

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

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

For the Year Ended June 30, 2019



JUNE 30, 2019

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

County Commissioners of Washington County
Hagerstown, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County Commissioners of Washington County, Maryland (the County) as of and for the year ended June 30, 2019, 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.



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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, 2019, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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



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

Owings Mills, Maryland
October 28, 2019

SB & Company, LLC



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

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, 2019

- 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 21-23 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, 2019

The basic governmental fund financial statements can be found on pages 24-27 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 28-30 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 31-32 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 33-93 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 96-101 of this report.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

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 \$519.2 million as of the close of the most recent fiscal year.

Washington County, Maryland
Net Position
(Government-Wide)

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2019	2018	2019	2018	2019	2018	
<i>Current and other assets</i>	\$170,186,751	\$146,811,901	\$31,976,214	\$34,867,071	\$202,162,965	\$181,678,972	11.27%
<i>Capital assets</i>	432,669,262	435,521,785	258,934,433	265,828,068	691,603,695	701,349,853	-1.39%
<i>Total Assets</i>	602,856,013	582,333,686	290,910,647	300,695,139	893,766,660	883,028,825	1.22%
<i>Deferred Outflow of Resources</i>	20,417,960	28,634,962	403,303	541,663	20,821,263	29,176,625	-28.64%
<i>Current and other liabilities</i>	28,341,171	30,146,714	11,252,087	14,139,436	39,593,258	44,286,150	-10.60%
<i>Long-term liabilities</i>	260,513,195	255,454,315	58,181,033	60,515,465	318,694,228	315,969,780	0.86%
<i>Total Liabilities</i>	288,854,366	285,601,029	69,433,120	74,654,901	358,287,486	360,255,930	-0.55%
<i>Deferred Inflow of Resources</i>	14,062,364	10,327,121	23,046,167	23,846,169	37,108,531	34,173,290	8.59%
<i>Net Investment in Capital Assets</i>	353,938,046	359,867,032	215,836,116	219,191,046	569,774,162	579,058,078	-1.60%
<i>Restricted Net Assets</i>	34,069,902	28,785,450	3,786,741	3,532,742	37,856,643	32,318,192	17.14%
<i>Unrestricted Net Assets</i>	(67,650,705)	(73,611,984)	(20,788,194)	(19,988,056)	(88,438,899)	(93,600,040)	-5.51%
<i>Total Net Position</i>	\$320,357,243	\$315,040,498	\$198,834,663	\$202,735,732	\$519,191,906	\$517,776,230	0.27%

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 \$569.8 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, \$37.9 million, represents resources that are subject to external restrictions on how they may be used. The remaining portion is unrestricted net deficit of (\$88.4) million.

Unrestricted net assets in governmental activities have been reduced by \$46.7 million in long-term debt, resulting in unrestricted net assets of (\$67.6) million. This long-term debt was incurred by the County's general fund for the purpose of capital asset acquisition for the Board of Education of \$41.4 million and Hagerstown Community College of \$5.3 million. The capital assets acquired with these bonds are not reflected in the County's primary government financial statements.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2019	2018	2019	2018	2019	2018
Program Revenues:						
<i>Charges for Services</i>	\$8,911,900	\$8,511,910	24,085,408	\$21,848,366	\$32,997,308	\$ 30,360,276
<i>Operating Grants and Contributions</i>	11,288,464	6,084,437	1,288,927	1,517,601	12,577,391	7,602,038
<i>Capital Grants and Contributions</i>	7,303,444	6,867,440	3,226,096	10,952,297	10,529,540	17,819,737
General Revenues:						
<i>Property Taxes</i>	127,501,045	125,149,877		-	127,501,045	125,149,877
<i>Local Taxes</i>	106,616,922	96,770,294		-	106,616,922	96,770,294
<i>Other</i>	1,805,760	2,366,945	648,941	-112,346	2,454,701	2,254,599
Total Revenues	263,427,535	245,750,903	29,249,372	34,205,918	292,676,907	279,956,821
Program Expenses:						
<i>General Government</i>	53,167,068	41,620,853		-	53,167,068	41,620,853
<i>Public Safety</i>	53,310,570	51,093,856		-	53,310,570	51,093,856
<i>Health</i>	2,339,270	2,339,270		-	2,339,270	2,339,270
<i>Social Services</i>	435,560	424,390		-	435,560	424,390
<i>Education</i>	109,861,730	107,852,147		-	109,861,730	107,852,147
<i>Parks and Recreation</i>	6,701,519	6,622,721		-	6,701,519	6,622,721
<i>Natural Resources</i>	4,883,747	2,120,799		-	4,883,747	2,120,799
<i>Community Promotion</i>	4,368,506	4,521,026		-	4,368,506	4,521,026
<i>Highways and Streets</i>	15,766,167	19,014,859		-	15,766,167	19,014,859
<i>Interest on Long-term Debt</i>	4,909,524	4,820,667		-	4,909,524	4,820,667
Business-type Activities:						
<i>Water Quality</i>	-	-	14,427,578	14,326,351	14,427,578	14,326,351
<i>Solid Waste</i>	-	-	8,473,176	8,182,004	8,473,176	8,182,004
<i>Public Transit</i>	-	-	3,024,616	3,009,074	3,024,616	3,009,074
<i>Airport</i>	-	-	8,499,404	8,464,438	8,499,404	8,464,438
<i>Golf Course</i>	-	-	1,191,521	1,230,369	1,191,521	1,230,369
Total Expenses	255,743,661	240,430,588	35,616,295	35,212,236	291,359,956	275,642,824
Change in Net Position before transfers	7,683,874	5,320,315	(6,366,923)	(1,006,318)	1,316,951	4,313,997
<i>Transfers</i>	(2,465,854)	(2,362,259)	2,465,854	2,362,259	-	-
<i>Contributed Capital</i>	-	-	-	-	-	-
<i>Proceeds of Bond Sale</i>	98,725	-	-	-	98,725	-
Change in Net Position	5,316,745	2,958,056	(3,901,069)	1,355,941	1,415,676	4,313,997
Net Position – Beginning of year	315,040,498	317,989,143	202,735,732	201,379,791	517,776,230	519,368,934
Change in Accounting Principle	-	(5,906,701)	-	-	-	(5,906,701)
Net Position – Beginning of year, as restated	315,040,498	312,082,442	202,735,732	201,379,791	517,776,230	513,462,233
Net Position – End of year	\$320,357,243	\$315,040,498	198,834,663	\$202,735,732	\$519,191,906	\$517,776,230

The County's net position increased by \$1.4 million during fiscal year 2019; total net position as of June 30, 2019 was \$519.2 million, representing a 0.3% increase.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

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

Net position in governmental activities increased by \$5.3 million. Key factors in this increase are as follows:

- Charges for Services increased over FY2018 by \$0.4 million primarily due to an increase in speed camera revenue.
- Operating grants and contributions increased by \$5.2 million and can fluctuate from year to year. In comparison to FY2018, Land Preservation reported \$3.0 million more in grant revenue, Highway User revenue was increased by \$0.6 million, \$1.3 million was provided from the state for purchase of a building for the National Park Headquarters, and the remaining \$0.3 million was related to public safety grants.
- Capital grants and contributions increased by \$0.4 million due to fluctuations in capital spending. It is common for this line item to change from year to year due to varying projects and associated funding sources.
- Property Taxes increased over the prior year as expected by about \$2.4 million. As the economy improves, the County continues to see evidence in property tax revenues, which have steadily increased over the last several years by approximately 2% per year.
- Local taxes increased by \$9.8 million, of which \$8.9 million was related to income tax revenue. FY2018 reflected lower than anticipated revenues by about \$4.0 million and even experienced a reduction in revenue as compared to FY2017 by about 1%. Through May of 2019, the County continued to see lower than expected revenues, but a large June 2019 disbursement turned projections around. County income tax revenue increased 11.5% in FY2019 over FY2018, a record increase. Higher income tax revenue is the result of the Federal Tax Cuts and Jobs Act and associated taxpayer behavior.
- Other revenues decreased by \$0.6 million which was the result of higher than expected interest income offset by the loss on sale of assets.
- Natural resources increased by \$3.0 million due to additional expenditures directly related to grants.
- Public safety costs increased by approximately \$2.3 million due to 1) higher cost associated with speed cameras to reflect the first full year of active status; 2) costs associated with hiring 8 full-time firefighters; 3) grant related expenditures; and 4) effects of a 1.5% COLA.
- Education expenditures increased by \$2.0 million as a result of an increased appropriation which was approved through the budget process.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

- General Government increased by approximately \$11.5 million, with more than half the increase related to reclassifying capital expenditures and recording fixed assets in governmental funds. Capital Improvement transactions are earmarked for specific capital related projects and its cash flow will vary depending on the construction schedule and grant reimbursements. Other increases include \$2.0 million for higher pension expense and \$1.8 million in higher health care costs. The County recently modified health insurance benefits in an effort to modify employee behavior to lower cost care methods when possible.
- Expenditures for Highways and Streets decreased by \$3.5 million primarily due to less expensed projects related to capital expenditures than in the prior year.

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

Business-type activities decreased the County's net position by \$3.9 million. Key elements of this decrease are as follows:

- Water Quality's net position decreased by \$0.2 million, for a total of \$139.2 million in net assets. The \$0.2 million net loss includes \$3.8 million in depreciation expense and capital grant contributions of \$0.5 million.
- Solid Waste's total net position decreased by \$0.1 million for a total of \$2.9 million in net assets, mainly related to depreciation expense of \$2.0 million. In 2012, the 40 West landfill site was re-designed which changed the total life from 62 years to 120 years generating an additional four million cubic yards of available air space. This change in accounting estimate had no effect on the total estimated closure and post closure cost which are in compliance with State financial assurance requirements.
- Airport's total net position is \$54.3 million, representing a \$3.6 million decrease. The net decrease is mainly the result of increased depreciation related to the runway acquisition of which a majority was funded with federal and state grants. Total depreciation costs were \$6.6 million. Capital grant contributions account for \$2.1 million.
- The County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements and restrictions, and fiscal accountability.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

Financial Analysis on Government Fund Financial Statements

Governmental Funds:

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

As of the end of the current fiscal year, the County's governmental funds reported combined fund balances of \$128.9 million, an increase of \$12.0 million. Approximately \$42.7 million of this amount is committed for the general fund cash reserve and \$80.2 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.

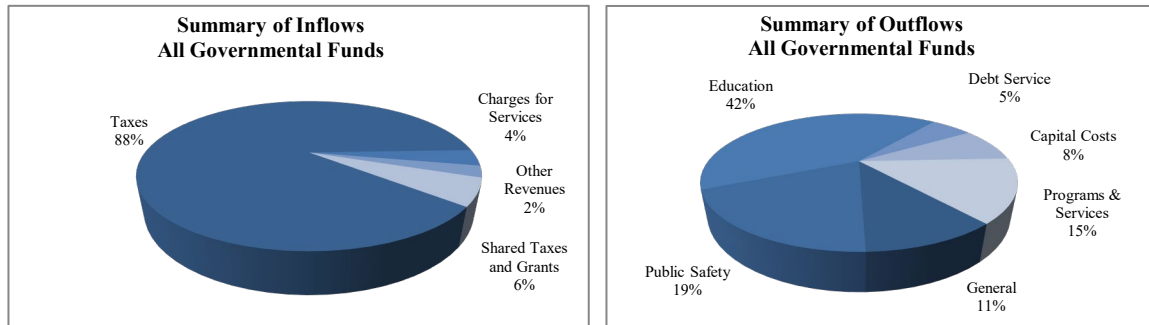
<i>Governmental Activities</i>	<i>Fund Balance</i>			<i>Net Change in Fund Balance</i>		
	2019	2018	% Change	2019	2018	% Change
General Fund	\$ 45,496,695	\$ 41,746,652	8.98%	\$ 3,750,043	\$ 1,433,482	161.60%
Capital Improvement Fund	80,186,488	71,984,125	11.39%	8,202,363	7,435,996	10.31%
Grants Management	42,973	13,410	220.45%	29,563	4,597	543.09%
Cascade Town Centre Fund	893,464	1,646,988	-45.75%	(753,524)	(1,116,543)	32.51%
Inmate Welfare Fund	255,082	176,823	44.26%	78,259	39,901	96.13%
Contraband Fund	98,066	153,855	-36.26%	(55,789)	153,490	-136.35%
Agricultural Education Fund	22,246	20,885	6.52%	1,361	2,883	-52.79%
Hotel Rental Tax Fund	1,227,938	770,599	59.35%	457,339	571,096	-19.92%
Gaming Fund	129,292	88,268	46.48%	41,024	47,085	-12.87%
Land Preservation Fund	568,896	298,046	90.88%	270,850	32,479	733.92%
HEPMPO	(6,460)	(21,753)	70.30%	15,293	(3,737)	509.23%
Total	\$ 128,914,680	\$ 116,877,898	10.30%	\$ 12,036,782	\$ 8,600,729	39.95%



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

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, 2019.



- The **General Fund** is the chief operating fund of the County. At the end of the current fiscal year total fund balance reached \$45.5 million. As a measure of the General Fund's liquidity, it may be useful to compare both committed fund balance and total fund balance to total fund expenditures.

The General Fund fund balance increased by approximately \$3.8 million during the current fiscal year. Key factors related to this change are:

Major Revenue Factors:

- Property tax revenue exceeded budget by \$1.0 million or 0.8%. The majority of the overage is related to personal property tax which was higher than State estimates due to new businesses and an increase in inventories.
- Income Tax revenue exceeded budget by \$2.8 million or 3.4%. The County received a larger than anticipated June distribution mainly due to taxpayer behavior as a result of the Federal Tax Cuts and Jobs Act.
- Recordation Tax revenue exceeded budget by \$0.4 million or 6.0%, mainly due to a large commercial transaction. In addition, the average price of a home sold continues to rise, increasing by approximately 5.0% over the prior year.
- Revenue from speed cameras came in under budget by \$2.5 million or 4.9%. Response to the cameras has been tremendous and adjustments were made for the FY2020 budget to account for this foreseen reduction in revenue.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

- Investment income was over budget by \$1.5 million due to higher than expected interest rates.
- Miscellaneous revenues were over budget by \$0.6 million or 2.8%, mainly as the result of income from the sale of properties.

Major Expenditure Factors:

- An additional transfer over what was originally budgeted of \$2.8 million was made to the Golf Course, Highway, and Capital Projects funds to offset operating shortfalls and to provide for future project costs and one time expenditures.
 - Overall public safety expenditures reflect savings of \$1.5 million when compared to budget with \$0.6 million related to grants and the remainder resulting from personnel cost savings.
 - Remaining cost centers accounted for \$1.3 million in savings, mainly a result of personnel cost savings, department heads' efforts to reduce costs and focus on operational efficiencies, and debt service savings.
 - The OPEB payment was not made due to the trust's funding ratio exceeding 100%, which reduced expenditures by approximately \$0.6 million.
 - An additional appropriation was required for the County's health reserve of \$0.6 million due to an increase health care costs and use. The county made several plan changes in spring of 2019 to reduce the annual cost of the self-insurance fund.
- 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 \$80.2 million all of which is designated for capital related projects. Major funding sources for projects are pay-go-funding, debt proceeds, fees and taxes, and grants. Fund balance increased by \$8.2 million for the current fiscal year. The change in fund balance is the result of timing differences in projects with funding proceeds and project expenditures and use of prior project savings.
- The County's **Grant Management, Cascade Town Centre, Inmate Welfare, Contraband, Agricultural Education, Hotel Rental Tax, Gaming, HEPMPO, and Land Preservation Funds** combined have a fund balance of \$3.2 million. The net increase in fund balance during the current year was \$0.08 million. These funds represent monies designated for specific programs and services.



MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2019

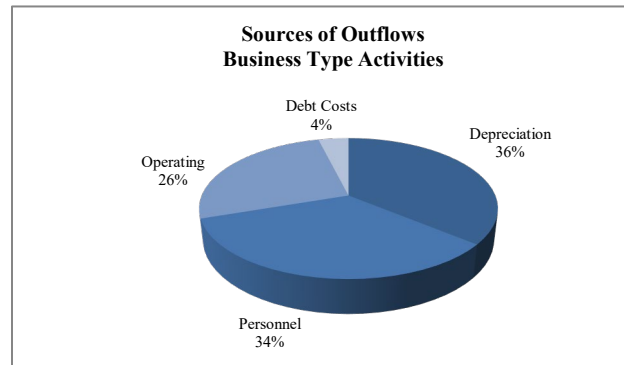
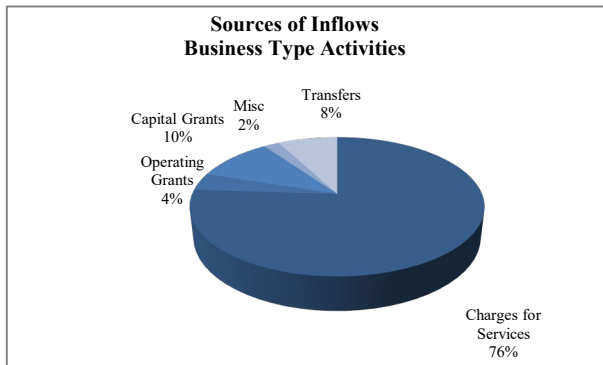
Proprietary Funds:

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>		
	2019	2018	% Change	2019	2018	%Change
<i>Water Quality</i>	\$ 139,158,460	\$ 139,340,745	-0.13%	\$ (182,285)	\$ 7,563,247	-102.41%
<i>Solid Waste</i>	2,898,594	2,991,169	-3.09%	(92,575)	(1,373,179)	93.26%
<i>Airport</i>	50,681,144	54,298,432	-6.66%	(3,617,288)	(5,173,027)	30.07%
<i>Public Transit</i>	3,644,028	3,663,942	-0.54%	(19,914)	214,044	-109.30%
<i>Black Rock</i>	2,452,437	2,441,444	0.45%	10,993	124,856	-91.20%
Total	\$ 198,834,663	\$ 202,735,732	-1.92%	\$ (3,901,069)	\$ 1,355,941	-387.70%

The following reflects the inflows and outflows of the business-type activity funds for the fiscal year ending June 30, 2019.



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



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

General Fund Budgetary Analysis – Government Fund Financial Statement Basis

Washington County, Maryland
General Fund Budgetary Analysis
As of June 30, 2019
(Government Fund Basis)

Category	Budgetary Amounts		Actual	Difference	
	Original	Final		Org. Budget vs. Final Budget	Final Budget vs. Actual
Revenues:					
Property Tax	\$ 126,448,250	\$ 126,448,250	\$ 127,440,494	\$ -	\$ 992,244
Local Tax	91,305,000	91,305,000	94,599,765	-	3,294,765
Other Revenue	14,170,560	17,709,933	17,290,445	3,539,373	(419,488)
Total Revenues	231,923,810	235,463,183	239,330,704	3,539,373	3,867,521
Expenses:					
General Government	27,917,940	28,510,874	27,349,583	592,934	(1,161,291)
Public Safety	46,818,590	48,657,519	47,201,336	1,838,929	(1,456,183)
Health and Social Services	2,774,830	2,774,830	2,774,830	-	-
Education	108,566,050	108,566,050	108,566,050	-	-
Parks, Recreation, Natural Resources	6,935,850	8,273,500	8,087,657	1,337,650	(185,843)
Highways and Streets	11,156,680	11,281,970	11,358,140	125,290	76,170
General Operations	529,600	503,600	434,356	(26,000)	(69,244)
Unallocated Costs	5,292,100	4,892,100	5,435,165	(400,000)	543,065
Intergovernmental	7,616,190	7,693,760	10,285,303	77,570	2,591,543
Debt Service	14,315,980	14,308,980	14,139,010	(7,000)	(169,970)
Total Expenses	231,923,810	235,463,183	235,631,430	3,539,373	168,247
Other Financing Sources (Uses)	-	-	50,769	-	50,769
Net Increase in Assets - 06/30/19	\$ -	\$ -	3,750,043	\$ -	\$ 3,750,043

Original Budget vs. Final Budget:

The net budgetary change of \$3.5 million resulted mainly from grant transactions. Increases in grants reflected as revenue were received or expended during the fiscal year from additional state or federal grants of \$3.5 million.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

Final Budget vs. Actual Results:

Revenue was over budget by \$3.9 million and expenditures and other financing sources were under budget by \$0.1 million yielding a \$3.8 million net increase. Property Tax experienced an increase of \$1.0 million over budget or 0.8%, primarily related to higher Personal property Tax. Local tax was over budget by \$3.3 million, primarily due to Income Tax revenue coming in over budget by 3.4% or \$2.8 million and Recordation Tax exceeding final budget by \$0.4 million or 6.0%. Other revenue fell below budget by a net \$0.4 million mainly due to Speed camera fines under budget by \$2.5 million, but offset by increased interest from investments of \$1.5 million and revenue from the sale of surplus property of \$0.8 million. Cost saving due to savings in personnel, operational costs, and debt service were \$2.8 million and were offset by additional appropriations to the Capital Projects fund of \$2.5 million and the golf course fund of \$0.1 million.

Capital Asset Administration – Government Wide Statements

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$674.4 million (net of depreciation). This investment in capital assets includes land, buildings, bridges, roads, equipment, and operational facilities.

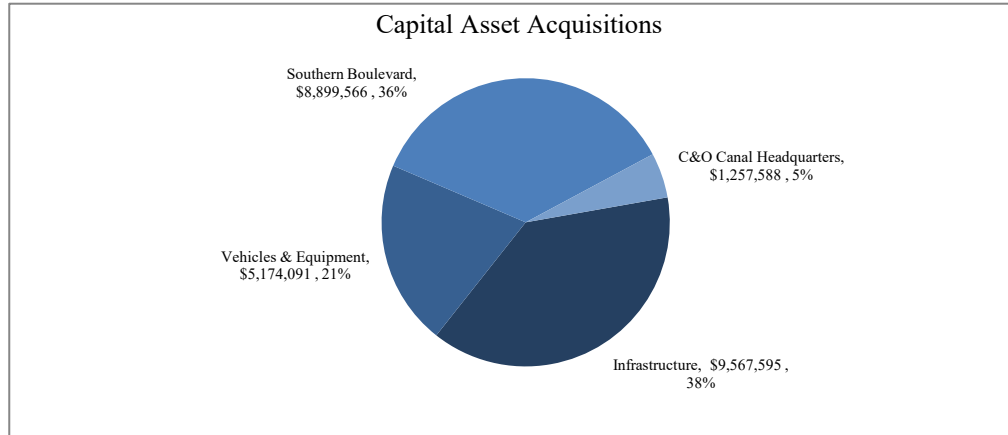
Washington County, Maryland
Net Capital Assets
(Government Fund Basis)

Description	Governmental Activities		Business-type Activities		Total		% Change
	2019	2018	2019	2018	2019	2018	
<i>Land and Land Improvements</i>	\$101,639,048	\$99,435,613	\$52,810,637	\$59,287,108	\$154,449,685	\$158,722,721	-2.7%
<i>Building and Improvements Facilities, Lines, and Mains</i>	65,476,050	71,056,825	40,029,021	41,228,808	105,505,071	112,285,633	-6.0%
<i>Vehicles</i>	-	-	86,461,659	86,735,110	86,461,659	86,735,110	-0.3%
<i>Infrastructure</i>	4,812,783	4,810,321	1,154,882	1,263,931	5,967,665	6,074,252	-1.8%
<i>Machinery and Equipment</i>	234,534,237	231,340,961	-	-	234,534,237	231,340,961	1.4%
<i>Office/Computer Equipment</i>	4,567,333	4,808,375	3,395,376	2,261,504	7,962,709	7,069,879	12.6%
<i>Treatment Plants</i>	6,593,349	9,168,143	388,115	204,820	6,981,464	9,372,963	-25.5%
<i>Total</i>	-	-	72,557,917	72,928,453	72,557,917	72,928,453	-0.51%
<i>Total</i>	\$417,622,800	\$420,620,238	\$256,797,607	\$263,909,734	\$674,420,407	\$684,529,972	-1.5%



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

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 52-55 of this report.

Debt Administration

At the end of the current fiscal year, the County had total outstanding debt, excluding capital leases, of \$198.9 million. This amount was comprised of debt backed by the full faith and credit of the County and user fees. The debt decreased by a net of \$1.4 million, the result of net principal payments of \$14.7 million and new borrowings of \$13.3 million. Funds borrowed were used mainly for infrastructure, education, and public safety projects.

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

Instrument Type	Governmental Activity		Business-type Activity		Total Outstanding Debt		% Change
	2019	2018	2019	2018	2019	2018	
General Obligation Bonds	\$ 149,019,381	\$ 146,430,226	\$37,326,214	\$38,223,368	\$ 186,345,595	\$ 184,653,594	0.92%
Maryland Water Quality Bonds	3,055,456	3,822,493	9,523,936	11,881,281	12,579,392	15,703,774	19.90%
Total	\$ 152,074,837	\$ 150,252,719	\$46,850,150	\$50,104,649	\$ 198,924,987	\$ 200,357,368	-0.71%

The County's credit ratings for fiscal year 2019 are as follows: 1) Standard and Poor's rated AA+, 2) Fitch rated AA+, and 3) Moody's Investors Service rated Aa1.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

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

Additional Information on the County's long-term debt can be found in note 8 on pages 58-62 of this report.

Economic Factors and Fiscal Year 2019

- ❑ Washington County's unemployment rate for June 2019 was 4.1% compared to 4.7% in June of 2018. The unemployment rate reached a high of 10.3% in March 2009 and has been improving steadily due to job growth in the service industry, specifically within the categories of trade, transportation, and utilities, professional services, and education and health services.
- ❑ For the first time in twenty years the County raised the income tax rate. The rate increased from 2.8% of State taxable income to 3.2%. This increase is estimated to generate additional revenue of approximately \$10 million. Due to the higher income tax rate, the County expects to receive higher disparity grant revenues from the State, yielding an additional \$4.0 million in FY2021.
- ❑ Sewer rates were increased by 3% for the 2020 budget year while water rates remained the same. This revenue increase is based on financial information formulated annually from the County's cost of service model.
- ❑ On September 15, 2016, Pen Mar Development Corporation conveyed the former Fort Ritchie Army Base, for no monetary consideration, all real property, contracts, leases, liabilities, and personal property not specifically excluded and held by Pen Mar to the Board. The forthcoming private investment and subsequent redevelopment of the former Fort Ritchie Army base has the potential to be one of the largest development projects in the County in the years to come.
- ❑ Washington County is heavily involved in the Urban Improvement Project which strives to develop and revitalize the downtown district. Funding for this project includes a combination of County, City, State, and private developer contributions.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

Requests for Information

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

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COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Net Position For the Year Ended June 30, 2019

	Primary Government			Component Unit	
	Governmental activities	Business-type activities	Total	Board of Education	Total
ASSETS					
Cash and short-term investments	\$ 21,335,038	\$ 25,554,006	\$ 46,889,044	\$ 16,129,915	\$ 63,018,959
Investments	97,296,737	-	97,296,737	25,448,482	122,745,219
Property taxes receivable, net of allowance	498,411	-	498,411	-	498,411
Accounts receivable, net of allowance	1,993,327	1,476,393	3,469,720	571,551	4,041,271
Interest receivable	698,049	-	698,049	-	698,049
Unbilled receivables	367,995	2,121,847	2,489,842	-	2,489,842
Due from other governmental agencies	35,784,782	2,300,665	38,085,447	9,066,380	47,151,827
Inventories	776,816	273,303	1,050,119	216,861	1,266,980
Other assets	-	-	-	1,717,566	1,717,566
Net other post employment benefits asset	10,578,507	-	10,578,507	-	10,578,507
Recoverable disbursements	134,534	-	134,534	-	134,534
Notes receivable	722,555	250,000	972,555	-	972,555
Projects under construction	15,046,462	2,136,826	17,183,288	10,471,542	27,654,830
Property, plant, and equipment, net	417,622,800	256,797,607	674,420,407	219,466,060	893,886,467
TOTAL ASSETS	602,856,013	290,910,647	893,766,660	283,088,357	1,176,855,017
DEFERRED OUTFLOWS OF RESOURCES					
Loss on refunding	1,897,168	403,303	2,300,471	-	2,300,471
Net pension activity	18,244,869	-	18,244,869	5,891,293	24,136,162
Net OPEB activity	275,923	-	275,923	17,449,878	17,725,801
TOTAL DEFERRED OUTFLOWS OF RESOURCES	20,417,960	403,303	20,821,263	23,341,171	44,162,434
LIABILITIES					
Current Liabilities:					
Current maturities of long-term obligations	9,982,974	4,511,865	14,494,839	-	14,494,839
Current maturities of capital lease obligations	275,718	39,834	315,552	1,097,714	1,413,266
Current maturities of installment purchase contracts	181,779	-	181,779	-	181,779
Accounts payable	6,331,793	1,778,743	8,110,536	7,737,128	15,847,664
Accrued expenses	1,783,472	606,030	2,389,502	19,478,969	21,868,471
Accrued interest	2,494,559	2,272,545	4,767,104	-	4,767,104
Unearned revenue	560,367	1,315,322	1,875,689	2,741,183	4,616,872
Compensated absences	2,095,435	437,218	2,532,653	483,867	3,016,520
Landfill closure and post-closure costs	-	196,730	196,730	-	196,730
Other liabilities	2,423,133	93,800	2,516,933	-	2,516,933
Liabilities for unpaid claims	2,211,941	-	2,211,941	-	2,211,941
Total current liabilities	28,341,171	11,252,087	39,593,258	31,538,861	71,132,119
Noncurrent Liabilities:					
Compensated absences	903,441	145,741	1,049,182	7,086,861	8,136,043
Post retirement benefits	-	-	-	241,595,471	241,595,471
Long-term debt obligations	142,091,863	42,338,284	184,430,147	-	184,430,147
Capital lease obligations	342,851	41,932	384,783	-	384,783
Installment purchase contracts	1,123,773	-	1,123,773	-	1,123,773
Landfill closure and post-closure costs	-	15,655,076	15,655,076	-	15,655,076
Net pension liability	116,051,267	-	116,051,267	18,360,969	134,412,236
Total noncurrent liabilities	260,513,195	58,181,033	318,694,228	267,043,301	585,737,529
TOTAL LIABILITIES	288,854,366	69,433,120	358,287,486	298,582,162	656,869,648
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	-	23,046,167	23,046,167	-	23,046,167
Net pension activity	2,943,207	-	2,943,207	3,315,673	6,258,880
Net OPEB activity	11,119,157	-	11,119,157	25,440,331	36,559,488
TOTAL DEFERRED INFLOWS OF RESOURCES	14,062,364	23,046,167	37,108,531	28,756,004	65,864,535
NET POSITION					
Net investment in capital assets	353,938,046	215,836,116	569,774,162	228,839,888	798,614,050
Restricted for:					
John Howard Trust	249,955	-	249,955	-	249,955
Capital projects	33,819,947	3,786,741	37,606,688	-	37,606,688
Unrestricted	(67,650,705)	(20,788,194)	(88,438,899)	(249,748,526)	(338,187,425)
TOTAL NET POSITION	\$ 320,357,243	\$ 198,834,663	\$ 519,191,906	\$ (20,908,638)	\$ 498,283,268

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Activities For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 51,646,558	\$ 5,328,325	\$ 467,129	\$ 84,876
Public safety	53,310,570	3,476,641	2,671,532	13,473
Health	2,339,270	-	-	-
Social services	435,560	-	-	-
Education	109,861,730	-	-	-
Parks, recreation and culture	6,701,519	106,934	1,251,054	89,433
Natural resources	4,883,747	-	3,815,572	-
General operations	1,520,510	-	-	-
Community promotion	4,368,506	-	1,217,283	-
Highways and streets	15,766,167	-	1,865,894	7,115,662
Interest on long-term debt	4,909,524	-	-	-
Total governmental activities	<u>255,743,661</u>	<u>8,911,900</u>	<u>11,288,464</u>	<u>7,303,444</u>
Business-type activities				
Water quality	14,427,578	12,935,543	32,025	530,681
Solid waste	8,473,176	7,227,171	-	-
Airport	8,499,404	2,568,094	8,540	2,108,463
Public transit	3,024,616	664,517	1,248,362	548,084
Black Rock golf course	1,191,521	690,083	-	38,868
Total business-type activities	<u>35,616,295</u>	<u>24,085,408</u>	<u>1,288,927</u>	<u>3,226,096</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 291,359,956</u>	<u>\$ 32,997,308</u>	<u>\$ 12,577,391</u>	<u>\$ 10,529,540</u>
Component unit:				
Board of Education	<u>\$ 351,015,599</u>	<u>\$ 16,372,613</u>	<u>\$ 63,742,334</u>	<u>\$ 422,358</u>

