

FINANCIAL UPDATE

QUARTERLY REPORT

WASHINGTON COUNTY, MARYLAND

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

70—running east and west, cross within Washington County's borders.

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

Under public local law both the executive and legislative functions of the County are vested in the elected, five member

Board of County Commissioners of Washington County (Board).

The County Commissioners are elected on a countywide basis and serve four-year terms. Other elected County funded positions include County Sheriff, Treasurer, and State's Attorney.

NEW SENIOR HOMEOWNER TAX CREDIT

During the fiscal year 2011 budget discussions a new senior homeowner tax credit program was approved by the County Commissioners. This credit was implemented to help ease the tax burden on homeowners 70 and over that meet cer-

tain income qualifications and is applied to residential properties and supplements the State Homeowners' Property Tax program.

Based on the July 1st billing from the State of Maryland 618 senior homeowners qualified for

the new program. The total cost of the program to Washington County to date for the 618 qualified seniors was \$62,908.

CURRENT FINANCIAL STATUS AND COMMENTS

First quarter trends show slight improvement over prior year actual but still remain at or below budgeted projections. Real estate tax is ahead of budget. However this is expected to decrease by year end due to higher than average appeal filings, but is not projected to go below budget at this time. No major Income Tax distributions have been received as of the quarter ended, however the minor distributions sent are ahead of prior year actual and

slightly below budget. No trend is being forecast at this time until the 3rd quarter withholdings are sent out. Both capital and operating expenditure trends are on target with no unexpected deviation at this time.

The fiscal year 2011 audit will be released November 9, 2010, reporting a clean opinion. The final report will be available in hard copy and available on the County web

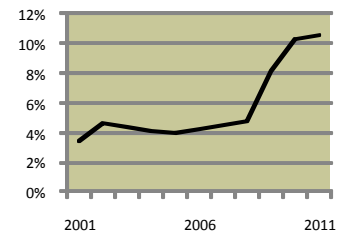
site. The Capital Improvement Plan for 2012 and beyond was released to departments and agencies October 6, 2010 and the Operating budget was released to agencies on October 22, 2010 with the departmental release planned for December 3, 2010. New reporting requirements have been added for the 2012 budget year based on previous year workshops and discussions.

“Trends are up slightly over prior year activity in some categories. However current year activity remains at or below projected targets.”

ECONOMIC TRENDS

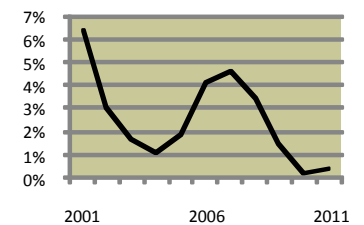
Employment Statistics - August						
County					State	
Fiscal Year	Number of Employed	Number of Unemployed	Aug Unemployment	July Unemployment	Aug Unemployment	July Unemployment
2011	59,330	7,048	10.6%	9.9%	7.6%	7.5%
2010	61,358	6,669	9.8%	9.7%	7.1%	7.1%

Average Unemployment Rate



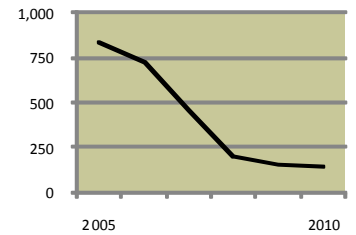
Investment Portfolio Summary				
Current		Year-to-Date		
Invested	Average Yield	Invested	Average Yield	Estimated Earnings
137,157,651	.110%	336,900,690	.175%	266,110

Average Investment Rate



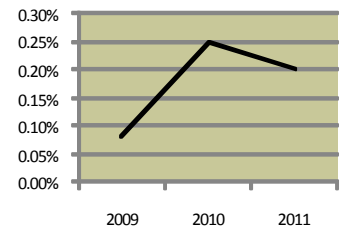
New Residential Housing Permits Issued				
Area	Prior YTD	Current YTD	Variance	
			# of Permits	% of Change
Wash. County	23	42	19	83%
City of Hagerstown	7	13	6	86%
Total	30	55	25	83%

New Housing Permit History

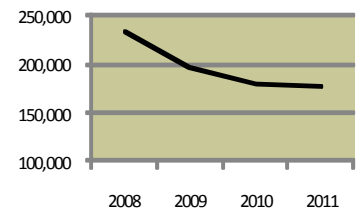


Washington County Housing Statistics			
Housing & Foreclosure:	2011	2010	% Change
Housing Activity:			
Average price sold	176,205	175,493	.4%
Total units sold	309	286	8.0%
Average inventory	1,227	1,218	.8%
Foreclosure Activity:			
Units in foreclosure	235	124	89.5%
Average foreclosure rate:			
Washington County	.20%	.19%	3.45%
State of Maryland	.22%	.26%	-12.99%
National	.26%	.28%	-6.02%

