

FINANCIAL UPDATE

QUARTERLY REPORT

WASHINGTON COUNTY, MARYLAND

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Washington County is located in northwestern Maryland, bordered by Pennsylvania to the north and West Virginia to the south. It is bordered on the east by Frederick County, Maryland and on the west by Allegany County, Maryland. Washington County is approximately 70 miles from Washington, D.C. and Baltimore, Maryland. Two major Highways, Interstate 81—running north and south, and Interstate 70—running east and west, cross within Washington County's borders.

The County is a body corporate and politic and is a mid-size multi-service local government serving the needs of approximately 149,000 residents with nine incorporated municipalities.

Under public local law both the executive and legislative functions of the County are vested in the elected, five member Board of County Commissioners of Washington County (Board).

The County Commissioners are elected on a countywide basis and serve four-year terms. Other elected County



Cannon At National Cemetery

funded positions include County Sheriff, Treasurer, and State's Attorney.

CURRENT FINANCIAL STATUS AND COMMENTS

Economic trends are continuing to show improvement albeit slow. Unemployment rates are showing consistent improvement over the same comparison period, while most housing statistics reflect improved activity.

A majority of the County's major revenue trends indicate positive variances for the first quarter of

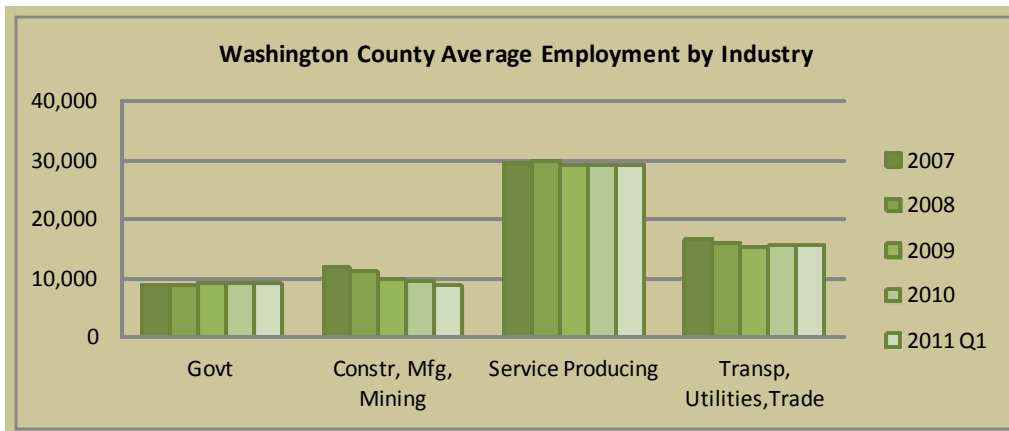
the fiscal year both as compared to budget and prior year actual. Overall expenditure trends are slightly over the first quarter benchmark, however this is due to large one-time payouts, contract encumbrances, and large construction contracts nearing completion. Forecasts are for inflation to rise as eco-

nomical and revenue trends continue to improve upward towards 5% to 6% by 2013.

On a final note the County approved the redemption of the 2006 Runway bonds which will save the County over \$4.6 million in interest expense and reduce outstanding debt by \$12.2 million.

MAJOR ECONOMIC TRENDS

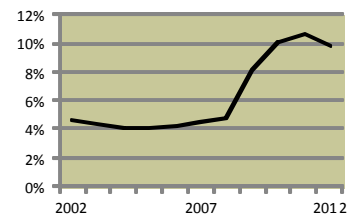
The following economic and community data trendlines display changes in data over time. Specifically, they show whether a particular set of data has increased or decreased over a certain period. Trendlines offer a simple way to identify or confirm changes in indicators, usually based on one, five, or ten year periods of observation. This section offers trendline summaries which offer a snapshot of information and measure its recent economic and community performance on important metrics. Information presented in this section is based on the most recent data available at report date.



Service Providing industry employment includes information, financial activities, professional and business services, education, health, leisure, hospitality, and other job services.

