

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

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

For the Year Ended June 30, 2022

JUNE 30, 2022

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SINGLE AUDIT

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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, 2022, 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, 2022, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 control 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 and *Government Auditing Standards* 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 control. 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 and *Government Auditing Standards*, 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 control 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 control. 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 control-related matters that we identified during the audit.

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 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, budget and actual for the general fund and local management board schedule of revenue and expenditures regulatory basis and schedule of expenditures of Federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budget and actual for the general fund and local management board schedule of revenue and expenditures regulatory basis and schedule of expenditures of Federal awards 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, budget and actual for the general fund and local management board schedule of revenue and expenditures regulatory basis and schedule of expenditures of Federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

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

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

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

1) Government-wide Financial Statements

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

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

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

- ❑ The *governmental activities* of the County include education, general government, parks and recreation, public safety, courts, health and social services, and highway maintenance.
- ❑ The *business-type activities* of the County include airport, public golf course, public transit, solid waste, and water quality operations.

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

The government-wide financial statements can be found on pages 23-25 of this report.

2) Fund Financial Statements

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



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

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

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

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

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

The basic governmental fund financial statements can be found on pages 26-29 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 30-32 of this report.

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

The basic fiduciary fund financial statements can be found on pages 33-34 of this report.

3) **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-108 of this report.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

4) Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees and includes budgetary comparison schedules for the general fund.

In addition to this MD&A, required supplementary information can be found on page 109-114 of this report.

Financial Analysis on Government-Wide Financial Statements

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$666.7 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
	2022	2021	2022	2021	2022	2021	
<i>Current and other assets</i>	\$306,097,423	\$256,163,513	\$69,219,966	\$43,299,630	\$375,317,389	\$299,463,143	25.33%
<i>Capital assets</i>	454,296,678	450,204,949	246,864,602	255,414,510	701,161,280	705,619,459	(0.63%)
<i>Total Assets</i>	760,394,101	706,368,462	316,084,568	298,714,140	1,076,478,669	1,005,082,602	7.10%
<i>Deferred Outflow of Resources</i>	18,459,103	3,838,347	401,190	516,140	18,860,293	4,354,487	333.12%
<i>Current and other liabilities</i>	62,621,094	57,426,148	29,094,246	8,854,793	91,715,340	66,280,941	38.37%
<i>Long-term liabilities</i>	252,056,653	224,868,431	60,951,648	57,843,071	313,008,301	282,711,502	10.72%
<i>Total Liabilities</i>	314,677,747	282,294,579	90,045,894	66,697,864	404,723,641	348,992,443	15.97%
<i>Deferred Inflow of Resources</i>	10,263,845	37,045,725	13,633,817	21,446,163	23,897,662	58,491,888	(59.14%)
<i>Net Investment in Capital Assets</i>	363,793,008	360,482,566	210,809,736	217,849,212	574,602,744	578,331,778	(0.64%)
<i>Restricted Net Assets</i>	39,960,328	31,382,483	13,957,773	7,890,861	53,918,101	39,273,344	37.29%
<i>Unrestricted Net Assets</i>	50,158,276	(998,544)	(11,961,462)	(14,653,820)	38,196,814	(15,652,364)	344.03%
<i>Total Net Position</i>	\$453,911,612	\$390,866,505	\$212,806,047	\$211,086,253	\$666,717,659	\$601,952,758	10.76%

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 \$574.6 million. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County's net position, \$53.9 million, represents resources that are subject to external restrictions on how they may be used. The remaining portion is unrestricted net assets of \$38.2 million.

Unrestricted net assets in governmental activities have been reduced by \$43.4 million in long-term debt, resulting in unrestricted net assets of \$50.1 million. This long-term debt was incurred by the County's general fund for the purpose



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

of capital asset acquisition for the Board of Education of \$38.7 million and Hagerstown Community College of \$4.7 million. The capital assets acquired with these bonds are not reflected in the County's primary government financial statements.

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

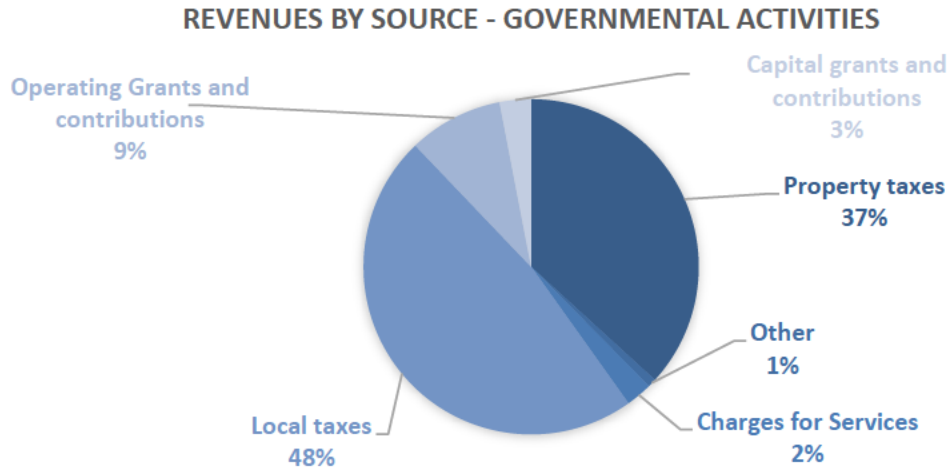
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Program Revenues:						
Charges for Services	\$9,393,072	\$8,261,913	\$27,229,233	\$25,782,767	\$36,622,305	\$34,044,680
Operating Grants and Contributions	33,686,424	27,673,612	3,287,909	3,480,751	36,974,333	31,154,363
Capital Grants and Contributions	11,168,422	8,459,831	2,718,109	11,839,311	13,886,531	20,299,142
General Revenues:						
Property Taxes	135,971,972	133,490,152	-	-	135,971,972	133,490,152
Local Taxes	176,446,161	146,674,462	-	-	176,446,161	146,674,462
Other	3,034,031	4,428,418	322,405	123,470	3,356,436	4,551,888
Total Revenues	369,700,082	328,988,388	33,557,656	41,226,299	403,257,738	370,214,687
Program Expenses:						
General Government	22,644,496	28,575,774	-	-	22,644,496	28,575,774
Public Safety	80,736,885	61,670,985	-	-	80,736,885	61,670,985
Health	2,339,270	2,339,270	-	-	2,339,270	2,339,270
Social Services	446,010	435,560	-	-	446,010	435,560
Education	120,236,520	115,766,280	-	-	120,236,520	115,766,280
Parks and Recreation	8,710,969	7,235,708	-	-	8,710,969	7,235,708
Natural Resources	3,909,810	3,202,083	-	-	3,909,810	3,202,083
Community Promotion	28,803,412	21,299,691	-	-	28,803,412	21,299,691
Highways and Streets	30,048,507	19,864,939	-	-	30,048,507	19,864,939
Interest on Long-term Debt	4,604,683	4,569,476	-	-	4,604,683	4,569,476
Business-type Activities:						
Water Quality	-	-	15,035,913	14,491,893	15,035,913	14,491,893
Solid Waste	-	-	7,443,086	7,290,557	7,443,086	7,290,557
Public Transit	-	-	3,173,543	3,138,207	8,854,924	3,138,207
Airport	-	-	8,854,924	8,442,866	3,173,543	8,442,866
Golf Course	-	-	1,284,649	1,126,709	1,284,649	1,126,709
Total Expenses	302,480,562	264,959,766	35,792,115	34,490,232	338,272,677	299,449,998
Change in Net Position before transfers	67,219,520	64,028,622	(2,234,459)	6,736,067	64,985,061	70,764,689
Transfers	(3,954,253)	(2,383,080)	3,954,253	2,383,080	-	-
Contributed Capital	-	-	-	-	-	-
Proceeds of Leases	(220,160)	-	-	-	(220,160)	-
Proceeds of Bond Sale	-	87,389	-	-	-	87,389
Change in Net Position	63,045,107	61,732,931	1,719,794	9,119,147	64,764,901	70,852,078
Net Position – Beginning of year	390,866,505	329,133,574	211,086,253	201,967,106	601,952,758	531,100,680
Net Position – End of year	\$453,911,612	\$390,866,505	\$212,806,047	\$211,086,253	\$666,717,659	\$601,952,758

The County's net position increased by \$64.8 million during fiscal year 2022; total net position as of June 30, 2022 was \$666.7 million, representing a 10.76% increase.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

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

Revenues for the County's governmental activities were \$369.7 million for FY2022. Sources of revenue are comprised of the following items:



Taxes represent the County's largest revenue source at \$312.4 million for FY2022, which represents 85% of all County revenues.

- The property tax rate is \$.948 per \$100 of assessed value and generates 37% of County revenue. The FY2023 property tax rate is \$.928 per \$100 of assessed value.
- Local taxes include income tax which generates 48% of County revenue. The rate for FY2022 was 3.2% through December 2021 at which point it was reduced to 3.0%. Beginning January 1, 2023, the income tax rate will be reduced to 2.95%.

Operating grants and contributions represent 9% of total revenue and reflects federal and state funding that the county uses to carry out certain initiatives. FY2022 grants provided funding for public safety programs and economic relief to business and non-profits.

Revenue from governmental activities increased over FY2021 by \$40.7 million.

- Charges for Services increased from FY2021 by \$1.1 million. Gaming revenues increased \$0.1 million, licenses and permits increased by \$0.6 million, reflecting higher levels of economic activity; court costs and fines reduced by \$0.2 million due to covid related closures; and shared taxes increased by approximately \$0.4 million in 911 fees charged by phone line which support 911 operations.
- Operating grants and contributions increased by \$6.0 million mainly due to additional grants received for COVID-19 relief.
- Capital grants and contributions increased by \$2.7 million due to fluctuations in capital spending. It is common for this line item to change from year to year due to varying projects and associated funding sources.
- Property Taxes increased over the prior year as expected by about \$2.4 million due to an increase in assessed values.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

- Local taxes increased by \$29.8 million in total. Income tax increased \$3.7 million or 3.1% over FY2021, which includes \$0.6 million more in disparity grant. Other local taxes such as recordation tax, excise tax, and transfer tax exceeded FY2021 revenue by \$6.2 million, \$2.6 million, and \$2.3 million respectively which is related to higher levels of economic activity. APFO fees were \$0.1 million less than FY2021 due to timing of development which can fluctuate from year to year. In addition, admission and amusement tax increased approximately \$0.2 million as a result of reopening following COVID-19 related closures.
- Other revenues decreased by \$1.4 million which was mostly due to \$1.9 million in proceeds received in FY2021 from the sale of Cascade Town Centre that did not occur in FY2022, offset by \$0.3 million net proceeds from the sale of the Administration Annex at 80 West Baltimore Street and \$0.2 million increase in other miscellaneous revenues.

A more detailed discussion of the County's revenue results for FY2022 as compared to what was budgeted can be found in the General Fund Budgetary Analysis section of this MD&A.

The following table presents costs and program revenues for major county programs. The total cost of governmental services for FY2022 was \$302.5 million. Revenues of \$54.2 million that offset these costs include \$9.4 million in charges for services and \$44.8 million in operating and capital grants and contributions. The net amount of \$248.2 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	
	2022	2021	2022	2021	2022	2021
<i>Education</i>	\$120,236,520	\$115,766,280	\$ -	\$ -	\$120,236,520	\$115,766,280
<i>Public Safety</i>	80,736,885	61,670,985	8,757,561	7,602,367	71,979,324	54,068,618
<i>General Government</i>	22,644,496	28,575,774	12,411,453	8,929,048	10,233,043	19,646,726
<i>Highways and Streets</i>	30,048,507	19,864,939	10,723,867	10,059,583	19,324,640	9,805,356
<i>Community Promotion</i>	28,803,412	21,299,691	17,258,653	15,227,203	11,544,759	6,072,488
<i>Parks and Recreation</i>	8,710,969	7,235,708	2,573,066	442,360	6,137,903	6,793,348
<i>Other</i>	11,299,773	10,546,389	2,523,318	2,134,795	8,776,455	8,411,594
Total	\$302,480,562	\$264,959,766	\$54,247,918	\$44,395,356	\$248,232,644	\$220,564,410

Expenditures from governmental activities total \$302.5 million, which represents an increase over FY2021 by \$37.5 million.

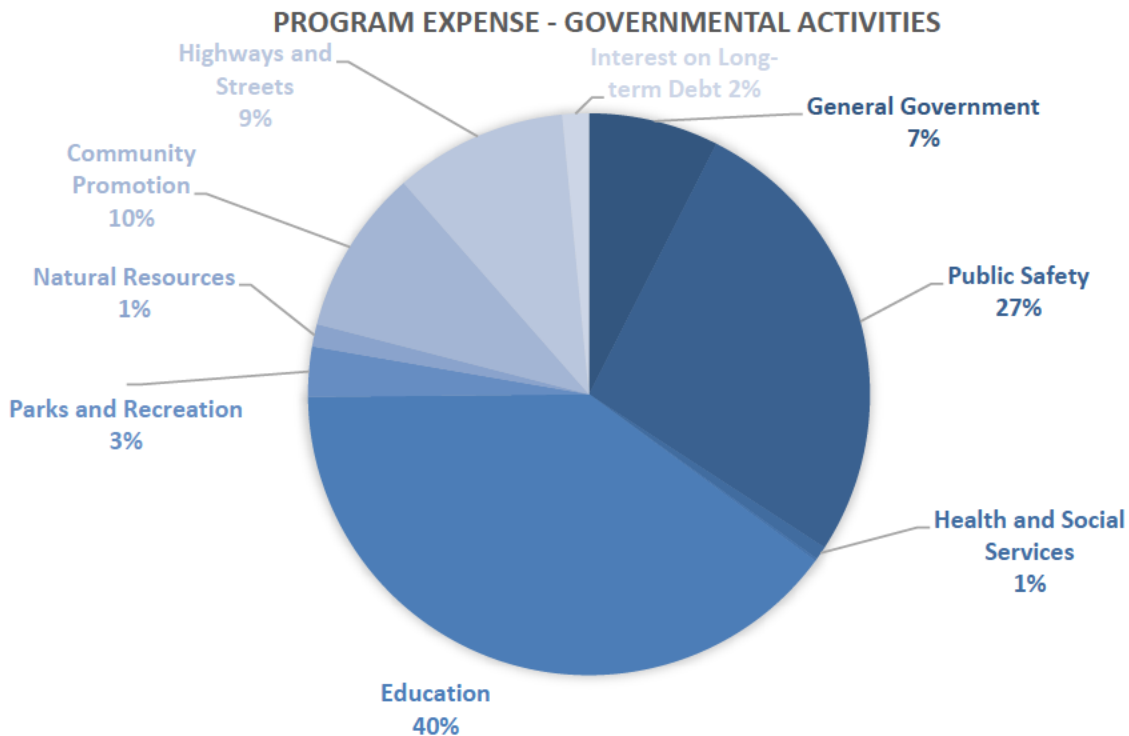
- Education expenditures increased by \$4.5 million as compared to FY2021. The increase is a combination of the increased appropriation to the Board of Education of \$2.7 and an increase of \$1.9 million for reclassifying capital expenditures and recording fixed assets in governmental funds.
- Public safety costs increased by approximately \$19.1 million over FY2021. The majority of the increase, or \$14.9 million, is from reclassifying capital expenditures and recording fixed assets in governmental funds, with \$13.7 million being directly related to the construction of the Public Safety Training Center. Other increases include approximately \$3.4 million due to the enhancement of the salary scale for law enforcement officers that was approved in December 2021, and approximately \$1.9 million for fire operations due to the hiring of additional firefighters.
- General Government decreased by approximately \$5.9 million over FY2021. An additional contribution to pension of \$5.0 million was offset by adjustments for recording pension activity in governmental funds. In addition, adjustments were made for reclassifying capital expenditures and recording fixed assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

Capital Improvement transactions are earmarked for specific capital related projects and its cash flow will vary depending on the construction schedule and grant reimbursements.

- Expenditures for Highways and Streets increased by \$10.2 million over FY2021. A decrease in operational expenditures of approximately \$0.2 million was offset by an increase of \$10.4 million in expenditures related to reclassifying capital expenditures and recording fixed assets in governmental funds, of which, \$8.8 million is due to the construction of the new bridge on Professional Boulevard.
- Community promotion increased by \$7.5 million mainly as a result of COVID-19 relief grants.
- Parks and recreation increased by \$1.4 million over the prior year which is mainly related to reclassifying capital expenditures and recording fixed assets in governmental funds.
- Natural resources increased by \$0.7 million, mainly due to an increase in land preservation grants.
- Debt service has remained relatively the same as FY2021 and is based on debt service schedules.
- Transfers out increased by \$1.6 million mainly due to a one-time transfer of \$0.8 million to the sewer fund for system improvements at the former Fort Ritchie site, as well as increased appropriations to the utility fund for Clean County Initiative expenses, and to the transit fund due to a decrease in MTA funding.

Governmental program expenditures are shown below. The largest expenditure category is education at \$120.2 million, followed by public safety at \$80.7 million.





MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

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

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

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

1) Government-wide Financial Statements

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

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

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

- ❑ The *governmental activities* of the County include education, general government, parks and recreation, public safety, courts, health and social services, and highway maintenance.
- ❑ The *business-type activities* of the County include airport, public golf course, public transit, solid waste, and water quality operations.

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

The government-wide financial statements can be found on pages 23-25 of this report.

2) Fund Financial Statements

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



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

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

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

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

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

The basic governmental fund financial statements can be found on pages 26-29 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 30-32 of this report.

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

The basic fiduciary fund financial statements can be found on pages 33-34 of this report.

3) **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-108 of this report.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

4) Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees and includes budgetary comparison schedules for the general fund.

In addition to this MD&A, required supplementary information can be found on page 109-114 of this report.

Financial Analysis on Government-Wide Financial Statements

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$666.7 million as of the close of the most recent fiscal year.

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>		<i>Total Percent Change</i>
	2022	2021	2022	2021	2022	2021	
<i>Current and other assets</i>	\$306,097,423	\$256,163,513	\$69,219,966	\$43,299,630	\$375,317,389	\$299,463,143	25.33%
<i>Capital assets</i>	454,296,678	450,204,949	246,864,602	255,414,510	701,161,280	705,619,459	(0.63%)
<i>Total Assets</i>	760,394,101	706,368,462	316,084,568	298,714,140	1,076,478,669	1,005,082,602	7.10%
<i>Deferred Outflow of Resources</i>	18,459,103	3,838,347	401,190	516,140	18,860,293	4,354,487	333.12%
<i>Current and other liabilities</i>	62,621,094	57,426,148	29,094,246	8,854,793	91,715,340	66,280,941	38.37%
<i>Long-term liabilities</i>	252,056,653	224,868,431	60,951,648	57,843,071	313,008,301	282,711,502	10.72%
<i>Total Liabilities</i>	314,677,747	282,294,579	90,045,894	66,697,864	404,723,641	348,992,443	15.97%
<i>Deferred Inflow of Resources</i>	10,263,845	37,045,725	13,633,817	21,446,163	23,897,662	58,491,888	(59.14%)
<i>Net Investment in Capital Assets</i>	363,793,008	360,482,566	210,809,736	217,849,212	574,602,744	578,331,778	(0.64%)
<i>Restricted Net Assets</i>	39,960,328	31,382,483	13,957,773	7,890,861	53,918,101	39,273,344	37.29%
<i>Unrestricted Net Assets</i>	50,158,276	(998,544)	(11,961,462)	(14,653,820)	38,196,814	(15,652,364)	344.03%
<i>Total Net Position</i>	\$453,911,612	\$390,866,505	\$212,806,047	\$211,086,253	\$666,717,659	\$601,952,758	10.76%

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 \$574.6 million. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County's net position, \$53.9 million, represents resources that are subject to external restrictions on how they may be used. The remaining portion is unrestricted net assets of \$38.2 million.

Unrestricted net assets in governmental activities have been reduced by \$43.4 million in long-term debt, resulting in unrestricted net assets of \$50.1 million. This long-term debt was incurred by the County's general fund for the purpose



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

of capital asset acquisition for the Board of Education of \$38.7 million and Hagerstown Community College of \$4.7 million. The capital assets acquired with these bonds are not reflected in the County's primary government financial statements.

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

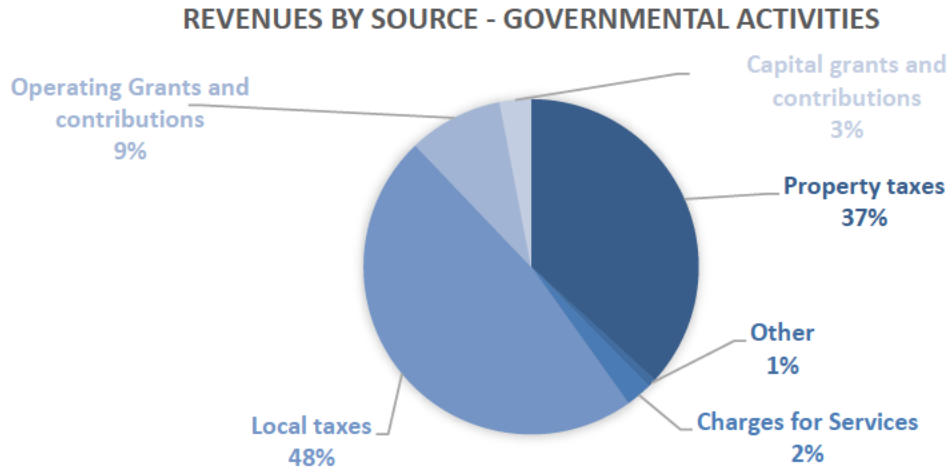
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Program Revenues:						
Charges for Services	\$9,393,072	\$8,261,913	\$27,229,233	\$25,782,767	\$36,622,305	\$34,044,680
Operating Grants and Contributions	33,686,424	27,673,612	3,287,909	3,480,751	36,974,333	31,154,363
Capital Grants and Contributions	11,168,422	8,459,831	2,718,109	11,839,311	13,886,531	20,299,142
General Revenues:						
Property Taxes	135,971,972	133,490,152	-	-	135,971,972	133,490,152
Local Taxes	176,446,161	146,674,462	-	-	176,446,161	146,674,462
Other	3,034,031	4,428,418	322,405	123,470	3,356,436	4,551,888
Total Revenues	369,700,082	328,988,388	33,557,656	41,226,299	403,257,738	370,214,687
Program Expenses:						
General Government	22,644,496	28,575,774	-	-	22,644,496	28,575,774
Public Safety	80,736,885	61,670,985	-	-	80,736,885	61,670,985
Health	2,339,270	2,339,270	-	-	2,339,270	2,339,270
Social Services	446,010	435,560	-	-	446,010	435,560
Education	120,236,520	115,766,280	-	-	120,236,520	115,766,280
Parks and Recreation	8,710,969	7,235,708	-	-	8,710,969	7,235,708
Natural Resources	3,909,810	3,202,083	-	-	3,909,810	3,202,083
Community Promotion	28,803,412	21,299,691	-	-	28,803,412	21,299,691
Highways and Streets	30,048,507	19,864,939	-	-	30,048,507	19,864,939
Interest on Long-term Debt	4,604,683	4,569,476	-	-	4,604,683	4,569,476
Business-type Activities:						
Water Quality	-	-	15,035,913	14,491,893	15,035,913	14,491,893
Solid Waste	-	-	7,443,086	7,290,557	7,443,086	7,290,557
Public Transit	-	-	3,173,543	3,138,207	8,854,924	3,138,207
Airport	-	-	8,854,924	8,442,866	3,173,543	8,442,866
Golf Course	-	-	1,284,649	1,126,709	1,284,649	1,126,709
Total Expenses	302,480,562	264,959,766	35,792,115	34,490,232	338,272,677	299,449,998
Change in Net Position before transfers	67,219,520	64,028,622	(2,234,459)	6,736,067	64,985,061	70,764,689
Transfers	(3,954,253)	(2,383,080)	3,954,253	2,383,080	-	-
Contributed Capital	-	-	-	-	-	-
Proceeds of Leases	(220,160)	-	-	-	(220,160)	-
Proceeds of Bond Sale	-	87,389	-	-	-	87,389
Change in Net Position	63,045,107	61,732,931	1,719,794	9,119,147	64,764,901	70,852,078
Net Position – Beginning of year	390,866,505	329,133,574	211,086,253	201,967,106	601,952,758	531,100,680
Net Position – End of year	\$453,911,612	\$390,866,505	\$212,806,047	\$211,086,253	\$666,717,659	\$601,952,758

The County's net position increased by \$64.8 million during fiscal year 2022; total net position as of June 30, 2022 was \$666.7 million, representing a 10.76% increase.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

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

Revenues for the County's governmental activities were \$369.7 million for FY2022. Sources of revenue are comprised of the following items:



Taxes represent the County's largest revenue source at \$312.4 million for FY2022, which represents 85% of all County revenues.

- The property tax rate is \$.948 per \$100 of assessed value and generates 37% of County revenue. The FY2023 property tax rate is \$.928 per \$100 of assessed value.
- Local taxes include income tax which generates 48% of County revenue. The rate for FY2022 was 3.2% through December 2021 at which point it was reduced to 3.0%. Beginning January 1, 2023, the income tax rate will be reduced to 2.95%.

Operating grants and contributions represent 9% of total revenue and reflects federal and state funding that the county uses to carry out certain initiatives. FY2022 grants provided funding for public safety programs and economic relief to business and non-profits.

Revenue from governmental activities increased over FY2021 by \$40.7 million.

