

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

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

For the Year Ended June 30, 2021

JUNE 30, 2021

CONTENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
Statement of Net Position	28
Statement of Activities	29
Balance Sheet – Governmental Funds	31
Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position	32
Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds	33
Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	34
Statement of Net Position – Proprietary Funds	35
Statement of Revenue, Expenses, and Changes in Net Position – Proprietary Funds	36
Statement of Cash Flows – Proprietary Funds	37
Statement of Net Position – Fiduciary Funds	38
Statement of Changes in Net Position – Fiduciary Funds	39
Notes to the Financial Statements	40
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in Net OPEB Liability and Related Ratios	114
Schedule of OPEB Trust Fund Employer Contributions	115
Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios – General Employees’ Pension Fund	116
Schedule of General Employees’ Pension Fund Employer Contributions	117
Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios – Volunteer Length of Service Award Fund	118
Schedule of Volunteer Length of Service Award Fund Employer Contributions	119
COMBINING AND INDIVIDUAL FUND STATEMENTS	
Combining Statements of Financial Schedules	120
Combining Balance Sheet – Non-Major Governmental Funds	122
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds	123
Combining Statement of Net Position – Non-Major Proprietary Funds	124
Combining Statement of Revenue, Expenses, and Changes in Fund Net Position – Non-Major Proprietary Funds	125
Combining Statement of Cash Flows – Non-Major Proprietary Funds	126
BUDGET AND ACTUAL SCHEDULE	
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	128
OTHER SCHEDULE	
Local Management Board – Schedule of Revenue and Expenditures- Regulatory Basis	133



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, 2021, 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, 2021, 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.



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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 and 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.

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 27, 2021

SB & Company, LLC



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

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, 2021

- ❑ 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 28-30 of this report.

2) ***Fund Financial Statements***

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

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

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

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

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



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

The basic governmental fund financial statements can be found on pages 31-34 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 35-37 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 38-39 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 40-109 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 114-119 of this report.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

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 \$602.0 million as of the close of the most recent fiscal year.

Washington County, Maryland
Net Position
(Government-Wide)

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2021	2020	2021	2020	2021	2020	
<i>Current and other assets</i>	\$256,163,513	\$192,715,268	\$43,299,630	\$38,970,738	\$299,463,143	\$231,686,006	29.45%
<i>Capital assets</i>	450,204,949	440,315,723	255,414,510	253,415,686	705,619,459	693,731,409	1.71%
<i>Total Assets</i>	706,368,462	633,030,991	298,714,140	292,386,424	1,005,082,602	925,417,415	8.61%
<i>Deferred Outflow of Resources</i>	3,838,347	15,812,977	516,140	414,744	4,354,487	16,227,721	(73.17%)
<i>Current and other liabilities</i>	57,426,148	44,458,868	8,854,793	8,368,865	66,280,941	52,827,733	25.47%
<i>Long-term liabilities</i>	224,868,431	261,095,891	57,843,071	60,219,032	282,711,502	321,314,923	(12.01%)
<i>Total Liabilities</i>	282,294,579	305,554,759	66,697,864	68,587,897	348,992,443	374,142,656	(6.72%)
<i>Deferred Inflow of Resources</i>	37,045,725	14,155,635	21,446,163	22,246,165	58,491,888	36,401,800	60.68%
<i>Net Investment in Capital Assets</i>	360,482,566	356,047,102	217,849,212	213,907,220	578,331,778	569,954,322	1.47%
<i>Restricted Net Assets</i>	31,382,483	26,599,017	7,890,861	8,117,219	39,273,344	34,716,236	13.13%
<i>Unrestricted Net Assets</i>	(998,544)	(53,512,545)	(14,653,820)	(20,057,333)	(15,652,364)	(73,569,878)	(78.72%)
<i>Total Net Position</i>	\$390,866,505	\$329,133,574	\$211,086,253	\$201,967,106	\$601,952,758	\$531,100,680	13.34%

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 \$578.3 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, \$39.3 million, represents resources that are subject to external restrictions on how they may be used. The remaining portion is unrestricted net assets of (\$15.7) million.

Unrestricted net assets in governmental activities have been reduced by \$44.5 million in long-term debt, resulting in unrestricted net assets of (\$1.0) million. This long-term debt was incurred



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

by the County's general fund for the purpose of capital asset acquisition for the Board of Education of \$39.5 million and Hagerstown Community College of \$5.0 million. The capital assets acquired with these bonds are not reflected in the County's primary government financial statements.

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2021	2020	2021	2020	2021	2020
Program Revenues:						
<i>Charges for Services</i>	\$8,261,913	\$7,369,104	\$25,782,767	\$23,947,279	\$34,044,680	\$31,316,383
<i>Operating Grants and Contributions</i>	27,673,612	10,523,916	3,480,751	2,007,634	31,154,363	12,531,550
<i>Capital Grants and Contributions</i>	8,459,831	13,020,604	11,839,311	6,041,641	20,299,142	19,062,245
General Revenues:						
<i>Property Taxes</i>	133,490,152	130,183,505	-	-	133,490,152	130,183,505
<i>Local Taxes</i>	146,674,462	113,496,232	-	-	146,674,462	113,496,232
<i>Other</i>	4,428,418	4,229,820	123,470	372,533	4,551,888	4,602,353
Total Revenues	328,988,388	278,823,181	41,226,299	32,369,087	370,214,687	311,192,268
Program Expenses:						
<i>General Government</i>	28,575,774	38,552,091	-	-	28,575,774	38,552,091
<i>Public Safety</i>	61,670,985	63,008,479	-	-	61,670,985	63,008,479
<i>Health</i>	2,339,270	2,339,270	-	-	2,339,270	2,339,270
<i>Social Services</i>	435,560	435,560	-	-	435,560	435,560
<i>Education</i>	115,766,280	120,725,832	-	-	115,766,280	120,725,832
<i>Parks and Recreation</i>	7,235,708	7,356,435	-	-	7,235,708	7,356,435
<i>Natural Resources</i>	3,202,083	1,674,571	-	-	3,202,083	1,674,571
<i>Community Promotion</i>	21,299,691	3,831,261	-	-	21,299,691	3,831,261
<i>Highways and Streets</i>	19,864,939	21,702,882	-	-	19,864,939	21,702,882
<i>Interest on Long-term Debt</i>	4,569,476	4,737,036	-	-	4,569,476	4,737,036
Business-type Activities:						
<i>Water Quality</i>	-	-	14,491,893	14,589,953	14,491,893	14,589,953
<i>Solid Waste</i>	-	-	7,290,557	7,486,122	7,290,557	7,486,122
<i>Public Transit</i>	-	-	3,138,207	3,197,038	3,138,207	3,197,038
<i>Airport</i>	-	-	8,442,866	8,448,124	8,442,866	8,448,124
<i>Golf Course</i>	-	-	1,126,709	1,198,840	1,126,709	1,198,840
Total Expenses	264,959,766	264,363,417	34,490,232	34,920,077	299,449,998	299,283,494
Change in Net Position before transfers	64,028,622	14,459,764	6,736,067	(2,550,990)	70,764,689	11,908,774
Transfers	(2,383,080)	(5,683,433)	2,383,080	5,683,433	-	-
Contributed Capital	-	-	-	-	-	-
Proceeds of Bond Sale	87,389	-	-	-	87,389	-
Change in Net Position	61,732,931	8,776,331	9,119,147	3,132,443	70,852,078	11,908,774
Net Position – Beginning of year	329,133,574	320,357,243	201,967,106	198,834,663	531,100,680	519,191,906
Net Position – End of year	\$390,866,505	\$329,133,574	\$211,086,253	\$201,967,106	\$601,952,758	\$531,100,680

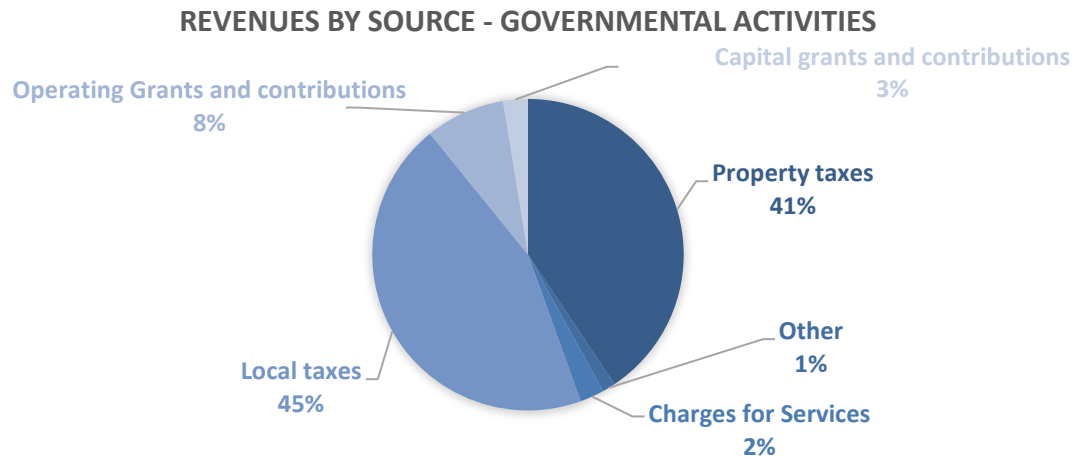


MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

The County's net position increased by \$70.9 million during fiscal year 2021; total net position as of June 30, 2021 was \$602.0 million, representing a 13.34% increase.

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

Revenues for the County's governmental activities were \$329.0 million for FY2021. Sources of revenue are comprised of the following items:



Taxes represent the County's largest revenue source at \$280.2 million for FY2021, which represents 86% of all County revenues.

- The property tax rate is \$.948 per \$100 of assessed value and generates 41% of County revenue.
- Local taxes include income tax which generates 45% of County revenue. The rate for FY2021 was 3.2%. Beginning January 1, 2022, the income tax rate will be reduced to 3.0%.

Operating grants and contributions represent 8% of total revenue and reflects federal and state funding that the county uses to carry out certain initiatives. FY21 grants provided funding for public safety programs and economic relief to businesses and non-profits.

Revenue from governmental activities increased over FY2020 by \$50.2 million.

- Charges for Services increased from FY2020 by \$0.9 million. The majority of this increase is reflected in Gaming revenues which are \$0.8 million more than FY20. In addition, licenses and permits increased by \$0.2 million, reflecting higher levels of economic activity; court costs and fines reduced by \$0.2 million due to covid related closures; and shared taxes increased by approximately \$0.1 million in 911 fees charged by phone line which support 911 operations.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

- Operating grants and contributions increased by \$17.1 million mainly due to additional grants received related to the response for COVID-19.
- Capital grants and contributions decreased by \$4.5 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 \$3.3 million due to an increase in assessed values.
- Local taxes increased by \$33.2 million in total. FY2021 was the first full year of a 3.2% income tax rate which contributed to \$27.1 million of the increase. This amount includes \$6.5 million more in disparity grant than FY2020. Other local taxes such as recordation tax, excise tax, and transfer tax exceeded FY2020 revenue by \$3.6 million, \$1.4 million, and \$1.8 million respectively which is related to higher levels of economic activity. APFO fees were \$0.3 million less than FY2020 due to timing of development which can fluctuate from year to year. In addition, admission and amusement tax declined approximately \$0.2 million as a result of COVID-19 related closures. Lastly, trailer tax reduced by about 50% or \$0.3 million as a result of the change in the trailer tax rate from 15% of gross revenue to 7.5% of gross revenue.
- Other revenues increased by \$0.2 million which was a combination of \$1.9 million in proceeds received from the sale of Cascade Town Centre offset by a \$1.7 million reduction in income on investments as compared to FY2020.

A more detailed discussion of the County's revenue results for FY2021 as compared to what was budgeted can be found in the General Fund Budgetary Analysis section of this MD&A.

The following table presents costs and program revenues for major county programs. The total cost of governmental services for FY2021 was \$265.0 million. Revenues of \$44.4 million that offset these costs include \$8.3 million in charges for services and \$36.1 million in operating and capital grants and contributions. The net amount of \$220.6 million was paid for through county taxpayer dollars.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

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

Category	Expenses		Revenues		Net Cost of Services	
	2021	2020	2021	2020	2021	2020
Education	\$ 115,766,280	\$ 120,725,832	\$ -	\$ -	\$ 115,766,280	\$ 120,725,832
Public Safety	61,670,985	63,008,479	7,602,367	9,229,490	54,068,618	53,778,989
General Government	28,575,774	38,552,091	8,929,048	5,143,581	19,646,726	33,408,510
Highways and Streets	19,864,939	21,702,882	10,059,583	14,235,500	9,805,356	7,467,382
Community Promotion	21,299,691	3,831,261	15,227,203	1,152,846	6,072,488	2,678,415
Parks and Recreation	7,235,708	7,356,435	442,360	655,711	6,793,348	6,700,724
Other	10,546,389	9,186,437	2,134,795	496,496	8,411,594	8,689,941
Total	\$ 264,959,766	\$ 264,363,417	\$ 44,395,356	\$ 30,913,624	\$ 220,564,410	\$ 233,449,793

Expenditures from governmental activities total \$265 million, which represents an increase over FY2020 by \$0.6 million.

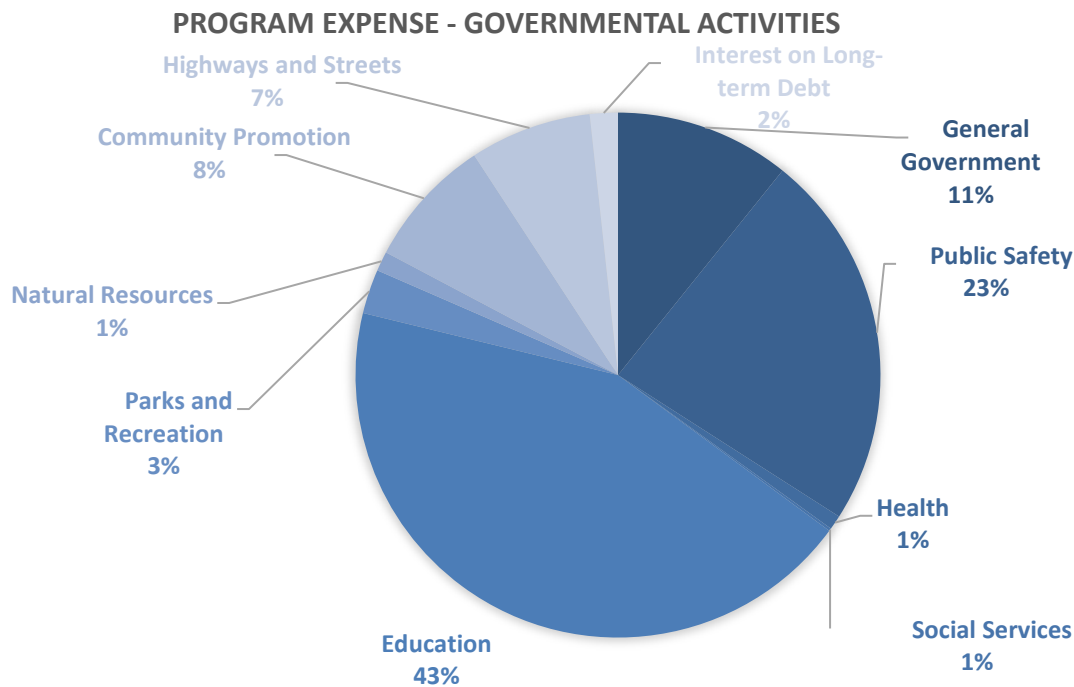
- Education expenditures decreased by \$5.0 million as compared to FY2020. The increased appropriation to the Board of Education of \$2.7 million was offset by a decrease of \$7.7 million for reclassifying capital expenditures and recording fixed assets in governmental funds.
- Public safety costs reduced by approximately \$1.3 million mainly related to some one-time expenditures that occurred in FY2020, but not in FY2021, along with increases in EMS and fire operations due to additional personnel.
- General Government decreased by approximately \$10.0 million over FY2020. An additional contribution to pension of \$7.0 million was offset by adjustments for recording pension activity in governmental funds. In addition, adjustments were made for reclassifying capital expenditures and recording fixed assets. Capital Improvement transactions are earmarked for specific capital related projects and its cash flow will vary depending on the construction schedule and grant reimbursements.
- Expenditures for Highways and Streets decreased by \$1.8 million. An increase in operational expenditures of approximately \$0.5 million, mainly related to snow removal efforts, was offset by a decrease of \$2.3 million in expenditures related to reclassifying capital expenditures and recording fixed assets in governmental funds.
- Community promotion increased by \$17.5 million as a result of COVID-19 relief grants and increased gaming expenditures. Gaming funds were impacted in FY2020 by COVID related closures, however have returned to more normal levels in FY2021.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

- Parks and recreation decreased by \$0.1 million over the prior year which is mainly related to reclassifying capital expenditures and recording fixed assets in governmental funds.
- Natural resources increased by \$1.5 million, mainly due to an increase in land preservation grants.
- Debt service decreased by \$0.2 million and is based on debt service schedules.
- Transfers out decreased by \$3.3 million mainly due to a one-time \$3.0 million transfer to the sewer fund that occurred in FY2020, but not in FY2021.

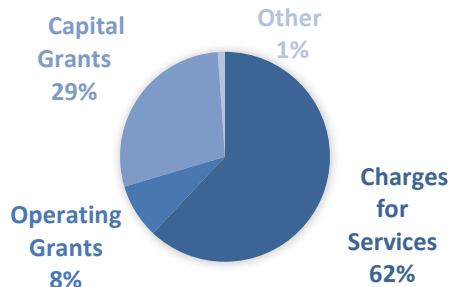
Governmental program expenditures are shown below. The largest expenditure category is education at \$115.8 million, followed by public safety at \$61.7 million.



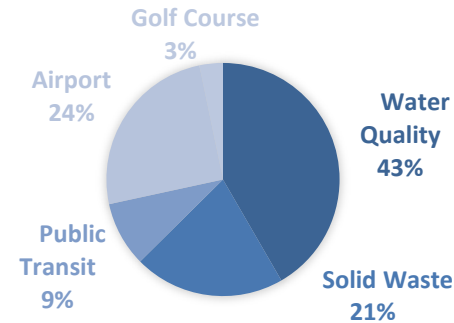
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

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

REVENUES BY SOURCE - BUSINESS TYPE ACTIVITIES



EXPENSES - BUSINESS TYPE ACTIVITIES



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

Business type activities experienced an increase in net position of \$9.1 million.

- \$1.8 million increase in net position for Water Quality
- \$1.4 million increase in net position for Solid Waster
- \$5.5 million increase in net position for Airport
- \$0.4 million increase in net position for non-major proprietary funds.

Revenues increased over FY2020 by \$8.9 million.

- Charges for services increased by \$1.8 million due to an increase in water and sewer connection fees and user fees of \$1.5 million and an increase in tipping fees of \$0.3 million.
- Operating grants and contributions increased by \$1.5 million mainly due to an increase related to federal CARES act funding for the Airport and Transit funds.
- Capital grants and contributions increased by \$5.8 million overall which consists of \$0.4 million decrease related to water quality; \$6.3 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 \$0.1 million because of various items.

Expenditures decreased as compared to FY2020 by \$0.5 million.

