

RATINGS: Moody's: Aa2
Standard & Poor's: AA
Fitch : AA

New Issue-Book-Entry Only

In the opinion of Bond Counsel, assuming continuous compliance with certain covenants described herein, under existing law, the interest on the Bonds (a) will be excludable from gross income for federal income tax purposes, and (b) is not includable in corporate or individual alternative minimum taxable income as an enumerated item of tax preference, but may be included in the calculation of a corporation's alternative minimum taxable income for federal income tax purposes, and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States of America. It is also the opinion of Bond Counsel that, under existing law, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom in the hands of the holders thereof from time to time (including any profit made in the sale thereof) shall be and are declared to be at all times exempt from State of Maryland, county, municipal, or other taxation of every kind and nature whatsoever within the State, but no opinion is expressed as to Maryland estate or inheritance taxes or any other Maryland taxes not levied directly on the Bonds, their transfer or the income therefrom. See the information contained herein under the caption "THE BONDS—Tax Matters".

\$14,170,000 **WASHINGTON COUNTY, MARYLAND** **(COUNTY COMMISSIONERS OF WASHINGTON COUNTY)** **PUBLIC IMPROVEMENT BONDS OF 2011**

Dated: Date of delivery
Due: July 1, as shown below
Interest Payable: January 1 and July 1
First Interest Payment Due: January 1, 2012
Denomination: Integral multiples of \$5,000
Form: Registered, book-entry only through the facilities of The Depository Trust Company ("DTC")
Redemption: The Bonds maturing on or after July 1, 2022 are redeemable prior to maturity at the County's option as set forth in "THE BONDS—Redemption" herein.
Security: The Bonds are general obligations of County Commissioners of Washington County (the "County") for the payment of which its full faith and credit and unlimited taxing power are pledged (see "THE BONDS—Sources of Payment" herein).

\$14,170,000

County Commissioners of Washington County **Public Improvement Bonds of 2011**

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIPS

Maturing July 1	Principal Amount	Interest Rate*	Price or Yield*	CUSIP	Maturing July 1	Principal Amount	Interest Rate*	Price or Yield*	CUSIP
2012	\$ 530,000	2.000%	0.350%	937751 T70	2022	\$ 695,000	3.000%	3.100%	937751 U94
2013	540,000	2.000	0.640	937751 T88	2023	715,000	3.125	3.270	937751 V28
2014	550,000	3.000	0.960	937751 T96	2024	740,000	3.350	3.490	937751 V36
2015	565,000	4.000	1.280	937751 U29	2025	770,000	3.500	3.640	937751 V44
2016	580,000	4.000	1.500	937751 U37	2026	800,000	3.625	3.760	937751 V51
2017	595,000	4.000	1.830	937751 U45	2027	830,000	4.000**	3.860	937751 V69
2018	615,000	5.000	2.120	937751 U52	2028	865,000	4.000**	3.960	937751 V77
2019	635,000	5.000	2.430	937751 U60	2029	900,000	4.000	4.060	937751 V85
2020	655,000	5.000	2.690	937751 U78	2030	935,000	4.000	4.150	937751 V93
2021	675,000	3.000	2.890	937751 U86	2031	980,000	4.125	4.240	937751 W27

*The interest rates shown above are those resulting from the successful bid for the Bonds on May 10, 2011 and were furnished by Janney Montgomery Scott, Inc. The prices or yields shown above were furnished by the successful bidder. Other information concerning the terms of the reoffering of the Bonds, if any, should be obtained from the successful bidder and not from the County. (See "MISCELLANEOUS--Sale at Competitive Bidding" herein.)

**Priced to first call date.

Conditions Affecting Issuance: The Bonds are offered when, as and if issued, subject to, among other conditions, the delivery of such Bonds and the approving legal opinion of Funk & Bolton, P.A., Bond Counsel, with respect thereto and other conditions specified in the official Notice of Sale. Delivery will occur through the facilities of DTC on or about May 24, 2011.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Prospective bidders and investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Dated: May 10, 2011

No dealer, broker, salesman or other person has been authorized by the County or the successful bidder to give any information or to make any representations with respect to the Bonds or the County other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the County and other sources which are deemed to be reliable but it is not to be construed as a representation by the County as to information from sources other than the County.

This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Bonds.

All quotations from and summaries and explanation of provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the respective dates as of which information is given herein or the date hereof.

In connection with this offering, the successful bidder may over-allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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**WASHINGTON COUNTY, MARYLAND
ADMINISTRATION BUILDING
100 WEST WASHINGTON STREET
HAGERSTOWN, MARYLAND 21740**

COUNTY COMMISSIONERS

Terry L. Baker, President
John F. Barr, Vice President
Ruth Anne Callaham, Commissioner
Jeffrey A. Cline, Commissioner
William B. McKinley, Commissioner

ADMINISTRATION

Gregory B. Murray, County Administrator
Vicki C. Lumm, County Clerk
John M. Martirano, County Attorney
Debra S. Murray, C.P.A., Director of the Office of Budget and Finance

COUNTY TREASURER

Todd L. Hershey

FINANCIAL ADVISOR

Public Advisory Consultants, Incorporated
Owings Mills, Maryland

BOND COUNSEL

Funk & Bolton, P.A.
Baltimore, Maryland

INDEPENDENT AUDITOR

SB & Company, LLC
Hunt Valley, Maryland

BOND REGISTRAR AND PAYING AGENT

Manufacturers and Traders Trust Company
Baltimore, Maryland
and Buffalo, New York

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
I. THE BONDS		IV. FINANCIAL INFORMATION	
Introduction.....	1	Accounting System.....	26
Description of Bonds.....	1	Fund Structure.....	26
DTC and Book-Entry Only System.....	2	Basis of Accounting, Measurement Focus, and Financial Statement Presentation.....	26
Book-Entry Only System—Miscellaneous.....	3	Accounting Enterprise System.....	26
Authorization.....	3	Capital Budget Preparation Software.....	27
Application of Proceeds.....	4	Distinguished Budget Presentation Award.....	27
Redemption.....	4	Budget Process and Schedule.....	27
Sources of Payment.....	5	General Fund Revenues and Expenditures.....	29
Bondholders' Remedies.....	5	Anticipated Results for Fiscal Year 2011.....	31
Tax Matters.....	5	Sources of Tax Revenue.....	31
		Department of Water Quality.....	35
		General Fund Balance Sheet.....	36
		Key Financial Statistics.....	37
II. GOVERNMENT AND ADMINISTRATION		V. DEBT AND CAPITAL REQUIREMENTS	
Location.....	7	Debt Management Policy.....	38
Form of Government.....	7	General Obligation and Revenue Bonds.....	38
Legislative and Administrative Officials.....	8	Water and Sewer Bonds.....	39
Washington County Government Organizational Chart.....	10	Capital Lease Obligations and Other Contracts.....	40
County Employment.....	10	Special Obligation Bonds.....	41
Pension and Retirement System.....	10	Bonded Indebtedness of Incorporated Municipalities.....	41
Other Post-Employment Benefits.....	11	Direct and Underlying Debt.....	42
Insurance.....	12	Debt Service Requirements on County Debt.....	43
Certain Services and Responsibilities.....	12	Capital Requirements.....	46
III. ECONOMIC AND DEMOGRAPHIC INFORMATION		VI. MISCELLANEOUS	
Economic Development Commission.....	18	Litigation.....	47
Economic Development.....	19	Ratings.....	47
Foreign Trade Zone.....	21	Continuing Disclosure Undertaking.....	47
Utilities, Transportation, and Communication.....	21	Sale at Competitive Bidding.....	47
Demographic Information.....	22	Legal Matters.....	47
Population.....	22	Independent Auditors.....	48
Income.....	22	Financial Advisor.....	48
Area Labor Supply.....	23		
Employment.....	23	Appendix A - General Purpose Financial Statements.....	A
Unemployment Rate.....	24	Appendix B - Proposed Forms of Opinions of Bond Counsel.....	B
Construction Activity.....	24	Appendix C - Notice of Sale	C
Housing Starts.....	24	Appendix D - Form of Continuing Disclosure Agreement.....	D
Agriculture.....	25		

I. The Bonds

Introduction

The purpose of this Official Statement, including the cover page and appendices, is to provide information for prospective purchasers and others regarding County Commissioners of Washington County (the “County”) and its \$14,170,000 Public Improvement Bonds of 2011 (the “Bonds”).

All estimates and assumptions herein have been based upon information believed to be reliable and correct; however, statements made involving estimates and assumptions, whether or not expressly so stated, are intended merely as such and not as representations of facts. Figures herein relating to tax collections, assessed value of property and the financial position of the County have been taken from official records of the County.

The County has provided the material and information contained in this Official Statement and has authorized the execution and distribution of this Official Statement.

Any questions concerning this Official Statement or the Bonds should be addressed to the Director of the Office of Budget and Finance (the “Finance Director”), Washington County Administration Building, 100 West Washington Street, Room 304, Hagerstown, Maryland 21740; telephone: (240) 313-2300.

Description of Bonds

The Bonds will be dated the date of their delivery. The Bonds will be issued in the principal amounts and will mature on the dates in each of the years and in the amounts set forth on the cover page hereof. The Bonds will be legally binding general obligations of the County to the payment of which the full faith and credit and unlimited taxing power of the County are pledged. (See “THE BONDS—Sources of Payment” herein.)

Interest on each series of the Bonds, calculated on the basis of a 30-day month/360-day year factor, will be payable at the interest rates specified on the cover page of this Official Statement on January 1, 2012, and semiannually thereafter on the first day of July and January of each year until the date of maturity unless redeemed prior to that date. Interest payments will be made to the persons who are registered owners of record as of the 15th day of the month next preceding each such interest payment date. Each Bond shall bear interest from the most recent date to which interest has been paid or, if no interest has been paid, from its date of delivery.

The Bonds will be issued in fully-registered form without coupons, in denominations of \$5,000 and integral multiples thereof. The Bonds initially will be issued in book-entry form without any physical distribution of certificates made to the public. The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Bonds and the Bonds will be registered in the name of DTC’s partnership nominee, Cede & Co. (See “THE BONDS—DTC and Book-Entry Only System” herein).

So long as the Bonds are maintained in book-entry form, payments of principal of and interest on the Bonds will be made as described below under “DTC and Book-Entry Only System.” At any other time the principal amount of the Bonds will be payable at the designated corporate trust office of Manufacturers and Traders Trust Company (the “Bond Registrar and Paying Agent”).

Interest on the Bonds will be payable by check of the Bond Registrar and Paying Agent mailed to the registered owners thereof. The principal of and interest on the Bonds will be paid in lawful money of the United States of America in the manner and at the places hereinabove described.

So long as the Bonds are maintained in book-entry form, transfers of ownership interests will be made as described below under “DTC and Book-Entry Only System.” At any other time, any Bond may be exchanged for a Bond or Bonds in authorized denominations of \$5,000 or integral multiples thereof in aggregate principal amount equal to the principal amount of the Bond transferred or exchanged and maturing on the same date and bearing interest at the same rate. The transfer of any Bond may be registered upon presentation and surrender of such Bond at the office of the Bond Registrar and Paying Agent, together with a written instrument of transfer duly executed by the registered owner or his attorney or legal representative. The Bond Registrar and Paying Agent may require the person requesting any such exchange or transfer to reimburse it for any tax, fee or other governmental charge, shipping charges and insurance payable in connection therewith.

DTC and Book-Entry Only System

Initially, DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (as DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard and Poor's highest rating: AAA. The Rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfer of ownership interests in the Bonds are to be accomplished by entries made on the books of the Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive physical certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry only system is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, payments of the principal of, redemption premium, if any, and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Bond Registrar and Paying Agent on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant, and not of DTC, the Bond Registrar and Paying Agent or the County, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Bond Registrar and Paying Agent; disbursement of such payments to Direct Participants will be the responsibility of DTC; and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository for the Bonds at any time by giving reasonable notice to the County or the Bond Registrar and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository) for the Bonds. In that event Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

Book-Entry Only System - Miscellaneous

THE COUNTY AND THE BOND REGISTRAR AND PAYING AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OF THE BONDS WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT OF ANY AMOUNT DUE TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BONDS TO BE GIVEN TO BOND OWNERS; (5) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

In the event the County determines to discontinue a book-entry only system of registration of the Bonds, payments of interest, principal and redemption price and transfer and exchange of the Bonds will be made as described above under "THE BONDS—Description of Bonds".

Authorization

The Bonds are issued pursuant to the authority of Chapter 392 of the Laws of Maryland of 2007 ("Chapter 392"), and in accordance with a resolution adopted by the Board of County Commissioners of Washington County (the "Board") on April 19, 2011, as supplemented (the "Resolution"), copies of which are available at the office of the Finance Director. Chapter 392 is hereafter referred to as the "Act".

Application of Proceeds

Proceeds of the Bonds less any premium paid by the successful bidder therefor will be applied to costs of the following projects:

Use	Amount
Infrastructure Projects	\$ 10,694,200
Environmental Projects	3,220,100
Public Facilities	155,700
Issuance Costs	100,000
	<u>\$14,170,000</u>

Redemption

Optional Redemption

The Bonds that mature on or before July 1, 2021, are not subject to redemption at the option of the County prior to their maturities. The Bonds that mature on or after July 1, 2022, are subject to redemption at the option of the County as a whole or in part at any time on or after July 1, 2021, in any order directed by the County, at a redemption price of the principal amount of the Bonds (or portions thereof) to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium or penalty.

Selection of Bonds for Redemption; Notice of Redemption

If less than all of the Bonds of any one maturity shall be called for optional redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected by the Bond Registrar and Paying Agent in such manner as in its discretion it shall determine; provided that, so long as the Bonds are maintained in book-entry form, the selection of individual ownership interests in the Bonds to be credited with such partial redemption shall be made by DTC in accordance with DTC's then existing procedures.

If all or a portion of the Bonds outstanding are to be redeemed, the County shall give a redemption notice by first class mail, postage prepaid, at least 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed in whole or in part at the address of such registered owner appearing on the Bond Register maintained by the Bond Registrar and Paying Agent, provided, however, that the failure to mail the redemption notice or any defect in the notice so mailed shall not affect the validity of the redemption proceedings. The County may, but shall not be obligated to, also publish such notice of redemption at least once not less than thirty (30) days prior to the date fixed for redemption in a newspaper circulating in the City of Baltimore, Maryland, and also in a financial journal or daily newspaper of general circulation in the City of New York, New York. The redemption notice shall state (i) whether the Bonds are to be redeemed in whole or in part and, if in part, the maturities and numbers of the Bonds to be redeemed, (ii) in the case of a partial redemption of any Bond, the portion of the principal amount which is to be redeemed, (iii) that the interest on the Bonds to be redeemed shall cease on the date fixed for redemption, (iv) the date fixed for redemption and the redemption price, (v) the address of the Bond Registrar and Paying Agent with a contact person and phone number, and (vi) that the Bonds to be redeemed shall be presented for redemption and payment on the date fixed for redemption at the designated corporate trust office of the Bond Registrar and Paying Agent. Any such notice may be conditioned upon receipt by the Bond Registrar and Paying Agent of sufficient funds to effect such redemption.

From and after the date fixed for redemption, if notice has been duly and properly given and if funds sufficient for payment of the redemption price plus accrued interest thereon to the date fixed for redemption are held by the Bond Registrar and Paying Agent on such date, the Bonds so called for redemption shall become due and payable at the redemption price provided for redemption of such Bonds on such date, interest on such Bonds shall cease to accrue and the registered owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof plus accrued interest thereon to the date fixed for redemption from the monies so held by the Bond Registrar and Paying Agent. Upon presentation and surrender for redemption in compliance with the redemption notice, the Bonds to be redeemed shall be paid by the Bond Registrar and Paying Agent at the redemption price plus accrued interest thereon to the date fixed for redemption. If Bonds so called for redemption are not paid upon presentation and surrender, the Bonds designated for redemption shall continue to bear interest at the rates stated therein until paid.

Sources of Payment

The Act provides that the Bonds constitute an irrevocable pledge of the full faith and credit and unlimited taxing power of the County to the payment of the maturing principal of and interest on the Bonds as and when they become payable. The Act further provides, and the County has covenanted in the Resolution, that in each and every fiscal year that any of the Bonds are outstanding, the County shall levy or cause to be levied ad valorem taxes upon all assessable property within the corporate limits of Washington County in rate and amount sufficient to provide for or assure the payment, when due, of the principal of and interest on all Bonds maturing in each such fiscal year and, if the proceeds from the taxes so levied in such fiscal year prove inadequate for such payment, additional taxes shall be levied in the succeeding fiscal year to make up any deficiency.

Bondholders' Remedies

It is the opinion of Funk & Bolton, P.A., Baltimore, Maryland, Bond Counsel, that the County may be sued in the event that it fails to perform its obligations under the Bonds and the Resolution to the registered owners and that any judgments resulting from such suits would be enforceable against the County. Nevertheless, a registered owner of a Bond who has obtained any such judgment may be required to seek additional relief to compel the County to assess, levy and collect such taxes as may be necessary to provide the funds from which such judgment may be paid. Although there is no Maryland law with respect to this issue, it is the opinion of Bond Counsel that the appropriate courts of Maryland have jurisdiction to entertain proceedings and power to grant additional relief, such as a mandatory injunction, if necessary, to enforce the levy and collection of such taxes and payment of the proceeds thereof to the holders of general obligation bonds, *pari passu*, subject to the inherent constitutional limitations referred to below.

It is also the opinion of Bond Counsel that, while remedies would be available to the registered owners of the Bonds and while the Bonds are entitled to constitutional protection against the impairment of the obligation of contracts, such constitutional protection and the enforcement of such remedies would not be absolute.

Enforcement of a claim for payment of the principal of or interest on the Bonds could be made subject to the provisions of Federal bankruptcy laws or of any statutes that may hereafter be constitutionally enacted by the United States Congress or the Maryland General Assembly extending the time for payment or imposing other constraints upon enforcement.

Tax Matters

State of Maryland and Local Income Tax

In the opinion of Funk & Bolton, P. A., Bond Counsel, under existing law, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom in the hands of the holders thereof from time to time (including any profit made in the sale thereof) shall be and are declared to be at all times exempt from State of Maryland, county, municipal, or other taxation of every kind and nature whatsoever within the State, but no opinion is expressed as to Maryland estate or inheritance taxes or any other Maryland taxes not levied directly on the Bonds, their transfer or the income therefrom.

Interest on the Bonds may be subject to state or local income taxes in jurisdictions other than the State of Maryland under applicable state or local tax laws. Prospective purchasers of the Bonds should consult their tax advisors regarding the taxable status of the Bonds in a particular state or local jurisdiction other than the State of Maryland.

Federal Income Tax

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations and decisions as enacted and construed on the date of initial delivery of the Bonds, assuming the accuracy of certain certifications of the County and continuing compliance with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds is not a tax preference item directly subject to the alternative minimum tax imposed on individuals, corporations or other taxpayers pursuant to the Code; however, interest on the Bonds held by certain corporations may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder. Interest on the Bonds may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States of America.

Bond Counsel's opinion will be given in reliance on certifications, covenants and agreements by representatives of the County as to certain facts material to both the opinion and the requirements of the Code. The County will covenant and agree to

comply with the provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds, the use of the Bond-financed projects and the timely payment to the United States of America of any arbitrage rebate amounts with respect to the Bonds or payments in lieu thereof. Bond Counsel assumes no responsibility for, and will not monitor, compliance with the covenants and agreements of the County. In the event of noncompliance with such covenants and agreements, available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes retroactively to the date of issue.

Ownership of the Bonds may result in other federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty companies, certain recipients of social security or railroad retirement benefits and certain S corporations. Prospective purchasers of the Bonds should consult with their own tax advisors as to any collateral federal income tax consequences.

Certain of the Bonds may be offered and sold at a discount (“original issue discount”) equal generally to the difference between their public offering price and principal amount. For federal income tax purposes, original issue discount on a Bond accrues periodically over the term of the Bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the purchaser’s tax basis in the Bond for determining taxable gain or loss upon disposition (including sale, redemption or payment at maturity). Even though the purchaser’s basis is reduced, no federal income tax deduction is allowed. Purchasers of Bonds at a discount should consult their tax advisors regarding the determination and treatment of original issue discount for federal income tax purposes, and with respect to any state or local tax consequences of owning such Bonds.

Certain of the Bonds may be offered and sold at a purchase price over the stated redemption price of such Bonds at maturity. This excess constitutes premium on such Bonds. For federal income tax purposes, original issue premium is amortizable periodically over a Bond’s term through reductions in the owner’s tax basis for the Bond for determining taxable gain or loss upon disposition (including sale, redemption or payment at maturity). Purchasers of any Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes, and with respect to any state or local tax consequences of owning such Bonds.

The Internal Revenue Service (the “Service”) has a program to audit state and local government obligations to determine whether the interest thereon is includable in gross income for federal income tax purposes. If the Service does audit the Bonds, under current Service procedure, the Service will treat the County as the taxpayer and the owners of the Bonds will have only limited rights, if any, to participate.

The foregoing is only a general summary of certain provisions of the Code as enacted and in effect on the date hereof and does not purport to be complete or to identify all aspects of federal income taxation that may be relevant to a particular purchaser of the Bonds in light of his or its particular circumstances and income tax situation. Prospective purchasers of the Bonds should consult their own tax advisors as to the effects, if any, of the Code in their particular circumstances. Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Bonds.

From time to time, there are legislative proposals in the United States Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal may be enacted or whether, if enacted, it would apply to tax-exempt obligations issued prior to enactment. Each purchaser of the Bonds should consult with his or its own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel will not express any opinion regarding pending or proposed federal tax legislation.

See Appendix B hereto for the proposed form of opinion of Bond Counsel to be delivered upon issuance of the Bonds.

II. Government and Administration

Location

Washington County is situated in northwestern Maryland, bordered by Pennsylvania to the north and West Virginia to the south. It is bordered on the east by Frederick County, Maryland and on the west by Allegany County, Maryland. Washington County is approximately 460 square miles in area. The County Seat, Hagerstown, is 70 miles northwest of Washington, D.C. and 72 miles west of Baltimore, Maryland. Two major highways, Interstate 81 – running north and south, and Interstate 70 – running east and west, cross within Washington County’s borders.

The major part of Washington County is fertile valley with rolling terrain. The lowland belt known as the Hagerstown Valley lies between the Blue Ridge Mountains to the east and the Appalachian Highlands to the west.

Form of Government

The County is a body corporate and politic, which performs all local governmental functions in Washington County except those performed by the nine incorporated municipalities within Washington County. The executive offices of the County are located at 100 West Washington Street, Hagerstown, Maryland 21740. The County’s central telephone number is (240) 313-2210.

Under the Code of the Public Local Laws of Washington County (1991 Edition), as amended, being Article 22 of the Code of Public Local Laws of Maryland (the “County Code”), both the executive and legislative functions of the County are vested in the elected, five-member Board of County Commissioners of Washington County (the “Board”). The Board may only exercise such powers as are conferred upon it by the General Assembly of Maryland, including authorization to issue debt to finance its capital projects. County Commissioners are elected on a countywide basis and serve four-year terms.

Each member of the Board has one vote and a simple majority of the Board is sufficient to take action subject to the authority vested in the Board by the County Code. Emergency action also requires a simple majority vote. The Board elects its own officers. The General Assembly of Maryland must authorize powers not specifically authorized by the County Code.

As authorized by the County Code, the Board appoints a County Administrator. The County Administrator is selected on the basis of his or her executive and administrative abilities, including his or her knowledge and experience in public administration. The County Administrator is responsible for the proper administration of the Board’s affairs. He is charged with the supervision of the departments and agencies of the County, and is responsible for the day-to-day operations of the County government in conformity with public local laws and other laws applying to the County.

County financial matters are administered in part through the office of the Treasurer of Washington County. The County Code establishes the elective office of County Treasurer. The County Treasurer is constituted the collector of County and State taxes, charges and assessments and is charged with the enforcement of collection of taxes in the manner provided by law.

As authorized by the County Code, the Board appoints a Director of the Office of Budget and Finance (the “Finance Director”). The Finance Director is appointed on the basis of his or her experience in financial administration. The Finance Director is charged with assisting the Board in the preparation and administration of the County budgets and other accounting and fiscal matters as the Board deems necessary. In addition, the Finance Director is responsible for the study of the organization, methods and procedures of each office, department, board, commission, institution, and agency of County government.

Legislative and Administrative Officials***Board of County Commissioners***

TERRY L. BAKER, a second-term County Commissioner, was first elected in 2006, and serves as President of the Board of County Commissioners. He is a 1973 graduate of Williamsport High School, a 1975 graduate of Hagerstown Community College and a 1978 graduate of Auburn University, with a Bachelor's degree in Education. Mr. Baker is employed as a trade's instructor (carpentry) at the Washington County Technical High School. Prior to being elected a County Commissioner he served from 2002 to 2004 as a member of the Council for the municipality of Clear Spring and as Assistant Mayor for such municipality from 2004 to 2006.

JOHN F. BARR, a second-term County Commissioner, was first elected in 2006 and serves as Vice-President of the Board of County Commissioners. He was raised in Boonsboro, Maryland and is a Master Electrician in five states. In high school, Mr. Barr worked for his father as a field electrician at M/L Electric, Inc., which began in 1927. In 1979 he formed the management team overseeing the service department. In 1984 Mr. Barr bought the company from his father and changed the name to Ellsworth Electric, Inc. He has built the company from 75 to 150 employees. Mr. Barr is active in various service organizations and community projects.

RUTH ANNE CALLAHAM, a first-term Commissioner, has lived in Washington County since 1977. Retiring in 2003 from the federal government after 23 years of service, she joined Food Resources, a local non-profit, as Executive Director. Ms. Callaham was elected to serve on the Washington County Board of Education (2006-2010), and was appointed to the Board of Commissioners of the Housing Authority of Washington County (1999-2004), and to the Washington County Commission for Women (2007-2010). She holds a Bachelor of Science degree from Texas State University and a Master of Business Administration degree from Mount St. Mary's University.

JEFFREY A. "JEFF" CLINE, a first-term Commissioner, is a Williamsport resident. Mr. Cline is a graduate of Williamsport High School and Hagerstown Community College, and is currently seeking a Bachelor of Science degree in Organizational Leadership from Mountain State University. He has been a realtor since 2003 and is employed by Roger Fairbourn Real Estate. He graduated from the Maryland Association of Realtors' 2008 Leadership Academy and received the Graduate of Realtor Institute (GRI) designation. Mr. Cline served on the Williamsport Town Council (2005-2009), and is an affiliate member of the Williamsport Lions Club.

WILLIAM B. "BILL" MCKINLEY, a first-term County Commissioner, was an educator in Washington County Public Schools for 36 years, retiring in 2002 as Executive Director of Support Service. He has served as President of Saint Maria Goretti High School and Chairman of the Washington County Gaming Commission. He is a member of the Williamsport Lions Club and President of the Hagerstown Community College Hawk Booster Club.

County Treasurer

TODD L. HERSHEY, County Treasurer, was first elected to his position in November 1986. He holds a Bachelor of Science degree, majoring in Sociology, from Guilford College and a Master of Science degree in Management and Administration from Hood College. He was formerly a commercial banker.

Administrative Officials

GREGORY B. MURRAY, County Administrator, is a summa cum laude graduate with a B.S. degree in Business Administration and is currently enrolled in the Master of Public Administration program at the University of Baltimore, a University System of Maryland college. He is a native of Washington County, a credentialed manager through the International City/County Management Association (ICMA-CM), and was appointed County Administrator on February 27, 2007 after 10 years as the Director of the County's Department of Water Quality. Mr. Murray has 28 years of public administration service and leadership, giving him an extensive knowledge of the County's infrastructure needs, planning and regulatory issues. He is a member of the American Society of Public Administration, the American Public Works Association, the County Engineers Association of Maryland, the American Water Works Association, and the Water Environment Federation as well as numerous advisory boards and commissions. Mr. Murray also holds several environmental licenses for management of public utilities and was appointed by Maryland's Governor as Chair of the Chesapeake Bay Restoration Fund Advisory Committee. He has worked closely with the Environmental Protection Agency, the Maryland Department of the Environment, and the Maryland Department of Planning to help guide policy decisions that improve the quality of available resources in the State.

DEBRA S. MURRAY, C.P.A., Director of the Office of Budget and Finance, holds a B.S. degree in Accounting from Frostburg State University. She was appointed Finance Director in 1995. She served as Assistant Director of the Office of Budget and Finance from 1993 until her appointment as Director. Prior to her employment with Washington County she held the position of audit manager with a regional public accounting firm. She is a member of the American Institute of Certified Public Accountants, the Maryland Association of Certified Public Accountants, the Government Finance Officers Association of the United States and Canada ("GFOA") and the Maryland Government Finance Officers Association.

JOHN M. MARTIRANO, County Attorney, attended West Virginia University and the University of Pittsburgh. He holds a B.A. degree, *cum laude*, from West Virginia University and a J.D. degree from the University of Pittsburgh. He was admitted to the Maryland Bar in 1990 and to the West Virginia Bar in 1994. He was in private practice with Miles & Stockbridge from 1990 to 1993 and with Steptoe & Johnson from 1993 to 1996. He was a Senior Surety Claim Attorney with The St. Paul Companies, Inc. (formerly USF&G) from 1996 to 1999. He was appointed Assistant County Attorney for Washington County, Maryland in 1999 and Deputy County Attorney in 2004. He was appointed County Attorney in 2005. He is active in numerous community organizations and is a member of the American, Maryland and Washington County Bar Associations and the International Municipal Lawyers Association.

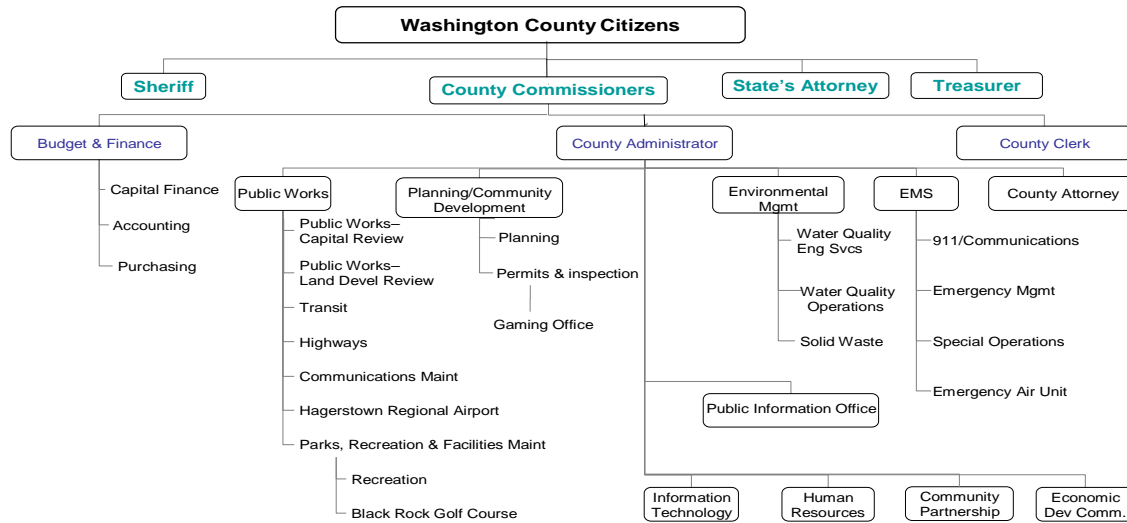
KEVIN L. LEWIS, Director of Emergency Management Services, is a career Paramedic with over 25 years of volunteer firefighting and medic experience. Mr. Lewis was hired by Washington County in August 2006 as Deputy Director of Fire and Emergency Services and was promoted to Director in July 2008. He graduated from Hagerstown Community College ("HCC") as a Radiologic Technologist and is currently enrolled in the management program from HCC and Frostburg State University at the Hagerstown Campus of University of Maryland. Mr. Lewis is also a field instructor at University of Maryland, Maryland Fire and Rescue Institute, teaching fire and emergency medical services courses. Mr. Lewis continues to volunteer with the Williamsport Fire and Emergency Medical Services.

MICHAEL C. THOMPSON, Director of Planning and Community Development, is a graduate of Eisenhower College and holds a B.A. degree in Political Science. He obtained a Master's degree in Public Administration from the University of Georgia. His career spans over 25 years in the planning field in rapidly growing communities, both in Wyoming and Maryland. This experience has included all aspects of planning, from the review of subdivisions to the preparation of master plans. Mr. Thompson was hired by Washington County in May 2004 after spending over 18 years with Frederick County, Maryland having served as Zoning Administrator and Chief of Development Review. He has served on many state committees concerned with various planning issues and served on the Board of Directors of the Maryland Association of Zoning Officials.

JOSEPH KROBOTH, III, P.E., Director of Public Works, is a Professional Land Surveyor, Federal Highway Administration Bridge Inspector, and a certified Fire Protection Specialist. Mr. Kroboth holds an M.B.A. degree from Frostburg State University, a B.S. degree in Civil Engineering from the University of Maryland, College Park and A.A. degrees in Engineering Science and Engineering Technology from Hagerstown Community College. Mr. Kroboth served as Deputy Director of the Department of Public Works until becoming the Director in 2007. He was the Director of the Department of Emergency Services from 2001-2005. He was formerly the assistant city engineer for Hagerstown, Maryland, prior to being hired by the County in 1990 as Assistant Engineer. Mr. Kroboth is a member of numerous professional associations and groups, and past-President of the County Engineers Association of Maryland.

