

## New Issue-Book-Entry Only

In the opinion of Bond Counsel, assuming continuous compliance with certain covenants described herein, under existing law, the interest on the Bonds (a) will be excludable from gross income for federal income tax purposes, (b) is not a specific preference item for purposes of the federal alternative minimum tax, and (c) may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States of America. It is also the opinion of Bond Counsel that, under existing law, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom (including any profit made in the sale thereof) shall be at all times exempt from State of Maryland (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".

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

# \$10,880,000

## WASHINGTON COUNTY, MARYLAND

### (COUNTY COMMISSIONERS OF WASHINGTON COUNTY)

### PUBLIC IMPROVEMENT BONDS OF 2021

Dated:	Date of delivery
Due:	July 1, as shown below
Interest Payable:	January 1 and July 1
First Interest Payment Due:	January 1, 2022
Denomination:	Integral multiples of \$5,000
Form:	Registered, book-entry only through the facilities of The Depository Trust Company ("DTC")
Optional Redemption:	The Bonds maturing on or after July 1, 2032 are redeemable prior to maturity at the option of the County as set forth in "THE BONDS—Redemption—Optional Redemption" herein.
Security:	The Bonds are general obligations of County Commissioners of Washington County (the "County") for the payment of which its full faith and credit and unlimited taxing power are pledged (see "THE BONDS—Sources of Payment" herein).

**\$10,880,000**

### County Commissioners of Washington County

### Public Improvement Bonds of 2021

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

Maturing July 1	Principal Amount	Interest Rate*	Yield*	CUSIP	Maturing July 1	Principal Amount	Interest Rate*	Yield*	CUSIP
2022	\$360,000	5.000%	0.100%	937777DV9	2031	\$ 560,000	5.000%	1.050%	937777EE6
2023	375,000	5.000	0.120	937777DW7	2032	580,000	2.000	1.200 †	937777EF3
2024	395,000	5.000	0.220	937777DX5	2033	590,000	2.000	1.300 †	937777EG1
2025	415,000	5.000	0.350	937777DY3	2034	605,000	2.000	1.400 †	937777EH9
2026	435,000	5.000	0.470	937777DZ0	2035	615,000	2.000	1.500 †	937777EJ5
2027	460,000	5.000	0.610	937777EA4	2036	630,000	2.000	1.600 †	937777EK2
2028	480,000	5.000	0.750	937777EB2	2037	640,000	2.000	1.700 †	937777EL0
2029	505,000	5.000	0.870	937777EC0	2038	655,000	2.000	1.800 †	937777EM8
2030	535,000	5.000	1.000	937777ED8	2039	670,000	2.000	1.900 †	937777EN6

**\$1,375,000 2.00% Term Bonds Due on July 1, 2041 Yield 2.000% CUSIP 937777EQ9**

†Priced at the stated yield to the first optional redemption date of July 1, 2031.

\*The interest rates and yields shown above are those resulting from the successful bid for the Bonds on May 4, 2021 and were furnished by the successful bidder therefor. Other information concerning the terms of the reoffering of the Bonds, if any, should be obtained from the successful bidder for the Bonds and not from the County. (See "MISCELLANEOUS—Sale at Competitive Bidding" herein.)

**Conditions Affecting Issuance:** The Bonds are offered when, as and if issued, subject to, among other conditions, the delivery of the Bonds and an approving legal opinion of Funk & Bolton, P.A., Bond Counsel, with respect thereto and other conditions specified in the official Notice of Sale. Delivery will occur through the facilities of DTC on or about May 18, 2021.

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

Dated: May 4, 2021

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 either of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the County and other sources which are deemed to be reliable, but it is not to be construed as a representation by the County as to information from sources other than the County.

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

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

In connection with this offering, the successful bidder for 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 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  
Randall E. Wagner, Commissioner  
Charles A. Burkett, Jr., Commissioner

**ADMINISTRATION**

John M. Martirano, County Administrator 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**

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

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# I. The Bonds

## Introduction

The purpose of this Official Statement, including the cover page and appendices, is to provide information for prospective purchasers and others regarding County Commissioners of Washington County (the “County”) and its \$10,880,000 Public Improvement Bonds of 2021 (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](mailto:sgreaves@washco-md.net).

## Description of Bonds

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

Interest on the Bonds, calculated on the basis of a 30-day month/360-day year factor, will be payable at the interest rates specified on the cover page of this Official Statement. Interest will be first paid on January 1, 2022, and semiannually thereafter on the first day of July and January of each year until the date of maturity unless a Bond is redeemed prior to that date. Interest payments will be made to the persons who are registered owners of record as of the 15th day of the month next preceding each such interest payment date. The 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, (“DTC”), will act as securities depository for the Bonds and the Bonds will be registered in the name of DTC’s partnership nominee, Cede & Co. (See “THE BONDS— DTC and Book-Entry Only System” herein).

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

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

So long as the Bonds are maintained in book-entry form, transfers of ownership interests in 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 the Bonds (“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 fewer than all of the Bonds within a series 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 the 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

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

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

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

## Authorization

The Bonds are issued pursuant to the authority of Chapter 99 of the Laws of Maryland of 2018 (“Chapter 99”) and Title 6 of the Code of Public Local Laws of Washington County, Maryland (2019 Edition), (the “Water and Sewer Act”), each as amended, as applicable, and in accordance with Resolution No. RS-2021-09 adopted by the Board of County Commissioners of Washington County (the “Board”) on April 20, 2021 (the “Resolution”).

Chapter 99 and the Water and Sewer Act are collectively referred to in this Official Statement as the “Act”. Copies of the Act and the Resolution are available at the office of the Chief Financial Officer of the County (the “CFO”).

## Application of Proceeds

Net proceeds of the Bonds, including a portion of the original issue premium paid by the successful bidder therefor, will be applied to costs of the following projects:

Use	Amount
Infrastructure Projects	\$ 6,026,000
Public Safety Projects	100,000
Public Facility Projects	350,000
Education Projects	5,524,000
Environmental Projects	105,000
	<u>\$ 12,105,000</u>

The underwriter’s discount payable to the successful bidder for the Bonds will also be paid from proceeds of the Bonds. The County expects to pay all other costs of issuance from non-borrowed County funds.

Without notice to or the consent of the holders of the Bonds, the County (i) may reallocate the proceeds of the Bonds to costs of the contemplated projects among such projects in accordance with applicable budgetary procedures or applicable law, or (ii) amend the Resolution to reallocate proceeds of the Bonds to other projects not originally contemplated by the Resolution in accordance with applicable law.

## Redemption

### *Optional Redemption*

The Bonds that mature on or before July 1, 2031 are not subject to redemption at the option of the County prior to their maturities. The Bonds that mature on or after July 1, 2032 are subject to redemption at the option of the County as a whole or in part at any time on or after July 1, 2031, in any order of maturity directed by the County, at a redemption price of the principal amount of the Bonds (or portions thereof) to be redeemed, plus accrued interest on the principal amount being redeemed to the date fixed for redemption, without premium or penalty.

### *Mandatory Sinking Fund Redemption*

The Bonds maturing on July 1, 2041 are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount to be redeemed, together with interest accrued on the principal amount being redeemed to the date fixed for redemption, on the dates and in the principal amounts set forth below:

Redemption Date (July 1)	Principal Amount
2040	\$ 680,000
2041*	695,000

\*Final Maturity



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

Certain of the Bonds are subject to redemption at the option of the County as described above under “--Redemption—Optional Redemption.” If the successful bidder for the Bonds designates term bonds, then the applicable term bonds will be subject to mandatory sinking fund redemption as described above under “Redemption—Mandatory Sinking Fund Redemption.” If fewer than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by the Bond Registrar and Paying Agent in such manner as in its discretion it shall determine; provided that, so long as the Bonds are maintained in book-entry form, the selection of individual ownership interests in the Bonds to be credited with such partial redemption shall be made by DTC (or any successor securities depository) in accordance with DTC’s (or such successor securities depository’s) then existing procedures.

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

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

### **Sources of Payment**

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

### **Bondholders’ Remedies**

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

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

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

## **Tax Matters**

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

In the opinion of Funk & Bolton, P.A., Bond Counsel, under existing law, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom (including any profit made in the sale thereof) shall be at all times exempt from State of Maryland (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.

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

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax under existing statutes, regulations and decisions as enacted and construed on the date of initial delivery of the Bonds, assuming the accuracy of certain certifications of the County and continuing compliance with the requirements of the Internal Revenue Code of 1986, as amended (the “Code”). Interest on the Bonds may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States of America.

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

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

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

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

subsequent thereto, should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes, and with respect to any state or local tax consequences of owning such Bonds.

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

### ***Effects of Future Enforcement, Regulatory or Legislative Actions***

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

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

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

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

## **II. Government and Administration**

### **Location**

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

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

### **Form of Government**

The County is a body politic and corporate, which performs all local governmental functions in Washington County except those performed by the nine incorporated municipalities within Washington County. The executive offices of the County are located at 100 West Washington Street, Hagerstown, Maryland 21740. The County’s 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. As a former realtor, he has approximately 10 years of experience selling residential and commercial property in 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 the 2013 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, is a life-long resident of Washington County and resides in his hometown of Hancock. 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.

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 20 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.

CHARLES A. “CHARLIE” BURKETT, JR., appointed by the Governor on April 2, 2021 to fill a vacant County Commissioners seat and sworn into office on April 6, 2021, was born and raised in Washington County. Mr. Burkett graduated from Clear Spring High School. Mr. Burkett, an entrepreneur, built several successful small businesses in Washington County over the course of 25 years. In 2018, Mr. Burkett sold all three of his businesses to enter full time ministry at his church, and currently works as the Ministry Support Coordinator. He also serves the local community by volunteering for local agencies, such as Meals on Wheels and Mt. Hope Prison Ministry.

***County Treasurer***

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

*Administrative Officials*

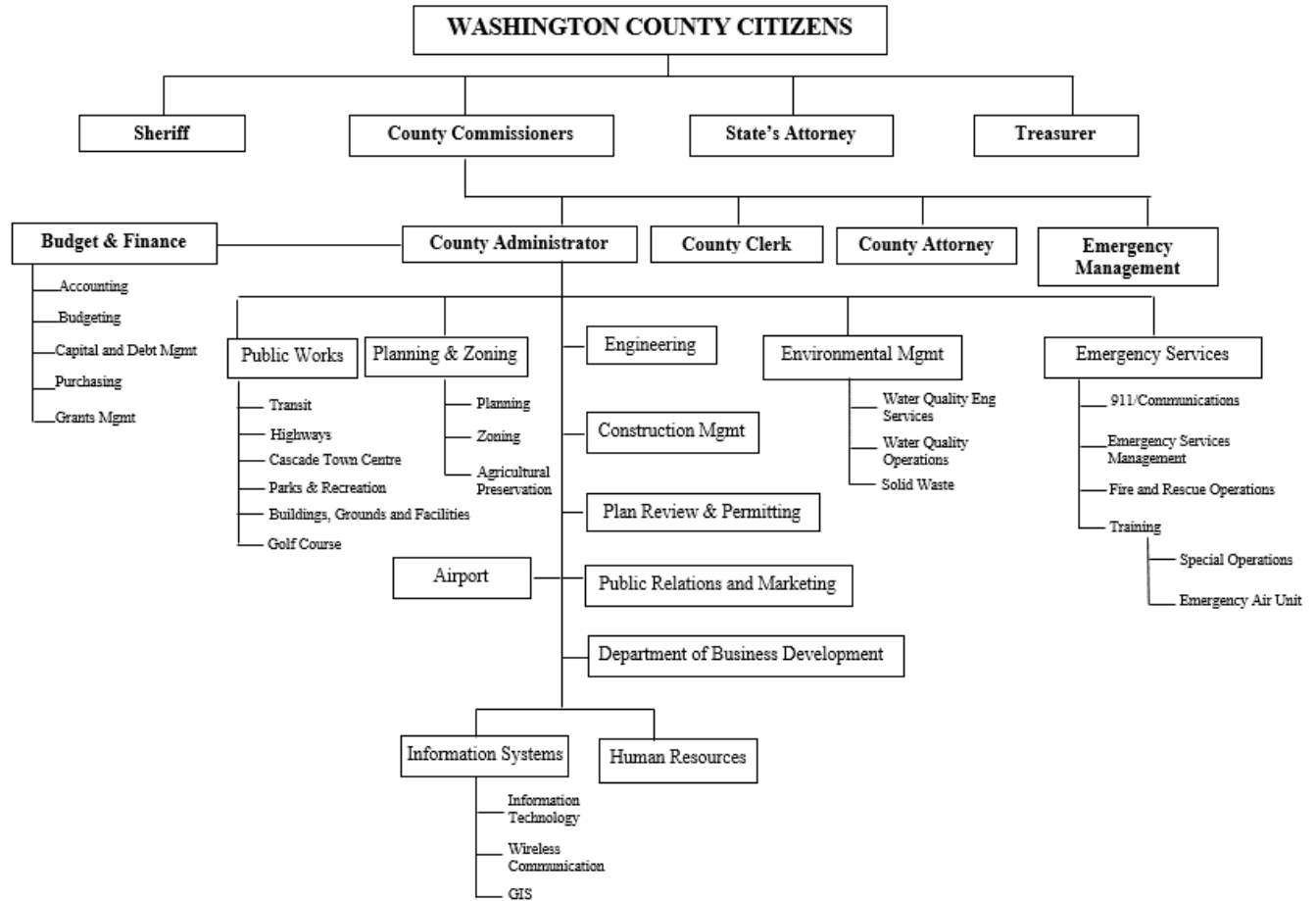
JOHN M. MARTIRANO Esq., County Administrator, was appointed to such position effective December 28, 2020. He has over 19 years prior of experience working as an attorney for Washington County Government. He most recently served as Chief Legal Counsel for Washington County Public Schools, where he has been for the past two years. Mr. Martirano first joined the County in 1999 as Assistant County Attorney. He then went on to become Deputy County Attorney, followed by becoming County Attorney in 2005. Mr. Martirano brings a depth of experience to the County Administrator position, having previously provided legal advice and services to the Board of County Commissioners and County departments, agencies, boards and commissions, affiliated nonprofit agencies and the Washington County Sheriff's Office.

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.

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. degree 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 past member and chair of the Trial Courts Judicial Nominating Commission of Washington County and has been a member of the Hagerstown Rotary since 2002. Mr. Downey is also a member of the American, Maryland, and Washington County Bar Associations, and serves as the treasurer for the Washington County Bar Association.

## Washington County Government Organizational Chart



### County Employment

As of June 30, 2020, the County employed 765 full-time employees and 430 part-time employees, including seasonal positions. The County has a compensation and classification plan, which is complemented by a performance evaluation system. There are 180 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 1,285 participants as of June 30, 2020. The Plan also provides death and disability benefits. The employees and the County fund the guaranteed allowance. Approximately 27% 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 25% 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 has already 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”.

<b>As of July 1</b>	<b>Current Service Costs</b>	<b>Recommended Payment for Unfunded Accrued Liability</b>	<b>Total</b>	<b>Unfunded Accrued Liability</b>
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, 2020 unfunded liability by July 1, 2039.

Please refer to Notes 1 and 11 to the financial statements for fiscal year 2020 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, 2020, 58 retirees were receiving OPEB benefits and 107 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, 2020 is as follows:

**Components of Net OPEB Obligation**

Total OPEB liability	\$ 13,723,498
Net position	<u>\$ (24,654,510)</u>
Net OPEB liability (asset)	\$ (10,931,012)

Source: Bolton Partners, Inc.

Please refer to Note 16 to the financial statements for fiscal year 2020 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 21,939 students (including 797 in pre-kindergarten), in 46 instructional facilities, which include elementary, middle, high and combined schools. The average unrestricted Pre-K-12 per pupil expenditure was \$12,615 for the 2019-20 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 44.00% of the General Fund budget. This appropriation is for operating expenditures. In addition, the County appropriated \$15,944,000 in its capital budget for fiscal year 2021 for Board of Education projects.

Washington County's high school graduation rate for the 2019-2020 is not currently available due to the COVID-19 pandemic. 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.

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## *Hospital and Medical Care*

### **Meritus Health**

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

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

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

### **Washington County Health Department**

The Washington County Health Department, which provides various health services to the citizens of Washington County, is budgeted to receive a total of \$2,339,270 in fiscal year 2021 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 and restaurant 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 108 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 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 enables first responders to communicate in a safe, seamless and compatible way, enhancing their ability to respond to emergencies and save lives. The call center also integrates 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 the Deputy Director - Operations. Working collaboratively with the Washington County Volunteer Fire and Rescue Association (the "WCVFRA"), DES coordinates the services provided by 14 volunteer fire companies and eight volunteer ambulance companies throughout Washington County. All volunteer companies belong to the WCVFRA. The association has approximately 700 volunteers who provide a combination of firefighting, rescue, emergency medical and administrative services to the community. Several volunteer companies have hired career personnel to supplement the volunteer staff during times of low volunteer availability.

Special Operations activities are overseen by the Deputy Director - Operations. 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 the Deputy Director - Operations and includes 13 full-time advanced life support (“ALS”) technicians and five part-time ALS technicians. This team deploys four 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.

#### **Water Supply and Wastewater Facilities**

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

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

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**GOVERNMENT AND ADMINISTRATION**

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.

<b>WATER SYSTEM</b>		
	<b>No. of Services</b>	<b>No. of EDUs</b>
		<b>Residential Annual (Avg) User Rate</b>
Full Service.....	<u>1,345</u>	<u>1,511</u>
		\$701.76

<b>WASTEWATER SYSTEM</b>		
	<b>No. of Services</b>	<b>No. of EDUs</b>
		<b>Residential Annual (Avg) User Rate</b>
Full Service .....	7,382	11,067
Collection Service Only .....	3,894	5,219
Wholesale .....	<u>5</u>	<u>4,966</u>
Total.....	<u>11,281</u>	<u>21,252</u>

Source: Washington County Department of Budget and Finance

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

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

### **III. Economic and Demographic Information**

#### **Department of Business Development**

The Washington County Department of Business Development (the “DBD”) is dedicated to creating and sustaining a positive pro-business climate.

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

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

The DBD was actively involved in Washington County 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 2020-21 (fiscal year 2021), the City of Hagerstown, the Town of Hancock, and the County granted \$86,469, \$329.94, and \$547,686, respectively, in real property tax credits for private capital investment. The State of Maryland is expected to reimburse \$43,234 to the City of Hagerstown, \$164 to the Town of Hancock, and \$273,843 to the County for these credits.



## Business Development

### New and Expanding Businesses

In calendar year 2020, the County experienced new and expanding businesses highlighted by the creation of 719 new jobs and known new investments of approximately \$204 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. Projects expected to be completed in calendar year 2021 and significant projects announced in 2020 and 2021 that are cumulatively expected to provide an additional 2,782 new jobs and an additional \$474.7 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 2020/2021

Company Name	Business Type	Completed/ Expected Completion	Project Cost (1)	#New Jobs <sup>(1)</sup>	Sf/Acreage	Type of Activity
<b>Completed Projects 2020</b>						
Dick's Sporting Goods	Retail	1Q20	\$ 15,000,000	u/k		Relocation/Expansion
SkyZone	Tourism	1Q20	400,000	u/k		Expansion
Thomas, Bennett, Hunter	Construction	1Q20	1,500,000	u/k		Relocation/Expansion
Trammel Crow	Warehouse/Distribution	1Q20	62,500,000	500		New Construction
IKO Industries/Blair Materials	Manufacturing	1Q20	70,000,000	40		New Jobs/Relocation
Da'Vita Foods	Manufacturing	1Q20	1,200,000	20		Expansion/New Jobs
First United Bank (Edgewood Dr.)	Finance	1Q20	300,000	u/k		Renovation/Expansion
Pinnacle Foods	Manufacturing	1Q20	35,000,000	100		New Jobs/Expansion
Antraquip	Manufacturing	2Q20	2,250,000	15		New Jobs/Expansion
Cushwa Brewery	Expansion	2Q20	1,200,000	16		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	4Q20	900,000	5		Renovation/Expansion
Elmwood Farm Distillery	Tourism	4Q20	1,000,000	8		Renovation/Expansion
		<i>Sub-totals</i>	<u>204,050,000</u>	<u>719</u>		
<b>Projects to be Completed 2021</b>						
North Point Development (ph 1)	Warehouse/Distribution	4Q20		n/a		New Construction
North Point Development (ph 2)	Warehouse/Distribution	4Q21	250,000,000	1,500		New Construction
Volvo VPL	R&D	1Q21	33,000,000	12		New Jobs/Expansion
Stoney Creek Farm & Event Center	Expansion	2Q21	9,500,000	20		Expansion
National Park Service (C&O Canal)	Tourism	3Q21	26,650,000	75		New Jobs/Relocation/Construction
		<i>Sub-totals</i>	<u>319,150,000</u>	<u>1,607</u>		
<b>Projects Announced in 2020/2021</b>						
Resolute Tissue	Manufacturing	2Q21	10,000,000	50		Relocation/Expansion
AC&T, Inc.	Travel Center	3Q21	4,000,000	n/a		Renovation/Equipment
PennTex Ventures	Developer	4Q21	1,582,756	n/a		New Construction
Penzance	Warehouse/Distribution	4Q21	60,000,000	500		New Construction
Project Oak at Cascades Building	Agricultural/Manufacturing	4Q21	10,000,000	125		Renovation/NewJobs
Tractor Supply Company	Warehouse/Distribution	4Q21	20,000,000	n/a		Renovation/Expansion
Creekside Logistics	Warehouse/Distribution	1Q22	50,000,000	500		New Construction
		<i>Sub-totals</i>	<u>155,582,756</u>	<u>1,175</u>		
<b>Totals for Projects 2020/2021:</b>			<u><b>\$678,782,756</b></u>	<u><b>3,501</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
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 (0.004) of the construction cost of the new improvement as determined by the DBD and will apply for three consecutive years.

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

On February 7, 2012, the Board established the High Performance Tax Credit Program. Under the program, property tax credits are available for buildings that receive silver, gold, or platinum certification in the national LEED (Leadership in Energy and Environmental Design) ranking system. The amount of the credit 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 support investments in small businesses and real estate within the Opportunity Zones in order to improve communities and the quality of life for residents.

## Foreign Trade Zone

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

## Utilities, Transportation and Communication

### *Utilities*

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

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

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

### *Transportation*

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

**Air:** Hagerstown Regional Airport (HGR) is a Part 139 Facility which provides 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 \$60,680 for calendar year 2019. 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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Washington County	\$60,680	\$59,719	\$56,316	\$56,228	\$56,477
State of Maryland	86,738	81,868	76,067	74,551	74,149
United States	65,712	60,293	55,322	53,889	53,482

Source: MD BriefEconomic Facts for 2014-2018; United States Census Bureau QuickFacts; United States Census 2019 Map Survey Project

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 BriefEconomic Facts based on U.S. Bureau of the Census released in 2018

## Area Labor Supply

Washington County has an available civilian labor force of approximately 70,588. 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 423,222.

## 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 December 2020.

<b>Employer</b>	<b>Employment</b>
Washington County Public Schools .....	3,286
Meritus Health.....	2,740
First Data.....	2,185
State of Maryland .....	2,030
Volvo Group.....	1,543
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 4.9% between 2016 and 2020. The following table indicates the County's average unemployment rate as compared with the State of Maryland for the five most recent calendar years.

### Unemployment Rate – Annual Average

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Washington County	6.8%	3.8%	4.5%	4.4%	5.1%
State of Maryland	6.8%	3.6%	4.2%	4.1%	4.4%

Source: Maryland Department of Labor, Licensing and Regulation

## Construction Activity

Construction activity during the years 2016-2020 in Washington County is provided below:

Year Ended Dec. 31	Building Permits (Value in Thousands)					
	Residential New		Other Permits		Total	
	Number	Value	Number	Value	Number	Value
2020	182	\$46,990	967	\$216,220	1,149	\$263,210
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

Source: Washington County Department of Permits and Inspections

## Housing Starts

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

Year Ended December 31	Single Family (One and Two-Unit Structures)
2020	171
2019	193
2018	234
2017	189
2016	159

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, 2017, there were 12, 24-unit multi-family buildings constructed. During the years ended December 31, 2018, 2019 and 2020 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.



## 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 2020 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 2020 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 16 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 2020, budgeted revenues and expenditures for fiscal year 2021, and the proposed budget for fiscal year 2022.

County Commissioners of Washington County Budget Comparison General Fund Fiscal Years 2020, 2021 and 2022				
	Fiscal Year 2020		Fiscal Year 2021	Fiscal Year 2022
	Final Budget	Actual Amounts	Original Budget <sup>(1)</sup>	Proposed Budget
<b>REVENUES</b>				
Property Tax				
Real Property Tax.....	\$ 115,862,420	\$ 115,913,252	\$ 119,464,580	\$ 121,331,450
Personal Property Tax.....	14,057,110	15,163,596	14,057,110	14,510,190
Property Tax Interest Income.....	395,000	360,379	395,000	395,000
Other Property Tax.....	635,100	720,952	745,330	966,870
State Administrative Fees.....	(580,000)	(555,400)	(620,000)	(520,000)
Property Tax Discounts, Credits, and Fees.....	(1,672,000)	(1,772,120)	(1,828,950)	(2,512,270)
Total Property Taxes.....	\$ 128,697,630	\$ 129,830,659	\$ 132,213,070	\$ 134,171,240
Other Local Taxes				
Income Tax.....	\$ 87,950,000	\$ 92,154,973	\$ 88,483,080	\$ 100,360,500
Admissions and Amusement Tax.....	255,000	263,095	210,000	150,000
Recordation Tax.....	6,500,000	7,417,514	6,000,000	6,500,000
Trailer Tax.....	550,000	586,128	250,000	100,000
Total Other Local Taxes.....	\$ 95,255,000	\$ 100,421,710	\$ 94,943,080	\$ 107,110,500
Other Revenues				
Licenses and Permits.....	\$ 1,276,000	\$ 1,162,809	\$ 1,161,950	\$ 1,158,950
Court Costs and Fines.....	2,734,160	1,730,441	1,651,000	1,334,000
Charges for Services.....	1,462,900	1,136,780	1,519,190	1,487,910
Interest Income.....	1,200,000	2,297,095	500,000	500,000
Reimbursed Expenses.....	1,400,660	926,532	977,540	921,550
Miscellaneous Revenues.....	478,881	585,232	307,750	337,750
Grant and Shared Revenues.....	20,418,167	7,710,163	2,623,000	5,341,030
Highway Revenues.....	2,489,910	2,102,220	2,409,730	2,338,500
Total Other Revenues.....	\$ 31,460,678	\$ 17,651,272	\$ 11,150,160	\$ 13,419,690
TOTAL REVENUES.....	\$ 255,413,308	\$ 247,903,641	\$ 238,306,310	\$ 254,701,430
<b>EXPENDITURES</b>				
General Government.....	\$ 30,597,677	\$ 28,065,053	\$ 27,349,580	\$ 30,159,945
Public Safety.....	68,958,471	55,712,216	55,152,330	60,617,520
Health.....	2,339,270	2,339,270	2,339,270	2,339,270
Social Services.....	435,560	435,560	435,560	446,010
Education.....	110,550,900	110,550,900	113,243,390	113,243,400
Parks, Recreation, and Culture.....	6,391,870	6,137,679	7,509,460	6,545,560
Conservation of Natural Resources.....	764,120	708,546	861,430	873,820
Highway.....	11,028,160	9,744,052	11,736,350	11,876,800
General Operations.....	490,750	411,756	518,180	2,814,265
Unallocated Employee Insurance and Benefits.....	1,268,260	(1,985,044)	125,000	502,370
Intergovernmental.....	7,667,400	10,429,722	3,224,990	10,009,680
Debt Service.....	14,920,870	14,877,978	15,810,770	15,272,790
TOTAL EXPENDITURES.....	\$ 255,413,308	\$ 237,427,688	\$ 238,306,310	\$ 254,701,430
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ 10,475,953</u>	<u>\$ -</u>	<u>\$ -</u>

Source: Washington County Department of Budget and Finance

(1) Budget revisions are possible until the close of the year on June 30, 2021. Amendments to date to the fiscal year 2021 budget since its adoption have not been material, except for an adjustment to the income tax budget of \$10M.

