

New Issue-Book-Entry Only

In the opinion of Bond Counsel, assuming continuous compliance with certain covenants described herein, under existing law, the interest on the Bonds (a) will be excludable from gross income for federal income tax purposes, and (b) is not includable in corporate or individual alternative minimum taxable income as an enumerated item of tax preference, provided that, for tax years beginning before January 1, 2018, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations, and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States of America. It is also the opinion of Bond Counsel that, under existing law, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom (including any profit made in the sale thereof) shall be at all times exempt from State of Maryland, county, municipal, or other taxation of every kind and nature whatsoever within the State, but no opinion is expressed as to Maryland estate or inheritance taxes or any other Maryland taxes not levied directly on the Bonds, their transfer, the interest thereon or the income therefrom. See the information contained herein under the caption "THE BONDS—Tax Matters".

RATINGS: Fitch: AA+
Moody's: Aa1
S&P: AA+

\$14,485,000

WASHINGTON COUNTY, MARYLAND

(COUNTY COMMISSIONERS OF WASHINGTON COUNTY)

PUBLIC IMPROVEMENT BONDS OF 2018

Dated:	Date of delivery
Due:	July 1, as shown below
Interest Payable:	January 1 and July 1
First Interest Payment Due:	January 1, 2019
Denomination:	Integral multiples of \$5,000
Form:	Registered, book-entry only through the facilities of The Depository Trust Company ("DTC")
Optional Redemption:	The Bonds maturing on or after July 1, 2028 are redeemable prior to maturity at the County's option as set forth in "THE BONDS—Redemption" herein.
Security:	The Bonds are general obligations of County Commissioners of Washington County (the "County") for the payment of which its full faith and credit and unlimited taxing power are pledged (see "THE BONDS—Sources of Payment" herein).

\$14,485,000

County Commissioners of Washington County

Public Improvement Bonds of 2018

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

Maturing July 1	Principal Amount	Interest Rate*	Price or Yield*	CUSIP	Maturing July 1	Principal Amount	Interest Rate*	Price or Yield*	CUSIP
2019	\$455,000	4.000%	1.770%	937777 AA8	2029	\$ 745,000	4.000%	2.580% †	937777 AL4
2020	475,000	5.000	1.900	937777 AB6	2030	770,000	3.000	2.900 †	937777 AM2
2021	500,000	5.000	2.000	937777 AC4	2031	795,000	3.000	3.110	937777 AN0
2022	525,000	5.000	2.070	937777 AD2	2032	825,000	3.125	3.170	937777 AP5
2023	555,000	5.000	2.150	937777 AE0	2033	855,000	3.125	3.230	937777 AQ3
2024	585,000	5.000	2.240	937777 AF7	2034	885,000	3.250	3.290	937777 AR1
2025	615,000	5.000	2.320	937777 AG5	2035	915,000	3.250	3.340	937777 AS9
2026	645,000	5.000	2.380	937777 AH3	2036	950,000	3.375	3.380	937777 AT7
2027	675,000	5.000	2.430	937777 AJ9	2037	985,000	3.375	3.410	937777 AU4
2028	710,000	5.000	2.480 †	937777 AK6	2038	1,020,000	3.375	3.430	937777 AV2

†Priced at the stated yield to the first optional redemption date of July 1, 2027.

*The interest rates and prices or yields shown above are those resulting from the successful bid for the Bonds on May 8, 2018 and were furnished by FTN Financial Capital Markets, the successful bidder. Other information concerning the terms of the reoffering of the Bonds, if any, should be obtained from the successful bidder and not from the County. (See "MISCELLANEOUS--Sale at Competitive Bidding" herein.)

Conditions Affecting Issuance: The Bonds are offered when, as and if issued, subject to, among other conditions, the delivery of the Bonds and the approving legal opinion of Funk & Bolton, P.A., Bond Counsel, with respect thereto and other conditions specified in the official Notice of Sale. Delivery will occur through the facilities of DTC on or about May 22, 2018.

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

Dated: May 8, 2018

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

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

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

CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed by S&P Global Market Intelligence (a part of S&P Global Inc.), and the County does not take any responsibility for the accuracy thereof. The CUSIP number for any specific maturity is subject to change after issuance of the Bonds in certain circumstances. The County has not agreed to, and there is no obligation to, update this Official Statement to reflect any change or correction in the assigned CUSIP numbers set forth on the cover page of this Official Statement. The use of CUSIP numbers in this Official Statement is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services's information.

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

COUNTY COMMISSIONERS

Terry L. Baker, President
Jeffrey A. Cline, Vice President
LeRoy E. Myers, Jr., Commissioner
John F. Barr, Commissioner
Wayne K. Keefer, Commissioner

ADMINISTRATION

Robert J. Slocum, County Administrator
Vicki C. Lumm, County Clerk
John M. Martirano, County Attorney
Sara L. Greaves, C.P.A., Chief Financial Officer

COUNTY TREASURER

Todd L. Hershey

FINANCIAL ADVISOR

Public Advisory Consultants, Inc.
Owings Mills, Maryland

BOND COUNSEL

Funk & Bolton, P.A.
Baltimore, Maryland

INDEPENDENT AUDITOR

SB & Company, LLC
Hunt Valley, Maryland

BOND REGISTRAR AND PAYING AGENT

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

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I. The Bonds

Introduction

The purpose of this Official Statement, including the cover page and appendices, is to provide information for prospective purchasers and others regarding County Commissioners of Washington County (the “County”) and its \$14,485,000 Public Improvement Bonds of 2018 (the “Bonds”).

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

Except as otherwise expressly provided herein, the County has provided the material and information contained in this Official Statement. The County has authorized the execution and distribution of this Official Statement.

Any questions concerning this Official Statement or the Bonds should be addressed to Sara L. Greaves, Chief Financial Officer, Washington County Administration Building, 100 West Washington Street, Room 3100, Hagerstown, Maryland 21740; telephone: (240) 313-2300; email: sgreaves@washco-md.net.

Description of Bonds

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

Interest on the Bonds, calculated on the basis of a 30-day month/360-day year factor, will be payable at the interest rates specified on the cover page of this Official Statement on January 1, 2019, and semiannually thereafter on the first day of July and January of each year until the date of maturity unless redeemed prior to that date. Interest payments will be made to the persons who are registered owners of record as of the 15th day of the month next preceding each such interest payment date. Each Bond shall bear interest from the most recent date to which interest has been paid or, if no interest has been paid, from its date of delivery.

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

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

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

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

DTC and Book-Entry Only System

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

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

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

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

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

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

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

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

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

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

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

Book-Entry Only System - Miscellaneous

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

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

Authorization

The Bonds are issued pursuant to the authority of Chapter 60 of the Laws of Maryland of 2013 (“Chapter 60”) and Title 6 of the Code of Public Local Laws of Washington County, Maryland (2007), as amended (the “Water and Sewer Act”), as applicable, and in accordance with Resolution No. RS-2018-07 adopted by the Board of County Commissioners of Washington County (the “Board”) on April 24, 2018 (the “Resolution”).

Chapter 60 and the Water and Sewer Act are collectively referred to in this Official Statement as the “Act”. Copies of the Act and the Resolution are available at the office of the Chief Financial Officer of the County (the “CFO”).

Application of Proceeds

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

Use	Amount
Infrastructure Projects	\$ 8,862,000
Public Safety Projects	2,628,000
Environmental Projects	2,485,000
Public Facilities	510,000
	<u>\$ 14,485,000</u>

Any premium received by the County will be applied to costs of issuance of the Bonds or additional costs of the projects, or a combination thereof.

Redemption

Optional Redemption

The Bonds that mature on or before July 1, 2027 are not subject to redemption at the option of the County prior to their maturities. The Bonds that mature on or after July 1, 2028 are subject to redemption at the option of the County as a whole or in part at any time on or after July 1, 2027, in any order directed by the County, at a redemption price of the principal amount of the Bonds (or portions thereof) to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium or penalty.

Selection of Bonds for Redemption; Notice of Redemption

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

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

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

Sources of Payment

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

Bondholders' Remedies

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

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

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

Tax Matters

State of Maryland and Local Income Tax

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

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

Federal Income Tax

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations and decisions as enacted and construed on the date of initial delivery of the Bonds, assuming the accuracy of certain certifications of the County and continuing compliance with the requirements of the Internal Revenue Code of 1986, as amended (the “Code”). Interest on the Bonds is not a tax preference item directly subject to the alternative minimum tax imposed on individuals or corporations pursuant to the Code; however, for tax years beginning prior to January 1, 2018, interest on the Bonds held by certain corporations may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder. Interest on the Bonds may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States of America.

Bond Counsel’s opinion will be given in reliance (without independent investigation) on certifications, covenants and agreements by representatives of the County as to certain facts material to both the opinion and the requirements of the Code. The County will covenant and agree to comply with the provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds, the use of the projects financed from Bond proceeds and the timely payment to the United States of America of any arbitrage rebate amounts with respect to the Bonds or payments in lieu thereof. Bond Counsel assumes no responsibility for, and will not monitor, compliance with the covenants and agreements of the County. In the event of noncompliance with such covenants and agreements, available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes retroactively to the date of issue.

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

Certain of the Bonds may be offered and sold at a discount (“original issue discount”) equal generally to the difference between their public offering price and principal amount. For federal income tax purposes, original issue discount on a Bond accrues periodically over the term of the Bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the purchaser’s tax basis in the Bond for determining taxable gain or loss upon disposition (including sale, redemption or payment at maturity). Purchasers of Bonds at a discount should consult their tax advisors regarding the determination and treatment of original issue discount for federal income tax purposes, and with respect to any state or local tax consequences of owning such Bonds.

Certain of the Bonds may be offered and sold at a purchase price over the stated redemption price of such Bonds at maturity. This excess constitutes premium on such Bonds. For federal income tax purposes, original issue premium is amortizable periodically over a Bond's term through reductions in the owner's tax basis for the Bond for determining taxable gain or loss upon disposition (including sale, redemption or payment at maturity). An owner of a premium Bond cannot deduct amortized original issue premium relating to that premium Bond. Purchasers of any Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes, and with respect to any state or local tax consequences of owning such Bonds.

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

Effects of Future Enforcement, Regulatory or Legislative Actions

The Internal Revenue Service (the "Service") has a program to audit state and local government obligations to determine whether the interest thereon is includable in gross income for federal income tax purposes. If the Service audits the Bonds, under current Service procedure, the Service will treat the County as the taxpayer and the owners of the Bonds will have only limited rights, if any, to participate in the process. Any selection by the Service of the Bonds or of tax-exempt obligations similar to the Bonds for audit could affect the marketability or market value of the Bonds.

The Service and the U.S. Department of the Treasury have ongoing programs to promulgate regulations to interpret and apply the provisions of the Code. In addition, from time to time regulatory actions are announced or proposed and litigation is threatened or commenced which, depending on its conclusion, could modify or impact federal or state tax treatment of tax-exempt obligations such as the Bonds and could have an adverse effect on the marketability or market value of the Bonds.

From time to time, there are Presidential proposals, proposals of various federal committees, or legislative proposals in the United States Congress or various state legislatures that, if enacted, could alter or amend the federal tax matters referred to above, state treatment of the tax status of the Bonds or adversely affect the market value of the Bonds. Furthermore, such proposals may affect the marketability or market value of the Bonds merely by virtue of being proposed. It cannot be predicted whether or in what form any such proposal may be enacted or whether, if enacted, it would apply to tax-exempt obligations, including the Bonds, issued prior to enactment. In addition, legislation enacted after issuance of the Bonds may directly or indirectly cause interest on the Bonds to be subject to federal or state income taxation or reduce the benefit of the excludability of interest on the Bonds under existing law. Each purchaser of the Bonds should consult with his or its own tax advisor regarding any pending or proposed federal or state tax legislation. Bond Counsel will not express any opinion regarding pending or proposed federal or state enforcement actions, regulations, litigation or legislative actions.

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

II. Government and Administration

Location

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

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

Form of Government

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

Under the Code of the Public Local Laws of Washington County (2007 Edition), as amended, being Article 22 of the Code of Public Local Laws of Maryland (the “County Code”), both the executive and legislative functions of the County are vested in the elected, five-member Board of County Commissioners of Washington County (the “Board”). The Board may only exercise such powers as are conferred upon it by the General Assembly of Maryland, including authorization to issue debt to finance its capital projects. County Commissioners are elected on a countywide basis and serve four-year terms.

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

As authorized by the County Code, the Board appoints a County Administrator. The County Administrator is selected on the basis of his or her executive and administrative abilities, including his or her knowledge and experience in public administration. The County Administrator is charged with the supervision of the departments and agencies of the County and oversight of day-to-day operations in conformity with all laws applying to the County.

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

As authorized by the County Code, the Board appoints the CFO. The CFO is charged with assisting the Board in the preparation and administration of the County budgets and other accounting and fiscal matters as the Board deems necessary. In addition, the CFO is responsible for the study of the organization, methods and procedures of each office, department, board, commission, institution, and agency of County government. The CFO reports to the County Administrator.

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

TERRY L. BAKER, a third-term County Commissioner, was first elected in 2006, and serves as President of the Board of County Commissioners. He is a 1973 graduate of Williamsport High School, a 1975 graduate of Hagerstown Community College and a 1978 graduate of Auburn University, with a Bachelor's degree in Education. Mr. Baker retired in 2015 from the position of Washington County Students Trades Coordinator for the Washington County Technical High School after being an educator for 34 years. Prior to being elected a County Commissioner he served from 2002 to 2004 as a member of the Council for the municipality of Clear Spring, Maryland, and as Assistant Mayor for such municipality from 2004 to 2006.

JOHN F. BARR, a third-term County Commissioner, was first elected in 2006. He was raised in Boonsboro, Maryland and is a Master Electrician in five states. In high school, Mr. Barr worked for his father as a field electrician at M/L Electric, Inc., founded in 1927. In 1979 he formed the management team overseeing the service department. In 1984 Mr. Barr bought the company from his father and changed the name to Ellsworth Electric, Inc. He has built the company from 75 to 150 employees. Mr. Barr is active in various service organizations and community projects. He served a one-year term as President of the Maryland Association of Counties in 2016 and currently serves as Past President.

JEFFREY A. "JEFF" CLINE, a second-term County Commissioner, serves as Vice President of the Board of County Commissioners and is a Williamsport, Maryland, resident. He is a graduate of Williamsport High School and Hagerstown Community College. Mr. Cline has experience as a realtor since 2003. He graduated from the Maryland Association of Realtors' 2008 Leadership Academy and received the Graduate of Realtor Institute (GRI) designation. Mr. Cline served on the Williamsport Town Council from 2005 to 2009. He is also a graduate of Leadership Washington County Class 26.

LEROY E. MYERS, JR., a first-term County Commissioner, was born in Washington County and has lived in the Clear Spring, Maryland, area his entire life. He is a three term Maryland State Delegate serving District IC from 2003-2014. He graduated from Clear Spring High School and attended Hagerstown Community College for two years. Mr. Myers is the owner and president of Myers Building Systems, Inc., a general contracting firm.

WAYNE K. KEEFER, a first-term County Commissioner, was appointed to fill a vacancy on the Board of County Commissioners on March 25, 2016 by Maryland Governor Lawrence J. Hogan, Jr. and assumed office on April 5, 2016. He is a lifelong resident of Hancock and a 2004 graduate of Hancock Middle-Senior High School. Mr. Keefer holds an A.S. degree in Management from Hagerstown Community College and a B.S. degree in Business Administration and an M.B.A. from Frostburg State University. He has over a decade of experience as a commercial banker and is currently a small business owner and an adjunct instructor with Frostburg State University and the University System of Maryland at Hagerstown.

County Treasurer

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

Administrative Officials

ROBERT J. SLOCUM, County Administrator, holds a Bachelor of Science degree in Civil Engineering from the University of Arizona and is a licensed professional engineer in the State of Maryland. He was appointed as County Administrator effective March 28, 2017 after serving Washington County for 15 years in various capacities. His first position with the County was Deputy Chief Engineer, where he was primarily responsible for capital improvement projects. In 2008, Mr. Slocum was promoted to Deputy Director of Public Works and in 2013 he was promoted to Director of the Division of Engineering and Construction where he was responsible for the Engineering, Construction Management and Inspections, and Plan Review and Permitting Departments. He remains a member of the County Engineers Association of Maryland, the American Society of Civil Engineers, the Institute of Transportation Engineers, the Maryland Traffic Engineers Council, and the National Society of Professional Engineers. Mr. Slocum participated in the Leadership Washington County and received a Certificate in Management from Hagerstown Community College. He currently serves on the Boards of the Maryland Theatre, the United Way and the Economic Development Commission.

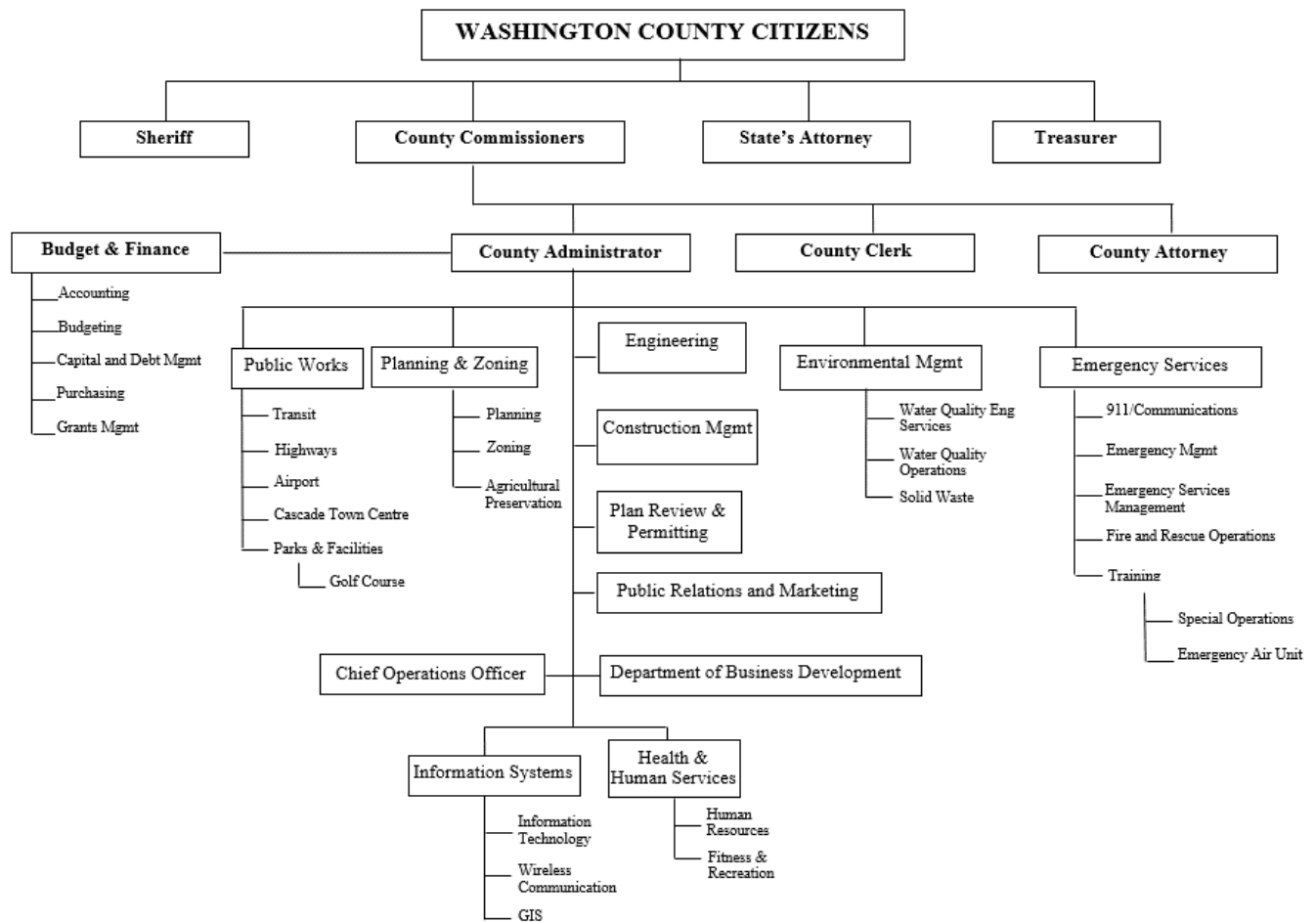
JAMES B. HOVIS, Chief Operations Officer, has held different positions with Washington County starting in 2004, when he took the position of Gaming Inspector following his retirement from the Maryland State Police. He was soon promoted to Director of Gaming. In 2012 he became Director of Grant Management when the Grants and Gaming departments merged. Mr. Hovis assumed his current position in December 2017.

SARA L. GREAVES, C.P.A., Chief Financial Officer, holds a B.S. degree in Accounting from the University of Maryland University College. She earned a Master of Business Administration degree from Frostburg State University. Mrs. Greaves was hired by Washington County in 2012 as an accountant and was promoted to Deputy Director in 2014. She is a member of the American Institute of Certified Public Accountants, the Maryland Association of Certified Public Accountants, and the Maryland Government Finance Officers Association. She currently serves on the board of Together with Families, Inc., a local non-profit organization.

KIMBERLY K. EDLUND, C.P.A., Director of Budget and Finance, is a summa cum laude graduate from Shepherd University with a B.S. degree in Accounting. She earned a Master of Business Administration degree from Frostburg State University. Mrs. Edlund was hired by Washington County in 1995 as the Assistant Director of Budget and Finance and was promoted to Director in 2014. Prior to her employment with Washington County she was a Senior Accountant with a regional public accounting firm. She is a member of the American Institute of Certified Public Accountants, the Maryland Association of Certified Public Accountants, and the Maryland Government Finance Officers Association.

JOHN M. MARTIRANO, County Attorney, holds a B.A. degree, *cum laude*, from West Virginia University and a J.D. degree from the University of Pittsburgh School of Law. He was admitted to the Maryland Bar in 1990 and to the West Virginia Bar in 1994. He was in private practice with Miles & Stockbridge from 1990 to 1993 and with Steptoe & Johnson from 1993 to 1996. He was a Senior Surety Claim Attorney with The St. Paul Companies, Inc. (formerly USF&G) from 1996 to 1999. Mr. Martirano was appointed Assistant County Attorney for Washington County in 1999 and Deputy County Attorney in 2004. He was appointed County Attorney in 2005. He is a 2010 graduate of Leadership Maryland and a 2006 graduate of Leadership Hagerstown (now known as Leadership Washington County). Mr. Martirano is active in numerous community organizations, including serving on the board of directors of Hospice of Washington County. He is also a member of the American, Maryland and Washington County Bar Associations.

Washington County Government Organizational Chart



County Employment

As of June 30, 2017 the County employed 780 full-time employees and 495 part-time employees, including seasonal positions. The County has a compensation and classification plan, which is complemented by a performance evaluation system. There are 150 employees of the County's Division of Public Works, Division of Emergency Services, and Division of Environmental Management represented by a collective bargaining agreement that expires on June 30, 2018. The County has not experienced a work stoppage due to labor relation disputes and considers its relationships with employees to be good.

Pension and Retirement System

Employees of the County government are provided retirement benefits through a pension plan (the "Plan"). Participation in the Plan is mandatory and there were 1,138 participants as of June 30, 2017. All full-time County employees are eligible to participate in the Plan. The Plan also provides death and disability benefits. The employees and the County fund the guaranteed allowance. Approximately 33% of the non-uniformed participants contribute to the Plan at the rate of 5.5% of their annual salary and the remaining non-uniformed and uniformed employees contribute 6% of their annual salary.

The County's contribution is comprised of three parts: (i) contribution to cover current service costs, (ii) annual accrued liability contribution to liquidate the County's unfunded accrued liability as of July 1, 2015 by June 30, 2031 and (iii) annual additional accrued liability contribution to liquidate the County's additional accrued liability due to actuarial gains and losses, benefit changes and assumption changes after July 1, 2015. Contributions for items (i), (ii) and (iii) above are based on an assumed investment rate of 7.50% compounded annually. Contributions for items (i), (ii) and (iii) are currently funded at 27.22% of total salary expense. Salaries are assumed to increase at an annual rate of 3.0%. Contributions from participants and from the County are pooled to provide the guaranteed allowance for each member.

The following table presents the pension and retirement contributions and unfunded liabilities of the County and certain County agencies for completed fiscal years 2014 through 2017 and for fiscal year 2018. For fiscal year 2018, which began July 1, 2017, the County has already paid the \$10,509,527 amount reflected in the "Total" column in the table below, which payment is the aggregate of the amounts reflected in the columns "Current Service Costs" and "Recommended Payment for Unfunded Accrued Liability".

As of July 1	Current Service Costs	Recommended Payment for Unfunded Accrued Liability	Total	Unfunded Accrued Liability
2017	\$2,309,989	\$8,199,538	\$10,509,527	\$83,002,235
2016	1,454,253	5,555,195	7,009,448	55,888,694
2015	1,411,897	5,209,259	6,621,156	53,172,860
2014	1,727,349	4,417,936	6,145,285	47,088,710
2013	3,779,971	2,662,116	6,442,087	27,333,395

Source: Bolton Partners, Inc.

As a result of the implementation of GASB Statement 68—Accounting and Financial Reporting for Pensions, the County modified its accounting for the Plan, while continuing to use the same actuarial cost method for determining contributions to the Plan. For fiscal years prior to fiscal year 2015, costs and funding contributions were based on the Projected Unit Credit actuarial cost methods. For fiscal year 2015 and later, the funding contributions remain based on the Projected Unit Credit funding method while the GASB liabilities reflected in the financial statements are based on the Entry Age Normal cost method, as required by GASB 67 and 68. The new method produces higher liabilities but lower normal costs than the previous method. However, both methods produce actuarially sound contribution (funding) or liabilities (GASB), and annual contributions are intended to fully fund the Plan's July 1, 2015 unfunded liability by 2031. Additional liabilities incurred after July 1, 2015 are intended to be fully funded 15 years after initially recognized.

Please refer to Notes 1 and 11 to the financial statements for fiscal year 2017 set forth in Appendix A to this Official Statement and to the Required Supplementary Information included with the financial statements of the County for fiscal year 2017 set forth in Appendix A to this Official Statement for additional information regarding the County's pension obligations.

Other Post-Employment Benefits

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

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

There is no vesting in the post-employment health benefits and they are subject to change at any time. All employees who retire from the County may participate in the program. In order to be eligible, the retiree must have (i) a minimum of five years of County service, and (ii) immediately preceding retirement, been enrolled in a medical, vision, or prescription drug insurance plan offered to active employees in the County. The retirees pay 50% of the health insurance premium. Retirees participating in the County's health plan are also covered by a death benefit equal to their final annual salary, not to exceed \$100,000. These benefits cease when the retiree attains age 65 or becomes Medicare eligible. As of June 30, 2017, 41 retirees were receiving OPEB benefits and 27 employees were retirement-eligible.

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

Components of Net OPEB Obligation

Annual Required Contribution	\$ 1,261,000
Interest on Net OPEB Obligation	\$ 156,000
Adjustment to Annual Required Contribution	\$ (155,000)
Annual OPEB Cost (Expense)	\$ 1,262,000
Contributions Made or Accrued	\$ 2,249,000
Increase in Net Obligation	\$ (987,000)
Net OPEB Asset - Beginning of Year	\$ (2,047,375)
Net OPEB Asset – End of Year	\$ (3,034,375)

Source: Bolton Partners, Inc.

Please refer to Note 16 to the financial statements for fiscal year 2017 set forth in Appendix A to this Official Statement and the Required Supplementary Information included with the financial statements of the County for fiscal year 2017 set forth in Appendix A to this Official Statement for additional information regarding the County's OPEB obligations.

Insurance

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

Certain Services and Responsibilities***Education***

The Board of Education of Washington County (the "Board of Education") implements all educational policies and programs for public schools in Washington County under the administration of the State Board of Education. The Board of Education, composed of seven members elected for four-year terms, oversees 22,595 students (including 676 in pre-kindergarten), in 46 elementary and secondary schools, which include middle and combined schools. The staff to student ratio in 2016-17 averaged better than one staff member for every 22.25 pupils; the average unrestricted pupil expenditure was \$11,991 for the 2016-17 school year.

The largest General Fund appropriation by the County in its adopted budget for fiscal year 2018 is \$97,053,410 for the Board of Education, which represents 43.78% of the General Fund budget. This appropriation is for operating expenditures. In addition, the County appropriated \$2,385,000 in its capital budget for fiscal year 2018 for Board of Education projects.

Washington County's high school graduation rate for the 2016-2017 school year as compared to other selected peer group counties and the State of Maryland is as follows:

Washington County	Frederick County	Cecil County	Carroll County	Charles County	St. Mary's County	State of Maryland
92.21%	92.48%	90.54%	95.00%	94.74%	93.93%	87.67%

Source: Maryland Board of Education

Training/Higher Education

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

Training

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

Washington County Technical High School is a two-year public high school that is under the administration of the Washington County Public Schools. It offers 23 academic courses and 17 career and technology programs. These programs prepare students for professional/technical careers based on current industry skill standards. Enrollment is open to qualified 11th and 12th grade students, and tuition paying adults.

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

Pittsburgh Institute of Aeronautics (“PIA”) established the Federal Aviation Administration (FAA) - approved Aviation Maintenance Technician (AMT) education program at the Hagerstown Regional Airport. With the skills PIA graduates acquire from the program, they are equipped to work in many industries including aviation, mechanical systems, hydro-mechanical systems and the green technology field.

Higher Education

Hagerstown Community College (“HCC”), founded in 1946, offers more than 100 programs of study for university transfer or for immediate career preparation, as well as continuing education courses, workforce development, and adult basic education. Associate degrees, certificates and letters of recognition are awarded, including degrees and certificates in biotechnology, alternative energy technology and cyber security. HCC’s business incubator, the Technical Innovation Center (“TIC”), is the largest, most comprehensive technology-based business incubator in Western Maryland. It provides space and other services and amenities to entrepreneurs, start-ups, and existing companies. TIC’s facilities consist of office space, conference rooms and 4,000 square feet of biotech research labs. The college has a five-story, 65,000 square foot Science, Technology, Engineering and Math (STEM) Building, the recently renovated Kepler Theater and a Performing and Visual Arts Education Center.

The County appropriated \$9,743,000 in its fiscal year 2018 operating budget for HCC. HCC receives the balance of its funding from student tuition, State grants, and other miscellaneous sources. In addition, the County appropriated \$439,000 in its capital budget for fiscal year 2018 for HCC projects.

Purdue University Global (formerly Kaplan University-Hagerstown), a private institution since 1938, offers one doctoral degree, 25 master degree programs, 25 bachelor degrees, eight associate degrees and 31 certificate programs in the areas of business, allied health, criminal justice, paralegal studies, graphic design, human services and information technology. Online and traditional, on-campus courses are available.

University System of Maryland at Hagerstown (“USMH”) opened in January 2005 and is located in Hagerstown’s historic City Center. USMH is part of a regional system offering 13 undergraduate and 30 graduate degree programs from six respected universities within the Maryland system: Frostburg State University, University of Maryland University College, University of Maryland College Park, Towson University, Coppin State University and Salisbury University. Students can complete a bachelor’s degree or earn a master’s degree. USMH also offers access to on-site academic advising, computer labs, and a full-service library.

Planning and Zoning

The Washington County Planning Commission was created in 1957. The Planning Commission consists of seven members appointed by the Board and is supported by the County's Planning and Zoning Department with a staff of 10. The Planning Commission has authority to approve subdivision and site development plans. The plans are required by the Subdivision and Zoning ordinances and managed by the County's Division of Engineering and Construction. Another of the primary responsibilities of the Planning Commission is the Comprehensive Plan for the County. The Planning Commission first recommended the adoption of a Comprehensive Plan for Washington County in 1971. Major updates to the Comprehensive Plan were completed in 1981 and in 2002. Another update of the Comprehensive Plan is now in progress, with adoption expected in 2018.

From the original adoption in 1973 and through amendments in 2002, 2005 and 2012, the Zoning Ordinance provides seven classifications for industrial development: (i) "Industrial General" which encompasses heavy manufacturing plants requiring extensive transportation, water and sewerage facilities; (ii) "Industrial Restricted" which encompasses light manufacturing such as processing or assembly of previously processed materials; (iii) "Planned Industrial" which encompasses the planned development of industrial park locations; (iv) "Airport" which permits industrial uses that have a need to be located near the airport or provide airport related services and include height limitations located around the Hagerstown Regional Airport; (v) "Highway Interchange District" which allows light industrial uses in the vicinity of interstate interchanges to take advantage of transportation needs and opportunities; (vi) "Office, Research and Technology" which is geared toward the development of corporate offices, research facilities, and high-tech communication land uses; and (vii) "Office, Research and Industry" which allows a mix of technology and selected industries with increased performance standards. The zoning regulations as well as the 2015 Maryland Building Performance Standards, the 2015 International Existing Building Code, trade codes and local amendments administered by the Division of Construction Management and the Division of Plan Review & Permitting govern the development of these areas.

The Planning and Zoning Department continues to update and revise the Subdivision Ordinance, the Zoning Ordinance and other ordinances and functional plans that relate to land development in Washington County. In July 2012 the County adopted major revisions to the zoning text and map for the Urban and Town Growth areas to implement the recommendations of the Comprehensive Plan. Similar map and text amendments affecting areas around the designated Town Growth Areas of Boonsboro, Smithsburg, Hancock and Clear Spring were adopted in 2017. Those revisions are designed to create a more desirable and efficient urban living environment. The amendments include improvements to the design guidelines in the industrial districts mentioned above. A new educational zone, called Education, Research and Technology is designed specifically to allow Hagerstown Community College to partner with emerging high-tech industries and expand its role as business partner in the community. In an effort to coordinate development and infrastructure needs, staff is continuing to review the Adequate Public Facilities and Excise Tax Ordinances for possible improvement. The County has also devised an analysis and mitigation protocol to manage the effects of increases in public school enrollments that result from new residential development.

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

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

*Hospital and Medical Care***Meritus Health**

Meritus Health, located in Hagerstown, Maryland, is the largest health care provider in Western Maryland. As a community-focused, not-for-profit system, Meritus Health's programs span the continuum of health care, ranging from inpatient care to occupational health services to physician practices and outpatient care.