- Charges for Services increased from FY2021 by \$1.1 million. Gaming revenues increased \$0.1 million, licenses and permits increased by \$0.6 million, reflecting higher levels of economic activity; court costs and fines reduced by \$0.2 million due to covid related closures; and shared taxes increased by approximately \$0.4 million in 911 fees charged by phone line which support 911 operations.
- Operating grants and contributions increased by \$6.0 million mainly due to additional grants received for COVID-19 relief.
- Capital grants and contributions increased by \$2.7 million due to fluctuations in capital spending. It is common for this line item to change from year to year due to varying projects and associated funding sources.
- Property Taxes increased over the prior year as expected by about \$2.4 million due to an increase in assessed values.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

- Local taxes increased by \$29.8 million in total. Income tax increased \$3.7 million or 3.1% over FY2021, which includes \$0.6 million more in disparity grant. Other local taxes such as recordation tax, excise tax, and transfer tax exceeded FY2021 revenue by \$6.2 million, \$2.6 million, and \$2.3 million respectively which is related to higher levels of economic activity. APFO fees were \$0.1 million less than FY2021 due to timing of development which can fluctuate from year to year. In addition, admission and amusement tax increased approximately \$0.2 million as a result of reopening following COVID-19 related closures.
- Other revenues decreased by \$1.4 million which was mostly due to \$1.9 million in proceeds received in FY2021 from the sale of Cascade Town Centre that did not occur in FY2022, offset by \$0.3 million net proceeds from the sale of the Administration Annex at 80 West Baltimore Street and \$0.2 million increase in other miscellaneous revenues.

A more detailed discussion of the County's revenue results for FY2022 as compared to what was budgeted can be found in the General Fund Budgetary Analysis section of this MD&A.

The following table presents costs and program revenues for major county programs. The total cost of governmental services for FY2022 was \$302.5 million. Revenues of \$54.2 million that offset these costs include \$9.4 million in charges for services and \$44.8 million in operating and capital grants and contributions. The net amount of \$248.2 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	
	2022	2021	2022	2021	2022	2021
<i>Education</i>	\$120,236,520	\$115,766,280	\$ -	\$ -	\$120,236,520	\$115,766,280
<i>Public Safety</i>	80,736,885	61,670,985	8,757,561	7,602,367	71,979,324	54,068,618
<i>General Government</i>	22,644,496	28,575,774	12,411,453	8,929,048	10,233,043	19,646,726
<i>Highways and Streets</i>	30,048,507	19,864,939	10,723,867	10,059,583	19,324,640	9,805,356
<i>Community Promotion</i>	28,803,412	21,299,691	17,258,653	15,227,203	11,544,759	6,072,488
<i>Parks and Recreation</i>	8,710,969	7,235,708	2,573,066	442,360	6,137,903	6,793,348
<i>Other</i>	11,299,773	10,546,389	2,523,318	2,134,795	8,776,455	8,411,594
Total	\$302,480,562	\$264,959,766	\$54,247,918	\$44,395,356	\$248,232,644	\$220,564,410

Expenditures from governmental activities total \$302.5 million, which represents an increase over FY2021 by \$37.5 million.

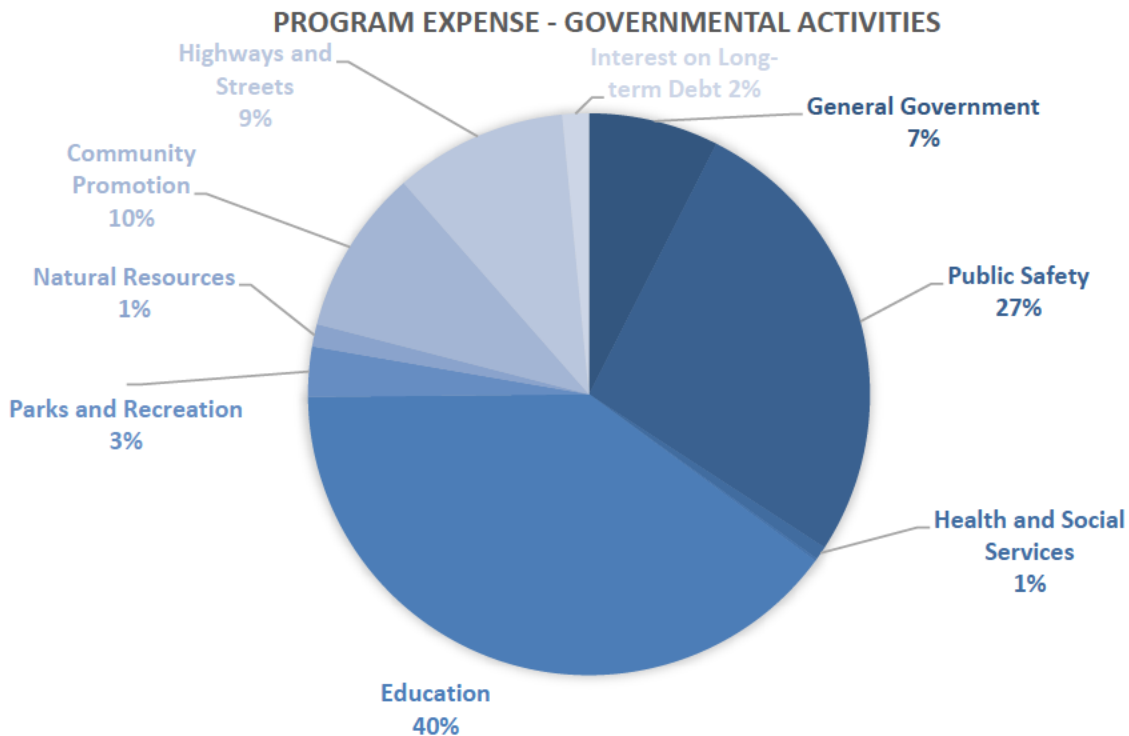
- Education expenditures increased by \$4.5 million as compared to FY2021. The increase is a combination of the increased appropriation to the Board of Education of \$2.7 and an increase of \$1.9 million for reclassifying capital expenditures and recording fixed assets in governmental funds.
- Public safety costs increased by approximately \$19.1 million over FY2021. The majority of the increase, or \$14.9 million, is from reclassifying capital expenditures and recording fixed assets in governmental funds, with \$13.7 million being directly related to the construction of the Public Safety Training Center. Other increases include approximately \$3.4 million due to the enhancement of the salary scale for law enforcement officers that was approved in December 2021, and approximately \$1.9 million for fire operations due to the hiring of additional firefighters.
- General Government decreased by approximately \$5.9 million over FY2021. An additional contribution to pension of \$5.0 million was offset by adjustments for recording pension activity in governmental funds. In addition, adjustments were made for reclassifying capital expenditures and recording fixed assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

Capital Improvement transactions are earmarked for specific capital related projects and its cash flow will vary depending on the construction schedule and grant reimbursements.

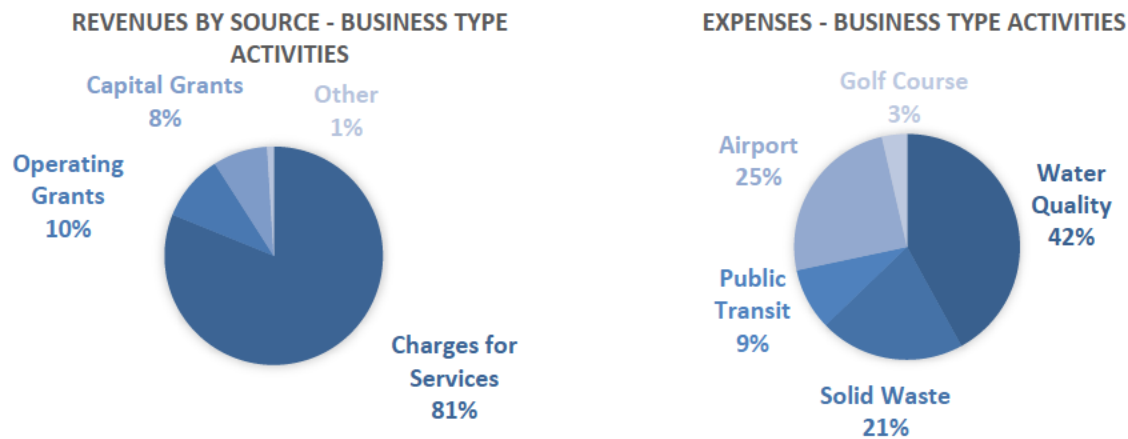
- Expenditures for Highways and Streets increased by \$10.2 million over FY2021. A decrease in operational expenditures of approximately \$0.2 million was offset by an increase of \$10.4 million in expenditures related to reclassifying capital expenditures and recording fixed assets in governmental funds, of which, \$8.8 million is due to the construction of the new bridge on Professional Boulevard.
- Community promotion increased by \$7.5 million mainly as a result of COVID-19 relief grants.
- Parks and recreation increased by \$1.4 million over the prior year which is mainly related to reclassifying capital expenditures and recording fixed assets in governmental funds.
- Natural resources increased by \$0.7 million, mainly due to an increase in land preservation grants.
- Debt service has remained relatively the same as FY2021 and is based on debt service schedules.
- Transfers out increased by \$1.6 million mainly due to a one-time transfer of \$0.8 million to the sewer fund for system improvements at the former Fort Ritchie site, as well as increased appropriations to the utility fund for Clean County Initiative expenses, and to the transit fund due to a decrease in MTA funding.

Governmental program expenditures are shown below. The largest expenditure category is education at \$120.2 million, followed by public safety at \$80.7 million.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

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



Highlights for the County's business-type activities are as follows:

Business type activities experienced an increase in net position of \$1.7 million.

- \$1.3 million increase in net position for Water Quality
- \$2.3 million increase in net position for Solid Waste
- \$4.1 million decrease in net position for Airport
- \$2.2 million increase in net position for non-major proprietary funds.

Revenues decreased over FY2021 by \$7.7 million.

- Charges for services increased by \$1.4 million due to an increase in water and sewer connection fees and user fees of \$0.3 million and an increase in tipping fees of \$1.1 million.
- Operating grants and contributions decreased by \$0.2 million mainly due to a State grant from the Maryland Department of the Environment was not awarded this year.
- Capital grants and contributions decreased by \$9.1 million overall which consists of \$0.8 million decrease related to water quality; \$9.9 million decrease in Airport; offset by a \$1.6 million increase in capital grants for transit. Capital revenues vary significantly from year to year based on capital project schedules.
- Other revenues decreased by \$0.2 million because of various items.

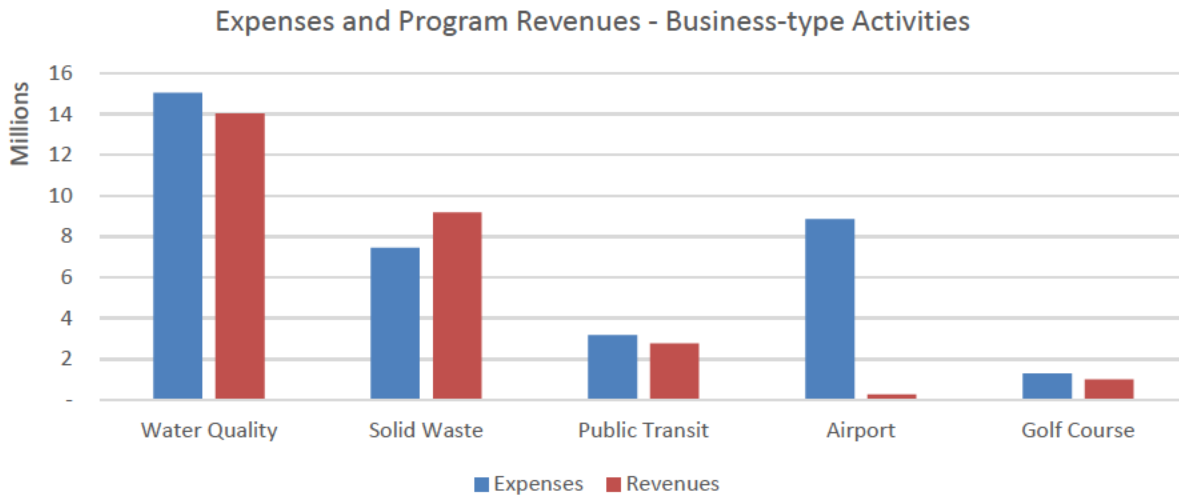
Expenditures increased as compared to FY2021 by \$1.3 million.

- Overall, business type expenditures increased by \$1.3 million. Solid Waste expenditures increased by \$0.2 million or 2%; Water Quality expenditures increased by \$0.5 million or 4%; Transit increased by less than \$0.1 million or 1%; Golf Course expenditures increased by \$0.2 million or 14%; and Airport increased by \$0.4 million or 5%.

Transfers in increased by \$1.6 million. Of this amount, \$1.0 million is attributed to capital transfers of \$0.9 million for water quality and \$0.1 million for Airport. The remaining difference includes transfer amounts from the General fund to Transit of \$0.4 million and \$0.2 million for water quality to support operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

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



Financial Analysis on the Government's Fund Financial Statements

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 \$204.2 million, an increase of \$38.5 million. Approximately \$68.2 million of this amount is committed for the general fund cash reserve and \$136.0 million is restricted or committed for construction projects and designated programs. In the combined governmental activities, the County maintains 11 separate funds. Shown below are fund balances and net changes in fund balance for each.

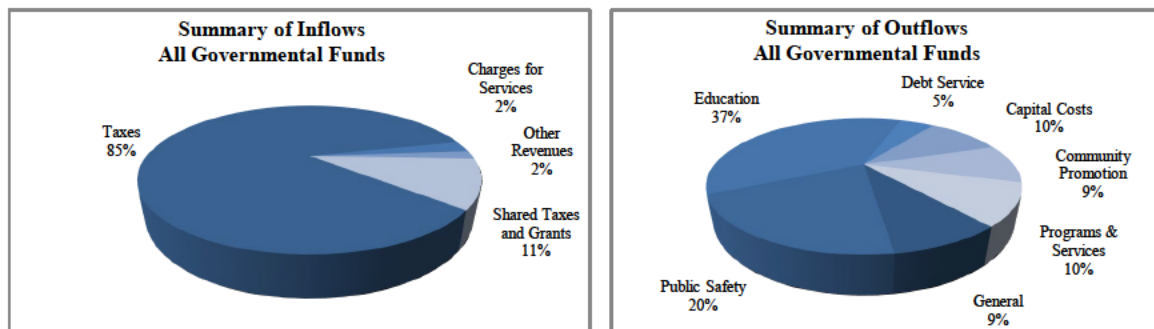


MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

Governmental Activities	Fund Balance			Net Change in Fund Balance		
	2022	2021	% Change	2022	2021	% Change
<i>General Fund</i>	\$73,367,702	\$61,999,084	18.34%	\$11,368,618	\$6,024,885	188.69%
<i>Capital Improvement Fund</i>	124,841,031	98,751,922	26.42%	26,089,109	28,430,917	91.76%
<i>Grants Management</i>	7,850	7,850	0.00%	-	(9,472)	100.00%
<i>Cascade Town Centre Fund</i>	950,789	1,855,163	(48.75%)	(904,374)	1,475,609	(161.29%)
<i>Inmate Welfare Fund</i>	403,961	301,390	34.03%	102,571	110,692	(7.34%)
<i>Contraband Fund</i>	50,951	30,709	65.92%	20,242	(91,716)	122.07%
<i>Agricultural Education Fund</i>	33,002	6,654	395.97%	26,348	1,001	2,532.17%
<i>Hotel Rental Tax Fund</i>	1,925,852	1,667,942	15.46%	257,910	403,265	(36.04%)
<i>Gaming Fund</i>	143,643	124,510	15.37%	19,133	(1,909)	1,102.25%
<i>Land Preservation Fund</i>	2,464,932	913,139	169.94%	1,551,793	230,956	571.90%
<i>HEPMPO</i>	35,208	37,862	(7.01%)	(2,654)	24,980	(110.62%)
Total	\$204,224,921	\$165,696,225		\$38,528,696	\$36,599,208	

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

The following reflects all inflows and outflows of the governmental funds in total for the fiscal year ending June 30, 2022.



- The **General Fund** is the chief operating fund of the County. At the end of the current fiscal year total fund balance reached \$73.4 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 23.60% of total General Fund expenditures.

The General Fund fund balance increased by approximately \$11.4 million during the current fiscal year. Higher than anticipated income tax and recordation tax, along with wage and benefit savings, led to a significant transfer to the capital fund at the end of the year. The County allocated approximately \$32.9 million to the Capital Projects Fund for specific projects or future one-time costs. The County also allocated an additional \$5 million to the Pension trust during the year.

A more detailed discussion of General Fund revenues can be found in the General Fund Budgetary Analysis section of the MD&A.

- The **Capital Projects Fund** is used to account for major capital acquisition and construction of County operations. At the end of the current fiscal year the Capital Project Fund has a total fund balance of \$124.8 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 increased by \$26.1 million for the current fiscal

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

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, and Land Preservation Funds* combined have a fund balance of \$6.0 million. These funds represent monies designated for specific programs and services. The net increase in fund balance during the current year was \$1.1 million and was mainly attributed to the Land preservation fund.

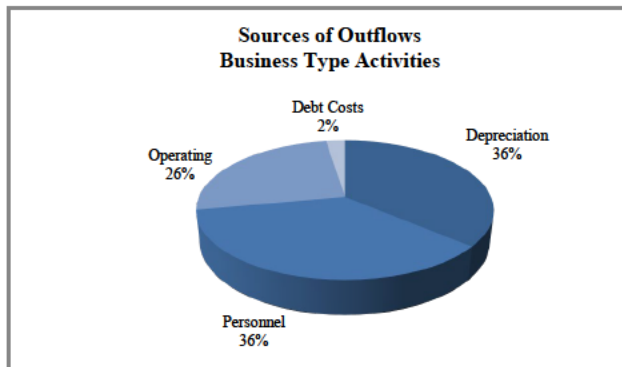
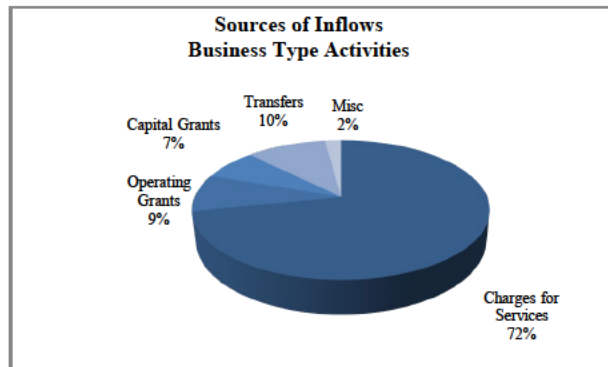
Proprietary funds:

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		
	2022	2021	% Change	2022	2021	%Change
<i>Water Quality</i>	\$145,790,454	\$144,438,964	1.01%	\$1,351,490	\$1,845,340	(26.76%)
<i>Solid Waste</i>	7,544,045	5,250,093	43.69%	2,293,952	1,378,958	66.35%
<i>Airport</i>	51,102,284	55,201,454	(7.42%)	(4,099,170)	5,511,914	(174.37%)
<i>Public Transit</i>	5,538,729	3,557,867	55.67%	1,960,862	106,758	1736.74%
<i>Black Rock</i>	2,830,535	2,617,875	8.12%	212,660	276,177	(23.00%)
<i>Total</i>	\$212,806,047	\$211,086,253		\$1,719,794	\$9,119,147	

The following reflects the inflows and outflows of the business-type activity funds for the fiscal year ending June 30, 2022.



Water quality's net position amounted to \$145.8 million in FY2022. Of this amount, \$133.5 million represents the net investment in capital assets, \$13.7 million is restricted for capital projects, and (\$1.4) million remains unrestricted. Major changes over FY2021 include additional revenues of \$0.5 million due to a 3.5% increase in water and sewer utility rates and operating transfers increased by \$0.2 million. Expenditures were in line with the prior year.

Solid Waste's net position amounted to \$7.5 million for FY22. Of this amount, \$4.6 million represents the net investment of capital assets; \$0.3 million is restricted for capital projects; and \$2.6 million remains unrestricted. Major



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

changes over FY2021 include higher tipping fee revenue of \$1.1 million which is attributed to economic activity as no rate increases were passed for the landfill in FY2022. Expenditures were in line with the prior year.

The Airport Fund's FY2022 net position was \$51.1 million. Of this amount, \$68.4 million represents the net investment of capital assets and (\$17.3) million represents unrestricted fund balance. The unrestricted deficit is the result of capital assets constructed by the lessee's through long-term lease agreements. The long-term lease agreements require the recognition of revenue related to the capital assets constructed by the lessee's over the life of the lease agreements and will eliminate the unrestricted deficit over the term of the lease agreement. Major changes over FY2021 include increased operating grant revenue of \$0.1 million, mainly because of COVID-19 relief funding. In addition, capital grants and contributions of \$0.3 million fell short of FY2021 by \$9.9 million, representing a reduction from the substantial COVID-19 relief funding received the prior year for capital projects.

Transit's ending net position is \$5.5 million for FY2022. Of this amount, \$2.3 million represents the net investment of capital assets and \$3.2 million is classified as unrestricted. Operating revenue increased 2% but continues to fall short of trends seen prior to COVID-19. Meanwhile, grants for capital projects increased by \$1.6 million, mainly due to pandemic relief grants.

The Black Rock Golf Course Fund's FY2022 net position was \$2.8 million. Of this amount, \$2.0 million represents the net investment of capital assets and \$0.8 million is classified as unrestricted. Changes from the prior year include operating expenses increasing by \$0.2 million mainly due to low employee vacancies and inflation related operating expenses.

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."



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

General Fund Budgetary Analysis – Government Fund Financial Statement Basis

Washington County, Maryland
General Fund Budgetary Analysis
As of June 30, 2022
(Government Fund Basis)

Category	Budgetary Amounts		Actual	Difference	
	Original	Final		Org. Budget vs. Final Budget	Final Budget vs. Actual
Revenues:					
Property Tax	\$ 134,671,240	\$ 134,671,240	\$ 136,078,213	\$ -	\$ 1,406,973
Local Tax	106,182,670	116,402,670	140,655,394	10,220,000	24,252,724
Other Revenue	13,419,690	32,266,444	24,276,751	18,846,754	(7,989,693)
Total Revenues	254,273,600	283,340,354	301,010,358	29,066,754	17,670,004
Expenses:					
General Government	31,497,240	43,991,821	35,592,339	12,494,581	8,339,482
Public Safety	58,187,200	65,008,493	61,286,425	6,821,293	3,722,068
Health and Social Services	2,785,280	2,785,280	2,785,280	-	-
Education	115,877,000	115,877,000	115,877,000	-	-
Parks, Recreation, Natural Resources	7,950,560	7,983,500	7,511,224	32,940	472,276
Highways and Streets	11,476,800	11,478,110	10,554,751	1,310	923,359
General Operations	3,955,200	725,740	1,059,285	(3,229,460)	(333,545)
Unallocated Costs	125,000	5,125,000	3,829,204	5,000,000	1,295,796
Intergovernmental	7,146,530	15,092,620	35,977,679	7,946,090	(20,885,059)
Billables	-	-	262,990	-	(262,990)
Debt Service	15,272,790	15,272,790	14,905,563	-	367,227
Total Expenses	254,273,600	283,340,354	289,641,740	29,066,754	(6,301,386)
Other Financing Sources (Uses)	-	-	-	-	-
Net Increase in Assets - 06/30/22	\$ -	\$ -	\$11,368,618	\$ -	\$11,368,618

Original Budget vs. Final Budget:

The net budgetary change of \$29.4 million resulted mainly from income tax revenue, recordation tax revenue, and grant transactions.

The FY2022 budget followed a very conservative FY2021 budget. While the worst-case scenario of FY2021 was not realized, the County was still cautious when developing the FY2022 budget. Despite the 2022 income tax change from 3.2% to 3.0%, income tax generated was higher than estimates. An adjustment to income tax budget was made during the year of \$5.2 million to account for part of the revenue. These funds went towards capital projects. Additionally, an adjustment to recordation tax of \$5.0 million was made during the year and funded an additional contribution to pension.

Federal and State grants were secured in the amount of \$20.0 million, of which approximately \$10.8 million were American Rescue Plan Act funds. These funds were allocated in the following manner:

- Business Support \$0.2 million
- Community Investment \$2.4 million



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

- Non-Profit Assistance \$1.5 million
- Tourism \$0.5 million
- Premium Pay \$4.6 million
- County IT Infrastructure \$0.2 million
- Operational Support \$0.2 million

Final Budget vs. Actual Results:

Final budget to actual results include additional revenues of \$17.6 million or 6.2%.

Revenue Highlights

Property Tax - Property tax revenue exceeded budget by \$1.4 million or 1.0%. The majority of the overage is related to personal property tax which was higher than State estimates due to new businesses and an increase in inventories.

Local tax was over budget by \$24.3 million or 20.8%, primarily due to higher than budgeted income tax of \$18.5 million, or 17.7%, due to steady withholding and estimated payment growth that was unexpected throughout the pandemic. The County income tax rate decreased from 3.2% to 3.0% effective January 1, 2022. During FY2022, the Board of County Commissioners voted to reduce the income tax rate to 2.95% effective January 1, 2023. Recordation tax exceeded budget by \$5.6 million. This variance represents an increase in the number and value of real property transfers in the County and several large commercial transactions. Admission and Amusement Tax increase of \$0.2 million due to business reopening following pandemic related closures.

Other Revenue came in under budget by approximately \$8.0 million or 24.8%. This budget to actual variance is related to grants and shared revenues. Grant periods can span County fiscal years leaving budgeted funds unexpended.

Expenditure Highlights

Final budget to actual results include expenditures in excess of budget by \$6.3 million or 2.2%.

The largest deviation from final budget is the result of an additional transfer from the General fund to the Capital Projects fund in the amount of \$21 million, which is shown within the category of intergovernmental expenses. Use of this funding will be determined at a later date but will most likely be used for capital projects or other one-time costs.

