1% decrease 6%	Current rate 7%	1% increase 8%
Net pension liability	<u><u>\$ 15,385,418</u></u>	<u><u>\$ 10,746,138</u></u>	<u><u>\$ 6,825,481</u></u>

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

**Notes to Financial Statements
June 30, 2019**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Government Personnel Retirement Plan (Continued)

The following presents changes in the net pension liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2018	\$ 37,999,022	\$ 27,554,497	\$ 10,444,525
Changes for the year:			
Service cost	734,201	-	734,201
Interest	2,604,559	-	2,604,559
Differences between expected and actual experience	310,794	-	310,794
Contributions - employer	-	1,210,566	(1,210,566)
Contributions - employee	-	372,480	(372,480)
Net investment income	-	1,877,041	(1,877,041)
Benefit payments and refunds of member contributions	(1,609,291)	(1,609,291)	-
Administrative expense	-	(112,146)	112,146
Net Changes	<u>2,040,263</u>	<u>1,738,650</u>	<u>301,613</u>
Balances as of June 30, 2019	<u>\$ 40,039,285</u>	<u>\$ 29,293,147</u>	<u>\$ 10,746,138</u>

For the year ended June 30, 2019, the County recognized pension expense of \$1,525,895 and made contributions to the Plan of \$1,210,566. As of June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 416,309	\$ 23,856
Change in assumptions	92,253	-
Net difference between projected and actual investment earnings	253,352	260,611
	<u>\$ 761,914</u>	<u>\$ 284,467</u>

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

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

**Notes to Financial Statements
June 30, 2019**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Government Personnel Retirement Plan (Continued)

Year ending June 30:

2020	\$ 233,275
2021	17,534
2022	115,283
2023	93,761
2024	17,594
Thereafter	-

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Law Enforcement Retirement Plan

The County adopted the Garrett County Law Enforcement Retirement Plan, a single employer plan, effective July 1, 2002, for all employees classified by the Primary Government as the Sheriff, correctional officers, or sworn law-enforcement officers with the Sheriff's Department or Office of the State's Attorney, and employees classified as emergency management personnel. The Plan provides retirement, disability and death benefits for all eligible employees. Administrative, investment, and member benefit service responsibilities are provided by a Board of Trustees. The actuarial valuation report as of June 30, 2019 (most recent available data) may be obtained from the County Commissioners of Garrett County, Maryland.

The Plan provides retirement, disability and death benefits for all eligible employees. Administrative, investment, and member contribution and benefit service responsibilities are provided by a Board of Trustees, which is comprised of the County Commissioners and others they designate. Participating employees are required to contribute 7.59% of earnings. The contribution requirements of Plan members and the County are established and may be amended by the County Commissioners.

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

**Notes to Financial Statements
June 30, 2019**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Law Enforcement Retirement Plan (Continued)

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

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

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

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

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

All information that follows for the Plan is measured as of June 30, 2019, which is the latest actuarial report available. Liabilities were measured as of July 1, 2018 and rolled to the measurement date using standard actuarial valuation techniques.

Membership of the Plan consisted of the following as of July 1, 2018, the date liabilities were last measured:

Retirees and beneficiaries receiving benefits	18
Terminated Plan members entitled but not yet receiving benefits	12
Active Plan members	63
Total	<u>93</u>

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

**Notes to Financial Statements
June 30, 2019**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Law Enforcement Retirement Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2019 is as follows:

<u>Investment Type</u>	<u>% of Portfolio</u>	<u>Rate of Return</u>
Equities	30-60%	8-10%
Fixed Income	30-65%	3-4%

For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of expense, was 6.85%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The total pension liability for the current year was determined as part of the July 1, 2018 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7% investment rate of return (net of administrative expenses), and (b) projected salary increases of 2% per year. The actuary determined rates of mortality were based on RP-2000; 2-year set forward tables. The assumptions did not include postretirement benefit increases. Full descriptions of the actuarial assumptions are available in the June 30, 2019 actuarial valuation report.

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

The net pension liability is equal to the total pension liability minus the net position of the Plan. The result as of June 30, 2019 is as follows:

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

**Notes to Financial Statements
June 30, 2019**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Law Enforcement Retirement Plan (Continued)

Total pension liability	\$11,362,524
Net position	<u>(9,937,843)</u>
Net pension liability	<u><u>\$ 1,424,681</u></u>

Net position as a percentage of total pension liability is 87.46%.

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

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

	1% decrease 6%	Current rate 7%	1% increase 8%
Net pension liability	<u>\$ 2,975,702</u>	<u>\$ 1,424,681</u>	<u>\$ 142,904</u>

The following presents changes in the net pension liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2018	\$10,588,876	\$ 9,135,837	\$ 1,453,039
Changes for the year:			
Service cost	284,081	-	284,081
Interest	725,799	-	725,799
Differences between expected and actual experience	211,999	-	211,999
Contributions - employer	-	399,984	(399,984)
Contributions - employee	-	236,456	(236,456)
Net investment income	-	653,501	(653,501)
Benefit payments and refunds of member contributions	(448,231)	(448,231)	-
Administrative expense	-	(39,704)	39,704
Plan Change	-	-	-
Net Changes	<u>773,648</u>	<u>802,006</u>	<u>(28,358)</u>
Balances as of June 30, 2019	<u>\$11,362,524</u>	<u>\$ 9,937,843</u>	<u>\$ 1,424,681</u>

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

**Notes to Financial Statements
June 30, 2019**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Law Enforcement Retirement Plan (Continued)

For the year ended June 30, 2019, the County recognized pension expense of \$286,860 and made contributions to the Plan of \$399,984. As of June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 196,997	\$ 186,605
Change in assumptions	314,837	-
Net difference between projected and actual investment earnings	58,254	93,618
	\$ 570,088	\$ 280,223

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

Year ending June 30:

2020	\$ 79,267
2021	21,014
2022	60,023
2023	62,856
2024	64,628
Thereafter	2,077

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

**Notes to Financial Statements
June 30, 2019**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Volunteer Length of Service Award Plan

The County adopted the Garrett County Volunteer Length of Service Award Plan (LOSAP), effective July 1, 2008, for all eligible volunteers who are active members of one or more Garrett County fire, rescue, or emergency medical services, or support organizations approved by Garrett County Emergency Services. The Plan provides retirement and death benefits for eligible volunteers who become covered under the plan. Eligible volunteers will be certified on an annual basis using a form designated and furnished by the Department of Public Safety/Emergency Management. Administrative, investment, and member benefit service responsibilities are provided by a Board of Trustees. The actuarial valuation report as of June 30, 2019 (most recent available data) may be obtained from the County Commissioners of Garrett County, Maryland.

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

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

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

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

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

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

**Notes to Financial Statements
June 30, 2019**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Volunteer Length of Service Award Plan (Continued)

All information that follows for the Plan is measured as of June 30, 2019, which is the latest actuarial report available. Liabilities were measured as of July 1, 2018 and rolled to the measurement date using standard actuarial valuation techniques.

Membership of the Plan consisted of the following as of July 1, 2018, the date the liabilities were last measured:

Retirees and beneficiaries receiving benefits	26
Inactive Plan members	271
Active Plan members	259
Total	556

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2019 is as follows:

Investment Type	% of Portfolio	Rate of Return
Equities	30-60%	8-10%
Fixed Income	30-65%	3-4%

For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of expense, was 7.32%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The total pension liability for the current year was determined as part of the July 1, 2018 actuarial valuation using the entry age normal cost method. The actuarial assumptions included a 6% investment rate of return (net of administrative expenses). The actuary determined rates of mortality were based on RP-2000; 2-year set forward tables. The assumptions did not include postretirement benefit increases. Full descriptions of the actuarial assumptions are available in the June 30, 2019 actuarial valuation report.

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

**Notes to Financial Statements
June 30, 2019**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Volunteer Length of Service Award Plan (Continued)

The discount rate used to measure the total pension liability was 6 percent. The projection of cash flows used to determine the discount rate assumed County contributions will be made at rates equal to or greater than actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive volunteers. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The net pension asset is equal to the total pension liability minus the net position of the Plan. The result as of June 30, 2019 is as follows:

Total pension liability	\$ 842,422
Net position	<u>(1,002,498)</u>
Net pension asset	<u><u>\$ (160,076)</u></u>

Net position as a percentage of total pension liability is 119.00%.

