

**SUPPLEMENT TO  
OFFICIAL STATEMENT DATED MAY 29, 2024**

**relating to**

**\$20,285,000  
WASHINGTON COUNTY, MARYLAND  
(COUNTY COMMISSIONERS OF WASHINGTON COUNTY)  
PUBLIC IMPROVEMENT AND REFUNDING BONDS OF 2024**

The Official Statement dated May 29, 2024 (the “Original Official Statement”) relating to the above-captioned Public Improvement and Refunding Bonds of 2024 (the “Bonds”) incorrectly contains a table on page 35 under the section “FINANCIAL INFORMATION - General Fund Revenues and Expenditures” that is captioned “Rapidity of Direct Tax-Supported Debt Principal Payment - June 30, 2023.”

The table that was supposed to appear in that space on page 35 of the Original Official Statement (and that correctly appeared on page 35 of the Preliminary Official Statement for the Bonds dated May 16, 2024) is captioned “County Commissioners of Washington County – Budget Comparison – General Fund – Fiscal Years 2023, 2024 and 2025” (the “Budget Comparison Table”).

The Original Official Statement is hereby supplemented to replace page 35 thereof with the following revised page 35, which includes the correct Budget Comparison Table.

This Supplement to Official Statement has been approved by the County.

COUNTY COMMISSIONERS OF  
WASHINGTON COUNTY

By: /s/ JOHN F. BARR

John F. Barr, President

[REPLACEMENT PAGE 35 APPEARS ON THE NEXT PAGE]

**The date of this Supplement is June 17, 2024.**

**General Fund Revenues and Expenditures**

The General Fund’s major function is to provide funding for education, public safety, courts, planning, permits, public works, parks and recreation, general operations and economic development. The major revenue sources to provide these programs and services for the public are: Real and Personal Property Tax, Income Tax and Recordation Tax. The following table displays the County’s General Fund actual revenues and expenditures compared to the final budget for fiscal year 2023, budgeted revenues and expenditures for fiscal year 2024, and the proposed budget for fiscal year 2025.

<b>County Commissioners of Washington County</b>				
<b>Budget Comparison</b>				
<b>General Fund</b>				
<b>Fiscal Years 2023, 2024 and 2025</b>				
	<b>Fiscal Year 2023</b>		<b>Fiscal Year 2024</b>	<b>Fiscal Year 2025</b>
	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Original Budget<sup>(1)</sup></b>	<b>Proposed Budget</b>
<b>REVENUES</b>				
<b>Property Tax</b>				
Real Property Tax.....	\$ 122,128,770	\$ 123,922,504	\$ 129,946,870	\$ 138,750,570
Personal Property Tax.....	14,603,570	18,848,775	15,477,230	16,154,320
Property Tax Interest Income.....	395,000	384,421	395,000	395,000
Other Property Tax.....	1,065,670	1,036,945	1,273,350	983,160
State Administrative Fees.....	(550,000)	(562,636)	(550,000)	(575,000)
Property Tax Discounts, Credits, and Fees.....	(2,779,880)	(2,566,214)	(3,165,300)	(3,287,930)
<b>Total Property Taxes.....</b>	<b>\$ 134,863,130</b>	<b>\$ 141,063,795</b>	<b>\$ 143,377,150</b>	<b>\$ 152,420,120</b>
<b>Other Local Taxes</b>				
Income Tax.....	\$ 109,367,510	\$ 121,057,937	\$ 116,692,810	\$ 121,388,350
Admissions and Amusement Tax.....	175,000	498,807	-	475,000
Recordation Tax.....	7,090,000	9,974,278	8,452,000	7,606,800
Trailer Tax.....	250,000	218,441	200,000	200,000
<b>Total Other Local Taxes.....</b>	<b>\$ 116,882,510</b>	<b>\$ 131,749,463</b>	<b>\$ 125,344,810</b>	<b>\$ 129,670,150</b>
<b>Other Revenues</b>				
Licenses and Permits.....	\$ 1,267,700	\$ 1,598,851	\$ 1,244,050	\$ 1,155,750
Court Costs and Fines.....	1,439,300	1,235,236	1,252,280	1,228,460
Charges for Services.....	1,311,800	1,566,830	1,367,840	1,484,530
Interest Income.....	600,000	6,324,575	1,900,000	4,757,000
Reimbursed Expenses.....	1,051,030	1,203,458	1,092,160	1,199,760
Miscellaneous Revenues.....	6,929,218	733,272	471,870	496,120
In Kind.....	4,280,080	4,280,080	-	4,280,100
Grant and Shared Revenues.....	19,485,966	10,119,529	5,010,190	3,956,740
Highway Revenues.....	2,499,510	2,587,941	2,945,810	3,508,520
<b>Total Other Revenues.....</b>	<b>\$ 38,864,604</b>	<b>\$ 29,649,772</b>	<b>\$ 15,284,200</b>	<b>\$ 22,066,980</b>
<b>TOTAL REVENUES.....</b>	<b>\$ 290,610,244</b>	<b>\$ 302,463,030</b>	<b>\$ 284,006,160</b>	<b>\$ 304,157,250</b>
<b>EXPENDITURES</b>				
General Government.....	\$ 50,051,516	\$ 40,815,835	\$ 39,824,750	\$ 44,001,320
Public Safety.....	71,454,563	69,090,085	72,845,900	79,886,750
Health.....	3,027,814	3,027,814	2,339,270	3,183,620
Social Services.....	506,330	506,330	506,330	506,330
Education.....	119,105,650	119,105,650	119,306,650	120,409,130
Parks, Recreation, and Culture.....	6,480,108	6,502,569	5,351,380	6,772,270
Conservation of Natural Resources.....	1,079,290	1,012,972	1,044,830	1,096,860
Highway.....	11,784,860	10,168,723	13,042,150	13,914,110
General Operations.....	1,761,031	2,645,480	591,770	1,824,900
Unallocated Employee Insurance and Benefits.....	870,370	(1,079,059)	3,011,070	4,291,480
Intergovernmental.....	9,208,722	28,890,615	10,362,820	12,060,400
Debt Service.....	15,279,990	15,210,802	15,779,240	16,210,080
Billables.....	-	345,145	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>\$ 290,610,244</b>	<b>\$ 296,242,961</b>	<b>\$ 284,006,160</b>	<b>\$ 304,157,250</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$ -</b>	<b>\$ 6,220,069</b>	<b>\$ -</b>	<b>\$ -</b>

Source: Washington County Department of Budget and Finance

(1) Budget revisions are possible until the close of the year on June 30, 2024. As of February 1, 2024, amendments to the fiscal year 2024 budget since its adoption have not been material.

**New Issue-Book-Entry Only**

In the opinion of Bond Counsel, assuming continuous compliance with certain covenants described herein, under existing law, the interest on the Bonds will be excludable from gross income for purposes of federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds is not includable in the alternative minimum taxable income of individuals as an enumerated item of tax preference or other specific adjustment for federal income tax purposes; however, interest on the Bonds will be part of the adjusted financial statement income in computing the alternative minimum tax on applicable corporations. Interest on the Bonds may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States of America. It is also the opinion of Bond Counsel that, under existing law, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom (including any profit made in the sale thereof) shall be at all times exempt from State of Maryland (the "State"), county, municipal, or other taxation of every kind and nature whatsoever within the State, but no opinion is expressed as to Maryland estate or inheritance taxes or any other Maryland taxes not levied directly on the Bonds, their transfer, the interest thereon or the income therefrom. See the information contained herein under the caption "THE BONDS—Tax Matters".

RATINGS: Fitch	AA+
Moody's	Aa1
S&P	AA+

**\$20,285,000**

**WASHINGTON COUNTY, MARYLAND**

**(COUNTY COMMISSIONERS OF WASHINGTON COUNTY)**

**PUBLIC IMPROVEMENT AND REFUNDING BONDS OF 2024**

Dated:	Date of delivery
Due:	July 1, as shown below
Interest Payable:	January 1 and July 1
First Interest Payment Due:	January 1, 2025
Denominations:	\$5,000 and integral multiples of \$5,000
Form:	Registered, book-entry only through the facilities of The Depository Trust Company ("DTC")
Optional Redemption:	The Bonds maturing on or after July 1, 2035 are redeemable prior to maturity at the option of the County as set forth in "THE BONDS—Redemption—Optional Redemption" herein.
Security:	The Bonds are general obligations of County Commissioners of Washington County (the "County") for the payment of which its full faith and credit and unlimited taxing power are pledged (see "THE BONDS—Sources of Payment" herein).

**\$20,285,000**

**County Commissioners of Washington County**

**Public Improvement and Refunding Bonds of 2024**

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, AND CUSIPS**

Maturing July 1	Principal Amount	Interest Rate*	Yield*	CUSIP	Maturing July 1	Principal Amount	Interest Rate*	Yield*	CUSIP
2025	\$ 970,000	5.000%	3.420%	937777GH7	2035	\$ 620,000	5.000%	3.150% †	937777GT1
2026	1,035,000	5.000	3.360	937777GJ3	2036	650,000	5.000	3.180 †	937777GU8
2027	1,095,000	5.000	3.200	937777GK0	2037	680,000	5.000	3.260 †	937777GV6
2028	1,145,000	5.000	3.170	937777GL8	2038	720,000	5.000	3.340 †	937777GW4
2029	1,210,000	5.000	3.140	937777GM6	2039	755,000	5.000	3.390 †	937777GX2
2030	1,275,000	5.000	3.130	937777GN4	2040	795,000	5.000	3.510 †	937777GY0
2031	1,340,000	5.000	3.130	937777GP9	2041	830,000	4.000	3.930 †	937777GZ7
2032	1,415,000	5.000	3.130	937777GQ7	2042	865,000	4.000	4.000	937777HA1
2033	1,485,000	5.000	3.140	937777GR5	2043	905,000	4.000	4.040	937777HB9
2034	1,560,000	5.000	3.150	937777GS3	2044	935,000	4.000	4.070	937777HC7

\*The interest rates and yields shown above are those resulting from the successful bid for the Bonds on May 29, 2024 and were furnished by the successful bidder therefor. Other information concerning the terms of the reoffering of the Bonds, if any, should be obtained from the successful bidder for the Bonds and not from the County. (See "MISCELLANEOUS—Sale at Competitive Bidding" herein.)

†Priced at the stated yield to the first optional redemption date of July 1, 2034.

**Conditions Affecting Issuance:** The Bonds are offered when, as and if issued, subject to, among other conditions, the delivery of the Bonds and the approving legal opinion of Funk & Bolton, P.A., Bond Counsel, with respect thereto and other conditions specified in the official Notice of Sale. Delivery will occur through the facilities of DTC on or about June 12, 2024.

*This cover page contains certain information for quick reference only. It is not a summary of this issue. Prospective investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.*

Dated: May 29, 2024

No dealer, broker, salesman or other person has been authorized by the County or the successful bidder for the Bonds to give any information or to make any representations with respect to the Bonds or the County other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the County and other sources which are deemed to be reliable, but it is not to be construed as a representation by the County as to information from sources other than the County.

This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Bonds.

All quotations from and summaries and explanation of provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the respective dates as of which information is given herein or the date hereof.

In connection with this offering and subject to any applicable limitations, the successful bidder for the Bonds may over-allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bar Association by FactSet Research Systems, Inc., and the County does not take any responsibility for the accuracy thereof. The CUSIP number for any specific maturity is subject to change after issuance of the Bonds in certain circumstances. The County has not agreed to, and there is no obligation to, update this Official Statement to reflect any change or correction in the assigned CUSIP numbers set forth on the cover page of this Official Statement. The use of CUSIP numbers in this Official Statement is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services's information.

**WASHINGTON COUNTY, MARYLAND  
ADMINISTRATION BUILDING  
100 WEST WASHINGTON STREET  
HAGERSTOWN, MARYLAND 21740**

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**COUNTY COMMISSIONERS**

John F. Barr, President  
Jeffrey A. Cline, Vice President  
Wayne K. Keefer, Commissioner  
Randall E. Wagner, Commissioner  
Derek J. Harvey, Commissioner

**ADMINISTRATION**

Michelle A. Gordon, County Administrator  
Dawn L. Marcus, County Clerk  
Kelcee G. Mace, Chief Financial Officer  
Zachary Kieffer, Esquire, County Attorney

**COUNTY TREASURER**

R. Matthew Breeding

**FINANCIAL ADVISOR**

Davenport & Company LLC  
Towson, Maryland

**BOND COUNSEL**

Funk & Bolton, P.A.  
Baltimore, Maryland

**INDEPENDENT AUDITOR**

SB & Company, LLC  
Hunt Valley, Maryland

**BOND REGISTRAR AND PAYING AGENT AND ESCROW DEPOSIT AGENT**

Manufacturers and Traders Trust Company  
Baltimore, Maryland  
and Buffalo, New York

**VERIFICATION AGENT**

The Arbitrage Group, Inc.  
Buhl, Alabama

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# I. The Bonds

## Introduction

The purpose of this Official Statement, including the cover page and appendices, is to provide information for prospective purchasers and others regarding County Commissioners of Washington County (the “County”) and its \$20,285,000 Public Improvement and Refunding Bonds of 2024 (the “Bonds” or, individually, each a “Bond”).

All estimates and assumptions herein have been based upon information believed to be reliable and correct; however, statements made involving estimates and assumptions, whether or not expressly so stated, are intended merely as such and not as representations of facts.

When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect,” “anticipate,” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Some assumptions used to develop the forecasts may not be realized and unanticipated events and circumstances may occur. Therefore, there may be differences between forecasts and actual results, and those differences may be material. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Official Statement or as of a particular specified date. The County is not obligated to issue any updates or revisions to such forward-looking statements if or when results are known or the events, conditions or circumstances on which such forward-looking statements are based occur.

Figures herein relating to tax collections, assessed value of property and the financial position of the County have been taken from official records of the County.

Except as otherwise expressly provided herein, the County has provided the material and information contained in this Official Statement. The County has authorized the execution and distribution of this Official Statement.

Any questions concerning this Official Statement or the Bonds should be addressed to Kelcee G. Mace, Chief Financial Officer, Washington County Administration Building, 100 West Washington Street, Room 3100, Hagerstown, Maryland 21740; telephone: (240) 313-2300; email: kmace@washco-md.net.

## Description of Bonds

The Bonds will be dated the date of their delivery. The Bonds will be issued in the principal amounts and will mature on the dates in the years and in the amounts set forth on the cover page hereof. The Bonds will be legally binding general obligations of the County to the payment of which the full faith and credit and unlimited taxing power of the County are pledged. (See “THE BONDS—Sources of Payment” herein.)

Interest on the Bonds, calculated on the basis of a 30-day month/360-day year factor, will be payable at the interest rates specified on the cover page of this Official Statement. Interest on the Bonds will be first paid on January 1, 2025, and semiannually thereafter on the first day of July and January of each year until the date of maturity unless a Bond is redeemed prior to that date. Interest payments will be made to the persons who are the registered owners of record as of the 15<sup>th</sup> day of the month preceding each such interest payment date. Each Bond shall bear interest from the most recent date to which interest has been paid or, if no interest has been paid, from its date of delivery.

The Bonds will be issued in fully-registered form without coupons, in denominations of \$5,000 and integral multiples thereof. The Bonds initially will be issued in book-entry form without any physical distribution of certificates made to the public. The Depository Trust Company, (“DTC”), will act as securities depository for the Bonds and the Bonds will be registered in the name of DTC’s partnership nominee, Cede & Co. (See “THE BONDS— DTC and Book-Entry Only System” herein).

So long as the Bonds are maintained in book-entry form, payments of principal of and interest on the Bonds will be made as described below under “DTC and Book-Entry Only system.” At any other time the principal amount of the Bonds will be payable at the designated corporate trust office of Manufacturers and Traders Trust Company or any successor bond registrar and paying agent (the “Bond Registrar and Paying Agent”).

Except during any period that the Bonds are maintained under a book-entry only system, interest on the Bonds will be payable by checks of the Bond Registrar and Paying Agent mailed to the registered owners thereof. The principal of and interest on the Bonds will be paid in lawful money of the United States of America in the manner and at the places hereinabove described.

So long as the Bonds are maintained in book-entry form, transfers of ownership interests will be made as described below under “—DTC and Book-Entry Only System.” At any other time, any Bond may be exchanged for a Bond or Bonds in authorized denominations of \$5,000 or integral multiples thereof in aggregate principal amount equal to the principal amount of the Bond transferred or exchanged and maturing on the same date and bearing interest at the same rate. The transfer of any Bond may be registered upon presentation and surrender of such Bond at the office of the Bond Registrar and Paying Agent, together with a written instrument of transfer duly executed by the registered owner or his attorney or legal representative. The Bond Registrar and Paying Agent may require the person requesting any such exchange or transfer to reimburse it for any tax, fee or other governmental charge, shipping charges and insurance payable in connection therewith.

### **DTC and Book-Entry Only System**

Initially, DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (as DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of the Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive physical certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry only system is discontinued for the Bonds.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.



Redemption notices shall be sent to DTC. If fewer than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, payments of the principal of, redemption premium, if any, and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Bond Registrar and Paying Agent on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants, and not of DTC, the Bond Registrar and Paying Agent or the County, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Bond Registrar and Paying Agent; disbursement of such payments to Direct Participants will be the responsibility of DTC; and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County or the Bond Registrar and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

### **Book-Entry Only System - Miscellaneous**

**THE COUNTY AND THE BOND REGISTRAR AND PAYING AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER OF THE BONDS WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT OF ANY AMOUNT DUE TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BONDS TO BE GIVEN TO BOND OWNERS; (5) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF ANY OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.**

In the event the County determines to discontinue a book-entry only system of registration of the Bonds, payments of interest, principal and redemption price and transfer and exchange of the Bonds will be made as described above under "THE BONDS—Description of Bonds".

## Authorization

The Bonds are issued pursuant to the authority of Chapter 392 of the Laws of Maryland of 2007 (“Chapter 392”), Chapter 99 of the Laws of Maryland of 2018 (“Chapter 99”), Section 19-207 of the Local Government Article of the Annotated Code of Maryland (the “Refunding Act”) and Title 6 of the Code of Public Local Laws of Washington County, Maryland (2019 Edition) (the “Water and Sewer Act”), each as amended, as applicable, and in accordance with Resolution No. RS-2024-12 adopted by the Board of County Commissioners of Washington County (the “Board”) on May 7, 2024 (the “Resolution”).

Chapter 392, Chapter 99, the Water and Sewer Act and the Refunding Act are collectively referred to in this Official Statement as the “Act”. Copies of the Act and the Resolution are available at the office of the Chief Financial Officer of the County (the “CFO”).

## Application of Proceeds

A portion of the sale proceeds of the Bonds (including a portion of net original issue premium) will be applied to costs of the following projects in the amounts indicated below:

<u>Use</u>	<u>Amount</u>
Infrastructure Projects	\$ 4,210,000
Public Safety Projects	1,850,000
Education Projects	5,940,000
Environmental Projects	1,555,000
	<u>\$ 13,555,000</u>

Without notice to or the consent of the holders of the Bonds, the County (i) may reallocate the proceeds of the Bonds to costs of the contemplated projects among such projects in accordance with applicable budgetary procedures or applicable law, or (ii) amend the Resolution to reallocate proceeds of the Bonds to other projects not originally contemplated by the Resolution in accordance with applicable law.

A portion of the proceeds of the Bonds (including a portion of net original issue premium) will be applied to currently refund a portion of the County’s outstanding Public Improvement Bonds of 2014 (the “2014 Bonds”). The refunded 2014 Bonds are referred to as the “Refunded Bonds” in this Official Statement.

The Refunded Bonds are as follows:

<u>Bond Issue</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount Refunded</u>	<u>Maturities Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
2014 Bonds	\$9,055,000	\$8,385,000	2025-2034	July 12, 2024	100%

The underwriter’s discount payable to the successful bidder for the Bonds will also be paid from sale proceeds of the Bonds. The County expects to pay all other costs of issuance from non-borrowed County funds.

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## Refunding Plan

A portion of the proceeds of the Bonds, together with other available funds, if applicable, will be applied to currently refund the Refunded Bonds. The refunding method being used is frequently termed a “net defeasance” in that provision is made to set aside immediately, from proceeds of a refunding bond issue and any other available funds, if applicable, monies for investment that, together with the interest to be received thereon, and any cash held uninvested, shall be sufficient to satisfy all payments of interest on the Refunded Bonds to and including the date on which such Refunded Bonds are redeemed and the principal of and any premium due upon redemption of such Refunded Bonds.

That portion of the proceeds of the Bonds used to currently refund the Refunded Bonds, together with other available funds, if applicable, will be applied to the purchase of non-callable direct obligations of or obligations the principal of and interest on which are guaranteed by the United States of America (the “Acquired Obligations”). The Acquired Obligations, together with any cash held uninvested, will be held in trust in an escrow fund (the “Escrow Deposit Fund”) by Manufacturers and Traders Trust Company (the “Escrow Agent”) pursuant to an Escrow Deposit Agreement between the County and the Escrow Agent. The Acquired Obligations will mature at such times and in such amounts and will bear interest payable at such times and in such amounts, so that, together with any cash held uninvested, sufficient money will be available to pay the redemption price of the Refunded Bonds and accrued interest on the Refunded Bonds to and including the date fixed for redemption. (See “MISCELLANEOUS--Verification of Mathematical Computations” herein.) The Escrow Agent will be irrevocably instructed to redeem the Refunded Bonds on the date fixed for redemption and to apply the maturing principal of and interest on the Acquired Obligations and any cash held uninvested to the redemption price of the Refunded Bonds plus accrued interest thereon on the date fixed for redemption. The Acquired Obligations will be pledged only to the payment of the redemption price of and interest on the Refunded Bonds and will not be available for the payment of principal of or interest on the Bonds or any other obligations of the County.

## Redemption

### *Optional Redemption*

The Bonds that mature on or before July 1, 2034 are not subject to redemption at the option of the County prior to their maturities. The Bonds that mature on or after July 1, 2035 are subject to redemption at the option of the County as a whole or in part at any time on or after July 1, 2034, in any order of maturity directed by the County, at a redemption price of the principal amount of the Bonds (or portions thereof) to be redeemed, plus accrued interest on the principal amount being redeemed to the date fixed for redemption, without premium or penalty.

### *Selection of Bonds for Redemption; Notice of Redemption*

If fewer than all of the Bonds of any one maturity shall be called for optional redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by the Bond Registrar and Paying Agent in such manner as in its discretion it shall determine; provided that, so long as the Bonds are maintained in book-entry form, the selection of individual ownership interests to be credited with such partial redemption shall be made by DTC (or any successor securities depository) in accordance with DTC’s (or such successor securities depository’s) then existing procedures.

If all or a portion of the Bonds outstanding are to be redeemed, the County shall give or cause to be given a redemption notice by first class mail, postage prepaid, at least 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed in whole or in part at the address of such registered owner appearing on the bond register maintained for the Bonds by the Bond Registrar and Paying Agent, provided, however, that the failure to mail the redemption notice or any defect in the notice so mailed shall not affect the validity of the redemption proceedings. The County may, but shall not be obligated to, also publish such notice of redemption at least once not less than thirty (30) days prior to the date fixed for redemption in a newspaper circulating in the City of Baltimore, Maryland, and also in a financial journal or daily newspaper of general circulation in the City of New York, New York. The redemption notice shall state (i) whether the Bonds are to be redeemed in whole or in part and, if in part, the maturities, numbers, interest rates and CUSIP numbers of the Bonds to be redeemed, (ii) in the case of a partial redemption of any Bond, the portion of the principal amount which is to be redeemed, (iii) that the interest on the Bonds (or portions thereof) to be redeemed shall cease on the date fixed for redemption, (iv) the date fixed for redemption and the redemption price, (v) the address of the Bond Registrar and Paying Agent with a contact person and phone number, and (vi) that the Bonds to be redeemed in whole or in part shall be presented for redemption and payment on the date fixed for redemption at the designated corporate trust office of the Bond Registrar and Paying Agent. Any such notice may be conditioned upon receipt by the Bond Registrar and Paying Agent of sufficient funds to effect such redemption.

From and after the date fixed for redemption, if funds sufficient for payment of the redemption price plus accrued interest thereon to the date fixed for redemption are held by the Bond Registrar and Paying Agent on such date, the Bonds (or portions thereof) so called for redemption shall become due and payable at the redemption price provided for redemption of such Bonds on such date, interest on such Bonds (or portions thereof) shall cease to accrue and the registered owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof plus accrued interest thereon to the date fixed for redemption from the monies so held by the Bond Registrar and Paying Agent. Upon presentation and surrender for redemption, the Bonds to be redeemed in whole or in part shall be paid by the Bond Registrar and Paying Agent at the redemption price plus accrued interest thereon to the date fixed for redemption. If Bonds (or portions thereof) so called for redemption are not paid upon presentation and surrender, the Bonds designated for redemption in whole or in part shall continue to bear interest at the rates stated therein until paid.

### **Sources of Payment**

The Act provides that the Bonds constitute an irrevocable pledge of the full faith and credit and unlimited taxing power of the County to the payment of the maturing principal of and interest on the Bonds as and when they become payable. The Act further provides, and the County has covenanted in the Resolution, that in each and every fiscal year that any of the Bonds are outstanding, the County shall levy or cause to be levied ad valorem taxes upon all assessable property within the corporate limits of Washington County in rate and amount sufficient to provide for or assure the payment, when due, of the principal of and interest on all Bonds maturing in each such fiscal year and, if the proceeds from the taxes so levied in such fiscal year prove inadequate for such payment, additional taxes shall be levied in the succeeding fiscal year to make up any deficiency.

### **Bondholders' Remedies**

It is the opinion of Funk & Bolton, P. A., Bond Counsel, that the County may be sued in the event that it fails to perform its obligations under the Bonds and the Resolution to the registered owners and that any judgments resulting from such suits would be enforceable against the County. Nevertheless, a registered owner of a Bond who has obtained any such judgment may be required to seek additional relief to compel the County to assess, levy and collect such taxes as may be necessary to provide the funds from which such judgment may be paid. Although there is no Maryland law with respect to this issue, it is the opinion of Bond Counsel that the appropriate courts of Maryland have jurisdiction to entertain proceedings and power to grant additional relief, such as a mandatory injunction, if necessary, to enforce the levy and collection of such taxes and payment of the proceeds thereof to the holders of general obligation bonds, *pari passu*, subject to the inherent constitutional limitations referred to below.

It is also the opinion of Bond Counsel that, while remedies would be available to the registered owners of the Bonds and while the Bonds are entitled to constitutional protection against the impairment of the obligation of contracts, such constitutional protection and the enforcement of such remedies would not be absolute.

Enforcement of a claim for payment of the principal of or interest on the Bonds could be made subject to the provisions of federal bankruptcy laws or of any statutes that may hereafter be constitutionally enacted by the United States Congress or the Maryland General Assembly extending the time for payment or imposing other constraints upon enforcement.

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## Tax Matters

### *State of Maryland and Local Income Tax*

In the opinion of Funk & Bolton, P.A., Bond Counsel, under existing law, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom (including any profit made in the sale thereof) shall be at all times exempt from State of Maryland (the “State”), county, municipal, or other taxation of every kind and nature whatsoever within the State, but no opinion is expressed as to Maryland estate or inheritance taxes or any other Maryland taxes not levied directly on the Bonds, their transfer, the interest thereon or the income therefrom.

Interest on the Bonds may be subject to state or local income taxes in jurisdictions other than the State of Maryland under applicable state or local tax laws. Prospective purchasers of the Bonds should consult their tax advisors regarding the tax status of the Bonds in a particular state or local jurisdiction other than the State of Maryland.

### *Federal Income Tax*

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for purposes of federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and is not includable in the alternative minimum taxable income of individuals as an enumerated item of tax preference or other specific adjustment under existing statutes, regulations and decisions as enacted and construed on the date of initial delivery of the Bonds, assuming the accuracy of certain certifications of the County and continuing compliance with the requirements of the Code. Interest on the Bonds will be part of adjusted financial statement income, fifteen percent of which is included in the computation of the corporate alternative minimum tax imposed on applicable corporations. In addition, interest on the Bonds may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States of America.

Bond Counsel will issue an opinion with respect to the Bonds. Bond Counsel’s opinion will be given in reliance (without independent investigation) on certifications, covenants and agreements by representatives of the County as to certain facts material to both the opinion and the requirements of the Code. The County will covenant and agree to comply with the provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds, the use of the projects financed from proceeds of the Bonds and the timely payment to the United States of America of any arbitrage rebate amounts with respect to the Bonds or payments in lieu thereof. Bond Counsel assumes no responsibility for, and will not monitor, compliance with the covenants and agreements of the County. In the event of noncompliance with such covenants and agreements, available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes retroactively to the date of issue.

Ownership of the Bonds may result in other federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty companies, certain recipients of social security or railroad retirement benefits and certain S corporations. Prospective purchasers of the Bonds should consult with their own tax advisors as to any collateral federal income tax consequences.

Certain of the Bonds may be offered and sold at a discount (“original issue discount”) equal generally to the difference between their public offering price and principal amount. For federal income tax purposes, original issue discount on a Bond accrues periodically over the term of the Bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the purchaser’s tax basis in the Bond for determining taxable gain or loss upon disposition (including sale, redemption or payment at maturity). Purchasers of Bonds at a discount should consult their tax advisors regarding the determination and treatment of original issue discount for federal income tax purposes, and with respect to any state or local tax consequences of owning such Bonds.

Certain of the Bonds may be offered and sold at a purchase price over the stated redemption price of such Bonds at maturity. This excess constitutes premium on such Bonds. For federal income tax purposes, original issue premium is amortizable periodically over a Bond’s term through reductions in the owner’s tax basis for the Bond for determining taxable gain or loss upon disposition (including sale, redemption or payment at maturity). An owner of a premium Bond cannot deduct amortized original issue premium relating to that premium Bond. Purchasers of any Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes, and with respect to any state or local tax consequences of owning such Bonds.

The foregoing is only a general summary of certain provisions of the Code as enacted and in effect on the date hereof and does not purport to be complete or to identify all aspects of federal income taxation that may be relevant to a particular purchaser of the Bonds in light of his or its particular circumstances and income tax situation. Prospective purchasers of the

Bonds should consult their own tax advisors as to the effects, if any, of the Code in their particular circumstances. Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Bonds.

See Appendix B hereto for the proposed form of opinion of Bond Counsel to be delivered upon issuance of the Bonds. Bond Counsel's opinion will speak only as of its date.

***Effects of Future Enforcement, Regulatory or Legislative Actions***

The Internal Revenue Service (the "Service") has a program to audit state and local government obligations to determine whether the interest thereon is includable in gross income for federal income tax purposes. If the Service audits the Bonds, under current Service procedure, the Service will treat the County as the taxpayer and the owners of the Bonds will have only limited rights, if any, to participate in the process. Any selection by the Service of the Bonds or of tax-exempt obligations similar to the Bonds for audit could affect the marketability or market value of the Bonds.

The Service and the U.S. Department of the Treasury have ongoing programs to promulgate regulations to interpret and apply the provisions of the Code. In addition, from time to time regulatory actions are announced or proposed and litigation is threatened or commenced that, depending on its conclusion, could modify or impact federal or state tax treatment of tax-exempt obligations such as the Bonds and could have an adverse effect on the marketability or market value of the Bonds.

From time to time, there are Presidential proposals, proposals of various federal committees, or legislative proposals in the United States Congress or various state legislatures that, if enacted, could alter or amend the federal tax matters referred to above, state treatment of the tax status of the Bonds or adversely affect the market value of the Bonds. Furthermore, such proposals may affect the marketability or market value of the Bonds merely by virtue of being proposed. It cannot be predicted whether or in what form any such proposal may be enacted or whether, if enacted, it would apply to tax-exempt obligations, including the Bonds, issued prior to enactment. In addition, legislation enacted after issuance of the Bonds may directly or indirectly cause interest on the Bonds to be subject to federal or state income taxation (as applicable) or reduce the benefit of the excludability of interest on the applicable Bonds under existing law. Each purchaser of the Bonds should consult with his or its own tax advisor regarding any pending or proposed federal or state tax legislation.

Bond Counsel will not express any opinion regarding pending or proposed federal or state enforcement actions, regulations, litigation or legislative actions.

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## II. Government and Administration

### Location

Washington County is situated in northwestern Maryland, bordered by Pennsylvania to the north and West Virginia to the south. It is bordered on the east by Frederick County, Maryland and on the west by Allegany County, Maryland. Washington County is approximately 460 square miles in area. The County seat, Hagerstown, is 70 miles northwest of Washington, D.C. and 72 miles west of Baltimore, Maryland. Two major highways, Interstate 81 – running north and south, and Interstate 70 – running east and west, cross within Washington County’s borders.

A major part of Washington County is fertile valley with rolling terrain. The lowland belt known as the Hagerstown Valley lies between the Blue Ridge Mountains to the east and the Appalachian Highlands to the west.

### Form of Government

The County is a body politic and corporate, which performs all local governmental functions in Washington County except those performed by the nine incorporated municipalities within Washington County. The executive offices of the County are located at 100 West Washington Street, Hagerstown, Maryland 21740. The County’s website is [www.washco-md.net](http://www.washco-md.net). Any references in this Official Statement to the County’s website are provided for convenience only. The information on the County’s website is not incorporated herein, by reference or otherwise.

Under the Code of the Public Local Laws of Washington County (2019 Edition), as amended, being Article 22 of the Code of Public Local Laws of Maryland (the “County Code”), both the executive and legislative functions of the County are vested in the elected, five-member Board of County Commissioners of Washington County (the “Board”). The Board may only exercise such powers as are conferred upon it by the General Assembly of Maryland, including authorization to issue debt to finance its capital projects. County Commissioners are elected on a countywide basis and serve four-year terms.

Each member of the Board has one vote and a simple majority of the Board is sufficient to take action subject to the authority vested in the Board by the County Code. Emergency action also requires a simple majority vote. The Board elects its own officers. The General Assembly of Maryland must authorize powers not specifically authorized by the County Code.

As authorized by the County Code, the Board appoints a County Administrator. The County Administrator is selected on the basis of his or her executive and administrative abilities, including his or her knowledge and experience in public administration. The County Administrator is charged with the supervision of the departments and agencies of the County and oversight of day-to-day operations in conformity with all laws applying to the County.

County financial matters are administered in part through the office of the Treasurer of Washington County. The County Code establishes the elective office of County Treasurer. The County Treasurer is constituted the collector of County and State taxes, charges and assessments and is charged with the enforcement of collection of taxes in the manner provided by law.

As authorized by the County Code, the Board appoints the CFO. The CFO is charged with assisting the Board in the preparation and administration of the County budgets and other accounting and fiscal matters as the Board deems necessary. In addition, the CFO is responsible for the study of the organization, methods and procedures of each office, department, board, commission, institution, and agency of County government. The CFO reports to the County Commissioners.

## Legislative and Administrative Officials

### *Board of County Commissioners*

JOHN F. BARR, a fourth term County Commissioner, serves as President of the Board of County Commissioners, and was first elected in 2006. He was raised in Boonsboro, Maryland and is a Master Electrician in five states. In high school, Mr. Barr worked for his father as a field electrician at M/L Electric, Inc., founded in 1927. In 1979 he formed the management team overseeing the service department. In 1984 Mr. Barr bought the company from his father and changed the name to Ellsworth Electric, Inc. He remained president and owner until his son purchased the business in 2020. Mr. Barr is active in various service organizations and community projects. He also served a one year term as President of the Maryland Association of Counties (MACo) in 2016. He still assists at MACo events as past president. Mr. Barr served on the Advisory Board to the First United Bank and Trust based in Oakland, Maryland from 2009 through 2014. In 2014, he was elected to the Board of Directors on which he currently serves today.

JEFFREY A. “JEFF” CLINE, a fourth term County Commissioner, serves as Vice President of the Board of County Commissioners and is a resident of Williamsport, Maryland. He is a graduate of Williamsport High School and Hagerstown Community College. Mr. Cline has experience as a realtor since 2003. He graduated from the Maryland Association of Realtors’ 2008 Leadership Academy and received the Graduate of Realtor Institute (GRI) designation. He is also a graduate of the 2013 Leadership Washington County Class 26. Mr. Cline served on the Williamsport Town Council from 2005 to 2009.

WAYNE K. KEEFER, a third term County Commissioner, is a life-long resident of Washington County and a graduate of Hancock Middle -Senior High School. Mr. Keefer continued his education locally at Hagerstown Community College, then earned his B.S. and M.B.A. degrees from Frostburg State University (“FSU”). He also graduated from the Academy of Excellence in Local Government Certificate Program. Mr. Keefer has over a decade of experience as a commercial banker with roles in consumer lending and corporate accounting. He is currently the Assistant Vice President/Controller of a local bank. He has taught courses in business, economics, banking and finance as an adjunct professor with his alma mater FSU and with the West Virginia School of Banking. He also holds a Maryland Real Estate License. An active member of the community, he has served in leadership roles with many non-profit organizations.

RANDALL E. “RANDY” WAGNER, a second term County Commissioner, was born and raised in Washington County. Mr. Wagner graduated from North Hagerstown High School and is a veteran of the United States Coast Guard, where he served for four years. Mr. Wagner worked at Mack Truck for 17 years before becoming a small business owner in Washington County, owning and operating 40 West Marine in Clear Spring for eight years. He has served the local community as a realtor for the past 21 years and is a licensed private pilot. He also served on the Animal Control Board and held the position as Vice Chair for eight years. He currently serves on the Airport Advisory Board, the Planning Commission, the Health Advisory Board, the Black Rock Golf Course Board and the Emergency Services Advisory Council.

DEREK J. HARVEY, Colonel, U.S. Army (Retired), a first term County Commissioner, worked on Capitol Hill as the Lead Investigator and Senior Advisor to the House Permanent Select Intelligence Committee, and in the White House National Security Council under President Donald J. Trump. After serving as an Airborne Ranger Infantry Officer and a decorated Army Colonel, and being awarded a Bronze Star and multiple Meritorious Service Medals, he transitioned into government service as a Senior Intelligence Executive. Mr. Harvey has been an adjunct professor at the University of Maryland and Central Texas College, and was a Fellow at Carnegie Mellon University. As a Professor and Research Institute Director at the University of South Florida, he focused on supporting local governments with insights to help with smarter decision-making. Elected to the Board of County Commissioners in 2022, he is a member of the Morris Frock American Legion and resides in Smithsburg.

### *County Treasurer*

R. MATTHEW BREEDING, County Treasurer, was elected to his position in November 2022. He holds a Bachelor of Science degree in criminal justice. Mr. Breeding is a retired senior officer from the U.S. Army and has extensive experience in senior level supervision and management. He has a vast amount of experience with government information management systems and has managed programs in excess of seventy-five million dollars.



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*Administrative Officials*

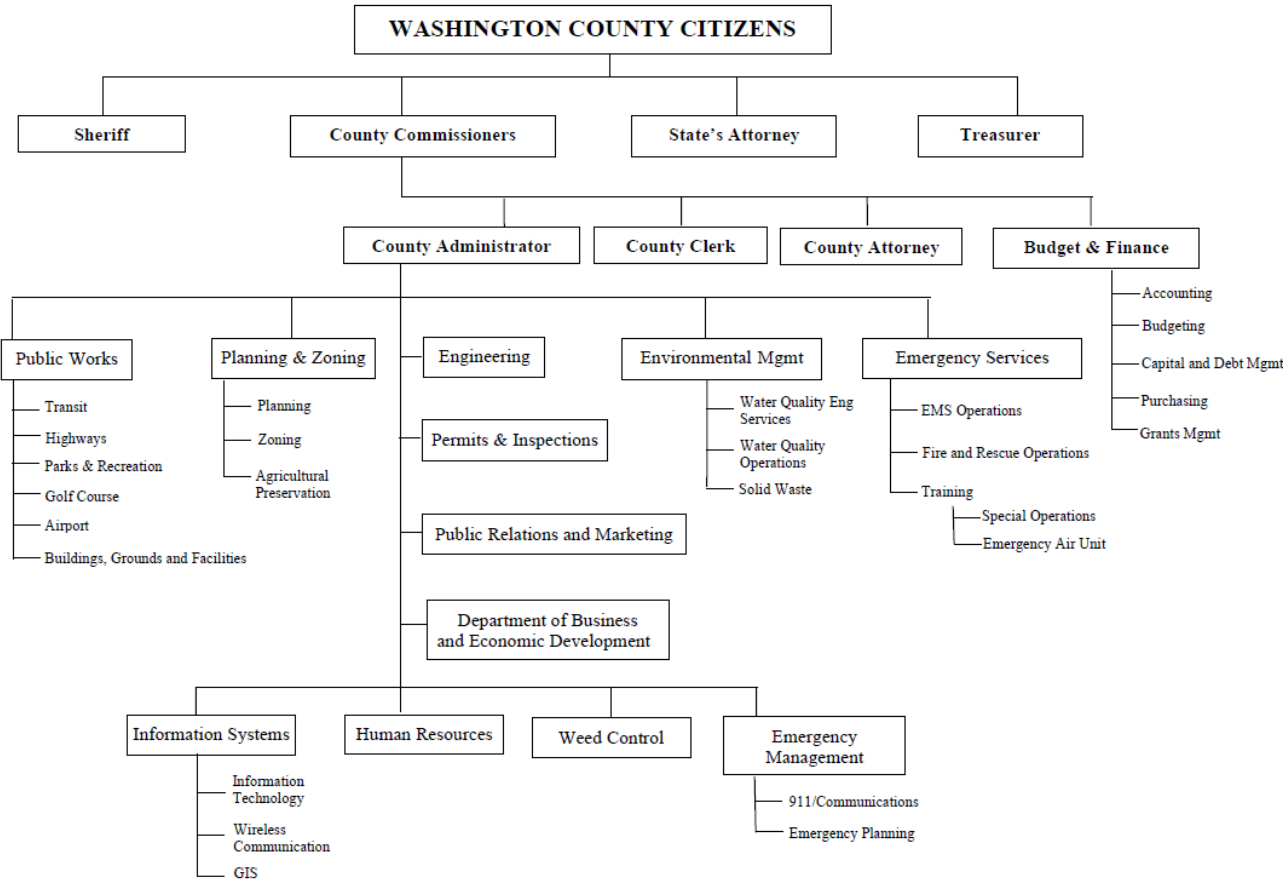
MICHELLE A. GORDON, County Administrator, holds a B.A. degree in management with concentrations in accounting and information technology from Hood College. She earned a Master of Business Administration degree with a Certified Public Accounting Track concentration from Mount St. Mary's University and was in the first graduating class of the Mount St. Mary's, Richard J. Bolte, Sr. School of Business. Mrs. Gordon is a lifelong resident of Washington County, Maryland. She was appointed to the position of County Administrator in September 2023 and has been employed with Washington County since October of 2022 when she was hired as the Chief Financial Officer. Prior to her employment with Washington County, she was employed as the Chief Financial Officer of Jefferson County, West Virginia and as the Director of Finance of the City of Hagerstown, Maryland for a combined total of 12 years. Her governmental experience also includes six years of progressive accounting work at the City of Frederick, Maryland. In total, Mrs. Gordon has 34 years of governmental, private and public accounting experience. Mrs. Gordon serves as an active member of the Auxiliary at the Potomac Fish & Game Club in her hometown of Williamsport, Maryland. She is a member of the Board of Directors for the Maryland Theatre, the Board of Directors for the University System of Maryland-Hagerstown, the Maryland Association of Counties, the Maryland Government Finance Officers Association and the Government Finance Officers Association of the United States and Canada ("GFOA").