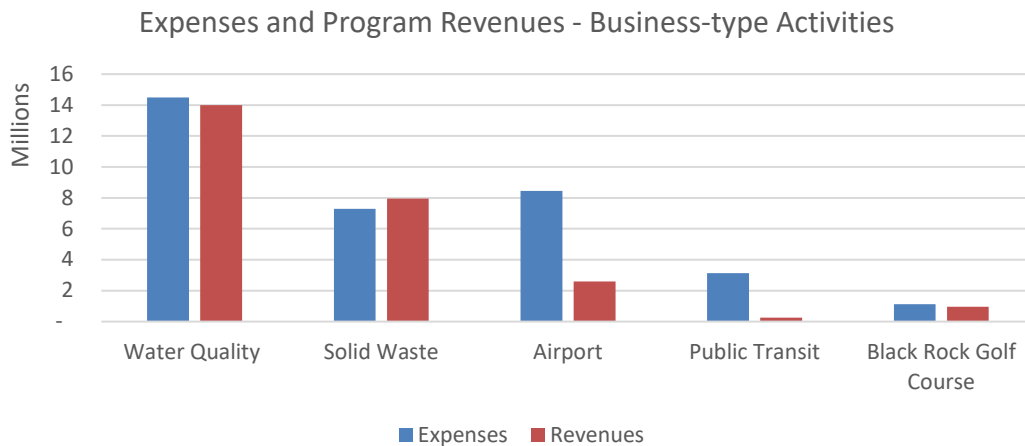


MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

- Overall, business type expenditures decreased by \$0.1 million. Solid Waste expenditures decreased by \$0.2 million or 3%; Water Quality expenditures decreased by less than \$0.1 million or 1%; Transit decreased by less than \$0.1 million or 2%; and the Golf Course reduced expenditures by less than \$0.1 million or 5%.

Transfers in decreased by \$3.3 million mainly due to a one-time \$3.0 million transfer to the sewer fund that occurred in FY2020, but not in FY2021.

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



Financial Analysis on the Government's Fund Financial Statements

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

Governmental Funds:

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

As of the end of the current fiscal year, the County's governmental funds reported combined fund balances of \$165.7 million, an increase of \$36.6 million. Approximately \$58.0 million of this amount is committed for the general fund cash reserve and \$107.7 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.

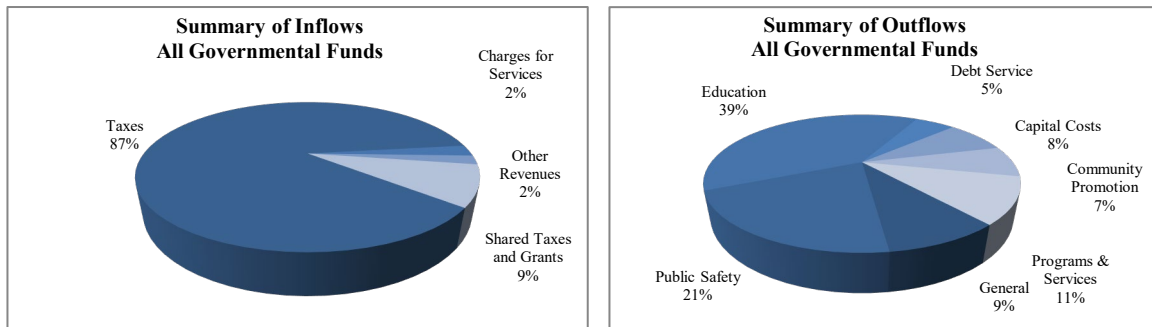


MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

Governmental Activities	Fund Balance			Net Change in Fund Balance		
	2021	2020	% Change	2021	2020	% Change
General Fund	\$61,999,084	\$55,974,199	10.76%	\$6,024,885	\$10,477,504	-42.50%
Capital Improvement Fund	98,751,922	70,321,005	40.43%	28,430,917	(9,865,483)	388.19%
Grants Management	7,850	17,322	-54.68%	(9,472)	(25,651)	63.07%
Cascade Town Centre Fund	1,855,163	379,554	388.77%	1,475,609	(513,910)	387.13%
Inmate Welfare Fund	301,390	190,698	58.05%	110,692	(64,384)	271.92%
Contraband Fund	30,709	122,425	-74.92%	(91,716)	24,359	-476.52%
Agricultural Education Fund	6,654	5,653	17.71%	1,001	(16,593)	106.03%
Hotel Rental Tax Fund	1,667,942	1,264,677	31.89%	403,265	36,739	997.65%
Gaming Fund	124,510	126,419	-1.51%	(1,909)	(2,873)	33.55%
Land Preservation Fund	913,139	682,183	33.86%	230,956	113,287	103.87%
HEPMPO	37,862	12,882	193.91%	24,980	19,342	29.15%
Total	\$165,696,225	\$129,097,017		\$36,599,208	\$182,337	

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, 2021.



- The **General Fund** is the chief operating fund of the County. At the end of the current fiscal year total fund balance reached \$62.0 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 total fund balance represents 21.49% of total General Fund expenditures.

The General Fund fund balance increased by approximately \$6.0 million during the current fiscal year. Higher than anticipated income tax and recordation tax, along with wage and benefit savings, led to several significant transfers during the year. The County allocated approximately \$31 million to the Capital Projects Fund for specific projects or future one-time costs. The County also allocated an additional \$7 million to the Pension trust during the year.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

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

- The **Capital Projects Fund** is used to account for major capital acquisition and construction of County operations. At the end of the current fiscal year the Capital Project Fund has a total fund balance of \$98.8 million all of which is restricted or committed for capital related projects. Major funding sources for projects are pay-go-funding, debt proceeds, fees and taxes, and grants. Fund balance increased by \$28.4 million for the current fiscal year. The change in fund balance is the result of timing differences in project funding proceeds and the spending or construction timeline of those projects.
- The County's **Grant Management, Cascade Town Centre, Inmate Welfare, Contraband, Agricultural Education, Hotel Rental Tax, Gaming, HEPMPO, and Land Preservation Funds** combined have a fund balance of \$4.9 million. These funds represent monies designated for specific programs and services. The net increase in fund balance during the current year was \$2.1 million and was mainly attributed to the sale of Cascade Town Centre. Proceeds will be used to provide for certain expenditures of the fund in future years.

Proprietary funds:

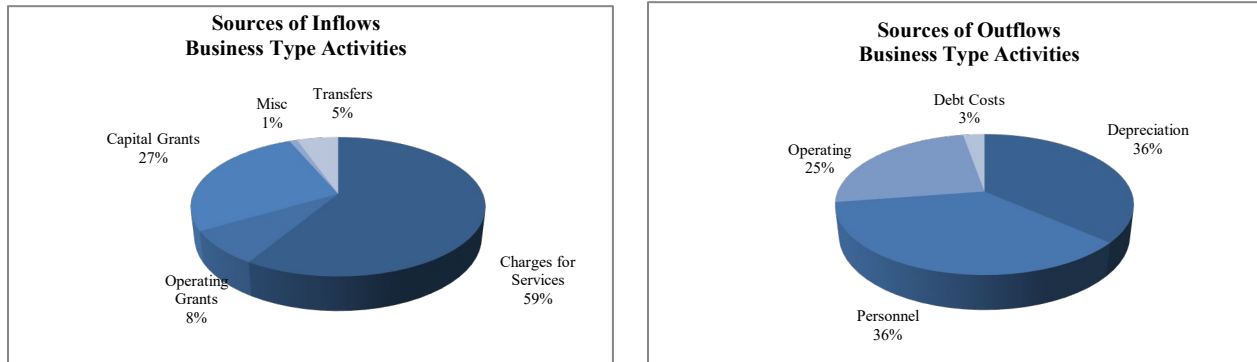
The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position and net income (loss) were as follows:

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>		
	2021	2020	% Change	2021	2020	%Change
Water Quality	144,438,964	\$142,593,624	1.29%	1,845,340	\$3,435,164	-46.28%
Solid Waste	5,250,093	3,871,135	35.62%	1,378,958	972,541	41.79%
Airport	55,201,454	49,689,540	11.09%	5,511,914	(991,604)	655.86%
Public Transit	3,577,867	3,471,109	3.08%	106,758	(172,919)	161.74%
Black Rock	2,617,875	2,341,698	11.79%	276,177	(110,739)	349.39%
Total	211,086,253	\$201,967,106		9,119,147	\$3,132,443	

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

The following reflects the inflows and outflows of the business-type activity funds for the fiscal year ending June 30, 2021.



Water quality's net position amounted to \$144.4 million in FY2021. Of this amount, \$134.5 million represents the net investment in capital assets, \$7.5 million is restricted for capital projects, and \$2.4 million remains unrestricted. Major changes over FY2020 include additional revenues from connection fees of approximately \$1.1 million due to higher levels of economic activity and development. Also, water and sewer utility rates increased by 3% generating an additional \$0.4 million. Expenditures were in line with the prior year. Operating transfers reduced by \$2.9 million over the prior year, mainly due to the one-time transfer that occurred in FY2020 from the General Fund.

Solid Waste's net position amounted to \$5.3 million for FY2021. Of this amount, \$4.2 million represents the net investment of capital assets; \$0.4 million is restricted for capital projects; and \$0.7 million remains unrestricted. Major changes over FY2020 include slightly higher tipping fee revenue of \$0.3 million which is attributed to economic activity as no rate increases were passed for the landfill in FY2021. Expenditures were in line with the prior year.

The Airport Fund's FY2021 net position was \$55.2 million. Of this amount, \$74.8 million represents the net investment of capital assets and (\$19.6) million represents unrestricted fund balance. The unrestricted deficit is the result of capital assets constructed by the lessee's through long-term lease agreements. The long-term lease agreements require the recognition of revenue related to the capital assets constructed by the lessee's over the life of the lease agreements and will eliminate the unrestricted deficit over the term of the lease agreement. Major changes over FY2020 include increased operating grant revenue of \$0.8 million, mainly because of COVID relief funding. In addition, capital grants and contributions of \$10.2 million exceeded FY2020 by \$6.3 million, representing funding for capital projects.

Transit's ending net position is \$3.6 million for FY2021. Of this amount, \$2.3 million represents the net investment of capital assets and \$1.2 million is classified as unrestricted. Major changes over the prior year include a reduction in operating revenue by approximately \$0.3 million due to less ridership as a result of the COVID-19 pandemic. Meanwhile, grants for operations increased by \$0.7 million, mainly due to pandemic relief grants.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

The Black Rock Golf Course Fund's FY2021 net position was \$2.6 million. Of this amount, \$2.0 million represents the net investment of capital assets and \$0.6 million is classified as unrestricted. Operating revenue increased by \$0.3 million mainly as a result of additional patrons due to the pandemic and the nature of the activity being outdoors.

A discussion of enterprise fund long-term debt can be found in the Long-Term Debt section presented later in this MD&A. Other factors concerning the finances of these funds have been addressed in the discussion of the County's business-type activities under "Financial Analysis on Government-Wide Financial Statements.

General Fund Budgetary Analysis – Government Fund Financial Statement Basis

Washington County, Maryland
General Fund Budgetary Analysis
As of June 30, 2021
(Government Fund Basis)

Category	Budgetary Amounts		Actual	Difference	
	Original	Final		Org. Budget vs. Final Budget	Final Budget vs. Actual
Revenues:					
Property Tax	\$ 132,213,070	\$ 132,213,070	\$ 133,818,994	\$ -	\$ 1,605,924
Local Tax	94,943,080	123,943,080	130,589,273	29,000,000	6,646,193
Other Revenue	11,150,160	31,405,959	30,589,799	20,255,799	(816,160)
Total Revenues	238,306,310	287,562,109	294,998,066	49,255,799	7,435,957
Expenses:					
General Government	30,079,540	43,290,084	42,104,220	13,210,544	1,185,864
Public Safety	53,360,370	60,094,008	57,105,922	6,733,638	2,988,086
Health and Social Services	2,774,830	2,774,830	2,774,830	-	-
Education	113,243,390	113,243,390	113,243,390	-	-
Parks, Recreation, Natural Resources	7,432,890	7,598,780	6,922,056	165,890	676,724
Highways and Streets	11,736,350	11,737,460	11,027,895	1,110	709,565
General Operations	518,180	518,180	476,779	-	41,401
Unallocated Costs	125,000	7,125,000	5,417,016	7,000,000	1,707,984
Intergovernmental	3,224,990	25,772,884	34,691,822	22,547,894	(8,918,938)
Billables	-	-	193,162	-	(193,162)
Debt Service	15,810,770	15,407,493	15,401,668	(403,277)	5,825
Total Expenses	238,306,310	287,562,109	289,358,760	49,255,799	(1,796,651)
Other Financing Sources (Uses)	-	-	385,579	-	385,579
Net Increase in Assets - 06/30/21	\$ -	\$ -	\$6,024,885	\$ -	\$6,024,885



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

Original Budget vs. Final Budget:

The net budgetary change of \$49.2 million resulted mainly from income tax revenue and grant transactions.

The FY2021 budget was developed during the onset of the COVID19 pandemic. Despite the 2020 income tax change from 2.8% to 3.2%, County leaders felt strongly that it was in the best interest of the county at the time to move forward with a “needs” based budget, planning for a worse-case scenario for the county. The budget did not include any funding for capital projects. Fortunately, the County did not face high levels of unemployment or large business closures. Income tax generated was higher than estimates. Adjustments were made to the income tax budget during the year in the amount of \$29 million to account for the revenue. These funds primarily went towards capital projects or other one time expenditures including, but not limited to:

- Board of Education
 - Roof Replacement
 - School Construction
- Public Safety
 - Police, Fire, and Emergency Services Training Facility
 - P25 Radio Communication Upgrade
 - Law Enforcement Vehicles
 - Emergency Services Vehicles
- Pavement Maintenance and Rehabilitation
- Stormwater Retrofits
- Facilities Systemic Projects and Roof Repairs
- Highway Vehicle and Equipment Replacement
- Additional contribution to pension

Federal and State grants were secured in the amount of \$20.2 million, of which approximately \$13 million were related to COVID relief efforts. These grants were mainly utilized for business relief efforts and allocated in the following manner:

- Business Stabilization \$4.8 million
- Restaurant Relief \$2.8 million
- Hotel Relief \$0.9 million
- Non-Profit Assistance \$2.7 million
- Tourism \$0.5 million
- County IT Infrastructure \$1.3 million



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

Final Budget vs. Actual Results:

Final budget to actual results include additional revenues of \$7.4 million or 2.6%.

Revenue Highlights

Property Tax - Property tax revenue exceeded budget by \$1.6 million or 1.2%. The majority of the overage is related to personal property tax which was higher than State estimates due to new businesses and an increase in inventories.

Local tax was over budget by \$6.6 million or 5.4%, primarily due to higher than budgeted recordation tax of \$5.0 million, marking the highest recordation tax revenue in 15 years. This variance represents an increase in the number and value of real property transfers in the County and several large commercial transactions. In addition, Income Tax revenue exceeded budget by \$1.7 million or 1.5%. These increases were offset by a reduction in Admission and Amusement Tax of \$0.1 million, largely a result of the pandemic. The County income tax rate increased from 2.8% to 3.2% effective January 1, 2020. Fiscal year 2021 was the first full fiscal year reflecting the rate of 3.2%. During FY2021, the Board of County Commissioners voted to reduce the income tax rate to 3.0% effective January 1, 2022.

Other Revenue came in under budget by approximately \$0.8 million or 2.6%. This budget to actual variance is related to grants and shared revenues. Grant periods can span County fiscal years leaving budgeted funds unexpended.

Expenditure Highlights

Final budget to actual results include expenditures in excess of budget by \$1.8 million or 0.6%.

The largest deviation from final budget is the result of an additional transfer from the General fund to the Capital Projects fund in the amount of \$9 million, which is shown within the category of intergovernmental expenses. Use of this funding will be determined at a later date, but will most likely be used for capital projects or other one-time costs.

The number and duration of vacancies within the county contributed to wage savings of \$1.4 million and benefit savings of \$3.8 million for FY2021. The County is self-insured for both health insurance and workers compensation, therefore, variances exist at the end of the fiscal year based on actual experience. For FY2021, health insurance and workers compensation costs were under budget by approximately \$2.5 million and \$0.5 million respectively. The remaining benefit variance is related to FICA, unemployment compensation, other insurance, employee recognition and development programs, and pension.

Departmental savings totaled \$1.5 million or 1% as a result of department heads' efforts to reduce costs and focus on operational efficiencies.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

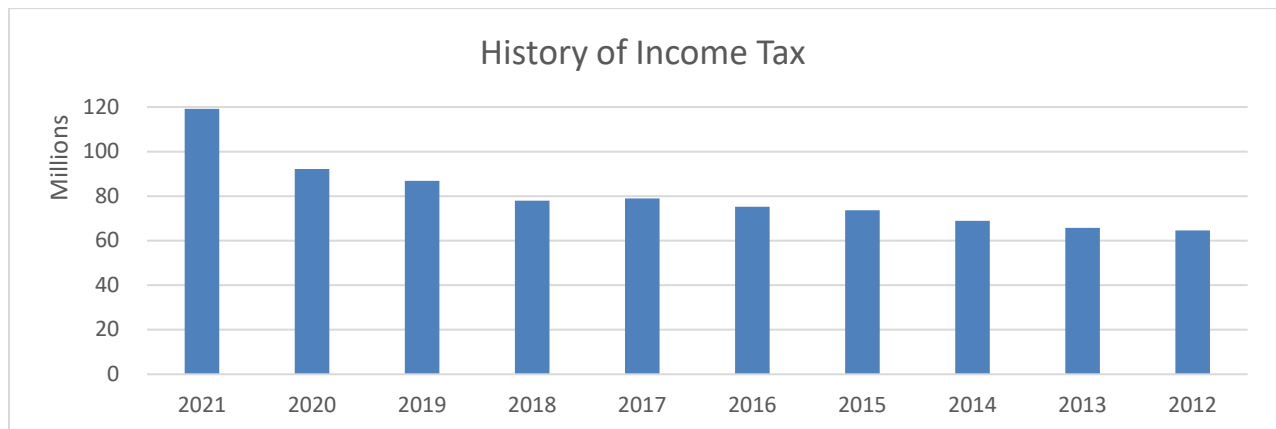
Highway expenditures were \$0.7 million under budget due to less spending on road maintenance and fleet management expenditures as a result of COVID-19 shutdowns.

Billable expenditures were over budget by \$0.2 million.

Additional Information:

Income tax

Major factors for the FY2021 income tax budget to actual variance include; 1) consideration of the FY2021 budget development; 2) income tax rate of 3.2%; 3) taxing of unemployment stimulus; 4) disparity grant; and 5) change in timing of payments from pass through entities.



FY2021 was the first fiscal year with full implementation of the 3.2% income tax rate, which was raised from 2.8% to 3.2% effective January 1, 2020. In addition to the tax on earnings, the increase from 2.8% to 3.2% generated \$6 million more in disparity grant from the state which is based on a state legislative formula.

A comparison of actual income tax to the original budget shows a variance of \$31.0 million. This is understandable given the approach of the FY2021 budget. Due to unknown impacts of the pandemic, the County did not increase its income tax budget for the impact of the tax increase in FY2021. The original budget was designed to safeguard the county against over committing and under delivering. Fortunately, the county did not face significant financial hardship in FY2021.

While Washington County's unemployment rate reached a high of 11.4% in April 2020, unemployment levels consistently trended downward thereafter, with an average for FY2021 of 6.2%. The County saw significantly less unemployment than early estimates. In addition, those on unemployment benefited from federal stimulus packages, which in some cases increased taxable wages across the county for certain individuals. As a result of the Governor's Relief Act of 2021, signed on February 15, 2021, unemployment benefits are no longer taxable for calendar years 2020 and 2021.