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

The following presents the net pension asset of the Plan, calculated using a discount rate of 6% as well as what the Plan's net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (5%) or 1-percentage point higher (7%) than the current rate:

	1% decrease 5%	Current rate 6%	1% increase 7%
Net pension asset	<u>\$ (18,150)</u>	<u>\$ (160,076)</u>	<u>\$ (273,597)</u>

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

**Notes to Financial Statements
June 30, 2019**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Volunteer Length of Service Award Plan (Continued)

The following represents changes in the net pension liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Balances as of June 30, 2018	\$ 740,490	\$ 968,783	\$ (228,293)
Changes for the year:			
Service cost	21,139	-	21,139
Interest	43,794	-	43,794
Differences between expected and actual experience	58,503	-	58,503
Changes in assumptions	-	-	-
Net investment income	-	72,175	(72,175)
Benefit payments and refunds of member contributions	(21,504)	(21,504)	-
Administrative expense	-	(16,956)	16,956
Net Changes	<u>101,932</u>	<u>33,715</u>	<u>68,217</u>
Balances as of June 30, 2019	<u>\$ 842,422</u>	<u>\$ 1,002,498</u>	<u>\$ (160,076)</u>

For the year ended June 30, 2019, the County recognized pension expense of \$39,801 and made contributions to the Plan of \$0. As of June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 69,719	\$ -
Change in assumptions	128,100	30,943
Net difference between projected and actual investment earnings	6,205	23,516
	<u>\$ 204,024</u>	<u>\$ 54,459</u>

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

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

**Notes to Financial Statements
June 30, 2019**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Volunteer Length of Service Award Plan (Continued)

Year ending June 30:

2020	\$ 10,171
2021	3,966
2022	7,637
2023	8,979
2024	12,016
Thereafter	106,796

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

County Defined Contribution Plan

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

Benefits depend on the amounts contributed to the plan plus investment earnings. Eligible participants include all full-time employees who elect to participate in the Primary Government's IRC Section 457 deferred compensation plan. Employees deferring at least two percent of earned compensation under the deferred compensation plan are eligible to receive an employer contribution to the defined contribution plan. During the year ended June 30, 2019, the Primary Government contributed \$301,571 or 2.41 percent of earned compensation. Covered payroll approximated \$12,537,890. Primary Government contribution amounts included contributions made on behalf of the employees of Garrett County Sanitary District, Inc. in the amount of \$24,439 on covered payroll of approximately \$1,009,849.

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

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

**Notes to Financial Statements
June 30, 2019**

NOTE 11 – DEFERRED COMPENSATION

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

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

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

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

The County’s defined benefit other post-employment benefit plan (the “Plan”) provides healthcare benefits to eligible retirees. The Plan is a single-employer defined benefit OPEB plan. The County formed and administers an OPEB Trust Fund to allow for prefunding of future OPEB benefits. The County and Plan Trustee at their discretion may establish, alter, amend, modify or terminate their practice of providing healthcare benefits to retirees in accordance with the terms outlined in the OPEB Trust Agreement. They may also require retirees to make greater contributions toward the funding of their benefits. The County makes the annual determination as to the amount that will be contributed to the OPEB Trust Fund. The OPEB Trust Fund does not issue a stand-alone financial report and is included as a fiduciary fund in this financial report.

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

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

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

**Notes to Financial Statements
June 30, 2019**

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

Details of the post-employment benefits under the Plan are as follows:

The County provides post-employment health care benefits based on age and years of service to all permanent full-time employees of the County. Retirees must have a minimum of 10 years full-time equivalent service with Garrett College, The Board of Garrett County Commissioners, The Board of Education of Garrett County, or a combination thereof. After June 30, 2018, the County and College no longer offer retiree benefits to new hires.

Retirees are given the option to maintain health insurance coverage after they retire and until they reach age 65. After age 65, the County contributes a monthly amount to a Health Reimbursement Account (HRA) based on the retiree's age and years of service.

For the employees hired on or after July 1, 2006, dependent insurance coverage may be purchased upon retirement at the retiree's own cost. The component for retirees age 65 and over was made effective on January 1, 2017.

At July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	160
Active employees	<u>301</u>
	<u><u>461</u></u>

The OPEB Trust Fund is used to account for prefunding contributions made by the County on behalf of the plan participants. Current OPEB premium payments made on behalf of retirees as well as the costs incurred to administer the OPEB Plan are paid from the general operating funds of the County.

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

**Notes to Financial Statements
June 30, 2019**

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

The following table outlines coverage percentages paid by the retiree and County under the plan based on years of service at date of retirement:

Government Personnel Employees Hired On Or After July 1, 2006

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

Government Personnel Employees Hired prior to July 1, 2006

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

All Law Enforcement Personnel Employees

Years of Service	Retiree	
	Individual Percentage	Employer Percentage
Less than 10 years	No coverage	No coverage
10 or less than 15 years	60%	40%
15 or less than 20 years	50%	50%
20 or less than 25 years	40%	60%
25 or more years	0%	100%

Currently, 160 County retirees participate in this program.

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

**Notes to Financial Statements
June 30, 2019**

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

Net OPEB Liability

The County’s net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of July 1, 2018.

Actuarial assumptions. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.0 percent
Salary increase	2.0 percent
Investment rate of return	6.50 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	7.0 percent for 2020, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent.

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2017 – June 30, 2018.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, net expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	40.00%	3-5%
Private Equity	55.00%	8-10%
Cash	5.00%	N/A

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

**Notes to Financial Statements
June 30, 2019**

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

Net OPEB Liability (Continued)

The current level of plan assets is sufficient to cover the expected costs of the plan. As such, all future years of expected payments were discounted using the long-term expected rate of return per paragraph 36 of GASB 75. As of June 30, 2019, the long-term rate of return was 6.50%. The discount rate at June 30, 2019 was 6.50%.

For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 6.85 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances as of July 1, 2018	\$11,840,364	\$ 827,079	\$11,013,285
Changes for the year:			
Service cost	348,566	-	348,566
Interest	753,605	-	753,605
Differences between expected and actual experience	459,970	-	459,970
Assumption changes	1,148,339	-	1,148,339
Contributions - employer	-	1,100,829	(1,100,829)
Net investment income	-	56,374	(56,374)
Benefit payments	(500,780)	(500,780)	-
Administrative expense	-	(5,583)	5,583
Net Changes	2,209,700	650,840	1,558,860
Balances as of June 30, 2019	\$14,050,064	\$ 1,477,919	\$12,572,145

Changes in the Net OPEB Liability

The assumption changes affecting the increase in the net OPEB liability in the current period were the differences between expected and actual experience and a change in the actuarial assumption related to the methodology used to calculate health care costs.

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

**Notes to Financial Statements
June 30, 2019**

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

Changes in the Net OPEB Liability (Continued)

The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage point higher (7.50 percent) than the current discount rate:

	1% decrease (5.50%)	Current rate (6.50%)	1% increase (7.50%)
Net OPEB liability	\$ 13,995,113	\$ 12,572,145	\$ 11,344,279

The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.0 percent decreasing to 3.5 percent) or 1-percentage-point higher (8.0 percent decreasing to 5.5 percent) than the current healthcare cost trend rates:

	1% decrease (6.0% decreasing to 3.5%)	Healthcare Cost Trend Rates (7.0% decreasing to 4.5%)	1% increase (8.0% decreasing to 5.5%)
Net OPEB liability	\$ 11,202,861	\$ 12,572,145	\$ 14,194,509

For the year ended June 30, 2019, the County recognized OPEB expense of \$433,131. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 383,308	\$ 753,063
Change of assumptions	956,949	3,641,807
Net difference between projected and actual investment earnings	30,509	-
	\$1,370,766	\$4,394,870

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

**Notes to Financial Statements
June 30, 2019**

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

Changes in the Net OPEB Liability (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2020	\$ (601,847)
2021	(601,847)
2022	(601,848)
2023	(607,641)
2024	(610,921)
Thereafter	-

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

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

The Solid Waste Fund has recorded a landfill closure and post-closure care liability of \$4,014,795 as of June 30, 2019, representing the cumulative operating expenses reported to date based on the Round Glade landfill at full capacity (\$593,004) and the current landfill at 64% of its estimated capacity (\$3,421,791). The County will recognize the balance of estimated closure and post-closure costs of approximately \$1,921,064 over the remaining useful life of the current landfill, which approximates 14 years. These amounts are based on the County's engineer estimates of costs to perform all closure and post-closure care activities as of June 30, 2019. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to prove that it satisfies the Resource Conservation and Recovery Act's (RCRA) financial assurance provisions, which requires owners and operators of municipal solid waste landfills to have adequate funds available for the costs of closure, post-closure and corrective actions associated with their facilities. The County has met the local government financial test as of June 30, 2019, which satisfies the financial assurance provisions of the Act.

