

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, (b) is not a specific preference item for purposes of the federal alternative minimum tax, and (c) 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+

\$13,310,000
WASHINGTON COUNTY, MARYLAND
(COUNTY COMMISSIONERS OF WASHINGTON COUNTY)
PUBLIC IMPROVEMENT BONDS OF 2019

Dated:	Date of delivery
Due:	July 1, as shown below
Interest Payable:	January 1 and July 1
First Interest Payment Due:	January 1, 2020
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, 2029 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).

\$13,310,000
County Commissioners of Washington County
Public Improvement Bonds of 2019

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
2020	\$ 410,000	5.000%	1.560%	937777AW0	2030	\$ 675,000	5.000%	1.930% †	937777BG4
2021	430,000	5.000	1.570	937777AX8	2031	700,000	2.500	2.530	937777BH2
2022	455,000	5.000	1.590	937777AY6	2032	730,000	2.625	2.650	937777BJ8
2023	475,000	2.000	1.600	937777AZ3	2033	760,000	2.625	2.740	937777BK5
2024	500,000	2.000	1.620	937777BA7	2034	790,000	2.750	2.820	937777BL3
2025	525,000	5.000	1.670	937777BB5	2035	825,000	2.875	2.890	937777BM1
2026	555,000	5.000	1.660	937777BC3	2036	855,000	2.875	2.940	937777BN9
2027	585,000	5.000	1.720	937777BD1	2037	890,000	2.875	2.990	937777BP4
2028	615,000	5.000	1.770	937777BE9	2038	925,000	3.000	3.040	937777BQ2
2029	645,000	5.000	1.840 †	937777BF6	2039	965,000	3.000	3.080	937777BR0

†Priced at the stated yield to the first optional redemption date of July 1, 2028.

*The interest rates and prices or yields shown above are those resulting from the successful bid for the Bonds on May 7, 2019 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 21, 2019.

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 7, 2019

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

Jeffrey A. Cline, President
Terry L. Baker, Vice President
Wayne K. Keefer, Commissioner
Cort F. Meinelschmidt, Commissioner
Randall E. Wagner, Commissioner

ADMINISTRATION

Robert J. Slocum, County Administrator
Krista L. Hart, County Clerk
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 \$13,310,000 Public Improvement Bonds of 2019 (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. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect,” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Some assumptions used to develop the forecasts may not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

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, 2020, 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”).

Except during any period that the Bonds are maintained under a book-entry only system, 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”), Chapter 99 of the Laws of Maryland of 2018 (“Chapter 99”) 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-2019-10 adopted by the Board of County Commissioners of Washington County (the “Board”) on April 23, 2019 (the “Resolution”).

Chapter 60, Chapter 99 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	\$ 8,004,000
Education Projects	3,996,000
Environmental Projects	1,310,000
	<u>\$ 13,310,000</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, 2028 are not subject to redemption at the option of the County prior to their maturities. The Bonds that mature on or after July 1, 2029 are subject to redemption at the option of the County as a whole or in part at any time on or after July 1, 2028, 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 on the principal amount being redeemed 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 (or any successor securities depository) in accordance with DTC's (or such successor securities depository'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 and is not a specific preference item for purposes of the federal alternative minimum tax 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 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. All references in this Official Statement to the County’s website are provided for convenience only. The information on the County’s website is not incorporated herein, by reference or otherwise.

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***

JEFFREY A. “JEFF” CLINE, a third-term County Commissioner, serves as 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.

TERRY L. BAKER, a fourth-term County Commissioner, was first elected in 2006, and serves as Vice-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.

WAYNE K. KEEFER, a second-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., initially assumed office on April 5, 2016 and was subsequently elected to a full, four-year term in 2018. 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.

CORT F. MEINELSCHMIDT, a first-term County Commissioner, was born and raised in Washington County. He served in the United States Navy as rescue swimmer for nearly seven years. On September 30, 2003, the Department of the Navy conferred upon Mr. Meinelschmidt, the Navy and Marine Corps Achievement Medal for “the superior performance of his duties” and “more notably, 15 lives saved.” He has worked in the financial services business since 2004 and is currently the CEO of Sentinel Capital Solutions, where he is active in the day-to-day research and trading of Sentinel’s investment portfolios. Mr. Meinelschmidt is very active in the community serving on non-profit boards and as a coach to Washington County Special Olympics Swim Team.

RANDALL E. “RANDY” WAGNER, a first-term County Commissioner, was born and raised in Washington County. He graduated from North Hagerstown High School and is a veteran of the United States Coast Guard, where he served for four years. Mr. Wagner worked at Mack Truck for 17 years before becoming a small business owner in Washington County, owning and operating 40 West Marine in Clear Spring for eight years. He has served the local community as a realtor for the past 16 years and is a licensed private pilot. Prior to his election to the Board of County Commissioners, Mr. Wagner served on the Animal Control Board of Washington County for eight years and held the position of Vice-Chair.

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

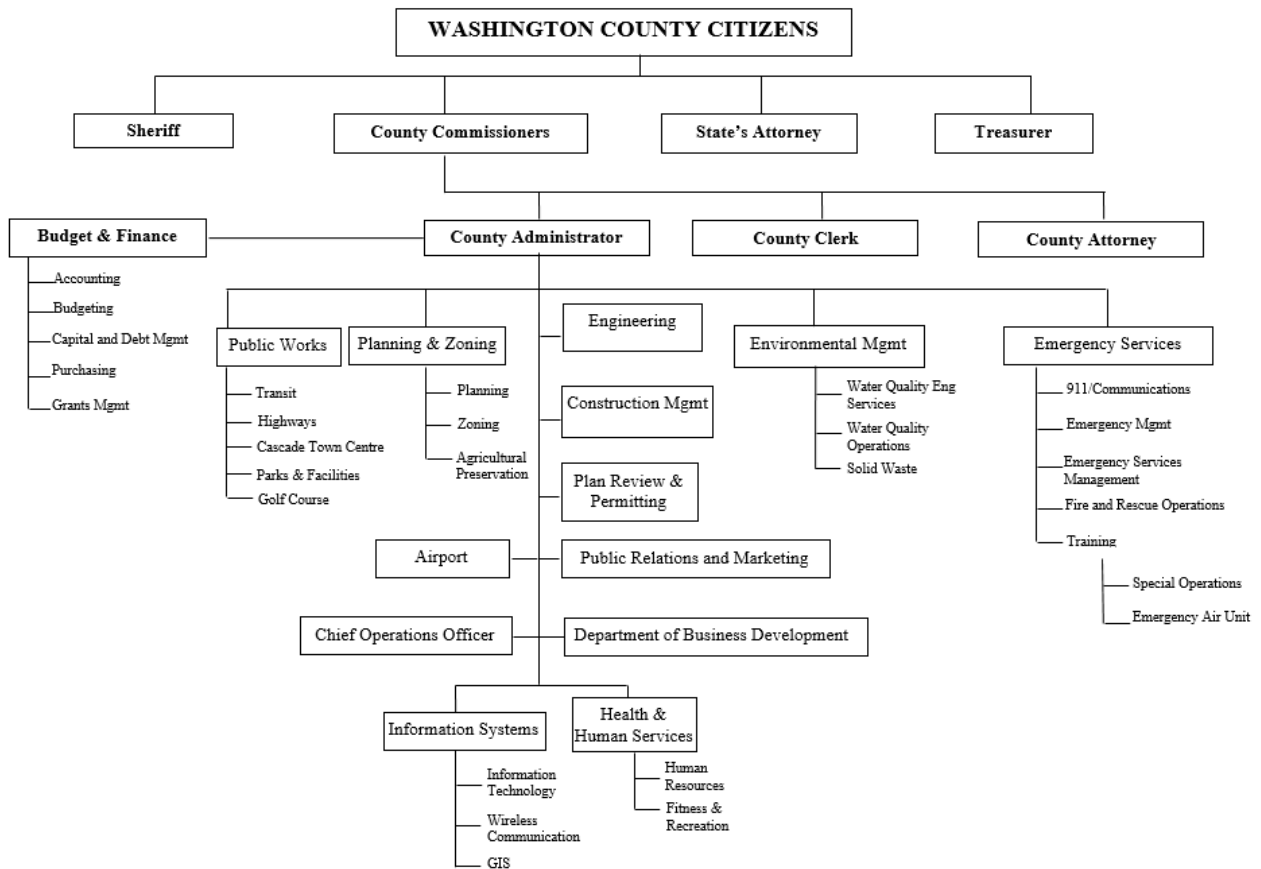
ROBERT J. SLOCUM, County Administrator, holds a Bachelor of Science degree in Civil Engineering from the University of Arizona and is a licensed professional engineer in the State of Maryland. He was appointed as County Administrator effective March 28, 2017 after serving Washington County for 15 years 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 as a volunteer for Micah's Backpack, and on the boards of the Maryland Theatre, the United Way and the University System of Maryland at Hagerstown.

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, was promoted to Deputy Director of Budget and Finance in 2014 and was appointed as Chief Financial Officer in February 2018. 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.

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. Mrs. Edlund 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.

KIRK C. DOWNEY, County Attorney, has been employed with the County Attorney's office since 2004, starting as the Assistant County Attorney. He was named Deputy County Attorney in 2012 and as County Attorney in 2018. Mr. Downey graduated cum laude from Duke University in 1994 with a B. A. degree. He received his J.D. from the University of Richmond School of Law in 1997 and was admitted to the Maryland Bar. He is also admitted to practice before the U. S. District Court for the District of Maryland, U. S. Court of Appeals for the Fourth Circuit, and the U. S. Supreme Court. He maintained a private practice from 1997-2005 until the Assistant County Attorney position became full-time. Mr. Downey is a member of a variety of community organizations and serves or has served on a number of non-profit boards of directors, including the boards of Horizon Goodwill Industries, Inc. and the Washington County Community Action Council. He is a member and chair of the Trial Courts Judicial Nominating Commission of Washington County and has been a member of the Hagerstown Rotary since 2002. Mr. Downey is also a member of the American, Maryland, and Washington County Bar Associations, and serves as the treasurer for the Washington County Bar Association.

Washington County Government Organizational Chart



County Employment

As of June 30, 2018 the County employed 785 full-time employees and 527 part-time employees, including seasonal positions. The County has a compensation and classification plan, which is complemented by a performance evaluation system. There are 124 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, 2023. 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 1,218 participants as of June 30, 2018. 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 37% of the non-uniformed participants contribute to the Plan at the rate of 5.50% of their annual salary and the remaining non-uniformed and uniformed employees contribute 6.00% 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 by July 1, 2033 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. Contributions are based on an assumed investment rate of 7.50% compounded annually. Contributions are currently funded at 29% of total salary expense. Salaries are assumed to increase at an annual rate of 3.00%. Contributions from participants and from the County are pooled to provide the guaranteed allowance for each member. The County's Board of County Commissioners recently approved changes to its pension plan based on actuary and retirement committee recommendations. The assumed investment rate of return will be reduced to 7.25%. In addition, the County will extend the amortization of the unfunded

accrued liability to a 20 year period versus the current 15 year period. These changes will go into effect for the fiscal year 2020 contribution.

The following table presents the pension and retirement contributions and unfunded liabilities of the County and certain County agencies for completed fiscal years 2015 through 2018 and for fiscal year 2019. For fiscal year 2019, which began July 1, 2018, the County has already paid the \$11,819,379 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
2018	\$2,403,396	\$9,415,983	\$11,819,379	\$85,336,525
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

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, 2018 unfunded liability by 2033.

Please refer to Notes 1 and 11 to the financial statements for fiscal year 2018 and to the Required Supplementary Information 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, 2018, 55 retirees were receiving OPEB benefits and 35 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.

The net OPEB liability (asset) is equal to the total OPEB liability minus the net position of the plan. The result as of June 30, 2018 is as follows:

Components of Net OPEB Obligation

Total OPEB liability	\$ 21,660,608
Net position	\$ (23,080,238)
Net OPEB liability (asset)	<u>\$ (1,419,630)</u>

Source: Bolton Partners, Inc.

Please refer to Note 16 to the financial statements for fiscal year 2018 and to the Required Supplementary Information 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 22,682 students (including 872 in pre-kindergarten), in 47 instructional facilities, which include elementary, middle, high and combined schools. The teacher to student ratio in 2017-18 averaged one teacher for every 15.8 pupils; the average unrestricted Pre-K-12 per pupil expenditure was \$11,993 for the 2017-18 school year.

The largest General Fund appropriation by the County in its adopted budget for fiscal year 2019 is \$98,530,760 for the Board of Education, which represents 42.91% of the General Fund budget. This appropriation is for operating expenditures. In addition, the County appropriated \$5,204,000 in its capital budget for fiscal year 2019 for Board of Education projects.

Washington County's high school graduation rate for the 2017-2018 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%	95.30%	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. English, math, science and social studies core subject courses and 17 career and technology programs are offered. 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) 16 month 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, was the first community college in Maryland. With more than 100 programs of study, HCC offers workforce preparation and credentialing, university transfer, career development, and basic education. HCC programs include the STEMM Technical Middle College, which allows high school students the opportunity to earn college credits and credentials while focusing on science, technology, engineering, mathematics and medical courses, an adult education program, and the Technical Innovation Center, a small business incubator.

The County appropriated \$10,035,290 in its fiscal year 2019 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 \$689,000 in its capital budget for fiscal year 2019 for HCC projects.

Purdue University Global, a public online, non-profit university for working adults, offers over 100 programs at the certificate, associate, bachelor, master and doctoral level in the areas of business, criminal justice, education, health services, information technology, law, and nursing. Purdue University Global is part of the respected Purdue University system.

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 10 graduate degree programs from six respected universities within the Maryland system: Frostburg State University, University of Maryland University College, University of Maryland Eastern Shore, 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 Plan Review & Permitting. 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 2020.

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 and commercial 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 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 257 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 Endocrinology Specialists, Meritus Home Health, Meritus Medical Laboratory and Equipped for Life.

Meritus Medical Group, with more than 100 physicians and advanced practice providers, 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 2019 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 187 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 Accounting, Personnel, Information Technology, Procurement, Billing, Maintenance 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 nine privately owned licensed skilled nursing facilities with a total of 1007 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 19 privately owned assisted living facilities with a total of 752 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 110 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 and Rescue, and the Emergency Medical Services Operations Program. DES is led by a full-time career Director and four full-time department heads who oversee the daily operational components of Emergency Services in Washington County. The division has 104 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 three full-time executive support staff. The Emergency Communications Center processes all of the 911 calls for the City of Hagerstown, the County, and all of the Washington County 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 is responsible for 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 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.

Special Operations 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 eight full-time, 23 part-time and volunteer 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.

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.

Emergency Medical Services

The Emergency Medical Services (“EMS”) section provides leadership, direction, support and coordination to the County’s EMS system. The leadership works 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 emergency medical services companies located in the County in the delivery of the highest quality pre-hospital care. Additionally, personnel are available for supplemental staffing to the independent companies and are available to provide additional resources for high risk events and large public gatherings.

A part-time medical director provides medical control and quality assurance programs to help ensure the highest quality of pre-hospital medical care is consistently delivered to County citizens. An assistant medical director also provides medical control and quality assurance activities to the Special Response Team which consists of law enforcement personnel and paramedics who are trained to deal with high priority law enforcement activities.

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. The County is in the process of evaluating other methods of handling solid waste as an alternative to landfilling. 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, 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 for completion in the spring of 2019.

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, 2018. 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.....	1,342	1,508	\$701.76

WASTEWATER SYSTEM

	No. of Services	No. of EDUs	Residential Annual (Avg) User Rate
Full Service	7,224	10,767	\$658.72
Collection Service Only	3,791	5,106	\$225.20
Wholesale	5	4,960	
Total.....	11,020	20,833	

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 8 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 creating and sustaining a positive pro-business climate.

The DBD currently has six full-time employees to conduct the day-to-day operations of the office, as well as business development and business outreach efforts in the community.

Throughout the year the DBD meets with representatives of existing companies in need of assistance. Discussions include appropriate funding programs, incentive benefits, customized training programs, workforce development efforts, and other sources of business support. The DBD has formed strategic partnerships with such organizations as the Maryland Department of Commerce, the City of Hagerstown, the Washington County Chamber of Commerce, The Greater Hagerstown Committee, Inc., and Washington County Convention & Visitors Bureau, in order to better serve the needs of businesses in Washington County.

The DBD was actively involved in Washington County’s becoming certified as the first ACT Work Ready Community in Maryland, an initiative that matches the labor force with available jobs in Washington County.

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 2018-19 (fiscal year 2019), the City of Hagerstown, the Town of Hancock, and the County granted \$21,651, \$504, and \$440,069, respectively, in real property tax credits for private capital investment. The State of Maryland is expected to reimburse \$10,826 to the City of Hagerstown, \$251 to the Town of Hancock, and \$228,431 to the County for these credits.

Business Development

New and Expanding Businesses

In 2018 the County experienced new and expanding businesses highlighted by the creation of 375 new jobs and known new investments of approximately \$68.7 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 2018 and 2019 that are expected to provide an additional 359 new jobs and an additional \$239.0 million of new investments are noted in the following table based on the most recent information available:

Hagerstown-Washington County, Maryland – Significant Business Activity for 2018/2019

Company Name	Business Type	Completed/ Expected Completion	Project Cost ⁽¹⁾	#New Jobs ⁽¹⁾	Type of Activity
Completed Projects 2018					
BJs Brewhouse & Restaurant	Retail	2Q18	\$650,000	24	New Jobs/Construction
GPS Hospitality	Rest. Chain (Burger King)	2Q18	\$1,500,000	0	Renovation
Ring Container Technologies	Manufacturing	2Q18	\$6,500,000	18	New Jobs/Construction
Mountainside Teleport	Information Technology	3Q18	\$500,000	0	Expansion/Storage
Tilt Studio	Tourism	3Q18	\$2,400,000	45	New Jobs/Construction
Belk	Retail	4Q18	\$6,000,000	68	New Jobs/Renovation
Emerald Pointe	Retail	4Q18	\$7,200,000	125	New Jobs/Construction
Patriot Federal Credit Union	Finance	4Q18		10	New Jobs/Construction
Sheetz	Retail	4Q18	\$974,000	0	Renovation
Volvo	Manufacturing	4Q18	\$43,000,000	85	New Jobs/Expansion
	<i>Sub-totals</i>		\$68,724,000	375	
Completed Projects 2019					
AmeriServ Financial Bank	Finance	1Q19	\$700,000	5	Relocation/Expansion
Meritus Medical Plaza	Healthcare	1Q19	\$15,000,000	0	Relocation/Construction
	<i>Sub-totals</i>		\$15,700,000	5	
Projects Under Development 2018/2019					
Krispy Kreme	Retail	1Q19	\$974,426	n/a	New Jobs/Construction
Maryland Theatre	Arts and Entertainment	1Q19	\$13,000,000	0	Expansion
Middletown Valley Bank - Marsh Pike	Finance	1Q19	\$265,000	8	Expansion
Trammell Crowe	Warehouse/Distribution	1Q19	\$62,500,000	n/a	New Construction
Antraquip	Manufacturing	2Q19	\$2,250,000	15	New Jobs/Expansion
EM Corporation	Manufacturing	2Q19	\$1,300,000	10	New Jobs/Expansion
IKO Industries/Belair Materials	Manufacturing	2Q19	\$70,000,000	40	New Jobs/Relocation
Lidl Grocery Store	Retail	2Q19	\$2,000,000	n/a	New Jobs/Construction
Middletown Valley Bank - N. Potomac	Finance	2Q19	\$400,000	22	Relocation
Rider Jet Center	Hangar Space	2Q19	\$3,000,000	n/a	New Construction
Da'Vita Foods	Manufacturing	3Q19	\$1,200,000	20	Expansion/New Jobs
Home2 Suites by Hilton	Hospitality	3Q19	\$14,000,000	44	New Jobs/Construction
National Park Service (C&O Canal)	Tourism	3Q19	\$26,650,000	75	New Jobs/Relocation/Construction
Deliteful Dairy	Value Added Agriculture	4Q19	\$550,000	0	Expansion
Pinnacle Foods	Manufacturing	4Q19	\$35,000,000	100	New Jobs/Expansion
PSI, Inc	Manufacturing	4Q19	\$6,000,000	n/a	New Equipment
R&L Carriers	Transportation	4Q19		25	New Jobs/Expansion
Thomas, Bennett, Hunter	Construction	4Q19	\$1,500,000	0	Relocation/Expansion
	<i>Sub-totals</i>		\$239,089,426	359	
Totals for Projects 2018/2019:			\$323,513,426	734	

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.....	591	528	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.

Job Creation and Capital Investment Real Property Tax Credit Program

The Job Creation and Capital Investment Real Property Tax Credits Program was enacted by the Board in May, 2017, to help attract companies to the local business community that offer well-paying jobs. It is also available to new or established businesses within the County that are expanding. This program provides up to a fifteen (15) year tax credit for businesses that either expand or locate in Washington County. The credit applies to Washington County’s real property tax that is imposed on real property owned or leased by the business, if the business qualifies under the program’s guidelines

HUBZone

The Historically Underutilized Business Zones (HUBZone) program, through the Small Business Administration, helps small businesses in urban and rural communities gain preferential access to federal procurement opportunities. Benefits for HUBZone certified companies include competitive and sole sourcing contracting, 10% price evaluation preference in full and open contract competitions, as well as subcontracting opportunities. The federal government’s goal is to award at least three percent of all federal contracting dollars to HUBZone certified small businesses each year; to date, no businesses in the County have qualified.

Opportunity Zone

This recently-established federal program will allow investors to receive substantial federal tax incentives over the next ten (10) years by investing their capital gains into Opportunity Zones. Washington County has five Opportunity Zones in two areas: City of Hagerstown and the Town of Williamsport. Opportunity Zones feature new federal tax incentive designed to drive long-term private investment to distressed communities. Investors will be able to defer and even reduce their federal tax liability on the sale of assets if they place their gains into an Opportunity Fund, which will pool capital and support investments in small businesses and real estate within the Opportunity Zones in order to improve communities and the quality of life for residents.

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, cellular 4G LTE, and broadband services are provided via national and regional vendors. AT&T, Sprint, 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, 63, 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, and twice weekly service to Orlando Sanford International, via Allegiant. Allegiant also offers summer seasonal flights twice weekly to St Pete-Clearwater (PIE) and Myrtle Beach (MYR) airports. 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 Hagerstown for nationwide access. Immediately adjacent to Washington County in Greencastle, Pennsylvania, Norfolk Southern Rail operates a 200 acre intermodal terminal. 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. The Hancock News, with a weekly circulation of 2,000, also serves Washington County. Several metropolitan newspapers, including the Washington Post and The Baltimore Sun, are available daily to residents.