The number and duration of vacancies within the county contributed to wage savings of \$1.4 million and benefit savings of \$3.6 million for FY2022. The County is self-insured for both health insurance and workers compensation, therefore, variances exist at the end of the fiscal year based on actual experience. For FY2022, health insurance and workers compensation costs were under budget by approximately \$2.3 million and \$0.1 million respectively. The remaining benefit variance is related to FICA, unemployment compensation, other insurance, employee recognition and development programs, and pension.

Departmental savings totaled \$0.2 million or less than 1% as a result of department heads' efforts to control spending.

Highway expenditures were \$0.9 million under budget due to less spending on road maintenance because of milder conditions and a shift towards more brine pretreatment, and fleet management expenditures.

Billable expenditures were over budget by \$0.3 million.



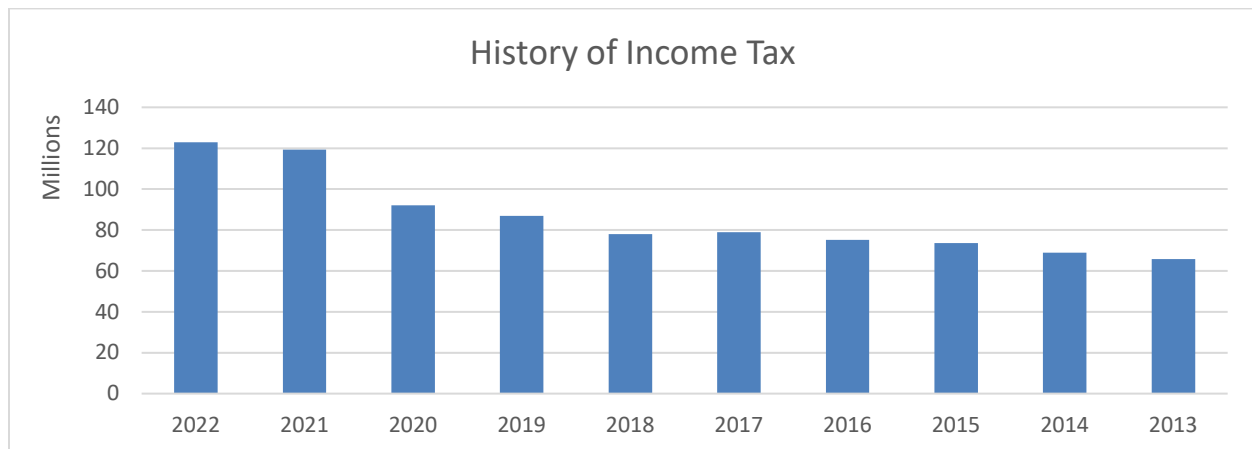
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

Additional Information:

Income Tax

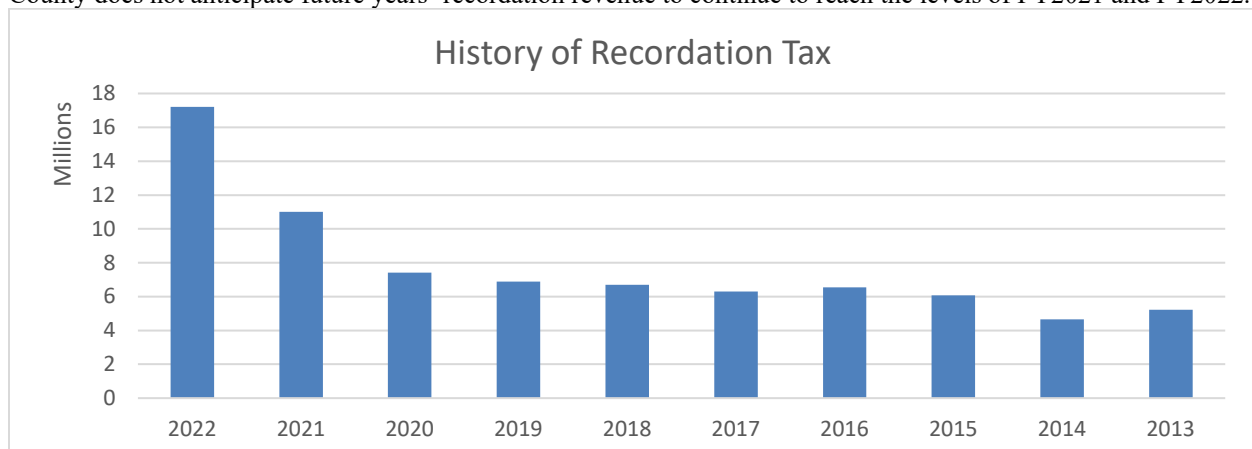
A comparison of actual income tax to the original budget shows a variance of \$23.6 million. Many factors impacted the development of the FY2022 budget. The budget was based on early estimates for FY2021 actuals, adjusted for conservative wage growth, and reduced by the estimated impact of the rate reduction from 3.2% to 3.0% effective January 1, 2022, as well as the anticipated reconciliation of previously taxed unemployment benefits that became untaxable as a result of the Governor's Relief Act of 2021. The budget variance is understandable since the FY2021 final revenue exceeded early estimates.

Legislation enacted at the 2020 session of the Maryland General Assembly created an entity level tax for PTEs in Maryland. Prior to this legislation, PTEs contributed estimated payments on behalf of their non-resident owners. Now, PTEs may pay on behalf of their resident owners as well. There was a surge in payments to the State in the last quarter of 2020, a result of PTEs taking advantage of federal tax breaks due to the enacted legislation. This result indicates that counties may start receiving a bulk payment for taxes relative to these owners rather than in quarterly installments. This may be a structural change to the timing of payments moving forward.



Recordation tax

Recordation Tax is applied to any instrument that transfers an interest in real property or that creates a security interest in real or personal property. The recordation tax rate for Washington County is \$3.80 for every \$500 or fraction of \$500 of consideration. Washington County generally receives between \$6 and \$7 million in recordation tax annually, but it can fluctuate as it is based on economic activity, the number of transfers, and the size of those transfers. The County does not anticipate future years' recordation revenue to continue to reach the levels of FY2021 and FY2022.





MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

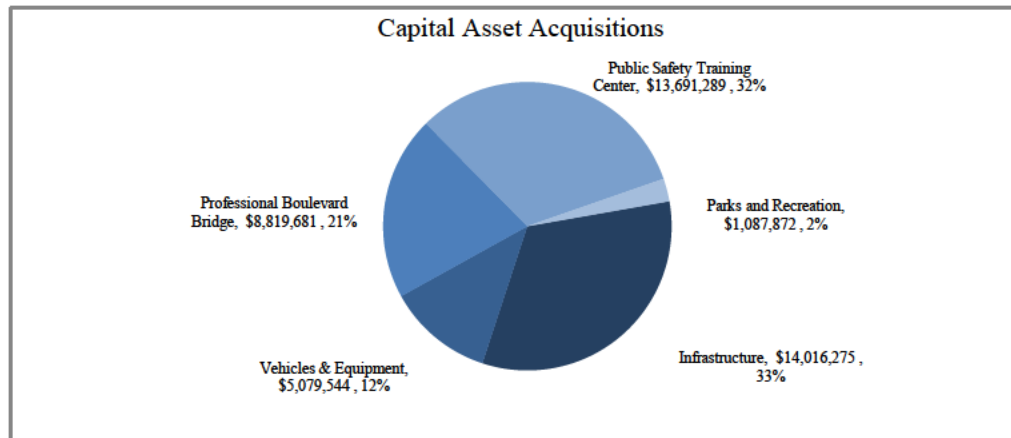
Capital Asset Administration – Government Wide Statements

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2022, amounts to \$687.5 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 Fund Basis)

Description	Governmental Activities		Business-type Activities		Total		% Change
	2022	2021	2022	2021	2022	2021	
<i>Land and Land Improvements</i>	\$116,106,292	\$108,592,844	\$40,085,289	\$46,399,621	\$156,191,581	\$154,992,465	0.8%
<i>Building and Improvements</i>	72,782,467	63,151,927	43,875,003	45,750,488	116,657,470	108,902,415	7.1%
<i>Facilities, Lines, and Mains</i>	-	-	85,085,794	86,185,988	85,085,794	86,185,988	(1.3%)
<i>Vehicles</i>	5,847,648	6,250,676	2,665,448	1,034,969	8,513,096	7,590,424	16.8%
<i>Infrastructure</i>	242,681,218	237,530,617	-	-	242,681,218	237,530,617	2.2%
<i>Machinery and Equipment</i>	3,957,500	4,052,602	2,206,511	2,407,572	6,164,011	8,334,741	(4.6%)
<i>Office/Computer Equipment</i>	2,503,809	3,073,398	291,363	351,143	2,795,172	3,424,541	(18.4%)
<i>Treatment Plants</i>	-	-	66,953,191	68,888,221	66,953,191	68,888,221	(2.8%)
<i>Right to Use – Vehicles & Equipment</i>	458,052	385,579	1,951,742	1,793,767	2,409,794	2,179,346	10.57%
Total	\$444,336,986	\$423,037,643	\$243,114,341	\$252,811,769	\$687,451,327	\$675,849,412	1.7%

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 57-60 of this report.

Debt Administration

At the end of the current fiscal year, the County had total outstanding debt, excluding capital leases, of \$197.6 million. This amount was comprised of debt backed by the full faith and credit of the County and user fees. The debt balance increased by a net of \$1.5 million, the result of net principal payments of \$13.9 million and new borrowings of \$15.8 million. Funds borrowed were used mainly for infrastructure and education projects.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

Washington County, Maryland
Outstanding Debt
(Government – Wide)

Instrument Type	Governmental Activity		Business-type Activity		Total Outstanding Debt		% Change
	2022	2021	2022	2021	2022	2021	
General Obligation Bonds	\$148,755,486	\$149,730,708	\$41,977,645	\$37,477,966	\$190,733,131	\$187,208,674	1.88%
Maryland Water Quality Bonds	1,685,670	2,200,560	5,177,028	6,662,013	6,862,697	8,862,573	-22.57%
Total	\$150,441,156	\$151,931,268	\$47,154,673	\$44,139,979	\$197,595,828	196,071,247	0.01%

The County's credit ratings for fiscal year 2022 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 \$1.4 billion, which is significantly in excess of the County's current water quality general obligation debt.

Additional Information on the County's long-term debt can be found in note 8 on pages 63-69 of this report.

Economic and Other Factors

- Washington County's economy is showing signs of mixed economic performance for FY2022. The average price of a home sold increased by 13.3% in FY2022 to \$290,530. The number of units sold increased in FY2022 by 0.4% from 2,233 to 2,242. Active inventory on the market remains low bringing a premium to sellers in the market.
- Development projects in the County have continued despite the COVID-19 pandemic. Millions in investment will ultimately increase real estate and income taxes in the County. A portion of this development is offset initially with real estate tax credits.
- Inflation, as measured by the Consumer Price Index, is expected to increase which could impact pricing of goods and services within the County.
- Unemployment trends continue to show improvement and have reached pre-pandemic levels. Washington County's unemployment rate for the last three years is as follows:
 - June 2020 8.4%
 - June 2021 6.6%
 - June 2022 4.8%
- The Board of County Commissioners recently voted to reduce the income tax rate from 3.0% to 2.95% effective January 1, 2023. The County will experience the loss in revenue associated from the difference in the tax rate for six months of the year for FY2023. In FY2024, the County will experience the loss of revenue from the difference in the tax rate for the full year as well as a decrease in the disparity grant of about \$6 million. The full year reduction is estimated at \$7.6 million in revenue but could fluctuate based on varying circumstances related to taxpayers.



MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

- ❑ Water and Sewer rates were not increased for the 2023 budget year, however an increase of 3.5% was proposed. Recommended increases are based on financial information formulated annually from the County's cost of service model. The Sewer fund utilizes cash reserves in FY2023 to balance the budget but is expected to reach a self-supported status by FY2025 with projected annual rate increases of 3.5%. The Water Fund will not reach a self-supported status without a significant increase in customer base or reduction in expenditures. The General fund currently subsidizes the Water fund.
- ❑ Future economic development could be impacted if an agreement is not reached with The City of Hagerstown (the City) since they own and maintain the largest water system in the County. The City provides drinking water to citizens in and around the City, and the Towns of Williamsport, Funkstown, and Smithsburg. The limitations on new allocation enacted by the City based upon their estimates may limit the amount of future commercial, industrial, and residential development in the county.

COVID-19 Pandemic

In response to the initial occurrence of the COVID-19 pandemic, the Governor of the State of Maryland proclaimed a state of emergency and catastrophic health emergency within the State of Maryland on March 5, 2020 that was renewed several times throughout calendar years 2020 and 2021. On July 1, 2021, the Governor of Maryland rescinded all COVID-19 related executive orders.

The County's principal source of revenue is local taxes, which represents 95% of the General Fund budget: 53% from real property taxes, 39% from local income taxes and 3% from other local taxes. Income tax revenue growth continues to be positive, however, the extent to which stimulus funding has contributed to that growth is unknown.

Although the County does not currently anticipate that the levy and collection of property taxes during fiscal year 2023 will be materially affected, the potential impact of the COVID-19 pandemic cannot be fully determined at this time. It is possible that assessment appeals related to commercial property assessments could impact the County's property tax revenue in the short term.

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

The American Rescue Plan Act allocated \$60.5 million to multiple recipients in Washington County, with \$31.2 million being allocated to municipalities located in Washington County and \$29.3 million being retained by the County. The funding may be used to respond to or mitigate the COVID-19 health emergency or its negative economic impacts, including assistance to households, small businesses, nonprofits, and aid for tourism, travel and hospitality; to provide essential workers with premium pay; to cover revenue loss incurred as a result of the COVID-19 emergency; or to make necessary investments in water, sewer, or broadband infrastructure. The County has spent a portion of the \$29.3 million on premium pay for essential workers. The remaining portion of such total amount has been allocated to various projects that include broadband expansion, clean water infrastructure, aid for tourism, and assistance for small business and nonprofits. Of the County's allocation, \$15.7 million was appropriated through the fiscal year 2022, while the remaining \$13.6 million is budgeted in the fiscal year 2023 Capital Improvement Plan.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

Requests for Information

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Net Position As of June 30, 2022

	Primary Government			Component Unit	
	Governmental activities	Business-type activities	Total	Board of Education	Total
ASSETS					
Cash and short-term investments	\$ 21,279,500	\$ 49,919,327	\$ 71,198,827	\$ 21,025,924	\$ 92,224,751
Investments	194,927,190	-	194,927,190	58,432,802	253,359,992
Property taxes receivable, net of allowance	578,624	-	578,624	-	578,624
Accounts receivable, net of allowance	2,792,747	1,419,181	4,211,928	421,250	4,633,178
Lease receivable	722,017	13,755,756	14,477,773	-	14,477,773
Interest receivable	383,574	28,095	411,669	-	411,669
Unbilled receivables	529,145	2,495,122	3,024,267	-	3,024,267
Internal balances	519,395	(519,395)	-	-	-
Due from other governmental agencies	77,862,147	1,386,469	79,248,616	18,509,222	97,757,838
Inventories	1,012,069	421,865	1,433,934	725,586	2,159,520
Other assets	4,054	12,068	16,122	2,220,904	2,237,026
Net OPEB asset	5,127,769	-	5,127,769	-	5,127,769
Recoverable disbursements	104,078	-	104,078	-	104,078
Notes receivable	255,114	301,478	556,592	-	556,592
Projects under construction	9,959,692	3,750,261	13,709,953	16,199,688	29,909,641
Right of use leased assets	139,429	1,951,742	2,091,171	-	2,091,171
Property, plant, and equipment, net	444,197,557	241,162,599	685,360,156	224,576,583	909,936,739
TOTAL ASSETS	760,394,101	316,084,568	1,076,478,669	342,111,959	1,418,590,628
DEFERRED OUTFLOWS OF RESOURCES					
Loss on refunding	1,286,749	401,190	1,687,939	-	1,687,939
Net pension activity	15,332,064	-	15,332,064	6,649,772	21,981,836
Net OPEB activity	1,840,290	-	1,840,290	70,991,180	72,831,470
TOTAL DEFERRED OUTFLOWS OF RESOURCES	18,459,103	401,190	18,860,293	77,640,952	96,501,245
LIABILITIES					
Current Liabilities:					
Current maturities of long-term obligations	10,634,912	3,854,773	14,489,685	-	14,489,685
Current maturities of leases	149,208	441,386	590,594	442,942	1,033,536
Current maturities of installment purchase contracts	181,779	-	181,779	-	181,779
Accounts payable	14,242,126	1,036,519	15,278,645	5,363,905	20,642,550
Accrued expenses	921,418	375,872	1,297,290	24,147,475	25,444,765
Accrued interest	2,274,681	585,411	2,860,092	-	2,860,092
Reserves	2,256,202	-	2,256,202	-	2,256,202
Unearned revenue	25,778,024	21,903,182	47,681,206	5,689,040	53,370,246
Compensated absences	3,382,570	587,278	3,969,848	921,318	4,891,166
Landfill closure and post-closure costs	-	195,090	195,090	-	195,090
Other liabilities	2,793,990	114,735	2,908,725	58,451	2,967,176
Total current liabilities	62,614,910	29,094,246	91,709,156	36,623,131	128,332,287
Noncurrent Liabilities:					
Compensated absences	1,135,768	195,757	1,331,525	5,697,876	7,029,401
Post retirement benefits	-	-	-	127,508,848	127,508,848
Long-term debt obligations	139,806,243	43,299,900	183,106,143	162,591	183,268,734
Leases	310,495	881,303	1,191,798	1,944,309	3,136,107
Installment purchase contracts	578,436	-	578,436	-	578,436
Landfill closure and post-closure costs	-	16,574,688	16,574,688	-	16,574,688
Net pension liabilities	110,231,895	-	110,231,895	15,047,274	125,279,169
Total noncurrent liabilities	252,062,837	60,951,648	313,014,485	150,360,898	463,375,383
TOTAL LIABILITIES	314,677,747	90,045,894	404,723,641	186,984,029	591,707,670
DEFERRED INFLOWS OF RESOURCES					
Net pension activity	2,192,839	-	2,192,839	8,347,609	10,540,448
Net OPEB activity	7,363,216	-	7,363,216	168,285,780	175,648,996
Leases	707,790	13,633,817	14,341,607	-	14,341,607
TOTAL DEFERRED INFLOWS OF RESOURCES	10,263,845	13,633,817	23,897,662	176,633,389	200,531,051
NET POSITION					
Net investment in capital assets	363,793,008	210,809,736	574,602,744	238,167,978	812,770,722
Restricted for:					
John Howard Trust	255,525	-	255,525	-	255,525
Capital projects	39,704,803	13,957,773	53,662,576	-	53,662,576
Scholarships & Student Activities	-	-	-	4,082,141	4,082,141
Unrestricted	50,158,276	(11,961,462)	38,196,814	(186,114,626)	(147,917,812)
TOTAL NET POSITION	\$ 453,911,612	\$ 212,806,047	\$ 666,717,659	\$ 56,135,493	\$ 722,853,152

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, 2022

	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government:				
Governmental activities:				
General government	\$ 22,644,496	\$ 6,562,454	\$ 5,685,256	\$ 163,743
Public safety	80,736,885	2,643,512	6,109,024	5,025
Health	2,339,270	-	-	-
Social services	446,010	-	-	-
Education	120,236,520	-	-	-
Parks, recreation and culture	8,710,969	187,106	-	2,385,960
Natural resources	3,909,810	-	2,523,318	-
Community promotion	28,803,412	-	17,258,653	-
Highways and streets	30,048,507	-	2,110,173	8,613,694
Interest on long-term debt	4,604,683	-	-	-
Total governmental activities	<u>302,480,562</u>	<u>9,393,072</u>	<u>33,686,424</u>	<u>11,168,422</u>
Business-type activities				
Water quality	15,035,913	14,033,557	-	526,680
Solid waste	7,443,086	9,164,136	-	-
Airport	8,854,924	2,757,668	1,413,687	276,883
Public transit	3,173,543	264,034	1,874,222	1,850,072
Black Rock golf course	1,284,649	1,009,838	-	64,474
Total business-type activities	<u>35,792,115</u>	<u>27,229,233</u>	<u>3,287,909</u>	<u>2,718,109</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 338,272,677</u>	<u>\$ 36,622,305</u>	<u>\$ 36,974,333</u>	<u>\$ 13,886,531</u>
Component unit:				
Board of Education	<u>\$ 380,879,017</u>	<u>\$ 13,797,313</u>	<u>\$ 114,898,686</u>	<u>\$ 108,019</u>

General revenue:

Taxes

Property taxes

Local taxes

Income on investments

Reimbursed expenses

Miscellaneous

Unrestricted grants and contributions

Gain (loss) on disposal of capital assets

Transfers

TOTAL GENERAL REVENUE

CHANGE IN NET POSITION

NET POSITION - BEGINNING OF YEAR

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, 2022

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-Type Activities	Total	Board of Education	Total
\$ (10,233,043)	\$ -	\$ (10,233,043)	\$ -	\$ (10,233,043)
(71,979,324)	-	(71,979,324)	-	(71,979,324)
(2,339,270)	-	(2,339,270)	-	(2,339,270)
(446,010)	-	(446,010)	-	(446,010)
(120,236,520)	-	(120,236,520)	-	(120,236,520)
(6,137,903)	-	(6,137,903)	-	(6,137,903)
(1,386,492)	-	(1,386,492)	-	(1,386,492)
(11,544,759)	-	(11,544,759)	-	(11,544,759)
(19,324,640)	-	(19,324,640)	-	(19,324,640)
(4,604,683)	-	(4,604,683)	-	(4,604,683)
(248,232,644)	-	(248,232,644)	-	(248,232,644)
-	(475,676)	(475,676)	-	(475,676)
-	1,721,050	1,721,050	-	1,721,050
-	(4,406,686)	(4,406,686)	-	(4,406,686)
-	814,785	814,785	-	814,785
-	(210,337)	(210,337)	-	(210,337)
-	(2,556,864)	(2,556,864)	-	(2,556,864)
(248,232,644)	(2,556,864)	(250,789,508)	-	(250,789,508)
-	-	-	(252,074,999)	(252,074,999)
135,971,972	-	135,971,972	-	135,971,972
176,446,161	-	176,446,161	-	176,446,161
352,082	551,364	903,446	117,604	1,021,050
1,309,833	-	1,309,833	-	1,309,833
1,372,116	255,870	1,627,986	4,719,273	6,347,259
-	-	-	273,319,495	273,319,495
(220,160)	(484,829)	(704,989)	165,721	(539,268)
(3,954,253)	3,954,253	-	-	-
311,277,751	4,276,658	315,554,409	278,322,093	593,876,502
63,045,107	1,719,794	64,764,901	26,247,094	91,011,995
390,866,505	211,086,253	601,952,758	29,888,399	631,841,157
\$ 453,911,612	\$ 212,806,047	\$ 666,717,659	\$ 56,135,493	\$ 722,853,152

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Balance Sheet - Governmental Funds As of June 30, 2022

	General Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
ASSETS				
Cash	\$ 2,652,912	\$ 8,418,776	\$ 10,207,812	\$ 21,279,500
Investments	194,671,160	256,030	-	194,927,190
Property taxes receivable, net of allowance	578,624	-	-	578,624
Accounts receivable, net of allowance	1,417,113	1,050,793	324,841	2,792,747
Leases receivable	599,092	-	122,925	722,017
Interest receivable	383,360	39	175	383,574
Unbilled receivables	529,145	-	-	529,145
Due from other govt agencies	68,380,204	9,262,766	219,177	77,862,147
Due from other funds	-	107,985,633	-	107,985,633
Recoverable disbursements	104,078	-	-	104,078
Notes receivable	255,114	-	-	255,114
Other assets	4,054	-	-	4,054
Inventories	1,012,069	-	-	1,012,069
TOTAL ASSETS	\$ 270,586,925	\$ 126,974,037	\$ 10,874,930	\$ 408,435,892
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 9,311,689	\$ 2,132,947	\$ 2,797,489	\$ 14,242,125
Accrued expenses	911,857	59	9,502	921,418
Due to other funds	107,444,201	-	22,037	107,466,238
Liabilities for unpaid claims	2,256,202	-	-	2,256,202
Unearned revenue	24,764,271	-	1,013,753	25,778,024
Other liabilities	1,898,262	-	895,729	2,793,991
TOTAL LIABILITIES	146,586,482	2,133,006	4,738,510	153,457,998
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	50,045,183	-	-	50,045,183
Leases	587,558	-	120,232	707,790
TOTAL DEFERRED INFLOWS OF RESOURCES	50,632,741	-	120,232	50,752,973
FUND BALANCES				
Nonspendable	1,207,183	-	-	1,207,183
Restricted	677,513	39,704,803	403,961	40,786,277
Committed	71,427,162	85,136,228	950,789	157,514,179
Assigned	55,844	-	4,661,438	4,717,282
TOTAL FUND BALANCES	73,367,702	124,841,031	6,016,188	204,224,921
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 270,586,925	\$ 126,974,037	\$ 10,874,930	\$ 408,435,892

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, 2022

Fund balance governmental funds	\$ 204,224,921
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets, net	444,336,986
Projects under construction	9,959,692
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	5,127,769
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds	
Unavailable revenues	50,045,183
Net deferred outflow of resources, including loss on refunding, net deferred pension activity and net deferred OPEB activity are not financial resources and therefore are not reported in the funds	
	8,903,048
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Long-term obligations	(150,441,155)
Installment purchase obligations	(760,215)
Leases	(459,703)
Accrued interest payable - net of IRS subsidy	(2,274,681)
Compensated absences and net pension liabilities	(114,750,233)
Net position of governmental activities	<u>\$ 453,911,612</u>

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds For the Year Ended June 30, 2022

	General Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
REVENUE				
General property tax	\$ 136,078,213	\$ -	\$ -	\$ 136,078,213
Other local tax	140,655,394	12,087,203	4,335,835	157,078,432
Licenses and permits	2,023,522	-	2,786,848	4,810,370
Court costs and fines	1,217,161	-	-	1,217,161
Charges for services	1,242,940	-	503,486	1,746,426
Reimbursed expenses	971,124	-	1,345	972,469
Interest income	351,988	-	-	351,988
Miscellaneous revenues	2,546,132	170,706	247,109	2,963,947
Grants and shared revenues	13,387,413	2,462,115	19,802,295	35,651,823
Highway	2,536,471	-	-	2,536,471
Total Revenue	301,010,358	14,720,024	27,676,918	343,407,300
EXPENDITURES				
Current:				
General government	27,452,546	-	-	27,452,546
Public safety	61,286,425	-	1,815,547	63,101,972
Health	2,339,270	-	-	2,339,270
Social services	446,010	-	-	446,010
Education	115,877,000	-	-	115,877,000
Parks, recreation and culture	6,776,064	-	253,374	7,029,438
Natural resources	735,160	-	3,146,809	3,881,969
Intergovernmental	38,543	-	-	38,543
General operations	5,094,259	-	891,423	5,985,682
Community promotion	8,139,793	-	20,659,346	28,799,139
Highways and streets	10,554,751	-	-	10,554,751
Debt service	14,905,563	-	-	14,905,563
Capital outlay:				
General government	-	4,265,787	-	4,265,787
Public safety	-	10,058,399	-	10,058,399
Highways and streets	-	11,044,042	-	11,044,042
Education	-	4,359,520	-	4,359,520
Parks and recreation	-	1,289,675	-	1,289,675
Total Expenditures	253,645,384	31,017,423	26,766,499	311,429,306
Excess (Deficiency) of Revenue Over Expenditures	47,364,974	(16,297,399)	910,419	31,977,994
OTHER FINANCING SOURCES (USES)				
Transfers in	-	33,002,090	958,599	33,960,689
Transfers out	(35,996,356)	(620,537)	(798,049)	(37,414,942)
Proceeds of bond sale	-	10,004,955	-	10,004,955
TOTAL OTHER FINANCING SOURCES (USES)	(35,996,356)	42,386,508	160,550	6,550,702
NET CHANGES IN FUND BALANCE	11,368,618	26,089,109	1,070,969	38,528,696
FUND BALANCES - BEGINNING OF YEAR	61,999,084	98,751,922	4,945,219	165,696,225
FUND BALANCES - END OF YEAR	\$ 73,367,702	\$ 124,841,031	\$ 6,016,188	\$ 204,224,921

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, 2022

Net changes in fund balances in governmental funds \$ 38,528,696

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	\$ 21,514,695	
Depreciation	<u>(15,918,659)</u>	5,596,036

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. (1,504,306)

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

Debt and lease proceeds	\$ (10,225,115)	
Payments of installment purchase principal	181,779	
Payments of lease principal	204,130	
Payments of debt principal	<u>11,495,068</u>	1,655,862

In the statement of activities, compensated absences and post-retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used. This year, compensated absences and post-retirement benefits earned exceeded financial resources used. (492,669)

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.

