

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

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

**For the Year Ended June 30, 2010**



**June 30, 2010**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

County Commissioners of Washington County  
Hagerstown, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County Commissioners of Washington County, Maryland (the County), as of and for the year ended June 30, 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.



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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)*

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>		<i>Total Percent Change</i>
	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%)
<b><i>Total Assets</i></b>	<b>589,705,517</b>	<b>607,516,492</b>	<b>333,716,218</b>	<b>328,175,715</b>	<b>923,421,735</b>	<b>935,692,207</b>	<b>(1%)</b>
<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%)
<b><i>Total Liabilities</i></b>	<b>153,314,390</b>	<b>151,305,456</b>	<b>111,022,380</b>	<b>105,918,067</b>	<b>264,336,770</b>	<b>257,223,523</b>	<b>3%</b>
<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%)
<b><i>Total Net Assets</i></b>	<b>\$ 436,391,127</b>	<b>\$ 456,211,036</b>	<b>\$ 222,693,838</b>	<b>\$ 222,257,648</b>	<b>\$ 659,084,965</b>	<b>\$ 678,468,684</b>	<b>(3%)</b>

The largest portion of the County's net assets reflects its investments in capital assets (e.g., land, roads, and bridges); less related outstanding debt used to acquire those assets in the amount of \$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)*

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

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)**

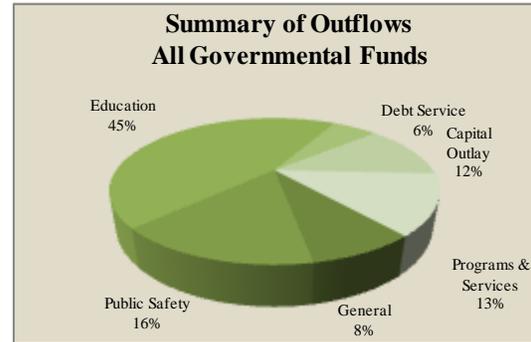
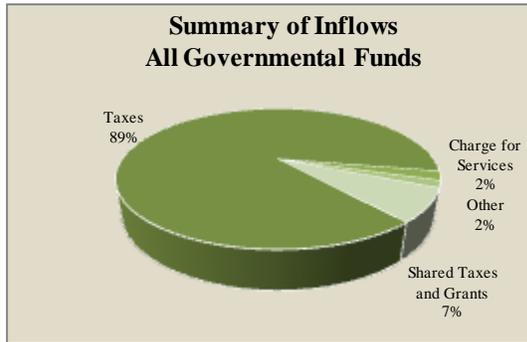
<i>Governmental Activities – Fund Statements</i>	<i>Fund Balance</i>			<i>Net Change in Fund Balance</i>		
	2010	2009	% Change	2010	2009	% Change
<i>General Fund</i>	\$ 36,798,797	\$ 36,718,092	0%	\$ 80,705	\$ 224,885	(64%)
<i>Capital Improvement Fund</i>	85,579,828	83,800,181	2%	1,779,647	2,713,306	(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.

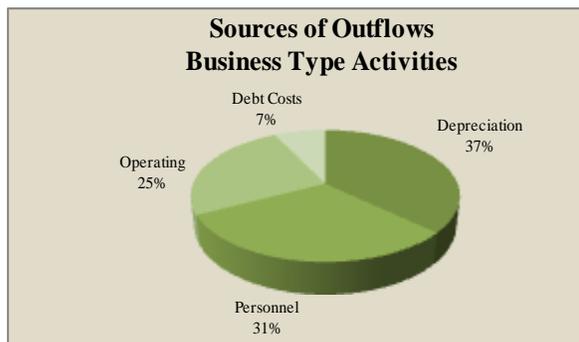
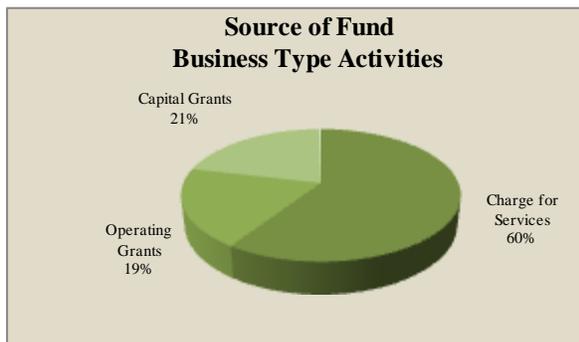
**Proprietary Funds:**

