

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

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

For the Year Ended June 30, 2018

JUNE 30, 2018

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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, 2018, 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

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

Auditor's Responsibility

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

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



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

Opinions

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information, of the County Commissioners of Washington County, Maryland, as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 20 to the financial statements, during the year ended June 30, 2018, the County adopted new accounting guidance from Governmental Accounting Standards Board (GASB), Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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



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Other Information

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

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

Hunt Valley, Maryland
October 30, 2018

SB & Company, LLC



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

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 (it's 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, 2018

- ❑ 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 19-21 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 eleven 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.

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



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

The basic governmental fund financial statements can be found on pages 22-25 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 26-28 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 29-30 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 31-91 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 94-99 of this report.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

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 \$517.8 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
	2018	2017	2018	2017	2018	2017	
<i>Current and other assets</i>	\$146,811,901	\$135,080,828	\$34,867,071	\$43,559,494	\$181,678,972	\$178,640,322	1.7%
<i>Capital assets</i>	435,521,785	437,621,188	265,828,068	260,889,007	701,349,853	698,510,195	0.4%
<i>Total Assets</i>	582,333,686	572,702,016	300,695,139	304,448,501	883,028,825	877,150,517	0.7%
<i>Deferred Outflow of Resources</i>	28,634,962	34,961,719	541,663	693,230	29,176,625	35,654,949	-18.1%
<i>Current and other liabilities</i>	30,146,714	31,117,362	14,139,436	18,162,473	44,286,150	49,279,835	-10.1%
<i>Long-term liabilities</i>	255,454,315	250,896,396	60,515,465	60,953,296	315,969,780	311,849,692	1.3%
<i>Total Liabilities</i>	285,601,029	282,013,758	74,654,901	79,115,769	360,255,930	361,129,527	-0.24%
<i>Deferred Inflow of Resources</i>	10,327,121	7,660,834	23,846,169	24,646,171	34,173,290	32,307,005	5.8%
<i>Net Investment in Capital Assets</i>	359,867,032	360,133,916	219,191,046	217,144,159	579,058,078	577,278,075	0.3%
<i>Restricted Net Assets</i>	28,785,450	20,742,435	3,532,742	6,579,636	32,318,192	27,322,071	18.3%
<i>Unrestricted Net Assets</i>	(73,611,984)	(62,887,208)	(19,988,056)	(22,344,004)	(93,600,040)	(85,231,212)	-9.8%
<i>Total Net Position</i>	\$315,040,498	\$317,989,143	\$202,735,732	\$201,379,791	\$517,776,230	\$519,368,934	-0.3%

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 \$579.1 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, \$32.3 million, represents resources that are subject to external restrictions on how they may be used. The remaining portion is unrestricted net deficit of (\$93.6) million.

Unrestricted net assets in governmental activities have been reduced by \$46.3 million in long-term debt, resulting in unrestricted net assets of (\$73.6) 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 \$41.1 million and Hagerstown Community College of \$5.2 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, 2018

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2018	2017	2018	2017	2018	2017
Program Revenues:						
<i>Charges for Services</i>	\$8,511,910	\$5,554,892	\$21,848,366	\$20,490,153	\$ 30,360,276	\$ 26,045,045
<i>Operating Grants and Contributions</i>	6,084,437	7,915,961	1,517,601	1,564,695	7,602,038	9,480,656
<i>Capital Grants and Contributions</i>	6,687,440	5,126,466	10,952,297	15,639,575	17,639,737	20,766,041
General Revenues:						
<i>Property Taxes</i>	125,149,877	122,875,515	-	-	125,149,877	122,875,515
<i>Local Taxes</i>	96,770,294	90,579,857	-	-	96,770,294	90,579,857
<i>Other</i>	2,546,945	3,191,528	112,347	243,595	2,659,292	3,435,123
Total Revenues	245,750,903	235,244,219	34,430,611	37,938,018	280,181,514	273,182,237
Program Expenses:						
<i>General Government</i>	41,620,853	51,775,364	-	-	41,620,853	51,775,364
<i>Public Safety</i>	51,093,856	50,315,938	-	-	51,093,856	50,315,938
<i>Health</i>	2,339,270	2,339,270	-	-	2,339,270	2,339,270
<i>Social Services</i>	424,390	373,390	-	-	424,390	373,390
<i>Education</i>	107,852,147	106,094,094	-	-	107,852,147	106,094,094
<i>Parks and Recreation</i>	6,622,721	6,428,680	-	-	6,622,721	6,428,680
<i>Natural Resources</i>	2,120,799	3,095,962	-	-	2,120,799	3,095,962
<i>Community Promotion</i>	4,521,026	4,461,404	-	-	4,521,026	4,461,404
<i>Highways and Streets</i>	19,014,859	28,459,092	-	-	19,014,859	28,459,092
<i>Interest on Long-term Debt</i>	4,820,667	4,655,151	-	-	4,820,667	4,655,151
Business-type Activities:						
<i>Water Quality</i>	-	-	13,330,438	13,824,032	13,330,438	13,824,032
<i>Solid Waste</i>	-	-	7,728,431	7,013,835	7,728,431	7,013,835
<i>Public Transit</i>	-	-	3,009,074	2,921,221	3,009,074	2,921,221
<i>Airport</i>	-	-	8,448,112	8,302,809	8,448,112	8,302,809
<i>Golf Course</i>	-	-	1,230,369	1,283,907	1,230,369	1,283,907
Total Expenses	240,430,588	257,998,345	33,746,424	33,345,804	274,177,012	291,344,149
Change in Net Position before transfers	5,320,315	(22,754,126)	(1,870,660)	4,592,214	3,449,655	(18,161,912)
Transfers	(2,362,259)	(1,686,650)	2,362,259	1,686,650	-	-
Contributed Capital	-	3,554,726	-	-	3,554,726	3,554,726
Change in Net Position	2,958,056	(20,886,050)	1,355,941	6,278,864	4,313,997	(14,607,186)
Net Position – Beginning of year	317,989,143	338,875,193	201,379,791	195,100,927	519,368,934	533,976,120
Change in Accounting Principle	(5,906,701)	-	-	-	(5,906,701)	-
Net Position – Beginning of year, as restated	312,082,442	-	201,379,791	-	513,462,233	-
Net Position – End of year	\$315,040,498	\$317,989,143	\$202,735,732	\$201,379,791	\$517,776,230	\$519,368,934



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

The County's net position increased by \$4,313,997 during fiscal year 2018; total net position as of June 30, 2018 was \$517.8 million representing a 0.3% decrease due to a change in accounting principal for OPEB accounting.

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

Net position in governmental activities increased by \$2.96 million. Key factors in this increase are as follows:

- Property tax revenue came within \$1.5 million or 1.2% of 2018 projections, including Personal property tax increase of \$1.0 million or 7.4% mainly due to increased inventory and new business.
- Income Tax revenue fell below budget by \$4.1 million or 5%.
- Recordation Tax revenue exceeded budget by \$0.7 million or 11.6%. The County's housing inventory has decreased steadily since 2010 with an annual 12.5% decrease represented in FY2018. Average home prices have also risen steadily with a 7.8% increase in FY2018 over FY2017. Several large commercial transactions also contributed to the increase.
- An additional transfer of \$2.1 million was made to the Capital Projects, Golf Course, and Land preservation to offset operating shortfalls, negative fund balance and for future project costs.
- Overall public safety expenditures reflect savings of \$0.9 million resulting mainly from personnel cost savings.
- Remaining cost centers accounted for \$4.2 million in savings, mainly a result of personnel cost savings, lower health claims than expected, and debt service savings.
- Various government-wide entries including 1) depreciation expense exceeded capital outlay purchases by \$5.6 million; 2) change in net position differs from the change in fund balance by the cost of assets sold of \$1.5 million; 3) recording of debt proceeds greater than debt principal payments decreasing net assets by \$2.5 million; 4) compensated absences and post-retirement benefits earned exceeded financial resources used by \$6.2 million; and 5) differences in revenues and expenditures recognized between governmental funds and the statement of activities increasing net assets by \$10.2 million. These activities are reported differently on the government-wide statements vs. the fund statements.
- Capital Improvement Projects increased by \$7.4 million. 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 governmental funds accounted for \$1.2 million increase in fund balance activity.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

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

Business-type activities increased the County's net position by \$1.4 million. Key elements of this increase are as follows:

- ❑ Water Quality's net position increased by \$7.6 million, for a total of \$139.3 million in net assets. The \$7.6 million net gain includes \$3.2 million in depreciation expense and capital grant contributions of \$9.4 million.
- ❑ Solid Waste's total net position decreased by \$1.4 million for a total of \$3.0 million, mainly related to depreciation expense of \$2.3 million and increased cost due to leachate. In 2012, the 40 West landfill site was re-designed which changed the total life from 62 years to 120 years generating an additional 4 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 \$5.2 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 \$6.8 million.
- ❑ The County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements and restrictions, and fiscal accountability.

Financial Analysis on Government Fund Financial Statements

Governmental Funds:

The focus of the County's governmental funds is to provide information on near term inflows, outflow, 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 \$116.9 million, an increase of \$8.60 million. Approximately \$39.1 million of this amount is committed for the general fund cash reserve and \$77.8 million is restricted or committed for construction projects and designated programs. In the combined governmental activities the County maintains eleven separate funds. Shown below are fund balances and net changes in fund balance for each.

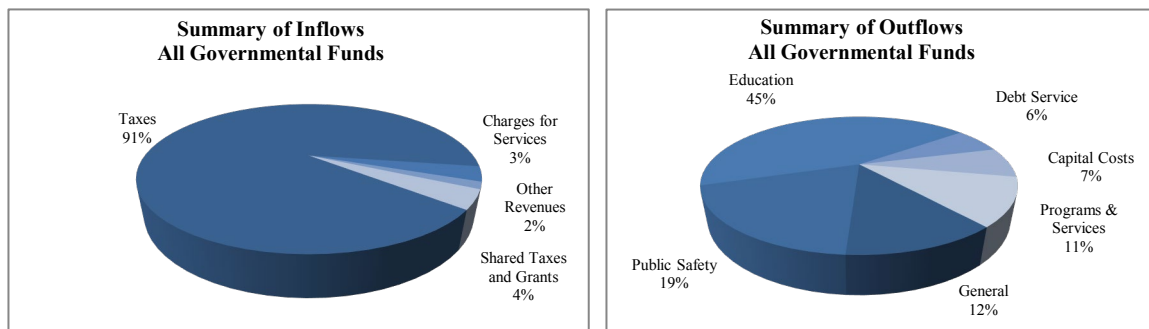


MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Governmental Activities	Fund Balance			Net Change in Fund Balance		
	2018	2017	% Change	2018	2017	% Change
General Fund	\$ 41,746,652	\$ 40,313,170	3.56%	\$ 1,433,482	\$ 571,022	151.04%
Capital Improvement Fund	71,984,125	64,548,129	11.52%	7,435,996	6,190,242	20.12%
Grants Management	13,410	8,813	52.16%	4,597	3,037	51.37%
Cascade Town Centre Fund	1,646,988	2,763,531	-40.40%	(1,116,543)	2,763,531	-140.40%
Inmate Welfare Fund	176,823	136,922	29.14%	39,901	25,880	54.18%
Contraband Fund	153,855	365	420.52%	153,490	(13,115)	1070.34%
Agricultural Education Fund	20,885	18,002	16.01%	2,883	3,030	-4.85%
Hotel Rental Tax Fund	770,599	199,503	286.26%	571,096	342,822	66.59%
Gaming Fund	88,268	41,183	114.33%	47,085	6,066	676.21%
Land Preservation Fund	298,046	265,567	12.23%	32,479	94,874	-65.77%
HEPMPO	(21,753)	(18,016)	20.74%	(3,737)	4,899	-176.28%
Total	\$ 116,877,898	\$ 108,277,169	7.94%	\$ 8,600,729	\$ 9,992,288	-13.93%

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, 2018.



- ❑ The **General Fund** is the chief operating fund of the County. At the end of the current fiscal year total fund balance reached \$41.7 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 \$0.6 million during the current fiscal year. Key factors related to this change are:



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Major Revenue Factors:

- Property tax revenue came within \$1.5 million or 1.2% of 2018 projections, including Personal property tax increase of \$1.0 million or 7.4% mainly due to increased inventory and new business.
- Income Tax revenue fell below budget by \$4.1 million or 5%.
- Recordation Tax revenue exceeded budget by \$0.7 million or 11.6%. The County's housing inventory has decreased steadily since 2010 with an annual 12.5% decrease represented in FY2018. Average home prices have also risen steadily with a 7.8% increase in FY2018 over FY2017. Several large commercial transactions also contributed to the increase.

Major Expenditure Factors:

- An additional transfer of \$2.1 million was made to the Capital Projects, Golf Course, and Land preservation to offset operating shortfalls, negative fund balance and for future project costs.
 - Overall public safety expenditures reflect savings of \$0.9 million resulting mainly from personnel cost savings.
 - Remaining cost centers accounted for \$4.2 million in savings, mainly a result of personnel cost savings, lower health claims than expected, and debt service savings.
- 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 \$72 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 \$7.4 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 \$3.1 million. The net decrease in fund balance during the current year was \$0.3 million. These funds represent monies designated for specific programs and services.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

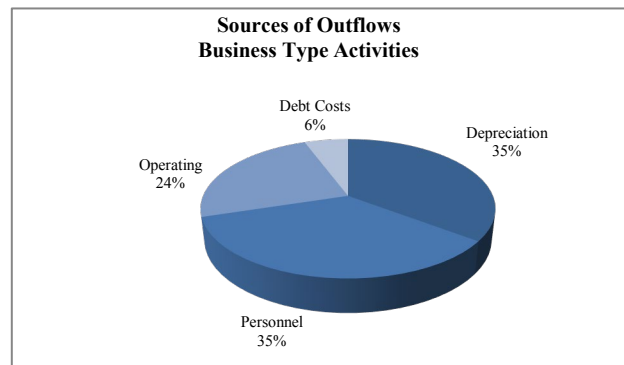
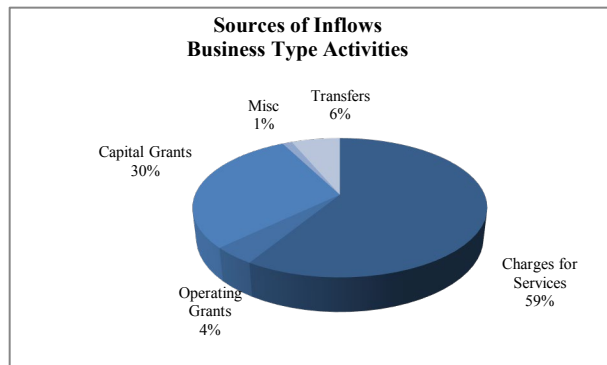
Proprietary Funds:

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 changes in Net Position were as follows:

Washington County, Maryland
Net Position and Changes in Net Position
(Fund Basis)

Business-type Activities	Total Net Position			Change in Net Position		
	2018	2017	% Change	2018	2017	%Change
Water Quality	\$ 139,340,745	\$ 131,777,498	5.74%	\$ 7,563,247	\$ 10,280,938	-26.43%
Solid Waste	2,991,169	4,364,348	-31.5%	(1,373,179)	(729,528)	-88.2%
Airport	54,298,432	59,471,459	-8.7%	(5,173,027)	(2,941,703)	-174.9%
Public Transit	3,663,942	3,449,898	6.2%	214,044	(1,422,778)	115.0%
Black Rock	2,441,444	2,316,588	5.39%	124,856	(156,428)	179.8%
Total	\$ 202,735,732	\$ 201,379,791	0.67%	\$ 1,355,941	\$ 6,278,864	-78.4%

The following reflects the inflows and outflows of the business-type activity funds for the fiscal year ending June 30, 2018.