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

CHANGE IN NET POSITION

RESTATEMENT

NET POSITION - BEGINNING OF YEAR

NET POSITION - END OF YEAR

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Statement of Activities
For the Year Ended June 30, 2019**

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-Type Activities	Total	Board of Education	Total
\$ (45,766,228)	\$ -	\$ (45,766,228)	\$ -	\$ (45,766,228)
(47,148,924)	-	(47,148,924)	-	(47,148,924)
(2,339,270)	-	(2,339,270)	-	(2,339,270)
(435,560)	-	(435,560)	-	(435,560)
(109,861,730)	-	(109,861,730)	-	(109,861,730)
(5,254,098)	-	(5,254,098)	-	(5,254,098)
(1,068,175)	-	(1,068,175)	-	(1,068,175)
(1,520,510)	-	(1,520,510)	-	(1,520,510)
(3,151,223)	-	(3,151,223)	-	(3,151,223)
(6,784,611)	-	(6,784,611)	-	(6,784,611)
(4,909,524)	-	(4,909,524)	-	(4,909,524)
<u>(228,239,853)</u>	<u>-</u>	<u>(228,239,853)</u>	<u>-</u>	<u>(228,239,853)</u>
-	(929,329)	(929,329)	-	(929,329)
-	(1,246,005)	(1,246,005)	-	(1,246,005)
-	(3,814,307)	(3,814,307)	-	(3,814,307)
-	(563,653)	(563,653)	-	(563,653)
-	(462,570)	(462,570)	-	(462,570)
<u>-</u>	<u>(7,015,864)</u>	<u>(7,015,864)</u>	<u>-</u>	<u>(7,015,864)</u>
(228,239,853)	(7,015,864)	(235,255,717)	-	(235,255,717)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(270,478,294)</u>	<u>(270,478,294)</u>
127,501,045	-	127,501,045	-	127,501,045
106,616,922	-	106,616,922	-	106,616,922
2,151,425	183,560	2,334,985	488,012	2,822,997
1,511,831	-	1,511,831	-	1,511,831
2,111,078	411,209	2,522,287	454,634	2,976,921
-	-	-	271,862,855	271,862,855
-	-	-	-	-
(3,869,849)	54,172	(3,815,677)	-	(3,815,677)
(2,465,854)	2,465,854	-	-	-
<u>233,556,598</u>	<u>3,114,795</u>	<u>236,671,393</u>	<u>272,805,501</u>	<u>509,476,894</u>
5,316,745	(3,901,069)	1,415,676	2,327,207	3,742,883
-	-	-	(1,644,796)	(1,644,796)
315,040,498	202,735,732	517,776,230	(21,591,049)	496,185,181
<u>\$ 320,357,243</u>	<u>\$ 198,834,663</u>	<u>\$ 519,191,906</u>	<u>\$ (20,908,638)</u>	<u>\$ 498,283,268</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Balance Sheet - Governmental Funds
As of June 30, 2019**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 618,872	\$ 15,120,869	\$ 5,595,297	\$ 21,335,038
Investments	97,052,684	244,053	-	97,296,737
Property taxes receivable, net of allowance	498,411	-	-	498,411
Accounts receivable, net of allowance	1,139,143	520,849	333,335	1,993,327
Interest receivable	696,019	2,030	-	698,049
Unbilled receivables	367,995	-	-	367,995
Due from other funds	-	58,974,499	-	58,974,499
Due from other governmental agencies	27,515,971	7,971,114	297,697	35,784,782
Recoverable disbursements	134,534	-	-	134,534
Notes receivable	722,555	-	-	722,555
Inventories	776,816	-	-	776,816
TOTAL ASSETS	<u>\$ 129,523,000</u>	<u>\$ 82,833,414</u>	<u>\$ 6,226,329</u>	<u>\$ 218,582,743</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,442,745	\$ 2,638,266	\$ 2,250,782	\$ 6,331,793
Accrued expenses	1,743,490	8,660	31,322	1,783,472
Due to other funds	58,845,269	-	129,230	58,974,499
Liabilities for unpaid claims	2,211,941	-	-	2,211,941
Unearned revenue	533,242	-	27,125	560,367
Other liabilities	1,866,760	-	556,373	2,423,133
TOTAL LIABILITIES	<u>66,643,447</u>	<u>2,646,926</u>	<u>2,994,832</u>	<u>72,285,205</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	17,382,858	-	-	17,382,858
FUND BALANCES				
Nonspendable	1,409,371	-	-	1,409,371
Restricted	855,333	33,819,947	1,781,198	36,456,478
Committed	43,212,749	46,366,541	1,268,177	90,847,467
Assigned	19,242	-	194,511	213,753
Unassigned	-	-	(12,389)	(12,389)
TOTAL FUND BALANCES	<u>45,496,695</u>	<u>80,186,488</u>	<u>3,231,497</u>	<u>128,914,680</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 129,523,000</u>	<u>\$ 82,833,414</u>	<u>\$ 6,226,329</u>	<u>\$ 218,582,743</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position As of June 30, 2019

Fund balance governmental funds	\$	128,914,680
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		417,622,800
Projects under construction		15,046,462
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds:		
Net other post employment benefits asset		10,578,507
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds		
Unavailable revenues		17,382,858
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		
		6,355,596
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		(152,074,837)
Installment purchase obligations		(1,305,551)
Capital lease obligations		(618,569)
Accrued interest payable - net of IRS subsidy		(2,494,560)
Compensated absences and net pension liability		(119,050,143)
Net position of governmental activities	\$	<u>320,357,243</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2019

	General Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
REVENUE				
General property tax	\$ 127,440,494	\$ -	\$ -	\$ 127,440,494
Other local tax	94,599,765	4,941,145	2,421,211	101,962,121
Licenses and permits	1,283,820	-	2,254,500	3,538,320
Court costs and fines	2,631,213	-	-	2,631,213
Charges for services	1,365,493	-	409,248	1,774,741
Reimbursed expenses	1,111,052	-	70,299	1,181,351
Interest income	2,151,321	-	-	2,151,321
Miscellaneous revenues	1,618,804	33,819	393,549	2,046,172
Grants and shared revenues	4,875,585	4,423,304	5,499,347	14,798,236
Highway	2,253,157	-	-	2,253,157
Total Revenue	<u>239,330,704</u>	<u>9,398,268</u>	<u>11,048,154</u>	<u>259,777,126</u>
EXPENDITURES				
Current:				
General government	27,349,583	-	-	27,349,583
Public safety	47,201,336	-	1,568,446	48,769,782
Health	2,339,270	-	-	2,339,270
Social services	435,560	-	-	435,560
Education	108,566,050	-	-	108,566,050
Parks, recreation and culture	7,366,504	-	239,008	7,605,512
Natural resources	721,153	-	4,180,008	4,901,161
Intergovernmental	38,543	-	-	38,543
General operations	5,869,521	-	1,520,510	7,390,031
Community promotion	-	-	4,373,574	4,373,574
Highways and streets	10,492,140	-	-	10,492,140
Debt service	14,139,010	-	-	14,139,010
Capital outlay:				
General government	-	5,354,501	-	5,354,501
Public safety	-	1,576,820	-	1,576,820
Highways and streets	-	12,828,155	-	12,828,155
Education	-	1,295,680	-	1,295,680
Parks and recreation	-	94,929	-	94,929
Total Expenditures	<u>224,518,670</u>	<u>21,150,085</u>	<u>11,881,546</u>	<u>257,550,301</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>14,812,034</u>	<u>(11,751,817)</u>	<u>(833,392)</u>	<u>2,226,825</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	8,296,096	980,768	9,276,864
Transfers out	(11,112,760)	(566,958)	(63,000)	(11,742,718)
Proceeds of capital lease	50,769	-	-	50,769
Proceeds of bond sale	-	12,225,042	-	12,225,042
TOTAL OTHER FINANCING SOURCES (USES)	<u>(11,061,991)</u>	<u>19,954,180</u>	<u>917,768</u>	<u>9,809,957</u>
NET CHANGES IN FUND BALANCE	<u>3,750,043</u>	<u>8,202,363</u>	<u>84,376</u>	<u>12,036,782</u>
FUND BALANCES - BEGINNING OF YEAR	<u>41,746,652</u>	<u>71,984,125</u>	<u>3,147,121</u>	<u>116,877,898</u>
FUND BALANCES - END OF YEAR	<u>\$ 45,496,695</u>	<u>\$ 80,186,488</u>	<u>\$ 3,231,497</u>	<u>\$ 128,914,680</u>

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, 2019

Net changes in fund balances in governmental funds \$ 12,036,782

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

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

Capital outlay capitalized	\$ 16,239,893	
Depreciation	<u>(18,027,473)</u>	(1,787,580)

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. (3,911,264)

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	\$ (12,177,086)	
Payments of installment purchase principal	181,778	
Payments of lease principal	271,773	
Payments of debt principal	<u>9,316,121</u>	(2,407,414)

In the statement of activities, compensated absences and post-retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used. This year, compensated absences and post-retirement benefits earned exceeded financial resources used. (6,577,704)

Revenues and expenditures are reported in the statement of activities on the accrual basis and in the governmental funds when they provide or use current financial resources. This is the net difference of revenues and expenditures recognized between the governmental funds and statement of activities. 7,963,925

Change in Net Position of Governmental Activities	\$	<u><u>5,316,745</u></u>
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COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Net Position - Proprietary Funds As of June 30, 2019

	Business Type Activities - Enterprise Funds				Total
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	
ASSETS					
Current Assets:					
Cash	\$ 8,500,226	\$ 15,643,383	\$ 509,324	\$ 901,073	\$ 25,554,006
Accounts receivable, net	1,141,335	292,555	26,244	16,259	1,476,393
Unbilled accounts	1,667,676	441,435	12,082	654	2,121,847
Due from other governmental agencies	654,567	-	1,003,346	642,752	2,300,665
Notes receivable	-	250,000	-	-	250,000
Inventories	92,017	14,357	53,649	113,280	273,303
Total current assets	12,055,821	16,641,730	1,604,645	1,674,018	31,976,214
Noncurrent Assets:					
Projects under construction	484,129	56,902	1,595,795	-	2,136,826
Property, plant and equipment	234,498,845	69,357,534	155,233,305	12,443,847	471,533,531
Accumulated depreciation	(72,963,733)	(51,054,817)	(83,152,696)	(7,564,678)	(214,735,924)
Total noncurrent assets	162,019,241	18,359,619	73,676,404	4,879,169	258,934,433
TOTAL ASSETS	174,075,062	35,001,349	75,281,049	6,553,187	290,910,647
DEFERRED OUTFLOWS OF RESOURCES					
Loss on refundings	259,538	135,299	8,466	-	403,303
LIABILITIES					
Current Liabilities:					
Current debt	2,405,652	2,008,883	97,330	-	4,511,865
Current capital lease obligations	17,173	-	-	22,661	39,834
Accounts payable	492,412	981,468	139,729	165,134	1,778,743
Accrued expenses	428,148	59,978	18,864	99,040	606,030
Accrued interest	2,028,352	234,733	9,460	-	2,272,545
Unearned revenue	90,036	424,784	800,002	500	1,315,322
Compensated absences	258,972	64,225	34,633	79,388	437,218
Landfill closure and post-closure costs	-	196,730	-	-	196,730
Other liabilities	7,300	-	47,158	39,342	93,800
Total current liabilities	5,728,045	3,970,801	1,147,176	406,065	11,252,087
Noncurrent Liabilities:					
Compensated absences	86,325	21,408	11,544	26,464	145,741
Bonds and long-term debt	29,344,031	12,590,769	403,484	-	42,338,284
Capital lease obligations	17,739	-	-	24,193	41,932
Landfill closure and post-closure costs	-	15,655,076	-	-	15,655,076
Total noncurrent liabilities	29,448,095	28,267,253	415,028	50,657	58,181,033
TOTAL LIABILITIES	35,176,140	32,238,054	1,562,204	456,722	69,433,120
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	-	-	23,046,167	-	23,046,167
Net Position					
Net investment in capital assets	133,823,246	3,958,111	73,175,590	4,879,169	215,836,116
Restricted - capital projects	3,588,597	198,144	-	-	3,786,741
Unrestricted	1,746,617	(1,257,661)	(22,494,446)	1,217,296	(20,788,194)
TOTAL NET POSITION	\$ 139,158,460	\$ 2,898,594	\$ 50,681,144	\$ 6,096,465	\$ 198,834,663

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, 2019

	Business Type Activities - Enterprise Funds				Total
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	
OPERATING REVENUE					
Charges for services	\$ 12,935,543	\$ 7,227,171	\$ 2,568,094	\$ 1,354,600	\$ 24,085,408
Miscellaneous	129,268	180,217	82,439	19,285	411,209
TOTAL OPERATING REVENUE	<u>13,064,811</u>	<u>7,407,388</u>	<u>2,650,533</u>	<u>1,373,885</u>	<u>24,496,617</u>
OPERATING EXPENSES					
Salaries and wages	4,196,902	1,426,353	657,899	1,894,574	8,175,728
Fringe benefits	2,208,930	657,475	289,490	726,627	3,882,522
Utilities	1,008,085	69,436	203,313	71,851	1,352,685
Insurance	142,188	25,749	48,876	38,494	255,307
Repairs and maintenance	392,520	-	70,169	314,233	776,922
Supplies	248,265	119,122	12,332	36,387	416,106
Cost of goods sold	-	-	-	85,801	85,801
Contracted services	223,022	2,669,125	403,154	166,541	3,461,842
Rentals and leases	34,552	1,957	4,673	108,447	149,629
Other operating	1,122,208	1,047,162	156,874	388,979	2,715,223
Uncollectible accounts	(1,210)	419	(2,017)	-	(2,808)
Controllable assets	89,113	203	49,620	11,558	150,494
Depreciation	3,828,575	2,017,324	6,591,555	372,645	12,810,099
TOTAL OPERATING EXPENSES	<u>13,493,150</u>	<u>8,034,325</u>	<u>8,485,938</u>	<u>4,216,137</u>	<u>34,229,550</u>
OPERATING LOSS	<u>(428,339)</u>	<u>(626,937)</u>	<u>(5,835,405)</u>	<u>(2,842,252)</u>	<u>(9,732,933)</u>
OTHER INCOME (EXPENSE)					
Interest expense	(934,428)	(438,851)	(13,466)	-	(1,386,745)
Interest income	181,036	305	2,213	6	183,560
Gain (loss) on disposal of assets	(60)	11,208	3,817	39,207	54,172
TOTAL OTHER INCOME (EXPENSE)	<u>(753,452)</u>	<u>(427,338)</u>	<u>(7,436)</u>	<u>39,213</u>	<u>(1,149,013)</u>
LOSS BEFORE OPERATING TRANSFERS AND GRANTS	<u>(1,181,791)</u>	<u>(1,054,275)</u>	<u>(5,842,841)</u>	<u>(2,803,039)</u>	<u>(10,881,946)</u>
OPERATING TRANSFERS	423,800	961,700	104,550	876,900	2,366,950
GRANTS FOR OPERATING	32,025	-	8,540	1,248,362	1,288,927
NET LOSS BEFORE CAPITAL TRANSFERS AND GRANTS	<u>(725,966)</u>	<u>(92,575)</u>	<u>(5,729,751)</u>	<u>(677,777)</u>	<u>(7,226,069)</u>
CAPITAL TRANSFERS	13,000	-	4,000	81,904	98,904
CAPITAL GRANTS AND CONTRIBUTIONS	530,681	-	2,108,463	586,952	3,226,096
NET CHANGES IN NET POSITION	<u>(182,285)</u>	<u>(92,575)</u>	<u>(3,617,288)</u>	<u>(8,921)</u>	<u>(3,901,069)</u>
NET POSITION - BEGINNING OF YEAR	<u>139,340,745</u>	<u>2,991,169</u>	<u>54,298,432</u>	<u>6,105,386</u>	<u>202,735,732</u>
NET POSITION - END OF YEAR	<u>\$ 139,158,460</u>	<u>\$ 2,898,594</u>	<u>\$ 50,681,144</u>	<u>\$ 6,096,465</u>	<u>\$ 198,834,663</u>