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

**Notes to Financial Statements
June 30, 2019**

NOTE 14 – RISK MANAGEMENT

Liability Insurance

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

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

Self-Insured Health Care

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

The County pays a third-party administrator a monthly fixed fee for various claim administrative services on a per enrolled employee basis to administer the plan. The third-party administrator submits invoices periodically for all processed claims and administrative fees, and the County issues payment to the third-party administrator, who in turn issues individual claims checks. To protect itself against significant losses, the County has a stop-loss policy in place for individual participant care claims in excess of \$275,000 per year.

The third-party administrator estimated the non-discounted claims liability reported in the general fund at June 30, 2019. It is based on the requirements of accounting standards, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Because actual claims liabilities depend on such complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic factors. The estimate for claims incurred but not reported was \$1,500,000 at June 30, 2019.

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

**Notes to Financial Statements
June 30, 2019**

NOTE 14 – RISK MANAGEMENT (Continued)

Self-Insured Health Care (Continued)

For the year ended June 30, 2019, claims incurred of \$16,932,524 exceeded the combined premiums charged to the Plan participants of \$15,472,058. The excess claims of \$1,460,466 are comprised of \$476,583 related to the Primary Government and \$983,883 in excess claims related to the Board of Education and Garrett College. The deficiency created by claims incurred in excess of premiums charged has been reported as an expenditure in the general fund.

NOTE 15 – FUND EQUITY

A summary of fund balances as of June 30, 2019 is as follows:

	General Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:			
Inventory	\$ 854,092	\$ -	\$ 854,092
Prepaid Expense	134,278	-	134,278
Note Receivable	975,470	-	975,470
Total Nonspendable Fund Balance	1,963,840	-	1,963,840
Restricted For:			
Agricultural Land Preservation	1,685	-	1,685
Special Revenue Funds	-	83,850	83,850
Self Funded Health Care	585,075	-	585,075
Total Restricted Fund Balance	586,760	83,850	670,610
Assigned For:			
Capital projects:			
Garrett College	3,145,625	-	3,145,625
Board of Education	448,663	-	448,663
Public Works	1,978,698	-	1,978,698
Economic Development	899,116	-	899,116
Public Safety	1,557,145	-	1,557,145
General Government	172,913	-	172,913
Capital Projects Subtotal	8,202,160	-	8,202,160
Subsequent Year Budget	8,706,700	-	8,706,700
Total Assigned Fund Balance	16,908,860	-	16,908,860
Unassigned:	4,057,289	-	4,057,289
Total Fund Balance	\$ 23,516,749	\$ 83,850	\$ 23,600,599

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

**Notes to Financial Statements
June 30, 2019**

NOTE 16 – BUDGETARY BASIS RECONCILIATION - GENERAL FUND

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

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 on the GAAP basis is explained as follows:

	Revenues	Expenditures	Other Financing Sources (Uses)	Effect on Fund Balance
As Reported on Budget Basis	\$ 84,131,988	\$ 79,939,271	\$(1,148,876)	\$ 3,043,841
 <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	\$ 84,280,788	\$ 80,088,071	\$(1,148,876)	\$ 3,043,841

REQUIRED SUPPLEMENTARY INFORMATION

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

**Required Supplementary Information
June 30, 2019**

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
The County's proportion of the net pension liability	0.003%	0.003%	0.003%	0.003%	0.002%
The County's proportionate share of the net pension liability	\$ 569,698	\$ 546,088	\$ 650,096	\$ 552,462	\$ 417,028
The County's covered payroll	\$ 487,829	\$ 485,329	\$ 519,945	\$ 510,206	\$ 508,602
The County's proportionate share of the net pension liability as a percentage of its covered payroll	116.78%	112.52%	125.03%	108.28%	81.99%
Plan fiduciary net position as a percentage of the total pension liability	71.18%	69.38%	65.79%	68.78%	71.87%

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

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

**Required Supplementary Information
June 30, 2019**

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

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 56,533	\$ 54,143	\$ 51,400	\$ 53,676	\$ 56,032
Contributions in relation to the contractually required contribution	<u>(56,533)</u>	<u>(54,143)</u>	<u>(51,400)</u>	<u>(53,676)</u>	<u>(56,032)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The County's covered payroll	\$487,829	\$485,329	\$ 519,945	\$ 510,206	\$ 508,602
Contributions as a percentage of covered payroll	11.59%	11.16%	9.89%	10.52%	11.02%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

Changes in Assumptions

Adjustments to the roll-forward liabilities were made to reflect the following assumptions changes in the 2018 valuation:

- Salary decrease range assumptions changed from 3.15% - 9.15% to 3.10% to 9.10%
- Rates of expected inflation changed from 2.65% general, 3.15% wage to 2.60% general, 3.10% wage
- The discount rate used for calculating the present value decreased from 7.50% to 7.45%

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

**Required Supplementary Information
June 30, 2019**

**SCHEDULE OF CHANGES IN PENSION FUND NET PENSION LIABILITY AND RELATED RATIOS - GOVERNMENT PERSONNEL
RETIREMENT PLAN JUNE 30, 2019, 2018, 2017, 2016, 2015 AND 2014**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service Cost: Retirement benefits administration	\$ 734,201	\$ 798,198	\$ 786,979	\$ 718,592	\$ 914,186	\$ 859,717
Interest	2,604,559	2,471,833	2,365,165	2,255,447	2,104,135	1,970,282
Difference between expected and actual experience	310,794	208,948	(45,546)	73,685	-	-
Assumption changes	-	-	-	246,009	-	-
Benefit payments	(1,609,291)	(1,557,385)	(1,544,826)	(1,335,519)	(1,013,431)	(834,562)
Net changes in total pension liability	<u>2,040,263</u>	<u>1,921,594</u>	<u>1,561,772</u>	<u>1,958,214</u>	<u>2,004,890</u>	<u>1,995,437</u>
Total pension liability - beginning	37,999,022	36,077,428	34,515,656	32,557,442	30,552,552	28,557,115
Total pension liability - ending (a)	<u>\$ 40,039,285</u>	<u>\$ 37,999,022</u>	<u>\$ 36,077,428</u>	<u>\$ 34,515,656</u>	<u>\$ 32,557,442</u>	<u>\$ 30,552,552</u>
Plan fiduciary net position						
Contributions - employer	\$ 1,210,566	\$ 1,190,560	\$ 1,184,533	\$ 1,166,260	\$ 1,150,819	\$ 1,140,077
Contributions - employee	372,480	380,215	363,390	359,559	354,820	352,066
Net investment income	1,877,041	1,813,963	2,205,811	455,688	768,993	2,817,855
Benefit payments, including refunds of member contributions	(1,609,291)	(1,557,385)	(1,544,826)	(1,335,519)	(1,013,431)	(834,562)
Administrative expense	(112,146)	(109,181)	(15,021)	(7,057)	(24,709)	(8,986)
Net changes in plan fiduciary net position	<u>1,738,650</u>	<u>1,718,172</u>	<u>2,193,887</u>	<u>638,931</u>	<u>1,236,492</u>	<u>3,466,450</u>
Plan fiduciary net position - beginning	27,554,497	25,836,325	23,642,438	23,003,507	21,767,015	18,300,565
Plan fiduciary net position - ending (b)	<u>\$ 29,293,147</u>	<u>\$ 27,554,497</u>	<u>\$ 25,836,325</u>	<u>\$ 23,642,438</u>	<u>\$ 23,003,507</u>	<u>\$ 21,767,015</u>
County's net pension liability - ending (a) - (b)	\$ 10,746,138	\$ 10,444,525	\$ 10,241,103	\$ 10,873,218	\$ 9,553,935	\$ 8,785,537
Plan fiduciary net position as a percentage of total pension liability	73.16%	72.51%	71.61%	68.50%	70.66%	71.24%
Covered payroll	\$ 10,433,822	\$ 10,624,180	\$ 10,679,519	\$ 9,618,611	\$ 10,031,765	\$ 10,818,408
Net liability as a percentage of covered payroll	102.99%	98.31%	95.89%	113.04%	95.24%	81.21%
Annual money-weighted rate of return, net of investment expense	6.60%	6.80%	8.92%	1.95%	3.44%	14.07%

