

**COUNTY COMMISSIONERS OF  
WASHINGTON COUNTY**

**FINANCIAL REPORT**

**JUNE 30, 2005**



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## INDEPENDENT AUDITOR'S REPORT

County Commissioners of  
Washington County, 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, Maryland, as of and for the year ended June 30, 2005, 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 opinion, 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, 2005, 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 September 30, 2005, 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 the internal control over financial reporting or on its compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the other required supplementary information on pages 2 through 12 and 59 through 64 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  
September 30, 2005



# 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, 2005. 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 13-14 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*, and *fiduciary* funds.

- ***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 seven 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, 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 15-17 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 19-20 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 22-23 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 24-58 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 59-63 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 \$464,517,437 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
	2005	2004	2005	2004	2005	2004	
Current and other assets	109,993,989	78,173,196	32,111,095	28,043,589	142,105,084	106,216,785	34%
Capital assets	359,039,600	382,245,170	185,187,237	171,617,576	544,226,837	553,862,746	(2%)
<b>Total Assets</b>	<b>469,033,589</b>	<b>460,418,366</b>	<b>217,298,332</b>	<b>199,661,165</b>	<b>686,331,921</b>	<b>660,079,531</b>	<b>4%</b>
Current and other liabilities	50,941,563	44,707,790	18,072,442	16,043,208	69,014,005	60,750,998	14%
Long-term liabilities	82,991,959	79,588,962	69,808,520	73,865,173	152,800,479	153,454,135	(.4%)
<b>Total liabilities</b>	<b>133,933,522</b>	<b>124,296,752</b>	<b>87,880,962</b>	<b>89,908,381</b>	<b>221,814,484</b>	<b>214,205,133</b>	<b>4%</b>
Invested in Capital Assets Net of Related Debt, net	333,297,890	352,562,531	130,935,467	113,346,879	464,233,357	465,909,410	(.4%)
Restricted Net Assets	16,750,085	9,688,961	1,166,406	4,300,641	17,916,491	13,989,602	28%
Unrestricted Net Assets	(14,947,908)	(26,129,878)	(2,684,503)	(7,894,736)	(17,632,411)	(34,024,614)	(48%)
<b>Total Net Assets</b>	<b>335,100,067</b>	<b>336,121,614</b>	<b>129,417,370</b>	<b>109,752,784</b>	<b>464,517,437</b>	<b>445,874,398</b>	<b>4%</b>

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 \$464,233,357. 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 \$49,980,502 in long-term debt, resulting in negative unrestricted net assets of (\$14,947,908). This long-term debt was incurred by the county's general fund for the purpose of capital asset acquisition for the Board of Education (\$44,852,326) and Hagerstown Community College (\$5,128,176). The capital assets acquired with these bonds are not reflected in the county's financial statements.

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

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Program revenues:</b>						
Charges for Services	2,748,304	2,125,979	21,448,810	18,722,249	24,197,114	20,848,228
Operating Grants and Contributions	15,086,387	12,324,942	998,153	998,175	16,084,540	13,323,117
Capital Grants and Contributions	4,614,056	977,714	14,138,092	7,156,043	18,752,148	8,133,757
<b>General Revenues:</b>						
Property Taxes	79,726,636	75,591,707	-	-	79,726,636	75,591,707
Local Taxes	79,677,810	67,466,382	-	-	79,677,810	67,466,382
Other	3,803,986	2,690,140	97,851	81,675	3,901,837	2,771,815
<b>Total Revenues</b>	<b>185,657,179</b>	<b>161,176,864</b>	<b>36,682,906</b>	<b>26,958,142</b>	<b>222,340,085</b>	<b>188,135,006</b>
<b>Program Expenses:</b>						
General Government	46,088,836	44,204,278	-	-	46,088,836	44,204,278
Public Safety	20,107,939	18,104,674	-	-	20,107,939	18,104,674
Health	1,802,174	1,802,583	-	-	1,802,174	1,802,583
Social Services	1,281,971	871,721	-	-	1,281,971	871,721
Education	92,072,413	86,343,458	-	-	92,072,413	86,343,458
Parks and Recreation	3,659,866	3,799,446	-	-	3,659,866	3,799,446
Natural Resources	336,589	315,584	-	-	336,589	315,584
General Operations	2,147,244	1,297,381	-	-	2,147,244	1,297,381
Intergovernmental	1,308,165	1,735,336	-	-	1,308,165	1,735,336
Community Promotion	2,267,379	2,661,721	-	-	2,267,379	2,661,721
Highways and Streets	6,622,159	6,673,683	-	-	6,622,159	6,673,683
Interest on long-term debt	3,336,048	4,196,738	-	-	3,336,048	4,196,738
<b>Business-type Activities:</b>						
Water Quality	-	-	9,820,932	10,308,764	9,820,932	10,308,764
Solid Waste	-	-	7,278,992	8,173,398	7,278,992	8,173,398
Public Transportation	-	-	1,907,882	2,042,498	1,907,882	2,042,498
Airport	-	-	2,241,826	2,183,054	2,241,826	2,183,054
Golf Course	-	-	1,299,235	1,245,262	1,299,235	1,245,262
<b>Total Expenses</b>	<b>181,030,783</b>	<b>172,006,603</b>	<b>22,548,867</b>	<b>23,952,976</b>	<b>203,579,650</b>	<b>195,959,579</b>
<b>Change in net assets before transfers and special items</b>	<b>4,626,396</b>	<b>(10,829,739)</b>	<b>14,134,039</b>	<b>(3,005,166)</b>	<b>18,760,435</b>	<b>(7,824,573)</b>
<b>Special items</b>	<b>(40,878)</b>	<b>-</b>	<b>(76,518)</b>	<b>(104,717)</b>	<b>(117,396)</b>	<b>(104,717)</b>
<b>Transfers</b>	<b>(5,607,065)</b>	<b>(5,031,347)</b>	<b>5,607,065</b>	<b>5,013,347</b>	<b>-</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>(1,021,547)</b>	<b>(15,861,086)</b>	<b>19,664,586</b>	<b>7,931,796</b>	<b>18,643,039</b>	<b>(7,929,290)</b>
<b>Net Assets – Beginning of year</b>	<b>336,121,614</b>	<b>351,982,700</b>	<b>109,752,784</b>	<b>101,820,988</b>	<b>445,874,398</b>	<b>453,803,688</b>
<b>Net Assets – End of year</b>	<b>335,100,067</b>	<b>336,121,614</b>	<b>129,417,370</b>	<b>109,752,784</b>	<b>464,517,437</b>	<b>445,874,398</b>

The County's total net assets increased by \$18,643,039 during the current fiscal year. Total net assets as of June 30, 2005 were \$464,517,437, representing a 4% increase.

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

Net assets in governmental activities decreased by \$1,021,547, thereby offsetting a portion of the total net assets of the County. Key factors in this decrease are as follows:

- Property tax exceed budget by \$1.3 million or 8.3% versus the budgeted tax base growth of 7.2%. The Commissioners also approved a \$2,000,000 rebate back to the taxpayers from the fiscal year 2005 real estate taxes levied.

- ❑ Recordation tax revenue was up by 38% or \$3,215,796, reflecting the County continued trends in development, for both commercial and residential growth.
- ❑ Income Tax revenue exceeded budget by \$4,099,315 or 7.7%. This represents the growing population within Washington County and higher wage earners that are accompanying that migration.
- ❑ Expenditures were over as a result of additional funds transferred to the Capital Improvement fund for education, road, and construction projects. The additional amount transferred was \$6,700,000. Workers Compensation experience was over budget requiring an adjustment of \$1,300,000 and remaining cost centers were under budget by 1.3%. 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 \$29,600,000.

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

Business-type activities increased the County's net assets by \$19,664,586, offsetting the decline in net assets attributable to governmental activities. Key elements of this increase are as follows:

- ❑ Water Quality net assets increased by \$4,999,163, for a total of \$75,378,640. The increase resulted from increases in connection fees and user rates, both designed to provide resources to meet operational cost, projected debt service, capital requirements and to provide for stable reserves. Revenues exceeded budget as a result of increased demand, which was projected in the cost of service model at 1%.
- ❑ Solid Waste total net assets increased to \$7,770,206 as of June 30, 2005. A major portion of the increase related to excess tonnage being brought into the landfill, generating an additional \$1.7 million in revenue. In addition, the Solid Waste Fund has set aside the required funds for Closure and Post-Closure in the amount of \$3,076,818 and funded additional reserves for future construction costs in the amount of \$1,000,180.
- ❑ Public Transit total net assets were \$1,579,907 as of June 30, 2005, representing a \$61,564 increase. Federal, state, and local operating grants of \$1,404,633 subsidize transportation activities. Capital grants were generated for capital acquisition in the amount of \$286,600.
- ❑ Airport total net assets were \$41,714,774 as of June 30, 2005, representing a \$12,849,248 increase. The net increase is a result of capital grants for construction activity in the amount of \$13,566,007 and cannot be used for operations. The remaining decrease resulted from depreciation expense in the amount of \$1,102,988.
- ❑ Golf Course net assets were \$2,973,843 as of June 30, 2005, representing a \$161,038 decrease. The net decrease is a result of a net shortfall in revenue and expenditures of approximately \$20,000. The remaining decrease resulted from depreciation expense in the amount of \$141,767.

**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.

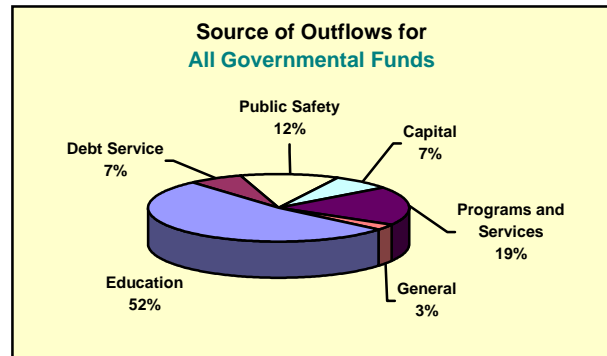
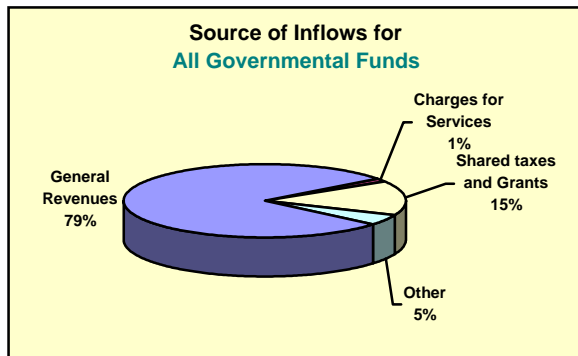
As of the end of the current fiscal year, the County's governmental funds reported combined fund balances of \$68,423,491 an increase of \$25,376,120 in comparison with the prior year. Approximately \$22,714,702 of this amount is designated for cash reserves and \$500,000 is designated for other post-employment benefit costs,

\$42,579,433 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 seven 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		
	2005	2004	% Change	2005	2004	% Change
General Fund	25,844,058	21,399,333	21%	4,444,725	3,953,712	12%
Foreign Trade Zone	6,692	6,692	0%	0	(16,613)	100%
Community Partnership	495,388	492,008	1%	3,380	174,241	(98%)
Inmate Welfare Fund	226,791	175,328	29%	51,463	45,294	14%
Agricultural Education Fund	113,556	61,964	83%	51,592	44,266	17%
Highways	3,682,013	1,338,834	175%	2,343,179	(188,484)	1343%
Capital Improvement Projects	38,054,993	19,573,212	94%	18,481,781	4,806,770	284%
<b>Total</b>	<b>68,423,491</b>	<b>43,047,371</b>	<b>59%</b>	<b>25,376,120</b>	<b>8,819,186</b>	<b>188%</b>

The following reflects all inflows and outflows of the governmental funds in total for the fiscal year ending June 30, 2005.



- 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 \$23,540,518, while total fund balance reached \$25,844,058. 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 \$23,214,702 which is designated for cash and other post-employment benefit cost reserves, while the remaining fund balance represents undesignated amounts.

The fund balance of the County’s General Fund increased by \$4,444,725 during the current fiscal year. Key factors in this growth are:

- Property tax exceed budget by \$1.3 million or 1.7% versus the budgeted tax base growth of 7.2%. The Commissioners also approved a \$2,000,000 rebate back to the taxpayers from the fiscal year 2005 real estate taxes levied.
- Recordation tax revenue was up by 38% or \$3,215,796, reflecting the County continued trends in development, for both commercial and residential growth.
- Income Tax revenue exceeded budget by \$4,099,315 or 7.7%. This represents the growing population within Washington County and higher wage earners that are accompanying that migration.

- Net expenditures were over by \$4,686,279. This overage was the result of additional funds transferred to the Capital Improvement fund for educational, road, and construction projects in the amount of \$6,600,000. Workers Compensation experience exceeded budget requiring an adjustment of \$1,300,000 and remaining budgets were under by 1.3%.
- The **Highway fund** has a total fund balance of \$3,682,013, 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 increased by \$2,343,179 during the current fiscal year. The increase in fund balance is mainly due to excess Highway User revenue of \$1.4 million, \$313,000 of reserve funds placed aside to fund operation and maintenance reserve requirements, and \$683,000 in operational savings.
- 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 Improvement Fund has a total fund balance of \$38,054,993, 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 \$18,481,781 for the current fiscal year. The increase in fund balance is the result of timing differences in projects with funding proceeds and project expenditures.
- The County's **Foreign Trade Zone, Community Partnership, Inmate Welfare, and Agricultural Education Funds** combined have a fund balance of \$842,427. The net increase in fund balance during the current year in these funds was \$106,435. These funds represent monies designated for specific programs and services.

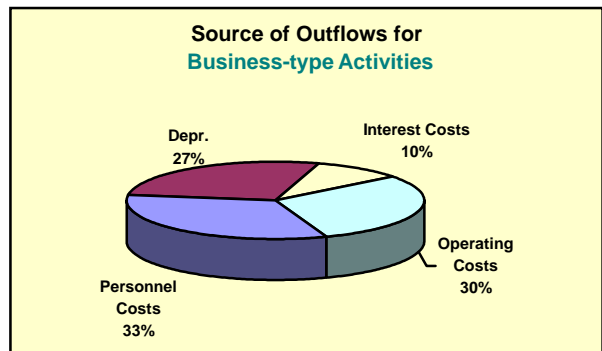
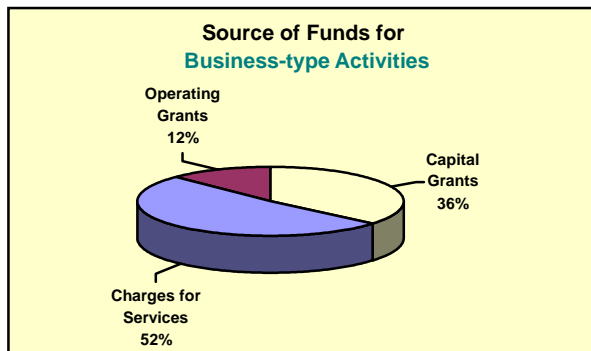
**Proprietary Funds:**

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)		
	2005	2004	% Change	2005	2004	% Change
Water Quality	75,378,640	70,379,477	7%	4,999,163	3,092,955	62%
Solid Waste	7,770,206	5,854,557	33%	1,915,649	(2,246,387)	185%
Public Transit	1,579,907	1,518,343	4%	61,564	(194,733)	132%
Airport	41,714,774	28,865,526	45%	12,849,248	7,355,595	75%
Black Rock	2,973,843	3,134,881	(5%)	(161,038)	(75,634)	(113%)
<b>Total</b>	<b>129,417,370</b>	<b>109,752,784</b>	<b>18%</b>	<b>19,664,586</b>	<b>7,931,796</b>	<b>148%</b>

The following reflects the inflows and outflows of the business-type activity funds for the fiscal year ending June 30, 2005.



