

New Issue-Book-Entry Only

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

*In the opinion of Bond Counsel, under existing law, the interest on the Bonds will be includable in gross income for federal income tax purposes. 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 (the "State"), 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".*

**\$18,705,000**  
**WASHINGTON COUNTY, MARYLAND**  
**(COUNTY COMMISSIONERS OF WASHINGTON COUNTY)**  
**TAXABLE REFUNDING BONDS OF 2020**

Dated:	Date of delivery
Due:	July 1, as shown on the inside cover page
Interest Payable:	January 1 and July 1
First Interest Payment Due:	January 1, 2021
Denomination:	Integral multiples of \$5,000
Form:	Registered, book-entry only through the facilities of The Depository Trust Company ("DTC")
Optional Redemption:	The Bonds are not subject to redemption at the option of the County prior to maturity.
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 SCHEDULE, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS SEE INSIDE COVER PAGE**

**Conditions Affecting Issuance:** The Bonds are offered when, as and if issued, subject to, among other conditions, the delivery of the Bonds and the approving legal opinion of Funk & Bolton, P.A., Bond Counsel, with respect thereto and other conditions specified in the official Notice of Sale. Delivery will occur through the facilities of DTC on or about October 14, 2020.

*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: September 30, 2020

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**\$18,705,000**

**County Commissioners of Washington County  
Taxable Refunding Bonds of 2020**

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

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<b>Maturing July 1</b>	<b>Principal Amount</b>	<b>Interest Rate*</b>	<b>Price or Yield*</b>	<b>CUSIP</b>
2021	\$ 100,000	2.000%	0.220%	937777DH0
2022	795,000	2.000	0.270	937777DJ6
2023	1,695,000	2.000	0.320	937777DK3
2024	1,730,000	2.000	0.420	937777DL1
2025	1,770,000	2.000	0.570	937777DM9
2026	1,810,000	2.000	0.750	937777DN7
2027	1,855,000	2.000	0.900	937777DP2
2028	1,895,000	2.000	1.050	937777DQ0
2029	1,930,000	2.000	1.150	937777DR8
2030	1,970,000	2.000	1.250	937777DS6
2031	2,015,000	1.400	1.400	937777DT4
2032	1,140,000	1.500	1.520	937777DU1

**\*The interest rates and prices or yields shown above are those resulting from the successful bid for the Bonds on September 30, 2020 and were furnished by the successful bidder. Other information concerning the terms of the reoffering of the Bonds, if any, should be obtained from the successful bidder and not from the County. (See "MISCELLANEOUS--Sale at Competitive Bidding" herein.)**

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

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

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

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

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

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

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**COUNTY COMMISSIONERS**

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

**ADMINISTRATION**

Kirk C. Downey, Interim County Administrator and County Attorney  
Krista L. Hart, County Clerk  
Sara L. Greaves, C.P.A., Chief Financial Officer

**COUNTY TREASURER**

Todd L. Hershey

**FINANCIAL ADVISOR**

Davenport & Company LLC  
Towson, 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

**VERIFICATION AGENT**

Bingham Arbitrage Rebate Services, Inc.

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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 \$18,705,000 Taxable Refunding Bonds of 2020 (the “Bonds”).

All estimates and assumptions herein have been based upon information believed to be reliable and correct; however, statements made involving estimates and assumptions, whether or not expressly so stated, are intended merely as such and not as representations of facts. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect,” “anticipate,” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Some assumptions used to develop the forecasts may not be realized and unanticipated events and circumstances may occur. Therefore, there may be differences between forecasts and actual results, and those differences may be material. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof or as of a particular specified date.

Figures herein relating to tax collections, assessed value of property and the financial position of the County have been taken from official records of the County.

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

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

### Description of Bonds

The Bonds will be dated the date of their delivery. The Bonds will be issued in the principal amounts and will mature on the dates in the years and in the amounts set forth on the 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 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. Interest will be first paid on January 1, 2021, and semiannually thereafter on the first day of July and January of each year until the date of maturity. Interest payments will be made to the persons who are registered owners of record as of the 15th day of the month next preceding each such interest payment date. Each Bond shall bear interest from the most recent date to which interest has been paid or, if no interest has been paid, from its date of delivery.

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

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

Except during any period that the Bonds are maintained under a book-entry only system, interest on the Bonds will be payable by check of the Bond Registrar and Paying Agent mailed to the registered owners thereof. The principal of and interest on the Bonds will be paid in lawful money of the United States of America in the manner and at the places hereinabove described.

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

### **DTC and Book-Entry Only System**

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](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. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of the Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive physical certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry only system is discontinued.

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

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

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

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

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

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

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

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

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

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

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

### **Authorization**

The Bonds are issued pursuant to the authority of Chapter 392 of the Laws of Maryland of 2007 ("Chapter 392"), Title 6 of the Code of Public Local Laws of Washington County, Maryland (2019 Edition) (the "Water and Sewer Act"), and Section 19-207 of the Local Government Article of the Annotated Code of Maryland, (the "Refunding Act"), each as amended, as applicable, and in accordance with Resolution No. RS-2020-25 adopted by the Board of County Commissioners of Washington County (the "Board") on September 15, 2020 (the "Resolution").

Chapter 392, the Water and Sewer Act and the Refunding Act are collectively referred to in this Official Statement as the “Act”. Copies of the applicable Act and the Resolution are available at the office of the Chief Financial Officer of the County (the “CFO”).

## Application of Proceeds

The proceeds of the Bonds, including a portion of the net original issue premium paid by the successful bidder therefor available for such purpose, will be used to advance refund the outstanding callable maturities of the County’s Public Improvement Bonds of 2011, dated May 24, 2011 (the “2011 Bonds”), and the outstanding callable maturities of the County’s Public Improvement Bonds of 2012, dated May 24, 2012 ( the “2012 Bonds”), identified below in whole, and to pay costs of issuance of the Bonds. The County is not advance refunding (i) the 2011 Bonds maturing on July 1, 2021 or (ii) the 2012 Bonds maturing on July 1, 2021 and July 1, 2022. The refunded 2011 Bonds and the refunded 2012 Bonds are collectively referred to as the “Refunded Bonds” in this Official Statement.

The Refunded Bonds are as follows:

<b>Bond Issue</b>	<b>Principal Amount Outstanding</b>	<b>Principal Amount Refunded</b>	<b>Maturities Refunded</b>	<b>Redemption Date</b>	<b>Redemption Price</b>
2011 Bonds	\$ 8,905,000	\$ 8,230,000	2022-2031	July 1, 2021	100%
2012 Bonds	\$ 12,005,000	\$ 10,315,000	2023-2032 <sup>(1)</sup>	July 1, 2022	100%

(1) Serial 2012 Bonds maturing on July 1 in the years 2023-2027, inclusive, and 2030-2032, inclusive, and term 2012 Bonds maturing on July 1, 2029, with scheduled mandatory sinking fund redemptions on July 1, 2028 and July 1, 2029.

## Refunding Plan

A portion of the proceeds of the Bonds, together with other available funds, if applicable, will be applied to advance 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, if applicable, 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 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 of and interest on which are guaranteed by the United States of America (the “Acquired Obligations”). The 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 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 respective dates of redemption and to redeem the Refunded Bonds on their respective dates of redemption. (See “MISCELLANEOUS--Verification of Mathematical Computations” herein.) The Escrow Agent will apply the maturing principal of and interest on the Acquired Obligations and any cash held uninvested to the payment of the interest on the Refunded Bonds prior to their respective redemption dates and will be irrevocably instructed to redeem the Refunded Bonds on their respective dates fixed for redemption at a price equal to the outstanding principal amount thereof plus accrued interest to the applicable date fixed for redemption. The 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. The Escrow Agent will be irrevocably instructed to redeem the Refunded Bonds on their respective dates fixed for redemption.

## Redemption

### *No Optional Redemption*

The Bonds are not subject to redemption prior to their stated maturities at the option of the County.



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## 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., 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 Maryland 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 (the "State"), 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. Bond Counsel will not express any opinion on the status of interest payable on the Bonds other than with respect to Maryland law.

### *Federal Income Tax*

In the opinion of Bond Counsel, interest on the Bonds will be includable in gross income for federal income tax purposes.

Many factors may affect the applicability of federal income tax laws pertaining to the Bonds and the receipt of interest on the Bonds, including the status of a beneficial owner of the Bonds as a United States of America holder or non-United States of America holder under applicable rules, whether the Bonds are held as capital assets or in some other context, and whether the status of a beneficial owner and/or the financial context in which it is operating represents a special tax situation, such as S corporations, insurance companies, tax-exempt organizations, financial institutions, regulated investment companies, real estate investment trusts, certain broker-dealers and traders in securities. Persons considering purchasing the Bonds should

## THE BONDS

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consult their own tax advisors concerning the application of federal income tax laws to their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction. Bond Counsel will not express any additional opinions regarding the taxable status of interest payment on the Bonds for federal income tax purposes.

See Appendix B hereto for the proposed form of opinion 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 website is [www.washco-md.net](http://www.washco-md.net). Any references in this Official Statement to the County’s website are provided for convenience only. The information on the County’s website is not incorporated herein, by reference or otherwise.

Under the Code of the Public Local Laws of Washington County (2019 Edition), as amended, being Article 22 of the Code of Public Local Laws of Maryland (the “County Code”), both the executive and legislative functions of the County are vested in the elected, five-member Board of County Commissioners of Washington County (the “Board”). The Board may only exercise such powers as are conferred upon it by the General Assembly of Maryland, including authorization to issue debt to finance its capital projects. County Commissioners are elected on a countywide basis and serve four-year terms.

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

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

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

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

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

JEFFREY A. “JEFF” CLINE, a third-term County Commissioner, serves as President of the Board of County Commissioners and is a Williamsport, Maryland, resident. Mr. Cline is a graduate of Williamsport High School and Hagerstown Community College. An experienced realtor since 2003, Mr. Cline has assumed an inactive status in this field in order to fulfill his commitment to Washington County. He graduated from the Maryland Association of Realtors’ 2008 Leadership Academy, received the Graduate of Realtor Institute (GRI) designation and is also a graduate of Leadership Washington County Class 26. Mr. Cline served on the Williamsport Town Council from 2005 to 2009.

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

WAYNE K. KEEFER, a second-term County Commissioner, Mr. Keefer is a life-long resident of Washington County. A graduate of Hancock Middle-Senior High School, Mr. Keefer continued his education locally at Hagerstown Community College, then earned his B.S. and M.B.A. from Frostburg State University. Mr. Keefer has over a decade of experience as a commercial banker with roles in consumer lending and corporate accounting. He currently works as both Program Developer and Adjunct Instructor with his alma mater, Frostburg State University, and is a licensed real estate agent. An active member of the community, he has previously served as President of the Hancock Chamber of Commerce, Vice-President of the Rotary Club of Hancock, and Secretary/Treasurer for the Hancock Historical Society. Mr. Keefer lives in his hometown of Hancock.

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

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

***County Treasurer***

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

SARA L. GREAVES, C.P.A., Chief Financial Officer, holds a B.S. degree in Accounting from the University of Maryland University College (now known as University of Maryland Global Campus). She earned a Master of Business Administration degree from Frostburg State University. Mrs. Greaves was hired by Washington County in 2012 as an accountant, was promoted to Deputy Director of Budget and Finance in 2014 and was appointed as Chief Financial Officer in February 2018. She is a member of the American Institute of Certified Public Accountants, the Maryland Association of Certified Public Accountants, the Maryland Government Finance Officers Association and the Government Finance Officers Association of the United States and Canada.

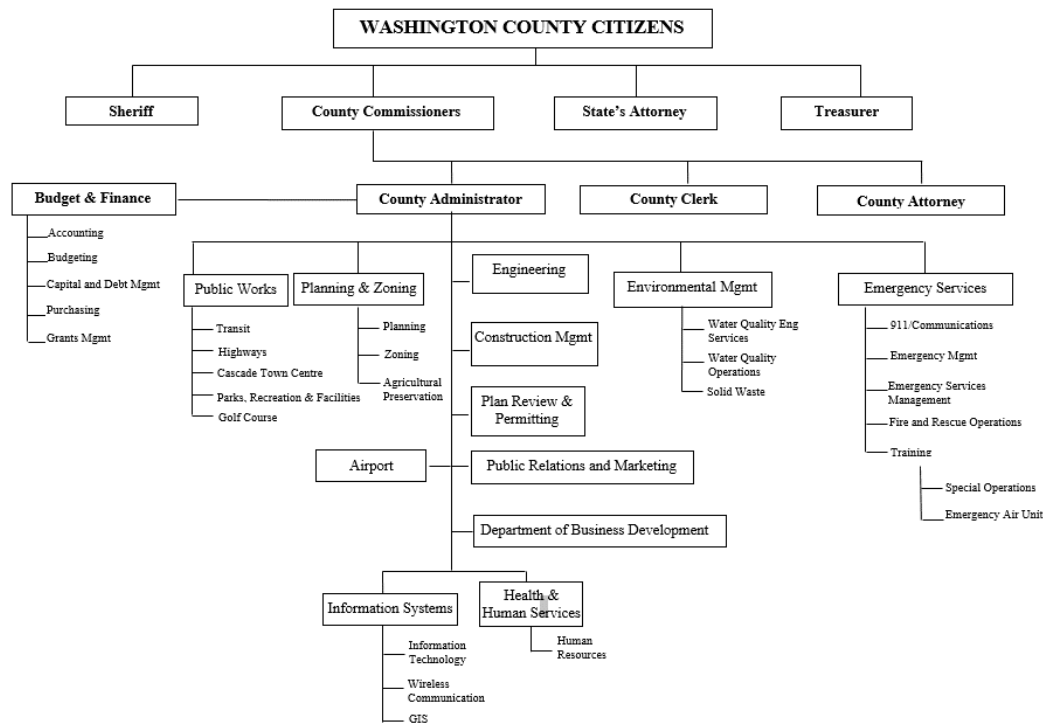
***Administrative Officials***

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

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

The position of County Administrator is vacant as of the date of this Official Statement. Mr. Downey was appointed on November 12, 2019 to serve as Interim County Administrator until the position is filled.

## Washington County Government Organizational Chart



### County Employment

As of June 30, 2019, the County employed 774 full-time employees and 569 part-time employees, including seasonal positions. The County has a compensation and classification plan, which is complemented by a performance evaluation system. There are 150 employees of the County's Division of Public Works, Division of Emergency Services, and Division of Environmental Management represented by a collective bargaining agreement that expires on June 30, 2023. The County has not experienced a work stoppage due to labor relation disputes and considers its relationships with employees to be good.

### Pension and Retirement System

Employees of the County government are provided retirement benefits through a pension plan (the "Plan"). Participation in the Plan is mandatory and there were 1,264 participants as of June 30, 2019. 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 32% of the non-uniformed participants contribute to the Plan at the rate of 5.50% of their annual salary and the remaining non-uniformed and uniformed employees contribute 6.00% of their annual salary.

The County's contribution is comprised of three parts: (i) contribution to cover current service costs, (ii) annual accrued liability contribution to liquidate the County's unfunded accrued liability by July 1, 2039 and (iii) annual additional accrued liability contribution to liquidate the County's additional accrued liability due to actuarial gains and losses, benefit changes and assumption changes. Contributions are based on an assumed investment rate of 7.25% compounded annually. Contributions are currently funded at 26% of total salary expense. Salaries are assumed to increase at an annual rate of 3.00%. Contributions from participants and from the County are pooled to provide the guaranteed allowance for each member.

The following table presents the pension and retirement contributions and unfunded liabilities of the County and certain County agencies for completed fiscal years 2017 through 2020 and for fiscal year 2021. For fiscal year 2021, which began July 1, 2020, the County paid the \$11,182,857 amount reflected in the "Total" column in the table below. This payment is the aggregate of the amounts reflected in the columns "Current Service Costs" and "Recommended Payment for Unfunded Accrued Liability".

As of July 1	Current Service Costs	Recommended Payment for Unfunded Accrued Liability	Total	Unfunded Accrued Liability
2020	\$3,471,254	\$7,711,603	\$11,182,857	\$83,819,276
2019	3,271,075	7,645,393	10,916,468	85,204,939
2018	2,403,396	9,415,983	11,819,379	85,336,525
2017	2,309,989	8,199,538	10,509,527	83,002,235
2016	1,454,253	5,555,195	7,009,448	55,888,694

Source: Bolton Partners, Inc.

As a result of the implementation of GASB Statement 68—Accounting and Financial Reporting for Pensions, the County modified its accounting for the Plan, while continuing to use the same actuarial cost method for determining contributions to the Plan. For fiscal years prior to fiscal year 2015, costs and funding contributions were based on the Projected Unit Credit actuarial cost methods. For fiscal year 2015 and later, the funding contributions remain based on the Projected Unit Credit funding method while the GASB liabilities reflected in the financial statements are based on the Entry Age Normal cost method, as required by GASB 67 and 68. The new method produces higher liabilities but lower normal costs than the previous method. However, both methods produce actuarially sound contribution (funding) or liabilities (GASB), and annual contributions are intended to fully fund the Plan’s July 1, 2019 unfunded liability by July 1, 2039.

Please refer to Notes 1 and 11 to the financial statements for fiscal year 2019 and to the Required Supplementary Information set forth in Appendix A to this Official Statement for additional information regarding the County’s pension obligations.

### Other Post–Employment Benefits

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

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

There is no vesting in the post-employment health benefits, and they are subject to change at any time. All employees who retire from the County may participate in the program. In order to be eligible, the retiree must have (i) a minimum of five years of County service, and (ii) immediately preceding retirement, been enrolled in a medical, vision, or prescription drug insurance plan offered to active employees in the County. The retirees pay 50% of the health insurance premium. Retirees participating in the County’s health plan are also covered by a death benefit equal to their final annual salary, not to exceed \$100,000. These benefits cease when the retiree attains age 65 or becomes Medicare eligible. As of June 30, 2019, 54 retirees were receiving OPEB benefits and 149 employees were retirement-eligible.

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

The net OPEB liability (asset) is equal to the total OPEB liability minus the net position of the plan. The result as of June 30, 2019 is as follows:

#### Components of Net OPEB Obligation

Total OPEB liability	\$ 13,718,221
Net position	\$ (24,296,728)
Net OPEB liability (asset)	\$ (10,578,507)

Source: Bolton Partners, Inc.

Please refer to Note 16 to the financial statements for fiscal year 2019 and to the Required Supplementary Information set forth in Appendix A to this Official Statement for additional information regarding the County’s OPEB obligations.

## Insurance

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

## Certain Services and Responsibilities

### *Education*

The Board of Education of Washington County (the "Board of Education") implements all educational policies and programs for public schools in Washington County under the administration of the State Board of Education. The Board of Education, composed of seven members elected for four-year terms, oversees 22,993 students (including 1,128 in pre-kindergarten), in 47 instructional facilities, which include elementary, middle, high and combined schools. The average unrestricted Pre-K-12 per pupil expenditure was \$12,188 for the 2018-19 school year.

The largest General Fund appropriation by the County in its adopted budget for fiscal year 2021 is \$103,208,100 for the Board of Education, which represents 44.0% of the fiscal year 2021 General Fund budget. This appropriation is for operating expenditures. In addition, the County appropriated \$4,000,000 in its capital budget for fiscal year 2021 for Board of Education projects.

Washington County's high school graduation rate for the 2018-2019 school year as compared to other selected peer group counties and the State of Maryland is as follows:

<b>Washington County</b>	Frederick County	Cecil County	Carroll County	Charles County	St. Mary's County	State of Maryland
<b>91.37%</b>	91.95%	93.30%	95.00%	94.60%	94.33%	86.86%

Source: Maryland Board of Education

### *Training/Higher Education*

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

#### **Training**

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

***Washington County Technical High School*** is a two-year public high school that is under the administration of the Washington County Public Schools. English, math, science and social studies core subject courses and 17 career and technology programs are offered. These programs prepare students for professional/technical careers based on current industry skill standards. Enrollment is open to qualified 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).



*Pittsburgh Institute of Aeronautics (“PIA”)* established the Federal Aviation Administration (FAA) - approved Aviation Maintenance Technician (AMT) 16-month education program at the Hagerstown Regional Airport. With the skills PIA graduates acquire from the program, they are equipped to work in many industries including aviation, mechanical systems, hydro-mechanical systems and the green technology field.

### **Higher Education**

*Hagerstown Community College (“HCC”)*, founded in 1946, was the first community college in Maryland. With more than 100 programs of study, HCC offers workforce preparation and credentialing, university transfer, career development, and basic education. HCC programs include the STEMM Technical Middle College, which allows high school students the opportunity to earn college credits and credentials while focusing on science, technology, engineering, mathematics and medical courses, an adult education program, and the Technical Innovation Center, a small business incubator.

The County appropriated \$10,035,290 in its fiscal year 2021 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 \$2,722,000 in its capital budget for fiscal year 2021 for HCC projects.

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

*University System of Maryland at Hagerstown (“USMH”)* opened in January 2005 and is located in Hagerstown’s historic City Center. USMH is part of a regional system offering 13 undergraduate and 10 graduate degree programs from six respected universities within the Maryland system: Frostburg State University, University of Maryland Global Campus, University of Maryland Eastern Shore, Towson University, Coppin State University and Salisbury University. Students can complete a bachelor’s degree or earn a master’s degree. USMH also offers access to on-site academic advising, computer labs, and a full-service library.

### **Planning and Zoning**

The Washington County Planning Commission was created in 1957. The Planning Commission consists of seven members appointed by the Board and is supported by the County’s Planning and Zoning Department with a staff of nine. The Planning Commission has authority to approve subdivision and site development plans. The plans are required by the Subdivision and the Zoning Ordinances and managed by the County’s Division of Plan Review & Permitting. Another of the primary responsibilities of the Planning Commission is the Comprehensive Plan for the County. The Planning Commission first recommended the adoption of a Comprehensive Plan for Washington County in 1971. Major updates to the Comprehensive Plan were completed in 1981 and in 2002. Another update of the Comprehensive Plan is now in progress, with adoption expected in 2021.

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

The Planning and Zoning Department continues to update and revise the Subdivision Ordinance, the Zoning Ordinance and other ordinances and functional plans that relate to land development in Washington County. In July 2012 the County adopted major revisions to the zoning text and map for the Urban Growth Areas to implement the recommendations of the Comprehensive Plan. Similar map and text amendments affecting areas around the designated Town Growth Areas of

Boonsboro, Smithsburg, Hancock and Clear Spring were adopted in 2017. Those revisions are designed to create a more desirable and efficient urban living environment. The amendments include improvements to the design guidelines in the industrial districts mentioned above. A new educational zone, called Education, Research and Technology, is designed specifically to allow Hagerstown Community College to partner with emerging high-tech industries and expand its role as business partner in the community. In an effort to coordinate development and infrastructure needs, staff is continuing to review the Adequate Public Facilities and the Excise Tax Ordinances for possible improvement. The County has also devised an analysis and mitigation protocol to manage the effects of increases in public school enrollments that result from new residential development.

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

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

### ***Hospital and Medical Care***

#### **Meritus Health**

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

Meritus Medical Center, which opened in 2010, is a state-of-the-art, Joint Commission-accredited hospital with 257 licensed beds in single-patient rooms. Services offered include a special care nursery, a level III trauma program, a primary stroke center and a wound center, as well as a cardiac diagnostic laboratory. Hospital services that address outpatient needs include the John R. Marsh Cancer Center, Meritus Total Rehab Care, Meritus Endocrinology Specialists, Meritus Home Health, Meritus Medical Laboratory and Equipped for Life.

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

#### **Washington County Health Department**

The Washington County Health Department, which provides various health services to the citizens of Washington County, was budgeted to receive a total of \$2,339,270 in fiscal year 2020 from the County. Along with the main headquarters, it has staff and programs based at seven other sites. The Health Department employs a total of 146 full-time and part-time personnel in five divisions.

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

### **Other Medical Facilities**

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

There are nine privately-owned licensed skilled nursing facilities with a total of 1,007 beds and one State-owned licensed skilled nursing facility with 63 beds in Washington County. All of these facilities are dually certified by Medicare and Medicaid. In addition, there are 19 privately-owned assisted living facilities with a total of 752 beds. Other medical facilities include the Western Maryland Center, a 123 bed State-owned, chronic care facility, and the Brook Lane Psychiatric Center, a privately-owned psychiatric facility. None of these facilities receive funds from the County.

### ***Safety***

#### **Law Enforcement**

The Washington County Sheriff's Office, the Maryland State Police, and municipal police agencies provide police protection in Washington County. The Sheriff's Office has 101 sworn personnel and 97 radio-dispatched vehicles. The Sheriff's Office is responsible for the operation of the Detention Center, which has a capacity of 450 inmates. In October 2016, a Day Reporting Center opened that provides treatment services to non-violent offenders with drug and/or alcohol addictions, as well as providing services for the Circuit Court Adult Drug Court Program. The State Police has 35 troopers assigned to the local barrack, which is located just south of Hagerstown. The Hagerstown Police Department has a full-time force of 110 officers. The Hancock Police Department employs four full-time officers. In addition, the Smithsburg Police Department employs four officers and the Boonsboro Police Department employs five police officers.

#### **Emergency Services**

The County's Division of Emergency Services ("DES") oversees Emergency Communication/911, Emergency Management, Fire and Rescue, and the Emergency Medical Services Operations Program. DES is led by a full-time career Director and four full-time department heads who oversee the daily operational components of Emergency Services in Washington County. The division has 104 full-time and part-time personnel working directly within the division and approximately 40 volunteers who provide dedicated service to the citizens of Washington County.

##### ***Emergency Communications***

The Emergency Communications Center is overseen by an assistant director with three full-time executive support staff. The Emergency Communications Center processes all 911 calls for the County and all of the Washington County municipalities through one central dispatch location. The call center and new digital radio system enable 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 the City of Hagerstown's and Washington County's non-emergency responders, allowing them to serve the community quickly and efficiently.

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

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

***Fire and Rescue***

Fire and rescue protection are 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 WCVRA has approximately 700 volunteers who provide a combination of firefighting, rescue, emergency medical and administrative services to the community. Several volunteer companies have hired career personnel to supplement the volunteer staff during times of low volunteer availability.

Special Operations activities are overseen by an assistant director. The County has a vision to become the regional leader in providing and coordinating efficient public services. In response to that vision the Special Operations Team has eight full-time, 23 part-time and additional volunteer personnel who complete extensive training in various technical and/or specialized areas including hazardous materials, trench rescue, rope rescue, water rescue, structural collapse and confined space rescue.

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

***Emergency Medical Services***

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

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

***Environmental Management***

The Division of Environmental Management (“DEM”), which includes the Department of Water Quality, the Environmental Engineering Department, the Solid Waste Department, the Stormwater Management Department and the Watershed Department, was created in fiscal year 2007. The State and federal environmental initiatives as they pertain to water, wastewater, stormwater, solid waste and nutrients are all jointly related. DEM is responsible for integrating applicable 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 2080. The County is in the process of evaluating other methods of handling solid waste as an alternative to landfilling. The department operates five solid waste convenience centers that are strategically located throughout Washington County. Supporting and strengthening individual and community self-reliance and responsibility in the areas of waste reduction, recycling, and proper disposal of solid waste is the mission of the Solid Waste Department.

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**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 areas surrounding the City of Hagerstown (except the Dual Highway corridor), the areas of Highfield, Elk Ridge, Sandy Hook, and the towns of Sharpsburg and Smithsburg. The incorporated municipalities of Hagerstown, Boonsboro, Clear Spring, Funkstown, Hancock, Keedysville, and Williamsport all own their water/wastewater facilities, or portions thereof. In addition to providing the wastewater service described above, the County operates the water and wastewater systems for the Town of Clear Spring and Brook Lane Health Services.

Five treatment plants serve the County water system with an aggregate capacity of 453,000 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 5,746,000 gallons per day, with individual plant capacities from 21,000 to 4.5 million gallons per day. The County upgraded its wastewater facilities to comply with the State’s enhanced nutrient removal (“ENR”) strategy. The Winebrenner Treatment Plant ENR upgrade began construction in fiscal year 2015 and was completed in the fall of 2016. The Conococheague Wastewater Treatment Plant ENR upgrade began construction in the fall of 2016 and was completed in the spring of 2019.

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

The County bills its customers quarterly except for those for which wastewater treatment service is provided by the City of Hagerstown, in which case the County’s charges are billed and collected on its behalf by the City of Hagerstown. The following table shows the total Number of Services and EDUs of the County’s water and wastewater systems and the annual residential user rates effective July 1, 2020. 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>1,350</u>	<u>1,506</u>	\$701.76

**WASTEWATER SYSTEM**

	<b>No. of Services</b>	<b>No. of EDUs</b>	<b>Residential Annual (Avg) User Rate</b>
Full Service .....	7,313	10,913	\$702.20
Collection Service Only .....	3,834	5,142	\$240.12
Wholesale .....	<u>5</u>	<u>4,134</u>	
Total.....	<u>11,152</u>	<u>20,189</u>	

The County provides wastewater “treatment only” services to its wholesale customers, which are the towns of Williamsport and Smithsburg, the Conococheague Pretreatment Facility (the “Pretreatment Facility”), Fort Ritchie and the City of Hagerstown. The only major wastewater treatment facility for public use in Washington County other than those operated by the County is the Hagerstown Wastewater Treatment Plant, owned and operated by the City of Hagerstown, which has a capacity of 8 million gallons per day.

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

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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 creating and sustaining a positive pro-business climate.

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

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

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

The DBD administers the Enterprise Zone Program, identifying eligible businesses that qualify for local real property tax credits and State income tax credits in the City of Hagerstown, the Town of Hancock, and elsewhere in Washington County. For tax year 2019-20 (fiscal year 2020), the City of Hagerstown, the Town of Hancock, and the County granted \$23,103, \$421, and \$459,281, respectively, in real property tax credits for private capital investment. The State of Maryland is expected to reimburse \$10,066.14 to the City of Hagerstown, \$210.39 to the Town of Hancock, and \$236,248.07 to the County for these credits.