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

Internet: There are numerous private vendors providing local dial-up, wireless, and broadband Internet access. The Washington County Free Library provides access to the Internet through SAILOR, the State of Maryland's Online Public Information Network.

Population

The following table illustrates the population growth of Washington County, the State of Maryland, and the United States from 1970 to 2017.

Population Growth						
	<u>Washington County</u>		<u>State of Maryland</u>		<u>United States</u>	
<u>Year</u>	<u>Population</u>	<u>Percent Change</u>	<u>Population</u>	<u>Percent Change</u>	<u>Population</u>	<u>Percent Change</u>
2017	150,578	2.1	6,024,891	4.1	325,147,121	5.3
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 2017

Income

Median household Effective Buying Income (“EBI”) in Washington County was estimated at \$58,260 for calendar year 2018. 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Washington County	\$58,260	\$56,316	\$56,228	\$56,477	\$55,700
State of Maryland	78,916	76,067	74,551	74,149	72,345
United States	57,652	55,322	53,889	53,482	52,176

Source: MD Brief Economic Facts for 2014-2018

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

	Distribution of Effective Buying Income (2017)		
<u>Households By EBI Group</u>	<u>Washington County</u>	<u>State of Maryland</u>	<u>United States</u>
Under \$25,000	20.6%	14.2%	21.3%
\$25,000 - \$49,999	22.7	17.1	22.5
\$50,000 - \$74,999	19.3	16.5	17.7
\$75,000 - \$99,999	13.5	13.1	12.3
\$100,000 - \$149,999	14.1	18.7	14.1
\$150,000 - \$199,999	5.8	9.7	5.8
\$200,000 and over	3.9	10.7	6.3

Source: MD Brief Economic Facts based on U.S. Bureau of the Census released in 2018

Area Labor Supply

Washington County has an available civilian labor force of approximately 77,591. 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 433,769.

Employment

Within Washington County there are more than 3,410 businesses. The following table shows the employment statistics for the 15 largest employers in Washington County as of December 2018.

Employer	Employment
Washington County Public Schools	3,396
Meritus Health.....	2,740
Citi.....	2,300
First Data.....	2,185
State of Maryland	2,030
Washington County Government.....	1,401
Volvo Group.....	1,300
FedEx Ground.....	900
Hagerstown Community College.....	890
Bowman Group, LLP (The).....	745
Federal Government.....	582
Merkle Response Management Group.....	545
ARC of Washington County.....	500
Direct Mail Processors.....	500
City of Hagerstown.....	486

Source: Maryland Department of Commerce

Unemployment Rate

Unemployment in Washington County averaged 5.3% between 2014 and 2018. 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				
	2018	2017	2016	2015	2014
Washington County	4.5%	4.4%	5.1%	5.8%	6.9%
State of Maryland	4.2%	4.1%	4.4%	5.2%	5.8%

Source: Maryland Department of Labor, Licensing and Regulation

Construction Activity

Construction activity during the years 2014-2018 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
2018	245	\$59,441	1,104	\$138,376	1,349	\$197,818
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

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)
2018	234
2017	189
2016	159
2015	177
2014	158

Source: Washington County Department of Permits and Inspections

Multi-family housing starts in the County were nominal during 2014 and 2016. During the year ended December 31, 2015 there were five, 24-unit multi-family buildings constructed and for the year ending December 31, 2017, there were 12, 24-unit multi-family buildings constructed. During the year ending December 31, 2018, there were no multi-family units 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 for fiscal year 2018 that 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 2019 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 15 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 2018, 2019 and 2020				
	Fiscal Year 2018		Fiscal Year 2019	Fiscal Year 2020
	Final Budget	Actual Amounts	Original Budget	Proposed Budget
REVENUES				
Property Tax				
Real Property Tax	\$ 111,037,170	\$ 111,458,323	\$ 113,679,470	\$ 121,862,420
Personal Property Tax	13,757,540	14,781,966	14,057,110	14,057,110
Property Tax Interest Income	430,000	388,684	385,000	395,000
Other Property Tax	689,290	651,659	622,980	635,100
State Administrative Fees	(580,000)	(575,101)	(580,000)	(580,000)
Property Tax Discounts, Credits, and Fees	(1,731,590)	(1,593,747)	(1,716,310)	(1,672,000)
Total Property Taxes	\$ 123,602,410	\$ 125,111,784	\$ 126,448,250	\$ 134,697,630
Other Local Taxes				
Income Tax	\$ 82,000,000	\$ 77,919,871	\$ 84,000,000	\$ 85,350,000
Admissions and Amusement Tax	280,000	187,039	255,000	255,000
Recordation Tax	6,000,000	6,698,891	6,500,000	6,500,000
Trailer Tax	525,000	582,863	550,000	550,000
Total Other Local Taxes	\$ 88,805,000	\$ 85,388,664	\$ 91,305,000	\$ 92,655,000
Other Revenues				
Licenses and Permits	\$ 1,400,200	\$ 1,417,875	\$ 1,266,300	\$ 1,262,400
Court Costs and Fines	2,692,400	2,287,736	5,188,600	2,815,560
Charges for Services	1,426,330	1,328,177	752,270	944,420
Revenues from Use of Property	515,000	1,483,440	848,640	1,328,120
Reimbursed Expenses	1,072,870	997,158	1,355,670	1,147,090
Miscellaneous Revenues	408,140	763,135	196,280	239,240
Grant and Shared Revenues	3,259,158	3,267,236	2,278,300	2,091,300
Highway Revenues	2,419,350	1,645,244	2,284,500	2,452,110
Total Other Revenues	\$ 13,193,448	\$ 13,190,001	\$ 14,170,560	\$ 12,280,240
TOTAL REVENUES	\$ 225,600,858	\$ 223,690,449	\$ 231,923,810	\$ 239,632,870
EXPENDITURES				
General Government	\$ 27,986,013	\$ 26,733,212	\$ 29,266,197	\$ 30,983,510
Public Safety	45,074,247	44,190,232	45,443,430	49,065,120
Health	2,339,270	2,339,270	2,339,270	2,339,270
Social Services	424,390	424,390	435,560	435,560
Education	106,796,410	106,796,410	108,556,050	110,528,710
Parks, Recreation, and Culture	5,981,440	5,988,897	6,249,060	6,405,150
Conservation of Natural Resources	718,750	707,995	723,690	762,690
Highway	10,104,460	10,446,328	11,156,683	11,254,440
General Operations	1,459,198	534,133	679,600	580,200
Unallocated Employee Insurance and Benefits	2,193,330	252,729	5,142,100	819,240
Intergovernmental	7,318,780	9,364,996	7,616,190	11,431,080
Debt Service	15,204,570	14,745,795	14,315,980	15,027,900
TOTAL EXPENDITURES	\$ 225,600,858	\$ 222,524,387	\$ 231,923,810	\$ 239,632,870
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ 1,166,062	\$ -	\$ -

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 2014 through 2018.

County Commissioners of Washington County					
Statement of Revenues, Expenditures and Changes in Fund Balance					
General Fund					
Year Ended June 30					
	2018	2017	2016	2015	2014
Revenues:					
Taxes, interest and penalties.....	\$ 210,500,448	\$ 208,934,726	\$ 204,569,492	\$ 198,990,605	\$ 194,994,560
Shared taxes and grants	3,267,236	4,431,597	6,349,348	3,355,253	3,377,036
Licenses and permits	1,417,875	1,189,019	1,316,242	1,362,651	1,187,285
Revenues from use of money and property	2,390,598	1,327,838	1,074,126	881,502	945,977
Charges for services.....	1,328,177	448,532	477,971	434,237	451,814
Other revenue	3,050,871	2,410,607	1,757,855	2,049,297	1,793,593
Highway revenue	1,645,244	1,378,314	1,720,771	1,554,706	1,697,840
Total revenues	<u>\$ 223,600,449</u>	<u>\$ 220,120,633</u>	<u>\$ 217,265,805</u>	<u>\$ 208,628,251</u>	<u>\$ 204,448,105</u>
Expenditures:					
General government	\$ 26,733,212	\$ 26,764,285	\$ 25,392,800	\$ 23,779,920	\$ 21,474,148
Public safety	44,190,232	42,703,200	41,898,282	39,155,311	36,352,815
Health	2,339,270	2,339,270	2,339,270	2,339,270	2,339,270
Social services	424,390	373,390	454,165	571,517	934,217
Education	106,796,410	104,387,080	104,109,040	103,810,462	103,418,590
Recreation and culture	5,988,897	5,794,949	5,586,517	5,622,928	5,271,404
Conservation of natural resources	707,995	753,063	669,041	595,350	568,873
Intergovernmental	38,543	38,543	38,543	38,543	38,543
General operations	786,862	1,092,721	2,337,705	2,003,326	4,956,600
Highway.....	10,446,328	10,243,937	9,821,132	9,953,368	9,872,245
Debt service:					
Principal	10,033,918	9,005,341	9,748,588	10,147,504	9,901,824
Interest	4,711,877	5,683,469	4,070,313	4,504,974	4,109,946
Total Expenditures	<u>\$ 213,197,934</u>	<u>\$ 209,179,248</u>	<u>\$ 206,465,396</u>	<u>\$ 202,522,473</u>	<u>\$ 199,238,475</u>
Excess of revenues over expenditures	<u>\$ 10,402,515</u>	<u>\$ 10,941,385</u>	<u>\$ 10,800,409</u>	<u>\$ 6,105,778</u>	<u>\$ 5,209,630</u>
Other financing sources(uses):					
Net bond proceeds.....	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds of capital leases.....	267,420	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	90,000	22,000	-	-	-
Operating transfers out	(9,326,453)	(11,429,045)	(9,388,519)	(5,974,080)	(5,915,929)
Total other financing sources(uses)	<u>\$ (8,969,033)</u>	<u>\$ (10,370,363)</u>	<u>\$ (9,385,614)</u>	<u>\$ (5,968,894)</u>	<u>\$ (5,859,381)</u>
Excess of revenues and other sources over expenditures and other uses	\$ 1,433,482	\$ 571,022	\$ 1,414,795	\$ 136,884	\$ (649,751)
Fund balances at beginning of year	40,313,170	39,742,148	38,327,353	38,190,469	38,840,220
Fund balance at end of year	<u>\$ 41,746,652</u>	<u>\$ 40,313,170</u>	<u>\$ 39,742,148</u>	<u>\$ 38,327,353</u>	<u>\$ 38,190,469</u>
Fund Balance:					
As a percent of revenue	18.7%	18.3%	18.3%	18.4%	18.7%
As a percent of expenditures	19.6%	19.3%	19.2%	18.9%	19.2%
Committed, Assigned and Unassigned Fund Balance:					
As a percent of revenue	17.7%	17.4%	17.5%	17.7%	18.2%
As a percent of expenditures	18.6%	18.3%	18.5%	18.2%	18.7%
Debt Service:					
As a percent of revenue	6.6%	6.7%	6.4%	7.0%	6.9%
As a percent of expenditures	6.9%	7.0%	6.7%	7.2%	7.0%

Source: Washington County Department of Budget and Finance

Anticipated Results for Fiscal Year 2019

Fiscal year 2019 final results are not available as of the date of this Official Statement. The County's largest revenue source, real estate tax, is expected to exceed budgeted amounts for fiscal year 2019. However, income tax and speed camera revenues are expected to fall short of budgeted amounts in an aggregate amount that is not expected to be offset by the anticipated excess real estate tax revenues. Income tax distributions have been lower than expected to date. Such reduction in income tax distributions is attributed by State representatives to the impact on taxpayer behavior of the federal Tax Cuts and Jobs Act passed in December 2017. Because of the impact of such tax law changes, the County anticipates that it will receive an increase in reconciling distributions of income tax revenues from the State during the summer of 2019.

Due to the uncertainty regarding fiscal year-end 2019 results, the County implemented certain measures for the remainder of the fiscal year. Department heads have been directed to hold discretionary spending. The County has delayed, where possible, the hiring of open positions. In addition, several identified fiscal year capital projects are expected to come in under budget for the year. If further correction is warranted, the project directly related to speed camera revenues may be delayed. Such combined savings will be used to offset any potential shortfall with the expectation that the County's revenues will exceed expenditures for fiscal year 2019. Year to date experience has been taken into account as the County structures its fiscal year 2020 budget.

Sources of Tax Revenue

Ad valorem property taxes, the County's largest source of tax revenues, were 59% of total tax revenues fiscal year 2017 and the same for 2018. During the same period, income tax revenues as a percentage of total tax revenues were 37.8% in fiscal year 2017 and 34.8% in fiscal year 2018. 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 2019.

Tax Revenues by Source

Fiscal Year Ended June 30	Total Taxes	Local Property Taxes⁽¹⁾	Local Income Taxes	Other Local Taxes⁽²⁾
Budgeted 2019	\$ 218,445,650	\$ 126,448,250	\$ 84,000,000	\$ 6,755,055
2018	210,500,448	125,111,784	77,919,871	7,468,793
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

Source: Washington County Department of Budget and Finance

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

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

Local Property Taxes

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

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 2018 was \$1,532,781 and the tax credit processed as of March 18, 2019 for fiscal year 2019 is \$1,496,574.

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 \$2,276,800,213 for the fiscal year ended June 30, 2018 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)

	2018	2017	2016	2015	2014
Real property.....	\$12,217,613	\$12,047,907	\$11,889,530	\$11,798,859	\$11,918,538
Personal property:					
Railroads and public utilities.....	188,380	180,988	172,128	162,536	167,959
Business corporations.....	416,848	416,031	405,500	390,610	375,606
Total property	<u>\$12,822,841</u>	<u>\$12,644,926</u>	<u>\$12,467,158</u>	<u>\$12,352,005</u>	<u>\$12,462,103</u>
Change in market value of property	1.4%	1.4%	0.9%	(0.9)%	(2.8)%
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 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		
2018	\$ 127,046,245	\$ 126,493,137	99.56	\$ 126,815,087	99.81	\$ 725,364	0.57
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

Source: Washington County Department of Budget and Finance

Principal Taxpayers

The 20 largest taxpayers in the County as of June 30, 2018, ranked by assessed value, are listed below.

Name of Taxpayer	Assessed Value	Percentage of Assessed Value
PR Valley Limited Ptsp.....	\$ 107,712,977	
Outlet Village of Hagerstown.....	100,127,900	
Potomac Edison.....	88,841,890	
FedEx Ground Package System Inc.....	71,782,460	
Liberty Property Limited.....	71,489,467	
Bowman Group.....	68,574,967	
Washington Real Estate.....	56,375,700	
Western Hagerstown Dist. Ctr.....	46,368,600	
Walmart Stores/Wal-Mart R.E./Sam's R.E./Sam's East.....	45,858,930	
LCN STP Hagerstown LLC.....	44,144,200	
Sub-total	\$ 701,277,091	5.47%
254 Hagerstown/Citigroup/Citicorp.....	41,815,963	
2007 East Greencastle Pike.....	39,647,300	
Verizon-Maryland.....	35,899,280	
Intelsat Global Service LLC.....	33,707,310	
Ghattas Enterprises Maugans Ave.....	33,437,980	
Cortpark II LLC.....	32,936,300	
Lowe's Home Centers Inc.....	32,046,190	
Mack Trucks Inc.....	31,692,370	
Norfolk Southern Combined Rail.....	31,496,770	
GPT Hagerstown Owner LLC.....	30,418,333	
Total	\$ 1,044,374,887	8.14%

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, 2018 were \$6,698,891. 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, 2018 were \$8,886,668.

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, 2018, an aggregate of \$6,668,692 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 \$10,499,706 in federal and State funds for capital projects in the fiscal year ended June 30, 2018. The County projects that \$9,469,621 in federal and State funds will be received in fiscal year 2019 for operations and \$2,132,366 in federal and State funds will be received for capital projects.

During the fiscal year ended June 30, 2018, the Board of Education received \$174,500,159 in State funds and \$24,059,012 in federal funds for operating and food service expenses. In fiscal year 2019, the Board of Education anticipates receiving \$179,062,079 in State funds and \$24,336,938 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

	2018	2017	2016	2015	2014
ASSETS					
Cash and short-term investments	\$ 415,192	\$ 627,517	\$ 162,083	\$ 32,999	\$ 40,971
Investment in U.S. Government					
Agency Securities	99,211,242	101,443,510	91,452,894	110,533,955	118,065,564
Property taxes receivable (net)	651,241	348,751	357,582	535,177	588,451
Accounts receivable	862,246	422,410	503,433	416,161	265,824
Due from other funds	-	-	-	-	-
Due from other governments	21,428,932	16,752,299	16,757,732	16,373,944	11,838,036
Inventories	730,400	763,099	790,714	763,940	578,396
Other assets	1,754,650	1,421,211	962,586	1,398,654	955,704
Total assets	<u>\$ 125,053,903</u>	<u>\$ 121,778,797</u>	<u>\$ 110,987,024</u>	<u>\$ 130,054,830</u>	<u>\$ 132,332,946</u>
LIABILITIES					
Accounts payable	\$ 1,791,101	\$ 1,366,313	\$ 2,514,765	\$ 1,413,769	\$ 1,621,862
Accrued expenses	1,907,822	4,563,855	1,404,296	1,086,819	940,300
Liabilities on unpaid claims	2,030,677	1,523,730	1,892,223	1,833,471	2,115,251
Due to other funds	62,263,607	63,884,634	55,483,023	77,037,235	83,418,109
Unearned revenue	604,215	382,729	346,841	306,901	283,880
Other liabilities	2,042,323	2,219,462	1,350,527	1,868,922	1,895,975
Total liabilities	<u>\$ 70,639,745</u>	<u>\$ 73,940,723</u>	<u>\$ 62,991,675</u>	<u>\$ 83,547,117</u>	<u>\$ 90,275,377</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenues	<u>\$ 12,667,506</u>	<u>\$ 7,524,904</u>	<u>\$ 8,253,201</u>	<u>\$ 8,180,360</u>	<u>\$ 3,867,100</u>
FUND EQUITY					
Nonspendable	\$ 1,353,130	\$ 1,455,417	\$ 1,090,714	\$ 1,063,939	\$ 661,513
Restricted	821,597	577,869	528,978	418,968	366,902
Committed	39,554,672	38,263,353	38,104,831	36,830,635	37,141,183
Assigned	17,253	16,531	17,625	13,811	20,871
Unassigned ⁽¹⁾	-	-	-	-	-
Total fund equity	<u>\$ 41,746,652</u>	<u>\$ 40,313,170</u>	<u>\$ 39,742,148</u>	<u>\$ 38,327,353</u>	<u>\$ 38,190,469</u>
Total liabilities and fund equity	<u>\$ 125,053,903</u>	<u>\$ 121,778,797</u>	<u>\$ 110,987,024</u>	<u>\$ 130,054,830</u>	<u>\$ 132,332,946</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 2019.

Fiscal Year		Revenues		Fund Balance	Fund Balance as Percentage of Revenues	Reserves as Percentage of Revenues
2018	\$	223,690,449	\$	41,746,652	18.66%	17.49%
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. The principal amount of bonds issued pursuant to Chapter 60, at June 30, 2018, was \$48,259,278. The unused authorization available under Chapter 60 prior to the issuance of the Bonds is \$11,740,722.

The County may issue general obligation bonds in an amount up to \$70,000,000 pursuant to the authority of Chapter 99.. The unused authorization available under Chapter 99 prior to the issuance of the Bonds is \$70,000,000.

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, 2018, 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 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, 2018**

	Date of Issue	Amount Issued	Amount Outstanding			
			General Fund	Solid Waste Fund	Airport Fund	Total
Public Improvement and Refunding Bonds..	June 2009	18,371,300	⁽¹⁾ \$ 520,956	\$ 75,010	\$ -	\$ 595,966
Public Improvement Series A Bonds.....	May 2010	6,992,993	⁽²⁾ 1,647,654	652,205	-	2,299,859
Taxable Build America Series B Bonds.....	May 2010	9,711,007	⁽³⁾ 6,957,113	2,753,894	-	9,711,007
Public Improvement and Refunding Bonds...	May 2010	13,790,000	4,247,169	1,187,831	-	5,435,000
Public Improvement Bonds.....	May 2011	14,170,000	8,353,452	2,456,548	-	10,810,000
Public Improvement Bonds.....	May 2012	12,068,100	⁽⁴⁾ 9,744,830	-	-	9,744,830
Refunding Bonds.....	May 2012	7,740,000	3,290,490	16,190	563,320	3,870,000
Public Improvement Bonds.....	May 2013	12,000,000	10,140,000	-	-	10,140,000
Refunding Bonds.....	May 2013	12,540,000	10,203,832	141,168	-	10,345,000
Public Improvement Bonds.....	May 2014	14,000,000	12,545,000	-	-	12,545,000
Public Improvement Bonds.....	May 2015	12,000,000	⁽⁵⁾ 11,184,994	-	-	11,184,994
Refunding Bonds.....	May 2015	25,573,470	⁽⁶⁾ 18,648,592	1,599,878	-	20,248,470
Public Improvement Bonds.....	May 2016	12,103,000	⁽⁷⁾ 11,587,109	99,456	-	11,686,565
Refunding Bonds.....	May 2016	7,317,990	⁽⁸⁾ 6,396,940	921,050	-	7,317,990
Public Improvement Bonds.....	May 2017	13,142,000	⁽⁹⁾ 12,000,000	1,142,000	-	13,142,000
Public Improvement Bonds.....	May 2018	12,852,000	⁽¹⁰⁾ 12,000,000	852,000	-	12,852,000
MWQFA ⁽¹¹⁾ Financing Cell 3.....	Nov 2004	2,498,427	-	949,703	-	949,703
MWQFA ⁽¹¹⁾ Solid Waste Refinancing.....	Feb 2005	7,248,761	1,336,629	3,672,132	-	5,008,761
MWQFA ⁽¹¹⁾ Resh Road Cap Phase I.....	Dec 2006	5,000,000	2,485,864	-	-	2,485,864
		<u>\$ 219,119,048</u>	<u>\$ 143,290,624</u>	<u>\$ 16,519,065</u>	<u>\$ 563,320</u>	<u>\$ 160,373,009</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 \$22,130,000.

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

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

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

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

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

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

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

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

(10) Total issue amount for all County funds was \$14,485,000.

(11) Maryland Water Quality Financing Administration.