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, 2018

General Fund Budgetary Analysis – Government Fund Financial Statement Basis

Washington County, Maryland

General Fund Budgetary Analysis

As of June 30, 2018

(Government Fund Basis)

Category	Budgetary Amounts		Actual	Difference	
	Original	Final		Org. Budget vs. Final Budget	Final Budget vs. Actual
Revenues:					
Property Tax	\$ 123,602,410	\$ 123,602,410	\$ 125,111,784	\$ -	\$ 1,509,374
Local Tax	88,805,000	88,805,000	85,388,664	-	(3,416,336)
Other Revenue	11,714,150	13,193,448	13,190,001	1,479,298	(3,447)
Total Revenues	224,121,560	225,600,858	223,690,449	1,479,298	(1,910,409)
Expenses:					
General Government	27,028,210	27,986,013	26,733,212	957,803	1,252,801
Public Safety	43,145,400	45,074,247	44,190,232	1,928,847	884,015
Health and Social Services	2,763,660	2,763,660	2,763,660	-	-
Education	106,796,410	106,796,410	106,796,410	-	-
Parks, Recreation, Natural Resources	6,630,820	6,700,190	6,696,892	69,370	3,298
Highways and Streets	10,567,610	10,104,460	10,446,328	(463,150)	(341,868)
General Operations	2,614,770	1,459,198	534,133	(1,155,572)	925,065
Unallocated Costs	2,193,330	2,193,330	252,729	-	1,940,601
Intergovernmental	7,176,780	7,318,780	9,364,996	142,000	(2,046,216)
Debt Service	15,204,570	15,204,570	14,745,795	-	458,775
Total Expenses	224,121,560	225,600,858	222,524,387	1,479,298	3,076,471
Other Financing Sources (Uses)	-	-	267,420	-	267,420
Net Increase in Assets - 06/30/18	\$ -	\$ -	\$ 1,433,482	\$ -	\$ 1,433,482



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Original Budget vs. Final Budget:

The net budgetary change of \$1.5 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 \$1.5 million.

Final Budget vs. Actual Results:

Revenue was under by \$1.9 million while expenditures and other financing sources were under budget by \$3.4 million yielding a \$1.5 million net increase. Property Tax experienced an increase of \$1.5 million over budget or 1.2%. Income Tax revenue was below budget by 5% or \$4.1 million. Recordation Tax exceeded final budget by \$.7 million or 11.6%. Offsetting the revenues were expenditure net overages of \$3.1 million, resulting from transfers to the Golf Course and Capital Improvement funds of \$2.1 million to cover additional operating subsidy and for future project funding. Offsetting these overruns were savings of \$5.1 million recognized from personnel savings, lower health claims, and debt service.

Capital Asset Administration – Government Wide Statements

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$684.5 million (net of depreciation). This investment in capital assets includes land, buildings, bridges, roads, equipment, and operational facilities.

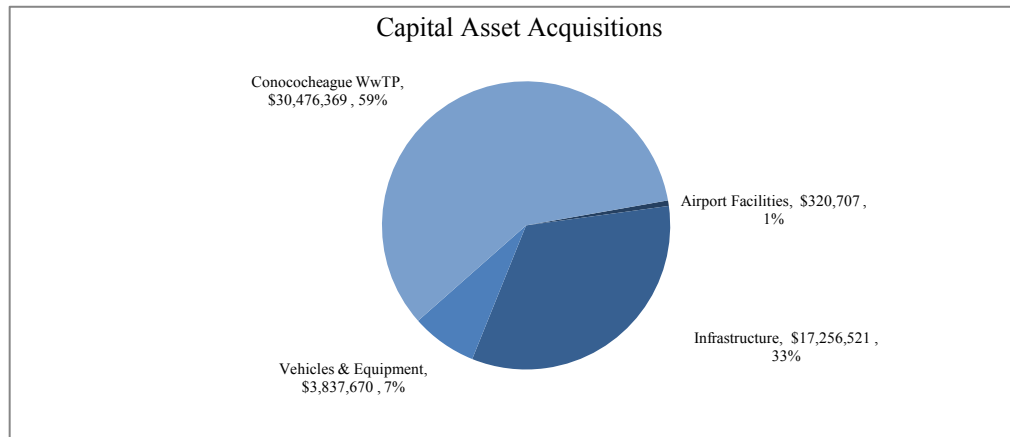
Washington County, Maryland
Net Capital Assets
(Government Fund Basis)

Description	Governmental Activities		Business-type Activities		Total		% Change
	2018	2017	2018	2017	2018	2017	
<i>Land and Land Improvements</i>	\$99,435,613	\$97,249,812	\$59,287,108	\$64,708,854	\$158,722,721	\$161,958,666	-2.0%
<i>Building and Improvements</i>	71,056,825	70,308,843	41,228,808	43,011,359	112,285,633	113,320,202	-0.9%
<i>Facilities, Lines, and Mains</i>	-	-	86,735,110	84,701,381	86,735,110	84,701,381	2.4%
<i>Vehicles</i>	4,810,321	4,745,120	1,263,931	1,507,825	6,074,252	6,252,945	-2.9%
<i>Infrastructure</i>	231,340,961	239,577,940	-	-	231,340,961	239,577,940	-3.4%
<i>Machinery and Equipment</i>	4,808,375	4,652,719	2,261,504	2,793,629	7,069,879	7,446,348	-5.1%
<i>Office/Computer Equipment</i>	9,168,143	11,652,537	204,820	138,650	9,372,963	11,791,187	-20.5%
<i>Treatment Plants</i>	-	-	72,928,453	43,774,812	72,928,453	43,774,812	66.6%
Total	\$420,620,238	\$428,186,971	\$263,909,734	\$240,636,510	\$684,529,972	\$668,823,481	2.3%



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

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 50-53 of this report.

Debt Administration

At the end of the current fiscal year, the County had total outstanding debt, excluding capital leases, of \$200.4 million. This amount was comprised of debt backed by the full faith and credit of the County and user fees. The debt increased by a net of \$1.5 million, the result of net principal payments of \$16.3 million and new borrowings of \$14.8 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
	2018	2017	2018	2017	2018	2017	
General Obligation Bonds	\$ 146,430,226	\$ 144,274,852	\$38,223,368	\$38,693,151	\$ 184,653,594	\$ 182,968,003	0.92%
Maryland Water Quality Bonds	3,822,493	4,302,697	11,881,281	11,537,186	15,703,774	15,839,883	-0.01%
Total	\$ 150,252,719	\$ 148,577,549	\$50,104,649	\$50,230,337	\$ 200,357,368	\$ 198,807,886	0.01%

The County's credit ratings for fiscal year 2018 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, 2018

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% 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 56-60 of this report.

Economic Factors and Fiscal Year 2019

- ❑ Washington County's unemployment rate for June 2018 was 4.7% compared to 4.5% in June of 2017. 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.
- ❑ Water and sewer rates were increased for the 2019 budget year. The water and sewer revenue requirements were both increased by 3.5%. 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, 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 redevelopment of Pen Mar into Cascade Town Centre is estimated to be one of the largest projects within the County over the past several years
- ❑ 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.

Requests for Information

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

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COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Net Position As of June 30, 2018

	Primary Government			Component Unit	
	Governmental activities	Business-type activities	Total	Board of Education	Total
ASSETS					
Cash and short-term investments	\$ 15,339,835	\$ 27,999,886	\$ 43,339,721	\$ 22,666,978	\$ 66,006,699
Investments	99,453,546	-	99,453,546	18,449,079	117,902,625
Property taxes receivable, net of allowance	651,241	-	651,241	-	651,241
Accounts receivable, net of allowance	1,724,595	2,086,698	3,811,293	649,555	4,460,848
Interest receivable	587,853	-	587,853	-	587,853
Unbilled receivables	263,062	2,082,279	2,345,341	-	2,345,341
Due from other governmental agencies	23,586,481	1,396,525	24,983,006	4,878,077	29,861,083
Internal balances	2,149,418	-	2,149,418	-	2,149,418
Inventories	730,400	298,711	1,029,111	297,073	1,326,184
Other assets	-	-	-	1,462,391	1,462,391
Net other post employment benefits	1,419,630	-	1,419,630	-	1,419,630
Recoverable disbursements	235,110	752,972	988,082	-	988,082
Notes receivable	670,730	250,000	920,730	-	920,730
Projects under construction	14,901,547	1,918,334	16,819,881	1,397,815	18,217,696
Property, plant, and equipment, net	420,620,238	263,909,734	684,529,972	225,425,962	909,955,934
TOTAL ASSETS	582,333,686	300,695,139	883,028,825	275,226,930	1,158,255,755
DEFERRED OUTFLOWS OF RESOURCES					
Loss on refunding	2,424,827	541,663	2,966,490	-	2,966,490
Net pension activity	26,210,135	-	26,210,135	5,144,228	31,354,363
Net OPEB activity	-	-	-	16,719,608	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	28,634,962	541,663	29,176,625	21,863,836	34,320,853
LIABILITIES					
Current Liabilities:					
Current maturities of long-term obligations	9,316,119	5,038,607	14,354,726	-	14,354,726
Current maturities of capital lease obligations	258,158	30,200	288,358	1,062,366	1,350,724
Current maturities of installment purchase contracts	181,779	-	181,779	-	181,779
Accounts payable	6,543,888	2,087,560	8,631,448	7,158,768	15,790,216
Accrued expenses	1,946,118	613,731	2,559,849	16,955,961	19,515,810
Accrued interest	2,436,389	3,735,649	6,172,038	-	6,172,038
Internal balances	2,149,418	-	2,149,418	-	2,149,418
Unearned revenue	1,065,180	1,880,867	2,946,047	3,604,841	6,550,888
Compensated absences	2,107,402	467,341	2,574,743	277,186	2,851,929
Landfill closure and post-closure costs	-	197,530	197,530	-	197,530
Other liabilities	2,111,586	87,951	2,199,537	31,005	2,230,542
Liabilities for unpaid claims	2,030,677	-	2,030,677	-	2,030,677
Total current liabilities	30,146,714	14,139,436	44,286,150	29,090,127	73,376,277
Noncurrent Liabilities:					
Compensated absences	1,102,632	155,782	1,258,414	6,608,659	7,867,073
Post retirement benefits	-	-	-	238,323,140	238,323,140
Long-term debt obligations	140,936,600	45,066,042	186,002,642	-	186,002,642
Capital lease obligations	581,415	34,912	616,327	1,097,713	1,714,040
Installment purchase contracts	1,305,551	-	1,305,551	-	1,305,551
Landfill closure and post-closure costs	-	15,258,729	15,258,729	-	15,258,729
Net pension liability	111,528,117	-	111,528,117	15,951,949	127,480,066
Total noncurrent liabilities	255,454,315	60,515,465	315,969,780	261,981,461	577,951,241
TOTAL LIABILITIES	285,601,029	74,654,901	360,255,930	291,071,588	651,327,518
DEFERRED INFLOWS OF RESOURCES					
Service concession arrangements	-	23,846,169	23,846,169	-	23,846,169
Net pension activity	7,201,987	-	7,201,987	2,633,358	9,835,345
Net OPEB activity	3,125,134	-	3,125,134	24,976,869	28,102,003
TOTAL DEFERRED INFLOWS OF RESOURCES	10,327,121	23,846,169	34,173,290	27,610,227	61,783,517
NET POSITION					
Net investment in capital assets	359,867,032	219,191,046	579,058,078	224,663,508	803,721,586
Restricted for:					
John Howard Trust	246,014	-	246,014	-	246,014
Capital projects	28,539,436	3,532,742	32,072,178	-	32,072,178
Unrestricted	(73,611,984)	(19,988,056)	(93,600,040)	(246,254,557)	(339,854,597)
TOTAL NET POSITION	\$ 315,040,498	\$ 202,735,732	\$ 517,776,230	\$ (21,591,049)	\$ 496,185,181

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Activities For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 41,620,853	\$ 5,326,450	\$ 438,410	\$ -
Public safety	51,093,856	3,045,847	2,366,547	4,958
Health	2,339,270	-	-	-
Social services	424,390	-	-	-
Education	107,852,147	-	-	-
Parks, recreation and culture	6,622,721	139,613	-	90,063
Natural resources	2,120,799	-	700,071	-
Community promotion	4,521,026	-	1,297,021	-
Highways and streets	19,014,859	-	1,282,388	6,772,419
Interest on long-term debt	4,820,667	-	-	-
Total governmental activities	<u>240,430,588</u>	<u>8,511,910</u>	<u>6,084,437</u>	<u>6,867,440</u>
Business-type activities				
Water quality	14,326,351	12,056,418	-	9,431,125
Solid waste	8,182,004	6,159,472	-	-
Airport	8,464,438	2,513,780	17,166	1,060,233
Public transit	3,009,074	400,491	1,500,435	460,939
Black Rock golf course	1,230,369	718,205	-	-
Total business-type activities	<u>35,212,236</u>	<u>21,848,366</u>	<u>1,517,601</u>	<u>10,952,297</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 275,642,824</u>	<u>\$ 30,360,276</u>	<u>\$ 7,602,038</u>	<u>\$ 17,819,737</u>
Component unit:				
Board of Education	<u>\$ 337,021,524</u>	<u>\$ 16,019,182</u>	<u>\$ 58,369,507</u>	<u>\$ 58,059</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

NET POSITION - BEGINNING OF YEAR - restated

NET POSITION - END OF YEAR

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Activities For the Year Ended June 30, 2018