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, 2005**  
*(Government Fund Basis)*

Category	Budgetary Amounts		Actual	Difference	
	Original	Final		Org.Budget vs. Final Budget	Final Budget vs. Actual
<b>Revenues:</b>					
Property Tax	80,434,900	80,434,900	79,793,430	-	(641,470)
Local Tax	52,928,300	52,928,300	57,027,615	-	4,099,315
Other Revenue	12,539,292	14,342,621	20,238,639	1,803,329	5,896,018
Grant	2,315,550	6,196,257	5,973,398	3,880,707	(222,859)
<b>Total Revenues</b>	<b>148,218,042</b>	<b>153,902,078</b>	<b>163,033,082</b>	<b>5,684,036</b>	<b>9,131,004</b>
<b>Expenses:</b>					
General Government	13,527,297	17,306,043	15,919,011	3,778,746	1,387,032
Public Safety	19,739,919	19,967,752	19,769,329	227,833	198,423
Health and Social Services	2,691,576	2,771,576	3,084,145	80,000	(312,569)
Education	85,982,778	85,982,778	85,980,778	-	2,000
Parks, Recreation, Natural Resources	4,234,875	4,256,919	4,117,075	22,044	139,844
General Operations	1,924,321	1,717,635	1,810,556	(206,686)	(92,921)
Intergovernmental	8,613,943	10,396,042	16,963,335	1,782,099	(6,567,293)
Debt Service	11,503,333	11,503,333	10,944,128	-	559,205
<b>Total Expenses</b>	<b>148,218,042</b>	<b>153,902,078</b>	<b>158,588,357</b>	<b>5,684,036</b>	<b>4,686,279</b>
<b>Net Increase in Assets - 06/30/05</b>	<b>-</b>	<b>-</b>	<b>4,444,725</b>		<b>4,444,725</b>

**Original Budget vs. Final Budget:**

The net budgetary change of \$5,684,036 resulted from grant and capital transactions. Increases in grants are reflected, as revenue, was received or expended during the fiscal year from additional state or federal grants of \$3.8 million. In addition, \$2.3 million in one-time capital transfers were made to the Capital Improvement Fund to fund specific project costs. The remaining difference is due to various operational changes such as salary adjustments, operating increases, etc.

**Final Budget vs. Actual Results:**

Final year-end results yielded a \$4.4 million increase to cash reserves, \$9.1 million over in revenues but \$4.6 million over in expenditures. Property Tax experienced 1.7% growth over budget, but was reduced for a \$2 million tax rebate to the taxpayers in fiscal year 2005. Recordation Tax revenue up by 38% or \$3.2 million, reflected the County's continued trend in development, for both commercial and residential growth. Offsetting these revenues were capital expenditures made to the Capital Improvement Fund for \$6.7 million for education, road, and construction projects.

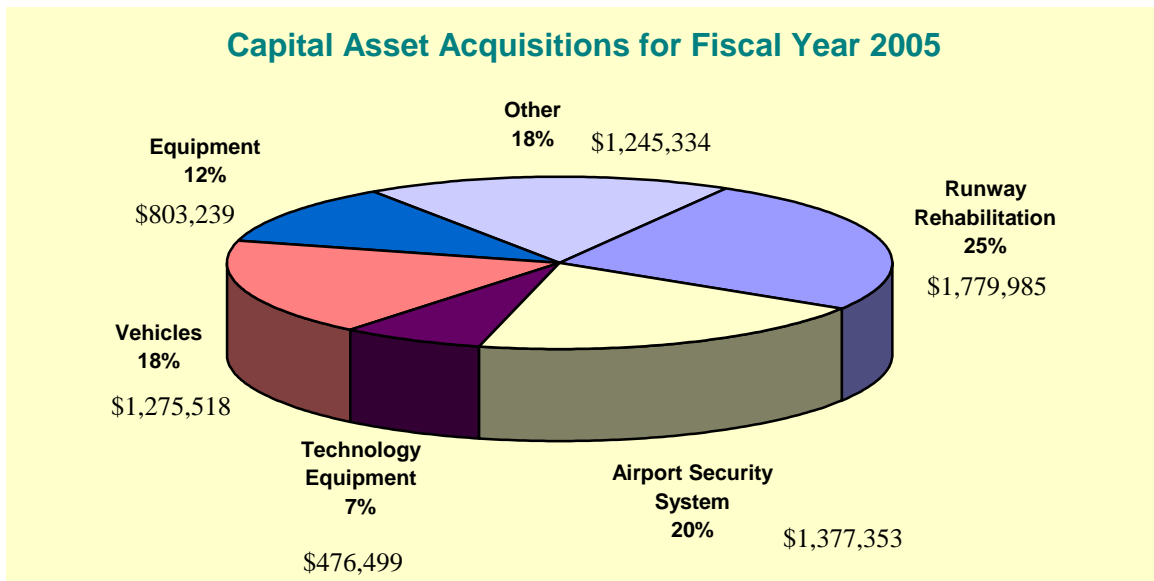
Capital Asset Administration – Government Wide Statements

The County’s investment in capital assets for its governmental and business-type activities as of June 30, 2005 amounts to \$507,965,806 (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
	2005	2004	2005	2004	2005	2004	
Land and Land Improvement Infrastructure	5,896,629	5,767,597	42,651,098	43,616,495	48,547,727	49,384,092	(2%)
Building and Improvements	310,306,918	336,006,033	-	-	310,306,918	336,006,033	(8%)
Vehicles	24,095,263	25,119,723	15,139,824	14,716,911	39,235,087	39,836,634	(2%)
Machinery and Equipment	2,997,280	3,434,263	1,383,378	849,907	4,380,658	4,284,170	2%
Office Furniture/Equipment	3,064,491	3,047,396	3,626,027	4,020,520	6,690,518	7,067,916	(5%)
Treatment Plant	3,827,221	4,362,336	280,041	398,801	4,107,262	4,761,137	(14%)
Facilities, Lines, and Mains	-	-	36,299,699	37,204,250	36,299,699	37,204,250	(2%)
	-	-	58,397,937	58,994,236	58,397,937	58,994,236	(1%)
<b>Total</b>	<b>350,187,802</b>	<b>377,737,348</b>	<b>157,778,004</b>	<b>159,801,120</b>	<b>507,965,806</b>	<b>537,538,468</b>	<b>(6%)</b>

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



Additional information on the County’s capital assets can be found in note 5 on pages 38-40 of this report.

## Debt Administration

At the end of the current fiscal year, the County had total outstanding debt of \$143,808,105. 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 \$177,784 during the current fiscal year. The estimated net increase resulted from \$10,839,887 in principal payments and transaction related expenses of refunding and \$11,017,671 in new borrowings. Funds borrowed were used to fund projects for the Washington County Board of Education in the amount of \$7,641,500 and a communication system in the amount of \$1,464,100. Other projects funded included infrastructure and building improvements.

### Washington County, Maryland Outstanding Debt (Government Fund Basis)

Instrument Type	Governmental Activity		Business-type Activity		Total Outstanding Debt		% Change
	2005	2004	2005	2004	2005	2004	
General Obligation Bonds	86,931,927	84,595,731	21,709,280	29,151,435	108,641,207	113,747,166	(4%)
County Transportation Bonds	208,434	612,678	-	-	208,434	612,678	(66%)
Maryland State Loans	147,209	203,453	2,229,954	2,314,942	2,377,163	2,518,395	(6%)
Maryland Water Quality Bonds	1,934,391	-	30,646,910	26,752,082	32,581,301	26,752,082	22%
<b>Total</b>	<b>89,221,961</b>	<b>85,411,862</b>	<b>54,586,144</b>	<b>58,218,459</b>	<b>143,808,105</b>	<b>143,630,321</b>	<b>.12%</b>

The County maintains an A+ rating from Standard and Poor's, an A1 rating from Moody's Investors Service, and a AA- from Fitch Ratings for 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 debt is \$767,263,658, 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 43-46 of this report.

## Economic Factors and Fiscal Year 2006 Budget/Rates

- ❑ The unemployment rate for the County as of August 31, 2005 is 4.1%, which is an increase from the rate of 3.6% one-year ago. The 4.1% rate is favorable compared to the current state rate of 4.4%.
- ❑ The County's robust economic environment continues as permit trends in both commercial and residential building continue to increase at a rapid pace. This growth has significantly increased the tax base for Washington County, which in turn has increased the value of the median home in the County.
- ❑ During the current fiscal year, the County's general fund unreserved fund balance totaled \$23,540,518. The County has designated \$22,714,702 of this for cash reserves and \$500,000 for other post-employment benefits. 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. It is the policy of the County to maintain the minimum reserve level at 17% or two months of working capital. In addition most funds have now met the cash reserve policy requirements. It is projected that of the two funds not meeting policy, one will meet the minimum in fiscal year 2006, with management plans in place for the remaining fund.

- ❑ Sewer rates were increased for the 2006 budget year. The revenue requirements were increased an average of 2% for most customers. This revenue increase is based on financial information formulated annually from the County's cost of service model.
- ❑ Tipping Fees were changed in fiscal year 2006. Composting rates were reestablished in fiscal year 2006 at \$45 a ton. Tipping fees were increased from \$39 to \$50 a ton.
- ❑ The County changed the building excise tax, effective July 12, 2005 on all new construction in Washington County. This tax will finance school renovation and construction, roads, libraries, and other allowable miscellaneous capital cost. A summary of the building excise tax is as follows:
  - (1) Residential construction 1,500 square feet and under = \$1.00 per square foot
  - (2) Residential single-family construction = \$13,000 per dwelling
  - (3) Residential multi-family construction = \$15,500 per dwelling
  - (4) Non-residential construction = based on sliding scale concept, building type, etc.
- ❑ The County will start the process for its financing package of the Airport Runway project in fiscal year 2006, along with its regularly scheduled bond program. It is estimated that the construction cash flow of funds required will be around \$16-\$18 million. The County anticipates full reimbursement from grants to be funded in future years.

#### 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 contact their offices at Commonwealth Ave, Hagerstown, Maryland 21740.

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

STATEMENT OF NET ASSETS

JUNE 30, 2005

	Primary Government			Component Unit	Total
	Governmental Activities	Business-type Activities	Total	Board of Education	
<b>ASSETS</b>					
Cash and short-term investments	\$ 6,573,838	\$ 24,818,990	\$ 31,392,828	\$ 10,335,936	\$ 41,728,764
Investments	66,009,347	256,793	66,266,140	8,624,334	74,890,474
Investment in capital lease	236,565	-	236,565	-	236,565
Property taxes receivable, net of allowance	363,691	-	363,691	-	363,691
Accounts receivable, net of allowance	691,240	1,163,066	1,854,306	-	1,854,306
Interest receivable	679,146	3,377	682,523	-	682,523
Unbilled receivables	122,642	1,614,841	1,737,483	-	1,737,483
Internal balances	1,136,276	(1,136,276)	-	39,943	39,943
Due from other governmental agencies	32,663,314	4,884,416	37,547,730	2,968,150	40,515,880
Other receivables	-	-	-	582,672	582,672
Inventories	363,727	302,246	665,973	245,761	911,734
Prepaid items	-	-	-	3,822,832	3,822,832
Recoverable disbursements	99,762	-	99,762	-	99,762
Notes receivable	452,535	-	452,535	-	452,535
Bond issuance costs	601,906	203,642	805,548	-	805,548
Projects under construction	8,851,798	27,409,233	36,261,031	12,171,295	48,432,326
Property, plant, and equipment, net	350,187,802	157,778,004	507,965,806	106,819,709	614,785,515
<b>TOTAL ASSETS</b>	<b>\$ 469,033,589</b>	<b>\$ 217,298,332</b>	<b>\$ 686,331,921</b>	<b>\$ 145,610,632</b>	<b>\$ 831,942,553</b>
<b>LIABILITIES</b>					
<b>Current:</b>					
Current maturities of long-term obligations	\$ 7,351,182	\$ 4,053,383	\$ 11,404,565	\$ -	\$ 11,404,565
Current maturities of capital lease obligations	194,350	218,247	412,597	159,771	572,368
Accounts payable	9,835,081	3,890,665	13,725,746	4,932,754	18,658,500
Accrued expenses	2,090,206	602,035	2,692,241	6,512,760	9,205,001
Accrued interest payable	1,377,194	5,873,977	7,251,171	-	7,251,171
Allowance for tax adjustments	100,000	-	100,000	-	100,000
Deferred revenues	19,744,766	986,721	20,731,487	5,445,149	26,176,636
Compensated absences	1,198,464	303,420	1,501,884	262,552	1,764,436
Post retirement benefits	140,682	-	140,682	-	140,682
Landfill closure and post-closure costs	-	2,112,542	2,112,542	-	2,112,542
Other liabilities	5,609,398	31,452	5,640,850	-	5,640,850
Liabilities for unpaid claims	3,300,240	-	3,300,240	-	3,300,240
<b>Noncurrent:</b>					
Deferred revenues	-	1,840,000	1,840,000	-	1,840,000
Compensated absences	324,869	144,765	469,634	4,328,187	4,797,821
Post retirement benefits	796,311	-	796,311	-	796,311
Long-term obligations, net	81,870,779	50,532,761	132,403,540	-	132,403,540
Capital lease obligations	-	356,991	356,991	283,595	640,586
Landfill closure and post-closure costs	-	16,934,003	16,934,003	-	16,934,003
<b>TOTAL LIABILITIES</b>	<b>\$ 133,933,522</b>	<b>\$ 87,880,962</b>	<b>\$ 221,814,484</b>	<b>\$ 21,924,768</b>	<b>\$ 243,739,252</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	\$ 333,297,890	\$ 130,935,467	\$ 464,233,357	\$ 118,547,638	\$ 582,780,995
Restricted for:					
John Howard Trust	-	256,793	256,793	-	256,793
Capital projects	15,689,560	909,613	16,599,173	-	16,599,173
Community Partnership	495,388	-	495,388	-	495,388
Foreign Trade Zone	6,692	-	6,692	-	6,692
Narcotics Task Force (NTF)	331,654	-	331,654	-	331,654
Inmate reserve	226,791	-	226,791	-	226,791
Unrestricted (deficit)	(14,947,908)	(2,684,503)	(17,632,411)	5,138,226	(12,494,185)
<b>TOTAL NET ASSETS</b>	<b>\$ 335,100,067</b>	<b>\$ 129,417,370</b>	<b>\$ 464,517,437</b>	<b>\$ 123,685,864</b>	<b>\$ 588,203,301</b>