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)**

<i>Business-type Activities - Fund Statements</i>	<i>Net Assets</i>			<i>Net Income (Loss)</i>		
	2010	2009	% Change	2010	2009	% Change
<b>Water Quality</b>	\$ 115,521,278	\$ 113,400,215	2%	\$ 2,121,063	\$ 2,881,586	(26%)
<b>Solid Waste</b>	16,065,502	16,897,761	(5%)	(832,259)	3,668,848	(123%)
<b>Airport</b>	84,959,208	86,675,317	(2%)	(1,716,109)	9,769,074	(118%)
<b>Public Transit</b>	4,259,908	3,249,332	31%	1,010,576	1,528,475	(34%)
<b>Black Rock</b>	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)

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

**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.

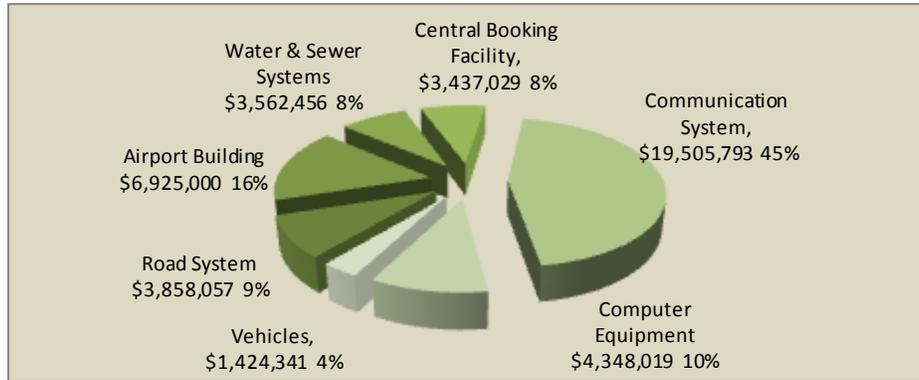
**Washington County, Maryland**  
**Net Capital Assets**  
*(Government Fund Basis)*

<i>Description</i>	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>		<i>% Change</i>
	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%)
<b>Total</b>	<b>\$ 424,726,421</b>	<b>\$ 417,237,360</b>	<b>\$ 256,909,124</b>	<b>\$ 256,885,385</b>	<b>\$ 681,635,545</b>	<b>\$ 674,122,745</b>	<b>1%</b>

**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)*

<i>Instrument Type</i>	<i>Governmental Activity</i>		<i>Business-type Activity</i>		<i>Total Outstanding Debt</i>		<i>% Change</i>
	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
<b>ASSETS</b>					
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
<b>TOTAL ASSETS</b>	<b>589,705,517</b>	<b>333,716,218</b>	<b>923,421,735</b>	<b>244,558,542</b>	<b>1,167,980,277</b>
<b>LIABILITIES</b>					
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	<b>33,446,304</b>	<b>34,348,646</b>	<b>67,794,950</b>	<b>23,966,595</b>	<b>91,761,545</b>
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	<b>119,868,086</b>	<b>76,673,734</b>	<b>196,541,820</b>	<b>13,706,139</b>	<b>210,247,959</b>
<b>TOTAL LIABILITIES</b>	<b>153,314,390</b>	<b>111,022,380</b>	<b>264,336,770</b>	<b>37,672,734</b>	<b>302,009,504</b>
<b>NET ASSETS</b>					
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
<b>TOTAL NET ASSETS</b>	<b>\$ 436,391,127</b>	<b>\$ 222,693,838</b>	<b>\$ 659,084,965</b>	<b>\$ 206,885,808</b>	<b>\$ 865,970,773</b>

The accompanying notes are an 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>
<b>TOTAL PRIMARY GOVERNMENT</b>	<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)
<u>(202,647,523)</u>	<u>-</u>	<u>(202,647,523)</u>	<u>-</u>	<u>(202,647,523)</u>
-	(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)
-	<u>(6,670,785)</u>	<u>(6,670,785)</u>	-	<u>(6,670,785)</u>
<u>(202,647,523)</u>	<u>(6,670,785)</u>	<u>(209,318,308)</u>	<u>-</u>	<u>(209,318,308)</u>
-	-	-	(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
<u>(6,757,473)</u>	<u>6,757,473</u>	<u>-</u>	<u>-</u>	<u>-</u>
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)
<u>456,211,036</u>	<u>222,257,648</u>	<u>678,468,684</u>	<u>200,423,596</u>	<u>878,892,280</u>
<u>\$ 436,391,127</u>	<u>\$ 222,693,838</u>	<u>\$ 659,084,965</u>	<u>\$ 206,885,808</u>	<u>\$ 865,970,773</u>

