COUNTY COMMISSIONERS OF WASHINGTON COUNTY

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

For the Year Ended June 30, 2026

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Together with Reports of Independent Public Accountants

JUNE 30, 2026

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

County Commissioners of Washington County
Hagerstown, Maryland

Opinions

We have audited the 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, 2026, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements 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, as of June 30, 2026, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Board of Education of Washington County, Maryland (the Board). Those 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 Board, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit 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 County's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal controls-related matters that we identified during the audit.

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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 is the responsibility of management and, 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 and the other auditors 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.

Supplementary Information

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

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

Owings Mills, Maryland
October 27, 2026

SB & Company, LLC

Washington County Government's (the "County") discussion and analysis is designed to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the County's financial activity, (c) identify changes in the County's financial position (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.

Overview of the Financial Statements

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

1) Government-wide Financial Statements

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

- The *statement of net position* presents information on the County's entire assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

- The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

- The *business-type activities* of the County include airport, public golf course, public transit, solid waste, and water quality operations.

The government-wide financial statements include not only the County (known as the primary government), but also include the Washington County Board of Education as a legally separate component unit and is reported separately from financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 20-22 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 funds of the County can be divided into three 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 12 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Capital Improvement, Grant Management, Cascade Town Centre, Inmate Welfare, Contraband, Agricultural Education, Gaming, Land Preservation, HEPMPO, Foreign Trade Zone, and Hotel Rental Tax funds.

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

  The basic governmental fund financial statements can be found on pages 23-26 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 27-29 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 statements 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 30-31 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 32-105 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 pages 108-119 of this report.

Financial Summary and Detailed Analysis

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 $872.2 million as of the close of the most recent fiscal year.

Washington County, Maryland
Net Position
(Government-Wide)

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2026	2025	2026	2025	2026	2025	
Current and other assets	$417,621,452	$392,817,908	$76,913,978	$80,813,529	$494,535,430	$473,631,437	4.4%
Capital assets	477,761,562	474,312,927	256,221,924	254,849,981	733,983,486	729,162,908	0.7%
Total Assets	895,383,014	867,130,835	333,135,902	335,663,510	1,228,518,916	1,202,794,345	2.1%
Deferred Outflow of Resources	7,602,021	7,556,453	109,816	159,145	7,711,837	7,715,598	(0.0%)
Current and other liabilities	59,987,816	55,094,753	9,994,604	9,823,629	69,982,420	64,918,382	7.8%
Long-term liabilities	162,927,694	204,796,725	60,187,015	65,731,013	223,114,709	270,527,738	(17.5%)
Total Liabilities	222,915,510	259,891,478	70,181,619	75,554,642	293,097,129	335,446,120	(12.6%)
Deferred Inflow of Resources	37,071,275	21,453,411	33,864,001	35,080,829	70,935,276	56,534,240	25.5%
Net Investment in Capital Assets	390,040,156	387,230,686	217,124,207	219,206,160	607,164,363	606,436,846	0.1%
Restricted Net Position	56,128,944	71,927,304	8,408,356	15,950,963	64,537,300	87,878,267	(26.6%)
Unrestricted Net Position	196,829,150	134,184,409	3,667,535	(9,969,939)	200,496,685	124,214,470	61.4%
Total Net Position	$642,998,250	$593,342,399	$229,200,098	$225,187,184	$872,198,348	$818,529,583	6.6%

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 $607.2 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 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, $64.5 million, represents resources that are subject to external restrictions on how they may be used. The remaining portion is unrestricted net position of $200.5 million.

Unrestricted net position in governmental activities has been reduced by $44.2 million in long-term debt, resulting in unrestricted net position of $196.8 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 $35.6 million and Hagerstown Community College of $8.6 million. The capital assets acquired with these bonds are not reflected in the County's primary government financial statements.

Governmental Activities:

Current and other assets increased in governmental activities by $24.8 million from the prior year primarily in cash and investments due to increased revenue collected.

Long-term liabilities, which consist of bonds, leases, subscription-based IT arrangements, compensated absences and pension obligations, decreased by $41.9 million from the previous year. There were two primary factors that led to the decrease. The first was the County did not issue general obligation bonds during the fiscal year, resulting in no new bond-related liabilities. The County still intends to issue bonds during 2027 that were budgeted to be issued in 2026. Due to construction timelines, it was determined that waiting to issue the bonds would be in the best interest of the County. The second was a reduction in the net pension liability of $29.6 million due to a combination of making cash contributions in addition to the actuarially determined amount during the last several fiscal years and favorable investment returns. At the end of fiscal year 2026, the County's pension plan is 90% funded, compared to 81% at the end of fiscal year 2025.

Business-type Activities:

The decrease in both current assets and long-term liabilities is due to the repayment of debt. Since the County did not issue any general obligation bonds during the fiscal year, there was not an offsetting increase in these categories.

Total Net Position:

The County's overall net position increased by $53.7 million during fiscal year 2026, representing a 6.6% increase. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

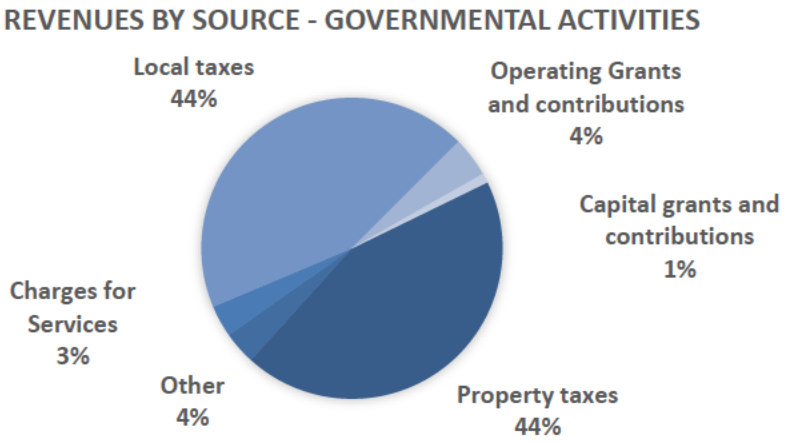
Washington County, Maryland
Change in Net Position
(Government-Wide)

	Governmental Activities		Business-type Activities		Total	
	2026	**2025**	**2026**	**2025**	**2026**	**2025**
Program Revenues:						
Charges for Services	$13,124,244	$11,335,498	$31,209,468	$29,408,576	$44,333,712	$40,744,074
Operating Grants and Contributions	16,529,778	16,742,117	2,518,731	2,540,517	19,048,509	19,282,634
Capital Grants and Contributions	3,897,938	6,478,335	2,228,187	8,626,873	6,126,125	15,105,208
General Revenues:						
Property Taxes	169,570,394	156,836,479	-	-	169,570,394	156,836,479
Local Taxes	169,239,614	165,233,790	-	-	169,239,614	165,233,790
Other	13,693,748	18,852,643	2,559,009	3,525,697	16,252,757	22,378,340
Total Revenues	386,055,716	375,478,862	38,515,395	44,101,663	424,571,111	419,580,525
Program Expenses:						
General Government	43,369,629	46,775,439	-	-	43,369,629	46,775,439
Public Safety	98,280,832	96,560,418	-	-	98,280,832	96,560,418
Health	2,495,070	3,183,620	-	-	2,495,070	3,183,620
Social Services	556,960	506,330	-	-	556,960	506,330
Education	142,007,423	124,727,436	-	-	142,007,423	124,727,436
Parks, Recreation, and Culture	6,623,455	7,610,990	-	-	6,623,455	7,610,990
Natural Resources	3,203,479	6,961,178	-	-	3,203,479	6,961,178
Community Promotion	7,631,112	9,527,744	-	-	7,631,112	9,527,744
Highways and Streets	20,595,736	20,829,793	-	-	20,595,736	20,829,793
Interest on Long-term Debt	5,292,873	4,624,385	-	-	5,292,873	4,624,385
Water Quality	-	-	18,467,086	18,586,902	18,467,086	18,586,902
Solid Waste	-	-	8,943,607	8,705,264	8,943,607	8,705,264
Public Transit	-	-	4,708,049	4,552,486	4,708,049	4,552,486
Airport	-	-	7,045,434	6,060,691	7,045,434	6,060,691
Golf Course	-	-	1,681,601	1,627,724	1,681,601	1,627,724
Total Expenses	330,056,569	321,307,333	40,845,777	39,533,067	370,902,346	360,840,400
Change in Net Position before transfers	55,999,147	54,171,529	(2,330,382)	4,568,596	53,668,765	58,740,125
Transfers	(6,343,296)	(2,879,757)	6,343,296	2,879,757	-	-
Change in Net Position	49,655,851	51,291,772	4,012,914	7,448,353	53,668,765	58,740,125
Net Position – Beginning of year	593,342,399	542,050,627	225,187,184	217,738,831	818,529,583	759,789,458
Net Position – End of year	$642,998,250	$593,342,399	$229,200,098	$225,187,184	$872,198,348	$818,529,583

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

Governmental activities change in net position for the current year reflects an increase of $49.7 million, as compared to an increase of net position of $51.3 million during FY2025.

Revenues for the County's governmental activities were $386.1 million for FY2026. Sources of revenue are comprised of the following items:



Taxes represent the County's largest revenue source at $338.8 million for FY2026, which represents 88% of all governmental revenues.

- The property tax rate is $.928 per $100 of assessed value and generates 44% of County revenue.
- Local taxes, which include income tax, generated 44% of County revenue. The income tax rate for FY2026 was 2.95%.

Revenue from governmental activities increased from FY2025 by $10.5 million.

- Charges for Services increased by $1.8 million over FY2026. Revenues from billing for emergency medical transports increased $1.2 million due to the transition of two more volunteer EMS companies and full-year billing of previously transitioned companies. Additionally, 911 fee revenue increased by $0.5 million due to an increase in the 911 fee from $1.25 per bill per month to $1.75 per bill per month.
- Capital grants and contributions decreased by $2.6 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 by approximately $12.7 million due to an increase in assessed values in both real and personal property. The state of Maryland reassesses one-third of property accounts each year (tri-annual reassessment). The reassessment done for tax year beginning July 1, 2025 (FY2026) raised property values in Washington County by 29.3%; 34.3% for residential and 8.9% for commercial.
- Local taxes increased by $4.0 million in total. Income tax collected increased $13.1 million or 9.9% compared to FY2025. The amount of unallocated income tax held in reserve for Washington County by the State of Maryland increased $3.1 million over FY2025. Recordation tax decreased by $0.4 million and transfer tax by $0.9 million due to a slight slowdown in real estate activity.
- Other revenues decreased by $5.2 million. The primary reason for this decrease is due to not including in-kind revenues in the government-wide and fund financial statements as in prior years. This revenue is not true revenue and has an offsetting expense. It is used to illustrate the value of County owned commercial space used by outside agencies at no cost.

Discussion of the County's revenue results for FY2026 compared to budget can be found in the notes to required supplementary information on pages 108-119 of this report.

The following table presents costs and program revenues for major county programs. The total cost of governmental services for FY2026 was $330.1 million. Revenues of $33.6 million that offset these costs include $13.1 million in charges for services and $20.4 million in operating and capital grants and contributions. The net amount of $296.5 million was paid for through county taxpayer dollars.

Washington County, Maryland
Net Cost of Governmental Activities
(Government-Wide)

Category	Expenses		Revenues		Net Cost of Services	
	2026	2025	2026	2025	2026	2025
Education	$142,007,423	$124,727,436	$ -	$ -	$142,007,423	$124,727,436
Public Safety	98,280,832	96,560,418	9,700,578	7,662,605	88,580,254	88,897,813
General Government	43,369,629	46,775,439	10,665,603	9,156,456	32,704,026	37,618,983
Highways and Streets	20,595,736	20,829,793	4,588,663	9,183,276	16,007,073	11,646,517
Community Promotion	7,631,112	9,527,744	6,537,501	5,230,593	1,093,611	4,297,151
Parks and Recreation	6,623,455	7,610,990	477,149	102,638	6,146,306	7,508,352
Other	11,548,382	15,275,513	1,582,466	3,220,382	9,965,916	12,055,131
Total	$330,056,569	$321,307,333	$33,551,960	$34,555,950	$296,504,609	$286,751,383

Expenditures from governmental activities total $330.1 million, which represents an increase from FY2025 of $8.8 million.

- Education expenditures increased by $17.3 million compared to FY2025. Most of this increase is due to the increased appropriation to Washington County Public Schools (WCPS) of $10.4 million, based on the minimum local share required under the Blueprint of Maryland's Future mandate. Additionally, the Budget Reconciliation and Financing Act of 2025 shifted costs from the State onto the County for Teacher and Community College Retirement System payments, resulting in an additional $2.4 million in expenses. The remaining increase is due to an increase in capital spending for both WCPS and Hagerstown Community College (HCC), which can fluctuate year to year based on capital maintenance and construction schedules. Large investments in FY2026 include replacing the HVAC system at Boonsboro High School and starting the renovation of the Advanced Technology Center at HCC.

- Overall, public safety costs increased by approximately $1.7 million over FY2025. Operating costs increased $7.8 million, mainly due to wage increases. Renegotiated collective bargaining agreements for fire and rescue responders, as well as law enforcement and corrections officers went into effect during FY2026, resulting in cost-of-living increases of 8% for fire and rescue responders and 6% for law enforcement and correction officers. Capital spending decreased by $6.1 million, mostly due to the investments made in radio upgrades for emergency responders during FY2025 were not repeated in FY2026.

- General government expenditures decreased $3.4 million from FY2025. Personnel costs increased $2.0 million due to enhancements to the middle and upper grades on the civilian wage scale for FY2026. This increase was offset by less capital spending than FY2025, such as a property acquisition in FY2025 for $1.9 million, a chiller replacement in the courthouse for $0.7 million, and energy upgrades of $0.3 million that were not repeated in FY2026. Capital Improvement transactions are earmarked for specific capital related projects, and their cash flow will vary depending on the construction schedule and grant reimbursements.

- Expenditures for highways and streets decreased by $0.2 million from FY2025. Operating expense increased by $0.3 million, mainly due to additional line striping done on county roads and higher costs for diesel fuel than FY2025. Capital spending recorded as expenses decreased $0.5 million due to the replacement of two large dump trucks in FY2025, while smaller vehicles were replaced during FY2026.

- Community promotion decreased by $1.9 million from FY2025. Most of this decrease is due to ARPA funds that were spent in FY2025 that were not spent again in FY2026.

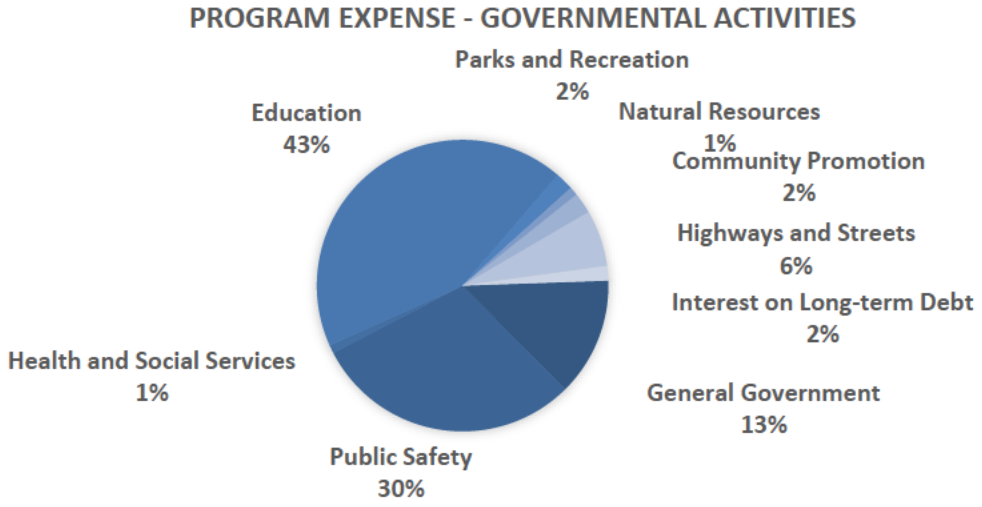
- Parks, recreation, and culture decreased by $1.0 million from FY2025. The primary reason for this decrease is due to not including in-kind expenses in the government-wide and fund financial statements as in prior years.

- Natural resources decreased by $3.8 million due to less spending on Land Preservation easement programs. Spending on land preservation can vary from year to year due to available funding and timing of final settlement of easement transactions.

- Debt service increased by $0.7 million based on established debt service schedules.

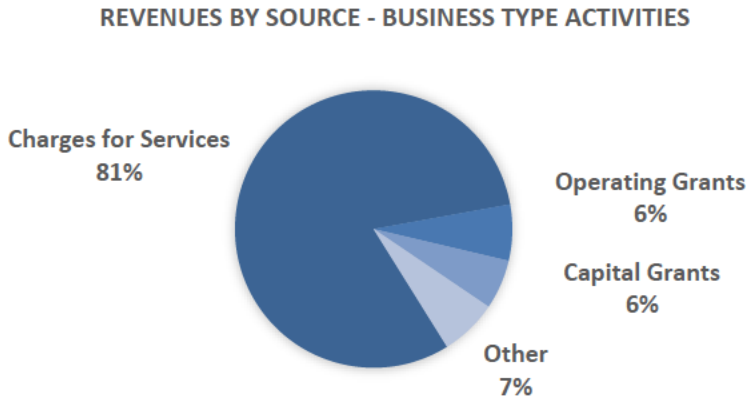
- Transfers out increased by $3.5 million over FY2025. Most of this increase was $3.2 million in capital transfers to the Airport to help fund the Terminal Building Expansion Project and to purchase a used aircraft rescue and firefighting apparatus.

Governmental program expenditures are shown below. The largest expenditure category is education at $142.0 million, followed by public safety at $98.3 million.



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

For business-type activities, the overall net position increased by $4.0 million to an ending balance of $229.2 million.



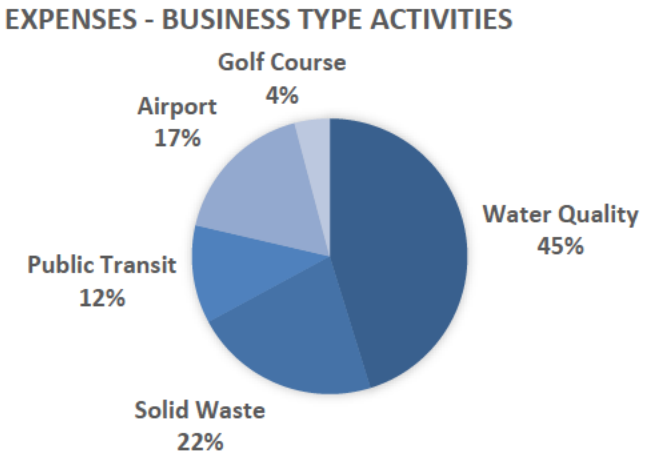
Revenues decreased from FY2025 by $5.6 million.

- Charges for services increased by $1.8 million over FY2025. Several fees were increased for FY2026, including a 5.0% increase in water rates, 3.5% increase in sewer rates, 3.5% increase for landfill permits, and 3.0% increase in rental rates for t-hangars at Hagerstown Regional Airport. Additionally, Airport revenue increased due to Sierra Nevada Corporation conducting more of its flight-testing activities at night, resulting in higher compensation for standby firefighter support.

- Operating grants and contributions remained flat compared to FY2025.

- Capital grants and contributions decreased by $6.4 million. Most of the decrease is due to grant funds awarded to the Airport in FY2025 for large capital improvement projects, including the rehabilitation of Taxiway F, that were not repeated in FY2026. Capital revenues can vary significantly from year to year based on capital project schedules.

- Other revenues decreased by $1.0 million mainly due to income from investments. Income from investments decreased due to lower interest rates compared to FY2025. Investment rates for FY2025 started at almost 5.0% and slowly dropped to as low as 4.1%. Rates for FY2026 slowly declined from 4.0% to 3.4% in December but slowly rebounded to 4.0% by the end of the fiscal year.

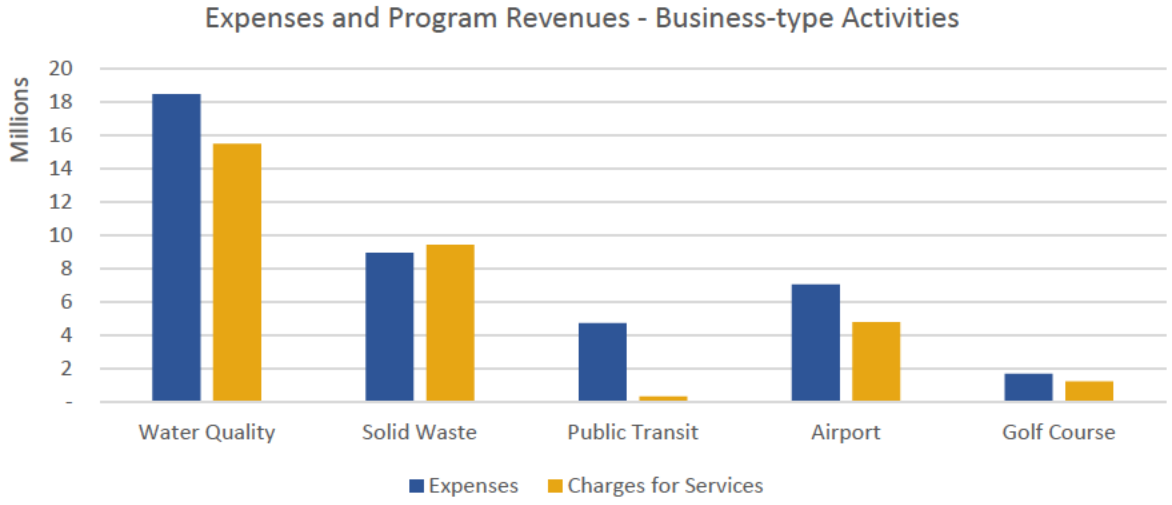


Expenses increased by $1.3 million over FY2025.

