

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

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

For the Year Ended June 30, 2020



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JUNE 30, 2020

CONTENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
Statement of Net Position	23
Statement of Activities	24
Balance Sheet – Governmental Funds	26
Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position	27
Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds	28
Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29
Statement of Net Position – Proprietary Funds	30
Statement of Revenue, Expenses, and Changes in Net Position – Proprietary Funds	31
Statement of Cash Flows – Proprietary Funds	32
Statement of Net Position – Fiduciary Funds	33
Statement of Changes in Net Position – Fiduciary Funds	34
Notes to the Financial Statements	35
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in Net OPEB Liability and Related Ratios	107
Schedule of OPEB Trust Fund Employer Contributions	108
Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios – General Employees’ Pension Fund	109
Schedule of General Employees’ Pension Fund Employer Contributions	110
Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios – Volunteer Length of Service Award Fund	111
Schedule of Volunteer Length of Service Award Fund Employer Contributions	112
COMBINING AND INDIVIDUAL FUND STATEMENTS	
Combining Statements of Financial Schedules	113
Combining Balance Sheet – Non-Major Governmental Funds	115
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds	116
Combining Statement of Net Position – Non-Major Proprietary Funds	117
Combining Statement of Revenue, Expenses, and Changes in Fund Net Position – Non-Major Proprietary Funds	118
Combining Statement of Cash Flows – Non-Major Proprietary Funds	119
BUDGET AND ACTUAL SCHEDULE	
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	121
OTHER SCHEDULE	
Local Management Board – Schedule of Revenue and Expenditures- Regulatory Basis	126



REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

County Commissioners of Washington County
Hagerstown, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County Commissioners of Washington County, Maryland (the County) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



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

Opinions

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information, of the County Commissioners of Washington County, Maryland, as of June 30, 2020, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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



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

Owings Mills, Maryland
October 29, 2020

SB & Company, LLC



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

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

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

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

1) Government-wide Financial Statements

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

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

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

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



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

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

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

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

2) ***Fund Financial Statements***

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

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

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

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

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



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

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

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

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

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

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

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

3) ***Notes to the Financial Statements***

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36-99 of this report.

4) ***Supplementary Information***

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

In addition to this MD&A, required supplementary information can be found on page 107-112 of this report.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Financial Analysis on Government-Wide Financial Statements

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$531.1 million as of the close of the most recent fiscal year.

Washington County, Maryland
Net Position
(Government-Wide)

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

The largest portion of the County's net position reflects its investments in capital assets (e.g., land, roads, and bridges); less related outstanding debt used to acquire those assets in the amount of \$570.0 million. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County's net position, \$34.7 million, represents resources that are subject to external restrictions on how they may be used. The remaining portion is unrestricted net deficit of (\$73.6) million.

Unrestricted net assets in governmental activities have been reduced by \$45.5 million in long-term debt, resulting in unrestricted net assets of (\$53.5) million. This long-term debt was incurred by the County's general fund for the purpose of capital asset acquisition for the Board of Education of \$40.2 million and Hagerstown Community College of \$5.3 million. The capital assets acquired with these bonds are not reflected in the County's primary government financial statements.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2020	2019	2020	2019	2020	2019
Program Revenues:						
Charges for Services	\$7,369,104	\$8,911,900	\$23,947,279	\$24,085,408	\$31,316,383	\$32,997,308
Operating Grants and Contributions	10,523,916	11,288,464	2,007,634	1,288,927	12,531,550	12,577,391
Capital Grants and Contributions	13,020,604	7,303,444	6,041,641	3,226,096	19,062,245	10,529,540
General Revenues:						
Property Taxes	130,183,505	127,501,045	-	-	130,183,505	127,501,045
Local Taxes	113,496,232	106,616,922	-	-	113,496,232	106,616,922
Other	4,229,820	1,805,760	372,533	648,941	4,602,353	2,454,701
Total Revenues	278,823,181	263,427,535	32,369,087	29,249,372	311,192,268	292,676,907
Program Expenses:						
General Government	38,552,091	53,167,068	-	-	38,552,091	53,167,068
Public Safety	63,008,479	53,310,570	-	-	63,008,479	53,310,570
Health	2,339,270	2,339,270	-	-	2,339,270	2,339,270
Social Services	435,560	435,560	-	-	435,560	435,560
Education	120,725,832	109,861,730	-	-	120,725,832	109,861,730
Parks and Recreation	7,356,435	6,701,519	-	-	7,356,435	6,701,519
Natural Resources	1,674,571	4,883,747	-	-	1,674,571	4,883,747
Community Promotion	3,831,261	4,368,506	-	-	3,831,261	4,368,506
Highways and Streets	21,702,882	15,766,167	-	-	21,702,882	15,766,167
Interest on Long-term Debt	4,737,036	4,909,524	-	-	4,737,036	4,909,524
Business-type Activities:						
Water Quality	-	-	14,589,953	14,427,578	14,589,953	14,427,578
Solid Waste	-	-	7,486,122	8,473,176	7,486,122	8,473,176
Public Transit	-	-	3,197,038	3,024,616	3,197,038	3,024,616
Airport	-	-	8,448,124	8,499,404	8,448,124	8,499,404
Golf Course	-	-	1,198,840	1,191,521	1,198,840	1,191,521
Total Expenses	264,363,417	255,743,661	34,920,077	35,616,295	299,283,494	291,359,956
Change in Net Position before transfers	14,459,764	7,683,874	(2,550,990)	(6,366,923)	11,908,774	1,316,951
Transfers	(5,683,433)	(2,465,854)	5,683,433	2,465,854	-	-
Contributed Capital	-	-	-	-	-	-
Proceeds of Bond Sale	-	98,725	-	-	-	98,725
Change in Net Position	8,776,331	5,316,745	3,132,443	(3,901,069)	11,908,774	1,415,676
Net Position – Beginning of year	320,357,243	315,040,498	198,834,663	202,735,732	519,191,906	517,776,230
Net Position – End of year	\$329,133,574	\$320,357,243	\$201,967,106	\$198,834,663	\$531,100,680	\$519,191,906



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

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

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

Revenues increased over FY2019 by \$15.4 million.

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

Expenditures increased over FY2019 by \$8.6 million.

- General Government decreased by approximately \$14.6 million, with \$13.9 million of the change related to reclassifying capital expenditures and recording fixed assets in governmental funds. Capital Improvement transactions are earmarked for specific capital related projects and its cash flow will vary depending on the construction schedule and grant reimbursements. The remaining reduction of \$0.7 million in operational savings is the result of the 2.5% step increase which was offset through other operational savings as well as wage and benefits savings as a result of vacancies and lower health insurance costs.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

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

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

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

Revenues increased over FY2019 by \$3.1 million.

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



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

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

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

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

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

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

Change over FY2019 by Fund

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

Solid Waste's operating revenue increased over FY19 by approximately \$0.5 million due to increased tipping fee revenue. The rates remained unchanged for FY20. Operating expenses were \$0.9 million less than last year and the transfer from the general fund was reduced by \$0.4 million. In 2012, the 40 West landfill site was re-designed which changed the total life from 62 years to 120 years generating an additional four million cubic yards of available air space.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

This change in accounting estimate had no effect on the total estimated closure and post closure cost which are in compliance with State financial assurance requirements.

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

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

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

Financial Analysis on Government Fund Financial Statements

Governmental Funds:

The focus of the County's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined fund balances of \$129.1 million, an increase of \$0.2 million. Approximately \$53.5 million of this amount is committed for the general fund cash reserve and \$70.3 million is restricted or committed for construction projects and designated programs. In the combined governmental activities the County maintains 11 separate funds. Shown below are fund balances and net changes in fund balance for each.

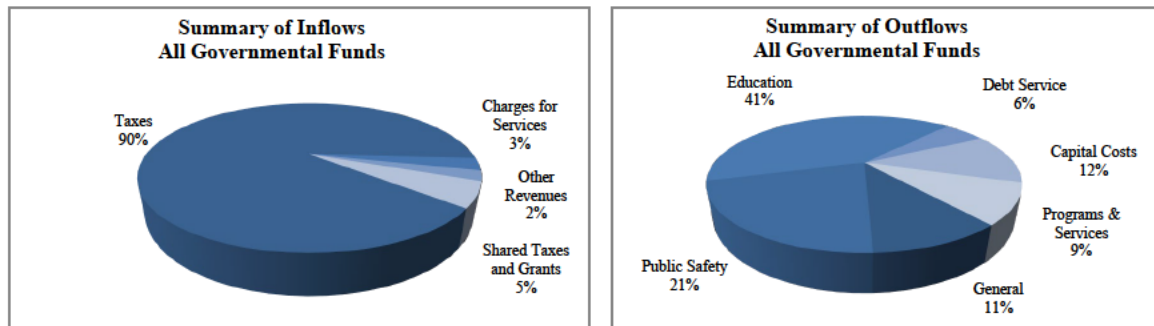


MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

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

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

The following reflects all inflows and outflows of the governmental funds in total for the fiscal year ending June 30, 2020.



- The **General Fund** is the chief operating fund of the County. At the end of the current fiscal year total fund balance reached \$56.0 million. As a measure of the General Fund's liquidity, it may be useful to compare both committed fund balance and total fund balance to total fund expenditures.

