

**COUNTY COMMISSIONERS OF
WASHINGTON COUNTY**

FINANCIAL REPORT

JUNE 30, 2007



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Smith Elliott Kearns & Company, LLC
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

County Commissioners of Washington County
Hagerstown, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the County Commissioners of Washington County, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Management of the County Commissioners of Washington County. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Board of Education of Washington County, which represents the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, in so far as it relates to the component unit presentation of the Board of Education of Washington County, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the County Commissioners of Washington County as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2007, on our consideration of the County Commissioners of Washington 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* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the other required supplementary information on pages 2 through 13 and 63 through 68 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Smith Elliott Kearns & Company, LLC

Hagerstown, Maryland
October 29, 2007



Management's Discussion and Analysis

This discussion and analysis of Washington County's (County) financial statements is designed to introduce the basic financial statements and provide an analytical overview of the County's financial activities for the fiscal year ended June 30, 2007. The basic financial statements are comprised of the government-wide financial statements, fund financial statements, and footnotes. We hope this, in conjunction with additional information provided within the statements, will assist readers in identifying significant financial issues and changes in the County's financial position.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: **1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.** This report also contains **4) supplementary information** in addition to the basic financial statements themselves.

1) Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private business. The government-wide financial statements include a *statement of net assets* and a *statement of activities*.

- The *statement of net assets* presents information on all of the County's asset and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.
- The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) and 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 education, general government, parks and recreation, public safety, courts, health and social services, and highway maintenance.
- The *business-type activities* of the County include airport, public golf course, public transit, solid waste, and water quality operations.

The government-wide financial statements include not only the County itself (known as the primary government), but also include the Washington County Board of Education as a legally separate component unit and is reported separately from financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 14-15 of this report.

2) ***Fund Financial Statements***

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental 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 financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general, capital improvement, community partnership, foreign trade zone, inmate welfare, contraband, agricultural education, and highway funds.

The County adopts an annual appropriated budget for its general, community partnership and highway fund. A budgetary comparison statement has been provided for these funds to demonstrate budgetary compliance.

The basic governmental fund financial statements can be found on pages 16-18 of this report.

- ***Proprietary Funds.*** When the County charges customers for a service it provides, whether to outside customers or to other units of government, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. Proprietary funds are comprised of two types: 1) *Enterprise funds* and 2) *Internal service funds*. The County uses enterprise funds to account for its airport, public golf course, public transit, solid waste, and water quality operations. Internal service funds are used to report activities that provide supplies and services for the governments other programs and activities. The County does not utilize an internal service fund.

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 20-21 of this report.

- ***Fiduciary Funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is similar to proprietary funds.

The basic fiduciary fund financial statements can be found on pages 23-24 of this report.

3) ***Notes to the Financial Statements***

The notes to the financial statements provide additional information that is essential to 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 25-62 of this report.

4) **Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees and includes budgetary comparison schedules for the general, community partnership and highway funds.

In addition to this MD&A, required supplementary information can be found on page 63-68 of this report.

Financial Analysis on Government-Wide Financial Statements

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$534,185,902 as of the close of the most recent fiscal year.

Washington County, Maryland
Net Assets
(Government-Wide)

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2007	2006	2007	2006	2007	2006	
Current and other assets	168,709,570	140,259,110	58,599,093	53,192,660	227,308,663	193,451,770	18%
Capital assets	330,568,137	340,638,205	229,933,891	209,364,456	560,502,028	550,002,661	2%
Total Assets	499,277,707	480,897,315	288,532,984	262,557,116	787,810,691	743,454,431	6%
Current and other liabilities	37,591,869	34,109,695	24,176,724	20,923,532	61,768,593	55,033,227	12%
Long-term liabilities	99,608,206	87,805,267	92,247,990	92,362,755	191,856,196	180,168,022	6%
Total liabilities	137,200,075	121,914,962	116,424,714	113,286,287	253,624,789	235,201,249	8%
Invested in Capital Assets Net of Related Debt, net	292,678,551	309,402,007	161,091,281	142,300,560	453,769,832	451,702,567	.5%
Restricted Net Assets	32,853,879	24,603,443	3,396,416	993,451	36,250,295	25,596,894	42%
Unrestricted Net Assets	36,545,202	24,976,903	7,620,573	5,976,818	44,165,775	30,953,721	43%
Total Net Assets	362,077,632	358,982,353	172,108,270	149,270,829	534,185,902	508,253,182	5%

The largest portion of the County's net assets reflects its investments in capital assets (e.g., land, roads, and bridges), less related outstanding debt used to acquire those assets in the amount of \$453.8 million. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Unrestricted net assets in governmental activities have been reduced by \$48,129,081 in long-term debt, resulting in unrestricted net assets of \$37 million. This long-term debt was incurred by the County's general fund for the purpose of capital asset acquisition for the Board of Education of \$43.8 million and Hagerstown Community College of \$4.3 million. The capital assets acquired with these bonds are not reflected in the County's primary government financial statements.

Washington County, Maryland
Change in Net Assets
(Government-Wide)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Program revenues:						
Charges for Services	4,226,290	3,355,472	21,362,374	23,100,388	25,588,664	26,455,860
Operating Grants and Contributions	16,256,310	15,408,143	1,169,216	1,116,234	17,425,526	16,524,377
Capital Grants and Contributions	10,344,481	10,292,384	15,231,802	19,377,179	25,576,283	29,669,563
General Revenues:						
Property Taxes	101,986,307	86,473,894	-	-	101,986,307	86,473,894
Local Taxes	80,634,308	97,725,076	-	-	80,634,308	97,725,076
Other	8,834,580	6,229,938	558,840	64,292	9,393,420	6,294,230
Total Revenues	222,282,276	219,484,907	38,322,232	43,658,093	260,604,508	263,143,000
Program Expenses:						
General Government	45,666,746	46,405,494	-	-	45,666,746	46,405,494
Public Safety	25,660,712	21,800,458	-	-	25,660,712	21,800,458
Health	2,376,869	2,192,664	-	-	2,376,869	2,192,664
Social Services	1,810,316	1,153,144	-	-	1,810,316	1,153,144
Education	108,280,115	98,965,237	-	-	108,280,115	98,965,237
Parks and Recreation	5,370,255	4,667,664	-	-	5,370,255	4,667,664
Natural Resources	444,753	447,286	-	-	444,753	447,286
General Operations	1,563,288	705,413	-	-	1,563,288	705,413
Intergovernmental	1,600,243	1,420,791	-	-	1,600,243	1,420,791
Community Promotion	2,238,095	2,073,119	-	-	2,238,095	2,073,119
Highways and Streets	8,571,244	7,086,380	-	-	8,571,244	7,086,380
Interest on long-term debt	3,747,643	3,665,645	-	-	3,747,643	3,665,645
Business-type Activities:						
Water Quality	-	-	10,635,845	10,694,397	10,635,845	10,694,397
Solid Waste	-	-	9,609,318	12,093,850	9,609,318	12,093,850
Public Transit	-	-	2,129,704	1,963,195	2,129,704	1,963,195
Airport	-	-	3,487,988	2,795,170	3,487,988	2,795,170
Golf Course	-	-	1,344,082	1,364,799	1,344,082	1,364,799
Total Expenses	207,330,279	190,583,295	27,206,937	28,911,411	234,537,216	219,494,706
Change in net assets before transfers and special items	14,951,997	28,901,612	11,115,295	14,746,682	26,067,292	43,648,294
Gain (Loss) on disposal of capital assets	(137,609)	73,705	3,037	13,746	(134,572)	87,451
Transfers	(11,719,109)	(5,093,031)	11,719,109	5,093,031	-	-
Change in Net Assets	3,095,279	23,882,286	22,837,441	19,853,459	25,932,720	43,735,745
Net Assets – Beginning of year	358,982,353	335,100,067	149,270,829	129,417,370	508,253,182	464,517,437
Net Assets – End of year	362,077,632	358,982,353	172,108,270	149,270,829	534,185,902	508,253,182

The County's total net assets increased by \$25.9 million in fiscal year 2007. Total net assets as of June 30, 2007 were \$534 million representing a 5% increase.

Governmental Activities (government-wide) – Change in Net Assets:

Net assets in governmental activities increased by \$3 million. Key factors in this increase are as follows:

- ❑ Property tax was over budget by \$5.1 million or 5.3%. Total property tax exceeded budget by \$3.9 million while unused discounts and credits amounted to \$1.2 million. Property tax exceeded budget due to assessments and growth being higher than expected in the State Department of Assessments and Taxations estimates. The unused discounts and credits is mainly due to the \$1 million set aside for the County's Homeowner's Tax Credit program which was not implemented in FY07.
- ❑ Recordation tax revenue was over budget by 12% or \$1 million, reflecting the early trend in fiscal year 2007 in property transfers and sales.
- ❑ Local income tax increased by \$4.6 million this year or 7%. This represents the growing population within Washington County and higher wage earners that are accompanying that migration.
- ❑ Interest Income exceeded goals by \$4.4 million. This is attributable to several factors including (1) earnings on increased capital and operating reserves from various funds, (2) increasing interest rates that are subject to market changes, and (3) changes in anticipated cash flow requirements for fiscal year 2007.
- ❑ Expenditures exceeded budget mainly as a result of additional funds transferred to the Capital Improvement fund to cover shortfalls in excise tax revenues. The amount transferred to offset fiscal year 2007 remaining shortfall in excise tax revenue was \$6 million. In addition, due to the current slow down in the housing industry, \$4.5 million was also transferred to offset the fiscal year 2008 projected shortfall so that school and roads projects can still proceed without interruption. Additional transfers included \$3 million for the runway extension project, \$1 million to replace lost funding on projects, and \$3.5 million to a restricted reserve for future use. Insurance reserves ended the year with a positive adjustment of \$667,000, which included health and workers compensation insurance. The County also had savings of \$1.6 million from unspent debt service reserves of \$750,000 and \$811,000 in debt service savings due to a project delay. Both debt service amounts were utilized in the fiscal year 2007 budget to offset anticipated increases. One noteworthy exception, however, was the County's depreciation and amortization of infrastructure and fixed assets on the governmental activities in an amount of approximately \$28 million, a reduction from fiscal year 2006 of \$700,000.

Business-type Activities (government-wide) – Change in Net Assets:

Business-type activities increased the County's net assets by \$22.8 million, adding to the increase in net assets attributable to governmental activities. Key elements of this increase are as follows:

- ❑ Water Quality's net assets increased by \$6.3 million, for a total of \$86 million. The increase resulted from increases in user rates, designed to provide resources to meet operational cost, projected debt service, capital requirements and to provide for stable reserves.
- ❑ Solid Waste's total net assets increased by \$3.3 million as of June 30, 2007. Tipping fees were under budget by \$1.4 million due to a decrease in the waste stream related to the decline in construction activity and waste streams withdrawn to other states. A capital transfer of \$3.7 million was recorded for the general fund debt taken out for the capping project. The budgeted amount \$2.4 million was set-aside in a future construction cost reserve in fiscal year 2007 to be spent in future years.
- ❑ Public Transit's total net assets were \$1.6 million as of June 30, 2007, representing a \$25,650 increase. Federal, state, and local operating grants of \$1.5 million subsidize transportation activities. Capital grants were generated for capital acquisition in the amount of \$176,765.
- ❑ Airport's total net assets were \$71.6 million as of June 30, 2007, representing a \$13.4 million increase. The net increase is a result of capital grants for construction activity in the amount of \$13 million, which is restricted for capital asset acquisition. The remaining decrease resulted mainly from depreciation expense in the amount of \$1.5 million.
- ❑ Golf Course's net assets were \$2.6 million as of June 30, 2007, representing a \$167,404 decrease. The net decrease is a result of approximately \$12,900 in operation shortfalls and \$154,517 in depreciation expense.

Financial Analysis on Government Fund Financial Statements

The County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements and restrictions, and fiscal accountability.

Governmental Funds:

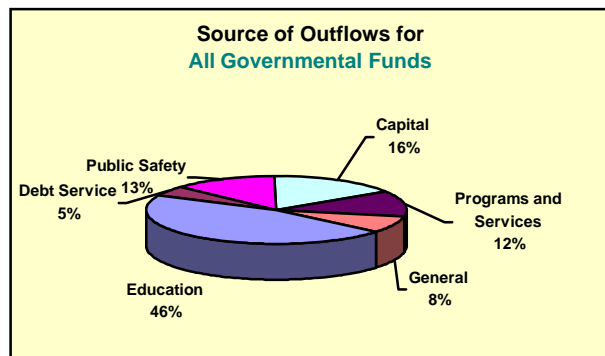
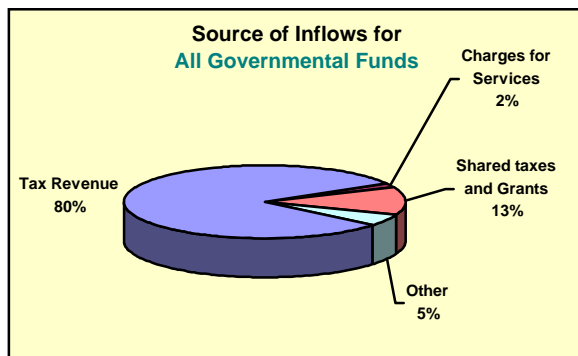
The focus of the County's governmental funds is to provide information on near term inflows, outflow, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources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

As of the end of the current fiscal year, the County's governmental funds reported combined fund balances of \$124 million an increase of \$26.4 million in comparison with the prior year. Approximately \$33.1 million of this amount is designated for the general fund cash reserve and \$88 million is restricted for construction projects and designated programs. The remaining amount is appropriated for uses such as long-term receivables and program services. In the combined governmental activities the County maintains eight separate funds. Shown below are fund balances and net changes in fund balance for each.

Washington County, Maryland **Fund Balance and Net Changes in Fund Balance** *(Government Fund Basis)*

Governmental Activities – Fund Statements	Fund Balance			Net Change in Fund Balance		
	2007	2006	% Change	2007	2006	% Change
General Fund	35,564,186	31,865,682	12%	3,698,504	6,021,624	(39%)
Foreign Trade Zone	6,692	6,692	0%	0	0	0%
Community Partnership	536,425	504,361	6%	32,064	8,973	257%
Inmate Welfare Fund	367,427	302,776	21%	64,651	75,985	(15%)
Contraband Fund	71,135	0	100%	71,135	0	100%
Agricultural Education Fund	196,728	158,528	24%	38,200	44,972	(15%)
Highways	4,154,565	4,321,530	(4%)	(166,965)	639,517	(126%)
Capital Improvement Projects	82,654,525	59,969,216	38%	22,685,309	21,914,223	4%
Total	123,551,683	97,128,785	27%	26,422,898	28,705,294	(8%)

The following reflects all inflows and outflows of the governmental funds in total for the fiscal year ending June 30, 2007.



- The **General Fund** is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$34 million, while total fund balance reached \$35.6 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents \$33.1 million that is designated for cash reserve while \$804,482 is designated for various purposes such as Workforce Housing Program, for a total of \$34 million of unreserved fund balance.

The fund balance of the County's General Fund increased by \$3.7 million during the current fiscal year. Key factors in this growth are:

- Property tax was over budget by \$5.1 million or 5.3%. The majority of this overage was due to increases in assessments in the personal and corporate personal property areas. Also, the County budgeted \$1 million for a County Homeowner's Tax Credit program, which was not implemented in this fiscal year.
 - Recordation tax revenue was over budget by 12% or \$1 million, reflecting the early trend in fiscal year 2007 in property transfers and sales.
 - Income Tax revenue exceeded budget by \$6.5 million or 10.8%. This represents the growing population within Washington County and higher wage earners that are accompanying that migration in addition to increased wage adjustments.
 - Interest Income exceeded goals by \$4.4 million. This is attributable to several factors including (1) earnings on increased capital and operating reserves from various funds, (2) increasing interest rates that are subject to market changes, and (3) changes in anticipated cash flow requirements for fiscal year 2007.
 - Expenditures were over mainly as a result of additional funds transferred to the Capital Improvement fund. \$6 million was transferred to cover the remaining FY07 shortfall and \$4.5 million was transferred to cover the projected FY08 shortfall. Additional transfers included \$1 million to cover lost funding, \$3 million for the runway extension project, and \$3.5 million for restricted reserves for future use. Insurance reserves ended the year with a positive adjustment of \$667,000 which included health and workers compensation insurance. The County also had savings of \$1.6 million from unspent debt service reserves of \$750,000 and \$811,000 in debt service savings due to a project delay. Both debt service amounts were utilized in the fiscal year 2007 budget to offset anticipated increases.
- The **Highway Fund** has a total fund balance of \$4.2 million, which is unreserved but designated for program specific costs related to maintenance, capital and operations of County roads. The fund balance of the County's Highway Fund decreased by \$166,965 during the current fiscal year. The decrease in fund balance is mainly due to excess expenditures of \$191,000 in snow removal expenses.
 - The **Capital Project Fund** is used to account for major capital acquisition and construction of County operations. At the end of the current fiscal year the Capital Project Fund has a total fund balance of \$83 million, all of which is designated for approved major capital projects. Major funding sources for these projects are pay-go-funding, debt proceeds, fees and taxes and grants. Fund balance increased by \$22.7 million for the current fiscal year. The increase in fund balance is the result of timing differences in projects with funding proceeds, project expenditures, and an \$18.2 million transfer from the General Fund that mainly covered excise tax shortfalls.
 - The County's **Foreign Trade Zone, Community Partnership, Inmate Welfare, Contraband, and Agricultural Education Funds** combined have a fund balance of \$1,178,407. The net increase in fund balance during the current year in these funds was \$206,050. These funds represent monies designated for specific programs and services.

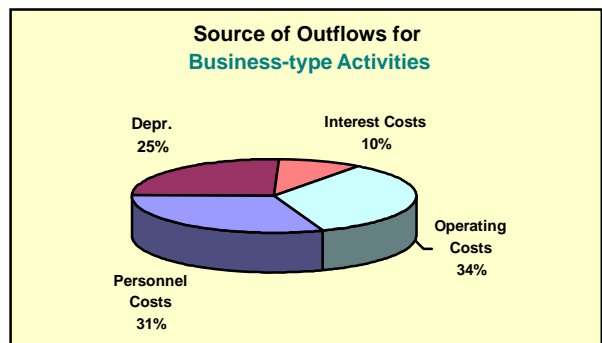
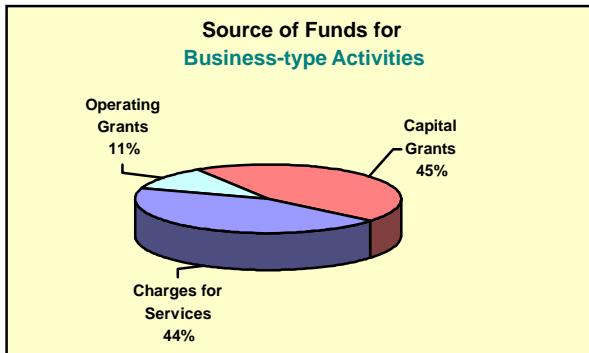
Proprietary Funds:

The County’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net assets and net income (loss) were as follows:

Washington County, Maryland
Net Assets and Net Income (Loss)
(Government Fund Basis)

Enterprise Fund Statements	Net Assets			Net Income (Loss)		
	2007	2006	% Change	2007	2006	% Change
Water Quality	86,454,404	80,182,405	8%	6,271,999	4,803,765	31%
Solid Waste	9,769,867	6,470,774	51%	3,299,093	(1,299,432)	354%
Public Transit	1,609,151	1,583,501	2%	25,650	3,594	614%
Airport	71,636,737	58,228,634	23%	13,408,103	16,513,860	(19%)
Black Rock	2,638,111	2,805,515	(6%)	(167,404)	(168,328)	.5%
Total	172,108,270	149,270,829	15%	22,837,441	19,853,459	15%

The following reflects the inflows and outflows of the business-type activity funds for the fiscal year ending June 30, 2007.



Other factors concerning the finances of these funds have been addressed in the discussion of the County’s business-type activities under “Financial Analysis on Government-Wide Financial Statements”.