- Most of the increase in expenses is due to personnel costs. For FY2026, all employees on the civilian wage scale received a minimum cost of living increase of 1.0% and a 2.5% step increase. Also for FY2026, enhancements were made to the middle and upper grades of the civilian scale, resulting in additional increases that ranged from 1.0% to 4.8%.

Transfers increased by $3.5 million over FY2025. Most of this increase was $3.2 million in capital transfers into the Airport to help fund the Terminal Building Expansion Project and to purchase a used aircraft rescue and firefighting apparatus.

The chart below provides a snapshot of the County's business type activities and related charges for services.



Further discussion concerning the finances of business-type activities can be found in the discussion of the County's proprietary funds in the following section.

Detailed Analysis of County Funds

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

***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.

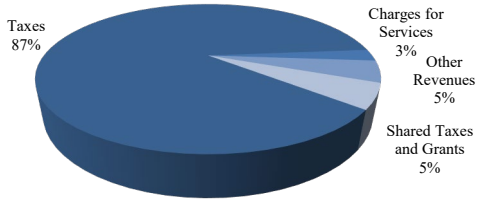
As of the end of the current fiscal year, the County's governmental funds reported combined fund balances of $296.7 million, an increase of $14.5 million. Approximately $91.0 million of this amount is committed for the general fund cash reserve and $205.7 million is restricted or committed for construction projects and designated programs. In the combined governmental activities, the County maintains 12 separate funds. Below are fund balances and net changes in fund balance for each.

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

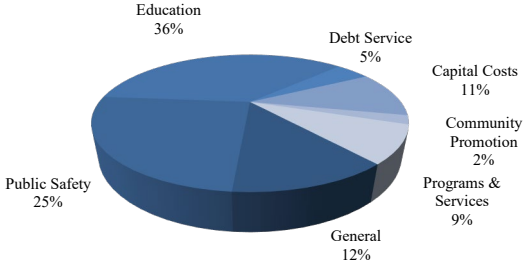
Governmental Activities	Fund Balance			Net Change in Fund Balance		
	2026	2025	% Change	2026	2025	% Change
General Fund	$99,330,775	$90,421,437	9.9%	$8,909,338	$9,729,232	(8.4%)
Capital Improvement Fund	180,186,776	181,305,997	(0.6%)	(1,119,221)	5,068,878	(122.1%)
Grants Management	8,087,740	4,216,226	91.8%	3,871,514	1,772,801	118.4%
Cascade Town Centre Fund	538,240	622,325	(13.5%)	(84,085)	(89,558)	6.1%
Inmate Welfare Fund	1,208,150	993,922	21.6%	214,228	206,747	3.6%
Contraband Fund	609,059	101,708	498.8%	507,351	36,580	1,287.0%
Agricultural Education Fund	163,911	121,194	35.2%	42,717	56,275	(24.1%)
Hotel Rental Tax Fund	1,529,286	1,896,886	(19.4%)	(367,600)	(828,166)	55.6%
Gaming Fund	69,786	61,682	13.1%	8,104	(46,528)	117.4%
Land Preservation Fund	4,892,076	2,451,189	99.6%	2,440,887	(240,380)	1,115.4%
HEPMPO	18,892	20,934	(9.8%)	(2,042)	(21,946)	90.7%
Foreign Trade Zone	42,656	21,934	94.5%	20,722	815	2,442.6%
Total	$296,677,347	$282,235,434	5.12%	$14,441,913	$15,644,750	(7.7%)

The following reflects all inflows and outflows of the governmental funds in total for the fiscal year ending June 30, 2026.

Summary of Inflows
All Governmental Funds



Summary of Outflows
All Governmental Funds



- The ***General Fund*** is the chief operating fund of the County. At the end of the current fiscal year total fund balance reached $99.3 million. As a measure of the General Fund's liquidity, it may be useful to compare both committed fund balance and total fund balance to total fund expenditures. The total fund balance represents 31.6% of total General Fund expenditures.

  The General Fund fund balance increased by approximately $8.9 million during the current fiscal year. Both revenues and expenditures grew approximately 8.5% from FY2025, leading to a similar increase in fund balance compared to the prior year. As mentioned before, property tax revenue continues to grow due to large increases in assessed values during the State reassessment process. Personnel costs increased due to the cost-of-living and step increase given to all employees and the civilian wage scale enhancements to the middle and upper grades. Operating costs increased mainly due to education costs related to the Blueprint for Maryland's Future. Lastly, additional revenues led to increased investment in capital projects, with $17.2 million more transferred to the Capital fund compared to FY2025.

  A more detailed discussion of General Fund revenues and expenditures can be found in the General Fund Budgetary Analysis in the notes to required supplementary information on pages 108-119 of this report.

- 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 Projects Fund has a total fund balance of $180.2 million; all of which is restricted or committed for capital-related projects. Major funding sources for projects are pay-go-funding, debt proceeds, fees and taxes, and grants. Fund balance decreased by $1.1 million for the current fiscal year. The change in fund balance is the result of timing differences in project funding proceeds and the spending or construction timeline of those projects.

- The County's ***Grant Management, Cascade Town Centre, Inmate Welfare, Contraband, Agricultural Education, Hotel Rental Tax, Gaming, HEPMPO, Land Preservation, and Foreign Trade Zone Funds*** have a combined fund balance of $17.2 million. These funds represent monies designated for specific programs and services. The net increase in fund balance during the current year was $6.7 million and was mainly attributed to the Grants Management fund due to opioid settlement payments and Community Repair and Reinvestment Funds from the State sales tax on the sale of cannabis. The Land Preservation fund also saw an increase in fund balance due to an extra appropriation of transfer tax to be used for future preservation efforts.

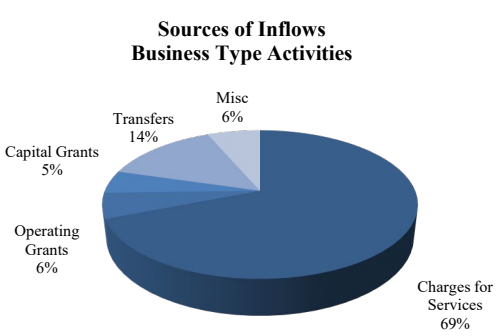
Proprietary funds:

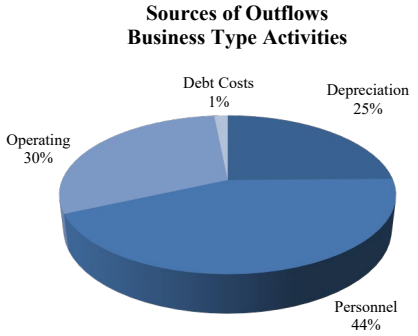
The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position and net income (loss) were as follows:

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

Business-type Activities	Total Net Position			Change in Net Position		
	2026	2025	% Change	2026	2025	% Change
Water Quality	$ 152,980,695	$ 153,382,611	(0.3%)	$ (401,916)	$ (545,812)	26.4%
Solid Waste	16,666,646	14,526,274	14.7%	2,140,372	2,745,584	(22.0%)
Airport	49,477,558	46,820,461	5.7%	2,657,097	5,889,447	(54.9%)
Public Transit	6,454,494	7,149,230	(9.7%)	(694,736)	(404,028)	(72.0%)
Golf Course	3,620,705	3,308,608	9.4%	312,097	(236,838)	231.8%
Total	$ 229,200,098	$ 225,187,184	1.8%	$ 4,012,914	$ 7,448,353	46.1%

The following reflects the inflows and outflows of the business-type activity funds for the fiscal year ending June 30, 2026.





- The ***Water Quality Fund*** accounts for all operating activities necessary to provide water, wastewater, and pretreatment services. Water Quality's net position amounted to $153.0 million in FY2026, which is a nominal decrease from FY2025 of 0.3%. Of this amount, $140.8 million represents the net investment in capital assets, $4.4 million is restricted for capital projects, and $7.7 million remains unrestricted. Overall, revenue remained flat compared to FY2025, decreasing 0.4%. Additional revenue generated by the increase in utility rates was offset by a decrease in investment income. Expenses also were in line with the prior year, decreasing only 0.6%. Budgeted use of net position for FY2026 was $2.5 million, so it is positive that the net position only decreased $0.4 million.

- The ***Solid Waste Fund*** accounts for municipal solid waste operations on a cost-of-service basis. Solid Waste's net position amounted to $16.7 million for FY2026, representing an increase of $2.1 million. Of this amount, $6.6 million represents the net investment in capital assets; $3.4 million is restricted for capital projects; and $6.7 million represents unrestricted net position. Both revenues and expenses were in line with the prior year, with revenues decreasing by 2.6%, while expenses increased by 2.7%. The increase in net position of $2.1 million is comparable to prior year and will aid in funding planned construction at the landfill in the coming years.

- The ***Airport Fund*** accounts for all operating activities necessary to provide air transportation services at Hagerstown Regional Airport. The Airport's ending net position is $49.5 million, an increase of $2.7 million. Of this amount, $63.4 million represents the net investment in capital assets; $0.4 million is restricted from capital projects and ($14.4) million represents unrestricted net position. The unrestricted deficit is the result of capital assets constructed by the lessees through long-term lease agreements. The long-term lease agreements require the recognition of revenue related to the capital assets constructed by the lessees over the life of the lease agreements and will eliminate the unrestricted deficit over the term of the lease agreement. Expenses increased over prior year mainly due to personnel costs. Due to the arrangement with Sierra Nevada Corporation, salaries and benefits increased due to additional firefighters being needed at the airport outside of normal business hours. These additional costs were offset by higher reimbursements received for providing those firefighters. Capital grant funding was $6.7 million less in FY2026 due to grant funds awarded to the Airport in FY2025 for large capital improvement projects, including the rehabilitation of Taxiway F, that were not repeated in FY2026. This was offset by the large capital transfer of $3.2 million discussed in the previous section. Additional revenues due to increased flight activity and the 3.0% rate increase for T-hangar rent also contributed to the increase in net position.

- The ***Transit Fund*** accounts for the County public transit system and all operating activities necessary to provide that service. Transit's ending net position is $6.5 million for FY2026, a decrease of $0.7 million. Of this amount, $3.6 million represents the net investment in capital assets and $2.8 million is classified as unrestricted. Operating revenue increased by $0.1 million, mainly due to an increase in capital grants. Personnel costs increased due to the 1.0% cost-of-living and 2.5% step increase given to all employees. To lessen the amount subsidized by General Fund revenues, use of net position of $0.7 million was included in the FY2026 budget and results align with that expectation.

- The ***Golf Course Fund*** accounts for all operating activities to provide 18 holes of quality golf at Black Rock Golf Course. The Golf Course's ending net position is $3.6 million, an increase of $0.3 million. Of this amount, $2.7 million represents the net investment in capital assets, $0.2 million is restricted for capital projects, and $0.8 million is classified as unrestricted. Operating revenues increased $0.2 million, mainly due to a $5.00 increase to all fees that became effective beginning in March 2026. Operating expenses increased only nominally.

A discussion of enterprise fund long-term debt can be found in the Long-Term Debt section presented later in this MD&A. 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."

Significant Capital Asset and Long-Term Financing Activity

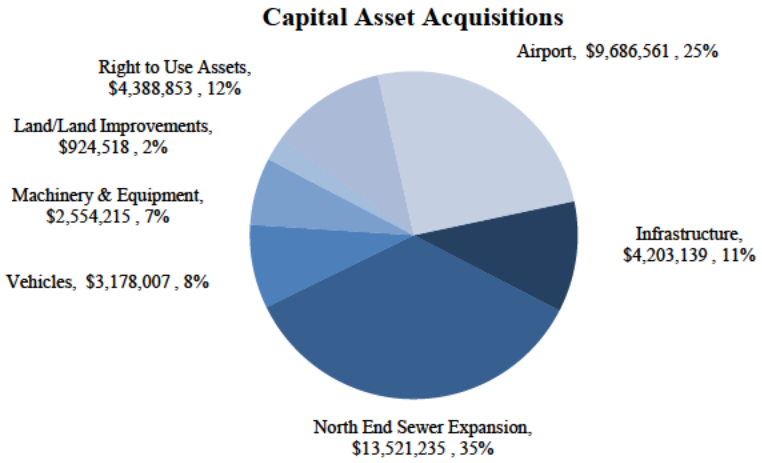
Capital Assets:

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2026, amounts to $734.0 million (net of depreciation and amortization). This investment in capital assets includes land, buildings, bridges, roads, equipment, and operational facilities.

Washington County, Maryland
Net Capital Assets
(Government – Wide)

Description	Governmental Activities		Business-type Activities		Total		
	2026	2025	2026	2025	2026	2025	% Change
Land and Land Improvements	$128,937,996	$129,206,459	$34,849,608	$28,498,921	$163,787,604	$157,705,380	3.9%
Building and Improvements	68,964,896	71,569,049	39,352,524	39,996,308	108,317,420	111,565,357	(2.9%)
Facilities, Lines, and Mains	-	-	95,631,570	84,015,428	95,631,570	84,015,428	13.8%
Vehicles	9,843,851	10,766,491	4,974,113	3,923,275	14,817,964	14,689,766	0.9%
Infrastructure	225,302,550	231,844,002	-	-	225,302,550	231,844,002	(2.8%)
Machinery and Equipment	4,524,630	4,953,302	3,778,032	3,659,122	8,302,662	8,612,424	(3.6%)
Office/Computer Equipment	7,259,203	6,678,011	21,865	148,952	7,281,068	6,826,963	6.7%
Treatment Plants	-	-	59,210,836	61,135,756	59,210,836	61,135,756	(3.1%)
Right to Use – Land	174,626	194,514	-	-	174,626	194,514	(10.2%)
Right to Use – Vehicles	82,787	154,209	297,468	-	380,255	154,209	146.6%
Right to Use – Machinery & Equip.	443,867	780,090	2,163,473	2,394,060	2,607,340	3,174,150	(17.9%)
Right to Use – Subscriptions	3,563,812	2,179,030	164,439	-	3,728,251	2,179,030	71.1%
Construction in Progress	28,663,344	15,987,770	15,777,996	31,078,159	44,441,340	47,065,929	(5.6%)
Total	$477,761,562	$474,312,927	$256,221,924	$254,849,981	$733,983,486	$729,162,908	0.7%

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 54-56 of this report.

Long-term Financing:

At the end of the current fiscal year, the County had a total general obligation debt outstanding of $182.1 million. This amount was comprised of debt backed by the full faith and credit of the County and user fees. The debt balance decreased by a net of $17.1 million.

Washington County, Maryland
Outstanding Debt
(Government – Wide)

Instrument Type	Governmental Activity		Business-type Activity		Total Outstanding Debt		% Change
	2026	2025	2026	2025	2026	2025	
General Obligation Bonds	$136,582,467	$149,447,940	$38,859,830	$42,179,653	$175,442,297	$191,627,593	(8.4%)
Maryland Water Quality Bonds	287,327	571,810	6,374,252	6,992,798	6,661,579	7,564,608	(11.9%)
Total	$136,869,794	$150,019,750	$45,234,082	$49,172,451	$182,103,876	$199,192,201	(8.6%)

The County's current credit ratings 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 $1.7 billion, which is significantly in excess of the County's current water quality general obligation debt.

In 2001, the County adopted a debt management policy that established four debt ratios to evaluate debt affordability. The County's current ratios using fiscal year 2026 data and the maximum acceptable ratios per policy are summarized in the table below.

	Debt Per Capita	Debt as a Percent of FMV	Debt Service as a % of General Fund Revenue	Debt Service Per Capita as a % of Income Per Capita
2026 Ratios	$871	0.77%	4.88%	0.17%
Policy Maximum	$1,500	1.50%	8.00%	0.50%

Additional Information on the County's long-term debt can be found in Note 8 on pages 60-70 of this report.

Currently Known Facts, Decisions, or Conditions

- Washington County's economy shows stable economic performance for FY2026. The average price of a home sold increased by 0.5% in FY2026 to $344,784. The number of units sold decreased by 1.1% from 1,557 to 1,540. Active inventory on the market did increase over prior year but has not rebounded to pre FY2021 levels, bringing a premium to sellers in the market.

- Property values for tax year beginning July 1, 2026, were raised 19.5% as a result of the most recent reassessment completed by the State of Maryland. Residential values increased 22.8% and commercial values increased 12.9%. The net taxable assessable base increased 9.3%. The county and municipality homestead credit caps the annual increase in assessment at 5%.

- Unemployment trends are stable and the unemployment rate is in line with the national rate. Washington County's unemployment rate for the last three years is as follows:
  - June 2024 3.3%
  - June 2025 4.0%
  - June 2026 4.2%

- The County has collective bargaining agreements with four labor groups: Maryland Public Council 3, AFSCME, AFL-CIO, and its Local 2677 (AFSCME); The Hagerstown Professional Firefighters I.A.F.F Local 1605 (IAFF); Fraternal Order of Police Lodge 150 (FOP); and National Correctional Employees Union Local 146 (NCEU). Current agreements with IAFF, FOP, and NCEU are in effect until June 30, 2027. IAFF has already initiated bargaining for 2028. The current agreement with AFSCME is in effect until June 30, 2031.

- An increase to Water rates of 5.0% and Sewer rates of 3.5% were approved for FY2027.

Requests for Information

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

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COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Net Position
As of June 30, 2026

	Primary Government			Component Unit
	Governmental activities	Business-type activities	Total	Board of Education
ASSETS				
Cash and short-term investments	$ 25,717,426	$ 37,088,694	$ 62,806,120	$ 30,641,821
Investments	298,063,048	-	298,063,048	28,958,359
Property taxes receivable, net of allowance	1,216,234	-	1,216,234	-
Accounts receivable, net of allowance	4,118,533	2,214,317	6,332,850	2,962,363
Lease receivable	2,260,524	15,527,639	17,788,163	-
Interest receivable	2,804,672	500,530	3,305,202	-
Unbilled receivables	409,868	2,667,482	3,077,350	-
Internal balances	(16,825,829)	16,825,829	-	-
Due from other governmental agencies	85,095,559	1,203,824	86,299,383	28,076,993
Inventories	1,152,594	532,004	1,684,598	719,321
Other assets	-	20,712	20,712	3,513,491
Net OPEB asset	11,944,344	-	11,944,344	-
Net Pension Asset - LOSAP	1,518,972	-	1,518,972	-
Recoverable disbursements	84,738	-	84,738	-
Notes receivable	60,769	332,947	393,716	-
Projects under construction	28,663,344	15,777,996	44,441,340	15,318,013
Capital assets, net of accumulated depreciation/amortization	449,098,218	240,443,928	689,542,146	231,455,783
TOTAL ASSETS	895,383,014	333,135,902	1,228,518,916	341,646,144
DEFERRED OUTFLOWS OF RESOURCES				
Loss on refunding	278,882	109,816	388,698	-
Net pension activity	5,958,187	-	5,958,187	10,618,883
Net OPEB activity	1,364,952	-	1,364,952	100,834,245
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,602,021	109,816	7,711,837	111,453,128
LIABILITIES				
Current Liabilities:				
Current maturities of long-term obligations	11,356,312	3,370,185	14,726,497	-
Current maturities of leases	359,322	725,023	1,084,345	382,218
Current maturities of subscriptions	1,267,278	41,029	1,308,307	146,040
Current maturities of installment purchase contracts	33,100	-	33,100	-
Accounts payable	25,448,608	2,598,074	28,046,682	16,318,822
Accrued expenses	2,640,081	679,338	3,319,419	29,281,653
Accrued interest	2,532,031	746,635	3,278,666	-
Liabilities for unpaid claims	5,810,138	-	5,810,138	-
Unearned revenue	1,907,505	726,388	2,633,893	3,938,013
Compensated absences	4,801,390	855,316	5,656,706	8,461,769
Landfill closure and post-closure costs	-	167,800	167,800	-
Other liabilities	3,832,051	84,816	3,916,867	-
Total current liabilities	59,987,816	9,994,604	69,982,420	58,528,515
Noncurrent Liabilities:				
Compensated absences	1,600,463	285,107	1,885,570	25,282,846
Net OPEB liability	-	-	-	175,419,891
Long-term debt obligations	125,513,482	41,863,898	167,377,380	-
Leases	222,001	1,394,725	1,616,726	1,690,981
Subscriptions	1,696,077	111,222	1,807,299	153,344
Installment purchase contracts	-	-	-	-
Landfill closure and post-closure costs	-	16,532,063	16,532,063	-
Net pension liability	33,895,671	-	33,895,671	28,164,506
Total noncurrent liabilities	162,927,694	60,187,015	223,114,709	230,711,568
TOTAL LIABILITIES	222,915,510	70,181,619	293,097,129	289,240,083
DEFERRED INFLOWS OF RESOURCES				
Gain on refunding	58,208	41,671	99,879	-
Net pension activity	29,534,781	-	29,534,781	1,440,031
Net OPEB activity	5,345,906	-	5,345,906	121,259,772
Service concession arrangements	-	19,078,319	19,078,319	-
Leases	2,132,380	14,744,011	16,876,391	-
TOTAL DEFERRED INFLOWS OF RESOURCES	37,071,275	33,864,001	70,935,276	122,699,803
NET POSITION				
Net investment in capital assets	390,040,156	217,124,207	607,164,363	243,090,589
Restricted for:				
Capital projects	56,128,944	8,408,356	64,537,300	-
Scholarships & Student Activities	-	-	-	276,028
Flexible Spending Plan	-	-	-	85,871
Unrestricted	196,829,150	3,667,535	200,496,685	(202,293,102)
TOTAL NET POSITION	$ 642,998,250	$ 229,200,098	$ 872,198,348	$ 41,159,386