Water and Sewer Bonds

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

By State law, the total bonded indebtedness of the County for these purposes, including bonded indebtedness previously issued by the former Washington County Sanitary District, may not exceed 25% of the assessed value of all property in Washington County subject to unlimited County taxation. At the time the State law was enacted the assessed value was equal to 40% of market value. Pursuant to legislation passed by the Maryland General Assembly, real property assessment law was altered to reflect 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, 2018. 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, 2018

	Date of Issue	Issued	Outstanding
Series A Bonds	June 1996	\$ 9,606,968	\$ 1,166,490
Public Improvement & Refunding Bonds	June 2009	3,758,700 ⁽¹⁾	174,034
Public Improvement Series A Bonds	May 2010	867,007 ⁽²⁾	285,141
Taxable Build America Series B Bonds	May 2010	1,203,993 ⁽³⁾	1,203,993
Public Improvement Bonds	May 2012	5,696,900 ⁽⁴⁾	4,600,170
Public Improvement Bonds	May 2015	3,460,000 ⁽⁵⁾	3,225,006
Refunding Bonds	May 2015	821,530 ⁽⁶⁾	821,530
Public Improvement Bonds	May 2016	8,532,000 ⁽⁷⁾	8,238,435
Refunding Bonds	May 2016	2,137,010 ⁽⁸⁾	2,137,010
Public Improvement Bonds	May 2017	638,000 ⁽⁹⁾	638,000
Public Improvement Bonds	May 2018	1,633,000 ⁽¹⁰⁾	1,633,000
MWQFA ⁽¹¹⁾ Loan	Mar 2000	3,620,697	617,280
MWQFA ⁽¹¹⁾ Loan	May 2004	8,091,063	2,211,063
MWQFA ⁽¹¹⁾ Loan	Oct 2006	560,000	265,827
MWQFA ⁽¹¹⁾ Loan	May 2015	2,553,000	2,315,616
MWQFA ^(11 & 12) Loan	Feb 2018	1,849,660	1,849,660
		<u>\$ 55,029,528</u>	<u>\$ 31,382,255</u>

Source: Washington County Department of Budget and Finance

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

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

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

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

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

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

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

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

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

(10) Total issue amount for all County funds was \$14,485,000.

(11) Maryland Water Quality Financing Administration.

(12) This loan is evidenced by two separate general obligation bonds issued by the County to MWQFA, one of which is the County's Water Quality Bond, Series 2018B, issued in the principal amount of \$462,415 (the "Series 2018B Bond"). There is no scheduled debt service payable on the Series 2018B Bond. Under the terms of the Series 2018B Bond, if the County does not default under the associated Loan Agreement by February 28, 2028, the Series 2018B Bond will be considered forgiven as of February 28, 2028. If the County does default under the associated Loan Agreement prior to February 28, 2028, MWQFA has the right to demand payment of the entire principal amount of the Series 2018B Bond with interest at the rate of 3.02% per annum from the date of demand.

Water and Sewer Bonded Debt

Schedule of Legal Debt Margin

As of June 30, 2018

Assessed Value of Property in Washington County	\$12,822,841,000
Debt Limit: % of Assessed Value ⁽¹⁾	10%
Water and Sewer Borrowing Limitation	1,282,284,100
Water and Sewer Debt	31,382,255
Debt Margin	1,250,901,845
Ratio of Water and Sewer Debt to Assessed Value	0.24%

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, 2018 was \$904,686. 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. GASB Statement No. 87, implementing new lease accounting standards, will be effective on December 15, 2019 with respect to the County.

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, and the designation of the Conococheague Development District expired on December 31, 2018 by its terms due to no TIF bonds having been issued with respect to such development district. The designation of the Cascade Development District will expire on December 31, 2022 if no TIF bonds have been issued with respect to such development district, unless such sunset date is extended by resolution of the Board. Until any TIF bonds are issued with respect to the Cascade Development District, the County may use incremental tax revenues, if any, derived from properties within such development district 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 \$83,333,624 as of June 30, 2018. 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, 2018

Towns	Amount
Boonsboro.....	\$ 6,045,474
Clear Spring.....	593,828
Funkstown.....	1,203,634
Hagerstown.....	69,759,166
Hancock.....	1,450,046
Keedysville.....	1,770,380
Smithsburg.....	576,029
Williamsport.....	1,935,067
Total	<u>\$ 83,333,624</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, 2018, 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, 2018 (Excludes this Issue)

Direct Debt - Tax-Supported:	
General Government Debt (1).....	\$ 143,290,624
Direct Debt - Self-Supported:	
Solid Waste	16,519,065
Water and Sewer	31,382,255
Airport	563,320
Total Direct Debt.....	191,755,264
Underlying Debt.....	<u>83,333,624</u>
Overall Bonded Debt.....	<u>\$ 275,088,888</u>

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.

<u>Fiscal Year Ended June 30</u>	<u>Direct Tax-Supported Debt (000)</u>	<u>Estimated Population</u>	<u>Assessed Value (000)</u>	<u>Per Capita</u>	<u>Direct Tax-Supported Debt as a Percentage of Assessed Value</u>
2018	\$143,291	150,578	\$12,822,840	\$952	1.11
2017	141,325	150,292	12,644,926	940	1.12
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

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, 2018, 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, 2018
Excludes this Issue

Year Ending June 30	Tax-Supported Debt Service			Self-Supporting Debt Service			Total Debt Service		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 9,316,119	\$ 4,784,256	\$ 14,100,375	\$ 5,038,607	\$ 2,914,894	\$ 7,953,501	\$ 14,354,726	\$ 7,699,150	\$ 22,053,876
2020	\$ 9,982,974	\$ 4,602,509	14,585,483	4,511,864	2,884,875	7,396,739	14,494,838	7,487,384	21,982,223
2021	\$ 10,463,725	\$ 4,217,618	14,681,343	3,404,401	1,101,746	4,506,148	13,868,126	5,319,365	19,187,491
2022	\$ 9,668,994	\$ 3,826,026	13,495,020	3,535,883	1,009,001	4,544,884	13,204,877	4,835,028	18,039,904
2023	\$ 9,655,286	\$ 3,459,416	13,114,702	3,709,399	917,167	4,626,566	13,364,685	4,376,583	17,741,267
2024	\$ 9,762,627	\$ 3,077,390	12,840,017	2,535,463	817,225	3,352,688	12,298,090	3,894,614	16,192,705
2025	\$ 9,725,093	\$ 2,722,747	12,447,840	2,501,557	727,319	3,228,876	12,226,650	3,450,066	15,676,716
2026	\$ 9,285,398	\$ 2,378,528	11,663,926	2,469,623	638,980	3,108,603	11,755,021	3,017,508	14,772,529
2027	\$ 8,854,107	\$ 2,066,200	10,920,307	2,555,556	563,783	3,119,339	11,409,663	2,629,983	14,039,646
2028	\$ 8,879,576	\$ 1,766,045	10,645,621	2,603,534	489,300	3,092,834	11,483,110	2,255,345	13,738,455
2029	\$ 6,856,257	\$ 1,501,851	8,358,108	2,850,787	416,618	3,267,405	9,707,044	1,918,469	11,625,513
2030	\$ 6,289,753	\$ 1,271,952	7,561,705	2,076,404	345,568	2,421,972	8,366,157	1,617,520	9,983,677
2031	\$ 6,514,906	\$ 1,055,082	7,569,988	2,142,789	280,896	2,423,685	8,657,695	1,335,978	9,993,673
2032	\$ 5,912,854	\$ 845,783	6,758,637	1,736,393	222,239	1,958,632	7,649,247	1,068,022	8,717,269
2033	\$ 5,339,783	\$ 656,453	5,996,236	1,561,027	173,643	1,734,670	6,900,810	830,096	7,730,906
2034	\$ 4,692,328	\$ 487,472	5,179,800	1,215,058	133,980	1,349,038	5,907,386	621,452	6,528,838
2035	\$ 4,051,494	\$ 336,663	4,388,157	1,252,478	98,952	1,351,430	5,303,972	435,615	5,739,587
2036	\$ 3,161,783	\$ 212,295	3,374,078	1,288,789	62,586	1,351,375	4,450,572	274,881	4,725,453
2037	\$ 2,389,254	\$ 121,057	2,510,311	934,286	29,966	964,252	3,323,540	151,023	3,474,563
2038	\$ 1,643,303	\$ 55,732	1,699,035	365,752	11,270	377,022	2,009,055	67,002	2,076,057
2039	\$ 845,010	\$ 14,259	859,269	174,990	2,952	177,942	1,020,000	17,211	1,037,211
2040	\$ -	\$ -	-	-	-	-	-	-	-
	<u>\$ 143,290,624</u>	<u>\$ 39,459,334</u>	<u>\$ 182,749,958</u>	<u>\$ 48,464,640</u>	<u>\$ 13,842,961</u>	<u>\$ 62,307,601</u>	<u>\$ 191,755,264</u>	<u>\$ 53,302,295</u>	<u>\$ 245,057,559</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, 2018
Adjusted to Reflect Issuance of the Bonds*

Year Ending June 30	Outstanding Debt Service			Public Improvement Bonds of 2019			Total Debt Service		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 14,354,726	\$ 7,699,150	\$ 22,053,876	\$ -	\$ -	\$ -	\$ 14,354,726	\$ 7,699,150	\$ 22,053,876
2020	14,494,838	7,487,384	21,982,223	-	289,163	289,163	14,494,838	7,776,547	22,271,385
2021	13,868,126	5,319,365	19,187,491	410,000	462,925	872,925	14,278,126	5,782,290	20,060,416
2022	13,204,877	4,835,028	18,039,904	430,000	441,925	871,925	13,634,877	5,276,953	18,911,829
2023	13,364,685	4,376,583	17,741,267	455,000	419,800	874,800	13,819,685	4,796,383	18,616,067
2024	12,298,090	3,894,614	16,192,705	475,000	403,675	878,675	12,773,090	4,298,289	17,071,380
2025	12,226,650	3,450,066	15,676,716	500,000	393,925	893,925	12,726,650	3,843,991	16,570,641
2026	11,755,021	3,017,508	14,772,529	525,000	375,800	900,800	12,280,021	3,393,308	15,673,329
2027	11,409,663	2,629,983	14,039,646	555,000	348,800	903,800	11,964,663	2,978,783	14,943,446
2028	11,483,110	2,255,345	13,738,455	585,000	320,300	905,300	12,068,110	2,575,645	14,643,755
2029	9,707,044	1,918,469	11,625,513	615,000	290,300	905,300	10,322,044	2,208,769	12,530,813
2030	8,366,157	1,617,520	9,983,677	645,000	258,800	903,800	9,011,157	1,876,320	10,887,477
2031	8,657,695	1,335,978	9,993,673	675,000	225,800	900,800	9,332,695	1,561,778	10,894,473
2032	7,649,247	1,068,022	8,717,269	700,000	200,175	900,175	8,349,247	1,268,197	9,617,444
2033	6,900,810	830,096	7,730,906	730,000	181,844	911,844	7,630,810	1,011,939	8,642,750
2034	5,907,386	621,452	6,528,838	760,000	162,288	922,288	6,667,386	783,740	7,451,125
2035	5,303,972	435,615	5,739,587	790,000	141,450	931,450	6,093,972	577,065	6,671,037
2036	4,450,572	274,881	4,725,453	825,000	118,728	943,728	5,275,572	393,609	5,669,181
2037	3,323,540	151,023	3,474,563	855,000	94,578	949,578	4,178,540	245,601	4,424,141
2038	2,009,055	67,002	2,076,057	890,000	69,494	959,494	2,899,055	136,496	3,035,551
2039	1,020,000	17,211	1,037,211	925,000	42,825	967,825	1,945,000	60,036	2,005,036
2040	-	-	-	965,000	14,475	979,475	965,000	14,475	979,475
	\$ 191,755,264	\$ 53,302,295	\$ 245,057,559	\$ 13,310,000	\$ 5,257,069	\$ 18,567,069	\$ 205,065,264	\$ 58,559,364	\$ 263,624,628

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, 2018

Number of Years	<u>Before Issuance of Bonds</u>		<u>After Issuance of Bonds</u>	
	Principal Amount	Percent	Principal Amount	Percent
5	\$ 48,281,056	34.16	\$ 50,254,641	32.36
10	93,140,370	65.91	99,141,607	63.84
15	124,532,619	88.12	133,088,970	85.70
20	140,497,257	99.41	152,741,632	98.36
25	141,324,543	100.00	155,290,624	100.00

Source: Washington County Department of Budget and Finance

Anticipated Future Financing

The County currently anticipates issuing additional general obligation bonds for approximately \$16.7 million in fiscal year 2020, \$18.8 million in fiscal year 2021, and \$12.4 million in fiscal year 2022. 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 litigation matters involving various matters and claims. Many of these are covered by insurance, subject to a deductible. As 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 7, 2019, 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, 2018, 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, and should be read in their entirety. Such financial statements have been included in reliance upon the report of SB & Company, LLC. Such report speaks only as of its date.

SB & Company, LLC the independent auditor, has not been engaged to perform and has not performed, since the date of its report included in Appendix A to this Official Statement, any procedures on the financial statements addressed in that report, SB & Company, LLC also has not performed any procedures relating to this Official Statement.

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/Jeffrey A. Cline
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 Reports of Independent Public Accountants**

For the Year Ended June 30, 2018

JUNE 30, 2018

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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, 2018, 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 controls 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 controls 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 controls. 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, 2018, 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.

Emphasis of Matter

As discussed in Note 20 to the financial statements, during the year ended June 30, 2018, the County adopted new accounting guidance from Governmental Accounting Standards Board (GASB), Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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, schedule of changes in 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, 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.



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

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, 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 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
October 30, 2018

SB & Company, LLC



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

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 (it's 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.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

- ❑ 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 19-21 of this report.

2) ***Fund Financial Statements***

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

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

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

The County maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Capital Improvement, Grant Management, Cascade Town Centre, Inmate Welfare, Contraband, Agricultural Education, Gaming, Land Preservation, HEPMPO, and Hotel Rental Tax.

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



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

The basic governmental fund financial statements can be found on pages 22-25 of this report.

- ❑ **Proprietary Funds.** When the County charges customers for a service it provides, whether to outside customers or to other units of government, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of Revenue, Expenses and Changes in Net Position. 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 26-28 of this report.

- ❑ **Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is similar to proprietary funds.

The basic fiduciary fund financial statements can be found on pages 29-30 of this report.

3) ***Notes to the Financial Statements***

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-91 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 94-99 of this report.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$517.8 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
	2018	2017	2018	2017	2018	2017	
<i>Current and other assets</i>	\$146,811,901	\$135,080,828	\$34,867,071	\$43,559,494	\$181,678,972	\$178,640,322	1.7%
<i>Capital assets</i>	435,521,785	437,621,188	265,828,068	260,889,007	701,349,853	698,510,195	0.4%
<i>Total Assets</i>	582,333,686	572,702,016	300,695,139	304,448,501	883,028,825	877,150,517	0.7%
<i>Deferred Outflow of Resources</i>	28,634,962	34,961,719	541,663	693,230	29,176,625	35,654,949	-18.1%
<i>Current and other liabilities</i>	30,146,714	31,117,362	14,139,436	18,162,473	44,286,150	49,279,835	-10.1%
<i>Long-term liabilities</i>	255,454,315	250,896,396	60,515,465	60,953,296	315,969,780	311,849,692	1.3%
<i>Total Liabilities</i>	285,601,029	282,013,758	74,654,901	79,115,769	360,255,930	361,129,527	-0.24%
<i>Deferred Inflow of Resources</i>	10,327,121	7,660,834	23,846,169	24,646,171	34,173,290	32,307,005	5.8%
<i>Net Investment in Capital Assets</i>	359,867,032	360,133,916	219,191,046	217,144,159	579,058,078	577,278,075	0.3%
<i>Restricted Net Assets</i>	28,785,450	20,742,435	3,532,742	6,579,636	32,318,192	27,322,071	18.3%
<i>Unrestricted Net Assets</i>	(73,611,984)	(62,887,208)	(19,988,056)	(22,344,004)	(93,600,040)	(85,231,212)	-9.8%
<i>Total Net Position</i>	\$315,040,498	\$317,989,143	\$202,735,732	\$201,379,791	\$517,776,230	\$519,368,934	-0.3%

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 \$579.1 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, \$32.3 million, represents resources that are subject to external restrictions on how they may be used. The remaining portion is unrestricted net deficit of (\$93.6) million.

Unrestricted net assets in governmental activities have been reduced by \$46.3 million in long-term debt, resulting in unrestricted net assets of (\$73.6) million. This long-term debt was incurred by the County's general fund for the purpose of capital asset acquisition for the Board of Education of \$41.1 million and Hagerstown Community College of \$5.2 million. The capital assets acquired with these bonds are not reflected in the County's primary government financial statements.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2018	2017	2018	2017	2018	2017
Program Revenues:						
<i>Charges for Services</i>	\$8,511,910	\$5,554,892	\$21,848,366	\$20,490,153	\$ 30,360,276	\$ 26,045,045
<i>Operating Grants and Contributions</i>	6,084,437	7,915,961	1,517,601	1,564,695	7,602,038	9,480,656
<i>Capital Grants and Contributions</i>	6,687,440	5,126,466	10,952,297	15,639,575	17,639,737	20,766,041
General Revenues:						
<i>Property Taxes</i>	125,149,877	122,875,515	-	-	125,149,877	122,875,515
<i>Local Taxes</i>	96,770,294	90,579,857	-	-	96,770,294	90,579,857
<i>Other</i>	2,546,945	3,191,528	112,347	243,595	2,659,292	3,435,123
Total Revenues	245,750,903	235,244,219	34,430,611	37,938,018	280,181,514	273,182,237
Program Expenses:						
<i>General Government</i>	41,620,853	51,775,364	-	-	41,620,853	51,775,364
<i>Public Safety</i>	51,093,856	50,315,938	-	-	51,093,856	50,315,938
<i>Health</i>	2,339,270	2,339,270	-	-	2,339,270	2,339,270
<i>Social Services</i>	424,390	373,390	-	-	424,390	373,390
<i>Education</i>	107,852,147	106,094,094	-	-	107,852,147	106,094,094
<i>Parks and Recreation</i>	6,622,721	6,428,680	-	-	6,622,721	6,428,680
<i>Natural Resources</i>	2,120,799	3,095,962	-	-	2,120,799	3,095,962
<i>Community Promotion</i>	4,521,026	4,461,404	-	-	4,521,026	4,461,404
<i>Highways and Streets</i>	19,014,859	28,459,092	-	-	19,014,859	28,459,092
<i>Interest on Long-term Debt</i>	4,820,667	4,655,151	-	-	4,820,667	4,655,151
Business-type Activities:						
<i>Water Quality</i>	-	-	13,330,438	13,824,032	13,330,438	13,824,032
<i>Solid Waste</i>	-	-	7,728,431	7,013,835	7,728,431	7,013,835
<i>Public Transit</i>	-	-	3,009,074	2,921,221	3,009,074	2,921,221
<i>Airport</i>	-	-	8,448,112	8,302,809	8,448,112	8,302,809
<i>Golf Course</i>	-	-	1,230,369	1,283,907	1,230,369	1,283,907
Total Expenses	240,430,588	257,998,345	33,746,424	33,345,804	274,177,012	291,344,149
Change in Net Position before transfers	5,320,315	(22,754,126)	(1,870,660)	4,592,214	3,449,655	(18,161,912)
Transfers	(2,362,259)	(1,686,650)	2,362,259	1,686,650	-	-
Contributed Capital	-	3,554,726	-	-	3,554,726	3,554,726
Change in Net Position	2,958,056	(20,886,050)	1,355,941	6,278,864	4,313,997	(14,607,186)
Net Position – Beginning of year	317,989,143	338,875,193	201,379,791	195,100,927	519,368,934	533,976,120
Change in Accounting Principle	(5,906,701)	-	-	-	(5,906,701)	-
Net Position – Beginning of year, as restated	312,082,442	-	201,379,791	-	513,462,233	-
Net Position – End of year	\$315,040,498	\$317,989,143	\$202,735,732	\$201,379,791	\$517,776,230	\$519,368,934



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

The County's net position increased by \$4,313,997 during fiscal year 2018; total net position as of June 30, 2018 was \$517.8 million representing a 0.3% decrease due to a change in accounting principal for OPEB accounting.

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

Net position in governmental activities increased by \$2.96 million. Key factors in this increase are as follows:

- Property tax revenue came within \$1.5 million or 1.2% of 2018 projections, including Personal property tax increase of \$1.0 million or 7.4% mainly due to increased inventory and new business.
- Income Tax revenue fell below budget by \$4.1 million or 5%.
- Recordation Tax revenue exceeded budget by \$0.7 million or 11.6%. The County's housing inventory has decreased steadily since 2010 with an annual 12.5% decrease represented in FY2018. Average home prices have also risen steadily with a 7.8% increase in FY2018 over FY2017. Several large commercial transactions also contributed to the increase.
- An additional transfer of \$2.1 million was made to the Capital Projects, Golf Course, and Land preservation to offset operating shortfalls, negative fund balance and for future project costs.
- Overall public safety expenditures reflect savings of \$0.9 million resulting mainly from personnel cost savings.
- Remaining cost centers accounted for \$4.2 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 \$5.6 million; 2) change in net position differs from the change in fund balance by the cost of assets sold of \$1.5 million; 3) recording of debt proceeds greater than debt principal payments decreasing net assets by \$2.5 million; 4) compensated absences and post-retirement benefits earned exceeded financial resources used by \$6.2 million; and 5) differences in revenues and expenditures recognized between governmental funds and the statement of activities increasing net assets by \$10.2 million. These activities are reported differently on the government-wide statements vs. the fund statements.
- Capital Improvement Projects increased by \$7.4 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 \$1.2 million increase in fund balance activity.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

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

Business-type activities increased the County's net position by \$1.4 million. Key elements of this increase are as follows:

- ❑ Water Quality's net position increased by \$7.6 million, for a total of \$139.3 million in net assets. The \$7.6 million net gain includes \$3.2 million in depreciation expense and capital grant contributions of \$9.4 million.
- ❑ Solid Waste's total net position decreased by \$1.4 million for a total of \$3.0 million, mainly related to depreciation expense of \$2.3 million and increased cost due to leachate. In 2012, 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 \$54.3 million, representing a \$5.2 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. Total depreciation costs were \$6.8 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 \$116.9 million, an increase of \$8.60 million. Approximately \$39.1 million of this amount is committed for the general fund cash reserve and \$77.8 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.