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
Governmental activities:			
General government	\$ 46,088,836	\$ 2,069,221	\$ 5,973,398
Public safety	20,107,939	358,484	-
Health	1,802,174	-	-
Social services	1,281,971	-	-
Education (includes payment to the Board of Education of \$84,238,011)	92,072,413	-	-
Parks, recreation, and culture	3,659,866	320,599	-
Conservation of natural resources	336,589	-	-
General operations	2,147,244	-	-
Intergovernmental	1,308,165	-	-
Community promotion	2,267,379	-	2,148,792
Highways and streets	6,622,159	-	6,964,197
Interest on long-term debt	3,336,048	-	-
Total governmental activities	<u>\$ 181,030,783</u>	<u>\$ 2,748,304</u>	<u>\$ 15,086,387</u>
Business-type activities:			
Water quality	\$ 9,820,932	\$ 11,324,524	\$ -
Solid waste	7,278,992	7,308,615	-
Public transit	1,907,882	272,797	998,153
Airport	2,241,826	1,427,011	-
Black Rock Golf Course	1,299,235	1,115,863	-
Total business-type activities:	<u>\$ 22,548,867</u>	<u>\$ 21,448,810</u>	<u>\$ 998,153</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u><u>\$ 203,579,650</u></u>	<u><u>\$ 24,197,114</u></u>	<u><u>\$ 16,084,540</u></u>
<b>Component unit:</b>			
Public school system	\$ 192,701,236	\$ 9,457,541	\$ 34,612,143
<b>TOTAL COMPONENT UNIT</b>	<u><u>\$ 192,701,236</u></u>	<u><u>\$ 9,457,541</u></u>	<u><u>\$ 34,612,143</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-(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**

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets				
	Primary Government			Component Unit	Total
	Governmental Activities	Business-type Activities	Total	Board of Education	
\$ 584,255	\$ (37,461,962)	\$ -	\$ (37,461,962)	\$ -	\$ (37,461,962)
-	(19,749,455)	-	(19,749,455)	-	(19,749,455)
-	(1,802,174)	-	(1,802,174)	-	(1,802,174)
-	(1,281,971)	-	(1,281,971)	-	(1,281,971)
1,933,069	(90,139,344)	-	(90,139,344)	-	(90,139,344)
-	(3,339,267)	-	(3,339,267)	-	(3,339,267)
-	(336,589)	-	(336,589)	-	(336,589)
-	(2,147,244)	-	(2,147,244)	-	(2,147,244)
-	(1,308,165)	-	(1,308,165)	-	(1,308,165)
-	(118,587)	-	(118,587)	-	(118,587)
2,096,732	2,438,770	-	2,438,770	-	2,438,770
-	(3,336,048)	-	(3,336,048)	-	(3,336,048)
<u>\$ 4,614,056</u>	<u>\$ (158,582,036)</u>	<u>\$ -</u>	<u>\$ (158,582,036)</u>	<u>\$ -</u>	<u>\$ (158,582,036)</u>
\$ 331,070	\$ -	\$ 1,834,662	\$ 1,834,662	\$ -	\$ 1,834,662
-	-	29,623	29,623	-	29,623
241,400	-	(395,532)	(395,532)	-	(395,532)
13,565,622	-	12,750,807	12,750,807	-	12,750,807
-	-	(183,372)	(183,372)	-	(183,372)
<u>\$ 14,138,092</u>	<u>\$ -</u>	<u>\$ 14,036,188</u>	<u>\$ 14,036,188</u>	<u>\$ -</u>	<u>\$ 14,036,188</u>
<u>\$ 18,752,148</u>	<u>\$ (158,582,036)</u>	<u>\$ 14,036,188</u>	<u>\$ (144,545,848)</u>	<u>\$ -</u>	<u>\$ (144,545,848)</u>
<u>\$ 25,132</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (148,606,420)</u>	<u>\$ (148,606,420)</u>
<u>\$ 25,132</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (148,606,420)</u>	<u>\$ (148,606,420)</u>
	\$ 79,726,636	\$ -	\$ 79,726,636	\$ -	\$ 79,726,636
	57,027,615	-	57,027,615	-	57,027,615
	22,650,195	-	22,650,195	-	22,650,195
	2,138,135	97,851	2,235,986	303,550	2,539,536
	1,035,486	-	1,035,486	-	1,035,486
	630,365	-	630,365	626,260	1,256,625
	-	-	-	83,307,867	83,307,867
	-	-	-	71,901,450	71,901,450
	(40,878)	(76,518)	(117,396)	-	(117,396)
	(5,607,065)	5,607,065	-	-	-
	<u>\$ 157,560,489</u>	<u>\$ 5,628,398</u>	<u>\$ 163,188,887</u>	<u>\$ 156,139,127</u>	<u>\$ 319,328,014</u>
	<u>\$ (1,021,547)</u>	<u>\$ 19,664,586</u>	<u>\$ 18,643,039</u>	<u>\$ 7,532,707</u>	<u>\$ 26,175,746</u>
	336,121,614	109,752,784	445,874,398	116,153,157	562,027,555
	<u>\$ 335,100,067</u>	<u>\$ 129,417,370</u>	<u>\$ 464,517,437</u>	<u>\$ 123,685,864</u>	<u>\$ 588,203,301</u>

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

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2005**

	<b>General Fund</b>	<b>Foreign Trade Zone</b>	<b>Community Partnership Fund</b>	<b>Inmate Welfare Fund</b>	<b>Agricultural Education Center</b>	<b>Highway Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>								
Cash	\$ 48,277	\$ 6,692	\$ 1,934,474	\$ 247,986	\$ 116,663	\$ 2,369,797	\$ 1,849,949	\$ 6,573,838
Investments	66,009,347	-	-	-	-	-	-	66,009,347
Property taxes receivable, net of allowance	388,241	-	-	-	-	-	-	388,241
Accounts receivable	595,381	-	-	-	-	22,563	73,296	691,240
Interest receivable	679,146	-	-	-	-	-	-	679,146
Unbilled receivables	112,740	-	-	-	-	9,902	-	122,642
Due from other funds	1,136,276	-	-	-	-	-	37,844,142	38,980,418
Due from other governmental agencies	29,673,315	-	183,910	-	-	1,308,802	1,497,287	32,663,314
Inventories	30,605	-	-	-	-	333,122	-	363,727
Recoverable disbursements	96,127	-	-	-	-	3,635	-	99,762
Notes receivable	452,535	-	-	-	-	-	-	452,535
<b>TOTAL ASSETS</b>	<b>\$ 99,221,990</b>	<b>\$ 6,692</b>	<b>\$ 2,118,384</b>	<b>\$ 247,986</b>	<b>\$ 116,663</b>	<b>\$ 4,047,821</b>	<b>\$ 41,264,674</b>	<b>\$ 147,024,210</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES:</b>								
Accounts payable	\$ 6,196,768	\$ -	\$ 290,770	\$ 20,032	\$ 2,652	\$ 115,972	\$ 3,208,887	\$ 9,835,081
Due to other funds	37,844,142	-	-	-	-	-	-	37,844,142
Accrued expenses	1,811,982	-	25,976	1,163	455	249,836	794	2,090,206
Accrued interest	18,652	-	-	-	-	-	-	18,652
Allowance for adjustments to assessments	100,000	-	-	-	-	-	-	100,000
Other liabilities	5,609,398	-	-	-	-	-	-	5,609,398
Liabilities for unpaid claims	3,300,240	-	-	-	-	-	-	3,300,240
Deferred revenue	18,496,750	-	1,306,250	-	-	-	-	19,803,000
<b>TOTAL LIABILITIES</b>	<b>\$ 73,377,932</b>	<b>\$ -</b>	<b>\$ 1,622,996</b>	<b>\$ 21,195</b>	<b>\$ 3,107</b>	<b>\$ 365,808</b>	<b>\$ 3,209,681</b>	<b>\$ 78,600,719</b>
<b>FUND BALANCES:</b>								
Reserved for:								
Inventories	\$ 30,605	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,605
Long-term receivables	1,815,302	-	-	-	-	-	-	1,815,302
Unemployment	17,500	-	-	-	-	-	-	17,500
Program services	440,133	-	-	-	-	-	-	440,133
Unreserved:								
Designated	23,214,702	6,692	495,388	226,791	113,556	3,682,013	38,054,993	65,794,135
Undesignated	325,816	-	-	-	-	-	-	325,816
<b>TOTAL FUND BALANCES</b>	<b>\$ 25,844,058</b>	<b>\$ 6,692</b>	<b>\$ 495,388</b>	<b>\$ 226,791</b>	<b>\$ 113,556</b>	<b>\$ 3,682,013</b>	<b>\$ 38,054,993</b>	<b>\$ 68,423,491</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 99,221,990</b>	<b>\$ 6,692</b>	<b>\$ 2,118,384</b>	<b>\$ 247,986</b>	<b>\$ 116,663</b>	<b>\$ 4,047,821</b>	<b>\$ 41,264,674</b>	<b>\$ 147,024,210</b>

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, 2005

Fund balances governmental funds \$ 68,423,491

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 350,187,802  
Construction in progress 8,851,798

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

Investment in capital leases 236,565  
Deferred charges 635,590

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 (89,221,961)  
Capital leases (194,350)  
Accrued interest (1,358,542)  
Compensated absences and post-retirement benefits (2,460,326)

Net Assets Governmental Activities \$ 335,100,067

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, 2005**

	General Fund	Foreign Trade Zone	Community Partnership Fund	Inmate Welfare Fund	Agricultural Education Center	Highway Fund	Capital Projects Fund	Total Government Funds
<b>REVENUES</b>								
General property taxes	\$ 79,793,430	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79,793,430
Other local taxes	70,201,789	-	-	-	-	-	-	70,201,789
Licenses and permits	1,729,154	-	-	-	-	-	-	1,729,154
Court costs and fines	116,147	-	-	-	-	-	-	116,147
Charges for services	582,404	-	-	-	-	-	-	582,404
Revenue from uses of property	2,341,213	-	-	89,939	27,582	-	-	2,458,734
Reimbursed expenses	802,175	-	-	-	-	233,311	-	1,035,486
Miscellaneous revenues	324,394	-	-	298,212	-	7,877	71,707	702,190
Shared taxes and grants	5,973,398	-	2,148,792	-	-	6,964,197	14,090,077	29,176,464
<b>TOTAL REVENUES</b>	<b>\$ 161,864,104</b>	<b>\$ -</b>	<b>\$ 2,148,792</b>	<b>\$ 388,151</b>	<b>\$ 27,582</b>	<b>\$ 7,205,385</b>	<b>\$ 14,161,784</b>	<b>\$ 185,795,798</b>
<b>EXPENDITURES</b>								
Current:								
General government	\$ 15,919,011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,919,011
Public safety	19,769,329	-	-	-	-	-	-	19,769,329
Health	1,802,174	-	-	-	-	-	-	1,802,174
Social services	1,281,971	-	-	-	-	-	-	1,281,971
Education	85,980,778	-	-	-	-	-	-	85,980,778
Parks, recreation and culture	3,782,524	-	-	-	104,520	-	-	3,887,044
Natural resources	334,551	-	-	-	-	-	-	334,551
Intergovernmental	1,308,165	-	-	-	-	-	-	1,308,165
General operations	1,810,556	-	-	336,688	-	-	-	2,147,244
Community promotion	-	-	2,264,002	-	-	-	-	2,264,002
Highways and streets	-	-	-	-	-	5,962,206	-	5,962,206
Debt Service:								
Debt service	10,944,128	-	-	-	-	-	-	10,944,128
Capital Outlay:								
General government	-	-	-	-	-	-	3,166,440	3,166,440
Public works	-	-	-	-	-	-	4,523,629	4,523,629
Education	-	-	-	-	-	-	6,091,635	6,091,635
Parks and recreation	-	-	-	-	-	-	71,186	71,186
<b>TOTAL EXPENDITURES</b>	<b>\$ 142,933,187</b>	<b>\$ -</b>	<b>\$ 2,264,002</b>	<b>\$ 336,688</b>	<b>\$ 104,520</b>	<b>\$ 5,962,206</b>	<b>\$ 13,852,890</b>	<b>\$ 165,453,493</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 18,930,917</b>	<b>\$ -</b>	<b>\$ (115,210)</b>	<b>\$ 51,463</b>	<b>\$ (76,938)</b>	<b>\$ 1,243,179</b>	<b>\$ 308,894</b>	<b>\$ 20,342,305</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	\$ -	\$ -	\$ 118,590	\$ -	\$ 128,530	\$ 1,100,000	\$ 9,800,985	\$ 11,148,105
Transfers out	(15,655,170)	-	-	-	-	-	(1,100,000)	(16,755,170)
Principal amount of new debt for advance refunding	22,684,381	-	-	-	-	-	-	22,684,381
Deposit to escrow fund for advance refunding	(21,515,403)	-	-	-	-	-	-	(21,515,403)
Proceeds of bond sale	-	-	-	-	-	-	9,471,902	9,471,902
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ (14,486,192)</b>	<b>\$ -</b>	<b>\$ 118,590</b>	<b>\$ -</b>	<b>\$ 128,530</b>	<b>\$ 1,100,000</b>	<b>\$ 18,172,887</b>	<b>\$ 5,033,815</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>\$ 4,444,725</b>	<b>\$ -</b>	<b>\$ 3,380</b>	<b>\$ 51,463</b>	<b>\$ 51,592</b>	<b>\$ 2,343,179</b>	<b>\$ 18,481,781</b>	<b>\$ 25,376,120</b>
<b>FUND BALANCES - BEGINNING</b>	<b>\$ 21,399,333</b>	<b>\$ 6,692</b>	<b>\$ 492,008</b>	<b>\$ 175,328</b>	<b>\$ 61,964</b>	<b>\$ 1,338,834</b>	<b>\$ 19,573,212</b>	<b>\$ 43,047,371</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 25,844,058</b>	<b>\$ 6,692</b>	<b>\$ 495,388</b>	<b>\$ 226,791</b>	<b>\$ 113,556</b>	<b>\$ 3,682,013</b>	<b>\$ 38,054,993</b>	<b>\$ 68,423,491</b>

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, 2005

Net change in fund balances in governmental funds \$ 25,376,120

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. (23,148,370)

In the statement of activities, only the gain 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. (57,200)

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. (3,275,061)

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. (312,580)

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. 395,544

Change in net assets of governmental activities \$ (1,021,547)