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**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
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
<b>TOTAL ASSETS</b>	<u>\$ 159,830,670</u>	<u>\$ 90,980,700</u>	<u>\$ 5,627,485</u>	<u>\$ 256,438,855</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
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
<b>TOTAL LIABILITIES</b>	<u>123,031,873</u>	<u>5,400,872</u>	<u>4,435,685</u>	<u>132,868,430</u>
<b>FUND BALANCES:</b>				
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)
<b>TOTAL FUND BALANCES</b>	<u>36,798,797</u>	<u>85,579,828</u>	<u>1,191,800</u>	<u>123,570,425</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 159,830,670</u>	<u>\$ 90,980,700</u>	<u>\$ 5,627,485</u>	<u>\$ 256,438,855</u>

# 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

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 \$ 436,391,127

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds For Year Ended June 30, 2010

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUE</b>				
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
<b>TOTAL REVENUE</b>	<u>201,899,697</u>	<u>7,982,420</u>	<u>6,677,177</u>	<u>216,559,294</u>
<b>EXPENDITURES</b>				
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
<b>TOTAL EXPENDITURES</b>	<u>183,181,563</u>	<u>27,341,775</u>	<u>15,354,000</u>	<u>225,877,338</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<u>18,718,134</u>	<u>(19,359,355)</u>	<u>(8,676,823)</u>	<u>(9,318,044)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
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
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(18,637,429)</u>	<u>21,139,002</u>	<u>2,817,143</u>	<u>5,318,716</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>80,705</u>	<u>1,779,647</u>	<u>(5,859,680)</u>	<u>(3,999,328)</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>36,718,092</u>	<u>83,800,181</u>	<u>7,051,480</u>	<u>127,569,753</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 36,798,797</u>	<u>\$ 85,579,828</u>	<u>\$ 1,191,800</u>	<u>\$ 123,570,425</u>

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

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For Year Ended June 30, 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	8,630,564	(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				Total
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-major Funds	
<b>ASSETS</b>					
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	<u>27,208,788</u>	<u>28,582,815</u>	<u>12,646,289</u>	<u>1,397,038</u>	<u>69,834,930</u>
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	<u>124,031,534</u>	<u>27,326,854</u>	<u>107,677,449</u>	<u>5,773,844</u>	<u>264,809,681</u>
<b>TOTAL ASSETS</b>	<u>151,240,322</u>	<u>55,909,669</u>	<u>120,323,738</u>	<u>7,170,882</u>	<u>334,644,611</u>
<b>LIABILITIES</b>					
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	<u>11,220,152</u>	<u>2,458,330</u>	<u>20,497,456</u>	<u>975,158</u>	<u>35,151,096</u>
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	<u>24,498,892</u>	<u>37,385,837</u>	<u>14,867,074</u>	<u>47,874</u>	<u>76,799,677</u>
<b>TOTAL LIABILITIES</b>	<u>35,719,044</u>	<u>39,844,167</u>	<u>35,364,530</u>	<u>1,023,032</u>	<u>111,950,773</u>
<b>NET ASSETS</b>					
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)
<b>TOTAL NET ASSETS</b>	<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 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
<b>OPERATING REVENUE</b>					
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
<b>TOTAL OPERATING REVENUE</b>	<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>
<b>OPERATING EXPENSES</b>					
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
<b>TOTAL OPERATING EXPENSES</b>	<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>
<b>OPERATING LOSS</b>	<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>
<b>OTHER INCOME (EXPENSE)</b>					
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)
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<u>(1,094,075)</u>	<u>(518,288)</u>	<u>(897,082)</u>	<u>(4,402)</u>	<u>(2,513,847)</u>
<b>LOSS BEFORE OPERATING TRANSFERS AND GRANTS</b>	<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>
<b>OPERATING TRANSFERS</b>	<u>3,120,000</u>	<u>683,390</u>	<u>668,720</u>	<u>553,790</u>	<u>5,025,900</u>
<b>GRANTS FOR OPERATIONS</b>	<u>24,628</u>	<u>-</u>	<u>30,093</u>	<u>1,297,271</u>	<u>1,351,992</u>
<b>NET INCOME (LOSS) BEFORE CAPITAL TRANSFERS AND GRANTS</b>	<u>1,044,387</u>	<u>(1,709,159)</u>	<u>(5,379,203)</u>	<u>(499,758)</u>	<u>(6,543,733)</u>
<b>CAPITAL TRANSFERS</b>	<u>489,590</u>	<u>876,900</u>	<u>36,300</u>	<u>328,783</u>	<u>1,731,573</u>
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	<u>587,086</u>	<u>-</u>	<u>3,626,794</u>	<u>1,034,470</u>	<u>5,248,350</u>
<b>NET INCOME (LOSS)</b>	<u>2,121,063</u>	<u>(832,259)</u>	<u>(1,716,109)</u>	<u>863,495</u>	<u>436,190</u>
<b>NET ASSETS- BEGINNING OF YEAR</b>	<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>
<b>NET ASSETS- END OF YEAR</b>	<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				Total
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-major Funds	
<b>Cash Flows from Operating Activities</b>					
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)
<b>Net Cash from Operating Activities</b>	<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>
<b>Cash Flows from Noncapital Financing Activities</b>					
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
<b>Net Cash from Noncapital Financing Activities</b>	<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>
<b>Cash Flows from Capital and Related Financing Activities</b>					
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
<b>Net Cash from Capital and Related Financing Activities</b>	<u>(3,432,310)</u>	<u>3,443,760</u>	<u>(7,917,128)</u>	<u>158,290</u>	<u>(7,747,388)</u>
<b>Cash Flows from Investing Activities</b>					
Interest on investments	91,646	2,961	522	16	95,145
<b>Net change in cash</b>	<u>8,069,767</u>	<u>9,124,075</u>	<u>4,395,290</u>	<u>-</u>	<u>21,589,132</u>
Cash, Beginning of Year	11,015,498	12,309,867	3,985,471	1,000	27,311,836
<b>Cash, End of Year</b>	<u>\$ 19,085,265</u>	<u>\$ 21,433,942</u>	<u>\$ 8,380,761</u>	<u>\$ 1,000</u>	<u>\$ 48,900,968</u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>					
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
<b>Net Cash from Operating Activities</b>	<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>

