

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

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GARRETT COUNTY, MARYLAND**

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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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 29, 2017, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control over financial reporting and compliance.

The Rodeheaver Group, P.C.

Oakland, Maryland
December 29, 2017

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

Our discussion and analysis of the financial performance of The Board of County Commissioners of Garrett County, Maryland provides an overview of the County's financial activities for the fiscal year ended June 30, 2017. We encourage readers to use the information presented here in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

The assets of Garrett County exceeded its liabilities at the close of the fiscal year ended June 30, 2017 by \$124,339,776 (net position), compared to \$128,425,229 at June 30, 2016. Approximately 47 percent of total net position is attributable to the Enterprise Funds. Of total net assets at June 30, 2017, \$6,650,860 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, which compares to \$7,027,872 at June 30, 2016. Another \$4,869,967 is restricted for specific purposes (restricted net position) in comparison to \$6,048,867 at June 30, 2016. The total net investment in capital assets was \$112,818,949 at June 30, 2017, compared to \$115,348,490 at June 30, 2016.

The County's total net position decreased by \$4,085,453 from the June 30, 2016 balance.

As of June 30, 2017, the County's governmental funds reported combined fund balances of \$20,329,805 a decrease of \$3,663,448 compared to the prior year. Approximately 17 percent of the combined fund balance is available to meet the County's current and future needs (unassigned fund balance), 9 percent is nonspendable, 15 percent is restricted, and 59 percent is assigned for future use and capital projects.

At the close of the current fiscal year, unrestricted fund balance for the General Fund (primary operating fund) was \$15,459,838 or 76 percent of general fund total fund balance at June 30, 2017. Assigned fund balance of the general fund was \$11,930,780 or 77 percent of unrestricted fund balance.

Overview of the Financial Statements

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

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

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

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

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2017

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

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

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

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

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

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

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

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2017

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

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

Garrett County Government maintains 8 individual governmental funds including the General Fund, Capital Projects Fund, various Special Revenue Funds and the Debt Service Fund. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Capital Projects Fund, and the Debt Service Fund. Data from the other governmental funds are combined into a single, aggregate presentation. The basic governmental funds financial statements can be found on pages 21 to 24 of this report.

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

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

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

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

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and other supplementary information that are not considered a part of the basic financial statements. Schedules in these sections include schedules of funding progress for the County's retirement plans and a budgetary comparison for the General Fund to demonstrate compliance with the annually adopted budget. Required supplementary information and other supplementary information is located immediately following the notes to the financial statements and can be found on pages 95 through 117 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In Garrett County, assets exceeded liabilities by \$124,339,776 at the close of the current fiscal year. Garrett County's net position is divided into three categories, net investment in capital assets, restricted net position and unrestricted net position. The largest portion of the county's net position (91 percent) reflect its investment in capital assets net of depreciation (e.g., land and easements, buildings, machinery, equipment, infrastructure and improvements), less any unmatured debt used to acquire those assets. The County uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Restricted net position represents 4 percent of total net position. Restricted net position is resources that are subject to external restrictions on how they may be used. Unrestricted net position of the government have a balance of \$6,650,860 (5 percent of total net position), which may be used to meet the government's ongoing obligations to citizens and creditors.

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

Garrett County Government's Net Assets						
June 30, 2017						
	Governmental Activities		Business-type Activities		Total Government	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Assets:						
Current & Other Assets	\$ 47,744,409	\$ 46,579,684	\$ 8,483,009	\$ 9,132,734	\$ 56,227,418	\$ 55,712,418
Capital Assets	57,281,712	58,759,474	90,282,486	87,008,795	147,564,198	145,768,269
Total Assets	105,026,121	105,339,158	98,765,495	96,141,529	203,791,616	201,480,687
Deferred Outflows of Resources	1,972,861	2,431,167	229,092	308,968	2,201,953	2,740,135
Total Assets and Deferred Outflows of Resources	106,998,982	107,770,325	98,994,587	96,450,497	205,993,569	204,220,822
Liabilities:						
Long-Term Liabilities	31,968,517	31,037,809	41,223,167	37,510,366	73,191,684	68,548,175
Other Liabilities	7,919,764	7,233,351	(470,320)	(113,924)	7,449,444	7,119,427
Total Liabilities	39,888,281	38,271,160	40,752,847	37,396,442	80,641,128	75,667,602
Deferred Inflows of Resources	904,066	127,991	108,599	—	1,012,665	127,991
Net Assets:						
Net Investment in Capital Assets	57,281,712	58,759,474	55,537,237	56,589,016	112,818,949	115,348,490
Restricted	4,869,967	6,048,867	—	—	4,869,967	6,048,867
Unrestricted	4,054,956	4,562,833	2,595,904	2,465,039	6,650,860	7,027,872
Total Net Assets	66,206,635	69,371,174	58,133,141	59,054,055	124,339,776	128,425,229
Total Liabilities, Deferred Inflows of Resources and Net Position	\$106,998,982	\$107,770,325	\$ 98,994,587	\$ 96,450,497	\$205,993,569	\$ 204,220,822

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

Government-wide Financial Analysis (cont'd)

The following table indicates the changes in net position.

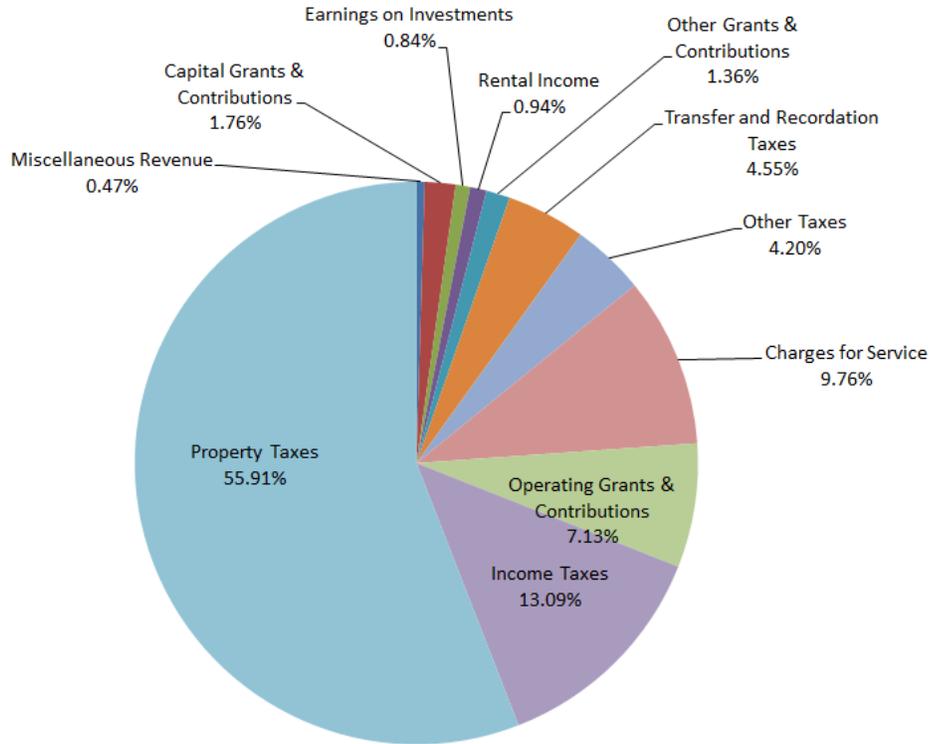
Garrett County Government's Changes in Net Assets
for the Year ended June 30, 2017

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,434,517	\$ 1,260,290	\$ 7,565,390	\$ 7,539,865	\$ 8,999,907	\$ 8,800,155
Operating Grants and Contributions	6,574,353	9,178,111		4,655	6,574,353	9,182,766
Capital Grants and Contributions	1,519,703	566,437	99,704	171,694	1,619,407	738,131
General Revenues:						
Property Taxes	49,034,923	47,042,418	2,555,400	3,496,290	51,590,323	50,538,708
Other Taxes and Licenses	20,143,375	19,066,745	0	0	20,143,375	19,066,745
Grants and Contributions	735,047	677,632	516,015	568,583	1,251,062	1,246,215
Other General Revenues	1,954,454	1,522,020	121,782	256,004	2,076,236	1,778,024
Total Revenues	\$ 81,396,372	\$ 79,313,653	\$ 10,858,291	\$ 12,037,091	\$ 92,254,663	\$ 91,350,744
Program Expenses:						
General Government	7,194,589	6,779,573	0	0	7,194,589	6,779,573
Public Safety	11,940,195	11,012,999	0	0	11,940,195	11,012,999
Public Works	19,153,424	19,052,639	0	0	19,153,424	19,052,639
Health & Hospital	1,904,395	1,904,688	0	0	1,904,395	1,904,688
Education						
Board of Education	28,968,339	28,937,642	0	0	28,968,339	28,937,642
Garrett College	6,732,244	6,035,247	0	0	6,732,244	6,035,247
Culture	43,500	38,000	0	0	43,500	38,000
Parks and Recreation	68,970	166,092	0	0	68,970	166,092
Library	1,070,715	994,337	0	0	1,070,715	994,337
Conservation of Natural Resources	219,878	178,784	0	0	219,878	178,784
Social Services	294,516	298,883	0	0	294,516	298,883
Economic Opportunity & Development	4,643,564	4,138,219	0	0	4,643,564	4,138,219
Community Development & Public Housing	35,537	1,495,570	0	0	35,537	1,495,570
Other	1,336,976	1,291,157	0	0	1,336,976	1,291,157
Garrett County Airport	0	0	546,357	938,044	546,357	938,044
Solid Waste Management	0	0	1,934,035	2,227,735	1,934,035	2,227,735
Garrett County Sanitary District, Inc.	0	0	8,319,876	8,304,234	8,319,876	8,304,234
Parks and Recreation Fund	0	0	1,066,387	1,095,308	1,066,387	1,095,308
Department of Technology & Communications	0	0	866,619	793,812	866,619	793,812
Total Expenses	\$ 83,606,842	\$ 82,323,830	\$ 12,733,274	\$ 13,359,133	\$ 96,340,116	\$ 95,682,963
Excess before Special Items and Transfers	(2,210,470)	(3,010,177)	(1,874,983)	(1,322,042)	(4,085,453)	(4,332,219)
Special Item	0	0	0	0	0	0
Net Transfers In (Out)	(954,069)	(579,595)	954,069	579,595	0	0
Changes in Net Assets	(3,164,539)	(3,589,772)	(920,914)	(742,447)	(4,085,453)	(4,332,219)
Net Assets – Beginning of Year	69,371,174	72,960,946	59,054,055	59,796,502	128,425,229	132,757,448
Net Assets – End of Year	\$ 66,206,635	\$ 69,371,174	\$ 58,133,141	\$ 59,054,055	\$ 124,339,776	\$ 128,425,229

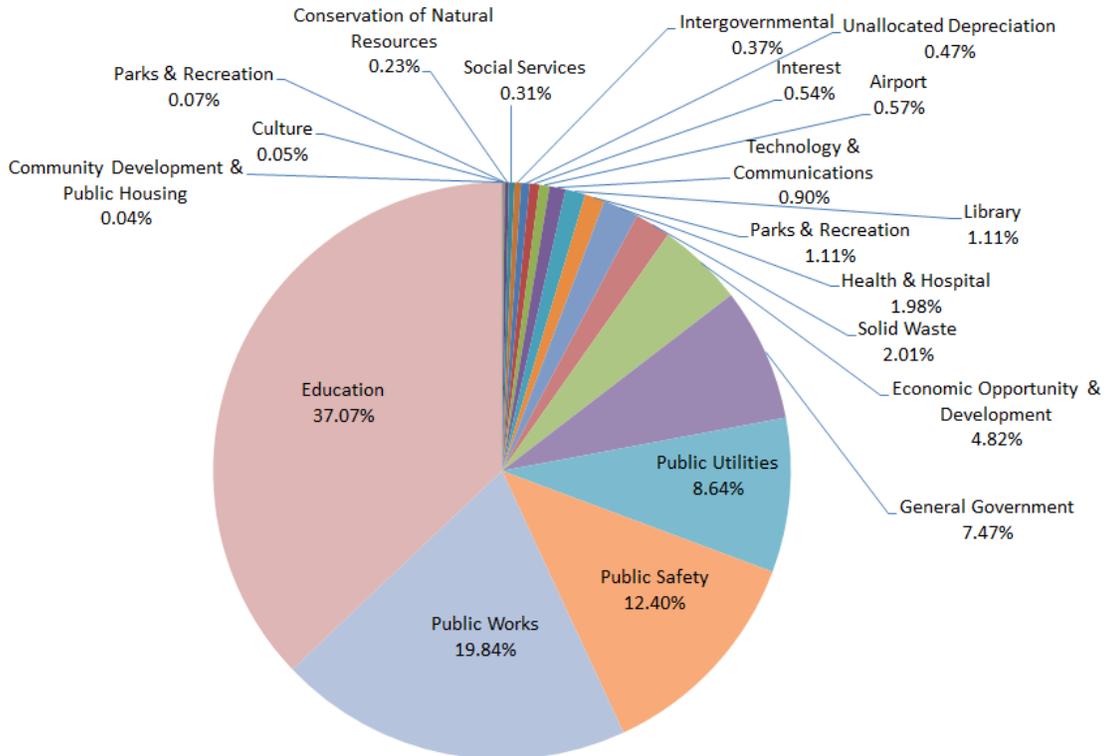
**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

Government-wide Financial Analysis (cont'd)

Revenues By Source - Primary Government



Expenditures - Primary Government



THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

Government-wide Financial Analysis (cont'd)

Overall, the financial position of Garrett County declined during the year by \$4.1 million. The governmental activities reported a decline of \$3.2 million in net position at June 30, 2017 while the business-type activities reported a decline of \$0.9 million during the same period. This is expected as the net investment in capital assets makes up the majority of the decline. As assets continue to depreciate at a faster pace than new capital assets are being placed in service this is expected.

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

A change in the local economy began to occur during FY 2008 and continued into FY 2010 but the County has shown improvement since that time. One of the many indicators of a healthy local economy is local income tax revenues. Income tax revenue has steadily increased since 2010 and ended the fiscal year at \$12,077,241 an all-time high. Income taxes account for 15% of General Fund revenues including other financing sources on a budgetary basis.

As anticipated, real and personal property tax revenue increased by a combined \$2 million. Approximately \$1 million of this increase was a result in a change of how the County accounts for the Landfill bond tax. Prior to FY 2017, \$.02 of the County's combined \$.99 tax rate was reported directly in the Solid Waste & Recycling enterprise fund as a Landfill bond tax to offset the debt service and future expansion of the Garrett County Landfill. In FY17 the County reported the revenue in the General Fund and transferred what was needed out as an expense to the Solid Waste & Recycling enterprise fund. The Ordinary Business tax category included the addition of twelve new wind turbines from Fair Winds Power Partners equating to just over \$704,000 of additional tax revenue. There was no change in the overall property tax rate as set by the County Commissioners. Property taxes account for 62% of General Fund revenues including other financing sources on a budgetary basis.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

Government-wide Financial Analysis (cont'd)

Business-Type Activities. In 2017, total assets for the Airport decreased by \$121,359. This decrease is mainly due to recording the current year's depreciation expense on assets.

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 \$5.7 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, 2017, the County recognized and reported a closure and post-closure liability of \$3,632,968 leaving a balance of estimated costs to be recognized at approximately \$2,022,793 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, 2017, the County had set aside \$3,542,996 in an investment account to offset the current recognized closure liability of \$3,632,968.

Total assets for the Garrett County Sanitary District, d/b/a Department of Public Utilities, increased by \$3,235,132. Driving this increase was the ongoing construction of the Deep Creek western conveyance sewer collection system. Operating revenues net of in-house sales of the Sanitary District increased by \$167,202 while operating expenditures remained relatively the same with just a \$33,979 slight increase.

The Parks & Recreation Fund was established to account for the operations of the Adventure Sports Center, Inc. Total assets for the Parks & Recreation Fund decreased by \$556,256 due to current year depreciation expense. Net position for Adventure Sports Center, Inc. is stated at a total of \$16,379,956. Operating revenues were \$556,946 while operating expenditures were recorded as \$1,066,387 resulting in a net operating loss of \$509,441 for the year ended June 30, 2017. Operating expenditures include non-cash items such as depreciation (\$495,293).

Financial Analysis of the County's Funds

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

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

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

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

At the end of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$20,329,805, a decrease of 3,663,448. Approximately 17.4% of this total, or \$3,529,058, 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. \$1,894,380 was nonspendable for inventory, prepaid expenses, and notes receivable. \$2,985,587 was restricted mainly for self-funded health care and \$11,930,780 was assigned for various reasons. \$1 million was assigned to healthcare, \$975,000 was assigned for future economic development projects, and \$7.1 million was assigned for the continuation of projects not completed in fiscal year 2017.

The General Fund is the chief operating fund of the Garrett County Government. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,529,058, while total fund balance reached \$20,247,159. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 4.4% of the total General Fund expenditures including operating transfers, while total fund balance represents 25.3% of that same amount.

During the current fiscal year, the total fund balance of the County's General Fund decreased by \$3,653,586. General Fund revenue increased by \$916,534 and General Fund operating expenditures increased by \$3,150,448.

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 \$14,886,521 which include amounts owing from the Garrett County Memorial Hospital Bonds, Series 2004, 2007, 2014 and 2015, for the expansion and renovation of the facility.

The Non-Major Special Revenue Funds have a total fund balance of \$82,646 all of which is restricted.

Proprietary funds. Garrett County's proprietary fund statements provide the same type of information found in the government-wide financial statements, only in more detail. The total unrestricted net position of the proprietary funds at the end of the year amounted to \$2,595,904. The total decrease in net position for the proprietary funds was \$920,914. Other factors concerning these funds' finances have been addressed in the discussion of Garrett County government's business-type activities.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

Budgetary Highlights

The difference between original revenue budget amounts of \$74,713,177 and final revenue budget amounts of \$78,940,462 is an increase of \$4,227,285. 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 \$4.2 million net increase, Intergovernmental federal and state grants made up the majority of the increase equating to \$2.8 million. Grant revenue normally has offsetting expenditures associated with them. Real and Personal Property tax equated to another million of the increase due to a change in accounting for Landfill bond tax. The difference between the final revenue budget of \$78,940,462 and the actual revenue recorded of \$79,131,042 resulted in a positive variance of \$190,580. Other Local Taxes ended with the largest positive variance of \$1.6 million. Income tax revenue finished the year at an unexpected all-time high of \$12.1 million. Other significant positive revenue budget variances were transfer tax of \$764,135, recordation tax of \$510,198, and accommodations tax of \$278,690.

Significant differences between the original expenditure budget amounts of \$74,713,177 and final expenditure budget amounts of \$91,970,429 resulting in a budget increase of \$17,257,252 are largely due to budget amendments that occurred to carryover funds from fiscal year 2016 to fiscal year 2017 for capital projects and capital outlay that were in progress at the end of fiscal year 2016. These carryover amendments equated to over \$14.4 million. As grant revenues increased, many of the revenues had offsetting expenses associated with them which resulted in corresponding budget amendments.