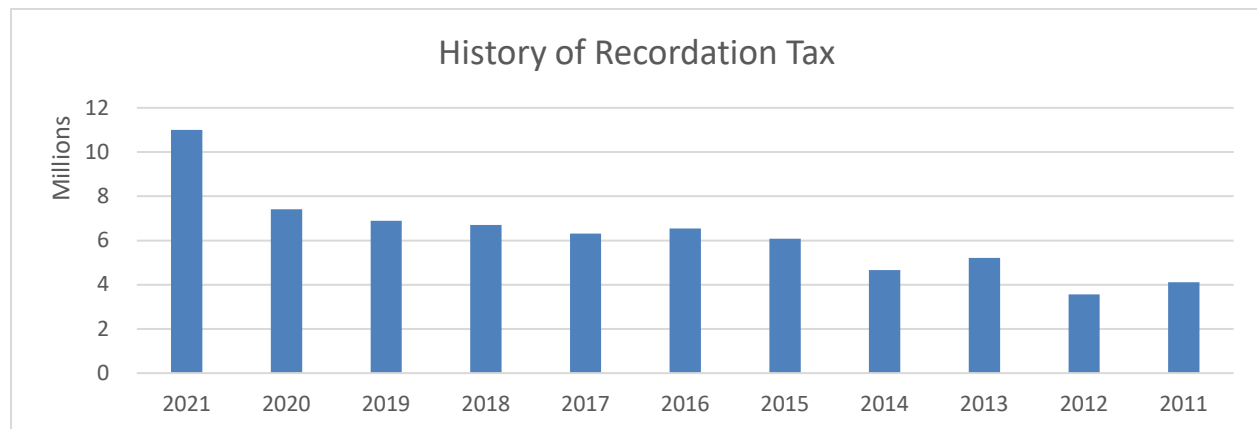
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

The estimated amount of overpayment from the State, as noted in the fiscal and policy note of HB612 for Washington County is \$3.9 million for fiscal year 2021. Unemployment has continued to be taxed at the State level and distributed to counties in subsequent distributions. We expect this total figure for over distribution to increase which will reduce the County's future distributions at some time in the future. The state has not confirmed when this reconciliation may occur.

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

Recordation tax

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





MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

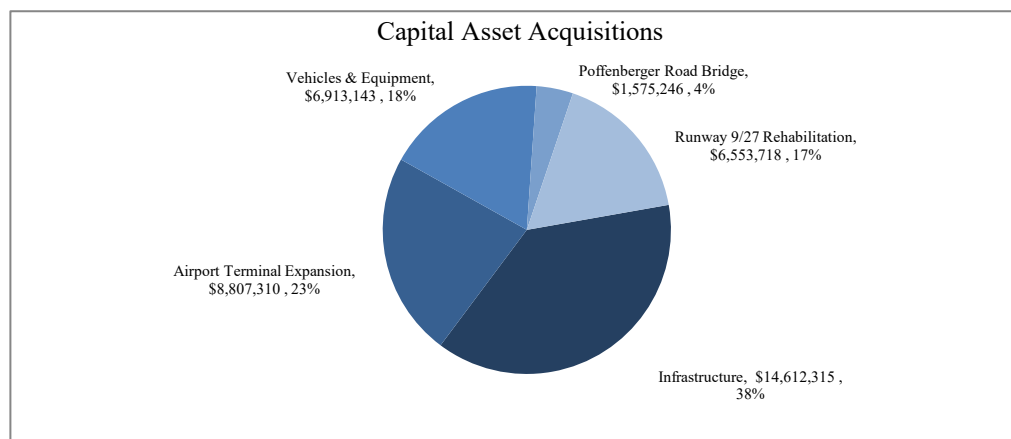
Capital Asset Administration – Government Wide Statements

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounts to \$675.8 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
	2021	2020	2021	2020	2021	2020	
<i>Land and Land Improvements</i>	\$108,592,844	\$105,385,308	\$46,399,621	\$46,338,730	\$154,992,465	\$151,724,038	2.2%
<i>Building and Improvements</i>	63,151,927	63,832,554	45,750,488	38,702,662	108,902,415	102,535,216	6.2%
<i>Facilities, Lines, and Mains</i>	-	-	86,185,988	86,465,829	86,185,988	86,465,829	-0.3%
<i>Vehicles</i>	6,555,455	5,052,431	1,034,969	1,032,355	7,590,424	6,084,786	24.7%
<i>Infrastructure</i>	237,530,617	238,047,497	-	-	237,530,617	238,047,497	-0.2%
<i>Machinery and Equipment</i>	4,133,402	4,347,324	4,201,339	2,805,715	8,334,741	7,153,039	16.5%
<i>Office/Computer Equipment</i>	3,073,398	3,478,028	351,143	392,356	3,424,541	3,870,384	-11.5%
<i>Treatment Plants</i>	-	-	68,888,221	70,824,802	68,888,221	70,824,802	-2.7%
Total	\$423,037,643	\$420,143,142	\$252,811,769	\$246,562,449	\$675,849,412	\$666,705,591	1.4%

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 61-64 of this report.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

Debt Administration

At the end of the current fiscal year, the County had total outstanding debt, excluding capital leases, of \$196.1 million. This amount was comprised of debt backed by the full faith and credit of the County and user fees. The debt balance decreased by a net of \$2.8 million, the result of net principal payments of \$13.7 million and new borrowings of \$10.9 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
	2021	2020	2021	2020	2021	2020	
<i>General Obligation Bonds</i>	\$149,730,708	\$148,828,255	\$37,477,966	\$39,918,814	\$187,208,674	\$188,747,069	-0.82%
<i>Maryland Water Quality Bonds</i>	2,200,560	2,476,571	6,662,013	7,689,125	8,862,573	10,165,696	-12.82%
<i>Total</i>	\$151,931,268	\$151,304,826	\$44,139,979	\$47,607,939	\$196,071,247	198,912,765	-1.43%

The County's credit ratings for fiscal year 2021 are as follows: 1) Standard and Poor's rated AA+, 2) Fitch rated AA+, and 3) Moody's Investors Service rated Aa1.

Under the Code of Public Local Law, the amount of general obligation debt the County may issue associated with water quality debt is limited to 10 percent of its total assessed valuation of all real estate in the County that is subject to taxation. The current estimated debt limitation for water quality is \$1.4 billion, which is significantly in excess of the County's current water quality general obligation debt.

Additional Information on the County's long-term debt can be found in note 8 on pages 67-72 of this report.

Economic and Other Factors

- ❑ Washington County's economy is showing signs of mixed economic performance for FY2021. The average price of a home sold increased by 13.7% in FY2021 to \$256,528. The number of units sold also increased in FY2021 by 16% from 1,922 to 2,234. Active inventory on the market is low bringing a premium to sellers in the market.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

- ❑ Development projects in the County have continued despite the COVID-19 pandemic. Millions in investment will ultimately increase real estate and income taxes in the County. A portion of this development is offset initially with real estate tax credits.
- ❑ Inflation, as measured by the Consumer Price Index, is expected to increase which could impact pricing of goods and services within the County.
- ❑ Washington County's unemployment rate for the last three years is as follows:
 - June 2019 4.1%
 - June 2020 8.2%
 - June 2021 6.6%

Unemployment trends are showing a slow steady improvement over the past 12 months. It is anticipated that the unemployment rate will take several years to fully recover due to permanent loss of certain jobs, re-entry/retraining of the current workforce, and new workforce entry.

- ❑ The Board of County Commissioners recently voted to reduce the income tax rate from 3.2% to 3.0% effective January 1, 2022. The County will experience the loss in revenue associated from the difference in the tax rate for six months of the year for FY2022. In FY2023, the County will experience the loss of revenue from the difference in the tax rate for the full year as well as a decrease in the disparity grant of about \$4 million. The full year reduction is estimated at \$11 million in revenue, but could fluctuate based on varying circumstances related to taxpayers.
- ❑ Water and Sewer rates were increased by 3.5% for the 2022 budget year. This revenue increase is based on financial information formulated annually from the County's cost of service model. The Sewer fund utilizes cash reserves in FY2022 to balance the budget but is expected to reach a self-supported status by FY2024 with projected annual rate increases of 3.5%. The Water Fund will not reach a self-supported status without a significant increase in customer base or reduction in expenditures. The General fund currently subsidizes the Water fund.
- ❑ Future economic development could be impacted if an agreement is not reached with The City of Hagerstown (the City) since they own and maintain the largest water system in the County. The City provides drinking water to citizens in and around the City, and the Towns of Williamsport, Funkstown, and Smithsburg. The limitations on new allocation enacted by the City based upon their estimates may limit the amount of future commercial, industrial, and residential development in the county.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

COVID-19 Pandemic

In response to the initial occurrence of the COVID-19 pandemic, the Governor of the State of Maryland proclaimed a state of emergency and catastrophic health emergency within the State of Maryland on March 5, 2020 and renewed on March 17, 2020. Since the initial and renewed proclamation, the Governor of Maryland has issued a series of executive orders, among other things, prohibiting large gatherings and events, requiring closure of nonessential and certain other businesses and authorizing emergency healthcare delivery. On March 30, 2020, the Governor of Maryland issued an executive order requiring Maryland residents to stay at home except for essential activities. On May 13, 2020, the Governor of Maryland amended and restated an existing order to allow the reopening of certain businesses and facilities subject to local regulation. Subsequently, the Governor issued a series of executive orders from time to time that tightened or loosened restrictions in response to the increase or lessening of the infection levels in the State. As a result of the rounds of executive orders, many businesses and retail establishments in Maryland, including in the County, were closed or materially reduced business activity for a period of time. With more recent improvements in State metrics and vaccine availability, the Governor of Maryland took steps to loosen restrictions. Effective March 12, 2021, the Governor lifted capacity restrictions on indoor and outdoor dining, increased capacity to 50% for large indoor and outdoor venues, and lifted quarantine periods for out of state travel. On June 15, 2021 the Governor of Maryland declared that effective July 1, 2021 emergency mandates and restrictions would end and there would no longer be a statewide masking order. Any increases in infection levels could lead to the imposition of tighter restrictions.

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. In addition, stimulus funding may have increased taxable wages for FY2021.

Although the County does not currently anticipate that the levy and collection of property taxes during fiscal year 2022 will be materially affected, the potential impact of the COVID-19 pandemic cannot be fully determined at this time. It is possible that assessment appeals related to commercial property assessments could impact the County's property tax revenue in the short term.

The County received \$13.2 million in CARES Act funding in May 2020, which was used by the County to cover certain costs or distributed to qualifying recipients through a variety of County programs. Together We Rise, the largest program recipient, was a business stabilization effort that provided approximately \$8.5 million to over 800 local businesses. The County also distributed a portion of such CARES Act funds to various local non-profit organizations in the



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

cumulative amount of \$2.5 million. An additional \$1.3 million provided for County-related information technology enhancements to assist teleworking activities to serve the public. Approximately \$400,000 was provided as reimbursement to the County and multiple municipalities for pandemic related costs. The remaining approximately \$500,000 was provided to the Convention and Visitors Bureau for tourism revitalization efforts.

The more recently enacted federal American Rescue Plan Act of 2021 is expected to result in direct funding being allocated to Washington County in the amount of approximately \$60.5 million, with approximately \$31.2 million being distributed to municipalities located in Washington County and approximately \$29.3 million being retained by the County initially. The County has received 50% of the total allocation and expects the remainder to be distributed in June 2022. The funding may be used to respond to or mitigate the COVID-19 health emergency or its negative economic impacts, including assistance to households, small businesses, nonprofits, and aid for tourism, travel and hospitality; to provide essential workers with premium pay; to cover revenue loss incurred as a result of the COVID-19 pandemic; or to make necessary investments in water, sewer, or broadband infrastructure. Such funds may not be used to support any pension funding or to offset a tax cut. The County has not yet determined how the funds initially reserved to the County will be spent.

Requests for Information

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Net Position As of June 30, 2021

	Primary Government			Component Unit	
	Governmental activities	Business-type activities	Total	Board of Education	Total
ASSETS					
Cash and short-term investments	\$ 162,505,459	\$ 35,075,137	\$ 197,580,596	\$ 18,054,196	\$ 215,634,792
Investments	10,496,657	-	10,496,657	43,888,389	54,385,046
Property taxes receivable, net of allowance	761,411	-	761,411	-	761,411
Accounts receivable, net of allowance	2,724,888	1,222,333	3,947,221	483,631	4,430,852
Interest receivable	12,584	-	12,584	-	12,584
Unbilled receivables	392,292	2,402,434	2,794,726	-	2,794,726
Internal balances	395,408	(395,408)	-	-	-
Due from other governmental agencies	59,452,564	4,372,192	63,824,756	24,080,914	87,905,670
Inventories	832,151	335,820	1,167,971	457,123	1,625,094
Other assets	-	-	-	1,701,814	1,701,814
Other post employment benefits asset	17,672,160	-	17,672,160	-	17,672,160
Net Pension Asset- LOSAP	253,233	-	253,233	-	253,233
Recoverable disbursements	97,151	-	97,151	-	97,151
Notes receivable	567,555	287,122	854,677	-	854,677
Projects under construction	27,167,306	2,602,741	29,770,047	1,929,598	31,699,645
Property, plant, and equipment, net	423,037,643	252,811,769	675,849,412	240,543,836	916,393,248
TOTAL ASSETS	706,368,462	298,714,140	1,005,082,602	331,139,501	1,336,222,103
DEFERRED OUTFLOWS OF RESOURCES					
Loss on refunding	1,697,718	516,140	2,213,858	-	2,213,858
Net pension activity	2,140,629	-	2,140,629	5,986,406	8,127,035
Net OPEB activity	-	-	-	74,846,600	74,846,600
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,838,347	516,140	4,354,487	80,833,006	85,187,493
LIABILITIES					
Current Liabilities:					
Current maturities of long-term obligations	10,284,379	3,630,497	13,914,876	-	13,914,876
Current maturities of capital lease obligations	122,502	314,866	437,368	9,518	446,886
Current maturities of installment purchase contracts	181,779	-	181,779	-	181,779
Accounts payable	16,071,336	1,445,990	17,517,326	5,364,727	22,882,053
Accrued expenses	2,450,963	685,743	3,136,706	25,100,394	28,237,100
Accrued interest	2,306,866	616,449	2,923,315	-	2,923,315
Unearned revenue	18,980,629	1,287,205	20,267,834	5,691,931	25,959,765
Compensated absences	2,772,421	510,679	3,283,100	466,722	3,749,822
Landfill closure and post-closure costs	-	200,900	200,900	-	200,900
Other liabilities	2,561,706	162,464	2,724,170	-	2,724,170
Liabilities for unpaid claims	1,693,567	-	1,693,567	-	1,693,567
Total current liabilities	57,426,148	8,854,793	66,280,941	36,633,292	102,914,233
Noncurrent Liabilities:					
Compensated absences	924,140	170,227	1,094,367	6,438,004	7,532,371
Post retirement benefits	-	-	-	209,519,974	209,519,974
Long-term debt obligations	141,646,889	40,509,482	182,156,371	-	182,156,371
Capital lease obligations	321,171	1,001,314	1,322,485	21,133	1,343,618
Installment purchase contracts	760,214	-	760,214	-	760,214
Landfill closure and post-closure costs	-	16,162,048	16,162,048	-	16,162,048
Net pension liability	81,216,017	-	81,216,017	20,859,450	102,075,467
Total noncurrent liabilities	224,868,431	57,843,071	282,711,502	236,838,561	519,550,063
TOTAL LIABILITIES	282,294,579	66,697,864	348,992,443	273,471,853	622,464,296
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources	-	21,446,163	21,446,163	-	21,446,163
Net pension activity	23,950,459	-	23,950,459	2,090,527	26,040,986
Net OPEB activity	13,095,266	-	13,095,266	106,345,573	119,440,839
TOTAL DEFERRED INFLOWS OF RESOURCES	37,045,725	21,446,163	58,491,888	108,436,100	166,927,988
NET POSITION					
Net investment in capital assets	360,482,566	217,849,212	578,331,778	242,442,783	820,774,561
Restricted for:					
John Howard Trust	255,204	-	255,204	-	255,204
Capital projects	31,127,279	7,890,861	39,018,140	-	39,018,140
Scholarships & Student Activities	-	-	-	3,991,292	3,991,292
Unrestricted	(998,544)	(14,653,820)	(15,652,364)	(216,369,521)	(232,021,885)
TOTAL NET POSITION	\$ 390,866,505	\$ 211,086,253	\$ 601,952,758	\$ 30,064,554	\$ 632,017,312

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, 2021

	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government:				
Governmental activities:				
General government	\$ 28,575,774	\$ 5,597,514	\$ 3,292,552	\$ 38,982
Public safety	61,670,985	2,539,402	5,062,965	-
Health	2,339,270	-	-	-
Social services	435,560	-	-	-
Education	115,766,280	-	-	-
Parks, recreation and culture	7,235,708	124,997	-	317,363
Natural resources	3,202,083	-	2,134,795	-
Community promotion	21,299,691	-	15,227,203	-
Highways and streets	19,864,939	-	1,956,097	8,103,486
Interest on long-term debt	4,569,476	-	-	-
Total governmental activities	<u>264,959,766</u>	<u>8,261,913</u>	<u>27,673,612</u>	<u>8,459,831</u>
Business-type activities				
Water quality	14,491,893	13,996,965	235,572	1,366,955
Solid waste	7,290,557	7,961,022	-	-
Airport	8,442,866	2,601,377	1,295,273	10,154,399
Public transit	3,138,207	258,237	1,949,906	300,000
Black Rock golf course	1,126,709	965,166	-	17,957
Total business-type activities	<u>34,490,232</u>	<u>25,782,767</u>	<u>3,480,751</u>	<u>11,839,311</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 299,449,998</u>	<u>\$ 34,044,680</u>	<u>\$ 31,154,363</u>	<u>\$ 20,299,142</u>
Component unit:				
Board of Education	<u>\$ 373,104,673</u>	<u>\$ 12,477,789</u>	<u>\$ 97,186,560</u>	<u>\$ 156,528</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, 2021

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-Type Activities	Total	Board of Education	Total
\$ (19,646,726)	\$ -	\$ (19,646,726)	\$ -	\$ (19,646,726)
(54,068,618)	-	(54,068,618)	-	(54,068,618)
(2,339,270)	-	(2,339,270)	-	(2,339,270)
(435,560)	-	(435,560)	-	(435,560)
(115,766,280)	-	(115,766,280)	-	(115,766,280)
(6,793,348)	-	(6,793,348)	-	(6,793,348)
(1,067,288)	-	(1,067,288)	-	(1,067,288)
(6,072,488)	-	(6,072,488)	-	(6,072,488)
(9,805,356)	-	(9,805,356)	-	(9,805,356)
(4,569,476)	-	(4,569,476)	-	(4,569,476)
(220,564,410)	-	(220,564,410)	-	(220,564,410)
-	1,107,599	1,107,599	-	1,107,599
-	670,465	670,465	-	670,465
-	5,608,183	5,608,183	-	5,608,183
-	(630,064)	(630,064)	-	(630,064)
-	(143,586)	(143,586)	-	(143,586)
-	6,612,597	6,612,597	-	6,612,597
(220,564,410)	6,612,597	(213,951,813)	-	(213,951,813)
-	-	-	(263,283,796)	(263,283,796)
133,490,152	-	133,490,152	-	133,490,152
146,674,462	-	146,674,462	-	146,674,462
594,441	156,993	751,434	114,840	866,274
1,349,707	-	1,349,707	-	1,349,707
2,813,885	292,445	3,106,330	2,350,155	5,456,485
-	-	-	276,759,385	276,759,385
(242,226)	(325,968)	(568,194)	-	(568,194)
(2,383,080)	2,383,080	-	-	-
282,297,341	2,506,550	284,803,891	279,224,380	564,028,271
61,732,931	9,119,147	70,852,078	15,940,584	86,792,662
329,133,574	201,967,106	531,100,680	14,123,970	545,224,650
\$ 390,866,505	\$ 211,086,253	\$ 601,952,758	\$ 30,064,554	\$ 632,017,312