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, 2026

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	$ 43,369,629	$ 8,866,488	$ 1,744,340	$ 54,775
Public safety	98,280,832	4,146,358	3,304,170	2,250,050
Health	2,495,070	-	-	-
Social services	556,960	-	-	-
Education	142,007,423	-	-	-
Parks, recreation and culture	6,623,455	111,398	-	365,751
Natural resources	3,203,479	-	1,582,466	-
Community promotion	7,631,112	-	6,537,501	-
Highways and streets	20,595,736	-	3,361,301	1,227,362
Interest on long-term debt	5,292,873	-	-	-
Total governmental activities	330,056,569	13,124,244	16,529,778	3,897,938
Business-type activities				
Water quality	18,467,086	15,494,731	177,888	200,000
Solid waste	8,943,607	9,416,523	-	-
Airport	7,045,434	4,770,208	-	1,425,060
Public transit	4,708,049	317,313	2,340,843	603,127
Black Rock golf course	1,681,601	1,210,693	-	-
Total business-type activities	40,845,777	31,209,468	2,518,731	2,228,187
TOTAL PRIMARY GOVERNMENT	$ 370,902,346	$ 44,333,712	$ 19,048,509	$ 6,126,125
Component unit:				
Board of Education	$ 500,050,981	$ 17,208,405	$ 125,045,576	$ -
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, 2026

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Board of Education
$ (32,704,026)	$ -	$ (32,704,026)	$ -
(88,580,254)	-	(88,580,254)	-
(2,495,070)	-	(2,495,070)	-
(556,960)	-	(556,960)	-
(142,007,423)	-	(142,007,423)	-
(6,146,306)	-	(6,146,306)	-
(1,621,013)	-	(1,621,013)	-
(1,093,611)	-	(1,093,611)	-
(16,007,073)	-	(16,007,073)	-
(5,292,873)	-	(5,292,873)	-
(296,504,609)	-	(296,504,609)	-
-	(2,594,467)	(2,594,467)	-
-	472,916	472,916	-
-	(850,166)	(850,166)	-
-	(1,446,766)	(1,446,766)	-
-	(470,908)	(470,908)	-
-	(4,889,391)	(4,889,391)	-
(296,504,609)	(4,889,391)	(301,394,000)	-
-	-	-	(357,797,000)
169,570,394	-	169,570,394	-
169,239,614	-	169,239,614	-
10,681,912	1,706,549	12,388,461	1,960,774
1,130,792	-	1,130,792	-
2,552,342	1,213,699	3,766,041	1,958,543
-	-	-	356,948,549
(671,298)	(361,239)	(1,032,537)	-
(6,343,296)	6,343,296	-	-
346,160,460	8,902,305	355,062,765	360,867,866
49,655,851	4,012,914	53,668,765	3,070,866
593,342,399	225,187,184	818,529,583	38,088,520
$ 642,998,250	$ 229,200,098	$ 872,198,348	$ 41,159,386

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Balance Sheet - Governmental Funds
As of June 30, 2026

	General Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
ASSETS				
Cash	$ 4,883,868	$ -	$ 20,833,558	$ 25,717,426
Investments	298,063,048	-	-	298,063,048
Property taxes receivable, net of allowance	1,216,234	-	-	1,216,234
Accounts receivable, net of allowance	3,169,210	523,236	426,087	4,118,533
Interest receivable	1,112,902	1,680,870	10,900	2,804,672
Leases receivable	2,174,978	-	85,546	2,260,524
Unbilled receivables	408,946	-	922	409,868
Due from other government agencies	82,160,591	514,774	2,420,194	85,095,559
Due from other funds	279,526	186,125,734	-	186,405,260
Recoverable disbursements	84,738	-	-	84,738
Other Assets	60,769	-	-	60,769
Inventories	1,152,594	-	-	1,152,594
TOTAL ASSETS	$ 394,767,404	$ 188,844,614	$ 23,777,207	$ 607,389,225
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 12,954,300	$ 8,657,800	$ 3,836,508	$ 25,448,608
Accrued expenses	2,618,416	38	21,627	2,640,081
Due to other funds	203,104,354	-	126,735	203,231,089
Liabilities for unpaid claims	5,810,138	-	-	5,810,138
Unearned revenue	539,175	-	1,368,330	1,907,505
Other liabilities	2,643,916	-	1,188,135	3,832,051
TOTAL LIABILITIES	227,670,299	8,657,838	6,541,335	242,869,472
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	65,710,026	-	-	65,710,026
Leases	2,056,304	-	76,076	2,132,380
TOTAL DEFERRED INFLOWS OF RESOURCES	67,766,330	-	76,076	67,842,406
FUND BALANCES				
Nonspendable	1,213,363	-	-	1,213,363
Restricted	739,641	56,128,944	8,575,474	65,444,059
Committed	94,129,789	124,057,832	4,813,004	223,000,625
Assigned	50,360	-	3,771,318	3,821,678
Unassigned	3,197,622	-	-	3,197,622
TOTAL FUND BALANCES	99,330,775	180,186,776	17,159,796	296,677,347
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 394,767,404	$ 188,844,614	$ 23,777,207	$ 607,389,225

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, 2026

Fund balance governmental funds	$	296,677,347
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Capital assets, net		449,098,218
Projects under construction		28,663,344
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		11,944,344
Net Pension Asset - LOSAP		1,518,972
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:		
Unavailable revenues		65,710,026
Net deferred outflow and inflows of resources, including gain/loss on refunding, net deferred pension activity and net deferred OPEB activity are not financial resources and therefore are not reported in the funds:		(27,336,874)
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		(136,869,794)
Installment purchase obligations		(33,100)
Leases		(581,323)
Subscriptions		(2,963,355)
Accrued interest payable		(2,532,031)
Compensated absences and net pension liabilities		(40,297,524)
Net position of governmental activities	$	642,998,250

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, 2026

	General Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
REVENUE				
General property tax	$ 169,985,448	$ -	$ -	$ 169,985,448
Other local tax	157,817,636	5,382,325	2,991,398	166,191,359
Licenses and permits	1,108,782	-	2,507,436	3,616,218
Court costs and fines	922,640	-	-	922,640
Charges for services	4,743,199	-	449,096	5,192,295
Revenues from uses of property	-	-	70,409	70,409
Reimbursed expenses	732,207	-	28,690	760,897
Interest income	4,044,888	6,431,714	44,505	10,521,107
Miscellaneous revenues	1,530,262	227,022	1,021,728	2,779,012
Grants and shared revenues	5,039,708	3,671,268	11,464,288	20,175,264
Highway	3,911,758	-	-	3,911,758
Total Revenue	349,836,528	15,712,329	18,577,550	384,126,407
EXPENDITURES				
Current:				
General government	44,343,241	-	1,277,881	45,621,122
Public safety	87,994,390	-	3,780,595	91,774,985
Health	2,495,070	-	-	2,495,070
Social services	556,960	-	-	556,960
Education	133,514,702	-	-	133,514,702
Parks, recreation and culture	5,477,021	-	310,812	5,787,833
Natural resources and land preservation	1,149,576	-	2,052,612	3,202,188
Intergovernmental	38,543	-	-	38,543
General operations	5,715,190	-	265,620	5,980,810
Community promotion	-	-	7,624,807	7,624,807
Highways and streets	13,464,052	-	-	13,464,052
Debt service	16,404,562	-	-	16,404,562
Capital outlay:				
General government	1,046,082	1,836,117	-	2,882,199
Public safety	2,454,330	10,863,927	-	13,318,257
Highways and streets	-	14,358,160	-	14,358,160
Education	-	8,492,721	-	8,492,721
Parks and recreation	-	1,324,639	-	1,324,639
Total Expenditures	314,653,719	36,875,564	15,312,327	366,841,610
Excess (Deficiency) of Revenue Over Expenditures	35,182,809	(21,163,235)	3,265,223	17,284,797
OTHER FINANCING SOURCES (USES)				
Transfers in	166,477	25,683,209	3,603,050	29,452,736
Transfers out	(29,940,360)	(5,639,195)	(216,477)	(35,796,032)
Proceeds of SBITAs	3,500,412	-	-	3,500,412
TOTAL OTHER FINANCING SOURCES (USES)	(26,273,471)	20,044,014	3,386,573	(2,842,884)
NET CHANGES IN FUND BALANCE	8,909,338	(1,119,221)	6,651,796	14,441,913
FUND BALANCES - BEGINNING OF YEAR	90,421,437	181,305,997	10,508,000	282,235,434
FUND BALANCES - END OF YEAR	$ 99,330,775	$ 180,186,776	$ 17,159,796	$ 296,677,347

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, 2026

Net changes in fund balances in governmental funds		$ 14,441,913
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital outlay capitalized	$ 23,987,343	
Depreciation	(19,834,816)	4,152,527
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 or disposed of.		(703,892)
Bond, lease, and subscription proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond, lease, subscription, and installment purchase principal is an expenditure in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds		
Debt, lease and subscription proceeds	$ (3,500,412)	
Payments of installment purchase principal	181,779	
Payments of lease principal	424,221	
Payment of subscription principal	2,275,168	
Payments of debt principal	13,149,956	12,530,712
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, financial resources used exceeded compensated absences and post-retirement benefits earned.		16,601,390
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.		2,633,201
Change in Net Position of Governmental Activities		$ 49,655,851

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, 2026

	Business Type Activities - Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	Total
ASSETS					
Current Assets:					
Cash	$ 9,145,787	$ 18,883,623	$ 5,410,701	$ 3,648,583	$ 37,088,694
Accounts receivable	1,913,364	134,203	145,570	21,180	2,214,317
Leases receivable	13,333,591	-	2,098,219	95,829	15,527,639
Interest receivable	157,043	278,186	55,321	9,980	500,530
Unbilled accounts receivables	2,077,304	553,573	36,605	-	2,667,482
Due from other governmental agencies	177,888	39	441,864	584,033	1,203,824
Notes receivable	-	332,947	-	-	332,947
Due from other funds	5,131,606	11,973,749	-	-	17,105,355
Inventories	100,176	31,887	131,175	268,766	532,004
Other current assets	7,763	1,365	-	11,584	20,712
Total Current Assets	32,044,522	32,189,572	8,319,455	4,639,955	77,193,504
Noncurrent Assets:					
Projects under construction	11,743,930	1,398,872	2,494,053	141,141	15,777,996
Property, plant and equipment	254,218,752	70,200,326	182,375,216	15,390,624	522,184,918
Lease assets	145,588	3,084,216	-	555,574	3,785,378
Subscription assets	-	-	-	196,255	196,255
Accumulated depreciation and amortization	(94,216,399)	(59,930,327)	(121,871,297)	(9,704,600)	(285,722,623)
Total noncurrent assets	171,891,871	14,753,087	62,997,972	6,578,994	256,221,924
TOTAL ASSETS	203,936,393	46,942,659	71,317,427	11,218,949	333,415,428
DEFERRED OUTFLOWS OF RESOURCES					
Loss on refundings	70,564	39,252	-	-	109,816
LIABILITIES					
Current Liabilities:					
Current debt	2,429,553	940,632	-	-	3,370,185
Lease liabilities	15,287	603,678	-	106,058	725,023
Subscription liabilities	-	-	-	41,029	41,029
Accounts payable	816,468	1,033,961	548,592	199,053	2,598,074
Due to other funds	-	279,526	-	-	279,526
Accrued expenses	471,970	70,161	43,619	93,588	679,338
Accrued interest	526,208	212,468	-	7,959	746,635
Unearned revenue	385,872	340,516	-	-	726,388
Compensated absences	498,824	114,168	82,339	159,985	855,316
Landfill closure costs	-	167,800	-	-	167,800
Other liabilities	7,500	-	49,369	27,947	84,816
Total current liabilities	5,151,682	3,762,910	723,919	635,619	10,274,130
Noncurrent Liabilities:					
Compensated absences	166,276	38,056	27,446	53,329	285,107
Debt and long term debt	33,020,282	8,843,616	-	-	41,863,898
Lease liabilities	-	1,138,620	-	256,105	1,394,725
Subscription liabilites	-	-	-	111,222	111,222
Landfill closure costs	-	16,532,063	-	-	16,532,063
Total noncurrent liabilities	33,186,558	26,552,355	27,446	420,656	60,187,015
TOTAL LIABILITIES	38,338,240	30,315,265	751,365	1,056,275	70,461,145
DEFERRED INFLOWS OF RESOURCES					
Gain on refundings	41,671	-	-	-	41,671
Service concession arrangements	-	-	19,078,319	-	19,078,319
Leases	12,646,351	-	2,010,185	87,475	14,744,011
TOTAL DEFERRED INFLOWS OF RESOURCES	12,688,022	-	21,088,504	87,475	33,864,001
NET POSITION					
Net investment in capital assets	140,831,476	6,589,669	63,440,020	6,263,042	217,124,207
Restricted - capital projects	4,404,718	3,363,128	442,048	198,462	8,408,356
Unrestricted	7,744,501	6,713,849	(14,404,510)	3,613,695	3,667,535
TOTAL NET POSITION	$ 152,980,695	$ 16,666,646	$ 49,477,558	$ 10,075,199	$ 229,200,098

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, 2026

	Business Type Activities - Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	Total
OPERATING REVENUE					
Charges for services	$ 15,494,731	$ 9,416,523	$ 4,770,208	$ 1,528,006	$ 31,209,468
Miscellaneous	605,089	164,603	231,977	212,030	1,213,699
TOTAL OPERATING REVENUE	16,099,820	9,581,126	5,002,185	1,740,036	32,423,167
OPERATING EXPENSES					
Salaries and wages	5,646,454	2,196,301	1,695,893	2,725,887	12,264,535
Fringe benefits	3,061,485	1,073,001	624,364	950,127	5,708,977
Utilities	1,595,029	70,411	292,193	102,790	2,060,423
Insurance	204,204	47,936	95,143	61,940	409,223
Repairs and maintenance	53,022	-	263,563	167,717	484,302
Supplies	654,706	213,737	69,809	192,682	1,130,934
Cost of goods sold	-	-	48,398	67,943	116,341
Contracted services	888,658	1,616,224	545,777	163,069	3,213,728
Rentals and leases	25,093	11,753	13,338	43,640	93,824
Other operating	1,519,634	1,399,455	332,446	760,595	4,012,130
Uncollectible accounts	4,755	(5,819)	(12,949)	-	(14,013)
Controllable assets	461,371	6,772	61,736	39,237	569,116
Depreciation and amortization	4,115,090	1,912,341	3,092,265	1,085,083	10,204,779
TOTAL OPERATING EXPENSES	18,229,501	8,542,112	7,121,976	6,360,710	40,254,299
OPERATING INCOME (LOSS)	(2,129,681)	1,039,014	(2,119,791)	(4,620,674)	(7,831,132)
NONCAPITAL SUBSIDIES					
Intergovernmental revenue	177,888	-	-	2,340,843	2,518,731
Transfers in	1,280,866	394,010	50,000	659,150	2,384,026
Transfers out	-	-	-	(27,730)	(27,730)
TOTAL NONCAPITAL SUBSIDIES	1,458,754	394,010	50,000	2,972,263	4,875,027
OPERATING INCOME (LOSS) AND NONCAPITAL SUBSIDIES	(670,927)	1,433,024	(2,069,791)	(1,648,411)	(2,956,105)
OTHER NONOPERATING REVENUES (EXPENSES)					
Investment income, net	495,464	1,052,358	120,081	38,646	1,706,549
Gain (loss) on disposal of assets	(213,868)	56,485	(114,795)	(89,061)	(361,239)
Interest expense, net	(237,585)	(401,495)	76,542	(28,940)	(591,478)
Transfers in - capital	25,000	-	3,220,000	742,000	3,987,000
Capital contributions	200,000	-	1,425,060	603,127	2,228,187
TOTAL OTHER NONOPERATING REVENUES (EXPENSES)	269,011	707,348	4,726,888	1,265,772	6,969,019
CHANGES IN NET POSITION	(401,916)	2,140,372	2,657,097	(382,639)	4,012,914
NET POSITION - BEGINNING OF YEAR	153,382,611	14,526,274	46,820,461	10,457,838	225,187,184
NET POSITION - END OF YEAR	$ 152,980,695	$ 16,666,646	$ 49,477,558	$ 10,075,199	$ 229,200,098

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, 2026

	Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	Total
Cash Flows from Operating Activities					
Receipts from customers	$ 17,188,242	$ 9,784,970	$ 4,805,773	$ 2,461,518	$ 34,240,503
Payments to suppliers	(6,781,028)	(4,054,825)	(2,355,757)	(1,471,234)	(14,662,844)
Payments to employees	(8,638,368)	(3,235,906)	(1,476,543)	(3,660,487)	(17,011,304)
Net Cash Provided (Used) by Operating Activities	1,768,846	2,494,239	973,473	(2,670,203)	2,566,355
Cash Flows from Noncapital Financing Activities					
Transfers from other funds	1,280,866	394,010	50,000	631,420	2,356,296
Intergovernmental revenue	177,888	-	-	2,340,843	2,518,731
Net Cash Provided (Used) by Noncapital Financing Activities	1,458,754	394,010	50,000	2,972,263	4,875,027
Cash Flows from Capital and Related Financing Activities					
Interest paid on notes, bonds, leases and subscriptions	(237,585)	(401,495)	(32,923)	-	(672,003)
Acquisition and construction of capital assets	(7,515,158)	(451,010)	(3,000,681)	(645,315)	(11,612,164)
Grants for capital acquisition	225,000	-	4,645,060	1,345,127	6,215,187
Gain/(loss) on the sale of assets	-	56,485	(114,795)	(89,061)	(147,371)
Principal payments on notes, bonds payable, leases and subscriptions	(3,139,950)	(1,182,231)	-	155,633	(4,166,548)
Net Cash Provided (Used) by Capital and Related Financing Activities	(10,667,693)	(1,978,251)	1,496,661	766,384	(10,382,899)
Cash Flows from Investing Activities					
Payments on note receivable	(5,131,606)	(2,989,383)	-	-	(8,120,989)
Interest on investments	495,464	1,052,358	120,081	15,720	1,683,623
Net change in cash	(12,076,235)	(1,027,027)	2,640,215	1,084,164	(9,378,883)
Cash, Beginning of Year	21,222,022	19,910,650	2,770,486	2,564,419	46,467,577
Cash, End of Year	$ 9,145,787	$ 18,883,623	$ 5,410,701	$ 3,648,583	$ 37,088,694
Non-Cash Operating Activities					
Loss on refunding	$ 28,893	$ 39,252	$ -	$ -	$ 68,145
Reconciliation of Operating Loss to Net Cash from Operating Activities					
Operating income (loss)	$ (2,129,681)	$ 1,039,014	$ (2,119,791)	$ (4,620,674)	$ (7,831,132)
Adjustments to reconcile operating loss to net cash from operating activities:					
Depreciation	4,115,090	1,912,341	3,092,265	1,085,083	10,204,779
Changes in assets and liabilities:					
Accounts receivable	(376,790)	221,050	16,656	26,659	(112,425)
Unbilled receivables	36,280	(8,083)	(5,304)	503	23,396
Due to/from other government entities	1,300,483	(39)	671,244	692,612	2,664,300
Leases	(133,182)	-	71,300	-	(61,882)
Inventories	17,077	(12,167)	(23,098)	(6,618)	(24,806)
Accounts payable and other liabilities	(1,391,633)	600,510	259,530	135,971	(395,622)
Accrued expenses	72,422	16,006	(47,757)	22,919	63,590
Landfill closure	-	(1,282,699)	-	-	(1,282,699)
Unearned revenue	261,631	(9,084)	(950,308)	734	(697,027)
Compensated absences	(2,851)	17,390	8,736	(7,392)	15,883
Net Cash Provided (Used) by Operating Activities	$ 1,768,846	$ 2,494,239	$ 973,473	$ (2,670,203)	$ 2,566,355

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, 2026

	Pension Trust	LOSAP Trust	OPEB Trust	Total Pension and OPEB Trust Funds
ASSETS				
Cash and short-term investments	$ 11,655,513	$ 226,879	$ 824,066	$ 12,706,458
Investments, at fair value:				
Fixed income securities	73,830,591	3,546,421	8,832,459	86,209,471
Real Estate investment	28,742,676	1,202,327	1,675,650	31,620,653
Equity funds	200,988,936	10,214,954	26,017,118	237,221,008
Accounts receivable	6,433,711	6,637	-	6,440,348
TOTAL ASSETS	321,651,427	15,197,218	37,349,293	374,197,938
LIABILITIES				
Accounts payable	-	-	604,498	604,498
TOTAL LIABILITIES	-	-	604,498	604,498
NET POSITION				
Held in trust for pension and OPEB	321,651,427	15,197,218	36,744,795	373,593,440
NET POSITION	$ 321,651,427	$ 15,197,218	$ 36,744,795	$ 373,593,440

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, 2026

	Pension Trust	LOSAP Trust	OPEB Trust	Total Pension and OPEB Trust Funds
ADDITIONS				
Contributions:				
Employer	$ 28,288,648	$ 366,264	$ 383,000	$ 29,037,912
Plan members	4,109,637	-	-	4,109,637
Total Contributions	32,398,285	366,264	383,000	33,147,549
Investment Income:				
Realized and unrealized gains	2,158,597	2,138,338	4,167,869	8,464,804
Interest and dividends	34,757,022	43,054	148,942	34,949,018
Total Investment Income	36,915,619	2,181,392	4,316,811	43,413,822
TOTAL ADDITIONS	69,313,904	2,547,656	4,699,811	76,561,371
DEDUCTIONS				
Benefits	15,542,336	851,273	1,827,307	18,220,916
Administrative expenses	166,734	17,210	28,350	212,294
TOTAL DEDUCTIONS	15,709,070	868,483	1,855,657	18,433,210
CHANGES IN NET POSITION	53,604,834	1,679,173	2,844,154	58,128,161
NET POSITION - BEGINNING OF YEAR	268,046,593	13,518,045	33,900,641	315,465,279
NET POSITION - END OF YEAR	$ 321,651,427	$ 15,197,218	$ 36,744,795	$373,593,440

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

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, 2026 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 includes 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.