The General Fund fund balance increased by approximately \$10.5 million during the current fiscal year. Key factors related to this change are:



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Major Revenue Factors:

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

Major Expenditure Factors:

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



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

- The **Capital Projects Fund** is used to account for major capital acquisition and construction of County operations. At the end of the current fiscal year the Capital Project Fund has a total fund balance of \$70.3 million all of which is designated for capital related projects. Major funding sources for projects are pay-go-funding, debt proceeds, fees and taxes, and grants. Fund balance decreased by \$9.9 million for the current fiscal year. The change in fund balance is the result of timing differences in projects with funding proceeds and project expenditures and use of prior project savings.
- The County's **Grant Management, Cascade Town Centre, Inmate Welfare, Contraband, Agricultural Education, Hotel Rental Tax, Gaming, HEPMPO, and Land Preservation Funds** combined have a fund balance of \$2.8 million. These funds represent monies designated for specific programs and services. The net decrease in fund balance during the current year was \$0.4 million and was mainly attributed to Cascade Town Centre

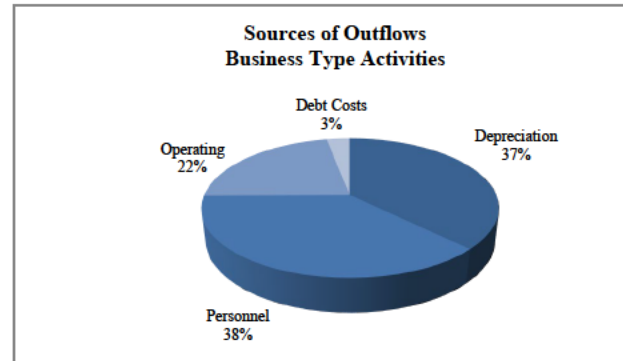
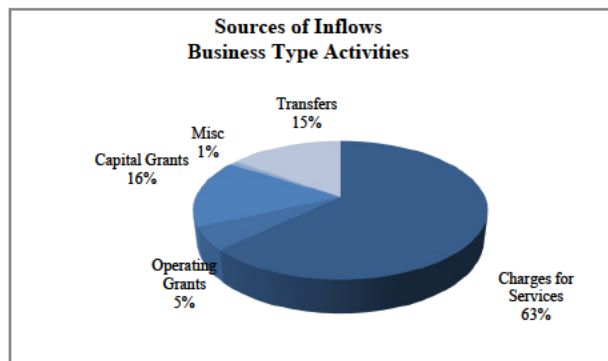
Proprietary Funds:

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

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

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

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





MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

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

General Fund Budgetary Analysis – Government Fund Financial Statement Basis

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

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

Original Budget vs. Final Budget:

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



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Final Budget vs. Actual Results:

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

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

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

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

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

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

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

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



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

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

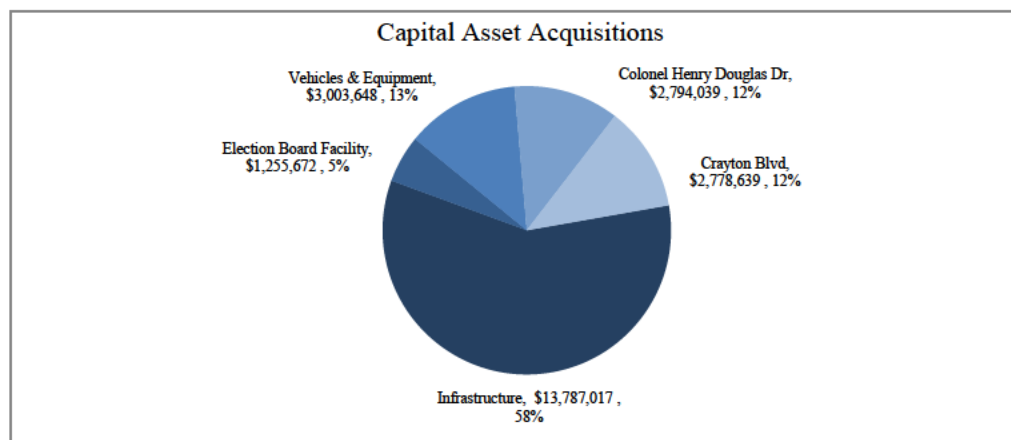
Capital Asset Administration – Government Wide Statements

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

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

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

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



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



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Debt Administration

At the end of the current fiscal year, the County had total outstanding debt, excluding capital leases, of \$198.9 million. This amount was comprised of debt backed by the full faith and credit of the County and user fees. The debt balance remained relatively the same as last year, the result of net principal payments of \$14.2 million and new borrowings of \$14.2 million. Funds borrowed were used mainly for infrastructure and education projects.

Washington County, Maryland
Outstanding Debt
(Government – Wide)

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

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

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

Additional Information on the County's long-term debt can be found in note 8 on pages 62-66 of this report.

Economic Factors

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



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

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

- ❑ Sewer rates were increased by 3.5% for the 2021 budget year while water rates remained the same. This revenue increase is based on financial information formulated annually from the County's cost of service model.
- ❑ Washington County is heavily involved in the Urban Improvement Project which strives to develop and revitalize the downtown district. Funding for this project includes a combination of County, City, State, and private developer contributions. The Maryland Theatre and Barbara Ingram School for the Arts renovations are substantially complete. Discussions surrounding the plaza continue between the City, the county, and private developers.
- ❑ Large development projects occurring in the county continue to move forward despite the pandemic.

Impact of the Covid-19 Pandemic

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



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

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

The County's principal source of revenue is local taxes, which represents 96% of the General Fund budget: 56% from real property taxes, 37% from local income taxes and 3% from other local taxes. Income tax revenues appear to have been positively impacted by the enhanced benefit provided by Congress of an additional \$600 per week for unemployment benefits, as well as higher than anticipated reconciling distributions for previous tax years.

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

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



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Requests for Information

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Activities For the Year Ended June 30, 2020

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

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

CHANGE IN NET POSITION

NET POSITION - BEGINNING OF YEAR

NET POSITION - END OF YEAR

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Activities For the Year Ended June 30, 2020

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Balance Sheet - Governmental Funds As of June 30, 2020

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

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

Fund balance governmental funds	\$	129,097,017
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Capital assets, net		420,143,142
Projects under construction		20,172,581
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds:		
Net other post employment benefits asset		10,931,012
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds		
Unavailable revenues		24,442,355
Net deferred outflow of resources, including loss on refunding, net deferred pension activity and net deferred OPEB activity are not financial resources and therefore are not reported in the funds		
		1,657,342
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Long-term obligations		(151,304,826)
Installment purchase obligations		(1,123,772)
Capital lease obligations		(342,851)
Accrued interest payable - net of IRS subsidy		(2,316,622)
Compensated absences and net pension liability		(122,221,804)
Net position of governmental activities	\$	<u>329,133,574</u>

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

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

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

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

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

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

In the statement of activities, only the gain or loss on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold. (119,638)

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

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

In the statement of activities, compensated absences and post-retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used. This year, compensated absences and post-retirement benefits earned exceeded financial resources used. (7,253,168)

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Revenue, Expenses and Changes in Net Position - Proprietary Funds For the Year Ended June 30, 2020