Meritus Medical Center, which opened in 2010, is a state-of-the-art, Joint Commission-accredited hospital with 247 licensed beds in single-patient rooms. Services offered include a special care nursery, a level III trauma program, a primary stroke center and a wound center, as well as a cardiac diagnostic laboratory. Hospital services that address outpatient needs include the John R. Marsh Cancer Center, Meritus Total Rehab Care, Meritus Diabetes Education, Meritus Home Health, Meritus Medical Laboratory and Equipped for Life.

Meritus Medical Group, with close to 100 physicians and advanced practice professionals, is a medical neighborhood of primary and specialty care practices offering comprehensive, coordinated health care services to all ages.

Washington County Health Department

The Washington County Health Department, which provides various health services to the citizens of Washington County, is budgeted to receive a total of \$2,339,270 in fiscal year 2018 from the County. Along with the main headquarters, it has staff and programs based at seven other sites. The Health Department employs a total of 201 full-time and part-time personnel in five divisions.

The Environmental Health Division of the Health Department engages in food inspection, well and septic services, community services, transient and non-transient water analysis, rabies control, complaint and outbreak investigations, and emergency response. The Nursing Division is responsible for maternal and child health programs, communicable disease surveillance and control, tuberculosis control, refugee and migrant health services, reproductive health services, STD screening and treatment, HIV and AIDS services, immunizations, Maryland Children's Health Insurance Program, cancer screening, vision screening, adult evaluation and review services, and WIC services. The Health Planning and Strategic Initiatives Division is responsible for relaying of public information, community relations, emergency preparedness, as well as developing and maintaining agency partnerships and providing chronic disease prevention and control initiatives. The Division of Behavioral Health Services provides a comprehensive system of care, including prevention, intervention, referral and treatment services for substance use and mental health disorders in a variety of settings. The Administration Division, which includes Personnel, Information Technology, and Health Officer Staff, provides management support for all programs within the agency.

Other Medical Facilities

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

There are eight privately owned licensed skilled nursing facilities with a total of 869 beds and one State-owned licensed skilled nursing facility with 63 beds in Washington County. All of these facilities are dually certified by Medicare and Medicaid. In addition there are 18 privately owned assisted living facilities with a total of 735 beds. Other medical facilities include the Western Maryland Center, a 123 bed State-owned, chronic care facility, and the Brook Lane Psychiatric Center, a privately-owned psychiatric facility. None of these facilities receives funds from the County.

*Safety***Law Enforcement**

The Washington County Sheriff's Office, the Maryland State Police, and municipal police agencies provide police protection in Washington County. The Sheriff's Office has 101 sworn personnel and 97 radio-dispatched vehicles. The Sheriff's Office is responsible for the operation of the Detention Center, which has a capacity of 450 inmates. In October 2016, a Day Reporting Center opened that provides treatment services to non-violent offenders with drug and/or alcohol addictions. The State Police has 35 troopers assigned to the local barrack, which is located just south of Hagerstown. The Hagerstown Police Department has a full-time force of 96 officers. The Hancock Police Department employs five full-time officers. In addition, the Smithsburg Police Department employs four officers and the Boonsboro Police Department employs five police officers.

Emergency Services

The County's Division of Emergency Services ("DES") oversees Emergency Communication/911, Emergency Management, Fire Department Special Operations, Fire Department Support Services, and the Emergency Medical Services Operations Program. DES is led by a full-time career Director and five full-time department heads who oversee the daily operational components of Emergency Services in Washington County. The division has 94 full-time and part-time personnel working directly within the division and approximately 40 volunteers who provide dedicated service to the citizens of Washington County.

Emergency Communications

The Emergency Communications Center is overseen by an assistant director with two full-time executive support staff. The Emergency Communications Center processes all of the 911 and non-emergency calls for the City of Hagerstown, the County, and all of the municipalities through one central dispatch location. The call center and new digital radio system enables first responders to communicate in a safe, seamless and compatible way, enhancing their ability to respond to emergencies and save lives. The call center also integrates Hagerstown's and Washington County's non-emergency responders, allowing them to serve the community quickly and efficiently.

Emergency Management

Emergency management activities are overseen by an assistant director with support from a full-time emergency planner. Emergency Management includes mitigation, planning, response and recovery from natural and technical disasters. Washington County has a Local Emergency Planning Committee, overseen by Emergency Management that coordinates disaster planning, conducts drills to exercise the County Emergency Operations Plan, and oversees a community outreach program consisting of home chemical safety training, citizen preparedness, and pertinent educational programs.

Fire Department Special Operations

The department's activities are overseen by an assistant director. The County has a vision to become the regional leader in providing and coordinating efficient public services. In response to that vision the Special Operations Team has both volunteer and career personnel who complete extensive training in various technical and/or specialized areas including hazardous materials, trench rescue, rope rescue, water rescue, structural collapse and confined space rescue.

Emergency Medical Services

The Emergency Medical Services ("EMS") section provides leadership, direction, support and coordination to the County's EMS system in order to continuously improve the efficiency and quality of medical services being provided to those who reside and travel within the County. EMS is overseen by an assistant director and includes eight full-time advanced life support ("ALS") technicians and five part-time ALS technicians. This team deploys two highly specialized ALS chase units which support the eight independent EMS companies in the delivery of the highest quality pre-hospital care. Additionally, three ALS support vehicles and a reserve ambulance are available for supplemental staffing to the independent companies and are available to provide additional resources for high risk events and large public gatherings.

Fire and Rescue

Fire and rescue protection is coordinated through DES by an assistant director. Working collaboratively with the Washington County Volunteer Fire and Rescue Association (the “WCVFRA”), DES coordinates the services provided by 14 volunteer fire companies and eight volunteer ambulance companies throughout Washington County. All volunteer companies belong to the WCVFRA. The association has approximately 700 volunteers who provide a combination of firefighting, rescue, emergency medical and administrative services to the community. Several volunteer companies have hired career personnel to supplement the volunteer staff during times of low volunteer availability.

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

Environmental Management

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

Solid Waste

The Washington County Solid Waste Department is responsible for a solid waste disposal system that protects the environment and public health. Currently the County disposes of solid waste at the 40 West Landfill, which opened in 2000. At current disposal rates, this site could meet the County’s estimated disposal needs until 2120. In 2013, the County entered into an agreement with a private firm to begin construction of a new solid waste facility to handle this material in a more environmentally friendly manner. This new facility will sort the solid waste materials collected into recyclables, materials that can be processed into a refuse derived fuel (RDF) pellet and materials which need to be land-filled. The processing of suitable materials to RDF pellets will be the first phase of operation with this product being sold as a fuel source to industries. In phase two of the new facility, the RDF pellets will be further processed to generate a synthetic diesel product which can be sold on the open market. Once this facility is in operation, it is anticipated that less than 10% of the solid waste materials received by the County will need to be land-filled. The Department operates five solid waste convenience centers that are strategically located throughout Washington County. Supporting and strengthening individual and community self-reliance and responsibility in the areas of waste reduction, recycling, and proper disposal of solid waste is the mission of the Solid Waste Department.

Water Supply and Wastewater Facilities

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

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

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

removal (“ENR”) strategy. The Winebrenner Treatment Plant ENR upgrade began construction in fiscal year 2015 and was completed in the fall of 2016. The Conococheague Wastewater Treatment Plant ENR upgrade began construction in the fall of 2016 and is scheduled to be complete in 2018.

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

The County bills its customers quarterly except for those for which wastewater treatment service is provided by the City of Hagerstown, in which case the County’s charges are billed and collected on its behalf by the City of Hagerstown. The following table shows the total Number of Services and EDUs of the County’s water and wastewater systems and the annual residential user rates effective July 1, 2017. For customers receiving County collection services only, treatment is provided by the City of Hagerstown.

WATER SYSTEM

	No. of Services	No. of EDUs	Residential Annual (Avg) User Rate
Full Service.....	<u>1,341</u>	<u>1,562</u>	\$677.76

WASTEWATER SYSTEM

	No. of Services	No. of EDUs	Residential Annual (Avg) User Rate
Full Service	7,156	10,622	\$636.32
Collection Service Only	3,751	5,141	\$221.60
Wholesale	<u>5</u>	<u>3,425</u>	
Total.....	<u>10,912</u>	<u>19,188</u>	

Source: Washington County Department of Budget and Finance

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

The Pretreatment Facility serves all of Washington County by providing pretreatment of non-hazardous industrial wastewater, landfill leachate and metals-bearing waste streams, and has a capacity of 125,000 gallons per day (current average usage is 115,000 gallons per day). The Pretreatment Facility was privatized in 2006 through a long-term lease to a private corporation.

III. Economic and Demographic Information

Department of Business Development

The Washington County Department of Business Development (the “DBD”) is dedicated to expanding economic opportunities for the citizens of Washington County. It works to promote Washington County as a place of business and improve the overall business climate of the community.

The Washington County Economic Development Commission Board of Directors (the “EDC”) is comprised of 12 unpaid volunteers and six *ex-officio* members. As representatives of the local business community, the EDC is responsible for evaluating and recommending policies affecting the County’s ability to attract, nurture, and sustain employment, and to further promote economic growth and change in a managed environment.

The DBD currently has five full-time employees to conduct the day-to-day operations of the office. The staff works to fulfill the strategic priorities recommended by the EDC and as approved by the Board.

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

The DBD maintains a web-site, www.hagerstownedc.org, and an online reference guide for economic development allies, partners, site selection consultants, clients, and the general public. The site includes statistical data on Hagerstown-Washington County’s Community Demographics, Quality of Life, Business Climate, Incentives, Local Business Resources, Property Search, Maps, and Recent News. Visitors to www.hagerstownedc.org can access a database that highlights available commercial/industrial buildings and sites within Washington County. The database includes each property’s pertinent information and describes its development potential.

The DBD administers the Enterprise Zone Program, identifying eligible businesses that qualify for local real property tax credits and State income tax credits in the City of Hagerstown, the Town of Hancock, and elsewhere in Washington County. For tax year 2017-18 (fiscal year 2018), the City of Hagerstown, the Town of Hancock, and the County granted \$52,592, \$574, and \$503,178, respectively, in real property tax credits for private capital investment. The State of Maryland is expected to reimburse \$26,296 to the City of Hagerstown, \$287 to the Town of Hancock, and \$251,590 to the County for these credits.

Business Development

New and Expanding Businesses

In 2017 the County experienced new and expanding businesses highlighted by the creation of more than 153 new jobs and known new investments of approximately \$25.1 million. Many of these achievements are a result of incentive packages provided through partnerships of the County and State to provide training programs, State financing, and Enterprise Zone tax credits. Significant projects announced in 2017 and 2018 that are expected to provide an additional 118 new jobs and an additional \$16.6 million of new investments are noted in the following table:

Hagerstown-Washington County, Maryland -- Significant Business Activity for 2017/2018

Company Name	Business Type	Completed/ Expected Completion	Project Cost ⁽¹⁾	#New Jobs ⁽¹⁾	Type of Activity
Completed Projects Announced in 2017					
Pepsi Bottling Group - Refurb Center	Manufacturing	3Q17	\$2,100,000	20	New Jobs/Expansion
Lanco Penland	Manufacturing	4Q17	\$23,000,000	85	New Jobs
Volvo Group	Manufacturing	4Q17	n/a	48	Re-hire
	Sub-totals		\$25,100,000	153	
Projects Under Development Announced in 2017/2018					
Ring Container Technologies	Manufacturing	2Q18	\$6,500,000	18	New Jobs/Construction
WCH Aeronautics	Software Developers/Mfg	2Q18	\$500,000	5	New Jobs/Expansion
Fabricated Extrusion Company	Manufacturing	3Q18	\$4,600,000	50	New Jobs/Construction
Maryland Glass Tech	Manufacturing	4Q18	\$5,000,000	45	New Jobs/Construction
	Sub-totals		\$16,600,000	118	
Totals for Projects Announced in 2017/2018:			\$41,700,000	271	

Source: Washington County Department of Business Development
(1) Estimates based on company announcements.

Business Parks and Sites

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

Park	Total Acreage	Available Acreage	Ownership
City of Hagerstown—Washington County			
Enterprise Zone:			
Valley Business Park	188	125	Private
Town of Hancock Enterprise Zone:			
Hancock Industrial Park.....	38	38	Town
Other Locations:			
Airport Business Park	39	30	Nonprofit
Friendship Business Park	450	139	Private
Friendship Town Center	161	161	Private
Cascade Town Centre.....	400	400	Public
Gateway Business Park.....	65	12	Private
Hub Business Park.....	80	80	Private
Hunter's Green Business Center.....	631	90	Private
Light Business Park	27	14	Private
Mount Aetna Technology Park at Hagerstown (MATH).....	179	179	Nonprofit
Newgate Industrial Park.....	245	20	Nonprofit
Showalter Road Center.....	88	88	Private
Vista Business Park.....	200	200	Private
Washington County Business Airpark	67	30	County
Westgate Industrial Complex.....	175	175	Private

Source: Washington County Department of Business Development

New Jobs Tax Credit Program

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

Enterprise Zones

Approximately 5,500 acres in Washington County are within two State-designated Enterprise Zones. The *City of Hagerstown/Washington County Enterprise Zone* was renewed and expanded by the State in 2012. This zone now encompasses approximately 4,000 acres located within the City of Hagerstown and Washington County. The zone has more than doubled in size and includes Hopewell Valley Industrial Park, Washington County Business Park, CSX Valley Park, the City of Hagerstown Business Park, and the Central Business District in downtown Hagerstown. The *Hancock Enterprise Zone* was renewed in 2015. This 1,500 acre zone surrounds the Town of Hancock, stretching from the Pennsylvania border to the Potomac River. The zone includes commercial and industrial development opportunities in select areas of Hancock as well as commercial frontage along Main Street. Local and State incentives are available to new or expanding companies in these zones to promote growth of the industrial and commercial base. Qualified businesses can receive local property tax credits for capital investment and State income tax credits for the creation of new jobs. Each Enterprise Zone is approved by the State for a 10 year period.

Pad-Ready Commercial Stimulus Program

The Board adopted the “Pad-Ready” Commercial Stimulus Program on October 25, 2011. The program is designed to encourage developers/builders to bring undeveloped land to a shovel-ready state, but is also intended for sites with existing buildings in need of redevelopment. Under the program, undeveloped parcels of land, demolitions, renovations and expansions of existing buildings qualify for incentives. Qualifying projects are entitled to priority plan review by the Washington County Development Advisory Committee, deferral of County site-plan application and review fees, and a real-estate tax credit issuance once buildings are constructed and occupied. The tax credit is to be four tenths of one percent (.004) of the construction cost of the new improvement as determined by the DBD and will apply for three consecutive years.

High Performance Building Tax Credit Program

On February 7, 2012, the Board established the High Performance Tax Credit Program. Under the program, property tax credits are available for buildings that receive silver, gold or platinum certification in the national LEED (Leadership in Energy and Environmental Design) ranking system. The amount of the credit will depend on which level of certification the building receives and the increase in its assessed value after construction. Silver buildings will be credited 20 percent of the taxes due on that increase; gold buildings, 25 percent; and platinum buildings, 30 percent.

Foreign Trade Zone

Washington County’s Foreign Trade Zone (“FTZ”) status was approved by the United States Department of Commerce’s Foreign Trade Zone Board on July 3, 2002. More than 1,700 acres from five different sites throughout Washington County are eligible. The sites are ideally zoned for manufacturing, distribution, and warehousing activities. FTZs have been shown to provide direct benefits to local businesses involved in foreign trade. Through the reduction, elimination, and deferral of tariffs, firms located within Washington County’s FTZ are able to be more competitive in international markets.

Utilities, Transportation and Communication***Utilities***

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

Telecommunications: State-of-the-art communications infrastructure, including hybrid cable, digital, fiber optic, wireless data, and cellular 4G LTE services are provided via national and regional vendors. AT&T, Sprint, T-Mobile, US Cellular and Verizon operate within Washington County.

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

Transportation

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

Air: Hagerstown Regional Airport (HGR) is a Part 139 Facility which provides daily scheduled commercial service to Baltimore-Washington Thurgood Marshall International Airport (“BWI”) and Pittsburgh International Airport via Southern Airways Express, twice weekly service to Orlando Sanford International and twice weekly service to St. Pete-Clearwater International Airport on Allegiant. The airfield also offers fixed base operation services to general aviation, corporate and military aircraft. There are 17 businesses offering clients a variety of aviation services for all types of aircraft. Approximately 1,600 people are employed locally as a result of the airport being in Washington County. In addition, Dulles International, BWI, and Ronald Reagan Washington National airports are located within 70 miles of Hagerstown.

Rail: CSX Transportation and Norfolk Southern Corporation Railways provide economical shipment anywhere on the Atlantic seaboard. CSX, with a public siding, operates daily trains and connects with other major carriers for long-distance shipping. The Norfolk Southern mainline is just outside of Hagerstown and a CSX interchange with Norfolk Southern is in

ECONOMIC AND DEMOGRAPHIC INFORMATION

Hagerstown for nationwide access. In January 2014, Norfolk Southern Rail opened a 200 acre intermodal terminal in Greencastle, Pennsylvania, immediately adjacent to Washington County. The County is also only 19 miles from CSX's 85 acre intermodal terminal in Chambersburg, Pennsylvania. Daily Amtrak and weekday MARC passenger services are available from Martinsburg, West Virginia (23 miles south of Hagerstown). MARC passenger service from neighboring Frederick County to Washington, D.C. is also available.

Local Transportation: Washington County Commuter provides local bus service throughout Washington County. Local taxi service and auto rental and leasing services are available within Washington County.

Communication

Newspapers: The daily newspaper, The Herald-Mail, has a Monday-Saturday circulation of 27,000, and a Sunday circulation of 32,000. Two weekly local newspapers, The Hancock News, with a weekly circulation of 2,000, and The Picket News, with a weekly circulation of 10,000, also serve Washington County. Several metropolitan newspapers, including the Washington Post and The Baltimore Sun, are available daily to residents.

Television: WDVM and Herald-Mail (HMTV6) provide local news, weather, community information, sports coverage and programming to the tri-state area. Antietam Cable Television and Comcast offer cable and digital television services. Satellite television is available through private vendors.

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

Population

The following table illustrates the population growth of Washington County, the State of Maryland, and the United States from 1970 to 2016.

Population Growth

<u>Year</u>	<u>Washington County</u>			<u>State of Maryland</u>		<u>United States</u>	
	<u>Population</u>	<u>Percent Change</u>		<u>Population</u>	<u>Percent Change</u>	<u>Population</u>	<u>Percent Change</u>
2016	150,292	1.9		6,016,447	3.9	323,127,513	4.6
2010	147,430	11.8		5,787,988	9.0	308,845,538	9.7
2000	131,923	8.7		5,296,486	10.8	281,421,906	12.7
1990	121,393	7.3		4,781,753	13.4	249,633,000	10.2
1980	113,086	9.9		4,216,000	7.4	226,505,000	11.4
1970	103,829	—		3,923,897	—	203,302,000	—

Source: U.S. Department of Commerce, Bureau of the Census for 1970, 1980, 1990, 2000, 2010;
Maryland Department of Planning, Maryland State Data Center for 2016

Income

Median household Effective Buying Income (“EBI”) in Washington County was estimated at \$56,316 for calendar year 2017. The median household EBI for Washington County, the State of Maryland and the United States are estimated as follows:

Median Household Effective Buying Income

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Washington County	\$56,316	\$56,228	\$56,477	\$55,700	\$54,239
State of Maryland	76,067	74,551	74,149	72,345	71,707
United States	55,322	53,889	53,482	52,176	51,771

Source: MD BriefEconomic Facts for 2013-2017

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

Distribution of Effective Buying Income (2016)

Households By EBI Group	<u>Washington County</u>	<u>State of Maryland</u>	<u>United States</u>
Under \$25,000	21.2%	14.9%	22.3%
\$25,000 - \$49,999	23.2	17.6	23.1
\$50,000 - \$74,999	19.9	16.9	17.8
\$75,000 - \$99,999	13.4	13.3	12.2
\$100,000 - \$149,999	13.7	18.4	13.5
\$150,000 - \$199,999	5.1	9.2	5.4
\$200,000 and over	3.5	9.7	5.7

Source: MD BriefEconomic Facts based on U.S. Bureau of the Census released in 2017

Area Labor Supply

Washington County has an available civilian labor force of approximately 77,693. In addition, businesses draw employees from Allegany, Garrett and Frederick counties in Maryland; Franklin and Fulton counties in Pennsylvania; and portions of Berkeley, Jefferson and Morgan counties in West Virginia. The civilian labor force for all these counties totals more than 431,600.

Employment

Within Washington County there are more than 3,450 businesses. The following table shows the employment statistics for the 15 largest employers in Washington County as of December 2017.

Employer	Employment
Washington County Public Schools	3,100
Meritus Health.....	2,740
State of Maryland	2,385
Citi.....	2,300
First Data.....	2,185
Washington County Government.....	1,352
Volvo Group.....	1,300
FedEx Ground.....	900
Hagerstown Community College.....	890
Bowman Group, LLP (The).....	745
Federal Government.....	567
Merkle Response Management Group.....	545
City of Hagerstown.....	486
ARC of Washington County.....	500
Direct Mail Processors.....	500

Source: Maryland Department of Commerce

Unemployment Rate

Unemployment in Washington County averaged 5.9% between 2013 and 2017. The following table indicates the County's average unemployment rate as compared with the State of Maryland for the five most recent calendar years.

Unemployment Rate – Annual Average

	2017	2016	2015	2014	2013
Washington County	4.4%	5.1%	5.8%	6.9%	7.4%
State of Maryland	4.1%	4.4%	5.2%	5.8%	6.1%

Source: Maryland Department of Labor, Licensing and Regulation

Construction Activity

Construction activity during the years 2013-2017 in Washington County is provided below:

Year Ended Dec. 31	Building Permits (Value in Thousands)					
	Residential New		Other Permits		Total	
	Number	Value	Number	Value	Number	Value
2017	198	\$57,704	1,117	\$75,737	1,315	\$133,441
2016	172	40,510	1,977	99,632	2,149	140,142
2015	202	52,305	2,065	97,055	2,267	149,360
2014	168	37,720	1,615	98,942	1,783	136,662
2013	228	48,547	1,654	93,245	1,882	141,792

Source: Washington County Department of Permits and Inspections

Housing Starts

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

Year Ended December 31	Single Family (One and Two- Unit Structures)
2017	189
2016	159
2015	177
2014	158
2013	207

Source: Washington County Department of Permits and Inspections

Multi-family housing starts in the County were nominal during 2016, 2014, and 2013. During the year ended December 31, 2017 there were five, 12 unit buildings constructed and for the year ending, December 31, 2015, there were five, 24-unit multi-family buildings constructed.

Agriculture

Agriculture is an important part of Washington County's economy. Approximately 129,600 of Washington County's 293,223 acres (44%) are considered farmland by the U.S.D.A. Agricultural Statistical Service. By far the greatest contributors to agriculture are the livestock and dairy industries. Livestock and dairy products account for approximately 58% of the total farm sales.

Washington County is the heart of the fruit industry in Maryland. Apple and peach growers harvest nearly 1,372 acres annually producing approximately 61% of the State's apple crop and 27% of the State's peach crop each year. Dairy is the principal livestock enterprise. The average number of milk cows is 12,670 head, ranking second in the State. In addition to milk and fruit, the other chief agricultural commodities are beef cattle and cereal grains. The information for 2017 will not be released until after the 2017 census is completed. Selected agricultural statistics for Washington County for calendar year 2012 are as follows:

Washington County Agriculture Statistics, 2012

Number of farms.....	860
Average acres/farm.....	151
Total farm income.....	\$107.7 mil
Livestock income.....	\$62.26 mil
Average income/farm.....	\$125,219

Source: U.S.D.A. Agriculture Census 2012

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

IV. Financial Information

Accounting System

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

Fund Structure

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

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

Basis of Accounting, Measurement Focus, and Financial Statement Presentation

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

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

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

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

Accounting Enterprise System

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

Capital Budget Preparation Software

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

Distinguished Budget Presentation Award

The County received the Distinguished Budget Presentation Award for its 2018 Budget Document from the Government Finance Officers Association of the United States and Canada. The award is given to those entities that satisfy nationally recognized guidelines for effective budget presentation. Those guidelines are designed to assess how well an entity's budget serves as a policy document, a financial plan, an operations guide, and a communication device. The County has received the award for 14 consecutive years. The award reflects the commitment of the County to meet the highest standards in governmental budgeting.

Budget Process and Schedule

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

The County's budget process is key to its long-range strategic plan. With the adoption phase ending in May, the entire budget process encompasses nine months in preparation time. Financial forecasts, economic trends, policy reviews, and citizen input are all part of this process and result in the development of the operating and capital budgets for the year. The following describes the phases of the budget process.

Financial Capacity and Analysis Phase

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

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

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

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

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

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

Budget Development Start

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

Budget Development Phase

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

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

It is the CIP Committee’s responsibility to review all requests that County departments and agencies submit. Based on the results of the priority ranking, and current and future needs, as developed in the 10-year capital plan, and available funding sources, the CIP Committee determines which capital projects best meet established criteria for the current fiscal year Capital Improvement Budget and the 10-year forecast. Operating impacts of current and proposed capital projects are also taken into consideration by staff when developing the Capital Improvement Budget.

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

Review/Modification Phase

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

Adoption Phase

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

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

Budget Monitoring

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

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

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

General Fund Revenues and Expenditures

The General Fund's major function is to provide funding for education, public safety, courts, planning, permits, public works, parks and recreation, general operations, and economic development. The major revenue sources to provide these programs and services for the public are: Real and Personal Property Tax, Income Tax and Recordation Tax. The following table displays the County's General Fund actual revenues and expenditures compared to the final budget for fiscal year 2017, budgeted revenues and expenditures for fiscal year 2018, and the proposed budget for fiscal year 2019.

County Commissioners of Washington County Budget Comparison General Fund Fiscal Years 2017, 2018 and 2019				
	Fiscal Year 2017		Fiscal Year 2018	Fiscal Year 2019
	Final Budget	Actual Amounts	Original Budget ⁽¹⁾	Proposed Budget
REVENUES				
Property Tax				
Real Property Tax.....	\$ 108,354,710	\$ 109,440,600	\$ 111,037,170	\$ 113,679,470
Personal Property Tax.....	12,950,000	14,433,675	13,757,540	14,057,110
Property Tax Interest Income.....	430,000	390,908	430,000	385,000
Other Property Tax.....	651,720	805,378	689,290	622,980
State Administrative Fees.....	(600,000)	(554,644)	(580,000)	(1,065,680)
Property Tax Discounts, Credits, and Fees.....	(1,310,480)	(1,610,169)	(1,731,590)	(1,716,310)
Total Property Taxes.....	\$ 120,475,950	\$ 122,905,748	\$ 123,602,410	\$ 125,962,570
Other Local Taxes				
Income Tax.....	\$ 77,500,000	\$ 78,891,902	\$ 82,000,000	\$ 84,000,000
Admissions and Amusement Tax.....	300,000	265,722	280,000	255,000
Recordation Tax.....	5,800,000	6,305,265	6,000,000	6,500,000
Trailer Tax.....	500,000	566,089	525,000	550,000
Total Other Local Taxes.....	\$ 84,100,000	\$ 86,028,978	\$ 88,805,000	\$ 91,305,000
Other Revenues				
Licenses and Permits.....	\$ 1,310,200	\$ 1,189,019	\$ 1,379,300	\$ 1,266,300
Court Costs and Fines.....	302,300	269,806	2,803,600	5,188,600
Charges for Services.....	679,750	448,532	835,210	752,270
Revenues from Use of Property.....	979,250	1,327,838	548,200	848,640
Reimbursed Expenses.....	1,052,770	1,009,538	1,303,610	1,355,670
Miscellaneous Revenues.....	492,280	1,131,263	185,500	211,990
Grant and Shared Revenues.....	4,643,941	4,431,597	2,242,230	2,278,300
Highway Revenues.....	1,528,890	1,378,314	2,416,500	2,284,500
Total Other Revenues.....	\$ 10,989,381	\$ 11,185,907	\$ 11,714,150	\$ 14,186,270
TOTAL REVENUES.....	\$ 215,565,331	\$ 220,120,633	\$ 224,121,560	\$ 231,453,840
EXPENDITURES				
General Government.....	\$ 27,200,000	\$ 26,764,285	\$ 26,771,560	\$ 29,267,497
Public Safety.....	43,236,411	42,703,200	43,145,400	45,384,430
Health.....	2,339,270	2,339,270	2,339,270	2,339,270
Social Services.....	373,390	373,390	424,390	435,560
Education.....	104,387,080	104,387,080	106,743,410	108,336,050
Parks, Recreation, and Culture.....	5,741,790	5,794,949	5,974,980	6,249,060
Conservation of Natural Resources.....	677,840	753,063	691,840	723,690
Highway.....	9,718,890	10,368,937	10,567,610	11,156,683
General Operations.....	470,020	609,165	437,720	529,600
Unallocated Employee Insurance and Benefits.....	704,640	483,556	4,644,030	5,142,100
Intergovernmental.....	5,241,000	11,320,588	7,176,780	7,574,810
Debt Service.....	15,475,000	14,688,810	15,204,570	14,315,090
TOTAL EXPENDITURES.....	\$ 215,565,331	\$ 220,586,293	\$ 224,121,560	\$ 231,453,840
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ (465,660)</u>	<u>\$ -</u>	<u>\$ -</u>

Source: Washington County Department of Budget and Finance

(1) Budget revisions are possible until the close of the year on June 30, 2018. Amendments to date to the fiscal year 2018 budget since its adoption have not been material.

The following table displays the County's General Fund revenues and expenditures on a GAAP basis with additional ratios for fiscal years 2013 through 2017.

County Commissioners of Washington County
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund

Year Ended June 30

	2017	2016	2015	2014	2013
Revenues:					
Taxes, interest and penalties.....	\$ 208,934,726	\$ 204,569,492	\$ 198,990,605	\$ 194,994,560	\$ 194,197,780
Shared taxes and grants	4,431,597	6,349,348	3,355,253	3,377,036	3,566,550
Licenses and permits	1,189,019	1,316,242	1,362,651	1,187,285	1,149,568
Revenues from use of money and property	1,327,838	1,074,126	881,502	945,977	988,019
Charges for services.....	448,532	477,971	434,237	451,814	448,406
Other revenue	2,410,607	1,757,855	2,049,297	1,793,593	2,389,892
Highway revenue	1,378,314	1,720,771	1,554,706	1,697,840	1,683,821
Total revenues	<u>\$ 220,120,633</u>	<u>\$ 217,265,805</u>	<u>\$ 208,628,251</u>	<u>\$ 204,448,105</u>	<u>\$ 204,424,036</u>
Expenditures:					
General government	\$ 26,764,285	\$ 25,392,800	\$ 23,779,920	\$ 21,474,148	\$ 19,725,043
Public safety	42,703,200	41,898,282	39,155,311	36,352,815	35,020,519
Health	2,339,270	2,339,270	2,339,270	2,339,270	2,339,270
Social services	373,390	454,165	571,517	934,217	2,321,055
Education	104,387,080	104,109,040	103,810,462	103,418,590	101,816,613
Recreation and culture	5,794,949	5,586,517	5,622,928	5,271,404	5,436,653
Conservation of natural resources	753,063	669,041	595,350	568,873	556,845
Intergovernmental	38,543	38,543	38,543	38,543	38,543
General operations	1,092,721	2,337,705	2,003,326	4,956,600	6,131,561
Highway	10,243,937	9,821,132	9,953,368	9,872,245	8,622,908
Debt service:					
Principal	9,005,341	9,748,588	10,147,504	9,901,824	9,878,013
Interest	5,683,469	4,070,313	4,504,974	4,109,946	4,352,421
Total Expenditures	<u>\$ 209,179,248</u>	<u>\$ 206,465,396</u>	<u>\$ 202,522,473</u>	<u>\$ 199,238,475</u>	<u>\$ 196,239,444</u>
Excess of revenues over expenditures	<u>\$ 10,941,385</u>	<u>\$ 10,800,409</u>	<u>\$ 6,105,778</u>	<u>\$ 5,209,630</u>	<u>\$ 8,184,592</u>
Other financing sources(uses):					
Net bond proceeds.....	\$ -	\$ -	\$ -	\$ -	\$ 3,039
Proceeds of capital leases.....	1,036,682	-	-	56,548	-
Principal amount of new debt for advanced refunding.....	-	7,078,184	26,026,715	-	-
Deposit to escrow fund for advance refunding and repayment of loans.....	-	(7,075,279)	(26,021,529)	-	-
Operating transfers in	22,000	-	-	-	-
Operating transfers out	(11,429,045)	(9,388,519)	(5,974,080)	(5,915,929)	(7,980,296)
Total other financing sources(uses)	<u>\$ (10,370,363)</u>	<u>\$ (9,385,614)</u>	<u>\$ (5,968,894)</u>	<u>\$ (5,859,381)</u>	<u>\$ (7,977,257)</u>
Excess of revenues and other sources over expenditures and other uses	\$ 571,022	\$ 1,414,795	\$ 136,884	\$ (649,751)	\$ 207,335
Fund balances at beginning of year	39,742,148	38,327,353	38,190,469	38,840,220	38,632,885
Fund balance at end of year	<u>\$ 40,313,170</u>	<u>\$ 39,742,148</u>	<u>\$ 38,327,353</u>	<u>\$ 38,190,469</u>	<u>\$ 38,840,220</u>
Fund Balance:					
As a percent of revenue	18.3%	18.3%	18.4%	18.7%	19.0%
As a percent of expenditures	19.3%	19.2%	18.9%	19.2%	19.8%
Committed, Assigned and Unassigned Fund Balance:					
As a percent of revenue	17.4%	17.5%	17.7%	18.2%	18.3%
As a percent of expenditures	18.3%	18.5%	18.2%	18.7%	19.1%
Debt Service:					
As a percent of revenue	6.7%	6.4%	7.0%	6.9%	7.0%
As a percent of expenditures	7.0%	6.7%	7.2%	7.0%	7.3%

Source: Washington County Department of Budget and Finance

Anticipated Results for Fiscal Year 2018

Fiscal year 2018 final results are not available as of the date of this Official Statement. However, based on current review, the County's main revenue sources of real estate taxes, income taxes and corporate personal property taxes, are projected to meet current year budgeted amounts and all expenditures are in-line with the approved budget. Overall the financial results for fiscal year 2018 are expected to end on the positive side, with total revenues in excess of total expenditures. The County expects to maintain its cash reserves for fiscal year 2018.