19,261,488

Change in Net Position of Governmental Activities	<u>\$ 63,045,107</u>
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The accompanying notes are an integral part of this financial statement.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Net Position - Proprietary Funds As of June 30, 2022

	Business Type Activities - Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	Total
ASSETS					
Current Assets:					
Cash	\$ 24,601,662	\$ 19,812,534	\$ 3,520,915	\$ 1,984,216	\$ 49,919,327
Accounts receivable	1,249,269	109,286	49,623	11,003	1,419,181
Leases receivable	13,753,173	-	2,583	-	13,755,756
Interest receivables	28,095	-	-	-	28,095
Unbilled accounts	1,886,321	592,240	16,561	-	2,495,122
Due from other governmental agencies	-	-	719,296	667,173	1,386,469
Notes receivable	-	301,478	-	-	301,478
Inventories	113,846	13,585	79,206	215,228	421,865
Other Current Assets	10,450	1,618	-	-	12,068
	<u>41,642,816</u>	<u>20,830,741</u>	<u>4,388,184</u>	<u>2,877,620</u>	<u>69,739,361</u>
Noncurrent Assets:					
Projects under construction	2,332,636	100,749	1,252,402	64,474	3,750,261
Property, plant and equipment	236,461,388	68,592,450	169,078,143	13,676,729	487,808,710
Accumulated depreciation	(81,683,084)	(55,264,048)	(101,791,719)	(7,907,260)	(246,646,111)
Right of use leases	91,482	1,991,780	2,999	156,868	2,243,129
Accumulated amortization	(8,888)	(217,128)	(1,377)	(63,994)	(291,387)
Total noncurrent assets	<u>157,193,534</u>	<u>15,203,803</u>	<u>68,540,448</u>	<u>5,926,817</u>	<u>246,864,602</u>
TOTAL ASSETS	<u>198,836,350</u>	<u>36,034,544</u>	<u>72,928,632</u>	<u>8,804,437</u>	<u>316,603,963</u>
DEFERRED OUTFLOWS OF RESOURCES					
Loss on refundings	251,956	147,840	1,394	-	401,190
LIABILITIES					
Current Liabilities:					
Current debt	2,204,670	1,536,773	113,330	-	3,854,773
Leases payable	17,373	363,359	1,386	59,268	441,386
Accounts payable	530,473	332,311	86,882	86,853	1,036,519
Accrued expenses	294,264	27,826	11,757	42,025	375,872
Accrued interest	415,929	165,804	3,387	291	585,411
Due to other funds	519,395	-	-	-	519,395
Unearned revenue	58,242	398,777	21,446,163	-	21,903,182
Compensated absences	341,031	96,062	38,119	112,066	587,278
Landfill closure costs	-	195,090	-	-	195,090
Other liabilities	9,900	-	47,525	57,310	114,735
Total current liabilities	<u>4,391,277</u>	<u>3,116,002</u>	<u>21,748,549</u>	<u>357,813</u>	<u>29,613,641</u>
Noncurrent Liabilities:					
Compensated absences	113,677	32,020	12,706	37,354	195,757
Debt and long term debt	35,109,732	8,129,525	60,643	-	43,299,900
Lease payable	54,961	786,104	232	40,006	881,303
Landfill closure costs	-	16,574,688	-	-	16,574,688
Total noncurrent liabilities	<u>35,278,370</u>	<u>25,522,337</u>	<u>73,581</u>	<u>77,360</u>	<u>60,951,648</u>
TOTAL LIABILITIES	<u>39,669,647</u>	<u>28,638,339</u>	<u>21,822,130</u>	<u>435,173</u>	<u>90,565,289</u>
DEFERRED INFLOWS OF RESOURCES					
Leases	13,628,205	-	5,612	-	13,633,817
NET POSITION					
Net investment in capital assets	133,503,296	4,649,317	68,364,857	4,292,266	210,809,736
Restricted - capital projects	13,696,498	261,275	-	-	13,957,773
Unrestricted	(1,409,340)	2,633,453	(17,262,573)	4,076,998	(11,961,462)
TOTAL NET POSITION	<u>\$ 145,790,454</u>	<u>\$ 7,544,045</u>	<u>\$ 51,102,284</u>	<u>\$ 8,369,264</u>	<u>\$ 212,806,047</u>

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, 2022

	Business Type Activities - Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	Total
OPERATING REVENUE					
Charges for services	\$ 14,033,557	\$ 9,164,136	\$ 2,757,668	\$ 1,273,872	\$ 27,229,233
Miscellaneous	43,813	118,458	74,045	19,554	255,870
TOTAL OPERATING REVENUE	<u>14,077,370</u>	<u>9,282,594</u>	<u>2,831,713</u>	<u>1,293,426</u>	<u>27,485,103</u>
OPERATING EXPENSES					
Salaries and wages	4,000,235	1,540,848	706,944	2,034,053	8,282,080
Fringe benefits	2,605,511	862,658	356,849	886,366	4,711,384
Utilities	1,175,296	48,000	206,324	77,001	1,506,621
Insurance	168,862	31,754	61,588	40,058	302,262
Repairs and maintenance	448,256	3,055	84,347	235,390	771,048
Supplies	301,635	173,341	10,960	45,024	530,960
Cost of goods sold	-	-	6,763	114,249	121,012
Contracted services	289,510	1,809,678	47,822	130,870	2,277,880
Rentals and leases	26,333	8,365	2,782	37,884	75,364
Other operating	1,263,426	1,012,286	144,780	491,025	2,911,517
Uncollectible accounts	3,046	9,603	(601)	-	12,048
Controllable assets	176,854	45,696	26,952	4,826	254,328
Depreciation and amortization	3,928,877	1,659,927	7,194,781	356,970	13,140,555
TOTAL OPERATING EXPENSES	<u>14,387,841</u>	<u>7,205,211</u>	<u>8,850,291</u>	<u>4,453,716</u>	<u>34,897,059</u>
OPERATING INCOME (LOSS)	<u>(310,471)</u>	<u>2,077,383</u>	<u>(6,018,578)</u>	<u>(3,160,290)</u>	<u>(7,411,956)</u>
OTHER INCOME (EXPENSE)					
Interest expense	(648,072)	(237,875)	(4,633)	(4,476)	(895,056)
Interest income	547,244	2,698	1,422	-	551,364
Gain (loss) on disposal of assets	(486,575)	1,746	-	-	(484,829)
TOTAL OTHER INCOME (EXPENSE)	<u>(587,403)</u>	<u>(233,431)</u>	<u>(3,211)</u>	<u>(4,476)</u>	<u>(828,521)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS AND GRANTS	<u>(897,874)</u>	<u>1,843,952</u>	<u>(6,021,789)</u>	<u>(3,164,766)</u>	<u>(8,240,477)</u>
OPERATING TRANSFERS	<u>577,147</u>	<u>450,000</u>	<u>56,049</u>	<u>1,426,520</u>	<u>2,509,716</u>
GRANTS FOR OPERATING	<u>-</u>	<u>-</u>	<u>1,413,687</u>	<u>1,874,222</u>	<u>3,287,909</u>
NET INCOME (LOSS) BEFORE CAPITAL TRANSFERS AND GRANTS	<u>(320,727)</u>	<u>2,293,952</u>	<u>(4,552,053)</u>	<u>135,976</u>	<u>(2,442,852)</u>
CAPITAL TRANSFERS	<u>1,145,537</u>	<u>-</u>	<u>176,000</u>	<u>123,000</u>	<u>1,444,537</u>
CAPITAL GRANTS AND CONTRIBUTIONS	<u>526,680</u>	<u>-</u>	<u>276,883</u>	<u>1,914,546</u>	<u>2,718,109</u>
CHANGES IN NET POSITION	<u>1,351,490</u>	<u>2,293,952</u>	<u>(4,099,170)</u>	<u>2,173,522</u>	<u>1,719,794</u>
NET POSITION - BEGINNING OF YEAR	<u>144,438,964</u>	<u>5,250,093</u>	<u>55,201,454</u>	<u>6,195,742</u>	<u>211,086,253</u>
NET POSITION - END OF YEAR	<u>\$ 145,790,454</u>	<u>\$ 7,544,045</u>	<u>\$ 51,102,284</u>	<u>\$ 8,369,264</u>	<u>\$ 212,806,047</u>

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Cash Flows – Proprietary Funds For the Year Ended June 30, 2022

	Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	Total
Cash Flows from Operating Activities					
Receipts from customers	\$ 14,007,681	\$ 9,285,208	\$ 4,856,085	\$ 1,259,440	\$ 29,408,414
Payments to suppliers	(3,586,962)	(2,569,195)	(1,065,828)	(1,278,478)	(8,500,463)
Payments to employees	(6,711,792)	(2,443,183)	(1,401,398)	(2,980,403)	(13,536,776)
Net Cash Provided (Used) by Operating Activities	3,708,927	4,272,830	2,388,859	(2,999,441)	7,371,175
Cash Flows from Noncapital Financing Activities					
Operating contributions	577,147	450,000	1,469,736	3,300,742	5,797,625
Change in due to/from other funds	139,103	-	(15,116)	-	123,987
Net Cash Provided (Used) by Noncapital Financing Activities	716,250	450,000	1,454,620	3,300,742	5,921,612
Cash Flows from Capital and Related Financing Activities					
Interest paid on notes and bond payable	(657,600)	(257,548)	(6,761)	(4,476)	(926,385)
Acquisition and construction of capital assets	(1,650,434)	(349,434)	(662,834)	(1,885,556)	(4,548,258)
Grants for capital acquisition	1,672,217	-	452,883	2,037,546	4,162,646
Gain/(loss) on the sale of assets	(486,575)	1,746	-	-	(484,829)
Proceeds from notes and bonds payable	7,044,876	-	-	-	7,044,876
Payments on notes, bonds payable and leases	(2,331,856)	(1,808,581)	(107,574)	-	(4,248,011)
Net Cash Provided (Used) by Capital and Related Financing Activities	3,590,628	(2,413,817)	(324,286)	147,514	1,000,039
Cash Flows from Investing Activities					
Interest on investments	547,244	2,698	1,422	-	551,364
Net change in cash	8,563,049	2,311,711	3,520,615	448,815	14,844,190
Cash, Beginning of Year	16,038,613	17,500,823	300	1,535,401	35,075,137
Cash, End of Year	\$ 24,601,662	\$ 19,812,534	\$ 3,520,915	\$ 1,984,216	\$ 49,919,327
Non-Cash Operating Activities					
Loss on refunding	\$ 251,956	\$ 147,840	\$ 1,394	\$ -	\$ 401,190
Reconciliation of Operating Loss to Net Cash from Operating Activities					
Operating income (loss)	\$ (310,471)	\$ 2,077,383	\$ (6,018,578)	\$ (3,160,290)	\$ (7,411,956)
Adjustments to reconcile operating loss to net cash from operating activities:					
Depreciation and amortization	3,928,877	1,659,927	7,194,781	356,970	13,140,555
Changes in assets and liabilities:					
Accounts receivable	(151,109)	(18,135)	(18,456)	(9,148)	(196,848)
Unbilled receivables	(127,715)	24,496	10,491	40	(92,688)
Due to/from other government entities	235,572	-	2,832,339	(82,188)	2,985,723
Inventories	61,666	5,061	(11,750)	(17,690)	37,287
Accounts payable and other liabilities	204,590	160,692	(743,440)	(84,461)	(462,619)
Accrued expenses	(154,864)	(57,324)	(67,666)	(84,508)	(364,362)
Landfill closure	-	406,830	-	-	406,830
Unearned revenue	(26,437)	(3,747)	(800,002)	57,310	(772,876)
Compensated absences	48,818	17,647	11,140	24,524	102,129
Net Cash Provided (Used) by Operating Activities	\$ 3,708,927	\$ 4,272,830	\$ 2,388,859	\$ (2,999,441)	\$ 7,371,175

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, 2022

	<u>Pension Trust</u>	<u>LOSAP Trust</u>	<u>OPEB Trust</u>	<u>Total Pension and OPEB Trust Funds</u>
ASSETS				
Cash and short-term investments	\$ 2,193,250	\$ 140,570	\$ 336,549	\$ 2,670,369
Investments, at fair value:				
Corporate bonds and obligations	2,437,341	-	-	2,437,341
Fixed income securities	45,559,986	3,334,033	6,834,902	55,728,921
Real Estate investment	14,204,803	-	1,708,039	15,912,842
Equity funds	97,711,586	7,132,135	17,881,915	122,725,636
Accounts receivable	5,108,000	8,450	12,719	5,129,169
TOTAL ASSETS	<u>167,214,966</u>	<u>10,615,188</u>	<u>26,774,124</u>	<u>204,604,278</u>
LIABILITIES				
Accounts payable	-	-	209,579	209,579
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>209,579</u>	<u>209,579</u>
NET POSITION				
Held in trust for pension and OPEB	167,214,966	10,615,188	26,564,545	204,394,699
NET POSITION	<u>\$ 167,214,966</u>	<u>\$ 10,615,188</u>	<u>\$ 26,564,545</u>	<u>\$ 204,394,699</u>

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Changes in Net Position - Fiduciary Funds For the Year Ended June 30, 2022

	<u>Pension Trust</u>	<u>LOSAP Trust</u>	<u>OPEB Trust</u>	<u>Total Pension and OPEB Trust Funds</u>
ADDITIONS				
Contributions:				
Employer	\$ 17,370,433	\$ 386,634	\$ -	\$ 17,757,067
Plan members	2,667,465	-	-	2,667,465
Total Contributions	<u>20,037,898</u>	<u>386,634</u>	<u>-</u>	<u>20,424,532</u>
Investment Income:				
Realized and unrealized losses	(27,287,217)	(2,202,640)	(4,880,341)	(34,370,198)
Interest and dividends	1,456	101	431	1,988
Other income	7,486,384	628,317	1,474,754	9,589,455
Total Investment Income	<u>(19,799,377)</u>	<u>(1,574,222)</u>	<u>(3,405,156)</u>	<u>(24,778,755)</u>
TOTAL ADDITIONS	<u>238,521</u>	<u>(1,187,588)</u>	<u>(3,405,156)</u>	<u>(4,354,223)</u>
DEDUCTIONS				
Benefits	12,702,206	672,827	932,146	14,307,179
Administrative expenses	142,111	22,754	36,595	201,460
TOTAL DEDUCTIONS	<u>12,844,317</u>	<u>695,581</u>	<u>968,741</u>	<u>14,508,639</u>
CHANGES IN NET POSITION	<u>(12,605,796)</u>	<u>(1,883,169)</u>	<u>(4,373,897)</u>	<u>(18,862,862)</u>
NET POSITION - BEGINNING OF YEAR	<u>179,820,762</u>	<u>12,498,357</u>	<u>30,938,442</u>	<u>223,257,561</u>
NET POSITION - END OF YEAR	<u>\$ 167,214,966</u>	<u>\$ 10,615,188</u>	<u>\$ 26,564,545</u>	<u>\$ 204,394,699</u>

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

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, 2022 and for the year then ended, and have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the *GASB's Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification).

Reporting Entity

The accompanying financial statements comply with the provisions of the GASB Standards in that the financial statements include all organizations, activities, functions and component units for which the County (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the County's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the County.

Based on the foregoing, the County's financial reporting entity includes all funds, agencies, boards and commissions that are part of the primary government, and the component units discussed below.

Blended Component Units - The Washington County Public Golf Corporation (Black Rock Golf Course) is governed by a five-member board appointed by the County Commissioners. Although it is legally separate from the County, the Washington County Public Golf Corporation is reported as if it were part of the primary government because its sole purpose is to operate the golf course which is owned by the County. Black Rock Golf Course is reported as an enterprise fund.

Discretely Presented Component Unit - The component unit column in the government-wide financial statements include the financial data of the County's other component unit, the Board of Education of Washington County (the Board, Board of Education or School System.) The Board of Education is elected by the voters of Washington County. The Board of Education operates the public schools in the County. The Board may not issue debt or levy taxes. The County issues debt and levies taxes to provide capital and operating funds to the Board. The State of Maryland also provides significant capital and operating funds to the Board.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reporting Entity (continued)

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

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

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

Government-Wide and Fund Financial Statements

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

The government reports the following major governmental funds:

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from producing and delivering goods and providing services and use of properties in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the enterprise funds are charges to customers for sales and services. The Water Quality Fund also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the County to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of \$10,000 or greater for all funds except for the Black Rock Golf Course and Public Transit Funds, which are \$5,000. All assets are recorded at historical cost or estimated historical cost, except for donated capital assets which are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or do not materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

Property, plant, equipment and infrastructure assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Land Improvements	15-50 years
Buildings and Improvements	10-40 years
Facilities	20-100 years
Vehicles	5-10 years
Infrastructure	10-100 years
Machinery and Equipment	5-20 years
Office Furniture and Equipment	5-10 years
Treatment Plants	25-100 years
Computer Equipment	5-10 years

Long-Term Obligations

In the government-wide financial statements and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, and proprietary fund statements of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources (uses). Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as capital outlay expenditures in the Capital Projects Fund.

Investments

Investments are stated at fair value based on quoted market values. Under the terms of repurchase agreements, the excess cash from checking accounts is invested in short-term investments. All deposits are insured by FDIC or a surety bond. Short-term investments in U.S. Treasury and agency obligations that have remaining maturities of 90 days or less, provided that the fair value of those investments is not significantly affected by impairment, are reported at amortized cost, which approximates market value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

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

Inventories

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

Employee Benefit Programs

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

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

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

Taxes and County Services

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Real Estate and Personal Property Taxes

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

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

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

Rate of County Taxes:

Income tax	2.95% of Maryland taxable income (calendar year 2023)
Recordation tax	\$3.80 per \$500
Trailer park	As of March 1, 2020, the County Commissioners reduced the tax to 7.5% of gross rentals, with a \$20 per month per mobile home space cap on the tax.
Property taxes	\$0.928 per \$100 of assessable base (for Fiscal Year 2023)

Cash Flows

For the purposes of the Statement of Cash Flows, the proprietary funds have defined cash equivalents as all highly liquid deposits and other investment instruments that have a maturity of three months or less.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

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 (lease asset) in the government-wide financial statements. The County recognizes lease liabilities with an initial, individual value of \$5,000 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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

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 is 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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2022

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

Financial Capacity and Analysis Phase

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

Financial Capacity and Analysis Phase (continued)

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

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

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2022

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 May of each fiscal year, there is constant interaction between departments, the CIP Committee, and the elected officials. This effort is characterized by cooperation and reflects a common goal of ensuring that the CIP meets the objectives of the County and remains affordable and achievable. The CIP is reviewed in conjunction with the annual debt affordability analysis with revenue projections inclusive of rate analysis, in order to determine funding availability. A financial analysis of funding sources and project costs is conducted for all proposed capital improvement projects.

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

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

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

Review and Modification Phase

The Chief Financial Officer presents the Operating and Capital Improvement budgets to the County Commissioners. Preliminary recommendations are reviewed to ensure that

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

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, 2022, the carrying amount of the County's deposits was \$71,198,827 and the bank balances were \$72,724,587. All deposits are carried at cost plus accrued interest. There were no significant violations of the collateralization requirements during the year ended June 30, 2022. 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, 2022, the County's bank balance of \$72,724,587 was not exposed to custodial credit risk as \$250,000 of interest bearing accounts and \$250,000 of noninterest bearing accounts

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2022

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Primary Government (continued)

are insured by FDIC, \$15,000,000 is covered by a short term line of credit, and the remainder is collateralized through the Bank of New York Mellon.

Investments

As of June 30, 2022, the County had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Investments held in County's name:					
U S government obligations, municipal and corporate bonds	\$ 194,927,190	\$ 194,927,190	\$ -	\$ -	\$ -
Total investments held in County's name	194,927,190	194,927,190	-	-	-
Investments held by trustee of					
Pension plan:					
U S government obligations, municipal and corporate bonds	2,437,341	2,437,341	-	-	-
Fixed income securities	45,559,986	45,559,986	-	-	-
Real estate investments	14,204,803	14,204,803	-	-	-
Equity funds	97,711,586	97,711,586	-	-	-
Money market funds	2,193,250	2,193,250	-	-	-
Total Investments held by trustee of pension plan	162,106,966	162,106,966	-	-	-
Investments held by trustee of					
LOSAP plan:					
U S government obligations and corporate bonds	-	-	-	-	-
Fixed income funds	3,334,033	3,334,033	-	-	-
Equity funds	7,132,135	7,132,135	-	-	-
Money market funds	140,570	140,570	-	-	-
Total Investments held by trustee of LOSAP plan	10,606,738	10,606,738	-	-	-
Investments held by trustee of					
OPEB plan:					
Real estate investments	1,708,039	1,708,039	-	-	-
Fixed income funds	6,834,902	6,834,902	-	-	-
Equity funds	17,881,915	17,881,915	-	-	-
Money market funds	336,549	336,549	-	-	-
Total Investments held by trustee of OPEB plan	26,761,405	26,761,405	-	-	-
Total investments	\$ 394,402,299	\$ 394,402,299	\$ -	\$ -	\$ -

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Primary Government (continued)

Investments (continued)

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

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

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

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

<u>Investment Type</u>	<u>Range</u>	<u>Target</u>
Equities:		
Domestic	25-45%	35%
International	10-30%	20%
Options/ Defensive Equity	0-25%	12%
Real Estate	0-10%	4%
Private Infrastructure	0-10%	4%
Private Credit/ High Yield	0-15%	7%
Fixed Income:		
Investment Grade	6-26%	16%
Money Market	0-10%	2%

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Primary Government (continued)

Investments (continued)

Credit Risk: It is the County's investment policy to only invest in U.S. Government Treasury obligations, agencies, and sponsored instrumentalities. Also the County's investment policy allows for investments in banks located in the State of Maryland (Certificates of Deposit) with the exception of Bankers Acceptances. Commercial banks must have a short-term rating of at least investment grade from the appropriate bank rating agencies. Bankers' Acceptances from domestic banks, which also include United States affiliates of large international banks, must have a rating of A1 from Standards and Poor's Corporation and P1 from Moody's Investor Services. As of June 30, 2022, the County's investments were 100% in U.S. Treasury and Agency obligations and certificates of deposit.

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

Investment Type	Evaluation Benchmark
Equities:	
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, 2022, none of the County's investments are exposed to custodial credit risk because they are held in the County's name.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

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:

<u>June 30, 2022</u>	<u>Governmental Activities and Business-Type</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
Carrying amount of cash deposits	\$ 21,025,924	\$ 73,841	\$ 21,099,765
Bank balance of cash deposits	23,304,254	73,841	23,378,095
Amount covered by FDIC	1,514,011	73,841	1,587,852
Amount collateralized with securities held by an agent of the pledging financial institution in the School system's name	21,790,243	-	21,790,243

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, 2022, the School System's operating investments in U.S Government Agencies were rated AAA and AA+ by Standard & Poor's. The School System's fiduciary investments in fixed income mutual funds and corporate bonds were not rated and rated A+, respectively, as of June 30, 2022.