The difference between the final budget expenditures of \$91,970,429 and the actual expenditures recorded of \$80,021,196 represented a positive budget variance of \$11,949,233. Most 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 2017. Some of the projects include, but are not limited to, the Emergency Operations Center, the Glendale Road realignment, Keyser's Ridge Industrial Park infrastructure improvements, the Meadow Mountain Trail, Broadband phase II & III, financial software conversion/implementation, STEM Building at Garrett College, and several road paving and bridge projects.

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

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2017

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, 2017 amounts to \$147,564,198 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, furniture, vehicles, and infrastructure. The total increase in the County’s investment in capital assets for the current fiscal year was \$1,795,929 (1.23% increase for governmental and business-type activities).

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

	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$9,739,442	\$9,739,442	\$3,243,738	\$3,243,738	\$12,983,180	\$12,983,180
Land Improvements	2,871,792	2,743,450	18,001,159	18,106,427	20,872,951	20,849,877
Construction in Progress	2,164,654	3,070,771	10,468,783	4,082,169	12,633,437	7,152,940
Infrastructure	23,624,712	23,930,726	53,227,609	55,933,960	76,852,321	79,864,686
Buildings	13,740,939	14,139,432	3,725,159	3,850,898	17,466,098	17,990,330
Furniture and Equipment	1,013,433	621,482	19,579	75,569	1,033,012	697,051
Vehicles	2,381,876	2,528,871	211,512	217,786	2,593,388	2,746,657
Machinery and Equipment	1,744,864	1,985,300	1,384,947	1,498,248	3,129,811	3,483,548
Total	<u>\$57,281,712</u>	<u>\$58,759,474</u>	<u>\$90,282,486</u>	<u>\$87,008,795</u>	<u>\$147,564,198</u>	<u>\$145,768,269</u>

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

- In 2017, Business-type Activities Construction in Progress increased significantly by \$6.5 million. The Department of Public Utilities Western Conveyance Project contributed to 94% of this increase representing \$6.1 million of the addition.
- Business-type Activities saw a significant decrease in the Infrastructure category. This was due to annual depreciation expense. Of the \$2.7 million decrease in business-type infrastructure, the Department of Public Utilities depreciation expense contributed \$2.2 million, the Airport contributed just under \$200,000, and the Adventure Sports Center made up the remaining \$300,000.

For the remainder of the asset classifications not specifically referenced the net decreases are the result of depreciation and dispositions in excess of the cost of additions. Additional information on the County’s capital assets can be found in Note 5 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 \$49,907,562, which are backed by the full faith and credit of the County.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2017

Capital Asset and Debt Administration (cont’d)

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
	General Bonded Debt	\$ 14,886,521	\$ 13,623,859	\$ 35,021,041	\$ 31,335,686	\$ 49,907,562

During fiscal year 2017, the County’s total debt increased by \$4,948,017. While the Governmental Activities debt increased by a net \$1.26 million due mainly to the additional Series 2015 Garrett County Memorial Hospital Expansion Bond, Business-type Activities increased an additional \$3.7 million. The Garrett County Sanitary District initiated \$5.2 million of draws on a \$9.18 million temporary line of credit for the Deep Creek Western Conveyance and Sewer project. On February 1, 2017, the Garrett County Solid Waste Fund made their final payment on their original \$1.997 million bond dated May 21, 1996.

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 2018 to 2022. The Commissioners continue to prioritize capital expenditures and amend their five-year capital plan accordingly. Planned capital activity should have no significant impact on the County’s credit ratings because the County must budget the resources to account for these expenditures and in the case of long-term debt, the County must budget the resources to service the debt.

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

Economic Factors and Next Year’s Budget and Rates

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

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

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

- The annual average unemployment rate through October 2017 for the County is 4.1%, which is the same as the national average for the same time period but slightly higher than the State's average of 3.8%
- For January 1, 2018, Area 3 reassessment notices were mailed to 9,425 residential and 528 commercial owners. Area 3 is north central Garrett County and the southernmost tip of the county. While the reassessment area is most influenced by the resort properties located north of the Deep Creek Bridge including the WISP resort, the area does include a concentration of rural residential and agricultural properties. The resort area contains a concentration of commercial accounts primarily retail, food & beverage, and lodging. To the north and west of the resort there is one municipality, one industrial park containing two manufacturing companies, and Garrett College and the Garrett County Airport. The resort area typically has been the most volatile and for the second reassessment cycle has stabilized with the exception of vacant land sales on Marsh Mountain. The remaining portion of the group has been very stable with the surprise being the Deer Park area showing the greatest rebound in improved prices since the real estate collapse. The County is projecting the overall increase in these areas to be relatively flat with a slight increase of less than eight tenths of one percent.

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

During fiscal year 2017, the County's total General Fund balance decreased by \$3,653,586. While Garrett County Government has always maintained and demonstrated a conservative budget philosophy, the County has been forced to budget more liberally in recent years than desired. Although the General Fund's fund balance decreased, the County still was able to set aside and maintain \$3.5 million, or 5% of its operating revenues, as a rainy day fund. In addition to this, the County was fortunate to assign \$975,000 for future economic development projects to retain and attract businesses and to help offset upcoming capital needs during fiscal year 2019's budget process. Due to the favorable fund balance that the County has been experiencing over the past several years, the Commissioners were able to hold the tax rate for 2018 steady at \$.99 for every \$100 of assessable property.

Accounting standards for reporting the County's obligation for post-employment (GASB Statement 45) and pension benefits (GASB Statement 68) have been implemented by the County. Benefits will accrue during the employee's active years of service for government-wide financial reporting purposes. When GASB 45 was implemented in FY 2009, an OPEB trust fund was established. The County originally funded \$120,000 the first year of implementation; however, since that time, the County has funded the annual obligation from the operating budget but has not funded any additional amounts to the OPEB trust fund to offset its long-term OPEB liabilities.

THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

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

For FY 2017 the County was required to implement GASB Statement No. 74 entitled, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans; This Statement replaces GASB 43 and requires note disclosures and additional required supplemental information to reflect changes in financial reporting requirements for postemployment benefit plans. GASB Statement No. 75, entitled, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension will follow GASB No. 74 in the subsequent fiscal year requiring the County to report the total unfunded actuarial accrued liability for post-employment benefits. This statement will have a material effect on the County's financial statements in FY18 as this unfunded amount at June 30, 2017 was calculated at just under \$13 million. More information on the County's other post-employment benefit plans can be found in Note 12 on pages 85-90 to the financial statements.

The Garrett County Sanitary District, d/b/a Department of Public Utilities, will continue construction of the Western Conveyance Water Distribution and Wastewater Collection Systems that will serve an additional 2,500 customers in the future. The combined cost for the distribution and collection systems is estimated to be \$11,600,000 once completed over the next several years.

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

The County, Garrett College and the Board of Education continue to be in a coalition to consolidate health insurance benefits for current and retired employees of these entities. This consolidation is instrumental in attempting to make health costs more affordable and cost effective. On July 1, 2009, the health insurance platform changed from fully insured to self insured. The self-insured platform allowed the coalition to put into place health insurance cost containment measures that positively affect future fiscal years. Effective July 1, 2013, the Coalition implemented an expanded Wellness Program to further identify areas where health care costs could be contained and decreased.

**THE BOARD OF COUNTY COMMISSIONERS OF GARRETT COUNTY, MD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

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

Effective July 1, 2014, the coalition changed third party health care vendors as a measure to keep health care costs affordable. Effective January 1, 2017, Medicare eligible retirees were given a predetermined amount based on age and years of service through an Health Reimbursement Arrangement (HRA) to purchase Senior Supplement and Prescription Drug Plan through a third party vendor who contracted with the County.

Request for Information

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

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

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

Or, visit our website at www.garrettcounty.org

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

Statement of Net Position

June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 10,184,305	\$ 515,780	\$ 10,700,085
Investments	5,466,090	3,532,996	8,999,086
Taxes Receivable - Net	4,541,538	-	4,541,538
Due from Other Governments	3,520,241	67,016	3,587,257
Due from Component Units	22,401	-	22,401
Due from Primary Government	-	-	-
Other Receivables - Net	735,594	1,537,026	2,272,620
Inventories	787,667	1,160,122	1,947,789
Insurance Deposit	472,832	-	472,832
Prepaid Expenses	65,178	63,648	128,826
Restricted Cash	3,240,671	1,439,280	4,679,951
Restricted Investments	2,580,584	-	2,580,584
Restricted Accounts Receivable	14,886,521	167,141	15,053,662
Notes Receivable - Long-Term	1,031,535	-	1,031,535
Net Pension Asset	209,252	-	209,252
Non-Depreciable Capital Assets	11,904,096	21,610,039	33,514,135
Depreciable Capital Assets, Net of Accumulated Depreciation	45,377,616	68,672,447	114,050,063
Total Assets	105,026,121	98,765,495	203,791,616
DEFERRED OUTFLOWS OF RESOURCES	1,972,861	229,092	2,201,953
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	106,998,982	98,994,587	205,993,569
LIABILITIES			
Accounts Payable and Accrued Expenses	2,522,557	1,013,087	3,535,644
Internal Balances	1,620,218	(1,620,218)	-
Due to Component Units	1,497,636	-	1,497,636
Due to Other Governments	205,756	126,282	332,038
Due to Primary Government	-	-	-
Unearned Revenues	1,751,577	10,529	1,762,106
Other Liabilities	322,020	-	322,020
Long-Term Liabilities - Due Within One Year	883,141	1,480,531	2,363,672
Long-Term Liabilities - Due in More Than One Year	31,085,376	39,742,636	70,828,012
Total Liabilities	39,888,281	40,752,847	80,641,128
DEFERRED INFLOWS OF RESOURCES	904,066	108,599	1,012,665
NET POSITION			
Net Investment in Capital Assets	57,281,712	55,537,237	112,818,949
Restricted	4,869,967	-	4,869,967
Unrestricted	4,054,956	2,595,904	6,650,860
Total Net Position	66,206,635	58,133,141	124,339,776
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 106,998,982	\$ 98,994,587	\$ 205,993,569

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

Component Units		
Board of Education	College	Public Library
\$ 9,263,750	\$ 3,056,856	\$ 308,983
-	-	426,001
-	-	-
2,024,743	294,689	-
-	-	-
1,039,806	457,830	-
60,352	76,747	111,733
135,105	99,595	-
-	-	-
-	234,498	19,306
-	239,831	-
-	3,491,376	-
-	-	-
-	-	-
2,139,521	2,496,591	33,556
44,469,673	39,591,163	1,134,010
<u>59,132,950</u>	<u>50,039,176</u>	<u>2,033,589</u>
<u>1,054,256</u>	<u>-</u>	<u>-</u>
<u>60,187,206</u>	<u>50,039,176</u>	<u>2,033,589</u>
7,806,807	1,216,300	19,564
-	-	-
-	-	-
-	-	-
-	-	22,401
38,357	53,501	-
-	60,861	-
321,504	-	-
15,489,504	7,912,954	56,555
<u>23,656,172</u>	<u>9,243,616</u>	<u>98,520</u>
<u>234,458</u>	<u>-</u>	<u>-</u>
41,096,030	37,476,854	1,167,566
4,178,592	3,546,293	76,583
(8,978,046)	(227,587)	690,920
<u>36,296,576</u>	<u>40,795,560</u>	<u>1,935,069</u>
<u>\$ 60,187,206</u>	<u>\$ 50,039,176</u>	<u>\$ 2,033,589</u>

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

Statement of Activities
Year Ended June 30, 2017

<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	\$ 7,194,589	\$ 382,935	\$ 2,613,028	\$ 178,624
Public Safety	11,940,195	530,217	1,580,195	20,812
Public Works	19,153,424	372,565	526,796	891,794
Health and Hospital	1,904,395	-	405,447	-
Education				
Board of Education	28,968,339	148,800	-	-
College	6,732,244	-	-	-
Culture	43,500	-	-	-
Parks and Recreation	68,970	-	43,970	-
Library	1,070,715	-	-	-
Conservation of Natural Resources	219,878	-	-	-
Social Services	294,516	-	12,816	-
Economic Opportunity and Development	4,643,564	-	1,356,564	428,473
Community Development & Public Housing	35,537	-	35,537	-
Intergovernmental	358,228	-	-	-
Unallocated Depreciation	457,189	-	-	-
Interest on Long-Term Debt	521,559	-	-	-
Total Governmental Activities	<u>83,606,842</u>	<u>1,434,517</u>	<u>6,574,353</u>	<u>1,519,703</u>
Business-type activities				
Airport Fund	546,357	235,851	-	89,309
Solid Waste Fund	1,934,035	1,361,608	-	-
Garrett County Sanitary District, Inc.	8,319,876	5,200,921	-	10,395
Parks & Recreation Fund	1,066,387	535,223	-	-
Department of Technology & Communications	866,619	231,787	-	-
Total Business-Type Activities	<u>12,733,274</u>	<u>7,565,390</u>	<u>-</u>	<u>99,704</u>
Total Primary Government	<u>96,340,116</u>	<u>8,999,907</u>	<u>6,574,353</u>	<u>1,619,407</u>
Component Units				
Board of Education	59,636,193	766,700	9,320,995	1,148,643
College	17,356,245	4,036,334	2,641,715	-
Public Library	1,485,578	31,400	-	-
Total Component Units	<u>\$ 78,478,016</u>	<u>\$ 4,834,434</u>	<u>\$ 11,962,710</u>	<u>\$ 1,148,643</u>

General Revenues:

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

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
\$ (4,020,002)	\$ -	\$ (4,020,002)	\$ -	\$ -	\$ -
(9,808,971)	-	(9,808,971)	-	-	-
(17,362,269)	-	(17,362,269)	-	-	-
(1,498,948)	-	(1,498,948)	-	-	-
(28,819,539)	-	(28,819,539)	-	-	-
(6,732,244)	-	(6,732,244)	-	-	-
(43,500)	-	(43,500)	-	-	-
(25,000)	-	(25,000)	-	-	-
(1,070,715)	-	(1,070,715)	-	-	-
(219,878)	-	(219,878)	-	-	-
(281,700)	-	(281,700)	-	-	-
(2,858,527)	-	(2,858,527)	-	-	-
-	-	-	-	-	-
(358,228)	-	(358,228)	-	-	-
(457,189)	-	(457,189)	-	-	-
(521,559)	-	(521,559)	-	-	-
<u>(74,078,269)</u>	<u>-</u>	<u>(74,078,269)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	(221,197)	(221,197)	-	-	-
-	(572,427)	(572,427)	-	-	-
-	(3,108,560)	(3,108,560)	-	-	-
-	(531,164)	(531,164)	-	-	-
-	(634,832)	(634,832)	-	-	-
-	(5,068,180)	(5,068,180)	-	-	-
<u>(74,078,269)</u>	<u>(5,068,180)</u>	<u>(79,146,449)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	(48,399,855)	-	-
-	-	-	-	(10,678,196)	-
-	-	-	-	-	(1,454,178)
-	-	-	<u>(48,399,855)</u>	<u>(10,678,196)</u>	<u>(1,454,178)</u>
49,034,923	2,555,400	51,590,323	-	-	-
12,077,241	-	12,077,241	-	-	-
4,193,734	-	4,193,734	-	-	-
3,872,400	-	3,872,400	-	-	-
719,608	55,844	775,452	11,400	294,209	531
-	-	-	27,424,903	5,744,202	1,070,715
735,047	516,015	1,251,062	21,346,753	5,245,640	414,521
842,851	21,723	864,574	-	-	-
126,602	44,231	170,833	202,208	4,480	3,068
265,393	(16)	265,377	28,789	-	(240)
(954,069)	954,069	-	-	-	-
-	-	-	(934,589)	-	-
<u>70,913,730</u>	<u>4,147,266</u>	<u>75,060,996</u>	<u>48,079,464</u>	<u>11,288,531</u>	<u>1,488,595</u>
(3,164,539)	(920,914)	(4,085,453)	(320,391)	610,335	34,417
<u>69,371,174</u>	<u>59,054,055</u>	<u>128,425,229</u>	<u>36,616,967</u>	<u>40,185,225</u>	<u>1,900,652</u>
<u>\$ 66,206,635</u>	<u>\$ 58,133,141</u>	<u>\$ 124,339,776</u>	<u>\$ 36,296,576</u>	<u>\$ 40,795,560</u>	<u>\$ 1,935,069</u>

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

Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Totals
ASSETS:					
Cash and Cash Equivalents	\$ 10,184,305	\$ -	\$ -	\$ -	\$ 10,184,305
Investments	5,466,090	-	-	-	5,466,090
Taxes Receivable - Net	4,541,538	-	-	-	4,541,538
Due from Other Governments	2,982,972	536,919	-	350	3,520,241
Due from Component Units	22,401	-	-	-	22,401
Due from Other Funds	-	524,554	-	335,141	859,695
Other Receivables - Net	734,607	-	-	987	735,594
Note Receivable	1,031,535	-	-	-	1,031,535
Inventories	787,667	-	-	-	787,667
Insurance Deposit	472,832	-	-	-	472,832
Prepaid Expenses	65,178	-	-	-	65,178
Restricted Cash	2,877,799	-	-	362,872	3,240,671
Restricted Investments	2,580,584	-	-	-	2,580,584
Restricted Accounts Receivable	-	-	14,886,521	-	14,886,521
TOTAL ASSETS	31,747,508	1,061,473	14,886,521	699,350	48,394,852
LIABILITIES:					
Accounts Payable and Accrued Expenses	2,482,038	61,473	-	106,996	2,650,507
Due to Other Funds	2,479,913	-	-	-	2,479,913
Due to Component Units	1,497,636	-	-	-	1,497,636
Due to Other Governments	205,756	-	-	-	205,756
Unearned Revenues	241,869	1,000,000	14,886,521	509,708	16,638,098
Other Liabilities	322,020	-	-	-	322,020
Total Liabilities	7,229,232	1,061,473	14,886,521	616,704	23,793,930
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue - Property Taxes	4,271,117	-	-	-	4,271,117
Total Deferred Inflows of Resources	4,271,117	-	-	-	4,271,117
FUND BALANCES:					
Nonspendable	1,884,380	-	-	-	1,884,380
Restricted	2,902,941	-	-	82,646	2,985,587
Assigned	11,930,780	-	-	-	11,930,780
Unassigned	3,529,058	-	-	-	3,529,058
Total Fund Balances	20,247,159	-	-	82,646	20,329,805
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 31,747,508	\$ 1,061,473	\$ 14,886,521	\$ 699,350	\$ 48,394,852