General Fund Budgetary Analysis – Government Fund Financial Statement Basis

Washington County, Maryland
General Fund Budgetary Analysis
As of June 30, 2007
(Government Fund Basis)

Category	Budgetary Amounts		Actual	Difference	
	Original	Final		Org. Budget vs. Final Budget	Final Budget vs. Actual
Revenues:					
Property Tax	96,828,430	96,828,430	101,968,710	0	5,140,280
Local Tax	70,440,000	70,459,815	78,194,637	19,815	7,734,822
Other Revenue	8,212,760	8,546,864	12,174,485	334,104	3,627,621
Grant	2,510,300	4,716,778	5,089,712	2,206,478	372,934
Total Revenues	177,991,490	180,551,887	197,427,544	2,560,397	16,875,657
Expenses:					
General Government	16,807,430	17,720,084	16,418,550	912,654	1,301,534
Public Safety	25,154,905	25,781,771	26,266,988	626,866	(485,217)
Health and Social Services	3,624,951	4,678,737	4,187,185	1,053,786	491,552
Education	93,220,930	93,220,930	93,213,430	0	7,500
Parks, Recreation, Natural Resources	5,266,422	5,276,367	5,085,645	9,945	190,722
General Operations	3,410,740	2,597,220	1,134,853	(813,520)	1,462,367
Intergovernmental	17,877,240	19,903,646	37,652,670	2,026,406	(17,749,024)
Debt Service	12,628,872	11,373,132	9,819,719	(1,255,740)	1,553,413
Total Expenses	177,991,490	180,551,887	193,779,040	2,560,397	(13,227,153)
Other Financing Sources (Uses)	-	-	50,000	-	50,000
Net Increase in Assets - 06/30/07	-	-	3,698,504	-	3,698,504

Original Budget vs. Final Budget:

The net budgetary change of \$2.6 million resulted mainly from grant transactions. Increases in grants reflected as revenue were received or expended during the fiscal year from additional state or federal grants of \$2.2 million. The remaining difference is related to small changes in operating and project costs.

Final Budget vs. Actual Results:

Final actual results yielded a \$3.6 million increase to cash reserves. Revenue was over by \$16.9 million and expenditures were over by \$13.3 million. Property Tax experienced a 5.3% increase over budget. Recordation Tax revenue was over budget by 12% or \$1 million, while Income Tax and interest income exceeded final budget by \$6.5 million and \$4.4 million, respectively. Offsetting these revenues were funds transferred to the Capital Improvement fund to cover shortfalls in excise tax revenues, project funding sources, and restricted reserves. The amount transferred to cover the shortfall was \$18.2 million. Insurance reserves ended the year with a positive adjustment of \$667,000, which included health and workers compensation insurance.

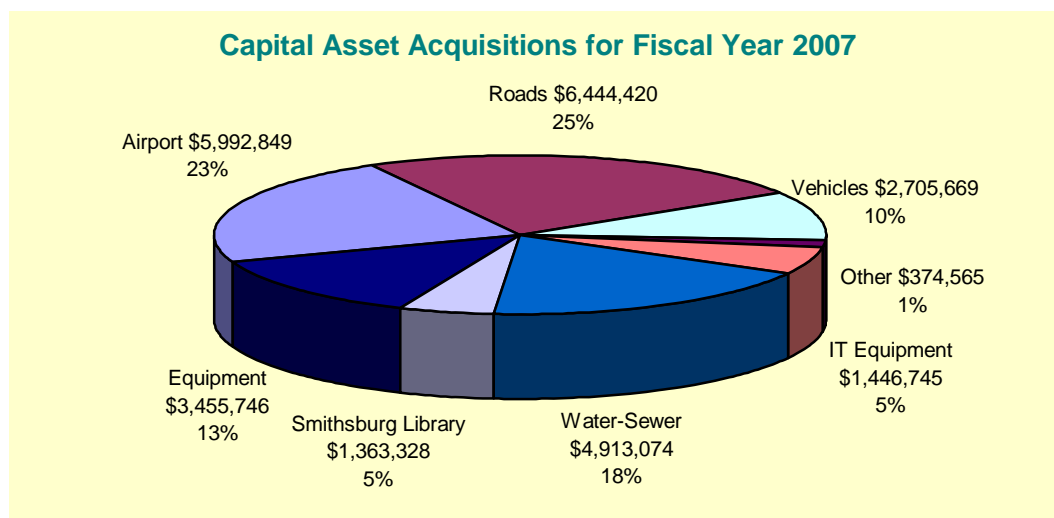
Capital Asset Administration – Government Wide Statements

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2007 amounts to \$485.3 million (net of depreciation). This investment in capital assets includes land, buildings, bridges, roads, equipment, and operational facilities.

Washington County, Maryland
Net Capital Assets
(Government Fund Basis)

Description	Governmental Activities		Business-type Activities		Total		% Change
	2007	2006	2007	2006	2007	2006	
Land and Land Improvement	6,563,948	6,108,535	44,433,220	47,429,078	50,997,168	53,537,613	(5%)
Infrastructure	268,118,938	286,704,572	-	-	268,118,938	286,704,572	(6%)
Building and Improvements	23,450,870	22,885,425	29,309,215	24,273,267	52,760,085	47,158,692	12%
Vehicles	4,356,653	3,007,838	1,162,852	1,090,707	5,519,505	4,098,545	35%
Machinery and Equipment	4,079,417	3,023,532	3,737,824	3,069,853	7,817,241	6,093,385	28%
Office Furniture/Equipment	3,776,186	3,320,806	405,613	489,201	4,181,799	3,810,007	10%
Treatment Plant	-	-	34,376,933	35,342,904	34,376,933	35,342,904	(3%)
Facilities, Lines, and Mains	-	-	61,508,584	57,830,039	61,508,584	57,830,039	6%
Total	310,346,012	325,050,708	174,934,241	169,525,049	485,280,253	494,575,757	(2%)

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



Additional information on the County's capital assets can be found in note 5 on pages 39-42 of this report.

Debt Administration

At the end of the current fiscal year, the County had total outstanding debt, excluding capital leases, of \$169.3 million. This amount was comprised of debt backed by the full faith and credit of the County and user fees. The County's outstanding debt increased \$9 million during the current fiscal year. The net increase resulted from approximately \$11 million in principal payments and approximately \$20 million in new borrowings. Funds borrowed were used for infrastructure and communication projects in the amount of \$14 million. The remaining \$6 million was for education projects.

Washington County, Maryland
Outstanding Debt
(Government Fund Basis)

Instrument Type	Governmental Activity		Business-type Activity		Total Outstanding Debt		% Change
	2007	2006	2007	2006	2007	2006	
General Obligation Bonds	98,566,586	90,825,268	33,864,273	34,247,748	132,430,859	125,073,016	6%
Maryland State Loans	24,245	87,517	2,011,624	2,139,632	2,035,869	2,227,149	(9%)
Maryland Water Quality Bonds	5,626,915	1,905,037	29,213,699	31,049,615	34,840,614	32,954,652	6%
Total	104,217,746	92,817,822	65,089,596	67,436,995	169,307,342	160,254,817	6%

The County's credit rating was upgraded in 2006 by Standard and Poor's and Moody's Investors Services to AA- and Aa3, respectively, while Fitch Ratings graded the County at AA- in 2005 on its general obligation debt.

Under the Code of Public Local Law, the amount of general obligation debt the County may issue associated with water quality debt is limited to 10 percent of its total assessed valuation of all real estate in the county that is subject to taxation. The current estimated debt limitation for water quality is \$997 million, which is significantly in excess of the County's current general obligation debt.

Additional Information on the County's long-term debt can be found in note 8 on pages 44-47 of this report.

Economic Factors and Fiscal Year 2008 Budget/Rates

- ❑ As a result of long-term proactive financial management planning the County's bond ratings are AA- by Fitch Ratings and Standard & Poor's and Aa3 by Moody's Investors Services. These ratings reflect a growing and diverse economy, sound financial position, strong financial policies and a manageable capital plan.
- ❑ Housing trends are down in fiscal year 2008. These trends will mostly likely result in shortfalls in excise tax and transfer tax for the fiscal year ending 2008. Action has already been taken to reserve funds for the projected shortfalls particularly regarding excise tax revenue streams. Due to the County's good financial management practices and plans, it anticipates that all 2008 project obligations will be met in the Capital Project Fund despite current revenue trends.
- ❑ During the current fiscal year, the County's general fund unreserved fund balance totaled \$34 million. The County has designated \$33.1 million of this for cash reserves. It is intended the cash reserve be used for emergencies and to protect the citizens against reducing service levels or raising taxes because of temporary revenue shortfalls or unpredicted expenditures and unanticipated opportunities. This meets the County policy to maintain the minimum reserve level at 17% or two months of working capital.
- ❑ Water and sewer rates were increased for the 2008 budget year. The revenue requirements were increased an average of 3.5% for most customers. This revenue increase is based on financial information formulated annually from the County's cost of service model.
- ❑ The Governmental Accounting Standards Board has issued a new statement regarding the treatment of Other Post Employments Benefits (OPEB) for state and local governments. This statement takes effect in fiscal year 2008 for Washington County. OPEB includes post employment healthcare, as well as other forms of postemployment benefits when provided separately from the County's pension plan. The impact of implementation is not fully known at this time. However Washington County has proactively estimated key financial data with the help of a consultant to start funding base line cost in the 2007 governmental funds budget. The County has begun a five-year funding plan for enterprise fund OPEB cost beginning in 2007.

- ❑ Washington County is currently reviewing the fee structure related to excise tax. The current structure is based on a fixed amount for single family and multi family. The structure being reviewed is based on square footage and would include additions to any footprint of the home. Fees are being discussed to hold revenues at a breakeven point with the current system, however with current conditions, some market adjustments will be made under either method of assessment.
- ❑ The County reduced its tax cap from 10% down to 5% effective July 1, 2007. This cap reduction will limit the increase in taxable base and result in a lower tax base of approximately \$3 million. The cap reduction was projected over the next five years to impact total real property revenues on average by 3% to 4% per year. With this reduction in the tax cap the fiscal year 2009 budget will contain challenges as the following items will continue to develop and transform:
 - Operating costs for new schools
 - Other postemployment benefits for school system
 - Capital requests – increased pay-go funding
 - Slow down in revenues sensitive to economic conditions
 - Public Safety increases

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of Budget and Finance, 100 West Washington Street, Room 304, Hagerstown, Maryland 21740. Questions concerning the Washington County Board of Education should be directed to their offices at Commonwealth Ave, Hagerstown, Maryland 21740.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Primary Government			Component Unit	
	Governmental Activities	Business-type Activities	Total	Board of Education	Total
ASSETS					
Cash and short-term investments	\$ 5,365,920	\$ 24,361,643	\$ 29,727,563	\$ 21,224,534	\$ 50,952,097
Investments	144,493,760	282,148	144,775,908	9,169,263	153,945,171
Investment in capital lease	64,711	-	64,711	-	64,711
Property taxes receivable, net of allowance	305,594	-	305,594	-	305,594
Accounts receivable, net of allowance	1,378,974	1,574,286	2,953,260	-	2,953,260
Interest receivable	1,423,397	75	1,423,472	-	1,423,472
Unbilled receivables	130,457	1,606,425	1,736,882	-	1,736,882
Internal balances	(18,835,270)	18,835,270	-	12,931	12,931
Due from other governmental agencies	32,453,500	11,467,825	43,921,325	7,163,919	51,085,244
Other receivables	-	-	-	625,337	625,337
Inventories	312,998	325,041	638,039	332,495	970,534
Prepaid items	-	-	-	4,929,727	4,929,727
Recoverable disbursements	117,509	-	117,509	-	117,509
Notes receivable	796,057	-	796,057	-	796,057
Bond issuance costs	701,963	146,380	848,343	-	848,343
Projects under construction	20,222,125	54,999,650	75,221,775	15,074,366	90,296,141
Property, plant, and equipment, net	310,346,012	174,934,241	485,280,253	118,517,852	603,798,105
TOTAL ASSETS	\$ 499,277,707	\$ 288,532,984	\$ 787,810,691	\$ 177,050,424	\$ 964,861,115
LIABILITIES					
Current:					
Current maturities of long-term obligations	\$ 6,202,371	\$ 4,903,147	\$ 11,105,518	\$ -	\$ 11,105,518
Current maturities of capital lease obligations	152,948	181,131	334,079	24,674	358,753
Accounts payable	11,460,287	3,902,695	15,362,982	7,621,053	22,984,035
Accrued expenses	1,521,565	470,744	1,992,309	10,636,613	12,628,922
Accrued interest payable	1,857,186	6,999,657	8,856,843	-	8,856,843
Deferred revenues	5,457,835	1,417,756	6,875,591	5,091,850	11,967,441
Compensated absences	1,457,621	346,149	1,803,770	205,761	2,009,531
Post retirement benefits	116,057	-	116,057	-	116,057
Landfill closure and post-closure costs	-	4,031,800	4,031,800	-	4,031,800
Other liabilities	6,865,999	1,923,645	8,789,644	-	8,789,644
Liabilities for unpaid claims	2,500,000	-	2,500,000	-	2,500,000
Noncurrent:					
Deferred revenues	-	12,811,986	12,811,986	-	12,811,986
Compensated absences	316,168	141,703	457,871	5,333,056	5,790,927
Post retirement benefits	777,971	-	777,971	-	777,971
Long-term obligations, net	98,015,375	60,186,449	158,201,824	-	158,201,824
Capital lease obligations	498,692	457,619	956,311	76,832	1,033,143
Landfill closure and post-closure costs	-	18,650,233	18,650,233	-	18,650,233
TOTAL LIABILITIES	\$ 137,200,075	\$ 116,424,714	\$ 253,624,789	\$ 28,989,839	\$ 282,614,628
NET ASSETS					
Invested in capital assets, net of related debt	\$ 292,678,551	\$ 161,091,281	\$ 453,769,832	\$ 133,490,712	\$ 587,260,544
Restricted for:					
John Howard Trust	-	282,148	282,148	-	282,148
Capital Projects	31,761,109	3,114,268	34,875,377	-	34,875,377
Community Partnership	536,425	-	536,425	-	536,425
Foreign Trade Zone	6,692	-	6,692	-	6,692
Contraband	71,135	-	71,135	-	71,135
Narcotics Task Force (NTF)	111,091	-	111,091	-	111,091
Inmate Welfare	367,427	-	367,427	-	367,427
Unrestricted	36,545,202	7,620,573	44,165,775	14,569,873	58,735,648
TOTAL NET ASSETS	\$ 362,077,632	\$ 172,108,270	\$ 534,185,902	\$ 148,060,585	\$ 682,246,487

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental activities:			
General government	\$ 45,666,746	\$ 3,369,784	\$ 182,544
Public safety	25,660,712	471,526	4,244,817
Health	2,376,869	-	-
Social services	1,810,316	-	569,160
Education (includes payment to the Board of Education of \$93,980,120)	108,280,115	-	-
Parks, recreation, and culture	5,370,255	384,980	93,192
Conservation of natural resources	444,753	-	-
General operations	1,563,288	-	-
Intergovernmental	1,600,243	-	-
Community promotion	2,238,095	-	2,117,109
Highways and streets	8,571,244	-	9,049,488
Interest on long-term debt	3,747,643	-	-
Total governmental activities	<u>\$ 207,330,279</u>	<u>\$ 4,226,290</u>	<u>\$ 16,256,310</u>
Business-type activities:			
Water quality	\$ 10,635,845	\$ 9,703,703	\$ -
Solid waste	9,609,318	8,423,641	-
Public transit	2,129,704	336,772	1,157,929
Airport	3,487,988	1,736,466	11,287
Black Rock Golf Course	1,344,082	1,161,792	-
Total business-type activities	<u>\$ 27,206,937</u>	<u>\$ 21,362,374</u>	<u>\$ 1,169,216</u>
TOTAL PRIMARY GOVERNMENT	<u><u>\$ 234,537,216</u></u>	<u><u>\$ 25,588,664</u></u>	<u><u>\$ 17,425,526</u></u>
Component unit:			
Public school system	\$ 230,559,798	\$ 10,219,497	\$ 40,526,841
TOTAL COMPONENT UNIT	<u><u>\$ 230,559,798</u></u>	<u><u>\$ 10,219,497</u></u>	<u><u>\$ 40,526,841</u></u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Income taxes

Other local taxes

Income on investments

Reimbursed expenses

Miscellaneous revenues

Payment from Washington County-unrestricted contributions

Unrestricted grants and contributions

Special items-gain (loss) on disposal of assets

Transfers

TOTAL GENERAL REVENUES, SPECIAL ITEMS, AND TRANSFERS

CHANGE IN NET ASSETS

NET ASSETS-BEGINNING OF YEAR

NET ASSETS-END OF YEAR

Net (Expense) Revenue and Changes in Net Assets					
Capital Grants and Contributions	Primary Government			Component Unit	Total
	Governmental Activities	Business-type Activities	Total	Board of Education	
\$ 3,592,277	\$ (38,522,141)	\$ -	\$ (38,522,141)	\$ -	\$ (38,522,141)
-	(20,944,369)	-	(20,944,369)	-	(20,944,369)
-	(2,376,869)	-	(2,376,869)	-	(2,376,869)
-	(1,241,156)	-	(1,241,156)	-	(1,241,156)
4,363,522	(103,916,593)	-	(103,916,593)	-	(103,916,593)
350,061	(4,542,022)	-	(4,542,022)	-	(4,542,022)
-	(444,753)	-	(444,753)	-	(444,753)
-	(1,563,288)	-	(1,563,288)	-	(1,563,288)
-	(1,600,243)	-	(1,600,243)	-	(1,600,243)
-	(120,986)	-	(120,986)	-	(120,986)
2,038,621	2,516,865	-	2,516,865	-	2,516,865
-	(3,747,643)	-	(3,747,643)	-	(3,747,643)
<u>\$ 10,344,481</u>	<u>\$ (176,503,198)</u>	<u>\$ -</u>	<u>\$ (176,503,198)</u>	<u>\$ -</u>	<u>\$ (176,503,198)</u>
\$ 2,061,092	-	\$ 1,128,950	\$ 1,128,950	\$ -	\$ 1,128,950
-	-	(1,185,677)	(1,185,677)	-	(1,185,677)
100,765	-	(534,238)	(534,238)	-	(534,238)
13,069,945	-	11,329,710	11,329,710	-	11,329,710
-	-	(182,290)	(182,290)	-	(182,290)
<u>\$ 15,231,802</u>	<u>\$ -</u>	<u>\$ 10,556,455</u>	<u>\$ 10,556,455</u>	<u>\$ -</u>	<u>\$ 10,556,455</u>
<u>\$ 25,576,283</u>	<u>\$ (176,503,198)</u>	<u>\$ 10,556,455</u>	<u>\$ (165,946,743)</u>	<u>\$ -</u>	<u>\$ (165,946,743)</u>
\$ 57,145	-	-	-	\$ (179,756,315)	\$ (179,756,315)
<u>\$ 57,145</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (179,756,315)</u>	<u>\$ (179,756,315)</u>
	\$ 101,986,307	\$ -	\$ 101,986,307	\$ -	\$ 101,986,307
	65,419,171	-	65,419,171	-	65,419,171
	15,215,137	-	15,215,137	-	15,215,137
	7,148,838	68,770	7,217,608	1,070,875	8,288,483
	1,124,694	-	1,124,694	-	1,124,694
	561,048	490,070	1,051,118	538,605	1,589,723
	-	-	-	92,637,510	92,637,510
	-	-	-	100,047,334	100,047,334
	(137,609)	3,037	(134,572)	-	(134,572)
	(11,719,109)	11,719,109	-	-	-
	<u>\$ 179,598,477</u>	<u>\$ 12,280,986</u>	<u>\$ 191,879,463</u>	<u>\$ 194,294,324</u>	<u>\$ 386,173,787</u>
	\$ 3,095,279	\$ 22,837,441	\$ 25,932,720	\$ 14,538,009	\$ 40,470,729
	358,982,353	149,270,829	508,253,182	133,522,576	641,775,758
	<u>\$ 362,077,632</u>	<u>\$ 172,108,270</u>	<u>\$ 534,185,902</u>	<u>\$ 148,060,585</u>	<u>\$ 682,246,487</u>