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Balance Sheet - Governmental Funds As of June 30, 2021

	General Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
ASSETS				
Cash	\$ 61,770,766	\$ 92,417,603	\$ 8,317,090	\$ 162,505,459
Investments	10,240,627	256,030	-	10,496,657
Property taxes receivable, net of allowance	761,411	-	-	761,411
Accounts receivable, net of allowance	1,527,097	811,502	386,289	2,724,888
Interest receivable	12,545	39	-	12,584
Unbilled receivables	392,292	-	-	392,292
Due from other funds	-	636,410	-	636,410
Due from other governmental agencies	48,083,832	7,333,243	4,035,489	59,452,564
Recoverable disbursements	97,151	-	-	97,151
Notes receivable	567,555	-	-	567,555
Inventories	832,151	-	-	832,151
TOTAL ASSETS	\$ 124,285,427	\$ 101,454,827	\$ 12,738,868	\$ 238,479,122
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 10,353,395	\$ 2,695,678	\$ 3,022,263	\$ 16,071,336
Accrued expenses	2,417,599	7,227	26,137	2,450,963
Due to other funds	-	-	241,002	241,002
Liabilities for unpaid claims	1,693,567	-	-	1,693,567
Unearned revenue	15,233,612	-	3,747,017	18,980,629
Other liabilities	1,804,476	-	757,230	2,561,706
TOTAL LIABILITIES	31,502,649	2,702,905	7,793,649	41,999,203
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	30,783,694	-	-	30,783,694
FUND BALANCES				
Nonspendable	1,147,265	-	-	1,147,265
Restricted	720,318	31,127,279	2,369,675	34,217,272
Committed	60,119,034	67,624,643	2,367,959	130,111,636
Assigned	12,467	-	207,585	220,052
TOTAL FUND BALANCES	61,999,084	98,751,922	4,945,219	165,696,225
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 124,285,427	\$ 101,454,827	\$ 12,738,868	\$ 238,479,122

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, 2021

Fund balance governmental funds	\$	165,696,225
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		423,037,643
Projects under construction		27,167,306
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		17,672,160
Net Pension Asset- LOSAP		253,233
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds		
Unavailable revenues		30,783,694
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		
		(33,207,378)
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		(151,931,268)
Installment purchase obligations		(941,993)
Capital lease obligations		(443,673)
Accrued interest payable - net of IRS subsidy		(2,306,866)
Compensated absences and net pension liability		(84,912,578)
Net position of governmental activities	\$	<u>390,866,505</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, 2021

	General Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
REVENUE				
General property tax	\$ 133,818,994	\$ -	\$ -	\$ 133,818,994
Other local tax	130,589,273	7,439,859	1,975,149	140,004,281
Licenses and permits	1,374,019	-	2,649,910	4,023,929
Court costs and fines	1,451,977	-	-	1,451,977
Charges for services	1,026,841	-	525,901	1,552,742
Reimbursed expenses	1,106,950	-	8,085	1,115,035
Interest income	594,245	-	-	594,245
Miscellaneous revenues	625,111	91,734	2,101,385	2,818,230
Grants and shared revenues	22,158,043	343,662	4,771,893	27,273,598
Highway	2,252,613	-	-	2,252,613
Total Revenue	294,998,066	7,875,255	12,032,323	314,905,644
EXPENDITURES				
Current:				
General government	26,227,320	-	-	26,227,320
Public safety	57,105,922	-	1,870,712	58,976,634
Health	2,339,270	-	-	2,339,270
Social services	435,560	-	-	435,560
Education	113,243,390	-	-	113,243,390
Parks, recreation and culture	6,294,650	-	232,854	6,527,504
Natural resources	627,406	-	2,546,937	3,174,343
Intergovernmental	38,543	-	-	38,543
General operations	6,086,957	-	1,115,832	7,202,789
Community promotion	15,876,900	-	5,422,665	21,299,565
Highways and streets	10,527,895	-	-	10,527,895
Debt service	15,401,668	-	-	15,401,668
Capital outlay:				
General government	-	2,722,432	-	2,722,432
Public safety	-	5,440,020	-	5,440,020
Highways and streets	-	11,968,137	-	11,968,137
Education	-	2,522,890	-	2,522,890
Parks and recreation	-	352,169	-	352,169
Total Expenditures	254,205,481	23,005,648	11,189,000	288,400,129
Excess (Deficiency) of Revenue Over Expenditures	40,792,585	(15,130,393)	843,323	26,505,515
OTHER FINANCING SOURCES (USES)				
Transfers in	-	32,609,994	1,324,830	33,934,824
Transfers out	(35,153,279)	(1,139,878)	(24,747)	(36,317,904)
Principal amount of new debt for advance refunding	14,007,250	-	-	14,007,250
Deposit to escrow fund for advance refunding and repayment of loans	(14,007,250)	-	-	(14,007,250)
Proceeds of bond sale	-	12,091,194	-	12,091,194
Proceeds from capital lease	385,579	-	-	385,579
TOTAL OTHER FINANCING SOURCES (USES)	(34,767,700)	43,561,310	1,300,083	10,093,693
NET CHANGES IN FUND BALANCE	6,024,885	28,430,917	2,143,406	36,599,208
FUND BALANCES - BEGINNING OF YEAR	55,974,199	70,321,005	2,801,813	129,097,017
FUND BALANCES - END OF YEAR	\$ 61,999,084	\$ 98,751,922	\$ 4,945,219	\$ 165,696,225

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, 2021

Net changes in fund balances in governmental funds \$ 36,599,208

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

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

Capital outlay	\$ 25,998,654	
Depreciation	(15,826,398)	10,172,256

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. (283,030)

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

Debt and lease proceeds	\$ (12,389,384)	
Payments of installment purchase principal	181,779	
Payments of lease principal	284,757	
Payments of debt principal	11,377,342	(545,506)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Accrued interest on long term debt	9,756	
Deferred amounts of refunding	64,794	
Compensated absences	(233,289)	
Changes in pension liabilities and related deferred outflows and inflows of resources	6,537,716	
Changes in OPEB liabilities and related deferred outflows and inflows of resources	3,069,667	9,448,644

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 6,341,359

Change in Net Position of Governmental Activities	\$ 61,732,931
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The accompanying notes are an integral part of this financial statement.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Net Position - Proprietary Funds As of June 30, 2021

	Business Type Activities - Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	Total
ASSETS					
Current Assets:					
Cash	\$ 16,038,613	\$ 17,500,823	\$ 300	\$ 1,535,401	\$ 35,075,137
Accounts receivable, net	1,098,160	91,151	31,167	1,855	1,222,333
Unbilled accounts	1,758,606	616,736	27,052	40	2,402,434
Due from other governmental agencies	235,572	-	3,551,635	584,985	4,372,192
Notes receivable	-	287,122	-	-	287,122
Inventories	52,180	18,646	67,456	197,538	335,820
Total current assets	19,183,131	18,514,478	3,677,610	2,319,819	43,695,038
Noncurrent Assets:					
Projects under construction	1,734,716	101,748	761,525	4,752	2,602,741
Property, plant and equipment	238,330,473	70,302,824	168,907,562	12,319,559	489,860,418
Accumulated depreciation	(80,511,371)	(53,913,319)	(94,598,314)	(8,025,645)	(237,048,649)
Total noncurrent assets	159,553,818	16,491,253	75,070,773	4,298,666	255,414,510
TOTAL ASSETS	178,736,949	35,005,731	78,748,383	6,618,485	299,109,548
DEFERRED OUTFLOWS OF RESOURCES					
Loss on refundings	326,473	186,857	2,810	-	516,140
LIABILITIES					
Current Liabilities:					
Current debt	2,026,332	1,497,835	106,330	-	3,630,497
Current capital lease obligations	-	314,866	-	-	314,866
Accounts payable	325,883	171,619	830,322	118,166	1,445,990
Accrued expenses	449,128	85,150	24,932	126,533	685,743
Accrued interest	425,457	185,477	5,515	-	616,449
Due to other funds	380,292	-	15,116	-	395,408
Unearned revenue	84,679	402,524	800,002	-	1,287,205
Compensated absences	304,417	82,826	29,764	93,672	510,679
Landfill closure and post-closure costs	-	200,900	-	-	200,900
Other liabilities	7,300	-	102,016	53,148	162,464
Total current liabilities	4,003,488	2,941,197	1,913,997	391,519	9,250,201
Noncurrent Liabilities:					
Compensated absences	101,473	27,609	9,921	31,224	170,227
Bonds and long-term debt	30,519,497	9,810,327	179,658	-	40,509,482
Capital lease obligations	-	1,001,314	-	-	1,001,314
Landfill closure and post-closure costs	-	16,162,048	-	-	16,162,048
Total noncurrent liabilities	30,620,970	27,001,298	189,579	31,224	57,843,071
TOTAL LIABILITIES	34,624,458	29,942,495	2,103,576	422,743	67,093,272
DEFERRED INFLOWS OF RESOURCES					
	-	-	21,446,163	-	21,446,163
NET POSITION					
Net investment in capital assets	134,536,826	4,228,935	74,784,785	4,298,666	217,849,212
Restricted - capital projects	7,528,837	362,024	-	-	7,890,861
Unrestricted	2,373,301	659,134	(19,583,331)	1,897,076	(14,653,820)
TOTAL NET POSITION	\$ 144,438,964	\$ 5,250,093	\$ 55,201,454	\$ 6,195,742	\$ 211,086,253

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, 2021

	Business Type Activities - Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	Total
OPERATING REVENUE					
Charges for services	\$ 13,996,965	\$ 7,961,022	\$ 2,601,377	\$ 1,223,403	\$ 25,782,767
Miscellaneous	15,026	201,147	49,701	26,571	292,445
TOTAL OPERATING REVENUE	<u>14,011,991</u>	<u>8,162,169</u>	<u>2,651,078</u>	<u>1,249,974</u>	<u>26,075,212</u>
OPERATING EXPENSES					
Salaries and wages	3,902,000	1,444,652	663,723	1,884,706	7,895,081
Fringe benefits	2,602,199	842,625	374,631	849,633	4,669,088
Utilities	1,059,405	46,772	217,373	76,224	1,399,774
Insurance	156,023	30,629	54,225	40,865	281,742
Repairs and maintenance	438,149	1,516	126,454	339,377	905,496
Supplies	253,710	112,041	19,478	41,944	427,173
Cost of goods sold	-	-	1,873	85,753	87,626
Contracted services	266,289	1,550,325	47,910	105,992	1,970,516
Rentals and leases	44,276	2,042	4,871	107,692	158,881
Other operating	1,119,567	799,488	125,753	349,531	2,394,339
Uncollectible accounts	(1,241)	289,781	178	-	288,718
Controllable assets	103,159	12,938	207,990	11,729	335,816
Depreciation	3,866,389	1,882,731	6,590,753	371,470	12,711,343
TOTAL OPERATING EXPENSES	<u>13,809,925</u>	<u>7,015,540</u>	<u>8,435,212</u>	<u>4,264,916</u>	<u>33,525,593</u>
OPERATING INCOME (LOSS)	<u>202,066</u>	<u>1,146,629</u>	<u>(5,784,134)</u>	<u>(3,014,942)</u>	<u>(7,450,381)</u>
OTHER INCOME (EXPENSE)					
Interest expense	(681,968)	(275,017)	(7,654)	-	(964,639)
Interest income	152,645	4,087	1,892	(1,631)	156,993
Gain (loss) on disposal of assets	(13,533)	7,179	(311,609)	(8,005)	(325,968)
TOTAL OTHER INCOME (EXPENSE)	<u>(542,856)</u>	<u>(263,751)</u>	<u>(317,371)</u>	<u>(9,636)</u>	<u>(1,133,614)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS AND GRANTS	<u>(340,790)</u>	<u>882,878</u>	<u>(6,101,505)</u>	<u>(3,024,578)</u>	<u>(8,583,995)</u>
OPERATING TRANSFERS IN	<u>341,725</u>	<u>496,080</u>	<u>135,747</u>	<u>1,037,600</u>	<u>2,011,152</u>
OPERATING TRANSFERS OUT	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,950)</u>	<u>(17,950)</u>
GRANTS FOR OPERATING	<u>235,572</u>	<u>-</u>	<u>1,295,273</u>	<u>1,949,906</u>	<u>3,480,751</u>
NET INCOME (LOSS) BEFORE CAPITAL TRANSFERS AND GRANTS	<u>236,507</u>	<u>1,378,958</u>	<u>(4,670,485)</u>	<u>(55,022)</u>	<u>(3,110,042)</u>
CAPITAL TRANSFERS	<u>241,878</u>	<u>-</u>	<u>28,000</u>	<u>120,000</u>	<u>389,878</u>
CAPITAL GRANTS AND CONTRIBUTIONS	<u>1,366,955</u>	<u>-</u>	<u>10,154,399</u>	<u>317,957</u>	<u>11,839,311</u>
CHANGES IN NET POSITION	<u>1,845,340</u>	<u>1,378,958</u>	<u>5,511,914</u>	<u>382,935</u>	<u>9,119,147</u>
NET POSITION - BEGINNING 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>
NET POSITION - END OF YEAR	<u>\$ 144,438,964</u>	<u>\$ 5,250,093</u>	<u>\$ 55,201,454</u>	<u>\$ 6,195,742</u>	<u>\$ 211,086,253</u>

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, 2021

	Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	Total
Cash Flows from Operating Activities					
Receipts from customers	\$ 13,937,537	\$ 8,737,651	\$ 455,466	\$ 902,164	\$ 24,032,818
Payments to suppliers	(3,478,016)	(2,678,442)	(1,048,959)	(1,117,147)	(8,322,564)
Payments to employees	(6,417,061)	(2,267,373)	(1,325,867)	(2,712,452)	(12,722,753)
Net Cash Provided (Used) by Operating Activities	4,042,460	3,791,836	(1,919,360)	(2,927,435)	2,987,501
Cash Flows from Noncapital Financing Activities					
Operating contributions	577,297	430,908	2,090,240	2,945,631	6,044,076
Increase in due to/from other funds	380,292	-	15,116	-	395,408
Net Cash Provided (Used) by Noncapital Financing Activities	957,589	430,908	2,105,356	2,945,631	6,439,484
Cash Flows from Capital and Related Financing Activities					
Interest paid on notes and bond payable	(638,529)	(240,773)	(9,654)	(1,631)	(890,587)
Acquisition and construction of capital assets	(933,754)	(129,122)	(41,497)	342,940	(761,433)
Loss on the sale of assets	(13,533)	7,179	(311,609)	(8,005)	(325,968)
Payments on notes and bonds payable	(1,931,368)	(1,656,706)	(105,374)	-	(3,693,448)
Net Cash Provided (Used) by Capital and Related Financing	(3,517,184)	(2,019,422)	(468,134)	333,304	(5,671,436)
Cash Flows from Investing Activities					
Interest on investments	152,645	4,087	1,892	-	158,624
Net change in cash	1,635,510	2,207,409	(280,246)	351,500	3,914,173
Cash, Beginning of Year	14,403,103	15,293,414	280,546	1,183,901	31,160,964
Cash, End of Year	\$ 16,038,613	\$ 17,500,823	\$ 300	\$ 1,535,401	\$ 35,075,137
Non-Cash Operating Activities					
Loss on refunding	\$ 326,473	\$ 186,857	\$ 2,810	\$ -	\$ 516,140
Non-Cash Capital and Related Financing Activities					
Capital lease	\$ 17,740	\$ -	\$ -	\$ 24,192	\$ 41,932
Reconciliation of Operating Loss to Net Cash from Operating Activities					
Operating income (loss)	\$ 202,066	\$ 1,146,629	\$ (5,784,134)	\$ (3,014,942)	\$ (7,450,381)
Adjustments to reconcile operating loss to net cash from operating activities:					
Depreciation	3,866,389	1,882,731	6,590,753	371,470	12,711,343
Changes in assets and liabilities:					
Accounts receivable	82,179	233,991	4,504	(532)	320,142
Unbilled receivables	(121,935)	(61,033)	(14,005)	28	(196,945)
Due to/from other government entities	(62,322)	-	(470,170)	(347,306)	(879,798)
Inventories	(30,618)	(15,706)	(11,393)	(31,656)	(89,373)
Accounts payable and other liabilities	69,297	(92,150)	(506,369)	65,440	(463,782)
Accrued expenses	9,315	22,671	(2,000)	21,183	51,169
Landfill closure	-	274,946	-	-	274,946
Unearned revenue	27,624	402,524	(1,715,941)	-	(1,285,793)
Compensated absences	465	(2,767)	(10,604)	8,880	(4,026)
Net Cash Provided (Used) by Operating Activities	\$ 4,042,460	\$ 3,791,836	\$ (1,919,359)	\$ (2,927,435)	\$ 2,987,502
Schedule of non-cash capital and related financing activities:					
Contributions of capital assets	\$ 1,608,833	\$ -	\$ 10,726,271	\$ 437,957	\$ 12,773,061
Capital lease	-	1,672,362	-	-	-

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, 2021

	Pension Trust	LOSAP Trust	OPEB Trust	Total Pension and OPEB Trust Funds
ASSETS				
Cash and short-term investments	\$ 4,211,351	\$ 254,090	\$ 853,093	\$ 5,318,534
Investments, at fair value:				
Corporate bonds and obligations	61,541	-	-	61,541
Fixed income securities	45,903,865	3,623,706	7,331,249	56,858,820
Real Estate investment	7,000,005	-	1,500,005	8,500,010
Equity funds	115,537,329	8,613,441	21,548,492	145,699,262
Accounts receivable	7,106,671	7,120	10,904	7,124,695
TOTAL ASSETS	<u>179,820,762</u>	<u>12,498,357</u>	<u>31,243,743</u>	<u>223,562,862</u>
LIABILITIES				
Accounts payable	-	-	305,301	305,301
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>305,301</u>	<u>305,301</u>
NET POSITION				
Held in trust for pension and OPEB	<u>179,820,762</u>	<u>12,498,357</u>	<u>30,938,442</u>	<u>223,257,561</u>
NET POSITION	<u>\$ 179,820,762</u>	<u>\$ 12,498,357</u>	<u>\$ 30,938,442</u>	<u>\$ 223,257,561</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, 2021

	<u>Pension Trust</u>	<u>LOSAP Trust</u>	<u>OPEB Trust</u>	<u>Total Pension and OPEB Trust Funds</u>
ADDITIONS				
Contributions:				
Employer	\$ 19,210,540	\$ 564,557	\$ 12,832	\$ 19,787,929
Plan members	<u>2,527,417</u>	<u>-</u>	<u>-</u>	<u>2,527,417</u>
Total Contributions	<u>21,737,957</u>	<u>564,557</u>	<u>12,832</u>	<u>22,315,346</u>
Investment Income:				
Realized and unrealized gains	33,359,711	2,611,643	6,304,200	42,275,554
Interest and dividends	871	54	176	1,101
Other income	<u>3,814,321</u>	<u>254,699</u>	<u>619,857</u>	<u>4,688,877</u>
Total Investment Income	<u>37,174,903</u>	<u>2,866,396</u>	<u>6,924,233</u>	<u>46,965,532</u>
TOTAL ADDITIONS	<u>58,912,860</u>	<u>3,430,953</u>	<u>6,937,065</u>	<u>69,280,878</u>
DEDUCTIONS				
Benefits	11,241,936	653,016	631,096	12,526,048
Administrative expenses	<u>138,164</u>	<u>14,195</u>	<u>22,037</u>	<u>174,396</u>
TOTAL DEDUCTIONS	<u>11,380,100</u>	<u>667,211</u>	<u>653,133</u>	<u>12,700,444</u>
CHANGES IN NET POSITION	<u>47,532,760</u>	<u>2,763,742</u>	<u>6,283,932</u>	<u>56,580,434</u>
NET POSITION - BEGINNING OF YEAR	<u>132,288,002</u>	<u>9,734,615</u>	<u>24,654,510</u>	<u>166,677,127</u>
NET POSITION - END OF YEAR	<u>\$ 179,820,762</u>	<u>\$ 12,498,357</u>	<u>\$ 30,938,442</u>	<u>\$ 223,257,561</u>

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

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, 2021 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, 2021

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, 2021

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, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fiduciary funds:

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

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

The Other Post-employment Benefits Trust Fund (OPEB) is used to account for activities related to the other post-employment benefit plan of Washington County.