KELCEE G. MACE, Chief Financial Officer, holds a B.A. degree in Accounting from Juniata College. Mrs. Mace was appointed as Chief Financial Officer effective October 14, 2023. She is currently working towards the Certified Public Finance Officer designation through the GFOA. Mrs. Mace was hired by Washington County in 2014 as an accountant, was promoted to Deputy Director of Budget and Finance in 2018, was appointed as Interim Chief Financial Officer in June 2023, and served in such position until becoming the Chief Financial Officer. She is a member of the Maryland Government Finance Officers Association and the GFOA.

KIMBERLY K. EDLUND, C.P.A., Director of Budget and Finance, is a summa cum laude graduate of Shepherd University with a B.S. degree in accounting. She earned a Master of Business Administration degree from Frostburg State University. Ms. Edlund was hired by Washington County in 1995 as the Assistant Director of Budget and Finance and was promoted to Director in 2014. Prior to her employment with Washington County, she was a Senior Accountant with a regional public accounting firm. Ms. Edlund is a member of the American Institute of Certified Public Accountants, the Maryland Association of Certified Public Accountants, the Maryland Government Finance Officers Association and the GFOA.

ZACHARY J. KIEFFER, County Attorney, has been with the County Attorney's Office beginning January 2023, starting as Assistant County Attorney. He was appointed Deputy County Attorney in November 2023 and County Attorney in March 2024. Mr. Kieffer graduated from The Pennsylvania State University in 2008 with a B.A. degree. He received his J.D. degree from the University of Baltimore School of Law in 2011 and was admitted to the Maryland Bar. He is also admitted to practice before the U.S. District Court for the District of Maryland and served as Judicial Law Clerk to the Hon. Leo E. Green, Jr., Prince George's County Circuit Court in 2012. Mr. Kieffer maintained a private practice from 2012-2022. He is a member of the Washington County Bar Association.

Washington County Government Organizational Chart



County Employment

As of January 1, 2024, the County employed 841 full-time employees and 592 part-time employees, including 201 seasonal positions. The County has a compensation and classification plan, which is complemented by a performance evaluation system. There are 154 employees of the County’s Division of Public Works, Division of Emergency Services, and Division of Environmental Management represented by a collective bargaining agreement that expires on June 30, 2026. The County has not experienced a work stoppage due to labor relation disputes and considers its relationships with employees to be good.

Pension and Retirement System

Employees of the County government are provided retirement benefits through a pension plan (the “Plan”). Participation in the Plan is mandatory and there were 1,481 participants as of June 30, 2023. The Plan also provides death and disability benefits. The employees and the County fund the guaranteed allowance. Approximately 20.7% of the non-uniformed participants contribute to the Plan at the rate of 5.50% of their annual salary and the remaining non-uniformed and uniformed employees contribute 6.00% of their annual salary.

The County’s contribution is comprised of three parts: (i) contribution to cover current service costs, (ii) annual accrued liability contribution to liquidate the County’s unfunded accrued liability by July 1, 2039 and (iii) annual additional accrued liability contribution to liquidate the County’s additional accrued liability due to actuarial gains and losses, benefit changes and assumption changes. Contributions are based on an assumed investment rate of 7.25% compounded annually. Contributions are currently funded at 26% of total salary expense. Salaries are assumed to increase at an annual rate of 3.00%. Contributions from participants and from the County are pooled to provide the guaranteed allowance for each member.

The following table presents the pension and retirement contributions and unfunded liabilities of the County and certain County agencies for completed fiscal years 2020 through 2023 and for fiscal year 2024. For fiscal year 2024, which began July 1, 2023, the County has already paid \$16,154,000, which includes the amount reflected in the “Total” column in the table below and an additional contribution made at year end from excess revenues.

<u>As of July 1</u>	<u>Current Service Costs</u>	<u>Recommended Payment for Unfunded Accrued Liability</u>	<u>Total</u>	<u>Unfunded Accrued Liability</u>
2023	\$3,754,437	\$7,981,793	\$11,736,230	\$91,118,664
2022	3,472,381	7,674,574	11,146,955	81,295,806
2021	3,433,258	7,715,175	11,148,433	81,659,825
2020	3,471,254	7,711,603	11,182,857	83,819,276
2019	3,271,075	7,645,393	10,916,468	85,204,939

Source: Bolton Partners, Inc.

As a result of the implementation of GASB Statement 68—Accounting and Financial Reporting for Pensions, the County modified its accounting for the Plan, while continuing to use the same actuarial cost method for determining contributions to the Plan. For fiscal years prior to fiscal year 2015, costs and funding contributions were based on the Projected Unit Credit actuarial cost methods. For fiscal year 2015 and later, the funding contributions remain based on the Projected Unit Credit funding method while the GASB liabilities reflected in the financial statements are based on the Entry Age Normal cost method, as required by GASB 67 and 68. The new method produces higher liabilities but lower normal costs than the previous method. However, both methods produce actuarially sound contribution (funding) or liabilities (GASB), and annual contributions are intended to fully fund the Plan’s July 1, 2023, unfunded liability by July 1, 2039.

Please refer to Notes 1 and 10 to the financial statements for fiscal year 2023 and to the Required Supplementary Information set forth in Appendix A to this Official Statement for additional information regarding the County’s pension obligations.

**Other Post–Employment Benefits**

The County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement 43, Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans (“OPEB”) and GASB 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions in fiscal year 2008.

The County’s OPEB plan is a single employer defined benefit healthcare plan. The County established a trust for administering the plan assets and paying healthcare costs and death benefits on behalf of the participants.

Post-employment health benefits are subject to change at any time. All employees who retire from the County may participate in the program. In order to be eligible, the retiree must have (i) a minimum of five years of County service, and (ii) immediately preceding retirement, been enrolled in a medical, vision, or prescription drug insurance plan offered to active employees in the County. The retirees pay 10% to 50% of the health insurance premium, based on years of service. Retirees participating in the County’s health plan are also covered by a death benefit equal to their final annual salary, not to exceed \$100,000. These benefits cease when the retiree attains age 65 or becomes Medicare eligible. As of June 30, 2023, 53 retirees were receiving OPEB benefits and 162 employees were retirement-eligible.

The County intends to fund any annual short-fall between the OPEB annual required contribution and actual pay-go expense into a legally executed trust fund. The trust fund is invested as a long-term pension trust, using an appropriately balanced portfolio of equities and debt instruments, to prudently maximize long-term investment returns.

The net OPEB liability (asset) is equal to the total OPEB liability minus the net position of the plan. The result as of June 30, 2023 is as follows:

**Components of Net OPEB Obligation**

Total OPEB liability	\$ 19,738,400
Net position	<u>\$ (28,463,584)</u>
Net OPEB liability (asset)	<u>\$ (8,725,184)</u>

Source: Bolton Partners, Inc.

Please refer to Note 15 to the financial statements for fiscal year 2023 and to the Required Supplementary Information set forth in Appendix A to this Official Statement for additional information regarding the County’s OPEB obligations.

**Insurance**

The County maintains commercial insurance for general liability, automobile, excess workers’ compensation, law enforcement, public officials’ liability and catastrophic coverage. The County is required to provide unemployment insurance coverage for County employees.

**Certain Services and Responsibilities**

***Education***

The Board of Education of Washington County (the “Board of Education”) implements all educational policies and programs for public schools in Washington County under the administration of the State Board of Education. The Board of Education, composed of seven members elected for four-year terms, currently oversees 22,549 students (including 1,113 in pre-kindergarten), in 47 instructional facilities, which include elementary, middle, high and combined schools. The average unrestricted Pre-K-12 per pupil expenditure was \$14,074 for the 2022-23 school year.

The largest General Fund appropriation by the County in its adopted budget for fiscal year 2024 is \$109,070,360 for the Board of Education, which represents 38.81% of the General Fund budget. This appropriation is for operating expenditures. In addition, the County appropriated \$14,291,000 in its capital budget for fiscal year 2024 for Board of Education projects.

Washington County’s high school graduation rate for the 2022-2023 school year, as compared to other selected peer group counties and the State of Maryland, is as follows:

<b>Washington County</b>	Frederick County	Cecil County	Carroll County	Charles County	St. Mary’s County	State of Maryland
<b>90.75%</b>	93.14%	90.30%	95.00%	90.24%	91.17%	85.81%

Source: Maryland Board of Education

## ***Training/Higher Education***

Within a 70-mile radius of the County seat, the City of Hagerstown, there are more than 30 institutions of higher learning. There are numerous opportunities in Washington County for residents to obtain education and training beyond the high school level. The following describes certain programs and schools within Washington County.

### **Training**

***Western Maryland Consortium*** provides a wide range of workforce development services for jobseekers and employers. Employer services include referral of applicants, customized training, financial aid for on-the-job training, recruitment, and screening assistance. Services are generally provided at no cost to employers.

***Boyd J. Michael III Technical High School*** (formerly known as Washington County Technical High School) is a two-year public high school that is under the administration of the Washington County Public Schools. English, math, science and social studies core subject courses and 17 career and technology programs are offered. These programs prepare students for professional/technical careers based on current industry skill standards. Enrollment is open to qualified 11<sup>th</sup> and 12<sup>th</sup> grade students, and tuition paying adults.

***Barr Construction Institute***, an education division of Associated Builders and Contractors, Inc., offers management education and professional industrial, commercial, and apprenticeship trade training. Construction and maintenance training is recognized by the U.S. Department of Labor, Bureau of Apprenticeship & Training, and is accredited by the National Center for Construction Education and Research (an affiliate of the University of Florida).

***Pittsburgh Institute of Aeronautics (“PIA”)*** established the Federal Aviation Administration (FAA) - approved Aviation Maintenance Technician (AMT) 16-month education program at the Hagerstown Regional Airport. With the skills PIA graduates acquire from the program, they are equipped to work in many industries including aviation, mechanical systems, hydro-mechanical systems and the green technology field.

***D. M. Bowman Family Workforce Training Center*** will be established by an educational partnership between the Cumberland Chapter of Associated Builders and Contractors skilled trades education program known as the Barr Academy and Hagerstown Community College’s Continuing Education Department and is expected to open by summer of 2024. This facility will be a central training location for skilled trades, commercial truck driver training, diesel tech program, forklift instruction, the GED program and English as a Second Language classes.

### **Higher Education**

***Hagerstown Community College (“HCC”)***, founded in 1946, was the first community college in Maryland. With more than 100 programs of study, HCC offers workforce preparation and credentialing, university transfer, career development, and basic education. HCC programs include the Early College Program, which allows high school students the opportunity to earn college credits and credentials while focusing on science, technology, engineering, mathematics and medical courses, an adult education program, and the David W. Fletcher Incubator + Labs, a small business incubator.

The County appropriated \$10,236,290 in its fiscal year 2024 operating budget for HCC. HCC receives the balance of its funding from student tuition, State grants, and other miscellaneous sources. In addition, the County appropriated \$1,940,000 in its capital budget for fiscal year 2024 for HCC projects.

***University System of Maryland at Hagerstown (“USMH”)*** opened in January 2005 and is in Hagerstown’s historic City Center. USMH is part of a regional system offering 13 undergraduate and 10 graduate degree programs from five respected universities within the Maryland system: Frostburg State University, Salisbury University, Towson University, University of Maryland Eastern Shore, and University of Maryland Global Campus. Students can complete a bachelor’s degree or earn a master’s degree. USMH also offers access to on-site academic advising, computer labs, and a full- service library.

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*Planning and Zoning*

The Washington County Planning Commission was created in 1957. The Planning Commission consists of seven members appointed by the Board and is supported by the County's Planning and Zoning Department with a staff of 14. Planning staff members review plans and provide reports and recommendations to the Planning Commission. The Planning Commission has final authority to approve subdivision and site development plans. Another of the primary responsibilities of the Planning Commission is the Comprehensive Plan for the County. The Planning Commission first recommended the adoption of a Comprehensive Plan for Washington County in 1971. Major updates to the Comprehensive Plan were completed in 1981 and in 2002. Another update of the Comprehensive Plan is now in progress, with adoption expected in 2024.

From the original adoption in 1973 and through amendments in 2002, 2005 and 2012, the Zoning Ordinance provides seven classifications for industrial development: (i) "Industrial General" which encompasses heavy manufacturing plants requiring extensive transportation, water and sewerage facilities; (ii) "Industrial Restricted" which encompasses light manufacturing such as processing or assembly of previously processed materials; (iii) "Planned Industrial" which encompasses the planned development of industrial park locations; (iv) "Airport" which permits industrial uses that have a need to be located near the airport or provide airport related services and include height limitations located around the Hagerstown Regional Airport; (v) "Highway Interchange District" which allows light industrial and commercial uses in the vicinity of interstate interchanges to take advantage of transportation needs and opportunities; (vi) "Office, Research and Technology" which is geared toward the development of corporate offices, research facilities, and high-tech communication land uses; and (vii) "Office, Research and Industry" which allows a mix of technology and selected industries with increased performance standards.

The Planning and Zoning Department continues to update and revise the Subdivision Ordinance, the Zoning Ordinance and other ordinances and functional plans that relate to land development in Washington County. In July 2012 the County adopted major revisions to the zoning text and map for the Urban Growth Areas to implement the recommendations of the Comprehensive Plan. Similar map and text amendments affecting areas around the designated Town Growth Areas of Boonsboro, Smithsburg, Hancock and Clear Spring were adopted in 2017. Those revisions are designed to create a more desirable and efficient urban living environment. The amendments include improvements to the design guidelines in the industrial districts mentioned above. An educational zone, called Education, Research and Technology, is designed specifically to allow Hagerstown Community College to partner with emerging high-tech industries and expand its role as business partner in the community. In an effort to coordinate development and infrastructure needs, staff is continuing to review the Adequate Public Facilities and the Excise Tax Ordinances for possible improvement. The County has also devised an analysis and mitigation protocol to manage the effects of increases in public school enrollments that result from new residential development.

The Water and Sewerage Plan, the Solid Waste Plan and the Land Preservation, Parks and Recreation Plan are other plans prepared and administered by the Planning and Zoning Department to assist in the development of the County in an orderly fashion. The State requires that the County update each of these plans, as well as the Comprehensive Plan, at regular intervals.

Land use control and planning within the County's nine incorporated municipalities is under the jurisdiction of the municipalities. Each of the municipalities has adopted its own zoning and land development regulations.

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## *Hospital and Medical Care*

### **Meritus Health**

Meritus Health, Western Maryland's largest health care provider, is located at the crossroads of Western Maryland, Southern Pennsylvania and the Eastern Panhandle of West Virginia. With over 3,000 employees, 500 medical staff members and 250 volunteers, Meritus Health services over 200,000 residents of the tristate region. Meritus Medical Center has 327 beds and Meritus Medical group has over 160 providers. Meritus Health is officially seeking accreditation and licensure to open a four-year osteopathic medical school in Hagerstown. The school aims to meet the physician shortage that is currently being experienced nationally, in Maryland and Washington County. In the state of Maryland one in three physicians is over the age of 60, thus requiring an investment in future physicians to meet the gap. The new residential housing and associated school will be adjacent to Meritus Hospital providing a unique opportunity for students. Meritus plans to welcome the first class of medical students in the Fall of 2025.

### **Washington County Health Department**

The Washington County Health Department, which provides various health services to the citizens of Washington County, is budgeted to receive a total of \$2,495,072 in fiscal year 2024 from the County. Along with the main headquarters, it has staff and programs based at two other sites. The Health Department employs a total of approximately 157 full-time and part-time personnel in seven divisions.

The Environmental Health Division of the Health Department engages in food and restaurant inspection, well and septic permitting, community services, transient and non-transient water analysis, rabies control, complaint and outbreak investigations, and emergency response. The Nursing Division is responsible for maternal and child health programs, communicable disease surveillance and control, tuberculosis control, refugee and migrant health services, reproductive health services, STD screening and treatment, HIV and AIDS services, immunizations, Maryland Children's Health Insurance Program, cancer screening, vision screening, adult evaluation and review services, and WIC services. The Health Planning and Strategic Initiatives Division focuses on health equity and epidemiology including developing initiatives that address health disparities, assisting health department programs to identify community needs and data reporting and visualization. The Community Health Outreach Promotion and Prevention Division is responsible for relaying of public information, community relations, emergency preparedness, as well as developing and maintaining agency partnerships and providing chronic disease prevention and control initiatives. The Division of Behavioral Health Services provides a comprehensive system of care including prevention, intervention, referral and treatment services for substance use and mental health disorders in a variety of settings. The Human Resources/Organizational Development Division is responsible for managing all aspects of employment including hiring, termination, policy development, etc., as well as promoting and supporting workforce development initiatives, trainings and opportunities to attract and retain a diverse, qualified workforce. The Administration Division, which includes Accounting, Information Technology, Procurement, Billing, Maintenance and Health Officer staff, provides management support for all programs within the agency.

### **Other Medical Facilities**

The George W. Comstock Center for Public Health Research and Prevention is a facility of the Johns Hopkins Bloomberg School of Public Health and was established in 1962 as a joint enterprise of the Maryland Department of Health and Mental Hygiene, Washington County Health Department and The Johns Hopkins University. The center has expertise and capacity in the conduct of large community health surveys, as well as a close working relationship with the County Health Department. Funding, sponsored through research grants by the National Institutes of Health as well as private foundations, supports 20 to 30 staff members in the Comstock Center. Research includes heart disease surveillance and epidemiology of cancer, heart disease, lung disease, diabetes, sleep and other conditions. Prevention research results are disseminated nationally and internationally primarily through numerous journal publications.

There are nine privately owned licensed skilled nursing facilities with a total of 1,104 beds and one State-owned licensed skilled nursing facility with 63 beds in Washington County. All of these facilities are dually certified by Medicare and Medicaid. In addition, there are 19 privately owned assisted living facilities with a total of 786 beds. Other medical facilities include the Western Maryland Center, a 123 bed State-owned, chronic care facility. None of these facilities receive funds from the County.

*Safety***Law Enforcement**

The Washington County Sheriff's Office, the Maryland State Police and municipal police agencies provide police protection in Washington County. The Sheriff's Office has 108 sworn personnel and 97 radio-dispatched vehicles. The Sheriff's Office is responsible for the operation of the Detention Center, which has a capacity of 450 inmates. In October 2016, a Day Reporting Center opened that provides treatment services to non-violent offenders with drug and/or alcohol addictions, as well as providing services for the Circuit Court Adult Drug Court Program. The State Police has 35 troopers assigned to the local barrack, which is located just south of Hagerstown. The Hagerstown Police Department has a full-time force of 108 officers. The Hancock Police Department employs four full-time officers. In addition, the Smithsburg Police Department employs four officers and the Boonsboro Police Department employs five police officers.

**Emergency Management and Communications***Emergency Management*

Emergency Management activities are overseen by a director with support from a full-time emergency planner. The Office of Emergency Management is responsible for mitigation, planning, response and recovery from natural and technical disasters. Washington County has a Local Emergency Planning Committee, overseen by Emergency Management, that coordinates disaster planning, conducts drills to exercise the County Emergency Operations Plan, and oversees a community outreach program consisting of home chemical safety training, citizen preparedness, and pertinent educational programs.

*Emergency Communications*

The Emergency Communications Center is overseen by a deputy director with five full-time executive support staff. The Emergency Communications Center processes all 911 calls for the County and all of the Washington County municipalities through one central dispatch location. The call center, combined with a new digital radio system, enables first responders to communicate in a safe, seamless and compatible way, enhancing their ability to respond to emergencies and save lives. The call center also integrates the City of Hagerstown's and Washington County's non-emergency responders, allowing them to serve the community quickly and efficiently.

**Emergency Services**

The County's Division of Emergency Services ("DES") oversees Fire and Rescue and the Emergency Medical Services Operations Programs. DES is led by a full-time career director and two full-time department heads who oversee the daily operational components of Emergency Services in Washington County. The division has 76 full-time and 23 part-time personnel working directly within the division.

*Public Safety Training Center*

A new Public Safety Training Center (the "PSTC") became operational in 2022 with daily oversight being provided by DES, in collaboration with the Washington County Sheriff's Office. The PSTC provides opportunities for enhanced training and collaboration among Fire, Emergency Medical Services and law enforcement agencies throughout Washington County and the Tri-State area. The PSTC currently encompasses 49 acres boasting academic classrooms. Fire and law enforcement areas for tactical training exercises and a defensive driving track are in the design phase.

The PSTC also serves as host to the Washington County Law Enforcement Academy and the Division of Emergency Services Paramedic Training Program, which both involve academic connections to DES's Firefighter Recruit Academy at Hagerstown Community College. Various courses sponsored by the Maryland Fire and Rescue Institute are also hosted at the PSTC. The PSTC is staffed by seven full-time employees who are split among fire, EMS and law enforcement training initiatives.

*Fire and Rescue*

Fire and rescue protection are coordinated through DES by the Deputy Director - Operations. Working collaboratively with the Washington County Volunteer Fire and Rescue Association (the "WCVFRA"), DES coordinates the services provided by 14 volunteer fire companies and eight volunteer ambulance companies throughout Washington County. All volunteer companies belong to the WCVFRA. The association has approximately 700 volunteers who provide a combination of firefighting, rescue, emergency medical and administrative services to the community. Several volunteer companies have hired career personnel to



supplement the volunteer staff during times of low volunteer availability.

Special Operations activities are overseen by the Deputy Director - Operations. The County has a vision to become the regional leader in providing and coordinating efficient public services. In response to that vision the Special Operations Team has 56 full-time, 23 part-time and additional volunteer personnel who complete extensive training in various technical and/or specialized areas including hazardous materials, trench rescue, rope rescue, water rescue, structural collapse and confined space rescue.

Fire protection within the City of Hagerstown is provided by a combination career and volunteer fire department. The department includes five stations with five engines and two ladder trucks. The department is led by a career Fire Chief, a Fire Marshall, two Assistant Fire Marshalls, and six Shift Commanders. The department has 84 full-time career firefighters and 43 trained volunteer firefighters.

### ***Emergency Medical Services***

The Emergency Medical Services (“EMS”) department provides leadership, direction, support and coordination to the County’s EMS system. The leadership works to continuously improve the efficiency and quality of medical services being provided to those who reside and travel within the County. EMS is overseen by the Deputy Director - Operations and includes 21 full-time advanced life support (“ALS”) technicians, 10 basic life support technicians (EMT’s) and five part-time ALS technicians. This team deploys four highly specialized ALS chase units which support the eight independent emergency medical services companies located in the County in the delivery of the highest quality pre-hospital care. Additionally, personnel are available for supplemental staffing to the independent companies and are available to provide additional resources for high-risk events and large public gatherings.

A part-time medical director provides medical control and quality assurance programs to help ensure the highest quality of pre-hospital medical care is consistently delivered to County citizens. An assistant medical director also provides medical control and quality assurance activities to the Special Response Team, which consists of law enforcement personnel and paramedics who are trained to deal with high priority law enforcement activities.

### **Environmental Management**

The Division of Environmental Management (“DEM”), which includes the Department of Water Quality, the Environmental Engineering Department, the Solid Waste Department, the Stormwater Management Department and the Watershed Department, was created in fiscal year 2007. The State and federal environmental initiatives as they pertain to water, wastewater, stormwater, solid waste and nutrients are all jointly related. DEM is responsible for integrating applicable regulations and applying them to the operations of these departments.

### **Solid Waste**

The Washington County Solid Waste Department is responsible for a solid waste disposal system that protects the environment and public health. Currently the County disposes of solid waste at the 40 West Landfill, which opened in 2000. At current disposal rates, this site could meet the County’s estimated disposal needs until 2080. The County is in the process of evaluating other methods of handling solid waste as an alternative to landfilling. The department operates five solid waste convenience centers that are strategically located throughout Washington County. Supporting and strengthening individual and community self-reliance and responsibility in the areas of waste reduction, recycling and proper disposal of solid waste is the mission of the Solid Waste Department.

### **Water Supply and Wastewater Facilities**

The County has a master water and wastewater plan, which assigns service priority designations for all areas within Washington County. These designations range from “No Planned Service” to “Existing and Under Construction”. The plan serves as a guide for the orderly development and expansion of water and wastewater facilities, both within Washington County and in those incorporated municipalities owning and operating their own systems, requiring the County or incorporated municipality to obtain a proper service designation before constructing or expanding water or wastewater services.

The County is authorized to provide public water and wastewater service to areas outside the incorporated municipalities and may provide service within a municipal corporation located in Washington County with the consent of the municipality. The County currently provides water and/or wastewater services to nearly all of the immediate densely populated area surrounding the City of Hagerstown (except the Dual Highway corridor), the areas of Highfield, Elk Ridge, Sandy Hook, and the towns of Sharpsburg and Smithsburg. The incorporated municipalities of Hagerstown, Boonsboro, Clear Spring, Funkstown, Hancock, Keedysville and Williamsport all own their water/wastewater facilities, or portions thereof. In addition to providing the wastewater

services described above, the County operates the water and wastewater systems for the Town of Clear Spring.

Five treatment plants serve the County water system with an aggregate capacity of 453,000 gallons per day, with individual plant capacities from 4,000 to 230,000 gallons per day. The County wastewater system is served by five treatment plants with an aggregate capacity of 5,746,000 gallons per day, with individual plant capacities from 21,000 to 4.5 million gallons per day. The County upgraded its wastewater facilities to comply with the State’s enhanced nutrient removal (“ENR”) strategy. The Winebrenner Treatment Plant ENR upgrade began construction in fiscal year 2015 and was completed in the fall of 2016. The Conococheague Wastewater Treatment Plant ENR upgrade began construction in the fall of 2016 and was completed in the spring of 2019. Additionally, the expansion of capacity for the Smithsburg Treatment Plant and ENR upgrade is expected to be completed by the fall of 2024.

Usage of water and wastewater systems is measured in Number of Services and Number of Equivalent Dwelling Units (“EDUs”). Number of Services refers to the number of actual connections and EDU is a unit of measure, which equates the consumption, or flow of commercial or industrial connections, to the average flow of a residential dwelling unit.

The County bills its customers quarterly except for those for which wastewater treatment service is provided by the City of Hagerstown, in which case the County’s charges are billed and collected on its behalf by the City of Hagerstown. The following table shows the total Number of Services and EDUs of the County’s water and wastewater systems and the annual residential user rates effective July 1, 2023. For customers receiving County collection services only, treatment is provided by the City of Hagerstown.

<b>WATER SYSTEM</b>			
	<b>No. of Services</b>	<b>No. of EDUs</b>	<b>Residential Annual (Avg) User Rate</b>
Full Service .....	<u>1,356</u>	<u>1,549</u>	\$760.04

<b>WASTEWATER SYSTEM</b>			
	<b>No. of Services</b>	<b>No. of EDUs</b>	<b>Residential Annual (Avg) User Rate</b>
Full Service .....	7,690	11,554	\$727.04
Collection Service Only .....	4,020	5,270	\$248.52
Wholesale .....	<u>4</u>	<u>2,770</u>	
Total .....	<u>11,714</u>	<u>19,594</u>	

Source: Washington County Department of Budget and Finance

The County provides wastewater “treatment only” services to its wholesale customers, which are the towns of Williamsport and Smithsburg, the Conococheague Pretreatment Facility (the “Pretreatment Facility”) and the City of Hagerstown. The only major wastewater treatment facility for public use in Washington County, other than those operated by the County, is the Hagerstown Wastewater Treatment Plant, owned and operated by the City of Hagerstown, which has a capacity of eight million gallons per day.

The Pretreatment Facility serves all of Washington County by providing pretreatment of non-hazardous industrial wastewater, landfill leachate and metals-bearing waste streams, and has a capacity of 125,000 gallons per day (current average usage is 115,000 gallons per day). The Pretreatment Facility was privatized in 2006 through a long-term lease to a private corporation.

### III. Economic and Demographic Information

#### Department of Business and Economic Development

The Washington County Department of Business and Economic Development (“DBED”) is dedicated to creating and sustaining a positive pro-business climate.

DBED currently has six full-time employees conducting the day-to-day operations of the department, as well as business support and resources, business retention efforts within the County and marketing business attractions locally and nationally.

Throughout the year DBED meets with representatives of existing companies in need of assistance, as well as businesses interested in moving or expanding to Washington County. Discussions include appropriate funding programs, incentive benefits, customized training programs, workforce development efforts and other sources of business support. DBED has formed strategic partnerships with such organizations as the Maryland Department of Commerce, the City of Hagerstown, the Washington County Chamber of Commerce, The Greater Hagerstown Committee, Inc., Maryland Economic Development Association and Washington County Convention & Visitors Bureau in order to better serve the needs of businesses in Washington County.

DBED was actively involved in Washington County becoming certified as the first ACT Work Ready Community in Maryland, an initiative that matches the labor force with available jobs in Washington County.

DBED administers the Enterprise Zone Program, identifying eligible businesses that qualify for local real property tax credits and State income tax credits in the City of Hagerstown and elsewhere in Washington County. For tax year 2023-24 (fiscal year 2024), the City of Hagerstown and the County granted \$1,086,424.33 and \$1,244,370.46, respectively, in real property tax credits for private capital investment. The State of Maryland is expected to reimburse \$543,212.20 to the City of Hagerstown and \$622,185.28 to the County for these credits.

#### Business Development

##### *New and Expanding Businesses*

In calendar years 2023 and 2024, the County experienced new and expanding businesses highlighted by the creation of 1,360 new jobs and known new investments of approximately \$271.4 million. Many of these achievements are a result of incentive packages provided through partnerships of the County and State to provide training programs, State financing, and Enterprise Zone tax credits. Projects under development in calendar years 2023 and 2024 and significant projects announced in calendar years 2023 and 2024, the latter of which are cumulatively expected to provide an additional 5,950 new jobs and approximately \$1.32 billion of new investments, are noted in the following table based on the most recent information available:

## ECONOMIC AND DEMOGRAPHIC INFORMATION

### Washington County, Maryland -- Significant Business Activity for 2023/2024

Company Name	Business Type	Completed/ Expected Completion	Project Cost <sup>(1)</sup>	#New Jobs <sup>(1)</sup>	SF	Type of Activity
<b>Completed Projects 2023/2024</b>						
Ausblick (Western Maryland Parkway, Hagerstown)	Warehouse/Distribution	1Q23	\$ 21,100,000.00	250	269,522	New Jobs/Construction
Bowman Development (Showalter Road, Hagerstown)	Warehouse/Distribution	1Q23	\$ 55,000,000.00	250	801,000	New Jobs/Construction
Johnson Development ( Oak Ridge Drive, Hagerstown)	Warehouse/Distribution	1Q23	\$ 150,000,000.00	800	1,800,000	New Jobs/Construction
Hagerstown Aviation Museum Inc	Commercial	2Q23	\$ 4,500,000.00	0	43,834	Renovation/no new jobs
ACE Hardware	Commercial	3Q23	\$ 800,000.00	8	11,913	Expansion
DOT Foods	Manufacturing/Distribution	3Q23	\$ 1,300,000.00	0	1,750	Expansion
Chick-fil-A	Commercial	3Q23	\$ 1,400,000.00	20	4,097	New Jobs/Construction
Volvo VPL (Volvo Way, Hagerstown)	R&D	3Q23	\$ 33,000,000.00	12	300,000	New Jobs/Expansion
Dunkin' Donuts	Commercial	3Q23	\$ 2,250,000.00	0	8,232	New Jobs/Construction
Panera Bread	Commercial	4Q23	\$ 765,000.00	0	0	Renovation/no new jobs
EQI Ltd	Commercial	4Q23	\$ 1,300,000.00	20	84,000	Expansion
<i>Sub-totals</i>			<u>\$ 271,415,000.00</u>	<u>1,360</u>	<u>3,324,348</u>	
<b>Projects Under Development 2023/24</b>						
Malarkey Roofing Products	Manufacturing	2Q23	\$ 50,000,000.00	70	125,000	New Jobs/Renovation
Packaging Services of Maryland, Inc.	Manufacturing	3Q23	\$ 1,000,000.00	n/a	4,600	Renovations
Big Spring Solar LLC (Name Change Louth Callan Renewables Solar Company)	Commercial	4Q23	\$ 3,400,000.00	0		New Business
Curwood (National Pike, Hagerstown 2nd Bldg)	Warehouse/Distribution	4Q23	\$ 50,000,000.00	0	300,000	New Jobs/Construction
Hitachi Rail (Greencastle Pike, Hagerstown)	Manufacturing/R&D	4Q23	\$ 80,000,000.00	300	300,000	New Jobs/Construction
First Breach (Showalter Road, Hagerstown) Phase II	Manufacturing/Distribution	1Q24	\$ 16,000,000.00	70	116,000	New Jobs/Expansion
National Pike Logistics (Northpoint Development, Bldg. 1, Hagerstown)	Warehouse/Distribution	1Q24	\$ 126,000,000.00	500	600,000	New Jobs/Relocation/Construction
Great American Brewery (Shepherdstown Pike, Sharpsburg)Potomac Ridge	Agricultural/Manufacturing	1Q24	\$ 500,000.00	12	2,800	New Business
Trammell Crow Company (Greencastle Pike, Hagerstown Rhoton Farm)	Warehouse/Distribution	1Q24	\$ 100,000,000.00	1000	2,000,000	New Jobs/Construction
Gateway Business Park (Bentonville Drive -Goodman A/C & Heating)	Flex/Warehouse	1Q24	\$ 3,500,000.00	20	50,000	New Jobs/Construction
Gateway Business Park (Arnett Drive flexspace)	Flex/Warehouse	1Q24	\$ 3,500,000.00	30	40,000	New Jobs/Construction
Concerted Care Clinic	Commercial	1Q24	\$ 500,000.00	20	9,800	New Jobs/Construction
Sheehy Volkswagen Hagerstown	Commercial	1Q24	\$ 1,110,000.00	0	6,333	Expansion
Sheetz Dual Highway	Commercial	1Q24	\$ 2,250,000.00	30	6,139	New Jobs/Construction
Sheetz Longmeadow	Commercial	2Q24	\$ 3,500,000.00	30	6,100	New Jobs/Construction
Stadium - Flying box cars	Commercial	2Q24	\$ 90,000,000.00	15		New Jobs/Construction
Emerald Pointe (2 business - Dunkin Donuts/ Italian Bistro)	Commercial	2Q24	\$ 1,500,000.00	25	6,018	Expansion
Creekside Bar and Grill	Commercial	2Q24	\$ 700,000.00		1,821	Renovations
Chop House /Branded Steak House (Boonsboro)	Commercial	2Q24	\$ 6,000,000.00	10	4,521	New Jobs/Renovation
Vineyards of Mapleville Manor/Kinds Farm	Agricultural/Manufacturing	2Q24	\$ 1,000,000.00	3	6,400	New Jobs/Expansion
Lowe's Flatbed Distribution Center	Distribution	2Q24	\$ 18,100,000.00		206,155	Expansion
Certanteed Coporation	Commercial	2Q24	\$ 17,000,000.00	0	160,672	Renovations
Meritus Physical Therapy (Valley Mall)	Medical Office	2Q24	\$ 2,500,000.00	23	5,600	New Jobs/Renovation
Burger King (Hancock)	Commercial	2Q24	\$ 820,000.00	30	3,270	New Jobs/Construction
Trammell Crow Company (Sterling Road, Hagerstown) Conair	Warehouse/Distribution	3Q24	\$ 100,000,000.00	700	2,200,000	New Jobs/Construction
Sports Complex - Hagerstown Field House	Commercial	3Q24	\$ 22,000,000.00		114,000	New Jobs/Construction
Professional Boulevard Corridor (Yale Drive to Eastern Blvd Bridge)	Infrastructure	4Q24	\$ 8,900,000.00			Construction
National Pike Logistics (Northpoint Development, Bldg. 2, Hagerstown)	Warehouse/Distribution	4Q24	\$ 75,000,000.00	300	1,400,000	New Jobs/Construction
Penzance (Cushwa Farms, Spickler Road, Williamsport)	Warehouse/Distribution	4Q24	\$ 50,000,000.00	400	510,000	New Jobs/Construction
Hagerstown Field House	Commercial	4Q24	\$ 26,000,000.00	43	114,000	Construction
Meritus Health System	Osteopathic Medical School	3Q25	\$ 146,000,000.00	1,600	196,000	New Jobs/Construction
Cascade Properties (Former Fort Ritchie)	Mixed Use	4Q25	\$ 200,000,000.00			New Jobs/New Business/Renovation
Martin Farm (Diversified Capital)	Commercial	4Q25	\$ 5,000,000.00		1,000,000	Construction
<i>Sub-totals</i>			<u>\$ 1,211,780,000.00</u>	<u>5,231</u>	<u>9,495,229</u>	
<b>Projects Announced in 2023/24</b>						
Webstaurant	Warehouse/Distribution	4Q23	\$ 100,000,000.00	700	1,649,200	New Jobs/Construction
AutoZone (Shops at Sharpsburg Lot 5)	Commercial	3Q24	\$ 315,077.00	12	7,360	New Jobs/Construction
Take 5 Car Wash (Shops at Sharpsburg Lot 4)	Commercial	3Q24	\$ 2,000,000.00	7	3,770	New Jobs/Construction
Watson Town Trucking	Commercial	1Q25	\$ 8,000,000.00		150,000	Construction
<i>Sub-totals</i>			<u>\$ 110,315,077.00</u>	<u>719</u>	<u>1,810,330.00</u>	
<b>Totals for Projects 2023/2024:</b>			<u><u>\$ 1,593,510,077</u></u>	<u><u>7,310</u></u>	<u><u>14,629,907</u></u>	

Source: Washington County Department of Business and Economic Development

(1) Estimates based on company announcements.

Note: In the "New Jobs" and "SF" columns above, blank fields represent an unknown number at this time, which is likely not zero.

**Business Parks and Sites**

Through DBED, the County promotes the development of both private and non-profit business parks and sites. The County also successfully obtains financing for necessary infrastructure through various State and federal agencies to support these developments as locations for new and expanding businesses. The County offers prospective businesses a selection of sites in planned industrial/business parks, which as of February 28, 2024 included the following:

<b>Park</b>	<b>Total Acreage</b>	<b>Available Acreage</b>	<b>Ownership</b>
<b>City of Hagerstown—Washington County</b>			
<b>Enterprise Zone:</b>			
Valley Business Park .....	273	0	Private
Hagerstown Business Park .....	90	8	Private
Hagerstown Industrial Park .....	251	0.22	Private
Hunt Ridge Business Park .....	57	0	Private
MKS Business Park .....	81	0.27	Private
<b>Town of Hancock Enterprise Zone:</b>			
Hancock Industrial Park.....	185	0	Town
Rayloc Business Park.....	55	0	Town
<b>Other Locations:</b>			
Airport Business Park .....	205	0	Nonprofit
Antietam Industrial Park .....	27	0	Nonprofit
Bowman Airpark .....	56	0	Private
Crossroads Business Park.....	122	5	Private
Earley Industrial Park .....	160	0	Private
Friendship Technology Park .....	435	0	Private
Gateway Business Park.....	65	1	Private
Greencastle Pike Business Park.....	127	70	Private
HGR Aviation Tech Park.....	162	0	Private
Hub Business Park.....	130	0.5	Private
Hunter’s Green Business Center.....	676	0	Private
Huyetts Business Park.....	66	0	Private
Interstate Industrial Park.....	457	0	Private
Interstate 70/81 Industrial Park.....	178	0.5	Private
Light Business Park .....	24	0.14	Private
Mount Aetna Technology Park at Hagerstown (MATH).....	261	0	Nonprofit
Newgate Industrial Park.....	161	65.67	Nonprofit
Orchard Park at Label Lane.....	20	0	Nonprofit
Potomac Parkway/Lockwood Business Area.....	53	0.5	Private
Showalter Road Center.....	89	0	Private
New Heights Industrial Park.....	56	6	Private
Vista Business Park.....	177	0	Private
Washington County Business Park.....	212	1	County
Westgate Industrial Complex.....	175	175	Private

Source: Washington County Department of Business and Economic Development

***New Jobs Tax Credit Program***

The “New Jobs Tax Credit” is a program initiated by the County in November 2002. The credit was created to help attract to the local business community companies that are involved in a high-tech industry and that offer well-paying jobs. The program provides a six-year tax credit for businesses that either expand or relocate in Washington County and qualify under the program’s guidelines. The credit applies to Washington County’s tax that is imposed on real property owned or leased by the business and the tax imposed on personal property owned by that business.