	Business Type Activities - Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	Total
OPERATING REVENUE					
Charges for services	\$ 12,460,367	\$ 7,714,284	\$ 2,510,284	\$ 1,262,344	\$ 23,947,279
Miscellaneous	10,652	143,476	43,711	31,228	229,067
TOTAL OPERATING REVENUE	<u>12,471,019</u>	<u>7,857,760</u>	<u>2,553,995</u>	<u>1,293,572</u>	<u>24,176,346</u>
OPERATING EXPENSES					
Salaries and wages	4,103,723	1,418,394	700,050	1,885,003	8,107,170
Fringe benefits	2,825,061	838,190	408,249	914,023	4,985,523
Utilities	977,383	52,675	194,837	74,124	1,299,019
Insurance	140,842	27,997	48,532	38,629	256,000
Repairs and maintenance	325,012	494	58,938	290,564	675,008
Supplies	259,905	101,484	10,700	63,627	435,716
Cost of goods sold	-	-	-	73,138	73,138
Contracted services	209,071	1,646,727	59,083	211,788	2,126,669
Rentals and leases	37,906	1,626	4,036	89,892	133,460
Other operating	1,024,452	889,235	213,433	348,456	2,475,576
Uncollectible accounts	(67)	(63,146)	(21,243)	-	(84,456)
Controllable assets	52,323	225,078	67,088	7,953	352,442
Depreciation	3,900,916	2,042,173	6,693,910	398,681	13,035,680
TOTAL OPERATING EXPENSES	<u>13,856,527</u>	<u>7,180,927</u>	<u>8,437,613</u>	<u>4,395,878</u>	<u>33,870,945</u>
OPERATING INCOME (LOSS)	<u>(1,385,508)</u>	<u>676,833</u>	<u>(5,883,618)</u>	<u>(3,102,306)</u>	<u>(9,694,599)</u>
OTHER INCOME (EXPENSE)					
Interest expense	(733,426)	(305,195)	(10,511)	-	(1,049,132)
Interest income	122,614	2,563	1,738	11	126,926
Gain on disposal of assets	-	-	-	16,540	16,540
TOTAL OTHER INCOME (EXPENSE)	<u>(610,812)</u>	<u>(302,632)</u>	<u>(8,773)</u>	<u>16,551</u>	<u>(905,666)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS AND GRANTS	<u>(1,996,320)</u>	<u>374,201</u>	<u>(5,892,391)</u>	<u>(3,085,755)</u>	<u>(10,600,265)</u>
OPERATING TRANSFERS IN	<u>3,228,140</u>	<u>598,340</u>	<u>11,640</u>	<u>941,730</u>	<u>4,779,850</u>
OPERATING TRANSFERS OUT	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,730)</u>	<u>(17,730)</u>
GRANTS FOR OPERATING	<u>307,500</u>	<u>-</u>	<u>451,772</u>	<u>1,248,362</u>	<u>2,007,634</u>
NET INCOME (LOSS) BEFORE CAPITAL TRANSFERS AND GRANTS	<u>1,539,320</u>	<u>972,541</u>	<u>(5,428,979)</u>	<u>(913,393)</u>	<u>(3,830,511)</u>
CAPITAL TRANSFERS	<u>179,313</u>	<u>-</u>	<u>607,000</u>	<u>135,000</u>	<u>921,313</u>
CAPITAL GRANTS AND CONTRIBUTIONS	<u>1,716,531</u>	<u>-</u>	<u>3,830,375</u>	<u>494,735</u>	<u>6,041,641</u>
CHANGES IN NET POSITION	<u>3,435,164</u>	<u>972,541</u>	<u>(991,604)</u>	<u>(283,658)</u>	<u>3,132,443</u>
NET POSITION - BEGINNING OF YEAR	<u>139,158,460</u>	<u>2,898,594</u>	<u>50,681,144</u>	<u>6,096,465</u>	<u>198,834,663</u>
NET POSITION - END OF YEAR	<u>\$ 142,593,624</u>	<u>\$ 3,871,135</u>	<u>\$ 49,689,540</u>	<u>\$ 5,812,807</u>	<u>\$ 201,967,106</u>

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Cash Flows – Proprietary Funds For the Year Ended June 30, 2020

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Changes in Net Position - Fiduciary Funds For the Year Ended June 30, 2020

	<u>Pension Trust</u>	<u>LOSAP Trust</u>	<u>OPEB Trust</u>	<u>Total Pension and OPEB Trust Funds</u>	<u>Private Purpose Trust</u>
ADDITIONS					
Contributions:					
Employer	\$ 12,137,468	\$ 564,557	\$ 14,879	\$ 12,716,904	\$ -
Plan members	2,183,984	-	-	2,183,984	-
Gifts and contributions	-	-	-	-	6,700
Total Contributions	<u>14,321,452</u>	<u>564,557</u>	<u>14,879</u>	<u>14,900,888</u>	<u>6,700</u>
Investment Income:					
Realized and unrealized gains	711,411	39,492	151,759	902,662	-
Interest and dividends	55,928	3,933	14,648	74,509	3,058
Other income	4,258,508	304,344	756,470	5,319,322	-
Total Investment Income	<u>5,025,847</u>	<u>347,769</u>	<u>922,877</u>	<u>6,296,493</u>	<u>3,058</u>
TOTAL ADDITIONS	<u>19,347,299</u>	<u>912,326</u>	<u>937,756</u>	<u>21,197,381</u>	<u>9,758</u>
DEDUCTIONS					
Benefits	15,048,127	629,306	533,287	16,210,720	-
Scholarship expenses	-	-	-	-	41,104
Administrative expenses	172,390	29,543	46,687	248,620	-
TOTAL DEDUCTIONS	<u>15,220,517</u>	<u>658,849</u>	<u>579,974</u>	<u>16,459,340</u>	<u>41,104</u>
CHANGES IN NET POSITION	<u>4,126,782</u>	<u>253,477</u>	<u>357,782</u>	<u>4,738,041</u>	<u>(31,346)</u>
NET POSITION - BEGINNING OF YEAR	<u>128,161,220</u>	<u>9,481,138</u>	<u>24,296,728</u>	<u>161,939,086</u>	<u>122,207</u>
NET POSITION - END OF YEAR	<u>\$ 132,288,002</u>	<u>\$ 9,734,615</u>	<u>\$ 24,654,510</u>	<u>\$ 166,677,127</u>	<u>\$ 90,861</u>

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

The primary government is the County Commissioners of Washington County, referred to herein as the County or the County Commissioners. The County is governed by an elected five-member board.

The accompanying financial statements are presented as of June 30, 2020 and for the year then ended, and have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the *GASB's Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification).

Reporting Entity

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

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reporting Entity (continued)

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

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

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

Government-Wide and Fund Financial Statements

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

The government reports the following major governmental funds:

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(continued)

The government reports the following major proprietary funds:

The Water Quality Fund accounts for activities of the County's sewage treatment plants, sewage pumping stations and collection systems, and the water treatment plants and distribution systems.

The Solid Waste Fund is used to account for activities related to the safe disposal of solid waste, to meet all state, Federal, and county regulations and to provide for recycling.

The Airport Fund is used to account for activities at the Hagerstown Regional Airport that serves the air transportation and ancillary needs of the four-state region.

Additionally, the government reports the following fiduciary funds:

The County's Pension Trust Fund is used to account for activities related to the Employees' Retirement Plan of Washington County.

The County's Volunteer Length of Service Award Program Trust Fund (LOSAP) is used to account for activities related to the eligible volunteers' retirement, disability, and death benefits.

The Private-Purpose Trust Fund is used to account for the assets donated to the Board of Education to finance memorial scholarships, which are limited to revenue earned.

The Other Postemployment Benefits Trust Fund (OPEB) is used to account for activities related to the other postemployment benefit plan of Washington County.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Amounts reported as program revenue include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(continued)

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

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

Use of Estimates in the Preparation of Financial Statements

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

Capital Assets

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

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

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

Long-Term Obligations

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

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

Investments

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

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

Inventories

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

Employee Benefit Programs

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

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

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

Taxes and County Services

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Real Estate and Personal Property Taxes

The County's property tax is levied each July 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. In fiscal year 2020, the County postponed the tax sale and it was held in September due to shut downs related to the COVID-19 pandemic.

Rate of County Taxes:

Income tax	3.2% of Maryland taxable income (calendar year 2020)
Recordation tax	\$3.80 per \$500
Trailer park	15% of gross rentals
	As of March 1, 2020, the County Commissioners reduced the tax to 7.5% of gross rentals, with a \$20 per month per mobile home space cap on the tax.
Property taxes	\$0.948 per \$100 of assessable base

Cash Flows

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations of Credit Risk

The County's receivables consist of amounts due from County residents for property and other taxes, utilities, and miscellaneous services fees and amounts due from the Federal and state governments for grants and shared taxes. The Water Quality department provides sewage and water services for residential, commercial, and other entities in the Washington County, Maryland region. The department extends credit to its customers for sewer and water service charges.

Net Position and Fund Equity

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

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

Financial Capacity and Analysis Phase

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

Financial Capacity and Analysis Phase (continued)

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

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

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

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

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

Budget Development Start

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

Budget Development Phase

Capital Improvement budget development begins in the winter after the development of the debt capacity and financial trend and economic trend analysis. The Capital Improvement Program (CIP) provides a comprehensive approach to planning and impacts all facets of County operations. The County Administrator, the Chief Financial Officer, the Director of Planning, the Director of Engineering, and the Director of Public Works comprise the Capital Improvements Program Committee (CIP Committee). From the time the CIP's initial annual review begins in October through its adoption in May of each fiscal year, there is constant interaction between departments, the CIP Committee, and the elected officials. This effort is characterized by cooperation and reflects a common goal of ensuring that the CIP meets the objectives of the County and remains affordable and achievable. The CIP is reviewed in conjunction with the annual debt affordability analysis with revenue projections inclusive of rate analysis, in order to determine funding availability. A financial analysis of funding sources and project costs is conducted for all proposed capital improvement projects.