JULIE A. PIPPEL, Director of Environmental Management, is a licensed Water and Wastewater Operator in Maryland and a certified Manager of Landfill Operations with the Solid Waste Association of North America. Ms. Pippel holds an A.A. degree in Ecology and Environmental Technology from Paul Smith College and a B.S. degree in Business Administration from the University of Maryland University College. She is currently pursuing a Master's degree in Public Administration from the University of Baltimore. Ms. Pippel was promoted to the Director position in July of 2007 after 18 years of experience with the Washington County Department of Water Quality. Ms. Pippel is the Chair of the Maryland Upper Potomac Tributary Team, President of the Maryland Association of Municipal Wastewater Authorities, Treasurer of the Stormwater Association of Maryland, and a member of various other professional associations.

Washington County Government Organizational Chart



County Employment

As of June 30, 2010 the County employed 752 full-time permanent employees and 358 part-time permanent employees. The County has a compensation and classification plan, which is complemented by a performance evaluation system. There are 125 employees of the County's Division of Public Works and Division of Emergency Services represented by a collective bargaining agreement that expires on June 30, 2013. The County has not experienced a work stoppage due to labor relation disputes and considers its relationships with employees to be good.

Pension and Retirement System

Employees of the County government are provided retirement benefits through a pension plan (the "Plan"). Participation in the Plan is mandatory and there were 993 participants as of June 30, 2010. All full-time County employees are eligible to participate in the Plan. The Plan also provides death and disability benefits. The employees and the County fund the guaranteed allowance. Non-uniformed participants contribute to the Plan at the rate of 5.5% of their annual salary and uniformed employees contribute 6% of their annual salary.

The County's contribution is comprised of two parts: (i) contribution to cover current service costs and (ii) annual accrued liability contribution to liquidate the County's unfunded accrued liability by June 30, 2029. Contributions for items (i) and (ii) above are based on an assumed investment rate of 7.75% compounded annually. Contributions for items (i) and (ii) are currently funded at 13.40% of total salary expense. Salaries are assumed to increase at an annual rate of 4.0%. Contributions from participants and from the County are pooled to provide the guaranteed allowance for each member.

The following table presents the pension and retirement contributions and unfunded liabilities of the County and certain County agencies for the five most recent fiscal years.

As of July 1	Current Service Costs	Recommended Payment for Unfunded Accrued Liability	Total	Unfunded Accrued Liability
2006	\$2,048,204	\$1,017,330	\$3,065,534	\$12,758,453
2007	2,241,885	898,257	3,140,142	10,457,559
2008	2,503,710	1,755,572	4,259,282	21,850,376
2009	2,517,527	1,768,561	4,286,088	21,298,099
2010	2,872,075	2,062,728	4,934,803	24,036,755

Source: CBIZ Benefits & Insurance Services, Inc.

Other Post-Employment Benefits

The County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement 43, Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans (OPEB) and GASB 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions in fiscal year 2008.

The County's OPEB plan is a single employer defined benefit healthcare plan. The County established a trust for administering the plan assets and paying healthcare costs and death benefits on behalf of the participants.

There is no vesting in the post-employment health benefits and they are subject to change at any time. All employees who retire from the County may participate in the program. In order to be eligible, the retiree must have (i) a minimum of five years of County service, and (ii) immediately preceding retirement, been enrolled in a medical, vision, or prescription drug insurance plan offered to active employees in the County. The retirees pay 50% of the health insurance premium. Retirees are also covered by a death benefit equal to their final annual salary, not to exceed \$100,000. These benefits cease when the retiree attains age 65 or becomes Medicare eligible. As of June 30, 2010, 26 retirees were receiving OPEB benefits and 74 employees were retirement-eligible.

The OPEB plan's funding policy provides for the County to contribute to the trust the actuarially determined annual required contribution (ARC). For the fiscal year ended June 30, 2010, the County contributed \$1,459,100 to the trust and for the fiscal year ending June 30, 2011, it has budgeted \$1,561,700. The County is in its fourth year of a five-year phase-in funding policy. The operating budget for OPEB payments will continue to increase over the phase-in period to the funded ARC level. The required contribution amount and OPEB expense per the most recent Actuarial Valuation Report (provided every two years) as of June 30, 2010 are presented below:

OPEB Information	
Actuarial Unfunded Accrued Liability	\$18,970,739
Amortization of Actuarial Unfunded Accrued Liability	840,395
Normal Cost	726,028
Annual Required Contribution	1,566,423
ARC Funding	1,757,147
Net OPEB Obligation	(34,498)

Source: CBIZ Benefits & Insurance Services, Inc.

Actuarial Factors	
Actuarial valuation date	June 30, 2010
Actuarial cost method	Projected Unit Credit
Amortization method	30 years using level percentage of pay
Asset valuation method	Standard balanced portfolio expectation for plan assets
Actuarial trend assumption	An annual healthcare cost trend of 12% initially, reduced by decrements to an ultimate rate of 5% after three years
Interest assumption	7.75% investment rate of return (net of administrative expenses)
Salary assumption	4% increase

Source: CBIZ Benefits & Insurance Services, Inc.

Insurance

The County maintains commercial insurance for general liability, automobile, excess workers' compensation, law enforcement, public officials' liability, and catastrophic coverage. The County is required to provide unemployment insurance coverage for County employees.

Certain Services and Responsibilities

Education

The Board of Education of Washington County (the "Board of Education") implements all educational policies and programs for public schools in Washington County under the administration of the State Board of Education. The Board of Education, composed of seven members elected for four-year terms, oversees 22,202 students (including 538 in pre-kindergarten), in 46 elementary and secondary schools, which include middle and combined schools. The staff to student ratio in 2009-10 averaged better than one staff member for every 21.5 pupils; the average unrestricted pupil expenditure was \$10,708 for the 2009-10 school year.

The largest General Fund appropriation by the County in its adopted budget for fiscal year 2011 is \$92,315,370 for the Board of Education. The appropriation is for all operating expenditures, including amounts for one-time costs, school health and crossing guards. In addition, the County appropriated \$3,022,700 in its capital budget for fiscal year 2011 for Board of Education projects.

The following table presents the percentage of eighth grade students who attained the advanced proficiency level in the Maryland School Assessment ("MSA") functional tests for selected peer group counties and the State of Maryland for 2010.

MSA Tests	Washington County	Frederick County	Cecil County	Carroll County	Charles County	St. Mary's County	State of Maryland
Mathematics	36.2%	34.5	24.6	37.9	32.1	36.7	29.5
Reading	40.9%	53.6	39.8	56.6	43.0	49.1	44.8

Source: Maryland Board of Education

Washington County's high school graduation rate for the 2009-2010 school year as compared to other selected peer group counties and the State of Maryland is as follows:

Washington County	Frederick County	Cecil County	Carroll County	Charles County	St. Mary's County	State of Maryland
92.48%	94.56	83.91	95.31	89.83	88.83	86.53

Source: Maryland Board of Education

Training/Higher Education

Within a 70-mile radius of the County seat, the City of Hagerstown, there are more than 30 institutions of higher learning. There are numerous opportunities in Washington County for residents to obtain education and training beyond high school level. The following describes certain programs and schools within Washington County.

Training

The *Western Maryland Consortium* provides a wide range of workforce development services for jobseekers and employers. Employer services include referral of applicants, customized training, financial aid for on-the-job training, recruitment, and screening assistance. Services are generally provided at no cost to employers.

The *Maryland Industrial Training Partnership* and the *Partnership for Workforce Quality Program* are funded by the State of Maryland. The staff works directly with businesses, reviewing operational plans, and designs or identifies appropriate training. Companies have complete control over the programs and can modify or extend program design. Matching training grants are available to upgrade skills.

Washington County Technical High School is a two-year public high school that is under the administration of the Board of Education. It offers 32 academic courses and 17 career and technology programs. These programs prepare students for professional/technical careers based on current industry skill standards. Enrollment is open to qualified 11th and 12th grade students, and tuition paying adults.

Barr Construction Institute, an education division of Associated Builders and Contractors, Inc., offers management education and professional industrial, commercial and apprenticeship trade training. Construction and maintenance training is recognized by the U.S. Department of Labor, Bureau of Apprenticeship & Training, and is accredited by the National Center for Construction Education and Research (affiliate of the University of Florida).

Higher Education

Kaplan University-Hagerstown, a private college since 1938, offers four bachelor degrees, 12 associate degrees and three certificate programs in the areas of business, allied health, criminal justice, para-legal studies, graphic design, human services and information technology. Online and traditional, on-ground courses are available. Apartment-style housing is available in an on-campus residence hall.

Hagerstown Community College ("HCC"), founded in 1946, offers more than a hundred programs of study for university transfer or for immediate career preparation, as well as continuing education courses, workforce development, and adult basic education. Associate degrees, certificates and letters of recognition are awarded, including degrees and certificates in Biotechnology and Alternative Energy Technology. HCC's business incubator, the **Technical Innovation Center (TIC)**, is the largest, most comprehensive technology-based business incubator in Western Maryland. It provides space and other services and amenities to entrepreneurs, start-ups, and existing companies. TIC's facilities consist of office space, conference rooms and 4,000 square feet of biotech research labs. The college is building a five-story, 65,000 square foot Science, Technology, Engineering and Math (STEM) center and expanding The Kepler Performing and Visual Arts Center. Construction on the new building is scheduled to be completed by December 2011. Once the new building is complete, renovations to the existing classroom and science buildings will begin, with expected completion by January 2013.

The County appropriated \$9,045,010 in its fiscal year 2011 operating budget for HCC. HCC receives the balance of its funding from student tuition, State grants, and other miscellaneous sources. In addition, the County appropriated \$3,280,800 in its capital budget for fiscal year 2011 for HCC projects.

University System of Maryland at Hagerstown ("USMH") opened in January 2005 and is located in historic downtown Hagerstown. USMH offers more than 20 undergraduate and graduate degree programs from Frostburg State University, University of Maryland University College, University of Maryland, College Park, Towson University, and Salisbury University.

Planning and Zoning

The Washington County Planning Commission was created in 1957. The Planning Commission consists of seven members appointed by the Board and is supported by the County's Planning Department with a staff of 16. One of the primary responsibilities of the Commission is the Comprehensive Plan (the "Plan") for the County. The Planning Commission first recommended the adoption of the Plan for Washington County in 1971. Major updates to the Plan were completed in 1981 and in 2002. The adoption of the updated Plan in August 2002 was the culmination of a multi-year effort.

In 1973, a Zoning Ordinance was adopted which provides four classifications for industrial development: (i) "Industrial General" which encompasses heavy manufacturing plants requiring extensive transportation, water and sewerage facilities; (ii) "Industrial Restricted" which encompasses light manufacturing such as processing or assembly or previously processed materials; (iii) "Planned Industrial" which encompasses the planned development of industrial park locations; and (iv) "Airport" which is a heavy industrial type classification with height limitations located around the Hagerstown Regional Airport. In addition, in October 2002 the Board adopted a new zoning classification, "Office, Research and Technology", which is geared toward the development of corporate offices, research facilities, and high-tech communication land uses. The zoning regulations as well as the 2009 edition of the International Building Code administered by the Department of Permits and Inspections govern the development of these areas.

The Planning Department is continuing to work on updates to the Subdivision Ordinance and the Zoning Ordinance as they relate to development within Washington County. In keeping with the recommendations of the 2002 Comprehensive Plan, major revisions were made in July 2005 to the zoning regulations that related to the rural areas of Washington County. At present, the same type of effort is underway for areas located within designated urban and town growth areas. A similar effort is underway for the urban areas of the County. In an effort to coordinate development and infrastructure needs, staff is continuing to review the Adequate Public Facilities and Excise Tax Ordinances for possible improvement.

The Water and Sewerage Plan, the Solid Waste Plan and the Recreation and Land Preservation Plan are other plans prepared and administered by the Planning Department to assist in the development of the County in an orderly fashion. The State of Maryland requires the County to update each of these plans, as well as the Plan, at regular intervals.

Land use control and planning within the County's nine incorporated municipalities is under the jurisdiction of the municipalities. Each of the municipalities has adopted its own zoning and land development regulations.

Hospital and Medical Care

Meritus Health, located in Hagerstown, Maryland, is the largest healthcare provider in Western Maryland. Its programs span the continuum of healthcare, ranging from inpatient care to occupational health services to physician practices and outpatient care. The system delivers patient care through two primary components, Meritus Medical Center (formerly Washington County Hospital) and Meritus Enterprises (formerly Antietam Health Services).

Meritus Medical Center is a new 278-bed acute care hospital that opened in 2010. Services include a special care nursery, a level III trauma program, a primary stroke center, a wound center, a center for bariatric surgery, as well as a cardiac diagnostic laboratory. State-of-the-art medical technologies at Meritus Medical Center include advanced 3T magnetic resonance imaging (MRI), single-photo-emission computed tomography (SPECT) scanners, and cardiac interventions. Hospital services that address outpatient needs include the John R. Marsh Cancer Center, Total Rehab Care, and the Center for Clinical Research. The hospital is conveniently located adjacent to Robinwood Professional Center, a medical mall operated by Meritus Enterprises. Robinwood houses a pharmacy, medical laboratory, an urgent care clinic, surgery center, and diagnostic imaging services. In addition, there are numerous physician practices, offering a wide variety of medical specialties.

Meritus Enterprises is a leading provider in ambulatory healthcare services in the tri-state region and includes a number of businesses and medical practices. It maintains three urgent care clinics. Meritus Enterprises also manages Robinwood Professional Center and provides durable medical equipment, ambulance transport, retail pharmacy, and child care services. It continually evaluates the healthcare needs of the community and plans ways to best meet these needs. Additionally, Meritus Enterprises operates Health@Work, a comprehensive occupational health service for employers and employees.

The Washington County Health Department, which provides various health services to the citizens of Washington County, is budgeted to receive a total of \$5,874,850 in fiscal year 2011 from the County, including \$3,485,850 for its school health program. Along with the main headquarters, it has staff and programs based at eight other sites and 46 schools. The Health Department employs a total of 290 full-time and part-time personnel in six divisions.

The Environmental Health Division of the Health Department engages in food inspection, sanitation and water testing, rabies control, air quality investigation, outbreak investigation and other programs. The Nursing Division is responsible for maternal and child health programs, school health services, school-based health centers, communicable disease surveillance and control, tuberculosis control, refugee and migrant health services, reproductive health services, STD screening and treatment, HIV and AIDS services, immunizations, Maryland Children's Health Insurance Program, cancer screening, vision screening, and other programs. The Office of Health Policy and Planning coordinates planning for the agency, provides oversight for public health emergency preparedness planning, and ensures that all Health Department staff are prepared to respond to a natural disaster, man-made event, or public emergency affecting the health of the residents of Washington County and the general population. The Health Services/Public Information Division provides community outreach programs, nutrition services including the federally funded WIC program, dental services, tobacco cessation classes, geriatric evaluation services, hearing screening, relay of public information and other services. The Division of Behavioral Health Services provides a comprehensive system of care, including prevention, intervention, referral and treatment services for substance use and mental health disorders in a variety of settings as well as limited adult outpatient health services. The Administration Division provides management support for all programs.

The George W. Comstock Center for Public Health Research and Prevention is a facility of the Johns Hopkins Bloomberg School of Public Health and was established in 1962 as a joint enterprise of the Maryland Department of Health and Mental Hygiene and the Washington County Health Department. The center has expertise and capacity in the conduct of large community health surveys, as well as a close working relationship with the County Health Department. Funding, sponsored through research grants by the National Institute of Health as well as private foundations, supports 20 to 30 staff members in the Comstock Center. Research includes heart disease surveillance and epidemiology of cancer, heart disease, lung disease, diabetes, sleep and other conditions. Prevention research results are disseminated nationally and internationally primarily through numerous journal publications.

There are nine privately owned licensed nursing homes with more than 1,023 beds and one State-owned licensed nursing home with 63 beds in Washington County. In addition there are 26 privately owned senior-assisted living facilities with a total of 705 beds. Other medical facilities include the Western Maryland Center, a 123 bed State-owned, chronic care facility, and the Brook Lane Psychiatric Center, a privately-owned psychiatric facility. None of these facilities receives funds from the County.

Safety

Law Enforcement

The Washington County Sheriff's Office, the Maryland State Police, and municipal police services provide police protection in Washington County. The Sheriff's Office has 95 sworn personnel and 92 radio-dispatched vehicles. The Sheriff's Office is responsible for the operation of the Detention Center, which has a capacity of 405 inmates. The State Police has 39 troopers assigned to the local barrack, which is located just south of Hagerstown. The Hagerstown Police Department has a full-time force of 103 officers. In addition, the Hancock Police Department, the Smithsburg Police Department, and the Boonsboro Police Department each employ four police officers in their respective departments.

Fire and Rescue

Fire and rescue protection is coordinated through the County's Division of Emergency Services ("DES"). The Division oversees the Emergency Communication/911 Center, Emergency Management, Fire Department Special Operations, Fire Department Support Services, and the Emergency Medical Services Operations Program. The Division is led by a full-time career Director and a full-time Deputy Director and together they oversee a staff of 55 full-time or part-time employees and approximately 40 volunteers. Working collaboratively with the Washington County Volunteer Fire and Rescue Association ("WCVFRA"), DES coordinates the services provided by 14 volunteer fire companies and eight volunteer ambulance companies throughout Washington County. All volunteer companies belong to the WCVFRA. The association has approximately 700 volunteers who provide a combination of firefighting, rescue, and administrative services to the community. Several volunteer companies have hired career personnel to supplement the volunteer staff during times of low volunteer availability.

Fire protection within the City of Hagerstown is provided by a combination career and volunteer fire department. The department includes six stations with five engines and two ladder trucks. The department is led by a career Fire Chief, Training/Safety Officer, Fire Marshall, two Assistant Fire Marshalls, Public Education Officer and six Shift Commanders. The department has 84 full-time career firefighters and 43 trained volunteer firefighters.

Emergency Management

Emergency management activities include mitigation, planning, response and recovery from natural and technical disasters. Washington County has a Local Emergency Planning Committee, overseen by the DES that coordinates disaster planning, conducts drills to exercise the County Emergency Operations Plan, and oversees a community outreach program consisting of home chemical safety training, citizen preparedness, and pertinent educational programs.

Emergency Communications Center

Consolidation of the personnel of the fire, emergency medical services, and law enforcement dispatch centers took place in July 2009 and all personnel physically moved into one Emergency Communications Center in January 2010. Throughout 2010, new, state-of-the-art, interoperable communication systems were implemented.

The new Emergency Communications Center is the first in Maryland combining city, county and state 911 and non-emergency calls into one central dispatch location. The improved call center and new digital radio system enables first responders to communicate in a safe, seamless and compatible way, enhancing their ability to respond to emergencies and save lives. The improved call center also integrates Hagerstown's and Washington County's non-emergency responders, allowing them to serve the community quickly and efficiently.

Environmental Management

The Division of Environmental Management ("DEM"), which includes the Department of Water Quality, the Environmental Engineering Department, and the Solid Waste Department, was created in fiscal year 2007. The State and Federal environmental initiatives as they pertain to water, wastewater, solid waste and nutrients are all jointly related. DEM is responsible for integrating the regulations and applying them to the operations of these departments.

Solid Waste

The Washington County Solid Waste Department is responsible for a solid waste disposal system that protects the environment and public health. The opening of the 40 West Landfill in 2000 assures the County will meet its estimated disposal needs until 2050. The Department operates five solid waste convenience centers and numerous residential recycling drop sites that are strategically located throughout Washington County. Supporting and strengthening individual and community self-reliance and responsibility in the areas of waste reduction, recycling, and proper disposal of solid waste is the mission of the Solid Waste Department. The Department operated as a special revenue fund until fiscal year 2002, when it was reclassified as an enterprise fund.

Water Supply and Wastewater Facilities

The County has a master water and wastewater plan, which assigns service priority designations for all areas within Washington County. These designations range from "No Planned Service" to "Existing and Under Construction". The plan serves as a guide for the orderly development and expansion of water and wastewater facilities, both within Washington County and in those incorporated municipalities owning and operating their own systems, requiring the County or incorporated municipality to obtain a proper service designation before constructing or expanding water or wastewater services.

The County is authorized to provide public water and wastewater service to areas outside the incorporated municipalities and may provide service within the municipal corporations of Washington County with the consent of the municipality. The County currently provides water and/or wastewater services to nearly all of the immediate densely populated area surrounding the City of Hagerstown (except the Dual Highway corridor), the areas of Highfield, Elk Ridge, Sandy Hook, and the towns of Sharpsburg and Smithsburg. The incorporated municipalities of Hagerstown, Boonsboro, Clear Spring, Funkstown, Hancock, Keedysville, Smithsburg and Williamsport all own their water/wastewater facilities, or portions thereof. In addition to providing the wastewater service described above, the County operates the water and wastewater systems for the town of Clear Spring, and provides operational assistance to the Town of Williamsport.

Five treatment plants serve the water system with an aggregate capacity of 419,000 gallons per day, with individual plant capacities from 4,000 to 230,000 gallons per day. The wastewater system is served by five treatment plants with an aggregate capacity of 5,393,000 gallons per day, with individual plant capacities from 21,000 to 4.1 million gallons per day. The County completed the upgrade of the Conococheague Treatment Plant for the biological nutrient removal process in November 2001. The County is in the process of upgrading its wastewater facilities to comply with the State's enhanced

nutrient removal strategy.

Usage of water and wastewater systems is measured in Number of Services and Number of Equivalent Dwelling Units (“EDUs”). Number of Services refers to the number of actual connections and EDU is a unit of measure, which equates the consumption, or flow of commercial or industrial connections, to the average flow of a residential dwelling unit.

The County bills its customers quarterly except for those for which wastewater treatment service is provided by the City of Hagerstown, in which case the County’s charges are billed and collected on its behalf by the City of Hagerstown. The following table shows the total Number of Services and EDUs of the County’s water and wastewater systems and the annual residential user rates effective July 1, 2010. For customers receiving County collection services only, treatment is provided by the City of Hagerstown.

WATER SYSTEM

	No. of Services	No. of EDUs	Residential Annual (Avg) User Rate
Full Service.....	<u>1,347</u>	<u>1,535</u>	\$548.00

WASTEWATER SYSTEM

	No. of Services	No. of EDUs	Residential Annual (Avg) User Rate
Full Service	6,737	10,242	\$504.40
Collection Service Only	3,485	4,452	\$200.00
Wholesale	<u>5</u>	<u>3,712</u>	
Total.....	<u>10,227</u>	<u>18,406</u>	

Source: Washington County Department of Budget and Finance

The County provides wastewater “treatment only” services to its wholesale customers, which are the towns of Williamsport and Smithsburg, the Conococheague Pretreatment Facility (the “Pretreatment Facility”), Fort Ritchie and the City of Hagerstown. The only major wastewater treatment facility for public use in Washington County other than those operated by the County is the Hagerstown Wastewater Treatment Plant, owned and operated by the City of Hagerstown, which has a capacity of 10.5 million gallons per day (“mgd”).

The Pretreatment Facility serves all of Washington County by providing pretreatment of non-hazardous industrial wastewater, landfill leachate and metals-bearing waste streams, and has a capacity of 125,000 gallons per day (current average usage is 50,000 gallons per day). The Pretreatment Facility was privatized in 2006 through a long-term lease to a private corporation.

III. Economic and Demographic Information

Economic Development Commission

The Hagerstown-Washington County Economic Development Commission (the “EDC”) is dedicated to expanding economic opportunities for the citizens of Washington County. It works to promote the County as a place of business and improve the overall business climate of the community.

The Board of Directors is comprised of 12 unpaid volunteers and five *ex-officio* members. As representatives of the local business community, the Board of Directors is responsible for evaluating, recommending, and implementing policies affecting the County’s ability to attract, nurture, and sustain employment, and further promote economic growth and change in a managed environment.

The EDC has a staff of six full-time employees to conduct the day-to-day operations of the office, with both the Executive Director and Deputy Director having been awarded the distinction of Certified Economic Community Developer. The staff works to fulfill the strategic priorities that are put in place by the EDC.

Throughout the year the EDC meets with representatives of existing companies in need of assistance. Discussions include appropriate funding programs, enterprise zone benefits, training, and other sources of business support. The EDC has formed strategic partnerships with such organizations as the Maryland Department of Business and Economic Development, the Tri-County Council for Western Maryland, the Small Business Development Center, the Western Maryland Consortium, and the Maryland One Stop Job Center in order to better serve the needs of businesses in Washington County.

The EDC distributes the following publications to promote economic development by providing current, relevant information to the business community: Available Buildings and Sites Lists, Business & Industry Directory, Business Development Guide, Economic Data Summary, Annual Report and “Crossroads” – an EDC newsletter issued quarterly to provide general information to more than 1,600 allies and partners to promote economic development in Washington County.

The EDC maintains a web page, www.hagerstownedc.org, an online reference guide for economic development allies, partners, site selection consultants, clients, and the general public. The site includes statistical data on Hagerstown-Washington County’s Community Demographics, Quality of Life, Business Climate, Incentives, Property Search, Site Consultants, Maps, and Recent News. Online publications include the EDC’s **Economic Data Summary**, the **Business and Industry Directory**, and the quarterly newsletter and annual report. Visitors to www.hagerstownedc.org can access a database that highlights available commercial/industrial buildings and sites within Washington County. The database includes each property’s pertinent information and describes its development potential.

The EDC administers the Enterprise Zone Program, identifying eligible businesses that qualify for local real property tax credits and State income tax credits in the City of Hagerstown, the Town of Hancock, and elsewhere in Washington County. For tax year 2010-11, the City of Hagerstown, the Town of Hancock, and the County granted \$275,482, \$1,150, and \$719,823, respectively, in real property tax credits for private capital investment. The State of Maryland is expected to reimburse \$137,741 to the City of Hagerstown, \$548 to the Town of Hancock, and \$359,912 to the County for these credits.

Economic Development

New and Expanding Businesses

In 2010 the County experienced new and expanding businesses highlighted by the creation of more than 785 new jobs, known new investments of approximately \$42.3 million, and more than 528,000 square feet of space either under construction or leased. Many of these achievements are a result of incentive packages provided through partnerships of the County and State to provide training programs, State financing, and Enterprise Zone tax credits. Projects announced in 2010 are noted in the following table:

Hagerstown-Washington County, Maryland -- Significant Business Activity for 2010

Company Name	Business Type	Expected Completion	Project Cost	#New Jobs	Type of Activity
Completed Projects Announced in 2010					
Aquaflow Pump & Supply	Water pump wholesalers	3Q10	\$0.70 MM	10	purchase
Biaera Technologies	Scientific equipment	2Q10	n/a	0	relocation
Courtyard by Marriott	Hotel	3Q10	\$6.8 MM	30	new construction
Ellsworth Electric, Inc.	Electrical construction	2Q10	n/a	13	new jobs
Eduro Networks	Wireless communications	1Q10	\$0.10 MM	17	new jobs
Global Data Consultants, LLC	Computer Systems design	4Q10	n/a	20	lease/new jobs
Hhgregg	Retail Electronics	2Q10	n/a	60	new jobs
Home Depot Direct	Wholesale/retail distributor	2Q10	n/a	50	new jobs
Leitersburg Cinemas	Movie theater	2Q10	n/a	18	new jobs
Packaging Services of MD, Inc.	Paperboard containers	1Q10	\$0.10 MM	0	expansion
The Family Center	High School	3Q10	n/a	0	lease
U.N.I. Urgent Care Center	Urgent Care Facility	3Q10	\$1.86 MM	16	new jobs
V-T Industries	Laminate countertops/doors	1Q11	\$11.0 MM	75	relocation/renovation
Projects Under Development Announced in 2010					
ARC of Washington County	Support for disabled individuals	2Q11	\$1.9 MM	0	purchase
Bergman Eye Center	Ophthalmologist office	3Q11	\$6.6 MM	13	new construction
Capital Women's Care	Professional office building	4Q11	\$8.6 MM	20	new construction
CitiMortgage	Mortgage loan servicing	4Q10	n/a	280	new jobs
HBP, Inc.	Digital and conventional printing	1Q11	\$3.0 MM	20	new jobs/expansion
JLG Industries, Inc.	Equipment manufacturing	1Q11	n/a	140	new jobs/relocation
Pittsburgh Inst. Of Aeronautics (PIA)	Aviation training	1Q11	\$0.6 MM	2	lease
TSO of Maryland	Sawmill & wood preservation	2Q11	\$0.5 MM	0	expansion/paving
Wetsuit Warehouse, Inc.	wetsuits and scuba gear	1Q11	\$0.5 MM	1	purchase
Williamsport Retirement Village	Assisted living facility	n/a	n/a	0	expansion
Totals for Projects Announced in 2010:			\$42.3 MM	785	

Source: Hagerstown-Washington County Economic Development Commission

Business Parks and Sites

Through the EDC, the County promotes the development of both private and non-profit business parks and sites. The County also successfully obtains financing for necessary infrastructure through various State and Federal agencies to support these developments as locations for new and expanding businesses. The County offers prospective businesses a selection of sites in planned industrial/business parks, which include:

<i>Park</i>	<i>Total Acreage</i>	<i>Available Acreage</i>	<i>Ownership</i>
Airport Enterprise Zone:			
Washington County Business Airpark	67	30	County
City of Hagerstown—Washington County Enterprise Zone:			
Valley Business Park	188	125	Private
Other Locations:			
Airport Business Park	39	39	Nonprofit
Friendship Business Park	450	340	Private
Gateway Business Park.....	65	12	Private
Hancock Industrial Park.....	38	38	Town
Hub Business Park.....	80	80	Private
Hunter's Green Business Center.....	631	187	Private
Light Business Park	29	14	Private
Newgate Industrial Park.....	245	20	Nonprofit
Showalter Business Park.....	162	162	Private
Showalter Road Center.....	88	88	Private
Westgate Industrial Complex.....	175	175	Private

Source: Hagerstown-Washington County Economic Development Commission

New Jobs Tax Credit Program

The "New Jobs Tax Credit" is a program initiated by the County in November 2002. The credit was created to help attract companies to the local business community that are involved in a high-tech industry and that offer well-paying jobs. The program provides a six-year tax credit for businesses that either expand or relocate in Washington County and qualify under the program's guidelines. The credit applies to Washington County's real property tax that is imposed on real property owned or leased by the business and on personal property owned by that business.

Enterprise Zones

Approximately 3,600 acres in Washington County are within three State-designated Enterprise Zones. Local and State incentives are available to new or expanding companies in these zones to promote growth of the industrial and commercial base. Qualified businesses can receive local property tax credits for capital investment and State income tax credits for the creation of new jobs. Each Enterprise Zone is approved by the State for a 10 year period.

Foreign Trade Zone

Washington County's Foreign Trade Zone ("FTZ") status was approved by the United States Department of Commerce's Foreign Trade Zone Board on July 3, 2002. More than 1,866 acres from seven different sites throughout Washington County are eligible. The sites are ideally zoned for manufacturing, distribution, and warehousing activities. FTZs have been shown to provide direct benefits to local businesses involved in foreign trade. Through the reduction, elimination, and deferral of tariffs, firms located within Washington County's FTZ are able to be more competitive in international markets.

Utilities, Transportation and Communication

Utilities

Electricity: Potomac Edison, a FirstEnergy Company, serves Washington County with a system of transmission and distribution lines of various voltages connected to its generating stations. The City of Hagerstown distributes electricity to many parts of the City.

Telecommunications: State-of-the-art communications infrastructure, including digital, fiber optic, wireless data, and cellular technologies are provided via public and private local and regional vendors. AT&T, Sprint, T-Mobile, and Verizon operate within Washington County.

Natural Gas: Columbia Gas of Maryland serves the area with natural gas. Propane is also readily available.

Transportation

Highways: Washington County is served by Interstate Highways I-81, I-70, and I-68, complemented by U.S. 40 and U.S. 11, and State Routes 60, 64, 65 and 68. These highways put Washington County businesses within a day's drive of one-third of the U.S. population and half of all retail trade. The Baltimore and Washington, D.C. beltways are an hour's drive from central Washington County.

Air: Hagerstown Regional Airport is a Part 139 Facility which provides scheduled commercial service on Cape Air. The airfield also offers fixed base operation services to general aviation, corporate and military aircraft. Over 20 businesses offer clients a variety of aviation services for all types of aircraft. The airport is part of the Washington County Foreign Trade Zone and is located in a County Enterprise Zone. More than 1,100 people are employed at the airport in various aviation-related businesses. In addition, Dulles International, Baltimore/Washington Thurgood Marshall International, and Ronald Reagan Washington National airports are located within 70 miles of Hagerstown.

Rail: CSX Transportation and Norfolk Southern Corporation Railways provide economical shipment anywhere on the Atlantic seaboard. CSX, with a public siding, operates daily trains and connects with other major carriers for long-distance shipping. The Norfolk Southern mainline is just outside of Hagerstown and a CSX interchange with Norfolk Southern is in Hagerstown for nationwide access. In 2011, Norfolk Southern Rail broke ground on a 200 acre intermodal terminal that is scheduled to be operational in spring 2012 in Greencastle, Pennsylvania, immediately adjacent to Washington County. The County is also only 19 miles from CSX's 115 acre intermodal terminal in Chambersburg, Pennsylvania. Daily Amtrak and weekday MARC passenger services are available from Martinsburg, West Virginia (23 miles south of Hagerstown). MARC passenger service from neighboring Frederick County to Washington, D.C. is also available.

Local Transportation: Washington County Commuter provides local bus service throughout Washington County. Greyhound Bus Lines and two bus charters provide service to points outside of Washington County. Local taxi service and auto rental and leasing services are available within Washington County.