## Business Development

### New and Expanding Businesses

In calendar year 2019, the County experienced new and expanding businesses highlighted by the creation of 238 new jobs and known new investments of approximately \$103.2 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 2019 and 2020 that are expected to provide an additional 2,356 new jobs and an additional \$545.2 million of new investments are noted in the following table based on the most recent information available:

#### Hagerstown-Washington County, Maryland -- Significant Business Activity for 2019/2020

Company Name	Business Type	Completed/ Expected Completion	Project Cost (1)	#New Jobs <sup>(1)</sup>	Sf/Acreage	Type of Activity
<b>Completed Projects 2019</b>						
AmeriServ Financial Bank	Finance	1Q19	\$ 700,000	5		Relocation/Expansion
Krispy Kreme	Retail	1 Q19	974,426	n/a		New Jobs/Construction
Meritus Medical Plaza	Healthcare	1Q19	15,000,000	0		Relocation/Construction
Middletown Valley Bank - Marsh Pike	Finance	1Q19	265,000	8		Expansion
EM Corporation	Manufacturing	2Q19	1,300,000	10		New Jobs/Expansion
Lidl Grocery Store	Retail	2Q19	2,000,000	n/a		New Jobs/Construction
Middletown Valley Bank - N. Potomac	Finance	2Q19	400,000	22		Relocation
Maryland Theatre	Arts and Entertainment	1Q19	13,000,000	0		Expansion
R&L Carriers	Transportation	4Q19	6,000,000	25		Expansion
NB3 Packaging	Manufacturing	3Q19	1,500,000	15		New Jobs/Relocation
First United Bank (Smitsburg)	Finance	4Q19	350,000	2		Renovation
First United Bank (Wesel Blvd)	Finance	4Q19	350,000	2		Renovation
Volvo	Manufacturing	3Q19	43,000,000	85		Expansion/New Jobs
CNB Bank (Dual Highway)	Finance	4Q19	300,000	n/a		Renovation
Rider Jet Center	Hangar Space	2Q19	3,000,000	n/a		New Construction
Black Rock Bar and Grille	Hospitality	2Q19	1,100,000	20		Renovation/New Business
Home2 Suites by Hilton	Hospitality	2Q19	14,000,000	44		New Jobs/Construction
	<i>Sub-totals</i>		<u>\$ 103,239,426</u>	<u>238</u>		
<b>Projects Under Development or Announced 2019</b>						
Dick's Sporting Goods	Retail	1Q20	\$ 15,000,000			Relocation/Expansion
Regal Cinemas	Tourism	1Q20	10,000,000			Renovation/Expansion
SkyZone	Tourism	1Q20	400,000			Expansion
Cushwa Brewery	Expansion	2Q20	1,200,000	16		Expansion
North Point Development (ph 1)	Warehouse/Distribution	4Q20				
North Point Development (ph 2)	Warehouse/Distribution	4Q21	250,000,000	1500		New Construction
Trammel Crow	Warehouse/Distribution	1Q20	62,500,000	500		New Construction
Antraquip	Manufacturing	2Q20	2,250,000	15		New Jobs/Expansion
IKO Industries/Blair Materials	Manufacturing	1Q20	70,000,000	40		New Jobs/Relocation
DaVita Foods	Manufacturing	1Q20	1,200,000	20		Expansion/New Jobs
National Park Service (C&O Canal)	Tourism	3Q20	26,650,000	75		New Jobs/Relocation/Construction
First United Bank (Edgewood Dr.)	Finance	1Q20	300,000	u/k		Renovation/Expansion
Pinnacle Foods	Manufacturing	4Q19	35,000,000	100		New Jobs/Expansion
PSI, Inc	Manufacturing	4Q19	6,000,000	u/k		New Equipment
Volvo VPL	R&D	1Q21	33,000,000	12		New Jobs/Expansion
Stoney Creek Farm & Event Center	Expansion	2Q20	9,500,000	20		Expansion
Antietam Overlook Brewery/B&B	Expansion	2Q20	800,000	15		Expansion
New Heights Industrial Park	Unknown	2Q20	12,000,000	u/k		Investment/Rehabilitation
Pathfinder Farm	Tourism		900,000	5		
Thomas, Bennett, Hunter	Construction	1Q20	1,500,000	u/k		Relocation/Expansion
Elmwood Farm Distillery	Tourism		1,000,000	8		
Utility Keystone	Transportation	1Q21	6,000,000	30	16 acres	Construction/New Jobs/Possible Expar
	<i>Sub-totals</i>		<u>\$ 545,200,000</u>	<u>2,356</u>		
<b>Totals for Projects 2019/2020:</b>			<u><b>\$648,439,426</b></u>	<u><b>2,594</b></u>		

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 .....	273	123	Private
Hagerstown Business Park .....	90	5	Private
Hagerstown Industrial Park .....	251	11	Private
Hunt Ridge Business Park .....	57	22	Private
MKS Business Park .....	81	11	Private
<b>Town of Hancock Enterprise Zone:</b>			
Hancock Industrial Park.....	185	157	Town
Raylock Business Park.....	55	20	Town
<b>Other Locations:</b>			
Airport Business Park .....	205	45	Nonprofit
Antietam Industrial Park .....	27	7	Nonprofit
Bowman Airpark .....	56	10	Private
Crossroads Business Park.....	122	47	Private
Earley Industrial Park .....	160	52	Private
Friendship Technology Park .....	435	69	Private
Friendship Town Center .....	161	161	Private
Cascade Town Centre.....	591	528	Public
Gateway Business Park.....	65	21	Private
Greencastle Pike Business Park.....	127	42	Private
HGR Aviation Tech Park.....	162	12	Private
Hub Business Park.....	130	16	Private
Hunter's Green Business Center.....	676	59	Private
Huyetts Business Park.....	66	10	Private
Interstate Industrial Park.....	457	58	Private
Interstate 70/81 Industrial Park.....	178	26	Private
Light Business Park .....	24	10	Private
Mount Aetna Technology Park at Hagerstown (MATH).....	261	202	Nonprofit
Newgate Industrial Park.....	161	19	Nonprofit
Orchard Park at Label Lane.....	20	20	Nonprofit
Potomac Parkway/Lockwood Business Area.....	53	21	Private
Showalter Road Center.....	89	89	Private
Top Flight Airpark.....	56	8	Private
Vista Business Park.....	177	74	Private
Washington County Business Park.....	212	35	County
Westgate Industrial Complex.....	175	175	Private

Source: Washington County Department of Business Development

***New Jobs Tax Credit Program***

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

### ***Enterprise Zones***

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

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

The Board adopted the “Pad-Ready” Commercial Stimulus Program on October 25, 2011. The program is designed to encourage developers/builders to bring undeveloped land to a shovel-ready state but is also intended for sites with existing buildings in need of redevelopment. Under the program, undeveloped parcels of land, demolitions, renovations and expansions of existing buildings qualify for incentives. Qualifying projects are entitled to priority plan review by the Washington County Development Advisory Committee, deferral of County site-plan application and review fees, and a real-estate tax credit issuance once buildings are constructed and occupied. The tax credit is four-tenths of one percent (0.4%) 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 depends on which level of certification the building receives and the increase in its assessed value after construction. Silver buildings are credited 20 percent of the taxes due on that increase; gold buildings, 25 percent; and platinum buildings, 30 percent.

### ***Job Creation and Capital Investment Real Property Tax Credit Program***

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

### ***HUBZone***

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

### ***Opportunity Zone***

The federal Opportunity Zone program, started in 2019 and ending in 2029, allows investors to receive substantial federal tax incentives over that ten (10) year period by investing their capital gains into Opportunity Zones. Washington County has five Opportunity Zones in two areas: City of Hagerstown and the Town of Williamsport. Opportunity Zones feature new federal tax incentives designed to drive long-term private investment to distressed communities. Investors are able to defer and even reduce their federal tax liability on the sale of assets if they place their gains into an Opportunity Fund, which pools capital and supports investments in small businesses and real estate within the Opportunity Zones in order to improve communities and the quality of life for residents.

## Foreign Trade Zone

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

## Utilities, Transportation and Communication

### *Utilities*

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

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

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

### *Transportation*

**Highways:** Washington County is served by Interstate Highways I-81, I-70, and I-68, complemented by U.S. 40 and U.S. 11, and State Routes 60, 63, 64, 65 and 68. These highways put Washington County businesses within a day's drive of one-third of the U.S. population and half of all retail trade. The Baltimore and Washington, D.C. beltways are an hour's drive from central Washington County.

**Air:** Hagerstown Regional Airport (HGR) is a Part 139 Facility which provides twice weekly service to Orlando/Sanford International (SFB), via Allegiant. Allegiant also offers summer seasonal flights twice weekly to St Pete-Clearwater (PIE) and Myrtle Beach (MYR) airports. The airfield also offers fixed base operation services to general aviation, corporate and military aircraft. There are 17 businesses offering clients a variety of aviation services for all types of aircraft. Approximately 1,600 people are employed locally as a result of the airport being in Washington County. In addition, Dulles International, Baltimore/Washington International Thurgood Marshall and Ronald Reagan Washington National airports are located within 70 miles of Hagerstown.

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

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

### *Communication*

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

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

## ECONOMIC AND DEMOGRAPHIC INFORMATION

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

### Population

The following table illustrates the population growth of Washington County, the State of Maryland, and the United States from calendar years 1970 to 2020.

Population Growth						
<u>Washington County</u>			<u>State of Maryland</u>		<u>United States</u>	
<u>Year</u>	<u>Population</u>	<u>Percent Change</u>	<u>Population</u>	<u>Percent Change</u>	<u>Population</u>	<u>Percent Change</u>
2020	156,800	2.4	6,042,718	4.4	326,687,501	5.8
2010	147,430	11.8	5,787,988	9.0	308,845,538	9.7
2000	131,923	8.7	5,296,486	10.8	281,421,906	12.7
1990	121,393	7.3	4,781,753	13.4	249,633,000	10.2
1980	113,086	9.9	4,216,000	7.4	226,505,000	11.4
1970	103,829	—	3,923,897	—	203,302,000	—

Source: U.S. Department of Commerce, Bureau of the Census for 1970, 1980, 1990, 2000, 2010;  
Maryland Department of Planning, Maryland State Data Center for 2020 projections.

### Income

Median household Effective Buying Income ("EBI") in Washington County was estimated at \$59,719 for calendar year 2018. The median household EBI for Washington County, the State of Maryland and the United States are estimated as follows:

Median Household Effective Buying Income					
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Washington County	\$59,719	\$56,316	\$56,228	\$56,477	\$55,700
State of Maryland	81,868	76,067	74,551	74,149	72,345
United States	60,293	55,322	53,889	53,482	52,176

Source: MD Brief Economic Facts for 2014-2018; United States Census Bureau QuickFacts

Comparative statistics relating to the distribution of EBI for calendar year 2017 are presented in the following table:

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

Source: MD Brief Economic Facts 19 release 2, based on U.S. Bureau of the Census updated 2019 for 2017.

## Area Labor Supply

Washington County has an available civilian labor force of approximately 77,592. In addition, businesses draw employees from Allegany, Garrett and Frederick counties in Maryland; Franklin and Fulton counties in Pennsylvania; and portions of Berkeley, Jefferson and Morgan counties in West Virginia. The civilian labor force for all these counties totals more than 433,769.

## Employment

Within Washington County there are more than 3,507 businesses. The following table shows the employment statistics for the 15 largest employers in Washington County as of August 2020.

<b>Employer</b>	<b>Employment</b>
Washington County Public Schools .....	3,285
Meritus Health.....	2,740
First Data.....	2,185
State of Maryland .....	2,030
Volvo Group.....	1,300
Washington County Government.....	1,118
Citi.....	925
FedEx Ground.....	900
Bowman Group, LLP (The).....	828
Federal Government.....	582
ARC of Washington County.....	550
Hagerstown Community College.....	545
Merkle Response Management Group.....	545
City of Hagerstown.....	506
Direct Mail Processors.....	500

Source: Maryland Department of Commerce; MD Brief Economic Facts

## Unemployment Rate

Unemployment in Washington County averaged 4.7% between 2015 and 2019. 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>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Washington County	3.8%	4.5%	4.4%	5.1%	5.8%
State of Maryland	3.6%	4.2%	4.1%	4.4%	5.2%

Source: Maryland Department of Labor, Licensing and Regulation

## Construction Activity

Construction activity during the years 2015-2019 in Washington County is provided below:

<b>Building Permits</b>						
<b>(Value in Thousands)</b>						
<b>Year Ended</b>	<b>Residential New</b>		<b>Other Permits</b>		<b>Total</b>	
<b>Dec. 31</b>	<b>Number</b>	<b>Value</b>	<b>Number</b>	<b>Value</b>	<b>Number</b>	<b>Value</b>
2019	200	\$50,455	1,002	\$175,029	1,202	\$225,484
2018	245	59,441	1,104	138,376	1,349	197,818
2017	198	57,704	1,117	75,737	1,315	133,441
2016	172	40,510	1,977	99,632	2,149	140,142
2015	202	52,305	2,065	97,055	2,267	149,360

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</b>	<b>Single Family (One and</b>
<b>December 31</b>	<b>Two-Unit Structures)</b>
2019	193
2018	234
2017	189
2016	159
2015	177

Source: Washington County Department of Permits and Inspections

Multi-family housing starts in the County were nominal during 2016. During the year ended December 31, 2015 there were five, 24-unit multi-family buildings constructed and for the year ending December 31, 2017, there were 12, 24-unit multi-family buildings constructed. During the years ending December 31, 2018 and 2019, there were no multi-family units constructed.

## Agriculture

Agriculture is an important part of Washington County's economy. Approximately 119,248 of Washington County's 293,223 acres (41%) 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, poultry and other animal products account for approximately 75% of the total farm sales.

Washington County is the heart of the fruit industry in Maryland. Apple and peach growers harvest nearly 1,274 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 13,023 head, ranking first 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 2017 are as follows:

### Washington County Agriculture Statistics, 2017

Number of farms.....	877
Total Land in farms.....	119,248
Average acres/farm.....	136
<b>Estimated market value of land and building:</b>	
Average per farm.....	\$1,095,597
Average per acre.....	\$8,057
Total farm income.....	\$153.7 mil
Average market value of products sold per farm.....	\$175,285

Source: U.S.D.A. Agriculture Census 2017. Census conducted 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 for fiscal year 2019 that are included in Appendix A to this Official Statement.

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

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

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

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

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

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

### Accounting Enterprise System

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



## Capital Budget Preparation Software

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

## Distinguished Budget Presentation Award

The County received the Distinguished Budget Presentation Award for its 2019 Budget Document from the Government Finance Officers Association of the United States and Canada. The award is given to those entities that satisfy nationally recognized guidelines for effective budget presentation. Those guidelines are designed to assess how well an entity's budget serves as a policy document, a financial plan, an operations guide, and a communication device. The County has received the award for 15 consecutive years. The award reflects the commitment of the County to meet the highest standards in governmental budgeting.

## Budget Process and Schedule

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

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

### *Financial Capacity and Analysis Phase*

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

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

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

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

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

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

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### ***Budget Development Start***

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

### ***Budget Development Phase***

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

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

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

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

### ***Review/Modification Phase***

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

### ***Adoption Phase***

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

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

### ***Budget Monitoring***

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

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

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

## General Fund Revenues and Expenditures

The General Fund's major function is to provide funding for education, public safety, courts, planning, permits, public works, parks and recreation, general operations, and economic development. The major revenue sources to provide these programs and services for the public are: Real and Personal Property Tax, Income Tax and Recordation Tax. The following table displays the County's General Fund actual revenues and expenditures compared to the final budget for fiscal year 2019, and budgeted revenues and expenditures for fiscal years 2020 and 2021. See "Miscellaneous – Potential Impact of COVID-19 Pandemic on the County" herein with respect to fiscal year 2021.

County Commissioners of Washington County Budget Comparison General Fund Fiscal Years 2019, 2020 and 2021				
	Fiscal Year 2019		Fiscal Year 2020	Fiscal Year 2021
	Final Budget	Actual Amounts	Original Budget	Original Budget
<b>REVENUES</b>				
Property Tax				
Real Property Tax.....	\$ 113,679,470	\$ 113,528,948	\$ 115,862,420	\$ 119,464,580
Personal Property Tax.....	14,057,110	14,997,807	14,057,110	14,057,110
Property Tax Interest Income.....	385,000	404,561	395,000	395,000
Other Property Tax.....	622,980	661,260	635,100	745,330
State Administrative Fees.....	(580,000)	(480,132)	(580,000)	(620,000)
Property Tax Discounts, Credits, and Fees.....	(1,716,310)	(1,671,950)	(1,672,000)	(1,828,950)
Total Property Taxes.....	\$ 126,448,250	\$ 127,440,494	\$ 128,697,630	\$ 132,213,070
Other Local Taxes				
Income Tax.....	\$ 84,000,000	\$ 86,848,691	\$ 87,950,000	\$ 88,483,080
Admissions and Amusement Tax.....	255,000	286,414	255,000	210,000
Recordation Tax.....	6,500,000	6,886,789	6,500,000	6,000,000
Trailer Tax.....	550,000	577,871	550,000	250,000
Total Other Local Taxes.....	\$ 91,305,000	\$ 94,599,765	\$ 95,255,000	\$ 94,943,080
Other Revenues				
Licenses and Permits.....	\$ 1,272,200	\$ 1,283,820	\$ 1,161,950	\$ 1,161,950
Court Costs and Fines.....	5,112,400	2,631,213	2,734,160	1,651,000
Charges for Services.....	1,391,780	1,365,493	1,462,900	1,519,190
Interest Income.....	692,400	2,151,321	1,200,000	500,000
Reimbursed Expenses.....	1,094,370	1,111,052	951,640	977,540
Miscellaneous Revenues.....	408,210	1,618,804	382,360	307,750
Grant and Shared Revenues.....	5,444,713	4,875,585	1,822,300	2,623,000
Highway Revenues.....	2,293,860	2,253,157	2,452,110	2,409,730
Total Other Revenues.....	\$ 17,709,933	\$ 17,290,445	\$ 12,167,420	\$ 11,150,160
TOTAL REVENUES.....	\$ 235,463,183	\$ 239,330,704	\$ 236,120,050	\$ 238,306,310
<b>EXPENDITURES</b>				
General Government.....	\$ 28,510,874	\$ 27,349,583	\$ 27,124,250	\$ 27,349,580
Public Safety.....	48,657,519	47,201,336	52,492,880	55,152,330
Health.....	2,339,270	2,339,270	2,339,270	2,339,270
Social Services.....	435,560	435,560	435,560	435,560
Education.....	108,566,050	108,566,050	110,550,900	113,243,390
Parks, Recreation, and Culture.....	7,521,900	7,366,504	7,329,870	7,509,460
Conservation of Natural Resources.....	751,600	721,153	764,120	861,430
Highway.....	11,281,970	11,358,140	11,490,360	11,736,350
General Operations.....	503,600	434,356	580,750	518,180
Unallocated Employee Insurance and Benefits.....	4,892,100	5,435,165	819,240	125,000
Intergovernmental.....	7,693,760	10,285,303	7,006,980	3,224,990
Debt Service.....	14,308,980	14,139,010	15,185,870	15,810,770
TOTAL EXPENDITURES.....	\$ 235,463,183	\$ 235,631,430	\$ 236,120,050	\$ 238,306,310
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ 3,699,274	\$ -	\$ -

Source: Washington County Department of Budget and Finance

# FINANCIAL INFORMATION

The following table displays the County's General Fund revenues and expenditures on a GAAP basis with additional ratios for fiscal years 2015 through 2019.

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

Year Ended June 30

	2019	2018	2017	2016	2015
<b>Revenues:</b>					
Taxes, interest and penalties.....	\$ 222,040,259	\$ 210,500,448	\$ 208,934,726	\$ 204,569,492	\$ 198,990,605
Shared taxes and grants .....	4,875,585	3,267,236	4,431,597	6,349,348	3,355,253
Licenses and permits .....	1,283,820	1,417,875	1,189,019	1,316,242	1,362,651
Revenues from use of money and property .....	3,262,373	2,390,598	1,327,838	1,074,126	881,502
Charges for services.....	1,365,493	1,328,177	448,532	477,971	434,237
Other revenue .....	4,250,017	3,050,871	2,410,607	1,757,855	2,049,297
Highway revenue .....	2,253,157	1,645,244	1,378,314	1,720,771	1,554,706
Total revenues .....	<u>\$ 239,330,704</u>	<u>\$ 223,600,449</u>	<u>\$ 220,120,633</u>	<u>\$ 217,265,805</u>	<u>\$ 208,628,251</u>
<b>Expenditures:</b>					
General government .....	\$ 27,349,583	\$ 26,733,212	\$ 26,764,285	\$ 25,392,800	\$ 23,779,920
Public safety .....	47,201,336	44,190,232	42,703,200	41,898,282	39,155,311
Health .....	2,339,270	2,339,270	2,339,270	2,339,270	2,339,270
Social services .....	435,560	424,390	373,390	454,165	571,517
Education .....	108,566,050	106,796,410	104,387,080	104,109,040	103,810,462
Recreation and culture .....	7,366,504	5,988,897	5,794,949	5,586,517	5,622,928
Conservation of natural resources .....	721,153	707,995	753,063	669,041	595,350
Intergovernmental .....	38,543	38,543	38,543	38,543	38,543
General operations .....	5,869,521	786,862	1,092,721	2,337,705	2,003,326
Highway.....	10,492,140	10,446,328	10,243,937	9,821,132	9,953,368
Debt service:					
Principal .....	9,316,119	10,033,918	9,005,341	9,748,588	10,147,504
Interest .....	4,822,891	4,711,877	5,683,469	4,070,313	4,504,974
Total Expenditures .....	<u>\$ 224,518,670</u>	<u>\$ 213,197,934</u>	<u>\$ 209,179,248</u>	<u>\$ 206,465,396</u>	<u>\$ 202,522,473</u>
Excess of revenues over expenditures .....	<u>\$ 14,812,034</u>	<u>\$ 10,402,515</u>	<u>\$ 10,941,385</u>	<u>\$ 10,800,409</u>	<u>\$ 6,105,778</u>
<b>Other financing sources(uses):</b>					
Net bond proceeds.....	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds of capital leases.....	50,769	267,420	1,036,682	-	-
Principal amount of new debt for advanced refunding..	-	-	-	7,078,184	26,026,715
Deposit to escrow fund for advance refunding and repayment of loans.....	-	-	-	(7,075,279)	(26,021,529)
Operating transfers in .....	-	90,000	22,000	-	-
Operating transfers out .....	(11,112,760)	(9,326,453)	(11,429,045)	(9,388,519)	(5,974,080)
Total other financing sources(uses) .....	<u>\$ (11,061,991)</u>	<u>\$ (8,969,033)</u>	<u>\$ (10,370,363)</u>	<u>\$ (9,385,614)</u>	<u>\$ (5,968,894)</u>
Excess of revenues and other sources over expenditures and other uses .....	<u>\$ 3,750,043</u>	<u>\$ 1,433,482</u>	<u>\$ 571,022</u>	<u>\$ 1,414,795</u>	<u>\$ 136,884</u>
Fund balances at beginning of year .....	<u>41,746,652</u>	<u>40,313,170</u>	<u>39,742,148</u>	<u>38,327,353</u>	<u>38,190,469</u>
Fund balance at end of year .....	<u><u>\$ 45,496,695</u></u>	<u><u>\$ 41,746,652</u></u>	<u><u>\$ 40,313,170</u></u>	<u><u>\$ 39,742,148</u></u>	<u><u>\$ 38,327,353</u></u>
<b>Fund Balance:</b>					
As a percent of revenue .....	19.0%	18.7%	18.3%	18.3%	18.4%
As a percent of expenditures .....	20.3%	19.6%	19.3%	19.2%	18.9%
<b>Committed, Assigned and Unassigned Fund Balance</b>					
As a percent of revenue .....	18.1%	17.7%	17.4%	17.5%	17.7%
As a percent of expenditures .....	19.3%	18.6%	18.3%	18.5%	18.2%
<b>Debt Service:</b>					
As a percent of revenue .....	5.9%	6.6%	6.7%	6.4%	7.0%
As a percent of expenditures .....	6.3%	6.9%	7.0%	6.7%	7.2%

Source: Washington County Department of Budget and Finance

## Anticipated Results for Fiscal Year 2020

Fiscal year 2020 final results are not available as of the date of this Official Statement. However, the majority of revenues and expenditures have been recorded and few adjustments remain to be booked for year end. The County anticipates revenues to be over budget by at least \$2 million. Property tax revenues are expected to be over budget by approximately \$850,000, recordation tax by about \$900,000, and interest income by \$1 million, somewhat offset by lower than anticipated speed camera revenue of \$1 million. Expenditures are expected to come in under budget by at least \$1 million for fiscal year 2020 due to an effort to reduce expenditures as a result of the COVID-19 pandemic. The County is expected to have maintained its cash reserve position for fiscal year 2020. See “Miscellaneous – Potential Impact of COVID-19 Pandemic” herein.

## Sources of Tax Revenue

Ad valorem property taxes, the County’s largest source of tax revenues, were 59% of total tax revenues fiscal year 2018 and 57% in fiscal years 2019 and 2020. During the same period, income tax revenues as a percentage of total tax revenues were 37% in fiscal year 2018 and 39% in fiscal years 2019 and 2020. The following table presents the County’s tax revenues by source for each of the last five fiscal years as well as unaudited projections for fiscal year 2020 and budgeted amounts for fiscal 2021.

**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>
Budgeted 2021	\$ 227,156,150	\$ 132,213,070	\$ 88,483,080	\$ 6,460,000
2020*	225,689,186	129,349,089	88,073,361	8,266,736
2019	222,040,259	127,440,494	86,848,691	7,751,074
2018	210,500,448	125,111,784	77,919,871	7,468,793
2017	208,934,726	122,905,748	78,891,902	7,137,076
2016	204,569,492	122,001,946	75,208,180	7,359,366
2015	198,990,605	118,513,533	73,603,292	6,873,780

Source: Washington County Department of Budget and Finance

(1) Includes payments in lieu of taxes, additions and abateements, 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.

\*Unaudited.

## Local Property Taxes

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

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

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

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

The State also provides a tax credit based on the ability of homeowners to pay property taxes. The credit is calculated by use of a scale, which indicates a maximum tax liability for various income levels. The tax credit processed for local property taxes for Washington County for fiscal year 2019 was \$1,506,965 and the tax credit processed as of March 18, 2020 for fiscal year 2020 was \$1,416,157.

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 \$2,168,628,513 for the fiscal year ended June 30, 2019, 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)

	2019	2018	2017	2016	2015
Real property .....	\$12,486,754	\$12,217,613	\$12,047,907	\$11,889,530	\$11,798,859
Personal property:					
Railroads and public utilities .....	196,942	188,380	180,988	172,128	162,536
Business corporations .....	420,000	416,848	416,031	405,500	390,610
Total property	<u>\$13,103,696</u>	<u>\$12,822,841</u>	<u>\$12,644,926</u>	<u>\$12,467,158</u>	<u>\$12,352,005</u>
Change in market value of property	2.1%	1.4%	1.4%	0.9%	(0.9)%
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 2020. Unaudited anticipated results for fiscal year 2020 include assessments of \$12,835,761 for real property, \$582,050 for personal property, with a property total of \$13,417,811. The change in market value of property is 2.4 %.

**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 for which audited information is available.

<b>Fiscal Year Ending June 30</b>	<b>Taxes Levied</b>	<b>Taxes Collected in 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>		
2019	\$ 128,597,531	\$ 128,511,328	99.93	\$ 128,526,755	99.95	\$ 720,590	0.56
2018	127,046,245	126,493,137	99.56	126,815,087	99.81	725,364	0.57
2017	124,295,568	123,986,762	99.75	124,150,669	99.89	494,206	0.40
2016	122,703,971	122,397,609	99.75	122,899,961	100.16	480,714	0.39
2015	120,444,868	119,903,244	99.55	120,597,778	100.13	676,704	0.56

Source: Washington County Department of Budget and Finance

**Principal Taxpayers**

The 20 largest taxpayers in the County as of June 30, 2020, ranked by assessed value, are listed below.

<b>Name of Taxpayer</b>	<b>Assessed Value</b>	<b>Percentage of Assessed Value</b>
PR Valley Limited Partnership.....	\$ 112,138,050	
Outlet Village of Hagerstown.....	\$ 101,847,233	
Potomac Edison.....	\$ 94,886,420	
Bowman Group.....	\$ 87,731,984	
Liberty Property Management.....	\$ 71,819,633	
Walmart Stores/Wal-Mart R.E. Sam's East.....	\$ 62,855,723	
Fedex Ground Packaging System.....	\$ 60,604,210	
CR Hagerstown LTD.....	\$ 56,375,700	
LCN STP Hagerstown Multi, LLC.....	\$ 48,819,990	
Ghattas Enterprise Maugans Ave.....	\$ 47,156,577	
Sub-total	\$ 744,235,520	5.80%
Western Hagerstown (Ind. & Dist).....	\$ 46,094,500	
2007 East Greencastle Pike.....	\$ 44,934,600	
254 Hagerstown/Citigroup/Citicorp.....	\$ 43,765,667	
Mack Truck Inc/Volvo Group.....	\$ 35,070,680	
Intelsat Global Service LLC.....	\$ 34,140,940	
Verizon.....	\$ 34,071,650	
Norfolk Southern Combined Rail.....	\$ 33,737,100	
Columbia Gas Of Maryland.....	\$ 33,690,247	
Cortpark II LLC.....	\$ 32,936,300	
Lowe's Home Centers Inc.....	\$ 32,149,940	
Total	\$ 1,114,827,144	8.69%

Source: Washington County Treasurer's Office

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

**Local Income Tax**

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

The County currently levies a local income tax on Washington County residents at the rate of 3.2%. The rate was increased from 2.8% to 3.2% effective January 1, 2020. The County does not levy a local income tax on corporations. As a result of federal tax changes enacted by the U.S. Congress and actions of the Maryland General Assembly, Washington County's income tax revenues may experience an increase; however, the impact is yet to be determined.

**Other Local Taxes and Revenues**

In addition to general property taxes and income taxes, the County levies and collects miscellaneous taxes, the largest of which is the recordation tax on instruments conveying title to property and securing debt. Revenues from this tax in the fiscal year ended June 30, 2019 were \$6,886,790. 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, 2019 were \$9,044,227.



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

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

The Board of Public Works is empowered to define by regulation what shall constitute an approved construction or capital improvement cost and to adopt rules, regulations, and procedures for program administration. Program regulations limit the amount of construction costs paid by the State by instituting a maximum State project allocation for each school construction project funded through the program. Under the formula, the State's share is computed by applying the applicable percentage to the eligible portion of school construction costs. For the County, the maximum State share will equal 79% of approved construction costs.

**State and Federal Grants**

During the County's fiscal year ended June 30, 2019, an aggregate of \$11,464,374 in federal and State funds was received by all County departments for use in operations. The largest single categorical source was a State grant for \$2,867,865, which was for the Rural Legacy Land Preservation Grant. The County also received a total of \$7,472,875 in federal and State funds for capital projects in the fiscal year ended June 30, 2019. The County projects that \$10,858,864 in federal and State funds were received in fiscal year 2020 for operations (unaudited) and \$7,796,870 in federal and State funds were received for capital projects (unaudited).

During the fiscal year ended June 30, 2019, the Board of Education received \$179,408,974 in State funds and \$26,339,391 in federal funds for operating and food service expenses. In fiscal year 2020, the Board of Education anticipated receiving \$195,590,542 in State funds and \$24,207,754 in federal funds for operations (unaudited). In fiscal year 2021, the Board of Education anticipates receiving \$197,906,932 in State funds and \$30,413,840 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 for which audited information is available.

<b>County Commissioners of Washington County</b>					
<b>Balance Sheet</b>					
<b>General Fund</b>					
<b>As of June 30</b>					
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>					
Cash and short-term investments .....	\$ 618,872	\$ 415,192	\$ 627,517	\$ 162,083	\$ 32,999
Investment in U.S. Government					
Agency Securities .....	97,052,684	99,211,242	101,443,510	91,452,894	110,533,955
Property taxes receivable (net) .....	498,411	651,241	348,751	357,582	535,177
Accounts receivable .....	1,139,143	862,246	422,410	503,433	416,161
Due from other governments .....	27,515,971	21,428,932	16,752,299	16,757,732	16,373,944
Inventories .....	776,816	730,400	763,099	790,714	763,940
Other assets .....	1,921,103	1,754,650	1,421,211	962,586	1,398,654
Total assets .....	<u>\$ 129,523,000</u>	<u>\$ 125,053,903</u>	<u>\$ 121,778,797</u>	<u>\$ 110,987,024</u>	<u>\$ 130,054,830</u>
<b>LIABILITIES</b>					
Accounts payable .....	\$ 1,442,745	\$ 1,791,101	\$ 1,366,313	\$ 2,514,765	\$ 1,413,769
Accrued expenses .....	1,743,490	1,907,822	4,563,855	1,404,296	1,086,819
Liabilities on unpaid claims .....	2,211,941	2,030,677	1,523,730	1,892,223	1,833,471
Due to other funds .....	58,845,269	62,263,607	63,884,634	55,483,023	77,037,235
Unearned revenue .....	533,242	604,215	382,729	346,841	306,901
Other liabilities .....	1,866,760	2,042,323	2,219,462	1,350,527	1,868,922
Total liabilities .....	<u>\$ 66,643,447</u>	<u>\$ 70,639,745</u>	<u>\$ 73,940,723</u>	<u>\$ 62,991,675</u>	<u>\$ 83,547,117</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenues .....	<u>\$ 17,382,858</u>	<u>\$ 12,667,506</u>	<u>\$ 7,524,904</u>	<u>\$ 8,253,201</u>	<u>\$ 8,180,360</u>
<b>FUND EQUITY</b>					
Nonspendable .....	\$ 1,409,371	\$ 1,353,130	\$ 1,455,417	\$ 1,090,714	\$ 1,063,939
Restricted .....	855,333	821,597	577,869	528,978	418,968
Committed .....	43,212,749	39,554,672	38,263,353	38,104,831	36,830,635
Assigned .....	19,242	17,253	16,531	17,625	13,811
Unassigned <sup>(1)</sup> .....	-	-	-	-	-
Total fund equity .....	<u>\$ 45,496,695</u>	<u>\$ 41,746,652</u>	<u>\$ 40,313,170</u>	<u>\$ 39,742,148</u>	<u>\$ 38,327,353</u>
Total liabilities and fund equity .....	<u>\$ 129,523,000</u>	<u>\$ 125,053,903</u>	<u>\$ 121,778,797</u>	<u>\$ 110,987,024</u>	<u>\$ 130,054,830</u>

Source: Washington County Department of Budget and Finance

(1) Unassigned fund balance is reflected differently from audited financial statements for fiscal year 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 2020.

<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>
2019	\$ 239,330,704	\$ 45,496,695	19.01%	17.85%
2018	223,690,449	41,746,652	18.66	17.49
2017	220,120,633	40,313,170	18.31	17.13
2016	217,265,805	39,742,148	18.29	17.55
2015	208,628,251	38,327,353	18.37	17.66

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 the date of this Official Statement.

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 for new money purposes in an amount up to \$70,000,000 pursuant to the authority of Chapter 99 of the Laws of Maryland of 2018 (“Chapter 99”). The original aggregate principal amount of bonds issued pursuant to Chapter 99 at June 30, 2019 was \$514,278. The unused authorization available under Chapter 99 following issuance of the County’s Public Improvement Bonds of 2020 in the original aggregate principal amount of \$14,150,000 on June 23, 2020, which were issued in part pursuant to the authority of Chapter 99, is \$60,425,722.

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, 2019, exclusive of certain water and sewer bonds (see “Water and Sewer Bonds” herein). Outstanding principal amounts have not been adjusted for discounts or premiums.