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

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

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

Review and Modification Phase

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

Adoption Phase

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

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

Start Up

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

Balanced Budget

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

Costing of Services

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

Amendment to the Budget

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

Amendment to the Budget (continued)

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

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

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

3. CASH AND SHORT-TERM INVESTMENTS

Primary Government

Deposits

As of June 30, 2020, the carrying amount of the County’s deposits was \$78,941,516 and the bank balances were \$80,888,871. All deposits are carried at cost plus accrued interest. There were no significant violations of the collateralization requirements during the year ended June 30, 2020. The County’s deposit policy specifies that all deposits must be entirely covered by Federal depository insurance, deposit surety bond, or by collateral in the form of pledged securities, according to state statute. In order to anticipate market changes and provide a level of security for all funds, the collateralization level is required to be at least 102% of market value of principal and accrued interest.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the County’s deposits may not be returned. The County does not have a deposit policy for custodial credit risk. As of June 30, 2020, the County’s bank balance of \$80,888,871 was not exposed to custodial credit risk as \$250,000 of interest bearing accounts and \$250,000 of noninterest bearing accounts are insured by FDIC, \$15,000,000 is covered by a short term line of credit, and the remainder is collateralized through the Bank of New York Mellon.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Primary Government (continued)

Investments

As of June 30, 2020, the County had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Investments held in County's name:					
U S government obligations, municipal and corporate bonds	\$ 80,339,632	\$ 80,339,632		\$ -	\$ -
Total investments held in County's name	80,339,632	80,339,632	-	-	-
Investments held by trustee of					
Pension plan:					
U S government obligations, municipal and corporate bonds	-	-	-	-	-
Fixed income securities	44,442,895	44,442,895	-	-	-
Equity funds	85,394,644	85,394,644	-	-	-
Money market funds	2,388,889	2,388,889	-	-	-
Interest and dividends receivable	61,574	61,574	-	-	-
Total Investments held by trustee of pension plan	132,288,002	132,288,002	-	-	-
Investments held by trustee of					
LOSAP plan:					
U S government obligations and corporate bonds	-	-	-	-	-
Fixed income funds	3,306,146	3,306,146	-	-	-
Equity funds	6,303,967	6,303,967	-	-	-
Money market funds	119,943	119,943	-	-	-
Interest and dividends receivable	4,559	4,559	-	-	-
Total Investments held by trustee of LOSAP plan	9,734,615	9,734,615	-	-	-
Investments held by trustee of					
OPEB plan:					
U S government obligations and corporate bonds	-	-	-	-	-
Fixed income funds	8,361,574	8,361,574	-	-	-
Equity funds	16,059,383	16,059,383	-	-	-
Money market funds	488,116	488,116	-	-	-
Interest and dividends receivable	-	-	-	-	-
Total Investments held by trustee of OPEB plan	24,909,073	24,909,073	-	-	-
Total investments	\$ 247,271,322	\$ 247,271,322	\$ -	\$ -	\$ -

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2020

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Primary Government (continued)

Investments (continued)

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

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

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2020

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Primary Government (continued)

Investments (continued)

Credit Risk: It is the County's investment policy to only invest in U.S. Government Treasury obligations, agencies, and sponsored instrumentalities. Also the County's investment policy allows for investments in banks located in the State of Maryland (Certificates of Deposit) with the exception of Bankers Acceptances. Commercial banks must have a short-term rating of at least investment grade from the appropriate bank rating agencies. Bankers' Acceptances from domestic banks, which also include United States affiliates of large international banks, must have a rating of A1 from Standards and Poor's Corporation and P1 from Moody's Investor Services. As of June 30, 2020, the County's investments were 100% in U.S. Treasury and Agency obligations and certificates of deposit.

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

Investment Type	Evaluation Benchmark
Equities:	
Large-Cap U.S. Stocks	S&P 500
Small-Cap U.S. Stocks	Russell 2000
International Stocks	MSCI ACWI
REITS	NAREIT Equity
Fixed Income:	
High Yield Bonds	Barclays High Yield Credit Bond Index
Investment Grade Bonds	Barclays Aggregate Bond Index
Money Market	Citigroup 90 Day T-Bill Index

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2020, none of the County's investments are exposed to custodial credit risk because they are held in the County's name.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Board of Education

Cash

Custodial Credit Risk: Maryland State Law prescribes that local government units, such as the School System, must deposit its cash in banks transacting business in the State of Maryland, and that such banks must secure any deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance levels with collateral whose market value is at least equal to the deposits. Any cash deposit exceeding the FDIC insurance level will require collateralization. The FDIC coverage limits are applied to total noninterest bearing accounts separately from interest-bearing accounts.

Compliance is summarized as follows:

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

Investments

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Board of Education (continued)

Investments (continued)

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

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Board of Education (continued)

Investments (continued)

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

As of June 30, 2020, the School System had the following investments and maturities:

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2020

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Board of Education (continued)

Investments (continued)

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

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

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

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

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

4. RECEIVABLES

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

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

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

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also record unearned revenue in connection with resources that have been received, but not yet earned. As of the end of the current fiscal year unearned revenue for delinquent property taxes receivable reported in the General Fund was \$760,389. Receivables do not include various taxes collected by the State of Maryland on behalf of the County, including income taxes. These amounts are included in Due From Other Governmental Agencies.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

5. CAPITAL ASSETS

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

Primary Government

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

5. CAPITAL ASSETS (continued)

Primary Government (continued)

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

5. CAPITAL ASSETS (continued)

Primary Government (continued)

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

Governmental Activities:

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

Total Depreciation Expense - Governmental Activities	\$ 17,942,109
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Business-Type Activities:

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

Total Depreciation Expense - Business-Type Activities	\$ 13,035,680
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Board of Education

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

5. CAPITAL ASSETS (continued)

Board of Education (continued)

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

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

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

6. INTERFUND RECEIVABLES AND PAYABLES

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

6. INTERFUND RECEIVABLES AND PAYABLES (continued)

Board of Education

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

All interfund receivables and payables are without interest.

7. INTERFUND TRANSACTIONS

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

7. INTERFUND TRANSACTIONS (continued)

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

8. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

Primary Government

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

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

Primary Government (continued)

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

Year ending June 30,	Governmental Activities				Business-type Activities			
	General		Direct		General		Direct	
	Obligation Bonds		Borrowings		Obligation Bonds		Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 10,557,360	\$ 4,685,861	\$ 276,012	\$ 24,766	\$ 2,417,641	\$ 1,122,934	\$ 1,027,112	\$ 58,287
2022	9,697,466	4,544,736	514,890	22,005	2,117,534	1,181,841	1,484,986	49,521
2023	9,689,199	4,142,481	553,317	16,856	2,210,802	1,091,059	1,576,367	37,733
2024	10,112,139	3,729,674	278,877	11,324	2,242,860	993,443	379,213	24,973
2025	10,115,685	3,346,361	281,666	8,534	2,279,316	896,888	319,984	21,553
2026-2030	43,670,256	11,451,682	571,810	8,593	11,699,739	3,156,681	1,514,188	76,373
2031-2035	32,138,697	4,704,796	-	-	8,016,301	1,374,060	1,029,110	36,970
2036-2040	14,787,158	906,429	-	-	3,787,847	441,846	358,165	4,194
2041-2050	578,256	5,782	-	-	2,196,744	278,293	-	-
Total	<u>\$ 141,346,216</u>	<u>\$ 37,517,802</u>	<u>\$ 2,476,572</u>	<u>\$ 92,078</u>	<u>\$ 36,968,784</u>	<u>\$ 10,537,045</u>	<u>\$ 7,689,125</u>	<u>\$ 309,604</u>
Plus:								
Unamortized premium	7,482,039				2,950,030			
	<u>\$ 148,828,255</u>				<u>\$ 39,918,814</u>			

The County Commissioners have received bonding authority from the State Legislature to issue public facilities bonds for the purpose of financing various capital projects. As of June 30, 2020, the unused authorization was \$60,425,722.

Conduit Debt

From time to time, the County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received in the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. In accordance with governmental accounting standards, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2020, there were Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$40,773,408.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

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

Primary Government (continued)

Agricultural Land Preservation Installments

The County has entered into installment contracts to purchase easements for agricultural land preservation purposes. Under the terms of the installment contracts, the County pays the property owner annual interest and principal payments over the ten-year term of the contract. The primary source of revenue for repayment of the indebtedness is a portion of the transfer tax on all transfers of real property in the County. The annual requirements to amortize agricultural preservation installments outstanding as of June 30, 2020, are as follows:

As of June 30,	Principal	Interest	Total Requirement
2021	\$ 181,779	\$ 22,475	\$ 204,254
2022	181,779	18,840	200,619
2023	181,779	15,204	196,983
2024	181,779	11,569	193,348
2025	181,779	7,933	189,712
Thereafter	214,877	4,960	219,837
Total	\$ 1,123,772	\$ 80,981	\$ 1,204,753

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

Capital Leases

On May 30, 2017, a capital lease agreement was entered into for equipment. The lease calls for 5 annual lease payments of \$239,333 of which \$221,008 will be from the General Fund and a final lease payment of \$1. Payments commenced on May 30, 2017 with the final payment of \$1 on May 30, 2022. On July 6, 2017 a capital lease agreement was entered into for equipment. The lease calls for 5 annual lease payments of \$56,905 and a final lease payment of \$3. Payments commenced on September 28, 2017 with the final payment of \$3 due September 30, 2022. On July 25, 2018, the General Fund entered into a capital lease agreement for equipment. The lease calls for monthly lease payments of \$1,481 through August 14, 2021. Payments commenced September 14, 2019. The future minimum lease payments under this agreement are as follows:

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

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

Primary Government (continued)

Capital Leases (continued)

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

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

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 18,325
Less: amounts representing interest	<u>585</u>
Present value of net minimum lease payments	<u>\$ 17,740</u>

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

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

Primary Government (continued)

Capital Leases (continued)

The following is an analysis of the capital assets acquired under capital leases as of June 30, 2020.