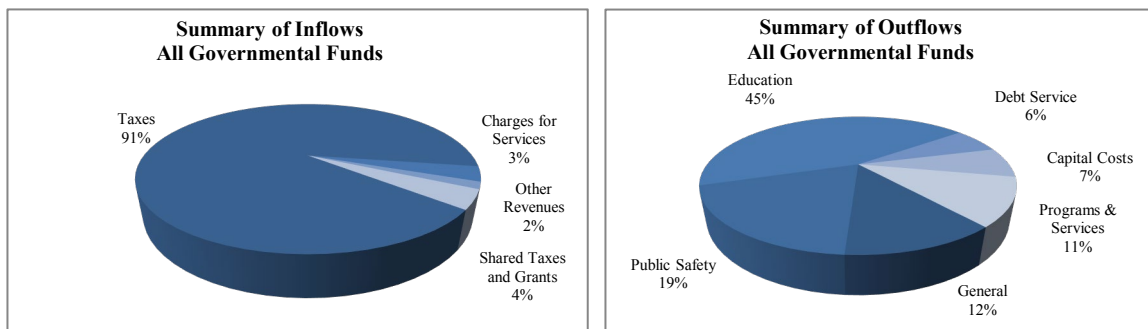


MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Governmental Activities	Fund Balance			Net Change in Fund Balance		
	2018	2017	% Change	2018	2017	% Change
General Fund	\$ 41,746,652	\$ 40,313,170	3.56%	\$ 1,433,482	\$ 571,022	151.04%
Capital Improvement Fund	71,984,125	64,548,129	11.52%	7,435,996	6,190,242	20.12%
Grants Management	13,410	8,813	52.16%	4,597	3,037	51.37%
Cascade Town Centre Fund	1,646,988	2,763,531	-40.40%	(1,116,543)	2,763,531	-140.40%
Inmate Welfare Fund	176,823	136,922	29.14%	39,901	25,880	54.18%
Contraband Fund	153,855	365	420.52%	153,490	(13,115)	1070.34%
Agricultural Education Fund	20,885	18,002	16.01%	2,883	3,030	-4.85%
Hotel Rental Tax Fund	770,599	199,503	286.26%	571,096	342,822	66.59%
Gaming Fund	88,268	41,183	114.33%	47,085	6,066	676.21%
Land Preservation Fund	298,046	265,567	12.23%	32,479	94,874	-65.77%
HEPMPO	(21,753)	(18,016)	20.74%	(3,737)	4,899	-176.28%
Total	\$ 116,877,898	\$ 108,277,169	7.94%	\$ 8,600,729	\$ 9,992,288	-13.93%

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, 2018.



- ❑ The **General Fund** is the chief operating fund of the County. At the end of the current fiscal year total fund balance reached \$41.7 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:



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Major Revenue Factors:

- Property tax revenue came within \$1.5 million or 1.2% of 2018 projections, including Personal property tax increase of \$1.0 million or 7.4% mainly due to increased inventory and new business.
- Income Tax revenue fell below budget by \$4.1 million or 5%.
- Recordation Tax revenue exceeded budget by \$0.7 million or 11.6%. The County's housing inventory has decreased steadily since 2010 with an annual 12.5% decrease represented in FY2018. Average home prices have also risen steadily with a 7.8% increase in FY2018 over FY2017. Several large commercial transactions also contributed to the increase.

Major Expenditure Factors:

- An additional transfer of \$2.1 million was made to the Capital Projects, Golf Course, and Land preservation to offset operating shortfalls, negative fund balance and for future project costs.
 - Overall public safety expenditures reflect savings of \$0.9 million resulting mainly from personnel cost savings.
 - Remaining cost centers accounted for \$4.2 million in savings, mainly a result of personnel cost savings, lower health claims than expected, and debt service savings.
- 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 \$72 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 \$7.4 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 **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 \$3.1 million. The net decrease in fund balance during the current year was \$0.3 million. These funds represent monies designated for specific programs and services.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

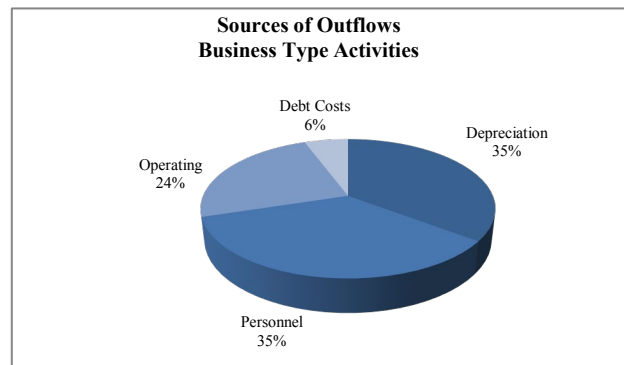
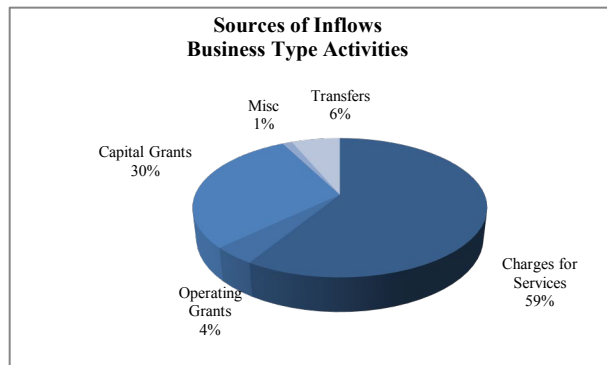
Proprietary Funds:

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 changes in Net Position were as follows:

Washington County, Maryland
Net Position and Changes in Net Position
(Fund Basis)

Business-type Activities	Total Net Position			Change in Net Position		
	2018	2017	% Change	2018	2017	%Change
Water Quality	\$ 139,340,745	\$ 131,777,498	5.74%	\$ 7,563,247	\$ 10,280,938	-26.43%
Solid Waste	2,991,169	4,364,348	-31.5%	(1,373,179)	(729,528)	-88.2%
Airport	54,298,432	59,471,459	-8.7%	(5,173,027)	(2,941,703)	-174.9%
Public Transit	3,663,942	3,449,898	6.2%	214,044	(1,422,778)	115.0%
Black Rock	2,441,444	2,316,588	5.39%	124,856	(156,428)	179.8%
Total	\$ 202,735,732	\$ 201,379,791	0.67%	\$ 1,355,941	\$ 6,278,864	-78.4%

The following reflects the inflows and outflows of the business-type activity funds for the fiscal year ending June 30, 2018.



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, 2018

General Fund Budgetary Analysis – Government Fund Financial Statement Basis

Washington County, Maryland

General Fund Budgetary Analysis

As of June 30, 2018

(Government Fund Basis)

Category	Budgetary Amounts		Actual	Difference	
	Original	Final		Org. Budget vs. Final Budget	Final Budget vs. Actual
Revenues:					
Property Tax	\$ 123,602,410	\$ 123,602,410	\$ 125,111,784	\$ -	\$ 1,509,374
Local Tax	88,805,000	88,805,000	85,388,664	-	(3,416,336)
Other Revenue	11,714,150	13,193,448	13,190,001	1,479,298	(3,447)
Total Revenues	224,121,560	225,600,858	223,690,449	1,479,298	(1,910,409)
Expenses:					
General Government	27,028,210	27,986,013	26,733,212	957,803	1,252,801
Public Safety	43,145,400	45,074,247	44,190,232	1,928,847	884,015
Health and Social Services	2,763,660	2,763,660	2,763,660	-	-
Education	106,796,410	106,796,410	106,796,410	-	-
Parks, Recreation, Natural Resources	6,630,820	6,700,190	6,696,892	69,370	3,298
Highways and Streets	10,567,610	10,104,460	10,446,328	(463,150)	(341,868)
General Operations	2,614,770	1,459,198	534,133	(1,155,572)	925,065
Unallocated Costs	2,193,330	2,193,330	252,729	-	1,940,601
Intergovernmental	7,176,780	7,318,780	9,364,996	142,000	(2,046,216)
Debt Service	15,204,570	15,204,570	14,745,795	-	458,775
Total Expenses	224,121,560	225,600,858	222,524,387	1,479,298	3,076,471
Other Financing Sources (Uses)	-	-	267,420	-	267,420
Net Increase in Assets - 06/30/18	\$ -	\$ -	\$ 1,433,482	\$ -	\$ 1,433,482



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Original Budget vs. Final Budget:

The net budgetary change of \$1.5 million resulted mainly from grant transactions. Increases in grants reflected as revenue were received or expended during the fiscal year from additional state or federal grants of \$1.5 million.

Final Budget vs. Actual Results:

Revenue was under by \$1.9 million while expenditures and other financing sources were under budget by \$3.4 million yielding a \$1.5 million net increase. Property Tax experienced an increase of \$1.5 million over budget or 1.2%. Income Tax revenue was below budget by 5% or \$4.1 million. Recordation Tax exceeded final budget by \$.7 million or 11.6%. Offsetting the revenues were expenditure net overages of \$3.1 million, resulting from transfers to the Golf Course and Capital Improvement funds of \$2.1 million to cover additional operating subsidy and for future project funding. Offsetting these overruns were savings of \$5.1 million recognized from personnel savings, lower health claims, 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, 2018, amounts to \$684.5 million (net of depreciation). This investment in capital assets includes land, buildings, bridges, roads, equipment, and operational facilities.

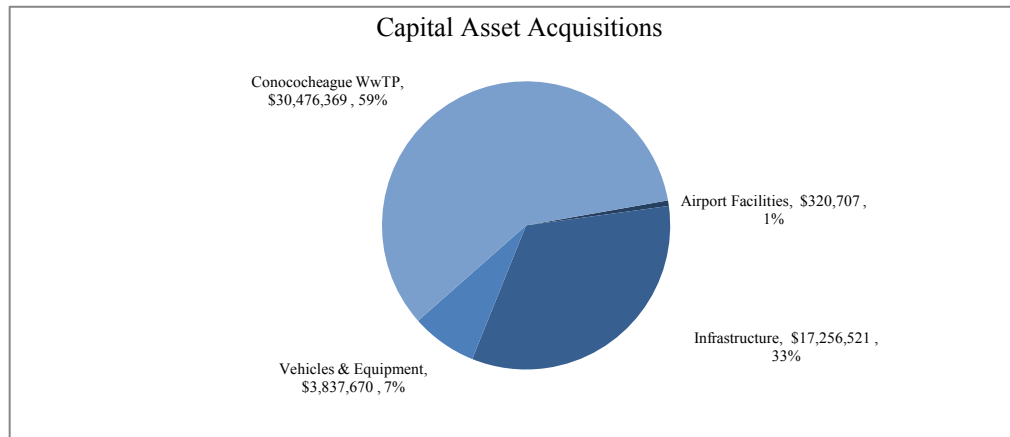
Washington County, Maryland
Net Capital Assets
(Government Fund Basis)

Description	Governmental Activities		Business-type Activities		Total		% Change
	2018	2017	2018	2017	2018	2017	
<i>Land and Land Improvements</i>	\$99,435,613	\$97,249,812	\$59,287,108	\$64,708,854	\$158,722,721	\$161,958,666	-2.0%
<i>Building and Improvements</i>	71,056,825	70,308,843	41,228,808	43,011,359	112,285,633	113,320,202	-0.9%
<i>Facilities, Lines, and Mains</i>	-	-	86,735,110	84,701,381	86,735,110	84,701,381	2.4%
<i>Vehicles</i>	4,810,321	4,745,120	1,263,931	1,507,825	6,074,252	6,252,945	-2.9%
<i>Infrastructure</i>	231,340,961	239,577,940	-	-	231,340,961	239,577,940	-3.4%
<i>Machinery and Equipment</i>	4,808,375	4,652,719	2,261,504	2,793,629	7,069,879	7,446,348	-5.1%
<i>Office/Computer Equipment</i>	9,168,143	11,652,537	204,820	138,650	9,372,963	11,791,187	-20.5%
<i>Treatment Plants</i>	-	-	72,928,453	43,774,812	72,928,453	43,774,812	66.6%
Total	\$420,620,238	\$428,186,971	\$263,909,734	\$240,636,510	\$684,529,972	\$668,823,481	2.3%



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

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 50-53 of this report.

Debt Administration

At the end of the current fiscal year, the County had total outstanding debt, excluding capital leases, of \$200.4 million. This amount was comprised of debt backed by the full faith and credit of the County and user fees. The debt increased by a net of \$1.5 million, the result of net principal payments of \$16.3 million and new borrowings of \$14.8 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
	2018	2017	2018	2017	2018	2017	
General Obligation Bonds	\$ 146,430,226	\$ 144,274,852	\$38,223,368	\$38,693,151	\$ 184,653,594	\$ 182,968,003	0.92%
Maryland Water Quality Bonds	3,822,493	4,302,697	11,881,281	11,537,186	15,703,774	15,839,883	-0.01%
Total	\$ 150,252,719	\$ 148,577,549	\$50,104,649	\$50,230,337	\$ 200,357,368	\$ 198,807,886	0.01%

The County's credit ratings for fiscal year 2018 are as follows: 1) Standard and Poor's rated AA+, 2) Fitch rated AA+, and 3) Moody's Investors Service rated Aa1.



MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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% 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 \$1.2 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 56-60 of this report.

Economic Factors and Fiscal Year 2019

- ❑ Washington County's unemployment rate for June 2018 was 4.7% compared to 4.5% in June of 2017. 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 2019 budget year. The water and sewer revenue requirements were both increased by 3.5%. 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.

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 3100, 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, 2018

	Primary Government			Component Unit	
	Governmental activities	Business-type activities	Total	Board of Education	Total
ASSETS					
Cash and short-term investments	\$ 15,339,835	\$ 27,999,886	\$ 43,339,721	\$ 22,666,978	\$ 66,006,699
Investments	99,453,546	-	99,453,546	18,449,079	117,902,625
Property taxes receivable, net of allowance	651,241	-	651,241	-	651,241
Accounts receivable, net of allowance	1,724,595	2,086,698	3,811,293	649,555	4,460,848
Interest receivable	587,853	-	587,853	-	587,853
Unbilled receivables	263,062	2,082,279	2,345,341	-	2,345,341
Due from other governmental agencies	23,586,481	1,396,525	24,983,006	4,878,077	29,861,083
Internal balances	2,149,418	-	2,149,418	-	2,149,418
Inventories	730,400	298,711	1,029,111	297,073	1,326,184
Other assets	-	-	-	1,462,391	1,462,391
Net other post employment benefits	1,419,630	-	1,419,630	-	1,419,630
Recoverable disbursements	235,110	752,972	988,082	-	988,082
Notes receivable	670,730	250,000	920,730	-	920,730
Projects under construction	14,901,547	1,918,334	16,819,881	1,397,815	18,217,696
Property, plant, and equipment, net	420,620,238	263,909,734	684,529,972	225,425,962	909,955,934
TOTAL ASSETS	582,333,686	300,695,139	883,028,825	275,226,930	1,158,255,755
DEFERRED OUTFLOWS OF RESOURCES					
Loss on refunding	2,424,827	541,663	2,966,490	-	2,966,490
Net pension activity	26,210,135	-	26,210,135	5,144,228	31,354,363
Net OPEB activity	-	-	-	16,719,608	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	28,634,962	541,663	29,176,625	21,863,836	34,320,853
LIABILITIES					
Current Liabilities:					
Current maturities of long-term obligations	9,316,119	5,038,607	14,354,726	-	14,354,726
Current maturities of capital lease obligations	258,158	30,200	288,358	1,062,366	1,350,724
Current maturities of installment purchase contracts	181,779	-	181,779	-	181,779
Accounts payable	6,543,888	2,087,560	8,631,448	7,158,768	15,790,216
Accrued expenses	1,946,118	613,731	2,559,849	16,955,961	19,515,810
Accrued interest	2,436,389	3,735,649	6,172,038	-	6,172,038
Internal balances	2,149,418	-	2,149,418	-	2,149,418
Unearned revenue	1,065,180	1,880,867	2,946,047	3,604,841	6,550,888
Compensated absences	2,107,402	467,341	2,574,743	277,186	2,851,929
Landfill closure and post-closure costs	-	197,530	197,530	-	197,530
Other liabilities	2,111,586	87,951	2,199,537	31,005	2,230,542
Liabilities for unpaid claims	2,030,677	-	2,030,677	-	2,030,677
Total current liabilities	30,146,714	14,139,436	44,286,150	29,090,127	73,376,277
Noncurrent Liabilities:					
Compensated absences	1,102,632	155,782	1,258,414	6,608,659	7,867,073
Post retirement benefits	-	-	-	238,323,140	238,323,140
Long-term debt obligations	140,936,600	45,066,042	186,002,642	-	186,002,642
Capital lease obligations	581,415	34,912	616,327	1,097,713	1,714,040
Installment purchase contracts	1,305,551	-	1,305,551	-	1,305,551
Landfill closure and post-closure costs	-	15,258,729	15,258,729	-	15,258,729
Net pension liability	111,528,117	-	111,528,117	15,951,949	127,480,066
Total noncurrent liabilities	255,454,315	60,515,465	315,969,780	261,981,461	577,951,241
TOTAL LIABILITIES	285,601,029	74,654,901	360,255,930	291,071,588	651,327,518
DEFERRED INFLOWS OF RESOURCES					
Service concession arrangements	-	23,846,169	23,846,169	-	23,846,169
Net pension activity	7,201,987	-	7,201,987	2,633,358	9,835,345
Net OPEB activity	3,125,134	-	3,125,134	24,976,869	28,102,003
TOTAL DEFERRED INFLOWS OF RESOURCES	10,327,121	23,846,169	34,173,290	27,610,227	61,783,517
NET POSITION					
Net investment in capital assets	359,867,032	219,191,046	579,058,078	224,663,508	803,721,586
Restricted for:					
John Howard Trust	246,014	-	246,014	-	246,014
Capital projects	28,539,436	3,532,742	32,072,178	-	32,072,178
Unrestricted	(73,611,984)	(19,988,056)	(93,600,040)	(246,254,557)	(339,854,597)
TOTAL NET POSITION	\$ 315,040,498	\$ 202,735,732	\$ 517,776,230	\$ (21,591,049)	\$ 496,185,181

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Activities For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 41,620,853	\$ 5,326,450	\$ 438,410	\$ -
Public safety	51,093,856	3,045,847	2,366,547	4,958
Health	2,339,270	-	-	-
Social services	424,390	-	-	-
Education	107,852,147	-	-	-
Parks, recreation and culture	6,622,721	139,613	-	90,063
Natural resources	2,120,799	-	700,071	-
Community promotion	4,521,026	-	1,297,021	-
Highways and streets	19,014,859	-	1,282,388	6,772,419
Interest on long-term debt	4,820,667	-	-	-
Total governmental activities	<u>240,430,588</u>	<u>8,511,910</u>	<u>6,084,437</u>	<u>6,867,440</u>
Business-type activities				
Water quality	14,326,351	12,056,418	-	9,431,125
Solid waste	8,182,004	6,159,472	-	-
Airport	8,464,438	2,513,780	17,166	1,060,233
Public transit	3,009,074	400,491	1,500,435	460,939
Black Rock golf course	1,230,369	718,205	-	-
Total business-type activities	<u>35,212,236</u>	<u>21,848,366</u>	<u>1,517,601</u>	<u>10,952,297</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 275,642,824</u>	<u>\$ 30,360,276</u>	<u>\$ 7,602,038</u>	<u>\$ 17,819,737</u>
Component unit:				
Board of Education	<u>\$ 337,021,524</u>	<u>\$ 16,019,182</u>	<u>\$ 58,369,507</u>	<u>\$ 58,059</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 - restated

NET POSITION - END OF YEAR

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Activities For the Year Ended June 30, 2018

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-Type Activities	Total	Board of Education	Total
\$ (35,855,993)	\$ -	\$ (35,855,993)	\$ -	\$ (35,855,993)
(45,676,504)	-	(45,676,504)	-	(45,676,504)
(2,339,270)	-	(2,339,270)	-	(2,339,270)
(424,390)	-	(424,390)	-	(424,390)
(107,852,147)	-	(107,852,147)	-	(107,852,147)
(6,393,045)	-	(6,393,045)	-	(6,393,045)
(1,420,728)	-	(1,420,728)	-	(1,420,728)
(3,224,005)	-	(3,224,005)	-	(3,224,005)
(10,960,052)	-	(10,960,052)	-	(10,960,052)
(4,820,667)	-	(4,820,667)	-	(4,820,667)
(218,966,801)	-	(218,966,801)	-	(218,966,801)
-	7,161,192	7,161,192	-	7,161,192
-	(2,022,532)	(2,022,532)	-	(2,022,532)
-	(4,873,259)	(4,873,259)	-	(4,873,259)
-	(647,209)	(647,209)	-	(647,209)
-	(512,164)	(512,164)	-	(512,164)
-	(893,972)	(893,972)	-	(893,972)
(218,966,801)	(893,972)	(219,860,773)	-	(219,860,773)
-	-	-	(262,574,776)	(262,574,776)
125,149,877	-	125,149,877	-	125,149,877
96,770,294	-	96,770,294	-	96,770,294
1,393,542	175,715	1,569,257	284,004	1,853,261
1,290,216	-	1,290,216	-	1,290,216
1,163,508	292,502	1,456,010	852,215	2,308,225
-	-	-	257,940,243	257,940,243
-	-	-	-	-
(1,480,321)	(580,563)	(2,060,884)	-	(2,060,884)
(2,362,259)	2,362,259	-	-	-
221,924,857	2,249,913	224,174,770	259,076,462	483,251,232
2,958,056	1,355,941	4,313,997	(3,498,314)	815,683
312,082,442	201,379,791	513,462,233	(18,092,735)	495,369,498
\$ 315,040,498	\$ 202,735,732	\$ 517,776,230	\$ (21,591,049)	\$ 496,185,181

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Balance Sheet – Governmental Funds As of June 30, 2018

	General Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
ASSETS				
Cash	\$ 415,192	\$ 9,796,002	\$ 5,128,641	\$ 15,339,835
Investments	99,211,242	242,304	-	99,453,546
Property taxes receivable, net of allowance	651,241	-	-	651,241
Accounts receivable, net of allowance	862,246	361,914	500,435	1,724,595
Interest receivable	585,748	2,105	-	587,853
Unbilled receivables	263,062	-	-	263,062
Due from other funds	-	62,425,846	-	62,425,846
Due from other governmental agencies	21,428,932	1,783,486	374,063	23,586,481
Recoverable disbursements	235,110	-	-	235,110
Notes receivable	670,730	-	-	670,730
Inventories	730,400	-	-	730,400
TOTAL ASSETS	\$ 125,053,903	\$ 74,611,657	\$ 6,003,139	\$ 205,668,699
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,791,101	\$ 2,621,202	\$ 2,131,585	\$ 6,543,888
Due to other funds	62,263,607	-	162,239	62,425,846
Accrued expenses	1,907,822	6,330	31,965	1,946,117
Liabilities for unpaid claims	2,030,677	-	-	2,030,677
Unearned revenue	604,215	-	460,965	1,065,180
Other liabilities	2,042,323	-	69,264	2,111,587
TOTAL LIABILITIES	70,639,745	2,627,532	2,856,018	76,123,295
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	12,667,506	-	-	12,667,506
FUND BALANCES				
Nonspendable	1,353,130	-	-	1,353,130
Restricted	821,597	28,539,436	1,244,390	30,605,423
Committed	39,554,672	43,444,689	1,830,938	84,830,299
Assigned	17,253	-	109,153	126,406
Unassigned	-	-	(37,360)	(37,360)
TOTAL FUND BALANCES	41,746,652	71,984,125	3,147,121	116,877,898
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 125,053,903	\$ 74,611,657	\$ 6,003,139	\$ 205,668,699

