

## New Issue-Book-Entry Only

*In the opinion of Bond Counsel, assuming continuous compliance with certain covenants described herein, under existing law, the interest on the Bonds (a) will be excludable from gross income for federal income tax purposes, and (b) is not includable in corporate or individual alternative minimum taxable income as an enumerated item of tax preference, but may be included in the calculation of a corporation's alternative minimum taxable income for federal income tax purposes, and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States of America. It is also the opinion of Bond Counsel that, under existing law, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom (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: Moody's: Aa1  
Standard & Poor's: AA+  
Fitch : AA+

**\$30,090,000**  
**WASHINGTON COUNTY, MARYLAND**  
**(COUNTY COMMISSIONERS OF WASHINGTON COUNTY)**  
**GENERAL OBLIGATION BONDS**

**Consisting of**

**\$20,635,000**  
**PUBLIC IMPROVEMENT BONDS OF 2016**

**\$9,455,000**  
**REFUNDING BONDS OF 2016**

Dated:	Date of delivery
Due:	July 1 for the Public Improvement Bonds and January 1 for the Refunding Bonds, as shown on the inside cover page
Interest Payable:	January 1 and July 1
First Interest Payment Due:	January 1, 2017 for the Public Improvement Bonds and July 1, 2016 for the Refunding Bonds
Denomination:	Integral multiples of \$5,000
Form:	Registered, book-entry only through the facilities of The Depository Trust Company ("DTC")
Optional Redemption:	The Public Improvement Bonds maturing on or after July 1, 2027 and the Refunding Bonds maturing on or after January 1, 2027 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).

**FOR MATURITY SCHEDULES, INTEREST RATES, YIELDS AND CUSIP NUMBERS SEE INSIDE COVER PAGE**

**Conditions Affecting Issuance:** The Bonds of each series are offered when, as and if issued, subject to, among other conditions, the delivery of such Bonds and the approving legal opinion of Funk & Bolton, P.A., Bond Counsel, with respect to such series and other conditions specified in the official Notice of Sale. Delivery will occur through the facilities of DTC on or about May 17, 2016.

*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 3, 2016

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**\$20,635,000 County Commissioners of Washington County Public Improvement Bonds of 2016**

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**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS**

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Maturing July 1	Principal Amount	Interest Rate*	Yield*	CUSIP	Maturing July 1	Principal Amount	Interest Rate*	Yield*	CUSIP
2017	\$ 710,000	5.000%	0.590%	937751 6L4	2027	\$ 1,045,000	2.500%	2.000% **	937751 6W0
2018	740,000	5.000	0.680	937751 6M2	2028	1,080,000	2.500	2.140 **	937751 6X8
2019	770,000	5.000	0.800	937751 6N0	2029	1,110,000	2.750	2.270 **	937751 6Y6
2020	805,000	5.000	0.910	937751 6P5	2030	1,145,000	2.750	2.430 **	937751 6Z3
2021	835,000	5.000	1.030	937751 6Q3	2031	1,180,000	3.000	2.540 **	937751 7A7
2022	870,000	5.000	1.160	937751 6R1	2032	1,220,000	3.000	2.650 **	937751 7B5
2023	905,000	5.000	1.270	937751 6S9	2033	1,260,000	3.000	2.710 **	937751 7C3
2024	940,000	4.000	1.390	937751 6T7	2034	1,300,000	3.000	2.770 **	937751 7D1
2025	980,000	4.000	1.520	937751 6U4	2035	1,340,000	3.000	2.880 **	937751 7E9
2026	1,015,000	2.000	1.730	937751 6V2	2036	1,385,000	3.000	2.940 **	937751 7F6

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**\$9,455,000 County Commissioners of Washington County Refunding Bonds of 2016**

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**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS**

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Maturing January 1	Principal Amount	Interest Rate*	Yield*	CUSIP	Maturing January 1	Principal Amount	Interest Rate*	Yield*	CUSIP
2020	\$ 265,000	4.000%	0.900%	937751 7G4	2025	\$1,035,000	5.000%	1.500%	937751 7M1
2021	850,000	4.000	1.010	937751 7H2	2026	1,085,000	2.000	1.730	937751 7N9
2022	890,000	4.000	1.130	937751 7J8	2027	1,115,000	2.000	1.950 **	937751 7P4
2023	930,000	5.000	1.250	937751 7K5	2028	1,140,000	2.000	2.100	937751 7Q2
2024	980,000	5.000	1.360	937751 7L3	2029	1,165,000	2.125	2.250	937751 7R0

\*The interest rates shown above are those resulting from the successful bid for the Bonds of such series on May 3, 2016 and were furnished by the successful bidder therefor. The yields shown above were furnished by the successful bidder therefor. Other information concerning the terms of the reoffering of the Bonds of each series, if any, should be obtained from the successful bidder for such series and not from the County. (See "MISCELLANEOUS--Sale at Competitive Bidding" herein.)

\*\*Priced at the stated yield to the first optional redemption date of July 1, 2026 for the Public Improvement Bonds and January 1, 2026 for the Refunding Bonds.

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

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

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

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

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 (previously branded in part as S&P Capital IQ), a division of McGraw-Hill Financial Inc., and the County does not take any responsibility for the accuracy thereof. This data 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**

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**COUNTY COMMISSIONERS**

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

**ADMINISTRATION**

Gregory B. Murray, County Administrator  
Vicki C. Lumm, County Clerk  
John M. Martirano, County Attorney  
Debra S. Murray, 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 AND ESCROW 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, inside cover page and appendices, is to provide information for prospective purchasers and others regarding County Commissioners of Washington County (the “County”) and its \$20,635,000 Public Improvement Bonds of 2016 (the “Public Improvement Bonds”) and its \$9,455,000 Refunding Bonds of 2016 (the “Refunding Bonds”). The Public Improvement Bonds and the Refunding Bonds are referred to herein collectively as the “Bonds” and individually as a “series” of the “Bonds” or as a “Bond”.

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

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

Any questions concerning this Official Statement or the Bonds should be addressed to the Deputy Director of Budget and Finance of the County, Washington County Administration Building, 100 West Washington Street, Room 304, Hagerstown, Maryland 21740; telephone: (240) 313-2300; email: [sgreaves@washco-md.net](mailto: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 inside cover page hereof. The Bonds will be legally binding general obligations of the County to the payment of which the full faith and credit and unlimited taxing power of the County are pledged. (See “THE BONDS—Sources of Payment” herein.)

Interest on each series of the Bonds, calculated on the basis of a 30-day month/360-day year factor, will be payable at the interest rates specified on the inside cover page of this Official Statement. For the Public Improvement Bonds, interest will be first paid on January 1, 2017, 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. For the Refunding Bonds, interest will be first paid on July 1, 2016, and semiannually thereafter on the first day of January and July 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. Each series of 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 each series of 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 of a series are maintained in book-entry form, payments of principal of and interest on the Bonds of such series will be made as described below under “DTC and Book-Entry Only System.” At any other time the principal amount of the Bonds of a series will be payable at the designated corporate trust office of Manufacturers and Traders Trust Company (the “Bond Registrar and Paying Agent”).

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

So long as the Bonds of a series 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 each series 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](http://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. Transfer of ownership interests in the Bonds are to be accomplished by entries made on the books of the Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive physical certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry only system is discontinued.

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

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

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

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

Redemption proceeds, payments of the principal of, redemption premium, if any, and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Bond Registrar and Paying Agent on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such 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 either series of 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 of the applicable series are required to be printed and delivered.

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

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

### **Book-Entry Only System - Miscellaneous**

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

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

## Authorization

The Public Improvement Bonds are issued pursuant to the authority of Chapter 60 of the Laws of Maryland of 2013 (“Chapter 60”) and Title 6 of the Code of Public Local Laws of Washington County, Maryland (2007), as amended (the “Water and Sewer Act”), as applicable, and in accordance with a resolution adopted by the Board of County Commissioners of Washington County (the “Board”) on April 12, 2016 (the “Resolution”).

The Refunding Bonds are issued pursuant to the authority of Chapter 205 of the Laws of Maryland of 2004 (“Chapter 205”), Chapter 392 of the Laws of Maryland of 2007 (“Chapter 392”), the Water and Sewer Act, and Section 19-207 of the Local Government Article of the Annotated Code of Maryland, as amended (the “Refunding Act”), as applicable, and in accordance with the Resolution

Chapters 60, 205, and 392, the Water and Sewer Act, and the Refunding 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 Public Improvement Bonds, exclusive of any premium paid by the successful bidder therefor, will be applied to costs of the following projects and to issuance costs of the Public Improvement Bonds:

Use	Amount
Environmental Projects	\$ 8,635,000
Infrastructure Projects	7,415,000
Education Projects	3,506,000
Public Safety Projects	500,000
Public Facilities	482,000
Issuance Costs	97,000
	<u>\$ 20,635,000</u>

A portion of the proceeds of the Refunding Bonds, including premium paid by the successful bidder therefor, will be used to refund that portion of the County’s outstanding Public Improvement and Refunding Bonds of 2009, dated May 15, 2009 (the “2009 Bonds”), identified below (the “Refunded Bonds”).

The Refunded Bonds are as follows:

Bond Issue	Principal Amount Outstanding	Principal Amount Refunded	Maturities Refunded	Redemption Date	Redemption Price
2009 Bonds	\$ 13,185,000	\$ 9,615,000	2020-2029	January 1, 2019	100%

The outstanding maturities of the 2009 Bonds that are not subject to redemption at the option of the County are not being refunded from proceeds of the Bonds.



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## Refunding Plan

A portion of the proceeds of the Refunding Bonds, together with other available funds, if applicable, will be applied to refund the Refunded Bonds. The refunding method being used is frequently termed a “net defeasance” in that provision is made to set aside immediately, from the proceeds of a refunding bond issue and any other funds then available, monies for investment that, together with the interest to be received thereon, and any cash held uninvested, shall be sufficient to satisfy all payments of interest on the Refunded Bonds to and including the date on which such Refunded Bonds are redeemed and the principal of and any premium due upon the redemption of such Refunded Bonds.

That portion of the proceeds of the Refunding Bonds used to advance refund the Refunded Bonds, together with other available funds, if applicable, will be applied to the purchase of non-callable direct obligations of or obligations the principal and interest on which are guaranteed by the United States of America (the “Restricted Acquired Obligations”). The Restricted Acquired Obligations, together with any cash held uninvested, will be held in trust in an escrow fund (the “Escrow Deposit Fund”) by Manufacturers and Traders Trust Company (the “Escrow Agent”) pursuant to an Escrow Deposit Agreement between the Escrow Agent and the County. The Restricted Acquired Obligations will mature at such times and in such amounts and will bear interest payable at such times and in such amounts, together with any cash held uninvested, so that sufficient money will be available to pay when due, interest on the Refunded Bonds to and including their date of redemption and to redeem the Refunded Bonds on their date of redemption. (See “MISCELLANEOUS--Verification of Mathematical Computations” herein.) The Escrow Agent will apply the maturing principal of and interest on the Restricted Acquired Obligations and any cash held uninvested to the payment of the interest on the Refunded Bonds prior to their redemption date and will be irrevocably instructed to redeem the Refunded Bonds on their first available redemption date at a price equal to the outstanding principal amount thereof plus accrued interest. The Restricted Acquired Obligations will be pledged only to payment of the principal of and interest on the Refunded Bonds and are not available for the payment of principal and premium, if any, of or interest on the Bonds or any other obligations of the County.

## Redemption

### *Optional Redemption*

The Public Improvement Bonds that mature on or before July 1, 2026 are not subject to redemption at the option of the County prior to their maturities. The Public Improvement Bonds that mature on or after July 1, 2027 are subject to redemption at the option of the County as a whole or in part at any time on or after July 1, 2026, in any order directed by the County, at a redemption price of the principal amount of the Public Improvement Bonds (or portions thereof) to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium or penalty. The Refunding Bonds that mature on or before January 1, 2026 are not subject to redemption at the option of the County prior to their maturities. The Refunding Bonds that mature on or after January 1, 2027 are subject to redemption at the option of the County as a whole or in part at any time on or after January 1, 2026, in any order directed by the County, at a redemption price of the principal amount of the Refunding Bonds (or portions thereof) to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium or penalty.

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***Selection of Bonds for Redemption; Notice of Redemption***

If fewer than all of the Bonds of a series of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such series 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 of such series are maintained in book-entry form, the selection of individual ownership interests in such Bonds to be credited with such partial redemption shall be made by DTC in accordance with DTC's then existing procedures.

If all or a portion of the Bonds of a series outstanding are to be redeemed, the County shall give a redemption notice by first class mail, postage prepaid, at least 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed in whole or in part at the address of such registered owner appearing on the bond register maintained by the Bond Registrar and Paying Agent, provided, however, that the failure to mail the redemption notice or any defect in the notice so mailed shall not affect the validity of the redemption proceedings. The County may, but shall not be obligated to, also publish such notice of redemption at least once not less than thirty (30) days prior to the date fixed for redemption in a newspaper circulating in the City of Baltimore, Maryland, and also in a financial journal or daily newspaper of general circulation in the City of New York, New York. The redemption notice shall state (i) whether the 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 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 shall be paid by the Bond Registrar and Paying Agent at the redemption price plus accrued interest thereon to the date fixed for redemption. If Bonds so called for redemption are not paid upon presentation and surrender, the Bonds designated for redemption shall continue to bear interest at the rates stated therein until paid.

**Sources of Payment**

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

**Bondholders' Remedies**

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

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

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

## **Tax Matters**

### ***State of Maryland and Local Income Tax***

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

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

### ***Federal Income Tax***

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

Bond Counsel will issue a separate opinion with respect to each series of the Bonds. Bond Counsel’s opinions 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 opinions 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 or refinanced from Bond proceeds, as applicable, 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 respective forms of opinions of Bond Counsel to be delivered with respect to the Bonds upon issuance.

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## 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](http://www.washco-md.net).

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

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

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

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

As authorized by the County Code, the Board appoints the CFO on the basis of his or her experience in financial administration. 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.

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

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

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

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

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

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

***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.

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*Administrative Officials*

GREGORY B. MURRAY, County Administrator, is a summa cum laude graduate with a B.S. degree in Business Administration and is currently enrolled in the Master of Public Administration program at the University of Baltimore, a University System of Maryland college. He is a native of Washington County, a credentialed manager through the International City/County Management Association (ICMA-CM), and was appointed County Administrator on February 27, 2007 after 10 years as the Director of the County's Department of Water Quality. Mr. Murray has over 30 years of public administration service and leadership, giving him an extensive knowledge of the County's infrastructure needs, planning and regulatory issues. He is a member of the American Society of Public Administration, the American Public Works Association, the County Engineers Association of Maryland, the American Water Works Association, and the Water Environment Federation as well as numerous advisory boards and commissions. Mr. Murray also holds several environmental licenses for management of public utilities and was appointed by Maryland's Governor as Chair of the Chesapeake Bay Restoration Fund Advisory Committee. He has worked closely with the U.S. Environmental Protection Agency, the Maryland Department of the Environment, and the Maryland Department of Planning to help guide policy decisions that improve the quality of available resources in the State. Mr. Murray has also served as an international ambassador to China and South Korea on behalf of Washington County.

DEBRA S. MURRAY, C.P.A., Chief Financial Officer, holds a B.S. degree in Accounting from Frostburg State University. She is a Certified Public Accountant and a Certified Global Management Accountant. She was appointed Director of the Office of Budget and Finance in 1995 and appointed Chief Financial Officer in 2014. She served as Assistant Director of the Office of Budget and Finance from 1993 until her appointment as Director. Prior to her employment with Washington County she held the position of audit manager with a regional public accounting firm. Ms. Murray currently fills the Western Maryland position as a board member on the Maryland Government Finance Officers Association and serves as Treasurer on the Maryland Theatre Board. She is a member of the American Institute of Certified Public Accountants, the Maryland Association of Certified Public Accountants, the Government Finance Officers Association of the United States and Canada ("GFOA") and the Maryland Government Finance Officers Association.

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

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

R. DAVID HAYS, Director of Emergency Services, was hired by Washington County in February 2016. He is a career administrative and executive Command Officer. Additionally, he is a firefighter and a paramedic with over 30 years experience. Mr. Hays is a nationally certified Fire Officer III, Fire Fighter III, Instructor Level II, and a nationally registered EMT/Paramedic. Prior to his employment with Washington County, he was the Assistant Chief of Operations for Community Rescue Service, Inc. located in Hagerstown, Maryland. Mr. Hays now serves as a volunteer paramedic/firefighter with this organization.

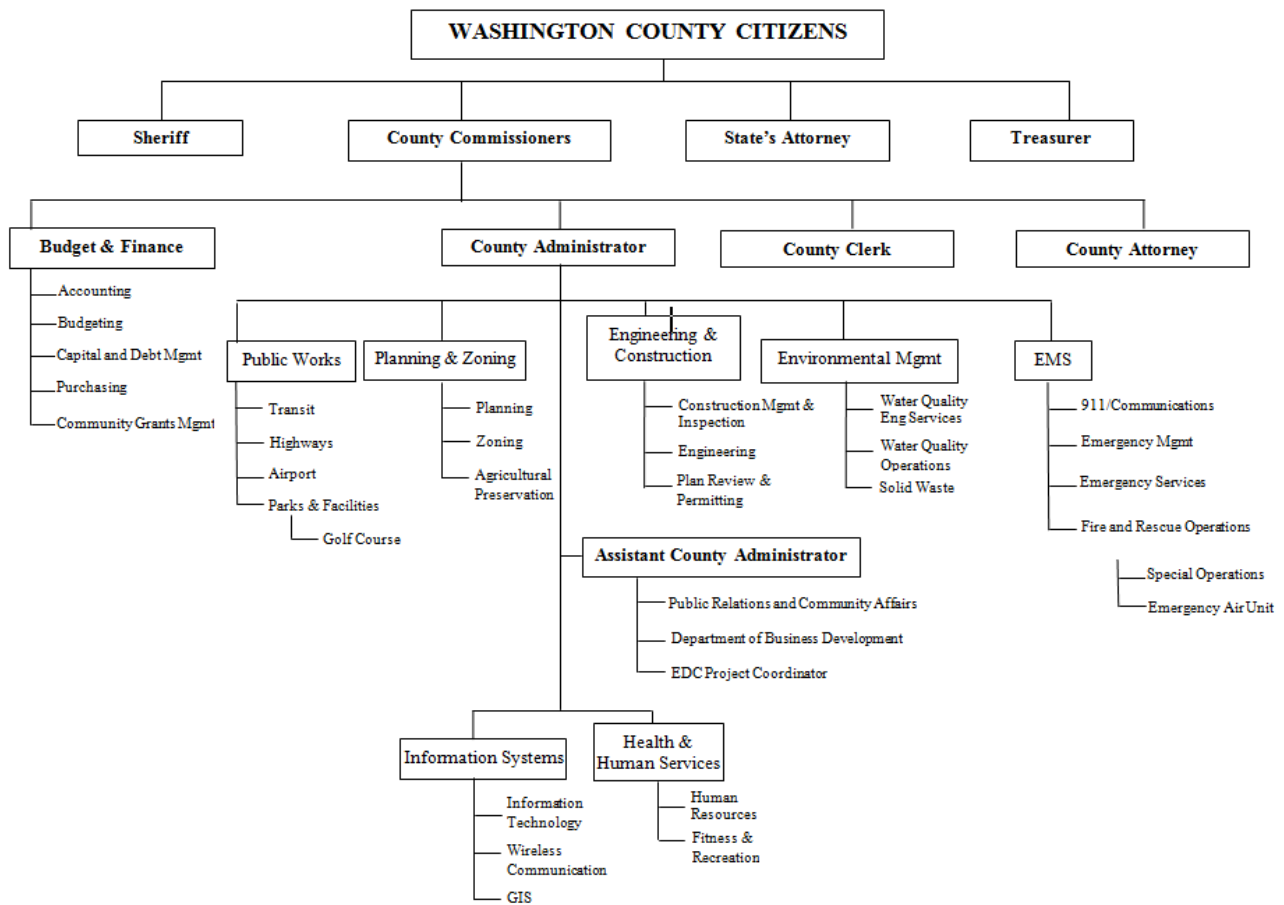
JULIE A. PIPPEL, Director of Environmental Management, is a licensed Water and Wastewater Operator in Maryland and a certified Manager of Landfill Operations with the Solid Waste Association of North America. Ms. Pippel holds an A.A. degree in Ecology and Environmental Technology from Paul Smith College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

JAMES L. STERLING, Director of the Division of Public Works, has held different positions with Washington County beginning as a Construction Inspector, working as an Assistant Supervisor with the Highway Department, and subsequently as Assistant Superintendent overseeing the operation of the Highway Department. Mr. Sterling was promoted in 2000 to the Director of Parks and Facilities. Mr. Sterling was promoted to his current position in 2015, where he is responsible for the departments of Highways, Parks and Facilities, and Transit, Washington County Regional Airport and Black Rock Golf Course. He is a member of numerous professional organizations and serves as a liaison for the County with various State agencies, advisory boards and the County's municipalities.

ROBERT J. SLOCUM, Director of the Division of Engineering and Construction, is a licensed professional engineer in the State of Maryland. Mr. Slocum holds a Bachelor of Science degree in Civil Engineering from the University of Arizona. His 20 years of engineering experience includes several years with a private consulting firm and a state department of transportation. Mr. Slocum has served Washington County for 14 years. 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 with additional responsibilities including oversight of code inspection staff and operations. In 2013, he was promoted to his current position, and is responsible for the Engineering, Construction Management and Inspections, and Plan Review and Permitting Departments. Mr. Slocum is the Building Code Official for Washington County, a long standing member of various professional organizations and he also serves Washington County as a member of various boards and committees.



## Washington County Government Organizational Chart



### County Employment

As of June 30, 2015 the County employed 760 full-time employees and 456 part-time employees, including seasonal positions. The County has a compensation and classification plan, which is complemented by a performance evaluation system. There are 145 employees of the County's Division of Public Works, Division of Emergency Services, and Division of Environmental Management represented by a collective bargaining agreement that expires on June 30, 2018. The County has not experienced a work stoppage due to labor relation disputes and considers its relationships with employees to be good.

### Pension and Retirement System

Employees of the County government are provided retirement benefits through a pension plan (the "Plan"). Participation in the Plan is mandatory and there were 1,073 participants as of June 30, 2015. 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 50% of the non-uniformed participants contribute to the Plan at the rate of 5.5% of their annual salary and the remaining non-uniformed and uniformed employees contribute 6% of their annual salary.

The County's contribution is comprised of two parts: (i) contribution to cover current service costs and (ii) annual accrued liability contribution to liquidate the County's unfunded accrued liability by June 30, 2029. Contributions for items (i) and (ii) above are based on an assumed investment rate of 7.75% compounded annually. Contributions for items (i) and (ii) are currently funded at 18.28% of total salary expense. Salaries are assumed to increase at an annual rate of 3.0%. Contributions from participants and from the County are pooled to provide the guaranteed allowance for each member.

The following table presents the pension and retirement contributions and unfunded liabilities of the County and certain County agencies for completed fiscal years 2012 through 2015 and for fiscal year 2016. The County has already paid the \$6,621,156 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" for fiscal year 2016, which began on July 1, 2015.

<b>As of July 1</b>	<b>Current Service Costs</b>	<b>Recommended Payment for Unfunded Accrued Liability</b>	<b>Total</b>	<b>Unfunded Accrued Liability</b>
2015	\$1,411,897	\$5,209,259	\$6,621,156	\$53,172,860
2014	1,727,349	4,417,936	6,145,285	47,088,710
2013	3,779,971	2,662,116	6,442,087	27,333,395
2012	3,402,453	2,570,315	5,972,768	27,826,378
2011	2,940,903	2,151,124	5,092,027	24,178,332

Source: CBIZ Benefits & Insurance Services, Inc.

As a result of the implementation of GASB Statement 68—Accounting and Financial Reporting for Pensions, the County modified its actuarial cost method for determining contributions to the Plan. For fiscal years prior to fiscal year 2015, costs and liabilities were based on a blend of the Projected Unit Credit and Aggregate actuarial cost methods. For fiscal year 2015 and later, the funding costs and liabilities are based solely on the Projected Unit Credit cost method. The new method produces higher liabilities but lower normal costs than the previous method. However, both methods produce actuarially sound contribution amounts intended to fully fund the Plan by 2029.

### **Other Post-Employment Benefits**

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

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

There is no vesting in the post-employment health benefits and they are subject to change at any time. All employees who retire from the County may participate in the program. In order to be eligible, the retiree must have (i) a minimum of five years of County service, and (ii) immediately preceding retirement, been enrolled in a medical, vision, or prescription drug insurance plan offered to active employees in the County. The retirees pay 50% of the health insurance premium. Retirees are also covered by a death benefit equal to their final annual salary, not to exceed \$100,000. These benefits cease when the retiree attains age 65 or becomes Medicare eligible. As of June 30, 2015, 44 retirees were receiving OPEB benefits and 73 employees were retirement-eligible.

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

#### **Components of Net OPEB Obligation**

Annual Required Contribution	\$ 1,185,434
Interest on Net OPEB Obligation	\$ (94,017)
Adjustment to Annual Required Contribution	<u>\$ 78,498</u>
Annual OPEB Cost (Expense)	\$ 1,169,915
Contributions Made or Accrued	<u>\$ 1,724,567</u>
Increase in Net Obligation	<u>\$ (554,652)</u>
Net OPEB Asset - Beginning of Year	<u>\$ (1,213,123)</u>
Net OPEB Asset - End of Year	<u><u>\$ (1,767,775)</u></u>

Source: CBIZ Benefits & Insurance Services, Inc.

## Insurance

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

## Certain Services and Responsibilities

### Education

The Board of Education of Washington County (the "Board of Education") implements all educational policies and programs for public schools in Washington County under the administration of the State Board of Education. The Board of Education, composed of seven members elected for four-year terms, oversees 22,303 students (including 579 in pre-kindergarten), in 46 elementary and secondary schools, which include middle and combined schools. The staff to student ratio in 2014-15 averaged better than one staff member for every 22.25 pupils; the average unrestricted pupil expenditure was \$11,911 for the 2014-15 school year.

The largest General Fund appropriation by the County in its adopted budget for fiscal year 2016 is \$94,844,030 for the Board of Education, which represents 45.91% of the General Fund budget. This appropriation is for operating expenditures, including amounts for a portion of the Teacher Pension System provided by the State of Maryland. In addition, the County appropriated \$2,738,000 in its capital budget for fiscal year 2016 for Board of Education projects.

Washington County's high school graduation rate for the 2014-2015 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
91.16%	93.47%	87.75%	95.00%	92.36%	94.26%	86.98%

Source: Maryland Board of Education

### Training/Higher Education

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

#### Training

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

**Washington County Technical High School** is a two-year public high school that is under the administration of the Washington County Public Schools. It offers 32 academic courses and 19 career and technology programs. These programs prepare students for professional/technical careers based on current industry skill standards. Enrollment is open to qualified 11<sup>th</sup> and 12<sup>th</sup> 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).

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

### **Higher Education**

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

The County appropriated \$9,265,010 in its fiscal year 2016 operating budget for HCC. HCC receives the balance of its funding from student tuition, State grants, and other miscellaneous sources. In addition, the County appropriated \$3,003,000 in its capital budget for fiscal year 2016 for HCC projects.

*Kaplan University-Hagerstown*, a private institution since 1938, offers 21 master degree programs, 21 bachelor degrees, eight associate degrees and 27 certificate programs in the areas of business, allied health, criminal justice, paralegal studies, graphic design, human services and information technology. Online and traditional, on-campus courses are available.

*University System of Maryland at Hagerstown (“USMH”)* opened in January 2005 and is located in Hagerstown’s historic City Center. USMH is part of a regional system offering more than 20 undergraduate and graduate degree programs from six respected universities within the Maryland system: Frostburg State University, University of Maryland University College, University of Maryland College Park, Towson University, Coppin State University and Salisbury University. Students can complete a bachelor’s degree or earn a master’s degree. USMH also offers access to on-site academic advising, computer labs, and a full-service library.

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*Planning and Zoning*

The Washington County Planning Commission was created in 1957. The Planning Commission consists of seven members appointed by the Board and is supported by the County's Planning and Zoning Department with a staff of 10. The Planning Commission has authority to approve subdivision and site development plans. The plans are required by the Subdivision and Zoning ordinances and managed by the County's Division of Engineering and Construction. Another of the primary responsibilities of the Planning Commission is the Comprehensive Plan for the County. The Planning Commission first recommended the adoption of a Comprehensive Plan for Washington County in 1971. Major updates to the Comprehensive Plan were completed in 1981 and in 2002. The adoption of the Comprehensive Plan in August 2002 was the culmination of a multi-year effort. An update of the Comprehensive Plan is in progress, with adoption expected in late spring 2017.

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

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

Meritus Health, located in Hagerstown, Maryland, is the largest healthcare provider in Western Maryland. Its programs span the continuum of healthcare, ranging from inpatient care to occupational health services to physician practices and outpatient care.

Meritus Medical Center, which opened in 2010, is an acute care hospital with 243 licensed beds in single patient rooms. Services offered include a regional trauma center, a cardiac catheterization lab, and a certified primary stroke center. State-of-the-art medical technologies at Meritus Medical Center include advanced magnetic resonance imaging (MRI), single-photo-emission computed tomography (SPECT) scanners, and cardiac interventions. Hospital services that address outpatient needs include the John R. Marsh Cancer Center, Total Rehab Care, the Center for Breast Health, and Meritus Cancer Specialists.

Meritus Health provides complementary branches of care including primary care physicians' practices, specialists in disciplines ranging from obstetrics to cardiology and satellite services including diagnostics and durable medical equipment.

**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 2016 from the County. Along with the main headquarters, it has staff and programs based at eight other sites. The Health Department employs a total of 183 full-time and part-time personnel in five divisions.

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

**Other Medical Facilities**

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

There are nine privately owned licensed skilled nursing facilities with a total of 1,075 beds and one State-owned licensed skilled nursing facility with 63 beds in Washington County. All of these facilities are dually certified by Medicare and Medicaid. In addition there are 18 privately owned assisted living facilities with a total of 725 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.

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## *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 99 sworn personnel and 92 radio-dispatched vehicles. The Sheriff's Office is responsible for the operation of the Detention Center, which has a capacity of 450 inmates. The State Police has 36 troopers assigned to the local barrack, which is located just south of Hagerstown. The Hagerstown Police Department has a full-time force of 106 officers. The Hancock Police Department employs three full-time and two part-time officers. In addition, the Smithsburg Police Department employs four officers and the Boonsboro Police Department employs five police officers.