Communication

Newspapers: The daily newspaper, The Herald-Mail, has a circulation of 28,945. Two weekly local newspapers, The Hancock News, with a weekly circulation of 2,400, and The Picket News, with a weekly circulation of 15,000, also service Washington County. Several metropolitan newspapers, including the Washington Post and The Baltimore Sun, are available daily to residents.

Television: WHAG provides local news, weather, community information, sports coverage and programming to the tri-state area. Antietam Cable Television and Comcast offer cable and digital television services. Satellite television is available through private vendors.

Internet: There are numerous private vendors providing local dial-up, wireless, and broadband Internet access. The Washington County Free Library provides access to the Internet through SAILOR, the State of Maryland's Online Public Information Network. Information about Washington County, including economic data, can be accessed on the World Wide Web:

www.washco-md.net (Washington County)
 www.hagerstownmd.org (City of Hagerstown)
 www.washcolibrary.org (Washington County Free Library)

Demographic Information

Population

The following table illustrates the population growth of Washington County, the State of Maryland, and the United States from 1970 to 2010.

Population Growth

Year	<u>Washington County</u>		<u>State of Maryland</u>		<u>United States</u>	
	Population	Percent Change	Population	Percent Change	Population	Percent Change
1970	102,829	—	3,924,000	—	203,302,000	—
1980	113,086	9.9	4,216,000	7.4	226,505,000	11.4
1990	121,393	7.3	4,781,468	13.4	249,633,000	10.2
2000	131,923	8.7	5,296,486	10.8	281,421,906	12.7
2010	147,430	11.8	5,773,552	9.0	308,845,538	9.7

Source: Bureau of the Census, U.S. Department of Commerce for 1970, 1980, 1990, 2000 and 2010.

Income

Median household Effective Buying Income ("EBI") in Washington County was estimated at \$42,775 for the year 2010. The median household EBI for Washington County, the State of Maryland and the United States are estimated to be as follows:

Median Household Effective Buying Income

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Washington County	\$42,775	\$41,995	\$42,327	\$43,415	\$40,335
State of Maryland	55,983	54,640	53,914	53,064	50,597
United States	43,252	42,413	42,303	41,792	41,255

Source: Demographics USA®, a publication of ACNielsen Trade Dimensions, Wilton, CT for 2006, 2007 and 2008 data; and Nielsen-Claritas, Inc. for 2009 and 2010 data.

Comparative statistics relating to the distribution of 2010 EBI are presented in the following table:

2010 Distribution of Effective Buying Income

Households By EBI Group	Washington County Percent	State of Maryland Percent	United States Percent
Under \$25,000	25.1	17.3	26.2
\$25,000-74,999	56.6	49.3	52.1
\$75,000-149,999	16.3	27.0	17.7
\$150,000 +	2.0	6.4	4.0

Source: Nielsen-Claritas, Inc.

Area Labor Supply

Washington County has an available civilian labor force of approximately 67,715. In addition, businesses can pull workforce from Allegany and Frederick counties in Maryland; Franklin and Fulton counties in Pennsylvania; and portions of Berkeley, Jefferson and Morgan counties in West Virginia. The civilian labor force for all these counties totals more than 386,713.

Employment

Within Washington County there are approximately 3,500 businesses providing employment opportunities. The following table shows the employment statistics for the 15 largest employers in Washington County, as of January 2011.

Employer	Employment
Washington County Public Schools	2,958
Meritus Health, Inc.....	2,860
State of Maryland.....	2,304
First Data	2,170
Citi.....	2,067
Volvo Powertrain North America.....	1,165
Washington County Government.....	1,149
FedEx Ground	734
Hagerstown Community College.....	695
Bowman Group, LLP (The).....	689
Federal Government.....	642
Staples Distribution Center.....	567
City of Hagerstown	543
Merkle Response Services, Inc.....	541
Unilever Ice Cream.....	442

Source: Hagerstown-Washington County Economic Development Commission

Unemployment Rate

Unemployment in Washington County has averaged 6.9% over the five years 2006 to 2010. The following table indicates the County's average unemployment rate as compared with the State of Maryland for the years 2006 through 2010:

Unemployment Rate – Annual Average

	2010	2009	2008	2007	2006
Washington County	10.3%	9.8%	5.6%	4.5%	4.4%
State of Maryland	7.4%	7.1%	4.3%	3.6%	3.8%

Source: Maryland Department of Labor, Licensing and Regulation
2010 data are not seasonally adjusted.

Construction Activity

Construction activity in Washington County is indicated by the following statistics:

Building Permits (Value in Thousands)

Year Ended Dec. 31	Residential New		Other Permits		Total	
	Number	Value	Number	Value	Number	Value
2010	161	\$ 33,372	1,766	\$ 71,463	1,927	\$104,835
2009	133	27,721	1,881	73,869	2,014	101,590
2008	178	37,040	2,160	344,130 ⁽¹⁾	2,338	381,170
2007	313	73,439	2,655	99,674	2,968	173,113
2006	505	96,849	3,231	101,479	3,736	198,328

Source: Washington County Department of Permits and Inspections

(1) Significant increase due to new hospital valued at \$265M.

Housing Starts

The number of single family housing starts in Washington County for the past five years is listed below:

Year Ended December 31	Single Family (One and Two-Unit Structures)
2010.....	137
2009.....	104
2008.....	104
2007.....	224
2006.....	347

Source: Washington County Department of Permits and Inspections

Multi-family housing starts in the County were nominal during the same periods.

Agriculture

Agriculture is an important part of Washington County's economy. Approximately 114,065 of Washington County's 293,223 acres (39%) are considered farmland by the USDA Agricultural Statistical Service. By far the greatest contributors to agriculture are the livestock and dairy industries. Livestock and dairy products account for approximately 78% of the total farm sales.

Washington County is the heart of the fruit industry in Maryland. Apple and peach growers harvest nearly 1,700 acres annually producing approximately 61% of the State's apple crop and 27% of the State's peach crop each year. Dairy is the principal livestock enterprise. The average number of milk cows is 14,000 head, ranking second in the State. In addition to milk and fruit, the other chief agricultural commodities are beef cattle and cereal grains. Selected agricultural statistics for Washington County for calendar year 2007 are as follows:

Washington County Agriculture Statistics

Number of farms.....	844
Average acres/farm.....	135
Total farm income.....	\$83.7 mil
Livestock income.....	\$63.28 mil
Average income/farm.....	\$99,160

Source: U.S.D.A. Agriculture Census 2007

The U.S.D.A. conducts a census every five years.

IV. Financial Information

Accounting System

The accounts of the County are organized on the basis of funds, each of which is considered a separate fiscal and accounting entity. The financial position and operations of each fund are accounted for with a self-balancing set of accounts, recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Fund Structure

The revenues and receipts of the County are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent. The various funds are identified in the financial statements of the County. The fund types used by the County are Governmental Funds (General, Special Revenue and Capital Projects), Proprietary Funds (Enterprise and Internal Service) and Fiduciary Funds (Trust and Agency). Details of the County's fund structure are set forth in the notes to the financial statements, which are included in Appendix A to this Official Statement.

The County's general fixed assets and general long-term obligations are reported in the applicable governmental or business-type activity columns in the government-wide financial statements.

Basis of Accounting, Measurement Focus, and Financial Statement Presentation

Basis of accounting refers to the time at which revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting policies of the County conform to generally accepted accounting principles as applicable to governments.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements for the General Fund, Special Revenue Fund and Capital Projects Fund are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Accounting Enterprise System

The County utilizes an integrated financial, human resource, and budget enterprise system. This enterprise system has a web-based platform that streamlines workflow, which allows the County to automate numerous processes including real-time reporting. All County departments have access to the system for requisitioning, reporting, and inquiries for information concerning accounts and project status at any time. The system provides an excellent means for control of finances, and allows for efficient use of resources. It also promotes accountability by generating timely reports and allowing budgetary controls for management.

Capital Budget Preparation Software

The County uses a web-based capital budget preparation and monitoring system. It allows all departments and outside agencies to access the system and input their capital budget requests, including funding sources, cost categories and operational costs. The County set up a priority-ranking matrix system within the software. The ranking system is composed of 14 scored and weighted criteria, which is the basis for assigning projects into one of the five priority ranking categories. The ranking system provides management with the information required to make decisions regarding scheduling and funding for each project. The capital budget system provides multiple reporting options and allows for continuous monitoring of activities of existing projects.

Distinguished Budget Presentation Award

The County received the Distinguished Budget Presentation Award for its 2010 Budget Document from the GFOA. The award is given to those entities that satisfy nationally recognized guidelines for effective budget presentation. Those guidelines are designed to assess how well an entity's budget serves as a policy document, a financial plan, an operations guide, and a communication device. The County has received the award for seven consecutive years. The award reflects the commitment of the County to meet the highest standards in governmental budgeting.

Budget Process and Schedule

The County's budgetary practices focus on long-term financial planning to ensure that budget decisions are understood over multiple years and to assess whether program and service levels can be sustained over those years. Practices require the development of organizational goals, policies, and procedures to achieve the goals, and making the allocation of resources available to accomplish the goals.

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 phases of the budget process.

Financial Capacity and Analysis Phase

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

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

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

The County annually undertakes a detailed analysis of its financial position. The County then plots and converts its financial position into certain financial ratios and then examines its performance trend. Most of the financial trend analysis includes peer group median and historical data. Trend indicators are tracked for specific elements of the County's fiscal policies for evaluation.

Debt capacity is evaluated on an annual basis prior to the adoption of the Capital Improvement Budget. The County examines statistical measures to determine debt capacity and creates ratios, which it compares to the ratios of other counties within its peer group, rating agency standards, and Washington County's historical ratios to determine debt affordability.

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

Budget Development Start

The development of the budget starts with notice to departments and agencies that the capital and operating budget programs are ready for input. Instructions for completing the budgets, due dates, and updated information on budgetary numbers, personnel positions, and goals are included with the notification.

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 (the “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 (the “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 among 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 in conjunction with the results of the priority ranking system.

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

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

Review/Modification Phase

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

Adoption Phase

Proposed budgets are voted on by the Board to take to a public hearing to communicate to the general public for all operating and capital funds. Advertisement is disseminated through the local newspaper, handouts, and the County web site. Documents and handouts are prepared for the public.

Public hearings are held on the proposed budgets along with 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 1st.

Start Up

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

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

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

General Fund Revenues and Expenditures

The General Fund's major function is to provide funding for education, public safety, courts, planning, permits, public works, parks and recreation, general operations, and economic development. The major revenue sources to provide these programs and services for the public are: Real and Personal Property Tax, Income Tax and Recordation Tax. The following table indicates the County's General Fund actual revenues and expenditures compared to the final budget for fiscal year 2010 and budgeted revenues and expenditures for fiscal year 2011 and fiscal year 2012 as proposed.

County Commissioners of Washington County				
Budget Comparison General Fund				
Fiscal Years 2010, 2011 and 2012				
	Fiscal Year 2010		Fiscal Year 2011	Fiscal Year 2012
	Final Budget	Actual Amounts	Original Budget ⁽¹⁾	Proposed Budget
REVENUES				
Property Tax				
Real Property Tax.....	\$ 116,552,630	\$ 115,539,880	\$ 112,529,230	\$ 111,560,210
Personal Property Tax.....	13,248,500	13,994,971	13,642,880	13,580,270
Property Tax Interest Income.....	450,000	575,686	510,000	580,000
Other Property Tax.....	535,690	631,110	587,750	670,640
Property Tax Discounts and Credits.....	(1,453,120)	(1,508,795)	(1,461,600)	(1,506,590)
Total Property Taxes.....	\$ 129,333,700	\$ 129,232,852	\$ 125,808,260	\$ 124,884,530
Other Local Taxes				
Income Tax.....	\$ 67,580,000	\$ 57,025,046	\$ 59,580,000	\$ 59,380,000
Admissions and Amusement Tax.....	375,000	369,953	390,000	360,000
Recordation Tax.....	4,550,000	3,933,626	4,550,000	4,550,000
Trailer Tax.....	425,000	446,056	425,000	440,000
Total Other Local Taxes.....	\$ 72,930,000	\$ 61,774,681	\$ 64,945,000	\$ 64,730,000
Other Revenues				
Licenses and Permits.....	\$ 1,490,300	\$ 1,221,484	\$ 1,382,450	\$ 1,331,450
Court Costs and Fines.....	242,370	380,146	240,000	254,000
Charges for Services.....	468,500	389,192	403,440	463,810
Revenues from Use of Property.....	1,526,740	1,096,492	1,443,960	1,058,980
Reimbursed Expenses.....	1,226,240	1,107,127	1,104,250	976,450
Miscellaneous Revenues.....	382,170	317,285	249,830	1,649,220
Grant and Shared Revenues.....	8,406,614	6,387,068	1,571,390	1,493,000
Total Other Revenues.....	\$ 13,742,934	\$ 10,898,794	\$ 6,395,320	\$ 7,226,910
TOTAL REVENUES.....	\$ 216,006,634	\$ 201,906,327	\$ 197,148,580	\$ 196,841,440
EXPENDITURES				
General Government.....	\$ 20,141,553	\$ 18,645,300	\$ 18,693,350	\$ 18,423,500
Public Safety.....	38,639,662	34,105,397	34,270,170	35,372,290
Health.....	2,389,270	2,389,270	2,389,270	2,339,270
Social Services.....	4,024,425	3,026,322	1,732,760	1,440,860
Education.....	102,109,070	102,109,070	101,360,380	101,693,900
Parks, Recreation, and Culture.....	5,554,370	5,394,998	5,417,670	5,273,990
Conservation of Natural Resources.....	625,230	511,966	614,720	595,870
General Operations.....	368,317	418,857	416,950	459,030
Unallocated Employee Insurance and Benefits.....	2,799,340	1,645,861	2,018,310	1,922,480
Intergovernmental.....	25,952,777	20,700,474	17,112,500	15,962,630
Debt Service.....	13,402,620	12,907,724	13,122,500	13,357,620
TOTAL EXPENDITURES.....	\$ 216,006,634	\$ 201,855,239	\$ 197,148,580	\$ 196,841,440
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ 51,088	\$ -	\$ -

Source: Washington County Department of Budget and Finance

(1) Budget revisions are possible until the close of the year June 30, 2011.

The following table indicates the County's General Fund revenues and expenditures for fiscal years 2006 through 2010.

County Commissioners of Washington County					
Statement of Revenues, Expenditures and Changes in Fund Balance					
General Fund					
Year Ended June 30					
	2010	2009	2008	2007	2006
Revenues:					
Taxes, interest and penalties	\$ 191,007,533	\$ 190,257,911	\$ 187,521,785	\$ 180,163,347	\$ 162,593,180
Shared taxes and grants	6,380,438	4,434,273	4,542,025	5,089,712	4,809,246
Licenses and permits	1,221,484	1,478,435	2,037,087	2,093,518	1,736,817
Revenues from use of money and property	1,096,492	3,732,024	7,950,234	7,892,305	5,543,264
Charges for services	389,192	428,735	720,672	744,967	580,146
Other revenue	1,804,558	1,487,826	1,606,602	1,443,695	919,171
Total revenues	\$ 201,899,697	\$ 201,819,204	\$ 204,378,405	\$ 197,427,544	\$ 176,181,824
Expenditures:					
General government	\$ 18,645,300	\$ 18,401,087	\$ 22,195,697	\$ 16,418,550	\$ 15,777,604
Public safety	34,105,397	29,072,606	26,893,371	26,266,988	21,882,781
Health	2,389,270	2,389,270	2,381,770	2,376,869	2,192,664
Social services	3,026,322	2,293,875	2,182,308	1,810,316	1,153,144
Education	102,109,070	99,740,838	96,558,230	93,213,430	90,449,992
Recreation and culture	5,394,998	5,103,958	4,980,043	4,650,784	4,322,750
Conservation of natural resources	511,966	599,285	543,570	434,861	468,085
Intergovernmental	2,026,798	1,945,466	1,860,049	1,600,243	1,420,791
General operations	2,064,718	3,890,730	3,022,990	1,134,853	311,667
Debt service:					
Principal	8,529,813	7,886,698	6,202,564	6,093,931	7,351,311
Interest	4,377,912	4,286,588	3,926,404	3,725,788	3,213,900
Total Expenditures	\$ 183,181,564	\$ 175,610,401	\$ 170,746,996	\$ 157,726,613	\$ 148,544,689
Excess of revenues over expenditures	\$ 18,718,133	\$ 26,208,803	\$ 33,631,409	\$ 39,700,931	\$ 27,637,135
Other financing sources(uses):					
Net bond proceeds	\$ 30,254	\$ 121,053	\$ -	\$ -	\$ -
Proceeds of capital leases	-	-	-	50,000	-
Operating transfers in	6,630	-	66,615	-	-
Operating transfers out	(18,674,313)	(26,104,971)	(32,769,003)	(36,052,427)	(21,615,511)
Total other financing sources(uses)	\$ (18,637,429)	\$ (25,983,918)	\$ (32,702,388)	\$ (36,002,427)	\$ (21,615,511)
Excess of revenues and other sources over					
expenditures and other uses	\$ 80,705	\$ 224,885	\$ 929,021	\$ 3,698,504	\$ 6,021,624
Fund balances at beginning of year	36,718,092	36,493,207	35,564,186	31,865,682	25,844,058
Fund balance at end of year	\$ 36,798,797	\$ 36,718,092	\$ 36,493,207	\$ 35,564,186	\$ 31,865,682
Fund Balance:					
As a percent of revenue	18.2%	18.2%	17.9%	18.0%	18.1%
As a percent of expenditures	20.1%	20.9%	21.4%	22.5%	21.5%
Unreserved and undesignated fund balance:	\$ 261,837	\$ -	\$ -	\$ -	\$ 403,715
As a percent of revenue	0.1%	0.0%	0.0%	0.0%	0.2%
As a percent of expenditures	0.1%	0.0%	0.0%	0.0%	0.3%
Debt Service:	\$ 12,907,725	\$ 12,173,286	\$ 10,128,968	\$ 9,819,719	\$ 10,565,211
As a percent of revenue	6.4%	6.0%	5.0%	5.0%	6.0%
As a percent of expenditures	7.0%	6.9%	5.9%	6.2%	7.1%

Source: Washington County Department of Budget and Finance

Anticipated Results for Fiscal Year 2011

Fiscal year 2011 final results are not available as of the date of this Official Statement. However, based on current review, the County's two largest revenue sources, real estate and income taxes, are holding to slightly above prior year actuals. All expenditures are in-line with the current budget. Overall the financial results for fiscal year 2011 are expected to end on the positive side, with total revenues in excess of total expenditures.

Sources of Tax Revenue

Ad valorem property taxes, the County's largest source of tax revenues, were 64% of total tax revenues in fiscal year 2009 and 68% in fiscal year 2010. During the same period, income tax revenues as a percentage of all tax revenues were 33.4% of the total tax revenues in fiscal year 2009 and 29.9% in fiscal year 2010. The following table presents the County's tax revenues by source for each of the last five fiscal years.

Tax Revenues by Source

Fiscal Year Ended June 30	Total Taxes	Local Property Taxes⁽¹⁾	Local Income Taxes	Other Local Taxes⁽²⁾
2010	\$191,007,533	\$129,232,852	\$57,025,046	\$ 4,749,635
2009	190,257,911	121,717,428	63,540,483	5,506,605
2008	187,521,785	112,455,338	66,257,074	8,809,373
2007	180,163,347	101,968,710	66,488,879	11,705,758
2006	162,367,740	86,392,611	61,857,188	14,117,941

Source: Washington County Department of Budget and Finance

(1) Includes payments in lieu of taxes, additions and abatement, interest on taxes, discounts on taxes and tax credits for the elderly and disabled.

(2) Includes trailer court fees, recordation taxes, admission and amusement taxes and hotel/motel taxes.

Local Property Taxes

Property valuations and assessments are determined by the Maryland State Department of Assessments and Taxation, which maintains local offices in Baltimore City and each county. For State and County real property tax purposes real property is valued at full cash value ("Value"). All property is physically inspected once every three years and any increase in Value arising from such inspection is phased in over the ensuing three taxable years in equal annual installments.

For the tax year beginning July 1, 2001, property tax rates were applied to 100% of the value of real property. The County and municipal rates applicable to all personal property and operating real property of public utilities are 2.5 times the property tax rate for real property.

Tangible personal property is generally assessed at cost, less depreciation for each year held to a minimum of 25%. For most categories of personal property, depreciation is 10% per year subject to the minimum assessment of 25% of cost.

State law provides a credit against State, local and municipal real property taxes on certain owner-occupied residential property. The tax credit for each tax year is computed by multiplying the State, local or municipal real property tax rate by the amount by which (i) the current year's assessment on residential property exceeds (ii) the homestead percentage multiplied by the previous year's assessment. The State homestead percentage is 110%. The counties and municipalities set their own respective homestead percentage, but the credit percentage may not exceed 110% for any taxable year. The County adopted a homestead percentage of 105% effective July 1, 2007.

The State also provides a tax credit based on the ability of homeowners to pay property taxes. The credit is calculated by use of a scale, which indicates a maximum tax liability for various income levels. This tax credit for local property taxes for Washington County for fiscal year 2010 was \$1,589,178 and the credit for fiscal year 2011 is budgeted at \$2,129,275.

Pursuant to State law, the Board may grant a property tax credit against the County property tax imposed on, among other categories of property, certain property owned by nonprofit civic associations and real property that is subject to the County's agricultural land preservation program. Manufacturing and commercial inventories of businesses are exempt from County tax.

Assessed Value, Tax Rates and Tax Levy

The following table sets forth the assessed value of all taxable property in Washington County for each of its five most recent fiscal years and the County and State tax rate applicable in each of those years. Assessed value of tax-exempt properties owned by Federal, State and County governments, churches, schools, fraternal organizations, cemeteries, disabled veterans and the blind, aggregating \$1,743,404,002 for the fiscal year ended June 30, 2010, is not included in the table. Under applicable law, there is no limit to the total tax levy for property taxes. In the opinion of the County, the tax rate established by it for each fiscal year, when applied to the property subject thereto, is sufficient to provide revenues to discharge the County's obligations to pay principal and interest maturing on its outstanding general obligation indebtedness in each fiscal year.

Assessments and Tax Rates of all Property by Class
Fiscal Years Ended June 30
(Stated in Thousands)

	2010	2009	2008	2007	2006
Real property	\$14,283,690	\$13,202,837	\$11,349,194	\$9,569,982	\$8,341,611
Personal property:					
Railroads and public utilities	175,109	184,446	184,308	184,463	180,986
Business corporations	401,772	391,800	398,020	387,085	333,140
Total property	<u>\$14,860,571</u>	<u>\$13,779,083</u>	<u>\$11,931,522</u>	<u>\$10,141,530</u>	<u>\$8,855,737</u>
County tax rate (per \$100 assessed value)	\$0.948	\$0.948	\$0.948	\$0.948	\$0.948
State tax rate (per \$100 assessed value)	0.112	0.112	0.112	0.112	0.112

Source: Maryland State Department of Assessments and Taxation

There were no changes to the property tax rates for the County or the State in fiscal year 2011. As of the date of this Official Statement, there are no proposed changes to the County or State property tax rates for fiscal year 2012.

Market Value

The market value of property in Washington County has increased over the last five years as illustrated in the following table.

Market Value Trend
(Stated in Thousands)

Fiscal Year Ending June 30	Market Value	Percentage Increase
2010	\$14,860,571	7.8
2009	13,779,083	15.5
2008	11,931,522	17.7
2007	10,141,530	14.5
2006	8,855,737	11.4

Source: Maryland State Department of Assessments and Taxation

Tax Collection

County taxes are due and payable as of July 1. Delinquent taxes are collected after nine months of delinquency by tax sales conducted by the County Treasurer, selling either real or personal property. Historically, the County has conducted tax sales on an annual basis.

The following table sets forth certain pertinent information with respect to the County's tax levies and tax collections for each of its five most recent fiscal years.

Fiscal Year Ending June 30	Taxes Levied	Taxes Collected in Year of Levy		Total Taxes Collected (Current and Delinquent)		Taxes Receivable	Taxes Receivable as a Percentage of Total Taxes Collected
		Amount	Percent	Amount	Percent		
2010	\$131,684,166	\$129,501,507	98.34	\$129,767,019	98.54	\$2,439,147	1.88
2009	122,217,894	121,926,911	99.76	122,561,057	100.28	522,000	.43
2008	113,038,344	112,371,965	99.41	113,009,423	99.97	865,162	.77
2007	102,822,585	102,364,488	99.55	102,755,872	99.94	458,097	.45
2006	91,181,043	90,683,209	99.45	91,598,066	100.46	769,519	.84

Source: Washington County Department of Budget and Finance

Principal Taxpayers

The 20 largest taxpayers in the County as of June 30, 2010, ranked by assessed value, are listed below.

Name of Taxpayer	Assessed Value	Percentage of Assessed Value
PR Valley Lmtd Partnership (Valley Mall).....	\$106,115,650	
Outlet Village of Hagerstown LLC	89,769,300	
254 Hagerstown LLC (Citi).....	72,669,040	
Potomac Edison.....	64,377,450	
Bowman Group LLP.....	64,215,662	
Staples of Maryland LLC	54,265,766	
Fed EX Ground Package System Inc	45,275,703	
Lowes Home Centers Inc.....	41,435,862	
GP Hagerstown Limited PTSP (First Data).....	38,947,366	
Mack Trucks Inc.....	31,891,672	
Sub-total	\$608,963,471	4.09
Rappaport, Jerome L. Jr (TruServ).....	\$27,455,900	
FR Hagerstown LLC (Lippincott & PetSmart).....	22,187,266	
Tractor Supply Company.....	21,983,556	
WalMart Real Estate Business Trust.....	21,372,400	
WalMart Stores Inc.....	18,994,356	
Columbia Gas of Maryland.....	18,172,280	
Dot Foods Inc.....	16,983,500	
Antietam Cable Television.....	14,680,942	
Washington Co Hospital Endowment Fund.....	13,929,532	
Food Lion Inc.....	13,618,776	
Total	\$798,341,979	5.37

Source: Washington County Treasurer's Office

The information set forth above was compiled from tax rolls on which the names and owners are not always recorded in the same way.

Local Income Tax

Effective January 1, 2010, the personal State income tax rates for Maryland residents start at 2% on the first \$1,000 of taxable income and increase up to a maximum of 6.25% on incomes exceeding \$1,000,000. Pursuant to State law, each county and Baltimore City must levy a local income tax at the rate of at least 1.25%, but not more than 3.20%, of the State income tax liability of individuals domiciled in their respective jurisdictions.

The County currently levies a local income tax on Washington County residents at the rate of 2.8%. The County does not levy a local income tax on corporations.

Other Local Taxes and Revenues

In addition to general property taxes and income taxes, the County levies and collects miscellaneous taxes, the largest of which is the recordation tax on instruments conveying title to property and securing debt. Revenues from this tax in the fiscal year ended June 30, 2010 were \$3,933,626. The County also receives revenues from the amusement and admission tax and the trailer tax. Another significant source of local revenue is generated from the issuance of building and other permits. Revenues from all these sources, including recordation taxes, in the fiscal year ended June 30, 2010 were approximately \$5,971,119.

State and Federal Financial Assistance**State Payment of Public School Capital Construction Costs**

Pursuant to State law, the State pays certain costs in excess of available Federal funds of all public school construction projects and public school capital improvements if the Board of Public Works approves the projects or improvements. The cost of acquiring land is not a construction cost that will be paid by the State.

The Board of Public Works is empowered to define by regulation what shall constitute an approved construction or capital improvement cost and to adopt rules, regulations, and procedures for program administration. Program regulations limit the amount of construction costs paid by the State by instituting a maximum State project allocation for each school construction project funded through the program. Under the formula, the State's share is computed by applying the applicable percentage to the eligible portion of school construction costs. For the County, the maximum State share will equal 73% of approved construction costs.

State and Federal Grants

During the County's fiscal year ended June 30, 2010, an aggregate of \$7,454,048 in Federal and State funds was received by all County departments for use in operations. The largest single categorical source was a Federal and State grant for \$703,152, which was for the Small Urban Area Public Transportation Grant. The County also received a total of \$8,426,506 in Federal and State funds for capital projects in the fiscal year ended June 30, 2010. The County projects that \$5,346,000 in Federal and State funds will be received in fiscal year 2011 for operations and \$6,500,000 in Federal and State funds will be received for capital projects.

During the fiscal year ended June 30, 2010, the Board of Education received \$139,335,796 in State funds and \$25,805,529 in Federal funds for operating and food service expenses. In fiscal year 2011, the Board of Education anticipates receiving \$141,537,605 in State funds and \$25,832,507 in Federal funds for operations.

Department of Water Quality

Water and Sewer Financial Plan and Rate Model

Black & Veatch, an engineering and consulting firm, performed a comprehensive rate study in 1995. As part of the study, they designed a software program to provide a financial plan and to calculate water and sewer rates. The rate model provides the Department of Water Quality with a long-term plan to provide funding for adequate operations and maintenance, addresses capital improvement projects, provides for funding of regulatory requirements, and builds and maintains cash reserves.

Each year during the annual operating budget process the model is updated with the following current information and estimated for 10 years out where applicable:

- ◆ Estimated results of current year operations
- ◆ Cash balance at year end
- ◆ Number of customer utility accounts by class
- ◆ Operating and maintenance costs
- ◆ Capital Improvement Plan budget
- ◆ Miscellaneous revenue projections, grants, etc.
- ◆ Existing and projected debt service
- ◆ Terms of projected new debt issues
- ◆ Water and sewer statistics for assigning cost of service

The above data, as well as other factors included in the model, provides the County with a tool for planning rate increases that are structured so as not to cause an undue burden on the users. Currently there is a law in place, passed by the Maryland General Assembly, which prohibits the decrease of the General Fund investment below the amount provided in fiscal year 2000. The Department is now self sufficient and therefore entered a House Bill in the 2011 Maryland General Assembly Session requesting that this law be revoked. The law was revoked and beginning in fiscal year 2012, the General Fund is no longer required to make this investment. Although not mandated, the County General Fund will make the same level of investment to the Water Quality Funds in fiscal year 2012 as determined by the County's rate stabilization financial planning.

City/County/State Initiatives

In an effort to more fully and efficiently utilize existing infrastructure for utility operations, the County has worked at developing regional strategies with the City of Hagerstown and State authorities to accommodate overall water and sewer system needs. This not only allows for reduction of capital expenditures to serve the customers of both jurisdictions, but also allows for enhanced funding opportunities from State agencies due to common funding priorities, and reduction in overall long-term funding requirements.

The three jurisdictions working together have (i) consolidated Federally mandated industrial pretreatment programs into single agency management, (ii) diverted flow to facilities where cost savings for one agency and increased revenue potential for the other has improved the bottom line for both, (iii) transferred ownership of infrastructure (water lines) and associated debt from the County to the City of Hagerstown utility in areas where single agency operation was necessitated, and (iv) sold infrastructure (wastewater transmission lines) from the County to the City of Hagerstown utility in areas that allowed the City of Hagerstown to serve additional customers within its proposed boundaries without additional capital costs. This also provided County operations with additional revenue and reduction of operation and maintenance expense from infrastructure used only for transmission purposes. The above-mentioned projects have increased revenue and/or reduced overall operating expense to both jurisdictions.

General Fund Balance Sheet

The following table indicates the County's General Fund balance sheet for each of the five most recent fiscal years.

County Commissioners of Washington County

Balance Sheet General Fund

As of June 30

	2010	2009	2008	2007	2006
ASSETS					
Cash and short-term investments	\$ 41,556	\$ 35,563	\$ 51,493	\$ 51,772	\$ 34,639
Investment in U.S. Government					
Agency Securities	135,815,730	150,876,572	155,177,620	144,493,760	121,796,556
Property taxes receivable (net)	1,973,862	190,614	565,826	305,594	169,398
Accounts receivable	631,754	213,816	492,171	618,522	1,270,409
Due from other funds	227,672	325,372	419,220	627,145	760,894
Due from other governments	20,289,733	28,216,883	31,509,019	29,718,435	31,606,831
Inventories	32,801	43,296	40,348	25,737	27,978
Other assets	817,562	814,206	1,615,153	2,443,890	1,050,173
Total assets	<u>\$ 159,830,670</u>	<u>\$ 180,716,322</u>	<u>\$ 189,870,850</u>	<u>\$ 178,284,855</u>	<u>\$ 156,716,878</u>
LIABILITIES					
Accounts payable	\$ 1,298,727	\$ 1,744,186	\$ 3,420,090	\$ 3,267,636	\$ 3,435,431
Accrued expenses	3,325,481	1,737,431	1,458,013	1,353,756	1,629,495
Liabilities on unpaid claims	1,743,984	2,535,158	2,800,000	2,500,000	2,700,000
Due to other funds	100,396,027	113,650,265	118,230,707	108,011,998	88,889,139
Deferred revenue	14,130,595	21,361,282	23,248,827	20,714,576	22,223,454
Other liabilities	2,137,059	2,969,908	4,220,006	6,872,703	5,973,677
Total liabilities	<u>\$ 123,031,873</u>	<u>\$ 143,998,230</u>	<u>\$ 153,377,643</u>	<u>\$ 142,720,669</u>	<u>\$ 124,851,196</u>
FUND EQUITY					
Reserved fund balances:	\$ 644,200	\$ 920,602	\$ 1,215,442	\$ 1,592,448	\$ 1,916,632
Unreserved fund balances:					
Designated	35,892,760	35,797,490	35,277,765	33,971,738	29,545,335
Undesignated	261,837	-	-	-	403,715
Total fund equity	<u>\$ 36,154,597</u>	<u>\$ 35,797,490</u>	<u>\$ 35,277,765</u>	<u>\$ 33,971,738</u>	<u>\$ 29,949,050</u>
Total liabilities and fund equity	<u>\$ 159,830,670</u>	<u>\$ 180,716,322</u>	<u>\$ 189,870,850</u>	<u>\$ 178,284,855</u>	<u>\$ 156,716,878</u>

Source: Washington County Department of Budget and Finance

Key Financial Statistics

General Fund Cash Reserves and Fund Balance

The following table illustrates the ratio of the General Fund fund balance as a percentage of total revenues for the last five fiscal years. Also included in the table are the ratios of cash reserves as a percentage of General Fund revenues. It is the intention of the County to maintain a minimum reserve level of 17 percent, which represents 60 days of working capital. The County initially attained this reserve level in fiscal year 2006.