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS**

**JUNE 30, 2005**

Business Type Activities - Proprietary Funds						
	Water Quality Fund	Solid Waste Fund	Public Transit Fund	Airport Fund	Black Rock Golf Course	Totals
<b>ASSETS</b>						
Current Assets:						
Cash and short-term investments	\$ 15,986,263	\$ 8,812,587	\$ -	\$ -	\$ 20,140	\$ 24,818,990
Accounts receivable	894,910	149,754	5,569	112,099	734	1,163,066
Interest receivable	-	-	-	-	3,377	3,377
Unbilled receivables	1,037,914	574,758	519	1,650	-	1,614,841
Due from other governmental agencies	882,264	-	966,807	3,035,345	-	4,884,416
Due from other funds	721,415	-	-	-	-	721,415
Inventories	161,536	-	64,547	-	76,163	302,246
Restricted assets - investments	-	-	-	-	256,793	256,793
Total current assets	<u>\$ 19,684,302</u>	<u>\$ 9,537,099</u>	<u>\$ 1,037,442</u>	<u>\$ 3,149,094</u>	<u>\$ 357,207</u>	<u>\$ 33,765,144</u>
Noncurrent Assets:						
Bond issuance costs	\$ 203,642	\$ -	\$ -	\$ -	\$ -	\$ 203,642
Projects under construction	1,180,654	5,103,373	-	21,125,206	-	27,409,233
Property plant and equipment	127,119,578	42,952,072	4,596,990	39,890,304	4,619,680	219,178,624
Accumulated depreciation	<u>(29,183,742)</u>	<u>(12,728,369)</u>	<u>(3,335,194)</u>	<u>(14,497,932)</u>	<u>(1,655,383)</u>	<u>(61,400,620)</u>
Total noncurrent assets	<u>\$ 99,320,132</u>	<u>\$ 35,327,076</u>	<u>\$ 1,261,796</u>	<u>\$ 46,517,578</u>	<u>\$ 2,964,297</u>	<u>\$ 185,390,879</u>
<b>TOTAL ASSETS</b>	<u>\$ 119,004,434</u>	<u>\$ 44,864,175</u>	<u>\$ 2,299,238</u>	<u>\$ 49,666,672</u>	<u>\$ 3,321,504</u>	<u>\$ 219,156,023</u>
<b>LIABILITIES</b>						
Current Liabilities:						
Current maturities of long-term obligations	\$ 3,246,219	\$ 686,817	\$ -	\$ 120,347	\$ -	\$ 4,053,383
Current maturities of capital lease obligations	12,178	206,069	-	-	-	218,247
Accounts payable	565,700	1,360,387	55,402	1,892,272	16,904	3,890,665
Accrued expenses	330,841	97,875	71,490	40,074	61,755	602,035
Accrued interest	5,582,931	245,564	-	45,482	-	5,873,977
Due to other funds	240,000	-	523,465	286,228	47,104	1,096,797
Deferred revenue	306,318	501,000	14,968	148,485	15,950	986,721
Compensated absences	153,886	67,243	33,796	27,203	21,292	303,420
Landfill closure and post-closure costs	-	2,112,542	-	-	-	2,112,542
Other liabilities	7,300	-	-	24,152	-	31,452
Total current liabilities	<u>\$ 10,445,373</u>	<u>\$ 5,277,497</u>	<u>\$ 699,121</u>	<u>\$ 2,584,243</u>	<u>\$ 163,005</u>	<u>\$ 19,169,239</u>
Non Current Liabilities:						
Due to other funds	\$ -	\$ -	\$ -	\$ 596,030	\$ 164,864	\$ 760,894
Deferred revenue	-	-	-	1,840,000	-	1,840,000
Compensated absences	81,563	16,182	20,210	7,018	19,792	144,765
Bonds and long-term debt, net	33,086,139	14,522,015	-	2,924,607	-	50,532,761
Capital lease obligations	12,719	344,272	-	-	-	356,991
Landfill closure and post-closure costs	-	16,934,003	-	-	-	16,934,003
Total noncurrent liabilities	<u>\$ 33,180,421</u>	<u>\$ 31,816,472</u>	<u>\$ 20,210</u>	<u>\$ 5,367,655</u>	<u>\$ 184,656</u>	<u>\$ 70,569,414</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 43,625,794</u>	<u>\$ 37,093,969</u>	<u>\$ 719,331</u>	<u>\$ 7,951,898</u>	<u>\$ 347,661</u>	<u>\$ 89,738,653</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	\$ 63,618,848	\$ 19,617,903	\$ 1,261,795	\$ 43,472,624	\$ 2,964,297	\$ 130,935,467
Unrestricted	10,900,179	(11,897,697)	318,112	(1,757,850)	(247,247)	(2,684,503)
Restricted - capital projects	859,613	50,000	-	-	-	909,613
Restricted - John Howard Trust	-	-	-	-	256,793	256,793
<b>TOTAL NET ASSETS</b>	<u>\$ 75,378,640</u>	<u>\$ 7,770,206</u>	<u>\$ 1,579,907</u>	<u>\$ 41,714,774</u>	<u>\$ 2,973,843</u>	<u>\$ 129,417,370</u>

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, 2005**

Business-Type Activities - Proprietary Funds						
	Water Quality Fund	Solid Waste Fund	Public Transit Fund	Airport Fund	Black Rock Golf Course	Totals
<b>OPERATING REVENUES</b>						
Charges for services and uses of property	\$ 11,322,816	\$ 7,273,832	\$ 271,966	\$ 1,412,068	\$ 1,104,517	\$ 21,385,199
Miscellaneous	1,708	34,783	831	14,943	11,346	63,611
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 11,324,524</b>	<b>\$ 7,308,615</b>	<b>\$ 272,797</b>	<b>\$ 1,427,011</b>	<b>\$ 1,115,863</b>	<b>\$ 21,448,810</b>
<b>OPERATING EXPENSES</b>						
Salaries and wages	\$ 2,664,372	\$ 1,072,912	\$ 968,382	\$ 459,336	\$ 445,854	\$ 5,610,856
Fringe benefits	969,806	334,342	227,482	135,550	136,889	1,804,069
Utilities	657,568	46,730	21,388	124,121	42,821	892,628
Insurance	122,548	50,916	114,064	45,606	31,062	364,196
Repairs and maintenance	163,623	168,951	73,458	40,408	70,288	516,728
Supplies	235,604	86,350	18,547	7,903	3,387	351,791
Cost of goods sold	-	-	-	-	178,670	178,670
Contracted services	275,325	1,263,011	84,968	62,435	4,775	1,690,514
Rentals and leases	19,603	2,315	36,824	2,780	64,851	126,373
Other operating	1,036,613	1,104,539	173,246	70,122	178,871	2,563,391
Uncollectible accounts	7,105	7,306	419	(8,036)	-	6,794
Depreciation	2,266,564	2,521,611	189,104	1,102,988	141,767	6,222,034
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 8,418,731</b>	<b>\$ 6,658,983</b>	<b>\$ 1,907,882</b>	<b>\$ 2,043,213</b>	<b>\$ 1,299,235</b>	<b>\$ 20,328,044</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ 2,905,793</b>	<b>\$ 649,632</b>	<b>\$ (1,635,085)</b>	<b>\$ (616,202)</b>	<b>\$ (183,372)</b>	<b>\$ 1,120,766</b>
<b>OTHER INCOME (EXPENSE)</b>						
Interest expense	\$ (1,402,201)	\$ (620,009)	\$ -	\$ (198,613)	\$ -	\$ (2,220,823)
Interest income	68,333	4,112	16	3,056	22,334	97,851
Gain (loss) on disposal of assets	(48,832)	(33,086)	5,400	-	-	(76,518)
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<b>\$ (1,382,700)</b>	<b>\$ (648,983)</b>	<b>\$ 5,416</b>	<b>\$ (195,557)</b>	<b>\$ 22,334</b>	<b>\$ (2,199,490)</b>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS, GRANTS AND CONTRIBUTIONS</b>	<b>\$ 1,523,093</b>	<b>\$ 649</b>	<b>\$ (1,629,669)</b>	<b>\$ (811,759)</b>	<b>\$ (161,038)</b>	<b>\$ (1,078,724)</b>
<b>OPERATING TRANSFERS</b>	<b>3,120,000</b>	<b>550,000</b>	<b>406,480</b>	<b>95,000</b>	<b>-</b>	<b>4,171,480</b>
<b>GRANTS FOR OPERATIONS</b>	<b>-</b>	<b>-</b>	<b>998,153</b>	<b>-</b>	<b>-</b>	<b>998,153</b>
<b>NET INCOME (LOSS) BEFORE CAPITAL TRANSFERS AND GRANTS</b>	<b>\$ 4,643,093</b>	<b>\$ 550,649</b>	<b>\$ (225,036)</b>	<b>\$ (716,759)</b>	<b>\$ (161,038)</b>	<b>\$ 4,090,909</b>
<b>CAPITAL TRANSFERS</b>	<b>25,000</b>	<b>1,365,000</b>	<b>45,200</b>	<b>385</b>	<b>-</b>	<b>1,435,585</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>331,070</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>331,070</b>
<b>GRANTS FOR CAPITAL PROJECTS</b>	<b>-</b>	<b>-</b>	<b>241,400</b>	<b>13,565,622</b>	<b>-</b>	<b>13,807,022</b>
<b>NET INCOME (LOSS)</b>	<b>\$ 4,999,163</b>	<b>\$ 1,915,649</b>	<b>\$ 61,564</b>	<b>\$ 12,849,248</b>	<b>\$ (161,038)</b>	<b>\$ 19,664,586</b>
<b>NET ASSETS- BEGINNING</b>	<b>70,379,477</b>	<b>5,854,557</b>	<b>1,518,343</b>	<b>28,865,526</b>	<b>3,134,881</b>	<b>109,752,784</b>
<b>NET ASSETS- ENDING</b>	<b>\$ 75,378,640</b>	<b>\$ 7,770,206</b>	<b>\$ 1,579,907</b>	<b>\$ 41,714,774</b>	<b>\$ 2,973,843</b>	<b>\$ 129,417,370</b>

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, 2005**

	<u>Water Quality</u>	<u>Solid Waste</u>	<u>Public Transit</u>	<u>Airport</u>	<u>Black Rock Golf Course</u>	<u>Total</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>						
Receipts from customers	\$ 11,103,906	\$ 11,881,200	\$ 26,200	\$ 2,489,158	\$ 1,123,099	\$ 26,623,563
Payments to suppliers for goods and services	(2,347,119)	(937,458)	(549,735)	(8,991)	(604,561)	(4,447,864)
Payments to employees for services	(3,540,962)	(1,394,224)	(1,198,132)	(874,899)	(578,574)	(7,586,791)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 5,215,825</b>	<b>\$ 9,549,518</b>	<b>\$ (1,721,667)</b>	<b>\$ 1,605,268</b>	<b>\$ (60,036)</b>	<b>\$ 14,588,908</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>						
Operating contributions	\$ 3,120,000	\$ 550,000	\$ 1,404,634	\$ 95,000	\$ -	\$ 5,169,634
Increase due to/from other funds	(1,844,414)	-	274,761	(662,338)	211,968	(2,020,023)
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>\$ 1,275,586</b>	<b>\$ 550,000</b>	<b>\$ 1,679,395</b>	<b>\$ (567,338)</b>	<b>\$ 211,968</b>	<b>\$ 3,149,611</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>						
Interest paid on notes and bonds payable	\$ (790,367)	\$ (742,676)	\$ -	\$ (199,739)	\$ -	\$ (1,732,782)
Acquisition and construction of capital assets	(884,367)	(4,779,316)	(249,744)	(14,282,917)	(241,277)	(20,437,621)
Contribution for capital acquisitions	356,070	1,365,000	286,600	13,566,006	-	15,573,676
Principal payments on notes and bonds payable	(3,638,768)	(6,035,547)	-	(109,988)	-	(9,784,303)
Proceeds from issuance of notes and bonds payable	-	6,465,328	-	-	-	6,465,328
Payments for advanced refunding of bonds	(36,060)	(402,334)	-	-	-	(438,394)
Payments under capital lease obligations	(11,659)	(373,436)	-	(14,348)	-	(399,443)
Proceeds from sale of capital assets	59,746	5,530	5,400	-	-	70,676
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>\$ (4,945,405)</b>	<b>\$ (4,497,451)</b>	<b>\$ 42,256</b>	<b>\$ (1,040,986)</b>	<b>\$ (241,277)</b>	<b>\$ (10,682,863)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>						
Interest on investments	\$ 76,571	\$ 4,112	\$ 16	\$ 3,056	\$ 18,188	\$ 101,943
Purchase of U.S. Government Agency Notes	-	-	-	-	(336,556)	(336,556)
Maturities of U.S. Government Agency Notes	10,784,665	-	-	-	240,000	11,024,665
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>\$ 10,861,236</b>	<b>\$ 4,112</b>	<b>\$ 16</b>	<b>\$ 3,056</b>	<b>\$ (78,368)</b>	<b>\$ 10,790,052</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>\$ 12,407,242</b>	<b>\$ 5,606,179</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (167,713)</b>	<b>\$ 17,845,708</b>
<b><u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u></b>	<b>3,579,021</b>	<b>3,206,408</b>	<b>-</b>	<b>-</b>	<b>187,853</b>	<b>6,973,282</b>
<b><u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u></b>	<b>\$ 15,986,263</b>	<b>\$ 8,812,587</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,140</b>	<b>\$ 24,818,990</b>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u></b>						
Operating income (loss)	\$ 2,905,793	\$ 649,632	\$ (1,635,085)	\$ (616,202)	\$ (183,372)	\$ 1,120,766
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense and amortization	2,285,615	2,521,611	189,104	1,102,988	141,770	6,241,088
Changes in assets and liabilities:						
Accounts receivable	(398,708)	171,682	1,917	(3,704)	(17)	(228,830)
Unbilled receivables	(20,848)	(163,212)	67	3,335	-	(180,658)
Due to/from other governmental agencies	109,507	4,562,135	(249,516)	1,144,746	-	5,566,872
Inventories	(30,180)	-	1,650	-	(7,091)	(35,621)
Accounts payable	181,999	1,096,987	(28,471)	336,348	(22,745)	1,564,118
Accrued expenses	93,216	13,030	(2,268)	(280,013)	4,169	(171,866)
Landfill closure and post-closure cost	-	695,673	-	-	-	695,673
Deferred revenues	89,431	1,980	935	(82,230)	7,250	17,366
Net cash provided (used) by operating activities	\$ 5,215,825	\$ 9,549,518	\$ (1,721,667)	\$ 1,605,268	\$ (60,036)	\$ 14,588,908