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-Type Activities	Total	Board of Education	Total
\$ (35,855,993)	\$ -	\$ (35,855,993)	\$ -	\$ (35,855,993)
(45,676,504)	-	(45,676,504)	-	(45,676,504)
(2,339,270)	-	(2,339,270)	-	(2,339,270)
(424,390)	-	(424,390)	-	(424,390)
(107,852,147)	-	(107,852,147)	-	(107,852,147)
(6,393,045)	-	(6,393,045)	-	(6,393,045)
(1,420,728)	-	(1,420,728)	-	(1,420,728)
(3,224,005)	-	(3,224,005)	-	(3,224,005)
(10,960,052)	-	(10,960,052)	-	(10,960,052)
(4,820,667)	-	(4,820,667)	-	(4,820,667)
(218,966,801)	-	(218,966,801)	-	(218,966,801)
-	7,161,192	7,161,192	-	7,161,192
-	(2,022,532)	(2,022,532)	-	(2,022,532)
-	(4,873,259)	(4,873,259)	-	(4,873,259)
-	(647,209)	(647,209)	-	(647,209)
-	(512,164)	(512,164)	-	(512,164)
-	(893,972)	(893,972)	-	(893,972)
(218,966,801)	(893,972)	(219,860,773)	-	(219,860,773)
-	-	-	(262,574,776)	(262,574,776)
125,149,877	-	125,149,877	-	125,149,877
96,770,294	-	96,770,294	-	96,770,294
1,393,542	175,715	1,569,257	284,004	1,853,261
1,290,216	-	1,290,216	-	1,290,216
1,163,508	292,502	1,456,010	852,215	2,308,225
-	-	-	257,940,243	257,940,243
-	-	-	-	-
(1,480,321)	(580,563)	(2,060,884)	-	(2,060,884)
(2,362,259)	2,362,259	-	-	-
221,924,857	2,249,913	224,174,770	259,076,462	483,251,232
2,958,056	1,355,941	4,313,997	(3,498,314)	815,683
312,082,442	201,379,791	513,462,233	(18,092,735)	495,369,498
\$ 315,040,498	\$ 202,735,732	\$ 517,776,230	\$ (21,591,049)	\$ 496,185,181

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Balance Sheet – Governmental Funds As of June 30, 2018

	General Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
ASSETS				
Cash	\$ 415,192	\$ 9,796,002	\$ 5,128,641	\$ 15,339,835
Investments	99,211,242	242,304	-	99,453,546
Property taxes receivable, net of allowance	651,241	-	-	651,241
Accounts receivable, net of allowance	862,246	361,914	500,435	1,724,595
Interest receivable	585,748	2,105	-	587,853
Unbilled receivables	263,062	-	-	263,062
Due from other funds	-	62,425,846	-	62,425,846
Due from other governmental agencies	21,428,932	1,783,486	374,063	23,586,481
Recoverable disbursements	235,110	-	-	235,110
Notes receivable	670,730	-	-	670,730
Inventories	730,400	-	-	730,400
TOTAL ASSETS	\$ 125,053,903	\$ 74,611,657	\$ 6,003,139	\$ 205,668,699
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,791,101	\$ 2,621,202	\$ 2,131,585	\$ 6,543,888
Due to other funds	62,263,607	-	162,239	62,425,846
Accrued expenses	1,907,822	6,330	31,965	1,946,117
Liabilities for unpaid claims	2,030,677	-	-	2,030,677
Unearned revenue	604,215	-	460,965	1,065,180
Other liabilities	2,042,323	-	69,264	2,111,587
TOTAL LIABILITIES	70,639,745	2,627,532	2,856,018	76,123,295
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	12,667,506	-	-	12,667,506
FUND BALANCES				
Nonspendable	1,353,130	-	-	1,353,130
Restricted	821,597	28,539,436	1,244,390	30,605,423
Committed	39,554,672	43,444,689	1,830,938	84,830,299
Assigned	17,253	-	109,153	126,406
Unassigned	-	-	(37,360)	(37,360)
TOTAL FUND BALANCES	41,746,652	71,984,125	3,147,121	116,877,898
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 125,053,903	\$ 74,611,657	\$ 6,003,139	\$ 205,668,699

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position As of June 30, 2018

Fund balance governmental funds	\$	116,877,898
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds:

Capital assets, net	420,620,238
Projects under construction	14,901,547

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	1,419,630
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Revenues in the statement of activities that do not provide current
financial resources are not reported as revenue in the funds

Unavailable revenues	12,667,506
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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

18,307,841

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds:

Long-term obligations	(150,252,719)
Installment purchase obligations	(1,487,330)
Capital lease obligations	(839,573)
Accrued interest payable - net of IRS subsidy	(2,436,389)
Compensated absences and net pension liability	(114,738,151)

Net position of governmental activities	\$	<u>315,040,498</u>
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COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds For the Year Ended June 30, 2018

	General Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
REVENUE				
General property tax	\$ 125,111,784	\$ -	\$ -	\$ 125,111,784
Other local tax	85,388,664	3,963,596	2,313,525	91,665,785
Licenses and permits	1,417,875	-	2,163,086	3,580,961
Court costs and fines	2,287,736	-	-	2,287,736
Charges for services	1,328,177	-	387,015	1,715,192
Reimbursed expenses	997,158	-	92,320	1,089,478
Interest income	1,393,440	-	1,053	1,394,493
Miscellaneous revenues	763,135	2,871	308,053	1,074,059
Grants and shared revenues	3,267,236	2,132,387	2,432,537	7,832,160
Highway	1,645,244	-	-	1,645,244
Total Revenue	<u>223,600,449</u>	<u>6,098,854</u>	<u>7,697,589</u>	<u>237,396,892</u>
EXPENDITURES				
Current:				
General government	26,733,212	-	-	26,733,212
Public safety	44,190,232	-	1,463,219	45,653,451
Health	2,339,270	-	-	2,339,270
Social services	424,390	-	-	424,390
Education	106,796,410	-	-	106,796,410
Parks, recreation and culture	5,988,897	-	221,882	6,210,779
Natural resources	707,995	-	1,389,486	2,097,481
Intergovernmental	38,543	-	-	38,543
General operations	786,862	-	1,492,633	2,279,495
Community promotion	-	-	4,521,658	4,521,658
Highways and streets	10,446,328	-	-	10,446,328
Debt service	14,745,795	-	-	14,745,795
Capital outlay:				
General government	-	2,153,216	-	2,153,216
Public safety	-	1,230,009	-	1,230,009
Highways and streets	-	12,578,565	-	12,578,565
Education	-	1,055,737	-	1,055,737
Parks and recreation	-	98,799	-	98,799
Total Expenditures	<u>213,197,934</u>	<u>17,116,326</u>	<u>9,088,878</u>	<u>239,403,138</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>10,402,515</u>	<u>(11,017,472)</u>	<u>(1,391,289)</u>	<u>(2,006,246)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	90,000	6,356,000	1,172,540	7,618,540
Transfers out	(9,326,453)	(604,347)	(50,000)	(9,980,800)
Proceeds of bond sale	-	12,701,815	-	12,701,815
Proceeds of capital leases	267,420	-	-	267,420
TOTAL OTHER FINANCING SOURCES (USES)	<u>(8,969,033)</u>	<u>18,453,468</u>	<u>1,122,540</u>	<u>10,606,975</u>
NET CHANGES IN FUND BALANCE	<u>1,433,482</u>	<u>7,435,996</u>	<u>(268,749)</u>	<u>8,600,729</u>
FUND BALANCES - BEGINNING OF YEAR	<u>40,313,170</u>	<u>64,548,129</u>	<u>3,415,870</u>	<u>108,277,169</u>
FUND BALANCES - END OF YEAR	<u>\$ 41,746,652</u>	<u>\$ 71,984,125</u>	<u>\$ 3,147,121</u>	<u>\$ 116,877,898</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, 2018

Net changes in fund balances in governmental funds \$ 8,600,729

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	\$ 15,376,875	
Depreciation	<u>(21,018,687)</u>	(5,641,812)

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 assets differs from the change in fund balance by the cost of the assets sold. (1,520,773)

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	\$ (12,969,234)	
Payments of installment purchase principal	181,779	
Payments of lease principal	263,627	
Payments of debt principal	<u>10,033,917</u>	(2,489,911)

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. (6,185,376)

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

		<u>10,195,199</u>
Change in Net Position of Governmental Activities	\$	<u>2,958,056</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Net Position - Proprietary Funds As of June 30, 2018

	Business Type Activities - Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	Total
ASSETS					
Current Assets:					
Cash and short-term investments	\$ 10,494,893	\$ 16,200,459	\$ 678,270	\$ 626,264	\$ 27,999,886
Accounts receivable, net	1,422,932	347,048	256,289	60,429	2,086,698
Unbilled receivables	1,609,717	462,680	9,244	638	2,082,279
Due from other governmental agencies	803,197	-	593,328	-	1,396,525
Recoverable disbursements	-	-	79	752,893	752,972
Notes receivable	-	250,000	-	-	250,000
Inventories	109,209	2,875	42,606	144,021	298,711
Total current assets	14,439,948	17,263,062	1,579,816	1,584,245	34,867,071
Noncurrent Assets:					
Projects under construction	1,135,955	23,559	758,820	-	1,918,334
Property, plant and equipment	231,233,991	68,839,650	154,408,934	12,180,638	466,663,213
Accumulated depreciation	(69,379,232)	(49,160,017)	(76,834,453)	(7,379,777)	(202,753,479)
Total noncurrent assets	162,990,714	19,703,192	78,333,301	4,800,861	265,828,068
TOTAL ASSETS	177,430,662	36,966,254	79,913,117	6,385,106	300,695,139
DEFERRED OUTFLOWS OF RESOURCES					
Loss on refundings	328,777	200,054	12,832	-	541,663
LIABILITIES					
Current Liabilities:					
Current maturities of long-term obligations	2,441,009	2,507,268	90,330	-	5,038,607
Current maturities of capital lease obligations	30,200	-	-	-	30,200
Accounts payable	845,692	950,287	247,101	44,480	2,087,560
Accrued expenses	426,180	73,276	24,289	89,986	613,731
Accrued interest	3,478,621	245,308	11,720	-	3,735,649
Unearned revenue	649,925	429,690	800,002	1,250	1,880,867
Compensated absences	270,985	77,583	36,568	82,205	467,341
Landfill closure and post-closure costs	-	197,530	-	-	197,530
Other liabilities	7,300	-	46,254	34,397	87,951
Total current liabilities	8,149,912	4,480,942	1,256,264	252,318	14,139,436
Noncurrent Liabilities:					
Compensated absences	90,330	25,861	12,189	27,402	155,782
Bonds and long-term debt	30,143,540	14,409,607	512,895	-	45,066,042
Capital lease obligations	34,912	-	-	-	34,912
Landfill closure and post-closure costs	-	15,258,729	-	-	15,258,729
Total noncurrent liabilities	30,268,782	29,694,197	525,084	27,402	60,515,465
TOTAL LIABILITIES	38,418,694	34,175,139	1,781,348	279,720	74,654,901
DEFERRED INFLOWS OF RESOURCES					
Service concession arrangements	-	-	23,846,169	-	23,846,169
Net Position					
Net investment in capital assets	133,557,004	3,103,105	77,730,076	4,800,861	219,191,046
Restricted - capital projects	3,215,954	316,788	-	-	3,532,742
Unrestricted	2,567,787	(428,724)	(23,431,644)	1,304,525	(19,988,056)
TOTAL NET POSITION	\$ 139,340,745	\$ 2,991,169	\$ 54,298,432	\$ 6,105,386	\$ 202,735,732

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, 2018

	Business Type Activities - Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	Total
OPERATING REVENUE					
Charges for services	\$ 12,056,418	\$ 6,159,472	\$ 2,513,780	\$ 1,118,696	\$ 21,848,366
Miscellaneous	31,421	172,778	57,225	31,077	292,501
TOTAL OPERATING REVENUE	12,087,839	6,332,250	2,571,005	1,149,773	22,140,867
OPERATING EXPENSES					
Salaries and wages	4,147,955	1,473,433	599,243	1,788,679	8,009,310
Fringe benefits	2,599,925	730,005	335,643	829,378	4,494,951
Utilities	1,065,422	63,084	220,238	76,649	1,425,393
Insurance	141,414	28,150	46,677	36,796	253,037
Repairs and maintenance	378,791	-	82,439	348,678	809,908
Supplies	258,796	93,400	11,213	50,367	413,776
Cost of goods sold	-	-	-	79,016	79,016
Contracted services	197,671	2,251,584	69,268	192,803	2,711,326
Rentals and leases	32,964	2,187	5,272	118,276	158,699
Other operating	1,072,761	800,023	189,984	361,678	2,424,446
Uncollectible accounts	2,320	1,657	15,396	-	19,373
Controllable assets	220,502	5,417	96,869	2,330	325,118
Depreciation	3,211,917	2,279,491	6,775,870	354,793	12,622,071
TOTAL OPERATING EXPENSES	13,330,438	7,728,431	8,448,112	4,239,443	33,746,424
OPERATING LOSS	(1,242,599)	(1,396,181)	(5,877,107)	(3,089,670)	(11,605,557)
OTHER INCOME (EXPENSE)					
Interest expense	(995,913)	(453,573)	(16,326)	-	(1,465,812)
Interest income	170,781	2,945	1,983	6	175,715
Gain/(loss) on disposal of assets	(2,097)	-	(623,476)	45,010	(580,563)
TOTAL OTHER INCOME (EXPENSE)	(827,229)	(450,628)	(637,819)	45,016	(1,870,660)
LOSS BEFORE OPERATING TRANSFERS AND GRANTS	(2,069,828)	(1,846,809)	(6,514,926)	(3,044,654)	(13,476,217)
OPERATING TRANSFERS	201,950	473,630	64,500	1,036,180	1,776,260
GRANTS FOR OPERATING	-	-	17,166	1,500,435	1,517,601
NET LOSS BEFORE CAPITAL TRANSFERS AND GRANTS	(1,867,878)	(1,373,179)	(6,433,260)	(508,039)	(10,182,356)
CAPITAL TRANSFERS	-	-	200,000	386,000	586,000
CAPITAL GRANTS AND CONTRIBUTIONS	9,431,125	-	1,060,233	460,939	10,952,297
NET CHANGES IN NET POSITION	7,563,247	(1,373,179)	(5,173,027)	338,900	1,355,941
NET POSITION - BEGINNING OF YEAR	131,777,498	4,364,348	59,471,459	5,766,486	201,379,791
NET POSITION - END OF YEAR	\$ 139,340,745	\$ 2,991,169	\$ 54,298,432	\$ 6,105,386	\$ 202,735,732