**Statement of General Obligation Bonded Debt  
Issued and Outstanding\*  
As of June 30, 2019**

	Date of Issue	Amount Issued	Amount Outstanding			
			General Fund	Solid Waste Fund	Airport Fund	Total
Public Improvement Series A Bonds.....	May 2010	\$ 6,992,993	(1) \$ 1,112,246	\$ 440,270	-	\$ 1,552,516
Taxable Build America Series B Bonds.....	May 2010	9,711,007	(2) 6,957,113	2,753,894	-	9,711,007
Public Improvement and Refunding Bonds...	May 2010	13,790,000	3,011,641	803,359	-	3,815,000
Public Improvement Bonds.....	May 2011	14,170,000	7,878,210	2,316,790	-	10,195,000
Public Improvement Bonds.....	May 2012	12,068,100	(3) 9,231,944	-	-	9,231,944
Refunding Bonds.....	May 2012	7,740,000	2,580,910	11,100	472,990	3,065,000
Public Improvement Bonds.....	May 2013	12,000,000	9,640,000	-	-	9,640,000
Refunding Bonds.....	May 2013	12,540,000	9,021,171	123,829	-	9,145,000
Public Improvement Bonds.....	May 2014	14,000,000	12,020,000	-	-	12,020,000
Public Improvement Bonds.....	May 2015	12,000,000	(4) 10,754,204	-	-	10,754,204
Refunding Bonds.....	May 2015	25,573,470	(5) 17,541,060	1,483,062	-	19,024,122
Public Improvement Bonds.....	May 2016	12,103,000	(6) 11,156,772	95,762	-	11,252,534
Refunding Bonds.....	May 2016	7,317,990	(7) 6,396,940	921,050	-	7,317,990
Public Improvement Bonds.....	May 2017	13,142,000	(8) 11,616,836	1,105,536	-	12,722,372
Public Improvement Bonds.....	May 2018	12,852,000	(9) 12,000,000	852,000	-	12,852,000
Public Improvement Bonds.....	May 2019	12,255,000	(10) 12,000,000	255,000	-	12,255,000
MWQFA <sup>(11)</sup> Financing Cell 3.....	Nov 2004	2,498,427	-	811,319	-	811,319
MWQFA <sup>(11)</sup> Solid Waste Refinancing.....	Feb 2005	7,248,761	834,934	2,293,826	-	3,128,760
MWQFA <sup>(11)</sup> Resh Road Cap Phase I.....	Dec 2006	5,000,000	2,220,522	-	-	2,220,522
		<u>\$ 213,002,748</u>	<u>\$ 145,974,503</u>	<u>\$ 14,266,797</u>	<u>\$ 472,990</u>	<u>\$ 160,714,290</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 \$ 7,860,000.

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

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

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

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

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

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

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

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

(10) Total issue amount for all County funds was \$13,310,000.

(11) Maryland Water Quality Financing Administration.

On June 23, 2020, the County issued its (i) Public Improvement Bonds of 2020 in the original aggregate principal amount of \$14,150,000 (the “2020 PIBs”) and (ii) its Refunding Bonds of 2020 in the original aggregate principal amount of \$9,030,000 (the “2020 Refunding Bonds”). Proceeds of the 2020 Refunding Bonds were applied to redeem in whole on July 23, 2020 the County’s Public Improvement Bonds, Taxable Build America Bonds (Direct Payment) Series 2010B issued on June 2, 2010.

The outstanding principal amount of the 2020 PIBs allocated to (i) the General Fund as of June 30, 2020 was \$9,032,740 and (ii) to the Solid Waste Fund as of June 30, 2020 was \$27,260. The outstanding principal amount of the 2020 Refunding Bonds allocated to (i) the General Fund as of June 30, 2020 was \$5,755,630 and (ii) to the Solid Waste Fund as of June 30, 2020 was \$2,278,300.

## Water and Sewer Bonds

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

By State law, the total bonded indebtedness of the County for these purposes, including bonded indebtedness previously

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

The following table sets forth the amount of the County's water and sewer debt issued and outstanding as of June 30, 2019. 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.

	<b>Date of Issue</b>	<b>Issued</b>	<b>Outstanding</b>
Series A Bonds .....	June 1996	\$ 9,606,968	\$ 566,146
Public Improvement Series A Bonds.....	May 2010	867,007 <sup>(1)</sup>	192,484
Taxable Build America Series B Bonds.....	May 2010	1,203,993 <sup>(2)</sup>	1,203,993
Public Improvement Bonds.....	May 2012	5,696,900 <sup>(3)</sup>	4,358,056
Public Improvement Bonds.....	May 2015	3,460,000 <sup>(4)</sup>	3,100,796
Refunding Bonds.....	May 2015	821,530 <sup>(5)</sup>	780,878
Public Improvement Bonds.....	May 2016	8,532,000 <sup>(6)</sup>	7,932,465
Refunding Bonds.....	May 2016	2,137,010 <sup>(7)</sup>	2,137,010
Public Improvement Bonds.....	May 2017	638,000 <sup>(8)</sup>	617,628
Public Improvement Bonds.....	May 2018	1,633,000 <sup>(9)</sup>	1,633,000
Public Improvement Bonds.....	May 2019	1,055,000 <sup>(10)</sup>	1,055,000
MWQFA <sup>(11)</sup> Loan .....	Mar 2000	3,620,697	414,979
MWQFA <sup>(11)</sup> Loan .....	May 2004	8,091,063	1,786,063
MWQFA <sup>(11)</sup> Loan .....	Oct 2006	560,000	237,453
MWQFA <sup>(11)</sup> Loan .....	May 2015	2,553,000	2,195,498
MWQFA <sup>(11 &amp; 12)</sup> Loan .....	Feb 2018	1,849,660	1,784,798
		<u>\$ 52,325,828</u>	<u>\$ 29,996,247</u>

Source: Washington County Department of Budget and Finance

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

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

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

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

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

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

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

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

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

(10) Total issue amount for all County funds was \$13,310,000.

(11) Maryland Water Quality Financing Administration.

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

The outstanding principal amount of the 2020 PIBs allocated to the Sewer Fund as of June 30, 2020 was \$5,090,000. The outstanding principal amount of the 2020 Refunding Bonds allocated to the Sewer Fund as of June 30, 2020 was \$996,070.

The following table indicates the calculation of the County's legal debt margin for water and sewer debt as of June 30, 2019.

**Water and Sewer Bonded Debt  
Schedule of Legal Debt Margin  
As of June 30, 2019**

Assessed Value of Property in Washington County	\$	12,274,225,556
Debt Limit: % of Assessed Value <sup>(1)</sup>		10%
Water and Sewer Borrowing Limitation		1,227,422,556
Water and Sewer Debt		29,996,247
Debt Margin		1,197,426,309
Ratio of Water and Sewer Debt to Assessed Value		0.24%

Source: Washington County Department of Budget and Finance

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

The ratio of water and sewer debt to assessed value as of June 30, 2020 has been calculated as 0.25% (unaudited).

## 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, 2019 was \$663,182 and as of June 30, 2020 was \$384,783 (unaudited). The lease agreements are primarily for heavy-duty equipment. The leases have been recorded as capital leases in the appropriate County funds in the financial statements. GASB Statement No. 87, implementing new lease accounting standards, will be effective with the fiscal year ending June 30, 2021 with respect to the County.

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

## Special Obligation Bonds

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

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

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

Between fall 2016 and early 2017, the County established two separate development districts: (i) the Conococheague Development District, consisting of approximately 137 acres, and (ii) the Cascade Development District, consisting of most of the acreage comprising the former Fort Ritchie Military Reservation. To date, the County has not passed a bond ordinance authorizing the issuance of TIF bonds for either established development district, and the designation of the Conococheague Development District expired on December 31, 2018 by its terms due to no TIF bonds having been issued with respect to such development district. The designation of the Cascade Development District will expire on December 31, 2022 if no TIF bonds have been issued with respect to such development district, unless such sunset date is extended by resolution of the Board. Until any TIF bonds are issued with respect to the Cascade Development District, the County may use incremental tax revenues, if any, derived from properties within such development district for any legal purpose.



## Bonded Indebtedness of Incorporated Municipalities

Eight of the nine incorporated municipalities of Washington County have outstanding indebtedness in the aggregate principal amount of \$82,461,723 as of June 30, 2019. 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, 2019

Towns	Amount
Boonsboro.....	\$ 5,829,315
Clear Spring.....	541,095
Funkstown.....	1,074,309
Hagerstown.....	68,040,654
Hancock.....	1,360,145
Keedysville.....	1,741,965
Smithsburg.....	895,513
Williamsport.....	2,978,727
Total	<u>\$ 82,461,723</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, 2019, 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, 2019

(Excludes this Issue)

Direct Debt - Tax-Supported:	
General Government Debt (1).....	\$ 145,974,503
Direct Debt - Self-Supported:	
Solid Waste .....	14,266,797
Water and Sewer .....	29,996,247
Airport .....	472,990
Total Direct Debt.....	190,710,537
Underlying Debt.....	<u>82,461,723</u>
Overall Bonded Debt.....	<u>\$ 273,172,260</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, 2019**  
**(Excludes this Issue)**

Per Capita (Estimated Population 150,926):

Direct Tax-Supported Debt (1).....	\$	967
Overall Bonded Debt.....	\$	1,797

Percentage of Assessed Value of \$12,274,226,000:

Direct Tax-Supported Debt (1).....	1.19%
Overall Bonded Debt.....	2.21%

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>Fiscal Year</b> <b>Ended June 30</b>	<b>Direct</b> <b>Tax-Supported</b> <b>Debt (000)</b>	<b>Estimated</b> <b>Population</b>	<b>Assessed</b> <b>Value (000)</b>	<b>Per</b> <b>Capita</b>	<b>Direct Tax-Supported</b> <b>Debt as a Percentage</b> <b>of Assessed Value</b>
2019	\$145,975	150,926	\$12,274,226	\$967	1.19
2018	143,291	150,578	12,822,840	952	1.11
2017	141,325	150,292	12,644,926	940	1.12
2016	139,495	149,585	12,467,158	933	1.12
2015	137,325	149,573	12,352,005	918	1.11

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, 2020, adjusted to reflect issuance of the 2020 PIBs, the 2020 Refunding Bonds and the Bonds, as applicable, and the rapidity of repayment for the County's direct tax-supported debt as of June 30, 2020.

Requirements on Long-term Obligations\*  
(June 30, 2020, Unaudited)

Year Ending June 30	Tax-Supported Debt Service			Self-Supporting Debt service			Total Debt Service		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 10,833,372	\$ 4,710,627	\$ 15,543,999	\$ 3,444,753	\$ 1,181,221	\$ 4,625,974	\$ 14,278,125	\$ 5,891,849	\$ 20,169,974
2022	10,212,356	4,566,741	14,779,097	3,602,520.26	1,231,362.61	4,833,883	13,814,876	5,798,104	19,612,980
2023	10,242,516	4,159,337	14,401,853	3,787,169.00	1,128,791.67	4,915,961	14,029,685	5,288,128	19,317,813
2024	10,391,016	3,740,998	14,132,014	2,622,073.19	1,018,415.87	3,640,489	13,013,089	4,759,413	17,772,503
2025	10,397,351	3,354,895	13,752,246	2,599,300.00	918,441.38	3,517,741	12,996,651	4,273,336	17,269,987
2026	10,003,321	2,970,570	12,973,891	2,576,699.00	818,827.94	3,395,527	12,580,020	3,789,398	16,369,418
2027	9,620,407	2,610,958	12,231,365	2,674,256.16	731,759.18	3,406,015	12,294,663	3,342,717	15,637,381
2028	9,694,252	2,262,875	11,957,127	2,733,858.00	645,381.09	3,379,239	12,428,110	2,908,256	15,336,366
2029	7,721,107	1,948,764	9,669,871	2,533,521.00	560,387.63	3,093,909	10,254,628	2,509,152	12,763,780
2030	7,202,979	1,667,108	8,870,087	2,233,178.00	476,697.80	2,709,876	9,436,157	2,143,806	11,579,963
2031	7,481,493	1,395,962	8,877,455	2,773,616.00	398,771.55	3,172,388	10,255,109	1,794,734	12,049,843
2032	7,012,545	1,141,608	8,154,153	1,966,702.00	329,238.87	2,295,941	8,979,247	1,470,847	10,450,094
2033	6,486,461	916,609	7,403,070	1,799,350.00	272,280.74	2,071,631	8,285,811	1,188,890	9,474,701
2034	5,881,008	715,191	6,596,199	1,461,377.00	225,649.13	1,687,026	7,342,385	940,840	8,283,225
2035	5,277,190	535,426	5,812,616	1,506,781.00	185,089.01	1,691,870	6,783,971	720,515	7,504,486
2036	4,429,004	380,204	4,809,208	1,551,569.00	142,906.36	1,694,475	5,980,573	523,110	6,503,683
2037	3,693,494	256,625	3,950,119	1,205,045.00	104,227.16	1,309,272	4,898,539	360,852	5,259,391
2038	2,989,067	157,917	3,146,984	639,987.00	79,328.00	719,315	3,629,054	237,245	3,866,299
2039	2,237,284	81,383	2,318,667	457,716.00	64,602.00	522,318	2,695,000	145,985	2,840,985
2040	1,438,309	30,300	1,468,609	291,695.00	54,977.00	346,672	1,730,004	85,277	1,815,281
2041	578,256	5,782	584,038	201,744.00	49,568.00	251,312	780,000	55,350	835,350
2042				200,000.00	45,425.00	245,425	200,000	45,425	245,425
2043				205,000.00	40,994.00	245,994	205,000	40,994	245,994
2044				210,000.00	36,325.00	246,325	210,000	36,325	246,325
2045				215,000.00	31,544.00	246,544	215,000	31,544	246,544
2046				220,000.00	26,375.00	246,375	220,000	26,375	246,375
2047				225,000.00	20,813.00	245,813	225,000	20,813	245,813
2048				235,000.00	15,063.00	250,063	235,000	15,063	250,063
2049				240,000.00	9,125.00	249,125	240,000	9,125	249,125
2050				245,000.00	3,061.00	248,061	245,000	3,061	248,061
2051				-	-	-	-	-	-
	<u>\$ 143,822,788</u>	<u>\$ 37,609,880</u>	<u>\$ 181,432,668</u>	<u>\$ 44,657,910</u>	<u>\$ 10,846,649</u>	<u>\$ 55,504,559</u>	<u>\$ 188,480,698</u>	<u>\$ 48,456,530</u>	<u>\$ 236,937,227</u>

Source: Washington County Department of Budget and Finance

\* Totals may not foot due to rounding.

**Washington County Schedule of Debt Service - Requirements of Long-Term Obligations**  
**As of June 30, 2020 (Unaudited)**  
**Adjusted to Reflect Issuance of the Bonds**

<b>Fiscal Year</b>		<b>LESS: Refunded</b>	<b>Taxable Refunding Bonds of 2020</b>		<b>Adjusted Total</b>
<b>as of June 30</b>	<b>Total Debt Service(1)</b>	<b>Bonds Debt Service(1)</b>	<b>Principal</b>	<b>Interest(2)</b>	<b>Debt Service(1)</b>
2021	\$20,169,974	\$308,248	\$0	\$76,211	\$19,937,937
2022	19,612,980	616,496	100,000	355,310	19,451,794
2023	19,317,813	1,301,071	795,000	346,360	19,158,102
2024	17,772,503	2,171,199	1,695,000	321,460	17,617,763
2025	17,269,987	2,175,633	1,730,000	287,210	17,111,565
2026	16,369,418	2,181,863	1,770,000	252,210	16,209,766
2027	15,637,381	2,190,013	1,810,000	216,410	15,473,778
2028	15,336,366	2,189,063	1,855,000	179,760	15,182,064
2029	12,763,780	2,194,338	1,895,000	142,260	12,606,702
2030	11,579,963	2,197,163	1,930,000	104,010	11,416,810
2031	12,049,843	2,197,538	1,970,000	65,010	11,887,315
2032	10,450,094	2,204,650	2,015,000	31,205	10,291,649
2033	9,474,701	1,208,594	1,140,000	8,550	9,414,657
2034	8,283,225	0	0	0	8,283,225
2035	7,504,486	0	0	0	7,504,486
2036	6,503,683	0	0	0	6,503,683
2037	5,259,391	0	0	0	5,259,391
2038	3,866,299	0	0	0	3,866,299
2039	2,840,985	0	0	0	2,840,985
2040	1,815,281	0	0	0	1,815,281
2041	835,350	0	0	0	835,350
2042	245,425	0	0	0	245,425
2043	245,994	0	0	0	245,994
2044	246,325	0	0	0	246,325
2045	246,544	0	0	0	246,544
2046	246,375	0	0	0	246,375
2047	245,813	0	0	0	245,813
2048	250,063	0	0	0	250,063
2049	249,125	0	0	0	249,125
2050	248,061	0	0	0	248,061
2051	0	0	0	0	0
<b>Total</b>	<b><u>\$236,937,227</u></b>	<b><u>\$23,135,866</u></b>	<b><u>\$18,705,000</u></b>	<b><u>\$2,385,966</u></b>	<b><u>\$234,892,327</u></b>

(1) Totals may not add due to rounding.

(2) Interest rated range from 1.400% to 2.000%.

Source: Washington County Department of Budget and Finance

**Rapidity of Direct Tax-Supported Debt Principal Payment**  
**June 30, 2020 (Unaudited)\***  
**Adjusted to Reflect Issuance of the Bonds**

<b>Number of Years</b>	<b><u>Before Issuance of Bonds</u></b>		<b><u>After Issuance of Bonds</u></b>	
	<b><u>Principal Amount</u></b>	<b><u>Percent</u></b>	<b><u>Principal Amount</u></b>	<b><u>Percent</u></b>
5	\$ 52,076,611	36.21	\$ 52,303,808	36.34
10	96,318,677	66.97	\$ 96,559,327	67.09
15	128,457,374	89.32	\$ 128,562,329	89.32
20	143,244,532	99.60	\$ 143,349,487	99.60
25	143,822,788	100.00	\$ 143,927,743	100.00

Source: Washington County Department of Budget and Finance.

\*Includes debt service on the 2020 PIBs and the 2020 Refunding Bonds issued in June 2020, and the table has been adjusted to reflect unaudited information as of June 30, 2020.

### **Anticipated Future Financing**

The County currently anticipates issuing additional general obligation bonds for approximately \$22.0 million in fiscal year 2021, \$13.5 million in fiscal year 2022, and \$13.7 million in fiscal year 2023. These anticipated debt issuance amounts are for planning purposes and subject to change as part of the annual budgeting process.

### **Capital Requirements**

#### ***Capital Improvement Program Summary***

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

## VI. Miscellaneous

### Litigation

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

### Potential Impact of COVID-19 Pandemic on the County

In response to the ongoing COVID-19 pandemic, the Governor of the State of Maryland proclaimed a state of emergency and catastrophic health emergency within the State of Maryland on March 5, 2020 and renewed the proclamation on March 17, 2020 and subsequently. Since the initial and renewed proclamations, the Governor of Maryland has issued a series of executive orders, among other things, initially prohibiting large gatherings and events, requiring closure of nonessential and certain other businesses and authorizing emergency healthcare delivery. On March 30, 2020, the Governor of Maryland issued an executive order requiring Maryland residents to stay at home except for essential activities. On May 13, 2020, the Governor of Maryland amended and restated an existing order to allow the reopening of certain businesses and facilities subject to local regulation, known as stage one of the reopening. On June 10, 2020, additional stage two reopening plans were announced which included indoor dining at 50% capacity, outdoor amusements, gyms, and malls. On July 29, 2020, the statewide mask order was expanded to include all public places in Maryland and outside where social distancing cannot be maintained. On September 4, 2020, stage three of the reopening plan was authorized by the Governor of Maryland, which included indoor theatres at 50% capacity, outdoor venues at 50% capacity and an increase to 75% capacity for retail and religious establishments. On September 18, 2020, the Governor of Maryland announced that indoor dining could be increased to 75% of capacity. Maryland political subdivisions could choose to impose more restrictive limits than permitted by the Governor's executive orders. To date, the County has implemented the Governor's executive orders.

As a result of the initial executive orders, many businesses and retail establishments in Maryland, including in the County, were closed or materially reduced business activity. Further, the U.S. Treasury Department and the Internal Revenue Service announced an extension for the federal income tax filing due date from April 15, 2020, to July 15, 2020, and that taxpayers can also defer federal income tax payments due on April 15, 2020, to July 15, 2020. The Maryland Comptroller also extended the deadline for filing Maryland state tax returns and making payments for state income taxes from April 15, 2020, to July 15, 2020. As the State and County reopening plans have been implemented, certain businesses and retail establishments in the County that were initially closed or that significantly curtailed operations have reopened or increased operations in part or in whole.

The County's principal source of revenue is local taxes, which constituted 92.7% of total General Fund operating revenue for fiscal 2019: 53.2% from real property taxes, 36.2% from local income taxes and 3.3% from other local taxes. Fiscal year 2020 end results are not yet final, however, the County expects a surplus as a result of higher than anticipated income tax receipts, and a reduction in expenditures, mainly related to the County's health insurance fund as many procedures and appointments were delayed due to the pandemic. Income tax revenues appear to have been positively impacted by the enhanced benefit provided by Congress of an additional \$600 per week for unemployment benefits, as well as higher than anticipated reconciling distributions for previous tax years. See "GENERAL FUND REVENUES AND EXPENDITURES" for a further discussion of the County's revenues and revenue sources.

Although the County does not currently anticipate that the levy and collection of property taxes during fiscal year 2021 will be materially affected, the potential impact of the COVID-19 pandemic cannot be fully determined at this time. It is possible that assessment appeals related to commercial property assessments could impact the County's property tax revenue in the short term. The County may experience a decline and delay in income tax collected in the current and, depending on how long the COVID-19 pandemic lasts, upcoming fiscal years, the extent to which the County cannot determine at this time. Certain other revenues are expected to be temporarily affected, including admission and amusement tax, gaming revenue, and hotel/motel tax. As a result of the COVID-19 pandemic, the County may experience an increase in expenses for emergency preparedness, public health and personnel costs. Of those expenditures, the County anticipates being reimbursed the allocable shares from other entities on whose behalf the County makes an initial expenditure outlay and is hopeful of recovering other portions through FEMA reimbursement.

The fiscal year 2021 budget was developed in a conservative manner, providing funding for continuity of operations and no change in services to citizens. However, many programs the County looked forward to implementing have been delayed, along with funding for certain capital projects. No steps or COLA's were provided to employees for fiscal year 2021. During the fiscal year 2020 budget cycle, the County increased its income tax rate from 2.8% to 3.2% effective January 2020 for future anticipated costs related to fire and emergency medical services personnel and the projected impact of Kirwan Commission recommendations regarding increased educational spending; the impacts of such recommendations on the County are not yet subject to being quantified. Those costs have not materialized to date and will be delayed if possible and necessary. The County has the ability to adjust its spending on certain capital projects and other operating costs to maintain a balanced budget in response to the anticipated challenges of the COVID-19 pandemic. In addition, the County maintains a fund balance in its General Fund which the County may utilize to respond to such challenges. See "GENERAL FUND REVENUES AND EXPENDITURES" for a further discussion regarding the County's General Fund.

## **Ratings**

Moody's Investors Service, Inc. and S&P Global Ratings have given the Bonds the ratings indicated on the cover page of this Official Statement. An explanation of the significance of either of such ratings may be obtained only from the agency furnishing the applicable 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 both of such rating agencies if, in the judgment of either such rating agency, circumstances should warrant such action. Any such downward revision or withdrawal of either of such ratings may have an adverse effect on market prices for the Bonds.

## **Continuing Disclosure Undertaking**

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

The County has historically filed its annual audited financial statements in satisfaction of its obligation to provide any annual financial information and operating data required by continuing disclosure undertakings executed by the County with respect to prior debt issues in accordance with Rule 15c2-12, based on the County's understanding that such audited financial statement filings satisfied the County's continuing disclosure undertaking obligations with respect to identified annual financial information and operating data. Such annual audited financial statement filings have been made by the County on a timely basis in the past five years. However, it was brought to the attention of the County that, with respect to certain County general obligation bonds issued prior to calendar year 2013, the description of the annual financial information and operating data to be provided by the County under its continuing disclosure undertakings with respect to such earlier issues could be construed to require more information than has been contained in the County's filed annual audited financial statements. Accordingly, in September 2020, the County filed notice of its apparent failure to provide certain information with respect to fiscal years 2015-2019, inclusive, and made a supplemental filing with respect to certain debt information for fiscal years 2015-2019, inclusive, for the affected issues that remain outstanding. Except as described in this paragraph (to the extent the foregoing 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 September 30, 2020 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 at the competitive bidding. The prices or yields shown on the inside cover page of this Official Statement for the Bonds were furnished by the successful bidder and not by the County. All other information concerning the nature and terms of any re-offering should be obtained from the successful bidder and not from the County. Robert W. Baird & Co. Incorporated, as lead manager of a syndicate, was the successful bidder for the 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 the Bonds is conditioned upon delivery by Bond Counsel of an opinion substantially in the form set forth in Appendix B to this Official Statement. The certified text of the approving legal opinion for the Bonds will be printed on or attached to the Bonds.

## Independent Auditors

The financial statements as of June 30, 2019, and for the year then ended, included in Appendix A to this Official Statement, have been audited by SB & Company, LLC, independent auditors, as stated in their report appearing herein, and should be read in their entirety. Such financial statements have been included in reliance upon the report of SB & Company, LLC. Such report speaks only as of its date.

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

## Verification of Mathematical Computations

The arithmetical accuracy of certain computations included in the schedules provided by Davenport & Company LLC, the financial advisor to the County, on behalf of the County relating to (i) computation of forecasted payments of principal and interest to pay accrued interest on the Refunded Bonds and to redeem the Refunded Bonds, and (ii) computation of yields on the Bonds and the Acquired Obligations was examined by Bingham Arbitrage Rebate Services, Inc. (the "Verification Agent"). Such computations were based solely upon assumptions and information supplied by Davenport & Company LLC on behalf of the County. The Verification Agent 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.

## Financial Advisor

Davenport & Company LLC, Towson, 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.

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

COUNTY COMMISSIONERS OF  
WASHINGTON COUNTY

By: /s/ JEFFREY A. CLINE  
Jeffrey A. Cline  
President, Board of County Commissioners



## **Appendix A**

### **General Purpose Financial Statements**

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

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

**For the Year Ended June 30, 2019**

**JUNE 30, 2019**

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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, 2019, 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***

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

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

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

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



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

### ***Opinions***

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information, of the County Commissioners of Washington County, Maryland, as of June 30, 2019, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***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, as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.



**SB & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

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

Owings Mills, Maryland  
October 28, 2019

*SB & Company, LLC*



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019

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

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

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: **1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.** This report also contains **4) supplementary information** in addition to the basic financial statements themselves.

**1) Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private business. The government-wide financial statements include a *statement of net position* and a *statement of activities*.

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

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

- The *governmental activities* of the County include education, general government, parks and recreation, public safety, courts, health and social services, and highway maintenance.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019

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- ❑ 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 21-23 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 11 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Capital Improvement, Grant Management, Cascade Town Centre, Inmate Welfare, Contraband, Agricultural Education, Gaming, Land Preservation, HEPMPO, and Hotel Rental Tax funds.

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





MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019

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The basic governmental fund financial statements can be found on pages 24-27 of this report.

- **Proprietary Funds.** When the County charges customers for a service it provides, whether to outside customers or to other units of government, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of Revenue, Expenses and Changes in Net Position. Proprietary funds are comprised of two types: 1) *Enterprise funds* and 2) *Internal service funds*. The County uses enterprise funds to account for its airport, public golf course, public transit, solid waste, and water quality operations. Internal service funds are used to report an activity that provides supplies and services for the government's other programs and activities. The County does not utilize an internal service fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 28-30 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 31-32 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 33-93 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 96-101 of this report.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019

Financial Analysis on Government-Wide Financial Statements

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$519.2 million as of the close of the most recent fiscal year.

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>		<i>Total Percent Change</i>
	2019	2018	2019	2018	2019	2018	
<i>Current and other assets</i>	\$170,186,751	\$146,811,901	\$31,976,214	\$34,867,071	\$202,162,965	\$181,678,972	11.27%
<i>Capital assets</i>	432,669,262	435,521,785	258,934,433	265,828,068	691,603,695	701,349,853	-1.39%
<i>Total Assets</i>	602,856,013	582,333,686	290,910,647	300,695,139	893,766,660	883,028,825	1.22%
<i>Deferred Outflow of Resources</i>	20,417,960	28,634,962	403,303	541,663	20,821,263	29,176,625	-28.64%
<i>Current and other liabilities</i>	28,341,171	30,146,714	11,252,087	14,139,436	39,593,258	44,286,150	-10.60%
<i>Long-term liabilities</i>	260,513,195	255,454,315	58,181,033	60,515,465	318,694,228	315,969,780	0.86%
<i>Total Liabilities</i>	288,854,366	285,601,029	69,433,120	74,654,901	358,287,486	360,255,930	-0.55%
<i>Deferred Inflow of Resources</i>	14,062,364	10,327,121	23,046,167	23,846,169	37,108,531	34,173,290	8.59%
<i>Net Investment in Capital Assets</i>	353,938,046	359,867,032	215,836,116	219,191,046	569,774,162	579,058,078	-1.60%
<i>Restricted Net Assets</i>	34,069,902	28,785,450	3,786,741	3,532,742	37,856,643	32,318,192	17.14%
<i>Unrestricted Net Assets</i>	(67,650,705)	(73,611,984)	(20,788,194)	(19,988,056)	(88,438,899)	(93,600,040)	-5.51%
<i>Total Net Position</i>	\$320,357,243	\$315,040,498	\$198,834,663	\$202,735,732	\$519,191,906	\$517,776,230	0.27%

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 \$569.8 million. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County's net position, \$37.9 million, represents resources that are subject to external restrictions on how they may be used. The remaining portion is unrestricted net deficit of (\$88.4) million.

Unrestricted net assets in governmental activities have been reduced by \$46.7 million in long-term debt, resulting in unrestricted net assets of (\$67.6) million. This long-term debt was incurred by the County's general fund for the purpose of capital asset acquisition for the Board of Education of \$41.4 million and Hagerstown Community College of \$5.3 million. The capital assets acquired with these bonds are not reflected in the County's primary government financial statements.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2019	2018	2019	2018	2019	2018
<b>Program Revenues:</b>						
Charges for Services	\$8,911,900	\$8,511,910	24,085,408	\$21,848,366	\$32,997,308	\$ 30,360,276
Operating Grants and Contributions	11,288,464	6,084,437	1,288,927	1,517,601	12,577,391	7,602,038
Capital Grants and Contributions	7,303,444	6,867,440	3,226,096	10,952,297	10,529,540	17,819,737
<b>General Revenues:</b>						
Property Taxes	127,501,045	125,149,877		-	127,501,045	125,149,877
Local Taxes	106,616,922	96,770,294		-	106,616,922	96,770,294
Other	1,805,760	2,366,945	648,941	-112,346	2,454,701	2,254,599
<b>Total Revenues</b>	<b>263,427,535</b>	<b>245,750,903</b>	<b>29,249,372</b>	<b>34,205,918</b>	<b>292,676,907</b>	<b>279,956,821</b>
<b>Program Expenses:</b>						
General Government	53,167,068	41,620,853		-	53,167,068	41,620,853
Public Safety	53,310,570	51,093,856		-	53,310,570	51,093,856
Health	2,339,270	2,339,270		-	2,339,270	2,339,270
Social Services	435,560	424,390		-	435,560	424,390
Education	109,861,730	107,852,147		-	109,861,730	107,852,147
Parks and Recreation	6,701,519	6,622,721		-	6,701,519	6,622,721
Natural Resources	4,883,747	2,120,799		-	4,883,747	2,120,799
Community Promotion	4,368,506	4,521,026		-	4,368,506	4,521,026
Highways and Streets	15,766,167	19,014,859		-	15,766,167	19,014,859
Interest on Long-term Debt	4,909,524	4,820,667		-	4,909,524	4,820,667
<b>Business-type Activities:</b>						
Water Quality	-	-	14,427,578	14,326,351	14,427,578	14,326,351
Solid Waste	-	-	8,473,176	8,182,004	8,473,176	8,182,004
Public Transit	-	-	3,024,616	3,009,074	3,024,616	3,009,074
Airport	-	-	8,499,404	8,464,438	8,499,404	8,464,438
Golf Course	-	-	1,191,521	1,230,369	1,191,521	1,230,369
<b>Total Expenses</b>	<b>255,743,661</b>	<b>240,430,588</b>	<b>35,616,295</b>	<b>35,212,236</b>	<b>291,359,956</b>	<b>275,642,824</b>
<b>Change in Net Position before transfers</b>	<b>7,683,874</b>	<b>5,320,315</b>	<b>(6,366,923)</b>	<b>(1,006,318)</b>	<b>1,316,951</b>	<b>4,313,997</b>
Transfers	(2,465,854)	(2,362,259)	2,465,854	2,362,259	-	-
Contributed Capital	-	-	-	-	-	-
Proceeds of Bond Sale	98,725	-	-	-	98,725	-
<b>Change in Net Position</b>	<b>5,316,745</b>	<b>2,958,056</b>	<b>(3,901,069)</b>	<b>1,355,941</b>	<b>1,415,676</b>	<b>4,313,997</b>
<b>Net Position – Beginning of year</b>	<b>315,040,498</b>	<b>317,989,143</b>	<b>202,735,732</b>	<b>201,379,791</b>	<b>517,776,230</b>	<b>519,368,934</b>
<b>Change in Accounting Principle</b>	<b>-</b>	<b>(5,906,701)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,906,701)</b>
<b>Net Position – Beginning of year, as restated</b>	<b>315,040,498</b>	<b>312,082,442</b>	<b>202,735,732</b>	<b>201,379,791</b>	<b>517,776,230</b>	<b>513,462,233</b>
<b>Net Position – End of year</b>	<b>\$320,357,243</b>	<b>\$315,040,498</b>	<b>198,834,663</b>	<b>\$202,735,732</b>	<b>\$519,191,906</b>	<b>\$517,776,230</b>

The County's net position increased by \$1.4 million during fiscal year 2019; total net position as of June 30, 2019 was \$519.2 million, representing a 0.3% increase.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019

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

Net position in governmental activities increased by \$5.3 million. Key factors in this increase are as follows:

- Charges for Services increased over FY2018 by \$0.4 million primarily due to an increase in speed camera revenue.
- Operating grants and contributions increased by \$5.2 million and can fluctuate from year to year. In comparison to FY2018, Land Preservation reported \$3.0 million more in grant revenue, Highway User revenue was increased by \$0.6 million, \$1.3 million was provided from the state for purchase of a building for the National Park Headquarters, and the remaining \$0.3 million was related to public safety grants.
- Capital grants and contributions increased by \$0.4 million due to fluctuations in capital spending. It is common for this line item to change from year to year due to varying projects and associated funding sources.
- Property Taxes increased over the prior year as expected by about \$2.4 million. As the economy improves, the County continues to see evidence in property tax revenues, which have steadily increased over the last several years by approximately 2% per year.
- Local taxes increased by \$9.8 million, of which \$8.9 million was related to income tax revenue. FY2018 reflected lower than anticipated revenues by about \$4.0 million and even experienced a reduction in revenue as compared to FY2017 by about 1%. Through May of 2019, the County continued to see lower than expected revenues, but a large June 2019 disbursement turned projections around. County income tax revenue increased 11.5% in FY2019 over FY2018, a record increase. Higher income tax revenue is the result of the Federal Tax Cuts and Jobs Act and associated taxpayer behavior.
- Other revenues decreased by \$0.6 million which was the result of higher than expected interest income offset by the loss on sale of assets.
- Natural resources increased by \$3.0 million due to additional expenditures directly related to grants.
- Public safety costs increased by approximately \$2.3 million due to 1) higher cost associated with speed cameras to reflect the first full year of active status; 2) costs associated with hiring 8 full-time firefighters; 3) grant related expenditures; and 4) effects of a 1.5% COLA.
- Education expenditures increased by \$2.0 million as a result of an increased appropriation which was approved through the budget process.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019

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- General Government increased by approximately \$11.5 million, with more than half the increase related to reclassifying capital expenditures and recording fixed assets in governmental funds. 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 increases include \$2.0 million for higher pension expense and \$1.8 million in higher health care costs. The County recently modified health insurance benefits in an effort to modify employee behavior to lower cost care methods when possible.
- Expenditures for Highways and Streets decreased by \$3.5 million primarily due to less expensed projects related to capital expenditures than in the prior year.