***Enterprise Zone Tax Credit Programs***

Approximately 6,446 acres in Washington County are within two State-designated Enterprise Zones. The *City of Hagerstown/Washington County Enterprise Zone* was renewed and expanded by the State in 2022. This zone now encompasses approximately 4,946 acres located within the City of Hagerstown and Washington County. The zone has more than doubled in size and includes Hopewell Valley Industrial Park, Washington County Business Park, CSX Valley Park, the City of Hagerstown Business Park and the Central Business District in downtown Hagerstown. The *Hancock Enterprise Zone* was renewed in 2015. This 1,500-acre zone surrounds the Town of Hancock, stretching from the Pennsylvania border to the Potomac River. The zone includes commercial and industrial development opportunities in select areas of Hancock as well as commercial frontage along Main Street. Local and State incentives are available to new or expanding companies in these zones to promote growth of the industrial and commercial base. Qualified businesses can receive local property tax credits for capital investment and State income tax credits for the creation of new jobs. Each Enterprise Zone is approved by the State for a 10-year period.

***Pad-Ready Commercial Stimulus Program***

The Board adopted the “Pad-Ready” Commercial Stimulus Program on October 25, 2011. The program is designed to encourage developers/builders to bring undeveloped land to a shovel-ready state but is also intended for sites with existing buildings in need of redevelopment. Under the program, undeveloped parcels of land, demolitions, renovations and expansions of existing buildings qualify for incentives. Qualifying projects are entitled to priority plan review by the Washington County Development Advisory Committee, deferral of County site-plan application and review fees and a real-estate tax credit issuance once buildings are constructed and occupied. The tax credit is four-tenths of one percent (0.004) of the construction cost of the new improvement as determined by the DBED and will apply for three consecutive years.

***High Performance Building Tax Credit Program***

On February 7, 2012, the Board established the High Performance Tax Credit Program. Under the program, property tax credits are available for buildings that receive silver, gold, or platinum certification in the national LEED (Leadership in Energy and Environmental Design) ranking system. The amount of the credit depends on which level of certification the building receives and the increase in its assessed value after construction. Silver buildings are credited 20 percent of the taxes due on that increase; gold buildings, 25 percent; and platinum buildings, 30 percent.

***Job Creation and Capital Investment Real Property Tax Credit Program***

The Job Creation and Capital Investment Real Property Tax Credits Program was enacted by the Board in May 2017 to help attract companies to the local business community that offer well-paying jobs. It is also available to new or established businesses within the County that expand. This program provides up to a 15-year tax credit for businesses that either expand or locate in Washington County. The credit applies to Washington County’s real property tax that is imposed on real property owned or leased by the business, if the business qualifies under the program’s guidelines.

***HUBZone***

The Historically Underutilized Business Zones (HUBZone) program, through the Small Business Administration, helps small businesses in urban and rural communities gain preferential access to federal procurement opportunities. Benefits for HUBZone certified companies include competitive and sole sourcing contracting, 10% price evaluation preference in full and open contract competitions, as well as subcontracting opportunities. The federal government’s goal is to award at least three percent of all federal contracting dollars to HUBZone certified small businesses each year; to date, no businesses in the County have qualified.

### *Opportunity Zone*

The federal Opportunity Zone program, started in 2019 and ending in 2029, allows investors to receive substantial federal tax incentives over that 10-year period by investing their capital gains into Opportunity Zones. Washington County has five Opportunity Zones in two areas: City of Hagerstown and the Town of Williamsport. Opportunity Zones feature new federal tax incentives designed to drive long-term private investment to distressed communities. Investors are able to defer and even reduce their federal tax liability on the sale of assets if they place their gains into an Opportunity Fund, which pools capital and support investments in small businesses and real estate within the Opportunity Zones in order to improve communities and the quality of life for residents.

### *C-PACE*

Commercial Property Assessed Clean Energy (C-PACE) is a state policy-enabled financing mechanism that allows building owners and developers to access the capital they need to make energy related deferred maintenance upgrades in their existing buildings, support new construction costs and make renewable energy accessible and cost-effective. C-PACE makes it possible for commercial property owners to obtain low-cost, long-term financing for energy efficiency, water conservation and renewable energy projects. Most commercial property types qualify for C-PACE financing. The program starts with a state-level government policy that classifies clean energy upgrades as a public benefit – like a new sewer, water line or road. These upgrades can be financed with no money down and then repaid as a benefit assessment on the property tax bill over a term that matches the useful life of improvements and/or new construction infrastructure (typically ~approximately 20-30 years). The assessment transfers on the sale of the property and can be passed through to tenants where appropriate. While facilitating sustainability efforts, the program reduces property owners’ annual costs and provides dramatically better-than-market financing for new green construction.

### *Brownfields Revitalization Incentive Program*

The Brownfields Revitalization Incentive Program (BRIP) provides that a site that qualifies for this incentive program may also qualify for real property tax credits. The site must be in a jurisdiction that participates in the BRIP and be owned by an inculpable person. For five years after cleanup, a site may qualify for a real property tax credit between 50% and 70% of the increased value of the site. (In an Enterprise Zone, the tax credit may last for up to 10 years). This credit, combined with other real property tax credits, may not exceed 100% of the tax on the increased value of the site.

### **Foreign Trade Zone**

Washington County’s Foreign Trade Zone (“FTZ”) #255 status was approved by the United States Department of Commerce’s Foreign-Trade Zone Board on July 3, 2002. On October 27, 2023, the United States Department of Commerce’s Foreign-Trade Zones Board approved Washington County’s application to reorganize and expand FTZ #255 under the Alternative Site Framework (“ASF”), including the Board’s standard 2,000-acre activation limit for the zone.. The sites are ideally zoned for manufacturing, distribution, and warehousing activities. FTZs have been shown to provide direct benefits to local businesses involved in foreign trade. Through the reduction, elimination, and deferral of tariffs, firms located within Washington County’s FTZ #255 can be more competitive in international markets.

### **Utilities, Transportation and Communication**

#### *Utilities*

**Electricity:** Potomac Edison, a FirstEnergy Company, with its Western Maryland headquarters located in Washington County, serves the County with a system of transmission and distribution lines of various voltages connected to its generating stations. The City of Hagerstown distributes electricity to many parts of the city.

**Telecommunications:** State-of-the-art communications infrastructure, including hybrid digital cable, fiber optic, wireless data, and cellular systems deliver broadband service via national and regional vendors operating within Washington County including AT&T, Antietam Cable, Comcast, and Verizon.

**Natural Gas:** Columbia Gas of Maryland serves the area with natural gas. Propane is also readily available.

### *Transportation*

**Highways:** Washington County is served by Interstate Highways I-81, I-70 and I-68, complemented by U.S. 40 and U.S. 11 and State Routes 60, 63, 64, 65 and 68. These highways put Washington County businesses within a day’s drive of one-third of the U.S. population and half of all retail trade. The Baltimore and Washington, D.C. beltways are an hour’s drive from central Washington County.

**Air:** The Hagerstown Regional Airport (HGR) is a Part 139-certified facility. HGR provides affordable flights to warm leisure destinations. Allegiant Airlines flies to Orlando/Sanford (SFB) year-round with two to three flights per week. Two to three weekly flights are also offered for approximately 10 months of the year to St Pete-Clearwater (PIE) on Florida’s Gulf Coast. Finally, as many as four weekly flights to Myrtle Beach (MYR), South Carolina, are available for three months of the summer and two weekly flights are available for two months of the early fall season. HGR also offers fixed base operator (FBO) services to general aviation, corporate, air cargo and military aircraft at the Rider Jet Center. There are nearly 40 airport-based businesses employing nearly 2,000 workers and providing a variety of aeronautical services to nearly all types and sizes of aircraft. In addition, Washington-Dulles International (IAD), Baltimore/Washington International Thurgood Marshall (BWI) and Ronald Reagan Washington National (DCA) airports are also located within 75 miles of Hagerstown.

**Rail:** CSX Transportation and Norfolk Southern Corporation Railways provide economical shipment anywhere on the Atlantic seaboard. CSX, with a public siding, operates daily trains and connects with other major carriers for long-distance shipping. The Norfolk Southern mainline is just outside of Hagerstown and a CSX interchange with Norfolk Southern is in Hagerstown for nationwide access. Immediately adjacent to Washington County in Greencastle, Pennsylvania, Norfolk Southern Rail operates a 200-acre intermodal terminal. The County is also only 19 miles from CSX’s 85-acre intermodal terminal in Chambersburg, Pennsylvania. Daily Amtrak and weekday MARC passenger services are available from Martinsburg, West Virginia (23 miles south of Hagerstown). MARC passenger service from neighboring Frederick County to Washington, D.C. is also available.

**Local Transportation:** Washington County Commuter provides local bus service throughout Washington County. Local taxi service, Lyft, Uber, auto rental and leasing services are available within Washington County.

### *Communication*

**Newspapers:** The daily newspaper, The Herald-Mail, has a Monday-Saturday circulation of 17,000 and a Sunday circulation of 19,000. The Hancock News, with a weekly circulation estimate of 1,200, also serves Washington County. Several metropolitan newspapers, including the Washington Post and The Baltimore Sun, are available daily to residents.

**Television:** WDVM provides local news, weather, community information, sports coverage and programming to the tri-state area. Antietam Broadband and Comcast offer cable and digital television services. Satellite television is available through private vendors.

**Internet:** There are numerous private vendors providing local dial-up, wireless and broadband Internet access. The Washington County Free Library provides access to the Internet through SAILOR, the State of Maryland’s Online Public Information Network.

### **Population**

The following table illustrates the population growth of Washington County, the State of Maryland and the United States from calendar years 1970 to 2022.



**Population Growth**

<u>Year</u>	<u>Washington County</u>		<u>State of Maryland</u>		<u>United States</u>	
	<u>Population</u>	<u>Percent Change</u>	<u>Population</u>	<u>Percent Change</u>	<u>Population</u>	<u>Percent Change</u>
2022	155,590	0.6	6,164,660	1.8	334,914,895	1.0
2020	154,705	4.8	6,055,802	4.7	331,646,948	7.2
2010	147,430	11.8	5,773,552	9.0	308,745,538	9.7
2000	131,923	8.7	5,296,486	10.8	281,421,906	12.7
1990	121,393	7.3	4,781,753	13.4	249,633,000	10.2
1980	113,086	9.9	4,216,000	7.4	226,505,000	11.4
1970	103,829	—	3,923,897	—	203,302,000	—

Source: U.S. Department of Commerce, Bureau of the Census for 1970, 1980, 1990, 2000, 2010, 2020  
 U.S. Bureau of the Census Quick Facts Population Census 2020; estimates as of July 1, 2022 (V2022)

**Income**

Median household Effective Buying Income (“EBI”) in Washington County was estimated at \$73,017 for calendar year 2022. The median household EBI for Washington County, the State of Maryland and the United States are estimated as follows:

<b>Median Household Effective Buying Income</b>					
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Washington County	\$73,017	\$65,367	\$63,510	\$60,680	\$59,719
State of Maryland	98,461	90,203	87,063	86,738	81,868
United States	75,149	69,717	64,994	65,712	60,293

Source: United States Census Bureau 2022 American Community Survey Quick Facts - 1 yr estimates

Comparative statistics relating to the distribution of EBI for calendar year 2022 are presented in the following table:

**Distribution of Effective Buying Income (2022)**

<b>Households By EBI Group</b>	<u>Washington County</u>	<u>State of Maryland</u>	<u>United States</u>
Under \$25,000	13.2%	11.6%	15.7%
\$25,000 - \$49,999	20.6	13.3	18.1
\$50,000 - \$74,999	15.3	13.6	16.1
\$75,000 - \$99,999	13.0	12.3	12.8
\$100,000 - \$149,999	18.5	19.3	17.1
\$150,000 - \$199,999	7.7	12.1	8.8
\$200,000 and over	11.8	17.9	11.4

Source: Maryland Department of Commerce, Brief Economic Facts for Washington County, MD

**Area Labor Supply**

Washington County has an available civilian labor force of approximately 70,961. In addition, businesses draw employees from Allegany, Frederick and Garrett counties in Maryland; Franklin and Fulton counties in Pennsylvania; and portions of Berkeley, Jefferson and Morgan counties in West Virginia. The civilian labor force for all these counties totals more than 422,816.

**Employment**

Within Washington County there are more than 3,500 businesses. The following table shows the employment statistics for the 15 largest employers in Washington County as of December 2023.

<b>Employer</b>	<b>Employment</b>
Washington County Public Schools.....	3,705
FedEx Ground.....	2,654
Meritus Health.....	2,590
State of Maryland .....	1,855
Volvo Group.....	1,836
Washington County Government.....	1,418
Amazon.....	1,200
FiServ.....	993
Bowman Group, LLP (The).....	861
Hagerstown Community College.....	700
AC&T Co.....	608
Walmart.....	565
ARC of Washington County.....	545
Merkle Response Management Group.....	545
Brook Lane Health Services.....	475

Source: Washington County Department of Business and Economic Development; Maryland Department of Commerce, Brief Economic Facts 2023

**Unemployment Rate**

Unemployment in Washington County averaged 4.5% between calendar years 2019 and 2023. The following table indicates the County’s average unemployment rate as compared with the State of Maryland for the five most recent calendar years.

**Unemployment Rate – Annual Average**

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Washington County	2.3%	4.3%	5.3%	6.8%	3.8%
State of Maryland	2.1%	4.4%	5.6%	6.8%	3.6%

Source: Maryland Department of Labor

**Construction Activity**

Construction activity during calendar years 2019-2023 in Washington County is provided below:

**Building Permits**  
(Value in Thousands)

<b>Year Ended</b> <b>Dec. 31</b>	<b>Residential New</b>		<b>Other Permits</b>		<b>Total</b>	
	<b>Number</b>	<b>Value</b>	<b>Number</b>	<b>Value</b>	<b>Number</b>	<b>Value</b>
2023	209	\$ 58,876	1,066	\$ 229,863	1,275	\$ 288,739
2022	249	94,213	1,024	314,319	1,273	408,532
2021	232	71,510	1,009	142,689	1,241	214,200
2020	182	46,990	967	216,220	1,149	263,210
2019	200	50,455	1,002	175,029	1,202	225,484

Source: Washington County Department of Permits and Inspections

**Housing Starts**

The number of single family housing starts in Washington County for the past five calendar years is listed below:

<b>Year Ended</b> <b>December 31</b>	<b>Single Family (One and</b> <b>Two-Unit Structures)</b>
2023	197
2022	227
2021	220
2020	171
2019	193

Source: Washington County Department of Permits and Inspections

During the years ended December 31, 2019, 2020, 2021, 2022 and 2023 there were no multi-family units constructed.

**Agriculture**

Agriculture is an important part of Washington County’s economy. Approximately 121,251 of Washington County’s 293,223 acres (41%) are considered farmland by the U.S.D.A. Agricultural Statistical Service. By far the greatest contributors to agriculture are the livestock and dairy industries. Livestock, poultry and other animal products account for approximately 75% of the total farm sales.

Washington County is the heart of the fruit industry in Maryland. Apple and peach growers harvest nearly 1,464 acres annually producing approximately 54% of the State’s apple crop and 31% of the State’s peach crop each year. Dairy is the principal livestock enterprise. The average number of milk cows is 10,815 head, ranking first in the State. In addition to milk and fruit, the other chief agricultural commodities are beef cattle and cereal grains. Selected agricultural statistics for Washington County for calendar year 2022, the most recent year for which such information is available, are as follows:

**Washington County Agriculture Statistics, 2022**

Number of farms.....	877
Total Land in farms.....	121,251
Average acres/farm.....	140
<b>Estimated market value of land and buildings:</b>	
Average per farm.....	\$1,209,385
Average per acre.....	\$8,668
Total farm income.....	\$167.9 mil
Average market value of products sold per farm.....	\$193,219

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Source: U.S.D.A. Agriculture Census 2022. Census conducted every five years.

## IV. Financial Information

### Accounting System

The accounts of the County are organized on the basis of funds, each of which is considered a separate fiscal and accounting entity. The financial position and operations of each fund are accounted for with a self-balancing set of accounts, recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

### Fund Structure

The revenues and receipts of the County are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent. The various funds are identified in the financial statements of the County. The fund types used by the County are Governmental Funds (General, Special Revenue and Capital Projects), Proprietary Funds (Enterprise and Internal Service) and Fiduciary Funds (Trust and Agency). Details of the County's fund structure are set forth in the Notes to the financial statements for fiscal year 2023 that are included in Appendix A to this Official Statement.

The County's general fixed assets and general long-term obligations are reported in the applicable governmental or business-type activity columns in the government-wide financial statements.

### Basis of Accounting, Measurement Focus, and Financial Statement Presentation

Basis of accounting refers to the time at which revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting policies of the County conform to generally accepted accounting principles as applicable to governments.

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. Revenues are 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 revenues 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 for the General Fund, Special Revenue Fund and Capital Projects Fund are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are 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 revenues 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.

Taxpayer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

### Accounting Enterprise System

The County utilizes an integrated financial, human resource, and budget enterprise system. This enterprise system has a web-based platform that streamlines workflow, which allows the County to automate numerous processes including real-time reporting. All County departments have access to the system for requisitioning, reporting and inquiries for information concerning accounts and project status at any time. The system provides an excellent means for control of finances and allows for efficient use of resources. It also promotes accountability by generating timely reports and allowing budgetary controls for management.

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## Capital Budget Preparation Software

The County uses a web-based capital budget preparation and monitoring system. It allows all departments and outside agencies to access the system and input their capital budget requests, including funding sources, cost categories and operational costs. The County set up a priority-ranking matrix system within the software. The ranking system is composed of 14 scored and weighted criteria, which is the basis for assigning projects into one of the five priority ranking categories. The ranking system provides management with the information required to make decisions regarding scheduling and funding for each project. The capital budget system provides multiple reporting options and allows for continuous monitoring of activities of existing projects.

## Budget Process and Schedule

The County's budgetary practices focus on long-term financial planning to ensure that budget decisions are understood over multiple years and to assess whether program and service levels can be sustained over those years. Practices require the development of organizational goals, policies and procedures to achieve the goals, and making the allocation of resources available to accomplish the goals.

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 phases of the budget process.

### *Financial Capacity and Analysis Phase*

The County develops statistical analysis of major revenue sources through various available resources. The County prepares and annually updates a long-range (five year) financial forecasting system, which includes projections of revenues, expenditures, future costs, financing of capital improvements that are included in the Capital Improvement Budget, 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, mortgage 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 Landfill Enterprise Funds.

The County annually undertakes a detailed analysis of its financial position. The County then plots and converts its financial position into certain financial ratios and examines its performance trend. Most of the financial trend analysis includes 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 to determine debt capacity and creates ratios, which it compares to the ratios of other counties within its peer group, rating agency standards and Washington County's historical ratios 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.

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### ***Budget Development Start***

The development of the budget starts with notice to departments and agencies that the capital and operating budget programs are ready for input. Instructions for completing the budgets, due dates, updated information on budgetary numbers, personnel positions and goals are included with the notification.

### ***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 Plan (the “CIP”) provides a comprehensive approach to planning and impacts all facets of County operations. The County Administrator, the CFO, the Director of Engineering, the Director of Planning, and the Director of Public Works comprise the Capital Improvement Program Committee (the “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 among 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 and 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 in conjunction with the results of the priority ranking system.

It is the CIP Committee’s responsibility to review all requests that County departments and agencies submit. Based on the results of the priority ranking, current and future needs as developed in the 10-year CIP and available funding sources, the CIP Committee determines which capital projects best meet established criteria for the current fiscal year Capital Improvement Budget and the 10-year forecast. Operating impacts of current and proposed capital projects are also taken into consideration by staff when developing the Capital Improvement Budget.

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

### ***Review/Modification Phase***

The CFO presents the Operating and Capital Improvement Budgets to the Board. Preliminary recommendations are reviewed to ensure that preliminary budgets address the County’s goals and fiscal management policies. The County Administrator and the CFO work with the Board on the proposed budget documents for adoption.

### ***Adoption Phase***

Proposed budgets are voted on by the Board to take to a public hearing to communicate to the general public for all operating and capital funds. Increases to the real property tax rate are also scheduled for a public hearing. Advertisement is disseminated through the local newspaper, handouts and the County website. Documents and handouts are prepared for the public.

The public hearings are held concurrently for the proposed budgets and real property tax rate. A 10-day waiting period is held for public comment. Local law requires a balanced budget to be adopted by July 1st.

### ***Budget Monitoring***

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

The County’s Operating Budget is adopted at the program/service level and the Capital Improvement Budget is adopted at the project level. Transfers between programs or projects in excess of \$25,000 require Board approval. Any transfer out of contingency requires the approval of the Board.

The CFO reviews the project status and revenues before any issuance of debt. Any modification to a project and/or the total debt to be issued based upon this review is required to be approved by the Board, either for an increase or decrease in total borrowing amount or for a change in the total borrowing source.



**General Fund Revenues and Expenditures**

The General Fund’s major function is to provide funding for education, public safety, courts, planning, permits, public works, parks and recreation, general operations and economic development. The major revenue sources to provide these programs and services for the public are: Real and Personal Property Tax, Income Tax and Recordation Tax. The following table displays the County’s General Fund actual revenues and expenditures compared to the final budget for fiscal year 2023, budgeted revenues and expenditures for fiscal year 2024, and the proposed budget for fiscal year 2025.

**Rapidity of Direct Tax-Supported Debt Principal Payment  
June 30, 2023**

<b>Number of Years</b>	<b>Before Issuance of Bonds (1)</b>		<b>After Issuance of Bonds (1) (2)</b>	
	<b>Principal Amount</b>	<b>Percent</b>	<b>Principal Amount</b>	<b>Percent</b>
5	\$55,338,997	38.62	\$ 56,044,697	36.45
10	97,932,232	68.35	100,316,244	65.25
15	128,710,280	89.83	133,780,937	87.01
20	142,455,709	99.42	151,210,874	98.35
25	143,280,709	100.00	153,745,709	100.00

Source: Washington County Department of Budget and Finance  
 (1) Bonds refers to the Bonds that are the subject of this Official Statement.  
 (2) Takes into account the refunding of the Refunded Bonds.

**FINANCIAL INFORMATION**

The following table displays the County’s General Fund revenues and expenditures on a GAAP basis with additional ratios for fiscal years 2019 through 2023.

**County Commissioners of Washington County  
Statement of Revenues, Expenditures and Changes in Fund Balance  
General Fund**

**Year Ended June 30**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Revenues:</b>					
Taxes, interest and penalties.....	\$ 272,813,258	\$ 276,733,607	\$ 264,408,267	\$ 230,252,369	\$ 222,040,259
Shared taxes and grants .....	10,119,529	13,387,413	22,158,043	7,710,163	4,875,585
Licenses and permits .....	1,598,851	2,023,522	1,374,019	1,162,809	1,283,820
Revenues from use of money and property .....	8,763,269	1,323,112	2,046,222	2,297,095	3,262,373
Charges for services.....	1,566,830	1,242,940	1,026,841	1,136,780	1,365,493
Other revenue .....	733,272	3,763,293	1,732,061	3,242,205	4,250,017
In Kind .....	4,280,080	-	-	-	-
Highway revenue .....	2,587,941	2,536,471	2,252,613	2,102,220	2,253,157
Total revenues .....	<u>\$ 302,463,030</u>	<u>\$ 301,010,358</u>	<u>\$ 294,998,066</u>	<u>\$ 247,903,641</u>	<u>\$ 239,330,704</u>
<b>Expenditures:</b>					
General government .....	\$ 41,160,980	\$ 35,592,339	\$ 42,101,220	\$ 28,065,053	\$ 27,349,583
Public safety .....	69,090,085	61,286,425	57,105,922	55,712,216	47,201,336
Health .....	3,027,814	2,339,270	2,339,270	2,339,270	2,339,270
Social services .....	506,330	446,010	435,560	435,560	435,560
Education .....	119,105,650	115,877,000	113,243,390	110,550,900	108,566,050
Recreation and culture .....	6,502,569	6,776,064	6,294,650	6,137,679	7,366,504
Conservation of natural resources .....	1,012,972	735,160	627,406	708,546	721,153
Intergovernmental .....	38,543	38,543	38,543	38,543	38,543
General operations .....	1,566,421	5,094,259	6,086,957	(1,573,288)	5,869,521
Highway.....	10,168,723	10,554,751	10,527,895	9,744,052	10,492,140
Debt service:					
Principal .....	10,807,066	14,339,666	10,841,195	9,982,975	9,316,119
Interest .....	4,403,736	565,897	4,560,473	4,895,003	4,822,891
Capital Outlay					
General government .....	2,069,131	-	-	-	-
Public safety .....	666,071	-	-	-	-
Highways and Streets .....	1,330,745	-	-	-	-
Parks & Recreation .....	120,988	-	-	-	-
Total Expenditures .....	<u>\$ 271,577,824</u>	<u>\$ 253,645,384</u>	<u>\$ 254,202,481</u>	<u>\$ 227,036,509</u>	<u>\$ 224,518,670</u>
Excess of revenues over expenditures .....	<u>\$ 30,885,206</u>	<u>\$ 47,364,974</u>	<u>\$ 40,795,585</u>	<u>\$ 20,867,132</u>	<u>\$ 14,812,034</u>
<b>Other financing sources(uses):</b>					
Net bond proceeds.....	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds of capital leases.....	-	-	385,579	-	50,769
Principal amount of new debt for advanced refunding.....	-	-	14,007,250	7,153,773	-
Deposit to escrow fund for advance refunding and repayment of loans.....	-	-	(14,007,250)	(7,152,222)	-
Proceeds of Leases .....	1,737,658	-	-	-	-
Proceeds of Subscriptions .....	2,449,277	-	-	-	-
Operating transfers in .....	36,076	-	-	-	-
Operating transfers out .....	(28,888,148)	(35,996,356)	(35,153,279)	(10,391,179)	(11,112,760)
Total other financing sources(uses) .....	<u>\$ (24,665,137)</u>	<u>\$ (35,996,356)</u>	<u>\$ (34,767,700)</u>	<u>\$ (10,389,628)</u>	<u>\$ (11,061,991)</u>
Excess of revenues and other sources over expenditures and other uses .....	\$ 6,220,069	\$ 11,368,618	\$ 6,024,885	\$ 10,477,504	\$ 3,750,043
Fund balances at beginning of year .....	73,367,702	61,999,084	55,974,199	45,496,695	41,746,652
Fund balance at end of year .....	<u>\$ 79,587,771</u>	<u>\$ 73,367,702</u>	<u>\$ 61,999,084</u>	<u>\$ 55,974,199</u>	<u>\$ 45,496,695</u>
<b>Fund Balance:</b>					
As a percent of revenue .....	26.3%	24.4%	21.0%	22.6%	19.0%
As a percent of expenditures .....	29.3%	28.9%	24.4%	24.7%	20.3%
<b>Committed, Assigned and Unassigned Fund Balance:</b>					
As a percent of revenue .....	25.6%	23.7%	20.4%	21.6%	18.1%
As a percent of expenditures .....	28.5%	28.2%	23.7%	23.6%	19.3%
<b>Debt Service:</b>					
As a percent of revenue .....	5.0%	5.0%	5.2%	6.0%	5.9%
As a percent of expenditures .....	5.6%	5.9%	6.1%	6.6%	6.3%

Source: Washington County Department of Budget and Finance

## Anticipated Results for Fiscal Year 2024 and Fiscal Year 2025 Financial Outlook

Fiscal year 2024 will not end until June 30, 2024 and final results are not available as of the date of this Official Statement. The County anticipates ending the fiscal year with a surplus due to a combination of revenues performing better than expected and expenditures coming in under budget.

Projected real estate property tax revenue (\$135.3 million) is trending 4.1% (\$5.4 million) higher than budgeted for in fiscal year 2024 (\$129.9 million). The commercial base continues to show strong growth in Washington County as numerous 1-3 million square foot warehouses are in various stages of completion along the Interstate 81 and Interstate 70 urban growth corridors. For residential properties eligible for the principal residence homestead property tax credit, Maryland legislation caps the annual assessed value increase at no more than 10% per year and Washington County further limits that increase to no more than 5% per year. Reassessment values that will become effective on July 1, 2024 (fiscal year 2025) increased by 40.3% for residential properties and by 12.8% for commercial properties. The most recent reassessment will result in an estimated increase of 6.8% (\$8.8 million) in real estate tax revenue for fiscal year 2025 over fiscal year 2024 budgeted. Personal property tax is projected to end fiscal year 2024 at \$20.1 million, which is approximately \$4.6 million higher than the fiscal year 2024 budget of \$15.5 million.

During the fiscal year 2023 budget process, the Board voted to reduce the income tax rate from 3.00% to 2.95%, effective January 1, 2023. Fiscal year 2024 is the first full fiscal year where the impact of the change in tax rate will be recognized in distributions to the County. Income tax revenue is projected to end fiscal year 2024 \$1.1 million, or 0.9%, higher than the original budgeted amount of \$116.7 million. For fiscal year 2025, growth is expected to decelerate and return to pre-pandemic income growth levels of 3.0%-3.7% annually.

In response to high inflation, labor market pressures and Maryland's new minimum wage requirement, the Board has approved several types of salary adjustments over the last few fiscal years to improve retention and make County positions more attractive to potential candidates. In fiscal year 2022, the Board approved a salary scale realignment for Deputies and Detention Center Officers, with an average increase of 14%. In fiscal year 2023, the Board approved a mid-year cost of living adjustment (COLA) of 9.5% for all full and part-time regular employees. This COLA was carried forward as a realignment of the County salary scales. In fiscal year 2024, the Board approved additional salary scale changes as part of the budget process and provided an average increase of 14% to positions in lower grades, with higher increases at the lowest grades, to ensure that the County remains in compliance with Maryland minimum wage requirements and to further enhance the County's competitiveness for seasonal and lower skill level positions. Additional salary scale adjustments are being included for consideration as part of the fiscal year 2025 budget process and are estimated to cost \$4.8 million. If approved, these adjustments will continue to improve retention and keep the County competitive.

Total expenditures across all funds are trending at or below budget for fiscal year 2024. The County ended fiscal year 2023 with General Fund operating reserves of \$73.2 million, which is \$21.4 million over the County's minimum reserve target of \$51.8 million, or 17%, of revenues. The Board dedicated a portion of that reserve balance to be contributed to the County's pension fund (\$5.0 million) in fiscal year 2024. Additionally, the County's Capital Projects Fund general cash reserves ended fiscal year 2023 at \$55.6 million. The Commissioners recognize that reserves are used to manage budgetary uncertainty, including budget gaps during economic downturns and other unforeseen emergencies such as the COVID-19 pandemic. The fiscal year 2025 CIP includes a gradual use of Capital Projects Fund reserves to offset the effects of inflation and provide funding for projects that had been deferred in prior years.

### Impact of November 2022 Cyber Security Incident

The County experienced a county-wide network outage that resulted from a cyber security incident at the end of November 2022. Public safety and phone systems were not impacted by the outage and County residents, businesses and visitors were adequately protected. County emergency management and information technology staff worked with the Sheriff's office and the County's insurance provider to coordinate investigatory and technology specialists to restore services to impacted general and administrative functions within a few days. All costs, less the County's deductible, were covered by the County's Cyber Security and Crime Coverage insurance policies. Since that time, County staff have been transferring County systems and data to cloud-based environments and implementing enhanced security protocols and early detection software at an additional cost funded by a one-time use of reserves of approximately \$500,000.

Washington County performed an investigation to determine the nature and scope of the incident. Through the investigation, the County determined that certain files may have been copied from its network without authorization. After identifying the files, the County undertook a comprehensive and time intensive review of the files to determine their contents and whether sensitive information was present in the files at the time of the incident. Upon completion of the review, Washington County worked diligently to reconcile this information and to confirm the appropriate contact information for

potentially impacted individuals. On January 8, 2024, notice was provided to Maryland and other state regulators, consumer reporting agencies, impacted individuals, and substitute notice was posted on the County’s website. Additionally, a call center was established through Experian to assist impacted individuals through April 30, 2024; and, upon request, impacted individuals were provided with one (1) year of credit monitoring protection at no cost to the individual.

**Sources of Tax Revenue**

Ad valorem property taxes, the County’s largest source of tax revenues, were 49% in fiscal year 2022 and 52% in fiscal year 2023 of total tax revenues. During the same period, income tax revenues as a percentage of total tax revenues were 44% in each of fiscal year 2022 and fiscal year 2023. The following table presents the County’s tax revenues by source for each of the last five completed fiscal years.

**Tax Revenues by Source**

<b>Fiscal Year Ended June 30</b>	<b>Total Taxes</b>	<b>Local Property Taxes<sup>(1)</sup></b>	<b>Local Income Taxes</b>	<b>Other Local Taxes<sup>(2)</sup></b>
2023	\$272,813,258	\$141,063,795	\$121,057,937	\$10,691,526
2022	276,733,607	136,078,213	122,923,784	17,731,610
2021	264,408,267	133,818,994	119,254,813	11,334,460
2020	230,252,369	129,830,659	92,154,973	8,266,737
2019	222,040,259	127,440,494	86,848,691	7,751,074

Source: Washington County Department of Budget and Finance

(1) Includes payments in lieu of taxes, additions and abatements, interest on taxes, discounts on taxes and tax credits for the elderly and disabled.

(2) Includes trailer tax, recordation taxes, admission and amusement taxes.

**Local Property Taxes**

Property valuations and assessments are determined by the Maryland State Department of Assessments and Taxation, which maintains local offices in Baltimore City and each county. For State and County real property tax purposes, real property is valued at full cash value (“value”). All property is physically inspected once every three years and any increase in value arising from such inspection is phased in over the ensuing three taxable years in equal annual installments.

Commencing with the tax year beginning July 1, 2001, property tax rates are applied to 100% of the value of real property. The County and municipal rates applicable to all personal property and operating real property of public utilities are 2.5 times the property tax rate for real property.

Tangible personal property is generally assessed at cost, less depreciation for each year held to a minimum of 25%. For most categories of personal property, depreciation is 10% per year subject to the minimum assessment of 25% of cost.

State law provides a credit against State, local and municipal real property taxes on certain owner-occupied residential property. The tax credit for each tax year is computed by multiplying the State, local or municipal real property tax rate by the amount by which (i) the current year’s assessment on residential property exceeds (ii) the homestead percentage multiplied by the previous year’s assessment. The State homestead percentage is 110%. The counties and municipalities set their own respective homestead percentage, but the credit percentage may not exceed 110% for any taxable year. The County adopted a homestead percentage of 105% effective July 1, 2007.

The State also provides a tax credit based on the ability of homeowners to pay property taxes. The credit is calculated by use of a scale, which indicates a maximum tax liability for various income levels. The tax credit processed for local property taxes for taxpayers in Washington County for fiscal year 2022, the most recent fiscal year for which such information is available, was \$1,178,226.

Pursuant to State law, the Board may grant a property tax credit against the County property tax imposed on, among other categories of property, certain property owned by nonprofit civic associations and real property that is subject to the County’s agricultural land preservation program. Manufacturing and commercial inventories of businesses are exempt from County tax.

**Assessed Value, Tax Rates and Tax Levy**

The following table sets forth the assessed value of all categories of taxable property in Washington County for each of its five most recently completed fiscal years and the County and State real property tax rates applicable in each of those years. Assessed values of tax-exempt properties owned by federal, State and County governments, churches, schools, fraternal organizations, cemeteries, disabled veterans and the blind are not included in the table. The assessed values of tax-exempt properties totaled \$2,426,498,164 for the fiscal year ended June 30, 2022, the most recent fiscal year for which such information is available. Under applicable law, there is no limit to the total County tax levy for property taxes. In the opinion of the County, the tax rates established by it for each fiscal year, when applied to the property subject thereto, is sufficient to provide revenues to discharge the County’s obligations to pay principal and interest maturing on its outstanding general obligation indebtedness in each fiscal year.

**Assessments and Tax Rates of all Property by Class  
Fiscal Years Ended June 30  
(Stated in Thousands)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Real property.....	\$14,173,213	\$13,528,410	\$13,043,917	\$12,835,761	\$12,486,754
Personal property:					
Railroads and public utilities.....	221,136	213,065	200,337	202,050	196,942
Business corporations.....	550,930	417,784	410,000	380,000	420,000
Total property	<u>\$14,945,279</u>	<u>\$14,159,259</u>	<u>\$13,654,254</u>	<u>\$13,417,811</u>	<u>\$13,103,696</u>
Change in market value of property	5.6%	3.7%	1.8%	2.4%	2.2%
County tax rate (per \$100 assessed value)*	\$0.928	\$0.948	\$0.948	\$0.948	\$0.948
State tax rate (per \$100 assessed value)*	0.112	0.112	0.112	0.112	0.112

\*Real property tax rates  
Source: Maryland State Department of Assessments and Taxation

After being decreased between fiscal years 2022 and 2023, the real property tax rate for unincorporated areas of the County remained at \$0.928 per \$100 of assessed value for fiscal year 2024 (the current fiscal year). There was no change to the State real property tax rate between fiscal years 2023 and 2024.

**Tax Collection**

County taxes are due and payable as of July 1. Delinquent taxes are collected after nine months of delinquency by tax sales conducted by the County Treasurer, selling either real or personal property. Historically, the County has conducted tax sales on an annual basis.

The following table sets forth certain pertinent information with respect to the County’s tax levies and tax collections for each of its five most recently completed fiscal years.

Fiscal Year Ending June 30	Taxes Collected in Year of Levy		Total Taxes Collected (Current and Delinquent)			Taxes Receivable as a Percentage of Total Taxes Collected	
	Taxes Levied	Amount	Percent	Amount	Percent	Taxes Receivable	Collected
2023	\$ 143,227,033	\$ 141,329,863	98.68	\$ 142,771,278	99.68	\$1,897,169	1.33
2022	138,061,891	137,595,179	99.66	137,509,757	99.94	466,712	0.34
2021	135,845,303	135,197,566	99.52	134,862,834	99.27	647,738	0.48
2020	133,303,884	131,433,814	98.60	131,076,848	98.33	2,151,651	1.64
2019	128,597,531	128,511,328	99.93	128,526,755	99.95	720,590	0.56

Source: Washington County Department of Budget and Finance

**Principal Taxpayers**

The 20 largest taxpayers in the County as of June 30, 2023, ranked by assessed value, are listed below.

<u>Name of Taxpayer</u>	<u>Assessed Value</u>	<u>Percentage of Assessed Value</u>
Preylock Hagerstown LLC	\$ 114,611,167	
Bowman Group	\$ 88,225,434	
Stag Industrial Holdings LLC	\$ 87,929,600	
FedEx Ground Package System Inc	\$ 73,873,140	
PR Valley Limited Partnership	\$ 71,107,450	
Amazon.com	\$ 60,537,920	
Showalter Farm LLC	\$ 54,674,000	
Bowman Group LLP	\$ 52,681,634	
2007 East Greencastle Pike	\$ 50,963,500	
Creekside Logistics	\$ 50,609,800	
Sub-total of Top Ten Taxpayers	\$ 705,213,645	4.72%
LCN STP Hagerstown Multi LLC	\$ 49,858,400	
Frind Hopewell LLC	\$ 49,770,600	
Ghattas Enterprises	\$ 41,095,417	
Mack Trucks Inc.	\$ 40,713,030	
Western Hagerstown Distribution Center	\$ 40,345,100	
Walmart Real Estate Business Trust	\$ 36,070,800	
Cortpark LLC	\$ 35,728,100	
Herbert Malarkey Roofing Company	\$ 29,528,120	
Fedex Ground Package System, Inc.	\$ 16,685,540	
Intelsat US LLC	\$ 14,460,260	
Total	<u>\$ 1,059,469,012</u>	7.09%

Source: Washington County Treasurer's Office

The information set forth above was compiled from tax rolls on which the names and owners are not always recorded in the same way.