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position As of June 30, 2018

Fund balance governmental funds	\$	116,877,898
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds:

Capital assets, net	420,620,238
Projects under construction	14,901,547

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

Net other post employment benefits	1,419,630
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Revenues in the statement of activities that do not provide current
financial resources are not reported as revenue in the funds

Unavailable revenues	12,667,506
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Deferred outflow of resources, including loss on refunding, net
deferred pension activity and net deferred OPEB activity are not
financial resources and therefore are not reported in the funds

18,307,841

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds:

Long-term obligations	(150,252,719)
Installment purchase obligations	(1,487,330)
Capital lease obligations	(839,573)
Accrued interest payable - net of IRS subsidy	(2,436,389)
Compensated absences and net pension liability	(114,738,151)

Net position of governmental activities	\$	<u>315,040,498</u>
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COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds For the Year Ended June 30, 2018

	General Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
REVENUE				
General property tax	\$ 125,111,784	\$ -	\$ -	\$ 125,111,784
Other local tax	85,388,664	3,963,596	2,313,525	91,665,785
Licenses and permits	1,417,875	-	2,163,086	3,580,961
Court costs and fines	2,287,736	-	-	2,287,736
Charges for services	1,328,177	-	387,015	1,715,192
Reimbursed expenses	997,158	-	92,320	1,089,478
Interest income	1,393,440	-	1,053	1,394,493
Miscellaneous revenues	763,135	2,871	308,053	1,074,059
Grants and shared revenues	3,267,236	2,132,387	2,432,537	7,832,160
Highway	1,645,244	-	-	1,645,244
Total Revenue	<u>223,600,449</u>	<u>6,098,854</u>	<u>7,697,589</u>	<u>237,396,892</u>
EXPENDITURES				
Current:				
General government	26,733,212	-	-	26,733,212
Public safety	44,190,232	-	1,463,219	45,653,451
Health	2,339,270	-	-	2,339,270
Social services	424,390	-	-	424,390
Education	106,796,410	-	-	106,796,410
Parks, recreation and culture	5,988,897	-	221,882	6,210,779
Natural resources	707,995	-	1,389,486	2,097,481
Intergovernmental	38,543	-	-	38,543
General operations	786,862	-	1,492,633	2,279,495
Community promotion	-	-	4,521,658	4,521,658
Highways and streets	10,446,328	-	-	10,446,328
Debt service	14,745,795	-	-	14,745,795
Capital outlay:				
General government	-	2,153,216	-	2,153,216
Public safety	-	1,230,009	-	1,230,009
Highways and streets	-	12,578,565	-	12,578,565
Education	-	1,055,737	-	1,055,737
Parks and recreation	-	98,799	-	98,799
Total Expenditures	<u>213,197,934</u>	<u>17,116,326</u>	<u>9,088,878</u>	<u>239,403,138</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>10,402,515</u>	<u>(11,017,472)</u>	<u>(1,391,289)</u>	<u>(2,006,246)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	90,000	6,356,000	1,172,540	7,618,540
Transfers out	(9,326,453)	(604,347)	(50,000)	(9,980,800)
Proceeds of bond sale	-	12,701,815	-	12,701,815
Proceeds of capital leases	267,420	-	-	267,420
TOTAL OTHER FINANCING SOURCES (USES)	<u>(8,969,033)</u>	<u>18,453,468</u>	<u>1,122,540</u>	<u>10,606,975</u>
NET CHANGES IN FUND BALANCE	<u>1,433,482</u>	<u>7,435,996</u>	<u>(268,749)</u>	<u>8,600,729</u>
FUND BALANCES - BEGINNING OF YEAR	<u>40,313,170</u>	<u>64,548,129</u>	<u>3,415,870</u>	<u>108,277,169</u>
FUND BALANCES - END OF YEAR	<u>\$ 41,746,652</u>	<u>\$ 71,984,125</u>	<u>\$ 3,147,121</u>	<u>\$ 116,877,898</u>

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, 2018

Net changes in fund balances in governmental funds \$ 8,600,729

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 was exceeded by capital outlay in the current period.

Capital outlay capitalized	\$ 15,376,875	
Depreciation	<u>(21,018,687)</u>	(5,641,812)

In the statement of activities, only the gain or loss on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold. (1,520,773)

Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond, capital lease and installment purchase principal is an expenditure in the governmental funds, but the repayments reduce long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.

Debt and lease proceeds	\$ (12,969,234)	
Payments of installment purchase principal	181,779	
Payments of lease principal	263,627	
Payments of debt principal	<u>10,033,917</u>	(2,489,911)

In the statement of activities, compensated absences and post-retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used. This year, compensated absences and post-retirement benefits earned exceeded financial resources used. (6,185,376)

Revenues and expenditures are reported in the statement of activities on the accrual basis and in the governmental funds when they provide or use current financial resources. This is the net difference of revenues and expenditures recognized between the governmental funds and statement of activities.

		<u>10,195,199</u>
Change in Net Position of Governmental Activities	\$	<u>2,958,056</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Net Position - Proprietary Funds As of June 30, 2018

	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	\$ 10,494,893	\$ 16,200,459	\$ 678,270	\$ 626,264	\$ 27,999,886
Accounts receivable, net	1,422,932	347,048	256,289	60,429	2,086,698
Unbilled receivables	1,609,717	462,680	9,244	638	2,082,279
Due from other governmental agencies	803,197	-	593,328	-	1,396,525
Recoverable disbursements	-	-	79	752,893	752,972
Notes receivable	-	250,000	-	-	250,000
Inventories	109,209	2,875	42,606	144,021	298,711
Total current assets	14,439,948	17,263,062	1,579,816	1,584,245	34,867,071
Noncurrent Assets:					
Projects under construction	1,135,955	23,559	758,820	-	1,918,334
Property, plant and equipment	231,233,991	68,839,650	154,408,934	12,180,638	466,663,213
Accumulated depreciation	(69,379,232)	(49,160,017)	(76,834,453)	(7,379,777)	(202,753,479)
Total noncurrent assets	162,990,714	19,703,192	78,333,301	4,800,861	265,828,068
TOTAL ASSETS	177,430,662	36,966,254	79,913,117	6,385,106	300,695,139
DEFERRED OUTFLOWS OF RESOURCES					
Loss on refundings	328,777	200,054	12,832	-	541,663
LIABILITIES					
Current Liabilities:					
Current maturities of long-term obligations	2,441,009	2,507,268	90,330	-	5,038,607
Current maturities of capital lease obligations	30,200	-	-	-	30,200
Accounts payable	845,692	950,287	247,101	44,480	2,087,560
Accrued expenses	426,180	73,276	24,289	89,986	613,731
Accrued interest	3,478,621	245,308	11,720	-	3,735,649
Unearned revenue	649,925	429,690	800,002	1,250	1,880,867
Compensated absences	270,985	77,583	36,568	82,205	467,341
Landfill closure and post-closure costs	-	197,530	-	-	197,530
Other liabilities	7,300	-	46,254	34,397	87,951
Total current liabilities	8,149,912	4,480,942	1,256,264	252,318	14,139,436
Noncurrent Liabilities:					
Compensated absences	90,330	25,861	12,189	27,402	155,782
Bonds and long-term debt	30,143,540	14,409,607	512,895	-	45,066,042
Capital lease obligations	34,912	-	-	-	34,912
Landfill closure and post-closure costs	-	15,258,729	-	-	15,258,729
Total noncurrent liabilities	30,268,782	29,694,197	525,084	27,402	60,515,465
TOTAL LIABILITIES	38,418,694	34,175,139	1,781,348	279,720	74,654,901
DEFERRED INFLOWS OF RESOURCES					
Service concession arrangements	-	-	23,846,169	-	23,846,169
Net Position					
Net investment in capital assets	133,557,004	3,103,105	77,730,076	4,800,861	219,191,046
Restricted - capital projects	3,215,954	316,788	-	-	3,532,742
Unrestricted	2,567,787	(428,724)	(23,431,644)	1,304,525	(19,988,056)
TOTAL NET POSITION	\$ 139,340,745	\$ 2,991,169	\$ 54,298,432	\$ 6,105,386	\$ 202,735,732

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, 2018

	Business Type Activities - Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	Total
OPERATING REVENUE					
Charges for services	\$ 12,056,418	\$ 6,159,472	\$ 2,513,780	\$ 1,118,696	\$ 21,848,366
Miscellaneous	31,421	172,778	57,225	31,077	292,501
TOTAL OPERATING REVENUE	12,087,839	6,332,250	2,571,005	1,149,773	22,140,867
OPERATING EXPENSES					
Salaries and wages	4,147,955	1,473,433	599,243	1,788,679	8,009,310
Fringe benefits	2,599,925	730,005	335,643	829,378	4,494,951
Utilities	1,065,422	63,084	220,238	76,649	1,425,393
Insurance	141,414	28,150	46,677	36,796	253,037
Repairs and maintenance	378,791	-	82,439	348,678	809,908
Supplies	258,796	93,400	11,213	50,367	413,776
Cost of goods sold	-	-	-	79,016	79,016
Contracted services	197,671	2,251,584	69,268	192,803	2,711,326
Rentals and leases	32,964	2,187	5,272	118,276	158,699
Other operating	1,072,761	800,023	189,984	361,678	2,424,446
Uncollectible accounts	2,320	1,657	15,396	-	19,373
Controllable assets	220,502	5,417	96,869	2,330	325,118
Depreciation	3,211,917	2,279,491	6,775,870	354,793	12,622,071
TOTAL OPERATING EXPENSES	13,330,438	7,728,431	8,448,112	4,239,443	33,746,424
OPERATING LOSS	(1,242,599)	(1,396,181)	(5,877,107)	(3,089,670)	(11,605,557)
OTHER INCOME (EXPENSE)					
Interest expense	(995,913)	(453,573)	(16,326)	-	(1,465,812)
Interest income	170,781	2,945	1,983	6	175,715
Gain/(loss) on disposal of assets	(2,097)	-	(623,476)	45,010	(580,563)
TOTAL OTHER INCOME (EXPENSE)	(827,229)	(450,628)	(637,819)	45,016	(1,870,660)
LOSS BEFORE OPERATING TRANSFERS AND GRANTS	(2,069,828)	(1,846,809)	(6,514,926)	(3,044,654)	(13,476,217)
OPERATING TRANSFERS	201,950	473,630	64,500	1,036,180	1,776,260
GRANTS FOR OPERATING	-	-	17,166	1,500,435	1,517,601
NET LOSS BEFORE CAPITAL TRANSFERS AND GRANTS	(1,867,878)	(1,373,179)	(6,433,260)	(508,039)	(10,182,356)
CAPITAL TRANSFERS	-	-	200,000	386,000	586,000
CAPITAL GRANTS AND CONTRIBUTIONS	9,431,125	-	1,060,233	460,939	10,952,297
NET CHANGES IN NET POSITION	7,563,247	(1,373,179)	(5,173,027)	338,900	1,355,941
NET POSITION - BEGINNING OF YEAR	131,777,498	4,364,348	59,471,459	5,766,486	201,379,791
NET POSITION - END OF YEAR	\$ 139,340,745	\$ 2,991,169	\$ 54,298,432	\$ 6,105,386	\$ 202,735,732

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, 2018

	Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	Total
Cash Flows from Operating Activities					
Receipts from customers	\$10,903,985	\$ 6,312,823	\$ 3,012,401	\$ 916,008	\$ 21,145,217
Payments to suppliers	(7,164,049)	(2,352,348)	(642,238)	(1,304,914)	(11,463,549)
Payments to employees	(6,699,945)	(2,194,549)	(931,167)	(2,610,711)	(12,436,372)
Net Cash Provided (Used) by Operating Activities	(2,960,009)	1,765,926	1,438,996	(2,999,617)	(2,754,704)
Cash Flows from Noncapital Financing Activities					
Operating contributions	201,950	473,630	81,666	2,536,615	3,293,861
Decrease in due to/from other funds	4,699,877	47,032	(980,988)	-	3,765,921
Net Cash Provided (Used) by Noncapital Financing Activities	4,901,827	520,662	(899,322)	2,536,615	7,059,782
Cash Flows from Capital and Related Financing Activities					
Interest paid on notes and bond payable	(2,304,167)	(454,806)	(17,746)	-	(2,776,719)
Acquisition and construction of capital assets	(15,553,139)	(1,381,842)	(379,294)	(275,884)	(17,590,159)
Loss on the sale of assets	(2,097)	-	(623,476)	45,010	(580,563)
Contribution for capital acquisitions	9,431,125	-	1,260,233	846,939	11,538,297
Proceeds from/payments on notes and bonds payable	1,141,569	(1,012,486)	(103,204)	-	25,879
Net Cash Provided (Used) by Capital and Related Financing Activities	(7,286,709)	(2,849,134)	136,513	616,065	(9,383,265)
Cash Flows from Investing Activities					
Interest on investments	170,781	2,945	1,983	6	175,715
Net change in cash	(5,174,110)	(559,601)	678,170	153,069	(4,902,472)
Cash, Beginning of Year	15,669,003	16,760,060	100	473,195	32,902,358
Cash, End of Year	\$10,494,893	\$16,200,459	\$ 678,270	\$ 626,264	\$ 27,999,886
Non-Cash Operating Activities					
Loss on refunding	\$ 328,777	\$ 200,054	\$ 12,832	\$ -	\$ 541,663
Non-Cash Capital and Related Financing Activities					
Capital lease	\$ (29,027)	\$ -	\$ -	\$ -	\$ (29,027)
Reconciliation of Operating Loss to Net Cash from Operating Activities					
Operating loss	\$(1,242,599)	\$(1,396,181)	\$ (5,877,107)	\$ (3,089,670)	\$(11,605,557)
Adjustments to reconcile operating loss to net cash from operating activities:					
Depreciation	3,211,917	2,279,491	6,775,870	354,793	12,622,071
Changes in assets and liabilities:					
Accounts receivable	(208,106)	(190,136)	(197,543)	(49,372)	(645,157)
Unbilled receivables	(106,257)	(83,358)	(1,202)	(36)	(190,853)
Due to/from other government entities	(803,197)	326,434	1,440,143	(178,884)	784,496
Inventories	13,659	7,387	12,416	(19,144)	14,318
Accounts payable and other liabilities	(3,807,067)	532,260	82,702	(19,444)	(3,211,549)
Accrued expenses	12,224	11,508	(1,164)	5,375	27,943
Landfill closure	-	353,507	-	-	353,507
Unearned revenue	(66,294)	(72,367)	(800,002)	(5,473)	(944,136)
Compensated absences	35,711	(2,619)	4,883	2,238	40,213
Net Cash Provided (Used) by Operating Activities	\$(2,960,009)	\$ 1,765,926	\$ 1,438,996	\$ (2,999,617)	\$ (2,754,704)

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, 2018

	<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	\$ 2,280,889	\$ 177,814	\$ 811,586	\$ 64,349	\$ 3,686,115
Investments, at fair value:					
U.S. Government obligations	11,532,877	1,022,959	2,470,586	-	-
Corporate bonds and obligations	9,972,497	707,915	1,655,059	-	-
Fixed income securities	12,999,559	1,139,472	2,875,270	-	-
Corporate stock	28,173,384	1,783,508	4,658,776	-	-
Equity funds	52,520,829	4,293,220	10,608,961	68,654	-
Accounts receivable	209,398	16,704	-	-	-
Due from other funds	-	-	-	31,005	-
TOTAL ASSETS	<u>117,689,433</u>	<u>9,141,592</u>	<u>23,080,238</u>	<u>164,008</u>	<u>3,686,115</u>
LIABILITIES					
Accounts payable	-	-	-	-	135,907
Due to student groups	-	-	-	-	3,550,208
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,686,115</u>
NET POSITION					
Held in trust for pension and OPEB	117,689,433	9,141,592	23,080,238	-	-
Held in trust for scholarships	-	-	-	164,008	-
NET POSITION	<u>\$ 117,689,433</u>	<u>\$ 9,141,592</u>	<u>\$ 23,080,238</u>	<u>\$ 164,008</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, 2018

	<u>Pension Trust</u>	<u>LOSAP Trust</u>	<u>OPEB Trust</u>	<u>Private Purpose Trust</u>
ADDITIONS				
Contributions:				
Employer	\$ 10,510,000	\$ 600,000	\$ 1,222,000	\$ -
Plan members	2,094,346	-	-	-
Gifts and contributions	-	-	-	34,200
Receipts of in-kind	2,313,201	180,073	422,788	-
Total Contributions	<u>14,917,547</u>	<u>780,073</u>	<u>1,644,788</u>	<u>34,200</u>
Investment Income:				
Realized and unrealized gains	1,033,733	13,116	393,598	-
Interest and dividends	1,155,058	86,366	210,911	4,451
Other income	7,448,993	646,351	1,131,797	-
Total Investment Income	<u>9,637,784</u>	<u>745,833</u>	<u>1,736,306</u>	<u>4,451</u>
TOTAL ADDITIONS	<u>24,555,331</u>	<u>1,525,906</u>	<u>3,381,094</u>	<u>38,651</u>
DEDUCTIONS				
Benefits	8,172,571	555,590	-	-
Scholarship expenses	-	-	-	36,859
Administrative expenses	2,692,160	239,158	506,846	-
TOTAL DEDUCTIONS	<u>10,864,731</u>	<u>794,748</u>	<u>506,846</u>	<u>36,859</u>
CHANGES IN NET POSITION	13,690,600	731,158	2,874,248	1,792
NET POSITION - BEGINNING OF YEAR	<u>103,998,833</u>	<u>8,410,434</u>	<u>20,205,990</u>	<u>162,216</u>
NET POSITION - END OF YEAR	<u>\$ 117,689,433</u>	<u>\$ 9,141,592</u>	<u>\$ 23,080,238</u>	<u>\$ 164,008</u>

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

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, 2018 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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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 actuarially determined contributions, calculated in accordance with GASB Statement No.68. 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, 2018

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 (2017 and 2018 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, 2018

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.

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 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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

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

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

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

Budget Development Start

The development of the budget starts with the on-line release of operational budgets and 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 Director of Planning, the Director of Engineering, 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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

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.

Review and Modification Phase

The Chief Financial Officer 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 the County's website as well as updates on major events and/or issues.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

Balanced Budget

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

Costing of Services

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

Amendment to the Budget

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

The Chief Financial Officer reviews capital projects 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.

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

Deposits

As of June 30, 2018, the carrying amount of the County's deposits was \$43,339,721 and the bank balances were \$46,099,203. All deposits are carried at cost plus accrued interest. There were no significant violations of the collateralization requirements during the year ended June 30, 2018. 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.

3. CASH AND SHORT-TERM INVESTMENTS

Primary Government

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, 2018, the County's bank balance of \$46,099,203 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, 2018

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Primary Government (continued)

Investments

As of June 30, 2018, 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	\$ 98,995,821	\$ 98,995,821		\$ -	\$ -
Certificates of Deposit	457,725	457,725	-	-	-
Total investments held in County's name	99,453,546	99,453,546	-	-	-
Investments held by trustee of					
Pension plan:					
U.S. government obligations, municipal and corporate bonds	21,505,374	21,505,374	-	-	-
Fixed income securities	12,999,559	12,999,559	-	-	-
Corporate stocks	28,173,384	28,173,384	-	-	-
Equity funds	52,520,829	52,520,829	-	-	-
Money market funds	2,280,889	2,280,889	-	-	-
Interest and dividends receivable	209,398	209,398	-	-	-
Total Investments held by trustee of pension plan	117,689,433	117,689,433	-	-	-
Investments held by trustee of					
LOSAP plan:					
U.S. government obligations and corporate bonds	1,730,874	1,730,874	-	-	-
Corporate stocks	1,783,508	1,783,508	-	-	-
Fixed income funds	1,139,472	1,139,472	-	-	-
Equity funds	4,293,220	4,293,220	-	-	-
Money market funds	177,814	177,814	-	-	-
Interest and dividends receivable	16,704	16,704	-	-	-
Total Investments held by trustee of LOSAP plan	9,141,592	9,141,592	-	-	-
Investments held by trustee of					
OPEB plan:					
U.S. government obligations and corporate bonds	4,125,645	4,125,645	-	-	-
Corporate stocks	4,658,776	4,658,776	-	-	-
Fixed income funds	2,875,270	2,875,270	-	-	-
Equity funds	10,608,961	10,608,961	-	-	-
Money market funds	811,586	811,586	-	-	-
Interest and dividends receivable	-	-	-	-	-
Total Investments held by trustee of OPEB plan	23,080,238	23,080,238	-	-	-
Total investments	\$ 249,364,809	\$ 249,364,809	\$ -	\$ -	\$ -

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, 2018

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, 2018

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, 2018, 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, 2018, 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, 2018

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. The 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, 2018.