Notes to schedule

This information is not available for previous years

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

**Required Supplementary Information
June 30, 2019**

SCHEDULE OF GOVERNMENT PERSONNEL RETIREMENT PLAN EMPLOYER CONTRIBUTIONS JUNE 30, 2019, 2018, 2017, 2016, 2015 AND 2014

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contributions	\$ 1,583,046	\$ 1,570,775	\$ 1,547,923	\$ 1,525,819	\$ 1,505,639	\$ 1,335,074
Contributions in relation to the actuarially determined contributions	1,583,046	1,570,775	1,547,923	1,525,819	1,505,639	1,492,143
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (157,069)</u>
 Covered payroll	 \$ 10,433,822	 \$ 10,624,180	 \$ 10,679,519	 \$ 9,618,611	 \$ 10,031,765	 \$ 10,818,408
 Contribution as a percentage of covered payroll	 15.17%	 14.78%	 14.49%	 15.86%	 15.01%	 13.79%

Notes to schedule

Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2018.

12 months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

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

This information is not available for previous years

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

**Required Supplementary Information
June 30, 2019**

**SCHEDULE OF CHANGES IN PENSION FUND NET PENSION LIABILITY AND RELATED RATIOS - LAW ENFORCEMENT RETIREMENT
PLAN JUNE 30, 2019, 2018, 2017, 2016, 2015 AND 2014**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service Cost: Retirement benefits administration	\$ 284,081	\$ 316,767	\$ 303,426	\$ 263,191	\$ 281,985	\$ 244,908
Interest	725,799	683,047	643,188	616,786	548,471	516,719
Difference between expected and actual experience	211,999	23,392	(204,945)	(92,747)	-	-
Assumption changes	-	-	-	566,709	-	-
Plan Change	-	-	57,717	-	-	-
Benefit payments	(448,231)	(377,887)	(376,540)	(335,310)	(321,895)	(294,636)
Net changes in total pension liability	<u>773,648</u>	<u>645,319</u>	<u>422,846</u>	<u>1,018,629</u>	<u>508,561</u>	<u>466,991</u>
Total pension liability - beginning	10,588,876	9,943,557	9,520,711	8,502,082	7,993,521	7,526,530
Total pension liability - ending (a)	<u><u>\$ 11,362,524</u></u>	<u><u>\$ 10,588,876</u></u>	<u><u>\$ 9,943,557</u></u>	<u><u>\$ 9,520,711</u></u>	<u><u>\$ 8,502,082</u></u>	<u><u>\$ 7,993,521</u></u>
Plan fiduciary net position						
Contributions - employer	\$ 399,984	\$ 373,253	\$ 363,950	\$ 371,036	\$ 341,098	\$ 331,733
Contributions - employee	236,456	221,079	215,417	219,572	201,877	202,237
Net investment income	653,501	604,813	695,799	183,789	246,157	904,083
Benefit payments, including refunds of member contributions	(448,231)	(377,887)	(376,540)	(335,311)	(321,895)	(294,636)
Administrative expense	(39,704)	(38,087)	(7,272)	(6,594)	(11,123)	(35,478)
Net changes in plan fiduciary net position	<u>802,006</u>	<u>783,171</u>	<u>891,354</u>	<u>432,492</u>	<u>456,114</u>	<u>1,107,939</u>
Plan fiduciary net position - beginning	9,135,837	8,352,666	7,461,312	7,028,820	6,572,706	5,464,767
Plan fiduciary net position - ending (b)	<u><u>\$ 9,937,843</u></u>	<u><u>\$ 9,135,837</u></u>	<u><u>\$ 8,352,666</u></u>	<u><u>\$ 7,461,312</u></u>	<u><u>\$ 7,028,820</u></u>	<u><u>\$ 6,572,706</u></u>
County's net pension liability - ending (a) - (b)	\$ 1,424,681	\$ 1,453,039	\$ 1,590,891	\$ 2,059,399	\$ 1,473,262	\$ 1,420,815
Plan fiduciary net position as a percentage of total pension liability	87.46%	86.28%	84.00%	78.37%	82.67%	82.23%
Covered payroll	\$ 2,669,519	\$ 2,723,946	\$ 3,017,143	\$ 2,661,063	\$ 2,567,771	\$ 2,350,135
Net liability as a percentage of covered payroll	53.37%	53.34%	52.73%	77.39%	57.38%	60.46%
Annual money-weighted rate of return, net of investment expense	6.85%	6.92%	8.80%	2.54%	3.62%	15.02%

Notes to schedule

This information is not available for previous years

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

**Required Supplementary Information
June 30, 2019**

SCHEDULE OF LAW ENFORCEMENT RETIREMENT PLAN EMPLOYER CONTRIBUTIONS JUNE 30, 2019, 2018, 2017, 2016, 2015 AND 2014

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contributions	\$ 636,440	\$ 594,332	\$ 579,367	\$ 590,608	\$ 542,975	\$ 437,358
Contributions in relation to the actuarially determined contributions	<u>636,440</u>	<u>594,332</u>	<u>579,367</u>	<u>590,608</u>	<u>542,975</u>	<u>533,970</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (96,612)</u>
Covered payroll	\$2,669,519	\$2,723,946	\$3,017,143	\$2,661,063	\$2,567,771	\$2,350,135
Contribution as a percentage of covered payroll	23.84%	21.82%	19.20%	22.19%	21.15%	22.72%

Notes to schedule

Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2018,
12 months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

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

This information is not available for previous years

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

**Required Supplementary Information
June 30, 2019**

**SCHEDULE OF CHANGES IN PENSION FUND NET PENSION LIABILITY AND RELATED RATIOS - VOLUNTEER LENGTH OF SERVICE
AWARD PLAN JUNE 30, 2019, 2018, 2017, 2016, 2015 AND 2014**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service Cost: Retirement benefits administration	\$ 21,139	\$ 23,172	\$ 37,664	\$ 30,045	\$ 17,028	\$ 29,096
Interest	43,794	43,548	40,171	35,854	27,247	23,666
Difference between expected and actual experience	58,503	3,730	3,620	11,701	-	-
Assumption changes	-	(34,951)	-	162,722	-	-
Benefit payments	(21,504)	(41,016)	(2,657)	(4,960)	(3,280)	-
Net changes in total pension liability	101,932	(5,517)	78,798	235,362	40,995	52,762
Total pension liability - beginning	740,490	746,007	667,209	431,847	390,852	338,090
Total pension liability - ending (a)	<u>\$ 842,422</u>	<u>\$ 740,490</u>	<u>\$ 746,007</u>	<u>\$ 667,209</u>	<u>\$ 431,847</u>	<u>\$ 390,852</u>
Plan fiduciary net position						
Contributions - employer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - employee	-	-	-	-	-	-
Net investment income	72,175	62,572	76,920	26,515	31,979	113,323
Benefit payments, including refunds of member contributions	(21,504)	(41,016)	(2,657)	(4,960)	(3,280)	-
Administrative expense	(16,956)	(8,032)	(7,750)	(2,958)	(2,436)	(4,157)
Net changes in plan fiduciary net position	33,715	13,524	66,513	18,597	26,263	109,166
Plan fiduciary net position - beginning	968,783	955,259	888,746	870,149	843,886	734,720
Plan fiduciary net position - ending (b)	<u>\$ 1,002,498</u>	<u>\$ 968,783</u>	<u>\$ 955,259</u>	<u>\$ 888,746</u>	<u>\$ 870,149</u>	<u>\$ 843,886</u>
County's net pension asset - ending (a) - (b)	\$ (160,076)	\$ (228,293)	\$ (209,252)	\$ (221,537)	\$ (438,302)	\$ (453,034)
Plan fiduciary net position as a percentage of total pension liability	119.00%	130.83%	128.05%	133.20%	201.49%	215.91%
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A
Net liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A
Annual money-weighted rate of return, net of investment expense	7.32%	6.50%	8.34%	3.01%	3.73%	14.36%