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2007

	<u>General Fund</u>	<u>Foreign Trade Zone</u>	<u>Community Partnership Fund</u>	<u>Inmate Welfare Fund</u>	<u>Contraband Fund</u>	<u>Agricultural Education Center</u>	<u>Highway Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS									
Cash	\$ 51,772	\$ 6,692	\$ 1,629,729	\$ 390,768	\$ 102,812	\$ 203,853	\$ 2,980,294	\$ -	\$ 5,365,920
Investments	144,493,760	-	-	-	-	-	-	-	144,493,760
Property taxes receivable, net of allowance	305,594	-	-	-	-	-	-	-	305,594
Accounts receivable	618,522	-	169	-	-	-	16,429	743,854	1,378,974
Interest receivable	1,423,397	-	-	-	-	-	-	-	1,423,397
Unbilled receivables	109,952	-	-	-	-	-	20,505	-	130,457
Due from other funds	627,145	-	-	-	-	-	-	88,549,583	89,176,728
Due from other governmental agencies	29,718,435	-	587,144	-	-	-	1,272,807	875,114	32,453,500
Inventories	25,737	-	-	-	-	-	287,261	-	312,998
Recoverable disbursements	114,484	-	-	-	-	-	3,025	-	117,509
Notes receivable	796,057	-	-	-	-	-	-	-	796,057
TOTAL ASSETS	\$ 178,284,855	\$ 6,692	\$ 2,217,042	\$ 390,768	\$ 102,812	\$ 203,853	\$ 4,580,321	\$ 90,168,551	\$ 275,954,894
LIABILITIES AND FUND BALANCES									
LIABILITIES:									
Accounts payable	\$ 3,267,636	\$ -	\$ 372,866	\$ 21,193	\$ 3,861	\$ 5,975	\$ 274,730	\$ 7,514,026	\$ 11,460,287
Due to other funds	108,011,998	-	-	-	-	-	-	-	108,011,998
Accrued expenses	1,353,756	-	13,485	2,148	-	1,150	151,026	-	1,521,565
Accrued interest	34,520	-	-	-	-	-	-	-	34,520
Other liabilities	6,838,183	-	-	-	27,816	-	-	-	6,865,999
Liabilities for unpaid claims	2,500,000	-	-	-	-	-	-	-	2,500,000
Deferred revenue	20,714,576	-	1,294,266	-	-	-	-	-	22,008,842
TOTAL LIABILITIES	\$ 142,720,669	\$ -	\$ 1,680,617	\$ 23,341	\$ 31,677	\$ 7,125	\$ 425,756	\$ 7,514,026	\$ 152,403,211
FUND BALANCES:									
Reserved for:									
Inventories	\$ 25,737	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,737
Long-term receivables	1,169,358	-	-	-	-	-	-	-	1,169,358
Unemployment	17,500	-	-	-	-	-	-	-	17,500
Program services	379,853	-	-	-	-	-	-	-	379,853
Unreserved:									
Designated	33,971,738	6,692	536,425	367,427	71,135	196,728	4,154,565	82,654,525	121,959,235
TOTAL FUND BALANCES	\$ 35,564,186	\$ 6,692	\$ 536,425	\$ 367,427	\$ 71,135	\$ 196,728	\$ 4,154,565	\$ 82,654,525	\$ 123,551,683
TOTAL LIABILITIES AND FUND BALANCES	\$ 178,284,855	\$ 6,692	\$ 2,217,042	\$ 390,768	\$ 102,812	\$ 203,853	\$ 4,580,321	\$ 90,168,551	\$ 275,954,894

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

RECONCILIATION OF FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2007

Fund balances governmental funds \$ 123,551,683

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Fixed assets, net 310,346,012
Construction in progress 20,222,125

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:

Investment in capital leases 64,711
Deferred charges 701,963
Deferred tax revenues 16,551,007

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Long-term debt (104,869,386)
Accrued interest (1,822,666)
Compensated absences and post-retirement benefits (2,667,817)

Net Assets Governmental Activities \$ 362,077,632

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2007

	General Fund	Foreign Trade Zone	Community Partnership Fund	Inmate Welfare Fund	Contraband Fund	Agricultural Education Center	Highway Fund	Capital Projects Fund	Total Government Funds
REVENUES									
General property taxes	\$ 101,968,710	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ 101,968,710
Other local taxes	78,194,637	-	-	-		-	-	-	78,194,637
Licenses and permits	2,093,518	-	-	-		-	-	-	2,093,518
Court costs and fines	190,502	-	-	-		-	-	-	190,502
Charges for services	744,967	-	-	358,418		-	-	-	1,103,385
Revenue from uses of property	7,892,305	-	-	-		21,723	-	-	7,914,028
Reimbursed expenses	809,301	-	-	-		-	315,393	-	1,124,694
Miscellaneous revenues	443,892	-	-	134,668	113,385	500	69,999	1,815,673	2,578,117
Shared taxes and grants	5,089,712	-	2,117,109	-		-	9,049,488	11,973,539	28,229,848
TOTAL REVENUES	\$ 197,427,544	\$ -	\$ 2,117,109	\$ 493,086	\$ 113,385	\$ 22,223	\$ 9,434,880	\$ 13,789,212	\$ 223,397,439
EXPENDITURES									
Current:									
General government	\$ 16,418,550	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,418,550
Public safety	26,266,988	-	-	-	42,250	-	-	-	26,309,238
Health	2,376,869	-	-	-	-	-	-	-	2,376,869
Social services	1,810,316	-	-	-	-	-	-	-	1,810,316
Education	93,213,430	-	-	-	-	-	-	-	93,213,430
Parks, recreation and culture	4,650,784	-	-	-	-	149,593	-	-	4,800,377
Natural resources	434,861	-	-	-	-	-	-	-	434,861
Intergovernmental	1,600,243	-	-	-	-	-	-	-	1,600,243
General operations	1,134,853	-	-	428,435	-	-	-	-	1,563,288
Community promotion	-	-	2,238,455	-	-	-	-	-	2,238,455
Highways and streets	-	-	-	-	-	-	10,183,945	-	10,183,945
Debt Service:									
Debt service	9,819,719	-	-	-	-	-	-	-	9,819,719
Capital Outlay:									
General government	-	-	-	-	-	-	-	7,800,655	7,800,655
Public works	-	-	-	-	-	-	-	9,249,991	9,249,991
Education	-	-	-	-	-	-	-	15,066,685	15,066,685
Parks and recreation	-	-	-	-	-	-	-	282,531	282,531
TOTAL EXPENDITURES	\$ 157,726,613	\$ -	\$ 2,238,455	\$ 428,435	\$ 42,250	\$ 149,593	\$ 10,183,945	\$ 32,399,862	\$ 203,169,153
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 39,700,931	\$ -	\$ (121,346)	\$ 64,651	\$ 71,135	\$ (127,370)	\$ (749,065)	\$ (18,610,650)	\$ 20,228,286
OTHER FINANCING SOURCES (USES)									
Transfers in	\$ -	\$ -	\$ 153,410	\$ -	\$ -	\$ 165,570	\$ -	\$ 29,756,213	\$ 30,075,193
Transfers out	(36,052,427)	-	-	-	-	-	(200,000)	(5,541,875)	(41,794,302)
Proceeds of capital lease	50,000	-	-	-	-	-	782,100	-	832,100
Proceeds of loan	-	-	-	-	-	-	-	3,751,233	3,751,233
Proceeds of bond sale	-	-	-	-	-	-	-	13,330,388	13,330,388
TOTAL OTHER FINANCING SOURCES (USES)	\$ (36,002,427)	\$ -	\$ 153,410	\$ -	\$ -	\$ 165,570	\$ 582,100	\$ 41,295,959	\$ 6,194,612
NET CHANGES IN FUND BALANCES	\$ 3,698,504	\$ -	\$ 32,064	\$ 64,651	\$ 71,135	\$ 38,200	\$ (166,965)	\$ 22,685,309	\$ 26,422,898
FUND BALANCES - BEGINNING	31,865,682	6,692	504,361	302,776	-	158,528	4,321,530	59,969,216	97,128,785
FUND BALANCES - ENDING	\$ 35,564,186	\$ 6,692	\$ 536,425	\$ 367,427	\$ 71,135	\$ 196,728	\$ 4,154,565	\$ 82,654,525	\$ 123,551,683

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2007

Net change in fund balances in governmental funds \$ 26,422,898

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlay as expenditures.
However, in the statement of activities, the cost of those assets
is allocated over their estimated useful lives as depreciation expense.
This is the amount by which depreciation exceeded capital outlay in
the current period. (9,865,676)

In the statement of activities, the total gain or loss on the sale of assets
is reported, whereas in the governmental funds, the proceeds from the sale
increase financial resources. Thus, the change in net assets differs from the
change in fund balance by the cost of the assets sold. (204,392)

Bond and capital lease proceeds provide current financial resources to
governmental funds, but issuing debt increases long-term liabilities in the
statement of net assets. Repayment of bond and capital lease principal is
an expenditure in the governmental funds, but the repayments reduce
long-term liabilities in the statement of net assets. This is the amount by
which proceeds exceeded repayments. (11,575,396)

In the statement of activities, compensated absences and post-retirement
benefits are measured by the amounts earned during the year. In the
governmental funds, however, expenditures are measured by the amount
of financial resources used. This year, compensated absences and
post-retirement benefits earned exceeded financial resources used. (161,312)

Revenues and expenditures are reported in the statement of activities on
the accrual basis and in the governmental funds when they provide or
use current financial resources. This is the net difference of revenues
and expenditures recognized between the governmental funds and
statement of activities. (1,520,843)

Change in net assets of governmental activities \$ 3,095,279

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2007

Business Type Activities - Enterprise Funds

	Water Quality Fund	Solid Waste Fund	Public Transit Fund	Airport Fund	Golf Course Fund	Totals
ASSETS						
Current Assets:						
Cash and short-term investments	\$ 9,823,892	\$ 11,035,129	\$ -	\$ 3,501,822	\$ 800	\$ 24,361,643
Accounts receivable	852,609	564,396	6,500	146,739	4,042	1,574,286
Interest receivable	-	-	-	-	75	75
Unbilled receivables	1,105,362	493,332	698	7,033	-	1,606,425
Due from other governmental agencies	2,177,179	-	816,589	8,474,057	-	11,467,825
Due from other funds	7,926,102	9,115,018	-	2,774,135	-	19,815,255
Inventories	159,840	-	72,900	-	92,301	325,041
Restricted assets - investments	-	-	-	-	282,148	282,148
Total current assets	\$ 22,044,984	\$ 21,207,875	\$ 896,687	\$ 14,903,786	\$ 379,366	\$ 59,432,698
Noncurrent Assets:						
Bond issuance costs	\$ 146,380	\$ -	\$ -	\$ -	\$ -	\$ 146,380
Projects under construction	1,788,226	237,430	-	52,973,994	-	54,999,650
Property plant and equipment	133,232,180	49,486,485	4,384,230	57,229,508	4,613,180	248,945,583
Accumulated depreciation	(33,656,440)	(17,804,702)	(3,322,768)	(17,265,591)	(1,961,841)	(74,011,342)
Total noncurrent assets	\$ 101,510,346	\$ 31,919,213	\$ 1,061,462	\$ 92,937,911	\$ 2,651,339	\$ 230,080,271
TOTAL ASSETS	\$ 123,555,330	\$ 53,127,088	\$ 1,958,149	\$ 107,841,697	\$ 3,030,705	\$ 289,512,969
LIABILITIES						
Current Liabilities:						
Current maturities of long-term obligations	\$ 3,391,285	\$ 824,568	\$ -	\$ 687,294	\$ -	\$ 4,903,147
Current maturities of capital lease obligations	6,801	174,330	-	-	-	181,131
Accounts payable	572,607	293,323	42,976	2,979,018	14,771	3,902,695
Accrued expenses	278,696	61,541	52,197	25,866	52,444	470,744
Accrued interest	6,383,430	268,259	-	347,968	-	6,999,657
Due to other funds	-	-	196,723	90,165	203,221	490,109
Deferred revenue	442,305	561,390	-	406,461	7,600	1,417,756
Compensated absences	174,386	77,692	40,420	30,862	22,789	346,149
Landfill closure and post-closure costs	-	4,031,800	-	-	-	4,031,800
Other liabilities	7,300	-	-	1,916,345	-	1,923,645
Total current liabilities	\$ 11,256,810	\$ 6,292,903	\$ 332,316	\$ 6,483,979	\$ 300,825	\$ 24,666,833
Non Current Liabilities:						
Due to other funds	\$ -	\$ -	\$ -	\$ 419,220	\$ 70,656	\$ 489,876
Deferred revenue	-	-	-	12,811,986	-	12,811,986
Compensated absences	70,021	23,442	16,682	10,445	21,113	141,703
Bonds and long-term debt, net	25,751,920	17,955,199	-	16,479,330	-	60,186,449
Capital lease obligations	22,175	435,444	-	-	-	457,619
Landfill closure and post-closure costs	-	18,650,233	-	-	-	18,650,233
Total noncurrent liabilities	\$ 25,844,116	\$ 37,064,318	\$ 16,682	\$ 29,720,981	\$ 91,769	\$ 92,737,866
TOTAL LIABILITIES	\$ 37,100,926	\$ 43,357,221	\$ 348,998	\$ 36,204,960	\$ 392,594	\$ 117,404,699
NET ASSETS						
Invested in capital assets, net of related debt	\$ 70,417,910	\$ 9,922,693	\$ 1,061,462	\$ 75,771,288	\$ 2,651,339	\$ 159,824,692
Unrestricted	15,529,204	(2,759,804)	547,689	(4,134,551)	(295,376)	8,887,162
Restricted - capital projects	507,290	2,606,978	-	-	-	3,114,268
Restricted - John Howard Trust	-	-	-	-	282,148	282,148
TOTAL NET ASSETS	\$ 86,454,404	\$ 9,769,867	\$ 1,609,151	\$ 71,636,737	\$ 2,638,111	\$ 172,108,270

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2007

	Business-Type Activities - Enterprise Funds					Totals
	Water Quality Fund	Solid Waste Fund	Public Transit Fund	Airport Fund	Golf Course Fund	
OPERATING REVENUES						
Charges for services	\$ 9,703,703	\$ 8,423,641	\$ 336,772	\$ 1,736,466	\$ 1,161,792	\$ 21,362,374
Miscellaneous	363,550	66,130	5,960	52,677	1,753	490,070
TOTAL OPERATING REVENUES	<u>\$ 10,067,253</u>	<u>\$ 8,489,771</u>	<u>\$ 342,732</u>	<u>\$ 1,789,143</u>	<u>\$ 1,163,545</u>	<u>\$ 21,852,444</u>
OPERATING EXPENSES						
Salaries and wages	\$ 3,038,031	\$ 1,216,669	\$ 1,067,874	\$ 557,118	\$ 460,501	\$ 6,340,193
Fringe benefits	1,145,962	352,923	259,344	157,187	134,464	2,049,880
Utilities	773,557	56,813	28,941	182,691	55,133	1,097,135
Insurance	129,462	49,466	90,875	44,207	29,466	343,476
Repairs and maintenance	173,250	7,394	85,197	60,684	67,240	393,765
Supplies	282,174	86,788	26,137	7,733	4,883	407,715
Cost of goods sold	-	-	-	-	161,989	161,989
Contracted services	325,212	1,472,816	111,990	35,644	5,022	1,950,684
Rentals and leases	22,952	2,025	90,015	2,849	55,949	173,790
Other operating	1,219,766	2,944,777	238,054	91,603	214,819	4,709,019
Uncollectible accounts	(497)	9,715	40	(212)	99	9,145
Controllable assets	92,478	-	4,579	4,232	-	101,289
Depreciation	2,211,363	2,852,047	126,658	1,538,638	154,517	6,883,223
TOTAL OPERATING EXPENSES	<u>\$ 9,413,710</u>	<u>\$ 9,051,433</u>	<u>\$ 2,129,704</u>	<u>\$ 2,682,374</u>	<u>\$ 1,344,082</u>	<u>\$ 24,621,303</u>
OPERATING INCOME (LOSS)	<u>\$ 653,543</u>	<u>\$ (561,662)</u>	<u>\$ (1,786,972)</u>	<u>\$ (893,231)</u>	<u>\$ (180,537)</u>	<u>\$ (2,768,859)</u>
OTHER INCOME (EXPENSE)						
Interest expense	\$ (1,222,135)	\$ (557,885)	\$ -	\$ (805,614)	\$ -	\$ (2,585,634)
Interest income	53,013	2,057	8	559	13,133	68,770
Gain (loss) on disposal of assets	6,486	-	-	(3,449)	-	3,037
TOTAL OTHER INCOME (EXPENSE)	<u>\$ (1,162,636)</u>	<u>\$ (555,828)</u>	<u>\$ 8</u>	<u>\$ (808,504)</u>	<u>\$ 13,133</u>	<u>\$ (2,513,827)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>\$ (509,093)</u>	<u>\$ (1,117,490)</u>	<u>\$ (1,786,964)</u>	<u>\$ (1,701,735)</u>	<u>\$ (167,404)</u>	<u>\$ (5,282,686)</u>
OPERATING TRANSFERS	3,120,000	665,350	477,920	99,990	-	4,363,260
GRANTS FOR OPERATIONS	-	-	1,157,929	11,287	-	1,169,216
NET INCOME (LOSS) BEFORE CAPITAL TRANSFERS AND GRANTS	<u>\$ 2,610,907</u>	<u>\$ (452,140)</u>	<u>\$ (151,115)</u>	<u>\$ (1,590,458)</u>	<u>\$ (167,404)</u>	<u>\$ 249,790</u>
CAPITAL TRANSFERS	1,600,000	3,751,233	76,000	1,928,616	-	7,355,849
GRANTS FOR CAPITAL PROJECTS	2,061,092	-	100,765	13,069,945	-	15,231,802
NET INCOME (LOSS)	<u>\$ 6,271,999</u>	<u>\$ 3,299,093</u>	<u>\$ 25,650</u>	<u>\$ 13,408,103</u>	<u>\$ (167,404)</u>	<u>\$ 22,837,441</u>
NET ASSETS- BEGINNING	<u>80,182,405</u>	<u>6,470,774</u>	<u>1,583,501</u>	<u>58,228,634</u>	<u>2,805,515</u>	<u>149,270,829</u>
NET ASSETS- ENDING	<u>\$ 86,454,404</u>	<u>\$ 9,769,867</u>	<u>\$ 1,609,151</u>	<u>\$ 71,636,737</u>	<u>\$ 2,638,111</u>	<u>\$ 172,108,270</u>