The following table displays the County's General Fund revenues and expenditures on a GAAP basis with additional ratios for fiscal years 2016 through 2020.

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

	<b>Year Ended June 30</b>				
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Revenues:</b>					
Taxes, interest and penalties .....	\$ 230,252,369	\$ 222,040,259	\$ 210,500,448	\$ 208,934,726	\$ 204,569,492
Shared taxes and grants .....	7,710,163	4,875,585	3,267,236	4,431,597	6,349,348
Licenses and permits .....	1,162,809	1,283,820	1,417,875	1,189,019	1,316,242
Revenues from use of money and property .....	2,297,095	3,262,373	2,390,598	1,327,838	1,074,126
Charges for services .....	1,136,780	1,365,493	1,328,177	448,532	477,971
Other revenue .....	3,242,205	4,250,017	3,050,871	2,410,607	1,757,855
Highway revenue .....	2,102,220	2,253,157	1,645,244	1,378,314	1,720,771
Total revenues .....	<u>\$ 247,903,641</u>	<u>\$ 239,330,704</u>	<u>\$ 223,600,449</u>	<u>\$ 220,120,633</u>	<u>\$ 217,265,805</u>
<b>Expenditures:</b>					
General government .....	\$ 28,065,053	\$ 27,349,583	\$ 26,733,212	\$ 26,764,285	\$ 25,392,800
Public safety .....	55,712,216	47,201,336	44,190,232	42,703,200	41,898,282
Health .....	2,339,270	2,339,270	2,339,270	2,339,270	2,339,270
Social services .....	435,560	435,560	424,390	373,390	454,165
Education .....	110,550,900	108,566,050	106,796,410	104,387,080	104,109,040
Recreation and culture .....	6,137,679	7,366,504	5,988,897	5,794,949	5,586,517
Conservation of natural resources .....	708,546	721,153	707,995	753,063	669,041
Intergovernmental .....	38,543	38,543	38,543	38,543	38,543
General operations .....	(1,573,288)	5,869,521	786,862	1,092,721	2,337,705
Highway .....	9,744,052	10,492,140	10,446,328	10,243,937	9,821,132
Debt service:					
Principal .....	9,982,975	9,316,119	10,033,918	9,005,341	9,748,588
Interest .....	4,895,003	4,822,891	4,711,877	5,683,469	4,070,313
Total Expenditures .....	<u>\$ 227,036,509</u>	<u>\$ 224,518,670</u>	<u>\$ 213,197,934</u>	<u>\$ 209,179,248</u>	<u>\$ 206,465,396</u>
Excess of revenues over expenditures .....	<u>\$ 20,867,132</u>	<u>\$ 14,812,034</u>	<u>\$ 10,402,515</u>	<u>\$ 10,941,385</u>	<u>\$ 10,800,409</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 .....	7,153,773	-	-	-	7,078,184
Deposit to escrow fund for advance refunding and repayment of loans .....	(7,152,222)	-	-	-	(7,075,279)
Operating transfers in .....	-	-	90,000	22,000	-
Operating transfers out .....	(10,391,179)	(11,112,760)	(9,326,453)	(11,429,045)	(9,388,519)
Total other financing sources(uses) .....	<u>\$ (10,389,628)</u>	<u>\$ (11,061,991)</u>	<u>\$ (8,969,033)</u>	<u>\$ (10,370,363)</u>	<u>\$ (9,385,614)</u>
Excess of revenues and other sources over expenditures and other uses .....	<u>\$ 10,477,504</u>	<u>\$ 3,750,043</u>	<u>\$ 1,433,482</u>	<u>\$ 571,022</u>	<u>\$ 1,414,795</u>
Fund balances at beginning of year .....	45,496,695	41,746,652	40,313,170	39,742,148	38,327,353
Fund balance at end of year .....	<u>\$ 55,974,199</u>	<u>\$ 45,496,695</u>	<u>\$ 41,746,652</u>	<u>\$ 40,313,170</u>	<u>\$ 39,742,148</u>
<b>Fund Balance:</b>					
As a percent of revenue .....	22.6%	19.0%	18.7%	18.3%	18.3%
As a percent of expenditures .....	24.7%	20.3%	19.6%	19.3%	19.2%
<b>Committed, Assigned and Unassigned Fund Balance:</b>	<u>\$ 53,617,833</u>	<u>\$ 43,231,991</u>	<u>\$ 39,571,925</u>	<u>\$ 38,279,884</u>	<u>\$ 38,122,456</u>
As a percent of revenue .....	21.6%	18.1%	17.7%	17.4%	17.5%
As a percent of expenditures .....	23.6%	19.3%	18.6%	18.3%	18.5%
<b>Debt Service:</b>	<u>\$ 14,877,978</u>	<u>\$ 14,139,010</u>	<u>\$ 14,745,795</u>	<u>\$ 14,688,810</u>	<u>\$ 13,818,901</u>
As a percent of revenue .....	6.0%	5.9%	6.6%	6.7%	6.4%
As a percent of expenditures .....	6.6%	6.3%	6.9%	7.0%	6.7%

Source: Washington County Department of Budget and Finance

## Anticipated Results for Fiscal Year 2021

Fiscal year 2021 will not end until June 30, 2021. However, the County anticipates ending the fiscal year with a surplus. Expenditures are in line with the budget, while revenues are trending above budget. The original fiscal year 2021 budget was developed in a conservative manner that reflected the potential impact of 20% unemployment because of the COVID-19 pandemic. Fortunately, while Washington County's unemployment rate reached a high of 11.4% in April 2020, unemployment levels consistently trended downward thereafter to 5.5% in December 2020. Income tax revenues through March 31, 2021 have been greater than anticipated as a result of lower unemployment than projected and the distribution of higher unemployment benefits to taxpayers due to stimulus actions; and a substantial increase in estimated payments from pass through entities (PTE's). A mid-year income tax adjustment was made to increase budgeted income tax revenues by \$10 million. This adjustment provided one time pay-go funding for many capital projects.

In addition to the \$10 million adjustment, February's income tax distribution exceeded budget by \$9.2 million. Legislation enacted at the 2020 session of the Maryland General Assembly created an entity level tax for PTEs in Maryland. Prior to this legislation, PTEs contributed estimated payments on behalf of their non-resident owners. Now, PTEs may pay on behalf of their resident owners as well. There was a surge in payments to the State in the last quarter of 2020, a result of PTEs taking advantage of federal tax breaks due to the enacted legislation. This result indicates that counties may start receiving a bulk payment for taxes relative to these owners rather than in quarterly installments. While this may appear on the surface to be revenue neutral in the long run and really just a timing issue of tax payments, Washington County has some concerns regarding overdistribution. Income tax is distributed based on a preset allocation determined by the State. Since PTE revenue is concentrated in mostly upper income brackets, the County is concerned that it may have been provided too much revenue in February 2021 based on the distribution allocation. If this is the case, reconciling distributions will be affected in future quarters. The State has confirmed that February's large distribution is not indicative of more recent income tax receipts and was skewed because of the change in timing of payments from PTEs.

The additional stimulus that was awarded to those on unemployment also contributed to the County's strong income tax revenue figures. However, due to the Governor's Relief Act of 2021, signed on February 15, 2021, unemployment benefits are no longer taxable. The estimated amount of overpayment from the State for Washington County is \$3.9 million for fiscal year 2021. This will likely impact the County's reconciling distributions that will be received by the County in June, August, and September of calendar year 2021. This reduction is anticipated to be offset by less unemployment and higher income tax than originally budgeted.

In addition to income tax receipts, recordation tax receipts are expected to exceed budgeted amounts by approximately \$2 million due to several large commercial sales.

As of late April 2021, the County anticipates ending fiscal year with over \$11 million in surplus.

See "MISCELLANEOUS—Potential Impact of COVID-19 Pandemic on the County" herein.

## Sources of Tax Revenue

Ad valorem property taxes, the County's largest source of tax revenues, were 57% of total tax revenues fiscal year 2019 and 56% in fiscal year 2020. During the same period, income tax revenues as a percentage of total tax revenues were 37% in fiscal year 2019 and 40% in fiscal year 2020. The following table presents the County's tax revenues by source for each of the last five fiscal years.

**Tax Revenues by Source**

<b>Fiscal Year Ended June 30</b>	<b>Total Taxes</b>	<b>Local Property Taxes<sup>(1)</sup></b>	<b>Local Income Taxes</b>	<b>Other Local Taxes<sup>(2)</sup></b>
2020	\$230,252,369	\$129,830,659	\$92,154,973	\$8,266,737
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

Source: Washington County Department of Budget and Finance

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

(2) Includes trailer tax, recordation taxes, admission and amusement taxes.

### ***Local Property Taxes***

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

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

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

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

The State also provides a tax credit based on the ability of homeowners to pay property taxes. The credit is calculated by use of a scale, which indicates a maximum tax liability for various income levels. The tax credit processed for local property taxes for Washington County for fiscal year 2020 was \$1,416,157 and the tax credit processed as of March 05, 2021 for fiscal year 2021 is \$1,346,560.

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 \$2,340,264,115 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)**

	2020	2019	2018	2017	2016
Real property.....	\$12,835,761	\$12,486,754	\$12,217,613	\$12,047,907	\$11,889,530
Personal property:					
Railroads and public utilities.....	202,050	196,942	188,380	180,988	172,128
Business corporations.....	380,000	420,000	416,848	416,031	405,500
Total property	<u>\$13,417,811</u>	<u>\$13,103,696</u>	<u>\$12,822,841</u>	<u>\$12,644,926</u>	<u>\$12,467,158</u>
Change in market value of property	2.4%	2.2%	1.4%	1.4%	0.90%
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 2021.

### Tax Collection

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

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

Fiscal Year Ending June 30	Taxes Levied	Taxes Collected in Year of Levy		Total Taxes Collected (Current and Delinquent)		Taxes Receivable	Taxes Receivable as a Percentage of Total Taxes Collected
		Amount	Percent	Amount	Percent		
2020	\$ 133,303,884	\$131,433,814	98.60	\$ 131,076,848	98.33	\$2,151,651	1.64
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

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.....	\$ 108,240,570	
Outlet Village of Hagerstown.....	\$ 103,673,167	
Potomac Edison.....	\$ 99,176,340	
Bowman Group.....	\$ 92,326,967	
Fedex Ground Package System.....	\$ 75,431,870	
Liberty Property Management.....	\$ 72,149,800	
Walmart Stores/Wal-Mart R.E. Sam's East.....	\$ 51,280,934	
2007 East Greencastle Pike.....	\$ 50,221,900	
LCN STP Hagerstown Multi, LLC.....	\$ 50,058,630	
Ghattas Enterprise Maudgans Ave.....	\$ 48,637,333	
Sub-total	\$ 751,197,511	5.86%
Western Hagerstown (Ind. & Dist).....	\$ 44,880,100	
CR Hagerstown LLC.....	\$ 42,037,967	
254 Hagerstown/Citigroup/Citicorp.....	\$ 40,389,800	
Mack Truck Inc/Volvo Group.....	\$ 36,473,210	
Norfolk Southern Combined Rail.....	\$ 35,312,140	
Cortpark II LLC.....	\$ 33,516,367	
Lowes.....	\$ 32,246,480	
Verizon.....	\$ 32,204,390	
GPT Hagerstown Owner LLC.....	\$ 32,203,400	
GP Hagerstown Limited PtsHp.....	\$ 30,104,000	
Total	\$ 1,110,565,365	8.66%

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.

**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, 2020 were \$7,417,514. 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, 2020 were \$9,429,546.

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

Pursuant to State law, the State pays certain costs in excess of available federal funds 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, 2020, an aggregate of \$10,972,985 in federal and State funds was received by all County departments for use in operations. The largest single categorical source was a federal grant for \$4,196,534, which was a portion of a CARES Act grant. The County also received a total of \$8,724,217 in federal and State funds for capital projects in the fiscal year ended June 30, 2020. The County projects that \$18,931,117 in federal and State funds will be received in fiscal year 2021 for operations and \$11,528,940 in federal and State funds will be received for capital projects.

During the fiscal year ended June 30, 2020, the Board of Education received \$195,072,650 in State funds and \$24,088.264 in federal funds for operating and food service expenses. In fiscal year 2021, the Board of Education anticipates receiving \$198,279,920 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.

### County Commissioners of Washington County

#### Balance Sheet General Fund

As of June 30

	2020	2019	2018	2017	2016
<b>ASSETS</b>					
Cash and short-term investments .....	\$ 1,104,925	\$ 618,872	\$ 415,192	\$ 627,517	\$ 162,083
Investment in U.S. Government					
Agency Securities .....	80,085,369	97,052,684	99,211,242	101,443,510	91,452,894
Property taxes receivable (net) .....	1,832,574	498,411	651,241	348,751	357,582
Accounts receivable .....	2,138,048	1,139,143	862,246	422,410	503,433
Due from other governments .....	36,708,502	27,515,971	21,428,932	16,752,299	16,757,732
Inventories .....	875,346	776,816	730,400	763,099	790,714
Other assets .....	1,438,055	1,921,103	1,754,650	1,421,211	962,586
Total assets .....	<u>\$ 124,182,819</u>	<u>\$ 129,523,000</u>	<u>\$ 125,053,903</u>	<u>\$ 121,778,797</u>	<u>\$ 110,987,024</u>
<b>LIABILITIES</b>					
Accounts payable .....	\$ 3,853,942	\$ 1,442,745	\$ 1,791,101	\$ 1,366,313	\$ 2,514,765
Accrued expenses .....	2,024,401	1,743,490	1,907,822	4,563,855	1,404,296
Liabilities on unpaid claims .....	1,481,126	2,211,941	2,030,677	1,523,730	1,892,223
Due to other funds .....	24,908,614	58,845,269	62,263,607	63,884,634	55,483,023
Unearned revenue .....	9,556,542	533,242	604,215	382,729	346,841
Other liabilities .....	1,941,643	1,866,760	2,042,323	2,219,462	1,350,527
Total liabilities .....	<u>\$ 43,766,268</u>	<u>\$ 66,643,447</u>	<u>\$ 70,639,745</u>	<u>\$ 73,940,723</u>	<u>\$ 62,991,675</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenues .....	<u>\$ 24,442,355</u>	<u>\$ 17,382,858</u>	<u>\$ 12,667,506</u>	<u>\$ 7,524,904</u>	<u>\$ 8,253,201</u>
<b>FUND EQUITY</b>					
Nonspendable .....	\$ 1,447,900	\$ 1,409,371	\$ 1,353,130	\$ 1,455,417	\$ 1,090,714
Restricted .....	908,466	855,333	821,597	577,869	528,978
Committed .....	53,532,582	43,212,749	39,554,672	38,263,353	38,104,831
Assigned .....	25,250	19,242	17,253	16,531	17,625
Unassigned .....	60,001	-	-	-	-
Total fund equity .....	<u>\$ 55,974,199</u>	<u>\$ 45,496,695</u>	<u>\$ 41,746,652</u>	<u>\$ 40,313,170</u>	<u>\$ 39,742,148</u>
Total liabilities and fund equity .....	<u>\$ 124,182,822</u>	<u>\$ 129,523,000</u>	<u>\$ 125,053,903</u>	<u>\$ 121,778,797</u>	<u>\$ 110,987,024</u>

Source: Washington County Department of Budget and Finance

## 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 2021.

<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>
2020	\$ 247,903,641	\$ 55,974,199	22.58%	21.08%
2019	239,330,704	45,496,695	19.01	17.58
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

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 in an amount up to \$70,000,000 pursuant to the authority of Chapter 99. The original aggregate principal amount of bonds issued pursuant to Chapter 99 at June 30, 2020 was \$9,574,278. The unused authorization available under Chapter 99 prior to the issuance of the Bonds 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, 2020, exclusive of certain water and sewer bonds (see “Water and Sewer Bonds” herein). Outstanding principal amounts have not been adjusted for discounts or premiums.

## DEBT AND CAPITAL REQUIREMENTS

### Statement of General Obligation Bonded Debt Issued and Outstanding\* As of June 30, 2020

	Date of Issue	Amount Issued	Amount Outstanding			
			General Fund	Solid Waste Fund	Airport Fund	Total
Public Improvement Series A Bonds (13).....	May 2010	\$ 6,992,993 <sup>(1)</sup>	\$ 564,090	\$ 223,289	-	\$ 787,379
Public Improvement Refunding Bonds.....	May 2010	13,790,000	1,734,536	410,464	-	2,145,000
Public Improvement Bonds.....	May 2011	14,170,000	7,387,512	2,172,488	-	9,560,000
Public Improvement Bonds.....	May 2012	12,068,100 <sup>(2)</sup>	8,702,075	-	-	8,702,075
Refunding Bonds.....	May 2012	7,740,000	1,828,700	5,640	375,660	2,210,000
Public Improvement Bonds.....	May 2013	12,000,000	9,125,000	-	-	9,125,000
Refunding Bonds.....	May 2013	12,540,000	7,789,232	105,768	-	7,895,000
Public Improvement Bonds.....	May 2014	14,000,000	11,475,000	-	-	11,475,000
Public Improvement Bonds.....	May 2015	12,000,000 <sup>(3)</sup>	10,304,010	-	-	10,304,010
Refunding Bonds.....	May 2015	25,573,470 <sup>(4)</sup>	15,886,092	1,340,851	-	17,226,943
Public Improvement Bonds.....	May 2016	12,103,000 <sup>(5)</sup>	10,708,990	91,919	-	10,800,909
Refunding Bonds.....	May 2016	7,317,990 <sup>(6)</sup>	6,217,650	895,235	-	7,112,885
Public Improvement Bonds.....	May 2017	13,142,000 <sup>(7)</sup>	11,211,901	1,066,999	-	12,278,900
Public Improvement Bonds.....	May 2018	12,852,000 <sup>(8)</sup>	11,623,058	825,237	-	12,448,295
Public Improvement Bonds.....	May 2019	12,255,000 <sup>(9)</sup>	12,000,000	255,000	-	12,255,000
Public Improvement Bonds.....	June 2020	9,060,000 <sup>(10)</sup>	9,032,740	27,260	-	9,060,000
Refunding Bonds (14).....	June 2020	8,033,930 <sup>(11)</sup>	5,755,630	2,278,300	-	8,033,930
MWQFA (12) Financing Cell 3.....	Nov 2004	2,498,427	-	671,413	-	671,413
MWQFA (12) Solid Waste Refinancing.....	Feb 2005	7,248,761	524,045	1,439,716	-	1,963,761
MWQFA (12) Resh Road Cap Phase I.....	Dec 2006	5,000,000	1,952,527	-	-	1,952,527
		<u>\$ 220,385,671</u>	<u>\$ 143,822,788</u>	<u>\$ 11,809,579</u>	<u>\$ 375,660</u>	<u>\$ 156,008,027</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 \$17,765,000.

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

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

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

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

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

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

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

(10) Total issue amount for all County funds was \$14,150,000.

(11) Total issue amount for all County funds was \$ 9,030,000.

(12) Maryland Water Quality Financing Administration.

(13) The Public Improvement Series A Bonds issued in May 2010 were retired at maturity on July 1, 2020.

(14) Proceeds of the Refunding Bonds issued in June 2020 were applied to currently refund the County's then outstanding Public Improvement Bonds, Taxable Build America Bonds (Direct Payment) Series 2010B, which were redeemed in whole on July 23, 2020.

## 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.

## DEBT AND CAPITAL REQUIREMENTS

The following table sets forth the amount of the County's water and sewer debt issued and outstanding as of June 30, 2020. Outstanding amounts have not been adjusted for discounts or premiums. Debt subject to the Water and Sewer Act is referred to as "Water and Sewer" debt herein.

### Statement of Water and Sewer Bonded Debt Issued and Outstanding As of June 30, 2020

	Date of Issue	Issued	Outstanding
Public Improvement Series A Bonds.....	May 2010	\$ 867,007 <sup>(1)</sup>	\$ 97,621
Public Improvement Bonds.....	May 2012	5,696,900 <sup>(2)</sup>	4,107,925
Public Improvement Bonds.....	May 2015	3,460,000 <sup>(3)</sup>	2,970,990
Refunding Bonds.....	May 2015	821,530 <sup>(4)</sup>	708,057
Public Improvement Bonds.....	May 2016	8,532,000 <sup>(5)</sup>	7,614,092
Refunding Bonds.....	May 2016	2,137,010 <sup>(6)</sup>	2,077,115
Public Improvement Bonds.....	May 2017	638,000 <sup>(7)</sup>	596,099
Public Improvement Bonds.....	May 2018	1,633,000 <sup>(8)</sup>	1,581,705
Public Improvement Bonds.....	May 2019	1,055,000 <sup>(9)</sup>	1,055,000
Public Improvement Bonds.....	June 2020	5,090,000 <sup>(10)</sup>	5,090,000
Refunding Bonds.....	June 2020	996,070 <sup>(11)</sup>	996,070
MWQFA <sup>(12)</sup> Loan .....	Mar 2000	3,620,697	209,238
MWQFA <sup>(12)</sup> Loan .....	May 2004	8,091,063	1,366,063
MWQFA <sup>(12)</sup> Loan .....	Oct 2006	560,000	208,795
MWQFA <sup>(12)</sup> Loan .....	May 2015	2,553,000	2,074,419
MWQFA <sup>(12 &amp; 13)</sup> Loan .....	Feb 2018	1,849,660	1,719,481
		<u>\$ 47,600,937</u>	<u>\$ 32,472,670</u>

Source: Washington County Department of Budget and Finance

(1) Total issue amount for all County funds was \$ 7,860,000. This issue was retired at maturity on July 1, 2020.

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

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

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

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

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

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

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

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

(10) Total issue amount for all County funds was \$14,150,000.

(11) Total issue amount for all County funds was \$ 9,030,000.

(12) Maryland Water Quality Financing Administration.

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

### Water and Sewer Bonded Debt Schedule of Legal Debt Margin As of June 30, 2020

Assessed Value of Property in Washington County	\$ 13,670,826,000
Debt Limit: % of Assessed Value	10%
Water and Sewer Borrowing Limitation	1,367,082,600
Water and Sewer Debt	32,472,670
Debt Margin	1,334,609,930
Ratio of Water and Sewer Debt to Assessed Value	0.24%

Source: Washington County Department of Budget and Finance

## **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, 2020 was \$384,783. 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, 2022 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 \$77,314,543 as of June 30, 2020. 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, 2020**

Towns	Amount
Boonsboro.....	\$ 6,068,203
Clear Spring.....	488,152
Funkstown.....	1,260,021
Hagerstown.....	61,980,642
Hancock.....	1,269,526
Keedysville.....	1,712,579
Smithsburg.....	1,581,558
Williamsport.....	2,953,862
Total	<u>\$ 77,314,543</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, 2020, 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, 2020**

Direct Debt - Tax-Supported:	
General Government Debt (1).....	\$ 143,822,788
Direct Debt - Self-Supported:	
Solid Waste .....	11,809,579
Water and Sewer .....	32,472,670
Airport .....	375,660
Total Direct Debt.....	188,480,697
Underlying Debt.....	<u>77,314,543</u>
Overall Bonded Debt.....	<u>\$ 265,795,240</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, 2020**

Per Capita (Estimated Population 151,049):

Direct Tax-Supported Debt (1).....	\$	952
Overall Bonded Debt.....	\$	1,760

Percentage of Assessed Value of \$13,670,826,000:

Direct Tax-Supported Debt (1).....	1.05%
Overall Bonded Debt.....	1.94%

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 Ended June 30</b>	<b>Direct Tax-Supported Debt (000)</b>	<b>Estimated Population</b>	<b>Assessed Value (000)</b>	<b>Per Capita</b>	<b>Direct Tax-Supported Debt as a Percentage of Assessed Value</b>
2020	\$143,823	151,049	\$13,670,826	\$952	1.05
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

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 Bonds, and the rapidity of repayment for the County's direct tax-supported debt.

# DEBT AND CAPITAL REQUIREMENTS

## Washington County Schedule of Debt Service Requirements on Long-term Obligations\* As of June 30, 2020

Year Ending June 30	Tax-Supported Debt Service			Self-Supporting Debt Service <sup>(1)</sup>			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	1,231,363	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	1,128,792	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	1,018,416	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	918,441	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	818,828	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	731,759	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	645,381	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	560,388	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	476,698	2,709,876	9,436,157	2,143,806	11,579,963
2031	7,481,493	1,395,962	8,877,455	2,311,201	398,772	2,709,973	9,792,694	1,794,734	11,587,428
2032	7,012,545	1,141,608	8,154,153	1,966,702	329,239	2,295,941	8,979,247	1,470,847	10,450,094
2033	6,486,461	916,609	7,403,070	1,799,350	272,281	2,071,631	8,285,811	1,188,890	9,474,701
2034	5,881,008	715,191	6,596,199	1,461,377	225,649	1,687,026	7,342,385	940,840	8,283,225
2035	5,277,190	535,426	5,812,616	1,506,781	185,089	1,691,870	6,783,971	720,515	7,504,486
2036	4,429,004	380,204	4,809,208	1,551,569	142,906	1,694,475	5,980,573	523,110	6,503,683
2037	3,693,494	256,625	3,950,119	1,205,045	104,227	1,309,272	4,898,539	360,852	5,259,391
2038	2,989,067	157,917	3,146,984	639,987	79,328	719,315	3,629,054	237,245	3,866,299
2039	2,237,284	81,383	2,318,667	457,716	64,602	522,318	2,695,000	145,985	2,840,985
2040	1,438,309	30,300	1,468,609	291,695	54,977	346,672	1,730,004	85,277	1,815,281
2041	578,256	5,782	584,038	201,744	49,568	251,312	780,000	55,350	835,350
2042	-	-	-	200,000	45,425	245,425	200,000	45,425	245,425
2043	-	-	-	205,000	40,994	245,994	205,000	40,994	245,994
2044	-	-	-	210,000	36,325	246,325	210,000	36,325	246,325
2045	-	-	-	215,000	31,544	246,544	215,000	31,544	246,544
2046	-	-	-	220,000	26,375	246,375	220,000	26,375	246,375
2047	-	-	-	225,000	20,813	245,813	225,000	20,813	245,813
2048	-	-	-	235,000	15,063	250,063	235,000	15,063	250,063
2049	-	-	-	240,000	9,125	249,125	240,000	9,125	249,125
2050	-	-	-	245,000	3,061	248,061	245,000	3,061	248,061
	<u>\$ 143,822,788</u>	<u>\$ 37,609,880</u>	<u>\$ 181,432,668</u>	<u>\$ 44,195,495</u>	<u>\$ 10,846,649</u>	<u>\$ 55,042,144</u>	<u>\$ 188,018,283</u>	<u>\$ 48,456,530</u>	<u>\$ 236,474,812</u>

Source: Washington County Department of Budget and Finance

\* Totals may not foot due to rounding.

(1) Debt characterized as self-supporting is still general obligation debt, backed by the pledge of the County's full faith and credit and unlimited taxing power.