Fiscal Year	Revenues	Fund Balance	Fund Balance as Percentage of Revenues	Reserves as Percentage of Revenues
2006	\$176,181,824	\$ 31,865,682	18.08	17.03
2007	197,427,544	35,564,186	18.01	17.02
2008	204,378,405	36,493,207	17.86	17.18
2009	201,819,204	36,718,092	18.19	17.60
2010	201,899,697	36,798,797	18.23	17.90

Source: Washington County Department of Budget and Finance

Use of Year-End Surplus

The table below shows the disposition of the General Fund's year-end surplus for fiscal years 1995 to 2010. In each fiscal year, part of the surplus was used to increase reserves. In addition to the increase in reserves, the surplus was used to fund capital projects, except in fiscal years 2009 and 2010. In those two years, pay go funds were reduced from the amounts originally budgeted.

Disposition of Year-End Surplus History (Fiscal Years 1995-2010)

Fiscal Year	Increase in Reserves	Increase/(Reduction) In Pay Go Funding for CIP
1995	\$338,137	\$356,250
1996	218,753	1,241,000
1997	2,427,954	2,300,000
1998	1,997,846	3,100,000
1999	997,514	2,124,556
2000	431,506	3,400,000
2001	830,448	1,372,868
2002	1,075,946	1,412,756
2003	2,854,411	- 0 -
2004	3,953,712	2,600,000
2005	4,444,725	8,499,770
2006	6,021,624	10,730,260
2007	3,698,504	19,807,100
2008	929,021	7,780,790
2009	224,885	(1,500,000)
2010	80,705	(5,000,000)

Source: Washington County Department of Budget and Finance

V. Debt and Capital Requirements

Debt Management Policy

The County adheres to its Debt Management Policy (the “DM Policy”), which sets forth the parameters for issuing new debt and managing outstanding debt. The DM Policy’s primary objective is to establish conditions for the use of debt and create procedures that minimize debt service and issuance costs, retain the highest credit rating, and maintain full and complete financial disclosure and reporting. The DM Policy addresses such things as: use of debt financing, capital planning, debt affordability measures, types of debt, and method of sale. Adherence to the DM Policy helps to ensure that the County maintains sound debt position and that credit quality is protected.

General Obligation and Revenue Bonds

The County may only issue general obligation and revenue bonds under authority conferred by the Maryland General Assembly. No referendum is required.

The County is authorized to issue short-term tax anticipation notes to meet any estimated current fiscal year cumulative cash flow deficit. Such notes must be repaid within six months of their date of issue. The County has no short-term notes outstanding at this time. As of June 1, 1999 the County may use a line-of-credit for \$5,000,000 to meet a temporary cash flow deficit.

The County may issue economic development revenue bonds under State law, which provides that such bonds shall not constitute an indebtedness or charge against the general credit or taxing power of the County. Pursuant to the County Code, the County may authorize long-term debt in the form of an installment purchase contract to pay for development rights or make certain other payments in connection with the Agricultural Land Preservation Program.

The County may issue general obligation bonds in an amount up to \$80,000,000 pursuant to Chapter 392. The principal amount of bonds issued pursuant to Chapter 392 at June 2010 was \$25,924,178. The unused authorization available under Chapter 392 prior to the issuance of the Bonds is \$54,075,822.

The County is authorized by State law to issue its bonds for the purpose of refunding any of its outstanding bonds, including the payment of any redemption premium and interest accrued to the date of redemption, purchase or maturity of the bonds being refunded.

As part of the annual budget process, an Annual Debt Affordability Analysis is prepared by the Finance Department. It is an effective tool for debt planning and management.

The Solid Waste operation was classified as a fund separate from the Highway Fund in 1996. It has paid for debt from generated revenues since that time. In 2002, the County reclassified the Solid Waste Fund as an enterprise fund. The debt paid out of revenues generated by that fund is considered self-supporting debt.

The following table sets forth the amount of the County’s general obligation bonded debt issued and outstanding as of June 30, 2010, exclusive of certain water and sewer bonds (see “Water and Sewer Bonds” herein). Outstanding bonds do not include those maturities of the Public Facilities Bonds or Public Improvement Bonds of 1990, 1994, 1996, 1997, 1998, 1999, 2000, 2002, 2003, and the Consolidated Public Improvement Project and Refunding Bonds of 1991 and 1993 for the payment of which non-callable direct obligations of the United States have been placed in escrow. Outstanding amounts have not been adjusted for discounts or premiums.

**Statement of General Obligation Bonded Debt
Issued and Outstanding*
As of June 30, 2010**

	Date of Issue	Amount Issued	Amount Outstanding				
			General Fund	Solid Waste Fund	Airport Fund	Highway Fund	Total
Public Improvement Bonds.....	June 2001	\$ 12,690,000	\$ 350,961	\$ 244,039	\$ -	\$ -	\$ 595,000
Public Improvement Bonds.....	Mar 2002	10,700,000	1,429,469	10,531	-	-	1,440,000
Public Improvement Refunding Bonds.....	Mar 2002	11,085,000	5,250,014	474,986	-	-	5,725,000
Public Improvement Bonds.....	Jan 2003	7,450,000	4,420,733	54,267	-	-	4,475,000
Public Improvement and Refunding Bonds..	Oct 2003	16,570,000 ⁽¹⁾	8,598,542	486,458	650,000	-	9,735,000
Public Improvement Bonds.....	June 2005	30,740,000	24,010,491	714,509	-	-	24,725,000
Public Improvement Bonds.....	Mar 2006	10,500,000	8,945,000	-	-	-	8,945,000
Runway Extension Project Bonds.....	Mar 2006	15,000,000	-	-	12,800,000	-	12,800,000
Public Improvement Bonds.....	May 2007	16,000,000	12,410,671	2,529,329	-	-	14,940,000
Public Improvement Bonds.....	June 2008	18,539,530 ⁽²⁾	14,254,305	-	-	2,751,880	17,006,185
Public Improvement and Refunding Bonds..	June 2009	18,371,300 ⁽³⁾	13,969,841	3,167,925	-	-	17,137,766
Public Improvement Bonds, Series A.....	June 2010	6,992,993 ⁽⁴⁾	5,009,887	1,983,106	-	-	6,992,993
Taxable Build America Bonds, Series B.....	June 2010	9,711,007 ⁽⁵⁾	6,957,113	2,753,894	-	-	9,711,007
Public Improvement and Refunding Bonds..	June 2010	13,790,000	10,480,555	3,309,445	-	-	13,790,000
Maryland Industrial & Commercial Redev..	July 1992	1,906,692	-	-	920,856	-	920,856
Maryland Industrial Land Act Loan.....	Feb 1996	926,125	-	-	652,033	-	652,033
MWQFA ⁽⁶⁾ Financing Cell 3.....	Nov 2004	2,498,427	-	2,003,923	-	-	2,003,923
MWQFA ⁽⁶⁾ Solid Waste Refinancing.....	Feb 2005	7,248,761	1,787,619	4,911,142	-	-	6,698,761
MWQFA ⁽⁶⁾ Resh Road Cap Phase I.....	Dec 2006	5,000,000	4,516,176	-	-	-	4,516,176
		<u>\$ 215,719,835</u>	<u>\$ 122,391,377</u>	<u>\$ 22,643,554</u>	<u>\$ 15,022,889</u>	<u>\$ 2,751,880</u>	<u>\$ 162,809,700</u>

Source: Washington County Office of Budget and Finance

* Exclusive of Water and Sewer bonded debt.

(1) Total issue amount for all County funds was \$19,750,000.

(2) Total issue amount for all County funds was \$19,950,000.

(3) Total issue amount for all County funds was \$22,130,000.

(4) Total issue amount for all County funds was \$ 7,860,000.

(5) Total issue amount for all County funds was \$10,915,000.

(6) Maryland Water Quality Financing Administration.

Water and Sewer Bonds

Pursuant to the Water and Sewer Act, the County is authorized to issue bonds secured by the full faith and credit and unlimited taxing power of the County to provide funds for the design, construction, establishment, purchase and condemnation of water systems, sewerage systems and surface water drainage systems in the service areas created by the County. To the extent that the special assessments and other charges imposed by the County with respect to a certain project are insufficient to pay that portion of the principal of and interest on any such bonds attributable to the cost of a project, the County is obligated to levy and to collect a tax upon all property subject to unlimited County taxation within the corporate limits of Washington County in rate and amount sufficient to provide funds as may be necessary to provide for the payment of such portion of the principal and interest as it becomes due.

By State law, the total bonded indebtedness of the County for these purposes, including bonded indebtedness previously issued by the former Washington County Sanitary District, may not exceed 25% of the assessed value of all property in Washington County subject to unlimited County taxation. At the time the State law was enacted the assessed value was equal to 40% of market value. Pursuant to legislation passed by the Maryland General Assembly, real property assessment law was altered to reflect the full market value assessments. Therefore, to maintain the intent of the State law, 25% of the 40% previous reduction of assessed value, or 10%, is used to calculate the legal debt margin.

The following table sets forth the amount of the County's water and sewer debt issued and outstanding as of June 30, 2010. Outstanding bonds do not include those maturities of the Series E and Series F Bonds for the payment of which noncallable direct obligations of the United States have been placed in escrow. Outstanding amounts have not been adjusted for discounts or premiums. Debt subject to the Water and Sewer Act is referred to as "Water and Sewer" debt herein.

**Statement of Water and Sewer Bonded Debt
Issued and Outstanding
As of June 30, 2010**

	<u>Date of Issue</u>	<u>Issued</u>	<u>Outstanding</u>
Series A Bonds	June 1996	\$ 9,606,968	\$ 5,738,750
Public Improvement Bonds	June 2008	1,410,470 ⁽¹⁾	1,293,815
Public Improvement & Refunding Bonds	June 2009	3,758,700 ⁽²⁾	3,572,234
Public Improvement Bonds, Series A	June 2010	867,007	867,007
Taxable Build America Bonds, Series B	June 2010	1,203,993	1,203,993
MWQFA ⁽³⁾ Loan	Mar 1990	5,366,480	406,860
MWQFA ⁽³⁾ Loan	May 1993	10,222,550	296,551
MWQFA ⁽³⁾ Loan	Mar 2000	3,620,697	2,118,583
MWQFA ⁽³⁾ Loan	May 2004	10,750,000	5,995,000
MWQFA ⁽³⁾ Loan	May 2004	8,091,063	5,556,063
MWQFA ⁽³⁾ Loan	Oct 2006	560,000	482,937
		<u>\$ 55,457,928</u>	<u>\$ 27,531,793</u>

Source: Washington County Office of Budget and Finance

(1) Total issue amount for all County funds was \$19,950,000.

(2) Total issue amount for all County funds was \$22,130,000.

(3) Maryland Water Quality Financing Administration.

**Water and Sewer Bonded Debt
Schedule of Legal Debt Margin
As of June 30, 2010**

Assessed Value of Property in Washington County	\$14,860,571,000
Debt Limit: % of Assessed Value ⁽¹⁾	10%
Water and Sewer Borrowing Limitation	1,486,057,100
Water and Sewer Debt	27,531,793
Debt Margin	1,458,525,307
Ratio of Water and Sewer Debt to Assessed Value	.19%

Source: Washington County Department of Budget and Finance

⁽¹⁾ Reduced from 25% to 10% - see "Water and Sewer Bonds" herein.

Capital Lease Obligations and Other Contracts

The County has entered into several five-year capital lease agreements. The outstanding balance of these obligations as of June 30, 2010 was \$593,844. The lease agreements are primarily for heavy-duty equipment. The leases have been recorded as capital leases in the appropriate County funds in the financial statements.

In addition to contracts for goods and services incurred in the ordinary course of business of the County, the County is party to numerous other contracts, primarily with engineers, architects and contractors relating to capital projects. Funds necessary to meet the County's obligations in respect to such contracts have been appropriated in the related fund.

Special Obligation Bonds

Certain Maryland counties, including Washington County, may create special taxing districts, levy ad valorem or special taxes and borrow money by issuing and selling bonds for the purpose of financing the cost of the design, construction, establishment, extension, alteration or acquisition of adequate storm drainage systems, sewers, water systems, roads, libraries, schools, transit facilities, solid waste facilities and other infrastructure improvements, whether situated within or outside the special taxing district. The bonds shall be payable solely from the ad valorem or special taxes levied on the property within the special taxing district and neither the bonds, nor any interest thereon, shall ever constitute an indebtedness or a charge against the general credit or taxing powers of the County.

The County has approved one "Request for Creation of a Special Taxing District and Related Actions" from the owners of certain real property located in Washington County. In June 1998, November 1998 and May 2000 the County issued its \$3,100,000, \$1,517,000 and \$2,454,000 Washington County, Maryland Special Obligation Bonds (Barkdoll Tract Special Taxing District) Series 1998, Series 1998 B and Series 2000, respectively.

Bonded Indebtedness of Incorporated Municipalities

Seven of the nine incorporated municipalities of Washington County have outstanding indebtedness estimated to be \$79,704,254 as of June 30, 2010. The County is not obligated to pay such debt or the interest thereon and neither the faith and credit nor taxing power of the County is pledged to the payment of principal or interest on such indebtedness.

County Commissioners of Washington County Outstanding Underlying Debt As of June 30, 2010

Towns	Amount
Boonsboro.....	\$11,082,137
Clear Spring.....	1,044,744
Funkstown.....	1,790,405
Hagerstown.....	62,295,065
Hancock.....	2,108,758
Smithsburg.....	943,915
Williamsport.....	439,230
Total	\$79,704,254

Source: Washington County Department of Budget and Finance

Direct and Underlying Debt

The following schedules present the County's bonded debt outstanding as of June 30, 2010, and the ratios of such debt to the County's population and real and personal property assessed market values.

County Commissioners of Washington County
Direct and Overall Bonded Debt
As of June 30, 2010
(Excludes this Issue)

Direct Debt - Tax-Supported:	
General Government Debt (1).....	\$ 125,143,257
Direct Debt - Self-Supported:	
Solid Waste	22,643,554
Water and Sewer	27,531,793
Airport	15,022,889
Total Direct Debt.....	190,341,493
Underlying Debt.....	79,704,254
Overall Bonded Debt.....	<u>\$ 270,045,747</u>

Source: Washington County Department of Budget and Finance

(1) Includes Highway debt which is currently considered tax-supported.

Washington County, Maryland
Debt Per Capita and Ratio of Debt to Assessed Values
As of June 30, 2010
(Excludes this Issue)

Per Capita (Estimated Population 147,800):

Direct Tax-Supported Debt (1).....	\$ 847
Overall Bonded Debt.....	\$ 1,827

Percentage of Assessed Value of \$14,860,571,000:

Direct Tax-Supported Debt (1).....	0.84%
Overall Bonded Debt.....	1.82%

Source: Washington County Department of Budget and Finance

(1) Includes Highway debt which is currently considered tax-supported.

The following table presents the County's direct tax-supported debt per capita and ratios of direct tax-supported debt to assessed value for the last five fiscal years.

Fiscal Year Ended June 30	Direct Tax- Supported Debt (000)	Estimated Population (000)	Assessed Value (000)	Per Capita	Direct Tax-Supported Debt As a Percentage of Assessed Value
2010	\$125,143	148	\$14,860,571	\$847	.84
2009	123,273	148	13,779,083	836	.89
2008	119,888	146	11,931,522	821	1.00
2007	111,214	145	10,141,530	767	1.10
2006	99,666	142	8,855,737	702	1.13

Source: Washington County Department of Budget and Finance

Debt Service Requirements on County Debt

The following tables set forth the debt service requirements for the County's general obligation bonded debt as of June 30, 2010, adjusted to reflect issuance of the Bonds, and the rapidity of repayment for the County's direct tax-supported debt.

Washington County Schedule of Debt Service
Requirement on Long-term Obligations
As of June 30, 2010

Year Ending June 30	Tax-Supported Debt Service			Self-Supporting Debt Service			Total Debt Service		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 8,843,224	\$ 4,253,389	\$ 13,096,613	\$ 4,913,248	\$ 2,071,342	\$ 6,984,590	\$ 13,756,472	\$ 6,324,731	\$ 20,081,203
2012	9,325,997	4,193,949	13,519,946	4,712,862	2,229,087	6,941,949	14,038,859	6,423,036	20,461,895
2013	9,403,542	3,852,556	13,256,098	4,922,539	2,227,679	7,150,218	14,326,081	6,080,235	20,406,316
2014	9,173,517	3,506,826	12,680,343	4,889,148	2,199,143	7,088,291	14,062,665	5,705,969	19,768,634
2015	8,843,961	3,191,684	12,035,645	4,771,852	2,197,328	6,969,180	13,615,813	5,389,012	19,004,825
2016	8,284,868	2,862,348	11,147,216	3,919,385	2,635,298	6,554,683	12,204,253	5,497,646	17,701,899
2017	7,998,845	2,568,414	10,567,259	3,760,799	2,586,489	6,347,288	11,759,644	5,154,903	16,914,547
2018	7,220,595	2,276,835	9,497,430	4,259,289	2,545,134	6,804,423	11,479,884	4,821,969	16,301,853
2019	6,518,063	2,016,372	8,534,435	4,841,268	2,483,101	7,324,369	11,359,331	4,499,472	15,858,803
2020	6,555,603	1,789,506	8,345,109	4,355,492	2,417,564	6,773,056	10,911,095	4,207,070	15,118,165
2021	6,498,427	1,555,065	8,053,492	3,067,765	636,165	3,703,930	9,566,192	2,191,230	11,757,422
2022	5,515,356	1,333,239	6,848,595	3,194,566	551,100	3,745,666	8,709,922	1,884,339	10,594,261
2023	5,351,345	1,142,911	6,494,256	3,363,040	465,956	3,828,996	8,714,385	1,608,866	10,323,251
2024	5,278,387	946,160	6,224,547	2,172,538	377,131	2,549,669	7,450,925	1,323,291	8,774,216
2025	5,083,382	742,498	5,825,880	2,129,633	296,215	2,425,848	7,213,015	1,038,712	8,251,727
2026	4,484,422	549,627	5,034,049	2,095,481	215,198	2,310,679	6,579,903	764,825	7,344,728
2027	3,890,855	377,850	4,268,705	1,057,200	130,564	1,187,764	4,948,055	508,414	5,456,469
2028	3,752,604	230,789	3,983,393	1,067,394	91,083	1,158,477	4,819,998	321,872	5,141,870
2029	1,529,976	100,202	1,630,178	800,025	54,189	854,214	2,330,001	154,391	2,484,392
2030	780,803	42,379	823,182	444,197	24,109	468,306	1,225,000	66,488	1,291,488
2031	809,485	14,338	823,823	460,515	8,156	468,671	1,270,000	22,494	1,292,494
	<u>\$ 125,143,257</u>	<u>\$ 37,546,938</u>	<u>\$ 162,690,195</u>	<u>\$ 65,198,236</u>	<u>\$ 26,442,028</u>	<u>\$ 91,640,264</u>	<u>\$ 190,341,493</u>	<u>\$ 63,988,965</u>	<u>\$ 254,330,458</u>

Source: Washington County Department of Budget and Finance

* Totals may not foot due to rounding.

Washington County Schedule of Debt Service
Requirements of Long-term Obligations
As of June 30, 2010
Adjusted to Reflect Issuance of the Bonds*

Year Ending June 30	Outstanding Debt Service			Public Improvement Bonds of 2011			Total Debt Service		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 13,756,472	\$ 6,324,731	\$ 20,081,203	\$ -	\$ -	\$ -	\$ 13,756,472	\$ 6,324,731	\$ 20,081,203
2012	14,038,859	6,423,036	20,461,895	-	318,603	318,603	14,038,859	6,741,639	20,780,498
2013	14,326,081	6,080,235	20,406,316	530,000	523,259	1,053,259	14,856,081	6,603,494	21,459,575
2014	14,062,665	5,705,969	19,768,634	540,000	512,559	1,052,559	14,602,665	6,218,528	20,821,193
2015	13,615,813	5,389,012	19,004,825	550,000	498,909	1,048,909	14,165,813	5,887,921	20,053,734
2016	12,204,253	5,497,646	17,701,899	565,000	479,359	1,044,359	12,769,253	5,977,005	18,746,258
2017	11,759,644	5,154,903	16,914,547	580,000	456,459	1,036,459	12,339,644	5,611,362	17,951,006
2018	11,479,884	4,821,969	16,301,853	595,000	432,959	1,027,959	12,074,884	5,254,928	17,329,812
2019	11,359,331	4,499,472	15,858,803	615,000	405,684	1,020,684	11,974,331	4,905,156	16,879,487
2020	10,911,095	4,207,070	15,118,165	635,000	374,434	1,009,434	11,546,095	4,581,504	16,127,599
2021	9,566,192	2,191,230	11,757,422	655,000	342,183	997,183	10,221,192	2,533,413	12,754,605
2022	8,709,922	1,884,339	10,594,261	675,000	315,684	990,684	9,384,922	2,200,023	11,584,945
2023	8,714,385	1,608,866	10,323,251	695,000	295,133	990,133	9,409,385	1,903,999	11,313,384
2024	7,450,925	1,323,291	8,774,216	715,000	273,537	988,537	8,165,925	1,596,828	9,762,753
2025	7,213,015	1,038,712	8,251,727	740,000	249,970	989,970	7,953,015	1,288,682	9,241,697
2026	6,579,903	764,825	7,344,728	770,000	224,100	994,100	7,349,903	988,925	8,338,828
2027	4,948,055	508,414	5,456,469	800,000	196,125	996,125	5,748,055	704,539	6,452,594
2028	4,819,998	321,872	5,141,870	830,000	165,025	995,025	5,649,998	486,897	6,136,895
2029	2,330,001	154,391	2,484,392	865,000	131,125	996,125	3,195,001	285,516	3,480,517
2030	1,225,000	66,488	1,291,488	900,000	95,825	995,825	2,125,000	162,313	2,287,313
2031	1,270,000	22,494	1,292,494	935,000	59,125	994,125	2,205,000	81,619	2,286,619
2032	-	-	-	980,000	20,212	1,000,212	980,000	20,212	1,000,212
	<u>\$ 190,341,493</u>	<u>\$ 63,988,965</u>	<u>\$ 254,330,458</u>	<u>\$ 14,170,000</u>	<u>\$ 6,370,269</u>	<u>\$ 20,540,269</u>	<u>\$ 204,511,493</u>	<u>\$ 70,359,234</u>	<u>\$ 274,870,727</u>

Source: Washington County Department of Budget and Finance

* Totals may not foot due to rounding.

Rapidity of Direct Tax-Supported Debt Principal Payment
June 30, 2010

Number of Years	Before Issuance of Bonds		After Issuance of Bonds	
	Principal Amount	Percent	Principal Amount	Percent
5	\$ 45,590,241	36.43	\$ 46,842,100	34.42
10	82,168,215	65.66	85,730,603	62.99
15	109,895,112	87.82	116,146,678	85.34
20	124,333,772	99.35	133,803,851	98.32
25	125,143,257	100.00	136,093,157	100.00

Source: Washington County Department of Budget and Finance

Capital Requirements

Capital Improvement Program Summary

The County has established a Capital Improvement Program (“CIP”) for establishing a Capital Budget to forecast future needs and set priorities. It is reviewed and updated during the annual budget process. The objectives of the CIP are to: (1) provide a means for coordinating and consolidating into one document all departmental and agency requests for capital funds; (2) establish a system by which the capital projects of the County can be examined and given priorities according to their relative importance; (3) provide a budgetary tool for the implementation of the Comprehensive Plan elements; (4) forecast future capital demands on local current revenue; and (5) allow projects to be scheduled over a long-term period, thereby providing adequate planning for both financial resources and project implementation. By applying the guidelines of the County’s Debt Management Policy and the annual Debt Capacity Analysis, the Board is able to adopt a Capital Budget that provides maximum benefits from available public funds and assures sound fiscal planning. See “FINANCIAL INFORMATION – Budget Process and Schedule” herein.

VI. Miscellaneous

Litigation

The County is currently a defendant in several litigation matters involving various matters and claims. Most of these are covered by insurance, subject to a deductible. Since most of these disputes involve unliquidated damages, it is not possible to provide a reliable total of damages for which the County may become liable. In the opinion of the County Attorney, all such matters now pending or threatened are, collectively, unlikely to result in total liabilities that would have a material effect on the financial condition of the County.

Ratings

Moody's Investors Service, Inc., Standard & Poor's Financial Services LLC, and Fitch Ratings have given the Bonds the ratings indicated on the cover page of this Official Statement. An explanation of the significance of any of such ratings may be obtained only from the agency furnishing the rating. The County furnished to such rating agencies the information contained in a preliminary form of this Official Statement and other materials and information pertaining to the Bonds. Generally, rating agencies base their ratings on such materials and information, as well as their own investigations, studies and assumptions. The ratings given the Bonds may be changed at any time and no assurance can be given that they will not be revised downward or withdrawn by one or more of such rating agencies if, in the judgment of any such rating agencies, circumstances should warrant such action. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on market prices for the Bonds.

Continuing Disclosure Undertaking

In order to enable participating underwriters, as defined in Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") to comply with the requirements of paragraph (b)(5) of Rule 15c2-12, the County will execute and deliver a continuing disclosure agreement (the "Continuing Disclosure Agreement") on or before the date of issuance and delivery of the Bonds, the proposed form of which is attached to this Official Statement as Appendix D. Potential purchasers of the Bonds should note that the definition of Listed Events in Appendix D is intended to completely restate the events specified in Rule 15c2-12. It is noted that certain Listed Events are expected to have no applicability to the Bonds, such as the possibility of unscheduled draws on debt service reserves or credit enhancements, substitution of credit or liquidity providers or their failure to perform, and matters affecting collateral for the Bonds.

The County has not failed in the previous five years to comply, in all material respects, with any previous continuing disclosure undertaking entered into by the County pursuant to Rule 15c2-12.

Sale at Competitive Bidding

The Bonds were offered by the County at competitive bidding on May 10, 2011, in accordance with the official Notice of Sale (a copy of which is attached as Appendix C). The interest rates shown on the cover page of this Official Statement are the interest rates resulting from the award of the Bonds at the competitive bidding. The yields or prices shown on the cover page of this Official Statement were furnished by Janney Montgomery Scott, Inc., the successful bidder for the Bonds. All other information concerning the nature and terms of any re-offering should be obtained from the successful bidder of the Bonds and not from the County.

Legal Matters

All legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approval of Funk & Bolton, P.A., Baltimore, Maryland, Bond Counsel. Delivery of the Bonds is conditioned upon delivery by Bond Counsel of the opinion substantially in the form of Appendix B to this Official Statement. The certified text of the applicable approving legal opinion will be printed on or attached to each Bond.

Independent Auditors

The financial statements as of June 30, 2010, and for the year then ended, included in this Official Statement, have been audited by SB & Company, LLC, independent auditors, as stated in their report appearing herein.

Financial Advisor

Public Advisory Consultants, Incorporated, Owings Mills, Maryland, serves as financial advisor in connection with the issuance of the Bonds and other matters related to the County's finances.

This Official Statement has been approved and authorized by the County for use in connection with the sale of the Bonds.

COUNTY COMMISSIONERS OF
WASHINGTON COUNTY

By: /s/ Terry L. Baker
President, Board of County Commissioners

Appendix A

General Purpose Financial Statements

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COUNTY COMMISSIONERS OF WASHINGTON COUNTY

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

For the Year Ended June 30, 2010



SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

June 30, 2010

CONTENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
Statement of Net Assets	19
Statement of Activities	20
Balance Sheet – Governmental Funds	22
Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Assets	23
Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds	24
Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Statement of Net Assets – Proprietary Funds	26
Statement of Revenue, Expenses, and Changes in Fund Net Assets – Proprietary Funds	27
Statement of Cash Flows – Proprietary Funds	28
Statement of Net Assets – Fiduciary Funds	29
Statement of Changes in Net Assets – Fiduciary Funds	30
Notes to the Financial Statements	31
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress	88
COMBINING AND INDIVIDUAL FUND STATEMENTS	
Combining Statements of Financial Schedules	89
Combining Balance Sheet – Non-Major Governmental Funds	91
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds	92
Combining Statement of Net Assets – Non-Major Proprietary Funds	93
Combining Statement of Revenue, Expenses, and Changes in Fund Net Assets – Non-Major Proprietary Funds	94
Combining Statement of Cash Flows – Non-Major Proprietary Funds	95
BUDGET AND ACTUAL SCHEDULES	
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	98
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Highway Fund	102
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Community Partnership Fund	103

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, 2010, 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, 2010, 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.



SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

In accordance with *Government Auditing Standards*, we have issued our report dated October 22, 2010, 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.

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

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. The combining and individual fund statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hunt Valley, MD
October 22, 2010

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Management's Discussion and Analysis

June 30, 2010

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, 2010. 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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Management's Discussion and Analysis

June 30, 2010

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, Highway, Community Partnership, Inmate Welfare, Contraband, Agricultural Education, Foreign Trade Zone, Hotel Rental Tax, Gaming, and Land Preservation.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY
Management's Discussion and Analysis

June 30, 2010

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Management's Discussion and Analysis

June 30, 2010

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 88-103 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 \$659.1 million as of the close of the most recent fiscal year.