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**

	<u>Agency</u>	<u>Pension Trust</u>	<u>LOSAP Trust</u>	<u>OPEB Trust</u>	<u>Private Purpose Trust</u>	<u>Total</u>
<b>ASSETS</b>						
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
<b>TOTAL ASSETS</b>	<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>
<b>LIABILITIES</b>						
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
<b>TOTAL LIABILITIES</b>	<u>3,005,403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,005,403</u>
<b>NET ASSETS</b>						
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
<b>NET ASSETS</b>	<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>
<b>ADDITIONS</b>					
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
<b>TOTAL CONTRIBUTIONS</b>	<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
<b>TOTAL INVESTMENT INCOME</b>	<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>
<b>DEDUCTIONS</b>					
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
<b>TOTAL DEDUCTIONS</b>	<u>4,252,501</u>	<u>362,225</u>	<u>4,930</u>	<u>22,786</u>	<u>4,642,442</u>
<b>NET INCREASE (DECREASE) IN ASSETS</b>	5,635,183	599,147	1,772,218	3,624	8,010,172
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>42,326,979</u>	<u>3,374,425</u>	<u>2,713,427</u>	<u>103,239</u>	<u>48,518,070</u>
<b>NET ASSETS - END OF YEAR</b>	<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 1<sup>st</sup>, 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 1<sup>st</sup>, and a discount of one-half percent is granted for property taxes paid by July 31<sup>st</sup>. Taxpayers also have the options of paying in full without interest by September 30<sup>th</sup>, or paying their tax bills semi-annually. Taxpayers electing the semi-annual method can pay the first installment without interest by September 30<sup>th</sup>. After October 1<sup>st</sup>, interest is charged. The second semi-annual payment, including a service charge, is due by December 31<sup>st</sup>. 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	-	-
<b>Total investments held in County's name</b>	<b>136,052,940</b>	<b>135,652,940</b>	<b>400,000</b>	<b>-</b>	<b>-</b>
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	-	-	-
<b>Total Investments held by trustee of pension plan</b>	<b>47,962,162</b>	<b>33,385,902</b>	<b>4,887,497</b>	<b>2,803,124</b>	<b>6,885,639</b>
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	-	-	-
<b>Total Investments held by trustee of LOSAP plan</b>	<b>3,973,572</b>	<b>2,611,400</b>	<b>474,988</b>	<b>279,776</b>	<b>607,408</b>
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	-	-	-
<b>Total Investments held by trustee of OPEB plan</b>	<b>4,471,635</b>	<b>4,471,635</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total investments</b>	<b>\$ 192,460,309</b>	<b>\$ 176,121,877</b>	<b>\$ 5,762,485</b>	<b>\$ 3,082,900</b>	<b>\$ 7,493,047</b>