Notes to schedule

This information is not available for previous years

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

**Required Supplementary Information
June 30, 2019**

SCHEDULE OF VOLUNTEER LENGTH OF SERVICE AWARD PLAN EMPLOYER CONTRIBUTIONS JUNE 30, 2019, 2018, 2017, 2016, 2015 AND 2014

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,356
Contributions in relation to the actuarially determined contributions	-	-	-	-	-	-
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,356</u>
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A
Contribution as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A

Notes to schedule

Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2018,
12 months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Cost method	Entry age normal
Investment return	6%
Mortality	RP-2000; 2-year set forward tables
Turnover	Table T-4
Salary Scale	N/A
Retirement age	See related footnote for retirement age assumptions
Valuation of assets	Market value as reported by plan administrator

This information is not available for previous years

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

**Required Supplementary Information
June 30, 2019**

SCHEDULE OF CHANGES IN THE COUNTY'S NET OPEB LIABILITY AND RELATED RATIOS JUNE 30, 2019, 2018 AND 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Service Cost	\$ 348,566	\$ 700,952	\$ 707,384
Interest	753,605	532,295	513,547
Difference between expected and actual experience	459,970	(1,054,289)	-
Changes of assumptions	1,148,339	(5,098,531)	-
Benefit payments	(500,780)	(488,815)	(753,061)
Net changes in total OPEB liability	<u>2,209,700</u>	<u>(5,408,388)</u>	<u>467,870</u>
Total OPEB liability - beginning	11,840,364	17,248,752	16,780,882
Total OPEB liability - ending (a)	<u>\$ 14,050,064</u>	<u>\$ 11,840,364</u>	<u>\$ 17,248,752</u>
Plan fiduciary net position			
Contributions - employer	\$ 1,100,829	\$ 1,088,815	\$ 753,061
Net investment income	56,374	4,700	18,934
Benefit payments	(500,780)	(488,815)	(753,061)
Administrative expense	(5,583)	(947)	(993)
Net changes in plan fiduciary net position	<u>650,840</u>	<u>603,753</u>	<u>17,941</u>
Plan fiduciary net position - beginning	827,079	223,326	205,385
Plan fiduciary net position - ending (b)	<u>\$ 1,477,919</u>	<u>\$ 827,079</u>	<u>\$ 223,326</u>
County's net OPEB liability - ending (a) - (b)	\$ 12,572,145	\$ 11,013,285	\$ 17,025,426
Plan fiduciary net position as a percentage of total OPEB liability	10.52%	6.99%	1.29%
Covered payroll	\$ 13,901,123	\$ 14,114,319	\$ 14,875,814
Net liability as a percentage of covered payroll	101%	84%	116%
Annual money-weighted rate of return, net of investment expense	6.85%	2.11%	8.79%

This schedule is presented to illustrate the required information for 10 years. Prior information is not available

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

Changes in Assumptions

The changes affecting the increase in the net OPEB liability in the current period were the differences between expected and actual experience and a change in the actuarial assumption related to the methodology used to calculate health care costs.