Sources of Tax Revenue

Ad valorem property taxes, the County's largest source of tax revenues, were 60% of total tax revenues fiscal year 2016 and 59% in fiscal year 2017. During the same period, income tax revenues as a percentage of total tax revenues were 36.8% in fiscal year 2016 and 37.8% in fiscal year 2017. The following table presents the County's tax revenues by source for each of the last five fiscal years as well as the budgeted amounts for fiscal year 2018.

Tax Revenues by Source

Fiscal Year		Local Property	Local Income	Other Local
Ended June 30	Total Taxes	Taxes⁽¹⁾	Taxes	Taxes⁽²⁾
Budgeted 2018	\$ 212,407,410	\$ 123,602,410	\$ 82,000,000	\$ 6,805,000
2017	208,934,726	122,905,748	78,891,902	7,137,076
2016	204,569,492	122,001,946	75,208,180	7,359,366
2015	198,990,605	118,513,533	73,603,292	6,873,780
2014	194,994,560	120,678,207	68,864,506	5,451,847
2013	194,197,780	122,450,670	65,763,209	5,983,901

Source: Washington County Department of Budget and Finance

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

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

Local Property Taxes

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

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

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

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

The State also provides a tax credit based on the ability of homeowners to pay property taxes. The credit is calculated by use of a scale, which indicates a maximum tax liability for various income levels. The tax credit processed for local property taxes for Washington County for fiscal year 2017 was \$1,627,582 and the tax credit processed as of March 31, 2018 for fiscal year 2018 is \$1,546,374.

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

Assessed Value, Tax Rates and Tax Levy

The following table sets forth the assessed value of all taxable property in Washington County for each of its five most recent fiscal years and the County and State tax rate applicable in each of those years. Assessed value of tax-exempt properties owned by federal, State and County governments, churches, schools, fraternal organizations, cemeteries, disabled veterans and the blind, aggregating \$2,261,755,133 for the fiscal year ended June 30, 2017 is not included in the table. Under applicable law, there is no limit to the total tax levy for property taxes. In the opinion of the County, the tax rate established by it for each fiscal year, when applied to the property subject thereto, is sufficient to provide revenues to discharge the County's obligations to pay principal and interest maturing on its outstanding general obligation indebtedness in each fiscal year.

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

	2017	2016	2015	2014	2013
Real property	\$12,047,907	\$11,889,530	\$11,798,859	\$11,918,538	\$12,310,975
Personal property:					
Railroads and public utilities	180,988	172,128	162,536	167,959	161,054
Business corporations	416,031	405,500	390,610	375,606	350,000
Total property	<u>\$12,644,926</u>	<u>\$12,467,158</u>	<u>\$12,352,005</u>	<u>\$12,462,103</u>	<u>\$12,822,029</u>
Change in market value of property	1.4%	0.9%	(0.9)%	(2.8)%	(3.5)%
County tax rate (per \$100 assessed value)	\$0.948	\$0.948	\$0.948	\$0.948	\$0.948
State tax rate (per \$100 assessed value)	0.112	0.112	0.112	0.112	0.112

Source: Maryland State Department of Assessments and Taxation

There were no changes to the property tax rates for the County or the State in fiscal year 2018. As of the date of this Official Statement, there are no proposed changes to the County or State property tax rates for fiscal year 2019.

Tax Collection

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

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

Fiscal Year Ending June 30	Taxes Levied	Taxes Collected in Year of Levy		Total Taxes Collected (Current and Delinquent)		Taxes Receivable	Taxes Receivable as a Percentage of Total Taxes Collected
		Amount	Percent	Amount	Percent		
2017	\$ 124,295,568	\$ 123,986,762	99.75	\$ 124,150,669	99.89	\$ 494,206	0.40
2016	122,703,971	122,397,609	99.75	122,899,961	100.16	480,714	0.39
2015	120,444,868	119,903,244	99.55	120,597,778	100.13	676,704	0.56
2014	121,676,979	121,014,378	99.46	121,414,874	99.78	829,615	0.68
2013	123,303,379	122,940,251	99.71	124,018,282	100.58	567,508	0.46

Source: Washington County Department of Budget and Finance

Principal Taxpayers

The 20 largest taxpayers in the County as of June 30, 2017, ranked by assessed value, are listed below.

Name of Taxpayer	Assessed Value	Percentage of Assessed Value
PR Valley Limited Ptsp.....	\$ 104,087,240	
Outlet Village of Hagerstown.....	100,404,570	
Potomac Edison.....	87,163,890	
Liberty Property Limited.....	71,159,300	
FedEx Ground Package System Inc.....	69,952,130	
Bowman Group.....	66,876,743	
Washington Real Estate.....	61,565,367	
Staples of Maryland LLC	50,890,720	
Western Hagerstown Dist. Ctr.....	48,619,100	
Walmart Stores/Wal-Mart R.E./Sam's R.E./Sam's East.....	45,092,220	
Sub-total	\$ 705,811,280	5.58%
254 Hagerstown/Citigroup/Citicorp.....	40,000,000	
Mack Trucks Inc.....	36,633,880	
Verizon-Maryland.....	36,131,200	
Intelsat Global Service LLC.....	34,923,520	
2007 East Greencastle Pike.....	34,360,000	
Lowe's Home Centers Inc.....	33,078,370	
CSX Transportaion CSX Minerals.....	30,215,990	
GP Hagerstown Limited Ptsp.....	30,035,200	
Norfolk Southern Combined Rail.....	29,903,920	
ARCP MT Hagerstown.....	29,758,700	
Total	\$ 1,040,852,060	8.23%

Source: Washington County Treasurer's Office

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

Local Income Tax

Effective January 1, 2013, the personal State income tax rates for Maryland residents start at 2% on the first \$1,000 of taxable income and increase up to a maximum of 5.75% on incomes exceeding \$250,000 (or \$300,000 for taxpayers filing jointly, head of household or qualifying widow(ers)). Pursuant to State law, each county and Baltimore City must levy a local income tax at the rate of at least 1.75%, but not more than 3.20%, of the State income tax liability of individuals domiciled in their respective jurisdictions.

The County currently levies a local income tax on Washington County residents at the rate of 2.8%. The County does not levy a local income tax on corporations. As a result of federal tax changes enacted by the U.S. Congress and actions of the Maryland General Assembly, Washington County's income tax revenues may experience an increase; however, the impact is yet to be determined.

Other Local Taxes and Revenues

In addition to general property taxes and income taxes, the County levies and collects miscellaneous taxes, the largest of which is the recordation tax on instruments conveying title to property and securing debt. Revenues from this tax in the fiscal year ended June 30, 2017 were \$6,305,265. The County also receives revenues from the amusement and admission tax and the trailer tax. Another significant source of local revenue is generated from the issuance of building and other permits. Revenues from all these sources, including recordation taxes, in the fiscal year ended June 30, 2017 were \$8,326,095.

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

Pursuant to State law, the State pays certain costs in excess of available federal funds for all public school construction projects and capital improvements that have been approved by the State of Maryland Board of Public Works. The cost of acquiring land is not a construction cost and therefore does not qualify for State funding.

The Board of Public Works is empowered to define by regulation what shall constitute an approved construction or capital improvement cost and to adopt rules, regulations, and procedures for program administration. Program regulations limit the amount of construction costs paid by the State by instituting a maximum State project allocation for each school construction project funded through the program. Under the formula, the State's share is computed by applying the applicable percentage to the eligible portion of school construction costs. For the County, the maximum State share will equal 71% of approved construction costs.

State and Federal Grants

During the County's fiscal year ended June 30, 2017, an aggregate of \$8,574,580 in federal and State funds was received by all County departments for use in operations. The largest single categorical source was a federal and State grant for \$1,248,362, which was for the Small Urban Area Public Transportation Grant. The County also received a total of \$17,402,851 in federal and State funds for capital projects in the fiscal year ended June 30, 2017. The County projects that \$5,703,062 in federal and State funds will be received in fiscal year 2018 for operations and \$6,693,169 in federal and State funds will be received for capital projects.

During the fiscal year ended June 30, 2017, the Board of Education received \$168,489,837 in State funds and \$23,109,181 in federal funds for operating and food service expenses. In fiscal year 2018, the Board of Education anticipates receiving \$174,797,484 in State funds and \$22,967,234 in federal funds for operations.

General Fund Balance Sheet

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

County Commissioners of Washington County

Balance Sheet General Fund

As of June 30

	2017	2016	2015	2014	2013
ASSETS					
Cash and short-term investments	\$ 627,517	\$ 162,083	\$ 32,999	\$ 40,971	\$ 252,052
Investment in U.S. Government					
Agency Securities	101,443,510	91,452,894	110,533,955	118,065,564	130,562,407
Property taxes receivable (net)	348,751	357,582	535,177	588,451	376,599
Accounts receivable	422,410	503,433	416,161	265,824	374,571
Due from other funds	-	-	-	-	10,000
Due from other governments	16,752,299	16,757,732	16,373,944	11,838,036	10,811,977
Inventories	763,099	790,714	763,940	578,396	741,870
Other assets	1,421,211	962,586	1,398,654	955,704	742,564
Total assets	<u>\$ 121,778,797</u>	<u>\$ 110,987,024</u>	<u>\$ 130,054,830</u>	<u>\$ 132,332,946</u>	<u>\$ 143,872,040</u>
LIABILITIES					
Accounts payable	\$ 1,366,313	\$ 2,514,765	\$ 1,413,769	\$ 1,621,862	\$ 1,421,068
Accrued expenses	4,563,855	1,404,296	1,086,819	940,300	1,150,895
Liabilities on unpaid claims	1,523,730	1,892,223	1,833,471	2,115,251	2,015,593
Due to other funds	63,884,634	55,483,023	77,037,235	83,418,109	95,120,905
Unearned revenue	382,729	346,841	306,901	283,880	3,463,212
Other liabilities	2,219,462	1,350,527	1,868,922	1,895,975	1,860,147
Total liabilities	<u>\$ 73,940,723</u>	<u>\$ 62,991,675</u>	<u>\$ 83,547,117</u>	<u>\$ 90,275,377</u>	<u>\$ 105,031,820</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenues	<u>\$ 7,524,904</u>	<u>\$ 8,253,201</u>	<u>\$ 8,180,360</u>	<u>\$ 3,867,100</u>	<u>\$ -</u>
FUND EQUITY					
Nonspendable	\$ 1,455,417	\$ 1,090,714	\$ 1,063,939	\$ 661,513	\$ 136,667
Restricted	577,869	528,978	418,968	366,902	1,200,201
Committed	38,263,353	38,104,831	36,830,635	37,141,183	37,452,097
Assigned	16,531	17,625	13,811	20,871	23,679
Unassigned ⁽¹⁾	-	-	-	-	27,576
Total fund equity	<u>\$ 40,313,170</u>	<u>\$ 39,742,148</u>	<u>\$ 38,327,353</u>	<u>\$ 38,190,469</u>	<u>\$ 38,840,220</u>
Total liabilities and fund equity	<u>\$ 121,778,797</u>	<u>\$ 110,987,024</u>	<u>\$ 130,054,830</u>	<u>\$ 132,332,946</u>	<u>\$ 143,872,040</u>

Source: Washington County Department of Budget and Finance

(1) Unassigned fund balance is reflected differently from audited financial statements for years 2014 and 2015. Highway consolidation should have been reflected in Committed Fund Balance. Financial statements will compare to this presentation moving forward.

Key Financial Statistics

General Fund Cash Reserves and Fund Balance

The following table illustrates the ratio of the General Fund fund balance as a percentage of total revenues for the last five fiscal years. Also included in the table are the ratios of cash reserves as a percentage of General Fund revenues. It is the intention of the County to maintain a minimum reserve level of 17 percent, which represents 60 days of working capital. It is anticipated that the County will meet or exceed the 17 percent reserve level in fiscal year 2018.

Fiscal Year	Revenues	Fund Balance	Fund Balance as Percentage of Revenues	Reserves as Percentage of Revenues
2017	\$ 220,120,633	\$ 40,313,170	18.31%	17.13%
2016	217,265,805	39,742,148	18.29	17.55
2015	208,628,251	38,327,353	18.37	17.66
2014	204,448,105	38,190,469	18.68	18.18
2013	204,424,036	38,840,220	19.00	18.35

Source: Washington County Department of Budget and Finance

V. Debt and Capital Requirements

Debt Management Policy

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

General Obligation and Revenue Bonds

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

The County is authorized to issue short-term tax anticipation notes to meet any estimated current fiscal year cumulative cash flow deficit. Such notes must be repaid within six months of their date of issue. The County has no short-term notes outstanding at this time. As of June 1, 1999 the County may use a line-of-credit for \$5,000,000 to meet a temporary cash flow deficit. The County has not used the line-of-credit as of this date.

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

The County may issue general obligation bonds in an amount up to \$60,000,000 pursuant to the authority of Chapter 60 of the Laws of Maryland of 2013. The principal amount of bonds issued pursuant to Chapter 60, at June 30, 2017, was \$35,407,278 the unused authorization available under Chapter 60 prior to the issuance of the Bonds is \$24,592,722.

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

As part of the annual budget process, an annual debt affordability analysis is prepared by the Office of Budget and Finance. It is an effective tool for debt planning and management.

The Solid Waste operation was classified as a fund separate from the Highway Fund in 1996. It has paid for debt from generated revenues since that time. In 2002, the County reclassified the Solid Waste Fund as an enterprise fund. The debt paid out of revenues generated by that fund is considered self-supporting debt. In 2011, the County implemented GASB Statement No. 54 of the Governmental Accounting Standards Board, Fund Balance Reporting and Governmental Fund Type Definitions. Based on this GASB Statement, the Highway Fund did not meet the criteria of a special revenue fund and was consolidated into the General Fund.

The following table sets forth the amount of the County’s general obligation bonded debt issued and outstanding as of June 30, 2017, exclusive of certain water and sewer bonds (see “Water and Sewer Bonds” herein). Outstanding bonds as of such date do not include those maturities of the Public Improvement Bonds of 2007, Public Improvement Bonds of 2008 and Public Improvement Bonds of 2009 for the payment of which non-callable direct obligations of the United States were or have been placed in escrow. Outstanding amounts have not been adjusted for discounts or premiums.

Statement of General Obligation Bonded Debt

Issued and Outstanding*

As of June 30, 2017

	Date of Issue	Amount Issued	Amount Outstanding			
			General Fund	Solid Waste Fund	Airport Fund	Total
Public Improvement Bonds.....	May 2007	\$ 16,000,000	\$ 631,333	\$ 128,667	\$ -	\$ 760,000
Public Improvement Bonds.....	June 2008	18,539,530	(1) 868,896	-	-	868,896
Public Improvement and Refunding Bonds..	June 2009	18,371,300	(2) 1,472,577	369,998	-	1,842,575
Public Improvement Series A Bonds.....	May 2010	6,992,993	(3) 2,167,127	857,832	-	3,024,959
Taxable Build America Series B Bonds.....	May 2010	9,711,007	(4) 6,957,113	2,753,894	-	9,711,007
Public Improvement and Refunding Bonds...	May 2010	13,790,000	5,445,148	1,559,852	-	7,005,000
Public Improvement Bonds.....	May 2011	14,170,000	8,813,240	2,591,760	-	11,405,000
Public Improvement Bonds.....	May 2012	12,068,100	(5) 10,240,732	-	-	10,240,732
Refunding Bonds.....	May 2012	7,740,000	3,990,790	21,220	657,990	4,670,000
Public Improvement Bonds.....	May 2013	12,000,000	10,625,000	-	-	10,625,000
Refunding Bonds.....	May 2013	12,540,000	11,332,360	157,640	-	11,490,000
Public Improvement Bonds.....	May 2014	14,000,000	13,050,000	-	-	13,050,000
Public Improvement Bonds.....	May 2015	12,000,000	(6) 11,600,259	-	-	11,600,259
Refunding Bonds.....	May 2015	25,573,470	(7) 19,430,329	1,623,141	-	21,053,470
Public Improvement Bonds.....	May 2016	12,103,000	(8) 12,000,000	103,000	-	12,103,000
Refunding Bonds.....	May 2016	7,317,990	(9) 6,396,940	921,050	-	7,317,990
Public Improvement Bonds.....	May 2017	13,142,000	(10) 12,000,000	1,142,000	-	13,142,000
MWQFA ⁽¹¹⁾ Financing Cell 3.....	Nov 2004	2,498,427	-	1,086,580	-	1,086,580
MWQFA ⁽¹¹⁾ Solid Waste Refinancing.....	Feb 2005	7,248,761	1,554,117	4,269,643	-	5,823,760
MWQFA ⁽¹¹⁾ Resh Road Cap Phase I.....	Dec 2006	5,000,000	2,748,580	-	-	2,748,580
		<u>\$ 240,806,578</u>	<u>\$ 141,324,541</u>	<u>\$ 17,586,277</u>	<u>\$ 657,990</u>	<u>\$ 159,568,808</u>

Source: Washington County Department of Budget and Finance

* Exclusive of Water and Sewer bonded debt.

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

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

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

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

(5) Total issue amount for all County funds was \$17,765,000.

(6) Total issue amount for all County funds was \$15,460,000.

(7) Total issue amount for all County funds was \$26,395,000.

(8) Total issue amount for all County funds was \$20,635,000.

(9) Total issue amount for all County funds was \$9,455,000.

(10) Total issue amount for all County funds was \$13,780,000.

(11) Maryland Water Quality Financing Administration.

Water and Sewer Bonds

Pursuant to Title 6 of the Code of Public Local Laws of Washington County, as amended (the "Water and Sewer Act"), the County is authorized to issue bonds secured by the full faith and credit and unlimited taxing power of the County to provide funds for the design, construction, establishment, purchase and condemnation of water systems, sewerage systems and surface water drainage systems in the service areas created by the County. To the extent that the special assessments and other charges imposed by the County with respect to a certain project are insufficient to pay that portion of the principal of and interest on any such bonds attributable to the cost of a project, the County is obligated to levy and to collect a tax upon all property subject to unlimited County taxation within the corporate limits of Washington County in rate and amount sufficient to provide funds as may be necessary to provide for the payment of such portion of the principal and interest as it becomes due.

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

The following table sets forth the amount of the County's water and sewer debt issued and outstanding as of June 30, 2017. Outstanding amounts have not been adjusted for discounts or premiums. Debt subject to the Water and Sewer Act is referred to as "Water and Sewer" debt herein.

Statement of Water and Sewer Bonded Debt

Issued and Outstanding

As of June 30, 2017

	<u>Date of Issue</u>	<u>Issued</u>	<u>Outstanding</u>
Series A Bonds	June 1996	\$ 9,606,968	\$ 1,803,083
Public Improvement Bonds	June 2008	1,410,470 ⁽¹⁾	66,105
Public Improvement & Refunding Bonds	June 2009	3,758,700 ⁽²⁾	342,425
Public Improvement Series A Bonds	May 2010	867,007 ⁽³⁾	375,041
Taxable Build America Series B Bonds	May 2010	1,203,993 ⁽⁴⁾	1,203,993
Public Improvement Bonds	May 2012	5,696,900 ⁽⁵⁾	4,834,268
Public Improvement Bonds	May 2015	3,460,000 ⁽⁶⁾	3,344,742
Refunding Bonds	May 2015	821,530 ⁽⁷⁾	821,530
Public Improvement Bonds	May 2016	8,532,000 ⁽⁸⁾	8,532,000
Refunding Bonds	May 2016	2,137,010 ⁽⁹⁾	2,137,010
Public Improvement Bonds	May 2017	638,000 ⁽¹⁰⁾	638,000
MWQFA ⁽¹¹⁾ Loan	Mar 2000	3,620,697	816,200
MWQFA ⁽¹¹⁾ Loan	May 2004	8,091,063	2,636,063
MWQFA ⁽¹¹⁾ Loan	Oct 2006	560,000	293,920
MWQFA ⁽¹¹⁾ Loan	May 2015	2,553,000	2,434,780
		<u>\$ 52,957,338</u>	<u>\$ 30,279,160</u>

Source: Washington County Department of Budget and Finance

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

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

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

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

(5) Total issue amount for all County funds was \$17,765,000.

(6) Total issue amount for all County funds was \$15,460,000.

(7) Total issue amount for all County funds was \$26,395,000.

(8) Total issue amount for all County funds was \$20,635,000.

(9) Total issue amount for all County funds was \$9,455,000.

(10) Total issue amount for all County funds was \$13,780,000.

(11) Maryland Water Quality Financing Administration.

Water and Sewer Bonded Debt

Schedule of Legal Debt Margin

As of June 30, 2017

Assessed Value of Property in Washington County	\$12,644,926,000
Debt Limit: % of Assessed Value ⁽¹⁾	10%
Water and Sewer Borrowing Limitation	1,264,493,000
Water and Sewer Debt	31,518,469
Debt Margin	1,232,974,531
Ratio of Water and Sewer Debt to Assessed Value	0.25%

Source: Washington County Department of Budget and Finance

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

Capital Lease Obligations and Other Contracts

The County has entered into several five-year capital lease agreements. The outstanding balance of these obligations as of June 30, 2017 was \$264,010. The lease agreements are primarily for heavy-duty equipment. The leases have been recorded as capital leases in the appropriate County funds in the financial statements.

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

Special Obligation Bonds

Pursuant to State law, Washington County may create special taxing districts, levy ad valorem and/or special taxes, and borrow money by issuing and selling special taxing district revenue bonds for the purpose of financing or refinancing the cost of the design, construction, establishment, extension, alteration or acquisition of adequate storm drainage systems, sewers, water systems, roads, bridges, culverts, tunnels, sidewalks, lighting, parking, parks and recreation facilities, libraries, schools, transit facilities, solid waste facilities and other infrastructure improvements, whether situated within or outside the special taxing district, and including infrastructure improvements located in or supporting a transit-oriented development, a sustainable community or a State hospital development (within the meaning of State law). Special taxing district bonds shall be payable solely from the ad valorem or special taxes levied on the property within a special taxing district and neither the bonds, nor any interest thereon, shall ever constitute an indebtedness or a charge against the general credit or taxing powers of the County.

The County created one special taxing district and issued in June 1998, November 1998 and May 2000 its \$3,100,000, \$1,517,000 and \$2,454,000 Washington County, Maryland Special Obligation Bonds (Barkdoll Tract Special Taxing District) Series 1998, Series 1998 B and Series 2000, respectively.

Pursuant to State law, Washington County may also establish a contiguous area as a development district, and borrow money by issuing and selling tax increment financing revenue bonds ("TIF bonds") for the purpose of financing or refinancing the cost of acquiring property interests, site removal, surveys and studies, relocation of businesses or residents, installation of utilities, construction of parks and playgrounds, other needed improvements including roads to, from or in the development district, parking and lighting, construction or rehabilitation of buildings for a governmental purpose or use, reserves or capitalized interest, bond issuance costs or payment of existing indebtedness for such purposes. The list of projects to which TIF bonds may be applied is expanded for RISE zones and sustainable communities (within the meaning of State law). In addition, Washington County may apply TIF bond proceeds for demolition or site removal on privately owned property; pedestrian or vehicular bridges or overpasses (including railroad crossings and related improvements); or parking lots, facilities or structures that are publicly or privately owned or available for public or private use. TIF bonds are payable from real property tax revenues derived from the increase in assessed value of real property located within a development district over a base assessment established in accordance with State law and any other revenues pledged by the County as permitted by State law. The County may determine to pledge its full faith and credit and unlimited taxing power to the payment of TIF bonds; if it does not do so, the TIF bonds are payable solely from incremental tax revenues derived from real properties located within a development district and any other revenues that the County determines to pledge to such TIF bonds. Under State law, the County may also pledge incremental County tax revenues and other revenues to support TIF bonds issued for qualifying purposes by a municipality within the County or the Maryland Economic Development Corporation.

Between fall 2016 and early 2017, the County established two separate development districts: (i) the Conococheague Development District, consisting of approximately 137 acres, and (ii) the Cascade Development District, consisting of most of the acreage comprising the former Fort Ritchie Military Reservation. To date, the County has not passed a bond ordinance authorizing the issuance of TIF bonds for either established development district. Commencing with the tax year beginning July 1, 2017, and until TIF bonds are issued with respect to either designated development district, the County may use incremental tax revenues, if any, derived from properties within such development districts for any legal purpose.

Bonded Indebtedness of Incorporated Municipalities

Eight of the nine incorporated municipalities of Washington County have outstanding indebtedness in the aggregate amount of \$89,812,132 as of June 30, 2017. The County is not obligated to pay such debt or the interest thereon and neither the faith and credit nor taxing power of the County is pledged to the payment of principal or interest on such indebtedness.

County Commissioners of Washington County Outstanding Underlying Debt As of June 30, 2017

Towns	Amount
Boonsboro.....	\$ 7,733,503
Clear Spring.....	646,350
Funkstown.....	1,871,829
Hagerstown.....	73,742,526
Hancock.....	1,537,088
Keedysville.....	1,797,855
Smithsburg.....	590,081
Williamsport.....	1,892,900
Total	<u>\$ 89,812,132</u>

Source: Washington County Department of Budget and Finance

Direct and Underlying Debt

The following schedules present the County's bonded debt outstanding as of June 30, 2017, and the ratios of such debt to the County's population and real and personal property assessed market values.

County Commissioners of Washington County Direct and Overall Bonded Debt As of June 30, 2017 (Excludes this Issue)

Direct Debt - Tax-Supported:	
General Government Debt (1).....	\$ 141,324,541
Direct Debt - Self-Supported:	
Solid Waste	17,586,278
Water and Sewer	30,279,159
Airport	657,990
Total Direct Debt.....	189,847,968
Underlying Debt.....	<u>89,812,132</u>
Overall Bonded Debt.....	<u>\$ 279,660,100</u>

Source: Washington County Department of Budget and Finance

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

County Commissioners of Washington County
Debt Per Capita and Ratio of Debt to Assessed Values
As of June 30, 2017
(Excludes this Issue)

Per Capita (Estimated Population 150,292):

Direct Tax-Supported Debt (1).....	\$	940
Overall Bonded Debt.....	\$	1,861

Percentage of Assessed Value of \$12,644,926,000:

Direct Tax-Supported Debt (1).....	1.12%
Overall Bonded Debt.....	2.24%

Source: Washington County Department of Budget and Finance

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

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

Fiscal Year Ended June 30	Direct Tax-Supported Debt (000)	Estimated Population	Assessed Value (000)	Per Capita	Direct Tax-Supported Debt as a Percentage of Assessed Value
2017	\$141,325	150,292	\$12,644,926	\$940	1.06
2016	139,495	149,585	12,467,158	933	1.12
2015	137,325	149,573	12,352,005	918	1.11
2014	135,764	150,460	12,462,103	902	1.09
2013	131,784	150,055	12,822,029	5879	1.03

Source: Washington County Department of Budget and Finance

Debt Service Requirements on County Debt

The following tables set forth the debt service requirements for the County's general obligation bonded debt as of June 30, 2017, adjusted to reflect issuance of the Bonds, and the rapidity of repayment for the County's direct tax-supported debt.

Washington County Schedule of Debt Service
Requirements on Long-term Obligations*
As of June 30, 2017

Year Ending June 30	Tax-Supported Debt Service			Self-Supporting Debt Service			Total Debt Service		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 10,033,914	\$ 4,674,537	\$ 14,708,451	\$ 4,393,451	\$ 2,880,679	\$ 7,274,130	\$ 14,427,365	\$ 7,555,216	\$ 21,982,581
2019	9,316,124	4,497,029	13,813,153	4,973,739	2,846,486	7,820,225	14,289,863	7,343,514	21,633,377
2020	9,606,032	4,137,892	13,743,924	4,368,490	2,779,403	7,147,893	13,974,522	6,917,295	20,891,817
2021	10,070,214	3,770,378	13,840,592	3,257,138	1,000,331	4,257,469	13,327,352	4,770,709	18,098,061
2022	9,254,772	3,398,979	12,653,751	3,383,870	912,228	4,296,098	12,638,642	4,311,207	16,949,849
2023	9,220,353	3,053,598	12,273,951	3,552,634	825,254	4,377,888	12,772,987	3,878,851	16,651,838
2024	9,302,841	2,693,940	11,996,781	2,373,085	730,410	3,103,495	11,675,926	3,424,350	15,100,276
2025	9,240,454	2,362,908	11,603,362	2,333,562	645,864	2,979,426	11,574,016	3,008,772	14,582,788
2026	8,775,905	2,043,542	10,819,447	2,296,008	563,145	2,859,153	11,071,913	2,606,687	13,678,600
2027	8,319,761	1,757,310	10,077,071	2,376,315	493,829	2,870,144	10,696,076	2,251,139	12,947,215
2028	8,320,377	1,484,493	9,804,870	2,418,668	425,488	2,844,156	10,739,045	1,909,981	12,649,026
2029	6,268,062	1,248,984	7,517,046	2,197,019	359,228	2,556,247	8,465,081	1,608,212	10,073,293
2030	5,672,563	1,046,134	6,718,697	1,878,559	294,267	2,172,826	7,551,122	1,340,401	8,891,523
2031	5,877,005	851,176	6,728,181	1,940,165	234,623	2,174,788	7,817,170	1,085,799	8,902,969
2032	5,254,242	661,325	5,915,567	1,528,987	180,486	1,709,473	6,783,229	841,811	7,625,040
2033	4,656,317	492,553	5,148,870	1,347,977	136,645	1,484,622	6,004,294	629,198	6,633,492
2034	3,984,009	345,319	4,329,328	996,360	101,986	1,098,346	4,980,369	447,305	5,427,674
2035	3,318,322	217,491	3,535,813	1,028,129	72,222	1,100,351	4,346,451	289,713	4,636,164
2036	2,403,757	117,355	2,521,112	1,058,785	41,381	1,100,166	3,462,542	158,736	3,621,278
2037	1,602,233	51,716	1,653,949	697,768	14,574	712,342	2,300,001	66,290	2,366,291
2038	827,286	13,443	840,729	122,714	1,994	124,708	950,000	15,437	965,437
2039	-	-	-	-	-	-	-	-	-
	<u>\$ 141,324,543</u>	<u>\$ 38,920,102</u>	<u>\$ 180,244,645</u>	<u>\$ 48,523,423</u>	<u>\$ 15,540,523</u>	<u>\$ 64,063,946</u>	<u>\$ 189,847,966</u>	<u>\$ 54,460,624</u>	<u>\$ 244,308,590</u>

Source: Washington County Department of Budget and Finance

* Totals may not foot due to rounding.

Washington County Schedule of Debt Service
Requirements of Long-term Obligations
As of June 30, 2017
Adjusted to Reflect Issuance of the Bonds*

Year Ending June 30	Outstanding Debt Service			Public Improvement Bonds of 2018			Total Debt Service		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 14,427,365	\$ 7,555,216	\$ 21,982,581	\$ -	\$ -	\$ -	\$ 14,427,365	\$ 7,555,216	\$ 21,982,581
2019	14,289,863	7,343,515	21,633,378	-	346,708	346,708	14,289,863	7,690,223	21,980,086
2020	13,974,522	6,917,295	20,891,817	455,000	560,831	1,015,831	14,429,522	7,478,126	21,907,648
2021	13,327,352	4,770,709	18,098,061	475,000	539,856	1,014,856	13,802,352	5,310,565	19,112,917
2022	12,638,642	4,311,207	16,949,849	500,000	515,481	1,015,481	13,138,642	4,826,688	17,965,330
2023	12,772,987	3,878,851	16,651,838	525,000	489,856	1,014,856	13,297,987	4,368,707	17,666,694
2024	11,675,926	3,424,350	15,100,276	555,000	462,856	1,017,856	12,230,926	3,887,206	16,118,132
2025	11,574,016	3,008,772	14,582,788	585,000	434,356	1,019,356	12,159,016	3,443,128	15,602,144
2026	11,071,913	2,606,687	13,678,600	615,000	404,356	1,019,356	11,686,913	3,011,043	14,697,956
2027	10,696,076	2,251,139	12,947,215	645,000	372,856	1,017,856	11,341,076	2,623,995	13,965,071
2028	10,739,045	1,909,981	12,649,026	675,000	339,856	1,014,856	11,414,045	2,249,837	13,663,882
2029	8,465,081	1,608,212	10,073,293	710,000	305,231	1,015,231	9,175,081	1,913,443	11,088,524
2030	7,551,122	1,340,401	8,891,523	745,000	272,581	1,017,581	8,296,122	1,612,982	9,909,104
2031	7,817,170	1,085,799	8,902,969	770,000	246,131	1,016,131	8,587,170	1,331,930	9,919,100
2032	6,783,229	841,811	7,625,040	795,000	222,656	1,017,656	7,578,229	1,064,467	8,642,696
2033	6,004,294	629,198	6,633,492	825,000	197,841	1,022,841	6,829,294	827,039	7,656,333
2034	4,980,369	447,305	5,427,674	855,000	171,591	1,026,591	5,835,369	618,896	6,454,265
2035	4,346,451	289,713	4,636,164	885,000	143,850	1,028,850	5,231,451	433,563	5,665,014
2036	3,462,542	158,736	3,621,278	915,000	114,600	1,029,600	4,377,542	273,336	4,650,878
2037	2,300,001	66,290	2,366,291	950,000	83,700	1,033,700	3,250,001	149,990	3,399,991
2038	950,002	15,437	965,439	985,000	51,047	1,036,047	1,935,002	66,484	2,001,486
2039	-	-	-	1,020,000	17,215	1,037,215	1,020,000	17,215	1,037,215
	\$ 189,847,968	\$ 54,460,625	\$ 244,308,593	\$ 14,485,000	\$ 6,293,455	\$ 20,778,455	\$ 203,312,968	\$ 60,736,865	\$ 264,049,833

Source: Washington County Department of Budget and Finance

* Totals may not foot due to rounding.

