

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

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

For the Year Ended June 30, 2017



JUNE 30, 2017

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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, 2017, 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 control 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 control 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 control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.



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

Opinions

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information, of the County Commissioners of Washington County, Maryland, as of June 30, 2017, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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



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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying combining and individual fund statements and local management board schedule of revenue and expenditures regulatory basis 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
November 14, 2017

A handwritten signature in black ink that reads "SB & Company, LLC". The signature is written in a cursive, flowing style.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

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

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

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

1) Government-wide Financial Statements

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

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

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

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

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

The government-wide financial statements can be found on pages 17-19 of this report.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

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 revenue 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 revenue, expenditures, and changes in fund balances for the General, Capital Projects, Community Grant Management, Cascade Town Centre, Inmate Welfare, Contraband, Agricultural Education Center, Gaming, Land Preservation, HEPMPO, and Hotel Rental Tax.

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

The basic governmental fund financial statements can be found on pages 20-23 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 activities. 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 24-26 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 27-28 of this report.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

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 29-89 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 90-104 of this report.

Financial Analysis on Government-Wide Financial Statements

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$519.4 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
	2017	2016	2017	2016	2017	2016	
<i>Current and other assets</i>	\$135,080,828	\$121,816,117	\$43,559,494	\$49,331,328	\$178,640,322	\$171,147,445	4.4%
<i>Capital assets</i>	437,621,188	435,484,009	260,889,007	250,581,641	698,510,195	686,065,650	1.8%
Total Assets	572,702,016	557,300,126	304,448,501	299,912,969	877,150,517	857,213,095	2.3%
<i>Deferred Outflow of Resources</i>	34,961,719	19,080,590	693,230	845,049	35,654,949	19,925,639	78.9%
<i>Current and other liabilities</i>	31,117,362	27,743,719	18,162,473	15,827,259	49,279,835	43,570,978	13.1%
<i>Long-term liabilities</i>	250,896,396	204,374,462	60,953,296	64,383,659	311,849,692	268,758,121	16.0%
Total Liabilities	282,013,758	232,118,181	79,115,769	80,210,918	361,129,527	312,329,099	15.6%
<i>Deferred Inflow of Resources</i>	7,660,834	5,387,342	24,646,171	25,446,173	32,307,005	30,833,515	4.8%
<i>Net Investment in Capital Assets</i>	360,133,916	364,108,056	217,144,159	210,070,287	577,278,075	574,178,343	0.5%
<i>Restricted Net Assets</i>	20,742,435	18,764,043	6,579,636	11,662,919	27,322,071	30,426,962	-10.2%
<i>Unrestricted Net Assets</i>	(62,887,208)	(43,996,906)	(22,344,004)	(26,632,279)	(85,231,212)	(70,629,185)	-20.7%
Total Net Position	\$317,989,143	\$338,875,193	\$201,379,791	\$195,100,927	\$519,368,934	\$533,976,120	-2.7%

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 \$577.3 million. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County's net position, \$27.3 million, represents resources that are subject to external restrictions on how they may be used. The remaining portion is unrestricted net assets of (\$85.2) million.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Unrestricted net assets in governmental activities have been reduced by \$50.4 million in long-term debt, resulting in unrestricted net assets of (\$62.9) 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 \$45 million and Hagerstown Community College of \$5.4 million. The capital assets acquired with these bonds are not reflected in the County's primary government financial statements.

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2017	2016	2017	2016	2017	2016
Program Revenues:						
<i>Charges for Services</i>	\$5,554,892	\$ 5,652,679	\$20,490,153	\$ 19,990,682	\$ 26,045,045	\$ 25,643,361
<i>Operating Grants and Contributions</i>	7,915,961	10,748,861	1,564,695	1,612,742	9,480,656	12,361,603
<i>Capital Grants and Contributions</i>	5,126,466	4,236,228	15,639,575	6,919,581	20,766,041	11,155,809
General Revenues:						
<i>Property Taxes</i>	122,875,515	122,058,501	-	-	122,875,515	122,058,501
<i>Local Taxes</i>	90,579,857	88,774,286	-	-	90,579,857	88,774,286
<i>Other</i>	3,191,528	3,078,809	243,595	898,079	3,435,123	3,976,888
Total Revenues	235,244,219	234,549,364	37,938,018	29,421,084	273,182,237	263,970,448
Program Expenses:						
<i>General Government</i>	51,775,364	22,855,397	-	-	51,775,364	22,855,397
<i>Public Safety</i>	50,315,938	45,580,165	-	-	50,315,938	45,580,165
<i>Health</i>	2,339,270	2,339,270	-	-	2,339,270	2,339,270
<i>Social Services</i>	373,390	454,165	-	-	373,390	454,165
<i>Education</i>	106,094,094	111,107,381	-	-	106,094,094	111,107,381
<i>Parks and Recreation</i>	6,428,680	6,189,629	-	-	6,428,680	6,189,629
<i>Natural Resources</i>	3,095,962	3,548,014	-	-	3,095,962	3,548,014
<i>Community Promotion</i>	4,461,404	5,685,839	-	-	4,461,404	5,685,839
<i>Highways and Streets</i>	28,459,092	34,514,432	-	-	28,459,092	34,514,432
<i>Interest on Long-term Debt</i>	4,655,151	4,455,552	-	-	4,655,151	4,455,552
Business-type Activities:						
<i>Water Quality</i>	-	-	13,824,032	13,064,911	13,824,032	13,064,911
<i>Solid Waste</i>	-	-	7,013,835	7,651,494	7,013,835	7,651,494
<i>Public Transit</i>	-	-	2,921,221	3,209,682	2,921,221	3,209,682
<i>Airport</i>	-	-	8,302,809	8,078,548	8,302,809	8,078,548
<i>Golf Course</i>	-	-	1,283,907	1,209,326	1,283,907	1,209,326
Total Expenses	257,998,345	236,729,844	33,345,804	33,213,961	291,344,149	269,943,805
Change in Net Position Before Transfers	(22,754,126)	(2,180,480)	4,592,214	(3,792,877)	(18,161,912)	(5,973,357)
Transfers	(1,686,650)	(1,640,665)	1,686,650	1,640,665	-	-
Contributed Capital	3,554,726	-	-	-	3,554,726	-
Change in Net Position	(20,886,050)	(3,821,145)	6,278,864	(2,152,212)	(14,607,186)	(5,973,357)
Net Position – Beginning of Year	338,875,193	342,696,338	195,100,927	197,253,139	533,976,120	539,949,477
Net Position – End of Year	\$317,989,143	\$338,875,193	\$201,379,791	\$195,100,927	\$519,368,934	\$533,976,120



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

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

The County's net position decreased by \$14,607,186 during fiscal year 2017; total net position as of June 30, 2017 was \$519.4 million representing a 2.7% decrease.

Net position in governmental activities decreased by \$20.9 million. Key factors in this decrease are as follows:

- Property tax revenue came within \$2.4 million or 2.0% of 2017 projections, including Personal property tax increase of \$1.5 million or 11.46% mainly due to increased inventory and new business.
- Income Tax revenue exceeded budget by \$1.4 million or 1.8% as a result of continued decreases in the unemployment rate which show a 13% improvement over prior year average. The average unemployment rate was 9.8% in 2010; 9.3% in 2011; 8.3% in 2012; 7.9% in 2013; 7.0% in 2014; 6.2% in 2015; and 5.4% in 2016. The current unemployment rate as of July 2017 is 4.5%.
- Recordation Tax revenue exceeded budget by \$.5 million or 8.7%. The County's housing inventory has decreased since 2011; average home prices are up from 2011; large transaction activity was up. Fiscal year 2017 large commercial recordings accounted for approximately 28% of the tax collected as compared to 21% in 2016.
- Other revenues such as permits, licenses, and court fines exceeded budget by \$1.2 million.
- An additional transfer of \$6.1 million was made to the Capital Projects, Golf Course, HEPMPO, and Land preservation to offset operating shortfalls, negative fund balance and for future project costs.
- Overall public safety expenditures reflect savings of \$.5 million resulting mainly from personnel cost savings, lower market prices in fuel products than anticipated, and favorable insurance awards during the County's bid process.
- Remaining cost centers accounted for \$1.2 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 \$.7 million; 2) change in net position differs from the change in fund balance by the cost of assets sold of \$1.1 million; 3) recording of debt proceeds greater than debt principal payments decreasing net assets by \$3.0 million; 4) compensated absences and post-retirement benefits earned exceeded financial resources used by \$28.0 million; and 5) differences in revenues and expenditures recognized between governmental funds and the statement of activities increasing net assets by \$1.9 million. These activities are reported differently on the government-wide statements vs. the fund statements.
- Capital Improvement Projects increased by \$6.2 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 \$3.2 million increase in fund balance activity.

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

Business-type activities increased the County's net position by \$6.3 million. Key elements of this increase are as follows:

- ❑ Water Quality's net position increased by \$10.3 million, for a total of \$131.8 million in net assets. The \$10.3 million net gain includes \$3.2 million in depreciation expense and capital grant contributions of \$12.7 million.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

- ❑ Solid Waste's total net position decreased by \$.7 million for a total of \$4.4 million, mainly related to depreciation expense of \$2.2 million. 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 \$59.5 million, representing a \$3.0 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 of \$2.7 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:

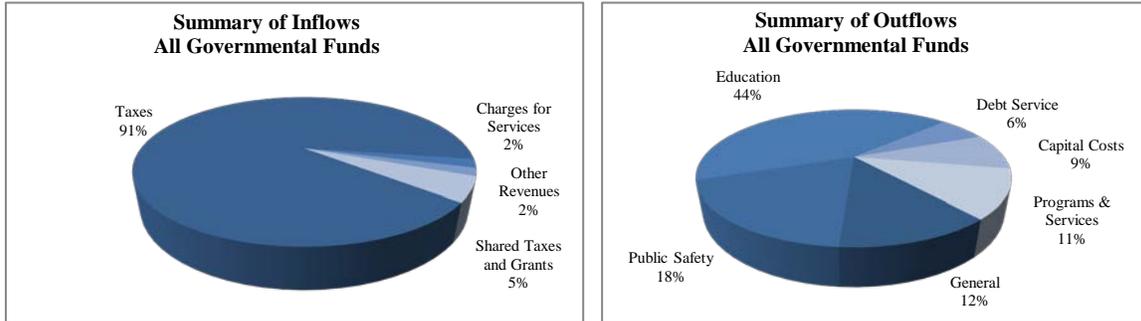
The focus of the County's governmental funds is to provide information on near term inflows, outflow, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources 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 \$108.3 million, an increase of \$10.0 million. Approximately \$37.4 million of this amount is committed for the general fund cash reserve and \$70.9 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.

<i>Governmental Activities</i>	<i>Fund Balance</i>			<i>Net Change in Fund Balance</i>		
	2017	2016	% Change	2017	2016	% Change
<i>General Fund</i>	\$ 40,313,170	\$ 39,742,148	1.44%	\$ 571,022	\$ 1,414,795	-59.64%
<i>Capital Improvement Fund</i>	64,548,129	58,357,887	10.61%	6,190,242	(4,164,115)	248.66%
<i>Community Grants Mgt</i>	8,813	5,776	52.58%	3,037	(12,049)	125.21%
<i>Cascade Town Centre Fund</i>	2,763,531	-	100.00%	2,763,531	-	100.00%
<i>Inmate Welfare Fund</i>	136,922	111,042	23.31%	25,880	13,179	96.37%
<i>Contraband Fund</i>	365	13,480	-97.29%	(13,115)	(44,230)	70.35%
<i>Agricultural Education Fund</i>	18,002	14,972	20.24%	3,030	(26,047)	111.63%
<i>Hotel Rental Tax Fund</i>	199,503	(143,319)	239.20%	342,822	(466,924)	173.42%
<i>Gaming Fund</i>	41,183	35,117	17.27%	6,066	2,924	107.46%
<i>Land Preservation Fund</i>	265,567	170,693	55.58%	94,874	200,648	-52.72%
<i>HEPMPO</i>	(18,016)	(22,915)	21.38%	4,899	8,859	-44.70%
<i>Total</i>	\$ 108,277,169	\$ 98,284,881	10.17%	\$ 9,992,288	\$ (3,072,960)	425.17%

**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, 2017.



- The **General Fund** is the chief operating fund of the County. At the end of the current fiscal year total fund balance reached \$40.3 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:

Major Revenue Factors:

- Property tax revenue came within \$2.4 million or 2.0% of 2017 projections, including Personal property tax increase of \$1.5 million or 11.46% mainly due to increased inventory and new business.
- Income Tax revenue exceeded budget by \$1.4 million or 1.8% as a result of continued decreases in the unemployment rate which show a 13% improvement over prior year average. The average unemployment rate was 9.8% in 2010; 9.3% in 2011; 8.3% in 2012; 7.9% in 2013; 7.0% in 2014; 6.2% in 2015; and 5.4% in 2016. The current unemployment rate as of July 2017 is 4.5%.
- Recordation Tax revenue exceeded budget by \$.5 million or 8.7%. The County’s housing inventory has decreased since 2011; average home prices are up from 2011; large transaction activity was up. Fiscal year 2017 large commercial recordings accounted for approximately 28% of the tax collected as compared to 21% in 2016.
- Other revenues such as permits, licenses, and court fines exceeded budget by \$1.2 million.

Major Expenditure Factors:

- An additional transfer of \$6.1 million was made to the Capital Projects, Golf Course, HEPMPO, and Land Preservation to offset operating shortfalls, negative fund balance and for future project costs.
- Overall public safety expenditures reflect savings of \$.5 million resulting mainly from personnel cost savings, lower market prices in fuel products than anticipated, and favorable insurance awards during the County’s bid process.
- Remaining cost centers accounted for \$1.2 million in savings, mainly a result of personnel cost savings, lower health claims than expected, and debt service savings.

MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2017

- ❑ 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 \$64.5 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 \$6.2 million for the current fiscal year. The change in fund balance is the result of timing differences in projects with funding proceeds and project expenditures and use of prior project savings.
- ❑ The County’s **Community 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 \$3.4 million. The net increase in fund balance during the current year was \$3.2 million. These funds represent monies designated for specific programs and services.

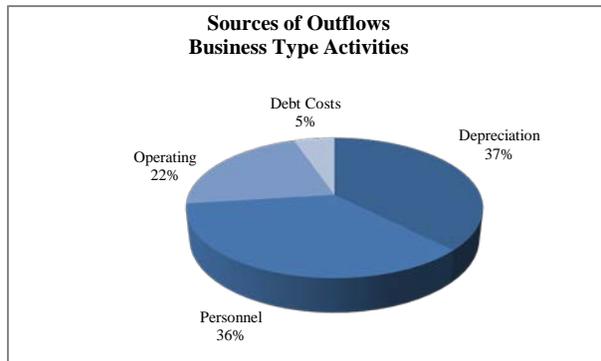
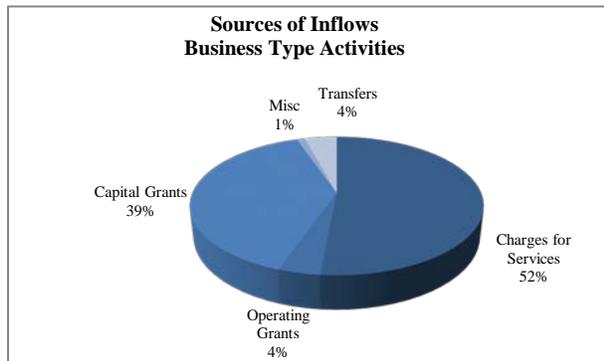
Proprietary Funds:

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

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

<i>Business-type Activities</i>	<i>Total Net Position</i>			<i>Change in Net Position</i>		
	2017	2016	% Change	2017	2016	% Change
Water Quality	\$ 131,777,498	\$ 121,496,560	8.5%	\$ 10,280,938	\$ 2,564,364	300.9%
Solid Waste	4,364,348	5,093,876	-14.3%	(729,528)	(1,377,944)	47.1%
Airport	59,471,459	62,413,162	-4.7%	(2,941,703)	(3,066,703)	4.1%
Public Transit	3,449,898	3,624,312	-4.8%	(174,414)	(432,077)	59.6%
Black Rock	2,316,588	2,473,017	-6.3%	(156,429)	160,148	-197.7%
Total	\$ 201,379,791	\$ 195,100,927	3.2%	\$ 6,278,864	\$ (2,152,212)	391.7%

The following reflects the inflows and outflows of the business-type activity funds for the fiscal year ending June 30, 2017.