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, 2017

Total Fund Balances - Governmental Funds	\$ 20,329,805
<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 \$156,476,920, net of accumulated depreciation of \$99,195,208.</p>	57,281,712
<p>The net pension asset arising from the LOSAP plan is not an available resource and, therefore, is not reported in the funds</p>	209,252
<p>Deferred outflows arising from changes in the net pension liability are not reported in the funds. Deferred outflows resulting from contributions made since the measure date amount to \$51,400. Deferred outflows resulting from changes in actuarial assumptions amount to \$746,871. Deferred outflows resulting from pension plan investments performance below projections amount to \$1,120,064. Deferred outflows resulting from differences between expected and actual experience amount to \$54,526</p>	1,972,861
<p>Long-term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end include compensated absences of \$2,887,446, the net OPEB obligation of \$3,571,685, and the net pension liability of \$10,494,915.</p>	(16,954,046)
<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>	4,271,117
<p>Deferred inflows arising from changes in the net pension liability are not reported in the funds. Deferred inflows resulting from pension plan investment performance exceeding projections amount to \$603,406. Deferred inflows resulting from differences between expected and actual experience amount to \$300,660.</p>	(904,066)
Total Net Position - Governmental Activities	\$ 66,206,635

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, 2017

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Totals
REVENUES:					
Taxes	\$ 66,414,865	\$ -	\$ -	\$ -	\$ 66,414,865
Licenses and Permits	313,205	-	-	-	313,205
Intergovernmental	7,266,458	1,242,972	1,146,932	315,621	9,971,983
Fines and Forfeitures	5,360	-	-	22,117	27,477
Charges for Services	924,747	-	-	20,288	945,035
Investment Income	197,712	-	521,559	337	719,608
Rents and Concessions	991,651	-	-	-	991,651
Contributions	4,052	-	-	-	4,052
Miscellaneous	126,602	-	-	-	126,602
Total Revenues	76,244,652	1,242,972	1,668,491	358,363	79,514,478
EXPENDITURES:					
General Government	6,815,668	-	-	3,763	6,819,431
Public Safety	10,748,438	-	-	316,544	11,064,982
Public Works	15,454,275	-	-	-	15,454,275
Health and Hospital	1,904,395	-	-	-	1,904,395
Education					
Board of Education	28,968,339	-	-	-	28,968,339
College	6,732,244	-	-	-	6,732,244
Culture	43,500	-	-	-	43,500
Parks and Recreation	68,970	-	-	-	68,970
Library	1,070,715	-	-	-	1,070,715
Conservation of Natural Resources	219,878	-	-	-	219,878
Social Services	294,516	-	-	-	294,516
Economic Opportunity and Development	3,891,727	-	-	-	3,891,727
Community Development & Public Housing	-	-	-	35,537	35,537
Capital Outlay	2,422,805	1,465,201	-	12,381	3,900,387
Debt Service	-	-	1,668,491	-	1,668,491
Intergovernmental	358,228	-	-	-	358,228
Total Expenditures	78,993,698	1,465,201	1,668,491	368,225	82,495,615
REVENUES (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) SUBTOTAL					
	\$ (2,749,046)	\$ (222,229)	\$ -	\$ (9,862)	\$ (2,981,137)

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, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
REVENUES (UNDER)					
EXPENDITURES BEFORE OTHER					
FINANCING SOURCES (USES)					
Balances Brought Forward	\$ (2,749,046)	\$ (222,229)	\$ -	\$ (9,862)	\$ (2,981,137)
OTHER FINANCING SOURCES (USES):					
Sale of Capital Assets	271,758	-	-	-	271,758
Transfers					
Capital Projects Fund	(404,602)	404,602	-	-	-
Airport Fund	(59,928)	-	-	-	(59,928)
Solid Waste Fund	(124,260)	-	-	-	(124,260)
Garrett County Sanitary District, Inc.	-	(182,373)	-	-	(182,373)
Parks & Recreation Fund	(100,000)	-	-	-	(100,000)
Dept. of Tech. & Communication Fund	(487,508)	-	-	-	(487,508)
REVENUES AND OTHER FINANCING					
SOURCES (UNDER) EXPENDITURES					
& OTHER FINANCING SOURCES (USES)	(3,653,586)	-	-	(9,862)	(3,663,448)
FUND BALANCES, BEGINNING OF YEAR	23,900,745	-	-	92,508	23,993,253
FUND BALANCES, End of Year	<u>\$ 20,247,159</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,646</u>	<u>\$ 20,329,805</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, 2017

Change in Fund Balances - Governmental Funds	\$ (3,663,448)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$5,803,885 exceeded capital outlays of \$4,332,488 in the current year.	(1,471,397)
Governmental funds report only the cash proceeds from the sale of capital assets. In the statement of activities the net book value is written-off against the proceeds, if any, when assets are disposed or sold.	(6,365)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,146,932
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.	(1,146,932)
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.	(18,106)
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.	2,763,433
OPEB costs related to the unfunded net OPEB obligation do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	(399,983)
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.	(368,673)
Change in Net Position - Governmental Activities	\$ (3,164,539)

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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES:				
Taxes	\$ 66,168,272	\$ 67,189,881	\$ 69,178,297	\$ 1,988,416
Licenses and Permits	276,527	276,527	313,205	36,678
Intergovernmental	5,445,962	8,653,299	7,266,458	(1,386,841)
Fines and Forfeitures	3,300	3,300	5,360	2,060
Charges for Services	1,198,200	1,334,329	924,747	(409,582)
Investment Income	225,000	225,000	197,712	(27,288)
Rents and Concessions	842,605	842,605	842,851	246
Contributions	3,000	3,000	4,052	1,052
Miscellaneous	4,000	102,096	126,602	24,506
Total Revenues	<u>74,166,866</u>	<u>78,630,037</u>	<u>78,859,284</u>	<u>229,247</u>
EXPENDITURES:				
General Government	5,804,057	7,221,209	5,759,647	(1,461,562)
Public Safety	10,649,433	11,235,020	10,748,438	(486,582)
Public Works	15,801,274	16,229,250	15,454,275	(774,975)
Health and Hospital	1,900,000	1,908,976	1,904,395	(4,581)
Education	32,597,903	36,699,970	35,551,783	(1,148,187)
Culture	44,000	44,000	43,500	(500)
Parks and Recreation	26,500	70,470	68,970	(1,500)
Library	1,015,000	1,071,475	1,070,715	(760)
Conservation of Natural Resources	240,027	247,529	219,878	(27,651)
Social Services	281,700	301,700	294,516	(7,184)
Economic Development and Opportunity	2,949,078	4,420,457	3,891,727	(528,730)
Capital Outlay	1,417,431	3,186,809	2,422,805	(764,004)
Intergovernmental	302,205	358,228	358,228	-
Miscellaneous	1,010,000	876,285	1,056,021	179,736
Total Expenditures	<u>74,038,608</u>	<u>83,871,378</u>	<u>78,844,898</u>	<u>(5,026,480)</u>
REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>128,258</u>	<u>(5,241,341)</u>	<u>14,386</u>	<u>5,255,727</u>
OTHER FINANCING SOURCES (USES):				
Sale of Capital Assets	60,000	298,425	271,758	(26,667)
Operating Transfers				
Capital Projects Fund	-	(6,867,467)	(404,602)	(6,462,865)
Other Governmental Funds	486,311	12,000	-	(12,000)
Airport Fund	(54,054)	(67,422)	(59,928)	(7,494)
Solid Waste Fund	-	(505,620)	(124,260)	(381,360)
Parks & Recreation	(100,000)	(100,564)	(100,000)	(564)
Department of Technology & Communication	(520,515)	(557,978)	(487,508)	(70,470)
Total Other Financing Sources (Uses)	<u>(128,258)</u>	<u>(7,788,626)</u>	<u>(904,540)</u>	<u>(6,884,086)</u>
REVENUES (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(13,029,967)</u>	<u>(890,154)</u>	<u>\$ 12,139,813</u>
Fund Balance, Beginning of Year	<u>23,900,745</u>	<u>23,900,745</u>	<u>23,900,745</u>	
FUND BALANCE, End of Year, Budgetary Basis	<u>\$ 23,900,745</u>	<u>\$ 10,870,778</u>	<u>\$ 23,010,591</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, 2017

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Parks & Recreation Fund</u>	<u>Department of Technology & Communications</u>	<u>Total</u>
ASSETS:						
Current Assets:						
Cash and Cash Equivalents	\$ 100	\$ 10,300	\$ 505,163	\$ 217	\$ -	\$ 515,780
Investments	-	3,532,996	-	-	-	3,532,996
Due from Other Governments	56,621	-	10,395	-	-	67,016
Due from Primary Government	-	1,795,522	61,854	-	7,463	1,864,839
Other Receivables - Net	12,391	109,242	1,253,895	108,942	52,556	1,537,026
Inventories	40,181	-	1,119,941	-	-	1,160,122
Prepaid Expense	2,116	18,497	40,422	2,613	-	63,648
Total Current Assets	<u>111,409</u>	<u>5,466,557</u>	<u>2,991,670</u>	<u>111,772</u>	<u>60,019</u>	<u>8,741,427</u>
Noncurrent Restricted Assets:						
Restricted Cash	-	-	1,439,280	-	-	1,439,280
Restricted Other Receivables	-	-	167,141	-	-	167,141
Total Noncurrent Restricted Assets	<u>-</u>	<u>-</u>	<u>1,606,421</u>	<u>-</u>	<u>-</u>	<u>1,606,421</u>
Capital and Other Assets:						
Non-Depreciable Capital Assets	910,375	113,994	11,428,152	9,157,518	-	21,610,039
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>11,808,733</u>	<u>3,890,908</u>	<u>42,147,889</u>	<u>10,499,853</u>	<u>325,064</u>	<u>68,672,447</u>
Total Capital and Other Assets	<u>12,719,108</u>	<u>4,004,902</u>	<u>53,576,041</u>	<u>19,657,371</u>	<u>325,064</u>	<u>90,282,486</u>
TOTAL ASSETS	<u>12,830,517</u>	<u>9,471,459</u>	<u>58,174,132</u>	<u>19,769,143</u>	<u>385,083</u>	<u>100,630,334</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>7,722</u>	<u>36,191</u>	<u>156,799</u>	<u>-</u>	<u>28,380</u>	<u>229,092</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 12,838,239</u>	<u>\$ 9,507,650</u>	<u>\$ 58,330,931</u>	<u>\$ 19,769,143</u>	<u>\$ 413,463</u>	<u>\$ 100,859,426</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, 2017

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Parks & Recreation Fund</u>	<u>Department of Technology & Communications</u>	<u>Total</u>
LIABILITIES:						
Current Liabilities:						
Accounts Payable and Accrued Expenses	\$ 20,619	\$ 119,928	\$ 756,850	\$ 99,242	\$ 16,448	\$ 1,013,087
Bonds and Loans Payable - Current Portion	-	-	1,453,531	-	-	1,453,531
Closure/Postclosure Liabilities - Current Portion	-	27,000	-	-	-	27,000
Due to Other Governments	-	-	126,282	-	-	126,282
Due to Primary Government	56,716	-	-	187,905	-	244,621
Unearned Revenue	6,120	-	-	4,409	-	10,529
Total Current Liabilities	<u>83,455</u>	<u>146,928</u>	<u>2,336,663</u>	<u>291,556</u>	<u>16,448</u>	<u>2,875,050</u>
Noncurrent Liabilities:						
Bonds and Loans Payable	-	-	30,474,895	3,092,615	-	33,567,510
Compensated Absences	27,953	135,035	370,408	5,016	43,571	581,983
Net Pension Liability	71,382	318,721	1,351,838	-	245,234	1,987,175
Closure/Postclosure Liabilities	-	3,605,968	-	-	-	3,605,968
Total Noncurrent Liabilities	<u>99,335</u>	<u>4,059,724</u>	<u>32,197,141</u>	<u>3,097,631</u>	<u>288,805</u>	<u>39,742,636</u>
TOTAL LIABILITIES	<u>182,790</u>	<u>4,206,652</u>	<u>34,533,804</u>	<u>3,389,187</u>	<u>305,253</u>	<u>42,617,686</u>
DEFERRED INFLOWS OF RESOURCES	<u>3,440</u>	<u>20,520</u>	<u>71,315</u>	<u>-</u>	<u>13,324</u>	<u>108,599</u>
NET POSITION						
Net Investment in Capital Assets	12,719,108	4,004,902	21,748,407	16,739,756	325,064	55,537,237
Unrestricted Net Position	(67,099)	1,275,576	1,977,405	(359,800)	(230,178)	2,595,904
Total Net Position	<u>12,652,009</u>	<u>5,280,478</u>	<u>23,725,812</u>	<u>16,379,956</u>	<u>94,886</u>	<u>58,133,141</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 12,838,239</u>	<u>\$ 9,507,650</u>	<u>\$ 58,330,931</u>	<u>\$ 19,769,143</u>	<u>\$ 413,463</u>	<u>\$ 100,859,426</u>

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

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2017

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Parks & Recreation Fund	Department of Technology & Communications	Total
OPERATING REVENUES:						
Charges for Services	\$ 235,851	\$ 1,361,608	\$ 4,600,035	\$ 535,223	\$ 231,787	\$ 6,964,504
Other	2,125	42,106	600,886	21,723	-	666,840
Total Operating Revenues	<u>237,976</u>	<u>1,403,714</u>	<u>5,200,921</u>	<u>556,946</u>	<u>231,787</u>	<u>7,631,344</u>
OPERATING EXPENSES:						
Salaries	106,161	637,881	1,640,842	57,333	264,217	2,706,434
Fringe Benefits	29,102	223,606	824,691	12,964	110,309	1,200,672
Maintenance and Repairs	3,988	40,019	688,511	26,579	33,290	792,387
Supplies	99,596	62,771	695,124	24,626	-	882,117
Utilities	18,925	27,419	535,840	174,582	24,219	780,985
Transportation	4,284	-	107,596	-	4,268	116,148
Contracted Services	7,784	290,540	36,889	207,699	226,259	769,171
Insurance	4,425	18,999	3,038	32,462	-	58,924
Direct Administration	-	-	124,264	13,389	49,749	187,402
Indirect Administration	-	44,817	240,001	21,460	-	306,278
Depreciation Expense	261,355	344,337	2,427,641	495,293	154,308	3,682,934
Amortization - Other	-	154,394	-	-	-	154,394
Bad Debt Expense	-	-	151	-	-	151
Other	10,737	79,948	-	-	-	90,685
Total Operating Expenses	<u>546,357</u>	<u>1,924,731</u>	<u>7,324,588</u>	<u>1,066,387</u>	<u>866,619</u>	<u>11,728,682</u>
NET OPERATING LOSS	<u>(308,381)</u>	<u>(521,017)</u>	<u>(2,123,667)</u>	<u>(509,441)</u>	<u>(634,832)</u>	<u>(4,097,338)</u>
NON-OPERATING REVENUES (EXPENSES):						
Tap Fees - Capital Revenue	-	-	516,015	-	-	516,015
Investment Income	-	(9,216)	65,060	-	-	55,844
Ad Valorem Tax	-	4,552	2,550,848	-	-	2,555,400
(Loss) on Sale of Assets	-	-	(16)	-	-	(16)
Interest Expense	-	(2,554)	(995,288)	-	-	(997,842)
Asset Management Fees	-	(6,750)	-	-	-	(6,750)
Net Other Revenues (Expenses)	<u>-</u>	<u>(13,968)</u>	<u>2,136,619</u>	<u>-</u>	<u>-</u>	<u>2,122,651</u>
(LOSS) INCOME BEFORE CAPITAL CONTRIBUTIONS/TRANSFERS	<u>\$ (308,381)</u>	<u>\$ (534,985)</u>	<u>\$ 12,952</u>	<u>\$ (509,441)</u>	<u>\$ (634,832)</u>	<u>\$ (1,974,687)</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, 2017

	<u>Airport Fund</u>	<u>Solid Waste Fund</u>	<u>Garrett County Sanitary District, Inc.</u>	<u>Parks & Recreation Fund</u>	<u>Department of Technology & Communications</u>	<u>Total</u>
(LOSS) INCOME BEFORE CAPITAL CONTRIBUTIONS/TRANSFERS						
Balances Brought Forward	\$ (308,381)	\$ (534,985)	\$ 12,952	\$ (509,441)	\$ (634,832)	\$ (1,974,687)
CAPITAL CONTRIBUTIONS/TRANSFERS						
Capital Contributions from						
State	39,162	-	-	-	-	39,162
Federal	50,147	-	10,395	-	-	60,542
Primary Government	14,912	99,998	182,373	-	14,772	312,055
Transfers from Primary Government	45,016	24,262		100,000	472,736	642,014
NET CHANGE IN NET POSITION	(159,144)	(410,725)	205,720	(409,441)	(147,324)	(920,914)
NET POSITION - BEGINNING OF YEAR	12,811,153	5,691,203	23,520,092	16,789,397	242,210	59,054,055
NET POSITION - END OF YEAR	<u>\$ 12,652,009</u>	<u>\$ 5,280,478</u>	<u>\$ 23,725,812</u>	<u>\$ 16,379,956</u>	<u>\$ 94,886</u>	<u>\$ 58,133,141</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, 2017

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Parks & Recreation Fund	Department of Technology & Communications	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash Received from Customers	\$ 240,147	\$ 1,421,522	\$ 5,179,530	\$ 618,633	\$ 228,051	\$ 7,687,883
Cash Paid to Suppliers	(141,984)	(534,741)	(2,552,523)	(471,953)	(335,588)	(4,036,789)
Cash Paid to Employees and for Employee Benefits	(116,866)	(839,671)	(2,423,633)	(64,853)	(364,148)	(3,809,171)
Net Cash (Used In)/Provided By Operating Activities	(18,703)	47,110	203,374	81,827	(471,685)	(158,077)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:						
Transfer from Primary Government	45,016	24,262	182,373	100,000	472,736	824,387
Increase (Decrease) in Amounts Due to General Fund	22,002	-	(70,621)	(172,488)	-	(221,107)
Decrease (Increase) in Amounts Due from General Fund	-	610,457	(61,854)	-	(1,051)	547,552
Net Cash Provided By/(Used In) Non-Capital Financing Activities	67,018	634,719	49,898	(72,488)	471,685	1,150,832
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Capital Contributions	55,906	99,998	31,428	-	14,772	202,104
Proceeds from Tap Fees	-	-	516,015	-	-	516,015
Ad Valorem Taxes and Other Assessments Collected	-	42,299	2,563,099	-	-	2,605,398
Payment of Expenses Related to Landfill Closure	-	(25,865)	-	-	-	(25,865)
Acquisition and Construction of Capital Assets	(104,221)	(99,998)	(7,412,407)	(9,339)	(14,772)	(7,640,737)
Proceeds from Long-Term Debt	-	-	5,228,650	-	-	5,228,650
Principal Paid on Long-Term Debt	-	(132,302)	(1,410,993)	-	-	(1,543,295)
Interest Paid on Long-Term Debt	-	(4,379)	(972,948)	-	-	(977,327)
Net Cash (Used In) Capital and Related Financing Activities	\$ (48,315)	\$ (120,247)	\$ (1,457,156)	\$ (9,339)	\$ -	\$ (1,635,057)