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

Business-type activities decreased the County's net position by \$3.9 million. Key elements of this decrease are as follows:

- ❑ Water Quality's net position decreased by \$0.2 million, for a total of \$139.2 million in net assets. The \$0.2 million net loss includes \$3.8 million in depreciation expense and capital grant contributions of \$0.5 million.
- ❑ Solid Waste's total net position decreased by \$0.1 million for a total of \$2.9 million in net assets, mainly related to depreciation expense of \$2.0 million. In 2012, the 40 West landfill site was re-designed which changed the total life from 62 years to 120 years generating an additional four million cubic yards of available air space. This change in accounting estimate had no effect on the total estimated closure and post closure cost which are in compliance with State financial assurance requirements.
- ❑ Airport's total net position is \$54.3 million, representing a \$3.6 million decrease. The net decrease is mainly the result of increased depreciation related to the runway acquisition of which a majority was funded with federal and state grants. Total depreciation costs were \$6.6 million. Capital grant contributions account for \$2.1 million.
- ❑ The County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements and restrictions, and fiscal accountability.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019

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, outflows, 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 \$128.9 million, an increase of \$12.0 million. Approximately \$42.7 million of this amount is committed for the general fund cash reserve and \$80.2 million is restricted or committed for construction projects and designated programs. In the combined governmental activities the County maintains 11 separate funds. Shown below are fund balances and net changes in fund balance for each.

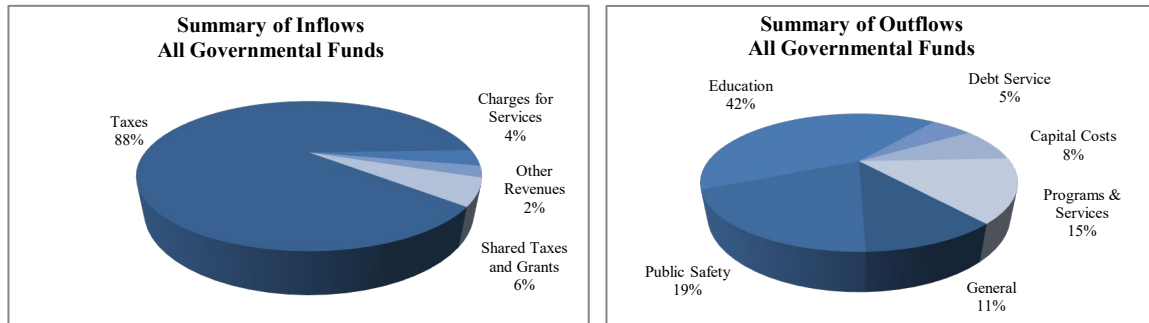
Governmental Activities	Fund Balance			Net Change in Fund Balance		
	2019	2018	% Change	2019	2018	% Change
<b>General Fund</b>	\$ 45,496,695	\$ 41,746,652	8.98%	\$ 3,750,043	\$ 1,433,482	161.60%
<b>Capital Improvement Fund</b>	80,186,488	71,984,125	11.39%	8,202,363	7,435,996	10.31%
<b>Grants Management</b>	42,973	13,410	220.45%	29,563	4,597	543.09%
<b>Cascade Town Centre Fund</b>	893,464	1,646,988	-45.75%	(753,524)	(1,116,543)	32.51%
<b>Inmate Welfare Fund</b>	255,082	176,823	44.26%	78,259	39,901	96.13%
<b>Contraband Fund</b>	98,066	153,855	-36.26%	(55,789)	153,490	-136.35%
<b>Agricultural Education Fund</b>	22,246	20,885	6.52%	1,361	2,883	-52.79%
<b>Hotel Rental Tax Fund</b>	1,227,938	770,599	59.35%	457,339	571,096	-19.92%
<b>Gaming Fund</b>	129,292	88,268	46.48%	41,024	47,085	-12.87%
<b>Land Preservation Fund</b>	568,896	298,046	90.88%	270,850	32,479	733.92%
<b>HEPMPO</b>	(6,460)	(21,753)	70.30%	15,293	(3,737)	509.23%
<b>Total</b>	\$ 128,914,680	\$ 116,877,898	10.30%	\$ 12,036,782	\$ 8,600,729	39.95%



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019

**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, 2019.



- The **General Fund** is the chief operating fund of the County. At the end of the current fiscal year total fund balance reached \$45.5 million. As a measure of the General Fund's liquidity, it may be useful to compare both committed fund balance and total fund balance to total fund expenditures.

The General Fund fund balance increased by approximately \$3.8 million during the current fiscal year. Key factors related to this change are:

Major Revenue Factors:

- Property tax revenue exceeded budget by \$1.0 million or 0.8%. The majority of the overage is related to personal property tax which was higher than State estimates due to new businesses and an increase in inventories.
- Income Tax revenue exceeded budget by \$2.8 million or 3.4%. The County received a larger than anticipated June distribution mainly due to taxpayer behavior as a result of the Federal Tax Cuts and Jobs Act.
- Recordation Tax revenue exceeded budget by \$0.4 million or 6.0%, mainly due to a large commercial transaction. In addition, the average price of a home sold continues to rise, increasing by approximately 5.0% over the prior year.
- Revenue from speed cameras came in under budget by \$2.5 million or 4.9%. Response to the cameras has been tremendous and adjustments were made for the FY2020 budget to account for this foreseen reduction in revenue.





MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019

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- Investment income was over budget by \$1.5 million due to higher than expected interest rates.
- Miscellaneous revenues were over budget by \$0.6 million or 2.8%, mainly as the result of income from the sale of properties.

Major Expenditure Factors:

- An additional transfer over what was originally budgeted of \$2.8 million was made to the Golf Course, Highway, and Capital Projects funds to offset operating shortfalls and to provide for future project costs and one time expenditures.
  - Overall public safety expenditures reflect savings of \$1.5 million when compared to budget with \$0.6 million related to grants and the remainder resulting from personnel cost savings.
  - Remaining cost centers accounted for \$1.3 million in savings, mainly a result of personnel cost savings, department heads' efforts to reduce costs and focus on operational efficiencies, and debt service savings.
  - The OPEB payment was not made due to the trust's funding ratio exceeding 100%, which reduced expenditures by approximately \$0.6 million.
  - An additional appropriation was required for the County's health reserve of \$0.6 million due to an increase health care costs and use. The county made several plan changes in spring of 2019 to reduce the annual cost of the self-insurance fund.
- 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 \$80.2 million all of which is designated for capital related projects. Major funding sources for projects are pay-go-funding, debt proceeds, fees and taxes, and grants. Fund balance increased by \$8.2 million for the current fiscal year. The change in fund balance is the result of timing differences in projects with funding proceeds and project expenditures and use of prior project savings.
- The County's **Grant Management, Cascade Town Centre, Inmate Welfare, Contraband, Agricultural Education, Hotel Rental Tax, Gaming, HEPMPO, and Land Preservation Funds** combined have a fund balance of \$3.2 million. The net increase in fund balance during the current year was \$0.08 million. These funds represent monies designated for specific programs and services.





MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019

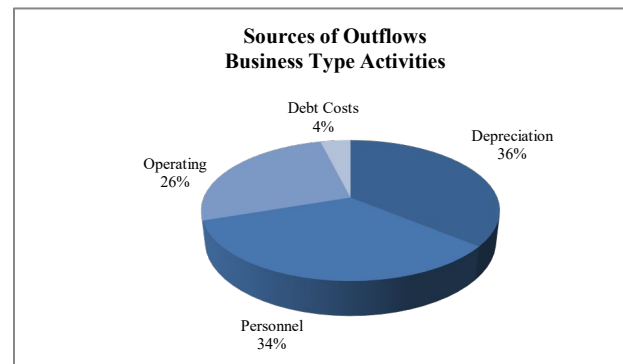
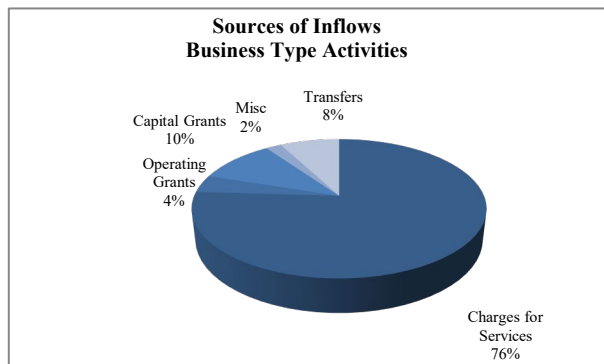
**Proprietary Funds:**

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

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

<i>Business-type Activities</i>	<i>Total Net Position</i>			<i>Change in Net Position</i>		
	2019	2018	% Change	2019	2018	%Change
<i>Water Quality</i>	\$ 139,158,460	\$ 139,340,745	-0.13%	\$ (182,285)	\$ 7,563,247	-102.41%
<i>Solid Waste</i>	2,898,594	2,991,169	-3.09%	(92,575)	(1,373,179)	93.26%
<i>Airport</i>	50,681,144	54,298,432	-6.66%	(3,617,288)	(5,173,027)	30.07%
<i>Public Transit</i>	3,644,028	3,663,942	-0.54%	(19,914)	214,044	-109.30%
<i>Black Rock</i>	2,452,437	2,441,444	0.45%	10,993	124,856	-91.20%
<i>Total</i>	\$ 198,834,663	\$ 202,735,732	-1.92%	\$ (3,901,069)	\$ 1,355,941	-387.70%

The following reflects the inflows and outflows of the business-type activity funds for the fiscal year ending June 30, 2019.



Other factors concerning the finances of these funds have been addressed in the discussion of the County's business-type activities under "Financial Analysis on Government-Wide Financial Statements."



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019

General Fund Budgetary Analysis – Government Fund Financial Statement Basis

**Washington County, Maryland**  
**General Fund Budgetary Analysis**  
**As of June 30, 2019**  
**(Government Fund Basis)**

Category	Budgetary Amounts		Actual	Difference	
	Original	Final		Org. Budget vs. Final Budget	Final Budget vs. Actual
<b>Revenues:</b>					
Property Tax	\$ 126,448,250	\$ 126,448,250	\$ 127,440,494	\$ -	\$ 992,244
Local Tax	91,305,000	91,305,000	94,599,765	-	3,294,765
Other Revenue	14,170,560	17,709,933	17,290,445	3,539,373	(419,488)
<b>Total Revenues</b>	<b>231,923,810</b>	<b>235,463,183</b>	<b>239,330,704</b>	<b>3,539,373</b>	<b>3,867,521</b>
<b>Expenses:</b>					
General Government	27,917,940	28,510,874	27,349,583	592,934	(1,161,291)
Public Safety	46,818,590	48,657,519	47,201,336	1,838,929	(1,456,183)
Health and Social Services	2,774,830	2,774,830	2,774,830	-	-
Education	108,566,050	108,566,050	108,566,050	-	-
Parks, Recreation, Natural Resources	6,935,850	8,273,500	8,087,657	1,337,650	(185,843)
Highways and Streets	11,156,680	11,281,970	11,358,140	125,290	76,170
General Operations	529,600	503,600	434,356	(26,000)	(69,244)
Unallocated Costs	5,292,100	4,892,100	5,435,165	(400,000)	543,065
Intergovernmental	7,616,190	7,693,760	10,285,303	77,570	2,591,543
Debt Service	14,315,980	14,308,980	14,139,010	(7,000)	(169,970)
<b>Total Expenses</b>	<b>231,923,810</b>	<b>235,463,183</b>	<b>235,631,430</b>	<b>3,539,373</b>	<b>168,247</b>
<b>Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>50,769</b>	<b>-</b>	<b>50,769</b>
<b>Net Increase in Assets - 06/30/19</b>	<b>\$ -</b>	<b>\$ -</b>	<b>3,750,043</b>	<b>\$ -</b>	<b>\$ 3,750,043</b>

**Original Budget vs. Final Budget:**

The net budgetary change of \$3.5 million resulted mainly from grant transactions. Increases in grants reflected as revenue were received or expended during the fiscal year from additional state or federal grants of \$3.5 million.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019

**Final Budget vs. Actual Results:**

Revenue was over budget by \$3.9 million and expenditures and other financing sources were under budget by \$0.1 million yielding a \$3.8 million net increase. Property Tax experienced an increase of \$1.0 million over budget or 0.8%, primarily related to higher Personal property Tax. Local tax was over budget by \$3.3 million, primarily due to Income Tax revenue coming in over budget by 3.4% or \$2.8 million and Recordation Tax exceeding final budget by \$0.4 million or 6.0%. Other revenue fell below budget by a net \$0.4 million mainly due to Speed camera fines under budget by \$2.5 million, but offset by increased interest from investments of \$1.5 million and revenue from the sale of surplus property of \$0.8 million. Cost saving due to savings in personnel, operational costs, and debt service were \$2.8 million and were offset by additional appropriations to the Capital Projects fund of \$2.5 million and the golf course fund of \$0.1 million.

**Capital Asset Administration – Government Wide Statements**

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$674.4 million (net of depreciation). This investment in capital assets includes land, buildings, bridges, roads, equipment, and operational facilities.

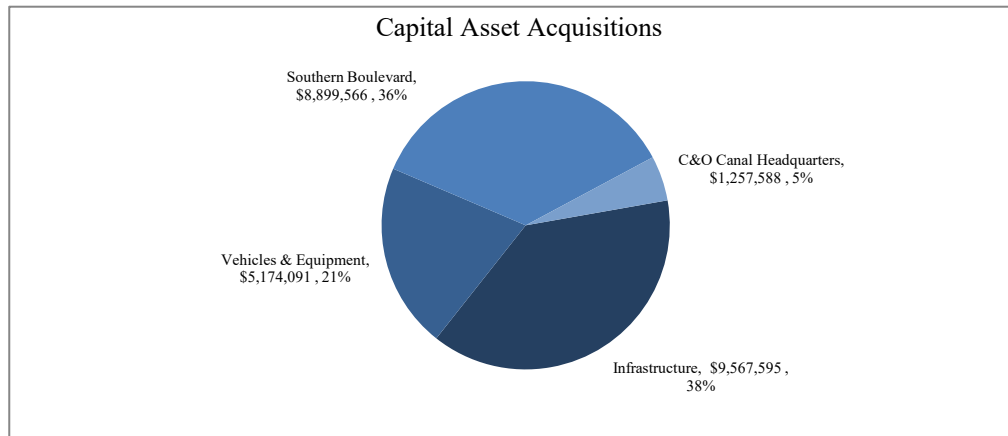
**Washington County, Maryland**  
**Net Capital Assets**  
*(Government Fund Basis)*

<i>Description</i>	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>		<i>% Change</i>
	2019	2018	2019	2018	2019	2018	
<i>Land and Land Improvements</i>	\$101,639,048	\$99,435,613	\$52,810,637	\$59,287,108	\$154,449,685	\$158,722,721	-2.7%
<i>Building and Improvements</i>	65,476,050	71,056,825	40,029,021	41,228,808	105,505,071	112,285,633	-6.0%
<i>Facilities, Lines, and Mains</i>	-	-	86,461,659	86,735,110	86,461,659	86,735,110	-0.3%
<i>Vehicles</i>	4,812,783	4,810,321	1,154,882	1,263,931	5,967,665	6,074,252	-1.8%
<i>Infrastructure</i>	234,534,237	231,340,961	-	-	234,534,237	231,340,961	1.4%
<i>Machinery and Equipment</i>	4,567,333	4,808,375	3,395,376	2,261,504	7,962,709	7,069,879	12.6%
<i>Office/Computer Equipment</i>	6,593,349	9,168,143	388,115	204,820	6,981,464	9,372,963	-25.5%
<i>Treatment Plants</i>	-	-	72,557,917	72,928,453	72,557,917	72,928,453	-0.51%
<i>Total</i>	\$417,622,800	\$420,620,238	\$256,797,607	\$263,909,734	\$674,420,407	\$684,529,972	-1.5%



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019

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 52-55 of this report.

### Debt Administration

At the end of the current fiscal year, the County had total outstanding debt, excluding capital leases, of \$198.9 million. This amount was comprised of debt backed by the full faith and credit of the County and user fees. The debt decreased by a net of \$1.4 million, the result of net principal payments of \$14.7 million and new borrowings of \$13.3 million. Funds borrowed were used mainly for infrastructure, education, and public safety projects.

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

Instrument Type	Governmental Activity		Business-type Activity		Total Outstanding Debt		% Change
	2019	2018	2019	2018	2019	2018	
<b>General Obligation Bonds</b>	\$ 149,019,381	\$ 146,430,226	\$37,326,214	\$38,223,368	\$ 186,345,595	\$ 184,653,594	0.92%
<b>Maryland Water Quality Bonds</b>	3,055,456	3,822,493	9,523,936	11,881,281	12,579,392	15,703,774	19.90%
<b>Total</b>	\$ 152,074,837	\$ 150,252,719	\$46,850,150	\$50,104,649	\$ 198,924,987	\$ 200,357,368	-0.71%

The County's credit ratings for fiscal year 2019 are as follows: 1) Standard and Poor's rated AA+, 2) Fitch rated AA+, and 3) Moody's Investors Service rated Aa1.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019

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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 58-62 of this report.

#### Economic Factors and Fiscal Year 2019

- ❑ Washington County's unemployment rate for June 2019 was 4.1% compared to 4.7% in June of 2018. The unemployment rate reached a high of 10.3% in March 2009 and has been improving steadily due to job growth in the service industry, specifically within the categories of trade, transportation, and utilities, professional services, and education and health services.
- ❑ For the first time in twenty years the County raised the income tax rate. The rate increased from 2.8% of State taxable income to 3.2%. This increase is estimated to generate additional revenue of approximately \$10 million. Due to the higher income tax rate, the County expects to receive higher disparity grant revenues from the State, yielding an additional \$4.0 million in FY2021.
- ❑ Sewer rates were increased by 3% for the 2020 budget year while water rates remained the same. This revenue increase is based on financial information formulated annually from the County's cost of service model.
- ❑ On September 15, 2016, Pen Mar Development Corporation conveyed the former Fort Ritchie Army Base, for no monetary consideration, all real property, contracts, leases, liabilities, and personal property not specifically excluded and held by Pen Mar to the Board. The forthcoming private investment and subsequent redevelopment of the former Fort Ritchie Army base has the potential to be one of the largest development projects in the County in the years to come.
- ❑ Washington County is heavily involved in the Urban Improvement Project which strives to develop and revitalize the downtown district. Funding for this project includes a combination of County, City, State, and private developer contributions.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019

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Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of Budget and Finance, 100 West Washington Street, Room 3100, Hagerstown, Maryland 21740. Questions concerning the Washington County Board of Education should be directed to their offices at 10435 Downsville Pike Hagerstown, Maryland 21740.

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# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Statement of Net Position For the Year Ended June 30, 2019

	Primary Government			Component Unit	
	Governmental activities	Business-type activities	Total	Board of Education	Total
<b>ASSETS</b>					
Cash and short-term investments	\$ 21,335,038	\$ 25,554,006	\$ 46,889,044	\$ 16,129,915	\$ 63,018,959
Investments	97,296,737	-	97,296,737	25,448,482	122,745,219
Property taxes receivable, net of allowance	498,411	-	498,411	-	498,411
Accounts receivable, net of allowance	1,993,327	1,476,393	3,469,720	571,551	4,041,271
Interest receivable	698,049	-	698,049	-	698,049
Unbilled receivables	367,995	2,121,847	2,489,842	-	2,489,842
Due from other governmental agencies	35,784,782	2,300,665	38,085,447	9,066,380	47,151,827
Inventories	776,816	273,303	1,050,119	216,861	1,266,980
Other assets	-	-	-	1,717,566	1,717,566
Net other post employment benefits asset	10,578,507	-	10,578,507	-	10,578,507
Recoverable disbursements	134,534	-	134,534	-	134,534
Notes receivable	722,555	250,000	972,555	-	972,555
Projects under construction	15,046,462	2,136,826	17,183,288	10,471,542	27,654,830
Property, plant, and equipment, net	417,622,800	256,797,607	674,420,407	219,466,060	893,886,467
<b>TOTAL ASSETS</b>	<b>602,856,013</b>	<b>290,910,647</b>	<b>893,766,660</b>	<b>283,088,357</b>	<b>1,176,855,017</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Loss on refunding	1,897,168	403,303	2,300,471	-	2,300,471
Net pension activity	18,244,869	-	18,244,869	5,891,293	24,136,162
Net OPEB activity	275,923	-	275,923	17,449,878	17,725,801
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>20,417,960</b>	<b>403,303</b>	<b>20,821,263</b>	<b>23,341,171</b>	<b>44,162,434</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Current maturities of long-term obligations	9,982,974	4,511,865	14,494,839	-	14,494,839
Current maturities of capital lease obligations	275,718	39,834	315,552	1,097,714	1,413,266
Current maturities of installment purchase contracts	181,779	-	181,779	-	181,779
Accounts payable	6,331,793	1,778,743	8,110,536	7,737,128	15,847,664
Accrued expenses	1,783,472	606,030	2,389,502	19,478,969	21,868,471
Accrued interest	2,494,559	2,272,545	4,767,104	-	4,767,104
Unearned revenue	560,367	1,315,322	1,875,689	2,741,183	4,616,872
Compensated absences	2,095,435	437,218	2,532,653	483,867	3,016,520
Landfill closure and post-closure costs	-	196,730	196,730	-	196,730
Other liabilities	2,423,133	93,800	2,516,933	-	2,516,933
Liabilities for unpaid claims	2,211,941	-	2,211,941	-	2,211,941
Total current liabilities	28,341,171	11,252,087	39,593,258	31,538,861	71,132,119
Noncurrent Liabilities:					
Compensated absences	903,441	145,741	1,049,182	7,086,861	8,136,043
Post retirement benefits	-	-	-	241,595,471	241,595,471
Long-term debt obligations	142,091,863	42,338,284	184,430,147	-	184,430,147
Capital lease obligations	342,851	41,932	384,783	-	384,783
Installment purchase contracts	1,123,773	-	1,123,773	-	1,123,773
Landfill closure and post-closure costs	-	15,655,076	15,655,076	-	15,655,076
Net pension liability	116,051,267	-	116,051,267	18,360,969	134,412,236
Total noncurrent liabilities	260,513,195	58,181,033	318,694,228	267,043,301	585,737,529
<b>TOTAL LIABILITIES</b>	<b>288,854,366</b>	<b>69,433,120</b>	<b>358,287,486</b>	<b>298,582,162</b>	<b>656,869,648</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues	-	23,046,167	23,046,167	-	23,046,167
Net pension activity	2,943,207	-	2,943,207	3,315,673	6,258,880
Net OPEB activity	11,119,157	-	11,119,157	25,440,331	36,559,488
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>14,062,364</b>	<b>23,046,167</b>	<b>37,108,531</b>	<b>28,756,004</b>	<b>65,864,535</b>
<b>NET POSITION</b>					
Net investment in capital assets	353,938,046	215,836,116	569,774,162	228,839,888	798,614,050
Restricted for:					
John Howard Trust	249,955	-	249,955	-	249,955
Capital projects	33,819,947	3,786,741	37,606,688	-	37,606,688
Unrestricted	(67,650,705)	(20,788,194)	(88,438,899)	(249,748,526)	(338,187,425)
<b>TOTAL NET POSITION</b>	<b>\$ 320,357,243</b>	<b>\$ 198,834,663</b>	<b>\$ 519,191,906</b>	<b>\$ (20,908,638)</b>	<b>\$ 498,283,268</b>



# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Statement of Activities For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 51,646,558	\$ 5,328,325	\$ 467,129	\$ 84,876
Public safety	53,310,570	3,476,641	2,671,532	13,473
Health	2,339,270	-	-	-
Social services	435,560	-	-	-
Education	109,861,730	-	-	-
Parks, recreation and culture	6,701,519	106,934	1,251,054	89,433
Natural resources	4,883,747	-	3,815,572	-
General operations	1,520,510	-	-	-
Community promotion	4,368,506	-	1,217,283	-
Highways and streets	15,766,167	-	1,865,894	7,115,662
Interest on long-term debt	4,909,524	-	-	-
Total governmental activities	<u>255,743,661</u>	<u>8,911,900</u>	<u>11,288,464</u>	<u>7,303,444</u>
Business-type activities				
Water quality	14,427,578	12,935,543	32,025	530,681
Solid waste	8,473,176	7,227,171	-	-
Airport	8,499,404	2,568,094	8,540	2,108,463
Public transit	3,024,616	664,517	1,248,362	548,084
Black Rock golf course	1,191,521	690,083	-	38,868
Total business-type activities	<u>35,616,295</u>	<u>24,085,408</u>	<u>1,288,927</u>	<u>3,226,096</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 291,359,956</u>	<u>\$ 32,997,308</u>	<u>\$ 12,577,391</u>	<u>\$ 10,529,540</u>
Component unit:				
Board of Education	<u>\$ 351,015,599</u>	<u>\$ 16,372,613</u>	<u>\$ 63,742,334</u>	<u>\$ 422,358</u>

### General revenue:

#### Taxes

Property taxes

Local taxes

Income on investments

Reimbursed expenses

Miscellaneous

Unrestricted grants and contributions

Contributed capital

Loss on disposal of capital assets

Transfers

TOTAL GENERAL REVENUE

CHANGE IN NET POSITION

RESTATEMENT

NET POSITION - BEGINNING OF YEAR

NET POSITION - END OF YEAR

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Statement of Activities For the Year Ended June 30, 2019

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-Type Activities	Total	Board of Education	Total
\$ (45,766,228)	\$ -	\$ (45,766,228)	\$ -	\$ (45,766,228)
(47,148,924)	-	(47,148,924)	-	(47,148,924)
(2,339,270)	-	(2,339,270)	-	(2,339,270)
(435,560)	-	(435,560)	-	(435,560)
(109,861,730)	-	(109,861,730)	-	(109,861,730)
(5,254,098)	-	(5,254,098)	-	(5,254,098)
(1,068,175)	-	(1,068,175)	-	(1,068,175)
(1,520,510)	-	(1,520,510)	-	(1,520,510)
(3,151,223)	-	(3,151,223)	-	(3,151,223)
(6,784,611)	-	(6,784,611)	-	(6,784,611)
(4,909,524)	-	(4,909,524)	-	(4,909,524)
<u>(228,239,853)</u>	<u>-</u>	<u>(228,239,853)</u>	<u>-</u>	<u>(228,239,853)</u>
-	(929,329)	(929,329)	-	(929,329)
-	(1,246,005)	(1,246,005)	-	(1,246,005)
-	(3,814,307)	(3,814,307)	-	(3,814,307)
-	(563,653)	(563,653)	-	(563,653)
-	(462,570)	(462,570)	-	(462,570)
<u>-</u>	<u>(7,015,864)</u>	<u>(7,015,864)</u>	<u>-</u>	<u>(7,015,864)</u>
<u>(228,239,853)</u>	<u>(7,015,864)</u>	<u>(235,255,717)</u>	<u>-</u>	<u>(235,255,717)</u>
-	-	-	(270,478,294)	(270,478,294)
127,501,045	-	127,501,045	-	127,501,045
106,616,922	-	106,616,922	-	106,616,922
2,151,425	183,560	2,334,985	488,012	2,822,997
1,511,831	-	1,511,831	-	1,511,831
2,111,078	411,209	2,522,287	454,634	2,976,921
-	-	-	271,862,855	271,862,855
-	-	-	-	-
(3,869,849)	54,172	(3,815,677)	-	(3,815,677)
(2,465,854)	2,465,854	-	-	-
<u>233,556,598</u>	<u>3,114,795</u>	<u>236,671,393</u>	<u>272,805,501</u>	<u>509,476,894</u>
5,316,745	(3,901,069)	1,415,676	2,327,207	3,742,883
-	-	-	(1,644,796)	(1,644,796)
315,040,498	202,735,732	517,776,230	(21,591,049)	496,185,181
<u>\$ 320,357,243</u>	<u>\$ 198,834,663</u>	<u>\$ 519,191,906</u>	<u>\$ (20,908,638)</u>	<u>\$ 498,283,268</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Balance Sheet - Governmental Funds As of June 30, 2019

	General Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 618,872	\$ 15,120,869	\$ 5,595,297	\$ 21,335,038
Investments	97,052,684	244,053	-	97,296,737
Property taxes receivable, net of allowance	498,411	-	-	498,411
Accounts receivable, net of allowance	1,139,143	520,849	333,335	1,993,327
Interest receivable	696,019	2,030	-	698,049
Unbilled receivables	367,995	-	-	367,995
Due from other funds	-	58,974,499	-	58,974,499
Due from other governmental agencies	27,515,971	7,971,114	297,697	35,784,782
Recoverable disbursements	134,534	-	-	134,534
Notes receivable	722,555	-	-	722,555
Inventories	776,816	-	-	776,816
<b>TOTAL ASSETS</b>	<b>\$ 129,523,000</b>	<b>\$ 82,833,414</b>	<b>\$ 6,226,329</b>	<b>\$ 218,582,743</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,442,745	\$ 2,638,266	\$ 2,250,782	\$ 6,331,793
Accrued expenses	1,743,490	8,660	31,322	1,783,472
Due to other funds	58,845,269	-	129,230	58,974,499
Liabilities for unpaid claims	2,211,941	-	-	2,211,941
Unearned revenue	533,242	-	27,125	560,367
Other liabilities	1,866,760	-	556,373	2,423,133
<b>TOTAL LIABILITIES</b>	<b>66,643,447</b>	<b>2,646,926</b>	<b>2,994,832</b>	<b>72,285,205</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues	17,382,858	-	-	17,382,858
<b>FUND BALANCES</b>				
Nonspendable	1,409,371	-	-	1,409,371
Restricted	855,333	33,819,947	1,781,198	36,456,478
Committed	43,212,749	46,366,541	1,268,177	90,847,467
Assigned	19,242	-	194,511	213,753
Unassigned	-	-	(12,389)	(12,389)
<b>TOTAL FUND BALANCES</b>	<b>45,496,695</b>	<b>80,186,488</b>	<b>3,231,497</b>	<b>128,914,680</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 129,523,000</b>	<b>\$ 82,833,414</b>	<b>\$ 6,226,329</b>	<b>\$ 218,582,743</b>

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position As of June 30, 2019

Fund balance governmental funds	\$ 128,914,680
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets, net	417,622,800
Projects under construction	15,046,462
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds:	
Net other post employment benefits asset	10,578,507
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds	
Unavailable revenues	17,382,858
Deferred outflow of resources, including loss on refunding, net deferred pension activity and net deferred OPEB activity are not financial resources and therefore are not reported in the funds	6,355,596
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Long-term obligations	(152,074,837)
Installment purchase obligations	(1,305,551)
Capital lease obligations	(618,569)
Accrued interest payable - net of IRS subsidy	(2,494,560)
Compensated absences and net pension liability	(119,050,143)
Net position of governmental activities	<u>\$ 320,357,243</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds For the Year Ended June 30, 2019

	General Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
<b>REVENUE</b>				
General property tax	\$ 127,440,494	\$ -	\$ -	\$ 127,440,494
Other local tax	94,599,765	4,941,145	2,421,211	101,962,121
Licenses and permits	1,283,820	-	2,254,500	3,538,320
Court costs and fines	2,631,213	-	-	2,631,213
Charges for services	1,365,493	-	409,248	1,774,741
Reimbursed expenses	1,111,052	-	70,299	1,181,351
Interest income	2,151,321	-	-	2,151,321
Miscellaneous revenues	1,618,804	33,819	393,549	2,046,172
Grants and shared revenues	4,875,585	4,423,304	5,499,347	14,798,236
Highway	2,253,157	-	-	2,253,157
<b>Total Revenue</b>	<b>239,330,704</b>	<b>9,398,268</b>	<b>11,048,154</b>	<b>259,777,126</b>
<b>EXPENDITURES</b>				
Current:				
General government	27,349,583	-	-	27,349,583
Public safety	47,201,336	-	1,568,446	48,769,782
Health	2,339,270	-	-	2,339,270
Social services	435,560	-	-	435,560
Education	108,566,050	-	-	108,566,050
Parks, recreation and culture	7,366,504	-	239,008	7,605,512
Natural resources	721,153	-	4,180,008	4,901,161
Intergovernmental	38,543	-	-	38,543
General operations	5,869,521	-	1,520,510	7,390,031
Community promotion	-	-	4,373,574	4,373,574
Highways and streets	10,492,140	-	-	10,492,140
Debt service	14,139,010	-	-	14,139,010
Capital outlay:				
General government	-	5,354,501	-	5,354,501
Public safety	-	1,576,820	-	1,576,820
Highways and streets	-	12,828,155	-	12,828,155
Education	-	1,295,680	-	1,295,680
Parks and recreation	-	94,929	-	94,929
<b>Total Expenditures</b>	<b>224,518,670</b>	<b>21,150,085</b>	<b>11,881,546</b>	<b>257,550,301</b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b>14,812,034</b>	<b>(11,751,817)</b>	<b>(833,392)</b>	<b>2,226,825</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	8,296,096	980,768	9,276,864
Transfers out	(11,112,760)	(566,958)	(63,000)	(11,742,718)
Proceeds of capital lease	50,769	-	-	50,769
Proceeds of bond sale	-	12,225,042	-	12,225,042
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(11,061,991)</b>	<b>19,954,180</b>	<b>917,768</b>	<b>9,809,957</b>
<b>NET CHANGES IN FUND BALANCE</b>	<b>3,750,043</b>	<b>8,202,363</b>	<b>84,376</b>	<b>12,036,782</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>41,746,652</b>	<b>71,984,125</b>	<b>3,147,121</b>	<b>116,877,898</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 45,496,695</b>	<b>\$ 80,186,488</b>	<b>\$ 3,231,497</b>	<b>\$ 128,914,680</b>

# 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, 2019

Net changes in fund balances in governmental funds	\$	12,036,782
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Amounts reported for governmental activities in the statement  
of activities are different because:

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

Capital outlay capitalized	\$	16,239,893	
Depreciation		<u>(18,027,473)</u>	(1,787,580)

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.