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, 2017

General Fund Budgetary Analysis – Government Fund Financial Statement Basis

Washington County, Maryland
General Fund Budgetary Analysis
As of June 30, 2017
(Government Fund Basis)

Category	Budgetary Amounts			Difference	
	Original	Final	Actual	Org. Budget vs. Final Budget	Final Budget vs. Actual
Revenues:					
Property Tax	\$ 120,475,950	\$ 120,475,950	\$ 122,905,748	\$ -	\$ 2,429,798
Local Tax	84,100,000	84,100,000	86,028,978	-	1,928,978
Other Revenue	9,357,590	10,989,381	11,185,907	1,631,791	196,526
Total Revenues	213,933,540	215,565,331	220,120,633	1,631,791	4,555,302
Expenses:					
General Government	26,078,750	27,200,000	26,764,285	1,121,250	435,715
Public Safety	42,039,800	43,236,411	42,703,200	1,196,611	533,211
Health and Social Services	2,712,660	2,712,660	2,712,660	-	-
Education	104,387,080	104,387,080	104,387,080	-	-
Parks, Recreation, Natural Resources	6,416,700	6,419,630	6,548,012	2,930	(128,382)
Highways and Streets	10,365,890	9,718,890	10,368,937	(647,000)	(650,047)
General Operations	490,020	470,020	609,165	(20,000)	(139,145)
Unallocated Costs	704,640	704,640	483,556	-	221,084
Intergovernmental	5,263,000	5,241,000	11,320,588	(22,000)	(6,079,588)
Debt Service	15,475,000	15,475,000	14,688,810	-	786,190
Total Expenses	213,933,540	215,565,331	220,586,293	1,631,791	(5,020,962)
Other Financing Sources (Uses)	-	-	1,036,682	-	1,036,682
Net Increase in Assets - 06/30/17	\$ -	\$ -	\$ 571,022	\$ -	\$ 571,022

Original Budget vs. Final Budget:

The net budgetary change of \$1.6 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 \$1.6 million.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Final Budget vs. Actual Results:

Revenue was over by \$4.6 million while expenditures and other financing sources were over budget by \$5.0 million yielding a \$.6 million net increase. Property Tax experienced an increase of \$2.4 million over budget or 2.0%. Income Tax revenue exceeded budget by 1.8% or \$1.4 million. Recordation Tax exceeded final budget by \$.5 million or 8.7%. Other revenues increased by \$.02 million mainly due to a refund from a Workers Compensation audit. Offsetting the revenue change were expenditure net overages of \$5.0 million, resulting from transfers to the Golf Course and Capital Improvement funds of \$6.1 million to cover additional operating subsidy and for future project funding. Offsetting these overruns were savings of \$1.1 million recognized from personnel turnover, capital lease transactions and debt service.

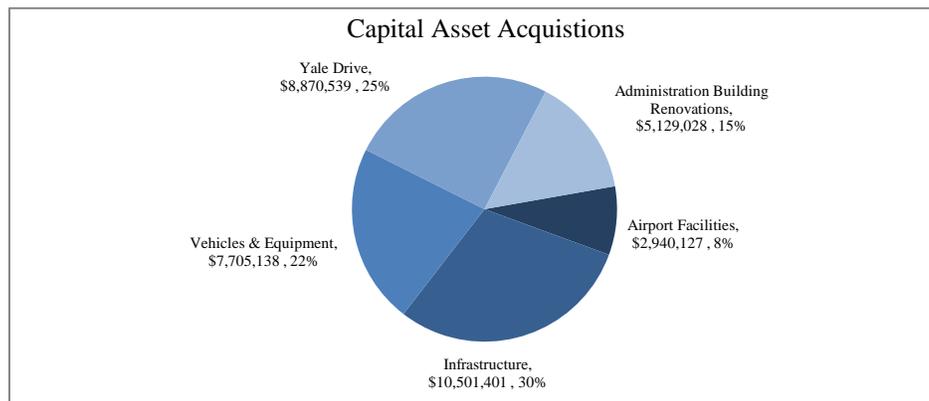
Capital Asset Administration – Government Wide Statements

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$669 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
	2017	2016	2017	2016	2017	2016	
<i>Land and Land Improvements</i>	\$97,249,812	\$93,337,991	\$64,708,854	\$68,795,678	\$161,958,666	\$162,133,669	-0.1%
<i>Building and Improvements</i>	70,308,843	66,352,086	43,011,359	44,366,741	113,320,202	110,718,827	2.3%
<i>Facilities, Lines, and Mains</i>	-	-	84,701,381	85,255,600	84,701,381	85,255,600	-0.7%
<i>Vehicles</i>	4,745,120	4,232,010	1,507,825	1,603,632	6,252,945	5,835,642	7.2%
<i>Infrastructure</i>	239,577,940	238,958,038	-	-	239,577,940	238,958,038	0.3%
<i>Machinery and Equipment</i>	4,652,719	2,477,742	2,793,629	3,156,022	7,446,348	5,633,764	32.2%
<i>Office/Computer Equipment</i>	11,652,537	13,096,379	138,650	173,472	11,791,187	13,269,851	-11.1%
<i>Treatment Plants</i>	-	-	43,774,812	43,795,328	43,774,812	43,795,328	-0.1%
Total	\$428,186,971	\$418,454,246	\$240,636,510	\$247,146,473	\$668,823,481	\$665,600,719	0.5%

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 48-51 of this report.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Debt Administration

At the end of the current fiscal year, the County had total outstanding debt, excluding capital leases, of \$198.8 million. This amount was comprised of debt backed by the full faith and credit of the County and user fees. The debt decreased by a net of \$.4 million, the result of net principal payments of \$13.8 million and new borrowings of \$14.2 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
	2017	2016	2017	2016	2017	2016	
<i>General Obligation Bonds</i>	\$ 144,274,852	\$ 142,436,609	\$38,693,151	\$39,600,931	\$ 182,968,003	\$ 182,037,540	0.5%
<i>Maryland Water Quality Bonds</i>	4,302,697	4,597,503	11,537,186	12,534,512	15,839,883	17,132,015	-7.5%
Total	\$ 148,577,549	\$ 147,034,112	\$50,230,337	\$52,135,443	\$ 198,807,886	\$ 199,169,555	-0.2%

The County's credit ratings for fiscal year 2017 are as follows: 1) Standard and Poor's rated AA+, 2) Fitch rated AA+, and 3) Moody's Investors Service rated Aa1.

Under the Code of Public Local Law, the amount of general obligation debt the County may issue associated with water quality debt is limited to 10 percent of its total assessed valuation of all real estate in the County that is subject to taxation. The current estimated debt limitation for water quality is \$1.3 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 54-58 of this report.

Economic Factors and Fiscal Year 2018

- ❑ Washington County's unemployment rate for June 2017 was 4.5% compared to 5.0% in June of 2016. 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 2018 budget year. The water and sewer revenue requirements were increased 2.9% and 3.4%, respectively. 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.



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

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 304, 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, 2017

	Primary Government			Component Unit	
	Governmental activities	Business-type activities	Total	Board of Education	Total
ASSETS					
Cash and short-term investments	\$ 6,212,761	\$ 32,902,358	\$ 39,115,119	\$ 16,614,102	\$ 55,729,221
Investments	101,683,753	-	101,683,753	18,448,603	120,132,356
Property taxes receivable, net of allowance	348,751	-	348,751	-	348,751
Accounts receivable, net of allowance	1,363,533	1,441,541	2,805,074	238,271	3,043,345
Interest receivable	172,372	-	172,372	-	172,372
Unbilled receivables	229,762	1,891,426	2,121,188	-	2,121,188
Due from other governmental agencies	20,191,128	6,761,140	26,952,268	4,890,361	31,842,629
Internal balances	61,226	(61,226)	-	-	-
Inventories	763,099	313,029	1,076,128	341,823	1,417,951
Other assets	47,706	-	47,706	1,773,671	1,821,377
Net other post employment benefits assets	3,034,375	-	3,034,375	-	3,034,375
Recoverable disbursements	230,044	-	230,044	-	230,044
Notes receivable	742,318	250,000	992,318	-	992,318
Projects under construction	9,434,217	20,252,497	29,686,714	127,650	29,814,364
Property, plant, and equipment, net	428,186,971	240,636,510	668,823,481	234,595,449	903,418,930
TOTAL ASSETS	572,702,016	304,387,275	877,089,291	277,029,930	1,154,119,221
DEFERRED OUTFLOWS OF RESOURCES					
Loss on refunding	3,015,564	693,230	3,708,794	-	3,708,794
Net pension activity	31,946,155	-	31,946,155	5,651,237	37,597,392
TOTAL DEFERRED OUTFLOWS OF RESOURCES	34,961,719	693,230	35,654,949	5,651,237	41,306,186
LIABILITIES					
Current Liabilities:					
Current maturities of long-term obligations	10,033,914	4,393,451	14,427,365	-	14,427,365
Current maturities of capital lease obligations	206,721	29,027	235,748	710,845	946,593
Current maturities of installment purchase contracts	148,679	-	148,679	-	148,679
Accounts payable	7,051,520	5,301,440	12,352,960	6,651,410	19,004,370
Accrued expenses	4,602,309	586,055	5,188,364	16,034,970	21,223,334
Accrued interest	2,354,813	5,046,556	7,401,369	-	7,401,369
Unearned revenue	415,304	2,025,001	2,440,305	2,361,434	4,801,739
Compensated absences	2,128,855	426,434	2,555,289	656,355	3,211,644
Landfill closure and post-closure costs	-	207,930	207,930	-	207,930
Other liabilities	2,651,517	85,353	2,736,870	-	2,736,870
Liabilities for unpaid claims	1,523,730	-	1,523,730	-	1,523,730
Total current liabilities	31,117,362	18,101,247	49,218,609	26,415,014	75,633,623
Noncurrent Liabilities:					
Compensated absences	1,046,683	156,476	1,203,159	6,412,111	7,615,270
Long-term obligations	138,543,635	45,836,886	184,380,521	-	184,380,521
Capital lease obligations	629,060	65,112	694,172	2,160,079	2,854,251
Installment purchase contracts	1,189,430	-	1,189,430	-	1,189,430
Landfill closure and post-closure costs	-	14,894,822	14,894,822	-	14,894,822
Net pension liability	109,487,588	-	109,487,588	48,592,544	158,080,132
Total noncurrent liabilities	250,896,396	60,953,296	311,849,692	57,164,734	369,014,426
TOTAL LIABILITIES	282,013,758	79,054,543	361,068,301	83,579,748	444,648,049
DEFERRED INFLOWS OF RESOURCES					
Service concession arrangements	-	24,646,171	24,646,171	-	24,646,171
Net pension activity	7,660,834	-	7,660,834	1,528,900	9,189,734
TOTAL DEFERRED INFLOWS OF RESOURCES	7,660,834	24,646,171	32,307,005	1,528,900	33,835,905
NET POSITION					
Net investment in capital assets	360,133,916	217,144,159	577,278,075	231,852,175	809,130,250
Restricted for:					
John Howard Trust	243,143	-	243,143	-	243,143
Capital projects	20,499,292	6,579,636	27,078,928	-	27,078,928
Unrestricted	(62,887,208)	(22,344,004)	(85,231,212)	(34,279,656)	(119,510,868)
TOTAL NET POSITION	\$ 317,989,143	\$ 201,379,791	\$ 519,368,934	\$ 197,572,519	\$ 716,941,453

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Statement of Activities
For the Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 51,775,364	\$ 4,163,039	\$ 1,099,111	\$ 16,041
Public safety	50,315,938	1,266,163	2,675,363	-
Health	2,339,270	-	-	-
Social services	373,390	-	-	-
Education	106,094,094	-	-	-
Parks, recreation and culture	6,428,680	125,690	21,155	74,878
Natural resources	3,095,962	-	1,805,690	-
Community promotion	4,461,404	-	1,313,611	-
Highways and streets	28,459,092	-	1,001,031	5,035,547
Interest on long-term debt	4,655,151	-	-	-
Total governmental activities	<u>257,998,345</u>	<u>5,554,892</u>	<u>7,915,961</u>	<u>5,126,466</u>
Business-type activities				
Water quality	13,824,032	11,150,534	-	12,663,069
Solid waste	7,013,835	5,617,487	12,750	-
Airport	8,302,809	2,524,394	53,796	2,688,373
Public transit	2,921,221	414,541	1,498,149	288,133
Black Rock golf course	1,283,907	783,197	-	-
Total business-type activities	<u>33,345,804</u>	<u>20,490,153</u>	<u>1,564,695</u>	<u>15,639,575</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 291,344,149</u>	<u>\$ 26,045,045</u>	<u>\$ 9,480,656</u>	<u>\$ 20,766,041</u>
Component unit:				
Board of Education	<u>\$ 344,973,622</u>	<u>\$ 14,182,180</u>	<u>\$ 57,583,271</u>	<u>\$ 2,247,136</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

NET POSITION - END OF YEAR

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Activities (continued)
For the Year Ended June 30, 2017