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, 2005**

	<u>Agency Funds</u>	<u>Pension Trust Fund</u>	<u>LOSAP</u>	<u>Private-Purpose Trust Fund</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and short-term investments	\$ 2,302,987	\$ 1,352,737	\$ 33,444	\$ 36,388	\$ 3,725,556
Interest and dividends receivable	-	108,508	5,778	-	114,286
Investments, at fair value					
U.S. Government obligations	-	5,560,041	275,130	36,731	5,871,902
Corporate bonds	-	4,469,983	260,564	-	4,730,547
Corporate stock	-	15,432,323	-	-	15,432,323
Municipal obligations	-	100,072	-	-	100,072
Equity funds	-	9,859,550	1,398,212	-	11,257,762
Accounts receivable	30,651	-	-	-	30,651
Accrued interest	-	-	-	444	444
Due from other funds	-	-	-	1,499	1,499
<b>TOTAL ASSETS</b>	<b>\$ 2,333,638</b>	<b>\$ 36,883,214</b>	<b>\$ 1,973,128</b>	<b>\$ 75,062</b>	<b>\$ 41,265,042</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 80,520	\$ -	\$ -	\$ -	\$ 80,520
Unearned income	4,715	-	-	-	4,715
Due to other funds	39,943	-	-	-	39,943
Due to student groups	1,938,284	-	-	-	1,938,284
Undistributed Tax Proceeds	175,320	-	-	-	175,320
Due To Other Agencies - NTF	94,856	-	-	-	94,856
<b>TOTAL LIABILITIES</b>	<b>\$ 2,333,638</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,333,638</b>
<b>NET ASSETS</b>					
Reserved for employee pension benefits	-	\$ 36,883,214	-	-	\$ 36,883,214
Reserved for LOSAP	-	-	1,973,128	-	1,973,128
Reserved for scholarships	-	-	-	75,062	75,062
<b>TOTAL NET ASSETS</b>	<b>\$ -</b>	<b>\$ 36,883,214</b>	<b>\$ 1,973,128</b>	<b>\$ 75,062</b>	<b>\$ 38,931,404</b>

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, 2005**

	Pension		Private Purpose	
	Trust Fund	LOSAP	Trust Fund	Total
<b>ADDITIONS</b>				
Contributions:				
Employer	\$ 1,425,000	\$ 425,500	\$ -	\$ 1,850,500
Plan members	1,376,574	-	-	1,376,574
Net in-kind	(2,952)	(138)	-	(3,090)
Miscellaneous	-	272	-	272
Gifts and contributions	-	-	15,967	15,967
<b>TOTAL CONTRIBUTIONS</b>	<b>\$ 2,798,622</b>	<b>\$ 425,634</b>	<b>\$ 15,967</b>	<b>\$ 3,240,223</b>
Investment Income:				
Net appreciation in fair value of investments	\$ 1,244,848	\$ 82,045	\$ -	\$ 1,326,893
Interest and dividends	962,796	46,639	3,068	1,012,503
Gain on sale of investments	495,509	17,197	-	512,706
<b>TOTAL INVESTMENT INCOME</b>	<b>\$ 2,703,153</b>	<b>\$ 145,881</b>	<b>\$ 3,068</b>	<b>\$ 2,852,102</b>
<b>TOTAL ADDITIONS</b>	<b>\$ 5,501,775</b>	<b>\$ 571,515</b>	<b>\$ 19,035</b>	<b>\$ 6,092,325</b>
<b>DEDUCTIONS</b>				
Benefits	\$ 1,863,485	\$ -	\$ -	\$ 1,863,485
Scholarships	-	-	18,072	18,072
Administrative expenses	183,204	7,336	-	190,540
<b>TOTAL DEDUCTIONS</b>	<b>\$ 2,046,689</b>	<b>\$ 7,336</b>	<b>\$ 18,072</b>	<b>\$ 2,072,097</b>
<b>NET INCREASE IN ASSETS</b>	<b>\$ 3,455,086</b>	<b>\$ 564,179</b>	<b>\$ 963</b>	<b>\$ 4,020,228</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>33,428,128</b>	<b>1,408,949</b>	<b>74,099</b>	<b>34,911,176</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 36,883,214</b>	<b>\$ 1,973,128</b>	<b>\$ 75,062</b>	<b>\$ 38,931,404</b>

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, 2005 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 (the 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 is also reported as a blended component unit.

**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.

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.

Taxpayer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

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 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 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 Black Rock 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. Also included in the Agency Fund is contraband confiscated by law enforcement agencies.

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 \$1,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets 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 assets lives 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, 2005.

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:

<u>Assets</u>	<u>Years</u>
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 in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund 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, after July 1, 2001 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. As of November 2004, the County changed their banking relationship to an interest bearing checking account and no longer utilizes a repurchase agreement for the overnight investment of excess funds. All deposits not insured by FDIC or a surety bond are collateralized by investments held at the Federal Reserve. 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.

#### 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:**

Taxes are levied as of July 1 and are delinquent on October 1, unless the taxpayer elects to pay in semi-annual installments. Interest accrues on all overdue taxes but is not recorded until collected. If tax bills are not paid within nine months, legal process is started to place a lien on the delinquent taxpayer's property and to sell it at public auction.

**Rate of County Taxes:**

Income tax	2.8% of Maryland taxable income (2004 calendar year)
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 government and State of Maryland for grants and shared taxes. The Water Quality Department provides sewage and water treatment for residences and 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 \$49,980,502 in long term debt, resulting in negative unrestricted net assets of \$(14,947,908). This long term debt was incurred by the County's general fund for the purpose of capital asset acquisition for the Board of Education \$(44,852,326) and Hagerstown Community College \$(5,128,176). The capital assets acquired with these bonds are not reflected in the primary government 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.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## NOTES TO FINANCIAL STATEMENTS

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

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 Landfill 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 the adoption of the Capital Improvement Plan. The County examines statistical measures to determine debt capacity and compares these ratios to other counties, rating agency standards, and Washington County's historical ratios 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 while Capital Improvement budgets are distributed with packets. The information distributed includes instructions on completing the budgets, due dates, and updated information on budgetary numbers, personnel positions, goals, and other pertinent information.

#### **Budget Development Phase:**

Capital Improvement Project 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. From the time the CIP's initial annual review is begun 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.

The County Administrator, the Director of Budget and Finance, the Planning Director, and the Director of Public Works comprise the Capital Improvements Program Committee. It is the 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 program and available funding sources, the 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.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## NOTES TO FINANCIAL STATEMENTS

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

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:

A Proposed Budget is 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 tax levy. A 10-day waiting period is held for public comment. Local Law requires a balance budget to be adopted by July.

#### 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.

#### 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 Budgets are 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.

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

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, 2005, the carrying amount of the County's deposits was \$31,677,427 and the bank balance was \$33,170,271. All deposits are carried at cost plus accrued interest. There were no significant violations of the collateralization requirements during the year ended June 30, 2005. 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, 2005 the County's bank balance of \$33,170,271 was not exposed to custodial credit risk as \$100,000 is insured by FDIC, \$5,000,000 is insured by a deposit surety bond issued by XL Capital Assurance, Inc, and \$28,070,271 is secured by collateral held in the County's name at the Federal Reserve Bank of Boston.

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

Investments:

As of June 30, 2005, 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	\$ 170,334	\$ 170,334	\$ -	\$ -	\$ -
Federal Home Loan Mortgage Corporation discount notes	5,170,093	5,170,093	-	-	-
Federal National Mortgage Association discount notes	60,925,713	60,925,713	-	-	-
<b>Total Investments held in County's name</b>	<b>\$ 66,266,140</b>	<b>\$ 66,266,140</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Investments held by trustee of Pension plan:					
U.S Government obligations and Coporate bonds	\$ 10,030,024	\$ 91,139	\$ 2,292,152	\$ 2,674,588	\$ 4,972,145
Corporate stocks	15,432,323	15,432,323	-	-	-
Municipal obligations	100,072	100,072	-	-	-
Equity Funds	9,859,550	9,859,550	-	-	-
Money Market Funds	1,352,737	1,352,737	-	-	-
<b>Total Investments held by trustee of Pension plan</b>	<b>\$ 36,774,706</b>	<b>\$ 26,835,821</b>	<b>\$ 2,292,152</b>	<b>\$ 2,674,588</b>	<b>\$ 4,972,145</b>
Investments held by trustee of LOSAP plan:					
U.S Government obligations and Coporate bonds	\$ 535,694	\$ 5,044	\$ 133,948	\$ 128,039	\$ 268,663
Equity Funds	1,395,212	1,398,212	-	-	-
Money Market Funds	33,444	33,444	-	-	-
<b>Total Investments held by trustee of LOSAP plan</b>	<b>\$ 1,964,350</b>	<b>\$ 1,436,700</b>	<b>\$ 133,948</b>	<b>\$ 128,039</b>	<b>\$ 268,663</b>
<b>Total Investments</b>	<b>\$ 105,005,196</b>	<b>\$ 94,538,661</b>	<b>\$ 2,426,100</b>	<b>\$ 2,802,627</b>	<b>\$ 5,240,808</b>

*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.

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.

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

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, 2005, 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, 2005, none of the County's investments are exposed to custodial credit risk.

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

Board of Education:

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, 2005, the carrying amount of the School System's cash deposits, including fiduciary funds, was \$12,354,375 and the bank balance was \$14,105,239. Of the bank balance, \$684,089 was covered by federal depository insurance and \$13,768,796 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, 2005.

Investments:

Statutes authorize the Board to invest in obligations of the United States government, federal government obligations and repurchase agreements secured by direct government or agency obligations.

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 policy is generally to require delivery of the underlying collateral to a third party custodian.

The Board's investments are categorized to give an indication of the level of risk assumed by the entity at year end. All of the School System's investments are uninsured and unregistered investments for which the securities are held by the bank's trust department or agent in the School System's name. The carrying amounts, which approximate market values, of the Board's investments, including fiduciary funds, at June 30, 2005 are summarized as follows:

	<u>Carrying value</u>
Federal Home Loan Mortgage Corporation note, 3.019%, matures April 19, 2007	\$ 1,500,000
Federal National Mortgage Assoc., 3.123%, matures July 15, 2006	1,500,000
U.S. Treasury notes, Series M-2007, 3.124%, matures January 31, 2007	500,000
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
U.S. Treasury notes, Series S-2005, 1.875%, matures November 30, 2005	1,083,000
Federal Home Loan Bank, 3.374%, matures December 15, 2006	1,500,000
Federal National Mortgage Assoc., 3.257%, matures February 24, 2006	1,062,000
Income Fund of America	36,731
Total Investments	<u>\$ 8,681,731</u>

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**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:

	Governmental Activities				Total
	General	Highway	Capital Projects	Adjustments to Government Wide statements	
Receivables:					
Taxes receivable	\$ 1,123,857	\$ -	\$ -	\$ (24,550)	\$ 1,099,307
Accounts receivable	602,171	27,906	73,296	-	703,373
Gross receivables	\$ 1,726,028	\$ 27,906	\$ 73,296	\$ (24,550)	\$ 1,802,680
Less: allowance for uncollectibles	742,406	5,343	-	-	747,749
Net Total Receivables	<u>\$ 983,622</u>	<u>\$ 22,563</u>	<u>\$ 73,296</u>	<u>\$ (24,550)</u>	<u>\$ 1,054,931</u>

	Business-type Activities					Total
	Water Quality	Solid Waste	Public Transit	Airport	Black Rock Golf Course	
Accounts receivable	\$ 936,885	\$ 162,048	\$ 6,069	\$ 119,089	\$ 734	\$ 1,224,825
Less: allowance for uncollectibles	41,975	12,294	500	6,990	-	61,759
Net Total Receivables	<u>\$ 894,910</u>	<u>\$ 149,754</u>	<u>\$ 5,569</u>	<u>\$ 112,099</u>	<u>\$ 734</u>	<u>\$ 1,163,066</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 \$58,234.

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**Note 5. Capital Assets**

Capital asset activity for the year ended June 30, 2005 was as follows:

Primary Government:

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 2,433,344	\$ 338,089	\$ -	\$ 2,771,433
Capital assets, being depreciated:				
Land Improvements	\$ 6,532,607	\$ 26,769	\$ -	\$ 6,559,376
Buildings and Improvements	36,150,494	263,086	-	36,413,580
Vehicles	8,379,381	437,273	(193,532)	8,623,122
Infrastructure	1,009,485,407	139,934	-	1,009,625,341
Machinery and Equipment	7,449,688	457,332	(28,579)	7,878,441
Office Furniture and Equipment	3,361,631	20,400	(22,568)	3,359,463
Computer Equipment	5,599,996	421,734	(9,080)	6,012,650
Total capital assets being depreciated	<u>\$ 1,076,959,204</u>	<u>\$ 1,766,528</u>	<u>\$ (253,759)</u>	<u>\$ 1,078,471,973</u>
Total capital assets	<u>\$ 1,079,392,548</u>	<u>\$ 2,104,617</u>	<u>\$ (253,759)</u>	<u>\$ 1,081,243,406</u>
	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
Accumulated depreciation for:				
Land Improvements	\$ (3,198,354)	\$ (235,826)	\$ -	\$ (3,434,180)
Buildings and Improvements	(11,030,771)	(1,287,546)	-	(12,318,317)
Vehicles	(4,945,118)	(852,001)	171,275	(5,625,844)
Infrastructure	(673,479,374)	(25,839,047)	-	(699,318,421)
Machinery and Equipment	(4,402,292)	(423,847)	12,189	(4,813,950)
Office Furniture and Equipment	(2,007,091)	(289,136)	4,414	(2,291,813)
Computer Equipment	(2,592,200)	(669,560)	8,681	(3,253,079)
Total Accumulated Depreciation	<u>\$ (701,655,200)</u>	<u>\$ (29,596,963)</u>	<u>\$ 196,559</u>	<u>\$ (731,055,604)</u>
Governmental activities capital assets, net	<u>\$ 377,737,348</u>	<u>\$ (27,492,346)</u>	<u>\$ (57,200)</u>	<u>\$ 350,187,802</u>
Projects under construction	<u>\$ 4,507,822</u>	<u>\$ 7,761,255</u>	<u>\$ (3,417,279)</u>	<u>\$ 8,851,798</u>

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**Note 5. Capital Assets (Continued)**

Business-type Activities:	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Capital assets, not being depreciated				
Land	\$ 9,997,275	\$ 21,877	\$ (93,330)	\$ 9,925,822
Capital assets, being depreciated:				
Land Improvements	\$ 50,689,975	\$ 1,786,387	\$ (5,500)	\$ 52,470,862
Buildings and Improvements	20,515,648	1,471,226	(500,000)	21,486,874
Facilities	71,241,587	269,886	(7,497)	71,503,976
Vehicles	4,613,917	838,245	(178,042)	5,274,120
Machinery and Equipment	7,970,575	345,906	(174,207)	8,142,274
Office Furniture and Equipment	320,306	2,899	-	323,205
Computer Equipment	726,361	54,765	(5,770)	775,356
Treatment Plants	49,214,014	62,121	-	49,276,135
Total capital assets being depreciated	<u>\$ 205,292,383</u>	<u>\$ 4,831,435</u>	<u>\$ (871,016)</u>	<u>\$ 209,252,802</u>
Total capital assets	<u>\$ 215,289,658</u>	<u>\$ 4,853,312</u>	<u>\$ (964,346)</u>	<u>\$ 219,178,624</u>
	Balance			Balance
	June 30, 2004	Additions	Deletions	June 30, 2005
Accumulated depreciation for:				
Land Improvements	\$ (17,070,755)	\$ (2,680,331)	\$ 5,500	\$ (19,745,586)
Buildings and Improvements	(5,798,737)	(548,313)	-	(6,347,050)
Facilities	(12,247,351)	(861,209)	2,521	(13,106,039)
Vehicles	(3,764,010)	(278,167)	151,435	(3,890,742)
Machinery and Equipment	(3,950,055)	(721,788)	155,596	(4,516,247)
Office Furniture and Equipment	(201,538)	(52,141)	-	(253,679)
Computer Equipment	(446,328)	(120,613)	2,100	(564,841)
Treatment Plants	(12,009,764)	(966,672)	-	(12,976,436)
Total Accumulated Depreciation	<u>\$ (55,488,538)</u>	<u>\$ (6,229,234)</u>	<u>\$ 317,152</u>	<u>\$ (61,400,620)</u>
Business-type activities capital assets, net	<u>\$ 159,801,120</u>	<u>\$ (1,375,922)</u>	<u>\$ (647,194)</u>	<u>\$ 157,778,004</u>
Projects under construction	<u>\$ 11,816,456</u>	<u>\$ 19,730,303</u>	<u>\$ (4,137,526)</u>	<u>\$ 27,409,233</u>