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

# 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:

<u>Investment Type</u>	<u>Evaluation Benchmark</u>
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:

<u>June 30, 2010</u>	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:

	<b>Governmental Activities</b>			<b>Total</b>
	<b>General</b>	<b>Non-Major</b>	<b>Capital Projects</b>	
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>

	<b>Business-type Activities</b>				<b>Total</b>
	<b>Water Quality</b>	<b>Solid Waste</b>	<b>Non-major</b>	<b>Airport</b>	
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**

	<b>Balance June 30, 2009</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2010</b>
<b>Governmental Activities:</b>				
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	<u>1,200,911,349</u>	<u>35,447,654</u>	<u>(2,109,380)</u>	<u>1,234,249,623</u>
<b>Total Capital Assets</b>	<u>1,266,501,222</u>	<u>36,782,576</u>	<u>(2,125,380)</u>	<u>1,301,158,418</u>
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	<u>(849,263,862)</u>	<u>(28,141,851)</u>	<u>973,716</u>	<u>(876,431,997)</u>
<b>Governmental Activities Capital Assets, net</b>	<u>\$ 417,237,360</u>	<u>\$ 8,640,725</u>	<u>\$ (1,151,664)</u>	<u>\$ 424,726,421</u>
<b>Projects Under Construction</b>	<u>\$ 24,440,590</u>	<u>\$ 16,137,197</u>	<u>\$ (31,123,996)</u>	<u>\$ 9,453,791</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements  
June 30, 2010

5. CAPITAL ASSETS (continued)

Business-type Activities

<b>Business-type activities:</b>	<b>Balance June 30, 2009</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2010</b>
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	<u>339,351,660</u>	<u>12,247,041</u>	<u>(369,936)</u>	<u>351,228,765</u>
<b>Total capital assets</b>	<u>351,162,058</u>	<u>12,247,041</u>	<u>(478,880)</u>	<u>362,930,219</u>
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	<u>(94,276,673)</u>	<u>(12,015,718)</u>	<u>271,299</u>	<u>(106,021,092)</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 256,885,385</u>	<u>\$ 231,323</u>	<u>\$ (207,581)</u>	<u>\$ 256,909,127</u>
<b>Projects Under Construction</b>	<u>\$ 6,640,279</u>	<u>\$ 5,700,566</u>	<u>\$ (4,583,936)</u>	<u>\$ 7,756,909</u>

# 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)

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2010</u>
<b>Government activities:</b>				
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	(17,463,097)	(3,091,012)	1,365,985	(19,188,124)
	<u>(111,516,785)</u>	<u>(9,085,595)</u>	<u>1,442,282</u>	<u>(119,160,098)</u>
<b>Governmental Activities Capital Assets, Net</b>	<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:

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2010</u>
<b>Business-type activities</b>				
Capital assets, being depreciated:				
Furniture and equipment	\$ 3,727,673	\$ 342,290	\$ (83,416)	\$ 3,986,547
Accumulated depreciation				
Furniture and equipment	<u>(2,637,763)</u>	<u>(185,719)</u>	<u>83,162</u>	<u>(2,740,320)</u>
<b>Business-Type Activities Capital Assets, Net</b>	<u>\$ 1,089,910</u>	<u>\$ 156,571</u>	<u>\$ (254)</u>	<u>\$ 1,246,227</u>
Governmental activities:				
Other instructional costs		\$ 1,628,840		
Student transportation services		961,805		
Operation of plant		126,919		
Depreciation - unallocated		<u>6,368,031</u>		
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	<u>87,617,565</u>
Total		<u><u>\$ 102,555,701</u></u>

Due to/from primary government and component unit:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Component unit - Board of Education	Primary government- capital projects	<u>\$ 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 Preservation				
Capital Project Fund	-	-	400,000	-
Total	\$ 5,443,043	\$ 5,443,043	\$ 16,698,033	\$ 16,698,033

# 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
<b>Bonds payable:</b>						
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>
<b>Other loans payable</b>						
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>
<b>Business-type Activities</b>						
<b>Bonds payable:</b>						
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>
<b>Other loans payable:</b>						
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>
<b>Total Combined Activities</b>						
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>
<b>Board of Education</b>	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		7,310
Present value of net minimum lease payments	<u>\$</u>	<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>\$</u>	<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		325
Present value of net minimum lease payments	<u>\$</u>	<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.