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.

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 plans' 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.

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 Other Post-employment Benefits Trust Fund (OPEB) is used to account for activities related to the other post-employment 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.

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 noncapital subsidies and other nonoperating revenues and expenses. Nonoperating revenues and expenses are any (1) contributions to permanent and term endowments; (2) finance related revenues and expenses; (3) gain and losses from disposals of capital assets and inventory; (4) investment income and expenses; and (5) subsidies received and provided. A subsidy represents amounts received from or provided to another party or fund of the County. Amounts received from another party or fund are considered a subsidy if it is unrelated to the services provided by the proprietary fund and keeps the fees charged at the same amount or lower if the subsidy was not received. Amounts provided to the other party or fund are considered a subsidy if it is unrelated to the goods or services provided by those parties and will generally result in the proprietary fund charging higher fees in the future. All revenues and expenses not meeting the definitions of nonoperating revenues and expenses are reported as operating revenues 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.

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Real Estate and Personal Property Taxes

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

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

Maryland law provides that unpaid real estate property taxes shall be a lien on the real property from the date the taxes become payable. If real estate property taxes remain unpaid, the collector shall sell the real properties at tax sale no later than two years from the date taxes are in arrears. The County real estate tax sale is held annually on the first Tuesday in the month of June.

Rate of County Taxes:

Income tax	2.95% of Maryland taxable income
Recordation tax	$3.80 per $500
Trailer park	7.5% of gross rentals, with a $20 per month per mobile home space cap on the tax.
Property taxes	$0.928 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.

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.

Leases

Lessee

The County is a lessee for noncancellable leases of vehicles, machinery and equipment. The County recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The County recognizes lease liabilities with an initial, individual value of $25,000 or more.

At the commencement of a lease, the County initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Key estimates and judgments related to leases include how the County determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The County uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the County is reasonably certain to exercise.

The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor

The County is a lessor for noncancellable leases of land, cell tower space, pretreatment facility and office space. The County recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the County initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the County determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The County uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The County monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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 June, the entire budget process encompasses nine months in preparation time. Financial forecasts, economic trends, policy reviews, and citizen input are all part of this process and result in the development of the operating and capital budgets for the year. The following describes the budget process and procedures established by the County. Budgets are adopted using the same basis of accounting as that used for reporting purposes.

Financial Capacity and Analysis Phase

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

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

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

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.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

Budget Development Start

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

Budget Development Phase

Capital Improvement budget development begins in the winter after the development of the debt capacity and financial trend and economic trend analysis. The Capital Improvement Program (CIP) provides a comprehensive approach to planning and impacts all facets of County operations. The County Administrator, the Chief Financial Officer, the 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 June 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, 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.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

Review and Modification Phase

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

Adoption Phase

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

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

Start Up

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

Amendment to the Budget

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

The Chief Financial Officer reviews 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, 2026, the carrying amount of the County's deposits was $62,806,120 and the bank balances were $67,090,467. All deposits are carried at cost plus accrued interest. There were no significant violations of the collateralization requirements during the year ended June 30, 2026. 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, 2026, the County's bank balance of $67,090,467 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, and the remainder is collateralized through the Bank of New York Mellon.

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Primary Government (continued)

Investments

As of June 30, 2026, the County had the following investments and maturities.

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
Investments held in County's name:					
U.S. government obligations, municipal and corporate bonds	$ 298,063,048	$ 287,822,713	$ 10,240,335	$ -	$ -
Total investments held in County's name	298,063,048	287,822,713	10,240,335	-	-
Investments held by trustee of Pension plan:					
Fixed income securities	73,830,591	73,830,591	-	-	-
Real estate investments	28,742,676	28,742,676	-	-	-
Equity funds	200,988,936	200,988,936	-	-	-
Money market funds	11,655,513	11,655,513	-	-	-
Total Investments held by trustee of pension plan	315,217,716	315,217,716	-	-	-
Investments held by trustee of LOSAP plan:					
Fixed income funds	3,546,421	3,546,421	-	-	-
Real estate investments	1,202,327	1,202,327	-	-	-
Equity funds	10,214,954	10,214,954	-	-	-
Money market funds	226,879	226,879	-	-	-
Total Investments held by trustee of LOSAP plan	15,190,581	15,190,581	-	-	-
Investments held by trustee of OPEB plan:					
Real estate investments	1,675,650	1,675,650	-	-	-
Fixed income funds	8,832,459	8,832,459	-	-	-
Equity funds	26,017,118	26,017,118	-	-	-
Money market funds	824,066	824,066	-	-	-
Total Investments held by trustee of OPEB plan	37,349,293	37,349,293	-	-	-
Total investments	$ 665,820,638	$ 655,580,303	$ 10,240,335	$ -	$ -

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).

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.

Investment Type	Range	Target
Equities:		
Domestic	25-45%	35%
International	10-30%	20%
Options/ Defensive Equity	0-15%	7%
Real Estate	0-10%	4%
Private Infrastructure	0-10%	4%
Private Credit/ High Yield	0-10%	5%
Fixed Income:		
Investment Grade	13-33%	23%
Cash	0-10%	2%

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 Al from Standards and Poor's Corporation and P1 from Moody's Investor Services. As of June 30, 2026, the County's investments were 100% in U.S. Treasury and Agency obligations.

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

Investment Type	Evaluation Benchmark
Equities:	
Domestic	Russell 3000
International	MSCI ACWI ex U.S. IMI (net)
Options/ Defensive Equity	CBOE Covered Combo
Real Estate	NCREIF ODCE
Private Infrastructure	S&P Global Infrastructure
Private Credit/ High Yield	Bloomberg Barclays High-yield
Fixed Income:	
Investment Grade	Bloomberg Barclays Aggregate
Money Market	BofAML 90- Day T-Bill

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, 2026, none of the County's investments are exposed to custodial credit risk because they are held in the County's name.

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:

June 30, 2026	Governmental Activities and Business-Type Activities
Carrying amount of cash deposits	$ 30,641,821
Bank balance of cash deposits	32,824,490
Amount covered by FDIC	475,676
Amount collateralized with securities held by an agent of the pledging financial institution in the School system's name	32,348,814

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, 2026, the School System's operating investments in U.S Government Agencies were rated AA ($22,860,275). The credit rating is based on both Moody's and Standard & Poor's. The School System's operating investments in fixed income mutual funds was not rated ($102,627). The School System's investment in U.S. Treasury Bills ($5,995,457) were not rated as of June 30, 2026 as their credit worthiness is universally accepted.

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.

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, 2026, the pooled net position of the MABE Trust was $894,386,807 in total, of which the School System's allocated investment balance was $161,960,359. The School System's allocated investments consist of the following:

Cash and Cash Equivalents	$	5,031,566
Equity Securities		88,409,131
Fixed Income		61,966,269
Real Estate		6,553,393
	$	161,960,359

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.

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 are not backed by the full faith and credit of the United States Government.

As of June 30, 2026, the School System had the following investments and maturities:

	Governmental Activities	Business-Type Activities	Fiduciary Responsibilities	Total
United States Treasury Note - 0.750% matures August 31, 2026	$ 2,985,820	$ -	$ -	$ 2,985,820
United States Treasury Note - 1.125% matures October 31, 2026	3,967,708	-	-	3,967,708
United States Treasury Note - 4.375% matures December 15, 2026	3,010,243	-	-	3,010,243
United States Treasury Note - 1.750% matures December 31, 2026	3,965,783	-	-	3,965,783
United States Treasury Note - 2.250% matures February 15, 2027	5,953,573	-	-	5,953,573
United States Treasury Note - 2.750% matures April 30, 2027	2,977,148	-	-	2,977,148
United States Treasury Bill - .000% matures July 9, 2026	5,995,457	-	-	5,995,457
Income Fund of America	102,627	-	-	102,627
Retiree Health Plan Trust	-	-	161,960,359	161,960,359
	$ 28,958,359	$ -	$ 161,960,359	$ 190,918,718

	Fair Value	Investment Maturities (in Years)			
Investment Type	June 30, 2026	Less than 1	1-5	6-10	More than 10
U.S. Agencies	$ 28,855,732	$ 25,878,584	$ 2,977,148	$ -	$ -
Income Fund of America	102,627	102,627	-	-	-
	$ 28,958,359	$ 25,981,211	$ 2,977,148	$ -	$ -

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, 2026 are as follows:

	Value	In Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Government Agency Securities	$ 28,855,732	$ -	$ 28,855,732	$ -
Mutual Fund - Income Fund	102,627	102,627	-	-
	$ 28,958,359	$ 102,627	$ 28,855,732	$ -

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.

4. RECEIVABLES

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

	Governmental Activities			
	General	Capital Projects	Non-Major	Total
Receivables:				
Taxes receivable	$ 1,756,521	$ -	$ -	$ 1,756,521
Accounts receivable	5,512,121	523,236	426,087	6,461,444
Gross receivables	7,268,642	523,236	426,087	8,217,965
Less: allowance for uncollectibles	(2,883,198)	-	-	(2,883,198)
Net Total Receivables	$ 4,385,444	$ 523,236	$ 426,087	$ 5,334,767

	Business-type Activities				
	Water Quality	Solid Waste	Airport	Non-Major	Total
Accounts receivable	$ 1,936,413	$ 470,381	$ 156,788	$ 21,180	$ 2,584,762
Less: allowance for uncollectibles	(23,049)	(336,178)	(11,218)	-	(370,445)
Net Total Receivables	$ 1,913,364	$ 134,203	$ 145,570	$ 21,180	$ 2,214,317

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 unavailable revenue for delinquent property taxes receivable reported in the General Fund was $1,105,827. 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.

Lease Receivable

The County leases land; cell tower, building and office space; residential properties and a pretreatment facility to multiple third parties. The leases vary in length up to the year 2105 and the County will receive average monthly payments of $82,241. The County recognized $1,170,829 in lease revenue and $479,984 in interest revenue during the current fiscal year related to these leases. As of June 30, 2026, the County's receivable for lease payments was $17,788,163. Also, the County has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. As of June 30, 2026, the balance of the deferred inflow of resources was $16,876,391.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2026, was as follows:

Primary Government

	Balance June 30, 2025	Additions	Retirements	Balance June 30, 2026
Governmental Activities:				
Capital assets, not being depreciated or amortized:				
Land	$ 117,604,450	$ -	$ -	$ 117,604,450
Projects Under Construction	15,987,770	28,382,843	(15,707,269)	28,663,344
Total capital assets, not being depreciated or amortized	133,592,220	28,382,843	(15,707,269)	146,267,794
Capital assets, being depreciated or amortized:				
Land improvements	22,596,588	615,693	-	23,212,281
Building and improvements	130,763,115	1,310,209	(492,330)	131,580,994
Vehicles	28,019,115	1,991,499	(808,557)	29,202,057
Infrastructure	1,234,273,436	1,699,017	(28,380)	1,235,944,073
Machinery and equipment	13,437,479	592,107	(595,215)	13,434,371
Office furniture and equipment	762,445	-	(265,187)	497,258
Computer equipment	37,705,987	1,602,083	(3,765,152)	35,542,918
Intangible assets				
Lease assets - land	274,065	-	-	274,065
Lease assets - vehicles and equipment	2,019,631	749	(11,265)	2,009,115
Subscription assets	4,727,115	3,500,412	(1,497,588)	6,729,939
Total capital assets, being depreciated or amortized	1,474,578,976	11,311,769	(7,463,674)	1,478,427,071
Total Capital Assets	1,608,171,196	39,694,612	(23,170,943)	1,624,694,865
Accumulated depreciation and amortization for:				
Land improvements	(10,994,579)	(884,156)	-	(11,878,735)
Building and improvements	(59,194,066)	(3,724,162)	302,130	(62,616,098)
Vehicles	(17,252,624)	(2,651,161)	545,579	(19,358,206)
Infrastructure	(1,002,429,434)	(8,224,464)	12,375	(1,010,641,523)
Machinery and equipment	(8,484,177)	(1,004,224)	578,660	(8,909,741)
Office furniture and equipment	(740,246)	(5,668)	265,187	(480,727)
Computer equipment	(31,050,175)	(977,953)	3,727,882	(28,300,246)
Intangible assets				
Lease assets - land	(79,551)	(19,888)	-	(99,439)
Lease assets - vehicles and equipment	(1,085,332)	(407,644)	10,515	(1,482,461)
Subscription assets	(2,548,085)	(1,935,496)	1,317,454	(3,166,127)
Total accumulated depreciation and amortization	(1,133,858,269)	(19,834,816)	6,759,782	(1,146,933,303)
Governmental Activities Capital Assets, Net	$ 474,312,927	$ 19,859,796	$(16,411,161)	$ 477,761,562

Depreciation and amortization expense was charged to governmental functions as follows:

Governmental Activities:	
General Government	$ 13,626,144
Public Safety	4,323,447
Park, recreation and culture	340,719
Highways and streets	1,544,506
Total Depreciation and Amortization Expense - Governmental Activities	$ 19,834,816

5. CAPITAL ASSETS (continued)

Primary Government (continued)

Business-type Activities:	Balance June 30, 2025	Additions	Retirements	Balance June 30, 2026
Capital assets, not being depreciated or amortized:				
Land	$ 14,126,596	$ 77,418	$ -	$ 14,204,014
Projects Under Construction	31,078,159	14,020,742	(29,320,905)	15,777,996
Total capital assets, not being depreciated or amortized	45,204,755	14,098,160	(29,320,905)	29,982,010
Capital assets, being depreciated or amortized:				
Land improvements	154,437,662	8,444,463	-	162,882,125
Building and improvements	74,019,769	1,495,609	(291,139)	75,224,239
Facilities	129,438,739	13,563,942	(1,080,802)	141,921,879
Vehicles	10,815,669	2,111,740	(485,865)	12,441,544
Machinery and equipment	13,842,975	828,614	(310,365)	14,361,224
Office furniture and equipment	114,377	-	-	114,377
Computer equipment	877,184	-	(399,563)	477,621
Treatment plants	100,573,987	-	(16,092)	100,557,895
Intangible assets				
Lease assets - vehicles and equipment	3,093,942	691,436	-	3,785,378
Subscription assets	-	196,255	-	196,255
Total capital assets, being depreciated or amortized	487,214,304	27,332,059	(2,583,826)	511,962,537
Total Capital Assets	532,419,059	41,430,219	(31,904,731)	541,944,547
Accumulated depreciation and amortization for:				
Land improvements	(140,065,337)	(2,171,194)	-	(142,236,531)
Building and improvements	(34,023,461)	(1,969,694)	121,440	(35,871,715)
Facilities	(45,423,311)	(1,706,677)	839,679	(46,290,309)
Vehicles	(6,892,394)	(1,058,106)	483,069	(7,467,431)
Machinery and equipment	(10,183,853)	(683,394)	284,055	(10,583,192)
Office furniture and equipment	(114,378)	-	-	(114,378)
Computer equipment	(728,231)	(37,001)	309,477	(455,755)
Treatment plants	(39,438,231)	(1,922,342)	13,514	(41,347,059)
Intangible assets				
Lease assets - vehicles and equipment	(699,882)	(624,555)	-	(1,324,437)
Subscription assets	-	(31,816)	-	(31,816)
Total accumulated depreciation and amortization	(277,569,078)	(10,204,779)	2,051,234	(285,722,623)
Business-type Activities Capital Assets, Net	$ 254,849,981	$ 31,225,440	$ (29,853,497)	$ 256,221,924

Depreciation and amortization expense was charged to business-type functions as follows:

Business-Type Activities:	
Public Transit Fund	$ 860,616
Airport Fund	3,092,265
Golf Course Fund	224,467
Water Quality Fund	4,115,090
Solid Waste Fund	1,912,341
Total Depreciation and Amortization Expense – Business-Type Activities	$ 10,204,779

5. CAPITAL ASSETS (continued)

Board of Education

	Balance June 30, 2025	Additions	Deletions	Balance June 30, 2026
Government Activities				
Capital assets, not being depreciated or amortized:				
Land	$ 9,749,615	$ -	$ -	$ 9,749,615
Facilities under construction	1,417,296	13,900,717	-	15,318,013
Total capital assets, not being depreciated or amortized	11,166,911	13,900,717	-	25,067,628
Capital assets, being depreciated or amortized:				
Building and improvements	408,285,568	132,376	(12,758)	408,405,186
Lease assets - building and improvements	1,439,498	-	(64,462)	1,375,036
Furniture and equipment	46,618,251	6,280,225	(2,300,413)	50,598,063
Lease assets - furniture and equipment	2,991,101	339,614	(229,768)	3,100,947
Financed Equipment	304,282	-	(180)	304,102
Subscription assets	3,335,138	-	(2,790,352)	544,786
Total capital assets, being depreciated or amortized	462,973,838	6,752,215	(5,397,933)	464,328,120
Accumulated depreciation and amortization for:				
Building and improvements	(205,055,182)	(8,733,088)	12,758	(213,775,512)
Lease assets - building and improvements	(171,595)	(81,090)	10,744	(241,941)
Furniture and equipment	(27,018,379)	(4,212,605)	2,076,794	(29,154,190)
Lease assets - furniture and equipment	(1,917,060)	(340,767)	283,487	(1,974,340)
Financed Equipment	(277,763)	(26,339)	-	(304,102)
Subscription assets	(2,744,912)	(363,233)	2,790,352	(317,793)
Total accumulated depreciation and amortization	(237,184,891)	(13,757,122)	5,174,135	(245,767,878)
Governmental Activities Capital Assets, Net	$ 236,955,858	$ 6,895,810	$ (223,798)	$ 243,627,870

	Balance June 30, 2025	Additions	Deletions	Balance June 30, 2026
Business-type Activities				
Capital assets, being depreciated or amortized:				
Furniture and equipment	$ 6,530,923	$ 329,460	$ (135,331)	$ 6,725,052
Subscription assets	193,629	-	-	193,629
Total capital assets, being depreciated or amortized	6,724,552	329,460	(135,331)	6,918,681
Accumulated depreciation and amortization for:				
Furniture and equipment	(3,364,041)	(551,775)	265,888	(3,649,928)
Subscription assets	(87,622)	(35,205)	-	(122,827)
Total accumulated depreciation and amortization	(3,451,663)	(586,980)	265,888	(3,772,755)
Business-type Activities Capital Assets, Net	$ 3,272,889	$ (257,520)	$ 130,557	$ 3,145,926

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

Governmental activities:	
Administration	$ 160,957
Mid-level administration	370,066
Other instructional costs	1,183,113
Special Education	28,890
Student transport services	1,631,595
Operation of plant	9,719,407
Maintenance of plant	663,094
Total Governmental Activities Depreciation and AmortizationExpense	$ 13,757,122

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."

On November 15, 2022, the Board of County Commissioners approved an interfund loan from the General fund to the Solid Waste fund to purchase a compactor. The loan amount is $952,230 and is repayable in sixty monthly payments of $16,690 beginning on December 1, 2022.