### **Emergency Services**

The County's Division of Emergency Services ("DES") oversees Emergency Communication/911, Emergency Management, Fire Department Special Operations, Fire Department Support Services, and the Emergency Medical Services Operations Program. DES is led by a full-time career Director and five full-time department heads who oversee the daily operational components of Emergency Services in Washington County. The division has 86 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 and non-emergency calls for the City of Hagerstown, the County, and all of the municipalities through one central dispatch location. The call center and new digital radio system enables first responders to communicate in a safe, seamless and compatible way, enhancing their ability to respond to emergencies and save lives. The call center also integrates Hagerstown's and Washington County's non-emergency responders, allowing them to serve the community quickly and efficiently.

#### ***Emergency Management***

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

#### ***Fire Department Special Operations***

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

#### ***Emergency Medical Services***

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

***Fire and Rescue***

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

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

***Environmental Management***

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

**Solid Waste**

The Washington County Solid Waste Department is responsible for a solid waste disposal system that protects the environment and public health. Currently the County disposes of solid waste at the 40 West Landfill, which opened in 2000. At current disposal rates, this site could meet the County’s estimated disposal needs until 2120. In 2013, the County entered into an agreement with a private firm to begin construction of a new solid waste facility to handle this material in a more environmental friendly manner. This new facility will sort the solid waste materials collected into recyclables, materials that can be processed into a refuse derived fuel (RDF) pellet and materials which need to be land-filled. The processing of suitable materials to RDF pellets will be the first phase of operation with this product being sold as a fuel source to industries. In phase two of the new facility, the RDF pellets will be further processed to generate a synthetic diesel product which can be sold on the open market. Once this facility is in operation, it is anticipated that less than 10% of the solid waste materials received by the County will need to be land-filled. The Department operates five solid waste convenience centers that are strategically located throughout Washington County. Supporting and strengthening individual and community self-reliance and responsibility in the areas of waste reduction, recycling, and proper disposal of solid waste is the mission of the Solid Waste Department. The Department operated as a special revenue fund until fiscal year 2002, when it was reclassified as an enterprise fund.

**Water Supply and Wastewater Facilities**

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

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

Five treatment plants serve the County water system with an aggregate capacity of 419,000 gallons per day, with individual plant capacities from 4,000 to 230,000 gallons per day. The County wastewater system is served by five treatment plants with an aggregate capacity of 5,393,000 gallons per day, with individual plant capacities from 21,000 to 4.1 million



gallons per day. The County is in the process of upgrading its wastewater facilities to comply with the State's enhanced nutrient removal ("ENR") strategy. The Winebrenner Treatment Plant ENR upgrade began construction in fiscal year 2015, with anticipated completion in the fall of 2016. The Conococheague Wastewater Treatment Plant ENR upgrade is scheduled to be under construction in fiscal year 2017.

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, 2015. For customers receiving County collection services only, treatment is provided by the City of Hagerstown.

**WATER SYSTEM**

	<b>No. of Services</b>	<b>No. of EDUs</b>	<b>Residential Annual (Avg) User Rate</b>
Full Service.....	<u>1,336</u>	<u>1,550</u>	\$632.28

**WASTEWATER SYSTEM**

	<b>No. of Services</b>	<b>No. of EDUs</b>	<b>Residential Annual (Avg) User Rate</b>
Full Service .....	6,995	10,620	\$594.92
Collection Service Only .....	3,667	4,889	\$214.20
Wholesale .....	<u>5</u>	<u>3,665</u>	
Total.....	<u>10,667</u>	<u>19,174</u>	

Source: Washington County Department of Budget and Finance

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

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

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### III. Economic and Demographic Information

#### Department of Business Development

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

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

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

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

The DBD distributes the following publications to promote economic development by providing current, relevant information to the business community: Business & Industry Directory, Business Development Guide, Economic Data Summary, and an Annual Report. The DBD also distributes listings of available buildings and sites.

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

The DBD administers the Enterprise Zone Program, identifying eligible businesses that qualify for local real property tax credits and State income tax credits in the City of Hagerstown, the Town of Hancock, and elsewhere in Washington County. For tax year 2015-16, the City of Hagerstown, the Town of Hancock, and the County granted \$96,669, \$1,205, and \$388,508, respectively, in real property tax credits for private capital investment. The State of Maryland is expected to reimburse \$48,335 to the City of Hagerstown, \$602 to the Town of Hancock, and \$194,254 to the County for these credits.

## Business Development

### *New and Expanding Businesses*

In 2015 the County experienced new and expanding businesses highlighted by the creation of more than 370 new jobs and known new investments of approximately \$37.2 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 2015 and 2016 that are expected to provide an additional 694 new jobs and an additional \$106.4 million of new investments are noted in the following table:

#### Hagerstown-Washington County, Maryland -- Significant Business Activity for 2015/2016

Company Name	Business Type	Completed/ Expected Completion	Project Cost <sup>(1)</sup>	#New Jobs <sup>(1)</sup>	Type of Activity
<b>Completed Projects Announced in 2015</b>					
Tractor Supply Inc.	Warehousing/Distribution	1Q15	\$2,000,000	108	New Jobs/Equipment
Baltimore Mack	Transportation	2Q15	\$5,000,000	30	New Construction
Sharrett Collision Center	Retail	2Q15	\$1,000,000	0	New Construction
America's First Incorporated	Energy Manufacturing	3Q15	\$12,000,000	70	New Jobs/Construction
Primanti Brothers	Hospitality	3Q15	\$1,200,000	30	New Jobs/Construction
Tempur Sealy International	Manufacturing	3Q15	\$5,000,000	120	New Jobs/Construction
Truck Enterprises, Inc.	Sales and Repair	4Q15	\$11,000,000	13	New Jobs/Construction
<b>Projects Under Development Announced in 2015/2016</b>					
Cycle Aviation	Maintenance and Repair	2Q16	\$150,000	40	New Jobs/Renovation
Pinnacle Foods, Inc.	Manufacturing	4Q16	\$4,200,000	125	New Jobs/Renovation
Green Thumb Industries	Manufacturing	4Q16	\$22,000,000	100	New Jobs/Construction
Walmart Supercenter	Retail	4Q16	\$40,000,000	300	New Jobs/Construction
Love's Travel Center	Retail	4Q16	\$14,000,000	25	New Jobs/Construction
Lenox Incorporated	Retail/Distribution	2Q16	\$3,000,000	14	New Jobs/Construction
Lanco-Pennland	Cheese Manufacturing	4Q16	\$23,000,000	90	New Jobs/Construction
<b>Totals for Projects Announced in 2015/2016:</b>			<b>\$143,550,000</b>	<b>1,065</b>	

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:

<b>Park</b>	<b>Total Acreage</b>	<b>Available Acreage</b>	<b>Ownership</b>
<b>City of Hagerstown—Washington County</b>			
<b>Enterprise Zone:</b>			
Valley Business Park .....	188	125	Private
<b>Town of Hancock Enterprise Zone:</b>			
Hancock Industrial Park.....	38	38	Town
<b>Other Locations:</b>			
Airport Business Park .....	39	30	Nonprofit
Friendship Business Park .....	450	300	Private
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 companies to the local business community that are involved in a high-tech industry and that offer well-paying jobs. The program provides a six-year tax credit for businesses that either expand or relocate in Washington County and qualify under the program's guidelines. The credit applies to Washington County's tax that is imposed on real property owned or leased by the business and the tax imposed on personal property owned by that business.

***Enterprise Zones***

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

***Pad-Ready Commercial Stimulus Program***

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

***High Performance Building Tax Credit Program***

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

**Foreign Trade Zone**

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

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

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

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

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

***Transportation***

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

**Air:** Hagerstown Regional Airport (HGR) is a Part 139 Facility which provides daily scheduled commercial service to Dulles International Airport and Pittsburgh International Airport via Sun Air Express, twice weekly service to Orlando Sanford International and twice weekly service to St. Pete-Clearwater International Airport on Allegiant. The airfield also offers fixed base operation services to general aviation, corporate and military aircraft. There are 15 businesses offering clients a variety of aviation services for all types of aircraft. Approximately 1,400 people are employed at the airport in various aviation-related businesses. In addition, Dulles International, Baltimore/Washington Thurgood Marshall International, and Ronald Reagan Washington National airports are located within 70 miles of Hagerstown.

## ECONOMIC AND DEMOGRAPHIC INFORMATION

**Rail:** CSX Transportation and Norfolk Southern Corporation Railways provide economical shipment anywhere on the Atlantic seaboard. CSX, with a public siding, operates daily trains and connects with other major carriers for long-distance shipping. The Norfolk Southern mainline is just outside of Hagerstown and a CSX interchange with Norfolk Southern is in Hagerstown for nationwide access. In January 2014, Norfolk Southern Rail opened a 200 acre intermodal terminal in Greencastle, Pennsylvania, immediately adjacent to Washington County. The County is also only 19 miles from CSX's 85 acre intermodal terminal in Chambersburg, Pennsylvania. Daily Amtrak and weekday MARC passenger services are available from Martinsburg, West Virginia (23 miles south of Hagerstown). MARC passenger service from neighboring Frederick County to Washington, D.C. is also available.

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

### *Communication*

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

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

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

[www.washco-md.net](http://www.washco-md.net) (Washington County)  
[www.hagerstownmd.org](http://www.hagerstownmd.org) (City of Hagerstown)  
[www.washcolibrary.org](http://www.washcolibrary.org) (Washington County Free Library)

### **Population**

The following table illustrates the population growth of Washington County, the State of Maryland, and the United States from 1970 to 2015.

#### **Population Growth**

	<u>Washington County</u>		<u>State of Maryland</u>		<u>United States</u>	
		Percent		Percent		Percent
<u>Year</u>	<u>Population</u>	<u>Change</u>	<u>Population</u>	<u>Change</u>	<u>Population</u>	<u>Change</u>
2015	149,573	1.5	6,006,401	3.8	321,418,820	4.1
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 Labor, Licensing and Regulation for 2015

**Income**

Median household Effective Buying Income (“EBI”) in Washington County was estimated at \$56,477 for the year 2015. 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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Washington County	\$56,477	\$55,700	\$54,239	\$48,984	\$40,614
State of Maryland	74,149	72,345	71,707	52,108	52,627
United States	53,482	52,176	51,771	41,644	41,368

Source: MD BriefEconomic Facts for 2013, 2014 and 2015; Nielsen-Claritas, Inc. for 2011 and 2012

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

**Distribution of Effective Buying Income (2014)**

<b>Households By EBI Group</b>	<u>Washington County</u>	<u>State of Maryland</u>	<u>United States</u>
Under \$25,000	21.7%	15.4%	23.2%
\$25,000 - \$49,999	23.1	17.9	23.7
\$50,000 - \$74,999	19.9	17.2	17.8
\$75,000 - \$99,999	14.0	13.4	12.2
\$100,000 - \$149,999	13.3	18.1	13.0
\$150,000 - \$199,999	4.4	8.9	5.1
\$200,000 and over	3.5	9.1	5.0

Source: MD BriefEconomic Facts based on U.S. Bureau of the Census released in 2015

**Area Labor Supply**

Washington County has an available civilian labor force of approximately 75,709. In addition, businesses draw employees from Allegany and Frederick counties in Maryland; Franklin and Fulton counties in Pennsylvania; and portions of Berkeley, Jefferson and Morgan counties in West Virginia. The civilian labor force for all these counties totals more than 408,600.

## Employment

Within Washington County there are more than 3,450 businesses. The following table shows the employment statistics for the 15 largest employers in Washington County as of December 2015.

<b>Employer</b>	<b>Employment</b>
Washington County Public Schools .....	3,100
Meritus Medical Center.....	2,740
State of Maryland .....	2,385
Citi.....	2,300
First Data.....	2,183
Washington County Government.....	1,352
Volvo Group.....	1,300
FedEx Ground.....	900
Hagerstown Community College.....	890
Bowman Group, LLP (The).....	745
Federal Government.....	567
Merkle Response Management Group.....	545
City of Hagerstown.....	486
Brook Lane Health Services .....	485
Dot Foods, Inc.....	441

Source: Washington County Department of Business Development

## Unemployment Rate

Unemployment in Washington County averaged 7.7% between 2011 and 2015. The following table indicates the County's average unemployment rate as compared with the State of Maryland for the five most recent calendar years.

	<b>Unemployment Rate – Annual Average</b>				
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Washington County	5.8%	6.9%	7.4%	8.6%	9.8%
State of Maryland	5.2%	5.8%	6.1%	6.8%	7.0%

Source: Maryland Department of Labor, Licensing and Regulation



**Construction Activity**

Construction activity during the years 2011-2015 in Washington County is provided below:

<b>Year Ended Dec. 31</b>	<b>Building Permits (Value in Thousands)</b>					
	<b>Residential New</b>		<b>Other Permits</b>		<b>Total</b>	
	<b>Number</b>	<b>Value</b>	<b>Number</b>	<b>Value</b>	<b>Number</b>	<b>Value</b>
2015	202	\$52,305	2,065	\$97,055	2,267	\$149,360
2014	168	37,720	1,615	98,942	1,783	136,662
2013	228	48,547	1,654	93,245	1,882	141,792
2012	152	32,660	1,536	47,306	1,688	79,966
2011	159	26,941	1,632	57,509	1,791	84,450

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:

<b>Year Ended December 31</b>	<b>Single Family (One and Two- Unit Structures)</b>
2015	177
2014	158
2013	207
2012	133
2011	128

Source: Washington County Department of Permits and Inspections

During the year ended December 31, 2015, there were five, 24-unit multi-family buildings constructed. Prior years' multi-family housing starts were nominal.

## 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. 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

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Source: U.S.D.A. Agriculture Census 2012  
The U.S.D.A. conducts a census every five years

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## **IV. Financial Information**

### **Accounting System**

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

### **Fund Structure**

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

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

### **Basis of Accounting, Measurement Focus, and Financial Statement Presentation**

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

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

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

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

### **Accounting Enterprise System**

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

## Capital Budget Preparation Software

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

## Distinguished Budget Presentation Award

The County received the Distinguished Budget Presentation Award for its 2016 Budget Document from the GFOA. The award is given to those entities that satisfy nationally recognized guidelines for effective budget presentation. Those guidelines are designed to assess how well an entity's budget serves as a policy document, a financial plan, an operations guide, and a communication device. The County has received the award for 12 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 and Construction, 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 2015, budgeted revenues and expenditures for fiscal year 2016, and the proposed budget for fiscal year 2017.

County Commissioners of Washington County Budget Comparison General Fund Fiscal Years 2015, 2016 and 2017				
	Fiscal Year 2015		Fiscal Year 2016	Fiscal Year 2017
	Final Budget	Actual Amounts	Original Budget <sup>(1)</sup>	Proposed Budget
<b>REVENUES</b>				
Property Tax				
Real Property Tax.....	\$ 106,636,980	\$ 106,526,518	\$ 106,977,350	\$ 108,243,140
Personal Property Tax.....	12,124,470	12,761,837	12,497,840	12,950,000
Property Tax Interest Income.....	480,000	411,564	480,000	430,000
Other Property Tax.....	719,190	718,412	714,020	671,710
State Administrative Fees.....	(568,460)	(508,043)	(525,000)	(600,000)
Property Tax Discounts, Credits, and Fees.....	(1,473,980)	(1,396,755)	(1,469,020)	(1,310,480)
Total Property Taxes.....	\$ 117,918,200	\$ 118,513,533	\$ 118,675,190	\$ 120,384,370
Other Local Taxes				
Income Tax.....	\$ 72,230,000	\$ 73,603,292	\$ 74,910,000	\$ 77,500,000
Admissions and Amusement Tax.....	310,000	281,568	300,000	300,000
Recordation Tax.....	5,500,000	6,078,677	5,800,000	5,800,000
Trailer Tax.....	470,000	513,535	470,000	500,000
Total Other Local Taxes.....	\$ 78,510,000	\$ 80,477,072	\$ 81,480,000	\$ 84,100,000
Other Revenues				
Licenses and Permits.....	\$ 1,450,750	\$ 1,362,651	\$ 1,260,200	\$ 1,259,300
Court Costs and Fines.....	333,030	383,897	330,300	415,000
Charges for Services.....	427,900	434,237	388,850	812,710
Revenues from Use of Property.....	1,141,440	881,502	976,550	505,200
Reimbursed Expenses.....	1,126,430	1,212,768	1,145,170	1,303,270
Miscellaneous Revenues.....	1,820,750	452,632	406,200	401,500
Grant and Shared Revenues.....	3,441,449	3,355,253	1,929,990	1,964,730
Highway Revenues.....	1,582,770	1,554,706	1,660,250	2,175,890
Total Other Revenues.....	\$ 11,324,519	\$ 9,637,646	\$ 8,097,510	\$ 8,837,600
TOTAL REVENUES.....	\$ 207,752,719	\$ 208,628,251	\$ 208,252,700	\$ 213,321,970
<b>EXPENDITURES</b>				
General Government.....	\$ 24,795,673	\$ 23,779,920	\$ 25,242,390	\$ 23,397,040
Public Safety.....	40,818,148	39,155,311	40,284,610	44,536,270
Health.....	2,339,270	2,339,270	2,339,270	2,339,270
Social Services.....	570,578	571,517	338,070	373,390
Education.....	103,810,560	103,810,462	104,109,040	104,387,080
Parks, Recreation, and Culture.....	5,678,220	5,622,928	5,590,940	5,745,530
Conservation of Natural Resources.....	605,830	595,350	679,730	677,840
Highway.....	9,370,860	10,103,368	9,591,340	10,365,890
General Operations.....	510,010	558,112	622,300	490,020
Unallocated Employee Insurance and Benefits.....	694,270	1,445,214	699,330	704,640
Intergovernmental.....	3,649,020	5,862,623	3,820,190	4,890,000
Debt Service.....	14,910,280	14,652,478	14,935,490	15,415,000
TOTAL EXPENDITURES.....	\$ 207,752,719	\$ 208,496,553	\$ 208,252,700	\$ 213,321,970
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ 131,698</u>	<u>\$ -</u>	<u>\$ -</u>

Source: Washington County Department of Budget and Finance

(1) Budget revisions are possible until the close of the year on June 30, 2016.

The following table displays the County's General Fund revenues and expenditures for fiscal years 2011 through 2015.

County Commissioners of Washington County					
Statement of Revenues, Expenditures and Changes in Fund Balance					
General Fund					
Year Ended June 30					
	2015	2014	2013	2012	2011
<b>Revenues:</b>					
Taxes, interest and penalties.....	\$ 198,990,605	\$ 194,994,560	\$ 194,197,780	\$ 191,600,621	\$ 189,634,078
Shared taxes and grants .....	3,355,253	3,377,036	3,566,550	3,547,046	3,624,317
Licenses and permits .....	1,362,651	1,187,285	1,149,568	1,278,654	1,173,403
Revenues from use of money and property .....	881,502	945,977	988,019	1,066,799	1,280,462
Charges for services.....	434,237	451,814	448,406	497,092	388,337
Other revenue .....	2,049,297	1,793,593	2,389,892	2,026,413	1,517,133
Highway revenue .....	1,554,706	1,697,840	1,683,821	1,291,748	1,337,206
Total revenues .....	\$ 208,628,251	\$ 204,448,105	\$ 204,424,036	\$ 201,308,373	\$ 198,954,936
<b>Expenditures:</b>					
General government .....	\$ 23,779,920	\$ 21,474,148	\$ 19,725,043	\$ 19,552,837	\$ 17,985,815
Public safety .....	39,155,311	36,352,815	35,020,519	33,771,477	34,183,751
Health .....	2,339,270	2,339,270	2,339,270	2,876,643	2,389,270
Social services .....	571,517	934,217	2,321,055	2,028,270	2,400,068
Education .....	103,810,462	103,418,590	101,816,613	101,693,900	101,360,380
Recreation and culture .....	5,622,928	5,271,404	5,436,653	5,230,239	5,351,051
Conservation of natural resources .....	595,350	568,873	556,845	514,055	541,918
Intergovernmental .....	38,543	38,543	38,543	38,543	38,543
General operations .....	2,003,326	4,956,600	6,131,561	2,947,076	2,087,905
Highway <sup>(1)</sup> .....	9,953,368	9,872,245	8,622,908	9,262,056	8,095,183
Debt service:					
Principal .....	10,147,504	9,901,824	9,878,013	9,216,975	8,843,224
Interest .....	4,504,974	4,109,946	4,352,421	4,371,195	4,223,536
Total Expenditures .....	\$ 202,522,473	\$ 199,238,475	\$ 196,239,444	\$ 191,723,266	\$ 187,500,644
Excess of revenues over expenditures .....	\$ 6,105,778	\$ 5,209,630	\$ 8,184,592	\$ 9,585,107	\$ 11,454,292
<b>Other financing sources(uses):</b>					
Net bond proceeds.....	\$ -	\$ -	\$ 3,039	\$ 34,443	\$ -
Proceeds of capital leases.....	-	56,548	-	759,137	-
Principal amount of new debt for advanced refunding.....	26,026,715	-	-	-	-
Deposit to escrow fund for advance refunding and repayment of loans.....	(26,021,529)	-	-	-	-
Operating transfers in .....	-	-	-	-	-
Operating transfers out .....	(5,974,080)	(5,915,929)	(7,980,296)	(9,318,716)	(10,035,386)
Total other financing sources(uses) .....	\$ (5,968,894)	\$ (5,859,381)	\$ (7,977,257)	\$ (8,525,136)	\$ (10,035,386)
Excess of revenues and other sources over expenditures and other uses .....	\$ 136,884	\$ (649,751)	\$ 207,335	\$ 1,059,971	\$ 1,418,906
Consolidation of Highway Fund <sup>(1)</sup> .....	-	-	-	-	(644,789)
Fund balances at beginning of year .....	38,190,469	38,840,220	38,632,885	37,572,914	36,798,797
Fund balance at end of year .....	\$ 38,327,353	\$ 38,190,469	\$ 38,840,220	\$ 38,632,885	\$ 37,572,914
<b>Fund Balance:</b>					
As a percent of revenue .....	18.4%	18.7%	19.0%	19.2%	18.9%
As a percent of expenditures .....	18.9%	19.2%	19.8%	20.2%	20.0%
<b>Committed, Assigned and Unassigned Fund Balance:</b>	\$ 36,844,446	\$ 37,162,054	\$ 37,503,352	\$ 37,427,426	\$ 36,955,703
As a percent of revenue .....	17.7%	18.2%	18.3%	18.6%	18.6%
As a percent of expenditures .....	18.2%	18.7%	19.1%	19.5%	19.7%
<b>Debt Service:</b>	\$ 14,652,478	\$ 14,011,770	\$ 14,230,434	\$ 13,588,170	\$ 13,066,760
As a percent of revenue .....	7.0%	6.9%	7.0%	6.7%	6.6%
As a percent of expenditures .....	7.2%	7.0%	7.3%	7.1%	7.0%

Source: Washington County Department of Budget and Finance

(1) Effective for fiscal years beginning July 1, 2010, 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.

## Anticipated Results for Fiscal Year 2016

Fiscal year 2016 final results are not available as of the date of this Official Statement. However, based on current review, the County's two largest revenue sources, real estate and income taxes, are projected to meet current year budget and all expenditures are in-line with the approved budget. Overall the financial results for fiscal year 2016 are expected to end on the positive side, with total revenues in excess of total expenditures. The County expects to maintain its cash reserves for fiscal year 2016.

## Sources of Tax Revenue

Ad valorem property taxes, the County's largest source of tax revenues, were 62% of total tax revenues in fiscal year 2014 and 60% in fiscal year 2015. During the same period, income tax revenues as a percentage of total tax revenues were 35.3% in fiscal year 2014, and 37% in fiscal year 2015. The following table presents the County's tax revenues by source for each of the last five fiscal years.

**Tax Revenues by Source**

<b>Fiscal Year Ended June 30</b>	<b>Total Taxes</b>	<b>Local Property Taxes<sup>(1)</sup></b>	<b>Local Income Taxes</b>	<b>Other Local Taxes<sup>(2)</sup></b>
2015	\$ 198,990,605	\$ 118,513,533	\$ 73,603,292	\$ 6,873,780
2014	194,994,560	120,678,207	68,864,506	5,451,847
2013	194,197,780	122,450,670	65,763,209	5,983,901
2012	191,600,621	122,669,812	64,578,939	4,351,870
2011	189,634,078	125,462,990	59,279,436	4,891,652

Source: Washington County Department of Budget and Finance

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

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

## Local Property Taxes

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

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

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

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

The State also provides a tax credit based on the ability of homeowners to pay property taxes. The credit is calculated by use of a scale, which indicates a maximum tax liability for various income levels. This tax credit for local property taxes for Washington County for fiscal year 2015 was \$1,692,868 and the credit for fiscal year 2016 is budgeted at \$1,275,230.



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 \$2,134,043,952 for the fiscal year ended June 30, 2015, 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)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Real property .....	\$11,798,859	\$11,918,538	\$12,310,975	\$12,740,518	\$13,650,208
Personal property:					
Railroads and public utilities .....	162,536	167,959	161,054	162,932	168,373
Business corporations .....	<u>390,610</u>	<u>375,606</u>	<u>350,000</u>	<u>379,500</u>	<u>379,500</u>
Total property	<u>\$12,352,005</u>	<u>\$12,462,103</u>	<u>\$12,822,029</u>	<u>\$13,282,950</u>	<u>\$14,198,081</u>
Change in market value of property	(0.9)%	(2.8)%	(3.5)%	(6.4)%	(4.5)%
County tax rate (per \$100 assessed value)	\$0.948	\$0.948	\$0.948	\$0.948	\$0.948
State tax rate (per \$100 assessed value)	0.112	0.112	0.112	0.112	0.112

Source: Maryland State Department of Assessments and Taxation

There were no changes to the property tax rates for the County or the State in fiscal year 2016. As of the date of this Official Statement, there are no proposed changes to the County or State property tax rates for fiscal year 2017.

**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.

<b>Fiscal Year Ending June 30</b>	<b>Taxes Levied</b>	<b>Taxes Collected in Year of Levy</b>		<b>Total Taxes Collected (Current and Delinquent)</b>		<b>Taxes Receivable</b>	<b>Taxes Receivable as a Percentage of Total Taxes Collected</b>
		<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>		
2015	\$ 120,444,868	\$ 119,903,244	99.55	\$ 120,597,778	100.13	\$ 676,704	0.56
2014	121,676,979	121,014,378	99.46	121,414,874	99.78	829,615	0.68
2013	123,303,379	122,940,251	99.71	124,018,282	100.58	567,508	0.46
2012	125,425,501	124,342,889	99.14	125,166,347	99.79	1,282,411	1.02
2011	127,163,603	126,537,616	99.51	128,579,492	101.11	1,023,256	0.80

Source: Washington County Department of Budget and Finance

**Principal Taxpayers**

The 20 largest taxpayers in the County as of June 30, 2015, ranked by assessed value, are listed below.

<b>Name of Taxpayer</b>	<b>Assessed Value</b>	<b>Percentage of Assessed Value</b>
Outlet Village of Hagerstown.....	\$ 105,577,730	
PR Valley Limited Ptsp.....	97,569,340	
FedEx Ground Package System Inc.....	83,602,596	
Potomac Edison.....	81,700,340	
Bowman Group.....	60,397,111	
Washington Real Estate.....	59,640,107	
254 Hagerstown/Citigroup/Citicorp.....	52,545,390	
Staples of Maryland LLC.....	47,815,823	
IIT Hagerstown Dist. Ctr.....	47,175,233	
Liberty Property Limited.....	44,447,600	
Sub-total	\$ 680,471,270	5.51%
Walmart Stores/Wal-Mart R.E./Sam's R.E./Sam's East.....	44,432,430	
Mack Trucks Inc.....	39,111,480	
Verizon-Maryland.....	36,020,090	
2007 East Greencastle Pike.....	34,360,000	
Lowe's Home Centers Inc.....	33,668,047	
Meritus Health Inc.....	31,591,486	
GP Hagerstown Limited Ptsp.....	30,035,200	
FR Hagerstown LLC.....	29,496,467	
Tractor Supply Company.....	28,390,073	
ARCP MT Hagerstown.....	27,624,900	
Total	\$ 1,015,201,443	8.22%

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 1.25%, but not more than 3.20%, of the State income tax liability of individuals domiciled in their respective jurisdictions.

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

**Other Local Taxes and Revenues**

In addition to general property taxes and income taxes, the County levies and collects miscellaneous taxes, the largest of which is the recordation tax on instruments conveying title to property and securing debt. Revenues from this tax in the fiscal year ended June 30, 2015 were \$6,078,677. 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, 2015 were \$7,995,470.

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

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

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

**State and Federal Grants**

During the County's fiscal year ended June 30, 2015, an aggregate of \$7,189,115 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 \$889,688, which was for the Small Urban Area Public Transportation Grant. The County also received a total of \$6,636,281 in federal and State funds for capital projects in the fiscal year ended June 30, 2015. The County projects that \$4,129,591 in federal and State funds will be received in fiscal year 2016 for operations and \$8,235,193 in federal and State funds will be received for capital projects.