Washington County, Maryland Net Assets (Government-Wide)

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2010	2009	2010	2009	2010	2009	
<i>Current and other assets</i>	\$ 155,525,305	\$ 165,838,542	\$ 69,050,182	\$ 64,650,052	\$ 224,575,487	\$ 230,488,594	(3%)
<i>Capital assets</i>	434,180,212	441,677,950	264,666,036	263,525,663	698,846,248	705,203,613	(1%)
<i>Total Assets</i>	589,705,517	607,516,492	333,716,218	328,175,715	923,421,735	935,692,207	(1%)
<i>Current and other liabilities</i>	33,446,304	34,037,389	34,348,646	19,819,279	67,794,950	53,856,668	26%
<i>Long-term liabilities</i>	119,868,086	117,268,067	76,673,734	86,098,788	196,541,820	203,366,855	(3%)
<i>Total Liabilities</i>	153,314,390	151,305,456	111,022,380	105,918,067	264,336,770	257,223,523	3%
<i>Invested in Capital Assets Net of Related Debt, net</i>	386,689,610	393,058,947	211,102,236	206,557,069	597,791,846	599,616,016	0%
<i>Restricted Net Assets</i>	9,984,171	17,995,793	12,019,120	6,400,024	22,003,291	24,395,817	(10%)
<i>Unrestricted Net Assets</i>	39,717,346	45,156,296	(427,518)	9,300,555	39,289,828	54,456,851	(28%)
<i>Total Net Assets</i>	\$ 436,391,127	\$ 456,211,036	\$ 222,693,838	\$ 222,257,648	\$ 659,084,965	\$ 678,468,684	(3%)

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 \$597.8 million. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County's net assets (\$22.0 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$39.3 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, 2010

4) *Supplementary Information* (continued)

Unrestricted net assets in governmental activities have been reduced by \$57.6 million in long-term debt, resulting in unrestricted net assets of \$39.7 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 \$54.0 million and Hagerstown Community College of \$3.6 million. The capital assets acquired with these bonds are not reflected in the County's primary government financial statements.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Program revenues:						
Charges for Services	\$ 4,076,580	\$ 4,860,720	\$ 19,170,572	\$ 20,326,602	\$ 23,247,152	\$ 25,187,322
Operating Grants and Contributions:	12,626,756	22,244,282	1,351,992	1,299,346	13,978,748	23,543,628
Capital Grants and Contributions	7,582,420	7,116,062	5,248,350	13,676,710	12,830,770	20,792,772
General Revenues:						
Property Taxes	129,349,007	121,739,623	-	-	129,349,007	121,739,623
Local Taxes	57,483,270	68,510,045	-	-	57,483,270	68,510,045
Other	2,752,810	5,335,321	556,497	92,691	3,309,307	5,428,012
Total Revenues	213,870,843	229,806,053	26,327,411	35,395,349	240,198,254	265,201,402
Program Expenses:						
General Government	17,759,157	33,420,409	-	-	17,759,157	33,420,409
Public Safety	61,793,870	32,507,546	-	-	61,793,870	32,507,546
Health	2,389,270	2,389,270	-	-	2,389,270	2,389,270
Social Services	3,026,322	2,293,875	-	-	3,026,322	2,293,875
Education	113,494,164	108,302,258	-	-	113,494,164	108,302,258
Parks and Recreation	6,010,014	6,167,789	-	-	6,010,014	6,167,789
Natural Resources	1,233,387	1,313,823	-	-	1,233,387	1,313,823
Community Promotion	4,039,694	4,706,888	-	-	4,039,694	4,706,888
Highways and Streets	12,819,731	29,042,471	-	-	12,819,731	29,042,471
Interest on long-term debt	4,367,670	4,504,586	-	-	4,367,670	4,504,586
Business-type Activities:						
Water Quality	-	-	11,818,147	11,407,218	11,818,147	11,407,218
Solid Waste	-	-	8,873,834	8,720,576	8,873,834	8,720,576
Public Transit	-	-	2,443,498	2,391,245	2,443,498	2,391,245
Airport	-	-	7,985,639	3,801,956	7,985,639	3,801,956
Golf Course	-	-	1,320,581	1,299,508	1,320,581	1,299,508
Total Expenses	226,933,279	224,648,915	32,441,699	27,620,503	259,374,978	252,269,418
Change in net assets before transfers	(13,062,436)	5,157,138	(6,114,288)	7,774,846	(19,176,724)	12,931,984
Gain (Loss) on disposal of capital assets	-	-	(206,995)	(13,072)	(206,995)	(13,072)
Transfers	(6,757,473)	(9,884,398)	6,757,473	9,884,398	-	-
Change in Net Assets	(19,819,909)	(4,727,260)	436,190	17,646,172	(19,383,719)	12,918,912
Net Assets – beginning of year	456,211,036	460,938,296	222,257,648	204,611,476	678,468,684	665,549,772
Net Assets – End of year	\$ 436,391,127	\$ 456,211,036	\$ 222,693,838	\$ 222,257,648	\$ 659,084,965	\$ 678,468,684

The County's total net assets decreased by \$19.4 million during fiscal year 2010. Total net assets as of June 30, 2010, were \$659 million representing a 3% decrease.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY
Management's Discussion and Analysis

June 30, 2010

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

Net assets in governmental activities decreased by \$19.8 million. Key factors in this decrease are as follows:

- ❑ Property tax revenue fell short of projections by \$101,000 or .08%. Fiscal year 2010 collections represent a 6% increase over prior year actual, reflecting the change in the prior year reassessment.
- ❑ Income Tax revenue fell short of budget by \$10.6 million or 16% as a result of higher unemployment and significant layoffs which occurred for most of fiscal year 2010. Fiscal year 2010 collections represent a 10% decrease over the prior year actual.
- ❑ Recordation Tax revenue fell short of budget by \$0.6 million or 14% due to the continued downward trend in the housing market and the financial troubles within the banking industry which tightened lending activity, also representing a 16% decrease over prior year actual.
- ❑ Miscellaneous revenues such as permits, licenses, and interest income fell short by \$800,000. Shortfalls in grants of \$2 million are reflective only 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.
- ❑ Savings in public safety services of \$3.5 million due to: 1) budgeted vs. actual gasoline per gallon costs; 2) delay in Central Booking operations start-up; 3) positions filled at lower steps; 4) planned positions not filled due to implementation and committee concerns; 5) bid savings on insurance; and 6) lower than expected use of ambulance supplies.
- ❑ Self insurance reserve savings due to change in Incurred But Not Reported method of \$800,000.
- ❑ Operating transfer savings amounted to \$5.5 million was realized in pay-go transfers. The savings resulted from the planned utilization of excess reserves.
- ❑ Debt service savings of \$525,000 relates to baseline reserves set aside for 2011 debt service cost increases and budgetary savings from the 2009 bond award.
- ❑ The remaining \$1.8 million is due to the following: 1) \$965,000 from State, municipal and outside agencies and 2) \$800,000 from internal departments and unallocated cost centers.
- ❑ Various government-wide entries including 1) recording of depreciation expense greater than capital outlay at a net difference of \$10.5 million; 2) accruals and gain and loss on sale of assets of \$2.6 million; and 3) recording of debt proceeds greater than debt principal payments by \$2.7 million. These activities are reported differently on the government-wide statements vs. the fund statements.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY
Management's Discussion and Analysis

June 30, 2010

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

- ❑ Non-major fund activities reflect a net decrease in fund balance of \$5.9 million mainly due to the reduction in Highway User revenues of \$5.7 million. The State of Maryland has all but eliminated this source of revenue. In fiscal year 2011 the General fund has now become the main funding source for the Highway fund.
- ❑ Capital Projects had a net increase of \$1.8 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 increased the County's net assets by \$436,190, adding to the increase in net assets attributable to governmental activities. Key elements of this increase are as follows:

- ❑ Water Quality's net assets increased by \$2.1 million, for a total of \$115.5 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 \$832,259 million for a total of \$16.1 million. Tipping fees were under budget by \$1 million due to a decrease in the waste stream related to the decline in construction activity and waste streams withdrawn to other states. The landfill closure and post-closure cost are funded as of June 30, 2010, at \$15.9 million and in compliance with State financial assurance.
- ❑ Airport's total net assets are \$85 million as of June 30, 2010, representing a \$1.7 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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Management's Discussion and Analysis

June 30, 2010

Governmental Funds:

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

As of the end of the current fiscal year, the County's governmental funds reported combined fund balances of \$124 million, a decrease of \$4 million in comparison with the prior year. Approximately \$37 million of this amount is designated for the General Fund cash reserve and \$86 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 eleven 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		
	2010	2009	% Change	2010	2009	% Change
<i>General Fund</i>	\$ 36,798,797	\$ 36,718,092	0%	\$ 80,705	\$ 224,885	(64%)
<i>Capital Improvement Fund</i>	85,579,828	83,800,181	2%	1,779,647	2,713,306	(34%)
<i>Highway Fund</i>	(644,789)	5,069,357	(113%)	(5,714,146)	89,504	(6,484%)
<i>Community Partnership Fund</i>	469,811	469,811	0%	-	-	0%
<i>Inmate Welfare Fund</i>	442,521	425,958	4%	16,563	(18,239)	(191%)
<i>Contraband Fund</i>	48,884	58,247	(16%)	(9,363)	53,502	(118%)
<i>Agricultural Education Fund</i>	174,090	214,318	(19%)	(40,228)	-	(100%)
<i>Foreign Trade Zone Fund</i>	(308)	(308)	0%	-	(7,000)	(100%)
<i>Hotel Rental Tax Fund</i>	362,513	180,588	101%	181,925	180,588	1%
<i>Gaming Fund</i>	19,790	37,486	(47%)	(17,696)	37,486	(147%)
<i>Land Preservation Fund</i>	319,288	596,023	(46%)	(276,735)	596,023	(146%)
<i>Total</i>	\$ 123,570,425	\$ 127,569,753	(3%)	\$ (3,999,328)	\$ 3,870,055	(203%)

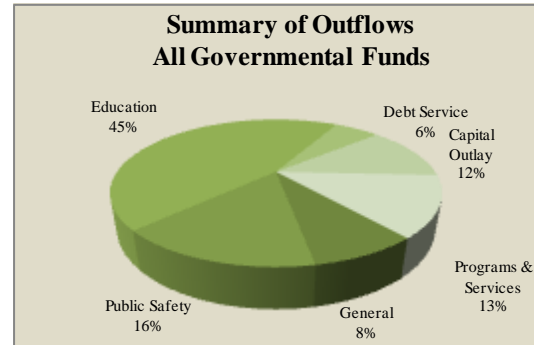
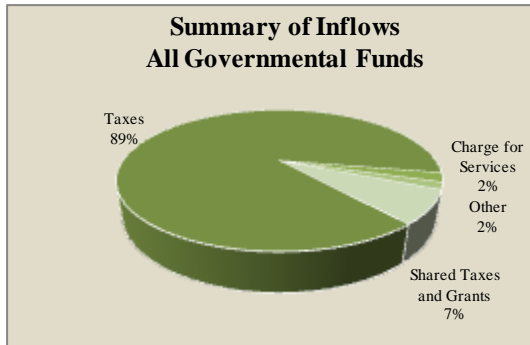
COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Management's Discussion and Analysis

June 30, 2010

Governmental Funds (continued):

The following reflects all inflows and outflows of the governmental funds in total for the fiscal year ending June 30, 2010.



- 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 \$36.2 million, while total fund balance reached \$36.8 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 \$36.2 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 \$81,000 during the current fiscal year. Key factors related to this change are:

Major Revenue Factors:

- Property tax revenue fell just short of the 2010 projections by \$101,000 or .08%. Fiscal year 2010 collections represent a 6% increase over the prior year actual, reflecting an increase in the prior year reassessments.
- Income Tax revenue fell short of budget by \$10.6 million or 16% as a result of higher unemployment and significant layoffs which occurred for most of fiscal year 2010. Fiscal year 2010 collections represent a 10% decrease over the prior year actual.
- Recordation Tax revenue fell short of budget by \$0.6 million or 14% due to the continued downward trend in the housing market and the financial troubles within the banking industry which tightened lending activity, also representing a 16% decrease over prior year actual.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY
Management's Discussion and Analysis

June 30, 2010

Major Revenue Factors (continued):

- Miscellaneous revenues such as permits, licenses, and interest income fell short by \$800,000. Shortfalls in grants of \$2 million are mainly 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:

- \$3.5 million in public safety savings due mainly to:
 - Savings of \$1.2 million from Sheriff Operations were mainly the result of: 1) budgeted vs. actual gasoline per gallon costs; 2) delay in Central Booking operations start-up in September of 2009; and 3) positions filled at lower steps in Detention.
 - Funds were not utilized for Advanced Life Support (ALS) and Basic Life Support (BLS) technicians due to implementation and committee concerns. Total unspent funds were approximately \$1.7 million.
 - Bids savings on property and casualty insurance and lower than expected use of ambulance supplies were the main reason of a \$440,000 savings.
 - Self insurance reserve savings of \$800,000 due to a change in the Incurred But Not Reported method.
 - Operating transfer savings of \$5.5 million were realized in the pay-go transfers. The savings resulted from the planned utilization of excess reserves.
 - Debt service savings of \$525,000 relates to baseline reserves set aside for 2011 debt service cost increases and budgetary savings from 2009 bond bid award.
 - Remaining cost centers accounted for \$1.8 million in savings, \$965,000 from State, municipal, and outside agencies and the remaining \$800,000 from internal departments and unallocated cost centers.
- The **Highway Fund** has a negative fund balance of \$0.6 million, which is unreserved but designated for program specific costs related to maintenance, capital and operations of County roads. The fund balance of the Highway Fund decreased by \$5.7 million during the current fiscal year. The decrease in fund balance is due to the State cut in Highway User revenue in 2009 and 2010. In fiscal year 2011, the General Fund has been budgeted as the primary source of revenue due to the State cut of Highway User revenues.
- 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 \$86 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 \$1.8 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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Management's Discussion and Analysis

June 30, 2010

Major Expenditure Factors (continued):

- The County's *Community Partnership, Inmate Welfare, Contraband, Agricultural Education, Foreign Trade Zone, Hotel Rental Tax, Gaming, and Land Preservation Funds* combined have a fund balance of \$2 million. The net decrease in fund balance during the current year was \$146,000. These funds represent monies designated for specific programs and services.

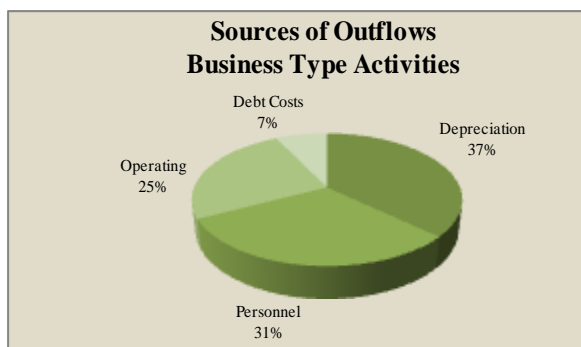
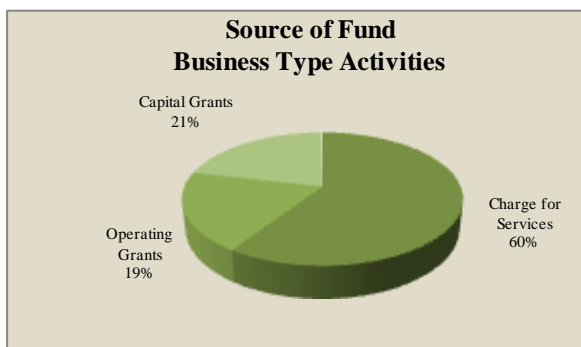
Proprietary Funds:

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)

Business-type Activities - Fund Statements	Net Assets			Net Income (Loss)		
	2010	2009	% Change	2010	2009	% Change
<i>Water Quality</i>	\$ 115,521,278	\$ 113,400,215	2%	\$ 2,121,063	\$ 2,881,586	(26%)
<i>Solid Waste</i>	16,065,502	16,897,761	(5%)	(832,259)	3,668,848	(123%)
<i>Airport</i>	84,959,208	86,675,317	(2%)	(1,716,109)	9,769,074	(118%)
<i>Public Transit</i>	4,259,908	3,249,332	31%	1,010,576	1,528,475	(34%)
<i>Black Rock</i>	1,887,942	2,035,023	(7%)	(147,081)	(201,811)	27%
<i>Total</i>	\$ 222,693,838	\$ 222,257,648	.2%	\$ 436,190	\$ 17,646,172	(98%)

The following reflects the inflows and outflows of the business-type activity funds for the fiscal year ending June 30, 2010.



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, 2010

General Fund Budgetary Analysis – Government Fund Financial Statement Basis

Washington County, Maryland
General Fund Budgetary Analysis
As of June 30, 2010
(Government Fund Basis)

<i>Category</i>	<i>Budgetary Amounts</i>		<i>Actual</i>	<i>Difference</i>	
	<i>Original</i>	<i>Final</i>		<i>Org. Budget vs. Final Budget</i>	<i>Final Budget vs. Actual</i>
Revenues:					
<i>Property Tax</i>	\$ 129,333,700	\$ 129,333,700	\$ 129,232,852	\$ -	\$ (100,848)
<i>Local Tax</i>	72,930,000	72,930,000	61,774,681	-	(11,155,319)
<i>Other Revenue</i>	5,234,480	5,336,320	4,511,726	101,840	(824,594)
<i>Grant</i>	1,848,520	8,406,614	6,380,438	6,558,094	(2,026,176)
Total Revenues	209,346,700	216,006,634	201,899,697	6,659,934	(14,106,937)
Expenses:					
<i>General Government</i>	19,277,110	20,141,553	18,645,300	864,443	(1,496,253)
<i>Public Safety</i>	35,039,660	38,639,662	34,105,397	3,600,002	(4,534,265)
<i>Health and Social Services</i>	4,155,430	6,413,695	5,415,592	2,258,265	(998,103)
<i>Education</i>	102,109,070	102,109,070	102,109,070	-	-
<i>Parks, Recreation, Natural Resources</i>	6,176,660	6,179,600	5,906,964	2,940	(272,636)
<i>General Operations</i>	460,330	368,317	2,064,718	(92,013)	1,696,401
<i>Intergovernmental</i>	28,725,820	28,752,117	2,026,798	26,297	(26,725,319)
<i>Debt Service</i>	13,402,620	13,402,620	12,907,724	-	(494,896)
Total Expenses	209,346,700	216,006,634	183,181,563	6,659,934	(32,825,071)
<i>Other Financing Sources (Uses)</i>	-	-	(18,637,429)	-	(18,637,429)
Net Increase in Assets - 06/30/10			\$ 80,705	\$	80,705

Original Budget vs. Final Budget:

The net budgetary change of \$6.7 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 \$6.6 million. The remaining difference is related to small changes in operating and project costs.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Management's Discussion and Analysis

June 30, 2010

Final Budget vs. Actual Results:

Final actual results yielded an \$80,705 increase to cash reserves. Revenue was under by \$14.1 million offset by expenditures savings of \$14.2 million. Property Tax experienced a .08% decrease over budget. Recordation Tax revenue was under budget by 14% or \$0.6 million. Income Tax fell short of final budget by \$10.6 million or 16%. Offsetting the net revenue shortfall were \$14.2 million in savings from public safety related to salary costs, later than expected opening of the new central booking facility, and program implementation delays. Also attributable to net budgetary savings was the planned use of excess reserves to fund pay-go transfers. Other major savings included insurance costs, debt service, and market drop in gasoline prices as compared to budgetary levels set.

Capital Asset Administration – Government Wide Statements

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2010, is \$682 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)

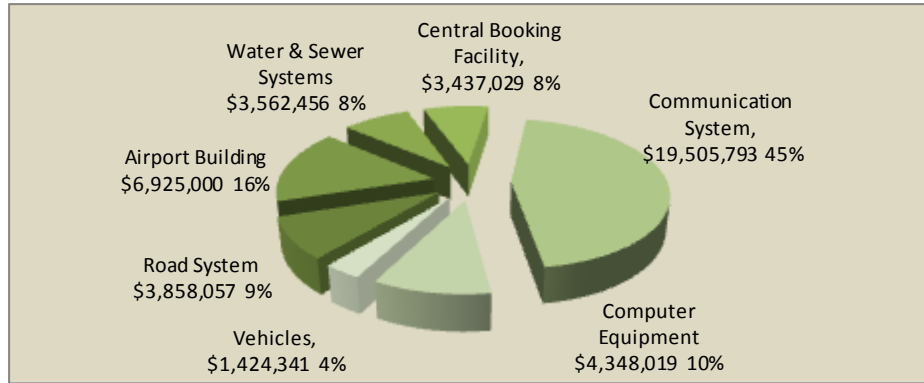
Description	Governmental Activities		Business-type Activities		Total		% Change
	2010	2009	2010	2009	2010	2009	
<i>Land and Land Improvement</i>	\$ 71,715,840	\$ 69,290,999	\$ 96,510,484	\$ 104,201,343	\$ 168,226,324	\$ 173,492,342	(3%)
<i>Building and Improvements</i>	44,294,603	38,392,818	34,844,911	28,995,559	79,139,514	67,388,377	17%
<i>Facilities, Lines, and Mains</i>	-	-	84,964,827	83,078,114	84,964,827	83,078,114	2%
<i>Vehicles</i>	2,532,430	2,952,765	3,294,426	2,907,905	5,826,856	5,860,670	(1%)
<i>Infrastructure</i>	281,924,495	300,386,537	-	-	281,924,495	300,386,537	(6%)
<i>Machinery and Equipment</i>	2,246,645	2,386,342	3,193,888	2,827,686	5,440,533	5,214,028	4%
<i>Office/Computer Equipment</i>	22,012,408	3,827,899	409,331	221,666	22,421,739	4,049,565	454%
<i>Treatment Plant</i>	-	-	33,691,257	34,653,112	33,691,257	34,653,112	(3%)
<i>Total</i>	\$ 424,726,421	\$ 417,237,360	\$ 256,909,124	\$ 256,885,385	\$ 681,635,545	\$ 674,122,745	1%

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Management's Discussion and Analysis

June 30, 2010

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 increased \$5.4 million during the current fiscal year. The net increase resulted from approximately \$13.4 million in principal payments and approximately \$18.8 million in new borrowings. Funds borrowed were used for educational projects of \$10.6 million, environmental projects of \$6.8 million, and public safety cost of \$1.3 million. The County issued refunding bonds of \$13.8 million to refund a portion of the County's outstanding 2001 and 2002 Public Improvement Bonds, resulting in a total 2010 issuance of \$32.6 million.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Management's Discussion and Analysis

June 30, 2010

Washington County, Maryland Outstanding Debt (Government – Wide)

Instrument Type	Governmental Activity		Business-type Activity		Total Outstanding Debt		% Change
	2010	2009	2010	2009	2010	2009	
<i>General Obligation Bonds</i>	\$ 118,601,267	\$115,003,797	\$40,924,141	\$36,653,373	\$159,525,408	\$151,657,170	5%
<i>Maryland State Loans</i>	-	-	1,572,889	1,728,272	1,572,889	1,728,272	(9%)
<i>Maryland Water Quality Bonds</i>	6,303,795	6,575,763	21,771,059	24,333,082	28,074,854	30,908,845	(9%)
<i>Total</i>	\$ 124,905,062	\$121,579,560	\$64,268,089	\$62,714,727	\$189,173,151	\$184,294,287	3%

The County's credit ratings for fiscal year 2010 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 \$1.3 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 57-61 of this report.

Economic Factors and Fiscal Year 2011

- ❑ Washington County's current unemployment rate for July 2010 was reported at 10%, which accounts for our recent shortfall in Income Tax revenues. In the 2011 budget, Income Tax was decreased by \$8 million based on the significant increase in unemployment. It is expected that the unemployment rate will take at least 5 years for a full recovery due to permanent loss of certain industry jobs, re-entry of the current workforce, and new workforce entry.
- ❑ The housing industry within Washington County is still depressed but improving. Foreclosure and foreclosure rates are up since 2008 but appear to be leveling off in 2011. The average price of homes sold has decreased by 25% from 2008 to 2011 with trend lines starting to stabilize. The same is true for the County's active inventory and units sold. Both are showing signs of improvement, not to the degree of 2008, but trends consistently higher than 2009.
- ❑ In the 2011 budget Washington County changed its tax setoff method from a tax rebate to a tax differential method. Washington County believes that a tax differential brings parity between all tax rates, helps ensure taxpayers have an incentive to move into municipal areas, and places the tax incentive directly with the taxpayer. The current differential for 2011 is \$.126.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Management's Discussion and Analysis

June 30, 2010

- ❑ Since 2010 Washington County has received over \$10.5 million in State revenue cuts. The majority of those cuts have been in Highway User funds. In fiscal 2011 the General Fund is now the primary funding source for highway operations to supplant the loss of State funding. Future State cost shifting could have a significant effect on Washington County as continued talks persist regarding State funded educational pension costs. The current local annual liability is at \$19.5 million.
- ❑ Water and sewer rates were increased for the 2011 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.
- ❑ During the current fiscal year, the County's General Fund unreserved but designated fund balance totaled \$36 million for cash reserves. It is intended the cash reserve be used for emergencies and to protect the citizens against reducing service levels or raising taxes because of temporary revenue shortfalls, unpredicted expenditures and unanticipated opportunities.

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, 2010

	Primary Government			Componet Unit	
	Governmental activities	Business-type activities	Total	Board of Education	Total
ASSETS					
Cash and short-term investments	\$ 4,413,452	\$ 48,900,968	\$ 53,314,420	\$ 16,388,220	\$ 69,702,640
Investments	136,052,940	-	136,052,940	14,861,903	150,914,843
Property taxes receivable, net of allowance	1,973,862	-	1,973,862	-	1,973,862
Accounts receivable, net of allowance	2,127,820	1,202,766	3,330,586	-	3,330,586
Interest receivable	85,111	-	85,111	-	85,111
Unbilled receivables	219,431	1,688,952	1,908,383	-	1,908,383
Internal balances	(13,782,071)	13,782,071	-	281,826	281,826
Due from other governmental agencies	22,530,705	2,993,503	25,524,208	10,294,346	35,818,554
Other receivables	-	-	-	473,186	473,186
Inventories	648,896	331,316	980,212	270,643	1,250,855
Prepaid items	19,649	6,961	26,610	3,330,048	3,356,658
Recoverable disbursements	339,095	-	339,095	-	339,095
Notes receivable	188,933	-	188,933	-	188,933
Bond issue costs	707,482	143,645	851,127	-	851,127
Projects under construction	9,453,791	7,756,909	432,483,330	16,792,186	449,275,516
Property, plant, and equipment, net	424,726,421	256,909,127	266,362,918	181,866,184	448,229,102
TOTAL ASSETS	589,705,517	333,716,218	923,421,735	244,558,542	1,167,980,277
LIABILITIES					
Current Liabilities:					
Current maturities of long-term obligations	8,843,224	4,913,248	13,756,472	-	13,756,472
Current maturities of capital lease obligations	173,150	244,069	417,219	822,898	1,240,117
Current maturities of installment purchase contracts	517,736	-	517,736	-	517,736
Accounts payable	9,259,136	916,264	10,175,400	7,323,694	17,499,094
Accrued expenses	3,610,062	603,772	4,213,834	13,276,578	17,490,412
Accrued interest	1,992,050	7,835,501	9,827,551	-	9,827,551
Deferred revenue	3,121,515	19,374,824	22,496,339	2,239,782	24,736,121
Compensated absences	1,821,438	390,072	2,211,510	303,643	2,515,153
Post retirement benefits	157,453	-	157,453	-	157,453
Landfill closure and post-closure costs	-	13,440	13,440	-	13,440
Other liabilities	2,206,556	57,456	2,264,012	-	2,264,012
Liabilities for unpaid claims	1,743,984	-	1,743,984	-	1,743,984
Total current liabilities	33,446,304	34,348,646	67,794,950	23,966,595	91,761,545
Non Current Liabilities:					
Deferred revenue	-	1,080,337	1,080,337	-	1,080,337
Compensated absences	478,638	168,235	646,873	4,966,975	5,613,848
Post retirement benefits	758,863	-	758,863	-	758,863
Long-term obligations, net	116,061,838	59,354,841	175,416,679	-	175,416,679
Capital lease obligations	-	176,625	176,625	8,739,164	8,915,789
Installment purchase contracts	2,568,747	-	2,568,747	-	2,568,747
Landfill closure and post-closure costs	-	15,893,696	15,893,696	-	15,893,696
Total noncurrent liabilities	119,868,086	76,673,734	196,541,820	13,706,139	210,247,959
TOTAL LIABILITIES	153,314,390	111,022,380	264,336,770	37,672,734	302,009,504
NET ASSETS					
Invested in capital assets, net of related debt	386,689,610	211,102,236	597,791,846	189,096,308	786,888,154
Restricted for:					
John Howard Trust	237,210	-	237,210	-	237,210
Capital projects	9,746,961	12,019,120	21,766,081	-	21,766,081
Unrestricted	39,717,346	(427,518)	39,289,828	17,789,500	57,079,328
TOTAL NET ASSETS	\$ 436,391,127	\$ 222,693,838	\$ 659,084,965	\$ 206,885,808	\$ 865,970,773

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, 2010

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 17,759,157	\$ 3,703,497	\$ 10,821,610	\$ 249
Public safety	61,793,870	373,083	-	3,060,591
Health	2,389,270	-	-	-
Social services	3,026,322	-	-	-
Education	113,494,164	-	-	1,874,012
Parks, recreation and culture	6,010,014	-	3,883	222,242
Natural resources	1,233,387	-	33,158	-
Community promotion	4,039,694	-	1,349,412	-
Highways and streets	12,819,731	-	418,693	2,425,326
Interest on long-term debt	4,367,670	-	-	-
Total governmental activities	<u>226,933,279</u>	<u>4,076,580</u>	<u>12,626,756</u>	<u>7,582,420</u>
Business-type activities				
Water quality	11,818,147	9,271,860	24,628	587,086
Solid waste	8,873,834	6,382,467	-	-
Public transit	2,443,498	368,419	1,297,271	977,431
Airport	7,985,639	2,103,852	30,093	3,626,794
Black rock golf course	1,320,581	1,043,974	-	57,039
Total business-type activities	<u>32,441,699</u>	<u>19,170,572</u>	<u>1,351,992</u>	<u>5,248,350</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 259,374,978</u>	<u>\$ 23,247,152</u>	<u>\$ 13,978,748</u>	<u>\$ 12,830,770</u>
Component unit:				
Public school system	<u>\$ 299,760,952</u>	<u>\$ 11,169,415</u>	<u>\$ 63,486,217</u>	<u>\$ 167,839</u>

General revenue:
Taxes
 Property taxes
 Income taxes
 Other local taxes
Income on investments
Reimbursed expenses
Miscellaneous
Unrestricted grants and contributions
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, 2010

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Unit	
Governmental Activities	Business-Type Activities	Total	Board of Education	Total
\$ (3,233,801)	\$ -	\$ (3,233,801)	\$ -	\$ (3,233,801)
(58,360,196)	-	(58,360,196)	-	(58,360,196)
(2,389,270)	-	(2,389,270)	-	(2,389,270)
(3,026,322)	-	(3,026,322)	-	(3,026,322)
(111,620,152)	-	(111,620,152)	-	(111,620,152)
(5,783,889)	-	(5,783,889)	-	(5,783,889)
(1,200,229)	-	(1,200,229)	-	(1,200,229)
(2,690,282)	-	(2,690,282)	-	(2,690,282)
(9,975,712)	-	(9,975,712)	-	(9,975,712)
(4,367,670)	-	(4,367,670)	-	(4,367,670)
(202,647,523)	-	(202,647,523)	-	(202,647,523)
-	(1,934,573)	(1,934,573)	-	(1,934,573)
-	(2,491,367)	(2,491,367)	-	(2,491,367)
-	199,623	199,623	-	199,623
-	(2,224,900)	(2,224,900)	-	(2,224,900)
-	(219,568)	(219,568)	-	(219,568)
-	(6,670,785)	(6,670,785)	-	(6,670,785)
(202,647,523)	(6,670,785)	(209,318,308)	-	(209,318,308)
-	-	-	(224,937,481)	(224,937,481)
129,349,007	-	129,349,007	-	129,349,007
51,181,696	-	51,181,696	-	51,181,696
6,301,574	-	6,301,574	-	6,301,574
445,505	95,145	540,650	459,276	999,926
1,679,516	-	1,679,516	-	1,679,516
627,789	461,352	1,089,141	1,711,667	2,800,808
-	-	-	228,920,148	228,920,148
-	(206,995)	(206,995)	308,602	101,607
(6,757,473)	6,757,473	-	-	-
182,827,614	7,106,975	189,934,589	231,399,693	421,334,282
(19,819,909)	436,190	(19,383,719)	6,462,212	(12,921,507)
456,211,036	222,257,648	678,468,684	200,423,596	878,892,280
\$ 436,391,127	\$ 222,693,838	\$ 659,084,965	\$ 206,885,808	\$ 865,970,773

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Balance Sheet – Governmental Funds As of June 30, 2010

	General Fund	Capital Projects Fund	Non- Major Funds	Total Governmental Funds
ASSETS				
Cash	\$ 41,556	\$ -	\$ 4,371,896	\$ 4,413,452
Investments	135,815,730	237,210	-	136,052,940
Property taxes receivable, net of allowance	1,973,862	-	-	1,973,862
Accounts receivable	631,754	1,195,981	300,085	2,127,820
Prepaid expenses	19,650	-	-	19,650
Interest receivable	78,834	-	-	78,834
Unbilled receivables	197,606	-	21,825	219,431
Due from other funds	227,672	87,617,565	-	87,845,237
Due from other governmental agencies	20,289,733	1,929,944	311,028	22,530,705
Inventories	32,801	-	616,095	648,896
Recoverable disbursements	332,539	-	6,556	339,095
Notes receivable	188,933	-	-	188,933
TOTAL ASSETS	\$ 159,830,670	\$ 90,980,700	\$ 5,627,485	\$ 256,438,855
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 1,298,727	\$ 5,400,872	\$ 2,559,537	\$ 9,259,136
Accrued expenses	3,325,481	-	284,581	3,610,062
Other liabilities	2,137,059	-	69,497	2,206,556
Liabilities for unpaid claims	1,743,984	-	-	1,743,984
Deferred revenue	14,130,595	-	290,789	14,421,384
Due to other funds	100,396,027	-	1,231,281	101,627,308
TOTAL LIABILITIES	123,031,873	5,400,872	4,435,685	132,868,430
FUND BALANCES:				
Reserved	644,200	-	-	644,200
Restricted - John Howard Trust	-	237,210	-	237,210
Designated	35,892,760	85,342,618	1,836,897	123,072,275
Unreserved and undesignated	261,837	-	(645,097)	(383,260)
TOTAL FUND BALANCES	36,798,797	85,579,828	1,191,800	123,570,425
TOTAL LIABILITIES AND FUND BALANCES	\$ 159,830,670	\$ 90,980,700	\$ 5,627,485	\$ 256,438,855

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Assets As of June 30, 2010

Fund balance of governmental funds	\$ 123,570,425
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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	424,726,421
Projects under construction	9,453,791

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

Bond issue costs	707,482
Deferred revenue	11,299,868

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	(124,905,062)
Installment purchase obligations	(3,086,483)
Capital lease obligations	(173,150)
Accrued interest payable	(1,985,773)
Compensated absences and post-retirement benefits	(3,216,392)

Net assets of governmental activities	<u><u>\$ 436,391,127</u></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, 2010