Receivable Fund	Payable Fund	Amount
Capital Projects	General	$ 185,998,999
Solid Waste	General	11,973,749
Water Quality	General	5,131,606
Capital Projects	HEPMPO	126,735
Total		$ 203,231,089
General Fund	Solid Waste	$ 279,526

Board of Education

Receivable Entity	Payable Entity	Amount
Component unit - Board of Education	Primary government - capital projects	$ 4,427,973

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	$ -	$ -	$ -	$ 25,519,209
Highway Fund	-	-	-	500,000
Solid Waste	-	394,010	-	-
Public Transit	-	561,870	-	-
Water Quality	-	992,671	-	-
Grant Management	-	548,600	-	-
Agricultural Education Center	-	254,430	-	-
Golf Course	-	97,280	-	-
HEPMPO	-	6,930	-	-
Land Preservation	-	1,065,360	-	-
Hotel Rental	166,477	-	-	-
Capital Projects Fund:				
General Fund	-	-	25,183,209	-
Highway Fund	-	-	500,000	-
Water Quality	-	288,195	-	-
Golf Course	-	-	-	431,000
Hotel Rental Tax	-	-	-	1,700,000
Land Preservation	-	-	-	3,220,000
Solid Waste:				
General Fund	394,010	-	-	-
Public Transit:				
General Fund	561,870	-	-	-
HEPMPO	-	27,730	211,000	-

7. INTERFUND TRANSACTIONS (continued)

Fund	Operating Transfers In	Operating Transfers Out	Capital Transfers In	Capital Transfers Out
Water Quality:				
General Fund	$ 992,671	$ -	$ 25,000	$ -
Capital Projects	288,195	-	-	-
Airport:				
Hotel Rental	50,000	-	-	-
Capital Projects	-	-	3,220,000	-
Golf Course:				
General Fund	97,280	-	-	-
Capital Projects	-	-	531,000	-
Grant Management:				
General Fund	548,600	-	-	-
Agricultural Education Center:				
General Fund	254,430	-	-	-
HEPMPO:				
General Fund	6,930	-	-	-
Public Transit Fund	27,730	-	-	-
Hotel Rental:				
General Fund	-	166,477	-	-
Airport	-	50,000	-	-
Land Preservation:				
General Fund	1,065,360	-	-	-
Capital Projects Fund	-	-	1,700,000	-
Total	$4,453,553	$4,453,553	$31,370,209	$31,370,209

8. LONG-TERM DEBT, LEASES, AND SUBSCRIPTIONS

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, leases, and subscriptions currently outstanding are as follows:

	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
Public Sale Bonds payable:						
General obligation bonds	1.4-5%	$ 142,393,768	$ -	$ 11,063,066	$ 131,330,702	$ 11,068,985
Unamortized bond premium		7,054,172	-	1,802,407	5,251,765	-
Total bonds payable		149,447,940	-	12,865,473	136,582,467	11,068,985
Other loans payable						
Direct Borrowing: Maryland Water Quality loans	1.0%	571,810	-	284,483	287,327	287,327
Total bonds and loans payable		150,019,750	-	13,149,956	136,869,794	11,356,312
Direct Borrowing: Agricultural Land Preservation	2.0%	214,879	-	181,779	33,100	33,100
Leases	0.89-7.99%	1,005,544	-	424,221	581,323	359,322
Subscriptions	2.29-3.63%	1,738,111	3,500,412	2,275,168	2,963,355	1,267,278
Net pension liability		63,501,946	-	29,606,275	33,895,671	-
Governmental Activity						
Long-term Liabilities		216,480,230	3,500,412	45,637,399	174,343,243	13,016,012
Business-type Activities						
Public Sale Bonds payable:						
General obligation bonds	1.4-5.0%	40,081,231	-	2,721,934	37,359,297	2,951,015
Unamortized bond premium		2,098,422	-	597,889	1,500,533	-
Total bonds payable		42,179,653	-	3,319,823	38,859,830	2,951,015
Other loans payable:						
Direct Borrowing: Maryland Water Quality loans	0.70-1.8%	6,992,798	-	618,546	6,374,252	419,169
Total bonds and loans payable		49,172,451	-	3,938,369	45,234,082	3,370,184
Financed Purchases	6.44%	257,319	-	257,318	1	1
Leases	0.89-7.99%	2,165,014	691,438	736,704	2,119,748	725,023
Subscriptions	2.29-3.63%	-	196,255	44,004	152,251	41,029
Business-type Activity						
Long-term Liabilities		51,594,784	887,693	4,976,395	47,506,082	4,136,237
Total Combined Activities						
Long-term Liabilities		$ 268,075,014	$ 4,388,105	$ 50,613,794	$ 221,849,325	$ 17,152,249

8. LONG-TERM DEBT, LEASES, AND SUBSCRIPTIONS (continued)

Primary Government (continued)

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

Year ending June 30,	Governmental Activities				Business-type Activities			
	General Obligation Bonds		Direct Borrowings		General Obligation Bonds		Direct Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2027	$ 11,068,985	$ 4,734,547	$ 287,327	$ 2,875	$ 2,951,015	$ 1,310,393	$ 419,169	$ 83,484
2028	11,578,795	4,304,507	-	-	3,071,205	1,206,671	855,815	78,219
2029	9,593,077	3,901,695	-	-	2,861,923	1,102,920	398,431	73,188
2030	9,167,999	3,525,590	-	-	2,587,001	999,032	403,537	68,082
2031	9,549,240	3,155,502	-	-	2,680,760	899,713	408,719	62,900
2032-2036	41,545,631	10,857,034	-	-	10,624,368	3,264,886	2,124,080	234,016
2037-2041	27,063,003	4,499,762	-	-	7,166,997	1,530,856	1,336,114	105,050
2042-2046	11,763,972	914,397	-	-	4,471,028	443,600	428,387	10,911
2047-2051	-	-	-	-	945,000	48,062	-	-
Total	$ 131,330,702	$ 35,893,034	$ 287,327	$ 2,875	$ 37,359,297	$ 10,806,133	$ 6,374,252	$ 715,850
Plus:								
Unamortized premium	5,251,765				1,500,533			
	$ 136,582,467				$ 38,859,830			

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, 2026, the unused authorization was $51,330,096. Water quality debt is outside of this authorization and is limited to 10% of the real property assessable base in Washington County per the code of public laws. Current Water Quality debt outstanding is $34.3 million.

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, 2026, there were Industrial Revenue Bonds outstanding with an aggregate principal amount payable of $77,149,249.

8. LONG-TERM DEBT, LEASES, AND SUBSCRIPTIONS (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, 2026, are as follows:

Year ending June 30,	Principal	Interest	Total Requirement
2027	$ 33,100	$ 662	$ 33,762

For the year ended June 30, 2026, total principal and interest incurred related to agricultural land preservation installments was $181,779 and $4,298, respectively.

Leases

County as Lessee

The County has entered into various lease agreements as lessee primarily for vehicles and machinery/equipment. Most leases have a maximum term of five years. Leases with variable lease payments include those for exceeding an allotted amount per the terms of the contract. The interest rate assigned is the interest rate on the contract. If one is not noted, the County utilizes its incremental borrowing rate to discount the lease payments.

8. LONG-TERM DEBT, LEASES, AND SUBSCRIPTIONS (continued)

Leases (continued)

County as Lessee (continued)

At June 30, 2026, the statement of net position includes the following amounts relating to leases:

	Governmental Activities	Business-type Activities	Total
Right of use of leased assets:			
Land	$ 274,065	$ -	$ 274,065
Vehicles, machinery and equipment	2,009,115	3,785,378	5,794,493
Total Right of Use Leased Assets	2,283,180	3,785,378	6,068,558
Less Accumulated Amortization for:			
Right of use of leased assets:			
Land	99,439	-	99,439
Vehicles, machinery and equipment	1,482,461	1,324,438	2,806,899
Total Accumulated Amortization	1,581,900	1,324,438	2,906,338
Total Right of use leased assets, net:			
Land	174,626	-	174,626
Vehicles, machinery and equipment	526,654	2,460,940	2,987,594
Total	$ 701,280	$ 2,460,940	$ 3,162,220
Lease Payable:			
Current	359,322	725,023	1,084,345
Non-Current	222,001	1,394,725	1,616,726
Total	$ 581,323	$ 2,119,748	$ 2,701,071

The future principal and interest lease payments as of June 30, 2026 are as follows:

	Governmental Activities				Business-Type Activities			
Fiscal Year	Principal Payments	Interest Payments	Total	Fiscal Year	Principal Payments	Interest Payments	Total
2027	$ 359,322	$ 12,561	$ 371,883	2027	$ 725,023	$ 115,880	$ 840,903
2028	47,343	3,363	50,706	2028	700,249	74,536	774,785
2029	25,907	2,466	28,373	2029	558,403	37,445	595,848
2030	24,617	1,761	26,378	2030	136,073	5,096	141,169
2031	21,974	1,404	23,378	2031	-	-	-
2032-2035	102,160	2,505	104,665	2032-2035	-	-	-
Total	$ 581,323	$ 24,060	$ 605,383	Total	$ 2,119,748	$ 232,957	$ 2,352,705

8. LONG-TERM DEBT, LEASES, AND SUBSCRIPTIONS (continued)

County as Lessor

The County leases out some of its land, cellular space and buildings. Most land leases are a five-year term. Cellular space and building leases vary with a maximum term of 99 years. The County has included any renewal options in the lease term when they are both non-cancellable and reasonably certain to be exercised. The interest rate assigned is the interest rate on the contract. If one is not noted, the County utilizes its incremental borrowing rate to discount the lease payments.

The total amount of inflows of resources related to leases recognized in the current fiscal year are as follows:

	Governmental Activities	Business-type Activities	Total
Lease revenue	$ 736,121	$ 434,708	$ 1,170,829
Interest revenue	57,316	422,668	479,984

At June 30, 2026, the principal and interest requirements to maturity for the leases receivable are as follows:

	Governmental Activities			Business-Type Activities		
Fiscal Year	Principal Payments	Interest Payments	Total	Principal Payments	Interest Payments	Total
2027	$ 588,465	$ 53,000	$ 641,465	$ 233,960	$ 417,843	$ 651,803
2028	299,311	40,395	339,706	176,195	412,896	589,091
2029	159,455	34,804	194,259	141,249	409,117	550,366
2030	166,322	30,739	197,061	96,962	406,230	503,192
2031	135,075	26,693	161,768	105,463	403,495	508,958
2032 - 2036	460,918	93,318	554,236	573,051	1,970,876	2,543,927
2037 - 2041	326,575	37,125	363,700	696,585	1,887,954	2,584,539
2042 - 2046	49,757	900	50,657	946,788	1,775,895	2,722,683
2047 - 2051	-	-	-	913,963	1,636,133	2,550,096
2052 - 2056	-	-	-	968,076	1,502,118	2,470,194
2057 - 2061	-	-	-	1,231,051	1,332,588	2,563,639
2062 - 2066	-	-	-	893,108	1,154,743	2,047,851
2067 - 2071	-	-	-	664,912	1,063,088	1,728,000
2072 - 2076	-	-	-	756,473	971,527	1,728,000
2077 - 2081	-	-	-	860,641	867,359	1,728,000
2082 - 2086	-	-	-	979,154	748,846	1,728,000
2087 - 2091	-	-	-	1,113,986	614,014	1,728,000
2092 - 2096	-	-	-	1,267,385	460,615	1,728,000
2097 - 2101	-	-	-	1,441,908	286,092	1,728,000
2102 - 2106	-	-	-	1,466,729	88,470	1,555,199
Total	$ 2,185,878	$ 316,974	$ 2,502,852	$ 15,527,639	$ 18,409,899	$ 33,937,538

8. LONG-TERM DEBT, LEASES, AND SUBSCRIPTIONS (continued)

Subscriptions

As of June 30, 2026, the County had 27 active subscriptions. The subscriptions have payments that range from $6,038 to $327,375 annually and interest rates that range from 2.29% to 3.63%.

At June 30, 2026, the statement of net position includes the following amounts relating to subscriptions:

	Governmental Activities	Business-type Activities	Total
Subscription assets - software	$ 6,729,939	$ 196,255	$ 6,926,194
Less accumulated amortization for:			
Subscription assets - software	3,166,127	31,816	3,197,943
Total accumulated amortization	3,166,127	31,816	3,197,943
Total subscription assets - software, net	$ 3,563,812	$ 164,439	$ 3,728,251
Subscription payable:			
Current	$ 1,267,278	$ 41,029	$ 1,308,307
Non-current	1,696,077	111,222	1,807,299
Total	$ 2,963,355	$ 152,251	$ 3,115,606

The future principal and interest subscription payments as of June 30, 2026, are as follows:

Principal and Interest Requirements to Maturity

	Governmental Activities		
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2027	$ 1,267,278	$ 75,548	$ 1,342,826
2028	730,749	44,177	774,926
2029	477,576	25,629	503,205
2030	487,752	13,151	500,903
Total	$ 2,963,355	$ 158,505	$ 3,121,860

	Business-Type Activities		
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2027	$ 41,029	$ 3,651	$ 44,680
2028	42,713	2,663	45,376
2029	44,459	1,634	46,093
2030	24,050	564	24,614
Total	$ 152,251	$ 8,512	$ 160,763

8. LONG-TERM DEBT, LEASES, AND SUBSCRIPTIONS (continued)

Board of Education

Pertinent information regarding the leases and subscription liabilities is presented below:

Governmental Activities

Date of Issue	Initial Liability	Purpose	Outstanding Liability Balance 6/30/2026	Asset Value 6/30/2026	Accumulated Amortization 6/30/2026
Various	$ 3,100,948	The School System entered into 12-year bus contracts with various contractors. Monthly payments range from $727 to $1,149. These payments are per allotment (PVA), which is the School System's payment to use the bus. The lease(s) have an interest rate of 5%.	$ 1,250,697	$ 3,100,946	$ 1,974,340
7/1/2024	452,521	The School System entered into a lease agreement to lease space from The Maryland Theatre. For 2025, the semi-annual payment was $26,333. This payment increases from year-to-year. The lease bears an interest rate of 5%.	377,967	452,521	82,276
8/1/2023	544,787	The School System entered into a subscription agreement to lease backup cloud services from CDW Government. The annual payment is $119,840. The lease bears an interest rate of 5%. (SBITA)	222,832	544,787	317,792
4/1/2024	436,604	The School System entered into a contract with Everside Health to fund the build out of the WCPS Employee health clinic. This was one time payment of $436,604. The buildout bears an interest rate of 5%. (SBITA)	-	436,604	75,566
4/1/2024	485,911	The School System entered into a lease agreement with Everside Health to reimburse monthly the lease for the WCPS employee health clinic. The monthly payment is $3,895. The lease bears an interest rate of 5%.	444,535	485,911	84,100
		Total Governmental Activities	$ 2,296,031	$ 5,020,769	$ 2,534,074

Business-Type Activities

Date of Issue	Initial Liability	Purpose	Outstanding Liability Balance 6/30/2026	Asset Value 6/30/2026	Accumulated Amortization 6/30/2026
1/5/2023	193,629	The School System entered into a subscription agreement to lease food service software from EMS LINQ. The yearly payment is $41,170. The lease bears an interest rate of 5%. (SBITA)	$ 76,552	$ 193,629	$ 122,827
		Total Business-Type Activities	$ 76,552	$ 193,629	$ 122,827

Governmental Activities

Year	Principal	Interest	Total
2027	$ 490,917	$ 115,117	$ 606,034
2028	435,691	89,501	525,192
2029	273,300	66,721	340,021
2030	238,344	51,962	290,306
2031	230,490	38,799	269,289
2032-2036	627,289	74,669	701,958
Total	$ 2,296,031	$ 436,769	$ 2,732,800

Business-Type Activities

Year	Principal	Interest	Total
2027	$ 37,342	3,828	$ 41,170
2028	39,210	1,960	41,170
2029	-	-	-
2030	-	-	-
2031	-	-	-
2032-2036	-	-	-
Total	$ 76,552	$ 5,788	$ 82,340

8. LONG-TERM DEBT, LEASES, AND SUBSCRIPTIONS (continued)

Regulated Leases

Primary Government

During fiscal year 2004, the County entered into a lease agreement whereby the lessee constructed a building and improvements, Building #26, 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.

8. LONG-TERM DEBT, LEASES, AND SUBSCRIPTIONS (continued)

Regulated Leases (continued)

Primary Government (continued)

A third amendment to the lease agreement was signed in fiscal year 2013 to clarify definitions, among other things, but made no substantial changes to financial components of the lease that impacted reporting or disclosure requirements. During fiscal year 2024, a fourth amendment to the lease agreement was signed that allowed for a third addition of approximately 4,800 square feet valued at $870,000 and to include an additional renewal term of 5 years, pushing the end of the final lease term to December 31, 2047. The addition was capitalized as an asset in the Airport Fund with an estimated useful life of 40 years. Since the amendments extending the lease term and the additional capitalization of the building addition, the remaining deferred inflow of resources of $2,680,384, as of June 30, 2026, will be amortized over 23 years. The terms of the lease agreement do not change the method of which annual rent is calculated (on a square foot basis), only that the additional square footage will be included in the calculation beginning January 2024.

During fiscal year 2006, the County entered into a lease agreement whereby the lessee constructed a building and improvements, Building #64, on land owned at the Airport. The total cost of the building and improvements was $3,100,000, which was capitalized as an asset in the Airport Fund with an estimated useful life of 40 years on June 30, 2006. The terms of the agreement, which began June 30, 2006, allow the lessee to use the property for a period of 39 years (primary terms). The terms of the lease agreement require that the lessee pay the County annual rent of $5,200 during the primary terms of the lease with an annual increase of 3% each year. The agreement allows an option for the lessee to continue the lease past the 39-year term at a rental payment equal to the fair market rental value of the leased property at that time. Deferred inflow of resources in the amount of $3,100,000 was recorded in the Airport Fund at the inception of the lease.

During fiscal year 2007, the County entered into a lease agreement whereby the lessee constructed a building and improvements, Building #65, 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.

8. LONG-TERM DEBT, LEASES, AND SUBSCRIPTIONS (continued)

Regulated Leases (continued)

Primary Government (continued)

During fiscal year 2010, the County entered into a lease agreement whereby the lessee constructed a building and improvements, Building #84, 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, Building #66, for $3,800,000, which was capitalized as an asset in the Airport Fund with an estimated useful life of 40 years on June 30, 2010. The terms of the agreement, which began November 1, 2009, allow the lessee to use the property for a period of 39 years (primary years). The terms of the lease agreement require that the lessee pay the County annual rent of $17,000 during the primary terms of the lease with an annual increase of 4% each year. The lease also requires that the County credit the lessee $250,000 for the lessee's incurred costs in site preparation and excavation costs. The agreement allows for an option for the lessee to continue the lease past the 39 year term at a rental payment equal to the fair market rental value of the leased property at that time. Deferred inflow of resources in the amount of $3,800,000 was recorded in the Airport Fund as of June 30, 2010.

During fiscal year 2011, the County entered into a lease agreement whereby the lessee constructed a building and improvements, Building #67, 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.

8. LONG-TERM DEBT, LEASES, AND SUBSCRIPTIONS (continued)

Regulated Leases (continued)

Primary Government (continued)

During fiscal year 2013, the County entered into a lease agreement whereby the lessee constructed a building and improvements, Building #68, 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, Building #25, 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, 2026, rental income for the above leases of $1,057,370 was recognized in the Airport Fund.

9. UNUSED VACATION AND SICK LEAVE

Primary Government

The County policy permits employees to accumulate earned but unused leave, such as vacation and sick leave, which may be eligible for future use or payment. A liability is recognized for unused leave that is more likely than not to be used for time off, paid in cash at separation, or settled through noncash means.

9. UNUSED VACATION AND SICK LEAVE (continued)

Primary Government (continued)

For vacation leave, employees can accumulate benefits with a cap of 250 hours to be rolled over each calendar year. Upon separation the employee may be eligible for payment of all accrued vacation time. For sick leave, employees can accumulate benefits with no cap. Upon separation, the employee may be eligible for payment of up to 40 hours at the employees' pay rate plus a rate of $10 per day for each unused sick leave day up to the total of 130 days ($1,300). A liability is included for the estimated value of sick leave expected to be used or paid off at time of separation.

The long-term portion of this liability is reported in the government-wide and proprietary fund financial statements.

Net changes in the compensated absences liability for the year ending June 30, 2026 were as follows:

Type of Liability	Beginning Balance	Net Accrued/Used	Ending Balance
Compensated Absences	$7,092,803	$449,473	$7,542,276

Board of Education

The School System accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned or estimated to be earned by the employee. The accrual of vacation leave is based upon individual salary rates in effect as of June 30. The accrual of sick leave is based on payment upon retirement at rates set forth in the various negotiated agreements. Sick leave is estimated to be earned once an employee has obtained 15 years of service or 55 years of age. Total unpaid vacation and sick leave accrued at June 30, 2026 amounted to $33,744,615. This amount estimated to be used in subsequent fiscal years, maintained separately and represent a reconciling item between the fund and government-wide financial statement presentations.

10. 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 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. Effective July 1, 2019, the Employees' Retirement Plan was amended. The amendment affected non-uniformed employees. Non-uniformed employees hired on or after July 1, 2019, may retire at the earlier of age 62 or 30 years of service. Vesting begins after 5 years of service. Retirement benefits for uniformed employees are calculated by a formula and provide approximately 50% of average compensation after 25 years of service. Non-uniformed employees' retirement benefits provide approximately 60% of average compensation after 30 years of service.

Effective July 1, 2013, the Employees' Retirement Plan was amended. The amendment affected only non-uniformed employees. Non-uniformed employees were required to make an election to either remain under the former plan provisions or opt to participate under the new rules. For employees electing to remain under the former plan rules, a non-uniformed employee may retire at the earlier of age 60 or 30 years of 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 compensation after 25 years of service. For this group eligible at the earlier of age 60 or 25 years of service, there is no longer an early retirement option. Employees hired September 1, 2013 through June 30, 2019 were required to participate in the amended plan.

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.

10. RETIREMENT PLANS (continued)

Primary Government (continued)

Investments

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

Investment Type	Range	Target
Equities:		
Domestic	25-45%	35%
International	10-30%	20%
Options/ Defensive Equity	0-15%	7%
Real Estate	0-10%	4%
Private Infrastructure	0-10%	4%
Private Credit/ High Yield	0-10%	5%
Fixed Income:		
Investment Grade	13-33%	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, 2026, which is the latest actuarial report available.

10. RETIREMENT PLANS (continued)

Primary Government (continued)

Membership of the Plan

The membership consisted of the following as of June 30, 2026, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	579
Terminated Plan members entitled to but not yet receiving benefits	64
Active Plan members	914
Total	$ 1,557

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, 2026 is as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35%	4.8%
International Equity	20%	4.9%
Options / Defensive Equity	7%	4.2%
Private Real Estate	4%	3.6%
Private Infrastructure	4%	4.1%
Private Credit	5%	6.7%
Core Fixed Income	23%	2.4%
Cash	2%	0.6%
Inflation		2.5%
Total	100%	

10. RETIREMENT PLANS (continued)

Primary Government (continued)

Annual Pension Cost and Net Pension Obligation

The total pension liability for the current year was determined as part of the June 30, 2026, actuarial valuation using the projected unit credit cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) including inflation, and (b) projected salary increases which vary by participant service. The actuary was using the RP-2014 adjusted Total Dataset with Generational projection using scale MP-2015. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined by the market value of investments.

Net Pension Liability

The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2026 is as follows:

Total pension liability	$ 355,547,098
Net position	(321,651,427)
Net pension liability	$ 33,895,671

Net position as a percentage of total pension liability is 90.47%.