	<u>Capitalized Amount</u>	<u>Accumulated Depreciation</u>	<u>NBV June 30, 2010</u>
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:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Excess)</u>
6/30/2009	\$ 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](mailto: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:

<u>Fiscal Year Ending June 30,</u>	<u>Total Annual Pension Cost (APC)</u>	<u>APC Contributed by School System</u>	<u>APC Contributed by State</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
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:

	<b>Years Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>
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:

	<u>Years Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
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	<u>(921,378)</u>	<u>(736,661)</u>
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)

	<u>Sewer Department</u>	<u>Pretreatment Department</u>
<b>CONDENSED STATEMENT OF NET ASSETS</b>		
Assets		
Current assets	18,355,613	\$ 2,417,265
Noncurrent assets	105,847,764	6,299,669
Total Assets	<u>124,203,377</u>	<u>8,716,934</u>
Liabilities		
Other current liabilities	7,649,436	1,868,304
Noncurrent liabilities	16,988,489	6,119,050
Total Liabilities	<u>24,637,925</u>	<u>7,987,354</u>
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	<u><u>99,582,696</u></u>	<u><u>\$ 1,366,580</u></u>
<b>CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS</b>		
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	<u>1,334,575</u>	<u>131,651</u>
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	<u>387,086</u>	<u>-</u>
Change in net assets	894,912	227,489
Net assets, beginning of year	98,687,784	1,139,091
Net Assets, End of Year	<u><u>99,582,696</u></u>	<u><u>\$ 1,366,580</u></u>
<b>CONDENSED STATEMENT OF CASH FLOWS</b>		
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	<u>1,041,054</u>	<u>35,288</u>
Cash and cash equivalents, beginning of year	15,543,986	2,353,677
Cash and Cash Equivalents, End of Year	<u><u>16,585,040</u></u>	<u><u>\$ 2,388,965</u></u>

## 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	<u>(7,090)</u>
Annual OPEB Cost (Expense)	1,614,260
Contributions Made or Accrued	<u>1,595,308</u>
Increase in Net Obligation	18,952
Net OPEB Obligation (BOY)	<u>133,550</u>
Net OPEB Obligation (EOY)	<u><u>\$ 152,502</u></u>

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](mailto: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	<u>3,944,546</u>
Unfunded Accrued Liability	<u><u>\$ 3,166,694</u></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	<u>25,320</u>
Recommended contribution	<u><u>\$ 612,514</u></u>

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## **Required Supplementary Information**

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**Schedule of Funding Progress  
June 30, 2010**

**Pension Trust**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a)/c]</u>
7/1/2007	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**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a)/c]</u>
7/1/2007	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**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a)/c]</u>
7/1/2007	\$ -	\$ 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
<b>ASSETS</b>										
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
<b>TOTAL ASSETS</b>	<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>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>LIABILITIES</b>										
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
<b>TOTAL LIABILITIES</b>	<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>
<b>FUND BALANCES</b>										
Designated	-	469,811	442,521	48,884	174,090	-	362,513	19,790	319,288	1,836,897
Deficit	(644,789)	-	-	-	-	(308)	-	-	-	(645,097)
<b>TOTAL FUND BALANCES</b>	<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>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<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
<b>REVENUE</b>										
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
<b>TOTAL REVENUE</b>	<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>
<b>EXPENDITURES</b>										
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
<b>TOTAL EXPENDITURES</b>	<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>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<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>
<b>OTHER FINANCING SOURCES</b>										
Transfers in	2,000,000	316,506	-	-	100,000	-	-	637	400,000	2,817,143
<b>NET CHANGES IN FUND BALANCES</b>	<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>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<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>
<b>FUND BALANCES, END OF YEAR</b>	<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
<b>ASSETS</b>			
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>
<b>TOTAL ASSETS</b>	<u>4,795,332</u>	<u>2,375,550</u>	<u>7,170,882</u>
<b>LIABILITIES</b>			
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	25,958	21,916	47,874
<b>TOTAL LIABILITIES</b>	<u>535,424</u>	<u>487,608</u>	<u>1,023,032</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,464,952	2,308,892	5,773,844
Unrestricted	794,956	(420,950)	374,006
<b>TOTAL NET ASSETS</b>	<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**