### ***Local Income Tax***

Effective January 1, 2013, the personal State income tax rates for Maryland residents start at 2% on the first \$1,000 of taxable income and increase up to a maximum of 5.75% on incomes exceeding \$250,000 (or \$300,000 for taxpayers filing jointly, head of household or qualifying widow(ers)). Pursuant to State law, each county and Baltimore City must levy a local income tax at the rate of at least 1.75%, but not more than 3.20%, of the State income tax liability of individuals domiciled in their respective jurisdictions.

The County currently levies a local income tax on Washington County residents at the rate of 2.95%. The rate was decreased from 3.2% to 3.0% effective January 1, 2022 and then decreased to 2.95% effective January 1, 2023. The County does not levy a local income tax on corporations.

### ***Other Local Taxes and Revenues***

In addition to general property taxes and income taxes, the County levies and collects miscellaneous taxes, the largest of which is the recordation tax on instruments conveying title to property and securing debt. Revenues from this tax in the fiscal year ended June 30, 2023 were \$9,974,278. The County also receives revenues from the amusement and admission tax and the trailer tax. Another significant source of local revenue is generated from the issuance of building and other permits. Revenues from all these sources, including recordation taxes, in the fiscal year ended June 30, 2023 were \$12,290,377.

### ***State and Federal Financial Assistance***

#### **State Payment of Public School Capital Construction Costs**

Pursuant to State law, the State pays certain costs in excess of available federal funds for all public school construction projects and capital improvements that have been approved by the State of Maryland Board of Public Works. The cost of acquiring land is not a construction cost and therefore does not qualify for State funding.

The Board of Public Works is empowered to define by regulation what shall constitute an approved construction or capital improvement cost and to adopt rules, regulations and procedures for program administration. Program regulations limit the amount of construction costs paid by the State by instituting a maximum State project allocation for each school construction project funded through the program. Under the formula, the State's share is computed by applying the applicable percentage to the eligible portion of school construction costs. For the County, the maximum State share will equal 79% of approved construction costs.

#### **State and Federal Grants**

During the County's fiscal year ended June 30, 2023, an aggregate of \$13,459,523 in federal and State funds was received by all County departments for use in operations. The largest single categorical source was a federal grant for \$4,005,425, which was an Emergency Rental Assistance Program grant. In addition to the \$13.4 million of federal and State funds the County received, it also expended \$7,660,113 in federal COVID-19 relief funds for operations, primarily American Rescue Plan Act (ARPA) funds previously received in fiscal years 2021 and 2022. As of June 30, 2023, the remaining unexpended ARPA funds totaled \$20,206,107 and the unallocated portion of these funds is approximately \$0.6 million which must be designated prior to the end of calendar year 2024. The County also received \$9,323,336 in federal and State funds for capital projects in the fiscal year ended June 30, 2023. In addition to this amount, \$15.4 million of ARPA funds were designated to various capital projects in the fiscal year 2023 budget. Designations were as follows: \$7.8 million for water quality related improvements, \$3.5 million for an agricultural center building, \$1.6 million for emergency services and the remaining \$2.5 million for building renovations and stormwater management. The County projects that \$15,247,582 in federal and State funds will be received in fiscal year 2024 for operations and \$6,224,949 in federal and State funds will be received for capital projects.

During the fiscal year ended June 30, 2023, the Board of Education received \$231,863,677 in State funds and \$45,144,497 in federal funds for operations. In fiscal year 2024, the Board of Education anticipates receiving \$239,368,914 in State funds and \$49,842,846 in federal funds for operations.

**General Fund Balance Sheet**

The following table indicates the County’s General Fund balance sheet for each of the five most recently completed fiscal years.

<b>County Commissioners of Washington County</b>					
<b>Balance Sheet</b>					
<b>General Fund</b>					
<b>As of June 30</b>					
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>					
Cash and short-term investments .....	\$ 3,920,995	\$ 2,652,912	\$ 61,770,766	\$ 1,104,928	\$ 618,872
Investment in U.S. Government					
Agency Securities .....	194,003,216	194,671,160	10,240,627	80,085,369	97,052,684
Property taxes receivable (net) .....	1,632,512	578,624	761,411	1,832,574	498,411
Accounts receivable .....	1,846,702	1,417,113	1,527,097	2,138,048	1,139,143
Due from other governments .....	67,344,648	68,380,204	48,083,832	36,708,502	27,515,971
Inventories .....	1,177,632	1,012,069	832,151	875,346	776,816
Other assets .....	3,582,253	1,874,843	1,069,543	1,438,055	1,921,103
Total assets .....	<u>\$ 273,507,958</u>	<u>\$ 270,586,925</u>	<u>\$ 124,285,427</u>	<u>\$ 124,182,822</u>	<u>\$ 129,523,000</u>
<b>LIABILITIES</b>					
Accounts payable .....	\$ 6,733,831	\$ 9,311,689	\$ 10,353,395	\$ 3,853,942	\$ 1,442,745
Accrued expenses .....	1,658,923	911,857	2,417,599	2,024,401	1,743,490
Liabilities on unpaid claims .....	3,316,523	2,256,202	1,693,567	1,481,126	2,211,941
Due to other funds .....	118,598,484	107,444,201	-	24,908,614	58,845,269
Unearned revenue .....	7,528,274	24,764,271	15,233,612	9,556,542	533,242
Other liabilities .....	2,711,916	1,898,262	1,804,476	1,941,643	1,866,760
Total liabilities .....	<u>\$ 140,547,951</u>	<u>\$ 146,586,482</u>	<u>\$ 31,502,649</u>	<u>\$ 43,766,268</u>	<u>\$ 66,643,447</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Leases .....	\$ 993,550	\$ 587,558	\$ -	\$ -	\$ -
Unavailable Revenues .....	52,378,686	50,045,183	30,783,694	24,442,355	17,382,858
Total Deferred Inflows of Resources	<u>\$ 53,372,236</u>	<u>\$ 50,632,741</u>	<u>\$ 30,783,694</u>	<u>\$ 24,442,355</u>	<u>\$ 17,382,858</u>
<b>FUND EQUITY</b>					
Nonspendable .....	\$ 1,484,383	\$ 1,207,183	\$ 1,147,265	\$ 1,447,900	\$ 1,409,371
Restricted .....	685,509	677,513	720,318	908,466	855,333
Committed .....	69,520,849	71,427,162	60,119,034	53,532,582	43,212,749
Assigned .....	61,640	55,844	12,467	25,250	19,242
Unassigned .....	7,835,390	-	-	60,001	-
Total fund equity .....	<u>\$ 79,587,771</u>	<u>\$ 73,367,702</u>	<u>\$ 61,999,084</u>	<u>\$ 55,974,199</u>	<u>\$ 45,496,695</u>
Total liabilities and fund equity .....	<u>\$ 273,507,958</u>	<u>\$ 270,586,925</u>	<u>\$ 124,285,427</u>	<u>\$ 124,182,822</u>	<u>\$ 129,523,000</u>

Source: Washington County Department of Budget and Finance



## Key Financial Statistics

### *General Fund Cash Reserves and Fund Balance*

The following table illustrates the ratio of the General Fund fund balance as a percentage of total revenues for the last five completed fiscal years. Also included in the table are the ratios of cash reserves as a percentage of General Fund revenues. It is the intention of the County to maintain a minimum reserve level of 17 percent, which represents 60 days of working capital. It is anticipated that the County will meet or exceed the 17 percent reserve level in fiscal year 2024.

<b>Fiscal Year</b>	<b>Revenues</b>	<b>Fund Balance</b>	<b>Fund Balance as Percentage of Revenues</b>	<b>Reserves as Percentage of Revenues</b>
2023	\$ 302,463,030	\$ 79,587,771	26.31%	21.62%
2022	301,010,358	73,367,702	24.37	22.68
2021	294,998,066	61,999,084	21.02	19.55
2020	247,903,641	55,974,199	22.58	21.08
2019	239,330,704	45,496,695	19.01	17.85

Source: Washington County Department of Budget and Finance

## V. Debt and Capital Requirements

### Debt Management Policy

The County adheres to its Debt Management Policy (the “DM Policy”), which sets forth the parameters for issuing new debt and managing outstanding debt. The DM Policy’s primary objective is to establish conditions for the use of debt and create procedures that minimize debt service and issuance costs, retain high credit ratings and maintain full and complete financial disclosure and reporting. The DM Policy addresses such matters as: use of debt financing, capital planning, debt affordability measures, types of debt and method of sale. Adherence to the DM Policy helps to ensure that the County maintains a sound debt position and that credit quality is protected.

### General Obligation and Revenue Bonds

The County may only issue general obligation and revenue bonds under authority conferred by the Maryland General Assembly. No referendum is required.

The County is authorized to issue short-term tax anticipation notes to meet any estimated current fiscal year cumulative cash flow deficit. Such notes must be repaid within six months of their date of issue. The County has no short-term notes outstanding at this time. As of June 1, 1999, the County may use a line-of-credit for \$5,000,000 to meet a temporary cash flow deficit. The County has not used the line-of-credit as of the date of this Official Statement.

The County may issue economic development revenue bonds under State law, which provides that such bonds shall not constitute an indebtedness or charge against the general credit or taxing power of the County. Pursuant to the County Code, the County may authorize long-term debt in the form of an installment purchase contract to pay for development rights or make certain other payments in connection with the Agricultural Land Preservation Program.

The County may issue general obligation bonds for new money purposes in an amount up to \$70,000,000 pursuant to the authority of Chapter 99. The original aggregate principal amount of bonds issued pursuant to Chapter 99 at June 30, 2023 was \$40,999,904. The unused authorization available under Chapter 99 prior to the issuance of the Bonds is \$29,000,096.

The County is authorized by State law to issue its bonds for the purpose of refunding any of its outstanding bonds, including the payment of any redemption premium and interest accrued to the date of redemption, purchase or maturity of the bonds being refunded.

As part of the annual budget process, an annual debt affordability analysis is prepared by the Office of Budget and Finance. It is an effective tool for debt planning and management.

The Solid Waste operation was classified as a fund separate from the Highway Fund in 1996. It has paid for debt from generated revenues since that time. In 2002, the County reclassified the Solid Waste Fund as an enterprise fund. The debt paid out of revenues generated by that fund is considered self-supporting debt. In 2011, the County implemented GASB Statement No. 54 of the Governmental Accounting Standards Board, Fund Balance Reporting and Governmental Fund Type Definitions. Based on this GASB Statement, the Highway Fund did not meet the criteria of a special revenue fund and was consolidated into the General Fund.

The following table sets forth the amount of the County’s general obligation bonded debt issued and outstanding as of June 30, 2023, exclusive of certain water and sewer bonds (see “Water and Sewer Bonds” herein). Outstanding principal amounts have not been adjusted for discounts or premiums.

**Statement of General Obligation Bonded Debt  
Issued and Outstanding\*  
As of June 30, 2023**

	Date of Issue	Amount Issued	Amount Outstanding			
			General Fund	Solid Waste Fund	Airport Fund	Total
Refunding Bonds.....	May 2012	\$ 7,740,000	\$ 364,000	\$ -	\$ 56,000	\$ 420,000 <sup>(14)</sup>
Public Improvement Bonds.....	May 2013	12,000,000	7,475,000	-	-	7,475,000
Refunding Bonds.....	May 2013	12,540,000	3,734,918	45,082	-	3,780,000
Public Improvement Bonds.....	May 2014	14,000,000	9,695,000	-	-	9,695,000
Public Improvement Bonds.....	May 2015	12,000,000 <sup>(1)</sup>	8,836,999	-	-	8,836,999
Refunding Bonds.....	May 2015	25,573,470 <sup>(2)</sup>	10,478,724	876,125	-	11,354,849
Public Improvement Bonds.....	May 2016	12,103,000 <sup>(3)</sup>	9,249,334	79,390	-	9,328,724
Refunding Bonds.....	May 2016	7,317,990 <sup>(4)</sup>	4,411,216	635,140	-	5,046,356
Public Improvement Bonds.....	May 2017	13,142,000 <sup>(5)</sup>	9,866,473	938,959	-	10,805,432
Public Improvement Bonds.....	May 2018	12,852,000 <sup>(6)</sup>	10,380,394	737,008	-	11,117,401
Public Improvement Bonds.....	May 2019	12,255,000 <sup>(7)</sup>	10,832,457	230,190	-	11,062,647
Public Improvement Bonds.....	June 2020	9,060,000 <sup>(8)</sup>	8,419,590	25,410	-	8,445,000
Refunding Bonds.....	June 2020	8,033,930 <sup>(9)</sup>	4,828,228	1,911,199	-	6,739,426
Taxable Refunding Bonds <sup>(10)</sup> .....	Sept 2020	15,333,040 <sup>(10)</sup>	12,827,275	1,772,107	-	14,599,382
Public Improvement Bonds.....	May 2021	10,785,626 <sup>(11)</sup>	10,428,749	-	-	10,428,749
Public Improvement Bonds.....	June 2022	9,280,000 <sup>(12)</sup>	9,280,000	-	-	9,280,000
Public Improvement Bonds.....	June 2023	11,360,000 <sup>(13)</sup>	11,040,000	320,000	-	11,360,000
MWQFA <sup>(11)</sup> Financing Cell 3.....	Nov 2004	2,498,427	-	242,394	-	242,394
MWQFA <sup>(11)</sup> Resh Road Cap Phase I.....	Dec 2006	5,000,000	1,132,353	-	-	1,132,353
		<u>\$ 212,874,483</u>	<u>\$ 143,280,709</u>	<u>\$ 7,813,003</u>	<u>\$ 56,000</u>	<u>\$ 151,149,712</u>

Source: Washington County Department of Budget and Finance

\* Exclusive of Water and Sewer bonded debt, which is also secured by a pledge of the County's full faith and credit and unlimited taxing power.

(1) Total issue amount for all County funds was \$15,460,000.

(2) Total issue amount for all County funds was \$26,395,000.

(3) Total issue amount for all County funds was \$20,635,000.

(4) Total issue amount for all County funds was \$ 9,455,000.

(5) Total issue amount for all County funds was \$13,780,000.

(6) Total issue amount for all County funds was \$14,485,000.

(7) Total issue amount for all County funds was \$13,310,000.

(8) Total issue amount for all County funds was \$14,150,000.

(9) Total issue amount for all County funds was \$9,030,000.

(10) Total issue amount for all County funds was \$18,705,000.

(11) Total issue amount for all County funds was \$10,880,000.

(12) Total issue amount for all County funds was \$15,815,000.

(13) Total issue amount for all County funds was \$13,890,000.

(14) Amount outstanding as of June 30, 2023 was paid at maturity on January 1, 2024.

## Water and Sewer Bonds

Pursuant to the Water and Sewer Act, the County is authorized to issue bonds secured by the full faith and credit and unlimited taxing power of the County to provide funds for the design, construction, establishment, purchase and condemnation of water systems, sewerage systems and surface water drainage systems in the service areas created by the County. To the extent that the special assessments and other charges imposed by the County with respect to a certain project are insufficient to pay that portion of the principal of and interest on any such bonds attributable to the cost of a project, the County is obligated to levy and to collect a tax upon all property subject to unlimited County taxation within the corporate limits of Washington County in rate and amount sufficient to provide funds as may be necessary to provide for the payment of such portion of the principal and interest as it becomes due.

By State law, the total bonded indebtedness of the County for these purposes, including bonded indebtedness previously issued by the former Washington County Sanitary District, may not exceed 25% of the assessed value of all real property in Washington County subject to unlimited County taxation. At the time the State law was enacted the assessed value was equal to 40% of market value. Pursuant to legislation passed by the Maryland General Assembly, real property assessment law was altered to reflect full market value assessments. Therefore, to maintain the intent of the State law, 40% of the stated 25% of assessed value, or 10%, is used to calculate the legal debt margin for water and sewer debt.

The following table sets forth the amount of the County’s water and sewer debt issued and outstanding as of June 30, 2023. Outstanding amounts have not been adjusted for discounts or premiums. Debt subject to the Water and Sewer Act is referred to as “Water and Sewer” debt herein.

**Statement of Water and Sewer Bonded Debt  
Issued and Outstanding  
As of June 30, 2023**

	<u>Date of Issue</u>	<u>Issued</u>	<u>Outstanding</u>
Public Improvement Bonds.....	May 2015	\$ 3,460,000	(1) \$ 2,548,001
Refunding Bonds.....	May 2015	821,530	(2) 470,151
Public Improvement Bonds.....	May 2016	8,532,000	(3) 6,576,276
Refunding Bonds.....	May 2016	2,137,010	(4) 1,473,644
Public Improvement Bonds.....	May 2017	638,000	(5) 524,567
Public Improvement Bonds.....	May 2018	1,633,000	(6) 1,412,599
Public Improvement Bonds.....	May 2019	1,055,000	(7) 952,353
Public Improvement Bonds.....	June 2020	5,090,000	(8) 4,875,000
Refunding Bonds.....	June 2020	996,070	(9) 835,574
Taxable Refunding Bonds (12).....	Sept 2020	3,371,960	(13) 3,210,617
Public Improvement Bonds.....	May 2021	94,374	(14) 91,251
Public Improvement Bonds.....	June 2022	6,535,000	(15) 6,535,000
Public Improvement Bonds.....	June 2023	2,530,000	(16) 2,530,000
MWQFA (10) Loan.....	May 2004	8,091,063	11,063
MWQFA (10) Loan.....	Oct 2006	560,000	121,089
MWQFA (10) Loan.....	May 2015	2,553,000	1,705,339
MWQFA (10 & 11) Loan.....	Feb 2018	1,849,660	1,520,777
		<u>\$ 49,947,667</u>	<u>\$ 35,393,302</u>

Source: Washington County Department of Budget and Finance

- (1) Total issue amount for all County funds was \$15,460,000.
- (2) Total issue amount for all County funds was \$26,395,000.
- (3) Total issue amount for all County funds was \$20,635,000.
- (4) Total issue amount for all County funds was \$ 9,455,000.
- (5) Total issue amount for all County funds was \$13,780,000.
- (6) Total issue amount for all County funds was \$14,485,000.
- (7) Total issue amount for all County funds was \$13,310,000.
- (8) Total issue amount for all County funds was \$14,150,000.
- (9) Total issue amount for all County funds was \$ 9,030,000.
- (10) Maryland Water Quality Financing Administration ("MWQFA").
- (11) This loan is evidenced by two separate general obligation bonds issued by the County to MWQFA, one of which is the County's Water Quality Bond, Series 2018B, issued in the principal amount of \$462,415 (the "Series 2018B Bond"). There is no scheduled debt service payable on the Series 2018B Bond. Under the terms of the Series 2018B Bond, if the County does not default under the associated Loan Agreement by February 28, 2028, the Series 2018B Bond will be considered forgiven as of February 28, 2028. If the County does default under the associated Loan Agreement prior to February 28, 2018, MWQFA has the right to demand payment of the entire principal amount of the Series 2018B Bond with interest at the rate of 3.02% per annum from the date of demand.
- (12) Proceeds of the Taxable Refunding Bonds of 2020 issued in September 2020 were applied, in part, to advance refund the County's the outstanding Public Improvement Bonds of 2012 maturing on and after July 1, 2023, which were redeemed on July 1, 2022. The outstanding amount of the Public Improvement Bonds of 2012 referenced in the table above were not advance refunded by the Taxable Refunding Bonds of 2020 but were paid at maturity on July 1, 2022.
- (13) Total issue amount for all County funds was \$18,705,000.
- (14) Total issue amount for all County funds was \$10,880,000.
- (15) Total issue amount for all County funds was \$15,815,000.
- (16) Total issue amount for all County funds was \$13,890,000.

**Water and Sewer Bonded Debt  
Schedule of Legal Debt Margin  
As of June 30, 2023**

Assessed Value of Property in Washington County	\$	14,095,764,000
Debt Limit: % of Assessed Value		10%
Water and Sewer Borrowing Limitation		1,409,576,400
Water and Sewer Debt		35,393,302
Debt Margin		1,374,183,098
Ratio of Water and Sewer Debt to Assessed Value		0.25%

Source: Washington County Department of Budget and Finance

(1) SDAT Real Property and Utility Operating Real Property Assessable Base

### Capital Lease and Subscription Obligations and Other Contracts

The County has entered into various lease and subscription-based information technology arrangements (SBITAs). These agreements have been recorded at the present value of their future minimum payments as of the inception date. The future minimum lease obligations, as of June 30, 2023, are \$1,729,998 and \$1,799,332 respectively, Lease receivables total \$1,145,407 for the same period.

In addition to contracts for goods and services incurred in the ordinary course of business of the County, the County is party to numerous other contracts, primarily with engineers, architects and contractors relating to capital projects. Funds necessary to meet the County's obligations in respect to such contracts have been appropriated in the related fund.

### Special Obligation Bonds

Pursuant to State law, Washington County may create special taxing districts, levy ad valorem and/or special taxes, and borrow money by issuing and selling special taxing district revenue bonds for the purpose of financing or refinancing the cost of the design, construction, establishment, extension, alteration or acquisition of adequate storm drainage systems, sewers, water systems, roads, bridges, culverts, tunnels, sidewalks, lighting, parking, parks and recreation facilities, libraries, schools, transit facilities, solid waste facilities and other infrastructure improvements, whether situated within or outside the special taxing district, and including infrastructure improvements located in or supporting a transit-oriented development, a sustainable community or a State hospital development (within the meaning of State law). Special taxing district bonds shall be payable solely from the ad valorem or special taxes levied on the property within a special taxing district and neither the bonds, nor any interest thereon, shall ever constitute an indebtedness or a charge against the general credit or taxing powers of the County.

The County created one special taxing district and issued in June 1998, November 1998 and May 2000 its \$3,100,000, \$1,517,000 and \$2,454,000 Washington County, Maryland Special Obligation Bonds (Barkdoll Tract Special Taxing District) Series 1998, Series 1998 B and Series 2000, respectively.

Pursuant to State law, Washington County may also establish a contiguous area as a development district, and borrow money by issuing and selling tax increment financing revenue bonds ("TIF bonds") for the purpose of financing or refinancing the cost of acquiring property interests, site removal, surveys and studies, relocation of businesses or residents, installation of utilities, construction of parks and playgrounds, other needed improvements including roads to, from or in the development district, parking and lighting, construction or rehabilitation of buildings for a governmental purpose or use, reserves or capitalized interest, bond issuance costs or payment of existing indebtedness for such purposes. The list of projects to which TIF bonds may be applied is expanded for RISE zones and sustainable communities (within the meaning of State law). In addition, Washington County may apply TIF bond proceeds for demolition or site removal on privately owned property; pedestrian or vehicular bridges or overpasses (including railroad crossings and related improvements); or parking lots, facilities or structures that are publicly or privately owned or available for public or private use. TIF bonds are payable from real property tax revenues derived from the increase in assessed value of real property located within a development district over a base assessment established in accordance with State law and any other revenues pledged by the County as permitted by State law. The County may determine to pledge its full faith and credit and unlimited taxing power to the payment of TIF bonds; if it does not do so, the TIF bonds are payable solely from incremental tax revenues derived from real properties located within a development district and any other revenues that the County determines to pledge to such TIF bonds. Under State law, the County may also pledge incremental County tax revenues and other revenues to support TIF bonds issued for qualifying purposes by a municipality within the County or the Maryland Economic Development Corporation.

While between fall 2016 and early 2017, the County established two separate development districts in anticipation of issuing TIF bonds for those districts, the designations of such districts have separately expired because no TIF bonds were issued for either district within the respective deadlines established under the designation resolutions.

**Bonded Indebtedness of Incorporated Municipalities**

Eight of the nine incorporated municipalities of Washington County have outstanding indebtedness in the aggregate principal amount of \$78,236,376 as of June 30, 2023. The County is not obligated to pay such debt or the interest thereon and neither the faith and credit nor taxing power of the County is pledged to the payment of principal or interest on such indebtedness.

**County Commissioners of Washington County  
Outstanding Underlying Debt  
As of June 30, 2023**

Towns	Amount
Boonsboro (1).....	\$ 4,967,602
Clear Spring (1).....	328,048
Funkstown (1).....	624,931
Hagerstown.....	65,416,988
Hancock.....	1,074,470
Keedysville.....	1,618,459
Smithsburg.....	1,535,653
Williamsport (1).....	2,670,225
Total	\$ 78,236,376

Source: Washington County Department of Budget and Finance  
(1) Numbers are from unaudited statements.

**Direct and Underlying Debt**

The following schedules present the County’s bonded debt outstanding as of June 30, 2023, the ratios of such debt to the County’s population and real and personal property assessed market values.

**County Commissioners of Washington County  
Direct and Overall Bonded Debt  
As of June 30, 2023  
(Excludes this Issue)**

Direct Debt - Tax-Supported:	
General Government Debt (1).....	\$ 143,280,709
Direct Debt - Self-Supported:	
Solid Waste .....	7,813,003
Water and Sewer .....	35,393,302
Airport .....	56,000
Total Direct Debt.....	186,543,014
Underlying Debt.....	78,236,376
Overall Bonded Debt.....	\$ 264,779,390

Source: Washington County Department of Budget and Finance  
(1) Includes Highway debt which is currently considered tax-supported.

**County Commissioners of Washington County  
Debt Per Capita and Ratio of Debt to Assessed Values  
As of June 30, 2023**

Per Capita (Estimated Population 155,590):

Direct Tax-Supported Debt (1).....	\$	921
Overall Bonded Debt.....	\$	1,702

Percentage of Assessed Value of \$14,945,279,000:

Direct Tax-Supported Debt (1).....	0.96%
Overall Bonded Debt.....	1.77%

Source: Washington County Department of Budget and Finance  
(1) Includes Highway debt which is currently considered tax-supported.

The following table presents the County’s direct tax-supported debt per capita and ratios of direct tax-supported debt to assessed value for the last five completed fiscal years.

<b>Fiscal Year Ended June 30</b>	<b>Direct Tax-Supported Debt (000)</b>	<b>Estimated Population</b>	<b>Assessed Value (000)</b>	<b>Per Capita</b>	<b>Direct Tax-Supported Debt as a Percentage of Assessed Value</b>
2023	\$ 143,281	155,590	\$ 14,945,279	921	0.96
2022	142,876	154,937	14,159,259	922	1.01
2021	143,880	151,146	13,708,145	952	1.05
2020	143,823	151,049	13,670,826	952	1.05
2019	145,975	150,926	12,274,226	967	1.19

Source: Washington County Department of Budget and Finance

**Debt Service Requirements on County Debt**

The following tables set forth the debt service requirements for the County’s current general obligation bonded debt as of June 30, 2023, as adjusted to reflect issuance of the Bonds, and the rapidity of repayment for the County’s direct tax-supported debt.

**DEBT AND CAPITAL REQUIREMENTS**

Washington County Schedule of Debt Service  
Requirements on Long-term Obligations\*  
As of June 30, 2023

Year Ending June 30	Tax-Supported Debt Service			Self-Supporting Debt Service <sup>(1)</sup>			Total Debt Service		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 11,109,835	\$ 4,588,479	\$ 15,698,314	\$ 2,853,256	\$ 1,242,218	\$ 4,095,474	\$ 13,963,091	\$ 5,830,697	\$ 19,793,788
2025	11,466,505	4,396,788	15,863,293	2,920,145	1,136,257	4,056,403	14,386,650	5,533,045	19,919,695
2026	11,112,549	3,973,998	15,086,547	2,907,471	1,030,752	3,938,223	14,020,020	5,004,750	19,024,770
2027	10,761,313	3,575,020	14,336,333	3,013,350	937,853	3,951,203	13,774,663	4,512,873	18,287,536
2028	10,888,795	3,187,170	14,075,965	3,546,733	845,916	4,392,649	14,435,529	4,033,086	18,468,615
2029	8,948,459	2,832,516	11,780,974	2,896,171	755,442	3,651,613	11,844,629	3,587,958	15,432,587
2030	8,469,500	2,508,581	10,978,081	2,606,657	665,956	3,272,613	11,076,157	3,174,537	14,250,694
2031	8,800,740	2,192,926	10,993,667	2,691,956	582,040	3,273,996	11,492,696	2,774,966	14,267,662
2032	8,370,435	1,896,735	10,267,170	2,358,812	508,175	2,866,987	10,729,247	2,404,910	13,134,157
2033	8,004,101	1,630,257	9,634,358	2,181,708	445,670	2,627,378	10,185,809	2,075,927	12,261,736
2034	7,450,889	1,375,840	8,826,728	1,926,496	386,631	2,313,127	9,377,385	1,762,470	11,139,855
2035	6,911,944	1,133,728	8,045,672	1,997,028	329,218	2,326,246	8,908,972	1,462,946	10,371,918
2036	6,128,670	913,286	7,041,956	2,066,901	269,300	2,336,201	8,195,571	1,182,586	9,378,157
2037	5,463,030	721,492	6,184,522	1,745,509	212,016	1,957,526	7,208,540	933,508	8,142,047
2038	4,823,515	555,453	5,378,969	1,205,539	170,350	1,375,889	6,029,055	725,803	6,754,857
2039	4,141,605	412,613	4,554,218	1,043,395	140,922	1,184,317	5,185,000	553,534	5,738,534
2040	3,407,496	292,195	3,699,691	902,504	115,780	1,018,284	4,310,000	407,975	4,717,975
2041	2,617,357	198,941	2,816,297	842,643	93,941	936,584	3,460,000	292,881	3,752,881
2042	2,103,972	125,527	2,229,499	861,028	72,710	933,739	2,965,000	198,238	3,163,238
2043	1,475,000	62,075	1,537,075	890,000	50,294	940,294	2,365,000	112,369	2,477,369
2044	825,000	16,500	841,500	425,000	36,325	461,325	1,250,000	52,825	1,302,825
2045	0	0	0	215,000	31,544	246,544	215,000	31,544	246,544
2046	0	0	0	220,000	26,375	246,375	220,000	26,375	246,375
2047	0	0	0	225,000	20,813	245,813	225,000	20,813	245,813
2048	0	0	0	235,000	15,063	250,063	235,000	15,063	250,063
2049	0	0	0	240,000	9,125	249,125	240,000	9,125	249,125
2050	0	0	0	245,000	3,063	248,063	245,000	3,063	248,063
	<u>\$ 143,280,709</u>	<u>\$ 36,590,119</u>	<u>\$ 179,870,828</u>	<u>\$ 43,262,305</u>	<u>\$ 10,133,747</u>	<u>\$ 53,396,051</u>	<u>\$ 186,543,014</u>	<u>\$ 46,723,865</u>	<u>\$ 233,266,879</u>

Source: Washington County Department of Budget and Finance

\* Totals may not foot due to rounding.

(1) Debt characterized as self-supporting is still general obligation debt, backed by the pledge of the County's full faith and credit and unlimited taxing power.



**DEBT AND CAPITAL REQUIREMENTS**

Washington County Schedule of Debt Service  
 Requirements of Long-term Obligations  
 As of June 30, 2023  
 Adjusted to Reflect Issuance of the Bonds\*

Year Ending June 30	Outstanding Debt Service			The Bonds			Total Debt Service		
	Principal <sup>(1)</sup>	Interest <sup>(1)</sup>	Total <sup>(1)</sup>	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 13,963,091	\$ 5,830,697	\$ 19,793,788	\$ -	\$ -	\$ -	\$ 13,963,091	\$ 5,830,697	\$ 19,793,788
2025	14,386,650	5,227,958	19,614,608	-	541,114	541,114	14,386,650	5,769,072	20,155,722
2026	13,325,020	4,710,088	18,035,108	970,000	954,650	1,924,650	14,295,020	5,664,738	19,959,758
2027	13,049,663	4,239,510	17,289,173	1,035,000	904,525	1,939,525	14,084,663	5,144,035	19,228,698
2028	13,680,529	3,783,811	17,464,340	1,095,000	851,275	1,946,275	14,775,529	4,635,086	19,410,615
2029	11,059,629	3,365,633	14,425,262	1,145,000	795,275	1,940,275	12,204,629	4,160,908	16,365,537
2030	10,261,157	2,980,212	13,241,369	1,210,000	736,400	1,946,400	11,471,157	3,716,612	15,187,769
2031	10,642,696	2,610,841	13,253,537	1,275,000	674,275	1,949,275	11,917,696	3,285,116	15,202,812
2032	9,844,247	2,273,316	12,117,564	1,340,000	608,900	1,948,900	11,184,247	2,882,216	14,066,464
2033	9,265,809	1,979,327	11,245,136	1,415,000	540,025	1,955,025	10,680,809	2,519,352	13,200,161
2034	8,417,385	1,703,470	10,120,855	1,485,000	467,525	1,952,525	9,902,385	2,170,995	12,073,380
2035	7,913,972	1,443,046	9,357,018	1,560,000	391,400	1,951,400	9,473,972	1,834,446	11,308,418
2036	8,195,571	1,182,586	9,378,157	620,000	336,900	956,900	8,815,571	1,519,486	10,335,057
2037	7,208,540	933,508	8,142,047	650,000	305,150	955,150	7,858,540	1,238,658	9,097,197
2038	6,029,055	725,803	6,754,857	680,000	271,900	951,900	6,709,055	997,703	7,706,757
2039	5,185,000	553,534	5,738,534	720,000	236,900	956,900	5,905,000	790,434	6,695,434
2040	4,310,000	407,975	4,717,975	755,000	200,025	955,025	5,065,000	608,000	5,673,000
2041	3,460,000	292,881	3,752,881	795,000	161,275	956,275	4,255,000	454,156	4,709,156
2042	2,965,000	198,238	3,163,238	830,000	124,800	954,800	3,795,000	323,038	4,118,038
2043	2,365,000	112,369	2,477,369	865,000	90,900	955,900	3,230,000	203,269	3,433,269
2044	1,250,000	52,825	1,302,825	905,000	55,500	960,500	2,155,000	108,325	2,263,325
2045	215,000	31,544	246,544	935,000	18,700	953,700	1,150,000	50,244	1,200,244
2046	220,000	26,375	246,375	-	-	-	220,000	26,375	246,375
2047	225,000	20,813	245,813	-	-	-	225,000	20,813	245,813
2048	235,000	15,063	250,063	-	-	-	235,000	15,063	250,063
2049	240,000	9,125	249,125	-	-	-	240,000	9,125	249,125
2050	245,000	3,063	248,063	-	-	-	245,000	3,063	248,063
	<u>\$ 178,158,014</u>	<u>\$ 44,713,609</u>	<u>\$ 222,871,623</u>	<u>\$ 20,285,000</u>	<u>\$ 9,267,414</u>	<u>\$ 29,552,414</u>	<u>\$ 198,443,014</u>	<u>\$ 53,981,023</u>	<u>\$ 252,424,037</u>

Source: Washington County Department of Budget and Finance

\* Totals may not foot due to rounding.

(1) The Outstanding Debt Service reflects the refunding of the Refunded Bonds.

**Rapidity of Direct Tax-Supported Debt Principal Payment**  
**June 30, 2023**

<b>Number of Years</b>	<b>Before Issuance of Bonds (1)</b>		<b>After Issuance of Bonds (1) (2)</b>	
	<b>Principal Amount</b>	<b>Percent</b>	<b>Principal Amount</b>	<b>Percent</b>
5	\$55,338,997	38.62	\$ 56,044,697	36.45
10	97,932,232	68.35	100,316,244	65.25
15	128,710,280	89.83	133,780,937	87.01
20	142,455,709	99.42	151,210,874	98.35
25	143,280,709	100.00	153,745,709	100.00

Source: Washington County Department of Budget and Finance

(1) Bonds refers to the Bonds that are the subject of this Official Statement.

(2) Takes into account the refunding of the Refunded Bonds.

### **Anticipated Future Financing**

The County currently anticipates issuing additional general obligation bonds for approximately \$18.5 million in fiscal year 2025, and \$21.0 million in fiscal year 2026. In addition, the County expects to receive loan funding of up to approximately \$4,488,552 from the Maryland Water Infrastructure Financing Administration for a wastewater system project within calendar year 2024; any such loan funding will be papered by one or more general obligation bonds issued by the County to the Maryland Water Infrastructure Financing Administration. These anticipated debt issuance amounts are for planning purposes and are subject to change as part of the annual budgeting process.

### **Capital Requirements**

#### ***Capital Improvement Program Summary***

The County has established the CIP for establishing a capital budget to forecast future needs and set priorities. It is reviewed and updated during the annual budget process. The objectives of the CIP are to: (1) provide a means for coordinating and consolidating into one document all departmental and agency requests for capital funds; (2) establish a system by which the capital projects of the County can be examined and given priorities according to their relative importance; (3) provide a budgetary tool for the implementation of the Comprehensive Plan elements; (4) forecast future capital demands on local current revenue; and (5) allow projects to be scheduled over a long-term period, thereby providing adequate planning for both financial resources and project implementation. By applying the guidelines of the County's DM Policy and the annual debt affordability analysis, the Board is able to adopt a capital budget that provides maximum benefits from available public funds and assures sound fiscal planning. See "FINANCIAL INFORMATION – Budget Process and Schedule" herein.

#### ***Environmental Considerations for Capital Projects***

To ensure that the County is at the forefront of climate change and environmental protection legislation, environmentally conscience leachate treatment, stormwater management and LEED (Leadership in Energy and Environmental Design) measures are being used, where possible, for building renovations, new construction, solid waste management and road and culvert improvements. County projects include funding for tree planting initiatives, LED (Light Emitting Diode) lighting replacements and site improvements to ensure that stormwater runoff and leachate are adequately filtered prior to reaching ground aquifers and surface waterways.

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## VI. Miscellaneous

### Litigation

The County is currently a defendant in litigation matters involving various matters and claims. Many of these are covered by insurance, subject to a deductible. As most of these disputes involve unliquidated damages, it is not possible to provide a reliable total of damages for which the County may become liable. In the opinion of the County Attorney, all such matters now pending or threatened are, collectively, unlikely to result in total liabilities that would have a material effect on the financial condition of the County.

### Impact of COVID-19 Pandemic on the County

To date, the COVID-19 pandemic has not had a material adverse impact on the County's financial position or operations.

The COVID-19 pandemic's long-term impact on the County's financial performance and operations will continue to depend on future developments, including the duration of the pandemic or any spike in COVID-19 cases. It is possible that the County may experience an increase in expenses for emergency services, emergency preparedness, public health, and personnel costs. Further, the ongoing COVID-19 pandemic may cause additional economic and health challenges that cannot be anticipated or quantified at this time. The County has the ability to adjust spending on certain capital projects and operating costs, and it maintains a fund balance in its General Fund that the County may be able to use to respond to any such challenges. The County intends to continue proactively managing its affairs in response to the COVID-19 pandemic.

### Ratings

Fitch Ratings, Moody's Investors Service, Inc., and S&P Global Ratings have given the Bonds the ratings indicated on the cover page of this Official Statement. An explanation of the significance of any of such ratings may be obtained only from the agency furnishing the rating. The County furnished to such rating agencies the information contained in a preliminary form of this Official Statement and other materials and information pertaining to the Bonds. Generally, rating agencies base their ratings on such materials and information, as well as their own investigations, studies, and assumptions. The ratings given the Bonds may be changed at any time and no assurance can be given that they will not be revised downward or withdrawn by one or more of such rating agencies if, in the judgment of any such rating agencies, circumstances should warrant such action. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on market prices for the Bonds.

### Continuing Disclosure Undertaking

In order to enable participating underwriters, as defined in Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") to comply with the requirements of paragraph (b)(5) of Rule 15c2-12, the County will execute and deliver a continuing disclosure agreement (the "Continuing Disclosure Agreement") on or before the date of issuance and delivery of the Bonds, the proposed form of which is set forth as Appendix D to this Official Statement. In the Continuing Disclosure Agreement the County will covenant for the benefit of the registered owners or Beneficial Owners of the Bonds to provide its audited financial statements and certain specified annual financial information and operating data relating to the County by not later than 240 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2024, and to provide notice of the occurrence of certain enumerated events, for as long as the Bonds remain outstanding or the County is an obligated person with respect to the Bonds. The audited financial statements, annual financial information and operating data, and notices of the occurrence of the enumerated events, if any, will be posted by or on behalf of the County on the Electronic Municipal Market Access system ("EMMA") maintained by the Municipal Securities Rulemaking Board and/or filed with any other repository then required by Rule 15c2-12. As of the date of the Official Statement, such information is required to be posted only to EMMA.

Potential purchasers of the Bonds should note that the definition of Listed Events contained in the proposed form of the Continuing Disclosure Agreement set forth as Appendix D to this Official Statement is intended to completely restate the events specified in Rule 15c2-12. It is noted that certain of the 16 Listed Events set forth in Section 4(a) of the proposed form of the Continuing Disclosure Agreement are expected to have no applicability to the Bonds, such as the possibility of unscheduled draws on debt service reserves reflecting financial difficulties, unscheduled draws on credit enhancements reflecting financial difficulties, substitution of credit or liquidity providers or their failure to perform, and release, substitution or sale of property securing the Bonds.

Prior to September 2020, the County's practice was to file its annual audited financial statements in satisfaction of its obligation to provide any annual financial information and operating data required by continuing disclosure undertakings executed by the County with respect to prior general obligation debt issues in accordance with Rule 15c2-12, based on the

County's understanding that such audited financial statements filings satisfied the County's continuing disclosure undertaking obligations with respect to identified annual financial information and operating data. However, it was brought to the attention of the County that, with respect to certain County general obligation bonds issued prior to calendar year 2013, the description of the annual financial information and operating data to be provided by the County under its continuing disclosure undertakings with respect to such earlier issues could be construed to require more information than had been contained in the County's filed annual audited financial statements. Accordingly, in September 2020, the County filed notice of its apparent failure to provide certain information with respect to fiscal years 2015-2019, inclusive, and made a supplemental filing with respect to certain debt information for fiscal years 2015-2019, inclusive, for the affected issues that remained outstanding at such time.