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, 2018

	Enterprise Funds				
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	Total
Cash Flows from Operating Activities					
Receipts from customers	\$10,903,985	\$ 6,312,823	\$ 3,012,401	\$ 916,008	\$ 21,145,217
Payments to suppliers	(7,164,049)	(2,352,348)	(642,238)	(1,304,914)	(11,463,549)
Payments to employees	(6,699,945)	(2,194,549)	(931,167)	(2,610,711)	(12,436,372)
Net Cash Provided (Used) by Operating Activities	(2,960,009)	1,765,926	1,438,996	(2,999,617)	(2,754,704)
Cash Flows from Noncapital Financing Activities					
Operating contributions	201,950	473,630	81,666	2,536,615	3,293,861
Decrease in due to/from other funds	4,699,877	47,032	(980,988)	-	3,765,921
Net Cash Provided (Used) by Noncapital Financing Activities	4,901,827	520,662	(899,322)	2,536,615	7,059,782
Cash Flows from Capital and Related Financing Activities					
Interest paid on notes and bond payable	(2,304,167)	(454,806)	(17,746)	-	(2,776,719)
Acquisition and construction of capital assets	(15,553,139)	(1,381,842)	(379,294)	(275,884)	(17,590,159)
Loss on the sale of assets	(2,097)	-	(623,476)	45,010	(580,563)
Contribution for capital acquisitions	9,431,125	-	1,260,233	846,939	11,538,297
Proceeds from/payments on notes and bonds payable	1,141,569	(1,012,486)	(103,204)	-	25,879
Net Cash Provided (Used) by Capital and Related Financing Activities	(7,286,709)	(2,849,134)	136,513	616,065	(9,383,265)
Cash Flows from Investing Activities					
Interest on investments	170,781	2,945	1,983	6	175,715
Net change in cash	(5,174,110)	(559,601)	678,170	153,069	(4,902,472)
Cash, Beginning of Year	15,669,003	16,760,060	100	473,195	32,902,358
Cash, End of Year	\$10,494,893	\$16,200,459	\$ 678,270	\$ 626,264	\$ 27,999,886
Non-Cash Operating Activities					
Loss on refunding	\$ 328,777	\$ 200,054	\$ 12,832	\$ -	\$ 541,663
Non-Cash Capital and Related Financing Activities					
Capital lease	\$ (29,027)	\$ -	\$ -	\$ -	\$ (29,027)
Reconciliation of Operating Loss to Net Cash from Operating Activities					
Operating loss	\$(1,242,599)	\$(1,396,181)	\$ (5,877,107)	\$ (3,089,670)	\$(11,605,557)
Adjustments to reconcile operating loss to net cash from operating activities:					
Depreciation	3,211,917	2,279,491	6,775,870	354,793	12,622,071
Changes in assets and liabilities:					
Accounts receivable	(208,106)	(190,136)	(197,543)	(49,372)	(645,157)
Unbilled receivables	(106,257)	(83,358)	(1,202)	(36)	(190,853)
Due to/from other government entities	(803,197)	326,434	1,440,143	(178,884)	784,496
Inventories	13,659	7,387	12,416	(19,144)	14,318
Accounts payable and other liabilities	(3,807,067)	532,260	82,702	(19,444)	(3,211,549)
Accrued expenses	12,224	11,508	(1,164)	5,375	27,943
Landfill closure	-	353,507	-	-	353,507
Unearned revenue	(66,294)	(72,367)	(800,002)	(5,473)	(944,136)
Compensated absences	35,711	(2,619)	4,883	2,238	40,213
Net Cash Provided (Used) by Operating Activities	\$(2,960,009)	\$ 1,765,926	\$ 1,438,996	\$ (2,999,617)	\$ (2,754,704)

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, 2018

	<u>Pension Trust</u>	<u>LOSAP Trust</u>	<u>OPEB Trust</u>	<u>Private Purpose Trust</u>	<u>Agency</u>
ASSETS					
Cash and short-term investments	\$ 2,280,889	\$ 177,814	\$ 811,586	\$ 64,349	\$ 3,686,115
Investments, at fair value:					
U.S. Government obligations	11,532,877	1,022,959	2,470,586	-	-
Corporate bonds and obligations	9,972,497	707,915	1,655,059	-	-
Fixed income securities	12,999,559	1,139,472	2,875,270	-	-
Corporate stock	28,173,384	1,783,508	4,658,776	-	-
Equity funds	52,520,829	4,293,220	10,608,961	68,654	-
Accounts receivable	209,398	16,704	-	-	-
Due from other funds	-	-	-	31,005	-
TOTAL ASSETS	<u>117,689,433</u>	<u>9,141,592</u>	<u>23,080,238</u>	<u>164,008</u>	<u>3,686,115</u>
LIABILITIES					
Accounts payable	-	-	-	-	135,907
Due to student groups	-	-	-	-	3,550,208
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,686,115</u>
NET POSITION					
Held in trust for pension and OPEB	117,689,433	9,141,592	23,080,238	-	-
Held in trust for scholarships	-	-	-	164,008	-
NET POSITION	<u>\$ 117,689,433</u>	<u>\$ 9,141,592</u>	<u>\$ 23,080,238</u>	<u>\$ 164,008</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, 2018

	<u>Pension Trust</u>	<u>LOSAP Trust</u>	<u>OPEB Trust</u>	<u>Private Purpose Trust</u>
ADDITIONS				
Contributions:				
Employer	\$ 10,510,000	\$ 600,000	\$ 1,222,000	\$ -
Plan members	2,094,346	-	-	-
Gifts and contributions	-	-	-	34,200
Receipts of in-kind	2,313,201	180,073	422,788	-
Total Contributions	<u>14,917,547</u>	<u>780,073</u>	<u>1,644,788</u>	<u>34,200</u>
Investment Income:				
Realized and unrealized gains	1,033,733	13,116	393,598	-
Interest and dividends	1,155,058	86,366	210,911	4,451
Other income	7,448,993	646,351	1,131,797	-
Total Investment Income	<u>9,637,784</u>	<u>745,833</u>	<u>1,736,306</u>	<u>4,451</u>
TOTAL ADDITIONS	<u>24,555,331</u>	<u>1,525,906</u>	<u>3,381,094</u>	<u>38,651</u>
DEDUCTIONS				
Benefits	8,172,571	555,590	-	-
Scholarship expenses	-	-	-	36,859
Administrative expenses	2,692,160	239,158	506,846	-
TOTAL DEDUCTIONS	<u>10,864,731</u>	<u>794,748</u>	<u>506,846</u>	<u>36,859</u>
CHANGES IN NET POSITION	13,690,600	731,158	2,874,248	1,792
NET POSITION - BEGINNING OF YEAR	<u>103,998,833</u>	<u>8,410,434</u>	<u>20,205,990</u>	<u>162,216</u>
NET POSITION - END OF YEAR	<u>\$ 117,689,433</u>	<u>\$ 9,141,592</u>	<u>\$ 23,080,238</u>	<u>\$ 164,008</u>

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

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, 2018 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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Real Estate and Personal Property Taxes

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

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

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

Rate of County Taxes:

Income tax	2.8% of Maryland taxable income (2017 and 2018 calendar years)
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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

Deposits

As of June 30, 2018, the carrying amount of the County's deposits was \$43,339,721 and the bank balances were \$46,099,203. All deposits are carried at cost plus accrued interest. There were no significant violations of the collateralization requirements during the year ended June 30, 2018. 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.

3. CASH AND SHORT-TERM INVESTMENTS

Primary Government

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, 2018, the County's bank balance of \$46,099,203 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, 2018

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Primary Government (continued)

Investments

As of June 30, 2018, 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	\$ 98,995,821	\$ 98,995,821		\$ -	\$ -
Certificates of Deposit	457,725	457,725	-	-	-
Total investments held in County's name	99,453,546	99,453,546	-	-	-
Investments held by trustee of					
Pension plan:					
U.S. government obligations, municipal and corporate bonds	21,505,374	21,505,374	-	-	-
Fixed income securities	12,999,559	12,999,559	-	-	-
Corporate stocks	28,173,384	28,173,384	-	-	-
Equity funds	52,520,829	52,520,829	-	-	-
Money market funds	2,280,889	2,280,889	-	-	-
Interest and dividends receivable	209,398	209,398	-	-	-
Total Investments held by trustee of pension plan	117,689,433	117,689,433	-	-	-
Investments held by trustee of					
LOSAP plan:					
U.S. government obligations and corporate bonds	1,730,874	1,730,874	-	-	-
Corporate stocks	1,783,508	1,783,508	-	-	-
Fixed income funds	1,139,472	1,139,472	-	-	-
Equity funds	4,293,220	4,293,220	-	-	-
Money market funds	177,814	177,814	-	-	-
Interest and dividends receivable	16,704	16,704	-	-	-
Total Investments held by trustee of LOSAP plan	9,141,592	9,141,592	-	-	-
Investments held by trustee of					
OPEB plan:					
U.S. government obligations and corporate bonds	4,125,645	4,125,645	-	-	-
Corporate stocks	4,658,776	4,658,776	-	-	-
Fixed income funds	2,875,270	2,875,270	-	-	-
Equity funds	10,608,961	10,608,961	-	-	-
Money market funds	811,586	811,586	-	-	-
Interest and dividends receivable	-	-	-	-	-
Total Investments held by trustee of OPEB plan	23,080,238	23,080,238	-	-	-
Total investments	\$ 249,364,809	\$ 249,364,809	\$ -	\$ -	\$ -

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, 2018

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, 2018

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, 2018, the County's investments were 100% in U.S. Treasury and Agency obligations and certificates of deposit.

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

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2018, 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, 2018

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, 2018.

Compliance is summarized as follows:

June 30, 2018	Governmental Activities	Business Type Activities	Fiduciary Responsibilities	Total
Carrying amount of cash deposits	\$ 22,657,583	\$ 9,395	\$ 3,750,464	\$ 26,417,442
Bank balance of cash deposits	24,279,500	8,946	3,909,387	28,197,833
Amount covered by FDIC	498,430	1,274	1,362,589	1,862,293
Amount collateralized with securities held by an agent of the pledging financial institution in the School system's name	23,781,070	7,672	2,546,798	26,335,540

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, 2018

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, 2018, the School System had the following investments and maturities:

June 30, 2018	Governmental Activities	Business-Type Activities	Fiduciary Responsibilities	Total
Federal Farm Credit Bank – 1.100% matures October 15, 2018	\$ 5,625,450	\$ -	\$ -	\$ 5,625,450
Federal National Mortgage Association - 1.000% matures January 25, 2018	3,972,400	-	-	3,972,400
Federal National Mortgage Association - 1.250% matures January 30, 2019	3,977,280	-	-	3,977,280
Federal National Mortgage Association - 1.125% matures June 28, 2019	3,456,495	-	-	3,456,495
Federal Home Loan Bank - 1.370% matures October 24, 2019	434,254	-	-	434,254
Federal Home Loan Bank - 1.390% matures December 26, 2019	983,200	-	-	983,200
Income Fund of America	-	-	68,654	68,654
Retiree Health Plan Trust	-	-	63,860,048	63,860,048
	<u>\$ 18,449,079</u>	<u>\$ -</u>	<u>\$ 63,928,702</u>	<u>\$ 82,377,781</u>

Investment Type	Fair Value	Investment Maturities (in Years)			
	June 30, 2018	Less than 1	1-5	6-10	More than 10
U.S. Agencies	\$ 18,449,079	\$ -	\$ 18,449,079	\$ -	\$ -
Income Fund	68,654	68,654	-	-	-
Retiree Health Plan Trust	63,860,048	41,860,446	16,934,024	26,628	5,038,950
	<u>\$ 82,377,781</u>	<u>\$ 41,929,100</u>	<u>\$ 35,383,103</u>	<u>\$ 26,628</u>	<u>\$ 5,038,950</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2018

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	\$ 651,241	\$ -	\$ -	\$ 651,241
Accounts receivable	1,122,642	361,914	500,435	1,984,991
Gross receivables	1,773,883	361,914	500,435	2,636,232
Less: allowance for uncollectibles	(260,396)	-	-	(260,396)
Net Total Receivables	\$1,513,487	\$ 361,914	\$ 500,435	\$ 2,375,836

	Business-type Activities				
	Water Quality	Solid Waste	Airport	Non-Major	Total
Accounts receivable	\$ 1,443,475	\$ 416,029	\$ 280,473	\$ 60,929	\$ 2,200,906
Less: allowance for uncollectibles	(20,543)	(68,981)	(24,184)	(500)	(114,208)
Net Total Receivables	\$ 1,422,932	\$ 347,048	\$ 256,289	\$ 60,429	\$ 2,086,698

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 \$261,897. 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, 2018

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

Primary Government

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 89,111,268	\$ 2,962,386	\$ (601,483)	\$ 91,472,171
Capital assets, being depreciated:				
Land improvements	14,084,469	280,355	(1,200)	14,363,624
Building and improvements	104,582,253	4,657,089	(789,060)	108,450,282
Vehicles	15,515,368	1,494,097	(761,142)	16,248,323
Infrastructure	1,170,310,204	3,841,205	(509,333)	1,173,642,076
Machinery and equipment	10,214,977	790,302	(257,972)	10,747,307
Office furniture and equipment	1,010,320	-	(38,335)	971,985
Computer equipment	34,312,587	987,319	(229,578)	35,070,328
Total capital assets, being depreciated	1,350,030,178	12,050,367	(2,586,620)	1,359,493,925
Total Capital Assets	1,439,141,446	15,012,753	(3,188,103)	1,450,966,096
Accumulated depreciation for:				
Land improvements	(5,945,925)	(455,457)	1,200	(6,400,182)
Building and improvements	(34,273,410)	(3,131,554)	11,507	(37,393,457)
Vehicles	(10,770,248)	(1,420,979)	753,225	(11,438,002)
Infrastructure	(930,732,264)	(12,027,251)	458,400	(942,301,115)
Machinery and equipment	(5,562,258)	(634,646)	257,972	(5,938,932)
Office furniture and equipment	(901,577)	(18,124)	38,335	(881,366)
Computer equipment	(22,768,793)	(3,370,702)	146,691	(25,992,804)
Total accumulated depreciation	(1,010,954,475)	(21,058,713)	1,667,330	(1,030,345,858)
Governmental Activities Capital Assets, Net	\$ 428,186,971	\$ (6,045,960)	\$ (1,520,773)	\$ 420,620,238
Projects Under Construction	\$ 9,434,217	\$ 16,060,589	\$ (10,593,259)	\$ 14,901,547

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2018

5. CAPITAL ASSETS (continued)

Primary Government (continued)