Compliance is summarized as follows:

June 30, 2018	Governmental Activities	Business Type Activities	Fiduciary Responsibilities	Total
Carrying amount of cash deposits	\$ 22,657,583	\$ 9,395	\$ 3,750,464	\$ 26,417,442
Bank balance of cash deposits	24,279,500	8,946	3,909,387	28,197,833
Amount covered by FDIC	498,430	1,274	1,362,589	1,862,293
Amount collateralized with securities held by an agent of the pledging financial institution in the School system's name	23,781,070	7,672	2,546,798	26,335,540

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, 2018

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, 2018, the School System had the following investments and maturities:

June 30, 2018	Governmental Activities	Business-Type Activities	Fiduciary Responsibilities	Total
Federal Farm Credit Bank – 1.100%				
matures October 15, 2018	\$ 5,625,450	\$ -	\$ -	\$ 5,625,450
Federal National Mortgage Association - 1.000%				
matures January 25, 2018	3,972,400	-	-	3,972,400
Federal National Mortgage Association - 1.250%				
matures January 30, 2019	3,977,280	-	-	3,977,280
Federal National Mortgage Association - 1.125%				
matures June 28, 2019	3,456,495	-	-	3,456,495
Federal Home Loan Bank - 1.370%				
matures October 24, 2019	434,254	-	-	434,254
Federal Home Loan Bank - 1.390%				
matures December 26, 2019	983,200	-	-	983,200
Income Fund of America	-	-	68,654	68,654
Retiree Health Plan Trust	-	-	63,860,048	63,860,048
	<u>\$ 18,449,079</u>	<u>\$ -</u>	<u>\$ 63,928,702</u>	<u>\$ 82,377,781</u>

Investment Type	Fair Value	Investment Maturities (in Years)			
	June 30, 2018	Less than 1	1-5	6-10	More than 10
U.S. Agencies	\$ 18,449,079	\$ -	\$ 18,449,079	\$ -	\$ -
Income Fund	68,654	68,654	-	-	-
Retiree Health Plan Trust	63,860,048	41,860,446	16,934,024	26,628	5,038,950
	<u>\$ 82,377,781</u>	<u>\$ 41,929,100</u>	<u>\$ 35,383,103</u>	<u>\$ 26,628</u>	<u>\$ 5,038,950</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2018

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	\$ 651,241	\$ -	\$ -	\$ 651,241
Accounts receivable	1,122,642	361,914	500,435	1,984,991
Gross receivables	1,773,883	361,914	500,435	2,636,232
Less: allowance for uncollectibles	(260,396)	-	-	(260,396)
Net Total Receivables	\$1,513,487	\$ 361,914	\$ 500,435	\$ 2,375,836

	Business-type Activities				
	Water Quality	Solid Waste	Airport	Non-Major	Total
Accounts receivable	\$ 1,443,475	\$ 416,029	\$ 280,473	\$ 60,929	\$ 2,200,906
Less: allowance for uncollectibles	(20,543)	(68,981)	(24,184)	(500)	(114,208)
Net Total Receivables	\$ 1,422,932	\$ 347,048	\$ 256,289	\$ 60,429	\$ 2,086,698

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 \$261,897. 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, 2018

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

Primary Government

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 89,111,268	\$ 2,962,386	\$ (601,483)	\$ 91,472,171
Capital assets, being depreciated:				
Land improvements	14,084,469	280,355	(1,200)	14,363,624
Building and improvements	104,582,253	4,657,089	(789,060)	108,450,282
Vehicles	15,515,368	1,494,097	(761,142)	16,248,323
Infrastructure	1,170,310,204	3,841,205	(509,333)	1,173,642,076
Machinery and equipment	10,214,977	790,302	(257,972)	10,747,307
Office furniture and equipment	1,010,320	-	(38,335)	971,985
Computer equipment	34,312,587	987,319	(229,578)	35,070,328
Total capital assets, being depreciated	1,350,030,178	12,050,367	(2,586,620)	1,359,493,925
Total Capital Assets	1,439,141,446	15,012,753	(3,188,103)	1,450,966,096
Accumulated depreciation for:				
Land improvements	(5,945,925)	(455,457)	1,200	(6,400,182)
Building and improvements	(34,273,410)	(3,131,554)	11,507	(37,393,457)
Vehicles	(10,770,248)	(1,420,979)	753,225	(11,438,002)
Infrastructure	(930,732,264)	(12,027,251)	458,400	(942,301,115)
Machinery and equipment	(5,562,258)	(634,646)	257,972	(5,938,932)
Office furniture and equipment	(901,577)	(18,124)	38,335	(881,366)
Computer equipment	(22,768,793)	(3,370,702)	146,691	(25,992,804)
Total accumulated depreciation	(1,010,954,475)	(21,058,713)	1,667,330	(1,030,345,858)
Governmental Activities Capital Assets, Net	\$ 428,186,971	\$ (6,045,960)	\$ (1,520,773)	\$ 420,620,238
Projects Under Construction	\$ 9,434,217	\$ 16,060,589	\$ (10,593,259)	\$ 14,901,547

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2018

5. CAPITAL ASSETS (continued)

Primary Government (continued)

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 12,190,961	\$ -	\$ -	\$ 12,190,961
Capital assets, being depreciated:				
Land improvements	145,812,772	1,743,338	(2,802)	147,553,308
Building and improvements	63,516,245	488,952	(1,025,620)	62,979,577
Facilities	119,022,009	3,598,589	-	122,620,598
Vehicles	8,285,358	379,231	(594,648)	8,069,941
Machinery and equipment	12,009,824	46,904	(165,956)	11,890,772
Office furniture and equipment	288,434	-	(15,447)	272,987
Computer equipment	2,426,693	139,817	(342,518)	2,223,992
Treatment plants	68,463,215	30,481,683	(83,821)	98,861,077
Total capital assets, being depreciated	419,824,550	36,878,514	(2,230,812)	454,472,252
Total Capital Assets	432,015,511	36,878,514	(2,230,812)	466,663,213
Accumulated depreciation for:				
Land improvements	(93,294,879)	(7,165,083)	2,801	(100,457,161)
Building and improvements	(20,504,886)	(1,573,027)	327,144	(21,750,769)
Facilities	(34,320,628)	(1,564,860)	-	(35,885,488)
Vehicles	(6,777,533)	(488,125)	459,648	(6,806,010)
Machinery and equipment	(9,216,195)	(577,967)	164,894	(9,629,268)
Office furniture and equipment	(288,435)	-	15,447	(272,988)
Computer equipment	(2,288,042)	(73,647)	342,518	(2,019,171)
Treatment plants	(24,688,403)	(1,324,903)	80,682	(25,932,624)
Total accumulated depreciation	(191,379,001)	(12,767,612)	1,393,134	(202,753,479)
Business-type Activities Capital Assets, Net	\$ 240,636,510	\$ 24,110,902	\$ (837,678)	\$ 263,909,734
Projects Under Construction	\$ 20,252,497	\$ 16,175,287	\$ (34,509,450)	\$ 1,918,334

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2018

5. CAPITAL ASSETS (continued)

Primary Government (continued)

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

Governmental Activities:

General Government	\$	15,161,645
Public Safety		4,635,157
Park, recreation and culture		340,801
Conservation of Natural Resources		21,048
Highways and streets		860,036
Total Depreciation Expense - Governmental Activities	\$	21,018,687

Business-Type Activities:

Public Transit Fund	\$	229,889
Airport Fund		6,775,870
Golf Course Fund		124,904
Water Quality Fund		3,211,917
Solid Waste Fund		2,279,491
Total Depreciation Expense – Business-Type Activities	\$	12,622,071

Board of Education

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Government activities				
Capital assets, not being depreciated:				
Land	\$ 8,657,807	\$ -	\$ -	\$ 8,657,807
Facilities under construction	127,650	1,290,165	(20,000)	1,397,815
	<u>8,785,457</u>	<u>1,290,165</u>	<u>(20,000)</u>	<u>10,055,622</u>
Capital assets, being depreciated:				
Building and improvements	346,833,169	-	(8,163)	346,825,006
Furniture and equipment	48,974,852	3,023,737	(1,603,397)	50,395,192
Equipment under capital leases	5,543,835	-	-	5,543,835
	<u>401,351,856</u>	<u>3,023,737</u>	<u>(1,611,560)</u>	<u>402,764,033</u>
Accumulated depreciation:				
Building and improvements	(143,869,733)	(7,411,664)	188	(151,281,209)
Furniture and equipment	(31,529,237)	(3,309,047)	1,580,330	(33,257,954)
Buildings and equipment under capital lease	(1,660,087)	(1,342,303)	-	(3,002,390)
	<u>(177,059,057)</u>	<u>(12,063,014)</u>	<u>1,580,518</u>	<u>(187,541,553)</u>
Governmental activities capital assets, net	\$ 233,078,256	\$ (7,749,112)	\$ (51,042)	\$ 225,278,102

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2018

5. CAPITAL ASSETS (continued)

Board of Education (continued)

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Business-type activities				
Capital assets, being depreciated:				
Furniture and equipment	\$ 5,218,682	\$ 193,828	\$ (135,791)	\$ 5,276,719
Accumulated depreciation				
Furniture and equipment	(3,573,839)	(268,574)	111,369	(3,731,044)
Business-type activities capital assets, net	\$ 1,644,843	\$ (74,746)	\$ (24,422)	\$ 1,545,675

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

Governmental activities:

Other instructional costs	\$ 2,781,419
Student transportation services	1,369,647
Operation of plant	209,322
Depreciation - unallocated	7,702,626
Total governmental activities depreciation expense	\$ 12,063,014

Business-type activities:

Food services	\$ 268,574
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COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

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	\$ 62,263,606
	HEPMPO	68,317
	Grant	
	Management	93,923
Total		<u>\$ 62,425,846</u>

Board of Education

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Component unit - Board of Education	Primary government - capital projects	\$ 87,002

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, 2018

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	\$ -	\$ -	\$ 90,000	\$ 6,942,000
Solid Waste	-	473,630	-	-
Public Transit	-	484,470	-	-
Water Quality	-	201,950	-	-
Grants Management	-	296,220	-	-
Agricultural Education Center	-	183,940	-	-
Golf Course	-	569,020	-	-
HEPMPO	-	7,950	-	-
Land Preservation	-	152,773	-	-
Airport	-	14,500	-	-
Capital Projects Fund:				
General Fund	-	-	5,890,000	90,000
Highway Fund	-	-	466,000	-
Airport Fund	-	-	200,000	-
Hotel Rental Fund	-	-	-	114,347
Golf Course	-	-	51,000	-
Transit	-	-	335,000	-
Land Preservation	-	-	-	400,000
Solid Waste:				
General Fund	473,630	-	-	-
Public Transit:				
General Fund	484,470	-	-	-
HEPMPO	-	17,310	-	-
Water Quality:				
General Fund	201,950	-	-	-
Airport:				
General Fund	14,500	-	-	-
Hotel Rental	50,000	-	-	-
Golf Course:				
General Fund	569,020	-	-	-
Grant Management Fund:				
General Fund	296,220	-	-	-
Agricultural Education Center:				
General Fund	183,940	-	-	-
HEPMPO:				
General Fund	7,950	-	-	-
Public Transit Fund	17,310	-	-	-
Hotel Rental:				
Airport	-	-	114,347	-
Cascade Town Centre	-	50,000	-	-
Land Preservation:				
General Fund	152,773	-	-	-
Capital Projects Fund	-	-	400,000	-
Total	\$ 2,451,763	\$ 2,451,763	\$ 7,546,347	\$ 7,546,347

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2018

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:

	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Governmental Activities</i>						
Bonds payable:						
General obligation bonds	2.0-5.5%	\$ 137,021,844	\$ 12,000,000	\$ 9,553,713	\$ 139,468,131	\$ 8,549,084
Unamortized bond premium		7,253,008	701,815	992,728	6,962,095	-
Total bonds payable		<u>144,274,852</u>	<u>12,701,815</u>	<u>10,546,441</u>	<u>146,430,226</u>	<u>8,549,084</u>
Other loans payable						
Maryland Water Quality loans	1.0%	<u>4,302,697</u>	<u>-</u>	<u>480,204</u>	<u>3,822,493</u>	<u>767,035</u>
Total bonds and loans payable		148,577,549	12,701,815	11,026,645	150,252,719	9,316,119
Agricultural Land Preservation	3.0%	1,338,109	331,000	181,779	1,487,330	181,779
Capital lease obligations	2.1%	835,781	267,419	263,627	839,573	258,158
Net pension liability		<u>109,487,588</u>	<u>2,040,529</u>	<u>-</u>	<u>111,528,117</u>	<u>-</u>
Governmental Activity Long-term Liabilities		<u>260,239,027</u>	<u>15,340,763</u>	<u>11,472,051</u>	<u>264,107,739</u>	<u>9,756,056</u>
<i>Business-type Activities</i>						
Bonds payable:						
General obligation bonds	2.0-5.9%	\$ 36,986,241	\$ 2,485,000	\$ 2,887,882	\$ 36,583,359	\$ 2,681,261
Unamortized bond premium		1,710,775	145,334	214,207	1,641,902	-
Unamortized bond discount		(3,865)	-	(1,972)	(1,893)	-
Total bonds payable		<u>38,693,151</u>	<u>2,630,334</u>	<u>3,100,117</u>	<u>38,223,368</u>	<u>2,681,261</u>
Other loans payable:						
Maryland Water Quality loans	.40-1.7%	<u>11,537,186</u>	<u>1,849,660</u>	<u>1,505,565</u>	<u>11,881,281</u>	<u>2,357,346</u>
Total bonds and loans payable		50,230,337	4,479,994	4,605,682	50,104,649	5,038,607
Capital lease obligations	4.9%	<u>94,139</u>	<u>-</u>	<u>29,027</u>	<u>65,112</u>	<u>30,200</u>
Business-type Activity Long-term Liabilities		<u>50,324,476</u>	<u>4,479,994</u>	<u>4,634,709</u>	<u>50,169,761</u>	<u>5,068,807</u>
<i>Total Combined Activities</i>						
Long-term Liabilities		<u>\$ 310,563,503</u>	<u>\$ 19,820,757</u>	<u>\$ 16,106,760</u>	<u>\$ 314,277,500</u>	<u>\$ 14,824,863</u>
<i>Board of Education</i>	1.95-11.64%	<u>\$ 2,870,924</u>	<u>\$ -</u>	<u>\$ 710,845</u>	<u>\$ 2,160,079</u>	<u>\$ 1,062,366</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2018

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
2019	\$ 9,316,119	\$ 4,784,256	\$ 5,038,607	\$ 2,914,894	\$ 14,354,726	\$ 7,699,150
2020	9,982,974	4,602,509	4,511,864	2,884,875	14,494,838	7,487,384
2021	10,463,725	4,217,618	3,404,401	1,101,746	13,868,126	5,319,364
2022	9,668,994	3,826,026	3,535,883	1,009,001	13,204,877	4,835,027
2023	9,655,286	3,459,416	3,709,399	917,167	13,364,685	4,376,583
2024-2028	46,506,801	12,010,910	13,128,148	3,236,607	59,634,949	15,247,517
2029-2033	30,913,553	5,331,121	9,904,985	1,438,964	40,818,538	6,770,085
2034-2038	15,938,162	1,213,219	5,056,363	336,754	20,994,525	1,549,973
2039	845,010	14,259	174,989	2,952	1,019,999	17,211
Total	<u>\$ 143,290,624</u>	<u>\$ 39,459,334</u>	<u>\$ 48,464,639</u>	<u>\$ 13,842,960</u>	<u>\$ 191,755,263</u>	<u>\$ 53,302,294</u>
Plus (Less):						
Unamortized discount	-		(1,893)		(1,893)	
Unamortized premium	6,962,095		1,641,903		8,603,998	
	<u>\$ 150,252,719</u>		<u>\$ 50,104,649</u>		<u>\$ 200,357,368</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, 2018, the unused authorization was \$81,740,722.

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, 2018, there were Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$47,134,350.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

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, 2018, are as follows:

As of June 30,	Principal	Interest	Total Requirement
2019	\$ 181,779	\$ 29,747	\$ 211,526
2020	181,779	26,111	207,890
2021	181,779	22,475	204,254
2022	181,779	18,840	200,619
2023	181,779	15,204	196,983
Thereafter	578,435	24,462	602,897
Total	\$ 1,487,330	\$ 136,839	\$ 1,624,169

For the year ended June 30, 2018, total principal and interest incurred related to agricultural land preservation installments was \$181,779 and \$26,762, respectively.

Capital Leases

On December 3, 2013, the General Fund entered into a capital lease agreement for equipment. The lease calls for monthly lease payments of \$671 through January 19, 2015, and monthly 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. On July 6, 2017 a capital lease agreement was entered into for equipment. The lease calls for 5 annual lease payments of \$56,905 and a final lease payment of \$3. Payments commenced on September 28, 2017 with the final payment of \$3 due September 30, 2022. The future minimum lease payments under this agreement are as follows:

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2018

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

Primary Government (continued)

Capital Leases (continued)

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 285,452
2020	277,913
2021	277,913
2022	56,905
2023	3
Total minimum payments	898,186
Less: amounts representing interest	58,613
Present value of net minimum lease payments	<u>\$ 839,573</u>

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>
2019	\$ 32,575
2020	18,325
2021	18,325
Total minimum payments	69,225
Less: amounts representing interest	4,113
Present value of net minimum lease payments	<u>\$ 65,112</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2018

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

Primary Government (continued)

Capital Leases (continued)

The following is an analysis of the capital assets acquired under capital leases as of June 30, 2018.

	Capitalized Amount	Accumulated Depreciation	Net Book Value 2018
General Fund	\$ 1,875,771	\$ 227,418	\$ 1,648,353
Water Quality	161,955	75,728	86,227
Total	\$ 2,037,726	\$ 303,146	\$ 1,734,580

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:

Years Ended June 30,	Total	Principal	Interest
2019	\$ 1,119,075	\$ 1,062,366	\$ 56,709
2020	1,118,565	1,097,713	20,852
Total	\$ 2,237,640	\$ 2,160,079	\$ 77,561

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, 2018, \$9,615,000 of long-term obligations outstanding are considered defeased.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

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, 2018

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, 2018

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.

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

9. OPERATING LEASE AGREEMENTS (continued)

Primary Government (continued)

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, 2018, rental income for the above leases of \$910,593 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 99 years with fixed monthly rent payments of \$28,800. During the year ended June 30, 2018, 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.

On January 9, 2018, Black Rock Golf Course entered into a new lease for golf carts. The agreement called for monthly lease payments of \$7,471 payable from April through November each year. The lease term is for three years and commencing on March 1, 2018.

Total lease payments for the year ended June 30, 2018, were \$62,193.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

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, 2018, 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, 2018, was \$2,911,918 and \$521,073, 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, 2018 amounted to \$6,885,845. Total employee related costs associated and accrued with these compensated absences amounted to \$489,333 at June 30, 2018. For governmental funds, \$277,186 at June 30, 2018 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, 2018. 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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

11. RETIREMENT PLANS

Primary Government

Plan Description

The County Commissioners of Washington County Employees' Retirement Plan (the Plan) is a single-employer defined benefit pension plan established by the County Commissioners effective July 1, 1972, and adopted by ordinance. The County Commissioners have the power and authority to establish and amend the benefit provisions of the Plan. The Plan provides retirement benefits to Plan members.

Effective January 1, 1986, members are qualified to participate in the Plan if they are compensated on the basis of working at least 40 hours per week and 12 months in a calendar year. Participation classification is based on the employee's status as either "uniformed" or "non-uniformed". A uniformed employee may retire at the earlier of age 50 or 25 years of service. A non-uniformed employee may retire at the earlier of age 60 or 30 years of eligibility service. Vesting begins after 5 years of service. Retirement benefits for uniformed employees are calculated by a formula and provide approximately 50% of average pay after 25 years. Non-uniformed employees retirement benefits provide approximately 60% of average pay after 30 years of service.

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

11. RETIREMENT PLANS (continued)

Primary Government (continued)

The net pension liability by plan is as follows:

Retirement Plan	
Net Pension Liability	\$ 110,611,971
LOSAP Plan	
Net Pension Liability	916,146
Total	<u><u>\$ 111,528,117</u></u>

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, 2018, which is the latest actuarial report available.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

11. RETIREMENT PLANS (continued)

Primary Government (continued)

Membership of the Plan

The membership consisted of the following as of June 30, 2018, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	380
Terminated Plan members entitled to but not yet receiving benefits	49
Active Plan members	789
Total	<u><u>1,218</u></u>

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, 2018 is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Large Cap Equity	45%	5%
Domestic Mid/Small Cap Equities	8%	6%
International equity	13%	6%
Real Estate Investment Trusts	4%	7%
Core Fixed income	26%	2%
High Yield Bonds	3%	5%
Cash	1%	2%
Inflation		2%
Total	100%	

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

11. RETIREMENT PLANS (continued)

Primary Government (continued)

Annual Pension Cost and Net Pension Obligation

The total pension liability for the current year was determined as part of the June 30, 2018, 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 Total Dataset with Generational projection using scale MP-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, 2018 is as follows:

Total pension liability	\$ 228,301,405
Net position	<u>(117,689,434)</u>
Net pension liability	<u><u>\$ 110,611,971</u></u>

Net position as a percentage of total pension liability is 51.55%.

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><u>\$ 137,585,020</u></u>	<u><u>\$ 110,611,971</u></u>	<u><u>\$ 88,193,705</u></u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2018

11. RETIREMENT PLANS (continued)

Primary Government (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the County recognized pension expense of \$18,600,279 for the Plan. As of June 30, 2018, 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	\$ 8,127,353	\$ -
Change in assumptions	13,213,970	-
Net difference between projected and actual investment earnings	3,058,978	3,365,358
Total	\$ 24,400,301	\$ 3,365,358

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:

Years Ended June 30,	Amount
2019	\$ 7,840,889
2020	7,395,291
2021	6,088,599
2022	(289,836)
2023	-
Thereafter	-
Total	\$ 21,034,943

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

11. RETIREMENT PLANS (continued)

Board of Education (continued)

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.

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

11. RETIREMENT PLANS (continued)

Board of Education (continued)

Washington County School System contributions totaling \$1,745,013 and \$1,501,485 for fiscal years 2018 and 2017, respectively; and contributions by the State of Maryland on behalf of the School System totaling \$16,392,995 and \$16,286,682 for fiscal years 2018 and 2017, respectively. All contributions were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed annually.

At June 30, 2018, 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 System
School System's proportionate share of net pension liability	\$ -	\$ 15,951,949
State's proportionate share of net position liability associated with the School System	174,161,097	-
Total	\$ 174,161,097	\$ 15,951,949

For the year ended June 30, 2018, the School System recognized pension expense of \$20,280,926 related to governmental activities and (\$53,769) related to business-type activities. As of June 30, 2018, 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	\$ 3,319,802	\$ -
Net difference between projected and actual investment earnings	79,413	-
Difference between actual and expected experience	-	2,633,358
School System contributions subsequent to the measurement date	1,745,013	-
Total	\$ 5,144,228	\$ 2,633,358

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

11. RETIREMENT PLANS (continued)

Board of Education (continued)

The \$1,745,013 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, 2019.

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>
2019	\$ 258,005
2020	258,005
2021	258,005
2022	258,005
2023	(266,163)
Thereafter	-
Total	<u><u>\$ 765,857</u></u>

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>\$ 22,607,068</u>	<u>\$ 15,951,949</u>	<u>\$ 10,430,079</u>

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2018

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.

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 \$946,900 which is reflected in the accompanying financial statements as of June 30, 2018. Changes in the claims liability were as follows:

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2018

12. RISK MANAGEMENT (continued)

Primary Government (continued)

	Years Ended June 30,	
	2018	2017
Liability, beginning of year	\$ 867,189	\$ 1,150,931
Premiums collected and changes in estimates during the year	15,131,719	14,057,816
Claims and administrative costs paid	(15,052,008)	(14,341,558)
Liability, end of year	<u>\$ 946,900</u>	<u>\$ 867,189</u>

The County uses a third party administrator to process and pay claims. The County has purchased a stop-loss insurance policy in which the insurance company covers individual claims once they exceed \$175,000. Under this policy, the County was liable for the first 125% of expected claims paid in the current fiscal year. Any claims in excess of this amount are to be paid by the insurance company under the stop-loss policy.