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2007

	Water Quality Fund	Solid Waste Fund	Public Transit Fund	Airport Fund	Golf Course Fund	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>						
Receipts from customers	\$ 9,107,956	\$ 9,625,849	\$ 334,164	\$ 4,639,302	\$ 1,161,413	\$ 24,868,684
Payments to suppliers for goods and services	(3,671,691)	(6,430,559)	(648,175)	652,302	(615,207)	(10,713,330)
Payments to employees for services	(4,137,523)	(1,547,118)	(1,321,601)	260,852	(586,242)	(7,331,632)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,298,742	\$ 1,648,172	\$ (1,635,612)	\$ 5,552,456	\$ (40,036)	\$ 6,823,722
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>						
Operating contributions	\$ 3,120,000	\$ 665,350	\$ 1,635,849	\$ 111,277	\$ -	\$ 5,532,476
Increase due to/from other funds	2,627,649	(408,172)	(85,547)	4,263,002	29,111	6,426,043
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	\$ 5,747,649	\$ 257,178	\$ 1,550,302	\$ 4,374,279	\$ 29,111	\$ 11,958,519
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>						
Interest paid on notes and bonds payable	\$ (701,162)	\$ (505,513)	\$ -	\$ (714,160)	\$ -	\$ (1,920,835)
Acquisition and construction of capital assets	(2,403,930)	(346,633)	(91,463)	(24,000,326)	11,342	(26,831,010)
Contribution for capital acquisitions	3,661,092	3,751,233	176,765	14,998,561	-	22,587,651
Principal payments on notes and bonds payable	(3,764,600)	(771,699)	-	(758,008)	-	(5,294,307)
Proceeds from issuance of notes and bonds payable	50,000	2,716,771	-	-	-	2,766,771
Payments for bond issuance	(8,465)	-	-	-	-	(8,465)
Payments under capital lease obligations	(20,743)	(351,508)	-	-	-	(372,251)
Proceeds from sale of capital assets	44,100	26,591	-	4,000	-	74,691
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (3,143,708)	\$ 4,519,242	\$ 85,302	\$ (10,469,933)	\$ 11,342	\$ (8,997,755)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>						
Interest on investments	\$ 53,013	\$ 2,057	\$ 8	\$ 559	\$ -	\$ 55,637
Purchase of U.S. Government Agency Notes	-	-	-	-	(827,517)	(827,517)
Maturities of U.S. Government Agency Notes	-	-	-	-	827,000	827,000
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	\$ 53,013	\$ 2,057	\$ 8	\$ 559	\$ (517)	\$ 55,120
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 3,955,696	\$ 6,426,649	\$ -	\$ (542,639)	\$ (100)	\$ 9,839,606
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	5,868,196	4,608,480	-	4,044,461	900	14,522,037
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	\$ 9,823,892	\$ 11,035,129	\$ -	\$ 3,501,822	\$ 800	\$ 24,361,643
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>						
Operating income (loss)	\$ 653,543	\$ (561,662)	\$ (1,786,972)	\$ (893,231)	\$ (180,537)	\$ (2,768,859)
Adjustments to reconcile operating income to net cash provided (used) by operating activities						
Depreciation expense and amortization	2,259,602	2,852,047	126,658	1,538,638	154,517	6,931,462
Changes in assets and liabilities:						
Accounts receivable	518,209	1,105,756	5,510	13,803	(3,232)	1,640,046
Unbilled receivables	53,208	14,777	(45)	(3,606)	-	64,334
Due to/from other governmental agencies	(1,410,290)	-	15,419	(2,400,991)	-	(3,797,862)
Inventories	25,953	-	18,336	-	(9,095)	35,194
Accounts payable	(727,529)	87,809	9,317	1,081,733	(11,512)	439,818
Accrued expenses	46,470	22,474	5,617	975,157	8,723	1,058,441
Landfill closure and post-closure costs	-	(1,888,574)	-	-	-	(1,888,574)
Deferred revenues	(120,424)	15,545	(29,452)	5,242,953	1,100	5,109,722
Net cash provided (used) by operating activities	\$ 1,298,742	\$ 1,648,172	\$ (1,635,612)	\$ 5,552,456	\$ (40,036)	\$ 6,823,722

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

JUNE 30, 2007

	Agency Funds	Pension Trust Fund	LOSAP	Private-Purpose Trust Fund	Total
ASSETS					
Cash and short-term investments	\$ 2,422,365	\$ 3,691,855	\$ 76,002	\$ 37,860	\$ 6,228,082
Interest and dividends receivable	-	141,564	11,441	-	153,005
Investments, at fair value					
U.S. Government obligations	-	8,064,441	716,871	38,982	8,820,294
Corporate bonds	-	3,302,126	290,783	-	3,592,909
Corporate stock	-	20,934,104	1,736,296	-	22,670,400
Fixed income funds	-	1,025,094	51,255	-	1,076,349
Equity funds	-	13,230,314	1,001,713	-	14,232,027
Accounts receivable	14,231	-	-	-	14,231
Due from other funds	-	-	-	1,300	1,300
TOTAL ASSETS	\$ 2,436,596	\$ 50,389,498	\$ 3,884,361	\$ 78,142	\$ 56,788,597
LIABILITIES					
Accounts payable	\$ 86,639	\$ -	\$ -	\$ -	\$ 86,639
Due to other funds	14,231	-	-	-	14,231
Due to student groups	2,263,451	-	-	-	2,263,451
Undistributed Tax Proceeds	72,275	-	-	-	72,275
TOTAL LIABILITIES	\$ 2,436,596	\$ -	\$ -	\$ -	\$ 2,436,596
NET ASSETS					
Assets held in trust for pension benefits	\$ -	\$ 50,389,498	\$ -	\$ -	\$ 50,389,498
Reserved for LOSAP	-	-	3,884,361	-	3,884,361
Reserved for scholarships	-	-	-	78,142	78,142
TOTAL NET ASSETS	\$ -	\$ 50,389,498	\$ 3,884,361	\$ 78,142	\$ 54,352,001

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2007

	Pension Trust Fund	LOSAP	Private Purpose Trust Fund	Total
ADDITIONS				
Contributions:				
Employer	\$ 2,915,988	\$ 492,500	\$ -	\$ 3,408,488
Plan members	1,557,110	-	-	1,557,110
Gifts and contributions	-	-	15,271	15,271
TOTAL CONTRIBUTIONS	<u>\$ 4,473,098</u>	<u>\$ 492,500</u>	<u>\$ 15,271</u>	<u>\$ 4,980,869</u>
Investment Income:				
Net appreciation in fair value of investments	\$ 2,950,186	\$ 222,870	\$ -	\$ 3,173,056
Interest and dividends	1,918,194	142,982	5,406	2,066,582
Gain on sale of investments	2,172,702	156,032	-	2,328,734
TOTAL INVESTMENT INCOME	<u>\$ 7,041,082</u>	<u>\$ 521,884</u>	<u>\$ 5,406</u>	<u>\$ 7,568,372</u>
TOTAL ADDITIONS	<u>\$ 11,514,180</u>	<u>\$ 1,014,384</u>	<u>\$ 20,677</u>	<u>\$ 12,549,241</u>
DEDUCTIONS				
Benefits	\$ 2,567,150	\$ 133,569	\$ -	\$ 2,700,719
Scholarships	-	-	17,961	17,961
Administrative expenses	154,149	50,609	-	204,758
TOTAL DEDUCTIONS	<u>\$ 2,721,299</u>	<u>\$ 184,178</u>	<u>\$ 17,961</u>	<u>\$ 2,923,438</u>
NET INCREASE IN ASSETS	<u>\$ 8,792,881</u>	<u>\$ 830,206</u>	<u>\$ 2,716</u>	<u>\$ 9,625,803</u>
NET ASSETS - BEGINNING OF YEAR	<u>41,596,617</u>	<u>3,054,155</u>	<u>75,426</u>	<u>44,726,198</u>
NET ASSETS - END OF YEAR	<u>\$ 50,389,498</u>	<u>\$ 3,884,361</u>	<u>\$ 78,142</u>	<u>\$ 54,352,001</u>

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The Financial Reporting Entity:

The primary government is the County Commissioners of Washington County, referred to herein as the County or the County Commissioners. The County is governed by an elected five-member board.

The accompanying financial statements are presented as of June 30, 2007 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the *GASB's Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification).

Reporting Entity:

The accompanying financial statements comply with the provisions of the GASB Standards in that the financial statements include all organizations, activities, functions and component units for which the County (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the County's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the County.

Based on the foregoing, the County's financial reporting entity includes all funds, agencies, boards and commissions that are part of the primary government, and the component units discussed below.

Blended Component Units - The Washington County Public Golf Corporation (Black Rock Golf Course) is governed by a five-member board appointed by the County Commissioners. Although it is legally separate from the County, the Washington County Public Golf Corporation is reported as if it were part of the primary government because its sole purpose is to operate the golf course owned by the County. The Employee's Retirement Plan of Washington County and the Volunteer Length of Service Award program are also reported as blended component units.

Discretely Presented Component Unit - The component unit column in the government wide financial statements includes the financial data of the County's other component unit, the Board of Education of Washington County, referred to herein as Board, Board of Education or School System. The Board of Education is elected by the voters of Washington County. The Board of Education operates the public schools in the County. The Board may not issue debt or levy taxes. The County issues debt and levies taxes to provide capital and operating funds to the Board. The State of Maryland also provides significant capital and operating funds to the Board.

Complete financial statements of the discretely presented individual component unit can be obtained from its administrative office:

Washington County Board of Education
P.O. Box 730
Hagerstown, Maryland 21741

Related Organizations - The County Commissioners are also responsible for appointing the members of the boards of various other organizations, but the County's accountability for these organizations does not extend beyond making the appointments. Several of these other organizations are funded by federal or state government.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect on interfund activity has been removed from these statements. 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 and other items not properly included among program revenues are reported instead as general revenues.

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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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. Capital assets and related depreciation are recorded in these statements, as well as accrued compensated absences and other accruals.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers non-grant revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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 and claims and judgments, are recorded only when payment is due. Also, capital assets and related depreciation as well as long-term liabilities are not recorded in these statements.

Property taxes, income taxes, other local taxes, licenses, and interest associated with the current fiscal period are all recognized as revenues of the current fiscal period.

The County's pension plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

The government 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 Foreign Trade Zone Fund is a special revenue fund used to account for all transactions of the Foreign Trade Zone Commission. The Foreign Trade Zone Commission was established to allow a reduction or elimination of import taxes for County businesses within the 1,866 acres of the zone.

The Community Partnership Fund is a special revenue fund used to account for all activities conducted by this department of the County. The Community Partnership's core function is to coordinate services and identify needs of the children, youth and families of Washington County.

The Inmate Welfare Fund is a special revenue fund used to account for commissary activities at the Washington County Detention Center and other inmate related revenues and expenses.

The Contraband Fund is a special revenue fund used for the deposit and temporary holding of seized U.S. Currency related to Narcotics Investigations. These monies are held in escrow pending civil or criminal court proceedings or abandonment. Released funds are used for law enforcement related expenses within Washington County at the discretion of the Board of Directors for the Washington County Narcotics Task Force.

The Agricultural Education Center Fund is a special revenue fund used to account for all transactions of the Agricultural Education Center. The purpose of this Center is to promote agricultural pursuits in Washington County and to educate the general public and members of the agricultural community in all areas regarding agriculture in the County.

The Highway Fund is a special revenue fund used to account for activities that relate to the daily maintenance of roads, streets, drainage ditches, storm water management ponds and bridges.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities in the governmental funds. The Capital Projects Fund accounts for all capital improvements, which are financed by bond issues, government grants, and transfers from the General and Special Revenue Funds. Closed projects are transferred to the appropriate fund.

The government reports the following major proprietary funds:

The Water Quality Fund accounts for the activity of the County's sewage treatment plants, sewage pumping stations and collection systems, and the water treatment plants and distribution systems.

The Solid Waste Fund is used to account for activities related to the safe disposal of solid waste, to meet all state, federal, and county regulations and to provide for recycling.

The Public Transit Fund accounts for the activities of the public bus transportation system.

The Airport Fund is used to account for the activities at the Hagerstown Regional Airport that serves the air transportation and ancillary needs of the four state region.

The Golf Course Fund accounts for activities at the Black Rock Golf Course including an 18 hole golf course, a full service pro shop, and a public restaurant.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Additionally, the government reports the following funds:

The County's Tax Sale Agency Fund is used to account for tax sales proceeds until distribution.

The School Activity Fund of the Board of Education is an Agency Fund used in a custodial nature to account for the assets of the various school activities groups.

The Fringe Benefit Plan of the Board of Education is an Agency Fund used to account for the activity related to the Board's IRC Section 125 Cafeteria Plan. Employees of the Board may elect to have amounts withheld from their salaries for dependent care, health insurance premiums, and uncovered medical expenses.

The County's Pension Trust Fund is used to account for the activity related to the Employees' Retirement Plan of Washington County.

The County's Volunteer Length of Service Award Program Fund (LOSAP) is used to account for the activity related to the eligible volunteers' retirement, disability, and death benefits.

The Private-Purpose Trust Fund is used to account for the assets donated to the Board of Education to finance memorial scholarships, which are limited to revenues earned.

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

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

Amounts reported as program revenues 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 revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from producing and delivering goods and providing services and use of properties in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. The Water Quality Fund also recognizes as operating revenue the portion of connection 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 of 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, and then unrestricted resources as they are needed.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), 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 \$10,000 for all funds except for the Black Rock Golf Course and Public Transit funds, which are \$5,000. All assets are recorded at historical cost or estimated historical cost, except for donated capital assets which are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year ended June 30, 2007.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Land Improvements	15-50
Buildings and Improvements	10-40
Facilities	20-100
Vehicles	5-10
Infrastructure	10-100
Machinery and Equipment	5-20
Office Furniture and Equipment	5-10
Treatment Plants	25-100
Computer Equipment	5-10

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, and proprietary fund statements of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs incurred by the governmental funds are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources (uses). Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Use of Estimates in the Preparation of Financial Statements:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the County to make estimates and assumptions that 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 revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Investments:

Investments are stated at fair value based on quoted market values. Under the terms of repurchase agreements the excess cash from checking accounts is invested in short-term investments. All deposits are insured by FDIC or a surety bond. Short-term investments in U.S. Treasury and agency obligations that have remaining maturities of 90 days or less, provided that the fair value of those investments is not significantly affected by impairment, are reported at amortized cost, which approximates market 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.

Retirement plan 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.

Inventories:

Inventories of the General Fund, Special Revenue Funds and Enterprise Funds consist of expendable supplies held for consumption and items held for sale. These items are priced at cost using the first-in, first-out method.

Employee Benefit Programs:

The County's benefit program provides substantially all employees with group hospitalization, life insurance, disability income protection and retirement plans. The cost of the retirement plans is accounted for in the General and Special Revenue Funds and in the Enterprise Funds of the County.

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, 1972 who elected to retain membership in the Maryland State Retirement System. The Board of Education Retirement Plan is the Maryland State Retirement System. The assets of the County plan are held by a trustee.

Retirement plan costs for members of the County Retirement Plan are determined annually on an actuarial basis. Pension costs charged to expense equal the annual required contributions, calculated in accordance with GASB Statement No. 27. The County follows the practice of funding pension costs accrued. In the fiscal year ending June 30, 2008, the County will adopt GASB No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions".

Taxes and County Services:

The County and its separate funds do not pay federal, state or local taxes except social security taxes. Except for certain limited reimbursements of administrative expenses and employee benefits made from other funds, the General Fund is not reimbursed by the other funds for general staff services.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Real Estate and Personal Property Taxes:

The County's property tax is levied each July 1st 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. 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. A reassessment of all property is required to be completed every three years.

Property taxes are levied as of July 1st and a discount of one-half percent is granted for property taxes paid by July 31st. The taxpayer also has the options of paying in full without interest by September 30th or paying their tax bill semi-annually. Taxpayers electing the semi-annual method can pay the first installment without interest by September 30th. After October 1st interest is charged. The second semi-annual payment, including a service charge is due by December 31st. Interest accrues at one percent monthly for delinquent property taxes.

Maryland law provides that unpaid real estate property taxes shall be a lien on the real property from the date the taxes become payable. If real estate property taxes remain unpaid, the collector shall sell the real property at tax sale no later than two years from the date the tax is in arrears. The County's tax sale is held annually on the first Tuesday in the month of June.

Rate of County Taxes:

Income tax	2.8% of Maryland taxable income (2006 and 2007 calendar years)
Recordation tax	\$7.60 per \$1,000
Trailer park	15% of gross rentals
Property taxes	\$.948 per \$100 of assessable base

Cash Flows:

For the purposes of the Statement of Cash Flows, the proprietary funds have defined cash equivalents as all highly liquid deposits and other investment instruments that have a maturity of three months or less.

Concentrations of Credit Risk:

The County's receivables consist of amounts due from County residents for property and other taxes, utilities and miscellaneous services and amounts due from the federal and state governments for grants and shared taxes. The Water Quality department provides sewage and water services for residential, commercial and other entities in the Washington County, Maryland region. The department extends credit to its customers for sewer and water service charges.

Reserved and Designated Fund Balances:

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

Unrestricted Net Assets:

Governmental activities unrestricted net assets has been reduced by \$48,129,081 in long term debt, resulting in unrestricted net assets of \$24,976,903. This long term debt was incurred by the County's General Fund for the purpose of capital asset acquisition for the Board of Education \$(43,858,256) and Hagerstown Community College \$(4,270,825). The capital assets acquired with these bonds are not reflected in the primary government financial statements.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 2. Stewardship, Compliance, and Accountability

Budgetary Information:

The County's budget process is key to its long-range strategic plan. With the adoption phase ending in May, the entire budget process encompasses nine months in preparation time. Financial forecasts, economic trends, policy reviews, and citizen input are all part of this process and result in the development of the operating and capital budgets for the year. The following describes the budget process and procedures established by the County.

Financial Capacity and Analysis Phase:

The County develops statistical analysis of major revenue sources through various resources available. The County prepares and annually updates a long-range (5 years) financial forecasting system which includes projections of revenues, expenditures, future costs, financing of capital improvements that are included in the Capital Improvement Budgets, Cost of Service Plans and the Operating Budget.

Revenue estimates are monitored to identify any potential trends, which would significantly impact the various revenue sources. The County reviews current construction trends, the number of building permits, mortgages rates, and other economic data that can impact revenue collections.

The County uses other financial modeling techniques that impact the long-term operations and rates for the Water Quality and Solid Waste Funds.

The County annually updates its financial ratio trends. Most of the financial trends includes peer group median and historical data. Trend indicators are tracked for specific elements of the County's fiscal policies for evaluation.

Debt capacity is evaluated on an annual basis prior to the adoption of the Capital Improvement budget. The County examines statistical measures and compares them to other counties, rating agency standards, and Washington County's historical measures to determine debt affordability.

The economic and financial trend analysis is an integral part of the County's decision-making process that includes short and long-term forecasts. The County's current financial condition as well as future financial capacity, long-range plans, and future goals and visions are evaluated. During this phase forecasting assumptions, policy and reserve reviews, compensation adjustments, and inflation assumptions are made.

Budget Development Start:

The development of the budget starts with the on-line release of operational budgets and six year capital improvement plan. The information distributed includes instructions on completing the budgets, due dates, and updated information on budgetary numbers, personnel positions, goals, and other pertinent information.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 2. Stewardship, Compliance, and Accountability (Continued)

Budget Development Phase:

Capital Improvement budget development begins in the winter after the development of the debt capacity and financial trend and economic trend analysis. The Capital Improvement Program (CIP) provides a comprehensive approach to planning and impacts all facets of County operations. The County Administrator, the Finance Director, the Planning Director, and the Director of Public Works comprise the Capital Improvements Program Committee ("CIP Committee"). From the time the CIP's initial annual review begins in October through its adoption in May of each fiscal year, there is constant interaction between departments, the CIP committee, and the elected officials. This effort is characterized by cooperation and reflects a common goal of ensuring that the CIP meets the objectives of the County and remains affordable and achievable.

The CIP is reviewed in conjunction with the annual debt affordability analysis with revenue projections inclusive of rate analysis, in order to determine funding availability. A financial analysis of funding sources and project costs is conducted for all proposed capital improvement projects.

It is the CIP Committee's responsibility to review all requests that County departments and agencies submit. Based on current and future needs as developed in the six-year capital plan, and available funding sources, the CIP Committee determines which capital projects best meet established criteria for the current fiscal year Capital Improvement budget and the five-year forecast. Operating impacts of current and proposed capital projects are also taken into consideration by staff when developing their Capital Improvement budget.

Operating budgets represent existing service levels and two years of prior historical information. Departments and Agencies request funding for the upcoming fiscal year. Any increases in program and services require justification, as do, all capital outlay requests. These requests are summarized with projected funding shortfalls or overruns calculated.

Review/Modification Phase:

The County Administrator presents the Operating and Capital Improvement budgets to the County Commissioners. Preliminary recommendations are reviewed to ensure that preliminary budgets address the County's goals and fiscal management policies. The County Administrator and the Director of Finance work with the Commissioners on the proposed budget documents for adoption.