	<b>Public Transit Fund</b>	<b>Golf Course Fund</b>	<b>Total Non-Major Funds</b>
<b>OPERATING REVENUE</b>			
Charges for services	\$ 368,419	\$ 1,043,974	\$ 1,412,393
Miscellaneous	957	4,312	5,269
<b>TOTAL OPERATING REVENUE</b>	<u>369,376</u>	<u>1,048,286</u>	<u>1,417,662</u>
<b>OPERATING EXPENSES</b>			
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
<b>TOTAL OPERATING EXPENSES</b>	<u>2,443,498</u>	<u>1,320,581</u>	<u>3,764,079</u>
<b>OPERATING LOSS</b>	<u>(2,074,122)</u>	<u>(272,295)</u>	<u>(2,346,417)</u>
<b>OTHER INCOME (EXPENSE)</b>			
Interest income	16	-	16
Loss on disposal of assets	-	(4,418)	(4,418)
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<u>16</u>	<u>(4,418)</u>	<u>(4,402)</u>
<b>LOSS BEFORE OPERATING TRANSFERS AND GRANTS</b>	(2,074,106)	(276,713)	(2,350,819)
<b>OPERATING TRANSFERS</b>	483,010	70,780	553,790
<b>GRANTS FOR OPERATIONS</b>	<u>1,297,271</u>	<u>-</u>	<u>1,297,271</u>
<b>LOSS BEFORE CAPITAL TRANSFERS AND GRANTS</b>	(293,825)	(205,933)	(499,758)
<b>CAPITAL TRANSFERS</b>	326,970	1,813	328,783
<b>GRANTS FOR CAPITAL PROJECTS</b>	<u>977,431</u>	<u>57,039</u>	<u>1,034,470</u>
<b>NET INCOME (LOSS)</b>	1,010,576	(147,081)	863,495
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>3,249,332</u>	<u>2,035,023</u>	<u>5,284,355</u>
<b>NET ASSETS, END OF YEAR</b>	<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**

	<u>Public Transit</u>	<u>Golf Course</u>
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ (8,306)	\$ 1,063,011
Payments to suppliers	(649,628)	(506,504)
Payments to employees	(1,569,913)	(683,002)
<b>Net Cash from Operating Activities</b>	<u>(2,227,847)</u>	<u>(126,495)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Operating contributions	1,780,281	70,780
Increase (decrease) in due to/from other funds	348,112	(3,137)
<b>Net Cash from Noncapital Financing Activities</b>	<u>2,128,393</u>	<u>67,643</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Interest paid on notes and bond payable	(264,033)	-
Payments under capital lease obligations	-	-
Loss on disposal	-	-
<b>Net Cash from Capital and Related Financing Activities</b>	<u>99,438</u>	<u>58,852</u>
<b>Cash Flows from Investing Activities</b>		
Interest on investments	16	-
Net change in cash	-	-
Cash, beginning of year	200	800
Cash, End of Year	<u>\$ 200</u>	<u>\$ 800</u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>		
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
<b>Net Cash from Operating Activities</b>	<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 Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
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)
<b>Total Property Taxes</b>	<u>129,333,700</u>	<u>129,333,700</u>	<u>129,232,852</u>	<u>(100,848)</u>
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
<b>Total Other Local Taxes</b>	<u>72,930,000</u>	<u>72,930,000</u>	<u>61,774,681</u>	<u>(11,155,319)</u>
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)
<b>Total Other Revenues</b>	<u>7,083,000</u>	<u>13,742,934</u>	<u>10,898,794</u>	<u>(2,844,140)</u>
<b>TOTAL REVENUE</b>	<u>209,346,700</u>	<u>216,006,634</u>	<u>201,906,327</u>	<u>(14,100,307)</u>
<b>EXPENDITURES</b>				
<b>General Government</b>				
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
<b>Total Legislative</b>	<u>1,325,030</u>	<u>1,325,030</u>	<u>1,161,974</u>	<u>163,056</u>

# 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		
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	<u>6,038,110</u>	<u>6,264,084</u>	<u>5,852,124</u>	<u>411,960</u>
Election Board	<u>794,760</u>	<u>794,760</u>	<u>523,583</u>	<u>271,177</u>
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	<u>3,373,680</u>	<u>3,373,680</u>	<u>3,313,964</u>	<u>59,716</u>
County Attorney	<u>643,190</u>	<u>643,190</u>	<u>553,622</u>	<u>89,568</u>
Human Resources	<u>676,030</u>	<u>676,030</u>	<u>654,199</u>	<u>21,831</u>
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	<u>1,412,270</u>	<u>1,994,983</u>	<u>1,856,781</u>	<u>138,202</u>
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	<u>2,622,300</u>	<u>2,622,300</u>	<u>2,473,118</u>	<u>149,182</u>
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	<u>1,677,800</u>	<u>1,733,556</u>	<u>1,566,083</u>	<u>167,473</u>
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	<u>713,940</u>	<u>713,940</u>	<u>689,852</u>	<u>24,088</u>
<b>Total General Government</b>	<u>19,277,110</u>	<u>20,141,553</u>	<u>18,645,300</u>	<u>1,496,253</u>