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

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, 2021

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, 2021

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, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Real Estate and Personal Property Taxes

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

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

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

Rate of County Taxes:

Income tax	3.0% of Maryland taxable income (calendar year 2022)
Recordation tax	\$3.80 per \$500
Trailer park	As of March 1, 2020, the County Commissioners reduced the tax to 7.5% of gross rentals, with a \$20 per month per mobile home space cap on the tax.
Property taxes	\$0.948 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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021, the carrying amount of the County’s deposits was \$197,580,596 and the bank balances were \$200,259,869. All deposits are carried at cost plus accrued interest. There were no significant violations of the collateralization requirements during the year ended June 30, 2021. 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, 2021, the County’s bank balance of \$200,259,869 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, 2021

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Primary Government (continued)

Investments

As of June 30, 2021, 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	\$ 10,496,657	\$ 10,496,657		\$ -	\$ -
Total investments held in County's name	10,496,657	10,496,657	-	-	-
Investments held by trustee of					
Pension plan:					
U.S. government obligations, municipal and corporate bonds	61,541	61,541	-	-	-
Fixed income securities	45,903,865	45,903,865	-	-	-
Real estate investments	7,000,005	7,000,005	-	-	-
Equity funds	115,537,329	115,537,329	-	-	-
Money market funds	4,211,351	4,211,351	-	-	-
Total Investments held by trustee of pension plan	172,714,091	172,714,091	-	-	-
Investments held by trustee of					
LOSAP plan:					
U.S. government obligations and corporate bonds	-	-	-	-	-
Fixed income funds	3,623,706	3,623,706	-	-	-
Equity funds	8,613,441	8,613,441	-	-	-
Money market funds	254,090	254,090	-	-	-
Total Investments held by trustee of LOSAP plan	12,491,237	12,491,237	-	-	-
Investments held by trustee of					
OPEB plan:					
Real estate investments	1,500,005	1,500,005	-	-	-
Fixed income funds	7,331,249	7,331,249	-	-	-
Equity funds	21,548,492	21,548,492	-	-	-
Money market funds	853,093	853,093	-	-	-
Total Investments held by trustee of OPEB plan	31,232,839	31,232,839	-	-	-
Total investments	\$ 226,934,824	\$ 226,934,824	\$ -	\$ -	\$ -

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, 2021

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Primary Government (continued)

Investments (continued)

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

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

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

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, 2021, the County's investments were 100% in U.S. Treasury and Agency obligations and certificates of deposit.

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

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2021, 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, 2021

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, 2021	Governmental Activities and Business-Type	Fiduciary Responsibilities	Total
Carrying amount of cash deposits	\$ 18,054,196	\$ 70,226	\$ 18,124,422
Bank balance of cash deposits	19,274,170	70,226	19,344,396
Amount covered by FDIC	1,428,284	70,226	1,498,510
Amount collateralized with securities held by an agent of the pledging financial institution in the School system's name	17,845,886	-	17,845,886

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, 2021, 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, 2021.

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, 2021

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, 2021, the pooled net position of the MABE Trust was \$589,129,491 in total, of which the School System's allocated investment balance was \$106,934,040. The School System's allocated investments consist of the following:

Interest Receivable	80,688
Corporate Bonds	12,931,606
Fixed Income Mutual Funds	9,050,018
Equity Securities	24,509,412
Mutual Funds	39,744,511
U.S. Government Agency	13,963,700
	<u>\$ 106,934,040</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, Federal Farm Credit Bank, Federal National Mortgage Association, and Federal Home Loan Mortgage Corp. These investments are 14%,14%,15% and 15%, 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, Federal Farm Credit Bank, Federal National Mortgage Association, and Federal Home Loan Mortgage Corp. These investments are 24%,24%,26% and 26%, respectively, of the General Fund investments.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2021

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Board of Education (continued)

Investments (continued)

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

As of June 30, 2021, the School System had the following investments and maturities:

June 30, 2021	Governmental Activities	Business-Type Activities	Fiduciary Responsibilities	Total
United States Treasury Note - 1.875% matures April 30, 2022	\$ 5,134,375	\$ -	\$ -	\$ 5,134,375
United States Treasury Note - .125% matures February 28, 2023	7,093,747	-	-	7,093,747
United States Treasury Note - .250% matures April 15, 2023	6,019,219	-	-	6,019,219
Federal Home Loan Bank - 2.625% matures December 10, 2021	6,179,061	-	-	6,179,061
Federal Home Credit Bank - 1.550% matures January 28, 2022	6,131,462	-	-	6,131,462
Federal National Mortgage Association- 2.625% matures September 11, 2022	6,734,969	-	-	6,734,969
Federal Home Loan Mortgage Corp- .250% matures October 21, 2022	6,512,502	-	-	6,512,502
Income Fund of America	83,054	-	-	83,054
Retiree Health Plan Trust	-	-	106,934,040	106,934,040
	<u>\$ 43,888,389</u>	<u>\$ -</u>	<u>\$ 106,934,040</u>	<u>\$ 150,822,429</u>

Investment Type	Fair Value	Investment Maturities (in Years)			
	June 30, 2021	Less than 1	1-5	6-10	More than 10
U.S. Agencies	\$ 43,805,335	\$ 17,444,898	\$ 26,360,437	\$ -	\$ -
Income Fund of America	83,054	83,054	-	-	-
Retiree Health Plan Trust	35,945,324	9,050,018	12,931,605	-	13,963,701
	<u>\$ 79,833,713</u>	<u>\$ 26,577,970</u>	<u>\$ 39,292,042</u>	<u>\$ -</u>	<u>\$ 13,963,701</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

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, 2021 are as follows:

	Value	(Level 1)	(Level 2)	(Level 3)
Government Agency Securities	\$ 43,805,335	\$ -	\$ 43,805,335	\$ -
Mutual Fund - Income Fund	83,054	83,054	-	-
	<u>\$ 43,888,389</u>	<u>\$ 83,054</u>	<u>\$ 43,805,335</u>	<u>\$ -</u>

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2021

4. RECEIVABLES

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

		Governmental Activities				
		General	Capital Projects	Non-Major	Total	
Receivables:						
Taxes receivable		\$ 930,372	\$ -	\$ -	\$ 930,372	
Accounts receivable		2,940,023	811,502	386,289	4,137,814	
Gross receivables		3,870,395	811,502	386,289	5,068,186	
Less: allowance for uncollectibles		(1,581,887)	-	-	(1,581,887)	
Net Total Receivables		\$ 2,288,508	\$ 811,502	\$ 386,289	\$ 3,486,299	
		Business-type Activities				
		Water Quality	Solid Waste	Airport	Non-Major	Total
Accounts receivable	\$ 1,112,585	\$ 387,187	\$ 32,268	\$ 1,855	\$ 1,533,895	
Less: allowance for uncollectibles	(14,425)	(296,036)	(1,101)	-	(311,562)	
Net Total Receivables	\$ 1,098,160	\$ 91,151	\$ 31,167	\$ 1,855	\$ 1,222,333	

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also record unearned revenue in connection with resources that have been received, but not yet earned. As of the end of the current fiscal year unavailable revenue for delinquent property taxes receivable reported in the General Fund was \$460,617. 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, 2021

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

Primary Government

	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 97,101,068	\$ 2,769,194	\$ (208,061)	\$ 99,662,201
Capital assets, being depreciated:				
Land improvements	15,584,369	1,156,419	-	16,740,788
Building and improvements	107,250,452	2,519,229	(98,376)	109,671,305
Vehicles	18,005,839	2,989,426	(1,239,187)	19,756,078
Infrastructure	1,197,904,471	8,230,711	(2,544)	1,206,132,638
Machinery and equipment	11,121,652	575,474	(121,499)	11,575,627
Office furniture and equipment	971,985	-	(48,135)	923,850
Computer equipment	35,592,161	763,477	(492,124)	35,863,514
Total capital assets, being depreciated	1,386,430,929	16,234,736	(2,001,865)	1,400,663,800
Total Capital Assets	1,483,531,997	19,003,930	(2,209,926)	1,500,326,001
Accumulated depreciation for:				
Land improvements	(7,300,129)	(510,016)	-	(7,810,145)
Building and improvements	(43,417,898)	(3,153,418)	51,938	(46,519,378)
Vehicles	(12,953,408)	(1,483,459)	1,236,244	(13,200,623)
Infrastructure	(959,856,974)	(8,747,337)	2,290	(968,602,021)
Machinery and equipment	(6,774,329)	(789,395)	121,499	(7,442,225)
Office furniture and equipment	(917,614)	(18,124)	48,136	(887,602)
Computer equipment	(32,168,503)	(1,124,650)	466,789	(32,826,364)
Total accumulated depreciation	(1,063,388,855)	(15,826,399)	1,926,896	(1,077,288,358)
Governmental Activities Capital Assets, Net	\$ 420,143,142	\$ 3,177,531	\$ (283,030)	\$ 423,037,643
Projects Under Construction	\$ 20,172,581	\$ 20,482,757	\$ (13,488,032)	\$ 27,167,306

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2021

5. CAPITAL ASSETS (continued)

Primary Government (continued)

	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 12,202,911	\$ -	\$ -	\$ 12,202,911
Capital assets, being depreciated:				
Land improvements	148,097,716	6,587,203	(1,626,046)	153,058,873
Building and improvements	63,644,403	8,979,035	(550,355)	72,073,083
Facilities	125,623,728	1,415,175	(60,224)	126,978,679
Vehicles	7,817,297	363,977	(254,107)	7,927,167
Machinery and equipment	13,400,375	2,072,442	(1,249,423)	14,223,394
Office furniture and equipment	272,987	-	(27,124)	245,863
Computer equipment	2,470,934	21,078	-	2,492,012
Treatment plants	100,653,865	18,892	(14,321)	100,658,436
Total capital assets, being depreciated	461,981,305	19,457,802	(3,781,600)	477,657,507
Total Capital Assets	474,184,216	19,457,802	(3,781,600)	489,860,418
Accumulated depreciation for:				
Land improvements	(113,961,896)	(6,513,873)	1,613,606	(118,862,163)
Building and improvements	(24,941,741)	(1,611,217)	230,363	(26,322,595)
Facilities	(39,157,900)	(1,673,216)	38,425	(40,792,691)
Vehicles	(6,784,942)	(361,363)	254,107	(6,892,198)
Machinery and equipment	(10,594,659)	(540,339)	1,112,943	(10,022,055)
Office furniture and equipment	(272,988)	-	27,125	(245,863)
Computer equipment	(2,078,579)	(62,290)	-	(2,140,869)
Treatment plants	(29,829,062)	(1,951,744)	10,591	(31,770,215)
Total accumulated depreciation	(227,621,767)	(12,714,042)	3,287,160	(237,048,649)
Business-type Activities Capital Assets, Net	\$ 246,562,449	\$ 6,743,760	\$ (494,440)	\$ 252,811,769
Projects Under Construction	\$ 6,853,237	\$ 12,474,193	\$ (16,724,689)	\$ 2,602,741

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2021

5. CAPITAL ASSETS (continued)

Primary Government (continued)

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

Governmental Activities:

General Government	\$ 11,959,232
Public Safety	2,521,653
Park, recreation and culture	367,853
Conservation of Natural Resources	28,133
Highways and streets	949,527

Total Depreciation Expense - Governmental Activities

\$ 15,826,398

Business-Type Activities:

Public Transit Fund	\$ 274,622
Airport Fund	6,590,753
Golf Course Fund	96,848
Water Quality Fund	3,866,389
Solid Waste Fund	1,882,731

Total Depreciation Expense – Business-Type Activities

\$ 12,711,343

Board of Education

	Balance June 30, 2020	Additions	Deletions	Reclasses	Balance June 30, 2021
Government Activities					
Capital assets, not being depreciated:					
Land	\$ 8,813,307	\$ 936,308	\$ -	\$ -	\$ 9,749,615
Facilities under construction	37,912,940	4,625,149	(40,608,491)	-	1,929,598
	<u>46,726,247</u>	<u>5,561,457</u>	<u>(40,608,491)</u>	<u>-</u>	<u>11,679,213</u>
Capital assets, being depreciated:					
Building and improvements	346,648,792	39,812,530	(1,537,623)	-	384,923,699
Furniture and equipment	60,245,591	1,428,271	(10,822,497)	-	50,851,365
Equipment under capital leases	51,428	-	-	-	51,428
	<u>406,945,811</u>	<u>41,240,801</u>	<u>(12,360,120)</u>	<u>-</u>	<u>435,826,492</u>
Accumulated depreciation:					
Building and improvements	(165,680,155)	(7,926,606)	1,434,771	-	(172,171,990)
Furniture and equipment	(41,019,666)	(3,803,253)	10,711,281	-	(34,111,638)
Buildings and equipment under capital lease	(12,812)	(12,812)	-	-	(25,624)
	<u>(206,712,633)</u>	<u>(11,742,671)</u>	<u>12,146,052</u>	<u>-</u>	<u>(206,309,252)</u>
Governmental Activities Capital Assets, Net	<u>\$ 246,959,425</u>	<u>\$ 35,059,587</u>	<u>\$ (40,822,559)</u>	<u>\$ -</u>	<u>\$ 241,196,453</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2021

5. CAPITAL ASSETS (continued)

Board of Education (continued)

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Business-type Activities				
Capital assets, being depreciated:				
Furniture and equipment	\$ 5,459,545	\$ 32,281	\$ (333,745)	\$ 5,158,081
Accumulated depreciation:				
Furniture and equipment	(3,892,223)	(301,434)	312,557	(3,881,100)
Business-type Activities Capital Assets, Net	<u>\$ 1,567,322</u>	<u>\$ (269,153)</u>	<u>\$ (21,188)</u>	<u>\$ 1,276,981</u>

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

Governmental activities:	
Other instructional costs	\$ 1,994,336
Student transportation services	1,485,124
Operation of plant	191,100
Depreciation - unallocated	8,072,111
Total Governmental Activities Depreciation Expense	<u>\$ 11,742,671</u>
Business-type activities:	
Food services	<u>\$ 301,434</u>

6. INTERFUND RECEIVABLES AND PAYABLES

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

Receivable Fund	Payable Fund	Amount
Capital Projects	HEPMPO	\$ 192,818
	Grant Management	48,184
	Pretreatment	380,292
	Airport	15,116
Total		<u>\$ 636,410</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2021

6. INTERFUND RECEIVABLES AND PAYABLES (continued)

Board of Education

Receivable Entity	Payable Entity	Amount
Component unit - Board of Education	Primary government - capital projects	\$ 4,757

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	\$ -	\$ -	\$ -	\$ 32,109,994
Highway Fund	-	-	-	500,000
Solid Waste	-	496,080	-	-
Public Transit	-	699,760	-	-
Water Quality	-	341,275	-	-
Grant Management	-	273,080	-	-
Agricultural Education Center	-	199,610	-	-
Golf Course	-	337,840	-	-
HEPMPO	-	9,750	-	-
Land Preservation	-	35,440	-	-
Airport	-	-	-	-
Cascade Town Centre	-	150,000	-	-
Capital Projects Fund:				
General Fund	-	-	32,109,994	-
Highway Fund	-	-	500,000	-
Airport Fund	-	-	-	139,000
Water Quality	-	-	-	241,878
Hotel Rental Fund	-	-	-	239,000
Golf Course	-	-	-	66,000
Transit	-	-	-	54,000
Land Preservation	-	-	-	400,000

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

7. INTERFUND TRANSACTIONS (continued)

Fund	Operating Transfers In	Operating Transfers Out	Capital Transfers In	Capital Transfers Out
Solid Waste:				
General Fund	496,080	-	-	-
Public Transit:				
General Fund	-	17,950	-	-
HEPMPO	-	-	54,000	-
Capital Projects	-	-	-	-
Water Quality:				
General Fund	341,275	-	-	-
Capital Projects	-	-	241,878	-
Airport:				
General Fund	699,760	-	-	-
Hotel Rental	-	24,747	-	-
Capital Projects	-	-	139,000	-
Golf Course:				
General Fund	337,840	-	-	-
Capital Projects	-	-	66,000	-
Grant Management:				
General Fund	273,080	-	-	-
Agricultural Education Center:				
General Fund	199,610	-	-	-
HEPMPO:				
General Fund	9,750	-	-	-
Public Transit Fund	17,950	-	-	-
Hotel Rental:				
Capital Projects	-	-	239,000	-
Airport	24,747	-	-	-
Cascade Town Centre	-	-	-	-
Land Preservation:				
General Fund	35,440	-	-	-
Capital Projects Fund	-	-	400,000	-
Cascade Town Centre				
General Fund	150,000	-	-	-
Total	\$ 2,585,532	\$ 2,585,532	\$ 33,749,872	\$ 33,749,872