Adoption Phase:

Proposed budgets are voted on by the County Commissioners to take to a public hearing to communicate to the general public for all operating and capital funds. Advertisement is placed in the local newspaper, handouts, and on the County web site. A presentation and handouts are prepared for the public.

Public hearings are held on the proposed budgets and the current tax levy. A 10-day waiting period is held for public comment. Local law requires a balance budget to be adopted by July 1st.

Start Up:

Department Managers are responsible for their budgets throughout the fiscal year. Expenditure percentages are calculated and compared to budget. Corrective action, if necessary, is taken if serious negative trends exist. Management and the County Commissioners have real-time budgeting reports available on-line, as well as, up-dates on major events and/or issues.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 2. Stewardship, Compliance, and Accountability (Continued)

Balanced Budget:

Under County code the County Commissioners annual budget shall have a figure for the total of all appropriations and a figure for the total of all revenues available to pay the appropriations. The figure for total appropriations may not exceed the figure for total estimated revenues.

Costing of Services:

In addition to accrual basis budgeting, several enterprise funds utilize a cost of service approach. Cost of service is a method of accounting, which identifies both the cost of the program and the portion of the cost that will be recovered through fees and charges. By using this financial technique, the County is able to assess the true cost of providing a service. Currently water, sewer, and solid waste services use this approach to determine cost and rates.

Amendment to the Budget:

The County's Operating budgets are adopted at the program/service level and the Capital Improvement budget is adopted at the project level. Transfers between programs or projects in excess of \$25,000 require County Commissioner approval. Any transfer out of contingency requires the approval of the County Commissioners.

The Director of Budget and Finance reviews the project status and revenues before any issuance of debt. Any modifications to a project and or the total debt to be issued based upon this review is required to be approved by the County Commissioners either for an increase or decrease in total borrowing amount or for a change in the total borrowing source.

Note 3. Cash and Short-Term Investments

County:

The County maintains a cash and investment pool that is available for use by all funds, and is displayed on the Statement of Net Assets as "cash and short-term investments."

Statutes authorize the County to invest in United States government bonds, obligations of the federal government or agencies, savings accounts in Maryland banks, repurchase agreements and the Maryland Local Government Investment Pool.

Deposits:

At June 30, 2007, the carrying amount of the County's deposits was \$29,799,838 and the bank balances were \$30,129,739. All deposits are carried at cost plus accrued interest. There were no significant violations of the collateralization requirements during the year ended June 30, 2007. The County's deposit policy specifies that all deposits must be entirely covered by federal depository insurance, deposit surety bond, or by collateral in the form of pledged securities, according to state statute. In order to anticipate market changes and provide a level of security for all funds, the collateralization level is required to be at least 102% of market value of principal and accrued interest.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of June 30, 2007 the County's bank balance of \$29,163,054 was not exposed to custodial credit risk as \$100,000 of interest bearing accounts and \$100,000 of non-interest bearing accounts are insured by FDIC and \$60,000,000 is insured by a deposit surety bond issued by XL Capital Assurance, Inc.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 3. Cash and Short-Term Investments (Continued)

Investments:

As of June 30, 2007, the County had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Treasury Bills	\$ 10,380,182	\$ 10,380,182	\$ -	\$ -	\$ -
Federal Home Loan Mortgage Corporation discount notes	88,472,481	88,472,481	-	-	-
Federal National Mortgage Association discount notes	45,923,245	45,923,245	-	-	-
Total Investments held in County's name	\$ 144,775,908	\$ 144,775,908	\$ -	\$ -	\$ -
Investments held by trustee of					
<u>Pension plan:</u>					
U.S Government obligations and Coporate bonds	\$ 11,366,567	\$ 59,026	\$ 2,660,913	\$ 2,975,541	\$ 5,671,087
Corporate stocks	20,934,104	20,934,104	-	-	-
Fixed Income Funds	1,025,094	1,025,094	-	-	-
Equity Funds	13,230,314	13,230,314	-	-	-
Money Market Funds	3,691,855	3,691,855	-	-	-
Interest and Dividends Receivable	141,564	141,564	-	-	-
Total Investments held by trustee of Pension plan	\$ 50,389,498	\$ 39,081,957	\$ 2,660,913	\$ 2,975,541	\$ 5,671,087
Investments held by trustee of					
<u>LOSAP plan:</u>					
U.S Government obligations and Coporate bonds	\$ 1,007,654	\$ 14,906	\$ 234,462	\$ 226,412	\$ 531,874
Corporate stocks	1,736,296	1,736,296	-	-	-
Fixed Income Funds	51,255	51,255	-	-	-
Equity Funds	1,001,713	1,001,713	-	-	-
Money Market Funds	76,002	76,002	-	-	-
Interest and Dividends Receivable	11,441	11,441	-	-	-
Total Investments held by trustee of LOSAP plan	\$ 3,884,361	\$ 2,891,613	\$ 234,462	\$ 226,412	\$ 531,874
Total Investments	\$ 199,049,767	\$ 186,749,478	\$ 2,895,375	\$ 3,201,953	\$ 6,202,961

Interest rate risk: As a means of limiting its exposure to fair value losses arising from interest rates, the County's investment policy specifies that funds shall be invested at all times in keeping with the daily and seasonal pattern of the County's cash balances, as well as any other special factors or needs, in order to assure the availability of funds on a timely and liquid basis. Cash flow projections will be monitored and updated on an ongoing basis by the Budget and Finance Department and communicated regularly to the County Administrator. On a periodic basis, the County will determine, based on cash flow projections, what the appropriate average weighted maturity of the portfolio should be.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 3. Cash and Short-Term Investments (Continued)

Unless matched to a specific cash flow, the County will not invest in securities maturing more than three years from the date of purchase. Reserve funds may be invested in securities exceeding three years if the maturities of such instruments precede or coincide with the expected needs for funds and only with the prior approval of the Budget and Finance Department.

The County's Pension Plan Investment Policy states that the assets are to be managed for total return, defined as dividend and interest income plus or minus capital gains and losses. Investments shall be diversified so as to minimize the risk of unacceptable losses. The portfolio is looked at as a whole rather than as individual securities. Investing for long term (preferably longer than 10 years) becomes critical to investment success because it allows the long-term characteristics of the asset classes to surface.

The table below summarizes the target asset class weighting, along with the allowable ranges for each class.

<u>Investment Type</u>	<u>Range</u>	<u>Target</u>
Equities:		
Large-Cap U.S. Stocks	25-45%	35%
Small-Cap U.S. Stocks	0-15%	10%
International Stocks	5-20%	15%
REITS	0-10%	5%
Fixed Income:		
High Yield Bonds	0-15%	10%
Investment Grade Bonds	5-30%	23%
Money Market	0-10%	2%

Credit risk: It is the County's investment policy to only invest in U.S. Government Treasury obligations, agencies and sponsored instrumentalities. Also the County's investment policy allows for investments in banks located in the State of Maryland (Certificates of Deposit) with the exception of Bankers Acceptances. Commercial banks must have a short-term rating of at least investment grade from the appropriate bank rating agencies. Bankers' Acceptances from domestic banks, which also include United States affiliates of large international banks, must have a rating of A1 from Standards and Poor's Corporation and P1 from Moody's Investor Services. As of June 30, 2007, the County's investments were 100% in U.S. Treasury and Agency obligations.

The County's Pension Plan Investment Policy allows for investing in the following investment types. Also below is the benchmark used for rating each of the assts.

<u>Investment Type</u>	<u>Evaluation Benchmark</u>
Equities:	
Large-Cap U.S. Stocks	S&P 500
Small-Cap U.S. Stocks	Russel 2000
International Stocks	MSCI ACWI
REITS	NAREIT Equity
Fixed Income:	
High Yield Bonds	Lehman High Yield Credit Bond Index
Investment Grade Bonds	Lehman Bros. Aggregate Bond Index
Money Market	SSB 3-month Treasury Bill

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2007, none of the County's investments are exposed to custodial credit risk because they are held in the County's name.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 3. Cash and Short-Term Investments (Continued)

Board of Education:

Credit Risk: Maryland State Law prescribes that local government units such as the School System must deposit its cash in banks transacting business in the State of Maryland and that such banks must secure any deposits in excess of Federal Deposit Insurance Corporation insurance levels with collateral whose market value is at least equal to the deposits. At June 30, 2007, the carrying amount of the School System's cash deposits, including fiduciary funds, was \$16,732,770 and the bank balance was \$18,399,015. Of the bank balance, \$500,444 was covered by federal depository insurance and \$17,898,571 was collateralized with securities held by an agent of the pledging financial institution. Additionally, a compensating balance agreement exists with the Board's primary financial institution. This non-interest bearing deposit is maintained in lieu of cash payments for standard bank services. The required average balance totaled \$250,000 at June 30, 2007.

Investments:

Credit Risk: Maryland Statutes authorize the Board to invest in obligations of the United States government or agency obligations.

Interest and Custodial Credit Risk: Investments are made in fully secured time deposits and in Federal government securities primarily through repurchase agreements without risk of loss due to market conditions. The Board's investments, which include uninsured and unregistered investments, are held by a bank's trust department or agent in the School System's name. The Board's policy is generally to require delivery of the underlying collateral to a third party custodian.

Foreign Currency Risk: Maryland law does not permit the School System to have or hold any type of international investment vehicle.

The carrying amounts, which approximate market values, of the Board's investments, including fiduciary funds, at June 30, 2007 are summarized as follows:

	<u>Carrying value</u>
Federal Home Loan Bank, 4.500%, matures March 28, 2008	\$ 1,500,000
Farmer Mac, 5.000%, matures May 3, 2010	1,100,000
Federal Home Loan Bank, 5.030%, matures March 27, 2009	1,005,000
Federal Home Loan Bank, 3.366%, matures September 14, 2007	500,000
U.S. Treasury notes, Series F-2008, 2.245%, matures May 15, 2008	1,000,000
Federal Home Loan Bank, 5.000%, matures January 2, 2009	1,065,000
Federal Home Loan Mortgage Corp, 5.003%, matures October 26, 2009	500,000
Federal Home Loan Mortgage Corp, 5.000%, matures September 1, 2009	1,000,000
Federal Home Loan Bank, 5.143%, matures February 15, 2008	1,500,000
Income Fund of America	38,982
Total Investments	<u>\$ 9,208,982</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 3. Cash and Short-Term Investments (Continued)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
U.S. Treasuries	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	\$ -
U.S Agencies	8,170,000	3,500,000	4,670,000	-	-
Income Fund	38,982	38,982	-	-	-
Total Investments Held	<u>\$ 9,208,982</u>	<u>\$ 4,538,982</u>	<u>\$ 4,670,000</u>	<u>\$ -</u>	<u>\$ -</u>

Note 4. Receivables

Receivables as of year end for the government's individual major funds, including the applicable allowances for uncollectible accounts are as follows:

	<u>Governmental Activities</u>				
	<u>General</u>	<u>Highway</u>	<u>Community Partnership</u>	<u>Capital Projects</u>	<u>Total</u>
Receivables:					
Taxes receivable	\$ 836,231	\$ -	\$ -	\$ -	\$ 836,231
Accounts receivable	656,805	23,834	169	743,854	1,424,662
Gross receivables	\$ 1,493,036	\$ 23,834	\$ 169	\$ 743,854	\$ 2,260,893
Less: allowance for uncollectibles	568,920	7,405	-	-	576,325
Net Total Receivables	<u>\$ 924,116</u>	<u>\$ 16,429</u>	<u>\$ 169</u>	<u>\$ 743,854</u>	<u>\$ 1,684,568</u>

	<u>Business-type Activities</u>					
	<u>Water Quality</u>	<u>Solid Waste</u>	<u>Public Transit</u>	<u>Airport</u>	<u>Black Rock Golf Course</u>	<u>Total</u>
Accounts receivable	\$ 862,808	\$ 589,094	\$ 7,000	\$ 147,992	\$ 4,042	\$ 1,610,936
Less: allowance for uncollectibles	10,199	24,698	500	1,253	-	36,650
Net Total Receivables	<u>\$ 852,609</u>	<u>\$ 564,396</u>	<u>\$ 6,500</u>	<u>\$ 146,739</u>	<u>\$ 4,042</u>	<u>\$ 1,574,286</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year deferred revenue for delinquent property taxes receivable reported in the general fund was \$197,213. Receivables do not include various taxes collected by the State of Maryland on behalf of the County, including income taxes. These amounts are included in Due From Other Governmental Agencies.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

Primary Government:

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 2,771,433	\$ -	\$ -	\$ 2,771,433
Capital assets, being depreciated:				
Land Improvements	\$ 7,006,684	\$ 704,299	\$ -	\$ 7,710,983
Buildings and Improvements	36,446,480	1,838,991	-	38,285,471
Vehicles	9,264,805	2,350,279	(485,833)	11,129,251
Infrastructure	1,011,369,061	5,897,185	-	1,017,266,246
Machinery and Equipment	8,270,317	2,043,718	(1,142,123)	9,171,912
Office Furniture and Equipment	3,359,463	820,638	-	4,180,101
Computer Equipment	6,388,732	623,580	(15,279)	6,997,033
Total capital assets being depreciated	<u>\$ 1,082,105,542</u>	<u>\$ 14,278,690</u>	<u>\$ (1,643,235)</u>	<u>\$ 1,094,740,997</u>
Total capital assets	<u>\$ 1,084,876,975</u>	<u>\$ 14,278,690</u>	<u>\$ (1,643,235)</u>	<u>\$ 1,097,512,430</u>
Accumulated depreciation for:				
Land Improvements	\$ (3,669,582)	\$ (248,886)	\$ -	\$ (3,918,468)
Buildings and Improvements	(13,561,055)	(1,273,546)	-	(14,834,601)
Vehicles	(6,256,967)	(885,568)	369,937	(6,772,598)
Infrastructure	(724,664,489)	(24,482,819)	-	(749,147,308)
Machinery and Equipment	(5,246,785)	(514,324)	668,614	(5,092,495)
Office Furniture and Equipment	(2,561,520)	(406,623)	-	(2,968,143)
Computer Equipment	(3,865,869)	(582,215)	15,279	(4,432,805)
Total Accumulated Depreciation	<u>\$ (759,826,267)</u>	<u>\$ (28,393,981)</u>	<u>\$ 1,053,830</u>	<u>\$ (787,166,418)</u>
Governmental activities capital assets, net	<u>\$ 325,050,708</u>	<u>\$ (14,115,291)</u>	<u>\$ (589,405)</u>	<u>\$ 310,346,012</u>
Projects under construction	<u>\$ 15,587,497</u>	<u>\$ 17,333,177</u>	<u>\$ (12,698,549)</u>	<u>\$ 20,222,125</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

Business-type Activities:	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Capital assets, not being depreciated				
Land	\$ 9,925,822	\$ 202,582	\$ -	\$ 10,128,404
Capital assets, being depreciated:				
Land Improvements	\$ 60,013,177	\$ 65,000	\$ -	\$ 60,078,177
Buildings and Improvements	31,190,768	5,824,955	(7,910)	37,007,813
Facilities	71,805,975	4,537,953	(44,100)	76,299,828
Vehicles	4,986,078	355,391	(2,000)	5,339,469
Machinery and Equipment	8,235,225	1,412,029	(342,081)	9,305,173
Office Furniture and Equipment	323,205	-	-	323,205
Computer Equipment	1,156,966	19,796	-	1,176,762
Treatment Plants	49,286,752	-	-	49,286,752
Total capital assets being depreciated	<u>\$ 226,998,146</u>	<u>\$ 12,215,124</u>	<u>\$ (396,091)</u>	<u>\$ 238,817,179</u>
Total capital assets	<u>\$ 236,923,968</u>	<u>\$ 12,417,706</u>	<u>\$ (396,091)</u>	<u>\$ 248,945,583</u>
Accumulated depreciation for:				
Land Improvements	\$ (22,509,921)	\$ (3,263,440)	\$ -	\$ (25,773,361)
Buildings and Improvements	(6,917,501)	(781,558)	461	(7,698,598)
Facilities	(13,975,936)	(824,532)	9,224	(14,791,244)
Vehicles	(3,895,372)	(282,495)	1,250	(4,176,617)
Machinery and Equipment	(5,165,372)	(661,843)	259,866	(5,567,349)
Office Furniture and Equipment	(305,795)	(3,561)	-	(309,356)
Computer Equipment	(685,175)	(99,823)	-	(784,998)
Treatment Plants	(13,943,847)	(965,972)	-	(14,909,819)
Total Accumulated Depreciation	<u>\$ (67,398,919)</u>	<u>\$ (6,883,224)</u>	<u>\$ 270,801</u>	<u>\$ (74,011,342)</u>
Business-type activities capital assets, net	<u>\$ 169,525,049</u>	<u>\$ 5,534,482</u>	<u>\$ (125,290)</u>	<u>\$ 174,934,241</u>
Projects under construction	<u>\$ 39,839,407</u>	<u>\$ 20,716,937</u>	<u>\$ (5,556,694)</u>	<u>\$ 54,999,650</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 26,303,125
Public Safety	1,149,666
Recreation	313,400
Conservation of Natural Resources	9,892
Highway	617,898
Total depreciation expense - governmental activities	<u>\$ 28,393,981</u>
 Business-type activities:	
Public Transit Fund	\$ 126,658
Airport Fund	1,538,638
Black Rock Golf Course	154,517
Water Quality	2,211,364
Solid Waste	2,852,047
Total depreciation expense - business-type activities	<u>\$ 6,883,224</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

Board of Education (Discretely presented component unit):

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,514,501	\$ -	\$ -	\$ 2,514,501
Capital assets being depreciated:				
Buildings and improvements	\$ 174,416,354	\$ 14,572,615	\$ -	\$ 188,988,969
Furniture and equipment	25,481,862	3,021,436	(1,882,744)	26,620,554
Equipment under capital leases	797,224	-	(454,813)	342,411
	<u>\$ 200,695,440</u>	<u>\$ 17,594,051</u>	<u>\$ (2,337,557)</u>	<u>\$ 215,951,934</u>
Accumulated depreciation for:				
Buildings and improvements	\$ (81,174,629)	\$ (4,090,620)	\$ -	\$ (85,265,249)
Furniture and equipment, including equipment under capital leases	(15,326,185)	(2,118,072)	2,111,368	(15,332,889)
	<u>\$ (96,500,814)</u>	<u>\$ (6,208,692)</u>	<u>\$ 2,111,368</u>	<u>\$ (100,598,138)</u>
Governmental activities capital assets, net	<u>\$ 106,709,127</u>	<u>\$ 11,385,359</u>	<u>\$ (226,189)</u>	<u>\$ 117,868,297</u>
Business-type activities:				
Capital assets being depreciated:				
Furniture and equipment	\$ 3,213,482	\$ 149,676	\$ (178,107)	\$ 3,185,051
Accumulated depreciation for:				
Furniture and equipment	(2,587,468)	(113,921)	165,893	(2,535,496)
Business-type activities capital assets, net	<u>\$ 626,014</u>	<u>\$ 35,755</u>	<u>\$ (12,214)</u>	<u>\$ 649,555</u>
Total	<u>\$ 107,335,141</u>	<u>\$ 11,421,114</u>	<u>\$ (238,403)</u>	<u>\$ 118,517,852</u>
Facilities under construction	<u>\$ 18,725,869</u>	<u>\$ 13,074,436</u>	<u>\$ (16,725,939)</u>	<u>\$ 15,074,366</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

Depreciation expense was charged to the functions/programs of the Board as follows:

Governmental activities:	
Other instructional costs	\$ 1,099,077
Student transportation services	812,527
Operation of plant	71,023
Depreciation - unallocated	<u>4,226,065</u>
Total depreciation expense - governmental activities	<u><u>\$ 6,208,692</u></u>
Business-type activities:	
Food services	<u>\$ 113,921</u>
Total depreciation expense - business-type activities	<u><u>\$ 113,921</u></u>

Note 6. Interfund Receivables and Payables

Outstanding balances between funds are reported as “due to/from other funds” and are the result of the County’s central cash management and disbursement system. Other activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are also referred to in the fund statements as “due to/from other funds”.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Airport	\$ 509,385
	Golf Course	117,760
Water Quality	General Fund	7,784,966
	Golf Course	62,447
	Public Transit	78,689
Solid Waste	General Fund	8,952,711
	Golf Course	71,814
	Public Transit	90,493
Airport	General Fund	2,724,738
	Golf Course	21,856
	Public Transit	27,541
Capital Projects	General fund	<u>88,549,583</u>
Total		<u><u>\$ 108,991,983</u></u>

Due to/from primary government and component unit:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Component unit - Board of Education	Primary government - capital projects	<u><u>\$ 2,536,137</u></u>

The general fund receivable from the Airport has a June 30, 2007 balance of \$509,385 of which \$439,385 bears interest at a rate of 4.5% and is being paid over a remaining 5 year period and \$70,000 is an interest free loan and is being paid over a remaining 7 year period. All other interfund payables are without interest.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 7. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds. Usually these transfers are undertaken to enable the receiving funds to provide services that the government has determined to be in the best interest of the County. Interfund transactions are generally classified as follows:

- ◆ Transfers are reported as "Other Financing Sources (Uses)" in the governmental funds and as "Operating Transfers" or "Capital Transfers" in the enterprise funds.