(3,911,264)

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

Debt and lease proceeds	\$	(12,177,086)	
Payments of installment purchase principal		181,778	
Payments of lease principal		271,773	
Payments of debt principal		<u>9,316,121</u>	(2,407,414)

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

(6,577,704)

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

		<u>7,963,925</u>	
Change in Net Position of Governmental Activities	\$	<u>5,316,745</u>	

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Statement of Net Position - Proprietary Funds As of June 30, 2019

	Business Type Activities - Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	Total
<b>ASSETS</b>					
Current Assets:					
Cash	\$ 8,500,226	\$ 15,643,383	\$ 509,324	\$ 901,073	\$ 25,554,006
Accounts receivable, net	1,141,335	292,555	26,244	16,259	1,476,393
Unbilled accounts	1,667,676	441,435	12,082	654	2,121,847
Due from other governmental agencies	654,567	-	1,003,346	642,752	2,300,665
Notes receivable	-	250,000	-	-	250,000
Inventories	92,017	14,357	53,649	113,280	273,303
Total current assets	12,055,821	16,641,730	1,604,645	1,674,018	31,976,214
Noncurrent Assets:					
Projects under construction	484,129	56,902	1,595,795	-	2,136,826
Property, plant and equipment	234,498,845	69,357,534	155,233,305	12,443,847	471,533,531
Accumulated depreciation	(72,963,733)	(51,054,817)	(83,152,696)	(7,564,678)	(214,735,924)
Total noncurrent assets	162,019,241	18,359,619	73,676,404	4,879,169	258,934,433
<b>TOTAL ASSETS</b>	<b>174,075,062</b>	<b>35,001,349</b>	<b>75,281,049</b>	<b>6,553,187</b>	<b>290,910,647</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Loss on refundings	259,538	135,299	8,466	-	403,303
<b>LIABILITIES</b>					
Current Liabilities:					
Current debt	2,405,652	2,008,883	97,330	-	4,511,865
Current capital lease obligations	17,173	-	-	22,661	39,834
Accounts payable	492,412	981,468	139,729	165,134	1,778,743
Accrued expenses	428,148	59,978	18,864	99,040	606,030
Accrued interest	2,028,352	234,733	9,460	-	2,272,545
Unearned revenue	90,036	424,784	800,002	500	1,315,322
Compensated absences	258,972	64,225	34,633	79,388	437,218
Landfill closure and post-closure costs	-	196,730	-	-	196,730
Other liabilities	7,300	-	47,158	39,342	93,800
Total current liabilities	5,728,045	3,970,801	1,147,176	406,065	11,252,087
Noncurrent Liabilities:					
Compensated absences	86,325	21,408	11,544	26,464	145,741
Bonds and long-term debt	29,344,031	12,590,769	403,484	-	42,338,284
Capital lease obligations	17,739	-	-	24,193	41,932
Landfill closure and post-closure costs	-	15,655,076	-	-	15,655,076
Total noncurrent liabilities	29,448,095	28,267,253	415,028	50,657	58,181,033
<b>TOTAL LIABILITIES</b>	<b>35,176,140</b>	<b>32,238,054</b>	<b>1,562,204</b>	<b>456,722</b>	<b>69,433,120</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues	-	-	23,046,167	-	23,046,167
<b>Net Position</b>					
Net investment in capital assets	133,823,246	3,958,111	73,175,590	4,879,169	215,836,116
Restricted - capital projects	3,588,597	198,144	-	-	3,786,741
Unrestricted	1,746,617	(1,257,661)	(22,494,446)	1,217,296	(20,788,194)
<b>TOTAL NET POSITION</b>	<b>\$ 139,158,460</b>	<b>\$ 2,898,594</b>	<b>\$ 50,681,144</b>	<b>\$ 6,096,465</b>	<b>\$ 198,834,663</b>

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, 2019

	Business Type Activities - Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	Total
<b>OPERATING REVENUE</b>					
Charges for services	\$ 12,935,543	\$ 7,227,171	\$ 2,568,094	\$ 1,354,600	\$ 24,085,408
Miscellaneous	129,268	180,217	82,439	19,285	411,209
<b>TOTAL OPERATING REVENUE</b>	<u>13,064,811</u>	<u>7,407,388</u>	<u>2,650,533</u>	<u>1,373,885</u>	<u>24,496,617</u>
<b>OPERATING EXPENSES</b>					
Salaries and wages	4,196,902	1,426,353	657,899	1,894,574	8,175,728
Fringe benefits	2,208,930	657,475	289,490	726,627	3,882,522
Utilities	1,008,085	69,436	203,313	71,851	1,352,685
Insurance	142,188	25,749	48,876	38,494	255,307
Repairs and maintenance	392,520	-	70,169	314,233	776,922
Supplies	248,265	119,122	12,332	36,387	416,106
Cost of goods sold	-	-	-	85,801	85,801
Contracted services	223,022	2,669,125	403,154	166,541	3,461,842
Rentals and leases	34,552	1,957	4,673	108,447	149,629
Other operating	1,122,208	1,047,162	156,874	388,979	2,715,223
Uncollectible accounts	(1,210)	419	(2,017)	-	(2,808)
Controllable assets	89,113	203	49,620	11,558	150,494
Depreciation	3,828,575	2,017,324	6,591,555	372,645	12,810,099
<b>TOTAL OPERATING EXPENSES</b>	<u>13,493,150</u>	<u>8,034,325</u>	<u>8,485,938</u>	<u>4,216,137</u>	<u>34,229,550</u>
<b>OPERATING LOSS</b>	<u>(428,339)</u>	<u>(626,937)</u>	<u>(5,835,405)</u>	<u>(2,842,252)</u>	<u>(9,732,933)</u>
<b>OTHER INCOME (EXPENSE)</b>					
Interest expense	(934,428)	(438,851)	(13,466)	-	(1,386,745)
Interest income	181,036	305	2,213	6	183,560
Gain (loss) on disposal of assets	(60)	11,208	3,817	39,207	54,172
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<u>(753,452)</u>	<u>(427,338)</u>	<u>(7,436)</u>	<u>39,213</u>	<u>(1,149,013)</u>
<b>LOSS BEFORE OPERATING TRANSFERS AND GRANTS</b>	<u>(1,181,791)</u>	<u>(1,054,275)</u>	<u>(5,842,841)</u>	<u>(2,803,039)</u>	<u>(10,881,946)</u>
<b>OPERATING TRANSFERS</b>	423,800	961,700	104,550	876,900	2,366,950
<b>GRANTS FOR OPERATING</b>	<u>32,025</u>	<u>-</u>	<u>8,540</u>	<u>1,248,362</u>	<u>1,288,927</u>
<b>NET LOSS BEFORE CAPITAL TRANSFERS AND GRANTS</b>	<u>(725,966)</u>	<u>(92,575)</u>	<u>(5,729,751)</u>	<u>(677,777)</u>	<u>(7,226,069)</u>
<b>CAPITAL TRANSFERS</b>	13,000	-	4,000	81,904	98,904
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	530,681	-	2,108,463	586,952	3,226,096
<b>NET CHANGES IN NET POSITION</b>	<u>(182,285)</u>	<u>(92,575)</u>	<u>(3,617,288)</u>	<u>(8,921)</u>	<u>(3,901,069)</u>
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>139,340,745</u>	<u>2,991,169</u>	<u>54,298,432</u>	<u>6,105,386</u>	<u>202,735,732</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 139,158,460</u>	<u>\$ 2,898,594</u>	<u>\$ 50,681,144</u>	<u>\$ 6,096,465</u>	<u>\$ 198,834,663</u>

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



# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Statement of Cash Flows – Proprietary Funds For the Year Ended June 30, 2019

	Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	Total
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 12,877,190	\$ 7,478,220	\$ 1,667,799	\$ 1,527,430	\$ 23,550,639
Payments to suppliers	(3,594,831)	(3,517,927)	(1,064,505)	(1,065,951)	(9,243,214)
Payments to employees	(6,419,882)	(2,114,937)	(955,394)	(2,615,902)	(12,106,115)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>2,862,477</u>	<u>1,845,356</u>	<u>(352,100)</u>	<u>(2,154,423)</u>	<u>2,201,310</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Operating contributions	455,825	961,700	113,090	2,125,262	3,655,877
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>455,825</u>	<u>961,700</u>	<u>113,090</u>	<u>2,125,262</u>	<u>3,655,877</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Interest paid on notes and bond payable	(2,384,697)	(449,426)	(15,726)	-	(2,849,849)
Acquisition and construction of capital assets	(2,887,302)	(673,751)	(1,934,658)	(365,231)	(5,860,942)
Gain (loss) on the sale of assets	(60)	11,208	3,817	39,207	54,172
Contribution for capital acquisitions	543,681	-	2,112,463	629,988	3,286,132
Proceeds from/payments on notes and bonds payable	(765,627)	(2,252,468)	(98,045)	-	(3,116,140)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(5,494,005)</u>	<u>(3,364,437)</u>	<u>67,851</u>	<u>303,964</u>	<u>(8,486,627)</u>
<b>Cash Flows from Investing Activities</b>					
Interest on investments	181,036	305	2,213	6	183,560
Net change in cash	(1,994,667)	(557,076)	(168,946)	274,809	(2,445,880)
Cash, Beginning of Year	10,494,893	16,200,459	678,270	626,264	27,999,886
<b>Cash, End of Year</b>	<u>\$ 8,500,226</u>	<u>\$ 15,643,383</u>	<u>\$ 509,324</u>	<u>\$ 901,073</u>	<u>\$ 25,554,006</u>
<b>Non-Cash Operating Activities</b>					
Loss on refunding	\$ 259,538	\$ 135,299	\$ 8,466	\$ -	\$ 403,303
<b>Non-Cash Capital and Related Financing Activities</b>					
Capital lease	\$ (30,200)	\$ -	\$ -	\$ (25,825)	\$ (56,025)
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>					
Operating loss	\$ (428,339)	\$ (626,937)	\$ (5,835,405)	\$ (2,842,252)	\$ (9,732,933)
Adjustments to reconcile operating loss to net cash from operating activities:					
Depreciation	3,828,575	2,017,324	6,591,555	372,645	12,810,099
Changes in assets and liabilities:					
Accounts receivable	281,597	54,493	230,045	44,170	610,305
Unbilled receivables	(57,959)	21,245	(2,838)	(16)	(39,568)
Due to/from other government entities	148,630	-	(409,939)	110,141	(151,168)
Inventories	17,192	(11,482)	(11,043)	30,741	25,408
Accounts payable and other liabilities	(353,280)	31,181	(106,468)	120,654	(307,913)
Accrued expenses	1,968	(13,298)	(5,425)	13,999	(2,756)
Landfill closure	-	395,547	-	-	395,547
Unearned revenue	(559,889)	(4,906)	(800,002)	(750)	(1,365,547)
Compensated absences	(16,018)	(17,811)	(2,580)	(3,755)	(40,164)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 2,862,477</u>	<u>\$ 1,845,356</u>	<u>\$ (352,100)</u>	<u>\$ (2,154,423)</u>	<u>\$ 2,201,310</u>

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, 2019

	Pension Trust	LOSAP Trust	OPEB Trust	Total Pension and OPEB Trust Funds	Private Purpose Trust	Agency
<b>ASSETS</b>						
Cash and short-term investments	\$ 2,487,217	\$ 113,057	\$ 545,718	\$ 3,145,992	\$ 7,225	\$ 3,666,092
Investments, at fair value:						
U.S. Government obligations	678,572	54,917	214,643	948,132	-	-
Corporate bonds and obligations	485,497	40,282	101,106	626,885	-	-
Fixed income securities	40,825,670	3,036,843	7,623,253	51,485,766	-	-
Corporate stock	-	-	-	-	-	-
Equity funds	83,566,925	6,227,533	15,812,008	105,606,466	130,327	-
Accounts receivable	117,339	8,506	-	125,845	-	-
Due from other funds	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>128,161,220</u>	<u>9,481,138</u>	<u>24,296,728</u>	<u>161,939,086</u>	<u>137,552</u>	<u>3,666,092</u>
<b>LIABILITIES</b>						
Accounts payable	-	-	-	-	-	121,700
Due to student groups	-	-	-	-	-	3,544,392
Due to primary government	-	-	-	-	15,345	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,345</u>	<u>3,666,092</u>
<b>NET POSITION</b>						
Held in trust for pension and OPEB	128,161,220	9,481,138	24,296,728	161,939,086	-	-
Held in trust for scholarships	-	-	-	-	122,207	-
<b>NET POSITION</b>	<u>\$ 128,161,220</u>	<u>\$ 9,481,138</u>	<u>\$ 24,296,728</u>	<u>\$ 161,939,086</u>	<u>\$ 122,207</u>	<u>\$ -</u>

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Statement of Changes in Net Position - Fiduciary Funds For the Year Ended June 30, 2019

	<u>Pension Trust</u>	<u>LOSAP Trust</u>	<u>OPEB Trust</u>	<u>Total Pension and OPEB Trust Funds</u>	<u>Private Purpose Trust</u>
<b>ADDITIONS</b>					
Contributions:					
Employer	\$ 11,825,000	\$ 460,000	\$ 641,700	\$ 12,926,700	\$ -
Plan members	2,119,985	-	-	2,119,985	-
Gifts and contributions	-	-	-	-	16,200
<b>Total Contributions</b>	<u>13,944,985</u>	<u>460,000</u>	<u>641,700</u>	<u>15,046,685</u>	<u>16,200</u>
Investment Income:					
Realized and unrealized gains	1,508,092	110,855	391,244	2,010,191	-
Interest and dividends	1,259,451	89,607	227,220	1,576,278	2,934
Other income	3,909,109	302,797	706,034	4,917,940	-
<b>Total Investment Income</b>	<u>6,676,652</u>	<u>503,259</u>	<u>1,324,498</u>	<u>8,504,409</u>	<u>2,934</u>
<b>TOTAL ADDITIONS</b>	<u>20,621,637</u>	<u>963,259</u>	<u>1,966,198</u>	<u>23,551,094</u>	<u>19,134</u>
<b>DEDUCTIONS</b>					
Benefits	9,973,991	588,909	641,700	11,204,600	-
Scholarship expenses	-	-	-	-	60,935
Administrative expenses	175,860	34,803	108,008	318,671	-
<b>TOTAL DEDUCTIONS</b>	<u>10,149,851</u>	<u>623,712</u>	<u>749,708</u>	<u>11,523,271</u>	<u>60,935</u>
<b>CHANGES IN NET POSITION</b>	10,471,786	339,547	1,216,490	12,027,823	(41,801)
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>117,689,434</u>	<u>9,141,591</u>	<u>23,080,238</u>	<u>149,911,263</u>	<u>164,008</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 128,161,220</u>	<u>\$ 9,481,138</u>	<u>\$ 24,296,728</u>	<u>\$ 161,939,086</u>	<u>\$ 122,207</u>

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2019

### 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, 2019 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, 2019

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

#### Reporting Entity (continued)

Complete financial statements of the discretely presented individual component unit can be obtained from its administrative office:

Washington County Board of Education  
10435 Downsville Pike  
Hagerstown, Maryland 21740

Related Organizations - The County Commissioners are also responsible for appointing the members of the boards of various other organizations, but the County's accountability for these organizations does not extend beyond making the appointments. Several of these other organizations are funded by Federal or state governments.

#### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2019

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2019

### 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, 2019

### 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, 2019

### 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, 2019

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

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

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

#### **Inventories**

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

#### **Employee Benefit Programs**

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

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

Retirement plan costs for members of the County Retirement Plan are determined annually on an actuarial basis. Pension costs charged to expense equal the actuarially determined contributions, calculated in accordance with GASB Statement No.68. The County follows the practice of funding pension costs accrued.

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

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2019

### 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	3.2% of Maryland taxable income (calendar year 2020)
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, 2019

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

#### Net Position and Fund Equity

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

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

### 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### Budgetary Information

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

#### *Financial Capacity and Analysis Phase*

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

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

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2019

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

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

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

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

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

#### *Budget Development Start*

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

#### *Budget Development Phase*

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

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

It is the CIP Committee's responsibility to review all requests that County departments and agencies submit. All projects are ranked based on established criteria for priority ranking.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2019

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

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

Considering current and future needs as developed in the ten-year capital plan, and available funding sources and the results of the priority ranking process, the CIP Committee determines which capital projects best meet established criteria for the current fiscal year Capital Improvement budget and the nine-year forecast. Operating impacts of current and proposed capital projects are also taken into consideration by staff when developing their Capital Improvement budget.

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

#### *Review and Modification Phase*

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

#### *Adoption Phase*

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

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

#### *Start Up*

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2019

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

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

##### *Balanced Budget*

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

##### *Costing of Services*

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

##### *Amendment to the Budget*

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

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

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

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2019

### 3. CASH AND SHORT-TERM INVESTMENTS

#### Primary Government

##### *Deposits*

As of June 30, 2019, the carrying amount of the County's deposits was \$46,889,044 and the bank balances were \$47,918,988. All deposits are carried at cost plus accrued interest. There were no significant violations of the collateralization requirements during the year ended June 30, 2019. 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, 2019, the County's bank balance of \$47,918,988 was not exposed to custodial credit risk as \$250,000 of interest bearing accounts and \$250,000 of noninterest bearing accounts are insured by FDIC, \$15,000,000 is covered by a short term line of credit, and the remainder is collateralized through the Bank of New York Mellon.



# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2019

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

#### Primary Government (continued)

##### Investments

As of June 30, 2019, 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	\$ 96,839,012	\$ 96,839,012		\$ -	\$ -
Certificates of Deposit	457,725	457,725	-	-	-
Total investments held in County's name	97,296,737	97,296,737	-	-	-
Investments held by trustee of					
Pension plan:					
U.S. government obligations, municipal and corporate bonds	1,164,069	1,164,069	-	-	-
Fixed income securities	40,825,670	40,825,670	-	-	-
Equity funds	83,566,925	83,566,925	-	-	-
Money market funds	2,487,217	2,487,217	-	-	-
Interest and dividends receivable	117,339	117,339	-	-	-
Total Investments held by trustee of pension plan	128,161,220	128,161,220	-	-	-
Investments held by trustee of					
LOSAP plan:					
U.S. government obligations and corporate bonds	95,199	95,199	-	-	-
Fixed income funds	3,036,843	3,036,843	-	-	-
Equity funds	6,227,533	6,227,533	-	-	-
Money market funds	113,057	113,057	-	-	-
Interest and dividends receivable	8,506	8,506	-	-	-
Total Investments held by trustee of LOSAP plan	9,481,138	9,481,138	-	-	-
Investments held by trustee of					
OPEB plan:					
U.S. government obligations and corporate bonds	315,749	315,749	-	-	-
Fixed income funds	7,623,253	7,623,253	-	-	-
Equity funds	15,812,008	15,812,008	-	-	-
Money market funds	545,718	545,718	-	-	-
Interest and dividends receivable	-	-	-	-	-
Total Investments held by trustee of OPEB plan	24,296,728	24,296,728	-	-	-
<b>Total investments</b>	<b>\$ 259,235,823</b>	<b>\$ 259,235,823</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2019

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

#### Primary Government (continued)

##### *Investments (continued)*

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

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

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

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

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2019

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

#### Primary Government (continued)

##### *Investments (continued)*

Credit Risk: It is the County's investment policy to only invest in U.S. Government Treasury obligations, agencies, and sponsored instrumentalities. Also the County's investment policy allows for investments in banks located in the State of Maryland (Certificates of Deposit) with the exception of Bankers Acceptances. Commercial banks must have a short-term rating of at least investment grade from the appropriate bank rating agencies. Bankers' Acceptances from domestic banks, which also include United States affiliates of large international banks, must have a rating of A1 from Standards and Poor's Corporation and P1 from Moody's Investor Services. As of June 30, 2019, 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, 2019, 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, 2019

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

#### Board of Education

##### *Cash*

Credit Risk: Maryland State Law prescribes that local government units, such as the School System, must deposit its cash in banks transacting business in the State of Maryland, and that such banks must secure any deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance levels with collateral whose market value is at least equal to the deposits. Any cash deposit exceeding the FDIC insurance level will require collateralization. The FDIC coverage limits are applied to total noninterest-bearing accounts separately from interest-bearing accounts. Additionally, a compensating balance agreement exists with the Board's primary financial institution. This non-interest bearing deposit is maintained in lieu of cash payments for standard bank services. The required average balance totaled \$250,000 at June 30, 2019.

Compliance is summarized as follows:

<b>June 30, 2019</b>	<b>Governmental Activities and Business-Type</b>	<b>Fiduciary Responsibilities</b>	<b>Total</b>
Carrying amount of cash deposits	\$ 16,129,915	\$ 3,673,317	\$ 19,803,232
Bank balance of cash deposits	18,615,832	3,849,247	22,465,079
Amount covered by FDIC	271,340	1,400,809	1,672,149
Amount collateralized with securities held by an agent of the pledging financial institution in the School system's name	18,344,492	2,448,438	20,792,930

##### *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, 2019

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

#### Board of Education (continued)

Market Risk: The School System's investments are exposed to various risks, such as interest rate, market, currency, and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment assets reported in the financial statements. Agency bonds such as the Federal Farm Credit bank, Federal National Mortgage Association, and the Federal Home Loan Bank are issued by the Government Sponsored Enterprises (GSEs) and are not backed by the full faith and credit of the United States Government.

As of June 30, 2019, the School System had the following investments and maturities:

June 30, 2019	Governmental Activities	Business-Type Activities	Fiduciary Responsibilities	Total
United States Treasury Note - 2.000% matures January 31, 2020	\$ 6,466,738	\$ -	\$ -	\$ 6,466,738
United States Treasury Note - 2.625% matures July 31, 2020	6,507,109	-	-	6,507,109
Federal Home Loan Bank - 1.370% matures October 24, 2019	441,176	-	-	441,176
Federal Home Loan Bank - 1.390% matures December 26, 2019	999,000	-	-	999,000
Federal Home Loan Bank - 2.875% matures September 11, 2020	6,038,847	-	-	6,038,847
Federal Home Loan Bank - 2.250% matures January 29, 2021	1,197,832	-	-	1,197,832
Federal Home Loan Bank - 2.250% matures January 29, 2021	3,797,780	-	-	3,797,780
Income Fund of America	-	-	68,654	68,654
Certificates of Deposit	-	-	61,673	61,673
Retiree Health Plan Trust	-	-	72,807,076	72,807,076
	<u>\$ 25,448,482</u>	<u>\$ -</u>	<u>\$ 72,937,403</u>	<u>\$ 98,385,885</u>

Investment Type	Fair Value June 30, 2019	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Agencies	\$ 25,448,482	\$ 7,906,914	\$ 17,541,568	\$ -	\$ -
Certificate of Deposit	61,673	61,673	-	-	-
Income Fund of America	68,654	68,654	-	-	-
Retiree Health Plan Trust	24,704,019	6,479,952	6,584,785	-	11,639,282
	<u>\$ 50,282,828</u>	<u>\$ 14,517,193</u>	<u>\$ 24,126,353</u>	<u>\$ -</u>	<u>\$ 11,639,282</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2019

### 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	\$ 720,590	\$ -	\$ -	\$ 720,590
Accounts receivable	1,798,587	520,849	333,335	2,652,771
Gross receivables	2,519,177	520,849	333,335	3,373,361
Less: allowance for uncollectibles	(881,623)	-	-	(881,623)
<b>Net Total Receivables</b>	<b>\$ 1,637,554</b>	<b>\$ 520,849</b>	<b>\$ 333,335</b>	<b>\$ 2,491,738</b>

	Business-type Activities				
	Water Quality	Solid Waste	Airport	Non-Major	Total
Accounts receivable	\$ 1,158,460	\$ 361,956	\$ 48,410	\$ 16,759	\$ 1,585,585
Less: allowance for uncollectibles	(17,125)	(69,401)	(22,166)	(500)	(109,192)
<b>Net Total Receivables</b>	<b>\$ 1,141,335</b>	<b>\$ 292,555</b>	<b>\$ 26,244</b>	<b>\$ 16,259</b>	<b>\$ 1,476,393</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 \$330,270. 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, 2019

### 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

#### Primary Government

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 91,472,171	\$ 2,814,841	\$ (797,898)	\$ 93,489,114
Capital assets, being depreciated:				
Land improvements	14,363,624	618,803	-	14,982,427
Building and improvements	108,450,282	644,098	(3,303,782)	105,790,598
Vehicles	16,248,323	1,525,236	(978,363)	16,795,196
Infrastructure	1,173,642,076	12,061,987	-	1,185,704,063
Machinery and equipment	10,747,307	441,951	(197,920)	10,991,338
Office furniture and equipment	971,985	-	-	971,985
Computer equipment	35,070,328	852,219	(16,108)	35,906,439
Total capital assets, being depreciated	1,359,493,925	16,144,294	(4,496,173)	1,371,142,046
<b>Total Capital Assets</b>	<b>1,450,966,096</b>	<b>18,959,135</b>	<b>(5,294,071)</b>	<b>1,464,631,160</b>
Accumulated depreciation for:				
Land improvements	(6,400,182)	(432,311)	-	(6,832,493)
Building and improvements	(37,393,457)	(3,111,507)	190,416	(40,314,548)
Vehicles	(11,438,002)	(1,522,774)	978,363	(11,982,413)
Infrastructure	(942,301,115)	(8,868,711)	-	(951,169,826)
Machinery and equipment	(5,938,932)	(682,993)	197,920	(6,424,005)
Office furniture and equipment	(881,366)	(18,124)	-	(899,490)
Computer equipment	(25,992,804)	(3,408,889)	16,108	(29,385,585)
Total accumulated depreciation	(1,030,345,858)	(18,045,309)	1,382,807	(1,047,008,360)
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 420,620,238</b>	<b>\$ 913,826</b>	<b>\$ (3,911,264)</b>	<b>\$ 417,622,800</b>
<b>Projects Under Construction</b>	<b>\$ 14,901,547</b>	<b>\$ 19,854,405</b>	<b>\$ (19,709,490)</b>	<b>\$ 15,046,462</b>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2019

### 5. CAPITAL ASSETS (continued)

#### Primary Government (continued)

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 12,190,961	\$ 11,950	\$ -	\$ 12,202,911
Capital assets, being depreciated:				
Land improvements	147,553,308	262,143	-	147,815,451
Building and improvements	62,979,577	391,669	-	63,371,246
Facilities	122,620,598	1,347,640	-	123,968,238
Vehicles	8,069,941	439,328	(819,175)	7,690,094
Machinery and equipment	11,890,772	1,698,144	(248,944)	13,339,972
Office furniture and equipment	272,987	-	-	272,987
Computer equipment	2,223,992	217,212	-	2,441,204
Treatment plants	98,861,077	1,571,618	(1,267)	100,431,428
Total capital assets, being depreciated	454,472,252	5,927,754	(1,069,386)	459,330,620
<b>Total Capital Assets</b>	<b>466,663,213</b>	<b>5,939,704</b>	<b>(1,069,386)</b>	<b>471,533,531</b>
Accumulated depreciation for:				
Land improvements	(100,457,161)	(6,750,564)	-	(107,207,725)
Building and improvements	(21,750,769)	(1,591,456)	-	(23,342,225)
Facilities	(35,885,488)	(1,621,091)	-	(37,506,579)
Vehicles	(6,806,010)	(548,377)	819,175	(6,535,212)
Machinery and equipment	(9,629,268)	(564,272)	248,944	(9,944,596)
Office furniture and equipment	(272,988)	-	-	(272,988)
Computer equipment	(2,019,171)	(33,917)	-	(2,053,088)
Treatment plants	(25,932,624)	(1,941,571)	684	(27,873,511)
Total accumulated depreciation	(202,753,479)	(13,051,248)	1,068,803	(214,735,924)
<b>Business-type Activities Capital Assets, Net</b>	<b>\$ 263,909,734</b>	<b>\$ (7,111,544)</b>	<b>\$ (583)</b>	<b>\$ 256,797,607</b>
<b>Projects Under Construction</b>	<b>\$ 1,918,334</b>	<b>\$ 5,814,259</b>	<b>\$ (5,595,767)</b>	<b>\$ 2,136,826</b>



# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2019

### 5. CAPITAL ASSETS (continued)

#### Primary Government (continued)

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

#### Governmental Activities:

General Government	\$ 11,976,040
Public Safety	4,706,293
Park, recreation and culture	324,697
Conservation of Natural Resources	21,800
Highways and streets	998,643
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 18,027,473</b>

#### Business-Type Activities:

Public Transit Fund	\$ 238,668
Airport Fund	6,591,555
Golf Course Fund	133,977
Water Quality Fund	3,828,575
Solid Waste Fund	2,017,324
<b>Total Depreciation Expense - Business-Type Activities</b>	<b>\$ 12,810,099</b>

#### Board of Education

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
<b>Government activities</b>				
Capital assets, not being depreciated:				
Land	\$ 8,657,807	\$ 155,500	\$ -	\$ 8,813,307
Facilities under construction	1,397,815	9,075,067	(1,340)	10,471,542
	<u>10,055,622</u>	<u>9,230,567</u>	<u>(1,340)</u>	<u>19,284,849</u>
Capital assets, being depreciated:				
Building and improvements	346,825,006	-	-	346,825,006
Furniture and equipment	50,395,192	6,002,743	(2,394,284)	54,003,651
Equipment under capital leases	5,543,835	-	-	5,543,835
	<u>402,764,033</u>	<u>6,002,743</u>	<u>(2,394,284)</u>	<u>406,372,492</u>
Accumulated depreciation:				
Building and improvements	(151,281,209)	(7,302,877)	-	(158,584,086)
Furniture and equipment	(33,257,954)	(3,426,620)	2,230,651	(34,453,923)
Buildings and equipment under capital lease	(3,002,390)	(1,308,586)	-	(4,310,976)
	<u>(187,541,553)</u>	<u>(12,038,083)</u>	<u>2,230,651</u>	<u>(197,348,985)</u>
<b>Governmental activities capital assets, net</b>	<b>\$225,278,102</b>	<b>\$ 3,195,227</b>	<b>\$ (164,973)</b>	<b>\$ 228,308,356</b>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2019

### 5. CAPITAL ASSETS (continued)

#### Board of Education (continued)

	<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2019</b>
<b>Business-type activities</b>				
Capital assets, being depreciated:				
Furniture and equipment	<u>\$ 5,276,719</u>	<u>\$ 392,033</u>	<u>\$ (292,974)</u>	<u>\$ 5,375,778</u>
Accumulated depreciation				
Furniture and equipment	<u>(3,731,044)</u>	<u>(288,327)</u>	<u>272,839</u>	<u>(3,746,532)</u>
<b>Business-type activities capital assets, net</b>	<u><u>\$ 1,545,675</u></u>	<u><u>\$ 103,706</u></u>	<u><u>\$ (20,135)</u></u>	<u><u>\$ 1,629,246</u></u>

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

Governmental activities:	
Other instructional costs	\$ 2,890,835
Student transportation services	1,370,878
Operation of plant	191,479
Depreciation - unallocated	<u>7,584,891</u>
<b>Total governmental activities depreciation expense</b>	<u><u>\$12,038,083</u></u>
Business-type activities:	
<b>Food services</b>	<u><u>\$ 288,327</u></u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2019

### 6. INTERFUND RECEIVABLES AND PAYABLES

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	General Fund	\$ 58,845,269
	HEPMPO	129,230
<b>Total</b>		<u><u>\$ 58,974,499</u></u>

#### Board of Education

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Component unit - Board of Education	Primary government - capital projects	\$ 175,419

All interfund receivables and payables are without interest.