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-Type Activities	Total	Board of Education	Total
\$ (46,497,173)	\$ -	\$ (46,497,173)	\$ -	\$ (46,497,173)
(46,374,412)	-	(46,374,412)	-	(46,374,412)
(2,339,270)	-	(2,339,270)	-	(2,339,270)
(373,390)	-	(373,390)	-	(373,390)
(106,094,094)	-	(106,094,094)	-	(106,094,094)
(6,206,957)	-	(6,206,957)	-	(6,206,957)
(1,290,272)	-	(1,290,272)	-	(1,290,272)
(3,147,793)	-	(3,147,793)	-	(3,147,793)
(22,422,514)	-	(22,422,514)	-	(22,422,514)
(4,655,151)	-	(4,655,151)	-	(4,655,151)
<u>(239,401,026)</u>	<u>-</u>	<u>(239,401,026)</u>	<u>-</u>	<u>(239,401,026)</u>
-	9,989,571	9,989,571	-	9,989,571
-	(1,383,598)	(1,383,598)	-	(1,383,598)
-	(3,036,246)	(3,036,246)	-	(3,036,246)
-	(720,398)	(720,398)	-	(720,398)
-	(500,710)	(500,710)	-	(500,710)
-	<u>4,348,619</u>	<u>4,348,619</u>	-	<u>4,348,619</u>
<u>(239,401,026)</u>	<u>4,348,619</u>	<u>(235,052,407)</u>	-	<u>(235,052,407)</u>
-	-	-	(270,961,035)	(270,961,035)
122,875,515	-	122,875,515	-	122,875,515
90,579,857	-	90,579,857	-	90,579,857
1,593,794	175,130	1,768,924	228,803	1,997,727
1,293,116	-	1,293,116	-	1,293,116
1,336,955	237,002	1,573,957	554,128	2,128,085
-	-	-	249,594,174	249,594,174
3,554,726	-	3,554,726	-	3,554,726
(1,032,337)	(168,537)	(1,200,874)	-	(1,200,874)
(1,686,650)	1,686,650	-	-	-
<u>218,514,976</u>	<u>1,930,245</u>	<u>220,445,221</u>	<u>250,377,105</u>	<u>470,822,326</u>
(20,886,050)	6,278,864	(14,607,186)	(20,583,930)	(35,191,116)
338,875,193	195,100,927	533,976,120	218,156,449	752,132,569
<u>\$ 317,989,143</u>	<u>\$ 201,379,791</u>	<u>\$ 519,368,934</u>	<u>\$ 197,572,519</u>	<u>\$ 716,941,453</u>

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Balance Sheet – Governmental Funds
As of June 30, 2017**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 627,517	\$ -	\$ 5,585,244	\$ 6,212,761
Investments	101,443,510	240,243	-	101,683,753
Property taxes receivable, net of allowance	348,751	-	-	348,751
Accounts receivable, net of allowance	422,410	316,833	624,290	1,363,533
Interest receivable	171,381	991	-	172,372
Unbilled receivables	229,762	-	-	229,762
Due from other funds	-	64,075,200	-	64,075,200
Due from other governmental agencies	16,752,299	3,052,217	386,612	20,191,128
Recoverable disbursements	230,044	-	-	230,044
Notes receivable	742,318	-	-	742,318
Other assets	47,706	-	-	47,706
Inventories	763,099	-	-	763,099
TOTAL ASSETS	<u>\$ 121,778,797</u>	<u>\$ 67,685,484</u>	<u>\$ 6,596,146</u>	<u>\$ 196,060,427</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,366,313	\$ 3,130,789	\$ 2,554,418	\$ 7,051,520
Due to other funds	63,884,634	-	129,340	64,013,974
Accrued expenses	4,563,855	6,566	31,888	4,602,309
Other liabilities	2,219,462	-	432,055	2,651,517
Liabilities for unpaid claims	1,523,730	-	-	1,523,730
Unearned revenue	382,729	-	32,575	415,304
TOTAL LIABILITIES	<u>73,940,723</u>	<u>3,137,355</u>	<u>3,180,276</u>	<u>80,258,354</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	7,524,904	-	-	7,524,904
FUND BALANCES				
Nonspendable	1,455,417	-	-	1,455,417
Restricted	577,869	20,499,292	537,360	21,614,521
Committed	38,263,353	44,048,837	2,840,925	85,153,115
Assigned	16,531	-	59,185	75,716
Unassigned	-	-	(21,600)	(21,600)
TOTAL FUND BALANCES	<u>40,313,170</u>	<u>64,548,129</u>	<u>3,415,870</u>	<u>108,277,169</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 121,778,797</u>	<u>\$ 67,685,484</u>	<u>\$ 6,596,146</u>	<u>\$ 196,060,427</u>

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position As of June 30, 2017

Fund balance of governmental funds	\$ 108,277,169
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets, net	428,186,971
Projects under construction	9,434,217
Other long-term assets that are not available to pay for current-period expenditures and, therefore, are deferred in the funds:	
Net other post employment benefits	3,034,375
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:	
Unavailable revenue	7,524,904
Deferred outflow of resources, including loss on refunding and net deferred pension activity are not financial resources and therefore are not reported in the funds	27,300,885
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Long-term obligations	(148,577,549)
Installment purchase obligations	(1,338,109)
Capital lease obligations	(835,781)
Accrued interest payable-net of IRS subsidy	(2,354,813)
Compensated absences and net pension liability	<u>(112,663,126)</u>
Net position of governmental activities	<u><u>\$ 317,989,143</u></u>

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2017**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
REVENUE				
General property taxes	\$ 122,905,748	\$ -	\$ -	\$ 122,905,748
Other local taxes	86,028,978	3,119,286	2,129,657	91,277,921
Licenses and permits	1,189,019	-	2,132,132	3,321,151
Court costs and fines	269,806	-	-	269,806
Charges for services	448,532	-	382,227	830,759
Revenue from uses of property	1,327,838	-	265,956	1,593,794
Reimbursed expenses	1,009,538	-	3,188	1,012,726
Miscellaneous revenues	1,131,263	42,895	205,691	1,379,849
Shared taxes and grants	4,431,597	2,578,571	3,605,380	10,615,548
Highway	1,378,314	-	-	1,378,314
Total Revenue	<u>220,120,633</u>	<u>5,740,752</u>	<u>8,724,231</u>	<u>234,585,616</u>
EXPENDITURES				
Current:				
General government	26,764,285	-	-	26,764,285
Public safety	42,703,200	-	1,500,816	44,204,016
Health	2,339,270	-	-	2,339,270
Social services	373,390	-	-	373,390
Education	104,387,080	-	-	104,387,080
Parks, recreation and culture	5,794,949	-	209,733	6,004,682
Natural resources	753,063	-	2,335,733	3,088,796
Intergovernmental	38,543	-	-	38,543
General operations	1,092,721	-	1,477,750	2,570,471
Community promotion	-	-	4,460,296	4,460,296
Highways and streets	10,243,937	-	-	10,243,937
Debt service	14,688,810	-	-	14,688,810
Capital outlay:				
General government	-	3,434,928	-	3,434,928
Public safety	-	2,591,770	-	2,591,770
Highways and streets	-	13,175,791	-	13,175,791
Education	-	1,707,014	-	1,707,014
Parks and recreation	-	81,529	-	81,529
Total Expenditures	<u>209,179,248</u>	<u>20,991,032</u>	<u>9,984,328</u>	<u>240,154,608</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>10,941,385</u>	<u>(15,250,280)</u>	<u>(1,260,097)</u>	<u>(5,568,992)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	22,000	9,206,000	1,309,593	10,537,593
Transfers out	(11,429,045)	(422,000)	(373,198)	(12,224,243)
Proceeds of capital leases	1,036,682	-	-	1,036,682
Contributed capital	-	-	3,554,726	3,554,726
Proceeds of bond sale	-	12,656,522	-	12,656,522
TOTAL OTHER FINANCING SOURCES (USES)	<u>(10,370,363)</u>	<u>21,440,522</u>	<u>4,491,121</u>	<u>15,561,280</u>
NET CHANGES IN FUND BALANCE	<u>571,022</u>	<u>6,190,242</u>	<u>3,231,024</u>	<u>9,992,288</u>
FUND BALANCES - BEGINNING OF YEAR	<u>39,742,148</u>	<u>58,357,887</u>	<u>184,846</u>	<u>98,284,881</u>
FUND BALANCES - END OF YEAR	<u>\$ 40,313,170</u>	<u>\$ 64,548,129</u>	<u>\$ 3,415,870</u>	<u>\$ 108,277,169</u>

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2017

Net changes in fund balances in governmental funds \$ 9,992,288

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

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

Capital outlay capitalized	\$ 17,139,457	
Depreciation	<u>(17,875,963)</u>	(736,506)

In the statement of activities, only the gain or loss on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold. (1,118,098)

Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. 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 position. This is the amount by which proceeds exceeded repayments.

Debt and lease proceeds	\$ (13,693,204)	
Payments of installment purchase principal	294,685	
Payments of lease principal	233,364	
Payments of debt principal	<u>10,170,737</u>	(2,994,418)

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 the financial resources used. (27,995,091)

Revenue 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. 1,965,775

Change in net position of governmental activities \$ (20,886,050)

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Net Position - Proprietary Funds
As of June 30, 2017

	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	\$ 15,669,003	\$ 16,760,060	\$ 100	\$ 473,195	\$ 32,902,358
Accounts receivable, net	1,214,826	156,912	58,746	11,057	1,441,541
Unbilled receivables	1,503,460	379,322	8,042	602	1,891,426
Due from other funds	-	326,434	-	-	326,434
Due from other governmental agencies	4,699,877	47,032	1,440,222	574,009	6,761,140
Notes Receivable	-	250,000	-	-	250,000
Inventories	122,868	10,262	55,022	124,877	313,029
Total current assets	23,210,034	17,930,022	1,562,132	1,183,740	43,885,928
Noncurrent Assets:					
Projects under construction	19,949,257	101,057	202,183	-	20,252,497
Property, plant and equipment	197,184,852	67,381,773	155,294,008	12,154,878	432,015,511
Accumulated depreciation	(66,455,590)	(46,881,989)	(70,766,314)	(7,275,108)	(191,379,001)
Total noncurrent assets	150,678,519	20,600,841	84,729,877	4,879,770	260,889,007
TOTAL ASSETS	173,888,553	38,530,863	86,292,009	6,063,510	304,774,935
DEFERRED OUTFLOWS OF RESOURCES					
Loss on refundings	404,262	271,126	17,842	-	693,230
LIABILITIES					
Current Liabilities:					
Current maturities of long-term obligations	2,379,565	1,919,216	94,670	-	4,393,451
Current maturities of capital lease obligations	29,027	-	-	-	29,027
Accounts payable	4,652,759	418,027	166,730	63,924	5,301,440
Accrued expenses	413,956	61,768	25,453	84,878	586,055
Accrued interest	4,786,875	246,541	13,140	-	5,046,556
Due to other funds	-	-	387,660	-	387,660
Unearned revenue	716,219	502,057	800,002	6,723	2,025,001
Compensated absences	246,270	77,089	31,039	72,036	426,434
Landfill closure and post-closure costs	-	207,930	-	-	207,930
Other liabilities	7,300	-	43,923	34,130	85,353
Total current liabilities	13,231,971	3,432,628	1,562,617	261,691	18,488,907
Noncurrent Liabilities:					
Compensated absences	79,334	28,974	12,835	35,333	156,476
Bonds and long-term debt	29,138,900	16,081,217	616,769	-	45,836,886
Capital lease obligations	65,112	-	-	-	65,112
Landfill closure and post-closure costs	-	14,894,822	-	-	14,894,822
Total noncurrent liabilities	29,283,346	31,005,013	629,604	35,333	60,953,296
TOTAL LIABILITIES	42,515,317	34,437,641	2,192,221	297,024	79,442,203
DEFERRED INFLOWS OF RESOURCES					
Service concession arrangements	-	-	24,646,171	-	24,646,171
Net Position					
Net investment in capital assets	124,834,425	3,411,524	84,018,440	4,879,770	217,144,159
Restricted - capital projects	5,768,520	811,116	-	-	6,579,636
Unrestricted	1,174,553	141,708	(24,546,981)	886,716	(22,344,004)
TOTAL NET POSITION	\$ 131,777,498	\$ 4,364,348	\$ 59,471,459	\$ 5,766,486	\$ 201,379,791

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, 2017

	Enterprise Funds				Totals
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	
OPERATING REVENUE					
Charges for services	\$ 11,150,534	\$ 5,617,487	\$ 2,524,394	\$ 1,197,738	\$ 20,490,153
Miscellaneous	12,173	176,569	6,654	41,606	237,002
TOTAL OPERATING REVENUE	<u>11,162,707</u>	<u>5,794,056</u>	<u>2,531,048</u>	<u>1,239,344</u>	<u>20,727,155</u>
OPERATING EXPENSES					
Salaries and wages	3,993,912	1,373,135	607,183	1,740,023	7,714,253
Fringe benefits	2,445,965	662,296	317,759	775,881	4,201,901
Utilities	903,552	52,974	185,449	96,138	1,238,113
Insurance	130,599	30,657	44,265	39,104	244,625
Repairs and maintenance	374,025	-	78,236	277,001	729,262
Supplies	279,831	101,207	7,731	42,715	431,484
Cost of goods sold	-	-	-	91,249	91,249
Contracted services	218,019	1,749,071	69,347	238,137	2,274,574
Rentals and leases	26,029	1,997	6,495	123,215	157,736
Other operating	1,097,579	317,730	205,838	381,699	2,002,846
Uncollectible accounts	1,617	247	8,283	-	10,147
Controllable assets	32,349	7,438	38,654	11,076	89,517
Depreciation	3,200,742	2,248,015	6,715,253	388,890	12,552,900
TOTAL OPERATING EXPENSES	<u>12,704,219</u>	<u>6,544,767</u>	<u>8,284,493</u>	<u>4,205,128</u>	<u>31,738,607</u>
OPERATING LOSS	<u>(1,541,512)</u>	<u>(750,711)</u>	<u>(5,753,445)</u>	<u>(2,965,784)</u>	<u>(11,011,452)</u>
OTHER INCOME (EXPENSE)					
Interest expense	(1,119,813)	(469,068)	(18,316)	-	(1,607,197)
Interest income	172,376	292	2,462	-	175,130
Loss on disposal of assets	(75,952)	(14,191)	(58,073)	(20,321)	(168,537)
TOTAL OTHER INCOME (EXPENSE)	<u>(1,023,389)</u>	<u>(482,967)</u>	<u>(73,927)</u>	<u>(20,321)</u>	<u>(1,600,604)</u>
LOSS BEFORE OPERATING TRANSFERS AND GRANTS	<u>(2,564,901)</u>	<u>(1,233,678)</u>	<u>(5,827,372)</u>	<u>(2,986,105)</u>	<u>(12,612,056)</u>
OPERATING TRANSFERS	182,770	491,400	64,500	813,980	1,552,650
GRANTS FOR OPERATING	<u>-</u>	<u>12,750</u>	<u>53,796</u>	<u>1,498,149</u>	<u>1,564,695</u>
NET LOSS BEFORE CAPITAL TRANSFERS AND GRANTS	<u>(2,382,131)</u>	<u>(729,528)</u>	<u>(5,709,076)</u>	<u>(673,976)</u>	<u>(9,494,711)</u>
CAPITAL TRANSFERS	-	-	79,000	55,000	134,000
CAPITAL GRANTS AND CONTRIBUTIONS	<u>12,663,069</u>	<u>-</u>	<u>2,688,373</u>	<u>288,133</u>	<u>15,639,575</u>
NET CHANGES IN NET POSITION	<u>10,280,938</u>	<u>(729,528)</u>	<u>(2,941,703)</u>	<u>(330,843)</u>	<u>6,278,864</u>
NET POSITION - BEGINNING OF YEAR	<u>121,496,560</u>	<u>5,093,876</u>	<u>62,413,162</u>	<u>6,097,329</u>	<u>195,100,927</u>
NET POSITION - END OF YEAR	<u>\$ 131,777,498</u>	<u>\$ 4,364,348</u>	<u>\$ 59,471,459</u>	<u>\$ 5,766,486</u>	<u>\$ 201,379,791</u>