The County made timely filings of additional annual financial information and operating data for fiscal years 2020, 2021 and 2022; some of the information contained in such filings was provided on a voluntary basis with respect to County general obligation bonds listed on EMMA that were issued during calendar year 2013 and subsequent calendar years (because not required by the County's continuing disclosure undertakings for such issues). Subsequent to timely filing its additional annual financial information and operating data with respect to fiscal year 2022, the County discovered that, due to a technological glitch, the chart titled "Budget Comparison – General Fund – Fiscal Years 2022 and 2023" contained in the additional financial information and operating data filing timely posted on EMMA on February 22, 2023 with respect to fiscal year 2022 reflected incorrect amounts in certain line items under the "Fiscal Year 2023 – Original Budget" column. On March 15, 2023, a supplement containing the corrected "Budget Comparison – General Fund – Fiscal Years 2022 and 2023" chart was posted on EMMA with regard to the then-outstanding EMMA-listed County general obligation bond issues.

As of the date the County timely posted its audited financial statements for fiscal year 2023 on EMMA, none of the County's general obligation bonds issued prior to calendar year 2013 remained outstanding. However, to ensure compliance with its continuing disclosure undertakings for EMMA listed general obligation bonds issued between calendar year 2013 and calendar year 2023, the County prepared and timely filed with respect to such outstanding general obligation bonds a separate document containing additional annual financial information and operating data. After making such timely filing, the County discovered that the table titled "Statement of General Obligation Bonded Debt Issued and Outstanding as of June 30, 2023" included a \$45,082 entry in the "Amount Outstanding – Solid Waste Fund" column for the Public Improvement Bonds issued in May 2013 when that entry should have been reflected in the same column for the Refunding Bonds issued in May 2013. The County prepared and filed on EMMA a corrected replacement table on March 5, 2024; the corrections included shifting that \$45,082 outstanding amount entry to the correct series of bonds and adjusting the entries in the "Amount Outstanding – Total" column for the two series of bonds. The corrections did not change the total amounts outstanding as of June 30, 2023 accounted for in the Solid Waste Fund column or the aggregated Total column.

In the past five years, the County has timely filed its annual audited financial statements for fiscal years 2019 – 2023 with respect to all then-outstanding general obligation bond issues listed on EMMA.

Except as described in the four preceding paragraphs (to the extent any of the foregoing constitutes a material failure), the County has not failed in the past five years to comply, in all material respects, with any previous continuing disclosure undertaking entered into by the County pursuant to Rule 15c2-12.

## **Sale at Competitive Bidding**

The Bonds were offered by the County at competitive bidding on May 29, 2024 in accordance with the official Notice of Sale (a copy of which is attached as Appendix C). The Bonds were awarded to UBS Financial Services Inc. The interest rates shown on the cover page of this Official Statement are the interest rates resulting from the award of the Bonds at the competitive bidding. The yields shown on the cover page of this Official Statement were furnished by the successful bidder for the Bonds and not by the County. All other information concerning the nature and terms of any re-offering should be obtained from the successful bidder for the Bonds and not from the County.

## **Legal Matters**

All legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approval of Funk & Bolton, P.A., Baltimore, Maryland, Bond Counsel. Delivery of the Bonds is conditioned upon delivery by Bond Counsel of an opinion relating to the Bonds substantially in the form set forth in Appendix B to this Official Statement. The certified text of the approving legal opinion for the Bonds will be printed on or attached to the Bonds.

Bond Counsel has not been engaged, nor has it undertaken, to audit, authenticate or otherwise verify the information set forth in this Official Statement regarding the County or other referenced governmental entities, or any related information regarding the County or other referenced governmental entities, with respect to the accuracy and completeness of such

information, and it will not express any opinions with respect thereto or with respect to any specific sections of this Official Statement.

### **Independent Auditors**

The financial statements as of June 30, 2023, and for the year then ended, included in Appendix A to this Official Statement, have been audited by SB & Company, LLC, independent auditors, as stated in their report appearing herein, and should be read in their entirety. Such financial statements have been included in reliance upon the report of SB & Company, LLC. Such report speaks only as of its date.

SB & Company, LLC the independent auditor, has not been engaged to perform and has not performed, since the date of its report included in Appendix A to this Official Statement, any procedures on the financial statements addressed in that report. SB & Company, LLC also has not performed any procedures relating to this Official Statement.

### **Verification of Mathematical Computations**

The arithmetical accuracy of certain computations included in the schedules provided by Davenport & Company LLC, the financial advisor to the County, on behalf of the County relating to (i) computation of forecasted payments of principal and interest to pay accrued interest on the Refunded Bonds and to redeem the Refunded Bonds at their respective redemption prices, and (ii) computation of yields on the Bonds and the Acquired Obligations was examined by The Arbitrage Group, Inc. (the “Verification Agent”). Such computations were based solely upon assumptions and information supplied by Davenport & Company LLC on behalf of the County. The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

### **Financial Advisor**

Davenport & Company LLC, Towson, Maryland (the “Financial Advisor”) is a registered municipal advisor with the Municipal Securities Rulemaking Board and serves as financial advisor in connection with the issuance of the Bonds and other matters related to the County’s finances. The Financial Advisor has not been engaged, nor has it undertaken, to audit, authenticate or otherwise verify the information set forth in this Official Statement, or any other related information available to the County, with respect to accuracy and completeness of disclosure of such information. The Financial Advisor makes no guaranty, warranty or other representation respecting the accuracy and completeness of this Official Statement or any other matter related to the Official Statement.

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This Official Statement has been approved and authorized by the County for use in connection with the sale of the Bonds.

COUNTY COMMISSIONERS OF  
WASHINGTON COUNTY

By: /s/ JOHN F. BARR  
John F. Barr, President

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**Appendix A**

**General Purpose Financial Statements**

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**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

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

**For the Year Ended June 30, 2023**

**JUNE 30, 2023**

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**S B & COMPANY, LLC**  
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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

County Commissioners of Washington County  
Hagerstown, Maryland

### ***Opinions***

We have audited the 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, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

We did not audit the financial statements of the Board of Education of Washington County, Maryland (the Board). Those 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 Board, is based solely on the report of the other auditors.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements 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, as of June 30, 2023, and the respective changes in 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.

### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



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### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net OPEB liability and related ratios, schedule of OPEB trust fund employer contributions, schedules of changes in pension fund net pension liability and related ratios for the General Employees' Pension Fund and Volunteer Length of Service Award Fund, schedules of employer contributions for the General Employees' Pension Fund and the Volunteer Length of Service Award Fund, and the budget and actual schedule be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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



**SB & COMPANY, LLC**  
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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.

***Supplementary Information***

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

The combining and individual fund statements and local management board schedule of revenue and expenditures regulatory basis are the responsibility of management and were derived from and relates 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 combining and individual fund statements, budget and actual for the general fund and local management board schedule of revenue and expenditures regulatory basis and schedule of expenditures of Federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Owings Mills, Maryland  
October 31, 2023

*SB & Company, LLC*



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

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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 21-23 of this report.

**2) Fund Financial Statements**

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



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

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

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

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

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

The basic governmental fund financial statements can be found on pages 24-27 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 28-30 of this report.

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

The basic fiduciary fund financial statements can be found on pages 31-32 of this report.

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

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-108 of this report.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

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 111-116 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$727.0 million as of the close of the most recent fiscal year.

Washington County, Maryland  
Net Position  
(Government-Wide)

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2023	2022	2023	2022	2023	2022	
<i>Current and other assets</i>	\$338,801,688	\$306,097,423	\$78,789,403	\$69,219,966	\$417,591,091	\$375,317,389	11.26%
<i>Capital assets</i>	462,704,433	454,296,678	245,372,962	246,864,602	708,077,395	701,161,280	0.99%
<b>Total Assets</b>	801,506,121	760,394,101	324,162,365	316,084,568	1,125,688,486	1,076,478,669	4.57%
<i>Deferred Outflow of Resources</i>	9,759,931	18,459,103	302,211	401,190	10,062,142	18,860,293	(46.65%)
<i>Current and other liabilities</i>	46,497,888	62,614,910	28,526,487	29,094,246	75,024,375	91,709,156	(18.19%)
<i>Long-term liabilities</i>	248,009,348	252,062,837	61,369,441	60,951,648	309,378,789	313,014,485	(1.16%)
<b>Total Liabilities</b>	294,507,236	314,677,747	89,895,928	90,045,894	384,403,164	404,723,641	(5.02%)
<i>Deferred Inflow of Resources</i>	10,915,544	10,263,845	13,454,361	13,633,817	24,369,905	23,897,662	1.98%
<i>Net Investment in Capital Assets</i>	373,234,604	363,793,008	212,330,432	210,809,736	585,565,036	574,602,744	1.91%
<i>Restricted Net Assets</i>	60,108,254	39,960,328	17,348,220	13,957,773	77,456,474	53,918,101	43.66%
<i>Unrestricted Net Assets</i>	72,500,414	50,158,276	(8,564,365)	(11,961,462)	63,936,049	38,196,814	67.39%
<b>Total Net Position</b>	\$505,843,272	\$453,911,612	\$221,114,287	\$212,806,047	\$726,957,559	\$666,717,659	9.04%

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 \$585.5 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, \$77.5 million, represents resources that are subject to external restrictions on how they may be used. The remaining portion is unrestricted net assets of \$63.9 million.

Unrestricted net assets in governmental activities have been reduced by \$46.8 million in long-term debt, resulting in unrestricted net assets of \$72.5 million. This long-term debt was incurred by the County's general fund for the purpose





MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

of capital asset acquisition for the Board of Education of \$38.7 million and Hagerstown Community College of \$8.1 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)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Program Revenues:</b>						
Charges for Services	\$9,418,895	\$9,393,072	\$27,596,609	\$27,229,233	\$37,015,504	\$36,622,305
Operating Grants and Contributions	21,001,095	33,686,424	2,309,855	3,287,909	23,310,950	36,974,333
Capital Grants and Contributions	24,905,987	11,168,422	12,441,689	2,718,109	37,347,676	13,886,531
<b>General Revenues:</b>						
Property Taxes	141,039,560	135,971,972	-	-	141,039,560	135,971,972
Local Taxes	146,073,778	176,446,161	-	-	146,073,778	176,446,161
Other	12,010,282	3,034,031	827,394	322,405	12,837,676	3,356,436
<b>Total Revenues</b>	<b>354,449,597</b>	<b>369,700,082</b>	<b>43,175,547</b>	<b>33,557,656</b>	<b>397,625,144</b>	<b>403,257,738</b>
<b>Program Expenses:</b>						
General Government	40,342,676	22,644,496	-	-	40,342,676	22,644,496
Public Safety	77,372,812	80,736,885	-	-	77,372,812	80,736,885
Health	3,027,814	2,339,270	-	-	3,027,814	2,339,270
Social Services	506,330	446,010	-	-	506,330	446,010
Education	121,790,998	120,236,520	-	-	121,790,998	120,236,520
Parks and Recreation	8,513,824	8,710,969	-	-	8,513,824	8,710,969
Natural Resources	5,039,490	3,909,810	-	-	5,039,490	3,909,810
Community Promotion	18,631,787	28,803,412	-	-	18,631,787	28,803,412
Highways and Streets	19,467,224	30,048,507	-	-	19,467,224	30,048,507
Interest on Long-term Debt	4,609,784	4,604,683	-	-	4,609,784	4,604,683
<b>Business-type Activities:</b>						
Water Quality	-	-	15,926,074	15,035,913	15,926,074	15,035,913
Solid Waste	-	-	7,932,279	7,443,086	7,932,279	7,443,086
Public Transit	-	-	3,651,461	3,173,543	3,651,461	8,854,924
Airport	-	-	9,144,705	8,854,924	9,144,705	3,173,543
Golf Course	-	-	1,427,987	1,284,649	1,427,987	1,284,649
<b>Total Expenses</b>	<b>299,302,739</b>	<b>302,480,562</b>	<b>38,082,506</b>	<b>35,792,115</b>	<b>337,385,245</b>	<b>338,272,677</b>
<b>Change in Net Position before transfers</b>	<b>55,146,859</b>	<b>66,999,360</b>	<b>5,093,041</b>	<b>(2,234,459)</b>	<b>60,239,900</b>	<b>64,764,901</b>
Transfers	(3,215,199)	(3,954,253)	3,215,199	3,954,253	-	-
Contributed Capital	-	-	-	-	-	-
Proceeds of Leases & Subscriptions	-	(220,160)	-	-	-	(220,160)
<b>Change in Net Position</b>	<b>51,931,660</b>	<b>63,045,107</b>	<b>8,308,240</b>	<b>1,719,794</b>	<b>60,239,900</b>	<b>64,764,901</b>
<b>Net Position – Beginning of year</b>	<b>453,911,612</b>	<b>390,866,505</b>	<b>211,086,253</b>	<b>212,806,047</b>	<b>666,717,659</b>	<b>601,952,758</b>
<b>Net Position – End of year</b>	<b>\$505,843,272</b>	<b>\$453,911,612</b>	<b>\$212,806,047</b>	<b>\$221,114,287</b>	<b>\$726,957,559</b>	<b>\$666,717,659</b>

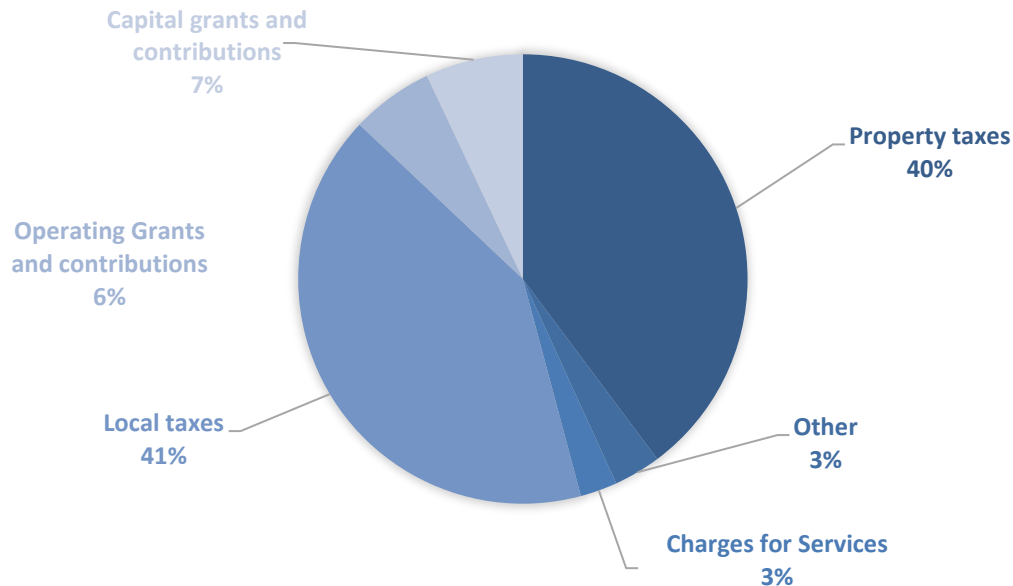
The County's net position increased by \$60.2 million during fiscal year 2023; total net position as of June 30, 2023 was \$727.0 million, representing a 9.04% increase.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

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

Revenues for the County's governmental activities were \$354.4 million for FY2023. Sources of revenue are comprised of the following items:

**REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES**



Taxes represent the County's largest revenue source at \$287.1 million for FY2023, which represents 82% of all County revenues.

- The property tax rate is \$.928 per \$100 of assessed value and generates 40% of County revenue.
- Local taxes, which include income tax, generate 41% of County revenue. The income tax rate for FY2023 was 3.0% through December 2022, and was reduced to 2.95% beginning January 1, 2023.

Operating grants and contributions represent 6% of total revenue and reflects federal and state funding that the county uses to carry out certain initiatives. FY2023 grants provided funding for public safety programs, land preservation, and rent and utility assistance grants for those in the community who were negatively impacted by COVID-19.

Revenue from governmental activities decreased from FY2022 by \$15.3 million.

- Charges for Services remained relatively flat compared to FY2022.
- Operating grants and contributions decreased by \$12.7 million mainly due to the completion of grants received for COVID-19 relief.
- Capital grants and contributions increased by \$13.7 million due to fluctuations in capital spending. It is common for this line item to change from year to year due to varying projects and associated funding sources.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

- Property Taxes increased over the prior year by about \$5.1 million due to an increase in assessed values in both real and personal property.
- Local taxes decreased by \$30.3 million in total. Income tax decreased \$1.9 million or 1.52% compared to FY2022, which includes \$4.5 million less in disparity grant. Other local taxes such as recordation tax and transfer tax decreased from FY2022 revenue by \$7.2 million and \$3.3 million respectively, which is an indication that economic activity is returning to a normal level. APFO fees were \$0.1 million less than FY2022 due to timing of development which can fluctuate from year to year.
- Other revenues increased by \$9.0 million. The increase is mainly due to an increase in interest revenue of \$6.0 million because of the changes in interest rates and the recording of \$4.3 million in in-kind revenue. The in-kind revenue has an offsetting expense in the same amount and has a net zero effect on net position. These increases were offset by loss on the sale of assets of about \$1.1 million, due to the trade in of assets leased prior to GASB87 on leased assets reported per GASB87.

A more detailed discussion of the County's revenue results for FY2023 as compared to what was budgeted can be found in the General Fund Budgetary Analysis section of this MD&A.

The following table presents costs and program revenues for major county programs. The total cost of governmental services for FY2023 was \$295.1 million. Revenues of \$55.3 million that offset these costs include \$9.4 million in charges for services and \$45.9 million in operating and capital grants and contributions. The net amount of \$239.8 million was paid for through county taxpayer dollars.

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

Category	Expenses		Revenues		Net Cost of Services	
	2023	2022	2023	2022	2023	2022
<i>Education</i>	\$121,790,998	\$120,236,520	\$ -	\$ -	\$121,790,998	\$120,236,520
<i>Public Safety</i>	77,372,812	80,736,885	10,733,033	8,757,561	66,639,779	71,979,324
<i>General Government</i>	40,342,674	22,644,496	8,422,232	12,411,453	31,920,442	10,233,043
<i>Highways and Streets</i>	19,467,224	30,048,507	17,941,942	10,723,867	1,525,282	19,324,640
<i>Community Promotion</i>	18,631,787	28,803,412	8,420,444	17,258,653	10,211,343	11,544,759
<i>Parks and Recreation</i>	8,513,824	8,710,969	6,516,977	2,573,066	1,996,847	6,137,903
<i>Other</i>	13,183,418	11,299,773	3,291,349	2,523,318	9,892,069	8,776,455
<b>Total</b>	\$299,302,737	\$302,480,562	\$55,325,977	\$54,247,918	\$243,976,760	\$248,232,644

Expenditures from governmental activities total \$295.1 million, which represents a decrease from FY2022 of \$7.4 million.

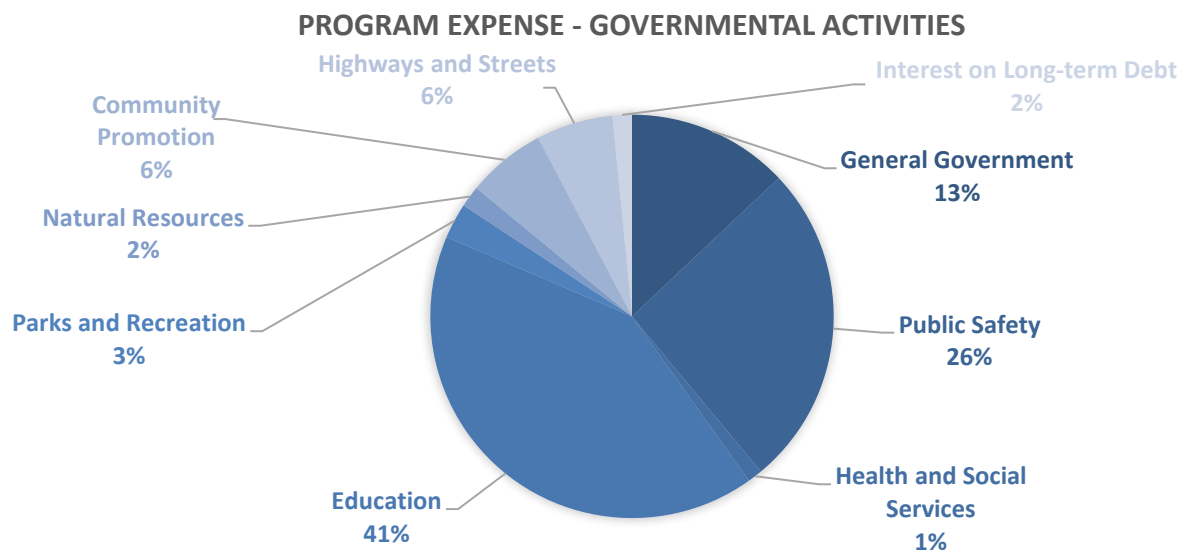
- Education expenditures increased by \$1.5 million as compared to FY2022. The increase is a combination of the increased appropriation to the Board of Education of \$3.2 million, offset by a decrease of \$1.6 million for reclassifying capital expenditures and recording fixed assets in governmental funds.
- Overall, public safety costs decreased by approximately \$3.4 million from FY2022. Operating public safety costs increased approximately \$7.9 million in FY2023 due to a 9.5% mid-year COLA for staff, opening and operation of the Public Safety Training Center, and the rise of inflation. These increases were offset due to a decrease of \$11.3 million in expenses from reclassifying capital expenditures and recording fixed assets in governmental funds.



MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

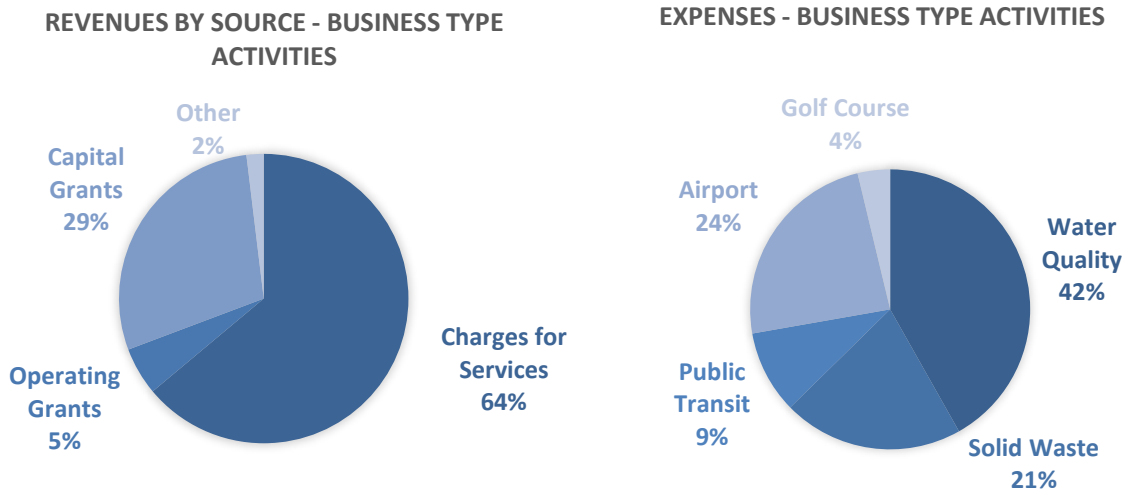
- General Government increased \$17.7 over FY2022. This increase can be attributed to the 9.5% mid-year COLA given to staff, the recording of \$4.3 million in in-kind expense, and rising costs of supplies and services due to high inflation. In addition, adjustments were made for reclassifying capital expenditures and recording fixed assets of approximately \$5.6 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.
- Expenditures for Highways and Streets decreased by \$10.6 million from FY2022. Approximately \$0.4 million of the decrease is related to operating expenses for snow removal due to a mild winter, while the rest is related to reclassifying capital expenditures and recording fixed assets in governmental funds.
- Community promotion decreased by \$10.2 million mainly as a result of the completion of COVID-19 relief grants.
- Parks and recreation decreased \$0.2 million from FY2022. An increased contribution to other agencies of \$1.4 million was offset by the recategorizing of Building, Grounds and Facilities related expenditures as General Government activity.
- Natural resources increased by \$1.1 million, mainly due to an increase in land preservation grants.
- Debt service has remained relatively the same as FY2022 and is based on debt service schedules.
- Transfers out decreases by \$0.7 million mainly due to a one-time transfer of \$0.8 million to the sewer fund for system improvements at the former Fort Ritchie site that was made during FY22 that was not repeated in FY23.

Governmental program expenditures are shown below. The largest expenditure category is education at \$121.8 million, followed by public safety at \$77.4 million.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

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



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

Business type activities experienced an increase in net position of \$8.3 million.

- \$9.1 million increase in net position for Water Quality
- \$2.2 million increase in net position for Solid Waste
- \$5.8 million decrease in net position for Airport
- \$2.8 million increase in net position for non-major proprietary funds.

Revenues increased over FY2022 by \$9.6 million.

- Charges for services increased by \$0.3 million due to an increase in tipping fees of \$0.2 million and an increase in airport user fees of approximately \$0.1 million.
- Operating grants and contributions decreased by approximately \$1.0 million mainly due to a COVID-19 related grant for the airport being completed.
- Capital grants and contributions increased by \$9.7 million. The majority of this increase is related to \$7.8 million in ARPA grant funds being allocated to water and sewer projects. Capital revenues vary significantly from year to year based on capital project schedules.
- Other revenues increased by \$0.5 million because of various items.

Expenditures increased as compared to FY2022 by \$2.3 million.

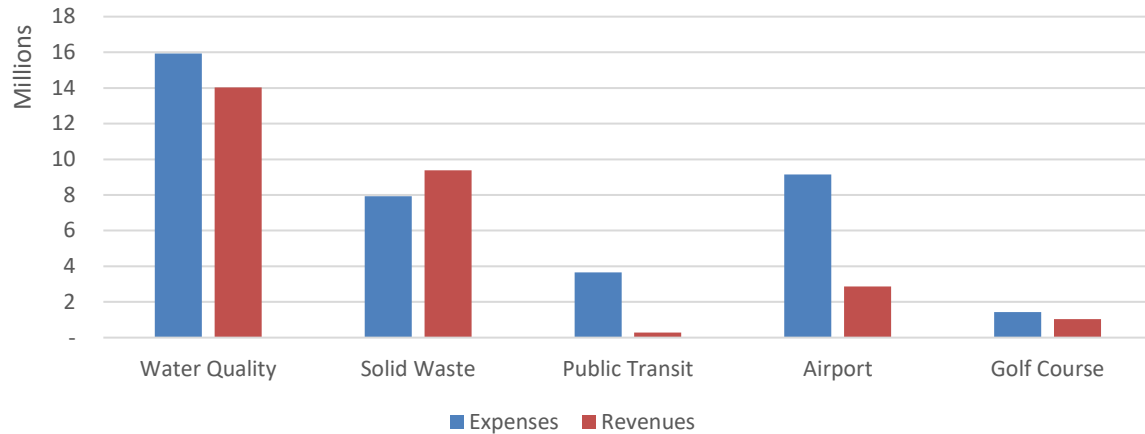
- Overall, business type expenditures increased by \$2.3 million. Solid Waste expenditures increased by \$0.5 million or 7%; Water Quality expenditures increased by \$0.9 million or 6%; Transit increased by \$0.5 million or 15%; Golf Course expenditures increased by \$0.1 million or 11%; and Airport increased by \$0.3 million or 3%. All of these operations were impacted by the mid-year 9.5% COLA for staff.

Transfers in decreased by \$0.7 million mainly related to the one-time capital transfer of \$0.8 million to the sewer fund for system improvements at the former Fort Ritchie site that was done in FY2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

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

Expenses and Program Revenues - Business-type Activities



Financial Analysis on the Government's Fund Financial Statements

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

**Governmental Funds:**

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

As of the end of the current fiscal year, the County's governmental funds reported combined fund balances of \$248.5 million, an increase of \$44.2 million. Approximately \$73.4 million of this amount is committed for the general fund cash reserve and \$175.1 million is restricted or committed for construction projects and designated programs. In the combined governmental activities, the County maintains 11 separate funds. Shown below are fund balances and net changes in fund balance for each.

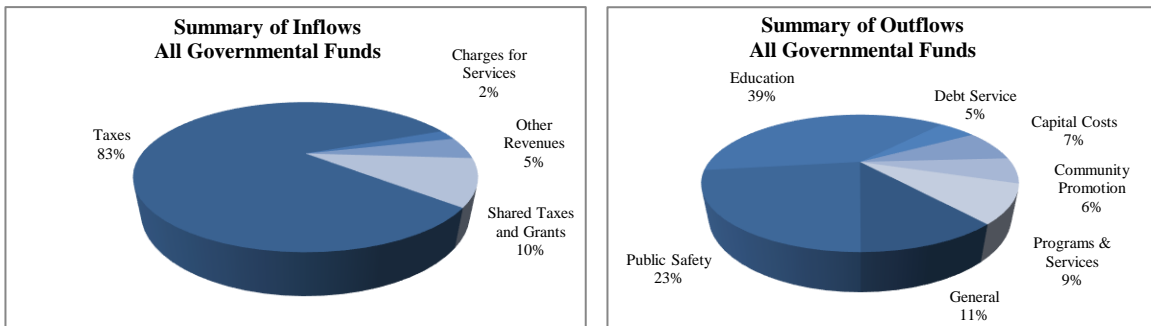


MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

Governmental Activities	Fund Balance			Net Change in Fund Balance		
	2023	2022	% Change	2023	2022	% Change
<b>General Fund</b>	\$79,587,771	\$73,367,702	8.48%	\$6,220,069	\$11,368,618	45.29%
<b>Capital Improvement Fund</b>	162,509,152	124,841,031	30.17%	37,668,121	26,089,109	44.38%
<b>Grants Management</b>	9,460	7,850	20.51%	1,610	-	100.00%
<b>Cascade Town Centre Fund</b>	830,864	950,789	(12.61%)	(119,925)	(904,374)	(86.74%)
<b>Inmate Welfare Fund</b>	464,340	403,961	14.95%	60,379	102,571	(41.13%)
<b>Contraband Fund</b>	50,951	50,951	0.00%	-	20,242	(100.00%)
<b>Agricultural Education Fund</b>	23,144	33,002	(29.87%)	(9,858)	26,348	(137.41%)
<b>Hotel Rental Tax Fund</b>	2,419,251	1,925,852	25.62%	493,399	257,910	91.31%
<b>Gaming Fund</b>	146,537	143,643	2.01%	2,894	19,133	(84.87%)
<b>Land Preservation Fund</b>	2,366,782	2,464,932	(3.98%)	(98,150)	1,551,793	(106.32%)
<b>HEPMPO</b>	44,731	35,208	27.05%	9,523	(2,654)	458.82%
<b>Total</b>	\$248,452,983	\$204,224,921		\$44,228,062	\$38,528,696	

**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, 2023.



- The **General Fund** is the chief operating fund of the County. At the end of the current fiscal year total fund balance reached \$79.6 million. As a measure of the General Fund’s liquidity, it may be useful to compare both committed fund balance and total fund balance to total fund expenditures. The total fund balance represents 29.76% of total General Fund expenditures.

The General Fund fund balance increased by approximately \$6.2 million during the current fiscal year. Higher than anticipated revenues from property tax, income tax, and interest led to a significant transfer to the capital fund at the end of the year of \$20.0 million.

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

- The **Capital Projects Fund** is used to account for major capital acquisition and construction of County operations. At the end of the current fiscal year the Capital Project Fund has a total fund balance of \$162.5 million all of which is restricted or committed for capital related projects. Major funding sources for projects are pay-go-funding, debt proceeds, fees and taxes, and grants. Fund balance increased by \$37.7 million for the current fiscal year. The change in fund balance is the result of timing differences in project funding proceeds and the spending or construction timeline of those projects.



MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

- The County’s *Grant Management, Cascade Town Centre, Inmate Welfare, Contraband, Agricultural Education, Hotel Rental Tax, Gaming, HEPMPO, and Land Preservation Funds* combined have a fund balance of \$6.4 million. These funds represent monies designated for specific programs and services. The net increase in fund balance during the current year was \$0.4 million and was mainly attributed to the Hotel Rental Tax fund.

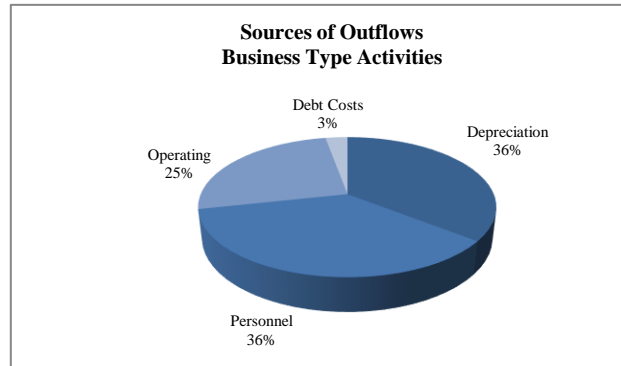
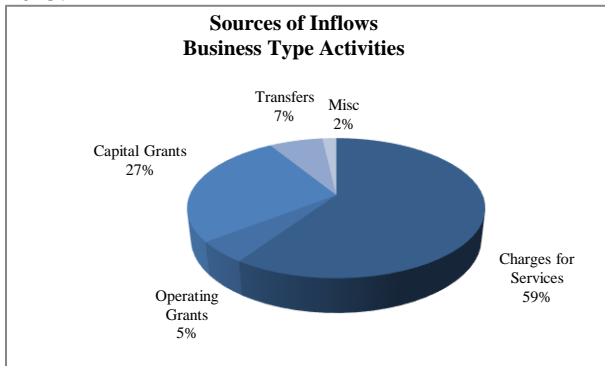
**Proprietary funds:**

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>		
	2023	2022	% Change	2023	2022	% Change
<i>Water Quality</i>	\$154,930,644	\$145,790,454	6.27%	\$9,140,190	\$1,351,490	576.30%
<i>Solid Waste</i>	9,704,525	7,544,045	28.64%	2,160,480	2,293,952	(5.82%)
<i>Airport</i>	45,293,850	51,102,284	(11.37%)	(5,808,434)	(4,099,170)	(41.70%)
<i>Public Transit</i>	7,774,778	5,538,729	40.37%	2,236,049	1,960,862	14.03%
<i>Black Rock</i>	3,410,490	2,830,535	20.49%	579,955	212,660	172.71%
<i>Total</i>	\$221,114,287	\$212,806,047		\$8,308,240	\$1,719,794	

The following reflects the inflows and outflows of the business-type activity funds for the fiscal year ending June 30, 2023.



Water quality’s net position amounted to \$154.9 million in FY2023. Of this amount, \$134.8 million represents the net investment in capital assets, \$14.0 million is restricted for capital projects, and \$6.1 million remains unrestricted. Major changes over FY2022 include additional expenditures of \$0.7 million resulting from increased employee wages and various operational equipment/supplies categories. Revenues remained consistent with the prior year due to no change in FY2023 water and sewer utility rates.

Solid Waste’s net position amounted to \$9.7 million for FY2023. Of this amount, \$6.0 million represents the net investment of capital assets; \$3.3 million is restricted for capital projects; and \$0.4 million remains unrestricted. Major changes over FY2022 include higher tipping fee revenue of \$0.2 million which is attributed to economic activity as





MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

there were only nominal changes made to fees related to mattresses and compost for FY2023. Expenditures were in line with the prior year.

The Airport Fund's FY2023 net position was \$45.3 million. Of this amount, \$63.3 million represents the net investment of capital assets and (\$18.0) million represents unrestricted fund balance. The unrestricted deficit is the result of capital assets constructed by the lessee's through long-term lease agreements. The long-term lease agreements require the recognition of revenue related to the capital assets constructed by the lessee's over the life of the lease agreements and will eliminate the unrestricted deficit over the term of the lease agreement. Major changes from FY2022 include decreased operating grant revenue of \$1.2 million, representing a reduction in COVID-19 relief funding and additional expenditures of \$0.2 million from increased employee wages and increased costs for maintenance and contracted services.

Transit's ending net position is \$7.8 million for FY2023. Of this amount, \$5.8 million represents the net investment of capital assets and \$2.0 million is classified as unrestricted. Operating revenue increased 6% but continues to fall short of trends seen prior to COVID-19. Meanwhile, grants for capital projects increased by \$0.7 million, mainly due to pandemic relief grants.

The Black Rock Golf Course Fund's FY2023 net position was \$3.4 million. Of this amount, \$2.5 million represents the net investment of capital assets and \$0.9 million is classified as unrestricted. Changes from the prior year include operating expenses increasing by \$0.1 million mainly due to low employee vacancies and inflation related operating expenses.

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

**General Fund Budgetary Analysis – Government Fund Financial Statement Basis**

**Washington County, Maryland  
General Fund Budgetary Analysis  
As of June 30, 2023  
(Government Fund Basis)**

Category	Budgetary Amounts		Actual	Difference	
	Original	Final		Org. Budget vs. Final Budget	Final Budget vs. Actual
<b>Revenues:</b>					
Property Tax	\$ 134,863,130	\$ 134,863,130	\$ 141,063,795	\$ -	\$ 6,200,665
Local Tax	116,792,510	116,882,510	131,749,463	90,000	14,866,953
Other Revenue	13,642,610	38,864,604	29,649,772	25,221,994	(9,214,832)
<b>Total Revenues</b>	<b>265,298,250</b>	<b>290,610,244</b>	<b>302,463,030</b>	<b>25,311,994</b>	<b>11,852,786</b>
<b>Expenses:</b>					
General Government	35,495,760	50,051,516	40,815,835	14,555,756	9,235,681
Public Safety	65,194,260	71,454,563	69,090,085	6,260,303	2,364,478
Health and Social Services	2,845,600	3,534,144	3,534,144	688,544	-
Education	119,105,650	119,105,650	119,105,650	-	-
Parks, Recreation, Natural Resources	6,077,240	7,559,398	7,515,541	1,482,158	43,857
Highways and Streets	11,769,470	11,784,860	10,168,723	15,390	1,616,137
General Operations	546,720	1,761,031	2,645,480	1,214,311	(884,449)
Unallocated Costs	870,370	870,370	(1,079,059)	-	1,949,429



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

<b><i>Intergovernmental</i></b>	8,113,190	9,208,722	28,890,615	1,095,532	(19,681,893)
<b><i>Billables</i></b>	-	-	345,145	-	(345,145)
<b><i>Debt Service</i></b>	15,279,990	15,279,990	15,210,802	-	69,188
<b><i>Total Expenses</i></b>	265,298,250	290,610,244	296,242,961	25,311,994	(5,632,717)
<b><i>Other Financing Sources (Uses)</i></b>	-	-	-	-	-
<b><i>Net Increase in Assets - 06/30/23</i></b>	\$ -	\$ -	\$6,220,069	\$ -	\$(6,220,069)

**Original Budget vs. Final Budget:**

The net budgetary change of \$25.3 million was the result of a few factors. The majority of the change is from grant transactions, representing \$14.5 million. The remaining changes are from the projected use of fund balance for the additional grants to non-profits of \$3.0 million, mid-year 9.5% COLA for employees of \$2.3 million, and interfund loan to Solid Waste for \$1.0 million, and the adjustment made to record in-kind contributions of \$4.3 million.

**Final Budget vs. Actual Results:**

Final budget to actual results include additional revenues of \$11.8 million or 4.1%.

**Revenue Highlights**

Property Tax - Property tax revenue exceeded budget by \$6.2 million or 4.6%. The majority of the overage is related to personal property tax which was higher than State estimates due to new businesses and an increase in inventories.

Local tax was over budget by \$14.9 million or 12.7%, primarily due to higher than budgeted income tax of \$11.7 million, or 17.7%, due to steady withholding and estimated payment growth that did not slow down as projected. The County income tax rate decreased from 3.0% to 2.95% effective January 1, 2023. Recordation tax exceeded budget by \$2.9 million. This variance represents an increase in the number and value of real property transfers in the County and several large commercial transactions. Admission and Amusement Tax exceeded budget by \$0.3 million, indicating continuing recovery from the pandemic.

Other Revenue came in under budget by approximately \$9.2 million or 23.7%. This budget to actual variance is related to grants and shared revenues. Grant periods can span County fiscal years leaving budgeted funds unexpended. Interest income exceeded budget by \$5.7 million due to the rise in interest rates throughout the fiscal year. Interest and other minor revenues that were over budget offset the budgeted use of fund balance.

**Expenditure Highlights**

Final budget to actual results include expenditures in excess of budget by \$5.6 million or 1.9%.

The largest deviation from final budget is the result of an additional transfer from the General fund to the Capital Projects fund in the amount of \$20 million, which is shown within the category of intergovernmental expenses. Use of this funding will be determined at a later date but will most likely be used for capital projects or other one-time costs.

The County is self-insured for both health insurance and workers compensation, therefore, variances exist at the end of the fiscal year based on actual experience. For FY2023, health insurance costs were under budget by approximately \$2.6 million, while workers compensation was over budget approximately \$0.1 million.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

Grant related expenditures were under budget by approximately \$9.7 million. As is seen in revenue, this is due to grant periods spanning fiscal years, leaving budgeted amounts unspent.

