

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Financial Statements and Supplemental Schedules
Together with Report of Independent Public Accountants**

For the Year Ended June 30, 2011



SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

JUNE 30, 2011

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

County Commissioners of Washington County
Hagerstown, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County Commissioners of Washington County, Maryland (the County), as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Board of Education of Washington County. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit presentation of the Board of Education of Washington County, is based on the report of the other auditor.

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 of America. 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 the other auditor provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



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In accordance with *Government Auditing Standards*, we have issued our report dated October 26, 2011, on our consideration of the County's internal control over financial reporting and 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require the management's discussion and analysis, the required supplementary information and the budget and actual schedules as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hunt Valley, MD
October 26, 2011

SB & Company, LLC

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, 2011. 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 the County's entire 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.

1) Government-wide Financial Statements (continued)

- ❑ 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 19-21 of this report.

2) Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains eleven 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 Project, Community Partnership, Inmate Welfare, Contraband, Agricultural Education, Foreign Trade Zone, Hotel Rental Tax, Gaming, Land Preservation and HEPMPO.

2) ***Fund Financial Statements*** (continued)

The County adopts an annual appropriated budget for all of its governmental and proprietary fund budgets.

The basic governmental fund financial statements can be found on pages 22-25 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 an activity that provide supplies and services for the government's 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 26-28 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 29-30 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 31-85 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 88-101 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 \$632.3 million as of the close of the most recent fiscal year.

Washington County, Maryland
Net Assets
(Government-Wide)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>		<i>Total Percent Change</i>
	2011	2010	2011	2010	2011	2010	
<i>Current and other assets</i>	\$ 138,556,357	\$ 155,525,305	\$ 72,797,850	\$ 69,050,182	\$ 211,354,207	\$ 224,575,487	(6%)
<i>Capital assets</i>	424,970,363	434,180,212	262,902,280	264,666,036	687,872,643	698,846,248	(2%)
<i>Total Assets</i>	563,526,720	589,705,517	335,700,130	333,716,218	899,226,850	923,421,735	(3%)
<i>Current and other liabilities</i>	30,689,527	33,446,304	17,331,940	34,348,646	48,021,467	67,794,950	(29%)
<i>Long-term liabilities</i>	121,718,381	119,868,086	97,155,594	76,673,734	218,873,975	196,541,820	11%
<i>Total Liabilities</i>	152,407,908	153,314,390	114,487,534	111,022,380	266,895,442	264,336,770	1%
<i>Invested in Capital Assets,</i>							
<i>Net of Related Debt</i>	372,712,454	386,689,610	214,299,925	211,102,236	587,012,379	597,791,846	(2%)
<i>Restricted Net Assets</i>	15,838,952	9,984,171	14,378,508	12,019,120	30,217,460	22,003,291	37%
<i>Unrestricted Net Assets</i>	22,567,406	39,717,346	(7,465,837)	(427,518)	15,101,569	39,289,828	(62%)
<i>Total Net Assets</i>	\$ 411,118,812	\$ 436,391,127	\$ 221,212,596	\$ 222,693,838	\$ 632,331,408	\$ 659,084,965	(4%)

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 \$587.0 million. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County's net assets (\$30.2 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$15.1 million) may be used to meet the County's obligations to citizens and creditors.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY
Management's Discussion and Analysis

June 30, 2011

Governmental Activities (government-wide) – Net Assets:

Unrestricted net assets in governmental activities have been reduced by \$53.2 million in long-term debt, resulting in unrestricted net assets of \$22.6 million. This long-term debt was incurred by the County's General Fund for the purpose of capital asset acquisition for the Board of Education of \$50.0 million and Hagerstown Community College of \$3.2 million. The capital assets acquired with these bonds are not reflected in the County's primary government financial statements.

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2011	2010	2011	2010	2011	2010
Program revenues:						
<i>Charges for Services</i>	\$ 2,906,563	\$ 4,076,580	\$ 19,713,517	\$ 19,170,572	\$ 22,620,080	\$ 23,247,152
<i>Operating Grants and Contributions</i>	5,683,957	12,626,756	1,148,567	1,351,992	6,832,524	13,978,748
<i>Capital Grants and Contributions</i>	10,945,247	7,582,420	4,559,383	5,248,350	15,504,630	12,830,770
General Revenues:						
<i>Property Taxes</i>	125,409,839	129,349,007	-	-	125,409,839	129,349,007
<i>Local Taxes</i>	74,279,821	57,483,270	-	-	74,279,821	57,483,270
<i>Other</i>	5,105,385	2,752,810	594,870	556,497	5,700,255	3,309,307
Total Revenues	224,330,812	213,870,843	26,016,337	26,327,411	250,347,149	240,198,254
Program Expenses:						
<i>General Government</i>	39,136,319	17,759,157	-	-	39,136,319	17,759,157
<i>Public Safety</i>	39,804,734	61,793,870	-	-	39,804,734	61,793,870
<i>Health</i>	2,389,270	2,389,270	-	-	2,389,270	2,389,270
<i>Social Services</i>	2,400,068	3,026,322	-	-	2,400,068	3,026,322
<i>Education</i>	125,522,309	113,494,164	-	-	125,522,309	113,494,164
<i>Parks and Recreation</i>	6,075,518	6,010,014	-	-	6,075,518	6,010,014
<i>Natural Resources</i>	3,315,734	1,233,387	-	-	3,315,734	1,233,387
<i>Community Promotion</i>	4,047,615	4,039,694	-	-	4,047,615	4,039,694
<i>Highways and Streets</i>	17,325,648	12,819,731	-	-	17,325,648	12,819,731
<i>Interest on long-term debt</i>	4,441,225	4,367,670	-	-	4,441,225	4,367,670
Business-type Activities:						
<i>Water Quality</i>	-	-	11,614,072	11,818,147	11,614,072	11,818,147
<i>Solid Waste</i>	-	-	8,868,541	8,873,834	8,868,541	8,873,834
<i>Public Transit</i>	-	-	2,730,286	2,443,498	2,730,286	2,443,498
<i>Airport</i>	-	-	8,196,762	7,985,639	8,196,762	7,985,639
<i>Golf Course</i>	-	-	1,232,605	1,320,581	1,232,605	1,320,581
Total Expenses	244,458,440	226,933,279	32,642,266	32,441,699	277,100,706	259,374,978
Change in net assets before transfers	(20,127,628)	(13,062,436)	(6,625,929)	(6,114,288)	(26,753,557)	(19,176,724)
Gain (Loss) on disposal of capital assets	-	-	-	(206,995)	-	(206,995)
Transfers	(5,144,687)	(6,757,473)	5,144,687	6,757,473	-	-
Change in Net Assets	(25,272,315)	(19,819,909)	(1,481,242)	436,190	(26,753,557)	(19,383,719)
Net Assets – beginning of year	436,391,127	456,211,036	222,693,838	222,257,648	659,084,965	678,468,684
Net Assets – End of year	\$ 411,118,812	\$ 436,391,127	\$ 221,212,596	\$ 222,693,838	\$ 632,331,408	\$ 659,084,965

The County's total net assets decreased by \$26.7 million during fiscal year 2011. Total net assets as of June 30, 2011, were \$632 million representing a 4% decrease.

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

Net assets in governmental activities decreased by \$25.3 million. Key factors in this decrease are as follows:

- ❑ Property tax revenue fell short of projections by \$.3 million or .03%. This shortfall is related to personal property tax revenues mainly within corporate business accounts reflecting recent economic conditions.
- ❑ Income Tax revenue fell short of budget by \$.7 million or 1.2% as a result of continued higher than normal unemployment rates. However the average unemployment rate reflected a decrease from 10.12% to 9.99% in 2011. The unemployment rate continues to show a slow but decreasing trend.
- ❑ Recordation Tax revenue fell short of budget by \$0.4 million or 9.7% due to the trends in the housing market. Overall revenues are up from prior actual and housing activity indicators show marked improvement in 2011 and continue to show improvement in 2012.
- ❑ Other revenue such as permits, licenses and Highway User revenues exceeded budget by \$.5 million.
- ❑ Shortfalls in grants of \$1.6 million are reflective of unappropriated grant awards to be carried over to the next fiscal year. The shortfall in grants is offset by unappropriated grant funds in expenditure savings.
- ❑ Public safety savings of \$1.0 million was mainly due to the unused overtime, positions accounted for under other programs and delays in the opening of the new housing unit.
- ❑ Self insurance reserve savings of \$.4 million was due to favorable claim results.
- ❑ An additional capital transfer of \$.8 million was made to account for revenue shortfalls in Excise and Transfer tax revenue during 201 to allow for continued construction of school and road projects.
- ❑ Debt service savings of \$.3 million relates to savings on actual v. estimated bid price from bond sale and bidders payment coupon schedule.
- ❑ Remaining cost centers accounted for \$1.2 million in savings; \$.5 million from agencies and the remaining \$.7 million mainly from maintenance, legal costs and highway operations.
- ❑ Various government-wide entries including 1) recording of depreciation expense greater than capital outlay at a net difference of \$16.4 million; 2) accruals and gain and loss on sale of assets of \$5.0 million; and 3) recording of debt proceeds greater than debt principal payments by \$1.7 million. These activities are reported differently on the government-wide statements vs. the fund statements.

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

- ❑ Capital Improvement Projects had a net decrease of \$13.8 million. Capital Projects transactions are earmarked for specific capital related projects and its cash flow will vary depending on the construction schedule and grant reimbursements.

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

Business-type activities decreased the County's net assets by \$1.5 million, adding to the decrease in net assets attributable to governmental activities. Key elements of this increase are as follows:

- ❑ Water Quality's net assets increased by \$2.7 million, for a total of \$118.3 million. The increase resulted from increases in user rates, designed to provide resources to meet operational costs, projected debt service, capital requirements and to provide for stable reserves.
- ❑ Solid Waste's total net assets decreased by \$1.8 million for a total of \$14.2 million, mainly related to depreciation cost of \$3.1 million. The landfill closure and post-closure cost are in compliance with State financial assurance requirements as of June 30, 2011.
- ❑ Airport's total net assets are \$81.7 million as of June 30, 2011, representing a \$3.3 million decrease. The net decrease is mainly the result of increased depreciation related to the runway acquisition of which the majority of funding was federal and state grants.

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.

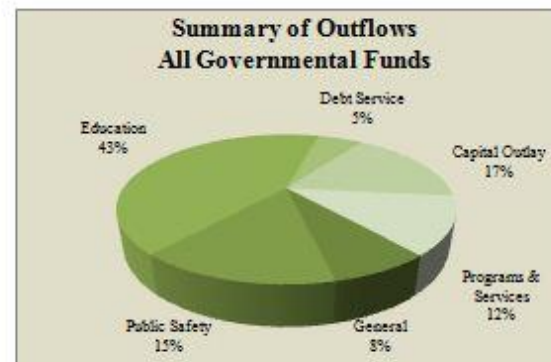
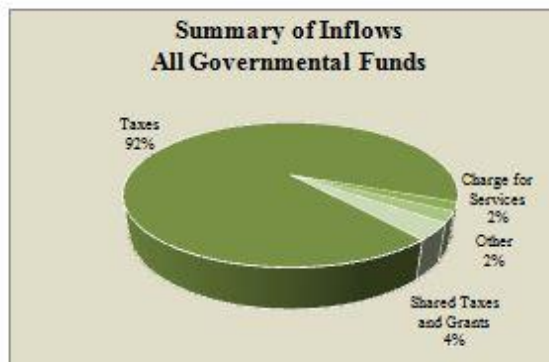
Governmental Funds (continued):

As of the end of the current fiscal year, the County's governmental funds reported combined fund balances of \$111.4 million, a decrease of \$12.2 million in comparison with the prior year. In fiscal year 2011, the Highway Fund was consolidated into the General Fund. Approximately \$35.7 million of this amount is designated for the General Fund cash reserve and \$73.7 million is restricted for construction projects and designated programs. The remaining amount is appropriated for uses such as long-term receivables and program services. In the combined governmental activities the County maintains twelve 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
(Fund Basis)**

Governmental Activities – Fund Statements	Fund Balance			Net Change in Fund Balance		
	2011	2010	% Change	2011	2010	% Change
General Fund	\$ 37,572,914	\$ 36,154,008	4%	\$ 1,418,906	\$ (5,633,441)	125%
Capital Improvement Fund	71,824,732	85,579,828	(16%)	(13,755,096)	1,779,647	(873%)
Community Partnership Fund	408,076	469,811	(13%)	(61,735)	-	(100%)
Inmate Welfare Fund	446,213	442,521	1%	3,692	16,563	(78%)
Contraband Fund	45,619	48,884	(7%)	(3,265)	(9,363)	65%
Agricultural Education Fund	120,131	174,090	(31%)	(53,959)	(40,228)	(34%)
Foreign Trade Zone Fund	-	(308)	100%	308	-	100%
Hotel Rental Tax Fund	562,998	362,513	55%	200,485	181,925	10%
Gaming Fund	(1,931)	19,790	(110%)	(21,721)	(17,696)	(23%)
Land Preservation Fund	397,632	319,288	25%	78,344	(276,735)	128%
HEPMPO	(749)	-	100%	(749)	-	(100%)
Total	\$ 111,375,635	\$ 123,570,425	(10%)	\$ (12,194,790)	\$ (3,999,328)	(205%)

The following reflects all inflows and outflows of the governmental funds in total for the fiscal year ending June 30, 2011.



Governmental Funds (continued):

- 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 \$33.2 million, while total fund balance reached \$37.6 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents \$33.2 million that is designated for cash reserve while \$0.6 million is reserved for specific program funds, for total fund balance of \$36.8 million.

The General Fund, fund balance increased by approximately \$1.4 million during the current fiscal year. Key factors related to this change are:

Major Revenue Factors:

- Property tax revenue fell just short of the 2011 projections by \$.3 million or .03%. The shortfall is related to personal property tax revenues mainly within corporate business accounts reflecting recent economic conditions.
- Income Tax revenue fell short of budget by \$.7 million or 1.2% as a result of continued higher than normal unemployment rates. However the average unemployment rate reflected a decrease from 10.12% in 2010 to 9.99% in 2011. The unemployment rate continues to show a slow but decreasing trend.
- Recordation Tax revenue fell short of budget by \$.4 million or 9.7% due to the trends within the housing market. Overall revenues are up from prior actual and housing activity indicators show marked improvement in 2011 and continue to show improvement in 2012.
- Other revenues such as permits, licenses, and Highway User revenues exceeded budget by \$.5 million.
- Shortfalls in grants of \$1.6 million are reflective of unappropriated grant awards to be carried over to the next fiscal year. The shortfall in grants is offset by unappropriated grant funds in expenditure savings.

Major Expenditure Factors:

- Public safety savings of \$1.0 million was due mainly to unused overtime, positions accounted for under other program costs and delays in the opening of the new housing unit.
- Self insurance reserve savings of \$.4 million was due to favorable claim results.
- An additional capital transfer of \$.8 million was made to account for revenue shortfalls in Excise and Transfer tax revenues during 2011 to allow for continued construction of school and road projects.

Major Expenditure Factors (continued):

- Shortfalls in grants of \$1.6 million are reflective of unappropriated grant awards to be carried over to the next fiscal year. The shortfall in grants is offset by unappropriated grant funds in expenditure savings.
 - Remaining cost centers accounted for \$1.2 million in savings; \$.5 million from agencies and the remaining \$.7 million mainly from maintenance, legal costs and highway operations.
- The **Capital Project Fund** is used to account for major capital acquisition and construction of County operations. At the end of the current fiscal year the Capital Project Fund has a total fund balance of \$71.8 million, all of which is designated for capital related projects. Major funding sources for projects are pay-go-funding, debt proceeds, fees and taxes, and grants. Fund balance increased by \$13.8 million for the current fiscal year. The change in fund balance is the result of timing differences in projects with funding proceeds and project expenditures.
- The County's **Community Partnership, Inmate Welfare, Contraband, Agricultural Education, Foreign Trade Zone, Hotel Rental Tax, Gaming, Land Preservation Funds and HEPMPO** combined have a fund balance of \$1.9 million. The net decrease in fund balance during the current year was \$141,000. These funds represent monies designated for specific programs and services.

Proprietary Funds:

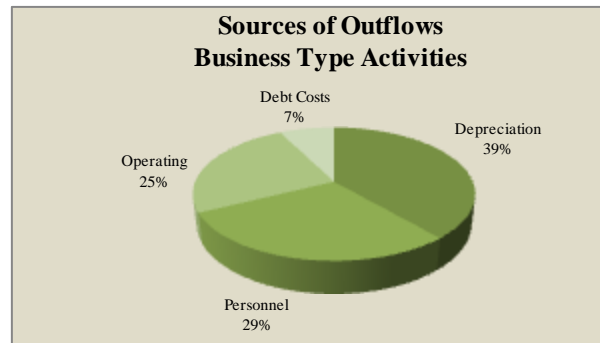
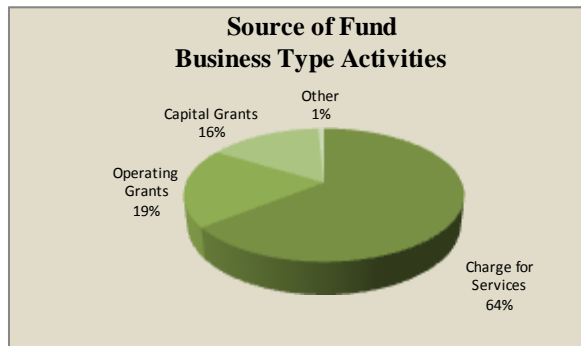
The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net assets and net income (loss) were as follows:

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

<i>Business-type Activities – Fund Statements</i>	<i>Fund Balance</i>			<i>Net Change in Fund Balance</i>		
	2011	2010	% Change	2011	2010	% Change
Water Quality	\$ 118,268,385	\$ 115,521,278	2%	\$ 2,747,107	\$ 2,121,063	30%
Solid Waste	14,229,575	16,065,502	(11%)	(1,835,927)	(832,259)	(121%)
Airport	81,653,911	84,959,208	(4%)	(3,305,297)	(1,716,109)	(93%)
Public Transit	5,343,583	4,259,908	25%	1,083,675	1,010,576	7%
BleckRock	1,717,142	1,887,942	(9%)	(170,800)	(147,081)	(16%)
Total	\$ 221,212,596	\$ 222,693,838	(1%)	\$ (1,481,242)	\$ 436,190	(440%)

Proprietary Funds (continued):

The following reflects the inflows and outflows of the business-type activity funds for the fiscal year ending June 30, 2011.



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".