Rapidity of Direct Tax-Supported Debt Principal Payment
June 30, 2017

Number of Years	Before Issuance of Bonds		After Issuance of Bonds	
	Principal Amount	Percent	Principal Amount	Percent
5	\$ 48,281,056	34.16	\$ 49,465,730	32.26
10	93,140,370	65.91	96,748,240	63.10
15	124,532,619	88.12	131,201,587	85.57
20	140,497,257	99.41	150,836,228	98.38
25	141,324,543	100.00	153,324,541	100.00

Source: Washington County Department of Budget and Finance

Bond Issuance in Fiscal Year 2018

In addition to the Bonds being issued in fiscal year 2018, on February 28, 2018, the County issued to the Maryland Water Quality Financing Administration (“MWQFA”) (i) its Water Quality Bond, Series 2018A in the original principal amount of \$1,387,245 (the “2018A Bond”) and (ii) its Water Quality Bond, Series 2018B in the original principal amount of \$462,415 (the “2018B Bond”) in order to reimburse costs incurred in connection with ENR upgrades and improvements to the Conococheague Wastewater Treatment Plant. The Series 2018A Bond and the Series 2018B Bond represent loans obtained from MWOFA. The County has pledged its full faith and credit and unlimited taxing power to payment of the Series 2018A Bond and the Series 2018B Bond. The Series 2018A Bond was issued with the expectation that interest thereon will be exempt from gross income for federal income tax purposes, bears interest at the rate of 0.70% per annum and matures on February 1, 2038, with principal installment payments due on February 1 in each of the years 2019 through 2038. There is no scheduled amortization for the Series 2018B Bond and interest on the Series 2018B Bond (to the extent paid as described herein) is includable in gross income for federal income tax purposes. Provided that the County does not default in its obligations under a loan agreement with MWQFA relating to the Series 2018B Bond prior to February 28, 2028, as of February 28, 2028 the Series 2018B Bond will be automatically terminated and cancelled. If the County defaults with respect to the Series 2018B Bond in the 10 year period following issuance, MWQFA may demand immediate repayment of the entire principal amount of such bond, together with interest accrued from the date of demand at the rate of 3.02% per annum.

Anticipated Future Financing

The County currently anticipates issuing additional general obligation bonds for approximately \$13.5 million in fiscal year 2019, \$22.5 million in fiscal year 2020, and \$24.7 million in fiscal year 2021. These anticipated debt issuance amounts are for planning purposes and subject to change as part of the annual budgeting process.

Capital Requirements

Capital Improvement Program Summary

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

VI. Miscellaneous

Litigation

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

Ratings

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

Continuing Disclosure Undertaking

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

Standard & Poor's Financial Services LLC (S&P Global Ratings) upgraded its rating on the County's outstanding general obligation debt from AA to AA+ on April 1, 2014; notice of such upgrade was not posted on EMMA until April 25, 2014. Except as indicated in the previous sentence (to the extent the same constitutes a material failure), the County has not failed in the past five years to comply, in all material respects, with any previous continuing disclosure undertaking entered into by the County pursuant to Rule 15c2-12.

Sale at Competitive Bidding

The Bonds were offered by the County at competitive bidding on May 8, 2018, in accordance with the official Notice of Sale (a copy of which is attached as Appendix C). The interest rates shown on the cover page of this Official Statement are the interest rates resulting from the award of the Bonds at the competitive bidding. The prices or yields shown on the cover page of this Official Statement were furnished by FTN Financial Capital Markets, the successful bidder for the Bonds. All other information concerning the nature and terms of any re-offering should be obtained from the successful bidder for the Bonds and not from the County.

Legal Matters

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

Independent Auditors

The financial statements as of June 30, 2017, and for the year then ended, included in Appendix A to this Official Statement, have been audited by SB & Company, LLC, independent auditors, as stated in their report appearing herein.

Financial Advisor

Public Advisory Consultants, Inc., Owings Mills, Maryland (the “Financial Advisor”) is a registered municipal advisor with the Municipal Securities Rulemaking Board and serves as financial advisor in connection with the issuance of the Bonds and other matters related to the County’s finances. The Financial Advisor has not been engaged, nor has it undertaken, to audit, authenticate or otherwise verify the information set forth in this Official Statement, or any other related information available to the County, with respect to accuracy and completeness of disclosure of such information. The Financial Advisor makes no guaranty, warranty or other representation respecting the accuracy and completeness of this Official Statement or any other matter related to the Official Statement. The Financial Advisor does not engage in the underwriting, selling, or trading of securities.

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

COUNTY COMMISSIONERS OF
WASHINGTON COUNTY

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

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Appendix A

General Purpose Financial Statements

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COUNTY COMMISSIONERS OF WASHINGTON COUNTY

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

For the Year Ended June 30, 2017



JUNE 30, 2017

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

County Commissioners of Washington County
Hagerstown, Maryland

Report on the Financial Statements

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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Washington County's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the basic financial statements of the Board of Education of Washington County (the Board). Those basic financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the basic 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 Commissioners of Washington County, Maryland, as of June 30, 2017, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net OPEB liability and related ratios, schedule of OPEB trust fund employer contributions, pension fund net pension liability and related ratios, schedule of employer contribution for the general employees fund and the Length of Service Award Program (LOSAP) fund, schedule of funding progress for the Other Postemployment Benefit (OPEB) Trust, and the budget and actual schedule be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying combining and individual fund statements and local management board schedule of revenue and expenditures regulatory basis are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining and individual fund statements and local management board schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual fund statements, local management board schedules, schedule of earned reinvestment, and the schedule of expenditures of Federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Hunt Valley, Maryland
November 14, 2017

SB & Company, LLC



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Washington County Government's (the "County") discussion and analysis is designed to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the County's financial activity, (c) identify changes in the County's financial position (its ability to address the next and subsequent years' challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts please read it in conjunction with the County's financial statements presented herein.

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 position* and a *statement of activities*.

- ❑ The *statement of net position* presents information on the County's entire assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) and activities from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

- ❑ The *governmental activities* of the County include education, general government, parks and recreation, public safety, courts, health and social services, and highway maintenance.
- ❑ The *business-type activities* of the County include airport, public golf course, public transit, solid waste, and water quality operations.

The government-wide financial statements include not only the County (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 17-19 of this report.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

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 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 revenue 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 revenue, expenditures, and changes in fund balances for the General, Capital Projects, Community Grant Management, Cascade Town Centre, Inmate Welfare, Contraband, Agricultural Education Center, Gaming, Land Preservation, HEPMPO, and Hotel Rental Tax.

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 20-23 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 position 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 provides 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 24-26 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 27-28 of this report.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

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 29-89 of this report.

4) Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees and includes budgetary comparison schedules for the general fund.

In addition to this MD&A, required supplementary information can be found on page 90-104 of this report.

Financial Analysis on Government-Wide Financial Statements

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$519.4 million as of the close of the most recent fiscal year.

Washington County, Maryland
Net Position
(Government-Wide)

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2017	2016	2017	2016	2017	2016	
<i>Current and other assets</i>	\$135,080,828	\$121,816,117	\$43,559,494	\$49,331,328	\$178,640,322	\$171,147,445	4.4%
<i>Capital assets</i>	437,621,188	435,484,009	260,889,007	250,581,641	698,510,195	686,065,650	1.8%
<i>Total Assets</i>	572,702,016	557,300,126	304,448,501	299,912,969	877,150,517	857,213,095	2.3%
<i>Deferred Outflow of Resources</i>	34,961,719	19,080,590	693,230	845,049	35,654,949	19,925,639	78.9%
<i>Current and other liabilities</i>	31,117,362	27,743,719	18,162,473	15,827,259	49,279,835	43,570,978	13.1%
<i>Long-term liabilities</i>	250,896,396	204,374,462	60,953,296	64,383,659	311,849,692	268,758,121	16.0%
<i>Total Liabilities</i>	282,013,758	232,118,181	79,115,769	80,210,918	361,129,527	312,329,099	15.6%
<i>Deferred Inflow of Resources</i>	7,660,834	5,387,342	24,646,171	25,446,173	32,307,005	30,833,515	4.8%
<i>Net Investment in Capital Assets</i>	360,133,916	364,108,056	217,144,159	210,070,287	577,278,075	574,178,343	0.5%
<i>Restricted Net Assets</i>	20,742,435	18,764,043	6,579,636	11,662,919	27,322,071	30,426,962	-10.2%
<i>Unrestricted Net Assets</i>	(62,887,208)	(43,996,906)	(22,344,004)	(26,632,279)	(85,231,212)	(70,629,185)	-20.7%
<i>Total Net Position</i>	\$317,989,143	\$338,875,193	\$201,379,791	\$195,100,927	\$519,368,934	\$533,976,120	-2.7%

The largest portion of the County's net position 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 \$577.3 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 position, \$27.3 million, represents resources that are subject to external restrictions on how they may be used. The remaining portion is unrestricted net assets of (\$85.2) million.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Unrestricted net assets in governmental activities have been reduced by \$50.4 million in long-term debt, resulting in unrestricted net assets of (\$62.9) 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 \$45 million and Hagerstown Community College of \$5.4 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 Position
(Government-Wide)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2017	2016	2017	2016	2017	2016
Program Revenues:						
Charges for Services	\$5,554,892	\$ 5,652,679	\$20,490,153	\$ 19,990,682	\$ 26,045,045	\$ 25,643,361
Operating Grants and Contributions	7,915,961	10,748,861	1,564,695	1,612,742	9,480,656	12,361,603
Capital Grants and Contributions	5,126,466	4,236,228	15,639,575	6,919,581	20,766,041	11,155,809
General Revenues:						
Property Taxes	122,875,515	122,058,501	-	-	122,875,515	122,058,501
Local Taxes	90,579,857	88,774,286	-	-	90,579,857	88,774,286
Other	3,191,528	3,078,809	243,595	898,079	3,435,123	3,976,888
Total Revenues	235,244,219	234,549,364	37,938,018	29,421,084	273,182,237	263,970,448
Program Expenses:						
General Government	51,775,364	22,855,397	-	-	51,775,364	22,855,397
Public Safety	50,315,938	45,580,165	-	-	50,315,938	45,580,165
Health	2,339,270	2,339,270	-	-	2,339,270	2,339,270
Social Services	373,390	454,165	-	-	373,390	454,165
Education	106,094,094	111,107,381	-	-	106,094,094	111,107,381
Parks and Recreation	6,428,680	6,189,629	-	-	6,428,680	6,189,629
Natural Resources	3,095,962	3,548,014	-	-	3,095,962	3,548,014
Community Promotion	4,461,404	5,685,839	-	-	4,461,404	5,685,839
Highways and Streets	28,459,092	34,514,432	-	-	28,459,092	34,514,432
Interest on Long-term Debt	4,655,151	4,455,552	-	-	4,655,151	4,455,552
Business-type Activities:						
Water Quality	-	-	13,824,032	13,064,911	13,824,032	13,064,911
Solid Waste	-	-	7,013,835	7,651,494	7,013,835	7,651,494
Public Transit	-	-	2,921,221	3,209,682	2,921,221	3,209,682
Airport	-	-	8,302,809	8,078,548	8,302,809	8,078,548
Golf Course	-	-	1,283,907	1,209,326	1,283,907	1,209,326
Total Expenses	257,998,345	236,729,844	33,345,804	33,213,961	291,344,149	269,943,805
Change in Net Position Before Transfers	(22,754,126)	(2,180,480)	4,592,214	(3,792,877)	(18,161,912)	(5,973,357)
Transfers	(1,686,650)	(1,640,665)	1,686,650	1,640,665	-	-
Contributed Capital	3,554,726	-	-	-	3,554,726	-
Change in Net Position	(20,886,050)	(3,821,145)	6,278,864	(2,152,212)	(14,607,186)	(5,973,357)
Net Position – Beginning of Year	338,875,193	342,696,338	195,100,927	197,253,139	533,976,120	539,949,477
Net Position – End of Year	\$317,989,143	\$338,875,193	\$201,379,791	\$195,100,927	\$519,368,934	\$533,976,120



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

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

The County's net position decreased by \$14,607,186 during fiscal year 2017; total net position as of June 30, 2017 was \$519.4 million representing a 2.7% decrease.

Net position in governmental activities decreased by \$20.9 million. Key factors in this decrease are as follows:

- Property tax revenue came within \$2.4 million or 2.0% of 2017 projections, including Personal property tax increase of \$1.5 million or 11.46% mainly due to increased inventory and new business.
- Income Tax revenue exceeded budget by \$1.4 million or 1.8% as a result of continued decreases in the unemployment rate which show a 13% improvement over prior year average. The average unemployment rate was 9.8% in 2010; 9.3% in 2011; 8.3% in 2012; 7.9% in 2013; 7.0% in 2014; 6.2% in 2015; and 5.4% in 2016. The current unemployment rate as of July 2017 is 4.5%.
- Recordation Tax revenue exceeded budget by \$.5 million or 8.7%. The County's housing inventory has decreased since 2011; average home prices are up from 2011; large transaction activity was up. Fiscal year 2017 large commercial recordings accounted for approximately 28% of the tax collected as compared to 21% in 2016.
- Other revenues such as permits, licenses, and court fines exceeded budget by \$1.2 million.
- An additional transfer of \$6.1 million was made to the Capital Projects, Golf Course, HEPMPO, and Land preservation to offset operating shortfalls, negative fund balance and for future project costs.
- Overall public safety expenditures reflect savings of \$.5 million resulting mainly from personnel cost savings, lower market prices in fuel products than anticipated, and favorable insurance awards during the County's bid process.
- Remaining cost centers accounted for \$1.2 million in savings, mainly a result of personnel cost savings, lower health claims than expected, and debt service savings.
- Various government-wide entries including 1) depreciation expense exceeded capital outlay purchases by \$.7 million; 2) change in net position differs from the change in fund balance by the cost of assets sold of \$1.1 million; 3) recording of debt proceeds greater than debt principal payments decreasing net assets by \$3.0 million; 4) compensated absences and post-retirement benefits earned exceeded financial resources used by \$28.0 million; and 5) differences in revenues and expenditures recognized between governmental funds and the statement of activities increasing net assets by \$1.9 million. These activities are reported differently on the government-wide statements vs. the fund statements.
- Capital Improvement Projects increased by \$6.2 million. Capital Improvement transactions are earmarked for specific capital related projects and its cash flow will vary depending on the construction schedule and grant reimbursements. Other governmental funds accounted for \$3.2 million increase in fund balance activity.

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

Business-type activities increased the County's net position by \$6.3 million. Key elements of this increase are as follows:

- ❑ Water Quality's net position increased by \$10.3 million, for a total of \$131.8 million in net assets. The \$10.3 million net gain includes \$3.2 million in depreciation expense and capital grant contributions of \$12.7 million.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

- ❑ Solid Waste's total net position decreased by \$.7 million for a total of \$4.4 million, mainly related to depreciation expense of \$2.2 million. The 40 West landfill site was re-designed which changed the total life from 62 years to 120 years generating an additional 4 million cubic yards of available air space. This change in accounting estimate had no effect on the total estimated closure and post closure cost which are in compliance with State financial assurance requirements
- ❑ Airport's total net position is \$59.5 million, representing a \$3.0 million decrease. The net decrease is mainly the result of increased depreciation related to the runway acquisition of which a majority was funded with federal and state grants of \$2.7 million.
- ❑ The County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements and restrictions, and fiscal accountability.

Financial Analysis on Government Fund Financial Statements

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 \$108.3 million, an increase of \$10.0 million. Approximately \$37.4 million of this amount is committed for the general fund cash reserve and \$70.9 million is restricted or committed for construction projects and designated programs. In the combined governmental activities, the County maintains eleven separate funds. Shown below are fund balances and net changes in fund balance for each.

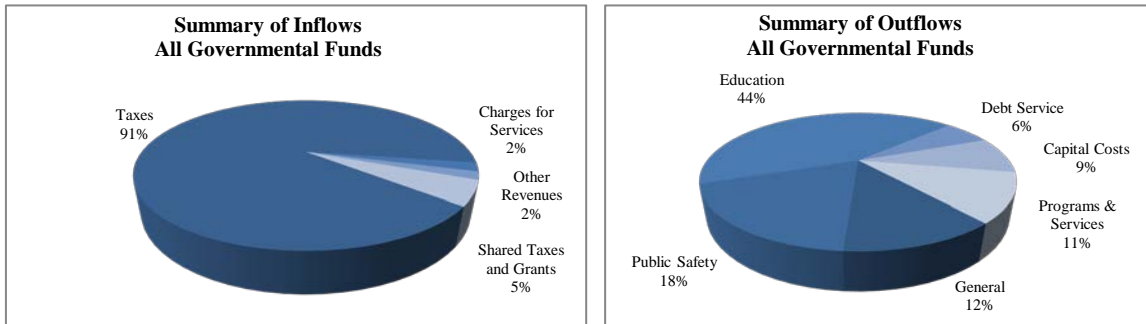
Governmental Activities	Fund Balance			Net Change in Fund Balance		
	2017	2016	% Change	2017	2016	% Change
General Fund	\$ 40,313,170	\$ 39,742,148	1.44%	\$ 571,022	\$ 1,414,795	-59.64%
Capital Improvement Fund	64,548,129	58,357,887	10.61%	6,190,242	(4,164,115)	248.66%
Community Grants Mgt	8,813	5,776	52.58%	3,037	(12,049)	125.21%
Cascade Town Centre Fund	2,763,531	-	100.00%	2,763,531	-	100.00%
Inmate Welfare Fund	136,922	111,042	23.31%	25,880	13,179	96.37%
Contraband Fund	365	13,480	-97.29%	(13,115)	(44,230)	70.35%
Agricultural Education Fund	18,002	14,972	20.24%	3,030	(26,047)	111.63%
Hotel Rental Tax Fund	199,503	(143,319)	239.20%	342,822	(466,924)	173.42%
Gaming Fund	41,183	35,117	17.27%	6,066	2,924	107.46%
Land Preservation Fund	265,567	170,693	55.58%	94,874	200,648	-52.72%
HEPMPO	(18,016)	(22,915)	21.38%	4,899	8,859	-44.70%
Total	\$ 108,277,169	\$ 98,284,881	10.17%	\$ 9,992,288	\$ (3,072,960)	425.17%



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Washington County, Maryland
Fund Balance and Net Changes in Fund Balance – Fund Basis

The following reflects all inflows and outflows of the governmental funds in total for the fiscal year ending June 30, 2017.



- The **General Fund** is the chief operating fund of the County. At the end of the current fiscal year total fund balance reached \$40.3 million. As a measure of the General Fund's liquidity, it may be useful to compare both committed fund balance and total fund balance to total fund expenditures.

The General Fund, fund balance increased by approximately \$0.6 million during the current fiscal year. Key factors related to this change are:

Major Revenue Factors:

- Property tax revenue came within \$2.4 million or 2.0% of 2017 projections, including Personal property tax increase of \$1.5 million or 11.46% mainly due to increased inventory and new business.
- Income Tax revenue exceeded budget by \$1.4 million or 1.8% as a result of continued decreases in the unemployment rate which show a 13% improvement over prior year average. The average unemployment rate was 9.8% in 2010; 9.3% in 2011; 8.3% in 2012; 7.9% in 2013; 7.0% in 2014; 6.2% in 2015; and 5.4% in 2016. The current unemployment rate as of July 2017 is 4.5%.
- Recordation Tax revenue exceeded budget by \$.5 million or 8.7%. The County's housing inventory has decreased since 2011; average home prices are up from 2011; large transaction activity was up. Fiscal year 2017 large commercial recordings accounted for approximately 28% of the tax collected as compared to 21% in 2016.
- Other revenues such as permits, licenses, and court fines exceeded budget by \$1.2 million.

Major Expenditure Factors:

- An additional transfer of \$6.1 million was made to the Capital Projects, Golf Course, HEPMPO, and Land Preservation to offset operating shortfalls, negative fund balance and for future project costs.
- Overall public safety expenditures reflect savings of \$.5 million resulting mainly from personnel cost savings, lower market prices in fuel products than anticipated, and favorable insurance awards during the County's bid process.
- Remaining cost centers accounted for \$1.2 million in savings, mainly a result of personnel cost savings, lower health claims than expected, and debt service savings.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

- ❑ The **Capital Projects 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 \$64.5 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 \$6.2 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 and use of prior project savings.
- ❑ The County's **Community Grant Management, Cascade Town Centre, Inmate Welfare, Contraband, Agricultural Education, Hotel Rental Tax, Gaming, HEPMPO, and Land Preservation Funds** combined have a fund balance of \$3.4 million. The net increase in fund balance during the current year was \$3.2 million. These funds represent monies designated for specific programs and services.

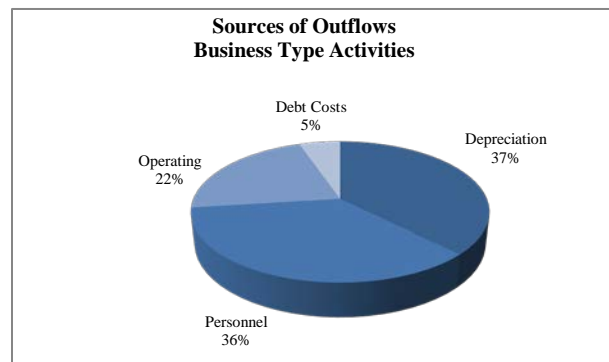
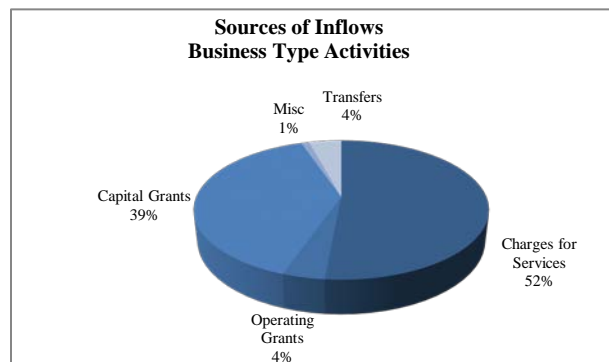
Proprietary Funds:

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

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

<i>Business-type Activities</i>	<i>Total Net Position</i>			<i>Change in Net Position</i>		
	2017	2016	% Change	2017	2016	% Change
Water Quality	\$ 131,777,498	\$ 121,496,560	8.5%	\$ 10,280,938	\$ 2,564,364	300.9%
Solid Waste	4,364,348	5,093,876	-14.3%	(729,528)	(1,377,944)	47.1%
Airport	59,471,459	62,413,162	-4.7%	(2,941,703)	(3,066,703)	4.1%
Public Transit	3,449,898	3,624,312	-4.8%	(174,414)	(432,077)	59.6%
Black Rock	2,316,588	2,473,017	-6.3%	(156,429)	160,148	-197.7%
Total	\$ 201,379,791	\$ 195,100,927	3.2%	\$ 6,278,864	\$ (2,152,212)	391.7%

The following reflects the inflows and outflows of the business-type activity funds for the fiscal year ending June 30, 2017.



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".



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

General Fund Budgetary Analysis – Government Fund Financial Statement Basis

Washington County, Maryland
General Fund Budgetary Analysis
As of June 30, 2017
(Government Fund Basis)

Category	Budgetary Amounts			Difference	
	Original	Final	Actual	Org. Budget vs. Final Budget	Final Budget vs. Actual
Revenues:					
<i>Property Tax</i>	\$ 120,475,950	\$ 120,475,950	\$ 122,905,748	\$ -	\$ 2,429,798
<i>Local Tax</i>	84,100,000	84,100,000	86,028,978	-	1,928,978
<i>Other Revenue</i>	9,357,590	10,989,381	11,185,907	1,631,791	196,526
<i>Total Revenues</i>	213,933,540	215,565,331	220,120,633	1,631,791	4,555,302
Expenses:					
<i>General Government</i>	26,078,750	27,200,000	26,764,285	1,121,250	435,715
<i>Public Safety</i>	42,039,800	43,236,411	42,703,200	1,196,611	533,211
<i>Health and Social Services</i>	2,712,660	2,712,660	2,712,660	-	-
<i>Education</i>	104,387,080	104,387,080	104,387,080	-	-
<i>Parks, Recreation, Natural Resources</i>	6,416,700	6,419,630	6,548,012	2,930	(128,382)
<i>Highways and Streets</i>	10,365,890	9,718,890	10,368,937	(647,000)	(650,047)
<i>General Operations</i>	490,020	470,020	609,165	(20,000)	(139,145)
<i>Unallocated Costs</i>	704,640	704,640	483,556	-	221,084
<i>Intergovernmental</i>	5,263,000	5,241,000	11,320,588	(22,000)	(6,079,588)
<i>Debt Service</i>	15,475,000	15,475,000	14,688,810	-	786,190
<i>Total Expenses</i>	213,933,540	215,565,331	220,586,293	1,631,791	(5,020,962)
<i>Other Financing Sources (Uses)</i>	-	-	1,036,682	-	1,036,682
<i>Net Increase in Assets - 06/30/17</i>	\$ -	\$ -	\$ 571,022	\$ -	\$ 571,022

Original Budget vs. Final Budget:

The net budgetary change of \$1.6 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 \$1.6 million.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Final Budget vs. Actual Results:

Revenue was over by \$4.6 million while expenditures and other financing sources were over budget by \$5.0 million yielding a \$.6 million net increase. Property Tax experienced an increase of \$2.4 million over budget or 2.0%. Income Tax revenue exceeded budget by 1.8% or \$1.4 million. Recordation Tax exceeded final budget by \$.5 million or 8.7%. Other revenues increased by \$.02 million mainly due to a refund from a Workers Compensation audit. Offsetting the revenue change were expenditure net overages of \$5.0 million, resulting from transfers to the Golf Course and Capital Improvement funds of \$6.1 million to cover additional operating subsidy and for future project funding. Offsetting these overruns were savings of \$1.1 million recognized from personnel turnover, capital lease transactions and debt service.

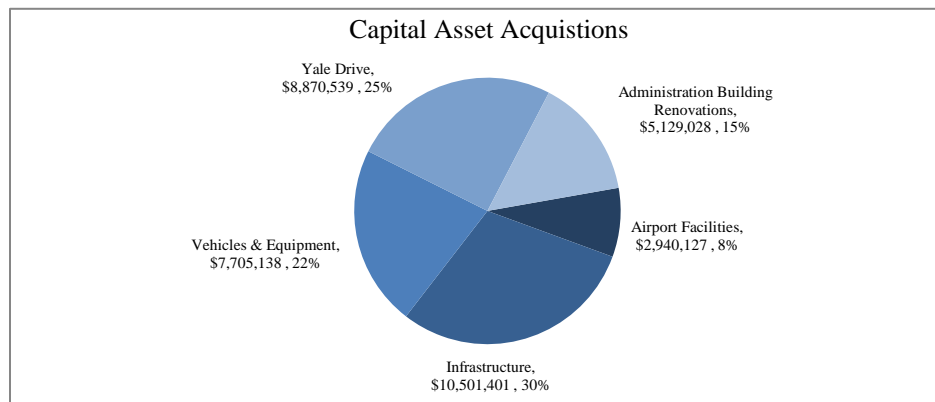
Capital Asset Administration – Government Wide Statements

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$669 million (net of depreciation). This investment in capital assets includes land, buildings, bridges, roads, equipment, and operational facilities.

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

Description	Governmental Activities		Business-type Activities		Total		% Change
	2017	2016	2017	2016	2017	2016	
Land and Land Improvements	\$97,249,812	\$93,337,991	\$64,708,854	\$68,795,678	\$161,958,666	\$162,133,669	-0.1%
Building and Improvements	70,308,843	66,352,086	43,011,359	44,366,741	113,320,202	110,718,827	2.3%
Facilities, Lines, and Mains	-	-	84,701,381	85,255,600	84,701,381	85,255,600	-0.7%
Vehicles	4,745,120	4,232,010	1,507,825	1,603,632	6,252,945	5,835,642	7.2%
Infrastructure	239,577,940	238,958,038	-	-	239,577,940	238,958,038	0.3%
Machinery and Equipment	4,652,719	2,477,742	2,793,629	3,156,022	7,446,348	5,633,764	32.2%
Office/Computer Equipment	11,652,537	13,096,379	138,650	173,472	11,791,187	13,269,851	-11.1%
Treatment Plants	-	-	43,774,812	43,795,328	43,774,812	43,795,328	-0.1%
Total	\$428,186,971	\$418,454,246	\$240,636,510	\$247,146,473	\$668,823,481	\$665,600,719	0.5%

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 48-51 of this report.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Debt Administration

At the end of the current fiscal year, the County had total outstanding debt, excluding capital leases, of \$198.8 million. This amount was comprised of debt backed by the full faith and credit of the County and user fees. The debt decreased by a net of \$.4 million, the result of net principal payments of \$13.8 million and new borrowings of \$14.2 million. Funds borrowed were used mainly for infrastructure, education, and public safety projects.

Washington County, Maryland
Outstanding Debt
(Government – Wide)

Instrument Type	Governmental Activity		Business-type Activity		Total Outstanding Debt		% Change
	2017	2016	2017	2016	2017	2016	
<i>General Obligation Bonds</i>	\$ 144,274,852	\$ 142,436,609	\$38,693,151	\$39,600,931	\$ 182,968,003	\$ 182,037,540	0.5%
<i>Maryland Water Quality Bonds</i>	4,302,697	4,597,503	11,537,186	12,534,512	15,839,883	17,132,015	-7.5%
<i>Total</i>	\$ 148,577,549	\$ 147,034,112	\$50,230,337	\$52,135,443	\$ 198,807,886	\$ 199,169,555	-0.2%

The County's credit ratings for fiscal year 2017 are as follows: 1) Standard and Poor's rated AA+, 2) Fitch rated AA+, and 3) Moody's Investors Service rated Aa1.

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 54-58 of this report.

Economic Factors and Fiscal Year 2018

- ❑ Washington County's unemployment rate for June 2017 was 4.5% compared to 5.0% in June of 2016. The unemployment rate reached a high of 10.3% in March 2009 and has been improving steadily due to job growth in the service industry, specifically within the categories of trade, transportation, and utilities; professional services; and education and health services.
- ❑ Water and sewer rates were increased for the 2018 budget year. The water and sewer revenue requirements were increased 2.9% and 3.4%, respectively. This revenue increase is based on financial information formulated annually from the County's cost of service model.
- ❑ On September 15, 2016, Pen Mar Development Corporation conveyed, for no monetary consideration, all real property, contracts, leases, liabilities, and personal property not specifically excluded and held by Pen Mar to the Board. The redevelopment of Pen Mar into Cascade Town Centre is estimated to be one of the largest projects within the County over the past several years.
- ❑ Washington County is heavily involved in the Urban Improvement Project which strives to develop and revitalize the downtown district. Funding for this project includes a combination of County, City, State, and private developer contributions.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

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 10435 Downsville Pike Hagerstown, Maryland 21740.