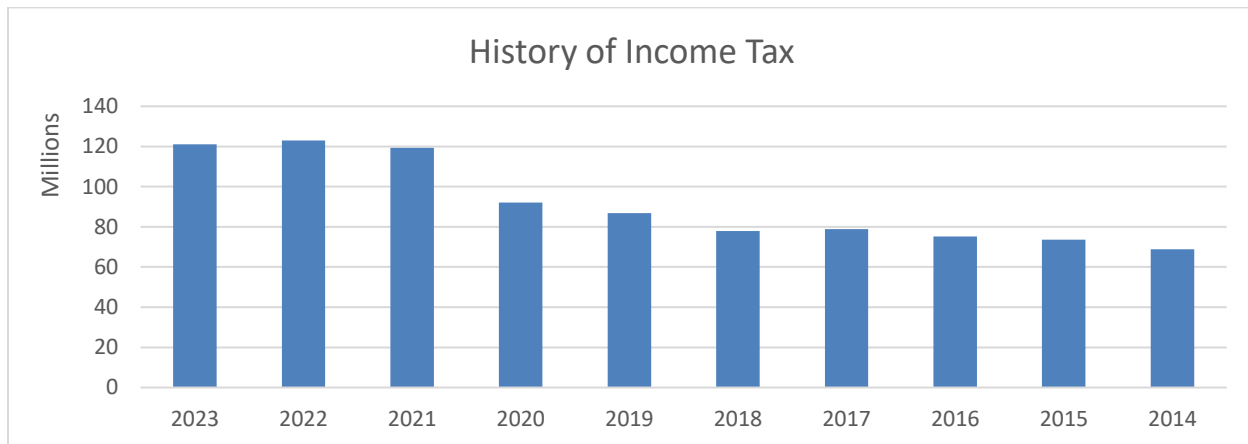
Highway expenditures were \$1.6 million under budget due to less spending on snow removal because of milder conditions and a shift towards more brine pretreatment.

Billable expenditures were over budget by \$0.3 million.

**Additional Information:**

Income Tax

A comparison of actual income tax to the original budget shows a variance of \$23.6 million. The FY2023 budget was based on early estimates for FY2022 actuals, adjusted for conservative wage growth, and reduced by the estimated impact of the rate reduction from 3.0% to 2.95% effective January 1, 2023. The budget variance is understandable since the FY2022 final revenue exceeded early estimates.

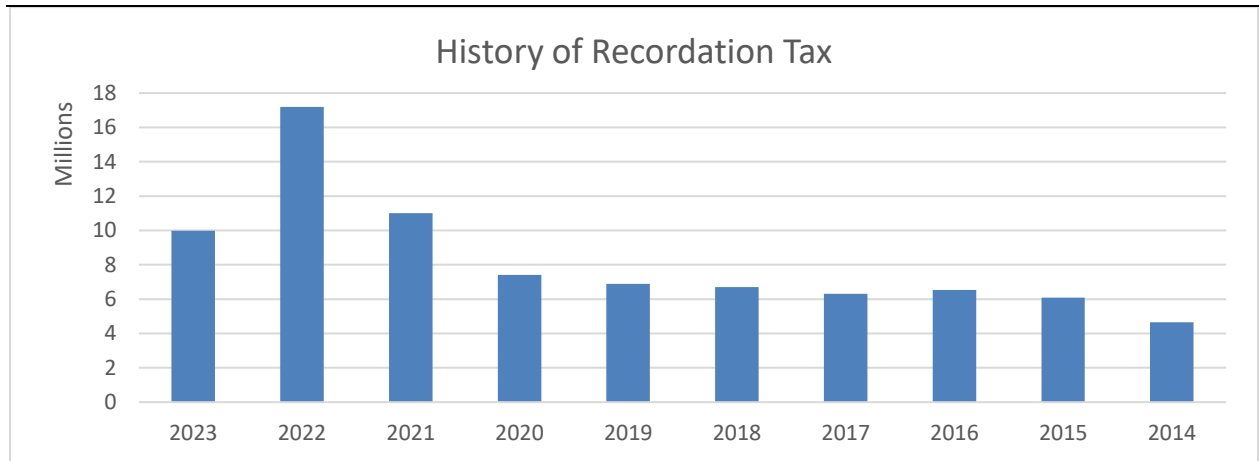


Recordation tax

Recordation Tax is applied to any instrument that transfers an interest in real property or that creates a security interest in real or personal property. The recordation tax rate for Washington County is \$3.80 for every \$500 or fraction of \$500 of consideration. Washington County generally receives between \$6 and \$7 million in recordation tax annually, but it can fluctuate as it is based on economic activity, the number of transfers, and the size of those transfers. The County anticipates future years' recordation revenue to steadily decline back to FY2019 and FY2020 levels.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023



**Capital Asset Administration – Government Wide Statements**

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounts to \$686.2 million (net of depreciation and amortization). This investment in capital assets includes land, buildings, bridges, roads, equipment, and operational facilities.

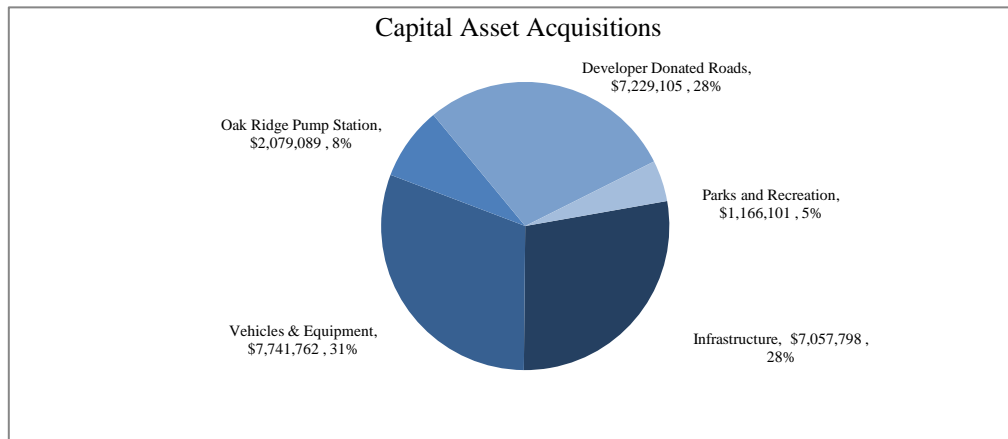
**Washington County, Maryland  
Net Capital Assets  
(Government Fund Basis)**

Description	Governmental Activities		Business-type Activities		Total		% Change
	2023	2022	2023	2022	2023	2022	
<i>Land and Land Improvements</i>	\$118,341,066	\$116,106,292	\$33,678,794	\$40,085,289	\$152,019,860	\$156,191,581	(2.7%)
<i>Building and Improvements Facilities, Lines, and Mains</i>	71,212,605	72,782,467	42,811,161	43,875,003	114,023,766	116,657,470	(2.3%)
<i>Vehicles</i>	6,654,715	5,847,648	4,959,235	2,665,448	11,613,950	8,513,096	36.4%
<i>Infrastructure</i>	241,180,196	242,681,218	-	-	241,180,196	242,681,218	(0.6%)
<i>Machinery and Equipment</i>	3,502,769	3,957,500	2,614,098	2,206,511	6,116,867	6,164,011	(0.8%)
<i>Office/Computer Equipment</i>	2,151,628	2,503,809	231,583	291,363	2,383,211	2,795,172	(14.7%)
<i>Treatment Plants</i>	-	-	65,005,425	66,953,191	65,005,425	66,953,191	(2.9%)
<i>Right to Use – Land</i>	234,289	-	-	-	234,289	-	100.0%
<i>Right to Use – Veh. &amp; Eqpt.</i>	1,671,182	458,052	2,205,684	1,951,742	3,876,866	2,409,794	60.9%
<i>Right to Use – Software</i>	2,424,348	-	39,912	-	2,464,260	-	100.0%
<b>Total</b>	<b>\$447,372,798</b>	<b>\$444,336,986</b>	<b>\$238,817,364</b>	<b>\$243,114,341</b>	<b>\$686,190,162</b>	<b>\$687,451,327</b>	<b>(0.2%)</b>



MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

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 55-58 of this report.

**Debt Administration**

At the end of the current fiscal year, the County had total outstanding debt, excluding capital leases, of \$196.7 million. This amount was comprised of debt backed by the full faith and credit of the County and user fees. The debt balance decreased by a net of \$0.6 million, the result of net principal payments of \$14.5 million and new borrowings of \$13.9 million. Funds borrowed were used mainly for infrastructure and education projects.

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

Instrument Type	Governmental Activity		Business-type Activity		Total Outstanding Debt		% Change
	2023	2022	2023	2022	2023	2022	
<b>General Obligation Bonds</b>	\$149,514,128	\$148,755,486	\$42,411,687	\$41,977,645	\$191,925,815	\$190,733,131	0.63%
<b>Maryland Water Quality Bonds</b>	1,132,353	1,685,670	3,600,662	5,177,028	4,733,015	6,862,697	(31.03%)
<b>Total</b>	\$150,646,481	\$150,441,156	\$46,012,349	\$47,154,673	\$196,658,830	\$197,595,828	(0.47%)

The County’s credit ratings for fiscal year 2023 are as follows: 1) Standard and Poor’s rated AA+, 2) Fitch rated AA+, and 3) Moody’s Investors Service rated Aa1.

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

Additional Information on the County’s long-term debt can be found in note 8 on pages 61-73 of this report.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

Economic and Other Factors

- ❑ Washington County's economy continues to show signs of mixed economic performance for FY2023. The average price of a home sold increased by 4.3% in FY2023 to \$307,620. The number of units sold decreased in FY2023 by 27.2% from 2,351 to 1,712. Active inventory on the market remains consistently low since FY2021, bringing a premium to sellers in the market.
- ❑ The commercial property tax base continues to show strong growth as numerous 1-3 million square foot warehouses are in various stages of completion along the Interstate 81 and Interstate 70 corridors. Millions in investment will ultimately increase real estate and income taxes in the County. A portion of this development is offset initially with real estate tax credits.
- ❑ Unemployment trends continue to show improvement. Washington County's unemployment rate for the last three years is as follows:
  - June 2021 6.6%
  - June 2022 4.8%
  - June 2023 1.8%
- ❑ The Board of County Commissioners voted to reduce the income tax rate from 3.0% to 2.95% effective January 1, 2023. The County has experienced the loss of revenue associated from the difference in the tax rate for six months of the year for FY2023. In FY2024, the County will experience the loss of revenue from the difference in the tax rate for the full year as well as a decrease in the disparity grant of about \$6 million. The full year reduction is estimated at \$7.6 million in revenue but could fluctuate based on varying circumstances related to taxpayers.
- ❑ Water and Sewer rates were not increased for FY2023, however an increase of 3.5% was approved for FY2024. Increases are based on financial information formulated annually from the County's cost of service model. The Sewer fund utilizes cash reserves in FY2024 to balance the budget but is expected to reach a self-supported status by FY2025 with projected annual rate increases of 3.5%. The Water Fund will not reach a self-supported status without a significant increase in customer base or reduction in expenditures. The General fund currently subsidizes the Water fund.

Requests for Information

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Statement of Net Position As of June 30, 2023

	Primary Government			Component Unit	
	Governmental activities	Business-type activities	Total	Board of Education	Total
<b>ASSETS</b>					
Cash and short-term investments	\$ 45,082,439	\$ 60,592,340	\$ 105,674,779	\$ 20,837,569	\$ 126,512,348
Investments	194,003,216	-	194,003,216	53,623,689	247,626,905
Property taxes receivable, net of allowance	1,632,512	-	1,632,512	-	1,632,512
Accounts receivable, net of allowance	5,605,819	2,154,998	7,760,817	414,964	8,175,781
Lease receivable	1,145,407	13,718,816	14,864,223	-	14,864,223
Interest receivable	669,445	29,218	698,663	-	698,663
Unbilled receivables	546,862	2,527,553	3,074,415	-	3,074,415
Internal balances	1,492,619	(1,492,619)	-	-	-
Due from other governmental agencies	78,231,509	830,367	79,061,876	21,313,362	100,375,238
Inventories	1,177,632	409,036	1,586,668	1,146,934	2,733,602
Prepaid expenses	246,636	19,694	266,330	1,763,045	2,029,375
Net OPEB asset	8,725,184	-	8,725,184	-	8,725,184
Recoverable disbursements	102,294	-	102,294	-	102,294
Notes receivable	140,114	-	140,114	-	140,114
Projects under construction	15,331,635	6,555,598	21,887,233	14,213,602	36,100,835
Property, plant, and equipment, net	447,372,798	238,817,364	686,190,162	234,609,471	920,799,633
<b>TOTAL ASSETS</b>	<b>801,506,121</b>	<b>324,162,365</b>	<b>1,125,668,486</b>	<b>347,922,636</b>	<b>1,473,591,122</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Loss on refunding	938,769	302,211	1,240,980	-	1,240,980
Net pension activity	8,169,505	-	8,169,505	5,927,658	14,097,163
Net OPEB activity	651,657	-	651,657	107,756,485	108,408,142
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>9,759,931</b>	<b>302,211</b>	<b>10,062,142</b>	<b>113,684,143</b>	<b>123,746,285</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Current maturities of long-term obligations	11,109,835	2,853,256	13,963,091	-	13,963,091
Current maturities of leases	422,195	537,012	959,207	1,287,903	2,247,110
Current maturities of subscriptions	670,213	9,517	679,730	-	679,730
Current maturities of installment purchase contracts	181,779	-	181,779	-	181,779
Accounts payable	11,787,073	2,034,090	13,821,163	11,802,505	25,623,668
Accrued expenses	1,672,139	280,194	1,952,333	26,150,343	28,102,676
Accrued interest	2,283,055	667,519	2,950,574	-	2,950,574
Reserves	3,316,523	-	3,316,523	-	3,316,523
Unearned revenue	7,563,770	21,141,085	28,704,855	3,993,863	32,698,718
Compensated absences	3,688,719	570,977	4,259,696	444,345	4,704,041
Landfill closure and post-closure costs	-	187,280	187,280	-	187,280
Other liabilities	3,802,587	245,557	4,048,144	60,316	4,108,460
Total current liabilities	46,497,888	28,526,487	75,024,375	43,739,275	118,763,650
Noncurrent Liabilities:					
Compensated absences	1,229,573	259,591	1,489,164	6,585,740	8,074,904
Post retirement benefits	-	-	-	180,246,873	180,246,873
Long-term debt obligations	139,536,645	43,159,091	182,695,736	102,274	182,798,010
Leases	1,307,803	901,067	2,208,870	2,780,917	4,989,787
Subscriptions	1,129,119	29,923	1,159,042	-	1,159,042
Installment purchase contracts	396,657	-	396,657	-	396,657
Landfill closure and post-closure costs	-	17,019,769	17,019,769	-	17,019,769
Net pension liabilities	104,409,551	-	104,409,551	19,773,792	124,183,343
Total noncurrent liabilities	248,009,348	61,369,441	309,378,789	209,489,596	518,868,385
<b>TOTAL LIABILITIES</b>	<b>294,507,236</b>	<b>89,895,928</b>	<b>384,403,164</b>	<b>253,228,871</b>	<b>637,632,035</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Net pension activity	1,794,040	-	1,794,040	1,916,914	3,710,954
Net OPEB activity	8,018,761	-	8,018,761	139,733,023	147,751,784
Leases	1,102,743	13,454,361	14,557,104	-	14,557,104
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>10,915,544</b>	<b>13,454,361</b>	<b>24,369,905</b>	<b>141,649,937</b>	<b>166,019,842</b>
<b>NET POSITION</b>					
Net investment in capital assets	373,234,604	212,330,432	585,565,036	244,591,663	830,156,699
Restricted for:					
John Howard Trust	255,775	-	255,775	-	255,775
Capital projects	59,852,479	17,348,220	77,200,699	-	77,200,699
Scholarships & Student Activities	-	-	-	3,851,989	3,851,989
Unrestricted	72,500,414	(8,564,365)	63,936,049	(181,715,681)	(117,779,632)
<b>TOTAL NET POSITION</b>	<b>\$ 505,843,272</b>	<b>\$ 221,114,287</b>	<b>\$ 726,957,559</b>	<b>\$ 66,272,971</b>	<b>\$ 793,685,530</b>

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, 2023**

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 40,342,676	\$ 6,503,696	\$ 698,652	\$ 1,219,884
Public safety	77,372,812	2,591,907	6,439,126	1,702,000
Health	3,027,814	-	-	-
Social services	506,330	-	-	-
Education	121,790,998	-	-	-
Parks, recreation and culture	8,513,824	323,292	-	6,193,685
Natural resources	5,039,490	-	3,291,349	-
Community promotion	18,631,787	-	8,420,444	-
Highways and streets	19,467,224	-	2,151,524	15,790,418
Interest on long-term debt	4,609,784	-	-	-
Total governmental activities	<u>299,302,739</u>	<u>9,418,895</u>	<u>21,001,095</u>	<u>24,905,987</u>
Business-type activities				
Water quality	15,926,074	14,031,571	248,755	9,426,460
Solid waste	7,932,279	9,383,006	-	-
Airport	9,144,705	2,860,872	161,475	278,852
Public transit	3,651,461	280,227	1,899,625	2,578,851
Black Rock golf course	1,427,987	1,040,933	-	157,526
Total business-type activities	<u>38,082,506</u>	<u>27,596,609</u>	<u>2,309,855</u>	<u>12,441,689</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 337,385,245</u>	<u>\$ 37,015,504</u>	<u>\$ 23,310,950</u>	<u>\$ 37,347,676</u>
Component unit:				
Board of Education	<u>\$ 418,539,657</u>	<u>\$ 15,766,153</u>	<u>\$ 114,392,939</u>	<u>\$ 1,453,285</u>

General revenue:

Taxes

  Property taxes

  Local taxes

Income on investments

Reimbursed expenses

Miscellaneous

Unrestricted grants and contributions

Gain (loss) on disposal of capital assets

Transfers

**TOTAL GENERAL REVENUE**

**CHANGE IN NET POSITION**

NET POSITION - BEGINNING OF YEAR

NET POSITION - END OF YEAR

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



# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Statement of Activities For the Year Ended June 30, 2023

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-Type Activities	Total	Board of Education	Total
\$ (31,920,444)	\$ -	\$ (31,920,444)	\$ -	\$ (31,920,444)
(66,639,779)	-	(66,639,779)	-	(66,639,779)
(3,027,814)	-	(3,027,814)	-	(3,027,814)
(506,330)	-	(506,330)	-	(506,330)
(121,790,998)	-	(121,790,998)	-	(121,790,998)
(1,996,847)	-	(1,996,847)	-	(1,996,847)
(1,748,141)	-	(1,748,141)	-	(1,748,141)
(10,211,343)	-	(10,211,343)	-	(10,211,343)
(1,525,282)	-	(1,525,282)	-	(1,525,282)
(4,609,784)	-	(4,609,784)	-	(4,609,784)
<u>(243,976,762)</u>	<u>-</u>	<u>(243,976,762)</u>	<u>-</u>	<u>(243,976,762)</u>
-	7,780,712	7,780,712	-	7,780,712
-	1,450,727	1,450,727	-	1,450,727
-	(5,843,506)	(5,843,506)	-	(5,843,506)
-	1,107,242	1,107,242	-	1,107,242
-	(229,528)	(229,528)	-	(229,528)
-	<u>4,265,647</u>	<u>4,265,647</u>	-	<u>4,265,647</u>
<u>(243,976,762)</u>	<u>4,265,647</u>	<u>(239,711,115)</u>	<u>-</u>	<u>(239,711,115)</u>
-	-	-	(286,927,280)	(286,927,280)
141,039,560	-	141,039,560	-	141,039,560
146,073,778	-	146,073,778	-	146,073,778
6,326,663	557,624	6,884,287	1,124,265	8,008,552
1,590,411	-	1,590,411	-	1,590,411
5,205,060	284,525	5,489,585	1,732,873	7,222,458
-	-	-	294,438,740	294,438,740
(1,111,852)	(14,755)	(1,126,607)	144,930	(981,677)
(3,215,199)	3,215,199	-	-	-
<u>295,908,421</u>	<u>4,042,593</u>	<u>299,951,014</u>	<u>297,440,808</u>	<u>597,391,822</u>
51,931,660	8,308,240	60,239,900	10,513,528	70,753,428
453,911,612	212,806,047	666,717,659	56,214,443	722,932,102
<u>\$ 505,843,272</u>	<u>\$ 221,114,287</u>	<u>\$ 726,957,559</u>	<u>\$ 66,727,971</u>	<u>\$ 793,685,530</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, 2023

	General Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 3,920,995	\$ 31,550,281	\$ 9,611,163	\$ 45,082,439
Investments	194,003,216	-	-	194,003,216
Property taxes receivable, net of allowance	1,632,512	-	-	1,632,512
Accounts receivable, net of allowance	1,846,702	3,371,974	387,143	5,605,819
Leases receivable	1,031,094	-	114,313	1,145,407
Interest receivable	669,277	-	168	669,445
Unbilled receivables	546,862	-	-	546,862
Due from other government agencies	67,344,648	10,422,602	464,259	78,231,509
Due from other funds	845,976	119,417,085	-	120,263,061
Recoverable disbursements	102,294	-	-	102,294
Notes receivable	140,114	-	-	140,114
Prepaid expense	246,636	-	-	246,636
Inventories	1,177,632	-	-	1,177,632
<b>TOTAL ASSETS</b>	<b>\$ 273,507,958</b>	<b>\$ 164,761,942</b>	<b>\$ 10,577,046</b>	<b>\$ 448,846,946</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 6,733,831	\$ 2,252,696	\$ 2,800,546	\$ 11,787,073
Accrued expenses	1,658,923	94	13,122	1,672,139
Due to other funds	118,598,484	-	171,958	118,770,442
Liabilities for unpaid claims	3,316,523	-	-	3,316,523
Unearned revenue	7,528,274	-	35,496	7,563,770
Other liabilities	2,711,916	-	1,090,671	3,802,587
<b>TOTAL LIABILITIES</b>	<b>140,547,951</b>	<b>2,252,790</b>	<b>4,111,793</b>	<b>146,912,534</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues	52,378,686	-	-	52,378,686
Leases	993,550	-	109,193	1,102,743
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>53,372,236</b>	<b>-</b>	<b>109,193</b>	<b>53,481,429</b>
<b>FUND BALANCES</b>				
Nonspendable	1,484,383	-	-	1,484,383
Restricted	685,509	59,852,479	1,327,438	61,865,426
Committed	69,520,849	102,656,673	2,334,548	174,512,070
Assigned	61,640	-	2,694,074	2,755,714
Unassigned	7,835,390	-	-	7,835,390
<b>TOTAL FUND BALANCES</b>	<b>79,587,771</b>	<b>162,509,152</b>	<b>6,356,060</b>	<b>248,452,983</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 273,507,958</b>	<b>\$ 164,761,942</b>	<b>\$ 10,577,046</b>	<b>\$ 448,846,946</b>

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, 2023

Fund balance governmental funds	\$	248,452,983
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Capital assets, net		447,372,798
Projects under construction		15,331,635
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds:		
Net other post-employment benefits asset		8,725,184
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:		
Unavailable revenues		52,378,686
Net deferred outflow of resources, including loss on refunding, net deferred pension activity and net deferred OPEB activity are not financial resources and therefore are not reported in the funds:		
		(52,870)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Long-term obligations		(150,646,480)
Installment purchase obligations		(578,436)
Leases		(1,729,998)
Subscriptions		(1,799,332)
Accrued interest payable - net of IRS subsidy		(2,283,055)
Compensated absences and net pension liabilities		(109,327,843)
Net position of governmental activities	\$	<u>505,843,272</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, 2023

	General Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
<b>REVENUE</b>				
General property tax	\$ 141,063,795	\$ -	\$ -	\$ 141,063,795
Other local tax	131,749,463	8,765,169	3,201,408	143,716,040
Licenses and permits	1,598,851	-	2,740,613	4,339,464
Court costs and fines	1,235,236	-	-	1,235,236
Charges for services	1,566,830	-	579,551	2,146,381
Reimbursed expenses	1,203,458	-	2,338	1,205,796
Interest income	6,324,575	-	-	6,324,575
Miscellaneous revenues	733,272	1,332,606	193,678	2,259,556
Grants and shared revenues	10,119,529	14,003,107	10,410,005	34,532,641
In Kind	4,280,080	-	-	4,280,080
Highway	2,587,941	-	-	2,587,941
<b>Total Revenue</b>	<b>302,463,030</b>	<b>24,100,882</b>	<b>17,127,593</b>	<b>343,691,505</b>
<b>EXPENDITURES</b>				
Current:				
General government	33,206,830	-	875,588	34,082,418
Public safety	69,090,085	-	1,880,769	70,970,854
Health	3,027,814	-	-	3,027,814
Social services	506,330	-	-	506,330
Education	119,105,650	-	-	119,105,650
Parks, recreation and culture	6,502,569	-	280,059	6,782,628
Natural resources	1,012,972	-	4,013,263	5,026,235
Intergovernmental	38,543	-	-	38,543
General operations	1,566,421	-	-	1,566,421
Community promotion	7,954,150	-	10,669,158	18,623,308
Highways and streets	10,168,723	-	-	10,168,723
Debt service	15,210,802	-	-	15,210,802
Capital outlay:				
General government	2,069,131	3,505,140	-	5,574,271
Public safety	666,071	4,463,371	-	5,129,442
Highways and streets	1,330,745	11,218,567	-	12,549,312
Education	-	2,685,348	-	2,685,348
Parks and recreation	120,988	1,266,882	-	1,387,870
<b>Total Expenditures</b>	<b>271,577,824</b>	<b>23,139,308</b>	<b>17,718,837</b>	<b>312,435,969</b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b>30,885,206</b>	<b>961,574</b>	<b>(591,244)</b>	<b>31,255,536</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	36,076	25,799,656	977,199	26,812,931
Transfers out	(28,888,148)	(1,093,899)	(46,083)	(30,028,130)
Proceeds of Leases	1,737,658	-	-	1,737,658
Proceeds of Subscriptions	2,449,277	-	-	2,449,277
Proceeds of bond sale	-	12,000,790	-	12,000,790
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(24,665,137)</b>	<b>36,706,547</b>	<b>931,116</b>	<b>12,972,526</b>
<b>NET CHANGES IN FUND BALANCE</b>	<b>6,220,069</b>	<b>37,668,121</b>	<b>339,872</b>	<b>44,228,062</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>73,367,702</b>	<b>124,841,031</b>	<b>6,016,188</b>	<b>204,224,921</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 79,587,771</b>	<b>\$ 162,509,152</b>	<b>\$ 6,356,060</b>	<b>\$ 248,452,983</b>

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, 2023

Net changes in fund balances in governmental funds \$ 44,228,062

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

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

Capital outlay capitalized	\$ 26,602,267	
Depreciation	<u>(17,048,828)</u>	9,553,439

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. (1,145,683)

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

Debt, lease and subscription proceeds	\$ (16,187,726)	
Payments of installment purchase principal	181,779	
Payments of lease principal	467,363	
Payment of subscription principal	649,945	
Payments of debt principal	<u>11,795,466</u>	(3,093,173)

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 financial resources used exceeded benefits earned. 55,512

Revenues and expenditures are reported in the statement of activities on the accrual basis and in the governmental funds when they provide or use current financial resources. This is the net difference of revenues and expenditures recognized between the governmental funds and statement of activities. 2,333,503

Change in Net Position of Governmental Activities	\$	<u><u>51,931,660</u></u>
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The accompanying notes are an integral part of this financial statement.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Statement of Net Position - Proprietary Funds As of June 30, 2023

	Business Type Activities - Enterprise Funds				Total
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	
<b>ASSETS</b>					
Current Assets:					
Cash	\$ 32,957,847	\$ 22,390,491	\$ 2,982,455	\$ 2,261,547	\$ 60,592,340
Accounts receivable	1,776,985	265,393	65,113	47,507	2,154,998
Leases receivable	13,637,159	-	81,657	-	13,718,816
Interest receivables	28,903	-	315	-	29,218
Unbilled accounts receivables	1,915,844	600,794	10,915	-	2,527,553
Due from other governmental agencies	-	-	38,093	792,274	830,367
Notes receivable	-	-	-	-	-
Inventories	72,562	15,727	105,930	214,817	409,036
Other Current Assets	-	8,769	-	10,925	19,694
	<u>50,389,300</u>	<u>23,281,174</u>	<u>3,284,478</u>	<u>3,327,070</u>	<u>80,282,022</u>
Noncurrent Assets:					
Projects under construction	3,264,139	285,812	3,005,647	-	6,555,598
Property, plant and equipment	240,450,221	69,172,320	169,306,779	16,131,291	495,060,611
Accumulated depreciation	(85,324,969)	(56,341,572)	(108,935,730)	(7,886,572)	(258,488,843)
Right to use leases	168,894	2,517,746	2,999	156,868	2,846,507
Accumulated amortization - leases	(34,740)	(475,341)	(2,754)	(127,988)	(640,823)
Right to use subscriptions	49,890	-	-	-	49,890
Accumulated amortization - subscriptions	(9,978)	-	-	-	(9,978)
Total noncurrent assets	<u>158,563,457</u>	<u>15,158,965</u>	<u>63,376,941</u>	<u>8,273,599</u>	<u>245,372,962</u>
<b>TOTAL ASSETS</b>	<u>208,952,757</u>	<u>38,440,139</u>	<u>66,661,419</u>	<u>11,600,669</u>	<u>325,654,984</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Loss on refundings	188,425	113,336	450	-	302,211
<b>LIABILITIES</b>					
Current Liabilities:					
Current debt	1,904,547	892,709	56,000	-	2,853,256
Current lease obligations	32,891	465,232	232	38,657	537,012
Current subscriptions obligations	9,517	-	-	-	9,517
Accounts payable	1,194,887	433,737	298,353	107,113	2,034,090
Accrued expenses	159,045	37,559	21,913	61,677	280,194
Accrued interest	519,750	146,530	1,120	119	667,519
Due to other funds	646,643	61,274	-	-	707,917
Unearned revenue	71,857	423,067	20,646,161	-	21,141,085
Compensated absences	364,702	90,804	-	115,471	570,977
Landfill closure costs	-	187,280	-	-	187,280
Other liabilities	9,900	-	183,133	52,524	245,557
Total current liabilities	<u>4,913,739</u>	<u>2,738,192</u>	<u>21,206,912</u>	<u>375,561</u>	<u>29,234,404</u>
Noncurrent Liabilities:					
Compensated absences	121,567	30,268	69,265	38,491	259,591
Due to other funds	-	784,702	-	-	784,702
Debt and long term debt	35,697,569	7,460,368	1,154	-	43,159,091
Lease obligations	84,067	815,651	-	1,349	901,067
Subscription obligations	29,923	-	-	-	29,923
Landfill closure costs	-	17,019,769	-	-	17,019,769
Total noncurrent liabilities	<u>35,933,126</u>	<u>26,110,758</u>	<u>70,419</u>	<u>39,840</u>	<u>62,154,143</u>
<b>TOTAL LIABILITIES</b>	<u>40,846,865</u>	<u>28,848,950</u>	<u>21,277,331</u>	<u>415,401</u>	<u>91,388,547</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Leases	13,363,673	-	90,688	-	13,454,361
<b>NET POSITION</b>					
Net investment in capital assets	134,826,067	5,951,217	63,319,555	8,233,593	212,330,432
Restricted - capital projects	14,021,124	3,327,096	-	-	17,348,220
Unrestricted	6,083,453	426,212	(18,025,705)	2,951,675	(8,564,365)
<b>TOTAL NET POSITION</b>	<u>\$ 154,930,644</u>	<u>\$ 9,704,525</u>	<u>\$ 45,293,850</u>	<u>\$ 11,185,268</u>	<u>\$ 221,114,287</u>

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, 2023

	Business Type Activities - Enterprise Funds				Total
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	
<b>OPERATING REVENUE</b>					
Charges for services	\$ 14,031,571	\$ 9,383,006	\$ 2,860,872	\$ 1,321,160	\$ 27,596,609
Miscellaneous	12,606	178,854	59,500	33,565	284,525
<b>TOTAL OPERATING REVENUE</b>	<u>14,044,177</u>	<u>9,561,860</u>	<u>2,920,372</u>	<u>1,354,725</u>	<u>27,881,134</u>
<b>OPERATING EXPENSES</b>					
Salaries and wages	4,303,687	1,615,497	809,581	2,188,513	8,917,278
Fringe benefits	2,622,271	907,751	387,258	888,089	4,805,369
Utilities	1,261,002	44,971	205,440	75,414	1,586,827
Insurance	163,095	35,744	69,192	43,781	311,812
Repairs and maintenance	512,845	-	145,392	303,413	961,650
Supplies	255,878	171,700	15,585	70,540	513,703
Cost of goods sold	-	-	17,220	111,316	128,536
Contracted services	344,632	1,878,090	76,040	152,248	2,451,010
Rentals and leases	17,264	12,658	6,802	41,900	78,624
Other operating	1,304,208	1,206,478	163,989	567,000	3,241,675
Uncollectible accounts	843	13,957	7,681	-	22,481
Controllable assets	371,188	37,727	16,714	1,654	427,283
Depreciation and amortization	3,921,224	1,776,455	7,221,846	633,230	13,552,755
<b>TOTAL OPERATING EXPENSES</b>	<u>15,078,137</u>	<u>7,701,028</u>	<u>9,142,740</u>	<u>5,077,098</u>	<u>36,999,003</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(1,033,960)</u>	<u>1,860,832</u>	<u>(6,222,368)</u>	<u>(3,722,373)</u>	<u>(9,117,869)</u>
<b>OTHER INCOME (EXPENSE)</b>					
Interest expense	(847,937)	(231,251)	(1,965)	(2,350)	(1,083,503)
Interest income	550,716	3,038	3,870	-	557,624
Gain (loss) on disposal of assets	(21,365)	77,861	(74,381)	3,130	(14,755)
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<u>(318,586)</u>	<u>(150,352)</u>	<u>(72,476)</u>	<u>780</u>	<u>(540,634)</u>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS AND GRANTS</b>	<u>(1,352,546)</u>	<u>1,710,480</u>	<u>(6,294,844)</u>	<u>(3,721,593)</u>	<u>(9,658,503)</u>
<b>OPERATING TRANSFERS</b>	<u>691,327</u>	<u>450,000</u>	<u>46,083</u>	<u>1,430,090</u>	<u>2,617,500</u>
<b>GRANTS FOR OPERATING</b>	<u>248,755</u>	<u>-</u>	<u>161,475</u>	<u>1,899,625</u>	<u>2,309,855</u>
<b>NET INCOME (LOSS) BEFORE CAPITAL TRANSFERS AND GRANTS</b>	<u>(412,464)</u>	<u>2,160,480</u>	<u>(6,087,286)</u>	<u>(391,878)</u>	<u>(4,731,148)</u>
<b>CAPITAL TRANSFERS</b>	<u>126,194</u>	<u>-</u>	<u>-</u>	<u>471,505</u>	<u>597,699</u>
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	<u>9,426,460</u>	<u>-</u>	<u>278,852</u>	<u>2,736,377</u>	<u>12,441,689</u>
<b>CHANGES IN NET POSITION</b>	<u>9,140,190</u>	<u>2,160,480</u>	<u>(5,808,434)</u>	<u>2,816,004</u>	<u>8,308,240</u>
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>145,790,454</u>	<u>7,544,045</u>	<u>51,102,284</u>	<u>8,369,264</u>	<u>212,806,047</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 154,930,644</u>	<u>\$ 9,704,525</u>	<u>\$ 45,293,850</u>	<u>\$ 11,185,268</u>	<u>\$ 221,114,287</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, 2023

	Enterprise Funds				Total
	Water Quality Fund	Solid Waste Fund	Airport Fund	Non-Major Funds	
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 13,352,035	\$ 9,421,489	\$ 2,791,414	\$ 1,188,162	\$ 26,753,100
Payments to suppliers	(3,607,825)	(2,864,770)	(1,168,243)	(1,357,492)	(8,998,330)
Payments to employees	(7,029,616)	(2,520,525)	(403,700)	(3,049,322)	(13,003,163)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>2,714,594</u>	<u>4,036,194</u>	<u>1,219,471</u>	<u>(3,218,652)</u>	<u>4,751,607</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Operating contributions	940,082	450,000	207,558	3,329,715	4,927,355
Change in due to/from other funds	126,440	847,657	(15,116)	-	958,981
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>1,066,522</u>	<u>1,297,657</u>	<u>192,442</u>	<u>3,329,715</u>	<u>5,886,336</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Interest paid on notes, bonds, leases and subscriptions	(744,116)	(250,525)	(4,232)	(2,350)	(1,001,223)
Acquisition and construction of capital assets	(4,478,916)	(1,705,945)	(2,036,277)	(2,980,012)	(11,201,150)
Grants for capital acquisition	9,552,654	-	278,852	3,207,882	13,039,388
Gain/(loss) on the sale of assets	(21,365)	77,861	(74,381)	(1,043)	(18,928)
Proceeds from notes and bonds payable	3,100,632	-	-	-	3,100,632
Principal payments on notes, bonds payable, leases and subscriptions	(3,384,536)	(1,181,801)	(118,205)	(58,209)	(4,742,751)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>4,024,353</u>	<u>(3,060,410)</u>	<u>(1,954,243)</u>	<u>166,268</u>	<u>(824,032)</u>
<b>Cash Flows from Investing Activities</b>					
Proceeds from note receivable	-	301,478	-	-	301,478
Interest on investments	550,716	3,038	3,870	-	557,624
<b>Net change in cash</b>	<u>8,356,185</u>	<u>2,577,957</u>	<u>(538,460)</u>	<u>277,331</u>	<u>10,673,013</u>
Cash, Beginning of Year	24,601,662	19,812,534	3,520,915	1,984,216	49,919,327
<b>Cash, End of Year</b>	<u>\$ 32,957,847</u>	<u>\$ 22,390,491</u>	<u>\$ 2,982,455</u>	<u>\$ 2,261,547</u>	<u>\$ 60,592,340</u>
<b>Non-Cash Operating Activities</b>					
Loss on refunding	\$ 63,531	\$ 113,336	\$ 450	\$ -	\$ 177,317
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>					
Operating income (loss)	\$ (1,033,960)	\$ 1,860,832	\$ (6,222,368)	\$ (3,722,373)	\$ (9,117,869)
Adjustments to reconcile operating loss to net cash from operating activities:					
Depreciation and amortization	3,921,224	1,776,455	7,221,846	633,230	13,552,755
Changes in assets and liabilities:					
Accounts receivable	(527,716)	(156,107)	(15,805)	(36,676)	(736,304)
Unbilled receivables	(29,523)	(8,554)	5,646	(125,101)	(157,532)
Leases	(148,518)	-	681,203	-	532,685
Inventories	(41,284)	(2,142)	(26,724)	411	(69,739)
Other assets	-	-	-	(10,897)	(10,897)
Accounts payable and other liabilities	664,414	101,426	211,471	20,260	997,571
Accrued expenses	(135,219)	9,733	145,764	22,738	43,016
Landfill closure	-	437,271	-	-	437,271
Unearned revenue	13,615	24,290	(800,002)	(4,786)	(766,883)
Compensated absences	31,561	(7,010)	18,440	4,542	47,533
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 2,714,594</u>	<u>\$ 4,036,194</u>	<u>\$ 1,219,471</u>	<u>\$ (3,218,652)</u>	<u>\$ 4,751,607</u>

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



**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**Statement of Net Position – Fiduciary Funds**

**As of June 30, 2023**

	<u>Pension Trust</u>	<u>LOSAP Trust</u>	<u>OPEB Trust</u>	<u>Total Pension and OPEB Trust Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 3,620,535	\$ 143,022	\$ 707,936	\$ 4,471,493
Investments, at fair value:				
Fixed income securities	41,097,088	3,427,565	7,001,955	51,526,608
Real Estate investment	24,748,654	-	1,464,626	26,213,280
Equity funds	115,991,636	7,815,864	19,679,182	143,486,682
Accounts receivable	1,840,979	10,566	18,512	1,870,057
<b>TOTAL ASSETS</b>	<u>187,298,892</u>	<u>11,397,017</u>	<u>28,872,211</u>	<u>227,568,120</u>
<b>LIABILITIES</b>				
Accounts payable	-	-	408,627	408,627
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>408,627</u>	<u>408,627</u>
<b>NET POSITION</b>				
Held in trust for pension and OPEB	187,298,892	11,397,017	28,463,584	227,159,493
<b>NET POSITION</b>	<u>\$ 187,298,892</u>	<u>\$ 11,397,017</u>	<u>\$ 28,463,584</u>	<u>\$ 227,159,493</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, 2023

	<u>Pension Trust</u>	<u>LOSAP Trust</u>	<u>OPEB Trust</u>	<u>Total Pension and OPEB Trust Funds</u>
<b>ADDITIONS</b>				
Contributions:				
Employer	\$ 13,381,955	\$ 326,000	\$ -	\$ 13,707,955
Plan members	2,795,070	-	-	2,795,070
<b>Total Contributions</b>	<u>16,177,025</u>	<u>326,000</u>	<u>-</u>	<u>16,503,025</u>
Investment Income:				
Realized and unrealized gains	15,704,268	796,116	2,008,368	18,508,752
Interest and dividends	61,552	4,981	61,552	128,085
Other income	890,441	397,126	890,441	2,178,008
<b>Total Investment Income</b>	<u>16,656,261</u>	<u>1,198,223</u>	<u>2,960,361</u>	<u>20,814,845</u>
<b>TOTAL ADDITIONS</b>	<u>32,833,286</u>	<u>1,524,223</u>	<u>2,960,361</u>	<u>37,317,870</u>
<b>DEDUCTIONS</b>				
Benefits	12,581,179	729,726	1,036,443	14,347,348
Administrative expenses	168,181	12,668	24,879	205,728
<b>TOTAL DEDUCTIONS</b>	<u>12,749,360</u>	<u>742,394</u>	<u>1,061,322</u>	<u>14,553,076</u>
<b>CHANGES IN NET POSITION</b>	20,083,926	781,829	1,899,039	22,764,794
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>167,214,966</u>	<u>10,615,188</u>	<u>26,564,545</u>	<u>204,394,699</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 187,298,892</u>	<u>\$ 11,397,017</u>	<u>\$ 28,463,584</u>	<u>\$ 227,159,493</u>

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2023

### 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, 2023 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, 2023

### 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, 2023

### 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, 2023

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fiduciary funds:

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

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

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

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

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2023

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

#### Use of Estimates in the Preparation of Financial Statements

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

#### Capital Assets

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

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

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

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**Notes to the Financial Statements  
June 30, 2023**

**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, 2023

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Investments** (continued)

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

#### **Inventories**

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

#### **Employee Benefit Programs**

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

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

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

#### **Taxes and County Services**

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

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**Notes to the Financial Statements  
June 30, 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Real Estate and Personal Property Taxes**

The County’s property tax is levied each July 1<sup>st</sup>, 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 1<sup>st</sup>, and a discount of one-half percent is granted for property taxes paid by July 31<sup>st</sup>. Taxpayers also have the options of paying in full without interest by September 30<sup>th</sup>, or paying their tax bills semi-annually. Taxpayers electing the semi-annual method can pay the first installment without interest by September 30<sup>th</sup>. Beginning October 1<sup>st</sup>, interest is charged. The second semi-annual payment, including a service charge, is due by December 31<sup>st</sup>. 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	2.95% of Maryland taxable income (calendar year 2023)
Recordation tax	\$3.80 per \$500
Trailer park	As of March 1, 2020, the County Commissioners reduced the tax to 7.5% of gross rentals, with a \$20 per month per mobile home space cap on the tax.
Property taxes	\$0.928 per \$100 of assessable base (for Fiscal Year 2023)

**Cash Flows**

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2023

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Concentrations of Credit Risk

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

#### Net Position and Fund Equity

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

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

#### Leases

Lessee: The County is a lessee for noncancellable leases of vehicles, machinery and equipment. The County recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The County recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the County initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2023

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Leases (continued)

Key estimates and judgments related to leases include how the County determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The County uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the County is reasonably certain to exercise.