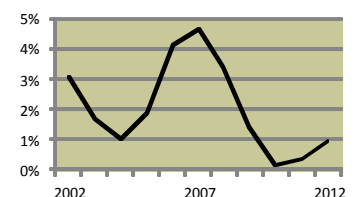
Employment Statistics - August						
County				State		
Fiscal Year	Number of Employed	Number of Unemployed	Aug Unemployment	July Unemployment	Aug Unemployment	July Unemployment
2012	59,592	6,465	9.8%	9.7%	7.4%	7.4%
2011	60,706	7,046	10.6%	9.9%	7.5%	7.6%

Average Unemployment Rate



Investment Portfolio Summary				
Current		Year-to-Date		
Invested	Average Yield	Invested	Average Yield	Estimated Earnings
177,813,977	.909%	258,912,177	0.966%	271,686.35

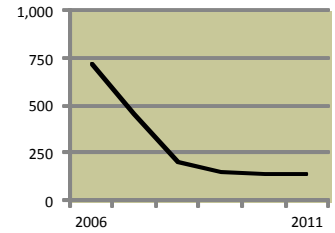
Average Investment Rate



New Residential Housing Permits Issued

Area	Prior YTD	Current YTD	Variance	
			# of Permits	% of Change
Wash. County	42	33	-9	-21.43%
City of Hagerstown	13	14	1	7.69%
Total	55	47	-8	-14.55%

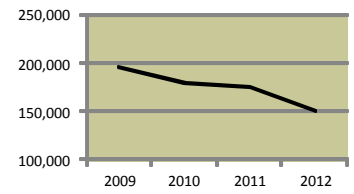
New Housing Permit History



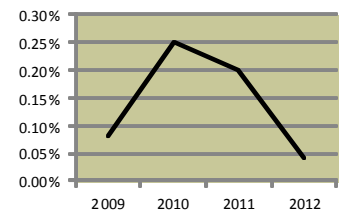
Washington County Housing Statistics

Housing & Foreclosure:	2012	2011	% Change
Housing Activity:			
Average price sold	149,380	176,205	-15.22%
Total units sold	332	309	7.44%
Average inventory	865	1,227	-29.49%
Foreclosure Activity:			
Units in foreclosure	71	235	-69.79%
Average foreclosure rate:			
Washington County	.04%	.20%	-80.00%
State of Maryland	.05%	.22%	-79.10%
National	.17%	.26%	-34.62%

Average Price Sold



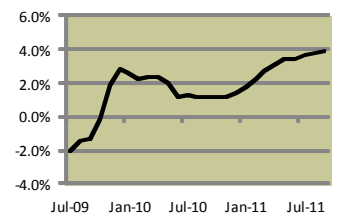
Average Foreclosure Rate



Consumer Price Index (CPI)

Current Period		Prior Period	
Index	Annual Change	Index	Annual Change
227.0	3.9%	218.4	1.1%

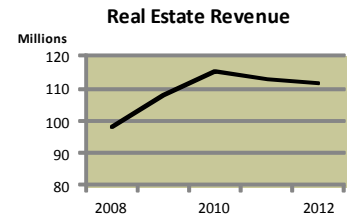
Annualized CPI



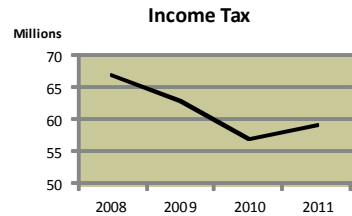
MAJOR REVENUE TRENDS

The following information summarizes key revenue sources that affect the County's overall financial condition. Many of these revenues change with the economy. The revenues shown below are before year-end accrual adjustments. Amounts reflect distributions received as of report date. The revenue graphs to the right reflect total actual revenues collected for each of the prior fiscal years. The current fiscal year, if shown, reflects the projected total annual revenue for the current fiscal year based on existing trends and is subject to change.

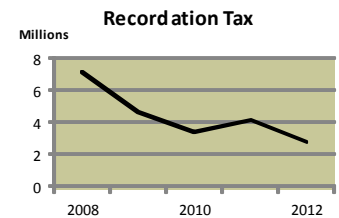
Real Estate Tax				
Year-to-Date		Budget Variance		Actual Growth
Budget	Revenues	\$	%	PY vs. CY %
111,429,735	111,728,715	298,980	.27%	-1.28%



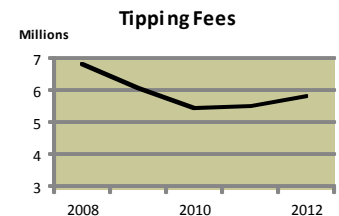
Income Tax				
Year-to-Date		Budget Variance		Actual Growth
Budget	Revenues	\$	%	PY vs. CY %
0	658,828	658,828	100%	100%



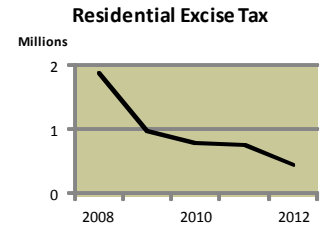
Recordation Tax				
Year-to-Date		Budget Variance		Actual Growth
Budget	Revenues	\$	%	PY vs. CY %
827,657	505,866	-321,792	-38.88%	-12.98%