COUNTY COMMISSIONERS OF WASHINGTON COUNTY
Management's Discussion and Analysis

June 30, 2011

General Fund Budgetary Analysis – Government Fund Financial Statement Basis

Washington County, Maryland
General Fund Budgetary Analysis
As of June 30, 2011
(Government Fund Basis)

Category	Budgetary Amounts		Actual	Difference	
	Original	Final		Org. Budget vs. Final	Final Budget vs. Actual
Revenues:					
Property Tax	\$ 125,808,260	\$ 125,808,260	\$ 125,462,990	\$ -	\$ (345,270)
Local Tax	64,945,000	64,945,000	64,171,088	-	(773,912)
Other Revenue	5,457,000	5,511,420	4,359,335	54,420	(1,152,085)
Grant	1,571,390	5,048,789	4,961,523	3,477,399	(87,266)
Total Revenues	197,781,650	201,313,469	198,954,936	3,531,819	(2,358,533)
Expenses:					
General Government	18,693,350	18,933,445	17,985,815	240,095	947,630
Public Safety	34,270,170	36,367,223	34,183,751	2,097,053	2,183,472
Health and Social Services	4,122,030	5,318,711	4,789,338	1,196,681	529,373
Education	101,360,380	101,360,380	101,360,380	-	-
Parks, Recreation, Natural Resources	6,032,390	6,032,390	5,892,969	-	139,421
Highways and streets	8,489,090	8,495,080	8,095,183	5,990	399,897
General Operations	416,950	399,950	2,087,905	(17,000)	(1,687,955)
Intergovernmental	2,056,860	2,056,860	38,543	-	2,018,317
Debt Service	13,122,500	13,122,500	13,066,760	-	55,740
Total Expenses	188,563,720	192,086,539	187,500,644	3,522,819	4,585,895
Other Financing Sources (Uses)	9,217,930	9,226,930	(10,035,386)	9,000	(808,456)
Net Increase in Assets - 06/30/11	\$ -	\$ -	\$ 1,418,906	\$ -	\$ 1,418,906

Original Budget vs. Final Budget:

The net budgetary change of \$3.5 million resulted mainly from grant transactions. Increases in grants reflected as revenue were received or expended during the fiscal year from additional state or federal grants of \$3.5 million.

Final Budget vs. Actual Results:

Final actual results yielded a \$1.4 increase to cash reserves. Revenue was under by \$2.3 million offset by expenditures savings \$4.6 million. Property Tax experienced a .03% decrease over budget. Income Tax revenue was under budget by 1.2% or \$.7 million. Recordation Tax fell short of final budget by \$.4 million or 9.7%. Offsetting the net revenue shortfall were \$1.0 million in savings from public safety related to salary costs and later than expected opening of the new housing unit facility. Also attributable to net budgetary costs was the additional \$.8 million transfer of pay-go funds to cover 2011 shortfalls in excise and transfer tax revenues. Other major savings included insurance costs, debt service, and unappropriated grant funds of \$3.5 million.

Capital Asset Administration – Government Wide Statements

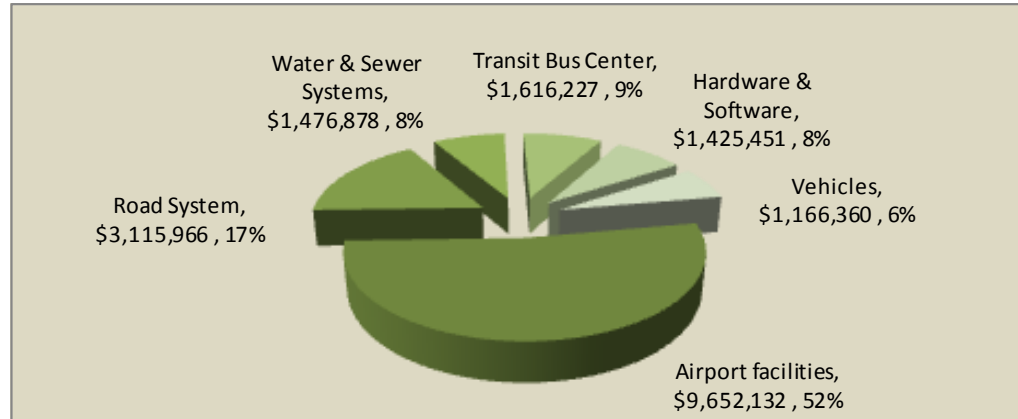
The County's investment in capital assets for its governmental and business-type activities as of June 30, 2011, is \$669 million (net of depreciation). This investment in capital assets includes land, buildings, bridges, roads, equipment, and operational facilities.

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

Description	Governmental Activities		Business-type Activities		Total		% Change
	2011	2010	2011	2010	2011	2010	
<i>Land and Land Improvement</i>	\$ 74,407,709	\$ 71,715,840	\$ 91,430,808	\$ 96,510,484	\$ 165,838,517	\$ 168,226,324	(1%)
<i>Building and Improvements</i>	43,300,255	44,294,603	42,955,528	34,844,911	86,255,783	79,139,514	9%
<i>Facilities, Lines, and Mains</i>	-	-	85,047,642	84,964,827	85,047,642	84,964,827	0%
<i>Vehicles</i>	1,757,125	2,532,430	3,052,749	3,294,426	4,809,874	5,826,856	(17%)
<i>Infrastructure</i>	268,316,842	281,924,495	-	-	268,316,842	281,924,495	(5%)
<i>Machinery and Equipment</i>	2,320,292	2,246,645	2,566,995	3,193,888	4,887,287	5,440,533	(10%)
<i>Office/Computer Equipment</i>	19,643,716	22,012,408	1,057,087	409,331	20,700,803	22,421,739	(8%)
<i>Treatment Plant</i>	-	-	32,719,634	33,691,257	32,719,634	33,691,257	(3%)
<i>Total</i>	\$409,745,939	\$ 424,726,421	\$258,830,443	\$ 256,909,124	\$668,576,382	\$ 681,635,545	(2%)

Capital Asset Administration (continued):

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



Additional information on the County's capital assets can be found in note 5 on pages 51-54 of this report.

Debt Administration

At the end of the current fiscal year, the County had total outstanding debt, excluding capital leases, of \$190 million. This amount was comprised of debt backed by the full faith and credit of the County and user fees. The County's outstanding debt remained approximately the same as the previous year. The new borrowings were \$14.1 million and principal payments were \$14 million. Funds borrowed were used for major projects such as environmental projects of \$3.2 million and road construction project of \$10.2 million.

**Washington County, Maryland
Outstanding Debt
(Government – Wide)**

Description	Governmental Activities		Business-type Activities		Total		% Change
	2011	2010	2011	2010	2011	2010	
General Obligation Bonds	\$ 121,333,576	\$ 118,601,267	\$ 42,219,899	\$ 40,924,141	\$ 163,553,475	\$ 159,525,408	3%
Maryland State Loans	-	-	1,398,463	1,572,889	1,398,463	1,572,889	(11%)
Maryland Water Quality Bonds	6,026,733	6,303,795	19,185,877	21,771,059	25,212,610	28,074,854	(10%)
Total	\$ 127,360,309	\$ 124,905,062	\$ 62,804,239	\$ 64,268,089	\$ 190,164,548	\$ 189,173,151	1%

Debt Administration (continued):

The County's credit ratings for fiscal year 2011 are as follows: 1) Standard and Poor's rated AA, 2) Fitch rated AA, and 3) Moody's Investors Service rated Aa2. All rated with stable outlook.

Under the Code of Public Local Law, the amount of general obligation debt the County may issue associated with water quality debt is limited to 10 percent of its total assessed valuation of all real estate in the County that is subject to taxation. The current estimated debt limitation for water quality is \$1.5 billion, which is significantly in excess of the County's current water quality general obligation debt.

Additional information on the County's long-term debt can be found in note 8 on pages 57-62 of this report.

Economic Factors and Fiscal Year 2012

- ❑ Washington County's current unemployment rate for August 2011 was 9.8% compared to 10.6% in August of 2010. Unemployment trends are showing a slow steady improvement. It is anticipated that the unemployment rate will take until the end of 2014 to recover due to permanent loss of certain industry jobs, re-entry/retraining of the current workforce, and new workforce entry.
- ❑ Housing industry trends are showing continued improvement. Foreclosure filings and foreclosure rates are down in 2012 and showed significant decreases in 2011. The average price of homes sold appears to be leveling off in 2012 as prior high inventory starts to decrease. This is reflective in the County's active inventory trend, which shows a decrease for 2012, decreasing for the fourth straight year.
- ❑ Water and sewer rates were increased for the 2012 budget year. The revenue requirements were increased 4%. This revenue increase is based on financial information formulated annually from the County's cost of service model.
- ❑ The County has approved the redemption of the 2006 Runway Bonds in whole, thereby reducing outstanding debt by \$12,225,000 in December 2011. This redemption will save the County an estimated \$4 million in interest cost. The County will use Grant funds on hand, together with, as needed, unexpended proceeds of the 2006 Runway Bonds and other available funds, to redeem the outstanding 2006 Runway Bonds in whole.

Requests for Information

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Net Assets As of June 30, 2011

	Primary Government			Component Unit	
	Governmental activities	Business-type activities	Total	Board of Education	Total
ASSETS					
Cash and short-term investments	\$ 3,826,388	\$ 16,033,414	\$ 19,859,802	\$ 22,011,382	\$ 41,871,184
Investments	157,468,662	-	157,468,662	13,365,355	170,834,017
Property taxes receivable, net of allowance	396,186	-	396,186	-	396,186
Accounts receivable, net of allowance	1,840,474	1,435,648	3,276,122	-	3,276,122
Interest receivable	247,204	-	247,204	-	247,204
Unbilled receivables	224,730	1,732,754	1,957,484	-	1,957,484
Internal balances	(50,389,863)	50,389,863	-	-	-
Due from other governmental agencies	22,947,454	2,761,500	25,708,954	7,149,701	32,858,655
Other receivables	-	-	-	197,563	197,563
Inventories	675,242	301,174	976,416	329,564	1,305,980
Bond issue costs	710,096	143,497	853,593	-	853,593
Prepaid items	-	-	-	934,356	934,356
Other post employment benefits	-	-	-	5,069,600	5,069,600
Recoverable disbursements	340,103	-	340,103	-	340,103
Notes receivable	269,681	-	269,681	-	269,681
Projects under construction	15,224,424	4,071,837	19,296,261	1,130,485	20,426,746
Property, plant, and equipment, net	409,745,939	258,830,443	668,576,382	215,467,716	884,044,098
TOTAL ASSETS	563,526,720	335,700,130	899,226,850	265,655,722	1,164,882,572
LIABILITIES					
Current Liabilities:					
Current maturities of long-term obligations	9,325,997	4,712,863	14,038,860	-	14,038,860
Current maturities of capital lease obligations	-	111,123	111,123	728,077	839,200
Current maturities of installment purchase contracts	517,736	-	517,736	-	517,736
Accounts payable	8,647,208	1,760,149	10,407,357	4,070,259	14,477,616
Accrued expenses	1,031,348	338,080	1,369,428	13,927,473	15,296,901
Accrued interest	2,202,430	8,094,360	10,296,790	-	10,296,790
Deferred revenue	2,800,087	1,853,401	4,653,488	5,069,702	9,723,190
Compensated absences	1,831,368	389,249	2,220,617	546,780	2,767,397
Post retirement benefits	220,175	-	220,175	-	220,175
Landfill closure and post-closure costs	-	14,820	14,820	-	14,820
Other liabilities	2,152,037	57,895	2,209,932	-	2,209,932
Liabilities for unpaid claims	1,961,141	-	1,961,141	-	1,961,141
Total current liabilities	30,689,527	17,331,940	48,021,467	24,342,291	72,363,758
Non Current Liabilities:					
Deferred revenue	-	22,508,647	22,508,647	-	22,508,647
Compensated absences	431,581	172,914	604,495	5,364,588	5,969,083
Post retirement benefits	1,201,478	-	1,201,478	-	1,201,478
Long-term obligations, net	118,034,312	58,091,376	176,125,688	-	176,125,688
Capital lease obligations	-	65,501	65,501	8,011,087	8,076,588
Installment purchase contracts	2,051,010	-	2,051,010	-	2,051,010
Landfill closure and post-closure costs	-	16,317,156	16,317,156	-	16,317,156
Total noncurrent liabilities	121,718,381	97,155,594	218,873,975	13,375,675	232,249,650
TOTAL LIABILITIES	152,407,908	114,487,534	266,895,442	37,717,966	304,613,408
NET ASSETS					
Invested in capital assets, net of related debt	372,712,454	214,299,925	587,012,379	207,859,037	794,871,416
Restricted for:					
John Howard Trust	239,094	-	239,094	-	239,094
Capital projects	15,599,858	14,378,508	29,978,366	-	29,978,366
Unrestricted	22,567,406	(7,465,837)	15,101,569	20,078,719	35,180,288
TOTAL NET ASSETS	\$ 411,118,812	\$ 221,212,596	\$ 632,331,408	\$ 227,937,756	\$ 860,269,164

The accompanying notes are a integral part of this financial statement.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Activities For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 39,136,319	\$ 2,469,657	\$ 2,346,189	\$ 30,851
Public safety	39,804,734	436,906	-	1,114,746
Health	2,389,270	-	-	-
Social services	2,400,068	-	-	-
Education	125,522,309	-	-	5,341,414
Parks, recreation and culture	6,075,518	-	-	178,634
Natural resources	3,315,734	-	1,508,984	-
Community promotion	4,047,615	-	1,255,643	-
Highways and streets	17,325,648	-	573,141	4,279,602
Interest on long-term debt	4,441,225	-	-	-
Total governmental activities	<u>244,458,440</u>	<u>2,906,563</u>	<u>5,683,957</u>	<u>10,945,247</u>
Business-type activities				
Water quality	11,614,072	9,735,041	-	1,050,610
Solid waste	8,868,541	6,436,831	-	-
Public transit	2,730,286	391,500	1,148,567	1,510,144
Airport	8,196,762	2,162,599	-	1,998,629
Black rock golf course	1,232,605	987,546	-	-
Total business-type activities	<u>32,642,266</u>	<u>19,713,517</u>	<u>1,148,567</u>	<u>4,559,383</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 277,100,706</u>	<u>\$ 22,620,080</u>	<u>\$ 6,832,524</u>	<u>\$ 15,504,630</u>
Component unit:				
Public school system	<u>\$ 299,753,288</u>	<u>\$ 12,424,190</u>	<u>\$ 70,399,238</u>	<u>\$ 314,544</u>

General revenue:

Taxes

Property taxes

Income taxes

Income on investments

Reimbursed expenses

Miscellaneous

Special items- gain (loss) on disposal

Transfers

TOTAL GENERAL REVENUE

Change in Net Assets

Net Assets, beginning of year

Net Assets, end of year

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Activities For the Year Ended June 30, 2011

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Unit	
Governmental Activities	Business-Type Activities	Total	Board of Education	Total
\$ (34,289,622)	\$ -	\$ (34,289,622)	\$ -	\$ (34,289,622)
(38,253,082)	-	(38,253,082)	-	(38,253,082)
(2,389,270)	-	(2,389,270)	-	(2,389,270)
(2,400,068)	-	(2,400,068)	-	(2,400,068)
(120,180,895)	-	(120,180,895)	-	(120,180,895)
(5,896,884)	-	(5,896,884)	-	(5,896,884)
(1,806,750)	-	(1,806,750)	-	(1,806,750)
(2,791,972)	-	(2,791,972)	-	(2,791,972)
(12,472,905)	-	(12,472,905)	-	(12,472,905)
(4,441,225)	-	(4,441,225)	-	(4,441,225)
(224,922,673)	-	(224,922,673)	-	(224,922,673)
-	(828,421)	(828,421)	-	(828,421)
-	(2,431,710)	(2,431,710)	-	(2,431,710)
-	319,925	319,925	-	319,925
-	(4,035,534)	(4,035,534)	-	(4,035,534)
-	(245,059)	(245,059)	-	(245,059)
-	(7,220,799)	(7,220,799)	-	(7,220,799)
(224,922,673)	(7,220,799)	(232,143,472)	-	(232,143,472)
-	-	-	(216,615,316)	(216,615,316)
125,409,839	-	125,409,839	-	125,409,839
74,279,821	-	74,279,821	-	74,279,821
1,300,655	109,736	1,410,391	362,160	1,772,551
1,067,209	-	1,067,209	974,918	2,042,127
2,737,521	463,887	3,201,408	236,330,303	239,531,711
-	21,247	21,247	(117)	21,130
(5,144,687)	5,144,687	-	-	-
199,650,358	5,739,557	205,389,915	237,667,264	443,057,179
(25,272,315)	(1,481,242)	(26,753,557)	21,051,948	(5,701,609)
436,391,127	222,693,838	659,084,965	206,885,808	865,970,773
\$ 411,118,812	\$ 221,212,596	\$ 632,331,408	\$ 227,937,756	\$ 860,269,164

The accompanying notes are an integral part of this financial statement.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Balance Sheet – Governmental Funds As of June 30, 2011

	General Fund	Capital Projects Fund	Non- Major Funds	Total Governmental Funds
ASSETS				
Cash	\$ 42,231	\$ -	\$ 3,784,157	\$ 3,826,388
Investments	157,231,094	237,568	-	157,468,662
Property taxes receivable, net of allowance	396,186	-	-	396,186
Accounts receivable	499,021	1,056,469	284,984	1,840,474
Interest receivable	247,188	16	-	247,204
Unbilled receivables	224,730	3,752,190	181,137	4,158,057
Due from other funds	125,943	71,805,569	-	71,931,512
Due from other governmental agencies	19,014,127	-	-	19,014,127
Inventories	675,242	-	-	675,242
Recoverable disbursements	340,103	-	160,000	500,103
Notes receivable	109,681	-	-	109,681
TOTAL ASSETS	<u>\$ 178,905,546</u>	<u>\$ 76,851,812</u>	<u>\$ 4,410,278</u>	<u>\$ 260,167,636</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 1,707,908	\$ 4,918,517	\$ 2,020,783	\$ 8,647,208
Accrued expenses	1,018,396	592	12,360	1,031,348
Other liabilities	1,771,927	107,971	272,139	2,152,037
Liabilities for unpaid claims	1,961,141	-	-	1,961,141
Deferred revenue	12,630,582	-	48,310	12,678,892
Due to other funds	122,242,678	-	78,697	122,321,375
TOTAL LIABILITIES	<u>141,332,632</u>	<u>5,027,080</u>	<u>2,432,289</u>	<u>148,792,001</u>
FUND BALANCES:				
Nonspendable	77,777	-	-	77,777
Restricted	539,434	15,838,952	1,509,001	17,887,387
Committed	33,246,307	55,985,780	351,537	89,583,624
Assigned	22,181	-	120,131	142,312
Unassigned	3,687,215	-	(2,680)	3,684,535
TOTAL FUND BALANCES	<u>37,572,914</u>	<u>71,824,732</u>	<u>1,977,989</u>	<u>111,375,635</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 178,905,546</u>	<u>\$ 76,851,812</u>	<u>\$ 4,410,278</u>	<u>\$ 260,167,636</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Assets As of June 30, 2011

Fund balance of governmental funds	\$ 111,375,635
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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:

Capital assets, net	409,745,939
Projects under construction	15,224,424

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

Bond issue costs	710,096
Deferred revenue	9,878,805

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 obligations	(127,360,309)
Installment purchase obligations	(2,568,746)
Accrued interest payable	(2,202,430)
Compensated absences and post-retirement benefits	<u>(3,684,602)</u>

Net assets of governmental activities	<u>\$ 411,118,812</u>
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COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds For Year Ended June 30, 2011

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
REVENUE				
General property taxes	\$ 125,462,990	\$ -	\$ -	\$ 125,462,990
Other local taxes	64,171,088	8,472,374	3,004,272	75,647,734
Licenses and permits	1,173,403	-	2,043,644	3,217,047
Court costs and fines	164,928	-	-	164,928
Charges for services	388,337	-	436,906	825,243
Revenue from uses of property	1,280,462	-	20,193	1,300,655
Reimbursed expenses	1,063,968	-	3,241	1,067,209
Miscellaneous revenues	288,237	2,472,873	32,700	2,793,810
Shared taxes and grants	4,961,523	-	3,138,050	8,099,573
TOTAL REVENUE	<u>198,954,936</u>	<u>10,945,247</u>	<u>8,679,006</u>	<u>218,579,189</u>
EXPENDITURES				
Current:				
General government	17,985,815	-	-	17,985,815
Public safety	34,183,751	-	960,739	35,144,490
Health	2,389,270	-	-	2,389,270
Social services	2,400,068	-	-	2,400,068
Education	101,360,380	-	-	101,360,380
Parks, recreation and culture	5,351,051	-	177,393	5,528,444
Land preservation	-	-	2,755,541	2,755,541
Natural resources	541,918	-	-	541,918
Intergovernmental	38,543	-	-	38,543
General operations	2,087,905	-	1,017,462	3,105,367
Community promotion	-	-	4,049,320	4,049,320
Highways and streets	8,095,183	-	-	8,095,183
Debt Service:				
Debt service	13,066,760	-	-	13,066,760
Capital Outlay:				
General government	-	671,539	-	671,539
Public safety	-	5,275,713	-	5,275,713
Highways and streets	-	10,058,618	-	10,058,618
Education	-	24,161,929	-	24,161,929
Parks and recreation	-	290,136	-	290,136
TOTAL EXPENDITURES	<u>187,500,644</u>	<u>40,457,935</u>	<u>8,960,455</u>	<u>236,919,034</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>11,454,292</u>	<u>(29,512,688)</u>	<u>(281,449)</u>	<u>(18,339,845)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	5,258,200	422,849	5,681,049
Transfers out	(10,035,386)	(790,350)	-	(10,825,736)
Proceeds of bond sale	-	11,289,742	-	11,289,742
TOTAL OTHER FINANCING SOURCES (USES)	<u>(10,035,386)</u>	<u>15,757,592</u>	<u>422,849</u>	<u>6,145,055</u>
NET CHANGES IN FUND BALANCES	<u>1,418,906</u>	<u>(13,755,096)</u>	<u>141,400</u>	<u>(12,194,790)</u>
CONSOLIDATION OF HIGHWAY FUND	<u>(644,789)</u>	<u>-</u>	<u>644,789</u>	<u>-</u>
FUND BALANCES - BEGINNING OF YEAR	<u>36,798,797</u>	<u>85,579,828</u>	<u>1,191,800</u>	<u>123,570,425</u>
FUND BALANCES - END OF YEAR	<u>\$ 37,572,914</u>	<u>\$ 71,824,732</u>	<u>\$ 1,977,989</u>	<u>\$ 111,375,635</u>

The accompanying notes are an integral part of this financial statement.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For Year Ended June 30, 2011

Net changes in fund balances in governmental funds \$ (12,194,790)

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. (16,382,536)

In the statement of activities, only the gain or loss on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold. (56,289)

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, capital lease and installment purchase 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.

Debt and lease proceeds	(11,289,742)	
Bond issuance cost - CY additions	49,010	
Payments of installment purchase principal	517,737	
Payments of lease principal	173,150	
Payments of debt principal	<u>8,843,225</u>	(1,706,620)

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. (468,210)

Revenue 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. 5,536,130

Change in Net Assets of Governmental Activities \$ (25,272,315)

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Net Assets - Proprietary Funds For Year Ended June 30, 2011

	Business Type Activities - Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-major Funds	Total
ASSETS					
Current Assets:					
Cash and short-term investments	\$ 6,183,378	\$ 7,358,756	\$ 2,490,280	\$ 1,000	\$ 16,033,414
Accounts receivable	1,056,456	257,061	111,128	11,003	1,435,648
Unbilled receivables	1,280,395	451,170	144	1,045	1,732,754
Due from other governmental agencies	119,533	-	1,007,622	1,634,345	2,761,500
Due from other funds	19,686,598	24,349,213	7,771,025	-	51,806,836
Inventories	118,763	9,933	53,820	118,658	301,174
Total current assets	28,445,123	32,426,133	11,434,019	1,766,051	74,071,326
Noncurrent Assets:					
Bond issuance costs	99,015	44,482	-	-	143,497
Projects under construction	1,199,716	1,234,276	1,637,845	-	4,071,837
Property plant and equipment	171,141,065	53,538,132	139,460,787	11,231,993	375,371,977
Accumulated depreciation	(49,692,418)	(29,720,298)	(32,888,585)	(4,240,233)	(116,541,534)
Total noncurrent assets	122,747,378	25,096,592	108,210,047	6,991,760	263,045,777
TOTAL ASSETS	151,192,501	57,522,725	119,644,066	8,757,811	337,117,103
LIABILITIES					
Current Liabilities:					
Current maturities of long-term obligations	2,777,637	1,129,362	805,864	-	4,712,863
Current maturities of capital lease obligations	-	111,123	-	-	111,123
Accounts payable	287,597	1,199,193	73,628	199,731	1,760,149
Accrued expenses	214,178	41,525	16,231	66,146	338,080
Accrued interest	7,497,476	312,970	283,914	-	8,094,360
Due to other funds	-	-	105,943	1,291,030	1,396,973
Deferred revenue	711,503	483,695	655,453	2,750	1,853,401
Compensated absences	207,506	73,876	31,964	75,903	389,249
Landfill closure and post-closure costs	-	14,820	-	-	14,820
Other liabilities	7,300	-	37,088	13,507	57,895
Total current liabilities	11,703,197	3,366,564	2,010,085	1,649,067	18,728,913
Non Current Liabilities:					
Due to other funds	-	-	20,000	-	20,000
Deferred revenue	-	-	22,508,647	-	22,508,647
Compensated absences	76,843	29,228	18,824	48,019	172,914
Bonds and long-term debt	21,144,076	23,514,701	13,432,599	-	58,091,376
Capital lease obligations	-	65,501	-	-	65,501
Landfill closure and post-closure costs	-	16,317,156	-	-	16,317,156
Total noncurrent liabilities	21,220,919	39,926,586	35,980,070	48,019	97,175,594
TOTAL LIABILITIES	32,924,116	43,293,150	37,990,155	1,697,086	115,904,507
NET ASSETS					
Invested in capital assets, net of related debt	104,482,997	8,853,584	93,971,584	6,991,760	214,299,925
Unrestricted	8,029,041	(3,246,170)	(12,317,673)	68,965	(7,465,837)
Restricted - capital projects	5,756,347	8,622,161	-	-	14,378,508
TOTAL NET ASSETS	\$118,268,385	\$ 14,229,575	\$ 81,653,911	\$ 7,060,725	\$221,212,596

The accompanying notes are an integral part of this financial statement.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Revenue, Expenses and Changes in Fund Net Assets - Proprietary Funds For Year Ended June 30, 2011

	Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-major Funds	Totals
OPERATING REVENUE					
Charges for services	\$ 9,735,041	\$ 6,436,831	\$ 2,162,599	\$ 1,379,046	\$ 19,713,517
Miscellaneous	348,418	45,961	61,611	7,897	463,887
TOTAL OPERATING REVENUE	<u>10,083,459</u>	<u>6,482,792</u>	<u>2,224,210</u>	<u>1,386,943</u>	<u>20,177,404</u>
OPERATING EXPENSES					
Salaries and wages	3,361,766	1,322,349	586,486	1,584,611	6,855,212
Fringe benefits	1,485,091	459,446	195,057	487,333	2,626,927
Utilities	947,915	73,048	203,546	93,454	1,317,963
Insurance	100,464	23,739	41,561	56,204	221,968
Repairs and maintenance	176,938	14	110,467	133,743	421,162
Supplies	233,346	98,595	6,221	122,778	460,940
Cost of goods sold	-	-	-	106,535	106,535
Contracted services	294,240	2,301,796	82,306	179,732	2,858,074
Rentals and leases	20,025	1,813	2,927	103,639	128,404
Other operating	1,010,008	891,322	257,946	386,686	2,545,962
Uncollectible accounts	1,332	5,132	2,348	303	9,115
Controllable assets	23,542	1,189	7,950	10,579	43,260
Depreciation	2,801,391	3,057,621	6,043,833	697,294	12,600,139
TOTAL OPERATING EXPENSES	<u>10,456,058</u>	<u>8,236,064</u>	<u>7,540,648</u>	<u>3,962,891</u>	<u>30,195,661</u>
OPERATING LOSS	<u>(372,599)</u>	<u>(1,753,272)</u>	<u>(5,316,438)</u>	<u>(2,575,948)</u>	<u>(10,018,257)</u>
OTHER INCOME (EXPENSE)					
Interest expense	(1,158,014)	(632,477)	(656,114)	-	(2,446,605)
Interest income	107,110	1,432	1,194	-	109,736
Gain (loss) on disposal of assets	-	-	22,092	(845)	21,247
TOTAL OTHER INCOME (EXPENSE)	<u>(1,050,904)</u>	<u>(631,045)</u>	<u>(632,828)</u>	<u>(845)</u>	<u>(2,315,622)</u>
LOSS BEFORE OPERATING TRANSFERS AND GRANTS	<u>(1,423,503)</u>	<u>(2,384,317)</u>	<u>(5,949,266)</u>	<u>(2,576,793)</u>	<u>(12,333,879)</u>
OPERATING TRANSFERS	3,120,000	548,390	645,340	544,157	4,857,887
GRANTS FOR OPERATIONS	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,148,567</u>	<u>1,148,567</u>
NET INCOME (LOSS) BEFORE CAPITAL TRANSFERS AND GRANTS	1,696,497	(1,835,927)	(5,303,926)	(884,069)	(6,327,425)
CAPITAL TRANSFERS	-	-	-	286,800	286,800
CAPITAL GRANTS AND CONTRIBUTIONS	<u>1,050,610</u>	<u>-</u>	<u>1,998,629</u>	<u>1,510,144</u>	<u>4,559,383</u>
NET INCOME (LOSS)	2,747,107	(1,835,927)	(3,305,297)	912,875	(1,481,242)
NET ASSETS - BEGINNING OF YEAR	<u>115,521,278</u>	<u>16,065,502</u>	<u>84,959,208</u>	<u>6,147,850</u>	<u>222,693,838</u>
NET ASSETS - END OF YEAR	<u>\$ 118,268,385</u>	<u>\$ 14,229,575</u>	<u>\$ 81,653,911</u>	<u>\$ 7,060,725</u>	<u>\$ 221,212,596</u>

The accompanying notes are an integral part of this financial statement.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Cash Flows – Proprietary Funds For Year Ended June 30, 2011

	Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-major Funds	Total
Cash Flows from Operating Activities					
Receipts from customers	\$ 9,897,725	\$ 6,404,945	\$ 6,750,463	\$ 986,477	\$ 24,039,610
Payments to suppliers	(2,720,654)	(1,978,150)	(1,088,033)	(1,020,277)	(6,807,114)
Payments to employees	(4,983,359)	(1,821,957)	(808,537)	(2,130,122)	(9,743,975)
Net Cash from Operating Activities	<u>2,193,712</u>	<u>2,604,838</u>	<u>4,853,893</u>	<u>(2,163,922)</u>	<u>7,488,521</u>
Cash Flows from Noncapital Financing Activities					
Operating contributions	3,120,000	548,390	645,340	1,692,724	6,006,454
Increase (decrease) in due to/from other funds	(13,949,518)	(17,876,609)	(5,371,974)	590,309	(36,607,792)
Net Cash from Noncapital Financing Activities	<u>(10,829,518)</u>	<u>(17,328,219)</u>	<u>(4,726,634)</u>	<u>2,283,033</u>	<u>(30,601,338)</u>
Cash Flows from Capital and Related Financing Activities					
Interest paid on notes and bond payable	(984,800)	(524,148)	(678,797)	-	(2,187,745)
Acquisition and construction of capital assets	(1,530,190)	(814,554)	(6,576,432)	(2,225,239)	(11,146,415)
Contribution for capital acquisitions	1,050,610	-	1,998,629	2,106,973	5,156,212
Principal payments on notes and bonds payable	(2,921,764)	(1,321,769)	(784,426)	-	(5,027,959)
Proceeds from issuance of notes and bonds payable	-	3,320,039	-	-	3,320,039
Payments for bond issuance	12,953	(12,805)	-	-	148
Payments under capital lease obligations	-	-	-	-	-
Gain (Loss) on disposal	-	-	22,092	(845)	21,247
Net Cash from Capital and Related Financing Activities	<u>(4,373,191)</u>	<u>646,763</u>	<u>(6,018,934)</u>	<u>(119,111)</u>	<u>(9,864,473)</u>
Cash Flows from Investing Activities					
Interest on investments	<u>107,110</u>	<u>1,432</u>	<u>1,194</u>	<u>-</u>	<u>109,736</u>
Net change in cash	(12,901,887)	(14,075,186)	(5,890,481)	-	(32,867,554)
Cash, Beginning of Year	19,085,265	21,433,942	8,380,761	1,000	48,900,968
Cash, End of Year	<u><u>\$ 6,183,378</u></u>	<u><u>\$ 7,358,756</u></u>	<u><u>\$ 2,490,280</u></u>	<u><u>\$ 1,000</u></u>	<u><u>\$ 16,033,414</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities					
Operating loss	\$ (372,599)	\$ (1,753,272)	\$ (5,316,438)	\$ (2,575,948)	\$ (10,018,257)
Adjustments to reconcile operating income to net cash from operating activities					
Depreciation	2,801,391	3,057,621	6,043,833	697,294	12,600,139
Changes in assets and liabilities:					
Accounts receivable	(180,923)	(52,773)	(1,893)	2,707	(232,882)
Unbilled receivables	(51,469)	(2,619)	9,819	467	(43,802)
Prepaid expenses	-	-	-	6,961	6,961
Due to/from other government entities	32,448	13,410	588,035	(401,890)	232,003
Inventories	11,241	87	(3,926)	22,742	30,144
Accounts payable and other liabilities	75,915	993,571	(368,835)	144,856	845,507
Accrued expenses	(129,865)	(50,096)	(27,013)	(59,901)	(266,875)
Landfill closure	-	424,840	-	-	424,840
Deferred revenue	14,210	(35,865)	3,930,292	(1,750)	3,906,887
Compensated absences	(6,637)	9,934	19	540	3,856
Net Cash from Operating Activities	<u><u>\$ 2,193,712</u></u>	<u><u>\$ 2,604,838</u></u>	<u><u>\$ 4,853,893</u></u>	<u><u>\$ (2,163,922)</u></u>	<u><u>\$ 7,488,521</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Net Assets – Fiduciary Funds As of June 30, 2011

	<u>Agency</u>	<u>Pension Trust</u>	<u>LOSAP Trust</u>	<u>OPEB Trust</u>	<u>Private Purpose Trust</u>	<u>Total</u>
ASSETS						
Cash and short-term investments	\$ 2,791,653	\$ 1,737,390	\$ 66,450	\$ 305,813	\$ 63,221	\$ 4,964,527
Investments, at fair value						
US Government obligations	-	7,962,964	846,899	1,251,128	50,788	10,111,779
Municipal bonds	-	88,103	-	-	-	88,103
Corporate bonds and obligations	-	7,112,518	481,264	585,613	-	8,179,395
Fixed income securities	-	2,082,127	208,660	298,081	-	2,588,868
Corporate stock	-	20,190,733	1,777,154	1,907,663	-	23,875,550
Equity funds	-	22,418,248	1,717,632	2,846,665	-	26,982,545
Accounts receivable	-	131,817	12,308	17,297	-	161,422
Due from other funds	-	-	-	-	73	73
TOTAL ASSETS	<u>2,791,653</u>	<u>61,723,900</u>	<u>5,110,367</u>	<u>7,212,260</u>	<u>114,082</u>	<u>76,952,262</u>
LIABILITIES						
Accounts payable	32,400	-	-	-	-	32,400
Due to student groups	<u>2,759,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,759,253</u>
TOTAL LIABILITIES	<u>2,791,653</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,791,653</u>
NET ASSETS						
Assets held in trust for benefit payments	-	61,723,900	5,110,367	7,212,260	-	74,046,527
Assets held in trust for scholarships	-	-	-	-	114,082	114,082
NET ASSETS	<u>\$ -</u>	<u>\$ 61,723,900</u>	<u>\$ 5,110,367</u>	<u>\$ 7,212,260</u>	<u>\$ 114,082</u>	<u>\$ 74,160,609</u>

The accompanying notes are an integral part of this financial statement.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Changes in Net Assets - Fiduciary Funds For Year Ended June 30, 2011

	<u>Pension Trust</u>	<u>LOSAP Trust</u>	<u>OPEB Trust</u>	<u>Private Purpose Trust</u>	<u>Total</u>
ADDITIONS					
Contributions:					
Employer	\$ 4,379,473	\$ 598,620	\$ 1,561,700	\$ -	\$ 6,539,793
Plan members	1,950,806	-	-	-	1,950,806
Gifts and contributions	-	-	-	19,396	19,396
TOTAL CONTRIBUTIONS	<u>6,330,279</u>	<u>598,620</u>	<u>1,561,700</u>	<u>19,396</u>	<u>8,509,995</u>
Investment Income:					
Realized and unrealized gain	10,223,599	825,604	1,018,374	11,000	12,078,577
Interest and dividends	975,299	87,951	151,554	-	1,214,804
Other income	416,993	31,724	3,288	-	452,005
TOTAL INVESTMENT INCOME	<u>11,615,891</u>	<u>945,279</u>	<u>1,173,216</u>	<u>11,000</u>	<u>13,745,386</u>
	<u>17,946,170</u>	<u>1,543,899</u>	<u>2,734,916</u>	<u>30,396</u>	<u>22,255,381</u>
DEDUCTIONS					
Benefits	4,023,616	377,882	-	-	4,401,498
Scholarship expenses	-	-	-	23,177	23,177
Administrative expenses	160,816	29,222	8,301	-	198,339
TOTAL DEDUCTIONS	<u>4,184,432</u>	<u>407,104</u>	<u>8,301</u>	<u>23,177</u>	<u>4,623,014</u>
NET INCREASE IN ASSETS	13,761,738	1,136,795	2,726,615	7,219	17,632,367
NET ASSETS - BEGINNING OF YEAR	<u>47,962,162</u>	<u>3,973,572</u>	<u>4,485,645</u>	<u>106,863</u>	<u>56,528,242</u>
NET ASSETS - END OF YEAR	<u>\$ 61,723,900</u>	<u>\$ 5,110,367</u>	<u>\$ 7,212,260</u>	<u>\$ 114,082</u>	<u>\$ 74,160,609</u>

The accompanying notes are an integral part of this financial statement.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

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, 2011 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the *GASB's Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification).