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2021

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	1.4-5.5%	\$ 141,346,216	\$ 24,257,506	\$ 23,924,284	\$ 141,679,438	\$ 9,769,489
Unamortized bond premium		7,482,039	1,753,549	1,184,318	8,051,270	-
Total bonds payable		<u>148,828,255</u>	<u>26,011,055</u>	<u>25,108,602</u>	<u>149,730,708</u>	<u>9,769,489</u>
Other loans payable						
Direct Borrowing: Maryland Water Quality loans	1.0%	<u>2,476,571</u>	<u>-</u>	<u>276,011</u>	<u>2,200,560</u>	<u>514,890</u>
Total bonds and loans payable		<u>151,304,826</u>	<u>26,011,055</u>	<u>25,384,613</u>	<u>151,931,268</u>	<u>10,284,379</u>
Direct Borrowing: Agricultural Land Preservation	3.0%	<u>1,123,772</u>	<u>-</u>	<u>181,779</u>	<u>941,993</u>	<u>181,779</u>
Capital lease obligations	3.2%	<u>342,851</u>	<u>385,579</u>	<u>284,757</u>	<u>443,673</u>	<u>122,502</u>
Net pension liability		<u>118,758,533</u>	<u>-</u>	<u>37,542,516</u>	<u>81,216,017</u>	<u>-</u>
Governmental Activity Long-term Liabilities		<u>271,529,982</u>	<u>26,396,634</u>	<u>63,393,665</u>	<u>234,532,951</u>	<u>10,588,660</u>
Business-type Activities						
Public Sale Bonds payable:						
General obligation bonds	1.4-5.9%	\$ 36,968,784	\$ 5,327,494	\$ 7,595,716	\$ 34,700,562	\$ 2,145,511
Unamortized bond premium		2,950,030	216,650	389,276	2,777,404	-
Unamortized bond discount		-	-	-	-	-
Total bonds payable		<u>39,918,814</u>	<u>5,544,144</u>	<u>7,984,992</u>	<u>37,477,966</u>	<u>2,145,511</u>
Other loans payable:						
Direct Borrowing: Maryland Water Quality loans	.40-1.7%	<u>7,689,125</u>	<u>-</u>	<u>1,027,112</u>	<u>6,662,013</u>	<u>1,484,986</u>
Total bonds and loans payable		<u>47,607,939</u>	<u>5,544,144</u>	<u>9,012,104</u>	<u>44,139,979</u>	<u>3,630,497</u>
Capital lease obligations	4.1%	<u>41,932</u>	<u>1,672,362</u>	<u>398,114</u>	<u>1,316,180</u>	<u>314,866</u>
Business-type Activity Long-term Liabilities		<u>47,649,871</u>	<u>7,216,506</u>	<u>9,410,218</u>	<u>45,456,159</u>	<u>3,945,363</u>
Total Combined Activities						
Long-term Liabilities		<u>\$ 319,179,853</u>	<u>\$ 33,613,140</u>	<u>\$ 72,803,883</u>	<u>\$ 279,989,110</u>	<u>\$ 14,534,023</u>
Board of Education	7.17%	<u>\$ 39,532</u>	<u>\$ -</u>	<u>\$ 8,881</u>	<u>\$ 30,651</u>	<u>\$ 9,518</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2021

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
2022	\$ 9,769,489	\$ 4,570,184	\$ 514,890	\$ 22,005	\$ 2,145,511	\$ 1,113,996	\$ 1,484,986	\$ 49,521
2023	10,081,595	4,293,862	553,317	16,856	2,278,406	1,024,167	1,576,367	37,733
2024	10,550,959	3,870,614	278,877	11,324	2,274,041	928,588	379,213	24,973
2025	10,559,841	3,480,103	281,666	8,534	2,305,160	836,300	319,984	21,553
2026	10,168,068	3,092,255	284,483	5,718	2,371,932	744,387	225,537	18,711
2027-2031	43,741,473	10,455,959	287,327	2,875	11,463,521	2,561,111	1,491,347	68,182
2032-2036	31,936,037	4,203,220	-	-	7,183,963	1,113,999	1,036,985	29,093
2037-2041	14,183,003	765,810	-	-	2,677,001	353,198	147,594	1,551
2042-2051	688,973	6,891	-	-	2,001,027	228,784	-	-
Total	<u>\$ 141,679,438</u>	<u>\$ 34,738,898</u>	<u>\$ 2,200,560</u>	<u>\$ 67,312</u>	<u>\$ 34,700,562</u>	<u>\$ 8,904,530</u>	<u>\$ 6,662,013</u>	<u>\$ 251,317</u>
Plus:								
Unamortized premium	8,051,270				2,777,404			
	<u>\$ 149,730,708</u>				<u>\$ 37,477,966</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, 2021, the unused authorization was \$49,640,096.

Conduit Debt

From time to time, the County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received in the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. In accordance with governmental accounting standards, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2021, there were Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$137,349,217.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

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, 2021, are as follows:

As of June 30,	Principal	Interest	Total Requirement
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
2026	181,779	4,297	186,076
Thereafter	33,098	662	33,760
Total	\$ 941,993	\$ 58,505	\$ 1,000,498

For the year ended June 30, 2021, total principal and interest incurred related to agricultural land preservation installments was \$181,779 and \$22,475, 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 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 quarterly lease payments of \$4,444 through August 14, 2021. Payments commenced September 14, 2018. In March 2021 a new lease agreement was signed that commences after the expiration of the current lease. The new lease calls for quarterly payments of \$7,091 through August 14, 2024. Payments commence November 14, 2021. On May 24, 2021, a capital lease agreement was entered into for vehicles. The lease calls for 6 annual lease payments of \$57,045. Payments commence July 1, 2021, with the final payment on July 1, 2026. The future minimum lease payments under these agreements are as follows:

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

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

Primary Government (continued)

Capital Leases (continued)

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 138,186
2023	85,411
2024	85,408
2025	64,136
Thereafter	114,090
Total minimum payments	487,231
Less: amounts representing interest	43,558
Present value of net minimum lease payments	<u>\$ 443,673</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>
2022	<u>\$ 1</u>

On October 21, 2020, the Solid Waste fund entered into a capital lease agreement for equipment. The lease calls for 5 annual lease payments of \$254,946 and a final lease payment of \$2. Payments commenced November 17, 2020, with the final payment on November 17, 2024. On March 1, 2021, the Solid Waste fund entered into a capital lease agreement for a vehicle. The lease calls for 5 annual lease payments of \$101,237 and a final lease payment of \$1. Payments commenced March 24, 2021, with the final payment on March 24, 2025. The future minimum payments under this agreement are as follows:

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2021

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

Primary Government (continued)

Capital Leases (continued)

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 356,182
2023	356,182
2024	356,182
2025	356,186
Total minimum payments	1,424,732
Less: amounts representing interest	108,553
Present value of net minimum lease payments	<u>\$ 1,316,179</u>

The following is an analysis of the capital assets acquired under capital leases as of June 30, 2021.

	<u>Capitalized Amount</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value 2021</u>
General Fund	\$ 2,204,801	\$ 723,233	\$ 1,481,568
Water Quality	85,955	34,382	51,573
Transit	72,679	32,706	39,973
Solid Waste	1,808,841	15,074	1,793,767
Total	<u>\$ 4,172,276</u>	<u>\$ 805,395</u>	<u>\$ 3,366,881</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>
2022	\$ 11,716
2023	11,716
2024	11,716
Total minimum payments	35,148
Less: amounts representing interest	4,497
Present value of net minimum lease payments	<u>\$ 30,651</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

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

Primary Government (continued)

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, 2021, \$18,545,000 of long-term obligations outstanding are considered defeased.

9. OPERATING LEASE AGREEMENTS

Primary Government

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

9. OPERATING LEASE AGREEMENTS (continued)

Primary Government (continued)

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

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2021

9. OPERATING LEASE AGREEMENTS (continued)

Primary Government (continued)

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

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

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

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

9. OPERATING LEASE AGREEMENTS (continued)

Primary Government (continued)

During the year ending June 30, 2021, rental income for the above leases of \$921,571 was recognized in the Airport Fund.

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

The term of the lease runs for a period of 99 years with fixed monthly rent payments of \$28,800. During the year ended June 30, 2021, outsourcing revenue of \$345,600 was recognized in the Water Quality Fund.

On March 1, 2021, Black Rock Golf Course entered into a new lease for golf carts. The agreement calls 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, 2021.

Total lease payments for the year ended June 30, 2021, were \$67,572.

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, 2021, 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, 2021, was \$3,699,440 and \$678,027, 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, 2021

10. UNUSED VACATION AND SICK LEAVE (continued)

Board of Education

The School System accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned or estimated to be earned by the employee. The accrual of vacation leave is based upon individual salary rates in effect as of June 30. The accrual of sick leave is based on payment upon retirement at rates set forth in the various negotiated agreements. Sick leave is estimated to be earned once an employee has obtained 15 years of service or 55 years of age. Total unpaid vacation and sick leave accrued at June 30, 2021 amounted to \$6,904,726. At June 30, 2021 \$466,722 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, 2021. 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, 2021

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	\$ 81,216,017
LOSAP Plan	
Net Pension Liability	(253,233)
Total	<u><u>\$ 80,962,784</u></u>

Investments

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

11. RETIREMENT PLANS (continued)

Primary Government (continued)

Investments (continued)

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

Funding Policy

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

All information that follows for the Plan is measured as of June 30, 2021, which is the latest actuarial report available.

Membership of the Plan

The membership consisted of the following as of June 30, 2021, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	448
Terminated Plan members entitled to but not yet receiving benefits	59
Active Plan members	801
Total	<u>1,308</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

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, 2021 is as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35%	5.7%
International Equity	20%	6.2%
Options / Defensive Equity	12%	4.8%
Private Real Estate	4%	5.4%
Private Infrastructure	4%	5.5%
Private Credit	7%	7.4%
Core Fixed Income	16%	2.1%
Cash	2%	0.3%
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, 2021, actuarial valuation using the projected unit credit cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) including inflation, and (b) projected salary increases which vary by participant service. The actuary was using the RP-2014 adjusted Total Dataset with Generational projection using scale MP-2015. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined by the market value of investments.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2021

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, 2021 is as follows:

Total pension liability	\$ 261,036,779
Net position	<u>(179,820,762)</u>
Net pension liability	<u>\$ 81,216,017</u>

Net position as a percentage of total pension liability is 68.89%.

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>\$ 114,389,082</u>	<u>\$ 81,216,017</u>	<u>\$ 53,582,000</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2021, the County recognized pension expense of \$13,740,039 for the Plan. As of June 30, 2021, 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	\$ -	\$ 2,581,463
Change in assumptions	619,571	-
Net difference between projected and actual investment earnings	-	18,719,365
Total	<u>\$ 619,571</u>	<u>\$ 21,300,828</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

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>
2022	\$ (4,880,525)
2023	(4,590,689)
2024	(4,989,372)
2025	(5,992,639)
2026	(228,032)
Total	<u>\$ (20,681,257)</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, 2021

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, 2021

11. RETIREMENT PLANS (continued)

Board of Education (continued)

Benefits Provided (continued)

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2021

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, 2021

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) age 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, 2021

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, 2021 was \$8,601,323. The State's contributions on behalf of the Board for the year ended June 30, 2021 was \$16,218,456. The fiscal 2021 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, 2020, was 10.21% 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, 2021 of \$2,210,130.

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

As of June 30, 2021, 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, 2021

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	\$ -	\$ 20,859,450
State's proportionate share of net position liability associated with the School System	177,794,499	-
Total	\$ 177,794,499	\$ 20,859,450

For the year ended June 30, 2021, the School System recognized pension expense of \$2,325,493. As of June 30, 2021, 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	\$ 104,740	\$ 407,419
Change in proportion	2,138,684	801,930
Net difference between projected and actual investment earnings	1,532,852	-
Difference between actual and expected experience	-	881,178
School System contributions subsequent to the measurement date	2,210,130	-
Total	\$ 5,986,406	\$ 2,090,527

The \$2,210,130 reported as deferred outflows of resources related to pensions resulting from the School System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

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>
2022	\$ (39,480)
2023	435,085
2024	812,775
2025	431,267
2026	46,102
Total	<u><u>\$ 1,685,749</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>\$ 29,696,804</u>	<u>\$ 20,859,450</u>	<u>\$ 13,498,764</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, 2021

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 \$967,496 which is reflected in the accompanying financial statements as of June 30, 2021. Changes in the claims liability were as follows:

	Years Ended June 30,	
	2021	2020
Liability, beginning of year	\$ 786,154	\$ 1,260,728
Premiums collected and changes in estimates during the year	16,864,225	15,088,549
Claims and administrative costs paid	(16,682,883)	(15,563,123)
Liability, end of year	<u>\$ 967,496</u>	<u>\$ 786,154</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

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 \$726,071, which is reflected in the accompanying financial statements as of June 30, 2021. Changes in the claims liability were as follows:

	Years Ended June 30,	
	2021	2020
Liability, beginning of year	\$ 694,972	\$ 951,213
Premiums collected and changes in estimates during the year	962,748	876,072
Claims and administrative costs paid	(931,649)	(1,132,313)
Liability, end of year	\$ 726,071	\$ 694,972

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, 2021

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 \$44,869,433 for the year ended June 30, 2021.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

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, 2021 and 2020. 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,	
	2021	2020
Liability, beginning of year	\$ 2,939,000	\$ 2,362,000
Claims and changes in estimates during the year	48,587,283	49,233,966
Claims paid and accrued	(48,076,442)	(48,656,966)
Liability, end of year	<u>\$ 3,449,841</u>	<u>\$ 2,939,000</u>

13. DEFERRED COMPENSATION PLAN

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

14. SEGMENT INFORMATION

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2021

14. SEGMENT INFORMATION (continued)

	Sewer Department	Pretreatment Department
CONDENSED STATEMENT OF NET POSITION		
ASSETS		
Current assets	\$ 13,460,325	\$ -
Noncurrent assets	144,321,447	4,232,986
Total Assets	157,781,772	4,232,986
DEFERRED OUTFLOW OF RESOURCES		
	271,598	37,276
LIABILITIES		
Other current liabilities	2,607,863	841,827
Noncurrent liabilities	28,946,379	461,063
Total Liabilities	31,554,242	1,302,890
Net Position		
Net investment in capital assets	121,171,078	3,311,923
Unrestricted	7,254,534	-
Restricted - capital projects	(1,926,483)	(344,552)
Total Net Position	\$ 126,499,129	\$ 2,967,371
CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION		
Operating revenue	\$ 12,219,760	\$ -
Lease income	-	345,600
Operating transfer	-	-
Operating grant	235,572	-
Depreciation expense	(3,275,256)	(183,838)
Other operating expenses	(8,615,431)	(21,020)
Operating income	564,645	140,742
Non-operating revenue (expenses):		
Interest expense	(614,503)	(29,762)
Interest income	123,762	-
Capital contributions	1,366,955	-
Total non-operating revenue (expense)	876,214	(29,762)
Change in Net Position	1,440,859	110,980
Net Position, beginning of year	125,058,270	2,856,391
Net Position, End of Year	\$ 126,499,129	\$ 2,967,371
CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided (used) by:		
Operating activities	\$ 6,444,021	\$ 92,712
Capital and related financing activities	752,452	(29,763)
Net change	7,196,473	62,949
Cash and cash equivalents, beginning of year	3,470,252	317,342
Cash and Cash Equivalents, End of Year	\$ 10,666,725	\$ 380,291

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

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 \$129,487 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, 2021.

The Resh Landfill has reported a landfill post-closure care liability of \$3,578,445 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, 2021.

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, 2021. The Rubble Landfill was closed in December 2000. No current expense was recognized in the Solid Waste Fund for the year ended June 30, 2021.

The 40 West Landfill began operation in fiscal year 2001. The estimated life of the Landfill is based on the average cubic yards used. As of June 30, 2021, the approximate life of the Landfill is 95 years. It is estimated that approximately 22.21% of the capacity has been used. The estimated costs associated with closure and post-closure care of \$10,452,616 was reported as a liability in the Solid Waste Fund as of June 30, 2021. The County will recognize \$47,055,727 of estimated cost associated with the closure and post-closure care as capacity is filled. During the fiscal year 2012 engineering re-designed the cells at 40 West Landfill. This change in estimate increased the airspace by 4 million cubic yards. This change in accounting estimate has no effect on the total estimated cost but will extend the landfill life.

The above estimates are based on estimated current costs to perform all closure and post-closure care. Actual costs may be higher due to inflation, deflation, changes in technology, or changes in applicable laws or regulations. The County is required by state and Federal laws and regulations to meet certain closure and post-closure financial assurance requirements. The County has satisfied these requirements by demonstrating in information submitted by the CFO that they meet the Local Government Financial Test as of June 30, 2021, as specified in 40CFR258.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS

Primary Government

Plan Description

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

Investments

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

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

Funding Policy

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

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, 2021 is as follows:

Total OPEB liability	\$ 13,266,282
Net position	<u>(30,938,442)</u>
Net OPEB liability (asset)	<u>\$ (17,672,160)</u>

Net position as a percentage of total OPEB liability is 233.21%.

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, 2021 is as follows:

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2021

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Primary Government (continued)

Actuarial Methods and Assumptions (continued)

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

In the actuarial valuation for the plan year ending June 30, 2021, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.25% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 4.9% initially, reduced by decrements to an ultimate rate of 4%. The actuarial value of assets was determined using a market value of assets valuation method. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percent of payroll. The remaining amortization period as of June 30, 2021, was 17 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)	\$ (16,838,633)	\$ (17,672,160)	\$ (18,468,009)

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Primary Government (continued)

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

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

	1.0% decrease 3.0%	Trend rate 4.0%	1.0% increase 5.0%
Net OPEB liability (asset)	\$ (18,931,287)	\$ (17,672,160)	\$ (16,201,662)

For the fiscal year ended June 30, 2021, Washington County Government recognized an OPEB expense of \$(3,056,834). As of June 30, 2021, 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	\$ -	\$ 3,311,459
Change in assumptions	-	6,255,760
Net difference between projected and actual investment earnings	-	3,528,047
Total	\$ -	\$ 13,095,266

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
2022	\$ (3,032,296)
2023	(3,003,391)
2024	(3,072,369)
2025	(3,235,998)
2026	(365,265)
Thereafter	(385,947)
Total	\$ (13,095,266)

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

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, 2021

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 2021. 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, 2021 and 2020, the School System's average contribution rate was 8.99% and 9.55%, respectively of covered payroll. Employees are not required to contribute to the plan. Total claims paid on behalf of retirees amounted to \$15,331,704 of which \$3,802,919 was reimbursed through contributions received from retirees for the year ended June 30, 2021. In addition, the School System contributed \$5,908,167 to the MABE Trust for the year ended June 30, 2021. 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.

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, 2020, measurement date.

Investments

The MABE Trust's policy in regards to the allocation of invested assets is established and may be amended by the Trustees by a majority vote of its members. It is the policy of the Trust to pursue an investment strategy that emphasizes growth of principal while avoiding excess risk. Short-term volatility will be tolerated inasmuch as it is consistent with the volatility of a comparable market index. The MABE Trust's investment policy discourages the use of cash equivalents, except for liquidity purposes and aims to refrain from dramatically shifting asset class allocations over short time span. The following is the MABE Trust's adopted asset allocation policy as of June 30, 2021 and 2020:

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Board of Education (continued)

Investments (continued)

<u>Asset Class</u>	<u>Target Allocation</u>
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, 2021 and 2020, the annual money-weighted rate of return on investments, net of investment expense, was 24.52% and 2.91%, 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, 2021

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, 2021, were as follows:

Total OPEB liability	\$ 302,949,071
Net position	<u>(106,934,040)</u>
Net OPEB liability	<u>\$ 196,015,031</u>

Plan fiduciary net position as a percentage of the total OPEB liability was 35.30%.

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 4.83% 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 (3.83%) or 1-percentage point higher (4.83%) than the current rate:

	1.0% decrease 3.83%	Current rate 4.83%	1.0% increase 5.83%
Net OPEB liability (asset)	<u>\$ 243,059,000</u>	<u>\$ 196,015,031</u>	<u>\$ 158,772,000</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>\$ 158,772,000</u>	<u>\$ 196,015,031</u>	<u>\$ 246,979,000</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

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, 2021. 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, 2021, 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, 2021

17. CONTINGENCIES AND COMMITMENTS (continued)

Board of Education

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

As of June 30, 2021, the School System had entered into various school construction commitments, that will be funded by the State of Maryland or County sources, totaling approximately \$14,935,246 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, 2022 are approximately \$50,098. Rent expense for these leases amounted to \$67,402 for the year ended June 30, 2021.