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, 2019

	Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	Total
Cash Flows from Operating Activities					
Receipts from customers	\$ 12,877,190	\$ 7,478,220	\$ 1,667,799	\$ 1,527,430	\$ 23,550,639
Payments to suppliers	(3,594,831)	(3,517,927)	(1,064,505)	(1,065,951)	(9,243,214)
Payments to employees	(6,419,882)	(2,114,937)	(955,394)	(2,615,902)	(12,106,115)
Net Cash Provided (Used) by Operating Activities	<u>2,862,477</u>	<u>1,845,356</u>	<u>(352,100)</u>	<u>(2,154,423)</u>	<u>2,201,310</u>
Cash Flows from Noncapital Financing Activities					
Operating contributions	455,825	961,700	113,090	2,125,262	3,655,877
Net Cash Provided (Used) by Noncapital Financing Activities	<u>455,825</u>	<u>961,700</u>	<u>113,090</u>	<u>2,125,262</u>	<u>3,655,877</u>
Cash Flows from Capital and Related Financing Activities					
Interest paid on notes and bond payable	(2,384,697)	(449,426)	(15,726)	-	(2,849,849)
Acquisition and construction of capital assets	(2,887,302)	(673,751)	(1,934,658)	(365,231)	(5,860,942)
Gain (loss) on the sale of assets	(60)	11,208	3,817	39,207	54,172
Contribution for capital acquisitions	543,681	-	2,112,463	629,988	3,286,132
Proceeds from/payments on notes and bonds payable	(765,627)	(2,252,468)	(98,045)	-	(3,116,140)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(5,494,005)</u>	<u>(3,364,437)</u>	<u>67,851</u>	<u>303,964</u>	<u>(8,486,627)</u>
Cash Flows from Investing Activities					
Interest on investments	181,036	305	2,213	6	183,560
Net change in cash	(1,994,667)	(557,076)	(168,946)	274,809	(2,445,880)
Cash, Beginning of Year	10,494,893	16,200,459	678,270	626,264	27,999,886
Cash, End of Year	<u>\$ 8,500,226</u>	<u>\$ 15,643,383</u>	<u>\$ 509,324</u>	<u>\$ 901,073</u>	<u>\$ 25,554,006</u>
Non-Cash Operating Activities					
Loss on refunding	\$ 259,538	\$ 135,299	\$ 8,466	\$ -	\$ 403,303
Non-Cash Capital and Related Financing Activities					
Capital lease	\$ (30,200)	\$ -	\$ -	\$ (25,825)	\$ (56,025)
Reconciliation of Operating Loss to Net Cash from Operating Activities					
Operating loss	\$ (428,339)	\$ (626,937)	\$ (5,835,405)	\$ (2,842,252)	\$ (9,732,933)
Adjustments to reconcile operating loss to net cash from operating activities:					
Depreciation	3,828,575	2,017,324	6,591,555	372,645	12,810,099
Changes in assets and liabilities:					
Accounts receivable	281,597	54,493	230,045	44,170	610,305
Unbilled receivables	(57,959)	21,245	(2,838)	(16)	(39,568)
Due to/from other government entities	148,630	-	(409,939)	110,141	(151,168)
Inventories	17,192	(11,482)	(11,043)	30,741	25,408
Accounts payable and other liabilities	(353,280)	31,181	(106,468)	120,654	(307,913)
Accrued expenses	1,968	(13,298)	(5,425)	13,999	(2,756)
Landfill closure	-	395,547	-	-	395,547
Unearned revenue	(559,889)	(4,906)	(800,002)	(750)	(1,365,547)
Compensated absences	(16,018)	(17,811)	(2,580)	(3,755)	(40,164)
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,862,477</u>	<u>\$ 1,845,356</u>	<u>\$ (352,100)</u>	<u>\$ (2,154,423)</u>	<u>\$ 2,201,310</u>

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, 2019**

	<u>Pension Trust</u>	<u>LOSAP Trust</u>	<u>OPEB Trust</u>	<u>Total Pension and OPEB Trust Funds</u>	<u>Private Purpose Trust</u>	<u>Agency</u>
ASSETS						
Cash and short-term investments	\$ 2,487,217	\$ 113,057	\$ 545,718	\$ 3,145,992	\$ 7,225	\$ 3,666,092
Investments, at fair value:						
U.S. Government obligations	678,572	54,917	214,643	948,132	-	-
Corporate bonds and obligations	485,497	40,282	101,106	626,885	-	-
Fixed income securities	40,825,670	3,036,843	7,623,253	51,485,766	-	-
Corporate stock	-	-	-	-	-	-
Equity funds	83,566,925	6,227,533	15,812,008	105,606,466	130,327	-
Accounts receivable	117,339	8,506	-	125,845	-	-
Due from other funds	-	-	-	-	-	-
TOTAL ASSETS	<u>128,161,220</u>	<u>9,481,138</u>	<u>24,296,728</u>	<u>161,939,086</u>	<u>137,552</u>	<u>3,666,092</u>
LIABILITIES						
Accounts payable	-	-	-	-	-	121,700
Due to student groups	-	-	-	-	-	3,544,392
Due to primary government	-	-	-	-	15,345	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,345</u>	<u>3,666,092</u>
NET POSITION						
Held in trust for pension and OPEB	128,161,220	9,481,138	24,296,728	161,939,086	-	-
Held in trust for scholarships	-	-	-	-	122,207	-
NET POSITION	<u>\$ 128,161,220</u>	<u>\$ 9,481,138</u>	<u>\$ 24,296,728</u>	<u>\$ 161,939,086</u>	<u>\$ 122,207</u>	<u>\$ -</u>

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Changes in Net Position - Fiduciary Funds
For the Year Ended June 30, 2019

	<u>Pension Trust</u>	<u>LOSAP Trust</u>	<u>OPEB Trust</u>	<u>Total Pension and OPEB Trust Funds</u>	<u>Private Purpose Trust</u>
ADDITIONS					
Contributions:					
Employer	\$ 11,825,000	\$ 460,000	\$ 641,700	\$ 12,926,700	\$ -
Plan members	2,119,985	-	-	2,119,985	-
Gifts and contributions	-	-	-	-	16,200
Total Contributions	<u>13,944,985</u>	<u>460,000</u>	<u>641,700</u>	<u>15,046,685</u>	<u>16,200</u>
Investment Income:					
Realized and unrealized gains	1,508,092	110,855	391,244	2,010,191	-
Interest and dividends	1,259,451	89,607	227,220	1,576,278	2,934
Other income	3,909,109	302,797	706,034	4,917,940	-
Total Investment Income	<u>6,676,652</u>	<u>503,259</u>	<u>1,324,498</u>	<u>8,504,409</u>	<u>2,934</u>
TOTAL ADDITIONS	<u>20,621,637</u>	<u>963,259</u>	<u>1,966,198</u>	<u>23,551,094</u>	<u>19,134</u>
DEDUCTIONS					
Benefits	9,973,991	588,909	641,700	11,204,600	-
Scholarship expenses	-	-	-	-	60,935
Administrative expenses	175,860	34,803	108,008	318,671	-
TOTAL DEDUCTIONS	<u>10,149,851</u>	<u>623,712</u>	<u>749,708</u>	<u>11,523,271</u>	<u>60,935</u>
CHANGES IN NET POSITION	10,471,786	339,547	1,216,490	12,027,823	(41,801)
NET POSITION - BEGINNING OF YEAR	<u>117,689,434</u>	<u>9,141,591</u>	<u>23,080,238</u>	<u>149,911,263</u>	<u>164,008</u>
NET POSITION - END OF YEAR	<u>\$ 128,161,220</u>	<u>\$ 9,481,138</u>	<u>\$ 24,296,728</u>	<u>\$ 161,939,086</u>	<u>\$ 122,207</u>

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2019

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, 2019 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, 2019

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, 2019

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, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(continued)

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fiduciary funds:

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

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

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

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2019

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2019

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, 2019

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, 2019

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	3.2% of Maryland taxable income (calendar year 2020)
Recordation tax	\$3.80 per \$500
Trailer park	15% of gross rentals
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.

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2019

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

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.

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2019

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

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.

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2019

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

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.

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2019

3. CASH AND SHORT-TERM INVESTMENTS

Primary Government

Deposits

As of June 30, 2019, the carrying amount of the County's deposits was \$46,889,044 and the bank balances were \$47,918,988. All deposits are carried at cost plus accrued interest. There were no significant violations of the collateralization requirements during the year ended June 30, 2019. 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, 2019, the County's bank balance of \$47,918,988 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, 2019

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Primary Government (continued)

Investments

As of June 30, 2019, 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	\$ 96,839,012	\$ 96,839,012		\$ -	\$ -
Certificates of Deposit	457,725	457,725	-	-	-
Total investments held in County's name	<u>97,296,737</u>	<u>97,296,737</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investments held by trustee of					
Pension plan:					
U.S. government obligations, municipal and corporate bonds	1,164,069	1,164,069	-	-	-
Fixed income securities	40,825,670	40,825,670	-	-	-
Equity funds	83,566,925	83,566,925	-	-	-
Money market funds	2,487,217	2,487,217	-	-	-
Interest and dividends receivable	117,339	117,339	-	-	-
Total Investments held by trustee of pension plan	<u>128,161,220</u>	<u>128,161,220</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investments held by trustee of					
LOSAP plan:					
U.S. government obligations and corporate bonds	95,199	95,199	-	-	-
Fixed income funds	3,036,843	3,036,843	-	-	-
Equity funds	6,227,533	6,227,533	-	-	-
Money market funds	113,057	113,057	-	-	-
Interest and dividends receivable	8,506	8,506	-	-	-
Total Investments held by trustee of LOSAP plan	<u>9,481,138</u>	<u>9,481,138</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investments held by trustee of					
OPEB plan:					
U.S. government obligations and corporate bonds	315,749	315,749	-	-	-
Fixed income funds	7,623,253	7,623,253	-	-	-
Equity funds	15,812,008	15,812,008	-	-	-
Money market funds	545,718	545,718	-	-	-
Interest and dividends receivable	-	-	-	-	-
Total Investments held by trustee of OPEB plan	<u>24,296,728</u>	<u>24,296,728</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 259,235,823</u>	<u>\$ 259,235,823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2019

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Primary Government (continued)

Investments (continued)

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

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

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2019

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, 2019, 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.

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2019, 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, 2019**

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Board of Education

Cash

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. Additionally, a compensating balance agreement exists with the Board’s primary financial institution. This non-interest bearing deposit is maintained in lieu of cash payments for standard bank services. The required average balance totaled \$250,000 at June 30, 2019.

Compliance is summarized as follows:

<u>June 30, 2019</u>	<u>Governmental Activities and Business-Type</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
Carrying amount of cash deposits	\$ 16,129,915	\$ 3,673,317	\$ 19,803,232
Bank balance of cash deposits	18,615,832	3,849,247	22,465,079
Amount covered by FDIC	271,340	1,400,809	1,672,149
Amount collateralized with securities held by an agent of the pledging financial institution in the School system’s name	18,344,492	2,448,438	20,792,930

Investments

Credit Risk: Maryland statutes authorize the School System to invest in obligations of the United States government or agency obligations.

Interest Rate and Custodial Risk: Investments are made in Federal government securities primarily through repurchase agreements 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 underlying collateral 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, 2019

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Board of Education (continued)

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

As of June 30, 2019, the School System had the following investments and maturities:

June 30, 2019	Governmental Activities	Business-Type Activities	Fiduciary Responsibilities	Total
United States Treasury Note - 2.000% matures January 31, 2020	\$ 6,466,738	\$ -	\$ -	\$ 6,466,738
United States Treasury Note - 2.625% matures July 31, 2020	6,507,109	-	-	6,507,109
Federal Home Loan Bank - 1.370% matures October 24, 2019	441,176	-	-	441,176
Federal Home Loan Bank - 1.390% matures December 26, 2019	999,000	-	-	999,000
Federal Home Loan Bank - 2.875% matures September 11, 2020	6,038,847	-	-	6,038,847
Federal Home Loan Bank - 2.250% matures January 29, 2021	1,197,832	-	-	1,197,832
Federal Home Loan Bank - 2.250% matures January 29, 2021	3,797,780	-	-	3,797,780
Income Fund of America	-	-	68,654	68,654
Certificates of Deposit	-	-	61,673	61,673
Retiree Health Plan Trust	-	-	72,807,076	72,807,076
	<u>\$ 25,448,482</u>	<u>\$ -</u>	<u>\$ 72,937,403</u>	<u>\$ 98,385,885</u>

Investment Type	Fair Value June 30, 2019	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Agencies	\$ 25,448,482	\$ 7,906,914	\$ 17,541,568	\$ -	\$ -
Certificate of Deposit	61,673	61,673	-	-	-
Income Fund of America	68,654	68,654	-	-	-
Retiree Health Plan Trust	24,704,019	6,479,952	6,584,785	-	11,639,282
	<u>\$ 50,282,828</u>	<u>\$ 14,517,193</u>	<u>\$ 24,126,353</u>	<u>\$ -</u>	<u>\$ 11,639,282</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements
June 30, 2019

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	\$ 720,590	\$ -	\$ -	\$ 720,590
Accounts receivable	1,798,587	520,849	333,335	2,652,771
Gross receivables	2,519,177	520,849	333,335	3,373,361
Less: allowance for uncollectibles	(881,623)	-	-	(881,623)
Net Total Receivables	\$ 1,637,554	\$ 520,849	\$ 333,335	\$ 2,491,738

	Business-type Activities				
	Water Quality	Solid Waste	Airport	Non-Major	Total
Accounts receivable	\$ 1,158,460	\$ 361,956	\$ 48,410	\$ 16,759	\$ 1,585,585
Less: allowance for uncollectibles	(17,125)	(69,401)	(22,166)	(500)	(109,192)
Net Total Receivables	\$ 1,141,335	\$ 292,555	\$ 26,244	\$ 16,259	\$ 1,476,393

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also record unearned revenue in connection with resources that have been received, but not yet earned. As of the end of the current fiscal year unearned revenue for delinquent property taxes receivable reported in the General Fund was \$330,270. 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, 2019

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

Primary Government

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 91,472,171	\$ 2,814,841	\$ (797,898)	\$ 93,489,114
Capital assets, being depreciated:				
Land improvements	14,363,624	618,803	-	14,982,427
Building and improvements	108,450,282	644,098	(3,303,782)	105,790,598
Vehicles	16,248,323	1,525,236	(978,363)	16,795,196
Infrastructure	1,173,642,076	12,061,987	-	1,185,704,063
Machinery and equipment	10,747,307	441,951	(197,920)	10,991,338
Office furniture and equipment	971,985	-	-	971,985
Computer equipment	35,070,328	852,219	(16,108)	35,906,439
Total capital assets, being depreciated	<u>1,359,493,925</u>	<u>16,144,294</u>	<u>(4,496,173)</u>	<u>1,371,142,046</u>
Total Capital Assets	<u>1,450,966,096</u>	<u>18,959,135</u>	<u>(5,294,071)</u>	<u>1,464,631,160</u>
Accumulated depreciation for:				
Land improvements	(6,400,182)	(432,311)	-	(6,832,493)
Building and improvements	(37,393,457)	(3,111,507)	190,416	(40,314,548)
Vehicles	(11,438,002)	(1,522,774)	978,363	(11,982,413)
Infrastructure	(942,301,115)	(8,868,711)	-	(951,169,826)
Machinery and equipment	(5,938,932)	(682,993)	197,920	(6,424,005)
Office furniture and equipment	(881,366)	(18,124)	-	(899,490)
Computer equipment	(25,992,804)	(3,408,889)	16,108	(29,385,585)
Total accumulated depreciation	<u>(1,030,345,858)</u>	<u>(18,045,309)</u>	<u>1,382,807</u>	<u>(1,047,008,360)</u>
Governmental Activities Capital Assets, Net	<u>\$ 420,620,238</u>	<u>\$ 913,826</u>	<u>\$ (3,911,264)</u>	<u>\$ 417,622,800</u>
Projects Under Construction	<u>\$ 14,901,547</u>	<u>\$ 19,854,405</u>	<u>\$ (19,709,490)</u>	<u>\$ 15,046,462</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements
June 30, 2019

5. CAPITAL ASSETS (continued)

Primary Government (continued)