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

<b>Governmental activities:</b>	
General Government	\$ 27,813,898
Public Safety	728,365
Recreation	334,764
Conservation of Natural Resources	4,506
Highway	711,909
Total depreciation expense - governmental activities	<u>\$ 29,593,442</u>

<b>Business-type activities:</b>	
Public Transit Fund	\$ 189,104
Airport Fund	1,102,988
Black Rock Golf Course	141,767
Water Quality	2,266,564
Solid Waste	2,521,611
Total depreciation expense - business-type activities	<u>\$ 6,222,034</u>

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**Note 5. Capital Assets (Continued)**

Board of Education (Discretely presented component unit):

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,514,501	\$ -	\$ -	\$ 2,514,501
Capital assets being depreciated:				
Buildings and improvements	\$ 171,298,137	\$ 1,669,232	\$ (850,337)	\$ 172,117,032
Furniture and equipment	25,189,230	1,522,840	(3,182,799)	23,529,271
Equipment under capital leases	715,797	229,572	(260,985)	684,384
	<u>\$ 197,203,164</u>	<u>\$ 3,421,644</u>	<u>\$ (4,294,121)</u>	<u>\$ 196,330,687</u>
Accumulated depreciation for:				
Buildings and improvements	\$ (74,144,427)	\$ (3,933,342)	\$ 781,053	\$ (77,296,716)
Furniture and equipment, including equipment under capital leases	(16,824,544)	(1,933,881)	3,361,090	(15,397,335)
	<u>\$ (90,968,971)</u>	<u>\$ (5,867,223)</u>	<u>\$ 4,142,143</u>	<u>\$ (92,694,051)</u>
Governmental activities capital assets, net	<u>\$ 108,748,694</u>	<u>\$ (2,445,579)</u>	<u>\$ (151,978)</u>	<u>\$ 106,151,137</u>
Business-type activities:				
Capital assets being depreciated:				
Furniture and equipment	\$ 3,171,365	\$ 101,867	\$ (68,113)	\$ 3,205,119
Accumulated depreciation for:				
Furniture and equipment	(2,465,125)	(132,784)	61,362	(2,536,547)
Business-type activities capital assets, net	<u>\$ 706,240</u>	<u>\$ (30,917)</u>	<u>\$ (6,751)</u>	<u>\$ 668,572</u>
Total	<u>\$ 109,454,934</u>	<u>\$ (2,476,496)</u>	<u>\$ (158,729)</u>	<u>\$ 106,819,709</u>
Facilities under construction	<u>\$ 5,729,710</u>	<u>\$ 7,588,465</u>	<u>\$ (1,146,880)</u>	<u>\$ 12,171,295</u>

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

<b>Governmental activities:</b>	
Other instructional costs	\$ 1,051,440
Student transportation services	613,893
Operation of plant	60,149
Depreciation - unallocated	4,141,741
Total depreciation expense - governmental activities	<u>\$ 5,867,223</u>
 <b>Business-type activities:</b>	
Food services	\$ 132,784
Total depreciation expense - business-type activities	<u>\$ 132,784</u>

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**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	Water Quality	\$ 240,000
	Airport	684,308
	Golf Course	211,968
Water Quality	Airport	197,950
	Public Transit	523,465
Capital Projects	General fund	<u>37,844,142</u>
Total		<u><u>\$ 39,701,833</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>\$ 1,594,366</u></u>

The general fund receivable from the Airport has a June 30, 2005 balance of \$684,308 of which \$589,308 bears interest at a rate of 4.5% and is being paid over a remaining 7 year period, \$5,000 is an interest free loan and is being paid over a remaining 6 month period, and \$90,000 is an interest free loan and is being paid over a remaining 9 year period. All other interfund payables are without interest.

**Note 7. Interfund Transactions**

During the course of normal operations, the County has numerous transactions between funds. Interfund transactions are generally classified as follows:

- ◆ Operating transfers are reported as "Other Financing Sources (Uses)" in the governmental funds, as "Operating Transfers" or "Capital Transfers" by the recipient fund.

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**Note 7. Interfund Transactions (Continued)**

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	\$ -	\$ 9,800,985	\$ -	\$ -
Public Transit Fund	-	406,480	-	45,200
Water Quality Fund	-	3,120,000	-	25,000
Airport Fund	-	95,000	-	385
Solid Waste Fund	-	550,000	-	1,365,000
Community Partnership	-	118,590	-	-
Agricultural Education Center	-	128,530	-	-
Community Partnership:				
General Fund	118,590	-	-	-
Capital Projects:				
General Fund	9,800,985	-	-	-
Highway Fund	-	1,100,000	-	-
Airport Fund	-	-	-	-
Water Quality Fund	-	-	-	-
Public Transit Fund	-	-	-	-
Highway Fund:				
Capital Projects Fund	1,100,000	-	-	-
Water Quality Fund:				
General Fund	3,120,000	-	25,000	-
Capital Projects Fund	-	-	-	-
Solid Waste Fund:				
General Fund	550,000	-	1,365,000	-
Public Transit Fund:				
General Fund	406,480	-	45,200	-
Airport Fund:				
General Fund	95,000	-	385	-
Agricultural Education Center:				
General Fund	128,530	-	-	-
	<u>\$ 15,319,585</u>	<u>\$ 15,319,585</u>	<u>\$ 1,435,585</u>	<u>\$ 1,435,585</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 and loans totaling \$11,017,671 were issued for new projects and \$26,971,090 were issued to refund bonds.

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
<b>Governmental Activities:</b>						
Bonds payable						
General obligation bonds	2.0-6.1%	\$ 84,802,269	\$ 29,851,668	\$ 26,639,453	\$ 88,014,484	\$ 7,053,830
Deferred amount on refunding		(304,359)	(1,368,725)	(141,034)	(1,532,050)	-
Unamortized bond premium		153,957	370,224	21,507	502,674	-
Unamortized bond discount		(56,136)	-	(2,955)	(53,181)	-
Total bonds payable		<u>\$ 84,595,731</u>	<u>\$ 28,853,167</u>	<u>\$ 26,516,971</u>	<u>\$ 86,931,927</u>	<u>\$ 7,053,830</u>
Other loans payable						
County transportation bond	2.8-6.2%	\$ 612,678	\$ -	\$ 404,244	\$ 208,434	\$ 208,434
Maryland Water Quality loans	1.00%	-	1,934,391	-	1,934,391	29,354
State loan	6.23%	203,453	-	56,244	147,209	59,564
Other loans payable		<u>\$ 816,131</u>	<u>\$ 1,934,391</u>	<u>\$ 460,488</u>	<u>\$ 2,290,034</u>	<u>\$ 297,352</u>
Total bonds and loans payable		\$ 85,411,862	\$ 30,787,558	\$ 26,977,459	\$ 89,221,961	\$ 7,351,182
Capital lease obligations	4.68-5.41%	<u>379,669</u>	-	185,319	194,350	194,350
Governmental Activity						
Long-term Liabilities		<u>\$ 85,791,531</u>	<u>\$ 30,787,558</u>	<u>\$ 27,162,778</u>	<u>\$ 89,416,311</u>	<u>\$ 7,545,532</u>
<b>Business-type Activities</b>						
Bonds payable						
General obligation bonds	2.0-7.4%	\$ 30,658,443	\$ 888,332	\$ 8,017,148	\$ 23,529,627	\$ 2,629,939
Deferred amount on refunding		(1,573,500)	(408,903)	(147,482)	(1,834,921)	-
Unamortized bond premium		157,976	6,569	69,681	94,864	-
Unamortized bond discount		(91,484)	-	(11,194)	(80,290)	-
Total bonds payable		<u>\$ 29,151,435</u>	<u>\$ 485,998</u>	<u>\$ 7,928,153</u>	<u>\$ 21,709,280</u>	<u>\$ 2,629,939</u>
Other loans payable						
Maryland Water Quality loans	.04-4.89%	\$ 27,176,019	\$ 7,864,339	\$ 2,106,103	\$ 32,934,255	\$ 1,333,097
State loans	5.5-6.44%	2,314,942	-	84,988	2,229,954	90,347
Amount to be drawn		(423,937)	(2,287,345)	(423,937)	(2,287,345)	-
Other loans payable - net		<u>\$ 29,067,024</u>	<u>\$ 5,576,994</u>	<u>\$ 1,767,154</u>	<u>\$ 32,876,864</u>	<u>\$ 1,423,444</u>
Total bonds and loans payable		\$ 58,218,459	\$ 6,062,992	\$ 9,695,307	\$ 54,586,144	\$ 4,053,383
Capital leases	4.25-5.5%	<u>974,681</u>	-	399,443	575,238	218,247
Business-type Activity						
Long-term Liabilities		<u>\$ 59,193,140</u>	<u>\$ 6,062,992</u>	<u>\$ 10,094,750</u>	<u>\$ 55,161,382</u>	<u>\$ 4,271,630</u>
<b>Total Combined Activities</b>						
<b>Long-term Liabilities</b>		<u>\$ 144,984,671</u>	<u>\$ 36,850,550</u>	<u>\$ 37,257,528</u>	<u>\$ 144,577,693</u>	<u>\$ 11,817,162</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>
2006	\$ 7,351,182	\$ 3,287,581	\$ 4,053,383	\$ 1,491,258
2007	5,673,931	3,360,772	4,245,609	1,440,795
2008	5,837,499	3,124,399	4,428,799	1,348,463
2009	6,070,177	2,906,346	4,517,350	1,300,444
2010	6,305,111	2,670,014	4,514,613	1,299,921
2011-2015	31,900,009	9,534,169	18,490,217	6,575,953
2016-2020	19,544,145	3,789,508	13,780,910	9,156,825
2021-2025	7,622,464	749,277	4,662,955	153,267
	<u>\$ 90,304,518</u>	<u>\$ 29,422,066</u>	<u>\$ 58,693,836</u>	<u>\$ 22,766,926</u>
Less:				
Deferred amount on refunding	(1,532,050)		(1,834,921)	
Unamortized discount	(53,181)		(80,290)	
Unamortized premium	502,674		94,864	
Amount to be drawn	-		(2,287,345)	
	<u>\$ 89,221,961</u>		<u>\$ 54,586,144</u>	

On occasion, the State of Maryland Department of Transportation issues bonds and distributes the proceeds to the County for highway construction. Such distributions are being repaid plus interest by annual deductions made by the State from the County's distributable share of State motor vehicle and gasoline taxes. The unpaid balance is \$208,434 at June 30, 2005.

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 the governmental accounting standards the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2005 there were Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$44,916,860.

The County Commissioners have received bonding authority from the State Legislature to issue public facilities bonds in the amount of approximately \$68,639,110 for the purpose of financing various capital projects. Of this amount, \$20,000,000 is restricted for the Airport and \$5,000,000 is restricted for agricultural preservation.

The County has various capital lease agreements for communications and heavy equipment.

The future minimum payments under these agreements are as follows:

2006	\$ 203,827
Less amounts representing interest	9,477
Present value of net minimum lease payments	<u>\$ 194,350</u>

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

On June 29, 2001, the Airport Fund entered into a capital lease agreement for equipment. The lease called for annual lease payments of \$15,165. The term of the lease was for five years. The lease expired June 29, 2005.

On June 18, 2001, the Solid Waste Fund entered into a capital lease agreement for equipment. The lease calls for annual lease payments of \$172,174. The term of the lease is for six years and expires on June 18, 2006. On August 15, 2002, the Solid Waste Fund entered into a capital lease agreement for equipment. The lease calls for annual lease payments of \$83,349. The term of the lease is for five years, expiring August 15, 2006. On September 10, 2002, the Solid Waste Fund entered into a capital lease agreement for equipment. The lease calls for annual lease payments of \$78,180. The term of the lease is for five years, expiring September 10, 2007. 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. The future minimum payments under these agreements are as follows:

2006	\$ 230,212
2007	230,210
2008	68,681
2009	<u>68,681</u>
Total minimum lease payments	\$ 597,784
Less amounts representing interest	<u>47,442</u>
Present value of net minimum lease payments	<u><u>\$ 550,342</u></u>

On August 15, 2002, the Water Quality Fund entered into a capital lease agreement for equipment. The lease calls for annual lease payments of \$13,285. The term of the lease is for five years, expiring August 15, 2006. The future minimum payments under this agreement are as follows:

2006	\$ 13,285
2007	<u>13,285</u>
Total minimum lease payments	\$ 26,570
Less amounts representing interest	<u>1,674</u>
Present value of net minimum lease payments	<u><u>\$ 24,896</u></u>

**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:

2006	\$ 177,970
2007	180,687
2008	108,911
2009	6,635
2010	<u>5,713</u>
Total minimum lease payments	\$ 479,916
Less amounts representing interest	<u>36,550</u>
Present value of net minimum lease payments	<u><u>\$ 443,366</u></u>

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

Advanced Refundings:

On February 28, 2005, the County issued \$7,248,761 of Maryland Water Quality refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments for \$5,775,000 of general obligation bonds. The trust will pay off \$849,620 of bonds in the General Fund from the 1999 and 2000 bond series. The trust will pay off \$4,925,380 of bonds in the Solid Waste fund from the 1998, 1999, 2000, 2002 and 2003 Public Improvement bond series. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities and business type activities columns of the statement of net assets.

The reacquisition price exceeded the net carrying amount of the old debt by \$456,090. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This current refunding was undertaken to reduce total debt service payments over the next 18 years by \$2,775,160 and resulted in an economic gain of \$2,449,549.

On June 1, 2005, the County issued \$30,740,000 of general obligation refunding bonds, \$10,000,000 of which was for new projects and \$20,740,000 was to provide resources to purchase United States Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments for \$19,690,000 of general obligation bonds. The trust will pay off \$19,345,335 of bonds in the General Fund from the 1996, 1997, 1998 and 2000 bond series. The trust will pay off \$344,665 of bonds in the Solid Waste fund from the 1997, 1998, and 2000 bond series. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities and business type activities columns of the statement of net assets.