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:

	1.0% decrease 6.25%	Current rate 7.25%	1.0% increase 8.25%
Net pension liability	$ 79,642,586	$ 33,895,671	$ (4,169,465)

10. RETIREMENT PLANS (continued)

Primary Government (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2026, the County recognized pension expense of $11,631,933 for the Plan. As of June 30, 2026, the County reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 5,828,732	$ 1,302,359
Change in assumptions	-	-
Net difference between projected and actual investment earnings	-	26,186,534
Total	$ 5,828,732	$ 27,488,893

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:

Year Ending June 30,	Amount
2027	$ (7,642,559)
2028	(6,937,152)
2029	(4,156,122)
2030	(3,312,138)
2031	387,810
Total	$ (21,660,161)

10. RETIREMENT PLANS (continued)

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.

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%.

10. RETIREMENT PLANS (continued)

Board of Education (continued)

Benefits Provided (continued)

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. If the member dies prior to accruing one year of service, payment is only the return of accumulated member contributions.

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%-1.8% of the member's final average salary multiplied by the number of years of credited service, depending upon membership class.

10. RETIREMENT PLANS (continued)

Board of Education (continued)

Benefits Provided (continued)

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 are 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. If the member dies prior to accruing one year of service, payment is only the return of accumulated member contributions.

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.

10. RETIREMENT PLANS (continued)

Board of Education (continued)

Benefits Provided (continued)

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.

Maryland Employee's Pension System (EPS): Under the EPS plan, members are eligible for full service pension allowance upon accumulating 30 years if 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.

10. 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 7% annually. Members of the Employees' Pension System and Employees' Retirement System are required to contribute 5-7% 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, 2026 was $9,634,610. The State's contributions on behalf of the Board for the year ended June 30, 2026 was $21,562,646. The fiscal 2026 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, 2026, was 12.84% 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, 2026 of $3,737,786.

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

As of June 30, 2026, the School System reported a liability of $28,164,506 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:

10. 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)

	Teachers' Retirement and Pension System	Employees' Retirement and Pension System
School System's proportionate share of net pension liability	$ -	$ 28,164,506
State's proportionate share of net pension liability associated with the School System	165,363,246	-
Total	$ 165,363,246	$ 28,164,506

For the year ended June 30, 2026, the School System recognized pension expense of $4,969,288. As of June 30, 2026, the School System reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ -	$ 822,981
Difference between actual and expected experience	3,693,595	469,078
Change in proportion	1,775,482	81,751
Change in assumptions	1,412,020	66,221
School System contributions subsequent to the measurement date	3,737,786	-
Total	$ 10,618,883	$ 1,440,031

The $3,737,786 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, 2027.

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

10. 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)

Year ending June 30,	Amount
2027	$ 2,017,119
2028	1,862,633
2029	962,701
2030	366,744
2031	231,869
Total	$ 5,441,066

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 6.80% 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 (5.80%) or 1-percentage point higher (7.80%) than the current rate:

	1.0% decrease 5.80%	Current rate 6.80%	1.0% increase 7.80%
Net pension liability	$ 41,875,492	$ 28,164,506	$ 16,736,331

11. 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.

11. 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 $3,578,957 which is reflected in the accompanying financial statements as of June 30, 2026. Changes in the claims liability were as follows:

	Years Ended June 30,	
	2026	2025
Liability, beginning of year	**$ 3,312,750**	$ 1,863,415
Premiums collected and changes in estimates during the year	**16,274,691**	24,574,950
Claims and administrative costs paid	**(16,008,484)**	(23,125,615)
Liability, end of year	**$ 3,578,957**	$ 3,312,750

11. 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 $650,000 per occurrence. As required by the State of Maryland, $180,000 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 $2,231,181, which is reflected in the accompanying financial statements as of June 30, 2026. Changes in the claims liability were as follows:

	Years Ended June 30,	
	2026	2025
Liability, beginning of year	**$ 2,925,537**	$ 2,506,502
Premiums collected and changes in estimates during the year	**1,001,686**	2,070,214
Claims and administrative costs paid	**(1,696,042)**	(1,651,179)
Liability, end of year	**$ 2,231,181**	$ 2,925,537

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.

11. 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 $58,526,918 for the year ended June 30, 2026.

11. 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, 2026 and 2025. 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,	
	2026	2025
Liability, beginning of year	$ 4,265,000	$ 4,164,128
Claims and changes in estimates during the year	87,669,251	81,584,403
Claims paid and accrued	(87,339,251)	(81,483,531)
Liability, end of year	$ 4,595,000	$ 4,265,000

12. 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.

13. SEGMENT INFORMATION

The County has entered into loan agreements with the Maryland Water Infrastructure 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.

13. SEGMENT INFORMATION (continued)

	Sewer Department	Pretreatment Department
CONDENSED STATEMENT OF NET POSITION		
ASSETS		
Current assets	$ 11,239,063	$ 12,042,658
Noncurrent assets	157,240,414	3,313,292
Total Assets	168,479,477	15,355,950
DEFERRED OUTFLOW OF RESOURCES	68,895	-
LIABILITIES		
Other current liabilities	4,135,056	-
Noncurrent liabilities	30,662,265	-
Total Liabilities	34,797,321	-
DEFERRED INFLOW OF RESOURCES	41,671	11,189,556
Net Position		
Net investment in capital assets	126,940,018	3,313,292
Unrestricted	2,588,059	-
Restricted - capital projects	4,181,303	853,102
Total Net Position	$ 133,709,380	$ 4,166,394
CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION		
Operating revenue	$ 13,757,555	$ -
Lease income	-	140,751
Operating transfer	-	-
Operating grant	177,888	-
Depreciation expense	(3,395,898)	(183,394)
Other operating expenses	(8,470,666)	-
Operating income	2,068,879	(42,643)
Non-operating revenue (expenses):		
Interest expense	(495,131)	-
Interest income	152,010	301,687
Capital contributions	46,791	-
Total non-operating revenue (expense)	(296,330)	301,687
Change in Net Position	1,772,549	259,044
Net Position, beginning of year	131,936,831	3,907,350
Net Position, End of Year	$ 133,709,380	$ 4,166,394
CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided (used) by:		
Operating activities	$ 5,464,777	$ 140,751
Capital and related financing activities	(9,382,492)	204,849
Net change	(3,917,715)	345,600
Cash and cash equivalents, beginning of year	11,456,953	12,416
Cash and Cash Equivalents, End of Year	$ 7,539,238	$ 358,016

14. 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 $81,750 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, 2026.

The Resh Landfill was closed in December 2000. The remaining estimated costs associated with the closure and post-closure care of $3,123,839 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, 2026.

The Rubble Landfill was closed in April 2026. The remaining estimated costs associated with the closure and post-closure care of $359,215 are reported as a liability in the Solid Waste Fund.

The 40 West Landfill began operation in fiscal year 2001. The estimated life of the Landfill is based on the average cubic yards used. As of June 30, 2026, the approximate life of the Landfill is 93 years. It is estimated that approximately 27.91% of the capacity has been used. The estimated costs associated with closure and post-closure care of $13,135,059 was reported as a liability in the Solid Waste Fund as of June 30, 2026. The County will recognize $47,055,727 of estimated cost associated with the closure and post-closure care as capacity is filled.

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, 2026, as specified in 40CFR258.

15. OTHER POST-RETIREMENT 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 contribute based on a sliding scale as follows:

Years of Service	% of Estimated Cost
35+	10%
25 - 34	20%
15 - 24	30%
10 - 14	40%
0 - 9	50%

The County pays the remaining cost as part of its self-insurance program. Currently, 73 retirees are receiving benefits and 175 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.

Investment Type	Range	Target
Equities:		
Domestic	25-45%	35%
International	10-30%	20%
Options/ Defensive Equity	0-15%	7%
Real Estate	0-10%	4%
Infrastructure	0-10%	4%
Private Credit/ High Yield	0-10%	5%
Fixed Income:		
Investment Grade	13-23%	23%
Money Market	0-10%	2%

15. OTHER POST-RETIREMENT EMPLOYEE BENEFITS (continued)

Primary Government (continued)

Funding Policy

The County intends to fund any annual short-fall between OPEB and actual pay-go expense into a legally executed trust fund. The trust fund will be invested as a long-term pension trust, using an appropriately balanced portfolio of equities and debt instruments, to prudently maximize long-term investment returns. The County funded $383,000 which was the actuarially determined contribution.

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, 2026, is as follows:

Total OPEB liability	$ 24,800,451
Net position	(36,744,795)
Net OPEB liability (asset)	$ (11,944,344)

Net position as a percentage of total OPEB liability is 148.16%.

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, 2026 is as follows:

15. OTHER POST-RETIREMENT EMPLOYEE BENEFITS (continued)

Primary Government (continued)

Actuarial Methods and Assumptions (continued)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	35%	5.2%
International Equity	20%	5.3%
Options / Defensive Equity	7%	4.4%
Infrastructure	4%	4.5%
High Yield	5%	4.5%
Core Fixed Income	27%	2.7%
Cash	2%	0.7%
Inflation		2.3%
Total	100%	

In the actuarial valuation for the plan year ending June 30, 2026, 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 7.5% initially, reduced by decrements to an ultimate rate of 3.94%. 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, 2026, was 12 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:

	1.0% decrease 6.25%	Current rate 7.25%	1.0% increase 8.25%
Net OPEB asset	$ (10,277,021)	$ (11,944,344)	$ (13,510,055)

15. OTHER POST-RETIREMENT 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:

	1.0% decrease 3.04%	Trend rate 4.04%	1.0% increase 5.04%
Net OPEB asset	$ (14,493,507)	$ (11,944,344)	$ (8,933,685)

For the fiscal year ended June 30, 2026, Washington County Government recognized an OPEB expense of ($60,127). As of June 30, 2026, Washington County Government reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 886,707	$ 1,426,415
Change in assumptions	478,245	596,322
Net difference between projected and actual investment earnings	-	3,323,169
Total	$ 1,364,952	$ 5,345,906

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:

Year Ending June 30,	Amount
2027	$ (1,601,508)
2028	(1,386,929)
2029	(849,548)
2030	(560,010)
2031	230,971
Thereafter	186,070
Total	$ (3,980,954)

15. OTHER POST-RETIREMENT 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 Retiree Benefit Trust of 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.

15. OTHER POST-RETIREMENT 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 2026. 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, 2026, the School System's average contribution rate was 7.28% of covered payroll. Employees are not required to contribute to the plan. Total claims paid on behalf of retirees amounted to $20,604,835 of which $4,711,702 was reimbursed through contributions received from retirees for the year ended June 30, 2026. In addition, the School System contributed $1,613,000 to the MABE Trust for the year ended June 30, 2026.

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 3,596 active employees and 1,527 inactive employees or beneficiaries currently receiving benefit payments at the June 30, 2025, 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 to 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, 2026:

15. OTHER POST-RETIREMENT EMPLOYEE BENEFITS (continued)

Board of Education (continued)

Investments (continued)

Asset Class	Target Allocation
U.S. Equity	30.0%
Non U.S. Equity	23.0%
Fixed Income	40.0%
Real Estate	4.0%
Cash	3.0%
Total	100.0%

Rate of Return

For the years ended June 30, 2026, the annual money-weighted rate of return on investments, net of investment expense, was 15.06%. 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.

15. OTHER POST-RETIREMENT 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, 2026, were as follows:

Total OPEB liability	$ 289,980,000
Net position	(161,960,000)
Net OPEB liability	$ 128,020,000

Plan fiduciary net position as a percentage of the total OPEB liability was 55.85%.

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

	1.0% decrease 6.75%	Current rate 7.75%	1.0% increase 8.75%
Net OPEB liability (asset)	$ 164,029,000	$ 128,020,000	$ 97,868,000

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

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

	1% decrease	Medical trend rate	1% increase
Net OPEB liability (asset)	$ 91,884,000	$ 128,020,000	$ 172,678,000

15. OTHER POST-RETIREMENT EMPLOYEE BENEFITS (continued)

Board of Education (continued)

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

16. 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, 2026. 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 Commerce 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, 2026, 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.

16. CONTINGENCIES AND COMMITMENTS (continued)

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, 2026, the School System had entered into various school construction commitments, that will be funded by the State of Maryland or County sources, totaling approximately $45,765,133 and are included in encumbrances.

As of June 30, 2026, the School System had outstanding purchase orders and contracts of $50,845,272. These amounts are partially included in assigned fund balance in the appropriate funds.

Current expense fund - unrestricted	$ 6,129,375
Current expense fund - restricted	1,240,070
Capital projects fund	43,475,827

17. FUND BALANCES

Fund balances reflected in the governmental funds balance sheet as of June 30, 2026 are categorized as follows:

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Non-Spendable				
Inventory	$ 1,152,594	$ -	$ -	$ 1,152,594
Prepaid expense	60,769	-	-	60,769
Restricted				
Programs and activities	559,641	-	8,575,474	9,135,115
Workers compensation	180,000	-	-	180,000
Capital projects	-	56,128,944	-	56,128,944
Committed				
Contingencies	87,836,220	-	-	87,836,220
Programs and activities	6,293,569	-	4,813,004	11,106,573
Capital projects	-	124,057,832	-	124,057,832
Assigned				
Programs and activities	50,360	-	3,771,318	3,821,678
Unassigned	3,197,622	-	-	3,197,622
Totals	$ 99,330,775	$ 180,186,776	$ 17,159,796	$ 296,677,347

18. 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.

Investment Type	Range	Target
Equities:		
Domestic	25-45%	35%
International	10-30%	20%
Options/ Defensive Equity	0-15%	7%
Infrastructure	0-10%	4%
Real Estate	0-10%	4%
Private Credit/ High Yield	0-10%	5%
Fixed Income:		
Investment Grade	13-33%	23%
Cash	0-10%	2%

18. 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, 2026 is as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35%	4.8%
International Equity	20%	4.9%
Options / Defensive Equity	7%	4.2%
Private Real Estate	4%	3.6%
Private Infrastructure	4%	4.1%
Private Credit	5%	6.7%
Core Fixed Income	23%	2.4%
Cash	2%	0.6%
Inflation		2.5%
Total	100%	

Net pension liability (asset)

The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2026, is as follows:

Total pension liability	$ 13,678,246
Net position	(15,197,218)
Net pension asset	$ (1,518,972)

Net position as a percentage of total pension liability is 111.11%.

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:

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

Sensitivity of the net pension liability to changes in the discount rate (continued)

	1.0% decrease 6.25%	Current rate 7.25%	1.0% increase 8.25%
Net pension liability (asset)	$ (19,013)	$ (1,518,972)	$ (2,779,139)

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

For the year ended June 30, 2026, the County recognized pension expense of $200,796. As of June 30, 2026, the County reported deferred outflows of resources and deferred inflows of resources related to the length of service award program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 129,455	$ 347,641
Net difference between projected and actual investment earnings	-	1,698,247
Total	$ 129,455	$ 2,045,888

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:

Year Ending June 30,	Amount
2027	$ (658,563)
2028	(583,075)
2029	(447,488)
2030	(247,355)
2031	20,048
Total	$ (1,916,433)

19. TAX ABATEMENTS

Washington County provides tax abatements and credits to encourage economic development: the Job Creation & Capital Investment Real Property Tax Credit and the Enterprise Zone Tax Credit.

On September 9, 2025, the Washington County Board of County Commissioners voted to enhance the Job Creation and Capital Real Property (JCRP) Tax Credit Program, with updates effective July 1, 2025. As a result of the changes to the JCRP Tax Credit Program, the Board voted to repeal the Pad-Ready Site Stimulus Program and the New Jobs Tax Credit Program. Businesses currently receiving tax credits under this program will continue to do so until the expiration of the applicable periods.

Utilization of these Tax Abatement programs as of June 30, 2026, are as follows:

Tax Abatement Program		Tax Credits Utilized During Fiscal Year
Job Creation & Capital Investment Real Property Tax Credit	$	-
Enterprise Zone Real Property Tax Credit		3,045,844
Portion Received from State of Maryland		(1,522,922)
Total Active Abatements	$	1,522,922
Tax Abatement Programs Closed to New Applicants		
Job Creation & Capital Investment Real Property Tax Credit	$	2,415,613
New Jobs Tax Credit Program		-
Pad-Ready Site Commercial Stimulus Program		205,591
Total Closed Abatements	$	2,621,204
Total Tax Abatement Credits	$	4,144,126

Job Creation & Capital Investment Real Property Tax Credit Program

This tax credit program provides 3 to 15 years of credits on the County portion of real property taxes based on the increased assessed property value for eligible businesses that expand or locate in Washington County and meet specific investment and job creation thresholds. The program includes three tiers.

Tier One: An existing business entity (1) must obtain at least 1,500 square feet of new, expanded, or renovated premises; (2) must employ at least 5 new, permanent full-time employees within a 12-month period. The tax credit is 55% during year 1; 40% during year 2; and 25% during year 3.

Tier Two: An existing business entity (1) must obtain at least 2,500 square feet of new, expanded, or renovated premises; (2) employ at least 25 new, permanent full-time employees within a 24-month period. The tax credit is 55% during years 1 and 2; 40% during years 3 and 4; and 25% during years 5 and 6.

19. TAX ABATEMENTS (continued)

Job Creation & Capital Investment Real Property Tax Credit Program (continued)

Tier Three: An existing business entity (1) must invest $20,000,000 in capital improvements; (2) employ at least 200 new, permanent full-time employees within a 24-month period; and (3) 80% of all new full-time employees must be paid 200% of Maryland State minimum wage. The tax credit is 75% for each of the first 5 years; years 6 through 15 decreases annually by 5%, reaching 25% in year 15.

Enterprise Zone Tax Credit Program

This tax credit program provides qualifying businesses with State income tax credits and local real property tax credits in return for job creation and capital investments made in the designated Enterprise Zone(s). Two state-designated Enterprise Zones exist within Washington County, MD: the Hagerstown-Washington County, MD Enterprise Zone and the Town of Hancock, MD Enterprise Zone. Each Enterprise Zone is approved by the State for a ten-year period.

Eligible new or expanding businesses located within these zones may be eligible for local real property tax credits for up to 10 years. The tax credit is 80% on the increased assessed value of real property for the first 5 years, decreasing by 10% annually, reaching 30% in year 10.

Job Creation & Capital Investment Real Property Tax Credit Program (Closed to New Applicants)

Effective July 1, 2025, this program was closed to new applicants. All existing agreements entered into prior to this date will be honored until their respective expiration terms are reached**.**

This tax credit program ranged from 6 years to 15 years in tax credits on the County portion of real estate taxes for qualified businesses that either expand or locate and increase employment in Washington County. There were three opportunities:

A. An existing business entity (1) must obtain at least an additional 1,500 square feet of new or expanded premises; (2) must employ at least 1 individual in a new, permanent full-time position during a 12-month period during which the business entity must obtain and occupy the new or expanded premises. The tax credit is 52% during years 1 and 2; 39% during years 3 and 4; and 26% during years 5 and 6.

B. (1) Must obtain at least 2,500 square feet; (2) employ at least 5 additional new, permanent full-time employees during a 24-month period. The tax credit is 30% during years 1 and 2; 20% during years 3 and 4; and 10% during years 5 and 6.

19. TAX ABATEMENTS (continued)

Job Creation & Capital Investment Real Property Tax Credit Program (Closed to New Applicants) (continued)

C. (1) Must invest $10,000,000 in capital improvements; (2) employ 100 new, permanent full-time employees. The tax credit is 100% for each of the first 5 taxable years; 75% for years 6 through 10; 50% for years 11 through 15.

New Jobs Tax Credit Program (Closed to New Applicants)

Effective September 9, 2025, this program was closed to new applicants. There were no existing agreements entered into prior to this date.

Pad-Ready Site Commercial Stimulus Program (Closed to New Applicants)

Effective September 9, 2025, this program was closed to new applicants. All existing agreements entered into prior to this date will be honored until their respective expiration terms are reached.

This program offered a qualified project a three-year tax credit against the County real property tax on four-tenths of one percent (0.004) of construction costs of the new improvement on the approved parcel.

The tax credit is 0.4 of a percent (.004%) of the construction cost of the new improvement as determined by this office and will apply for three consecutive years. The credit is limited to the lesser of three years or until the parcel is further developed.

20. NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 103, *Financial Reporting Model Improvements* and Statement No. 104, *Disclosure of Certain Capital Assets*; which took effect during FY 2026. The County implemented these Statements that were applicable and had no material impact to the financial statements.

The GASB has issued Statement No. 105, *Subsequent Events,* which will require adoption in future years. The County will be analyzing the effect of this pronouncement and plans to adopt it, as applicable, by its effective date(s).