# DEBT AND CAPITAL REQUIREMENTS

## Washington County Schedule of Debt Service Requirements of Long-term Obligations As of June 30, 2020 Adjusted to Reflect Issuance of the Bonds\*

Year Ending June 30	Outstanding Debt Service			The Bonds**			Total Debt Service		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 14,278,125	\$ 5,891,849	\$ 20,169,974	\$ -	\$ -	\$ -	\$ 14,278,125	\$ 5,891,849	\$ 20,169,974
2022	13,814,876	5,798,104	19,612,980	-	218,788	218,788	13,814,876	6,016,892	19,831,768
2023	14,029,685	5,288,128	19,317,813	360,000	344,200	704,200	14,389,685	5,632,328	20,022,013
2024	13,013,089	4,759,413	17,772,503	375,000	325,825	700,825	13,388,089	5,085,238	18,473,328
2025	12,996,651	4,273,336	17,269,987	395,000	306,575	701,575	13,391,651	4,579,911	17,971,562
2026	12,580,020	3,789,398	16,369,418	415,000	286,325	701,325	12,995,020	4,075,723	17,070,743
2027	12,294,663	3,342,717	15,637,381	435,000	265,075	700,075	12,729,663	3,607,792	16,337,456
2028	12,428,110	2,908,256	15,336,366	460,000	242,700	702,700	12,888,110	3,150,956	16,039,066
2029	10,254,628	2,509,152	12,763,780	480,000	219,200	699,200	10,734,628	2,728,352	13,462,980
2030	9,436,157	2,143,806	11,579,963	505,000	194,575	699,575	9,941,157	2,338,381	12,279,538
2031	9,792,694	1,794,734	11,587,428	535,000	168,575	703,575	10,327,694	1,963,309	12,291,003
2032	8,979,247	1,470,847	10,450,094	560,000	141,200	701,200	9,539,247	1,612,047	11,151,294
2033	8,285,811	1,188,890	9,474,701	580,000	121,400	701,400	8,865,811	1,310,290	10,176,101
2034	7,342,385	940,840	8,283,225	590,000	109,700	699,700	7,932,385	1,050,540	8,982,925
2035	6,783,971	720,515	7,504,486	605,000	97,750	702,750	7,388,971	818,265	8,207,236
2036	5,980,573	523,110	6,503,683	615,000	85,550	700,550	6,595,573	608,660	7,204,233
2037	4,898,539	360,852	5,259,391	630,000	73,100	703,100	5,528,539	433,952	5,962,491
2038	3,629,054	237,245	3,866,299	640,000	60,400	700,400	4,269,054	297,645	4,566,699
2039	2,695,000	145,985	2,840,985	655,000	47,450	702,450	3,350,000	193,435	3,543,435
2040	1,730,004	85,277	1,815,281	670,000	34,200	704,200	2,400,004	119,477	2,519,481
2041	780,000	55,350	835,350	680,000	20,700	700,700	1,460,000	76,050	1,536,050
2042	200,000	45,425	245,425	695,000	6,950	701,950	895,000	52,375	947,375
2043	205,000	40,994	245,994	-	-	-	205,000	40,994	245,994
2044	210,000	36,325	246,325	-	-	-	210,000	36,325	246,325
2045	215,000	31,544	246,544	-	-	-	215,000	31,544	246,544
2046	220,000	26,375	246,375	-	-	-	220,000	26,375	246,375
2047	225,000	20,813	245,813	-	-	-	225,000	20,813	245,813
2048	235,000	15,063	250,063	-	-	-	235,000	15,063	250,063
2049	240,000	9,125	249,125	-	-	-	240,000	9,125	249,125
2050	245,000	3,061	248,061	-	-	-	245,000	3,061	248,061
	<u>\$ 188,018,283</u>	<u>\$ 48,456,530</u>	<u>\$ 236,474,812</u>	<u>\$ 10,880,000</u>	<u>\$ 3,370,238</u>	<u>\$ 14,250,238</u>	<u>\$ 198,898,283</u>	<u>\$ 51,826,767</u>	<u>\$ 250,725,050</u>

Source: Washington County Department of Budget and Finance

\* Totals may not foot due to rounding.

\*\* Inclusive of 2021 Public Improvement Bonds.

**Rapidity of Direct Tax-Supported Debt Principal Payment**  
**June 30, 2020**

<b><u>Number of Years</u></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	\$ 53,196,809	34.41
10	96,318,677	66.97	99,713,968	64.49
15	128,457,374	89.32	134,697,771	87.12
20	143,244,532	99.60	152,667,085	98.74
25	143,822,788	100.00	154,608,414	100.00

Source: Washington County Department of Budget and Finance

### **Anticipated Future Financing**

The County currently anticipates issuing additional general obligation bonds for approximately \$30.0 million in fiscal year 2022, \$13.8 million in fiscal year 2023, and \$13.4 million in fiscal year 2024. 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 initial occurrence of the 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 on March 17, 2020. Since the initial and renewed proclamation, the Governor of Maryland has issued a series of executive orders, among other things, 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. Subsequently, the Governor issued a series of executive orders from time to time that tightened or loosened restrictions in response to the increase or lessening of the infection levels in the State. As a result of the rounds of executive orders, many businesses and retail establishments in Maryland, including in the County, were closed or materially reduced business activity for a period of time. With more recent improvements in State metrics and vaccine availability, effective March 12, 2021, the Governor lifted capacity restrictions on indoor and outdoor dining, increased capacity to 50% for large indoor and outdoor venues, and lifted quarantine periods for out of state travel. Masking and social distancing protocols remain in effect. Any increases in infection levels could lead to the imposition of tighter restrictions.

The County's principal source of revenue is local taxes, which constituted 92.7% of total General Fund operating revenue for fiscal 2020: 52.4% from real property taxes, 37.2% from local income taxes and 3.3% from other local taxes. 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 will be materially affected in fiscal year 2021, the potential impact of the COVID-19 pandemic on fiscal year-end results cannot be fully determined at this time. The County may experience a decline in real estate tax results in fiscal year 2022 or future fiscal years, related mainly to utilization of commercial properties, since their value is assessed by the State using an income method. In addition, structural changes of how businesses conduct their operations may shift from on premise work sites to more of a remote style framework. The impact of any such shift on County revenues cannot be fully determined at this time.

Income tax revenue has been impacted by the pandemic but cannot be fully determined at this time. The County's pre pandemic unemployment rate was 4% but reached a high of 11.4% in April 2020. While unemployment did not reach early predictions of around 15-20%, the impact of business closures and job loss remains a potential concern of County leadership.

As a result of the COVID-19 pandemic, the County may experience an increase in expenses for emergency preparedness, public health, and personnel costs. The County's initial expectation is to use funding from the American Rescue Plan Act of 2021 to reimburse itself for the majority of those costs. However, the County's use of such funding remains subject to guidance from the federal government regarding qualifying expenditures and future decisions by the Board.

Further, 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 County secured a 100% SAFER grant which will provide for personnel costs related to 33 new firefighter positions for a three-year period. After expiration of the grant, the County will provide for the full cost of personnel. 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. While increased in calendar year 2020, the income tax rate imposed by the County is subject to future adjustments in accordance with applicable law. Any future decrease in the income tax rate, particularly if coupled with any shifts in other sources of revenues and shifts in County expenditures, including any such shifts resulting from short-term or lingering effects of COVID-19 pandemic, could have an impact on the County that cannot be quantified at this time.

The COVID-19 pandemic's long-term impact on the State and local economy and on County pension funding and contribution requirements resulting from reduced investment returns cannot be currently determined. Further, the ongoing COVID-19 pandemic may cause additional economic and health challenges that cannot be anticipated or quantified at this time.

### ***Federal Funding***

The County received \$13.2 million in CARES Act funding in May 2020, which was used by the County to cover certain costs or distributed to qualifying recipients through a variety of County programs. Together We Rise, the largest program recipient, was a business stabilization effort that provided approximately \$8.5 million to over 800 local businesses. The County also distributed a portion of such CARES Act funds to various local non-profit organizations in the cumulative amount of \$2.5 million. An additional \$1.3 million provided for County-related information technology enhancements to assist teleworking activities to serve the public. Approximately \$400,000 was provided as reimbursement to the County and multiple municipalities for pandemic related costs. The remaining approximately \$500,000 was provided to the Convention and Visitors Bureau for tourism revitalization efforts.

The more recently enacted federal American Rescue Plan Act of 2021 is expected to result in direct funding being allocated to Washington County in the amount of approximately \$60.5 million, with approximately \$31.2 million being distributed to municipalities located in Washington County and approximately \$29.3 million being retained by the County initially. The funding may be used to respond to or mitigate the COVID-19 health emergency or its negative economic impacts, including assistance to households, small businesses, nonprofits, and aid for tourism, travel and hospitality; to provide essential workers with premium pay; to cover revenue loss incurred as a result of the COVID-19 pandemic; or to make necessary investments in water, sewer, or broadband infrastructure. Such funds may not be used to support any pension funding or to offset a tax cut. Guidelines for use of such allocated funds remain subject to clarification by the U.S. Treasury Department. The County has not yet determined how the funds initially reserved to the County will be spent. The County expects to receive partial funding within 60 days after the Act's enactment, with the remaining 50% to be received one year later.

### **Ratings**

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

### **Continuing Disclosure Undertaking**

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

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 statements 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 remained outstanding at such time. 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 May 4, 2021, in accordance with the official Notice of Sale (a copy of which is attached as Appendix C, as such Notice of Sale may be modified in accordance with its terms). The interest rates shown on the cover page of this Official Statement are the interest rates resulting from the award of the Bonds at the competitive bidding. The prices or yields shown on the cover page of this Official Statement for the Bonds were furnished by the successful bidder for the Bonds and not by the County. All other information concerning the nature and terms of any re-offering should be obtained from the successful bidder for the Bonds and not from the County. Robert W. Baird & Co. Incorporated, as lead manager of a syndicate, was the successful bidder for the Bonds.

## Legal Matters

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

Bond counsel has not been engaged, nor has it undertaken, to audit, authenticate or otherwise verify the information set forth in this Official Statement regarding the County or other referenced governmental entities, or any related information regarding the County or other referenced governmental entities, with respect to the accuracy and completeness of such information, and it will not express any opinion with respect thereto or with respect to any specific sections of this Official Statement.

## Independent Auditors

The financial statements as of June 30, 2020, and for the year then ended, included in Appendix A to this Official Statement, have been audited by SB & Company, LLC, independent auditors, as stated in their report appearing herein, and should be read in their entirety. Such financial statements have been included in reliance upon the report of SB & Company, LLC. Such report speaks only as of its date.

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

## Financial Advisor

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



## **Appendix A**

### **General Purpose Financial Statements**

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**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

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

**For the Year Ended June 30, 2020**

**JUNE 30, 2020**

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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, 2020, 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, 2020, 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 29, 2020

*SB & Company, LLC*



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020

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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, 2020

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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 23-25 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 Center, Gaming, Land Preservation, HEPMPO, and Hotel Rental Tax funds.

The County adopts an annual appropriated budget for the general fund.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020

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The basic governmental fund financial statements can be found on pages 26-29 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 30-32 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 33-34 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 36-99 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 107-112 of this report.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020

**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 \$531.1 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>
	2020	2019	2020	2019	2020	2019	
<i>Current and other assets</i>	\$192,715,268	\$170,186,751	\$38,970,738	\$31,976,214	\$231,686,006	\$202,162,965	14.60%
<i>Capital assets</i>	440,315,723	432,669,262	253,415,686	258,934,433	693,731,409	691,603,695	0.31%
<i>Total Assets</i>	633,030,991	602,856,013	292,386,424	290,910,647	925,417,415	893,766,660	3.54%
<i>Deferred Outflow of Resources</i>	15,812,977	20,417,960	414,744	403,303	16,227,721	20,821,263	-22.06%
<i>Current and other liabilities</i>	44,458,868	28,341,171	8,368,865	11,252,087	52,827,733	39,593,258	33.43%
<i>Long-term liabilities</i>	261,095,891	260,513,195	60,219,032	58,181,033	321,314,923	318,694,228	0.82%
<i>Total Liabilities</i>	305,554,759	288,854,366	68,587,897	69,433,120	374,142,656	358,287,486	4.43%
<i>Deferred Inflow of Resources</i>	14,155,635	14,062,364	22,246,165	23,046,167	36,401,800	37,108,531	-1.90%
<i>Net Investment in Capital Assets</i>	356,047,102	353,938,046	213,907,220	215,836,116	569,954,322	569,774,162	0.03%
<i>Restricted Net Assets</i>	26,599,017	34,069,902	8,117,219	3,786,741	34,716,236	37,856,643	-8.30%
<i>Unrestricted Net Assets</i>	(53,512,545)	(67,650,705)	(20,057,333)	(20,788,194)	(73,569,878)	(88,438,899)	-16.84%
<i>Total Net Position</i>	\$329,133,574	\$320,357,243	\$201,967,106	\$198,834,663	\$531,100,680	\$519,191,906	2.29%

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 \$570.0 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, \$34.7 million, represents resources that are subject to external restrictions on how they may be used. The remaining portion is unrestricted net deficit of (\$73.6) million.

Unrestricted net assets in governmental activities have been reduced by \$45.5 million in long-term debt, resulting in unrestricted net assets of (\$53.5) 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 \$40.2 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, 2020

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2020	2019	2020	2019	2020	2019
<b>Program Revenues:</b>						
Charges for Services	\$7,369,104	\$8,911,900	\$23,947,279	\$24,085,408	\$31,316,383	\$32,997,308
Operating Grants and Contributions	10,523,916	11,288,464	2,007,634	1,288,927	12,531,550	12,577,391
Capital Grants and Contributions	13,020,604	7,303,444	6,041,641	3,226,096	19,062,245	10,529,540
<b>General Revenues:</b>						
Property Taxes	130,183,505	127,501,045	-	-	130,183,505	127,501,045
Local Taxes	113,496,232	106,616,922	-	-	113,496,232	106,616,922
Other	4,229,820	1,805,760	372,533	648,941	4,602,353	2,454,701
<b>Total Revenues</b>	<b>278,823,181</b>	<b>263,427,535</b>	<b>32,369,087</b>	<b>29,249,372</b>	<b>311,192,268</b>	<b>292,676,907</b>
<b>Program Expenses:</b>						
General Government	38,552,091	53,167,068	-	-	38,552,091	53,167,068
Public Safety	63,008,479	53,310,570	-	-	63,008,479	53,310,570
Health	2,339,270	2,339,270	-	-	2,339,270	2,339,270
Social Services	435,560	435,560	-	-	435,560	435,560
Education	120,725,832	109,861,730	-	-	120,725,832	109,861,730
Parks and Recreation	7,356,435	6,701,519	-	-	7,356,435	6,701,519
Natural Resources	1,674,571	4,883,747	-	-	1,674,571	4,883,747
Community Promotion	3,831,261	4,368,506	-	-	3,831,261	4,368,506
Highways and Streets	21,702,882	15,766,167	-	-	21,702,882	15,766,167
Interest on Long-term Debt	4,737,036	4,909,524	-	-	4,737,036	4,909,524
<b>Business-type Activities:</b>						
Water Quality	-	-	14,589,953	14,427,578	14,589,953	14,427,578
Solid Waste	-	-	7,486,122	8,473,176	7,486,122	8,473,176
Public Transit	-	-	3,197,038	3,024,616	3,197,038	3,024,616
Airport	-	-	8,448,124	8,499,404	8,448,124	8,499,404
Golf Course	-	-	1,198,840	1,191,521	1,198,840	1,191,521
<b>Total Expenses</b>	<b>264,363,417</b>	<b>255,743,661</b>	<b>34,920,077</b>	<b>35,616,295</b>	<b>299,283,494</b>	<b>291,359,956</b>
<b>Change in Net Position before transfers</b>	<b>14,459,764</b>	<b>7,683,874</b>	<b>(2,550,990)</b>	<b>(6,366,923)</b>	<b>11,908,774</b>	<b>1,316,951</b>
Transfers	(5,683,433)	(2,465,854)	5,683,433	2,465,854	-	-
Contributed Capital	-	-	-	-	-	-
Proceeds of Bond Sale	-	98,725	-	-	-	98,725
<b>Change in Net Position</b>	<b>8,776,331</b>	<b>5,316,745</b>	<b>3,132,443</b>	<b>(3,901,069)</b>	<b>11,908,774</b>	<b>1,415,676</b>
<b>Net Position – Beginning 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>
<b>Net Position – End of year</b>	<b>\$329,133,574</b>	<b>\$320,357,243</b>	<b>\$201,967,106</b>	<b>\$198,834,663</b>	<b>\$531,100,680</b>	<b>\$519,191,906</b>



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020

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The County's net position increased by \$11.9 million during fiscal year 2020; total net position as of June 30, 2020 was \$531.1 million, representing a 2.3% increase.

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

Revenues increased over FY2019 by \$15.4 million.

- Charges for Services decreased from FY2019 by \$1.5 million primarily due to a reduction in speed camera revenue of \$0.9 million.
- Operating grants and contributions decreased overall by \$0.8 million mainly due to less grants secured for land preservation and parks, offset by an increase in federal Coronavirus Relief Fund grants.
- Capital grants and contributions increased by \$5.7 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 \$2.7 million.
- Local taxes increased by \$6.9 million, of which \$5.3 million was related to income tax revenue received. Effective January 1, 2020, the counties income tax rate increased from 2.8% to 3.2% generating the additional revenue. It is expected that COVID-19 will have an impact on income tax revenue. See the COVID-19 Pandemic section on page 20 of the MD&A for more information. In addition, recordation tax increased over FY2019 by \$0.5 million due to large commercial recordings; hotel rental tax revenue reduced by \$0.5 million as a result of COVID-19; capital related taxes reduced by \$0.5 million, and additional income tax revenue of \$2.0 million was recorded due to an increase in state reserve allocated to Washington County.
- Other revenues increased by \$2.4 million which was the result of less recognized loss on the sale of assets over FY2019.

Expenditures increased over FY2019 by \$8.6 million.

- General Government decreased by approximately \$14.6 million, with \$13.9 million of the change 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. The remaining reduction of \$0.7 million in operational savings is the result of the 2.5% step increase which was offset through other operational savings as well as wage and benefits savings as a result of vacancies and lower health insurance costs.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020

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- Public safety costs increased by approximately \$9.7 million due to 1) increased grants of \$3.9 million; \$0.4 million related to 911 communications as a result of mid-year hire of four new Emergency communication specialist positions; \$0.4 million increase in fire operations related to wages and benefits and increased spending on PPE; \$0.9 million in corrections as a result of an increase in cost for inmate medical services per contract; \$2.5 million in volunteer fire and rescue for additional reimbursements for allowable expenditures; \$0.2 million in patrol; and \$1.3 million related to reclassifying capital expenditures and recording fixed assets in governmental funds.
- Education expenditures increased by \$10.8 million; \$2.0 million as a result of an increased appropriation which was approved through the budget process and \$8.8 million more than last year for reclassifying capital expenditures and recording fixed assets in governmental funds.
- Parks and recreation increased by \$0.7 million; \$1.2 million dollars related to a grant reduction from FY19, offset by an increase of \$1.9 million in adjustments related to reclassifying capital expenditures and recording fixed assets in governmental funds.
- Natural resources decreased by \$3.2 million due to a reduction in grant funding.
- Community promotion decreased by \$0.5 million as a result of decreased hotel rental and gaming expenditures, a direct result of reduced available funding due to shutdowns related to the COVID-19 pandemic.
- Expenditures for Highways and Streets increased by \$5.9 million; \$0.8 million decrease in operational expenditures due to savings in snow removal costs and wages and benefits, but offset by a \$6.7 million increase in expenditures related to reclassifying capital expenditures and recording fixed assets in governmental funds.
- Debt service decreased by \$0.2 million and is based on debt service schedules.

Transfers out increased over FY2019 by \$3.2 million mainly due to a one-time \$3.0 million transfer to the sewer fund.

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

Revenues increased over FY2019 by \$3.1 million.

- Charges for services decreased by \$0.1 million due to a decrease in water quality revenues of \$0.6 million offset by an increase of \$0.5 million in landfill tipping fees.
- Operating grants and contributions increased by \$0.7 million mainly due to an increase related to federal CARES act funding for the Airport and an operational performance grant secured for the water quality fund.





MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020

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- Capital grants and contributions increased by \$2.8 million; \$1.2 million related to water quality, \$1.7 million more in Airport, and a \$0.1 million decrease in capital grants for transit. Capital revenues vary significantly from year to year based on capital project schedules. Other revenues decreased by \$0.2 million.
- Other revenues decreased by \$0.3 million mainly due to a reduction in interest income and miscellaneous revenues.

Expenditures decreased as compared to FY2019 by \$0.7 million.

- Overall, business type expenditures decreased by \$0.7 million. Solid Waste expenditures decreased by \$1.0 million or 11.8% mainly due to a reduction in contracted services for leachate, which was increased in FY19 as a result of heavy rainfall. The remaining funds had very little change; water quality expenditures increased overall by \$0.2 million; public transit expenditures increased by \$0.2 million; Airport expenditures decreased by \$50K; and golf course expenditures increased by \$7K.

Transfers increased by \$3.2 million as compared to FY2019.

- Capital transfers vary from year to year and account for \$0.8 million of the increase. The remaining difference includes transfer amounts from the General fund; \$2.8 million increase in contribution to water quality to support operations; offset by a decrease in the contribution to solid waste of \$0.4 million; a decrease to airport by \$0.1 million due to the funds self-supported status; and an increase to transit of \$0.1 million due to rising expenditures without the support of increased grants.

Change over FY2019 by Fund

Water quality's operating revenue was down as compared to FY19 by \$0.6 million. Main contributors to the change include reduced wholesale revenue by approximately \$1.0 million, offset by a sewer rate increase of 3% and additional connection fee revenue for new development. Increased rainfall in FY2019 produced higher I&I which had to be treated, and subsequently generated additional revenue from wholesale customers. Expenditures increased by \$0.4 million, mainly due to the cost of fringe benefits provided to employees. In FY2020, the sewer fund received a one-time transfer of \$3.0 million to assist with rate stabilization. Additional capital grants and transfers over FY2019 of \$1.4 million also contribute to a positive change in net position.

Solid Waste's operating revenue increased over FY19 by approximately \$0.5 million due to increased tipping fee revenue. The rates remained unchanged for FY20. Operating expenses were \$0.9 million less than last year and the transfer from the general fund was reduced by \$0.4 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.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020

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 operating revenue and expenditures remained very similar to FY2019. The airport received additional operating grants over last year of \$0.4 million and increased capital related transfers and grants of \$2.3 million.

Transit and golf combined had reduced operating revenue of around \$0.1 million mainly due to the impact of COVID-19 shutdowns. Operating expenses increased slightly by \$0.2 million, mainly due to the cost of fringe benefits provided to employees. Operating transfers increased slightly over FY2019 due to no increase in operational grants, but increased expenditures.

The County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements and restrictions, and fiscal accountability.

Financial Analysis on Government Fund Financial Statements

**Governmental Funds:**

The focus of the County's governmental funds is to provide information on near term inflows, 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 \$129.1 million, an increase of \$0.2 million. Approximately \$53.5 million of this amount is committed for the general fund cash reserve and \$70.3 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.



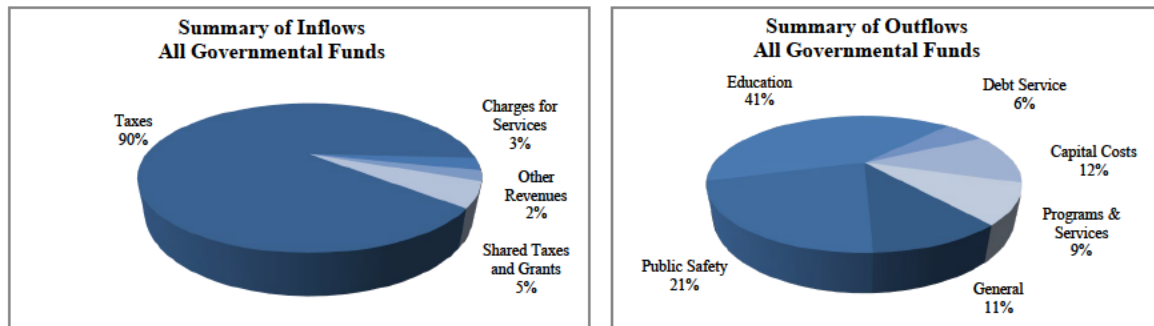


MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020

Governmental Activities	Fund Balance			Net Change in Fund Balance		
	2020	2019	% Change	2020	2019	% Change
<i>General Fund</i>	\$55,974,199	\$45,496,695	23.03%	\$10,477,504	\$3,750,043	179.40%
<i>Capital Improvement Fund</i>	70,321,005	80,186,488	-12.30%	(9,865,483)	8,202,363	-220.28%
<i>Grants Management</i>	17,322	42,973	-59.69%	(25,651)	29,563	-186.77%
<i>Cascade Town Centre Fund</i>	379,554	893,464	-57.52%	(513,910)	(753,524)	-31.80%
<i>Inmate Welfare Fund</i>	190,698	255,082	-25.24%	(64,384)	78,259	-182.27%
<i>Contraband Fund</i>	122,425	98,066	24.84%	24,359	(55,789)	-143.66%
<i>Agricultural Education Fund</i>	5,653	22,246	-74.59%	(16,593)	1,361	-1319.18%
<i>Hotel Rental Tax Fund</i>	1,264,677	1,227,938	2.99%	36,739	457,339	-91.97%
<i>Gaming Fund</i>	126,419	129,292	-2.22%	(2,873)	41,024	-107.00%
<i>Land Preservation Fund</i>	682,183	568,896	19.91%	113,287	270,850	-58.17%
<i>HEPMPO</i>	12,882	(6,460)	-299.41%	19,342	15,293	26.48%
<i>Total</i>	\$129,097,017	\$128,914,680		\$182,337	\$12,036,782	

**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, 2020.



- The **General Fund** is the chief operating fund of the County. At the end of the current fiscal year total fund balance reached \$56.0 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 \$10.5 million during the current fiscal year. Key factors related to this change are:



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020

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Major Revenue Factors:

- Property tax revenue exceeded budget by \$1.1 million or 0.9%. 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 \$4.2 million or 4.8%. The County tax rate increased from 2.8% to 3.2% effective January 1, 2020.
- Recordation Tax revenue exceeded budget by \$0.9 million or 14.1%, mainly due to several large commercial transactions.
- Revenue from speed cameras came in under budget by \$1.0 million. Response to the cameras has been tremendous and adjustments were made for the FY2021 budget.
- Investment income was over budget by \$1.1 million due to higher than expected interest rates.
- Highway revenues came in under budget by \$0.4 million due to reduced Highway user revenues.

Major Expenditure Factors:

- An additional transfer over what was originally budgeted of \$2.7 million was made to the Capital Projects funds to provide for future project costs and one time expenditures.
- \$1.2 million related to savings for programs budgeted but not yet implemented and include funding for the SAFER grant and additional funding for reimbursement of health insurance to EMS companies.
- Fire and EMS catch up payments exceeded budget by \$2.5 million. Reimbursement is now being done quarterly for eligible expenditures per the EMS fiscal policy.
- Savings from wages totals \$0.8 million due to vacancies offset by increased overtime costs.
- \$5.0 million in benefit savings were realized, mainly as a result of health insurance and workers comp, both self-funded programs within the county.
- Operational savings of \$1.4 million as a result of department heads' efforts to reduce costs and focus on operational efficiencies.
- \$1.3 million in highway savings related to wages and benefits savings, fuel cost and usage, and snow removal savings due to a light winter.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
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- 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 \$70.3 million all of which is designated for capital related projects. Major funding sources for projects are pay-go-funding, debt proceeds, fees and taxes, and grants. Fund balance decreased by \$9.9 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 \$2.8 million. These funds represent monies designated for specific programs and services. The net decrease in fund balance during the current year was \$0.4 million and was mainly attributed to Cascade Town Centre

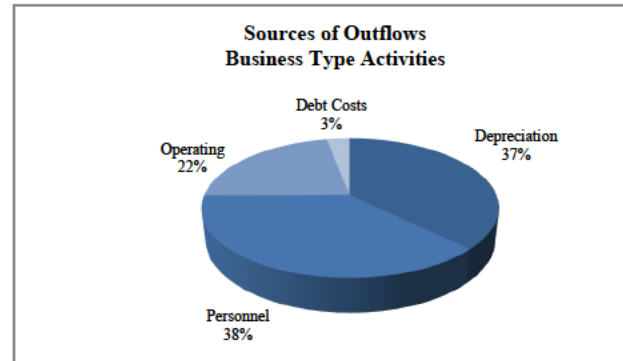
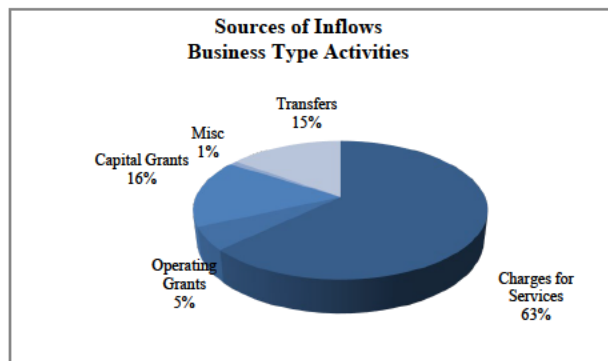
**Proprietary Funds:**

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>		
	2020	2019	% Change	2020	2019	%Change
<i>Water Quality</i>	\$142,593,624	\$139,158,460	2.47%	\$3,435,164	\$(182,285)	-1984.50%
<i>Solid Waste</i>	3,871,135	2,898,594	33.55%	972,541	(92,575)	-1150.54%
<i>Airport</i>	49,689,540	50,681,144	-1.96%	(991,604)	(3,617,288)	-72.59%
<i>Public Transit</i>	3,471,109	3,644,028	-4.75%	(172,919)	(19,914)	768.33%
<i>Black Rock</i>	2,341,698	2,452,437	-4.52%	(110,739)	10,993	-1107.36%
<i>Total</i>	\$201,967,106	\$198,834,663	1.58%	\$3,132,443	\$(3,901,069)	-180.30%

The following reflects the inflows and outflows of the business-type activity funds for the fiscal year ending June 30, 2020.