### 7. INTERFUND TRANSACTIONS

During the course of normal operations, the County has numerous transactions between funds. Usually these transfers are undertaken to enable the receiving funds to provide services that the government has determined to be in the best interest of the County. Transfers are reported as “Other Financing Sources (Uses)” in the governmental funds and as “Operating Transfers” or “Capital Transfers” in the enterprise funds. A summary of transfers follows:

<u>Fund</u>	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>	<u>Capital Transfers In</u>	<u>Capital Transfers Out</u>
General Fund:				
Capital Projects	\$ -	\$ -	\$ -	\$7,395,000
Highway Fund	-	-	-	866,000
Solid Waste	-	961,700	-	-
Public Transit	-	484,480	-	-
Water Quality	-	262,770	-	-
Grants Management	-	247,270	-	-
Agricultural Education Center	-	199,830	-	-
Golf Course	-	409,970	-	-
HEPMPO	-	8,060	-	-
Land Preservation	-	104,760	-	-
Airport	-	24,550	-	-

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2019

### 7. INTERFUND TRANSACTIONS (continued)

<u>Fund</u>	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>	<u>Capital Transfers In</u>	<u>Capital Transfers Out</u>
Gaming	-	2,370	-	-
Capital Projects Fund:				
General Fund	-	-	7,395,000	-
Highway Fund	-	-	866,000	-
Airport Fund	-	-	35,000	69,000
Water Quality	-	-	-	161,030
Hotel Rental Fund	-	-	-	928
Golf Course	-	-	96	40,000
Transit	-	-	-	37,000
Land Preservation	-	-	-	400,000
Solid Waste:				
General Fund	961,700	-	-	-
Public Transit:				
General Fund	484,480	-	-	-
HEPMPO	-	17,550	-	-
Capital Projects	-	-	37,000	-
Water Quality:				
General Fund	262,770	-	161,030	-
Cascade	13,000	-	-	-
Airport:				
General Fund	24,550	-	-	-
Hotel Rental	-	50,000	-	-
Capital Projects	-	-	69,000	35,000
Golf Course:				
General Fund	409,970	-	-	-
Capital Projects	-	-	40,000	96
Grant Management Fund:				
General Fund	247,270	-	-	-
Agricultural Education Center:				
General Fund	199,830	-	-	-
HEPMPO:				
General Fund	8,060	-	-	-
Public Transit Fund	17,550	-	-	-
Hotel Rental:				
Cascade Town Centre	50,000	-	-	-
Capital Projects	-	-	928	-
Land Preservation:				
General Fund	104,760	-	-	-
Capital Projects Fund	-	-	400,000	-
Cascade Town Centre				
Water Quality	-	13,000	-	-
Gaming				
General Fund	2,370	-	-	-
<b>Total</b>	<u>\$2,786,310</u>	<u>\$2,786,310</u>	<u>\$9,004,054</u>	<u>\$9,004,054</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2019

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

#### Primary Government

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds generally are issued as 20-year serial bonds with different amounts of principal maturing each year. General obligation bonds and capital lease obligations currently outstanding are as follows:

	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
Public Sale Bonds payable:						
General obligation bonds	2.0-5.5%	\$ 139,468,131	\$ 12,000,000	\$ 8,549,084	\$ 142,919,047	\$ 9,404,089
Unamortized bond premium		6,962,095	126,317	988,078	6,100,334	-
Total bonds payable		<u>146,430,226</u>	<u>12,126,317</u>	<u>9,537,162</u>	<u>149,019,381</u>	<u>9,404,089</u>
Other loans payable						
Direct Borrowing: Maryland Water Quality loans	1.0%	<u>3,822,493</u>	<u>-</u>	<u>767,037</u>	<u>3,055,456</u>	<u>578,885</u>
Total bonds and loans payable		<u>150,252,719</u>	<u>12,126,317</u>	<u>10,304,199</u>	<u>152,074,837</u>	<u>9,982,974</u>
Direct Borrowing: Agricultural Land Preservation	3.0%	1,487,330	-	181,779	1,305,551	181,779
Capital lease obligations	2.1%	839,573	50,769	271,773	618,569	275,718
Net pension liability		<u>111,528,117</u>	<u>4,523,150</u>	<u>-</u>	<u>116,051,267</u>	<u>-</u>
Governmental Activity Long-term Liabilities		<u>264,107,739</u>	<u>16,700,236</u>	<u>10,757,751</u>	<u>270,050,224</u>	<u>10,440,471</u>
<b>Business-type Activities</b>						
Public Sale Bonds payable:						
General obligation bonds	2.0-5.9%	\$ 36,583,359	\$ 1,310,000	\$ 2,681,261	\$ 35,212,097	\$ 2,677,056
Unamortized bond premium		1,641,902	685,975	213,143	2,114,734	-
Unamortized bond discount		(1,893)	-	(1,275)	(618)	-
Total bonds payable		<u>38,223,368</u>	<u>1,995,975</u>	<u>2,893,129</u>	<u>37,326,213</u>	<u>2,677,056</u>
Other loans payable:						
Direct Borrowing: Maryland Water Quality loans	.40-1.7%	<u>11,881,281</u>	<u>-</u>	<u>2,357,345</u>	<u>9,523,936</u>	<u>1,834,809</u>
Total bonds and loans payable		<u>50,104,649</u>	<u>1,995,975</u>	<u>5,250,474</u>	<u>46,850,149</u>	<u>4,511,865</u>
Capital lease obligations	4.9%	<u>65,112</u>	<u>72,679</u>	<u>56,024</u>	<u>81,767</u>	<u>39,835</u>
Business-type Activity Long-term Liabilities		<u>50,169,761</u>	<u>2,068,654</u>	<u>5,306,498</u>	<u>46,931,916</u>	<u>4,551,700</u>
<b>Total Combined Activities</b>						
Long-term Liabilities		<u>\$ 314,277,500</u>	<u>\$ 18,768,890</u>	<u>\$ 16,064,249</u>	<u>\$ 316,982,140</u>	<u>\$ 14,992,171</u>
Board of Education	1.95-11.64%	<u>\$ 2,160,079</u>	<u>\$ -</u>	<u>\$ 1,062,365</u>	<u>\$ 1,097,714</u>	<u>\$ 1,097,714</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2019

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

#### Primary Government (continued)

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

Year ending June 30	Governmental Activities				Business-type Activities			
	General Obligation Bonds		Direct Borrowings		General Obligation Bonds		Direct Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 9,404,089	\$ 4,832,656	\$ 578,885	\$ 30,555	\$ 2,677,056	\$ 2,838,077	\$ 1,834,809	\$ 75,258
2021	10,557,360	4,610,215	276,012	24,766	2,417,641	1,089,021	1,027,113	58,287
2022	9,541,782	4,202,451	514,890	22,005	2,093,218	1,002,976	1,484,986	49,521
2023	9,512,186	3,821,042	553,316	16,856	2,177,815	920,752	1,576,366	37,733
2024	9,911,999	3,430,010	278,877	11,324	2,203,000	831,983	379,213	24,973
2025-2029	45,253,341	11,977,184	853,476	17,127	11,621,654	2,920,316	1,633,015	85,867
2030-2034	31,914,163	5,244,380	-	-	8,055,838	1,212,809	1,021,295	44,785
2035-2039	15,954,103	1,161,111	-	-	3,870,897	243,258	567,139	8,438
2040	870,024	13,052	-	-	94,978	1,425	-	-
Total	<u>\$ 142,919,047</u>	<u>\$ 39,292,101</u>	<u>\$ 3,055,456</u>	<u>\$ 122,633</u>	<u>\$ 35,212,097</u>	<u>\$ 11,060,617</u>	<u>\$ 9,523,936</u>	<u>\$ 384,862</u>
Plus (Less):								
Unamortized discount		-				(618)		
Unamortized premium		6,100,334				2,114,734		
	<u>\$ 149,019,381</u>				<u>\$ 37,326,213</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, 2019, the unused authorization was \$69,485,722.

#### 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, 2019, there were Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$42,748,810.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2019

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

#### Primary Government (continued)

#### Agricultural Land Preservation Installments

The County has entered into installment contracts to purchase easements for agricultural land preservation purposes. Under the terms of the installment contracts, the County pays the property owner annual interest and principal payments over the ten year term of the contract. The primary source of revenue for repayment of the indebtedness is a portion of the transfer tax on all transfers of real property in the County. The annual requirements to amortize agricultural preservation installments outstanding as of June 30, 2019, are as follows:

<u>As of</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirement</u>
2020	\$ 181,779	\$ 26,111	\$ 207,890
2021	181,779	22,475	204,254
2022	181,779	18,840	200,619
2023	181,779	15,204	196,983
2024	181,779	11,569	193,348
Thereafter	396,656	12,893	409,549
<b>Total</b>	<u>\$ 1,305,551</u>	<u>\$ 107,092</u>	<u>\$ 1,412,643</u>

For the year ended June 30, 2019, total principal and interest incurred related to agricultural land preservation installments was \$181,779 and \$29,747, respectively.

#### Capital Leases

On December 3, 2013, the General Fund entered into a capital lease agreement for equipment. The lease calls for monthly lease payments of \$671 through January 19, 2015, and monthly lease payments of \$1,077 from February 19, 2015 through January 19, 2019. On May 30, 2017, a capital lease agreement was entered into for equipment. The lease calls for 5 annual lease payments of \$239,333 of which \$221,008 will be from the General Fund and a final lease payment of \$1. Payments commenced May 30, 2017 with the final payment of \$1 on May 30, 2022. On July 6, 2017 a capital lease agreement was entered into for equipment. The lease calls for 5 annual lease payments of \$56,905 and a final lease payment of \$3. Payments commenced on September 28, 2017 with the final payment of \$3 due September 30, 2022. The future minimum lease payments under this agreement are as follows:

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2019

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

#### Primary Government (continued)

#### Capital Leases (continued)

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 295,689
2021	295,689
2022	59,868
2023	3
Total minimum payments	651,249
Less: amounts representing interest	32,680
Present value of net minimum lease payments	<u>\$ 618,569</u>

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

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 18,325
2021	18,325
Total minimum payments	36,650
Less: amounts representing interest	1,737
Present value of net minimum lease payments	<u>\$ 34,913</u>

On February 27, 2019, Transit entered into a new lease for vehicles. The agreement called for annual lease payments of \$25,825. Payments commenced on February 27, 2019 with final payment of \$25,825 due on February 27, 2021. The future minimum payments under this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 25,825
2021	25,825
Total minimum payments	51,650
Less: amounts representing interest	4,796
Present value of net minimum lease payments	<u>\$ 46,854</u>



# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2019

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

#### Primary Government (continued)

#### Capital Leases (continued)

The following is an analysis of the capital assets acquired under capital leases as of June 30, 2019.

	<b>Capitalized Amount</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value 2019</b>
General Fund	\$ 1,926,540	\$ 428,629	\$ 1,497,911
Water Quality	161,955	93,191	68,764
Transit	72,679	3,634	69,045
<b>Total</b>	<b>\$ 2,161,174</b>	<b>\$ 525,454</b>	<b>\$ 1,635,720</b>

#### 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:

<b>Years Ended June 30,</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
2020	<u>\$ 1,118,566</u>	<u>\$ 1,097,714</u>	<u>\$ 20,852</u>

#### Advance Refunding

In prior years, the County has partially defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for certain future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the partially defeased bonds are not included in the County's financial statements. As of June 30, 2019, \$9,615,000 of long-term obligations outstanding are considered defeased.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2019

### 9. OPERATING LEASE AGREEMENTS

#### Primary Government

During fiscal year 2004, the County entered into a lease agreement whereby the lessee constructed a building and improvements on land owned at the Airport. The total cost of the building and improvements was capitalized as an asset in the Airport Fund with an estimated useful life of 40 years. As of June 30, 2004, the building and improvements were estimated at \$2,500,000. During the year ended June 30, 2005, a revised cost was obtained reducing the value to \$2,000,000. The \$500,000 adjustment was recorded as a reduction to fixed assets and deferred inflow of resources in the June 30, 2005, financial statements. The terms of the original agreement which began June 30, 2004, allowed the lessee to use the property for a period of 25 years, with no additional payments due. During fiscal year 2006, this lease was amended with lease terms extended to 31 years and additional building and improvements valued at \$1,800,000 were capitalized as an asset in the Airport Fund with an estimated useful life of 40 years. During fiscal year 2009, a second amendment to the lease agreement allowed for additional building and improvements valued at \$400,000 and an extension of the lease through December 31, 2042. The addition was capitalized as an asset in the Airport Fund with an estimated useful life of 40 years. Deferred inflow of resources in the amount of \$2,500,000 was recorded in the Airport Fund at the inception of this lease but was adjusted down to \$2,000,000 during year ended 2005, and was to be recognized as rental income over the original 25 year term of the lease. Since the amendments extending the lease term and the additional capitalization of building and improvements, the remaining deferred inflow of resources of \$3,587,724 as of June 30, 2010, will be amortized over 33 years. The terms of the agreement as amended in fiscal year 2009, allow the lessee to use the property for a period of 33 years. The terms of the lease agreement require that the lessee pay the County annual rent of \$5,250 beginning May 1, 2006, with an annual increase of 4% each May 1st thereafter. The lease also requires that the County credit the lessee \$127,500 for the lessee's incurred costs in excavating the site for the addition. The agreement allows an option for the lessee to continue the lease past the 33 year term at a rental payment equal to the fair market rental value of the leased property at that time.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2019

### 9. OPERATING LEASE AGREEMENTS (continued)

#### Primary Government (continued)

During fiscal year 2006, the County entered into a lease agreement whereby the lessee constructed a building and improvements on land owned at the Airport. The total cost of the building and improvements was \$3,100,000, which was capitalized as an asset in the Airport Fund with an estimated useful life of 40 years on June 30, 2006. The terms of the agreement which began June 30, 2006, allow the lessee to use the property for a period of 39 years (primary terms). The terms of the lease agreement require that the lessee pay the County annual rent of \$5,200 during the primary terms of the lease with an annual increase of 3% each year. The agreement allows an option for the lessee to continue the lease past the 39 year term at a rental payment equal to the fair market rental value of the leased property at that time. Deferred inflow of resources in the amount of \$3,100,000 was recorded in the Airport Fund at the inception of the lease.

During fiscal year 2007, the County entered into a lease agreement whereby the lessee constructed a building and improvements for \$5,500,000, which was capitalized as an asset in the Airport Fund with an estimated useful life of 40 years on June 30, 2007. The terms of the agreement, which began December 1, 2006, allow the lessee to use the property for a period of 39 years (primary terms). The terms of the lease agreement require that the lessee pay the County annual rent of \$15,750 during the primary terms of the lease with an annual increase of 4% each year. The agreement allows an option for the lessee to continue the lease past the 39 year term at a rental payment equal to the fair market rental value of the leased property at that time. Deferred inflow of resources in the amount of \$5,500,000 was recorded in the Airport Fund on June 30, 2007.

During fiscal year 2010, the County entered into a lease agreement whereby the lessee constructed a building and improvements for \$3,000,000, which was capitalized as an asset in the Airport Fund with an estimated useful life of 40 years on June 30, 2010. The terms of the agreement, which began June 1, 2009, allow the lessee to use the property for a period of 39 years (primary terms). The terms of the lease agreement require that the lessee pay the County annual rent of \$13,208 during the primary terms of the lease with an annual increase of 4% each year. Deferred inflow of resources in the amount of \$3,000,000 was recorded in the Airport Fund on June 30, 2010.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2019

### 9. OPERATING LEASE AGREEMENTS (continued)

#### Primary Government (continued)

During fiscal year 2010, the County entered into a lease agreement whereby the lessee constructed a building and improvements for \$3,800,000, which was capitalized as an asset in the Airport Fund with an estimated useful life of 40 years on June 30, 2010. The terms of the agreement, which began November 1, 2009, allow the lessee to use the property for a period of 39 years (primary years). The terms of the lease agreement require that the lessee pay the County annual rent of \$17,000 during the primary terms of the lease with an annual increase of 4% each year. The lease also requires that the County credit the lessee \$250,000 for the lessee's incurred costs in site preparation and excavation costs. The agreement allows for an option for the lessee to continue the lease past the 39 year term at a rental payment equal to the fair market rental value of the leased property at that time. Deferred inflow of resources in the amount of \$3,800,000 was recorded in the Airport Fund as of June 30, 2010.

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

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

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements

June 30, 2019

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

##### Primary Government (continued)

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

During the year ending June 30, 2019, rental income for the above leases of \$914,179 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. In November 2019, Spirit Services, Inc. sold the assets of its Maryland operations to Valicor Environmental Services, LLC, a nationally recognized leader in industrial wastewater treatment operations. Under the lease agreement and assignment, Valicor Environmental Services, LLC., has exclusive control and management of the pretreatment facility and assumes all responsibility for utility and maintenance expenses.

The term of the lease runs for a period of 99 years with fixed monthly rent payments of \$28,800. During the year ended June 30, 2019, outsourcing revenue of \$345,600 was recognized in the Water Quality Fund.

On January 9, 2019, Black Rock Golf Course entered into a new lease for golf carts. The agreement called for monthly lease payments of \$7,471 payable from April through November each year. The lease term is for three years commencing on March 1, 2019.

Total lease payments for the year ended June 30, 2019, were \$59,771.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2019

### 10. UNUSED VACATION AND SICK LEAVE

#### Primary Government

The County accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned or estimated to be earned by the employee. The accrual of vacation leave is based upon individual salary rates in effect as of June 30, 2019, 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, 2019, was \$2,882,743 and \$494,129, respectively. Unused vacation and sick leave will be liquidated by the respective government and enterprise funds where the current employee costs are recorded.

#### Board of Education

The School System accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned or estimated to be earned by the employee. The accrual of vacation leave is based upon individual salary rates in effect as of June 30. The accrual of sick leave is based on payment upon retirement at rates set forth in the various negotiated agreements. Sick leave is estimated to be earned once an employee has obtained 15 years of service or 55 years of age. Total unpaid vacation and sick leave accrued at June 30, 2019 amounted to \$7,570,728. For governmental funds, \$483,867 at June 30, 2019 is considered payable with current resources and is included in accrued liabilities. This amount represents the pending payouts of unused leave owed to employees separated from active service as of the year ended June 30, 2019. The remaining amounts are estimated to be used in subsequent fiscal years, are maintained separately and represent a reconciling item between the fund and government-wide financial statement presentations.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2019

### 11. RETIREMENT PLANS

#### Primary Government

##### *Plan Description*

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

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

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

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

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2019

### 11. RETIREMENT PLANS (continued)

#### Primary Government (continued)

The net pension liability by plan is as follows:

Retirement Plan		
Net Pension Liability		\$ 113,860,494
LOSAP Plan		
Net Pension Liability		2,190,773
<b>Total</b>		<u><u>\$ 116,051,267</u></u>

#### *Investments*

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

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

#### *Funding Policy*

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

All information that follows for the Plan is measured as of June 30, 2019, which is the latest actuarial report available.



# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2019

### 11. RETIREMENT PLANS (continued)

#### Primary Government (continued)

##### *Membership of the Plan*

The membership consisted of the following as of June 30, 2019, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	395
Terminated Plan members entitled to but not yet receiving benefits	55
Active Plan members	786
<b>Total</b>	<b>1,236</b>

##### *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, 2019 is as follows:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Large Cap Equity	35%	6%
Domestic Mid/Small Cap Equities	10%	6%
International equity	15%	6%
Real Estate Investment Trusts	5%	5%
Core Fixed income	23%	1%
High Yield Bonds	10%	5%
Cash	2%	1%
Inflation		2%
<b>Total</b>	<b>100%</b>	

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2019

### 11. RETIREMENT PLANS (continued)

#### Primary Government (continued)

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

The total pension liability for the current year was determined as part of the June 30, 2019, actuarial valuation using the projected unit credit cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses), and (b) projected salary increases which vary by participant service. The actuary was using the RP-2014 adjusted Total Dataset with Generational projection using scale MP-2015. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined by the market value of investments.

##### *Net Pension Liability*

The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2019 is as follows:

Total pension liability	\$ 242,021,714
Net position	<u>(128,161,220)</u>
Net pension liability	<u>\$ 113,860,494</u>

Net position as a percentage of total pension liability is 52.95%.

##### *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 7.25% 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 (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	<b>1.0% decrease (6.25%)</b>	<b>Current rate 7.25%</b>	<b>1.0% increase (8.25%)</b>
Net pension liability	<u>\$ 144,474,931</u>	<u>\$ 113,860,494</u>	<u>\$ 88,344,227</u>

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements June 30, 2019

#### 11. RETIREMENT PLANS (continued)

##### Primary Government (continued)

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

For the year ended June 30, 2019, the County recognized pension expense of \$20,536,604 for the Plan. As of June 30, 2019, 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	\$ 5,418,235	\$ 249,535
Change in assumptions	9,841,932	-
Net difference between projected and actual investment earnings	561,230	-
<b>Total</b>	<b>\$ 15,821,397</b>	<b>\$ 249,535</b>

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:

<b>Years Ended June 30,</b>	<b>Amount</b>
2020	\$ 7,950,589
2021	6,643,897
2022	265,462
2023	555,298
2024	156,616
<b>Total</b>	<b>\$ 15,571,862</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

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements

June 30, 2019

#### 11. RETIREMENT PLANS (continued)

##### Board of Education (continued)

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

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

Both the "Retirement System" and the "Pension System" for teachers and educational support employees are jointly contributory. Under the "Retirement System", employees contribute 2% - 7% of their total gross salary, and under the "Pension System", employees contribute 7% their gross salary for the year. Effective, July 1, 1980, in accordance with the law governing the Systems, all benefits of the Systems are funded in advance. Annually appropriated employer contribution rates for retirement benefits are determined using the entry age normal cost method. The method produces an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year), and (2) the amount for amortization of the unfunded actuarial accrued liability. The pension plans funded ratio is 71.18%, which measures the actuarial value of plan assets as a percentage of actuarial accrued liability.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2019

### 11. RETIREMENT PLANS (continued)

#### Board of Education (continued)

Washington County School System contributions totaling \$1,844,557 and \$1,745,013 for fiscal years 2019 and 2018, respectively; and contributions by the State of Maryland on behalf of the School System totaling \$16,125,791 and \$16,392,995 for fiscal years 2019 and 2018, respectively. All contributions were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed annually.

At June 30, 2019, 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>Teachers' Retirement and Pension System</b>	<b>Employees' Retirement and Pension System</b>
School System's proportionate share of net pension liability	\$ -	\$ 18,360,969
State's proportionate share of net position liability associated with the School System	172,486,537	-
<b>Total</b>	<b>\$ 172,486,537</b>	<b>\$ 18,360,969</b>

For the year ended June 30, 2019, the School System recognized pension expense of \$2,444,487. As of June 30, 2019, 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	\$ 535,505	\$ -
Change in proportion	2,838,841	1,829,770
Net difference between projected and actual investment earnings	- 672,390	- -
Difference between actual and expected experience	-	1,485,903
School System contributions subsequent to the measurement date	1,844,557	-
<b>Total</b>	<b>\$ 5,891,293</b>	<b>\$ 3,315,673</b>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2019

### 11. RETIREMENT PLANS (continued)

#### Board of Education (continued)

The \$1,844,557 reported as deferred outflows of resources related to pensions resulting from the School System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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

<u>Years Ended June 30,</u>	<u>Amount</u>
2020	\$ 724,317
2021	277,843
2022	(519,211)
2023	(59,256)
2024	307,370
<b>Total</b>	<u><u>\$ 731,063</u></u>

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

The following presents the net pension liability of the plan, calculated using a discount rate of 7.45% 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 (6.45%) or 1-percentage point higher (8.45%) than the current rate:

	<u>1.0% decrease (6.45%)</u>	<u>Current rate 7.45%</u>	<u>1.0% increase (8.45%)</u>
Net pension liability	<u>\$ 26,446,096</u>	<u>\$ 18,630,969</u>	<u>\$ 11,650,895</u>

The contributions made by the State of Maryland on behalf of the School System were recognized as both revenue and expenditures in the General Fund as required by GASB No. 24.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2019

### 12. RISK MANAGEMENT

#### Primary Government

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

The County Commissioners have established a self-insurance plan for health benefits to its employees, retirees and to other governmental and non-profit agencies. Budgeted amounts are charged to each fund, and premiums are charged to retirees and other governmental and non-profit agencies for their share of the costs, which are intended to cover the estimated costs of claims and administrative expenses.

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

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

The liability for estimated claims was determined to be \$1,260,728 which is reflected in the accompanying financial statements as of June 30, 2019. Changes in the claims liability were as follows:

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2019

### 12. RISK MANAGEMENT (continued)

#### Primary Government (continued)

	Years Ended June 30,	
	2019	2018
Liability, beginning of year	\$ 946,900	\$ 867,189
Premiums collected and changes in estimates during the year	17,464,120	15,131,719
Claims and administrative costs paid	(17,150,292)	(15,052,008)
Liability, end of year	<u>\$ 1,260,728</u>	<u>\$ 946,900</u>

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

The County Commissioners have also established a self-insurance plan for Workers' Compensation claims whereby the County is liable for the first \$600,000 per occurrence. As required by the State of Maryland, \$175,000 in U.S. Treasury Notes is held by the State Workers' Compensation Commission and is included in investments on the balance sheet. The County extends coverage under this plan to the employees of other governmental and nonprofit agencies. These agencies are charged a "premium", however the County bears the risk of loss. The liability for estimated claims was determined to be \$951,213, which is reflected in the accompanying financial statements as of June 30, 2019. Changes in the claims liability were as follows:

	Years Ended June 30,	
	2019	2018
Liability, beginning of year	\$ 1,083,777	\$ 656,541
Premiums collected and changes in estimates during the year	861,946	1,207,112
Claims and administrative costs paid	(994,510)	(779,876)
Liability, end of year	<u>\$ 951,213</u>	<u>\$ 1,083,777</u>



# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2019

### 12. RISK MANAGEMENT (continued)

#### Board of Education

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

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

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

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2019

### 12. RISK MANAGEMENT (continued)

#### Board of Education (continued)

In accordance with the Governmental Accounting Standards Board's Statement No. 10 *"Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,"* charges to other funds must be accounted for as revenue by an internal service fund and expenditures/expenses by the other funds. The amounts of these charges were \$42,768,820 for the year ended June 30, 2019.

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, 2019 and 2018. This estimate is prepared based upon the School System's experience and other relevant facts. Changes in the Fund's claims liability amount were as follows:

	Years Ended June 30,	
	2019	2018
Liability, beginning of year	\$ 2,875,407	\$ 3,001,681
Claims and changes in estimates during the year	45,639,904	46,274,718
Claims paid and accrued	(46,153,311)	(46,400,992)
Liability, end of year	<u>\$ 2,362,000</u>	<u>\$ 2,875,407</u>

### 13. DEFERRED COMPENSATION PLAN

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and administered by a third party. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The deferred compensation plan assets are held in trust for the exclusive benefit of the plan participants. Therefore, the plan assets are not presented in the financial statements.

### 14. SEGMENT INFORMATION

The County has entered into loan agreements with the Maryland Water Quality Financing Administration. The loans are backed by the full faith and credit and taxing power of the County; however, the source of payment of the principal and interest of the loans is the sewer user charges and pretreatment facility user charges. The user charges are accounted for in the Water Quality Fund.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2019

### 14. SEGMENT INFORMATION (continued)

Summarized financial information for the Sewer and Pretreatment operations is presented below. The Water Quality Department operates the County's sewage treatment plants, sewage pumping stations, and collection systems and leases the pretreatment facility to a private company.

	<u>Sewer Department</u>	<u>Pretreatment Department</u>
<b>CONDENSED STATEMENT OF NET POSITION</b>		
<b>ASSETS</b>		
Current assets	\$ 6,478,880	\$ 266,166
Noncurrent assets	145,822,192	4,600,662
Total Assets	152,301,072	4,866,828
<b>DEFERRED OUTFLOW OF RESOURCES</b>	138,054	93,240
<b>LIABILITIES</b>		
Other current liabilities	4,016,727	828,905
Noncurrent liabilities	26,809,338	1,365,949
Total Liabilities	30,826,065	2,194,854
Unrestricted	121,613,061	2,765,214
<b>Total Net Position</b>	<u>\$ 121,613,061</u>	<u>\$ 2,765,214</u>
<b>CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION</b>		
Operating revenue	\$ 11,149,074	\$ -
Lease income	-	345,600
Depreciation expense	(3,186,414)	(183,838)
Other operating expenses	(8,318,194)	(21,019)
<b>Operating income</b>	(355,534)	140,743
Non-operating revenue (expenses):		
Interest expense	(791,046)	(80,429)
Interest income	128,817	-
Capital contributions	530,681	-
Change in Net Position	(487,082)	60,314
Net Position, beginning of year	122,100,143	2,704,900
<b>Net Position, End of Year</b>	<u>\$ 121,613,061</u>	<u>\$ 2,765,214</u>
<b>CONDENSED STATEMENT OF CASH FLOWS</b>		
Net cash provided (used) by:		
Operating activities	\$ 2,097,453	\$ 324,581
Capital and related financing activities	(1,650,312)	(851,601)
Investing activities	(2,205,587)	-
Net change	(1,758,446)	(527,020)
Cash and cash equivalents, beginning of year	5,090,989	793,186
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 3,332,543</u>	<u>\$ 266,166</u>

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements

June 30, 2019

#### 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 \$139,040 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, 2019.

The Resh Landfill has reported a landfill post-closure care liability of \$3,995,189 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, 2019.

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, 2019. The Rubble Landfill was closed in December 2000. No current expense was recognized in the Solid Waste Fund for the year ended June 30, 2019.

The 40 West Landfill began operation in fiscal year 2001. The estimated life of this landfill is approximately 120 years as of June 30, 2019, it is estimated that approximately 20.22% of the capacity has been used. The estimated costs associated with closure and post-closure care of \$9,515,177 was reported as a liability in the Solid Waste Fund at June 30, 2019. The County will recognize \$47,055,727 of estimated cost associated with the closure and post-closure care as capacity is filled. During the fiscal year 2012 engineering re-designed the cells at 40 West Landfill. This change in estimate increased the airspace by 4 million cubic yards along with the life of the landfill by 62 years. This change in accounting estimate has no effect on the total estimated cost but will extend the landfill life from 58 years to 120 years.