Reporting Entity

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

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

Blended Component Units - The Washington County Public Golf Corporation (Black Rock Golf Course) is governed by a five-member board appointed by the County Commissioners. Although it is legally separate from the County, the Washington County Public Golf Corporation is reported as if it were part of the primary government because its sole purpose is to operate the golf course which is owned by the County. Black Rock Golf Course is reported as an enterprise fund.

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 (the 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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reporting Entity (continued)

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 governments.

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 non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, 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 revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: 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 revenue are reported as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter is 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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Revenue is 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 revenue 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. Revenue is recognized as soon as they are both measurable and available. Revenue is 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 revenue 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.

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

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

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 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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fiduciary funds:

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

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

The County's Volunteer Length of Service Award Program Trust Fund (LOSAP) is used to account for activities 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 revenue earned.

The Other Postemployment Benefits Trust Fund (OPEB) is used to account for activities related to the other postemployment benefit plan of Washington County.

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 County has elected not to follow subsequent private-sector guidance.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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 revenue reported for the various functions concerned.

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

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue 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 revenue 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 revenue and expenses not meeting this definition are reported as non-operating revenue 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.

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

Long-Term Obligations

In the government-wide financial statements and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, and proprietary fund statements of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs incurred by the governmental funds are reported as deferred charges and amortized over the term of the related debt.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Obligations (continued)

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 capital outlay expenditures in the Capital Projects Fund.

Investments

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

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

Inventories

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

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Benefit Programs (continued)

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 plans 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. During the fiscal year ending June 30, 2008, the County adopted GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Taxes and County Services

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

Real Estate and Personal Property Taxes

The County's property tax is levied each July 1st, at rates enacted by the Board of County Commissioners based on the total assessed value as determined by the Maryland State Department of Assessments and Taxation. The rates of levy cannot exceed the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation without public notice and only after public hearings. A reassessment of all property is required to be completed every three years.

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Real Estate and Personal Property Taxes (continued)

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

Rate of County Taxes:

Income tax	2.8% of Maryland taxable income (2010 and 2011 calendar years)
Recordation tax	\$3.80 per \$500
Trailer park	15% of gross rentals
Property taxes	\$0.948 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 fees and amounts due from the federal and state governments for grants and shared taxes. The Water Quality department provides sewage and water services for residential, commercial and other entities in the Washington County, Maryland region. The department extends credit to its customers for sewer and water service charges.

Unrestricted Net Assets

Governmental activities unrestricted net assets have been reduced by \$53.2 million in long-term debt, resulting in unrestricted net assets of \$22.6 million. This long-term debt was incurred by the County's General Fund for the purpose of capital asset acquisition for the Board of Education of \$50.0 million and Hagerstown Community College of \$3.2 million. The capital assets acquired with these bonds are not reflected in the primary government financial statements.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets and Fund Equity

The difference between fund assets and liabilities is “Net Assets” on the government-wide and fiduciary fund statements and “Fund Balance” on governmental fund statements. Net Assets are classified as “Invested in Capital Assets, Net of Related Debt,” legally “Restricted” for a specific purpose or “Unrestricted” and available for appropriation for general purposes.

In the governmental fund financial statements, non-spendable and restricted fund balance represent amounts that are legally restricted by outside parties for use for a specific purpose or are otherwise not available for appropriation. Committed fund balance represents amounts that are reserved for a particular purpose by the County Commissioners of Washington County and would require action by the board to release the fund balance from its commitment. Assigned fund balance represents tentative management plans that are subject to change.

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 revenue, 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 the Financial Statements June 30, 2011

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

Financial Capacity and Analysis Phase (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 Solid Waste Funds.

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

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

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

Budget Development Start

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

Budget Development Phase

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

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

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

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

Review and 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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

Adoption Phase

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

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

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 updates 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 revenue available to pay the appropriations. The figure for total appropriations may not exceed the figure for total estimated revenue.

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

Amendment to the Budget

The County's operating budgets are adopted at the program and service level and the Capital Improvement budget is adopted at the project level. Transfers between programs or projects in excess of \$25,000 require County Commissioner's approval.

The Director of Budget and Finance reviews the project status and revenue 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.

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

As of June 30, 2011, the carrying amount of the County's deposits was \$24,824,329 and the bank balances were \$26,823,137. All deposits are carried at cost plus accrued interest. There were no significant violations of the collateralization requirements during the year ended June 30, 2011. 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. The County does not have a deposit policy for custodial credit risk. As of June 30, 2011, the County's bank balance of \$26,823,137 was not exposed to custodial credit risk as \$250,000 of interest bearing accounts and \$250,000 of noninterest bearing accounts are insured by FDIC and \$60,000,000 is insured by a deposit surety bond issued by Harford Fire Insurance Company.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2011

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Investments

As of June 30, 2011, 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
Investments held in County's name:					
U.S. Federal Home Loan Bank discount notes	\$ 157,068,662	\$ 26,517,844	\$ 130,550,818	\$ -	\$ -
Certificates of Deposit	400,000	-	400,000	-	-
Total investments held in County's name	157,468,662	26,517,844	130,950,818	-	-
Investments held by trustee of					
Pension plan:					
U.S. government obligations, municipal and corporate bonds	15,163,585	1,964,162	3,313,825	3,240,391	6,645,207
Fixed income securities	2,082,127	2,082,127	-	-	-
Corporate stocks	20,190,733	20,190,733	-	-	-
Equity funds	22,418,248	22,418,248	-	-	-
Money market funds	1,737,390	1,737,390	-	-	-
Interest and dividends receivable	131,817	131,817	-	-	-
Total Investments held by trustee of pension plan	61,723,900	48,524,477	3,313,825	3,240,391	6,645,207
Investments held by trustee of					
LOSAP plan:					
U.S. government obligations and corporate bonds	1,328,163	16,437	457,398	269,415	584,913
Corporate stocks	208,660	208,660	-	-	-
Fixed income funds	1,777,154	1,777,154	-	-	-
Equity funds	1,717,632	1,717,632	-	-	-
Money market funds	66,450	66,450	-	-	-
Interest and dividends receivable	12,308	12,308	-	-	-
Total Investments held by trustee of LOSAP plan	5,110,367	3,798,641	457,398	269,415	584,913
Investments held by trustee of					
OPEB plan:					
U.S. government obligations and corporate bonds	1,836,741	337,401	375,147	375,516	748,677
Fixed income funds	298,081	298,081	-	-	-
Corporate stocks	1,907,663	1,907,663	-	-	-
Equity funds	2,846,665	2,846,665	-	-	-
Money market funds	305,813	305,813	-	-	-
Interest and dividends receivable	17,297	17,297	-	-	-
Total Investments held by trustee of OPEB plan	7,212,260	5,712,920	375,147	375,516	748,677
Total investments	\$ 231,515,189	\$ 84,553,882	\$ 135,097,188	\$ 3,885,322	\$ 7,978,797

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Investments (continued)

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

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

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

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

Credit Risk: It is the County's investment policy to only invest in U.S. Government Treasury obligations, agencies and sponsored instrumentalities. Also the County's investment policy allows for investments in banks located in the State of Maryland (Certificates of Deposit) with the exception of Bankers Acceptances. Commercial banks must have a short-term rating of at least investment grade from the appropriate bank rating agencies. Bankers' Acceptances from domestic banks, which also include United States affiliates of large international banks, must have a rating of A1 from Standards and Poor's Corporation and P1 from Moody's Investor Services. As of June 30, 2011, the County's investments were 100% in U.S. Treasury and Agency obligations and certificates of deposit.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Investments (continued)

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 assets:

Investment Type	Evaluation Benchmark
Equities:	
Large-Cap U.S. Stocks	S&P 500
Small-Cap U.S. Stocks	Russell 2000
International Stocks	MSCI ACWI
REITS	NAREIT Equity
Fixed Income:	
High Yield Bonds	Barclays High Yield Credit Bond Index
Investment Grade Bonds	Barclays Aggregate Bond Index
Money Market	Citigroup 90 Day T-Bill Index

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. As of June 30, 2011, none of the County's investments are exposed to custodial credit risk because they are held in the County's name.

Board of Education

Cash:

Credit Risk: Maryland State Law prescribed 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 (FDIC) insurance levels with collateral whose market value is at least equal to the deposits. As of June 30, 2011, cash deposit in noninterest-bearing accounts and NOW accounts with interest rates no higher than 0.5% are fully insured under the FDIC's Temporary Liquidity Guarantee Program. This program will provide coverage through June 30, 2011. Beginning July 1, 2010, any cash deposit exceeding the FDIC insurance level will require collateralization. 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 as of June 30, 2011.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Board of Education (continued)

Compliance is summarized as follows:

June 30, 2011	Governmental Activities	Business Type Activities	Fiduciary Responsibilities	Total
Carrying amount of cash deposits	\$ 22,009,682	\$ 1,700	\$ 2,854,874	\$ 24,866,256
Bank balance of cash deposits	23,325,041	1,367	2,979,250	26,305,658
Amount covered by FDIC	458,504	1,009	2,072,837	2,532,350
Amount collateralized with securities held by an agent of the pledging financial institution in the School system's name	22,866,537	358	906,413	23,773,308

Investments:

Credit Risk: Maryland statutes authorize the School System to invest in obligations of the United States government or agency obligations.

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

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

Market Risk: The School System's investments are exposed to various risks, such as interest rate, market, currency and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment assets reported in the financial statements.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2011

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Board of Education (continued)

As of June 30, 2011, the School System had the following investments and maturities:

<u>June 30, 2011</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
Federal Home Loan Mortgage Corp. – 2.012%, matures November 24, 2014 (net of unamortized discount of \$358,262)	\$ 5,141,738	\$ -	\$ -	\$ 5,141,738
Federal Home Loan Bank – Step Up/Variable, matures January 28, 2016	3,000,000	-	-	3,000,000
Federal Home Loan Bank 1.5%, matures December 15, 2014	1,000,000	-	-	1,000,000
Federal Home Loan Mortgage Corp. - 1.29%, matures August 25, 2015 (net of unamortized premium of \$8,617)	2,508,617	-	-	2,508,617
Federal National Mortgage Association - 2.47%, matures April 13, 2016	1,715,000	-	-	1,715,000
Income Fund of America	-	-	50,788	50,788
	<u>\$ 13,365,355</u>	<u>\$ -</u>	<u>\$ 50,788</u>	<u>\$ 13,416,143</u>

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
	<u>June 30, 2011</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
U.S. Agencies	\$ 13,365,355	\$ -	\$ 13,365,355	\$ -	\$ -
Income Fund	50,788	50,788	-	-	-
	<u>\$ 13,416,143</u>	<u>\$ 50,788</u>	<u>\$ 13,365,355</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2011

4. RECEIVABLES

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

	Governmental Activities			Total
	General	Non-Major	Capital Projects	
Receivables:				
Taxes receivable	\$ 1,023,256	\$ -	\$ -	\$ 1,023,256
Accounts receivable	745,547	285,484	1,056,469	2,087,500
Gross receivables	1,768,803	285,484	1,056,469	3,110,756
Less: allowance for uncollectibles	873,596	500	-	874,096
Net Total Receivables	<u>\$ 895,207</u>	<u>\$ 284,984</u>	<u>\$ 1,056,469</u>	<u>\$ 2,236,660</u>

	Business-type Activities				Total
	Water Quality	Solid Waste	Airport	Non-major	
Accounts receivable	\$ 1,068,313	\$ 269,238	\$ 122,441	\$ 11,003	\$ 1,470,995
Less: allowance for uncollectibles	11,857	12,177	11,313	-	35,347
Net Total Receivables	<u>\$ 1,056,456</u>	<u>\$ 257,061</u>	<u>\$ 111,128</u>	<u>\$ 11,003</u>	<u>\$ 1,435,648</u>

Governmental funds report deferred revenue in connection with receivables for revenue 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. As of the end of the current fiscal year deferred revenue for delinquent property taxes receivable reported in the General Fund was \$74,307. Receivables do not include various taxes collected by the State of Maryland on behalf of the County, including income taxes. These amounts are included in Due From Other Governmental Agencies.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2011

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

Primary Government

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 66,908,795	\$ 2,568,189	\$ -	\$ 69,476,984
Capital assets, being depreciated:				
Land Improvements	9,070,168	461,660	(369,900)	9,161,928
Building and Improvements	63,593,159	1,044,327	(10,000)	64,627,486
Vehicles	11,218,657	515,157	(231,606)	11,502,208
Infrastructure	1,110,006,033	7,385,673	-	1,117,391,706
Machinery and Equipment	8,148,275	491,516	-	8,639,791
Office Furniture and Equipment	5,577,747	-	(22,302)	5,555,445
Computer Equipment	26,635,584	627,170	-	27,262,754
Total capital assets, being depreciated	1,234,249,623	10,525,503	(633,808)	1,244,141,318
Total Capital Assets	1,301,158,418	13,093,692	(633,808)	1,313,618,302
Accumulated depreciation for:				
Land Improvements	(4,263,123)	(316,574)	348,494	(4,231,203)
Building and Improvements	(19,298,556)	(2,028,904)	229	(21,327,231)
Vehicles	(8,686,227)	(1,265,350)	206,494	(9,745,083)
Infrastructure	(828,081,538)	(20,993,326)	-	(849,074,864)
Machinery and Equipment	(5,901,630)	(417,869)	-	(6,319,499)
Office Furniture and Equipment	(3,855,974)	(501,737)	22,302	(4,335,409)
Computer Equipment	(6,344,949)	(2,494,125)	-	(8,839,074)
Total Accumulated Depreciation	(876,431,997)	(28,017,885)	577,519	(903,872,363)
Governmental Activities Capital Assets, net	\$ 424,726,421	\$ (14,924,193)	\$ (56,289)	\$ 409,745,939
Projects Under Construction	\$ 9,453,791	\$ 16,296,006	\$ (10,525,373)	\$ 15,224,424

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2011

5. CAPITAL ASSETS (continued)

Business-type Activities

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 11,701,454	\$ 58,721	\$ -	\$ 11,760,175
Capital assets, being depreciated:				
Land Improvements	124,924,118	2,482,099	(26,564)	127,379,653
Building and Improvements	45,511,267	9,262,599	(9,291)	54,764,575
Facilities	109,056,697	1,476,878	-	110,533,575
Vehicles	8,360,736	436,369	(1,849,869)	6,947,236
Machinery and Equipment	10,102,456	7,354	(194,819)	9,914,991
Office Furniture and Equipment	323,205	-	-	323,205
Computer Equipment	1,478,644	798,281	-	2,276,925
Treatment Plants	51,471,642	-	-	51,471,642
Total capital assets, being depreciated	351,228,765	14,463,580	(2,080,543)	363,611,802
Total capital assets	362,930,219	14,522,301	(2,080,543)	375,371,977
Land Improvements	(40,115,088)	(7,619,651)	25,719	(47,709,020)
Building and Improvements	(10,666,356)	(1,151,982)	9,291	(11,809,047)
Facilities	(24,091,870)	(1,394,063)	-	(25,485,933)
Vehicles	(5,066,310)	(678,045)	1,849,868	(3,894,487)
Machinery and Equipment	(6,908,568)	(634,247)	194,819	(7,347,996)
Office Furniture and Equipment	(318,006)	(2,165)	-	(320,171)
Computer Equipment	(1,074,512)	(148,360)	-	(1,222,872)
Treatment Plants	(17,780,382)	(971,626)	-	(18,752,008)
Total Accumulated Depreciation	(106,021,092)	(12,600,139)	2,079,697	(116,541,534)
Business-type activities capital assets, net	\$ 256,909,127	\$ 1,922,162	\$ (846)	\$ 258,830,443
Projects Under Construction	\$ 7,756,909	\$ 6,013,188	\$ (9,698,260)	\$ 4,071,837

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

5. CAPITAL ASSETS (continued)

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

Governmental Activities:

General Government	\$ 22,435,553
Public Safety	4,187,041
Recreation	388,983
Conservation of Natural Resources	9,211
Highway	572,431
Total Depreciation Expense - Governmental Activities	<u>\$ 27,593,219</u>

Business-Type Activities:

Transit Fund	\$ 607,839
Airport Fund	6,043,832
Golf Course Fund	89,455
Water Quality Fund	2,801,392
Solid Waste Fund	3,057,621
Total Depreciation Expense – Business-Type Activities	<u>\$ 12,600,139</u>

Board of Education (Discretely presented component unit)

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 4,500,513	\$ -	\$ -	\$ 4,500,513
Facilities under construction	16,792,186	23,765,101	(39,426,802)	1,130,485
	<u>21,292,699</u>	<u>23,765,101</u>	<u>(39,426,802)</u>	<u>5,630,998</u>
Capital assets, being depreciated:				
Building and Improvements	252,673,440	37,196,184	(30,037)	289,839,587
Furniture and equipment	31,860,737	5,958,688	(1,412,614)	36,406,811
Equipment under capital leases	10,745,365	-	(23,325)	10,722,040
	<u>295,279,542</u>	<u>43,154,872</u>	<u>(1,465,976)</u>	<u>336,968,438</u>
Accumulated depreciation				
Building and Improvements	(99,971,974)	(6,114,869)	24,833	(106,062,010)
Furniture and equipment, including equipment under capital leases	(19,188,124)	(3,526,580)	1,359,519	(21,355,185)
	<u>(119,160,098)</u>	<u>(9,641,449)</u>	<u>1,384,352</u>	<u>(127,417,195)</u>
Governmental Activities Capital Assets, Net	<u>\$ 197,412,143</u>	<u>\$ 57,278,524</u>	<u>\$ (39,508,426)</u>	<u>\$ 215,182,241</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2011

5. CAPITAL ASSETS (continued)

Board of Education (continued)

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

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2011</u>
Business-type activities				
Capital assets, being depreciated:				
Furniture and equipment	\$ 3,986,547	\$ 367,063	\$ (125,752)	\$ 4,227,858
Accumulated depreciation				
Furniture and equipment	(2,740,320)	(193,026)	121,448	(2,811,898)
Business-Type Activities Capital Assets, Net	<u>\$ 1,246,227</u>	<u>\$ 174,037</u>	<u>\$ (4,304)</u>	<u>\$ 1,415,960</u>
Governmental activities:				
Other instructional costs		\$ 1,751,649		
Student transportation services		1,051,830		
Operation of plant		138,349		
Depreciation - unallocated		6,699,621		
Total governmental activities depreciation expense		<u>\$ 9,641,449</u>		
Business-type activities:				
Food services		<u>\$ 193,026</u>		

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.”