During the fiscal year ended June 30, 2015, the Board of Education received \$166,719,457 in State funds and \$24,315,696 in federal funds for operating and food service expenses. In fiscal year 2016, the Board of Education anticipates receiving \$165,488,318 in State funds and \$22,775,852 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					
	2015	2014	2013	2012	2011 <sup>(1)</sup>
<b>ASSETS</b>					
Cash and short-term investments .....	\$ 32,999	\$ 40,971	\$ 252,052	\$ 315,956	\$ 42,231
Investment in U.S. Government					
Agency Securities .....	110,533,955	118,065,564	130,562,407	135,948,740	157,231,094
Property taxes receivable (net) .....	535,177	588,451	376,599	1,051,056	396,186
Accounts receivable .....	416,161	265,824	374,571	407,981	499,021
Due from other funds .....	-	-	10,000	20,000	125,943
Due from other governments .....	16,373,944	11,838,036	10,811,977	15,804,020	19,014,127
Inventories .....	763,940	578,396	741,870	816,175	675,242
Other assets .....	1,398,654	955,704	742,564	666,189	921,702
Total assets .....	<u>\$ 130,054,830</u>	<u>\$ 132,332,946</u>	<u>\$ 143,872,040</u>	<u>\$ 155,030,117</u>	<u>\$ 178,905,546</u>
<b>LIABILITIES</b>					
Accounts payable .....	\$ 1,413,769	\$ 1,621,862	\$ 1,421,068	\$ 2,230,907	\$ 1,707,908
Accrued expenses .....	1,086,819	940,300	1,150,895	786,727	1,018,396
Liabilities on unpaid claims .....	1,833,471	2,115,251	2,015,593	2,220,225	1,961,141
Due to other funds .....	77,037,235	83,418,109	95,120,905	100,568,990	122,242,678
Deferred revenue .....	306,901	283,880	3,463,212	9,279,273	12,630,582
Other liabilities .....	1,868,922	1,895,975	1,860,147	1,311,110	1,771,927
Total liabilities .....	<u>\$ 83,547,117</u>	<u>\$ 90,275,377</u>	<u>\$ 105,031,820</u>	<u>\$ 116,397,232</u>	<u>\$ 141,332,632</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenues .....	<u>\$ 8,180,360</u>	<u>\$ 3,867,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FUND EQUITY</b>					
Reserved fund balances:	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved fund balances:					
Designated	-	-	-	-	-
Undesignated	-	-	-	-	-
Total fund equity .....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities and fund equity .....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Nonspendable .....	\$ 1,063,939	\$ 661,513	\$ 136,667	\$ 24,713	\$ 77,777
Restricted .....	418,968	366,902	1,200,201	1,180,746	539,434
Committed .....	36,830,635	37,141,183	37,452,097	36,294,934	33,246,307
Assigned .....	13,811	20,871	23,679	1,132,492	22,181
Unassigned <sup>(2)</sup> .....	-	-	27,576	-	3,687,215
Total fund equity .....	<u>\$ 38,327,353</u>	<u>\$ 38,190,469</u>	<u>\$ 38,840,220</u>	<u>\$ 38,632,885</u>	<u>\$ 37,572,914</u>
Total liabilities and fund equity .....	<u>\$ 130,054,830</u>	<u>\$ 132,332,946</u>	<u>\$ 143,872,040</u>	<u>\$ 155,030,117</u>	<u>\$ 178,905,546</u>

Source: Washington County Department of Budget and Finance

(1) Effective for fiscal years beginning July 1, 2010, 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 fund balances for the General Fund were reclassified. Also, the Highway Fund did not meet the criteria of a special revenue fund and was consolidated into the General Fund.

(2) 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 2016.

<b>Fiscal Year</b>	<b>Revenues</b>	<b>Fund Balance</b>	<b>Fund Balance as Percentage of Revenues</b>	<b>Reserves as Percentage of Revenues</b>
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
2012	201,308,373	38,632,885	19.19	18.59
2011	198,954,936	37,572,914	18.89	18.56

Source: Washington County Department of Budget and Finance

## V. Debt and Capital Requirements

### Debt Management Policy

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

### General Obligation and Revenue Bonds

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

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

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

The County may issue general obligation bonds in an amount up to \$60,000,000 pursuant to the authority of Chapter 60 of the Laws of Maryland of 2013. The principal amount of bonds issued pursuant to Chapter 60, at June 30, 2015, was \$10,162,278. The unused authorization available under Chapter 60 prior to the issuance of the Bonds is \$49,837,722.

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

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

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

The following table sets forth the amount of the County’s general obligation bonded debt issued and outstanding as of June 30, 2015, 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 2006, Public Improvement Bonds of 2007 and Public Improvement Bonds of 2008 for the payment of which non-callable direct obligations of the United States have been placed in escrow. Outstanding amounts have not been adjusted for discounts or premiums.

## Statement of General Obligation Bonded Debt

## Issued and Outstanding\*

As of June 30, 2015

	Date of Issue	Amount Issued	Amount Outstanding			
			General Fund	Solid Waste Fund	Airport Fund	Total
Public Improvement Bonds.....	Mar 2006	\$ 10,500,000	\$ 500,000	\$ -	\$ -	\$ 500,000
Public Improvement Bonds.....	May 2007	16,000,000	1,819,235	370,765	-	2,190,000
Public Improvement Bonds.....	June 2008	18,539,530 <sup>(1)</sup>	2,499,816	-	-	2,499,816
Public Improvement and Refunding Bonds..	June 2009	18,371,300 <sup>(2)</sup>	9,823,723	1,882,475	-	11,706,198
Public Improvement Series A Bonds.....	May 2010	6,992,993 <sup>(3)</sup>	3,167,831	1,253,948	-	4,421,779
Taxable Build America Series B Bonds.....	May 2010	9,711,007 <sup>(4)</sup>	6,957,113	2,753,894	-	9,711,007
Public Improvement and Refunding Bonds...	May 2010	13,790,000	7,741,334	2,268,666	-	10,010,000
Public Improvement Bonds.....	May 2011	14,170,000	9,698,041	2,851,959	-	12,550,000
Public Improvement Bonds.....	May 2012	12,068,100 <sup>(5)</sup>	11,184,985	-	-	11,184,985
Refunding Bonds.....	May 2012	7,740,000	5,307,330	30,680	996,990	6,335,000
Public Improvement Bonds.....	May 2013	12,000,000	11,555,000	-	-	11,555,000
Refunding Bonds.....	May 2013	12,540,000	12,362,420	177,580	-	12,540,000
Public Improvement Bonds.....	May 2014	14,000,000	14,000,000	-	-	14,000,000
Public Improvement Bonds.....	May 2015	12,000,000 <sup>(6)</sup>	12,000,000	-	-	12,000,000
Refunding Bonds.....	May 2015	25,573,470 <sup>(7)</sup>	23,819,710	1,753,760	-	25,573,470
MWQFA <sup>(8)</sup> Financing Cell 3.....	Nov 2004	2,498,427	-	1,355,886	-	1,355,886
MWQFA <sup>(8)</sup> Solid Waste Refinancing.....	Feb 2005	7,248,761	1,622,166	4,456,595	-	6,078,761
MWQFA <sup>(8)</sup> Resh Road Cap Phase I.....	Dec 2006	5,000,000	3,266,231	-	-	3,266,231
		<u>\$ 218,743,588</u>	<u>\$ 137,324,935</u>	<u>\$ 19,156,208</u>	<u>\$ 996,990</u>	<u>\$ 157,478,133</u>

Source: Washington County Department of Budget and Finance

\* Exclusive of Water and Sewer bonded debt.

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

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

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

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

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

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

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

(8) Maryland Water Quality Financing Administration.

## Water and Sewer Bonds

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

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



The following table sets forth the amount of the County's water and sewer debt issued and outstanding as of June 30, 2015. 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, 2015**

	<u>Date of Issue</u>	<u>Issued</u>	<u>Outstanding</u>
Series A Bonds .....	June 1996	\$ 9,606,968	\$ 3,207,488
Public Improvement Bonds .....	June 2008	1,410,470 <sup>(1)</sup>	190,184
Public Improvement & Refunding Bonds .....	June 2009	3,758,700 <sup>(2)</sup>	2,838,801
Public Improvement Series A Bonds .....	May 2010	867,007 <sup>(3)</sup>	548,221
Taxable Build America Series B Bonds .....	May 2010	1,203,993 <sup>(4)</sup>	1,203,993
Public Improvement Bonds .....	May 2012	5,696,900 <sup>(5)</sup>	5,280,015
Public Improvement Bonds .....	May 2015	3,460,000 <sup>(6)</sup>	3,460,000
Refunding Bonds .....	May 2015	821,530 <sup>(7)</sup>	821,530
MWQFA <sup>(8)</sup> Loan .....	Mar 2000	3,620,697	1,204,119
MWQFA <sup>(8)</sup> Loan .....	May 2004	8,091,063	3,486,063
MWQFA <sup>(8)</sup> Loan .....	Oct 2006	560,000	349,275
MWQFA <sup>(8)</sup> Loan .....	May 2015	2,553,000	2,553,000 <sup>(9)</sup>
		<u>\$ 41,650,328</u>	<u>\$ 25,142,689</u>

Source: Washington County Department of Budget and Finance

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

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

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

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

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

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

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

(8) Maryland Water Quality Financing Administration.

(9) As of June 30, 2015, \$1,163,659 of the \$2,553,000 original principal amount remained to be drawn.

**Water and Sewer Bonded Debt  
Schedule of Legal Debt Margin  
As of June 30, 2015**

Assessed Value of Property in Washington County	\$12,352,005,000
Debt Limit: % of Assessed Value <sup>(1)</sup>	10%
Water and Sewer Borrowing Limitation	1,235,200,000
Water and Sewer Debt	25,142,689
Debt Margin	1,210,057,311
Ratio of Water and Sewer Debt to Assessed Value	0.20%

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, 2015 was \$250,108. The lease agreements are primarily for heavy-duty equipment. The leases have been recorded as capital leases in the appropriate County funds in the financial statements.

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

## Special Obligation Bonds

Washington County may create special taxing districts, levy ad valorem and/or special taxes, and borrow money by issuing and selling bonds for the purpose of financing the cost of the design, construction, establishment, extension, alteration or acquisition of adequate storm drainage systems, sewers, water systems, roads, 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 the State law). The bonds shall be payable solely from the ad valorem or special taxes levied on the property within the special taxing district and neither the bonds, nor any interest thereon, shall ever constitute an indebtedness or a charge against the general credit or taxing powers of the County.

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

## Bonded Indebtedness of Incorporated Municipalities

Eight of the nine incorporated municipalities of Washington County have outstanding indebtedness in the aggregate amount of \$92,891,601 as of June 30, 2015. 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, 2015

Towns	Amount
Boonsboro.....	\$ 9,381,213
Clear Spring.....	750,767
Funkstown.....	1,097,706
Hagerstown.....	75,417,227
Hancock.....	1,705,355
Keedysville.....	1,850,165
Smithsburg.....	616,680
Williamsport.....	2,072,488
Total	<u>\$ 92,891,601</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, 2015, 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, 2015

(Excludes this Issue)

Direct Debt - Tax-Supported:	
General Government Debt (1).....	\$ 137,324,935
Direct Debt - Self-Supported:	
Solid Waste .....	19,156,208
Water and Sewer .....	25,142,689
Airport .....	996,990
Total Direct Debt.....	182,620,822
Underlying Debt.....	92,891,601
Overall Bonded Debt.....	<u>\$ 275,512,423</u>

Source: Washington County Department of Budget and Finance

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

### County Commissioners of Washington County

#### Debt Per Capita and Ratio of Debt to Assessed Values

As of June 30, 2015

(Excludes this Issue)

Per Capita (Estimated Population 149,573):

Direct Tax-Supported Debt (1).....	\$ 918
Overall Bonded Debt.....	\$ 1,842

Percentage of Assessed Value of \$12,352,005,000:

Direct Tax-Supported Debt (1).....	1.11%
Overall Bonded Debt.....	2.23%

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.

<b><u>Fiscal Year Ended June 30</u></b>	<b><u>Direct Tax-Supported Debt (000)</u></b>	<b><u>Estimated Population (000)</u></b>	<b><u>Assessed Value (000)</u></b>	<b><u>Per Capita</u></b>	<b><u>Direct Tax-Supported Debt as a Percentage of Assessed Value</u></b>
2015	\$137,325	150	\$12,352,005	\$918	1.11
2014	135,764	150	12,462,103	902	1.09
2013	131,784	150	12,822,029	879	1.03
2012	129,672	149	13,282,950	870	0.98
2011	127,250	148	14,198,081	860	0.90

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, 2015, 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, 2015  
Adjusted to Reflect Issuance of the Bonds\*

Year Ending June 30	Tax-Supported Debt Service**			Self-Supporting Debt Service**			Total Debt Service**		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 9,721,410	\$ 4,062,008	\$ 13,783,418	\$ 3,527,519	\$ 2,496,527	\$ 6,024,046	\$ 13,248,929	\$ 6,558,535	\$ 19,807,464
2017	10,170,734	4,078,462	14,249,196	3,608,192	2,463,082	6,071,274	13,778,926	6,541,543	20,320,469
2018	9,621,029	3,781,681	13,402,710	4,096,336	2,442,278	6,538,614	13,717,365	6,223,959	19,941,324
2019	8,502,618	3,457,735	11,960,353	4,607,246	2,398,409	7,005,655	13,109,864	5,856,144	18,966,008
2020	8,574,024	3,134,395	11,708,419	3,900,499	2,349,173	6,249,672	12,474,523	5,483,568	17,958,091
2021	8,600,290	2,815,718	11,416,008	2,582,062	592,791	3,174,853	11,182,352	3,408,509	14,590,861
2022	7,718,567	2,513,045	10,231,612	2,680,074	536,088	3,216,162	10,398,641	3,049,133	13,447,774
2023	7,614,963	2,239,508	9,854,471	2,818,024	481,872	3,299,896	10,432,987	2,721,379	13,154,366
2024	7,617,144	1,961,280	9,578,424	1,603,783	424,222	2,028,005	9,220,927	2,385,502	11,606,429
2025	7,475,421	1,712,853	9,188,274	1,528,595	376,621	1,905,216	9,004,016	2,089,473	11,093,489
2026	6,923,303	1,477,499	8,400,802	1,453,610	330,663	1,784,273	8,376,913	1,808,162	10,185,075
2027	6,400,385	1,251,332	7,651,717	1,505,693	284,984	1,790,677	7,906,078	1,536,316	9,442,394
2028	6,344,869	1,030,418	7,375,287	1,524,176	237,025	1,761,201	7,869,045	1,267,443	9,136,488
2029	4,237,869	843,938	5,081,807	1,277,212	191,950	1,469,162	5,515,081	1,035,888	6,550,969
2030	4,391,354	693,309	5,084,663	1,319,768	149,812	1,469,580	5,711,122	843,121	6,554,243
2031	4,558,026	535,716	5,093,742	1,364,145	106,012	1,470,157	5,922,171	641,728	6,563,899
2032	3,893,138	385,234	4,278,372	935,090	68,825	1,003,915	4,828,228	454,059	5,282,287
2033	3,250,181	257,969	3,508,150	734,114	43,098	777,212	3,984,295	301,067	4,285,362
2034	2,532,840	153,595	2,686,435	362,528	27,155	389,683	2,895,368	180,750	3,076,118
2035	1,817,768	70,508	1,888,276	373,683	16,784	390,467	2,191,451	87,292	2,278,743
2036	853,816	17,077	870,893	383,726	6,022	389,748	1,237,542	23,099	1,260,641
2037	-	-	-	-	-	-	-	-	-
	<u>\$ 130,819,749</u>	<u>\$ 36,473,280</u>	<u>\$ 167,293,029</u>	<u>\$ 42,186,075</u>	<u>\$ 16,023,392</u>	<u>\$ 58,209,467</u>	<u>\$ 173,005,824</u>	<u>\$ 52,496,671</u>	<u>\$ 225,502,495</u>

Source: Washington County Department of Budget and Finance

\*Totals may not foot due to rounding.

\*\* Reflects refunding of 2009 Bonds.

Washington County Schedule of Debt Service  
Requirements of Long-term Obligations  
As of June 30, 2015  
Adjusted to Reflect Issuance of the Bonds\*

Year Ending June 30	Outstanding Debt Service**			2016 Bonds			Total Debt Service**		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 13,248,929	\$ 6,558,535	\$ 19,807,464	\$ -	\$ -	\$ -	\$ 13,248,929	\$ 6,558,535	\$ 19,807,464
2017	13,778,926	6,541,543	20,320,469	-	649,316	649,316	13,778,926	7,190,859	20,969,785
2018	13,717,365	6,223,959	19,941,324	710,000	1,025,794	1,735,794	14,427,365	7,249,753	21,677,118
2019	13,109,864	5,856,144	18,966,008	740,000	989,544	1,729,544	13,849,864	6,845,688	20,695,552
2020	12,474,523	5,483,568	17,958,091	1,035,000	951,794	1,986,794	13,509,523	6,435,362	19,944,885
2021	11,182,352	3,408,509	14,590,861	1,655,000	901,819	2,556,819	12,837,352	4,310,328	17,147,680
2022	10,398,641	3,049,133	13,447,774	1,725,000	826,819	2,551,819	12,123,641	3,875,952	15,999,593
2023	10,432,987	2,721,379	13,154,366	1,800,000	748,594	2,548,594	12,232,987	3,469,973	15,702,960
2024	9,220,927	2,385,502	11,606,429	1,885,000	657,719	2,542,719	11,105,927	3,043,221	14,149,148
2025	9,004,016	2,089,473	11,093,489	1,975,000	567,294	2,542,294	10,979,016	2,656,767	13,635,783
2026	8,376,913	1,808,162	10,185,075	2,065,000	477,144	2,542,144	10,441,913	2,285,306	12,727,219
2027	7,906,078	1,536,316	9,442,394	2,130,000	425,694	2,555,694	10,036,078	1,962,010	11,998,088
2028	7,869,045	1,267,443	9,136,488	2,185,000	380,181	2,565,181	10,054,045	1,647,624	11,701,669
2029	5,515,081	1,035,888	6,550,969	2,245,000	330,818	2,575,818	7,760,081	1,366,706	9,126,787
2030	5,711,122	843,121	6,554,243	1,110,000	277,300	1,387,300	6,821,122	1,120,421	7,941,543
2031	5,922,171	641,728	6,563,899	1,145,000	246,293	1,391,293	7,067,171	888,021	7,955,192
2032	4,828,228	454,059	5,282,287	1,180,000	212,850	1,392,850	6,008,228	666,909	6,675,137
2033	3,984,295	301,067	4,285,362	1,220,000	176,850	1,396,850	5,204,295	477,917	5,682,212
2034	2,895,368	180,750	3,076,118	1,260,000	139,650	1,399,650	4,155,368	320,400	4,475,768
2035	2,191,451	87,292	2,278,743	1,300,000	101,250	1,401,250	3,491,451	188,542	3,679,993
2036	1,237,542	23,099	1,260,641	1,340,000	61,650	1,401,650	2,577,542	84,749	2,662,291
2037	-	-	-	1,385,000	20,775	1,405,775	1,385,000	20,775	1,405,775
	<u>\$ 173,005,824</u>	<u>\$ 52,496,671</u>	<u>\$ 225,502,495</u>	<u>\$ 30,090,000</u>	<u>\$ 10,169,148</u>	<u>\$ 40,259,148</u>	<u>\$ 203,095,824</u>	<u>\$ 62,665,819</u>	<u>\$ 265,761,643</u>

Source: Washington County Department of Budget and Finance

\*Totals may not foot due to rounding.

\*\* Reflects refunding of 2009 Bonds.

**Rapidity of Direct Tax-Supported Debt Principal Payment**  
**June 30, 2015**

Number of Years	Before Issuance of Bonds		After Issuance of Bonds	
	Principal Amount	Percent	Principal Amount	Percent
5	\$ 47,131,068	34.32	\$ 48,109,137	32.24
10	89,205,385	64.96	92,662,551	62.10
15	120,419,167	87.69	126,912,281	85.05
20	136,471,120	99.38	146,696,812	98.31
25	137,324,936	100.00	149,216,685	100.00

Source: Washington County Department of Budget and Finance

## Capital Requirements

### *Capital Improvement Program Summary*

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

## **VI. Miscellaneous**

### **Litigation**

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

### **Ratings**

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

### **Continuing Disclosure Undertaking**

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

Standard & Poor's Financial Services LLC 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 3, 2016, in accordance with the official Notice of Sale (a copy of which is attached as Appendix C). The interest rates shown on the inside cover page of this Official Statement are the interest rates resulting from the award of the Bonds of each series at the competitive bidding. The yields shown on the inside cover page of this Official Statement for each series of the Bonds were furnished by the successful bidder for such series of the Bonds. All other information concerning the nature and terms of any re-offering should be obtained from the successful bidder for each series of the Bonds and not from the County.

A syndicate led by Morgan Stanley & Co. LLC was the successful bidder for the Public Improvement Bonds. Morgan Stanley, parent company of Morgan Stanley & Co. LLC., an underwriter of the Public Improvement Bonds, has entered into a retail distribution arrangement with Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Public Improvement Bonds. Janney Montgomery Scott LLC was the successful bidder for the Refunding Bonds.



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## 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 each series of the Bonds is conditioned upon delivery by Bond Counsel of an opinion relating to such series substantially in the applicable form set forth in Appendix B to this Official Statement. The certified text of the applicable approving legal opinion for each series of the Bonds will be printed on or attached to the Bonds.

## Independent Auditors

The financial statements as of June 30, 2015, and for the year then ended, included in this Official Statement, have been audited by SB & Company, LLC, independent auditors, as stated in their report appearing herein.

## Financial Advisor

Public Advisory Consultants, 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.

## Verification of Mathematical Computations

The arithmetical accuracy of certain computations included in the schedules provided by the Financial Advisor, on behalf of the County, relating to (a) computation of forecasted payments of principal and interest to refund the Refunded Bonds and (b) computation of the yields on the Bonds and the Restricted Acquired Obligations was examined by The Arbitrage Group, Inc. Such computations were based solely upon assumptions and information supplied by the Financial Advisor on behalf of the County. The Arbitrage Group, Inc. has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

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

COUNTY COMMISSIONERS OF  
WASHINGTON COUNTY

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

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## **Appendix A**

### **General Purpose Financial Statements**

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**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

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

**For the Year Ended June 30, 2015**





**JUNE 30, 2015**

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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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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





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

### ***Opinions***

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information, of Washington County, Maryland, as of June 30, 2015, and the respective changes in 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 a Matter***

As discussed in Note 20 to the financial statements, during the year ended June 30, 2015, the County adopted new accounting guidance from Governmental Accounting Standards Board Statement No. 68, "Accounting and Financial Reporting for 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 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 schedule of funding progress for the Other Postemployment Benefit (OPEB) Trust, and the budget and actual schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying combining and individual fund statements, local management board schedule of revenue and expenditures regulatory basis and schedule of earned reinvestment 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 relates 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 and budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Hunt Valley, Maryland  
October 29, 2015

*SB & Company, LLC*

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.
- ❑ 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 16-18 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, Community Partnership, Foreign Trade Zone (no reported activity), 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.

The basic governmental fund financial statements can be found on pages 19-21 of this report.

- ❑ **Proprietary Funds.** When the County charges customers for a service it provides, whether to outside customers or to other units of government, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. Proprietary funds are comprised of two types: 1) *Enterprise funds* and 2) *Internal service funds*. The County uses enterprise funds to account for its airport, public golf course, public transit, solid waste, and water quality operations. Internal service funds are used to report an activity that 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 23-25 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 26-27 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 28-86 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 89-93 of this report.

### Financial Analysis on Government-Wide Financial Statements

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$539.9 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
	2015	2014	2015	2014	2015	2014	
<i>Current and other assets</i>	\$126,911,860	\$ 130,030,261	\$46,434,529	\$ 49,933,704	\$173,346,389	\$179,963,965	-4%
<i>Capital assets</i>	431,053,835	420,873,321	248,459,872	252,070,781	679,513,707	672,944,102	1%
<i>Total Assets</i>	557,965,695	550,903,582	294,894,401	302,004,485	852,860,092	852,908,067	0%
<i>Deferred Outflow of Resources</i>	5,596,709	2,178,222	738,144	636,584	6,334,853	2,814,806	125%
<i>Current and other liabilities</i>	29,696,546	29,588,429	14,617,381	16,619,095	44,313,927	46,207,524	-4%
<i>Long-term liabilities</i>	191,169,520	138,545,317	57,515,145	55,999,109	248,684,665	194,544,426	28%
<i>Total Liabilities</i>	220,866,066	168,133,746	72,132,526	72,618,204	292,998,592	240,751,950	22%
<i>Deferred Inflow of Resources</i>	-	-	26,246,880	27,064,705	26,246,880	27,064,705	-3%
<i>Net Investment in Capital Assets</i>	372,167,279	364,504,705	211,859,499	216,395,352	584,026,778	580,900,057	1%
<i>Restricted Net Position</i>	17,206,344	20,803,525	8,477,778	8,134,606	25,684,122	28,938,131	-11%
<i>Unrestricted Net Position</i>	(46,677,285)	(360,172)	(23,084,138)	(21,571,798)	(69,761,423)	(21,931,970)	-218%
<i>Total Net Position</i>	\$342,696,338	\$ 384,948,058	\$197,253,139	\$ 202,958,160	\$539,949,477	\$ 587,906,218	-8%

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 \$584 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, \$25.7 million, represents resources that are subject to external restrictions on how they may be used. The remaining portion is unrestricted net assets of (\$69.8) million.

Unrestricted net assets in governmental activities have been reduced by \$54.9 million in long-term debt, resulting in unrestricted net assets of (\$46.7) million. This long-term debt was incurred by the County's general fund for the purpose of capital asset acquisition for the Board of Education of \$52 million and Hagerstown Community College of \$2.9 million. The capital assets acquired with these bonds are not reflected in the County's primary government financial statements.

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2015	2014	2015	2014	2015	2014
<b>Program revenues:</b>						
Charges for Services	\$5,854,869	\$ 5,352,465	\$19,166,051	\$ 18,532,250	\$25,020,920	\$23,884,715
Operating Grants and Contributions	6,543,220	6,323,715	1,382,948	1,366,588	7,926,168	7,690,303
Capital Grants and Contributions	14,054,268	3,386,431	2,746,149	2,169,921	16,800,417	5,556,352
<b>General Revenues:</b>						
Property Taxes	118,534,624	120,607,747	-	-	118,534,624	120,607,747
Local Taxes	90,220,815	79,723,459	-	-	90,220,815	79,723,459
Other	3,416,030	3,192,299	725,043	736,073	4,141,073	3,928,372
<b>Total Revenues</b>	<b>238,623,826</b>	<b>218,586,116</b>	<b>24,020,191</b>	<b>22,804,832</b>	<b>262,644,017</b>	<b>241,390,948</b>
<b>Program Expenses:</b>						
General Government	32,163,683	15,536,633	-	-	32,163,683	15,536,633
Public Safety	46,584,797	42,806,759	-	-	46,584,797	42,806,759
Health	2,339,270	2,339,270	-	-	2,339,270	2,339,270
Social Services	571,517	934,217	-	-	571,517	934,217
Education	113,491,068	114,765,247	-	-	113,491,068	114,765,247
Parks and Recreation	6,791,711	5,881,642	-	-	6,791,711	5,881,642
Natural Resources	1,690,246	2,599,487	-	-	1,690,246	2,599,487
Community Promotion	5,959,702	4,597,185	-	-	5,959,702	4,597,185
Highways and Streets	16,037,762	17,004,824	-	-	16,037,762	17,004,824
Interest on long-term debt	4,167,500	4,200,780	-	-	4,167,500	4,200,780
<b>Business-type Activities:</b>						
Water Quality	-	-	12,707,818	12,429,642	12,707,818	12,429,642
Solid Waste	-	-	7,720,049	7,909,660	7,720,049	7,909,660
Public Transit	-	-	3,010,778	2,877,101	3,010,778	2,877,101
Airport	-	-	7,993,635	7,933,117	7,993,635	7,933,117
Golf Course	-	-	1,239,140	1,160,303	1,239,140	1,160,303
<b>Total Expenses</b>	<b>229,797,256</b>	<b>210,666,044</b>	<b>32,671,420</b>	<b>32,309,823</b>	<b>262,468,676</b>	<b>242,975,867</b>
<b>Change in Net Position before transfers</b>	<b>8,826,570</b>	<b>7,920,072</b>	<b>(8,651,229)</b>	<b>(9,504,991)</b>	<b>175,341</b>	<b>(1,584,919)</b>
<b>Transfers</b>	<b>(2,946,208)</b>	<b>(1,574,282)</b>	<b>2,946,208</b>	<b>1,574,282</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>5,880,362</b>	<b>6,345,790</b>	<b>(5,705,021)</b>	<b>(7,930,709)</b>	<b>175,341</b>	<b>(1,584,919)</b>
<b>Net Position – Beginning of year</b>	<b>384,948,058</b>	<b>379,170,054</b>	<b>202,958,160</b>	<b>211,036,931</b>	<b>587,906,218</b>	<b>590,206,985</b>
<b>Change in Accounting Principle</b>	<b>(48,132,082)</b>	<b>(567,786)</b>	<b>-</b>	<b>(148,062)</b>	<b>(48,132,082)</b>	<b>(715,848)</b>
<b>Net Position – beginning of year, as restated</b>	<b>336,815,976</b>	<b>378,602,268</b>	<b>202,958,160</b>	<b>210,888,869</b>	<b>539,774,136</b>	<b>589,491,137</b>
<b>Net Position – end of year</b>	<b>\$342,696,338</b>	<b>\$384,948,058</b>	<b>\$197,253,139</b>	<b>\$ 202,958,160</b>	<b>\$539,949,477</b>	<b>\$587,906,218</b>

The County's total net position increased by \$175,341 during fiscal year 2015; total net position as of June 30, 2015 was \$539.9 million representing a 8.1% decrease due to a change in accounting principal for pension accounting.

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

Net position in governmental activities increase by \$5.8 million. Key factors in this increase are as follows:

- Property tax revenue came within \$.5 million or .5% of 2015 projections. Personal property tax reflected an increase over projections by \$.6 million or 5.3% due to increased inventory and new business.
- Income Tax revenue exceeded budget by \$1.4 million or 1.9% as a result of continued decreases in the unemployment rate of 10.7% and a 10.2% increase over prior year actual. The average unemployment rate was 9.76% in 2010; 9.28% in 2011; 8.53% in 2012; 7.77% in 2013; and 5.68% in 2014. The current unemployment rate as of August 2014 is 7.7%.
- Recordation Tax revenue exceeded budget by \$.6 million or 10.5%. The County's housing inventory has decreased since 2011; average home prices are up from 2011; large transaction activity was up. Fiscal year 2015 large commercial recordings accounted for approximately 24% of the tax collected as compared to 15% in 2014.
- Other revenues such as permits, licenses, non-use of fund balance fell short of budget by \$1.7 million.
- An additional transfer of \$3.0 million was made to the Capital Projects, Golf Course, and Highway funds to offset operating shortfalls, negative fund balance and for future project costs. General fund operating subsidies were increased in FY 2016 to the golf course.
- Overall public safety expenditures reflect savings of \$1.7 million resulting mainly from personnel cost savings, lower market prices in fuel products than anticipated, and favorable insurance awards during the County's bid process.
- Unallocated cost exceeded projections by \$.7 million related to prior year pension contribution; workers comp and health insurance net savings; and retirement incentives.
- Remaining cost centers accounted for \$1.3 million in savings, mainly a result of personnel cost savings due to retirement incentives, lower market prices in fuel products than anticipated, and debt service savings.
- Various government-wide entries including 1) capital outlay purchases exceeded depreciation expense by \$.8 million; 2) recording of debt proceeds greater than debt principal payments decreasing net assets by \$1.9 million; 3) compensated absences and post-retirement benefits exceeded the amount earned by \$1.8 million; and 4) difference in revenues and expenditures recognized between governmental funds and the statement of activities increasing net assets by \$14.2 million. These activities are reported differently on the government-wide statements vs. the fund statements.
- Capital Improvement Projects decreased by \$8.6 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 \$.4 decrease in fund balance activity.