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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
TAXES:				
Local Real and Personal Property:				
Real Property	42,165,749	42,165,749	42,431,846	\$ 266,097
Railroads and Public Utilities	2,849,016	2,849,016	2,719,496	(129,520)
Ordinary Business Corporations	3,395,357	3,395,357	3,420,007	24,650
Enterprise Zone Tax Refund	41,631	41,631	47,344	5,713
Penalties and Interest	500,000	500,000	460,353	(39,647)
Total Real and Personal Property	<u>48,951,753</u>	<u>48,951,753</u>	<u>49,079,046</u>	<u>127,293</u>
Other Local Taxes:				
Income	11,950,000	11,950,000	14,272,901	2,322,901
Admissions and Amusement	875,000	875,000	999,433	124,433
Recordation	1,750,000	1,750,000	1,887,652	137,652
Coal Tonnage	70,000	70,000	63,370	(6,630)
Trailer Court	37,000	37,000	37,516	516
Natural Gas	750	750	735	(15)
Accommodations Tax	2,400,000	2,400,000	3,093,760	693,760
Transfer Tax	1,750,000	1,750,000	2,073,634	323,634
Franchise Tax	400	400	440	40
Coal Tax	55,000	55,000	50,158	(4,842)
911 Fees	185,000	185,000	180,903	(4,097)
Agricultural Transfer Tax	10,000	10,000	11,130	1,130
Tax Sale Revenue	63,000	63,000	43,902	(19,098)
Total Other Local Taxes	<u>19,146,150</u>	<u>19,146,150</u>	<u>22,715,534</u>	<u>3,569,384</u>
Total Taxes	<u>68,097,903</u>	<u>68,097,903</u>	<u>71,794,580</u>	<u>3,696,677</u>
LICENSES AND PERMITS:				
Business:				
Traders	69,000	69,000	69,482	482
Other Licenses and Permits:				
Animal	5,600	5,600	5,779	179
Marriage	1,800	1,800	1,730	(70)
TVRU License	87,000	87,000	124,238	37,238
Highways and Streets	10,200	10,200	12,513	2,313
Other Permits	17,400	18,900	24,070	5,170
Total Licenses and Permits	<u>\$ 191,000</u>	<u>\$ 192,500</u>	<u>\$ 237,812</u>	<u>\$ 45,312</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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
INTERGOVERNMENTAL:				
Grants From Federal Government:				
Appalachian Regional Commission	\$ 500,000	\$ 500,000	\$ -	\$ (500,000)
Federal Aid in Lieu of Taxes	4,000	4,000	8,651	4,651
Master's Program	16,159	16,159	11,070	(5,089)
Domestic Violence	35,000	35,000	34,993	(7)
Crossmatch Grant	-	753	-	(753)
Child Support	12,740	12,740	15,624	2,884
BJAG Grant - Sherrif Equipment	-	47,100	47,100	-
EMPG - Emergency Management	70,768	70,768	70,693	(75)
Homeland Security Grant	80,281	360,673	319,987	(40,686)
FEMA Weather Station Grant	42,000	42,000	41,999	(1)
Emergency Medical Services	17,783	-	-	-
Department of Interior - Shallmar Landslide Project	-	625,000	391,880	(233,120)
ARC - Economic Development Grants	-	25,427	25,427	-
DOT - CAC Mass Transit	600,145	848,145	794,990	(53,155)
Emergency Solutions Grant	105,100	105,100	-	(105,100)
Miscellaneous	2,875	28,862	36,362	7,500
Grants From State Government:				
Disparity Grant	2,537,671	2,537,671	2,537,671	-
Forestry & Parks	1,491,000	1,491,000	1,721,338	230,338
Program Open Space	-	636,147	519,272	(116,875)
Jury Reimbursement	9,000	10,000	12,240	2,240
Family Services	148,498	148,498	122,727	(25,771)
Deep Creek Dredging	-	66,010	4,637	(61,373)
Smart Energy State Revenue	33,099	33,099	29,589	(3,510)
Police Protection	204,446	204,446	205,319	873
School Bus Violation	18,000	18,000	5,784	(12,216)
Sex Offender Registration	11,000	11,000	12,400	1,400
Sex Offender Compliance	8,500	8,500	7,197	(1,303)
Housing of State Inmates	25,000	25,000	19,665	(5,335)
Emergency Numbers Systems Board	2,900	2,900	1,860	(1,040)
Emergency Numbers Systems Board - 911 Address Project	-	67,810	20,209	(47,601)
MIEMSS - LifePak 15 Grant	-	17,987	17,986	(1)
Highway User Tax	1,109,940	535,175	547,952	12,777
SHA Transportation	-	574,765	574,765	-
Rural Legacy Grant	-	913,060	338,183	(574,877)
Mass Transit	75,019	254,019	194,174	(59,845)
Rental Allowance Program	40,000	-	-	-
MD Department of Aging Senior Center	20,000	21,259	21,259	-
Other	5,563	12,705	10,905	(1,800)
Subtotal - Intergovernmental	<u>\$ 7,226,487</u>	<u>\$ 10,310,778</u>	<u>\$ 8,723,908</u>	<u>\$ (1,586,870)</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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
INTERGOVERNMENTAL - Continued				
Balances Brought Forward	\$ 7,226,487	\$ 10,310,778	\$ 8,723,908	\$ (1,586,870)
Other:				
Other	19,575	55,906	55,158	(748)
Total Intergovernmental	<u>7,246,062</u>	<u>10,366,684</u>	<u>8,779,066</u>	<u>(1,587,618)</u>
FINES AND FORFEITURES	<u>3,000</u>	<u>3,000</u>	<u>3,517</u>	<u>517</u>
SERVICE CHARGES FOR CURRENT SERVICES:				
General Government:				
Credit Card Convenience Fees	25,000	25,000	31,021	(6,850)
Zoning and Subdivision Fees	12,000	12,000	18,150	42,325
Building Inspection	42,000	42,000	54,325	12,325
Inventory Sales	335,000	335,000	253,013	(81,987)
Miscellaneous	203,600	204,286	64,702	(139,584)
Public Safety:				
Seized property proceeds	-	10,581	10,581	-
Fingerprinting Fees	35,000	35,000	27,799	(7,201)
Work Release	30,000	30,000	27,108	(2,892)
Emergency Medical Services - Patient Billing	220,000	220,000	227,951	7,951
Volunteer Rescue Cost Share	150,000	150,000	162,755	12,755
Miscellaneous	1,000	1,000	600	(400)
Total Service Charges	<u>1,053,600</u>	<u>1,064,867</u>	<u>878,005</u>	<u>(186,862)</u>
MISCELLANEOUS:				
Interest and Dividends	290,000	290,000	791,454	501,454
Rents and Concessions	856,873	856,873	1,212,728	355,855
Miscellaneous	5,700	45,900	434,826	388,926
Total Miscellaneous	<u>1,152,573</u>	<u>1,192,773</u>	<u>2,439,008</u>	<u>1,246,235</u>
TOTAL REVENUES	<u>77,744,138</u>	<u>80,917,727</u>	<u>84,131,988</u>	<u>3,214,261</u>
OTHER FINANCING SOURCES:				
Sale of Capital Assets	-	25,152	102,218	77,066
Transfers - Liquor Control Board	112,850	112,850	119,691	6,841
Total Other Financing Sources	<u>112,850</u>	<u>138,002</u>	<u>221,909</u>	<u>83,907</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 77,856,988</u>	<u>\$ 81,055,729</u>	<u>\$ 84,353,897</u>	<u>\$ 3,298,168</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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
GENERAL GOVERNMENT				
Legislative:				
County Commissioners	\$ 421,969	\$ 443,858	\$ 430,524	\$ (13,334)
Judicial:				
Circuit Court	537,555	540,087	469,446	(70,641)
Orphans Court	16,171	16,236	16,197	(39)
State's Attorney	726,368	727,824	722,291	(5,533)
	<u>1,280,094</u>	<u>1,284,147</u>	<u>1,207,934</u>	<u>(76,213)</u>
Elections:				
Board of Supervisors of Elections	453,955	461,205	461,066	(139)
Financial Administration:				
Finance Office	549,255	556,984	520,145	(36,839)
Tax Collection Office	314,137	325,382	301,750	(23,632)
Department of Assessments & Taxation	278,000	233,348	233,348	-
Procurement	258,067	262,477	239,022	(23,455)
Total Financial Administration	<u>1,399,459</u>	<u>1,378,191</u>	<u>1,294,265</u>	<u>(83,926)</u>
Law:				
Legal Counsel	99,317	100,317	91,259	(9,058)
Personnel Administration:				
Personnel Administration	477,212	500,159	382,926	(117,233)
Planning and Zoning:				
Planning Commission	631,702	1,098,617	792,485	(306,132)
Facilities & Maintenance:				
County Buildings	1,720,778	1,820,386	1,590,052	(230,334)
Total General Government	<u>6,484,486</u>	<u>7,086,880</u>	<u>6,250,511</u>	<u>(836,369)</u>
PUBLIC SAFETY				
Sheriff's Department	3,513,378	3,909,264	3,665,453	(243,811)
Corrections	2,254,518	2,265,116	2,195,136	(69,980)
Fire and Rescue Services	3,763,432	3,726,992	3,630,027	(96,965)
Other Public Safety:				
Permits and Inspections	485,909	505,053	493,507	(11,546)
Animal Control	399,519	415,172	364,936	(50,236)
Emergency Management	512,444	539,610	314,860	(224,750)
911 Center	1,121,689	1,192,737	997,790	(194,947)
Total Public Safety	<u>\$ 12,050,889</u>	<u>\$ 12,553,944</u>	<u>\$ 11,661,709</u>	<u>\$ (892,235)</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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
PUBLIC WORKS				
Highways and Streets	\$ 16,384,935	\$ 17,269,626	\$ 15,855,717	\$ (1,413,909)
HEALTH AND HOSPITAL				
Health Department	1,967,000	2,008,004	2,007,433	(571)
EDUCATION				
Board of Education	28,055,326	28,075,100	28,681,588	606,488
Community College	6,119,000	7,444,460	6,027,567	(1,416,893)
Total Education	<u>34,174,326</u>	<u>35,519,560</u>	<u>34,709,155</u>	<u>(810,405)</u>
CULTURE	49,000	49,000	48,000	(1,000)
PARKS AND RECREATION	26,500	26,500	26,500	-
LIBRARY	1,086,600	1,086,600	1,086,545	(55)
CONSERVATION OF NATURAL RESOURCES				
Agriculture Extension Service	204,093	204,093	193,093	(11,000)
Soil Conservation	19,706	19,706	19,706	-
Agricultural Land Preservation Program	3,500	916,560	328,594	(587,966)
Total Conservation of Natural Resources	<u>227,299</u>	<u>1,140,359</u>	<u>541,393</u>	<u>(598,966)</u>
SOCIAL SERVICES				
Commission on Aging	321,700	335,459	335,459	-
ECONOMIC DEVELOPMENT AND OPPORTUNITY				
Economic Development	345,769	1,028,193	790,396	(237,797)
Tourism	825,000	825,000	825,000	-
Community Action Programs	1,280,027	1,717,027	1,493,926	(223,101)
Fair Board Agricultural Fair	20,000	20,000	20,000	-
Special Promotion	104,663	127,741	98,534	(29,207)
Other	404,132	405,391	405,391	-
Total Economic Development and Opportunity	<u>\$ 2,979,591</u>	<u>\$ 4,123,352</u>	<u>\$ 3,633,247</u>	<u>\$ (490,105)</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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
CAPITAL OUTLAY				
Finance Office	\$ -	\$ 123,679	\$ 18,249	\$ (105,430)
Planning and Zoning	-	313,470	313,470	-
Sheriff's Department	129,900	400,624	282,877	(117,747)
Corrections	37,875	37,875	36,686	(1,189)
Emergency Management	-	326,414	362,326	35,912
Highways and Streets	727,875	944,097	863,533	(80,564)
Facilities & Maintenance	40,000	81,726	53,209	(28,517)
Total Capital Outlay	<u>935,650</u>	<u>2,227,885</u>	<u>1,930,350</u>	<u>(297,535)</u>
INTERGOVERNMENTAL	<u>302,205</u>	<u>306,705</u>	<u>306,705</u>	<u>-</u>
MISCELLANEOUS	<u>1,182,000</u>	<u>3,891,008</u>	<u>1,546,547</u>	<u>(2,344,461)</u>
TOTAL EXPENDITURES	<u>78,172,181</u>	<u>87,624,882</u>	<u>79,939,271</u>	<u>(7,685,611)</u>
OTHER FINANCING USES				
Operating Transfers:				
Capital Projects Fund	500,000	4,740,432	228,551	(4,511,881)
Airport Fund	78,714	79,365	88,995	9,630
Solid Waste Fund	463,725	468,775	468,775	-
Parks & Recreation Fund	100,000	100,000	100,000	-
Dept. of Tech. & Communication Fund	692,368	708,393	484,464	(223,929)
Total Other Financing Uses	<u>1,834,807</u>	<u>6,096,965</u>	<u>1,370,785</u>	<u>(4,726,180)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 80,006,988</u>	<u>\$ 93,721,847</u>	<u>\$ 81,310,056</u>	<u>\$(12,411,791)</u>