	Balance			Balance
	June 30, 2018	Additions	Retirements	June 30, 2019
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 12,190,961	\$ 11,950	\$ -	\$ 12,202,911
Capital assets, being depreciated:				
Land improvements	147,553,308	262,143	-	147,815,451
Building and improvements	62,979,577	391,669	-	63,371,246
Facilities	122,620,598	1,347,640	-	123,968,238
Vehicles	8,069,941	439,328	(819,175)	7,690,094
Machinery and equipment	11,890,772	1,698,144	(248,944)	13,339,972
Office furniture and equipment	272,987	-	-	272,987
Computer equipment	2,223,992	217,212	-	2,441,204
Treatment plants	98,861,077	1,571,618	(1,267)	100,431,428
Total capital assets, being depreciated	<u>454,472,252</u>	<u>5,927,754</u>	<u>(1,069,386)</u>	<u>459,330,620</u>
Total Capital Assets	<u>466,663,213</u>	<u>5,939,704</u>	<u>(1,069,386)</u>	<u>471,533,531</u>
Accumulated depreciation for:				
Land improvements	(100,457,161)	(6,750,564)	-	(107,207,725)
Building and improvements	(21,750,769)	(1,591,456)	-	(23,342,225)
Facilities	(35,885,488)	(1,621,091)	-	(37,506,579)
Vehicles	(6,806,010)	(548,377)	819,175	(6,535,212)
Machinery and equipment	(9,629,268)	(564,272)	248,944	(9,944,596)
Office furniture and equipment	(272,988)	-	-	(272,988)
Computer equipment	(2,019,171)	(33,917)	-	(2,053,088)
Treatment plants	(25,932,624)	(1,941,571)	684	(27,873,511)
Total accumulated depreciation	<u>(202,753,479)</u>	<u>(13,051,248)</u>	<u>1,068,803</u>	<u>(214,735,924)</u>
Business-type Activities Capital Assets, Net	<u>\$ 263,909,734</u>	<u>\$ (7,111,544)</u>	<u>\$ (583)</u>	<u>\$ 256,797,607</u>
Projects Under Construction	<u>\$ 1,918,334</u>	<u>\$ 5,814,259</u>	<u>\$ (5,595,767)</u>	<u>\$ 2,136,826</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2019

5. CAPITAL ASSETS (continued)

Primary Government (continued)

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

Governmental Activities:

General Government	\$ 11,976,040
Public Safety	4,706,293
Park, recreation and culture	324,697
Conservation of Natural Resources	21,800
Highways and streets	998,643
Total Depreciation Expense - Governmental Activities	\$ 18,027,473

Business-Type Activities:

Public Transit Fund	\$ 238,668
Airport Fund	6,591,555
Golf Course Fund	133,977
Water Quality Fund	3,828,575
Solid Waste Fund	2,017,324
Total Depreciation Expense – Business-Type Activities	\$ 12,810,099

Board of Education

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Government activities				
Capital assets, not being depreciated:				
Land	\$ 8,657,807	\$ 155,500	\$ -	\$ 8,813,307
Facilities under construction	1,397,815	9,075,067	(1,340)	10,471,542
	<u>10,055,622</u>	<u>9,230,567</u>	<u>(1,340)</u>	<u>19,284,849</u>
Capital assets, being depreciated:				
Building and improvements	346,825,006	-	-	346,825,006
Furniture and equipment	50,395,192	6,002,743	(2,394,284)	54,003,651
Equipment under capital leases	5,543,835	-	-	5,543,835
	<u>402,764,033</u>	<u>6,002,743</u>	<u>(2,394,284)</u>	<u>406,372,492</u>
Accumulated depreciation:				
Building and improvements	(151,281,209)	(7,302,877)	-	(158,584,086)
Furniture and equipment	(33,257,954)	(3,426,620)	2,230,651	(34,453,923)
Buildings and equipment under capital lease	(3,002,390)	(1,308,586)	-	(4,310,976)
	<u>(187,541,553)</u>	<u>(12,038,083)</u>	<u>2,230,651</u>	<u>(197,348,985)</u>
Governmental activities capital assets, net	\$225,278,102	\$ 3,195,227	\$ (164,973)	\$ 228,308,356

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements
June 30, 2019

5. CAPITAL ASSETS (continued)

Board of Education (continued)

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Business-type activities				
Capital assets, being depreciated:				
Furniture and equipment	\$ 5,276,719	\$ 392,033	\$ (292,974)	\$ 5,375,778
Accumulated depreciation				
Furniture and equipment	(3,731,044)	(288,327)	272,839	(3,746,532)
Business-type activities capital assets, net	<u>\$ 1,545,675</u>	<u>\$ 103,706</u>	<u>\$ (20,135)</u>	<u>\$ 1,629,246</u>

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

Governmental activities:	
Other instructional costs	\$ 2,890,835
Student transportation services	1,370,878
Operation of plant	191,479
Depreciation - unallocated	7,584,891
Total governmental activities depreciation expense	<u>\$12,038,083</u>
Business-type activities:	
Food services	<u>\$ 288,327</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2019

6. INTERFUND RECEIVABLES AND PAYABLES

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	General Fund	\$ 58,845,269
	HEPMPO	129,230
Total		<u><u>\$ 58,974,499</u></u>

Board of Education

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Component unit - Board of Education	Primary government - capital projects	\$ 175,419

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:

<u>Fund</u>	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>	<u>Capital Transfers In</u>	<u>Capital Transfers Out</u>
General Fund:				
Capital Projects	\$ -	\$ -	\$ -	\$7,395,000
Highway Fund	-	-	-	866,000
Solid Waste	-	961,700	-	-
Public Transit	-	484,480	-	-
Water Quality	-	262,770	-	-
Grants Management	-	247,270	-	-
Agricultural Education Center	-	199,830	-	-
Golf Course	-	409,970	-	-
HEPMPO	-	8,060	-	-
Land Preservation	-	104,760	-	-
Airport	-	24,550	-	-

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements
June 30, 2019

7. INTERFUND TRANSACTIONS (continued)

Fund	Operating Transfers In	Operating Transfers Out	Capital Transfers In	Capital Transfers Out
Gaming	-	2,370	-	-
Capital Projects Fund:				
General Fund	-	-	7,395,000	-
Highway Fund	-	-	866,000	-
Airport Fund	-	-	35,000	69,000
Water Quality	-	-	-	161,030
Hotel Rental Fund	-	-	-	928
Golf Course	-	-	96	40,000
Transit	-	-	-	37,000
Land Preservation	-	-	-	400,000
Solid Waste:				
General Fund	961,700	-	-	-
Public Transit:				
General Fund	484,480	-	-	-
HEPMPO	-	17,550	-	-
Capital Projects	-	-	37,000	-
Water Quality:				
General Fund	262,770	-	161,030	-
Cascade	13,000	-	-	-
Airport:				
General Fund	24,550	-	-	-
Hotel Rental	-	50,000	-	-
Capital Projects	-	-	69,000	35,000
Golf Course:				
General Fund	409,970	-	-	-
Capital Projects	-	-	40,000	96
Grant Management Fund:				
General Fund	247,270	-	-	-
Agricultural Education Center:				
General Fund	199,830	-	-	-
HEPMPO:				
General Fund	8,060	-	-	-
Public Transit Fund	17,550	-	-	-
Hotel Rental:				
Cascade Town Centre	50,000	-	-	-
Capital Projects	-	-	928	-
Land Preservation:				
General Fund	104,760	-	-	-
Capital Projects Fund	-	-	400,000	-
Cascade Town Centre				
Water Quality	-	13,000	-	-
Gaming				
General Fund	2,370	-	-	-
Total	<u>\$2,786,310</u>	<u>\$2,786,310</u>	<u>\$9,004,054</u>	<u>\$9,004,054</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2019

8. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

Primary Government

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

	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
Public Sale Bonds payable:						
General obligation bonds	2.0-5.5%	\$ 139,468,131	\$ 12,000,000	\$ 8,549,084	\$ 142,919,047	\$ 9,404,089
Unamortized bond premium		6,962,095	126,317	988,078	6,100,334	-
Total bonds payable		<u>146,430,226</u>	<u>12,126,317</u>	<u>9,537,162</u>	<u>149,019,381</u>	<u>9,404,089</u>
Other loans payable						
Direct Borrowing: Maryland Water Quality loans	1.0%	<u>3,822,493</u>	<u>-</u>	<u>767,037</u>	<u>3,055,456</u>	<u>578,885</u>
Total bonds and loans payable		<u>150,252,719</u>	<u>12,126,317</u>	<u>10,304,199</u>	<u>152,074,837</u>	<u>9,982,974</u>
Direct Borrowing: Agricultural Land Preservation	3.0%	1,487,330	-	181,779	1,305,551	181,779
Capital lease obligations	2.1%	839,573	50,769	271,773	618,569	275,718
Net pension liability		<u>111,528,117</u>	<u>4,523,150</u>	<u>-</u>	<u>116,051,267</u>	<u>-</u>
Governmental Activity						
Long-term Liabilities		<u>264,107,739</u>	<u>16,700,236</u>	<u>10,757,751</u>	<u>270,050,224</u>	<u>10,440,471</u>
Business-type Activities						
Public Sale Bonds payable:						
General obligation bonds	2.0-5.9%	\$ 36,583,359	\$ 1,310,000	\$ 2,681,261	\$ 35,212,097	\$ 2,677,056
Unamortized bond premium		1,641,902	685,975	213,143	2,114,734	-
Unamortized bond discount		(1,893)	-	(1,275)	(618)	-
Total bonds payable		<u>38,223,368</u>	<u>1,995,975</u>	<u>2,893,129</u>	<u>37,326,213</u>	<u>2,677,056</u>
Other loans payable:						
Direct Borrowing: Maryland Water Quality loans	.40-1.7%	<u>11,881,281</u>	<u>-</u>	<u>2,357,345</u>	<u>9,523,936</u>	<u>1,834,809</u>
Total bonds and loans payable		<u>50,104,649</u>	<u>1,995,975</u>	<u>5,250,474</u>	<u>46,850,149</u>	<u>4,511,865</u>
Capital lease obligations	4.9%	<u>65,112</u>	<u>72,679</u>	<u>56,024</u>	<u>81,767</u>	<u>39,835</u>
Business-type Activity						
Long-term Liabilities		<u>50,169,761</u>	<u>2,068,654</u>	<u>5,306,498</u>	<u>46,931,916</u>	<u>4,551,700</u>
Total Combined Activities						
Long-term Liabilities		<u>\$ 314,277,500</u>	<u>\$ 18,768,890</u>	<u>\$ 16,064,249</u>	<u>\$ 316,982,140</u>	<u>\$ 14,992,171</u>
Board of Education						
	1.95-11.64%	<u>\$ 2,160,079</u>	<u>\$ -</u>	<u>\$ 1,062,365</u>	<u>\$ 1,097,714</u>	<u>\$ 1,097,714</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2019

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 Obligation Bonds		Direct Borrowings		General Obligation Bonds		Direct Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 9,404,089	\$ 4,832,656	\$ 578,885	\$ 30,555	\$ 2,677,056	\$ 2,838,077	\$ 1,834,809	\$ 75,258
2021	10,557,360	4,610,215	276,012	24,766	2,417,641	1,089,021	1,027,113	58,287
2022	9,541,782	4,202,451	514,890	22,005	2,093,218	1,002,976	1,484,986	49,521
2023	9,512,186	3,821,042	553,316	16,856	2,177,815	920,752	1,576,366	37,733
2024	9,911,999	3,430,010	278,877	11,324	2,203,000	831,983	379,213	24,973
2025-2029	45,253,341	11,977,184	853,476	17,127	11,621,654	2,920,316	1,633,015	85,867
2030-2034	31,914,163	5,244,380	-	-	8,055,838	1,212,809	1,021,295	44,785
2035-2039	15,954,103	1,161,111	-	-	3,870,897	243,258	567,139	8,438
2040	870,024	13,052	-	-	94,978	1,425	-	-
Total	<u>\$ 142,919,047</u>	<u>\$ 39,292,101</u>	<u>\$ 3,055,456</u>	<u>\$ 122,633</u>	<u>\$ 35,212,097</u>	<u>\$ 11,060,617</u>	<u>\$ 9,523,936</u>	<u>\$ 384,862</u>
Plus (Less):								
Unamortized discount		-				(618)		
Unamortized premium	6,100,334				2,114,734			
	<u>\$ 149,019,381</u>				<u>\$ 37,326,213</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, 2019, the unused authorization was \$69,485,722.

Conduit Debt

From time to time, the County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received in the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. In accordance with governmental accounting standards, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2019, there were Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$42,748,810.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2019

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, 2019, are as follows:

<u>As of June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2020	\$ 181,779	\$ 26,111	\$ 207,890
2021	181,779	22,475	204,254
2022	181,779	18,840	200,619
2023	181,779	15,204	196,983
2024	181,779	11,569	193,348
Thereafter	396,656	12,893	409,549
Total	<u>\$ 1,305,551</u>	<u>\$ 107,092</u>	<u>\$ 1,412,643</u>

For the year ended June 30, 2019, total principal and interest incurred related to agricultural land preservation installments was \$181,779 and \$29,747, respectively.

Capital Leases

On December 3, 2013, the General Fund entered into a capital lease agreement for equipment. The lease calls for monthly lease payments of \$671 through January 19, 2015, and monthly lease payments of \$1,077 from February 19, 2015 through January 19, 2019. 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. The future minimum lease payments under this agreement are as follows:

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Notes to the Financial Statements
June 30, 2019**

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

Primary Government (continued)

Capital Leases (continued)

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 295,689
2021	295,689
2022	59,868
2023	3
Total minimum payments	651,249
Less: amounts representing interest	32,680
Present value of net minimum lease payments	<u>\$ 618,569</u>

On January 14, 2014, the Water Quality Fund entered into a capital lease agreement for equipment. The lease calls for annual lease payments of \$14,250 and expires January 14, 2019. 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>
2020	\$ 18,325
2021	18,325
Total minimum payments	36,650
Less: amounts representing interest	1,737
Present value of net minimum lease payments	<u>\$ 34,913</u>

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

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 25,825
2021	25,825
Total minimum payments	51,650
Less: amounts representing interest	4,796
Present value of net minimum lease payments	<u>\$ 46,854</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Notes to the Financial Statements
June 30, 2019**

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

Primary Government (continued)

Capital Leases (continued)

The following is an analysis of the capital assets acquired under capital leases as of June 30, 2019.

	Capitalized Amount	Accumulated Depreciation	Net Book Value 2019
General Fund	\$ 1,926,540	\$ 428,629	\$ 1,497,911
Water Quality	161,955	93,191	68,764
Transit	72,679	3,634	69,045
Total	\$ 2,161,174	\$ 525,454	\$ 1,635,720

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:

Years Ended June 30,	Total	Principal	Interest
2020	<u>\$ 1,118,566</u>	<u>\$ 1,097,714</u>	<u>\$ 20,852</u>

Advance Refunding

In prior years, the County has partially defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for certain future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the partially defeased bonds are not included in the County's financial statements. As of June 30, 2019, \$9,615,000 of long-term obligations outstanding are considered defeased.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2019

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, 2019

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2019

9. OPERATING LEASE AGREEMENTS (continued)

Primary Government (continued)

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

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

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2019

9. OPERATING LEASE AGREEMENTS (continued)

Primary Government (continued)

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

During the year ending June 30, 2019, rental income for the above leases of \$914,179 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, 2019, outsourcing revenue of \$345,600 was recognized in the Water Quality Fund.

On January 9, 2019, Black Rock Golf Course entered into a new lease for golf carts. The agreement called for monthly lease payments of \$7,471 payable from April through November each year. The lease term is for three years commencing on March 1, 2019.

Total lease payments for the year ended June 30, 2019, were \$59,771.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2019

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, 2019, and is capped at 25 days. 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, 2019, was \$2,882,743 and \$494,129, respectively. Unused vacation and sick leave will be liquidated by the respective government and enterprise funds where the current employee costs are recorded.

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, 2019 amounted to \$7,570,728. For governmental funds, \$483,867 at June 30, 2019 is considered payable with current resources and is included in accrued liabilities. This amount represents the pending payouts of unused leave owed to employees separated from active service as of the year ended June 30, 2019. 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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2019

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.

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2019

11. RETIREMENT PLANS (continued)

Primary Government (continued)

The net pension liability by plan is as follows:

Retirement Plan		
Net Pension Liability		\$ 113,860,494
LOSAP Plan		
Net Pension Liability		<u>2,190,773</u>
Total		<u><u>\$ 116,051,267</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.