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COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Net Position As of June 30, 2017

	Primary Government			Component Unit	
	Governmental activities	Business-type activities	Total	Board of Education	Total
ASSETS					
Cash and short-term investments	\$ 6,212,761	\$ 32,902,358	\$ 39,115,119	\$ 16,614,102	\$ 55,729,221
Investments	101,683,753	-	101,683,753	18,448,603	120,132,356
Property taxes receivable, net of allowance	348,751	-	348,751	-	348,751
Accounts receivable, net of allowance	1,363,533	1,441,541	2,805,074	238,271	3,043,345
Interest receivable	172,372	-	172,372	-	172,372
Unbilled receivables	229,762	1,891,426	2,121,188	-	2,121,188
Due from other governmental agencies	20,191,128	6,761,140	26,952,268	4,890,361	31,842,629
Internal balances	61,226	(61,226)	-	-	-
Inventories	763,099	313,029	1,076,128	341,823	1,417,951
Other assets	47,706	-	47,706	1,773,671	1,821,377
Net other post employment benefits assets	3,034,375	-	3,034,375	-	3,034,375
Recoverable disbursements	230,044	-	230,044	-	230,044
Notes receivable	742,318	250,000	992,318	-	992,318
Projects under construction	9,434,217	20,252,497	29,686,714	127,650	29,814,364
Property, plant, and equipment, net	428,186,971	240,636,510	668,823,481	234,595,449	903,418,930
TOTAL ASSETS	572,702,016	304,387,275	877,089,291	277,029,930	1,154,119,221
DEFERRED OUTFLOWS OF RESOURCES					
Loss on refunding	3,015,564	693,230	3,708,794	-	3,708,794
Net pension activity	31,946,155	-	31,946,155	5,651,237	37,597,392
TOTAL DEFERRED OUTFLOWS OF RESOURCES	34,961,719	693,230	35,654,949	5,651,237	41,306,186
LIABILITIES					
Current Liabilities:					
Current maturities of long-term obligations	10,033,914	4,393,451	14,427,365	-	14,427,365
Current maturities of capital lease obligations	206,721	29,027	235,748	710,845	946,593
Current maturities of installment purchase contracts	148,679	-	148,679	-	148,679
Accounts payable	7,051,520	5,301,440	12,352,960	6,651,410	19,004,370
Accrued expenses	4,602,309	586,055	5,188,364	16,034,970	21,223,334
Accrued interest	2,354,813	5,046,556	7,401,369	-	7,401,369
Unearned revenue	415,304	2,025,001	2,440,305	2,361,434	4,801,739
Compensated absences	2,128,855	426,434	2,555,289	656,355	3,211,644
Landfill closure and post-closure costs	-	207,930	207,930	-	207,930
Other liabilities	2,651,517	85,353	2,736,870	-	2,736,870
Liabilities for unpaid claims	1,523,730	-	1,523,730	-	1,523,730
Total current liabilities	31,117,362	18,101,247	49,218,609	26,415,014	75,633,623
Noncurrent Liabilities:					
Compensated absences	1,046,683	156,476	1,203,159	6,412,111	7,615,270
Long-term obligations	138,543,635	45,836,886	184,380,521	-	184,380,521
Capital lease obligations	629,060	65,112	694,172	2,160,079	2,854,251
Installment purchase contracts	1,189,430	-	1,189,430	-	1,189,430
Landfill closure and post-closure costs	-	14,894,822	14,894,822	-	14,894,822
Net pension liability	109,487,588	-	109,487,588	48,592,544	158,080,132
Total noncurrent liabilities	250,896,396	60,953,296	311,849,692	57,164,734	369,014,426
TOTAL LIABILITIES	282,013,758	79,054,543	361,068,301	83,579,748	444,648,049
DEFERRED INFLOWS OF RESOURCES					
Service concession arrangements	-	24,646,171	24,646,171	-	24,646,171
Net pension activity	7,660,834	-	7,660,834	1,528,900	9,189,734
TOTAL DEFERRED INFLOWS OF RESOURCES	7,660,834	24,646,171	32,307,005	1,528,900	33,835,905
NET POSITION					
Net investment in capital assets	360,133,916	217,144,159	577,278,075	231,852,175	809,130,250
Restricted for:					
John Howard Trust	243,143	-	243,143	-	243,143
Capital projects	20,499,292	6,579,636	27,078,928	-	27,078,928
Unrestricted	(62,887,208)	(22,344,004)	(85,231,212)	(34,279,656)	(119,510,868)
TOTAL NET POSITION	\$ 317,989,143	\$ 201,379,791	\$ 519,368,934	\$ 197,572,519	\$ 716,941,453

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, 2017

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 51,775,364	\$ 4,163,039	\$ 1,099,111	\$ 16,041
Public safety	50,315,938	1,266,163	2,675,363	-
Health	2,339,270	-	-	-
Social services	373,390	-	-	-
Education	106,094,094	-	-	-
Parks, recreation and culture	6,428,680	125,690	21,155	74,878
Natural resources	3,095,962	-	1,805,690	-
Community promotion	4,461,404	-	1,313,611	-
Highways and streets	28,459,092	-	1,001,031	5,035,547
Interest on long-term debt	4,655,151	-	-	-
Total governmental activities	<u>257,998,345</u>	<u>5,554,892</u>	<u>7,915,961</u>	<u>5,126,466</u>
Business-type activities				
Water quality	13,824,032	11,150,534	-	12,663,069
Solid waste	7,013,835	5,617,487	12,750	-
Airport	8,302,809	2,524,394	53,796	2,688,373
Public transit	2,921,221	414,541	1,498,149	288,133
Black Rock golf course	1,283,907	783,197	-	-
Total business-type activities	<u>33,345,804</u>	<u>20,490,153</u>	<u>1,564,695</u>	<u>15,639,575</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 291,344,149</u>	<u>\$ 26,045,045</u>	<u>\$ 9,480,656</u>	<u>\$ 20,766,041</u>
Component unit:				
Board of Education	<u>\$ 344,973,622</u>	<u>\$ 14,182,180</u>	<u>\$ 57,583,271</u>	<u>\$ 2,247,136</u>

General revenue:

Taxes

Property taxes

Local taxes

Income on investments

Reimbursed expenses

Miscellaneous

Unrestricted grants and contributions

Contributed capital

Loss on disposal of capital assets

Transfers

TOTAL GENERAL REVENUE

CHANGE IN NET POSITION

NET POSITION - BEGINNING OF YEAR

NET POSITION - END OF YEAR

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Activities (continued) For the Year Ended June 30, 2017

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-Type Activities	Total	Board of Education	Total
\$ (46,497,173)	\$ -	\$ (46,497,173)	\$ -	\$ (46,497,173)
(46,374,412)	-	(46,374,412)	-	(46,374,412)
(2,339,270)	-	(2,339,270)	-	(2,339,270)
(373,390)	-	(373,390)	-	(373,390)
(106,094,094)	-	(106,094,094)	-	(106,094,094)
(6,206,957)	-	(6,206,957)	-	(6,206,957)
(1,290,272)	-	(1,290,272)	-	(1,290,272)
(3,147,793)	-	(3,147,793)	-	(3,147,793)
(22,422,514)	-	(22,422,514)	-	(22,422,514)
(4,655,151)	-	(4,655,151)	-	(4,655,151)
(239,401,026)	-	(239,401,026)	-	(239,401,026)
-	9,989,571	9,989,571	-	9,989,571
-	(1,383,598)	(1,383,598)	-	(1,383,598)
-	(3,036,246)	(3,036,246)	-	(3,036,246)
-	(720,398)	(720,398)	-	(720,398)
-	(500,710)	(500,710)	-	(500,710)
-	4,348,619	4,348,619	-	4,348,619
(239,401,026)	4,348,619	(235,052,407)	-	(235,052,407)
-	-	-	(270,961,035)	(270,961,035)
122,875,515	-	122,875,515	-	122,875,515
90,579,857	-	90,579,857	-	90,579,857
1,593,794	175,130	1,768,924	228,803	1,997,727
1,293,116	-	1,293,116	-	1,293,116
1,336,955	237,002	1,573,957	554,128	2,128,085
-	-	-	249,594,174	249,594,174
3,554,726	-	3,554,726	-	3,554,726
(1,032,337)	(168,537)	(1,200,874)	-	(1,200,874)
(1,686,650)	1,686,650	-	-	-
218,514,976	1,930,245	220,445,221	250,377,105	470,822,326
(20,886,050)	6,278,864	(14,607,186)	(20,583,930)	(35,191,116)
338,875,193	195,100,927	533,976,120	218,156,449	752,132,569
\$ 317,989,143	\$ 201,379,791	\$ 519,368,934	\$ 197,572,519	\$ 716,941,453

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Balance Sheet – Governmental Funds As of June 30, 2017

	General Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
ASSETS				
Cash	\$ 627,517	\$ -	\$ 5,585,244	\$ 6,212,761
Investments	101,443,510	240,243	-	101,683,753
Property taxes receivable, net of allowance	348,751	-	-	348,751
Accounts receivable, net of allowance	422,410	316,833	624,290	1,363,533
Interest receivable	171,381	991	-	172,372
Unbilled receivables	229,762	-	-	229,762
Due from other funds	-	64,075,200	-	64,075,200
Due from other governmental agencies	16,752,299	3,052,217	386,612	20,191,128
Recoverable disbursements	230,044	-	-	230,044
Notes receivable	742,318	-	-	742,318
Other assets	47,706	-	-	47,706
Inventories	763,099	-	-	763,099
TOTAL ASSETS	<u>\$ 121,778,797</u>	<u>\$ 67,685,484</u>	<u>\$ 6,596,146</u>	<u>\$ 196,060,427</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,366,313	\$ 3,130,789	\$ 2,554,418	\$ 7,051,520
Due to other funds	63,884,634	-	129,340	64,013,974
Accrued expenses	4,563,855	6,566	31,888	4,602,309
Other liabilities	2,219,462	-	432,055	2,651,517
Liabilities for unpaid claims	1,523,730	-	-	1,523,730
Unearned revenue	382,729	-	32,575	415,304
TOTAL LIABILITIES	<u>73,940,723</u>	<u>3,137,355</u>	<u>3,180,276</u>	<u>80,258,354</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	<u>7,524,904</u>	<u>-</u>	<u>-</u>	<u>7,524,904</u>
FUND BALANCES				
Nonspendable	1,455,417	-	-	1,455,417
Restricted	577,869	20,499,292	537,360	21,614,521
Committed	38,263,353	44,048,837	2,840,925	85,153,115
Assigned	16,531	-	59,185	75,716
Unassigned	-	-	(21,600)	(21,600)
TOTAL FUND BALANCES	<u>40,313,170</u>	<u>64,548,129</u>	<u>3,415,870</u>	<u>108,277,169</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 121,778,797</u>	<u>\$ 67,685,484</u>	<u>\$ 6,596,146</u>	<u>\$ 196,060,427</u>

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position As of June 30, 2017

Fund balance of governmental funds	\$ 108,277,169
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets, net	428,186,971
Projects under construction	9,434,217
Other long-term assets that are not available to pay for current-period expenditures and, therefore, are deferred in the funds:	
Net other post employment benefits	3,034,375
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:	
Unavailable revenue	7,524,904
Deferred outflow of resources, including loss on refunding and net deferred pension activity are not financial resources and therefore are not reported in the funds	27,300,885
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Long-term obligations	(148,577,549)
Installment purchase obligations	(1,338,109)
Capital lease obligations	(835,781)
Accrued interest payable-net of IRS subsidy	(2,354,813)
Compensated absences and net pension liability	(112,663,126)
Net position of governmental activities	<u><u>\$ 317,989,143</u></u>

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds For the Year Ended June 30, 2017

	General Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
REVENUE				
General property taxes	\$ 122,905,748	\$ -	\$ -	\$ 122,905,748
Other local taxes	86,028,978	3,119,286	2,129,657	91,277,921
Licenses and permits	1,189,019	-	2,132,132	3,321,151
Court costs and fines	269,806	-	-	269,806
Charges for services	448,532	-	382,227	830,759
Revenue from uses of property	1,327,838	-	265,956	1,593,794
Reimbursed expenses	1,009,538	-	3,188	1,012,726
Miscellaneous revenues	1,131,263	42,895	205,691	1,379,849
Shared taxes and grants	4,431,597	2,578,571	3,605,380	10,615,548
Highway	1,378,314	-	-	1,378,314
Total Revenue	<u>220,120,633</u>	<u>5,740,752</u>	<u>8,724,231</u>	<u>234,585,616</u>
EXPENDITURES				
Current:				
General government	26,764,285	-	-	26,764,285
Public safety	42,703,200	-	1,500,816	44,204,016
Health	2,339,270	-	-	2,339,270
Social services	373,390	-	-	373,390
Education	104,387,080	-	-	104,387,080
Parks, recreation and culture	5,794,949	-	209,733	6,004,682
Natural resources	753,063	-	2,335,733	3,088,796
Intergovernmental	38,543	-	-	38,543
General operations	1,092,721	-	1,477,750	2,570,471
Community promotion	-	-	4,460,296	4,460,296
Highways and streets	10,243,937	-	-	10,243,937
Debt service	14,688,810	-	-	14,688,810
Capital outlay:				
General government	-	3,434,928	-	3,434,928
Public safety	-	2,591,770	-	2,591,770
Highways and streets	-	13,175,791	-	13,175,791
Education	-	1,707,014	-	1,707,014
Parks and recreation	-	81,529	-	81,529
Total Expenditures	<u>209,179,248</u>	<u>20,991,032</u>	<u>9,984,328</u>	<u>240,154,608</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>10,941,385</u>	<u>(15,250,280)</u>	<u>(1,260,097)</u>	<u>(5,568,992)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	22,000	9,206,000	1,309,593	10,537,593
Transfers out	(11,429,045)	(422,000)	(373,198)	(12,224,243)
Proceeds of capital leases	1,036,682	-	-	1,036,682
Contributed capital	-	-	3,554,726	3,554,726
Proceeds of bond sale	-	12,656,522	-	12,656,522
TOTAL OTHER FINANCING SOURCES (USES)	<u>(10,370,363)</u>	<u>21,440,522</u>	<u>4,491,121</u>	<u>15,561,280</u>
NET CHANGES IN FUND BALANCE	<u>571,022</u>	<u>6,190,242</u>	<u>3,231,024</u>	<u>9,992,288</u>
FUND BALANCES - BEGINNING OF YEAR	<u>39,742,148</u>	<u>58,357,887</u>	<u>184,846</u>	<u>98,284,881</u>
FUND BALANCES - END OF YEAR	<u>\$ 40,313,170</u>	<u>\$ 64,548,129</u>	<u>\$ 3,415,870</u>	<u>\$ 108,277,169</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 the Year Ended June 30, 2017

Net changes in fund balances in governmental funds	\$	9,992,288
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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.

Capital outlay capitalized	\$	17,139,457	
Depreciation		<u>(17,875,963)</u>	(736,506)

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 position differs from the change in fund balance by the cost of the assets sold.

	(1,118,098)
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Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. 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 position. This is the amount by which proceeds exceeded repayments.

Debt and lease proceeds	\$	(13,693,204)	
Payments of installment purchase principal		294,685	
Payments of lease principal		233,364	
Payments of debt principal		<u>10,170,737</u>	(2,994,418)

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 the financial resources used.

	(27,995,091)
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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.

	<u>1,965,775</u>
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Change in net position of governmental activities	\$	<u><u>(20,886,050)</u></u>
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The accompanying notes are an integral part of this financial statement.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Net Position - Proprietary Funds As of June 30, 2017

	Business Type Activities - Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	Total
ASSETS					
Current Assets:					
Cash and short-term investments	\$ 15,669,003	\$ 16,760,060	\$ 100	\$ 473,195	\$ 32,902,358
Accounts receivable, net	1,214,826	156,912	58,746	11,057	1,441,541
Unbilled receivables	1,503,460	379,322	8,042	602	1,891,426
Due from other funds	-	326,434	-	-	326,434
Due from other governmental agencies	4,699,877	47,032	1,440,222	574,009	6,761,140
Notes Receivable	-	250,000	-	-	250,000
Inventories	122,868	10,262	55,022	124,877	313,029
Total current assets	23,210,034	17,930,022	1,562,132	1,183,740	43,885,928
Noncurrent Assets:					
Projects under construction	19,949,257	101,057	202,183	-	20,252,497
Property, plant and equipment	197,184,852	67,381,773	155,294,008	12,154,878	432,015,511
Accumulated depreciation	(66,455,590)	(46,881,989)	(70,766,314)	(7,275,108)	(191,379,001)
Total noncurrent assets	150,678,519	20,600,841	84,729,877	4,879,770	260,889,007
TOTAL ASSETS	173,888,553	38,530,863	86,292,009	6,063,510	304,774,935
DEFERRED OUTFLOWS OF RESOURCES					
Loss on refundings	404,262	271,126	17,842	-	693,230
LIABILITIES					
Current Liabilities:					
Current maturities of long-term obligations	2,379,565	1,919,216	94,670	-	4,393,451
Current maturities of capital lease obligations	29,027	-	-	-	29,027
Accounts payable	4,652,759	418,027	166,730	63,924	5,301,440
Accrued expenses	413,956	61,768	25,453	84,878	586,055
Accrued interest	4,786,875	246,541	13,140	-	5,046,556
Due to other funds	-	-	387,660	-	387,660
Unearned revenue	716,219	502,057	800,002	6,723	2,025,001
Compensated absences	246,270	77,089	31,039	72,036	426,434
Landfill closure and post-closure costs	-	207,930	-	-	207,930
Other liabilities	7,300	-	43,923	34,130	85,353
Total current liabilities	13,231,971	3,432,628	1,562,617	261,691	18,488,907
Noncurrent Liabilities:					
Compensated absences	79,334	28,974	12,835	35,333	156,476
Bonds and long-term debt	29,138,900	16,081,217	616,769	-	45,836,886
Capital lease obligations	65,112	-	-	-	65,112
Landfill closure and post-closure costs	-	14,894,822	-	-	14,894,822
Total noncurrent liabilities	29,283,346	31,005,013	629,604	35,333	60,953,296
TOTAL LIABILITIES	42,515,317	34,437,641	2,192,221	297,024	79,442,203
DEFERRED INFLOWS OF RESOURCES					
Service concession arrangements	-	-	24,646,171	-	24,646,171
Net Position					
Net investment in capital assets	124,834,425	3,411,524	84,018,440	4,879,770	217,144,159
Restricted - capital projects	5,768,520	811,116	-	-	6,579,636
Unrestricted	1,174,553	141,708	(24,546,981)	886,716	(22,344,004)
TOTAL NET POSITION	\$ 131,777,498	\$ 4,364,348	\$ 59,471,459	\$ 5,766,486	\$ 201,379,791

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Revenue, Expenses and Changes in Net Position - Proprietary Funds For the Year Ended June 30, 2017

	Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	Totals
OPERATING REVENUE					
Charges for services	\$ 11,150,534	\$ 5,617,487	\$ 2,524,394	\$ 1,197,738	\$ 20,490,153
Miscellaneous	12,173	176,569	6,654	41,606	237,002
TOTAL OPERATING REVENUE	11,162,707	5,794,056	2,531,048	1,239,344	20,727,155
OPERATING EXPENSES					
Salaries and wages	3,993,912	1,373,135	607,183	1,740,023	7,714,253
Fringe benefits	2,445,965	662,296	317,759	775,881	4,201,901
Utilities	903,552	52,974	185,449	96,138	1,238,113
Insurance	130,599	30,657	44,265	39,104	244,625
Repairs and maintenance	374,025	-	78,236	277,001	729,262
Supplies	279,831	101,207	7,731	42,715	431,484
Cost of goods sold	-	-	-	91,249	91,249
Contracted services	218,019	1,749,071	69,347	238,137	2,274,574
Rentals and leases	26,029	1,997	6,495	123,215	157,736
Other operating	1,097,579	317,730	205,838	381,699	2,002,846
Uncollectible accounts	1,617	247	8,283	-	10,147
Controllable assets	32,349	7,438	38,654	11,076	89,517
Depreciation	3,200,742	2,248,015	6,715,253	388,890	12,552,900
TOTAL OPERATING EXPENSES	12,704,219	6,544,767	8,284,493	4,205,128	31,738,607
OPERATING LOSS	(1,541,512)	(750,711)	(5,753,445)	(2,965,784)	(11,011,452)
OTHER INCOME (EXPENSE)					
Interest expense	(1,119,813)	(469,068)	(18,316)	-	(1,607,197)
Interest income	172,376	292	2,462	-	175,130
Loss on disposal of assets	(75,952)	(14,191)	(58,073)	(20,321)	(168,537)
TOTAL OTHER INCOME (EXPENSE)	(1,023,389)	(482,967)	(73,927)	(20,321)	(1,600,604)
LOSS BEFORE OPERATING TRANSFERS AND GRANTS	(2,564,901)	(1,233,678)	(5,827,372)	(2,986,105)	(12,612,056)
OPERATING TRANSFERS	182,770	491,400	64,500	813,980	1,552,650
GRANTS FOR OPERATING	-	12,750	53,796	1,498,149	1,564,695
NET LOSS BEFORE CAPITAL TRANSFERS AND GRANTS	(2,382,131)	(729,528)	(5,709,076)	(673,976)	(9,494,711)
CAPITAL TRANSFERS	-	-	79,000	55,000	134,000
CAPITAL GRANTS AND CONTRIBUTIONS	12,663,069	-	2,688,373	288,133	15,639,575
NET CHANGES IN NET POSITION	10,280,938	(729,528)	(2,941,703)	(330,843)	6,278,864
NET POSITION - BEGINNING OF YEAR	121,496,560	5,093,876	62,413,162	6,097,329	195,100,927
NET POSITION - END OF YEAR	\$ 131,777,498	\$ 4,364,348	\$ 59,471,459	\$ 5,766,486	\$ 201,379,791

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Cash Flows – Proprietary Funds For the Year Ended June 30, 2017

	Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	Total
Cash Flows from Operating Activities					
Receipts from customers	\$ 11,430,346	\$ 5,365,815	\$ 1,682,967	\$ 1,260,952	\$ 19,740,080
Payments to suppliers	(599,546)	(2,198,829)	(833,324)	(1,358,767)	(4,990,466)
Payments to employees	(6,430,272)	(2,019,655)	(920,186)	(2,503,992)	(11,874,105)
Net Cash Provided (Used) by Operating Activities	4,400,528	1,147,331	(70,543)	(2,601,807)	2,875,509
Cash Flows from Noncapital Financing Activities					
Operating contributions	182,770	504,150	118,296	2,312,129	3,117,345
Decrease in due to/from other funds	(4,271,953)	(47,032)	(116,928)	-	(4,435,913)
Net Cash Provided (Used) by Noncapital Financing Activities	(4,089,183)	457,118	1,368	2,312,129	(1,318,568)
Cash Flows from Capital and Related Financing Activities					
Interest paid on notes and bond payable	(2,140,196)	(469,783)	(19,631)	-	(2,629,610)
Acquisition and construction of capital assets	(19,701,627)	(540,878)	(2,526,007)	(36,445)	(22,804,957)
Loss on the sale of assets	(75,952)	(14,191)	(58,073)	(20,321)	(168,537)
Contribution for capital acquisitions	12,663,069	-	2,767,373	343,133	15,773,575
Proceeds from/payments on notes and bonds payable	(1,456,050)	(200,288)	(96,949)	-	(1,753,287)
Net Cash Provided (Used) by Capital and Related Financing Activities	(10,710,756)	(1,225,140)	66,713	286,367	(11,582,816)
Cash Flows from Investing Activities					
Interest on investments	172,376	292	2,462	-	175,130
Net change in cash	(10,227,035)	379,601	-	(3,311)	(9,850,745)
Cash, Beginning of Year	25,896,038	16,380,459	100	476,506	42,753,103
Cash, End of Year	\$ 15,669,003	\$ 16,760,060	\$ 100	\$ 473,195	\$ 32,902,358
Non-Cash Operating Activities					
Loss on refunding	\$ 404,262	\$ 271,126	\$ 17,842	\$ -	\$ 693,230
Non-Cash Capital and Related Financing Activities					
Capital lease	\$ 55,309	\$ -	\$ -	\$ -	\$ 55,309
Reconciliation of Operating Loss to Net Cash from Operating Activities					
Operating loss	\$ (1,541,512)	\$ (750,711)	\$ (5,753,445)	\$ (2,965,784)	\$ (11,011,452)
Adjustments to reconcile operating loss to net cash from operating activities:					
Depreciation	3,200,742	2,248,015	6,715,253	388,890	12,552,900
Changes in assets and liabilities:					
Accounts receivable	132,553	36,623	(19,733)	5,926	155,369
Unbilled receivables	223,690	(92,391)	3,977	323	135,599
Due to/from other government entities	-	(326,434)	(32,323)	8,886	(349,871)
Inventories	(16,597)	3,604	(10,406)	(4,058)	(27,457)
Accounts payable and other liabilities	2,480,651	188,098	(178,620)	(60,707)	2,429,422
Accrued expenses	8,913	9,658	844	17,361	36,776
Landfill closure	-	(129,210)	-	-	(129,210)
Unearned revenue	(88,604)	(46,039)	(800,002)	6,473	(928,172)
Compensated absences	692	6,118	3,912	883	11,605
Net Cash Provided (Used) by Operating Activities	\$ 4,400,528	\$ 1,147,331	\$ (70,543)	\$ (2,601,807)	\$ 2,875,509

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Net Position – Fiduciary Funds

As of June 30, 2017

	<u>Pension Trust</u>	<u>LOSAP Trust</u>	<u>OPEB Trust</u>	<u>Private Purpose Trust</u>	<u>Agency</u>
ASSETS					
Cash and short-term investments	\$ 2,252,783	\$ 162,633	\$ 1,121,951	\$ 65,091	\$ 3,450,590
Investments, at fair value:					
U.S. Government obligations	11,025,262	953,368	2,240,019	-	-
Corporate bonds and obligations	9,089,257	661,738	1,505,275	-	-
Fixed income securities	9,702,263	915,874	2,285,970	-	-
Corporate stock	29,933,367	2,216,981	4,980,137	-	-
Equity funds	41,840,994	3,487,967	8,043,826	66,765	-
Accounts receivable	154,907	11,873	28,812	-	-
Due from other funds	-	-	-	30,360	-
TOTAL ASSETS	<u>103,998,833</u>	<u>8,410,434</u>	<u>20,205,990</u>	<u>162,216</u>	<u>3,450,590</u>
LIABILITIES					
Accounts payable	-	-	-	-	90,501
Due to student groups	-	-	-	-	3,360,089
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,450,590</u>
NET POSITION					
Held in trust for pension and OPEB	103,998,833	8,410,434	20,205,990	-	-
Held in trust for scholarships	-	-	-	162,216	-
NET POSITION	<u>\$ 103,998,833</u>	<u>\$ 8,410,434</u>	<u>\$ 20,205,990</u>	<u>\$ 162,216</u>	<u>\$ -</u>

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Changes in Net Position - Fiduciary Funds For the Year Ended June 30, 2017

	<u>Pension Trust</u>	<u>LOSAP Trust</u>	<u>OPEB Trust</u>	<u>Private Purpose Trust</u>
ADDITIONS				
Contributions:				
Employer	\$ 7,010,000	\$ 600,000	\$ 1,200,000	\$ -
Plan members	1,955,511	-	-	-
Gifts and contributions	-	-	-	60,200
Receipts of in-kind	7,329,688	299,310	2,337,557	-
Total Contributions	<u>16,295,199</u>	<u>899,310</u>	<u>3,537,557</u>	<u>60,200</u>
Investment Income:				
Realized and unrealized gains	7,380,935	565,251	1,435,396	-
Interest and dividends	1,101,216	87,139	183,708	6,345
Other income	2,359,713	218,923	368,058	-
Total Investment Income	<u>10,841,864</u>	<u>871,313</u>	<u>1,987,162</u>	<u>6,345</u>
TOTAL ADDITIONS	<u>27,137,063</u>	<u>1,770,623</u>	<u>5,524,719</u>	<u>66,545</u>
DEDUCTIONS				
Benefits	8,860,156	518,538	-	-
Scholarship expenses	-	-	-	32,045
Administrative expenses	7,625,383	348,693	2,399,834	-
TOTAL DEDUCTIONS	<u>16,485,539</u>	<u>867,231</u>	<u>2,399,834</u>	<u>32,045</u>
CHANGES IN NET POSITION	10,651,524	903,392	3,124,885	34,500
NET POSITION - BEGINNING OF YEAR	<u>93,347,309</u>	<u>7,507,042</u>	<u>17,081,105</u>	<u>127,716</u>
NET POSITION - END OF YEAR	<u>\$ 103,998,833</u>	<u>\$ 8,410,434</u>	<u>\$ 20,205,990</u>	<u>\$ 162,216</u>

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

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, 2017 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 include 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, 2017

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
10435 Downsville Pike
Hagerstown, Maryland 21740

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 position 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, 2017

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 capitalized in the appropriate fund.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

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 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.

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(continued)

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.

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

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 Position. 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.

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

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.

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.

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Real Estate and Personal Property Taxes

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

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

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 (2016 and 2017 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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position and Fund Equity

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

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

Implementation of New Accounting Principles

The GASB has also issued Statement No. 74 entitled, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 75, entitled, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; GASB Statement No. 77; entitled, *Tax Abatement Disclosures*; GASB Statement No. 80, entitled, *Blending Requirements for Certain Component Units*; GASB Statement No. 82, entitled, *Pension Issues*; GASB Statement No. 83, entitled, *Certain Asset Retirement Obligations*; GASB Statement No. 84, entitled, *Fiduciary Activities*; GASB Statement No. 85, entitled, *Omnibus 2017*; GASB Statement No. 86, entitled, *Certain Debt Extinguishment Issues*; GASB Statement No. 87, entitled, *Leases* which will require adoption in the future, if applicable. These statements may or will have a material effect on the County’s financial statements once implemented. The County will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date. GASB statement No. 75 will have a material effect on the County’s financial statements and will result in an approximate adjustment of \$5.9 million.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

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. Budgets are adopted using the same basis of accounting as that used for reporting purposes.

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 (10 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.

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

Budget Development Start

The development of the budget starts with the on-line release of operational budgets and ten 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 Chief Financial Officer, the Planning Director, and the Director of Public Works comprise the Capital Improvements Program Committee (CIP Committee). From the time the CIP's initial annual review begins in October through its adoption in May of each fiscal year, there is constant interaction between departments, the CIP Committee, and the elected officials. This effort is characterized by cooperation and reflects a common goal of ensuring that the CIP meets the objectives of the County and remains affordable and achievable.

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

It is the CIP Committee's responsibility to review all requests that County departments and agencies submit. All projects are ranked based on established criteria for priority ranking. Considering current and future needs as developed in the ten-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 nine-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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

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 Chief Financial Officer 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. The public hearing is advertised in the local newspaper 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. Local law requires a balanced budget to be adopted by July 1.

Start Up

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

Balanced Budget

Under County code, the County Commissioners' annual budget shall have a figure for the total of all appropriations and a figure for the total of all revenue available to pay the appropriations. The figure for total appropriations may not exceed the figure for total estimated revenue.

Costing of Services

In addition to accrual basis budgeting, several enterprise funds utilize a cost of service approach. Cost of service is a method of accounting, which identifies both the cost of the program and the portion of the cost that will be recovered through fees and charges. By using this financial technique, the County is able to assess the true cost of providing a service. Currently, water, sewer, and solid waste services use this approach to determine cost and rates.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

Amendment to the Budget

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

The Chief Financial Officer reviews the project status and revenue before any issuance of debt. Any modifications to a project and/or the total debt to be issued based upon this review is required to be approved by the County Commissioners either for an increase or decrease in total borrowing amount or for a change in the total borrowing source.

3. CASH AND SHORT-TERM INVESTMENTS

Primary Government

The County maintains a cash and investment pool that is available for use by all funds, and is displayed on the Statement of Net Position 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, 2017, the carrying amount of the County's deposits was \$39,115,119 and the bank balances were \$40,326,496. All deposits are carried at cost plus accrued interest. There were no significant violations of the collateralization requirements during the year ended June 30, 2017. 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, 2017, the County's bank balance of \$40,326,496 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, \$15,000,000 is covered by a short term line of credit, and the remainder is collateralized through the Bank of New York Mellon.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2017

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Primary Government (continued)

Investments

As of June 30, 2017, 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. government obligations, municipal and corporate bonds	\$ 101,226,028	\$ 91,240,828	\$ 9,985,200	\$ -	\$ -
Certificates of Deposit	457,725	-	457,725	-	-
Total investments held in County's name	101,683,753	91,240,828	10,442,925	-	-
Investments held by trustee of					
Pension plan:					
U.S. government obligations, municipal and corporate bonds	20,114,519	19,686,363	-	-	428,156
Fixed income securities	9,702,263	5,841,710	-	-	3,860,553
Corporate stocks	29,933,367	26,523,984	-	-	3,409,383
Equity funds	41,840,994	34,385,579	-	-	7,455,415
Money market funds	2,252,783	2,252,783	-	-	-
Interest and dividends receivable	154,907	141,346	-	-	13,561
Total Investments held by trustee of pension plan	103,998,833	88,831,765	-	-	15,167,068
Investments held by trustee of					
LOSAP plan:					
U.S. government obligations and corporate bonds	1,615,106	1,615,106	-	-	-
Corporate stocks	2,216,981	2,216,981	-	-	-
Fixed income funds	915,874	915,874	-	-	-
Equity funds	3,487,967	3,487,967	-	-	-
Money market funds	162,633	162,633	-	-	-
Interest and dividends receivable	11,873	11,873	-	-	-
Total Investments held by trustee of LOSAP plan	8,410,434	8,410,434	-	-	-
Investments held by trustee of					
OPEB plan:					
U.S. government obligations and corporate bonds	3,745,294	3,745,294	-	-	-
Corporate stocks	4,980,137	4,980,137	-	-	-
Fixed income funds	2,285,970	2,285,970	-	-	-
Equity funds	8,043,826	8,043,826	-	-	-
Money market funds	1,121,951	1,121,951	-	-	-
Interest and dividends receivable	28,812	28,812	-	-	-
Total Investments held by trustee of OPEB plan	20,205,990	20,205,990	-	-	-
Total investments	\$ 234,299,010	\$ 208,689,017	\$ 10,442,925	\$ -	\$ 15,167,068

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the County's investments are valued using quoted market prices (level 1 inputs).

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Primary Government (continued)

Investments (continued)

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

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

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%

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Primary Government (continued)

Investments (continued)

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, 2017, the County's investments were 100% in U.S. Treasury and Agency obligations and certificates of deposit.

The County's Pension Plan Investment Policy allows for investing in the following investment types. Also, below is the benchmark used for rating each of the assets.

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2017, none of the County's investments are exposed to custodial credit risk because they are held in the County's name.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Board of Education

Cash

Credit Risk: Maryland State Law prescribes that local government units, such as the School System, must deposit its cash in banks transacting business in the State of Maryland, and that such banks must secure any deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance levels with collateral whose market value is at least equal to the deposits. Any cash deposit exceeding the FDIC insurance level will require collateralization. Beginning January 1, 2013, FDIC coverage limits are applied to total noninterest-bearing accounts separately from interest-bearing accounts. Additionally, a compensating balance agreement exists with the Board's primary financial institution. This non-interest bearing deposit is maintained in lieu of cash payments for standard bank services. The required average balance totaled \$250,000 at June 30, 2017.

Compliance is summarized as follows:

June 30, 2017	Governmental Activities	Business Type Activities	Fiduciary Responsibilities	Total
Carrying amount of cash deposits	\$ 16,484,893	\$ 129,209	\$ 3,515,681	\$ 20,129,783
Bank balance of cash deposits	17,717,251	128,759	3,541,663	21,387,673
Amount covered by FDIC	249,183	94,294	3,436,136	3,779,613
Amount collateralized with securities held by an agent of the pledging financial institution in the School system's name	17,468,068	34,465	105,527	17,608,060

Investments

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

Interest Rate and Custodial Risk: Investments are made 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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Board of Education (continued)

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. Agency bonds such as the Federal Farm Credit bank, Federal National Mortgage Association, and the Federal Home Loan Bank are issued by the Government Sponsored Enterprises (GSEs) and are not backed by the full faith and credit of the United States Government.