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

Board of Education

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

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 11,716
2022	11,716
2023	11,716
2024	11,716
Total minimum payments	46,864
Less: amounts representing interest	7,332
Present value of net minimum lease payments	<u>\$ 39,532</u>

Advance Refunding

In prior years, the County has partially defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for certain future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the partially defeased bonds are not included in the County's financial statements. As of June 30, 2020, \$0 of long-term obligations outstanding are considered defeased.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

9. OPERATING LEASE AGREEMENTS

Primary Government

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

9. OPERATING LEASE AGREEMENTS (continued)

Primary Government (continued)

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2020

9. OPERATING LEASE AGREEMENTS (continued)

Primary Government (continued)

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

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

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

During the year ending June 30, 2020, rental income for the above leases of \$918,214 was recognized in the Airport Fund.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

9. OPERATING LEASE AGREEMENTS (continued)

Primary Government (continued)

On January 1, 2006, the County entered into an agreement with Spirit Services, Inc. of Washington County to lease and operate the Conococheague Industrial Pretreatment Facility. In November 2019, Spirit Services, Inc. sold the assets of its Maryland operations to Valicor Environmental Services, LLC, a nationally recognized leader in industrial wastewater treatment operations. Under the lease agreement and assignment, Valicor Environmental Services, LLC., has exclusive control and management of the pretreatment facility and assumes all responsibility for utility and maintenance expenses.

The term of the lease runs for a period of 99 years with fixed monthly rent payments of \$28,800. During the year ended June 30, 2020, outsourcing revenue of \$345,600 was recognized in the Water Quality Fund.

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

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

10. UNUSED VACATION AND SICK LEAVE

Primary Government

The County accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned or estimated to be earned by the employee. The accrual of vacation leave is based upon individual salary rates in effect as of June 30, 2020, and is capped at 250 hours. The accrual of sick leave is based on payment upon retirement at a rate of \$10 per day for each unused sick leave day up to a total of 130 days. Total unpaid vacation and sick leave accrued as of June 30, 2020, was \$3,484,172 and \$664,032, respectively. Unused vacation and sick leave will be liquidated by the respective government and enterprise funds where the current employee costs are recorded.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

10. UNUSED VACATION AND SICK LEAVE (continued)

Board of Education

The School System accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned or estimated to be earned by the employee. The accrual of vacation leave is based upon individual salary rates in effect as of June 30. The accrual of sick leave is based on payment upon retirement at rates set forth in the various negotiated agreements. Sick leave is estimated to be earned once an employee has obtained 15 years of service or 55 years of age. Total unpaid vacation and sick leave accrued as of June 30, 2020 amounted to \$7,339,891. As of June 30, 2020, \$472,995 is considered payable with current resources and is included in accrued liabilities in the governmental fund level financial statements. This amount represents the pending payouts of unused leave owed to employees separated from active service as of the year ended June 30, 2020. The remaining amounts are estimated to be used in subsequent fiscal years, are maintained separately and represent a reconciling item between the fund and government-wide financial statement presentations.

11. RETIREMENT PLANS

Primary Government

Plan Description

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

11. RETIREMENT PLANS (continued)

Primary Government (continued)

Plan Description (continued)

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

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

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

The net pension liability by plan is as follows:

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

Investments

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2020

11. RETIREMENT PLANS (continued)

Primary Government (continued)

Investments (continued)

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

Funding Policy

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

All information that follows for the Plan is measured as of June 30, 2020, which is the latest actuarial report available.

Membership of the Plan

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

11. RETIREMENT PLANS (continued)

Primary Government (continued)

Actuarial Assumptions

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2020 is as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Large Cap Equity	35%	5.8%
Domestic Mid/Small Cap Equities	10%	6.2%
International Equity	15%	6.1%
Real Estate Investment Trusts	5%	4.9%
Core Fixed Income	23%	1.1%
High Yield Bonds	10%	4.4%
Cash	2%	0.0%
Inflation		2.0%
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, 2020, actuarial valuation using the projected unit credit cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses), and (b) projected salary increases which vary by participant service. The actuary was using the RP-2014 adjusted Total Dataset with Generational projection using scale MP-2015. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined by the market value of investments.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

11. RETIREMENT PLANS (continued)

Primary Government (continued)

Net Pension Liability

The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2020 is as follows:

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

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

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

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

	1.0% decrease (6.25%)	Current rate 7.25%	1.0% increase (8.25%)
Net pension liability	<u>\$ 148,769,655</u>	<u>\$ 116,761,175</u>	<u>\$ 90,079,840</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2020, the County recognized pension expense of \$21,216,611 for the Plan. As of June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,709,117	\$ 1,814,100
Change in assumptions	5,230,751	-
Net difference between projected and actual investment earnings	<u>3,267,632</u>	<u>-</u>
Total	<u>\$ 11,207,500</u>	<u>\$ 1,814,100</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

11. RETIREMENT PLANS (continued)

Primary Government (continued)

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

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

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

Board of Education

Plan Description

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

11. RETIREMENT PLANS (continued)

Board of Education (continued)

Benefits Provided

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

11. RETIREMENT PLANS (continued)

Board of Education (continued)

Benefits Provided (continued)

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

11. RETIREMENT PLANS (continued)

Board of Education (continued)

Benefits Provided (continued)

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

11. RETIREMENT PLANS (continued)

Board of Education (continued)

Benefits Provided (continued)

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

11. RETIREMENT PLANS (continued)

Board of Education (continued)

Contributions

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

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

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

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

As of June 30, 2020, the School System reported a liability for its proportionate share of net pension liability that reflected a reduction for State pension support provided to the School System. The amount recognized by the School System as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the School System were as follows:

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

11. RETIREMENT PLANS (continued)

Board of Education (continued)

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

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

For the year ended June 30, 2020, the School System recognized pension expense of \$2,358,023. As of June 30, 2020, the School System reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 312,479	\$ 504,219
Change in proportion	2,496,902	1,315,850
Net difference between projected and actual investment earnings	375,962	-
Difference between actual and expected experience	-	1,275,926
School System contributions subsequent to the measurement date	1,978,818	-
Total	\$ 5,164,161	\$ 3,095,995

The \$1,978,818 reported as deferred outflows of resources related to pensions resulting from the School System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

11. RETIREMENT PLANS (continued)

Board of Education (continued)

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

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

<u>Years Ended June 30,</u>	<u>Amount</u>
2021	\$ 314,378
2022	(497,535)
2023	(28,027)
2024	341,914
2025	(41,382)
Total	<u><u>\$ 89,348</u></u>

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

The following presents the net pension liability of the plan, calculated using a discount rate of 7.40% as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.40%) or 1-percentage point higher (8.40%) than the current rate:

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

12. RISK MANAGEMENT

Primary Government

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

12. RISK MANAGEMENT (continued)

Primary Government (continued)

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

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

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

The liability for estimated claims was determined to be \$786,154 which is reflected in the accompanying financial statements as of June 30, 2020. Changes in the claims liability were as follows:

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

12. RISK MANAGEMENT (continued)

Primary Government (continued)

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

The County Commissioners have also established a self-insurance plan for Workers' Compensation claims whereby the County is liable for the first \$600,000 per occurrence. As required by the State of Maryland, \$175,000 in U.S. Treasury Notes is held by the State Workers' Compensation Commission and is included in investments on the balance sheet. The County extends coverage under this plan to the employees of other governmental and nonprofit agencies. These agencies are charged a "premium", however the County bears the risk of loss. The liability for estimated claims was determined to be \$694,972, which is reflected in the accompanying financial statements as of June 30, 2020. Changes in the claims liability were as follows:

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

Board of Education

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

12. RISK MANAGEMENT (continued)

Board of Education (continued)

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

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

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

In accordance with the Governmental Accounting Standards Board's Statement No. 10 "*Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*," charges to other funds must be accounted for as revenue by an internal service fund and expenditures/expenses by the other funds. The amounts of these charges were \$44,419,125 for the year ended June 30, 2020.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

12. RISK MANAGEMENT (continued)

Board of Education (continued)

The Self-Insurance Fund's accrued liabilities include an estimate of the amount to be paid for self-insured claims incurred prior to June 30, 2020 and 2019. This estimate is prepared based upon the School System's experience and other relevant facts. Changes in the Fund's claims liability amount were as follows:

	Years Ended June 30,	
	2020	2019
Liability, beginning of year	\$ 2,362,000	\$ 2,875,407
Claims and changes in estimates during the year	49,233,966	45,639,904
Claims paid and accrued	(48,656,966)	(46,153,311)
Liability, end of year	\$ 2,939,000	\$ 2,362,000

13. DEFERRED COMPENSATION PLAN

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

14. SEGMENT INFORMATION

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

14. SEGMENT INFORMATION (continued)

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2020

15. CLOSURE AND POST-CLOSURE CARE COST

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

The Hancock Landfill was closed in 1993. The remaining estimated costs associated with the closure and post-closure care costs of \$134,452 are reported as a liability in the Solid Waste Fund. No current expense was recognized in the Solid Waste Fund for the year ended June 30, 2020.

The Resh Landfill has reported a landfill post-closure care liability of \$3,747,886 in the Solid Waste Fund. The total capacity has been used. The Resh Landfill was closed in December 2000. No current expense was recognized in the Solid Waste Fund for the year ended June 30, 2020.