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

Business-type activities decreased the County's net position by \$5.7 million. Key elements of this decrease are as follows:



- ❑ Water Quality's net position decreased by \$.1 million, for a total of \$119 million in net assets. The \$.1 million net loss includes \$2.9 million in depreciation expense and anticipated the use of dedicated reserves in the Water Quality's long range financial plan for self-sufficiency.
- ❑ Solid Waste's total net position decreased by \$2.0 million for a total of \$6.5 million, mainly related to depreciation expense of \$3.2 million. The 40 West landfill site was re-designed which changed the total life from 62 years to 120 years generating an additional 4 million cubic yards of available air space. This change in accounting estimate had no effect on the total estimated closure and post closure cost which are in compliance with State financial assurance requirements as of June 30, 2014. In addition the County is involved in a public/private partnership to convert landfill operations to a Waste-to-Energy facility. Permitting has already begun for this new process which is expected to convert at least 95% of the waste to energy sources.
- ❑ Airport's total net position is \$65.5 million, representing a \$4.4 million decrease. The net decrease is mainly the result of increased depreciation related to the runway acquisition of which a majority was funded with federal and state grants of \$6.5 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.

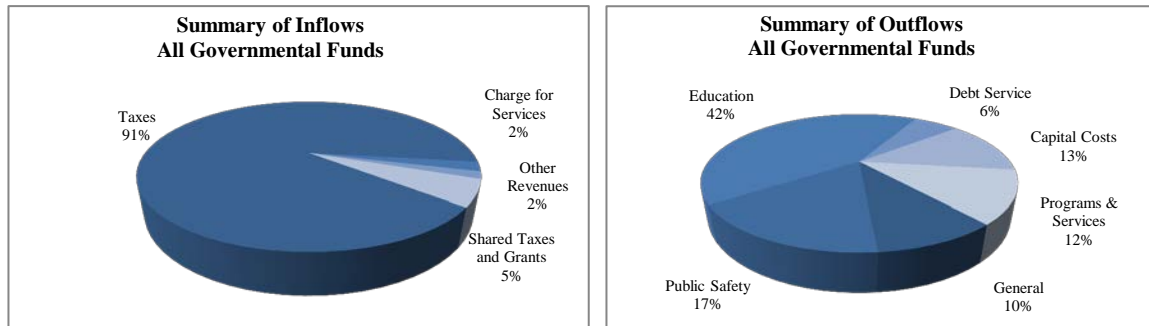
As of the end of the current fiscal year, the County's governmental funds reported combined fund balances of \$101.4 million, a decrease of \$8.9 million. Approximately \$37.5 million of this amount is designated for the general fund cash reserve and \$64.0 million is restricted or committed for construction projects and designated programs. In the combined governmental activities the County maintains eleven separate funds. Shown below are fund balances and net changes in fund balance for each.

Governmental Activities	Fund Balance			Net Change in Fund Balance		
	2015	2014	% Change	2015	2014	% Change
<i>General Fund</i>	\$ 38,327,353	\$ 38,190,469	.4%	\$ 136,884	\$ (649,751)	-121.1%
<i>Capital Improvement Fund</i>	62,522,002	71,142,687	-12.1%	(8,620,685)	(3,930,911)	119.3%
<i>Community Grants Mgt</i>	17,825	(1,992)	-994.8%	19,817	(3,418)	-679.8%
<i>Inmate Welfare Fund</i>	97,863	92,322	6.0%	5,541	7,536	-26.5%
<i>Contraband Fund</i>	57,710	59,776	-3.5%	(2,066)	(12,630)	-83.6%
<i>Agricultural Education Fund</i>	41,019	11,832	246.7%	29,187	5,637	417.8%
<i>Hotel Rental Tax Fund</i>	323,605	658,118	-50.8%	(334,513)	(391,079)	-14.5%
<i>Gaming Fund</i>	32,193	26,239	22.7%	5,954	18,870	-68.4%
<i>Land Preservation Fund</i>	(29,955)	126,432	-123.7%	(156,387)	30,814	-607.5%
<i>HEPMPO</i>	(31,774)	(44,464)	-28.5%	12,690	(17,027)	-174.5%
<b>Total</b>	<b>\$ 101,357,841</b>	<b>\$ 110,261,419</b>	<b>-8.1%</b>	<b>\$ (8,903,578)</b>	<b>\$ (4,941,959)</b>	<b>80.2%</b>



**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, 2015.



- ❑ The **General Fund** is the chief operating fund of the County. At the end of the current fiscal year total fund balance reached \$38.3 million. As a measure of the General Fund's liquidity, it may be useful to compare both committed fund balance and total fund balance to total fund expenditures. Committed fund balance represents \$37.5 million that is for cash reserve while \$.8 million is reserved for specific program funds.

The General Fund, fund balance increased by approximately \$.1 million during the current fiscal year. Key factors related to this change are:

**Major Revenue Factors:**

- Property tax revenue came within \$.5 million or .5% of 2015 projections. Personal property tax reflected an increase over projections by \$.6 million or 5.3% due to increased inventory and new business.
- Income Tax revenue exceeded budget by \$1.4 million or 1.9% as a result of continued decreases in the unemployment rate of 10.7% and a 10.2% increase over prior year actual. The average unemployment rate was 9.76% in 2010; 9.28% in 2011; 8.53% in 2012; 7.77% in 2013; and 5.68% in 2014. The current unemployment rate as of August 2014 is 7.7%.
- Recordation Tax revenue exceeded budget by \$.6 million or 10.5%. The County's housing inventory has decreased since 2011; average home prices are up from 2011; large transaction activity was up. Fiscal year 2015 large commercial recordings accounted for approximately 24% of the tax collected as compared to 15% in 2014.
- Other revenues such as permits, licenses, non-use of fund balance fell short of budget by \$1.7 million.

**Major Expenditure Factors:**

- An additional transfer of \$3.0 million was made to the Capital Projects, Golf Course, and Highway funds to offset operating shortfalls, negative fund balance and for future project costs. General fund operating subsidies were increased in FY 2016 to the golf course.
- Overall public safety expenditures reflect savings of \$1.7 million resulting mainly from personnel cost savings, lower market prices in fuel products than anticipated, and favorable insurance awards during the County's bid process.
- Unallocated cost exceeded projections by \$.7 million related to prior year pension contribution; workers comp and health insurance net savings; and retirement incentives.

- Remaining cost centers accounted for \$1.3 million in savings, mainly a result of personnel cost savings due to retirement incentives, lower market prices in fuel products than anticipated, 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 \$62.5 million all of which is designated for capital related projects. Major funding sources for projects are pay-go-funding, debt proceeds, fees and taxes, and grants. Fund balance decreased by \$8.6 million for the current fiscal year. The change in fund balance is the result of timing differences in projects with funding proceeds and project expenditures and use of prior project savings.
- The County's **Community Grant Management, Inmate Welfare, Contraband, Agricultural Education, Foreign Trade Zone, Hotel Rental Tax, Gaming, HEPMPO, and Land Preservation Funds** combined have a fund balance of \$.5 million. The net decrease in fund balance during the current year was \$.4 million. These funds represent monies designated for specific programs and services.

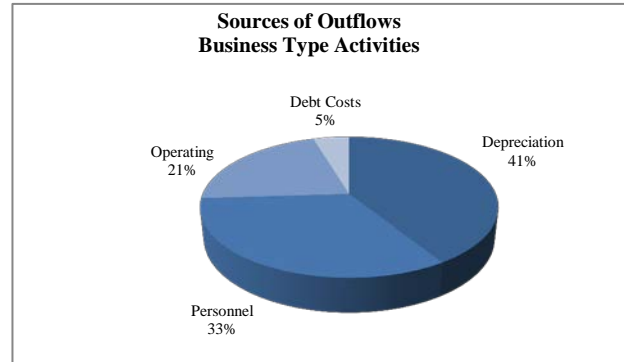
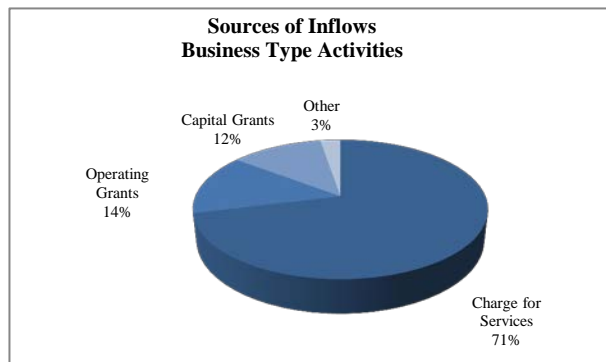
**Proprietary Funds:**

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

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

Business-type Activities	Total Net Position			Change in Net Position		
	2015	2014	% Change	2015	2014	% Change
<b>Water Quality</b>	\$ 118,932,196	\$ 119,067,040	-.1%	\$ (134,844)	\$ (1,117,503)	-87.9%
<b>Solid Waste</b>	6,471,820	8,471,982	-23.6%	(2,000,162)	(2,545,019)	-21.4%
<b>Airport</b>	65,479,865	69,926,649	-6.4%	(4,446,784)	(3,843,202)	15.7%
<b>Public Transit</b>	4,056,389	4,244,939	-4.4%	(188,550)	(458,708)	-58.9%
<b>Black Rock</b>	2,312,869	1,247,550	85.4%	1,065,319	(114,339)	-1031.7%
<b>Total</b>	\$ 197,253,139	\$ 202,958,160	-2.8%	\$ (5,705,021)	\$ (8,078,771)	-29.38%

The following reflects the inflows and outflows of the business-type activity funds for the fiscal year ending June 30, 2015.



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".

General Fund Budgetary Analysis – Government Fund Financial Statement Basis

**Washington County, Maryland**  
**General Fund Budgetary Analysis**  
**As of June 30, 2015**  
(Government Fund Basis)

Category	Budgetary Amounts			Difference	
	Original	Final	Actual	Org. Budget vs. Final Budget	Final Budget vs. Actual
<b>Revenues:</b>					
Property Tax	\$ 117,918,200	\$ 117,918,200	\$ 118,513,533	\$ -	\$ 595,333
Local Tax	78,510,000	78,510,000	80,477,072	-	1,967,072
Other Revenue	9,635,970	11,324,519	9,637,646	1,688,549	(1,686,873)
<b>Total Revenues</b>	<b>206,064,170</b>	<b>207,752,719</b>	<b>208,628,251</b>	<b>1,688,549</b>	<b>875,532</b>
<b>Expenses:</b>					
General Government	24,553,260	24,795,673	23,779,920	242,413	1,015,753
Public Safety	39,718,390	40,818,148	39,155,311	1,099,758	1,662,837
Health and Social Services	2,671,260	2,909,848	2,910,787	238,588	(939)
Education	103,810,560	103,810,560	103,810,462	-	98
Parks, Recreation, Natural Resources	6,277,010	6,284,050	6,218,278	7,040	65,772
Highways and Streets	9,313,250	9,370,860	10,103,368	57,610	(732,508)
General Operations	510,010	510,010	558,112	-	(48,102)
Unallocated Costs	694,270	694,270	1,445,214	-	(750,944)
Intergovernmental	3,605,880	3,649,020	5,862,623	43,140	(2,213,603)
Debt Service	14,910,280	14,910,280	14,652,478	-	257,802
<b>Total Expenses</b>	<b>206,064,170</b>	<b>207,752,719</b>	<b>208,496,553</b>	<b>1,688,549</b>	<b>(743,834)</b>
<b>Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>5,186</b>	<b>-</b>	<b>5,186</b>
<b>Net Increase in Assets - 06/30/15</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 136,884</b>	<b>\$ -</b>	<b>\$ 136,884</b>

**Original Budget vs. Final Budget:**

The net budgetary change of \$1.7 million resulted mainly from grant transactions. Increases in grants reflected as revenue were received or expended during the fiscal year from additional state or federal grants of \$1.7 million.

**Final Budget vs. Actual Results:**

Revenue was over by \$.8 million and expenditures were over budget by \$.7 million yielding a \$.1 million net increase. Property Tax experienced an increase of \$.6 million over budget or .5%. Income Tax revenue exceeded budget by 1.9% or \$1.4 million. Recordation Tax exceeded final budget by \$.6 million or 10.5%. Other revenues fell short by \$1.8 million, including the non-use of \$.4 in an excess fund balance budget. Offsetting the revenue change were net savings of \$2.3 million from retirement incentives and fuel price variances and additional transfers to the Golf Course, Highway, and Capital Improvement funds of \$3.0 million were made to cover overruns due to snow storms, additional operating subsidy and for future project funding.

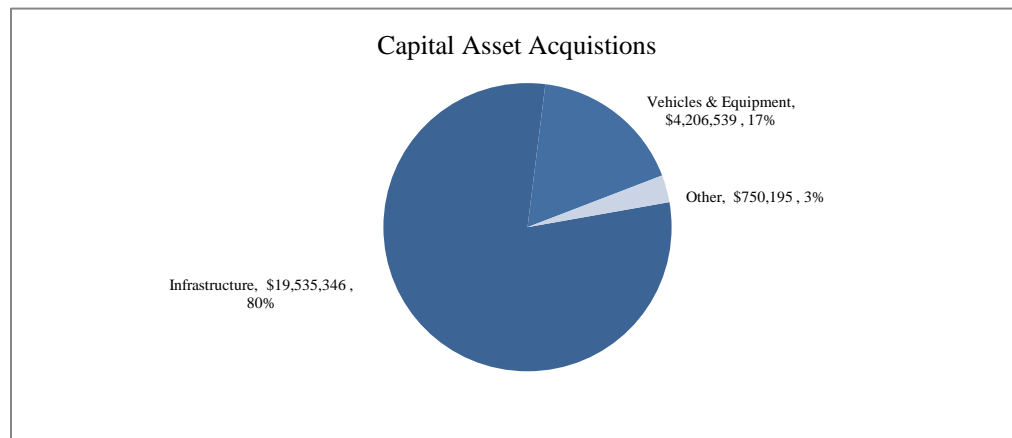
Capital Asset Administration – Government Wide Statements

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$645 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
	2015	2014	2015	2014	2015	2014	
<i>Land and Land Improvement</i>	\$90,761,013	\$86,407,735	\$70,823,766	\$77,942,901	\$161,584,779	\$164,350,636	-2%
<i>Building and Improvements</i>	61,595,344	62,409,852	45,815,344	47,357,918	107,410,688	109,767,770	-2%
<i>Facilities, Lines, and Mains</i>	-	-	86,042,590	84,559,965	86,042,590	84,559,965	-2%
<i>Vehicles</i>	3,186,856	3,311,597	2,110,825	2,165,288	5,297,681	5,476,885	-3%
<i>Infrastructure</i>	232,846,628	236,566,488	-	-	232,846,628	236,566,488	-2%
<i>Machinery and Equipment</i>	2,848,053	2,564,018	3,137,909	3,604,560	5,985,962	6,168,578	-3%
<i>Office/Computer Equipment</i>	13,166,918	14,974,838	393,266	661,880	13,560,184	15,636,718	-13%
<i>Treatment Plant</i>	-	-	32,139,702	29,901,781	32,139,702	29,901,781	7%
<b>Total</b>	<b>\$404,404,812</b>	<b>\$406,234,528</b>	<b>\$240,463,402</b>	<b>\$246,194,293</b>	<b>\$644,868,214</b>	<b>\$652,428,821</b>	<b>-1%</b>

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 46-49 of this report.

Debt Administration

At the end of the current fiscal year, the County had total outstanding debt, excluding capital leases, of \$189 million. This amount was comprised of debt backed by the full faith and credit of the County and user fees. The debt decreased by approximately \$11 million from net principal payments and increased by \$16 million in new borrowings. Funds borrowed were used for infrastructure projects of \$10 million and educational projects of \$6 million.

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

Instrument Type	Governmental Activity		Business-type Activity		Total Outstanding Debt		% Change
	2015	2014	2015	2014	2015	2014	
<i>General Obligation Bonds</i>	\$139,136,640	\$134,884,153	\$32,786,306	\$31,408,121	\$171,922,946	\$166,292,274	3%
<i>Maryland Water Quality Bonds</i>	4,888,398	5,176,743	12,241,277	12,802,416	17,129,675	17,979,159	2%
<i>Total</i>	\$144,025,038	\$140,060,896	\$45,027,583	\$44,210,537	\$189,052,621	\$184,271,433	3%

The County's credit ratings for fiscal year 2015 are as follows: 1) Standard and Poor's rated AA+ with stable outlook, 2) Fitch rated AA+ with a stable outlook, and 3) Moody's Investors Service rated Aa1 with a stable outlook.

Under the Code of Public Local Law, the amount of general obligation debt the County may issue associated with water quality debt is limited to 10 percent of its total assessed valuation of all real estate in the County that is subject to taxation. The current estimated debt limitation for water quality is \$1.2 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 53-57 of this report.

**Economic Factors and Fiscal Year 2015**

- ❑ Washington County's unemployment rate for June 2015 was 6.1% compared to 6.7% in June of 2014. Unemployment trends are showing a slow steady improvement. It is anticipated that the unemployment rate will take several years to recover due to permanent loss of certain industry jobs, re-entry/retraining of the current workforce, and new workforce entry.
- ❑ Water and sewer rates were increased for the 2016 budget year. The water and sewer revenue requirements were increased 3.0% and 3.5%, respectively. This revenue increase is based on financial information formulated annually from the County's cost of service model.
- ❑ With the decreasing trend in the Solid Waste stream, Washington County has entered into a public/private partnership that will promote the use and development of domestic energy. Phase I will include a refuse-derived facility while Phase II is to generate low-cost clean-burning diesel, gasoline, jet fuel, home heating fuel and nitrogen fertilizers. This innovative approach to municipal solid waste will allow Washington County to be ahead of the curve to comply with upcoming federal and state regulations and serve as an international benchmark in environmentally responsible waste management.

**Requests for Information**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of Budget and Finance, 100 West Washington Street, Room 304, Hagerstown, Maryland 21740. Questions concerning the Washington County Board of Education should be directed to their offices at 10435 Downsville Pike Hagerstown, Maryland 21740.

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# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Statement of Net Position As of June 30, 2015

	Primary Government			Component Unit	
	Governmental activities	Business-type activities	Total	Board of Education	Total
<b>ASSETS</b>					
Cash and short-term investments	\$ 2,712,805	\$ 29,132,974	\$ 31,845,779	\$ 26,087,356	\$ 57,933,135
Investments	110,770,494	-	110,770,494	21,928,360	132,698,854
Property taxes receivable, net of allowance	535,177	-	535,177	-	535,177
Accounts receivable, net of allowance	1,329,433	1,430,769	2,760,202	342,112	3,102,314
Interest receivable	195,991	-	195,991	-	195,991
Unbilled receivables	169,759	1,723,413	1,893,172	-	1,893,172
Due from other governmental agencies	19,564,314	1,952,341	21,516,655	7,259,099	28,775,754
Due from primary government	-	-	-	651	651
Internal balances	(11,930,985)	11,930,985	-	-	-
Inventories	763,940	264,047	1,027,987	477,566	1,505,553
Other assets	431,291	-	431,291	974,411	1,405,702
Net other post employment benefits assets	1,767,775	-	1,767,775	411,890	2,179,665
Recoverable disbursements	251,866	-	251,866	-	251,866
Notes receivable	350,000	-	350,000	-	350,000
Projects under construction	26,649,023	7,996,470	34,645,493	8,277,129	42,922,622
Property, plant, and equipment, net	404,404,812	240,463,402	644,868,214	224,353,641	869,221,855
<b>TOTAL ASSETS</b>	<b>557,965,695</b>	<b>294,894,401</b>	<b>852,860,096</b>	<b>290,112,215</b>	<b>1,142,972,311</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Loss on refunding	3,653,107	738,144	4,391,251	-	4,391,251
Net pension activity	1,943,602	-	1,943,602	2,073,037	4,016,639
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>5,596,709</b>	<b>738,144</b>	<b>6,334,853</b>	<b>2,073,037</b>	<b>8,407,890</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Current maturities of long-term obligations	9,721,410	3,527,519	13,248,929	-	13,248,929
Current maturities of capital lease obligations	167,077	11,738	178,815	557,057	735,872
Current maturities of installment purchase contracts	351,794	-	351,794	-	351,794
Accounts payable	9,871,971	1,435,657	11,307,628	5,628,796	16,936,424
Accrued expenses	1,099,867	472,838	1,572,705	19,721,016	21,293,721
Accrued interest	1,864,356	7,013,740	8,878,096	-	8,878,096
Unearned revenue	621,710	1,450,060	2,071,770	1,325,448	3,397,218
Compensated absences	1,986,029	395,333	2,381,362	445,525	2,826,887
Landfill closure and post-closure costs	-	235,200	235,200	-	235,200
Other liabilities	2,178,861	75,296	2,254,157	-	2,254,157
Liabilities for unpaid claims	1,833,471	-	1,833,471	-	1,833,471
Total current liabilities	29,696,546	14,617,381	44,313,927	27,677,842	71,991,769
Non Current Liabilities:					
Unearned revenue	-	639,857	639,857	-	639,857
Compensated absences	1,483,903	169,663	1,653,566	6,935,904	8,589,470
Long-term obligations	134,303,628	41,500,064	175,803,692	-	175,803,692
Capital lease obligations	32,463	38,830	71,293	6,446,458	6,517,751
Installment purchase contracts	146,006	-	146,006	-	146,006
Landfill closure and post-closure costs	-	15,166,731	15,166,731	-	15,166,731
Net pension liability	55,203,520	-	55,203,520	14,395,785	69,599,305
Total noncurrent liabilities	191,169,520	57,515,145	248,684,665	27,778,147	276,462,812
<b>TOTAL LIABILITIES</b>	<b>220,866,066</b>	<b>72,132,526</b>	<b>292,998,592</b>	<b>55,455,989</b>	<b>348,454,581</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Service concession arrangements	-	26,246,880	26,246,880	-	26,246,880
Net pension activity	-	-	-	1,575,713	1,575,713
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>26,246,880</b>	<b>26,246,880</b>	<b>1,575,713</b>	<b>27,822,593</b>
<b>NET POSITION</b>					
Net investment in capital assets	372,167,279	211,859,499	584,026,778	225,627,255	809,654,033
Restricted for:					
John Howard Trust	240,755	-	240,755	-	240,755
Capital projects	16,965,589	8,477,778	25,443,367	-	25,443,367
Unrestricted	(46,677,285)	(23,084,138)	(69,761,423)	9,526,295	(60,235,128)
<b>TOTAL NET POSITION</b>	<b>\$ 342,696,338</b>	<b>\$ 197,253,139</b>	<b>\$ 539,949,477</b>	<b>\$ 235,153,550</b>	<b>\$ 775,103,027</b>

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Statement of Activities For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 32,163,683	\$ 4,305,737	\$ 418,550	\$ 250,770
Public safety	46,584,797	1,432,386	1,933,494	246,180
Health	2,339,270	-	-	-
Social services	571,517	-	-	-
Education	113,491,068	-	-	97,620
Parks, recreation and culture	6,791,711	116,746	18,853	318,134
Natural resources	1,690,246	-	371,363	-
Community promotion	5,959,702	-	2,941,905	-
Highways and streets	16,037,762	-	859,055	13,141,564
Interest on long-term debt	4,167,500	-	-	-
Total governmental activities	<u>229,797,256</u>	<u>5,854,869</u>	<u>6,543,220</u>	<u>14,054,268</u>
Business-type activities				
Water quality	12,707,818	10,386,767	-	1,574,287
Solid waste	7,720,049	5,104,343	-	-
Airport	7,993,635	2,398,450	44,994	576,562
Public transit	3,010,778	445,378	1,337,954	580,300
Black rock golf course	1,239,140	831,113	-	15,000
Total business-type activities	<u>32,671,420</u>	<u>19,166,051</u>	<u>1,382,948</u>	<u>2,746,149</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 262,468,676</u>	<u>\$ 25,020,920</u>	<u>\$ 7,926,168</u>	<u>\$ 16,800,417</u>
Component unit:				
Board of Education	<u>\$ 329,638,213</u>	<u>\$ 13,091,617</u>	<u>\$ 59,830,922</u>	<u>\$ 41,700</u>

Property taxes  
 Local taxes  
 Income on investments  
 Reimbursed expenses  
 Miscellaneous  
 Unrestricted grants and contributions  
 Gain (loss) on disposal of capital assets  
 Transfers  
**TOTAL GENERAL REVENUE**

CHANGE IN NET POSITION

NET POSITION - BEGINNING OF YEAR

PRIOR PERIOD ADJUSTMENT FOR CHANGE IN  
 ACCOUNTING PRINCIPLE

NET POSITION - END OF YEAR

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



# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Statement of Activities For the Year Ended June 30, 2015

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-Type Activities	Total	Board of Education	Total
\$ (27,188,626)	\$ -	\$ (27,188,626)	\$ -	\$ (27,188,626)
(42,972,737)	-	(42,972,737)	-	(42,972,737)
(2,339,270)	-	(2,339,270)	-	(2,339,270)
(571,517)	-	(571,517)	-	(571,517)
(113,393,448)	-	(113,393,448)	-	(113,393,448)
(6,337,978)	-	(6,337,978)	-	(6,337,978)
(1,318,883)	-	(1,318,883)	-	(1,318,883)
(3,017,797)	-	(3,017,797)	-	(3,017,797)
(2,037,143)	-	(2,037,143)	-	(2,037,143)
(4,167,500)	-	(4,167,500)	-	(4,167,500)
(203,344,899)	-	(203,344,899)	-	(203,344,899)
-	(746,764)	(746,764)	-	(746,764)
-	(2,615,706)	(2,615,706)	-	(2,615,706)
-	(4,973,629)	(4,973,629)	-	(4,973,629)
-	(647,146)	(647,146)	-	(647,146)
-	(393,027)	(393,027)	-	(393,027)
-	(9,376,272)	(9,376,272)	-	(9,376,272)
(203,344,899)	(9,376,272)	(212,721,171)	-	(212,721,171)
-	-	-	(256,673,974)	(256,673,974)
118,534,624	-	118,534,624	-	118,534,624
90,220,815	-	90,220,815	-	90,220,815
919,984	173,572	1,093,556	181,211	1,274,767
1,776,895	-	1,776,895	258,098,966	259,875,861
653,741	537,313	1,191,054	455,441	1,646,495
-	-	-	-	-
65,410	14,158	79,568	-	79,568
(2,946,208)	2,946,208	-	-	-
209,225,261	3,671,251	212,896,512	258,735,618	471,632,130
5,880,362	(5,705,021)	175,341	2,061,644	2,236,985
384,948,058	202,958,160	587,906,218	247,072,987	834,979,205
(48,132,082)	-	(48,132,082)	(13,981,081)	(62,113,163)
\$ 342,696,338	\$ 197,253,139	\$ 539,949,477	\$ 235,153,550	\$ 775,103,027

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Balance Sheet – Governmental Funds As of June 30, 2015

	General Fund	Capital Projects Fund	Non-major Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 32,999	\$ -	\$ 2,679,806	\$ 2,712,805
Investments	110,533,955	236,539	-	110,770,494
Property taxes receivable, net of allowance	535,177	-	-	535,177
Accounts receivable, net of allowance	416,161	597,153	316,119	1,329,433
Interest receivable	195,742	249	-	195,991
Unbilled receivables	169,759	-	-	169,759
Due from other funds	-	65,312,740	-	65,312,740
Due from other governmental agencies	16,373,944	2,625,323	565,047	19,564,314
Recoverable disbursements	251,862	-	-	251,862
Notes receivable	431,291	-	-	431,291
Other assets	350,000	-	-	350,000
Inventories	763,940	-	-	763,940
<b>TOTAL ASSETS</b>	<u>\$ 130,054,830</u>	<u>\$ 68,772,004</u>	<u>\$ 3,560,972</u>	<u>\$ 202,387,806</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 1,413,769	\$ 6,249,990	\$ 2,208,212	\$ 9,871,971
Due to other funds	77,037,235	-	206,490	77,243,725
Accrued expenses	1,086,819	12	13,036	1,099,867
Other liabilities	1,868,922	-	309,939	2,178,861
Liabilities for unpaid claims	1,833,471	-	-	1,833,471
Unearned revenue	306,901	-	314,809	621,710
<b>TOTAL LIABILITIES</b>	<u>83,547,117</u>	<u>6,250,002</u>	<u>3,052,486</u>	<u>92,849,605</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable revenues	<u>8,180,360</u>	<u>-</u>	<u>-</u>	<u>8,180,360</u>
<b>FUND BALANCES:</b>				
Nonspendable	1,063,939	-	-	1,063,939
Restricted	418,968	17,206,344	619,912	18,245,224
Committed	37,462,860	45,315,658	-	82,778,518
Assigned	13,811	-	73,212	87,023
Unassigned	(632,225)	-	(184,638)	(816,863)
<b>TOTAL FUND BALANCES</b>	<u>38,327,353</u>	<u>62,522,002</u>	<u>508,486</u>	<u>101,357,841</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 130,054,830</u>	<u>\$ 68,772,004</u>	<u>\$ 3,560,972</u>	<u>\$ 202,387,806</u>

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

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position As of June 30, 2015

Fund balance of governmental funds	\$ 101,357,841
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Amounts reported for governmental activities in the statement of net position are different because:

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

Capital assets, net	404,404,812
Projects under construction	26,649,023

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

Net other post employment benefits	1,767,775
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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 revenue	8,180,360
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Deferred outflow of resources, including loss on refunding and net deferred pension activity are not financial resources and therefore are not reported in the

5,596,709
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Long-term obligations	(144,025,038)
Installment purchase obligations	(497,800)
Capital lease obligations	(199,540)
Accrued interest payable-net of IRS subsidy	(1,864,352)
Compensated absences and net pension liability	(58,673,452)

Net position of governmental activities	<u>\$ 342,696,338</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, 2015

	General Fund	Capital Projects Fund	Non-major Funds	Total Governmental Funds
<b>REVENUE</b>				
General property taxes	\$ 118,513,533	\$ -	\$ -	\$ 118,513,533
Other local taxes	80,477,072	3,360,783	2,090,790	85,928,645
Licenses and permits	1,362,651	-	2,129,873	3,492,524
Court costs and fines	383,897	-	-	383,897
Charges for services	434,237	-	314,874	749,111
Revenue from uses of property	881,502	-	38,482	919,984
Reimbursed expenses	1,212,768	-	3,010	1,215,778
Miscellaneous revenues	452,632	671,461	201,109	1,325,202
Shared taxes and grants	3,355,253	4,007,447	3,494,147	10,856,847
Highway	1,554,706	-	-	1,554,706
<b>Total Revenue</b>	<b>208,628,251</b>	<b>8,039,691</b>	<b>8,272,285</b>	<b>224,940,227</b>
<b>EXPENDITURES</b>				
Current:				
General government	23,779,920	-	-	23,779,920
Public safety	39,155,311	-	1,396,074	40,551,385
Health	2,339,270	-	-	2,339,270
Social services	571,517	-	-	571,517
Education	103,810,462	-	-	103,810,462
Parks, recreation and culture	5,622,928	-	201,435	5,824,363
Natural resources	595,350	-	1,094,340	1,689,690
Intergovernmental	38,543	-	-	38,543
General operations	2,003,326	-	680,682	2,684,008
Community promotion	-	-	5,958,403	5,958,403
Highways and streets	9,953,368	-	-	9,953,368
Debt service	14,652,478	-	-	14,652,478
Capital outlay:				
General government	-	5,424,885	-	5,424,885
Public safety	-	1,740,699	-	1,740,699
Highways and streets	-	14,644,376	-	14,644,376
Education	-	9,680,606	-	9,680,606
Parks and recreation	-	322,718	-	322,718
<b>Total Expenditures</b>	<b>202,522,473</b>	<b>31,813,284</b>	<b>9,330,934</b>	<b>243,666,691</b>
<b>Excess (Deficiency) Of Revenue Over Expenditures</b>	<b>6,105,778</b>	<b>(23,773,593)</b>	<b>(1,058,649)</b>	<b>(18,726,464)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	3,044,000	1,025,872	4,069,872
Transfers out	(5,974,080)	(655,000)	(387,000)	(7,016,080)
Principal amount of new debt for advance refunding	26,026,715	-	-	26,026,715
Deposit to escrow fund for advance refunding and and repayment of loans	(26,021,529)	-	-	(26,021,529)
Proceeds of bond sale	-	12,763,908	-	12,763,908
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(5,968,894)</b>	<b>15,152,908</b>	<b>638,872</b>	<b>9,822,886</b>
<b>NET CHANGES IN FUND BALANCE</b>	<b>136,884</b>	<b>(8,620,685)</b>	<b>(419,777)</b>	<b>(8,903,578)</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>38,190,469</b>	<b>71,142,687</b>	<b>928,263</b>	<b>110,261,419</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 38,327,353</b>	<b>\$ 62,522,002</b>	<b>\$ 508,486</b>	<b>\$ 101,357,841</b>

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

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2015

Net changes in fund balances in governmental funds	\$	(8,903,578)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay capitalized	\$	19,385,743	
Depreciation		<u>(18,575,567)</u>	810,176

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

(5,022)

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

Debt and lease proceeds	\$	(12,769,094)	
Payments of installment purchase principal		517,737	
Payments of lease principal		160,781	
Payments of debt principal		<u>10,147,504</u>	(1,943,072)

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 exceeded the amount earned.