A summary of transfers follows:

<u>Fund</u>	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>	<u>Capital Transfers In</u>	<u>Capital Transfers Out</u>
General Fund:				
Capital Projects Fund	\$ -	\$ -	\$ -	\$ 29,556,213
Public Transit Fund	-	477,920	-	76,000
Water Quality Fund	-	3,120,000	-	1,600,000
Airport Fund	-	99,990	-	137,974
Solid Waste Fund	-	665,350	-	-
Community Partnership	-	153,410	-	-
Agricultural Education Center	-	165,570	-	-
Community Partnership:				
General Fund	153,410	-	-	-
Capital Projects:				
General Fund	-	-	29,556,213	-
Highway Fund	-	-	200,000	-
Solid Waste Fund	-	-	-	3,751,233
Airport Fund	-	-	-	1,790,642
Highway Fund:				
Capital Projects Fund	-	-	-	200,000
Agricultural Education Center:				
General Fund	165,570	-	-	-
Water Quality Fund:				
General Fund	3,120,000	-	1,600,000	-
Capital Projects Fund	-	-	-	-
Solid Waste Fund:				
General Fund	665,350	-	-	-
Capital Projects Fund	-	-	3,751,233	-
Public Transit Fund:				
General Fund	477,920	-	76,000	-
Airport Fund:				
General Fund	99,990	-	137,974	-
Capital Projects Fund	-	-	1,790,642	-
	<u>\$ 4,682,240</u>	<u>\$ 4,682,240</u>	<u>\$ 37,112,062</u>	<u>\$ 37,112,062</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term and Capital Lease Obligations

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. During the year, general obligation bonds totaling \$16,000,000 and Maryland Water Quality loans totaling \$3,801,233 were issued for new projects. General obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds generally are issued as 20-year serial bonds with different amounts of principal maturing each year. General obligation bonds and capital lease obligations currently outstanding are as follows:

	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:						
Bonds payable:						
General obligation bonds	2.0-6.1 %	\$ 91,460,653	\$ 13,291,213	\$ 6,001,305	\$ 98,750,561	\$ 6,148,772
Deferred amount on refunding		(1,046,752)	-	(464,541)	(582,211)	-
Unamortized bond premium		461,593	39,175	55,261	445,507	-
Unamortized bond discount		(50,226)	-	(2,955)	(47,271)	-
Total bonds payable		<u>\$ 90,825,268</u>	<u>\$ 13,330,388</u>	<u>\$ 5,589,070</u>	<u>\$ 98,566,586</u>	<u>\$ 6,148,772</u>
Other loans payable						
Maryland Water Quality loans	1.0%	\$ 1,905,037	\$ 5,000,000	\$ 29,355	\$ 6,875,682	\$ 29,354
State loan	6.2%	87,517	-	63,272	24,245	24,245
Amount to be drawn		-	(1,248,767)	-	(1,248,767)	-
Other loans payable		<u>\$ 1,992,554</u>	<u>\$ 3,751,233</u>	<u>\$ 92,627</u>	<u>\$ 5,651,160</u>	<u>\$ 53,599</u>
Total bonds and loans payable		\$ 92,817,822	\$ 17,081,621	\$ 5,681,697	\$ 104,217,746	\$ 6,202,371
Capital lease obligations	4.0-5.4%	-	832,100	180,460	651,640	152,948
Governmental Activity						
Long-term Liabilities		<u>\$ 92,817,822</u>	<u>\$ 17,913,721</u>	<u>\$ 5,862,157</u>	<u>\$ 104,869,386</u>	<u>\$ 6,355,319</u>
Business-type Activities						
Bonds payable:						
General obligation bonds	2.0-7.4 %	\$ 35,899,693	\$ 2,708,787	\$ 3,280,381	\$ 35,328,099	\$ 2,067,453
Deferred amount on refunding		(1,619,083)	-	(197,672)	(1,421,411)	-
Unamortized bond premium		36,911	7,984	27,282	17,613	-
Unamortized bond discount		(69,773)	-	(9,745)	(60,028)	-
Total bonds payable		<u>\$ 34,247,748</u>	<u>\$ 2,716,771</u>	<u>\$ 3,100,246</u>	<u>\$ 33,864,273</u>	<u>\$ 2,067,453</u>
Other loans payable:						
Maryland Water Quality loans	.04-4.9%	\$ 31,049,615	\$ 560,000	\$ 1,885,916	\$ 29,723,699	\$ 2,698,399
State loans	5.5-6.4%	2,139,632	-	128,008	2,011,624	137,295
Amount to be drawn		-	(510,000)	-	(510,000)	-
Other loans payable - net		<u>\$ 33,189,247</u>	<u>\$ 50,000</u>	<u>\$ 2,013,924</u>	<u>\$ 31,225,323</u>	<u>\$ 2,835,694</u>
Total bonds and loans payable		\$ 67,436,995	\$ 2,766,771	\$ 5,114,170	\$ 65,089,596	\$ 4,903,147
Capital leases obligations	4.3-5.5%	356,992	654,010	372,252	638,750	181,131
Business-type Activity						
Long-term Liabilities		<u>\$ 67,793,987</u>	<u>\$ 3,420,781</u>	<u>\$ 5,486,422</u>	<u>\$ 65,728,346</u>	<u>\$ 5,084,278</u>
Total Combined Activities						
Long-term Liabilities		<u>\$ 160,611,809</u>	<u>\$ 21,334,502</u>	<u>\$ 11,348,579</u>	<u>\$ 170,597,732</u>	<u>\$ 11,439,597</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term and Capital Lease Obligations (Continued)

Summary of remaining debt service requirements for the years ended June 30 are as follows:

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 6,202,371	\$ 3,924,522	\$ 4,903,147	\$ 1,981,302
2009	7,123,352	3,920,455	5,098,766	1,958,769
2010	7,386,302	3,643,162	5,113,480	1,938,158
2011	7,764,529	3,362,879	4,656,943	1,850,488
2012	8,062,037	3,071,369	4,401,821	1,897,167
2013 - 2017	34,573,277	10,823,469	19,320,180	10,259,265
2018 - 2022	21,886,582	4,802,614	16,444,839	7,278,910
2023 - 2025	12,652,038	1,276,940	7,124,246	624,598
	<u>\$ 105,650,488</u>	<u>\$ 34,825,410</u>	<u>\$ 67,063,422</u>	<u>\$ 27,788,657</u>
Less:				
Deferred amount on refunding	(582,211)		(1,421,411)	
Unamortized discount	(47,271)		(60,028)	
Unamortized premium	445,507		17,613	
Amount to be drawn	<u>(1,248,767)</u>		<u>(510,000)</u>	
	<u>\$ 104,217,746</u>		<u>\$ 65,089,596</u>	

The County Commissioners have received bonding authority from the State Legislature to issue public facilities bonds in the amount of approximately \$92,190,652 for the purpose of financing various capital projects.

Conduit Debt

From time to time, the County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received in the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. In accordance with governmental accounting standards the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007 there were Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$42,006,808.

Capital Leases

On February 15, 2007, the General Fund entered into a capital lease agreement for equipment. The lease calls for annual lease payments of \$180,460. The term of the lease is for five years, expiring February 15, 2011.

<u>Year ending June 30,</u>	
2008	\$ 180,460
2009	180,460
2010	180,460
2011	180,460
Total minimum lease payments	<u>\$ 721,840</u>
Less amounts representing interest	<u>70,200</u>
Present value of net minimum lease payments	<u>\$ 651,640</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term and Capital Lease Obligations (Continued)

On August 15, 2002, the Solid Waste Fund entered into a capital lease agreement for equipment. The lease called for annual lease payments of \$83,349. The term of the lease was for five years and expired August 15, 2006. On September 10, 2002, the Solid Waste Fund entered into a capital lease agreement for equipment. The lease called for annual lease payments of \$78,180. The term of the lease was for five years and expired September 10, 2006. On May 28, 2004, the Solid Waste Fund entered into a capital lease agreement for equipment. The lease calls for annual lease payments of \$68,681. The term of the lease is for five years, expiring July 15, 2008. On August 28, 2006, the Solid Waste Fund entered into a capital lease agreement for equipment. The lease calls for annual lease payments of \$53,274. The term of the lease is for five years, expiring August 28, 2010. On September 19, 2006, the Solid Waste Fund entered into a capital lease agreement for equipment. The lease calls for annual lease payments of \$83,038 through September 25, 2010. The future minimum payments under these agreements are as follows:

<u>Year ending June 30,</u>	
2008	\$ 204,993
2009	204,993
2010	136,313
2011	<u>136,313</u>
Total minimum lease payments	\$ 682,612
Less amounts representing interest	<u>72,838</u>
Present value of net minimum lease payments	<u>\$ 609,774</u>

On August 15, 2002, the Water Quality Fund entered into a capital lease agreement for equipment. The lease called for annual lease payments of \$13,286. The term of the lease was for five years and expired August 15, 2006. On February 15, 2007, the Water Quality Fund entered into a capital lease agreement for equipment. The lease calls for annual lease payments of \$8,024. The term of the lease is for five years, expiring February 15, 2011. The future minimum payments under this agreement are as follows:

<u>Year ending June 30,</u>	
2008	\$ 8,024
2009	8,024
2010	8,024
2011	<u>8,024</u>
Total minimum lease payments	\$ 32,096
Less amounts representing interest	<u>3,120</u>
Present value of net minimum lease payments	<u>\$ 28,976</u>

The following is an analysis of the capital assets acquired under capital leases as of June 30, 2007.

	<u>General Fund</u>	<u>Solid Waste</u>	<u>Water Quality</u>	<u>Total</u>
Cost	\$ 1,205,512	\$ 643,601	\$ 72,075	\$ 1,921,188
Accumulated depreciation	<u>(31,710)</u>	<u>(44,923)</u>	<u>(601)</u>	<u>(77,234)</u>
	<u>\$ 1,173,802</u>	<u>\$ 598,678</u>	<u>\$ 71,474</u>	<u>\$ 1,843,954</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term and Capital Lease Obligations (Continued)

Board of Education:

The Board of Education has various capital lease agreements for certain data processing and communications equipment. The future minimum payments under these agreements are as follows:

<u>Year ending June 30,</u>	
2008	\$ 30,103
2009	30,103
2010	30,103
2011	<u>24,391</u>
Total minimum lease payments	\$ 114,700
Less amounts representing interest	<u>13,194</u>
Present value of net minimum lease payments	<u>\$ 101,506</u>

Advance Refundings:

In prior years, the County has partially defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for certain future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the partially defeased bonds are not included in the County's financial statements. As of June 30, 2007, \$22,790,000 of long-term obligations outstanding are considered defeased.

Note 9. Operating Lease Agreements

County:

On January 1, 2006 the Golf Course Corporation entered into a lease for golf carts. The agreement called for lease payments of \$6,962 payable from April through November of each year. The lease term is for three years commencing on April 15, 2006.

Total lease payments for the year ended June 30, 2007 were \$55,949.

The County has entered into a lease as the lessor with a local manufacturing company whereby the County has obtained low interest financing to construct the leased facility. This debt is reflected in the General Fund. The County will transfer title of the property to the Company at the end of the 25 year lease term, which expires in July 2007. Lease payments of \$138,824 per year for the term of the lease are designed to cover the debt service on the loan. The investment in capital lease at June 30, 2007 is \$68,739. In November 2007 the County will transfer title of the property to the Company.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 9. Operating Lease Agreements (Continued)

During fiscal year 2004, the County entered into a lease agreement whereby the lessee constructed a building and improvements on land owned at the Airport. The total cost of the building and improvements was capitalized as an asset in the Airport fund with an estimated useful life of 40 years. At June 30, 2004, the building and improvements were estimated at \$2,500,000. During the year ending June 30, 2005, a revised cost was obtained reducing the value to \$2,000,000. The \$500,000 adjustment was recorded as a reduction to fixed assets and deferred revenue in the June 30, 2005 financial statements. The terms of the original agreement which began June 30, 2004, allowed the lessee to use the property for a period of 25 years, with no additional payments due. Effective May 1, 2006, this lease was amended with lease terms extended to 31 years. The agreement allows an option for the lessee to continue the lease past the 31 year term at a rental payment equal to the fair market rental value of the leased property at that time. Deferred revenue in the amount of \$2,500,000 was recorded in the Airport fund at the inception of the lease but, was adjusted down to \$2,000,000 during year ending 2005, and was to be recognized as rental income over the original 25 year term of the lease. Since the amendment on May 1, 2006, the remaining \$1,840,000 of this lease will be amortized over 31 years.

During fiscal year 2006, the County entered into a lease agreement whereby the lessee constructed a building and improvements on land owned at the Airport. The total cost of the building and improvements was \$1,800,000, which has been capitalized as an asset in the Airport fund with an estimated useful life of 40 years on June 30, 2006. The terms of the agreement which began June 30, 2006, allows the lessee to use the property for a period of 31 years. The terms of the lease agreement require that the lessee pay the County annual rent of \$5,250 beginning July 1, 2006, with an annual increase of 4% each July 1st thereafter. The lease also requires that the County credit the lessee \$127,500 for the lessee's incurred costs in excavating the site for the addition. The agreement allows an option for the lessee to continue the lease past the 31 year term at a rental payment equal to the fair market rental value of the leased property at that time. Deferred revenue in the amount of \$1,800,000 was recorded in the Airport fund at the inception of the lease.

During fiscal year 2006, the County entered into a lease agreement whereby the lessee constructed a building and improvements on land owned at the Airport. The total cost of the building and improvements was \$3,100,000, which has been capitalized as an asset in the Airport fund with an estimated useful life of 40 years on June 30, 2006. The terms of the agreement which began June 30, 2006, allows the lessee to use the property for a period of 39 years (primary terms). The terms of the lease agreement require that the lessee pay the County annual rent of \$5,200 during the primary terms of the lease with an annual increase of 3% each year. The agreement allows an option for the lessee to continue the lease past the 39 year term at a rental payment equal to the fair market rental value of the leased property at that time. Deferred revenue in the amount of \$3,100,000 was recorded in the Airport fund at the inception of the lease.

During fiscal year 2004, the County entered into a lease agreement whereby the lessee began building improvements on land and buildings owned at the Airport. During fiscal year 2006, the improvements were completed for a total cost of \$1,165,000, which has been capitalized as an asset in the Airport fund with an estimated useful life of 40 years on June 30, 2006. The terms of the agreement which began June 30, 2006, allows the lessee to use the property for a period of 17 years, with no payments due during the initial five year term of the lease. In subsequent years, the lessee agrees to pay rent equal to the then-prevailing fair market rental value of the original 2000 square feet of the leased property. Deferred revenue in the amount of \$1,165,000 was recorded in the Airport fund at the inception of the lease.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 9. Operating Lease Agreements (Continued)

During fiscal year 2007, the County entered into a lease agreement whereby the lessee constructed a building and improvements for \$5,500,000, which has been capitalized as an asset in the Airport fund with an estimated useful life of 40 years on June 30, 2007. The terms of the agreement, which began December 1, 2006, allows the lessee to use the property for a period of 39 years (primary terms). The terms of the lease agreement require that the lessee pay the County annual rent of \$15,750 during the primary terms of the leases with an annual increase of 4% each year. The agreement allows an option for the lessee to continue the lease past the 39 year term at a rental payment equal to the fair market rental value of the leased property at that time. Deferred revenue in the amount of \$5,500,000 was recorded in the Airport fund on June 30, 2007.

During year ending June 30, 2007, rental income for the above leases of \$286,541 was recognized in the Airport Fund.

On January 1, 2006, the County entered into an agreement with Spirit Services, Inc. of Washington County to lease and operate the Conococheague Industrial Pretreatment Facility. Under the lease agreement, Spirit Services Inc. has exclusive control and management of the pretreatment facility and assumes all responsibility for utility and maintenance expenses. The term of the lease runs for a period of ninety-nine years with fixed monthly rent payments of \$28,800. During the year ending June 30, 2007 outsourcing revenue of \$345,600 was recognized in the Water Quality Fund.

Note 10. Special Assessment Debt

A special taxing district known as the Barkdoll Tract Special Taxing District (Prime Retail) was created by the County. Special obligation bonds in the amount of \$3,100,000, \$1,517,000 and \$2,454,000 were issued in June 1998, November 1998 and April 2000, respectively. The County is in no way liable for repayment of the bonds and is only acting as an agent for the property owners in the special taxing district in collecting the special taxes and forwarding collection to bondholders.

Annual debt service requirements to maturity for special assessment bonds are as follows:

<u>Year ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 174,000	\$ 420,770
2009	186,000	408,590
2010	199,000	395,570
2011	213,000	381,640
2012	228,000	366,730
2013 - 2017	1,407,000	1,570,310
2018 - 2022	1,985,000	1,002,680
2023 - 2025	1,619,000	212,940
	<u>\$ 6,011,000</u>	<u>\$ 4,759,230</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 11. Unused Vacation and Sick Leave

County:

The County accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned or estimated to be earned by the employee. The accrual of vacation leave is based upon individual salary rates in effect as of June 30 and is capped at 25 days. The accrual of sick leave is based on payment upon retirement at a rate of \$10 per day for each unused sick leave day up to a total of 130 days. Total unpaid vacation and sick leave accrued at June 30, 2007 was \$1,737,172 and \$524,469 respectively. Unused vacation and sick leave will be liquidated by the respective government and enterprise funds where the current employee costs are accounted for.

Board of Education:

The School System accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned or estimated to be earned by the employee. The accrual of vacation leave is based upon individual salary rates in effect as of June 30. The accrual of sick leave is based on payment upon retirement at a rate of \$25 per day for each unused sick leave day up to a total of 200 days and \$35 per day for additional accumulated sick leave beyond 200 days. Sick leave is estimated to be earned once an employee has obtained 25 years of service or 55 years of age. Total unpaid vacation and sick leave accrued at June 30, 2007 was \$1,727,128 and \$3,418,079, respectively. Total employee related costs associated and accrued with these compensated absences amounted to \$393,610 at June 30, 2007. For governmental funds, \$205,761 at June 30, 2007 are considered payable with current sources and are included in accrued liabilities. The remaining amounts are estimated to be used in subsequent fiscal years and are maintained separately and represent a reconciling item between the fund and government-wide financial statement presentations.

Note 12. Retirement Plans

County Defined Benefit Pension Plan:

Plan Description. The County Commissioners of Washington County Employees Retirement Plan (the Plan) is a single-employer defined benefit pension plan established by the County Commissioners effective July 1, 1972, and adopted by ordinance. The County Commissioners have the power and authority to establish and amend the benefit provisions of the Plan. The Plan provides retirement benefits to plan members. Effective January 1, 1986, members are qualified to participate in the Plan if they are compensated on the basis of working at least 40 hours per week and 12 months in a calendar year. Participation classification is based on the employee's status as either "uniformed" or "non-uniformed". A uniformed employee may retire at the earlier of age 50 or 25 years of service. A non-uniformed employee may retire at the earlier of age 60 or 30 years of eligibility service. Vesting begins after 5 years of service. Retirement benefits are calculated by a formula and provide approximately 50% of average pay after 25 years or 60% after 30 years of service. Uniformed employees may take early retirement with reduced benefits at 20 years of service and non-uniformed may take early retirement at 25 years of service. Cost-of-living adjustments are provided at the discretion of the County Commissioners. Annual reporting for the Plan is presented only in the County's fiduciary funds financial statements.