	General Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
REVENUE				
General property taxes	\$ 129,232,852	\$ -	\$ -	\$ 129,232,852
Other local taxes	61,774,681	-	1,551,939	63,326,620
Licenses and permits	1,221,484	-	2,158,180	3,379,664
Court costs and fines	380,146	-	-	380,146
Charges for services	389,192	-	373,083	762,275
Revenue from uses of property	1,096,492	-	24,726	1,121,218
Reimbursed expenses	1,107,127	-	572,389	1,679,516
Miscellaneous revenues	317,285	149,312	191,714	658,311
Shared taxes and grants	6,380,438	7,833,108	1,805,146	16,018,692
TOTAL REVENUE	201,899,697	7,982,420	6,677,177	216,559,294
EXPENDITURES				
Current:				
General government	18,645,300	-	-	18,645,300
Public safety	34,105,397	-	1,044,269	35,149,666
Health	2,389,270	-	-	2,389,270
Social services	3,026,322	-	-	3,026,322
Education	102,109,070	-	-	102,109,070
Parks, recreation and culture	5,394,998	-	171,454	5,566,452
Land preservation	-	-	709,893	709,893
Natural resources	511,966	-	-	511,966
Intergovernmental	2,026,798	-	-	2,026,798
General operations	2,064,718	-	646,474	2,711,192
Community promotion	-	-	4,040,985	4,040,985
Highways and streets	-	-	8,527,521	8,527,521
Debt Service:				
Debt service	12,907,724	-	213,404	13,121,128
Capital Outlay:				
General government	-	477,820	-	477,820
Public safety	-	6,103,487	-	6,103,487
Highways and streets	-	9,189,377	-	9,189,377
Education	-	11,369,814	-	11,369,814
Parks and recreation	-	201,277	-	201,277
TOTAL EXPENDITURES	183,181,563	27,341,775	15,354,000	225,877,338
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	18,718,134	(19,359,355)	(8,676,823)	(9,318,044)
OTHER FINANCING SOURCES (USES)				
Transfers in	6,630	12,553,200	2,817,143	15,376,973
Transfers out	(18,674,313)	(3,460,133)	-	(22,134,446)
Principal amount of new debt for advance refunding	10,831,145	-	-	10,831,145
repayment of loans	(10,800,891)	-	-	(10,800,891)
Proceeds of bond sale	-	12,045,935	-	12,045,935
TOTAL OTHER FINANCING SOURCES (USES)	(18,637,429)	21,139,002	2,817,143	5,318,716
NET CHANGES IN FUND BALANCES	80,705	1,779,647	(5,859,680)	(3,999,328)
FUND BALANCES - BEGINNING OF YEAR	36,718,092	83,800,181	7,051,480	127,569,753
FUND BALANCES - END OF YEAR	\$ 36,798,797	\$ 85,579,828	\$ 1,191,800	\$ 123,570,425

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, 2010

Net changes in fund balances in governmental funds \$ (3,999,328)

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. (10,536,483)

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. (1,151,740)

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	(12,045,935)	
Net from refunding	(30,254)	
Bond issuance cost - CY additions	65,515	
Payments of installment purchase principal	517,736	
Payments of lease principal	166,136	
Payments of debt principal	<u>8,630,564</u>	(2,696,238)

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. (36,624)

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. (1,399,496)

Change in Net Assets of Governmental Activities \$ (19,819,909)

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Revenue, Expenses and Changes in Fund Net Assets - Proprietary Funds For Year Ended June 30, 2010

	Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-major Funds	Total
ASSETS					
Current Assets:					
Cash and short-term investments	\$ 19,085,265	\$ 21,433,942	\$ 8,380,761	\$ 1,000	\$ 48,900,968
Accounts receivable	875,533	204,288	109,235	13,710	1,202,766
Prepaid expenses	-	-	-	6,961	6,961
Unbilled receivables	1,228,926	448,551	9,963	1,512	1,688,952
Due from other governmental agencies	151,981	13,410	1,595,657	1,232,455	2,993,503
Due from other funds	5,737,080	6,472,604	2,500,780	-	14,710,464
Inventories	130,003	10,020	49,893	141,400	331,316
Total current assets	27,208,788	28,582,815	12,646,289	1,397,038	69,834,930
Noncurrent Assets:					
Bond issuance costs	111,968	31,677	-	-	143,645
Projects under construction	1,912,039	614,012	5,175,244	55,614	7,756,909
Property plant and equipment	168,898,553	53,343,842	129,192,124	11,495,700	362,930,219
Accumulated depreciation	(46,891,026)	(26,662,677)	(26,689,919)	(5,777,470)	(106,021,092)
Total noncurrent assets	124,031,534	27,326,854	107,677,449	5,773,844	264,809,681
TOTAL ASSETS	151,240,322	55,909,669	120,323,738	7,170,882	334,644,611
LIABILITIES					
Current Liabilities:					
Current maturities of long-term obligations	3,023,609	1,114,333	775,306	-	4,913,248
Current maturities of capital lease obligations	7,699	236,370	-	-	244,069
Accounts payable	211,682	205,622	444,085	54,875	916,264
Accrued expenses	344,043	91,621	43,244	124,864	603,772
Accrued interest	7,324,263	204,641	306,597	-	7,835,501
Due to other funds	-	-	101,729	700,721	802,450
Deferred revenue	96,934	519,560	18,753,830	4,500	19,374,824
Compensated absences	204,622	72,743	37,199	75,508	390,072
Landfill closure and post-closure costs	-	13,440	-	-	13,440
Other liabilities	7,300	-	35,466	14,690	57,456
Total current liabilities	11,220,152	2,458,330	20,497,456	975,158	35,151,096
Non Current Liabilities:					
Due to other funds	-	-	125,943	-	125,943
Deferred revenue	600,359	-	479,978	-	1,080,337
Compensated absences	86,364	20,427	13,570	47,874	168,235
Bonds and long-term debt	23,812,169	21,295,089	14,247,583	-	59,354,841
Capital lease obligations	-	176,625	-	-	176,625
Landfill closure and post-closure costs	-	15,893,696	-	-	15,893,696
Total noncurrent liabilities	24,498,892	37,385,837	14,867,074	47,874	76,799,677
TOTAL LIABILITIES	35,719,044	39,844,167	35,364,530	1,023,032	111,950,773
NET ASSETS					
Invested in capital assets, net of related debt	102,338,276	10,324,500	92,665,616	5,773,844	211,102,236
Restricted, capital projects	5,922,193	6,085,872	11,055	-	12,019,120
Unrestricted	7,260,809	(344,870)	(7,717,463)	374,006	(427,518)
TOTAL NET ASSETS	\$ 115,521,278	\$ 16,065,502	\$ 84,959,208	\$ 6,147,850	\$ 222,693,838

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, 2010

	Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-major Funds	Totals
OPERATING REVENUE					
Charges for services	\$ 9,271,860	\$ 6,382,467	\$ 2,103,852	\$ 1,412,393	\$ 19,170,572
Miscellaneous	353,815	95,857	6,411	5,269	461,352
TOTAL OPERATING REVENUE	<u>9,625,675</u>	<u>6,478,324</u>	<u>2,110,263</u>	<u>1,417,662</u>	<u>19,631,924</u>
OPERATING EXPENSES					
Salaries and wages	3,521,503	1,390,395	695,587	1,735,553	7,343,038
Fringe benefits	1,484,375	466,713	203,728	531,100	2,685,916
Utilities	910,451	62,703	194,125	83,022	1,250,301
Insurance	140,083	22,041	37,770	59,568	259,462
Repairs and maintenance	162,334	-	63,499	113,475	339,308
Supplies	245,670	97,969	6,062	43,353	393,054
Cost of goods sold	-	-	-	124,909	124,909
Contracted services	282,895	2,270,726	23,623	183,203	2,760,447
Rentals and leases	19,692	1,948	2,927	121,044	145,611
Other operating	1,110,525	911,038	182,792	365,352	2,569,707
Uncollectible accounts	(6,177)	3,165	9,463	112	6,563
Controllable assets	53,890	5,200	14,533	72,045	145,668
Depreciation	2,706,600	3,120,687	5,857,088	331,343	12,015,718
TOTAL OPERATING EXPENSES	<u>10,631,841</u>	<u>8,352,585</u>	<u>7,291,197</u>	<u>3,764,079</u>	<u>30,039,702</u>
OPERATING LOSS	<u>(1,006,166)</u>	<u>(1,874,261)</u>	<u>(5,180,934)</u>	<u>(2,346,417)</u>	<u>(10,407,778)</u>
OTHER INCOME (EXPENSE)					
Interest expense	(1,186,306)	(521,249)	(694,442)	-	(2,401,997)
Interest income	91,646	2,961	522	16	95,145
Gain (loss) on disposal of assets	585	-	(203,162)	(4,418)	(206,995)
TOTAL OTHER INCOME (EXPENSE)	<u>(1,094,075)</u>	<u>(518,288)</u>	<u>(897,082)</u>	<u>(4,402)</u>	<u>(2,513,847)</u>
LOSS BEFORE OPERATING TRANSFERS AND GRANTS	<u>(2,100,241)</u>	<u>(2,392,549)</u>	<u>(6,078,016)</u>	<u>(2,350,819)</u>	<u>(12,921,625)</u>
OPERATING TRANSFERS	<u>3,120,000</u>	<u>683,390</u>	<u>668,720</u>	<u>553,790</u>	<u>5,025,900</u>
GRANTS FOR OPERATIONS	<u>24,628</u>	<u>-</u>	<u>30,093</u>	<u>1,297,271</u>	<u>1,351,992</u>
NET INCOME (LOSS) BEFORE CAPITAL TRANSFERS AND GRANTS	<u>1,044,387</u>	<u>(1,709,159)</u>	<u>(5,379,203)</u>	<u>(499,758)</u>	<u>(6,543,733)</u>
CAPITAL TRANSFERS	<u>489,590</u>	<u>876,900</u>	<u>36,300</u>	<u>328,783</u>	<u>1,731,573</u>
CAPITAL GRANTS AND CONTRIBUTIONS	<u>587,086</u>	<u>-</u>	<u>3,626,794</u>	<u>1,034,470</u>	<u>5,248,350</u>
NET INCOME (LOSS)	<u>2,121,063</u>	<u>(832,259)</u>	<u>(1,716,109)</u>	<u>863,495</u>	<u>436,190</u>
NET ASSETS- BEGINNING OF YEAR	<u>113,400,215</u>	<u>16,897,761</u>	<u>86,675,317</u>	<u>5,284,355</u>	<u>222,257,648</u>
NET ASSETS- END 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>

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, 2010

	Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-major Funds	Total
Cash Flows from Operating Activities					
Receipts from customers	\$ 9,712,326	\$ 6,400,907	\$ 11,167,179	\$ 1,054,705	\$ 28,335,117
Payments to suppliers	(2,866,478)	(6,410,346)	(202,801)	(1,156,132)	(10,635,757)
Payments to employees	(4,974,010)	(1,865,586)	(903,534)	(2,252,915)	(9,996,045)
Net Cash from Operating Activities	<u>1,871,838</u>	<u>(1,875,025)</u>	<u>10,060,844</u>	<u>(2,354,342)</u>	<u>7,703,315</u>
Cash Flows from Noncapital Financing Activities					
Operating contributions	3,120,000	683,390	698,813	1,851,061	6,353,264
Increase (decrease) in due to/from other funds	6,418,593	6,868,989	1,552,239	344,975	15,184,796
Net Cash from Noncapital Financing Activities	<u>9,538,593</u>	<u>7,552,379</u>	<u>2,251,052</u>	<u>2,196,036</u>	<u>21,538,060</u>
Cash Flows from Capital and Related Financing Activities					
Interest paid on notes and bond payable	(940,700)	(558,039)	(708,692)	(264,033)	(2,471,464)
Acquisition and construction of capital assets	(2,144,342)	(336,585)	(10,131,147)	(940,930)	(13,553,004)
Contribution for capital acquisitions	1,076,676	876,900	3,663,094	1,363,253	6,979,923
Principal payments on notes and bonds payable	(1,417,142)	3,710,887	(740,383)	-	1,553,362
Proceeds from issuance of notes and bonds payable	-	-	-	-	-
Payments for bond issuance	-	(23,592)	-	-	(23,592)
Payments under capital lease obligations	(7,387)	(225,811)	-	-	(233,198)
Loss on disposal	585	-	-	-	585
Net Cash from Capital and Related Financing Activities	<u>(3,432,310)</u>	<u>3,443,760</u>	<u>(7,917,128)</u>	<u>158,290</u>	<u>(7,747,388)</u>
Cash Flows from Investing Activities					
Interest on investments	91,646	2,961	522	16	95,145
Net change in cash	8,069,767	9,124,075	4,395,290	-	21,589,132
Cash, Beginning of Year	11,015,498	12,309,867	3,985,471	1,000	27,311,836
Cash, End of Year	<u><u>\$ 19,085,265</u></u>	<u><u>\$ 21,433,942</u></u>	<u><u>\$ 8,380,761</u></u>	<u><u>\$ 1,000</u></u>	<u><u>\$ 48,900,968</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities					
Operating loss	\$ (1,006,166)	\$ (1,874,261)	\$ (5,180,934)	\$ (2,346,417)	\$ (10,407,778)
Adjustments to reconcile operating income to net cash from operating activities					
Depreciation	2,706,600	3,120,687	5,857,088	331,343	12,015,718
Changes in assets and liabilities:					
Accounts receivable	(23,279)	(12,475)	42,664	9,367	16,277
Unbilled receivables	(38,405)	(55,602)	9,383	(249)	(84,873)
Prepaid expenses	-	-	-	(6,961)	(6,961)
Due to/from other government entities	163,973	(13,410)	2,583,496	(376,575)	2,357,484
Inventories	20,739	5,864	(32,694)	6,389	298
Accounts payable and other liabilities	32,146	(1,534,853)	364,687	(4,167)	(1,142,187)
Accrued expenses	11,062	(1,427)	(4,874)	18,079	22,840
Landfill closure	-	(1,506,567)	-	-	(1,506,567)
Deferred revenue	(15,638)	4,070	6,421,373	4,500	6,414,305
Compensated absences	20,806	(7,051)	655	10,349	24,759
Net Cash from Operating Activities	<u><u>\$ 1,871,838</u></u>	<u><u>\$ (1,875,025)</u></u>	<u><u>\$ 10,060,844</u></u>	<u><u>\$ (2,354,342)</u></u>	<u><u>\$ 7,703,315</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, 2010

	Agency	Pension Trust	LOSAP Trust	OPEB Trust	Private Purpose Trust	Total
ASSETS						
Cash and short-term investments	\$ 2,657,847	\$ 1,664,784	\$ 109,801	\$ 125,396	\$ 64,018	\$ 4,621,846
Investments, at fair value						
US Government obligations	-	8,453,925	856,902	464,713	42,835	9,818,375
Corporate bond	-	2,605,041	166,666	426,585	-	3,198,292
Corporate stock	-	3,773,696	355,677	1,273,923	-	5,403,296
Fixed income securities	-	1,622,405	116,961	770,185	-	2,509,551
Equity funds	-	29,711,541	2,354,790	1,424,843	-	33,491,174
Accounts receivable	347,556	130,770	12,775	-	-	491,101
Due from other funds	-	-	-	-	10	10
TOTAL ASSETS	<u>3,005,403</u>	<u>47,962,162</u>	<u>3,973,572</u>	<u>4,485,645</u>	<u>106,863</u>	<u>59,533,645</u>
LIABILITIES						
Accounts payable	134,945	-	-	-	-	134,945
Due to other funds	281,836	-	-	-	-	281,836
Due to student groups	2,552,090	-	-	-	-	2,552,090
Undistributed tax proceeds	36,532	-	-	-	-	36,532
TOTAL LIABILITIES	<u>3,005,403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,005,403</u>
NET ASSETS						
Assets held in trust for benefit payments	-	47,962,162	3,973,572	4,485,645	-	56,421,379
Assets held in trust for scholarships	-	-	-	-	106,863	106,863
NET ASSETS	<u>\$ -</u>	<u>\$ 47,962,162</u>	<u>\$ 3,973,572</u>	<u>\$ 4,485,645</u>	<u>\$ 106,863</u>	<u>\$ 56,528,242</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, 2010

	<u>Pension Trust</u>	<u>LOSAP Trust</u>	<u>OPEB Trust</u>	<u>Private Purpose Trust</u>	<u>Total</u>
ADDITIONS					
Contributions:					
Employer	\$ 2,129,539	\$ 570,120	\$ 1,459,100	\$ -	\$ 4,158,759
Plan Members	1,856,920	-	-	-	1,856,920
Gifts and Contributions	-	-	-	18,913	18,913
TOTAL CONTRIBUTIONS	<u>3,986,459</u>	<u>570,120</u>	<u>1,459,100</u>	<u>18,913</u>	<u>6,034,592</u>
 Investment Income					
Realized and Unrealized gain	3,786,824	289,807	227,939	7,497	4,312,067
Interest and dividends	949,129	78,628	90,109	-	1,117,866
Other income	1,165,272	22,817	-	-	1,188,089
TOTAL INVESTMENT INCOME	<u>5,901,225</u>	<u>391,252</u>	<u>318,048</u>	<u>7,497</u>	<u>6,618,022</u>
	<u>9,887,684</u>	<u>961,372</u>	<u>1,777,148</u>	<u>26,410</u>	<u>12,652,614</u>
 DEDUCTIONS					
Benefits	4,061,361	334,235	-	-	4,395,596
Scholarship Expenses	-	-	-	22,786	22,786
Administrative Expenses	191,140	27,990	4,930	-	224,060
TOTAL DEDUCTIONS	<u>4,252,501</u>	<u>362,225</u>	<u>4,930</u>	<u>22,786</u>	<u>4,642,442</u>
 NET INCREASE (DECREASE) IN ASSETS	<u>5,635,183</u>	<u>599,147</u>	<u>1,772,218</u>	<u>3,624</u>	<u>8,010,172</u>
 NET ASSETS - BEGINNING OF YEAR	<u>42,326,979</u>	<u>3,374,425</u>	<u>2,713,427</u>	<u>103,239</u>	<u>48,518,070</u>
 NET ASSETS - END 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>

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2010

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, 2010, 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, 2010

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, 2010

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, 2010

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, 2010

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, 2010

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, 2010

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, 2010

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, 2010

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 (2009 and 2010 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.

Restricted Assets - Reserved and Designated Fund Balances

Certain assets of governmental activities are classified as restricted net assets on the Statement of Net Assets. These include debt proceeds held and drawn down as needed for capital projects. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unrestricted Net Assets

Governmental activities unrestricted net assets have been reduced by \$57.6 million in long-term debt, resulting in unrestricted net assets of \$39.7 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 \$54.0 million and Hagerstown Community College of \$3.6 million. The capital assets acquired with these bonds are not reflected in the primary government financial statements.

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.

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2010

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

Financial Capacity and Analysis Phase (continued)

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.

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2010

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

Budget Development Phase (continued)

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.

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2010

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

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.

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2010

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, 2010, the carrying amount of the County’s deposits was \$53,314,420 and the bank balances were \$54,179,396. All deposits are carried at cost plus accrued interest. There were no significant violations of the collateralization requirements during the year ended June 30, 2010. 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, 2010, the County’s bank balance of \$54,179,396 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, 2010

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Investments

As of June 30, 2010, 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	\$ 135,652,940	\$ 135,652,940	\$ -	\$ -	\$ -
Certificates of Deposit	400,000	-	400,000	-	-
Total investments held in County's name	<u>136,052,940</u>	<u>135,652,940</u>	<u>400,000</u>	<u>-</u>	<u>-</u>
Investments held by trustee of					
Pension plan					
U.S. government obligations and corporate bonds	14,832,662	256,402	4,887,497	2,803,124	6,885,639
Corporate stocks	15,686,994	15,686,994	-	-	-
Fixed income funds	1,622,405	1,622,405	-	-	-
Equity funds	14,024,547	14,024,547	-	-	-
Money market funds	1,664,784	1,664,784	-	-	-
Interest and dividends receivable	130,770	130,770	-	-	-
Total Investments held by trustee of pension plan	<u>47,962,162</u>	<u>33,385,902</u>	<u>4,887,497</u>	<u>2,803,124</u>	<u>6,885,639</u>
Investments held by trustee of					
LOSAP plan:					
U.S. government obligations and corporate bonds	1,379,241	17,069	474,988	279,776	607,408
Corporate stocks	1,489,036	1,489,036	-	-	-
Fixed income funds	116,961	116,961	-	-	-
Equity funds	865,758	865,758	-	-	-
Money market funds	109,801	109,801	-	-	-
Interest and dividends receivable	12,775	12,775	-	-	-
Total Investments held by trustee of LOSAP plan	<u>3,973,572</u>	<u>2,611,400</u>	<u>474,988</u>	<u>279,776</u>	<u>607,408</u>
Investments held by trustee of					
OPEB plan:					
Corporate stocks	1,269,953	1,269,953	-	-	-
Fixed income funds	1,656,374	1,656,374	-	-	-
Equity funds	1,419,912	1,419,912	-	-	-
Money market funds	125,396	125,396	-	-	-
Total Investments held by trustee of OPEB plan	<u>4,471,635</u>	<u>4,471,635</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	\$ 192,460,309	\$ 176,121,877	\$ 5,762,485	\$ 3,082,900	\$ 7,493,047

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, 2010

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, 2010, 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, 2010

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, 2010, 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, 2010, 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, 2010. 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, 2010.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2010

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Board of Education (continued)

Compliance is summarized as follows:

<u>June 30, 2010</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
Carrying amount of cash deposits	\$ 16,386,929	\$ 1,291	\$ 2,657,847	\$ 19,046,067
Bank balance of cash deposits	18,393,904	1,291	2,827,322	21,222,517
Amount covered by FDIC	18,343,804	1,289	2,827,159	21,172,252
Amount collateralized with securities held by an agent of the pledging financial institution in the School system's name	50,100	2	163	50,265

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, 2010

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Board of Education (continued)

As of June 30, 2010, the School System had the following investments and maturities:

June 30, 2010	Governmental Activities	Business-Type Activities	Fiduciary Responsibilities	Total
Federal Home Loan Mortgage Corp. – 2.012%, matures November 24, 2014 (net of unamortized discount of \$463,633)	\$ 5,036,367	\$ -	\$ -	\$ 5,036,367
Federal Home Loan Mortgage Corp. – Step Up/Variable, matures January 15, 2014	3,000,000	-	-	3,000,000
Federal Home Loan Bank 2.625%, matures September 2, 2014	1,000,000	-	-	1,000,000
Federal Home Loan Bank 3.150%, matures April 15, 2011	830,000	-	-	830,000
Federal Home Loan Bank 2.350%, matures December 23, 2013	2,500,000	-	-	2,500,000
Federal Farm Credit Bank 2.188%, matures August 6, 2012 (net of unamortized discount of \$4,464)	2,495,536	-	-	2,495,536
Income Fund of America	-	-	42,835	42,835
	<u>\$ 14,861,903</u>	<u>\$ -</u>	<u>\$ 42,835</u>	<u>\$ 14,904,738</u>

Investment Type	Fair Value	Investment Maturities (in Years)			
	June 30, 2010	Less than 1	1-5	6-10	More than 10
U.S. Agencies	\$ 14,861,903	\$ 830,000	\$ 14,031,903	\$ -	\$ -
Income Fund	42,835	42,835	-	-	-
	<u>\$ 14,904,738</u>	<u>\$ 872,835</u>	<u>\$ 14,031,903</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2010

4. RECEIVABLES

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

	Governmental Activities			
	General	Non-Major	Capital Projects	Total
Receivables:				
Taxes receivable	\$ 2,439,147	\$ -	\$ -	\$ 2,439,147
Accounts receivable	880,331	300,585	1,195,981	2,376,897
Gross receivables	3,319,478	300,585	1,195,981	4,816,044
Less: allowance for uncollectibles	713,862	500	-	714,362
Net Total Receivables	<u>\$ 2,605,616</u>	<u>\$ 300,085</u>	<u>\$ 1,195,981</u>	<u>\$ 4,101,682</u>

	Business-type Activities				
	Water Quality	Solid Waste	Non-major	Airport	Total
Accounts receivable	\$ 886,558	\$ 213,866	\$ 13,710	\$ 119,324	\$ 1,233,458
Less: allowance for uncollectibles	11,025	9,578	-	10,089	30,692
Net Total Receivables	<u>\$ 875,533</u>	<u>\$ 204,288</u>	<u>\$ 13,710</u>	<u>\$ 109,235</u>	<u>\$ 1,202,766</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 \$249,055. 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, 2010

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

Primary Government

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 65,589,873	\$ 1,334,922	\$ (16,000)	\$ 66,908,795
Capital assets, being depreciated:				
Land Improvements	7,677,179	1,494,774	(101,785)	9,070,168
Building and Improvements	55,842,299	9,157,509	(1,406,649)	63,593,159
Vehicles	11,158,059	661,544	(600,946)	11,218,657
Infrastructure	1,105,733,936	4,272,097	-	1,110,006,033
Machinery and Equipment	7,806,864	341,411	-	8,148,275
Office Furniture and Equipment	3,982,478	1,595,269	-	5,577,747
Computer Equipment	8,710,534	17,925,050	-	26,635,584
Total capital assets, being depreciated	1,200,911,349	35,447,654	(2,109,380)	1,234,249,623
Total Capital Assets	1,266,501,222	36,782,576	(2,125,380)	1,301,158,418
Accumulated depreciation for:				
Land Improvements	(3,976,053)	(350,403)	63,333	(4,263,123)
Building and Improvements	(17,449,481)	(2,176,376)	327,301	(19,298,556)
Vehicles	(8,205,294)	(1,064,015)	583,082	(8,686,227)
Infrastructure	(805,347,399)	(22,734,139)	-	(828,081,538)
Machinery and Equipment	(5,420,522)	(481,108)	-	(5,901,630)
Office Furniture and Equipment	(3,453,135)	(402,839)	-	(3,855,974)
Computer Equipment	(5,411,978)	(932,971)	-	(6,344,949)
Total Accumulated Depreciation	(849,263,862)	(28,141,851)	973,716	(876,431,997)
Governmental Activities Capital Assets, net	\$ 417,237,360	\$ 8,640,725	\$ (1,151,664)	\$ 424,726,421
Projects Under Construction	\$ 24,440,590	\$ 16,137,197	\$ (31,123,996)	\$ 9,453,791

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2010

5. CAPITAL ASSETS (continued)

Business-type Activities

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 11,810,398	\$ -	\$ (108,944)	\$ 11,701,454
Capital assets, being depreciated:				
Land Improvements	124,924,118	-	-	124,924,118
Building and Improvements	38,689,766	6,925,000	(103,499)	45,511,267
Facilities	105,815,244	3,241,453	-	109,056,697
Vehicles	7,703,282	762,797	(105,343)	8,360,736
Machinery and Equipment	9,248,610	1,003,328	(149,482)	10,102,456
Office Furniture and Equipment	323,205	-	-	323,205
Computer Equipment	1,191,256	299,000	(11,612)	1,478,644
Treatment Plants	51,456,179	15,463	-	51,471,642
Total capital assets, being depreciated	339,351,660	12,247,041	(369,936)	351,228,765
Total capital assets	351,162,058	12,247,041	(478,880)	362,930,219
Land Improvements	(32,533,173)	(7,581,915)	-	(40,115,088)
Building and Improvements	(9,694,207)	(981,636)	9,487	(10,666,356)
Facilities	(22,737,130)	(1,354,740)	-	(24,091,870)
Vehicles	(4,795,377)	(376,276)	105,343	(5,066,310)
Machinery and Equipment	(6,420,924)	(632,501)	144,857	(6,908,568)
Office Furniture and Equipment	(315,338)	(2,668)	-	(318,006)
Computer Equipment	(977,457)	(108,667)	11,612	(1,074,512)
Treatment Plants	(16,803,067)	(977,315)	-	(17,780,382)
Total Accumulated Depreciation	(94,276,673)	(12,015,718)	271,299	(106,021,092)
Business-type activities capital assets, net	\$ 256,885,385	\$ 231,323	\$ (207,581)	\$ 256,909,127
Projects Under Construction	\$ 6,640,279	\$ 5,700,566	\$ (4,583,936)	\$ 7,756,909

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2010

5. CAPITAL ASSETS (continued)

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

Governmental Activities:

General Government	\$ 24,507,092
Public Safety	2,067,497
Recreation	397,339
Conservation of Natural Resources	11,528
Highway	578,799
Total Depreciation Expense - Governmental Activities	<u>\$ 27,562,255</u>

Business-Type Activities:

Transit Fund	\$ 211,948
Airport Fund	5,857,088
Golf Course Fund	119,395
Water Quality Fund	2,706,600
Solid Waste Fund	3,120,687
Total Depreciation Expense – Business-Type Activities	<u>\$ 12,015,718</u>

Board of Education (Discretely presented component unit)

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 4,500,513	\$ -	\$ -	\$ 4,500,513
Facilities under construction	14,400,664	16,255,307	(13,863,785)	16,792,186
	<u>18,901,177</u>	<u>16,255,307</u>	<u>(13,863,785)</u>	<u>21,292,699</u>
Capital assets, being depreciated:				
Building and Improvements	251,971,672	792,655	(90,887)	252,673,440
Furniture and equipment	30,724,597	2,588,262	(1,452,122)	31,860,737
Equipment under capital leases	1,101,489	9,643,876	-	10,745,365
	<u>283,797,758</u>	<u>13,024,793</u>	<u>(1,543,009)</u>	<u>295,279,542</u>
Accumulated depreciation				
Building and Improvements	(94,053,688)	(5,994,583)	76,297	(99,971,974)
Furniture and equipment, including equipment under capital leases	<u>(17,463,097)</u>	<u>(3,091,012)</u>	<u>1,365,985</u>	<u>(19,188,124)</u>
	<u>(111,516,785)</u>	<u>(9,085,595)</u>	<u>1,442,282</u>	<u>(119,160,098)</u>
Governmental Activities Capital Assets, Net	<u>\$ 191,182,150</u>	<u>\$ 20,194,505</u>	<u>\$ (13,964,512)</u>	<u>\$ 197,412,143</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2010

5. CAPITAL ASSETS (continued)

Board of Education (continued)

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

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
Business-type activities				
Capital assets, being depreciated:				
Furniture and equipment	\$ 3,727,673	\$ 342,290	\$ (83,416)	\$ 3,986,547
Accumulated depreciation				
Furniture and equipment	(2,637,763)	(185,719)	83,162	(2,740,320)
Business-Type Activities Capital Assets, Net	\$ 1,089,910	\$ 156,571	\$ (254)	\$ 1,246,227
Governmental activities:				
Other instructional costs		\$ 1,628,840		
Student transportation services		961,805		
Operation of plant		126,919		
Depreciation - unallocated		6,368,031		
Total governmental activities depreciation expense		<u>\$ 9,085,595</u>		
Business-type activities:				
Food services		<u>\$ 185,719</u>		

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2010

6. INTERFUND RECEIVABLES AND PAYABLES

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Airport	\$227,672
Water Quality	General Fund	4,983,600
	Highway	480,200
	Golf Course	137,517
	Public Transit	135,763
Solid Waste	General Fund	5,622,523
	Highway	541,763
	Golf Course	155,148
	Public Transit	153,170
Airport	General Fund	2,172,339
	Highway	209,318
	Golf Course	59,944
	Public Transit	59,179
Capital Projects	General Fund	87,617,565
Total		<u>\$ 102,555,701</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>\$ 3,536,134</u>

The General Fund receivable from the Airport has a June 30, 2010, balance of \$227,672 of which \$187,672 bears interest at a rate of 4.5% and is being paid over a remaining 2 year period and \$40,000 is an interest free loan and is being paid over a remaining 4 year period. All other interfund payables are without interest.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2010

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:

Fund	Operating Transfers In	Operating Transfers Out	Capital Transfers In	Capital Transfers Out
General Fund:				
Capital Projects	\$ -	\$ -	\$ -	\$ 12,553,200
Solid Waste	-	683,390	-	876,900
Public Transit	-	483,010	6,630	333,600
Water Quality	-	3,120,000	-	-
Airport	-	99,990	-	36,300
Community Partnership	-	316,506	-	-
Agricultural Education Center	-	100,000	-	-
Golf Course	-	70,780	-	-
Hotel/Motel	-	-	-	-
Gaming	-	637	-	-
Capital Projects Fund:				
General Fund	-	568,730	12,553,200	2,891,403
Highway Fund				
Capital Project Fund	-	-	2,000,000	-
Solid Waste:				
General Fund	683,390	-	876,900	-
Public Transit:				
General Fund	483,010	-	333,600	6,630
Water Quality:				
General Fund	3,120,000	-	-	-
Capital Project Fund	-	-	489,590	-
Airport :				
General Fund	99,990	-	36,300	-
Capital Project Fund	568,730	-	-	-
Golf Course				
Capital Project Fund	70,780	-	1,813	-
Community Partnership:				
General Fund	316,506	-	-	-
Agricultural Education Center:				
General Fund	100,000	-	-	-
Gaming				
General Fund	637	-	-	-
Land Preservaiton				
Capital Project Fund	-	-	400,000	-
Total	<u>\$ 5,443,043</u>	<u>\$ 5,443,043</u>	<u>\$ 16,698,033</u>	<u>\$ 16,698,033</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2010

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 \$18,775,000, of which \$10,915,000 are taxable Build America Bonds, were issued for new projects and \$13,790,000 were issued to refund bonds outstanding. General obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds generally are issued as 20-year serial bonds with different amounts of principal maturing each year. General obligation bonds and capital lease obligations currently outstanding are as follows:

	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:						
General obligation bonds	2.0-5.5%	\$ 114,605,738	\$ 22,447,555	\$ 18,213,831	\$ 118,839,462	\$ 8,566,162
Deferred amount on refunding		(174,691)	(1,022,662)	(21,388)	(1,175,965)	-
Unamortized bond premium		614,111	429,525	67,460	976,176	-
Unamortized bond discount		(41,361)	-	(2,955)	(38,406)	-
Total bonds payable		<u>115,003,797</u>	<u>21,854,418</u>	<u>18,256,948</u>	<u>118,601,267</u>	<u>8,566,162</u>
Other loans payable						
Maryland Water Quality loans	1.0%	<u>6,575,763</u>	<u>-</u>	<u>271,968</u>	<u>6,303,795</u>	<u>277,062</u>
Total bonds and loans payable		<u>121,579,560</u>	<u>21,854,418</u>	<u>18,528,916</u>	<u>124,905,062</u>	<u>8,843,224</u>
Agricultural Land Preservation	3.0%	<u>3,604,219</u>	<u>-</u>	<u>517,736</u>	<u>3,086,483</u>	<u>517,736</u>
Capital lease obligations	4.0%	<u>339,286</u>	<u>-</u>	<u>166,136</u>	<u>173,150</u>	<u>173,150</u>
Governmental Activity Long-term Liabilities		<u>125,523,065</u>	<u>21,854,418</u>	<u>19,212,788</u>	<u>128,164,695</u>	<u>9,534,110</u>
Business-type Activities						
Bonds payable:						
General obligation bonds	2.0-5.5%	37,708,421	10,117,445	5,971,578	41,854,288	2,162,760
Deferred amount on refunding		(1,159,553)	(183,030)	(153,484)	(1,189,099)	-
Unamortized bond premium		147,528	158,907	11,473	294,962	-
Unamortized bond discount		(43,023)	-	(7,013)	(36,010)	-
Total bonds payable		<u>36,653,373</u>	<u>10,093,322</u>	<u>5,822,554</u>	<u>40,924,141</u>	<u>2,162,760</u>
Other loans payable:						
Maryland Water Quality loans	.40-3.4%	24,333,082	-	2,562,023	21,771,059	2,585,182
State loans	5.5-6.4%	1,728,272	-	155,383	1,572,889	165,306
Federal loans		-	-	-	-	-
Amount to be drawn		-	-	-	-	-
Other loans payable - net		<u>26,061,354</u>	<u>-</u>	<u>2,717,406</u>	<u>23,343,948</u>	<u>2,750,488</u>
Total bonds and loans payable		<u>62,714,727</u>	<u>10,093,322</u>	<u>8,539,960</u>	<u>64,268,089</u>	<u>4,913,248</u>
Capital leases	3.8-5.4%	<u>653,892</u>	<u>-</u>	<u>233,198</u>	<u>420,694</u>	<u>244,069</u>
Business-type Activity Long-term Liabilities		<u>\$ 63,368,619</u>	<u>\$ 10,093,322</u>	<u>\$ 8,773,158</u>	<u>\$ 64,688,783</u>	<u>\$ 5,157,317</u>
Total Combined Activities						
Long-term Liabilities		<u>\$ 188,891,684</u>	<u>\$ 31,947,740</u>	<u>\$ 27,985,946</u>	<u>\$ 192,853,478</u>	<u>\$ 14,691,427</u>
Board of Education	4.5-8.04%	<u>\$ 8,717,652</u>	<u>\$ 1,319,875</u>	<u>\$ 475,465</u>	<u>\$ 9,562,062</u>	<u>\$ 822,898</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2010

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
2011	\$ 8,843,224	\$ 4,253,389	\$ 4,913,248	\$ 2,071,342	\$ 13,756,472	\$ 6,324,731
2012	9,325,997	4,193,949	4,712,862	2,229,087	14,038,859	6,423,036
2013	9,403,543	3,852,556	4,922,539	2,227,679	14,326,082	6,080,235
2014	9,173,517	3,506,826	4,889,148	2,199,143	14,062,665	5,705,969
2015	8,843,961	3,191,684	4,771,852	2,197,328	13,615,813	5,389,012
2016-2020	36,577,974	11,513,475	21,136,233	12,667,586	57,714,207	24,181,061
2021-2025	27,726,897	5,719,873	13,927,542	2,326,567	41,654,439	8,046,440
2026-2030	14,438,659	1,300,847	5,464,297	515,143	19,902,956	1,815,990
2031	809,485	14,338	460,515	8,156	1,270,000	22,494
Total	<u>125,143,257</u>	<u>\$ 37,546,937</u>	<u>65,198,236</u>	<u>\$ 26,442,031</u>	<u>190,341,493</u>	<u>\$ 63,988,968</u>
Less:						
Deferred amount on refunding	(1,175,965)		(1,189,099)		(2,365,064)	
Unamortized discount	(38,406)		(36,010)		(74,416)	
Unamortized premium	976,176		294,962		1,271,138	
	<u>\$124,905,062</u>		<u>\$ 64,268,089</u>		<u>\$189,173,151</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, 2010, the unused authorization was \$52,004,822.