Average Foreclosure Rate

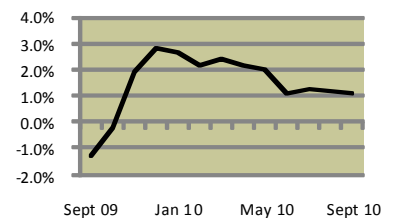


Average Price Sold



Consumer Price Index (CPI)			
Current Period		Prior Period	
Index	Annual Change	Index	Annual Change
218.4	1.1%	215.8	-1.3%

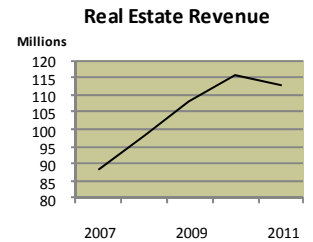
Annualized CPI



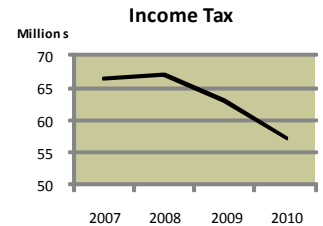
MAJOR REVENUE TRENDS

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

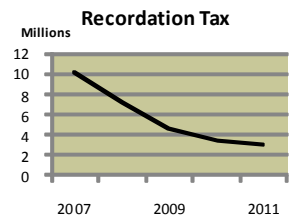
Real Estate Tax				
Year-to-Date		Budget Variance		Actual Growth
Budget	Revenues	\$	%	PY vs. CY %
112,416,701	113,177,335	760,634	.68%	-2.39%



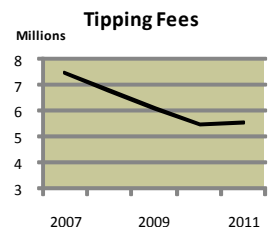
Income Tax				
Year-to-Date		Budget Variance		Actual Growth
Budget	Revenues	\$	%	PY vs. CY %
0	0	0	-	-



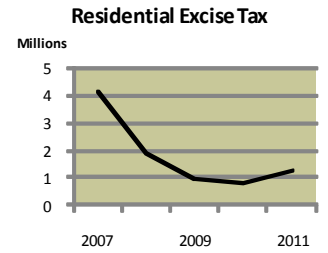
Recordation Tax				
Year-to-Date		Budget Variance		Actual Growth
Budget	Revenues	\$	%	PY vs. CY %
899,990	581,331	-318,658	-35.41%	-25.93%



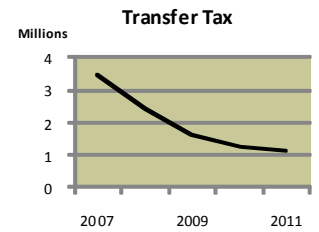
Tipping Fees				
Year-to-Date		Budget Variance		Actual Growth
Budget	Revenues	\$	%	PY vs. CY %
1,584,535	1,532,357	-52,178	-3.29%	5.76%



Residential Excise Tax				
Year-to-Date		Budget Variance		Actual Growth
Budget	Revenues	\$	%	PY vs. CY %
254,235	340,148	85,913	33.79%	50.69%



Transfer Tax				
Year-to-Date		Budget Variance		Actual Growth
Budget	Revenues	\$	%	PY vs. CY %
211,716	209,630	-2,086	-0.99%	-4.84%



FUEL CONSUMPTION TRENDS

Fuel Purchased and Average Price Per Gallon				
Fund	Gasoline		Diesel	
	Gallons Purchased	Average Cost	Gallons Purchased	Average Cost
Airport	404	2.453	770	2.311
Golf Course	3,444	2.457	235	2.2612
Highway	23,441	2.353	40,056	2.148
Parks	4,168	2.450	1,923	2.301
Sheriff	32,804	2.324	0	0
Solid Waste	500	2.453	14,624	2.136
Transit	0	0	22,523	2.123
Water Quality	5,694	2.449	6,356	2.534
Weighted Average	70,455	2.420	86,457	2.259
Budgeted Unit Price		2.735		2.50