1,755,861

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

14,165,997

Change in net position of governmental activities	\$	<u><u>5,880,362</u></u>
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The accompanying notes are an integral part of this financial statement.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Statement of Net Position - Proprietary Funds For the Year Ended June 30, 2015

	Business Type Activities - Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-major Funds	Total
<b>ASSETS</b>					
Current Assets:					
Cash and short-term investments	\$ 15,784,465	\$ 11,993,197	\$ 690,731	\$ 664,581	\$ 29,132,974
Accounts receivable, net	1,155,577	239,902	20,260	15,030	1,430,769
Unbilled receivables	1,394,899	296,444	31,509	561	1,723,413
Due from other funds	6,800,662	5,130,323	-	-	11,930,985
Due from other governmental agencies	1,160,204	-	456,178	335,959	1,952,341
Inventories	96,498	13,851	32,247	121,451	264,047
Total current assets	26,392,305	17,673,717	1,230,925	1,137,582	46,434,529
Noncurrent Assets:					
Projects under construction	4,593,658	2,836,580	536,893	29,339	7,996,470
Property, plant and equipment	182,029,292	63,830,752	150,095,840	12,113,288	408,069,172
Accumulated depreciation	(61,149,910)	(41,939,930)	(57,917,227)	(6,598,703)	(167,605,770)
Total noncurrent assets	125,473,040	24,727,402	92,715,506	5,543,924	248,459,872
<b>TOTAL ASSETS</b>	151,865,345	42,401,119	93,946,431	6,681,506	294,894,401
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Loss on refundings	358,125	350,209	29,810	-	738,144
<b>LIABILITIES</b>					
Current Liabilities:					
Current maturities of long-term obligations	1,892,775	1,383,414	251,330	-	3,527,519
Current maturities of capital lease obligations	11,738	-	-	-	11,738
Accounts payable	684,493	424,041	247,318	79,805	1,435,657
Accrued expenses	354,376	37,392	16,832	64,238	472,838
Accrued interest	6,743,184	252,331	18,225	-	7,013,740
Unearned revenue	86,613	532,895	800,002	30,550	1,450,060
Compensated absences	225,956	65,348	27,442	76,587	395,333
Landfill closure and post-closure costs	-	235,200	-	-	235,200
Other liabilities	7,300	-	43,760	24,236	75,296
Total current liabilities	10,006,435	2,930,621	1,404,909	275,416	14,617,381
Non Current Liabilities:					
Unearned revenue	639,857	-	-	-	639,857
Compensated absences	89,604	31,432	11,795	36,832	169,663
Bonds and long-term debt	22,516,548	18,150,724	832,792	-	41,500,064
Capital lease obligations	38,830	-	-	-	38,830
Landfill closure and post-closure costs	-	15,166,731	-	-	15,166,731
Total noncurrent liabilities	23,284,839	33,348,887	844,587	36,832	57,515,145
<b>TOTAL LIABILITIES</b>	33,291,274	36,279,508	2,249,496	312,248	72,132,526
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Service concession arrangements	-	-	26,246,880	-	26,246,880
<b>Net Position</b>					
Net investment in capital assets	109,490,927	5,193,264	91,631,384	5,543,924	211,859,499
Restricted - capital projects	8,477,778	-	-	-	8,477,778
Unrestricted	963,491	1,278,556	(26,151,519)	825,334	(23,084,138)
<b>TOTAL NET POSITION</b>	\$118,932,196	\$ 6,471,820	\$ 65,479,865	\$ 6,369,258	\$197,253,139

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, 2015

	Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-major Funds	Totals
<b>OPERATING REVENUE</b>					
Charges for services	\$ 10,386,767	\$ 5,104,343	\$ 2,398,450	\$ 1,276,491	\$ 19,166,051
Miscellaneous	366,824	122,107	25,269	23,113	537,313
<b>TOTAL OPERATING REVENUE</b>	<u>10,753,591</u>	<u>5,226,450</u>	<u>2,423,719</u>	<u>1,299,604</u>	<u>19,703,364</u>
<b>OPERATING EXPENSES</b>					
Salaries and wages	3,609,595	1,177,368	528,282	1,656,982	6,972,227
Fringe benefits	2,223,796	565,072	273,395	750,802	3,813,065
Utilities	815,355	50,764	161,302	81,703	1,109,124
Insurance	117,026	26,350	34,490	40,648	218,514
Repairs and maintenance	268,740	-	109,378	170,816	548,934
Supplies	256,705	91,011	8,833	51,314	407,863
Cost of goods sold	-	-	-	97,322	97,322
Contracted services	269,426	1,715,030	61,557	232,646	2,278,659
Rentals and leases	23,742	1,974	6,389	106,870	138,975
Other operating	1,188,730	367,615	202,623	359,296	2,118,264
Uncollectible accounts	(1,142)	1,776	4,638	60	5,332
Controllable assets	8,100	-	27,291	5,135	40,526
Depreciation	2,933,386	3,209,108	6,550,828	696,324	13,389,646
<b>TOTAL OPERATING EXPENSES</b>	<u>11,713,459</u>	<u>7,206,068</u>	<u>7,969,006</u>	<u>4,249,918</u>	<u>31,138,451</u>
<b>OPERATING LOSS</b>	<u>(959,868)</u>	<u>(1,979,618)</u>	<u>(5,545,287)</u>	<u>(2,950,314)</u>	<u>(11,435,087)</u>
<b>OTHER INCOME (EXPENSE)</b>					
Interest expense	(994,359)	(513,981)	(24,629)	-	(1,532,969)
Interest income	163,288	2,077	8,177	30	173,572
Gain (loss) on disposal of assets	-	-	29,899	(15,741)	14,158
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<u>(831,071)</u>	<u>(511,904)</u>	<u>13,447</u>	<u>(15,711)</u>	<u>(1,345,239)</u>
<b>LOSS BEFORE OPERATING TRANSFERS AND GRANTS</b>	<u>(1,790,939)</u>	<u>(2,491,522)</u>	<u>(5,531,840)</u>	<u>(2,966,025)</u>	<u>(12,780,326)</u>
<b>OPERATING TRANSFERS</b>	81,808	491,360	64,500	1,810,540	2,448,208
<b>GRANTS FOR OPERATING</b>	<u>-</u>	<u>-</u>	<u>44,994</u>	<u>1,337,954</u>	<u>1,382,948</u>
<b>NET LOSS BEFORE CAPITAL TRANSFERS AND GRANTS</b>	<u>(1,709,131)</u>	<u>(2,000,162)</u>	<u>(5,422,346)</u>	<u>182,469</u>	<u>(8,949,170)</u>
<b>CAPITAL TRANSFERS</b>	-	-	399,000	99,000	498,000
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	<u>1,574,287</u>	<u>-</u>	<u>576,562</u>	<u>595,300</u>	<u>2,746,149</u>
<b>NET CHANGES IN NET POSITION</b>	<u>(134,844)</u>	<u>(2,000,162)</u>	<u>(4,446,784)</u>	<u>876,769</u>	<u>(5,705,021)</u>
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>119,067,040</u>	<u>8,471,982</u>	<u>69,926,649</u>	<u>5,492,489</u>	<u>202,958,160</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 118,932,196</u>	<u>\$ 6,471,820</u>	<u>\$ 65,479,865</u>	<u>\$ 6,369,258</u>	<u>\$ 197,253,139</u>

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Statement of Cash Flows – Proprietary Funds For Year Ended June 30, 2015

	Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-major Funds	Total
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$10,582,321	\$ 5,438,431	\$ 1,914,194	\$ 1,985,792	\$ 19,920,738
Payments to suppliers	(3,164,942)	(2,482,460)	(1,028,476)	(1,123,386)	(7,799,264)
Payments to employees	(5,798,342)	(1,733,433)	(799,821)	(2,405,781)	(10,737,377)
<b>Net Cash from Operating Activities</b>	<b>1,619,037</b>	<b>1,222,538</b>	<b>85,897</b>	<b>(1,543,375)</b>	<b>1,384,097</b>
<b>Cash Flows from Noncapital Financing Activities</b>					
Operating contributions	81,808	491,360	109,494	3,148,494	3,831,156
Increase (decrease) in due to/from other funds	(1,132,571)	-	-	(1,059,386)	(2,191,957)
<b>Net Cash from Noncapital Financing Activities</b>	<b>(1,050,763)</b>	<b>491,360</b>	<b>109,494</b>	<b>2,089,108</b>	<b>1,639,199</b>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Interest paid on notes and bond payable	(1,397,751)	(567,193)	(27,002)	30	(1,991,916)
Acquisition and construction of capital assets	(5,518,002)	(2,983,575)	(727,601)	(560,741)	(9,789,919)
Gain (loss) on the sale of assets	-	-	29,899	(15,741)	14,158
Contribution for capital acquisitions	1,574,287	-	975,562	694,300	3,244,149
Principal payments on notes and bonds payable	2,375,970	(1,406,291)	(254,193)	-	715,486
<b>Net Cash from Capital and Related Financing Activities</b>	<b>(2,965,496)</b>	<b>(4,957,059)</b>	<b>(3,335)</b>	<b>117,848</b>	<b>(7,808,042)</b>
<b>Cash Flows from Investing Activities</b>					
Interest on investments	163,288	2,077	8,177	-	173,542
Net change in cash	(2,233,934)	(3,241,084)	200,233	663,581	(4,611,204)
Cash, Beginning of Year	18,018,399	15,234,281	490,498	1,000	33,744,178
<b>Cash, End of Year</b>	<b>\$15,784,465</b>	<b>\$11,993,197</b>	<b>\$ 690,731</b>	<b>\$ 664,581</b>	<b>\$ 29,132,974</b>
<b>Non-Cash Operating Activities</b>					
Loss on refunding	\$ 358,125	\$ 350,209	\$ 29,810	\$ -	\$ 738,144
<b>Non-Cash Capital and Related Financing Activities</b>					
Capital lease	\$ (11,182)	\$ -	\$ -	\$ -	\$ (11,182)
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>					
Operating loss	\$ (959,868)	\$(1,979,618)	\$ (5,545,287)	\$(2,950,314)	\$(11,435,087)
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation	2,933,386	3,209,108	6,550,828	696,324	13,389,646
Changes in assets and liabilities:					
Accounts receivable	100,192	(32,628)	126,872	(4,049)	190,387
Unbilled receivables	9,504	(24,707)	(25,782)	(9)	(40,994)
Due to/from other government entities	(270,627)	212,432	313,671	659,946	915,422
Inventories	4,189	1,413	13,259	(3,748)	15,113
Accounts payable and other liabilities	(222,449)	(39,050)	(425,234)	21,675	(665,058)
Accrued expenses	21,094	4,521	2,700	14,892	43,207
Landfill closure	-	(190,303)	-	-	(190,303)
Unearned revenue	(10,339)	56,884	(924,286)	30,300	(847,441)
Compensated absences	13,955	4,486	(844)	(8,392)	9,205
<b>Net Cash from Operating Activities</b>	<b>\$ 1,619,037</b>	<b>\$ 1,222,538</b>	<b>\$ 85,897</b>	<b>\$(1,543,375)</b>	<b>\$ 1,384,097</b>

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, 2015

	<u>Pension Trust</u>	<u>LOSAP Trust</u>	<u>OPEB Trust</u>	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>ASSETS</b>					
Cash and short-term investments	\$ 5,456,898	\$ 288,576	\$ 850,744	\$ 65,524	\$ 3,299,586
Investments, at fair value:					
US Government obligations	11,391,323	1,136,045	1,989,936	-	-
Municipal bonds	2,286,614	-	-	-	-
Corporate bonds and obligations	4,908,084	555,174	1,013,306	-	-
Fixed income securities	5,834,715	586,605	1,454,813	-	-
Corporate stock	26,530,254	2,139,627	4,080,034	-	-
Equity funds	35,576,442	3,245,954	6,555,180	61,848	-
Accounts receivable	127,157	11,304	20,531	-	-
Due from other funds	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>92,111,487</u>	<u>7,963,285</u>	<u>15,964,544</u>	<u>127,372</u>	<u>3,299,586</u>
<b>LIABILITIES</b>					
Accounts payable	-	-	-	-	134,069
Due to other funds	-	-	-	651	-
Due to student groups	-	-	-	-	3,165,517
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>651</u>	<u>3,299,586</u>
<b>NET POSITION</b>					
Held in trust for pension and OPEB	92,111,487	7,963,285	15,964,544	-	-
Held in trust for scholarships	-	-	-	126,721	-
<b>NET POSITION</b>	<u>\$ 92,111,487</u>	<u>\$ 7,963,285</u>	<u>\$ 15,964,544</u>	<u>\$ 126,721</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 Year Ended June 30, 2015

	<u>Pension Trust</u>	<u>LOSAP Trust</u>	<u>OPEB Trust</u>	<u>Private Purpose Trust</u>
<b>ADDITIONS</b>				
Contributions:				
Employer	\$ 6,786,549	\$ 600,000	\$ 1,006,600	\$ -
Plan members	1,871,200	-	-	-
Gifts and contributions	-	-	-	35,200
Receipts of In-kind	220,613	-	59,148	-
<b>Total Contributions</b>	<u>8,878,362</u>	<u>600,000</u>	<u>1,065,748</u>	<u>35,200</u>
Investment Income:				
Realized and unrealized gains	2,424,151	202,417	(1,245,081)	-
Interest and dividends	1,141,352	98,909	104,375	1,281
Other income	1,181,690	80,185	1,864,280	-
<b>Total Investment Income</b>	<u>4,747,193</u>	<u>381,511</u>	<u>723,574</u>	<u>1,281</u>
<b>TOTAL ADDITIONS</b>	<u>13,625,555</u>	<u>981,511</u>	<u>1,789,322</u>	<u>36,481</u>
<b>DEDUCTIONS</b>				
Benefits	6,880,887	461,316	-	-
Scholarship expenses	-	-	-	37,856
Administrative expenses	604,197	23,215	110,551	-
<b>TOTAL DEDUCTIONS</b>	<u>7,485,084</u>	<u>484,531</u>	<u>110,551</u>	<u>37,856</u>
<b>CHANGES IN NET POSITION</b>	6,140,471	496,980	1,678,771	(1,375)
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>85,971,016</u>	<u>7,466,305</u>	<u>14,285,773</u>	<u>128,096</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 92,111,487</u>	<u>\$ 7,963,285</u>	<u>\$ 15,964,544</u>	<u>\$ 126,721</u>

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2015

### 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, 2015 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, 2015

### 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 do 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, 2015

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

The government reports the following major governmental funds:

The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities in the governmental funds. The Capital Projects Fund accounts for all capital improvements, which are financed by bond issues, government grants, and transfers from the General and Special Revenue Funds. Closed projects are transferred to the appropriate fund.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2015

### 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, 2015

### 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, 2015

### 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, 2015

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Investments** (continued)

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

#### **Inventories**

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

#### **Employee Benefit Programs**

The County's benefit program provides substantially all employees with group hospitalization, life insurance, disability income protection and retirement plans. The cost of the retirement plans is accounted for in the General and Special Revenue Funds and in the Enterprise Funds of the County.

There are two employee retirement plans for County employees. The County plans cover all full-time employees other than those employed prior to July 1, 1972, who elected to retain membership in the Maryland State Retirement System. The Board of Education Retirement Plan is the Maryland State Retirement System. The assets of the County plans are held by a trustee.

Retirement plan costs for members of the County Retirement Plan are determined annually on an actuarial basis. Pension costs charged to expense equal the annual required contributions, calculated in accordance with GASB Statement No. 27. The County follows the practice of funding pension costs accrued.

#### **Taxes and County Services**

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2015

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Real Estate and Personal Property Taxes

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

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

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 (2014 and 2015 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, 2015

### 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 and fiduciary fund statements and “Fund Balance” on governmental fund statements. Net Position are 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, non-spendable and restricted fund balances represent amounts that are legally restricted by outside parties for use for a specific purpose or are otherwise not available for appropriation. Committed fund balance represents amounts that are reserved for a particular purpose by the County Commissioners of Washington County and would require action by the Board to release the fund balance from its commitment. Assigned fund balance represents tentative management plans that are subject to change.

#### Implementation of New Accounting Principles

The County has adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 68, entitled *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As part of GASB 68 the County is required to record its net funded pension liability.

GASB also issued Statement No. 69, entitled *Government Combinations and Disposals of Government Operation*, and GASB Statement No. 70, entitled *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Both statements were adopted this fiscal year but had no effect on these accompanying financial statements.

The, GASB has issued Statement No. 72, entitled *Fair Value Measurement and Application*; Statement No. 73, entitled, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68*; GASB Statement No. 74 entitled, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 75, entitled, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; GASB Statement No. 76; entitled, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*; and GASB Statement No. 77; entitled, *Tax Abatement Disclosures, which will require adoption in the future, if applicable*. These statements may or will have a material effect on the County’s financial statements once implemented.

The County will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2015

### 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### **Budgetary Information**

The County's budget process is key to its long-range strategic plan. With the adoption phase ending in May, the entire budget process encompasses nine months in preparation time. Financial forecasts, economic trends, policy reviews, and citizen input are all part of this process and result in the development of the operating and capital budgets for the year. The following describes the budget process and procedures established by the County. Budgets are adopted using the same basis of accounting as that used for reporting purposes.

#### *Financial Capacity and Analysis Phase*

The County develops statistical analysis of major revenue sources through various resources available. The County prepares and annually updates a long-range (10 years) financial forecasting system which includes projections of revenue, expenditures, future costs, financing of capital improvements that are included in the Capital Improvement Budgets, Cost of Service Plans and the Operating Budget.

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

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

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

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

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2015

### 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

#### **Budgetary Information** (continued)

##### *Budget Development Start*

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

##### *Budget Development Phase*

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

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

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

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2015

### 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

#### **Budgetary Information** (continued)

##### *Review and Modification Phase*

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

##### *Adoption Phase*

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

Public hearings are held on the proposed budgets and the current tax levy. Local law requires a balanced budget to be adopted by July 1.

##### *Start Up*

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

##### *Balanced Budget*

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

##### *Costing of Services*

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2015

### 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

#### Budgetary Information (continued)

##### *Amendment to the Budget*

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

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

### 3. CASH AND SHORT-TERM INVESTMENTS

#### County

The County maintains a cash and investment pool that is available for use by all funds, and is displayed on the Statement of Net Position as "cash and short-term investments."

Statutes authorize the County to invest in United States government bonds, obligations of the Federal government or agencies, savings accounts in Maryland banks, repurchase agreements and the Maryland Local Government Investment Pool.

#### *Deposits*

As of June 30, 2015, the carrying amount of the County's deposits was \$31,826,979 and the bank balances were \$33,395,104. All deposits are carried at cost plus accrued interest. There were no significant violations of the collateralization requirements during the year ended June 30, 2015. The County's deposit policy specifies that all deposits must be entirely covered by Federal depository insurance, deposit surety bond, or by collateral in the form of pledged securities, according to state statute. In order to anticipate market changes and provide a level of security for all funds, the collateralization level is required to be at least 102% of market value of principal and accrued interest.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. The County does not have a deposit policy for custodial credit risk. As of June 30, 2015, the County's bank balance of \$33,395,104 was 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, 2015

### 3. CASH AND SHORT-TERM INVESTMENTS (continued)

#### County (continued)

#### Investments

As of June 30, 2015, 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	\$ 110,312,769	\$ 100,312,769	\$ 10,000,000	\$ -	\$ -
Certificates of Deposit	457,725	-	457,725	-	-
Total investments held in County’s name	110,770,494	100,312,769	10,457,725	-	-
Investments held by trustee of					
Pension plan:					
U.S. government obligations, municipal and corporate bonds	18,586,021	3,996,843	3,000,720	3,931,407	7,657,051
Fixed income securities	5,834,715	5,834,715	-	-	-
Corporate stocks	26,530,254	26,530,254	-	-	-
Equity funds	35,576,442	35,576,442	-	-	-
Money market funds	5,456,898	5,456,898	-	-	-
Interest and dividends receivable	127,157	127,157	-	-	-
Total Investments held by trustee of pension plan	92,111,487	77,522,309	3,000,720	3,931,407	7,657,051
Investments held by trustee of					
LOSAP plan:					
U.S. government obligations and corporate bonds	1,691,219	415,790	275,365	329,264	670,800
Corporate stocks	2,139,627	2,139,627	-	-	-
Fixed income funds	586,605	586,605	-	-	-
Equity funds	3,245,954	3,245,954	-	-	-
Money market funds	288,576	288,576	-	-	-
Interest and dividends receivable	11,304	11,304	-	-	-
Total Investments held by trustee of LOSAP plan	7,963,285	6,687,856	275,365	329,264	670,800
Investments held by trustee of					
OPEB plan:					
U.S. government obligations and corporate bonds	3,003,242	781,369	415,416	600,699	1,205,758
Corporate stocks	4,080,034	4,080,034	-	-	-
Fixed income funds	1,454,813	1,454,813	-	-	-
Equity funds	6,555,180	6,555,180	-	-	-
Money market funds	850,744	850,744	-	-	-
Interest and dividends receivable	20,531	20,531	-	-	-
Total Investments held by trustee of OPEB plan	15,964,544	13,742,671	415,416	600,699	1,205,758
Total investments	\$ 226,809,810	\$ 198,265,605	\$ 14,149,226	\$ 4,861,370	\$ 9,533,609



# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2015

### 3. CASH AND SHORT-TERM INVESTMENTS (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, 2015

### 3. CASH AND SHORT-TERM INVESTMENTS (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, 2015, 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:

<b>Investment Type</b>	<b>Evaluation Benchmark</b>
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, 2015, 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, 2015

### 3. CASH AND SHORT-TERM INVESTMENTS (continued)

#### Board of Education

Cash:

Credit Risk: Maryland State Law prescribes that local government units, such as the School System, must deposit its cash in banks transacting business in the State of Maryland, and that such banks must secure any deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance levels with collateral whose market value is at least equal to the deposits. Any cash deposit exceeding the FDIC insurance level will require collateralization. Beginning January 1, 2013, FDIC coverage limits are applied to total noninterest-bearing accounts separately from interest-bearing accounts. Additionally, a compensating balance agreement exists with the Board's primary financial institution. This non-interest bearing deposit is maintained in lieu of cash payments for standard bank services. The required average balance totaled \$250,000 at June 30, 2015.

Compliance is summarized as follows:

June 30, 2015	Governmental Activities	Business Type Activities	Fiduciary Responsibilities	Total
Carrying amount of cash deposits	\$ 26,028,969	\$ 58,387	\$ 3,365,110	\$ 29,452,466
Bank balance of cash deposits	27,885,813	57,417	3,538,835	31,482,065
Amount covered by FDIC	499,121	45,218	873,371	1,417,710
Amount collateralized with securities held by an agent of the pledging financial institution in the School system's name	27,386,692	12,199	2,665,464	30,064,355

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, 2015

### 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.

As of June 30, 2015, the School System had the following investments and maturities:

June 30, 2015	Governmental Activities	Business-Type Activities	Fiduciary Responsibilities	Total
Federal Home Loan Bank – 1.405% matures December 26, 2019	\$ 988,150	\$ -	\$ -	\$ 988,150
Federal Home Loan Mortgage Corp. - 1.125% matures March 27, 2018	2,495,000	-	-	2,495,000
Federal Home Loan Mortgage Corp. - 1.000% matures September 22, 2017	4,995,700	-	-	4,995,700
Federal National Mortgage Association - 1.259% matures January 30, 2019	3,997,280	-	-	3,997,280
Federal National Loan Bank - Step Up/Variable matures December 28, 2020	989,390	-	-	989,390
Federal Home Loan Bank - 1.370% matures on October 24, 2019	2,961,960	-	-	2,961,960
Federal Home Loan Bank - 1.640% matures December 10, 2018	5,500,880	-	-	5,500,880
Income Fund of America	-	-	61,848	61,848
	<u>\$ 21,928,360</u>	<u>\$ -</u>	<u>\$ 61,848</u>	<u>\$ 21,990,208</u>

Investment Type	Fair Value	Investment Maturities (in Years)			
	June 30, 2015	Less than 1	1-5	6-10	More than 10
U.S. Agencies	\$ 21,928,360	\$ -	\$ 20,938,970	\$ 989,390	\$ -
Income Fund	61,848	61,848	-	-	-
	<u>\$ 21,990,208</u>	<u>\$ 61,848</u>	<u>\$ 20,938,970</u>	<u>\$ 989,390</u>	<u>\$ -</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2015

### 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	\$ 676,704	\$ -	\$ -	\$ 676,704
Accounts receivable	439,894	597,153	316,119	1,353,166
Gross receivables	1,116,598	597,153	316,119	2,029,870
Less: allowance for uncollectibles	165,260	-	-	165,260
<b>Net Total Receivables</b>	<b>\$ 951,338</b>	<b>\$ 597,153</b>	<b>\$ 316,119</b>	<b>\$ 1,864,610</b>

	Business-type Activities				
	Water Quality	Solid Waste	Airport	Non-major	Total
Accounts receivable	\$ 1,168,562	\$ 307,303	\$ 81,489	\$ 15,530	\$ 1,572,884
Less: allowance for uncollectibles	12,985	67,401	61,229	500	142,115
<b>Net Total Receivables</b>	<b>\$ 1,155,577</b>	<b>\$ 239,902</b>	<b>\$ 20,260</b>	<b>\$ 15,030</b>	<b>\$ 1,430,769</b>

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 \$166,936. 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, 2015

### 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

#### Primary Government

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 79,559,181	\$ 3,521,165	\$ -	\$ 83,080,346
Capital assets, being depreciated:				
Land improvements	11,983,499	1,176,120	(14,604)	13,145,015
Building and improvements	89,295,047	1,560,145	-	90,855,192
vehicles	13,988,760	683,906	(545,593)	14,127,073
Infrastructure	1,136,310,588	8,112,427	-	1,144,423,015
Machinery and equipment	9,210,063	691,782	(536,344)	9,365,501
Office furniture and equipment	5,496,308	139,232	(29,340)	5,606,200
Computer equipment	31,679,442	907,456	(13,517)	32,573,381
Total capital assets, being depreciated	1,297,963,707	13,271,068	(1,139,398)	1,310,095,377
<b>Total capital assets</b>	<b>1,377,522,888</b>	<b>16,792,233</b>	<b>(1,139,398)</b>	<b>1,393,175,723</b>
Accumulated depreciation for:				
Land improvements	(5,134,945)	(344,007)	14,604	(5,464,348)
Building and improvements	(26,885,195)	(2,374,653)	-	(29,259,848)
Vehicles	(10,677,163)	(803,625)	540,571	(10,940,217)
Infrastructure	(899,744,100)	(11,832,287)	-	(911,576,387)
Machinery and equipment	(6,646,045)	(407,746)	536,343	(6,517,448)
Office furniture and equipment	(5,356,977)	(110,351)	29,340	(5,437,988)
Computer equipment	(16,843,935)	(2,744,256)	13,516	(19,574,675)
Total Accumulated Depreciation	(971,288,360)	(18,616,925)	1,134,374	(988,770,911)
<b>Governmental activities capital assets, net</b>	<b>\$ 406,234,528</b>	<b>\$ (1,824,692)</b>	<b>\$ (5,024)</b>	<b>\$ 404,404,812</b>
<b>Projects Under Construction</b>	<b>\$ 14,638,793</b>	<b>\$ 22,132,678</b>	<b>\$ (10,122,448)</b>	<b>\$ 26,649,023</b>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2015