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, 2017

	Airport Fund	Solid Waste Fund	Garrett County Sanitary District, Inc.	Parks & Recreation Fund	Department of Technology & Communications	Total
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest Income	\$ -	\$ (9,216)	\$ 65,060	\$ -	\$ -	\$ 55,844
Asset Management Fees	-	(6,750)	-	-	-	(6,750)
Government & Agency Bonds	-	(535,616)	-	-	-	(535,616)
Net Cash (Used In)/Provided By Investing Activities	-	(551,582)	65,060	-	-	(486,522)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	-	10,000	(1,138,824)	-	-	(1,128,824)
Cash and Cash Equivalents, Beginning of Year	100	300	3,083,267	217	-	3,083,884
CASH AND CASH EQUIVALENTS, End of Year	\$ 100	\$ 10,300	\$ 1,944,443	\$ 217	\$ -	\$ 1,955,060
Reconciliation of Operating Loss to Net Cash (Used In)/Provided By Operating Activities						
Operating Loss	(308,381)	(521,017)	(2,123,667)	(509,441)	(634,832)	(4,097,338)
Adjustments to Reconcile Operating Loss to Net Cash (Used In)/Provided By Operating Activities:						
Depreciation and Amortization	261,355	498,731	2,427,641	495,293	154,308	3,837,328
Decrease in Deferred Outflows of Resources	2,531	15,093	52,453	-	9,799	79,876
Increase in Deferred Inflows of Resources	3,440	20,520	71,315	-	13,324	108,599
(Increase) Decrease in assets:						
Due from other governments	-	5,355	-	-	-	5,355
Accounts receivable	1,896	12,569	(21,391)	62,087	(3,736)	51,425
Inventories	12,760	-	17,081	-	-	29,841
Prepaid expenses	(2,116)	(18,497)	(40,422)	8,215	-	(52,820)
Increase (Decrease) in liabilities						
Accounts payable and accrued expenses	(2,189)	51,787	(94,798)	21,057	2,409	(21,734)
Due to other governments	-	-	2,715	-	-	2,715
Unearned revenue	275	(116)	-	(400)	-	(241)
Net pension liability	(3,960)	(23,618)	(82,081)	-	(15,335)	(124,994)
Compensated absences	15,686	6,303	(5,472)	5,016	2,378	23,911
Net Cash (Used In)/Provided By Operating Activities	\$ (18,703)	\$ 47,110	\$ 203,374	\$ 81,827	\$ (471,685)	\$ (158,077)

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, 2017

	Benefit Plan Trust Funds
ASSETS	
Cash and Cash Equivalents	\$ 1,143,695
Investments:	
Certificates of Deposit	51,457
Fixed Income Securities	10,778,909
Mutual Funds	10,806,529
Equity Securities	13,775,579
Total Investments	35,412,474
Interest Receivable	143,919
TOTAL ASSETS	36,700,088
LIABILITIES	-
NET POSITION	
Held in Trust for Retirement Benefits and OPEB	\$ 36,700,088

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, 2017

	<u>Benefit Plan Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 1,548,483
Plan Members	578,808
Total Contributions	<u>2,127,291</u>
Investment Earnings:	
Realized Net Gains on Investments	354,643
Interest and Dividends	874,792
Net Increase in Fair Value of Investments	1,997,179
Investment Activity Expense	<u>(121,337)</u>
Total Net Investment Earnings	<u>3,105,277</u>
Total Additions	<u>5,232,568</u>
DEDUCTIONS	
Benefits	1,924,023
Administrative	<u>31,804</u>
Total Deductions	<u>1,955,827</u>
Change In Net Position	3,276,741
Net Position - Beginning of Year	<u>33,423,347</u>
Net Position - End of Year	<u><u>\$ 36,700,088</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, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

**Notes to Financial Statements
June 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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

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

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

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

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

The accompanying financial statements do not include the activities of the Liquor Control Board of Garrett County. However, these financial statements do include governmental activities revenues in the government-wide financial statements and general fund revenues in the governmental funds financial statements in the amount of \$125,234, which was transferred by the Liquor Control Board to the County in accordance with the Alcoholic Beverage Laws applicable to Garrett County. This amount represents approximately 85% of the Liquor Control Board's gross revenues for the fiscal year ended June 30, 2017. Total assets of the Liquor Control Board as of June 30, 2017 are \$129,278.

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

**Notes to Financial Statements
June 30, 2017**

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, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The County reports the following major governmental funds:

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

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

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

The County reports the following major proprietary funds:

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

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

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

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

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

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

**Notes to Financial Statements
June 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the County reports the following additional fund types:

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

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

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

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

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

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

**Notes to Financial Statements
June 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

Receivables and Payables - In order to maximize investment earnings and for efficient operation of the accounting system, substantially all receipts and disbursements of the Primary Government, excluding the Garrett County Sanitary District, Inc. and ASC, Inc. (reported as blended component units), are accounted for in one bank account. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "due to/from Primary Government". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". All trade and property tax receivables are reported net of an allowance for doubtful accounts. The allowance for doubtful accounts recorded in the general fund and netted against taxes receivable was \$50,000 as of June 30, 2017. 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, 2017.

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

**Notes to Financial Statements
June 30, 2017**

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 \$3,240,671 which represents general fund cash balances from self-funded health insurance and special revenue funds' cash balances related to Keyzers Ridge Business Park operations and Public Safety Narcotics Task Force operations. This column also includes restricted investments of \$2,580,584 which represents general fund investment balances related to self-funded health insurance.

Restricted receivables of \$14,886,521 reflect amounts owed by Garrett County Memorial Hospital to the County under loan agreements related to Garrett County Memorial Hospital 2004, 2007, 2014 and 2015 Bonds. Amounts receivable are to be collected through June 30, 2037.

Restricted assets attributable to the Garrett County Sanitary District, Inc. of \$1,606,421 represent cash and receivables maintained in accordance with bond resolutions, loan agreements, grant awards and other resolutions and formal actions of the District or by agreement for the purpose of funding certain debt service payments, major repair and replacement activities and other improvements to its water and sewer systems.

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

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

**Notes to Financial Statements
June 30, 2017**

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:

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

Deferred Inflows/Outflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has four items that qualify for reporting in this category. At June 30, 2017 deferred outflows consisted of retirement plan contributions paid in the current fiscal year subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Additionally, deferred outflows at June 30, 2017 consisted of differences between actual and expected experience, changes in retirement plan actuarial assumptions and differences in the projected and actual investment earnings related to the determination of the net pension liability that are being amortized over periods ranging from five to eighteen years.

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

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

**Notes to Financial Statements
June 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, deferred inflows at June 30, 2017 consisted of differences between actual and expected experience and differences in the projected and actual investment earnings related to the determination of the net pension liability that are being amortized over periods ranging from five to six years.

Unearned Revenues - Unearned revenues as reported only in the governmental funds financial statements include amounts advanced to Garrett County Memorial Hospital from bonded indebtedness issued by the County to fund certain hospital construction and renovation projects. These advances are being repaid to the County and recognized as revenues in the financial statements as the Hospital makes the required payments on the related bonded indebtedness. Unearned revenues as reported in the government-wide and governmental funds financial statements include \$1,000,000 in One Maryland funds received for Keyser's Ridge Infrastructure. These funds had not been spent on the project as of year-end. Unearned revenues also consist of taxes and fees that were prepaid to the County and expenditure driven grants of \$509,708, where the cash has been received, but the qualifying expenditures have not been incurred. In addition, see note below for a description of unearned revenue reported only in the government-wide financial statements.

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

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

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

**Notes to Financial Statements
June 30, 2017**

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, 2017.

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

**Notes to Financial Statements
June 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Net Position/Fund Balance Classifications (Continued)

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

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

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

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

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

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

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

**Notes to Financial Statements
June 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Net Position Flow Assumptions

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

G. Fund Balance Flow Assumptions

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

H. Use of Estimates

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

I. Budgets and Budgetary Accounting

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

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

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

**Notes to Financial Statements
June 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Budgets and Budgetary Accounting (Continued)

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

The annual budget is adopted on a basis consistent with generally accepted accounting principles (GAAP) except that real property taxes are budgeted as estimated revenues when levied. All budgetary comparisons presented in this report are on this non-GAAP budgetary basis. The budgeted amounts are reported as originally adopted on June 21, 2016, by the County Commissioners and as finally amended.

J. Implementation of New Accounting Principles

The GASB issued Statement No. 74 entitled, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans; GASB Statement No. 75, entitled, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions; GASB Statement No. 77; entitled, Tax Abatement Disclosures; GASB Statement No. 80, entitled, Blending Requirements for Certain Component Units; GASB Statement No. 82, entitled, Pension Issues; GASB Statement No. 83, entitled, Certain Asset Retirement Obligations; GASB Statement No. 84, entitled, Fiduciary Activities; GASB Statement No. 85, entitled, Omnibus 2017; GASB Statement No. 86, entitled, Certain Debt Extinguishment Issues; GASB Statement No. 87, entitled, Leases which will require adoption in the future, if applicable. These statements may or will have a material effect on the County's financial statements once implemented. The County will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective dates. GASB Statement No. 77 although effective in the current year did not require disclosure in the County financial statements due to the fact that there were no significant abatement programs in the current year. GASB Statement No. 75 will have a material effect on the County's financial statements in fiscal year '18.

K. Retirement Plans

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

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

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

**Notes to Financial Statements
June 30, 2017**

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, 2017 to the statement of net position:

	Governmental Activities	Business-Type Activities	Primary Government	Fiduciary Funds
Cash and Cash Equivalents	\$ 10,184,305	\$ 515,780	\$ 10,700,085	\$ -
Restricted Cash	3,240,671	1,439,280	4,679,951	1,143,695
Investments	5,466,090	3,532,996	8,999,086	-
Restricted Investments	2,580,584	-	2,580,584	35,412,474
Total	<u>\$ 21,471,650</u>	<u>\$ 5,488,056</u>	<u>\$ 26,959,706</u>	<u>\$ 36,556,169</u>

Deposit and Investment Summary

	Governmental Activities	Business-Type Activities	Primary Government	Fiduciary Funds
Deposits	13,423,076	1,954,210	15,377,286	1,143,695
Certificates of Deposit	3,528,001	-	3,528,001	51,457
Bonds	-	-	-	3,729,349
U.S. Government Obligations	4,441,340	3,532,996	7,974,336	-
Fixed Income Securities	77,333	-	77,333	7,049,560
Mutual Funds	-	-	-	10,806,529
Equity Securities	-	-	-	13,775,579
Cash on Hand	1,900	850	2,750	-
Total	<u>\$ 21,471,650</u>	<u>\$ 5,488,056</u>	<u>\$ 26,959,706</u>	<u>\$ 36,556,169</u>

Deposits

At year end, the carrying amount of the Primary Government's deposits including certificates of deposit was \$18,905,287 and the bank balance of collected funds was \$23,941,637. Of the bank balance \$5,163,575 was insured by the Federal Deposit Insurance Corporation (FDIC), \$18,778,062 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, 2017 was \$35,361,794.

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

**Notes to Financial Statements
June 30, 2017**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Deposits (Continued)

The Government Personnel Retirement Plan, Law Enforcement Employee Retirement Plan, Volunteer Length of Service Award Plan and Other Post Employment Benefit Plan (Fiduciary Funds) had combined deposits including certificates of deposit of \$1,195,152 at June 30, 2017. Of those deposits \$1,195,152 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, 2017.

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, 2017**

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 \$35,412,474 at June 30, 2017, 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, 2017. 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, 2017:

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

**Notes to Financial Statements
June 30, 2017**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments (Continued)

Security Ratings	Primary Government 6/30/17	Fiduciary Funds 6/30/17
AAA	\$ -	\$ 470,845
AA1	-	1,043,685
AA2	-	1,472,595
AA3	77,333	-
A1	-	1,194,444
A2	-	689,891
A3	-	1,002,633
BAA1	-	1,708,653
BAA2	-	1,819,551
BAA3	-	680,912
Not Rated	-	695,700
Total Market Value	<u>\$ 77,333</u>	<u>\$ 10,778,909</u>

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

Maturity Date	Interest Rates	Primary Government 6/30/17
2018	0.45%-1.20%	\$ 3,526,781
2019	1.00%-1.55%	998,545
2027	2.00%	173,940
2030	4.00%	77,333
2031	1.75%-2.50%	6,375,915
2032	2.00%	427,156
	Total Market Value	<u>\$ 11,579,670</u>

Maturity Date	Interest Rates	Fiduciary Funds 6/30/17
2018	5.25%-6.13%	\$ 577,099
2019	5.50%-6.13%	667,482
2020	2.30%-6.00%	487,184
2021	2.25%-5.55%	522,005
2022	3.38%-5.25%	1,594,778
2023-2027	2.45%-5.95%	4,558,432
2028-2032	3.63%-6.95%	1,824,585
2033-2037	3.50%-7.15%	598,801
	Total Market Value	<u>\$ 10,830,366</u>

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

**Notes to Financial Statements
June 30, 2017**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments (Continued)

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

	<u>June 30, 2017</u>	<u>Fair Value Measurement Using</u>	
		<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Market Inputs (Level 2)</u>
Primary Government			
U.S. Government Obligations	\$ 7,974,336	\$ -	\$ 7,974,336
Fixed Income Securities	77,333	-	77,333
Total	<u>\$ 8,051,669</u>	<u>\$ -</u>	<u>\$ 8,051,669</u>
Fiduciary Funds			
Bonds	\$ 3,729,349	\$ -	\$ 3,729,349
Fixed Income Securities	7,049,560	-	7,049,560
Mutual Funds	10,806,529	10,806,529	-
Equity Securities	13,775,579	13,775,579	-
Total	<u>\$ 35,361,017</u>	<u>\$ 24,582,108</u>	<u>\$ 10,778,909</u>

NOTE 3 – NOTES RECEIVABLE

During the year ended June 30, 2012, the County sold certain real property located in the Southern Garrett Business and Industrial Park to GCC Technologies, LLC in exchange for a note receivable in the original amount of \$1,150,000. The note receivable is payable to the County in 360 equal installments of \$4,848 each, including principal and interest calculated at 3% per annum. Under the terms of the note, interest incurred during the first six and one-half years of the note will be forgiven if the borrower achieves certain new jobs creation targets. The principal balance of the note was \$1,031,535 as of June 30, 2017 and is reported in the general fund and government-wide financial statements.

The interest payments received from the borrower totaled \$153,049 through June 30, 2017 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, 2017**

NOTE 4 – DEBT SERVICE FUND

The County issued Garrett County Memorial Hospital Bonds, Series 2004, 2007, 2014, and 2015 in the amounts of \$1,400,000, \$3,000,000, \$10,000,000 and \$5,000,000, respectively. At June 30, 2017, only \$3,514,479 of the 2015 Bonds had been drawn, with the balance expected to be drawn during the year ending June 30, 2018. The proceeds of the 2004 Bonds were used to retire a portion of the 2002 Bonds and the proceeds of the 2007 Bonds were used to retire the outstanding balances of the 2002 and 2003 Bonds. The 2014 and 2015 Bonds were used for hospital expansion projects. According to the terms of the bonds, the County entered into additional agreements with the Hospital under which the Hospital will make payments to the County sufficient to provide for the payment of principal and interest on the bonds when due. Terms of the Series 2004 \$1,400,000 loan include semi-annual payments of \$51,718 including interest at the rate of 4.12% (fixed rate for 10 years) and having a maturity date of November 19, 2024. Terms of the Series 2007 \$3,000,000 loan include monthly payments of \$14,550 including interest at the rate of 4.125% (fixed rate for 30 years) and having a maturity date of June 28, 2037. Terms of the Series 2014 \$10,000,000 loan include annual principal payments of \$400,000 and semi-annual interest payments at the rate of 3.53% (fixed rate for 15 years) and having a maturity date of September 15, 2029 at which point a balloon payment of \$3,866,666 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 \$1,866,667 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>
2018	\$ 755,191	\$ 560,275	\$ 1,315,466
2019	761,684	529,645	1,291,329
2020	768,447	501,701	1,270,148
2021	775,494	473,475	1,248,969
2022	782,836	444,953	1,227,789
2023-2037	11,042,869	2,681,504	13,724,373
Total	<u>\$ 14,886,521</u>	<u>\$ 5,191,553</u>	<u>\$ 20,078,074</u>

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

**Notes to Financial Statements
June 30, 2017**

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the Primary Government for the fiscal year ended June 30, 2017 was as follows:

	<u>Balance as of June 30, 2016</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance as of June 30, 2017</u>
<u>Governmental Activities</u>				
Capital assets, not depreciated				
Land and easements	\$ 9,739,442	\$ -	\$ -	\$ 9,739,442
Construction in progress	3,070,771	2,252,761	(3,158,878)	2,164,654
Total capital assets, not depreciated	<u>12,810,213</u>	<u>2,252,761</u>	<u>(3,158,878)</u>	<u>11,904,096</u>
Capital assets, being depreciated				
Land improvements	2,919,572	-	150,680	3,070,252
Buildings	26,453,749	110,795	188,889	26,753,433
Machinery & equipment	3,774,909	64,673	-	3,839,582
Vehicles	16,381,007	1,158,099	(52,611)	17,486,495
Furniture & equipment	1,877,467	90,167	552,882	2,520,516
Infrastructure	87,976,144	659,975	2,266,427	90,902,546
Total capital assets, being depreciated	<u>139,382,848</u>	<u>2,083,709</u>	<u>3,106,267</u>	<u>144,572,824</u>
Less accumulated depreciation for:				
Land improvements	(176,122)	(22,338)	-	(198,460)
Buildings	(12,314,317)	(698,177)	-	(13,012,494)
Machinery & equipment	(1,789,609)	(305,109)	-	(2,094,718)
Vehicles	(13,852,136)	(1,294,747)	42,264	(15,104,619)
Furniture & equipment	(1,255,985)	(251,098)	-	(1,507,083)
Infrastructure	(64,045,418)	(3,232,416)	-	(67,277,834)
Total accumulated depreciation	<u>(93,433,587)</u>	<u>(5,803,885)</u>	<u>42,264</u>	<u>(99,195,208)</u>
Total capital assets, being depreciated, net	<u>45,949,261</u>	<u>(3,720,176)</u>	<u>3,148,531</u>	<u>45,377,616</u>
Governmental activities capital assets, net	<u>\$ 58,759,474</u>	<u>\$ (1,467,415)</u>	<u>\$ (10,347)</u>	<u>\$ 57,281,712</u>

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

Governmental activities:	
General Government	\$ 50,870
Public Works	4,402,391
Public Safety	581,776
Economic Development	311,659
Unallocated	457,189
Total depreciation expense - governmental activities	<u>\$ 5,803,885</u>