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2011

6. INTERFUND RECEIVABLES AND PAYABLES (continued)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Airport	\$ 125,943
Water Quality	General Fund	19,038,538
	Highway	127,563
	Golf Course	167,960
	Public Transit	322,631
	HEPMPO	29,905
Solid Waste	General Fund	23,547,666
	Highway	157,776
	Golf Course	207,740
	Public Transit	399,044
	HEPMPO	36,988
Airport	General Fund	7,515,212
	Highway	50,354
	Golf Course	66,300
	Public Transit	127,355
	HEPMPO	11,804
Capital Projects	General Fund	71,805,569
Total		<u>\$ 123,738,348</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>\$ 778,486</u>

The General Fund receivable from the Airport has a June 30, 2011, balance of \$125,943 of which \$95,943 bears interest at a rate of 4.5% and is being paid over a remaining 1 year period and \$30,000 is an interest free loan and is being paid over a remaining 3 year period. All other interfund payables are without interest.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

7. INTERFUND TRANSACTIONS

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

Transfers are reported as “Other Financing Sources (Uses)” in the governmental funds and as “Operating Transfers” or “Capital Transfers” in the enterprise funds. A summary of transfers follows:

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2011

Fund	Operating Transfers In	Operating Transfers Out	Capital Transfers In	Capital Transfers Out
General Fund:				
Capital Projects	\$ -	\$ -	\$ -	\$ 5,300,000
Solid Waste	-	548,390	-	-
Public Transit	-	483,010	-	-
Water Quality	-	3,120,000	-	-
Airport	-	99,990	-	-
Community Partnership	-	286,382	-	-
Agricultural Education Center	-	100,000	-	-
Golf Course	-	70,780	-	-
Foreign Trade Zone	-	308	-	-
HEPMPO	-	8,537	-	-
Land Preservation	-	17,989	-	-
Capital Projects Fund:				
General Fund	-	545,350	5,258,200	245,000
Solid Waste:				
General Fund	548,390	-	-	-
Public Transit:				
General Fund	483,010	-	-	-
Capital Project Fund	-	-	41,800	-
HEPMPO	-	9,733	-	-
Water Quality:				
General Fund	3,120,000	-	-	-
Airport :				
General Fund	99,990	-	-	-
Capital Project Fund	545,350	-	245,000	-
Golf Course				
General Fund	70,780	-	-	-
Community Partnership:				
General Fund	286,382	-	-	-
Foreign Trade Zone				
General Fund	308	-	-	-
Agricultural Education Center:				
General Fund	100,000	-	-	-
HEPMPO				
General Fund	8,537	-	-	-
Public Transit Fund	9,733			
Land Preservation				
General Fund	17,989	-	-	-
Total	<u>\$ 5,290,469</u>	<u>\$ 5,290,469</u>	<u>\$ 5,545,000</u>	<u>\$ 5,545,000</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

8. LONG-TERM AND CAPITAL LEASE OBLIGATIONS

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. During the year, general obligation bonds totaling \$14,170,000 were issued for new projects. General obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds generally are issued as 20-year serial bonds with different amounts of principal maturing each year. General obligation bonds and capital lease obligations currently outstanding are as follows:

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2011

8. LONG-TERM AND CAPITAL LEASE OBLIGATIONS (continued)

	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>						
Bonds payable:						
General obligation bonds	1.5-5.5%	\$ 118,839,462	\$ 10,949,900	\$ 8,566,163	\$ 121,223,199	\$ 9,045,151
Deferred amount on refunding		(1,175,965)	-	(114,438)	(1,061,527)	-
Unamortized bond premium		976,176	339,842	108,663	1,207,355	-
Unamortized bond discount		(38,406)	-	(2,955)	(35,451)	-
Total bonds payable		<u>118,601,267</u>	<u>11,289,742</u>	<u>8,557,433</u>	<u>121,333,576</u>	<u>9,045,151</u>
Other loans payable						
Maryland Water Quality loans	1.0%	<u>6,303,795</u>	<u>-</u>	<u>277,062</u>	<u>6,026,733</u>	<u>280,846</u>
Total bonds and loans payable		<u>124,905,062</u>	<u>11,289,742</u>	<u>8,834,495</u>	<u>127,360,309</u>	<u>9,325,997</u>
Agricultural Land Preservation	3.0%	<u>3,086,483</u>	<u>-</u>	<u>517,737</u>	<u>2,568,746</u>	<u>517,736</u>
Capital lease obligations	4.0%	<u>173,150</u>	<u>-</u>	<u>173,150</u>	<u>-</u>	<u>-</u>
Governmental Activity Long-term Liabilities		<u>128,164,695</u>	<u>11,289,742</u>	<u>9,525,382</u>	<u>129,929,055</u>	<u>9,843,733</u>
<i>Business-type Activities</i>						
Bonds payable:						
General obligation bonds	1.5-5.5%	41,854,288	3,220,100	2,162,761	42,911,627	2,328,025
Deferred amount on refunding		(1,189,099)	-	(161,696)	(1,027,403)	-
Unamortized bond premium		294,962	99,939	29,487	365,414	-
Unamortized bond discount		(36,010)	-	(6,271)	(29,739)	-
Total bonds payable		<u>40,924,141</u>	<u>3,320,039</u>	<u>2,024,281</u>	<u>42,219,899</u>	<u>2,328,025</u>
Other loans payable:						
Maryland Water Quality loans	.40-3.4%	21,771,059	-	2,585,182	19,185,877	2,208,974
State loans	5.5-6.4%	<u>1,572,889</u>	<u>-</u>	<u>174,426</u>	<u>1,398,463</u>	<u>175,864</u>
Other loans payable		<u>23,343,948</u>	<u>-</u>	<u>2,759,608</u>	<u>20,584,340</u>	<u>2,384,838</u>
Total bonds and loans payable		<u>64,268,089</u>	<u>3,320,039</u>	<u>4,783,889</u>	<u>62,804,239</u>	<u>4,712,863</u>
Capital lease obligations	3.8-5.4%	<u>420,694</u>	<u>-</u>	<u>244,070</u>	<u>176,624</u>	<u>111,123</u>
Business-type Activity Long-term Liabilities		<u>64,688,783</u>	<u>3,320,039</u>	<u>5,027,959</u>	<u>62,980,863</u>	<u>4,823,986</u>
<i>Total Combined Activities</i>						
Long-term Liabilities		<u>\$ 192,853,478</u>	<u>\$ 14,609,781</u>	<u>\$ 14,553,341</u>	<u>\$ 192,909,918</u>	<u>\$ 14,667,719</u>
Board of Education	4.5-8.04%	<u>\$ 9,562,062</u>	<u>\$ -</u>	<u>\$ 822,898</u>	<u>\$ 8,739,164</u>	<u>\$ 728,077</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2011

8. LONG-TERM AND CAPITAL LEASE OBLIGATIONS (continued)

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

Year ending June 30	Governmental Activities		Business-type Activities		Combined Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 9,325,997	\$ 4,440,151	\$ 4,703,741	\$ 2,293,008	\$ 14,029,738	\$ 6,733,159
2013	9,813,102	4,256,905	5,042,980	2,346,588	14,856,082	6,603,493
2014	9,590,803	3,902,907	5,011,863	2,315,621	14,602,666	6,218,528
2015	9,268,975	3,577,217	4,896,838	2,310,705	14,165,813	5,887,922
2016	8,721,473	3,232,774	4,047,780	2,744,231	12,769,253	5,977,005
2017-2021	37,171,611	11,760,753	20,984,532	11,125,612	58,156,143	22,886,365
2022-2026	28,490,937	5,764,163	13,772,214	2,214,293	42,263,151	7,978,456
2027-2031	14,109,738	1,265,702	4,813,316	455,180	18,923,054	1,720,882
2032	757,296	15,619	222,703	4,594	979,999	20,213
Total	127,249,932	<u>\$ 38,216,191</u>	\$ 63,495,967	<u>\$ 25,809,832</u>	190,745,899	<u>\$ 64,026,023</u>
Less:						
Deferred amount on refunding	(1,061,527)		(1,027,403)		(2,088,930)	
Unamortized discount	(35,451)		(29,739)		(65,190)	
Unamortized premium	1,207,355		365,414		1,572,769	
	<u>\$ 127,360,309</u>		<u>\$ 62,804,239</u>		<u>\$ 190,164,548</u>	

The County Commissioners have received bonding authority from the State Legislature to issue public facilities bonds for the purpose of financing various capital projects. As of June 30, 2011, the unused authorization was \$39,905,822.

Conduit Debt

From time to time, the County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received in the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. In accordance with governmental accounting standards the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, there were Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$50,621,774.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

8. LONG-TERM AND CAPITAL LEASE OBLIGATIONS (continued)

Agricultural Land Preservation Installments

The County has entered into installment contracts to purchase easements for agricultural land preservation purposes. Under the terms of the installment contracts, the County pays the property owner annual interest and principal payments over the ten year term of the contract. The primary source of revenue for repayment of the indebtedness is a portion of the transfer tax on all transfers of real property in the County. The annual requirements to amortize agricultural preservation installments outstanding as of June 30, 2011, are as follows:

As of June 30,	Principal	Interest	Total Requirement
2012	\$ 517,736	\$ 77,063	\$ 594,799
2013	517,736	61,530	579,266
2014	517,737	45,998	563,735
2015	517,737	30,466	548,203
2016	351,794	14,934	366,728
2017	146,007	4,380	150,387
	<u>\$ 2,568,747</u>	<u>\$ 234,371</u>	<u>\$ 2,803,118</u>

For the year ended June 30, 2011, total principal and interest incurred related to agricultural land preservation installments was \$517,736 and \$92,595, respectively.

Capital Leases

On June 9, 2008, the Solid Waste Fund entered into a capital lease agreement for equipment. The lease calls for annual lease payments of \$50,075 and expires June 9, 2012. On October 3, 2008, the Solid Waste Fund entered into a capital lease agreement for equipment. The lease calls for annual lease payments of \$37,846 through October 3, 2012. On May 26, 2009, the Solid Waste Fund entered into a capital lease agreement for equipment. The lease calls for annual lease payments of \$30,370 through May 26, 2013.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2011

8. LONG-TERM AND CAPITAL LEASE OBLIGATIONS (continued)

Capital Leases (continued)

The future minimum lease payments under these agreements are as follows:

<u>Year ending June 30,</u>	
2012	\$ 118,292
2013	68,217
Total minimum lease payments	186,509
Less: amounts representing interest	9,885
Present value of net minimum lease payments	<u>\$ 176,624</u>

The following is an analysis of the capital assets acquired under capital leases as of June 30, 2011.

	<u>Capitalized Amount</u>	<u>Accumulated Depreciation</u>	<u>NBV June 30, 2011</u>
Solid Waste	<u>\$ 547,590</u>	<u>\$ 137,160</u>	<u>\$ 410,430</u>

Board of Education

The Board of Education has various capital lease agreements for certain building data processing and communications equipment. Information for assets acquired from capital lease is not available. The future minimum payments under these agreements are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 728,077	\$ 469,682	\$ 1,197,759
2013	780,119	417,639	1,197,758
2014	628,493	361,160	989,653
2015	648,159	312,229	960,388
2016	372,666	260,802	633,468
2017-2021	2,136,963	1,030,379	3,167,342
2022-2026	2,676,152	491,190	3,167,342
2027-2028	768,535	23,301	791,836
	<u>\$ 8,739,164</u>	<u>\$ 3,366,382</u>	<u>\$ 12,105,546</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

8. LONG-TERM AND CAPITAL LEASE OBLIGATIONS (continued)

Advance Refunding

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, 2011, \$7,530,000 of long-term obligations outstanding are considered defeased.

9. OPERATING LEASE AGREEMENTS

County

During fiscal year 2004, the County entered into a lease agreement whereby the lessee constructed a building and improvements on land owned at the Airport. The total cost of the building and improvements was capitalized as an asset in the Airport fund with an estimated useful life of 40 years. At June 30, 2004, the building and improvements were estimated at \$2,500,000. During the year ending June 30, 2005, a revised cost was obtained reducing the value to \$2,000,000. The \$500,000 adjustment was recorded as a reduction to fixed assets and deferred revenue in the June 30, 2005, financial statements. The terms of the original agreement which began June 30, 2004, allowed the lessee to use the property for a period of 25 years, with no additional payments due. During fiscal year 2006, this lease was amended with lease terms extended to 31 years and an additional building and improvements valued at \$1,800,000 were capitalized as an asset in the Airport fund with an estimated useful life of 40 years. During fiscal year 2009, a second amendment to the lease agreement allowed for additional building and improvements valued at \$400,000 and an extension of the lease through December 31, 2042. The addition was capitalized as an asset in the Airport fund with an estimated useful life of 40 years. Deferred revenue in the amount of \$2,500,000 was recorded in the Airport fund at the inception of this lease but was adjusted down to \$2,000,000 during year ending 2005, and was to be recognized as rental income over the original 25 year term of the lease. Since the amendments extending the lease term and the additional capitalization of building and improvements, the remaining deferred revenue of \$3,587,724 at June 30, 2011, will be amortized over 33 years. The terms of the agreement as amended in fiscal year 2006, allows the lessee to use the property for a period of 31 years. The terms of the lease agreement require that the lessee pay the County annual rent of \$5,250 beginning May 1, 2006, with an annual increase of 4% each May 1st thereafter. The lease also requires that the County credit the lessee \$127,500 for the lessee's incurred costs in excavating the site for the addition. The agreement allows an option for the lessee to continue the lease past the 31 year term at a rental payment equal to the fair market rental value of the leased property at that time.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

9. OPERATING LEASE AGREEMENTS (continued)

County (continued)

During fiscal year 2004, the County entered into a lease agreement whereby the lessee began building improvements on land and buildings owned at the Airport. During fiscal year 2006, the improvements were completed for a total cost of \$1,165,000, which was capitalized as an asset in the Airport fund with an estimated useful life of 40 years on June 30, 2006. The terms of the agreement which began June 30, 2006, allows the lessee to use the property for a period of 17 years, with no payments due during the initial five year term of the lease. In subsequent years, the lessee agreed to pay rent equal to the then-prevailing fair market rental value of the original 2,000 square feet of the leased property. Deferred revenue in the amount of \$1,165,000 was recorded in the Airport fund at the inception of the lease.

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

9. OPERATING LEASE AGREEMENTS (continued)

County (continued)

During fiscal year 2010, the County entered into a lease agreement whereby the lessee constructed a building and improvements for \$3,000,000, which was capitalized as an asset in the Airport fund with an estimated useful life of 40 years on June 30, 2010. The terms of the agreement, which began June 1, 2009, allows the lessee to use the property for a period of 39 years (primary terms). The terms of the lease agreement require that the lessee pay the County annual rent of \$13,208 during the primary terms of the lease with an annual increase of 4% each year. Deferred revenue in the amount of \$3,000,000 was recorded in the Airport fund on June 30, 2010.

During fiscal year 2010, the County entered into a lease agreement whereby the lessee constructed a building and improvements for \$3,800,000, which was capitalized as an asset in the Airport fund with an estimated useful life of 40 years on June 30, 2010. The terms of the agreement, which began November 1, 2009, allows the lessee to use the property for a period of 39 years (primary years). The terms of the lease agreement require that the lessee pay the County annual rent of \$17,000 during the primary terms of the lease with an annual increase of 4% each year. The lease also requires that the County credit the lessee \$250,000 for the lessee's incurred costs in site preparation and excavation costs. The agreement allows for an option for the lessee to continue the lease past the 39 year term at a rental payment equal to the fair market rental value of the leased property at that time. Deferred revenue in the amount of \$3,800,000 was recorded in the Airport fund as of June 30, 2010.

During fiscal year 2011, the County entered into a lease agreement whereby the lessee constructed a building and improvements for \$4,500,000, which was capitalized as an asset in the Airport fund with an estimated useful life of 40 years on June 30, 2011. The terms of the agreement, which began July 1, 2010, allows the lessee to use the property for a period of 39 years (primary years). The terms of the lease agreement require that the lessee pay the County annual rent of \$15,985 during the primary terms of the lease with an annual increase of 4% each year. The agreement allows for an option for the lessee to continue the lease past the 39 year term at a rental payment equal to the fair market rental value of the leased property at that time. Deferred revenue in the amount of \$4,500,000 was recorded in the Airport fund as of June 30, 2011.

During year ending June 30, 2011, rental income for the above leases of \$626,559 was recognized in the Airport Fund.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

9. OPERATING LEASE AGREEMENTS (continued)

County (continued)

On January 1, 2006, the County entered into an agreement with Spirit Services, Inc. of Washington County to lease and operate the Conococheague Industrial Pretreatment Facility. Under the lease agreement, Spirit Services, Inc., has exclusive control and management of the pretreatment facility and assumes all responsibility for utility and maintenance expenses. The term of the lease runs for a period of ninety-nine years with fixed monthly rent payments of \$28,800. During the year ending June 30, 2011, outsourcing revenue of \$345,600 was recognized in the Water Quality Fund.

On January 23, 2009, the Golf Course Corporation entered into a lease for golf carts. The agreement called for lease payments of \$6,962 payable from April through November of each year. The lease term is for three years commencing on April 15, 2009. Total lease payments for the year ended June 30, 2011, were \$55,345.

10. 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, 2011, was \$2,263,731 and \$561,383, respectively. Unused vacation and sick leave will be liquidated by the respective government and enterprise funds where the current employee costs are recorded.

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 rates set forth in the various negotiated agreements. 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 as of June 30, 2011, was \$5,491,285. Total employee related costs associated and accrued with these compensated absences amounted to \$420,082 as of June 30, 2011. For governmental funds, \$546,780 as of June 30, 2011, is considered payable with current sources and is included in accrued liabilities. The remaining amounts are estimated to be used in subsequent fiscal years and are maintained separately and represent a reconciling item between the fund and government-wide financial statement presentations.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

11. RETIREMENT PLANS

County Defined Benefit Pension Plan

Plan Description

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

Funding Policy

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

All information that follows for the Plan is as of July 1, 2010, which is the latest actuarial report available.