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 12,190,961	\$ -	\$ -	\$ 12,190,961
Capital assets, being depreciated:				
Land improvements	145,812,772	1,743,338	(2,802)	147,553,308
Building and improvements	63,516,245	488,952	(1,025,620)	62,979,577
Facilities	119,022,009	3,598,589	-	122,620,598
Vehicles	8,285,358	379,231	(594,648)	8,069,941
Machinery and equipment	12,009,824	46,904	(165,956)	11,890,772
Office furniture and equipment	288,434	-	(15,447)	272,987
Computer equipment	2,426,693	139,817	(342,518)	2,223,992
Treatment plants	68,463,215	30,481,683	(83,821)	98,861,077
Total capital assets, being depreciated	419,824,550	36,878,514	(2,230,812)	454,472,252
Total Capital Assets	432,015,511	36,878,514	(2,230,812)	466,663,213
Accumulated depreciation for:				
Land improvements	(93,294,879)	(7,165,083)	2,801	(100,457,161)
Building and improvements	(20,504,886)	(1,573,027)	327,144	(21,750,769)
Facilities	(34,320,628)	(1,564,860)	-	(35,885,488)
Vehicles	(6,777,533)	(488,125)	459,648	(6,806,010)
Machinery and equipment	(9,216,195)	(577,967)	164,894	(9,629,268)
Office furniture and equipment	(288,435)	-	15,447	(272,988)
Computer equipment	(2,288,042)	(73,647)	342,518	(2,019,171)
Treatment plants	(24,688,403)	(1,324,903)	80,682	(25,932,624)
Total accumulated depreciation	(191,379,001)	(12,767,612)	1,393,134	(202,753,479)
Business-type Activities Capital Assets, Net	\$ 240,636,510	\$ 24,110,902	\$ (837,678)	\$ 263,909,734
Projects Under Construction	\$ 20,252,497	\$ 16,175,287	\$ (34,509,450)	\$ 1,918,334

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2018

5. CAPITAL ASSETS (continued)

Primary Government (continued)

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

Governmental Activities:

General Government	\$	15,161,645
Public Safety		4,635,157
Park, recreation and culture		340,801
Conservation of Natural Resources		21,048
Highways and streets		860,036
Total Depreciation Expense - Governmental Activities	\$	21,018,687

Business-Type Activities:

Public Transit Fund	\$	229,889
Airport Fund		6,775,870
Golf Course Fund		124,904
Water Quality Fund		3,211,917
Solid Waste Fund		2,279,491
Total Depreciation Expense – Business-Type Activities	\$	12,622,071

Board of Education

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Government activities				
Capital assets, not being depreciated:				
Land	\$ 8,657,807	\$ -	\$ -	\$ 8,657,807
Facilities under construction	127,650	1,290,165	(20,000)	1,397,815
	<u>8,785,457</u>	<u>1,290,165</u>	<u>(20,000)</u>	<u>10,055,622</u>
Capital assets, being depreciated:				
Building and improvements	346,833,169	-	(8,163)	346,825,006
Furniture and equipment	48,974,852	3,023,737	(1,603,397)	50,395,192
Equipment under capital leases	5,543,835	-	-	5,543,835
	<u>401,351,856</u>	<u>3,023,737</u>	<u>(1,611,560)</u>	<u>402,764,033</u>
Accumulated depreciation:				
Building and improvements	(143,869,733)	(7,411,664)	188	(151,281,209)
Furniture and equipment	(31,529,237)	(3,309,047)	1,580,330	(33,257,954)
Buildings and equipment under capital lease	(1,660,087)	(1,342,303)	-	(3,002,390)
	<u>(177,059,057)</u>	<u>(12,063,014)</u>	<u>1,580,518</u>	<u>(187,541,553)</u>
Governmental activities capital assets, net	\$ 233,078,256	\$ (7,749,112)	\$ (51,042)	\$ 225,278,102

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2018

5. CAPITAL ASSETS (continued)

Board of Education (continued)

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Business-type activities				
Capital assets, being depreciated:				
Furniture and equipment	\$ 5,218,682	\$ 193,828	\$ (135,791)	\$ 5,276,719
Accumulated depreciation				
Furniture and equipment	(3,573,839)	(268,574)	111,369	(3,731,044)
Business-type activities capital assets, net	\$ 1,644,843	\$ (74,746)	\$ (24,422)	\$ 1,545,675

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

Governmental activities:	
Other instructional costs	\$ 2,781,419
Student transportation services	1,369,647
Operation of plant	209,322
Depreciation - unallocated	7,702,626
Total governmental activities depreciation expense	\$ 12,063,014
Business-type activities:	
Food services	\$ 268,574

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

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	\$ 62,263,606
	HEPMPO	68,317
	Grant	
	Management	93,923
Total		<u>\$ 62,425,846</u>

Board of Education

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Component unit - Board of Education	Primary government - capital projects	\$ 87,002

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

7. INTERFUND TRANSACTIONS (continued)

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	\$ -	\$ -	\$ 90,000	\$ 6,942,000
Solid Waste	-	473,630	-	-
Public Transit	-	484,470	-	-
Water Quality	-	201,950	-	-
Grants Management	-	296,220	-	-
Agricultural Education Center	-	183,940	-	-
Golf Course	-	569,020	-	-
HEPMPO	-	7,950	-	-
Land Preservation	-	152,773	-	-
Airport	-	14,500	-	-
Capital Projects Fund:				
General Fund	-	-	5,890,000	90,000
Highway Fund	-	-	466,000	-
Airport Fund	-	-	200,000	-
Hotel Rental Fund	-	-	-	114,347
Golf Course	-	-	51,000	-
Transit	-	-	335,000	-
Land Preservation	-	-	-	400,000
Solid Waste:				
General Fund	473,630	-	-	-
Public Transit:				
General Fund	484,470	-	-	-
HEPMPO	-	17,310	-	-
Water Quality:				
General Fund	201,950	-	-	-
Airport:				
General Fund	14,500	-	-	-
Hotel Rental	50,000	-	-	-
Golf Course:				
General Fund	569,020	-	-	-
Grant Management Fund:				
General Fund	296,220	-	-	-
Agricultural Education Center:				
General Fund	183,940	-	-	-
HEPMPO:				
General Fund	7,950	-	-	-
Public Transit Fund	17,310	-	-	-
Hotel Rental:				
Airport	-	-	114,347	-
Cascade Town Centre	-	50,000	-	-
Land Preservation:				
General Fund	152,773	-	-	-
Capital Projects Fund	-	-	400,000	-
Total	<u>\$ 2,451,763</u>	<u>\$ 2,451,763</u>	<u>\$ 7,546,347</u>	<u>\$ 7,546,347</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2018

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:

	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Governmental Activities</i>						
Bonds payable:						
General obligation bonds	2.0-5.5%	\$ 137,021,844	\$ 12,000,000	\$ 9,553,713	\$ 139,468,131	\$ 8,549,084
Unamortized bond premium		7,253,008	701,815	992,728	6,962,095	-
Total bonds payable		<u>144,274,852</u>	<u>12,701,815</u>	<u>10,546,441</u>	<u>146,430,226</u>	<u>8,549,084</u>
Other loans payable						
Maryland Water Quality loans	1.0%	<u>4,302,697</u>	<u>-</u>	<u>480,204</u>	<u>3,822,493</u>	<u>767,035</u>
Total bonds and loans payable		<u>148,577,549</u>	<u>12,701,815</u>	<u>11,026,645</u>	<u>150,252,719</u>	<u>9,316,119</u>
Agricultural Land Preservation	3.0%	1,338,109	331,000	181,779	1,487,330	181,779
Capital lease obligations	2.1%	835,781	267,419	263,627	839,573	258,158
Net pension liability		<u>109,487,588</u>	<u>2,040,529</u>	<u>-</u>	<u>111,528,117</u>	<u>-</u>
Governmental Activity Long-term Liabilities		<u>260,239,027</u>	<u>15,340,763</u>	<u>11,472,051</u>	<u>264,107,739</u>	<u>9,756,056</u>
<i>Business-type Activities</i>						
Bonds payable:						
General obligation bonds	2.0-5.9%	\$ 36,986,241	\$ 2,485,000	\$ 2,887,882	\$ 36,583,359	\$ 2,681,261
Unamortized bond premium		1,710,775	145,334	214,207	1,641,902	-
Unamortized bond discount		(3,865)	-	(1,972)	(1,893)	-
Total bonds payable		<u>38,693,151</u>	<u>2,630,334</u>	<u>3,100,117</u>	<u>38,223,368</u>	<u>2,681,261</u>
Other loans payable:						
Maryland Water Quality loans	.40-1.7%	<u>11,537,186</u>	<u>1,849,660</u>	<u>1,505,565</u>	<u>11,881,281</u>	<u>2,357,346</u>
Total bonds and loans payable		<u>50,230,337</u>	<u>4,479,994</u>	<u>4,605,682</u>	<u>50,104,649</u>	<u>5,038,607</u>
Capital lease obligations	4.9%	<u>94,139</u>	<u>-</u>	<u>29,027</u>	<u>65,112</u>	<u>30,200</u>
Business-type Activity Long-term Liabilities		<u>50,324,476</u>	<u>4,479,994</u>	<u>4,634,709</u>	<u>50,169,761</u>	<u>5,068,807</u>
<i>Total Combined Activities</i>						
Long-term Liabilities		<u>\$ 310,563,503</u>	<u>\$ 19,820,757</u>	<u>\$ 16,106,760</u>	<u>\$ 314,277,500</u>	<u>\$ 14,824,863</u>
<i>Board of Education</i>						
	1.95-11.64%	<u>\$ 2,870,924</u>	<u>\$ -</u>	<u>\$ 710,845</u>	<u>\$ 2,160,079</u>	<u>\$ 1,062,366</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2018

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		Combined Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 9,316,119	\$ 4,784,256	\$ 5,038,607	\$ 2,914,894	\$ 14,354,726	\$ 7,699,150
2020	9,982,974	4,602,509	4,511,864	2,884,875	14,494,838	7,487,384
2021	10,463,725	4,217,618	3,404,401	1,101,746	13,868,126	5,319,364
2022	9,668,994	3,826,026	3,535,883	1,009,001	13,204,877	4,835,027
2023	9,655,286	3,459,416	3,709,399	917,167	13,364,685	4,376,583
2024-2028	46,506,801	12,010,910	13,128,148	3,236,607	59,634,949	15,247,517
2029-2033	30,913,553	5,331,121	9,904,985	1,438,964	40,818,538	6,770,085
2034-2038	15,938,162	1,213,219	5,056,363	336,754	20,994,525	1,549,973
2039	845,010	14,259	174,989	2,952	1,019,999	17,211
Total	<u>\$ 143,290,624</u>	<u>\$ 39,459,334</u>	<u>\$ 48,464,639</u>	<u>\$ 13,842,960</u>	<u>\$ 191,755,263</u>	<u>\$ 53,302,294</u>
Plus (Less):						
Unamortized discount	-		(1,893)		(1,893)	
Unamortized premium	6,962,095		1,641,903		8,603,998	
	<u>\$ 150,252,719</u>		<u>\$ 50,104,649</u>		<u>\$ 200,357,368</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, 2018, the unused authorization was \$81,740,722.

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, 2018, there were Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$47,134,350.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

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, 2018, are as follows:

As of June 30,	Principal	Interest	Total Requirement
2019	\$ 181,779	\$ 29,747	\$ 211,526
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
Thereafter	578,435	24,462	602,897
Total	\$ 1,487,330	\$ 136,839	\$ 1,624,169

For the year ended June 30, 2018, total principal and interest incurred related to agricultural land preservation installments was \$181,779 and \$26,762, 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, 2018

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

Primary Government (continued)

Capital Leases (continued)

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 285,452
2020	277,913
2021	277,913
2022	56,905
2023	3
Total minimum payments	898,186
Less: amounts representing interest	58,613
Present value of net minimum lease payments	<u>\$ 839,573</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>
2019	\$ 32,575
2020	18,325
2021	18,325
Total minimum payments	69,225
Less: amounts representing interest	4,113
Present value of net minimum lease payments	<u>\$ 65,112</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2018

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, 2018.

	Capitalized Amount	Accumulated Depreciation	Net Book Value 2018
General Fund	\$ 1,875,771	\$ 227,418	\$ 1,648,353
Water Quality	161,955	75,728	86,227
Total	\$ 2,037,726	\$ 303,146	\$ 1,734,580

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
2019	\$ 1,119,075	\$ 1,062,366	\$ 56,709
2020	1,118,565	1,097,713	20,852
Total	\$ 2,237,640	\$ 2,160,079	\$ 77,561

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, 2018, \$9,615,000 of long-term obligations outstanding are considered defeased.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

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, 2018

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, 2018

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, 2018

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, 2018, rental income for the above leases of \$910,593 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. Under the lease agreement, Spirit Services, Inc., 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, 2018, outsourcing revenue of \$345,600 was recognized in the Water Quality Fund.

On January 19, 2012, Black Rock Golf Course entered into a new lease for golf carts. The agreement called for monthly lease payments of \$8,077 payable from April through November of each year. The lease term is for six years commencing on March 1, 2012.

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

Total lease payments for the year ended June 30, 2018, were \$62,193.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2018

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, 2018, 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, 2018, was \$2,911,918 and \$521,073, 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, 2018 amounted to \$6,885,845. Total employee related costs associated and accrued with these compensated absences amounted to \$489,333 at June 30, 2018. For governmental funds, \$277,186 at June 30, 2018 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, 2018. 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, 2018

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, 2018

11. RETIREMENT PLANS (continued)

Primary Government (continued)

The net pension liability by plan is as follows:

Retirement Plan	
Net Pension Liability	\$ 110,611,971
LOSAP Plan	
Net Pension Liability	916,146
Total	<u><u>\$ 111,528,117</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, 2018, which is the latest actuarial report available.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

11. RETIREMENT PLANS (continued)

Primary Government (continued)

Membership of the Plan

The membership consisted of the following as of June 30, 2018, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	380
Terminated Plan members entitled to but not yet receiving benefits	49
Active Plan members	789
Total	1,218

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, 2018 is as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Large Cap Equity	45%	5%
Domestic Mid/Small Cap Equities	8%	6%
International equity	13%	6%
Real Estate Investment Trusts	4%	7%
Core Fixed income	26%	2%
High Yield Bonds	3%	5%
Cash	1%	2%
Inflation		2%
Total	100%	

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

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, 2018, actuarial valuation using the projected unit credit cost method. The actuarial assumptions included (a) 7.50% 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, 2018 is as follows:

Total pension liability	\$ 228,301,405
Net position	<u>(117,689,434)</u>
Net pension liability	<u><u>\$ 110,611,971</u></u>

Net position as a percentage of total pension liability is 51.55%.