The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The County is a lessor for noncancellable leases of land, cell tower space, pretreatment facility and office space. The County recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the County initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the County determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The County uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The County monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2023

### 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### **Budgetary Information**

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

#### *Financial Capacity and Analysis Phase*

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

#### *Financial Capacity and Analysis Phase (continued)*

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

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

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

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

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2023

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

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

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

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

##### *Review and Modification Phase*

The Chief Financial Officer presents the Operating and Capital Improvement budgets to the County Commissioners. Preliminary recommendations are reviewed to ensure that

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2023

### 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

#### **Budgetary Information** (continued)

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

#### *Balanced Budget*

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

#### *Costing of Services*

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2023

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

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

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

### 3. CASH AND SHORT-TERM INVESTMENTS

#### Primary Government

##### *Deposits*

As of June 30, 2023, the carrying amount of the County's deposits was \$105,674,779 and the bank balances were \$107,740,806. All deposits are carried at cost plus accrued interest. There were no significant violations of the collateralization requirements during the year ended June 30, 2023. 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, 2023, the County's bank balance of \$107,740,806 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, 2023

### 3. CASH AND SHORT-TERM INVESTMENTS (continued)

#### Primary Government (continued)

#### Investments

As of June 30, 2023, 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	\$ 194,003,216	\$ 194,003,216	\$ -	\$ -	\$ -
Total investments held in County's name	194,003,216	194,003,216	-	-	-
Investments held by trustee of					
Pension plan:					
Fixed income securities	41,097,088	41,097,088	-	-	-
Real estate investments	24,748,654	24,748,654	-	-	-
Equity funds	115,991,636	115,991,636	-	-	-
Money market funds	3,620,535	3,620,535	-	-	-
Total Investments held by trustee of pension plan	185,457,913	185,457,913	-	-	-
Investments held by trustee of					
LOSAP plan:					
Fixed income funds	3,427,565	3,427,565	-	-	-
Equity funds	7,815,864	7,815,864	-	-	-
Money market funds	143,022	143,022	-	-	-
Total Investments held by trustee of LOSAP plan	11,386,451	11,386,451	-	-	-
Investments held by trustee of					
OPEB plan:					
Real estate investments	7,001,955	7,001,955	-	-	-
Fixed income funds	1,464,626	1,464,626	-	-	-
Equity funds	19,679,182	19,679,182	-	-	-
Money market funds	707,936	707,936	-	-	-
Total Investments held by trustee of OPEB plan	28,853,699	28,853,699	-	-	-
<b>Total investments</b>	<b>\$ 419,701,279</b>	<b>\$ 419,701,279</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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, 2023**

**3. CASH AND SHORT-TERM INVESTMENTS (continued)**

**Primary Government (continued)**

*Investments (continued)*

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

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

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

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

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

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**Notes to the Financial Statements  
June 30, 2023**

**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, 2023, 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.

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2023, 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, 2023**

**3. CASH AND SHORT-TERM INVESTMENTS (continued)**

**Board of Education**

*Cash*

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

Compliance is summarized as follows:

<u>June 30, 2023</u>	<b>Governmental Activities and Business-Type</b>	<b>Fiduciary Responsibilities</b>	<b>Total</b>
Carrying amount of cash deposits	\$ 20,837,569	\$ 75,520	\$ 20,913,089
Bank balance of cash deposits	22,393,930	75,520	22,469,450
Amount covered by FDIC	1,587,741	75,520	1,663,261
Amount collateralized with securities held by an agent of the pledging financial institution in the School system's name	20,806,189	-	20,806,189

*Investments*

Credit Risk: Maryland statutes authorize the School System to invest in obligations of the United States government or agency obligations. As of June 30, 2023, the School System's operating investments in U.S Government Agencies were rated AAA and AA+ by Standard & Poor's. The School System's fiduciary investments in fixed income mutual funds and corporate bonds were not rated and rated A+, respectively, as of June 30, 2023.

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

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2023

### 3. CASH AND SHORT-TERM INVESTMENTS (continued)

#### Board of Education (continued)

#### *Investments* (continued)

Retiree Health Plan Trust Investments: The investments of the MABE Trust are stated at fair value, are deposited with Fidelity, and are managed by GYL Financial Synergies, LLC. The MABE Trust categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 are significant unobservable inputs. Although all investments of the MABE Trust are considered Level 1 and Level 2, the School System's membership in the MABE Trust is considered Level 2. As of June 30, 2023, the pooled net position of the MABE Trust was \$616,539,843 in total, of which the School System's allocated investment balance was \$113,390,029. The School System's allocated investments consist of the following:

Cash and Cash Equivalents	\$	4,914,183
Interest Receivable		278,993
Corporate Bonds		16,255,003
Equity Securities		34,533,454
Mutual Funds		36,285,869
U.S. Government Agency		21,122,527
	\$	<u>113,390,029</u>

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

Concentration of Credit Risk: The School System does not have a formal policy that places a limit on the amount or percent that may be invested in any one issuer. More than 5% of the School System's Governmental Activities investments are investments in the Federal Home Loan Mortgage Corp. This investment is 9%, respectively, of the Governmental Activities investments. More than 5% of the School System's General Fund investments are investments in the Federal Home Loan Mortgage Corp. This investment is 16% of the General Fund investments.

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**Notes to the Financial Statements  
June 30, 2023**

**3. CASH AND SHORT-TERM INVESTMENTS (continued)**

**Board of Education (continued)**

*Investments (continued)*

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

As of June 30, 2023, the School System had the following investments and maturities:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Fiduciary Responsibilities</b>	<b>Total</b>
United States Treasury Note - 1.25% matures July 31, 2023	\$ 4,947,580	\$ -	\$ -	\$ 4,947,580
United States Treasury Bill - .125% matures August 31, 2023	5,954,297	-	-	5,954,297
United States Treasury Note -1.625% matures October 31, 2023	4,938,593	-	-	4,938,593
United States Treasury Note - .250% matures November 15, 2023	4,985,938	-	-	4,985,938
United States Treasury Note - 2.750% matures February 15, 2024	6,398,145	-	-	6,398,145
United States Treasury Note - 1.250% matures August 31, 2024	5,671,638	-	-	5,671,638
United States Treasury Note - 3.875% matures April 30, 2025	3,405,886	-	-	3,405,886
Federal Home Loan Mortgage Corp- 5.200% matures May 16, 2025	4,990,750	-	-	4,990,750
United States Treasury Bill - .000% matures July 6, 2023	6,350,482	-	-	6,350,482
United States Treasury Bill - .000% matures August 22, 2023	5,901,428	-	-	5,901,428
Income Fund of America	78,952	-	-	78,952
Retiree Health Plan Trust	-	-	113,900,209	113,900,209
	<u>\$ 53,623,689</u>	<u>\$ -</u>	<u>\$ 113,900,209</u>	<u>\$ 167,523,898</u>

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (in Years)</b>			
	<b>June 30, 2023</b>	<b>Less than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More than 10</b>
U.S. Agencies	\$ 53,544,737	\$ 39,476,463	\$ 14,068,274	\$ -	\$ -
Income Fund of America	78,952	78,952	-	-	-
Securities	37,377,530	-	103,350	-	37,274,180
	<u>\$ 91,001,219</u>	<u>\$ 39,555,415</u>	<u>\$ 14,171,624</u>	<u>\$ -</u>	<u>\$ 37,274,180</u>

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**Notes to the Financial Statements**

**June 30, 2023**

**3. CASH AND SHORT-TERM INVESTMENTS (continued)**

**Board of Education (continued)**

*Investments (continued)*

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

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

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

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

Fair value of assets measured on a recurring basis as of June 30, 2023 are as follows:

	<b>Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Government Agency Securities	\$ 53,544,737	\$ -	\$ 53,544,737	\$ -
Mutual Fund - Income Fund	78,952	78,952	-	-
	<u>\$ 53,623,689</u>	<u>\$ 78,952</u>	<u>\$ 53,544,737</u>	<u>\$ -</u>

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2023

### 4. RECEIVABLES

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

	<b>Governmental Activities</b>			
	<b>General</b>	<b>Capital Projects</b>	<b>Non-Major</b>	<b>Total</b>
Receivables:				
Taxes receivable	\$ 2,167,286	\$ -	\$ -	\$ 2,167,286
Accounts receivable	3,287,541	3,371,974	387,143	7,046,658
Gross receivables	5,454,827	3,371,974	387,143	9,213,944
Less: allowance for uncollectibles	(1,975,613)	-	-	(1,975,613)
<b>Net Total Receivables</b>	<b>\$ 3,479,214</b>	<b>\$ 3,371,974</b>	<b>\$ 387,143</b>	<b>\$ 7,238,331</b>

	<b>Business-type Activities</b>				
	<b>Water Quality</b>	<b>Solid Waste</b>	<b>Airport</b>	<b>Non-Major</b>	<b>Total</b>
Accounts receivable	\$ 1,795,301	\$ 584,989	\$ 73,294	\$ 47,507	\$ 2,501,091
Less: allowance for uncollectibles	(18,316)	(319,596)	(8,181)	-	(346,093)
<b>Net Total Receivables</b>	<b>\$ 1,776,985</b>	<b>\$ 265,393</b>	<b>\$ 65,113</b>	<b>\$ 47,507</b>	<b>\$ 2,154,998</b>

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also record unearned revenue in connection with resources that have been received, but not yet earned. As of the end of the current fiscal year unavailable revenue for delinquent property taxes receivable reported in the General Fund was \$480,687. 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.

#### Lease Receivable

The County leases land, cell tower space, a pretreatment facility and office space to multiple third parties. The leases vary in length up to the year 2106 and the County will receive on average monthly payments of \$50,790. The County recognized \$399,718 in lease revenue and \$410,713 in interest revenue during the current fiscal year related to these leases. As of June 30, 2023, the County’s receivable for lease payments was \$14,864,223. Also, the County has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was \$14,557,104.



# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2023

### 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

#### Primary Government

	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023
<b>Governmental Activities:</b>				
Capital assets, not being depreciated or amortized:				
Land	\$ 102,834,117	\$ 2,789,960	\$ (402,891)	\$ 105,221,186
Capital assets, being depreciated:				
Land improvements	21,645,710	702,575	-	22,348,285
Building and improvements	121,415,266	1,983,206	(24,296)	123,374,176
Vehicles	19,711,834	2,346,888	(313,039)	21,745,683
Infrastructure	1,219,988,774	7,278,098	-	1,227,266,872
Machinery and equipment	11,844,180	1,034,529	(1,947,636)	10,931,073
Office furniture and equipment	922,227	-	(152,343)	769,884
Computer equipment	33,308,224	415,361	(1,035,346)	32,688,239
Right to use - land	-	274,065	-	274,065
Right to use - vehicles and equipment	605,739	1,550,870	(35,488)	2,121,121
Right to use - subscriptions	-	2,854,771	-	2,854,771
Total capital assets, being depreciated or amortized	<u>1,429,441,954</u>	<u>18,440,363</u>	<u>(3,508,148)</u>	<u>1,444,374,169</u>
<b>Total Capital Assets</b>	<u>1,532,276,071</u>	<u>21,230,323</u>	<u>(3,911,039)</u>	<u>1,549,595,355</u>
Accumulated depreciation and amortization for:				
Land improvements	(8,373,535)	(854,870)	-	(9,228,405)
Building and improvements	(48,632,799)	(3,553,068)	24,296	(52,161,571)
Vehicles	(13,864,186)	(1,539,821)	313,039	(15,090,968)
Infrastructure	(977,307,556)	(8,779,120)	-	(986,086,676)
Machinery and equipment	(7,886,680)	(811,552)	1,269,928	(7,428,304)
Office furniture and equipment	(904,103)	(18,124)	152,343	(769,884)
Computer equipment	(30,822,539)	(684,334)	970,262	(30,536,611)
Right to use - land	-	(39,776)	-	(39,776)
Right to use - vehicles and equipment	(147,687)	(337,740)	35,488	(449,939)
Right to use - subscriptions	-	(430,423)	-	(430,423)
Total Accumulated Depreciation and Amortization	<u>(1,087,939,085)</u>	<u>(17,048,828)</u>	<u>2,765,356</u>	<u>(1,102,222,557)</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 444,336,986</u>	<u>\$ 4,181,495</u>	<u>\$ (1,145,683)</u>	<u>\$ 447,372,798</u>
<b>Projects Under Construction</b>	<u>\$ 9,959,692</u>	<u>\$ 20,453,960</u>	<u>\$ (15,082,017)</u>	<u>\$ 15,331,635</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements  
June 30, 2023

5. CAPITAL ASSETS (continued)

Primary Government (continued)

	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023
<b>Business-type Activities:</b>				
Capital assets, not being depreciated or amortized:				
Land	\$ 12,329,898	\$ -	\$ -	\$ 12,329,898
Capital assets, being depreciated:				
Land improvements	153,075,161	52,530	(1,250)	153,126,441
Building and improvements	72,100,499	869,177	(20,859)	72,948,817
Facilities	126,212,153	3,856,545	-	130,068,698
Vehicles	9,069,641	2,960,398	(969,004)	11,061,035
Machinery and equipment	12,506,330	1,117,076	(604,965)	13,018,441
Office furniture and equipment	238,793	-	(2,605)	236,188
Computer equipment	1,660,875	-	(5,142)	1,655,733
Treatment plants	100,615,360	-	-	100,615,360
Right to use - vehicles and equipment	2,243,129	604,013	(635)	2,846,507
Right to use - subscriptions	-	49,890	-	49,890
Total capital assets, being depreciated or amortized	477,721,941	9,509,629	(1,604,460)	485,627,110
<b>Total Capital Assets</b>	490,051,839	9,509,629	(1,604,460)	497,957,008
Accumulated depreciation and amortization for:				
Land improvements	(125,319,770)	(6,459,025)	1,250	(131,777,545)
Building and improvements	(28,225,496)	(1,931,976)	19,816	(30,137,656)
Facilities	(41,126,359)	(1,670,867)	-	(42,797,226)
Vehicles	(6,404,193)	(582,105)	884,498	(6,101,800)
Machinery and equipment	(10,299,819)	(673,675)	569,151	(10,404,343)
Office furniture and equipment	(238,793)	-	2,605	(236,188)
Computer equipment	(1,369,512)	(59,780)	5,142	(1,424,150)
Treatment plants	(33,662,169)	(1,947,766)	-	(35,609,935)
Right to use - vehicles and equipment	(291,387)	(350,071)	635	(640,823)
Right to use - subscriptions	-	(9,978)	-	(9,978)
Total Accumulated Depreciation and Amortization	(246,937,498)	(13,685,243)	1,483,097	(259,139,644)
<b>Business-type Activities Capital Assets, Net</b>	\$ 243,114,341	\$ (4,175,614)	\$ (121,363)	\$ 238,817,364
<b>Projects Under Construction</b>	\$ 3,750,261	\$ 9,451,548	\$ (6,646,211)	\$ 6,555,598

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2023

### 5. CAPITAL ASSETS (continued)

#### Primary Government (continued)

Depreciation and amortization expense was charged to governmental functions as follows:

#### Governmental Activities:

General Government	\$ 12,597,876
Public Safety	2,868,797
Park, recreation and culture	412,903
Conservation of Natural Resources	12,747
Highways and streets	1,156,505
<b>Total Depreciation and Amortization Expense - Governmental Activities</b>	<b>\$ 17,048,828</b>

#### Business-Type Activities:

Public Transit Fund	\$ 467,384
Airport Fund	7,221,846
Golf Course Fund	165,846
Water Quality Fund	3,921,224
Solid Waste Fund	1,776,455
<b>Total Depreciation and Amortization Expense – Business-Type Activities</b>	<b>\$ 13,552,755</b>

#### Board of Education

	Balance June 30, 2022	Additions	Deletions	Transfers	Balance June 30, 2023
<b>Government Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 9,749,615	\$ -	\$ -	\$ -	\$ 9,749,615
Facilities under construction	6,450,073	12,547,132	(4,783,603)	-	14,213,602
	<u>16,199,688</u>	<u>12,547,132</u>	<u>(4,783,603)</u>	<u>-</u>	<u>23,963,217</u>
Capital assets, being depreciated:					
Building and improvements	386,647,154	4,818,665	-	-	391,465,819
Leased building and improvements	437,113	-	-	-	437,113
Furniture and equipment	49,125,096	4,472,122	(5,778,306)	(4,239)	47,814,673
Leased furniture and equipment	4,282,872	86,834	(240,431)	-	4,129,275
Financed Equipment	304,282	-	-	-	304,282
Leased subscription based asset	5,240,707	12,089	-	-	5,252,796
	<u>446,037,224</u>	<u>9,389,710</u>	<u>(6,018,737)</u>	<u>(4,239)</u>	<u>449,403,958</u>
Accumulated depreciation:					
Building and improvements	(180,193,876)	(8,205,475)	-	-	(188,399,351)
Leased building and improvements	(158,001)	(43,711)	-	-	(201,712)
Furniture and equipment	(34,843,935)	(3,152,265)	5,718,091	-	(32,278,109)
Leased furniture and equipment	(2,275,059)	(380,423)	131,900	-	(2,523,582)
Financed Equipment	(75,311)	(76,025)	-	-	(151,336)
Leased subscription based asset	(2,439,915)	(856,523)	-	-	(3,296,438)
	<u>(219,986,097)</u>	<u>(12,714,422)</u>	<u>5,849,991</u>	<u>-</u>	<u>(226,850,528)</u>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 242,250,815</b>	<b>\$ 9,222,420</b>	<b>\$ (4,952,349)</b>	<b>\$ (4,239)</b>	<b>\$ 246,516,647</b>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements  
June 30, 2023

5. CAPITAL ASSETS (continued)

Board of Education (continued)

	<u>Balance</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2023</u>
<b>Business-type Activities</b>					
Capital assets, being depreciated:					
Furniture and equipment	\$ 5,455,957	\$ 1,027,775	\$ (311,562)	\$ 4,239	\$ 6,176,409
Leased subscription based asset	-	193,629	-	-	193,629
Total capital assets being depreciated	<u>5,455,957</u>	<u>1,221,404</u>	<u>(311,562)</u>	<u>4,239</u>	<u>6,370,038</u>
Accumulated depreciation:					
Furniture and equipment	(4,046,296)	(302,991)	302,886	-	(4,046,401)
Leased subscription based asset	-	(17,211)	-	-	(17,211)
Total accumulated depreciation	<u>(4,046,296)</u>	<u>(320,202)</u>	<u>302,886</u>	<u>-</u>	<u>(4,063,612)</u>
<b>Business-type Activities Capital Assets, Net</b>	<u>\$ 1,409,661</u>	<u>\$ 901,202</u>	<u>\$ (8,676)</u>	<u>\$ 4,239</u>	<u>\$ 2,306,426</u>

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

Governmental activities:	
Other instructional costs	\$ 1,631,709
Student transportation services	1,658,890
Operation of plant	944,605
Depreciation - unallocated	<u>8,479,218</u>
<b>Total Governmental Activities Depreciation Expense</b>	<u>\$ 12,714,422</u>
Business-type activities:	
<b>Food services</b>	<u>\$ 320,202</u>

6. INTERFUND RECEIVABLES AND PAYABLES

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

On November 15, 2022, the Board of County Commissioners approved an interfund loan from the General fund to the Solid Waste fund to purchase a compactor. The loan amount is \$952,230 and is repayable in sixty monthly payments of \$16,690.46 beginning on December 1, 2022.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	General	\$ 118,598,484
	Water Quality	646,643
	HEPMPO	171,958
<b>Total</b>		<u>\$ 119,417,085</u>
General Fund	Solid Waste	<u>845,976</u>

6. INTERFUND RECEIVABLES AND PAYABLES (continued)

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements

June 30, 2023

**Board of Education**

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Component unit - Board of Education	Primary government - capital projects	\$ 528,115

All interfund receivables and payables are without interest.

**7. INTERFUND TRANSACTIONS**

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

<u>Fund</u>	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>	<u>Capital Transfers In</u>	<u>Capital Transfers Out</u>
General Fund:				
Capital Projects	\$ -	\$ -	\$ 36,076	25,199,656
Highway Fund	-	500,000	-	-
Solid Waste	-	450,000	-	-
Public Transit	-	1,131,910	-	-
Water Quality	-	706,203	-	-
Grant Management	-	327,280	-	-
Agricultural Education Center	-	216,770	-	-
Golf Course	-	319,710	-	25,000
HEPMPO	-	5,700	-	-
Land Preservation	-	5,919	-	-
Airport	-	-	-	-
Cascade Town Centre	-	-	-	-
Capital Projects Fund:				
General Fund	-	-	25,199,656	36,076
Highway Fund	-	-	-	-
Airport Fund	-	-	-	-
Water Quality	-	-	100,000	211,319
Hotel Rental Fund	-	-	-	-
Golf Course	-	-	-	446,505
Transit	-	-	-	-
Land Preservation	-	400,000	-	-

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**Notes to the Financial Statements  
June 30, 2023**

**7. INTERFUND TRANSACTIONS (continued)**

<u>Fund</u>	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>	<u>Capital Transfers In</u>	<u>Capital Transfers Out</u>
Highway:				
General Fund	500,000	-	-	-
Solid Waste:				
General Fund	450,000	-	-	-
Public Transit:				
General Fund	1,131,910	-	-	-
HEPMPO	-	21,530	-	-
Capital Projects	-	-	-	-
Water Quality:				
General Fund	706,203	-	-	-
Capital Projects	-	-	211,319	100,000
Cascade Town Centre	-	-	-	-
Airport:				
General Fund	-	-	-	-
Hotel Rental	46,083	-	-	-
Capital Projects	-	-	-	-
Golf Course:				
General Fund	319,710	-	25,000	-
Capital Projects	-	-	446,505	-
Grant Management:				
General Fund	327,280	-	-	-
Agricultural Education Center:				
General Fund	216,770	-	-	-
HEPMPO:				
General Fund	5,700	-	-	-
Public Transit Fund	21,530	-	-	-
Hotel Rental:				
Airport	-	46,083	-	-
Cascade Town Centre	-	-	-	-
Land Preservation:				
General Fund	5,919	-	-	-
Capital Projects Fund	400,000	-	-	-
Cascade Town Centre:				
Water Quality	-	-	-	-
<b>Total</b>	<u>\$4,131,105</u>	<u>\$4,131,105</u>	<u>\$26,018,556</u>	<u>\$26,018,556</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2023

### 8. LONG-TERM DEBT, LEASES, AND SUBSCRIPTIONS

#### 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, leases, and subscriptions currently outstanding are as follows:

	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>						
Public Sale Bonds payable:						
General obligation bonds	1.4-5.5%	\$ 141,189,950	\$ 11,040,000	\$ 10,081,595	\$ 142,148,355	\$ 10,830,958
Unamortized bond premium		7,565,536	960,790	1,160,553	7,365,773	-
Total bonds payable		<u>148,755,486</u>	<u>12,000,790</u>	<u>11,242,148</u>	<u>149,514,128</u>	<u>10,830,958</u>
Other loans payable						
Direct Borrowing: Maryland Water Quality loans	1.0%	<u>1,685,670</u>	<u>-</u>	<u>553,318</u>	<u>1,132,353</u>	<u>278,877</u>
Total bonds and loans payable		150,441,156	12,000,790	11,795,466	150,646,480	11,109,835
Direct Borrowing: Agricultural Land Preservation	2.0%	760,215	-	181,779	578,436	181,779
Leases	.32-4.78%	459,703	1,737,658	467,363	1,729,998	422,195
Subscriptions	1.71-2.66%	-	2,449,277	649,945	1,799,332	670,213
Net pension liability		<u>110,231,895</u>	<u>-</u>	<u>5,822,344</u>	<u>104,409,551</u>	<u>-</u>
Governmental Activity Long-term Liabilities		<u>261,892,969</u>	<u>16,187,725</u>	<u>18,916,897</u>	<u>259,163,797</u>	<u>12,384,022</u>
<b>Business-type Activities</b>						
Public Sale Bonds payable:						
General obligation bonds	1.4-5.9%	39,090,050	2,850,000	2,278,405	39,661,645	2,474,042
Unamortized bond premium		2,887,595	250,632	388,186	2,750,042	-
Unamortized bond discount		-	-	-	-	-
Total bonds payable		<u>41,977,645</u>	<u>3,100,632</u>	<u>2,666,591</u>	<u>42,411,687</u>	<u>2,474,042</u>
Other loans payable:						
Direct Borrowing: Maryland Water Quality loans	.40-1.1%	<u>5,177,028</u>	<u>-</u>	<u>1,576,365</u>	<u>3,600,662</u>	<u>379,214</u>
Total bonds and loans payable		47,154,673	3,100,632	4,242,956	46,012,349	2,853,256
Lease:	.32-2.58%	<u>1,322,687</u>	<u>604,013</u>	<u>489,345</u>	<u>1,438,079</u>	<u>537,012</u>
Subscriptions	2.4%	-	49,890	10,450	39,440	9,517
Business-type Activity Long-term Liabilities		<u>48,477,360</u>	<u>3,754,535</u>	<u>4,742,751</u>	<u>47,489,868</u>	<u>3,399,785</u>
<b>Total Combined Activities Long-term Liabilities</b>		<u>\$ 310,370,329</u>	<u>\$ 19,942,260</u>	<u>\$ 23,659,648</u>	<u>\$ 306,653,665</u>	<u>\$ 15,783,807</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2023

### 8. LONG-TERM DEBT, LEASES, AND SUBSCRIPTIONS (continued)

#### Primary Government (continued)

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

Year ending June 30,	Governmental Activities				Business-type Activities			
	General Obligation Bonds		Direct Borrowings		General Obligation Bonds		Direct Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 10,830,958	\$ 4,577,155	\$ 278,877	\$ 11,324	\$ 2,474,042	\$ 1,217,245	\$ 379,214	\$ 24,973
2025	11,184,839	4,388,254	281,666	8,534	2,600,162	1,114,705	319,986	21,552
2026	10,828,066	3,968,280	284,483	5,718	2,681,934	1,012,041	225,537	18,711
2027	10,473,985	3,572,145	287,327	2,875	2,786,015	920,939	227,335	16,914
2028	10,888,795	3,187,170	-	-	2,886,205	830,814	660,528	15,103
2029-2033	42,593,234	11,061,015	-	-	11,721,765	2,904,742	1,013,539	52,541
2034-2038	30,778,049	4,699,798	-	-	8,166,951	1,353,245	774,523	14,270
2039-2043	13,745,429	1,091,351	-	-	4,539,571	473,646	-	-
2044-2053	825,000	16,500	-	-	1,805,000	142,306	-	-
Total	\$ 142,148,355	\$ 36,561,668	\$ 1,132,353	\$ 28,451	\$ 39,661,645	\$ 9,969,683	\$ 3,600,662	\$ 164,064
Plus:								
Unamortized premium	7,365,773				2,750,042			
	\$ 149,514,128				\$ 42,411,687			

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, 2023, the unused authorization was \$29,320,096.

#### Conduit Debt

From time to time, the County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received in the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. In accordance with governmental accounting standards, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2023, there were Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$81,319,172.



# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2023

### 8. LONG-TERM DEBT, LEASES, AND SUBSCRIPTIONS (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, 2023, are as follows:

<u>As of June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2024	\$ 181,779	\$ 11,569	\$ 193,348
2025	181,779	7,933	189,712
2026	181,779	4,298	186,077
2027	33,099	662	33,761
2028	-	-	-
<b>Total</b>	<u>\$ 578,436</u>	<u>\$ 24,462</u>	<u>\$ 602,898</u>

For the year ended June 30, 2023, total principal and interest incurred related to agricultural land preservation installments was \$181,779 and \$15,204, respectively.

#### Leases

#### County as Lessee

The County has entered into various lease agreements as lessee primarily for vehicles and machinery/equipment. All leases have a maximum term of five years. Leases with variable lease payments include those for exceeding an allotted amount per the terms of the contract. The interest rate assigned is the interest rate on the contract. If one is not noted, the County utilizes its incremental borrowing rate to discount the lease payments.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2023

### 8. LONG-TERM DEBT, LEASES, AND SUBSCRIPTIONS (continued)

#### County as Lessee (continued)

At June 30, 2023, the statement of net position includes the following amounts relating to leases:

	Governmental Activities	Business-type Activities	Total
Right of use of leased assets:			
Land	\$ 274,065	\$ -	\$ 274,065
Vehicles	405,409	-	405,409
Machinery and equipment	1,715,713	2,846,507	4,562,220
Total Right of Use Leased Assets	<u>2,395,187</u>	<u>2,846,507</u>	<u>5,241,694</u>
Less Accumulated Amortization for:			
Right of use of leased assets:			
Land	39,776	-	39,776
Vehicles	109,979	-	109,979
Machinery and equipment	339,960	640,823	980,783
Total Accumulated Amortization	<u>489,715</u>	<u>640,823</u>	<u>1,130,538</u>
Total Right of use leased assets, net:			
Land	234,289	-	234,289
Vehicles	295,430	-	295,430
Machinery and equipment	1,375,753	2,205,684	3,581,437
Total	<u>\$ 1,905,472</u>	<u>\$ 2,205,684</u>	<u>\$ 4,111,156</u>
Lease Payable:			
Current	422,534	537,012	959,546
Non-Current	<u>\$ 1,307,465</u>	<u>\$ 901,067</u>	<u>\$ 2,208,531</u>
Total	<u>\$ 1,729,999</u>	<u>\$ 1,438,079</u>	<u>\$ 3,168,077</u>

The future principal and interest lease payments as of June 30, 2023 were as follows:

Fiscal Year	Governmental Activities			Fiscal Year	Business-Type Activities		
	Principal Payments	Interest Payments	Total		Principal Payments	Interest Payments	Total
2024	\$ 422,534	\$ 28,522	\$ 451,056	2024	\$ 537,012	\$ 61,814	\$ 598,826
2025	396,121	27,841	423,962	2025	518,979	41,319	560,298
2026	396,695	17,864	414,559	2026	154,468	20,231	174,699
2027	325,803	7,701	333,504	2027	138,108	11,194	149,302
2028	32,003	2,333	34,336	2028	89,512	2,680	92,192
2029-2033	110,037	6,955	116,992				
2034-2035	46,804	603	47,407				
Total	<u>\$ 1,729,997</u>	<u>\$ 91,819</u>	<u>\$ 1,821,816</u>	Total	<u>\$ 1,438,079</u>	<u>\$ 137,238</u>	<u>\$ 1,575,317</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2023

### 8. LONG-TERM DEBT, LEASES, AND SUBSCRIPTIONS (continued)

#### County as Lessor

The County leases out some of its land, cellular space and buildings. Most land leases are a five-year term. Cellular space and building leases vary with a maximum term of 99 years. The County has included any renewal options in the lease term when they are both non-cancellable and reasonably certain to be exercised. The interest rate assigned is the interest rate on the contract. If one is not noted, the County utilizes its incremental borrowing rate to discount the lease payments.

The total amount of inflows of resources related to leases recognized in the current fiscal year are as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Lease revenue	\$ 91,512	\$ 308,206	\$ 399,718
Interest revenue	\$ 31,387	\$ 379,326	\$ 410,713

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**Notes to the Financial Statements**

**June 30, 2023**

**8. LONG-TERM DEBT, LEASES, AND SUBSCRIPTIONS (continued)**

At June 30, 2023, the principal and interest requirements to maturity for the leases receivable are as follows:

Fiscal Year	Governmental Activities			Business-Type Activities		
	Principal Payments	Interest Payments	Total	Principal Payments	Interest Payments	Total
2024	\$ 65,005	\$ 28,276	\$ 93,281	\$ 151,021	\$ 348,998	\$ 500,019
2025	68,691	27,008	95,699	110,707	346,630	457,337
2026	58,074	25,704	83,778	109,766	344,327	454,093
2027	60,638	24,393	85,031	115,531	341,915	457,446
2028	64,685	22,988	87,673	106,909	339,375	446,284
2029 - 2033	389,456	90,160	479,616	416,646	1,665,411	2,082,057
2034 - 2038	258,195	46,502	304,697	511,334	1,607,845	2,119,179
2039 - 2043	180,663	12,770	193,433	659,676	1,533,482	2,193,158
2044 - 2048	-	-	-	819,353	1,438,140	2,257,493
2049 - 2053	-	-	-	497,395	1,353,497	1,850,892
2054 - 2058	-	-	-	578,972	1,284,209	1,863,181
2059 - 2063	-	-	-	673,091	1,203,609	1,876,700
2064 - 2068	-	-	-	672,946	1,114,113	1,787,059
2069 - 2073	-	-	-	700,126	1,027,874	1,728,000
2074 - 2078	-	-	-	796,535	931,465	1,728,000
2079 - 2083	-	-	-	906,220	821,780	1,728,000
2084 - 2088	-	-	-	1,031,009	696,991	1,728,000
2089 - 2093	-	-	-	1,172,982	555,018	1,728,000
2094 - 2098	-	-	-	1,334,505	393,495	1,728,000
2099 - 2103	-	-	-	1,518,270	209,730	1,728,000
2104 - 2108	-	-	-	835,822	28,176	863,998
Total	\$ 1,145,407	\$ 277,801	\$ 1,423,208	\$ 13,718,816	\$ 17,586,080	\$ 31,304,896

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2023

### 8. LONG-TERM DEBT, LEASES, AND SUBSCRIPTIONS (continued)

#### Subscriptions

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset.

At June 30, 2023, the statement of net position includes the following amounts relating to subscriptions:

	Governmental Activities	Business-type Activities	Total
Right-of-use of subscription assets:			
Software	\$ 2,854,771	\$ 49,890	\$ 2,904,661
Total Right-of-use of subscription assets:	<u>2,854,771</u>	<u>49,890</u>	<u>2,904,661</u>
Less Accumulated Amortization for:			
Right-of-use of subscription assets:			
Software	430,423	9,978	440,401
Total Accumulated Amortization:	<u>430,423</u>	<u>9,978</u>	<u>440,401</u>
Total Right-of-use of subscription assets, net:			
Software	2,424,348	39,912	2,464,260
Total:	<u>\$ 2,424,348</u>	<u>\$ 39,912</u>	<u>\$ 2,464,260</u>
Lease payable:			
Current	670,213	9,517	679,730
Non-current	<u>1,129,119</u>	<u>29,923</u>	<u>1,159,042</u>
Total	<u>\$ 1,799,332</u>	<u>\$ 39,440</u>	<u>\$ 1,838,772</u>

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2024	\$ 670,213	\$ 48,793	\$ 719,006
2025	547,404	31,650	579,054
2026	362,965	14,961	377,926
2027	145,143	5,936	151,079
2028	36,320	1,960	38,280
2029-2030	37,287	993	38,280
Total	<u>\$ 1,799,332</u>	<u>\$ 104,293</u>	<u>\$ 1,903,625</u>

Fiscal Year	Business-Type Activities		
	Principal Payments	Interest Payments	Total Payments
2024	\$ 9,517	\$ 933	\$ 10,450
2025	9,742	708	10,450
2026	9,973	477	10,450
2027	10,208	242	10,450
Total	<u>\$ 39,440</u>	<u>\$ 2,360</u>	<u>\$ 41,800</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2023

### 8. LONG-TERM DEBT, LEASES, AND SUBSCRIPTIONS (continued)

#### Board of Education

Pertinent information regarding the leases and subscription liabilities is presented below:

<u>Date of Issue</u>	<u>Initial Liability</u>	<u>Purpose</u>	<u>Outstanding Liability Balance 6/30/2023</u>	<u>Asset Value 6/30/2023</u>	<u>Accumulated Amortization 6/30/2023</u>
Various	\$ 1,712,452	The School System entered into 12-year bus contracts with various contractors. Monthly payments range from \$737 to \$1,182. These payments are per allotment (PVA), which is the School System's payment to use the bus. The lease(s) have an interest rate of 5%.	\$ 1,598,200	\$ 3,835,045	\$ 2,376,466
12/31/2020	229,507	The School System entered into a lease agreement for 2 digital presses. There is one yearly payment made of \$64,723. The lease bears an interest rate of 5%.	120,348	294,230	147,115
10/11/2019	324,351	The School System entered into a lease agreement to lease space from the Maryland Theatre. For 2022, the semi-annual payment was \$20,049. This payment increases from year to year. The leases bears an interest rate of 5%.	270,118	358,219	133,337
11/1/2014	30,645	The School System entered into a lease agreement to lease space from N&R Reality. The monthly payment is \$833. The lease bears an interest rate of 5%.	12,873	78,894	68,376
4/1/2022	85,556	The School System entered into a subscription agreement to lease cloud hosting from Tyler Technologies. The yearly payment is \$46,012. The lease bears an interest rate of 5%. (SBITA)	43,821	131,568	54,820
7/1/2020	1,389,068	The School System entered into a subscription agreement to lease Vnware from Dell Marketing. The yearly payment is \$510,077. The lease bears an interest rate of 5%. (SBITA)	948,443	2,318,787	1,391,272
9/22/2021	700,860	The School System entered into a subscription agreement to lease firewall hardware from Skyline. The monthly payment is \$17,011. The lease bears an interest rate of 2.35%. (SBITA)	511,165	857,248	344,517

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2023

### 8. LONG-TERM DEBT, LEASES, AND SUBSCRIPTIONS (continued)

#### Board of Education (continued)

Date of Issue	Initial Liability	Purpose	Outstanding Liability Balance 6/30/2023	Asset Value 6/30/2023	Accumulated Amortization 6/30/2023
6/30/2021	275,046	The School System entered into a subscription agreement to lease instructional software from Power School Holdings. The yearly payment is \$100,999. The lease bears an interest rate of 5%. (SBITA)	187,799	459,138	183,910
7/1/2022	12,089	The School System entered into a subscription agreement to lease legal research platform from Thomas Reuters. The monthly payment is \$361. The lease bears an interest rate of 5%. (SBITA)	8,224	12,089	4,030
2/24/2001	271,239	The School System entered into a subscription agreement to lease cloud security from Hewlett Packard-Aperture. The yearly payment is \$99,601. The lease bears an interest rate of 5%. (SBITA)	185,200	1,473,966	1,317,889
Total Governmental Activities			<u>3,886,191</u>	<u>9,819,184</u>	<u>6,021,732</u>

#### Business-Type Activities

Date of Issue	Initial Liability	Purpose	Outstanding Liability Balance 6/30/2023	Asset Value 6/30/2023	Accumulated Amortization 6/30/2023
1/5/2023	193,629	The School System entered into a subscription agreement to lease food service software from EMS LINQ. The yearly payment is \$41,170. The lease bears an interest rate of 5%. (SBITA)	182,629	193,629	17,211
Total Business-Type Activities			<u>\$ 182,629</u>	<u>\$ 193,629</u>	<u>\$ 17,211</u>

#### Governmental Activities

Year	Principal	Interest	Total
2024	\$ 1,251,261	\$ 171,591	\$ 1,422,852
2025	1,216,870	115,214	1,332,084
2026	402,873	59,910	462,783
2027	282,539	44,785	327,324
2028	213,339	31,945	245,284
2029-2033	519,309	59,406	578,715
	<u>\$ 3,886,191</u>	<u>\$ 482,851</u>	<u>\$ 4,369,042</u>

#### Business-Type Activities

Year	Principal	Interest	Total
2024	\$ 36,642	\$ 4,528	\$ 41,170
2025	33,871	7,299	41,170
2026	35,564	5,606	41,170
2027	37,342	3,828	41,170
2028	39,210	1,960	41,170
	<u>\$ 182,629</u>	<u>\$ 23,221</u>	<u>\$ 205,850</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2023

### 8. LONG-TERM DEBT, LEASES, AND SUBSCRIPTIONS (continued)

#### Regulated Leases

##### 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.



# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2023

### 8. LONG-TERM DEBT, LEASES, AND SUBSCRIPTIONS (continued)

#### Regulated Leases (continued)

##### Primary Government (continued)

During fiscal year 2009, a second amendment to the lease agreement allowed for additional building and improvements valued at \$400,000 and an extension of the lease through December 31, 2042. The addition was capitalized as an asset in the Airport Fund with an estimated useful life of 40 years. Deferred inflow of resources in the amount of \$2,500,000 was recorded in the Airport Fund at the inception of this lease but was adjusted down to \$2,000,000 during year ended 2005, and was to be recognized as rental income over the original 25 year term of the lease. Since the amendments extending the lease term and the additional capitalization of building and improvements, the remaining deferred inflow of resources of \$3,587,724 as of June 30, 2010, will be amortized over 33 years. The terms of the agreement as amended in fiscal year 2009, allow the lessee to use the property for a period of 33 years. The terms of the lease agreement require that the lessee pay the County annual rent of \$5,250 beginning May 1, 2006, with an annual increase of 4% each May 1st thereafter. The lease also requires that the County credit the lessee \$127,500 for the lessee's incurred costs in excavating the site for the addition. The agreement allows an option for the lessee to continue the lease past the 33-year term at a rental payment equal to the fair market rental value of the leased property at that time.