The above estimates are based on estimated current costs to perform all closure and post-closure care. Actual costs may be higher due to inflation, deflation, changes in technology, or changes in applicable laws or regulations. The County is required by state and Federal laws and regulations to meet certain closure and post-closure financial assurance requirements. The County has satisfied these requirements by demonstrating in information submitted by the CFO that they meet the Local Government Financial Test as of June 30, 2019, as specified in 40CFR258.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2019

### 16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS

#### Primary Government

##### *Plan Description*

The County offers postretirement health care benefits to employees who retire from the County under normal or early retirement provisions of the pension plan. The health care benefits are provided until the retiree is eligible for Medicare. Retirees who exercise the one-time option for the health care benefits pay one-half of the estimated cost of the benefits. The County pays the remaining cost as part of its self-insurance program. Currently, 54 retirees are receiving benefits and 149 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.

##### *Investments*

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

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2019

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

#### Primary Government (continued)

##### *Funding Policy*

The County intends to fund any annual short-fall between OPEB and actual pay-go expense into a legally executed trust fund. The trust fund will be invested as a long-term pension trust, using an appropriately balanced portfolio of equities and debt instruments, to prudently maximize long-term investment returns. The County funded \$641,700 which was \$692,700 over the actuarially determined contribution of (\$51,000).

##### *Actuarial Methods and Assumptions*

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

##### *Net OPEB Liability (Asset)*

The net OPEB liability (asset) is equal to the total OPEB liability minus the net position of the plan. The result as of June 30, 2019 is as follows:

Total OPEB liability	\$ 13,718,221
Net position	<u>(24,296,728)</u>
Net OPEB liability (asset)	<u>\$ (10,578,507)</u>

Net position as a percentage of total OPEB liability is 177.11%.

*Actuarial Methods and Assumptions:* Projections of benefits for financial reporting purposes are based on substantive plan (the plan as understood by the employer and the plan members) and includes the type of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Best estimates of arithmetic assumed rates of return for each class included in the OPEB plans' general target asset allocation as of June 30, 2019 is as follows:

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2019

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

#### Primary Government (continued)

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

In the actuarial valuation for the plan year ending June 30, 2019, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.25% 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 5.4% initially, reduced by decrements to an ultimate rate of 4%. The actuarial value of assets was determined using a market value of assets valuation method. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percent of payroll. The remaining amortization period as of June 30, 2019, was 20 years.

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

The following presents the net OPEB liability of the Plan, calculated using a discount rate of 7.25% as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	<u>1.0% decrease (6.25%)</u>	<u>Current rate 7.25%</u>	<u>1.0% increase (8.25%)</u>
Net OPEB liability (asset)	<u>\$ (9,675,278)</u>	<u>\$ (10,578,507)</u>	<u>\$ (11,438,338)</u>

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

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

	<u>1.0% decrease (3.00%)</u>	<u>Trend rate 4.00%</u>	<u>1.0% increase (5.00%)</u>
Net OPEB liability (asset)	<u>\$ (11,925,346)</u>	<u>\$ (10,578,507)</u>	<u>\$ (9,003,889)</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2019

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

#### Primary Government (continued)

For the fiscal year ended June 30, 2019, Washington County Government recognized an OPEB expense of (\$799,077). At June 30, 2019, Washington County Government reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 2,617,220
Changes of assumptions	-	8,415,221
Net difference between projected and actual earnings	275,923	86,716
<b>Total</b>	<b>\$ 275,923</b>	<b>\$ 11,119,157</b>

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

<b>Fiscal Year ended June 30:</b>	
2019	\$ (1,798,665)
2020	(1,798,665)
2021	(1,798,666)
2022	(1,769,761)
2023	(1,838,741)
Thereafter	(1,838,736)
<b>Total</b>	<b>\$ (10,843,234)</b>



## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements

June 30, 2019

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

##### **Board of Education**

In addition to providing the pension benefits described above, the School System provides postemployment health care and life insurance benefits (OPEB) for retired employees, their spouses and dependents, and surviving spouses and dependents. On April 15, 2008, the Board created the Board of Education of Washington County (the Trust) in order to arrange for the establishment of a reserve to pay health and welfare benefits for future retirees. The Trust is affiliated with the Maryland Association of Boards of Education Pooled OPEB Investment Trust, an agent multiple-employer public employee retirement system established by the Maryland Association of Boards of Education (MABE). The Board reserves the right to establish and amend the provisions of the Trust with respect to participants, any benefit provided thereunder, or its participation therein, in whole or in part at any time, by resolution of its governing body and upon advance written notice to the Trustees. The Maryland Association of Boards of Education Pooled OPEB Investment Trust issues an annual financial report for the Trust. That report may be obtained by writing to Maryland Association of Boards of Education, 621 Ridgely Avenue, Suite 300, Annapolis, Maryland 21401, or by calling 1-800-841-8197.

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

##### *Contributions*

The school system will contribute the higher of the budgeted pay-go amount or actual pay-go amount to the trust for fiscal year 2019. Because of the sponsor's funding policy, it is anticipated the sponsor's cash requirement will increase as time goes on. For the year ended June 30, 2019 and 2018, the School System's average contribution rate was 8.93% and 8.69%, respectively of covered payroll. Employees are not required to contribute to the plan. Total claims paid on behalf of retirees amounted to \$14,527,473 of which \$4,033,515 was reimbursed through contributions received from retirees for the year ended June 30, 2019. In addition, the School System contributed \$4,222,242 to the MABE Trust for the year ended June 30, 2019. Total claims paid on behalf of retirees amounted to \$13,675,684 of which \$3,866,248 was reimbursed through contributions received from retirees for the year ended June 30, 2018.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2019

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

#### Board of Education (continued)

##### *Plan Membership*

The School System partially supports the group insurance plan for the retired employees. Eligibility is determined by a point system based on a retiree's age at the date of retirement and the number of years of service with the School System. The School System pays up to a maximum of 85% of the premium of the standard plan, based on the points earned. There were 2,216 active employees and 1,394 inactive employees or beneficiaries currently receiving benefit payments at June 30, 2019.

##### *Net OPEB Liability*

The components of the net OPEB liability of the School System as of June 30, 2019, were as follows:

Total OPEB liability	\$ 324,036,843
Net position	<u>(72,807,076)</u>
Net OPEB liability	<u>\$ 251,229,767</u>

Plan fiduciary net position as a percentage of the total OPEB liability was 22.47%.

##### *Actuarial Methods and Assumptions*

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

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

The following presents the net OPEB liability of the Plan, calculated using a discount rate of 5.58% as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.58%) or 1-percentage point higher (6.58%) than the current rate:

	<b>1.0% decrease (4.58%)</b>	<b>Current rate 5.58%</b>	<b>1.0% increase (6.58%)</b>
Net OPEB liability (asset)	<u>\$ 289,647,677</u>	<u>\$ 241,595,471</u>	<u>\$ 202,582,745</u>

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements

June 30, 2019

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

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

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

	<b>1.0% decrease</b> <b>(4.52%)</b>	<b>Trend rate</b> <b>5.42%</b>	<b>1.0% increase</b> <b>(6.42%)</b>
Net OPEB liability (asset)	<u>\$ 301,424,000</u>	<u>\$ 251,229,767</u>	<u>\$ 210,820,000</u>

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

#### 17. CONTINGENCIES AND COMMITMENTS

##### **Primary Government**

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

The County Commissioners and the Sheriff of Washington County are defendants in various legal proceedings as of June 30, 2019. 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, 2019, there is no effect on amounts reported on the County's statement of net position or statement of activities as a result of this guarantee.

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements

June 30, 2019

#### 17. CONTINGENCIES AND COMMITMENTS (continued)

##### Primary Government (continued)

On July 12, 2016, the Board of County Commissioners entered into a Memorandum of Understanding with the Pen Mar Development Corporation (MOU). The purpose of this MOU was to set forth the agreement between parties concerning the transfer and development of real property located at the former Ft. Ritchie in Cascade, Maryland. On September 15, 2016, Pen Mar Development Corporation conveyed, for no monetary consideration, all real property, contracts, leases, liabilities, and personal property not specifically excluded held by Pen Mar to the Board. On September 18, 2017, the BOCC conveyed 63 acres to JG Business Link International for future development. The County continues efforts toward the sale and redevelopment of the property.

##### 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, 2019, the School System had entered into various school construction commitments, that will be funded by the State of Maryland or County sources, totaling approximately \$34,871,881 and are included in encumbrances.

The School System leases classroom space, cafeteria space, storage, and parking deck passes for the Barbara Ingram School for the Arts. These leases are renewable on an annual basis. The lease for the parking deck spaces does not have a set term. Total required minimum monthly payments for the year ended June 30, 2020 are approximately \$124,800. Rent expense for these leases amounted to \$156,729 for the year ended June 30, 2019.

The School System participates in a number of state and federally assisted grant programs, which are subject to financial and compliance audits by the grantors or their representatives. Such federal programs were audited in accordance with *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* for the current year. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School System expects such amounts, if any, to be immaterial.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2019

### 18. COMMITTED AND ASSIGNED FUND BALANCES

Fund balances reflected in the governmental funds balance sheet as of June 30, 2019 are categorized as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
Non-Spendable				
Inventory	\$ 776,816	\$ -	\$ -	\$ 776,816
Long-term receivable	632,555	-	-	632,555
Restricted				
Programs and activities	675,382	-	1,781,198	2,456,580
Workers compensation	179,951	-	-	179,951
Capital projects	-	33,819,947	-	33,819,947
Committed				
Contingencies	42,732,341	-	-	42,732,341
Programs and activities	480,408	-	1,268,177	1,748,585
Capital projects	-	46,366,541	-	46,366,541
Assigned				
Programs and activities	19,242	-	194,511	213,753
Unassigned				
Programs and activities	-	-	(12,389)	(12,389)
<b>Totals</b>	<u>\$ 45,496,695</u>	<u>\$ 80,186,488</u>	<u>\$ 3,231,497</u>	<u>\$ 128,914,680</u>

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

On September 26, 2000, the Board of County Commissioners approved the Volunteer Length of Service Award Program (LOSAP), a defined benefit plan for eligible volunteers of Washington County fire, rescue, emergency medical services or support organizations. LOSAP, which will be funded entirely by the County General Fund, provides benefit payments to volunteers who have completed certain eligibility and years of service requirements. An active volunteer who has attained age 62 and has been credited with a minimum of 25 years of active LOSAP Service is eligible to receive, until his or her death, a monthly benefit payment of \$200, or may elect an actuarially reduced benefit in the form of a joint survivor annuity.

An active volunteer, who has completed more than 25 years of Active LOSAP Service Credit, is eligible to receive, until his or her date of death, an additional monthly benefit payment of \$15 for each year of active LOSAP service credit in excess of 25 years, not to exceed a total monthly benefit payment of \$350. No LOSAP benefits were paid before January 1, 2007. Generally, a volunteer must be an active volunteer on or after January 1, 2007, to be eligible for any benefit under LOSAP. LOSAP also provides for death and disability benefits.

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements

June 30, 2019

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

The 2019 calendar year census shows 752 volunteers receiving at least 50 points, which qualifies them for LOSAP credit. 199 retired volunteers and 13 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.

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

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2019 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, 2019 is as follows:

Total pension liability	\$ 11,671,911
Net position	(9,481,138)
Net pension liability	<u>\$ 2,190,773</u>

Net position as a percentage of total pension liability is 81.23%.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2019

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

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

The following presents the net pension liability of the plan, calculated using a discount rate of 7.25% 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 (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	<b>1.0% decrease (6.25%)</b>	<b>Current rate 7.25%</b>	<b>1.0% increase (8.25%)</b>
Net pension liability	<u>\$ 3,646,905</u>	<u>\$ 2,190,773</u>	<u>\$ 985,934</u>

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

For the year ended June 30, 2019, the County recognized pension expense of (\$21,968). As of June 30, 2019, 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	\$ 1,450,098	\$ 2,693,672
Change in assumptions	911,521	-
Net difference between projected and actual investment earnings	61,853	-
<b>Total</b>	<u>\$ 2,423,472</u>	<u>\$ 2,693,672</u>

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

<b>Years Ended June 30,</b>	<b>Amount</b>
2020	\$ (374,362)
2021	(482,779)
2022	(425,278)
2023	361,311
2024	330,601
Thereafter	320,307
<b>Total</b>	<u>\$ (270,200)</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2019

### 20. RESTATEMENT

#### Board of Education

Beginning governmental activities and business-type activities net position were restated for the change in pension allocation between opinion units as well as the recording of additional deferred inflows of resources and deferred outflows of resources in relation to the School System's change in proportionate share for a decrease of \$1,644,796.

### 21. NEW ACCOUNTING PRONOUNCEMENTS

The County has adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 88, entitled *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, and Statement No. 83, *Certain Asset Retirement Obligations* which the County has implemented in the current fiscal year.

As of the year ended June 30, 2019, GASB has issued Statement No.84 *Fiduciary Activities*; Statement No. 87, *Leases*; Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*; and Statement No. 91, *Conduit Debt Obligations*; 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 has not yet completed the process of evaluating the impact of these pronouncements on its financial statements and plans to adopt them, as applicable, by their effective date.



## **REQUIRED SUPPLEMENTARY INFORMATION**

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# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Schedule of Changes in Net OPEB Liability and Related Ratios June 30, 2019

	2019	2018	2017
<b>Total pension liability</b>			
Service Cost: Retirement benefits Administration	\$ 983,258	\$ 1,025,563	\$ 954,012
Interest	1,577,724	1,680,908	1,546,680
Differences between expected and actual experiences	(239,377)	(3,216,054)	-
Changes of assumptions	(9,622,292)	(223,390)	-
Benefit payments	(641,700)	(655,923)	(147,184)
<b>Net changes in total OPEB liability</b>	(7,942,387)	(1,388,896)	2,353,508
Total OPEB liability - beginning	21,660,608	23,049,504	20,695,996
Total OPEB liability - ending (a)	<u>\$ 13,718,221</u>	<u>\$ 21,660,608</u>	<u>\$ 23,049,504</u>
 <b>Plan fiduciary net position</b>			
Contributions - employer	\$ 641,700	\$ 1,877,923	\$ 1,347,184
Net investment income	1,324,498	1,702,823	1,919,215
Benefit payments	(641,700)	(655,923)	(147,184)
Administrative expense	(108,008)	(21,763)	-
<b>Net changes in plan fiduciary net position</b>	1,216,490	2,903,060	3,119,215
Plan fiduciary net positions - beginning	23,080,238	20,177,178	17,057,963
Plan fiduciary net positions - ending (b)	<u>\$ 24,296,728</u>	<u>\$ 23,080,238</u>	<u>\$ 20,177,178</u>
 <b>County's net OPEB - liability - ending (a) - (b)</b>	\$ (10,578,507)	\$ (1,419,630)	\$ 2,872,326
 Plan fiduciary net position as a percentage of total pension liability	177.11%	106.55%	87.54%
 Covered employee payroll	\$ 36,785,000	\$ 34,848,986	\$ 33,462,000
 Net liability as a percentage of covered payroll	-28.76%	-4.07%	8.58%
 Annual money-weighted rate of return, net of investment expense	5.74%	8.44%	11.25%

Notes to schedule:

This information is not available for FY16 and prior.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Schedule of OPEB Trust Fund Employer Contributions June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ (51,000)	\$ 950,000	\$ 1,261,000
Contributions in relation to the actuarially determined contributions	<u>641,700</u>	<u>1,877,923</u>	<u>1,347,184</u>
Contributions deficiency (excess)	<u>\$ (692,700)</u>	<u>\$ (927,923)</u>	<u>\$ (86,184)</u>
Covered employee payroll	\$ 36,785,000	\$ 34,848,986	\$ 33,462,000
Contributions as a percentage of covered employee payroll	1.74%	5.39%	4.03%

### Notes to schedule:

#### Benefit changes

None.

#### Valuation date

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

#### Changes of assumptions

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

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

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

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

Cost method	Entry Age Normal
Amortization method	Level percent of payroll
Amortization period	20 years for FYE 2018
Asset valuation method	Market value of assets
Discount rate	7.50% prior to 2018, 7.25% in 2019
Payroll increase	3.00%
Inflation	2.75%
Medical trend	The trend for 2018 is 5.4%. The ultimate trend is 4.0%.

This information is not available for FY16 and prior.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios – General Employees’ Pension Fund June 30, 2019

	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>						
Service Cost: Retirement benefits Administration	\$ 6,564,304	\$ 5,050,740	\$ 4,903,615	\$ 3,124,202	\$ 3,508,850	\$ 6,922,217
Interest	16,190,295	15,612,649	11,595,913	10,745,024	10,252,003	7,708,164
Benefit payments, including refunds of member contributions	(9,973,991)	(8,172,571)	(8,860,156)	(7,789,289)	(6,880,888)	(6,004,033)
Changes of benefit terms	(299,442)	-	22,002,473	1,358,032	-	-
Differences between expected and actual experiences	1,239,143	3,555,655	3,657,687	6,532,000	-	-
Changes of assumptions	-	-	19,913,151	2,532,160	-	-
<b>Net changes in total pension liability</b>	13,720,309	16,046,473	53,212,683	16,502,129	6,879,965	8,626,348
Total pension liability - beginning	228,301,405	212,254,932	159,042,249	142,540,120	135,660,155	127,033,807
Total pension liability - ending (a)	\$ 242,021,714	\$ 228,301,405	\$ 212,254,932	\$ 159,042,249	\$ 142,540,120	\$ 135,660,155
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 11,825,000	\$ 10,510,000	\$ 7,010,000	\$ 6,621,156	\$ 6,786,549	\$ 6,017,521
Contributions - member	2,119,985	2,094,346	1,955,511	1,873,710	1,871,200	1,876,133
Net investment income	6,676,652	9,409,621	10,676,800	628,709	4,747,193	12,817,264
Receipts of In-kind	-	-	-	-	220,613	-
Benefit payments, including refunds of member contributions	(9,973,991)	(8,172,571)	(8,860,156)	(7,789,289)	(6,880,887)	(6,004,103)
Administrative expense	(175,860)	(150,795)	(130,631)	(98,464)	(604,197)	(238,016)
<b>Net changes in plan fiduciary net position</b>	10,471,786	13,690,601	10,651,524	1,235,822	6,140,471	14,468,799
Plan fiduciary net positions - beginning	117,689,434	103,998,833	93,347,309	92,111,487	85,971,016	71,502,217
Plan fiduciary net positions - ending (b)	\$ 128,161,220	\$ 117,689,434	\$ 103,998,833	\$ 93,347,309	\$ 92,111,487	\$ 85,971,016
<b>County's net pension - liability - ending (a) - (b)</b>	\$ 113,860,494	\$ 110,611,971	\$ 108,256,099	\$ 65,694,940	\$ 50,428,633	\$ 49,689,139
Plan fiduciary net position as a percentage of total pension liability	52.95%	51.55%	49.00%	58.69%	64.62%	63.37%
Covered employee payroll	\$ 36,785,000	\$ 34,848,986	\$ 33,462,000	\$ 31,662,000	\$ 33,098,009	\$ 35,288,757
Net liability as a percentage of covered payroll	309.53%	317.40%	323.52%	207.49%	152.36%	140.81%
Annual money-weighted rate of return, net of investment expense	5.67%	9.05%	11.44%	0.68%	5.52%	17.93%

Notes to schedule:

This information is not available for FY13 and prior.

Benefit changes: None.

Change of assumptions: None.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Schedule of General Employees' Pension Fund Employer Contributions June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 11,819,000	\$ 10,510,000	\$ 7,009,000	\$ 6,621,000	\$ 6,786,549	\$ 6,442,087
Contributions in relation to the actuarially determined contributions	<u>11,825,000</u>	<u>10,510,000</u>	<u>7,010,000</u>	<u>6,621,000</u>	<u>6,786,549</u>	<u>6,017,521</u>
Contributions deficiency (excess)	<u>\$ (6,000)</u>	<u>\$ -</u>	<u>\$ (1,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 424,566</u>
Covered employee payroll	\$ 36,785,000	\$ 34,848,986	\$ 33,462,000	\$ 31,662,000	\$ 33,098,009	\$ 35,288,757
Contributions as a percentage of covered employee payroll	32.15%	30.16%	20.95%	20.91%	20.50%	17.05%

### Notes to schedule:

#### Valuation date

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

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

Cost method	Projected Unit Credit
Amortization method	Level Dollar Amount
Remaining amortization period	20 years (closed)
Asset valuation method	5-year smoothed market
Inflation	3.0 percent
Salary increases	Rates vary by participant service
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation
Retirement age	Rates vary by participant age and service
Mortality	RP-2014 Total Dataset with fully generational projection using scale MP-2015

This information is not available for FY13 and prior.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios – Length of Service Award Fund June 30, 2019

	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>						
Service Cost: Retirement benefits Administration	\$ 226,280	\$ 244,565	\$ 234,716	\$ 157,984	\$ 143,037	\$ 147,049
Interest	707,838	702,309	580,130	968,187	922,814	872,518
Differences between expected and actual experiences	925,489	24,530	995,034	(6,285,232)	-	-
Changes of assumptions	343,476	-	356,243	906,099	-	-
Benefit payments, including refunds of member contributions	(588,909)	(555,590)	(518,538)	(490,872)	(461,316)	(431,634)
<b>Net changes in total pension liability</b>	1,614,174	415,814	1,647,585	(4,743,834)	604,535	587,933
Total pension liability - beginning	10,057,737	9,641,923	7,994,338	12,738,172	12,133,637	11,545,704
Total pension liability - ending (a)	<u>\$ 11,671,911</u>	<u>\$ 10,057,737</u>	<u>\$ 9,641,923</u>	<u>\$ 7,994,338</u>	<u>\$ 12,738,172</u>	<u>\$ 12,133,637</u>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 460,000	\$ 600,000	\$ 600,000	\$ -	\$ 600,000	\$ 600,000
Net investment income	503,259	721,822	852,460	55,233	381,511	1,074,025
Receipts of In-kind	-	-	-	-	-	15,232
Benefit payments, including refunds of member contributions	(588,909)	(555,590)	(518,538)	(490,872)	(461,316)	(431,634)
Administrative expense	(34,803)	(35,075)	(30,524)	(20,610)	(23,215)	(27,429)
<b>Net changes in plan fiduciary net position</b>	339,547	731,157	903,398	(456,249)	496,980	1,230,194
Plan fiduciary net positions - beginning	9,141,591	8,410,434	7,507,036	7,963,285	7,466,305	6,236,111
Plan fiduciary net positions - ending (b)	<u>\$ 9,481,138</u>	<u>\$ 9,141,591</u>	<u>\$ 8,410,434</u>	<u>\$ 7,507,036</u>	<u>\$ 7,963,285</u>	<u>\$ 7,466,305</u>
<b>County's net pension - liability - ending (a) - (b)</b>	\$ 2,190,773	\$ 916,146	\$ 1,231,489	\$ 487,302	\$ 4,774,887	\$ 4,667,332
Plan fiduciary net position as a percentage of total pension liability	81.23%	90.89%	87.23%	93.90%	62.52%	61.53%
Covered employee payroll	NA	NA	NA	NA	NA	NA
Net liability as a percentage of covered payroll	NA	NA	NA	NA	NA	NA
Annual money-weighted rate of return, net of investment expense	5.51%	8.58%	11.36%	0.69%	5.11%	17.22%

Notes to schedule:

This information is not available for FY13 and prior.

Benefit changes: None.

Change of assumptions: The interest discount rate was lowered from 7.50% to 7.25%.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Schedule of Volunteer Length of Service Award Fund Employer Contributions June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 455,000	\$ 466,726	\$ 466,726	\$ -	\$ 600,000	\$ 585,843
Contributions in relation to the actuarially determined contributions	<u>460,000</u>	<u>600,000</u>	<u>600,000</u>	<u>-</u>	<u>600,000</u>	<u>600,000</u>
Contributions deficiency (excess)	<u>\$ (5,000)</u>	<u>\$ (133,274)</u>	<u>\$ (133,274)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,157)</u>
Covered employee payroll	NA	NA	NA	NA	NA	NA
Contributions as a percentage of covered employee payroll	NA	NA	NA	NA	NA	NA

### Notes to schedule:

#### Valuation date

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

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

Cost method	Projected Unit Credit
Amortization method	Level Percentage of Payroll
Remaining amortization period	13 to 15 years (closed)
Asset valuation method	Market Value
Inflation	3.0 percent
Salary increases	None
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation
Retirement age	Normal retirement age
Mortality	RP-2014 Blue Collar Total Dataset with fully generational projection using scale MP-2015

This information is not available for FY13 and prior.



## **COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

### **Combining Statements of Financial Schedules June 30, 2019**

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

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

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

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

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

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

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

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

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

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

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**Combining Statements of Financial Schedules (continued)**  
**June 30, 2019**

**Non-Major Proprietary Funds (continued)**

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, 2019

	Grant Management	Cascade Town Centre	Inmate Welfare	Contraband	Agricultural Education Center	Hotel Rental Tax	Gaming	Land Preservation	HEPMPO	Total Non-major Funds
<b>ASSETS</b>										
Cash	\$ 135,760	\$ 908,546	\$ 282,363	\$ 285,858	\$ 36,892	\$ 1,288,855	\$ 1,707,197	\$ 949,826	\$ -	\$ 5,595,297
Accounts receivable	-	-	-	-	-	259,428	73,907	-	-	333,335
Due from other governmental agencies	146,811	-	-	-	-	-	-	-	150,886	297,697
<b>TOTAL ASSETS</b>	<u>\$ 282,571</u>	<u>\$ 908,546</u>	<u>\$ 282,363</u>	<u>\$ 285,858</u>	<u>\$ 36,892</u>	<u>\$ 1,548,283</u>	<u>\$ 1,781,104</u>	<u>\$ 949,826</u>	<u>\$ 150,886</u>	<u>\$ 6,226,329</u>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>LIABILITIES</b>										
Accounts payable	\$ 230,077	\$ 5,504	\$ 26,202	\$ 39	\$ 13,092	\$ 320,345	\$ 1,620,314	\$ 8,329	\$ 26,880	\$ 2,250,782
Accrued expenses	9,521	8,048	1,079	-	1,554	-	4,373	5,511	1,236	31,322
Due to other funds	-	-	-	-	-	-	-	-	129,230	129,230
Unearned revenue	-	-	-	-	-	-	27,125	-	-	27,125
Other liabilities	-	1,530	-	187,753	-	-	-	367,090	-	556,373
<b>TOTAL LIABILITIES</b>	<u>239,598</u>	<u>15,082</u>	<u>27,281</u>	<u>187,792</u>	<u>14,646</u>	<u>320,345</u>	<u>1,651,812</u>	<u>380,930</u>	<u>157,346</u>	<u>2,994,832</u>
<b>FUND BALANCES</b>										
Restricted	-	-	255,082	98,066	-	1,227,938	-	200,112	-	1,781,198
Committed	-	893,464	-	-	-	-	-	374,713	-	1,268,177
Assigned	42,973	-	-	-	22,246	-	129,292	-	-	194,511
Unassigned	-	-	-	-	-	-	-	(5,929)	(6,460)	(12,389)
<b>TOTAL FUND BALANCES</b>	<u>42,973</u>	<u>893,464</u>	<u>255,082</u>	<u>98,066</u>	<u>22,246</u>	<u>1,227,938</u>	<u>129,292</u>	<u>568,896</u>	<u>(6,460)</u>	<u>3,231,497</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 282,571</u>	<u>\$ 908,546</u>	<u>\$ 282,363</u>	<u>\$ 285,858</u>	<u>\$ 36,892</u>	<u>\$ 1,548,283</u>	<u>\$ 1,781,104</u>	<u>\$ 949,826</u>	<u>\$ 150,886</u>	<u>\$ 6,226,329</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, 2019

	Grant Management	Cascade Town Centre	Inmate Welfare	Contraband	Agricultural Education Center	Hotel Rental Tax	Gaming	Land Preservation	HEPMPO	Total Non- major Funds
<b>REVENUE</b>										
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,290,685	\$ -	\$ 130,526	\$ -	\$ 2,421,211
Licenses and permits	-	-	-	-	-	-	2,254,500	-	-	2,254,500
Charges for services	-	-	409,248	-	-	-	-	-	-	409,248
Revenue from uses of property	-	29,641	-	-	40,539	-	119	-	-	70,299
Miscellaneous revenues	-	200,000	120,324	38,844	-	25	8,141	-	26,215	393,549
Shared taxes and grants	1,217,283	-	-	-	-	-	-	3,815,572	466,492	5,499,347
<b>TOTAL REVENUE</b>	<u>1,217,283</u>	<u>229,641</u>	<u>529,572</u>	<u>38,844</u>	<u>40,539</u>	<u>2,290,710</u>	<u>2,262,760</u>	<u>3,946,098</u>	<u>492,707</u>	<u>11,048,154</u>
<b>EXPENDITURES</b>										
Public safety	-	-	451,313	94,633	-	-	1,022,500	-	-	1,568,446
Parks, recreation and culture	-	-	-	-	239,008	-	-	-	-	239,008
Land preservation	-	-	-	-	-	-	-	4,180,008	-	4,180,008
General operations	97,707	970,165	-	-	-	281,673	170,965	-	-	1,520,510
Community promotion	1,337,283	-	-	-	-	1,502,626	1,030,641	-	503,024	4,373,574
<b>TOTAL EXPENDITURES</b>	<u>1,434,990</u>	<u>970,165</u>	<u>451,313</u>	<u>94,633</u>	<u>239,008</u>	<u>1,784,299</u>	<u>2,224,106</u>	<u>4,180,008</u>	<u>503,024</u>	<u>11,881,546</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<u>(217,707)</u>	<u>(740,524)</u>	<u>78,259</u>	<u>(55,789)</u>	<u>(198,469)</u>	<u>506,411</u>	<u>38,654</u>	<u>(233,910)</u>	<u>(10,317)</u>	<u>(833,392)</u>
<b>OTHER FINANCING SOURCES</b>										
Transfers in	247,270	-	-	-	199,830	928	2,370	504,760	25,610	980,768
Transfers out	-	(13,000)	-	-	-	(50,000)	-	-	-	(63,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>247,270</u>	<u>(13,000)</u>	<u>-</u>	<u>-</u>	<u>199,830</u>	<u>(49,072)</u>	<u>2,370</u>	<u>504,760</u>	<u>25,610</u>	<u>917,768</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>29,563</u>	<u>(753,524)</u>	<u>78,259</u>	<u>(55,789)</u>	<u>1,361</u>	<u>457,339</u>	<u>41,024</u>	<u>270,850</u>	<u>15,293</u>	<u>84,376</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>13,410</u>	<u>1,646,988</u>	<u>176,823</u>	<u>153,855</u>	<u>20,885</u>	<u>770,599</u>	<u>88,268</u>	<u>298,046</u>	<u>(21,753)</u>	<u>3,147,121</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 42,973</u>	<u>\$ 893,464</u>	<u>\$255,082</u>	<u>\$ 98,066</u>	<u>\$ 22,246</u>	<u>\$ 1,227,938</u>	<u>\$ 129,292</u>	<u>\$ 568,896</u>	<u>\$ (6,460)</u>	<u>\$ 3,231,497</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Combining Statement of Net Position – Non-Major Proprietary Funds As of June 30, 2019

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
<b>ASSETS</b>			
Current Assets:			
Cash and short-term investments	\$ 413,319	\$ 487,754	\$ 901,073
Accounts receivable	591	15,668	16,259
Unbilled receivables	654	-	654
Due from other governmental agencies	603,884	38,868	642,752
Inventories	94,253	19,027	113,280
Total current assets	<u>1,112,701</u>	<u>561,317</u>	<u>1,674,018</u>
Noncurrent Assets:			
Property plant and equipment	7,456,454	4,987,393	12,443,847
Accumulated depreciation	(4,654,078)	(2,910,600)	(7,564,678)
Total noncurrent assets	<u>2,802,376</u>	<u>2,076,793</u>	<u>4,879,169</u>
<b>TOTAL ASSETS</b>	<u>3,915,077</u>	<u>2,638,110</u>	<u>6,553,187</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Current capital lease obligations	22,661	-	22,661
Accounts payable	83,044	82,090	165,134
Accrued expenses	63,742	35,298	99,040
Unearned revenue	-	500	500
Compensated absences	58,056	21,332	79,388
Other liabilities	-	39,342	39,342
Total current liabilities	<u>227,503</u>	<u>178,562</u>	<u>406,065</u>
Noncurrent Liabilities:			
Compensated absences	19,353	7,111	26,464
Capital lease obligations	24,193	-	24,193
Total noncurrent liabilities	<u>43,546</u>	<u>7,111</u>	<u>50,657</u>
<b>TOTAL LIABILITIES</b>	<u>271,049</u>	<u>185,673</u>	<u>456,722</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,802,376	2,076,793	4,879,169
Unrestricted	841,652	375,644	1,217,296
<b>TOTAL NET POSITION</b>	<u>\$ 3,644,028</u>	<u>\$ 2,452,437</u>	<u>\$ 6,096,465</u>