As of June 30, 2017, the School System had the following investments and maturities:

June 30, 2017	Governmental Activities	Business-Type Activities	Fiduciary Responsibilities	Total
Federal Farm Credit Bank – 1.100% matures October 15, 2018	\$ 5,499,373	\$ -	\$ -	\$ 5,499,373
Federal National Mortgage Association - 1.000% matures January 25, 2018	4,006,572	-	-	4,006,572
Federal National Mortgage Association - 1.250% matures January 30, 2019	4,000,000	-	-	4,000,000
Federal National Mortgage Association - 1.125% matures June 28, 2019	3,500,219	-	-	3,500,219
Federal Home Loan Bank - 1.370% matures October 24, 2019	442,285	-	-	442,285
Federal Home Loan Bank - 1.390% matures December 26, 2019	1,000,154	-	-	1,000,154
Income Fund of America	-	-	66,765	66,765
	<u>\$ 18,448,603</u>	<u>\$ -</u>	<u>\$ 66,765</u>	<u>\$ 18,515,368</u>

Investment Type	Fair Value	Investment Maturities (in Years)			
	June 30, 2017	Less than 1	1-5	6-10	More than 10
U.S. Agencies	\$ 18,448,603	\$ -	\$ 18,448,603	\$ -	\$ -
Income Fund	66,765	66,765	-	-	-
	<u>\$ 18,515,368</u>	<u>\$ 66,765</u>	<u>\$ 18,448,603</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2017

4. RECEIVABLES

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

	Governmental Activities			
	General	Capital Projects	Non-Major	Total
Receivables:				
Taxes receivable	\$ 494,206	\$ -	\$ -	\$ 494,206
Accounts receivable	427,736	316,833	624,290	1,368,859
Gross receivables	921,942	316,833	624,290	1,863,065
Less: allowance for uncollectibles	(150,781)	-	-	(150,781)
Net Total Receivables	\$ 771,161	\$ 316,833	\$ 624,290	\$ 1,712,284

	Business-type Activities				
	Water Quality	Solid Waste	Airport	Non-Major	Total
Accounts receivable	\$ 1,229,451	\$ 224,237	\$ 67,534	\$ 11,557	\$ 1,532,779
Less: allowance for uncollectibles	(14,625)	(67,325)	(8,788)	(500)	(91,238)
Net Total Receivables	\$ 1,214,826	\$ 156,912	\$ 58,746	\$ 11,057	\$ 1,441,541

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also record unearned revenue in connection with resources that have been received, but not yet earned. As of the end of the current fiscal year unearned revenue for delinquent property taxes receivable reported in the General Fund was \$213,578. 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, 2017

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

Primary Government

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 85,157,577	\$ 4,238,691	\$ (285,000)	\$ 89,111,268
Capital assets, being depreciated:				
Land improvements	14,053,712	541,574	(510,817)	14,084,469
Building and improvements	98,026,298	6,758,319	(202,364)	104,582,253
Vehicles	15,383,668	1,731,303	(1,599,603)	15,515,368
Infrastructure	1,160,152,737	10,157,467	-	1,170,310,204
Machinery and equipment	9,361,977	3,251,178	(2,398,178)	10,214,977
Office furniture and equipment	5,563,259	-	(4,552,939)	1,010,320
Computer equipment	35,367,800	2,091,491	(3,146,704)	34,312,587
Total capital assets, being depreciated	1,337,909,451	24,531,332	(12,410,605)	1,350,030,178
Total Capital Assets	1,423,067,028	28,770,023	(12,695,605)	1,439,141,446
Accumulated depreciation for:				
Land improvements	(5,873,298)	(499,761)	427,134	(5,945,925)
Building and improvements	(31,674,212)	(2,788,278)	189,080	(34,273,410)
Vehicles	(11,151,658)	(1,200,336)	1,581,746	(10,770,248)
Infrastructure	(921,194,699)	(9,537,565)	-	(930,732,264)
Machinery and equipment	(6,884,235)	(405,293)	1,727,270	(5,562,258)
Office furniture and equipment	(5,413,633)	(18,124)	4,530,180	(901,577)
Computer equipment	(22,421,047)	(3,469,843)	3,122,097	(22,768,793)
Total accumulated depreciation	(1,004,612,782)	(17,919,200)	11,577,507	(1,010,954,475)
Governmental Activities Capital Assets, Net	\$ 418,454,246	\$ 10,850,823	\$ (1,118,098)	\$ 428,186,971
Projects Under Construction	\$ 17,029,761	\$ 19,284,017	\$ (26,879,561)	\$ 9,434,217

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2017

5. CAPITAL ASSETS (continued)

Primary Government (continued)

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 12,052,287	\$ 138,674	\$ -	\$ 12,190,961
Capital assets, being depreciated:				
Land improvements	143,072,332	2,915,316	(174,876)	145,812,772
Building and improvements	63,377,964	332,335	(194,054)	63,516,245
Facilities	118,061,035	1,020,943	(59,969)	119,022,009
Vehicles	8,179,419	283,852	(177,913)	8,285,358
Machinery and equipment	12,530,341	302,226	(822,743)	12,009,824
Office furniture and equipment	323,205	-	(34,771)	288,434
Computer equipment	2,529,187	45,088	(147,582)	2,426,693
Treatment plants	67,263,609	1,337,776	(138,170)	68,463,215
Total capital assets, being depreciated	415,337,092	6,237,536	(1,750,078)	419,824,550
Total Capital Assets	427,389,379	6,376,210	(1,750,078)	432,015,511
Accumulated depreciation for:				
Land improvements	(86,328,941)	(7,137,720)	171,782	(93,294,879)
Building and improvements	(19,011,223)	(1,630,337)	136,674	(20,504,886)
Facilities	(32,805,435)	(1,550,382)	35,189	(34,320,628)
Vehicles	(6,575,787)	(376,968)	175,222	(6,777,533)
Machinery and equipment	(9,374,319)	(625,600)	783,724	(9,216,195)
Office furniture and equipment	(323,206)	-	34,771	(288,435)
Computer equipment	(2,355,714)	(79,910)	147,582	(2,288,042)
Treatment plants	(23,468,281)	(1,312,529)	92,407	(24,688,403)
Total accumulated depreciation	(180,242,906)	(12,713,446)	1,577,351	(191,379,001)
Business-type Activities Capital Assets, Net	\$ 247,146,473	\$ (6,337,236)	\$ (172,727)	\$ 240,636,510
Projects Under Construction	\$ 3,435,168	\$ 22,338,485	\$ (5,521,156)	\$ 20,252,497

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2017

5. CAPITAL ASSETS (continued)

Primary Government (continued)

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

Governmental Activities:

General Government	\$ 12,207,866
Public Safety	4,708,175
Park, recreation and culture	320,767
Conservation of Natural Resources	7,163
Highways and streets	631,992
Total Depreciation Expense - Governmental Activities	\$ 17,875,963

Business-Type Activities:

Public Transit Fund	\$ 226,694
Airport Fund	6,715,253
Golf Course Fund	162,196
Water Quality Fund	3,200,742
Solid Waste Fund	2,248,015
Total Depreciation Expense – Business-Type Activities	\$ 12,552,900

Board of Education

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Government activities				
Capital assets, not being depreciated:				
Land	\$ 8,692,987	\$ -	\$ (35,180)	\$ 8,657,807
Facilities under construction	18,390,191	107,650	(18,370,191)	127,650
	27,083,178	107,650	(18,405,371)	8,785,457
Capital assets, being depreciated:				
Building and improvements	320,780,827	28,450,574	(2,398,232)	346,833,169
Furniture and equipment	47,168,849	4,089,793	(2,283,790)	48,974,852
Equipment under capital leases	13,867,835	-	(8,324,000)	5,543,835
	381,817,511	32,540,367	(13,006,022)	401,351,856
Accumulated depreciation:				
Building and improvements	(137,270,666)	(7,485,383)	2,117,571	(142,638,478)
Furniture and equipment	(30,288,110)	(3,244,046)	771,664	(32,760,492)
Buildings and equipment under capital lease	(1,757,142)	(1,342,303)	1,439,358	(1,660,087)
	(169,315,918)	(12,071,732)	4,328,593	(177,059,057)
Governmental activities capital assets, net	\$ 239,584,771	\$ 20,576,285	\$ (27,082,800)	\$ 233,078,256

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

5. CAPITAL ASSETS (continued)

Board of Education (continued)

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Business-type activities				
Capital assets, being depreciated:				
Furniture and equipment	\$ 5,064,260	\$ 376,204	\$ (221,782)	\$ 5,218,682
Accumulated depreciation				
Furniture and equipment	(3,535,112)	(254,318)	215,591	(3,573,839)
Business-type activities capital assets, net	<u>\$ 1,529,148</u>	<u>\$ 121,886</u>	<u>\$ (6,191)</u>	<u>\$ 1,644,843</u>

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

Governmental activities:	
Other instructional costs	\$ 2,719,886
Student transportation services	1,374,812
Operation of plant	207,980
Depreciation - unallocated	7,769,054
Total governmental activities depreciation expense	<u>\$ 12,071,732</u>
Business-type activities:	
Food services	<u>\$ 254,318</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

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>
Capital Projects	General Fund	\$ 63,558,200
	HEPMPO	129,340
	Airport	387,660
Solid Waste Fund	General Fund	<u>326,434</u>
Total		<u>\$ 64,401,634</u>

All interfund receivables and payables are without interest.

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2017

7. INTERFUND TRANSACTIONS (continued)

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:

<u>Fund</u>	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>	<u>Capital Transfers In</u>	<u>Capital Transfers Out</u>
General Fund:				
Capital Projects	\$ -	\$ -	\$ 22,000	\$ 9,340,000
Solid Waste	-	491,400	-	-
Public Transit	-	484,470	-	-
Water Quality	-	182,770	-	-
Community Grants Management	-	266,160	-	-
Agricultural Education Center	-	173,740	-	-
Golf Course	-	346,950	-	-
HEPMPO	-	7,290	-	-
Land Preservation	-	121,765	-	-
Airport	-	14,500	-	-
Capital Projects Fund:				
General Fund	-	-	9,206,000	22,000
Airport Fund	-	-	-	-
Hotel Rental Fund	-	-	-	-
Golf Course	-	-	-	-
Land Preservation	-	-	-	400,000
Solid Waste:				
General Fund	491,400	-	-	-
Public Transit:				
General Fund	484,470	-	55,000	-
HEPMPO	-	17,440	-	-
Water Quality:				
General Fund	182,770	-	-	-
Airport:				
General Fund	14,500	-	79,000	-
Hotel Rental	50,000	-	-	-
Golf Course:				
General Fund	346,950	-	-	-
Community Grant Management Fund:				
General Fund	266,160	-	-	-
Agricultural Education Center:				
General Fund	173,740	-	-	-
HEPMPO:				
General Fund	7,290	-	-	-
Public Transit Fund	17,440	-	-	-
Hotel Rental:				
Airport	-	50,000	-	-
Cascade Town Centre	323,198	-	-	-
Land Preservation:				
General Fund	121,765	-	-	-
Capital Projects Fund	-	-	400,000	-
Cascade Town Centre:				
Hotel Rental	-	323,198	-	-
Total	<u>\$ 2,479,683</u>	<u>\$ 2,479,683</u>	<u>\$ 9,762,000</u>	<u>\$ 9,762,000</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2017

8. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

Primary Government

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. 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
Governmental Activities						
Bonds payable:						
General obligation bonds	2.0-5.5%	\$ 134,897,775	\$ 12,000,000	\$ 9,875,931	\$ 137,021,844	\$ 9,553,710
Unamortized bond premium		7,538,834	656,522	942,348	7,253,008	-
Total bonds payable		<u>142,436,609</u>	<u>12,656,522</u>	<u>10,818,279</u>	<u>144,274,852</u>	<u>9,553,710</u>
Other loans payable						
Maryland Water Quality loans	1.0%	<u>4,597,503</u>	<u>-</u>	<u>294,806</u>	<u>4,302,697</u>	<u>480,204</u>
Total bonds and loans payable		<u>147,034,112</u>	<u>12,656,522</u>	<u>11,113,085</u>	<u>148,577,549</u>	<u>10,033,914</u>
Agricultural Land Preservation	3.0%	146,006	1,486,788	294,685	1,338,109	148,679
Capital lease obligations	2.1%	32,463	1,036,682	233,364	835,781	206,721
Net pension liability		<u>66,182,236</u>	<u>43,305,352</u>	<u>-</u>	<u>109,487,588</u>	<u>-</u>
Governmental Activity Long-term Liabilities		<u>213,394,817</u>	<u>58,485,344</u>	<u>11,641,134</u>	<u>260,239,027</u>	<u>10,389,314</u>
Business-type Activities						
Bonds payable:						
General obligation bonds	2.0-5.9%	\$ 37,817,103	\$ 1,780,000	\$ 2,610,862	\$ 36,986,241	\$ 2,887,884
Unamortized bond premium		1,790,407	97,384	177,016	1,710,775	-
Unamortized bond discount		(6,579)	-	(2,714)	(3,865)	-
Total bonds payable		<u>39,600,931</u>	<u>1,877,384</u>	<u>2,785,164</u>	<u>38,693,151</u>	<u>2,887,884</u>
Other loans payable:						
Maryland Water Quality loans	0.40-1.7%	<u>12,534,512</u>	<u>-</u>	<u>997,326</u>	<u>11,537,186</u>	<u>1,505,567</u>
Total bonds and loans payable		<u>52,135,443</u>	<u>1,877,384</u>	<u>3,782,490</u>	<u>50,230,337</u>	<u>4,393,451</u>
Capital lease obligations	4.90%	<u>38,830</u>	<u>85,955</u>	<u>30,646</u>	<u>94,139</u>	<u>29,027</u>
Business-type Activity Long-term Liabilities		<u>52,174,273</u>	<u>1,963,339</u>	<u>3,813,136</u>	<u>50,324,476</u>	<u>4,422,478</u>
Total Combined Activities Long-term Liabilities		<u>\$ 265,569,090</u>	<u>\$ 60,448,683</u>	<u>\$ 15,454,270</u>	<u>\$ 310,563,503</u>	<u>\$ 14,811,792</u>
Board of Education	1.95-11.64%	<u>\$ 10,627,045</u>	<u>\$ -</u>	<u>\$ 7,756,121</u>	<u>\$ 2,870,924</u>	<u>\$ 710,845</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2017

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

Primary Government (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
2018	\$ 10,033,914	\$ 4,674,537	\$ 4,393,451	\$ 2,880,679	\$ 14,427,365	\$ 7,555,216
2019	9,316,124	4,497,028	4,973,739	2,846,486	14,289,863	7,343,514
2020	9,606,032	4,137,892	4,368,490	2,779,403	13,974,522	6,917,295
2021	10,070,214	3,770,378	3,257,138	1,000,331	13,327,352	4,770,709
2022	9,254,771	3,398,979	3,383,870	912,228	12,638,641	4,311,207
2023-2027	44,859,315	11,911,298	12,931,604	3,258,502	57,790,919	15,169,800
2028-2032	31,392,249	5,292,112	9,963,398	1,494,092	41,355,647	6,786,204
2033-2037	15,964,638	1,224,434	5,129,019	366,808	21,093,657	1,591,242
2038	827,284	13,443	122,718	1,994	950,002	15,437
Total	<u>\$ 141,324,541</u>	<u>\$ 38,920,101</u>	<u>\$ 48,523,427</u>	<u>\$ 15,540,523</u>	<u>\$ 189,847,968</u>	<u>\$ 54,460,624</u>
Less:						
Unamortized discount	-		(3,865)		(3,865)	
Unamortized premium	7,253,008		1,710,775		8,963,783	
	<u>\$ 148,577,549</u>		<u>\$ 50,230,337</u>		<u>\$ 198,807,886</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, 2017, the unused authorization was \$24,592,722.

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, 2017, there were Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$48,813,048.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2017

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

Primary Government (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, 2017, are as follows:

As of June 30,	Principal	Interest	Total Requirement
2018	\$ 148,679	\$ 26,762	\$ 175,441
2019	148,679	23,789	172,468
2020	148,679	20,815	169,494
2021	148,679	17,841	166,520
2022	148,679	14,866	163,545
Thereafter	594,714	29,736	624,450
	<u>\$ 1,338,109</u>	<u>\$ 133,809</u>	<u>\$ 1,471,918</u>

For the year ended June 30, 2017, total principal and interest incurred related to agricultural land preservation installments was \$294,685 and \$4,380, respectively.

Capital Leases

On December 3, 2013, the General Fund entered into a capital lease agreement for equipment. The lease calls for annual lease payments of \$671 through January 19, 2015, and annual lease payments of \$1,077 from February 19, 2015 through January 19, 2019. On May 30, 2017, a capital lease agreement was entered into for equipment. The lease calls for 5 annual lease payments of \$239,333 of which \$221,008 will be from the General Fund and a final lease payment of \$1. Payments commenced May 30, 2017 with the final payment of \$1 on May 30, 2022. The future minimum lease payments under this agreement are as follows:

Year ending June 30,	Amount
2018	\$ 233,933
2019	228,547
2020	221,009
2021	221,009
2022	1
Thereafter	-
Total minimum payments	<u>904,499</u>
Less: amounts representing interest	<u>68,718</u>
Present value of net minimum lease payments	<u>\$ 835,781</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

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

Primary Government (continued)

Capital Leases (continued)

On January 14, 2014, the Water Quality Fund entered into a capital lease agreement for equipment. The lease calls for annual lease payments of \$14,250 and expires January 14, 2019. On May 30, 2017, a capital lease agreement was entered into for equipment. The lease calls for 5 annual lease payments of \$239,333 of which \$18,325 will be from the Water Quality Fund and a final lease payment of \$1. Payments commenced May 30, 2017 with the final payment of \$1 on May 30, 2022. The future minimum payments under this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2018	\$ 32,575
2019	32,575
2020	18,324
2021	18,324
2022	1
Total minimum payments	101,799
Less: amounts representing interest	7,660
Present value of net minimum lease payments	<u>\$ 94,139</u>

The following is an analysis of the capital assets acquired under capital leases as of June 30, 2017.

	<u>Capitalized Amount</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value 2017</u>
General Fund	\$ 1,608,441	\$ 38,641	\$ 1,569,800
Water Quality	161,955	51,933	110,022
Total	<u>\$ 1,770,396</u>	<u>\$ 90,574</u>	<u>\$ 1,679,822</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 leases 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>
2018	\$ 710,845	\$ 85,936	\$ 796,781
2019	1,062,366	56,709	1,119,075
2020	1,097,713	20,852	1,118,565
	<u>\$ 2,870,924</u>	<u>\$ 163,497</u>	<u>\$ 3,034,421</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

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

Advance Refunding

In prior years, the County has partially defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for certain future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the partially defeased bonds are not included in the County's financial statements. As of June 30, 2017, \$31,100,000 of long-term obligations outstanding are considered defeased.

9. OPERATING LEASE AGREEMENTS

Primary Government

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. As of June 30, 2004, the building and improvements were estimated at \$2,500,000. During the year ended 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 inflow of resources 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 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 inflow of resources 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 ended 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 inflow of resources of \$3,587,724 as of June 30, 2010, will be amortized over 33 years. The terms of the agreement as amended in fiscal year 2009, allow the lessee to use the property for a period of 33 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 33 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, 2017

9. OPERATING LEASE AGREEMENTS (continued)

Primary Government (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, allow 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 inflow of resources in the amount of \$3,100,000 was recorded in the Airport Fund at the inception of the lease.

During fiscal year 2007, the County entered into a lease agreement whereby the lessee constructed a building and improvements for \$5,500,000, which was capitalized as an asset in the Airport Fund with an estimated useful life of 40 years on June 30, 2007. The terms of the agreement, which began December 1, 2006, allow 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 inflow of resources in the amount of \$5,500,000 was recorded in the Airport Fund on June 30, 2007.

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, allow 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 inflow of resources in the amount of \$3,000,000 was recorded in the Airport Fund on June 30, 2010.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

9. OPERATING LEASE AGREEMENTS (continued)

Primary Government (continued)

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, allow 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 inflow of resources in the amount of \$3,800,000 was recorded in the Airport Fund as of June 30, 2010.

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

9. OPERATING LEASE AGREEMENTS (continued)

Primary Government (continued)

During fiscal year 2013, the County entered into a lease agreement whereby the lessee constructed a building and improvements for \$2,000,000, which was capitalized as an asset in the Airport Fund with an estimated useful life of 40 years on June 30, 2013. The terms of the agreement, which began January 1, 2013, allow the lessee to use the property for a period of 30 years (initial term) with no payments due during the first five years of the initial term of the lease. The terms of the lease agreement require that the lessee pay the County annual rent of \$23,357 during the initial term of the lease with an annual increase of 2% each year. The agreement allows for an option for the lessee to continue the lease past the 30 year term at a rental payment equal to the fair market rental value of the leased property at that time. Deferred inflow of resources in the amount of \$2,000,000 was recorded in the Airport Fund as of June 30, 2013.

During fiscal year 2014, 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, 2014. The terms of the agreement, which began November 1, 2013, allow the lessee to use the property for a period of 39 years (primary term). The terms of the lease agreement require that the lessee pay the County annual rent of \$13,881 during the primary term of the lease with an annual increase of 2% 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 inflow of resources in the amount of \$5,500,000 was recorded in the Airport Fund on June 30, 2014.

During the year ending June 30, 2017, rental income for the above leases of \$884,230 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 ended June 30, 2017, outsourcing revenue of \$345,600 was recognized in the Water Quality Fund.

On January 19, 2012, Black Rock Golf Course entered into a new lease for golf carts. The agreement called for monthly lease payments of \$8,077 payable from April through November of each year. The lease term is for six years commencing on March 1, 2012. Total lease payments for the year ended June 30, 2017, were \$64,616.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

10. UNUSED VACATION AND SICK LEAVE

Primary Government

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, 2017, 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 as of June 30, 2017, was \$2,654,028 and \$518,351, 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 15 years of service or 55 years of age. Total unpaid vacation and sick leave accrued at June 30, 2017 amounted to \$7,068,466. Total employee related costs associated and accrued with these compensated absences amounted to \$502,311 at June 30, 2017. For governmental funds, \$656,355 at June 30, 2017 is considered payable with current resources and is included in accrued liabilities. This amount represents the pending payouts of unused leave owed to employees separated from active service as of the year ended June 30, 2017. The remaining amounts are estimated to be used in subsequent fiscal years, are maintained separately and represent a reconciling item between the fund and government-wide financial statement presentations.

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2017

11. RETIREMENT PLANS

Primary Government (continued)

Plan Description (continued)

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.

Effective July 1, 2013 the Employees' Retirement Plan was amended. The amendment affected only non-uniformed employees. Non-uniformed employees were required to make an election to either remain under the former plan provisions or opt to participate under the new rules. For employees electing to remain under the former plan rules, a non-uniformed employee may retire at the earlier of age 60 or 30 years of eligibility service. Non-uniformed employees retirement benefits provide approximately 60% of average pay after 30 years of service. Non-uniformed employees may take early retirement with reduced benefits at 25 years of service.

Under the amended plan a non-uniformed employee may retire at the earlier of age 60 or 25 years of service. Retirement benefits would provide approximately 50% of average pay after 25 years. There is no longer an early retirement option.

Employees hired after September 1, 2013 are required to participate in the amended plan.

The net pension liability by plan is as follows:

Retirement Plan

Net Pension Liability	\$ 108,256,099
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LOSAP Plan

Net Pension Liability	1,231,489
	<u>\$ 109,487,588</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

11. RETIREMENT PLANS (continued)

Primary Government (continued)

Investments

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%

Funding Policy

The contribution requirements of Plan members and the County are established and may be amended by the County Commissioners. Under the amended plan, all plan members are required to contribute 6%. Non-uniformed employees electing to remain under the old plan are required to contribute 5.5%.

All information that follows for the Plan is measured as of June 30, 2017, which is the latest actuarial report available.

Membership of the Plan

The membership consisted of the following as of June 30, 2017, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	358
Terminated Plan members entitled to but not yet receiving benefits	51
Active Plan members	776
Total	<u><u>1,185</u></u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

11. RETIREMENT PLANS (continued)

Primary Government (continued)

Actuarial Assumptions

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2017 is as follows:

<u>Investment Type</u>	<u>% of Portfolio</u>	<u>Assumed Rate of Return</u>
Equities:	60%-70%	9%-11%
Fixed Income:	30%-40%	3%-5%

Annual Pension Cost and Net Pension Obligation

The total pension liability for the current year was determined as part of the June 30, 2017, actuarial valuation using the projected unit credit cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), and (b) projected salary increases which vary by participant service. The actuary was using the RP-2014 adjusted to 2006 Total Dataset with Generational projection using scale MP-2015 to 2015. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined by the market value of investments.

Net Pension Liability

The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2017 is as follows:

Total pension liability	\$ 212,254,932
Net position	<u>(103,998,833)</u>
Net pension liability	<u>\$ 108,256,099</u>

Net position as a percentage of total pension liability is 49%.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

11. RETIREMENT PLANS (continued)

Primary Government (continued)

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Plan, calculated using a discount rate of 7.50% as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	1.0% decrease (6.50%)	Current rate 7.50%	1.0% increase (8.50%)
Net pension liability	<u>\$ 133,856,976</u>	<u>\$ 108,256,099</u>	<u>\$ 86,995,390</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2017, the County recognized pension expense of \$2,931,673 for the Plan. As of June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 7,280,816	\$ -
Change in assumptions	17,618,627	-
Net difference between projected and actual investment earnings	<u>4,811,267</u>	<u>2,941,360</u>
Total	<u>\$29,710,710</u>	<u>\$ 2,941,360</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

11. RETIREMENT PLANS (continued)

Primary Government (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

The above amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in the pension expense as follows:

<u>Years Ended June 30,</u>	<u>Amount</u>
2018	\$ 7,241,810
2019	7,241,809
2020	6,796,211
2021	5,489,520
Total	<u><u>\$ 26,769,350</u></u>

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 educational support 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 they may elect to join the "Pension System". All teachers hired within the State after December 31, 1979, must join the "Pension System for Teachers". The "Employees' 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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

11. RETIREMENT PLANS (continued)

Board of Education (continued)

These pension plans may provide pension benefits and death and disability benefits. A member may retire with full benefits upon the earlier of attaining age 60 or accumulating 30 years of service from the Retirement System and at 62 with specified years of service or 30 years of service regardless of age from the Pension System. Benefits generally vest after 5 years of service for employees hired before July 1, 2011 and 10 years of service for those hired after that date. The pension plans were established by the State Personnel and Pensions Article of the Annotated Code of Maryland. The State Retirement Agency issues a publicly available financial report that includes basic financial statements and required supplementary information for the pension plans. The report may be obtained by writing to State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202, or by calling 410-625-5555.

Both the "Retirement System" and the "Pension System" for teachers and educational support employees are jointly contributory. Under the "Retirement System", employees contribute 2% - 7% of their total gross salary, and under the "Pension System", employees contribute 7% their gross salary for the year. 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. The pension plans funded ratio is 69.66%, which measures the actuarial value of plan assets as a percentage of actuarial accrued liability.

- Washington County School System contributions totaling \$1,501,485 and \$1,864,791 for fiscal years 2017 and 2016, respectively; and contributions by the State of Maryland on behalf of the School System totaling \$16,286,682 and \$17,316,621 for fiscal years 2017 and 2016, respectively. All contributions were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed annually.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2017

11. RETIREMENT PLANS (continued)

Board of Education (continued)

At June 30, 2017, the School System reported a liability for its proportionate share of net pension liability that reflected a reduction for State pension support provided to the School System. The amount recognized by the School System as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the School System were as follows:

	Teachers' Retirement and Pension System	Employees' Retirement and Pension
School System's proportionate share of net pension liability	\$ -	\$ 20,007,483
State's proportionate share of net position liability associated with the School System	197,254,642	-
Total	\$ 197,254,642	\$ 20,007,483

For the year ended June 30, 2017, the School System recognized pension expense of \$22,357,476 related to governmental activities and \$38,067 related to business-type activities. As of June 30, 2017, the School System reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 2,165,151	\$ -
Net difference between projected and actual investment earnings	1,984,601	-
Difference between actual and expected experience	-	1,528,900
School System contributions subsequent to the measurement date	1,501,485	-
Total	\$ 5,651,237	\$ 1,528,900

The \$1,501,485 reported as deferred outflows of resources related to pensions resulting from the School System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

11. RETIREMENT PLANS (continued)

Board of Education (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ended June 30,</u>	<u>Amount</u>
2018	\$ 566,944
2019	566,944
2020	566,944
2021	566,944
2022	353,076

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the plan, calculated using a discount rate of 7.55% as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.55%) or 1-percentage point higher (8.55%) than the current rate:

	<u>1.0% decrease (6.55%)</u>	<u>Current rate 7.55%</u>	<u>1.0% increase (8.55%)</u>
Net pension liability	\$ 27,482,013	\$ 20,007,483	\$ 13,788,242

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.

12. RISK MANAGEMENT

Primary Government

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

12. RISK MANAGEMENT (continued)

Primary Government (continued)

Contributions from employees, retirees and other governmental non-profit agencies are offset against budget amounts charged in the related fund. Under this plan, the County's General Fund bears all risk of loss.

The County has established claims liabilities based on estimates of the ultimate cost of settling the claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claim costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The liability for estimated claims was determined to be \$867,189 which is reflected in the accompanying financial statements as of June 30, 2017. Changes in the claims liability were as follows:

	Years Ended June 30,	
	2017	2016
Liability, beginning of year	\$ 1,150,931	\$ 1,056,288
the year		
the year	14,057,816	14,527,289
Claims and administrative costs paid	(14,341,558)	(14,432,646)
Liability, end of year	\$ 867,189	\$ 1,150,931

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, 2017

12. RISK MANAGEMENT (continued)

Primary Government (continued)

The County Commissioners have also established a self-insurance plan for Workers' Compensation claims whereby the County is liable for the first \$600,000 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 \$656,541, which is reflected in the accompanying financial statements as of June 30, 2017. Changes in the claims liability were as follows:

	Years Ended June 30,	
	2017	2016
Liability, beginning of year	\$ 741,292	\$ 777,183
the year		
the year	577,364	815,104
Claims and administrative costs paid	(662,115)	(850,995)
Liability, end of year	<u>\$ 656,541</u>	<u>\$ 741,292</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, 2017

12. 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 75% 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 \$500,000 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.

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 \$33,598,869 and \$31,077,727 for the years ended June 30, 2017 and 2016, respectively.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

12. RISK MANAGEMENT (continued)

Board of Education (continued)

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, 2017 and 2016. 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,	
	2017	2016
Liability, beginning of year	\$ 3,123,917	\$ 2,625,050
Claims and changes in estimates during the year	46,473,547	44,668,598
Claims paid and accrued	(46,595,783)	(44,169,731)
Liability, end of year	<u>\$ 3,001,681</u>	<u>\$ 3,123,917</u>

13. 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.

14. 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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

14. SEGMENT INFORMATION (continued)

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.

	<u>Sewer Department</u>	<u>Pretreatment Department</u>
CONDENSED STATEMENT OF NET POSITION		
ASSETS		
Current assets	\$ 16,790,260	\$ 1,350,781
Noncurrent assets	133,887,552	4,969,156
Total Assets	<u>150,677,812</u>	<u>6,319,937</u>
DEFERRED OUTFLOW OF RESOURCES	191,020	172,920
LIABILITIES		
Other current liabilities	10,658,873	1,390,951
Noncurrent liabilities	25,924,888	2,426,995
Total Liabilities	<u>36,583,761</u>	<u>3,817,946</u>
Net Position		
Net investment in capital assets	111,993,614	1,998,930
Unrestricted	(3,415,265)	675,981
Restricted - capital projects	5,706,722	-
Total Net Position	<u><u>\$ 114,285,071</u></u>	<u><u>\$ 2,674,911</u></u>
CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION		
Operating revenue	\$ 9,407,453	\$ -
Lease income	-	345,600
Depreciation expense	(2,492,855)	(187,284)
Other operating expenses	(8,208,575)	(21,019)
Operating income	<u>(1,293,977)</u>	<u>137,297</u>
Non-operating revenue (expenses):		
Interest expense	(896,625)	(138,230)
Interest income	139,022	-
Capital contributions	12,663,069	-
Change in Net Position	10,611,489	(933)
Net Position, beginning of year	103,673,582	2,675,844
Net Position, End of Year	<u><u>\$ 114,285,071</u></u>	<u><u>\$ 2,674,911</u></u>
CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided (used) by:		
Operating activities	\$ (584,593)	\$ 353,381
Capital and related financing activities	10,321,296	(855,129)
Investing activities	(19,073,149)	-
Net increase	(9,336,446)	(501,748)
Cash and cash equivalents, beginning of year	19,055,999	1,852,529
Cash and Cash Equivalents, End of Year	<u><u>\$ 9,719,553</u></u>	<u><u>\$ 1,350,781</u></u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

15. 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 \$150,252 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, 2017.

The Resh Landfill has reported a landfill post-closure care liability of \$4,300,606 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, 2017.

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, 2017. The Rubble Landfill was closed in December 2000. No current expense was recognized in the Solid Waste Fund for the year ended June 30, 2017.

The 40 West Landfill began operation in fiscal year 2001. The estimated life of this landfill is approximately 120 years as of June 30, 2017, it is estimated that approximately 17.96% of the capacity has been used. The estimated costs associated with closure and post-closure care of \$8,449,494 was reported as a liability in the Solid Waste Fund at June 30, 2017. The County will recognize \$47,055,727 of estimated cost associated with the closure and post-closure care as capacity is filled. During the fiscal year 2012 engineering re-designed the cells at 40 West Landfill. This change in estimate increased the airspace by 4 million cubic yards along with the life of the landfill by 62 years. This change in accounting estimate has no effect on the total estimated cost but will extend the landfill life from 58 years to 120 years.

The above estimates are based on estimated current costs to perform all closure and post-closure care. Actual costs may be higher due to inflation, deflation, changes in technology, or changes in applicable laws or regulations. The County is required by state and Federal laws and regulations to meet certain closure and post-closure financial assurance requirements. The County has satisfied these requirements by demonstrating in information submitted by the CFO that they meet the Local Government Financial Test as of June 30, 2017, as specified in 40CFR258.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS

Primary Government

Plan Description

The County offers postretirement health care benefits to employees who retire from the County under normal or early retirement provisions of the pension plan. The health care benefits are provided until the retiree is eligible for Medicare. Retirees who exercise the one-time option for the health care benefits pay one-half of the estimated cost of the benefits. The County pays the remaining cost as part of its self-insurance program. Currently, forty-one retirees are receiving benefits and twenty seven 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 or turn 65. One former employee and their spouse are receiving this benefit.

Investments

The County's OPEB 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.

Investment Type	Range	Target
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%

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Primary Government (continued)

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.

Components of Net OPEB Obligation

Annual Required Contribution	\$ 1,261,000
Interest on Net OPEB Obligation	156,000
Adjustment to Annual Required Contribution	<u>(155,000)</u>
Annual OPEB Cost (Expense)	1,262,000
Contributions Made or Accrued	<u>2,249,000</u>
Increase in Net OPEB Asset	(987,000)
Net OPEB Asset - Beginning of Year	<u>(2,047,375)</u>
Net OPEB Asset - End of Year	<u><u>\$ (3,034,375)</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three years as of June 30, is as follows:

Fiscal Year	Annual OPEB	Percentage of	
Ended June 30,	Cost	Annual OPEB	Net OPEB Asset
		Cost Contributed	
2017	\$ 1,261,000	178.35%	\$ (3,034,375)
2016	1,203,000	123.80%	(2,047,375)
2015	1,169,915	147.41%	(1,767,775)

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Primary Government (continued)

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.