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 \$1,083,777, which is reflected in the accompanying financial statements as of June 30, 2018. Changes in the claims liability were as follows:

	Years Ended June 30,	
	2018	2017
Liability, beginning of year	\$ 656,541	\$ 741,292
Premiums collected and changes in estimates during the year	1,207,112	577,364
Claims and administrative costs paid	(779,876)	(662,115)
Liability, end of year	<u>\$ 1,083,777</u>	<u>\$ 656,541</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2018

12. RISK MANAGEMENT (continued)

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.

Additionally, the School System is one of seventeen 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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

12. RISK MANAGEMENT (continued)

Board of Education (continued)

In accordance with the Governmental Accounting Standards Board's Statement No. 10 "*Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*," charges to other funds must be accounted for as revenue by an internal service fund and expenditures/expenses by the other funds. The amounts of these charges were \$41,173,555 and \$33,598,869 for the years ended June 30, 2018 and 2017, respectively.

The Self-Insurance Fund's accrued liabilities include an estimate of the amount to be paid for self-insured claims incurred prior to June 30, 2018 and 2017. 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,	
	2018	2017
Liability, beginning of year	\$ 3,001,681	\$ 3,123,917
Claims and changes in estimates during the year	46,274,718	46,473,547
Claims paid and accrued	(46,400,992)	(46,595,783)
Liability, end of year	<u>\$ 2,875,407</u>	<u>\$ 3,001,681</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, 2018

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	\$ 8,523,815	\$ 793,186
Noncurrent assets	146,674,200	4,784,500
Total Assets	<u>155,198,015</u>	<u>5,577,686</u>
 DEFERRED OUTFLOW OF RESOURCES	 164,462	 130,112
LIABILITIES		
Other current liabilities	6,065,407	1,112,039
Noncurrent liabilities	27,196,930	1,890,859
Total Liabilities	<u>33,262,337</u>	<u>3,002,898</u>
 Net Position		
Net investment in capital assets	120,566,113	2,357,142
Unrestricted	2,852,726	-
Restricted - capital projects	(1,318,699)	347,759
Total Net Position	<u><u>\$ 122,100,140</u></u>	<u><u>\$ 2,704,901</u></u>
 CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION		
Operating revenue	\$ 10,273,551	\$ -
Lease income	-	345,660
Depreciation expense	(2,523,442)	(184,656)
Other operating expenses	(8,684,871)	(21,025)
Operating income	<u>(934,762)</u>	<u>139,979</u>
 Non-operating revenue (expenses):		
Interest expense	(815,077)	(109,989)
Interest income	133,783	-
Capital contributions	9,431,125	-
 Change in Net Position	 7,815,069	 29,990
Net Position, beginning of year	114,285,071	2,674,911
Net Position, End of Year	<u><u>\$ 122,100,140</u></u>	<u><u>\$ 2,704,901</u></u>
 CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided (used) by:		
Operating activities	\$ 1,284,556	\$ 295,835
Capital and related financing activities	9,123,333	(853,430)
Investing activities	(15,036,453)	-
Net increase	(4,628,564)	(557,595)
Cash and cash equivalents, beginning of year	9,719,553	1,350,781
Cash and Cash Equivalents, End of Year	<u><u>\$ 5,090,989</u></u>	<u><u>\$ 793,186</u></u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

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 \$143,723 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, 2018.

The Resh Landfill has reported a landfill post-closure care liability of \$4,176,488 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, 2018.

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, 2018. The Rubble Landfill was closed in December 2000. No current expense was recognized in the Solid Waste Fund for the year ended June 30, 2018.

The 40 West Landfill began operation in fiscal year 2001. The estimated life of this landfill is approximately 120 years as of June 30, 2018, it is estimated that approximately 18.99% of the capacity has been used. The estimated costs associated with closure and post-closure care of \$8,933,648 was reported as a liability in the Solid Waste Fund at June 30, 2018. 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, 2018, as specified in 40CFR258.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

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, fifty-five retirees are receiving benefits and thirty-five 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 is 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.

<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, 2018

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Primary Government (continued)

Funding Policy

The County intends to fund any annual short-fall between OPEB 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. The County funded \$1,877,923 which was \$927,923 over the actuarially determined contribution of \$950,000.

Actuarial Methods and Assumptions

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 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 (Asset)

The net OPEB liability (asset) is equal to the total OPEB liability minus the net position of the plan. The result as of June 30, 2018 is as follows:

Total OPEB liability	\$ 21,660,608
Net position	<u>(23,080,238)</u>
Net OPEB liability (asset)	<u>\$ (1,419,630)</u>

Net position as a percentage of total OPEB liability is 106.55%.

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, 2018 is as follows:

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2018

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Primary Government (continued)

<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%

In the actuarial valuation for the plan year ending June 30, 2018, 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 4% 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, 2018, was 20 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 (6.50%)	Current rate 7.50%	1.0% increase (8.50%)
Net OPEB liability (asset)	<u>\$ 468,925</u>	<u>\$ (1,419,630)</u>	<u>\$ (3,118,229)</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 (2.90%)	Trend rate 3.90%	1.0% increase (4.90%)
Net OPEB liability (asset)	<u>\$ (3,599,431)</u>	<u>\$ (1,419,630)</u>	<u>\$ 1,129,662</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Primary Government (continued)

For the fiscal year ended June 30, 2018, Washington County Government recognized an OPEB expense of \$711,101. At June 30, 2018, Washington County Government reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,814,047
Changes of assumptions	-	195,466
Net difference between projected and actual earnings	-	115,621
Total	\$ -	\$ 3,125,134

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in the expense as follows:

Fiscal Year ended June 30:	
2019	\$ (458,836)
2020	(458,836)
2021	(458,836)
2022	(458,837)
2023	(429,931)
Thereafter	(859,858)
Total	\$ (3,125,134)

During the year ended June 30, 2018, the School System adopted *GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which requires the School System to record the net OPEB liability, deferred outflows and inflows or resources and OPEB expense.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

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.

Contributions

The school system will contribute the higher of the budgeted pay-go amount or actual pay-go amount to the trust for fiscal year 2018. Because of the sponsor's funding policy, it is anticipated the sponsor's cash requirement will increase as time goes on. For the year ended June 30, 2018 and 2017, the School Systems average contribution rate was 8.69% and 8.77%, respectively of covered payroll. Employees are not required to contribute to the plan. Total claims paid on behalf of retirees amounted to \$13,675,684 of which \$3,866,248 was reimbursed through contributions received from retirees for the year ended June 30, 2018.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Board of Education (continued)

Plan Membership

The School System partially supports the group insurance plan for the retired employees. Eligibility is determined by a point system based on a retiree's age at the date of retirement and the number of years of service with the School System. The School System pays up to a maximum of 85% of the premium of the standard plan, based on the points earned. There were 2,032 eligible retirees and their dependents at June 30, 2018.

Net OPEB Liability

The components of the net OPEB liability of the School System as of June 30, 2018, were as follows:

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

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

Actuarial Methods and Assumptions

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 (asset)	<u>\$ 284,544,140</u>	<u>\$ 238,323,140</u>	<u>\$ 200,797,140</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (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:

	1.0% decrease (2.90%)	Trend rate 3.90%	1.0% increase (4.90%)
Net OPEB liability (asset)	<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.

17. CONTINGENCIES AND COMMITMENTS

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, 2018. 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, 2018, 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, 2018

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. On June 13, 2017, the Commissioners adopted an ordinance declaring 63 acres as surplus property and to approve the conveyance of that property to Cascade Town Centre Development, LLC. The County is working with, JG Business Link International, to develop the project.

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, 2018, the School System had entered into various school construction commitments, that will be funded by the State of Maryland or County sources, totaling approximately \$6,093,000, and are included in encumbrances.

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, 2019 were approximately \$119,944. Rent expense for these leases amounted to \$135,488 for the year ended June 30, 2018.

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, 2018

18. COMMITTED AND ASSIGNED FUND BALANCES

Fund balances reflected in the governmental funds balance sheet as of June 30, 2018 are categorized as follows:

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Non-Spendable				
Inventory	\$ 732,400	\$ -	\$ -	\$ 732,400
Long-term receivable	620,730	-	-	620,730
Restricted				
Programs and activities	643,383	-	1,244,390	1,887,773
Workers compensation	178,214	-	-	178,214
Capital projects	-	28,539,436	-	28,539,436
Committed				
Contingencies	39,118,948	-	-	39,118,948
Programs and activities	435,724	-	1,830,938	2,266,662
Capital projects	-	43,444,689	-	43,444,689
Assigned				
Programs and activities	17,253	-	109,153	126,406
Unassigned	-	-	(37,360)	(37,360)
Totals	\$ 41,746,652	\$ 71,984,125	\$ 3,147,121	\$ 116,877,898

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 2017 calendar year census shows 753 volunteers receiving at least 50 points, which qualifies them for LOSAP credit. 183 retired volunteers and 10 spouses are participating in LOSAP. The County funds LOSAP in annual amounts determined by an actuary.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

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

Investments

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%

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, 2018 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, 2018 is as follows:

Total pension liability	\$ 10,057,737
Net position	(9,141,592)
Net pension liability	<u>\$ 916,145</u>

Net position as a percentage of total pension liability is 90.89%.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

19. RETIREMENT PLAN - FIRE AND RESCUE VOLUNTEERS (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>\$ 1,447,154</u>	<u>\$ 916,145</u>	<u>\$ (594,294)</u>

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

For the year ended June 30, 2018, the County recognized pension expense of (\$172,577). As of June 30, 2018, 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	\$ 767,740	\$ 3,591,562
Change in assumptions	784,953	-
Net difference between projected and actual investment earnings	257,141	245,067
Total	<u>\$ 1,809,834</u>	<u>\$ 3,836,629</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
2019	\$ (523,394)
2020	(563,697)
2021	(672,114)
2022	(614,613)
2023	171,975
Thereafter	175,048
Total	<u>\$ (2,026,795)</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

20. CHANGE IN ACCOUNTING PRINCIPLES

The County adopted Governmental Accounting Standard Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the fiscal year ending June 30, 2018. The implementation of the statement required the County to restate the beginning net OPEB liability. As a result, the net position restatement for the governmental activities decreased by \$5,906,701.

REQUIRED SUPPLEMENTARY INFORMATION

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COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Changes in Net OPEB Liability and Related Ratios June 30, 2018

	2018	2017
Total pension liability		
Service Cost: Retirement benefits Administration	\$ 1,025,563	\$ 954,012
Interest	1,680,908	1,546,680
Differences between expected and actual experiences	(3,216,054)	-
Changes of assumptions	(223,390)	-
Benefit payments	(655,923)	(147,184)
Net changes in total OPEB liability	(1,388,896)	2,353,508
Total OPEB liability - beginning	23,049,504	20,695,996
Total OPEB liability - ending (a)	<u>\$ 21,660,608</u>	<u>\$ 23,049,504</u>
 Plan fiduciary net position		
Contributions - employer	\$ 1,877,923	\$ 1,347,184
Net investment income	1,702,823	1,919,215
Benefit payments	(655,923)	(147,184)
Administrative expense	(21,763)	-
Net changes in plan fiduciary net position	2,903,060	3,119,215
Plan fiduciary net positions - beginning	20,177,178	17,057,963
Plan fiduciary net positions - ending (b)	<u>\$ 23,080,238</u>	<u>\$ 20,177,178</u>
 County's net OPEB - liability - ending (a) - (b)	\$ (1,419,630)	\$ 2,872,326
 Plan fiduciary net position as a percentage of total pension liability	106.55%	87.54%
 Covered employee payroll	\$ 34,848,986	\$ 33,462,000
 Net liability as a percentage of covered payroll	-4.07%	8.58%
 Annual money-weighted rate of return, net of investment expense	8.44%	11.25%
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, 2018

	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 950,000	\$ 1,261,000
Contributions in relation to the actuarially determined contributions	1,877,923	1,347,184
Contributions deficiency (excess)	<u>\$ (927,923)</u>	<u>\$ (86,184)</u>
Covered employee payroll	\$ 34,848,986	\$ 33,462,000
Contributions as a percentage of covered employee payroll	5.39%	4.03%

Notes to schedule:

Benefit changes

None.

Valuation date

The FYE 2018 actuarially determined contribution (ADC) is calculated as of 7/1/2017. The liability is based on 8/1/2017 data rolled to 7/1/2017. Actuarial valuations are done every other year.

Changes of assumptions

Females are assumed to be 4 years younger than male spouse instead of 3 years.

100% rather than 75% of active participants who are eligible for life insurance upon retirement were assumed to receive life insurance benefits.

In the prior valuation dental and vision coverage was not valued. In this valuation, we value the dental and vision coverage.

Methods and assumptions used to determine contribution rates:

Cost method	Entry Age Normal
Amortization method	Level percent of payroll
Amortization period	20 years for FYE 2018
Asset valuation method	Market value of assets
Discount rate	7.50% for FYE 2018
Payroll increase	3.00% for FYE 2018
Inflation	2.75% for FYE 2018
Medical trend	The trend for 2018 is 5.4%. The ultimate trend is 4.0%.

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, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service Cost: Retirement benefits Administration	\$ 5,050,740	\$ 4,903,615	\$ 3,124,202	\$ 3,508,850	\$ 6,922,217
Interest	15,612,649	11,595,913	10,745,024	10,252,003	7,708,164
Benefit payments, including refunds of member contributions	(8,172,571)	(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	3,555,655	3,657,687	6,532,000	-	-
Changes of assumptions	-	19,913,151	2,532,160	-	-
Net changes in total pension liability	16,046,473	53,212,683	16,502,129	6,879,965	8,626,348
Total pension liability - beginning	212,254,932	159,042,249	142,540,120	135,660,155	127,033,807
Total pension liability - ending (a)	<u>\$ 228,301,405</u>	<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	\$ 10,510,000	\$ 7,010,000	\$ 6,621,156	\$ 6,786,549	\$ 6,017,521
Contributions - member	2,094,346	1,955,511	1,873,710	1,871,200	1,876,133
Net investment income	9,409,621	10,676,800	628,709	4,747,193	12,817,264
Receipts of In-kind	-	-	-	220,613	-
Benefit payments, including refunds of member contributions	(8,172,571)	(8,860,156)	(7,789,289)	(6,880,887)	(6,004,103)
Administrative expense	(150,795)	(130,631)	(98,464)	(604,197)	(238,016)
Net changes in plan fiduciary net position	13,690,601	10,651,524	1,235,822	6,140,471	14,468,799
Plan fiduciary net positions - beginning	103,998,833	93,347,309	92,111,487	85,971,016	71,502,217
Plan fiduciary net positions - ending (b)	<u>\$ 117,689,434</u>	<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)	\$ 110,611,971	\$ 108,256,099	\$ 65,694,940	\$ 50,428,633	\$ 49,689,139
Plan fiduciary net position as a percentage of total pension liability	51.55%	49.00%	58.69%	64.62%	63.37%
Covered employee payroll	\$ 34,848,986	\$ 33,462,000	\$ 31,662,000	\$ 33,098,009	\$ 35,288,757
Net liability as a percentage of covered payroll	317.40%	323.52%	207.49%	152.36%	140.81%
Annual money-weighted rate of return, net of investment expense	9.05%	11.44%	0.68%	5.52%	17.93%

Notes to schedule:

This information is not available for FY13 and prior.

Benefit changes: None.

Change of assumptions: None.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of General Employees' Pension Fund Employer Contributions June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 10,510,000	\$ 7,009,000	\$ 6,621,000	\$ 6,786,549	\$ 6,442,087
Contributions in relation to the actuarially determined contributions	<u>10,510,000</u>	<u>7,010,000</u>	<u>6,621,000</u>	<u>6,786,549</u>	<u>6,017,521</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ (1,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 424,566</u>
Covered employee payroll	\$ 34,848,986	\$ 33,462,000	\$ 31,662,000	\$ 33,098,009	\$ 35,288,757
Contributions as a percentage of covered employee payroll	30.16%	20.95%	20.91%	20.50%	17.05%

Notes to schedule:

Valuation date

Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the year immediately following the fiscal year. Actuarial valuations are performed every year.

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, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service Cost: Retirement benefits Administration	\$ 244,565	\$ 234,716	\$ 157,984	\$ 143,037	\$ 147,049
Interest	702,309	580,130	968,187	922,814	872,518
Differences between expected and actual experiences	24,530	995,034	(6,285,232)	-	-
Changes of assumptions	-	356,243	906,099	-	-
Benefit payments, including refunds of member contributions	(555,590)	(518,538)	(490,872)	(461,316)	(431,634)
Net changes in total pension liability	415,814	1,647,585	(4,743,834)	604,535	587,933
Total pension liability - beginning	9,641,923	7,994,338	12,738,172	12,133,637	11,545,704
Total pension liability - ending (a)	<u>\$ 10,057,737</u>	<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	\$ 600,000
Net investment income	721,822	852,460	55,233	381,511	1,074,025
Receipts of In-kind	-	-	-	-	15,232
Benefit payments, including refunds of member contributions	(555,590)	(518,538)	(490,872)	(461,316)	(431,634)
Administrative expense	(35,075)	(30,524)	(20,610)	(23,215)	(27,429)
Net changes in plan fiduciary net position	731,157	903,398	(456,249)	496,980	1,230,194
Plan fiduciary net positions - beginning	8,410,434	7,507,036	7,963,285	7,466,305	6,236,111
Plan fiduciary net positions - ending (b)	<u>\$ 9,141,591</u>	<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)	\$ 916,146	\$ 1,231,489	\$ 487,302	\$ 4,774,887	\$ 4,667,332
Plan fiduciary net position as a percentage of total pension liability	90.89%	87.23%	93.90%	62.52%	61.53%
Covered employee payroll	NA	NA	NA	NA	NA
Net liability as a percentage of covered payroll	NA	NA	NA	NA	NA
Annual money-weighted rate of return, net of investment expense	8.58%	11.36%	0.69%	5.11%	17.22%

Notes to schedule:

This information is not available for FY13 and prior.

Benefit changes: None.

Change of assumptions: None.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Volunteer Length of Service Award Fund Employer Contributions June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 466,726	\$ 466,726	\$ -	\$ 600,000	\$ 585,843
Contributions in relation to the actuarially determined contributions	600,000	600,000	-	600,000	600,000
Contributions deficiency (excess)	<u>\$ (133,274)</u>	<u>\$ (133,274)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,157)</u>
Covered employee payroll	NA	NA	NA	NA	NA
Contributions as a percentage of covered employee payroll	NA	NA	NA	NA	NA

Notes to schedule:

Valuation date

Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the year immediately following the fiscal year. Actuarial valuations are performed every year.

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, 2018

Non-Major Governmental Funds

The Grant Management Fund is a special revenue fund used to account for all activities conducted by this department of the County. The 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, 2018

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, 2018

	Grant Management	Cascade Town Centre	Inmate Welfare	Contraband	Agricultural Education Center	Hotel Rental Tax	Gaming	Land Preservation	HEPMPO	Total Non-major Funds
ASSETS										
Cash	\$ -	\$ 1,657,772	\$ 202,910	\$ 302,007	\$ 29,952	\$ 690,277	\$ 1,581,849	\$ 663,874	\$ -	\$ 5,128,641
Accounts receivable	-	15,203	-	-	-	399,728	85,504	-	-	500,435
Due from other governmental agencies	305,306	-	-	-	-	-	-	188	68,569	374,063
TOTAL ASSETS	<u>\$ 305,306</u>	<u>\$ 1,672,975</u>	<u>\$ 202,910</u>	<u>\$ 302,007</u>	<u>\$ 29,952</u>	<u>\$ 1,090,005</u>	<u>\$ 1,667,353</u>	<u>\$ 664,062</u>	<u>\$ 68,569</u>	<u>\$ 6,003,139</u>
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	\$ 189,169	\$ 14,120	\$ 24,601	\$ -	\$ 7,562	\$ 319,406	\$ 1,554,691	\$ 49	\$ 21,987	\$ 2,131,585
Due to other funds	93,922	-	-	-	-	-	-	-	68,317	162,239
Accrued expenses	8,805	9,903	1,486	-	1,505	-	4,244	6,004	18	31,965
Other liabilities	-	-	-	-	-	-	20,150	49,114	-	69,264
Unearned revenue	-	1,964	-	148,152	-	-	-	310,849	-	460,965
TOTAL LIABILITIES	<u>291,896</u>	<u>25,987</u>	<u>26,087</u>	<u>148,152</u>	<u>9,067</u>	<u>319,406</u>	<u>1,579,085</u>	<u>366,016</u>	<u>90,322</u>	<u>2,856,018</u>
FUND BALANCES										
Restricted	13,410	-	176,823	153,855	-	770,599	-	129,703	-	1,244,390
Committed	-	1,646,988	-	-	-	-	-	183,950	-	1,830,938
Assigned	-	-	-	-	20,885	-	88,268	-	-	109,153
Unassigned	-	-	-	-	-	-	-	(15,607)	(21,753)	(37,360)
TOTAL FUND BALANCES	<u>13,410</u>	<u>1,646,988</u>	<u>176,823</u>	<u>153,855</u>	<u>20,885</u>	<u>770,599</u>	<u>88,268</u>	<u>298,046</u>	<u>(21,753)</u>	<u>3,147,121</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 305,306</u>	<u>\$ 1,672,975</u>	<u>\$ 202,910</u>	<u>\$ 302,007</u>	<u>\$ 29,952</u>	<u>\$ 1,090,005</u>	<u>\$ 1,667,353</u>	<u>\$ 664,062</u>	<u>\$ 68,569</u>	<u>\$ 6,003,139</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, 2018