The Rubble Landfill began operating during August 1995. The estimated cost associated with post-closure care of \$2,202,400 is reported as a liability in the Solid Waste Fund as of June 30, 2020. The Rubble Landfill was closed in December 2000. No current expense was recognized in the Solid Waste Fund for the year ended June 30, 2020.

The 40 West Landfill began operation in fiscal year 2001. The estimated life of this landfill is approximately 120 years as of June 30, 2020, it is estimated that approximately 21.26% of the capacity has been used. The estimated costs associated with closure and post-closure care of \$10,003,264 was reported as a liability in the Solid Waste Fund as of June 30, 2020. The County will recognize \$47,055,727 of estimated cost associated with the closure and post-closure care as capacity is filled. During the fiscal year 2012 engineering re-designed the cells at 40 West Landfill. This change in estimate increased the airspace by 4 million cubic yards along with the life of the landfill by 62 years. This change in accounting estimate has no effect on the total estimated cost but will extend the landfill life from 58 years to 120 years.

The above estimates are based on estimated current costs to perform all closure and post-closure care. Actual costs may be higher due to inflation, deflation, changes in technology, or changes in applicable laws or regulations. The County is required by state and Federal laws and regulations to meet certain closure and post-closure financial assurance requirements. The County has satisfied these requirements by demonstrating in information submitted by the CFO that they meet the Local Government Financial Test as of June 30, 2020, as specified in 40CFR258.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS

Primary Government

Plan Description

The County offers postretirement health care benefits to employees who retire from the County under normal or early retirement provisions of the pension plan. The health care benefits are provided until the retiree is eligible for Medicare. Retirees who exercise the one-time option for the health care benefits pay one-half of the estimated cost of the benefits. The County pays the remaining cost as part of its self-insurance program. Currently, 58 retirees are receiving benefits and 107 employees are retirement eligible. Expenditures for postretirement health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported.

Investments

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

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

Funding Policy

The County intends to fund any annual short-fall between OPEB and actual pay-go expense into a legally executed trust fund. The trust fund will be invested as a long-term pension trust, using an appropriately balanced portfolio of equities and debt instruments, to prudently maximize long-term investment returns. The County funded \$14,879 which was \$65,879 over the actuarially determined contribution of (\$51,000).

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Primary Government (continued)

Actuarial Methods and Assumptions

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

Net OPEB Liability (Asset)

The net OPEB liability (asset) is equal to the total OPEB liability minus the net position of the plan. The result as of June 30, 2020 is as follows:

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

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on substantive plan (the plan as understood by the employer and the plan members) and includes the type of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Best estimates of arithmetic assumed rates of return for each class included in the OPEB plans' general target asset allocation as of June 30, 2020 is as follows:

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Primary Government (continued)

Actuarial Methods and Assumptions (continued)

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

In the actuarial valuation for the plan year ending June 30, 2020, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.25% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 5.4% initially, reduced by decrements to an ultimate rate of 4%. The actuarial value of assets was determined using a market value of assets valuation method. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percent of payroll. The remaining amortization period as of June 30, 2020, was 18 years.

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Primary Government (continued)

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

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

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

For the fiscal year ended June 30, 2020, Washington County Government recognized an OPEB expense of \$1,757,075. As of June 30, 2020, Washington County Government reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 2,496,346
Change in assumptions	-	7,731,091
Net difference between projected and actual investment earnings	803,652	-
Total	<u>\$ 803,652</u>	<u>\$ 10,227,437</u>

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2020

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Board of Education

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

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

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

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Board of Education (continued)

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

Contributions

The School System will contribute the higher of the budgeted pay-go amount or actual pay-go amount to the trust for fiscal year 2020. Because of the sponsor's funding policy, it is anticipated the sponsor's cash requirement will increase as time goes on. For the year ended June 30, 2020 and 2019, the School System's average contribution rate was 9.55% and 8.93%, respectively of covered payroll. Employees are not required to contribute to the plan. Total claims paid on behalf of retirees amounted to \$15,650,073 of which \$3,971,020 was reimbursed through contributions received from retirees for the year ended June 30, 2020. In addition, the School System contributed \$5,867,132 to the MABE Trust for the year ended June 30, 2020. Total claims paid on behalf of retirees amounted to \$14,527,473 of which \$4,033,515 was reimbursed through contributions received from retirees for the year ended June 30, 2019.

Plan Membership

The School System partially supports the group insurance plan for the retired employees. Eligibility is determined by a point system based on a retiree's age at the date of retirement and the number of years of service with the School System. The School System pays up to a maximum of 85% of the premium of the standard plan, based on the points earned. There were 2,740 active employees and 1,863 inactive employees or beneficiaries currently receiving benefit payments at the June 30, 2019 measurement date.

Investments

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2020

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Board of Education (continued)

Investments (continued)

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

Investment in External Investment Pool

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Board of Education (continued)

Net OPEB Liability

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

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

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

Actuarial Methods and Assumptions

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

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

The following presents the net OPEB liability of the Plan, calculated using a discount rate of 4.67% as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.67%) or 1-percentage point higher (5.67%) than the current rate:

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

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2020

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Board of Education (continued)

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

17. CONTINGENCIES AND COMMITMENTS

Primary Government

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

The County Commissioners and the Sheriff of Washington County are defendants in various legal proceedings as of June 30, 2020. There are also certain unasserted claims that could possibly be asserted. The Commissioners intend to defend all litigations against them. In the Commissioners' opinion, the liability, if any, in or arising from these litigations or any other legal proceedings in which the County is involved, will not have a material adverse effect on its financial condition.

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

On June 23, 2014, the Board of County Commissioners of Washington County, Maryland entered into a \$4 million loan agreement with the Maryland Department of Business and Economic Development and Mack Trucks, Inc. The loan proceeds were made for eligible project costs and does not require repayment unless specific employment levels are not met. If such a condition occurs, repayments are guaranteed to DBED by the County. Mack Trucks, Inc. is contractually obligated to the County to reimburse any payments occurring as a result of the guarantee. As of June 30, 2020, there is no effect on amounts reported on the County's statement of net position or statement of activities as a result of this guarantee.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2020

17. CONTINGENCIES AND COMMITMENTS (continued)

Primary Government (continued)

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

Board of Education

In the normal course of operations, the School System is subject to lawsuits and claims. In the opinion of management, the disposition of such lawsuits and claims will not have a material effect on the School System's financial position or results of operations.

As of June 30, 2020, the School System had entered into various school construction commitments, that will be funded by the State of Maryland or County sources, totaling approximately \$8,016,253 and are included in encumbrances.

The School System leases classroom space, cafeteria space, storage, and parking deck passes for the Barbara Ingram School for the Arts. These leases are renewable on an annual basis. The lease for the parking deck spaces does not have a set term. Total required minimum monthly payments for the year ended June 30, 2021 are approximately \$45,524. Rent expense for these leases amounted to \$148,252 for the year ended June 30, 2020.

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

17. CONTINGENCIES AND COMMITMENTS (continued)

Board of Education (continued)

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

18. COMMITTED AND ASSIGNED FUND BALANCES

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2020

19. RETIREMENT PLAN - FIRE AND RESCUE VOLUNTEERS

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

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

Investments

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

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

Investments (continued)

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2020 is as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Large Cap Equity	35%	5.8%
Domestic Mid/Small Cap Equities	10%	6.2%
International Equity	15%	6.1%
Real Estate Investment Trusts	5%	4.9%
Core Fixed Income	23%	1.1%
High Yield Bonds	10%	4.4%
Cash	2%	0.0%
Inflation		2.0%
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, 2020 is as follows:

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

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

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

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

	1.0% decrease (6.25%)	Current rate 7.25%	1.0% increase (8.25%)
Net pension liability	<u>\$ 3,414,520</u>	<u>\$ 1,997,358</u>	<u>\$ 818,523</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2020

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

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

For the year ended June 30, 2020, the County recognized pension expense of \$46,139. As of June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to the length of service award program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,206,967	\$ 1,986,217
Change in assumptions	694,613	127,881
Net difference between projected and actual investment earnings	267,321	-
Total	\$ 2,168,901	\$ 2,114,098

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
2021	\$ (468,593)
2022	(411,092)
2023	375,497
2024	344,788
2025	108,636
Thereafter	105,567
Total	\$ 54,803

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2020

20. NEW ACCOUNTING PRONOUNCEMENTS

As of June 30, 2020, the Governmental Accounting Standards Board (GASB) has issued the following pronouncements, which will require adoption in the future, if applicable: GASB Statement No. 84, *Fiduciary Activities*; GASB Statement No. 87, *Leases*; GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*; GASB Statement No. 91, *Conduit Debt Obligations*; GASB Statement No. 92, *Omnibus 2020*; GASB Statement No. 93, *Replacement of Interbank Offered Rates*; GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*; GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. During the year ended June 30, 2020, GASB has also issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which provides temporary relief to governments in light of the COVID-19 pandemic, by postponing the effective dates of certain pronouncements. These statements may or will have a material effect on the County's financial statements once implemented. The County has not yet completed the process of evaluating the impact of these pronouncements on its financial statements and plans to adopt them, as applicable, by their effective date.