### 5. CAPITAL ASSETS (continued)

#### Business-type Activities

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 12,052,287	\$ -	\$ -	\$ 12,052,287
Capital assets, being depreciated:				
Land improvements	136,684,203	769,767	(54,444)	137,399,526
Building and improvements	63,235,558	25,550	-	63,261,108
Facilities	114,347,347	2,963,310	-	117,310,657
Vehicles	7,972,600	637,925	(353,429)	8,257,096
Machinery and equipment	12,410,242	132,495	(279,752)	12,262,985
Office furniture and equipment	323,205	-	-	323,205
Computer equipment	2,580,117	-	(50,930)	2,529,187
Treatment plants	51,502,321	3,170,800	-	54,673,121
Total capital assets, being depreciated	389,055,593	7,699,847	(738,555)	396,016,885
<b>Total capital assets</b>	<b>401,107,880</b>	<b>7,699,847</b>	<b>(738,555)</b>	<b>408,069,172</b>
Accumulated depreciation for:				
Land improvements	(70,793,589)	(7,882,612)	48,154	(78,628,047)
Building and improvements	(15,877,640)	(1,568,124)	-	(17,445,764)
Facilities	(29,787,382)	(1,480,685)	-	(31,268,067)
Vehicles	(5,807,312)	(692,388)	353,429	(6,146,271)
Machinery and equipment	(8,805,682)	(582,255)	262,861	(9,125,076)
Office furniture and equipment	(322,916)	(290)	-	(323,206)
Computer equipment	(1,918,526)	(268,324)	50,930	(2,135,920)
Treatment plants	(21,600,540)	(932,879)	-	(22,533,419)
Total Accumulated Depreciation	(154,913,587)	(13,407,557)	715,374	(167,605,770)
<b>Business-type activities capital assets, net</b>	<b>\$ 246,194,293</b>	<b>\$ (5,707,710)</b>	<b>\$ (23,181)</b>	<b>\$ 240,463,402</b>
<b>Projects Under Construction</b>	<b>\$ 5,876,488</b>	<b>\$ 9,857,252</b>	<b>\$ (7,737,270)</b>	<b>\$ 7,996,470</b>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2015

### 5. CAPITAL ASSETS (continued)

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

#### Governmental Activities:

General Government	\$ 13,824,532
Public Safety	3,978,145
Recreation	297,294
Conservation of Natural Resources	944
Highway	474,652
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 18,575,567</b>

#### Business-Type Activities:

Transit Fund	\$ 612,692
Airport Fund	6,550,828
Golf Course Fund	83,632
Water Quality Fund	2,933,386
Solid Waste Fund	3,209,108
<b>Total Depreciation Expense – Business-Type Activities</b>	<b>\$ 13,389,646</b>

#### Board of Education (Discretely presented component unit)

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
<b>Government activities</b>				
Capital assets, not being depreciated:				
Land	\$ 8,692,987	\$ -	\$ -	\$ 8,692,987
Facilities under construction	20,978,265	6,875,002	(19,576,138)	8,277,129
	<u>29,671,252</u>	<u>6,875,002</u>	<u>(19,576,138)</u>	<u>16,970,116</u>
Capital assets, being depreciated:				
Building and improvements	297,412,132	22,323,098	(247,394)	319,487,836
Furniture and equipment	43,570,496	3,624,841	(1,415,014)	45,780,323
Equipment under capital leases	9,743,869	1,002,859	(1,319,876)	9,426,852
	<u>350,726,497</u>	<u>26,950,798</u>	<u>(2,982,284)</u>	<u>374,695,011</u>
Accumulated depreciation:				
Building and improvements	(123,096,635)	(7,333,880)	246,253	(130,184,262)
Furniture and equipment	(26,970,401)	(3,321,156)	1,288,763	(29,002,794)
Buildings and equipment under capital lease	(2,108,556)	(517,140)	1,319,876	(1,305,820)
	<u>(152,175,592)</u>	<u>(11,172,176)</u>	<u>2,854,892</u>	<u>(160,492,876)</u>
<b>Governmental activities capital assets, net</b>	<b>\$ 228,222,157</b>	<b>\$ 22,653,624</b>	<b>\$ (19,703,530)</b>	<b>\$ 231,172,251</b>



# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2015

### 5. CAPITAL ASSETS (continued)

#### Board of Education (continued)

	<b>Balance June 30, 2014</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2015</b>
<b>Business-type activities</b>				
Capital assets, being depreciated:				
Furniture and equipment	\$ 4,599,791	\$ 276,250	\$ (78,745)	\$ 4,797,296
Accumulated depreciation				
Furniture and equipment	(3,198,298)	(206,043)	65,564	(3,338,777)
<b>Business-type activities capital assets, net</b>	<u>\$ 1,401,493</u>	<u>\$ 70,207</u>	<u>\$ (13,181)</u>	<u>\$ 1,458,519</u>

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

Governmental activities:	
Other instructional costs	\$ 2,055,299
Student transportation services	1,235,876
Operation of plant	175,845
Depreciation - unallocated	7,705,156
<b>Total governmental activities depreciation expense</b>	<u>\$ 11,172,176</u>
Business-type activities:	
<b>Food services</b>	<u>\$ 206,043</u>

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements

June 30, 2015

#### 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>
Water Quality	General Fund	\$ 6,682,962
	HEPMPO	117,700
Solid Waste	General Fund	5,041,533
	HEPMPO	88,790
Capital Projects	General Fund	<u>65,312,740</u>
Total		<u><u>\$ 77,243,725</u></u>

Due to/from primary government and component unit:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Component unit - Board of Education	Primary government - capital projects	\$ 1,904,013

All interfund payables are without interest.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2015

### 7. INTERFUND TRANSACTIONS

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

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

<b>Fund</b>	<b>Operating Transfers In</b>	<b>Operating Transfers Out</b>	<b>Capital Transfers In</b>	<b>Capital Transfers Out</b>
General Fund:				
Capital Projects	\$ -	\$ -	\$ -	\$ 2,950,000
Solid Waste	-	491,360	-	-
Public Transit	-	472,270	-	-
Water Quality	-	81,808	-	-
Community Grants Management	-	291,420	-	-
Agricultural Education Center	-	189,190	-	-
Golf Course	-	1,351,590	-	-
HEPMPO	-	7,510	-	-
Land Preservation	-	124,432	-	-
Airport	-	14,500	-	-
Capital Projects Fund:				
General Fund	-	-	2,707,000	-
Airport Fund	-	-	-	255,000
Hotel Rental Fund	-	-	337,000	-
Land Preservation	-	-	-	400,000
Solid Waste:				
General Fund	491,360	-	-	-
Public Transit:				
General Fund	472,270	-	-	-
HEPMPO	-	13,320	-	-
Water Quality:				
General Fund	81,808	-	-	-
Airport:				
General Fund	14,500	-	144,000	-
Hotel Rental	50,000	-	-	-
Capital Project Fund	-	-	255,000	-
Golf Course:				
General Fund	1,351,590	-	99,000	-
Community Grant Management Fund:				
General Fund	291,420	-	-	-
Agricultural Education Center:				
General Fund	189,190	-	-	-
HEPMPO:				
General Fund	7,510	-	-	-
Public Transit Fund	13,320	-	-	-
Hotel Rental:				
Capital Project Fund	-	-	-	337,000
Airport	-	50,000	-	-
Land Preservation:				
General Fund	124,432	-	-	-
Capital Projects Fund	-	-	400,000	-
<b>Total</b>	<b>\$ 3,087,400</b>	<b>\$ 3,087,400</b>	<b>\$ 3,942,000</b>	<b>\$ 3,942,000</b>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2015

### 8. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. 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:

	<b>Interest Rate</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b><i>Governmental Activities</i></b>						
Bonds payable:						
General obligation bonds	2.0-5.5%	\$ 130,586,824	\$ 35,819,710	\$ 33,969,997	\$ 132,436,537	\$ 9,430,515
Unamortized bond premium		4,297,329	2,970,923	568,149	6,700,103	-
Total bonds payable		<u>134,884,153</u>	<u>38,790,633</u>	<u>34,538,146</u>	<u>139,136,640</u>	<u>9,430,515</u>
Other loans payable						
Maryland Water Quality loans	1.0%	<u>5,176,743</u>	<u>-</u>	<u>288,345</u>	<u>4,888,398</u>	<u>290,895</u>
Total bonds and loans payable		<u>140,060,896</u>	<u>38,790,633</u>	<u>34,826,491</u>	<u>144,025,038</u>	<u>9,721,410</u>
Agricultural Land Preservation	3.0%	1,015,537	-	517,737	497,800	351,794
Capital lease obligations	2.1%	360,321	-	160,781	199,540	167,077
Net pension liability		<u>54,356,471</u>	<u>847,058</u>	<u>-</u>	<u>55,203,520</u>	<u>-</u>
Governmental Activity Long-term Liabilities		<u>195,793,225</u>	<u>39,637,691</u>	<u>35,505,009</u>	<u>199,925,898</u>	<u>10,240,281</u>
<b><i>Business-type Activities</i></b>						
Bonds payable:						
General obligation bonds	2.0-5.9%	\$ 30,945,869	\$ 6,035,290	\$ 5,090,208	\$ 31,890,951	\$ 2,657,095
Unamortized bond premium		476,404	503,862	74,827	905,439	-
Unamortized bond discount		(14,152)	-	(4,068)	(10,084)	-
Total bonds payable		<u>31,408,121</u>	<u>6,539,152</u>	<u>5,160,967</u>	<u>32,786,306</u>	<u>2,657,095</u>
Other loans payable:						
Maryland Water Quality loans	0.40-1.7%	12,802,416	2,553,000	1,950,480	13,404,936	870,424
Amount to be drawn		<u>-</u>	<u>(2,553,000)</u>	<u>(1,389,341)</u>	<u>(1,163,659)</u>	<u>-</u>
Total other loans payable		<u>12,802,416</u>	<u>-</u>	<u>561,139</u>	<u>12,241,277</u>	<u>870,424</u>
Total bonds and loans payable		<u>44,210,537</u>	<u>6,539,152</u>	<u>5,722,106</u>	<u>45,027,583</u>	<u>3,527,519</u>
Capital lease obligations	4.90%	<u>61,750</u>	<u>-</u>	<u>11,182</u>	<u>50,568</u>	<u>11,738</u>
Business-type Activity Long-term Liabilities		<u>44,272,287</u>	<u>6,539,152</u>	<u>5,733,288</u>	<u>45,078,151</u>	<u>3,539,257</u>
<b><i>Total Combined Activities</i></b>						
<b><i>Long-term Liabilities</i></b>		<u>\$ 240,065,512</u>	<u>\$ 46,176,843</u>	<u>\$ 41,238,297</u>	<u>\$ 245,004,049</u>	<u>\$ 13,779,538</u>
<b>Board of Education</b>	4.5-11.64%	<u>\$ 6,695,262</u>	<u>\$ 1,002,859</u>	<u>\$ 694,606</u>	<u>\$ 7,003,515</u>	<u>\$ 557,057</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2015

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

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

Year ending June 30	Governmental Activities		Business-type Activities		Combined Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 9,721,410	\$ 4,062,008	\$ 3,527,519	\$ 2,488,118	\$ 13,248,929	\$ 6,550,126
2017	10,170,734	4,317,327	3,608,192	2,557,056	13,778,926	6,874,383
2018	9,621,029	4,020,627	4,096,337	2,537,117	13,717,366	6,557,744
2019	8,502,618	3,696,740	4,607,246	2,494,141	13,109,864	6,190,881
2020	9,115,277	3,373,401	4,159,246	2,445,866	13,274,523	5,819,267
2021-2025	42,074,317	12,158,432	12,669,606	2,776,366	54,743,923	14,934,798
2026-2030	31,213,782	5,593,332	8,474,455	1,288,406	39,688,237	6,881,738
2031-2035	16,051,952	1,403,022	3,769,559	240,171	19,821,511	1,643,193
2036	853,816	17,077	383,727	4,923	1,237,543	22,000
Total	<u>\$ 137,324,935</u>	<u>\$ 38,641,966</u>	<u>\$ 45,295,887</u>	<u>\$ 16,832,164</u>	<u>\$ 182,620,822</u>	<u>\$ 55,474,130</u>
Less:						
Unamortized discount	-		(10,084)		(10,084)	
Unamortized premium	6,700,103		905,439		7,605,542	
Amount to be drawn	-		(1,163,659)		(1,163,659)	
	<u>\$ 144,025,038</u>		<u>\$ 45,027,583</u>		<u>\$ 189,052,621</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, 2015, the unused authorization was \$49,837,722.

### 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, 2015, there were Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$53,204,779.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2015

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

#### Agricultural Land Preservation Installments

The County has entered into installment contracts to purchase easements for agricultural land preservation purposes. Under the terms of the installment contracts, the County pays the property owner annual interest and principal payments over the ten year term of the contract. The primary source of revenue for repayment of the indebtedness is a portion of the transfer tax on all transfers of real property in the County. The annual requirements to amortize agricultural preservation installments outstanding as of June 30, 2015, are as follows:

<u>As of June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2016	\$ 351,794	\$ 14,934	\$ 366,728
2017	146,006	4,380	150,386
	<u>\$ 497,800</u>	<u>\$ 19,314</u>	<u>\$ 517,114</u>

For the year ended June 30, 2015, total principal and interest incurred related to agricultural land preservation installments was \$517,737 and \$30,466, respectively.

#### Capital Leases

On January 15, 2012, the General Fund entered into a capital lease agreement for equipment. The lease calls for annual lease payments of \$158,267 and expires January 15, 2016. On December 3, 2013, the General Fund entered into a capital lease agreement for equipment. The lease calls for annual lease payments of \$671 through January 19, 2015, and annual lease payments of \$1,077 from February 19, 2015 through January 19, 2019. The future minimum lease payments under these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 171,192
2017	12,925
2018	12,925
2019	7,538
Total minimum payments	204,580
Less: amounts representing interest	5,040
Present value of net minimum lease payments	<u>\$ 199,540</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2015

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

#### Capital Leases (continued)

On January 14, 2014, the Water Quality Fund entered into a capital lease agreement for equipment. The lease calls for annual lease payments of \$14,250 and expires January 14, 2019. The future minimum payments under this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 14,250
2017	14,250
2018	14,250
2019	14,250
Total minimum payments	57,000
Less: amounts representing interest	6,432
Present value of net minimum lease payments	<u>\$ 50,568</u>

The following is an analysis of the capital assets acquired under capital leases as of June 30, 2015.

	<u>Capitalized Amount</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value June 30, 2015</u>
General Fund	\$ 1,337,873	\$ 437,880	\$ 899,993
Water Quality	76,000	21,533	54,467
Total	<u>\$ 1,413,873</u>	<u>\$ 459,413</u>	<u>\$ 954,460</u>

#### Board of Education

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

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 557,057	\$ 338,347	\$ 895,404
2017	591,238	304,166	895,404
2018	627,281	268,123	895,404
2019	661,558	230,064	891,622
2020	654,998	191,054	846,052
2021-2025	2,558,398	608,945	3,167,343
2026-2029	1,352,985	72,319	1,425,304
	<u>\$ 7,003,515</u>	<u>\$ 2,013,018</u>	<u>\$ 9,016,533</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2015

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

#### Capital Leases (continued)

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, 2015, \$27,730,000 of long-term obligations outstanding are considered defeased.

### 9. OPERATING LEASE AGREEMENTS

#### County

During fiscal year 2004, the County entered into a lease agreement whereby the lessee constructed a building and improvements on land owned at the Airport. The total cost of the building and improvements was capitalized as an asset in the Airport Fund with an estimated useful life of 40 years. 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, 2015

### 9. OPERATING LEASE AGREEMENTS (continued)

#### County (continued)

During fiscal year 2006, the County entered into a lease agreement whereby the lessee constructed a building and improvements on land owned at the Airport. The total cost of the building and improvements was \$3,100,000, which was capitalized as an asset in the Airport Fund with an estimated useful life of 40 years on June 30, 2006. The terms of the agreement which began June 30, 2006, 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, 2015

#### 9. OPERATING LEASE AGREEMENTS (continued)

##### County (continued)

During fiscal year 2010, the County entered into a lease agreement whereby the lessee constructed a building and improvements for \$3,800,000, 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 allow for an option for the lessee to continue the lease past the 39 year term at a rental payment equal to the fair market rental value of the leased property at that time. Deferred inflow of resources in the amount of \$4,500,000 was recorded in the Airport Fund as of June 30, 2011.

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements

June 30, 2015

#### 9. OPERATING LEASE AGREEMENTS (continued)

##### County (continued)

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

During fiscal year 2014, the County entered into a lease agreement whereby the lessee constructed a building and improvements for \$5,500,000, which was capitalized as an asset in the Airport Fund with an estimated useful life of 40 years on June 30, 2014. The terms of the agreement, which began November 1, 2013, allow the lessee to use the property for a period of 39 years (primary term). The terms of the lease agreement require that the lessee pay the County annual rent of \$13,881 during the primary term of the lease with an annual increase of 2% each year. The agreement allows an option for the lessee to continue the lease past the 39 year term at a rental payment equal to the fair market rental value of the leased property at that time. Deferred inflow of resources in the amount of \$5,500,000 was recorded in the Airport Fund on June 30, 2014.

During year ending June 30, 2015, rental income for the above leases of \$880,214 was recognized in the Airport Fund.

On January 1, 2006, the County entered into an agreement with Spirit Services, Inc. of Washington County to lease and operate the Conococheague Industrial Pretreatment Facility. Under the lease agreement, Spirit Services, Inc., has exclusive control and management of the pretreatment facility and assumes all responsibility for utility and maintenance expenses.

The term of the lease runs for a period of ninety-nine years with fixed monthly rent payments of \$28,800. During the year ended June 30, 2015, 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 lease payments of \$8,077 payable from April through November of each year. The lease term is for six years commencing on March 1, 2012. Total lease payments for the year ended June 30, 2015, were \$64,616.

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements

June 30, 2015

#### 10. UNUSED VACATION AND SICK LEAVE

##### County

The County accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned or estimated to be earned by the employee. The accrual of vacation leave is based upon individual salary rates in effect as of June 30, 2015, 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, 2015, was \$2,566,704 and \$535,551, respectively. Unused vacation and sick leave will be liquidated by the respective government and enterprise funds where the current employee costs are recorded.

##### Board of Education

The School System accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned or estimated to be earned by the employee. The accrual of vacation leave is based upon individual salary rates in effect as of June 30. The accrual of sick leave is based on payment upon retirement at rates set forth in the various negotiated agreements. Sick leave is estimated to be earned once an employee has obtained 25 years of service or 55 years of age. Total unpaid vacation and sick leave accrued as of June 30, 2015, was \$7,381,429. Total employee related costs associated and accrued with these compensated absences amounted to \$524,551 as of June 30, 2015. For governmental funds, \$439,592 as of June 30, 2015, is considered payable with current sources and is included in accrued liabilities. The remaining amounts are estimated to be used in subsequent fiscal years and are maintained separately and represent a reconciling item between the fund and government-wide financial statement presentations.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2015

### 11. RETIREMENT PLANS

#### County Defined Benefit Pension Plan

##### *Plan Description*

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

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

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

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

The net pension liability by plan is as follows:

##### Retirement Plan

Net Pension Liability	\$ 50,428,633
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##### LOSAP Plan

Net Pension Liability	4,774,887
	<u>\$ 55,203,520</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2015

### 11. RETIREMENT PLANS (continued)

#### County Defined Benefit Pension Plan (continued)

##### *Investments*

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

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

##### *Funding Policy*

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

All information that follows for the Plan is measured as of July 1, 2014, which is the latest actuarial report available.

##### *Membership of the Plan*

The membership consisted of the following as of July 1, 2014, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	256
Terminated Plan members entitled to but not yet receiving benefits	46
Active Plan members	749
Total	<u>1,051</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2015

### 11. RETIREMENT PLANS (continued)

#### County Defined Benefit Pension Plan (continued)

##### *Actuarial Assumptions*

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2015 is as follows:

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

##### *Annual Pension Cost and Net Pension Obligation*

The total pension liability for the current year was determined as part of the July 1, 2014, actuarial valuation using the projected unit credit cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), and (b) projected salary increases of 4.0% per year. The actuary was using the 83 GAM sex distinct mortality tables. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined by the market value of investments. The unfunded actuarial accrued liability is being amortized at a level dollar over 25 years. The effect of an unfunded actuarial accrued liability (funding excess) is amortized immediately.

##### *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, 2015 is as follows:

Total pension liability	\$ 142,540,120
Net position	<u>(92,111,487)</u>
Net pension liability	<u>\$ 50,428,633</u>

Net position as a percentage of total pension liability is 64.6%.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2015

### 11. RETIREMENT PLANS (continued)

#### County Defined Benefit Pension Plan (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 7.75% 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 (6.75%) or 1-percentage point higher (8.75%) than the current rate:

	<b>1.0% decrease (6.75%)</b>	<b>Current rate 7.75%</b>	<b>1.0% increase (8.75%)</b>
Net pension liability	<u>\$ 65,896,249</u>	<u>\$ 50,428,633</u>	<u>\$ 37,230,172</u>

##### *Deferred Outflows of Resources and Deferred Inflows of Resources*

For the year ended June 30, 2015, the County recognized pension expense of \$(1,042,893) for the Plan. As of June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual investment earnings	<u>1,782,387</u>	-
<b>Total</b>	<u><b>\$ 1,782,387</b></u>	<u><b>\$ -</b></u>



## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements June 30, 2015

#### 11. RETIREMENT PLANS (continued)

##### County Defined Benefit Pension Plan (continued)

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

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

<u>Years Ended June 30,</u>	<u>Amount</u>
2016	\$ 445,597
2017	445,597
2018	445,597
2019	445,596
<b>Total</b>	<b><u><u>\$ 1,782,387</u></u></b>

##### Board of Education

The employees of the School System are covered by one of the following pension plans affiliated with the State Retirement and Pension System of Maryland, and agent multiple-employer public employee retirement systems administered by the Maryland State Retirement Agency:

- The Teachers' Retirement System of the State of Maryland,
- The Employees' Retirement System of the State of Maryland,
- The Pension System for Teachers of the State of Maryland, or
- The Pension System for Employees of the State of Maryland

During the 1979 legislative session, the Maryland General Assembly created, effective January 1, 1980, the "Pension System for Teachers of the State of Maryland" and the "Pension System for Employees of the State of Maryland". Prior to this date, all teachers and related positions were required to be members of the "Teachers' Retirement System of the State of Maryland", and educational support positions were members of the "Employees' Retirement System of the State of Maryland". All School System employees who were members of the "Retirement System" may remain in that System, or they may elect to join the "Pension System". All teachers hired within the State after December 31, 1979, must join the "Pension System for Teachers". The "Employees' Retirement System" and the "Pension System for Employees" cover those employees not covered by the teachers' plans. These employees are principally custodial, maintenance, and food service employees.

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements

June 30, 2015

#### 11. RETIREMENT PLANS (continued)

##### Board of Education (continued)

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

Both the "Retirement System" and the "Pension System" for teachers and educational support employees are jointly contributory. Under the "Retirement System", employees contribute 4% - 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 65.52%, which measures the actuarial value of plan assets as a percentage of actuarial accrued liability.

Washington County School System contributions totaling \$1,864,791 and \$1,890,341 for fiscal years 2015 and 2014, respectively; and contributions by the State of Maryland on behalf of the School System totaling \$17,316,621 and \$17,080,357 for fiscal years 2015 and 2014, respectively. All contributions were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed annually.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2015

### 11. RETIREMENT PLANS (continued)

#### Board of Education (continued)

At June 30, 2015, 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:

	<b>Teacher's Retirement and Pension System</b>	<b>Employees' Retirement and Pension System</b>
School System's proportionate share of net pension liability	\$ -	\$ 14,395,785
State's proportionate share of net position liability associated with the School System	131,873,741	-
<b>Total</b>	<b>\$ 131,873,741</b>	<b>\$ 14,395,785</b>

For the year ended June 30, 2015, the School System recognized pension expense of \$23,803,351 related to governmental activities and \$312,737 related to business-type activities. As of June 30, 2015, the School System reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Change in assumptions	\$ 208,246	\$ -
Net difference between projected and actual investment earnings	-	1,575,713
School System contributions subsequent to the measurement date	1,864,791	-
<b>Total</b>	<b>\$ 2,073,037</b>	<b>\$ 1,575,713</b>

The \$1,864,791 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements June 30, 2015

#### 11. RETIREMENT PLANS (continued)

##### Board of Education (continued)

<u>Years Ended June 30,</u>	<u>Amount</u>
2016	\$ (265,528)
2017	(265,528)
2018	(265,528)
2019	(265,528)
2020	(265,528)
Thereafter	(39,827)

##### *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 7.65% 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 (6.65%) or 1-percentage point higher (8.65%) than the current rate:

	<u>1.0% decrease (6.65%)</u>	<u>Current rate 7.65%</u>	<u>1.0% increase (8.65%)</u>
Net pension liability	<u>\$ 20,746,137</u>	<u>\$ 14,395,785</u>	<u>\$ 9,076,561</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.

#### 12. RISK MANAGEMENT

##### County

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County purchases commercial insurance for claims in excess of deductible amounts for all risks of loss, except for employee health and workers' compensation. Settlements have not exceeded insurance coverages during the past three fiscal years.

The County Commissioners have established a self-insurance plan for health benefits to its employees, retirees and to other governmental and non-profit agencies. Budgeted amounts are charged to each fund, and premiums are charged to retirees and other governmental and non-profit agencies for their share of the costs, which are intended to cover the estimated costs of claims and administrative expenses. Contributions from employees, retirees and other governmental non-profit agencies are offset against budget amounts charged in the related fund. Under this plan, the County's General Fund bears all risk of loss.

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements

June 30, 2015

#### 12. RISK MANAGEMENT (continued)

##### County (continued)

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

The liability for estimated claims was determined to be \$1,056,288 which is reflected in the accompanying financial statements as of June 30, 2015. Changes in the claims liability were as follows:

	Years Ended June 30,	
	2015	2014
Liability, beginning of year	\$ 1,060,759	\$ 1,097,002
Premiums collected and changes in estimates during the year	13,919,883	12,432,050
Claims and administrative costs paid	(13,924,354)	(12,468,293)
Liability, end of year	<u>\$ 1,056,288</u>	<u>\$ 1,060,759</u>

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

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements

June 30, 2015

#### 12. RISK MANAGEMENT (continued)

##### County (continued)

The County Commissioners have also established a self-insurance plan for Workers' Compensation claims whereby the County is liable for the first \$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 \$777,183, which is reflected in the accompanying financial statements as of June 30, 2015. Changes in the claims liability were as follows:

	<b>Years Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
Liability, beginning of year	\$ 1,054,492	\$ 918,591
Premiums collected and changes in estimates during the year	1,255,713	1,072,408
Claims and administrative costs paid	(1,533,022)	(936,507)
Liability, end of year	<u>\$ 777,183</u>	<u>\$ 1,054,492</u>

##### Board of Education

The School System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; personal injury; and natural disaster. The School System is one of seventeen Boards of Education within the State of Maryland belonging to the Maryland Association of Boards of Education Group Insurance Pool (the Pool), a public entity risk pool organized as a trust. The School System pays an annual premium to the Pool for its property, liability, and automobile coverage. Such premiums are actuarially calculated for the Pool as a whole based on loss data and are allocated to members based on student enrollment and number and type of vehicles as well as experience modification factors. The Pool is reinsured on a claims-made basis for legal liability covering claims aggregating \$3 million per district per year.

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements

June 30, 2015

#### 12. RISK MANAGEMENT (continued)

##### Board of Education (continued)

Additionally, the School System is one of sixteen Boards of Education within the State of Maryland belonging to the Maryland Association of Boards of Education Workers' Compensation Group Self-Insurance Fund (the Fund). This Fund was established to provide worker's compensation indemnity and medical benefits coverage for participating school boards. The Fund is operated under regulations promulgated by the State's Workers' Compensation Commission (COMAR 14.09.02). Each Fund participant pays an annual premium calculated on its payroll according to the standard classifications, with an experience modification applied. Although premiums billed to the Fund members are determined on an actuarial basis, ultimate liability for claims remains with the respective members and accordingly, the insurance risks are not transferred to the Fund. Six months following the end of the Fund's fiscal year, the Fund's trustees declare unneeded funds as surplus and distribute 50% of the declared surplus as dividends to the Fund members. This dividend distribution is made no sooner than one year after the close of that fiscal year. Members dedicate the remaining 50% of the surplus each year to a surplus fund until it reaches 75% net annual premium. The Fund carries an excess insurance policy providing specific excess and employer liability protection coverage, thus reducing the potential of assessment against Fund members. The Fund provides coverage for up to a maximum of \$500,000 for each worker's compensation claim.

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

The School System also offers a program of self-insured health, dental, and vision benefits to its employees and retirees. Charges are made to other Funds, employees and retirees for their respective share of the costs in amounts planned to match the estimated claims, the cost of insurance premiums for coverage in excess of self-insured amounts and the administrative costs in providing the program. Such costs are also offset by interest income earned from investing receipts until they are paid out in the form of claims or expenses. Administrative costs directly related to the program are borne by the Self-Insurance Fund.

In accordance with the Governmental Accounting Standards Board's Statement No. 10 *"Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,"* charges to other funds must be accounted for as revenue by an internal service fund and expenditures/expenses by the other funds. The amounts of these charges were \$29,960,584 and \$30,656,377 for the years ended June 30, 2015 and 2014, respectively.

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements

June 30, 2015

#### 12. RISK MANAGEMENT (continued)

##### Board of Education (continued)

The Self-Insurance Fund's accrued liabilities include an estimate of the amount to be paid for self-insured claims incurred prior to June 30, 2015 and 2014. 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:

	<b>Years Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
Liability, beginning of year	\$ 2,165,352	\$ 2,075,915
Claims and changes in estimates during the year	39,184,521	36,426,667
Claims paid and accrued	(38,724,823)	(36,337,230)
Liability, end of year	<u>\$ 2,625,050</u>	<u>\$ 2,165,352</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. Summarized financial information for the Sewer and Pretreatment operations is presented below. The Water Quality Department operates the County's sewage treatment plants, sewage pumping stations, and collection systems and leases the pretreatment facility to a private company.



# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2015

### 14. SEGMENT INFORMATION (continued)

	<b>Sewer Department</b>	<b>Pretreatment Department</b>
<b>CONDENSED STATEMENT OF NET POSITION</b>		
<b>ASSETS</b>		
Current assets	\$ 18,655,887	\$ 2,384,777
Noncurrent assets	107,643,105	5,343,849
Total Assets	<u>126,298,992</u>	<u>7,728,626</u>
DEFERRED OUTFLOW OF RESOURCES	39,728	276,378
<b>LIABILITIES</b>		
Other current liabilities	6,830,789	1,780,405
Noncurrent liabilities	18,724,705	3,520,698
Total Liabilities	<u>25,555,494</u>	<u>5,301,103</u>
Net Position		
Net investment in capital assets	96,880,712	1,263,943
Unrestricted	(4,575,264)	1,439,958
Restricted - capital projects	8,477,778	-
<b>Total Net Position</b>	<u><u>\$ 100,783,226</u></u>	<u><u>\$ 2,703,901</u></u>
<b>CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION</b>		
Operating revenue	\$ 8,883,033	\$ -
Lease income	-	347,049
Depreciation expense	(2,117,072)	(187,409)
Other operating expenses	(7,646,730)	(20,519)
<b>Operating income</b>	<u>(880,769)</u>	<u>139,121</u>
Non-operating revenue (expenses):		
Interest expense	(737,696)	(186,950)
Interest income	125,917	-
Utility administration charge	-	-
Operating transfers	-	-
Capital contributions	<u>1,195,852</u>	<u>-</u>
Change in Net Position	(296,696)	(47,829)
Net Position, beginning of year, as restated	101,079,922	2,751,730
<b>Net Position, End of Year</b>	<u><u>\$ 100,783,226</u></u>	<u><u>\$ 2,703,901</u></u>
<b>CONDENSED STATEMENT OF CASH FLOWS</b>		
Net cash provided (used) by		
Operating activities	\$ (81,355)	\$ 297,230
Noncapital financing activities	-	-
Capital and related financing activities	3,232,823	(714,213)
Investing activities	(3,597,416)	-
Net increase	(445,948)	(416,983)
Cash and cash equivalents, beginning of year	8,920,473	2,801,760
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 8,474,525</u></u>	<u><u>\$ 2,384,777</u></u>

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements

June 30, 2015

#### 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 \$167,080 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, 2015.

The Resh Landfill has reported a landfill post-closure care liability of \$5,160,436 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, 2015.

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, 2015. The Rubble Landfill was closed in December 2000. No current expense was recognized in the Solid Waste Fund for the year ended June 30, 2015.

The 40 West Landfill began operation in fiscal year 2001. The estimated life of this landfill is approximately 120 years as of June 30, 2015, it is estimated that approximately 16.4% of the capacity has been used. The estimated costs associated with closure and post-closure care of \$7,736,873 was reported as a liability in the Solid Waste Fund at June 30, 2015. 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 Director of Finance that they meet the Local Government Financial Test as of June 30, 2015, as specified in 40CFR258.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2015

### 16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (OPEB)

#### County

Plan Description: The County offers postretirement health care benefits to employees who retire from the County under normal or early retirement provisions of the pension plan. The health care benefits are provided until the retiree is eligible for Medicare. Retirees who exercise the one-time option for the health care benefits pay one-half of the estimated cost of the benefits. The County pays the remaining cost as part of its self-insurance program. Currently, forty-five retirees are receiving benefits and sixty-seven employees are retirement eligible. Expenditures for postretirement health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported.

The County offered a special termination benefit to employees that retired between July 1, 1995 and September 30, 1995. Those employees are receiving health care benefits (managed care program) from the date of retirement until they are eligible for Medicare or turn 65. One former employee and their spouse are receiving this benefit.

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

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2015

### 16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

#### County (continued)

#### Components of Net OPEB Obligation

Annual Required Contribution	\$ 1,185,434
Interest on Net OPEB Obligation	(94,017)
Adjustment to Annual Required Contribution	78,498
Annual OPEB Cost (Expense)	1,169,915
Contributions Made or Accrued	1,724,567
Increase in Net Assets	(554,652)
Net OPEB Asset - Beginning of Year	(1,213,123)
Net OPEB Asset - End of Year	<u>\$ (1,767,775)</u>

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

<b>Fiscal Year Ended June 30,</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Assets</b>
2015	\$ 1,169,915	147.41%	\$ (1,767,775)
2014	1,291,864	130.97%	(1,213,123)
2013	1,320,987	99.79%	(813,022)

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

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements

June 30, 2015

#### 16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

##### County (continued)

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

In the actuarial valuation for the plan year ending June 30, 2014, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.75% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 7.8% initially, reduced by decrements to an ultimate rate of 5% after three years. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement plan asset returns. The unfunded actuarial accrued liability (UAAL) is being amortized as a level dollar charge on an open basis. The remaining amortization period as of July 1, 2013, was 24 years.

##### Board of Education

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

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements

June 30, 2015

#### 16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

##### Board of Education (continued)

A member may retire after 25 years of service from the Retirement System, and as early as age 55 and 15 years of service from the Pension System. Retirees can continue the same medical coverage they had (including family coverage) as active employees. Retirees receive a subsidy for their postretirement medical insurance based on points (Age + Service). A minimum of 66 points (with 5 years of service) is required to receive a subsidy. The maximum subsidy of 85% is reached at 85 points (note that this is a blended subsidy percentage based on the subsidy for each plan and the current enrollment distribution). Retirees with less than 66 points are allowed access, but must pay 100% of the published rates.

##### Funding Policy

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

##### Annual OPEB Cost and Net OPEB Obligation

The School System had an actuarial valuation performed for the plan as of June 30, 2014, to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC). The annual OPEB cost (expense) including current claims of \$16,986,000, including current claims, was \$15,000 less than the ARC, due to adjustments related to amortization and interest on the net OPEB obligation. The School System made contributions to the plan during the year ended June 30, 2015 of \$12,679,041, resulting in a decrease of the net OPEB receivable of \$4,306,959. The balance of the net OPEB receivable at June 30, 2015 is \$411,890. The School System's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 are as follows:

<b>Fiscal Year Ended June 30,</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Asset</b>
2015	\$ 16,986,000	74.64%	\$ (411,890)
2014	16,324,000	75.95%	(4,718,849)
2013	11,945,276	111.91%	(8,644,472)

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2015

### 16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

#### Board of Education (continued)

##### Funded Status and Funding Progress

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

The funded status of the plan as of June 30, 2015, was as follows:

Actuarial accrued liability (AAL)	\$ 185,310,000
Actuarial value of plan assets	<u>36,803,823</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 148,506,177</u></u>
 Funded ratio (actuarial value of plan assets/AAL)	 19.86%

##### Actuarial Methods and Assumptions

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

In the June 30, 2014, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.25% initially decreasing gradually to 3.6%. Both rates include a 2.8% inflation assumption. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2015, was twenty-two years.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2015

### 17. CONTINGENCIES AND COMMITMENTS

#### County

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

The County Commissioners and the Sheriff of Washington County are defendants in various legal proceedings as of June 30, 2015. 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, 2015 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.

#### 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, 2015, the School System had entered into various school construction commitments, which are not reflected in the financial statements since they will be funded by the State of Maryland or County sources, totaling approximately \$22,422,079.

The School System entered into various school construction commitments that will be funded by the State of Maryland or the County, totaling approximately \$9,830,241 as of June 30, 2015, and are included in encumbrances.



# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2015

### 17. CONTINGENCIES AND COMMITMENTS (continued)

#### Board of Education (continued)

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, 2015 were approximately \$94,756. Rent expense for these leases amounted to \$111,961 for the year ended June 30, 2015.

The School System participates in a number of state and federally assisted grant programs, which are subject to financial and compliance audits by the grantors or their representatives. Such federal programs were audited in accordance with the Federal Office of Management and Budget's Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations* for the current year. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School System expects such amounts, if any, to be immaterial.

### 18. COMMITTED AND ASSIGNED FUND BALANCES

Fund balances reflected in the governmental funds balance sheet as of June 30, 2015 are categorized as follows:

	General Fund	Capital Projects Fund	Non-major Governmental Funds	Total
Non-Spendable				
Inventory	\$ 763,939	\$ -	\$ -	\$ 763,939
Long-term receivable	300,000	-	-	300,000
Restricted				
Programs and activities	239,861	-	619,912	859,773
Workers compensation	179,107	-	-	179,107
Capital projects	-	17,206,344	-	17,206,344
Committed				
Contingencies	37,433,542	-	-	37,433,542
Programs and activities	29,318	-	-	29,318
Capital projects	-	45,315,658	-	45,315,658
Assigned				
Programs and activities	13,811	-	73,212	87,023
Unassigned	(632,225)	-	(184,638)	(816,863)
<b>Totals</b>	<b>\$ 38,327,353</b>	<b>\$ 62,522,002</b>	<b>\$ 508,486</b>	<b>\$ 101,357,841</b>

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements

June 30, 2015

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

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 2014 calendar year census shows 800 volunteers receiving at least 50 points, which qualifies them for LOSAP credit. 151 retired volunteers and 8 spouses are participating in LOSAP. The County funds LOSAP in annual amounts determined by an actuary.

#### *Investments*

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

<b>Investment Type</b>	<b>Range</b>	<b>Target</b>
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, 2015

#### 19. RETIREMENT PLAN - FIRE AND RESCUE VOLUNTEERS

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, 2015 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, 2015 is as follows:

Total pension liability	\$ 12,738,172
Net position	<u>(7,963,285)</u>
Net pension liability	<u><u>\$ 4,774,887</u></u>

Net position as a percentage of total pension liability is 62.52%.

#### *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 7.75% 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 (6.75%) or 1-percentage point higher (8.75%) than the current rate:

	<u>1.0% decrease (6.75%)</u>	<u>Current rate 7.75%</u>	<u>1.0% increase (8.75%)</u>
Net pension liability	<u><u>\$ 6,579,143</u></u>	<u><u>\$ 4,774,887</u></u>	<u><u>\$ 3,293,880</u></u>

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements June 30, 2015

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

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

For the year ended June 30, 2015, the County recognized pension expense of (\$53,660). As of June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to the length of service award program from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual investment earnings	<b>161,215</b>	-
<b>Total</b>	<b>\$ 161,215</b>	<b>\$ -</b>

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:

<b>Years Ended June 30,</b>	<b>Amount</b>
2016	\$ 40,304
2017	40,304
2018	40,304
2019	40,303
<b>Total</b>	<b>\$ 161,215</b>

#### 20. CHANGE IN ACCOUNTING PRINCIPLE

##### COUNTY

Net position of the governmental activities has been restated by negative \$48,132,082 due to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pension and related GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement in recording the beginning net pension liability and the beginning deferred outflow of resources, contribution subsequent to the measurement date, for all the defined benefit pension plans.

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements June 30, 2015

#### 20. CHANGE IN ACCOUNTING PRINCIPLE (continued)

##### **BOARD OF EDUCATION**

Net position of the Board of Education has been restated by negative \$13,981,081 due to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pension and related GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement in recording the beginning net pension liability and the beginning deferred outflow of resources, contribution subsequent to the measurement date, for all the defined benefit pension plans.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Schedule of Funding Progress June 30, 2015

### Other Postemployment Benefit (OPEB) Trust

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b-a)/c]</b>
7/1/2012	\$ 9,122,297	\$ 16,720,742	\$ 7,598,445	54.56%	\$ 34,478,486	22.04%
7/1/2013	11,216,550	18,745,334	7,528,784	59.84%	35,288,757	21.33%
7/1/2014	14,285,774	19,164,845	4,879,071	74.54%	33,098,009	14.74%



# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios - General Employees' Pension Fund June 30, 2015 and 2014

	2015	2014
<b>Service Cost:</b> Retirement benefits Administration	\$ 3,508,850	\$ 6,922,217
Interest	10,252,003	7,708,164
Benefit payments, including refunds of member contributions, death, & terminations	(6,880,888)	(6,004,033)
<b>Net changes in total pension liability</b>	6,879,965	8,626,348
Total pension liability - beginning	135,660,155	127,033,807
Total pension liability - ending (a)	<u>\$ 142,540,120</u>	<u>\$ 135,660,155</u>

### Plan fiduciary net position

Contributions - employer	\$ 6,786,549	\$ 6,017,521
Contributions - member	1,871,200	1,876,133
Net investment income	4,747,193	12,817,264
Receipts of In-kind	220,613	-
Benefit payments, including refunds of member contributions	(6,880,887)	(6,004,103)
Administrative expense	(604,197)	(238,016)
<b>Net changes in plan fiduciary net position</b>	6,140,471	14,468,799
Plan fiduciary net positions - beginning	85,971,016	71,502,217
Plan fiduciary net positions - ending (b)	<u>\$ 92,111,487</u>	<u>\$ 85,971,016</u>

### County's net pension - liability - ending (a) - (b)

	\$ 50,428,633	\$ 49,689,139
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Plan fiduciary net position as a percentage of total pension liability	64.62%	63.37%
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Covered employee payroll	\$ 33,098,009	\$ 35,288,757
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Net liability as a percentage of covered payroll	152.36%	140.81%
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Annual money-weighted rate of return, net of investment expense	5.52%	17.59%
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Notes to schedule:

This information is not available for previous years.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Schedule of General Employees' Pension Fund Employer Contributions June 30, 2015 and 2014

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

### Notes to schedule

#### Valuation Date

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

#### Methods and assumptions used to determine contribution rates:

Cost method	Entry age normal
Investment return	7.75%
Mortality	83 GAM sex distinct
Turnover	T4
Salary Scale	4.0% increases per year
Retirement age of DROP Election	10% each year from two years following early retirement date to two years following normal retirement date, 50% two years following year first eligible for normal retirement date, 25% each of next 4 years, 100% 7 years after normal retirement date.

#### Valuation of Assets

Market value as reported by the plan administrator, adjusted by a fraction of the investment (gains)/losses for the plan years preceding the current valuation year. Actuarial value can not exceed 120% of actual market value or be less than 80%.

#### Notes to schedule:

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, 2015 and 2014

	2015	2014
<b>Service Cost:</b> Retirement benefits Administration	\$ 143,037	\$ 147,049
Interest	922,814	872,518
Benefit payments, including refunds of member contributions, death, & terminations	(461,316)	(431,634)
<b>Net changes in total pension liability</b>	604,535	587,933
Total pension liability - beginning	12,133,637	11,545,704
Total pension liability - ending (a)	<u>\$ 12,738,172</u>	<u>\$ 12,133,637</u>
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$ 600,000	\$ 600,000
Net investment income	381,511	1,074,025
Receipts of In-kind	-	15,232
Benefit payments, including refunds of member contributions	(461,316)	(431,634)
Administrative expense	(23,215)	(27,429)
<b>Net changes in plan fiduciary net position</b>	496,980	1,230,194
Plan fiduciary net positions - beginning	7,466,305	6,236,111
Plan fiduciary net positions - ending (b)	<u>\$ 7,963,285</u>	<u>\$ 7,466,305</u>
 <b>County's net pension - liability - ending (a) - (b)</b>	\$ 4,774,887	\$ 4,667,332
 Plan fiduciary net position as a percentage of total pension liability	62.52%	61.53%
 Covered employee payroll	NA	NA
 Net liability as a percentage of covered payroll	NA	NA
 Annual money-weighted rate of return, net of investment expense	5.11%	16.78%

Notes to schedule:

This information is not available for FY13 and prior.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Schedule of Volunteer Length of Service Award Fund Employer Contributions June 30, 2015 and 2014

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

### Notes to schedule

#### Valuation Date

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

#### Methods and assumptions used to determine contribution rates:

Cost method	Entry age normal
Investment return	7.75%
Mortality	83 GAM sex distinct
Turnover	T5 Table
Salary Scale	4.0% increases per year
Retirement age	Normal retirement age or attained age, if later
Expenses	Included in the normal cost calculation
Valuation of Assets	Market value as reported by the plan administrator

### Notes to schedule:

This information is not availed for previous years.

## **COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

### **Combining Statements of Financial Schedules June 30, 2015**

#### **Non-Major Governmental Funds**

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

The Inmate Welfare Fund is a special revenue fund used to account for commissary activities at the Washington County Detention Center and other inmate related revenue and expenses.

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

The Agricultural Education Center Fund is a special revenue fund used to account for all transactions of the Agricultural Education Center (Center). The purpose of this Center is to promote agricultural pursuits in Washington County and to educate the general public and members of the agricultural community in all areas regarding agriculture in the County.

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

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

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

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

## **COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

### **Combining Statements of Financial Schedules June 30, 2015**

#### **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, 2015

	Community Grant Management	Inmate Welfare	Contraband	Agricultural Education Center	Hotel Rental Tax	Gaming	Land Preservation	HEPMPO	Total Non-major Funds
<b>ASSETS</b>									
Cash	\$ 64,994	\$ 113,253	\$ 123,792	\$ 46,475	\$ 390,282	\$ 1,530,980	\$ 410,030	\$ -	\$ 2,679,806
Accounts receivable	-	-	-	-	217,603	98,516	-	-	316,119
Due from other governmental agencies	291,915	-	-	-	-	-	-	273,132	565,047
<b>TOTAL ASSETS</b>	<u>\$ 356,909</u>	<u>\$ 113,253</u>	<u>\$ 123,792</u>	<u>\$ 46,475</u>	<u>\$ 607,885</u>	<u>\$ 1,629,496</u>	<u>\$ 410,030</u>	<u>\$ 273,132</u>	<u>\$ 3,560,972</u>
<b>LIABILITIES, AND FUND BALANCES</b>									
<b>LIABILITIES</b>									
Accounts payable	\$ 239,064	\$ 14,962	\$ -	\$ 4,554	\$ 284,280	\$ 1,558,639	\$ 8,345	\$ 98,368	\$ 2,208,212
Due to other funds	-	-	-	-	-	-	-	206,490	206,490
Accrued expenses	5,854	428	-	902	-	2,139	3,665	48	13,036
Other liabilities	-	-	66,082	-	-	-	243,857	-	309,939
Unearned revenue	94,166	-	-	-	-	36,525	184,118	-	314,809
<b>TOTAL LIABILITIES</b>	<u>339,084</u>	<u>15,390</u>	<u>66,082</u>	<u>5,456</u>	<u>284,280</u>	<u>1,597,303</u>	<u>439,985</u>	<u>304,906</u>	<u>3,052,486</u>
<b>FUND BALANCES</b>									
Restricted	1,430	97,863	57,710	-	323,605	-	139,304	-	619,912
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	41,019	-	32,193	-	-	73,212
Unassigned	16,395	-	-	-	-	-	(169,259)	(31,774)	(184,638)
<b>TOTAL FUND BALANCES</b>	<u>17,825</u>	<u>97,863</u>	<u>57,710</u>	<u>41,019</u>	<u>323,605</u>	<u>32,193</u>	<u>(29,955)</u>	<u>(31,774)</u>	<u>508,486</u>
<b>TOTAL LIABILITIES, AND FUND BALANCES</b>	<u>\$ 356,909</u>	<u>\$ 113,253</u>	<u>\$ 123,792</u>	<u>\$ 46,475</u>	<u>\$ 607,885</u>	<u>\$ 1,629,496</u>	<u>\$ 410,030</u>	<u>\$ 273,132</u>	<u>\$ 3,560,972</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, 2015

	Community Grant Management	Inmate Welfare	Contraband	Agricultural Education Center	Hotel Rental Tax	Gaming	Land Preservation	HEPMPO	Total Non- major Funds
<b>REVENUE</b>									
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,048,632	\$ -	\$ 42,158	\$ -	\$ 2,090,790
Licenses and permits	-	-	-	-	-	2,129,873	-	-	2,129,873
Charges for services	-	314,874	-	-	-	-	-	-	314,874
Revenue from uses of property	-	-	-	38,482	-	-	-	-	38,482
Reimbursed expenses	60	-	-	2,950	-	-	-	-	3,010
Miscellaneous revenues	1,495	74,841	24,969	-	-	-	-	99,804	201,109
Shared taxes and grants	2,704,234	-	-	-	-	-	371,363	418,550	3,494,147
<b>TOTAL REVENUE</b>	<u>2,705,789</u>	<u>389,715</u>	<u>24,969</u>	<u>41,432</u>	<u>2,048,632</u>	<u>2,129,873</u>	<u>413,521</u>	<u>518,354</u>	<u>8,272,285</u>
<b>EXPENDITURES</b>									
Public safety	-	384,174	27,035	-	-	984,865	-	-	1,396,074
Parks, recreation and culture	-	-	-	201,435	-	-	-	-	201,435
Land preservation	-	-	-	-	-	-	1,094,340	-	1,094,340
General operations	-	-	-	-	-	154,188	-	526,494	680,682
Community promotion	2,977,392	-	-	-	1,996,145	984,866	-	-	5,958,403
<b>TOTAL EXPENDITURES</b>	<u>2,977,392</u>	<u>384,174</u>	<u>27,035</u>	<u>201,435</u>	<u>1,996,145</u>	<u>2,123,919</u>	<u>1,094,340</u>	<u>526,494</u>	<u>9,330,934</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<u>(271,603)</u>	<u>5,541</u>	<u>(2,066)</u>	<u>(160,003)</u>	<u>52,487</u>	<u>5,954</u>	<u>(680,819)</u>	<u>(8,140)</u>	<u>(1,058,649)</u>
<b>OTHER FINANCING SOURCES</b>									
Transfers in	291,420	-	-	189,190	-	-	524,432	20,830	1,025,872
Transfers out	-	-	-	-	(387,000)	-	-	-	(387,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>291,420</u>	<u>-</u>	<u>-</u>	<u>189,190</u>	<u>(387,000)</u>	<u>-</u>	<u>524,432</u>	<u>20,830</u>	<u>638,872</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>19,817</u>	<u>5,541</u>	<u>(2,066)</u>	<u>29,187</u>	<u>(334,513)</u>	<u>5,954</u>	<u>(156,387)</u>	<u>12,690</u>	<u>(419,777)</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>(1,992)</u>	<u>92,322</u>	<u>59,776</u>	<u>11,832</u>	<u>658,118</u>	<u>26,239</u>	<u>126,432</u>	<u>(44,464)</u>	<u>928,263</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 17,825</u>	<u>\$ 97,863</u>	<u>\$ 57,710</u>	<u>\$ 41,019</u>	<u>\$ 323,605</u>	<u>\$ 32,193</u>	<u>\$ (29,955)</u>	<u>\$ (31,774)</u>	<u>\$ 508,486</u>



# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Combining Statement of Net Position – Non-Major Proprietary Funds As of June 30, 2015

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
<b>ASSETS</b>			
Current Assets:			
Cash and short-term investments	\$ 513,389	\$ 151,192	\$ 664,581
Accounts receivable	7,284	7,746	15,030
Unbilled receivables	561	-	561
Due from other governmental agencies	335,959	-	335,959
Inventories	69,474	51,977	121,451
Total current assets	926,667	210,915	1,137,582
Noncurrent Assets:			
Projects under construction	-	29,339	29,339
Property plant and equipment	7,531,807	4,581,481	12,113,288
Accumulated depreciation	(4,216,189)	(2,382,514)	(6,598,703)
Total noncurrent assets	3,315,618	2,228,306	5,543,924
<b>TOTAL ASSETS</b>	4,242,285	2,439,221	6,681,506
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	57,331	22,474	79,805
Accrued expenses	35,729	28,509	64,238
Unearned revenue	30,000	550	30,550
Compensated absences	47,683	28,904	76,587
Other liabilities	-	24,236	24,236
Total current liabilities	170,743	104,673	275,416
Non Current Liabilities:			
Compensated absences	15,153	21,679	36,832
<b>TOTAL LIABILITIES</b>	185,896	126,352	312,248
<b>NET POSITION</b>			
Net invested in capital assets	3,315,618	2,228,306	5,543,924
Unrestricted	740,771	84,563	825,334
<b>TOTAL NET POSITION</b>	\$ 4,056,389	\$ 2,312,869	\$ 6,369,258

# 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, 2015

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
<b>OPERATING REVENUE</b>			
Charges for services	\$ 445,378	\$ 831,113	\$ 1,276,491
Miscellaneous	17,746	5,367	23,113
<b>TOTAL OPERATING REVENUE</b>	<u>463,124</u>	<u>836,480</u>	<u>1,299,604</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	1,164,815	492,167	1,656,982
Fringe benefits	513,370	237,432	750,802
Utilities	27,616	54,087	81,703
Insurance	31,491	9,157	40,648
Repairs and maintenance	108,162	62,654	170,816
Supplies	47,070	4,244	51,314
Cost of goods sold	-	97,322	97,322
Contracted services	229,553	3,093	232,646
Rentals and leases	41,758	65,112	106,870
Other operating	234,191	125,105	359,296
Uncollectible accounts	60	-	60
Controllable assets	-	5,135	5,135
Depreciation	612,692	83,632	696,324
<b>TOTAL OPERATING EXPENSES</b>	<u>3,010,778</u>	<u>1,239,140</u>	<u>4,249,918</u>
<b>OPERATING LOSS</b>	<u>(2,547,654)</u>	<u>(402,660)</u>	<u>(2,950,314)</u>
<b>OTHER INCOME</b>			
Interest expense	30	-	30
Gain on disposal of assets	(18,130)	2,389	(15,741)
<b>TOTAL OTHER INCOME</b>	<u>(18,100)</u>	<u>2,389</u>	<u>(15,711)</u>
<b>LOSS BEFORE OPERATING TRANSFERS AND GRANTS</b>	<u>(2,565,754)</u>	<u>(400,271)</u>	<u>(2,966,025)</u>
<b>OPERATING TRANSFERS</b>	458,950	1,351,590	1,810,540
<b>GRANTS FOR OPERATIONS</b>	<u>1,337,954</u>	<u>-</u>	<u>1,337,954</u>
<b>LOSS BEFORE CAPITAL TRANSFERS AND GRANTS</b>	<u>(768,850)</u>	<u>951,319</u>	<u>182,469</u>
<b>CAPITAL TRANSFERS</b>	-	99,000	99,000
<b>GRANTS FOR CAPITAL PROJECTS</b>	<u>580,300</u>	<u>15,000</u>	<u>595,300</u>
<b>CHANGES IN NET POSITION</b>	<u>(188,550)</u>	<u>1,065,319</u>	<u>876,769</u>
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>4,244,939</u>	<u>1,247,550</u>	<u>5,492,489</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 4,056,389</u>	<u>\$ 2,312,869</u>	<u>\$ 6,369,258</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Combining Statement of Cash Flows – Non-Major Proprietary Funds For Year Ended June 30, 2015

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 1,145,878	\$ 839,914	\$ 1,985,792
Payments to suppliers	(691,670)	(431,716)	(1,123,386)
Payments to employees	(1,683,342)	(722,439)	(2,405,781)
<b>Net Cash from Operating Activities</b>	<u>(1,229,134)</u>	<u>(314,241)</u>	<u>(1,543,375)</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Operating contributions	1,796,904	1,351,590	3,148,494
Increase (decrease) in due to/from other funds	(195,830)	(863,556)	(1,059,386)
<b>Net Cash from Noncapital Financing Activities</b>	<u>1,601,074</u>	<u>488,034</u>	<u>2,089,108</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Interest paid on notes and bond payable	30	-	30
Acquisition and construction of capital assets	(420,951)	(139,790)	(560,741)
Gain (loss) on the sale of assets	(18,130)	2,389	(15,741)
Contribution for capital acquisitions	580,300	114,000	694,300
<b>Net Cash from Capital and Related Financing Activities</b>	<u>141,249</u>	<u>(23,401)</u>	<u>117,848</u>
Net change in cash	513,189	150,392	663,581
Cash, beginning of year	200	800	1,000
<b>Cash, End of Year</b>	<u>\$ 513,389</u>	<u>\$ 151,192</u>	<u>\$ 664,581</u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>			
Operating loss	\$ (2,547,654)	\$ (402,660)	\$ (2,950,314)
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation	612,692	83,632	696,324
Changes in assets and liabilities:			
Accounts receivable	(7,183)	3,134	(4,049)
Unbilled receivables	(9)	-	(9)
Due to/from other government entities	659,946	-	659,946
Inventories	4,918	(8,666)	(3,748)
Accounts payable and other liabilities	23,313	(1,638)	21,675
Accrued expenses	5,322	9,570	14,892
Unearned revenue	30,000	300	30,300
Compensated absences	(10,479)	2,087	(8,392)
<b>Net Cash from Operating Activities</b>	<u>\$ (1,229,134)</u>	<u>\$ (314,241)</u>	<u>\$ (1,543,375)</u>

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## **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, 2015

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUE				
Property Taxes				
Real property tax	\$ 106,636,980	\$ 106,636,980	\$ 106,526,518	\$ (110,462)
Personal property tax	12,124,470	12,124,470	12,761,837	637,367
Property tax interest income	480,000	480,000	411,564	(68,436)
Other property tax	719,190	719,190	718,412	(778)
State administrative fees	(568,460)	(568,460)	(508,043)	60,417
Property tax discounts and credits	(1,473,980)	(1,473,980)	(1,396,755)	77,225
Total Property Taxes	117,918,200	117,918,200	118,513,533	595,333
Other Local Taxes				
Income tax	72,230,000	72,230,000	73,603,292	1,373,292
Admissions and amusement tax	310,000	310,000	281,568	(28,432)
Recordation tax	5,500,000	5,500,000	6,078,677	578,677
Trailer tax	470,000	470,000	513,535	43,535
Total Other Local Taxes	78,510,000	78,510,000	80,477,072	1,967,072
Other Revenues				
Licenses and permits	1,450,750	1,450,750	1,362,651	(88,099)
Court costs and fines	326,700	333,030	383,897	50,867
Charges for services	427,900	427,900	434,237	6,337
Revenues from use of property	1,141,440	1,141,440	881,502	(259,938)
Reimbursed expenses	1,126,430	1,126,430	1,212,768	86,338
Miscellaneous revenues	1,773,400	1,820,750	452,632	(1,368,118)
Grant and shared revenues	1,864,190	3,441,449	3,355,253	(86,196)
Highway revenues	1,525,160	1,582,770	1,554,706	(28,064)
Total Other Revenues	9,635,970	11,324,519	9,637,646	(1,686,873)
TOTAL REVENUE	206,064,170	207,752,719	208,628,251	875,532
EXPENDITURES				
General Government				
Legislative				
County Commissioners	213,890	213,890	221,532	(7,642)
County Clerk	95,290	95,290	92,323	2,967
County Administrator	406,840	406,840	405,907	933
Public Relations	373,530	373,530	384,125	(10,595)
Purchasing	491,340	491,340	483,525	7,815
Total Legislative	1,580,890	1,580,890	1,587,412	(6,522)