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		
<b>Public Safety</b>				
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
<b>Total Public Safety</b>	35,039,660	38,639,662	34,105,397	4,534,265
<b>Health</b>				
<b>Total Health</b>	2,389,270	2,389,270	2,389,270	-
<b>Social Services</b>				
Contributions to Other Agencies	1,766,160	1,766,160	1,759,760	6,400
Grants	-	2,258,265	1,266,562	991,703
<b>Total Social Services</b>	1,766,160	4,024,425	3,026,322	998,103
<b>Education</b>				
<b>Total Education</b>	102,109,070	102,109,070	102,109,070	-
<b>Parks, Recreation, and Culture</b>				
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
<b>Total Parks, Recreation, and Culture</b>	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		
<b>Conservation of Natural Resources</b>				
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
<b>Total Conservation of Natural Resources</b>	<u>625,230</u>	<u>625,230</u>	<u>511,966</u>	<u>113,264</u>
<b>General Operations</b>				
<b>Total General Operations</b>	<u>460,330</u>	<u>368,317</u>	<u>418,857</u>	<u>(50,540)</u>
<b>Unallocated Employee Insurance and Benefits</b>				
<b>Total Unallocated Employee Insurance and Benefits</b>	<u>2,799,340</u>	<u>2,799,340</u>	<u>1,645,861</u>	<u>1,153,479</u>
<b>Intergovernmental</b>				
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
<b>Total Intergovernmental</b>	<u>25,926,480</u>	<u>25,952,777</u>	<u>20,700,474</u>	<u>5,252,303</u>
<b>Debt Service</b>				
<b>Total Debt Service</b>	<u>13,402,620</u>	<u>13,402,620</u>	<u>12,907,724</u>	<u>494,896</u>
<b>TOTAL EXPENDITURES</b>	<u>209,346,700</u>	<u>216,006,634</u>	<u>201,855,239</u>	<u>14,151,395</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>51,088</u>	<u>51,088</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
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)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			<u>29,617</u>	<u>29,617</u>
<b>NET CHANGES IN FUND BALANCE</b>			<u>80,705</u>	<u>\$ 80,705</u>
<b>FUND BALANCE - BEGINNING</b>			<u>36,718,092</u>	
<b>FUND BALANCE - ENDING</b>			<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**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUE</b>				
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)
<b>TOTAL REVENUE</b>	<u>8,694,790</u>	<u>8,712,450</u>	<u>1,026,779</u>	<u>(7,685,671)</u>
<b>EXPENDITURES</b>				
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
<b>TOTAL EXPENDITURES</b>	<u>8,694,790</u>	<u>8,712,450</u>	<u>8,740,925</u>	<u>(28,475)</u>
<b>DEFICIENCY OF REVENUE OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(7,714,146)</u>	<u>\$ (7,714,146)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in			2,000,000	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			<u>2,000,000</u>	
<b>NET CHANGES IN FUND BALANCE</b>			(5,714,146)	
<b>FUND BALANCE, BEGINNING OF YEAR</b>			<u>5,069,357</u>	
<b>FUND BALANCE, END OF YEAR</b>			<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		
<b>REVENUE</b>				
Grant Revenues	\$ -	\$ 1,489,468	\$ 1,349,412	\$ (140,056)
<b>TOTAL REVENUE</b>	<u>-</u>	<u>1,489,468</u>	<u>1,349,412</u>	<u>(140,056)</u>
<b>EXPENDITURES</b>				
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
<b>TOTAL EXPENDITURES</b>	<u>295,760</u>	<u>1,811,525</u>	<u>1,665,918</u>	<u>145,607</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>(295,760)</u>	<u>(322,057)</u>	<u>(316,506)</u>	<u>5,551</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	295,760	322,057	316,506	(5,551)
<b>NET CHANGES IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>			<u>469,811</u>	
<b>FUND BALANCE, END OF YEAR</b>			<u>\$ 469,811</u>	



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