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	\$ 8,579,920
Current expense fund - restricted	1,096,829
Capital projects fund	10,684,293
Food services fund	28,260

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

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, 2021 are categorized as follows:

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Non-Spendable				
Inventory	\$ 832,151	\$ -	\$ -	\$ 832,151
Long-term receivable	315,114	-	-	315,114
Restricted				
Programs and activities	540,318	-	2,369,675	2,909,993
Workers compensation	180,000	-	-	180,000
Capital projects	-	31,127,279	-	31,127,279
Committed				
Contingencies	57,916,678	-	-	57,916,678
Programs and activities	2,202,356	-	2,367,959	4,570,315
Capital projects	-	67,624,643	-	67,624,643
Assigned				
Programs and activities	12,467	-	207,585	220,052
Totals	\$ 61,999,084	\$ 98,751,922	\$ 4,945,219	\$ 165,696,225

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

19. RETIREMENT PLAN - FIRE AND RESCUE VOLUNTEERS

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

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

Investments

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

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, 2021 is as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	38%	5.7%
International Equity	22%	6.2%
Options / Defensive Equity	15%	4.8%
High Yield	10%	5.6%
Core Fixed Income	13%	2.1%
Cash	2%	0.3%
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, 2021 is as follows:

Total pension liability	\$ 12,245,124
Net position	(12,498,357)
Net pension liability	<u>\$ (253,233)</u>

Net position as a percentage of total pension liability is 102.07%.

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>\$ 1,206,192</u>	<u>\$ (253,233)</u>	<u>\$ (1,468,998)</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

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, 2021, the County recognized pension expense of \$(502,658). As of June 30, 2021, 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	\$ 1,043,353	\$ 1,056,588
Change in assumptions	477,705	106,567
Net difference between projected and actual investment earnings	-	1,486,476
Total	\$ 1,521,058	\$ 2,649,631

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
2022	\$ (830,711)
2023	(44,122)
2024	(74,831)
2025	(310,981)
2026	118,820
Thereafter	13,252
Total	\$ (1,128,573)

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

20. TAX ABATEMENTS

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

Job Creation & Capital Investment Real Property Tax Credit Program

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

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

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

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

In FY2021, utilization of this program was not material.

New Jobs Tax Credit Program

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

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

To qualify for the program, a business must:

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

20. TAX ABATEMENTS (continued)

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

In FY2021, there was no utilization of this program.

Pad-Ready Site Commercial Stimulus Program

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

This program is a valued part of our local business incentive package and considered integral in spurring economic growth in Washington County. Qualifying projects are entitled to priority plan review by the Washington County Development Advisory Committee, deferral of County Site Plan application and review fees and a real-estate tax credit issuance once buildings are constructed and occupied. The tax credit is to be 0.4 of a percent (.004%) of the construction cost of the new improvement as determined by this office and will apply for three consecutive years. The credit is limited to the lesser of three years or until the parcel is further developed.

In FY2021, there was zero utilization of this program.

21. NEW ACCOUNTING PRONOUNCEMENTS

The GASB issued Statement No. 84, *Fiduciary Activities*; Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*; and Implementation Guide No. 2019-2, *Fiduciary Activities*; which all took effect during FY 2021. These statements have an immaterial effect on the County's financial statements.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2021

21. NEW ACCOUNTING PRONOUNCEMENTS (continued)

The GASB has issued Statement No. 87, *Leases*; Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; Statement No. 91, *Conduit Debt Obligations*; Statement No. 92, *Omnibus 2020*; Statement No. 93, *Replacement of Interbank Offered Rates*; Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; Statement No. 96, *Subscription-Based Information Technology Arrangements*; 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*; Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*; and Implementation Guide No. 2019-3, *Leases*; which will require adoption in the future, if applicable. Some of these statements and implementation guides will have a material effect on the County's financial statements once implemented. The County will be analyzing the effects of these pronouncements and plans to adopt them, as applicable, by their effective dates.

REQUIRED SUPPLEMENTARY INFORMATION

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COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Changes in Net OPEB Liability and Related Ratios June 30, 2021

	2021	2020	2019	2018	2017
Total pension liability					
Service Cost: Retirement benefits Administration	\$ 756,448	\$ 782,686	\$ 983,258	\$ 1,025,563	\$ 954,012
Interest	961,217	961,904	1,577,724	1,680,908	1,546,680
Differences between expected and actual experiences	(1,490,139)	(367,885)	(239,377)	(3,216,054)	-
Changes of assumptions	(53,646)	(838,141)	(9,622,292)	(223,390)	-
Benefit payments	(631,096)	(533,287)	(641,700)	(655,923)	(147,184)
Net changes in total OPEB liability	(457,216)	5,277	(7,942,387)	(1,388,896)	2,353,508
Total OPEB liability - beginning	13,723,498	13,718,221	21,660,608	23,049,504	20,695,996
Total OPEB liability - ending (a)	<u>\$ 13,266,282</u>	<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	\$ 12,832	\$ 14,879	\$ 641,700	\$ 1,877,923	\$ 1,347,184
Net investment income	6,924,233	922,876	1,324,499	1,702,823	1,919,215
Benefit payments	(631,096)	(533,287)	(641,700)	(655,923)	(147,184)
Administrative expense	(22,037)	(46,687)	(108,008)	(21,763)	-
Net changes in plan fiduciary net position	6,283,932	357,781	1,216,491	2,903,060	3,119,215
Plan fiduciary net positions - beginning	24,654,510	24,296,729	23,080,238	20,177,178	17,057,963
Plan fiduciary net positions - ending (b)	<u>\$ 30,938,442</u>	<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)	\$ (17,672,160)	\$ (10,931,012)	\$ (10,578,508)	\$ (1,419,630)	\$ 2,872,326
Plan fiduciary net position as a percentage of total pension liability	233.21%	179.65%	177.11%	106.55%	87.54%
Covered employee payroll	N/A	N/A	N/A	N/A	N/A
Net liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A
Annual money-weighted rate of return, net of investment expense	28.09%	3.80%	5.74%	8.44%	11.25%
Notes to schedule:					
This information is not available for FY16 and prior.					
Benefit changes	None.				
Change of assumptions	The discount rate was changed as follows:				
The discount rate changes year-to-year:	7.25%	7.25%	7.25%	7.50%	7.50%
The medical trend was updated to the latest model released by the SOA.					

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of OPEB Trust Fund Employer Contributions June 30, 2021

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

Notes to schedule:

Benefit changes None.

Valuation date 1/1/2021

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

Methods and assumptions used to determine contribution rates:

Valuation Date	1/1/2021
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll
Remaining amortization period	17 years for FYE 2021
Asset valuation method	Market value of assets
Investment rate of return	7.25% for FYE 2019 and after, 7.50% for FYE 2017 and 2018
Payroll growth rate	3.00%
Inflation	2.50%
Healthcare cost trend rate	The trend for 2021 is 4.9%. The ultimate trend is 4.0%.

This information is not available for FYE 16 and prior.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios – General Employees’ Pension Fund June 30, 2021

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service Cost: Retirement benefits Administration	\$ 6,949,190	\$ 7,011,877	\$ 6,564,304	\$ 5,050,740	\$ 4,903,615	\$ 3,124,202	\$ 3,508,850	\$ 6,922,217
Interest	17,648,545	17,001,079	16,190,295	15,612,649	11,595,913	10,745,024	10,252,003	7,708,164
Benefit payments, including refunds of member contributions	(11,241,936)	(15,048,127)	(9,973,991)	(8,172,571)	(8,860,156)	(7,789,289)	(6,880,888)	(6,004,033)
Changes of benefit terms	(1,368,197)	(1,937,366)	(299,442)	-	22,002,473	1,358,032	-	-
Differences between expected and actual experiences	-	-	1,239,143	3,555,655	3,657,687	6,532,000	-	-
Changes of assumptions	-	-	-	-	19,913,151	2,532,160	-	-
Net changes in total pension liability	11,987,602	7,027,463	13,720,309	16,046,473	53,212,683	16,502,129	6,879,965	8,626,348
Total pension liability - beginning	249,049,177	242,021,714	228,301,405	212,254,932	159,042,249	142,540,120	135,660,155	127,033,807
Total pension liability - ending (a)	<u>\$ 261,036,779</u>	<u>\$ 249,049,177</u>	<u>\$ 242,021,714</u>	<u>\$ 228,301,405</u>	<u>\$ 212,254,932</u>	<u>\$ 159,042,249</u>	<u>\$ 142,540,120</u>	<u>\$ 135,660,155</u>
Plan fiduciary net position								
Contributions - employer	\$ 19,210,540	\$ 12,137,468	\$ 11,825,000	\$ 10,510,000	\$ 7,010,000	\$ 6,621,156	\$ 6,786,549	\$ 6,017,521
Contributions - member	2,527,417	2,183,984	2,119,985	2,094,346	1,955,511	1,873,710	1,871,200	1,876,133
Net investment income	37,174,903	5,025,847	6,676,652	9,409,621	10,676,800	628,709	4,747,193	12,817,264
Receipts of In-kind	-	-	-	-	-	-	220,613	-
Benefit payments, including refunds of member contributions	(11,241,936)	(15,048,127)	(9,973,991)	(8,172,571)	(8,860,156)	(7,789,289)	(6,880,887)	(6,004,103)
Administrative expense	(138,164)	(172,390)	(175,860)	(150,795)	(130,631)	(98,464)	(604,197)	(238,016)
Net changes in plan fiduciary net position	47,532,760	4,126,782	10,471,786	13,690,601	10,651,524	1,235,822	6,140,471	14,468,799
Plan fiduciary net positions - beginning	132,288,002	128,161,220	117,689,434	103,998,833	93,347,309	92,111,487	85,971,016	71,502,217
Plan fiduciary net positions - ending (b)	<u>\$ 179,820,762</u>	<u>\$ 132,288,002</u>	<u>\$ 128,161,220</u>	<u>\$ 117,689,434</u>	<u>\$ 103,998,833</u>	<u>\$ 93,347,309</u>	<u>\$ 92,111,487</u>	<u>\$ 85,971,016</u>
County's net pension - liability - ending (a) - (b)	\$ 81,216,017	\$ 116,761,175	\$ 113,860,494	\$ 110,611,971	\$ 108,256,099	\$ 65,694,940	\$ 50,428,633	\$ 49,689,139
Plan fiduciary net position as a percentage of total pension liability	68.89%	53.12%	52.95%	51.55%	49.00%	58.69%	64.62%	63.37%
Covered employee payroll	\$ 38,896,000	\$ 39,131,000	\$ 36,785,000	\$ 34,848,986	\$ 33,462,000	\$ 31,662,000	\$ 33,098,009	\$ 35,288,757
Net liability as a percentage of covered payroll	208.80%	298.39%	309.53%	317.40%	323.52%	207.49%	152.36%	140.81%
Annual money-weighted rate of return, net of investment expense	28.10%	3.92%	5.67%	9.05%	11.44%	0.68%	5.52%	17.93%

Notes to schedule:

This information is not available for FY13 and prior.

Benefit changes: None.

Change of assumptions: None.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of General Employees' Pension Fund Employer Contributions June 30, 2021

	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 11,183,000	\$ 10,916,000	\$ 11,819,000	\$ 10,510,000	\$ 7,009,000	\$ 6,621,000	\$ 6,786,549	\$ 6,442,087
Contributions in relation to the actuarially determined contributions	19,210,540	12,137,000	11,825,000	10,510,000	7,010,000	6,621,000	6,786,549	6,017,521
Contributions deficiency (excess)	<u>\$ (8,027,540)</u>	<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	\$ 38,896,000	\$ 39,131,000	\$ 36,785,000	\$ 34,848,986	\$ 33,462,000	\$ 31,662,000	\$ 33,098,009	\$ 35,288,757
Contributions as a percentage of covered employee payroll	49.39%	31.02%	32.15%	30.16%	20.95%	20.91%	20.50%	17.05%

Notes to schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar Amount
Remaining amortization period	18 years (closed)
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	Rates vary by participant service
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Retirement age	Rates vary by participant age and service
Mortality	RP-2014 Total Dataset with fully generational projection using scale MP-2015

This information is not available for FY13 and prior.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios – Length of Service Award Fund June 30, 2021

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service Cost: Retirement benefits Administration	\$ 246,501	\$ 237,335	\$ 226,280	\$ 244,565	\$ 234,716	\$ 157,984	\$ 143,037	\$ 147,049
Interest	826,896	823,402	707,838	702,309	580,130	968,187	922,814	872,518
Differences between expected and actual experiences	92,770	(222,174)	925,489	24,530	995,034	(6,285,232)	-	-
Changes of assumptions	-	(149,195)	343,476	-	356,243	906,099	-	-
Benefit payments, including refunds of member contributions	(653,016)	(629,306)	(588,909)	(555,590)	(518,538)	(490,872)	(461,316)	(431,634)
Net changes in total pension liability	513,151	60,062	1,614,174	415,814	1,647,585	(4,743,834)	604,535	587,933
Total pension liability - beginning	11,731,973	11,671,911	10,057,737	9,641,923	7,994,338	12,738,172	12,133,637	11,545,704
Total pension liability - ending (a)	<u>\$ 12,245,124</u>	<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	\$ 564,557	\$ 460,000	\$ 600,000	\$ 600,000	\$ -	\$ 600,000	\$ 600,000
Net investment income	2,866,396	347,769	503,259	721,822	852,460	55,233	381,511	1,074,025
Receipts of In-kind	-	-	-	-	-	-	-	15,232
Benefit payments, including refunds of member contributions	(653,016)	(629,306)	(588,909)	(555,590)	(518,538)	(490,872)	(461,316)	(431,634)
Administrative expense	(14,195)	(29,543)	(34,803)	(35,075)	(30,524)	(20,610)	(23,215)	(27,429)
Net changes in plan fiduciary net position	2,763,742	253,477	339,547	731,157	903,398	(456,249)	496,980	1,230,194
Plan fiduciary net positions - beginning	9,734,615	9,481,138	9,141,591	8,410,434	7,507,036	7,963,285	7,466,305	6,236,111
Plan fiduciary net positions - ending (b)	<u>\$ 12,498,357</u>	<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)	\$ (253,233)	\$ 1,997,358	\$ 2,190,773	\$ 916,146	\$ 1,231,489	\$ 487,302	\$ 4,774,887	\$ 4,667,332
Plan fiduciary net position as a percentage of total pension liability	102.07%	82.98%	81.23%	90.89%	87.23%	93.90%	62.52%	61.53%
Covered employee payroll	NA	NA	NA	NA	NA	NA	NA	NA
Net liability as a percentage of covered payroll	NA	NA	NA	NA	NA	NA	NA	NA
Annual money-weighted rate of return, net of investment expense	29.45%	3.67%	5.51%	8.58%	11.36%	0.69%	5.11%	17.22%

Notes to schedule:

This information is not available for FY13 and prior.

Benefit changes

None.

Change of assumptions

None.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Volunteer Length of Service Award Fund Employer Contributions June 30, 2021

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

Notes to schedule:

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

Methods and assumptions used to determine contribution rates:

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

This information is not available for FY13 and prior.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statements of Financial Schedules June 30, 2021

Non-Major Governmental Funds

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

Cascade Town Centre is a special revenue fund used to account for certain maintenance related expenditures at the former Fort Ritchie Army site.

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

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

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

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

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statements of Financial Schedules (continued) June 30, 2021

Non-Major Proprietary Funds

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Balance Sheet – Non-Major Governmental Funds As of June 30, 2021

	Grant Management	Cascade Town Centre	Inmate Welfare	Contraband	Agricultural Education Center	Hotel Rental Tax	Gaming	Land Preservation	HEPMPO	Total Non-major Funds
ASSETS										
Cash	\$ -	\$ 1,858,978	\$ 317,972	\$ 380,614	\$ 19,616	\$ 1,751,918	\$ 2,027,456	\$ 1,960,536	\$ -	\$ 8,317,090
Accounts receivable	-	-	-	-	-	248,222	138,067	-	-	386,289
Due from other governmental agencies	3,772,528	-	-	-	-	-	-	-	262,961	4,035,489
TOTAL ASSETS	\$ 3,772,528	\$ 1,858,978	\$ 317,972	\$ 380,614	\$ 19,616	\$ 2,000,140	\$ 2,165,523	\$ 1,960,536	\$ 262,961	\$ 12,738,868
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	\$ 489,563	\$ 3,615	\$ 16,099	\$ 1,933	\$ 10,524	\$ 332,198	\$ 1,994,941	\$ 142,376	\$ 31,014	\$ 3,022,263
Accrued expenses	10,955	-	483	-	2,438	-	7,347	3,647	1,267	26,137
Due to other funds	48,184	-	-	-	-	-	-	-	192,818	241,002
Unearned revenue	3,215,976	-	-	-	-	-	38,725	492,316	-	3,747,017
Other liabilities	-	200	-	347,972	-	-	-	409,058	-	757,230
TOTAL LIABILITIES	3,764,678	3,815	16,582	349,905	12,962	332,198	2,041,013	1,047,397	225,099	7,793,649
FUND BALANCES										
Restricted	-	-	301,390	-	-	1,667,942	-	400,343	-	2,369,675
Committed	-	1,855,163	-	-	-	-	-	512,796	-	2,367,959
Assigned	7,850	-	-	30,709	6,654	-	124,510	-	37,862	207,585
TOTAL FUND BALANCES	7,850	1,855,163	301,390	30,709	6,654	1,667,942	124,510	913,139	37,862	4,945,219
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,772,528	\$ 1,858,978	\$ 317,972	\$ 380,614	\$ 19,616	\$ 2,000,140	\$ 2,165,523	\$ 1,960,536	\$ 262,961	\$ 12,738,868

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, 2021

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,767,491	\$ -	\$ 207,658	\$ -	\$ 1,975,149
Licenses and permits	-	-	-	-	-	-	2,649,910	-	-	2,649,910
Charges for services	-	-	492,736	-	33,165	-	-	-	-	525,901
Reimbursed expenses	-	7,005	-	-	1,080	-	-	-	-	8,085
Miscellaneous revenues	44,718	1,865,607	108,133	57,981	-	-	750	-	24,196	2,101,385
Shared taxes and grants	2,198,406	-	-	-	-	-	-	2,134,795	438,692	4,771,893
TOTAL REVENUE	<u>2,243,124</u>	<u>1,872,612</u>	<u>600,869</u>	<u>57,981</u>	<u>34,245</u>	<u>1,767,491</u>	<u>2,650,660</u>	<u>2,342,453</u>	<u>462,888</u>	<u>12,032,323</u>
EXPENDITURES										
Public safety	-	-	490,177	149,697	-	-	1,230,838	-	-	1,870,712
Parks, recreation and culture	-	-	-	-	232,854	-	-	-	-	232,854
Land preservation	-	-	-	-	-	-	-	2,546,937	-	2,546,937
General operations	162,553	547,003	-	-	-	220,185	186,091	-	-	1,115,832
Community promotion	2,363,123	-	-	-	-	1,358,294	1,235,640	-	465,608	5,422,665
TOTAL EXPENDITURES	<u>2,525,676</u>	<u>547,003</u>	<u>490,177</u>	<u>149,697</u>	<u>232,854</u>	<u>1,578,479</u>	<u>2,652,569</u>	<u>2,546,937</u>	<u>465,608</u>	<u>11,189,000</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(282,552)</u>	<u>1,325,609</u>	<u>110,692</u>	<u>(91,716)</u>	<u>(198,609)</u>	<u>189,012</u>	<u>(1,909)</u>	<u>(204,484)</u>	<u>(2,720)</u>	<u>843,323</u>
OTHER FINANCING SOURCES										
Transfers in	273,080	150,000	-	-	199,610	239,000	-	435,440	27,700	1,324,830
Transfers out	-	-	-	-	-	(24,747)	-	-	-	(24,747)
TOTAL OTHER FINANCING SOURCES (USES)	<u>273,080</u>	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>199,610</u>	<u>214,253</u>	<u>-</u>	<u>435,440</u>	<u>27,700</u>	<u>1,300,083</u>
NET CHANGES IN FUND BALANCES	<u>(9,472)</u>	<u>1,475,609</u>	<u>110,692</u>	<u>(91,716)</u>	<u>1,001</u>	<u>403,265</u>	<u>(1,909)</u>	<u>230,956</u>	<u>24,980</u>	<u>2,143,406</u>
FUND BALANCES - BEGINNING 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>
FUND BALANCES - END OF YEAR	<u>\$ 7,850</u>	<u>\$ 1,855,163</u>	<u>\$ 301,390</u>	<u>\$ 30,709</u>	<u>\$ 6,654</u>	<u>\$ 1,667,942</u>	<u>\$ 124,510</u>	<u>\$ 913,139</u>	<u>\$ 37,862</u>	<u>\$ 4,945,219</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statement of Net Position – Non-Major Proprietary Funds As of June 30, 2021