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

General Fund Budgetary Analysis – Government Fund Financial Statement Basis

**Washington County, Maryland**  
**General Fund Budgetary Analysis**  
**As of June 30, 2020**  
*(Government Fund Basis)*

Category	Budgetary Amounts		Actual	Difference	
	Original	Final		Org. Budget vs. Final Budget	Final Budget vs. Actual
<b>Revenues:</b>					
Property Tax	\$128,697,630	\$128,697,630	\$129,830,659	\$ -	\$1,133,029
Local Tax	92,255,000	92,255,000	100,421,710	-	5,166,710
Other Revenue	12,281,670	31,460,678	17,651,272	19,179,008	(13,809,406)
<b>Total Revenues</b>	<b>236,234,300</b>	<b>255,413,308</b>	<b>247,903,641</b>	<b>19,179,008</b>	<b>(7,509,667)</b>
<b>Expenses:</b>					
General Government	29,975,870	30,597,677	28,065,053	621,807	(2,532,624)
Public Safety	50,693,510	68,958,471	55,712,216	18,264,961	(13,246,255)
Health and Social Services	2,774,830	2,774,830	2,774,830	-	-
Education	110,550,900	110,550,900	110,550,900	-	-
Parks, Recreation, Natural Resources	7,155,990	7,155,990	6,846,225	-	(309,765)
Highways and Streets	11,490,360	11,528,160	9,744,052	37,800	(1,784,108)
General Operations	580,750	490,750	411,756	(90,000)	(78,994)
Unallocated Costs	819,240	819,240	(2,045,725)	-	(2,864,965)
Intergovernmental	7,006,980	7,667,400	10,429,722	660,420	2,762,322
Debt Service	15,185,870	14,920,870	14,877,978	(265,000)	(42,892)
<b>Total Expenses</b>	<b>236,234,300</b>	<b>255,413,308</b>	<b>237,427,688</b>	<b>19,179,008</b>	<b>(17,985,620)</b>
<b>Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>1,551</b>	<b>-</b>	<b>1,551</b>
<b>Net Increase in Assets - 06/30/20</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$10,475,953</b>	<b>\$ -</b>	<b>\$10,475,953</b>

**Original Budget vs. Final Budget:**

The net budgetary change of \$19.2 million resulted mainly from grant transactions, primarily for \$13.2 million in Coronavirus Relief funding. Overall, the County received grant awards in the amount of \$18.6 million, impacting the budget accordingly. In addition, the budget increased by about \$0.5 million due to projected billable expenditures.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020

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**Final Budget vs. Actual Results:**

As stated above, the final budget has been heavily impacted by grant awards that were not fully expended and earned within the year. The County ended the year with an increase of \$10.5 million. There were several unusual circumstances in FY2020 that have had a compounding positive effect on year end results.

Excluding grant transactions, revenues were over budget by \$6.0 million.

Taxes - Property tax experienced an increase of \$1.1 million over budget or 0.88%, primarily related to higher personal property tax. Local tax was over budget by \$5.2 million, primarily due to income tax revenue of \$4.2 million or 4.8% and recordation tax exceeding final budget by \$0.9 million or 14.12%.

Other Revenue - Revenue from speed cameras fell below budget by \$1.0 million due to increased citizen awareness and responsiveness. Interest from investments exceeded budget by \$1.1 million due to higher earnings throughout the majority of the year. Revenues related to Highway fell below budget, mainly as a result of reduced Highway User Revenue as an effect of the COVID-19 impact.

Including grants transactions, revenues were under final budget by \$7.5 million. In addition to the variances stated above, this is the result of less grant and billable revenue of \$13.5 million, which were budgeted, but not yet earned, due to grant periods extending beyond the County's fiscal year.

Excluding grant transactions, expenditures were under budget by \$4.5 million. Savings from wages due to vacancies was approximately \$0.8 million and benefit savings were \$5.0 million. Because the County is self-funded for health insurance and workers comp, end-of-year variances often exist. Health insurance claims reduced greatly when the pandemic hit, as elective surgeries and other appointments were delayed or post-poned. In addition, the incurred but not reported claims reduced the amount held in reserves, adding further savings.

Overall, departmental operational savings in the General fund was \$1.4 million, which was derived from a cognizant effort to reduce discretionary spending due to the unknown impact of the pandemic. Further savings of \$1.2 million were a result of budgeted programs that were never realized in FY20 related to the County's match for the SAFER grant and an EMS related reserve. In addition, costs relay to highways were under budget by \$1.3 million due to vacancies, snow removal, and fuel.

\$2.5 million more than budgeted was expended to the volunteer fire and EMS companies for prior year reimbursable expenditures. These expenditures had been previously reimbursed to the companies 12 to 18 months after the expenditures were incurred. The County now reimburses quarterly. Lastly, an additional \$2.7 million transferred to capital projects fund for future one time expenditures or for additional reserve use.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Including grant transactions, expenditures were under budget by \$18.0 million. In addition to the variances stated above, \$13.5 million is related to unexpended grants or billables.

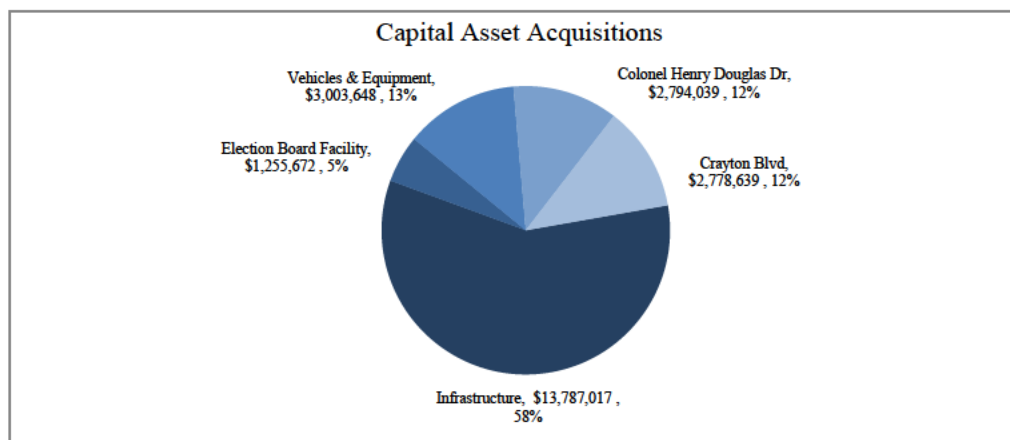
Capital Asset Administration – Government Wide Statements

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2020, amounts to \$666.7 million (net of depreciation). This investment in capital assets includes land, buildings, bridges, roads, equipment, and operational facilities.

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

Description	Governmental Activities		Business-type Activities		Total		% Change
	2020	2019	2020	2019	2020	2019	
<i>Land and Land Improvements</i>	\$105,385,308	\$101,639,048	\$46,338,730	\$52,810,637	\$151,724,038	\$154,449,685	-1.8%
<i>Building and Improvements</i>	63,832,554	65,476,050	38,702,662	40,029,021	102,535,216	105,505,071	-2.8%
<i>Facilities, Lines, and Mains</i>	-	-	86,465,828	86,461,659	86,465,828	86,461,659	0.0%
<i>Vehicles</i>	5,052,431	4,812,783	1,032,355	1,154,882	6,084,786	5,967,665	2.0%
<i>Infrastructure</i>	238,047,497	234,534,237	-	-	238,047,497	234,534,237	1.5%
<i>Machinery and Equipment</i>	4,347,324	4,567,333	2,805,715	3,395,376	7,153,039	7,962,709	-10.2%
<i>Office/Computer Equipment</i>	3,478,028	6,593,349	392,356	388,115	3,870,384	6,981,464	-44.6%
<i>Treatment Plants</i>	-	-	70,824,802	72,557,917	70,824,802	72,557,917	-2.39%
<b>Total</b>	<b>\$420,143,142</b>	<b>\$417,622,800</b>	<b>\$246,562,448</b>	<b>\$256,797,607</b>	<b>\$666,705,590</b>	<b>\$674,420,407</b>	<b>-1.1%</b>

Major capital asset events, excluding education, during the current fiscal year included the following:



Additional information on the County's capital assets can be found in note 5 on pages 56-59 of this report.





MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020

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 balance remained relatively the same as last year, the result of net principal payments of \$14.2 million and new borrowings of \$14.2 million. Funds borrowed were used mainly for infrastructure and education projects.

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

Instrument Type	Governmental Activity		Business-type Activity		Total Outstanding Debt		% Change
	2020	2019	2020	2019	2020	2019	
General Obligation Bonds	\$148,828,255	\$ 149,019,381	\$39,918,815	\$37,326,214	\$188,747,070	\$ 186,345,595	1.29%
Maryland Water Quality Bonds	2,476,572	3,055,456	7,689,125	9,523,936	10,165,697	12,579,392	-19.19%
Total	\$151,304,827	\$ 152,074,837	\$47,607,940	\$46,850,150	198,912,767	\$ 198,924,987	-0.01%

The County's credit ratings for fiscal year 2020 are as follows: 1) Standard and Poor's rated AA+, 2) Fitch rated AA+, and 3) Moody's Investors Service rated Aa1.

Under the Code of Public Local Law, the amount of general obligation debt the County may issue associated with water quality debt is limited to 10 percent of its total assessed valuation of all real estate in the County that is subject to taxation. The current estimated debt limitation for water quality is \$1.2 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 62-66 of this report.

Economic Factors

- Washington County's unemployment rate for June 2020 was 8.2% compared to 4.1% in June of 2019. The unemployment rate reached a high of 11.4% in April 2020 as a result of the economic shutdown due to the COVID-19 pandemic.
- Beginning January 1, 2020, the County raised the income tax rate from 2.8% to 3.2%. This increase was necessary to provide for future anticipated costs related to public safety and education. It was estimated to generate additional revenue of approximately \$10 million annually. Also, due to the higher income tax rate, the County expected to receive higher



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020

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disparity grant revenues from the State formula for FY21. The resulting effects of the pandemic including loss of revenue due to shutdowns and projected state deficits may impact these estimates.

- ❑ Sewer rates were increased by 3.5% for the 2021 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.
- ❑ 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. The Maryland Theatre and Barbara Ingram School for the Arts renovations are substantially complete. Discussions surrounding the plaza continue between the City, the county, and private developers.
- ❑ Large development projects occurring in the county continue to move forward despite the pandemic.

#### Impact of the Covid-19 Pandemic

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.





MANAGEMENT'S DISCUSSION AND ANALYSIS  
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As a result of the initial executive orders, many businesses and retail establishments in Maryland, including in the County, were closed or faced 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 represents 96% of the General Fund budget: 56% from real property taxes, 37% from local income taxes and 3% from other local taxes. 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.

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 through CARES act funding and/or FEMA.

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.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020

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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.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Statement of Net Position For the Year Ended June 30, 2020

	Primary Government			Component Unit	
	Governmental activities	Business-type activities	Total	Board of Education	Total
<b>ASSETS</b>					
Cash and short-term investments	\$ 47,780,552	\$ 31,160,964	\$ 78,941,516	\$ 16,345,655	\$ 95,287,171
Investments	80,339,632	-	80,339,632	37,718,029	118,057,661
Property taxes receivable, net of allowance	1,832,574	-	1,832,574	-	1,832,574
Accounts receivable, net of allowance	3,038,943	1,542,475	4,581,418	357,668	4,939,086
Interest receivable	289,835	-	289,835	-	289,835
Unbilled receivables	400,088	2,205,489	2,605,577	-	2,605,577
Due from other governmental agencies	46,478,198	3,492,394	49,970,592	9,651,070	59,621,662
Inventories	875,346	307,683	1,183,029	445,941	1,628,970
Other assets	-	-	-	1,700,517	1,700,517
Net other post employment benefits asset	10,931,012	-	10,931,012	-	10,931,012
Recoverable disbursements	116,533	267	116,800	-	116,800
Notes receivable	632,555	261,466	894,021	-	894,021
Projects under construction	20,172,581	6,853,237	27,025,818	37,912,940	64,938,758
Property, plant, and equipment, net	420,143,142	246,562,449	666,705,591	210,613,807	877,319,398
<b>TOTAL ASSETS</b>	<b>633,030,991</b>	<b>292,386,424</b>	<b>925,417,415</b>	<b>314,745,627</b>	<b>1,240,163,042</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Loss on refunding	1,632,924	414,744	2,047,668	-	2,047,668
Net pension activity	13,376,401	-	13,376,401	5,164,161	18,540,562
Net OPEB activity	803,652	-	803,652	48,735,948	49,539,600
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>15,812,977</b>	<b>414,744</b>	<b>16,227,721</b>	<b>53,900,109</b>	<b>70,127,830</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Current maturities of long-term obligations	10,833,372	3,444,753	14,278,125	-	14,278,125
Current maturities of capital lease obligations	284,757	41,932	326,689	8,881	335,570
Current maturities of installment purchase contracts	181,779	-	181,779	-	181,779
Accounts payable	12,431,273	1,909,772	14,341,045	9,851,803	24,192,848
Accrued expenses	2,060,083	638,293	2,698,376	22,540,336	25,238,712
Accrued interest	2,316,622	540,766	2,857,388	-	2,857,388
Unearned revenue	9,625,762	972,994	10,598,756	3,755,764	14,354,520
Compensated absences	2,597,454	513,698	3,111,152	472,995	3,584,147
Landfill closure and post-closure costs	-	203,390	203,390	-	203,390
Other liabilities	2,646,640	103,267	2,749,907	-	2,749,907
Liabilities for unpaid claims	1,481,126	-	1,481,126	-	1,481,126
Total current liabilities	44,458,868	8,368,865	52,827,733	36,629,779	89,457,512
Noncurrent Liabilities:					
Compensated absences	865,818	171,234	1,037,052	6,866,896	7,903,948
Post retirement benefits	-	-	-	199,917,594	199,917,594
Long-term debt obligations	140,471,452	44,163,186	184,634,638	-	184,634,638
Capital lease obligations	58,094	-	58,094	30,651	88,745
Installment purchase contracts	941,994	-	941,994	-	941,994
Landfill closure and post-closure costs	-	15,884,612	15,884,612	-	15,884,612
Net pension liability	118,758,533	-	118,758,533	18,526,969	137,285,502
Total noncurrent liabilities	261,095,891	60,219,032	321,314,923	225,342,110	546,657,033
<b>TOTAL LIABILITIES</b>	<b>305,554,759</b>	<b>68,587,897</b>	<b>374,142,656</b>	<b>261,971,889</b>	<b>636,114,545</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows of resources	-	22,246,165	22,246,165	-	22,246,165
Net pension activity	3,928,198	-	3,928,198	3,095,995	7,024,193
Net OPEB activity	10,227,437	-	10,227,437	93,348,433	103,575,870
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>14,155,635</b>	<b>22,246,165</b>	<b>36,401,800</b>	<b>96,444,428</b>	<b>132,846,228</b>
<b>NET POSITION</b>					
Net investment in capital assets	356,047,102	213,907,220	569,954,322	248,487,215	818,441,537
Restricted for:					
John Howard Trust	252,452	-	252,452	-	252,452
Capital projects	26,346,565	8,117,219	34,463,784	-	34,463,784
Unrestricted	(53,512,545)	(20,057,333)	(73,569,878)	(238,257,796)	(311,827,674)
<b>TOTAL NET POSITION</b>	<b>\$ 329,133,574</b>	<b>\$ 201,967,106</b>	<b>\$ 531,100,680</b>	<b>\$ 10,229,419</b>	<b>\$ 541,330,099</b>

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Statement of Activities For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 38,552,091	\$ 4,561,232	\$ 582,349	\$ -
Public safety	63,008,479	2,724,396	6,504,094	1,000
Health	2,339,270	-	-	-
Social services	435,560	-	-	-
Education	120,725,832	-	-	-
Parks, recreation and culture	7,356,435	83,476	-	572,235
Natural resources	1,674,571	-	496,496	-
Community promotion	3,831,261	-	1,152,846	-
Highways and streets	21,702,882	-	1,788,131	12,447,369
Interest on long-term debt	4,737,036	-	-	-
Total governmental activities	<u>264,363,417</u>	<u>7,369,104</u>	<u>10,523,916</u>	<u>13,020,604</u>
Business-type activities				
Water quality	14,589,953	12,460,367	307,500	1,716,531
Solid waste	7,486,122	7,714,284	-	-
Airport	8,448,124	2,510,284	451,772	3,830,375
Public transit	3,197,038	544,225	1,248,362	490,603
Black Rock golf course	1,198,840	718,119	-	4,132
Total business-type activities	<u>34,920,077</u>	<u>23,947,279</u>	<u>2,007,634</u>	<u>6,041,641</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 299,283,494</u>	<u>\$ 31,316,383</u>	<u>\$ 12,531,550</u>	<u>\$ 19,062,245</u>
Component unit:				
Board of Education	<u>\$ 351,175,618</u>	<u>\$ 15,759,225</u>	<u>\$ 71,659,876</u>	<u>\$ 155,733</u>

General revenue:  
Taxes  
    Property taxes  
    Local taxes  
Income on investments  
Reimbursed expenses  
Miscellaneous  
Unrestricted grants and contributions  
Loss on disposal of capital assets  
Transfers  
TOTAL GENERAL REVENUE

CHANGE IN NET POSITION

NET POSITION - BEGINNING OF YEAR

NET POSITION - END OF YEAR

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Statement of Activities For the Year Ended June 30, 2020

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-Type Activities	Total	Board of Education	Total
\$ (33,408,510)	\$ -	\$ (33,408,510)	\$ -	\$ (33,408,510)
(53,778,989)	-	(53,778,989)	-	(53,778,989)
(2,339,270)	-	(2,339,270)	-	(2,339,270)
(435,560)	-	(435,560)	-	(435,560)
(120,725,832)	-	(120,725,832)	-	(120,725,832)
(6,700,724)	-	(6,700,724)	-	(6,700,724)
(1,178,075)	-	(1,178,075)	-	(1,178,075)
(2,678,415)	-	(2,678,415)	-	(2,678,415)
(7,467,382)	-	(7,467,382)	-	(7,467,382)
(4,737,036)	-	(4,737,036)	-	(4,737,036)
(233,449,793)	-	(233,449,793)	-	(233,449,793)
-	(105,555)	(105,555)	-	(105,555)
-	228,162	228,162	-	228,162
-	(1,655,693)	(1,655,693)	-	(1,655,693)
-	(913,848)	(913,848)	-	(913,848)
-	(476,589)	(476,589)	-	(476,589)
-	(2,923,523)	(2,923,523)	-	(2,923,523)
(233,449,793)	(2,923,523)	(236,373,316)	-	(236,373,316)
-	-	-	(263,600,784)	(263,600,784)
130,183,505	-	130,183,505	-	130,183,505
113,496,232	-	113,496,232	-	113,496,232
2,297,243	126,926	2,424,169	673,332	3,097,501
1,231,337	-	1,231,337	-	1,231,337
810,076	229,067	1,039,143	551,416	1,590,559
-	-	-	293,514,093	293,514,093
(108,836)	16,540	(92,296)	-	(92,296)
(5,683,433)	5,683,433	-	-	-
242,226,124	6,055,966	248,282,090	294,738,841	543,020,931
8,776,331	3,132,443	11,908,774	31,138,057	43,046,831
320,357,243	198,834,663	519,191,906	(20,908,638)	498,283,268
\$ 329,133,574	\$ 201,967,106	\$ 531,100,680	\$ 10,229,419	\$ 541,330,099

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Balance Sheet - Governmental Funds As of June 30, 2020

	General Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 1,104,928	\$ 41,830,694	\$ 4,844,930	\$ 47,780,552
Investments	80,085,369	254,263	-	80,339,632
Property taxes receivable, net of allowance	1,832,574	-	-	1,832,574
Accounts receivable, net of allowance	2,138,048	678,311	222,584	3,038,943
Interest receivable	288,879	956	-	289,835
Unbilled receivables	400,088	-	-	400,088
Due from other funds	-	25,139,418	-	25,139,418
Due from other governmental agencies	36,708,502	9,351,018	418,678	46,478,198
Recoverable disbursements	116,533	-	-	116,533
Notes receivable	632,555	-	-	632,555
Inventories	875,346	-	-	875,346
<b>TOTAL ASSETS</b>	<b>\$ 124,182,822</b>	<b>\$ 77,254,660</b>	<b>\$ 5,486,192</b>	<b>\$ 206,923,674</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 3,853,942	\$ 6,926,127	\$ 1,651,204	\$ 12,431,273
Accrued expenses	2,024,401	7,528	28,154	2,060,083
Due to other funds	24,908,614	-	230,804	25,139,418
Liabilities for unpaid claims	1,481,126	-	-	1,481,126
Unearned revenue	9,556,542	-	69,220	9,625,762
Other liabilities	1,941,643	-	704,997	2,646,640
<b>TOTAL LIABILITIES</b>	<b>43,766,268</b>	<b>6,933,655</b>	<b>2,684,379</b>	<b>53,384,302</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues	24,442,355	-	-	24,442,355
<b>FUND BALANCES</b>				
Nonspendable	1,447,900	-	-	1,447,900
Restricted	908,466	26,346,566	1,589,467	28,844,499
Committed	53,532,582	43,974,439	927,645	98,434,666
Assigned	25,250	-	284,701	309,951
Unassigned	60,001	-	-	60,001
<b>TOTAL FUND BALANCES</b>	<b>55,974,199</b>	<b>70,321,005</b>	<b>2,801,813</b>	<b>129,097,017</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 124,182,822</b>	<b>\$ 77,254,660</b>	<b>\$ 5,486,192</b>	<b>\$ 206,923,674</b>

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

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position As of June 30, 2020

Fund balance governmental funds	\$	129,097,017
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Capital assets, net		420,143,142
Projects under construction		20,172,581
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		10,931,012
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds		
Unavailable revenues		24,442,355
Net 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		
		1,657,342
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		(151,304,826)
Installment purchase obligations		(1,123,772)
Capital lease obligations		(342,851)
Accrued interest payable - net of IRS subsidy		(2,316,622)
Compensated absences and net pension liability		(122,221,804)
Net position of governmental activities	\$	<u>329,133,574</u>

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds For the Year Ended June 30, 2020

	General Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
<b>REVENUE</b>				
General property tax	\$ 129,830,659	\$ -	\$ -	\$ 129,830,659
Other local tax	100,421,710	4,436,603	1,931,268	106,789,581
Licenses and permits	1,162,809	-	1,839,209	3,002,018
Court costs and fines	1,730,441	-	-	1,730,441
Charges for services	1,136,780	-	369,249	1,506,029
Reimbursed expenses	926,532	-	54,851	981,383
Interest income	2,297,095	-	-	2,297,095
Miscellaneous revenues	585,232	586,113	224,844	1,396,189
Grants and shared revenues	7,710,163	4,224,701	2,103,053	14,037,917
Highway	2,102,220	-	-	2,102,220
<b>Total Revenue</b>	<b>247,903,641</b>	<b>9,247,417</b>	<b>6,522,474</b>	<b>263,673,532</b>
<b>EXPENDITURES</b>				
Current:				
General government	28,065,053	-	-	28,065,053
Public safety	55,712,216	-	1,435,920	57,148,136
Health	2,339,270	-	-	2,339,270
Social services	435,560	-	-	435,560
Education	110,550,900	-	-	110,550,900
Parks, recreation and culture	6,137,679	-	234,111	6,371,790
Natural resources	708,546	-	965,080	1,673,626
Intergovernmental	38,543	-	-	38,543
General operations	(1,573,288)	-	1,659,282	85,994
Community promotion	-	-	3,826,404	3,826,404
Highways and streets	9,744,052	-	-	9,744,052
Debt service	14,877,978	-	-	14,877,978
Capital outlay:				
General government	-	5,702,503	-	5,702,503
Public safety	-	2,566,347	-	2,566,347
Highways and streets	-	13,485,568	-	13,485,568
Education	-	10,174,932	-	10,174,932
Parks and recreation	-	663,365	-	663,365
<b>Total Expenditures</b>	<b>227,036,509</b>	<b>32,592,715</b>	<b>8,120,797</b>	<b>267,750,021</b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b>20,867,132</b>	<b>(23,345,298)</b>	<b>(1,598,323)</b>	<b>(4,076,489)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	4,860,420	1,180,279	6,040,699
Transfers out	(10,391,179)	(1,321,313)	(11,640)	(11,724,132)
Principal amount of new debt for advance refunding	7,153,773	-	-	7,153,773
Deposit to escrow fund for advance refunding and repayment of loans	(7,152,222)	-	-	(7,152,222)
Proceeds of bond sale	-	9,940,708	-	9,940,708
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(10,389,628)</b>	<b>13,479,815</b>	<b>1,168,639</b>	<b>4,258,826</b>
<b>NET CHANGES IN FUND BALANCE</b>	<b>10,477,504</b>	<b>(9,865,483)</b>	<b>(429,684)</b>	<b>182,337</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>45,496,695</b>	<b>80,186,488</b>	<b>3,231,497</b>	<b>128,914,680</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 55,974,199</b>	<b>\$ 70,321,005</b>	<b>\$ 2,801,813</b>	<b>\$ 129,097,017</b>

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



# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2020

Net changes in fund balances in governmental funds \$ 182,337

Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay capitalized	\$ 17,498,417	
Depreciation	<u>(17,942,109)</u>	(443,692)

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. (119,638)

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 repayments exceeded proceeds.