# 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, 2019

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
<b>OPERATING REVENUE</b>			
Charges for services	\$ 664,517	\$ 690,083	\$ 1,354,600
Miscellaneous	596	18,689	19,285
<b>TOTAL OPERATING REVENUE</b>	<u>665,113</u>	<u>708,772</u>	<u>1,373,885</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	1,441,649	452,925	1,894,574
Fringe benefits	532,951	193,676	726,627
Utilities	25,840	46,011	71,851
Insurance	30,019	8,475	38,494
Repairs and maintenance	237,315	76,918	314,233
Supplies	33,316	3,071	36,387
Cost of goods sold	-	85,801	85,801
Contracted services	163,392	3,149	166,541
Rentals and leases	46,219	62,228	108,447
Other operating	272,309	116,670	388,979
Controllable assets	2,938	8,620	11,558
Depreciation	238,668	133,977	372,645
<b>TOTAL OPERATING EXPENSES</b>	<u>3,024,616</u>	<u>1,191,521</u>	<u>4,216,137</u>
<b>OPERATING LOSS</b>	<u>(2,359,503)</u>	<u>(482,749)</u>	<u>(2,842,252)</u>
<b>OTHER INCOME</b>			
Interest, penalties & fees	6	-	6
Gain on disposal of assets	39,207	-	39,207
<b>TOTAL OTHER INCOME</b>	<u>39,213</u>	<u>-</u>	<u>39,213</u>
<b>LOSS BEFORE OPERATING TRANSFERS AND GRANTS</b>	(2,320,290)	(482,749)	(2,803,039)
<b>OPERATING TRANSFERS</b>	466,930	409,970	876,900
<b>GRANTS FOR OPERATIONS</b>	<u>1,248,362</u>	<u>-</u>	<u>1,248,362</u>
<b>LOSS BEFORE CAPITAL TRANSFERS AND GRANTS</b>	(604,998)	(72,779)	(677,777)
<b>CAPITAL TRANSFERS</b>	37,000	44,904	81,904
<b>GRANTS FOR CAPITAL PROJECTS</b>	<u>548,084</u>	<u>38,868</u>	<u>586,952</u>
<b>CHANGES IN NET POSITION</b>	(19,914)	10,993	(8,921)
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>3,663,942</u>	<u>2,441,444</u>	<u>6,105,386</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 3,644,028</u>	<u>\$ 2,452,437</u>	<u>\$ 6,096,465</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Combining Statement of Cash Flows – Non-Major Proprietary Funds For the Year Ended June 30, 2019

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 859,528	\$ 667,902	\$ 1,527,430
Payments to suppliers	(753,710)	(312,241)	(1,065,951)
Payments to employees	(1,964,255)	(651,647)	(2,615,902)
<b>Net Cash Used by Operating Activities</b>	<b>(1,858,437)</b>	<b>(295,986)</b>	<b>(2,154,423)</b>
<b>Cash Flows from Noncapital Financing Activities</b>			
Operating contributions	1,715,292	409,970	2,125,262
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>1,715,292</b>	<b>409,970</b>	<b>2,125,262</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets	(317,552)	(47,679)	(365,231)
Gain (loss) on the sale of assets	39,207	-	39,207
Contribution for capital acquisitions	585,084	44,904	629,988
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>306,739</b>	<b>(2,775)</b>	<b>303,964</b>
<b>Cash Flows from Investing Activities</b>			
Interest on investments	6	-	6
Net change in cash	163,600	111,209	274,809
Cash, beginning of year	249,719	376,545	626,264
<b>Cash, End of Year</b>	<b>\$ 413,319</b>	<b>\$ 487,754</b>	<b>\$ 901,073</b>
<b>Capital Lease Obligation</b>	<b>\$ (25,825)</b>	<b>\$ -</b>	<b>\$ (25,825)</b>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>			
Operating loss	\$ (2,359,503)	\$ (482,749)	\$ (2,842,252)
Adjustments to reconcile operating loss to net cash			
from operating activities:			
Depreciation	238,668	133,977	372,645
Changes in assets and liabilities:			
Accounts receivable	45,422	(1,252)	44,170
Unbilled receivables	(16)	-	(16)
Due to/from other government entities	149,009	(38,868)	110,141
Inventories	(3,986)	34,727	30,741
Accounts payable and other liabilities	61,624	59,030	120,654
Accrued expenses	3,956	10,043	13,999
Unearned revenue	-	(750)	(750)
Compensated absences	6,389	(10,144)	(3,755)
<b>Net Cash Used by Operating Activities</b>	<b>\$ (1,858,437)</b>	<b>\$ (295,986)</b>	<b>\$ (2,154,423)</b>

## **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, 2019

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
REVENUE				
Property Taxes				
Real property tax	\$ 113,679,470	\$ 113,679,470	\$ 113,528,948	\$ (150,522)
Personal property tax	14,057,110	14,057,110	14,997,807	940,697
Property tax interest income	385,000	385,000	404,561	19,561
Other property tax	622,980	622,980	661,260	38,280
State administrative fees	(580,000)	(580,000)	(480,132)	99,868
Property tax discounts and credits	(1,716,310)	(1,716,310)	(1,671,950)	44,360
Total Property Taxes	126,448,250	126,448,250	127,440,494	992,244
Other Local Taxes				
Income tax	84,000,000	84,000,000	86,848,691	2,848,691
Admissions and amusement tax	255,000	255,000	286,414	31,414
Recordation tax	6,500,000	6,500,000	6,886,789	386,789
Trailer tax	550,000	550,000	577,871	27,871
Total Other Local Taxes	91,305,000	91,305,000	94,599,765	3,294,765
Other Revenues				
Licenses and permits	1,272,200	1,272,200	1,283,820	11,620
Court costs and fines	5,112,400	5,112,400	2,631,213	(2,481,187)
Charges for services	1,342,870	1,391,780	1,365,493	(26,287)
Reimbursed expenses	1,094,370	1,094,370	1,111,052	16,682
Miscellaneous revenues	367,520	408,210	1,618,804	1,210,594
Grant and shared revenues	2,004,300	5,444,713	4,875,585	(569,128)
Interest income	692,400	692,400	2,151,321	1,458,921
Highway revenues	2,284,500	2,293,860	2,253,157	(40,703)
Total Other Revenues	14,170,560	17,709,933	17,290,445	(419,488)
TOTAL REVENUE	231,923,810	235,463,183	239,330,704	3,867,521
EXPENDITURES				
General Government				
Legislative				
County Commissioners	325,340	325,340	319,050	6,290
County Clerk	117,040	143,040	134,066	8,974
County Administrator	479,410	566,070	559,067	7,003
Public Relations & Marketing	460,990	482,180	452,222	29,958
Purchasing	509,810	512,760	465,913	46,847
Grants	-	37,500	-	37,500
Total Legislative	1,892,590	2,066,890	1,930,318	136,572

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual General Fund (continued) For the Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Judicial				
Circuit Court	\$ 1,620,960	\$ 1,620,960	\$ 1,569,683	\$ 51,277
Orphan's Court	30,920	30,920	33,068	(2,148)
State's Attorney	3,560,920	3,560,920	3,530,281	30,639
Sheriff - Judicial	2,765,860	2,765,860	2,686,004	79,856
Sheriff - Process Servers	155,810	155,810	140,277	15,533
Grants	-	434,334	358,458	75,876
Total Judicial	8,134,470	8,568,804	8,317,771	251,033
Election Board	1,185,480	1,185,480	1,112,191	73,289
Financial Administration				
Budget and Finance	1,457,170	1,480,700	1,391,844	88,856
Independent Auditing	70,000	70,000	58,300	11,700
Treasurer	483,770	483,770	483,431	339
Information Technologies	2,496,080	2,406,060	2,366,133	39,927
Total Financial Administration	4,507,020	4,440,530	4,299,708	140,822
County Attorney	789,800	789,800	723,583	66,217
Human Resources	842,920	847,500	821,790	25,710
Planning and Zoning				
Planning and Zoning	763,660	778,560	691,878	86,682
Board of Zoning Appeals	58,440	58,440	44,493	13,947
Total Planning and Zoning	822,100	837,000	736,371	100,629
Public Works				
Department of Public Works	250,390	255,460	262,147	(6,687)
Plan Review and Permitting	1,479,900	1,479,900	1,439,048	40,852
Engineering	2,148,380	2,150,960	2,056,085	94,875
Construction	1,887,360	1,891,450	1,849,371	42,079
Total Public Works	5,766,030	5,777,770	5,606,651	171,119
County Owned Buildings				
Martin Luther King Center	81,810	85,810	85,019	791
Administrative Building	185,920	197,920	203,894	(5,974)
Administrative Building II	124,680	108,680	76,977	31,703
Court House	644,200	656,770	637,173	19,597
County Office Building	194,680	194,680	203,811	(9,131)
Administration Annex	53,600	53,600	48,216	5,384
Central Services	138,230	138,230	162,540	(24,310)
Rental Properties	6,000	6,000	6,489	(489)
Library Maintenance	36,000	43,000	28,209	14,791
Dwyer Center	30,310	30,310	32,210	(1,900)
Public Facilities Annex	66,920	66,920	69,788	(2,868)
Total County Owned Buildings	1,562,350	1,581,920	1,554,326	27,594

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual General Fund (continued) For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Community Promotion				
Contributions to Non-profits	\$ 1,704,000	\$ 1,704,000	\$ 1,702,180	\$ 1,820
Business Development	711,180	711,180	544,694	166,486
Total Community Promotion	2,415,180	2,415,180	2,246,874	168,306
<b>Total General Government</b>	27,917,940	28,510,874	27,349,583	1,161,291
<b>Public Safety</b>				
Sheriff Departments				
Patrol	11,970,150	12,003,550	11,852,737	150,813
Sheriff Auxiliary	-	-	42,111	(42,111)
Narcotics Task Force	807,190	807,190	777,102	30,088
Wash. County Police Academy	-	21,000	20,812	188
Grants	-	532,006	278,756	253,250
Total Sheriff Departments	12,777,340	13,363,746	12,971,518	392,228
Fire Operations				
Volunteer Fire and Rescue - County Grants	7,156,680	7,121,680	6,819,406	302,274
Air Unit	38,430	38,430	25,348	13,082
Special Operations	78,920	86,480	98,298	(11,818)
Total Fire and Rescue Services	7,274,030	7,246,590	6,943,052	303,538
Corrections				
Detention Center	14,586,280	14,587,280	14,123,510	463,770
Central Booking	913,750	913,750	900,242	13,508
Day Reporting Center	550,760	550,760	498,861	51,899
Grants	-	244,177	73,166	171,011
Total Corrections	16,050,790	16,295,967	15,595,779	700,188
Other Public Safety				
911 - Communications	4,843,110	4,954,500	5,085,787	(131,287)
Wireless Communications	1,358,160	1,361,210	1,256,153	105,057
Emergency Management	258,810	258,810	168,941	89,869
EMS Operations	1,466,970	1,466,970	1,584,033	(117,063)
Fire Operations	1,364,180	1,344,180	1,387,050	(42,870)
Forensic Investigator	20,000	20,000	25,950	(5,950)
Civil Air Patrol	3,600	3,600	3,600	-
Animal Control	1,401,600	1,401,600	1,401,600	-
Grants	-	940,346	777,873	162,473
Other Public Safety	10,716,430	11,751,216	11,690,987	60,229
<b>Total Public Safety</b>	46,818,590	48,657,519	47,201,336	1,456,183

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual General Fund (continued) For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Health</b>	\$ 2,339,270	\$ 2,339,270	\$ 2,339,270	\$ -
<b>Social Services</b>	435,560	435,560	435,560	-
<b>Education</b>	108,566,050	108,566,050	108,566,050	-
<b>Parks, Recreation, and Culture</b>				
Total Contributions to Other Agencies	3,182,010	3,182,010	3,182,010	-
Parks Department	1,910,610	1,968,300	1,946,276	22,024
Martin L. Snook Park Pool	148,290	148,290	130,481	17,809
Fitness and Recreation	971,250	971,250	856,683	114,567
Grants	-	1,252,050	1,251,054	996
<b>Total Parks, Recreation, and Culture</b>	6,212,160	7,521,900	7,366,504	155,396
<b>Conservation of Natural Resources</b>				
Weed Control	215,960	243,870	216,133	27,737
Agricultural Extension Service	240,820	240,820	240,820	-
Cooperative Extension	38,730	38,730	38,730	-
Soil Conservation Service	218,180	218,180	218,180	-
Gypsy Moth Program	10,000	10,000	7,290	2,710
<b>Total Conservation of Natural Resources</b>	723,690	751,600	721,153	30,447
<b>Highway</b>	11,156,680	11,281,970	11,358,140	(76,170)
<b>General Operations</b>	529,600	503,600	434,356	69,244
<b>Unallocated Employee Insurance and Benefits</b>	5,292,100	4,892,100	5,435,165	(543,065)

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual General Fund (continued) For the Year Ended June 30, 2019

	<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	\$ 309,970	\$ 309,970	\$ 409,970	\$ (100,000)
HEPMPO operating transfer	8,090	8,090	8,060	30
Land Preservation operating transfer	113,180	113,180	104,760	8,420
Utility Administration operating transfer	201,950	201,950	201,950	-
Sewer operating transfer	-	60,820	60,820	-
Public Transit operating transfer	484,470	484,480	484,480	-
Airport operating transfer	14,500	24,550	24,550	-
Capital Projects operating transfer	5,041,000	5,041,000	7,541,000	(2,500,000)
Solid Waste operating transfer	961,700	961,700	961,700	-
Gaming operating transfer	-	2,370	2,370	-
Grants Management operating transfer	245,060	247,270	247,270	-
Agricultural Education Center operating transfer	197,720	199,830	199,830	-
Municipality in lieu of bank shares	38,550	38,550	38,543	7
<b>Total Intergovernmental</b>	<u>7,616,190</u>	<u>7,693,760</u>	<u>10,285,303</u>	<u>(2,591,543)</u>
<b>Debt Service</b>	<u>14,315,980</u>	<u>14,308,980</u>	<u>14,139,010</u>	<u>169,970</u>
<b>TOTAL EXPENDITURES</b>	<u>231,923,810</u>	<u>235,463,183</u>	<u>235,631,430</u>	<u>(168,247)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,699,274</u>	<u>\$ 3,699,274</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital lease			50,769	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			<u>50,769</u>	
<b>NET CHANGES IN FUND BALANCE</b>			3,750,043	
<b>FUND BALANCE - BEGINNING</b>			<u>41,746,652</u>	
<b>FUND BALANCE - ENDING</b>			<u>\$ 45,496,695</u>	

## **OTHER SCHEDULES**

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Local Management Board – Schedule of Revenue and Expenditures – Regulatory Basis For the Year Ended June 30, 2019

#### REVENUE

Community Partnership Agreement (CPA)	
Governor's Office for Children	\$ 648,630
Non- Community Partnership Agreement (Non-CPA)	
General Fund	247,270
Md State Department of Aging	31,659
Md State Department of Education	478,377
Dept. of Housing and Community Development	58,617
Total Non-Community Partnership Agreement Revenue	<u>815,923</u>
<b>TOTAL REVENUE</b>	<u><u>1,464,553</u></u>

#### EXPENDITURES

Community Partnership Agreement (CPA)	
Administrative :	
Salaries	77,713
Benefit Costs	39,018
Small office equipment	59
Office supplies	3,165
Printing expenses	59
Travel Expenses	727
Training	659
Total CPA Administrative Expenditures	<u>121,400</u>
Programs:	
Western MC Disconnected Youth	140,948
GOC-School Based Mental Health	218,443
Family Centered Support Services	69,034
IACM for Children of Incarcerated Parents	98,805
Total CPA Program Expenditures	<u>527,230</u>
Non-Community Partnership Agreement (CPA)	
Administrative:	
Salaries	67,242
Benefit Costs	24,699
Advertising	348
Community Service Awards	706
Dues & Subscriptions	274
Office Supplies	1,348
Personal Mileage	318
Postage	54
Printing Expenses	92
Travel Expenses	108
Entertainment/business expense	269
Training	709
Copy Machine Rental	1,201
Telephone Expenses	339
Total Non-CPA Administrative Expenditures	<u>97,707</u>
Programs:	
School Based Mental Health	120,000
Commission on Aging	31,659
MSDE - Healthy Families	478,377
Dept. of Housing and Community Development	58,617
Total Non-CPA Program Expenditures	<u>688,653</u>
<b>TOTAL EXPENDITURES</b>	<u><u>1,434,990</u></u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u><u>\$ 29,563</u></u>

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**PROPOSED FORM OF OPINION OF BOND COUNSEL**

[Date of Issuance]

County Commissioners of Washington County  
Hagerstown, Maryland

Dear County Commissioners:

We have acted as Bond Counsel to County Commissioners of Washington County (the “Issuer”) in connection with the issuance of its \$18,705,000 County Commissioners of Washington County Taxable Refunding Bonds of 2020 (the “Bonds”), dated the date hereof. All capitalized terms not defined herein shall have the meanings set forth in the Bonds.

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

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

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

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

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

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

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

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

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

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

(d) Interest on the Bonds is 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 State or federal income tax consequences arising with respect to the Bonds.

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

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

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

Very truly yours,

**NOTICE OF SALE****WASHINGTON COUNTY, MARYLAND  
(County Commissioners of Washington County)****\$19,675,000\* TAXABLE REFUNDING BONDS OF 2020****(Full Faith and Credit Obligations of the  
County Commissioners of Washington County)****Dated Date of Delivery****DTC Book-Entry****Overview and Amortization**

Electronic bids only will be received via BidCOMP/Parity@/www.i-dealprospectus.com (“Parity”) on behalf of County Commissioners of Washington County (the “County”) by the Chief Financial Officer of the County (the “CFO”), at Room 3100, 100 West Washington Street, Hagerstown, Maryland 21740 on Wednesday, September 30, 2020 until 10:30 a.m. prevailing eastern time (“Prevailing Eastern Time”), unless postponed as described in this Notice of Sale (in either such case, the “Bid Date”) for the purchase of all (but not less than all) of the County’s Taxable Refunding Bonds of 2020 (the “Bonds”). The Bonds will be dated their date of delivery. Interest on the Bonds will be payable on January 1, 2021 and semiannually thereafter on July 1 and January 1 until maturity or earlier mandatory sinking fund redemption.

The Bonds are issued under the provisions Chapter 392 of the Laws of Maryland of 2007, Title 6 of the Code of Public Local Laws of Washington County, Maryland (2019 Edition), (the “Water and Sewer Act”), and Section 19-207 of the Local Government Article of the Annotated Code of Maryland, (the “Refunding Act”), each as amended to date, as applicable. The Bonds are issued in accordance with Resolution No. RS-2020-25 adopted by the Board of County Commissioners of Washington County (the “Board”) on September 15, 2020.

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

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\*Preliminary; subject to change

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

<b>Maturing July 1*</b>	<b>Principal Amount*</b>	<b>Maturing July 1*</b>	<b>Principal Amount*</b>
2021	\$ 265,000	2027	\$ 1,910,000
2022	955,000	2028	1,940,000
2023	1,830,000	2029	1,970,000
2024	1,850,000	2030	2,000,000
2025	1,870,000	2031	2,040,000
2026	1,890,000	2032	1,155,000

\*Preliminary; subject to change

### **Adjustments to Principal Amounts**

Pre-sale, the County reserves the right to change the Preliminary Amounts from time to time up until 9:30 a.m. Prevailing Eastern Time on the Bid Date, by changing the original aggregate principal amount of the Bonds and/or by changing or eliminating the original aggregate principal amount of one or more of the maturities of the Bonds. Should a revision to the aggregate principal amount of the Bonds and/or the principal amortization schedule for the Bonds be made (the “Revised Amounts”), such revision will be published on BidCOMP/Parity/www.i-dealprospectus.com or www.TM3.com (“TM3”) not later than 9:30 a.m. Prevailing Eastern Time on the Bid Date. In the event that no revisions are made or that such revisions are not published on BidCOMP/Parity/www.i-dealprospectus.com or TM3 before 9:30 a.m. Prevailing Eastern Time on the Bid Date, the Preliminary Amounts will constitute the Revised Amounts. Bidders shall submit bids based on the Revised Amounts, and the Revised Amounts will be used to compare bids for the Bonds and to select a winning bidder. The aggregate Revised Amounts will not exceed \$22,000,000.

After selecting the winning bid for the Bonds, the maturity schedule for the Bonds may be adjusted as necessary in the determination of the County’s financial advisor in increments of \$5,000. Any adjustments pursuant to this paragraph will not increase or reduce the aggregate principal amounts by more than 15% of the amount of the bid. The dollar amount bid for the Revised Amounts of the Bonds by the successful bidder will be adjusted proportionately to reflect any reduction or increase in the original aggregate principal amount of the Bonds, but the coupon rates specified by the successful bidder for all maturities of the Bonds will not change. Any such maturity schedule adjustments will be communicated to the successful bidder for the Bonds within six hours of the opening of the bids therefor. Any such adjusted bid price will reflect changes in the dollar amount of the underwriter’s discount and original issue discount or premium, if any, but will not change the underwriter’s discount per \$1,000 of par amount of the Bonds from the underwriter’s discount that would have been received based on the purchase price in the winning bid, the coupon rates or initial offering prices specified by the successful bidder. **The successful bidder for the Bonds may not withdraw its bid or change the interest rates bid or initial offering prices as a result of any changes made to the principal amounts of the Bonds within these limits.** ALL BIDS SHALL REMAIN FIRM FOR 6 HOURS AFTER THE TIME SPECIFIED FOR OPENING OF BIDS.

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

A bidder for the Bonds may designate in its bid two or more consecutive principal amounts of the Revised Amounts as a term bond, which matures on the maturity date of the last included principal amount of the sequence. More than one such sequence of principal amounts for the Bonds may be designated as term bonds. Any term bond so designated shall be subject to mandatory sinking fund 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, as the same may be adjusted as described in “Adjustments to Principal Amounts” above.

## **Purpose of Issue**

The Bonds are to be issued to advance refund in whole or in part the outstanding callable maturities of the County's Public Improvement Bonds of 2011 (the "2011 Bonds") and/or Public Improvement Bonds of 2012 (the "2012 Bonds"), and to pay costs of issuance of the Bonds. The specific full or partial callable maturities of the 2011 Bonds and/or the 2012 Bonds to be advance refunded, if any, will be determined upon any award of the sale of the Bonds.

## **Bid Specifications**

Each bidder shall submit one bid on all "all or none" basis for the Bonds. Each bid must specify the amount bid for the Bonds, which amount may not be less than 100% of par. Each bid must specify in multiples of one-eighth ( $\frac{1}{8}$ ) or one-twentieth ( $\frac{1}{20}$ ) of one percent (1%) the rate or rates of interest per annum which the Bonds are to bear but shall not specify (a) more than one interest rate for any Bonds having the same maturity, (b) a zero rate of interest, or (c) any interest rate for any Bonds which exceeds the interest rate stated in such bid for any other Bonds by more than 300 basis points.

## **Electronic Bids Only**

Bids must be submitted by electronic bidding via Parity, in the manner described below, and must be received on the Bid Date by 10:30 a.m. Prevailing Eastern Time. No bid will be accepted after the time for receiving bids specified above. To the extent any instructions or directions set forth in Parity conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about Parity, potential bidders may contact Parity at (212) 849-5021.

## **Disclaimer**

Each prospective electronic bidder shall be solely responsible to submit its bid via Parity as described above. Each prospective electronic bidder shall be solely responsible to make necessary arrangements to access Parity for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the County nor Parity shall have any duty or obligation to provide or assure access to Parity to any prospective bidder, and neither the County nor Parity shall be responsible for proper operation of or have any liability for any delays or interruptions of, or any damages caused by Parity. The County is using Parity as a communication mechanism, and not as the County's agent, to conduct the electronic bidding for the Bonds. The County is not bound by any advice and determination of Parity to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the bid parameters specified in this Notice of Sale. All costs and expenses incurred by prospective bidders in connection with their submission of bids via Parity are the sole responsibility of the bidders; and the County is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying, or withdrawing a bid for the Bonds, such bidder should telephone Parity at (212) 849-5021 and notify the County's financial advisor, Davenport & Company LLC, by facsimile at (866) 932-6660 and by telephone at (410) 296-9426.

## **Electronic Bidding Procedures**

Electronic bids must be submitted for the purchase of the Bonds via Parity. Bids will be communicated electronically to the County on September 30, 2020 (or such later Bid Date as announced in accordance with this Notice of Sale) at 10:30 a.m. Prevailing Eastern Time. Prior to that time, a prospective bidder may (1) submit the proposed terms of its bid via Parity, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds, or (3) withdraw its proposed bid. Once the bids are communicated electronically via Parity to the County, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided, subject to this Notice of Sale. The County shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, Parity, the use of such facilities being the sole risk of the prospective bidder. For purposes of the electronic bidding process, the time as maintained on Parity shall constitute the Prevailing Eastern Time.

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

## **Basis of Award**

Bids will be communicated electronically on the Bid Date at 10:30 a.m. Prevailing Eastern Time. Any award of the Bonds will be made on behalf of the County by the CFO. The successful bidder will be determined based on the lowest interest cost to the County. The lowest interest cost shall be determined in accordance with the true interest cost ("TIC") method by doubling the semiannual interest rate (compounded semi-annually) necessary to discount the debt service payments from the payment dates to the date of the Bonds and to the price bid. If two or more bidders offer to purchase the Bonds at the same lowest interest cost, then such award will be made to the bidder offering the highest purchase price. If two or more bidders offer to purchase the Bonds at the same lowest interest cost, with the same purchase price, the County shall have the right to award all of the Bonds to one bidder. The CFO will execute and deliver an order or orders of award promptly after the apparent successful bidder for the Bonds pays the Good Faith Deposit therefor provided for herein by federal funds wire transfer (see "Good Faith Deposit and Award" below). Notwithstanding the foregoing, the County, by the CFO, reserves the right to reject any and all bids for the Bonds and to waive any informality or irregularity in any bid, and the judgment of the CFO with respect to such matters shall be final and binding upon all bidders with respect to the form and adequacy of any bid received for the Bonds and as to its conformity to the terms of this Notice of Sale or with respect to the determination to reject any and all bids for the Bonds.

## **Good Faith Deposit and Award**

The apparent successful bidder for the Bonds shall submit a good faith deposit in the amount of \$196,750 (the "Good Faith Deposit") as provided below. The Good Faith Deposit will secure the County from any loss resulting from the failure of the apparent successful bidder to comply with the terms of its bid. The apparent successful bidder shall transfer the Good Faith Deposit by wire transfer directly to the County upon notification of identification of the apparent successful bidder for the Bonds, but in any case, no later than 3:00 p.m. Prevailing Eastern Time on the Bid Date (the "Deposit Deadline"). Wire instructions will be provided to the apparent successful bidder for the Bonds by the County's financial advisor upon verification of bids submitted, identification of the apparent successful bidder for the Bonds and prior to the Deposit Deadline.

The apparent successful bidder for 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 the Bonds, if made, will be indicated on Parity and shall not be made until the County's financial advisor has confirmation of receipt of the Good Faith Deposit therefor. If the apparent successful bidder fails to so deliver the Good Faith Deposit by the Deposit Deadline, the County will have the option to not award the Bonds without any liability to the apparent successful bidder and the apparent successful bidder shall be responsible to the County for all consequential damages arising from such failure. Formal award of the Bonds, if made, will be made by 5:00 p.m. Prevailing Eastern Time.

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

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

## **Security**

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

## **Book-Entry Only**

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

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

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

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

## **No Optional Redemption**

The Bonds are not subject to redemption at the option of the County prior to maturity.

## **Legal Opinion**

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

## **CUSIP Numbers**

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

CUSIP numbers for the Bonds will be applied for by the financial advisor to the County, but the County will assume no obligation for the assignment or printing of such numbers on the Bonds or for the correctness of such numbers, and neither the failure to print such numbers on any of the Bonds nor any error with respect thereto shall constitute cause for failure or refusal by the successful bidder for the Bonds to accept delivery or make payment for the Bonds.

## **Official Statement**

Within seven business days after the award of the Bonds to the successful bidder therefor on the Bid Date, the County will authorize its Official Statement, which is expected to be substantially in the form of the Preliminary Official Statement referred to below. The Preliminary Official Statement has been deemed final by the County for the purpose of Rule 15c2-12 of the Securities and Exchange Commission, subject to revision, amendment and completion in a final Official Statement. The County will also issue any supplement or amendment to the Official Statement that may be necessary between the date of the Official Statement and the date of delivery of the Bonds. If requested and furnished to

the County in writing by 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 the Bonds, if any, as may be so furnished. If the successful bidder of the Bonds furnishes no such information, the Official Statement will include the interest rates on the Bonds resulting from the bid of the successful bidder therefor and the other statements with respect to reoffering contained in the Preliminary Official Statement. Whether or not any such information is included in the Official Statement, the successful bidder for the Bonds shall be responsible to the County and its officials in all respects for the accuracy, fairness and completeness of such information, and for all decisions made with respect to the use or omission of such information in any reoffering of the Bonds, including the presentation or exclusion of any such information in any documents, including the Official Statement. Within seven business days after the award of the Bonds, the successful bidder will also be furnished, without cost, with a reasonable number of copies of the Official Statement. The successful bidder will also be furnished with any amendment or supplement to the Official Statement, without cost, except to the extent any such amendment or supplement is required due to a change in the reoffering information or other information provided by or on behalf of the successful bidder.

### **Continuing Disclosure**

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

### **Delivery of the Bonds**

Delivery of the Bonds will be made to the successful bidder through the facilities of DTC on or about October 14, 2020. 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 the Bonds to accept delivery of and pay for the Bonds that, simultaneously with or before delivery and payment for the Bonds, said successful bidder shall be furnished a certificate of the President of the Board and the CFO to the effect that, to the best of their knowledge and belief, the Official Statement (and any amendment or supplement thereto) (except for the reoffering information and except as to information regarding DTC and DTC's book-entry system provided by DTC, as to which no view will be expressed) as of the Bid Date and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and that between the Bid Date and the date of delivery of the Bonds there has been no material adverse change in the financial position or revenues of the County, except as reflected or contemplated in the Official Statement.

### **Amendment and Postponement**

The County reserves the right to modify or amend this Notice of Sale prior to the Bid Date including, but not limited to, adjusting and changing the original aggregate principal amount for the Bonds being offered, determining not to issue the Bonds, and/or changing the bid specifications for the Bonds; however, such modifications or amendments shall be made not later than 9:30 a.m. Prevailing Eastern Time on the Bid Date and communicated through Parity 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 Parity 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 Parity or TM3 at least 24 hours prior to such alternative Bid Date. In addition, the County reserves the right, on the date established for the receipt of bids, to reject all bids for the Bonds and to then or later establish a subsequent date on which bids for the Bonds will again be received. If all bids for the Bonds are rejected and a subsequent date for receipt of bids for the Bonds established, notice of the subsequent Bid Date will be announced via Parity or TM3 at least 24 hours prior to such subsequent Bid Date. On any such alternative or subsequent Bid Date, any bidder may submit a bid for the purchase of the Bonds in conformity in all respects with this official Notice of Sale except for the Bid Date and except for the changes announced by Parity or TM3.





**PROPOSED FORM OF  
CONTINUING DISCLOSURE AGREEMENT**

**\$18,705,000  
COUNTY COMMISSIONERS OF WASHINGTON COUNTY  
TAXABLE REFUNDING BONDS OF 2020**

**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 \$18,705,000 Taxable Refunding Bonds of 2020 (the “Bonds”). The Bonds are being issued pursuant to Resolution No. RS-2020-25 adopted on September 15, 2020. 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 system maintained by the MSRB at <https://www.msrb.emma.org> in accordance with the Rule.

“**Official Statement**” shall mean the Official Statement dated September 30, 2020 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 for the most recently completed fiscal year generally consistent with the information contained in the charts or tables 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 ended June 30, 2020. Any of such financial information or operating data required by this subsection (a) may be set forth in the County’s audited financial statements, including in the notes to, or any supplementary or additional information provided with, such audited financial statements. To the extent such financial information or operating data is provided in or with the County’s audited financial statements, including in the notes to, or any supplementary or additional information provided with, such audited financial statements, such provided financial information or operating data may not be in the same format as the applicable charts or tables set forth in the Official Statement and/or may contain details that were not included in the charts or tables referenced above that were included in the Official Statement.

(b) The Issuer shall provide to the MSRB annual audited 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 ended June 30, 2020, 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 ended June 30, 2020), the Issuer will provide unaudited financial statements within said time period.

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

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

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

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

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

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

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

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

- which affect security holders, if material; and
- xvi) default, event of acceleration, termination event, modification of terms, or similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties

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

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

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

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

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

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

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

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

**SECTION 9. Limitation of Remedies.** The Issuer shall be given written notice at the address set forth below of any claimed failure by the Issuer to perform its obligations under this Disclosure Agreement, and the Issuer shall be given 15 days to remedy any such claimed failure. Any suit or other proceeding seeking further redress with regard to any

such claimed failure by the Issuer shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action. Written notice to the Issuer shall be given to the Chief Financial Officer, Washington County Administration Building, Room 3100, 100 W. Washington Street, Hagerstown, MD 21740, or at such alternate address as shall be specified by the Issuer with disclosures made pursuant to Section 3(a) or (b) hereof or a notice of occurrence of a Listed Event.

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

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

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

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

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

Date: \_\_\_\_\_, 2020

(SEAL)

ATTEST:

COUNTY COMMISSIONERS OF  
WASHINGTON COUNTY

\_\_\_\_\_  
Krista L. Hart, County Clerk

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