Funding Policy. The contribution requirements of plan members and the County is established and may be amended by the County Commissioners. Plan members are required to contribute 5.5% of their annual covered salary, except for uniformed sworn officers of the Sheriff's Department, who contribute 6%.

All information that follows for the Plan is as July 1, 2006, which is the latest actuarial report available.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 12. Retirement Plans (Continued)

Membership of the Plan. The membership consisted of the following at July 1, 2006, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	136
Terminated plan members entitled to but not yet receiving benefits	45
Active plan members	<u>671</u>
	<u><u>852</u></u>

Annual Pension Cost and Net Pension Obligation. The County's annual pension cost and net pension obligation for the year ended June 30, 2006, were as follows:

Annual required contribution	\$ 2,803,014
Interest on Net Pension Obligation	(78,981)
Adjustment to annual required contribution	<u>117,251</u>
Annual pension cost	\$ 2,841,284
Contributions	<u>1,401,117</u>
Increase (decrease) in net pension obligation	\$ 1,440,167
Net pension obligation (excess) beginning of year	<u>(1,019,110)</u>
Net pension obligation (excess) end of year	<u><u>\$ 421,057</u></u>

The annual required contribution for the current year was determined as part of the July 1, 2006 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.0% per year. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined by the market value of investments. The unfunded actuarial accrued liability is being amortized at a level dollar over 25 years. The effect of an unfunded actuarial accrued liability (funding excess) is amortized immediately.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Excess)</u>
6/30/06	\$ 2,841,284	99.2%	\$ 421,057
6/30/05	\$ 2,784,705	97.2%	\$ (1,019,110)
6/30/04	\$ 2,693,385	100.1%	\$ (2,473,815)

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 12. Retirement Plans (Continued)

Board of Education:

The employees of the School System are covered by one of the following pension plans affiliated with the State Retirement and Pension System of Maryland, and agent multiple-employer public employee retirement systems administered by the Maryland State Retirement Agency:

- ◆ The Teachers' Retirement System of the State of Maryland
- ◆ The Employees' Retirement System of the State of Maryland
- ◆ The Pension System for Teachers of the State of Maryland, or
- ◆ The Pension System for Employees of the State of Maryland

During the 1979 legislative session, the Maryland General Assembly created, effective January 1, 1980, the "Pension System for Teachers of the State of Maryland" and the "Pension System for Employees of the State of Maryland." Prior to this date, all teachers and related positions were required to be members of the "Teachers' Retirement System of the State of Maryland" and classified positions were members of the "Employees' Retirement System of the State of Maryland." All school system employees who were members of the "Retirement System" may remain in that System or may elect to join the "Pension System." All teachers hired within the State after December 31, 1979 must join the "Pension System for Teachers." All classified employees hired within the State after December 31, 1999 must join the "Pension System for Employees." The "Teachers' Retirement System" and the "Pension System for Employees" cover those employees not covered by the teachers' plans. These employees are principally custodial, maintenance and food service employees.

These pension plans provide pension benefits and death and disability benefits. A member may retire after 25 years of service from the Retirement System and as early as age 55 and 15 years of service for the Pension System. Benefits generally vest after 5 years of service. The State Retirement Agency issues a comprehensive annual financial report for the State Retirement and Pension System of Maryland. That report may be obtained by writing to State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202, or by calling 1-800-492-5909, or by e-mail at sra@sra.state.md.us.

Both the "Retirement System" and the "Pension System" for teachers and classified employees are jointly contributory. Under the "Retirement System" employees contribute 4% - 7% of their total gross salary, and under the "Pension System" employees contribute 3% and 2% of their gross salary for the years ended June 30, 2007 and 2006, respectively. Effective, July 1, 1980, in accordance with the law governing the Systems, all benefits of the Systems are funded in advance. Annually appropriated employer contribution rates for retirement benefits are determined using the entry age normal cost method. The method produces an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year), and (2) the amount for amortization of the unfunded actuarial accrued liability.

Washington County School System contributions totaling \$1,451,292 and \$949,875 or 8.10 and 7.22 percent of covered payroll for fiscal years 2007 and 2006, respectively; and contributions by the State of Maryland on behalf of the School System totaling \$9,613,975 and \$8,679,057 or 9.35% of covered payroll for fiscal years 2007 and 2006 were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 2006.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 12. Retirement Plans (Continued)

Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.75% per year compounded annually, (b) projected salary increases of 4.0% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.00 percent to 11.96 percent per year, attributable to seniority/merit, (d) post-retirement benefit increases ranging from 3 percent to 4 percent per year depending on the system, (e) rates of mortality, termination of service, disablement and retirement are based on actual experience during the period from 1981 to 2002, and (f) the aggregate active member payroll is assumed to increase by 4 percent annually

The actuarial value of assets was determined using a simplified five-year moving average. Under this method, the year end actuarial asset value equals one-fifth of the current fiscal year end fair value, plus four-fifths of the expected market value. The unfunded actuarial valuation accrued liability which existed as of June 30, 2000 actuarial valuation is being amortized over the remaining period to June 30, 2020. Each new layer of unfunded actuarial accrued liability arising subsequent to June 30, 2000 is being amortized over a twenty-five year period. A three-year trend of the School System's annual pension cost is as follows:

Fiscal Year Ending June 30,	Total Annual Pension Cost (APC)	APC Contributed By School System	APC Contributed By State	Percentage of APC Contributed	Net Pension Obligation
2005	\$ 9,398,249	\$ 906,810	\$ 8,491,439	100%	\$ -
2006	\$ 9,628,932	\$ 949,875	\$ 8,679,057	100%	\$ -
2007	\$ 10,754,251	\$ 1,451,292	\$ 9,613,975	100%	\$ -

The contributions made by the State of Maryland on behalf of the School System were recognized as both revenue and expenditures in the General Fund as required by Government Accounting Standards Board Statement No. 24.

Note 13. Risk Management

County:

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 purchases commercial insurance for claims in excess of deductible amounts for all risks of loss, except for employee health and workers compensation. Settlements have not exceeded insurance coverages during the past three fiscal years.

The County Commissioners have established a self-insurance plan for health benefits to its employees, retirees and to other governmental and non-profit agencies. Budgeted amounts are charged to each fund, and premiums are charged to retirees and other governmental and non-profit agencies for their share of the costs, which are intended to cover the estimated costs of claims and administrative expenses. Contributions from employees, retirees and other governmental non-profit agencies are offset against budget amounts charged in the related fund. Under this plan the County's General Fund bears all risk of loss.

The County has established claims liabilities based on estimates of the ultimate cost of settling the claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 13. Risk Management (Continued)

Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claim costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The liability for estimated claims was determined to be \$1,500,000 which is reflected in the accompanying financial statements at June 30, 2007. Changes in the claims liability were as follows:

	Years Ended June 30,	
	2007	2006
	<u> </u>	<u> </u>
Liability at beginning of year	\$ 1,500,000	\$ 1,800,240
Claims and changes in estimates during the year	6,258,239	5,635,152
Claims and administrative costs paid	<u>(6,258,239)</u>	<u>(5,935,392)</u>
Liability at end of year	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>

The County uses a third party administrator to process and pay claims. The County has purchased a stop-loss insurance policy in which the insurance company covers individual claims once they exceed \$175,000. Under this policy the County was liable for the first \$6.7 million of claims paid in the current fiscal year. Any claims in excess of this amount are to be paid by the insurance company under the stop-loss policy.

The County Commissioners have also established a self-insurance plan for Workers' Compensation claims whereby the County is liable for the first \$500,000 per occurrence. As required by the State of Maryland, \$175,000 in U.S. Treasury Notes is held by the State Workers' Compensation Commission and is included in investments on the balance sheet. The County extends coverage under this plan to the employees of other governmental and nonprofit agencies. These agencies are charged a "premium", however the County bears the risk of loss. The liability for estimated claims was determined to be \$1,000,000, which is reflected in the accompanying financial statements at June 30, 2007. Changes in the claims liability were as follows:

	Years Ended June 30,	
	2007	2006
	<u> </u>	<u> </u>
Liability at beginning of year	\$ 1,200,000	\$ 1,500,000
Claims and changes in estimates during the year	600,495	872,387
Claims and administrative costs paid	<u>(800,495)</u>	<u>(1,172,387)</u>
Liability at end of year	<u>\$ 1,000,000</u>	<u>\$ 1,200,000</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 13. Risk Management (Continued)

Board of Education:

The School System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; personal injury; and natural disaster. The School System is one of fifteen Boards of Education within the State of Maryland belonging to the Maryland Association of Boards of Education Group Insurance Pool (the Pool), a public entity risk pool organized as a trust. The School System pays an annual premium to the pool for its property, liability, and automobile coverage. Such premiums are actuarially calculated for the pool as a whole based on loss data and are allocated to members based on student enrollment and number and type of vehicles as well as experience modification factors. The Pool is reinsured on a claims-made basis for legal liability covering claims aggregating \$3 million per district per year.

Additionally, the School System is one of eleven Boards of Education within the State of Maryland belonging to the Maryland Association of Boards of Education Workers' Compensation Group Self-Insurance Fund (the Fund). This fund was established to provide worker's compensation indemnity and medical benefits coverage for participating school boards. The fund is operated under regulations promulgated by the State's Workers' Compensation Commission (COMAR 14.09.02). Each Fund participant pays an annual premium calculated on its payroll according to the standard classifications, with an experience modification applied. Although premiums billed to the Fund members are determined on an actuarial basis, ultimate liability for claims remains with the respective members and accordingly, the insurance risks are not transferred to the Fund. Six months following the end of the Fund's fiscal year, the Fund's trustees declare unneeded funds as surplus and distribute 50% of the declared surplus as dividends to the Fund members. This dividend distribution is made no sooner than one year after the close of that fiscal year. Members dedicate the remaining 50% of the surplus each year to a surplus fund until it reaches 100% net annual premium. The Fund carries an excess insurance policy providing specific excess and employer liability protection coverage, thus reducing the potential of assessment against Fund members. The Fund provides coverage for up to a maximum of \$250,000 for each worker's compensation claim.

Settled claims from these risks have not exceeded the planned coverage during any of the past three years.

The School System also offers a program of self-insured health and dental benefits to its employees and retirees. Charges are made to other Funds, employees and retirees for their respective share of the costs in amounts planned to match the estimated claims, the cost of insurance premiums for coverage in excess of self-insured amounts and the administrative costs in providing the program. Such costs are also offset by interest income earned from investing receipts until they are paid out in the form of claims or expenses. Administrative costs directly related to the program are borne by the Self-Insurance Fund.

In accordance with the Governmental Accounting Standards Board's Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," charges to other funds must be accounted for as revenue by an internal service fund and expenditures/expenses by the other funds. The amounts of these charges were \$17,705,246 and \$17,205,397 for the years ended June 30, 2007 and 2006, respectively.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 13. Risk Management (Continued)

The Self-Insurance Fund's accrued liabilities include an estimate of the amount to be paid for self-insured claims incurred prior to June 30, 2007. This estimate is prepared based upon the School System's experience and other relevant facts. Changes in the Fund's claims liability amount were as follows:

	Years Ended June 30,	
	2007	2006
Liability at beginning of year	\$ 2,216,196	\$ 1,704,585
Claims and changes in estimates during the year	20,711,219	20,652,628
Claims paid	<u>(20,960,894)</u>	<u>(20,141,017)</u>
Liability at end of year	<u>\$ 1,966,521</u>	<u>\$ 2,216,196</u>

Note 14. Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and administered by a third party. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The deferred compensation plan assets are held in trust for the exclusive benefit of the plan participants. Therefore, the plan assets are not presented in the financial statements.

Note 15. Agency Fund Deferred Tax Sales Proceeds

Tax sales proceeds are accounted for in the Agency Fund. Three years after the date of a tax sale, the net proceeds can be transferred to the General Fund. For seven years thereafter, property owners or their heirs may petition the Court for the net proceeds of the tax sale, and the proceeds revert back to the Agency Fund. At the end of the seven-year period, the proceeds are recognized as income to the County. Proceeds not transferred to the General Fund are accounted for as deferred tax sales proceeds, and included as deferred revenue on the balance sheet.

Note 16. Segment Information

The County has entered into loan agreements with the Maryland Water Quality Financing Administration. The loans are backed by the full faith and credit and taxing power of the County, however the source of payment of the principal and interest of the loans is the sewer user charges and pretreatment facility user charges. The user charges are accounted for in the Water Quality Fund. Summarized financial information for the Sewer and Pretreatment operations is presented below. The Water Quality Department operates the County's sewage treatment plants, sewage pumping stations, collection systems and leases the pretreatment facility to a private company.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 16. Segment Information (Continued)

	<u>Sewer Department</u>	<u>Pretreatment Department</u>
CONDENSED STATEMENT OF NET ASSETS		
Assets		
Current assets	\$ 14,014,597	\$ 2,248,424
Noncurrent assets	85,108,450	6,883,740
Total assets	<u>\$ 99,123,047</u>	<u>\$ 9,132,164</u>
Liabilities		
Other current liabilities	\$ 7,633,782	\$ 1,714,417
Noncurrent liabilities	16,863,819	6,700,161
Total liabilities	<u>\$ 24,497,601</u>	<u>\$ 8,414,578</u>
Net assets		
Invested in capital assets, net of related debt	\$ 65,189,856	\$ (1,280,012)
Unrestricted	9,160,500	1,997,598
Restricted - capital projects	275,090	-
Total net assets	<u>\$ 74,625,446</u>	<u>\$ 717,586</u>
 CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS		
Operating revenues	\$ 8,245,888	\$ 6,250
Lease income	201,600	144,000
Depreciation expense	(1,675,864)	(196,671)
Other operating expenses	(4,037,142)	(26,633)
Operating income (loss)	\$ 2,734,482	\$ (73,054)
Nonoperating revenues (expenses):		
Interest income	44,759	-
Interest expense	(812,313)	(278,716)
Utility administration charge	(2,590,560)	-
Gain on disposal of assets	7,236	-
Operating transfers	1,912,600	350,000
Capital transfers	1,600,000	-
Grants for capital projects	549,356	-
Change in net assets	\$ 3,445,560	\$ (1,770)
Beginning net assets	71,179,886	719,356
Ending net assets	<u>\$ 74,625,446</u>	<u>\$ 717,586</u>
 CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided (used) by:		
Operating activities	\$ 4,514,323	\$ 177,547
Noncapital financing activities	1,912,600	350,000
Capital and related financing activities	(2,736,598)	(667,904)
Investing activities	44,759	-
Net increase (decrease)	\$ 3,735,084	\$ (140,357)
Beginning cash and cash equivalents	635,739	2,331,681
Ending cash and cash equivalents	<u>\$ 4,370,823</u>	<u>\$ 2,191,324</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 17. Closure and Postclosure Care Cost

State and federal laws and regulations require the County to place a final cover on its landfills when they stop accepting waste. The County is also required to perform certain maintenance and monitoring functions at the site for up to thirty years after closure. Although closure and postclosure care costs will be paid only near the date or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as a liability based on landfill capacity used as of each balance sheet date.

The Hancock Landfill was closed in 1993. The remaining estimated costs associated with the closure and postclosure care costs of \$295,150 are reported as a liability in the Solid Waste Fund. No current expense was recognized in the Solid Waste Fund for the year ended June 30, 2007.

The Resh Landfill has reported a landfill closure and postclosure care liability of \$16,247,645 in the Solid Waste Fund. The total capacity has been used. The Resh Landfill was closed in December 2000. No current expense was recognized in the Solid Waste Fund for the year ended June 30, 2007.

The Rubble Landfill began operating during August 1995. The estimated costs associated with post closure care of \$302,400 is reported as a liability in the Solid Waste Fund at June 30, 2007. The Rubble Landfill was closed in December 2000. No current expense was recognized in the Solid Waste Fund for the year ended June 30, 2007.

The 40 West Landfill began operation in fiscal year 2001. The estimated life of this landfill is 39 years at June 30, 2007, it is estimated that approximately 12% of the capacity has been used. The estimated costs associated with closure and postclosure care of \$5,836,838 are reported as a liability in the Solid Waste Fund at June 30, 2007. The County will recognize \$49,772,000 of estimated cost associated with the closure and postclosure care as capacity is filled. Expense of \$1,478,098 was recognized in the Solid Waste Fund for the year ended June 30, 2007.

The above estimates are based on estimated current costs to perform all closure and postclosure care. 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 meet certain closure and postclosure financial assurance requirements. The County has satisfied these requirements by demonstrating in information submitted by the Director of Finance that they meet the Local Government Financial Test as of June 30, 2007 as specified in 40CFR258.

Note 18. Postretirement Benefits

The County offers postretirement health care benefits to employees who retire from the County under normal or early retirement provisions of the pension plan. The health care benefits are provided until the retiree is eligible for Medicare. Retirees who exercise the one-time option for the health care benefits pay one-half of the estimated cost of the benefits. The County pays the remaining cost as part of its self-insurance program. Currently, thirty-five retirees are receiving benefits and forty-seven employees are retirement eligible. Expenditures for postretirement health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported.

The County offered a special termination benefit to employees that retired between July 1, 1995 and September 30, 1995. Those employees are receiving health care benefits (managed care program) from the date of retirement until they are eligible for Medicare. Three former employees are receiving this benefit.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 18. Postretirement Benefits (Continued)

The County offered a special termination benefit to employees that retired between July 1, 1996 and September 30, 1996. Those employees are receiving health care benefits (managed care program) from the date of retirement until they are eligible for Medicare. Four former employees are receiving this benefit.

Based on the current estimated cost of these managed care programs, the total cost adjusted for inflation net of benefits paid through June 30, 2007 is estimated at \$894,028, of which \$116,057 is expected to be paid within the next year. A liability for this amount has been recorded in the governmental activities.

During the year, expenditures of approximately \$171,867 were recognized for postretirement health care.

Note 19. Contingencies and Commitments

County:

In the normal course of operations, the County receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

The County Commissioners and the Sheriff of Washington County are defendants in various legal proceedings at June 30, 2007. There are also certain unasserted claims that could possibly be asserted. The Commissioners intend to defend all litigations against them. In the Commissioners' opinion, the liability, if any, in or arising from these litigations or any other legal proceedings in which the County is involved, will not have a material adverse effect on its financial condition.

The County is committed under various contracts for the construction or acquisition of fixed assets. These projects are generally budgeted in the Capital Projects Fund, and funding has been provided for their completion.

In 2003, the County began a project to extend and reconstruct a runway at Hagerstown Regional Airport. The project is estimated to cost \$61,759,722 and expected to be completed by 2008. Grant funding is projected to extend through 2014, which required the County to obtain interim financing to complete the project. In July 2003, the Federal Aviation Administration announced its intention to obligate federal funds in the aggregate of \$47,000,000 and in 2007 they increased the amount to \$48,500,000. The State intends to fund \$8,000,000, which does not require a local match. The County also expects to receive an additional \$2,611,111 from the State, which the County must match. The County will also be responsible for the additional costs for financing. The County entered into a contract with URS Corporation for architectural, engineering and other consulting services related to the project. The County signed construction contracts in prior years for phases 1, 2, and 3 for a total base price of \$38,477,109. Phases 1 and 2 have been completed and phase 3 is substantially complete at June 30, 2007. Additionally, the County signed a construction contract during fiscal year 2007 for Phase 4 for a base price of \$8,284,460. The construction for phase 4 was started during fiscal year 2007. Through June 30, 2007, the total amount expended for the project was \$49,934,063 of which \$34,499,998 was federally funded, \$7,671,156 was state funded and \$7,762,909 was locally funded. Approximately \$4.5 million of the local funding is available for federal and state reimbursement which will be requested in fiscal year 2008.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 19. Contingencies and Commitments (Continued)

Board of Education:

In the normal course of operations, the School System is subject to lawsuits and claims. In the opinion of management, the disposition of such lawsuits and claims will not have a material effect on the School System's financial position or results of operations.