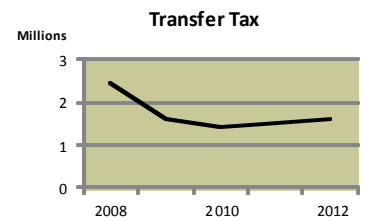
Tipping Fees				
Year-to-Date		Budget Variance		Actual Growth
Budget	Revenues	\$	%	PY vs. CY %
1,600,801	1,611,814	11,013	.69%	5.19%



Residential Excise Tax				
Year-to-Date		Budget Variance		Actual Growth
Budget	Revenues	\$	%	PY vs. CY %
45,712	110,603	64,891	141.96%	-67.48%



Transfer Tax				
Year-to-Date		Budget Variance		Actual Growth
Budget	Revenues	\$	%	PY vs. CY %
135,514	180,857	45,342	33.46%	-14.18%



FUEL CONSUMPTION TRENDS

Fuel Purchased and Average Price Per Gallon				
Fund	Gasoline		Diesel	
	Gallons Purchased	Average Cost	Gallons Purchased	Average Cost
Airport	835	3.414	634	3.373
Golf Course	2,433	3.412	900	3.148
Highway	21,160	3.306	43,015	3.137
Parks	6,068	3.381	1,723	3.258
Sheriff	32,802	3.309	0	0
Solid Waste	0	0	7,200	3.135
Transit	0	0	22,004	3.123
Water Quality	4,013	3.42	3,916	3.274
Weighted Average	67,311	3.374	79,392	3.207
Budgeted Unit Price		2.735		2.40

The chart represents major fuel purchases for the current fiscal year. Average price per gallon is based on weighted averages and discounted bulk bid prices. Comparisons related to service level, countywide costs, and budgetary information have been provided.

Average retail energy prices for July-Sept 2011 were as follows:

Gasoline \$3.63

Diesel \$3.87

Average retail energy prices for Oct-Dec 2011 are projected as follows:

Gasoline \$3.36

Diesel \$3.72

SUMMARY OF MAJOR EXPENDITURE ACTIVITY

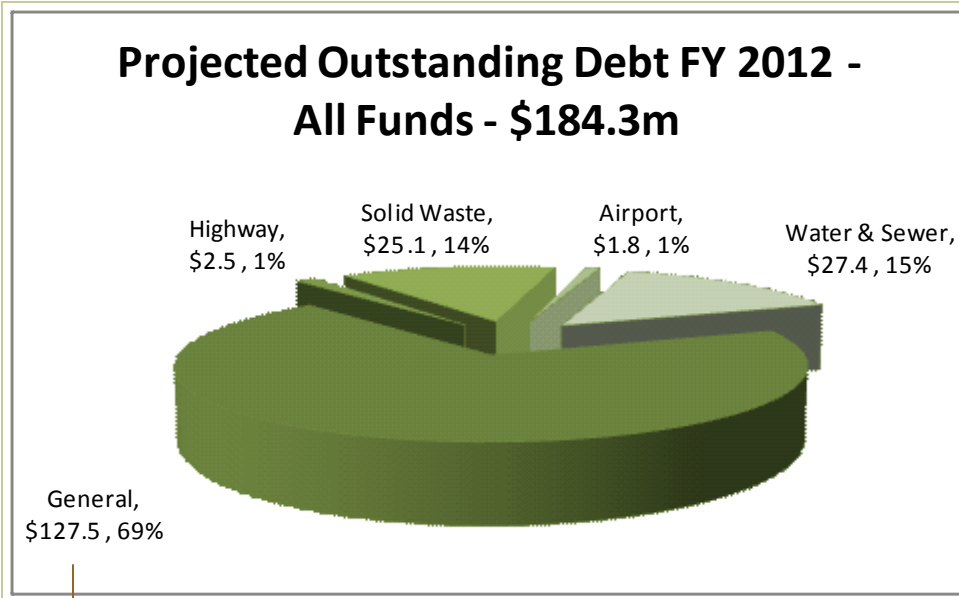
Operating Activity by Major Fund (in millions)					
Fund	Budget	Spent	Encumbered	Unexpended	% Expended
General	198.0	54.6	2.3	141.1	29%
Highway	8.6	2.0	0.9	5.7	34%
Solid Waste	7.3	1.6	1.1	4.6	37%
Water	1.2	0.3	0.0	0.9	25%
Sewer	10.9	2.6	0.1	8.2	25%
Transit	2.1	0.6	0.2	1.3	38%
Airport	3.0	0.7	0.0	2.3	23%
Golf Course	1.2	0.4	0.0	0.8	33%
Total	232.3	62.8	4.6	164.9	29%

The tables to the left compares major year-to-date expenditure activity to budgeted funding. It incorporates the variance by dollar and percentage along with total expenditure activity. The grand total combines operating and capital expenditures for total corporate activity and trends. Funds expended and encumbered should average around 25%, if not subject to seasonal, recurring charges or construction activity.