# 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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Judicial				
Circuit Court	\$ 1,439,400	\$ 1,439,400	\$ 1,420,130	\$ 19,270
Orphan's Court	29,820	29,820	27,243	2,577
State's Attorney	2,963,590	2,963,590	2,921,034	42,556
Sheriff - Judicial	2,271,750	2,271,750	2,258,447	13,303
Sheriff - Process Servers	127,920	134,530	129,237	5,293
Grants	-	278,943	274,996	3,947
Total Judicial	6,832,480	7,118,033	7,031,087	86,946
Election Board	926,970	926,970	838,764	88,206
Financial Administration				
Budget and Finance	1,404,360	1,361,220	1,321,112	40,108
Independent Auditing	70,000	70,000	59,730	10,270
Treasurer	409,070	409,070	404,491	4,579
Information Technologies	2,035,800	2,035,800	2,034,853	947
Total Financial Administration	3,919,230	3,876,090	3,820,186	55,904
County Attorney	650,690	650,690	624,484	26,206
Human Resources	648,350	648,350	669,273	(20,923)
Planning and Zoning				
Planning and Zoning	638,500	638,500	625,503	12,997
Board of Zoning Appeals	53,440	53,440	42,810	10,630
Total Planning and Zoning	691,940	691,940	668,313	23,627
Public Works				
Department of Public Works	326,970	326,970	228,689	98,281
Public Works - Plan Review and Permitting	1,841,550	1,955,980	1,751,200	204,780
Public Works - Engineering	1,480,510	1,480,510	1,449,157	31,353
Public Works - Construction	1,814,830	1,700,400	1,626,536	73,864
Total Public Works	5,463,860	5,463,860	5,055,582	408,278
County Owned Buildings				
Martin Luther King Center	108,700	108,700	78,473	30,227
Administrative Building	219,600	219,600	166,689	52,911
Administrative Building II	91,850	91,850	88,982	2,868
Court House	562,730	562,730	540,090	22,640
County Office Building	214,610	214,610	167,842	46,768
Administration Annex	55,720	55,720	47,649	8,071
Central Services	201,770	201,770	184,400	17,370
Rental Properties	2,000	2,000	2,283	(283)
Library Maintenance	35,500	35,500	28,856	6,644
Dwyer Center	31,390	31,390	29,378	2,012
Public Facilities Annex	80,060	80,060	44,004	36,056
Total County Owned Buildings	1,603,930	1,603,930	1,378,646	225,284

# 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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Community Promotion				
Contributions to Non-profits	\$ 1,685,420	\$ 1,685,420	\$ 1,580,818	\$ 104,602
Economic Development Commission	549,500	549,500	525,355	24,145
Total Community Promotion	2,234,920	2,234,920	2,106,173	128,747
<b>Total General Government</b>	<b>24,553,260</b>	<b>24,795,673</b>	<b>23,779,920</b>	<b>1,015,753</b>
<b>Public Safety</b>				
Sheriff Departments				
Patrol	9,534,430	9,572,830	9,174,373	398,457
Sheriff Auxiliary	-	-	36,040	(36,040)
Narcotics Task Force	632,430	634,060	625,081	8,979
Grants	-	318,083	125,540	192,543
Total Sheriff Departments	10,166,860	10,524,973	9,961,034	563,939
Fire and Rescue Services				
Volunteer Fire and Rescue - County Grants	7,056,310	7,056,310	6,798,569	257,741
Air Unit	43,770	55,770	56,944	(1,174)
Special Operations	384,020	372,020	373,533	(1,513)
Total Fire and Rescue Services	7,484,100	7,484,100	7,229,046	255,054
Corrections				
Detention Center	13,200,620	13,200,620	12,730,678	469,942
Central Booking	832,960	832,960	820,381	12,579
Total Corrections	14,033,580	14,033,580	13,551,059	482,521
Other Public Safety				
911 - Communications	4,165,790	4,165,790	3,988,537	177,253
Wireless Communications	1,343,660	1,343,660	1,298,864	44,796
Emergency Management	124,520	124,520	136,266	(11,746)
Fire and Rescue Operations	1,181,960	1,181,960	1,164,315	17,645
Medical Examiner	15,000	15,000	17,170	(2,170)
Civil Air Patrol	3,600	3,600	3,600	-
Animal Control	1,199,320	1,199,320	1,199,320	-
Grants	-	741,645	606,100	135,545
Other Public Safety	8,033,850	8,775,495	8,414,172	361,323
<b>Total Public Safety</b>	<b>39,718,390</b>	<b>40,818,148</b>	<b>39,155,311</b>	<b>1,662,837</b>



# 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, 2015

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Health</b>	\$ 2,339,270	\$ 2,339,270	\$ 2,339,270	\$ -
<b>Social Services</b>				
Total Contributions to Other Agencies	331,990	331,990	331,990	-
Grants	-	238,588	239,527	(939)
<b>Total Social Services</b>	331,990	570,578	571,517	(939)
<b>Education</b>	103,810,560	103,810,560	103,810,462	98
<b>Parks, Recreation, and Culture</b>				
Total Contributions to Other Agencies	2,892,330	2,892,330	2,892,330	-
Parks Department	1,837,750	1,837,750	1,785,623	52,127
Martin L. Snook Park Pool	123,700	123,700	119,951	3,749
Fitness and Recreation	824,440	824,440	825,024	(584)
<b>Total Parks, Recreation, and Culture</b>	5,678,220	5,678,220	5,622,928	55,292
<b>Conservation of Natural Resources</b>				
Weed Control	192,170	199,210	189,358	9,852
Agricultural Extension Service	225,650	225,650	225,647	3
Cooperative Extension	38,730	38,730	38,730	-
Soil Conservation Service	132,240	132,240	132,240	-
Gypsy Moth Program	10,000	10,000	9,375	625
<b>Total Conservation of Natural Resources</b>	598,790	605,830	595,350	10,480
<b>Highway</b>	9,313,250	9,370,860	10,103,368	(732,508)
<b>General Operations</b>	510,010	510,010	558,112	(48,102)
<b>Unallocated Employee Insurance and Benefits</b>	694,270	694,270	1,445,214	(750,944)

# 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, 2015

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Intergovernmental</b>				
Golf Course operating transfer	\$ 151,590	\$ 151,590	\$ 1,351,590	\$ (1,200,000)
HEPMPO operating transfer	7,510	7,510	7,510	-
Land Preservation operating transfer	96,810	96,810	124,432	(27,622)
Water Quality operating transfer	95,820	95,820	81,808	14,012
Public Transit operating transfer	472,270	472,270	472,270	-
Airport operating transfer	14,500	14,500	14,500	-
Capital Projects operating transfer	1,800,000	1,800,000	2,800,000	(1,000,000)
Solid Waste operating transfer	491,360	491,360	491,360	-
Grants Management operating transfer	248,280	291,420	291,420	-
Agricultural Education Center operating transfer	189,190	189,190	189,190	-
Municipality in lieu of bank shares	38,550	38,550	38,543	7
<b>Total Intergovernmental</b>	<b>3,605,880</b>	<b>3,649,020</b>	<b>5,862,623</b>	<b>(2,213,603)</b>
<b>Debt Service</b>	<b>14,910,280</b>	<b>14,910,280</b>	<b>14,652,478</b>	<b>257,802</b>
<b>TOTAL EXPENDITURES</b>	<b>206,064,170</b>	<b>207,752,719</b>	<b>208,496,553</b>	<b>(743,834)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 131,698</b>	<b>\$ 131,698</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Principal amount of new debt for advance refunding			26,026,715	26,026,715
Deposit to escrow fund for advance refunding and repayment of loans			(26,021,529)	(26,021,529)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			<b>\$ 5,186</b>	<b>\$ 5,186</b>
<b>NET CHANGES IN FUND BALANCE</b>			<b>136,884</b>	
<b>FUND BALANCE - BEGINNING</b>			<b>38,190,469</b>	
<b>FUND BALANCE - ENDING</b>			<b>\$ 38,327,353</b>	

## **OTHER SCHEDULES**

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Local Management Board - Schedule of Revenue and Expenditures - Regulatory Basis For the Year Ended June 30, 2015

#### REVENUE

Community Partnership Agreement (CPA)	
Governor's Office for Children	\$ 693,372
Non- Community Partnership Agreement (Non-CPA)	
General Fund	291,420
Other Revenue	1,555
Md State Department of Education	466,623
Dept. of Housing and Community Development	1,544,238
Total Non-Community Partnership Agreement Revenue	<u>2,303,836</u>
<b>TOTAL REVENUE</b>	<u>2,997,208</u>

#### EXPENDITURES

Community Partnership Agreement (CPA)	
Administrative :	
Salaries	42,718
Benefit costs	22,282
Total CPA administrative expenditures	<u>65,000</u>
Programs:	
Rural Out of School Time Initiative	122,500
Juvenile Delinquency Prevention & Diversion	174,625
Tomorrow's Leaders	44,181
GOC-School Based Mental Health	69,650
Post-Secondary Education & Training Coordination	60,545
Family Centered Support Services	35,700
Regional Family Navigation Program	121,171
Total CPA program expenditures	<u>628,372</u>
Non-Community Partnership Agreement (CPA)	
Administrative:	
Salaries	88,372
Benefit costs	57,080
Advertising	197
Community service awards	1,666
Office supplies	912
Other Miscellaneous	12
Personal mileage	705
Printing Expense	120
Travel Expenses	964
Entertainment/business expense	262
Contracted/purchased services	100
Training	1,690
Copy machine rental	1,120
Telephone expenses	659
Total non-CPA administrative expenditures	<u>153,859</u>
Programs:	
Teen Pregnancy Prevention	119,300
MSDE - Healthy Families	466,623
Dept. of Housing and Community Development	1,544,238
Total non-CPA program expenditures	<u>2,130,161</u>
<b>TOTAL EXPENDITURES</b>	<u>2,977,392</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<u>\$ 19,816</u>

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**Local Management Board - Schedule of Earned Reinvestment  
For the Year Ended June 30, 2015**

<b>BALANCE AS OF JULY 1, 2014</b>	\$	1,429
<b>REVENUE</b>		
Interest Earned		<u>1</u>
<b>BALANCE AS OF JUNE 30, 2015</b>	\$	<u><u>1,430</u></u>

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**PROPOSED FORMS OF OPINIONS OF BOND COUNSEL**

**PROPOSED FORM OF OPINION REGARDING THE PUBLIC IMPROVEMENT BONDS**

[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 \$20,635,000 County Commissioners of Washington County Public Improvement Bonds of 2016 (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, without undertaking to verify the same by independent investigation, 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 genuineness of all signatures, 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 and maturities, 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. Interest on the Bonds is not a tax preference item directly subject to the alternative minimum tax imposed on individuals, corporations and other taxpayers pursuant to the Internal Revenue Code of 1986, as amended (the "Code"); however, interest on the Bonds held by certain corporations may be indirectly subject to federal alternative minimum tax because of its inclusion in the "adjusted current earnings" of a corporate holder. Interest on the Bonds held by foreign corporations engaged in a trade or business in the United States may be subject to the branch profits tax imposed by the Code.

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

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

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

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

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

Very truly yours,



## PROPOSED FORM OF OPINION REGARDING THE REFUNDING BONDS

[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 \$9,455,000 County Commissioners of Washington County Refunding Bonds of 2016 (the “Refunding Bonds”), dated the date hereof. All capitalized terms not defined herein shall have the meanings set forth in the Refunding 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, without undertaking to verify the same by independent investigation, 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 genuineness of all signatures, 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 Refunding 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 Refunding Bonds as an investment, or any other legal or financial aspect of the Refunding 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 Refunding Bond of the issue of Refunding Bonds that we have examined, and Refunding Bonds similarly executed and authenticated and identical thereto in form, except for numbers, interest rates, denominations and maturities, we are of the opinion that, under existing Maryland and federal law as of the date hereof:

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

The opinions set forth in this paragraph (d) are subject to the condition that the County complies with all requirements that must be satisfied subsequent to the issuance of the Refunding Bonds so that interest on the Refunding 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 Refunding Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Refunding 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 Refunding 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 Refunding Bonds.

It is to be understood that the rights of the owners of the Refunding Bonds and the enforceability of the Refunding 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 Refunding Bonds and the enforceability of the Refunding 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 Refunding Bonds and the tax status of the interest payable on the Refunding Bonds. We have not been engaged and have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Refunding 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 Refunding Bonds.

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

Very truly yours,

## NOTICE OF SALE

WASHINGTON COUNTY, MARYLAND  
(County Commissioners of Washington County)**\$20,635,000\* PUBLIC IMPROVEMENT BONDS OF 2016****\$9,700,000\* REFUNDING BONDS OF 2016**(Full Faith and Credit Obligations of the  
County Commissioners of Washington County)

Dated Date of Delivery

DTC Book-Entry

**Overview and Amortization**

Electronic proposals will be received via **Parity®** on behalf of County Commissioners of Washington County (the “County”) by the Chief Financial Officer of Washington County, Maryland (the “CFO”), at Room 304, 100 West Washington Street, Hagerstown, Maryland 21740 until 10:30 a.m. Prevailing Eastern Time on Tuesday, May 3, 2016 (the “Bid Date”, unless postponed as described in this Notice of Sale) for the purchase of all (but not less than all) of the Public Improvement Bonds of 2016 (the “Public Improvement Bonds”) and until 10:45 a.m. Prevailing Eastern Time for the purchase of all (but not less than all) of the Refunding Bonds of 2016 (the “Refunding Bonds”) (collectively, the Public Improvement Bonds and the Refunding Bonds are herein sometimes referred to as the “Bonds”) of the County. The Bonds will be dated their date of delivery. Interest on the Public Improvement Bonds will be payable on January 1, 2017, and semiannually thereafter on July 1 and January 1 until maturity or earlier redemption. Interest on the Refunding Bonds will be payable on July 1, 2016, and semiannually thereafter on July 1 and January 1 until maturity or earlier redemption. The Public Improvement Bonds are issued under the provisions of Chapter 60 of the Laws of Maryland of 2013 (“Chapter 60”) and Title 6 of the Code of Public Local Laws of Washington County, Maryland (2007), as amended (the “Water and Sewer Act”), as applicable. The Refunding Bonds are issued under the provisions of Chapter 205 of the Laws of Maryland of 2004 (“Chapter 205”), Chapter 392 of the Laws of Maryland of 2007 (“Chapter 392”), Title 6 of the Code of Public Local Laws of Washington County, Maryland (2007), as amended (the “Water and Sewer Act”), and Section 19-207 of the Local Government Article of the Annotated Code of Maryland, as amended (the “Refunding Act”), as applicable. Both series of the Bonds are issued in accordance with a Resolution adopted by the Board of County Commissioners of Washington County (the “Board”) on April 12, 2016.

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

*On or prior to the Bid Date, the County may determine not to issue the Refunding Bonds. Any such determination will be communicated via BiDCOMP/Parity®/www.i-dealprospectus.com or TM3 News Service (www.tm3.com) (“TM3”) as described below under “Amendment and Postponement”. If the County so determines not to issue the Refunding Bonds, references in this official Notice of Sale to the Refunding Bonds shall be disregarded.*

\*Preliminary; subject to change

The Public Improvement 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 “PIB Preliminary Amounts”), subject to the provisions of “Adjustments to Principal Amounts” herein:

#### **Public Improvement Bonds**

<b><u>Maturing July 1*</u></b>	<b><u>Principal Amount*</u></b>	<b><u>Maturing July 1*</u></b>	<b><u>Principal Amount*</u></b>
2017	\$ 710,000	2027	\$ 1,045,000
2018	740,000	2028	1,080,000
2019	770,000	2029	1,110,000
2020	805,000	2030	1,145,000
2021	835,000	2031	1,180,000
2022	870,000	2032	1,220,000
2023	905,000	2033	1,260,000
2024	940,000	2034	1,300,000
2025	980,000	2035	1,340,000
2026	1,015,000	2036	1,385,000

\*Preliminary; subject to change

The Refunding 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 January 1 in the years and principal amounts set forth below (the “Refunding Preliminary Amounts”), subject to the provisions of “Adjustments to Principal Amounts” herein:

#### **Refunding Bonds**

<b><u>Maturing January 1*</u></b>	<b><u>Principal Amount*</u></b>	<b><u>Maturing January 1*</u></b>	<b><u>Principal Amount*</u></b>
2020	\$ 480,000	2025	\$ 1,030,000
2021	885,000	2026	1,070,000
2022	920,000	2027	1,095,000
2023	955,000	2028	1,125,000
2024	985,000	2029	1,155,000

\*Preliminary; subject to change

#### **Adjustments to Principal Amounts**

Pre-sale, the County reserves the right to change the PIB Preliminary Amounts and/or the Refunding 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 applicable series of the Bonds and/or the principal amount of one or more of the maturities of the applicable series of the Bonds and, with respect to the Refunding Bonds, by adding or eliminating maturities, including (without limitation), with respect to the Refunding Bonds, because the County has determined that sufficient cost savings will not be achieved by refunding a portion of the outstanding 2009 Bonds identified under “Purpose of Issue” below. Should a revision to the aggregate principal amount of the Public Improvement Bonds and/or the principal amortization schedule for the Public Improvement Bonds be made (the “PIB Revised Amounts”) and/or should a revision to the aggregate principal amount of the Refunding Bonds and/or the principal amortization schedule for the Refunding Bonds be made (the “Refunding Revised Amounts”) and, together with the PIB Revised

Amounts, the “Revised Amounts”), such revision will be published on BiDCOMP/Parity®/www.i-dealprospectus.com or 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 PIB Preliminary Amounts and the Refunding Preliminary Amounts will constitute the PIB Revised Amounts and the Refunding Revised Amounts, respectively. Bidders shall submit bids based on the PIB Revised Amounts and the Refunding Revised Amounts, as applicable, and the PIB Revised Amounts and the Refunding Revised Amounts will be used to compare bids for the applicable series of the Bonds and to select a winning bidder for each series.

After selecting the winning proposal for each series of the Bonds, the maturity schedule of either or both series of the Bonds may be adjusted as necessary in the determination of the County’s financial advisor in increments of \$5,000. Such adjustments will not reduce or increase the aggregate principal amount of the applicable series of the Bonds from the corresponding Revised Amounts by more than 10%. The dollar amount bid for the principal of either series of the Bonds by the successful bidder will be adjusted proportionately to reflect any reduction or increase in the aggregate principal amount of such series of the Bonds, but the coupon rates specified by the successful bidder for all maturities of such series of the Bonds will not change; however, any such adjustment to the Refunding Bonds may result in the elimination of one or more maturities of the Refunding Bonds. Any such maturity schedule adjustments will be communicated to the successful bidder for the applicable series of 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 applicable 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 applicable series 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 a series of the Bonds so adjusted may not withdraw its bid or change the interest rates bid or initial reoffering prices as a result of any changes made to the principal amount of such series of the Bonds within these limits.**

#### **Serial Bonds and/or Term Bonds**

A bidder for a series of the Bonds may designate in its proposal two or more consecutive principal amounts provided for in the applicable amortization schedule 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.

#### **Purposes of Issue**

The Public Improvement Bonds are to be issued to provide a portion of the financing for infrastructure projects, environmental projects, public safety projects, public facilities and educational projects and to pay issuance costs of the Public Improvement Bonds. The Refunding Bonds are to be issued to provide funds to advance refund all or a portion of the outstanding callable maturities of the County’s Public Improvement and Refunding Bonds of 2009, dated May 15, 2009 (“the 2009 Bonds”).

#### **Bid Specifications**

Bidders may submit a bid for the Public Improvement Bonds and/or the Refunding Bonds, provided that, a separate bid shall be submitted for each series of the Bonds if a bidder determines to bid for both series. Each proposal for a series of the Bonds must be submitted electronically as described below. No bid of less than 100% of par with respect to either series of the Bonds, no bid greater than 120% of par with respect to the Public Improvement Bonds, no bid of greater than 115% of par with respect to the Refunding Bonds, no oral or written bid, and no bid for less than all of a series of the Bonds described in this Notice of Sale will be considered by the CFO.

Each bidder shall submit one proposal on an “all or none” basis for a series of the Bonds. Each proposal must specify the amount bid for such series of the Bonds, which amount (i) may not be less than 100% of par with respect to either series of the Bonds, (ii) may not be more than 120% of par with respect to the Public Improvement Bonds and (iii) may not be more than 115% of par with respect to the Refunding Bonds. Each proposal must specify in multiples of one-eighth ( $\frac{1}{8}$ ) or one-twentieth ( $\frac{1}{20}$ ) of one percent (1%) the rate or rates of interest per annum which such series of the Bonds are to bear but shall not specify (a) more than one interest rate for any Bonds of the same series having the same maturity, (b) a zero rate of interest, (c) any interest rate for any Bonds which exceeds the interest rate stated in such proposal for any other Bonds in such series by more than three percent (3%), or (d) for maturities 2027 through 2036, inclusive, of the Public Improvement Bonds, and for maturities 2027 through 2029, inclusive, of the Refunding Bonds, no interest rate may be bid that is lower than the interest rate in the immediately preceding year (i.e., interest rates must ascend or remain level on a year-to-year basis from a base year of 2026).

### **Electronic Bids Only**

Bid proposals must be submitted by electronic bidding via **Parity®**, in the manner described below, and must be received on the Bid Date by 10:30 a.m. Prevailing Eastern Time for the Public Improvement Bonds and by 10:45 a.m. Prevailing Eastern Time for the Refunding Bonds. No bid for a series of the Bonds will be received after the respective 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 applicable 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 a series of the Bonds, such bidder should telephone **Parity®** at (212) 849-5021 and notify the County’s financial advisor, Public Consultants, Inc. by facsimile at (410) 581-9808 and by telephone at (410) 581-4820.

### **Electronic Bidding Procedures**

Electronic bids must be submitted for the purchase of a series of the Bonds via **Parity®**. Bids will be communicated electronically to the County on May 3, 2016 (or such later Bid Date as announced in accordance with this Notice of Sale) at 10:30 a.m. Prevailing Eastern Time for the Public Improvement Bonds and at 10:45 a.m. Prevailing Eastern Time for the Refunding Bonds. Prior to those respective times, 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 applicable series of 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 applicable series of the Bonds on the terms therein provided, subject to this Notice of Sale. The County shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, **Parity®**, the use of such facilities being the sole risk of the prospective bidder. For purposes of the electronic bidding process, the time as maintained on **Parity®** shall constitute the Prevailing Eastern Time.

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

## **Basis of Award**

Proposals will be communicated electronically on the Bid Date at 10:30 a.m. Prevailing Eastern Time for the Public Improvement Bonds and at 10:45 a.m. Prevailing Eastern Time for the Refunding Bonds. Proposals for each series of the Bonds will be awarded on behalf of the County by the CFO. The successful bidder for each series of the Bonds will be determined based on the lowest interest cost to the County for such series of the Bonds. 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 of a series and to the price bid. If two or more bidders offer to purchase a series of 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 a series of 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 of such series to one bidder. The CFO will execute and deliver an order or orders of award promptly after the apparent successful bidder for each series of the Bonds pays the applicable 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 either series of the Bonds and to waive any informality or irregularity in any proposal and the judgment of the CFO with respect to such matters shall be final and binding upon all bidders with respect to the form and adequacy of any proposal received for a series of 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 one or both series of the Bonds.

## **Good Faith Deposits and Award**

The respective successful bidders for the Bonds shall submit good faith deposits in the amounts of \$200,000 for the Public Improvement Bonds and \$100,000 for the Refunding Bonds (each, a "Good Faith Deposit") as provided below. A Good Faith Deposit will secure the County from any loss resulting from the failure of a successful bidder to comply with the terms of its bid. The successful bidder for each series of the Bonds shall transfer the applicable Good Faith Deposit by wire transfer directly to the County upon notification of the preliminary award of the applicable series of the Bonds, but in any case no later than 3:00 p.m. Prevailing Eastern Time on the Bid Date (the "Deposit Deadline"). Wire instructions will be provided to the successful bidder for each series of the Bonds by the County's financial advisor upon notification of the preliminary award for such series.

The successful bidder for a series of the Bonds 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 a series of the Bonds, if made, will be indicated on **Parity®** and shall not be made until the County's financial advisor has confirmation of receipt of the Good Faith Deposit therefor, and if a successful bidder fails to so deliver the applicable Good Faith Deposit by the Deposit Deadline, the County will have the option to withdraw the preliminary award for such series of the Bonds without any liability to the successful bidder and the successful bidder for such series shall be responsible to the County for all consequential damages arising from such withdrawal.

At the time of the delivery of the Bonds of each series, the Good Faith Deposit of each series will be applied against the purchase price for the Bonds of such series or will be retained as liquidated damages upon the failure of a successful bidder to take and pay for the applicable series of the Bonds in accordance with the terms of its proposal. The successful bidder for a series of the Bonds shall have no right in or to the Good Faith Deposit for such series if it fails to complete the purchase of, and payment in full of, such series 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 a Good Faith Deposit to the applicable successful bidder. Notwithstanding the foregoing, should a successful bidder fail to pay for the applicable series of 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 a series of the Bonds is adjusted as described above under "Adjustments to Principal Amounts", no adjustment will be made to the applicable Good Faith Deposit.

## **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**

Each series of 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 of each series 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 each series 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 for each series of the Bonds, as a condition to delivery of such series 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 for a series of the Bonds.

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

## **Optional Redemption**

The Public Improvement Bonds that mature on or before July 1, 2026, are not subject to redemption at the option of the County prior to their maturities. The Public Improvement Bonds that mature on or after July 1, 2027, are subject to redemption at the option of the County in whole or in part on any date on or after July 1, 2026, in any order directed by the County, at a redemption price of the principal amount of the Public Improvement Bonds (or portions thereof) to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium or penalty. The Refunding Bonds that mature on or before January 1, 2026, are not subject to redemption at the option of the County prior to their maturities. The Refunding Bonds that mature on or after January 1, 2027, are subject to redemption at the option of the County in whole or in part on any date on or after January 1, 2026, in any order directed by the County, at a redemption price of the principal amount of the Refunding Bonds (or portions thereof) to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium or penalty.

## **Legal Opinions**

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. with respect to a series of the Bonds will be delivered, upon request, to the successful bidder for such series of the Bonds, without charge, and the text of the applicable approving opinion will also be printed on, or attached to, each Bond.

## **Undertakings of the Successful Bidder(s)**

Upon the preliminary award of each series of the Bonds, the successful bidder therefor shall promptly advise the County of the initial reoffering prices to the public of each maturity of such series of the Bonds. Simultaneously with or before delivery of a series of the Bonds, the successful bidder therefor shall furnish to the County a certificate in



form and substance acceptable to bond counsel (a) certifying that a bona fide offering of such series of the Bonds has been made to the public (excluding bond houses, brokers, and other intermediaries), and (b) stating that a substantial portion of each maturity of such series of the Bonds has been sold to the public (excluding bond houses, brokers, and other intermediaries) at the respective initial offering prices. Such certifications shall be based on actual facts known to the successful bidders as of the Bid Date. For purposes of a successful bidder's certificate, a substantial portion of a series of the Bonds is at least 10% in par amount of each maturity of such series. If a successful bidder cannot deliver the certificate as described above, the County's bond counsel will be required to evaluate the facts and circumstances of the offering and sale of the applicable series of the Bonds to confirm compliance with statutory requirements of avoiding the establishment of an artificial price for such series.

### **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 for a series of the Bonds to accept delivery of and pay for such series of 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 bidders 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 a 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 a series of the Bonds, if any, as may be so furnished. If the successful bidders furnish no such information, the Official Statement will include the interest rates on each series of the Bonds resulting from the proposal of the successful bidder therefor and the other statements with respect to reoffering contained in the Preliminary Official Statement. Whether or not any such information is included in the Official Statement, the successful bidders 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 applicable series 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 bidders will also be furnished, without cost, with a reasonable number of copies of the Official Statement. The successful bidders 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 bidders 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 bidders through the facilities of DTC on or about May 17, 2016. 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 for each series of the Bonds to accept delivery of and pay for such series of the Bonds that, simultaneously with or before delivery and payment for such series of 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 for either series of the Bonds being offered, determining not to issue the Refunding Bonds, and/or changing the bid specifications for either series of 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 either series of the Bonds and establish a subsequent date on which bids for any such series of the Bonds will again be received. If all bids for a series of the Bonds are rejected and a subsequent date for receipt of bids for such series of the Bonds established, notice of the subsequent Bid Date will be announced via BiDCOMP/Parity@/www.i-dealprospectus.com or TM3 at least 24 hours prior to such subsequent Bid Date. On any such alternative or subsequent Bid Date, any bidder may submit a proposal for the purchase of the applicable series of the Bonds in conformity in all respects with this official Notice of Sale except for the Bid Date and except for the changes announced by BiDCOMP/Parity@/www.i-dealprospectus.com or TM3 at the time the alternative or subsequent Bid Date and time are announced.

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

### **Additional Information**

The Preliminary Official Statement dated April 27, 2016, 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.

COUNTY COMMISSIONERS OF  
WASHINGTON COUNTY

By: \_\_\_\_\_ /s/ Terry L. Baker

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

**PROPOSED FORM OF  
CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by **COUNTY COMMISSIONERS OF WASHINGTON COUNTY** (the “Issuer”) in connection with the issuance of its \$20,635,000 Public Improvement Bonds of 2016 and \$9,455,000 Refunding Bonds of 2016 (collectively, the “Bonds”). The Bonds are being issued pursuant to a Resolution adopted on April 12, 2016. The Issuer covenants and agrees as follows:

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

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

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

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

**“Official Statement”** shall mean the Official Statement dated May 3, 2016 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, 2016.

(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, 2016, 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, 2016), the Issuer will provide unaudited financial statements within said time period.

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

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

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

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

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

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

#### SECTION 4. Reporting of Listed Events.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Date: \_\_\_\_\_, 2016

ATTEST:

COUNTY COMMISSIONERS OF  
WASHINGTON COUNTY

\_\_\_\_\_  
Vicki C. Lumm, County Clerk

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