Debt and lease proceeds	\$ (9,942,259)	
Payments of installment purchase principal	181,779	
Payments of lease principal	275,718	
Payments of debt principal	<u>9,982,975</u>	498,213

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. (7,253,168)

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>15,912,279</u>	
Change in Net Position of Governmental Activities	\$	<u>8,776,331</u>

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Statement of Net Position - Proprietary Funds As of June 30, 2020

	Business Type Activities - Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	Total
<b>ASSETS</b>					
Current Assets:					
Cash	\$ 14,403,103	\$ 15,293,414	\$ 280,546	\$ 1,183,901	\$ 31,160,964
Accounts receivable, net	1,180,339	325,142	35,671	1,323	1,542,475
Unbilled accounts	1,636,671	555,703	13,047	68	2,205,489
Due from other governmental agencies	173,250	-	3,081,465	237,679	3,492,394
Recoverable disbursements	-	-	-	267	267
Notes receivable	-	261,466	-	-	261,466
Inventories	82,798	2,940	56,063	165,882	307,683
Total current assets	17,476,161	16,438,665	3,466,792	1,589,120	38,970,738
Noncurrent Assets:					
Projects under construction	1,121,685	20,741	5,694,953	15,858	6,853,237
Property, plant and equipment	236,749,517	69,722,607	155,393,021	12,319,071	474,184,216
Accumulated depreciation	(76,844,504)	(53,170,848)	(89,846,605)	(7,759,810)	(227,621,767)
Total noncurrent assets	161,026,698	16,572,500	71,241,369	4,575,119	253,415,686
<b>TOTAL ASSETS</b>	178,502,859	33,011,165	74,708,161	6,164,239	292,386,424
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Loss on refundings	230,186	179,378	5,180	-	414,744
<b>LIABILITIES</b>					
Current Liabilities:					
Current debt	2,071,873	1,272,880	100,000	-	3,444,753
Current capital lease obligations	17,740	-	-	24,192	41,932
Accounts payable	256,586	263,769	1,336,691	52,726	1,909,772
Accrued expenses	439,813	62,479	22,475	113,526	638,293
Accrued interest	382,018	151,233	7,515	-	540,766
Unearned revenue	57,055	-	915,939	-	972,994
Compensated absences	304,069	84,901	37,716	87,012	513,698
Landfill closure and post-closure costs	-	203,390	-	-	203,390
Other liabilities	7,300	-	50,995	44,972	103,267
Total current liabilities	3,536,454	2,038,652	2,471,331	322,428	8,368,865
Noncurrent Liabilities:					
Compensated absences	101,356	28,301	12,573	29,004	171,234
Bonds and long-term debt	32,501,611	11,367,843	293,732	-	44,163,186
Landfill closure and post-closure costs	-	15,884,612	-	-	15,884,612
Total noncurrent liabilities	32,602,967	27,280,756	306,305	29,004	60,219,032
<b>TOTAL LIABILITIES</b>	36,139,421	29,319,408	2,777,636	351,432	68,587,897
<b>DEFERRED INFLOWS OF RESOURCES</b>					
	-	-	22,246,165	-	22,246,165
<b>Net Position</b>					
Net investment in capital assets	134,543,388	3,941,082	70,847,631	4,575,119	213,907,220
Restricted - capital projects	8,107,914	9,305	-	-	8,117,219
Unrestricted	(57,678)	(79,252)	(21,158,091)	1,237,688	(20,057,333)
<b>TOTAL NET POSITION</b>	\$ 142,593,624	\$ 3,871,135	\$ 49,689,540	\$ 5,812,807	\$ 201,967,106

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, 2020

	Business Type Activities - Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	Total
<b>OPERATING REVENUE</b>					
Charges for services	\$ 12,460,367	\$ 7,714,284	\$ 2,510,284	\$ 1,262,344	\$ 23,947,279
Miscellaneous	10,652	143,476	43,711	31,228	229,067
<b>TOTAL OPERATING REVENUE</b>	<u>12,471,019</u>	<u>7,857,760</u>	<u>2,553,995</u>	<u>1,293,572</u>	<u>24,176,346</u>
<b>OPERATING EXPENSES</b>					
Salaries and wages	4,103,723	1,418,394	700,050	1,885,003	8,107,170
Fringe benefits	2,825,061	838,190	408,249	914,023	4,985,523
Utilities	977,383	52,675	194,837	74,124	1,299,019
Insurance	140,842	27,997	48,532	38,629	256,000
Repairs and maintenance	325,012	494	58,938	290,564	675,008
Supplies	259,905	101,484	10,700	63,627	435,716
Cost of goods sold	-	-	-	73,138	73,138
Contracted services	209,071	1,646,727	59,083	211,788	2,126,669
Rentals and leases	37,906	1,626	4,036	89,892	133,460
Other operating	1,024,452	889,235	213,433	348,456	2,475,576
Uncollectible accounts	(67)	(63,146)	(21,243)	-	(84,456)
Controllable assets	52,323	225,078	67,088	7,953	352,442
Depreciation	3,900,916	2,042,173	6,693,910	398,681	13,035,680
<b>TOTAL OPERATING EXPENSES</b>	<u>13,856,527</u>	<u>7,180,927</u>	<u>8,437,613</u>	<u>4,395,878</u>	<u>33,870,945</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(1,385,508)</u>	<u>676,833</u>	<u>(5,883,618)</u>	<u>(3,102,306)</u>	<u>(9,694,599)</u>
<b>OTHER INCOME (EXPENSE)</b>					
Interest expense	(733,426)	(305,195)	(10,511)	-	(1,049,132)
Interest income	122,614	2,563	1,738	11	126,926
Gain on disposal of assets	-	-	-	16,540	16,540
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<u>(610,812)</u>	<u>(302,632)</u>	<u>(8,773)</u>	<u>16,551</u>	<u>(905,666)</u>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS AND GRANTS</b>	<u>(1,996,320)</u>	<u>374,201</u>	<u>(5,892,391)</u>	<u>(3,085,755)</u>	<u>(10,600,265)</u>
<b>OPERATING TRANSFERS IN</b>	<u>3,228,140</u>	<u>598,340</u>	<u>11,640</u>	<u>941,730</u>	<u>4,779,850</u>
<b>OPERATING TRANSFERS OUT</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,730)</u>	<u>(17,730)</u>
<b>GRANTS FOR OPERATING</b>	<u>307,500</u>	<u>-</u>	<u>451,772</u>	<u>1,248,362</u>	<u>2,007,634</u>
<b>NET INCOME (LOSS) BEFORE CAPITAL TRANSFERS AND GRANTS</b>	<u>1,539,320</u>	<u>972,541</u>	<u>(5,428,979)</u>	<u>(913,393)</u>	<u>(3,830,511)</u>
<b>CAPITAL TRANSFERS</b>	<u>179,313</u>	<u>-</u>	<u>607,000</u>	<u>135,000</u>	<u>921,313</u>
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	<u>1,716,531</u>	<u>-</u>	<u>3,830,375</u>	<u>494,735</u>	<u>6,041,641</u>
<b>CHANGES IN NET POSITION</b>	<u>3,435,164</u>	<u>972,541</u>	<u>(991,604)</u>	<u>(283,658)</u>	<u>3,132,443</u>
<b>NET POSITION - BEGINNING 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>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 142,593,624</u>	<u>\$ 3,871,135</u>	<u>\$ 49,689,540</u>	<u>\$ 5,812,807</u>	<u>\$ 201,967,106</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, 2020

	Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	Total
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 12,911,356	\$ 7,286,121	\$ 2,416,841	\$ 1,713,667	\$ 24,327,985
Payments to suppliers	(3,253,434)	(3,352,256)	(695,923)	(1,357,551)	(8,659,164)
Payments to employees	(6,856,991)	(2,226,514)	(1,100,576)	(2,774,376)	(12,958,457)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>2,800,931</b>	<b>1,707,351</b>	<b>620,342</b>	<b>(2,418,260)</b>	<b>2,710,364</b>
<b>Cash Flows from Noncapital Financing Activities</b>					
Operating contributions	3,535,640	598,340	463,412	2,172,362	6,769,754
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>3,535,640</b>	<b>598,340</b>	<b>463,412</b>	<b>2,172,362</b>	<b>6,769,754</b>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Interest paid on notes and bond payable	(2,379,760)	(388,695)	(12,456)	-	(2,780,911)
Acquisition and construction of capital assets	(2,925,545)	(255,054)	(2,999,971)	(113,428)	(6,293,998)
Gain on the sale of assets	-	-	-	16,540	16,540
Contribution for capital acquisitions	1,895,844	-	1,801,953	625,603	4,323,400
Proceeds from/payments on notes and bonds payable	2,853,153	(2,014,474)	(103,796)	-	734,883
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(556,308)</b>	<b>(2,658,223)</b>	<b>(1,314,270)</b>	<b>528,715</b>	<b>(4,000,086)</b>
<b>Cash Flows from Investing Activities</b>					
Interest on investments	122,614	2,563	1,738	11	126,926
Net change in cash	5,902,877	(349,969)	(228,778)	282,828	5,606,958
Cash, Beginning of Year	8,500,226	15,643,383	509,324	901,073	25,554,006
<b>Cash, End of Year</b>	<b>\$ 14,403,103</b>	<b>\$ 15,293,414</b>	<b>\$ 280,546</b>	<b>\$ 1,183,901</b>	<b>\$ 31,160,964</b>
<b>Non-Cash Operating Activities</b>					
Loss on refunding	\$ 230,186	\$ 179,378	\$ 5,180	\$ -	\$ 414,744
<b>Non-Cash Capital and Related Financing Activities</b>					
Capital lease	\$ (17,172)	\$ -	\$ -	\$ (25,825)	\$ (42,997)
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>					
Operating income (loss)	\$ (1,385,508)	\$ 676,833	\$ (5,883,618)	\$ (3,102,306)	\$ (9,694,599)
Adjustments to reconcile operating loss to net cash from operating activities:					
Depreciation	3,900,916	2,042,173	6,693,910	398,681	13,035,680
Changes in assets and liabilities:					
Accounts receivable	(39,004)	(32,587)	(9,427)	14,936	(66,082)
Unbilled receivables	31,005	(114,268)	(965)	586	(83,642)
Due to/from other government entities	481,317	-	557,303	405,073	1,443,693
Inventories	9,219	11,417	(2,414)	(52,602)	(34,380)
Accounts payable and other liabilities	(235,826)	(717,699)	(58,105)	(112,408)	(1,124,038)
Accrued expenses	11,665	2,501	3,611	20,116	37,893
Landfill closure	-	236,196	-	-	236,196
Unearned revenue	(32,981)	(424,784)	(684,065)	(500)	(1,142,330)
Compensated absences	60,128	27,569	4,112	10,164	101,973
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 2,800,931</b>	<b>\$ 1,707,351</b>	<b>\$ 620,342</b>	<b>\$ (2,418,260)</b>	<b>\$ 2,710,364</b>

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Statement of Net Position – Fiduciary Funds As of June 30, 2020

	Pension Trust	LOSAP Trust	OPEB Trust	Total Pension and OPEB Trust Funds	Private Purpose Trust	Agency
<b>ASSETS</b>						
Cash and short-term investments	\$ 2,388,889	\$ 119,943	\$ 488,116	\$ 2,996,948	\$ 9,668	\$ 3,946,628
Investments, at fair value:						
U.S. Government obligations	-	-	-	-	-	-
Corporate bonds and obligations	-	-	-	-	-	-
Fixed income securities	44,442,895	3,306,146	8,361,574	56,110,615	-	-
Corporate stock	-	-	-	-	-	-
Equity funds	85,394,644	6,303,967	16,059,383	107,757,994	129,690	-
Accounts receivable	61,574	4,559	-	66,133	-	-
<b>TOTAL ASSETS</b>	<u>132,288,002</u>	<u>9,734,615</u>	<u>24,909,073</u>	<u>166,931,690</u>	<u>139,358</u>	<u>3,946,628</u>
<b>LIABILITIES</b>						
Accounts payable	-	-	254,563	254,563	2,150	142,941
Due to student groups	-	-	-	-	-	3,803,687
Due to primary government	-	-	-	-	46,347	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>254,563</u>	<u>254,563</u>	<u>48,497</u>	<u>3,946,628</u>
<b>NET POSITION</b>						
Held in trust for pension and OPEB	132,288,002	9,734,615	24,654,510	166,677,127	-	-
Held in trust for scholarships	-	-	-	-	90,861	-
<b>NET POSITION</b>	<u>\$ 132,288,002</u>	<u>\$ 9,734,615</u>	<u>\$ 24,654,510</u>	<u>\$ 166,677,127</u>	<u>\$ 90,861</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, 2020

	<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	\$ 12,137,468	\$ 564,557	\$ 14,879	\$ 12,716,904	\$ -
Plan members	2,183,984	-	-	2,183,984	-
Gifts and contributions	-	-	-	-	6,700
<b>Total Contributions</b>	<u>14,321,452</u>	<u>564,557</u>	<u>14,879</u>	<u>14,900,888</u>	<u>6,700</u>
Investment Income:					
Realized and unrealized gains	711,411	39,492	151,759	902,662	-
Interest and dividends	55,928	3,933	14,648	74,509	3,058
Other income	4,258,508	304,344	756,470	5,319,322	-
<b>Total Investment Income</b>	<u>5,025,847</u>	<u>347,769</u>	<u>922,877</u>	<u>6,296,493</u>	<u>3,058</u>
<b>TOTAL ADDITIONS</b>	<u>19,347,299</u>	<u>912,326</u>	<u>937,756</u>	<u>21,197,381</u>	<u>9,758</u>
<b>DEDUCTIONS</b>					
Benefits	15,048,127	629,306	533,287	16,210,720	-
Scholarship expenses	-	-	-	-	41,104
Administrative expenses	172,390	29,543	46,687	248,620	-
<b>TOTAL DEDUCTIONS</b>	<u>15,220,517</u>	<u>658,849</u>	<u>579,974</u>	<u>16,459,340</u>	<u>41,104</u>
<b>CHANGES IN NET POSITION</b>	<u>4,126,782</u>	<u>253,477</u>	<u>357,782</u>	<u>4,738,041</u>	<u>(31,346)</u>
<b>NET POSITION - BEGINNING 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>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 132,288,002</u>	<u>\$ 9,734,615</u>	<u>\$ 24,654,510</u>	<u>\$ 166,677,127</u>	<u>\$ 90,861</u>

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

### 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, 2020 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, 2020

### 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, 2020

### 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, 2020

### 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, 2020

### 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.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2020

### 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, 2020

### 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, 2020

### 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. In fiscal year 2020, the County postponed the tax sale and it was held in September due to shut downs related to the COVID-19 pandemic.

#### 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
	As of March 1, 2020, the County Commissioners reduced the tax to 7.5% of gross rentals, with a \$20 per month per mobile home space cap on the tax.
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.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

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

#### 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.

#### 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 categories and 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.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

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

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

##### *Financial Capacity and Analysis Phase* (continued)

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

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

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

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

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

##### *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.



# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

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

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

##### *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.

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.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

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

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

##### *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 and provide quarterly updates on the County's website as well as updates on major events and/or issues.

##### *Balanced Budget*

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

##### *Costing of Services*

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

##### *Amendment to the Budget*

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

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

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

##### *Amendment to the Budget* (continued)

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.

### 3. CASH AND SHORT-TERM INVESTMENTS

#### **Primary Government**

##### *Deposits*

As of June 30, 2020, the carrying amount of the County’s deposits was \$78,941,516 and the bank balances were \$80,888,871. All deposits are carried at cost plus accrued interest. There were no significant violations of the collateralization requirements during the year ended June 30, 2020. 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, 2020, the County’s bank balance of \$80,888,871 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, 2020

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

#### Primary Government (continued)

#### Investments

As of June 30, 2020, 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	\$ 80,339,632	\$ 80,339,632		\$ -	\$ -
Total investments held in County's name	80,339,632	80,339,632	-	-	-
Investments held by trustee of					
Pension plan:					
U S government obligations, municipal and corporate bonds	-	-	-	-	-
Fixed income securities	44,442,895	44,442,895	-	-	-
Equity funds	85,394,644	85,394,644	-	-	-
Money market funds	2,388,889	2,388,889	-	-	-
Interest and dividends receivable	61,574	61,574	-	-	-
Total Investments held by trustee of pension plan	132,288,002	132,288,002	-	-	-
Investments held by trustee of					
LOSAP plan:					
U S government obligations and corporate bonds	-	-	-	-	-
Fixed income funds	3,306,146	3,306,146	-	-	-
Equity funds	6,303,967	6,303,967	-	-	-
Money market funds	119,943	119,943	-	-	-
Interest and dividends receivable	4,559	4,559	-	-	-
Total Investments held by trustee of LOSAP plan	9,734,615	9,734,615	-	-	-
Investments held by trustee of					
OPEB plan:					
U S government obligations and corporate bonds	-	-	-	-	-
Fixed income funds	8,361,574	8,361,574	-	-	-
Equity funds	16,059,383	16,059,383	-	-	-
Money market funds	488,116	488,116	-	-	-
Interest and dividends receivable	-	-	-	-	-
Total Investments held by trustee of OPEB plan	24,909,073	24,909,073	-	-	-
<b>Total investments</b>	<b>\$ 247,271,322</b>	<b>\$ 247,271,322</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, 2020

### 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, 2020

### 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, 2020, 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, 2020, 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, 2020

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

#### Board of Education

##### *Cash*

Custodial 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.

Compliance is summarized as follows:

<b>June 30, 2020</b>	<b>Governmental Activities and Business-Type</b>	<b>Fiduciary Responsibilities</b>	<b>Total</b>
Carrying amount of cash deposits	\$ 16,345,655	\$ 3,956,296	\$ 20,301,951
Bank balance of cash deposits	17,651,833	4,082,899	21,734,732
Amount covered by FDIC	253,387	1,412,421	1,665,808
Amount collateralized with securities held by an agent of the pledging financial institution in the School system's name	17,398,446	2,670,478	20,068,924

##### *Investments*

Credit Risk: Maryland statutes authorize the School System to invest in obligations of the United States government or agency obligations. As of June 30, 2020, the School System's operating investments in U.S Government Agencies were rated AAA and AA+ by Standard & Poor's. The School System's fiduciary investments in fixed income mutual funds and corporate bonds were not rated and rated A+, respectively, as of June 30, 2020.

Interest Rate and Custodial Risk: Investments are made in Federal government securities 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 investments 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, 2020

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

#### Board of Education (continued)

#### *Investments (continued)*

Retiree Health Plan Trust Investments: The investments of the MABE Trust are stated at fair value, are deposited with Fidelity, and are managed by GYL Financial Synergies, LLC. The MABE Trust categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 are significant unobservable inputs. Although all investments of the MABE Trust are considered Level 1 and Level 2, the School System's membership in the MABE Trust is considered Level 2. As of June 30, 2020, the pooled net position of the MABE Trust was \$435,236,445 in total, of which the School System's allocated investment balance was \$81,131,866. The School System's allocated investments consist of the following:

Cash and Cash Equivalents	\$ 4,767,560
Interest Receivable	87,038
Corporate Bonds	10,119,478
Fixed Income Mutual Funds	6,028,739
Equity Securities	16,738,623
Mutual Funds	31,642,007
U.S. Government Agency	11,748,421
	<u>\$ 81,131,866</u>

The School System may terminate its membership in the MABE Trust and withdraw its allocated investment balance by providing written notification six months prior to the intended date of withdrawal.

Concentration of Credit Risk: The School System does not have a formal policy that places a limit on the amount or percent that may be invested in any one issuer. More than 5% of the School System's Governmental Activities investments are investments in the Federal Home Loan Bank and the Federal Farm Credit Bank. These investments are 16% and 47%, respectively, of the Governmental Activities investments. More than 5% of the School System's General Fund investments are investments in the Federal Home Loan Bank and the Federal Farm Credit Bank. These investments are 26% and 74%, respectively, of the General Fund investments.



# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

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

#### Board of Education (continued)

#### Investments (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, 2020, the School System had the following investments and maturities:

June 30, 2020	Governmental Activities	Business-Type Activities	Fiduciary Responsibilities	Total
United States Treasury Note - 1.375% matures May 31, 2021	\$ 7,540,888	\$ -	\$ -	\$ 7,540,888
United States Treasury Note - 2.625% matures July 31, 2020	6,507,109	-	-	6,507,109
Federal Farm Credit Bank - 1.620% matures April 22, 2021	6,503,723	-	-	6,503,723
Federal Farm Credit Bank - 1.550% matures January 28, 2022	6,131,462	-	-	6,131,462
Federal Home Loan Bank - 2.875% matures September 11, 2020	6,038,847	-	-	6,038,847
Federal Farm Credit Bank - 1.740% matures October 21, 2022	4,996,000	-	-	4,996,000
Income Fund of America	-	-	67,706	67,706
Certificates of Deposit	-	-	61,984	61,984
Retiree Health Plan Trust	-	-	81,131,866	81,131,866
	<u>\$ 37,718,029</u>	<u>\$ -</u>	<u>\$ 81,261,556</u>	<u>\$ 118,979,585</u>

Investment Type	Fair Value June 30, 2020	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Agencies	\$ 37,718,029	\$ 26,590,567	\$ 11,127,462	\$ -	\$ -
Certificate of Deposit	61,984	61,984	-	-	-
Income Fund of America	67,709	67,709	-	-	-
Retiree Health Plan Trust	27,896,638	6,028,739	10,119,478	-	11,748,421
	<u>\$ 65,744,360</u>	<u>\$ 32,748,999</u>	<u>\$ 21,246,940</u>	<u>\$ -</u>	<u>\$ 11,748,421</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

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

#### Board of Education (continued)

#### *Investments* (continued)

*Investments and Fair Value* – Investments are measured at fair value on a recurring basis in accordance with the framework established by GASB Statement No. 72, “Fair Value Measurement and Application”. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as below:

Level 1 – inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School System has the ability to access.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets or inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Fair value of assets measured on a recurring basis as of June 30, 2020 are as follows:

	Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Government Agency Securities	\$ 37,718,029	\$ -	\$ 37,718,029	\$ -
Certificates of Deposit	61,984	61,984	-	-
Mutual Fund - Income Fund	67,706	67,706	-	-
	<u>\$ 37,847,719</u>	<u>\$ 129,690</u>	<u>\$ 37,718,029</u>	<u>\$ -</u>

Certificates of Deposit and mutual funds are valued using prices quoted in active markets for those securities. U.S. government agency securities are valued using quoted market prices for similar securities.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

### 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	Non-Major	Capital Projects	Total
Receivables:				
Taxes receivable	\$ 2,151,651	\$ -	\$ -	\$ 2,151,651
Accounts receivable	3,136,933	222,584	678,311	4,037,828
Gross receivables	5,288,584	222,584	678,311	6,189,479
Less: allowance for uncollectibles	(1,317,962)	-	-	(1,317,962)
<b>Net Total Receivables</b>	<b>\$ 3,970,622</b>	<b>\$ 222,584</b>	<b>\$ 678,311</b>	<b>\$ 4,871,517</b>

	Business-type Activities				
	Water Quality	Solid Waste	Airport	Non-Major	Total
Accounts receivable	\$ 1,196,007	\$ 331,397	\$ 36,594	\$ 1,324	\$ 1,565,322
Less: allowance for uncollectibles	(15,668)	(6,255)	(923)	(1)	(22,847)
<b>Net Total Receivables</b>	<b>\$ 1,180,339</b>	<b>\$ 325,142</b>	<b>\$ 35,671</b>	<b>\$ 1,323</b>	<b>\$ 1,542,475</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 \$760,389. 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, 2020

### 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

#### Primary Government

	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 93,489,114	\$ 3,710,163	\$ (98,209)	\$ 97,101,068
Capital assets, being depreciated:				
Land improvements	14,982,427	610,152	(8,210)	15,584,369
Building and improvements	105,790,598	1,459,854	-	107,250,452
Vehicles	16,795,196	1,727,439	(516,796)	18,005,839
Infrastructure	1,185,704,063	12,249,441	(49,033)	1,197,904,471
Machinery and equipment	10,991,338	504,604	(374,290)	11,121,652
Office furniture and equipment	971,985	-	-	971,985
Computer equipment	35,906,439	320,436	(634,714)	35,592,161
Total capital assets, being depreciated	1,371,142,046	16,871,926	(1,583,043)	1,386,430,929
<b>Total Capital Assets</b>	<b>1,464,631,160</b>	<b>20,582,089</b>	<b>(1,681,252)</b>	<b>1,483,531,997</b>
Accumulated depreciation for:				
Land improvements	(6,832,493)	(475,846)	8,210	(7,300,129)
Building and improvements	(40,314,548)	(3,103,350)	-	(43,417,898)
Vehicles	(11,982,413)	(1,477,783)	506,788	(12,953,408)
Infrastructure	(951,169,826)	(8,731,278)	44,130	(959,856,974)
Machinery and equipment	(6,424,005)	(724,614)	374,290	(6,774,329)
Office furniture and equipment	(899,490)	(18,124)	-	(917,614)
Computer equipment	(29,385,585)	(3,411,114)	628,196	(32,168,503)
Total accumulated depreciation	(1,047,008,360)	(17,942,109)	1,561,614	(1,063,388,855)
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 417,622,800</b>	<b>\$ 2,639,980</b>	<b>\$ (119,638)</b>	<b>\$ 420,143,142</b>
<b>Projects Under Construction</b>	<b>\$ 15,046,462</b>	<b>\$ 22,417,784</b>	<b>\$ (17,291,665)</b>	<b>\$ 20,172,581</b>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

### 5. CAPITAL ASSETS (continued)

#### Primary Government (continued)

	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 12,202,911	\$ -	\$ -	\$ 12,202,911
Capital assets, being depreciated:				
Land improvements	147,815,451	282,265	-	148,097,716
Building and improvements	63,371,246	273,157	-	63,644,403
Facilities	123,968,238	1,655,490	-	125,623,728
Vehicles	7,690,094	460,374	(333,171)	7,817,297
Machinery and equipment	13,339,972	76,672	(16,269)	13,400,375
Office furniture and equipment	272,987	-	-	272,987
Computer equipment	2,441,204	66,530	(36,800)	2,470,934
Treatment plants	100,431,428	222,437	-	100,653,865
Total capital assets, being depreciated	459,330,620	3,036,925	(386,240)	461,981,305
<b>Total Capital Assets</b>	471,533,531	3,036,925	(386,240)	474,184,216
Accumulated depreciation for:				
Land improvements	(107,207,725)	(6,754,171)	-	(113,961,896)
Building and improvements	(23,342,225)	(1,599,516)	-	(24,941,741)
Facilities	(37,506,579)	(1,651,321)	-	(39,157,900)
Vehicles	(6,535,212)	(582,901)	333,171	(6,784,942)
Machinery and equipment	(9,944,596)	(666,332)	16,269	(10,594,659)
Office furniture and equipment	(272,988)	-	-	(272,988)
Computer equipment	(2,053,088)	(62,291)	36,800	(2,078,579)
Treatment plants	(27,873,511)	(1,955,551)	-	(29,829,062)
Total accumulated depreciation	(214,735,924)	(13,272,083)	386,240	(227,621,767)
<b>Business-type Activities Capital Assets, Net</b>	\$ 256,797,607	\$ (10,235,158)	\$ -	\$ 246,562,449
<b>Projects Under Construction</b>	\$ 2,136,826	\$ 6,481,911	\$ (1,765,500)	\$ 6,853,237

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

### 5. CAPITAL ASSETS (continued)

#### Primary Government (continued)

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

#### Governmental Activities:

General Government	\$ 11,914,794
Public Safety	4,732,298
Park, recreation and culture	348,862
Conservation of Natural Resources	31,782
Highways and streets	914,373

<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 17,942,109</b>
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#### Business-Type Activities:

Public Transit Fund	\$ 274,622
Airport Fund	6,693,910
Golf Course Fund	124,059
Water Quality Fund	3,900,916
Solid Waste Fund	2,042,173

<b>Total Depreciation Expense - Business-Type Activities</b>	<b>\$ 13,035,680</b>
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#### Board of Education

	Balance June 30, 2019	Additions	Deletions	Reclasses	Balance June 30, 2020
<b>Government activities</b>					
Capital assets, not being depreciated:					
Land	\$ 8,813,307	\$ -	\$ -	\$ -	\$ 8,813,307
Facilities under construction	10,471,542	27,441,398	-	-	37,912,940
	19,284,849	27,441,398	-	-	46,726,247
Capital assets, being depreciated:					
Building and improvements	346,825,006	7,155	(183,369)	-	346,648,792
Furniture and equipment	54,003,651	3,482,681	(2,784,576)	5,543,835	60,245,591
Equipment under capital leases	5,543,835	51,428	-	(5,543,835)	51,428
	406,372,492	3,541,264	(2,967,945)	-	406,945,811
Accumulated depreciation:					
Building and improvements	(158,584,086)	(7,204,111)	108,042	-	(165,680,155)
Furniture and equipment	(34,453,923)	(4,932,356)	2,677,589	(4,310,976)	(41,019,666)
Buildings and equipment under capital lease	(4,310,976)	(12,812)	-	4,310,976	(12,812)
	(197,348,985)	(12,149,279)	2,785,631	-	(206,712,633)
<b>Governmental activities capital assets, net</b>	<b>\$ 228,308,356</b>	<b>\$ 18,833,383</b>	<b>\$ (182,314)</b>	<b>\$ -</b>	<b>\$ 246,959,425</b>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

### 5. CAPITAL ASSETS (continued)

#### Board of Education (continued)

	<b>Balance June 30, 2019</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2020</b>
<b>Business-type activities</b>				
Capital assets, being depreciated:				
Furniture and equipment	\$ 5,375,778	\$ 264,473	\$ (180,706)	\$ 5,459,545
Accumulated depreciation:				
Furniture and equipment	(3,746,532)	(323,202)	177,511	(3,892,223)
<b>Business-type activities capital assets, net</b>	<b>\$ 1,629,246</b>	<b>\$ (58,729)</b>	<b>\$ (3,195)</b>	<b>\$ 1,567,322</b>