Interest Rate and Custodial Risk: Investments are made in Federal government securities without risk of loss due to market conditions. The Board's investments, which include uninsured and unregistered investments, are held by a bank's trust department or agent in the School System's name. The Board's policy is generally to require delivery of the investments to a third-party custodian.

Foreign Currency Risk: Maryland law does not permit the School System to have or hold any type of international investment vehicle.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

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, 2022, the pooled net position of the MABE Trust was \$537,118,008 in total, of which the School System's allocated investment balance was \$98,386,452. The School System's allocated investments consist of the following:

Cash and Cash Equivalents	\$ 5,872,485
Interest Receivable	117,864
Corporate Bonds	14,002,871
Fixed Income Mutual Funds	8,217,638
Equity Securities	32,644,452
Mutual Funds	24,206,575
U.S. Government Agency	13,324,567
	<u>\$ 98,386,452</u>

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

Concentration of Credit Risk: The School System does not have a formal policy that places a limit on the amount or percent that may be invested in any one issuer. More than 5% of the School System's Governmental Activities investments are investments in the Federal Home Loan Mortgage Corp. This investment is 11%, respectively, of the Governmental Activities investments. More than 5% of the School System's General Fund investments are investments in the Federal Home Loan Mortgage Corp. This investment is 20% of the General Fund investments.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2022

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, 2022, the School System had the following investments and maturities:

June 30, 2022	Governmental Activities	Business-Type Activities	Fiduciary Responsibilities	Total
United States Treasury Note - .125% matures December 31, 2022	\$ 6,749,642	\$ -	\$ -	\$ 6,749,642
United States Treasury Bill - .000% matures August 4, 2022	5,986,653	-	-	5,986,653
United States Treasury Note - .125% matures February 28, 2023	7,271,623	-	-	7,271,623
United States Treasury Note - .250% matures April 15, 2023	6,019,219	-	-	6,019,219
United States Treasury Note - .125% matures May 31, 2023	4,989,453	-	-	4,989,453
United States Treasury Note - 1.250% matures July 31, 2023	4,947,580	-	-	4,947,580
United States Treasury Note - .125% matures August 31, 2023	5,954,297	-	-	5,954,297
United States Treasury Note - 1.625% matures October 31, 2023	4,938,593	-	-	4,938,593
United States Treasury Note - .250% matures November 15, 2023	4,985,938	-	-	4,985,938
Federal Home Loan Mortgage Corp- .250% matures June 26, 2023	6,512,502	-	-	6,512,502
Income Fund of America	77,302	-	-	77,302
Retiree Health Plan Trust	-	-	98,386,452	98,386,452
	<u>\$ 58,432,802</u>	<u>\$ -</u>	<u>\$ 98,386,452</u>	<u>\$ 156,819,254</u>

Investment Type	Fair Value	Investment Maturities (in Years)			
	June 30, 2022	Less than 1	1-5	6-10	More than 10
U S Agencies	\$ 58,355,500	\$ 37,529,092	\$ 20,826,408	\$ -	\$ -
Income Fund of America	77,302	77,302	-	-	-
Retiree Health Plan Trust	35,545,076	8,217,638	14,002,872	-	13,324,566
	<u>\$ 93,977,878</u>	<u>\$ 45,824,032</u>	<u>\$ 34,829,280</u>	<u>\$ -</u>	<u>\$ 13,324,566</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

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, 2022 are as follows:

	Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Government Agency Securities	\$ 58,355,500	\$ -	\$ 58,355,500	\$ -
Mutual Fund - Income Fund	77,302	77,302	-	-
	<u>\$ 58,432,802</u>	<u>\$ 77,302</u>	<u>\$ 58,355,500</u>	<u>\$ -</u>

Mutual funds are valued using prices quoted in active markets for those securities. U.S. government agency securities are valued using quoted market prices for similar securities.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2022

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	\$ 744,030	\$ -	\$ -	\$ 744,030
Accounts receivable	3,187,907	1,050,793	324,841	4,563,541
Gross receivables	3,931,937	1,050,793	324,841	5,307,571
Less: allowance for uncollectibles	(1,936,200)	-	-	(1,936,200)
Net Total Receivables	\$ 1,995,737	\$ 1,050,793	\$ 324,841	\$ 3,371,371

	Business-type Activities				
	Water Quality	Solid Waste	Airport	Non-Major	Total
Accounts receivable	\$ 1,266,741	\$ 414,924	\$ 50,123	\$ 11,003	\$ 1,742,791
Less: allowance for uncollectibles	(17,472)	(305,638)	(500)	-	(323,610)
Net Total Receivables	\$ 1,249,269	\$ 109,286	\$ 49,623	\$ 11,003	\$ 1,419,181

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 \$339,234. 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 space, a pretreatment facility and office space to multiple third parties. The leases vary in length up to the year 2106 and the County will receive on average monthly payments of \$49,850. The County recognized \$270,010 in lease revenue and \$334,408 in interest revenue during the current fiscal year related to these leases. As of June 30, 2022, the County's receivable for lease payments was \$14,477,773. 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, 2022, the balance of the deferred inflow of resources was \$14,341,607.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2022

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

Primary Government

	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022
Governmental Activities:				
Capital assets, not being depreciated or amortized:				
Land	\$ 99,662,201	\$ 3,419,523	\$ (247,607)	\$ 102,834,117
Capital assets, being depreciated:				
Land improvements	16,740,788	4,904,922	-	21,645,710
Building and improvements	109,671,305	14,101,061	(2,357,100)	121,415,266
Vehicles	19,451,299	1,316,832	(1,056,297)	19,711,834
Infrastructure	1,206,132,638	13,856,136	-	1,219,988,774
Machinery and equipment	11,494,827	692,560	(343,207)	11,844,180
Office furniture and equipment	923,850	-	(1,623)	922,227
Computer equipment	35,863,514	254,416	(2,809,706)	33,308,224
Right to Use - Vehicles and Equipment	385,579	220,160	-	605,739
Total capital assets, being depreciated or amortized	1,400,663,800	35,346,087	(6,567,933)	1,429,441,954
Total Capital Assets	1,500,326,001	38,765,610	(6,815,540)	1,532,276,071
Accumulated depreciation and amortization for:				
Land improvements	(7,810,145)	(563,390)	-	(8,373,535)
Building and improvements	(46,519,378)	(3,257,478)	1,144,057	(48,632,799)
Vehicles	(13,200,623)	(1,694,953)	1,031,390	(13,864,186)
Infrastructure	(968,602,021)	(8,705,535)	-	(977,307,556)
Machinery and equipment	(7,442,225)	(787,662)	343,207	(7,886,680)
Office furniture and equipment	(887,602)	(18,124)	1,623	(904,103)
Computer equipment	(32,826,364)	(787,132)	2,790,957	(30,822,539)
Right to Use - Vehicles and Equipment	-	(147,687)	-	(147,687)
Total Accumulated Depreciation and Amortization	(1,077,288,358)	(15,961,961)	5,311,234	(1,087,939,085)
Governmental Activities Capital Assets, Net	\$ 423,037,643	\$ 22,803,649	\$ (1,504,306)	\$ 444,336,986
Projects Under Construction	\$ 27,167,306	\$ 26,657,903	\$ (43,865,517)	\$ 9,959,692

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2022

5. CAPITAL ASSETS (continued)

Primary Government (continued)

	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022
Business-type Activities:				
Capital assets, not being depreciated or amortized:				
Land	\$ 12,202,911	\$ 126,987	\$ -	\$ 12,329,898
Capital assets, being depreciated:				
Land improvements	153,058,873	18,249	(1,961)	153,075,161
Building and improvements	72,073,083	68,416	(41,000)	72,100,499
Facilities	126,978,679	1,079,748	(1,846,274)	126,212,153
Vehicles	7,927,167	2,502,939	(1,360,465)	9,069,641
Machinery and equipment	12,414,553	312,799	(221,022)	12,506,330
Office furniture and equipment	245,863	-	(7,070)	238,793
Computer equipment	2,492,012	-	(831,137)	1,660,875
Treatment plants	100,658,436	40,073	(83,149)	100,615,360
Right to use - vehicles and equipment	1,808,841	434,288	-	2,243,129
Total capital assets, being depreciated or amortized	477,657,507	4,456,512	(4,392,078)	477,721,941
Total Capital Assets	489,860,418	4,583,499	(4,392,078)	490,051,839
Accumulated depreciation and amortization for:				
Land improvements	(118,862,163)	(6,459,568)	1,961	(125,319,770)
Building and improvements	(26,322,595)	(1,927,557)	24,656	(28,225,496)
Facilities	(40,792,691)	(1,690,719)	1,357,051	(41,126,359)
Vehicles	(6,892,198)	(872,460)	1,360,465	(6,404,193)
Machinery and equipment	(10,006,981)	(513,701)	220,863	(10,299,819)
Office furniture and equipment	(245,863)	-	7,070	(238,793)
Computer equipment	(2,140,869)	(59,780)	831,137	(1,369,512)
Treatment plants	(31,770,215)	(1,949,987)	58,033	(33,662,169)
Right to use - vehicles and equipment	(15,074)	(276,313)	-	(291,387)
Total Accumulated Depreciation and Amortization	(237,048,649)	(13,750,085)	3,861,236	(246,937,498)
Business-type Activities Capital Assets, Net	\$ 252,811,769	\$ (9,166,586)	\$ (530,842)	\$ 243,114,341
Projects Under Construction	\$ 2,602,741	\$ 4,598,158	\$ (3,450,638)	\$ 3,750,261

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2022

5. CAPITAL ASSETS (continued)

Primary Government (continued)

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

Governmental Activities:

General Government	\$	12,084,781
Public Safety		2,288,734
Park, recreation and culture		344,268
Conservation of Natural Resources		26,632
Highways and streets		1,174,244
Total Depreciation and Amortization Expense - Governmental Activities	\$	15,918,659

Business-Type Activities:

Public Transit Fund	\$	189,937
Airport Fund		7,194,781
Golf Course Fund		167,033
Water Quality Fund		3,928,877
Solid Waste Fund		1,659,927
Total Depreciation and Amortization Expense – Business-Type Activities	\$	13,140,555

Board of Education

	Balance June 30, 2021	Additions	Deletions	Reclasses	Balance June 30, 2022
Government Activities					
Capital assets, not being depreciated:					
Land	\$ 9,749,615	\$ -	\$ -	\$ -	\$ 9,749,615
Facilities under construction	1,929,598	5,253,824	(733,349)	-	6,450,073
	<u>11,679,213</u>	<u>5,253,824</u>	<u>(733,349)</u>	<u>-</u>	<u>16,199,688</u>
Capital assets, being depreciated:					
Building and improvements	384,923,699	1,752,365	(28,910)	-	386,647,154
Leased building and improvements	437,113	-	-	-	437,113
Furniture and equipment	50,851,365	1,146,277	(2,872,546)	-	49,125,096
Leased furniture and equipment	3,694,177	501,861	-	-	4,196,038
Financed Equipment	51,428	252,854	-	-	304,282
	<u>439,957,782</u>	<u>3,653,357</u>	<u>(2,901,456)</u>	<u>-</u>	<u>440,709,683</u>
Accumulated depreciation:					
Building and improvements	(172,171,990)	(8,045,677)	23,791	-	(180,193,876)
Leased building and improvements	(114,290)	(43,711)	-	-	(158,001)
Furniture and equipment	(34,111,638)	(3,582,763)	2,850,466	-	(34,843,935)
Leased furniture and equipment	(1,896,200)	(375,438)	-	-	(2,271,638)
Financed Equipment	(25,624)	(49,687)	-	-	(75,311)
	<u>(208,319,742)</u>	<u>(12,097,276)</u>	<u>2,874,257</u>	<u>-</u>	<u>(217,542,761)</u>
Governmental Activities Capital Assets, Net	\$243,317,253	\$ (3,190,095)	\$ (760,548)	\$ -	\$ 239,366,610

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2022

5. CAPITAL ASSETS (continued)

Board of Education (continued)

	<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2022</u>
Business-type Activities				
Capital assets, being depreciated:				
Furniture and equipment	\$ 5,158,081	\$ 434,615	\$ (136,739)	\$ 5,455,957
Accumulated depreciation:				
Furniture and equipment	(3,881,100)	(295,708)	130,512	(4,046,296)
Business-type Activities Capital Assets, Net	<u>\$ 1,276,981</u>	<u>\$ 138,907</u>	<u>\$ (6,227)</u>	<u>\$ 1,409,661</u>

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

Governmental activities:	
Other instructional costs	\$ 1,825,761
Student transportation services	1,831,439
Operation of plant	237,444
Depreciation - unallocated	8,202,632
Total Governmental Activities Depreciation Expense	<u>\$12,097,276</u>
Business-type activities:	
Food services	<u>\$ 295,708</u>

6. INTERFUND RECEIVABLES AND PAYABLES

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	General	\$ 107,444,201
	Pretreatment	519,395
	HEPMPO	22,037
Total		<u>\$ 107,985,633</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2022

6. INTERFUND RECEIVABLES AND PAYABLES (continued)

Board of Education

Receivable Entity	Payable Entity	Amount
Component unit - Board of Education	Primary government - capital projects	\$ 569,363

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	\$ -	\$ -	\$ -	33,002,090
Highway Fund	-	-	-	-
Solid Waste	-	450,000	-	-
Public Transit	-	1,086,700	-	75,000
Water Quality	-	577,147	-	175,000
Grant Management	-	274,287	-	-
Agricultural Education Center	-	231,340	-	-
Golf Course	-	358,440	-	48,000
HEPMPO	-	10,030	-	-
Land Preservation	-	24,322	-	-
Airport	-	8,000	-	176,000
Cascade Town Centre	-	-	-	-
Capital Projects Fund:				
General Fund	-	-	32,502,090	-
Highway Fund	-	-	500,000	-
Airport Fund	-	-	-	-
Water Quality	-	-	-	220,537
Hotel Rental Fund	-	-	-	-
Golf Course	-	-	-	-
Transit	-	-	-	-
Land Preservation	-	-	-	400,000

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

7. INTERFUND TRANSACTIONS (continued)

<u>Fund</u>	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>	<u>Capital Transfers In</u>	<u>Capital Transfers Out</u>
Solid Waste:				
General Fund	450,000	-	-	-
Public Transit:				
General Fund	1,086,700	-	-	-
HEPMPO	-	18,620	-	-
Capital Projects	-	-	75,000	-
Water Quality:				
General Fund	577,147	-	-	-
Capital Projects	-	-	395,537	-
Cascade Town Centre	-	-	750,000	-
Airport:				
General Fund	8,000	-	-	-
Hotel Rental	48,049	-	-	-
Capital Projects	-	-	176,000	-
Golf Course:				
General Fund	358,440	-	-	-
Capital Projects	-	-	48,000	-
Grant Management:				
General Fund	274,287	-	-	-
Agricultural Education Center:				
General Fund	231,340	-	-	-
HEPMPO:				
General Fund	10,030	-	-	-
Public Transit Fund	18,620	-	-	-
Hotel Rental:				
Airport	-	48,049	-	-
Cascade Town Centre	-	-	-	-
Land Preservation:				
General Fund	24,322	-	-	-
Capital Projects Fund	-	-	400,000	-
Cascade Town Centre:				
Water Quality	-	-	-	750,000
Total	<u>\$ 3,086,935</u>	<u>\$ 3,086,935</u>	<u>\$ 34,846,627</u>	<u>\$ 34,846,627</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2022

8. LONG-TERM DEBT AND LEASES

Primary Government

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds generally are issued as 20-year serial bonds with different amounts of principal maturing each year. General obligation bonds and leases 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 5%	\$ 141,679,438	\$ 9,280,000	\$ 9,769,489	\$ 141,189,950	\$ 10,081,595
Unamortized bond premium		8,051,270	724,955	1,210,689	7,565,536	-
Total bonds payable		149,730,708	10,004,955	10,980,178	148,755,486	10,081,595
Other loans payable						
Direct Borrowing: Maryland Water Quality loans	1 0%	2,200,560	-	514,890	1,685,670	553,317
Total bonds and loans payable		151,931,268	10,004,955	11,495,068	150,441,155	10,634,912
Direct Borrowing: Agricultural Land Preservation	2 0%	941,993	-	181,779	760,215	181,779
Leases	32-4 78%	443,673	220,160	204,130	459,703	149,208
Net pension liability		81,216,017	29,269,111	253,233	110,231,895	-
Governmental Activity Long-term Liabilities		234,532,951	39,494,226	12,134,210	261,892,968	10,965,899
Business-type Activities						
Public Sale Bonds payable:						
General obligation bonds	1 4-5 9%	34,700,562	6,535,000	2,145,511	39,090,050	2,278,406
Unamortized bond premium		2,777,404	509,876	399,685	2,887,595	-
Unamortized bond discount		-	-	-	-	-
Total bonds payable		37,477,966	7,044,876	2,545,196	41,977,645	2,278,406
Other loans payable:						
Direct Borrowing: Maryland Water Quality loans	40-1 7%	6,662,013	-	1,484,986	5,177,028	1,576,367
Total bonds and loans payable		44,139,979	7,044,876	4,030,182	47,154,673	3,854,773
Leases	32-2 58%	1,316,180	434,288	427,780	1,322,687	441,386
Business-type Activity Long-term Liabilities		45,456,159	7,479,164	4,457,962	48,477,360	4,296,159
Total Combined Activities						
Long-term Liabilities		\$ 279,989,110	\$ 46,973,390	\$ 16,592,172	\$ 310,370,328	\$ 15,262,058

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2022

8. LONG-TERM DEBT AND LEASES (continued)

Primary Government (continued)

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

Year ending June 30,	Governmental Activities				Business-type Activities			
	General		Direct		General		Direct	
	Obligation Bonds		Borrowings		Obligation Bonds		Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 10,081,595	\$ 4,530,148	\$ 553,317	\$ 16,856	\$ 2,278,405	\$ 1,190,572	\$ 1,576,368	\$ 37,733
2024	10,830,960	4,280,589	278,877	11,324	2,474,041	1,217,244	379,213	24,973
2025	10,854,841	3,875,703	281,666	8,534	2,515,160	1,114,706	319,984	21,553
2026	10,478,068	3,472,730	284,483	5,718	2,591,932	1,012,043	225,537	18,711
2027	10,108,986	3,094,470	287,327	2,875	2,691,014	920,936	227,336	16,914
2028-2032	43,342,922	10,531,298	-	-	12,082,072	3,297,286	1,468,258	60,237
2033-2037	31,223,631	4,293,227	-	-	8,301,368	1,621,682	906,278	21,157
2038-2042	13,588,947	866,505	-	-	3,881,058	593,182	74,054	518
2043-2052	680,000	13,175	-	-	2,275,000	192,600	-	-
Total	<u>\$ 141,189,950</u>	<u>\$ 34,957,845</u>	<u>\$ 1,685,670</u>	<u>\$ 45,307</u>	<u>\$ 39,090,050</u>	<u>\$ 11,160,251</u>	<u>\$ 5,177,028</u>	<u>\$ 201,796</u>
Plus:								
Unamortized premium	<u>7,565,536</u>				<u>2,887,595</u>			
	<u>\$ 148,755,486</u>				<u>\$ 41,977,645</u>			

The County Commissioners have received bonding authority from the State Legislature to issue public facilities bonds for the purpose of financing various capital projects. As of June 30, 2022, the unused authorization was \$40,360,096.

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, 2022, there were Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$88,789,651.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

8. LONG-TERM DEBT AND LEASES (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, 2022, are as follows:

As of June 30,	Principal	Interest	Total Requirement
2023	\$ 181,779	\$ 15,204	\$ 196,983
2024	181,779	11,569	193,348
2025	181,779	7,933	189,712
2026	181,779	4,297	186,076
2027	33,099	662	33,761
Total	\$ 760,215	\$ 39,665	\$ 799,880

For the year ended June 30, 2022, total principal and interest incurred related to agricultural land preservation installments was \$181,779 and \$18,840, respectively.

Leases

County as Lessee

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The County has entered into various lease agreements as lessee primarily for vehicles and machinery/equipment. All 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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2022

8. LONG-TERM DEBT AND LEASES (continued)

Leases

At June 30, 2022, the statement of net position includes the following amounts relating to leases:

	Governmental Activities	Business-type Activities	Total
Right of use of leased assets:			
Vehicles	\$ 340,267	\$ -	\$ 340,267
Machinery and equipment	265,472	2,243,129	2,508,601
Total Right of Use Leased Assets	605,739	2,243,129	2,848,868
Less Accumulated Amortization for:			
Right of use of leased assets:			
Vehicles	73,210	-	73,210
Machinery and equipment	74,477	291,387	365,864
Total Accumulated Amortization	147,687	291,387	439,074
Total Right of use leased assets, net:			
Vehicles	267,057	-	267,057
Machinery and equipment	190,995	1,951,742	2,142,737
Total	\$ 458,052	\$ 1,951,742	\$ 2,409,794

The future principal and interest lease payments as of June 30, 2022 were as follows:

Governmental Activities			
Fiscal Year	Principal Payments	Interest Payments	Total
2023	\$ 149,837	\$ 12,608	\$ 162,445
2024	108,138	8,992	117,130
2025	74,137	5,610	79,747
2026	66,936	2,820	69,756
2027	60,655	23	60,678
Total	\$ 459,703	\$ 30,053	\$ 489,756

Business-Type Activities			
Fiscal Year	Principal Payments	Interest Payments	Total
2023	\$ 441,387	\$ 43,202	\$ 484,579
2024	430,625	28,285	458,911
2025	406,339	14,766	421,105
2026	34,353	1,151	35,504
2027	9,986	122	10,107
Total	\$ 1,322,690	\$ 87,526	\$ 1,410,216

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

8. LONG-TERM DEBT AND LEASES (continued)

County as Lessor

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The County leases land, cellular space and buildings. Most land leases are a five year term. Building and cellular space leases vary with a maximum term of 99 years. The county has included any renewal.

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	\$ 119,936	\$ 150,074	\$ 270,010
Interest revenue	\$ 12,919	\$ 350,638	\$ 363,557

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2022

8. LONG-TERM DEBT AND LEASES (continued)

At June 30, 2022, the principal and interest requirements to maturity for the leases receivable are as follows:

Fiscal Year	Governmental Activities			Business-Type Activities		
	Principal Payments	Interest Payments	Total	Principal Payments	Interest Payments	Total
2023	\$ 103,869	\$ 11,877	\$ 115,746	\$ 118,598	\$ 349,758	\$ 468,356
2024	53,834	10,930	64,764	115,777	347,713	463,490
2025	56,182	10,052	66,234	90,894	345,731	436,625
2026	44,155	9,185	53,340	96,897	343,728	440,625
2027	45,231	8,360	53,591	101,799	341,606	443,405
2028-2032	265,284	27,774	293,058	436,440	1,675,854	2,112,294
2033-2037	153,462	4,126	157,588	485,374	1,620,571	2,105,945
2038-2042	-	-	-	627,367	1,549,894	2,177,261
2043-2047	-	-	-	803,892	1,459,078	2,262,970
2048-2052	-	-	-	552,652	1,366,875	1,919,527
2053-2057	-	-	-	561,713	1,298,922	1,860,635
2058-2062	-	-	-	653,183	1,220,715	1,873,898
2063-2067	-	-	-	686,192	1,131,682	1,817,874
2068-2072	-	-	-	682,292	1,045,708	1,728,000
2073-2077	-	-	-	776,245	951,755	1,728,000
2078-2082	-	-	-	883,137	844,863	1,728,000
2083-2087	-	-	-	1,004,747	723,253	1,728,000
2088-2092	-	-	-	1,143,104	584,896	1,728,000
2093-2097	-	-	-	1,300,512	427,488	1,728,000
2098-2102	-	-	-	1,479,596	248,404	1,728,000
2103-2107	-	-	-	1,155,345	54,253	1,209,598
Total	\$ 722,017	\$ 82,304	\$ 804,321	\$ 13,755,756	\$ 17,932,747	\$ 31,688,503

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

8. LONG-TERM DEBT AND LEASES (continued)

Primary Government (continued)

Leases (continued)

Board of Education

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

<u>Year ending June 30,</u>	<u>Principal</u>
2023	\$ 442,942
2024	422,847
2025	351,648
2026	283,225
2027	285,593
2028-2032	600,996
	<u>\$ 2,387,251</u>

Advance Refunding

In prior years, the County has partially defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for certain future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the partially defeased bonds are not included in the County's financial statements. As of June 30, 2022, \$10,315,000 of long-term obligations outstanding are considered defeased.