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 7.50% 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 (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	1.0% decrease (6.50%)	Current rate 7.50%	1.0% increase (8.50%)
Net pension liability	<u><u>\$ 137,585,020</u></u>	<u><u>\$ 110,611,971</u></u>	<u><u>\$ 88,193,705</u></u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2018

11. RETIREMENT PLANS (continued)

Primary Government (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the County recognized pension expense of \$18,600,279 for the Plan. As of June 30, 2018, 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	\$ 8,127,353	\$ -
Change in assumptions	13,213,970	-
Net difference between projected and actual investment earnings	3,058,978	3,365,358
Total	\$ 24,400,301	\$ 3,365,358

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

Years Ended June 30,	Amount
2019	\$ 7,840,889
2020	7,395,291
2021	6,088,599
2022	(289,836)
2023	-
Thereafter	-
Total	\$ 21,034,943

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, 2018

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 69.66%, 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, 2018

11. RETIREMENT PLANS (continued)

Board of Education (continued)

Washington County School System contributions totaling \$1,745,013 and \$1,501,485 for fiscal years 2018 and 2017, respectively; and contributions by the State of Maryland on behalf of the School System totaling \$16,392,995 and \$16,286,682 for fiscal years 2018 and 2017, respectively. All contributions were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed annually.

At June 30, 2018, 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	\$ -	\$ 15,951,949
State's proportionate share of net position liability associated with the School System	174,161,097	-
Total	\$ 174,161,097	\$ 15,951,949

For the year ended June 30, 2018, the School System recognized pension expense of \$20,280,926 related to governmental activities and (\$53,769) related to business-type activities. As of June 30, 2018, 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	\$ 3,319,802	\$ -
Net difference between projected and actual investment earnings	79,413	-
Difference between actual and expected experience	-	2,633,358
School System contributions subsequent to the measurement date	1,745,013	-
Total	\$ 5,144,228	\$ 2,633,358

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

11. RETIREMENT PLANS (continued)

Board of Education (continued)

The \$1,745,013 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>
2019	\$ 258,005
2020	258,005
2021	258,005
2022	258,005
2023	(266,163)
Thereafter	-
Total	<u><u>\$ 765,857</u></u>

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

The following presents the net pension liability of the plan, calculated using a discount rate of 7.50% 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 (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	<u>1.0% decrease (6.50%)</u>	<u>Current rate 7.50%</u>	<u>1.0% increase (8.50%)</u>
Net pension liability	<u>\$ 22,607,068</u>	<u>\$ 15,951,949</u>	<u>\$ 10,430,079</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, 2018

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 \$946,900 which is reflected in the accompanying financial statements as of June 30, 2018. Changes in the claims liability were as follows:

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2018

12. RISK MANAGEMENT (continued)

Primary Government (continued)

	Years Ended June 30,	
	2018	2017
Liability, beginning of year	\$ 867,189	\$ 1,150,931
Premiums collected and changes in estimates during the year	15,131,719	14,057,816
Claims and administrative costs paid	(15,052,008)	(14,341,558)
Liability, end of year	<u>\$ 946,900</u>	<u>\$ 867,189</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 \$1,083,777, which is reflected in the accompanying financial statements as of June 30, 2018. Changes in the claims liability were as follows:

	Years Ended June 30,	
	2018	2017
Liability, beginning of year	\$ 656,541	\$ 741,292
Premiums collected and changes in estimates during the year	1,207,112	577,364
Claims and administrative costs paid	(779,876)	(662,115)
Liability, end of year	<u>\$ 1,083,777</u>	<u>\$ 656,541</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

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, 2018

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 \$41,173,555 and \$33,598,869 for the years ended June 30, 2018 and 2017, respectively.

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, 2018 and 2017. 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,	
	2018	2017
Liability, beginning of year	\$ 3,001,681	\$ 3,123,917
Claims and changes in estimates during the year	46,274,718	46,473,547
Claims paid and accrued	(46,400,992)	(46,595,783)
Liability, end of year	<u>\$ 2,875,407</u>	<u>\$ 3,001,681</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, 2018

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	\$ 8,523,815	\$ 793,186
Noncurrent assets	146,674,200	4,784,500
Total Assets	<u>155,198,015</u>	<u>5,577,686</u>
 DEFERRED OUTFLOW OF RESOURCES	 164,462	 130,112
LIABILITIES		
Other current liabilities	6,065,407	1,112,039
Noncurrent liabilities	27,196,930	1,890,859
Total Liabilities	<u>33,262,337</u>	<u>3,002,898</u>
 Net Position		
Net investment in capital assets	120,566,113	2,357,142
Unrestricted	2,852,726	-
Restricted - capital projects	(1,318,699)	347,759
Total Net Position	<u><u>\$ 122,100,140</u></u>	<u><u>\$ 2,704,901</u></u>
 CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION		
Operating revenue	\$ 10,273,551	\$ -
Lease income	-	345,660
Depreciation expense	(2,523,442)	(184,656)
Other operating expenses	(8,684,871)	(21,025)
Operating income	<u>(934,762)</u>	<u>139,979</u>
 Non-operating revenue (expenses):		
Interest expense	(815,077)	(109,989)
Interest income	133,783	-
Capital contributions	9,431,125	-
 Change in Net Position	 7,815,069	 29,990
Net Position, beginning of year	114,285,071	2,674,911
Net Position, End of Year	<u><u>\$ 122,100,140</u></u>	<u><u>\$ 2,704,901</u></u>
 CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided (used) by:		
Operating activities	\$ 1,284,556	\$ 295,835
Capital and related financing activities	9,123,333	(853,430)
Investing activities	(15,036,453)	-
Net increase	(4,628,564)	(557,595)
Cash and cash equivalents, beginning of year	9,719,553	1,350,781
Cash and Cash Equivalents, End of Year	<u><u>\$ 5,090,989</u></u>	<u><u>\$ 793,186</u></u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

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 \$143,723 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, 2018.

The Resh Landfill has reported a landfill post-closure care liability of \$4,176,488 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, 2018.

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, 2018. The Rubble Landfill was closed in December 2000. No current expense was recognized in the Solid Waste Fund for the year ended June 30, 2018.

The 40 West Landfill began operation in fiscal year 2001. The estimated life of this landfill is approximately 120 years as of June 30, 2018, it is estimated that approximately 18.99% of the capacity has been used. The estimated costs associated with closure and post-closure care of \$8,933,648 was reported as a liability in the Solid Waste Fund at June 30, 2018. 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, 2018, as specified in 40CFR258.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

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, fifty-five retirees are receiving benefits and thirty-five 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.

The County offered a special termination benefit to employees that retired between July 1, 1995 and September 30, 1995. Those employees are receiving health care benefits (managed care program) from the date of retirement until they are eligible for Medicare or turn 65. One former employee is receiving this benefit.

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, 2018

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 \$1,877,923 which was \$927,923 over the actuarially determined contribution of \$950,000.

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, 2018 is as follows:

Total OPEB liability	\$ 21,660,608
Net position	<u>(23,080,238)</u>
Net OPEB liability (asset)	<u>\$ (1,419,630)</u>

Net position as a percentage of total OPEB liability is 106.55%.

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, 2018 is as follows:

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2018

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, 2018, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.50% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 7.8% initially, reduced by decrements to an ultimate rate of 4% after three years. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement plan asset returns. The unfunded actuarial accrued liability (UAAL) is being amortized as a level dollar charge on an open basis. The remaining amortization period as of June 30, 2018, 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 7.50% 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 (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	1.0% decrease (6.50%)	Current rate 7.50%	1.0% increase (8.50%)
Net OPEB liability (asset)	<u>\$ 468,925</u>	<u>\$ (1,419,630)</u>	<u>\$ (3,118,229)</u>

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

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

	1.0% decrease (2.90%)	Trend rate 3.90%	1.0% increase (4.90%)
Net OPEB liability (asset)	<u>\$ (3,599,431)</u>	<u>\$ (1,419,630)</u>	<u>\$ 1,129,662</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2018

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Primary Government (continued)

For the fiscal year ended June 30, 2018, Washington County Government recognized an OPEB expense of \$711,101. At June 30, 2018, 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	\$ -	\$ 2,814,047
Changes of assumptions	-	195,466
Net difference between projected and actual earnings	-	115,621
Total	\$ -	\$ 3,125,134

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	\$ (458,836)
2020	(458,836)
2021	(458,836)
2022	(458,837)
2023	(429,931)
Thereafter	(859,858)
Total	\$ (3,125,134)

During the year ended June 30, 2018, the School System adopted *GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which requires the School System to record the net OPEB liability, deferred outflows and inflows or resources and OPEB expense.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

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 2018. 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, 2018 and 2017, the School Systems average contribution rate was 8.69% and 8.77%, respectively of covered payroll. Employees are not required to contribute to the plan. 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, 2018

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 2,032 eligible retirees and their dependents at June 30, 2018.

Net OPEB Liability

The components of the net OPEB liability of the School System as of June 30, 2018, were as follows:

Total OPEB liability	\$ 293,815,000
Net position	<u>(55,491,860)</u>
Net OPEB liability	<u>\$ 238,323,140</u>

Plan fiduciary net position as a percentage of the total OPEB liability was 18.89%.

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 5.50% 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 (4.50%) or 1-percentage point higher (6.50%) than the current rate:

	1.0% decrease (4.50%)	Current rate 5.50%	1.0% increase (6.50%)
Net OPEB liability (asset)	<u>\$ 284,544,140</u>	<u>\$ 238,323,140</u>	<u>\$ 200,797,140</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

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 (2.90%)	Trend rate 3.90%	1.0% increase (4.90%)
Net OPEB liability (asset)	<u>\$ 196,050,140</u>	<u>\$ 238,323,140</u>	<u>\$ 292,322,140</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, 2018. 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, 2018, 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, 2018

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 June 13, 2017, the Commissioners adopted an ordinance declaring 63 acres as surplus property and to approve the conveyance of that property to Cascade Town Centre Development, LLC. The County is working with, JG Business Link International, to develop the project.

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, 2018, the School System had entered into various school construction commitments, that will be funded by the State of Maryland or County sources, totaling approximately \$6,093,000, 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, 2019 were approximately \$119,944. Rent expense for these leases amounted to \$135,488 for the year ended June 30, 2018.

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, 2018

18. COMMITTED AND ASSIGNED FUND BALANCES

Fund balances reflected in the governmental funds balance sheet as of June 30, 2018 are categorized as follows:

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Non-Spendable				
Inventory	\$ 732,400	\$ -	\$ -	\$ 732,400
Long-term receivable	620,730	-	-	620,730
Restricted				
Programs and activities	643,383	-	1,244,390	1,887,773
Workers compensation	178,214	-	-	178,214
Capital projects	-	28,539,436	-	28,539,436
Committed				
Contingencies	39,118,948	-	-	39,118,948
Programs and activities	435,724	-	1,830,938	2,266,662
Capital projects	-	43,444,689	-	43,444,689
Assigned				
Programs and activities	17,253	-	109,153	126,406
Unassigned	-	-	(37,360)	(37,360)
Totals	\$ 41,746,652	\$ 71,984,125	\$ 3,147,121	\$ 116,877,898

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.

The 2017 calendar year census shows 753 volunteers receiving at least 50 points, which qualifies them for LOSAP credit. 183 retired volunteers and 10 spouses are participating in LOSAP. The County funds LOSAP in annual amounts determined by an actuary.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

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

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, 2018 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, 2018 is as follows:

Total pension liability	\$ 10,057,737
Net position	(9,141,592)
Net pension liability	<u>\$ 916,145</u>

Net position as a percentage of total pension liability is 90.89%.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

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 7.50% 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 (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	1.0% decrease (6.50%)	Current rate 7.50%	1.0% increase (8.50%)
Net pension liability	<u>\$ 1,447,154</u>	<u>\$ 916,145</u>	<u>\$ (594,294)</u>

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

For the year ended June 30, 2018, the County recognized pension expense of (\$172,577). As of June 30, 2018, 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	\$ 767,740	\$ 3,591,562
Change in assumptions	784,953	-
Net difference between projected and actual investment earnings	257,141	245,067
Total	<u>\$ 1,809,834</u>	<u>\$ 3,836,629</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
2019	\$ (523,394)
2020	(563,697)
2021	(672,114)
2022	(614,613)
2023	171,975
Thereafter	175,048
Total	<u>\$ (2,026,795)</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2018

20. CHANGE IN ACCOUNTING PRINCIPLES

The County adopted Governmental Accounting Standard Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the fiscal year ending June 30, 2018. The implementation of the statement required the County to restate the beginning net OPEB liability. As a result, the net position restatement for the governmental activities decreased by \$5,906,701.