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

**Notes to Financial Statements
June 30, 2017**

NOTE 5 – CAPITAL ASSETS (Continued)

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance June 30, 2017</u>
<u>Business-type activities</u>				
Capital assets, not depreciated				
Land and easements	\$ 3,243,738	\$ -	\$ -	\$ 3,243,738
Construction in progress	4,082,169	6,511,489	(124,875)	10,468,783
Land improvements	7,897,518	-	-	7,897,518
Total capital assets, not depreciated	<u>15,223,425</u>	<u>6,511,489</u>	<u>(124,875)</u>	<u>21,610,039</u>
Capital assets, being depreciated				
Land improvements	20,110,090	-	124,875	20,234,965
Buildings	4,962,597	-	-	4,962,597
Machinery & equipment	4,957,219	393,271	(32,506)	5,317,984
Vehicles	2,099,619	-	-	2,099,619
Infrastructure	18,753,628	-	-	18,753,628
Furniture & equipment	221,745	-	-	221,745
Water facilities	33,075,451	51,881	-	33,127,332
Sewer facilities	70,809,539	-	(13,914)	70,795,625
Total capital assets, being depreciated	<u>154,989,888</u>	<u>445,152</u>	<u>78,455</u>	<u>155,513,495</u>
Less accumulated depreciation for:				
Land improvements	(9,901,181)	(230,143)	-	(10,131,324)
Buildings	(1,111,699)	(125,739)	-	(1,237,438)
Machinery & equipment	(3,458,971)	(506,572)	32,506	(3,933,037)
Vehicles	(1,881,833)	(6,274)	-	(1,888,107)
Infrastructure	(6,549,967)	(471,580)	-	(7,021,547)
Furniture & equipment	(146,176)	(55,990)	-	(202,166)
Water facilities	(12,371,864)	(838,318)	-	(13,210,182)
Sewer facilities	(47,782,827)	(1,448,318)	13,898	(49,217,247)
Total accumulated depreciation	<u>(83,204,518)</u>	<u>(3,682,934)</u>	<u>46,404</u>	<u>(86,841,048)</u>
Total capital assets, being depreciated, net	<u>71,785,370</u>	<u>(3,237,782)</u>	<u>124,859</u>	<u>68,672,447</u>
Business-type activities capital assets, net	<u>\$ 87,008,795</u>	<u>\$ 3,273,707</u>	<u>\$ (16)</u>	<u>\$ 90,282,486</u>

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

Business-type activities	
Airport	\$ 261,355
Solid Waste	2,427,641
Sanitary District	344,337
Parks & Recreation	495,293
Department of Technology & Communications	154,308
Total depreciation expense - business-type activities	<u>\$ 3,682,934</u>

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

**Notes to Financial Statements
June 30, 2017**

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, 2017</u>	<u>Remaining Commitment</u>
<u>Governmental Activities</u>			
Public Works	\$ 8,015,765	\$ 1,332,538	\$ 6,683,227
Public Safety	1,350,000	42,399	1,307,601
Economic Development	816,231	321,673	494,558
General Government	700,000	468,044	231,956
Total governmental activities	<u>10,881,996</u>	<u>2,164,654</u>	<u>8,717,342</u>
<u>Business-type Activities</u>			
Keyzers Ridge Water Holding Tank	1,000,000	110,027	889,973
Keyzers Ridge Water	1,440,786	351,733	1,089,053
Keyzers Ridge Sewer	3,050,000	94,351	2,955,649
McHenry Water	1,750,000	37,557	1,712,443
DCL Waste Water Treatment Plant	52,383	52,383	-
Bloomington Water	1,800,000	22,694	1,777,306
Friendsville Sewer	960,000	10,438	949,562
Deep Creek Lake Collection & Conveyance	11,600,000	9,568,685	2,031,315
Trout Run Waste Water Treatment Plant	32,062	32,062	-
Airport Environmental Assessment Project	230,773	188,853	41,920
Total business-type activities	<u>\$ 21,916,004</u>	<u>\$ 10,468,783</u>	<u>\$ 11,447,221</u>

NOTE 6 – INTERNAL AND INTERFUND BALANCES AND ACTIVITY

Interfund transfers between the General Fund and the Capital Projects Fund of \$404,602 represent funding for construction projects. Interfund transfers between the General Fund and the Airport Fund of \$59,928 are comprised of an operating subsidy of \$45,016 and funding for construction projects in the amount of \$14,912. Interfund transfers between the General Fund and the Solid Waste Fund are comprised of an operating subsidy of \$24,262 and funding for construction projects in the amount of \$99,998. Interfund transfers between the Capital Projects Fund and the Garrett County Sanitary District, Inc. are comprised of funding for construction projects in the amount of \$182,373. Interfund transfers between the General Fund and the Parks & Recreation Fund of \$100,000 are comprised of a \$100,000 debt repayment subsidy. Interfund transfers between the General Fund and the Department of Technology and Communications are comprised of an operating subsidy amount of \$472,736 and capital contributions of \$14,772.

Interfund balances between the General Fund and the proprietary funds are comprised of amounts due to the Solid Waste Fund, the Garrett County Sanitary District, Inc. and the Department of Technology & Communications and amounts due from the Airport Fund and the Parks & Recreation Fund for operating expenses and other financing on their behalf. The amounts due to

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

**Notes to Financial Statements
June 30, 2017**

NOTE 6 – INTERNAL AND INTERFUND BALANCES AND ACTIVITY (Continued)

the Solid Waste Fund are not expected to be repaid within one year. Interfund receivables and payables between the General Fund, Capital Projects Fund and Special Revenue Funds have been eliminated from governmental activities in the net amount of \$859,695 within the government-wide financial statements. Interfund receivables and payables between the Primary Government and its component units for the year ended June 30, 2017, consisted of \$1,039,806 due to the Board of Education, and \$457,830 due to Garrett College and \$22,401 due from the Public Library. Interfund receivables and payables within the Primary Government at June 30, 2017 are as follows:

	Due From	Due To
General Fund:		
Capital Projects Fund	\$ -	\$ 524,554
Special Revenue Funds:		
508 Program	-	308,874
Commissary	-	12,652
Law Library	-	13,615
HUD	513,981	-
Proprietary Funds:		
Airport Fund	56,716	-
Solid Waste Fund	-	1,795,522
Sanitary District	-	61,854
Parks & Recreation	187,905	-
Dept. of Technology & Communication	-	7,463
Total General Fund	758,602	2,724,534
Capital Projects Funds:		
General Fund	524,554	-
Special Revenue Funds:		
General Fund:		
508 Program	308,874	-
Commissary	12,652	-
Law Library	13,615	-
HUD	-	513,981
Total Special Revenue Funds	335,141	513,981
Total Governmental Funds	1,618,297	3,238,515
Proprietary Funds:		
General Fund - Airport	-	56,716
General Fund - Solid Waste	1,795,522	-
General Fund - Sanitary District	61,854	-
General Fund - Parks & Recreation	-	187,905
General Fund -Tech. & Comm.	7,463	-
Total Proprietary Funds	1,864,839	244,621
Total Primary Government	\$ 3,483,136	\$ 3,483,136

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

**Notes to Financial Statements
June 30, 2017**

NOTE 7 – LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions for the fiscal year ended June 30, 2017:

	Balance June 30, 2016	Additions	Principal Repayments & Other Reductions	Balance June 30, 2017	Due Within One Year
Governmental activities:					
General Fund					
General Obligation Bonds	\$ 13,623,859	\$ 2,409,594	\$ (1,146,932)	\$ 14,886,521	\$ 755,191
Compensated Absences	2,869,340	251,461	(105,405)	3,015,396	127,950
Net OPEB Obligation	3,171,702	399,983	-	3,571,685	-
Net Pension Liability - MSRS	552,462	151,310	(53,676)	650,096	-
Net Pension Liability - GCGEP	8,761,048	2,541,042	(3,048,162)	8,253,928	-
Net Pension Liability - GCLEP	2,059,399	1,011,603	(1,480,111)	1,590,891	-
Governmental activities Long-term liabilities	<u>31,037,810</u>	<u>6,764,993</u>	<u>(5,834,286)</u>	<u>31,968,517</u>	<u>883,141</u>
Business-type activities:					
Solid Waste Fund					
Bonds Payable	132,302	-	(132,302)	-	-
Garrett County Sanitary District					
Bonds and Loans Payable	28,110,769	5,228,650	(1,410,993)	31,928,426	1,453,531
Parks & Recreation					
Loans Payable	3,092,615	-	-	3,092,615	-
Subtotal	<u>31,335,686</u>	<u>5,228,650</u>	<u>(1,543,295)</u>	<u>35,021,041</u>	<u>1,453,531</u>
Landfill closure/post-closure	<u>3,504,439</u>	<u>154,394</u>	<u>(25,865)</u>	<u>3,632,968</u>	<u>27,000</u>
Net Pension Liability - GCGEP					
Airport	75,342	19,975	(23,935)	71,382	-
Solid Waste Fund	342,339	118,475	(142,093)	318,721	-
G.C. Sanitary District	1,433,919	411,446	(493,526)	1,351,839	-
Dept. of Tech & Comm.	260,569	76,987	(92,323)	245,233	-
	<u>2,112,169</u>	<u>626,883</u>	<u>(751,877)</u>	<u>1,987,175</u>	<u>-</u>
Compensated Absences					
Airport	12,267	15,686	-	27,953	-
Solid Waste Fund	128,732	6,303	-	135,035	-
G.C. Sanitary District	375,880	41,991	(47,463)	370,408	-
Parks & Recreation Fund	-	5,016	-	5,016	-
Dept. of Tech & Comm.	41,193	2,378	-	43,571	-
	<u>558,072</u>	<u>71,374</u>	<u>(47,463)</u>	<u>581,983</u>	<u>-</u>
Business-type activities Long-term liabilities	<u>\$ 37,510,366</u>	<u>\$ 6,081,301</u>	<u>\$ (2,368,500)</u>	<u>\$ 41,223,167</u>	<u>\$ 1,480,531</u>

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

**Notes to Financial Statements
June 30, 2017**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Interest Expense

Total interest expense of \$1,519,401 incurred by the Primary Government includes \$521,559 charged to governmental activities and \$997,842 charged to business-type activities.

Details of certain long-term debt obligations at June 30, 2017 are as follows:

	Balance June 30, 2017
Governmental Activities:	
<u>Garrett County Memorial Hospital Refunding Bond, Series 2004</u> \$1,400,000 Bonds dated November 19, 2004 are being repaid by semi-annual payments of \$51,718 including interest at a rate of 4.12%, maturing November 19, 2024. Issued to refinance a portion of the Garrett County Memorial Hospital Bonds, Series 2002. To be repaid from hospital revenues.	\$ 666,810
<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.	2,371,899
<u>Garrett County Memorial Hospital Expansion Bond, Series 2014</u> \$10,000,000 Bonds dated November 5, 2014 are being repaid by annual principal payments of \$400,000 and semi-annual interest payments at the rate of 3.53% maturing September 15, 2029. Issued to fund the Garrett County Memorial Hospital expansion. To be repaid from hospital revenues.	8,666,666
<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.	3,181,146
Total Governmental Activities	\$ 14,886,521

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

**Notes to Financial Statements
June 30, 2017**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

	<u>Balance June 30, 2017</u>
Business-type Activities:	
<u>Garrett County Sanitary District, Inc.</u>	
\$1,998,000 Maryland Water Quality Financing (Deep Creek Lake Sewer Extension), payable in annual installments of \$132,748, including semiannual interest at 2.87% through February 1, 2019.	\$ 137,028
\$120,175 State of Maryland (Jennings Sewer Revolving Loan), payable in annual installments of \$7,615, including semiannual interest at 2.37% through February 1, 2019.	14,704
\$260,000 Maryland Water Quality Financing (Deer Park Water), payable in semiannual installments of \$4,995, including interest at .4% through February 2034.	156,051
\$128,653 Maryland Department of the Environment (Mt. Lake Park Water), payable in annual installments of principal only of \$9,077 through February 2024.	56,040
\$549,085 Maryland Department of the Environment (Deep Creek & Friendsville I&I), payable in annual installments of principal only of \$34,318 through 2025.	175,980
\$50,050 BB&T (Jennings), payable in monthly installments of \$292, including interest of 3.5% through August 2032.	40,982
\$800,770 BB&T (Mountain Lake Park Water), payable in monthly installments of \$4,665, including interest of 3.5% through August 2032.	\$ 655,696

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

**Notes to Financial Statements
June 30, 2017**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

	<u>Balance June 30, 2017</u>
<u>Garrett County Sanitary District, Inc. (Continued)</u>	
\$5,228,650 BB&T Western Conveyance), payable in the entirety in December 2018, including interest of 1.98%.	\$ 5,228,650
\$7,499,000 BB&T (Thayerville Water), payable in monthly installments of \$43,687, including interest of 3.5% through August 2032.	6,140,503
\$23,597,980 BB&T (Refinance), payable in monthly installments of \$137,475, including interest of 3.5% through August 2032.	<u>19,322,792</u>
Total Garrett County Sanitary District, Inc.	<u>31,928,426</u>
 <u>Parks & Recreation Fund</u>	
Note payable to Maryland Department of Business and Economic Development, maturing September, 2039, 3.00% interest per annum. No principal or interest payments are currently being made on the note as the County is negotiating repayment terms	2,817,615
\$275,000 non-interest bearing note payable to Garrett County Community Action Committee, Inc.(GCCAC) due on July 8, 2007. No principal payments are currently being made on the note as the County is negotiating repayment terms	<u>275,000</u>
Total Parks & Recreation Fund	<u>3,092,615</u>
 Total Business-type Activities	 <u>35,021,041</u>
 Total Primary Government	 <u><u>\$ 49,907,562</u></u>

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

**Notes to Financial Statements
June 30, 2017**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Maturities of long-term debt are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Governmental Activities:			
2018	\$ 755,191	\$ 560,275	\$ 1,315,466
2019	761,684	529,645	1,291,329
2020	768,447	501,701	1,270,148
2021	775,494	473,475	1,248,969
2022	782,836	444,953	1,227,789
2023-2027	3,771,289	1,795,514	5,566,803
2028-2032	6,490,013	802,014	7,292,027
2033-2037	781,567	83,976	865,543
Total governmental activities	<u>14,886,521</u>	<u>5,191,553</u>	<u>20,078,074</u>
Business-Type Activities:			
2018	1,453,531	1,015,897	2,469,428
2019	6,732,170	862,381	7,594,551
2020	1,473,994	812,815	2,286,809
2021	1,527,516	759,293	2,286,809
2022	1,580,758	706,051	2,286,809
2023-2027	8,568,365	2,663,756	11,232,121
2028-2032	10,203,916	1,013,157	11,217,073
2033-2037	388,176	2,704	390,880
Thereafter	3,092,615	-	3,092,615
Total Business-type activities	<u>\$ 35,021,041</u>	<u>\$ 7,836,054</u>	<u>\$ 42,857,095</u>

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, 2017 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.

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

**Notes to Financial Statements
June 30, 2017**

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

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, 2017 was \$927,169 less accumulated depreciation of \$297,467. Total future minimum payments under the operating lease as of June 30, 2017 are as follows:

Year Ending June 30, 2018	\$ 64,752
June 30, 2019	64,752
June 30, 2020	64,752
June 30, 2021	64,752
June 30, 2022	64,752
Thereafter	<u>723,064</u>
Total	<u>\$ 1,046,824</u>

In addition, the County leases administrative offices to the Board of Education at no charge. The annual fair market value of the space occupied is \$148,800. The fair market value of the appropriated space is recorded in the accompanying government-wide and fund financial statements as both a revenue and an expenditure. The value of this building at June 30, 2017 was \$1,000,563 less accumulated depreciation of \$408,563.

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

**Notes to Financial Statements
June 30, 2017**

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

Lease Commitments (Continued)

The County leases a building to C. Palmer Manufacturing, Inc. (CPM) located at the Southern Garrett Industrial Park. The lease can be renewed at the option of the lessee in 5 year increments ending on January 31, 2020 at an annual rate of \$62,799. The future minimum lease payments remaining under the current renewal term which expires January 31, 2020 are \$162,231. The value of this building at June 30, 2017 was \$1,304,263 less accumulated depreciation of \$815,164.

On June 28, 2013, the County entered into a lease with Strata Safety Products, LLC (Strata) for the rental of property located at the Keyser's Ridge Business Park. The initial lease term ends December 31, 2018 with an annual rate of \$61,600. The value of this building at June 30, 2017 was \$1,666,096 less accumulated depreciation of \$97,189.

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, 2016 (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, 2017**

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, 2017**

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, 2017 were \$51,400 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, 2017**

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, 2017, the Primary Government reported a liability of \$650,096 for its proportionate share of the ERS net pension liability. The net pension liability was measured as of June 30, 2016 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, 2016, 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, 2016 was \$36,939.

At June 30, 2017, the Primary Government reported deferred outflows of resources and deferred inflows of resources related to the state System from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 24,992	\$ -
Changes in experience	-	16,126
Net difference between projected and actual earnings on pension plan investments	100,979	22,823
County contributions to the Employees' Pension System subsequent to the measurement date	51,400	-
Total	<u>\$ 177,371</u>	<u>\$ 38,949</u>

\$51,400 reported as deferred outflows of resources related to the state System resulting from Primary Government's contributions to the Employees' Pension System subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the state System will be recognized in pension expense as follows:

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

**Notes to Financial Statements
June 30, 2017**

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:	
2018	\$ 20,272
2019	20,272
2020	30,175
2021	17,573
2022	(1,270)

The total pension liability in the June 30, 2016 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	2.7% general, 3.2% wage
Salary increases	3.3% to 9.2%, including inflation
Discount rate	7.55%
Investment rate of return	7.55%
Mortality	RP-2014 Mortality Tables

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

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

**Notes to Financial Statements
June 30, 2017**

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%	6.60%
Private Equity	10.00%	7.40%
Rate Sensitive	20.00%	1.30%
Credit Opportunity	9.00%	4.20%
Real Assets	15.00%	4.70%
Absolute Return	9.00%	3.70%
Total	100.00%	

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

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

	6.55%	Rate 7.55%	8.55%
County's proportionate share of the net pension liability	\$ 892,958	\$ 650,096	\$ 447,991

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, 2017**

NOTE 9 – STATE RETIREMENT PLAN (Continued)

Funded Status and Funding Progress

At June 30, 2017, 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, 2017:

	Teachers' Retirement and Pension System	Employees' Retirement and Pension System	Total All State Systems
Primary Government's proportionate share of net pension liability	\$ -	\$ 650,096	\$ 650,096
Board of Education's proportionate share of net pension liability	-	3,827,956	3,827,956
State's proportionate share of the net pension liability associated with the Board of Education	50,860,342	-	50,860,342
State's proportionate share of the net pension liability associated with the College	6,268,501	-	6,268,501
Total County portion of the State's net pension liability	\$ 57,128,843	\$ 4,478,052	\$ 61,606,895

Contributions by the State of Maryland to the TRS on behalf of the Board of Education and College totaled \$3,221,226 and \$492,843, respectively, for the year ended June 30, 2017. Board of Education and College contributions to the State Retirement Plan totaled \$1,489,340 and \$35,669, respectively, for the year ended June 30, 2017. 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, 2017**

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, 2017 (most recent available data) may be obtained from the County Commissioners of Garrett County, Maryland.