9. SERVICE CONCESSION ARRANGEMENTS

Primary Government

During fiscal year 2004, the County entered into a lease agreement whereby the lessee constructed a building and improvements on land owned at the Airport. The total cost of the building and improvements was capitalized as an asset in the Airport Fund with an estimated useful life of 40 years. As of June 30, 2004, the building and improvements were estimated at \$2,500,000. During the year ended June 30, 2005, a revised cost was obtained reducing the value to \$2,000,000. The \$500,000 adjustment was recorded as a reduction to fixed assets and deferred inflow of resources in the June 30, 2005, financial statements. The terms of the original agreement which began June 30, 2004, allowed the lessee to use the property for a period of 25 years, with no additional payments due. During fiscal year 2006, this lease was amended with lease terms extended to 31 years and additional building and improvements valued at \$1,800,000 were capitalized as an asset in the Airport Fund with an estimated useful life of 40 years.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

9. SERVICE CONCESSION ARRANGEMENTS (continued)

Primary Government (continued)

During fiscal year 2009, a second amendment to the lease agreement allowed for additional building and improvements valued at \$400,000 and an extension of the lease through December 31, 2042. The addition was capitalized as an asset in the Airport Fund with an estimated useful life of 40 years. Deferred inflow of resources in the amount of \$2,500,000 was recorded in the Airport Fund at the inception of this lease but was adjusted down to \$2,000,000 during year ended 2005, and was to be recognized as rental income over the original 25 year term of the lease. Since the amendments extending the lease term and the additional capitalization of building and improvements, the remaining deferred inflow of resources of \$3,587,724 as of June 30, 2010, will be amortized over 33 years. The terms of the agreement as amended in fiscal year 2009, allow the lessee to use the property for a period of 33 years. The terms of the lease agreement require that the lessee pay the County annual rent of \$5,250 beginning May 1, 2006, with an annual increase of 4% each May 1st thereafter. The lease also requires that the County credit the lessee \$127,500 for the lessee's incurred costs in excavating the site for the addition. The agreement allows an option for the lessee to continue the lease past the 33-year term at a rental payment equal to the fair market rental value of the leased property at that time.

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

9. SERVICE CONCESSION ARRANGEMENTS (continued)

Primary Government (continued)

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

During fiscal year 2010, the County entered into a lease agreement whereby the lessee constructed a building and improvements for \$3,800,000, which was capitalized as an asset in the Airport Fund with an estimated useful life of 40 years on June 30, 2010. The terms of the agreement, which began November 1, 2009, allow the lessee to use the property for a period of 39 years (primary years). The terms of the lease agreement require that the lessee

pay the County annual rent of \$17,000 during the primary terms of the lease with an annual increase of 4% each year. The lease also requires that the County credit the lessee \$250,000 for the lessee's incurred costs in site preparation and excavation costs. The agreement allows for an option for the lessee to continue the lease past the 39 year term at a rental payment equal to the fair market rental value of the leased property at that time. Deferred inflow of resources in the amount of \$3,800,000 was recorded in the Airport Fund as of June 30, 2010.

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

9. SERVICE CONCESSION ARRANGEMENTS (continued)

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

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

During the year ending June 30, 2022, rental income for the above leases of \$952,535 was recognized in the Airport Fund.

10. UNUSED VACATION AND SICK LEAVE

Primary Government

The County accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned or estimated to be earned by the employee. The accrual of vacation leave is based upon individual salary rates in effect as of June 30, 2022, and is capped at 250 hours. The accrual of sick leave is based on payment upon termination of up to 40 hours at the individual rates in effect as of June 30, 2022, plus a rate of \$10 per day for each unused sick leave day up to a total of 130 days. Total unpaid vacation and sick leave accrued as of June 30, 2022, was \$3,695,144 and \$1,606,230, respectively. Unused vacation and sick leave will be liquidated by the respective government and enterprise funds where the current employee costs are recorded.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

10. UNUSED VACATION AND SICK LEAVE (continued)

Board of Education

The School System accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned or estimated to be earned by the employee. The accrual of vacation leave is based upon individual salary rates in effect as of June 30. The accrual of sick leave is based on payment upon retirement at rates set forth in the various negotiated agreements. Sick leave is estimated to be earned once an employee has obtained 15 years of service or 55 years of age. Total unpaid vacation and sick leave accrued at June 30, 2022 amounted to \$6,619,194. At June 30, 2022, \$921,318 is considered payable with current resources and is included in accrued liabilities in the governmental fund level financial statements. This amount represents the pending payouts of unused leave owed to employees separated from active service as of the year ended June 30, 2022. The remaining amounts are estimated to be used in subsequent fiscal years, are maintained separately and represent a reconciling item between the fund and government-wide financial statement presentations.

11. RETIREMENT PLANS

Primary Government

Plan Description

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

11. RETIREMENT PLANS (continued)

Primary Government (continued)

Plan Description (continued)

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

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

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

The net pension liability by plan is as follows:

Retirement Plan	
Net Pension Liability	\$ 108,089,000
LOSAP Plan	
Net Pension Liability	<u>2,142,895</u>
Total	<u><u>\$ 110,231,895</u></u>

Investments

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

11. RETIREMENT PLANS (continued)

Primary Government (continued)

Investments (continued)

<u>Investment Type</u>	<u>Range</u>	<u>Target</u>
Equities:		
Domestic	25-45%	35%
International	10-30%	20%
Options/ Defensive Equity	0-25%	12%
Real Estate	0-10%	4%
Private Infrastructure	0-10%	4%
Private Credit/ High Yield	0-15%	7%
Fixed Income:		
Investment Grade	6-26%	16%
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, 2022, which is the latest actuarial report available.

Membership of the Plan

The membership consisted of the following as of June 30, 2022, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	485
Terminated Plan members entitled to but not yet receiving benefits	62
Active Plan members	<u>809</u>
Total	<u><u>1,356</u></u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

11. RETIREMENT PLANS (continued)

Primary Government (continued)

Actuarial Assumptions

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2022 is as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35%	5.3%
International Equity	20%	5.7%
Options / Defensive Equity	12%	4.5%
Private Real Estate	4%	5.0%
Private Infrastructure	4%	5.2%
Private Credit	7%	7.1%
Core Fixed Income	16%	1.8%
Cash	2%	0.0%
Inflation		2.3%
Total	100%	

Annual Pension Cost and Net Pension Obligation

The total pension liability for the current year was determined as part of the June 30, 2022, 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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2022

11. RETIREMENT PLANS (continued)

Primary Government (continued)

Net Pension Liability

The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2022 is as follows:

Total pension liability	\$ 275,303,966
Net position	<u>(167,214,966)</u>
Net pension liability	<u>\$ 108,089,000</u>

Net position as a percentage of total pension liability is 60.74%.

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	<u>\$ 142,726,348</u>	<u>\$ 108,089,000</u>	<u>\$ 79,237,901</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2022, the County recognized pension expense of \$12,148,289 for the Plan. As of June 30, 2022, 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	\$ 881,883	\$ 1,980,629
Change in assumptions	413,047	-
Net difference between projected and actual investment earnings	12,099,569	-
Total	<u>\$ 13,394,499</u>	<u>\$ 1,980,629</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

11. RETIREMENT PLANS (continued)

Primary Government (continued)

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

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

Years Ended June 30,	Amount
2023	\$ 2,168,868
2024	1,770,185
2025	766,918
2026	6,531,524
2027	176,375
Total	\$ 11,413,870

Board of Education

Plan Description

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2022

11. RETIREMENT PLANS (continued)

Board of Education (continued)

Benefits Provided

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2022

11. RETIREMENT PLANS (continued)

Board of Education (continued)

Benefits Provided (continued)

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

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

The accidental disability benefits 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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2022

11. RETIREMENT PLANS (continued)

Board of Education (continued)

Benefits Provided (continued)

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2022

11. RETIREMENT PLANS (continued)

Board of Education (continued)

Benefits Provided (continued)

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

11. RETIREMENT PLANS (continued)

Board of Education (continued)

Contributions

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

Beginning in FY2017, the Board pays the normal cost for their teachers in the Teachers Retirement and Pension System while the State contributes on behalf of the Board, the unfunded liability portion of the Board's annual required contribution to the Teachers' Retirement and Pension System, which for the year ended June 30, 2022 was \$8,784,498. The State's contributions on behalf of the Board for the year ended June 30, 2022 was \$17,058,121. The fiscal 2022 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, 2022, was 10.56% 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, 2022 of \$2,255,527.

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

As of June 30, 2022, the School System reported a liability for its proportionate share of net pension liability that reflected a reduction for State pension support provided to the School System. The amount recognized by the School System as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the School System were as follows:

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2022

11. RETIREMENT PLANS (continued)

Board of Education (continued)

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

	Teachers' Retirement and Pension System	Employees' Retirement and Pension System
School System's proportionate share of net pension liability	\$ -	\$ 15,047,274
State's proportionate share of net position liability associated with the School System	110,420,501	-
Total	\$ 110,420,501	\$ 15,047,274

For the year ended June 30, 2022, the School System recognized pension expense of \$730,591. As of June 30, 2022, the School System reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 2,912,529	\$ 322,515
Change in proportion	1,481,716	-
Net difference between projected and actual investment earnings	-	6,871,805
Difference between actual and expected experience	-	1,153,289
School System contributions subsequent to the measurement date	2,255,527	-
Total	\$ 6,649,772	\$ 8,347,609

The \$2,255,527 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, 2022.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

11. RETIREMENT PLANS (continued)

Board of Education (continued)

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

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

<u>Years Ended June 30,</u>	<u>Amount</u>
2023	\$ (1,198,773)
2024	(966,880)
2025	(955,438)
2026	(1,256,499)
2027	424,226
Total	<u><u>\$ (3,953,364)</u></u>

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

The following presents the net pension liability of the plan, calculated using a discount rate of 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:

	<u>1.0% decrease</u>	<u>Current rate</u>	<u>1.0% increase</u>
	<u>5.80%</u>	<u>6.80%</u>	<u>7.80%</u>
Net pension liability	<u>\$ 25,627,617</u>	<u>\$ 15,047,274</u>	<u>\$ 6,270,950</u>

12. RISK MANAGEMENT

Primary Government

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

12. RISK MANAGEMENT (continued)

Primary Government (continued)

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

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

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

The liability for estimated claims was determined to be \$1,282,116 which is reflected in the accompanying financial statements as of June 30, 2022. Changes in the claims liability were as follows:

	Years Ended June 30,	
	2022	2021
Liability, beginning of year	\$ 967,496	\$ 786,154
Premiums collected and changes in estimates during the year	17,403,876	16,864,225
Claims and administrative costs paid	(17,089,256)	(16,682,883)
Liability, end of year	<u>\$ 1,282,116</u>	<u>\$ 967,496</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

12. RISK MANAGEMENT (continued)

Primary Government (continued)

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

The County Commissioners have also established a self-insurance plan for Workers' Compensation claims whereby the County is liable for the first \$600,000 per occurrence. As required by the State of Maryland, \$175,000 in U.S. Treasury Notes is held by the State Workers' Compensation Commission and is included in investments on the balance sheet. The County extends coverage under this plan to the employees of other governmental and nonprofit agencies. These agencies are charged a "premium", however the County bears the risk of loss. The liability for estimated claims was determined to be \$974,086, which is reflected in the accompanying financial statements as of June 30, 2022. Changes in the claims liability were as follows:

	Years Ended June 30,	
	2022	2021
Liability, beginning of year	\$ 726,071	\$ 694,972
Premiums collected and changes in estimates during the year	1,802,653	962,748
Claims and administrative costs paid	(1,554,638)	(931,649)
Liability, end of year	<u>\$ 974,086</u>	<u>\$ 726,071</u>

Board of Education

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

12. RISK MANAGEMENT (continued)

Board of Education (continued)

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

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

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

In accordance with the Governmental Accounting Standards Board's Statement No. 10 *"Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,"* charges to other funds must be accounted for as revenue by an internal service fund and expenditures/expenses by the other funds. The amounts of these charges were \$44,500,286 for the year ended June 30, 2022.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

12. RISK MANAGEMENT (continued)

Board of Education (continued)

The Self-Insurance Fund's accrued liabilities include an estimate of the amount to be paid for self-insured claims incurred prior to June 30, 2022 and 2021. 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,	
	2022	2021
Liability, beginning of year	\$ 3,449,841	\$ 2,939,000
Claims and changes in estimates during the year	50,418,684	48,587,283
Claims paid and accrued	(50,438,466)	(48,076,442)
Liability, end of year	<u>\$ 3,430,059</u>	<u>\$ 3,449,841</u>

13. DEFERRED COMPENSATION PLAN

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

14. SEGMENT INFORMATION

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2022

14. SEGMENT INFORMATION (continued)

	Sewer Department	Pretreatment Department
CONDENSED STATEMENT OF NET POSITION		
ASSETS		
Current assets	\$ 21,301,691	\$ 11,852,846
Noncurrent assets	142,180,571	4,049,148
Total Assets	163,482,262	15,901,994
DEFERRED OUTFLOW OF RESOURCES		
	220,394	18,455
LIABILITIES		
Other current liabilities	2,899,787	970,159
Noncurrent liabilities	34,048,340	11,063
Total Liabilities	36,948,127	981,222
Net Position		
Net investment in capital assets	119,955,880	3,588,085
Unrestricted	(6,662,113)	(401,411)
Restricted - capital projects	13,460,762	-
Total Net Position	\$ 126,754,529	\$ 3,186,674
CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION		
Operating revenue	\$ 12,304,299	\$ -
Lease income	-	140,749
Operating transfer	-	-
Operating grant	-	-
Depreciation expense	(3,319,798)	(183,838)
Other operating expenses	(9,622,125)	(21,019)
Operating income	(637,624)	(64,108)
Non-operating revenue (expenses):		
Interest expense	(589,128)	(21,735)
Interest income	158,473	305,145
Capital contributions	1,323,680	-
Total non-operating revenue (expense)	893,025	283,410
Change in Net Position	255,401	219,302
Net Position, beginning of year	126,499,128	2,967,372
Net Position, End of Year	\$ 126,754,529	\$ 3,186,674
CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided (used) by:		
Operating activities	\$ 6,958,317	\$ (44,244)
Capital and related financing activities	860,017	(94,859)
Net change	7,818,334	(139,103)
Cash and cash equivalents, beginning of year	10,666,725	(380,292)
Cash and Cash Equivalents, End of Year	\$ 18,485,059	\$ (519,395)

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

15. CLOSURE AND POST-CLOSURE CARE COST

State and Federal laws and regulations require the County to place a final cover on its landfills when they stop accepting waste. The County is also required to perform certain maintenance and monitoring functions at the site for up to thirty years after closure. Although closure and post-closure care costs will be paid only near the date or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as a liability based on landfill capacity used as of each balance sheet date.

The Hancock Landfill was closed in 1993. The remaining estimated costs associated with the closure and post-closure care costs of \$124,344 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, 2022.

The Resh Landfill has reported a landfill post-closure care liability of \$3,450,387 in the Solid Waste Fund. The total capacity has been used. The Resh Landfill was closed in December 2000. No current expense was recognized in the Solid Waste Fund for the year ended June 30, 2022.

The Rubble Landfill began operating during August 1995. The estimated cost associated with post-closure care of \$2,202,400 is reported as a liability in the Solid Waste Fund as of June 30, 2022. The Rubble Landfill was closed in December 2000. No current expense was recognized in the Solid Waste Fund for the year ended June 30, 2022.

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, 2022, the approximate life of the Landfill is 94 years. It is estimated that approximately 23.36% of the capacity has been used. The estimated costs associated with closure and post-closure care of \$10,992,647 was reported as a liability in the Solid Waste Fund as of June 30, 2022. The County will recognize \$47,055,727 of estimated cost associated with the closure and post-closure care as capacity is filled. During the fiscal year 2012 engineering re-designed the cells at 40 West Landfill. This change in estimate increased the airspace by 4 million cubic yards. This change in accounting estimate has no effect on the total estimated cost but will extend the landfill life.

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, 2022, as specified in 40CFR258.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS

Primary Government

Plan Description

The County offers postretirement health care benefits to employees who retire from the County under normal or early retirement provisions of the pension plan. The health care benefits are provided until the retiree is eligible for Medicare. Retirees who exercise the one-time option for the health care benefits pay one-half of the estimated cost of the benefits. The County pays the remaining cost as part of its self-insurance program. Currently, 49 retirees are receiving benefits and 163 employees are retirement eligible. Expenditures for postretirement health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported.

Investments

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

<u>Investment Type</u>	<u>Range</u>	<u>Target</u>
Equities:		
Domestic	28-48%	38%
International	12-32%	22%
Options/ Defensive Equity	5-25%	15%
Real Estate	0-10%	5%
Private Credit/ High Yield	0-15%	5%
Fixed Income:		
Investment Grade	3-23%	13%
Money Market	0-10%	2%

Funding Policy

The County intends to fund any annual short-fall between OPEB and actual pay-go expense into a legally executed trust fund. The trust fund will be invested as a long-term pension trust, using an appropriately balanced portfolio of equities and debt instruments, to prudently maximize long-term investment returns. The County funded \$12,832 which was \$12,832 over the actuarially determined contribution of \$0.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Primary Government (continued)

Actuarial Methods and Assumptions

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

Net OPEB Liability (Asset)

The net OPEB liability (asset) is equal to the total OPEB liability minus the net position of the plan. The result as of June 30, 2022 is as follows:

Total OPEB liability	\$ 21,436,776
Net position	<u>(26,564,545)</u>
Net OPEB liability (asset)	<u>\$ (5,127,769)</u>

Net position as a percentage of total OPEB liability is 123.92%.

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, 2022 is as follows:

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Primary Government (continued)

Actuarial Methods and Assumptions (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38%	5.7%
International Equity	22%	6.2%
Options / Defensive Equity	15%	4.8%
Private Real Estate	5%	5.4%
Private Credit	5%	7.4%
Core Fixed income	13%	2.1%
Cash	2%	0.3%
Inflation		2.0%
Total	100%	

In the actuarial valuation for the plan year ending June 30, 2022, 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 4.9% initially, reduced by decrements to an ultimate rate of 4%. The actuarial value of assets was determined using a market value of assets valuation method. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percent of payroll. The remaining amortization period as of June 30, 2022, was 16 years.

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

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

	<u>1.0% decrease 6.25%</u>	<u>Current rate 7.25%</u>	<u>1.0% increase 8.25%</u>
Net OPEB liability (asset)	<u>\$ (3,749,962)</u>	<u>\$ (5,127,769)</u>	<u>\$ (6,442,126)</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Primary Government (continued)

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

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

	1.0% decrease 3.0%	Trend rate 4.0%	1.0% increase 5.0%
Net OPEB liability (asset)	\$ (7,397,282)	\$ (5,127,769)	\$ (2,460,545)

For the fiscal year ended June 30, 2022, Washington County Government recognized an OPEB expense of \$4,972,050. As of June 30, 2022, 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	\$ 49,584	\$ 2,636,433
Change in assumptions	-	4,726,783
Net difference between projected and actual investment earnings	1,790,706	-
Total	\$ 1,840,290	\$ 7,363,216

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:

Years Ended June 30,	Amount
2023	\$ (1,873,693)
2024	(1,942,670)
2025	(2,106,299)
2026	764,435
2027	(185,889)
Thereafter	(178,810)
Total	\$ (5,522,926)

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Board of Education

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

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

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

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Board of Education (continued)

Retirees can continue the same medical coverage they had (including family coverage) as active employees. Retirees receive a subsidy for their post-retirement medical insurance based on points (Age + Service). A minimum of 66 points (with 5 years of service) is required to receive a subsidy. The maximum subsidy of 85% is reached at 85 points (note this is a blended subsidy percentage based on the subsidy for each plan and the current enrollment distribution). Retirees with less than 66 points are allowed access, but must pay 100% of the published rates.

Contributions

The School System will contribute the higher of the budgeted pay-go amount or actual pay-go amount to the trust for fiscal year 2022. 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, 2022 and 2021, the School System's average contribution rate was 10.35% and 9.56%, respectively of covered payroll. Employees are not required to contribute to the plan. Total claims paid on behalf of retirees amounted to \$16,672,754 of which \$3,869,882 was reimbursed through contributions received from retirees for the year ended June 30, 2022. In addition, the School System contributed \$6,488,529 to the MABE Trust for the year ended June 30, 2022. Total claims paid on behalf of retirees amounted to \$15,531,704 of which \$3,802,919 was reimbursed through contributions received from retirees for the year ended June 30, 2021.

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 3,061 active employees and 1,402 inactive employees or beneficiaries currently receiving benefit payments at the June 30, 2021, 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, 2022 and 2021:

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Board of Education (continued)

Investments (continued)

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

Rate of Return

For the year ended June 30, 2022 and 2021, the annual money-weighted rate of return on investments, net of investment expense, was -13.35% and 24.52%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investment in External Investment Pool

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Board of Education (continued)

Net OPEB Liability

The components of the net OPEB liability of the School System as of June 30, 2022, were as follows:

Total OPEB liability	\$ 278,633,325
Net position	<u>(98,386,452)</u>
Net OPEB liability	<u>\$ 180,246,873</u>

Plan fiduciary net position as a percentage of the total OPEB liability was 35.31%.

Actuarial Methods and Assumptions

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

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

The following presents the net OPEB liability of the Plan, calculated using a discount rate of 5.71% as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.71%) or 1-percentage point higher (6.71%) than the current rate:

	1.0% decrease 4.71%	Current rate 5.71%	1.0% increase 6.71%
Net OPEB liability (asset)	<u>\$ 226,836,000</u>	<u>\$ 180,246,873</u>	<u>\$ 142,850,000</u>

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

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

	1% decrease	Medical trend rate	1% increase
Net OPEB liability (asset)	<u>\$ 136,311,000</u>	<u>\$ 180,246,873</u>	<u>\$ 237,279,000</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Board of Education (continued)

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

17. CONTINGENCIES AND COMMITMENTS

Primary Government

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

The County Commissioners and the Sheriff of Washington County are defendants in various legal proceedings as of June 30, 2022. There are also certain unasserted claims that could possibly be asserted. The Commissioners intend to defend all litigations against them. In the Commissioners' opinion, the liability, if any, in or arising from these litigations or any other legal proceedings in which the County is involved, will not have a material adverse effect on its financial condition.

The County is committed under various contracts for the construction or acquisition of fixed assets. These projects are generally budgeted in the Capital Projects Fund, and funding has been provided for their completion.

On June 23, 2014, the Board of County Commissioners of Washington County, Maryland entered into a \$4 million loan agreement with the Maryland Department of Business and Economic Development and Mack Trucks, Inc. The loan proceeds were made for eligible project costs and does not require repayment unless specific employment levels are not met. If such a condition occurs, repayments are guaranteed to DBED by the County. Mack Trucks, Inc. is contractually obligated to the County to reimburse any payments occurring as a result of the guarantee. As of June 30, 2022, 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.

The Board of County Commissioners designated \$3 million of the surplus to be used for additional funding of non-profits.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

17. 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, 2022, the School System had entered into various school construction commitments, that will be funded by the State of Maryland or County sources, totaling approximately \$18,128,552 and are included in encumbrances.

As of June 30, 2022, the School System had outstanding purchase orders and contracts of \$27,766,189. These amounts are partially included in assigned fund balance in the appropriate funds.

Current expense fund - unrestricted	\$ 10,513,938
Current expense fund - restricted	5,624,483
Capital projects fund	11,233,860
Food services fund	393,908

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

18. FUND BALANCES

Fund balances reflected in the governmental funds balance sheet as of June 30, 2022 are categorized as follows:

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Non-Spendable				
Inventory	\$ 1,012,069	\$ -	\$ -	\$ 1,012,069
Long-term receivable	195,114	-	-	195,114
Restricted				
Programs and activities	497,513	-	403,961	901,474
Workers compensation	180,000	-	-	180,000
Capital projects	-	39,704,803	-	39,704,803
Committed				
Contingencies	68,254,730	-	-	68,254,730
Programs and activities	3,172,432	-	950,789	4,123,221
Capital projects	-	85,136,228	-	85,136,228
Assigned				
Programs and activities	55,844	-	4,661,438	4,717,282
Totals	\$ 73,367,702	\$ 124,841,031	\$ 6,016,188	\$ 204,224,921

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

19. RETIREMENT PLAN - FIRE AND RESCUE VOLUNTEERS

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

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

Investments

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

<u>Investment Type</u>	<u>Range</u>	<u>Target</u>
Equities:		
Domestic	28-48%	38%
International	12-32%	22%
Options/ Defensive Equity	5-25%	15%
Private Credit/ High Yield	0-15%	10%
Fixed Income:		
Investment Grade	3-23%	13%
Money Market	0-10%	2%

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

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

Investments (continued)

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2022 is as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	38%	5.3%
International Equity	22%	5.7%
Options / Defensive Equity	15%	4.5%
High Yield	10%	4.4%
Core Fixed Income	13%	1.8%
Cash	2%	0.0%
Inflation		2.3%
Total	100%	

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, 2022 is as follows:

Total pension liability	\$ 12,758,083
Net position	(10,615,188)
Net pension liability	<u>\$ 2,142,895</u>

Net position as a percentage of total pension liability is 83.20%.

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	<u>\$ 3,666,513</u>	<u>\$ 2,142,895</u>	<u>\$ 874,298</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

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

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

For the year ended June 30, 2022, the County recognized pension expense of \$(71,166). As of June 30, 2022, 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	\$ 834,864	\$ 126,957
Change in assumptions	260,799	85,253
Net difference between projected and actual investment earnings	841,902	-
Total	\$ 1,937,565	\$ 212,210

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

Years Ended June 30,	Amount
2023	\$ 457,692
2024	426,983
2025	190,833
2026	620,632
2027	21,235
Thereafter	7,980
Total	\$ 1,725,355

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

20. TAX ABATEMENTS

Washington County provides tax abatements and credits to encourage economic development: the Job Creation & Capital Investment Real Property Tax Credit, the New Jobs Tax Credit, Pad-Ready Stie Commercial Stimulus Credit, and the Enterprise Zone Tax Credit.

Job Creation & Capital Investment Real Property Tax Credit Program

This tax credit program ranges from six (6) years to fifteen (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 are 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 one (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 one and two; 39% during years three and four; and 26% during years five and six.

B. (1) Must obtain at least 2,500 square feet; (2) employ at least five additional new, permanent full-time employees during a 24-month period. The tax credit is 30% during years one and two; 20% during years three and four; and 10% during years five and six.

C. (1) Must invest \$10,000,000 in capital improvements; (2) create 100 new, permanent full-time employees. Tax credit is 100% for each of the first five taxable years; 75% for year six through ten; 50% for years 11 through 15.

In FY2022, utilization of this program was not material.