REQUIRED SUPPLEMENTARY INFORMATION

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COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Changes in Net OPEB Liability and Related Ratios June 30, 2018

	2018	2017
Total pension liability		
Service Cost: Retirement benefits Administration	\$ 1,025,563	\$ 954,012
Interest	1,680,908	1,546,680
Differences between expected and actual experiences	(3,216,054)	-
Changes of assumptions	(223,390)	-
Benefit payments	(655,923)	(147,184)
Net changes in total OPEB liability	(1,388,896)	2,353,508
Total OPEB liability - beginning	23,049,504	20,695,996
Total OPEB liability - ending (a)	<u>\$ 21,660,608</u>	<u>\$ 23,049,504</u>
 Plan fiduciary net position		
Contributions - employer	\$ 1,877,923	\$ 1,347,184
Net investment income	1,702,823	1,919,215
Benefit payments	(655,923)	(147,184)
Administrative expense	(21,763)	-
Net changes in plan fiduciary net position	2,903,060	3,119,215
Plan fiduciary net positions - beginning	20,177,178	17,057,963
Plan fiduciary net positions - ending (b)	<u>\$ 23,080,238</u>	<u>\$ 20,177,178</u>
 County's net OPEB - liability - ending (a) - (b)	\$ (1,419,630)	\$ 2,872,326
 Plan fiduciary net position as a percentage of total pension liability	106.55%	87.54%
 Covered employee payroll	\$ 34,848,986	\$ 33,462,000
 Net liability as a percentage of covered payroll	-4.07%	8.58%
 Annual money-weighted rate of return, net of investment expense	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, 2018

	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 950,000	\$ 1,261,000
Contributions in relation to the actuarially determined contributions	1,877,923	1,347,184
Contributions deficiency (excess)	<u>\$ (927,923)</u>	<u>\$ (86,184)</u>
Covered employee payroll	\$ 34,848,986	\$ 33,462,000
Contributions as a percentage of covered employee payroll	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% for FYE 2018
Payroll increase	3.00% for FYE 2018
Inflation	2.75% for FYE 2018
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, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service Cost: Retirement benefits Administration	\$ 5,050,740	\$ 4,903,615	\$ 3,124,202	\$ 3,508,850	\$ 6,922,217
Interest	15,612,649	11,595,913	10,745,024	10,252,003	7,708,164
Benefit payments, including refunds of member contributions	(8,172,571)	(8,860,156)	(7,789,289)	(6,880,888)	(6,004,033)
Changes of benefit terms	-	22,002,473	1,358,032	-	-
Differences between expected and actual experiences	3,555,655	3,657,687	6,532,000	-	-
Changes of assumptions	-	19,913,151	2,532,160	-	-
Net changes in total pension liability	16,046,473	53,212,683	16,502,129	6,879,965	8,626,348
Total pension liability - beginning	212,254,932	159,042,249	142,540,120	135,660,155	127,033,807
Total pension liability - ending (a)	<u>\$ 228,301,405</u>	<u>\$ 212,254,932</u>	<u>\$ 159,042,249</u>	<u>\$ 142,540,120</u>	<u>\$ 135,660,155</u>
Plan fiduciary net position					
Contributions - employer	\$ 10,510,000	\$ 7,010,000	\$ 6,621,156	\$ 6,786,549	\$ 6,017,521
Contributions - member	2,094,346	1,955,511	1,873,710	1,871,200	1,876,133
Net investment income	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	(8,172,571)	(8,860,156)	(7,789,289)	(6,880,887)	(6,004,103)
Administrative expense	(150,795)	(130,631)	(98,464)	(604,197)	(238,016)
Net changes in plan fiduciary net position	13,690,601	10,651,524	1,235,822	6,140,471	14,468,799
Plan fiduciary net positions - beginning	103,998,833	93,347,309	92,111,487	85,971,016	71,502,217
Plan fiduciary net positions - ending (b)	<u>\$ 117,689,434</u>	<u>\$ 103,998,833</u>	<u>\$ 93,347,309</u>	<u>\$ 92,111,487</u>	<u>\$ 85,971,016</u>
County's net pension - liability - ending (a) - (b)	\$ 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	51.55%	49.00%	58.69%	64.62%	63.37%
Covered employee payroll	\$ 34,848,986	\$ 33,462,000	\$ 31,662,000	\$ 33,098,009	\$ 35,288,757
Net liability as a percentage of covered payroll	317.40%	323.52%	207.49%	152.36%	140.81%
Annual money-weighted rate of return, net of investment expense	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, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 10,510,000	\$ 7,009,000	\$ 6,621,000	\$ 6,786,549	\$ 6,442,087
Contributions in relation to the actuarially determined contributions	<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>\$ -</u>	<u>\$ (1,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 424,566</u>
Covered employee payroll	\$ 34,848,986	\$ 33,462,000	\$ 31,662,000	\$ 33,098,009	\$ 35,288,757
Contributions as a percentage of covered employee payroll	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 Percentage of Payroll
Remaining amortization period	15 years for gains and losses (closed), 15 years for prior plan and assumption changes
Asset valuation method	5-year smoothed market
Inflation	3.0 percent
Salary increases	Rates vary by participant service
Investment rate of return	7.50 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, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service Cost: Retirement benefits Administration	\$ 244,565	\$ 234,716	\$ 157,984	\$ 143,037	\$ 147,049
Interest	702,309	580,130	968,187	922,814	872,518
Differences between expected and actual experiences	24,530	995,034	(6,285,232)	-	-
Changes of assumptions	-	356,243	906,099	-	-
Benefit payments, including refunds of member contributions	(555,590)	(518,538)	(490,872)	(461,316)	(431,634)
Net changes in total pension liability	415,814	1,647,585	(4,743,834)	604,535	587,933
Total pension liability - beginning	9,641,923	7,994,338	12,738,172	12,133,637	11,545,704
Total pension liability - ending (a)	<u>\$ 10,057,737</u>	<u>\$ 9,641,923</u>	<u>\$ 7,994,338</u>	<u>\$ 12,738,172</u>	<u>\$ 12,133,637</u>
Plan fiduciary net position					
Contributions - employer	\$ 600,000	\$ 600,000	\$ -	\$ 600,000	\$ 600,000
Net investment income	721,822	852,460	55,233	381,511	1,074,025
Receipts of In-kind	-	-	-	-	15,232
Benefit payments, including refunds of member contributions	(555,590)	(518,538)	(490,872)	(461,316)	(431,634)
Administrative expense	(35,075)	(30,524)	(20,610)	(23,215)	(27,429)
Net changes in plan fiduciary net position	731,157	903,398	(456,249)	496,980	1,230,194
Plan fiduciary net positions - beginning	8,410,434	7,507,036	7,963,285	7,466,305	6,236,111
Plan fiduciary net positions - ending (b)	<u>\$ 9,141,591</u>	<u>\$ 8,410,434</u>	<u>\$ 7,507,036</u>	<u>\$ 7,963,285</u>	<u>\$ 7,466,305</u>
County's net pension - liability - ending (a) - (b)	\$ 916,146	\$ 1,231,489	\$ 487,302	\$ 4,774,887	\$ 4,667,332
Plan fiduciary net position as a percentage of total pension liability	90.89%	87.23%	93.90%	62.52%	61.53%
Covered employee payroll	NA	NA	NA	NA	NA
Net liability as a percentage of covered payroll	NA	NA	NA	NA	NA
Annual money-weighted rate of return, net of investment expense	8.58%	11.36%	0.69%	5.11%	17.22%

Notes to schedule:

This information is not available for FY13 and prior.

Benefit changes: None.

Change of assumptions: None.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Volunteer Length of Service Award Fund Employer Contributions June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 466,726	\$ 466,726	\$ -	\$ 600,000	\$ 585,843
Contributions in relation to the actuarially determined contributions	600,000	600,000	-	600,000	600,000
Contributions deficiency (excess)	<u>\$ (133,274)</u>	<u>\$ (133,274)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,157)</u>
Covered employee payroll	NA	NA	NA	NA	NA
Contributions as a percentage of covered employee payroll	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	15 years for gains and losses (closed), 20 years for prior plan and assumption changes
Asset valuation method	Market Value
Inflation	3.0 percent
Salary increases	None
Investment rate of return	7.50 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, 2018

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, 2018

Non-Major Proprietary Funds

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Balance Sheet – Non-Major Governmental Funds As of June 30, 2018

	Grant Management	Cascade Town Centre	Inmate Welfare	Contraband	Agricultural Education Center	Hotel Rental Tax	Gaming	Land Preservation	HEPMPO	Total Non-major Funds
ASSETS										
Cash	\$ -	\$ 1,657,772	\$ 202,910	\$ 302,007	\$ 29,952	\$ 690,277	\$ 1,581,849	\$ 663,874	\$ -	\$ 5,128,641
Accounts receivable	-	15,203	-	-	-	399,728	85,504	-	-	500,435
Due from other governmental agencies	305,306	-	-	-	-	-	-	188	68,569	374,063
TOTAL ASSETS	<u>\$ 305,306</u>	<u>\$ 1,672,975</u>	<u>\$ 202,910</u>	<u>\$ 302,007</u>	<u>\$ 29,952</u>	<u>\$ 1,090,005</u>	<u>\$ 1,667,353</u>	<u>\$ 664,062</u>	<u>\$ 68,569</u>	<u>\$ 6,003,139</u>
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	\$ 189,169	\$ 14,120	\$ 24,601	\$ -	\$ 7,562	\$ 319,406	\$ 1,554,691	\$ 49	\$ 21,987	\$ 2,131,585
Due to other funds	93,922	-	-	-	-	-	-	-	68,317	162,239
Accrued expenses	8,805	9,903	1,486	-	1,505	-	4,244	6,004	18	31,965
Other liabilities	-	-	-	-	-	-	20,150	49,114	-	69,264
Unearned revenue	-	1,964	-	148,152	-	-	-	310,849	-	460,965
TOTAL LIABILITIES	<u>291,896</u>	<u>25,987</u>	<u>26,087</u>	<u>148,152</u>	<u>9,067</u>	<u>319,406</u>	<u>1,579,085</u>	<u>366,016</u>	<u>90,322</u>	<u>2,856,018</u>
FUND BALANCES										
Restricted	13,410	-	176,823	153,855	-	770,599	-	129,703	-	1,244,390
Committed	-	1,646,988	-	-	-	-	-	183,950	-	1,830,938
Assigned	-	-	-	-	20,885	-	88,268	-	-	109,153
Unassigned	-	-	-	-	-	-	-	(15,607)	(21,753)	(37,360)
TOTAL FUND BALANCES	<u>13,410</u>	<u>1,646,988</u>	<u>176,823</u>	<u>153,855</u>	<u>20,885</u>	<u>770,599</u>	<u>88,268</u>	<u>298,046</u>	<u>(21,753)</u>	<u>3,147,121</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 305,306</u>	<u>\$ 1,672,975</u>	<u>\$ 202,910</u>	<u>\$ 302,007</u>	<u>\$ 29,952</u>	<u>\$ 1,090,005</u>	<u>\$ 1,667,353</u>	<u>\$ 664,062</u>	<u>\$ 68,569</u>	<u>\$ 6,003,139</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds For the Year Ended June 30, 2018

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,144,404	\$ -	\$ 169,121	\$ -	\$ 2,313,525
Licenses and permits	-	-	-	-	-	-	2,163,086	-	-	2,163,086
Charges for services	-	-	387,015	-	-	-	-	-	-	387,015
Revenue from uses of property	-	52,600	-	-	39,720	-	-	-	-	92,320
Reimbursed expenses	-	-	-	-	1,053	-	-	-	-	1,053
Miscellaneous revenues	-	2,151.00	94,585	186,823	52	-	-	-	24,442	308,053
Shared taxes and grants	1,297,021	-	-	-	-	-	-	700,071	435,445	2,432,537
TOTAL REVENUE	<u>1,297,021</u>	<u>54,751</u>	<u>481,600</u>	<u>186,823</u>	<u>40,825</u>	<u>2,144,404</u>	<u>2,163,086</u>	<u>869,192</u>	<u>459,887</u>	<u>7,697,589</u>
EXPENDITURES										
Public safety	-	-	441,699	33,333	-	-	988,187	-	-	1,463,219
Parks, recreation and culture	-	-	-	-	221,882	-	-	-	-	221,882
Land preservation	-	-	-	-	-	-	-	1,389,486	-	1,389,486
General operations	-	1,171,294	-	-	-	181,712	139,627	-	-	1,492,633
Community promotion	1,588,644	-	-	-	-	1,455,943	988,187	-	488,884	4,521,658
TOTAL EXPENDITURES	<u>1,588,644</u>	<u>1,171,294</u>	<u>441,699</u>	<u>33,333</u>	<u>221,882</u>	<u>1,637,655</u>	<u>2,116,001</u>	<u>1,389,486</u>	<u>488,884</u>	<u>9,088,878</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(291,623)</u>	<u>(1,116,543)</u>	<u>39,901</u>	<u>153,490</u>	<u>(181,057)</u>	<u>506,749</u>	<u>47,085</u>	<u>(520,294)</u>	<u>(28,997)</u>	<u>(1,391,289)</u>
OTHER FINANCING SOURCES										
Transfers in	296,220	-	-	-	183,940	114,347	-	552,773	25,260	1,172,540
Transfers out	-	-	-	-	-	(50,000)	-	-	-	(50,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>296,220</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,940</u>	<u>64,347</u>	<u>-</u>	<u>552,773</u>	<u>25,260</u>	<u>1,122,540</u>
NET CHANGES IN FUND BALANCES	<u>4,597</u>	<u>(1,116,543)</u>	<u>39,901</u>	<u>153,490</u>	<u>2,883</u>	<u>571,096</u>	<u>47,085</u>	<u>32,479</u>	<u>(3,737)</u>	<u>(268,749)</u>
FUND BALANCES - BEGINNING OF YEAR	<u>8,813</u>	<u>2,763,531</u>	<u>136,922</u>	<u>365</u>	<u>18,002</u>	<u>199,503</u>	<u>41,183</u>	<u>265,567</u>	<u>(18,016)</u>	<u>3,415,870</u>
FUND BALANCES - END OF YEAR	<u>\$ 13,410</u>	<u>\$ 1,646,988</u>	<u>\$ 176,823</u>	<u>\$ 153,855</u>	<u>\$ 20,885</u>	<u>\$ 770,599</u>	<u>\$ 88,268</u>	<u>\$ 298,046</u>	<u>\$ (21,753)</u>	<u>\$ 3,147,121</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statement of Net Position – Non-Major Proprietary Funds As of June 30, 2018

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
ASSETS			
Current Assets:			
Cash and short-term investments	\$ 249,719	\$ 376,545	\$ 626,264
Accounts receivable	46,013	14,416	60,429
Unbilled receivables	638	-	638
Due from other governmental agencies	752,893	-	752,893
Inventories	90,267	53,754	144,021
Total current assets	1,139,530	444,715	1,584,245
Noncurrent Assets:			
Property plant and equipment	7,326,995	4,853,643	12,180,638
Accumulated depreciation	(4,650,357)	(2,729,420)	(7,379,777)
Total noncurrent assets	2,676,638	2,124,223	4,800,861
TOTAL ASSETS	3,816,168	2,568,938	6,385,106
LIABILITIES			
Current Liabilities:			
Accounts payable	21,420	23,060	44,480
Accrued expenses	59,786	30,200	89,986
Unearned revenue	-	1,250	1,250
Compensated absences	53,265	28,940	82,205
Other liabilities	-	34,397	34,397
Total current liabilities	134,471	117,847	252,318
Noncurrent Liabilities:			
Compensated absences	17,755	9,647	27,402
TOTAL LIABILITIES	152,226	127,494	279,720
NET POSITION			
Net investment in capital assets	2,676,638	2,124,223	4,800,861
Unrestricted	987,304	317,221	1,304,525
TOTAL NET POSITION	\$ 3,663,942	\$ 2,441,444	\$ 6,105,386