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,144,404	\$ -	\$ 169,121	\$ -	\$ 2,313,525
Licenses and permits	-	-	-	-	-	-	2,163,086	-	-	2,163,086
Charges for services	-	-	387,015	-	-	-	-	-	-	387,015
Revenue from uses of property	-	52,600	-	-	39,720	-	-	-	-	92,320
Reimbursed expenses	-	-	-	-	1,053	-	-	-	-	1,053
Miscellaneous revenues	-	2,151.00	94,585	186,823	52	-	-	-	24,442	308,053
Shared taxes and grants	1,297,021	-	-	-	-	-	-	700,071	435,445	2,432,537
TOTAL REVENUE	<u>1,297,021</u>	<u>54,751</u>	<u>481,600</u>	<u>186,823</u>	<u>40,825</u>	<u>2,144,404</u>	<u>2,163,086</u>	<u>869,192</u>	<u>459,887</u>	<u>7,697,589</u>
EXPENDITURES										
Public safety	-	-	441,699	33,333	-	-	988,187	-	-	1,463,219
Parks, recreation and culture	-	-	-	-	221,882	-	-	-	-	221,882
Land preservation	-	-	-	-	-	-	-	1,389,486	-	1,389,486
General operations	-	1,171,294	-	-	-	181,712	139,627	-	-	1,492,633
Community promotion	1,588,644	-	-	-	-	1,455,943	988,187	-	488,884	4,521,658
TOTAL EXPENDITURES	<u>1,588,644</u>	<u>1,171,294</u>	<u>441,699</u>	<u>33,333</u>	<u>221,882</u>	<u>1,637,655</u>	<u>2,116,001</u>	<u>1,389,486</u>	<u>488,884</u>	<u>9,088,878</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(291,623)</u>	<u>(1,116,543)</u>	<u>39,901</u>	<u>153,490</u>	<u>(181,057)</u>	<u>506,749</u>	<u>47,085</u>	<u>(520,294)</u>	<u>(28,997)</u>	<u>(1,391,289)</u>
OTHER FINANCING SOURCES										
Transfers in	296,220	-	-	-	183,940	114,347	-	552,773	25,260	1,172,540
Transfers out	-	-	-	-	-	(50,000)	-	-	-	(50,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>296,220</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,940</u>	<u>64,347</u>	<u>-</u>	<u>552,773</u>	<u>25,260</u>	<u>1,122,540</u>
NET CHANGES IN FUND BALANCES	<u>4,597</u>	<u>(1,116,543)</u>	<u>39,901</u>	<u>153,490</u>	<u>2,883</u>	<u>571,096</u>	<u>47,085</u>	<u>32,479</u>	<u>(3,737)</u>	<u>(268,749)</u>
FUND BALANCES - BEGINNING 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>
FUND BALANCES - END OF YEAR	<u>\$ 13,410</u>	<u>\$ 1,646,988</u>	<u>\$ 176,823</u>	<u>\$ 153,855</u>	<u>\$ 20,885</u>	<u>\$ 770,599</u>	<u>\$ 88,268</u>	<u>\$ 298,046</u>	<u>\$ (21,753)</u>	<u>\$ 3,147,121</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statement of Net Position – Non-Major Proprietary Funds As of June 30, 2018

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
ASSETS			
Current Assets:			
Cash and short-term investments	\$ 249,719	\$ 376,545	\$ 626,264
Accounts receivable	46,013	14,416	60,429
Unbilled receivables	638	-	638
Due from other governmental agencies	752,893	-	752,893
Inventories	90,267	53,754	144,021
Total current assets	1,139,530	444,715	1,584,245
Noncurrent Assets:			
Property plant and equipment	7,326,995	4,853,643	12,180,638
Accumulated depreciation	(4,650,357)	(2,729,420)	(7,379,777)
Total noncurrent assets	2,676,638	2,124,223	4,800,861
TOTAL ASSETS	3,816,168	2,568,938	6,385,106
LIABILITIES			
Current Liabilities:			
Accounts payable	21,420	23,060	44,480
Accrued expenses	59,786	30,200	89,986
Unearned revenue	-	1,250	1,250
Compensated absences	53,265	28,940	82,205
Other liabilities	-	34,397	34,397
Total current liabilities	134,471	117,847	252,318
Noncurrent Liabilities:			
Compensated absences	17,755	9,647	27,402
TOTAL LIABILITIES	152,226	127,494	279,720
NET POSITION			
Net investment in capital assets	2,676,638	2,124,223	4,800,861
Unrestricted	987,304	317,221	1,304,525
TOTAL NET POSITION	\$ 3,663,942	\$ 2,441,444	\$ 6,105,386

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, 2018

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
OPERATING REVENUE			
Charges for services	\$ 400,491	\$ 718,205	\$ 1,118,696
Miscellaneous	14,077	17,000	31,077
TOTAL OPERATING REVENUE	414,568	735,205	1,149,773
OPERATING EXPENSES			
Salaries and wages	1,331,119	457,560	1,788,679
Fringe benefits	585,953	243,425	829,378
Utilities	26,649	50,000	76,649
Insurance	28,428	8,368	36,796
Repairs and maintenance	255,011	93,667	348,678
Supplies	46,376	3,991	50,367
Cost of goods sold	-	79,016	79,016
Contracted services	189,416	3,387	192,803
Rentals and leases	53,626	64,650	118,276
Other operating	262,253	99,425	361,678
Controllable assets	354	1,976	2,330
Depreciation	229,889	124,904	354,793
TOTAL OPERATING EXPENSES	3,009,074	1,230,369	4,239,443
OPERATING LOSS	(2,594,506)	(495,164)	(3,089,670)
OTHER INCOME			
Interest, penalties & fees	6	-	6
Gain on disposal of assets	45,010	-	45,010
TOTAL OTHER INCOME	45,016	-	45,016
LOSS BEFORE OPERATING TRANSFERS AND GRANTS	(2,549,490)	(495,164)	(3,044,654)
OPERATING TRANSFERS	467,160	569,020	1,036,180
GRANTS FOR OPERATIONS	1,500,435	-	1,500,435
LOSS BEFORE CAPITAL TRANSFERS AND GRANTS	(581,895)	73,856	(508,039)
CAPITAL TRANSFERS	335,000	51,000	386,000
GRANTS FOR CAPITAL PROJECTS	460,939	-	460,939
CHANGES IN NET POSITION	214,044	124,856	338,900
NET POSITION - BEGINNING OF YEAR	3,449,898	2,316,588	5,766,486
NET POSITION - END OF YEAR	\$ 3,663,942	\$ 2,441,444	\$ 6,105,386

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statement of Cash Flows – Non-Major Proprietary Funds For the Year Ended June 30, 2018

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 185,227	\$ 730,781	\$ 916,008
Payments to suppliers	(886,512)	(418,402)	(1,304,914)
Payments to employees	(1,909,701)	(701,010)	(2,610,711)
Net Cash Used by Operating Activities	<u>(2,610,986)</u>	<u>(388,631)</u>	<u>(2,999,617)</u>
Cash Flows from Noncapital Financing Activities			
Operating contributions	1,967,595	569,020	2,536,615
Net Cash Provided by Noncapital Financing Activities	<u>1,967,595</u>	<u>569,020</u>	<u>2,536,615</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(212,392)	(63,492)	(275,884)
Loss on the sale of assets	45,010	-	45,010
Contribution for capital acquisitions	795,939	51,000	846,939
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>628,557</u>	<u>(12,492)</u>	<u>616,065</u>
Cash Flows from Investing Activities			
Interest on investments	6	-	6
Net change in cash	(14,828)	167,897	153,069
Cash, beginning of year	264,547	208,648	473,195
Cash, End of Year	<u>\$ 249,719</u>	<u>\$ 376,545</u>	<u>\$ 626,264</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (2,594,506)	\$ (495,164)	\$ (3,089,670)
Adjustments to reconcile operating loss to net cash			
from operating activities:			
Depreciation	229,889	124,904	354,793
Changes in assets and liabilities:			
Accounts receivable	(45,448)	(3,924)	(49,372)
Unbilled receivables	(36)	-	(36)
Due to/from other government entities	(178,884)	-	(178,884)
Inventories	(9,148)	(9,996)	(19,144)
Accounts payable and other liabilities	(15,251)	(4,193)	(19,444)
Accrued expenses	5,082	293	5,375
Unearned revenue	(4,973)	(500)	(5,473)
Compensated absences	2,289	(51)	2,238
Net Cash Used by Operating Activities	<u>\$ (2,610,986)</u>	<u>\$ (388,631)</u>	<u>\$ (2,999,617)</u>

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, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUE				
Property Taxes				
Real property tax	\$ 111,037,170	\$ 111,037,170	\$ 111,458,323	\$ 421,153
Personal property tax	13,757,540	13,757,540	14,781,966	1,024,426
Property tax interest income	430,000	430,000	388,684	(41,316)
Other property tax	689,290	689,290	651,659	(37,631)
State administrative fees	(580,000)	(580,000)	(575,101)	4,899
Property tax discounts and credits	(1,731,590)	(1,731,590)	(1,593,747)	137,843
Total Property Taxes	\$ 123,602,410	\$ 123,602,410	\$ 125,111,784	\$ 1,509,374
Other Local Taxes				
Income tax	82,000,000	82,000,000	77,919,871	(4,080,129)
Admissions and amusement tax	280,000	280,000	187,039	(92,961)
Recordation tax	6,000,000	6,000,000	6,698,891	698,891
Trailer tax	525,000	525,000	582,863	57,863
Total Other Local Taxes	88,805,000	88,805,000	85,388,664	(3,416,336)
Other Revenues				
Licenses and permits	1,400,200	1,400,200	1,417,875	17,675
Court costs and fines	2,692,400	2,692,400	2,287,736	(404,664)
Charges for services	1,403,750	1,426,330	1,328,177	(98,153)
Reimbursed expenses	1,072,870	1,072,870	997,158	(75,712)
Miscellaneous revenues	325,200	408,140	763,135	354,995
Grant and shared revenues	1,978,230	3,259,158	3,267,236	8,078
Interest income	425,000	425,000	1,393,440	968,440
Transfer	-	90,000	90,000	-
Highway revenues	2,416,500	2,419,350	1,645,244	(774,106)
Total Other Revenues	11,714,150	13,193,448	13,190,001	(3,447)
TOTAL REVENUE	224,121,560	225,600,858	223,690,449	(1,910,409)
EXPENDITURES				
General Government				
Legislative				
County Commissioners	284,430	284,430	287,635	(3,205)
County Clerk	104,370	109,590	105,983	3,607
County Administrator	474,500	485,770	471,033	14,737
Public Relations & Marketing	422,630	428,670	358,856	69,814
Purchasing	534,080	541,670	440,680	100,990
Total Legislative	1,820,010	1,850,130	1,664,187	185,943

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Judicial				
Circuit Court	\$ 1,559,700	\$ 1,582,510	\$ 1,503,304	\$ 79,206
Orphan's Court	30,920	30,920	30,669	251
State's Attorney	3,451,790	3,515,560	3,431,161	84,399
Sheriff - Judicial	2,536,970	2,654,490	2,644,756	9,734
Sheriff - Process Servers	143,890	145,040	127,599	17,441
Grants	-	347,808	331,177	16,631
Total Judicial	7,723,270	8,276,328	8,068,666	207,662
Election Board	1,145,990	1,145,990	1,052,922	93,068
Financial Administration				
Budget and Finance	1,435,300	1,456,355	1,315,007	141,348
Independent Auditing	70,000	70,000	65,170	4,830
Treasurer	460,820	467,920	460,889	7,031
Information Technologies	2,403,870	2,429,170	2,410,352	18,818
Total Financial Administration	4,369,990	4,423,445	4,251,418	172,027
County Attorney	721,420	832,240	785,544	46,696
Human Resources	759,040	813,390	850,777	(37,387)
Planning and Zoning				
Planning and Zoning	725,830	737,360	663,320	74,040
Board of Zoning Appeals	53,440	53,440	52,927	513
Total Planning and Zoning	779,270	790,800	716,247	74,553
Public Works				
Department of Public Works	240,970	244,940	242,452	2,488
Plan Review and Permitting	1,484,980	1,509,720	1,403,266	106,454
Engineering	2,138,610	2,173,530	2,051,597	121,933
Construction	1,878,200	1,909,210	1,794,833	114,377
Total Public Works	5,742,760	5,837,400	5,492,148	345,252
County Owned Buildings				
Martin Luther King Center	80,400	92,400	89,316	3,084
Administrative Building	183,600	187,600	201,024	(13,424)
Administrative Building II	105,350	99,350	105,559	(6,209)
Court House	603,250	614,120	627,349	(13,229)
County Office Building	195,310	191,310	187,551	3,759
Administration Annex	53,970	53,970	43,655	10,315
Central Services	151,900	151,900	117,847	34,053
Rental Properties	2,000	25,000	25,615	(615)
Library Maintenance	36,000	36,000	31,510	4,490
Dwyer Center	29,700	29,700	29,016	684
Public Facilities Annex	53,200	53,200	59,933	(6,733)
Total County Owned Buildings	1,494,680	1,534,550	1,518,375	16,175

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Community Promotion				
Contributions to Non-profits	\$ 1,728,100	\$ 1,728,100	\$ 1,728,100	\$ -
Business Development	743,680	753,640	604,828	148,812
Total Community Promotion	2,471,780	2,481,740	2,332,928	148,812
Total General Government	27,028,210	27,986,013	26,733,212	1,252,801
Public Safety				
Sheriff Departments				
Patrol	10,253,250	10,420,540	10,628,536	(207,996)
Sheriff Auxiliary	-	-	49,047	(49,047)
Narcotics Task Force	751,950	785,290	772,923	12,367
Grants	-	298,252	202,629	95,623
Total Sheriff Departments	11,005,200	11,504,082	11,653,135	(149,053)
Fire Operations				
Volunteer Fire and Rescue - County Grants	6,886,580	6,886,580	6,804,151	82,429
Air Unit	28,220	28,220	26,970	1,250
Special Operations	474,530	474,530	484,534	(10,004)
Total Fire and Rescue Services	7,389,330	7,389,330	7,315,655	73,675
Corrections				
Detention Center	14,175,090	14,350,750	13,827,065	523,685
Central Booking	940,360	955,340	897,497	57,843
Day Reporting Center	547,030	557,650	542,781	14,869
Total Corrections	15,662,480	15,863,740	15,267,343	596,397
Other Public Safety				
911 - Communications	4,668,570	4,749,622	4,743,239	6,383
Wireless Communications	1,221,600	1,228,500	1,139,222	89,278
Emergency Management	182,990	253,540	247,085	6,455
EMS Operations	1,416,980	1,487,950	1,463,302	24,648
Fire Operations	233,050	597,490	582,973	14,517
Forensic Investigator	20,000	20,000	23,980	(3,980)
Civil Air Patrol	3,600	3,600	3,600	-
Animal Control	1,341,600	1,341,600	1,341,600	-
Grants	-	634,793	409,098	225,695
Other Public Safety	9,088,390	10,317,095	9,954,099	362,996
Total Public Safety	43,145,400	45,074,247	44,190,232	884,015

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Health	\$ 2,339,270	\$ 2,339,270	\$ 2,339,270	\$ -
Social Services	424,390	424,390	424,390	-
Education	106,796,410	106,796,410	106,796,410	-
Parks, Recreation, and Culture				
Total Contributions to Other Agencies	3,089,330	3,089,330	3,089,330	-
Parks Department	1,808,600	1,835,870	1,902,572	(66,702)
Martin L. Snook Park Pool	133,100	134,740	121,248	13,492
Fitness and Recreation	907,950	921,500	875,747	45,753
Total Parks, Recreation, and Culture	5,938,980	5,981,440	5,988,897	(7,457)
Conservation of Natural Resources				
Weed Control	200,040	226,950	218,695	8,255
Agricultural Extension Service	237,030	237,030	237,030	-
Cooperative Extension	38,730	38,730	38,730	-
Soil Conservation Service	206,040	206,040	206,040	-
Gypsy Moth Program	10,000	10,000	7,500	2,500
Total Conservation of Natural Resources	691,840	718,750	707,995	10,755
Highway	10,567,610	10,104,460	10,446,328	(341,868)
General Operations	2,614,770	1,459,198	534,133	925,065
Unallocated Employee Insurance and Benefits	2,193,330	2,193,330	252,729	1,940,601

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Intergovernmental				
Golf Course operating transfer	\$ 319,020	\$ 319,020	\$ 569,020	\$ (250,000)
HEPMPO operating transfer	7,950	7,950	7,950	-
Land Preservation operating transfer	136,550	136,550	152,773	(16,223)
Water Quality operating transfer	201,950	201,950	201,950	-
Public Transit operating transfer	484,470	484,470	484,470	-
Airport operating transfer	14,500	14,500	14,500	-
Capital Projects operating transfer	5,000,000	5,142,000	6,942,000	(1,800,000)
Solid Waste operating transfer	473,630	473,630	473,630	-
Grants Management operating transfer	316,220	316,220	296,220	20,000
Agricultural Education Center operating transfer	183,940	183,940	183,940	-
Municipality in lieu of bank shares	38,550	38,550	38,543	7
Total Intergovernmental	<u>7,176,780</u>	<u>7,318,780</u>	<u>9,364,996</u>	<u>(2,046,216)</u>
Debt Service	<u>15,204,570</u>	<u>15,204,570</u>	<u>14,745,795</u>	<u>458,775</u>
TOTAL EXPENDITURES	<u>224,121,560</u>	<u>225,600,858</u>	<u>222,524,387</u>	<u>3,076,471</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,166,062</u>	<u>\$ 1,166,062</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease			<u>267,420</u>	
TOTAL OTHER FINANCING SOURCES (USES)			<u>267,420</u>	
NET CHANGES IN FUND BALANCE			1,433,482	
FUND BALANCE - BEGINNING			<u>40,313,170</u>	
FUND BALANCE - ENDING			<u>\$ 41,746,652</u>	

OTHER SCHEDULES

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Local Management Board – Schedule of Revenue and Expenditures – Regulatory Basis For the Year Ended June 30, 2018

REVENUE

Community Partnership Agreement (CPA)	
Governor's Office for Children	672,555
Non- Community Partnership Agreement (Non-CPA)	
General Fund	296,220
Md State Department of Education	11,403
Md State Department of Education	468,841
Dept. of Housing and Community Development	144,223
Total Non-Community Partnership Agreement Revenue	<u>920,687</u>
TOTAL REVENUE	<u>1,593,242</u>

EXPENDITURES

Community Partnership Agreement (CPA)	
Administrative :	
Salaries	72,521
Benefit Costs	28,046
Benefit Costs	917
Total CPA Administrative Expenditures	<u>101,484</u>
Programs:	
Western MC Disconnected Youth	52,682
GOC-School Based Mental Health	241,560
Community Planning & Program Development	117,474
Family Centered Support Services	89,424
IACM for Children of Incarcerated Parents	69,931
Total CPA Program Expenditures	<u>571,071</u>
Non-Community Partnership Agreement (CPA)	
Administrative:	
Salaries	103,809
Benefit Costs	60,351
Advertising	117
Community Service Awards	1,500
Dues & Subscriptions	149
Small Office Equipment	150
Office Supplies	2,091
Personal Mileage	569
Postage	49
Printing Expenses	408
Travel Expenses	120
Entertainment/business expense	322
Software	153
Training	79
Copy Machine Rental	1,339
Telephone Expenses	388
Controllable Assets	30
Total Non-CPA Administrative Expenditures	<u>171,624</u>
Programs:	
School Based Mental Health	120,000
Commission on Aging	11,403
MSDE - Healthy Families	468,841
Dept. of Housing and Community Development	144,223
Total Non-CPA Program Expenditures	<u>744,467</u>
TOTAL EXPENDITURES	<u>1,588,646</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u><u>\$ 4,596</u></u>

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 \$13,310,000 County Commissioners of Washington County Public Improvement Bonds of 2019 (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 and is not a specific preference item for purposes of the federal alternative minimum tax. 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 Internal Revenue Code of 1986, as amended.

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 express an opinion as to 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)

\$ 13,310,000* PUBLIC IMPROVEMENT BONDS OF 2019

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

Dated Date of Delivery

DTC Book-Entry

Overview and Amortization

Electronic bids 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 (“Prevailing Eastern Time”) on Tuesday, May 7, 2019, unless postponed as described in this Notice of Sale (in either such case, the “Bid Date”) for the purchase of all (but not less than all) of the County’s Public Improvement Bonds of 2019 (the “Bonds”). The Bonds will be dated their date of delivery. Interest on the Bonds will be payable on January 1, 2020 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 99 of the Laws of Maryland of 2018 (to the extent applicable) 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 Resolution No. RS-2019-10 adopted by the Board of County Commissioners of Washington County (the “Board”) on April 23, 2019.

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:

Maturing July 1 *	Principal Amount*	Maturing July 1 *	Principal Amount*
2020	\$ 410,000	2030	\$ 675,000
2021	430,000	2031	700,000
2022	455,000	2032	730,000
2023	475,000	2033	760,000
2024	500,000	2034	790,000
2025	525,000	2035	825,000
2026	555,000	2036	855,000
2027	585,000	2037	890,000
2028	615,000	2038	925,000
2029	645,000	2039	965,000

*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. Any adjustments pursuant to this paragraph will not reduce the aggregate principal amount of the Bonds by more than the premium amount of the bid. 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 bid two or more consecutive principal amounts of the Revised Amounts 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, education projects and environmental projects.

Bid Specifications

Each bidder shall submit one bid on an “all or none” basis for the Bonds. Each bid must specify the amount bid for the Bonds, which amount may not be less than 100% of par. Each bid 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 bid for any other Bonds by more than 300 basis points.

Electronic Bids Only

Bids 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 Advisory 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 7, 2019 (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

Bids will be communicated electronically on the Bid Date at 11:00 a.m. Prevailing Eastern Time. Any award of the Bonds will be made 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 bid 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 bid 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 \$133,100 (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 identification of the apparent successful bidder for 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 verification of bids submitted, identification of the apparent successful bidder and prior to the Deposit Deadline.

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. If the apparent successful bidder fails to so deliver the Good Faith Deposit by the Deposit Deadline, the County will have the option to not award the Bonds without any liability to the apparent successful bidder. Formal award of the Bonds, if made, will be made by 5:00 p.m. Prevailing Eastern Time.

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 bid. 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 (as defined below) 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 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 to an underwriter;
- (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 to the County.

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, 2028, are not subject to redemption at the option of the County prior to their maturities. The Bonds that mature on or after July 1, 2029, are subject to redemption at the option of the County in whole or in part on any date on or after July 1, 2028, 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 bid 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 21, 2019. 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 bid 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 bid 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 April 30, 2019, 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/ Jeffrey A. Cline
Jeffrey A. Cline, President
Board of County Commissioners
of Washington County

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

**\$ _____
COUNTY COMMISSIONERS OF WASHINGTON COUNTY
PUBLIC IMPROVEMENT BONDS OF 2019**

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 7, 2019.

“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: _____, 2019

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 2019**

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 7, 2019.

“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: _____, 2019

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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**PROPOSED FORM OF
CONTINUING DISCLOSURE AGREEMENT**

**\$13,310,000
COUNTY COMMISSIONERS OF WASHINGTON COUNTY
PUBLIC IMPROVEMENT BONDS OF 2019**

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 \$13,310,000 Public Improvement Bonds of 2019 (the “Bonds”). The Bonds are being issued pursuant to Resolution No. RS-2019-10 adopted on April 23, 2019. 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 <https://www.msrb.emma.org> in accordance with the Rule.

“**Official Statement**” shall mean the Official Statement dated May 7, 2019 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, 2019.

(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, 2019, 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, 2019), 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.
- xv) incurrence of a financial obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, if material; and
- xvi) default, event of acceleration, termination event, modification of terms, or similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

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.

For purposes of the events identified in clauses (xv) and (xvi) of this Section 4(a), the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(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: _____, 2019

(SEAL)

ATTEST:

COUNTY COMMISSIONERS OF
WASHINGTON COUNTY

Krista L. Hart, County Clerk

By: _____
Jeffrey A. Cline, President
Board of County Commissioners
of Washington County