New Jobs Tax Credit Program

This program provides a six-year tax credit for qualified businesses that either expand or relocate in Washington County. The credit applies to Washington County's real property tax on real property owned or leased by the business and on personal property owned by that business. The amount of the New Jobs Tax Credit a business may claim against County taxes imposed on the assessed value of the new or expanded premises in which the credit is allowed is:

- 52% during the first (1st) and second (2nd) taxable years
- 39% during the third (3rd) and fourth (4th) taxable years
- 26% during the fifth (5th) and sixth (6th) taxable years

To qualify for the program, a business must:

- Either construct or expand its operations in Washington County by a minimum of 10,000 square feet,
- Employ at least 25 persons in new, permanent full-time positions located at the new or expanded premises in Washington County,

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

20. TAX ABATEMENTS (continued)

- Pay 50% of those new jobs at least 135% of the average weekly wage per Washington County worker as reported by the Maryland Department of Labor at the end of the previous calendar years, and,
- Be in a Priority Funding Area as designated in Title 5, Subtitle 7B of the State Finance and Procurement Article.

In FY2022, there was no utilization of this program.

Pad-Ready Site Commercial Stimulus Program

A commercial property stimulus program that offers 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.

This program is a valued part of our local business incentive package and considered integral in spurring economic growth in Washington County. Qualifying projects are entitled to priority plan review by the Washington County Development Advisory Committee, deferral of County Site Plan application and review fees and a real-estate tax credit issuance once buildings are constructed and occupied. The tax credit is to be 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.

In FY2022, there was immaterial utilization of this program.

21. NEW ACCOUNTING PRONOUNCEMENTS

The GASB issued Statement No. 87, *Leases*; Statement No. 89, *Auditors Accounting for Interest Cost Incurred before the End of a Construction Period*; Statement No. 92, *Omnibus 2020*; Statement No. 93, *Replacement of Interbank Offered Rates*; Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. These statements do not have a material effect on the County's financial statements.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2022

21. NEW ACCOUNTING PRONOUNCEMENTS (continued)

The GASB has issued Statement No. 91, *Conduit Debt Obligations*; Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; Statement No. 96, *Subscription-Based Information Technology Arrangements*; Statement No. 99, *Omnibus 2022*; Statement No. 100, *Accounting Changes and Error Corrections*; and Statement No. 101, *Compensated Absences*, which will require adoption in the future, if applicable. The County will be analyzing the effects of these pronouncements and plans to adopt them, as applicable, by their effective dates.

REQUIRED SUPPLEMENTARY INFORMATION

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COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Changes in Net OPEB Liability and Related Ratios June 30, 2022

	2022	2021	2020	2019	2018	2017
Total pension liability						
Service Cost: Retirement benefits Administration	\$ 713,184	\$ 756,448	\$ 782,686	\$ 983,258	\$ 1,025,563	\$ 954,012
Interest	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	56,668	(1,490,139)	(367,885)	(239,377)	(3,216,054)	-
Changes of assumptions	-	(53,646)	(838,141)	(9,622,292)	(223,390)	-
Benefit payments	(932,146)	(631,096)	(533,287)	(641,700)	(655,923)	(147,184)
Net changes in total OPEB liability	8,170,494	(457,216)	5,277	(7,942,387)	(1,388,896)	2,353,508
Total OPEB liability - beginning	13,266,282	13,723,498	13,718,221	21,660,608	23,049,504	20,695,996
Total OPEB liability - ending (a)	\$ 21,436,776	\$ 13,266,282	\$ 13,723,498	\$ 13,718,221	\$ 21,660,608	\$ 23,049,504
Plan fiduciary net position						
Contributions - employer	\$ -	\$ 12,832	\$ 14,879	\$ 641,700	\$ 1,877,923	\$ 1,347,184
Net investment income	(3,405,156)	6,924,233	922,876	1,324,499	1,702,823	1,919,215
Benefit payments	(932,146)	(631,096)	(533,287)	(641,700)	(655,923)	(147,184)
Administrative expense	(36,595)	(22,037)	(46,687)	(108,008)	(21,763)	-
Net changes in plan fiduciary net position	(4,373,897)	6,283,932	357,781	1,216,491	2,903,060	3,119,215
Plan fiduciary net positions - beginning	30,938,442	24,654,510	24,296,729	23,080,238	20,177,178	17,057,963
Plan fiduciary net positions - ending (b)	\$ 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)	\$ (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	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
Net liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A
Annual money-weighted rate of return, net of investment expense	(11.01)%	28.09%	3.80%	5.74%	8.44%	11.25%

Notes to schedule:

This information is not available for FY16 and prior.

Benefit changes

None.

Change of assumptions

The discount rate was changed as follows:

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

The medical trend was updated to the latest model released by the SOA.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of OPEB Trust Fund Employer Contributions June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ 950,000	\$ 1,261,000
Contributions in relation to the actuarially determined contributions	-	12,832	14,879	641,700	1,877,923	1,347,184
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ (12,832)</u>	<u>\$ (14,879)</u>	<u>\$ (641,700)</u>	<u>\$ (927,923)</u>	<u>\$ (86,184)</u>
Covered employee payroll	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

Notes to schedule:

Benefit changes None.

Valuation date 1/1/2021

Changes of assumptions The medical trend was updated to the latest model released by the SOA and excludes the impact of the Cadillac Tax.

Methods and assumptions used to determine contribution rates:

Valuation Date	1/1/2021
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll
Remaining amortization period	16 years for FYE 2022
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 2022 is 5.10%. The ultimate trend is 4.00%.

This information is not available for FYE 16 and prior.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios – General Employees’ Pension Fund June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service Cost: Retirement benefits Administration	\$ 7,446,422	\$ 6,949,190	\$ 7,011,877	\$ 6,564,304	\$ 5,050,740	\$ 4,903,615	\$ 3,124,202	\$ 3,508,850	\$ 6,922,217
Interest	18,464,711	17,648,545	17,001,079	16,190,295	15,612,649	11,595,913	10,745,024	10,252,003	7,708,164
Benefit payments, including refunds of member contributions	(12,702,206)	(11,241,936)	(15,048,127)	(9,973,991)	(8,172,571)	(8,860,156)	(7,789,289)	(6,880,888)	(6,004,033)
Changes of benefit terms	-	(1,368,197)	(1,937,366)	(299,442)	-	22,002,473	1,358,032	-	-
Differences between expected and actual experiences	1,058,260	-	-	1,239,143	3,555,655	3,657,687	6,532,000	-	-
Changes of assumptions	-	-	-	-	-	19,913,151	2,532,160	-	-
Net changes in total pension liability	14,267,187	11,987,602	7,027,463	13,720,309	16,046,473	53,212,683	16,502,129	6,879,965	8,626,348
Total pension liability - beginning	261,036,779	249,049,177	242,021,714	228,301,405	212,254,932	159,042,249	142,540,120	135,660,155	127,033,807
Total pension liability - ending (a)	<u>\$ 275,303,966</u>	<u>\$ 261,036,779</u>	<u>\$ 249,049,177</u>	<u>\$ 242,021,714</u>	<u>\$ 228,301,405</u>	<u>\$ 212,254,932</u>	<u>\$ 159,042,249</u>	<u>\$ 142,540,120</u>	<u>\$ 135,660,155</u>
Plan fiduciary net position									
Contributions - employer	\$ 17,370,433	\$ 19,210,540	\$ 12,137,468	\$ 11,825,000	\$ 10,510,000	\$ 7,010,000	\$ 6,621,156	\$ 6,786,549	\$ 6,017,521
Contributions - member	2,667,465	2,527,417	2,183,984	2,119,985	2,094,346	1,955,511	1,873,710	1,871,200	1,876,133
Net investment income	(19,799,377)	37,174,903	5,025,847	6,676,652	9,409,621	10,676,800	628,709	4,747,193	12,817,264
Receipts of In-kind	-	-	-	-	-	-	-	220,613	-
Benefit payments, including refunds of member contributions	(12,702,206)	(11,241,936)	(15,048,127)	(9,973,991)	(8,172,571)	(8,860,156)	(7,789,289)	(6,880,887)	(6,004,103)
Administrative expense	(142,111)	(138,164)	(172,390)	(175,860)	(150,795)	(130,631)	(98,464)	(604,197)	(238,016)
Net changes in plan fiduciary net position	(12,605,796)	47,532,760	4,126,782	10,471,786	13,690,601	10,651,524	1,235,822	6,140,471	14,468,799
Plan fiduciary net positions - beginning	179,820,762	132,288,002	128,161,220	117,689,434	103,998,833	93,347,309	92,111,487	85,971,016	71,502,217
Plan fiduciary net positions - ending (b)	<u>\$ 167,214,966</u>	<u>\$ 179,820,762</u>	<u>\$ 132,288,002</u>	<u>\$ 128,161,220</u>	<u>\$ 117,689,434</u>	<u>\$ 103,998,833</u>	<u>\$ 93,347,309</u>	<u>\$ 92,111,487</u>	<u>\$ 85,971,016</u>
County's net pension - liability - ending (a) - (b)	\$ 108,089,000	\$ 81,216,017	\$ 116,761,175	\$ 113,860,494	\$ 110,611,971	\$ 108,256,099	\$ 65,694,940	\$ 50,428,633	\$ 49,689,139
Plan fiduciary net position as a percentage of total pension liability	60 74%	68 89%	53 12%	52 95%	51 55%	49 00%	58 69%	64 62%	63 37%
Covered employee payroll	\$ 42,021,000	\$ 38,896,000	\$ 39,131,000	\$ 36,785,000	\$ 34,848,986	\$ 33,462,000	\$ 31,662,000	\$ 33,098,009	\$ 35,288,757
Net liability as a percentage of covered payroll	257 23%	208 80%	298 39%	309 53%	317 40%	323 52%	207 49%	152 36%	140 81%
Annual money-weighted rate of return, net of investment expense	(11 01)%	28 10%	3 92%	5 67%	9 05%	11 44%	0 68%	5 52%	17 93%
Notes to schedule:									
This information is not available for FY13 and prior									
Benefit changes: None									
Change of assumptions: None									

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of General Employees' Pension Fund Employer Contributions June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 11,148,000	\$ 11,183,000	\$ 10,916,000	\$ 11,819,000	\$ 10,510,000	\$ 7,009,000	\$ 6,621,000	\$ 6,786,549	\$ 6,442,087
Contributions in relation to the actuarially determined contributions	\$ 17,370,000	19,210,540	12,137,000	11,825,000	10,510,000	7,010,000	6,621,000	6,786,549	6,017,521
Contributions deficiency (excess)	\$ (6,222,000)	\$ (8,027,540)	\$ (1,221,000)	\$ (6,000)	\$ -	\$ (1,000)	\$ -	\$ -	\$ 424,566
Covered employee payroll	\$ 42,021,000	\$ 38,896,000	\$ 39,131,000	\$ 36,785,000	\$ 34,848,986	\$ 33,462,000	\$ 31,662,000	\$ 33,098,009	\$ 35,288,757
Contributions as a percentage of covered employee payroll	41 34%	49 39%	31 02%	32 15%	30 16%	20 95%	20 91%	20 50%	17 05%

Notes to schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar Amount
Remaining amortization period	18 years (closed)
Asset valuation method	5-year smoothed market
Inflation	3 00%
Salary increases	Rates vary by participant service
Investment rate of return	7 25%, net of pension plan investment expense, including inflation
Retirement age	Rates vary by participant age and service
Mortality	RP-2014 Total Dataset with fully generational projection using scale MP-2015

This information is not available for FY13 and prior

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios – Length of Service Award Fund June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service Cost: Retirement benefits Administration	\$ 266,527	\$ 246,501	\$ 237,335	\$ 226,280	\$ 244,565	\$ 234,716	\$ 157,984	\$ 143,037	\$ 147,049
Interest	863,381	826,896	823,402	707,838	702,309	580,130	968,187	922,814	872,518
Differences between expected and actual experiences	55,878	92,770	(222,174)	925,489	24,530	995,034	(6,285,232)	-	-
Changes of assumptions	-	-	(149,195)	343,476	-	356,243	906,099	-	-
Benefit payments, including refunds of member contributions	(672,827)	(653,016)	(629,306)	(588,909)	(555,590)	(518,538)	(490,872)	(461,316)	(431,634)
Net changes in total pension liability	512,959	513,151	60,062	1,614,174	415,814	1,647,585	(4,743,834)	604,535	587,933
Total pension liability - beginning	12,245,124	11,731,973	11,671,911	10,057,737	9,641,923	7,994,338	12,738,172	12,133,637	11,545,704
Total pension liability - ending (a)	\$ 12,758,083	\$ 12,245,124	\$ 11,731,973	\$ 11,671,911	\$ 10,057,737	\$ 9,641,923	\$ 7,994,338	\$ 12,738,172	\$ 12,133,637
Plan fiduciary net position									
Contributions - employer	\$ 386,634	\$ 564,557	\$ 564,557	\$ 460,000	\$ 600,000	\$ 600,000	\$ -	\$ 600,000	\$ 600,000
Net investment income	(1,574,222)	2,866,396	347,769	503,259	721,822	852,460	55,233	381,511	1,074,025
Receipts of In-kind	-	-	-	-	-	-	-	-	15,232
Benefit payments, including refunds of member contributions	(672,827)	(653,016)	(629,306)	(588,909)	(555,590)	(518,538)	(490,872)	(461,316)	(431,634)
Administrative expense	(22,754)	(14,195)	(29,543)	(34,803)	(35,075)	(30,524)	(20,610)	(23,215)	(27,429)
Net changes in plan fiduciary net position	(1,883,169)	2,763,742	253,477	339,547	731,157	903,398	(456,249)	496,980	1,230,194
Plan fiduciary net positions - beginning	12,498,357	9,734,615	9,481,138	9,141,591	8,410,434	7,507,036	7,963,285	7,466,305	6,236,111
Plan fiduciary net positions - ending (b)	\$ 10,615,188	\$ 12,498,357	\$ 9,734,615	\$ 9,481,138	\$ 9,141,591	\$ 8,410,434	\$ 7,507,036	\$ 7,963,285	\$ 7,466,305
County's net pension - liability - ending (a) - (b)	\$ 2,142,895	\$ (253,233)	\$ 1,997,358	\$ 2,190,773	\$ 916,146	\$ 1,231,489	\$ 487,302	\$ 4,774,887	\$ 4,667,332
Plan fiduciary net position as a percentage of total pension liability	83 20%	102 07%	82 98%	81 23%	90 89%	87 23%	93 90%	62 52%	61 53%
Covered employee payroll	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net liability as a percentage of covered payroll	NA	NA	NA	NA	NA	NA	NA	NA	NA
Annual money-weighted rate of return, net of investment expense	(12 60)%	29 45%	3 67%	5 51%	8 58%	11 36%	0 69%	5 11%	17 22%
Notes to schedule:									
This information is not available for FY13 and prior									
Benefit changes	None								
Change of assumptions	None								

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Volunteer Length of Service Award Fund Employer Contributions June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 387,000	\$ 565,000	\$ 565,000	\$ 455,000	\$ 467,000	\$ 467,000	\$ -	\$ 600,000	\$ 585,843
Contributions in relation to the actuarially determined contributions	387,000	565,000	565,000	460,000	600,000	600,000	-	600,000	600,000
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,000)</u>	<u>\$ (133,000)</u>	<u>\$ (133,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,157)</u>
Covered employee payroll	NA	NA	NA	NA	NA	NA	NA	NA	NA
Contributions as a percentage of covered employee payroll	NA	NA	NA	NA	NA	NA	NA	NA	NA

Notes to schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level Percentage of Payroll
Remaining amortization period	11 to 15 years (closed)
Asset valuation method	Market Value
Inflation	3.00%
Salary increases	None
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Retirement age	Normal retirement age
Mortality	Pub-2010 Safety Retirees Headcount-Weighted Mortality with fully generational projection using scale MP2019

This information is not available for FY13 and prior.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statements of Financial Schedules June 30, 2022

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 agriculture land in the County. A portion of the County's transfer tax is used to purchase permanent easements through an installment purchase program and a portion of the transfer tax is remitted to the State for the purchase of easements and transferable development rights.

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statements of Financial Schedules (continued) June 30, 2022

Non-Major Proprietary Funds

The Public Transit Fund accounts for the activities of the public bus transportation system.

The Golf Course Fund accounts for activities at the Black Rock Golf Course including an 18-hole golf course, a full-service pro shop, and a snack bar.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Balance Sheet – Non-Major Governmental Funds As of June 30, 2022

	Grant Management	Cascade Town Centre	Inmate Welfare	Contraband	Agricultural Education Center	Hotel Rental Tax	Gaming	Land Preservation	HEPMPO	Total Non-major Funds
ASSETS										
Cash	\$ 27,496	\$ 952,921	\$ 438,137	\$ 494,368	\$ 47,379	\$ 2,030,588	\$ 2,084,223	\$ 4,132,700	\$ -	\$ 10,207,812
Accounts receivable	-	-	-	-	-	193,463	131,378	-	-	324,841
Interest receivables	-	175	-	-	-	-	-	-	-	175
Leases receivable	-	122,925	-	-	-	-	-	-	-	122,925
Due from other government agencies	141,652	-	-	-	-	-	-	-	77,525	219,177
TOTAL ASSETS	\$ 169,148	\$ 1,076,021	\$ 438,137	\$ 494,368	\$ 47,379	\$ 2,224,051	\$ 2,215,601	\$ 4,132,700	\$ 77,525	\$ 10,874,930
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	\$ 151,675	\$ 5,000	\$ 33,582	\$ -	\$ 13,571	\$ 298,199	\$ 2,026,546	\$ 248,673	\$ 20,243	\$ 2,797,489
Accrued expenses	4,198	-	594	-	806	-	2,687	1,180	37	9,502
Due to other funds	-	-	-	-	-	-	-	-	22,037	22,037
Unearned revenue	5,425	-	-	-	-	-	42,725	965,603	-	1,013,753
Other liabilities	-	-	-	443,417	-	-	-	452,312	-	895,729
TOTAL LIABILITIES	161,298	5,000	34,176	443,417	14,377	298,199	2,071,958	1,667,768	42,317	4,738,510
Deferred Inflow of Resources										
Leases	-	120,232	-	-	-	-	-	-	-	120,232
Total Deferred Inflow of Resources	-	120,232	-	-	-	-	-	-	-	120,232
FUND BALANCES										
Restricted	-	-	403,961	-	-	-	-	-	-	403,961
Committed	-	950,789	-	-	-	-	-	-	-	950,789
Assigned	7,850	-	-	50,951	33,002	1,925,852	143,643	2,464,932	35,208	4,661,438
TOTAL FUND BALANCES	7,850	950,789	403,961	50,951	33,002	1,925,852	143,643	2,464,932	35,208	6,016,188
TOTAL LIABILITIES AND FUND BALANCES	\$ 169,148	\$ 1,076,021	\$ 438,137	\$ 494,368	\$ 47,379	\$ 2,224,051	\$ 2,215,601	\$ 4,132,700	\$ 77,525	\$ 10,874,930

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, 2022

	Grant Management	Cascade Town Centre	Inmate Welfare	Contraband	Agricultural Education Center	Hotel Rental Tax	Gaming	Land Preservation	HEPMPO	Total Non-major Funds
REVENUE										
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,584,873	\$ -	\$ 1,750,962	\$ -	\$ 4,335,835
Licenses and permits	-	-	-	-	-	-	2,786,848	-	-	2,786,848
Charges for services	-	-	456,449	-	47,037	-	-	-	-	503,486
Reimbursed expenses	-	-	-	-	1,345	-	-	-	-	1,345
Miscellaneous revenues	5,000	24,906	166,163	20,242	-	-	-	-	30,798	247,109
Shared taxes and grants	16,757,496	-	-	-	-	-	-	2,523,318	521,481	19,802,295
TOTAL REVENUE	<u>16,762,496</u>	<u>24,906</u>	<u>622,612</u>	<u>20,242</u>	<u>48,382</u>	<u>2,584,873</u>	<u>2,786,848</u>	<u>4,274,280</u>	<u>552,279</u>	<u>27,676,918</u>
EXPENDITURES										
Public safety	-	-	520,041	-	-	-	1,295,506	-	-	1,815,547
Parks, recreation and culture	-	-	-	-	253,374	-	-	-	-	253,374
Land preservation	-	-	-	-	-	-	-	3,146,809	-	3,146,809
General operations	154,287	29,280	-	-	-	531,153	176,703	-	-	891,423
Community promotion	16,882,496	150,000	-	-	-	1,747,761	1,295,506	-	583,583	20,659,346
TOTAL EXPENDITURES	<u>17,036,783</u>	<u>179,280</u>	<u>520,041</u>	<u>-</u>	<u>253,374</u>	<u>2,278,914</u>	<u>2,767,715</u>	<u>3,146,809</u>	<u>583,583</u>	<u>26,766,499</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(274,287)</u>	<u>(154,374)</u>	<u>102,571</u>	<u>20,242</u>	<u>(204,992)</u>	<u>305,959</u>	<u>19,133</u>	<u>1,127,471</u>	<u>(31,304)</u>	<u>910,419</u>
OTHER FINANCING SOURCES										
Transfers in	274,287	-	-	-	231,340	-	-	424,322	28,650	958,599
Transfers out	-	(750,000)	-	-	-	(48,049)	-	-	-	(798,049)
TOTAL OTHER FINANCING SOURCES (USES)	<u>274,287</u>	<u>(750,000)</u>	<u>-</u>	<u>-</u>	<u>231,340</u>	<u>(48,049)</u>	<u>-</u>	<u>424,322</u>	<u>28,650</u>	<u>160,550</u>
NET CHANGES IN FUND BALANCES	<u>-</u>	<u>(904,374)</u>	<u>102,571</u>	<u>20,242</u>	<u>26,348</u>	<u>257,910</u>	<u>19,133</u>	<u>1,551,793</u>	<u>(2,654)</u>	<u>1,070,969</u>
FUND BALANCES - BEGINNING OF YEAR	<u>7,850</u>	<u>1,855,163</u>	<u>301,390</u>	<u>30,709</u>	<u>6,654</u>	<u>1,667,942</u>	<u>124,510</u>	<u>913,139</u>	<u>37,862</u>	<u>4,945,219</u>
FUND BALANCES - END OF YEAR	<u>\$ 7,850</u>	<u>\$ 950,789</u>	<u>\$403,961</u>	<u>\$ 50,951</u>	<u>\$ 33,002</u>	<u>\$ 1,925,852</u>	<u>\$ 143,643</u>	<u>\$ 2,464,932</u>	<u>\$ 35,208</u>	<u>\$ 6,016,188</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statement of Net Position – Non-Major Proprietary Funds As of June 30, 2022

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
ASSETS			
Current Assets:			
Cash	\$ 1,028,691	\$ 955,525	\$ 1,984,216
Accounts receivable	-	11,003	11,003
Due from other governmental agencies	602,311	64,862	667,173
Inventories	192,129	23,099	215,228
Total current assets	1,823,131	1,054,489	2,877,620
Noncurrent Assets:			
Projects under construction	-	64,474	64,474
Property plant and equipment	8,580,463	5,096,266	13,676,729
Accumulated depreciation	(4,673,526)	(3,233,734)	(7,907,260)
Right-to-use leased equipment	2,820	154,048	156,868
Accumulated amortization	(1,030)	(62,964)	(63,994)
Total noncurrent assets	3,908,727	2,018,090	5,926,817
TOTAL ASSETS	5,731,858	3,072,579	8,804,437
LIABILITIES			
Current Liabilities:			
Leases payable	1,059	58,209	59,268
Accounts payable	59,375	27,478	86,853
Accrued expenses	25,090	16,935	42,025
Accrued interest	-	291	291
Compensated absences	80,171	31,895	112,066
Unearned revenue	-	57,310	57,310
Total current liabilities	165,695	192,118	357,813
Noncurrent Liabilities:			
Compensated absences	26,724	10,630	37,354
Leases payable	710	39,296	40,006
Total noncurrent liabilities	27,434	49,926	77,360
TOTAL LIABILITIES	193,129	242,044	435,173
NET POSITION			
Net investment in capital assets	2,332,087	1,960,179	4,292,266
Unrestricted	3,206,642	870,356	4,076,998
TOTAL NET POSITION	\$ 5,538,729	\$ 2,830,535	\$ 8,369,264

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, 2022

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
OPERATING REVENUE			
Charges for services	\$ 264,034	\$ 1,009,838	\$ 1,273,872
Miscellaneous	2,997	16,557	19,554
TOTAL OPERATING REVENUE	<u>267,031</u>	<u>1,026,395</u>	<u>1,293,426</u>
OPERATING EXPENSES			
Salaries and wages	1,563,222	470,831	2,034,053
Fringe benefits	665,072	221,294	886,366
Utilities	26,335	50,666	77,001
Insurance	30,215	9,843	40,058
Repairs and maintenance	142,244	93,146	235,390
Supplies	41,426	3,598	45,024
Cost of goods sold	-	114,249	114,249
Contracted services	120,422	10,448	130,870
Rentals and leases	36,641	1,243	37,884
Other operating	356,364	134,661	491,025
Controllable assets	1,665	3,161	4,826
Depreciation and amortization	189,937	167,033	356,970
TOTAL OPERATING EXPENSES	<u>3,173,543</u>	<u>1,280,173</u>	<u>4,453,716</u>
OPERATING LOSS	<u>(2,906,512)</u>	<u>(253,778)</u>	<u>(3,160,290)</u>
OTHER INCOME			
Interest, penalties & fees	-	(4,476)	(4,476)
TOTAL OTHER INCOME	<u>-</u>	<u>(4,476)</u>	<u>(4,476)</u>
LOSS BEFORE OPERATING TRANSFERS AND GRANTS	(2,906,512)	(258,254)	(3,164,766)
OPERATING TRANSFERS IN	1,068,080	358,440	1,426,520
GRANTS FOR OPERATIONS	<u>1,874,222</u>	<u>-</u>	<u>1,874,222</u>
LOSS BEFORE CAPITAL TRANSFERS AND GRANTS	35,790	100,186	135,976
CAPITAL TRANSFERS	75,000	48,000	123,000
GRANTS FOR CAPITAL PROJECTS	<u>1,850,072</u>	<u>64,474</u>	<u>1,914,546</u>
CHANGES IN NET POSITION	1,960,862	212,660	2,173,522
NET POSITION - BEGINNING OF YEAR	<u>3,577,867</u>	<u>2,617,875</u>	<u>6,195,742</u>
NET POSITION - END OF YEAR	<u>\$ 5,538,729</u>	<u>\$ 2,830,535</u>	<u>\$ 8,369,264</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statement of Cash Flows – Non-Major Proprietary Funds For the Year Ended June 30, 2022