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

Governmental activities:	
Other instructional costs	\$ 3,102,434
Student transportation services	1,409,986
Operation of plant	178,693
Depreciation - unallocated	7,458,166
<b>Total governmental activities depreciation expense</b>	<b>\$ 12,149,279</b>
Business-type activities:	
Food services	\$ 323,202

### 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.”

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
Capital Projects	General Fund	\$ 24,908,614
	HEPMPO	185,919
	Grant Management	44,885
<b>Total</b>		<b>\$ 25,139,418</b>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

### 6. INTERFUND RECEIVABLES AND PAYABLES (continued)

#### Board of Education

Receivable Entity	Payable Entity	Amount
Component unit - Board of Education	Primary government - capital projects	\$ 4,392,646

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:

Fund	Operating Transfers In	Operating Transfers Out	Capital Transfers In	Capital Transfers Out
General Fund:				
Capital Projects	\$ -	\$ -	\$ -	\$ 4,860,420
Solid Waste	-	598,340	-	-
Public Transit	-	594,090	-	-
Water Quality	-	3,228,140	-	-
Grants Management	-	284,690	-	-
Agricultural Education Center	-	184,900	-	-
Golf Course	-	347,640	-	-
HEPMPO	-	8,580	-	-
Land Preservation	-	80,499	-	-
Cascade Town Centre	-	203,880	-	-
Capital Projects Fund:				
General Fund	-	-	4,860,420	-
Airport Fund	-	-	-	607,000
Water Quality	-	-	-	179,313
Transit	-	-	-	135,000
Land Preservation	-	-	-	400,000



# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

### 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>
Solid Waste:				
General Fund	598,340	-	-	-
Public Transit:				
General Fund	594,090	-	-	-
HEPMPO	-	17,730	-	-
Capital Projects	-	-	135,000	-
Water Quality:				
General Fund	3,228,140	-	-	-
Capital Projects	-	-	179,313	-
Airport:				
Hotel Rental	11,640	-	-	-
Capital Projects	-	-	607,000	-
Golf Course:				
General Fund	347,640	-	-	-
Grant Management Fund:				
General Fund	284,690	-	-	-
Agricultural Education Center:				
General Fund	184,900	-	-	-
HEPMPO:				
General Fund	8,580	-	-	-
Public Transit Fund	17,730	-	-	-
Hotel Rental:				
Airport	-	11,640	-	-
Land Preservation:				
General Fund	80,499	-	-	-
Capital Projects Fund	-	-	400,000	-
Cascade Town Centre				
General Fund	203,880	-	-	-
<b>Total</b>	<u>\$ 5,560,129</u>	<u>\$ 5,560,129</u>	<u>\$ 6,181,733</u>	<u>\$ 6,181,733</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

### 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%	\$ 142,919,047	\$ 14,788,370	\$ 16,361,201	\$ 141,346,216	\$ 10,557,360
Unamortized bond premium		6,100,334	2,306,111	924,406	7,482,039	-
Total bonds payable		149,019,381	17,094,481	17,285,607	148,828,255	10,557,360
Other loans payable						
Direct Borrowing: Maryland Water Quality loans	1 0%	3,055,456	-	578,885	2,476,571	276,012
Total bonds and loans payable		152,074,837	17,094,481	17,864,492	151,304,826	10,833,372
Direct Borrowing: Agricultural Land Preservation	3 0%	1,305,551	-	181,779	1,123,772	181,779
Capital lease obligations	2 1%	618,569	-	275,718	342,851	284,757
Net pension liability		116,051,267	2,707,266	-	118,758,533	-
Governmental Activity Long-term Liabilities		270,050,224	19,801,747	18,321,989	271,529,982	11,299,908
<b>Business-type Activities</b>						
Public Sale Bonds payable:						
General obligation bonds	2 0-5 9%	\$ 35,212,098	\$ 8,391,630	\$ 6,634,944	\$ 36,968,784	\$ 2,417,641
Unamortized bond premium		2,114,734	1,071,235	235,939	2,950,030	-
Unamortized bond discount		(618)	-	(618)	-	-
Total bonds payable		37,326,214	9,462,865	6,870,265	39,918,814	2,417,641
Other loans payable:						
Direct Borrowing: Maryland Water Quality loans	40-1 7%	9,523,936	-	1,834,811	7,689,125	1,027,112
Total bonds and loans payable		46,850,150	9,462,865	8,705,076	47,607,939	3,444,753
Capital lease obligations	4 9%	81,767	-	39,835	41,932	41,932
Business-type Activity Long-term Liabilities		46,931,917	9,462,865	8,744,911	47,649,871	3,486,685
<b>Total Combined Activities</b>						
Long-term Liabilities		\$ 316,982,141	\$ 29,264,612	\$ 27,066,900	\$ 319,179,853	\$ 14,786,593
Board of Education	7 17%	\$ 1,097,714	\$ 51,248	\$ 1,109,430	\$ 39,532	\$ 8,881

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

### 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		Direct		General		Direct	
	Obligation Bonds		Borrowings		Obligation Bonds		Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 10,557,360	\$ 4,685,861	\$ 276,012	\$ 24,766	\$ 2,417,641	\$ 1,122,934	\$ 1,027,112	\$ 58,287
2022	9,697,466	4,544,736	514,890	22,005	2,117,534	1,181,841	1,484,986	49,521
2023	9,689,199	4,142,481	553,317	16,856	2,210,802	1,091,059	1,576,367	37,733
2024	10,112,139	3,729,674	278,877	11,324	2,242,860	993,443	379,213	24,973
2025	10,115,685	3,346,361	281,666	8,534	2,279,316	896,888	319,984	21,553
2026-2030	43,670,256	11,451,682	571,810	8,593	11,699,739	3,156,681	1,514,188	76,373
2031-2035	32,138,697	4,704,796	-	-	8,016,301	1,374,060	1,029,110	36,970
2036-2040	14,787,158	906,429	-	-	3,787,847	441,846	358,165	4,194
2041-2050	578,256	5,782	-	-	2,196,744	278,293	-	-
Total	<u>\$ 141,346,216</u>	<u>\$ 37,517,802</u>	<u>\$ 2,476,572</u>	<u>\$ 92,078</u>	<u>\$ 36,968,784</u>	<u>\$ 10,537,045</u>	<u>\$ 7,689,125</u>	<u>\$ 309,604</u>
Plus:								
Unamortized premium	7,482,039				2,950,030			
	<u>\$ 148,828,255</u>				<u>\$ 39,918,814</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, 2020, the unused authorization was \$60,425,722.

#### 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, 2020, there were Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$40,773,408.

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements June 30, 2020

#### 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, 2020, are as follows:

<b>As of June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirement</b>
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
2025	181,779	7,933	189,712
Thereafter	214,877	4,960	219,837
<b>Total</b>	<b>\$ 1,123,772</b>	<b>\$ 80,981</b>	<b>\$ 1,204,753</b>

For the year ended June 30, 2020, total principal and interest incurred related to agricultural land preservation installments was \$181,779 and \$26,111, respectively.

##### Capital Leases

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 on 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. On July 25, 2018, the General Fund entered into a capital lease agreement for equipment. The lease calls for monthly lease payments of \$1,481 through August 14, 2021. Payments commenced September 14, 2019. The future minimum lease payments under this agreement are as follows:

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

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

#### Primary Government (continued)

#### Capital Leases (continued)

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 295,689
2022	59,868
2023	<u>3</u>
Total minimum payments	355,560
Less: amounts representing interest	<u>12,709</u>
Present value of net minimum lease payments	<u>\$ 342,851</u>

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>
2021	\$ 18,325
Less: amounts representing interest	<u>585</u>
Present value of net minimum lease payments	<u>\$ 17,740</u>

On February 27, 2019, the Transit fund entered into a capital lease agreement for vehicles. The lease calls for 3 annual lease payments of \$25,825. Payments commenced February 27, 2019 with the final payment of \$25,825 on February 27, 2021. The future minimum payments under this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 25,825
Less: amounts representing interest	<u>1,633</u>
Present value of net minimum lease payments	<u>\$ 24,192</u>

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements June 30, 2020

#### 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, 2020.

	<u>Capitalized Amount</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value 2020</u>
General Fund	\$ 1,869,991	\$ 570,926	\$ 1,299,065
Water Quality	85,955	25,786	60,169
Transit	72,679	18,170	54,509
<b>Total</b>	<u>\$ 2,028,625</u>	<u>\$ 614,882</u>	<u>\$ 1,413,743</u>

##### Board of Education

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

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 11,716
2022	11,716
2023	11,716
2024	11,716
Total minimum payments	46,864
Less: amounts representing interest	7,332
Present value of net minimum lease payments	<u>\$ 39,532</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, 2020, \$0 of long-term obligations outstanding are considered defeased.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

### 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.

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.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2020

### 9. OPERATING LEASE AGREEMENTS (continued)

#### Primary Government (continued)

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.

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.



# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2020

### 9. OPERATING LEASE AGREEMENTS (continued)

#### Primary Government (continued)

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.

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, 2020, rental income for the above leases of \$918,214 was recognized in the Airport Fund.

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements June 30, 2020

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

##### Primary Government (continued)

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, 2020, outsourcing revenue of \$345,600 was recognized in the Water Quality Fund.

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

Total lease payments for the year ended June 30, 2020, were \$52,300.

#### 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, 2020, and is capped at 250 hours. 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, 2020, was \$3,484,172 and \$664,032, respectively. Unused vacation and sick leave will be liquidated by the respective government and enterprise funds where the current employee costs are recorded.

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements June 30, 2020

#### 10. UNUSED VACATION AND SICK LEAVE (continued)

##### **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 as of June 30, 2020 amounted to \$7,339,891. As of June 30, 2020, \$472,995 is considered payable with current resources and is included in accrued liabilities in the governmental fund level financial statements. This amount represents the pending payouts of unused leave owed to employees separated from active service as of the year ended June 30, 2020. 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.

#### 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.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

### 11. RETIREMENT PLANS (continued)

#### Primary Government (continued)

##### *Plan Description (continued)*

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

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

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

The net pension liability by plan is as follows:

Retirement Plan	
Net Pension Liability	\$ 116,761,175
LOSAP Plan	
Net Pension Liability	<u>1,997,358</u>
<b>Total</b>	<u><b>\$ 118,758,533</b></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.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

### 11. RETIREMENT PLANS (continued)

#### Primary Government (continued)

##### *Investments (continued)*

<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, 2020, which is the latest actuarial report available.

##### *Membership of the Plan*

The membership consisted of the following as of June 30, 2020, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	439
Terminated Plan members entitled to but not yet receiving benefits	56
Active Plan members	<u>762</u>
<b>Total</b>	<u><u>1,257</u></u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

### 11. RETIREMENT PLANS (continued)

#### Primary Government (continued)

##### *Actuarial Assumptions*

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2020 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%	5.8%
Domestic Mid/Small Cap Equities	10%	6.2%
International Equity	15%	6.1%
Real Estate Investment Trusts	5%	4.9%
Core Fixed Income	23%	1.1%
High Yield Bonds	10%	4.4%
Cash	2%	0.0%
Inflation		2.0%
<b>Total</b>	<b>100%</b>	

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

The total pension liability for the current year was determined as part of the June 30, 2020, 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.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

### 11. RETIREMENT PLANS (continued)

#### Primary Government (continued)

##### *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, 2020 is as follows:

Total pension liability	\$ 249,049,177
Net position	(132,288,002)
Net pension liability	<u>\$ 116,761,175</u>

Net position as a percentage of total pension liability is 53.12%.

##### *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>\$ 148,769,655</u>	<u>\$ 116,761,175</u>	<u>\$ 90,079,840</u>

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

For the year ended June 30, 2020, the County recognized pension expense of \$21,216,611 for the Plan. As of June 30, 2020, 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	\$ 2,709,117	\$ 1,814,100
Change in assumptions	5,230,751	-
Net difference between projected and actual investment earnings	3,267,632	-
<b>Total</b>	<u>\$ 11,207,500</u>	<u>\$ 1,814,100</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

### 11. RETIREMENT PLANS (continued)

#### Primary Government (continued)

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

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

<u>Years Ended June 30,</u>	<u>Amount</u>
2021	\$ 7,167,653
2022	789,218
2023	1,079,054
2024	680,371
2025	(322,896)
<b>Total</b>	<u><u>\$ 9,393,400</u></u>

#### Board of Education

##### *Plan Description*

The employees of the Board are covered by the Maryland State Retirement and Pension System (the System), which is a multiple-employer cost sharing employer defined benefit public employee retirement system. While there are five retirement and pension systems under the System, employees of the Board are a member of either the Teachers' Retirement and Pension Systems or the Employees' Retirement and Pension Systems. The Plans are administered by the State Retirement Agency. The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System issues a publicly available financial report that can be obtained at <http://www.sra.state.md.us>. The System provides retirement allowances and other benefits to State teachers and employees of participating governmental units, among others. The School System participates in the Maryland Teachers' Retirement System (TRS), the Maryland Teachers' Pension System (TPS), the Maryland State Employee's Retirement System (ERS), and the Maryland State Employee's Pension System (EPS). Eligible professional and clerical personnel are covered under TRS or TPS. Eligible maintenance, custodial, and food service personnel are covered under ERS or EPS.



# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

### 11. RETIREMENT PLANS (continued)

#### Board of Education (continued)

##### *Benefits Provided*

Maryland Teacher's Retirement System (TRS): Under TRS, the members are eligible for full service retirement allowances upon attaining age 60 or upon accumulating 30 years of eligible service regardless of age. The retirement allowance is 1/55th of average final compensation for the three highest years as a member for each year of creditable service. Creditable service is based on a full normal working time for teachers – ten months equals one year. TRS members are eligible for early service retirement allowances upon accumulating at least 25 years prior to attaining age 60. The service retirement allowance is reduced by 0.005 for each month that date of retirement proceeds the earlier of age 60 or the date the member would have completed 30 years of eligibility service. The maximum reduction is 30%.

They are also eligible for ordinary disability retirement allowance upon completing five years of eligibility service and receiving certification from the Medical Board that they are permanently incapable of performing their necessary job function. The ordinary disability benefit is 1/55th of average final compensation for the three highest years as a member for each of creditable service. The minimum benefit is 25% of average final compensation; the maximum benefit can be not greater than 1/55th of average final compensation for each year of creditable service the member would have accrued if employment continued to age 60. TRS members are eligible for accidental disability benefits if the Medical Board certifies that, in the course of job performance and as the direct result of an accidental injury, they become totally and permanently disabled. The accidental disability benefit is equal to 66 2/3% of the employee's average final compensation for the three highest consecutive years as a member plus the annuity provided by accumulated member contributions but cannot be greater than the average final compensation.

To be eligible for death benefits under the TRS plan, members must have either accumulated at least one year of eligible service prior to date of death or died in the line of duty. Such benefits consist of a one-time lump sum payment equal to the member's annual earnable compensation at the time of death, plus accumulated member contributions.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

### 11. RETIREMENT PLANS (continued)

#### Board of Education (continued)

#### *Benefits Provided* (continued)

Maryland Teacher's Pension System (TPS): Under TPS, there are two membership classes. All employees who were members on or before June 30, 2011, participate in the Alternate Contributory Pension Selection (ACPS) and all employees who enroll after July 1, 2011 participate in the Reformed Contributory Pension Benefit (RCPB). ACPS members qualify for normal retirement benefits upon (a) completing 30 years of eligible service, (b) reaching 62 with 5 years of eligible service, (c) reaching age 63 with 4 years of eligible service, (d) reaching age 64 with 3 years of eligible service, or (e) reaching age 65 or older with 2 years of eligible service. ACPS members are eligible for early retirement benefits after attainment of the age 55 with at least 15 years of eligible service. RCPB members qualify for normal retirement benefits when they attain a combined age and eligibility service of 90 years or after reaching age 65 with 10 years of eligible service. RCPB members are eligible for early retirement after attaining the age of 60 with at least 15 years of eligible service. Benefits are generally equal to 0.8%-1.5% of the member's final average salary multiplied by the number of years of credited service, depending upon membership class.

Participants are eligible for ordinary disability retirement benefits after completing five years of service. The benefit allowance is computed on the basis that the service continues until age 62 without any change in rate of earnable compensation. If disability occurs after age 62 (age 65 for RCPB), the benefit is based on creditable service at time of retirement. Participants are eligible for accidental disability retirement benefits if the disability occurred in the actual performance of the employee's duty.

The accidental disability benefits is equal to 66 2/3% of the employee's average final compensation for the three highest consecutive years as a member plus the annuity provided by accumulated member contributions, but cannot be greater than the average final compensation. To be eligible for death benefits under the TPS plan, members must have either accumulated at least one year of eligible service prior to date of death or died in the line of duty. Such benefits consist of a one-time lump sum payment equal to the member's annual earnable compensation at the time of death, plus accumulated member contributions.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

### 11. RETIREMENT PLANS (continued)

#### Board of Education (continued)

##### *Benefits Provided* (continued)

Maryland Employee's Retirement System (ERS): Under ERS, the members are eligible for full service retirement allowances upon attaining age 60 or upon accumulating 30 years of eligible service regardless of age. The retirement allowance is 1/55th of average final compensation for the three highest years as a member for each year of creditable service. ERS members are eligible for early service retirement allowances upon accumulating at least 25 years prior to attaining age 60. The service retirement allowance is reduced by 0.005 for each month that date of retirement proceeds the earlier of age 60 or the date the member would have completed 30 years of eligibility service. The maximum reduction is 30%.

They are also eligible for ordinary disability retirement allowance upon completing five years of eligibility service and receiving certification from the Medical Board that they are permanently incapable of performing their necessary job function. The ordinary disability benefit is 1/55th of average final compensation for the three highest years as a member for each of creditable service. The minimum benefit is 25% of average final compensation; the maximum benefit can be not greater than 1/55th of average final compensation for each year of creditable service the member would have accrued if employment continued to age 60. ERS members are eligible for accidental disability benefits if the Medical Board certifies that, in the course of job performance and as the direct result of an accidental injury, they become totally and permanently disabled. The accidental disability benefit is equal to 66 2/3% of the employee's average final compensation for the three highest consecutive years as a member plus the annuity provided by accumulated member contributions but cannot be greater than the average final compensation.

To be eligible for death benefits under the ERS plan, members must have either accumulated at least one year of eligible service prior to date of death or died in the line of duty. Such benefits consist of a one-time lump sum payment equal to the member's annual earnable compensation at the time of death, plus accumulated member contributions. If the member dies prior to accruing one year of service, payment is only the return of accumulated member contributions.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

### 11. RETIREMENT PLANS (continued)

#### Board of Education (continued)

##### *Benefits Provided (continued)*

Maryland Employee's Pension System (EPS): Under the EPS plan, members are eligible for full service pension allowance upon accumulating 30 years of eligibility regardless of age. Absent 30 years eligible service, members must meet one of the following conditions to be eligible for full service pension allowance: (a) 62 with 5 years of eligible service, (b) age 63 with 4 years of eligible service, (c) age 64 with 3 years of eligible service, or (d) age 65 or older with 2 years of eligible service. Members are eligible for early service pension liability upon attaining age 55 with at least 15 years of service or attaining age 60 with 15 years of service, depending on plan. Allowances for both normal and early retirement are based on membership class.

They are also eligible for ordinary disability retirement allowance upon completing five years of eligibility service and receiving certification from the Medical Board that they are permanently incapable of performing their necessary job function. The benefit is the service retirement allowance computed on the basis that service continues until age 62 (age 65 for RCPB) without any change in the rate of earnable compensation. EPS members are eligible for accidental disability benefits if the Medical Board certifies that, in the course of job performance and as the direct result of an accidental injury, they become totally and permanently disabled. The accidental disability benefit is equal to 66 2/3% of the employee's average final compensation for the three highest consecutive years (five years for RCPB) as a member plus the annuity provided by accumulated member contributions, but cannot be greater than the average final compensation.

To be eligible for death benefits under the EPS plan, members must have either accumulated at least one year of eligible service prior to date of death or died in the line of duty. Such benefits consist of a one-time lump sum payment equal to the member's annual earnable compensation at the time of death, plus accumulated member contributions.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

### 11. RETIREMENT PLANS (continued)

#### Board of Education (continued)

##### *Contributions*

The Board and covered members are required by State statute to contribute to the System. Members of the Teachers' Pension System and the Teachers' Retirement System are required to contribute between 5-7% annually (depending on the plan). Members of the Employees' Pension System and Employees' Retirement System are required to contribute 2-7% annually, depending on the retirement option selected. The contribution requirements of the System members, as well as the State and participating governmental employers are established and may be amended by the Board of Trustees for the System.

Beginning in FY2017, the Board pays the normal cost for their teachers in the Teachers Retirement and Pension System while the State contributes on behalf of the Board, the unfunded liability portion of the Board's annual required contribution to the Teachers' Retirement and Pension System, which for the year ended June 30, 2020 was \$8,356,744. The State's contributions on behalf of the Board for the year ended June 30, 2020 was \$16,866,357. The fiscal 2020 contributions made by the State on behalf of the Board have been included as both revenues and expenditures in the general fund in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances and are also included as revenues and expenses in the Statement of Activities.

The Board's contractually required contribution rate for the Employees' Retirement and Pension Systems for the year ended June 30, 2019, was 8.95% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Board made its share of the required contributions during the year ended June 30, 2020 of \$1,978,818.

##### *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

As of June 30, 2020, 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:

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

### 11. RETIREMENT PLANS (continued)

#### Board of Education (continued)

#### *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)*

	<b>Teachers' Retirement and Pension System</b>	<b>Employees' Retirement and Pension System</b>
School System's proportionate share of net pension liability	\$ -	\$ 18,526,969
State's proportionate share of net position liability associated with the School System	161,969,534	-
<b>Total</b>	<b>\$ 161,969,534</b>	<b>\$ 18,526,969</b>

For the year ended June 30, 2020, the School System recognized pension expense of \$2,358,023. As of June 30, 2020, 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	\$ 312,479	\$ 504,219
Change in proportion	2,496,902	1,315,850
Net difference between projected and actual investment earnings	375,962	-
Difference between actual and expected experience	-	1,275,926
School System contributions subsequent to the measurement date	1,978,818	-
<b>Total</b>	<b>\$ 5,164,161</b>	<b>\$ 3,095,995</b>

The \$1,978,818 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, 2020.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

### 11. RETIREMENT PLANS (continued)

#### Board of Education (continued)

#### *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)*

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

<u>Years Ended June 30,</u>	<u>Amount</u>
2021	\$ 314,378
2022	(497,535)
2023	(28,027)
2024	341,914
2025	(41,382)
<b>Total</b>	<u><u>\$ 89,348</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 7.40% 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 (6.40%) or 1-percentage point higher (8.40%) than the current rate:

	<u>1.0% decrease (6.40%)</u>	<u>Current rate 7.40%</u>	<u>1.0% increase (8.40%)</u>
Net pension liability	<u>\$ 26,815,933</u>	<u>\$ 18,526,969</u>	<u>\$ 11,623,307</u>

### 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.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

### 12. RISK MANAGEMENT (continued)

#### Primary Government (continued)

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 such 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 \$786,154 which is reflected in the accompanying financial statements as of June 30, 2020. Changes in the claims liability were as follows:

	Years Ended June 30,	
	2020	2019
Liability, beginning of year	\$ 1,260,728	\$ 946,900
Premiums collected and changes in estimates during the year	15,088,549	17,464,120
Claims and administrative costs paid	(15,563,123)	(17,150,292)
Liability, end of year	<u>\$ 786,154</u>	<u>\$ 1,260,728</u>



# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2020

### 12. RISK MANAGEMENT (continued)

#### Primary Government (continued)

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 \$694,972, which is reflected in the accompanying financial statements as of June 30, 2020. Changes in the claims liability were as follows:

	Years Ended June 30,	
	2020	2019
Liability, beginning of year	\$ 951,213	\$ 1,083,777
Premiums collected and changes in estimates during the year	876,072	861,946
Claims and administrative costs paid	(1,132,313)	(994,510)
Liability, end of year	<u>\$ 694,972</u>	<u>\$ 951,213</u>

#### Board of Education

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

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements

June 30, 2020

#### 12. RISK MANAGEMENT (continued)

##### Board of Education (continued)

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.

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 \$44,419,125 for the year ended June 30, 2020.

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements June 30, 2020

#### 12. RISK MANAGEMENT (continued)

##### Board of Education (continued)

The Self-Insurance Fund's accrued liabilities include an estimate of the amount to be paid for self-insured claims incurred prior to June 30, 2020 and 2019. 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,	
	2020	2019
Liability, beginning of year	\$ 2,362,000	\$ 2,875,407
Claims and changes in estimates during the year	49,233,966	45,639,904
Claims paid and accrued	(48,656,966)	(46,153,311)
Liability, end of year	\$ 2,939,000	\$ 2,362,000

#### 13. DEFERRED COMPENSATION PLAN

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

#### 14. SEGMENT INFORMATION

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

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

### 14. SEGMENT INFORMATION (continued)

	<u>Sewer Department</u>	<u>Pretreatment Department</u>
<b>CONDENSED STATEMENT OF NET POSITION</b>		
<b>ASSETS</b>		
Current assets	\$ 12,584,807	\$ (254,408)
Noncurrent assets	145,382,522	4,416,824
Total Assets	157,967,329	4,162,416
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
	145,198	62,315
<b>LIABILITIES</b>		
Other current liabilities	2,557,514	447,277
Noncurrent liabilities	30,496,743	921,063
Total Liabilities	33,054,257	1,368,340
Net Position		
Net investment in capital assets	121,203,330	3,050,761
Unrestricted	(3,979,470)	(194,370)
Restricted - capital projects	7,834,410	-
<b>Total Net Position</b>	<b>\$ 125,058,270</b>	<b>\$ 2,856,391</b>
<b>CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION</b>		
Operating revenue	\$ 10,753,926	\$ -
Lease income	-	345,600
Operating transfer	3,000,000	-
Operating grant	307,500	-
Depreciation expense	(3,229,575)	(183,838)
Other operating expenses	(8,567,809)	(21,018)
<b>Operating income</b>	<b>2,264,042</b>	<b>140,744</b>
Non-operating revenue (expenses):		
Interest expense	(633,955)	(49,567)
Interest income	92,591	-
Capital contributions	1,722,531	-
Change in Net Position	3,445,209	91,177
Net Position, beginning of year	121,613,061	2,765,214
<b>Net Position, End of Year</b>	<b>\$ 125,058,270</b>	<b>\$ 2,856,391</b>
<b>CONDENSED STATEMENT OF CASH FLOWS</b>		
Net cash provided (used) by:		
Operating activities	\$ (1,043,458)	\$ 140,744
Capital and related financing activities	1,088,576	(49,568)
Investing activities	92,591	-
Net change	137,709	91,176
Cash and cash equivalents, beginning of year	3,332,543	226,166
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 3,470,252</b>	<b>\$ 317,342</b>

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements

June 30, 2020

#### 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 \$134,452 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, 2020.

The Resh Landfill has reported a landfill post-closure care liability of \$3,747,886 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, 2020.

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 as of June 30, 2020. The Rubble Landfill was closed in December 2000. No current expense was recognized in the Solid Waste Fund for the year ended June 30, 2020.

The 40 West Landfill began operation in fiscal year 2001. The estimated life of this landfill is approximately 120 years as of June 30, 2020, it is estimated that approximately 21.26% of the capacity has been used. The estimated costs associated with closure and post-closure care of \$10,003,264 was reported as a liability in the Solid Waste Fund as of June 30, 2020. 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, 2020, as specified in 40CFR258.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

### 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, 58 retirees are receiving benefits and 107 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%

##### *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 \$14,879 which was \$65,879 over the actuarially determined contribution of (\$51,000).

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

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

#### Primary Government (continued)

##### *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, 2020 is as follows:

Total OPEB liability	\$ 13,723,498
Net position	<u>(24,654,510)</u>
Net OPEB liability (asset)	<u>\$ (10,931,012)</u>

Net position as a percentage of total OPEB liability is 179.65%.