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, 2010, there were Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$52,219,587.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2010

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, 2010, are as follows:

As of June 30, 2010	Principal	Interest	Total Requirement
2011	\$ 517,736	\$ 92,595	\$ 610,331
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>\$ 3,086,483</u>	<u>\$ 326,966</u>	<u>\$ 3,413,449</u>

For the year ended June 30, 2010, total principal and interest incurred related to agricultural land preservation installments was \$517,736 and \$108,127, respectively.

Capital Leases

On February 15, 2007, the General Fund entered into a capital lease agreement for equipment. The lease calls for annual lease payments of \$180,460 and expires February 15, 2011.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2010

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

Capital Leases (continued)

The future minimum lease payments under this agreement are as follows:

<u>Year ending June 30,</u>	
2011	\$ 180,460
Less: amounts representing interest	<u>7,310</u>
Present value of net minimum lease payments	<u>\$ 173,150</u>

On August 28, 2006, the Solid Waste Fund entered into a capital lease agreement for equipment. The lease calls for annual lease payments of \$53,274 and expires August 28, 2010. On September 19, 2006, the Solid Waste Fund entered into a capital lease agreement for equipment. The lease calls for annual lease payments of \$83,038 through September 25, 2010. 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. The future minimum payments under these agreements are as follows:

<u>Year ending June 30,</u>	
2011	\$ 254,604
2012	118,292
2013	<u>68,218</u>
Total minimum lease payments	441,114
Less: amounts representing interest	<u>28,119</u>
Present value of net minimum lease payments	<u>\$ 412,995</u>

On February 15, 2007, the Water Quality Fund entered into a capital lease agreement for equipment. The lease calls for annual lease payments of \$8,024 and expires February 15, 2011. The future minimum payments under this agreement are as follows:

<u>Year ending June 30,</u>	
2011	\$ 8,024
Less: amounts representing interest	<u>325</u>
Present value of net minimum lease payments	<u>\$ 7,699</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2010

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

Capital Leases (continued)

The following is an analysis of the capital assets acquired under capital leases as of June 30, 2010.

	Capitalized Amount	Accumulated Depreciation	NBV June 30, 2010
General Fund	\$ 1,205,513	\$ 393,363	\$ 812,150
Solid Waste	1,507,715	518,231	989,484
Water Quality	72,075	22,223	49,852
Total	<u>\$ 2,785,303</u>	<u>\$ 933,817</u>	<u>\$ 1,851,486</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:

Year ending June 30,	Principal	Interest	Total
2011	822,898	376,261	1,199,159
2012	728,077	469,682	1,197,759
2013	780,120	417,639	1,197,759
2014	628,493	361,160	989,653
2015	648,159	312,229	960,388
2016-2020	2,042,933	1,124,409	3,167,342
2021-2025	2,558,397	608,945	3,167,342
2026-2028	1,352,985	72,319	1,425,304
	<u>\$ 9,562,062</u>	<u>\$ 3,742,644</u>	<u>\$ 13,304,706</u>

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, 2010, \$15,310,000 of long-term obligations outstanding are considered defeased.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2010

9. OPERATING LEASE AGREEMENTS

County

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, 2010, were \$63,637.

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, 2010, 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, 2010

9. OPERATING LEASE AGREEMENTS (continued)

County (continued)

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 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 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, 2010

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 year ending June 30, 2010, rental income for the above leases of \$442,450 was recognized in the Airport Fund.

On January 1, 2006, the County entered into an agreement with Spirit Services, Inc. of Washington County to lease and operate the Conococheague Industrial Pretreatment Facility. Under the lease agreement, Spirit Services, Inc., has exclusive control and management of the pretreatment facility and assumes all responsibility for utility and maintenance expenses. The term of the lease runs for a period of ninety-nine years with fixed monthly rent payments of \$28,800. During the year ending June 30, 2010, outsourcing revenue of \$345,600 was recognized in the Water Quality Fund.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2010

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, 2010, was \$2,297,298 and \$561,086, 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, 2010, was \$4,896,069. Total employee related costs associated and accrued with these compensated absences amounted to \$374,549 as of June 30, 2010. For governmental funds, \$303,643 as of June 30, 2010, 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, 2010

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, 2009, which is the latest actuarial report available.

Membership of the Plan

The membership consisted of the following as of July 1, 2009, the date of the latest actuarial valuation:

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2010

12. RETIREMENT PLANS (continued)

County Defined Benefit Pension Plan (continued)

Retirees and beneficiaries receiving benefits	233
Terminated Plan members entitled to but not yet receiving benefits	39
Active Plan members	742
	<u>1,014</u>

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation for the year ended June 30, 2010, were as follows:

Annual required contribution	\$ 3,848,282
Interest on net pension obligation	42,903
Adjustment to annual required contribution	<u>(63,691)</u>
Annual pension cost	3,827,494
Contributions	<u>3,562,876</u>
Increase in net pension obligation	264,618
Net pension obligation (excess), beginning of year	<u>553,586</u>
Net pension obligation (excess), end of year	<u>\$ 818,204</u>

The annual required contribution for the current year was determined as part of the July 1, 2009, 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 4.0% per year. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined by the market value of investments. The unfunded actuarial accrued liability is being amortized at a level dollar over 25 years. The effect of an unfunded actuarial accrued liability (funding excess) is amortized immediately.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2010

12. RETIREMENT PLANS (continued)

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Excess)
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
6/30/2006	2,841,284	99.20%	421,057

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, 2010

12. RETIREMENT PLANS (continued)

Board of Education (continued)

Both the "Retirement System" and the "Pension System" for teachers and classified employees are jointly contributory. Under the "Retirement System", employees contribute 4% - 7% of their total gross salary, and under the "Pension System", employees contribute 3% their gross salary for the year ended June 30, 2010, 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 \$1,365,507 and \$1,203,511 or 7.58% and 7.37% of covered payroll for fiscal years 2010 and 2009, respectively; and contributions by the State of Maryland on behalf of the School System totaling \$16,580,708 and \$13,441,048 or 13.15% and 11.7% of covered payroll for fiscal years 2010 and 2009, 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, 2010

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
2007	\$ 10,777,719	\$ 1,163,744	\$ 9,613,975	100%	\$ -
2008	13,777,983	1,268,670	12,509,313	100%	-
2009	14,644,559	1,203,511	13,441,048	100%	-
2010	17,946,215	1,365,507	16,580,780	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, 2010

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 \$989,018 which is reflected in the accompanying financial statements as of June 30, 2010. Changes in the claims liability were as follows:

	Years Ended June 30,	
	2010	2009
Liability, beginning of year	\$ 1,880,807	\$ 1,800,000
Premiums collected and changes in estimates during the year	9,278,291	8,474,166
Claims and administrative costs paid	(10,170,080)	(8,393,359)
Liability, end of year	<u>\$ 989,018</u>	<u>\$ 1,880,807</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, 2010

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 \$754,966, which is reflected in the accompanying financial statements as of June 30, 2010. Changes in the claims liability were as follows:

	Years Ended June 30,	
	2010	2009
Liability, beginning of year	\$ 654,351	\$ 1,000,000
Premiums collected and changes in estimates during the year	1,021,993	391,012
Claims and administrative costs paid	(921,378)	(736,661)
Liability, end of year	<u>\$ 754,966</u>	<u>\$ 654,351</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, 2010

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, 2010

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 \$22,286,686 and \$22,245,257 for the years ended June 30, 2010 and 2009, 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, 2010 and 2009. 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,	
	2010	2009
Liability, beginning of year	\$ 2,077,490	\$ 1,906,300
Claims and changes in estimates during the year	30,227,119	27,803,225
Claims paid and accrued	(30,261,578)	(27,632,035)
Liability, end of year	<u>\$ 2,043,031</u>	<u>\$ 2,077,490</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, 2010

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, 2010

16. SEGMENT INFORMATION (continued)

	Sewer Department	Pretreatment Department
CONDENSED STATEMENT OF NET ASSETS		
Assets		
Current assets	18,355,613	\$ 2,417,265
Noncurrent assets	105,847,764	6,299,669
Total Assets	124,203,377	8,716,934
Liabilities		
Other current liabilities	7,649,436	1,868,304
Noncurrent liabilities	16,988,489	6,119,050
Total Liabilities	24,637,925	7,987,354
Net assets		
Invested in capital assets, net of related debt	92,845,081	(333,725)
Unrestricted	1,024,181	1,700,305
Restricted capital projects	5,713,434	-
Total Net Assets	99,582,696	\$ 1,366,580
CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS		
Operating revenue	7,740,103	\$ -
Lease income	-	345,600
Depreciation expense	(2,139,963)	(189,910)
Other operating expenses	(4,265,565)	(24,039)
Operating income	1,334,575	131,651
Non-operating revenue (expenses)		
Interest income	78,917	-
Interest expense	(800,787)	(254,162)
Utility administration charge	(2,564,469)	-
Operating transfers	1,970,000	350,000
Capital transfers	489,590	-
Capital grants and contributions	387,086	-
Change in net assets	894,912	227,489
Net assets, beginning of year	98,687,784	1,139,091
Net Assets, End of Year	99,582,696	\$ 1,366,580
CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided (used) by		
Operating activities	3,336,414	\$ 321,561
Noncapital financing activities	(594,470)	350,000
Capital and related financing activities	(1,779,807)	(636,273)
Investing activities	78,917	-
Net increase	1,041,054	35,288
Cash and cash equivalents, beginning of year	15,543,986	2,353,677
Cash and Cash Equivalents, End of Year	16,585,040	\$ 2,388,965

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2010

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 \$243,661 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, 2010.

The Resh Landfill has reported a landfill closure and post-closure care liability of \$6,145,112 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, 2010.

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, 2010. The Rubble Landfill was closed in December 2000. No current expense was recognized in the Solid Waste Fund for the year ended June 30, 2010.

The 40 West Landfill began operation in fiscal year 2001. The estimated life of this landfill is approximately 58 years as of June 30, 2010, it is estimated that approximately 15% of the capacity has been used. The estimated costs associated with closure and post-closure care of \$7,315,963 was reported as a liability in the Solid Waste Fund at June 30, 2010. The County will recognize \$47,055,727 of estimated cost associated with the closure and post-closure care as capacity is filled. Expense of \$622,124 was recognized in the Solid Waste Fund for the year ended June 30, 2010.

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, changes in technology, or changes in 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, 2010, as specified in 40CFR258.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2010

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, twenty-six retirees are receiving benefits and seventy-four employees are retirement eligible. Expenditures for postretirement health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported.

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

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

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, 2010

18. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

County (continued)

Components of Net OPEB Obligation

Annual Required Contribution	\$ 1,611,000
Interest on Net OPEB Obligation	10,350
Adjustment to Annual Required Contribution	(7,090)
Annual OPEB Cost (Expense)	1,614,260
Contributions Made or Accrued	1,595,308
Increase in Net Obligation	18,952
Net OPEB Obligation (BOY)	133,550
Net OPEB Obligation (EOY)	\$ 152,502

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 is as follows:

<u>Fiscal Year Ended</u> <u>June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2008	\$ 1,611,000	91.70%	\$ 133,550
2009	1,614,260	99.00%	152,502

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, 2010

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, 2010

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, 2010. 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 2010 is as follows:

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2010

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, 2010, was as follows:

Actuarial accrued liability (AAL)	\$ 123,172,346
Actuarial value of plan assets	12,036,277
Unfunded actuarial accrued liability (UAAL)	<u>\$ 111,136,069</u>
Funded ratio (actuarial value of plan assets/AAL)	9.77%
Covered payroll (active plan members)	\$ 148,400,000
UAAL as a percentage of covered payroll	74.89%

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, 2010, was twenty-eight years.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2010

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, 2010. 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, 2010, 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 \$19,352,364.

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, 2010

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. DESIGNATED AND RESERVED FUND BALANCES

Fund balances reflected in the governmental funds balance sheet as of June 30, 2010 are designated as follows:

Cash Reserves	
General Fund	\$ 35,892,760
Program Reserves	
Community Partnership	469,811
Inmate Welfare	442,521
Contraband	48,884
Agricultural Education Center	174,090
Land Preservation Fund	319,288
Gaming Fund	19,790
Hotel Rental Tax Fund	362,513
Capital Projects	85,342,618
Total Primary Government	<u>\$ 123,072,275</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, 2010. 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, 2010

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.

At July 1, 2009, the date of the latest actuarial valuation, there were 1,829 active volunteers and 113 retired volunteers participating in LOSAP. The County funds LOSAP in annual amounts determined by an actuary.

As of July 1, 2009, the LOSAP Unfunded Accrued Liability (UAL) is as follows:

Accrued Liability	\$ 7,111,240
Less: assets at market value	3,944,546
Unfunded Accrued Liability	<u>\$ 3,166,694</u>

The minimum recommended contribution for the year beginning July 1, 2009, is as follows:

Normal costs	\$ 326,711
Amortization of UAL (over 15 years)	260,483
Interest on UAL	25,320
Recommended contribution	<u>\$ 612,514</u>

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Required Supplementary Information

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Funding Progress June 30, 2010

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%

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	2,853,120	(1,548,351)	154.20%	N/A	N/A
7/1/2008	4,242,850	3,384,215	(858,635)	125.40%	N/A	N/A
7/1/2009	3,944,546	7,111,240	(3,166,694)	55.47%	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, 2010

Non-Major Governmental Funds

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

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

The Inmate Welfare Fund is a special revenue fund used to account for commissary activities at the Washington County Detention Center and other inmate related 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 Highway Fund is a special revenue fund used to account for activities that relate to the daily maintenance of roads, streets, drainage ditches, storm water management ponds and bridges.

The 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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statements of Financial Schedules June 30, 2010

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, 2010

	Highway	Community Partnership	Inmate Welfare	Contraband	Agricultural Education Center	Foreign Trade Zone	Hotel Rental Tax	Gaming	Land Preservation	Total Non-Major Funds
ASSETS										
Cash	\$ 400	\$ 1,208,295	\$ 469,594	\$ 118,606	\$ 177,143	\$ (308)	\$ 536,242	\$ 1,538,702	\$ 323,222	\$ 4,371,896
Accounts receivable	31,256	-	-	-	3,883	-	168,217	96,729	-	300,085
Unbilled receivables	21,825	-	-	-	-	-	-	-	-	21,825
Due from other governmental agencies	245,917	65,111	-	-	-	-	-	-	-	311,028
Inventories	616,095	-	-	-	-	-	-	-	-	616,095
Recoverable disbursements	6,556	-	-	-	-	-	-	-	-	6,556
TOTAL ASSETS	<u>\$ 922,049</u>	<u>\$ 1,273,406</u>	<u>\$ 469,594</u>	<u>\$ 118,606</u>	<u>\$ 181,026</u>	<u>\$ (308)</u>	<u>\$ 704,459</u>	<u>\$ 1,635,431</u>	<u>\$ 323,222</u>	<u>\$ 5,627,485</u>
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	\$ 81,350	\$ 535,321	\$ 25,279	\$ 225	\$ 4,806	\$ -	\$ 341,946	\$ 1,566,810	\$ 3,800	\$ 2,559,537
Accrued expenses	254,207	18,093	1,794	-	2,130	-	-	8,223	134	284,581
Other liabilities	-	-	-	69,497	-	-	-	-	-	69,497
Deferred revenue	-	250,181	-	-	-	-	-	40,608	-	290,789
Due to other funds	1,231,281	-	-	-	-	-	-	-	-	1,231,281
TOTAL LIABILITIES	<u>1,566,838</u>	<u>803,595</u>	<u>27,073</u>	<u>69,722</u>	<u>6,936</u>	<u>-</u>	<u>341,946</u>	<u>1,615,641</u>	<u>3,934</u>	<u>4,435,685</u>
FUND BALANCES										
Designated	-	469,811	442,521	48,884	174,090	-	362,513	19,790	319,288	1,836,897
Deficit	(644,789)	-	-	-	-	(308)	-	-	-	(645,097)
TOTAL FUND BALANCES	<u>(644,789)</u>	<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>1,191,800</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 922,049</u>	<u>\$ 1,273,406</u>	<u>\$ 469,594</u>	<u>\$ 118,606</u>	<u>\$ 181,026</u>	<u>\$ (308)</u>	<u>\$ 704,459</u>	<u>\$ 1,635,431</u>	<u>\$ 323,222</u>	<u>\$ 5,627,485</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, 2010

	Highway	Community Partnership	Inmate Welfare	Contraband	Agricultural Education Center	Foreign Trade Zone	Hotel Rental Tax	Gaming	Land Preservation	Total Non- Major
REVENUE										
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,551,939	\$ -	\$ -	\$ 1,551,939
Licenses and permits	-	-	-	-	-	-	-	2,158,180	-	2,158,180
Charges for services	-	-	373,083	-	-	-	-	-	-	373,083
Revenue from uses of property	-	-	-	-	24,726	-	-	-	-	24,726
Reimbursed expenses	569,772	-	-	-	2,617	-	-	-	-	572,389
Miscellaneous revenues	38,314	-	123,547	29,853	-	-	-	-	-	191,714
Shared taxes and grants	418,693	1,349,412	-	-	3,883	-	-	-	33,158	1,805,146
TOTAL REVENUE	<u>1,026,779</u>	<u>1,349,412</u>	<u>496,630</u>	<u>29,853</u>	<u>31,226</u>	<u>-</u>	<u>1,551,939</u>	<u>2,158,180</u>	<u>33,158</u>	<u>6,677,177</u>
EXPENDITURES										
Public safety	-	-	-	39,216	-	-	-	1,005,053	-	1,044,269
Parks, recreation and culture	-	-	-	-	171,454	-	-	-	-	171,454
Land preservation	-	-	-	-	-	-	-	-	709,893	709,893
General operations	-	-	480,067	-	-	-	-	166,407	-	646,474
Community promotion	-	1,665,918	-	-	-	-	1,370,014	1,005,053	-	4,040,985
Highways and streets	8,740,925	-	-	-	-	-	-	-	-	8,740,925
TOTAL EXPENDITURES	<u>8,740,925</u>	<u>1,665,918</u>	<u>480,067</u>	<u>39,216</u>	<u>171,454</u>	<u>-</u>	<u>1,370,014</u>	<u>2,176,513</u>	<u>709,893</u>	<u>15,354,000</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(7,714,146)</u>	<u>(316,506)</u>	<u>16,563</u>	<u>(9,363)</u>	<u>(140,228)</u>	<u>-</u>	<u>181,925</u>	<u>(18,333)</u>	<u>(676,735)</u>	<u>(8,676,823)</u>
OTHER FINANCING SOURCES										
Transfers in	2,000,000	316,506	-	-	100,000	-	-	637	400,000	2,817,143
NET CHANGES IN FUND BALANCES	<u>(5,714,146)</u>	<u>-</u>	<u>16,563</u>	<u>(9,363)</u>	<u>(40,228)</u>	<u>-</u>	<u>181,925</u>	<u>(17,696)</u>	<u>(276,735)</u>	<u>(5,859,680)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>5,069,357</u>	<u>469,811</u>	<u>425,958</u>	<u>58,247</u>	<u>214,318</u>	<u>(308)</u>	<u>180,588</u>	<u>37,486</u>	<u>596,023</u>	<u>7,051,480</u>
FUND BALANCES, END OF YEAR	<u>\$ (644,789)</u>	<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>\$ 1,191,800</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statement of Net Assets – Non-Major Proprietary Funds As of June 30, 2010

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
ASSETS			
Current Assets			
Cash and short-term investments	\$ 200	\$ 800	\$ 1,000
Accounts receivable	9,112	4,598	13,710
Prepaid expenses	-	6,961	6,961
Unbilled receivables	1,512	-	1,512
Due from other governmental agencies	1,232,455	-	1,232,455
Inventories	87,101	54,299	141,400
Total current assets	<u>1,330,380</u>	<u>66,658</u>	<u>1,397,038</u>
Noncurrent Assets			
Projects under construction	55,614	-	55,614
Property plant and equipment	7,068,677	4,427,023	11,495,700
Accumulated depreciation	(3,659,339)	(2,118,131)	(5,777,470)
Total noncurrent assets	<u>3,464,952</u>	<u>2,308,892</u>	<u>5,773,844</u>
TOTAL ASSETS	<u>4,795,332</u>	<u>2,375,550</u>	<u>7,170,882</u>
LIABILITIES			
Current Liabilities			
Accounts payable	35,658	19,217	54,875
Accrued expenses	77,551	47,313	124,864
Due to other funds	348,112	352,609	700,721
Compensated absences	48,145	27,363	75,508
Deferred revenue	-	4,500	4,500
Other liabilities	-	14,690	14,690
Total current liabilities	<u>509,466</u>	<u>465,692</u>	<u>975,158</u>
Non Current Liabilities			
Compensated absences	<u>25,958</u>	<u>21,916</u>	<u>47,874</u>
TOTAL LIABILITIES	<u>535,424</u>	<u>487,608</u>	<u>1,023,032</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,464,952	2,308,892	5,773,844
Unrestricted	<u>794,956</u>	<u>(420,950)</u>	<u>374,006</u>
TOTAL NET ASSETS	<u>\$ 4,259,908</u>	<u>\$ 1,887,942</u>	<u>\$ 6,147,850</u>

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, 2010

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
OPERATING REVENUE			
Charges for services	\$ 368,419	\$ 1,043,974	\$ 1,412,393
Miscellaneous	957	4,312	5,269
TOTAL OPERATING REVENUE	<u>369,376</u>	<u>1,048,286</u>	<u>1,417,662</u>
OPERATING EXPENSES			
Salaries and wages	1,222,863	512,690	1,735,553
Fringe benefits	358,262	172,838	531,100
Utilities	26,114	56,908	83,022
Insurance	51,394	8,174	59,568
Repairs and maintenance	59,808	53,667	113,475
Supplies	39,195	4,158	43,353
Cost of goods sold	-	124,909	124,909
Contracted services	179,699	3,504	183,203
Rentals and leases	64,642	56,402	121,044
Other operating	220,793	144,559	365,352
Uncollectible accounts	112	-	112
Controllable assets	8,668	63,377	72,045
Depreciation	211,948	119,395	331,343
TOTAL OPERATING EXPENSES	<u>2,443,498</u>	<u>1,320,581</u>	<u>3,764,079</u>
OPERATING LOSS	<u>(2,074,122)</u>	<u>(272,295)</u>	<u>(2,346,417)</u>
OTHER INCOME (EXPENSE)			
Interest income	16	-	16
Loss on disposal of assets	-	(4,418)	(4,418)
TOTAL OTHER INCOME (EXPENSE)	<u>16</u>	<u>(4,418)</u>	<u>(4,402)</u>
LOSS BEFORE OPERATING TRANSFERS AND GRANTS	(2,074,106)	(276,713)	(2,350,819)
OPERATING TRANSFERS	483,010	70,780	553,790
GRANTS FOR OPERATIONS	<u>1,297,271</u>	<u>-</u>	<u>1,297,271</u>
LOSS BEFORE CAPITAL TRANSFERS AND GRANTS	(293,825)	(205,933)	(499,758)
CAPITAL TRANSFERS	326,970	1,813	328,783
GRANTS FOR CAPITAL PROJECTS	<u>977,431</u>	<u>57,039</u>	<u>1,034,470</u>
NET INCOME (LOSS)	1,010,576	(147,081)	863,495
NET ASSETS, BEGINNING OF YEAR	<u>3,249,332</u>	<u>2,035,023</u>	<u>5,284,355</u>
NET ASSETS, END OF YEAR	<u>\$ 4,259,908</u>	<u>\$ 1,887,942</u>	<u>\$ 6,147,850</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statement of Cash Flows – Non-Major Proprietary Funds For Year Ended June 30, 2010

	Public Transit	Golf Course
Cash Flows from Operating Activities		
Receipts from customers	\$ (8,306)	\$ 1,063,011
Payments to suppliers	(649,628)	(506,504)
Payments to employees	(1,569,913)	(683,002)
Net Cash from Operating Activities	(2,227,847)	(126,495)
Cash Flows from Noncapital Financing Activities		
Operating contributions	1,780,281	70,780
Increase (decrease) in due to/from other funds	348,112	(3,137)
Net Cash from Noncapital Financing Activities	2,128,393	67,643
Cash Flows from Capital and Related Financing Activities		
Interest paid on notes and bond payable	(264,033)	-
Payments under capital lease obligations	-	-
Loss on disposal	-	-
Net Cash from Capital and Related Financing Activities	99,438	58,852
Cash Flows from Investing Activities		
Interest on investments	16	-
Net change in cash	-	-
Cash, beginning of year	200	800
Cash, End of Year	<u>\$ 200</u>	<u>\$ 800</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (2,074,122)	\$ (272,295)
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	211,948	119,395
Changes in assets and liabilities:		
Accounts receivable	(858)	10,225
Unbilled receivables	(249)	-
Prepaid expenses	-	(6,961)
Due to/from other government entities	(376,575)	-
Inventories	(4,141)	10,530
Accounts payable and other liabilities	4,938	(9,105)
Accrued expenses	2,964	15,115
Deferred revenue	-	4,500
Compensated absences	8,248	2,101
Net Cash from Operating Activities	<u>\$ (2,227,847)</u>	<u>\$ (126,495)</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, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUE				
Property Tax				
Real property tax	\$ 116,552,630	\$ 116,552,630	\$ 115,539,880	\$ (1,012,750)
Personal property tax	13,248,500	13,248,500	13,994,971	746,471
Property tax interest income	450,000	450,000	575,686	125,686
Other property tax	535,690	535,690	631,110	95,420
Property tax discounts and credits	(1,453,120)	(1,453,120)	(1,508,795)	(55,675)
Total Property Taxes	129,333,700	129,333,700	129,232,852	(100,848)
Other Local Taxes				
Income tax	67,580,000	67,580,000	57,025,046	(10,554,954)
Admissions and amusement tax	375,000	375,000	369,953	(5,047)
Recordation tax	4,550,000	4,550,000	3,933,626	(616,374)
Trailer tax	425,000	425,000	446,056	21,056
Total Other Local Taxes	72,930,000	72,930,000	61,774,681	(11,155,319)
Other Revenues				
Licenses and permits	1,490,300	1,490,300	1,221,484	(268,816)
Court costs and fines	242,370	242,370	380,146	137,776
Charges for services	468,500	468,500	389,192	(79,308)
Revenues from use of property	1,526,740	1,526,740	1,096,492	(430,248)
Reimbursed expenses	1,226,240	1,226,240	1,107,127	(119,113)
Miscellaneous revenues	280,330	382,170	317,285	(64,885)
Grant and shared revenues	1,848,520	8,406,614	6,387,068	(2,019,546)
Total Other Revenues	7,083,000	13,742,934	10,898,794	(2,844,140)
TOTAL REVENUE	209,346,700	216,006,634	201,906,327	(14,100,307)
EXPENDITURES				
General Government				
Legislative				
County Commissioners	225,310	225,310	222,473	2,837
County Clerk	108,390	108,390	90,515	17,875
County Administrator	482,230	482,230	367,626	114,604
Public Information	86,090	86,090	79,385	6,705
Purchasing	423,010	423,010	401,975	21,035
Total Legislative	1,325,030	1,325,030	1,161,974	163,056

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, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Judicial				
Circuit Court	\$ 1,351,930	\$ 1,351,930	\$ 1,172,092	\$ 179,838
Orphan's Court	31,420	31,420	27,749	3,671
State's Attorney	2,468,140	2,448,540	2,324,981	123,559
Sheriff - Judicial	2,069,890	2,070,950	1,966,163	104,787
Sheriff - Process Servers	116,730	116,730	107,483	9,247
Grants	-	244,514	253,656	(9,142)
Total Judicial	6,038,110	6,264,084	5,852,124	411,960
Election Board	794,760	794,760	523,583	271,177
Financial Administration				
Budget and Finance	1,174,050	1,174,050	1,155,468	18,582
Independent Auditing	70,000	70,000	60,025	9,975
Treasurer	424,310	424,310	393,367	30,943
Information Technologies	1,705,320	1,705,320	1,705,104	216
Total Financial Administration	3,373,680	3,373,680	3,313,964	59,716
County Attorney	643,190	643,190	553,622	89,568
Human Resources	676,030	676,030	654,199	21,831
Planning and Zoning				
Planning and Community Development	1,355,330	1,351,830	1,298,869	52,961
Board of Zoning	56,940	56,940	45,651	11,289
Grants	-	586,213	512,261	73,952
Total Planning and Zoning	1,412,270	1,994,983	1,856,781	138,202
Public Works				
Department of Public Works	346,580	346,580	345,622	958
Land Development	825,710	825,710	724,790	100,920
Capital Projects	1,450,010	1,450,010	1,402,706	47,304
Total Public Works	2,622,300	2,622,300	2,473,118	149,182
County Owned Buildings				
Martin Luther King Center	100,750	97,750	97,309	441
Administrative Building	287,220	293,186	252,940	40,246
Administrative Building II	75,000	68,000	47,237	20,763
Court House	545,850	562,850	549,365	13,485
County Office Building	238,260	265,050	247,793	17,257
Administration Annex	68,900	64,900	51,524	13,376
Central Services	224,870	221,870	177,479	44,391
Rental Properties	14,450	14,450	3,903	10,547
Library Maintenance	35,500	38,500	32,730	5,770
Dwyer Center	36,500	36,500	36,446	54
Public Facilities Annex	50,500	70,500	69,357	1,143
Total County Owned Buildings	1,677,800	1,733,556	1,566,083	167,473
Community Promotion				
Contributions to Non-profits	53,710	53,710	52,470	1,240
Economic Development Commission	660,230	660,230	637,382	22,848
Total Community Promotion	713,940	713,940	689,852	24,088
Total General Government	19,277,110	20,141,553	18,645,300	1,496,253