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 249,775	\$ 1,009,665	\$ 1,259,440
Payments to suppliers	(759,318)	(519,160)	(1,278,478)
Payments to employees	(2,268,152)	(712,251)	(2,980,403)
Net Cash Used by Operating Activities	<u>(2,777,695)</u>	<u>(221,746)</u>	<u>(2,999,441)</u>
Cash Flows from Noncapital Financing Activities			
Operating contributions	2,942,302	358,440	3,300,742
Net Cash Provided by Noncapital Financing Activities	<u>2,942,302</u>	<u>358,440</u>	<u>3,300,742</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(1,764,829)	(120,727)	(1,885,556)
Gain/(loss) on the sale of assets	-	-	-
Interest Expense	-	(4,476)	(4,476)
Contribution for capital acquisitions	1,925,072	112,474	2,037,546
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>160,243</u>	<u>(12,729)</u>	<u>147,514</u>
Cash Flows from Investing Activities			
Interest on investments	-	-	-
Net change in cash	324,850	123,965	448,815
Cash, beginning of year	703,841	831,560	1,535,401
Cash, End of Year	<u>\$ 1,028,691</u>	<u>\$ 955,525</u>	<u>\$ 1,984,216</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (2,906,512)	\$ (253,778)	\$ (3,160,290)
Adjustments to reconcile operating loss to net cash			
from operating activities:			
Depreciation	189,937	167,033	356,970
Changes in assets and liabilities:			
Accounts receivable	30	(9,178)	(9,148)
Unbilled receivables	40	-	40
Due to/from other government entities	(17,326)	(64,862)	(82,188)
Inventories	(22,595)	4,905	(17,690)
Accounts payable and other liabilities	18,589	(103,050)	(84,461)
Accrued expenses	(56,245)	(28,263)	(84,508)
Unearned revenue	-	57,310	57,310
Compensated absences	16,387	8,137	24,524
Net Cash Used by Operating Activities	<u>\$ (2,777,695)</u>	<u>\$ (221,746)</u>	<u>\$ (2,999,441)</u>

BUDGET AND ACTUAL SCHEDULE

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual General Fund For the Year Ended June 30, 2022

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUE				
Property Taxes				
Real property tax	\$ 121,831,450	\$ 121,831,450	\$ 120,196,963	\$ (1,634,487)
Personal property tax	14,510,190	14,510,190	17,312,793	2,802,603
Property tax interest income	395,000	395,000	414,117	19,117
Other property tax	966,870	966,870	1,074,355	107,485
State administrative fees	(520,000)	(520,000)	(551,733)	(31,733)
Property tax discounts and credits	(2,512,270)	(2,512,270)	(2,368,282)	143,988
Total Property Taxes	134,671,240	134,671,240	136,078,213	1,406,973
Other Local Taxes				
Income tax	99,282,670	104,432,670	122,923,784	18,491,114
Admissions and amusement tax	150,000	150,000	319,188	169,188
Recordation tax	6,500,000	11,570,000	17,203,855	5,633,855
Trailer tax	250,000	250,000	208,567	(41,433)
Total Other Local Taxes	106,182,670	116,402,670	140,655,394	24,252,724
Other Revenues				
Licenses and permits	1,182,500	1,182,500	2,023,522	841,022
Court costs and fines	1,573,000	1,573,000	1,217,161	(355,839)
Charges for services	1,350,720	1,350,720	1,242,940	(107,780)
Reimbursed expenses	989,970	989,970	971,124	(18,846)
Miscellaneous revenues	416,970	2,366,900	2,546,132	179,232
Grant and shared revenues	5,068,030	21,963,544	13,387,413	(8,576,131)
Interest income	500,000	500,000	351,988	(148,012)
Highway revenues	2,338,500	2,339,810	2,536,471	196,661
Total Other Revenues	13,419,690	32,266,444	24,276,751	(7,989,693)
TOTAL REVENUE	254,273,600	283,340,354	301,010,358	17,670,004
EXPENDITURES				
General Government				
Legislative				
County Commissioners	371,210	371,210	379,186	(7,976)
County Clerk	129,070	129,070	148,885	(19,815)
County Administrator	383,220	383,220	349,381	33,839
Public Relations & Marketing	485,340	487,670	484,159	3,511
Purchasing	519,640	519,640	509,081	10,559
Total Legislative	1,888,480	1,890,810	1,870,692	20,118
Judicial				
Circuit Court	2,011,540	2,011,540	1,837,334	174,206
Orphan's Court	36,150	36,150	36,789	(639)
State's Attorney	4,139,010	4,139,010	3,851,579	287,431
Sheriff - Judicial	3,084,340	3,371,960	3,210,572	161,388
Sheriff - Process Servers	170,700	170,700	126,360	44,340
Grants	-	1,028,455	581,246	447,209
Total Judicial	9,441,740	10,757,815	9,643,880	1,113,935

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, 2022

	Budgeted Amounts		Actual Amounts	Final Budget - Positive (Negative)
	Original	Final		
Election Board	\$ 1,667,570	\$ 1,287,490	\$ 1,208,851	\$ 78,639
Financial Administration				
Budget and Finance	1,670,840	1,670,840	1,529,748	141,092
Independent Auditing	70,000	70,000	63,707	6,293
Treasurer	546,760	546,760	518,374	28,386
Information Technologies	3,194,470	3,194,470	2,938,818	255,652
Total Financial Administration	5,482,070	5,482,070	5,050,647	431,423
County Attorney	767,920	767,920	670,566	97,354
Human Resources	1,127,220	1,127,220	1,103,341	23,879
Planning and Zoning				
Planning and Zoning	830,080	1,150,930	1,100,073	50,857
Board of Zoning Appeals	55,740	55,740	52,371	3,369
Total Planning and Zoning	885,820	1,206,670	1,152,444	54,226
Public Works				
Department of Public Works	256,950	256,950	251,227	5,723
Plan Review and Permitting	1,543,690	521,292	365,325	155,967
Engineering	2,307,280	2,558,531	2,457,073	101,458
Construction	2,218,570	2,663,407	2,334,077	329,330
Total Public Works	6,326,490	6,000,180	5,407,702	592,478
County Owned Buildings				
Martin Luther King Center	99,420	104,420	121,228	(16,808)
Administrative Building	319,710	319,710	285,128	34,582
Court House	291,030	291,030	292,317	(1,287)
County Office Building	226,050	226,050	220,292	5,758
Administration Annex	55,450	55,450	74,427	(18,977)
Central Services	130,850	130,850	106,787	24,063
Rental Properties	6,020	6,020	855	5,165
Library Maintenance	44,000	44,000	30,910	13,090
Dwyer Center	33,450	28,450	20,477	7,973
Election Board Facility	100,740	100,740	96,738	4,002
Senior Center	11,000	11,000	8,498	2,502
Public Facilities Annex	81,840	81,840	86,766	(4,926)
Total County Owned Buildings	1,399,560	1,399,560	1,344,423	55,137
Community Promotion				
Contributions to Non-profits	1,794,530	1,916,566	1,884,278	32,288
Business Development	715,840	715,840	707,025	8,815
Grants	-	11,439,680	5,548,490	5,891,190
Total Community Promotion	2,510,370	14,072,086	8,139,793	5,932,293
Total General Government	31,497,240	43,991,821	35,592,339	8,399,482

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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety				
Sheriff Departments				
Patrol	\$ 13,155,720	\$ 14,153,833	\$ 13,259,210	\$ 894,623
Sheriff Auxiliary	40,000	40,000	90,154	(50,154)
Narcotics Task Force	989,760	989,760	848,028	141,732
Wash. County Police Academy	59,840	59,840	57,318	2,522
Grants	-	717,951	531,899	186,052
Total Sheriff Departments	14,245,320	15,961,384	14,786,609	1,174,775
Fire Operations				
Volunteer Fire and Rescue - County Grants	9,012,160	8,947,160	8,677,223	269,937
Air Unit	28,060	28,060	31,277	(3,217)
Special Operations	194,540	200,670	179,126	21,544
Total Fire and Rescue Services	9,234,760	9,175,890	8,887,626	288,264
Corrections				
Detention Center	16,237,630	17,518,450	18,106,685	(588,235)
Central Booking	1,084,260	1,209,850	1,286,962	(77,112)
Day Reporting Center	471,240	487,310	474,727	12,583
Total Corrections	17,793,130	19,215,610	19,868,374	(652,764)
Other Public Safety				
911 - Communications	6,276,090	6,215,210	5,756,691	458,519
Wireless Communications	1,376,980	1,425,060	1,335,369	89,691
Emergency Management	215,490	215,490	197,863	17,627
EMS Operations	2,584,350	2,584,350	2,687,573	(103,223)
Fire Operations	4,823,100	4,823,100	4,496,768	326,332
Public Safety Training Center	167,740	142,740	98,032	44,708
Forensic Investigator	30,000	30,000	28,600	1,400
Civil Air Patrol	3,600	3,600	3,600	-
Animal Control	1,436,640	1,506,640	1,506,640	-
Grants	-	3,709,419	1,632,680	2,076,739
Other Public Safety	16,913,990	20,655,609	17,743,816	2,911,793
Total Public Safety	58,187,200	65,008,493	61,286,425	3,722,068
Health	2,339,270	2,339,270	2,339,270	-
Social Services	446,010	446,010	446,010	-
Education	115,877,000	115,877,000	115,877,000	-
Parks, Recreation, and Culture				
Total Contributions to Other Agencies	3,261,560	3,261,560	3,261,560	-
Buildings, Grounds & Facilities	2,344,710	2,194,710	1,914,470	280,240
Martin L. Snook Park Pool	155,830	155,830	133,419	22,411
Parks and Recreation	1,314,640	1,497,580	1,466,615	30,965
Total Parks, Recreation, and Culture	7,076,740	7,109,680	6,776,064	333,616

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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Conservation of Natural Resources				
Weed Control	\$ 320,980	\$ 320,980	\$ 186,953	\$ 134,027
Agricultural Extension Service	244,930	244,930	244,930	-
Cooperative Extension	38,730	38,730	38,730	-
Soil Conservation Service	223,680	223,680	223,680	-
Environmental Pest Management	45,500	45,500	40,867	4,633
Total Conservation of Natural Resources	<u>873,820</u>	<u>873,820</u>	<u>735,160</u>	<u>138,660</u>
Highway	<u>11,476,800</u>	<u>11,478,110</u>	<u>10,554,751</u>	<u>923,359</u>
General Operations	<u>3,955,200</u>	<u>725,740</u>	<u>1,059,285</u>	<u>(333,545)</u>
Unallocated Employee Insurance and Benefits	<u>125,000</u>	<u>5,067,780</u>	<u>3,771,984</u>	<u>1,295,796</u>
Intergovernmental				
Golf Course operating transfer	349,820	358,440	358,440	-
HEPMPO operating transfer	10,030	10,030	10,030	-
Land Preservation operating transfer	28,930	28,930	24,322	4,608
Utility Administration operating transfer	425,470	425,470	389,867	35,603
Water operating transfer	187,280	187,280	187,280	-
Public Transit operating transfer	1,046,100	1,086,700	1,086,700	-
Airport operating transfer	-	8,000	8,000	-
Capital Projects operating transfer	4,030,000	11,976,090	32,976,090	(21,000,000)
Solid Waste operating transfer	450,000	450,000	450,000	-
Grants Management operating transfer	349,010	349,010	274,287	74,723
Agricultural Education Center operating transfer	231,340	231,340	231,340	-
Municipality in lieu of bank shares	38,550	38,550	38,543	7
Total Intergovernmental	<u>7,146,530</u>	<u>15,149,840</u>	<u>36,034,899</u>	<u>(20,885,059)</u>
Billables	<u>-</u>	<u>-</u>	<u>262,990</u>	<u>(262,990)</u>
Debt Service	<u>15,272,790</u>	<u>15,272,790</u>	<u>14,905,563</u>	<u>367,227</u>
TOTAL EXPENDITURES	<u>254,273,600</u>	<u>283,340,354</u>	<u>289,641,740</u>	<u>(6,301,386)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>11,368,618</u>	<u>\$ 11,368,618</u>
FUND BALANCE - BEGINNING			<u>61,999,084</u>	
FUND BALANCE - ENDING			<u>\$ 73,367,702</u>	

OTHER SCHEDULE

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Local Management Board – Schedule of Revenue and Expenditures – Regulatory Basis For the Year Ended June 30, 2022

REVENUE

Community Partnership Agreement (CPA)	
Governor's Office for Children	\$ 652,664
Non- Community Partnership Agreement (Non-CPA)	
General Fund	274,287
Md State Department of Aging	17,940
Md State Department of Education	478,377
Dept. of Housing and Community Development	15,613,515
Total Non-Community Partnership Agreement Revenue	<u>16,384,119</u>
TOTAL REVENUE	<u>17,036,783</u>

EXPENDITURES

Community Partnership Agreement (CPA)	
Administrative :	
Salaries	69,475
Benefit Costs	43,355
Small office equipment	-
Office supplies	1,315
Printing expenses	-
Travel Expenses	-
Training	-
Controllable Assets	-
Total CPA Administrative Expenditures	<u>114,145</u>
Programs:	
Western MC Disconnected Youth	43,231
GOC-School Based Mental Health	231,446
Family Centered Support Services	75,825
IACM for Children of Incarcerated Parents	68,180
GOC - Local Care Team Coordinator	54,000
GOC - WC Reengagement Center for Disconnected Youth	65,838
Total CPA Program Expenditures	<u>538,520</u>
Non-Community Partnership Agreement (CPA)	
Administrative:	
Salaries	103,370
Benefit Costs	47,172
Advertising	428
Community Service Awards	-
Dues & Subscriptions	274
Office Supplies	1,269
Personal Mileage	-
Postage	-
Printing Expenses	66
Travel Expenses	-
Entertainment/business expense	-
Training	929
Copy Machine Rental	779
Telephone Expenses	-
Controllable Assets	-
Total Non-CPA Administrative Expenditures	<u>154,287</u>
Programs:	
School Based Mental Health	120,000
Commission on Aging	17,940
MSDE - Healthy Families	478,377
Dept. of Housing and Community Development	15,613,514
Total Non-CPA Program Expenditures	<u>16,229,831</u>
TOTAL EXPENDITURES	<u>17,036,783</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>\$ -</u>

SINGLE AUDIT



S B & COMPANY, LLC
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

County Commissioners of Washington County
Hagerstown, Maryland

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 28, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Owings Mills, Maryland
October 28, 2022

SB & Company, LLC



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**REPORT ON INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

County Commissioners of Washington County
Hagerstown, Maryland

Opinion on Each Major Federal Program

We have audited the County Commissioners of Washington County, Maryland (the County)'s compliance with the types of compliance requirements identified as subject to the audit in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of County's major Federal Programs for the year ended June 30, 2022. The County's major Federal Programs are identified in the summary of independent public accountants' results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Board of Education of Washington County, which received Federal awards that are not included in the accompanying Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of this entity because other auditors were engaged to perform separate audits in accordance with the Uniform Guidance.

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major Federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.



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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's Federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. 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, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major Federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



S B & COMPANY, LLC
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Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Owings Mills, Maryland
March 27, 2023

SB & Company, LLC

COUNTY COMMISSIONERS OF WASHINGTON COUNTY, MARYLAND

Schedule of Expenditures and Federal Awards For the Year Ended June 30, 2022

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Grantor or Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Paid to Subrecipients
<u>DIRECT EXPENDITURES OF FEDERAL AWARDS:</u>				
<u>Department of Justice</u>				
COVID-19 - 2020 USDOJ Coronavirus Emergency Supplemental Funding Program	16 034	2020-VD-BX-1380	\$ 16,919	\$ -
2020 Edward Byrne Memorial Justice Assistant Grant	16 738	2020-DJ-BX-0589	15,916	-
NTF- City/County Reserve- Equitable Sharing Program	16 922	Various	54,754	-
Organized Crime Drug Enforcement Task Forces Program (OCDETF)	16 Unknown	MA-MD-0737	992	-
Organized Crime Drug Enforcement Task Forces Program (OCDETF)	16 Unknown	MA-MD-0738	8,935	-
DEA	16 Unknown	Unknown	9,641	-
Total Department of Justice			107,157	-
<u>Department of Transportation</u>				
COVID-19 - Airport Coronavirus Response Grant Program	20 106	AIP-3-24-0019-066-2021	409,032	-
Airport Rescue Grant Program	20 106	AIP-3-24-0019-067-2022	992,214	-
Airport Runway 9/27 Rehabilitation	20 106	AIP-3-24-0019-063-2020	18,198	-
Taxiway F Rehabilitation	20 106	AIP-3-24-0019-065-2021	251,410	-
Total Department of Transportation			1,670,854	-
<u>Department of Homeland Security</u>				
TSA- Enhance Cleaning	97 Unknown	Unknown	25,724	-
Total Department of Homeland Security			25,724	-
<u>Department of the Treasury</u>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds/American Rescue Plan Act	21 027	Unknown	4,743,854	-
COVID-19 -American Rescue Plan Act- Convention and Visitors Bureau	21 027	Unknown	500,000	-
COVID-19 -American Rescue Plan Act- Grant Manager for ARPA	21 027	Unknown	4,056	-
Total Department of the Treasury			5,247,910	-
TOTAL DIRECT FEDERAL EXPENDITURES			7,051,645	-
<u>INDIRECT EXPENDITURES OF FEDERAL AWARDS:</u>				
<u>Department of Housing and Urban Development</u>				
Passed Through Maryland Department of Housing and Community Development				
Horizon Goodwill	14 228	MD-19-CD-8	36,708	36,708
Total Department of Housing and Urban Development			36,708	36,708
<u>Department of Justice</u>				
Passed Through Governor's Office of Crime, Prevention, Youth, and Victim Services				
GOCCP Involved Parents Program	16 812	2018-CZ-BX-0001	33,406	-
GOCCP Mindful Gardening Program at DRC	16 738	2018-MU-BX-0215	20,350	-
Total Department of Justice			53,756	-
<u>Department of Transportation</u>				
Passed Through The Maryland State Highway Administration				
Highway Planning and Construction - Old Roxbury Road Bridge	20 205	WA264ZM1	43,966	-
Highway Planning and Construction - Crystal Falls Drive Bridge	20 205	WA394M21	14,813	-
Highway Planning and Construction - Keedysville Road Bridge	20 205	WA396ZM1	3,667	-
Highway Planning and Construction - Halfway Blvd Bridges	20 205	WA400ZM1	15,131	-
Passed through Maryland Department of Transportation				
Metropolitan Transportation Planning Grant HEPMPPO	20 505	FY2022 UPWP	463,539	-
Federal Transit Formula Grants "JOBS"	20 507	WA125307O2022	933,541	-
COVID-19 CARES Act- Transit/Operational	20 507	WA12CARE2020	405,072	-
WCT- Transit Buses	20 507	WA125307C2018	447,086	-
WCT- Transit Buses	20 507	WA125339C2018	495,773	-
WCT- Transit Buses	20 507	WA125339C2019	398,400	-
WCT- Small Bus Replacement	20 526	WA125339C2021	69,762	-
CARES Act- Preventative Maintenance	20 507	WA12CARES07C2020	299,336	-
Total Department of Transportation			3,590,086	-

COUNTY COMMISSIONERS OF WASHINGTON COUNTY, MARYLAND

Schedule of Expenditures and Federal Awards (continued) For the Year Ended June 30, 2022

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Grantor or Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Paid to Subrecipients
<u>Department of the Treasury</u>				
Passed Through Washington County Health Department				
COVID-19- CARES Act- PR Campaign	21 019	Unknown	\$ 20,162	\$ -
			<u>20,162</u>	<u>-</u>
Passed Through Department of Housing and Community Development				
COVID-19- Emergency Rental Assistance Program Grant- CAC	21 023	ERA0386	9,080,615	9,070,259
COVID-19- Emergency Rental Assistance Program Grant- CAC II	21 023	ERAE0073	6,491,192	6,490,121
			<u>15,571,807</u>	<u>15,560,380</u>
Passed Through Maryland Department of Commerce				
COVID-19- MD RELIEF Act- Online Sales and Telework Assistance	21 027	Unknown	125,164	-
			<u>125,164</u>	<u>-</u>
Total Department of the Treasury			<u>15,717,133</u>	<u>15,560,380</u>
<u>Department of Health and Human Services</u>				
Passed through Maryland Department of Human Resources				
Child Support Enforcement Administration	93 563	CSEA-CRA-21-041	54,720	-
Child Support Enforcement Administration	93 563	CSEA-CRA-22-041	192,050	-
Total Department of Health and Human Services			<u>246,770</u>	<u>-</u>
<u>Executive Office of the President</u>				
Passed Through Mercyhurst University				
High Intensity Drug Trafficking Areas Program (HIDTA)	95 001	G21WB0004A	3,015	-
High Intensity Drug Trafficking Areas Program (HIDTA)	95 001	G22WB00004A	6,452	-
Total Executive Office of the President			<u>9,467</u>	<u>-</u>
<u>Department of Homeland Security</u>				
Passed through Maryland Emergency Management Agency				
Law Enforcement Officer Reimbursement (TSA-AIRPORT)	97 090	70T02021T6114N048	12,440	-
FEMA - Covid-19 Cleaning	97 036	FEMA-4491-DR-MD	232,306	-
Assistane to Firefighters Grant - Halfway	97 044	EMW-2019-FG-08894	143,636	-
Emergency Management Performance Grant FFY20 "EMPG"	97 042	EMP-2020-EP-00002-S01	66,232	-
Emergency Management Performance Grant FFY21 "EMPG"	97 042	EMP-2021-EP-00003-S01	23,333	-
Homeland Security Grant Program- FFY2019	97 067	EMW-2019-SS-00064-SHSP	186,175	-
Homeland Security Grant Program- FFY2021	97 067	EMW-2021-SS-00047-SHSP	27,123	-
Homeland Security Grant Program-FFY2020	97 067	EMW-2020-SS-00010-SHSP	66,506	-
			<u>757,751</u>	<u>-</u>
Passed Through Federal Emergency Management Agency				
Staffing for Adequate Fire and Emergency Response (SAFER)	97 083	EMW-2019-FF-01195	2,285,804	-
Total Department of Homeland Security			<u>3,043,555</u>	<u>-</u>
TOTAL INDIRECT EXPENDITURES OF FEDERAL AWARDS			<u>22,697,475</u>	<u>15,597,088</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 29,749,120</u>	<u>\$ 15,597,088</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY, MARYLAND

Notes to the Schedule of Expenditures and Federal Awards For the Year Ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of the County Commissioners of Washington County, Maryland (the County) are included in the scope of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Single Audit) for the year ended June 30, 2022. The Single Audit was performed in accordance with the provisions of the OMB Compliance Supplement (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the major grant programs noted below. The programs on the schedule of expenditures of Federal awards represent all Federal award programs for fiscal year 2022 cash or non-cash expenditure activities. For our single audit testing, we tested Federal award programs to ensure coverage of at least 20% of Federally granted funds. Our actual coverage was 94%.

Expenditures reported on the schedule of expenditures of Federal awards (the Schedule) are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Management has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Major Programs	Federal Assistance Listing	Federal Expenditures
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	\$ 2,285,804
Airport Improvement Program	20.106	1,670,854
Federal Transit Formula Grants	20.507	2,979,208
COVID-19- Emergency Rental Assistance Program Grant	21.023	15,571,807
COVID-19 - Covid State and Local Fiscal Recovery	21.027	5,373,074
Total		\$ 27,880,747

2. BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal awards (the Schedule) includes the Federal award activity of the County under programs of the Federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY, MARYLAND

Schedule of Findings and Questioned Costs June 30, 2022

Section I- Summary of Independent Public Accountants' Results

Financial Statements

Type of Independent Public Accountants' Report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Type of Independent Public Accountants report issued on compliance for major programs	Unmodified
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Any audit findings disclosed that are required to be reported in accordance with section 200.516(a) of the Uniform Guidance?	No

Identification of Major Programs:

Major Programs	Assistance Listing Numbers	Federal Expenditures
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	\$ 2,285,804
Airport Improvement Program	20.106	1,670,854
Federal Transit Formula Grants	20.507	2,979,208
COVID-19- Emergency Rental Assistance Program Grant	21.023	15,571,807
COVID-19 - Covid State and Local Fiscal Recovery	21.027	5,373,074
Total		<u>\$ 27,880,747</u>
Threshold for distinguishing between Type A and B programs		\$ 892,474
Did the County qualify as a low risk auditee?		Yes

COUNTY COMMISSIONERS OF WASHINGTON COUNTY, MARYLAND

**Schedule of Findings and Questioned Costs
June 30, 2022**

Section II - Financial Statement Findings

No findings were reported.

Section III - Federal Award Findings

No findings were reported.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY, MARYLAND

**Schedule of Findings and Questioned Costs
June 30, 2022**

There are no prior year findings in the June 30, 2021 single audit report.