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

Funding Policy

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

All information that follows for the Plan is measured as of June 30, 2019, which is the latest actuarial report available.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements
June 30, 2019

11. RETIREMENT PLANS (continued)

Primary Government (continued)

Membership of the Plan

The membership consisted of the following as of June 30, 2019, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	395
Terminated Plan members entitled to but not yet receiving benefits	55
Active Plan members	<u>786</u>
Total	<u><u>1,236</u></u>

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, 2019 is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Large Cap Equity	35%	6%
Domestic Mid/Small Cap Equities	10%	6%
International equity	15%	6%
Real Estate Investment Trusts	5%	5%
Core Fixed income	23%	1%
High Yield Bonds	10%	5%
Cash	2%	1%
Inflation		2%
Total	100%	

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Notes to the Financial Statements
June 30, 2019**

11. RETIREMENT PLANS (continued)

Primary Government (continued)

Annual Pension Cost and Net Pension Obligation

The total pension liability for the current year was determined as part of the June 30, 2019, actuarial valuation using the projected unit credit cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses), and (b) projected salary increases which vary by participant service. The actuary was using the RP-2014 adjusted Total Dataset with Generational projection using scale MP-2015. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined by the market value of investments.

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, 2019 is as follows:

Total pension liability	\$ 242,021,714
Net position	<u>(128,161,220)</u>
Net pension liability	<u>\$ 113,860,494</u>

Net position as a percentage of total pension liability is 52.95%.

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>\$ 144,474,931</u>	<u>\$ 113,860,494</u>	<u>\$ 88,344,227</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2019

11. RETIREMENT PLANS (continued)

Primary Government (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2019, the County recognized pension expense of \$20,536,604 for the Plan. As of June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 5,418,235	\$ 249,535
Change in assumptions	9,841,932	-
Net difference between projected and actual investment earnings	561,230	-
Total	\$ 15,821,397	\$ 249,535

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>
2020	\$ 7,950,589
2021	6,643,897
2022	265,462
2023	555,298
2024	156,616
Total	\$ 15,571,862

Board of Education

The employees of the School System are covered by one of the following pension plans affiliated with the State Retirement and Pension System of Maryland, and agent multiple-employer public employee retirement systems administered by the Maryland State Retirement Agency:

- The Teachers' Retirement System of the State of Maryland,
- The Employees' Retirement System of the State of Maryland,
- The Pension System for Teachers of the State of Maryland, or
- The Pension System for Employees of the State of Maryland

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2019

11. RETIREMENT PLANS (continued)

Board of Education (continued)

During the 1979 legislative session, the Maryland General Assembly created, effective January 1, 1980, the “Pension System for Teachers of the State of Maryland” and the “Pension System for Employees of the State of Maryland”. Prior to this date, all teachers and related positions were required to be members of the “Teachers’ Retirement System of the State of Maryland”, and educational support positions were members of the “Employees’ Retirement System of the State of Maryland”. All School System employees who were members of the “Retirement System” may remain in that System, or they may elect to join the “Pension System”. All teachers hired within the State after December 31, 1979, must join the “Pension System for Teachers”. The “Employees’ Retirement System” and the “Pension System for Employees” cover those employees not covered by the teachers’ plans. These employees are principally custodial, maintenance, and food service employees.

These pension plans may provide pension benefits and death and disability benefits. A member may retire with full benefits upon the earlier of attaining age 60 or accumulating 30 years of service from the Retirement System and at 62 with specified years of service or 30 years of service regardless of age from the Pension System. Benefits generally vest after 5 years of service for employees hired before July 1, 2011 and 10 years of service for those hired after that date. The pension plans were established by the State Personnel and Pensions Article of the Annotated Code of Maryland. The State Retirement Agency issues a publicly available financial report that includes basic financial statements and required supplementary information for the pension plans. The report may be obtained by writing to State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202, or by calling 410-625-5555.

Both the “Retirement System” and the “Pension System” for teachers and educational support employees are jointly contributory. Under the “Retirement System”, employees contribute 2% - 7% of their total gross salary, and under the “Pension System”, employees contribute 7% their gross salary for the year. Effective, July 1, 1980, in accordance with the law governing the Systems, all benefits of the Systems are funded in advance. Annually appropriated employer contribution rates for retirement benefits are determined using the entry age normal cost method. The method produces an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year), and (2) the amount for amortization of the unfunded actuarial accrued liability. The pension plans funded ratio is 71.18%, which measures the actuarial value of plan assets as a percentage of actuarial accrued liability.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Notes to the Financial Statements
June 30, 2019**

11. RETIREMENT PLANS (continued)

Board of Education (continued)

Washington County School System contributions totaling \$1,844,557 and \$1,745,013 for fiscal years 2019 and 2018, respectively; and contributions by the State of Maryland on behalf of the School System totaling \$16,125,791 and \$16,392,995 for fiscal years 2019 and 2018, respectively. All contributions were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed annually.

At June 30, 2019, 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:

	Teachers' Retirement and Pension System	Employees' Retirement and Pension System
School System's proportionate share of net pension liability	\$ -	\$ 18,360,969
State's proportionate share of net position liability associated with the School System	172,486,537	-
Total	\$ 172,486,537	\$ 18,360,969

For the year ended June 30, 2019, the School System recognized pension expense of \$2,444,487. As of June 30, 2019, 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	\$ 535,505	\$ -
Change in proportion	2,838,841	1,829,770
Net difference between projected and actual investment earnings	-	-
	672,390	-
Difference between actual and expected experience	-	1,485,903
School System contributions subsequent to the measurement date	1,844,557	-
Total	\$ 5,891,293	\$ 3,315,673

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2019

11. RETIREMENT PLANS (continued)

Board of Education (continued)

The \$1,844,557 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, 2019.

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>
2020	\$ 724,317
2021	277,843
2022	(519,211)
2023	(59,256)
2024	307,370
Total	<u>\$ 731,063</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 7.45% 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 (6.45%) or 1-percentage point higher (8.45%) than the current rate:

	<u>1.0% decrease (6.45%)</u>	<u>Current rate 7.45%</u>	<u>1.0% increase (8.45%)</u>
Net pension liability	<u>\$ 26,446,096</u>	<u>\$ 18,630,969</u>	<u>\$ 11,650,895</u>

The contributions made by the State of Maryland on behalf of the School System were recognized as both revenue and expenditures in the General Fund as required by GASB No. 24.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2019

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.

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 as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claim costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The liability for estimated claims was determined to be \$1,260,728 which is reflected in the accompanying financial statements as of June 30, 2019. Changes in the claims liability were as follows:

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Notes to the Financial Statements
June 30, 2019**

12. RISK MANAGEMENT (continued)

Primary Government (continued)

	Years Ended June 30,	
	2019	2018
Liability, beginning of year	\$ 946,900	\$ 867,189
Premiums collected and changes in estimates during the year	17,464,120	15,131,719
Claims and administrative costs paid	<u>(17,150,292)</u>	<u>(15,052,008)</u>
Liability, end of year	<u>\$ 1,260,728</u>	<u>\$ 946,900</u>

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 \$951,213, which is reflected in the accompanying financial statements as of June 30, 2019. Changes in the claims liability were as follows:

	Years Ended June 30,	
	2019	2018
Liability, beginning of year	\$ 1,083,777	\$ 656,541
Premiums collected and changes in estimates during the year	861,946	1,207,112
Claims and administrative costs paid	<u>(994,510)</u>	<u>(779,876)</u>
Liability, end of year	<u>\$ 951,213</u>	<u>\$ 1,083,777</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2019

12. RISK MANAGEMENT (continued)

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 district per year.

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2019

12. RISK MANAGEMENT (continued)

Board of Education (continued)

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 \$42,768,820 for the year ended June 30, 2019.

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, 2019 and 2018. 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,	
	2019	2018
Liability, beginning of year	\$ 2,875,407	\$ 3,001,681
Claims and changes in estimates during the year	45,639,904	46,274,718
Claims paid and accrued	(46,153,311)	(46,400,992)
Liability, end of year	<u>\$ 2,362,000</u>	<u>\$ 2,875,407</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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2019

14. SEGMENT INFORMATION (continued)

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.

	<u>Sewer Department</u>	<u>Pretreatment Department</u>
CONDENSED STATEMENT OF NET POSITION		
ASSETS		
Current assets	\$ 6,478,880	\$ 266,166
Noncurrent assets	145,822,192	4,600,662
Total Assets	<u>152,301,072</u>	<u>4,866,828</u>
DEFERRED OUTFLOW OF RESOURCES	138,054	93,240
LIABILITIES		
Other current liabilities	4,016,727	828,905
Noncurrent liabilities	26,809,338	1,365,949
Total Liabilities	<u>30,826,065</u>	<u>2,194,854</u>
Unrestricted	121,613,061	2,765,214
Total Net Position	<u>\$ 121,613,061</u>	<u>\$ 2,765,214</u>
CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION		
Operating revenue	\$ 11,149,074	\$ -
Lease income	-	345,600
Depreciation expense	(3,186,414)	(183,838)
Other operating expenses	(8,318,194)	(21,019)
Operating income	<u>(355,534)</u>	<u>140,743</u>
Non-operating revenue (expenses):		
Interest expense	(791,046)	(80,429)
Interest income	128,817	-
Capital contributions	530,681	-
Change in Net Position	(487,082)	60,314
Net Position, beginning of year	122,100,143	2,704,900
Net Position, End of Year	<u>\$ 121,613,061</u>	<u>\$ 2,765,214</u>
CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided (used) by:		
Operating activities	\$ 2,097,453	\$ 324,581
Capital and related financing activities	(1,650,312)	(851,601)
Investing activities	(2,205,587)	-
Net change	(1,758,446)	(527,020)
Cash and cash equivalents, beginning of year	5,090,989	793,186
Cash and Cash Equivalents, End of Year	<u>\$ 3,332,543</u>	<u>\$ 266,166</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2019

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 \$139,040 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, 2019.

The Resh Landfill has reported a landfill post-closure care liability of \$3,995,189 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, 2019.

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 at June 30, 2019. The Rubble Landfill was closed in December 2000. No current expense was recognized in the Solid Waste Fund for the year ended June 30, 2019.

The 40 West Landfill began operation in fiscal year 2001. The estimated life of this landfill is approximately 120 years as of June 30, 2019, it is estimated that approximately 20.22% of the capacity has been used. The estimated costs associated with closure and post-closure care of \$9,515,177 was reported as a liability in the Solid Waste Fund at June 30, 2019. The County will recognize \$47,055,727 of estimated cost associated with the closure and post-closure care as capacity is filled. During the fiscal year 2012 engineering re-designed the cells at 40 West Landfill. This change in estimate increased the airspace by 4 million cubic yards along with the life of the landfill by 62 years. This change in accounting estimate has no effect on the total estimated cost but will extend the landfill life from 58 years to 120 years.

The above estimates are based on estimated current costs to perform all closure and post-closure care. Actual costs may be higher due to inflation, deflation, changes in technology, or changes in applicable laws or regulations. The County is required by state and Federal laws and regulations to meet certain closure and post-closure financial assurance requirements. The County has satisfied these requirements by demonstrating in information submitted by the CFO that they meet the Local Government Financial Test as of June 30, 2019, as specified in 40CFR258.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2019

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, 54 retirees are receiving benefits and 149 employees are retirement eligible. Expenditures for postretirement health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported.

Investments

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2019

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Primary Government (continued)

Funding Policy

The County intends to fund any annual short-fall between OPEB and actual pay-go expense into a legally executed trust fund. The trust fund will be invested as a long-term pension trust, using an appropriately balanced portfolio of equities and debt instruments, to prudently maximize long-term investment returns. The County funded \$641,700 which was \$692,700 over the actuarially determined contribution of (\$51,000).

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, 2019 is as follows:

Total OPEB liability	\$ 13,718,221
Net position	<u>(24,296,728)</u>
Net OPEB liability (asset)	<u>\$ (10,578,507)</u>

Net position as a percentage of total OPEB liability is 177.11%.

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, 2019 is as follows:

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements
June 30, 2019

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Primary Government (continued)

<u>Investment Type</u>	<u>% of Portfolio</u>	<u>Assumed Rate of Return</u>
Equities:	60%-70%	9%-11%
Fixed Income:	30%-40%	3%-5%

In the actuarial valuation for the plan year ending June 30, 2019, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.25% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 5.4% initially, reduced by decrements to an ultimate rate of 4%. The actuarial value of assets was determined using a market value of assets valuation method. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percent of payroll. The remaining amortization period as of June 30, 2019, was 20 years.

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

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

	<u>1.0% decrease (6.25%)</u>	<u>Current rate 7.25%</u>	<u>1.0% increase (8.25%)</u>
Net OPEB liability (asset)	<u>\$ (9,675,278)</u>	<u>\$ (10,578,507)</u>	<u>\$ (11,438,338)</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:

	<u>1.0% decrease (3.00%)</u>	<u>Trend rate 4.00%</u>	<u>1.0% increase (5.00%)</u>
Net OPEB liability (asset)	<u>\$ (11,925,346)</u>	<u>\$ (10,578,507)</u>	<u>\$ (9,003,889)</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Notes to the Financial Statements
June 30, 2019**

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Primary Government (continued)

For the fiscal year ended June 30, 2019, Washington County Government recognized an OPEB expense of (\$799,077). At June 30, 2019, 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
Differences between expected and actual experience	\$ -	\$ 2,617,220
Changes of assumptions	-	8,415,221
Net difference between projected and actual earnings	275,923	86,716
Total	\$ 275,923	\$ 11,119,157

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:

Fiscal Year ended June 30:	
2019	\$ (1,798,665)
2020	(1,798,665)
2021	(1,798,666)
2022	(1,769,761)
2023	(1,838,741)
Thereafter	(1,838,736)
Total	\$ (10,843,234)

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2019

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.

A member may retire after 25 years of service from the Retirement System, and as early as age 55 and 15 years of service from the Pension System. Retirees can continue the same medical coverage they had (including family coverage) as active employees. Retirees receive a subsidy for their postretirement 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 that 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 2019. 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, 2019 and 2018, the School System's average contribution rate was 8.93% and 8.69%, respectively of covered payroll. Employees are not required to contribute to the plan. Total claims paid on behalf of retirees amounted to \$14,527,473 of which \$4,033,515 was reimbursed through contributions received from retirees for the year ended June 30, 2019. In addition, the School System contributed \$4,222,242 to the MABE Trust for the year ended June 30, 2019. Total claims paid on behalf of retirees amounted to \$13,675,684 of which \$3,866,248 was reimbursed through contributions received from retirees for the year ended June 30, 2018.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Notes to the Financial Statements
June 30, 2019**

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Board of Education (continued)

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 2,216 active employees and 1,394 inactive employees or beneficiaries currently receiving benefit payments at June 30, 2019.

Net OPEB Liability

The components of the net OPEB liability of the School System as of June 30, 2019, were as follows:

Total OPEB liability	\$ 324,036,843
Net position	<u>(72,807,076)</u>
Net OPEB liability	<u>\$ 251,229,767</u>

Plan fiduciary net position as a percentage of the total OPEB liability was 22.47%.

Actuarial Methods and Assumptions

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

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

The following presents the net OPEB liability of the Plan, calculated using a discount rate of 5.58% as well as what the Plan’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.58%) or 1-percentage point higher (6.58%) than the current rate:

	1.0% decrease (4.58%)	Current rate 5.58%	1.0% increase (6.58%)
Net OPEB liability (asset)	<u>\$ 289,647,677</u>	<u>\$ 241,595,471</u>	<u>\$ 202,582,745</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2019

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (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 (4.52%)	Trend rate 5.42%	1.0% increase (6.42%)
Net OPEB liability (asset)	<u>\$ 301,424,000</u>	<u>\$ 251,229,767</u>	<u>\$ 210,820,000</u>

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, 2019. 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, 2019, 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, 2019

17. CONTINGENCIES AND COMMITMENTS (continued)

Primary Government (continued)

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

Board of Education

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

As of June 30, 2019, the School System had entered into various school construction commitments, that will be funded by the State of Maryland or County sources, totaling approximately \$34,871,881 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, 2020 are approximately \$124,800. Rent expense for these leases amounted to \$156,729 for the year ended June 30, 2019.

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Notes to the Financial Statements
June 30, 2019**

18. COMMITTED AND ASSIGNED FUND BALANCES

Fund balances reflected in the governmental funds balance sheet as of June 30, 2019 are categorized as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
Non-Spendable				
Inventory	\$ 776,816	\$ -	\$ -	\$ 776,816
Long-term receivable	632,555	-	-	632,555
Restricted				
Programs and activities	675,382	-	1,781,198	2,456,580
Workers compensation	179,951	-	-	179,951
Capital projects	-	33,819,947	-	33,819,947
Committed				
Contingencies	42,732,341	-	-	42,732,341
Programs and activities	480,408	-	1,268,177	1,748,585
Capital projects	-	46,366,541	-	46,366,541
Assigned				
Programs and activities	19,242	-	194,511	213,753
Unassigned				
Programs and activities	-	-	(12,389)	(12,389)
Totals	<u>\$ 45,496,695</u>	<u>\$ 80,186,488</u>	<u>\$ 3,231,497</u>	<u>\$ 128,914,680</u>

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2019

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

The 2019 calendar year census shows 752 volunteers receiving at least 50 points, which qualifies them for LOSAP credit. 199 retired volunteers and 13 spouses are participating in LOSAP. The County funds LOSAP in annual amounts determined by an actuary.