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

General Fund

Schedule of Taxes and Taxes Receivable

Year Ended June 30, 2019

	Total Assessed Value	Tax Rate Per \$100	Actual Tax Levy	Amount Collected	Balance of Taxes Receivable
CURRENT YEAR LEVY:					
Real Property - Full Year					
Mt Lake Park	\$ 104,311,798	0.9241	\$ 963,945		
All Others	4,185,232,737	0.9899	41,429,619		
Total Full Year	4,289,544,535		42,393,564		
Real Property - One-Half Year	8,401,545	0.9899	83,167		
Total Real Property	4,297,946,080		42,476,731	\$ 40,679,084	\$ 1,797,647
Personal Property - Corporate	138,193,270	2.475	3,420,283	3,420,283	-
Public Utilities and Railroad	110,442,630	2.463	2,719,715	2,719,715	-
Total Current Year	\$ 4,546,581,980		\$ 48,616,729	\$ 46,819,082	1,797,647
PRIOR YEAR RECEIVABLES:					
	Year Ended June 30:				
	2018				33,451
	2017				23,728
	2016				16,535
	2015				14,562
	2014				13,908
	2011				1,962
	2010				1,621
	2009				1,565
	2008				1,170
	2007				334
	2006				232
	2005				63
	2004				54
	2003				48
	2002				21
	2001				21
	1996-2000				102
Total Prior Years					109,377
TOTAL TAXES RECEIVABLE					1,907,024
Less: Allowance for Uncollectible Accounts					(50,000)
TAXES RECEIVABLE - NET					\$ 1,857,024

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

Combining Balance Sheet
Other Governmental Funds
June 30, 2019

	Public Safety	Commissary	Law Library
ASSETS:			
Other Receivables - Net	\$ -	\$ 1,907	\$ 360
Restricted Cash	307,450	7,135	19,445
TOTAL ASSETS	307,450	9,042	19,805
LIABILITIES:			
Accounts Payable and Accrued Expenses	23,402	719	215
Unearned Revenues	230,755	-	-
Total Liabilities	254,157	719	215
FUND BALANCES:			
Restricted	53,293	8,323	19,590
TOTAL LIABILITIES AND FUND BALANCES	\$ 307,450	\$ 9,042	\$ 19,805

<u>Keysers Ridge</u>	<u>HUD</u>	<u>Total Other Governmental Funds</u>
\$ -	\$ -	\$ 2,267
<u>309,972</u>	<u>-</u>	<u>644,002</u>
<u>309,972</u>	<u>-</u>	<u>646,269</u>
-	-	24,336
<u>307,328</u>	<u>-</u>	<u>538,083</u>
<u>307,328</u>	<u>-</u>	<u>562,419</u>
2,644	-	83,850
<u>\$ 309,972</u>	<u>\$ -</u>	<u>\$ 646,269</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, 2019

	Public Safety	Commissary	Law Library
REVENUES:			
Intergovernmental	\$ 272,400	\$ -	\$ -
Fines and Forfeitures	15,284	-	6,922
Investment Income	951	-	-
Charges for Services	-	30,780	-
Total Revenues	288,635	30,780	6,922
EXPENDITURES:			
General Government	-	-	4,211
Public Safety	280,727	34,305	-
Community Development & Public Housing	-	-	-
Total Expenditures	280,727	34,305	4,211
REVENUES OVER/(UNDER) EXPENDITURES	7,908	(3,525)	2,711
FUND BALANCES, BEGINNING OF YEAR	45,385	11,848	16,879
FUND BALANCES, END OF YEAR	\$ 53,293	\$ 8,323	\$ 19,590

Keysers Ridge	HUD	Total Other Governmental Funds
\$ -	\$ 343,941	\$ 616,341
-	-	22,206
630	-	1,581
-	-	30,780
<u>630</u>	<u>343,941</u>	<u>670,908</u>
-	-	4,211
-	-	315,032
-	343,941	343,941
<u>-</u>	<u>343,941</u>	<u>663,184</u>
630	-	7,724
2,014	-	76,126
<u>\$ 2,644</u>	<u>-</u>	<u>\$ 83,850</u>

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Garrett County Sanitary District, Inc.
Combining Schedule of Revenues and Expenses and Other Changes in Net Position
Year Ended June 30, 2019

	<u>Water Systems</u>	<u>Deep Creek Lab</u>	<u>Company Store</u>	<u>Subtotal Water Projects</u>
OPERATING REVENUES:				
Charges for Services	\$ 1,595,402	\$ 86,191	\$ -	\$ 1,681,593
Other	206,255	-	343,745	550,000
Total Operating Revenues	<u>1,801,657</u>	<u>86,191</u>	<u>343,745</u>	<u>2,231,593</u>
OPERATING EXPENSES:				
Salaries	578,129	103,181	50,419	731,729
Fringe Benefits	280,890	55,172	21,990	358,052
Maintenance and Repairs	202,992	20	5,477	208,489
Supplies	165,006	23,560	261,570	450,136
Utilities	123,041	1,734	13,636	138,411
Transportation	40,482	7,225	-	47,707
Contracted Services	38,072	18,585	1,590	58,247
Insurance	-	-	-	-
Lab Tests	23,991	(138,903)	-	(114,912)
Direct Administrative	8,630	7,266	736	16,632
Indirect Administrative	103,718	-	-	103,718
Depreciation	869,404	7,703	-	877,107
Bad Debt Expense	-	648	4,398	5,046
Total Operating Expenses	<u>2,434,355</u>	<u>86,191</u>	<u>359,816</u>	<u>2,880,362</u>
OPERATING LOSS	<u>(632,698)</u>	<u>-</u>	<u>(16,071)</u>	<u>(648,769)</u>
NONOPERATING REVENUES (EXPENSES):				
Tap Fees - Capital Charge	-	-	-	-
Interest Revenue	61,110	-	-	61,110
Ad Valorem Tax	2,803,132	-	-	2,803,132
Gain on Sale of Assets	-	-	-	-
Interest Expense	(374,343)	-	-	(374,343)
Net Other Revenues (Expenses)	<u>2,489,899</u>	<u>-</u>	<u>-</u>	<u>2,489,899</u>
INCOME/(LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>1,857,201</u>	<u>-</u>	<u>(16,071)</u>	<u>1,841,130</u>
CAPITAL CONTRIBUTIONS				
Contributed Capital				
Local	-	-	-	-
State	164,000	-	-	164,000
Federal	18,093	-	-	18,093
Total Capital Contributions	<u>182,093</u>	<u>-</u>	<u>-</u>	<u>182,093</u>
INCREASE/(DECREASE) IN NET ASSETS	<u>\$ 2,039,294</u>	<u>\$ -</u>	<u>\$ (16,071)</u>	<u>\$ 2,023,223</u>