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

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

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

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

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

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

**Notes to Financial Statements
June 30, 2017**

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, 2017, which is the latest actuarial report available. Liabilities were measured as of July 1, 2016 and rolled to the measurement date using standard actuarial valuation techniques.

Membership of the Plan consisted of the following as of July 1, 2016, the date liabilities were last measured:

Retirees and beneficiaries receiving benefits	77
Terminated Plan members entitled but not yet receiving benefits	18
Active Plan members	<u>230</u>
Total	<u><u>325</u></u>

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2017 is as follows:

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

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of expense, was 8.92%. 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, 2017**

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, 2016 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, 2017 actuarial valuation report.

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

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

Total pension liability	\$36,077,428
Net position	<u>(25,836,325)</u>
Net pension liability	<u><u>\$10,241,103</u></u>

Net position as a percentage of total pension liability is 71.61%.

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>\$ 14,491,689</u>	<u>\$ 10,241,103</u>	<u>\$ 6,642,290</u>

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

**Notes to Financial Statements
June 30, 2017**

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, 2016	\$ 34,515,656	\$ 23,642,438	\$ 10,873,218
Changes for the year:			
Service cost	786,979	-	786,979
Interest	2,365,165	-	2,365,165
Differences between expected and actual experience	(45,546)	-	(45,546)
Contributions - employer	-	1,184,533	(1,184,533)
Contributions - employee	-	363,390	(363,390)
Net investment income	-	2,205,811	(2,205,811)
Benefit payments and refunds of member contributions	(1,544,826)	(1,544,826)	-
Administrative expense	-	(15,021)	15,021
Net Changes	<u>1,561,772</u>	<u>2,193,887</u>	<u>(632,115)</u>
Balances as of June 30, 2017	<u>\$ 36,077,428</u>	<u>\$ 25,836,325</u>	<u>\$ 10,241,103</u>

For the year ended June 30, 2017, the County recognized pension expense of \$1,505,563 and made contributions to the Plan of \$1,184,533. As of June 30, 2017, 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	\$ 50,659	\$ 38,316
Change in assumptions	169,131	-
Net difference between projected and actual investment earnings	923,723	510,884
	<u>\$ 1,143,513</u>	<u>\$ 549,200</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, 2017**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Government Personnel Retirement Plan (Continued)

Year ending June 30:

2018	\$ 268,991
2019	268,992
2020	130,744
2021	(84,998)
2022	12,752
Thereafter	(2,168)

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, 2017 (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, 2017**

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, 2017, which is the latest actuarial report available. Liabilities were measured as of July 1, 2016 and rolled to the measurement date using standard actuarial valuation techniques.

Membership of the Plan consisted of the following as of July, 1, 2016, the date liabilities were last measured:

Retirees and beneficiaries receiving benefits	14
Terminated Plan members entitled but not yet receiving benefits	2
Active Plan members	62
Total	<u>78</u>

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

**Notes to Financial Statements
June 30, 2017**

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, 2017 is as follows:

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

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of expense, was 8.80%. 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, 2016 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, 2017 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, 2017 is as follows:

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

**Notes to Financial Statements
June 30, 2017**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Law Enforcement Retirement Plan (Continued)

Total pension liability	\$ 9,943,557
Net position	<u>(8,352,666)</u>
Net pension liability	<u><u>\$ 1,590,891</u></u>

Net position as a percentage of total pension liability is 84%.

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>\$ 2,893,569</u>	<u>\$ 1,590,891</u>	<u>\$ 505,434</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, 2016	\$ 9,520,711	\$ 7,461,312	\$ 2,059,399
Changes for the year:			
Service cost	303,426	-	303,426
Interest	643,188	-	643,188
Differences between expected and actual experience	(204,945)	-	(204,945)
Contributions - employer	-	363,950	(363,950)
Contributions - employee	-	215,417	(215,417)
Net investment income	-	695,799	(695,799)
Benefit payments and refunds of member contributions	(376,540)	(376,540)	-
Administrative expense	-	(7,272)	7,272
Plan Change	57,717	-	57,717
Net Changes	<u>422,846</u>	<u>891,354</u>	<u>(468,508)</u>
Balances as of June 30, 2017	<u>\$ 9,943,557</u>	<u>\$ 8,352,666</u>	<u>\$ 1,590,891</u>

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

**Notes to Financial Statements
June 30, 2017**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Law Enforcement Retirement Plan (Continued)

For the year ended June 30, 2017, the County recognized pension expense of \$383,134 and made contributions to the Plan of \$363,950. As of June 30, 2017, 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	\$ -	\$ 253,792
Change in assumptions	440,774	-
Net difference between projected and actual investment earnings	252,926	156,036
	\$ 693,700	\$ 409,828

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:

2018	\$ 87,702
2019	87,700
2020	48,619
2021	(9,634)
2022	29,374
Thereafter	40,111

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, 2017**

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, 2017 (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, 2017**

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, 2017, which is the latest actuarial report available. Liabilities were measured as of July 1, 2016 and rolled to the measurement date using standard actuarial valuation techniques.

Membership of the Plan consisted of the following as of July, 1, 2016, the date the liabilities were last measured:

Retirees and beneficiaries receiving benefits	5
Inactive Plan members	235
Active Plan members	293
Total	533

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, 2017 is as follows:

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

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of expense, was 8.34%. 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, 2016 actuarial valuation using the entry age normal cost method. The actuarial assumptions included a 7% investment rate of return (net of administrative expenses). The actuary determined rates of mortality were based on RP-2000; 2-year set forward tables. The assumptions did not include postretirement benefit increases. Full descriptions of the actuarial assumptions are available in the June 30, 2017 actuarial valuation report.

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

**Notes to Financial Statements
June 30, 2017**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Volunteer Length of Service Award Plan (Continued)

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

The net pension asset is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2017 is as follows:

Total pension liability	\$ 746,007
Net position	<u>(955,259)</u>
Net pension asset	<u><u>\$ (209,252)</u></u>

Net position as a percentage of total pension liability is 128%.

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

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

	1% decrease (6%)	Current rate 7%	1% increase (8%)
Net pension asset	<u>\$ (64,249)</u>	<u>\$ (209,252)</u>	<u>\$ (326,020)</u>

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

**Notes to Financial Statements
June 30, 2017**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Volunteer Length of Service Award Plan (Continued)

The following represents changes in the net pension liability:

	<u>Liability</u>	<u>Net Position</u>	<u>Asset</u>
Balances as of June 30, 2016	\$ 667,209	\$ 888,746	\$ (221,537)
Changes for the year:			
Service cost	37,664	-	37,664
Interest	40,171	-	40,171
Differences between expected and actual experience	3,620	-	3,620
Net investment income	-	76,920	(76,920)
Benefit payments and refunds of member contributions	(2,657)	(2,657)	-
Administrative expense	-	(7,750)	7,750
Net Changes	<u>78,798</u>	<u>66,513</u>	<u>12,285</u>
Balances as of June 30, 2017	<u>\$ 746,007</u>	<u>\$ 955,259</u>	<u>\$ (209,252)</u>

For the year ended June 30, 2017, the County recognized pension expense of \$43,762 and made contributions to the Plan of \$0. As of June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 13,882	\$ -
Change in assumptions	145,411	-
Net difference between projected and actual investment earnings	28,076	14,688
	<u>\$ 187,369</u>	<u>\$ 14,688</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, 2017**

NOTE 10 – COUNTY RETIREMENT PLANS (Continued)

Volunteer Length of Service Award Plan (Continued)

Year ending June 30:

2018	\$ 16,735
2019	16,736
2020	12,006
2021	5,800
2022	9,472
Thereafter	111,932

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 PEBSICO 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, 2017, the Primary Government contributed \$258,056 or 2.39 percent of earned compensation. Covered payroll approximated \$10,804,505. Primary Government contribution amounts included contributions made on behalf of the employees of Garrett County Sanitary District, Inc. in the amount of \$27,299 on covered payroll of approximately \$1,128,301.

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

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**Notes to Financial Statements
June 30, 2017**

NOTE 11 – DEFERRED COMPENSATION

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

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

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

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

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

The 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%

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**Notes to Financial Statements
June 30, 2017**

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

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

	Primary Government	Board of Education	College	Total
Retirees Receiving Benefits	154	225	17	396
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	0	0	0	0
Active Plan Members	361	485	112	958
Total	515	710	129	1,354

The OPEB Trust Fund is used to account for prefunding contributions made by the County on behalf of the plan participants. For the year ended June 30, 2017, the County did not make prefunding contributions to the OPEB Trust. Current OPEB premium payments made on behalf of retirees as well as the costs incurred to administer the OPEB plan are paid from the general operating funds of the participating employers.

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

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

Retirees are given the option to maintain health insurance coverage after they retire and until they reach age 65. After age 65, the County contributes a monthly amount to a Health Reimbursement Account (HRA) based on the retirees 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. It was reflected in the July 1, 2016 values, because the plan changes were formally adopted and communicated to participants at the time of the valuation.

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

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

**Notes to Financial Statements
June 30, 2017**

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

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

Currently, 154 Primary Government retirees participate in this program. Expenditures for post-retirement health care benefits to current participants are funded on a pay-as-you-go basis. During the year ended June 30, 2017, Primary Government expenditures of approximately \$579,062 were recognized for post-retirement health care benefits. For employees hired on or after July 1, 2006 dependent insurance coverage may be purchased upon retirement at the retiree's own cost.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Components of Net OPEB Obligation

	Primary Government	Board of Education	College	Total
Annual Required Contribution	\$ 1,160,866	\$1,852,349	\$ 188,698	\$ 3,201,913
Interest on Net OPEB Obligation	142,727	229,814	47,341	419,882
Adjustment to Annual Required Contribution	(150,549)	(243,999)	(49,935)	(444,483)
Annual OPEB Cost (Expense)	1,153,044	1,838,164	186,104	3,177,312
Contributions Made	(753,061)	(1,486,183)	(100,439)	(2,339,683)
Increase in Net OPEB Obligation	399,983	351,981	85,665	837,629
Net OPEB Obligation (Beginning of Year)	3,171,702	5,106,972	1,052,025	9,330,699
Net OPEB Obligation (End of Year)	\$ 3,571,685	\$5,458,953	\$1,137,690	\$10,168,328

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**Notes to Financial Statements
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**NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSION
BENEFITS (Continued)**

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2017, 2016 and 2015 are as follows:

Primary Government

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 1,153,045	65%	\$3,571,685
June 30, 2016	1,405,718	66%	3,171,702
June 30, 2015	1,350,683	61%	2,695,089

Board of Education

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	1,838,164	81%	5,458,953
June 30, 2016	1,961,086	73%	5,106,972
June 30, 2015	1,876,078	70%	4,581,002

College

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	186,104	54%	1,137,690
June 30, 2016	305,393	30%	1,052,025
June 30, 2015	289,056	29%	838,289

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the plan was funded as follows:

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Primary Government	\$ 205,385	\$ 13,201,096	\$ 12,995,711	1.56%	\$ 14,875,814	87.36%
Board of Education	1,049,177	24,237,154	23,187,977	4.33%	25,234,000	91.89%
College	176,289	2,233,210	2,056,921	7.89%	5,104,712	40.29%
Total	<u>\$ 1,430,851</u>	<u>\$ 39,671,460</u>	<u>\$ 38,240,609</u>	<u>3.74%</u>	<u>\$ 45,214,526</u>	<u>84.58%</u>

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

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

Actuarial Methods and Assumptions

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

In the July 1, 2016, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 6.0% investment rate of return (net of administrative expenses), which is a blended rate on the current asset allocation. Also included is an annual healthcare cost trend rate for pre-65 of 7.5% initially, decreasing linearly to an ultimate rate of 5% and post-65 HRA amounts increasing with inflation of 2.0%. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement plan asset returns. The UAAL is being amortized at a level percentage of payroll on an open basis over 30 years.

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**Notes to Financial Statements
June 30, 2017**

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

Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2016
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level percentage of projected payroll over a 30 year period
Asset Valuation Method	Market value
Actuarial Assumptions:	
Investment Rate of Return	6.0%
Discount Rate	4.5%
Salary Scale	2.0% per year under discount rate
Healthcare Cost Trend Rates	Pre-65 – 7.5% initially, decreasing linearly each year to an ultimate annual increase rate of 5% Post-65 HRA amounts are assumed to increase with inflation of 2.0%
Retirement Age:	
Non-Law Enforcement	5% per year from age 55-61 and 100% at age 62
Law Enforcement	100% at 25 years of services or age 62
Probability of Future Retirees	
Electing Coverage	80%
Premium Equivalence	Based on current equivalent retiree rates for pre-65 coverage adjusted by 40% for the implicit subsidy. The College funds the post-65 HRA amounts according to the post-65 funding table.
Cost Sharing	The plan's current service based cost sharing schedule was applied to both pre-65 and post-65 coverage. Cost sharing percentages are based upon years of service at retirement according to the funding tables.

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 8.79 percent. 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
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**Notes to Financial Statements
June 30, 2017**

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

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

The Solid Waste Fund has recorded a landfill closure and post-closure care liability of \$3,632,968 as of June 30, 2017, representing the cumulative operating expenses reported to date based on the Round Glade landfill at full capacity (\$640,449) and the current landfill at 60% of its estimated capacity (\$2,992,519). The County will recognize the balance of estimated closure and post-closure costs of approximately \$2,022,793 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, 2017. 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, 2017, which satisfies the financial assurance provisions of the Act.

NOTE 14 – RISK MANAGEMENT

Liability Insurance

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

**THE BOARD OF COUNTY COMMISSIONERS OF
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**Notes to Financial Statements
June 30, 2017**

NOTE 14 – RISK MANAGEMENT (Continued)

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

Self-Insured Health Care

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

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

The third-party administrator estimated the non-discounted claims liability reported in the general fund at June 30, 2017. It is based on the requirements of accounting standards, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Because actual claims liabilities depend on such complex factors as inflation, change in legal doctrines and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic factors. The estimate for claims incurred but not reported was \$1,250,000 at June 30, 2017.

For the year ended June 30, 2017, claims incurred of \$15,178,128 exceeded the combined premiums charged to the Plan participants of \$14,011,563. The excess of \$1,166,565 is comprised of \$443,035 in excess claims related to the Primary Government net of \$723,530 in excess claims related to the Board of Education and Garrett College. The deficiency of premiums charged under claims incurred has been reported as an expenditure in the general fund.

**THE BOARD OF COUNTY COMMISSIONERS OF
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**Notes to Financial Statements
June 30, 2017**

NOTE 15 – FUND EQUITY

A summary of fund balances as of June 30, 2017 is as follows:

	General Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:			
Inventory	\$ 787,667	\$ -	\$ 787,667
Prepaid Expense	65,178	-	65,178
Note Receivable	1,031,535	-	1,031,535
Total Nonspendable Fund Balance	<u>1,884,380</u>	<u>-</u>	<u>1,884,380</u>
Restricted For:			
Agricultural Land Preservation	12,174	-	12,174
Special Revenue Funds	-	82,646	82,646
Self Funded Health Care	2,890,767	-	2,890,767
Total Restricted Fund Balance	<u>2,902,941</u>	<u>82,646</u>	<u>2,985,587</u>
Assigned For:			
Capital projects:			
Garrett College	3,127,610	-	3,127,610
Board of Education	72,481	-	72,481
Public Works	689,756	-	689,756
Economic Development	1,873,873	-	1,873,873
Public Safety	1,187,488	-	1,187,488
General Government	331,956	-	331,956
Capital Projects Subtotal	<u>7,283,164</u>	<u>-</u>	<u>7,283,164</u>
Subsequent Year Budget	4,647,616	-	4,647,616
Total Assigned Fund Balance	<u>11,930,780</u>	<u>-</u>	<u>11,930,780</u>
Unassigned:	<u>3,529,058</u>	<u>-</u>	<u>3,529,058</u>
Total Fund Balance	<u>\$ 20,247,159</u>	<u>\$ 82,646</u>	<u>\$ 20,329,805</u>

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

**Notes to Financial Statements
June 30, 2017**

NOTE 16 – BUDGETARY BASIS RECONCILIATION - GENERAL FUND

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

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

	Revenues	Expenditures	Other Financing Sources (Uses)	Effect on Fund Balance
As Reported on Budget Basis	\$ 78,859,284	\$ 78,844,898	\$ (904,540)	\$ (890,154)
<u>Property Tax Revenue</u>				
Recognized in year levied on budget basis but in year "available" on GAAP basis	(2,763,432)	-	-	(2,763,432)
<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	\$ 76,244,652	\$ 78,993,698	\$ (904,540)	\$(3,653,586)

REQUIRED SUPPLEMENTARY INFORMATION

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

**Required Supplementary Information
June 30, 2017**

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
The County's proportion of the net pension liability	0.003%	0.003%	0.002%
The County's proportionate share of the net pension liability	\$ 650,096	\$ 552,462	\$ 417,028
The County's covered payroll	\$ 519,945	\$ 510,206	\$ 508,602
The County's proportionate share of the net pension liability as a percentage of its covered payroll	125.03%	108.28%	81.99%
Plan fiduciary net position as a percentage of the total pension liability	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.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 51,400	\$ 53,676	\$ 56,032
Contributions in relation to the contractually required contribution	<u>(51,400)</u>	<u>(53,676)</u>	<u>(56,032)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The County's covered-employee payroll	\$519,945	\$ 510,206	\$ 508,602
Contributions as a percentage of covered-employee payroll	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 2016 valuation:

- Inflation assumption changed from a range of 2.95% to 3.45% to 2.7% to 3.2%
- Salary assumption changed from a range of 3.2% to 8.95% to 3.3% to 9.2%

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

**Required Supplementary Information
June 30, 2017**

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service Cost: Retirement benefits administration	\$ 786,979	\$ 718,592	\$ 914,186	\$ 859,717
Interest	2,365,165	2,255,447	2,104,135	1,970,282
Difference between expected and actual experience	(45,546)	73,685	-	-
Assumption changes	-	246,009	-	-
Benefit payments	<u>(1,544,826)</u>	<u>(1,335,519)</u>	<u>(1,013,431)</u>	<u>(834,562)</u>
Net changes in total pension liability	1,561,772	1,958,214	2,004,890	1,995,437
Total pension liability - beginning	<u>34,515,656</u>	<u>32,557,442</u>	<u>30,552,552</u>	<u>28,557,115</u>
Total pension liability - ending (a)	<u><u>\$36,077,428</u></u>	<u><u>\$34,515,656</u></u>	<u><u>\$32,557,442</u></u>	<u><u>\$30,552,552</u></u>
Plan fiduciary net position				
Contributions - employer	\$ 1,184,533	\$ 1,166,260	\$ 1,150,819	\$ 1,140,077
Contributions - employee	363,390	359,559	354,820	352,066
Net investment income	2,205,811	455,688	768,993	2,817,855
Benefit payments, including refunds of member contributions	(1,544,826)	(1,335,519)	(1,013,431)	(834,562)
Administrative expense	<u>(15,021)</u>	<u>(7,057)</u>	<u>(24,709)</u>	<u>(8,986)</u>
Net changes in plan fiduciary net position	2,193,887	638,931	1,236,492	3,466,450
Plan fiduciary net position - beginning	<u>23,642,438</u>	<u>23,003,507</u>	<u>21,767,015</u>	<u>18,300,565</u>
Plan fiduciary net position - ending (b)	<u><u>\$25,836,325</u></u>	<u><u>\$23,642,438</u></u>	<u><u>\$23,003,507</u></u>	<u><u>\$21,767,015</u></u>
County's net pension liability - ending (a) - (b)	\$10,241,103	\$10,873,218	\$ 9,553,935	\$ 8,785,537
Plan fiduciary net position as a percentage of total pension liability	71.61%	68.50%	70.66%	71.24%
Covered employee payroll	\$10,679,519	\$ 9,618,611	\$10,031,765	\$10,818,408
Net liability as a percentage of covered payroll	95.89%	113.04%	95.24%	81.21%
Annual money-weighted rate of return, net of investment expense	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
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**Required Supplementary Information
June 30, 2017**

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

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

Notes to schedule

Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2016.