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2017

	Enterprise Funds				Total
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	
Cash Flows from Operating Activities					
Receipts from customers	\$ 11,430,346	\$ 5,365,815	\$ 1,682,967	\$ 1,260,952	\$ 19,740,080
Payments to suppliers	(599,546)	(2,198,829)	(833,324)	(1,358,767)	(4,990,466)
Payments to employees	(6,430,272)	(2,019,655)	(920,186)	(2,503,992)	(11,874,105)
Net Cash Provided (Used) by Operating Activities	4,400,528	1,147,331	(70,543)	(2,601,807)	2,875,509
Cash Flows from Noncapital Financing Activities					
Operating contributions	182,770	504,150	118,296	2,312,129	3,117,345
Decrease in due to/from other funds	(4,271,953)	(47,032)	(116,928)	-	(4,435,913)
Net Cash Provided (Used) by Noncapital Financing Activities	(4,089,183)	457,118	1,368	2,312,129	(1,318,568)
Cash Flows from Capital and Related Financing Activities					
Interest paid on notes and bond payable	(2,140,196)	(469,783)	(19,631)	-	(2,629,610)
Acquisition and construction of capital assets	(19,701,627)	(540,878)	(2,526,007)	(36,445)	(22,804,957)
Loss on the sale of assets	(75,952)	(14,191)	(58,073)	(20,321)	(168,537)
Contribution for capital acquisitions	12,663,069	-	2,767,373	343,133	15,773,575
Proceeds from/payments on notes and bonds payable	(1,456,050)	(200,288)	(96,949)	-	(1,753,287)
Net Cash Provided (Used) by Capital and Related Financing Activities	(10,710,756)	(1,225,140)	66,713	286,367	(11,582,816)
Cash Flows from Investing Activities					
Interest on investments	172,376	292	2,462	-	175,130
Net change in cash	(10,227,035)	379,601	-	(3,311)	(9,850,745)
Cash, Beginning of Year	25,896,038	16,380,459	100	476,506	42,753,103
Cash, End of Year	\$ 15,669,003	\$ 16,760,060	\$ 100	\$ 473,195	\$ 32,902,358
Non-Cash Operating Activities					
Loss on refunding	\$ 404,262	\$ 271,126	\$ 17,842	\$ -	\$ 693,230
Non-Cash Capital and Related Financing Activities					
Capital lease	\$ 55,309	\$ -	\$ -	\$ -	\$ 55,309
Reconciliation of Operating Loss to Net Cash from Operating Activities					
Operating loss	\$ (1,541,512)	\$ (750,711)	\$ (5,753,445)	\$ (2,965,784)	\$ (11,011,452)
Adjustments to reconcile operating loss to net cash from operating activities:					
Depreciation	3,200,742	2,248,015	6,715,253	388,890	12,552,900
Changes in assets and liabilities:					
Accounts receivable	132,553	36,623	(19,733)	5,926	155,369
Unbilled receivables	223,690	(92,391)	3,977	323	135,599
Due to/from other government entities	-	(326,434)	(32,323)	8,886	(349,871)
Inventories	(16,597)	3,604	(10,406)	(4,058)	(27,457)
Accounts payable and other liabilities	2,480,651	188,098	(178,620)	(60,707)	2,429,422
Accrued expenses	8,913	9,658	844	17,361	36,776
Landfill closure	-	(129,210)	-	-	(129,210)
Unearned revenue	(88,604)	(46,039)	(800,002)	6,473	(928,172)
Compensated absences	692	6,118	3,912	883	11,605
Net Cash Provided (Used) by Operating Activities	\$ 4,400,528	\$ 1,147,331	\$ (70,543)	\$ (2,601,807)	\$ 2,875,509

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, 2017

	<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	\$ 2,252,783	\$ 162,633	\$ 1,121,951	\$ 65,091	\$ 3,450,590
Investments, at fair value:					
U.S. Government obligations	11,025,262	953,368	2,240,019	-	-
Corporate bonds and obligations	9,089,257	661,738	1,505,275	-	-
Fixed income securities	9,702,263	915,874	2,285,970	-	-
Corporate stock	29,933,367	2,216,981	4,980,137	-	-
Equity funds	41,840,994	3,487,967	8,043,826	66,765	-
Accounts receivable	154,907	11,873	28,812	-	-
Due from other funds	-	-	-	30,360	-
TOTAL ASSETS	<u>103,998,833</u>	<u>8,410,434</u>	<u>20,205,990</u>	<u>162,216</u>	<u>3,450,590</u>
LIABILITIES					
Accounts payable	-	-	-	-	90,501
Due to student groups	-	-	-	-	3,360,089
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,450,590</u>
NET POSITION					
Held in trust for pension and OPEB	103,998,833	8,410,434	20,205,990	-	-
Held in trust for scholarships	-	-	-	162,216	-
NET POSITION	<u>\$ 103,998,833</u>	<u>\$ 8,410,434</u>	<u>\$ 20,205,990</u>	<u>\$ 162,216</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, 2017

	<u>Pension Trust</u>	<u>LOSAP Trust</u>	<u>OPEB Trust</u>	<u>Private Purpose Trust</u>
ADDITIONS				
Contributions:				
Employer	\$ 7,010,000	\$ 600,000	\$ 1,200,000	\$ -
Plan members	1,955,511	-	-	-
Gifts and contributions	-	-	-	60,200
Receipts of in-kind	7,329,688	299,310	2,337,557	-
Total Contributions	<u>16,295,199</u>	<u>899,310</u>	<u>3,537,557</u>	<u>60,200</u>
Investment Income:				
Realized and unrealized gains	7,380,935	565,251	1,435,396	-
Interest and dividends	1,101,216	87,139	183,708	6,345
Other income	2,359,713	218,923	368,058	-
Total Investment Income	<u>10,841,864</u>	<u>871,313</u>	<u>1,987,162</u>	<u>6,345</u>
TOTAL ADDITIONS	<u>27,137,063</u>	<u>1,770,623</u>	<u>5,524,719</u>	<u>66,545</u>
DEDUCTIONS				
Benefits	8,860,156	518,538	-	-
Scholarship expenses	-	-	-	32,045
Administrative expenses	7,625,383	348,693	2,399,834	-
TOTAL DEDUCTIONS	<u>16,485,539</u>	<u>867,231</u>	<u>2,399,834</u>	<u>32,045</u>
CHANGES IN NET POSITION	10,651,524	903,392	3,124,885	34,500
NET POSITION - BEGINNING OF YEAR	<u>93,347,309</u>	<u>7,507,042</u>	<u>17,081,105</u>	<u>127,716</u>
NET POSITION - END OF YEAR	<u>\$ 103,998,833</u>	<u>\$ 8,410,434</u>	<u>\$ 20,205,990</u>	<u>\$ 162,216</u>

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

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, 2017 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, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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 annual required contributions, calculated in accordance with GASB Statement No. 27. 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, 2017

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 (2016 and 2017 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, 2017

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.

Implementation of New Accounting Principles

The GASB has also issued Statement No. 74 entitled, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 75, entitled, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; GASB Statement No. 77; entitled, *Tax Abatement Disclosures*; GASB Statement No. 80, entitled, *Blending Requirements for Certain Component Units*; GASB Statement No. 82, entitled, *Pension Issues*; GASB Statement No. 83, entitled, *Certain Asset Retirement Obligations*; GASB Statement No. 84, entitled, *Fiduciary Activities*; GASB Statement No. 85, entitled, *Omnibus 2017*; GASB Statement No. 86, entitled, *Certain Debt Extinguishment Issues*; GASB Statement No. 87, entitled, *Leases* which will require adoption in the future, if applicable. These statements may or will have a material effect on the County’s financial statements once implemented. The County will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date. GASB statement No. 75 will have a material effect on the County’s financial statements and will result in an approximate adjustment of \$5.9 million.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

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 (10 years) 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.

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

Budget Development Start

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

Budget Development Phase

Capital Improvement budget development begins in the winter after the development of the debt capacity and financial trend and economic trend analysis. The Capital Improvement Program (CIP) provides a comprehensive approach to planning and impacts all facets of County operations. The County Administrator, the Chief Financial Officer, the Planning Director, and the Director of Public Works comprise the Capital Improvements Program Committee (CIP Committee). From the time the CIP's initial annual review begins in October through its adoption in May of each fiscal year, there is constant interaction between departments, the CIP Committee, and the elected officials. This effort is characterized by cooperation and reflects a common goal of ensuring that the CIP meets the objectives of the County and remains affordable and achievable.

The CIP is reviewed in conjunction with the annual debt affordability analysis with revenue projections inclusive of rate analysis, in order to determine funding availability. A financial analysis of funding sources and project costs is conducted for all proposed capital improvement projects.

It is the CIP Committee's responsibility to review all requests that County departments and agencies submit. All projects are ranked based on established criteria for priority ranking. Considering current and future needs as developed in the ten-year capital plan, and available funding sources and the results of the priority ranking process, the CIP Committee determines which capital projects best meet established criteria for the current fiscal year Capital Improvement budget and the nine-year forecast. Operating impacts of current and proposed capital projects are also taken into consideration by staff when developing their Capital Improvement budget.

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

Review and Modification Phase

The County Administrator 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-line as well as updates on major events and/or issues.

Balanced Budget

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

Costing of Services

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

Amendment to the Budget

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

The Chief Financial Officer reviews the project status and revenue 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.

3. CASH AND SHORT-TERM INVESTMENTS

Primary Government

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.

Deposits

As of June 30, 2017, the carrying amount of the County's deposits was \$39,115,119 and the bank balances were \$40,326,496. All deposits are carried at cost plus accrued interest. There were no significant violations of the collateralization requirements during the year ended June 30, 2017. The County's deposit policy specifies that all deposits must be entirely covered by Federal depository insurance, deposit surety bond, or by collateral in the form of pledged securities, according to state statute. In order to anticipate market changes and provide a level of security for all funds, the collateralization level is required to be at least 102% of market value of principal and accrued interest.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. The County does not have a deposit policy for custodial credit risk. As of June 30, 2017, the County's bank balance of \$40,326,496 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, 2017

3. CASH AND SHORT-TERM INVESTMENTS (continued)

Primary Government (continued)

Investments

As of June 30, 2017, 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	\$ 101,226,028	\$ 91,240,828	\$ 9,985,200	\$ -	\$ -
Certificates of Deposit	457,725	-	457,725	-	-
Total investments held in County's name	101,683,753	91,240,828	10,442,925	-	-
Investments held by trustee of					
Pension plan:					
U.S. government obligations, municipal and corporate bonds	20,114,519	19,686,363	-	-	428,156
Fixed income securities	9,702,263	5,841,710	-	-	3,860,553
Corporate stocks	29,933,367	26,523,984	-	-	3,409,383
Equity funds	41,840,994	34,385,579	-	-	7,455,415
Money market funds	2,252,783	2,252,783	-	-	-
Interest and dividends receivable	154,907	141,346	-	-	13,561
Total Investments held by trustee of pension plan	103,998,833	88,831,765	-	-	15,167,068
Investments held by trustee of					
LOSAP plan:					
U.S. government obligations and corporate bonds	1,615,106	1,615,106	-	-	-
Corporate stocks	2,216,981	2,216,981	-	-	-
Fixed income funds	915,874	915,874	-	-	-
Equity funds	3,487,967	3,487,967	-	-	-
Money market funds	162,633	162,633	-	-	-
Interest and dividends receivable	11,873	11,873	-	-	-
Total Investments held by trustee of LOSAP plan	8,410,434	8,410,434	-	-	-
Investments held by trustee of					
OPEB plan:					
U.S. government obligations and corporate bonds	3,745,294	3,745,294	-	-	-
Corporate stocks	4,980,137	4,980,137	-	-	-
Fixed income funds	2,285,970	2,285,970	-	-	-
Equity funds	8,043,826	8,043,826	-	-	-
Money market funds	1,121,951	1,121,951	-	-	-
Interest and dividends receivable	28,812	28,812	-	-	-
Total Investments held by trustee of OPEB plan	20,205,990	20,205,990	-	-	-
Total investments	\$ 234,299,010	\$ 208,689,017	\$ 10,442,925	\$ -	\$ 15,167,068

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, 2017

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, 2017

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, 2017, 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, 2017, 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, 2017**

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. Beginning January 1, 2013, 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, 2017.

Compliance is summarized as follows:

<u>June 30, 2017</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
Carrying amount of cash deposits	\$ 16,484,893	\$ 129,209	\$ 3,515,681	\$ 20,129,783
Bank balance of cash deposits	17,717,251	128,759	3,541,663	21,387,673
Amount covered by FDIC	249,183	94,294	3,436,136	3,779,613
Amount collateralized with securities held by an agent of the pledging financial institution in the School system’s name	17,468,068	34,465	105,527	17,608,060

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, 2017**

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, 2017, the School System had the following investments and maturities:

<u>June 30, 2017</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
Federal Farm Credit Bank – 1.100% matures October 15, 2018	\$ 5,499,373	\$ -	\$ -	\$ 5,499,373
Federal National Mortgage Association - 1.000% matures January 25, 2018	4,006,572	-	-	4,006,572
Federal National Mortgage Association - 1.250% matures January 30, 2019	4,000,000	-	-	4,000,000
Federal National Mortgage Association - 1.125% matures June 28, 2019	3,500,219	-	-	3,500,219
Federal Home Loan Bank - 1.370% matures October 24, 2019	442,285	-	-	442,285
Federal Home Loan Bank - 1.390% matures December 26, 2019	1,000,154	-	-	1,000,154
Income Fund of America	-	-	66,765	66,765
	<u>\$ 18,448,603</u>	<u>\$ -</u>	<u>\$ 66,765</u>	<u>\$ 18,515,368</u>

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
	<u>June 30, 2017</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
U.S. Agencies	\$ 18,448,603	\$ -	\$ 18,448,603	\$ -	\$ -
Income Fund	66,765	66,765	-	-	-
	<u>\$ 18,515,368</u>	<u>\$ 66,765</u>	<u>\$ 18,448,603</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements
June 30, 2017

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	\$ 494,206	\$ -	\$ -	\$ 494,206
Accounts receivable	427,736	316,833	624,290	1,368,859
Gross receivables	921,942	316,833	624,290	1,863,065
Less: allowance for uncollectibles	(150,781)	-	-	(150,781)
Net Total Receivables	\$ 771,161	\$ 316,833	\$ 624,290	\$ 1,712,284

	Business-type Activities				
	Water Quality	Solid Waste	Airport	Non-Major	Total
Accounts receivable	\$ 1,229,451	\$ 224,237	\$ 67,534	\$ 11,557	\$ 1,532,779
Less: allowance for uncollectibles	(14,625)	(67,325)	(8,788)	(500)	(91,238)
Net Total Receivables	\$ 1,214,826	\$ 156,912	\$ 58,746	\$ 11,057	\$ 1,441,541

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 \$213,578. 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, 2017