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

Retail energy prices for the 3rd qtr were as follows:

Gasoline \$2.71

Diesel \$2.97

Retail energy prices for the 4th qtr are projected as follows:

Gasoline \$2.60—\$2.70

Diesel \$2.80—\$2.90

SUMMARY OF MAJOR EXPENDITURE ACTIVITY

Operating Activity by Major Fund (in millions)					
Fund	Budget	Spent	Encumbered	Unexpended	% Expended
General	199.6	52.5	2.9	144.2	28%
Highway	8.5	1.8	.6	6.1	28%
Solid Waste	7.3	1.6	1.2	4.5	38%
Water	1.6	.4	.0	1.2	25%
Sewer	10.2	2.3	.1	7.8	24%
Transit	2.2	.5	.1	1.6	27%
Airport	3.0	.7	.0	2.3	23%
Golf Course	1.2	.3	.0	.9	25%
Total	233.6	60.1	4.9	168.6	28%

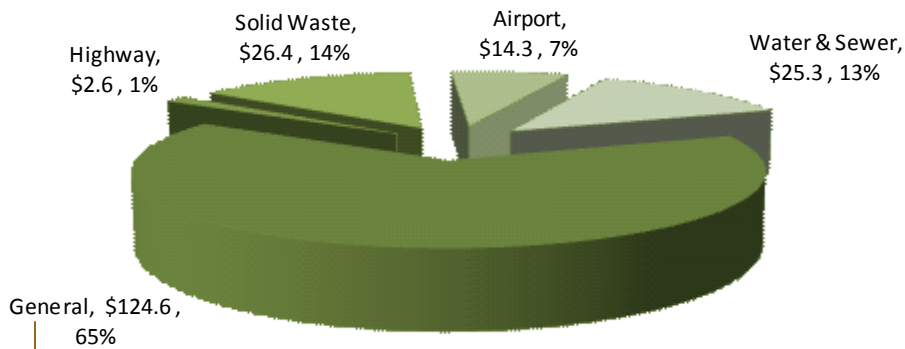
Construction Activity (in millions)					
Fund	Budget	Spent	Encumbered	Unexpended	% Expended
General	7.6	.1	.5	7.0	8%
Public Safety	9.0	.9	5.7	2.4	73%
Roads, Bridges	62.0	2.1	9.4	50.5	19%
Parks	1.8	.0	.1	1.7	6%
Education	58.3	2.7	.5	55.1	5%
Solid Waste	16.4	.1	.3	16.0	2%
Utility	43.9	.0	2.9	41.0	7%
Transit	2.8	.1	1.1	1.6	43%
Airport	12.6	.3	2.1	10.2	19%
Total	214.4	66.4	22.6	185.5	13%

Grand Total	448.0	66.4	27.5	354.1	21%
Target					25%

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

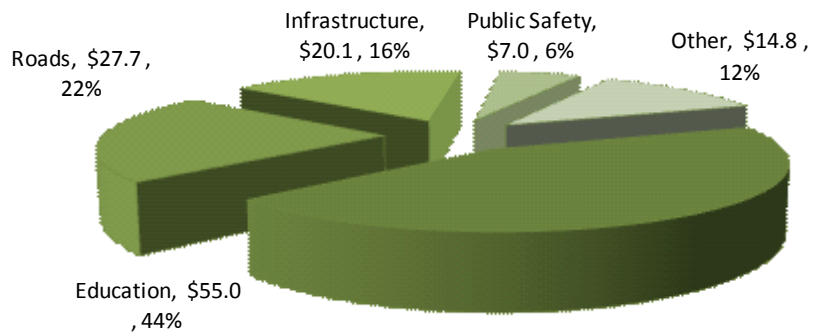
PROJECTED OUTSTANDING DEBT JUNE 2011

Projected Outstanding Debt FY 2012 - All Funds - \$193.2 m



The charts to the left represent current outstanding debt and anticipated borrowing for the current fiscal year ended 2011. Final determination of new bond issue amounts are typically made in the 4th quarter of the fiscal year barring any change in issuance patterns.

Projected Outstanding Debt FY 2012 - General Fund - \$124.6 m



Scheduled Payoff & Debt Service Ratios

Measurement	2011	2010	Peer Group	Industry Standard
Five Year Payoff	37%	37%	-	25%
Ten Year Payoff	67%	67%	-	50%
Debt Service Ratio	6.82%	7.19%	7.37%	<=10%

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STATEMENT OF PURPOSE

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

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

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

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

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

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

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