REQUIRED SUPPLEMENTARY INFORMATION

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COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Changes in Net OPEB Liability and Related Ratios
June 30, 2026

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability										
Service Cost: Retirement benefits Administration	$ 1,228,764	$ 1,076,825	$ 1,111,116	$ 1,098,881	$ 713,184	$ 756,448	$ 782,686	$ 983,258	$ 1,025,563	$ 954,012
Interest	1,738,356	1,539,765	1,384,475	1,507,241	930,069	961,217	961,904	1,577,724	1,680,908	1,546,680
Changes in benefit terms	-	-	-	-	7,402,719	-	-	-	-	-
Differences between expected and actual experiences	(3,158)	857,203	356,092	(2,102,227)	56,668	(1,490,139)	(367,885)	(239,377)	(3,216,054)	-
Changes of assumptions	-	637,661	-	(1,165,828)	-	(53,646)	(838,141)	(9,622,292)	(223,390)	-
Benefit payments	(1,827,307)	(1,397,271)	(1,640,470)	(1,036,443)	(932,146)	(631,096)	(533,287)	(641,700)	(655,923)	(147,184)
Net changes in total OPEB liability	1,136,655	2,714,183	1,211,213	(1,698,376)	8,170,494	(457,216)	5,277	(7,942,387)	(1,388,896)	2,353,508
Total OPEB liability - beginning	23,663,796	20,949,613	19,738,400	21,436,776	13,266,282	13,723,498	13,718,221	21,660,608	23,049,504	20,695,996
Total OPEB liability - ending (a)	$ 24,800,451	$ 23,663,796	$ 20,949,613	$ 19,738,400	$ 21,436,776	$ 13,266,282	$ 13,723,498	$ 13,718,221	$ 21,660,608	$ 23,049,504
Plan fiduciary net position										
Contributions - employer	$ 383,000	$ 400,000	$ 659,000	$ -	$ -	$ 12,832	$ 14,879	$ 641,700	$ 1,877,923	$ 1,347,184
Net investment income	4,316,811	3,708,874	3,749,282	2,960,361	(3,405,156)	6,924,233	922,876	1,324,499	1,702,823	1,919,215
Benefit payments	(1,827,307)	(1,397,271)	(1,640,470)	(1,036,443)	(932,146)	(631,096)	(533,287)	(641,700)	(655,923)	(147,184)
Administrative expense	(28,350)	(20,281)	(22,077)	(24,879)	(36,595)	(22,037)	(46,687)	(108,008)	(21,763)	-
Net changes in plan fiduciary net position	2,844,154	2,691,322	2,745,735	1,899,039	(4,373,897)	6,283,932	357,781	1,216,491	2,903,060	3,119,215
Plan fiduciary net positions - beginning	33,900,641	31,209,319	28,463,584	26,564,545	30,938,442	24,654,510	24,296,729	23,080,238	20,177,178	17,057,963
Plan fiduciary net positions - ending (b)	$ 36,744,795	$ 33,900,641	$ 31,209,319	$ 28,463,584	$ 26,564,545	$ 30,938,442	$ 24,654,510	$ 24,296,729	$ 23,080,238	$ 20,177,178
County's net OPEB - liability - ending (a) - (b)	$ (11,944,344)	$ (10,236,845)	$ (10,259,706)	$ (8,725,184)	$ (5,127,769)	$ (17,672,160)	$ (10,931,012)	$ (10,578,508)	$ (1,419,630)	$ 2,872,326
Plan fiduciary net position as a percentage of total pension liability	148.16%	143.26%	148.97%	144.20%	123.92%	233.21%	179.65%	177.11%	106.55%	87.54%
Covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Annual money-weighted rate of return, net of investment expense	12.73%	11.88%	13.17%	11.14%	(11.01)%	28.09%	3.80%	5.74%	8.44%	11.25%

Notes to schedule:

Benefit changes

None.

Change of assumptions

The discount rate was changed as follows:

The discount rate changes year-to-year:	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.50%	7.50%

The healthcare cost trend assumption was updated based on the 2024 Getzen model released by the SOA.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of OPEB Trust Fund Employer Contributions
June 30, 2026

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	$ 383,000	$ 360,000	$ 339,000	$ 320,000	$ -	$ -	$ -	$ -	$ 950,000	$ 1,261,000
Contributions in relation to the actuarially determined contributions	383,000	400,000	659,000	-	-	12,832	14,879	641,700	1,877,923	1,347,184
Contributions deficiency (excess)	$ -	$ (40,000)	$ (320,000)	$ 320,000	$ -	$ (12,832)	$ (14,879)	$ (641,700)	$ (927,923)	$ (86,184)
Covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to schedule:

Benefit changes	None.
Changes of assumptions	None.

Methods and assumptions used to determine contribution rates:

Valuation Date	2/1/2023
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, closed
Remaining amortization period	12 years for FYE 2026
Asset valuation method	Market Value of Assets
Investment rate of return	7.25% for FYE 2019 and after, 7.50% for FYE 2017 and 2018
Payroll growth rate	3.00%
Inflation	2.50%
Healthcare cost trend rate	The trend for 2025 is 5.2%. The ultimate trend is 3.94%.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios – General Employees' Pension Fund
June 30, 2026

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total pension liability										
Service Cost: Retirement benefits Administration	$ 11,628,427	$ 10,278,676	$ 9,428,928	$ 8,015,065	$ 7,446,422	$ 6,949,190	$ 7,011,877	$ 6,564,304	$ 5,050,740	$ 4,903,615
Interest	23,496,582	22,239,322	20,522,593	19,503,470	18,464,711	17,648,545	17,001,079	16,190,295	15,612,649	11,595,913
Benefit payments, including refunds of member contributions	(15,542,336)	(15,804,355)	(14,315,967)	(12,581,179)	(12,702,206)	(11,241,936)	(15,048,127)	(9,973,991)	(8,172,571)	(8,860,156)
Changes of benefit terms	1,775,599	2,443,848	1,361,075	-	-	(1,368,197)	(1,937,366)	(299,442)	-	22,002,473
Differences between expected and actual experiences	2,326,870	(1,946,990)	7,426,597	(13,093)	1,058,260	-	-	1,239,143	3,555,655	3,657,687
Changes of assumptions	-	-	-	-	-	-	-	-	-	19,913,151
Net changes in total pension liability	23,685,142	17,210,501	24,423,226	14,924,263	14,267,187	11,987,602	7,027,463	13,720,309	16,046,473	53,212,683
Total pension liability - beginning	331,861,956	314,651,455	290,228,229	275,303,966	261,036,779	249,049,177	242,021,714	228,301,405	212,254,932	159,042,249
Total pension liability - ending (a)	$ 355,547,098	$ 331,861,956	$ 314,651,455	$ 290,228,229	$ 275,303,966	$ 261,036,779	$ 249,049,177	$ 242,021,714	$ 228,301,405	$ 212,254,932
Plan fiduciary net position										
Contributions - employer	$ 28,288,648	$ 28,998,319	$ 20,296,260	$ 13,381,955	$ 17,370,433	$ 19,210,540	$ 12,137,468	$ 11,825,000	$ 10,510,000	$ 7,010,000
Contributions - member	4,109,637	3,581,847	3,222,345	2,795,070	2,667,465	2,527,417	2,183,984	2,119,985	2,094,346	1,955,511
Net investment income	36,915,619	27,262,720	27,801,554	16,656,261	(19,799,377)	37,174,903	5,025,847	6,676,652	9,409,621	10,676,800
Benefit payments, including refunds of member contributions	(15,542,336)	(15,804,355)	(14,315,967)	(12,581,179)	(12,702,206)	(11,241,936)	(15,048,127)	(9,973,991)	(8,172,571)	(8,860,156)
Administrative expense	(166,734)	(145,027)	(149,995)	(168,181)	(142,111)	(138,164)	(172,390)	(175,860)	(150,795)	(130,631)
Net changes in plan fiduciary net position	53,604,834	43,893,504	36,854,197	20,083,926	(12,605,796)	47,532,760	4,126,782	10,471,786	13,690,601	10,651,524
Plan fiduciary net positions - beginning	268,046,593	224,153,089	187,298,892	167,214,966	179,820,762	132,288,002	128,161,220	117,689,434	103,998,833	93,347,309
Plan fiduciary net positions - ending (b)	$ 321,651,427	$ 268,046,593	$ 224,153,089	$ 187,298,892	$ 167,214,966	$ 179,820,762	$ 132,288,002	$ 128,161,220	$ 117,689,434	$ 103,998,833
County's net pension - liability - ending (a) - (b)	$ 33,895,671	$ 63,815,363	$ 90,498,366	$ 102,929,337	$ 108,089,000	$ 81,216,017	$ 116,761,175	$ 113,860,494	$ 110,611,971	$ 108,256,099
Plan fiduciary net position as a percentage of total pension liability	90.47%	80.77%	71.24%	64.54%	60.74%	68.89%	53.12%	52.95%	51.55%	49.00%
Covered employee payroll	$ 65,174,880	$ 57,761,000	$ 53,171,000	$ 45,202,000	$ 42,021,000	$ 38,896,000	$ 39,131,000	$ 36,785,000	$ 34,848,986	$ 33,462,000
Net liability as a percentage of covered payroll	52.01%	110.48%	170.20%	227.71%	257.23%	208.80%	298.39%	309.53%	317.40%	323.52%
Annual money-weighted rate of return, net of investment expense	13.77%	12.16%	(11.01)%	(11.01)%	(11.01)%	28.10%	3.92%	5.67%	9.05%	11.44%

Notes to schedule:

Benefit changes: A 1% ad-hoc COLA was granted to all in-pay and DROP participants on July 1, 2025.

Change of assumptions: None.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of General Employees' Pension Fund Employer Contributions
June 30, 2026

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	$ 15,240,937	$ 14,082,000	$ 11,736,000	$ 11,147,000	$ 11,148,000	$ 11,183,000	$ 10,916,000	$ 11,819,000	$ 10,510,000	$ 7,009,000
Contributions in relation to the actuarially determined contributions	28,288,648	28,998,000	20,296,000	19,210,540	17,370,000	19,211,000	12,137,000	11,825,000	10,510,000	7,010,000
Contributions deficiency (excess)	$ (13,047,711)	$ (14,916,000)	$ (8,560,000)	$ (8,063,540)	$ (6,222,000)	$ (8,028,000)	$ (1,221,000)	$ (6,000)	$ -	$ (1,000)
Covered employee payroll	$ 65,174,880	$ 57,761,000	$ 53,171,000	$ 45,202,000	$ 42,021,000	$ 38,896,000	$ 39,131,000	$ 36,785,000	$ 34,848,986	$ 33,462,000
Contributions as a percentage of covered employee payroll	43.40%	50.20%	38.17%	42.50%	41.34%	49.39%	31.02%	32.15%	30.16%	20.95%

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	From 2 - 15 years
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
Cost of living adjustment	2.30%
Retirement age	Rates vary by participant age and service
Mortality	RP-2014 Total Dataset with fully generational projection using scale MP-2015

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios – Length of Service Award Fund
June 30, 2026

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total pension liability										
Service Cost: Retirement benefits Administration	$ 278,126	$ 254,012	$ 240,484	$ 235,239	$ 266,527	$ 246,501	$ 237,335	$ 226,280	$ 244,565	$ 234,716
Interest	926,477	912,602	905,896	898,508	863,381	826,896	823,402	707,838	702,309	580,130
Differences between expected and actual experiences	120,288	(140,965)	(263,149)	(284,873)	55,878	92,770	(222,174)	925,489	24,530	995,034
Changes of assumptions	-	-	-	-	-	-	(149,195)	343,476	-	356,243
Benefit payments, including refunds of member contributions	(851,273)	(817,264)	(764,219)	(729,726)	(672,827)	(653,016)	(629,306)	(588,909)	(555,590)	(518,538)
Net changes in total pension liability	473,618	208,385	119,012	119,148	512,959	513,151	60,062	1,614,174	415,814	1,647,585
Total pension liability - beginning	13,204,628	12,996,243	12,877,231	12,758,083	12,245,124	11,731,973	11,671,911	10,057,737	9,641,923	7,994,338
Total pension liability - ending (a)	$ 13,678,246	$ 13,204,628	$ 12,996,243	$ 12,877,231	$ 12,758,083	$ 12,245,124	$ 11,731,973	$ 11,671,911	$ 10,057,737	$ 9,641,923
Plan fiduciary net position										
Contributions - employer	$ 366,264	$ 508,000	$ 243,408	$ 326,000	$ 386,634	$ 564,557	$ 564,557	$ 460,000	$ 600,000	$ 600,000
Net investment income	2,181,392	1,463,626	1,524,502	1,198,223	(1,574,222)	2,866,396	347,769	503,259	721,822	852,466
Benefit payments, including refunds of member contributions	(851,273)	(817,264)	(764,219)	(729,726)	(672,827)	(653,016)	(629,306)	(588,909)	(555,590)	(518,538)
Administrative expense	(17,210)	(16,237)	(20,788)	(12,668)	(22,754)	(14,195)	(29,543)	(34,803)	(35,075)	(30,536)
Net changes in plan fiduciary net position	1,679,173	1,138,125	982,903	781,829	(1,883,169)	2,763,742	253,477	339,547	731,157	903,392
Plan fiduciary net positions - beginning	13,518,045	12,379,920	11,397,017	10,615,188	12,498,357	9,734,615	9,481,138	9,141,591	8,410,434	7,507,042
Plan fiduciary net positions - ending (b)	$ 15,197,218	$ 13,518,045	$ 12,379,920	$ 11,397,017	$ 10,615,188	$ 12,498,357	$ 9,734,615	$ 9,481,138	$ 9,141,591	$ 8,410,434
County's net pension - liability - ending (a) - (b)	$ (1,518,972)	$ (313,417)	$ 616,323	$ 1,480,214	$ 2,142,895	$ (253,233)	$ 1,997,358	$ 2,190,773	$ 916,146	$ 1,231,489
Plan fiduciary net position as a percentage of total pension liability	111.11%	102.37%	95.26%	88.51%	83.20%	102.07%	82.98%	81.23%	90.89%	87.23%
Covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Annual money-weighted rate of return, net of investment expense	16.14%	11.82%	(12.60)%	(12.60)%	(12.60)%	29.45%	3.67%	5.51%	8.58%	11.36%

Notes to schedule:

Benefit changes	None.
Change of assumptions	None.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Volunteer Length of Service Award Fund Employer Contributions
June 30, 2026

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	$ 366,264	$ 507,073	$ 243,000	$ 326,000	$ 387,000	$ 565,000	$ 565,000	$ 455,000	$ 467,000	$ 467,000
Contributions in relation to the actuarially determined contributions	366,264	508,000	243,000	326,000	387,000	565,000	565,000	460,000	600,000	600,000
Contributions deficiency (excess)	$ -	$ (927)	$ -	$ -	$ -	$ -	$ -	$ (5,000)	$ (133,000)	$ (133,000)
Covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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	7 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

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, 2026

	Budgeted Amounts		Variance with Original Budget - Over (Under)	Actual-	Variance with Final Budget Over (Under)
	Original	Final	Final Budget	Budgetary Basis	Actual
REVENUE					
Property Taxes					
Real property tax	$ 153,773,680	$ 156,773,680	$ 3,000,000	$ 155,976,214	$ (797,466)
Personal property tax	16,154,320	17,154,320	1,000,000	20,188,346	3,034,026
Property tax interest income	400,000	400,000	-	527,581	127,581
Other property tax	1,812,130	1,812,130	-	2,140,053	327,923
State administrative fees	(1,118,830)	(1,361,730)	(242,900)	(1,503,854)	(142,124)
Property tax discounts and credits	(6,804,980)	(6,804,980)	-	(7,342,892)	(537,912)
Total Property Taxes	164,216,320	167,973,420	3,757,100	169,985,448	2,012,028
Other Local Taxes					
Income tax	130,049,610	149,049,610	19,000,000	146,568,112	(2,481,498)
Admissions and amusement tax	475,000	475,000	-	411,680	(63,320)
Recordation tax	7,606,800	8,606,800	1,000,000	10,614,732	2,007,932
Trailer tax	220,000	220,000	-	223,112	3,112
Total Other Local Taxes	138,351,410	158,351,410	20,000,000	157,817,636	(533,774)
Other Revenues					
Licenses and permits	1,194,750	1,194,750	-	1,108,782	(85,968)
Court costs and fines	1,192,760	1,192,760	-	922,640	(270,120)
Charges for services	2,613,790	2,963,490	349,700	4,743,199	1,779,709
Reimbursed expenses	677,060	677,060	-	732,207	55,147
In kind	4,280,100	4,280,100	-	4,154,210	(125,890)
Miscellaneous revenues	1,097,520	2,192,581	1,095,061	1,696,739	(495,842)
Grant and shared revenues	5,143,970	5,143,970	-	5,039,708	(104,262)
Interest income	4,757,500	4,757,500	-	4,044,888	(712,612)
Highway revenues	3,907,240	4,126,742	219,502	3,911,758	(214,984)
Total Other Revenues	24,864,690	26,528,953	1,664,263	26,354,131	(174,822)
TOTAL REVENUE	327,432,420	352,853,783	25,421,363	354,157,215	1,303,432
EXPENDITURES					
General Government					
Legislative					
County Commissioners	348,210	348,210	-	312,655	35,555
County Clerk	207,050	207,080	30	168,397	38,683
County Administrator	485,950	486,380	430	473,299	13,081
Public Relations & Marketing	912,240	912,370	130	848,789	63,581
Procurement	719,220	719,370	150	703,844	15,526
Total Legislative	2,672,670	2,673,410	740	2,506,984	166,426
Judicial					
Circuit Court	2,758,160	2,758,790	630	2,716,480	42,310
Orphan's Court	34,250	34,250	-	33,094	1,156
State's Attorney	5,894,500	5,772,100	(122,400)	5,571,768	200,332
Sheriff - Judicial	4,192,160	4,193,428	1,268	4,241,560	(48,132)
Sheriff - Process Servers	181,070	181,100	30	174,212	6,888
Total Judicial	13,060,140	12,939,668	(120,472)	12,737,114	202,554

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, 2026

	Budgeted Amounts		Variance with Original Budget - Over (Under)	Actual-	Variance with Final Budget Over (Under)
	Original	Final	Final Budget	Budgetary Basis	Actual
Election Board	$ 2,731,850	$ 2,731,850	$ -	$ 2,193,455	$ 538,395
Financial Administration					
Budget and Finance	2,698,530	2,699,010	480	2,694,377	4,633
Independent Auditing	70,000	70,000	-	64,303	5,697
Treasurer	572,770	596,200	23,430	579,276	16,924
Information Technologies	4,657,290	5,024,370	367,080	4,864,039	160,331
Total Financial Administration	7,998,590	8,389,580	390,990	8,201,995	187,585
County Attorney	1,261,270	1,261,420	150	1,252,239	9,181
Human Resources	1,732,760	1,764,640	31,880	1,682,987	81,653
Planning and Zoning					
Planning and Zoning	1,617,800	1,618,130	330	1,515,446	102,684
Board of Zoning Appeals	68,390	68,390	-	48,835	19,555
Total Planning and Zoning	1,686,190	1,686,520	330	1,564,281	122,239
Public Works					
Department of Public Works	386,420	386,470	50	383,980	2,490
Engineering	3,270,360	3,156,970	(113,390)	3,291,881	(134,911)
Permits and Inspection	3,773,880	3,774,660	780	3,424,030	350,630
Buildings, Grounds & Facilities	2,535,350	2,535,800	450	2,422,243	113,557
Total Public Works	9,966,010	9,853,900	(112,110)	9,522,134	331,766
County Owned Buildings					
Martin Luther King Center	101,210	101,210	-	96,129	5,081
Administrative Building	330,910	420,380	89,470	433,699	(13,319)
540 Western MD Parkway	29,310	356,970	327,660	309,889	47,081
Courthouse	355,630	355,630	-	320,595	35,035
County Office Building	238,850	238,850	-	245,090	(6,240)
Administration Annex	156,180	136,180	(20,000)	101,208	34,972
Central Services	136,290	136,290	-	134,505	1,785
Properties	4,450	4,450	-	4,260	190
Library Maintenance	607,260	607,260	-	604,952	2,308
Election Board Facility	107,270	107,270	-	69,687	37,583
Senior Center	12,210	12,210	-	15,788	(3,578)
Public Facilities Annex	112,230	112,230	-	102,401	9,829
Total County Owned Buildings	2,191,800	2,588,930	397,130	2,438,203	150,727
Community Promotion					
Contributions to Non-profits	3,202,580	3,202,580	-	3,193,881	8,699
Business Development	1,175,060	1,175,240	180	1,131,178	44,062
Total Community Promotion	4,377,640	4,377,820	180	4,325,059	52,761
Total General Government	47,678,920	48,267,738	588,818	46,424,451	1,843,287

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, 2026

	Budgeted Amounts		Variance with Original Budget - Over (Under)	Actual-	Variance with Final Budget Over (Under)
	Original	Final	Final Budget	Budgetary Basis	Actual
Public Safety					
Sheriff Departments					
Patrol	$ 18,193,200	$ 18,083,418	$ (109,782)	$ 17,615,793	$ 467,625
Sheriff Auxiliary	90,200	90,200	-	37,789	52,411
Narcotics Task Force	652,900	655,200	2,300	632,064	23,136
Wash. County Police Academy	59,830	59,830	-	55,808	4,022
Grants	-	-	-	3,717	(3,717)
Total Sheriff Departments	18,996,130	18,888,648	(107,482)	18,345,171	543,477
Fire and Rescue Services					
Volunteer Fire and Rescue - County Grants	12,199,310	12,199,340	30	12,703,126	(503,786)
EMS Operations	8,179,830	8,805,658	625,828	9,159,145	(353,487)
Fire Operations	9,379,470	9,295,248	(84,222)	8,966,450	328,798
Air Unit	66,480	66,480	-	54,510	11,970
Special Operations	203,610	184,510	(19,100)	200,337	(15,827)
Total Fire and Rescue Services	30,028,700	30,551,236	522,536	31,083,568	(532,332)
Corrections					
Detention Center	25,099,410	24,830,660	(268,750)	23,644,711	1,185,949
Central Booking	1,568,770	1,569,020	250	1,579,616	(10,596)
Day Reporting Center	571,580	571,630	50	562,387	9,243
Total Corrections	27,239,760	26,971,310	(268,450)	25,786,714	1,184,596
Other Public Safety					
911 - Communications	7,175,860	6,815,530	(360,330)	6,509,899	305,631
Wireless Communications	1,761,000	1,912,100	151,100	1,865,276	46,824
Emergency Management	416,880	463,460	46,580	318,768	144,692
Public Safety Training Center	1,207,320	1,207,500	180	1,255,734	(48,234)
Forensic Investigator	30,000	30,000	-	17,660	12,340
Civil Air Patrol	4,400	4,400	-	4,400	-
Animal Control	2,800,000	2,800,000	-	2,800,000	-
Animal Control Board	7,200	7,200	-	7,200	-
Total Other Public Safety	13,402,660	13,240,190	(162,470)	12,778,937	461,253
Total Public Safety	89,667,250	89,651,384	(15,866)	87,994,390	1,656,994
Health	3,183,620	3,183,620	-	3,183,620	-
Social Services	556,960	556,960	-	556,960	-
Education	133,548,040	133,548,040	-	133,514,702	33,338
Parks, Recreation, and Culture					
Total Contributions to Other Agencies	4,855,160	4,855,160	-	4,855,160	-
Martin L. Snook Park Pool	185,910	185,910	-	157,421	28,489
Parks and Recreation	1,871,550	1,871,750	200	1,848,890	22,860
Total Parks, Recreation, and Culture	6,912,620	6,912,820	200	6,861,471	51,349