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

Primary Government

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 85,157,577	\$ 4,238,691	\$ (285,000)	\$ 89,111,268
Capital assets, being depreciated:				
Land improvements	14,053,712	541,574	(510,817)	14,084,469
Building and improvements	98,026,298	6,758,319	(202,364)	104,582,253
Vehicles	15,383,668	1,731,303	(1,599,603)	15,515,368
Infrastructure	1,160,152,737	10,157,467	-	1,170,310,204
Machinery and equipment	9,361,977	3,251,178	(2,398,178)	10,214,977
Office furniture and equipment	5,563,259	-	(4,552,939)	1,010,320
Computer equipment	35,367,800	2,091,491	(3,146,704)	34,312,587
Total capital assets, being depreciated	<u>1,337,909,451</u>	<u>24,531,332</u>	<u>(12,410,605)</u>	<u>1,350,030,178</u>
Total Capital Assets	<u>1,423,067,028</u>	<u>28,770,023</u>	<u>(12,695,605)</u>	<u>1,439,141,446</u>
Accumulated depreciation for:				
Land improvements	(5,873,298)	(499,761)	427,134	(5,945,925)
Building and improvements	(31,674,212)	(2,788,278)	189,080	(34,273,410)
Vehicles	(11,151,658)	(1,200,336)	1,581,746	(10,770,248)
Infrastructure	(921,194,699)	(9,537,565)	-	(930,732,264)
Machinery and equipment	(6,884,235)	(405,293)	1,727,270	(5,562,258)
Office furniture and equipment	(5,413,633)	(18,124)	4,530,180	(901,577)
Computer equipment	(22,421,047)	(3,469,843)	3,122,097	(22,768,793)
Total accumulated depreciation	<u>(1,004,612,782)</u>	<u>(17,919,200)</u>	<u>11,577,507</u>	<u>(1,010,954,475)</u>
Governmental Activities Capital Assets, Net	<u>\$ 418,454,246</u>	<u>\$ 10,850,823</u>	<u>\$ (1,118,098)</u>	<u>\$ 428,186,971</u>
Projects Under Construction	<u>\$ 17,029,761</u>	<u>\$ 19,284,017</u>	<u>\$ (26,879,561)</u>	<u>\$ 9,434,217</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements
June 30, 2017

5. CAPITAL ASSETS (continued)

Primary Government (continued)

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 12,052,287	\$ 138,674	\$ -	\$ 12,190,961
Capital assets, being depreciated:				
Land improvements	143,072,332	2,915,316	(174,876)	145,812,772
Building and improvements	63,377,964	332,335	(194,054)	63,516,245
Facilities	118,061,035	1,020,943	(59,969)	119,022,009
Vehicles	8,179,419	283,852	(177,913)	8,285,358
Machinery and equipment	12,530,341	302,226	(822,743)	12,009,824
Office furniture and equipment	323,205	-	(34,771)	288,434
Computer equipment	2,529,187	45,088	(147,582)	2,426,693
Treatment plants	67,263,609	1,337,776	(138,170)	68,463,215
Total capital assets, being depreciated	<u>415,337,092</u>	<u>6,237,536</u>	<u>(1,750,078)</u>	<u>419,824,550</u>
Total Capital Assets	<u>427,389,379</u>	<u>6,376,210</u>	<u>(1,750,078)</u>	<u>432,015,511</u>
Accumulated depreciation for:				
Land improvements	(86,328,941)	(7,137,720)	171,782	(93,294,879)
Building and improvements	(19,011,223)	(1,630,337)	136,674	(20,504,886)
Facilities	(32,805,435)	(1,550,382)	35,189	(34,320,628)
Vehicles	(6,575,787)	(376,968)	175,222	(6,777,533)
Machinery and equipment	(9,374,319)	(625,600)	783,724	(9,216,195)
Office furniture and equipment	(323,206)	-	34,771	(288,435)
Computer equipment	(2,355,714)	(79,910)	147,582	(2,288,042)
Treatment plants	(23,468,281)	(1,312,529)	92,407	(24,688,403)
Total accumulated depreciation	<u>(180,242,906)</u>	<u>(12,713,446)</u>	<u>1,577,351</u>	<u>(191,379,001)</u>
Business-type Activities Capital Assets, Net	<u>\$ 247,146,473</u>	<u>\$ (6,337,236)</u>	<u>\$ (172,727)</u>	<u>\$ 240,636,510</u>
Projects Under Construction	<u>\$ 3,435,168</u>	<u>\$ 22,338,485</u>	<u>\$ (5,521,156)</u>	<u>\$ 20,252,497</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2017

5. CAPITAL ASSETS (continued)

Primary Government (continued)

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

Governmental Activities:

General Government	\$ 12,207,866
Public Safety	4,708,175
Park, recreation and culture	320,767
Conservation of Natural Resources	7,163
Highways and streets	631,992
Total Depreciation Expense - Governmental Activities	\$ 17,875,963

Business-Type Activities:

Public Transit Fund	\$ 226,694
Airport Fund	6,715,253
Golf Course Fund	162,196
Water Quality Fund	3,200,742
Solid Waste Fund	2,248,015
Total Depreciation Expense – Business-Type Activities	\$ 12,552,900

Board of Education

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Government activities				
Capital assets, not being depreciated:				
Land	\$ 8,692,987	\$ -	\$ (35,180)	\$ 8,657,807
Facilities under construction	18,390,191	107,650	(18,370,191)	127,650
	<u>27,083,178</u>	<u>107,650</u>	<u>(18,405,371)</u>	<u>8,785,457</u>
Capital assets, being depreciated:				
Building and improvements	320,780,827	28,450,574	(2,398,232)	346,833,169
Furniture and equipment	47,168,849	4,089,793	(2,283,790)	48,974,852
Equipment under capital leases	13,867,835	-	(8,324,000)	5,543,835
	<u>381,817,511</u>	<u>32,540,367</u>	<u>(13,006,022)</u>	<u>401,351,856</u>
Accumulated depreciation:				
Building and improvements	(137,270,666)	(7,485,383)	2,117,571	(142,638,478)
Furniture and equipment	(30,288,110)	(3,244,046)	771,664	(32,760,492)
Buildings and equipment under capital lease	(1,757,142)	(1,342,303)	1,439,358	(1,660,087)
	<u>(169,315,918)</u>	<u>(12,071,732)</u>	<u>4,328,593</u>	<u>(177,059,057)</u>
Governmental activities capital assets, net	\$ 239,584,771	\$ 20,576,285	\$ (27,082,800)	\$ 233,078,256

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Notes to the Financial Statements
June 30, 2017**

5. CAPITAL ASSETS (continued)

Board of Education (continued)

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Business-type activities				
Capital assets, being depreciated:				
Furniture and equipment	\$ 5,064,260	\$ 376,204	\$ (221,782)	\$ 5,218,682
Accumulated depreciation				
Furniture and equipment	(3,535,112)	(254,318)	215,591	(3,573,839)
Business-type activities capital assets, net	<u>\$ 1,529,148</u>	<u>\$ 121,886</u>	<u>\$ (6,191)</u>	<u>\$ 1,644,843</u>

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

Governmental activities:	
Other instructional costs	\$ 2,719,886
Student transportation services	1,374,812
Operation of plant	207,980
Depreciation - unallocated	7,769,054
Total governmental activities depreciation expense	<u>\$ 12,071,732</u>
Business-type activities:	
Food services	<u>\$ 254,318</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

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	\$ 63,558,200
	HEPMPO	129,340
	Airport	387,660
Solid Waste Fund	General Fund	<u>326,434</u>
Total		<u>\$ 64,401,634</u>

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, 2017

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:

Fund	Operating Transfers In	Operating Transfers Out	Capital Transfers In	Capital Transfers Out
General Fund:				
Capital Projects	\$ -	\$ -	\$ 22,000	\$ 9,340,000
Solid Waste	-	491,400	-	-
Public Transit	-	484,470	-	-
Water Quality	-	182,770	-	-
Community Grants Management	-	266,160	-	-
Agricultural Education Center	-	173,740	-	-
Golf Course	-	346,950	-	-
HEPMPO	-	7,290	-	-
Land Preservation	-	121,765	-	-
Airport	-	14,500	-	-
Capital Projects Fund:				
General Fund	-	-	9,206,000	22,000
Airport Fund	-	-	-	-
Hotel Rental Fund	-	-	-	-
Golf Course	-	-	-	-
Land Preservation	-	-	-	400,000
Solid Waste:				
General Fund	491,400	-	-	-
Public Transit:				
General Fund	484,470	-	55,000	-
HEPMPO	-	17,440	-	-
Water Quality:				
General Fund	182,770	-	-	-
Airport:				
General Fund	14,500	-	79,000	-
Hotel Rental	50,000	-	-	-
Golf Course:				
General Fund	346,950	-	-	-
Community Grant Management Fund:				
General Fund	266,160	-	-	-
Agricultural Education Center:				
General Fund	173,740	-	-	-
HEPMPO:				
General Fund	7,290	-	-	-
Public Transit Fund	17,440	-	-	-
Hotel Rental:				
Airport	-	50,000	-	-
Cascade Town Centre	323,198	-	-	-
Land Preservation:				
General Fund	121,765	-	-	-
Capital Projects Fund	-	-	400,000	-
Cascade Town Centre:				
Hotel Rental	-	323,198	-	-
Total	<u>\$ 2,479,683</u>	<u>\$ 2,479,683</u>	<u>\$ 9,762,000</u>	<u>\$ 9,762,000</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2017

8. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

Primary Government

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

	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
Bonds payable:						
General obligation bonds	2.0-5.5%	\$ 134,897,775	\$ 12,000,000	\$ 9,875,931	\$ 137,021,844	\$ 9,553,710
Unamortized bond premium		7,538,834	656,522	942,348	7,253,008	-
Total bonds payable		<u>142,436,609</u>	<u>12,656,522</u>	<u>10,818,279</u>	<u>144,274,852</u>	<u>9,553,710</u>
Other loans payable						
Maryland Water Quality loans	1.0%	4,597,503	-	294,806	4,302,697	480,204
Total bonds and loans payable		147,034,112	12,656,522	11,113,085	148,577,549	10,033,914
Agricultural Land Preservation	3.0%	146,006	1,486,788	294,685	1,338,109	148,679
Capital lease obligations	2.1%	32,463	1,036,682	233,364	835,781	206,721
Net pension liability		66,182,236	43,305,352	-	109,487,588	-
Governmental Activity Long-term Liabilities		<u>213,394,817</u>	<u>58,485,344</u>	<u>11,641,134</u>	<u>260,239,027</u>	<u>10,389,314</u>
Business-type Activities						
Bonds payable:						
General obligation bonds	2.0-5.9%	\$ 37,817,103	\$ 1,780,000	\$ 2,610,862	\$ 36,986,241	\$ 2,887,884
Unamortized bond premium		1,790,407	97,384	177,016	1,710,775	-
Unamortized bond discount		(6,579)	-	(2,714)	(3,865)	-
Total bonds payable		<u>39,600,931</u>	<u>1,877,384</u>	<u>2,785,164</u>	<u>38,693,151</u>	<u>2,887,884</u>
Other loans payable:						
Maryland Water Quality loans	0.40-1.7%	12,534,512	-	997,326	11,537,186	1,505,567
Total bonds and loans payable		52,135,443	1,877,384	3,782,490	50,230,337	4,393,451
Capital lease obligations	4.90%	38,830	85,955	30,646	94,139	29,027
Business-type Activity Long-term Liabilities		<u>52,174,273</u>	<u>1,963,339</u>	<u>3,813,136</u>	<u>50,324,476</u>	<u>4,422,478</u>
Total Combined Activities Long-term Liabilities		<u>\$ 265,569,090</u>	<u>\$ 60,448,683</u>	<u>\$ 15,454,270</u>	<u>\$ 310,563,503</u>	<u>\$ 14,811,792</u>
Board of Education	1.95-11.64%	<u>\$ 10,627,045</u>	<u>\$ -</u>	<u>\$ 7,756,121</u>	<u>\$ 2,870,924</u>	<u>\$ 710,845</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2017

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
2018	\$ 10,033,914	\$ 4,674,537	\$ 4,393,451	\$ 2,880,679	\$ 14,427,365	\$ 7,555,216
2019	9,316,124	4,497,028	4,973,739	2,846,486	14,289,863	7,343,514
2020	9,606,032	4,137,892	4,368,490	2,779,403	13,974,522	6,917,295
2021	10,070,214	3,770,378	3,257,138	1,000,331	13,327,352	4,770,709
2022	9,254,771	3,398,979	3,383,870	912,228	12,638,641	4,311,207
2023-2027	44,859,315	11,911,298	12,931,604	3,258,502	57,790,919	15,169,800
2028-2032	31,392,249	5,292,112	9,963,398	1,494,092	41,355,647	6,786,204
2033-2037	15,964,638	1,224,434	5,129,019	366,808	21,093,657	1,591,242
2038	827,284	13,443	122,718	1,994	950,002	15,437
Total	<u>\$ 141,324,541</u>	<u>\$ 38,920,101</u>	<u>\$ 48,523,427</u>	<u>\$ 15,540,523</u>	<u>\$ 189,847,968</u>	<u>\$ 54,460,624</u>
Less:						
Unamortized discount	-		(3,865)		(3,865)	
Unamortized premium	7,253,008		1,710,775		8,963,783	
	<u>\$ 148,577,549</u>		<u>\$ 50,230,337</u>		<u>\$ 198,807,886</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, 2017, the unused authorization was \$24,592,722.

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, 2017, there were Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$48,813,048.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Notes to the Financial Statements
June 30, 2017**

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, 2017, are as follows:

<u>As of June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2018	\$ 148,679	\$ 26,762	\$ 175,441
2019	148,679	23,789	172,468
2020	148,679	20,815	169,494
2021	148,679	17,841	166,520
2022	148,679	14,866	163,545
Thereafter	594,714	29,736	624,450
	<u>\$ 1,338,109</u>	<u>\$ 133,809</u>	<u>\$ 1,471,918</u>

For the year ended June 30, 2017, total principal and interest incurred related to agricultural land preservation installments was \$294,685 and \$4,380, respectively.

Capital Leases

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

<u>Year ending June 30,</u>	<u>Amount</u>
2018	\$ 233,933
2019	228,547
2020	221,009
2021	221,009
2022	1
Thereafter	-
Total minimum payments	<u>904,499</u>
Less: amounts representing interest	<u>68,718</u>
Present value of net minimum lease payments	<u>\$ 835,781</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Notes to the Financial Statements
June 30, 2017**

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

Primary Government (continued)

Capital Leases (continued)

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>
2018	\$ 32,575
2019	32,575
2020	18,324
2021	18,324
2022	1
Total minimum payments	<u>101,799</u>
Less: amounts representing interest	7,660
Present value of net minimum lease payments	<u>\$ 94,139</u>

The following is an analysis of the capital assets acquired under capital leases as of June 30, 2017.

	<u>Capitalized Amount</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value 2017</u>
General Fund	\$ 1,608,441	\$ 38,641	\$ 1,569,800
Water Quality	161,955	51,933	110,022
Total	<u>\$ 1,770,396</u>	<u>\$ 90,574</u>	<u>\$ 1,679,822</u>

Board of Education

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

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 710,845	\$ 85,936	\$ 796,781
2019	1,062,366	56,709	1,119,075
2020	1,097,713	20,852	1,118,565
	<u>\$ 2,870,924</u>	<u>\$ 163,497</u>	<u>\$ 3,034,421</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

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

Advance Refunding

In prior years, the County has partially defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for certain future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the partially defeased bonds are not included in the County's financial statements. As of June 30, 2017, \$31,100,000 of long-term obligations outstanding are considered defeased.

9. OPERATING LEASE AGREEMENTS

Primary Government

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

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, 2017

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

9. OPERATING LEASE AGREEMENTS (continued)

Primary Government (continued)

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

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

During the year ending June 30, 2017, rental income for the above leases of \$884,230 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 ninety-nine years with fixed monthly rent payments of \$28,800. During the year ended June 30, 2017, 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. Total lease payments for the year ended June 30, 2017, were \$64,616.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

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 2017, 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, 2017, was \$2,654,028 and \$518,351, 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, 2017 amounted to \$7,068,466. Total employee related costs associated and accrued with these compensated absences amounted to \$502,311 at June 30, 2017. For governmental funds, \$656,355 at June 30, 2017 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, 2017. 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.