Membership of the Plan

The membership consisted of the following as of July 1, 2010, the date of the latest actuarial valuation:

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

12. RETIREMENT PLANS (continued)

County Defined Benefit Pension Plan (continued)

Retirees and beneficiaries receiving benefits	230
Terminated Plan members entitled to but not yet receiving benefits	26
Active Plan members	750
	<u>1,006</u>

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation for the year ended June 30, 2011, were as follows:

Annual required contribution	\$ 4,286,088
Interest on net pension obligation	63,411
Adjustment to annual required contribution	(94,136)
Annual pension cost	<u>4,255,363</u>
Contributions	<u>2,461,236</u>
Increase in net pension obligation	1,794,127
Net pension obligation, beginning of year	<u>818,204</u>
Net pension obligation, end of year	<u>\$ 2,612,331</u>

The annual required contribution for the current year was determined as part of the July 1, 2010, actuarial valuation using the projected unit credit cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), and (b) projected salary increases of 2.0% through 2012 and 4.0% per year thereafter. 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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2011

12. RETIREMENT PLANS (continued)

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Excess)
6/30/2010	\$ 4,255,363	57.84%	\$ 2,612,331
6/30/2009	3,827,494	93.09%	818,204
6/30/2008	3,119,308	100.00%	553,586
6/30/2007	3,049,722	95.60%	554,791

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

12. RETIREMENT PLANS (continued)

Board of Education (continued)

Both the "Retirement System" and the "Pension System" for teachers and educational support employees are jointly contributory. Under the "Retirement System", employees contribute 4% - 7% of their total gross salary, and under the "Pension System", employees contribute 5% their gross salary for the year ended June 30, 2011, respectively. Effective, July 1, 1980, in accordance with the law governing the Systems, all benefits of the Systems are funded in advance. Annually appropriated employer contribution rates for retirement benefits are determined using the entry age normal cost method. The method produces an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year), and (2) the amount for amortization of the unfunded actuarial accrued liability.

Washington County School System contributions totaling \$1,978,382 and \$1,365,507 or 10.83% and 7.58% of covered payroll for fiscal years 2011 and 2010, respectively; and contributions by the State of Maryland on behalf of the School System totaling \$18,559,074 and \$16,580,708 or 14.34% and 13.15% of covered payroll for fiscal years 2011 and 2010, were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed annually.

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 3.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0% to 8.5% per year, attributable to seniority and merit, (d) postretirement benefit increases ranging from 2.75% to 3.5% 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 2003 to 2006, and (f) the aggregate active member payroll is assumed to increase by 3.5% annually.

The actuarial value of assets was determined by recognizing investment gains and losses over a five-year period. Each year's investment gain or loss is amortized on a straight-line basis over five years. The final actuarial value is limited to not more than 120% nor less than 80% of the market value of assets. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll, in two distinct pieces. The unfunded actuarial accrued liability, which existed as of the June 30, 2000 actuarial valuation, is being amortized over the remaining 12-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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2011

12. RETIREMENT PLANS (continued)

Board of Education (continued)

A four year trend of the School System's annual pension cost is as follows:

Fiscal Year Ending June 30,	Total Annual Pension Cost (APC)	APC Contributed by School System	APC Contributed by State	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 20,537,456	\$ 1,978,382	\$ 18,559,074	100%	-
2010	17,946,215	1,365,507	16,580,780	100%	-
2009	14,644,559	1,203,511	13,441,048	100%	-
2008	13,777,983	1,268,670	12,509,313	100%	-
2007	10,777,719	1,163,744	9,613,975	100%	-

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

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

13. RISK MANAGEMENT (continued)

County (continued)

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 \$725,601 which is reflected in the accompanying financial statements as of June 30, 2011. Changes in the claims liability were as follows:

	Years Ended June 30,	
	2011	2010
Liability, beginning of year	\$ 989,018	\$ 1,880,807
Premiums collected and changes in estimates during the year	9,991,595	9,278,291
Claims and administrative costs paid	(10,255,012)	(10,170,080)
Liability, end of year	<u>\$ 725,601</u>	<u>\$ 989,018</u>

The County uses a third party administrator to process and pay claims. The County has purchased a stop-loss insurance policy in which the insurance company covers individual claims once they exceed \$175,000. Under this policy, the County was liable for the first 125% of expected 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 the Financial Statements

June 30, 2011

13. RISK MANAGEMENT (continued)

County (continued)

The County Commissioners have also established a self-insurance plan for Workers' Compensation claims whereby the County is liable for the first \$500,000 per occurrence. As required by the State of Maryland, \$175,000 in U.S. Treasury Notes is held by the State Workers' Compensation Commission and is included in investments on the balance sheet. The County extends coverage under this plan to the employees of other governmental and nonprofit agencies. These agencies are charged a "premium", however the County bears the risk of loss. The liability for estimated claims was determined to be \$1,235,540, which is reflected in the accompanying financial statements as of June 30, 2011. Changes in the claims liability were as follows:

	Years Ended June 30,	
	2011	2010
Liability, beginning of year	\$ 754,966	\$ 654,351
Premiums collected and changes in estimates during the year	1,375,540	1,021,993
Claims and administrative costs paid	(894,966)	(921,378)
Liability, end of year	<u>\$ 1,235,540</u>	<u>\$ 754,966</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 seventeen 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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

14. RISK MANAGEMENT (continued)

Board of Education (continued)

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

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

The School System also offers a program of self-insured health, dental, and vision 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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2011

13. RISK MANAGEMENT (continued)

Board of Education (continued)

In accordance with the Governmental Accounting Standards Board's Statement No. 10 "*Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*," charges to other funds must be accounted for as revenue by an internal service fund and expenditures/expenses by the other funds. The amounts of these charges were \$26,953,572 and \$22,286,686 for the years ended June 30, 2011 and 2010, respectively.

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, 2011 and 2010. This estimate is prepared based upon the School System's experience and other relevant facts. Changes in the Fund's claims liability amount were as follows:

	Years Ended June 30,	
	2011	2010
Liability, beginning of year	\$ 2,043,031	\$ 2,077,490
Claims and changes in estimates during the year	31,250,926	30,227,119
Claims paid and accrued	(31,325,924)	(30,261,578)
Liability, end of year	<u>\$ 1,968,033</u>	<u>\$ 2,043,031</u>

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.

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

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, and collection systems and leases the pretreatment facility to a private company.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2011

16. SEGMENT INFORMATION (continued)

	Sewer Department	Pretreatment Department
CONDENSED STATEMENT OF NET ASSETS		
Assets		
Current assets	\$ 18,841,493	\$ 2,464,609
Noncurrent assets	104,596,617	6,108,900
Total Assets	123,438,110	8,573,509
Liabilities		
Other current liabilities	8,137,742	1,916,205
Noncurrent liabilities	14,360,697	5,050,645
Total Liabilities	22,498,439	6,966,850
Net assets		
Invested in capital assets, net of related debt	93,744,989	526,855
Unrestricted	1,631,698	1,079,804
Restricted-capital projects	5,562,984	-
Total Net Assets	<u>\$ 100,939,671</u>	<u>\$ 1,606,659</u>
CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS		
Operating revenue	\$ 8,281,625	\$ -
Lease income	-	345,600
Depreciation expense	(2,170,946)	(187,748)
Other operating expenses	(4,212,413)	(24,039)
Operating income	1,898,266	133,813
Non-operating revenue (expenses)		
Interest income	89,785	-
Interest expense	(797,324)	(243,734)
Utility administration charge	-	-
Operating transfers	(669,361)	987,000
Capital transfers	835,609	-
Change in net assets	1,356,975	877,079
Net assets, beginning of year	99,582,696	729,580
Net Assets, End of Year	<u>\$ 100,939,671</u>	<u>\$ 1,606,659</u>
CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided (used) by		
Operating activities	\$ (12,973,154)	\$ 321,561
Noncapital financing activities	(669,361)	987,000
Capital and related financing activities	(2,103,392)	(1,261,218)
Investing activities	(839,134)	-
Net increase	(16,585,041)	47,343
Cash and cash equivalents, beginning of year	16,585,041	2,388,965
Cash and Cash Equivalents, End of Year	<u>\$ -</u>	<u>\$ 2,436,308</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

17. CLOSURE AND POST-CLOSURE 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 post-closure 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 post-closure 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 post-closure care costs of \$212,276 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, 2011.

The Resh Landfill has reported a landfill closure and post-closure care liability of \$6,045,285 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, 2011.

The Rubble Landfill began operating during August 1995. The estimated cost associated with post-closure care of \$2,202,400 is reported as a liability in the Solid Waste Fund at June 30, 2011. The Rubble Landfill was closed in December 2000. No current expense was recognized in the Solid Waste Fund for the year ended June 30, 2011.

The 40 West Landfill began operation in fiscal year 2001. The estimated life of this landfill is approximately 58 years as of June 30, 2011, it is estimated that approximately 16% of the capacity has been used. The estimated costs associated with closure and post-closure care of \$7,872,016 was reported as a liability in the Solid Waste Fund at June 30, 2011. The County will recognize \$47,055,727 of estimated cost associated with the closure and post-closure care as capacity is filled. Expense of \$556,053 was recognized in the Solid Waste Fund for the year ended June 30, 2011.

The above estimates are based on estimated current costs to perform all closure and post-closure care. Actual costs may be higher due to inflation, deflation, changes in technology, or changes in applicable laws or regulations.

The County is required by state and federal laws and regulations to meet certain closure and post-closure financial assurance requirements. The County has satisfied these requirements by demonstrating in information submitted by the Director of Finance that they meet the Local Government Financial Test as of June 30, 2011, as specified in 40CFR258.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

18. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (OPEB)

County

Plan Description: 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, forty-one retirees are receiving benefits and seventy-one 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. Two former employees are receiving this benefit.

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. Three former employees are receiving this benefit.

Funding Policy: The County intends to fund any annual short-fall between OPEB annual required contribution and actual pay-go expense into a legally executed trust fund. The trust fund will be invested as a long-term pension trust, using an appropriately balanced portfolio of equities and debt instruments, to prudently maximize long-term investment returns.

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

18. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

County (continued)

Components of Net OPEB Obligation

Annual Required Contribution	\$ 1,566,423
Interest on Net OPEB Obligation	11,820
Adjustment to Annual Required Contribution	(8,096)
Annual OPEB Cost (Expense)	1,570,147
Contributions Made or Accrued	1,757,147
Increase in Net Obligation	(187,000)
Net OPEB Obligation (BOY)	152,502
Net OPEB Obligation (EOY)	<u>\$ (34,498)</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 is as follows:

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2011	\$ 1,570,147	111.91%	\$ (34,498)
2010	1,570,147	111.90%	152,502
2009	1,614,260	99.00%	152,502
2008	1,611,000	91.70%	133,550

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

18. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

County (continued)

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

In the June 30, 2009, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.75% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 12% initially, reduced by decrements to an ultimate rate of 5% after three years. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement plan asset returns. The unfunded actuarial accrued liability (UAAL) is being amortized as a level dollar charge on an open basis. The remaining amortization period as of July 1, 2009, was 28 years.

Board of Education

In addition to providing the pension benefits described above, the School System provides postemployment health care and life insurance benefits (OPEB) for retired employees, their spouses and dependents, and surviving spouses and dependents. On April 15, 2008, the Board created the Board of Education of Washington County (the Trust) in order to arrange for the establishment of a reserve to pay health and welfare benefits for future retirees. The Trust is affiliated with the Maryland Association of Boards of Education Pooled OPEB Investment Trust, an agent multiple-employer public employee retirement system established by the Maryland Association of Boards of Education (MABE). The Board reserves the right to establish and amend the provisions of the Trust with respect to participants, any benefit provided thereunder, or its participation therein, in whole or in part at any time, by resolution of its governing body and upon advance written notice to the Trustees.

A member may retire after 25 years of service from the Retirement System, and as early as age 55 and 15 years of service from the Pension System. Retirees can continue the same medical coverage they had (including family coverage) as active employees. Retirees receive a subsidy for their postretirement medical insurance based on points (Age + Service). A minimum of 66 points (with 5 years of service) is required to receive a subsidy.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

18. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Board of Education (continued)

The maximum subsidy of 85% is reached at 85 points (note that this is a blended subsidy percentage based on the subsidy for each plan and the current enrollment distribution). Retirees with less than 66 points are allowed access, but must pay 100% of the published rates.

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 email at sra@sra.state.md.us.

Funding Policy

The School System is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 7.2% of annual covered payroll.

Annual OPEB Cost and Net OPEB Obligation

The School System had an actuarial valuation performed for the plan as of June 30, 2009, to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ended June 30, 2011. The annual OPEB cost (expense) of \$10,505,013 was \$612 higher than the ARC for the fiscal year, due to adjustments related to amortization and interest on the net OPEB obligation. The School System's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 is as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 10,505,013	123.47%	\$ (5,069,600)
2010	10,505,013	124.63%	(2,603,769)
2009	10,656,000	115.60%	(16,585)
2008	10,656,000	84.56%	1,645,400

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2011

18. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Board of Education (continued)

Funded Status and Funding Progress

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

The funded status of the plan as of June 30, 2011, was as follows:

Actuarial accrued liability (AAL)	\$ 123,172,346
Actuarial value of plan assets	18,927,126
Unfunded actuarial accrued liability (UAAL)	<u>\$ 104,245,220</u>
Funded ratio (actuarial value of plan assets/AAL)	15.37%
Covered payroll (active plan members)	\$ 148,400,000
UAAL as a percentage of covered payroll	70.25%

Actuarial Methods and Assumptions

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

In the June 30, 2009, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included an 8.0% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.5% initially, reduced by 1.0% per year to arrive at an ultimate healthcare cost trend rate of 5.0%. Both rates include a 4.0% inflation assumption. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011, was twenty-seven years.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2011

19. CONTINGENCIES AND COMMITMENTS

County

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

The County Commissioners and the Sheriff of Washington County are defendants in various legal proceedings as of June 30, 2011. 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.

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, 2011, the School System had entered into various school construction commitments, which are not reflected in the financial statements since they will be funded by the State of Maryland or County sources, totaling approximately \$3,109,701.

In August 2009, the School System agreed to a three year contract for access to an uninterrupted web-based data management system for \$420,000 with Performance Matters, LLC. This agreement is to facilitate access of Washington County's Public School System employees and parents to Washington County Public School System Scorecard. After the expiration of the initial term, this agreement shall automatically renew on the terms and conditions contained therein for up to three additional one year periods upon the anniversary of the initial term.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2011

19. CONTINGENCIES AND COMMITMENTS (continued)

Board of Education (continued)

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 which 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.

20. COMMITTED AND ASSIGNED FUND BALANCES

Fund balances reflected in the governmental funds balance sheet as of June 30, 2011 are committed and assigned as follows:

	General Fund	Capital Projects Fund	Non-major Governmental Funds	Total
Non-Spendable				
Inventory	\$ 35,844	\$ -	\$ -	\$ 35,844
Long-term receivables	41,933	-	-	41,933
Restricted				
Programs and activities	119,313	-	1,509,001	1,628,314
Workers compensation	180,000	-	-	180,000
Highways and streets	240,121	-	-	240,121
Capital projects	-	15,838,952	-	15,838,952
Committed				
Contingencies	33,241,362			33,241,362
Programs and activities	4,945		351,537	356,482
Capital projects	-	55,985,780	-	55,985,780
Assigned				
Programs and activities	22,181	-	120,131	142,312
Unassigned	3,687,215	-	(2,680)	3,684,535
Totals	<u>\$ 37,572,914</u>	<u>\$ 71,824,732</u>	<u>\$ 1,977,989</u>	<u>\$ 111,375,635</u>

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

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, 2011. Such payments are considered to be available for appropriation or expenditure when they will be received during the next fiscal year.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2011

21. RETIREMENT PLAN - FIRE AND RESCUE VOLUNTEERS

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

An active volunteer, who has completed more than 25 years of Active LOSAP Service Credit, is eligible to receive, until his or her date of death, an additional monthly benefit payment of \$15 for each year of active LOSAP service credit in excess of 25 years, not to exceed a total monthly benefit payment of \$350. No LOSAP benefits were paid before January 1, 2008. Generally, a volunteer must be an active volunteer on or after January 1, 2007, to be eligible for any benefit under LOSAP. LOSAP also provides for death and disability benefits.

The 2010 calendar year census shows 811 volunteers receiving at least 50 points, which qualifies them for LOSAP credit. 132 retired volunteers are participating in LOSAP. The County funds LOSAP in annual amounts determined by an actuary.

As of July 1, 2010, the date of the latest actuarial valuation, the LOSAP Unfunded Accrued Liability (UAL) is as follows:

Accrued Liability	\$ 7,710,562
Less: assets at market value	4,572,193
Unfunded Accrued Liability	<u>\$ 3,138,369</u>

The minimum recommended contribution for the year beginning July 1, 2011, is as follows:

Normal costs	\$ 334,715
Amortization of UAL (over 15 years)	258,153
Interest on UAL	25,940
Recommended contribution	<u>\$ 618,808</u>

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Required Supplementary Information

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Funding Progress

June 30, 2011

Pension Trust

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	\$ 49,875,724	\$ 60,333,283	\$ 10,457,559	82.67%	\$ 29,299,129	35.69%
7/1/2008	51,808,616	67,907,912	16,099,296	76.29%	31,652,038	50.86%
7/1/2009	49,838,084	71,136,183	21,298,099	70.06%	33,576,069	63.43%
7/1/2010	52,986,292	77,023,047	24,036,755	68.79%	35,422,916	67.86%

Length of Service Award Program (LOSAP) Trust

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	4,401,471	5,581,427	1,179,956	78.86%	N/A	N/A
7/1/2008	4,242,850	6,510,528	2,267,678	65.17%	N/A	N/A
7/1/2009	3,944,546	7,111,240	3,166,694	55.47%	N/A	N/A
7/1/2010	4,572,193	7,710,562	3,138,369	59.30%	N/A	N/A

Other Postemployment Benefit (OPEB) Trust

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	\$ -	\$ 14,950,000	\$ 14,950,000	0.00%	\$ 29,299,129	51.03%
7/1/2008	1,211,350	16,549,200	15,337,850	7.32%	29,300,000	52.35%
7/1/2009	1,501,721	18,333,616	16,831,895	8.19%	N/A	N/A

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statements of Financial Schedules June 30, 2011

Non-Major Governmental Funds

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 revenue and expenses.

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

The Agricultural Education Center Fund is a special revenue fund used to account for all transactions of the Agricultural Education Center (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 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 Hotel Rental Tax Fund is a special revenue fund for accounting of taxes collected on transient charges paid to a hotel or motel located in the County, and for the distribution of the tax revenue to the Hagerstown/Washington County Convention and Visitors Bureau, municipalities and for special projects for the County.

The Gaming Fund is a special revenue fund for accounting of permits and licensing fees, for tip jar and bingo gaming activity. The Gaming Fund distributes funds to the various fire and rescue companies and charitable organizations in the County.

The Land Preservation Fund is a special revenue fund established to account for State and County programs related to preserving agriculture land in the County. A portion of the County's transfer tax is used to purchase permanent easements through an installment purchase program and a portion of the transfer tax is remitted to the State for the purchase of easements and transferable development rights.