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, 2026

	Budgeted Amounts		Variance with Original Budget - Over (Under)	Actual-	Variance with Final Budget Over (Under)
	Original	Final	Final Budget	Budgetary Basis	Actual
Conservation of Natural Resources					
Weed Control	$ 360,980	$ 361,010	$ 30	$ 408,841	$ (47,831)
Agricultural Extension Service	305,620	305,620	-	305,622	(2)
Cooperative Extension	38,730	38,730	-	38,730	-
Soil Conservation Service	380,240	380,240	-	380,240	-
Environmental Pest Management	60,000	60,000	-	16,143	43,857
Total Conservation of Natural Resources	1,145,570	1,145,600	30	1,149,576	(3,976)
Highway	13,877,720	14,097,222	219,502	13,464,052	633,170
General Operations	2,342,800	2,083,220	(259,580)	1,917,979	165,241
Unallocated Employee Insurance and Benefits	1,074,400	7,041,450	5,967,050	3,797,211	3,244,239
Intergovernmental					
Golf Course operating transfer	97,280	97,280	-	97,280	-
HEPMPO operating transfer	6,930	6,930	-	6,930	-
Land Preservation operating transfer	65,360	1,065,360	1,000,000	1,065,360	-
Utility Administration operating transfer	960,720	960,720	-	842,091	118,629
Water operating transfer	150,580	150,580	-	150,580	-
Public Transit operating transfer	561,870	561,870	-	561,870	-
Capital Projects operating transfer	8,098,000	26,019,209	17,921,209	26,019,209	-
Solid Waste operating transfer	394,010	394,010	-	394,010	-
Grants Management operating transfer	548,600	548,600	-	548,600	-
Agricultural Education Center operating transfer	254,430	254,430	-	254,430	-
Municipality in lieu of bank shares	38,550	38,550	-	38,543	7
Total Intergovernmental	11,176,330	30,097,539	18,921,209	29,978,903	118,636
Debt Service	16,268,190	16,268,190	-	16,404,562	(136,372)
TOTAL EXPENDITURES	327,432,420	352,853,783	25,421,363	345,247,877	7,605,906
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ -	$ -	$ -	$ 8,909,338	$ 8,909,338
NET CHANGE IN FUND BALANCE				8,909,338	
FUND BALANCE - BEGINNING				90,421,437	
FUND BALANCE - ENDING				$ 99,330,775	

Notes to Required Supplementary Information
For the Year Ended June 30, 2026

1. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

Actual revenues and expenditures reported in the budgetary comparison schedule include imputed rental revenue and related expenses associated with space provided by the County to external organizations. These amounts are excluded from the basic financial statements in accordance with GAAP. Accordingly, budgetary actual revenues and expenditures differ from amounts reported in the General Fund financial statements by the amounts of such imputed rental revenue and related expenses. Other items listed in the table below are recategorizations between the statements that have no impact.

	Revenues	Expenditures	Other Financing Sources (Uses)	Net Change in Fund Balance
Budgetary Basis	$ 354,157,215	$ 315,268,974	$ (29,978,903)	$ 8,909,338
Basis Adjustments:				
Transfers In	(166,477)	-	166,477	-
Municipality in lieu of bank shar	-	38,543	(38,543)	-
SBITA transactions	-	3,500,412	(3,500,412)	-
Imputed rent	(4,154,210)	(4,154,210)	-	-
Net affect of basis adjustments	(4,320,687)	(615,255)	(3,705,432)	-
GAAP Basis	**$ 349,836,528**	**$ 314,653,719**	**$ (26,273,471)**	**$ 8,909,338**

2. GENERAL FUND BUDGETARY HIGHLIGHTS

Original Budget Compared to Final Budget

The net budgetary change was $24.4 million. During the year, there were significant amendments made to increase estimated revenues related to taxes based on trends. Real property tax budget was increased by $3.0 million, personal property tax was increased by $1.0 million, recordation tax was increased by $1.0 million and income tax was increased by $19.0 million. The majority of the additional revenues were appropriated for one-time costs, such as $5.0 million for an additional pension contribution, $1.0 million for additional land preservation efforts, and $17.2 million to capital projects, including $9.2 million for the continued build out of the County's Public Safety Training Center campus and $6.0 million to be set aside for a future circuit courthouse replacement.

Final Budget Compared to Actual Results

Revenues

Final budget compared to actual results includes additional revenues of $1.3 million or 0.4%. The largest deviations from final budget can be seen in personal property tax, income tax, recordation tax, and charges for services related to medical transport billing.

2. GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

Final Budget Compared to Actual Results (continued)

Revenues (continued)

Personal property tax exceeded final budget by $3.0 million or 17.7%. Washington County has experienced significant growth in commercial and industrial space in the last few years with several warehouse facilities being constructed. The value of property subject to the personal property tax related to the growth was more than anticipated.

Income tax fell short of final budget by $2.5 million or 1.7%. Withholdings for the first two calendar quarters of 2026 were not as projected and did not experience the same growth seen in the last two calendar quarters of 2025.

Recordation tax exceeded final budget by $2.0 million or 23.3%. This revenue varies depending on the number of transactions and the value of consideration. During FY26, a single transaction generated $1.6 million in recordation tax.

Charges for services related to medical transport billing exceeded budget by $1.4 million or 100%. During the fiscal year, the County transitioned two more volunteer companies to County employment. The revenue generated from that ambulance transport was more than estimated.

Expenses

Final budget to actual results includes expenditures that came under budget by $7.6 million or 2.2%. The largest deviation from final budget was unallocated employee insurance and benefits, which was $3.2 million or 46.1% below budget. The County is self-insured for both health and workers' compensation; therefore, variances exist at the end of the fiscal year based on actual claim experience. Cost of claims for both health insurance and workers' compensation were less than anticipated.

COMBINING AND INDIVIDUAL FUND STATEMENTS

Combining Statements of Financial Schedules
June 30, 2026

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 certain maintenance related expenditures at 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 agricultural 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.

The Foreign Trade Zone Fund is a special revenue fund used to account for all transactions of the Foreign Trade Zone Commission. The Foreign Trade Zone Commission was established to allow a reduction or elimination of import taxes for County businesses within the 2,500 acres of the zone.

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 a public restaurant, currently being leased to a third party, an 18-hole golf course, and a full-service pro shop.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Balance Sheet – Non-Major Governmental Funds
As of June 30, 2026

	Grant Management	Cascade Town Centre	Inmate Welfare	Contraband	Agricultural Education Center	Hotel Rental Tax	Gaming	Land Preservation	HEPMPO	Foreign Trade Zone	Total Non-major Funds
ASSETS											
Cash	$ 7,343,710	$ 531,472	$ 1,240,461	$ 1,162,104	$ 185,779	$ 1,596,520	$ 1,850,025	$ 6,878,791	$ -	$ 44,696	$ 20,833,558
Accounts receivable	1,146	-	-	-	-	345,332	79,609	-	-	-	426,087
Interest receivables	-	125	-	10,775	-	-	-	-	-	-	10,900
Leases receivable	-	85,546	-	-	-	-	-	-	-	-	85,546
Unbilled receivable	922	-	-	-	-	-	-	-	-	-	922
Due from other government agencies	2,219,415	-	-	-	-	-	-	-	200,779	-	2,420,194
TOTAL ASSETS	$ 9,565,193	$ 617,143	$ 1,240,461	$ 1,172,879	$ 185,779	$ 1,941,852	$ 1,929,634	$ 6,878,791	$ 200,779	$ 44,696	$ 23,777,207
LIABILITIES AND FUND BALANCES											
LIABILITIES											
Accounts payable	$ 1,452,297	$ 2,827	$ 32,009	$ 4,122	$ 18,279	$ 412,566	$ 1,854,422	$ 2,821	$ 55,125	$ 2,040	$ 3,836,508
Accrued expenses	11,454	-	302	-	1,540	-	5,426	2,878	27	-	21,627
Due to other funds	-	-	-	-	-	-	-	-	126,735	-	126,735
Unearned revenue	13,702	-	-	-	-	-	-	1,354,628	-	-	1,368,330
Other liabilities	-	-	-	559,698	2,049	-	-	626,388	-	-	1,188,135
TOTAL LIABILITIES	1,477,453	2,827	32,311	563,820	21,868	412,566	1,859,848	1,986,715	181,887	2,040	6,541,335
Deferred Inflow of Resources											
Leases	-	76,076	-	-	-	-	-	-	-	-	76,076
Total Deferred Inflow of Resources	-	76,076	-	-	-	-	-	-	-	-	76,076
FUND BALANCES											
Restricted	7,958,162	-	-	-	-	-	-	617,312	-	-	8,575,474
Committed	-	538,240	-	-	-	-	-	4,274,764	-	-	4,813,004
Assigned	129,578	-	1,208,150	609,059	163,911	1,529,286	69,786	-	18,892	42,656	3,771,318
TOTAL FUND BALANCES	8,087,740	538,240	1,208,150	609,059	163,911	1,529,286	69,786	4,892,076	18,892	42,656	17,159,796
TOTAL LIABILITIES AND FUND BALANCES	$ 9,565,193	$ 617,143	$ 1,240,461	$ 1,172,879	$ 185,779	$ 1,941,852	$ 1,929,634	$ 6,878,791	$ 200,779	$ 44,696	$ 23,777,207

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, 2026

	Grant Management	Cascade Town Centre	Inmate Welfare	Contraband	Agricultural Education Center	Hotel Rental Tax	Gaming	Land Preservation	HEPMPO	Foreign Trade Zone	Total Non-major Funds
REVENUE											
Other local taxes	$ -	$ -	$ -	$ -	$ -	$ 2,864,017	$ -	$ 127,381	$ -	$ -	$ 2,991,398
Licenses and permits	-	-	-	-	-	-	2,507,436	-	-	-	2,507,436
Charges for services	-	-	449,096	-	-	-	-	-	-	-	449,096
Revenues from uses of property	-	-	-	-	70,409	-	-	-	-	-	70,409
Reimbursed expenses	-	-	-	-	28,690	-	-	-	-	-	28,690
Interest income	-	1,587	-	42,826	-	-	-	-	-	92	44,505
Miscellaneous revenues	77,598	23,539	342,209	472,397	-	-	-	18,292	43,341	44,352	1,021,728
Shared taxes and grants	9,182,882	-	-	-	-	-	-	1,582,466	698,940	-	11,464,288
TOTAL REVENUE	9,260,480	25,126	791,305	515,223	99,099	2,864,017	2,507,436	1,728,139	742,281	44,444	18,577,550
EXPENDITURES											
General government	1,277,881	-	-	-	-	-	-	-	-	-	1,277,881
Public safety	2,011,723	-	577,077	7,872	-	-	1,183,923	-	-	-	3,780,595
Parks, recreation and culture	-	-	-	-	310,812	-	-	-	-	-	310,812
Land preservation	-	-	-	-	-	-	-	2,052,612	-	-	2,052,612
General operations	-	109,211	-	-	-	-	132,687	-	-	23,722	265,620
Community promotion	2,647,962	-	-	-	-	3,015,140	1,182,722	-	778,983	-	7,624,807
TOTAL EXPENDITURES	5,937,566	109,211	577,077	7,872	310,812	3,015,140	2,499,332	2,052,612	778,983	23,722	15,312,327
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	3,322,914	(84,085)	214,228	507,351	(211,713)	(151,123)	8,104	(324,473)	(36,702)	20,722	3,265,223
OTHER FINANCING SOURCES											
Transfers in	548,600	-	-	-	254,430	-	-	2,765,360	34,660	-	3,603,050
Transfers out	-	-	-	-	-	(216,477)	-	-	-	-	(216,477)
TOTAL OTHER FINANCING SOURCES (USES)	548,600	-	-	-	254,430	(216,477)	-	2,765,360	34,660	-	3,386,573
NET CHANGES IN FUND BALANCES	3,871,514	(84,085)	214,228	507,351	42,717	(367,600)	8,104	2,440,887	(2,042)	20,722	6,651,796
FUND BALANCES - BEGINNING OF YEAR	4,216,226	622,325	993,922	101,708	121,194	1,896,886	61,682	2,451,189	20,934	21,934	10,508,000
FUND BALANCES - END OF YEAR	$ 8,087,740	$ 538,240	$1,208,150	$ 609,059	$ 163,911	$ 1,529,286	$ 69,786	$ 4,892,076	$ 18,892	$ 42,656	$ 17,159,796

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statement of Net Position – Non-Major Proprietary Funds
As of June 30, 2026

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
ASSETS			
Current Assets:			
Cash	$ 2,399,093	$ 1,249,490	$ 3,648,583
Accounts receivable	5,610	15,570	21,180
Interest receivable	-	9,980	9,980
Lease receivable	-	95,829	95,829
Due from other governmental agencies	583,892	141	584,033
Inventories	215,995	52,771	268,766
Other assets	-	11,584	11,584
Total current assets	3,204,590	1,435,365	4,639,955
Noncurrent Assets:			
Projects under construction	-	141,141	141,141
Property plant and equipment	9,378,403	6,012,221	15,390,624
Lease assets - equipment	109,160	446,414	555,574
Subscription assets	196,255	-	196,255
Accumulated depreciation	(5,851,545)	(3,853,055)	(9,704,600)
Total noncurrent assets	3,832,273	2,746,721	6,578,994
TOTAL ASSETS	7,036,863	4,182,086	11,218,949
LIABILITIES			
Current Liabilities:			
Lease liabilities	33,792	72,266	106,058
Subscription liabilities	41,029	-	41,029
Accounts payable	131,229	67,824	199,053
Accrued expenses	64,381	29,207	93,588
Accrued interest	6,014	1,945	7,959
Compensated absences	118,783	41,202	159,985
Other liabilities	-	27,947	27,947
Total current liabilities	395,228	240,391	635,619
Noncurrent Liabilities:			
Compensated absences	39,595	13,734	53,329
Lease liabilities	36,324	219,781	256,105
Subscription liabilities	111,222	-	111,222
Total noncurrent liabilities	187,141	233,515	420,656
TOTAL LIABILTIES	582,369	473,906	1,056,275
DEFERRED INFLOWS OF RESOURCES			
Leases	-	87,475	87,475
NET POSITION			
Net investment in capital assets	3,609,906	2,653,136	6,263,042
Restricted	-	198,462	198,462
Unrestricted	2,844,588	769,107	3,613,695
TOTAL NET POSITION	$ 6,454,494	$ 3,620,705	$ 10,075,199

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, 2026

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
OPERATING REVENUE			
Charges for services	$ 317,313	$ 1,210,693	$ 1,528,006
Miscellaneous	95,951	116,079	212,030
TOTAL OPERATING REVENUE	413,264	1,326,772	1,740,036
OPERATING EXPENSES			
Salaries and wages	2,073,030	652,857	2,725,887
Fringe benefits	739,839	210,288	950,127
Utilities	38,906	63,884	102,790
Insurance	46,993	14,947	61,940
Repairs and maintenance	64,545	103,172	167,717
Supplies	170,364	22,318	192,682
Cost of goods sold	-	67,943	67,943
Contracted services	150,350	12,719	163,069
Rentals and leases	40,272	3,368	43,640
Other operating	503,369	257,226	760,595
Controllable assets	13,751	25,486	39,237
Depreciation and amortization	860,616	224,467	1,085,083
TOTAL OPERATING EXPENSES	4,702,035	1,658,675	6,360,710
OPERATING LOSS	(4,288,771)	(331,903)	(4,620,674)
NONCAPITAL SUBSIDIES			
Intergovernmental revenue	2,340,843	-	2,340,843
Transfers in	561,870	97,280	659,150
Transfers out	(27,730)	-	(27,730)
TOTAL NONCAPITAL SUBSIDIES	2,874,983	97,280	2,972,263
OPERATING LOSS AND NONCAPITAL SUBSIDIES	(1,413,788)	(234,623)	(1,648,411)
OTHER NONOPERATING REVENUES (EXPENSES)			
Investment income, net	-	38,646	38,646
Gain (loss) on disposal of assets	(89,061)	-	(89,061)
Interest expense, net	(6,014)	(22,926)	(28,940)
Transfers in - capital	211,000	531,000	742,000
Capital contributions	603,127	-	603,127
TOTAL OTHER NONOPERATING REVENUES (EXPENSES)	719,052	546,720	1,265,772
CHANGES IN NET POSITION	(694,736)	312,097	(382,639)
NET POSITION - BEGINNING OF YEAR	7,149,230	3,308,608	10,457,838
NET POSITION - END OF YEAR	$ 6,454,494	$ 3,620,705	$ 10,075,199

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statement of Cash Flows – Non-Major Proprietary Funds
For the Year Ended June 30, 2026

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
Cash Flows from Operating Activities			
Receipts from customers	$ 1,132,636	$ 1,328,882	$ 2,461,518
Payments to suppliers	(924,520)	(546,714)	(1,471,234)
Payments to employees	(2,794,232)	(866,255)	(3,660,487)
Net Cash Used by Operating Activities	(2,586,116)	(84,087)	(2,670,203)
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	534,140	97,280	631,420
Intergovernmental revenue	2,340,843	-	2,340,843
Net Cash Provided by Noncapital Financing Activities	2,874,983	97,280	2,972,263
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(434,091)	(211,224)	(645,315)
Gain/(loss) on the sale of assets	(89,061)	-	(89,061)
Principal paid on leases	222,367	(66,734)	155,633
Contribution for capital acquisitions	814,127	531,000	1,345,127
Net Cash Provided (Used) by Capital and Related Financing Activities	513,342	253,042	766,384
Cash Flows from Investing Activities			
Interest on investments	-	15,720	15,720
Net change in cash	802,209	281,955	1,084,164
Cash, beginning of year	1,596,884	967,535	2,564,419
Cash, End of Year	$ 2,399,093	$ 1,249,490	$ 3,648,583
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	$ (4,288,771)	$ (331,903)	$ (4,620,674)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	860,616	224,467	1,085,083
Changes in assets and liabilities:			
Accounts receivable	26,116	543	26,659
Unbilled receivables	503	-	503
Due to/from other government entities	692,753	(141)	692,612
Inventories	4,224	(10,842)	(6,618)
Other assets	-	-	-
Accounts payable and other liabilities	99,806	36,165	135,971
Accrued expenses	19,401	3,518	22,919
Unearned revenue	-	734	734
Compensated absences	(764)	(6,628)	(7,392)
Net Cash Used by Operating Activities	$ (2,586,116)	$ (84,087)	$ (2,670,203)

OTHER SCHEDULE

COUNTY COMMISSIONERS OF WASHINGTON COUNTY, MARYLAND

Local Management Board – Schedule of Revenue and Expenditures – Regulatory Basis
For the Year Ended June 30, 2026

REVENUE		
Community Partnership Agreement (CPA)		
Governor's Office for Children	$	945,554
Non- Community Partnership Agreement (Non-CPA)		
General Fund		548,600
Md State Department of Housing and Community Development		800,000
Md State Department of Aging		25,921
Md State Department of Education		491,788
Cannabis State Sales Tax		331,019
Opioid Settlement Revenue		3,987,106
Total Non-Community Partnership Agreement Revenue		6,184,434
TOTAL REVENUE		7,129,988
EXPENDITURES		
Community Partnership Agreement (CPA)		
Administrative :		
Salaries		101,652
Benefit Costs		49,235
Office supplies		290
Total CPA Administrative Expenditures		151,177
Programs:		
GOC - SubCabinet Admin		30,000
Western MC Disconnected Youth		41,724
GOC-School Based Mental Health		283,335
Family Centered Support Services		91,464
GOC - Local Care Team Coordinator		58,789
GOC - Youth Homelessness		60,528
GOC - Big Brothers, Big Sisters of Washington County		48,000
GOC - Out of School Time Program		84,259
GOC - Enough LMB		21,697
GOC - Enough LMB II		74,581
Total CPA Program Expenditures		794,377
Non-Community Partnership Agreement (CPA)		
Administrative:		
Salaries		237,174
Benefit Costs		152,225
Advertising		663
Community Service Awards		600
Dues & Subscriptions		312
Office Supplies		1,224
Personal Mileage		134
Printing Expenses		141
Entertainment/business expense		258
Software		15,750
Seminars/Conventions		25
Copy Machine Rental		1,012
Total Non-CPA Administrative Expenditures		409,518
Programs:		
School Based Mental Health		120,000
Commission on Aging		25,921
MSDE - Healthy Families		491,788
Dept of Housing and Community Development		800,000
Cannabis - Community Reinvestment & Repair Fund		219,765
Opioid Settlement		181,199
Total Non-CPA Program Expenditures		1,838,673
TOTAL EXPENDITURES		3,193,745
EXCESS OF REVENUE OVER EXPENDITURES	$	3,936,243