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2017

11. RETIREMENT PLANS

Primary Government (continued)

Plan Description (continued)

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.

The net pension liability by plan is as follows:

Retirement Plan	
Net Pension Liability	\$ 108,256,099
LOSAP Plan	
Net Pension Liability	1,231,489
	<u>\$ 109,487,588</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

11. RETIREMENT PLANS (continued)

Primary Government (continued)

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, 2017, which is the latest actuarial report available.

Membership of the Plan

The membership consisted of the following as of June 30, 2017, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	358
Terminated Plan members entitled to but not yet receiving benefits	51
Active Plan members	776
Total	<u><u>1,185</u></u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Notes to the Financial Statements
June 30, 2017**

11. RETIREMENT PLANS (continued)

Primary Government (continued)

Actuarial Assumptions

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans’ general target asset allocation as of June 30, 2017 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%

Annual Pension Cost and Net Pension Obligation

The total pension liability for the current year was determined as part of the June 30, 2017, 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 to 2006 Total Dataset with Generational projection using scale MP-2015 to 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, 2017 is as follows:

Total pension liability	\$ 212,254,932
Net position	<u>(103,998,833)</u>
Net pension liability	<u>\$ 108,256,099</u>

Net position as a percentage of total pension liability is 49%.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Notes to the Financial Statements
June 30, 2017**

11. RETIREMENT PLANS (continued)

Primary Government (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>\$ 133,856,976</u>	<u>\$ 108,256,099</u>	<u>\$ 86,995,390</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2017, the County recognized pension expense of \$2,931,673 for the Plan. As of June 30, 2017, 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	\$ 7,280,816	\$ -
Change in assumptions	17,618,627	-
Net difference between projected and actual investment earnings	<u>4,811,267</u>	<u>2,941,360</u>
Total	<u>\$29,710,710</u>	<u>\$ 2,941,360</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

11. RETIREMENT PLANS (continued)

Primary Government (continued)

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

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

<u>Years Ended June 30,</u>	<u>Amount</u>
2018	\$ 7,241,810
2019	7,241,809
2020	6,796,211
2021	<u>5,489,520</u>
Total	<u>\$ 26,769,350</u>

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

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

11. RETIREMENT PLANS (continued)

Board of Education (continued)

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.

- Washington County School System contributions totaling \$1,501,485 and \$1,864,791 for fiscal years 2017 and 2016, respectively; and contributions by the State of Maryland on behalf of the School System totaling \$16,286,682 and \$17,316,621 for fiscal years 2017 and 2016, respectively. All contributions were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed annually.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Notes to the Financial Statements
June 30, 2017**

11. RETIREMENT PLANS (continued)

Board of Education (continued)

At June 30, 2017, 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
School System's proportionate share of net pension liability	\$ -	\$ 20,007,483
State's proportionate share of net position liability associated with the School System	197,254,642	-
Total	\$ 197,254,642	\$ 20,007,483

For the year ended June 30, 2017, the School System recognized pension expense of \$22,357,476 related to governmental activities and \$38,067 related to business-type activities. As of June 30, 2017, the School System reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 2,165,151	\$ -
Net difference between projected and actual investment earnings	1,984,601	-
Difference between actual and expected experience	-	1,528,900
School System contributions subsequent to the measurement date	1,501,485	-
Total	\$ 5,651,237	\$ 1,528,900

The \$1,501,485 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, 2018.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2017

11. RETIREMENT PLANS (continued)

Board of Education (continued)

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

<u>Years Ended June 30,</u>	<u>Amount</u>
2018	\$ 566,944
2019	566,944
2020	566,944
2021	566,944
2022	353,076

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 7.55% 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 (6.55%) or 1-percentage point higher (8.55%) than the current rate:

	<u>1.0% decrease (6.55%)</u>	<u>Current rate 7.55%</u>	<u>1.0% increase (8.55%)</u>
Net pension liability	<u>\$ 27,482,013</u>	<u>\$ 20,007,483</u>	<u>\$ 13,788,242</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.

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

12. RISK MANAGEMENT (continued)

Primary Government (continued)

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 \$867,189 which is reflected in the accompanying financial statements as of June 30, 2017. Changes in the claims liability were as follows:

	Years Ended June 30,	
	2017	2016
Liability, beginning of year	\$ 1,150,931	\$ 1,056,288
the year		
the year	14,057,816	14,527,289
Claims and administrative costs paid	(14,341,558)	(14,432,646)
Liability, end of year	\$ 867,189	\$ 1,150,931

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.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

12. RISK MANAGEMENT (continued)

Primary Government (continued)

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 \$656,541, which is reflected in the accompanying financial statements as of June 30, 2017. Changes in the claims liability were as follows:

	<u>Years Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Liability, beginning of year	\$ 741,292	\$ 777,183
the year		
the year	577,364	815,104
Claims and administrative costs paid	(662,115)	(850,995)
Liability, end of year	<u>\$ 656,541</u>	<u>\$ 741,292</u>

Board of Education

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements June 30, 2017

12. RISK MANAGEMENT (continued)

Board of Education (continued)

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

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

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

In accordance with the Governmental Accounting Standards Board's Statement No. 10 "*Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*," charges to other funds must be accounted for as revenue by an internal service fund and expenditures/expenses by the other funds. The amounts of these charges were \$33,598,869 and \$31,077,727 for the years ended June 30, 2017 and 2016, respectively.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

12. RISK MANAGEMENT (continued)

Board of Education (continued)

The Self-Insurance Fund's accrued liabilities include an estimate of the amount to be paid for self-insured claims incurred prior to June 30, 2017 and 2016. 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,	
	2017	2016
Liability, beginning of year	\$ 3,123,917	\$ 2,625,050
Claims and changes in estimates during the year	46,473,547	44,668,598
Claims paid and accrued	(46,595,783)	(44,169,731)
Liability, end of year	<u>\$ 3,001,681</u>	<u>\$ 3,123,917</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, 2017

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	\$ 16,790,260	\$ 1,350,781
Noncurrent assets	133,887,552	4,969,156
Total Assets	<u>150,677,812</u>	<u>6,319,937</u>
DEFERRED OUTFLOW OF RESOURCES	191,020	172,920
LIABILITIES		
Other current liabilities	10,658,873	1,390,951
Noncurrent liabilities	25,924,888	2,426,995
Total Liabilities	<u>36,583,761</u>	<u>3,817,946</u>
Net Position		
Net investment in capital assets	111,993,614	1,998,930
Unrestricted	(3,415,265)	675,981
Restricted - capital projects	5,706,722	-
Total Net Position	<u>\$ 114,285,071</u>	<u>\$ 2,674,911</u>
CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION		
Operating revenue	\$ 9,407,453	\$ -
Lease income	-	345,600
Depreciation expense	(2,492,855)	(187,284)
Other operating expenses	(8,208,575)	(21,019)
Operating income	<u>(1,293,977)</u>	<u>137,297</u>
Non-operating revenue (expenses):		
Interest expense	(896,625)	(138,230)
Interest income	139,022	-
Capital contributions	12,663,069	-
Change in Net Position	10,611,489	(933)
Net Position, beginning of year	103,673,582	2,675,844
Net Position, End of Year	<u>\$ 114,285,071</u>	<u>\$ 2,674,911</u>
CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided (used) by:		
Operating activities	\$ (584,593)	\$ 353,381
Capital and related financing activities	10,321,296	(855,129)
Investing activities	(19,073,149)	-
Net increase	(9,336,446)	(501,748)
Cash and cash equivalents, beginning of year	19,055,999	1,852,529
Cash and Cash Equivalents, End of Year	<u>\$ 9,719,553</u>	<u>\$ 1,350,781</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

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 \$150,252 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, 2017.

The Resh Landfill has reported a landfill post-closure care liability of \$4,300,606 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, 2017.

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, 2017. The Rubble Landfill was closed in December 2000. No current expense was recognized in the Solid Waste Fund for the year ended June 30, 2017.

The 40 West Landfill began operation in fiscal year 2001. The estimated life of this landfill is approximately 120 years as of June 30, 2017, it is estimated that approximately 17.96% of the capacity has been used. The estimated costs associated with closure and post-closure care of \$8,449,494 was reported as a liability in the Solid Waste Fund at June 30, 2017. 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, 2017, as specified in 40CFR258.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

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, forty-one retirees are receiving benefits and twenty seven 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 and their spouse are 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, 2017**

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Primary Government (continued)

Funding Policy

The County intends to fund any annual short-fall between OPEB annual required contribution 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.

Annual OPEB Cost and Net OPEB Obligation

The County's annual other postretirement benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB Obligation.

Components of Net OPEB Obligation

Annual Required Contribution	\$ 1,261,000
Interest on Net OPEB Obligation	156,000
Adjustment to Annual Required Contribution	<u>(155,000)</u>
Annual OPEB Cost (Expense)	1,262,000
Contributions Made or Accrued	<u>2,249,000</u>
Increase in Net OPEB Asset	(987,000)
Net OPEB Asset - Beginning of Year	<u>(2,047,375)</u>
Net OPEB Asset - End of Year	<u><u>\$ (3,034,375)</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three years as of June 30, is as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
2017	\$ 1,261,000	178.35%	\$ (3,034,375)
2016	1,203,000	123.80%	(2,047,375)
2015	1,169,915	147.41%	(1,767,775)

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Primary Government (continued)

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 and the annual required contributions 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

The net OPEB liability is equal to the total OPEB liability minus the net position of the plan. The result as of June 30, 2017 is as follows:

Total OPEB liability	\$ 23,078,316
Plan fiduciary Net position	<u>(20,205,990)</u>
Net OPEB liability	<u>\$ 2,872,326</u>

Net position as a percentage of total OPEB liability is 87.54%.

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, 2017 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%

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Primary Government (continued)

In the actuarial valuation for the plan year ending June 30, 2017, 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 5% 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, 2017, was 21 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	Current rate	1.0% increase
	(6.50%)	7.50%	(8.50%)
Net OPEB liability	<u>\$ 4,761,440</u>	<u>\$ 2,872,326</u>	<u>\$ 1,172,580</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	Trend rate	1.0% increase
Net OPEB liability	<u>\$ 629,584</u>	<u>\$ 2,872,326</u>	<u>\$ 5,492,511</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

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.

Funding Policy

The School System is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Notes to the Financial Statements
June 30, 2017**

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Board of Education (continued)

Annual OPEB Cost and Net OPEB Obligation

The School System had an actuarial valuation performed for the plan as of June 30, 2017, to determine the funded status of the plan as of that date as well as the employer’s annual required contribution (ARC). The fiscal year 2017 estimated annual OPEB cost (expense) of \$29,025,000 was \$137,000 less than the ARC, due to adjustments related to amortization and interest on the net OPEB obligation. The School System made contributions to the plan during the year ended June 30, 2017 of \$17,503,050, resulting in an increase of the net OPEB payable of \$15,140,417. The balance of the net OPEB payable at June 30, 2017 is \$28,585,061. The School System’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past four years is as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB (Asset) Liability
2017	\$ 29,025,000	60.30%	\$ 28,585,061
2016	27,266,000	49.18%	13,444,644
2015	16,986,000	74.64%	(411,890)

Funded Status and Funding Progress

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 and the annual required contributions 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 information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The funded status of the plan as of July 1, 2016, was as follows:

Actuarial accrued liability (AAL)	\$ 335,016,000
Actuarial value of plan assets	44,204,912
Unfunded actuarial accrued liability (UAAL)	<u>\$ 290,811,088</u>

Funded ratio (actuarial value of plan assets/AAL) 13.19%

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Notes to the Financial Statements
June 30, 2017**

16. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Board of Education (continued)

Net OPEB Liability

The components of the net OPEB liability of the School System as of June 30, 2017, were as follows:

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

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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	<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, 2017

17. CONTINGENCIES AND COMMITMENTS

Board of Education (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:

	<u>1.0% decrease</u>	<u>Trend rate</u>	<u>1.0% increase</u>
Net OPEB liability	<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.

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, 2017. 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, 2017, 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, 2017

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.

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, 2017, the School System had entered into various school construction commitments, which are not reflected in the financial statements since they will be funded by the State of Maryland or County sources, totaling approximately \$7,664,445.

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, 2018 were approximately \$103,244. Rent expense for these leases amounted to \$147,237 for the year ended June 30, 2017.

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, 2017**

18. COMMITTED AND ASSIGNED FUND BALANCES

Fund balances reflected in the governmental funds balance sheet as of June 30, 2017 are categorized as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
Non-Spendable				
Inventory	\$ 763,099	\$ -	\$ -	\$ 763,099
Long-term receivable	692,318	-	-	692,318
Restricted				
Programs and activities	399,655	-	537,360	937,015
Workers compensation	178,214	-	-	178,214
Capital projects	-	20,499,292	-	20,499,292
Committed				
Contingencies	37,702,339	-	-	37,702,339
Programs and activities	561,014	-	2,840,925	3,401,939
Capital projects	-	44,048,837	-	44,048,837
Assigned				
Programs and activities	16,531	-	59,185	75,716
Unassigned	-	-	(21,600)	(21,600)
Totals	<u>\$ 40,313,170</u>	<u>\$ 64,548,129</u>	<u>\$ 3,415,870</u>	<u>\$ 108,277,169</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

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 2016 calendar year census shows 750 volunteers receiving at least 50 points, which qualifies them for LOSAP credit. 167 retired volunteers and 10 spouses are participating in LOSAP. The County funds LOSAP in annual amounts determined by an actuary.

Investments

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2017

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

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2017 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, 2017 is as follows:

Total pension liability	\$ 9,641,923
Net position	<u>(8,410,434)</u>
Net pension liability	<u>\$ 1,231,489</u>

Net position as a percentage of total pension liability is 87.23%.