The Hagerstown/Eastern Panhandle Metropolitan Planning Organization (HEPMPO) Fund is a special revenue fund used to account for transportation planning activities. The objective of the organization is to ensure that a continuing, cooperative, and comprehensive approach for short and long range transportation planning is established and maintained for the metropolitan area.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statements of Financial Schedules June 30, 2011

Non-Major Proprietary Funds

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Balance Sheet – Non-Major Governmental Funds

As of June 30, 2011

	Community Partnership	Inmate Welfare	Contraband	Agricultural Education Center	Foreign Trade Zone	Hotel Rental Tax	Gaming	Land Preservation	HEPMPO	Total Non-Major Funds
ASSETS										
Cash	\$ 529,920	\$ 469,162	\$ 133,448	\$ 128,893	\$ -	\$ 515,127	\$ 1,423,407	\$ 584,200	\$ -	\$ 3,784,157
Accounts receivable	-	-	-	-	-	186,690	98,294	-	-	284,984
Due from other governmental agencies	49,115	-	-	-	-	-	-	-	132,022	181,137
Notes receivable	-	-	-	-	-	160,000	-	-	-	160,000
TOTAL ASSETS	<u>\$ 579,035</u>	<u>\$ 469,162</u>	<u>\$ 133,448</u>	<u>\$ 128,893</u>	<u>\$ -</u>	<u>\$ 861,817</u>	<u>\$ 1,521,701</u>	<u>\$ 584,200</u>	<u>\$ 132,022</u>	<u>\$ 4,410,278</u>
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	\$ 166,923	\$ 21,925	\$ -	\$ 7,948	\$ -	\$ 298,819	\$ 1,483,350	\$ -	\$ 41,818	\$ 2,020,783
Accrued expenses	4,036	1,024	-	814	-	-	3,307	2,258	921	12,360
Due to other funds	-	-	-	-	-	-	-	-	78,697	78,697
Other liabilities	-	-	87,829	-	-	-	-	184,310	-	272,139
Deferred revenue	-	-	-	-	-	-	36,975	-	11,335	48,310
TOTAL LIABILITIES	<u>170,959</u>	<u>22,949</u>	<u>87,829</u>	<u>8,762</u>	<u>-</u>	<u>298,819</u>	<u>1,523,632</u>	<u>186,568</u>	<u>132,771</u>	<u>2,432,289</u>
FUND BALANCES										
Restricted	408,076	446,213	45,619	-	-	562,998	-	46,095	-	1,509,001
Committed	-	-	-	-	-	-	-	351,537	-	351,537
Assigned	-	-	-	120,131	-	-	-	-	-	120,131
Unassigned	-	-	-	-	-	-	(1,931)	-	(749)	(2,680)
TOTAL FUND BALANCES	<u>408,076</u>	<u>446,213</u>	<u>45,619</u>	<u>120,131</u>	<u>-</u>	<u>562,998</u>	<u>(1,931)</u>	<u>397,632</u>	<u>(749)</u>	<u>1,977,989</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 579,035</u>	<u>\$ 469,162</u>	<u>\$ 133,448</u>	<u>\$ 128,893</u>	<u>\$ -</u>	<u>\$ 861,817</u>	<u>\$ 1,521,701</u>	<u>\$ 584,200</u>	<u>\$ 132,022</u>	<u>\$ 4,410,278</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds For the Year Ended June 30, 2011

	Community Partnership	Inmate Welfare	Contraband	Agricultural Education Center	Foreign Trade Zone	Hotel Rental Tax	Gaming	Land Preservation	HEPMPO	Total Non- Major Funds
REVENUE										
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,697,360	\$ -	\$ 1,306,912	\$ -	\$ 3,004,272
Licenses and permits	-	-	-	-	-	-	2,043,644	-	-	2,043,644
Charges for services	-	436,906	-	-	-	-	-	-	-	436,906
Revenue from uses of property	-	-	-	20,193	-	-	-	-	-	20,193
Reimbursed expenses	-	-	-	3,241	-	-	-	-	-	3,241
Miscellaneous revenues	-	-	8,789	-	-	-	225	-	23,686	32,700
Shared taxes and grants	1,255,643	-	-	-	-	-	-	1,508,984	373,423	3,138,050
TOTAL REVENUE	<u>1,255,643</u>	<u>436,906</u>	<u>8,789</u>	<u>23,434</u>	<u>-</u>	<u>1,697,360</u>	<u>2,043,869</u>	<u>2,815,896</u>	<u>397,109</u>	<u>8,679,006</u>
EXPENDITURES										
Public safety	-	-	12,054	-	-	-	948,685	-	-	960,739
Parks, recreation and culture	-	-	-	177,393	-	-	-	-	-	177,393
Land preservation	-	-	-	-	-	-	-	2,755,541	-	2,755,541
General operations	-	433,214	-	-	-	-	168,220	-	416,028	1,017,462
Community promotion	1,603,760	-	-	-	-	1,496,875	948,685	-	-	4,049,320
TOTAL EXPENDITURES	<u>1,603,760</u>	<u>433,214</u>	<u>12,054</u>	<u>177,393</u>	<u>-</u>	<u>1,496,875</u>	<u>2,065,590</u>	<u>2,755,541</u>	<u>416,028</u>	<u>8,960,455</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(348,117)</u>	<u>3,692</u>	<u>(3,265)</u>	<u>(153,959)</u>	<u>-</u>	<u>200,485</u>	<u>(21,721)</u>	<u>60,355</u>	<u>(18,919)</u>	<u>(281,449)</u>
OTHER FINANCING SOURCES										
Transfers in	286,382	-	-	100,000	308	-	-	17,989	18,170	422,849
NET CHANGES IN FUND BALANCES	<u>(61,735)</u>	<u>3,692</u>	<u>(3,265)</u>	<u>(53,959)</u>	<u>308</u>	<u>200,485</u>	<u>(21,721)</u>	<u>78,344</u>	<u>(749)</u>	<u>141,400</u>
FUND BALANCES, BEGINNING OF YEAR	<u>469,811</u>	<u>442,521</u>	<u>48,884</u>	<u>174,090</u>	<u>(308)</u>	<u>362,513</u>	<u>19,790</u>	<u>319,288</u>	<u>-</u>	<u>1,836,589</u>
FUND BALANCES, END OF YEAR	<u>\$ 408,076</u>	<u>\$ 446,213</u>	<u>\$ 45,619</u>	<u>\$ 120,131</u>	<u>\$ -</u>	<u>\$ 562,998</u>	<u>\$ (1,931)</u>	<u>\$ 397,632</u>	<u>\$ (749)</u>	<u>\$ 1,977,989</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statement of Net Assets – Non-Major Proprietary Funds As of June 30, 2011

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
ASSETS			
Current Assets			
Cash and short-term investments	\$ 200	\$ 800	\$ 1,000
Accounts receivable	6,565	4,438	11,003
Unbilled receivables	1,045	-	1,045
Due from other governmental agencies	1,634,345	-	1,634,345
Inventories	67,122	51,536	118,658
Total current assets	1,709,277	56,774	1,766,051
Noncurrent Assets			
Property plant and equipment	6,814,262	4,417,731	11,231,993
Accumulated depreciation	(2,041,939)	(2,198,294)	(4,240,233)
Total noncurrent assets	4,772,323	2,219,437	6,991,760
TOTAL ASSETS	6,481,600	2,276,211	8,757,811
LIABILITIES			
Current Liabilities			
Accounts payable	182,746	16,985	199,731
Accrued expenses	33,062	33,084	66,146
Due to other funds	849,030	442,000	1,291,030
Compensated absences	48,297	27,606	75,903
Deferred revenue	-	2,750	2,750
Other liabilities	-	13,507	13,507
Total current liabilities	1,113,135	535,932	1,649,067
Non Current Liabilities			
Compensated absences	24,882	23,137	48,019
TOTAL LIABILITIES	1,138,017	559,069	1,697,086
NET ASSETS			
Invested in capital assets, net of related debt	4,772,323	2,219,437	6,991,760
Unrestricted	571,260	(502,295)	68,965
TOTAL NET ASSETS	\$ 5,343,583	\$ 1,717,142	\$ 7,060,725

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statement of Revenue, Expenses and Changes in Fund Net Assets – Non-Major Proprietary Funds For the Year Ended June 30, 2011

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
OPERATING REVENUE			
Charges for services	\$ 391,500	\$ 987,546	\$ 1,379,046
Miscellaneous	4,418	3,479	7,897
TOTAL OPERATING REVENUE	<u>395,918</u>	<u>991,025</u>	<u>1,386,943</u>
OPERATING EXPENSES			
Salaries and wages	\$ 1,071,445	\$ 513,166	1,584,611
Fringe benefits	316,892	170,441	487,333
Utilities	28,590	64,864	93,454
Insurance	48,634	7,570	56,204
Repairs and maintenance	72,397	61,346	133,743
Supplies	119,012	3,766	122,778
Cost of goods sold	-	106,535	106,535
Contracted services	172,831	6,901	179,732
Rentals and leases	48,294	55,345	103,639
Other operating	236,886	149,800	386,686
Uncollectible accounts	197	106	303
Controllable assets	7,269	3,310	10,579
Depreciation	607,839	89,455	697,294
TOTAL OPERATING EXPENSES	<u>2,730,286</u>	<u>1,232,605</u>	<u>3,962,891</u>
OPERATING LOSS	<u>(2,334,368)</u>	<u>(241,580)</u>	<u>(2,575,948)</u>
OTHER INCOME (EXPENSE)			
Loss on disposal of assets	(845)	-	(845)
TOTAL OTHER INCOME (EXPENSE)	<u>(845)</u>	<u>-</u>	<u>(845)</u>
LOSS BEFORE OPERATING TRANSFERS AND GRANTS	(2,335,213)	(241,580)	(2,576,793)
OPERATING TRANSFERS	473,377	70,780	544,157
GRANTS FOR OPERATIONS	<u>1,148,567</u>	<u>-</u>	<u>1,148,567</u>
LOSS BEFORE CAPITAL TRANSFERS AND GRANTS	(713,269)	(170,800)	(884,069)
CAPITAL TRANSFERS	286,800	-	286,800
GRANTS FOR CAPITAL PROJECTS	<u>1,510,144</u>	<u>-</u>	<u>1,510,144</u>
NET INCOME (LOSS)	1,083,675	(170,800)	912,875
NET ASSETS, BEGINNING OF YEAR	<u>4,259,908</u>	<u>1,887,942</u>	<u>6,147,850</u>
NET ASSETS, END OF YEAR	<u>\$ 5,343,583</u>	<u>\$ 1,717,142</u>	<u>\$ 7,060,725</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statement of Cash Flows – Non-Major Proprietary Funds For Year Ended June 30, 2011

	<u>Public Transit</u>	<u>Golf Course</u>
Cash Flows from Operating Activities		
Receipts from customers	\$ (2,958)	\$ 989,435
Payments to suppliers	(567,043)	(453,234)
Payments to employees	(1,433,750)	(696,372)
Net Cash from Operating Activities	<u>(2,003,751)</u>	<u>(160,171)</u>
Cash Flows from Noncapital Financing Activities		
Operating contributions	1,621,944	70,780
Increase (decrease) in due to/from other funds	500,918	89,391
Net Cash from Noncapital Financing Activities	<u>2,122,862</u>	<u>160,171</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(2,225,239)	-
Contribution for capital acquisitions	2,106,973	-
Loss on disposal	(845)	-
Net Cash from Capital and Related Financing Activities	<u>(119,111)</u>	<u>-</u>
Net change in cash	-	-
Cash, beginning of year	200	800
Cash, End of Year	<u><u>\$ 200</u></u>	<u><u>\$ 800</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (2,334,368)	\$ (241,580)
Adjustments to reconcile operating income to net cash		
from operating activities		
Depreciation	607,839	89,455
Changes in assets and liabilities:	-	-
Accounts receivable	2,547	160
Unbilled receivables	467	-
Prepaid expenses	-	6,961
Due to/from other government entities	(401,890)	-
Inventories	19,979	2,763
Accounts payable and other liabilities	147,088	(2,232)
Accrued expenses	(44,489)	(15,412)
Deferred revenue	-	(1,750)
Compensated absences	(924)	1,464
Net Cash from Operating Activities	<u><u>\$ (2,003,751)</u></u>	<u><u>\$ (160,171)</u></u>

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Budget and Actual Schedules

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual General Fund For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUE				
Property Tax				
Real property tax	\$ 112,529,230	\$ 112,529,230	\$ 112,692,882	\$ 163,652
Personal property tax	13,642,880	13,642,880	13,067,057	(575,823)
Property tax interest income	510,000	510,000	599,714	89,714
Other property tax	587,750	587,750	623,131	35,381
Property tax discounts and credits	(1,461,600)	(1,461,600)	(1,519,794)	(58,194)
Total Property Taxes	125,808,260	125,808,260	125,462,990	(345,270)
Other Local Taxes				
Income tax	60,000,000	60,000,000	59,279,436	(720,564)
Income tax reserve	(420,000)	(420,000)	-	420,000
Admissions and amusement tax	390,000	390,000	324,210	(65,790)
Recordation tax	4,550,000	4,550,000	4,108,107	(441,893)
Trailer tax	425,000	425,000	459,335	34,335
Total Other Local Taxes	64,945,000	64,945,000	64,171,088	(773,912)
Other Revenues				
Licenses and permits	1,382,450	1,382,450	1,173,403	(209,047)
Court costs and fines	240,000	240,000	164,928	(75,072)
Charges for services	403,440	403,440	388,337	(15,103)
Revenues from use of property	1,443,960	1,443,960	1,280,462	(163,498)
Reimbursed expenses	1,104,250	1,104,250	1,063,968	(40,282)
Miscellaneous revenues	249,830	298,260	288,237	(10,023)
Grant and shared revenues	1,571,390	5,048,789	3,624,317	(1,424,472)
Highway Revenues	633,070	639,060	1,337,205	698,145
Total Other Revenues	7,028,390	10,560,209	9,320,858	(1,239,351)
TOTAL REVENUE	197,781,650	201,313,469	198,954,936	(2,358,533)
EXPENDITURES				
General Government				
Legislative				
County Commissioners	229,210	229,210	222,718	6,492
County Clerk	84,390	84,390	79,758	4,632
County Administrator	330,120	294,370	267,105	27,265
Public Information	83,150	83,150	81,391	1,759
Purchasing	402,550	402,550	398,964	3,586
Total Legislative	\$ 1,129,420	\$ 1,093,670	\$ 1,049,936	\$ 43,734

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual General Fund For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Judicial				
Circuit Court	\$ 1,282,460	\$ 1,282,460	\$ 1,229,752	\$ 52,708
Orphan's Court	29,500	29,500	29,010	490
State's Attorney	2,437,570	2,416,024	2,338,877	77,147
Sheriff - Judicial	2,048,850	2,048,850	1,970,314	78,536
Sheriff - Process Servers	115,370	115,370	111,512	3,858
Grants	-	252,841	267,825	(14,984)
Total Judicial	5,913,750	6,145,045	5,947,290	197,755
Election Board	1,007,170	1,007,170	804,183	202,987
Financial Administration				
Budget and Finance	1,191,050	1,191,050	1,167,781	23,269
Independent Auditing	70,000	70,000	63,050	6,950
Treasurer	420,660	420,660	407,715	12,945
Information Technologies	1,558,140	1,593,890	1,581,847	12,043
Total Financial Administration	3,239,850	3,275,600	3,220,393	55,207
County Attorney	631,370	631,370	529,964	101,406
Human Resources	643,460	643,460	595,046	48,414
Planning and Zoning				
Planning and Community Development	1,245,880	1,236,880	1,209,330	27,550
Board of Zoning	55,940	55,940	46,597	9,343
Total Planning and Zoning	1,301,820	1,292,820	1,255,927	36,893
Public Works				
Department of Public Works	349,100	349,100	348,000	1,100
Public Works - Land Development	798,570	798,570	715,836	82,734
Public Works - Capital Projects	1,305,680	1,305,680	1,309,690	(4,010)
Total Public Works	2,453,350	2,453,350	2,373,526	79,824
County Owned Buildings				
Martin Luther King Center	99,750	99,750	106,325	(6,575)
Administrative Building	278,900	296,700	249,604	47,096
Administrative Building II	117,000	117,000	44,028	72,972
Court House	550,540	550,540	568,503	(17,963)
County Office Building	240,260	232,060	197,095	34,965
Administration Annex	68,900	68,900	52,513	16,387
Central Services	204,910	204,910	181,131	23,779
Rental Properties	4,500	4,500	3,018	1,482
Library Maintenance	35,500	43,700	30,047	13,653
Dwyer Center	34,000	34,000	27,006	6,994
Public Facilities Annex	59,500	59,500	77,342	(17,842)
Total County Owned Buildings	1,693,760	1,711,560	1,536,612	174,948
Community Promotion				
Contributions to Non-profits	52,890	52,890	52,270	620
Economic Development Commission	626,510	626,510	620,668	5,842
Total Community Promotion	679,400	679,400	672,938	6,462
Total General Government	\$ 18,693,350	\$ 18,933,445	\$ 17,985,815	\$ 947,630

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual General Fund For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety				
Sheriff Departments				
Patrol	\$ 7,855,300	\$ 7,885,400	\$ 7,548,951	\$ 336,449
Sheriff Auxillary Department	-	-	25,242	(25,242)
Narcotics Task Force	584,760	584,760	557,329	27,431
Grants	-	248,763	303,257	(54,494)
Total Sheriff Department	8,440,060	8,718,923	8,434,779	284,144
Fire and Rescue Services				
Volunteer Fire and Rescue - County Grants	5,176,030	5,176,030	5,152,946	23,084
Air Unit	20,650	32,330	29,101	3,229
Special Operations	321,920	321,920	318,238	3,682
Total Fire and Rescue Services	5,518,600	5,530,280	5,500,285	29,995
Corrections				
Detention Center	11,321,660	11,321,660	10,923,422	398,238
Central Booking	736,900	736,900	728,448	8,452
Total Corrections	12,058,560	12,058,560	11,651,870	406,690
Other Public Safety				
Building Inspection	1,879,490	1,884,380	1,807,723	76,657
911 - Communications	3,505,800	3,505,800	3,364,104	141,696
Communciations Maintenance	557,280	569,240	524,647	44,593
Emergency Management	126,500	115,500	113,556	1,944
Fire and Rescue Operations	936,430	936,430	934,345	2,085
Medical Examiner	15,000	15,000	16,270	(1,270)
Civil Air Patrol	3,600	3,600	3,600	-
Animal Control	1,160,250	1,160,250	1,146,337	13,913
CSafe	44,100	44,100	44,100	-
Children's Village	24,500	24,500	24,500	-
	-	1,800,660	617,634	1,183,026
Other Public Safety	8,252,950	10,059,460	8,596,816	1,462,644
Total Public Safety	34,270,170	36,367,223	34,183,751	2,183,472
Health				
Total Health	2,389,270	2,389,270	2,389,270	-
Social Services				
Total Contributions to Other Agencies	1,732,760	1,732,760	1,728,360	4,400
Grants	-	1,196,681	671,708	524,973
Total Social Services	1,732,760	2,929,441	2,400,068	529,373
Education				
Total Education	101,360,380	101,360,380	101,360,380	-
Parks, Recreation, and Culture				
Total Contributions to Other Agencies	2,888,020	2,888,020	2,888,020	-
Parks Department	1,741,470	1,741,470	1,663,401	78,069
Martin L. Snook Park Pool	127,400	127,400	131,003	(3,603)
Recreation	660,780	660,780	668,626	(7,846)
Total Parks, Recreation, and Culture	\$ 5,417,670	\$ 5,417,670	\$ 5,351,051	\$ 66,619