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

Methods and assumptions used to determine contribution rates:

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

This information is not available for previous years

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

**Required Supplementary Information
June 30, 2017**

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service Cost: Retirement benefits administration	\$ 303,426	\$ 263,191	\$ 281,985	\$ 244,908
Interest	643,188	616,786	548,471	516,719
Difference between expected and actual experience	(204,945)	(92,747)	-	-
Assumption changes	-	566,709	-	-
Plan Change	57,717	-	-	-
Benefit payments	(376,540)	(335,310)	(321,895)	(294,636)
Net changes in total pension liability	422,846	1,018,629	508,561	466,991
Total pension liability - beginning	9,520,711	8,502,082	7,993,521	7,526,530
Total pension liability - ending (a)	<u>\$ 9,943,557</u>	<u>\$ 9,520,711</u>	<u>\$ 8,502,082</u>	<u>\$ 7,993,521</u>
Plan fiduciary net position				
Contributions - employer	\$ 363,950	\$ 371,036	\$ 341,098	\$ 331,733
Contributions - employee	215,417	219,572	201,877	202,237
Net investment income	695,799	183,789	246,157	904,083
Benefit payments, including refunds of member contributions	(376,540)	(335,311)	(321,895)	(294,636)
Administrative expense	(7,272)	(6,594)	(11,123)	(35,478)
Net changes in plan fiduciary net position	891,354	432,492	456,114	1,107,939
Plan fiduciary net position - beginning	7,461,312	7,028,820	6,572,706	5,464,767
Plan fiduciary net position - ending (b)	<u>\$ 8,352,666</u>	<u>\$ 7,461,312</u>	<u>\$ 7,028,820</u>	<u>\$ 6,572,706</u>
County's net pension liability - ending (a) - (b)	\$ 1,590,891	\$ 2,059,399	\$ 1,473,262	\$ 1,420,815
Plan fiduciary net position as a percentage of total pension liability	84.00%	78.37%	82.67%	82.23%
Covered employee payroll	\$ 3,017,143	\$ 2,661,063	\$ 2,567,771	\$ 2,350,135
Net liability as a percentage of covered payroll	52.73%	77.39%	57.38%	60.46%
Annual money-weighted rate of return, net of investment expense	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, 2017**

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

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

Notes to schedule

Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2016,
12 months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

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

This information is not available for previous years

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

**Required Supplementary Information
June 30, 2017**

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service Cost: Retirement benefits administration	\$ 37,664	\$ 30,045	\$ 17,028	\$ 29,096
Interest	40,171	35,854	27,247	23,666
Difference between expected and actual experience	3,620	11,701	-	-
Assumption changes	-	162,722	-	-
Benefit payments	(2,657)	(4,960)	(3,280)	-
Net changes in total pension liability	<u>78,798</u>	<u>235,362</u>	<u>40,995</u>	<u>52,762</u>
Total pension liability - beginning	667,209	431,847	390,852	338,090
Total pension liability - ending (a)	<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	76,920	26,515	31,979	113,323
Benefit payments, including refunds of member contributions	(2,657)	(4,960)	(3,280)	-
Administrative expense	(7,750)	(2,958)	(2,436)	(4,157)
Net changes in plan fiduciary net position	<u>66,513</u>	<u>18,597</u>	<u>26,263</u>	<u>109,166</u>
Plan fiduciary net position - beginning	888,746	870,149	843,886	734,720
Plan fiduciary net position - ending (b)	<u>\$ 955,259</u>	<u>\$ 888,746</u>	<u>\$ 870,149</u>	<u>\$ 843,886</u>
County's net pension asset - ending (a) - (b)	<u>\$ (209,252)</u>	<u>\$ (221,537)</u>	<u>\$ (438,302)</u>	<u>\$ (453,034)</u>
Plan fiduciary net position as a percentage of total pension liability	128.05%	133.20%	201.49%	215.91%
Covered employee payroll	N/A	N/A	N/A	N/A
Net liability as a percentage of covered payroll	N/A	N/A	N/A	N/A
Annual money-weighted rate of return, net of investment expense	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, 2017**

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

	<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>\$ 4,356</u>
Covered employee payroll	N/A	N/A	N/A	N/A
Contribution as a percentage of covered employee payroll	N/A	N/A	N/A	N/A

Notes to schedule

Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2016,
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	None
Salary Scale	N/A
Retirement age	See related footnote for retirement age assumptions
Valuation of assets	Market value as reported by plan administrator

This information is not available for previous years

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

**Required Supplementary Information
June 30, 2017**

SCHEDULE OF FUNDING PROGRESS-OTHER POST-EMPLOYMENT BENEFIT PLAN

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/16	\$ 205,385	\$ 13,201,096	\$ 12,995,711	1.56%	\$ 14,875,814	87.36%
7/1/15	199,343	16,747,553	16,548,210	1.19%	14,334,000	115.45%
7/1/14	194,740	16,264,413	16,069,673	1.20%	14,334,000	112.11%

SCHEDULE OF INVESTMENT RETURNS-OTHER POST-EMPLOYMENT BENEFIT PLAN

2017

Annual money-weighted rate of return, net of investment expense 8.79%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

The decrease in the AAL between July 1, 2015 and July 1, 2016 was as a result of the following changes in actuarial assumptions:

- Change in the way post-65 benefit is funded through an HRA to retirees after age 65
- Changes in assumption regarding when people retire to match actual plan experience
- Changes in demographic assumptions to match the actual demographics of plan participants
- Other assumption changes made by the actuary to align the OPEB Plan assumptions with those currently used for similar participant populations in the pension plans

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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
TAXES:				
Local Real and Personal Property:				
Real Property	\$ 40,840,652	\$ 41,695,626	\$ 41,918,447	\$ 222,821
Railroads and Public Utilities	2,925,884	3,058,902	3,097,957	39,055
Ordinary Business Corporations	3,523,636	3,523,636	3,593,028	69,392
Enterprise Zone Tax Refund	40,000	40,000	40,957	957
Addition and Abatements	-	-	(6,485)	(6,485)
Penalties and Interest	500,000	500,000	501,549	1,549
	<u>47,830,172</u>	<u>48,818,164</u>	<u>49,145,453</u>	<u>327,289</u>
Less: Discounts and Credits	<u>(140,000)</u>	<u>(140,000)</u>	<u>(110,531)</u>	<u>29,469</u>
Total Real and Personal Property	<u>47,690,172</u>	<u>48,678,164</u>	<u>49,034,922</u>	<u>356,758</u>
Other Local Taxes:				
Income	11,950,000	11,950,000	12,077,241	127,241
Admissions and Amusement	890,000	890,000	862,063	(27,937)
Recordation	1,500,000	1,500,000	2,010,198	510,198
Coal Tonnage	125,000	125,000	79,628	(45,372)
Trailer Court	36,000	36,000	43,056	7,056
Natural Gas	1,500	1,500	440	(1,060)
Accommodations Tax	2,300,000	2,300,000	2,578,690	278,690
Transfer Tax	1,400,000	1,400,000	2,164,135	764,135
Franchise Tax	100	100	480	380
Coal Tax	50,000	50,000	68,249	18,249
911 Fees	185,000	185,000	188,751	3,751
Agricultural Transfer Tax	3,500	11,003	19,401	8,398
Tax Sale Revenue	37,000	63,114	51,043	(12,071)
	<u>18,478,100</u>	<u>18,511,717</u>	<u>20,143,375</u>	<u>1,631,658</u>
Total Other Local Taxes	<u>18,478,100</u>	<u>18,511,717</u>	<u>20,143,375</u>	<u>1,631,658</u>
Total Taxes	<u>66,168,272</u>	<u>67,189,881</u>	<u>69,178,297</u>	<u>1,988,416</u>
LICENSES AND PERMITS:				
Business:				
Beer, Wine and Liquor Licenses	105,927	105,927	125,234	19,307
Traders	65,000	65,000	70,951	5,951
Other Licenses and Permits:				
Animal	5,600	5,600	5,974	374
Marriage	1,800	1,800	1,825	25
TVRU License	85,000	85,000	95,163	10,163
Highways and Streets	9,800	9,800	10,061	261
Other Permits	3,400	3,400	3,997	597
	<u>276,527</u>	<u>276,527</u>	<u>313,205</u>	<u>36,678</u>
Total Licenses and Permits	<u>\$ 276,527</u>	<u>\$ 276,527</u>	<u>\$ 313,205</u>	<u>\$ 36,678</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
INTERGOVERNMENTAL:				
Grants From Federal Government:				
Department of Justice - Domestic Violence	\$ 35,000	\$ 35,000	\$ 35,919	\$ 919
Civil Defense	71,910	70,910	70,910	-
Emergency Management Domestic Preparedness	160,292	316,988	316,988	-
USDA - Sheriff's Crime Scene	28,634	28,634	28,600	(34)
Master's Child Support	14,511	17,021	13,489	(3,532)
Sheriff's Child Support	12,077	12,077	10,297	(1,780)
Federal Aid in Lieu of Taxes	5,000	5,000	4,413	(587)
National Recreational Trails	-	72,723	-	(72,723)
Sheriff's Mobile Data - BJAG	-	20,812	20,812	-
FEMA - Hazard Mitigation	-	78,923	-	(78,923)
CAC/Emergency Shelter	130,500	79,517	79,517	-
DOT - CAC Mass Transit	678,281	461,992	461,992	-
ARC - Economic Development Grants	-	707,324	377,770	(329,554)
CAC - Emergency Transitional Housing Service	10,143	10,543	10,543	-
Miscellaneous	5,498	21,995	22,387	392
Grants From State Government:				
Highway User Tax	511,545	511,545	526,796	15,251
SHA Transportation Grant	-	77,295	77,295	-
Senior Center Grant	-	20,000	12,816	(7,184)
Disparity Grant	2,537,671	2,537,671	2,537,671	-
Police Protection	205,927	205,927	209,244	3,317
Conservation of Natural Resources	470,000	470,000	730,634	260,634
Adult Community Services	25,785	-	-	-
Family Services Grant	133,750	137,350	122,593	(14,757)
Sheriff - School Bus Violation	18,000	18,000	18,000	-
Program Open Space	-	43,970	43,970	-
Emergency Numbers Systems Board - 911	2,685	359,385	359,320	(65)
Dove Center	20,000	20,000	20,000	-
CAC - Service Linked Housing	30,792	43,499	43,499	-
Jury Reimbursement State	12,000	12,000	5,445	(6,555)
Planning- Department of Natural Resources	33,760	45,000	25,284	(19,716)
MDOT - CAC - Mass Transit	192,828	163,123	163,123	-
Sheriff SOCEM Grant	7,420	7,420	7,420	-
Sheriff Sex Offender Registration	13,000	13,000	11,200	(1,800)
GCCAC - Rental Assistance Program	40,000	84,020	84,020	-
Emergency Shelter Grant	-	111,277	111,277	-
MEA Smart Energy Communities	-	106,277	106,277	-
Circuit Court Improvement	-	43,315	42,685	(630)
Other	6,123	1,234,726	105,404	(1,129,322)
Subtotal - Intergovernmental	\$ 5,413,132	\$ 8,204,259	\$ 6,817,610	\$ (1,386,649)

**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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
INTERGOVERNMENTAL - Continued				
Balances Brought Forward	\$ 5,413,132	\$ 8,204,259	\$ 6,817,610	\$ (1,386,649)
Other:				
Budget Settlement - Health Department	-	405,143	405,447	304
Other	32,830	43,897	43,401	(496)
Total Intergovernmental	<u>5,445,962</u>	<u>8,653,299</u>	<u>7,266,458</u>	<u>(1,386,841)</u>
FINES AND FORFEITURES	<u>3,300</u>	<u>3,300</u>	<u>5,360</u>	<u>2,060</u>
SERVICE CHARGES FOR CURRENT SERVICES:				
General Government:				
Zoning and Subdivision Fees	11,000	11,000	14,880	3,880
Roads Fuel Sales and Street Repair	465,700	567,170	372,565	(194,605)
Miscellaneous	46,750	53,750	67,552	13,802
Enterprise Funds - Indirect Fees	150,000	-	-	-
Public Safety:				
BOCA	55,000	55,000	43,392	(11,608)
State Inmate Housing	30,500	30,500	24,795	(5,705)
Sheriff Fees	119,250	119,250	85,014	(34,236)
Emergency Medical Services - Cost Share	-	177,659	149,094	(28,565)
Emergency Medical Services - Patient Billing	315,000	315,000	164,280	(150,720)
Animal Shelter	5,000	5,000	3,175	(1,825)
Total Service Charges	<u>1,198,200</u>	<u>1,334,329</u>	<u>924,747</u>	<u>(409,582)</u>
MISCELLANEOUS:				
Interest and Dividends	225,000	225,000	197,712	(27,288)
Rents and Concessions	842,605	842,605	842,851	246
Contributions	3,000	3,000	4,052	1,052
Miscellaneous	4,000	102,096	126,602	24,506
Total Miscellaneous	<u>1,074,605</u>	<u>1,172,701</u>	<u>1,171,217</u>	<u>(1,484)</u>
TOTAL REVENUES	<u>74,166,866</u>	<u>78,630,037</u>	<u>78,859,284</u>	<u>229,247</u>
OTHER FINANCING SOURCES:				
Sale of Capital Assets	60,000	298,425	271,758	(26,667)
Transfers - Other Governmental Funds	486,311	12,000	-	(12,000)
Total Other Financing Sources	<u>546,311</u>	<u>310,425</u>	<u>271,758</u>	<u>(38,667)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 74,713,177</u>	<u>\$ 78,940,462</u>	<u>\$ 79,131,042</u>	<u>\$ 190,580</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
GENERAL GOVERNMENT				
Legislative:				
County Commissioners	\$ 412,620	\$ 414,263	\$ 390,622	\$ (23,641)
Judicial:				
Circuit Court	438,599	446,329	417,767	(28,562)
Orphans Court	15,852	15,852	15,694	(158)
State's Attorney	680,641	705,763	702,174	(3,589)
Jury and Witness Operating	28,000	28,000	15,160	(12,840)
	<u>1,163,092</u>	<u>1,195,944</u>	<u>1,150,795</u>	<u>(45,149)</u>
Elections:				
Board of Supervisors of Elections	383,587	451,056	450,346	(710)
Financial Administration:				
Finance Office	493,845	497,223	477,571	(19,652)
Tax Collection Office	258,415	292,609	270,010	(22,599)
Department of Assessments & Taxation	287,899	266,324	266,632	308
Procurement	249,862	251,482	229,840	(21,642)
Total Financial Administration	<u>1,290,021</u>	<u>1,307,638</u>	<u>1,244,053</u>	<u>(63,585)</u>
Law:				
Legal Counsel	98,467	98,467	94,075	(4,392)
Personnel Administration:				
Personnel Administration	283,327	332,010	297,170	(34,840)
Planning and Zoning:				
Planning Commission	565,665	1,672,077	603,680	(1,068,397)
Facilities & Maintenance:				
County Buildings	1,607,278	1,749,754	1,528,906	(220,848)
Total General Government	<u>5,804,057</u>	<u>7,221,209</u>	<u>5,759,647</u>	<u>(1,461,562)</u>
PUBLIC SAFETY				
Sheriff's Department	3,320,184	3,418,622	3,373,817	(44,805)
Corrections	2,075,406	2,087,893	1,990,743	(97,150)
Fire and Rescue Services	3,224,940	3,479,935	3,240,545	(239,390)
Other Public Safety:				
Permits and Inspections	515,008	517,822	410,527	(107,295)
Animal Control	236,594	242,040	221,902	(20,138)
Civil Defense/Emergency Management	371,909	566,542	555,255	(11,287)
Emergency Alarm and Communications (911)	905,392	922,166	955,649	33,483
Total Public Safety	<u>\$ 10,649,433</u>	<u>\$ 11,235,020</u>	<u>\$ 10,748,438</u>	<u>\$ (486,582)</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
PUBLIC WORKS				
Highways and Streets	\$ 15,801,274	\$ 16,229,250	\$ 15,454,275	\$ (774,975)
HEALTH AND HOSPITAL				
Health Department	1,900,000	1,908,976	1,904,395	(4,581)
EDUCATION				
Board of Education	27,424,903	27,587,702	28,819,539	1,231,837
Community College	5,173,000	9,112,268	6,732,244	(2,380,024)
Total Education	32,597,903	36,699,970	35,551,783	(1,148,187)
CULTURE	44,000	44,000	43,500	(500)
PARKS AND RECREATION	26,500	70,470	68,970	(1,500)
LIBRARY	1,015,000	1,071,475	1,070,715	(760)
CONSERVATION OF NATURAL RESOURCES				
Agriculture Extension Service	216,233	216,232	188,581	(27,651)
Soil Conservation	20,294	20,294	20,294	-
Agricultural Land Preservation Program	3,500	11,003	11,003	-
Total Conservation of Natural Resources	240,027	247,529	219,878	(27,651)
SOCIAL SERVICES				
Commission on Aging	281,700	301,700	294,516	(7,184)
ECONOMIC DEVELOPMENT AND OPPORTUNITY				
Economic Development	549,279	1,685,031	1,262,192	(422,839)
Tourism	800,000	800,000	800,000	-
Community Action Programs	1,388,544	1,528,451	1,430,951	(97,500)
Community Action Salaries and Benefits	4,823	4,823	4,823	-
Fair Board Agricultural Fair	20,000	20,000	20,000	-
Special Promotion	85,000	196,700	188,309	(8,391)
Other	101,432	185,452	185,452	-
Total Economic Development and Opportunity	\$ 2,949,078	\$ 4,420,457	\$ 3,891,727	\$ (528,730)