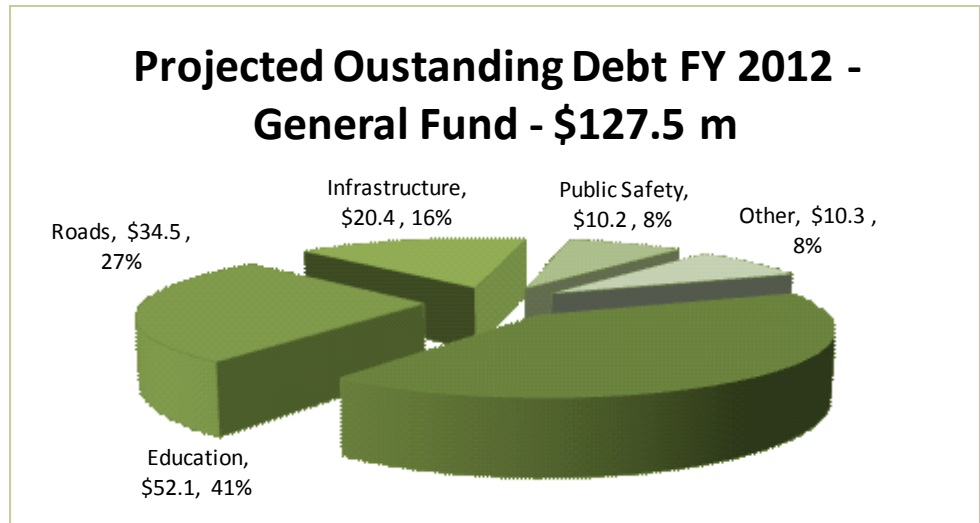
Construction Activity (in millions)					
Fund	Budget	Spent	Encumbered	Unexpended	% Expended
General	9.3	0.3	0.2	8.8	5%
Public Safety	8.8	5.1	2.0	1.7	81%
Roads, Bridges	64.1	11.8	10.5	41.8	35%
Parks	2.3	0.8	1.0	0.5	78%
Education	68.6	28.7	14.4	25.5	63%
Solid Waste	13.6	3.2	4.1	6.3	54%
Utility	52.1	1.2	2.7	48.2	7%
Transit	1.1	0.0	0.0	1.1	0%
Airport	7.6	1.6	0.5	5.5	28%
Total	227.5	52.7	35.4	139.4	39%

Grand Total	459.8	115.5	40.0	304.3	34%
Target					25%

PROJECTED OUTSTANDING DEBT JUNE 2012



The charts to the left represent current outstanding debt and anticipated borrowing for the current fiscal year ended 2012. Final determination of new bond issue amounts are typically made in the 4th quarter of the fiscal year barring any change in issuance patterns.



Scheduled Payoff & Debt Service Ratios				
Measurement	2012	2011	Peer Group	Industry Standard
Five Year Payoff	38.6%	37%	—	25%
Ten Year Payoff	68.3%	67.8%	—	50%
Debt Service Ratio	7.0%	6.46%	8.16%	<=10%

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STATEMENT OF PURPOSE

This report is designed to communicate the County's major financial operating transactions for the indicated period since the issuance of the prior audited financial statements.

This report is interim in nature and abbreviated in that it does not include details for all the various funds maintained by the county. Additionally, this report omits many of the required note disclosures typically found in a fiscal year-end financial statement report. The information contained here is intended to allow management to make limited assessments of near-term trends that may have an

impact on operations and financial results. Management views this interim period as an integral part of the annual period.

The report includes information regarding some of the more notable recent developments that may impact County finances, along with summarized information relating to the general, landfill, highway, and construction activities of the County including the local economic trends. This report is general in nature. The reader is cautioned that it does not provide the level of detail nor the comprehensive scope found in a

fiscal year-end financial statement. Those desiring or needing such information should contact The Office of Budget and Finance.

We hope that you find this report informative and meaningful. If you have any questions regarding this report, please contact The Office of Budget and Finance at 240-313-2300.

This report is provided for general information use only. The information contained in the document speaks only as of its report date.