REQUIRED SUPPLEMENTARY INFORMATION

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COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Changes in Net OPEB Liability and Related Ratios June 30, 2020

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of OPEB Trust Fund Employer Contributions June 30, 2020

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

Notes to schedule:

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

Methods and assumptions used to determine contribution rates:

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

This information is not available for FY16 and prior.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios – General Employees’ Pension Fund June 30, 2020

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service Cost: Retirement benefits Administration	\$ 7,011,877	\$ 6,564,304	\$ 5,050,740	\$ 4,903,615	\$ 3,124,202	\$ 3,508,850	\$ 6,922,217
Interest	17,001,079	16,190,295	15,612,649	11,595,913	10,745,024	10,252,003	7,708,164
Benefit payments, including refunds of member contributions	(15,048,127)	(9,973,991)	(8,172,571)	(8,860,156)	(7,789,289)	(6,880,888)	(6,004,033)
Changes of benefit terms	(1,937,366)	(299,442)	-	22,002,473	1,358,032	-	-
Differences between expected and actual experiences	-	1,239,143	3,555,655	3,657,687	6,532,000	-	-
Changes of assumptions	-	-	-	19,913,151	2,532,160	-	-
Net changes in total pension liability	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	242,021,714	228,301,405	212,254,932	159,042,249	142,540,120	135,660,155	127,033,807
Total pension liability - ending (a)	<u>\$ 249,049,177</u>	<u>\$ 242,021,714</u>	<u>\$ 228,301,405</u>	<u>\$ 212,254,932</u>	<u>\$ 159,042,249</u>	<u>\$ 142,540,120</u>	<u>\$ 135,660,155</u>
Plan fiduciary net position							
Contributions - employer	\$ 12,137,468	\$ 11,825,000	\$ 10,510,000	\$ 7,010,000	\$ 6,621,156	\$ 6,786,549	\$ 6,017,521
Contributions - member	2,183,984	2,119,985	2,094,346	1,955,511	1,873,710	1,871,200	1,876,133
Net investment income	5,025,847	6,676,652	9,409,621	10,676,800	628,709	4,747,193	12,817,264
Receipts of In-kind	-	-	-	-	-	220,613	-
Benefit payments, including refunds of member contributions	(15,048,127)	(9,973,991)	(8,172,571)	(8,860,156)	(7,789,289)	(6,880,887)	(6,004,103)
Administrative expense	(172,390)	(175,860)	(150,795)	(130,631)	(98,464)	(604,197)	(238,016)
Net changes in plan fiduciary net position	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	128,161,220	117,689,434	103,998,833	93,347,309	92,111,487	85,971,016	71,502,217
Plan fiduciary net positions - ending (b)	<u>\$ 132,288,002</u>	<u>\$ 128,161,220</u>	<u>\$ 117,689,434</u>	<u>\$ 103,998,833</u>	<u>\$ 93,347,309</u>	<u>\$ 92,111,487</u>	<u>\$ 85,971,016</u>
County's net pension - liability - ending (a) - (b)	\$ 116,761,175	\$ 113,860,494	\$ 110,611,971	\$ 108,256,099	\$ 65,694,940	\$ 50,428,633	\$ 49,689,139
Plan fiduciary net position as a percentage of total pension liability	53.12%	52.95%	51.55%	49.00%	58.69%	64.62%	63.37%
Covered employee payroll	\$ 39,131,000	\$ 36,785,000	\$ 34,848,986	\$ 33,462,000	\$ 31,662,000	\$ 33,098,009	\$ 35,288,757
Net liability as a percentage of covered payroll	298.39%	309.53%	317.40%	323.52%	207.49%	152.36%	140.81%
Annual money-weighted rate of return, net of investment expense	3.92%	5.67%	9.05%	11.44%	0.68%	5.52%	17.93%

Notes to schedule:

This information is not available for FY13 and prior.

Benefit changes: None.

Change of assumptions: None.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of General Employees' Pension Fund Employer Contributions June 30, 2020

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 10,916,000	\$ 11,819,000	\$ 10,510,000	\$ 7,009,000	\$ 6,621,000	\$ 6,786,549	\$ 6,442,087
Contributions in relation to the actuarially determined contributions	12,137,000	11,825,000	10,510,000	7,010,000	6,621,000	6,786,549	6,017,521
Contributions deficiency (excess)	<u>\$ (1,221,000)</u>	<u>\$ (6,000)</u>	<u>\$ -</u>	<u>\$ (1,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 424,566</u>
Covered employee payroll	\$ 39,131,000	\$ 36,785,000	\$ 34,848,986	\$ 33,462,000	\$ 31,662,000	\$ 33,098,009	\$ 35,288,757
Contributions as a percentage of covered employee payroll	31.02%	32.15%	30.16%	20.95%	20.91%	20.50%	17.05%

Notes to schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar Amount
Remaining amortization period	19 years (closed)
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	Rates vary by participant service
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Retirement age	Rates vary by participant age and service
Mortality	RP-2014 Total Dataset with fully generational projection using scale MP-2015

This information is not available for FY13 and prior.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios – Length of Service Award Fund June 30, 2020

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service Cost: Retirement benefits Administration	\$ 237,335	\$ 226,280	\$ 244,565	\$ 234,716	\$ 157,984	\$ 143,037	\$ 147,049
Interest	823,402	707,838	702,309	580,130	968,187	922,814	872,518
Differences between expected and actual experiences	(222,174)	925,489	24,530	995,034	(6,285,232)	-	-
Changes of assumptions	(149,195)	343,476	-	356,243	906,099	-	-
Benefit payments, including refunds of member contributions	(629,306)	(588,909)	(555,590)	(518,538)	(490,872)	(461,316)	(431,634)
Net changes in total pension liability	60,062	1,614,174	415,814	1,647,585	(4,743,834)	604,535	587,933
Total pension liability - beginning	11,671,911	10,057,737	9,641,923	7,994,338	12,738,172	12,133,637	11,545,704
Total pension liability - ending (a)	<u>\$ 11,731,973</u>	<u>\$ 11,671,911</u>	<u>\$ 10,057,737</u>	<u>\$ 9,641,923</u>	<u>\$ 7,994,338</u>	<u>\$ 12,738,172</u>	<u>\$ 12,133,637</u>
Plan fiduciary net position							
Contributions - employer	\$ 564,557	\$ 460,000	\$ 600,000	\$ 600,000	\$ -	\$ 600,000	\$ 600,000
Net investment income	347,769	503,259	721,822	852,460	55,233	381,511	1,074,025
Receipts of In-kind	-	-	-	-	-	-	15,232
Benefit payments, including refunds of member contributions	(629,306)	(588,909)	(555,590)	(518,538)	(490,872)	(461,316)	(431,634)
Administrative expense	(29,543)	(34,803)	(35,075)	(30,524)	(20,610)	(23,215)	(27,429)
Net changes in plan fiduciary net position	253,477	339,547	731,157	903,398	(456,249)	496,980	1,230,194
Plan fiduciary net positions - beginning	9,481,138	9,141,591	8,410,434	7,507,036	7,963,285	7,466,305	6,236,111
Plan fiduciary net positions - ending (b)	<u>\$ 9,734,615</u>	<u>\$ 9,481,138</u>	<u>\$ 9,141,591</u>	<u>\$ 8,410,434</u>	<u>\$ 7,507,036</u>	<u>\$ 7,963,285</u>	<u>\$ 7,466,305</u>
County's net pension - liability - ending (a) - (b)	\$ 1,997,358	\$ 2,190,773	\$ 916,146	\$ 1,231,489	\$ 487,302	\$ 4,774,887	\$ 4,667,332
Plan fiduciary net position as a percentage of total pension liability	82.98%	81.23%	90.89%	87.23%	93.90%	62.52%	61.53%
Covered employee payroll	NA	NA	NA	NA	NA	NA	NA
Net liability as a percentage of covered payroll	NA	NA	NA	NA	NA	NA	NA
Annual money-weighted rate of return, net of investment expense	3.67%	5.51%	8.58%	11.36%	0.69%	5.11%	17.22%
Notes to schedule:							
This information is not available for FY13 and prior.							
Benefit changes	None						
Change of assumptions	The mortality table was changed from RP-2014 Blue Collar Total Dataset with fully generational projection using scale MP-2015 to Pub-2010 Safety Retirees Headcount-Weighted Mortality with fully generational projection using scale MP2019.						