**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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
CAPITAL OUTLAY				
Sheriff's Department	\$ 38,179	\$ 214,659	\$ 182,414	\$ (32,245)
Emergency Medical	35,000	101,228	65,587	(35,641)
County Detention	36,768	36,768	36,768	-
Civil Defense/Emergency Management	100,000	561,931	356,700	(205,231)
Economic Development and Opportunity	-	348,187	-	(348,187)
Facilities & Maintenance	204,484	202,363	267,665	65,302
Circuit Court	-	43,315	42,685	(630)
General Services	22,000	22,000	18,941	(3,059)
Finance Department	-	194,411	112,455	(81,956)
Highways and Streets	981,000	1,461,947	1,339,590	(122,357)
Total Capital Outlay	<u>1,417,431</u>	<u>3,186,809</u>	<u>2,422,805</u>	<u>(764,004)</u>
INTERGOVERNMENTAL	<u>302,205</u>	<u>358,228</u>	<u>358,228</u>	<u>-</u>
MISCELLANEOUS	<u>1,010,000</u>	<u>876,285</u>	<u>1,056,021</u>	<u>179,736</u>
TOTAL EXPENDITURES	<u>74,038,608</u>	<u>83,871,378</u>	<u>78,844,898</u>	<u>(5,026,480)</u>
OTHER FINANCING USES				
Operating Transfers:				
Capital Projects Fund	-	6,867,467	404,602	(6,462,865)
Airport	54,054	67,422	59,928	(7,494)
Solid Waste	-	505,620	124,260	(381,360)
Parks & Recreation	100,000	100,564	100,000	(564)
Department of Technology & Communication	520,515	557,978	487,508	(70,470)
Total Other Financing Uses	<u>674,569</u>	<u>8,099,051</u>	<u>1,176,298</u>	<u>(6,922,753)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 74,713,177</u>	<u>\$ 91,970,429</u>	<u>\$ 80,021,196</u>	<u>\$(11,949,233)</u>

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

General Fund

Schedule of Taxes and Taxes Receivable

Year Ended June 30, 2017

	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	\$ 105,750,700	0.928	\$ 981,367		
All Others	4,125,027,400	0.990	40,837,771		
Total Full Year	4,230,778,100		41,819,138	\$ 40,160,259	\$ 1,658,879
Real Property - One-Half Year	20,062,200	0.495	99,309	99,309	-
Total Real Property	4,250,840,300		41,918,447	40,259,568	1,658,879
Personal Property - Corporate	145,172,850	2.475	3,593,028	780,731	2,812,297
Public Utilities and Railroad	125,733,470	2.464	3,097,957	3,097,957	-
Total Current Year	\$ 4,521,746,620		\$ 48,609,432	\$ 44,138,256	4,471,176
PRIOR YEAR RECEIVABLES:					
	Year Ended June 30:				
	2016				64,430
	2015				22,167
	2014				20,053
	2013				4,929
	2012				3,025
	2011				2,851
	2010				1,807
	2009				433
	2008				310
	2007				73
	2006				64
	2005				56
	2004				27
	2003				24
	2002				23
	1996-2001				90
Total Prior Years					120,362
TOTAL TAXES RECEIVABLE					4,591,538
Less: Allowance for Uncollectible Accounts					(50,000)
TAXES RECEIVABLE - NET					\$ 4,541,538

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

Combining Balance Sheet
Other Governmental Funds
June 30, 2017

	<u>Public Safety</u>	<u>Commissary</u>	<u>Law Library</u>
ASSETS:			
Due from Other Governments	\$ -	\$ -	\$ 350
Due from Other Funds	308,874	12,652	13,615
Other Receivables - Net	-	987	-
Restricted Cash	<u>53,839</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>362,713</u>	<u>13,639</u>	<u>13,965</u>
LIABILITIES:			
Accounts Payable and Accrued Expenses	106,494	308	194
Unearned Revenues	<u>202,380</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>308,874</u>	<u>308</u>	<u>194</u>
FUND BALANCES:			
Restricted	<u>53,839</u>	<u>13,331</u>	<u>13,771</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 362,713</u>	<u>\$ 13,639</u>	<u>\$ 13,965</u>

Keysers Ridge	HUD	Total Other Governmental Funds
\$ -	\$ -	\$ 350
-	-	335,141
-	-	987
<u>309,033</u>	<u>-</u>	<u>362,872</u>
<u>309,033</u>	<u>-</u>	<u>699,350</u>
-	-	106,996
<u>307,328</u>	<u>-</u>	<u>509,708</u>
<u>307,328</u>	<u>-</u>	<u>616,704</u>
<u>1,705</u>	<u>-</u>	<u>82,646</u>
<u>\$ 309,033</u>	<u>\$ -</u>	<u>\$ 699,350</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, 2017

	Public Safety	Commissary	Law Library
REVENUES:			
Intergovernmental	\$ 280,084	\$ -	\$ -
Fines and Forfeitures	14,892	-	7,225
Investment Income	28	-	-
Charges for Services	-	20,288	-
Total Revenues	295,004	20,288	7,225
EXPENDITURES:			
General Government	-	-	3,763
Public Safety	292,713	23,831	-
Community Development & Public Housing	-	-	-
Capital Outlay	12,381	-	-
Total Expenditures	305,094	23,831	3,763
REVENUES OVER/(UNDER) EXPENDITURES	(10,090)	(3,543)	3,462
FUND BALANCES, BEGINNING OF YEAR	63,929	16,874	10,309
FUND BALANCES, END OF YEAR	\$ 53,839	\$ 13,331	\$ 13,771

Keysers Ridge	HUD	Total Other Governmental Funds
\$ -	\$ 35,537	\$ 315,621
-	-	22,117
309	-	337
-	-	20,288
<u>309</u>	<u>35,537</u>	<u>358,363</u>
-	-	3,763
-	-	316,544
-	35,537	35,537
-	-	12,381
<u>-</u>	<u>35,537</u>	<u>368,225</u>
309	-	(9,862)
<u>1,396</u>	<u>-</u>	<u>92,508</u>
<u>\$ 1,705</u>	<u>-</u>	<u>\$ 82,646</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, 2017

	<u>Water Systems</u>	<u>Other Water</u>	<u>Deep Creek Lab</u>	<u>Company Store</u>
OPERATING REVENUES:				
Charges for Services	\$ 1,505,237	\$ 39,354	\$ 77,614	\$ -
Other	191,296	-	-	317,341
Total Operating Revenues	<u>1,696,533</u>	<u>39,354</u>	<u>77,614</u>	<u>317,341</u>
OPERATING EXPENSES:				
Salaries	572,510	-	100,185	49,153
Fringe Benefits	267,410	-	50,422	20,450
Maintenance and Repairs	174,095	-	29	1,087
Supplies	145,262	-	26,297	244,643
Utilities	132,711	-	1,300	7,718
Transportation	37,609	-	6,484	3,216
Contracted Services	12,679	-	12,948	-
Lab Tests	25,947	120	(152,411)	-
Direct Administrative	41,603	-	9,892	2,215
Indirect Administrative	83,166	-	14,913	6,892
Depreciation	851,305	-	7,555	-
Bad Debt Expense	-	-	-	151
Total Operating Expenses	<u>2,344,297</u>	<u>120</u>	<u>77,614</u>	<u>335,525</u>
OPERATING (LOSS)/INCOME	<u>(647,764)</u>	<u>39,234</u>	<u>-</u>	<u>(18,184)</u>
NONOPERATING REVENUES (EXPENSES):				
Tap Fees - Capital Charge	171,040	-	-	-
Interest Revenue	19,920	-	-	141
Ad Valorem Tax	1,003,298	-	-	-
(Loss) on Sale of Assets	-	-	-	-
Interest Expense	(414,919)	-	-	-
Net Other Revenues (Expenses)	<u>779,339</u>	<u>-</u>	<u>-</u>	<u>141</u>
INCOME/(LOSS) BEFORE CAPTIAL CONTRIBUTIONS	<u>131,575</u>	<u>39,234</u>	<u>-</u>	<u>(18,043)</u>
CAPITAL CONTRIBUTIONS				
Contributed Capital				
Primary Government	182,373	-	-	-
Federal	-	-	-	-
Total Capital Contributions	<u>182,373</u>	<u>-</u>	<u>-</u>	<u>-</u>
INCREASE/(DECREASE) IN NET ASSETS	<u>\$ 313,948</u>	<u>\$ 39,234</u>	<u>\$ -</u>	<u>\$ (18,043)</u>

Subtotal Water Projects	Sewer Systems	Trout Run	Other Sewer	Subtotal Sewer Projects	Total
\$ 1,622,205	\$ 2,783,249	\$ 107,805	\$ 86,776	\$ 2,977,830	\$ 4,600,035
508,637	79,834	-	12,415	92,249	600,886
<u>2,130,842</u>	<u>2,863,083</u>	<u>107,805</u>	<u>99,191</u>	<u>3,070,079</u>	<u>5,200,921</u>
721,848	862,477	56,517	-	918,994	1,640,842
338,282	440,399	4,323	41,687	486,409	824,691
175,211	507,002	6,134	164	513,300	688,511
416,202	273,454	5,468	-	278,922	695,124
141,729	362,621	31,490	-	394,111	535,840
47,309	56,589	3,698	-	60,287	107,596
25,627	8,499	2,763	-	11,262	36,889
(126,344)	98,563	23,605	7,214	129,382	3,038
53,710	68,218	2,336	-	70,554	124,264
104,971	129,006	6,024	-	135,030	240,001
858,860	1,385,905	182,876	-	1,568,781	2,427,641
151	-	-	-	-	151
<u>2,757,556</u>	<u>4,192,733</u>	<u>325,234</u>	<u>49,065</u>	<u>4,567,032</u>	<u>7,324,588</u>
<u>(626,714)</u>	<u>(1,329,650)</u>	<u>(217,429)</u>	<u>50,126</u>	<u>(1,496,953)</u>	<u>(2,123,667)</u>
171,040	344,975	-	-	344,975	516,015
20,061	44,377	622	-	44,999	65,060
1,003,298	1,496,970	50,580	-	1,547,550	2,550,848
-	-	-	(16)	(16)	(16)
(414,919)	(562,833)	(17,536)	-	(580,369)	(995,288)
<u>779,480</u>	<u>1,323,489</u>	<u>33,666</u>	<u>(16)</u>	<u>1,357,139</u>	<u>2,136,619</u>
<u>152,766</u>	<u>(6,161)</u>	<u>(183,763)</u>	<u>50,110</u>	<u>(139,814)</u>	<u>12,952</u>
182,373	-	-	-	-	182,373
-	10,395	-	-	10,395	10,395
<u>182,373</u>	<u>10,395</u>	<u>-</u>	<u>-</u>	<u>10,395</u>	<u>192,768</u>
<u>\$ 335,139</u>	<u>\$ 4,234</u>	<u>\$ (183,763)</u>	<u>\$ 50,110</u>	<u>\$ (129,419)</u>	<u>\$ 205,720</u>

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Garrett County Sanitary District, Inc.
Schedule of Costs Capitalized to Construction in Progress
Year Ended June 30, 2017

PROJECT	Balance July 1, 2016	Construction (Net of Program Income)	Engineering	Salaries
Keysers Ridge Water Holding Tank	\$ 110,027	\$ -	\$ -	\$ -
Keysers Ridge Water	218,830	-	132,890	-
Keysers Ridge Sewer	12,086	-	82,265	-
Deep Creek Lake Collection & Conveyance	3,444,926	5,962,285	45,624	44,626
Deep Creek Lake Waste Water Treatment Plant	12,854	-	39,529	-
Bloomington Water	11,907	-	10,263	-
McHenry Water	3,135	33,473	850	-
Friendsville Sewer Tank	10,395	-	-	-
Trout Run WWTP Upgrades	-	-	32,062	-
TOTAL	\$ 3,824,160	\$ 5,995,758	\$ 343,483	\$ 44,626

<u>Fringe Benefits</u>	<u>Administrative</u>	<u>Interest</u>	<u>Indirect Costs</u>	<u>Total Additions</u>	<u>Retirements or Transfers (Completed Project)</u>	<u>Balance June 30, 2017</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,027
-	13	-	-	132,903	-	351,733
-	-	-	-	82,265	-	94,351
5,194	22,489	38,608	4,933	6,123,759	-	9,568,685
-	-	-	-	39,529	-	52,383
-	524	-	-	10,787	-	22,694
-	99	-	-	34,422	-	37,557
-	43	-	-	43	-	10,438
-	-	-	-	32,062	-	32,062
<u>\$ 5,194</u>	<u>\$ 23,168</u>	<u>\$ 38,608</u>	<u>\$ 4,933</u>	<u>\$ 6,455,770</u>	<u>\$ -</u>	<u>\$ 10,279,930</u>

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

Garrett County Sanitary District, Inc.
Schedule of Indirect Costs
Year Ended June 30, 2017

TYPE:	<u>2017</u>
Insurance	\$ 78,886
Administrative	132,366
Telephone	1,696
Professional and Legal	20,266
Office Supplies and Expenses	6,322
Repairs	2,277
Utilities	<u>3,121</u>
Total	<u><u>244,934</u></u>
ALLOCATION BASE:	
Direct Salaries	1,685,468
Related Fringe Benefits	<u>829,885</u>
Total Allocation Base	<u><u>2,515,353</u></u>
INDIRECT COST RATE	<u><u>10%</u></u>
COSTS REPORTED AS:	
Operations	240,001
Construction in Progress	<u>4,933</u>
	<u><u>\$ 244,934</u></u>

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Comparative Schedule of Primary Government Long-Term Indebtedness
June 30, 2017 and 2016

	June 30,	
	2017	2016
LONG-TERM INDEBTEDNESS:		
Government Activities:		
Bond Payable - Hospital Bonds of 2004	\$ 666,810	\$ 738,671
Bond Payable - Hospital Bonds of 2007	2,371,899	2,446,970
Bond Payable - Hospital Bonds of 2014	8,666,666	9,333,333
Bond Payable - Hospital Bonds of 2015	3,181,146	1,104,885
Total Governmental Activities	14,886,521	13,623,859
Business Type Activities:		
Solid Waste		
Bond Payable - Maryland Water Quality Financing Administration	-	132,302
Total Solid Waste	-	132,302
Sanitary District		
Note Payable - Maryland Water Quality Financing-Deep Creek Lake Sewer Ext.	137,028	202,689
Note Payable - Maryland Water Quality Financing-Deep Creek Lake Septage	-	5,725
Note Payable - State of Maryland-Jennings Sewer	14,704	21,802
Note Payable - Maryland Water Quality Financing-Deer Park Water	156,051	164,905
Note Payable - Maryland Department of the Environment-Mountain Lake Park Water	56,040	65,117
Note Payable - Susquehanna USDA Refinance Loan	19,322,792	20,268,445
Note Payable - Susquehanna Mountain Lake Park Water Loan	655,696	687,786
Note Payable - Susquehanna Thayerville Water	6,140,503	6,441,014
Note Payable - Susquehanna Jennings	40,982	42,988
Note Payable - Maryland Department of the Environment-Deep Creek & Friendsville	175,980	210,298
Note Payable - Branch Banking & Trust- DCL Western Conv.	5,228,650	-
Total Sanitary District	31,928,426	28,110,769
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	35,021,041	31,335,686
TOTAL LONG-TERM INDEBTEDNESS	\$ 49,907,562	\$ 44,959,545

**THE BOARD OF COUNTY COMMISSIONERS OF
GARRETT COUNTY, MARYLAND**
Combining Statement of Net Position
Fiduciary Funds
June 30, 2017

	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	\$ 820,479	\$ 222,307	\$ 45,469	\$ 55,440	\$ 1,143,695
Investments:					
Certificates of Deposit	51,457	-	-	-	51,457
Fixed Income Securities	7,526,973	2,534,721	254,123	463,092	10,778,909
Mutual Funds	7,314,223	2,638,680	315,288	538,338	10,806,529
Equity Securities	10,019,302	2,924,944	337,639	493,694	13,775,579
Total Investments	<u>24,911,955</u>	<u>8,098,345</u>	<u>907,050</u>	<u>1,495,124</u>	<u>35,412,474</u>
Interest Receivable	<u>103,891</u>	<u>32,014</u>	<u>2,740</u>	<u>5,274</u>	<u>143,919</u>
TOTAL ASSETS	25,836,325	8,352,666	955,259	1,555,838	36,700,088
LIABILITIES	-	-	-	-	-
NET POSITION					
Held in Trust for Retirement Benefits and OPEB	<u>\$ 25,836,325</u>	<u>\$ 8,352,666</u>	<u>\$ 955,259</u>	<u>\$ 1,555,838</u>	<u>\$ 36,700,088</u>

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

Combining Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2017

	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	\$ 1,184,533	\$ 363,950	\$ -	\$ -	\$ 1,548,483
Plan Members	363,391	215,417	-	-	578,808
Total Contributions	<u>1,547,924</u>	<u>579,367</u>	<u>-</u>	<u>-</u>	<u>2,127,291</u>
Investment Earnings:					
Realized Net Gains on Investments	202,671	108,149	12,079	31,744	354,643
Interest and Dividends	619,574	193,219	23,863	38,136	874,792
Net Increase in					
Fair Value of Investments	1,469,229	421,757	44,163	62,030	1,997,179
Investment Activity Expense	(85,663)	(27,326)	(3,185)	(5,163)	(121,337)
Total Net Investment Earnings	<u>2,205,811</u>	<u>695,799</u>	<u>76,920</u>	<u>126,747</u>	<u>3,105,277</u>
Total Additions	<u>3,753,735</u>	<u>1,275,166</u>	<u>76,920</u>	<u>126,747</u>	<u>5,232,568</u>
DEDUCTIONS					
Benefits	1,544,826	376,540	2,657	-	1,924,023
Administrative	15,022	7,272	7,750	1,760	31,804
Total Deductions	<u>1,559,848</u>	<u>383,812</u>	<u>10,407</u>	<u>1,760</u>	<u>1,955,827</u>
Net Increase In Net Position	2,193,887	891,354	66,513	124,987	3,276,741
Net Position - Beginning of Year	<u>23,642,438</u>	<u>7,461,312</u>	<u>888,746</u>	<u>1,430,851</u>	<u>33,423,347</u>
Net Position - End of Year	<u>\$ 25,836,325</u>	<u>\$ 8,352,666</u>	<u>\$ 955,259</u>	<u>\$ 1,555,838</u>	<u>\$ 36,700,088</u>