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

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, 2019 is as follows:

<u>Investment Type</u>	<u>% of Portfolio</u>	<u>Assumed Rate of Return</u>
Equities:	60%-70%	9%-11%
Fixed Income:	30%-40%	3%-5%

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, 2019 is as follows:

Total pension liability	\$ 11,671,911
Net position	<u>(9,481,138)</u>
Net pension liability	<u>\$ 2,190,773</u>

Net position as a percentage of total pension liability is 81.23%.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements
June 30, 2019

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

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

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

	1.0% decrease (6.25%)	Current rate 7.25%	1.0% increase (8.25%)
Net pension liability	<u>\$ 3,646,905</u>	<u>\$ 2,190,773</u>	<u>\$ 985,934</u>

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

For the year ended June 30, 2019, the County recognized pension expense of (\$21,968). As of June 30, 2019, 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	\$ 1,450,098	\$ 2,693,672
Change in assumptions	911,521	-
Net difference between projected and actual investment earnings	61,853	-
Total	<u>\$ 2,423,472</u>	<u>\$ 2,693,672</u>

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
2020	\$ (374,362)
2021	(482,779)
2022	(425,278)
2023	361,311
2024	330,601
Thereafter	320,307
Total	<u>\$ (270,200)</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2019

20. RESTATEMENT

Board of Education

Beginning governmental activities and business-type activities net position were restated for the change in pension allocation between opinion units as well as the recording of additional deferred inflows of resources and deferred outflows of resources in relation to the School System's change in proportionate share for a decrease of \$1,644,796.

21. NEW ACCOUNTING PRONOUNCEMENTS

The County has adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 88, entitled *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, and Statement No. 83, *Certain Asset Retirement Obligations* which the County has implemented in the current fiscal year.

As of the year ended June 30, 2019, GASB has issued Statement No.84 *Fiduciary Activities*; Statement No. 87, *Leases*; Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*; and Statement No. 91, *Conduit Debt Obligations*; which will require adoption in the future, if applicable. These statements may or will have a material effect on the County's financial statements once implemented. The County has not yet completed the process of evaluating the impact of these pronouncements on its financial statements and plans to adopt them, as applicable, by their effective date.

REQUIRED SUPPLEMENTARY INFORMATION

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COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Changes in Net OPEB Liability and Related Ratios
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability			
Service Cost: Retirement benefits Administration	\$ 983,258	\$ 1,025,563	\$ 954,012
Interest	1,577,724	1,680,908	1,546,680
Differences between expected and actual experiences	(239,377)	(3,216,054)	-
Changes of assumptions	(9,622,292)	(223,390)	-
Benefit payments	(641,700)	(655,923)	(147,184)
Net changes in total OPEB liability	<u>(7,942,387)</u>	<u>(1,388,896)</u>	<u>2,353,508</u>
Total OPEB liability - beginning	21,660,608	23,049,504	20,695,996
Total OPEB liability - ending (a)	<u>\$ 13,718,221</u>	<u>\$ 21,660,608</u>	<u>\$ 23,049,504</u>
Plan fiduciary net position			
Contributions - employer	\$ 641,700	\$ 1,877,923	\$ 1,347,184
Net investment income	1,324,498	1,702,823	1,919,215
Benefit payments	(641,700)	(655,923)	(147,184)
Administrative expense	(108,008)	(21,763)	-
Net changes in plan fiduciary net position	<u>1,216,490</u>	<u>2,903,060</u>	<u>3,119,215</u>
Plan fiduciary net positions - beginning	23,080,238	20,177,178	17,057,963
Plan fiduciary net positions - ending (b)	<u>\$ 24,296,728</u>	<u>\$ 23,080,238</u>	<u>\$ 20,177,178</u>
County's net OPEB - liability - ending (a) - (b)	\$ (10,578,507)	\$ (1,419,630)	\$ 2,872,326
Plan fiduciary net position as a percentage of total pension liability	177.11%	106.55%	87.54%
Covered employee payroll	\$ 36,785,000	\$ 34,848,986	\$ 33,462,000
Net liability as a percentage of covered payroll	-28.76%	-4.07%	8.58%
Annual money-weighted rate of return, net of investment expense	5.74%	8.44%	11.25%

Notes to schedule:

This information is not available for FY16 and prior.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of OPEB Trust Fund Employer Contributions June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ (51,000)	\$ 950,000	\$ 1,261,000
Contributions in relation to the actuarially determined contributions	<u>641,700</u>	<u>1,877,923</u>	<u>1,347,184</u>
Contributions deficiency (excess)	<u>\$ (692,700)</u>	<u>\$ (927,923)</u>	<u>\$ (86,184)</u>
Covered employee payroll	\$ 36,785,000	\$ 34,848,986	\$ 33,462,000
Contributions as a percentage of covered employee payroll	1.74%	5.39%	4.03%

Notes to schedule:

Benefit changes

None.

Valuation date

The FYE 2018 actuarially determined contribution (ADC) is calculated as of 7/1/2017. The liability is based on 8/1/2017 data rolled to 7/1/2017. Actuarial valuations are done every other year.

Changes of assumptions

Females are assumed to be 4 years younger than male spouse instead of 3 years.

100% rather than 75% of active participants who are eligible for life insurance upon retirement were assumed to receive life insurance benefits.

In the prior valuation dental and vision coverage was not valued. In this valuation, we value the dental and vision coverage.

Methods and assumptions used to determine contribution rates:

Cost method	Entry Age Normal
Amortization method	Level percent of payroll
Amortization period	20 years for FYE 2018
Asset valuation method	Market value of assets
Discount rate	7.50% prior to 2018, 7.25% in 2019
Payroll increase	3.00%
Inflation	2.75%
Medical trend	The trend for 2018 is 5.4%. The ultimate trend is 4.0%.

This information is not available for FY16 and prior.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios – General Employees’ Pension Fund
June 30, 2019

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

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

Cost method	Projected Unit Credit
Amortization method	Level Dollar Amount
Remaining amortization period	20 years (closed)
Asset valuation method	5-year smoothed market
Inflation	3.0 percent
Salary increases	Rates vary by participant service
Investment rate of return	7.25 percent, 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, 2019

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service Cost: Retirement benefits Administration	\$ 226,280	\$ 244,565	\$ 234,716	\$ 157,984	\$ 143,037	\$ 147,049
Interest	707,838	702,309	580,130	968,187	922,814	872,518
Differences between expected and actual experiences	925,489	24,530	995,034	(6,285,232)	-	-
Changes of assumptions	343,476	-	356,243	906,099	-	-
Benefit payments, including refunds of member contributions	(588,909)	(555,590)	(518,538)	(490,872)	(461,316)	(431,634)
Net changes in total pension liability	1,614,174	415,814	1,647,585	(4,743,834)	604,535	587,933
Total pension liability - beginning	10,057,737	9,641,923	7,994,338	12,738,172	12,133,637	11,545,704
Total pension liability - ending (a)	\$ 11,671,911	\$ 10,057,737	\$ 9,641,923	\$ 7,994,338	\$ 12,738,172	\$ 12,133,637
Plan fiduciary net position						
Contributions - employer	\$ 460,000	\$ 600,000	\$ 600,000	\$ -	\$ 600,000	\$ 600,000
Net investment income	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	(588,909)	(555,590)	(518,538)	(490,872)	(461,316)	(431,634)
Administrative expense	(34,803)	(35,075)	(30,524)	(20,610)	(23,215)	(27,429)
Net changes in plan fiduciary net position	339,547	731,157	903,398	(456,249)	496,980	1,230,194
Plan fiduciary net positions - beginning	9,141,591	8,410,434	7,507,036	7,963,285	7,466,305	6,236,111
Plan fiduciary net positions - ending (b)	\$ 9,481,138	\$ 9,141,591	\$ 8,410,434	\$ 7,507,036	\$ 7,963,285	\$ 7,466,305
County's net pension - liability - ending (a) - (b)	\$ 2,190,773	\$ 916,146	\$ 1,231,489	\$ 487,302	\$ 4,774,887	\$ 4,667,332
Plan fiduciary net position as a percentage of total pension liability	81.23%	90.89%	87.23%	93.90%	62.52%	61.53%
Covered employee payroll	NA	NA	NA	NA	NA	NA
Net liability as a percentage of covered payroll	NA	NA	NA	NA	NA	NA
Annual money-weighted rate of return, net of investment expense	5.51%	8.58%	11.36%	0.69%	5.11%	17.22%

Notes to schedule:

This information is not available for FY13 and prior.

Benefit changes: None.

Change of assumptions: The interest discount rate was lowered from 7.50% to 7.25%.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Schedule of Volunteer Length of Service Award Fund Employer Contributions
June 30, 2019**

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

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:

Cost method	Projected Unit Credit
Amortization method	Level Percentage of Payroll
Remaining amortization period	13 to 15 years (closed)
Asset valuation method	Market Value
Inflation	3.0 percent
Salary increases	None
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation
Retirement age	Normal retirement age
Mortality	RP-2014 Blue Collar Total Dataset with fully generational projection using scale MP-2015

This information is not available for FY13 and prior.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statements of Financial Schedules June 30, 2019

Non-Major Governmental Funds

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

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

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

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

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

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

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statements of Financial Schedules (continued)
June 30, 2019

Non-Major Proprietary Funds (continued)

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Balance Sheet – Non-Major Governmental Funds
As of June 30, 2019

	Grant Management	Cascade Town Centre	Inmate Welfare	Contraband	Agricultural Education Center	Hotel Rental Tax	Gaming	Land Preservation	HEPMPO	Total Non-major Funds
ASSETS										
Cash	\$ 135,760	\$ 908,546	\$ 282,363	\$ 285,858	\$ 36,892	\$ 1,288,855	\$ 1,707,197	\$ 949,826	\$ -	\$ 5,595,297
Accounts receivable	-	-	-	-	-	259,428	73,907	-	-	333,335
Due from other governmental agencies	146,811	-	-	-	-	-	-	-	150,886	297,697
TOTAL ASSETS	\$ 282,571	\$ 908,546	\$ 282,363	\$ 285,858	\$ 36,892	\$ 1,548,283	\$ 1,781,104	\$ 949,826	\$ 150,886	\$ 6,226,329
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	\$ 230,077	\$ 5,504	\$ 26,202	\$ 39	\$ 13,092	\$ 320,345	\$ 1,620,314	\$ 8,329	\$ 26,880	\$ 2,250,782
Accrued expenses	9,521	8,048	1,079	-	1,554	-	4,373	5,511	1,236	31,322
Due to other funds	-	-	-	-	-	-	-	-	129,230	129,230
Unearned revenue	-	-	-	-	-	-	27,125	-	-	27,125
Other liabilities	-	1,530	-	187,753	-	-	-	367,090	-	556,373
TOTAL LIABILITIES	239,598	15,082	27,281	187,792	14,646	320,345	1,651,812	380,930	157,346	2,994,832
FUND BALANCES										
Restricted	-	-	255,082	98,066	-	1,227,938	-	200,112	-	1,781,198
Committed	-	893,464	-	-	-	-	-	374,713	-	1,268,177
Assigned	42,973	-	-	-	22,246	-	129,292	-	-	194,511
Unassigned	-	-	-	-	-	-	-	(5,929)	(6,460)	(12,389)
TOTAL FUND BALANCES	42,973	893,464	255,082	98,066	22,246	1,227,938	129,292	568,896	(6,460)	3,231,497
TOTAL LIABILITIES AND FUND BALANCES	\$ 282,571	\$ 908,546	\$ 282,363	\$ 285,858	\$ 36,892	\$ 1,548,283	\$ 1,781,104	\$ 949,826	\$ 150,886	\$ 6,226,329

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, 2019

	Grant Management	Cascade Town Centre	Inmate Welfare	Contraband	Agricultural Education Center	Hotel Rental Tax	Gaming	Land Preservation	HEPMPO	Total Non- major Funds
REVENUE										
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,290,685	\$ -	\$ 130,526	\$ -	\$ 2,421,211
Licenses and permits	-	-	-	-	-	-	2,254,500	-	-	2,254,500
Charges for services	-	-	409,248	-	-	-	-	-	-	409,248
Revenue from uses of property	-	29,641	-	-	40,539	-	119	-	-	70,299
Miscellaneous revenues	-	200,000	120,324	38,844	-	25	8,141	-	26,215	393,549
Shared taxes and grants	1,217,283	-	-	-	-	-	-	3,815,572	466,492	5,499,347
TOTAL REVENUE	1,217,283	229,641	529,572	38,844	40,539	2,290,710	2,262,760	3,946,098	492,707	11,048,154
EXPENDITURES										
Public safety	-	-	451,313	94,633	-	-	1,022,500	-	-	1,568,446
Parks, recreation and culture	-	-	-	-	239,008	-	-	-	-	239,008
Land preservation	-	-	-	-	-	-	-	4,180,008	-	4,180,008
General operations	97,707	970,165	-	-	-	281,673	170,965	-	-	1,520,510
Community promotion	1,337,283	-	-	-	-	1,502,626	1,030,641	-	503,024	4,373,574
TOTAL EXPENDITURES	1,434,990	970,165	451,313	94,633	239,008	1,784,299	2,224,106	4,180,008	503,024	11,881,546
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(217,707)	(740,524)	78,259	(55,789)	(198,469)	506,411	38,654	(233,910)	(10,317)	(833,392)
OTHER FINANCING SOURCES										
Transfers in	247,270	-	-	-	199,830	928	2,370	504,760	25,610	980,768
Transfers out	-	(13,000)	-	-	-	(50,000)	-	-	-	(63,000)
TOTAL OTHER FINANCING SOURCES (USES)	247,270	(13,000)	-	-	199,830	(49,072)	2,370	504,760	25,610	917,768
NET CHANGES IN FUND BALANCES	29,563	(753,524)	78,259	(55,789)	1,361	457,339	41,024	270,850	15,293	84,376
FUND BALANCES - BEGINNING OF YEAR	13,410	1,646,988	176,823	153,855	20,885	770,599	88,268	298,046	(21,753)	3,147,121
FUND BALANCES - END OF YEAR	\$ 42,973	\$ 893,464	\$255,082	\$ 98,066	\$ 22,246	\$ 1,227,938	\$ 129,292	\$ 568,896	\$ (6,460)	\$ 3,231,497

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Combining Statement of Net Position – Non-Major Proprietary Funds
As of June 30, 2019**

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
ASSETS			
Current Assets:			
Cash and short-term investments	\$ 413,319	\$ 487,754	\$ 901,073
Accounts receivable	591	15,668	16,259
Unbilled receivables	654	-	654
Due from other governmental agencies	603,884	38,868	642,752
Inventories	94,253	19,027	113,280
Total current assets	<u>1,112,701</u>	<u>561,317</u>	<u>1,674,018</u>
Noncurrent Assets:			
Property plant and equipment	7,456,454	4,987,393	12,443,847
Accumulated depreciation	(4,654,078)	(2,910,600)	(7,564,678)
Total noncurrent assets	<u>2,802,376</u>	<u>2,076,793</u>	<u>4,879,169</u>
TOTAL ASSETS	<u>3,915,077</u>	<u>2,638,110</u>	<u>6,553,187</u>
LIABILITIES			
Current Liabilities:			
Current capital lease obligations	22,661	-	22,661
Accounts payable	83,044	82,090	165,134
Accrued expenses	63,742	35,298	99,040
Unearned revenue	-	500	500
Compensated absences	58,056	21,332	79,388
Other liabilities	-	39,342	39,342
Total current liabilities	<u>227,503</u>	<u>178,562</u>	<u>406,065</u>
Noncurrent Liabilities:			
Compensated absences	19,353	7,111	26,464
Capital lease obligations	24,193	-	24,193
Total noncurrent liabilities	<u>43,546</u>	<u>7,111</u>	<u>50,657</u>
TOTAL LIABILITIES	<u>271,049</u>	<u>185,673</u>	<u>456,722</u>
NET POSITION			
Net investment in capital assets	2,802,376	2,076,793	4,879,169
Unrestricted	841,652	375,644	1,217,296
TOTAL NET POSITION	<u>\$ 3,644,028</u>	<u>\$ 2,452,437</u>	<u>\$ 6,096,465</u>