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

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

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 565,000	\$ 455,000	\$ 466,726	\$ 466,726	\$ -	\$ 600,000	\$ 585,843
Contributions in relation to the actuarially determined contributions	565,000	460,000	600,000	600,000	-	600,000	600,000
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ (5,000)</u>	<u>\$ (133,274)</u>	<u>\$ (133,274)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,157)</u>
Covered employee payroll	NA	NA	NA	NA	NA	NA	NA
Contributions as a percentage of covered employee payroll	NA	NA	NA	NA	NA	NA	NA

Notes to schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level Percentage of Payroll
Remaining amortization period	13 to 15 years (closed)
Asset valuation method	Market Value
Inflation	3.00%
Salary increases	None
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Retirement age	Normal retirement age
Mortality	Pub-2010 Safety Retirees Headcount-Weighted Mortality with fully generational projection using scale MP2019

This information is not available for FY13 and prior.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statements of Financial Schedules June 30, 2020

Non-Major Governmental Funds

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

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

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

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

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

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

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statements of Financial Schedules (continued)
June 30, 2020

Non-Major Proprietary Funds (continued)

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Balance Sheet – Non-Major Governmental Funds As of June 30, 2020

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

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

	Grant Management	Cascade Town Centre	Inmate Welfare	Contraband	Agricultural Education Center	Hotel Rental Tax	Gaming	Land Preservation	HEPMPO	Total Non-major Funds
REVENUE										
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,829,896	\$ -	\$ 101,372	\$ -	\$ 1,931,268
Licenses and permits	-	-	-	-	-	-	1,839,209	-	-	1,839,209
Charges for services	-	-	369,249	-	-	-	-	-	-	369,249
Revenue from uses of property	-	22,233	-	-	32,618	-	-	-	-	54,851
Miscellaneous revenues	-	-	150,711	40,156	-	-	4,535	-	29,442	224,844
Shared taxes and grants	1,152,846	-	-	-	-	-	-	496,496	453,711	2,103,053
TOTAL REVENUE	<u>1,152,846</u>	<u>22,233</u>	<u>519,960</u>	<u>40,156</u>	<u>32,618</u>	<u>1,829,896</u>	<u>1,843,744</u>	<u>597,868</u>	<u>483,153</u>	<u>6,522,474</u>
EXPENDITURES										
Public safety	-	-	584,344	15,797	-	-	835,779	-	-	1,435,920
Parks, recreation and culture	-	-	-	-	234,111	-	-	-	-	234,111
Land preservation	-	-	-	-	-	-	-	965,080	-	965,080
General operations	190,749	740,023	-	-	-	553,860	174,650	-	-	1,659,282
Community promotion	1,272,438	-	-	-	-	1,227,657	836,188	-	490,121	3,826,404
TOTAL EXPENDITURES	<u>1,463,187</u>	<u>740,023</u>	<u>584,344</u>	<u>15,797</u>	<u>234,111</u>	<u>1,781,517</u>	<u>1,846,617</u>	<u>965,080</u>	<u>490,121</u>	<u>8,120,797</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(310,341)</u>	<u>(717,790)</u>	<u>(64,384)</u>	<u>24,359</u>	<u>(201,493)</u>	<u>48,379</u>	<u>(2,873)</u>	<u>(367,212)</u>	<u>(6,968)</u>	<u>(1,598,323)</u>
OTHER FINANCING SOURCES										
Transfers in	284,690	203,880	-	-	184,900	-	-	480,499	26,310	1,180,279
Transfers out	-	-	-	-	-	(11,640)	-	-	-	(11,640)
TOTAL OTHER FINANCING SOURCES (USES)	<u>284,690</u>	<u>203,880</u>	<u>-</u>	<u>-</u>	<u>184,900</u>	<u>(11,640)</u>	<u>-</u>	<u>480,499</u>	<u>26,310</u>	<u>1,168,639</u>
NET CHANGES IN FUND BALANCES	<u>(25,651)</u>	<u>(513,910)</u>	<u>(64,384)</u>	<u>24,359</u>	<u>(16,593)</u>	<u>36,739</u>	<u>(2,873)</u>	<u>113,287</u>	<u>19,342</u>	<u>(429,684)</u>
FUND BALANCES - BEGINNING OF YEAR	<u>42,973</u>	<u>893,464</u>	<u>255,082</u>	<u>98,066</u>	<u>22,246</u>	<u>1,227,938</u>	<u>129,292</u>	<u>568,896</u>	<u>(6,460)</u>	<u>3,231,497</u>
FUND BALANCES - END OF YEAR	<u>\$ 17,322</u>	<u>\$ 379,554</u>	<u>\$ 190,698</u>	<u>\$ 122,425</u>	<u>\$ 5,653</u>	<u>\$ 1,264,677</u>	<u>\$ 126,419</u>	<u>\$ 682,183</u>	<u>\$ 12,882</u>	<u>\$ 2,801,813</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statement of Revenue, Expenses and Changes in Fund Net Position – Non-Major Proprietary Funds For the Year Ended June 30, 2020

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
OPERATING REVENUE			
Charges for services	\$ 544,225	\$ 718,119	\$ 1,262,344
Miscellaneous	13,018	18,210	31,228
TOTAL OPERATING REVENUE	<u>557,243</u>	<u>736,329</u>	<u>1,293,572</u>
OPERATING EXPENSES			
Salaries and wages	1,457,329	427,674	1,885,003
Fringe benefits	681,011	233,012	914,023
Utilities	25,398	48,726	74,124
Insurance	29,698	8,931	38,629
Repairs and maintenance	206,052	84,512	290,564
Supplies	58,572	5,055	63,627
Cost of goods sold	-	73,138	73,138
Contracted services	206,640	5,148	211,788
Rentals and leases	34,971	54,921	89,892
Other operating	221,946	126,510	348,456
Controllable assets	799	7,154	7,953
Depreciation	274,622	124,059	398,681
TOTAL OPERATING EXPENSES	<u>3,197,038</u>	<u>1,198,840</u>	<u>4,395,878</u>
OPERATING LOSS	<u>(2,639,795)</u>	<u>(462,511)</u>	<u>(3,102,306)</u>
OTHER INCOME			
Interest, penalties & fees	11	-	11
Gain on disposal of assets	16,540	-	16,540
TOTAL OTHER INCOME	<u>16,551</u>	<u>-</u>	<u>16,551</u>
LOSS BEFORE OPERATING TRANSFERS AND GRANTS	(2,623,244)	(462,511)	(3,085,755)
OPERATING TRANSFERS IN	594,090	347,640	941,730
OPERATING TRANSFERS OUT	(17,730)	-	(17,730)
GRANTS FOR OPERATIONS	<u>1,248,362</u>	<u>-</u>	<u>1,248,362</u>
LOSS BEFORE CAPITAL TRANSFERS AND GRANTS	(798,522)	(114,871)	(913,393)
CAPITAL TRANSFERS	135,000	-	135,000
GRANTS FOR CAPITAL PROJECTS	<u>490,603</u>	<u>4,132</u>	<u>494,735</u>
CHANGES IN NET POSITION	(172,919)	(110,739)	(283,658)
NET POSITION - BEGINNING OF YEAR	<u>3,644,028</u>	<u>2,452,437</u>	<u>6,096,465</u>
NET POSITION - END OF YEAR	<u>\$ 3,471,109</u>	<u>\$ 2,341,698</u>	<u>\$ 5,812,807</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

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

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

BUDGET AND ACTUAL SCHEDULE

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety				
Sheriff Departments				
Patrol	\$ 12,345,880	\$ 12,403,260	\$ 12,054,779	\$ 348,481
Sheriff Auxiliary	-	-	42,497	(42,497)
Narcotics Task Force	857,830	857,830	783,958	73,872
Wash. County Police Academy	99,000	99,000	22,080	76,920
Grants	-	1,352,020	394,528	957,492
Total Sheriff Departments	13,302,710	14,712,110	13,297,842	1,414,268
Fire Operations				
Volunteer Fire and Rescue - County Grants	7,268,750	7,404,750	9,399,126	(1,994,376)
Air Unit	30,250	30,250	30,109	141
Special Operations	83,370	103,370	98,663	4,707
Total Fire and Rescue Services	7,382,370	7,538,370	9,527,898	(1,989,528)
Corrections				
Detention Center	15,548,930	15,738,930	15,257,807	481,123
Central Booking	1,005,640	1,005,640	921,793	83,847
Day Reporting Center	492,120	492,120	337,591	154,529
Total Corrections	17,046,690	17,236,690	16,517,191	719,499
Other Public Safety				
911 - Communications	5,484,300	5,507,300	5,490,700	16,600
Wireless Communications	1,282,720	1,308,720	1,278,581	30,139
Emergency Management	241,890	241,890	207,607	34,283
EMS Operations	2,587,230	2,436,230	1,655,428	780,802
Fire Operations	1,940,400	1,874,981	1,698,389	176,592
Forensic Investigator	20,000	20,000	28,930	(8,930)
Civil Air Patrol	3,600	3,600	3,600	-
Animal Control	1,401,600	1,401,600	1,401,600	-
Grants	-	16,676,980	4,604,450	12,072,530
Other Public Safety	12,961,740	29,471,301	16,369,285	13,102,016
Total Public Safety	50,693,510	68,958,471	55,712,216	13,246,255
Health	2,339,270	2,339,270	2,339,270	-
Social Services	435,560	435,560	435,560	-
Education	110,550,900	110,550,900	110,550,900	-
Parks, Recreation, and Culture				
Total Contributions to Other Agencies	3,182,010	3,182,010	3,182,010	-
Parks Department	2,071,120	2,071,120	1,967,948	103,172
Martin L. Snook Park Pool	150,840	150,840	109,216	41,624
Fitness and Recreation	987,900	987,900	878,505	109,395
Total Parks, Recreation, and Culture	6,391,870	6,391,870	6,137,679	254,191

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

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

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

OTHER SCHEDULE

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

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

REVENUE

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

EXPENDITURES

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