The reacquisition price exceeded the net carrying amount of the old debt by \$1,321,538. The amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This current refunding was undertaken to reduce total debt service payments over the next 12 years by \$1,417,810 and resulted in an economic gain of \$1,195,840.

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, 2005, \$32,390,000 of long-term obligations outstanding are considered defeased.

**Note 9. Lease Agreements**

County:

The Washington County Golf Corporation entered into a lease for golf carts in March 2003. The agreement calls for lease payments of \$8,056 payable from April through November of each year. The lease term is for three years commencing on March 15, 2003. Total lease payments for the year ended June 30, 2005 and 2004, respectively were \$64,851 and \$64,449.

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**Note 9. Lease Agreements (Continued)**

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, 2005 is \$236,565.

During 2004, the County entered into a lease agreement whereby the lessee constructed a building and improvements on land owned by the Airport. The total building and improvements was \$2,000,000, which has been 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 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 agreement which began July 1, 2004, allow that the lessee has use of the property for a period of 25 years, with no additional payments due. The agreement allows for an option for the lessee to continue the lease past the 25 year term at a rental payment of the fair market value 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 will be recognized as rental income over the 25 year term of the lease. During year ending June 30, 2005, rental income of \$80,000 was recognized.

**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</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 152,000	\$ 442,750
2007	162,000	432,110
2008	174,000	420,770
2009	186,000	408,590
2010	199,000	395,570
2011-2015	1,227,000	1,748,180
2016-2020	1,729,000	1,253,350
2021-2025	2,496,000	532,770
	<u>\$ 6,325,000</u>	<u>\$ 5,634,090</u>

**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, 2005 was \$1,468,539 and \$502,979 respectively. Unused vacation and sick leave will be liquidated by the respective government and enterprise funds where the current employee costs are accounted for.

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

NOTES TO FINANCIAL STATEMENTS

**Note 11. Unused Vacation and Sick Leave (Continued)**

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, 2005 was \$1,721,009 and \$2,543,495, respectively. Total employee related costs associated and accrued with these compensated absences amounted to \$326,235 at June 30, 2005. For governmental funds, \$262,552 is considered payable with current sources and are included in accrued liabilities. The remaining amounts are estimated to be used in subsequent fiscal years.

**Note 12. Retirement Plans**

County Defined Benefit Pension Plan:

*Plan Description.* The County Commissioners of Washington County Employees Retirement Plan is a single-employer defined benefit pension plan. The Plan provides retirement benefits to plan members. 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 County plan is as July 1, 2004, which is the latest actuarial report available.

*Membership of the Plan.* The membership consisted of the following at July 1, 2004, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	111
Terminated plan members entitled to but not yet receiving benefits	39
Active plan members	<u>642</u>
	<u><u>792</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, 2004, were as follows:

Annual required contribution	\$ 2,560,835
Interest on Net Pension Obligation	(318,087)
Adjustment to annual required contribution	<u>450,637</u>
Annual pension cost	\$ 2,693,385
Contributions	<u>1,425,000</u>
Increase (decrease) in net pension obligation	\$ 1,268,385
Net pension obligation (excess) beginning of year	<u>(3,742,200)</u>
Net pension obligation (excess) end of year	<u><u>\$ (2,473,815)</u></u>

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**Note 12. Retirement Plans (Continued)**

The annual required contribution for the current year was determined as part of the July 1, 2004 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 8.5% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.5% 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>
6/30/04	\$ 2,693,385	100.1%	\$ (2,473,815)
6/30/03	\$ 2,185,586	95.1%	\$ (3,742,200)
6/30/02	\$ 1,498,374	92.2%	\$ (4,697,786)

**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](mailto:sra@sra.state.md.us).

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**Note 12. Retirement Plans (Continued)**

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 2% of their gross salary. 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 \$906,810 or 7.29% of covered payroll, and contributions by the State of Maryland on behalf of the School System totaling \$8,491,439 or 9.35% of covered payroll for fiscal year 2005 were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 2004. 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 percent 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.

These assumptions varied slightly from Assumptions in prior years.

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 18-year 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:

<b>Fiscal Year Ending June 30,</b>	<b>Total Annual Pension Cost (APC)</b>	<b>APC Contributed By School System</b>	<b>APC Contributed By State</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
2003	\$8,250,473	\$528,396	\$7,722,077	100%	\$ -
2004	\$8,843,117	\$620,543	\$8,222,574	100%	\$ -
2005	\$9,398,249	\$906,810	\$8,491,439	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.

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**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.

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 \$1,800,246 which is reflected in the accompanying financial statements at June 30, 2005. Changes in the claims liability were as follows:

	<b>Years ended June 30,</b>	
	<b>2005</b>	<b>2004</b>
	<u>          </u>	<u>          </u>
Liability at beginning of year	\$ 1,845,704	\$ 1,694,129
Claims and changes in estimates during the year	5,497,704	5,858,061
Claims and administrative costs paid	<u>(5,543,168)</u>	<u>(5,706,486)</u>
Liability at end of year	<u><u>\$ 1,800,240</u></u>	<u><u>\$ 1,845,704</u></u>

The County uses a third party administrator to process and pay claims. The County has purchased a stop-loss insurance policy. Under this policy the County was liable for the first \$6.1 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.

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**Note 13. Risk Management (Continued)**

The County Commissioners have also established a self-insurance plan for Workers' Compensation claims whereby the County is liable for the first \$350,000 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 \$1,500,000, which is reflected in the accompanying financial statements at June 30, 2005. Changes in the claims liability were as follows:

	<b>Years ended June 30,</b>	
	<b>2005</b>	<b>2004</b>
	<u>          </u>	<u>          </u>
Liability at beginning of year	\$ 770,000	\$ 575,000
Claims and changes in estimates during the year	1,789,205	913,044
Claims and administrative costs paid	<u>(1,059,205)</u>	<u>(718,044)</u>
Liability at end of year	<u><u>\$ 1,500,000</u></u>	<u><u>\$ 770,000</u></u>

**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.

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**Note 13. Risk Management (Continued)**

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 amount of these charges was \$16,222,211 for the year ended June 30, 2005.

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, 2005. 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:

	<b>Years ended June 30,</b>	
	<b>2005</b>	<b>2004</b>
	<u>          </u>	<u>          </u>
Liability at beginning of year	\$ 2,346,127	\$ 2,546,544
Claims and changes in estimates during the year	16,738,688	16,230,684
Claims paid	<u>(17,380,230)</u>	<u>(16,431,101)</u>
Liability at end of year	<u>\$ 1,704,585</u>	<u>\$ 2,346,127</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 pretreatment facility.

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**Note 16. Segment Information (Continued)**

	<u>Sewer Department</u>	<u>Pretreatment Department</u>
<b>CONDENSED STATEMENT OF NET ASSETS</b>		
Assets		
Current assets	\$ 12,856,815	\$ 2,159,408
Noncurrent assets	<u>85,310,009</u>	<u>7,284,030</u>
Total assets	<u>\$ 98,166,824</u>	<u>\$ 9,443,438</u>
Liabilities		
Interfund payables	\$ 240,000	\$ -
Other current liabilities	6,963,133	1,507,505
Noncurrent liabilities	<u>22,694,740</u>	<u>7,487,419</u>
Total liabilities	<u>\$ 29,897,873</u>	<u>\$ 8,994,924</u>
Net assets		
Invested in capital assets, net of related debt	\$ 59,533,233	\$ (738,518)
Unrestricted	8,133,385	1,187,032
Restricted - capital projects	<u>602,333</u>	<u>-</u>
Total net assets	<u>\$ 68,268,951</u>	<u>\$ 448,514</u>
 <b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS</b>		
Operating revenues	\$ 8,584,230	\$ 1,501,510
Depreciation expense	(1,664,840)	(198,366)
Other operating expenses	<u>(2,883,850)</u>	<u>(521,600)</u>
Operating income	\$ 4,035,540	\$ 781,544
Nonoperating revenues (expenses):		
Interest income	\$ 40,566	\$ -
Interest expense	(1,013,157)	(253,678)
Utility administration charge	(1,928,630)	-
(Loss) on disposal of assets	-	-
Operating transfers	2,412,600	350,000
Capital transfers	25,000	-
Capital contributions	<u>331,070</u>	<u>-</u>
Change in net assets	3,902,989	877,866
Beginning net assets	<u>64,365,962</u>	<u>(429,352)</u>
Ending net assets	<u>\$ 68,268,951</u>	<u>\$ 448,514</u>
 <b>CONDENSED STATEMENT OF CASH FLOWS</b>		
Net cash provided (used) by:		
Operating activities	\$ 4,157,998	\$ 1,014,110
Noncapital financing activities	2,412,600	350,000
Capital and related financing activities	(4,206,115)	(673,448)
Investing activities	<u>9,698,126</u>	<u>-</u>
Net increase (decrease)	12,062,609	690,662
Beginning cash and cash equivalents	<u>(514,075)</u>	<u>1,269,683</u>
Ending cash and cash equivalents	<u>\$ 11,548,534</u>	<u>\$ 1,960,345</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 \$322,382 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, 2005.

The Resh Landfill has reported a landfill closure and postclosure care liability of \$15,791,099 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, 2005.

The Rubble Landfill began operating during August 1995. The overpayment of estimated costs associated with post closure care of \$(143,755) is reported as a liability in the Solid Waste Fund at June 30, 2005. The Rubble Landfill was closed in December 2000. No current expense was recognized in the Solid Waste Fund for the year ended June 30, 2005.

The 40 West Landfill began operation in fiscal year 2001. The estimated life of this landfill is 43 years at June 30, 2005, it is estimated that approximately 8% of the capacity has been used. The estimated costs associated with closure and postclosure care of \$3,076,818 are reported as a liability in the Solid Waste Fund at June 30, 2005. The County will recognize \$39,109,000 of estimated cost associated with the closure and postclosure care as capacity is filled. Expense of \$866,363 was recognized in the Solid Waste Fund for the year ended June 30, 2005.

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 Chief Financial Officer that they meet the Local Government Financial Test as of June 30, 2005 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, eighteen retirees are receiving benefits and forty-nine 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. Five 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. Five former employees are receiving this benefit.

Based on the current estimated cost of these managed care programs, the total cost of the benefits net of benefits paid through June 30, 2005 is estimated at \$936,993, of which \$140,682 is expected to be paid within the next year. A liability for this amount has been recorded in the general fund.

During the year, expenditures of approximately \$267,073 were recognized for postretirement health care.

### **Note 19. Contingencies and Commitments**

County:

The financial statements of the Water Quality Department and the Public Transit Fund have been prepared on a going-concern basis, which contemplates the realization of assets and liquidation of liabilities in the ordinary course of business. The continuity of the water and sewer and transportation systems as enterprises of the County is dependent upon continued subsidies from the General Fund and from other governmental units. Should the continuity of these systems be interrupted, the stated amount of assets would not necessarily constitute a fair basis of presentation. The liabilities ultimately represent obligations of the 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, 2005. 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.

The County has begun a project to extend and reconstruct a runway at Hagerstown Regional Airport in order to be in compliance with recent Federal Aviation Administration (FAA) regulations. The project is estimated to cost \$60,200,000 and expected to be completed by 2008. Grant funding is projected to extend through 2014, which will require the County to obtain bridge 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. 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 has entered into a contract with URS Corporation for architectural, engineering and other consulting services related to the design phase of the project. Additionally, the County signed a construction contract on March 30, 2004 for construction of Phase 1 of the project for a base price of \$17,429,655. Contracts for Phase 2 in the amount of \$1,155,236 and Phase 3 in the amount of \$17,443,718 have also been awarded. Through June 30, 2005, the total amount expended for the project was \$16,992,528 of which \$13,265,606 was federally funded, \$2,728,726 was state funded and \$998,196 was locally funded.

**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, 2005, 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 bond issues, totaling approximately \$4,164,627.

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.

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 (stabilization fund)	\$ 22,714,702	
Other Post Employment Benefits	500,000	
General Fund		\$ 23,214,702
Foreign Trade Zone		6,692
Community Partnership		495,388
Inmate Welfare		226,791
Agricultural Education Center		113,556
Highway		3,682,013
Capital projects		<u>38,054,993</u>
 Total Primary Government		 <u>\$ 65,794,135</u>

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**Note 20. Designated and Reserved Fund Balances (Continued)**

At June 30, 2005, various County departments and other entities owe the general fund the following amounts:

Due From	Amount	Amount Reserved
Water Quality department	\$ 240,000	\$ -
Hagerstown Regional Airport	684,308	596,030
Black Rock Golf Course	211,968	164,864
Town of Funkstown	4,408	4,408
Washington County Association for Retarded Citizens	50,000	50,000
Fire and Rescue Revolving Loan Fund	402,535	1,000,000
	<u>\$ 1,593,219</u>	<u>\$ 1,815,302</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, 2005. 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. The Plan, 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 benefits under the Plan will be 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 the Plan. The Plan also provides for death and disability benefits.

At July 1, 2004 the date of the latest actuarial valuation, there were 1,538 active volunteers participating in the Plan. The County funds the plan in annual amounts determined by an actuary.