Net OPEB Liability

The net OPEB liability is equal to the total OPEB liability minus the net position of the plan. The result as of June 30, 2017 is as follows:

Total OPEB liability	\$ 23,078,316
Plan fiduciary Net position	(20,205,990)
Net OPEB liability	<u>\$ 2,872,326</u>

Net position as a percentage of total OPEB liability is 87.54%.

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. Best estimates of arithmetic assumed rates of return for each class included in the OPEB plans' general target asset allocation as of June 30, 2017 is as follows:

<u>Investment Type</u>	<u>% of Portfolio</u>	<u>Assumed Rate of Return</u>
Equities:	60%-70%	9%-11%
Fixed Income:	30%-40%	3%-5%

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Primary Government (continued)

In the actuarial valuation for the plan year ending June 30, 2017, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.50% 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 7.8% 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 June 30, 2017, was 21 years.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Plan, calculated using a discount rate of 7.50% as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	1.0% decrease	Current rate	1.0% increase
	(6.50%)	7.50%	(8.50%)
Net OPEB liability	<u>\$ 4,761,440</u>	<u>\$ 2,872,326</u>	<u>\$ 1,172,580</u>

Sensitivity of the net OPEB liability to changes in the health care cost trend rate

The following presents the net OPEB liability of the Plan, calculated using trend rate as well as what the Plan's net OPEB liability would be if it were calculated using a trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1.0% decrease	Trend rate	1.0% increase
Net OPEB liability	<u>\$ 629,584</u>	<u>\$ 2,872,326</u>	<u>\$ 5,492,511</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

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. The Maryland Association of Boards of Education Pooled OPEB Investment Trust issues an annual financial report for the Trust. That report may be obtained by writing to Maryland Association of Boards of Education, 621 Ridgely Avenue, Suite 300, Annapolis, Maryland 21401, or by calling 1-800-841-8197.

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. 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.

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Board of Education (continued)

Annual OPEB Cost and Net OPEB Obligation

The School System had an actuarial valuation performed for the plan as of June 30, 2017, to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC). The fiscal year 2017 estimated annual OPEB cost (expense) of \$29,025,000 was \$137,000 less than the ARC, due to adjustments related to amortization and interest on the net OPEB obligation. The School System made contributions to the plan during the year ended June 30, 2017 of \$17,503,050, resulting in an increase of the net OPEB payable of \$15,140,417. The balance of the net OPEB payable at June 30, 2017 is \$28,585,061. The School System's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past four years is as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB (Asset) Liability
2017	\$ 29,025,000	60.30%	\$ 28,585,061
2016	27,266,000	49.18%	13,444,644
2015	16,986,000	74.64%	(411,890)

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 July 1, 2016, was as follows:

Actuarial accrued liability (AAL)	\$ 335,016,000
Actuarial value of plan assets	44,204,912
Unfunded actuarial accrued liability (UAAL)	<u>\$ 290,811,088</u>

Funded ratio (actuarial value of plan assets/AAL)	13.19%
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COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Board of Education (continued)

Net OPEB Liability

The components of the net OPEB liability of the School System as of June 30, 2017, were as follows:

Total OPEB liability	\$ 293,815,000
Plan fiduciary Net position	<u>(55,491,860)</u>
Net OPEB liability	<u><u>\$ 238,323,140</u></u>

Plan fiduciary net position as a percentage of the total OPEB liability 18.89%

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.

The actuarial assumption and related discount rate disclosures as required by GASB 74 are included in a separately issued report available from the Board of Education.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plan, calculated using a discount rate of 5.50% as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.50%) or 1-percentage point higher (6.50%) than the current rate:

	1.0% decrease (4.50%)	Current rate 5.50%	1.0% increase (6.50%)
Net OPEB liability	<u><u>\$ 284,544,140</u></u>	<u><u>\$ 238,323,140</u></u>	<u><u>\$ 200,797,140</u></u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

17. CONTINGENCIES AND COMMITMENTS

Board of Education (continued)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the Plan, calculated using trend rate as well as what the Plan's net OPEB liability would be if it were calculated using a trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1.0% decrease</u>	<u>Trend rate</u>	<u>1.0% increase</u>
Net OPEB liability	<u>\$ 196,050,140</u>	<u>\$ 238,323,140</u>	<u>\$ 292,322,140</u>

Detailed OPEB plan information for the School System is available in a separately issued audited financial statements available on the School System's website.

Primary Government

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, 2017. 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.

On June 23, 2014, the Board of County Commissioners of Washington County, Maryland entered into a \$4 million loan agreement with the Maryland Department of Business and Economic Development and Mack Trucks, Inc. The loan proceeds were made for eligible project costs and does not require repayment unless specific employment levels are not met. If such a condition occurs, repayments are guaranteed to DBED by the County. Mack Trucks, Inc. is contractually obligated to the County to reimburse any payments occurring as a result of the guarantee. As of June 30, 2017, there is no effect on amounts reported on the County's statement of net position or statement of activities as a result of this guarantee.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

17. CONTINGENCIES AND COMMITMENTS (continued)

Primary Government (continued)

On July 12, 2016, the Board of County Commissioners entered into a Memorandum of Understanding with the Pen Mar Development Corporation (MOU). The purpose of this MOU was to set forth the agreement between parties concerning the transfer and development of real property located at the former Ft. Ritchie in Cascade, Maryland. On September 15, 2016, Pen Mar Development Corporation conveyed, for no monetary consideration, all real property, contracts, leases, liabilities, and personal property not specifically excluded held by Pen Mar to the Board.

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, 2017, 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 \$7,664,445.

The School System leases classroom space, cafeteria space, storage, and parking deck passes for the Barbara Ingram School for the Arts. These leases are renewable on an annual basis. The lease for the parking deck spaces does not have a set term. Total required minimum monthly payments for the year ended June 30, 2018 were approximately \$103,244. Rent expense for these leases amounted to \$147,237 for the year ended June 30, 2017.

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 *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

18. COMMITTED AND ASSIGNED FUND BALANCES

Fund balances reflected in the governmental funds balance sheet as of June 30, 2017 are categorized as follows:

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Non-Spendable				
Inventory	\$ 763,099	\$ -	\$ -	\$ 763,099
Long-term receivable	692,318	-	-	692,318
Restricted				
Programs and activities	399,655	-	537,360	937,015
Workers compensation	178,214	-	-	178,214
Capital projects	-	20,499,292	-	20,499,292
Committed				
Contingencies	37,702,339	-	-	37,702,339
Programs and activities	561,014	-	2,840,925	3,401,939
Capital projects	-	44,048,837	-	44,048,837
Assigned				
Programs and activities	16,531	-	59,185	75,716
Unassigned	-	-	(21,600)	(21,600)
Totals	\$ 40,313,170	\$ 64,548,129	\$ 3,415,870	\$ 108,277,169

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

19. 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, 2007. Generally, a volunteer must be an active volunteer on or after January 1, 2007, to be eligible for any benefit under LOSAP. LOSAP also provides for death and disability benefits.

The 2016 calendar year census shows 750 volunteers receiving at least 50 points, which qualifies them for LOSAP credit. 167 retired volunteers and 10 spouses are participating in LOSAP. The County funds LOSAP in annual amounts determined by an actuary.

Investments

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

Investment Type	Range	Target
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%

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

19. RETIREMENT PLAN - FIRE AND RESCUE VOLUNTEERS (continued)

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2017 is as follows:

<u>Investment Type</u>	<u>% of Portfolio</u>	<u>Assumed Rate of Return</u>
Equities:	60%-70%	9%-11%
Fixed Income:	30%-40%	3%-5%

Net pension liability

The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2017 is as follows:

Total pension liability	\$ 9,641,923
Net position	<u>(8,410,434)</u>
Net pension liability	<u>\$ 1,231,489</u>

Net position as a percentage of total pension liability is 87.23%.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the plan, calculated using a discount rate of 7.50% as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	<u>1.0% decrease (6.50%)</u>	<u>Current rate 7.50%</u>	<u>1.0% increase (8.50%)</u>
Net pension liability	<u>\$ 2,399,387</u>	<u>\$ 1,231,489</u>	<u>\$ 255,810</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2017

19. RETIREMENT PLAN - FIRE AND RESCUE VOLUNTEERS (continued)

Pension expense and deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2017, the County recognized pension expense of (\$70,278). As of June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to the length of service award program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 870,655	\$ 4,489,452
Change in assumptions	958,926	-
Net difference between projected and actual investment earnings	405,864	230,022
Total	<u>\$ 2,235,445</u>	<u>\$ 4,719,474</u>

The above amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Years Ended June 30,	Amount
2018	\$ (508,321)
2019	(508,322)
2020	(548,625)
2021	(657,042)
2022	(599,542)
Thereafter	337,823
Total	<u>\$ (2,484,029)</u>

REQUIRED SUPPLEMENTARY INFORMATION

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COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Funding Progress – OPEB Trust Fund June 30, 2017

Other Postemployment Benefit (OPEB) Trust

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2013	\$ 11,216,550	\$ 18,745,334	\$ 7,528,784	59.84%	\$ 35,288,757	21.33%
7/1/2014	14,285,774	19,164,845	4,879,071	74.54%	33,098,009	14.74%
7/1/2015	15,964,542	19,343,000	3,378,458	82.53%	31,662,000	10.67%
7/1/2016	17,081,105	20,629,000	3,547,895	82.80%	33,462,000	10.60%

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Changes in Net OPEB Liability and Related Ratios June 30, 2017

	2017
Service Cost: Retirement benefits Administration	\$ 954,012
Interest	1,575,492
Benefit payments	(147,184)
Net changes in total OPEB liability	2,382,320
Total OPEB liability - beginning	20,695,996
Total OPEB liability - ending (a)	\$ 23,078,316
Plan fiduciary net position	
Contributions - employer	\$ 1,347,184
Net investment income	1,948,027
Benefit payments	(147,184)
Net changes in plan fiduciary net position	3,148,027
Plan fiduciary net positions - beginning	17,057,963
Plan fiduciary net positions - ending (b)	\$ 20,205,990
County's net OPEB - liability - ending (a) - (b)	\$ 2,872,326
Plan fiduciary net position as a percentage of total pension liability	87.55%
Covered employee payroll	\$ 33,462,000
Net liability as a percentage of covered payroll	8.58%
Annual money-weighted rate of return, net of investment expense	7.61%
Notes to schedule:	
This information is not available for FY16 and prior.	

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of OPEB Trust Fund Employer Contributions June 30, 2017

	<u>2017</u>
Actuarially determined contribution	\$ 1,261,000
Contributions in relation to the actuarially determined contributions	1,347,184
Contributions deficiency (excess)	<u>\$ (86,184)</u>
 Covered employee payroll	 \$ 33,462,000
Contributions as a percentage of covered employee payroll	4.03%

Notes to schedule:

Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2016,
12 months prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Cost method	Entry age normal
Amortization method	Closed
Amortization period	21
Asset valuation method	Market value of assets
Discount rate	7.50% for FYE 2016
Payroll increase	3.00% for FYE 2016
Medical trend	Based on the Society of Actuaries Long Term Medical Trend Model: 5.90% and the ultimate rate is 4.00%

This information is not available for FY16 and prior.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios – General Employees’ Pension Fund June 30, 2017

	2017	2016	2015	2014
Service Cost: Retirement benefits Administration	\$ 4,903,615	\$ 3,124,202	\$ 3,508,850	\$ 6,922,217
Interest	11,595,913	10,745,024	10,252,003	7,708,164
Benefit payments, including refunds of member contributions	(8,860,156)	(7,789,289)	(6,880,888)	(6,004,033)
Changes of benefit terms	22,002,473	1,358,032	-	-
Differences between expected and actual experiences	3,657,687	6,532,000	-	-
Changes of assumptions	19,913,151	2,532,160	-	-
Net changes in total pension liability	53,212,683	16,502,129	6,879,965	8,626,348
Total pension liability - beginning	159,042,249	142,540,120	135,660,155	127,033,807
Total pension liability - ending (a)	<u>\$ 212,254,932</u>	<u>\$ 159,042,249</u>	<u>\$ 142,540,120</u>	<u>\$ 135,660,155</u>
Plan fiduciary net position				
Contributions - employer	\$ 7,010,000	\$ 6,621,156	\$ 6,786,549	\$ 6,017,521
Contributions - member	1,955,511	1,873,710	1,871,200	1,876,133
Net investment income	10,676,800	628,709	4,747,193	12,817,264
Receipts of In-kind	-	-	220,613	-
Benefit payments, including refunds of member contributions	(8,860,156)	(7,789,289)	(6,880,887)	(6,004,103)
Administrative expense	(130,631)	(98,464)	(604,197)	(238,016)
Net changes in plan fiduciary net position	10,651,524	1,235,822	6,140,471	14,468,799
Plan fiduciary net positions - beginning	93,347,309	92,111,487	85,971,016	71,502,217
Plan fiduciary net positions - ending (b)	<u>\$ 103,998,833</u>	<u>\$ 93,347,309</u>	<u>\$ 92,111,487</u>	<u>\$ 85,971,016</u>
County's net pension - liability - ending (a) - (b)	\$ 108,256,099	\$ 65,694,940	\$ 50,428,633	\$ 49,689,139
Plan fiduciary net position as a percentage of total pension liability	49.00%	58.69%	64.62%	63.37%
Covered employee payroll	\$ 33,462,000	\$ 31,662,000	\$ 33,098,009	\$ 35,288,757
Net liability as a percentage of covered payroll	323.52%	207.49%	152.36%	140.81%
Annual money-weighted rate of return, net of investment expense	0.68%	5.52%	17.59%	17.59%

Notes to schedule:

This information is not available for FY13 and prior.

Benefit changes: FY17 reflects post-retirement cost of living increase of 3% effective July 1, 2016. Post-retirement benefits are assumed to increase 1.2% per year to account for ad hoc COLAs which are adopted on and after July 1, 2017.

Change of assumptions: FY17 reflects a decrease in the expected rate of investment return from 7.75% to 7.50% and updates to the assumed rates of mortality, retirement, termination, disability and salary increases.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of General Employees' Pension Fund Employer Contributions June 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 7,009,000	\$ 6,621,000	\$ 6,786,549	\$ 6,442,087
Contributions in relation to the actuarially determined contributions	<u>7,010,000</u>	<u>6,621,000</u>	<u>6,786,549</u>	<u>6,017,521</u>
Contributions deficiency (excess)	<u>\$ (1,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 424,566</u>
Covered employee payroll	\$ 33,462,000	\$ 31,662,000	\$ 33,098,009	\$ 35,288,757
Contributions as a percentage of covered employee payroll	20.95%	20.91%	20.50%	17.05%

Notes to schedule:

Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2013,
12 months prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Cost method	Projected Unit Credit
Amortization method	Level Percentage of Payroll
Remaining amortization period	15 years for gains and losses (closed), 15 years for prior plan and assumption changes
Asset valuation method	5-year smoothed market
Inflation	3.0 percent
Salary increases	Rates vary by participant service
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation
Retirement age	Rates vary by participant age and service
Mortality	RP-2014 Total Dataset with fully generational projection using scale MP-2015

This information is not available for FY13 and prior.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios - Length of Service Award Fund June 30, 2017

	2017	2016	2015	2014
Service Cost: Retirement benefits Administration	\$ 234,716	\$ 157,984	\$ 143,037	\$ 147,049
Interest	580,130	968,187	922,814	872,518
Differences between expected and actual experiences	995,034	(6,285,232)	-	-
Changes of assumptions	356,243	906,099	-	-
Benefit payments, including refunds of member contributions	(518,538)	(490,872)	(461,316)	(431,634)
Net changes in total pension liability	1,647,585	(4,743,834)	604,535	587,933
Total pension liability - beginning	7,994,338	12,738,172	12,133,637	11,545,704
Total pension liability - ending (a)	<u>\$ 9,641,923</u>	<u>\$ 7,994,338</u>	<u>\$ 12,738,172</u>	<u>\$ 12,133,637</u>
Plan fiduciary net position				
Contributions - employer	\$ 600,000	\$ -	\$ 600,000	\$ 600,000
Net investment income	852,460	55,233	381,511	1,074,025
Receipts of In-kind	-	-	-	15,232
Benefit payments, including refunds of member contributions	(518,538)	(490,872)	(461,316)	(431,634)
Administrative expense	(30,524)	(20,610)	(23,215)	(27,429)
Net changes in plan fiduciary net position	903,398	(456,249)	496,980	1,230,194
Plan fiduciary net positions - beginning	7,507,036	7,963,285	7,466,305	6,236,111
Plan fiduciary net positions - ending (b)	<u>\$ 8,410,434</u>	<u>\$ 7,507,036</u>	<u>\$ 7,963,285</u>	<u>\$ 7,466,305</u>
County's net pension - liability - ending (a) - (b)	\$ 1,231,489	\$ 487,302	\$ 4,774,887	\$ 4,667,332
Plan fiduciary net position as a percentage of total pension liability	87.23%	93.90%	62.52%	61.53%
Covered employee payroll	NA	NA	NA	NA
Net liability as a percentage of covered payroll	NA	NA	NA	NA
Annual money-weighted rate of return, net of investment expense	11.36%	0.69%	5.11%	16.78%

Notes to schedule:

This information is not available for FY13 and prior.

Benefit changes: none

Changes of assumptions: For FY17, the mortality table was changed to RP-2014 adjusted to 2006 Total Dataset with generational projection using scale MP2015 to 2015. The investment rate of return was changed from 7.75% to 7.50%.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Volunteer Length of Service Award Fund Employer Contributions June 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 466,726	\$ -	\$ 600,000	\$ 585,843
Contributions in relation to the actuarially determined contributions	<u>600,000</u>	<u>-</u>	<u>600,000</u>	<u>600,000</u>
Contributions deficiency (excess)	<u>\$ (133,274)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,157)</u>
Covered employee payroll	NA	NA	NA	NA
Contributions as a percentage of covered employee payroll	NA	NA	NA	NA

Notes to schedule:

Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2013,
12 months prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Cost method	Projected Unit Credit
Amortization method	Level Percentage of Payroll
Remaining amortization period	15 years for gains and losses (closed), 20 years for prior plan and assumption changes
Asset valuation method	Market value
Inflation	3.0 percent
Salary increases	None
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation
Retirement age	Normal retirement age
Mortality	RP-2014 Blue Collar Total Dataset with fully generational projection using scale MP-2015

This information is not available for FY13 and prior.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statements of Financial Schedules

June 30, 2017

Non-Major Governmental Funds

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

Cascade Town Centre is a special revenue fund used to account for the redevelopment of the former Fort Ritchie Army site.

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

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statements of Financial Schedules (continued) June 30, 2017

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, 2017

	Community Grant Management	Cascade Town Centre	Inmate Welfare	Contraband	Agricultural Education Center	Hotel Rental Tax	Gaming	Land Preservation	HEPMPO	Total Non-major Funds
ASSETS										
Cash	\$ 42,773	\$ 2,517,605	\$ 160,054	\$ 159,808	\$ 23,651	\$ 274,250	\$ 1,501,976	\$ 905,127	\$ -	\$ 5,585,244
Accounts receivable	-	291,351	-	-	7,553	207,426	114,360	3,600	-	624,290
Due from other governmental agencies	196,527	-	-	-	-	-	-	-	190,085	386,612
TOTAL ASSETS	<u>\$ 239,300</u>	<u>\$ 2,808,956</u>	<u>\$ 160,054</u>	<u>\$ 159,808</u>	<u>\$ 31,204</u>	<u>\$ 481,676</u>	<u>\$ 1,616,336</u>	<u>\$ 908,727</u>	<u>\$ 190,085</u>	<u>\$ 6,596,146</u>
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	\$ 224,859	\$15,360	\$ 22,733	\$ 46,676	\$ 11,879	\$ 282,173	\$ 1,535,696	\$ 337,541	\$ 77,501	\$ 2,554,418
Due to other funds	-	-	-	-	-	-	-	-	129,340	129,340
Accrued expenses	5,628	11,054	399	-	1,323	-	6,800	5,424	1,260	31,888
Other liabilities	-	19,011	-	112,767	-	-	82	300,195	-	432,055
Unearned revenue	-	-	-	-	-	-	32,575	-	-	32,575
TOTAL LIABILITIES	<u>230,487</u>	<u>45,425</u>	<u>23,132</u>	<u>159,443</u>	<u>13,202</u>	<u>282,173</u>	<u>1,575,153</u>	<u>643,160</u>	<u>208,101</u>	<u>3,180,276</u>
FUND BALANCES										
Restricted	8,813	-	136,922	365	-	199,503	-	191,757	-	537,360
Committed	-	2,763,531	-	-	-	-	-	77,394	-	2,840,925
Assigned	-	-	-	-	18,002	-	41,183	-	-	59,185
Unassigned	-	-	-	-	-	-	-	(3,584)	(18,016)	(21,600)
TOTAL FUND BALANCES	<u>8,813</u>	<u>2,763,531</u>	<u>136,922</u>	<u>365</u>	<u>18,002</u>	<u>199,503</u>	<u>41,183</u>	<u>265,567</u>	<u>(18,016)</u>	<u>3,415,870</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 239,300</u>	<u>\$ 2,808,956</u>	<u>\$ 160,054</u>	<u>\$ 159,808</u>	<u>\$ 31,204</u>	<u>\$ 481,676</u>	<u>\$ 1,616,336</u>	<u>\$ 908,727</u>	<u>\$ 190,085</u>	<u>\$ 6,596,146</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, 2017

	Community Grant Management	Cascade Town Centre	Inmate Welfare	Contraband	Agricultural Education Center	Hotel Rental Tax	Gaming	Land Preservation	HEPMPO	Total Non-major Funds
REVENUE										
Other local taxes	\$ -	-	\$ -	\$ -	\$ -	\$ 2,030,105	\$ -	\$ 99,552	\$ -	\$ 2,129,657
Licenses and permits	-	-	-	-	-	-	2,132,132	-	-	2,132,132
Charges for services	-	-	382,227	-	-	-	-	-	-	382,227
Revenue from uses of property	-	230,146	-	-	35,810	-	-	-	-	265,956
Reimbursed expenses	-	-	-	-	3,188	-	-	-	-	3,188
Miscellaneous revenues	-	10,597.00	99,988	62,237	25	-	75	3,600	29,169	205,691
Shared taxes and grants	1,313,611	-	-	-	-	-	-	1,805,690	486,079	3,605,380
TOTAL REVENUE	<u>1,313,611</u>	<u>240,743</u>	<u>482,215</u>	<u>62,237</u>	<u>39,023</u>	<u>2,030,105</u>	<u>2,132,207</u>	<u>1,908,842</u>	<u>515,248</u>	<u>8,724,231</u>
EXPENDITURES										
Public safety	-	-	456,335	75,352	-	-	969,129	-	-	1,500,816
Parks, recreation and culture	-	-	-	-	209,733	-	-	-	-	209,733
Land preservation	-	-	-	-	-	-	-	2,335,733	-	2,335,733
General operations	-	708,740	-	-	-	581,127	187,883	-	-	1,477,750
Community promotion	1,576,734	-	-	-	-	1,379,354	969,129	-	535,079	4,460,296
TOTAL EXPENDITURES	<u>1,576,734</u>	<u>708,740</u>	<u>456,335</u>	<u>75,352</u>	<u>209,733</u>	<u>1,960,481</u>	<u>2,126,141</u>	<u>2,335,733</u>	<u>535,079</u>	<u>9,984,328</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(263,123)</u>	<u>(467,997)</u>	<u>25,880</u>	<u>(13,115)</u>	<u>(170,710)</u>	<u>69,624</u>	<u>6,066</u>	<u>(426,891)</u>	<u>(19,831)</u>	<u>(1,260,097)</u>
OTHER FINANCING SOURCES										
Transfers in	266,160	-	-	-	173,740	323,198	-	521,765	24,730	1,309,593
Transfers out	-	(323,198)	-	-	-	(50,000)	-	-	-	(373,198)
Contribute capital	-	3,554,726	-	-	-	-	-	-	-	3,554,726
TOTAL OTHER FINANCING SOURCES (USES)	<u>266,160</u>	<u>3,231,528</u>	<u>-</u>	<u>-</u>	<u>173,740</u>	<u>273,198</u>	<u>-</u>	<u>521,765</u>	<u>24,730</u>	<u>4,491,121</u>
NET CHANGES IN FUND BALANCES	<u>3,037</u>	<u>2,763,531</u>	<u>25,880</u>	<u>(13,115)</u>	<u>3,030</u>	<u>342,822</u>	<u>6,066</u>	<u>94,874</u>	<u>4,899</u>	<u>3,231,024</u>
FUND BALANCES - BEGINNING OF YEAR	<u>5,776</u>	<u>-</u>	<u>111,042</u>	<u>13,480</u>	<u>14,972</u>	<u>(143,319)</u>	<u>35,117</u>	<u>170,693</u>	<u>(22,915)</u>	<u>184,846</u>
FUND BALANCES - END OF YEAR	<u>\$ 8,813</u>	<u>\$ 2,763,531</u>	<u>\$ 136,922</u>	<u>\$ 365</u>	<u>\$ 18,002</u>	<u>\$ 199,503</u>	<u>\$ 41,183</u>	<u>\$ 265,567</u>	<u>\$ (18,016)</u>	<u>\$ 3,415,870</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statement of Net Position – Non-Major Proprietary Funds As of June 30, 2017

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
ASSETS			
Current Assets:			
Cash and short-term investments	\$ 264,547	\$ 208,648	\$ 473,195
Accounts receivable	565	10,492	11,057
Unbilled receivables	602	-	602
Due from other governmental agencies	574,009	-	574,009
Inventories	81,119	43,758	124,877
Total current assets	920,842	262,898	1,183,740
Noncurrent Assets:			
Property plant and equipment	7,323,687	4,831,191	12,154,878
Accumulated depreciation	(4,629,552)	(2,645,556)	(7,275,108)
Total noncurrent assets	2,694,135	2,185,635	4,879,770
TOTAL ASSETS	3,614,977	2,448,533	6,063,510
LIABILITIES			
Current Liabilities:			
Accounts payable	36,671	27,253	63,924
Accrued expenses	54,704	30,174	84,878
Unearned revenue	4,973	1,750	6,723
Compensated absences	50,976	21,060	72,036
Other liabilities	-	34,130	34,130
Total current liabilities	147,324	114,367	261,691
Noncurrent Liabilities:			
Compensated absences	17,755	17,578	35,333
TOTAL LIABILITIES	165,079	131,945	297,024
NET POSITION			
Net investment in capital assets	2,694,135	2,185,635	4,879,770
Unrestricted	755,763	130,953	886,716
TOTAL NET POSITION	\$ 3,449,898	\$ 2,316,588	\$ 5,766,486

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statement of Revenue, Expenses and Changes in Fund Net Position – Non-Major Proprietary Funds For the Year Ended June 30, 2017

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
OPERATING REVENUE			
Charges for services	\$ 414,541	\$ 783,197	\$ 1,197,738
Miscellaneous	33,130	8,476	41,606
TOTAL OPERATING REVENUE	<u>447,671</u>	<u>791,673</u>	<u>1,239,344</u>
OPERATING EXPENSES			
Salaries and wages	1,289,375	450,648	1,740,023
Fringe benefits	545,318	230,563	775,881
Utilities	26,343	69,795	96,138
Insurance	31,978	7,126	39,104
Repairs and maintenance	187,763	89,238	277,001
Supplies	38,273	4,442	42,715
Cost of goods sold	-	91,249	91,249
Contracted services	234,926	3,211	238,137
Rentals and leases	56,469	66,746	123,215
Other operating	278,008	103,691	381,699
Controllable assets	6,074	5,002	11,076
Depreciation	226,694	162,196	388,890
TOTAL OPERATING EXPENSES	<u>2,921,221</u>	<u>1,283,907</u>	<u>4,205,128</u>
OPERATING LOSS	<u>(2,473,550)</u>	<u>(492,234)</u>	<u>(2,965,784)</u>
OTHER INCOME			
Loss on disposal of assets	(9,176)	(11,145)	(20,321)
TOTAL OTHER INCOME	<u>(9,176)</u>	<u>(11,145)</u>	<u>(20,321)</u>
LOSS BEFORE OPERATING TRANSFERS AND GRANTS	<u>(2,482,726)</u>	<u>(503,379)</u>	<u>(2,986,105)</u>
OPERATING TRANSFERS	467,030	346,950	813,980
GRANTS FOR OPERATIONS	<u>1,498,149</u>	<u>-</u>	<u>1,498,149</u>
LOSS BEFORE CAPITAL TRANSFERS AND GRANTS	<u>(517,547)</u>	<u>(156,429)</u>	<u>(673,976)</u>
CAPITAL TRANSFERS	55,000	-	55,000
GRANTS FOR CAPITAL PROJECTS	<u>288,133</u>	<u>-</u>	<u>288,133</u>
CHANGES IN NET POSITION	<u>(174,414)</u>	<u>(156,429)</u>	<u>(330,843)</u>
NET POSITION - BEGINNING OF YEAR	<u>3,624,312</u>	<u>2,473,017</u>	<u>6,097,329</u>
NET POSITION - END OF YEAR	<u>\$ 3,449,898</u>	<u>\$ 2,316,588</u>	<u>\$ 5,766,486</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statement of Cash Flows – Non-Major Proprietary Funds For the Year Ended June 30, 2017

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 270,346	\$ 990,606	\$ 1,260,952
Payments to suppliers	(904,156)	(454,611)	(1,358,767)
Payments to employees	(1,828,629)	(675,363)	(2,503,992)
Net Cash Used by Operating Activities	(2,462,439)	(139,368)	(2,601,807)
Cash Flows from Noncapital Financing Activities			
Operating contributions	1,965,179	346,950	2,312,129
Net Cash Provided by Noncapital Financing Activities	1,965,179	346,950	2,312,129
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(42,090)	5,645	(36,445)
Loss on the sale of assets	(9,176)	(11,145)	(20,321)
Contribution for capital acquisitions	343,133	-	343,133
Net Cash Provided (Used) by Capital and Related Financing Activities	291,867	(5,500)	286,367
Net change in cash	(205,393)	202,082	(3,311)
Cash, beginning of year	469,940	6,566	476,506
Cash, End of Year	\$ 264,547	\$ 208,648	\$ 473,195
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (2,473,550)	\$ (492,234)	\$ (2,965,784)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	226,694	162,196	388,890
Changes in assets and liabilities:			
Accounts receivable	1,093	4,833	5,926
Unbilled receivables	323	-	323
Due to/from other government entities	(183,714)	192,600	8,886
Inventories	(9,827)	5,769	(4,058)
Accounts payable and other liabilities	(34,495)	(26,212)	(60,707)
Accrued expenses	7,376	9,985	17,361
Unearned revenue	4,973	1,500	6,473
Compensated absences	(1,312)	2,195	883
Net Cash Used by Operating Activities	\$ (2,462,439)	\$ (139,368)	\$ (2,601,807)

BUDGET AND ACTUAL SCHEDULE

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, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget - Positive (Negative)
REVENUE				
Property Taxes				
Real property tax	\$ 108,354,710	\$ 108,354,710	\$ 109,440,600	\$ 1,085,890
Personal property tax	12,950,000	12,950,000	14,433,675	1,483,675
Property tax interest income	430,000	430,000	390,908	(39,092)
Other property tax	651,720	651,720	805,378	153,658
State administrative fees	(600,000)	(600,000)	(554,644)	45,356
Property tax discounts and credits	(1,310,480)	(1,310,480)	(1,610,169)	(299,689)
Total Property Taxes	120,475,950	120,475,950	122,905,748	2,429,798
Other Local Taxes				
Income tax	77,500,000	77,500,000	78,891,902	1,391,902
Admissions and amusement tax	300,000	300,000	265,722	(34,278)
Recordation tax	5,800,000	5,800,000	6,305,265	505,265
Trailer tax	500,000	500,000	566,089	66,089
Total Other Local Taxes	84,100,000	84,100,000	86,028,978	1,928,978
Other Revenues				
Licenses and permits	1,310,200	1,310,200	1,189,019	(121,181)
Court costs and fines	302,300	302,300	269,806	(32,494)
Charges for services	679,750	679,750	448,532	(231,218)
Revenues from use of property	979,250	979,250	1,327,838	348,588
Reimbursed expenses	1,052,770	1,052,770	1,009,538	(43,232)
Miscellaneous revenues	396,710	492,280	1,131,263	638,983
Grant and shared revenues	2,460,720	4,643,941	4,431,597	(212,344)
Highway revenues	2,175,890	1,528,890	1,378,314	(150,576)
Total Other Revenues	9,357,590	10,989,381	11,185,907	196,526
TOTAL REVENUE	213,933,540	215,565,331	220,120,633	4,555,302
EXPENDITURES				
General Government				
Legislative				
County Commissioners	292,070	292,070	283,582	8,488
County Clerk	101,480	101,480	100,202	1,278
County Administrator	440,510	440,510	518,556	(78,046)
Public Relations	414,170	414,170	420,408	(6,238)
Purchasing	537,800	537,800	541,529	(3,729)
Total Legislative	1,786,030	1,786,030	1,864,277	(78,247)