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, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Public Safety				
Sheriff's Departments				
Patrol	\$ 8,315,100	\$ 8,345,620	\$ 7,870,081	\$ 475,539
Sheriff's Auxillary Department	-	-	28,655	(28,655)
Narcotics Task Force	590,500	599,770	570,394	29,376
Grants	-	335,888	365,904	(30,016)
Total Sheriff's Department	8,905,600	9,281,278	8,835,034	446,244
Fire and Rescue Services				
Volunteer Fire and Rescue - County Grants	3,825,420	3,825,420	3,383,599	441,821
Air Unit	21,340	21,340	21,767	(427)
Special Operations	332,870	343,730	340,416	3,314
Total Fire and Rescue Services	4,179,630	4,190,490	3,745,782	444,708
Corrections				
Detention Center	11,485,530	11,485,530	11,112,912	372,618
Central Booking	606,440	606,440	363,489	242,951
Total Corrections	12,091,970	12,091,970	11,476,401	615,569
Other Public Safety				
Building Inspection	2,087,320	2,091,920	1,844,176	247,744
911 - Communications	3,695,980	5,291,250	5,384,642	(93,392)
Communciations Maintenance	384,430	384,430	393,941	(9,511)
Emergency Management	127,350	127,350	94,833	32,517
Fire and Rescue Operations	2,318,530	2,351,280	652,328	1,698,952
Medical Examiner	15,000	15,000	18,690	(3,690)
Civil Air Patrol	3,600	3,600	3,600	-
Animal Control	1,160,250	1,160,250	1,160,692	(442)
CSafe	45,000	45,000	45,000	-
Children's Village	25,000	25,000	25,000	-
Grants	-	1,580,844	425,278	1,155,566
Total Other Public Safety	9,862,460	13,075,924	10,048,180	3,027,744
Total Public Safety	35,039,660	38,639,662	34,105,397	4,534,265
Health				
Total Health	2,389,270	2,389,270	2,389,270	-
Social Services				
Contributions to Other Agencies	1,766,160	1,766,160	1,759,760	6,400
Grants	-	2,258,265	1,266,562	991,703
Total Social Services	1,766,160	4,024,425	3,026,322	998,103
Education				
Total Education	102,109,070	102,109,070	102,109,070	-
Parks, Recreation, and Culture				
Contributions to Other Agencies	2,892,210	2,892,210	2,892,210	-
Parks Department	1,858,550	1,841,490	1,705,891	135,599
Martin L. Snook Park Pool	116,320	136,320	119,889	16,431
Recreation	684,350	684,350	677,008	7,342
Total Parks, Recreation, and Culture	5,551,430	5,554,370	5,394,998	159,372

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Conservation of Natural Resources				
Weed Control	\$ 126,130	\$ 126,130	\$ 109,541	\$ 16,589
Agricultural Extension Service	210,990	210,990	164,649	46,341
Cooperative Extension	38,730	38,730	38,730	-
Agricultural Marketing	99,340	99,340	114,956	(15,616)
Soil Conservation Service	75,040	75,040	75,040	-
Gypsy Moth Program	75,000	75,000	9,050	65,950
Total Conservation of Natural Resources	<u>625,230</u>	<u>625,230</u>	<u>511,966</u>	<u>113,264</u>
General Operations				
Total General Operations	<u>460,330</u>	<u>368,317</u>	<u>418,857</u>	<u>(50,540)</u>
Unallocated Employee Insurance and Benefits				
Total Unallocated Employee Insurance and Benefits	<u>2,799,340</u>	<u>2,799,340</u>	<u>1,645,861</u>	<u>1,153,479</u>
Intergovernmental				
Golf Course Operating Transfer	70,780	70,780	70,780	-
Water and Sewer Operating Transfer	3,120,000	3,120,000	3,120,000	-
Transit Operating Transfer	483,010	483,010	483,010	-
Airport Operating Transfer	99,990	99,990	99,990	-
Capital Projects Operating Transfer	18,800,000	18,800,000	13,800,000	5,000,000
Solid Waste Operating Transfer	683,390	683,390	683,390	-
Community Partnership Operating Transfer	295,760	322,057	316,506	5,551
Agricultural Education Center Operating Transfer	100,000	100,000	100,000	-
Grants to Incorporated Municipalities	2,235,000	2,235,000	1,988,255	246,745
Municipality in Lieu of Bank Shares	38,550	38,550	38,543	7
Total Intergovernmental	<u>25,926,480</u>	<u>25,952,777</u>	<u>20,700,474</u>	<u>5,252,303</u>
Debt Service				
Total Debt Service	<u>13,402,620</u>	<u>13,402,620</u>	<u>12,907,724</u>	<u>494,896</u>
TOTAL EXPENDITURES	<u>209,346,700</u>	<u>216,006,634</u>	<u>201,855,239</u>	<u>14,151,395</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	51,088	51,088
OTHER FINANCING SOURCES (USES)				
Principal amount of new debt for advance refunding			10,831,145	10,831,145
Deposit to escrow fund for advance refunding and repayment of loans			(10,800,891)	(10,800,891)
Transfer of additional funds to Gaming Fund			(637)	(637)
TOTAL OTHER FINANCING SOURCES (USES)			<u>29,617</u>	<u>29,617</u>
NET CHANGES IN FUND BALANCE			<u>80,705</u>	<u>\$ 80,705</u>
FUND BALANCE - BEGINNING			<u>36,718,092</u>	
FUND BALANCE - ENDING			<u>\$ 36,798,797</u>	

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Revenue, Expenditures, and Changes in Fund Balance- Budget and Actual Highway Fund For Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Highway user revenue	\$ 3,600,000	\$ 3,600,000	\$ 418,693	\$ (3,181,307)
Reimbursed expenses	404,400	404,400	569,772	165,372
Other revenue	4,690,390	4,708,050	38,314	(4,669,736)
TOTAL REVENUE	<u>8,694,790</u>	<u>8,712,450</u>	<u>1,026,779</u>	<u>(7,685,671)</u>
EXPENDITURES				
General Operations	942,810	942,810	859,865	82,945
Road Maintenance	4,521,500	4,521,500	3,960,110	561,390
Snow Removal	680,830	680,830	1,397,354	(716,524)
Storm Damage	47,530	47,530	54,662	(7,132)
Traffic Control	508,130	508,130	514,768	(6,638)
Fleet Management	1,993,990	2,011,650	1,954,166	57,484
TOTAL EXPENDITURES	<u>8,694,790</u>	<u>8,712,450</u>	<u>8,740,925</u>	<u>(28,475)</u>
DEFICIENCY OF REVENUE OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>(7,714,146)</u>	<u>\$ (7,714,146)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			2,000,000	
TOTAL OTHER FINANCING SOURCES (USES)			<u>2,000,000</u>	
NET CHANGES IN FUND BALANCE			(5,714,146)	
FUND BALANCE, BEGINNING OF YEAR			<u>5,069,357</u>	
FUND BALANCE, END OF YEAR			<u>\$ (644,789)</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Grant Revenues	\$ -	\$ 1,489,468	\$ 1,349,412	\$ (140,056)
TOTAL REVENUE	<u>-</u>	<u>1,489,468</u>	<u>1,349,412</u>	<u>(140,056)</u>
EXPENDITURES				
General Operations	176,460	202,757	197,208	5,549
Teen Pregnancy Prevention	119,300	119,300	119,298	2
Governor's Office for the Children	-	841,887	801,856	40,031
Governor's Offices for the Children - Other	-	9,788	9,788	-
Western Region Grants	-	137,625	137,625	-
Maryland State Department of Education	-	277,993	277,993	-
Disadvantaged Disabilities Administration	-	32,056	-	32,056
Boonsboro School Based Mental Health	-	76,200	22,887	53,313
Bridge Program	-	75,928	37,878	38,050
Department of Earned Reinvestment	-	7,991	58,149	(50,158)
Department of Hancock Community Initiative Program	-	30,000	3,236	26,764
TOTAL EXPENDITURES	<u>295,760</u>	<u>1,811,525</u>	<u>1,665,918</u>	<u>145,607</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>(295,760)</u>	<u>(322,057)</u>	<u>(316,506)</u>	<u>5,551</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>295,760</u>	<u>322,057</u>	<u>316,506</u>	<u>(5,551)</u>
NET CHANGES IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE, BEGINNING OF YEAR			<u>469,811</u>	
FUND BALANCE, END OF YEAR			<u>\$ 469,811</u>	



Baltimore Office:
200 International Circle
Suite 5500
Hunt Valley, Maryland 21030
410.584.0060

Washington, D.C. Office:
1776 I Street, N.W.
9th Floor
Washington, D.C. 20006
202.756.4811

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Date of Issuance]

County Commissioners of Washington County
Hagerstown, Maryland

Dear County Commissioners:

We have acted as Bond Counsel to County Commissioners of Washington County (the “Issuer”) in connection with the issuance of its \$14,170,000 County Commissioners of Washington County Public Improvement Bonds of 2011 (the “Bonds”), dated the date hereof. All capitalized terms not defined herein shall have the meaning set forth in the Bonds.

We have examined the law and such certified proceedings and other materials as we deem necessary to render the opinions set forth below.

As to questions of fact material to our opinion, without undertaking to verify the same by independent investigation, we have relied upon the certified proceedings of the Issuer and certifications by public officials.

We do not express any opinion herein regarding any law other than the law of the State of Maryland (the “State”) and the federal law of the United States of America.

With respect to the executed and authenticated Bond of the issue of Bonds that we have examined, and Bonds similarly executed and authenticated and identical thereto in form, except for numbers, interest rates, denominations and maturities, we are of the opinion that, under existing Maryland and federal law as of this date hereof:

(a) The Bonds are valid and legally binding general obligations of the Issuer to which its full faith and credit and taxing power are pledged, and for the payment of which the Issuer is empowered and directed to levy ad valorem taxes unlimited as to rate and amount upon all legally assessable property subject to assessment for unlimited taxation in Washington County.

(b) To provide for the payment of the principal of and interest on the Bonds, the Issuer, by the adoption of the Resolution, has covenanted to levy ad valorem taxes in rate and amount sufficient for that purpose in each fiscal year in which provision must be made for the payment of such principal and interest.

(c) By the terms of the Act, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit made in the sale thereof, shall be at all times exempt from State, county, municipal or other taxation of every kind and nature whatsoever in the State, but no opinion is expressed as to estate or inheritance taxes, or to any other taxes not levied or assessed directly on the Bonds or the interest thereon.

(d) Under existing statutes, regulations and decisions, and assuming the accuracy of certifications of the County, interest on the Bonds is excludable from gross income for federal income tax purposes. Interest on the Bonds is not a tax preference item directly subject to the alternative minimum tax imposed on individuals, corporations and other taxpayers pursuant to the Internal Revenue Code of 1986, as amended (the “Code”); however, interest on the Bonds held by certain corporations may be indirectly subject to federal alternative minimum tax because of its inclusion in the “adjusted current earnings” of a corporate holder. Interest on the Bonds held by foreign corporations engaged in a trade or business in the United States may be subject to the branch profits tax imposed by the Code.

The opinions set forth in this paragraph (d) are subject to the condition that the County complies with all requirements that must be satisfied subsequent to the issuance of the Bonds so that interest on the Bonds continues to be excluded from gross income for federal income tax purposes. The County has covenanted and agreed to comply with each such requirement. Failure to comply with certain requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We assume no responsibility for, and will not monitor, compliance by the County with the covenants and agreements contained in its tax certificate. In the event of noncompliance with such covenants and agreements, available

enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent the interest on the Bonds from becoming includable in gross income for federal income tax purposes.

Other than as set forth in the preceding paragraphs (c) and (d), we express no opinion regarding the federal or State income tax consequences arising with respect to the Bonds.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

Our services as bond counsel have been limited to rendering the opinions expressed above based on our review of such information and proceedings as we deem necessary to opine as to the validity of the Bonds and the tax status of the interest payable on the Bonds. We have not been engaged and have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and, accordingly, we express no opinion as to the accuracy, completeness or sufficiency of any such information that may have been relied upon by any person in making a decision to purchase the Bonds.

The opinions expressed above are limited to the matters set forth above, and no other opinions should be inferred beyond the matters expressly stated. This opinion is given as of its date and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

NOTICE OF SALE

WASHINGTON COUNTY, MARYLAND
(County Commissioners of Washington County)
\$14,170,000

PUBLIC IMPROVEMENT BONDS OF 2011

**(Full Faith and Credit Obligations of the
County Commissioners of Washington County)**
Dated Date of Delivery
DTC Book-Entry

Overview and Amortization

Electronic proposals will be received via **Parity®** on behalf of the Board of County Commissioners of Washington County (the “Board”) by the Director of the Office of Budget and Finance of Washington County, Maryland, at the County Commissioners’ Meeting Room (Room 227), 100 West Washington Street, Hagerstown, Maryland 21740 until 11:00 a.m. Prevailing Eastern Time on Tuesday, May 10, 2011 (the “Bid Date”, unless postponed as described in this Notice of Sale) for the purchase of the above-referenced bonds (the “Bonds”) of the County Commissioners of Washington County (the “County”), all dated their date of delivery, all bearing interest payable on January 1, 2012, and semiannually thereafter on July 1 and January 1 until maturity or earlier redemption, all issued under the provisions of Chapter 392 of the Laws of Maryland of 2007 (“Chapter 392”), and in accordance with a Resolution adopted on April 19, 2011, as supplemented.

The Bonds will be subject to principal amortization either through serial maturities or mandatory sinking fund redemptions or a combination thereof (see “Serial and/or Term Bonds” below) on July 1 in the years and principal amounts set forth below:

Public Improvement Bonds of 2011

Maturing July 1	Principal Amount	Maturing July 1	Principal Amount
2012	\$530,000	2022	\$695,000
2013	540,000	2023	715,000
2014	550,000	2024	740,000
2015	565,000	2025	770,000
2016	580,000	2026	800,000
2017	595,000	2027	830,000
2018	615,000	2028	865,000
2019	635,000	2029	900,000
2020	655,000	2030	935,000
2021	675,000	2031	980,000

Serial Bonds and/or Term Bonds

A bidder may designate in its proposal two or more consecutive principal amounts shown in the amortization schedule above as a term bond, which matures on the maturity date of the last included principal amount of the sequence. More than one such sequence of principal amounts may be designated as term bonds. Any term bond so designated shall be subject to mandatory redemption in each year on the principal payment date and in the entire amount of each serial maturity designated for inclusion in such term bond.

Bond Registrar and Paying Agent

Manufacturers and Traders Trust Company, Baltimore, Maryland and Buffalo, New York, will act as the Bond Registrar and Paying Agent for the Bonds.

Purpose of Issue

The Bonds are to be issued to provide a portion of the financing for infrastructure projects, environmental projects, and public facilities projects and to pay costs of issuance.

Bid Specifications

Each proposal must be submitted electronically as described below. No bid of less than 100% of the aggregate principal amount of the Bonds, no oral or written bid and no bid for less than all of the Bonds described in this Notice of Sale will be considered by the Board.

The right is reserved to waive any irregularity or informality in any proposal and to reject any or all proposals. The judgment of the Director of the Office of Budget and Finance shall be final and binding upon all bidders with respect to the form and adequacy of any proposal received and as to its conformity to the terms of this Notice of Sale.

Each bidder shall submit one proposal on an "all or none" basis for the Bonds. Each proposal must specify the amount bid for the Bonds (not less than 100% of the aggregate principal amount of the Bonds) and must specify in multiples of one-eighth ($\frac{1}{8}$) or one-twentieth ($\frac{1}{20}$) of one percent (1%) the rate or rates of interest per annum which the Bonds are to bear but shall not specify (a) more than one interest rate for any Bonds having the same maturity, (b) a zero rate of interest, (c) any interest rate for any Bonds which exceeds the interest rate stated in such proposal for any other Bonds by more than three percent (3%), or (d) for maturities 2022 through 2031, inclusive, no interest rate may be bid that is lower than the interest rate in the immediately preceding year (i.e., interest rates must ascend or remain level on a year-to-year basis from a base year of 2021).

Electronic Bids Only

Bid proposals must be submitted by electronic bidding via **Parity®**, in the manner described below, and must be received by 11:00 a.m., Prevailing Eastern Time, on the Bid Date. No bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **Parity®** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about **Parity®**, potential bidders may contact **Parity®** at (212) 849-5021.

Disclaimer

Each prospective electronic bidder shall be solely responsible to submit its bid via **Parity®** as described above. Each prospective electronic bidder shall be solely responsible to make necessary arrangements to access **Parity®** for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the County nor **Parity®** shall have any duty or obligation to provide or assure access to **Parity®** to any prospective bidder, and neither the County nor **Parity®** shall be responsible for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by **Parity®**. The County is using **Parity®** as a communication mechanism, and not as the County's agent, to conduct the electronic bidding for the Bonds. The County is not bound by any advice and determination of **Parity®** to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the bid parameters specified in this Notice of Sale. All costs and expenses incurred by prospective bidders in connection with their submission of bids via **Parity®** are the sole responsibility of the bidders; and the County is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying, or withdrawing a bid for the Bonds, such bidder should

telephone **Parity®** at (212) 849-5021 and notify the County's financial advisor, Public Advisory Consultants, Incorporated, by facsimile at (410) 581-9808 and by telephone at (410) 581-4820.

Electronic Bidding Procedures

Electronic bids must be submitted for the purchase of the Bonds via **Parity®**. Bids will be communicated electronically to the County at 11:00 a.m., Prevailing Eastern Time, on May 10, 2011 (or such later Bid Date as announced in accordance with this Notice of Sale). Prior to that time, a prospective bidder may (1) submit the proposed terms of its bid via **Parity®**, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds, or (3) withdraw its proposed bid. Once the bids are communicated electronically via **Parity®** to the County, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. The County shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, **Parity®**, the use of such facilities being the sole risk of the prospective bidder. For purposes of the electronic bidding process, the time as maintained on **Parity®** shall constitute the Prevailing Eastern Time.

No electronic bid will be finally accepted unless the bidder submits a good faith deposit as described below.

If any provision of this Notice of Sale shall conflict with the information provided by **BiDCOMP®/ Parity®** as the approved provider of electronic bidding services, this Notice of Sale shall control.

Basis of Award

Proposals will be opened promptly after 11:00 a.m. Prevailing Eastern Time, on the Bid Date. The successful bidder(s) will be determined based on the lowest interest cost to the County. The lowest interest cost shall be determined in accordance with the true interest cost ("TIC") method by doubling the semiannual interest rate (compounded semi-annually) necessary to discount the debt service payments from the payment dates to the date of the Bonds and to the price bid. If two or more bidders offer to purchase the Bonds at the same lowest interest cost, then such award will be made to the bidder offering the highest purchase price. If two or more bidders offer to purchase the Bonds at the same lowest interest cost, with the same purchase price, the County shall have the right to award all of the Bonds to one bidder.

Good Faith Deposit

The successful bidder for the Bonds shall submit a good faith deposit in the amount of \$250,000 (the "Good Faith Deposit") for the winning bid on the Bonds to the County as provided below. The Good Faith Deposit will secure the County from any loss resulting from the failure of the successful bidder to comply with the terms of its bid. The successful bidder shall transfer the Good Faith Deposit by wire transfer directly to the County upon notification of the preliminary award of the Bonds, as indicated on **Parity®** (the "Preliminary Award"), but in any case no later than 4:00 p.m., Prevailing Eastern Time, on the Bid Date. Wire instructions will be provided to the successful bidder by the County's financial advisor upon notification of the Preliminary Award.

The successful bidder will provide as quickly as it is available evidence of the wire transfer to the County's financial advisor by providing to the County's financial advisor the federal funds reference number. The formal award of the Bonds shall not be made until the County's financial advisor has confirmation of receipt of the Good Faith Deposit, and if the successful bidder fails to so deliver the Good Faith Deposit by the time designated above, the County will have the option to withdraw the Preliminary Award and the successful bidder shall be responsible to the County for all consequential damages arising from such withdrawal.

At the time of the delivery of the Bonds, the Good Faith Deposit will be applied against the purchase price for the Bonds or will be retained as liquidated damages upon the failure of the successful bidder to take and pay for the Bonds in accordance with the terms of its proposal. The successful bidder shall have no right in or to the Good Faith Deposit if it fails to complete the purchase of, and payment in full of, the Bonds for any reason whatsoever, unless such failure of performance shall be caused by an act or omission of the County. No interest will be paid upon the Good Faith Deposit to the successful bidder. Notwithstanding the foregoing, should a successful bidder fail to pay for the Bonds at the price and on the date agreed upon, the County retains the right to seek further compensation for damages sustained as a result of the successful bidder so doing.

Security

The full faith and credit and unlimited taxing power of the County are unconditionally pledged to the payment of the principal of the Bonds and the interest to accrue thereon.

Book-Entry Only

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. One bond certificate for each maturity will be issued to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), and immobilized in DTC's custody or in the custody of the Bond Registrar and Paying Agent. The book-entry system will evidence ownership of the Bonds in the principal amount of \$5,000 and integral multiples thereof, with transfers of ownership interest of each actual purchaser of a Bond effected on the records of DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with DTC or with the Bond Registrar and Paying Agent to be held under DTC's "FAST" system, registered in the name of Cede & Co., DTC's nominee. All fees due DTC shall be paid by the successful bidder.

Principal will be paid to Cede & Co., nominee of DTC, as registered owner of the Bonds at the designated corporate trust office of the Bond Registrar and Paying Agent, on the date such principal is payable upon presentment and surrender of the Bonds. Interest on the Bonds is payable on January 1, 2012, and semiannually thereafter on July 1 and January 1 of each year to Cede & Co., nominee of DTC as the registered owner of the Bonds.

Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments to beneficial owners of the Bonds by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The County will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

DTC may determine not to continue to act as securities depository for the Bonds at any time by giving notice to the County. The County may determine to select a different securities depository or the County may determine not to continue the book-entry system. If the County does not identify another qualified securities depository to replace DTC, the County will deliver replacement bonds in the form of fully-registered certificates.

Optional Redemption

Bonds that mature on or before July 1, 2021, are not subject to redemption at the option of the County prior to their maturities. Bonds which mature on or after July 1, 2022, are subject to redemption at the option of the County in whole or in part on any date on or after July 1, 2021, in any order directed by the County, at a redemption price of the principal amount of the Bonds (or portions thereof) to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium or penalty.

Legal Opinion

The Bonds will be issued and sold subject to approval as to legality by Funk & Bolton, P.A., Baltimore, Maryland, bond counsel. The approving opinion of Funk & Bolton, P.A. will be delivered, upon request, to the successful bidder for the Bonds, without charge, and the text of the approving opinion will also be printed on, or attached to, each Bond.

Undertakings of the Successful Bidder

Upon award of the Bonds, the successful bidder shall advise the County of the initial reoffering prices to the public of each maturity of the Bonds. Simultaneously with or before delivery of the Bonds, the successful bidder shall furnish to the County a certificate in form and substance acceptable to bond counsel (a) certifying that a bona fide offering of the Bonds has been made to the public (excluding bond houses, brokers, and other intermediaries), and (b) stating the prices at which a substantial portion of each maturity of the Bonds were sold to the public (excluding bond houses, brokers, and other intermediaries).

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print any such number on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the successful bidder to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale.

Official Statement

Within seven business days after the award of the Bonds to the successful bidder thereof on the Bid Date, the County will authorize its Official Statement, which is expected to be substantially in the form of the Preliminary Official Statement referred to below. The Preliminary Official Statement has been deemed final by the County for the purpose of Rule 15c2-12 of the Securities and Exchange Commission, subject to revision, amendment and completion in a final Official Statement. The County will also issue any supplement or amendment to the Official Statement that may be necessary between the date of the Official Statement and the date of delivery of the Bonds. If requested and furnished to the County in writing by the successful bidder at or before the close of business on the Bid Date, the County will include in the Official Statement such pricing and other information relating to the reoffering of the Bonds, if any, as may be so furnished. If the successful bidder furnishes no such information, the Official Statement will include the interest rates on the Bonds resulting from the proposal of the successful bidder and the other statements with respect to reoffering contained in the Preliminary Official Statement. Whether or not any such information is included in the Official Statement, the successful bidder shall be responsible to the County and its officials in all respects for the accuracy, fairness and completeness of such information, and for all decisions made with respect to the use or omission of such information in any reoffering of the Bonds, including the presentation or exclusion of any such information in any documents, including the Official Statement. Within seven business days after the award of the Bonds, the successful bidder will also be furnished, without cost, with a reasonable number of copies of the Official Statement (and any amendment or supplement thereto, except to the extent any such amendment or supplement is required due to a change in the reoffering information provided by the successful bidder).

Continuing Disclosure

In order to assist the successful bidder in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"), the County will undertake, pursuant to a continuing disclosure agreement, to provide certain information annually and notices of the occurrence of certain events. The substantially final form of Continuing Disclosure Agreement is included in the Preliminary Official Statement as Appendix D.

It shall be a condition to the obligation of the successful bidder to accept delivery and pay for the Bonds that, simultaneously with or before delivery of and payment for the Bonds, said successful bidder shall be furnished, without cost, with the continuing disclosure agreement of the County dated as of the date of delivery of the Bonds, pursuant to which the County undertakes to provide continuing disclosure as required by the Rule.

Delivery of the Bonds

Delivery of the Bonds will be made to the successful bidder through the facilities of DTC on or about May 24, 2011. Payment for the Bonds shall be made in immediately available funds.

The Bonds will be accompanied by the customary closing documents, including a no-litigation certificate, effective as of the date of delivery, stating that there is no litigation pending affecting the validity of the Bonds. It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that, simultaneously with or before delivery and payment for the Bonds, said successful bidder shall be furnished a certificate of the President of the Board to the effect that, to the best of his knowledge and belief, the Official Statement (and any amendment or supplement thereto) (except for the reoffering information and except as to information regarding DTC and DTC's book-entry system provided by DTC, as to which no view will be expressed) as of the Bid Date and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and that between the Bid Date and the date of delivery of the Bonds there has been no material adverse change in the financial position or revenues of the County, except as reflected or contemplated in the Official Statement.

The County reserves the right to modify or amend this Notice of Sale prior to the Bid Date including, but not limited to, adjusting and changing the principal amount of Bonds being offered and/or changing the bid specifications for the Bonds; however, such modifications or amendments shall be made not later than 9:30 a.m. Prevailing Eastern Time on the Bid Date, and communicated through TM3 (www.TM3.com).

Any proposal submitted shall be made in accordance with this Notice of Sale, including any modifications, amendments or changes communicated via TM3 in accordance with the provisions of this Notice of Sale.

The Preliminary Official Statement dated May 3, 2011, together with this Notice of Sale, will be supplied to prospective bidders upon request made in writing to the County's financial advisor, Public Advisory Consultants, Incorporated, 25 Crossroads Drive, Suite 402, Owings Mills, Maryland 21117, or by telephone, (410) 581-4820 or by facsimile transmission, (410) 581-9808, or by email, pac@paconsults.com.

**Terry L. Baker, President
Board of County Commissioners
of Washington County**

**PROPOSED FORM OF
CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by **COUNTY COMMISSIONERS OF WASHINGTON COUNTY** (the “Issuer”) in connection with the issuance of its \$14,170,000 Public Improvement Bonds of 2011 (collectively, the “Bonds”). The Bonds are being issued pursuant to a Resolution adopted on April 19, 2011, as supplemented. The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the owners and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The Issuer’s obligations hereunder shall be limited to those required by written undertaking pursuant to the Rule.

SECTION 2. Definitions. In addition to the definitions set forth above, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“**Listed Events**” shall mean any of the events listed in Section 4(a) of this Disclosure Agreement.

“**MSRB**” shall mean the Municipal Securities Rulemaking Board. To the extent the Rule is amended to refer to any additional or different repositories, references in this Disclosure Agreement to the MSRB shall be deemed to such additional or different repositories to the extent required by the Rule. As of the date of execution and delivery of this Disclosure Agreement, any of the notices or materials required by this Disclosure Certificate to be filed with the MSRB shall be filed with the Electronic Municipal Market Access maintained by the MSRB at <http://www.msrb.emma.org> in accordance with the Rule.

“**Official Statement**” shall mean the Official Statement dated May 10, 2011 relating to the Bonds.

“**Participating Underwriter**” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“**Rule**” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Financial Information, Operating Data and Audited Information.

(a) The Issuer shall provide to the MSRB annual financial information and operating data generally consistent with the information contained under the headings “General Fund Revenues and Expenditures” and “Debt Information” in the Official Statement, such information to be made available within 240 days after the end of the Issuer’s fiscal year, commencing with the fiscal year ending June 30, 2011.

(b) The Issuer shall provide to the MSRB annual audited combined financial statements for the Issuer, such information to be made available within 240 days after the end of the Issuer’s fiscal year, commencing with the fiscal year ending June 30, 2011, unless the audited financial statements are not available on or before such date, in which event said financial statements will be provided promptly when and if available. In the event that audited financial statements are not available within 240 days after the end of the Issuer’s fiscal year (commencing with the fiscal year ending June 30, 2011), the Issuer will provide unaudited financial statements within said time period.

(c) The presentation of the financial information referred to in paragraph (a) and in paragraph (b) shall be made in accordance with the same accounting principles as utilized in connection with the presentation of applicable comparable financial information included in the Official Statement, provided, that the Issuer may modify the accounting principles utilized in the presentation of financial information by amending this Disclosure Agreement pursuant to the provisions of Section 7 hereof. Changes in Generally Accepted Accounting Principles, where applicable to financial information to be provided by the Issuer, shall not require the Issuer to amend this Disclosure Agreement.

(d) If the Issuer is unable to provide the annual financial information and operating data within the applicable time periods specified in (a) and (b) above, the Issuer shall send in a timely manner a notice of such failure to the MSRB.

(e) If the Issuer changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the Issuer would otherwise be required to provide financial information and operating data pursuant to this Section 3.

(f) The financial information and operating data to be provided pursuant to this Section 3 may be set forth in full in one or more documents or may be incorporated by specific reference to documents available to the public on the MSRB's Internet Website or filed with the Securities and Exchange Commission.

(g) All information provided to the MSRB pursuant to subsections (a), (b) or (d) of this Section 3 shall be in an electronic format as prescribed by the MSRB.

SECTION 4. Reporting of Listed Events.

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following Listed Events with respect to the Bonds:

- i) principal and interest payment delinquencies;
- ii) non-payment related defaults, if material;
- iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- v) substitution of credit or liquidity providers, or their failure to perform;
- vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
- vii) modifications to rights of Bond holders, if material;
- viii) Bond calls, if material, and tender offers;
- ix) defeasances;
- x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- xi) rating changes;
- xii) bankruptcy, insolvency, receivership or similar event of the Issuer;
- xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

For the purpose of the event identified in clause (xii) of this Section 4(a), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(b) Notice of any of the Listed Events identified in Section 4(a) shall be given to the MSRB in a timely manner not in excess of ten (10) business days after the occurrence of the event.

(c) All information provided to the MSRB pursuant to this Section 4 shall be in an electronic format as prescribed by the MSRB.

SECTION 5. Termination of Reporting Obligations. The Issuer's obligations under this Disclosure Agreement shall terminate upon the payment in full of all of the Bonds either at their maturity or by early redemption. In addition, the Issuer may terminate its obligations under this Disclosure Agreement if and when the Issuer no longer remains an obligated person with respect to the Bonds within the meaning of the Rule.

SECTION 6. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel, expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule. To the extent applicable, the reasons for any amendment and the impact of the change in the type of operating data or financial information being provided will be explained in information provided with the annual financial information containing the amended operating data or financial information.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any disclosure made pursuant to Section 3(a) or (b) hereof or notice of occurrence of a Listed Event in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any disclosure made pursuant to Section 3(a) or (b) hereof or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future disclosure made pursuant to Section 3(a) or (b) hereof or notice of occurrence of a Listed Event.

SECTION 9. Limitation of Remedies. The Issuer shall be given written notice at the address set forth below of any claimed failure by the Issuer to perform its obligations under this Disclosure Agreement, and the Issuer shall be given 15 days to remedy any such claimed failure. Any suit or other proceeding seeking further redress with regard to any such claimed failure by the Issuer shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action. Written notice to the Issuer shall be given to the Director of Finance, Washington County Administration Building, Room 304, 100 W. Washington Street, Hagerstown, MD 21740, or at such alternate address as shall be specified by the Issuer with disclosures made pursuant to Section 3(a) or (b) hereof or a notice of occurrence of a Listed Event.

SECTION 10. Relationship to Bonds. This Disclosure Agreement constitutes an undertaking by the Issuer that is independent of the Issuer's obligations with respect to the Bonds; any breach or default by the Issuer under this Disclosure Agreement shall not constitute or give rise to a breach or default under the Bonds.

SECTION 11. Law of Maryland. This Disclosure Agreement, and any claim made with respect to the performance by the Issuer of its obligations hereunder, shall be governed by, subject to, and construed according to the laws of the State of Maryland.

SECTION 12. Limitation of Forum. Any suit or other proceeding seeking redress with regard to any claimed failure by the Issuer to perform its obligations under this Disclosure Agreement must be filed in the Circuit Court for Washington County, Maryland.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the owners, including beneficial owners, from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Compliance with MSRB Requirements. All documents provided to the MSRB pursuant to this Disclosure Agreement and the Rule shall be accompanied by identifying information as prescribed by the MSRB.

Date: _____, 2011

ATTEST:

COUNTY COMMISSIONERS OF
WASHINGTON COUNTY

Vicki C. Lumm, County Clerk

By: _____
Terry L. Baker, President
Board of County Commissioners
of Washington County

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