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual General Fund For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Conservation of Natural Resources				
Weed Control	\$ 118,630	\$ 118,630	\$ 141,727	\$ (23,097)
Agricultural Extension Service	210,990	210,990	179,680	31,310
Cooperative Extension	38,730	38,730	38,730	-
Agricultural Marketing	96,330	96,330	100,531	(4,201)
Soil Conservation Service	75,040	75,040	75,040	-
Gypsy Moth Program	75,000	75,000	6,210	68,790
Total Conservation of Natural Resources	614,720	614,720	541,918	72,802
Highway	8,489,090	8,495,080	8,095,183	399,897
General Operations				
Total General Operations	416,950	399,950	404,532	(4,582)
Unallocated Employee Insurance and Benefits				
Total Unallocated Employee Insurance and Benefits	2,018,310	2,018,310	1,683,373	334,937
Intergovernmental				
Golf Course operating transfer	70,780	70,780	70,780	-
Foreign Trade Zone operating transfer	-	-	308	(308)
HEPMPO operating transfer	-	9,000	8,537	463
Land Preservation operating transfer	-	-	17,989	(17,989)
Water Quality operating transfer	3,120,000	3,120,000	3,120,000	-
Public Transit operating transfer	483,010	483,010	483,010	-
Airport operating transfer	99,990	99,990	99,990	-
Capital Projects operating transfer	4,500,000	4,500,000	5,300,000	(800,000)
Solid Waste operating transfer	548,390	548,390	548,390	-
Community Partnership operating transfer	295,760	295,760	286,382	9,379
Agricultural Education Center operating transfer	100,000	100,000	100,000	-
Municipality in lieu of bank shares	38,550	38,550	38,544	6
Total Intergovernmental	9,256,480	9,265,480	10,073,929	(808,449)
Debt Service				
Total Debt Service	13,122,500	13,122,500	13,066,760	55,740
TOTAL EXPENDITURES	197,781,650	201,313,469	197,536,030	3,777,439
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ -	1,418,906	\$ 1,418,906
CONSOLIDATION OF HIGHWAY FUND			(644,789)	
FUND BALANCE - BEGINNING			36,798,797	
FUND BALANCE - ENDING			\$ 37,572,914	

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual Highway Fund For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Highway user revenue	\$ -	\$ -	\$ 573,141	\$ 573,141
Reimbursed expenses	625,970	625,970	713,010	87,040
Other revenue	7,863,120	7,869,110	7,907,075	37,965
TOTAL REVENUE	<u>8,489,090</u>	<u>8,495,080</u>	<u>9,193,226</u>	<u>698,146</u>
EXPENDITURES				
General Operations	907,130	907,130	951,864	(44,734)
Road Maintenance	4,419,690	4,424,250	3,883,388	540,862
Snow Removal	685,010	685,010	854,581	(169,571)
Storm Damage	32,350	32,350	105,516	(73,166)
Traffic Control	512,230	512,230	511,156	1,074
Fleet Management	1,932,680	1,934,110	2,001,809	(67,699)
TOTAL EXPENDITURES	<u>8,489,090</u>	<u>8,495,080</u>	<u>8,308,314</u>	<u>186,766</u>
DEFICIENCY OF REVENUE OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>884,912</u>	<u>\$ 884,912</u>
FUND BALANCE, BEGINNING OF YEAR			<u>(644,789)</u>	
FUND BALANCE, END OF YEAR			<u>\$ 240,123</u>	

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual Community Partnership Fund For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Grant Revenues	\$ -	\$ 1,142,423	\$ 1,255,643	\$ 113,220
TOTAL REVENUE	-	1,142,423	1,255,643	113,220
EXPENDITURES				
General Operations	176,460	176,460	183,123	(6,663)
Teen Pregnancy Prevention	119,300	119,300	103,259	16,041
Governor's Office for the Children	-	745,921	724,857	21,064
MSDE	-	277,993	277,993	-
Bridge Program	-	53,313	53,313	-
Department of Earned Reinvestment	-	38,432	37,555	877
Hancock Community Initiative Program	-	-	196,896	(196,896)
Department of Hancock Community Initiative Program	-	26,764	26,764	-
TOTAL EXPENDITURES	295,760	1,438,183	1,603,760	(165,577)
EXCESS OF REVENUE OVER EXPENDITURES	(295,760)	(295,760)	(348,117)	(52,357)
OTHER FINANCING SOURCES (USES)				
Transfers in	295,760	295,760	286,382	(9,378)
NET CHANGES IN FUND BALANCE	\$ -	\$ -	(61,735)	\$ (61,735)
FUND BALANCE, BEGINNING OF YEAR			469,811	
FUND BALANCE, END OF YEAR			\$ 408,076	

SINGLE AUDIT REPORT

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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

County Commissioners of Washington County
Hagerstown, Maryland

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County Commissioners of Washington County, Maryland (the County), as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 26, 2011. We did not audit the financial statements of the Board of Education of Washington County. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit presentation of the Board of Education of Washington County, is based on the report of the other auditor. 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.

Internal Control over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.



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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the County Commissioners of Washington County, others within the entity, Federal awarding agencies, and, if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hunt Valley, Maryland
October 26, 2011

SB & Company, LLC

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

County Commissioners of Washington County
Hagerstown, Maryland

Compliance

We have audited the compliance of Washington County (the County) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major Federal programs for the year ended June 30, 2011. The County's major Federal programs are identified in the summary of independent public accountants' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the Washington County Board of Education, a component unit which received Federal awards and which is not included in the accompanying Schedule of Federal Awards for the year ended June 30, 2011. Our audit described below does not include the operations of the Washington County Board of Education and because this entity engaged another auditor to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The other supplementary information, as indicated in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to



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prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

This report is intended solely for the information and use of management, the County Commissioners of Washington County, others within the entity, Federal awarding agencies, and if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hunt Valley, Maryland
October 26, 2011

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COUNTY COMMISSIONERS OF WASHINGTON COUNTY, MARYLAND

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2011

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grantor or Pass- Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>Department of Agriculture</u>			
Passed through MD Department of Human Resources			
The Emergency Food Assistance Cluster			
The Emergency Food Assistance Program	10.569	OGM/FNS-10-022	\$ 20,000
The Emergency Food Assistance Program	10.569	FNS-09-022A2 ARRA	5,000
The Emergency Food Assistance Program	10.568	FNS-09-022A2 ARRA	7,187
Total Emergency Food Assistance Cluster			32,187
Cedar Springs Pump Station	10.864	00-16	137,936
Total Department of Agriculture			170,123
<u>Department of Commerce</u>			
Byrne Memorial Justice Assistance Grant Program	11.553	2009-SB-B9-0100	20,582
<u>Department of Housing and Urban Development</u>			
Passed through MD Dept of Housing & Community Development			
Cbdg-Md Neighborhood Conservation Initiative Program	14.228	MD-NCI-4	130,570
Cdbg-Foreclosure Counseling Program	14.228	MD-10-CD-23	58,583
Emergency Shelter Grants Program 2009 ** Cac, Casa, Reach, St Johns Shelter	14.231	2009-ESG-BOS-16	10,657
Emergency Shelter Grants Program 2010 ** Cac, Casa, Reach, St Johns Shelter	14.231	2010-ESG-BOS-16	9,564
Homeless Prevention Rapid Re-Housing Program **Cac	14.257	O-HPRP-BOS -29	27,196
Total Department of Housing and Urban Development			236,570
<u>Department of Justice</u>			
Passed through Governor's Office of Crime Control & Prevention			
Sheriff's Dept. Crime Analyst Anti-Gang Strategy	16.580	I-37-1249	15,631
State Criminal Alien Assistance Program Wc Detention Center Award	16.606	2009-AP-BX-1405	15,730
Goccp-Warrant Reduction Initiative	16.803	BJRA-2009-1004	1,417
Goccp-Mobile Data Enhancement	16.738	BJRA-2009-1020	25,681
Goccp-"Lets" Swat Supervision Training	16.738	BJNT-2008-1001	1,398
Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-0302	4,174
Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ_BX-0363	18,900
Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0221	6,940
Total Department of Justice			89,872
<u>Department of Transportation</u>			
Passed through the MD State Highway Administration			
Economic Development Grants For Public Works - Barnes Road Bridge	20.205	WA 123ZM2	548,718
Economic Development Grants For Public Works - "Marble Quarry Road Bridge 2"	20.205	WA 213ZM1	1,913
Economic Development Grants For Public Works - Coffman Farms/Old Forge Rd	20.205	WA 417ZM1	292
Economic Development Grants For Public Works - Harpers Ferry Road Brdg	20.205	WA 212ZM2	780,853
Economic Development Grants For Public Works - Halfway/Massey Blvd Signals	20.205	WA 367ZM1	950,596
			2,282,371
Passed through the MD Department of Transportation			
The Federal Transit Formula Grant Cluster			
Federal Transit -Pave Resurface & Rehab	20.507	POO487C-1	1,259,580
Federal Transit Formula Grant "Small Urban Public Transportation" "Jobs-Fixed I	20.507	MD-90-41XX	64,687
Federal Transit Formula Grant "Small Urban Public Transportation"	20.507	WA 125307O2012	574,109
Federal Transit Formula Grant Fy06 - Fy08 "Wctc Adp Software Support"	20.507	MD-90-0101	10,821
Federal Transit Formula Grant Fy09 "Wctc Facilities Rehab"	20.507	MD-90-0118	5,815
Federal Transit Formula Grant Arra Of 2009 "Wctc Capital Maintenance"	20.500	MD-96-X001	82,324
Federal Transit Formula Grant Arra Of 2009 "Wctc Capital Maintenance"	20.500	MD-96-X001	15,444
Federal Transit Formula Grant Fy09 "Wctc Facilities Rehab"	20.507	MD-90-0118	35,765
Federal Transit Formula Grant Fy09 "Wctc Facilities Rehab"	20.507	MD-90-0107	20,276
Federal Transit Formula Grant Arra Of 2009 "Wctc Facilities Rehab"	20.500	MD-96-X001	212,000
Federal Transit Formula Grant Arra Of 2009 "Transfer Point Relocation"	20.500	MD-96-X001	1,098,746
Federal Transit Formula Grant "Arra Of 2009"	20.507	MD-96-X001	19,853
Total Federal Transit Formula Grant Cluster			3,399,421
Federal Transit Metropolitan Planning Grant Hepmpo Resolution 10-13	20.505	FY2011 UPWP	331,931

COUNTY COMMISSIONERS OF WASHINGTON COUNTY, MARYLAND

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2011

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grantor or Pass- Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Passed through MD Emergency Management Agency			
Lepc Interagency Hazardous Materials Public Sector Ffy10 Training Grt	20.703	HMEP FFY10 TRAINING	11,200
Lepc Interagency Hazardous Materials Public Sector Ffy10 Planning Grt	20.703	HMEP FFY10 PLANNING	8,044
Lepc Interagency Hazardous Materials Public Sector Ffy11 Planning Grant	20.703	HMEP FFY11 PLANNING	7,000
Airport Improvement Program	20.106	AIP-3-24-0019-041	2,577
Airport Improvement Program	20.106	AIP-3-24-0019-045	75,000
Airport Improvement Program	20.106	AIP-3-24-0019-046	461,555
Airport Improvement Program - Snow Removal	20.106	AIP-3-24-0019-044	382,703
Airport Improvement Program 2007-2011	20.106	AIP-3-24-0019-042	911,586
			<u>1,859,665</u>
Total Department of Transportation			<u>7,873,389</u>
<u>Appalachian Regional Commission</u>			
Gis Office Of Washington Co Information Technologies Dept	23.002	MD-16516-2010	70,509
<u>Department of Environment</u>			
Burnside Bridge Road Stream Bank Stabilization	66.458	WQSGG0853922L	50,766
Lehmans Mill Road Stream Bank Stabilization	66.458	WQSGG0853922L	17,684
Total Department of Environment			<u>68,450</u>
<u>Department of Energy</u>			
Energy Efficiency Conservation Block Grant	81.128	DE-SC0002639	26,480
<u>Department of Health and Human Services</u>			
Passed Through the MD State Department of Education			
Community Partnership Grant - Healthy Families (Wc Health Dept) **	93.558	SG114258	277,933
Passed Through MD Department of Human Resources			
Child Support Enforcement Administration	93.563	CSEA-CRA-10-041	35,809
Child Support Enforcement Administration	93.563	CSEA-CRA-11-041	101,650
Child Support Enforcement Administration (Incentive)	94.563		3,107
Total Department of Health and Human Services			<u>418,500</u>
<u>Department of Homeland Security</u>			
Passed Through MD Emergency Mgmt Agency			
Interoperable Emergency Communications Program Ffy2008	97.001	2008-IO-T8-0051	96,651
Homeland Security Grant Program-Ffy2010 Emergency Mgmt Performance	97.042	2010-EP-EO-0041	97,376
Homeland Security Grant Program-"Cert"/Mini Grt Ffy2008	97.053	2008-GE-T8-0011	8,041
Homeland Security Grant Program-Citizen Emer Response Training "Cert" Ffy2009	97.053	2009-SS-T9-0080	4,809
Interoperable Emergency Communications Program Ffy2009	97.055	2009-IP-T9-0005	10,499
Homeland Security Grant Program- Ffy2009 Planner Position "Shsgp" ##	97.073	2009-SS-T9-0080	94,905
Homeland Security Grant Program- Ffy2008 "Shsgp"	97.073	2008-GE-T8-0011	221,107
Homeland Security Grant Program- Ffy2008 "Shsgp"	97.073	2008-GE-T8-0011	3,449
Total Department of Homeland Security			<u>536,837</u>
Total Expenditures of Federal Awards			<u>\$ 9,511,312</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY, MARYLAND

Notes to Schedule of Expenditures of Federal Awards June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of Washington County (the County) are included in the scope of the Office of Management and Budget (OMB) Circular A-133 audit (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Circular A-133 (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the major grant programs noted below. The programs on the Schedule of Expenditures of Federal Awards represent all Federal award programs and other grants within fiscal year 2011 cash or non-cash expenditures activities. For our single audit testing, we tested Federal award programs within 2011 cash and non-cash expenditures in excess of \$300,000 to ensure coverage of at least 25% of Federally granted funds. Our actual coverage was 63%.

Major Program	Federal CFDA Number	Federal Expenditures
Cedar Springs Pump Station	10.864	\$ 137,936
Economic Development Grants For Public Works - Barnes Road Bridge	20.205	548,718
Economic Development Grants For Public Works - Harpers Ferry Road Brdg	20.205	780,853
Economic Development Grants For Public Works - Halfway/Massey Blvd Signals	20.205	950,596
Federal Transit Formula Grant Cluster:		
Federal Transit Formula Grant Arra Of 2009 "Wctc Capital Maintence"- ARRA	20.500	82,324
Federal Transit Formula Grant Arra Of 2009 "Wctc Capital Maintence"- ARRA	20.500	15,444
Federal Transit Formula Grant Arra Of 2009 "Wctc Facilities Rehab" - ARRA	20.500	212,000
Federal Transit Formula Grant Arra Of 2009 "Transfer Point Relocation"- ARRA	20.500	1,098,746
Federal Transit -Pave Resurface & Rehab- ARRA	20.507	1,259,580
Federal Transit Formula Grant "Small Urban Public Transportation" "Jobs-Fixed Route"	20.507	64,687
Federal Transit Formula Grant "Small Urban Public Transportation"	20.507	574,109
Federal Transit Formula Grant Fy06 - Fy08 "Wctc Adp Software Support"	20.507	10,821
Federal Transit Formula Grant Fy09 "Wctc Facilities Rehab"	20.507	5,815
Federal Transit Formula Grant Fy09 "Wctc Facilities Rehab"	20.507	35,765
Federal Transit Formula Grant Fy09 "Wctc Facilities Rehab"	20.507	20,276
Federal Transit Formula Grant "Arra Of 2009"- ARRA	20.507	19,853
Total Federal Transit Formula Grant Cluster		3,399,421
Homeland Security Grant Program- Ffy2008 "Shsgp"	97.073	221,107

2. BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards has been accounted for on the accrual basis of accounting.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY, MARYLAND

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2011

Section I - Summary of Independent Public Accountants' Results

Financial Statements

Type of Independent Public Accountants' report issued	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of Independent Public Accountants' report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No

COUNTY COMMISSIONERS OF WASHINGTON COUNTY, MARYLAND

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2011

Identification of Major Programs:

Major Program	Federal CFDA Number	Federal Expenditures
Cedar Springs Pump Station	10.864	\$ 137,936
Economic Development Grants For Public Works - Barnes Road Bridge	20.205	548,718
Economic Development Grants For Public Works - Harpers Ferry Road Brdg	20.205	780,853
Economic Development Grants For Public Works - Halfway/Massey Blvd Signals	20.205	950,596
Federal Transit Formula Grant Cluster:		
Federal Transit Formula Grant Arra Of 2009 "Wctc Capital Maintence"- ARRA	20.500	82,324
Federal Transit Formula Grant Arra Of 2009 "Wctc Capital Maintence"- ARRA	20.500	15,444
Federal Transit Formula Grant Arra Of 2009 "Wctc Facilities Rehab" - ARRA	20.500	212,000
Federal Transit Formula Grant Arra Of 2009 "Transfer Point Relocation"- ARRA	20.500	1,098,746
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Federal Transit Formula Grant "Small Urban Public Transportation" "Jobs-Fixed Route"	20.507	64,687
Federal Transit Formula Grant "Small Urban Public Transportation"	20.507	574,109
Federal Transit Formula Grant Fy06 - Fy08 "Wctc Adp Software Support"	20.507	10,821
Federal Transit Formula Grant Fy09 "Wctc Facilities Rehab"	20.507	5,815
Federal Transit Formula Grant Fy09 "Wctc Facilities Rehab"	20.507	35,765
Federal Transit Formula Grant Fy09 "Wctc Facilities Rehab"	20.507	20,276
Federal Transit Formula Grant "Arra Of 2009"- ARRA	20.507	19,853
Total Federal Transit Formula Grant Cluster		3,399,421
Homeland Security Grant Program- Ffy2008 "Shsgp"	97.073	221,107
Threshold for distinguishing between Type A and B programs		300,000
Did the County qualify as a low risk auditee?		Yes

COUNTY COMMISSIONERS OF WASHINGTON COUNTY, MARYLAND

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

Section II - Financial Statement Findings

None Noted.

Section III - Federal Award Findings

None Noted.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY, MARYLAND

**Schedule of Prior Year Findings
For the Year Ended June 30, 2011**

There are no prior year findings to disclose.

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