##### *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, 2020 is as follows:

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

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

#### Primary Government (continued)

#### *Actuarial Methods and Assumptions (continued)*

<b>Investment Type</b>	<b>% of Portfolio</b>	<b>Assumed Rate of Return</b>
Domestic Large Cap Equity	35%	6%
Domestic Small Cap Equities	10%	6%
International Equity	15%	6%
Real Estate Investment Trusts	5%	5%
Core Fixed Income	23%	1%
High Yield Bonds	10%	0%
Cash	2%	2%
Inflation		
Total	100%	

In the actuarial valuation for the plan year ending June 30, 2020, 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, 2020, was 18 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:

	<b>1.0% decrease (6.25%)</b>	<b>Current rate 7.25%</b>	<b>1.0% increase (8.25%)</b>
Net OPEB liability (asset)	<u>\$ (10,073,281)</u>	<u>\$ (10,931,012)</u>	<u>\$ (11,750,511)</u>



# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

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

#### Primary Government (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 (2.90%)</b>	<b>Trend rate 3.90%</b>	<b>1.0% increase (4.90%)</b>
Net OPEB liability (asset)	<u>\$ (12,331,529)</u>	<u>\$ (10,931,012)</u>	<u>\$ (9,293,822)</u>

For the fiscal year ended June 30, 2020, Washington County Government recognized an OPEB expense of \$1,757,075. As of June 30, 2020, 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>
Difference between expected and actual experience	\$ -	\$ 2,496,346
Change in assumptions	-	7,731,091
Net difference between projected and actual investment earnings	803,652	-
<b>Total</b>	<u>\$ 803,652</u>	<u>\$ 10,227,437</u>

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>Years Ended June 30,</b>	<b>Amount</b>
2021	\$ (1,807,324)
2022	(1,807,325)
2023	(1,778,421)
2024	(1,847,398)
2025	(2,011,025)
Thereafter	(172,292)
<b>Total</b>	<u>\$ (9,423,785)</u>

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements

June 30, 2020

#### 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.

Eligible participants include employees, former employees, or beneficiaries of Washington County Public Schools who are receiving pensions. Participants must meet the retirement eligibility requirements of the State of Maryland Employees' and Teachers' Pension System (EPS). Under EPS, members hired on or after July 1, 2011 are in the Reformed Contributory Pension System. The earliest retirement eligibility under the Reformed Contributory Pension System is the earlier of:

- Rule of 90 (age plus service is at least 90),
- Age 65 with 10 years of service, or
- Age 60 with 15 years of service.

For other members of EPS, the earliest retirement eligibility is the earlier of:

- Age 55 with 15 years of service,
- Age 62 with 5 years of service,
- Age 63 with 4 years of service,
- Age 64 with 3 years of service,
- Age 65 with 2 years of service, or
- 30 years of service (regardless of age).

Under EPS, there are two types of disability benefits, ordinary and accidental. Ordinary disability under EPS requires five (5) years of eligibility service. There is no service credit requirement for accidental disability.

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements June 30, 2020

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

##### **Board of Education** (continued)

Retirees can continue the same medical coverage they had (including family coverage) as active employees. Retirees receive a subsidy for their post-retirement 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 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 2020. 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, 2020 and 2019, the School System's average contribution rate was 9.55% and 8.93%, respectively of covered payroll. Employees are not required to contribute to the plan. Total claims paid on behalf of retirees amounted to \$15,650,073 of which \$3,971,020 was reimbursed through contributions received from retirees for the year ended June 30, 2020. In addition, the School System contributed \$5,867,132 to the MABE Trust for the year ended June 30, 2020. 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.

##### *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 2,740 active employees and 1,863 inactive employees or beneficiaries currently receiving benefit payments at the June 30, 2019 measurement date.

##### *Investments*

The MABE Trust's policy in regards to the allocation of invested assets is established and may be amended by the Trustees by a majority vote of its members. It is the policy of the Trust is pursue an investment strategy that emphasizes growth of principal while avoiding excess risk. Short-term volatility will be tolerated inasmuch as it is consistent with the volatility of a comparable market index. The MABE Trust's investment policy discourages the use of cash equivalents, except for liquidity purposes and aims to refrain from dramatically shifting asset class allocations over short time span. The following is the MABE Trust's adopted asset allocation policy as of June 30, 2020 and 2019:

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements June 30, 2020

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

##### Board of Education (continued)

##### *Investments (continued)*

<b>Asset Class</b>	<b>Target Allocation</b>
U.S. Equity	33%
Non U.S. Equity	21%
Fixed Income	34%
Non U.S. Fixed Income	2%
Real Estate	5%
Cash	5%
Total	100%

##### *Rate of Return*

For the year ended June 30, 2020 and 2019, the annual money-weighted rate of return on investments, net of investment expense, was 2.91% and 7.52%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

##### *Investment in External Investment Pool*

The School System has funds designated for Other Post-employment Benefits (OPEB) that are held by the Maryland Association of Board of Education (MABE) in the MABE OPEB Trust (MABE Trust). The MABE Trust is administered by the MABE and is a wholly-owned instrumentality of its members. The ten members who are sole contributors to the MABE Trust consist of Allegany Fiduciary Fund and the boards of education of the following counties in Maryland: Allegany, Caroline, Cecil, Charles, Harford, Kent, Prince George's, St. Mary's, and Washington.

The MABE Trust is audited annually by an independent CPA firm. The audit report is usually issued by September 1st of each year, a copy of which can be obtained by sending a request to the following address: Administrator of the MABE Pooled Investment Trust, 621 Ridgely Road, Suite 300, Annapolis, MD 21401-1112.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

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

#### Board of Education (continued)

##### *Net OPEB Liability*

The components of the net OPEB liability of the School System as of June 30, 2020, were as follows:

Total OPEB liability	\$ 330,971,288
Net position	<u>(81,131,866)</u>
Net OPEB liability	<u>\$ 249,839,422</u>

Plan fiduciary net position as a percentage of the total OPEB liability was 24.51%.

##### *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 4.67% 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 (3.67%) or 1-percentage point higher (5.67%) than the current rate:

	<b>1.0% decrease (3.67%)</b>	<b>Current rate 4.67%</b>	<b>1.0% increase (5.67%)</b>
Net OPEB liability (asset)	<u>\$ 309,800,000</u>	<u>\$ 249,839,422</u>	<u>\$ 202,370,000</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:

	<b>1% decrease</b>	<b>Medical trend rate</b>	<b>1% increase</b>
Net OPEB liability (asset)	<u>\$ 199,871,000</u>	<u>\$ 249,839,422</u>	<u>\$ 314,797,000</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2020

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

#### Board of Education (continued)

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, 2020. 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, 2020, 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, 2020

### 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, 2020, the School System had entered into various school construction commitments, that will be funded by the State of Maryland or County sources, totaling approximately \$8,016,253 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, 2021 are approximately \$45,524. Rent expense for these leases amounted to \$148,252 for the year ended June 30, 2020.

As of June 30, 2020, the School System had outstanding purchase orders and contracts of \$13,801,263. These amounts are partially included in assigned fund balance in the appropriate funds.

Current expense fund - unrestricted	\$	5,078,084
Current expense fund - restricted		2,437,993
Capital projects fund		6,275,224
Food services fund		9,962

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

### 17. CONTINGENCIES AND COMMITMENTS (continued)

#### Board of Education (continued)

The School System participates in a number of state and federally assisted grant programs, which are subject to financial and compliance audits by the grantors or their representatives. Such federal programs were audited in accordance with *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.

### 18. COMMITTED AND ASSIGNED FUND BALANCES

Fund balances reflected in the governmental funds balance sheet as of June 30, 2020 are categorized as follows:

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Non-Spendable				
Inventory	\$ 875,345	\$ -	\$ -	\$ 875,345
Long-term receivable	572,555	-	-	572,555
Restricted				
Programs and activities	728,591	-	1,589,467	2,318,058
Workers compensation	179,875	-	-	179,875
Capital projects	-	26,346,566	-	26,346,566
Committed				
Contingencies	52,252,276	-	-	52,252,276
Programs and activities	1,280,306	-	927,645	2,207,951
Capital projects	-	43,974,439	-	43,974,439
Assigned				
Programs and activities	25,250	-	284,701	309,951
Unassigned				
Programs and activities	60,001	-	-	60,001
<b>Totals</b>	<u>\$ 55,974,199</u>	<u>\$ 70,321,005</u>	<u>\$ 2,801,813</u>	<u>\$ 129,097,017</u>



## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements

June 30, 2020

#### 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.

#### *Investments*

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

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2020

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

#### *Investments (continued)*

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2020 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%	5.8%
Domestic Mid/Small Cap Equities	10%	6.2%
International Equity	15%	6.1%
Real Estate Investment Trusts	5%	4.9%
Core Fixed Income	23%	1.1%
High Yield Bonds	10%	4.4%
Cash	2%	0.0%
Inflation		2.0%
<b>Total</b>	<b>100%</b>	

#### *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, 2020 is as follows:

Total pension liability	\$ 11,731,973
Net position	(9,734,615)
Net pension liability	<u>\$ 1,997,358</u>

Net position as a percentage of total pension liability is 82.98%.

#### *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>\$ 3,414,520</u>	<u>\$ 1,997,358</u>	<u>\$ 818,523</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2020

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

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

For the year ended June 30, 2020, the County recognized pension expense of \$46,139. As of June 30, 2020, 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	\$ 1,206,967	\$ 1,986,217
Change in assumptions	694,613	127,881
Net difference between projected and actual investment earnings	267,321	-
<b>Total</b>	<b>\$ 2,168,901</b>	<b>\$ 2,114,098</b>

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

<b>Years Ended June 30,</b>	<b>Amount</b>
2021	\$ (468,593)
2022	(411,092)
2023	375,497
2024	344,788
2025	108,636
Thereafter	105,567
<b>Total</b>	<b>\$ 54,803</b>

## COUNTY COMMISSIONERS OF WASHINGTON COUNTY

### Notes to the Financial Statements

June 30, 2020

#### 20. NEW ACCOUNTING PRONOUNCEMENTS

As of June 30, 2020, the Governmental Accounting Standards Board (GASB) has issued the following pronouncements, which will require adoption in the future, if applicable: GASB Statement No. 84, *Fiduciary Activities*; GASB Statement No. 87, *Leases*; GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*; GASB Statement No. 91, *Conduit Debt Obligations*; GASB Statement No. 92, *Omnibus 2020*; GASB Statement No. 93, *Replacement of Interbank Offered Rates*; GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*; GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. During the year ended June 30, 2020, GASB has also issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which provides temporary relief to governments in light of the COVID-19 pandemic, by postponing the effective dates of certain pronouncements. 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, 2020

	2020	2019	2018	2017
<b>Total pension liability</b>				
Service Cost: Retirement benefits Administration	\$ 782,686	\$ 983,258	\$ 1,025,563	\$ 954,012
Interest	961,904	1,577,724	1,680,908	1,546,680
Differences between expected and actual experiences	(367,885)	(239,377)	(3,216,054)	-
Changes of assumptions	(838,141)	(9,622,292)	(223,390)	-
Benefit payments	(533,287)	(641,700)	(655,923)	(147,184)
<b>Net changes in total OPEB liability</b>	5,277	(7,942,387)	(1,388,896)	2,353,508
Total OPEB liability - beginning	13,718,221	21,660,608	23,049,504	20,695,996
Total OPEB liability - ending (a)	<u>\$ 13,723,498</u>	<u>\$ 13,718,221</u>	<u>\$ 21,660,608</u>	<u>\$ 23,049,504</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 14,879	\$ 641,700	\$ 1,877,923	\$ 1,347,184
Net investment income	922,876	1,324,499	1,702,823	1,919,215
Benefit payments	(533,287)	(641,700)	(655,923)	(147,184)
Administrative expense	(46,687)	(108,008)	(21,763)	-
<b>Net changes in plan fiduciary net position</b>	357,781	1,216,491	2,903,060	3,119,215
Plan fiduciary net positions - beginning	24,296,729	23,080,238	20,177,178	17,057,963
Plan fiduciary net positions - ending (b)	<u>\$ 24,654,510</u>	<u>\$ 24,296,729</u>	<u>\$ 23,080,238</u>	<u>\$ 20,177,178</u>
<b>County's net OPEB - liability - ending (a) - (b)</b>	\$ (10,931,012)	\$ (10,578,508)	\$ (1,419,630)	\$ 2,872,326
Plan fiduciary net position as a percentage of total pension liability	179.65%	177.11%	106.55%	87.54%
Covered employee payroll	N/A	N/A	N/A	N/A
Net liability as a percentage of covered payroll	N/A	N/A	N/A	N/A
Annual money-weighted rate of return, net of investment expense	3.80%	5.74%	8.44%	11.25%
Notes to schedule:				
This information is not available for FY16 and prior.				
Benefit changes	None.			
Change of assumptions	The discount rate was changed as follows:			
The discount rate changes year-to-year:	7.25%	7.25%	7.50%	7.50%
The medical trend was updated to exclude the impact of the Cadillac Tax.				

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Schedule of OPEB Trust Fund Employer Contributions June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ (51,000)	\$ (51,000)	\$ 950,000	\$ 1,261,000
Contributions in relation to the actuarially determined contributions	14,879	641,700	1,877,923	1,347,184
Contributions deficiency (excess)	<u>\$ (65,879)</u>	<u>\$ (692,700)</u>	<u>\$ (927,923)</u>	<u>\$ (86,184)</u>
Covered employee payroll	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A

### Notes to schedule:

Benefit changes	None.
Valuation date	The FYE 2020 actuarially determined contribution (ADC) is calculated as of 7/1/2019. The liability is based on 1/1/2019 data rolled to 7/1/2019.
Changes of assumptions	None.

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

Valuation Date	7/1/2019
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll
Remaining amortization period	18 years for FYE 2020
Asset valuation method	Market value of assets
Investment rate of return	7.25% for FYE 2020 and 2019, 7.50% for FYE 2018 and 2017
Payroll growth rate	3.00%
Inflation	2.75%
Healthcare cost trend rate	The trend for 2019 is 5.4%. The ultimate trend is 4.0% (Pre-Medicare) and 3.9% (Post-Medicare)

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, 2020

	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>							
Service Cost: Retirement benefits Administration	\$ 7,011,877	\$ 6,564,304	\$ 5,050,740	\$ 4,903,615	\$ 3,124,202	\$ 3,508,850	\$ 6,922,217
Interest	17,001,079	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	(15,048,127)	(9,973,991)	(8,172,571)	(8,860,156)	(7,789,289)	(6,880,888)	(6,004,033)
Changes of benefit terms	(1,937,366)	(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>	<u>7,027,463</u>	<u>13,720,309</u>	<u>16,046,473</u>	<u>53,212,683</u>	<u>16,502,129</u>	<u>6,879,965</u>	<u>8,626,348</u>
Total pension liability - beginning	242,021,714	228,301,405	212,254,932	159,042,249	142,540,120	135,660,155	127,033,807
Total pension liability - ending (a)	<u>\$ 249,049,177</u>	<u>\$ 242,021,714</u>	<u>\$ 228,301,405</u>	<u>\$ 212,254,932</u>	<u>\$ 159,042,249</u>	<u>\$ 142,540,120</u>	<u>\$ 135,660,155</u>
<b>Plan fiduciary net position</b>							
Contributions - employer	\$ 12,137,468	\$ 11,825,000	\$ 10,510,000	\$ 7,010,000	\$ 6,621,156	\$ 6,786,549	\$ 6,017,521
Contributions - member	2,183,984	2,119,985	2,094,346	1,955,511	1,873,710	1,871,200	1,876,133
Net investment income	5,025,847	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	(15,048,127)	(9,973,991)	(8,172,571)	(8,860,156)	(7,789,289)	(6,880,887)	(6,004,103)
Administrative expense	(172,390)	(175,860)	(150,795)	(130,631)	(98,464)	(604,197)	(238,016)
<b>Net changes in plan fiduciary net position</b>	<u>4,126,782</u>	<u>10,471,786</u>	<u>13,690,601</u>	<u>10,651,524</u>	<u>1,235,822</u>	<u>6,140,471</u>	<u>14,468,799</u>
Plan fiduciary net positions - beginning	128,161,220	117,689,434	103,998,833	93,347,309	92,111,487	85,971,016	71,502,217
Plan fiduciary net positions - ending (b)	<u>\$ 132,288,002</u>	<u>\$ 128,161,220</u>	<u>\$ 117,689,434</u>	<u>\$ 103,998,833</u>	<u>\$ 93,347,309</u>	<u>\$ 92,111,487</u>	<u>\$ 85,971,016</u>
<b>County's net pension - liability - ending (a) - (b)</b>	\$ 116,761,175	\$ 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	53.12%	52.95%	51.55%	49.00%	58.69%	64.62%	63.37%
Covered employee payroll	\$ 39,131,000	\$ 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	298.39%	309.53%	317.40%	323.52%	207.49%	152.36%	140.81%
Annual money-weighted rate of return, net of investment expense	3.92%	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, 2020

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 10,916,000	\$ 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	12,137,000	11,825,000	10,510,000	7,010,000	6,621,000	6,786,549	6,017,521
Contributions deficiency (excess)	<u>\$ (1,221,000)</u>	<u>\$ (6,000)</u>	<u>\$ -</u>	<u>\$ (1,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 424,566</u>
Covered employee payroll	\$ 39,131,000	\$ 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	31.02%	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:

Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar Amount
Remaining amortization period	19 years (closed)
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	Rates vary by participant service
Investment rate of return	7.25%, 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, 2020

	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>							
Service Cost: Retirement benefits Administration	\$ 237,335	\$ 226,280	\$ 244,565	\$ 234,716	\$ 157,984	\$ 143,037	\$ 147,049
Interest	823,402	707,838	702,309	580,130	968,187	922,814	872,518
Differences between expected and actual experiences	(222,174)	925,489	24,530	995,034	(6,285,232)	-	-
Changes of assumptions	(149,195)	343,476	-	356,243	906,099	-	-
Benefit payments, including refunds of member contributions	(629,306)	(588,909)	(555,590)	(518,538)	(490,872)	(461,316)	(431,634)
<b>Net changes in total pension liability</b>	60,062	1,614,174	415,814	1,647,585	(4,743,834)	604,535	587,933
Total pension liability - beginning	11,671,911	10,057,737	9,641,923	7,994,338	12,738,172	12,133,637	11,545,704
Total pension liability - ending (a)	<u>\$ 11,731,973</u>	<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	\$ 564,557	\$ 460,000	\$ 600,000	\$ 600,000	\$ -	\$ 600,000	\$ 600,000
Net investment income	347,769	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	(629,306)	(588,909)	(555,590)	(518,538)	(490,872)	(461,316)	(431,634)
Administrative expense	(29,543)	(34,803)	(35,075)	(30,524)	(20,610)	(23,215)	(27,429)
<b>Net changes in plan fiduciary net position</b>	253,477	339,547	731,157	903,398	(456,249)	496,980	1,230,194
Plan fiduciary net positions - beginning	9,481,138	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>\$ 9,734,615</u>	<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>	\$ 1,997,358	\$ 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	82.98%	81.23%	90.89%	87.23%	93.90%	62.52%	61.53%
Covered employee payroll	NA	NA	NA	NA	NA	NA	NA
Net liability as a percentage of covered payroll	NA	NA	NA	NA	NA	NA	NA
Annual money-weighted rate of return, net of investment expense	3.67%	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 mortality table was changed from RP-2014 Blue Collar Total Dataset with fully generational projection using scale MP-2015 to Pub-2010 Safety Retirees Headcount-Weighted Mortality with fully generational projection using scale MP2019.						

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Schedule of Volunteer Length of Service Award Fund Employer Contributions June 30, 2020

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 565,000	\$ 455,000	\$ 466,726	\$ 466,726	\$ -	\$ 600,000	\$ 585,843
Contributions in relation to the actuarially determined contributions	565,000	460,000	600,000	600,000	-	600,000	600,000
Contributions deficiency (excess)	<u>\$ -</u>	<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	NA
Contributions as a percentage of covered employee payroll	NA	NA	NA	NA	NA	NA	NA

### Notes to schedule:

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

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

Actuarial 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	3.00%
Salary increases	None
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Retirement age	Normal retirement age
Mortality	Pub-2010 Safety Retirees Headcount-Weighted Mortality with fully generational projection using scale MP2019

This information is not available for FY13 and prior.

## **COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

### **Combining Statements of Financial Schedules June 30, 2020**

#### **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, 2020**

**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, 2020

	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	\$ -	\$ 393,430	\$ 221,336	\$ 448,930	\$ 28,294	\$ 1,298,494	\$ 1,300,344	\$ 1,154,102	\$ -	\$ 4,844,930
Accounts receivable	-	2,600	1,432	-	-	147,833	70,719	-	-	222,584
Due from other governmental agencies	209,485	-	-	-	-	-	-	-	209,193	418,678
<b>TOTAL ASSETS</b>	<u>\$ 209,485</u>	<u>\$ 396,030</u>	<u>\$ 222,768</u>	<u>\$ 448,930</u>	<u>\$ 28,294</u>	<u>\$ 1,446,327</u>	<u>\$ 1,371,063</u>	<u>\$ 1,154,102</u>	<u>\$ 209,193</u>	<u>\$ 5,486,192</u>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>LIABILITIES</b>										
Accounts payable	\$ 137,682	\$ 10,209	\$ 31,605	\$ -	\$ 20,568	\$ 181,650	\$ 1,228,961	\$ 31,291	\$ 9,238	\$ 1,651,204
Accrued expenses	9,596	4,987	465	-	2,073	-	6,958	2,921	1,154	28,154
Due to other funds	44,885	-	-	-	-	-	-	-	185,919	230,804
Unearned revenue	-	-	-	-	-	-	8,725	60,495	-	69,220
Other liabilities	-	1,280	-	326,505	-	-	-	377,212	-	704,997
<b>TOTAL LIABILITIES</b>	<u>192,163</u>	<u>16,476</u>	<u>32,070</u>	<u>326,505</u>	<u>22,641</u>	<u>181,650</u>	<u>1,244,644</u>	<u>471,919</u>	<u>196,311</u>	<u>2,684,379</u>
<b>FUND BALANCES</b>										
Restricted	-	-	190,698	-	-	1,264,677	-	134,092	-	1,589,467
Committed	-	379,554	-	-	-	-	-	548,091	-	927,645
Assigned	17,322	-	-	122,425	5,653	-	126,419	-	12,882	284,701
<b>TOTAL FUND BALANCES</b>	<u>17,322</u>	<u>379,554</u>	<u>190,698</u>	<u>122,425</u>	<u>5,653</u>	<u>1,264,677</u>	<u>126,419</u>	<u>682,183</u>	<u>12,882</u>	<u>2,801,813</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 209,485</u>	<u>\$ 396,030</u>	<u>\$ 222,768</u>	<u>\$ 448,930</u>	<u>\$ 28,294</u>	<u>\$ 1,446,327</u>	<u>\$ 1,371,063</u>	<u>\$ 1,154,102</u>	<u>\$ 209,193</u>	<u>\$ 5,486,192</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, 2020

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,829,896	\$ -	\$ 101,372	\$ -	\$ 1,931,268
Licenses and permits	-	-	-	-	-	-	1,839,209	-	-	1,839,209
Charges for services	-	-	369,249	-	-	-	-	-	-	369,249
Revenue from uses of property	-	22,233	-	-	32,618	-	-	-	-	54,851
Miscellaneous revenues	-	-	150,711	40,156	-	-	4,535	-	29,442	224,844
Shared taxes and grants	1,152,846	-	-	-	-	-	-	496,496	453,711	2,103,053
<b>TOTAL REVENUE</b>	<u>1,152,846</u>	<u>22,233</u>	<u>519,960</u>	<u>40,156</u>	<u>32,618</u>	<u>1,829,896</u>	<u>1,843,744</u>	<u>597,868</u>	<u>483,153</u>	<u>6,522,474</u>
<b>EXPENDITURES</b>										
Public safety	-	-	584,344	15,797	-	-	835,779	-	-	1,435,920
Parks, recreation and culture	-	-	-	-	234,111	-	-	-	-	234,111
Land preservation	-	-	-	-	-	-	-	965,080	-	965,080
General operations	190,749	740,023	-	-	-	553,860	174,650	-	-	1,659,282
Community promotion	1,272,438	-	-	-	-	1,227,657	836,188	-	490,121	3,826,404
<b>TOTAL EXPENDITURES</b>	<u>1,463,187</u>	<u>740,023</u>	<u>584,344</u>	<u>15,797</u>	<u>234,111</u>	<u>1,781,517</u>	<u>1,846,617</u>	<u>965,080</u>	<u>490,121</u>	<u>8,120,797</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<u>(310,341)</u>	<u>(717,790)</u>	<u>(64,384)</u>	<u>24,359</u>	<u>(201,493)</u>	<u>48,379</u>	<u>(2,873)</u>	<u>(367,212)</u>	<u>(6,968)</u>	<u>(1,598,323)</u>
<b>OTHER FINANCING SOURCES</b>										
Transfers in	284,690	203,880	-	-	184,900	-	-	480,499	26,310	1,180,279
Transfers out	-	-	-	-	-	(11,640)	-	-	-	(11,640)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>284,690</u>	<u>203,880</u>	<u>-</u>	<u>-</u>	<u>184,900</u>	<u>(11,640)</u>	<u>-</u>	<u>480,499</u>	<u>26,310</u>	<u>1,168,639</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>(25,651)</u>	<u>(513,910)</u>	<u>(64,384)</u>	<u>24,359</u>	<u>(16,593)</u>	<u>36,739</u>	<u>(2,873)</u>	<u>113,287</u>	<u>19,342</u>	<u>(429,684)</u>
<b>FUND BALANCES - BEGINNING 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>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 17,322</u>	<u>\$ 379,554</u>	<u>\$ 190,698</u>	<u>\$ 122,425</u>	<u>\$ 5,653</u>	<u>\$ 1,264,677</u>	<u>\$ 126,419</u>	<u>\$ 682,183</u>	<u>\$ 12,882</u>	<u>\$ 2,801,813</u>



# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Combining Statement of Net Position – Non-Major Proprietary Funds As of June 30, 2020

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
<b>ASSETS</b>			
Current Assets:			
Cash and short-term investments	\$ 667,980	\$ 515,921	\$ 1,183,901
Accounts receivable	196	1,127	1,323
Unbilled receivables	68	-	68
Due from other governmental agencies	237,679	-	237,679
Recoverable disbursements	267	-	267
Inventories	145,235	20,647	165,882
Total current assets	1,051,425	537,695	1,589,120
Noncurrent Assets:			
Projects under construction	14,844	1,014	15,858
Property plant and equipment	7,215,857	5,103,214	12,319,071
Accumulated depreciation	(4,613,921)	(3,145,889)	(7,759,810)
Total noncurrent assets	2,616,780	1,958,339	4,575,119
<b>TOTAL ASSETS</b>	<b>3,668,205</b>	<b>2,496,034</b>	<b>6,164,239</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Current capital lease obligations	24,192	-	24,192
Accounts payable	22,317	30,409	52,726
Accrued expenses	69,123	44,403	113,526
Compensated absences	61,098	25,914	87,012
Other liabilities	-	44,972	44,972
Total current liabilities	176,730	145,698	322,428
Noncurrent Liabilities:			
Compensated absences	20,366	8,638	29,004
Total noncurrent liabilities	20,366	8,638	29,004
<b>TOTAL LIABILITIES</b>	<b>197,096</b>	<b>154,336</b>	<b>351,432</b>
<b>NET POSITION</b>			
Net investment in capital assets	2,616,780	1,958,339	4,575,119
Unrestricted	854,329	383,359	1,237,688
<b>TOTAL NET POSITION</b>	<b>\$ 3,471,109</b>	<b>\$ 2,341,698</b>	<b>\$ 5,812,807</b>