As of July 1, 2004 the LOSAP unfunded accrued liability is as follows:

Accrued Liability	\$ 3,505,696
Less: Assets at market value	<u>(1,834,448)</u>
Unfunded Accrued Liability	<u>\$ 1,671,248</u>

The minimum recommended contribution, which has been accrued as a payable by the County at June 30, 2004, is as follows:

Normal costs	\$ 238,291
Amortization of UAL (over 17 years)	167,215
Interest on UAL	<u>31,427</u>
	<u>\$ 436,933</u>

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

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

**YEAR ENDED JUNE 30, 2005  
(UNAUDITED)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Tax				
Real property tax	\$ 69,165,300	\$ 69,165,300	\$ 70,038,111	\$ 872,811
Personal property tax	12,034,600	12,034,600	12,157,297	122,697
Property tax interest income	315,000	315,000	357,490	42,490
Other property tax	785,000	785,000	638,435	(146,565)
Property tax discounts and credits	(1,865,000)	(1,865,000)	(3,397,903)	(1,532,903)
<b>Total Property Taxes</b>	<b>\$ 80,434,900</b>	<b>\$ 80,434,900</b>	<b>\$ 79,793,430</b>	<b>\$ (641,470)</b>
Other Local Taxes				
Income tax	\$ 52,928,300	\$ 52,928,300	\$ 57,027,615	\$ 4,099,315
Disparity grant	98,500	98,500	-	(98,500)
Admissions and amusement tax	310,000	310,000	460,068	150,068
Recordation tax	6,500,000	8,374,329	11,590,125	3,215,796
Trailer tax	368,000	368,000	382,293	14,293
Hotel/Motel tax	630,000	630,000	741,688	111,688
<b>Total Other Local Taxes</b>	<b>\$ 60,834,800</b>	<b>\$ 62,709,129</b>	<b>\$ 70,201,789</b>	<b>\$ 7,492,660</b>
Other Revenues				
Licenses and permits	\$ 1,452,500	\$ 1,477,500	\$ 1,729,154	\$ 251,654
Court costs and fines	300,842	300,842	116,147	(184,695)
Charges for other services	714,600	618,600	582,404	(36,196)
Revenues from use of property	1,353,050	1,353,050	2,341,213	988,163
Reimbursed expenses	661,600	661,600	802,175	140,575
Miscellaneous revenues	150,200	150,200	324,394	174,194
Grant and shared revenues	2,315,550	6,196,257	5,973,398	(222,859)
<b>Total Other Revenues</b>	<b>\$ 6,948,342</b>	<b>\$ 10,758,049</b>	<b>\$ 11,868,885</b>	<b>\$ 1,110,836</b>
<b>TOTAL REVENUES</b>	<b>\$ 148,218,042</b>	<b>\$ 153,902,078</b>	<b>\$ 161,864,104</b>	<b>\$ 7,962,026</b>
<b>EXPENDITURES</b>				
<b>General Government</b>				
Legislative				
County Commissioners	\$ 221,540	\$ 221,540	\$ 223,345	\$ (1,805)
County Clerk	94,850	94,850	94,335	515
County Administrator	182,770	182,770	181,078	1,692
Public Information	94,280	94,280	77,432	16,848
Purchasing	334,180	334,180	327,853	6,327
<b>Total Legislative</b>	<b>\$ 927,620</b>	<b>\$ 927,620</b>	<b>\$ 904,043</b>	<b>\$ 23,577</b>
Judicial				
Circuit Court	\$ 1,025,120	\$ 1,018,120	\$ 966,706	\$ 51,414
Orphan's Court	30,440	30,440	29,145	1,295
State's Attorney	1,867,231	1,852,236	1,749,866	102,370
Sheriff - Judicial	965,820	965,820	936,950	28,870
Sheriff - Process Servers	165,242	165,242	83,379	81,863
<b>Total Judicial</b>	<b>\$ 4,053,853</b>	<b>\$ 4,031,858</b>	<b>\$ 3,766,046</b>	<b>\$ 265,812</b>
Election Board	\$ 578,295	\$ 578,295	\$ 491,172	\$ 87,123
Financial Administration				
Budget and Finance	\$ 834,080	\$ 834,080	\$ 824,241	\$ 9,839
Independent Auditing	54,500	54,500	50,298	4,202
Treasurer	351,214	351,214	347,372	3,842
Information Technologies	1,213,550	1,238,550	1,243,542	(4,992)
<b>Total Financial Administration</b>	<b>\$ 2,453,344</b>	<b>\$ 2,478,344</b>	<b>\$ 2,465,453</b>	<b>\$ 12,891</b>
County Attorney	\$ 561,770	\$ 561,770	\$ 525,131	\$ 36,639
Human Resources	\$ 516,550	\$ 516,550	\$ 491,181	\$ 25,369
Planning and Zoning				
Planning and Community Development	\$ 915,900	\$ 905,900	\$ 830,879	\$ 75,021
Board of Zoning	54,340	54,340	57,276	(2,936)
<b>Total Planning and Zoning</b>	<b>\$ 970,240</b>	<b>\$ 960,240</b>	<b>\$ 888,155</b>	<b>\$ 72,085</b>

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

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

**YEAR ENDED JUNE 30, 2005  
(UNAUDITED)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
(Continued)				
<b>Public Works</b>				
Engineering	\$ 1,165,920	\$ 1,165,920	\$ 1,234,050	\$ (68,130)
Department of Public Works	234,795	234,795	232,907	1,888
<b>Total Public Works</b>	<b>\$ 1,400,715</b>	<b>\$ 1,400,715</b>	<b>\$ 1,466,957</b>	<b>\$ (66,242)</b>
<b>County Owned Buildings</b>				
Martin Luther King Center	\$ 95,000	\$ 95,000	\$ 72,217	\$ 22,783
Administrative Building	172,000	172,000	162,606	9,394
Court House	444,300	422,256	407,449	14,807
County Office Building	159,800	159,800	152,221	7,579
Administration Annex	72,000	72,000	46,098	25,902
Central Services	171,110	171,110	181,659	(10,549)
Rental Properties	22,200	22,200	19,382	2,818
Library Maintenance	24,000	24,000	8,095	15,905
Dwyer Center	32,500	32,500	28,096	4,404
<b>Total County Owned Buildings</b>	<b>\$ 1,192,910</b>	<b>\$ 1,170,866</b>	<b>\$ 1,077,823</b>	<b>\$ 93,043</b>
<b>Gaming Office</b>	<b>\$ 192,000</b>	<b>\$ 192,000</b>	<b>\$ 134,446</b>	<b>\$ 57,554</b>
<b>Community Promotion</b>				
Contributions to Non-profits	\$ 165,270	\$ 165,270	\$ 100,378	\$ 64,892
Economic Development Commission	514,730	514,730	508,060	6,670
Grants	-	3,807,785	3,100,166	707,619
<b>Total Community Promotion</b>	<b>\$ 680,000</b>	<b>\$ 4,487,785</b>	<b>\$ 3,708,604</b>	<b>\$ 779,181</b>
<b>Total General Government</b>	<b>\$ 13,527,297</b>	<b>\$ 17,306,043</b>	<b>\$ 15,919,011</b>	<b>\$ 1,387,032</b>
<b>Public Safety</b>				
<b>Sheriff Departments</b>				
Patrol	\$ 5,347,765	\$ 5,339,682	\$ 5,322,047	\$ 17,635
Sheriff Auxillary Department	-	-	60,325	(60,325)
Narcotics Task Force	412,577	412,577	342,154	70,423
<b>Total Sheriff Department</b>	<b>\$ 5,760,342</b>	<b>\$ 5,752,259</b>	<b>\$ 5,724,526</b>	<b>\$ 27,733</b>
<b>Fire and Rescue Services</b>				
Volunteer Fire and Rescue - County Grants	\$ 2,674,057	\$ 2,674,057	\$ 2,586,881	\$ 87,176
Air Unit	18,200	18,200	15,367	2,833
Special Operations	144,850	144,850	145,134	(284)
<b>Total Fire and Rescue Services</b>	<b>\$ 2,837,107</b>	<b>\$ 2,837,107</b>	<b>\$ 2,747,382</b>	<b>\$ 89,725</b>
<b>Corrections</b>				
Detention Center	\$ 7,565,351	\$ 7,546,511	\$ 7,536,773	\$ 9,738
<b>Total Corrections</b>	<b>\$ 7,565,351</b>	<b>\$ 7,546,511</b>	<b>\$ 7,536,773</b>	<b>\$ 9,738</b>
<b>Other Public Safety</b>				
Building Inspection	\$ 1,177,139	\$ 1,181,369	\$ 1,272,486	\$ (91,117)
Plumbing Inspection	158,310	158,310	145,794	12,516
911 - Communications	1,388,775	1,388,775	1,264,134	124,641
Communications Maintenance	243,000	243,000	228,266	14,734
Emergency Management	61,280	61,280	48,262	13,018
Medical Examiner	6,000	6,000	4,440	1,560
Civil Air Patrol	3,395	3,395	3,395	-
Animal Control	519,220	769,746	773,871	(4,125)
Children's Village	20,000	20,000	20,000	-
Other Public Safety	\$ 3,577,119	\$ 3,831,875	\$ 3,760,648	\$ 71,227
<b>Total Public Safety</b>	<b>\$ 19,739,919</b>	<b>\$ 19,967,752</b>	<b>\$ 19,769,329</b>	<b>\$ 198,423</b>
<b>Health</b>				
<b>Total Health</b>	<b>\$ 1,802,477</b>	<b>\$ 1,802,477</b>	<b>\$ 1,802,174</b>	<b>\$ 303</b>
<b>Social Services</b>				
Total Contributions to Other Agencies	\$ 889,099	\$ 969,099	\$ 1,281,971	\$ (312,872)
<b>Total Social Services</b>	<b>\$ 889,099</b>	<b>\$ 969,099</b>	<b>\$ 1,281,971</b>	<b>\$ (312,872)</b>
<b>Education</b>				
<b>Total Education</b>	<b>\$ 85,982,778</b>	<b>\$ 85,982,778</b>	<b>\$ 85,980,778</b>	<b>\$ 2,000</b>

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

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

**YEAR ENDED JUNE 30, 2005  
(UNAUDITED)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
(Continued)				
<b>Parks, Recreation, and Culture</b>				
Total Contributions to Other Agencies	\$ 1,928,672	\$ 1,928,672	\$ 1,928,672	\$ -
Parks Department	1,391,476	1,413,520	1,321,535	91,985
Martin L. Snook Park Pool	115,800	115,800	96,588	19,212
Recreation	461,830	461,830	435,729	26,101
<b>Total Parks, Recreation, and Culture</b>	<u>\$ 3,897,778</u>	<u>\$ 3,919,822</u>	<u>\$ 3,782,524</u>	<u>\$ 137,298</u>
<b>Conservation of Natural Resources</b>				
Weed Control	\$ 45,010	\$ 45,010	\$ 73,017	\$ (28,007)
Agricultural Extension Service	178,238	178,238	178,238	-
Cooperative Extension	34,969	34,969	34,969	-
Soil Conservation Service	43,880	43,880	43,880	-
Gypsy Moth Program	35,000	35,000	4,447	30,553
<b>Total Conservation of Natural Resources</b>	<u>\$ 337,097</u>	<u>\$ 337,097</u>	<u>\$ 334,551</u>	<u>\$ 2,546</u>
<b>General Operations</b>				
<b>Total General Operations</b>	<u>\$ 1,630,960</u>	<u>\$ 1,424,274</u>	<u>\$ 814,799</u>	<u>\$ 609,475</u>
<b>Unallocated Employee Insurance and Benefits</b>				
<b>Total Unallocated Employee Insurance and Benefits</b>	<u>\$ 293,361</u>	<u>\$ 293,361</u>	<u>\$ 995,757</u>	<u>\$ (702,396)</u>
<b>Intergovernmental</b>				
Water Quality operating transfer	\$ 3,120,000	\$ 3,120,000	\$ 3,120,000	\$ -
Public Transit operating transfer	406,480	406,480	406,480	-
Airport operating transfer	95,000	95,000	95,000	-
Capital Projects operating transfer	2,736,800	4,518,899	11,236,570	(6,717,671)
Solid Waste operating transfer	550,000	550,000	550,000	-
Community Partnership operating transfer	118,590	118,590	118,590	-
Agricultural Education Center operating transfer	128,530	128,530	128,530	-
Grants to incorporated municipalities	1,420,000	1,420,000	1,269,622	150,378
Municipality in lieu of bank shares	38,543	38,543	38,543	-
<b>Total Intergovernmental</b>	<u>\$ 8,613,943</u>	<u>\$ 10,396,042</u>	<u>\$ 16,963,335</u>	<u>\$ (6,567,293)</u>
<b>Debt Service</b>				
<b>Total Debt Service</b>	<u>\$ 11,503,333</u>	<u>\$ 11,503,333</u>	<u>\$ 10,944,128</u>	<u>\$ 559,205</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 148,218,042</u>	<u>\$ 153,902,078</u>	<u>\$ 158,588,357</u>	<u>\$ (4,686,279)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,275,747</u>	<u>\$ 3,275,747</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Principal amount of new debt for advance refunding and new bond proceeds			\$ 22,684,381	
Deposit to escrow fund for advance refunding and repayment of loans			(21,515,403)	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			<u>\$ 1,168,978</u>	
<b>NET CHANGES IN FUND BALANCE</b>			\$ 4,444,725	
<b>FUND BALANCE - BEGINNING</b>			<u>\$ 21,399,333</u>	
<b>FUND BALANCE - ENDING</b>			<u>\$ 25,844,058</u>	

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

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

**YEAR ENDED JUNE 30, 2005  
(UNAUDITED)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Highway user revenue	\$ 5,525,000	\$ 5,525,000	\$ 6,964,197	\$ 1,439,197
Reimbursed expenses	158,570	158,570	233,311	74,741
Other revenue	1,000	1,000	7,877	6,877
<b>TOTAL REVENUES</b>	<u>\$ 5,684,570</u>	<u>\$ 5,684,570</u>	<u>\$ 7,205,385</u>	<u>\$ 1,520,815</u>
<b>EXPENDITURES</b>				
General Operations	\$ 801,586	\$ 801,586	\$ 512,224	\$ 289,362
Road Maintenance	3,749,035	3,749,035	3,167,957	581,078
Snow Removal	589,675	589,675	486,842	102,833
Storm Damage	52,929	52,929	103,645	(50,716)
Traffic Control	379,935	379,935	413,625	(33,690)
Fleet Management	1,211,410	1,211,410	1,277,913	(66,503)
<b>TOTAL EXPENDITURES</b>	<u>\$ 6,784,570</u>	<u>\$ 6,784,570</u>	<u>\$ 5,962,206</u>	<u>\$ 822,364</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ (1,100,000)</u>	<u>\$ (1,100,000)</u>	<u>\$ 1,243,179</u>	<u>\$ 2,343,179</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ -
<b>NET CHANGES IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,343,179</u>	<u>\$ 2,343,179</u>
<b>FUND BALANCE - BEGINNING</b>			<u>\$ 1,338,834</u>	
<b>FUND BALANCE - ENDING</b>			<u>\$ 3,682,013</u>	

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

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

**YEAR ENDED JUNE 30, 2005  
(UNAUDITED)**

	Budgeted Amounts		Actuals Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Grant Revenues	\$ -	\$ 2,858,817	\$ 2,148,792	\$ (710,025)
<b>TOTAL REVENUES</b>	<u>\$ -</u>	<u>\$ 2,858,817</u>	<u>\$ 2,148,792</u>	<u>\$ (710,025)</u>
<b>EXPENDITURES</b>				
General Operations	\$ 118,590	\$ 118,590	\$ 115,251	\$ 3,339
Office of Children, Youth and Families	-	1,741,124	1,633,299	107,825
Governor's Office of Crime Control and Prevention	-	374,350	351,951	22,399
Disadvantaged Disabilities Administration	-	30,536	30,536	-
Department of Earned Reinvestment	-	712,807	132,965	579,842
<b>TOTAL EXPENDITURES</b>	<u>\$ 118,590</u>	<u>\$ 2,977,407</u>	<u>\$ 2,264,002</u>	<u>\$ 713,405</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ (118,590)</u>	<u>\$ (118,590)</u>	<u>\$ (115,210)</u>	<u>\$ 3,380</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 118,590	\$ 118,590	\$ 118,590	\$ -
<b>NET CHANGES IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,380</u>	<u>\$ 3,380</u>
<b>FUND BALANCES - BEGINNING</b>			<u>\$ 492,008</u>	
<b>FUND BALANCES - ENDING</b>			<u>\$ 495,388</u>	

**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>
7/1/02	29,202	37,450	8,248	78.0%	20,999	39.3%
7/1/03	31,023	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%

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>
6/30/01	31,915	32,470	555	98.3%	7,255	7.6%
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%