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, 2018

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
OPERATING REVENUE			
Charges for services	\$ 400,491	\$ 718,205	\$ 1,118,696
Miscellaneous	14,077	17,000	31,077
TOTAL OPERATING REVENUE	414,568	735,205	1,149,773
OPERATING EXPENSES			
Salaries and wages	1,331,119	457,560	1,788,679
Fringe benefits	585,953	243,425	829,378
Utilities	26,649	50,000	76,649
Insurance	28,428	8,368	36,796
Repairs and maintenance	255,011	93,667	348,678
Supplies	46,376	3,991	50,367
Cost of goods sold	-	79,016	79,016
Contracted services	189,416	3,387	192,803
Rentals and leases	53,626	64,650	118,276
Other operating	262,253	99,425	361,678
Controllable assets	354	1,976	2,330
Depreciation	229,889	124,904	354,793
TOTAL OPERATING EXPENSES	3,009,074	1,230,369	4,239,443
OPERATING LOSS	(2,594,506)	(495,164)	(3,089,670)
OTHER INCOME			
Interest, penalties & fees	6	-	6
Gain on disposal of assets	45,010	-	45,010
TOTAL OTHER INCOME	45,016	-	45,016
LOSS BEFORE OPERATING TRANSFERS AND GRANTS	(2,549,490)	(495,164)	(3,044,654)
OPERATING TRANSFERS	467,160	569,020	1,036,180
GRANTS FOR OPERATIONS	1,500,435	-	1,500,435
LOSS BEFORE CAPITAL TRANSFERS AND GRANTS	(581,895)	73,856	(508,039)
CAPITAL TRANSFERS	335,000	51,000	386,000
GRANTS FOR CAPITAL PROJECTS	460,939	-	460,939
CHANGES IN NET POSITION	214,044	124,856	338,900
NET POSITION - BEGINNING OF YEAR	3,449,898	2,316,588	5,766,486
NET POSITION - END OF YEAR	\$ 3,663,942	\$ 2,441,444	\$ 6,105,386

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statement of Cash Flows – Non-Major Proprietary Funds For the Year Ended June 30, 2018

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 185,227	\$ 730,781	\$ 916,008
Payments to suppliers	(886,512)	(418,402)	(1,304,914)
Payments to employees	(1,909,701)	(701,010)	(2,610,711)
Net Cash Used by Operating Activities	<u>(2,610,986)</u>	<u>(388,631)</u>	<u>(2,999,617)</u>
Cash Flows from Noncapital Financing Activities			
Operating contributions	1,967,595	569,020	2,536,615
Net Cash Provided by Noncapital Financing Activities	<u>1,967,595</u>	<u>569,020</u>	<u>2,536,615</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(212,392)	(63,492)	(275,884)
Loss on the sale of assets	45,010	-	45,010
Contribution for capital acquisitions	795,939	51,000	846,939
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>628,557</u>	<u>(12,492)</u>	<u>616,065</u>
Cash Flows from Investing Activities			
Interest on investments	6	-	6
Net change in cash	(14,828)	167,897	153,069
Cash, beginning of year	264,547	208,648	473,195
Cash, End of Year	<u>\$ 249,719</u>	<u>\$ 376,545</u>	<u>\$ 626,264</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (2,594,506)	\$ (495,164)	\$ (3,089,670)
Adjustments to reconcile operating loss to net cash			
from operating activities:			
Depreciation	229,889	124,904	354,793
Changes in assets and liabilities:			
Accounts receivable	(45,448)	(3,924)	(49,372)
Unbilled receivables	(36)	-	(36)
Due to/from other government entities	(178,884)	-	(178,884)
Inventories	(9,148)	(9,996)	(19,144)
Accounts payable and other liabilities	(15,251)	(4,193)	(19,444)
Accrued expenses	5,082	293	5,375
Unearned revenue	(4,973)	(500)	(5,473)
Compensated absences	2,289	(51)	2,238
Net Cash Used by Operating Activities	<u>\$ (2,610,986)</u>	<u>\$ (388,631)</u>	<u>\$ (2,999,617)</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, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUE				
Property Taxes				
Real property tax	\$ 111,037,170	\$ 111,037,170	\$ 111,458,323	\$ 421,153
Personal property tax	13,757,540	13,757,540	14,781,966	1,024,426
Property tax interest income	430,000	430,000	388,684	(41,316)
Other property tax	689,290	689,290	651,659	(37,631)
State administrative fees	(580,000)	(580,000)	(575,101)	4,899
Property tax discounts and credits	(1,731,590)	(1,731,590)	(1,593,747)	137,843
Total Property Taxes	\$ 123,602,410	\$ 123,602,410	\$ 125,111,784	\$ 1,509,374
Other Local Taxes				
Income tax	82,000,000	82,000,000	77,919,871	(4,080,129)
Admissions and amusement tax	280,000	280,000	187,039	(92,961)
Recordation tax	6,000,000	6,000,000	6,698,891	698,891
Trailer tax	525,000	525,000	582,863	57,863
Total Other Local Taxes	88,805,000	88,805,000	85,388,664	(3,416,336)
Other Revenues				
Licenses and permits	1,400,200	1,400,200	1,417,875	17,675
Court costs and fines	2,692,400	2,692,400	2,287,736	(404,664)
Charges for services	1,403,750	1,426,330	1,328,177	(98,153)
Reimbursed expenses	1,072,870	1,072,870	997,158	(75,712)
Miscellaneous revenues	325,200	408,140	763,135	354,995
Grant and shared revenues	1,978,230	3,259,158	3,267,236	8,078
Interest income	425,000	425,000	1,393,440	968,440
Transfer	-	90,000	90,000	-
Highway revenues	2,416,500	2,419,350	1,645,244	(774,106)
Total Other Revenues	11,714,150	13,193,448	13,190,001	(3,447)
TOTAL REVENUE	224,121,560	225,600,858	223,690,449	(1,910,409)
EXPENDITURES				
General Government				
Legislative				
County Commissioners	284,430	284,430	287,635	(3,205)
County Clerk	104,370	109,590	105,983	3,607
County Administrator	474,500	485,770	471,033	14,737
Public Relations & Marketing	422,630	428,670	358,856	69,814
Purchasing	534,080	541,670	440,680	100,990
Total Legislative	1,820,010	1,850,130	1,664,187	185,943

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Judicial				
Circuit Court	\$ 1,559,700	\$ 1,582,510	\$ 1,503,304	\$ 79,206
Orphan's Court	30,920	30,920	30,669	251
State's Attorney	3,451,790	3,515,560	3,431,161	84,399
Sheriff - Judicial	2,536,970	2,654,490	2,644,756	9,734
Sheriff - Process Servers	143,890	145,040	127,599	17,441
Grants	-	347,808	331,177	16,631
Total Judicial	7,723,270	8,276,328	8,068,666	207,662
Election Board	1,145,990	1,145,990	1,052,922	93,068
Financial Administration				
Budget and Finance	1,435,300	1,456,355	1,315,007	141,348
Independent Auditing	70,000	70,000	65,170	4,830
Treasurer	460,820	467,920	460,889	7,031
Information Technologies	2,403,870	2,429,170	2,410,352	18,818
Total Financial Administration	4,369,990	4,423,445	4,251,418	172,027
County Attorney	721,420	832,240	785,544	46,696
Human Resources	759,040	813,390	850,777	(37,387)
Planning and Zoning				
Planning and Zoning	725,830	737,360	663,320	74,040
Board of Zoning Appeals	53,440	53,440	52,927	513
Total Planning and Zoning	779,270	790,800	716,247	74,553
Public Works				
Department of Public Works	240,970	244,940	242,452	2,488
Plan Review and Permitting	1,484,980	1,509,720	1,403,266	106,454
Engineering	2,138,610	2,173,530	2,051,597	121,933
Construction	1,878,200	1,909,210	1,794,833	114,377
Total Public Works	5,742,760	5,837,400	5,492,148	345,252
County Owned Buildings				
Martin Luther King Center	80,400	92,400	89,316	3,084
Administrative Building	183,600	187,600	201,024	(13,424)
Administrative Building II	105,350	99,350	105,559	(6,209)
Court House	603,250	614,120	627,349	(13,229)
County Office Building	195,310	191,310	187,551	3,759
Administration Annex	53,970	53,970	43,655	10,315
Central Services	151,900	151,900	117,847	34,053
Rental Properties	2,000	25,000	25,615	(615)
Library Maintenance	36,000	36,000	31,510	4,490
Dwyer Center	29,700	29,700	29,016	684
Public Facilities Annex	53,200	53,200	59,933	(6,733)
Total County Owned Buildings	1,494,680	1,534,550	1,518,375	16,175

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Community Promotion				
Contributions to Non-profits	\$ 1,728,100	\$ 1,728,100	\$ 1,728,100	\$ -
Business Development	743,680	753,640	604,828	148,812
Total Community Promotion	2,471,780	2,481,740	2,332,928	148,812
Total General Government	27,028,210	27,986,013	26,733,212	1,252,801
Public Safety				
Sheriff Departments				
Patrol	10,253,250	10,420,540	10,628,536	(207,996)
Sheriff Auxiliary	-	-	49,047	(49,047)
Narcotics Task Force	751,950	785,290	772,923	12,367
Grants	-	298,252	202,629	95,623
Total Sheriff Departments	11,005,200	11,504,082	11,653,135	(149,053)
Fire Operations				
Volunteer Fire and Rescue - County Grants	6,886,580	6,886,580	6,804,151	82,429
Air Unit	28,220	28,220	26,970	1,250
Special Operations	474,530	474,530	484,534	(10,004)
Total Fire and Rescue Services	7,389,330	7,389,330	7,315,655	73,675
Corrections				
Detention Center	14,175,090	14,350,750	13,827,065	523,685
Central Booking	940,360	955,340	897,497	57,843
Day Reporting Center	547,030	557,650	542,781	14,869
Total Corrections	15,662,480	15,863,740	15,267,343	596,397
Other Public Safety				
911 - Communications	4,668,570	4,749,622	4,743,239	6,383
Wireless Communications	1,221,600	1,228,500	1,139,222	89,278
Emergency Management	182,990	253,540	247,085	6,455
EMS Operations	1,416,980	1,487,950	1,463,302	24,648
Fire Operations	233,050	597,490	582,973	14,517
Forensic Investigator	20,000	20,000	23,980	(3,980)
Civil Air Patrol	3,600	3,600	3,600	-
Animal Control	1,341,600	1,341,600	1,341,600	-
Grants	-	634,793	409,098	225,695
Other Public Safety	9,088,390	10,317,095	9,954,099	362,996
Total Public Safety	43,145,400	45,074,247	44,190,232	884,015

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Health	\$ 2,339,270	\$ 2,339,270	\$ 2,339,270	\$ -
Social Services	424,390	424,390	424,390	-
Education	106,796,410	106,796,410	106,796,410	-
Parks, Recreation, and Culture				
Total Contributions to Other Agencies	3,089,330	3,089,330	3,089,330	-
Parks Department	1,808,600	1,835,870	1,902,572	(66,702)
Martin L. Snook Park Pool	133,100	134,740	121,248	13,492
Fitness and Recreation	907,950	921,500	875,747	45,753
Total Parks, Recreation, and Culture	5,938,980	5,981,440	5,988,897	(7,457)
Conservation of Natural Resources				
Weed Control	200,040	226,950	218,695	8,255
Agricultural Extension Service	237,030	237,030	237,030	-
Cooperative Extension	38,730	38,730	38,730	-
Soil Conservation Service	206,040	206,040	206,040	-
Gypsy Moth Program	10,000	10,000	7,500	2,500
Total Conservation of Natural Resources	691,840	718,750	707,995	10,755
Highway	10,567,610	10,104,460	10,446,328	(341,868)
General Operations	2,614,770	1,459,198	534,133	925,065
Unallocated Employee Insurance and Benefits	2,193,330	2,193,330	252,729	1,940,601

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Intergovernmental				
Golf Course operating transfer	\$ 319,020	\$ 319,020	\$ 569,020	\$ (250,000)
HEPMPO operating transfer	7,950	7,950	7,950	-
Land Preservation operating transfer	136,550	136,550	152,773	(16,223)
Water Quality operating transfer	201,950	201,950	201,950	-
Public Transit operating transfer	484,470	484,470	484,470	-
Airport operating transfer	14,500	14,500	14,500	-
Capital Projects operating transfer	5,000,000	5,142,000	6,942,000	(1,800,000)
Solid Waste operating transfer	473,630	473,630	473,630	-
Grants Management operating transfer	316,220	316,220	296,220	20,000
Agricultural Education Center operating transfer	183,940	183,940	183,940	-
Municipality in lieu of bank shares	38,550	38,550	38,543	7
Total Intergovernmental	<u>7,176,780</u>	<u>7,318,780</u>	<u>9,364,996</u>	<u>(2,046,216)</u>
Debt Service	<u>15,204,570</u>	<u>15,204,570</u>	<u>14,745,795</u>	<u>458,775</u>
TOTAL EXPENDITURES	<u>224,121,560</u>	<u>225,600,858</u>	<u>222,524,387</u>	<u>3,076,471</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,166,062</u>	<u>\$ 1,166,062</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease			<u>267,420</u>	
TOTAL OTHER FINANCING SOURCES (USES)			<u>267,420</u>	
NET CHANGES IN FUND BALANCE			1,433,482	
FUND BALANCE - BEGINNING			<u>40,313,170</u>	
FUND BALANCE - ENDING			<u>\$ 41,746,652</u>	

OTHER SCHEDULES

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Local Management Board – Schedule of Revenue and Expenditures – Regulatory Basis For the Year Ended June 30, 2018

REVENUE

Community Partnership Agreement (CPA)	
Governor's Office for Children	672,555
Non- Community Partnership Agreement (Non-CPA)	
General Fund	296,220
Md State Department of Education	11,403
Md State Department of Education	468,841
Dept. of Housing and Community Development	144,223
Total Non-Community Partnership Agreement Revenue	<u>920,687</u>
TOTAL REVENUE	<u>1,593,242</u>

EXPENDITURES

Community Partnership Agreement (CPA)	
Administrative :	
Salaries	72,521
Benefit Costs	28,046
Benefit Costs	917
Total CPA Administrative Expenditures	<u>101,484</u>
Programs:	
Western MC Disconnected Youth	52,682
GOC-School Based Mental Health	241,560
Community Planning & Program Development	117,474
Family Centered Support Services	89,424
IACM for Children of Incarcerated Parents	69,931
Total CPA Program Expenditures	<u>571,071</u>
Non-Community Partnership Agreement (CPA)	
Administrative:	
Salaries	103,809
Benefit Costs	60,351
Advertising	117
Community Service Awards	1,500
Dues & Subscriptions	149
Small Office Equipment	150
Office Supplies	2,091
Personal Mileage	569
Postage	49
Printing Expenses	408
Travel Expenses	120
Entertainment/business expense	322
Software	153
Training	79
Copy Machine Rental	1,339
Telephone Expenses	388
Controllable Assets	30
Total Non-CPA Administrative Expenditures	<u>171,624</u>
Programs:	
School Based Mental Health	120,000
Commission on Aging	11,403
MSDE - Healthy Families	468,841
Dept. of Housing and Community Development	144,223
Total Non-CPA Program Expenditures	<u>744,467</u>
TOTAL EXPENDITURES	<u>1,588,646</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u><u>\$ 4,596</u></u>



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