# 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, 2020

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
<b>OPERATING REVENUE</b>			
Charges for services	\$ 544,225	\$ 718,119	\$ 1,262,344
Miscellaneous	13,018	18,210	31,228
<b>TOTAL OPERATING REVENUE</b>	<u>557,243</u>	<u>736,329</u>	<u>1,293,572</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	1,457,329	427,674	1,885,003
Fringe benefits	681,011	233,012	914,023
Utilities	25,398	48,726	74,124
Insurance	29,698	8,931	38,629
Repairs and maintenance	206,052	84,512	290,564
Supplies	58,572	5,055	63,627
Cost of goods sold	-	73,138	73,138
Contracted services	206,640	5,148	211,788
Rentals and leases	34,971	54,921	89,892
Other operating	221,946	126,510	348,456
Controllable assets	799	7,154	7,953
Depreciation	274,622	124,059	398,681
<b>TOTAL OPERATING EXPENSES</b>	<u>3,197,038</u>	<u>1,198,840</u>	<u>4,395,878</u>
<b>OPERATING LOSS</b>	<u>(2,639,795)</u>	<u>(462,511)</u>	<u>(3,102,306)</u>
<b>OTHER INCOME</b>			
Interest, penalties & fees	11	-	11
Gain on disposal of assets	16,540	-	16,540
<b>TOTAL OTHER INCOME</b>	<u>16,551</u>	<u>-</u>	<u>16,551</u>
<b>LOSS BEFORE OPERATING TRANSFERS AND GRANTS</b>	(2,623,244)	(462,511)	(3,085,755)
<b>OPERATING TRANSFERS IN</b>	594,090	347,640	941,730
<b>OPERATING TRANSFERS OUT</b>	(17,730)	-	(17,730)
<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>	(798,522)	(114,871)	(913,393)
<b>CAPITAL TRANSFERS</b>	135,000	-	135,000
<b>GRANTS FOR CAPITAL PROJECTS</b>	<u>490,603</u>	<u>4,132</u>	<u>494,735</u>
<b>CHANGES IN NET POSITION</b>	(172,919)	(110,739)	(283,658)
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>3,644,028</u>	<u>2,452,437</u>	<u>6,096,465</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 3,471,109</u>	<u>\$ 2,341,698</u>	<u>\$ 5,812,807</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Combining Statement of Cash Flows – Non-Major Proprietary Funds For the Year Ended June 30, 2020

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 924,429	\$ 789,238	\$ 1,713,667
Payments to suppliers	(895,785)	(461,766)	(1,357,551)
Payments to employees	(2,128,904)	(645,472)	(2,774,376)
<b>Net Cash Used by Operating Activities</b>	<u>(2,100,260)</u>	<u>(318,000)</u>	<u>(2,418,260)</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Operating contributions	1,824,722	347,640	2,172,362
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>1,824,722</u>	<u>347,640</u>	<u>2,172,362</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets	(111,955)	(1,473)	(113,428)
Gain on the sale of assets	16,540	-	16,540
Contribution for capital acquisitions	625,603	-	625,603
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>530,188</u>	<u>(1,473)</u>	<u>528,715</u>
<b>Cash Flows from Investing Activities</b>			
Interest on investments	11	-	11
Net change in cash	254,661	28,167	282,828
Cash, beginning of year	413,319	487,754	901,073
<b>Cash, End of Year</b>	<u>\$ 667,980</u>	<u>\$ 515,921</u>	<u>\$ 1,183,901</u>
<b>Capital Lease Obligation</b>	<u>\$ (25,825)</u>	<u>\$ -</u>	<u>\$ (25,825)</u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>			
Operating loss	\$ (2,639,795)	\$ (462,511)	\$ (3,102,306)
Adjustments to reconcile operating loss to net cash			
from operating activities:			
Depreciation	274,622	124,059	398,681
Changes in assets and liabilities:			
Accounts receivable	395	14,541	14,936
Unbilled receivables	586	-	586
Due to/from other government entities	366,205	38,868	405,073
Inventories	(50,982)	(1,620)	(52,602)
Accounts payable and other liabilities	(60,727)	(51,681)	(112,408)
Accrued expenses	5,381	14,735	20,116
Unearned revenue	-	(500)	(500)
Compensated absences	4,055	6,109	10,164
<b>Net Cash Used by Operating Activities</b>	<u>\$ (2,100,260)</u>	<u>\$ (318,000)</u>	<u>\$ (2,418,260)</u>

## **BUDGET AND ACTUAL SCHEDULE**

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual General Fund For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUE				
Property Taxes				
Real property tax	\$ 115,862,420	\$ 115,862,420	\$ 115,913,252	\$ 50,832
Personal property tax	14,057,110	14,057,110	15,163,596	1,106,486
Property tax interest income	395,000	395,000	360,379	(34,621)
Other property tax	635,100	635,100	720,952	85,852
State administrative fees	(580,000)	(580,000)	(555,400)	24,600
Property tax discounts and credits	(1,672,000)	(1,672,000)	(1,772,120)	(100,120)
Total Property Taxes	128,697,630	128,697,630	129,830,659	1,133,029
Other Local Taxes				
Income tax	87,950,000	87,950,000	92,154,973	4,204,973
Admissions and amusement tax	255,000	255,000	263,095	8,095
Recordation tax	6,500,000	6,500,000	7,417,514	917,514
Trailer tax	550,000	550,000	586,128	36,128
Total Other Local Taxes	95,255,000	95,255,000	100,421,710	5,166,710
Other Revenues				
Licenses and permits	1,276,000	1,276,000	1,162,809	(113,191)
Court costs and fines	2,734,160	2,734,160	1,730,441	(1,003,719)
Charges for services	1,462,900	1,462,900	1,136,780	(326,120)
Reimbursed expenses	951,640	1,400,660	926,532	(474,128)
Miscellaneous revenues	382,560	478,881	585,232	106,351
Grant and shared revenues	1,822,300	20,418,167	7,710,163	(12,708,004)
Interest income	1,200,000	1,200,000	2,297,095	1,097,095
Highway revenues	2,452,110	2,489,910	2,102,220	(387,690)
Total Other Revenues	12,281,670	31,460,678	17,651,272	(13,809,406)
TOTAL REVENUE	236,234,300	255,413,308	247,903,641	(7,509,667)
EXPENDITURES				
General Government				
Legislative				
County Commissioners	339,000	339,000	330,318	8,682
County Clerk	121,090	134,090	122,422	11,668
County Administrator	564,980	564,980	377,139	187,841
Public Relations & Marketing	484,870	484,870	480,225	4,645
Purchasing	519,430	519,430	466,114	53,316
Total Legislative	2,029,370	2,042,370	1,776,218	266,152
Judicial				
Circuit Court	1,815,530	1,815,530	1,707,933	107,597
Orphan's Court	37,660	37,660	33,146	4,514
State's Attorney	3,879,990	3,879,990	3,782,528	97,462
Sheriff - Judicial	2,937,020	2,937,020	2,757,590	179,430
Sheriff - Process Servers	165,070	165,070	153,988	11,082
Grants	-	546,867	484,242	62,625
Total Judicial	8,835,270	9,382,137	8,919,427	462,710

# 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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Election Board	\$ 1,473,450	\$ 1,473,450	\$ 1,143,825	\$ 329,625
Financial Administration				
Budget and Finance	1,563,780	1,563,780	1,513,883	49,897
Independent Auditing	70,000	70,000	60,049	9,951
Treasurer	530,660	530,660	526,895	3,765
Information Technologies	2,595,320	2,595,320	2,579,262	16,058
Total Financial Administration	4,759,760	4,759,760	4,680,089	79,671
County Attorney	767,070	767,070	693,337	73,733
Human Resources	934,860	934,860	849,421	85,439
Planning and Zoning				
Planning and Zoning	817,650	817,650	701,499	116,151
Board of Zoning Appeals	58,440	58,440	38,902	19,538
Grants	-	20,000	16,594	3,406
Total Planning and Zoning	876,090	896,090	756,995	139,095
Public Works				
Department of Public Works	243,230	243,230	240,617	2,613
Plan Review and Permitting	1,558,240	1,558,240	1,184,689	373,551
Engineering	2,287,980	2,287,980	1,995,353	292,627
Construction	2,097,230	2,100,170	1,918,212	181,958
Total Public Works	6,186,680	6,189,620	5,338,871	850,749
County Owned Buildings				
Martin Luther King Center	99,100	99,100	91,352	7,748
Administrative Building	192,120	192,120	193,987	(1,867)
Administrative Building II	129,660	129,660	70,319	59,341
Court House	697,750	697,750	658,320	39,430
County Office Building	208,520	208,520	211,936	(3,416)
Administration Annex	55,220	55,220	38,614	16,606
Central Services	129,200	129,200	119,036	10,164
Rental Properties	5,500	5,500	2,615	2,885
Library Maintenance	44,000	44,000	27,114	16,886
Dwyer Center	33,260	33,260	17,378	15,882
Election Board Facility	-	39,000	40,347	(1,347)
Senion Center	11,000	11,000	1,972	9,028
Public Facilities Annex	69,540	69,540	71,952	(2,412)
Total County Owned Buildings	1,674,870	1,713,870	1,544,942	168,928
Community Promotion				
Contributions to Non-profits	1,719,000	1,719,000	1,717,282	1,718
Business Development	719,450	719,450	644,646	74,804
Total Community Promotion	2,438,450	2,438,450	2,361,928	76,522
<b>Total General Government</b>	<b>29,975,870</b>	<b>30,597,677</b>	<b>28,065,053</b>	<b>2,532,624</b>

# 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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Public Safety</b>				
Sheriff Departments				
Patrol	\$ 12,345,880	\$ 12,403,260	\$ 12,054,779	\$ 348,481
Sheriff Auxiliary	-	-	42,497	(42,497)
Narcotics Task Force	857,830	857,830	783,958	73,872
Wash. County Police Academy	99,000	99,000	22,080	76,920
Grants	-	1,352,020	394,528	957,492
Total Sheriff Departments	13,302,710	14,712,110	13,297,842	1,414,268
Fire Operations				
Volunteer Fire and Rescue - County Grants	7,268,750	7,404,750	9,399,126	(1,994,376)
Air Unit	30,250	30,250	30,109	141
Special Operations	83,370	103,370	98,663	4,707
Total Fire and Rescue Services	7,382,370	7,538,370	9,527,898	(1,989,528)
Corrections				
Detention Center	15,548,930	15,738,930	15,257,807	481,123
Central Booking	1,005,640	1,005,640	921,793	83,847
Day Reporting Center	492,120	492,120	337,591	154,529
Total Corrections	17,046,690	17,236,690	16,517,191	719,499
Other Public Safety				
911 - Communications	5,484,300	5,507,300	5,490,700	16,600
Wireless Communications	1,282,720	1,308,720	1,278,581	30,139
Emergency Management	241,890	241,890	207,607	34,283
EMS Operations	2,587,230	2,436,230	1,655,428	780,802
Fire Operations	1,940,400	1,874,981	1,698,389	176,592
Forensic Investigator	20,000	20,000	28,930	(8,930)
Civil Air Patrol	3,600	3,600	3,600	-
Animal Control	1,401,600	1,401,600	1,401,600	-
Grants	-	16,676,980	4,604,450	12,072,530
Other Public Safety	12,961,740	29,471,301	16,369,285	13,102,016
<b>Total Public Safety</b>	50,693,510	68,958,471	55,712,216	13,246,255
<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>	110,550,900	110,550,900	110,550,900	-
<b>Parks, Recreation, and Culture</b>				
Total Contributions to Other Agencies	3,182,010	3,182,010	3,182,010	-
Parks Department	2,071,120	2,071,120	1,967,948	103,172
Martin L. Snook Park Pool	150,840	150,840	109,216	41,624
Fitness and Recreation	987,900	987,900	878,505	109,395
<b>Total Parks, Recreation, and Culture</b>	6,391,870	6,391,870	6,137,679	254,191

# 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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Conservation of Natural Resources</b>				
Weed Control	\$ 258,390	\$ 258,390	\$ 203,315	\$ 55,075
Agricultural Extension Service	240,820	240,820	240,821	(1)
Cooperative Extension	38,730	38,730	38,730	-
Soil Conservation Service	218,180	218,180	218,180	-
Environmental Pest Management	8,000	8,000	7,500	500
<b>Total Conservation of Natural Resources</b>	<u>764,120</u>	<u>764,120</u>	<u>708,546</u>	<u>55,574</u>
<b>Highway</b>	<u>11,490,360</u>	<u>11,028,160</u>	<u>9,744,052</u>	<u>1,284,108</u>
<b>General Operations</b>	<u>580,750</u>	<u>490,750</u>	<u>411,756</u>	<u>78,994</u>
<b>Unallocated Employee Insurance and Benefits</b>	<u>819,240</u>	<u>819,240</u>	<u>(2,045,725)</u>	<u>2,864,965</u>
<b>Intergovernmental</b>				
Golf Course operating transfer	347,640	347,640	347,640	-
HEPMPO operating transfer	8,580	8,580	8,580	-
Land Preservation operating transfer	18,170	18,170	80,499	(62,329)
Utility Administration operating transfer	228,140	228,140	228,140	-
Sewer operating transfer	3,000,000	3,000,000	3,000,000	-
Public Transit operating transfer	594,090	594,090	594,090	-
Capital Projects operating transfer	1,500,000	2,160,420	4,860,420	(2,700,000)
Solid Waste operating transfer	598,340	598,340	598,340	-
Grants Management operating transfer	284,690	284,690	284,690	-
Agricultural Education Center operating transfer	184,900	184,900	184,900	-
Cascade Town Centre operating transfer	203,880	203,880	203,880	-
Municipality in lieu of bank shares	38,550	38,550	38,543	7
<b>Total Intergovernmental</b>	<u>7,006,980</u>	<u>7,667,400</u>	<u>10,429,722</u>	<u>(2,762,322)</u>
<b>Billables</b>	<u>-</u>	<u>449,020</u>	<u>60,681</u>	<u>388,339</u>
<b>Debt Service</b>	<u>15,185,870</u>	<u>14,920,870</u>	<u>14,877,978</u>	<u>42,892</u>
<b>TOTAL EXPENDITURES</b>	<u>236,234,300</u>	<u>255,413,308</u>	<u>237,427,688</u>	<u>17,985,620</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,475,953</u>	<u>\$ 10,475,953</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Principal amount of new debt for advance refunding			7,153,773	
Deposit to escrow fund for advance refunding and repayment of loans			<u>(7,152,222)</u>	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			<u>1,551</u>	
<b>NET CHANGES IN FUND BALANCE</b>			<u>10,477,504</u>	
<b>FUND BALANCE - BEGINNING</b>			<u>45,496,695</u>	
<b>FUND BALANCE - ENDING</b>			<u>\$ 55,974,199</u>	



## **OTHER SCHEDULE**

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Local Management Board – Schedule of Revenue and Expenditures – Regulatory Basis For the Year Ended June 30, 2020

### REVENUE

Community Partnership Agreement (CPA)	
Governor's Office for Children	\$ 675,015
Non- Community Partnership Agreement (Non-CPA)	
General Fund	284,690
Md State Department of Aging	30,031
Md State Department of Education	428,223
Dept. of Housing and Community Development	19,578
Total Non-Community Partnership Agreement Revenue	<u>762,522</u>
<b>TOTAL REVENUE</b>	<u><b>1,437,537</b></u>

### EXPENDITURES

Community Partnership Agreement (CPA)	
Administrative :	
Salaries	69,427
Benefit Costs	50,781
Small office equipment	-
Office supplies	662
Printing expenses	-
Travel Expenses	-
Training	-
Controllable Assets	285
Total CPA Administrative Expenditures	<u>121,155</u>
Programs:	
Western MC Disconnected Youth	159,355
GOC-School Based Mental Health	211,560
Family Centered Support Services	69,060
IACM for Children of Incarcerated Parents	100,000
GOC-MD Food Bank	13,640
Total CPA Program Expenditures	<u>553,615</u>
Non-Community Partnership Agreement (CPA)	
Administrative:	
Salaries	116,574
Benefit Costs	69,854
Advertising	288
Community Service Awards	400
Dues & Subscriptions	288
Office Supplies	1,052
Personal Mileage	739
Postage	-
Printing Expenses	-
Travel Expenses	183
Entertainment/business expense	135
Training	-
Copy Machine Rental	892
Telephone Expenses	344
Total Non-CPA Administrative Expenditures	<u>190,749</u>
Programs:	
School Based Mental Health	120,000
Commission on Aging	30,031
MSDE - Healthy Families	428,060
Dept. of Housing and Community Development	19,578
Total Non-CPA Program Expenditures	<u>597,669</u>
<b>TOTAL EXPENDITURES</b>	<u><b>1,463,188</b></u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u><b>\$ (25,651)</b></u>

## PROPOSED FORM OF OPINION OF BOND COUNSEL

[Date of Issuance]

County Commissioners of Washington County  
Hagerstown, Maryland

Dear County Commissioners:

We have acted as Bond Counsel to County Commissioners of Washington County (the “Issuer” or the “County”) in connection with the issuance of its \$10,880,000 County Commissioners of Washington County Public Improvement Bonds of 2021 (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 within the State, but no opinion is expressed as to estate or inheritance taxes, or to any other taxes not levied or assessed directly on the Bonds, their transfer, the interest thereon or the income therefrom.

(d) Under existing statutes, regulations and decisions, and assuming the accuracy of certifications of the County, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the Bonds held by foreign corporations engaged in a trade or business in the United States of America may be subject to the branch profits tax imposed by the Internal Revenue Code of 1986, as amended (the "Code").

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

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

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be limited by bankruptcy, insolvency (including, without limitation, laws relating to preferences and fraudulent transfers or conveyances), reorganization, moratorium and other state and federal laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity, including, without limitation, judicial limitations on rights to specific performance, and concepts of materiality, reasonableness, good faith and fair dealing. 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 any other material relating to the offering of 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)**

**\$10,740,000\* PUBLIC IMPROVEMENT BONDS OF 2021**

**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”), on Tuesday, May 4, 2021 (i) until 11:00 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 Public Improvement Bonds of 2021 (the “Bonds”). The Bonds will be dated their date of delivery. Interest on the Bonds will be payable on January 1, 2022 and semiannually thereafter on July 1 and January 1 until maturity or earlier redemption.

The Bonds are issued under the provisions Chapter 99 of the Laws of Maryland of 2018 and Title 6 of the Code of Public Local Laws of Washington County, Maryland (2019 Edition), each as amended to date, as applicable. The Bonds are issued in accordance with Resolution No. RS-2021-09 adopted by the Board of County Commissioners of Washington County (the “Board”) on April 20, 2021.

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

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

<b><u>Maturing July 1*</u></b>	<b><u>Principal Amount*</u></b>	<b><u>Maturing July 1*</u></b>	<b><u>Principal Amount*</u></b>
2022	\$ 345,000	2032	\$ 570,000
2023	365,000	2033	590,000
2024	380,000	2034	605,000
2025	400,000	2035	620,000
2026	420,000	2036	630,000
2027	445,000	2037	645,000
2028	465,000	2038	660,000
2029	490,000	2039	670,000
2030	515,000	2040	685,000
2031	540,000	2041	700,000

\*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 and, including (without limitation), because the County has reduced the original aggregate principal amount of the Bonds to be issued for any particular project or has determined not to use Bonds proceeds to fund a particular project. Should a revision to the original 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 Parity or TM3 New Service ([www.tm3.com](http://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 Parity 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 for the Bonds.

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 Revised 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 increase or reduction 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 bids becoming accessible to the County on Parity. 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 the initial offering prices (as defined herein) specified by the successful bidder. **The successful bidder for the Bonds as so adjusted may not withdraw its bid or change the interest rates bid or initial offering prices as a result of any changes made to the principal amounts of the Bonds within these limits.** ALL BIDS SHALL REMAIN FIRM FOR 6 HOURS AFTER THE TIME SPECIFIED FOR BIDS BECOMING ACCESSIBLE TO THE COUNTY ON PARITY.

## 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 of the Revised Amounts for the Bonds may be designated as term bonds. Any term bond so designated shall be subject to mandatory redemption in each year on the principal payment date and in the entire amount of each serial maturity designated for inclusion in such term bond (as such principal amount may be adjusted as described in “Adjustments to Principal Amounts above”).

## Purpose of Issue

The Bonds are to be issued to finance or reimburse costs of certain infrastructure projects, public safety projects, a public facilities project, education projects, and environmental projects and certain costs of issuance of the Bonds.

## **Bid Specifications**

Each bidder for the Bonds shall submit one bid on an “all or none” basis. Each bid must specify the amount bid for the Bonds, which amount may not be less than 100% of par. Each bid for the Bonds 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 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 that exceeds the interest rate stated in such bid for any other Bonds by more than 400 basis points.

## **Electronic Bids Only**

Bids must be submitted by electronic bidding via Parity, in the manner described below, and must be submitted on the Bid Date by 11:00 a.m. Prevailing Eastern Time. No bid for the Bonds will be received 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 the Bid Date at 11:00 a.m. Prevailing Eastern Time. Prior to the 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 available to the County electronically via Parity, 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 11:00 a.m. Prevailing Eastern Time. Any award of the Bonds will be made on behalf of the County by the CFO. The successful bid for the Bonds will be determined based on the lowest interest cost to the County. The lowest interest cost for the Bonds 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 of award after the apparent successful bidder for the Bonds pays the Good Faith Deposit 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 \$107,400 (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, 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 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. Notification of the award of the Bonds, if made, will be indicated on Parity and shall not be made until the after County's financial advisor has confirmation of receipt of the Good Faith Deposit therefor. If an 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 of 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.



## Establishment of Issue Price

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

By submitting a bid, each bidder (i) confirms that it was not given the opportunity to review other bids prior to submitting its bid, (ii) confirms that its bid is a firm offer for the purchase of the Bonds, on the terms set forth in its bid and this Notice of Sale (as this Notice of Sale may be modified in accordance with its terms), except as permitted by this Notice of Sale, and (iii) represents that it has an established industry reputation for underwriting new issuances of municipal bonds.

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

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

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

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

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

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

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

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

(i) “public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an underwriter or related party to an underwriter;

(ii) “related party” generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly;

(iii) “sale date” means the date that the Bonds are awarded by the County to the successful bidder; and

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

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

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

## **Security**

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

## **Book-Entry Only**

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. One bond certificate for each maturity of the Bonds will be issued to Cede & Co., the nominee of The Depository Trust Company ("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 for the Bonds, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates 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, or the County may determine not to continue the book-entry system. If the County does not identify another qualified securities depository to replace DTC, the County will deliver replacement bonds in the form of fully-registered certificates.

## **Optional Redemption**

The Bonds that mature on or before July 1, 2031, are not subject to redemption at the option of the County prior to their maturities. The Bonds that mature on or after July 1, 2032, are subject to redemption at the option of the County in whole or in part on any date on or after July 1, 2031, in any order of maturity directed by the County, at a redemption price of the principal amount of the Public Improvement Bonds (or portions thereof) to be redeemed, plus accrued interest on the principal amount being redeemed to the date fixed for redemption, without premium or penalty.

## **Legal Opinions**

The Bonds will be issued and sold subject to approval as to legality by Funk & Bolton, P.A., Baltimore, Maryland, bond counsel. The approving opinion of Funk & Bolton, P.A. will be delivered, upon request, to the successful bidder for the Bonds, without charge, and the text of or a copy of the approving opinion will also be printed on, or attached to, each Bond. The substantially final form of the opinion of bond counsel is included in the Preliminary Official Statement referred to below as Appendix B.

Bond counsel has not been engaged and has not undertaken to review the accuracy, completeness or sufficiency of the information contained in the Preliminary Official Statement or the Official Statement referred to below or in any other material relating to the Bonds and, accordingly, will express no opinion as to the accuracy, completeness or sufficiency of any such information.

## **CUSIP Numbers**

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

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 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 amendment or supplement 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 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 applicable successful bidder.

### **Continuing Disclosure**

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

### **Delivery of the Bonds**

Delivery of the Bonds will be made to the successful bidder through the facilities of DTC on or about May 18, 2021. Payment for the Bonds shall be made in immediately available funds.

The Bonds will be accompanied by the customary closing documents, including a no litigation certificate, effective as of the date of delivery, stating that there is no litigation pending affecting the validity of the Bonds. It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that, simultaneously with or before delivery and payment for the Bonds, the 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 of the Bonds and/or the amortization schedule for 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.

Any bid submitted shall be made in accordance with this Notice of Sale, including any modifications, amendments or changes communicated via Parity or TM3 in accordance with the provisions of this Notice of Sale.

## **Additional Information**

The Preliminary Official Statement relating to the Bonds, together with the official Notice of Sale, may be obtained by contacting Davenport & Company, LLC, The Oxford Building, 8600 LaSalle Road, Suite 618, Towson, Maryland 21286, or by telephone, (410) 296-9426 or by facsimile transmission, (866) 932-6660, or by email, [sostazeski@investdavenport.com](mailto:sostazeski@investdavenport.com), the financial advisor to the County. The Preliminary Official Statement and the official Notice of Sale will also be made available via [www.i-dealprospectus.com](http://www.i-dealprospectus.com).

COUNTY COMMISSIONERS OF  
WASHINGTON COUNTY

/s/ Jeffery A. Cline

By:

**Jeffrey A. Cline, President**  
**Board of County Commissioners**  
**of Washington County**

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

**\$ \_\_\_\_\_  
COUNTY COMMISSIONERS OF WASHINGTON COUNTY  
PUBLIC IMPROVEMENT BONDS OF 2021**

**ISSUE PRICE CERTIFICATE (Qualified Competitive Bid)**

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

**1. *Reasonably Expected Initial Offering Price.***

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

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

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

(d) The Purchaser has an established industry reputation for underwriting new issuances of municipal bonds.

**2. *Defined Terms.***

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

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

“Sale Date” means the first day on which there is a binding contract in writing for the sale of the Bonds. The Sale Date of the Bonds is [SALE DATE TO BE INSERTED].

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

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

\_\_\_\_\_, as Purchaser

By: \_\_\_\_\_

Name:

Title:

(Authorized Signatory)

Dated: \_\_\_\_\_, 2021

**SCHEDULE A**

**EXPECTED OFFERING PRICES**

[To be Attached]



**SCHEDULE B**

**COPY OF PURCHASER'S BID**

[To be Attached]

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

**§ \_\_\_\_\_  
COUNTY COMMISSIONERS OF WASHINGTON COUNTY  
PUBLIC IMPROVEMENT BONDS OF 2021**

**ISSUE PRICE CERTIFICATE (Nonqualified Competitive Bid)**

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

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

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

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

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

(c) The [SHORT FORM NAME OF WINNING BIDDER has][the members of the Underwriting Syndicate have] an established industry reputation for underwriting new issuances of municipal bonds.

3. ***Defined Terms.***

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

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

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

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

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

“Sale Date” means the first day on which there is a binding contract in writing for the sale of the Bonds. The Sale Date of the Bonds is [SALE DATE TO BE INSERTED].

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

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

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

By: \_\_\_\_\_  
Name:  
Title:  
(Authorized Signatory)

Dated: \_\_\_\_\_, 2021

**SCHEDULE A**

**SALE PRICES OF THE GENERAL RULE MATURITIES**

[To be Inserted or Attached]

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

[To be Inserted or Attached]

**SCHEDULE B**

**PRICING WIRE OR EQUIVALENT COMMUNICATION**

[To be Attached]

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**PROPOSED FORM OF  
CONTINUING DISCLOSURE AGREEMENT**

**\$10,880,000  
COUNTY COMMISSIONERS OF WASHINGTON COUNTY  
PUBLIC IMPROVEMENT BONDS OF 2021**

**CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered by **COUNTY COMMISSIONERS OF WASHINGTON COUNTY** (the “Issuer”) in connection with the issuance of its \$10,880,000 Public Improvement Bonds of 2021 (the “Bonds”). The Bonds are being issued pursuant to Resolution No. RS-2021-09 adopted on April 20, 2021. 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 be 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 May 4, 2021 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 ending June 30, 2021. Any of such financial information or operating data required by this subsection (a) may be set forth in the Issuer’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 Issuer’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 ending June 30, 2021, unless the audited financial statements are not available on or before such date, in which event said financial statements will be provided promptly when and if available. In the event that audited financial statements are not available within 240 days after the end of the Issuer's fiscal year (commencing with the fiscal year ending June 30, 2021), 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: \_\_\_\_\_, 2021

(SEAL)

ATTEST:

COUNTY COMMISSIONERS OF  
WASHINGTON COUNTY

\_\_\_\_\_  
Krista L. Hart, County Clerk

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