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>\$ 2,399,387</u>	<u>\$ 1,231,489</u>	<u>\$ 255,810</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Notes to the Financial Statements
June 30, 2017**

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

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

For the year ended June 30, 2017, the County recognized pension expense of (\$70,278). As of June 30, 2017, 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	\$ 870,655	\$ 4,489,452
Change in assumptions	958,926	-
Net difference between projected and actual investment earnings	405,864	230,022
Total	\$ 2,235,445	\$ 4,719,474

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
2018	\$ (508,321)
2019	(508,322)
2020	(548,625)
2021	(657,042)
2022	(599,542)
Thereafter	337,823
Total	\$ (2,484,029)

REQUIRED SUPPLEMENTARY INFORMATION

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COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Schedule of Funding Progress – OPEB Trust Fund
June 30, 2017**

Other Postemployment Benefit (OPEB) Trust

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2013	\$ 11,216,550	\$ 18,745,334	\$ 7,528,784	59.84%	\$ 35,288,757	21.33%
7/1/2014	14,285,774	19,164,845	4,879,071	74.54%	33,098,009	14.74%
7/1/2015	15,964,542	19,343,000	3,378,458	82.53%	31,662,000	10.67%
7/1/2016	17,081,105	20,629,000	3,547,895	82.80%	33,462,000	10.60%

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Schedule of Changes in Net OPEB Liability and Related Ratios
June 30, 2017**

	<u>2017</u>
Service Cost: Retirement benefits Administration	\$ 954,012
Interest	1,575,492
Benefit payments	(147,184)
Net changes in total OPEB liability	<u>2,382,320</u>
Total OPEB liability - beginning	20,695,996
Total OPEB liability - ending (a)	<u><u>\$ 23,078,316</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 1,347,184
Net investment income	1,948,027
Benefit payments	(147,184)
Net changes in plan fiduciary net position	<u>3,148,027</u>
Plan fiduciary net positions - beginning	17,057,963
Plan fiduciary net positions - ending (b)	<u><u>\$ 20,205,990</u></u>
County's net OPEB - liability - ending (a) - (b)	\$ 2,872,326
Plan fiduciary net position as a percentage of total pension liability	87.55%
Covered employee payroll	\$ 33,462,000
Net liability as a percentage of covered payroll	8.58%
Annual money-weighted rate of return, net of investment expense	7.61%

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, 2017**

	<u>2017</u>
Actuarially determined contribution	\$ 1,261,000
Contributions in relation to the actuarially determined contributions	<u>1,347,184</u>
Contributions deficiency (excess)	<u>\$ (86,184)</u>
Covered employee payroll	\$ 33,462,000
Contributions as a percentage of covered employee payroll	4.03%

Notes to schedule:

Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2016,
12 months prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Cost method	Entry age normal
Amortization method	Closed
Amortization period	21
Asset valuation method	Market value of assets
Discount rate	7.50% for FYE 2016
Payroll increase	3.00% for FYE 2016
Medical trend	Based on the Society of Actuaries Long Term Medical Trend Model: 5.90% and the ultimate rate is 4.00%

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, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service Cost: Retirement benefits Administration	\$ 4,903,615	\$ 3,124,202	\$ 3,508,850	\$ 6,922,217
Interest	11,595,913	10,745,024	10,252,003	7,708,164
Benefit payments, including refunds of member contributions	(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	3,657,687	6,532,000	-	-
Changes of assumptions	19,913,151	2,532,160	-	-
Net changes in total pension liability	<u>53,212,683</u>	<u>16,502,129</u>	<u>6,879,965</u>	<u>8,626,348</u>
Total pension liability - beginning	159,042,249	142,540,120	135,660,155	127,033,807
Total pension liability - ending (a)	<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	\$ 7,010,000	\$ 6,621,156	\$ 6,786,549	\$ 6,017,521
Contributions - member	1,955,511	1,873,710	1,871,200	1,876,133
Net investment income	10,676,800	628,709	4,747,193	12,817,264
Receipts of In-kind	-	-	220,613	-
Benefit payments, including refunds of member contributions	(8,860,156)	(7,789,289)	(6,880,887)	(6,004,103)
Administrative expense	(130,631)	(98,464)	(604,197)	(238,016)
Net changes in plan fiduciary net position	<u>10,651,524</u>	<u>1,235,822</u>	<u>6,140,471</u>	<u>14,468,799</u>
Plan fiduciary net positions - beginning	93,347,309	92,111,487	85,971,016	71,502,217
Plan fiduciary net positions - ending (b)	<u>\$ 103,998,833</u>	<u>\$ 93,347,309</u>	<u>\$ 92,111,487</u>	<u>\$ 85,971,016</u>
County's net pension - liability - ending (a) - (b)	\$ 108,256,099	\$ 65,694,940	\$ 50,428,633	\$ 49,689,139
Plan fiduciary net position as a percentage of total pension liability	49.00%	58.69%	64.62%	63.37%
Covered employee payroll	\$ 33,462,000	\$ 31,662,000	\$ 33,098,009	\$ 35,288,757
Net liability as a percentage of covered payroll	323.52%	207.49%	152.36%	140.81%
Annual money-weighted rate of return, net of investment expense	0.68%	5.52%	17.59%	17.59%

Notes to schedule:

This information is not available for FY13 and prior.

Benefit changes: FY17 reflects post-retirement cost of living increase of 3% effective July 1, 2016. Post-retirement benefits are assumed to increase 1.2% per year to account for ad hoc COLAs which are adopted on and after July 1, 2017.

Change of assumptions: FY17 reflects a decrease in the expected rate of investment return from 7.75% to 7.50% and updates to the assumed rates of mortality, retirement, termination, disability and salary increases.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Schedule of General Employees' Pension Fund Employer Contributions
June 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 7,009,000	\$ 6,621,000	\$ 6,786,549	\$ 6,442,087
Contributions in relation to the actuarially determined contributions	7,010,000	6,621,000	6,786,549	6,017,521
Contributions deficiency (excess)	<u>\$ (1,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 424,566</u>
Covered employee payroll	\$ 33,462,000	\$ 31,662,000	\$ 33,098,009	\$ 35,288,757
Contributions as a percentage of covered employee payroll	20.95%	20.91%	20.50%	17.05%

Notes to schedule:

Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2013,
12 months prior to the end of the fiscal year in which contributions are reported

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, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service Cost: Retirement benefits Administration	\$ 234,716	\$ 157,984	\$ 143,037	\$ 147,049
Interest	580,130	968,187	922,814	872,518
Differences between expected and actual experiences	995,034	(6,285,232)	-	-
Changes of assumptions	356,243	906,099	-	-
Benefit payments, including refunds of member contributions	(518,538)	(490,872)	(461,316)	(431,634)
Net changes in total pension liability	<u>1,647,585</u>	<u>(4,743,834)</u>	<u>604,535</u>	<u>587,933</u>
Total pension liability - beginning	<u>7,994,338</u>	<u>12,738,172</u>	<u>12,133,637</u>	<u>11,545,704</u>
Total pension liability - ending (a)	<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
Net investment income	852,460	55,233	381,511	1,074,025
Receipts of In-kind	-	-	-	15,232
Benefit payments, including refunds of member contributions	(518,538)	(490,872)	(461,316)	(431,634)
Administrative expense	(30,524)	(20,610)	(23,215)	(27,429)
Net changes in plan fiduciary net position	<u>903,398</u>	<u>(456,249)</u>	<u>496,980</u>	<u>1,230,194</u>
Plan fiduciary net positions - beginning	<u>7,507,036</u>	<u>7,963,285</u>	<u>7,466,305</u>	<u>6,236,111</u>
Plan fiduciary net positions - ending (b)	<u>\$ 8,410,434</u>	<u>\$ 7,507,036</u>	<u>\$ 7,963,285</u>	<u>\$ 7,466,305</u>
County's net pension - liability - ending (a) - (b)	\$ 1,231,489	\$ 487,302	\$ 4,774,887	\$ 4,667,332
Plan fiduciary net position as a percentage of total pension liability	87.23%	93.90%	62.52%	61.53%
Covered employee payroll	NA	NA	NA	NA
Net liability as a percentage of covered payroll	NA	NA	NA	NA
Annual money-weighted rate of return, net of investment expense	11.36%	0.69%	5.11%	16.78%

Notes to schedule:

This information is not available for FY13 and prior.

Benefit changes: none

Changes of assumptions: For FY17, the mortality table was changed to RP-2014 adjusted to 2006 Total Dataset with generational projection using scale MP2015 to 2015. The investment rate of return was changed from 7.75% to 7.50%.

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Schedule of Volunteer Length of Service Award Fund Employer Contributions
June 30, 2017**

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

Notes to schedule:

Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2013,
12 months prior to the end of the fiscal year in which contributions are reported

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, 2017

Non-Major Governmental Funds

The Community Grant Management Fund is a special revenue fund used to account for all activities conducted by this department of the County. The Community 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, 2017

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, 2017**

	Community Grant Management	Cascade Town Centre	Inmate Welfare	Contraband	Agricultural Education Center	Hotel Rental Tax	Gaming	Land Preservation	HEPMPO	Total Non-major Funds
ASSETS										
Cash	\$ 42,773	\$ 2,517,605	\$ 160,054	\$ 159,808	\$ 23,651	\$ 274,250	\$ 1,501,976	\$ 905,127	\$ -	\$ 5,585,244
Accounts receivable	-	291,351	-	-	7,553	207,426	114,360	3,600	-	624,290
Due from other governmental agencies	196,527	-	-	-	-	-	-	-	190,085	386,612
TOTAL ASSETS	\$ 239,300	\$ 2,808,956	\$ 160,054	\$ 159,808	\$ 31,204	\$ 481,676	\$ 1,616,336	\$ 908,727	\$ 190,085	\$ 6,596,146
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	\$ 224,859	\$15,360	\$ 22,733	\$ 46,676	\$ 11,879	\$ 282,173	\$ 1,535,696	\$ 337,541	\$ 77,501	\$ 2,554,418
Due to other funds	-	-	-	-	-	-	-	-	129,340	129,340
Accrued expenses	5,628	11,054	399	-	1,323	-	6,800	5,424	1,260	31,888
Other liabilities	-	19,011	-	112,767	-	-	82	300,195	-	432,055
Unearned revenue	-	-	-	-	-	-	32,575	-	-	32,575
TOTAL LIABILITIES	230,487	45,425	23,132	159,443	13,202	282,173	1,575,153	643,160	208,101	3,180,276
FUND BALANCES										
Restricted	8,813	-	136,922	365	-	199,503	-	191,757	-	537,360
Committed	-	2,763,531	-	-	-	-	-	77,394	-	2,840,925
Assigned	-	-	-	-	18,002	-	41,183	-	-	59,185
Unassigned	-	-	-	-	-	-	-	(3,584)	(18,016)	(21,600)
TOTAL FUND BALANCES	8,813	2,763,531	136,922	365	18,002	199,503	41,183	265,567	(18,016)	3,415,870
TOTAL LIABILITIES AND FUND BALANCES	\$ 239,300	\$ 2,808,956	\$ 160,054	\$ 159,808	\$ 31,204	\$ 481,676	\$ 1,616,336	\$ 908,727	\$ 190,085	\$ 6,596,146

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, 2017

	Community 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	\$ -	-	\$ -	\$ -	\$ -	\$ 2,030,105	\$ -	\$ 99,552	\$ -	\$ 2,129,657
Licenses and permits	-	-	-	-	-	-	2,132,132	-	-	2,132,132
Charges for services	-	-	382,227	-	-	-	-	-	-	382,227
Revenue from uses of property	-	230,146	-	-	35,810	-	-	-	-	265,956
Reimbursed expenses	-	-	-	-	3,188	-	-	-	-	3,188
Miscellaneous revenues	-	10,597.00	99,988	62,237	25	-	75	3,600	29,169	205,691
Shared taxes and grants	1,313,611	-	-	-	-	-	-	1,805,690	486,079	3,605,380
TOTAL REVENUE	1,313,611	240,743	482,215	62,237	39,023	2,030,105	2,132,207	1,908,842	515,248	8,724,231
EXPENDITURES										
Public safety	-	-	456,335	75,352	-	-	969,129	-	-	1,500,816
Parks, recreation and culture	-	-	-	-	209,733	-	-	-	-	209,733
Land preservation	-	-	-	-	-	-	-	2,335,733	-	2,335,733
General operations	-	708,740	-	-	-	581,127	187,883	-	-	1,477,750
Community promotion	1,576,734	-	-	-	-	1,379,354	969,129	-	535,079	4,460,296
TOTAL EXPENDITURES	1,576,734	708,740	456,335	75,352	209,733	1,960,481	2,126,141	2,335,733	535,079	9,984,328
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES										
	(263,123)	(467,997)	25,880	(13,115)	(170,710)	69,624	6,066	(426,891)	(19,831)	(1,260,097)
OTHER FINANCING SOURCES										
Transfers in	266,160	-	-	-	173,740	323,198	-	521,765	24,730	1,309,593
Transfers out	-	(323,198)	-	-	-	(50,000)	-	-	-	(373,198)
Contribute capital	-	3,554,726	-	-	-	-	-	-	-	3,554,726
TOTAL OTHER FINANCING SOURCES (USES)	266,160	3,231,528	-	-	173,740	273,198	-	521,765	24,730	4,491,121
NET CHANGES IN FUND BALANCES	3,037	2,763,531	25,880	(13,115)	3,030	342,822	6,066	94,874	4,899	3,231,024
FUND BALANCES - BEGINNING OF YEAR	5,776	-	111,042	13,480	14,972	(143,319)	35,117	170,693	(22,915)	184,846
FUND BALANCES - END OF YEAR	\$ 8,813	\$ 2,763,531	\$ 136,922	\$ 365	\$ 18,002	\$ 199,503	\$ 41,183	\$ 265,567	\$ (18,016)	\$ 3,415,870

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Combining Statement of Net Position – Non-Major Proprietary Funds
As of June 30, 2017**

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
ASSETS			
Current Assets:			
Cash and short-term investments	\$ 264,547	\$ 208,648	\$ 473,195
Accounts receivable	565	10,492	11,057
Unbilled receivables	602	-	602
Due from other governmental agencies	574,009	-	574,009
Inventories	81,119	43,758	124,877
Total current assets	920,842	262,898	1,183,740
Noncurrent Assets:			
Property plant and equipment	7,323,687	4,831,191	12,154,878
Accumulated depreciation	(4,629,552)	(2,645,556)	(7,275,108)
Total noncurrent assets	2,694,135	2,185,635	4,879,770
TOTAL ASSETS	3,614,977	2,448,533	6,063,510
LIABILITIES			
Current Liabilities:			
Accounts payable	36,671	27,253	63,924
Accrued expenses	54,704	30,174	84,878
Unearned revenue	4,973	1,750	6,723
Compensated absences	50,976	21,060	72,036
Other liabilities	-	34,130	34,130
Total current liabilities	147,324	114,367	261,691
Noncurrent Liabilities:			
Compensated absences	17,755	17,578	35,333
TOTAL LIABILITIES	165,079	131,945	297,024
NET POSITION			
Net investment in capital assets	2,694,135	2,185,635	4,879,770
Unrestricted	755,763	130,953	886,716
TOTAL NET POSITION	\$ 3,449,898	\$ 2,316,588	\$ 5,766,486

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, 2017**

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
OPERATING REVENUE			
Charges for services	\$ 414,541	\$ 783,197	\$ 1,197,738
Miscellaneous	33,130	8,476	41,606
TOTAL OPERATING REVENUE	<u>447,671</u>	<u>791,673</u>	<u>1,239,344</u>
OPERATING EXPENSES			
Salaries and wages	1,289,375	450,648	1,740,023
Fringe benefits	545,318	230,563	775,881
Utilities	26,343	69,795	96,138
Insurance	31,978	7,126	39,104
Repairs and maintenance	187,763	89,238	277,001
Supplies	38,273	4,442	42,715
Cost of goods sold	-	91,249	91,249
Contracted services	234,926	3,211	238,137
Rentals and leases	56,469	66,746	123,215
Other operating	278,008	103,691	381,699
Controllable assets	6,074	5,002	11,076
Depreciation	226,694	162,196	388,890
TOTAL OPERATING EXPENSES	<u>2,921,221</u>	<u>1,283,907</u>	<u>4,205,128</u>
OPERATING LOSS	<u>(2,473,550)</u>	<u>(492,234)</u>	<u>(2,965,784)</u>
OTHER INCOME			
Loss on disposal of assets	(9,176)	(11,145)	(20,321)
TOTAL OTHER INCOME	<u>(9,176)</u>	<u>(11,145)</u>	<u>(20,321)</u>
LOSS BEFORE OPERATING TRANSFERS AND GRANTS	(2,482,726)	(503,379)	(2,986,105)
OPERATING TRANSFERS	467,030	346,950	813,980
GRANTS FOR OPERATIONS	<u>1,498,149</u>	<u>-</u>	<u>1,498,149</u>
LOSS BEFORE CAPITAL TRANSFERS AND GRANTS	(517,547)	(156,429)	(673,976)
CAPITAL TRANSFERS	55,000	-	55,000
GRANTS FOR CAPITAL PROJECTS	<u>288,133</u>	<u>-</u>	<u>288,133</u>
CHANGES IN NET POSITION	(174,414)	(156,429)	(330,843)
NET POSITION - BEGINNING OF YEAR	<u>3,624,312</u>	<u>2,473,017</u>	<u>6,097,329</u>
NET POSITION - END OF YEAR	<u>\$ 3,449,898</u>	<u>\$ 2,316,588</u>	<u>\$ 5,766,486</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statement of Cash Flows – Non-Major Proprietary Funds
For the Year Ended June 30, 2017