<u>Sewer Systems</u>	<u>Trout Run</u>	<u>Subtotal Sewer Projects</u>	<u>Total</u>
\$ 2,988,473	\$ 97,770	\$ 3,086,243	\$ 4,767,836
40,125	-	40,125	590,125
<u>3,028,598</u>	<u>97,770</u>	<u>3,126,368</u>	<u>5,357,961</u>
841,337	59,168	900,505	1,632,234
408,586	74,864	483,450	841,502
344,373	18,273	362,685	571,174
137,715	4,289	142,004	592,140
395,959	39,025	434,984	573,395
58,858	7,729	66,587	114,294
98,771	3,575	102,346	160,593
18,962	-	18,962	18,962
104,290	10,622	114,912	-
14,441	518	14,959	31,591
149,142	-	149,142	252,860
1,552,209	181,767	1,733,976	2,611,083
-	-	-	5,046
<u>4,124,643</u>	<u>399,830</u>	<u>4,524,512</u>	<u>7,404,874</u>
<u>(1,096,045)</u>	<u>(302,060)</u>	<u>(1,398,144)</u>	<u>(2,046,913)</u>
612,650	-	612,650	612,650
24,321	-	24,321	85,431
-	-	-	2,803,132
20,602	-	20,602	20,602
<u>(626,619)</u>	<u>(15,808)</u>	<u>(642,427)</u>	<u>(1,016,770)</u>
<u>30,954</u>	<u>(15,808)</u>	<u>15,146</u>	<u>2,505,045</u>
<u>(1,065,091)</u>	<u>(317,868)</u>	<u>(1,382,998)</u>	<u>458,132</u>
103,617	-	103,617	103,617
-	-	-	164,000
-	-	-	18,093
<u>103,617</u>	<u>-</u>	<u>103,617</u>	<u>285,710</u>
<u>\$ (961,474)</u>	<u>\$ (317,868)</u>	<u>\$ (1,279,381)</u>	<u>\$ 743,842</u>

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

Garrett County Sanitary District, Inc.
Schedule of Indirect Costs
Year Ended June 30, 2019

	<u>2019</u>
TYPE:	
Contracted Services	\$ 110,916
Insurance	50,069
Supplies	55,340
Professional and Legal	21,400
Utilities	5,499
Telephone	4,412
Administrative	2,010
Repairs	3,214
	<hr/>
Total	252,860
	<hr/> <hr/>
ALLOCATION BASE:	
Direct Salaries	1,632,234
Related Fringe Benefits	841,502
	<hr/>
Total Allocation Base	2,473,736
	<hr/> <hr/>
INDIRECT COST RATE	10%
	<hr/> <hr/>
COSTS REPORTED AS:	
Operations	252,860
Construction in Progress	-
	<hr/>
	\$ 252,860
	<hr/> <hr/>

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Comparative Schedule of Primary Government Long-Term Indebtedness
June 30, 2019 and 2018

	June 30,	
	2019	2018
LONG-TERM INDEBTEDNESS:		
Government Activities:		
Bond Payable - Hospital Bonds of 2004	\$ 513,402	\$ 591,767
Bond Payable - Hospital Bonds of 2007	2,212,156	2,293,672
Bond Payable - Hospital Bonds of 2014	7,333,332	7,999,999
Bond Payable - Hospital Bonds of 2015	3,999,956	4,333,290
Total Governmental Activities	14,058,846	15,218,728
Business Type Activities:		
Sanitary District		
Note Payable - Maryland Water Quality Financing-Deep Creek Lake Sewer Ext.	-	69,483
Note Payable - State of Maryland-Jennings Sewer	-	7,438
Note Payable - Maryland Water Quality Financing-Deer Park Water	138,237	147,162
Note Payable - Maryland Department of the Environment-Mountain Lake Park Water	37,887	46,964
Note Payable - BB&T USDA Refinance Loan	17,327,781	18,342,923
Note Payable - BB&T Mountain Lake Park Water Loan	587,998	622,446
Note Payable - BB&T Thayerville Water	5,506,538	5,829,128
Note Payable - BB&T Jennings	36,751	38,904
Note Payable - Maryland Department of the Environment-Deep Creek & Friendsville	107,344	141,662
Note Payable - BB&T- DCL Western Conv.	-	6,655,535
Note Payable - USDA Western Conv.	7,360,668	-
Total Sanitary District	31,103,204	31,901,645
Parks & Recreation		
Note Payable - Garrett County Community Action Committee	275,000	275,000
Note Payable - Maryland Department of Business and Economic Development	2,817,615	2,817,615
Total Parks & Recreation	3,092,615	3,092,615
Total Business Type Activities	34,195,819	34,994,260
TOTAL LONG-TERM INDEBTEDNESS	\$ 48,254,665	\$ 50,212,988

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Combining Statement of Net Position
Fiduciary Funds
June 30, 2019

	Government Personnel Retirement Plan	Law Enforcement Employee Retirement Plan	Volunteer Length of Service Award Plan	Other Post Employment Benefit Plan	Total Benefit Plan Trust Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,180,108	\$ 509,252	\$ 37,901	\$ 99,939	\$ 1,827,200
Investments:					
Certificates of Deposit	278,121	101,702	20,328	25,058	425,209
Fixed Income Securities	8,786,982	3,128,828	265,581	303,791	12,485,182
Mutual Funds	9,540,260	3,290,584	338,933	506,546	13,676,323
Equity Securities	9,406,425	2,869,892	336,807	539,089	13,152,213
Total Investments	<u>28,011,788</u>	<u>9,391,006</u>	<u>961,649</u>	<u>1,374,484</u>	<u>39,738,927</u>
Interest Receivable	<u>101,251</u>	<u>37,585</u>	<u>2,948</u>	<u>3,496</u>	<u>145,280</u>
TOTAL ASSETS	29,293,147	9,937,843	1,002,498	1,477,919	41,711,407
LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION					
Held in Trust for Retirement					
Benefits and OPEB	<u>\$ 29,293,147</u>	<u>\$ 9,937,843</u>	<u>\$ 1,002,498</u>	<u>\$ 1,477,919</u>	<u>\$ 41,711,407</u>

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

Combining Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2019

	Government Personnel Retirement Plan	Law Enforcement Employee Retirement Plan	Volunteer Length of Service Award Plan	Other Post Employment Benefit Plan	Total Benefit Plan Trust Funds
ADDITIONS					
Contributions:					
Employer	\$ 1,210,566	\$ 399,984	\$ -	\$ 600,049	\$ 2,210,599
Plan Members	372,480	236,456	-	-	608,936
Total Contributions	<u>1,583,046</u>	<u>636,440</u>	<u>-</u>	<u>600,049</u>	<u>2,819,535</u>
Investment Earnings:					
Realized Net Gains on Investments	1,455,562	550,874	30,747	13,634	2,050,817
Interest and Dividends	724,884	236,279	26,020	22,246	1,009,429
Net (Decrease) Increase in Fair Value of Investments	(303,405)	(133,652)	15,407	20,494	(401,156)
Investment Activity Expense	(97,125)	(32,490)	(3,366)	(3,237)	(136,218)
Total Net Investment Earnings	<u>1,779,916</u>	<u>621,011</u>	<u>68,808</u>	<u>53,137</u>	<u>2,522,872</u>
Total Additions	<u>3,362,962</u>	<u>1,257,451</u>	<u>68,808</u>	<u>653,186</u>	<u>5,342,407</u>
DEDUCTIONS					
Benefits	1,609,291	448,231	21,504	0	2,079,026
Administrative	15,021	7,214	13,589	2,346	38,170
Total Deductions	<u>1,624,312</u>	<u>455,445</u>	<u>35,093</u>	<u>2,346</u>	<u>2,117,196</u>
Net Increase In Net Position	1,738,650	802,006	33,715	650,840	3,225,211
Net Position - Beginning of Year	<u>27,554,497</u>	<u>9,135,837</u>	<u>968,783</u>	<u>827,079</u>	<u>38,486,196</u>
Net Position - End of Year	<u>\$ 29,293,147</u>	<u>\$ 9,937,843</u>	<u>\$ 1,002,498</u>	<u>\$ 1,477,919</u>	<u>\$ 41,711,407</u>