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
ASSETS			
Current Assets:			
Cash and short-term investments	\$ 703,841	\$ 831,560	\$ 1,535,401
Accounts receivable	30	1,825	1,855
Unbilled receivables	40	-	40
Due from other governmental agencies	584,985	-	584,985
Inventories	169,534	28,004	197,538
Total current assets	1,458,430	861,389	2,319,819
Noncurrent Assets:			
Projects under construction	4,752	-	4,752
Property plant and equipment	7,215,857	5,103,702	12,319,559
Accumulated depreciation	(4,888,543)	(3,137,102)	(8,025,645)
Total noncurrent assets	2,332,066	1,966,600	4,298,666
TOTAL ASSETS	3,790,496	2,827,989	6,618,485
LIABILITIES			
Current Liabilities:			
Accounts payable	40,786	77,380	118,166
Accrued expenses	81,335	45,198	126,533
Compensated absences	67,881	25,791	93,672
Other liabilities	-	53,148	53,148
Total current liabilities	190,002	201,517	391,519
Noncurrent Liabilities:			
Compensated absences	22,627	8,597	31,224
Total noncurrent liabilities	22,627	8,597	31,224
TOTAL LIABILITIES	212,629	210,114	422,743
NET POSITION			
Net investment in capital assets	2,332,066	1,966,600	4,298,666
Unrestricted	1,245,801	651,275	1,897,076
TOTAL NET POSITION	\$ 3,577,867	\$ 2,617,875	\$ 6,195,742

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, 2021

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
OPERATING REVENUE			
Charges for services	\$ 258,237	\$ 965,166	\$ 1,223,403
Miscellaneous	2,643	23,928	26,571
TOTAL OPERATING REVENUE	<u>260,880</u>	<u>989,094</u>	<u>1,249,974</u>
OPERATING EXPENSES			
Salaries and wages	1,479,477	405,229	1,884,706
Fringe benefits	651,120	198,513	849,633
Utilities	27,735	48,489	76,224
Insurance	31,531	9,334	40,865
Repairs and maintenance	265,354	74,023	339,377
Supplies	38,322	3,622	41,944
Cost of goods sold	-	85,753	85,753
Contracted services	101,674	4,318	105,992
Rentals and leases	38,867	68,825	107,692
Other operating	227,695	121,836	349,531
Controllable assets	1,810	9,919	11,729
Depreciation	274,622	96,848	371,470
TOTAL OPERATING EXPENSES	<u>3,138,207</u>	<u>1,126,709</u>	<u>4,264,916</u>
OPERATING LOSS	<u>(2,877,327)</u>	<u>(137,615)</u>	<u>(3,014,942)</u>
OTHER INCOME			
Interest, penalties & fees	(1,631)	-	(1,631)
Gain on disposal of assets	-	(8,005)	(8,005)
TOTAL OTHER INCOME	<u>(1,631)</u>	<u>(8,005)</u>	<u>(9,636)</u>
LOSS BEFORE OPERATING TRANSFERS AND GRANTS	<u>(2,878,958)</u>	<u>(145,620)</u>	<u>(3,024,578)</u>
OPERATING TRANSFERS IN	699,760	337,840	1,037,600
OPERATING TRANSFERS OUT	(17,950)	-	(17,950)
GRANTS FOR OPERATIONS	<u>1,949,906</u>	<u>-</u>	<u>1,949,906</u>
LOSS BEFORE CAPITAL TRANSFERS AND GRANTS	<u>(247,242)</u>	<u>192,220</u>	<u>(55,022)</u>
CAPITAL TRANSFERS	54,000	66,000	120,000
GRANTS FOR CAPITAL PROJECTS	<u>300,000</u>	<u>17,957</u>	<u>317,957</u>
CHANGES IN NET POSITION	106,758	276,177	382,935
NET POSITION - BEGINNING OF YEAR	<u>3,471,109</u>	<u>2,341,698</u>	<u>5,812,807</u>
NET POSITION - END OF YEAR	<u>\$ 3,577,867</u>	<u>\$ 2,617,875</u>	<u>\$ 6,195,742</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statement of Cash Flows – Non-Major Proprietary Funds For the Year Ended June 30, 2021

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ (86,232)	\$ 988,396	\$ 902,164
Payments to suppliers	(738,818)	(378,329)	(1,117,147)
Payments to employees	(2,109,341)	(603,111)	(2,712,452)
Net Cash Used by Operating Activities	(2,934,391)	6,956	(2,927,435)
Cash Flows from Noncapital Financing Activities			
Operating contributions	2,607,791	337,840	2,945,631
Net Cash Provided by Noncapital Financing Activities	2,607,791	337,840	2,945,631
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	10,092	(105,109)	(95,017)
Loss on the sale of assets	-	(8,005)	(8,005)
Interest Expense	(1,631)	-	(1,631)
Contribution for capital acquisitions	354,000	83,957	437,957
Net Cash Provided (Used) by Capital and Related Financing Activities	362,461	(29,157)	333,304
Cash Flows from Investing Activities			
Interest on investments	-	-	-
Net change in cash	35,861	315,639	351,500
Cash, beginning of year	667,980	515,921	1,183,901
Cash, End of Year	\$ 703,841	\$ 831,560	\$ 1,535,401
Capital Lease Obligation	\$ (24,192)	\$ -	\$ (24,192)
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (2,877,327)	\$ (137,615)	\$ (3,014,942)
Adjustments to reconcile operating loss to net cash			
from operating activities:			
Depreciation	274,622	96,848	371,470
Changes in assets and liabilities:			
Accounts receivable	166	(698)	(532)
Unbilled receivables	28	-	28
Due to/from other government entities	(347,306)	-	(347,306)
Inventories	(24,299)	(7,357)	(31,656)
Accounts payable and other liabilities	18,469	46,971	65,440
Accrued expenses	12,212	8,971	21,183
Compensated absences	9,044	(164)	8,880
Net Cash Used by Operating Activities	\$ (2,934,391)	\$ 6,956	\$ (2,927,435)

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, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUE				
Property Taxes				
Real property tax	\$ 119,464,580	\$ 119,464,580	\$ 119,460,613	\$ (3,967)
Personal property tax	14,057,110	14,057,110	15,402,221	1,345,111
Property tax interest income	395,000	395,000	508,130	113,130
Other property tax	745,330	745,330	815,374	70,044
State administrative fees	(620,000)	(620,000)	(496,814)	123,186
Property tax discounts and credits	(1,828,950)	(1,828,950)	(1,870,530)	(41,580)
Total Property Taxes	132,213,070	132,213,070	133,818,994	1,605,924
Other Local Taxes				
Income tax	88,483,080	117,483,080	119,254,813	1,771,733
Admissions and amusement tax	210,000	210,000	79,508	(130,492)
Recordation tax	6,000,000	6,000,000	11,001,009	5,001,009
Trailer tax	250,000	250,000	253,943	3,943
Total Other Local Taxes	94,943,080	123,943,080	130,589,273	6,646,193
Other Revenues				
Licenses and permits	1,161,400	1,161,400	1,374,019	212,619
Court costs and fines	1,870,100	1,870,100	1,451,977	(418,123)
Charges for services	1,449,620	1,449,620	1,026,841	(422,779)
Reimbursed expenses	1,003,340	1,003,340	1,106,950	103,610
Miscellaneous revenues	386,970	472,010	625,111	153,101
Grant and shared revenues	2,369,000	22,538,649	22,158,043	(380,606)
Interest income	500,000	500,000	594,245	94,245
Highway revenues	2,409,730	2,410,840	2,252,613	(158,227)
Total Other Revenues	11,150,160	31,405,959	30,589,799	(816,160)
TOTAL REVENUE	238,306,310	287,562,109	294,998,066	7,435,957
EXPENDITURES				
General Government				
Legislative				
County Commissioners	339,730	343,365	344,160	(795)
County Clerk	190,100	169,359	150,905	18,454
County Administrator	356,470	280,002	164,677	115,325
Public Relations & Marketing	467,100	471,625	457,678	13,947
Purchasing	502,630	508,095	491,739	16,356
Total Legislative	1,856,030	1,772,446	1,609,159	163,287
Judicial				
Circuit Court	1,867,230	1,889,930	1,790,270	99,660
Orphan's Court	36,370	36,810	36,178	632
State's Attorney	3,963,170	4,008,417	3,919,608	88,809
Sheriff - Judicial	2,978,600	3,011,376	2,850,450	160,926
Sheriff - Process Servers	167,660	169,764	125,195	44,569
Grants	-	523,826	504,052	19,774
Total Judicial	9,013,030	9,640,123	9,225,753	414,370

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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Election Board	\$ 1,393,740	\$ 1,486,703	\$ 1,494,691	\$ (7,988)
Financial Administration				
Budget and Finance	1,566,430	1,606,359	1,520,336	86,023
Independent Auditing	70,000	70,000	61,221	8,779
Treasurer	551,740	552,378	515,436	36,942
Information Technologies	2,670,900	2,643,271	2,545,326	97,945
Total Financial Administration	4,859,070	4,872,008	4,642,319	229,689
County Attorney	738,650	745,942	737,480	8,462
Human Resources	1,064,010	1,034,760	1,006,181	28,579
Planning and Zoning				
Planning and Zoning	805,250	761,923	691,640	70,283
Board of Zoning Appeals	55,840	56,305	43,715	12,590
Grants	-	3,406	3,405	1
Total Planning and Zoning	861,090	821,634	738,760	82,874
Public Works				
Department of Public Works	246,120	248,824	244,510	4,314
Plan Review and Permitting	1,520,230	1,431,202	1,283,022	148,180
Engineering	2,344,110	2,214,740	1,880,691	334,049
Construction	2,147,450	2,134,741	1,955,988	178,753
Total Public Works	6,257,910	6,029,507	5,364,211	665,296
County Owned Buildings				
Martin Luther King Center	99,100	99,100	75,291	23,809
Administrative Building	316,600	306,600	287,734	18,866
Administrative Building II	-	-	(280)	280
Court House	578,090	375,376	372,491	2,885
County Office Building	213,230	213,230	201,739	11,491
Administration Annex	55,110	55,110	43,674	11,436
Central Services	128,300	128,300	192,000	(63,700)
Rental Properties	6,000	6,000	664	5,336
Library Maintenance	44,000	44,000	46,470	(2,470)
Dwyer Center	33,590	33,590	16,668	16,922
Election Board Facility	60,170	70,170	87,731	(17,561)
Senior Center	11,000	11,000	7,164	3,836
Public Facilities Annex	77,600	77,600	77,420	180
Total County Owned Buildings	1,622,790	1,420,076	1,408,766	11,310
Community Promotion				
Contributions to Non-profits	1,719,000	1,719,000	1,714,499	4,501
Business Development	694,220	700,936	631,764	69,172
Grants	-	13,046,949	13,530,637	(483,688)
Total Community Promotion	2,413,220	15,466,885	15,876,900	(410,015)
Total General Government	30,079,540	43,290,084	42,104,220	1,185,864

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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety				
Sheriff Departments				
Patrol	\$ 12,696,080	\$ 12,843,164	\$ 12,260,908	\$ 582,256
Sheriff Auxiliary	-	-	56,171	(56,171)
Narcotics Task Force	956,850	928,192	876,465	51,727
Wash. County Police Academy	99,000	99,000	42,162	56,838
Grants	-	972,548	754,277	218,271
Total Sheriff Departments	13,751,930	14,842,904	13,989,983	852,921
Fire Operations				
Volunteer Fire and Rescue - County Grants	7,576,420	7,697,107	7,241,346	455,761
Air Unit	28,720	36,420	38,784	(2,364)
Special Operations	118,840	182,340	174,606	7,734
Total Fire and Rescue Services	7,723,980	7,915,867	7,454,736	461,131
Corrections				
Detention Center	16,072,200	16,155,120	15,653,877	501,243
Central Booking	1,055,130	1,066,623	930,330	136,293
Day Reporting Center	479,460	482,298	348,386	133,912
Total Corrections	17,606,790	17,704,041	16,932,593	771,448
Other Public Safety				
911 - Communications	5,896,870	5,975,096	5,821,331	153,765
Wireless Communications	1,329,300	1,336,340	1,295,751	40,589
Emergency Management	226,860	210,112	170,472	39,640
EMS Operations	2,785,900	3,036,830	2,826,792	210,038
Fire Operations	2,608,540	2,562,591	2,458,967	103,624
Forensic Investigator	25,000	25,000	33,870	(8,870)
Civil Air Patrol	3,600	3,600	3,600	-
Animal Control	1,401,600	1,401,600	1,401,600	-
Grants	-	5,080,027	4,716,227	363,800
Other Public Safety	14,277,670	19,631,196	18,728,610	902,586
Total Public Safety	53,360,370	60,094,008	57,105,922	2,988,086
Health	2,339,270	2,339,270	2,339,270	-
Social Services	435,560	435,560	435,560	-
Education	113,243,390	113,243,390	113,243,390	-
Parks, Recreation, and Culture				
Total Contributions to Other Agencies	3,182,010	3,182,010	3,182,010	-
Parks Department	2,205,190	1,124,230	1,072,844	51,386
Buildings, Grounds & Facilities	-	1,096,547	883,176	213,371
Martin L. Snook Park Pool	149,000	150,903	103,549	47,354
Parks and Recreation	1,035,260	1,178,893	1,053,071	125,822
Grants	-	1,313	-	1,313
Total Parks, Recreation, and Culture	6,571,460	6,733,896	6,294,650	439,246

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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Conservation of Natural Resources				
Weed Control	\$ 318,200	\$ 321,654	\$ 122,445	\$ 199,209
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	45,500	45,500	7,230	38,270
Total Conservation of Natural Resources	<u>861,430</u>	<u>864,884</u>	<u>627,406</u>	<u>237,478</u>
Highway	<u>11,736,350</u>	<u>11,737,460</u>	<u>11,027,895</u>	<u>709,565</u>
General Operations	<u>518,180</u>	<u>518,180</u>	<u>476,779</u>	<u>41,401</u>
Unallocated Employee Insurance and Benefits	<u>125,000</u>	<u>7,125,000</u>	<u>5,417,016</u>	<u>1,707,984</u>
Intergovernmental				
Golf Course operating transfer	337,840	337,840	337,840	-
HEPMPO operating transfer	9,750	9,750	9,750	-
Land Preservation operating transfer	30,880	30,880	35,440	(4,560)
Utility Administration operating transfer	232,070	232,070	234,355	(2,285)
Water operating transfer	107,370	107,370	107,370	-
Public Transit operating transfer	699,760	699,760	699,760	-
Airport operating transfer	-	-	-	-
Capital Projects operating transfer	800,000	23,109,544	32,109,994	(9,000,450)
Solid Waste operating transfer	496,080	496,080	496,080	-
Gaming operating transfer	-	-	-	-
Grants Management operating transfer	273,080	273,080	273,080	-
Agricultural Education Center operating transfer	199,610	199,610	199,610	-
Cascade Town Centre operating transfer	-	238,350	150,000	88,350
Municipality in lieu of bank shares	38,550	38,550	38,543	7
Total Intergovernmental	<u>3,224,990</u>	<u>25,772,884</u>	<u>34,691,822</u>	<u>(8,918,938)</u>
Billables	<u>-</u>	<u>-</u>	<u>193,162</u>	<u>(193,162)</u>
Debt Service	<u>15,810,770</u>	<u>15,407,493</u>	<u>15,401,668</u>	<u>5,825</u>
TOTAL EXPENDITURES	<u>238,306,310</u>	<u>287,562,109</u>	<u>289,358,760</u>	<u>(1,796,651)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,639,306</u>	<u>\$ 5,639,306</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease			385,579	
Principal amount of new debt for advance refunding			14,007,250	
Deposit to escrow fund for advance refunding and repayment of loans			(14,007,250)	
TOTAL OTHER FINANCING SOURCES (USES)			<u>385,579</u>	
NET CHANGES IN FUND BALANCE			6,024,885	
FUND BALANCE - BEGINNING			<u>55,974,199</u>	
FUND BALANCE - ENDING			<u>\$ 61,999,084</u>	

OTHER SCHEDULE

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Local Management Board – Schedule of Revenue and Expenditures – Regulatory Basis For the Year Ended June 30, 2021

REVENUE

Community Partnership Agreement (CPA)	
Governor's Office for Children	\$ 610,885
Non- Community Partnership Agreement (Non-CPA)	
General Fund	273,080
Md State Department of Aging	25,440
Md State Department of Education	410,465
Dept. of Housing and Community Development	1,196,333
Total Non-Community Partnership Agreement Revenue	<u>1,905,318</u>
TOTAL REVENUE	<u>2,516,203</u>

EXPENDITURES

Community Partnership Agreement (CPA)	
Administrative :	
Salaries	60,799
Benefit Costs	47,461
Small office equipment	-
Office supplies	546
Printing expenses	-
Travel Expenses	-
Training	-
Controllable Assets	454
Total CPA Administrative Expenditures	<u>109,260</u>
Programs:	
Western MC Disconnected Youth	41,244
GOC-School Based Mental Health	224,689
Family Centered Support Services	70,940
IACM for Children of Incarcerated Parents	57,996
GOC - Local Care Team Coordinator	49,000
GOC - WC Reengagement Center for Disconnected Youth	57,756
Total CPA Program Expenditures	<u>501,625</u>
Non-Community Partnership Agreement (CPA)	
Administrative:	
Salaries	102,931
Benefit Costs	56,608
Advertising	60
Community Service Awards	400
Dues & Subscriptions	302
Office Supplies	1,070
Personal Mileage	-
Postage	-
Printing Expenses	-
Travel Expenses	-
Entertainment/business expense	-
Training	-
Copy Machine Rental	855
Telephone Expenses	322
Controllable Assets	4
Total Non-CPA Administrative Expenditures	<u>162,552</u>
Programs:	
School Based Mental Health	120,000
Commission on Aging	25,440
MSDE - Healthy Families	410,465
Dept. of Housing and Community Development	1,196,333
Total Non-CPA Program Expenditures	<u>1,752,238</u>
TOTAL EXPENDITURES	<u>2,525,675</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>\$ (9,472)</u>