	<u>Public Transit Fund</u>	<u>Golf Course Fund</u>	<u>Total Non-Major Funds</u>
Cash Flows from Operating Activities			
Receipts from customers	\$ 270,346	\$ 990,606	\$ 1,260,952
Payments to suppliers	(904,156)	(454,611)	(1,358,767)
Payments to employees	(1,828,629)	(675,363)	(2,503,992)
Net Cash Used by Operating Activities	<u>(2,462,439)</u>	<u>(139,368)</u>	<u>(2,601,807)</u>
Cash Flows from Noncapital Financing Activities			
Operating contributions	1,965,179	346,950	2,312,129
Net Cash Provided by Noncapital Financing Activities	<u>1,965,179</u>	<u>346,950</u>	<u>2,312,129</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(42,090)	5,645	(36,445)
Loss on the sale of assets	(9,176)	(11,145)	(20,321)
Contribution for capital acquisitions	343,133	-	343,133
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>291,867</u>	<u>(5,500)</u>	<u>286,367</u>
Net change in cash	(205,393)	202,082	(3,311)
Cash, beginning of year	469,940	6,566	476,506
Cash, End of Year	<u>\$ 264,547</u>	<u>\$ 208,648</u>	<u>\$ 473,195</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (2,473,550)	\$ (492,234)	\$ (2,965,784)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	226,694	162,196	388,890
Changes in assets and liabilities:			
Accounts receivable	1,093	4,833	5,926
Unbilled receivables	323	-	323
Due to/from other government entities	(183,714)	192,600	8,886
Inventories	(9,827)	5,769	(4,058)
Accounts payable and other liabilities	(34,495)	(26,212)	(60,707)
Accrued expenses	7,376	9,985	17,361
Unearned revenue	4,973	1,500	6,473
Compensated absences	(1,312)	2,195	883
Net Cash Used by Operating Activities	<u>\$ (2,462,439)</u>	<u>\$ (139,368)</u>	<u>\$ (2,601,807)</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Property Taxes				
Real property tax	\$ 108,354,710	\$ 108,354,710	\$ 109,440,600	\$ 1,085,890
Personal property tax	12,950,000	12,950,000	14,433,675	1,483,675
Property tax interest income	430,000	430,000	390,908	(39,092)
Other property tax	651,720	651,720	805,378	153,658
State administrative fees	(600,000)	(600,000)	(554,644)	45,356
Property tax discounts and credits	(1,310,480)	(1,310,480)	(1,610,169)	(299,689)
Total Property Taxes	<u>120,475,950</u>	<u>120,475,950</u>	<u>122,905,748</u>	<u>2,429,798</u>
Other Local Taxes				
Income tax	77,500,000	77,500,000	78,891,902	1,391,902
Admissions and amusement tax	300,000	300,000	265,722	(34,278)
Recordation tax	5,800,000	5,800,000	6,305,265	505,265
Trailer tax	500,000	500,000	566,089	66,089
Total Other Local Taxes	<u>84,100,000</u>	<u>84,100,000</u>	<u>86,028,978</u>	<u>1,928,978</u>
Other Revenues				
Licenses and permits	1,310,200	1,310,200	1,189,019	(121,181)
Court costs and fines	302,300	302,300	269,806	(32,494)
Charges for services	679,750	679,750	448,532	(231,218)
Revenues from use of property	979,250	979,250	1,327,838	348,588
Reimbursed expenses	1,052,770	1,052,770	1,009,538	(43,232)
Miscellaneous revenues	396,710	492,280	1,131,263	638,983
Grant and shared revenues	2,460,720	4,643,941	4,431,597	(212,344)
Highway revenues	2,175,890	1,528,890	1,378,314	(150,576)
Total Other Revenues	<u>9,357,590</u>	<u>10,989,381</u>	<u>11,185,907</u>	<u>196,526</u>
TOTAL REVENUE	<u>213,933,540</u>	<u>215,565,331</u>	<u>220,120,633</u>	<u>4,555,302</u>
EXPENDITURES				
General Government				
Legislative				
County Commissioners	292,070	292,070	283,582	8,488
County Clerk	101,480	101,480	100,202	1,278
County Administrator	440,510	440,510	518,556	(78,046)
Public Relations	414,170	414,170	420,408	(6,238)
Purchasing	537,800	537,800	541,529	(3,729)
Total Legislative	<u>1,786,030</u>	<u>1,786,030</u>	<u>1,864,277</u>	<u>(78,247)</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund (continued)
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
Judicial				
Circuit Court	\$ 1,517,330	\$ 1,517,330	\$ 1,389,039	\$ 128,291
Orphan's Court	30,920	30,920	30,678	242
State's Attorney	3,339,420	3,339,420	3,247,079	92,341
Sheriff - Judicial	2,503,030	2,503,030	2,470,704	32,326
Sheriff - Process Servers	140,440	140,440	125,791	14,649
Grants	-	477,782	451,643	26,139
Total Judicial	7,531,140	8,008,922	7,714,934	293,988
Election Board	1,052,900	1,052,900	1,047,038	5,862
Financial Administration				
Budget and Finance	1,411,430	1,411,430	1,393,893	17,537
Independent Auditing	70,000	70,000	63,290	6,710
Treasurer	442,820	442,820	442,948	(128)
Information Technologies	2,192,030	2,192,030	2,183,562	8,468
Total Financial Administration	4,116,280	4,116,280	4,083,693	32,587
County Attorney	694,180	694,180	693,157	1,023
Human Resources	778,320	778,320	766,508	11,812
Planning and Zoning				
Planning and Zoning	688,330	688,330	700,696	(12,366)
Board of Zoning Appeals	53,440	53,440	52,689	751
Total Planning and Zoning	741,770	741,770	753,385	(11,615)
Public Works				
Department of Public Works	232,390	232,390	226,987	5,403
Plan Review and Permitting	931,740	922,260	1,003,422	(81,162)
Permitting	1,031,510	1,040,990	836,432	204,558
Engineering	1,613,930	1,620,680	1,590,509	30,171
Construction	1,764,870	1,764,870	1,768,569	(3,699)
Grant	-	616,718	605,618	11,100
Total Public Works	5,574,440	6,197,908	6,031,537	166,371
County Owned Buildings				
Martin Luther King Center	80,300	80,300	73,687	6,613
Administrative Building	183,600	183,600	187,429	(3,829)
Administrative Building II	103,850	103,850	115,051	(11,201)
Court House	587,230	587,230	604,598	(17,368)
County Office Building	195,310	195,310	183,009	12,301
Administration Annex	56,300	56,300	52,345	3,955
Central Services	204,200	204,200	185,352	18,848
Rental Properties	2,000	22,000	20,923	1,077
Library Maintenance	36,000	36,000	30,307	5,693
Dwyer Center	29,700	29,700	31,009	(1,309)
Public Facilities Annex	55,700	55,700	65,417	(9,717)
Total County Owned Buildings	1,534,190	1,554,190	1,549,127	5,063

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
Community Promotion				
Contributions to Non-profits	\$ 1,702,000	\$ 1,702,000	\$ 1,695,352	\$ 6,648
Business Development	567,500	567,500	565,277	2,223
Total Community Promotion	<u>2,269,500</u>	<u>2,269,500</u>	<u>2,260,629</u>	<u>8,871</u>
Total General Government	<u>26,078,750</u>	<u>27,200,000</u>	<u>26,764,285</u>	<u>435,715</u>
Public Safety				
Sheriff Departments				
Patrol	9,789,120	9,858,310	9,661,815	196,495
Sheriff Auxiliary	-	-	19,268	(19,268)
Narcotics Task Force	712,340	718,730	708,628	10,102
Grants	-	216,615	224,513	(7,898)
Total Sheriff Departments	<u>10,501,460</u>	<u>10,793,655</u>	<u>10,614,224</u>	<u>179,431</u>
Fire Operations				
Volunteer Fire and Rescue - County Grants	7,306,500	7,099,420	7,096,421	2,999
Air Unit	36,190	47,970	43,692	4,278
Special Operations	479,270	482,860	468,617	14,243
Total Fire and Rescue Services	<u>7,821,960</u>	<u>7,630,250</u>	<u>7,608,730</u>	<u>21,520</u>
Corrections				
Detention Center	13,530,730	13,530,730	13,369,549	161,181
Central Booking	903,080	903,080	919,898	(16,818)
Day Reporting Center	627,060	667,060	570,570	96,490
Total Corrections	<u>15,060,870</u>	<u>15,100,870</u>	<u>14,860,017</u>	<u>240,853</u>
Other Public Safety				
911 - Communications	4,426,830	4,426,830	4,499,418	(72,588)
Wireless Communications	1,250,260	1,261,260	1,259,814	1,446
Emergency Management	168,870	168,870	173,500	(4,630)
EMS Operations	1,495,950	1,559,790	1,595,895	(36,105)
Fire Operations	-	149,180	153,825	(4,645)
Medical Examiner	20,000	20,000	18,320	1,680
Civil Air Patrol	3,600	3,600	3,600	-
Animal Control	1,290,000	1,290,000	1,290,000	-
Grants	-	832,106	625,857	206,249
Other Public Safety	<u>8,655,510</u>	<u>9,711,636</u>	<u>9,620,229</u>	<u>91,407</u>
Total Public Safety	<u>42,039,800</u>	<u>43,236,411</u>	<u>42,703,200</u>	<u>533,211</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund (continued)
 For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Health	\$ 2,339,270	\$ 2,339,270	\$ 2,339,270	\$ -
Social Services	373,390	373,390	373,390	-
Education	104,387,080	104,387,080	104,387,080	-
Parks, Recreation, and Culture				
Total Contributions to Other Agencies	3,029,330	3,029,330	3,029,330	-
Parks Department	1,706,720	1,709,650	1,760,758	(51,108)
Martin L. Snook Park Pool	128,370	128,370	136,550	(8,180)
Fitness and Recreation	874,440	874,440	868,311	6,129
Total Parks, Recreation, and Culture	<u>5,738,860</u>	<u>5,741,790</u>	<u>5,794,949</u>	<u>(53,159)</u>
Conservation of Natural Resources				
Weed Control	194,710	194,710	272,613	(77,903)
Agricultural Extension Service	232,400	232,400	232,400	-
Cooperative Extension	38,730	38,730	38,730	-
Soil Conservation Service	202,000	202,000	202,000	-
Gypsy Moth Program	10,000	10,000	7,320	2,680
Total Conservation of Natural Resources	<u>677,840</u>	<u>677,840</u>	<u>753,063</u>	<u>(75,223)</u>
Highway	<u>10,365,890</u>	<u>9,718,890</u>	<u>10,368,937</u>	<u>(650,047)</u>
General Operations	<u>490,020</u>	<u>470,020</u>	<u>609,165</u>	<u>(139,145)</u>
Unallocated Employee Insurance and Benefits	<u>704,640</u>	<u>704,640</u>	<u>483,556</u>	<u>221,084</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual
 General Fund (continued)
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
Intergovernmental				
Golf Course operating transfer	\$ 246,950	\$ 246,950	\$ 346,950	\$ (100,000)
HEPMPO operating transfer	6,730	6,730	7,290	(560)
Land Preservation operating transfer	142,730	142,730	121,765	20,965
Water Quality operating transfer	182,770	182,770	182,770	-
Public Transit operating transfer	484,470	484,470	484,470	-
Airport operating transfer	14,500	14,500	14,500	-
Capital Projects operating transfer	3,215,000	3,193,000	9,193,000	(6,000,000)
Solid Waste operating transfer	491,400	491,400	491,400	-
Grants Management operating transfer	266,160	266,160	266,160	-
Agricultural Education Center operating transfer	173,740	173,740	173,740	-
Municipality in lieu of bank shares	38,550	38,550	38,543	7
Total Intergovernmental	<u>5,263,000</u>	<u>5,241,000</u>	<u>11,320,588</u>	<u>(6,079,588)</u>
Debt Service	<u>15,475,000</u>	<u>15,475,000</u>	<u>14,688,810</u>	<u>786,190</u>
TOTAL EXPENDITURES	<u>213,933,540</u>	<u>215,565,331</u>	<u>220,586,293</u>	<u>(5,020,962)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (465,660)</u>	<u>\$ (465,660)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease			1,036,682	1,036,682
TOTAL OTHER FINANCING SOURCES (USES)			<u>\$ 1,036,682</u>	<u>\$ 1,036,682</u>
NET CHANGES IN FUND BALANCE			571,022	
FUND BALANCE - BEGINNING			<u>39,742,148</u>	
FUND BALANCE - ENDING			<u>\$ 40,313,170</u>	

OTHER SCHEDULES

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Local Management Board – Schedule of Revenue and Expenditures – Regulatory Basis For the Year Ended June 30, 2017

REVENUE

Community Partnership Agreement (CPA)	
Governor's Office for Children	\$ 674,447
Non- Community Partnership Agreement (Non-CPA)	
General Fund	266,160
Md State Department of Education	477,193
Dept. of Housing and Community Development	161,971
Total Non-Community Partnership Agreement Revenue	<u>905,324</u>

TOTAL REVENUE

1,579,771

EXPENDITURES

Community Partnership Agreement (CPA)	
Administrative :	
Salaries	71,438
Benefit Costs	29,129
Total CPA Administrative Expenditures	<u>100,567</u>

Programs:

Rural Out of School Time Initiative	105,000
GOC-School Based Mental Health	211,560
GOC Clinical Services and Outreach	139,060
Family Centered Support Services	69,060
School Readiness Program	49,200
Total CPA Program Expenditures	<u>573,880</u>

Non-Community Partnership Agreement (CPA)

Administrative:

Salaries	80,698
Benefit Costs	51,409
Advertising	165
Community Service Awards	1,600
Dues & Subscriptions	149
Small Office Equipment	439
Office Supplies	1,890
Personal Mileage	1,042
Postage	38
Travel Expenses	411
Entertainment/business expense	53
Contracted/purchased services	71
Training	2,706
Tuition Assistance	685
Copy Machine Rental	1,327
Telephone Expenses	441
Total Non-CPA Administrative Expenditures	<u>143,124</u>

Programs:

School Based Mental Health	120,000
MSDE - Healthy Families	477,193
Dept. of Housing and Community Development	161,971
Total Non-CPA Program Expenditures	<u>759,164</u>

TOTAL EXPENDITURES

1,576,735

EXCESS OF REVENUE OVER EXPENDITURES

\$ 3,036