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, 2019**

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
OPERATING REVENUE			
Charges for services	\$ 664,517	\$ 690,083	\$ 1,354,600
Miscellaneous	596	18,689	19,285
TOTAL OPERATING REVENUE	<u>665,113</u>	<u>708,772</u>	<u>1,373,885</u>
OPERATING EXPENSES			
Salaries and wages	1,441,649	452,925	1,894,574
Fringe benefits	532,951	193,676	726,627
Utilities	25,840	46,011	71,851
Insurance	30,019	8,475	38,494
Repairs and maintenance	237,315	76,918	314,233
Supplies	33,316	3,071	36,387
Cost of goods sold	-	85,801	85,801
Contracted services	163,392	3,149	166,541
Rentals and leases	46,219	62,228	108,447
Other operating	272,309	116,670	388,979
Controllable assets	2,938	8,620	11,558
Depreciation	238,668	133,977	372,645
TOTAL OPERATING EXPENSES	<u>3,024,616</u>	<u>1,191,521</u>	<u>4,216,137</u>
OPERATING LOSS	<u>(2,359,503)</u>	<u>(482,749)</u>	<u>(2,842,252)</u>
OTHER INCOME			
Interest, penalties & fees	6	-	6
Gain on disposal of assets	39,207	-	39,207
TOTAL OTHER INCOME	<u>39,213</u>	<u>-</u>	<u>39,213</u>
LOSS BEFORE OPERATING TRANSFERS AND GRANTS	(2,320,290)	(482,749)	(2,803,039)
OPERATING TRANSFERS	466,930	409,970	876,900
GRANTS FOR OPERATIONS	<u>1,248,362</u>	<u>-</u>	<u>1,248,362</u>
LOSS BEFORE CAPITAL TRANSFERS AND GRANTS	(604,998)	(72,779)	(677,777)
CAPITAL TRANSFERS	37,000	44,904	81,904
GRANTS FOR CAPITAL PROJECTS	<u>548,084</u>	<u>38,868</u>	<u>586,952</u>
CHANGES IN NET POSITION	(19,914)	10,993	(8,921)
NET POSITION - BEGINNING OF YEAR	<u>3,663,942</u>	<u>2,441,444</u>	<u>6,105,386</u>
NET POSITION - END OF YEAR	<u>\$ 3,644,028</u>	<u>\$ 2,452,437</u>	<u>\$ 6,096,465</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statement of Cash Flows – Non-Major Proprietary Funds
For the Year Ended June 30, 2019

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 859,528	\$ 667,902	\$ 1,527,430
Payments to suppliers	(753,710)	(312,241)	(1,065,951)
Payments to employees	(1,964,255)	(651,647)	(2,615,902)
Net Cash Used by Operating Activities	<u>(1,858,437)</u>	<u>(295,986)</u>	<u>(2,154,423)</u>
Cash Flows from Noncapital Financing Activities			
Operating contributions	1,715,292	409,970	2,125,262
Net Cash Provided by Noncapital Financing Activities	<u>1,715,292</u>	<u>409,970</u>	<u>2,125,262</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(317,552)	(47,679)	(365,231)
Gain (loss) on the sale of assets	39,207	-	39,207
Contribution for capital acquisitions	585,084	44,904	629,988
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>306,739</u>	<u>(2,775)</u>	<u>303,964</u>
Cash Flows from Investing Activities			
Interest on investments	6	-	6
Net change in cash	163,600	111,209	274,809
Cash, beginning of year	249,719	376,545	626,264
Cash, End of Year	<u>\$ 413,319</u>	<u>\$ 487,754</u>	<u>\$ 901,073</u>
Capital Lease Obligation	<u>\$ (25,825)</u>	<u>\$ -</u>	<u>\$ (25,825)</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (2,359,503)	\$ (482,749)	\$ (2,842,252)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	238,668	133,977	372,645
Changes in assets and liabilities:			
Accounts receivable	45,422	(1,252)	44,170
Unbilled receivables	(16)	-	(16)
Due to/from other government entities	149,009	(38,868)	110,141
Inventories	(3,986)	34,727	30,741
Accounts payable and other liabilities	61,624	59,030	120,654
Accrued expenses	3,956	10,043	13,999
Unearned revenue	-	(750)	(750)
Compensated absences	6,389	(10,144)	(3,755)
Net Cash Used by Operating Activities	<u>\$ (1,858,437)</u>	<u>\$ (295,986)</u>	<u>\$ (2,154,423)</u>

BUDGET AND ACTUAL SCHEDULE

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Property Taxes				
Real property tax	\$ 113,679,470	\$ 113,679,470	\$ 113,528,948	\$ (150,522)
Personal property tax	14,057,110	14,057,110	14,997,807	940,697
Property tax interest income	385,000	385,000	404,561	19,561
Other property tax	622,980	622,980	661,260	38,280
State administrative fees	(580,000)	(580,000)	(480,132)	99,868
Property tax discounts and credits	(1,716,310)	(1,716,310)	(1,671,950)	44,360
Total Property Taxes	<u>126,448,250</u>	<u>126,448,250</u>	<u>127,440,494</u>	<u>992,244</u>
Other Local Taxes				
Income tax	84,000,000	84,000,000	86,848,691	2,848,691
Admissions and amusement tax	255,000	255,000	286,414	31,414
Recordation tax	6,500,000	6,500,000	6,886,789	386,789
Trailer tax	550,000	550,000	577,871	27,871
Total Other Local Taxes	<u>91,305,000</u>	<u>91,305,000</u>	<u>94,599,765</u>	<u>3,294,765</u>
Other Revenues				
Licenses and permits	1,272,200	1,272,200	1,283,820	11,620
Court costs and fines	5,112,400	5,112,400	2,631,213	(2,481,187)
Charges for services	1,342,870	1,391,780	1,365,493	(26,287)
Reimbursed expenses	1,094,370	1,094,370	1,111,052	16,682
Miscellaneous revenues	367,520	408,210	1,618,804	1,210,594
Grant and shared revenues	2,004,300	5,444,713	4,875,585	(569,128)
Interest income	692,400	692,400	2,151,321	1,458,921
Highway revenues	2,284,500	2,293,860	2,253,157	(40,703)
Total Other Revenues	<u>14,170,560</u>	<u>17,709,933</u>	<u>17,290,445</u>	<u>(419,488)</u>
TOTAL REVENUE	<u>231,923,810</u>	<u>235,463,183</u>	<u>239,330,704</u>	<u>3,867,521</u>
EXPENDITURES				
General Government				
Legislative				
County Commissioners	325,340	325,340	319,050	6,290
County Clerk	117,040	143,040	134,066	8,974
County Administrator	479,410	566,070	559,067	7,003
Public Relations & Marketing	460,990	482,180	452,222	29,958
Purchasing	509,810	512,760	465,913	46,847
Grants	-	37,500	-	37,500
Total Legislative	<u>1,892,590</u>	<u>2,066,890</u>	<u>1,930,318</u>	<u>136,572</u>

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
Judicial				
Circuit Court	\$ 1,620,960	\$ 1,620,960	\$ 1,569,683	\$ 51,277
Orphan's Court	30,920	30,920	33,068	(2,148)
State's Attorney	3,560,920	3,560,920	3,530,281	30,639
Sheriff - Judicial	2,765,860	2,765,860	2,686,004	79,856
Sheriff - Process Servers	155,810	155,810	140,277	15,533
Grants	-	434,334	358,458	75,876
Total Judicial	8,134,470	8,568,804	8,317,771	251,033
Election Board	1,185,480	1,185,480	1,112,191	73,289
Financial Administration				
Budget and Finance	1,457,170	1,480,700	1,391,844	88,856
Independent Auditing	70,000	70,000	58,300	11,700
Treasurer	483,770	483,770	483,431	339
Information Technologies	2,496,080	2,406,060	2,366,133	39,927
Total Financial Administration	4,507,020	4,440,530	4,299,708	140,822
County Attorney	789,800	789,800	723,583	66,217
Human Resources	842,920	847,500	821,790	25,710
Planning and Zoning				
Planning and Zoning	763,660	778,560	691,878	86,682
Board of Zoning Appeals	58,440	58,440	44,493	13,947
Total Planning and Zoning	822,100	837,000	736,371	100,629
Public Works				
Department of Public Works	250,390	255,460	262,147	(6,687)
Plan Review and Permitting	1,479,900	1,479,900	1,439,048	40,852
Engineering	2,148,380	2,150,960	2,056,085	94,875
Construction	1,887,360	1,891,450	1,849,371	42,079
Total Public Works	5,766,030	5,777,770	5,606,651	171,119
County Owned Buildings				
Martin Luther King Center	81,810	85,810	85,019	791
Administrative Building	185,920	197,920	203,894	(5,974)
Administrative Building II	124,680	108,680	76,977	31,703
Court House	644,200	656,770	637,173	19,597
County Office Building	194,680	194,680	203,811	(9,131)
Administration Annex	53,600	53,600	48,216	5,384
Central Services	138,230	138,230	162,540	(24,310)
Rental Properties	6,000	6,000	6,489	(489)
Library Maintenance	36,000	43,000	28,209	14,791
Dwyer Center	30,310	30,310	32,210	(1,900)
Public Facilities Annex	66,920	66,920	69,788	(2,868)
Total County Owned Buildings	1,562,350	1,581,920	1,554,326	27,594

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
Community Promotion				
Contributions to Non-profits	\$ 1,704,000	\$ 1,704,000	\$ 1,702,180	\$ 1,820
Business Development	711,180	711,180	544,694	166,486
Total Community Promotion	2,415,180	2,415,180	2,246,874	168,306
Total General Government	27,917,940	28,510,874	27,349,583	1,161,291
Public Safety				
Sheriff Departments				
Patrol	11,970,150	12,003,550	11,852,737	150,813
Sheriff Auxiliary	-	-	42,111	(42,111)
Narcotics Task Force	807,190	807,190	777,102	30,088
Wash. County Police Academy	-	21,000	20,812	188
Grants	-	532,006	278,756	253,250
Total Sheriff Departments	12,777,340	13,363,746	12,971,518	392,228
Fire Operations				
Volunteer Fire and Rescue - County Grants	7,156,680	7,121,680	6,819,406	302,274
Air Unit	38,430	38,430	25,348	13,082
Special Operations	78,920	86,480	98,298	(11,818)
Total Fire and Rescue Services	7,274,030	7,246,590	6,943,052	303,538
Corrections				
Detention Center	14,586,280	14,587,280	14,123,510	463,770
Central Booking	913,750	913,750	900,242	13,508
Day Reporting Center	550,760	550,760	498,861	51,899
Grants	-	244,177	73,166	171,011
Total Corrections	16,050,790	16,295,967	15,595,779	700,188
Other Public Safety				
911 - Communications	4,843,110	4,954,500	5,085,787	(131,287)
Wireless Communications	1,358,160	1,361,210	1,256,153	105,057
Emergency Management	258,810	258,810	168,941	89,869
EMS Operations	1,466,970	1,466,970	1,584,033	(117,063)
Fire Operations	1,364,180	1,344,180	1,387,050	(42,870)
Forensic Investigator	20,000	20,000	25,950	(5,950)
Civil Air Patrol	3,600	3,600	3,600	-
Animal Control	1,401,600	1,401,600	1,401,600	-
Grants	-	940,346	777,873	162,473
Other Public Safety	10,716,430	11,751,216	11,690,987	60,229
Total Public Safety	46,818,590	48,657,519	47,201,336	1,456,183

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
Health	\$ 2,339,270	\$ 2,339,270	\$ 2,339,270	\$ -
Social Services	435,560	435,560	435,560	-
Education	108,566,050	108,566,050	108,566,050	-
Parks, Recreation, and Culture				
Total Contributions to Other Agencies	3,182,010	3,182,010	3,182,010	-
Parks Department	1,910,610	1,968,300	1,946,276	22,024
Martin L. Snook Park Pool	148,290	148,290	130,481	17,809
Fitness and Recreation	971,250	971,250	856,683	114,567
Grants	-	1,252,050	1,251,054	996
Total Parks, Recreation, and Culture	6,212,160	7,521,900	7,366,504	155,396
Conservation of Natural Resources				
Weed Control	215,960	243,870	216,133	27,737
Agricultural Extension Service	240,820	240,820	240,820	-
Cooperative Extension	38,730	38,730	38,730	-
Soil Conservation Service	218,180	218,180	218,180	-
Gypsy Moth Program	10,000	10,000	7,290	2,710
Total Conservation of Natural Resources	723,690	751,600	721,153	30,447
Highway	11,156,680	11,281,970	11,358,140	(76,170)
General Operations	529,600	503,600	434,356	69,244
Unallocated Employee Insurance and Benefits	5,292,100	4,892,100	5,435,165	(543,065)

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Intergovernmental				
Golf Course operating transfer	\$ 309,970	\$ 309,970	\$ 409,970	\$ (100,000)
HEPMPO operating transfer	8,090	8,090	8,060	30
Land Preservation operating transfer	113,180	113,180	104,760	8,420
Utility Administration operating transfer	201,950	201,950	201,950	-
Sewer operating transfer	-	60,820	60,820	-
Public Transit operating transfer	484,470	484,480	484,480	-
Airport operating transfer	14,500	24,550	24,550	-
Capital Projects operating transfer	5,041,000	5,041,000	7,541,000	(2,500,000)
Solid Waste operating transfer	961,700	961,700	961,700	-
Gaming operating transfer	-	2,370	2,370	-
Grants Management operating transfer	245,060	247,270	247,270	-
Agricultural Education Center operating transfer	197,720	199,830	199,830	-
Municipality in lieu of bank shares	38,550	38,550	38,543	7
Total Intergovernmental	<u>7,616,190</u>	<u>7,693,760</u>	<u>10,285,303</u>	<u>(2,591,543)</u>
Debt Service	<u>14,315,980</u>	<u>14,308,980</u>	<u>14,139,010</u>	<u>169,970</u>
TOTAL EXPENDITURES	<u>231,923,810</u>	<u>235,463,183</u>	<u>235,631,430</u>	<u>(168,247)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,699,274</u>	<u>\$ 3,699,274</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease			50,769	
TOTAL OTHER FINANCING SOURCES (USES)			<u>50,769</u>	
NET CHANGES IN FUND BALANCE			3,750,043	
FUND BALANCE - BEGINNING			<u>41,746,652</u>	
FUND BALANCE - ENDING			<u>\$ 45,496,695</u>	

OTHER SCHEDULES

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Local Management Board – Schedule of Revenue and Expenditures – Regulatory Basis
For the Year Ended June 30, 2019**

REVENUE

Community Partnership Agreement (CPA)	
Governor's Office for Children	\$ 648,630
Non- Community Partnership Agreement (Non-CPA)	
General Fund	247,270
Md State Department of Aging	31,659
Md State Department of Education	478,377
Dept. of Housing and Community Development	58,617
Total Non-Community Partnership Agreement Revenue	<u>815,923</u>
TOTAL REVENUE	<u>1,464,553</u>

EXPENDITURES

Community Partnership Agreement (CPA)	
Administrative :	
Salaries	77,713
Benefit Costs	39,018
Small office equipment	59
Office supplies	3,165
Printing expenses	59
Travel Expenses	727
Training	659
Total CPA Administrative Expenditures	<u>121,400</u>
Programs:	
Western MC Disconnected Youth	140,948
GOC-School Based Mental Health	218,443
Family Centered Support Services	69,034
IACM for Children of Incarcerated Parents	98,805
Total CPA Program Expenditures	<u>527,230</u>
Non-Community Partnership Agreement (CPA)	
Administrative:	
Salaries	67,242
Benefit Costs	24,699
Advertising	348
Community Service Awards	706
Dues & Subscriptions	274
Office Supplies	1,348
Personal Mileage	318
Postage	54
Printing Expenses	92
Travel Expenses	108
Entertainment/business expense	269
Training	709
Copy Machine Rental	1,201
Telephone Expenses	339
Total Non-CPA Administrative Expenditures	<u>97,707</u>
Programs:	
School Based Mental Health	120,000
Commission on Aging	31,659
MSDE - Healthy Families	478,377
Dept. of Housing and Community Development	58,617
Total Non-CPA Program Expenditures	<u>688,653</u>
TOTAL EXPENDITURES	<u>1,434,990</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>\$ 29,563</u>