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual General Fund (continued) For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Judicial				
Circuit Court	\$ 1,517,330	\$ 1,517,330	\$ 1,389,039	\$ 128,291
Orphan's Court	30,920	30,920	30,678	242
State's Attorney	3,339,420	3,339,420	3,247,079	92,341
Sheriff - Judicial	2,503,030	2,503,030	2,470,704	32,326
Sheriff - Process Servers	140,440	140,440	125,791	14,649
Grants	-	477,782	451,643	26,139
Total Judicial	7,531,140	8,008,922	7,714,934	293,988
Election Board	1,052,900	1,052,900	1,047,038	5,862
Financial Administration				
Budget and Finance	1,411,430	1,411,430	1,393,893	17,537
Independent Auditing	70,000	70,000	63,290	6,710
Treasurer	442,820	442,820	442,948	(128)
Information Technologies	2,192,030	2,192,030	2,183,562	8,468
Total Financial Administration	4,116,280	4,116,280	4,083,693	32,587
County Attorney	694,180	694,180	693,157	1,023
Human Resources	778,320	778,320	766,508	11,812
Planning and Zoning				
Planning and Zoning	688,330	688,330	700,696	(12,366)
Board of Zoning Appeals	53,440	53,440	52,689	751
Total Planning and Zoning	741,770	741,770	753,385	(11,615)
Public Works				
Department of Public Works	232,390	232,390	226,987	5,403
Plan Review and Permitting	931,740	922,260	1,003,422	(81,162)
Permitting	1,031,510	1,040,990	836,432	204,558
Engineering	1,613,930	1,620,680	1,590,509	30,171
Construction	1,764,870	1,764,870	1,768,569	(3,699)
Grant	-	616,718	605,618	11,100
Total Public Works	5,574,440	6,197,908	6,031,537	166,371
County Owned Buildings				
Martin Luther King Center	80,300	80,300	73,687	6,613
Administrative Building	183,600	183,600	187,429	(3,829)
Administrative Building II	103,850	103,850	115,051	(11,201)
Court House	587,230	587,230	604,598	(17,368)
County Office Building	195,310	195,310	183,009	12,301
Administration Annex	56,300	56,300	52,345	3,955
Central Services	204,200	204,200	185,352	18,848
Rental Properties	2,000	22,000	20,923	1,077
Library Maintenance	36,000	36,000	30,307	5,693
Dwyer Center	29,700	29,700	31,009	(1,309)
Public Facilities Annex	55,700	55,700	65,417	(9,717)
Total County Owned Buildings	1,534,190	1,554,190	1,549,127	5,063

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual General Fund (continued) For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Community Promotion				
Contributions to Non-profits	\$ 1,702,000	\$ 1,702,000	\$ 1,695,352	\$ 6,648
Business Development	567,500	567,500	565,277	2,223
Total Community Promotion	2,269,500	2,269,500	2,260,629	8,871
Total General Government	26,078,750	27,200,000	26,764,285	435,715
Public Safety				
Sheriff Departments				
Patrol	9,789,120	9,858,310	9,661,815	196,495
Sheriff Auxiliary	-	-	19,268	(19,268)
Narcotics Task Force	712,340	718,730	708,628	10,102
Grants	-	216,615	224,513	(7,898)
Total Sheriff Departments	10,501,460	10,793,655	10,614,224	179,431
Fire Operations				
Volunteer Fire and Rescue - County Grants	7,306,500	7,099,420	7,096,421	2,999
Air Unit	36,190	47,970	43,692	4,278
Special Operations	479,270	482,860	468,617	14,243
Total Fire and Rescue Services	7,821,960	7,630,250	7,608,730	21,520
Corrections				
Detention Center	13,530,730	13,530,730	13,369,549	161,181
Central Booking	903,080	903,080	919,898	(16,818)
Day Reporting Center	627,060	667,060	570,570	96,490
Total Corrections	15,060,870	15,100,870	14,860,017	240,853
Other Public Safety				
911 - Communications	4,426,830	4,426,830	4,499,418	(72,588)
Wireless Communications	1,250,260	1,261,260	1,259,814	1,446
Emergency Management	168,870	168,870	173,500	(4,630)
EMS Operations	1,495,950	1,559,790	1,595,895	(36,105)
Fire Operations	-	149,180	153,825	(4,645)
Medical Examiner	20,000	20,000	18,320	1,680
Civil Air Patrol	3,600	3,600	3,600	-
Animal Control	1,290,000	1,290,000	1,290,000	-
Grants	-	832,106	625,857	206,249
Other Public Safety	8,655,510	9,711,636	9,620,229	91,407
Total Public Safety	42,039,800	43,236,411	42,703,200	533,211

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual General Fund (continued) For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Health	\$ 2,339,270	\$ 2,339,270	\$ 2,339,270	\$ -
Social Services	373,390	373,390	373,390	-
Education	104,387,080	104,387,080	104,387,080	-
Parks, Recreation, and Culture				
Total Contributions to Other Agencies	3,029,330	3,029,330	3,029,330	-
Parks Department	1,706,720	1,709,650	1,760,758	(51,108)
Martin L. Snook Park Pool	128,370	128,370	136,550	(8,180)
Fitness and Recreation	874,440	874,440	868,311	6,129
Total Parks, Recreation, and Culture	5,738,860	5,741,790	5,794,949	(53,159)
Conservation of Natural Resources				
Weed Control	194,710	194,710	272,613	(77,903)
Agricultural Extension Service	232,400	232,400	232,400	-
Cooperative Extension	38,730	38,730	38,730	-
Soil Conservation Service	202,000	202,000	202,000	-
Gypsy Moth Program	10,000	10,000	7,320	2,680
Total Conservation of Natural Resources	677,840	677,840	753,063	(75,223)
Highway	10,365,890	9,718,890	10,368,937	(650,047)
General Operations	490,020	470,020	609,165	(139,145)
Unallocated Employee Insurance and Benefits	704,640	704,640	483,556	221,084

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual General Fund (continued) For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Intergovernmental				
Golf Course operating transfer	\$ 246,950	\$ 246,950	\$ 346,950	\$ (100,000)
HEPMPO operating transfer	6,730	6,730	7,290	(560)
Land Preservation operating transfer	142,730	142,730	121,765	20,965
Water Quality operating transfer	182,770	182,770	182,770	-
Public Transit operating transfer	484,470	484,470	484,470	-
Airport operating transfer	14,500	14,500	14,500	-
Capital Projects operating transfer	3,215,000	3,193,000	9,193,000	(6,000,000)
Solid Waste operating transfer	491,400	491,400	491,400	-
Grants Management operating transfer	266,160	266,160	266,160	-
Agricultural Education Center operating transfer	173,740	173,740	173,740	-
Municipality in lieu of bank shares	38,550	38,550	38,543	7
Total Intergovernmental	<u>5,263,000</u>	<u>5,241,000</u>	<u>11,320,588</u>	<u>(6,079,588)</u>
Debt Service	<u>15,475,000</u>	<u>15,475,000</u>	<u>14,688,810</u>	<u>786,190</u>
TOTAL EXPENDITURES	<u>213,933,540</u>	<u>215,565,331</u>	<u>220,586,293</u>	<u>(5,020,962)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (465,660)</u>	<u>\$ (465,660)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease			1,036,682	1,036,682
TOTAL OTHER FINANCING SOURCES (USES)			<u>\$ 1,036,682</u>	<u>\$ 1,036,682</u>
NET CHANGES IN FUND BALANCE			571,022	
FUND BALANCE - BEGINNING			<u>39,742,148</u>	
FUND BALANCE - ENDING			<u>\$ 40,313,170</u>	

OTHER SCHEDULES

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Local Management Board – Schedule of Revenue and Expenditures – Regulatory Basis For the Year Ended June 30, 2017

REVENUE

Community Partnership Agreement (CPA)	
Governor's Office for Children	\$ 674,447
Non- Community Partnership Agreement (Non-CPA)	
General Fund	266,160
Md State Department of Education	477,193
Dept. of Housing and Community Development	161,971
Total Non-Community Partnership Agreement Revenue	<u>905,324</u>
TOTAL REVENUE	<u>1,579,771</u>

EXPENDITURES

Community Partnership Agreement (CPA)	
Administrative :	
Salaries	71,438
Benefit Costs	29,129
Total CPA Administrative Expenditures	<u>100,567</u>
Programs:	
Rural Out of School Time Initiative	105,000
GOC-School Based Mental Health	211,560
GOC Clinical Services and Outreach	139,060
Family Centered Support Services	69,060
School Readiness Program	49,200
Total CPA Program Expenditures	<u>573,880</u>
Non-Community Partnership Agreement (CPA)	
Administrative:	
Salaries	80,698
Benefit Costs	51,409
Advertising	165
Community Service Awards	1,600
Dues & Subscriptions	149
Small Office Equipment	439
Office Supplies	1,890
Personal Mileage	1,042
Postage	38
Travel Expenses	411
Entertainment/business expense	53
Contracted/purchased services	71
Training	2,706
Tuition Assistance	685
Copy Machine Rental	1,327
Telephone Expenses	441
Total Non-CPA Administrative Expenditures	<u>143,124</u>
Programs:	
School Based Mental Health	120,000
MSDE - Healthy Families	477,193
Dept. of Housing and Community Development	161,971
Total Non-CPA Program Expenditures	<u>759,164</u>
TOTAL EXPENDITURES	<u>1,576,735</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u><u>\$ 3,036</u></u>

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PROPOSED FORM OF OPINION OF BOND COUNSEL

[Date of Issuance]

County Commissioners of Washington County
Hagerstown, Maryland

Dear County Commissioners:

We have acted as Bond Counsel to County Commissioners of Washington County (the “Issuer”) in connection with the issuance of its \$14,485,000 County Commissioners of Washington County Public Improvement Bonds of 2018 (the “Bonds”), dated the date hereof. All capitalized terms not defined herein shall have the meanings set forth in the Bonds.

We have examined the law and such certified proceedings and other materials as we deem necessary to render the opinions set forth below. The scope of our engagement as bond counsel extends solely to an examination of the facts and law incident to rendering the opinions specifically expressed herein.

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

We have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities, and we have not independently verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

We have assumed the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photocopies and the authenticity of the originals of such latter documents.

This opinion letter does not constitute or imply a recommendation of the market or financial value of the Bonds or an assessment of the strength or appropriateness of the covenants by the Issuer, the possibility of default, the eligibility or suitability of the Bonds as an investment, or any other legal or financial aspect of the Bonds not expressly addressed herein.

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

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

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

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

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

(d) Under existing statutes, regulations and decisions, and assuming the accuracy of certifications of the County, interest on the Bonds is excludable from gross income for federal income tax purposes. Under existing statutes, regulations and decisions, interest on the Bonds is not a tax preference item directly subject to the alternative minimum tax imposed on individuals and corporations pursuant to the Internal Revenue Code of 1986, as amended (the "Code"); however, for tax years beginning prior to January 1, 2018, interest on the Bonds held by certain corporations may be indirectly subject to federal alternative minimum tax because of its inclusion in the "adjusted current earnings" of a corporate holder. Interest on the Bonds held by foreign corporations engaged in a trade or business in the United States may be subject to the branch profits tax imposed by the Code.

The opinions set forth in this paragraph (d) are subject to the condition that the County complies with all requirements that must be satisfied subsequent to the issuance of the Bonds so that interest on the Bonds continues to be excluded from gross income for federal income tax purposes. The County has covenanted and agreed to comply with each such requirement in its Tax Certificate and Compliance Agreement of even date herewith (the "Tax Certificate"). Failure to comply with certain requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We assume no responsibility for, and will not monitor, compliance by the County with the covenants and agreements contained in the Tax Certificate. In the event of noncompliance with such covenants and agreements, available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent the interest on the Bonds from becoming includable in gross income for federal income tax purposes.

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

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity. In addition, the rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to the valid exercise of constitutional powers of the United States of America and of the sovereign police and taxing powers of the State of Maryland or other governmental units having jurisdiction.

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

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

Very truly yours,

NOTICE OF SALE

WASHINGTON COUNTY, MARYLAND
(County Commissioners of Washington County)

\$14,485,000* PUBLIC IMPROVEMENT BONDS OF 2018

**(Full Faith and Credit Obligations of the
County Commissioners of Washington County)**

Dated Date of Delivery

DTC Book-Entry

Overview and Amortization

Electronic proposals will be received via **Parity®** on behalf of County Commissioners of Washington County (the “County”) by the Chief Financial Officer of Washington County, Maryland (the “CFO”), at Room 3100, 100 West Washington Street, Hagerstown, Maryland 21740 until 11:00 a.m. Prevailing Eastern Time on Tuesday, May 8, 2018 (the “Bid Date”, unless postponed as described in this Notice of Sale) for the purchase of all (but not less than all) of the County’s Public Improvement Bonds of 2018 (the “Bonds”). The Bonds will be dated their date of delivery. Interest on the Bonds will be payable on January 1, 2019 and semiannually thereafter on July 1 and January 1 until maturity or earlier redemption. The Bonds are issued under the provisions of Chapter 60 of the Laws of Maryland of 2013 (“Chapter 60”) and Title 6 of the Code of Public Local Laws of Washington County, Maryland (2007), as amended (the “Water and Sewer Act”), as applicable. The Bonds are issued in accordance with a Resolution adopted by the Board of County Commissioners of Washington County (the “Board”) on April 24, 2018.

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

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

Public Improvement Bonds

<u>Maturing July 1*</u>	<u>Principal Amount*</u>	<u>Maturing July 1*</u>	<u>Principal Amount*</u>
2019	\$ 455,000	2029	\$ 745,000
2020	475,000	2030	770,000
2021	500,000	2031	795,000
2022	525,000	2032	825,000
2023	555,000	2033	855,000
2024	585,000	2034	885,000
2025	615,000	2035	915,000
2026	645,000	2036	950,000
2027	675,000	2037	985,000
2028	710,000	2038	1,020,000

*Preliminary; subject to change

Adjustments to Principal Amounts

Pre-sale, the County reserves the right to change the Preliminary Amounts from time to time up until 9:30 a.m. Prevailing Eastern Time on the Bid Date, by changing the aggregate principal amount of the Bonds and/or the principal amount of one or more of the maturities of the Bonds. Should a revision to the aggregate principal amount of the Bonds and/or the principal amortization schedule for the Bonds be made (the "Revised Amounts"), such revision will be published on BiDCOMP/Parity®/www.i-dealprospectus.com or www.TM3.com ("TM3") not later than 9:30 a.m. Prevailing Eastern Time on the Bid Date. In the event that no revisions are made or that such revisions are not published on BiDCOMP/Parity®/www.i-dealprospectus.com or TM3 before 9:30 a.m. Prevailing Eastern Time on the Bid Date, the Preliminary Amounts will constitute the Revised Amounts. Bidders shall submit bids based on the Revised Amounts, and the Revised Amounts will be used to compare bids for the Bonds and to select a winning bidder.

After selecting the winning bid for the Bonds, the maturity schedule of the Bonds may be adjusted as necessary in the determination of the County's financial advisor in increments of \$5,000. Such adjustments will not reduce or increase the aggregate principal amount of the Bonds from the corresponding Revised Amounts by more than 10%. The dollar amount bid for the principal of the Bonds by the successful bidder will be adjusted proportionately to reflect any reduction or increase in the aggregate principal amount of the Bonds, but the coupon rates specified by the successful bidder for all maturities of the Bonds will not change. Any such maturity schedule adjustments will be communicated to the successful bidder for the Bonds within six hours of the opening of the bids therefor. Any such adjusted bid price will reflect changes in the dollar amount of the underwriter's discount and original issue discount or premium, if any, but will not change the underwriter's discount per \$1,000 of par amount of the Bonds from the underwriter's discount that would have been received based on the purchase price in the winning bid, the coupon rates or initial offering prices specified by the successful bidder. **The successful bidder for the Bonds as so adjusted may not withdraw its bid or change the interest rates bid or initial offering prices as a result of any changes made to the principal amounts of the Bonds within these limits.** ALL BIDS SHALL REMAIN FIRM FOR 6 HOURS AFTER THE TIME SPECIFIED FOR OPENING OF BIDS.

Serial Bonds and/or Term Bonds

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

Purpose of Issue

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

Bid Specifications

Each proposal must be submitted electronically as described below. No bid of less than 100% of par, no bid greater than 120% of par, no bid for less than all of the Bonds, and no oral or written bid except as described in this Notice of Sale will be considered by the CFO.

Each bidder shall submit one proposal on an "all or none" basis for the Bonds. Each proposal must specify the amount bid for the Bonds, which amount (i) may not be less than 100% of par, and (ii) may not be more than 120% of par. Each proposal must specify in multiples of one-eighth ($\frac{1}{8}$) or one-twentieth ($\frac{1}{20}$) of one percent (1%) the rate or rates of interest per annum which the Bonds are to bear but shall not specify (a) more than one interest rate for any Bonds having the same maturity, (b) a zero rate of interest, or (c) any interest rate for any Bonds which exceeds the interest rate stated in such proposal for any other Bonds by more than three percent (3%).

Electronic Bids Only

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

Disclaimer

Each prospective electronic bidder shall be solely responsible to submit its bid via **Parity®** as described above. Each prospective electronic bidder shall be solely responsible to make necessary arrangements to access **Parity®** for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the County nor **Parity®** shall have any duty or obligation to provide or assure access to **Parity®** to any prospective bidder, and neither the County nor **Parity®** shall be responsible for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by **Parity®**. The County is using **Parity®** as a communication mechanism, and not as the County's agent, to conduct the electronic bidding for the Bonds. The County is not bound by any advice and determination of **Parity®** to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the bid parameters specified in this Notice of Sale. All costs and expenses incurred by prospective bidders in connection with their submission of bids via **Parity®** are the sole responsibility of the bidders; and the County is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying, or withdrawing a bid for the Bonds, such bidder should telephone **Parity®** at (212) 849-5021 and notify the County's financial advisor, Public Consultants, Inc. by facsimile at (410) 581-9808 and by telephone at (410) 581-4820.

Electronic Bidding Procedures

Electronic bids must be submitted for the purchase of the Bonds via **Parity®**. Bids will be communicated electronically to the County on May 8, 2018 (or such later Bid Date as announced in accordance with this Notice of Sale) at 11:00 a.m. Prevailing Eastern Time. Prior to that time, a prospective bidder may (1) submit the proposed terms of its bid via **Parity®**, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds, or (3) withdraw its proposed bid. Once the bids are communicated electronically via **Parity®** to the County, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided, subject to this Notice of Sale. The County shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, **Parity®**, the use of such facilities being the sole risk of the prospective bidder. For purposes of the electronic bidding process, the time as maintained on **Parity®** shall constitute the Prevailing Eastern Time.

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

Basis of Award

Proposals will be communicated electronically on the Bid Date at 11:00 a.m. Prevailing Eastern Time. Proposals will be awarded on behalf of the County by the CFO. The successful bidder will be determined based on the lowest interest cost to the County. The lowest interest cost shall be determined in accordance with the true interest cost ("TIC") method by doubling the semiannual interest rate (compounded semi-annually) necessary to discount the debt service payments from the payment dates to the date of the Bonds and to the price bid. If two or more bidders offer to purchase the Bonds at the same lowest interest cost, then such award will be made to the bidder offering the highest purchase price. If two or more bidders offer to purchase the Bonds at the same lowest interest cost, with the same purchase price, the County shall have the right to award all of the Bonds to one bidder. The CFO will execute and deliver an order or orders of award promptly after the apparent successful bidder for the Bonds pays the Good Faith Deposit therefor provided for herein by federal funds wire transfer (see "Good Faith Deposits and Award" below). Notwithstanding the foregoing, the County, by the CFO, reserves the right to reject any and all proposals for the Bonds and to waive any informality or irregularity in any proposal and the judgment of the CFO with respect to such matters shall be final and binding upon all bidders with respect to the form and adequacy of any proposal received for the Bonds and as to its conformity to the terms of this Notice of Sale or with respect to the determination to reject any and all bids for the Bonds.

Good Faith Deposit and Award

The apparent successful bidder for the Bonds shall submit a good faith deposit in the amount of \$144,850 (the "Good Faith Deposit") as provided below. A Good Faith Deposit will secure the County from any loss resulting from the failure of the apparent successful bidder to comply with the terms of its bid. The apparent successful bidder shall transfer the Good Faith Deposit by wire transfer directly to the County upon notification of the preliminary award of the Bonds, but in any case no later than 3:00 p.m. Prevailing Eastern Time on the Bid Date (the "Deposit Deadline"). Wire instructions will be provided to the apparent successful bidder by the County's financial advisor upon notification of the preliminary award.

The apparent successful bidder will provide as quickly as it is available evidence of the wire transfer to the County's financial advisor by providing to the County's financial advisor the federal funds reference number. The formal award of the Bonds, if made, will be indicated on **Parity®** and shall not be made until the County's financial advisor has confirmation of receipt of the Good Faith Deposit therefor, and if the apparent successful bidder fails to so deliver the Good Faith Deposit by the Deposit Deadline, the County will have the option to withdraw the preliminary award without any liability to the apparent successful bidder and the apparent successful bidder shall be responsible to the County for all consequential damages arising from such withdrawal.

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

If the aggregate principal amount of the Bonds is adjusted as described above under "Adjustments to Principal Amounts", no adjustment will be made to the Good Faith Deposit.

Establishment of Issue Price

The County expects and intends that the provisions of U.S. Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purpose of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds because (i) the County will disseminate this Notice of Sale to potential underwriters (as defined below) in a manner that is reasonably designed to reach potential underwriters, (ii) all bidders will have an equal opportunity to bid, (iii) the County may receive bids from at least three underwriters of municipal bonds that have established industry reputations for underwriting new issuances of municipal bonds, and (iv) the County anticipates awarding the sale of the Bonds to the bidder that submits a firm offer to purchase the Bonds at the lowest possible TIC, as set forth herein. If such competitive sale requirements are met, the successful bid for the Bonds will be treated as a "Qualified Competitive Bid". If the competitive sale requirements are not met, the successful bid for the Bonds will be treated as a "Nonqualified Competitive Bid". **It is noted that the procedures for a Nonqualified Competitive Bid may require the winning bidder and, if applicable, other underwriters of the Bonds, to hold the initial offering prices of the Bonds for some or all maturities of the Bonds for up to five (5) business days after the sale date (as defined below), as further specified below.**

By submitting a bid, each bidder (i) confirms that its bid is a firm offer for the purchase of the Bonds, on the terms set forth in its bid and this Notice of Sale (as this Notice of Sale may be modified in accordance with its terms), except as permitted by this Notice of Sale, and (ii) represents that it has an established industry reputation for underwriting new issuances of municipal bonds.

The County will advise the apparent successful bidder as promptly as possible after bids are received whether its bid constitutes a Qualified Competitive Bid or a Nonqualified Competitive Bid.

If the apparent successful bid is a Qualified Competitive Bid, as promptly as possible after bids are received, the County will notify the apparent successful bidder and such bidder, upon such notice, shall advise the County of the reasonably expected initial offering price to the public of each maturity of the Bonds.

If the apparent successful bid is a Nonqualified Competitive Bid, the County shall treat (i) the first price at which 10% of a maturity of the Bonds (the “10% test”) is sold to the public (as defined below) as of the date and time of award of the Bonds as the issue price of that maturity, if applicable, and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the “hold-the-offering-price rule”), in each case applied on a maturity-by-maturity basis. The successful bidder shall advise the County if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds. Any maturity of the Bonds as to which the successful bidder has not so advised the County that the 10% test has been satisfied as of the date and time of award of the Bonds shall be subject to the hold-the-offering-price rule. Bids will not be subject to cancellation if the hold-the-offering-price rule applies to any maturity of the Bonds. **Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Bonds.**

By submitting a bid, the successful bidder shall (i) confirm that the underwriters have offered or will offer to sell the Bonds to the public on or before the date of sale at the offering price or prices (the “initial offering prices”), or at the corresponding yield or yields, set forth in the bid submitted by the successful bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following: (1) the close of fifth (5th) business day after the sale date or (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price for that maturity to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

For a Nonqualified Competitive Bid, the successful bidder shall promptly advise the County when the underwriters have sold to the public 10% of any maturity subject to the hold-the-offering-price rule at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

The County acknowledges that, in making the representations set forth above, the successful bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that any underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and related pricing wires. The County further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer that is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the successful bidder and as set forth in the related pricing wires and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until is notified by the successful bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

Sale of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) “public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an underwriter or related party;
- (ii) “related party” generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly;
- (iii) “sale date” means the date that the Bonds are awarded by the County to the successful bidder; and
- (iv) “underwriter” means (A) any person that agrees pursuant to a written contract with the County (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public, and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) of this definition to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public).

The successful bidder must deliver to the County at closing an “issue price” or similar certificate establishing the issue price of the Bonds in accordance with U.S. Treasury Regulation 1.148-1, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit 1 (for a Qualified Competitive Bid) or Exhibit 2 (for a Nonqualified Competitive Bid), as applicable, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the County and bond counsel to the County.

All actions to be taken on behalf of the County under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the County by the County’s financial advisor, Public Advisory Consultants, Inc., and any notice or report to be provided to the County may be provided to the County’s financial advisor Public Advisory Consultants, Inc. or bond counsel.

Security

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

Book-Entry Only

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

Principal and interest on the Bonds will be paid to Cede & Co., nominee of DTC, as registered owner of the Bonds on the dates such principal and interest are payable.

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

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

Optional Redemption

The Bonds that mature on or before July 1, 2027, are not subject to redemption at the option of the County prior to their maturities. The Bonds that mature on or after July 1, 2028, are subject to redemption at the option of the County in whole or in part on any date on or after July 1, 2027, in any order directed by the County, at a redemption price of the principal amount of the Bonds (or portions thereof) to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium or penalty.

Legal Opinion

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

CUSIP Numbers

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

Official Statement

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

Continuing Disclosure

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

Delivery of the Bonds

Delivery of the Bonds will be made to the successful bidder through the facilities of DTC on or about May 22, 2018. Payment for the Bonds shall be made in immediately available funds.

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

Amendment and Postponement

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

The County reserves the right to postpone, from time to time, the date established for the receipt of bids. Any such postponement will be communicated through BiDCOMP/Parity@/www.i-dealprospectus.com or TM3. If any date fixed for the receipt of bids and the sale of the Bonds is postponed, any alternative Bid Date will be announced via BiDCOMP/Parity@/www.i-dealprospectus.com or TM3 at least 24 hours prior to such alternative Bid Date. In addition, the County reserves the right, on the date established for the receipt of bids, to reject all bids for the Bonds and establish a subsequent date on which bids for the Bonds will again be received. If all bids for the Bonds are rejected and a subsequent date for receipt of bids for the Bonds established, notice of the subsequent Bid Date will be announced via BiDCOMP/Parity@/www.i-dealprospectus.com or TM3 at least 24 hours prior to such subsequent Bid Date. On any such alternative or subsequent Bid Date, any bidder may submit a proposal for the purchase of the Bonds in conformity in all respects with this official Notice of Sale except for the Bid Date and except for the changes announced by BiDCOMP/Parity@/www.i-dealprospectus.com or TM3 at the time the alternative or subsequent Bid Date and time are announced.

Any proposal submitted shall be made in accordance with this Notice of Sale, including any modifications, amendments or changes communicated via BiDCOMP/Parity@/www.i-dealprospectus.com or TM3 in accordance with the provisions of this Notice of Sale.

The Preliminary Official Statement dated May 2, 2018, together with this Notice of Sale, will be supplied to prospective bidders upon request made in writing to the County's financial advisor, Public Advisory Consultants, Inc., 25 Crossroads Drive, Suite 402, Owings Mills, Maryland 21117, or by telephone, (410) 581-4820 or by facsimile transmission, (410) 581-9808, or by email, pac@paconsults.com.

By: /s/ Terry L. Baker

WASHINGTON COUNTY, MARYLAND

**FORM OF ISSUE PRICE CERTIFICATE FOR
QUALIFIED COMPETITIVE BID**

\$ _____
**COUNTY COMMISSIONERS OF WASHINGTON COUNTY
PUBLIC IMPROVEMENT BONDS OF 2018**

ISSUE PRICE CERTIFICATE (Qualified Competitive Bid)

The undersigned, on behalf of [WINNING BIDDER] (the “Purchaser”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) to be issued by County Commissioners of Washington County (the “Issuer”). Certain capitalized terms used in this certificate are defined in paragraph 2 below.

1. *Reasonably Expected Initial Offering Price.*

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Purchaser are the prices listed in Schedule A hereto (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Purchaser in formulating its bid to purchase the Bonds. Attached hereto as Schedule B is a true and correct copy of the bid provided by the Purchaser to purchase the Bonds.

(b) The Purchaser was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Purchaser constituted a firm offer to purchase the Bonds.

2. *Defined Terms.*

“Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates are treated as separate Maturities.

“Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

“Sale Date” means the first day on which there is a binding contract in writing for the sale of the Bonds. The Sale Date of the Bonds is May 8, 2018.

“Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and Compliance Agreement of the Issuer and with respect to compliance with the federal income tax rules affecting the Bonds, and by Funk & Bolton, P.A., bond counsel to the Issuer, in rendering its opinion that the interest on the Bonds is excludable from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice bond counsel may give to the Issuer from time to time relating to the Bonds.

_____, as Purchaser

By: _____
Name:
Title:
(Authorized Signatory)

Dated: _____, 2018

SCHEDULE A

EXPECTED OFFERING PRICES

[To be Attached]

SCHEDULE B

COPY OF PURCHASER'S BID

[To be Attached]

**FORM OF ISSUE PRICE CERTIFICATE FOR
NONQUALIFIED COMPETITIVE BID**

\$ _____
**COUNTY COMMISSIONERS OF WASHINGTON COUNTY
PUBLIC IMPROVEMENT BONDS OF 2018**

ISSUE PRICE CERTIFICATE (Nonqualified Competitive Bid)

The undersigned, on behalf of [NAME OF THE WINNING BIDDER] (the “[SHORT FORM NAME OF WINNING BIDDER]”), [on behalf of itself and [NAMES OF MEMBERS OF THE UNDERWRITING SYNDICATE] (together, the “Underwriting Syndicate”) hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) to be issued by County Commissioners of Washington County (the “Issuer”). Certain capitalized terms used in this certificate are defined in paragraph 3 below.

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold by [SHORT FORM NAME OF WINNING BIDDER][the Underwriting Syndicate] to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) The [SHORT FORM NAME OF WINNING BIDDER][Underwriting Syndicate] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Notice of Sale and bid award, [the SHORT FORM NAME OF WINNING BIDDER][the members of the Underwriting Syndicate] [has][have] agreed in writing that (i) for each Maturity of the Hold-the-Offering-Price Maturities, [it][they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer that is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer that is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. ***Defined Terms.***

“General Rule Maturities” means those Maturities of the Bonds listed on Schedule A hereto as the “General Rule Maturities”.

“Hold-the-Offering-Price Maturities” means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities”.

“Holding Period” means, with respect to each Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth (5) business day after the Sale Date, or (ii) the date of which the [SHORT FORM NAME OF WINNING BIDDER][Underwriters] [has][have] sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering Price Maturity.

“Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates are treated as separate Maturities.

“Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or related party to an Underwriter. The term “related party” for purposes of

this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

“Sale Date” means the first day on which there is a binding contract in writing for the sale of the Bonds. The Sale Date of the Bonds is May 8, 2018.

“Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and Compliance Agreement of the Issuer and with respect to compliance with the federal income tax rules affecting the Bonds, and by Funk & Bolton, P.A., bond counsel to the Issuer, in rendering its opinion that the interest on the Bonds is excludable from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice bond counsel may give to the Issuer from time to time relating to the Bonds.

[NAME OF WINNING BIDDER] [, as Representative of the
Underwriting Syndicate]

By: _____
Name:
Title:
(Authorized Signatory)

Dated: _____, 2018

SCHEDULE A

SALE PRICES OF THE GENERAL RULE MATURITIES

[To be Inserted or Attached]

INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES

[To be Inserted or Attached]

SCHEDULE B

PRICING WIRE OR EQUIVALENT COMMUNICATION

[To be Attached]

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\$14,485,000
COUNTY COMMISSIONERS OF WASHINGTON COUNTY
PUBLIC IMPROVEMENT BONDS OF 2018

PROPOSED FORM OF
CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by **COUNTY COMMISSIONERS OF WASHINGTON COUNTY** (the “Issuer”) in connection with the issuance of its \$14,485,000 Public Improvement Bonds of 2018 (the “Bonds”). The Bonds are being issued pursuant to a Resolution adopted on April 24, 2018. The Issuer covenants and agrees as follows:

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

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

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

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

“**Official Statement**” shall mean the Official Statement dated May 8, 2018 relating to the Bonds.

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

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

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

(a) The Issuer shall provide to the MSRB annual financial information and operating data generally consistent with the information contained under the headings “General Fund Revenues and Expenditures”, “General Fund Balance Sheet” and “General Obligation and Revenue Bonds” in the Official Statement, such information to be made available within 240 days after the end of the Issuer’s fiscal year, commencing with the fiscal year ending June 30, 2018.

(b) The Issuer shall provide to the MSRB annual audited combined financial statements for the Issuer, such information to be made available within 240 days after the end of the Issuer’s fiscal year, commencing with the fiscal year ending June 30, 2018, unless the audited financial statements are not available on or before such date, in which event said financial statements will be provided promptly when and if available. In the event that audited financial statements are not available within 240 days after the end of the Issuer’s fiscal year (commencing with the fiscal year ending June 30, 2018), the Issuer will provide unaudited financial statements within said time period.

(c) The presentation of the financial information referred to in paragraph (a) and in paragraph (b) shall be made in accordance with the same accounting principles as utilized in connection with the presentation of applicable comparable financial information included in the Official Statement, provided, that the Issuer may modify the accounting

principles utilized in the presentation of financial information by amending this Disclosure Agreement pursuant to the provisions of Section 7 hereof. Changes in Generally Accepted Accounting Principles, where applicable to financial information to be provided by the Issuer, shall not require the Issuer to amend this Disclosure Agreement.

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

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

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

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

SECTION 4. Reporting of Listed Events.

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

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

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

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

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

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

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

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

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

SECTION 9. Limitation of Remedies. The Issuer shall be given written notice at the address set forth below of any claimed failure by the Issuer to perform its obligations under this Disclosure Agreement, and the Issuer shall be given 15 days to remedy any such claimed failure. Any suit or other proceeding seeking further redress with regard to any such claimed failure by the Issuer shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action. Written notice to the Issuer shall be given to the Chief Financial Officer, Washington County Administration Building, Room 3100, 100 W. Washington Street, Hagerstown, MD 21740, or at such alternate address as shall be specified by the Issuer with disclosures made pursuant to Section 3(a) or (b) hereof or a notice of occurrence of a Listed Event.

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

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

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

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

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

Date: _____, 2018

(SEAL)

ATTEST:

COUNTY COMMISSIONERS OF
WASHINGTON COUNTY

Vicki C. Lumm, County Clerk

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