As of June 30, 2007 and 2006, the School System had entered into various school construction commitments, which are not reflected in the financial statements since they will be funded by the State of Maryland or County sources, totaling approximately \$44,418,399 and \$5,845,729 respectively.

In May 2004, the School System agreed to a three-year contract for testing data analysis and evaluation services of \$400,000 plus travel costs with Performance Matters, LLC. This agreement is to facilitate access of Washington County Public School System employees to the Washington County Public School System Scorecard. After the expiration of the initial term, this agreement shall automatically renew on the terms and conditions contained herein for up to three additional consecutive one-year periods upon the anniversary date of the initial term. In December 2004, the agreement was amended to expand the scope of services, resulting in an additional \$72,500 over the remaining term of the contract. In May 2006, the agreement was amended to expand the scope of services to include Parent Access Module and to extend the term of the contract are as follows:

<u>Year Ended June 30,</u>		
2008	\$	150,500
2009		<u>150,500</u>
	\$	<u><u>301,000</u></u>

The School System participates in a number of state and federally assisted grant programs, which are subject to financial and compliance audits by the grantors or their representatives. Such federal programs were audited in accordance with the Federal Office of Management and Budget's Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations* for the current year. The amount of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the School System expects such amounts, if any, to be immaterial.

Note 20. Designated and Reserved Fund Balances

Fund balances reflected in the governmental funds balance sheet are designated as follows:

Cash Reserves:	
General Fund	\$ 33,167,256
Program Reserves:	
Workforce Housing Program	500,000
Dedicated Investment - Worker's Compensation	171,575
Foreign Trade Zone	6,692
Community Partnership	536,425
Inmate Welfare	367,427
Contraband	71,135
Agricultural Education Center	196,728
Highway	4,154,565
Capital projects	82,654,525
Other Programs	<u>132,907</u>
Total Primary Government	<u><u>\$ 121,959,235</u></u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 20. Designated and Reserved Fund Balances (Continued)

The County calculates the level of working capital and liquidity that is necessary to maintain, which is referred to above as cash reserves.

At June 30, 2007, various County departments and other entities owe the General Fund the following amounts:

Due From	Amount	Amount Reserved
Hagerstown Regional Airport	\$ 509,385	\$ 429,220
Black Rock Golf Course	117,760	-
Ron Maxwell Productions, Inc.	246,223	179,763
Town of Funkstown	1,143	-
Washington County Association for Retarded Citizens	50,000	50,000
Fire and Rescue Revolving Loan Fund	499,833	389,797
Jellystone	132,600	112,710
Girls Softball	11,802	7,868
	<u>\$ 1,568,746</u>	<u>\$ 1,169,358</u>

Fund balance as indicated has been reserved to reflect the payments that the General Fund will receive subsequent to the fiscal year ending June 30, 2007. Such payments are considered to be "available for appropriation or expenditure" when they will be received during the next fiscal year.

Note 21. Retirement Plan - Fire and Rescue Volunteers

On September 26, 2000, the Board of County Commissioners approved the Volunteer Length of Service Award Program (LOSAP), a defined benefit plan for eligible volunteers of Washington County fire, rescue, emergency medical services or support organizations. LOSAP, which will be funded entirely by the County General Fund, provides benefit payments to volunteers who have completed certain eligibility and years of service. An active volunteer who has attained age 62 and has been credited with a minimum of 25 years of Active LOSAP Service is eligible to receive, until his or her death, a monthly benefit payment of \$200, or may elect an actuarially reduced benefit in the form of a joint survivor annuity.

An Active Volunteer, who has completed more than 25 years of Active LOSAP Service Credit, is eligible to receive, until his or her date of death, an additional monthly benefit payment of \$15 for each year of Active LOSAP Service Credit in excess of 25 years, not to exceed a total monthly benefit payment of \$350. No LOSAP benefits were paid before January 1, 2007. Generally, a volunteer must be an Active Volunteer on or after January 1, 2007 to be eligible for any benefit under LOSAP. LOSAP also provides for death and disability benefits.

As of October 29, 2007, the County has not obtained a current actuarial report. At July 1, 2005, the date of the latest actuarial valuation, there were 1,694 active volunteers participating in LOSAP. The County funds LOSAP in annual amounts determined by an actuary.

As of July 1, 2005 the LOSAP unfunded accrued liability is as follows:

Accrued Liability	\$ 4,107,411
Less: Assets at market value	<u>(2,423,128)</u>
Unfunded Liability	<u>\$ 1,684,283</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 21. Retirement Plan - Fire and Rescue Volunteers (Continued)

The minimum recommended contribution for the year beginning July 1, 2005 is as follows:

Normal costs	\$ 210,567
Amortization of UAL (over 17 years)	168,519
Interest on UAL	<u>29,379</u>
	<u>\$ 408,465</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2007
(UNAUDITED)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property Tax				
Real property tax	\$ 87,072,850	\$ 87,072,850	\$ 88,380,764	\$ 1,307,914
Personal property tax	11,327,000	11,327,000	13,832,279	2,505,279
Property tax interest income	375,000	375,000	447,257	72,257
Other property tax	695,580	695,580	723,445	27,865
Property tax discounts and credits	(2,642,000)	(2,642,000)	(1,415,035)	1,226,965
Total Property Taxes	\$ 96,828,430	\$ 96,828,430	\$ 101,968,710	\$ 5,140,280
Other Local Taxes				
Income tax	\$ 60,000,000	\$ 60,019,815	\$ 66,488,879	\$ 6,469,064
Admissions and amusement tax	350,000	350,000	403,022	53,022
Recordation tax	9,000,000	9,000,000	10,071,718	1,071,718
Trailer tax	390,000	390,000	436,879	46,879
Hotel/Motel tax	700,000	700,000	794,139	94,139
Total Other Local Taxes	\$ 70,440,000	\$ 70,459,815	\$ 78,194,637	\$ 7,734,822
Other Revenues				
Licenses and permits	\$ 2,549,740	\$ 2,549,740	\$ 2,093,518	\$ (456,222)
Court costs and fines	252,730	252,730	190,502	(62,228)
Charges for services	771,100	771,100	744,967	(26,133)
Revenues from use of property	3,395,800	3,403,808	7,892,305	4,488,497
Reimbursed expenses	601,940	624,980	809,301	184,321
Miscellaneous revenues	641,450	944,506	443,892	(500,614)
Grant and shared revenues	2,510,300	4,716,778	5,089,712	372,934
Total Other Revenues	\$ 10,723,060	\$ 13,263,642	\$ 17,264,197	\$ 4,000,555
TOTAL REVENUES	\$ 177,991,490	\$ 180,551,887	\$ 197,427,544	\$ 16,875,657
EXPENDITURES				
General Government				
Legislative				
County Commissioners	\$ 231,910	\$ 231,910	\$ 213,708	\$ 18,202
County Clerk	117,200	126,945	124,306	2,639
County Administrator	198,810	220,987	220,659	328
Public Information	80,970	80,970	71,975	8,995
Purchasing	369,860	369,860	349,052	20,808
Total Legislative	\$ 998,750	\$ 1,030,672	\$ 979,700	\$ 50,972
Judicial				
Circuit Court	\$ 1,257,520	\$ 1,250,420	\$ 1,183,671	\$ 66,749
Orphan's Court	31,410	31,410	28,411	2,999
State's Attorney	2,119,900	2,108,850	2,100,523	8,327
Sheriff - Judicial	1,386,900	1,386,900	1,365,018	21,882
Sheriff - Process Servers	157,240	157,240	134,802	22,438
Total Judicial	\$ 4,952,970	\$ 4,934,820	\$ 4,812,425	\$ 122,395
Election Board	\$ 934,784	\$ 934,784	\$ 808,930	\$ 125,854
Financial Administration				
Budget and Finance	\$ 937,520	\$ 983,774	\$ 972,468	\$ 11,306
Independent Auditing	58,500	58,500	55,120	3,380
Treasurer	381,550	381,550	364,892	16,658
Information Technologies	1,788,490	1,788,490	1,760,792	27,698
Total Financial Administration	\$ 3,166,060	\$ 3,212,314	\$ 3,153,272	\$ 59,042
County Attorney	\$ 640,490	\$ 640,490	\$ 593,025	\$ 47,465
Human Resources	\$ 585,300	\$ 585,300	\$ 539,160	\$ 46,140
Planning and Zoning				
Planning and Community Development	\$ 1,176,920	\$ 1,256,920	\$ 988,225	\$ 268,695
Board of Zoning	67,710	67,710	76,884	(9,174)
Grants	-	671,982	145,153	526,829
Total Planning and Zoning	\$ 1,244,630	\$ 1,996,612	\$ 1,210,262	\$ 786,350
Public Works				
Engineering	\$ 1,656,416	\$ 1,656,416	\$ 1,520,347	\$ 136,069
Department of Public Works	367,470	367,470	359,860	7,610
Total Public Works	\$ 2,023,886	\$ 2,023,886	\$ 1,880,207	\$ 143,679

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2007
(UNAUDITED)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
County Owned Buildings				
Martin Luther King Center	\$ 85,300	\$ 85,300	\$ 77,944	\$ 7,356
Administrative Building	238,720	341,728	498,676	(156,948)
Court House	478,910	478,910	504,646	(25,736)
County Office Building	192,390	192,390	201,631	(9,241)
Administration Annex	72,400	72,400	53,318	19,082
Central Services	201,630	201,630	228,742	(27,112)
Library Maintenance	29,500	27,138	10,385	16,753
Dwyer Center	31,500	31,500	31,929	(429)
Total County Owned Buildings	\$ 1,330,350	\$ 1,430,996	\$ 1,607,271	\$ (176,275)
Gaming Office	\$ 186,000	\$ 186,000	\$ 146,580	\$ 39,420
Community Promotion				
Contributions to Non-profits	\$ 151,400	\$ 151,400	\$ 92,409	\$ 58,991
Economic Development Commission	592,810	592,810	595,309	(2,499)
Total Community Promotion	\$ 744,210	\$ 744,210	\$ 687,718	\$ 56,492
Total General Government	\$ 16,807,430	\$ 17,720,084	\$ 16,418,550	\$ 1,301,534
Public Safety				
Sheriff Departments				
Patrol	\$ 6,947,240	\$ 7,004,600	\$ 6,722,996	\$ 281,604
Sheriff Auxillary Department	-	-	60,263	(60,263)
Narcotics Task Force	449,510	449,510	429,643	19,867
Grants	-	225,000	408,449	(183,449)
Total Sheriff Department	\$ 7,396,750	\$ 7,679,110	\$ 7,621,351	\$ 57,759
Fire and Rescue Services				
Volunteer Fire and Rescue - County Grants	\$ 2,849,720	\$ 2,849,720	\$ 2,829,592	\$ 20,128
Air Unit	18,550	18,550	18,610	(60)
Special Operations	234,850	248,307	258,779	(10,472)
Total Fire and Rescue Services	\$ 3,103,120	\$ 3,116,577	\$ 3,106,981	\$ 9,596
Corrections				
Detention Center	\$ 9,124,850	\$ 9,129,138	\$ 9,071,769	\$ 57,369
Total Corrections	\$ 9,124,850	\$ 9,129,138	\$ 9,071,769	\$ 57,369
Other Public Safety				
Building Inspection	\$ 2,074,910	\$ 2,093,070	\$ 1,928,709	\$ 164,361
911 - Communications	1,582,770	1,607,724	1,495,757	111,967
Communciations Maintenance	317,107	329,107	261,414	67,693
Emergency Management	164,520	162,241	111,191	51,050
Fire and Rescue Operations	267,090	267,090	246,298	20,792
Medical Examiner	6,000	6,000	11,750	(5,750)
Civil Air Patrol	3,600	3,600	3,600	-
Animal Control	1,089,188	1,089,188	1,089,438	(250)
Children's Village	25,000	25,000	25,000	-
Grants	-	273,926	1,293,730	(1,019,804)
Total Other Public Safety	\$ 5,530,185	\$ 5,856,946	\$ 6,466,887	\$ (609,941)
Total Public Safety	\$ 25,154,905	\$ 25,781,771	\$ 26,266,988	\$ (485,217)
Health				
Total Health	\$ 2,384,744	\$ 2,384,744	\$ 2,376,869	\$ 7,875
Social Services				
Total Contributions to Other Agencies	\$ 1,240,207	\$ 1,240,207	\$ 1,229,997	\$ 10,210
Grants	-	1,053,786	580,319	473,467
Total Social Services	\$ 1,240,207	\$ 2,293,993	\$ 1,810,316	\$ 483,677
Education				
Total Education	\$ 93,220,930	\$ 93,220,930	\$ 93,213,430	\$ 7,500
Parks, Recreation, and Culture				
Total Contributions to Other Agencies	\$ 2,478,344	\$ 2,478,344	\$ 2,478,344	\$ -
Parks Department	1,669,600	1,669,600	1,554,866	114,734
Martin L. Snook Park Pool	125,290	125,290	101,662	23,628
Recreation	530,540	530,540	515,912	14,628
Total Parks, Recreation, and Culture	\$ 4,803,774	\$ 4,803,774	\$ 4,650,784	\$ 152,990

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2007
(UNAUDITED)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Conservation of Natural Resources				
Weed Control	\$ 97,940	\$ 107,885	\$ 160,153	\$ (52,268)
Agricultural Extension Service	204,884	204,884	164,884	40,000
Cooperative Extension	86,824	86,824	36,824	50,000
Soil Conservation Service	47,000	47,000	47,000	-
Gypsy Moth Program	26,000	26,000	26,000	-
Total Conservation of Natural Resources	<u>\$ 462,648</u>	<u>\$ 472,593</u>	<u>\$ 434,861</u>	<u>\$ 37,732</u>
General Operations				
Total General Operations	<u>\$ 1,488,200</u>	<u>\$ 1,463,200</u>	<u>\$ 908,797</u>	<u>\$ 554,403</u>
Unallocated Employee Insurance and Benefits				
Total Unallocated Employee Insurance and Benefits	<u>\$ 1,922,540</u>	<u>\$ 1,134,020</u>	<u>\$ 226,056</u>	<u>\$ 907,964</u>
Intergovernmental				
Water and Sewer operating transfer	\$ 3,120,000	\$ 3,120,000	\$ 3,120,000	\$ -
Public Transportation operating transfer	477,920	477,920	477,920	-
Airport operating transfer	99,990	519,296	99,990	419,306
Capital Projects transfer	11,563,087	13,170,187	31,370,187	(18,200,000)
Solid Waste operating transfer	665,350	665,350	665,350	-
Community Partnership operating transfer	153,410	153,410	153,410	-
Agricultural Education Center operating transfer	165,570	165,570	165,570	-
Grants to incorporated municipalities	1,593,370	1,593,370	1,561,700	31,670
Municipality in lieu of bank shares	38,543	38,543	38,543	-
Total Intergovernmental	<u>\$ 17,877,240</u>	<u>\$ 19,903,646</u>	<u>\$ 37,652,670</u>	<u>\$ (17,749,024)</u>
Debt Service				
Total Debt Service	<u>\$ 12,628,872</u>	<u>\$ 11,373,132</u>	<u>\$ 9,819,719</u>	<u>\$ 1,553,413</u>
TOTAL EXPENDITURES	<u>\$ 177,991,490</u>	<u>\$ 180,551,887</u>	<u>\$ 193,779,040</u>	<u>\$ (13,227,153)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,648,504</u>	<u>\$ 3,648,504</u>
OTHER FINANCING SOURCES(USES)				
Proceeds from capital lease	-	-	50,000	50,000
NET CHANGES IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,698,504</u>	<u>\$ 3,698,504</u>
FUND BALANCE - BEGINNING			<u>31,865,682</u>	
FUND BALANCE - ENDING			<u>\$ 35,564,186</u>	

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
HIGHWAY FUND

YEAR ENDED JUNE 30, 2007
(UNAUDITED)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Highway user revenue	\$ 9,000,000	\$ 9,000,000	\$ 9,049,488	\$ 49,488
Reimbursed expenses	284,850	284,850	315,393	30,543
Other revenue	40,670	934,129	69,999	(864,130)
TOTAL REVENUES	<u>\$ 9,325,520</u>	<u>\$ 10,218,979</u>	<u>\$ 9,434,880</u>	<u>\$ (784,099)</u>
EXPENDITURES				
General Operations	\$ 1,119,550	\$ 1,319,550	\$ 620,602	\$ 698,948
Road Maintenance	3,947,030	3,947,030	3,795,630	151,400
Snow Removal	577,580	577,580	768,998	(191,418)
Storm Damage	128,220	128,220	1,800	126,420
Traffic Control	469,290	504,825	496,080	8,745
Fleet Management	2,803,850	3,661,774	4,464,747	(802,973)
Various Road Projects	280,000	80,000	36,088	43,912
TOTAL EXPENDITURES	<u>\$ 9,325,520</u>	<u>\$ 10,218,979</u>	<u>\$ 10,183,945</u>	<u>\$ 35,034</u>
EXCESS OF (DEFICIENCY) REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (749,065)</u>	<u>\$ (749,065)</u>
OTHER FINANCING SOURCES (USES)				
Capital transfer out	\$ -	\$ -	\$ (200,000)	\$ (200,000)
Proceeds from capital lease	-	-	782,100	782,100
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 582,100</u>	<u>\$ 582,100</u>
NET CHANGES IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (166,965)</u>	<u>\$ (166,965)</u>
FUND BALANCE - BEGINNING			<u>4,321,530</u>	
FUND BALANCE - ENDING			<u>\$ 4,154,565</u>	

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY PARTNERSHIP FUND

YEAR ENDED JUNE 30, 2007
(UNAUDITED)

	Budgeted Amounts		Actuals Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Grant Revenues	\$ -	\$ 2,920,036	\$ 2,117,109	\$ (802,927)
TOTAL REVENUES	\$ -	\$ 2,920,036	\$ 2,117,109	\$ (802,927)
EXPENDITURES				
General Operations	\$ -	\$ 153,410	\$ 121,345	\$ 32,065
Office of Children, Youth and Families	-	1,648,472	1,323,947	324,525
Governor's Office of Crime Control and Prevention	-	42,300	42,256	44
Department of Human Resources	-	470,285	470,285	-
Department of Earned Reinvestment	-	758,979	280,622	478,357
TOTAL EXPENDITURES	\$ -	\$ 3,073,446	\$ 2,238,455	\$ 834,991
EXCESS OF (DEFICIENCY) REVENUES OVER EXPENDITURES	\$ -	\$ (153,410)	\$ (121,346)	\$ 32,064
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 153,410	\$ 153,410	\$ 153,410	\$ -
NET CHANGES IN FUND BALANCE	\$ 153,410	\$ -	\$ 32,064	\$ 32,064
FUND BALANCES - BEGINNING			504,361	
FUND BALANCES - ENDING			\$ 536,425	

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**SCHEDULES OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

(Dollar amounts in thousands)

EMPLOYEES' RETIREMENT PLAN OF WASHINGTON COUNTY

<u>Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a) / c)</u>
7/1/03	31,024	42,765	11,741	72.5%	21,979	53.4%
7/1/04	37,085	48,700	11,615	76.1%	23,231	50.0%
7/1/05	43,237	56,841	13,604	76.1%	24,299	56.0%
7/1/06	44,384	57,142	12,758	77.7%	25,965	49.1%

(Dollar amounts in millions)

BOARD OF EDUCATION (Discretely presented component unit):

<u>Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a) / c)</u>
6/30/02	32,323	34,131	1,808	94.7%	7,868	23.0%
6/30/03	32,631	34,975	2,343	93.3%	8,134	28.8%
6/30/04	33,485	36,326	2,841	92.2%	8,069	35.2%
6/30/05	34,519	39,133	4,614	88.2%	8,604	53.6%
6/30/06	35,795	43,243	7,448	82.8%	9,288	80.2%