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

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.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2023

### 8. LONG-TERM DEBT, LEASES, AND SUBSCRIPTIONS (continued)

#### Regulated Leases (continued)

##### Primary Government (continued)

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

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

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, 2023

### 8. LONG-TERM DEBT, LEASES, AND SUBSCRIPTIONS (continued)

#### Regulated Leases (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, 2023, rental income for the above leases of \$965,047 was recognized in the Airport Fund.

### 9. 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, 2023, and is capped at 250 hours. The accrual of sick leave is based on payment upon termination of up to 40 hours at the individual rates in effect as of June 30, 2023, plus 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, 2023, was \$4,170,102 and \$1,578,758 respectively. Unused vacation and sick leave will be liquidated by the respective government and enterprise funds where the current employee costs are recorded.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2023

### 9. UNUSED VACATION AND SICK LEAVE (continued)

#### Board of Education

The School System accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned or estimated to be earned by the employee. The accrual of vacation leave is based upon individual salary rates in effect as of June 30. The accrual of sick leave is based on payment upon retirement at rates set forth in the various negotiated agreements. Sick leave is estimated to be earned once an employee has obtained 15 years of service or 55 years of age. Total unpaid vacation and sick leave accrued at June 30, 2023 amounted to \$7,030,085. At June 30, 2023, \$444,345 is considered payable with current resources and is included in accrued liabilities in the governmental fund level financial statements. This amount represents the pending payouts of unused leave owed to employees separated from active service as of the year ended June 30, 2023. 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.

### 10. RETIREMENT PLANS

#### Primary Government

##### *Plan Description*

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

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2023

### 10. RETIREMENT PLANS (continued)

#### Primary Government (continued)

##### *Plan Description* (continued)

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

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

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

The net pension liability by plan is as follows:

Retirement Plan	
Net Pension Liability	\$ 102,929,337
LOSAP Plan	
Net Pension Liability	1,480,214
<b>Total</b>	<u>\$ 104,409,551</u>

##### *Investments*

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

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**Notes to the Financial Statements**

**June 30, 2023**

**10. RETIREMENT PLANS (continued)**

**Primary Government (continued)**

*Investments (continued)*

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

*Funding Policy*

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

All information that follows for the Plan is measured as of June 30, 2023, which is the latest actuarial report available.

*Membership of the Plan*

The membership consisted of the following as of June 30, 2023, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	498
Terminated Plan members entitled to but not yet receiving benefits	63
Active Plan members	<u>806</u>
<b>Total</b>	<u><u>1,367</u></u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2023

### 10. 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, 2023 is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38%	5.3%
International Equity	22%	5.7%
Options / Defensive Equity	15%	4.5%
High Yield	10%	5.0%
Core Fixed Income	13%	1.8%
Cash	2%	0.0%
Inflation		2.3%
<b>Total</b>	100%	

##### *Annual Pension Cost and Net Pension Obligation*

The total pension liability for the current year was determined as part of the June 30, 2023, actuarial valuation using the projected unit credit cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) including inflation, and (b) projected salary increases which vary by participant service. The actuary was using the RP-2014 adjusted Total Dataset with Generational projection using scale MP-2015. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined by the market value of investments.

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**Notes to the Financial Statements  
June 30, 2023**

**10. RETIREMENT PLANS** (continued)

**Primary Government** (continued)

*Net Pension Liability*

The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2023 is as follows:

Total pension liability	\$ 290,228,229
Net position	<u>(187,298,892)</u>
Net pension liability	<u>\$ 102,929,337</u>

Net position as a percentage of total pension liability is 64.54%.

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

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

	<u>1.0% decrease 6.25%</u>	<u>Current rate 7.25%</u>	<u>1.0% increase 8.25%</u>
Net pension liability	<u>\$ 139,544,328</u>	<u>\$ 102,929,337</u>	<u>\$ 72,433,851</u>

*Deferred Outflows of Resources and Deferred Inflows of Resources*

For the year ended June 30, 2023, the County recognized pension expense of \$13,929,210 for the Plan. As of June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 705,506	\$ 1,390,706
Change in assumptions	206,523	-
Net difference between projected and actual investment earnings	<u>6,185,629</u>	<u>-</u>
<b>Total</b>	<u>\$ 7,097,658</u>	<u>\$ 1,390,706</u>



**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**Notes to the Financial Statements  
June 30, 2023**

**10. 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>
2024	\$ 886,218
2025	(117,049)
2026	5,647,557
2027	(707,591)
2028	(2,183)
<b>Total</b>	<u>\$ 5,706,952</u>

**Board of Education**

*Plan Description*

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2023

### 10. RETIREMENT PLANS (continued)

#### Board of Education (continued)

##### *Benefits Provided*

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

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

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2023

### 10. RETIREMENT PLANS (continued)

#### Board of Education (continued)

##### *Benefits Provided* (continued)

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

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

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2023

### 10. RETIREMENT PLANS (continued)

#### **Board of Education** (continued)

#### *Benefits Provided* (continued)

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

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

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements June 30, 2023

### 10. RETIREMENT PLANS (continued)

#### **Board of Education** (continued)

#### *Benefits Provided* (continued)

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

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements  
June 30, 2023

10. RETIREMENT PLANS (continued)

Board of Education (continued)

*Contributions*

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

Beginning in FY2017, the Board pays the normal cost for their teachers in the Teachers Retirement and Pension System while the State contributes on behalf of the Board, the unfunded liability portion of the Board’s annual required contribution to the Teachers’ Retirement and Pension System, which for the year ended June 30, 2023 was \$10,632,865. The State’s contributions on behalf of the Board for the year ended June 30, 2023 was \$15,558,363. The fiscal 2023 contributions made by the State on behalf of the Board have been included as both revenues and expenditures in the general fund in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances and are also included as revenues and expenses in the Statement of Activities.

The Board’s contractually required contribution rate for the Employees’ Retirement and Pension Systems for the year ended June 30, 2023, was 10.48% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Board made its share of the required contributions during the year ended June 30, 2023 of \$2,569,260.

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

As of June 30, 2023, the School System reported a liability for its proportionate share of net pension liability that reflected a reduction for State pension support provided to the School System. The amount recognized by the School System as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the School System were as follows:

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements  
June 30, 2023

10. RETIREMENT PLANS (continued)

Board of Education (continued)

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

	<b>Teachers' Retirement and Pension System</b>	<b>Employees' Retirement and Pension System</b>
School System's proportionate share of net pension liability	\$ -	\$ 19,773,792
State's proportionate share of net position liability associated with the School System	149,545,420	-
<b>Total</b>	<b>\$ 149,545,420</b>	<b>\$ 19,773,792</b>

For the year ended June 30, 2023, the School System recognized pension expense of \$2,778,076. As of June 30, 2023, the School System reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Change in assumptions	\$ 2,204,615	\$ 199,294
Change in proportion	1,153,783	246,033
Net difference between projected and actual investment earnings	-	59,888
Difference between actual and expected experience	-	1,411,699
School System contributions subsequent to the measurement date	2,569,260	-
<b>Total</b>	<b>\$ 5,927,658</b>	<b>\$ 1,916,914</b>

The \$2,569,260 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, 2024.

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**Notes to the Financial Statements  
June 30, 2023**

**10. RETIREMENT PLANS (continued)**

**Board of Education (continued)**

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

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

<u>Years Ended June 30,</u>	<u>Amount</u>
2024	\$ 114,108
2025	125,381
2026	(171,254)
2027	1,482,474
2028	(109,225)
<b>Total</b>	<u>\$ 1,441,484</u>

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

The following presents the net pension liability of the plan, calculated using a discount rate of 6.80% 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 (5.80%) or 1-percentage point higher (7.80%) than the current rate:

	<u>1.0% decrease</u>	<u>Current rate</u>	<u>1.0% increase</u>
	<u>5.80%</u>	<u>6.80%</u>	<u>7.80%</u>
Net pension liability	<u>\$ 30,339,289</u>	<u>\$ 19,773,792</u>	<u>\$ 11,006,878</u>

**11. RISK MANAGEMENT**

**Primary Government**

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



# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2023

### 11. RISK MANAGEMENT (continued)

#### Primary Government (continued)

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

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

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

The liability for estimated claims was determined to be \$1,515,351 which is reflected in the accompanying financial statements as of June 30, 2023. Changes in the claims liability were as follows:

	Years Ended June 30,	
	2023	2022
Liability, beginning of year	\$ 1,282,116	\$ 967,496
Premiums collected and changes in estimates during the year	17,167,609	17,403,876
Claims and administrative costs paid	(16,934,374)	(17,089,256)
Liability, end of year	\$ 1,515,351	\$ 1,282,116

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**Notes to the Financial Statements  
June 30, 2023**

**11. RISK MANAGEMENT (continued)**

**Primary Government (continued)**

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

The County Commissioners have also established a self-insurance plan for Workers’ Compensation claims whereby the County is liable for the first \$650,000 per occurrence. As required by the State of Maryland, \$175,000 in U.S. Treasury Notes is held by the State Workers’ Compensation Commission and is included in investments on the balance sheet. The County extends coverage under this plan to the employees of other governmental and nonprofit agencies. These agencies are charged a “premium”, however the County bears the risk of loss. The liability for estimated claims was determined to be \$1,801,172, which is reflected in the accompanying financial statements as of June 30, 2023. Changes in the claims liability were as follows:

	<b>Years Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
Liability, beginning of year	\$ 974,086	\$ 726,071
Premiums collected and changes in estimates during the year	2,038,956	1,802,653
Claims and administrative costs paid	<u>(1,211,870)</u>	<u>(1,554,638)</u>
Liability, end of year	<u>\$ 1,801,172</u>	<u>\$ 974,086</u>

**Board of Education**

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2023

### 11. RISK MANAGEMENT (continued)

#### Board of Education (continued)

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

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

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

In accordance with the Governmental Accounting Standards Board's Statement No. 10 "*Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*," charges to other funds must be accounted for as revenue by an internal service fund and expenditures/expenses by the other funds. The amounts of these charges were \$45,141,125 for the year ended June 30, 2023.

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**Notes to the Financial Statements  
June 30, 2023**

**11. 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, 2023 and 2022. 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:

	<b>Years Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
Liability, beginning of year	<b>\$ 3,430,059</b>	\$ 3,449,841
Claims and changes in estimates during the year	<b>58,225,833</b>	50,418,684
Claims paid and accrued	<b>(57,453,892)</b>	(50,438,466)
Liability, end of year	<b>\$ 4,202,000</b>	\$ 3,430,059

**12. 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.

**13. SEGMENT INFORMATION**

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements  
June 30, 2023

13. SEGMENT INFORMATION (continued)

	<u>Sewer Department</u>	<u>Pretreatment Department</u>
<b>CONDENSED STATEMENT OF NET POSITION</b>		
<b>ASSETS</b>		
Current assets	\$ 27,712,249	\$ 11,813,053
Noncurrent assets	143,882,195	3,865,310
Total Assets	<u>171,594,444</u>	<u>15,678,363</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	173,131	6,070
<b>LIABILITIES</b>		
Other current liabilities	3,616,598	657,740
Noncurrent liabilities	33,395,480	-
Total Liabilities	<u>37,012,078</u>	<u>657,740</u>
Net Position		
Net investment in capital assets	121,149,230	3,854,247
Unrestricted	1,174,864	(439,357)
Restricted - capital projects	12,431,403	-
<b>Total Net Position</b>	<u>\$ 134,755,497</u>	<u>\$ 3,414,890</u>
<b>CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION</b>		
Operating revenue	\$ 12,213,992	\$ -
Lease income	-	140,749
Operating transfer	-	-
Operating grant	248,755	-
Depreciation expense	(3,276,607)	(183,838)
Other operating expenses	(9,203,181)	(21,019)
<b>Operating income</b>	<u>(17,041)</u>	<u>(64,108)</u>
Non-operating revenue (expenses):		
Interest expense	(794,146)	(13,483)
Interest income	170,695	305,807
Capital contributions	8,641,460	-
<b>Total non-operating revenue (expense)</b>	<u>8,018,009</u>	<u>292,324</u>
Change in Net Position	8,000,968	228,216
Net Position, beginning of year	126,754,529	3,186,674
<b>Net Position, End of Year</b>	<u>\$ 134,755,497</u>	<u>\$ 3,414,890</u>
<b>CONDENSED STATEMENT OF CASH FLOWS</b>		
Net cash provided (used) by:		
Operating activities	\$ 3,259,566	\$ 119,730
Capital and related financing activities	2,603,600	(119,730)
Net change	5,863,166	-
Cash and cash equivalents, beginning of year	18,485,059	-
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 24,348,225</u>	<u>\$ -</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2023

### 14. 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 \$114,951 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, 2023.

The Resh Landfill has reported a landfill post-closure care liability of \$3,359,612 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, 2023.

The Rubble Landfill began operating during August 1995. The estimated cost associated with post-closure care of \$2,202,400 is reported as a liability in the Solid Waste Fund as of June 30, 2023. The Rubble Landfill was closed in December 2000. No current expense was recognized in the Solid Waste Fund for the year ended June 30, 2023.

The 40 West Landfill began operation in fiscal year 2001. The estimated life of the Landfill is based on the average cubic yards used. As of June 30, 2023, the approximate life of the Landfill is 94 years. It is estimated that approximately 24.50% of the capacity has been used. The estimated costs associated with closure and post-closure care of \$11,530,087 was reported as a liability in the Solid Waste Fund as of June 30, 2023. The County will recognize \$47,055,727 of estimated cost associated with the closure and post-closure care as capacity is filled. During the fiscal year 2012 engineering re-designed the cells at 40 West Landfill. This change in estimate increased the airspace by 4 million cubic yards. This change in accounting estimate has no effect on the total estimated cost but will extend the landfill life.

The above estimates are based on estimated current costs to perform all closure and post-closure care. Actual costs may be higher due to inflation, deflation, changes in technology, or changes in applicable laws or regulations. The County is required by state and Federal laws and regulations to meet certain closure and post-closure financial assurance requirements. The County has satisfied these requirements by demonstrating in information submitted by the CFO that they meet the Local Government Financial Test as of June 30, 2023, as specified in 40CFR258.

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**Notes to the Financial Statements  
June 30, 2023**

**15. OTHER POST-RETIREMENT 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 contribute based on a sliding scale as follows:

<u>Years of Service</u>	<u>% of Estimated Cost</u>
35+	10%
25 - 34	20%
15 - 24	30%
10 - 14	40%
0 - 9	50%

The County pays the remaining cost as part of its self-insurance program. Currently, 53 retirees are receiving benefits and 162 employees are retirement eligible. Expenditures for postretirement health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported.

*Investments*

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

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2023

### 15. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

#### Primary Government (continued)

##### *Funding Policy*

The County intends to fund any annual short-fall between OPEB and actual pay-go expense into a legally executed trust fund. The trust fund will be invested as a long-term pension trust, using an appropriately balanced portfolio of equities and debt instruments, to prudently maximize long-term investment returns. The County funded \$320,000 which was the actuarially determined contribution.

##### *Actuarial Methods and Assumptions*

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

##### *Net OPEB Liability (Asset)*

The net OPEB liability (asset) is equal to the total OPEB liability minus the net position of the plan. The result as of June 30, 2023 is as follows:

Total OPEB liability	\$ 19,738,400
Net position	<u>(28,463,584)</u>
Net OPEB liability (asset)	<u>\$ (8,725,184)</u>

Net position as a percentage of total OPEB liability is 144.20%.

##### *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, 2023 is as follows:



COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements  
June 30, 2023

15. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

Primary Government (continued)

Actuarial Methods and Assumptions (continued)

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

In the actuarial valuation for the plan year ending June 30, 2023, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.25% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer’s own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 4.9% initially, reduced by decrements to an ultimate rate of 4%. The actuarial value of assets was determined using a market value of assets valuation method. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percent of payroll. The remaining amortization period as of June 30, 2023, was 15 years.

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

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

	1.0% decrease 6.25%	Current rate 7.25%	1.0% increase 8.25%
Net OPEB liability (asset)	\$ (7,467,864)	\$ (8,725,184)	\$ (9,924,074)

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**Notes to the Financial Statements  
June 30, 2023**

**15. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)**

**Primary Government (continued)**

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

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

	<b>1.0% decrease</b>	<b>Trend rate</b>	<b>1.0% increase</b>
	<b>3.0%</b>	<b>4.0%</b>	<b>5.0%</b>
Net OPEB liability (asset)	<u>\$ (10,611,846)</u>	<u>\$ (8,725,184)</u>	<u>\$ (6,513,833)</u>

For the fiscal year ended June 30, 2023, Washington County Government recognized an OPEB expense of (\$1,753,237). As of June 30, 2023, Washington County Government reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 42,500	\$ 3,800,856
Change in assumptions	-	4,217,905
Net difference between projected and actual investment earnings	609,157	-
<b>Total</b>	<u>\$ 651,657</u>	<u>\$ 8,018,761</u>

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

<b>Years Ended June 30,</b>	<b>Amount</b>
2024	\$ (2,565,758)
2025	(2,729,387)
2026	141,347
2027	(808,976)
2028	(594,397)
Thereafter	(809,933)
<b>Total</b>	<u>\$ (7,367,104)</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2023

### 15. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

#### Board of Education

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

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

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

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

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

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2023

### 15. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

#### **Board of Education** (continued)

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

#### *Contributions*

The School System will contribute the higher of the budgeted pay-go amount or actual pay-go amount to the trust for fiscal year 2023. Because of the sponsor's funding policy, it is anticipated the sponsor's cash requirement will increase as time goes on. For the year ended June 30, 2023 and 2022, the School System's average contribution rate was 10.75% and 10.35%, respectively of covered payroll. Employees are not required to contribute to the plan. Total claims paid on behalf of retirees amounted to \$18,677,202 of which \$3,986,166 was reimbursed through contributions received from retirees for the year ended June 30, 2023. In addition, the School System contributed \$6,000,000 to the MABE Trust for the year ended June 30, 2023. Total claims paid on behalf of retirees amounted to \$16,672,754 of which \$3,869,882 was reimbursed through contributions received from retirees for the year ended June 30, 2022.

#### *Plan Membership*

The School System partially supports the group insurance plan for the retired employees. Eligibility is determined by a point system based on a retiree's age at the date of retirement and the number of years of service with the School System. The School System pays up to a maximum of 85% of the premium of the standard plan, based on the points earned. There were 3,285 active employees and 1,495 inactive employees or beneficiaries currently receiving benefit payments at the June 30, 2022, measurement date.

#### *Investments*

The MABE Trust's policy in regards to the allocation of invested assets is established and may be amended by the Trustees by a majority vote of its members. It is the policy of the Trust to pursue an investment strategy that emphasizes growth of principal while avoiding excess risk. Short-term volatility will be tolerated inasmuch as it is consistent with the volatility of a comparable market index. The MABE Trust's investment policy discourages the use of cash equivalents, except for liquidity purposes and aims to refrain from dramatically shifting asset class allocations over short time span. The following is the MABE Trust's adopted asset allocation policy as of June 30, 2023:

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2023

### 15. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

#### Board of Education (continued)

##### *Investments (continued)*

<u>Asset Class</u>	<u>Target Allocation</u>
U.S. Equity	33.0%
Non U.S. Equity	22.0%
Fixed Income	33.5%
Non U.S. Fixed Income	3.5%
Real Estate	5.0%
Cash	3.0%
Total	<u>100.0%</u>

##### *Rate of Return*

For the year ended June 30, 2023 and 2022, the annual money-weighted rate of return on investments, net of investment expense, was 8.78% and -13.35%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

##### *Investment in External Investment Pool*

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

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

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**Notes to the Financial Statements**

**June 30, 2023**

**15. 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, 2023, were as follows:

Total OPEB liability	\$ 290,076,427
Net position	<u>(113,390,029)</u>
Net OPEB liability	<u>\$ 176,686,398</u>

Plan fiduciary net position as a percentage of the total OPEB liability was 39.09%.

*Actuarial Methods and Assumptions*

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

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

The following presents the net OPEB liability of the Plan, calculated using a discount rate of 5.77% 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 (4.77%) or 1-percentage point higher (6.77%) than the current rate:

	<b>1.0% decrease</b>	<b>Current rate</b>	<b>1.0% increase</b>
	<b>4.77%</b>	<b>5.77%</b>	<b>6.77%</b>
Net OPEB liability (asset)	<u>\$ 225,188,000</u>	<u>\$ 176,686,398</u>	<u>\$ 137,753,000</u>

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

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

	<b>1% decrease</b>	<b>Medical trend</b>	<b>1% increase</b>
	<b>rate</b>	<b>rate</b>	<b>rate</b>
Net OPEB liability (asset)	<u>\$ 130,946,000</u>	<u>\$ 176,686,398</u>	<u>\$ 236,060,000</u>

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2023

### 15. OTHER POSTRETIREMENT EMPLOYEE BENEFITS (continued)

#### Board of Education (continued)

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

### 16. CONTINGENCIES AND COMMITMENTS

#### Primary Government

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

The County Commissioners and the Sheriff of Washington County are defendants in various legal proceedings as of June 30, 2023. 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 Commerce 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, 2023, 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.

The Board of County Commissioners voted to designate \$5 million of the surplus to be used for additional funding for the County's pension plan. However, there is to be further discussion before the contribution will be made.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2023

### 16. CONTINGENCIES AND COMMITMENTS (continued)

#### Board of Education

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

As of June 30, 2023, the School System had entered into various school construction commitments, that will be funded by the State of Maryland or County sources, totaling approximately \$20,843,438 and are included in encumbrances.

As of June 30, 2023, the School System had outstanding purchase orders and contracts of \$31,030,568. These amounts are partially included in assigned fund balance in the appropriate funds.

Current expense fund - unrestricted	\$ 8,452,252
Current expense fund - restricted	17,081,790
Capital projects fund	5,182,307
Food services fund	314,219



**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**Notes to the Financial Statements  
June 30, 2023**

**17. FUND BALANCES**

Fund balances reflected in the governmental funds balance sheet as of June 30, 2023 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	\$ 1,177,633	\$ -	\$ -	\$ 1,177,633
Long-term receivable	60,114	-	-	60,114
Prepaid expenses	246,636	-	-	246,636
Restricted				
Programs and activities	505,509	-	1,327,438	1,832,947
Workers compensation	180,000	-	-	180,000
Capital projects	-	59,852,479	-	59,852,479
Committed				
Contingencies	65,385,003	-	-	65,385,003
Programs and activities	4,135,846	-	2,334,548	6,470,394
Capital projects	-	102,656,673	-	102,656,673
Assigned				
Programs and activities	61,640	-	2,694,074	2,755,714
Unassigned	7,835,390	-	-	7,835,390
<b>Totals</b>	<u>\$ 79,587,771</u>	<u>\$ 162,509,152</u>	<u>\$ 6,356,060</u>	<u>\$ 248,452,983</u>

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**Notes to the Financial Statements  
June 30, 2023**

**18. RETIREMENT PLAN - FIRE AND RESCUE VOLUNTEERS**

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

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

*Investments*

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

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

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements  
June 30, 2023

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

*Investments (continued)*

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2023 is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	38%	5.3%
International Equity	22%	5.7%
Options / Defensive Equity	15%	4.5%
High Yield	10%	4.4%
Core Fixed Income	13%	1.8%
Cash	2%	0.0%
Inflation		2.3%
Total	100%	

*Net pension liability*

The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2023 is as follows:

Total pension liability	\$ 12,877,231
Net position	<u>(11,397,017)</u>
Net pension liability	<u>\$ 1,480,214</u>

Net position as a percentage of total pension liability is 88.51%.

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

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

	<u>1.0% decrease 6.25%</u>	<u>Current rate 7.25%</u>	<u>1.0% increase 8.25%</u>
Net pension liability	<u>\$ 2,985,808</u>	<u>\$ 1,480,214</u>	<u>\$ 224,104</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Notes to the Financial Statements  
June 30, 2023

18. 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, 2023, the County recognized pension expense of \$720,161. As of June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to the length of service award program from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 570,497	\$ 339,395
Change in assumptions	173,334	63,939
Net difference between projected and actual investment earnings	328,016	-
<b>Total</b>	<u>\$ 1,071,847</u>	<u>\$ 403,334</u>

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

<u>Years Ended June 30,</u>	<u>Amount</u>
2024	\$ 297,544
2025	61,394
2026	491,193
2027	(108,205)
2028	(32,716)
Thereafter	(40,697)
<b>Total</b>	<u>\$ 668,513</u>

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**Notes to the Financial Statements  
June 30, 2023**

**19. TAX ABATEMENTS**

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

**Job Creation & Capital Investment Real Property Tax Credit Program**

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

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

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

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

In FY2023, utilization of this program issued a tax credit in the amount of \$2,357.

**New Jobs Tax Credit Program**

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

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

To qualify for the program, a business must:

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Notes to the Financial Statements

June 30, 2023

### 19. TAX ABATEMENTS (continued)

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

In FY2023, there was no utilization of this program.

#### **Pad-Ready Site Commercial Stimulus Program**

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

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

In FY2023, there was immaterial utilization of this program.

### 20. NEW ACCOUNTING PRONOUNCEMENTS

The GASB issued Statement No. 91, Conduit Debt Obligations; Statement No. 94, Public-Private and Public Public Partnerships and Availability Payment Arrangements; Statement No. 96, Subscription-Based Information Technology Arrangements; Statement No. 99, Omnibus 2022; which all took effect during FY 2023. The County implemented all Statements that were applicable and material to the County's financial statements during the fiscal year.

The GASB has issued Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62; and Statement No. 101; Compensated Absences; which will require adoption in the future, if applicable. The County will be analyzing the effects of these pronouncements and plans to adopt them, as applicable, by their effective dates.

**REQUIRED SUPPLEMENTARY INFORMATION**

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# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Schedule of Changes in Net OPEB Liability and Related Ratios June 30, 2023

	2023	2022	2021	2020	2019	2018	2017
<b>Total pension liability</b>							
Service Cost: Retirement benefits Administration	\$ 1,098,881	\$ 713,184	\$ 756,448	\$ 782,686	\$ 983,258	\$ 1,025,563	\$ 954,012
Interest	1,507,241	930,069	961,217	961,904	1,577,724	1,680,908	1,546,680
Changes in benefit terms	-	7,402,719	-	-	-	-	-
Differences between expected and actual experiences	(2,102,227)	56,668	(1,490,139)	(367,885)	(239,377)	(3,216,054)	-
Changes of assumptions	(1,165,828)	-	(53,646)	(838,141)	(9,622,292)	(223,390)	-
Benefit payments	(1,036,443)	(932,146)	(631,096)	(533,287)	(641,700)	(655,923)	(147,184)
<b>Net changes in total OPEB liability</b>	(1,698,376)	8,170,494	(457,216)	5,277	(7,942,387)	(1,388,896)	2,353,508
Total OPEB liability - beginning	21,436,776	13,266,282	13,723,498	13,718,221	21,660,608	23,049,504	20,695,996
Total OPEB liability - ending (a)	\$ 19,738,400	\$ 21,436,776	\$ 13,266,282	\$ 13,723,498	\$ 13,718,221	\$ 21,660,608	\$ 23,049,504
<b>Plan fiduciary net position</b>							
Contributions - employer	\$ -	\$ -	\$ 12,832	\$ 14,879	\$ 641,700	\$ 1,877,923	\$ 1,347,184
Net investment income	2,960,361	(3,405,156)	6,924,233	922,876	1,324,499	1,702,823	1,919,215
Benefit payments	(1,036,443)	(932,146)	(631,096)	(533,287)	(641,700)	(655,923)	(147,184)
Administrative expense	(24,879)	(36,595)	(22,037)	(46,687)	(108,008)	(21,763)	-
<b>Net changes in plan fiduciary net position</b>	1,899,039	(4,373,897)	6,283,932	357,781	1,216,491	2,903,060	3,119,215
Plan fiduciary net positions - beginning	26,564,545	30,938,442	24,654,510	24,296,729	23,080,238	20,177,178	17,057,963
Plan fiduciary net positions - ending (b)	\$ 28,463,584	\$ 26,564,545	\$ 30,938,442	\$ 24,654,510	\$ 24,296,729	\$ 23,080,238	\$ 20,177,178
<b>County's net OPEB - liability - ending (a) - (b)</b>	\$ (8,725,184)	\$ (5,127,769)	\$ (17,672,160)	\$ (10,931,012)	\$ (10,578,508)	\$ (1,419,630)	\$ 2,872,326
Plan fiduciary net position as a percentage of total pension liability	144.20%	123.92%	233.21%	179.65%	177.11%	106.55%	87.54%
Covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Annual money-weighted rate of return, net of investment expense	11.14%	(11.01)%	28.09%	3.80%	5.74%	8.44%	11.25%
Notes to schedule:							
This information is not available for FY16 and prior.							
Benefit changes							
None.							
Change of assumptions							
The discount rate was changed as follows:							
The discount rate changes year-to-year:	7.25%	7.25%	7.25%	7.25%	7.25%	7.50%	7.50%
The medical trend was updated to the latest model released by the SOA.							

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**Schedule of OPEB Trust Fund Employer Contributions  
June 30, 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 320,000	\$ -	\$ -	\$ -	\$ -	\$ 950,000	\$ 1,261,000
Contributions in relation to the actuarially determined contributions	-	-	12,832	14,879	641,700	1,877,923	1,347,184
Contributions deficiency (excess)	<u>\$ 320,000</u>	<u>\$ -</u>	<u>\$ (12,832)</u>	<u>\$ (14,879)</u>	<u>\$ (641,700)</u>	<u>\$ (927,923)</u>	<u>\$ (86,184)</u>
Covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to schedule:

Benefit changes                      None.

Valuation date                      2/1/2023

Changes of assumptions            The healthcare cost trend was updated to the 2022 model released by the SOA.

The decrement assumptions have been updated to occur in the middle of a valuation year rather than in the beginning of a valuation year.

Methods and assumptions used to determine contribution rates:

Valuation Date	2/1/2023
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll
Remaining amortization period	15 years for FYE 2023
Asset valuation method	Market Value of Assets
Investment rate of return	7.25% for FYE 2019 and after, 7.50% for FYE 2017 and 2018
Payroll growth rate	3.00%
Inflation	2.50%
Healthcare cost trend rate	The trend for 2023 is 7.50%. The ultimate trend is 3.94%.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios – General Employees’ Pension Fund June 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>										
Service Cost: Retirement benefits Administration	\$ 8,015,065	\$ 7,446,422	\$ 6,949,190	\$ 7,011,877	\$ 6,564,304	\$ 5,050,740	\$ 4,903,615	\$ 3,124,202	\$ 3,508,850	\$ 6,922,217
Interest	19,503,470	18,464,711	17,648,545	17,001,079	16,190,295	15,612,649	11,595,913	10,745,024	10,252,003	7,708,164
Benefit payments, including refunds of member contributions	(12,581,179)	(12,702,206)	(11,241,936)	(15,048,127)	(9,973,991)	(8,172,571)	(8,860,156)	(7,789,289)	(6,880,888)	(6,004,033)
Changes of benefit terms	-	-	(1,368,197)	(1,937,366)	(299,442)	-	22,002,473	1,358,032	-	-
Differences between expected and actual experiences	(13,093)	1,058,260	-	-	1,239,143	3,555,655	3,657,687	6,532,000	-	-
Changes of assumptions	-	-	-	-	-	-	19,913,151	2,532,160	-	-
<b>Net changes in total pension liability</b>	14,924,263	14,267,187	11,987,602	7,027,463	13,720,309	16,046,473	53,212,683	16,502,129	6,879,965	8,626,348
Total pension liability - beginning	275,303,966	261,036,779	249,049,177	242,021,714	228,301,405	212,254,932	159,042,249	142,540,120	135,660,155	127,033,807
Total pension liability - ending (a)	\$ 290,228,229	\$ 275,303,966	\$ 261,036,779	\$ 249,049,177	\$ 242,021,714	\$ 228,301,405	\$ 212,254,932	\$ 159,042,249	\$ 142,540,120	\$ 135,660,155
<b>Plan fiduciary net position</b>										
Contributions - employer	\$ 13,381,955	\$ 17,370,433	\$ 19,210,540	\$ 12,137,468	\$ 11,825,000	\$ 10,510,000	\$ 7,010,000	\$ 6,621,156	\$ 6,786,549	\$ 6,017,521
Contributions - member	2,795,070	2,667,465	2,527,417	2,183,984	2,119,985	2,094,346	1,955,511	1,873,710	1,871,200	1,876,133
Net investment income	16,656,261	(19,799,377)	37,174,903	5,025,847	6,676,652	9,409,621	10,676,800	628,709	4,747,193	12,817,264
Receipts of In-kind	-	-	-	-	-	-	-	-	220,613	-
Benefit payments, including refunds of member contributions	(12,581,179)	(12,702,206)	(11,241,936)	(15,048,127)	(9,973,991)	(8,172,571)	(8,860,156)	(7,789,289)	(6,880,887)	(6,004,103)
Administrative expense	(168,181)	(142,111)	(138,164)	(172,390)	(175,860)	(150,795)	(130,631)	(98,464)	(604,197)	(238,016)
<b>Net changes in plan fiduciary net position</b>	20,083,926	(12,605,796)	47,532,760	4,126,782	10,471,786	13,690,601	10,651,524	1,235,822	6,140,471	14,468,799
Plan fiduciary net positions - beginning	167,214,966	179,820,762	132,288,002	128,161,220	117,689,434	103,998,833	93,347,309	92,111,487	85,971,016	71,502,217
Plan fiduciary net positions - ending (b)	\$ 187,298,892	\$ 167,214,966	\$ 179,820,762	\$ 132,288,002	\$ 128,161,220	\$ 117,689,434	\$ 103,998,833	\$ 93,347,309	\$ 92,111,487	\$ 85,971,016
<b>County's net pension - liability - ending (a) - (b)</b>	\$ 102,929,337	\$ 108,089,000	\$ 81,216,017	\$ 116,761,175	\$ 113,860,494	\$ 110,611,971	\$ 108,256,099	\$ 65,694,940	\$ 50,428,633	\$ 49,689,139
Plan fiduciary net position as a percentage of total pension liability	64.54%	60.74%	68.89%	53.12%	52.95%	51.55%	49.00%	58.69%	64.62%	63.37%
Covered employee payroll	\$ 45,202,000	\$ 42,021,000	\$ 38,896,000	\$ 39,131,000	\$ 36,785,000	\$ 34,848,986	\$ 33,462,000	\$ 31,662,000	\$ 33,098,009	\$ 35,288,757
Net liability as a percentage of covered payroll	227.71%	257.23%	208.80%	298.39%	309.53%	317.40%	323.52%	207.49%	152.36%	140.81%
Annual money-weighted rate of return, net of investment expense	9.96%	(11.01)%	28.10%	3.92%	5.67%	9.05%	11.44%	0.68%	5.52%	17.93%

Notes to schedule:

This information is not available for FY13 and prior.

Benefit changes: None.

Change of assumptions: None.

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Schedule of General Employees' Pension Fund Employer Contributions June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 11,147,000	\$ 11,148,000	\$ 11,183,000	\$ 10,916,000	\$ 11,819,000	\$ 10,510,000	\$ 7,009,000	\$ 6,621,000	\$ 6,786,549	\$ 6,442,087
Contributions in relation to the actuarially determined contributions	<u>13,382,000</u>	<u>17,370,000</u>	<u>19,210,540</u>	<u>12,137,000</u>	<u>11,825,000</u>	<u>10,510,000</u>	<u>7,010,000</u>	<u>6,621,000</u>	<u>6,786,549</u>	<u>6,017,521</u>
Contributions deficiency (excess)	<u>\$ (2,235,000)</u>	<u>\$ (6,222,000)</u>	<u>\$ (8,027,540)</u>	<u>\$ (1,221,000)</u>	<u>\$ (6,000)</u>	<u>\$ -</u>	<u>\$ (1,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 424,566</u>
Covered employee payroll	\$ 45,202,000	\$ 42,021,000	\$ 38,896,000	\$ 39,131,000	\$ 36,785,000	\$ 34,848,986	\$ 33,462,000	\$ 31,662,000	\$ 33,098,009	\$ 35,288,757
Contributions as a percentage of covered employee payroll	29.60%	41.34%	49.39%	31.02%	32.15%	30.16%	20.95%	20.91%	20.50%	17.05%

Notes to schedule:

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

Methods and assumptions used to determine contribution rates:

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

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios – Length of Service Award Fund June 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>										
Service Cost: Retirement benefits Administration	\$ 235,239	\$ 266,527	\$ 246,501	\$ 237,335	\$ 226,280	\$ 244,565	\$ 234,716	\$ 157,984	\$ 143,037	\$ 147,049
Interest	898,508	863,381	826,896	823,402	707,838	702,309	580,130	968,187	922,814	872,518
Differences between expected and actual experiences	(284,873)	55,878	92,770	(222,174)	925,489	24,530	995,034	(6,285,232)	-	-
Changes of assumptions	-	-	-	(149,195)	343,476	-	356,243	906,099	-	-
Benefit payments, including refunds of member contributions	(729,726)	(672,827)	(653,016)	(629,306)	(588,909)	(555,590)	(518,538)	(490,872)	(461,316)	(431,634)
<b>Net changes in total pension liability</b>	119,148	512,959	513,151	60,062	1,614,174	415,814	1,647,585	(4,743,834)	604,535	587,933
Total pension liability - beginning	12,758,083	12,245,124	11,731,973	11,671,911	10,057,737	9,641,923	7,994,338	12,738,172	12,133,637	11,545,704
Total pension liability - ending (a)	<u>\$ 12,877,231</u>	<u>\$ 12,758,083</u>	<u>\$ 12,245,124</u>	<u>\$ 11,731,973</u>	<u>\$ 11,671,911</u>	<u>\$ 10,057,737</u>	<u>\$ 9,641,923</u>	<u>\$ 7,994,338</u>	<u>\$ 12,738,172</u>	<u>\$ 12,133,637</u>
<b>Plan fiduciary net position</b>										
Contributions - employer	\$ 326,000	\$ 386,634	\$ 564,557	\$ 564,557	\$ 460,000	\$ 600,000	\$ 600,000	\$ -	\$ 600,000	\$ 600,000
Net investment income	1,198,223	(1,574,222)	2,866,396	347,769	503,259	721,822	852,460	55,233	381,511	1,074,025
Receipts of In-kind	-	-	-	-	-	-	-	-	-	15,232
Benefit payments, including refunds of member contributions	(729,726)	(672,827)	(653,016)	(629,306)	(588,909)	(555,590)	(518,538)	(490,872)	(461,316)	(431,634)
Administrative expense	(12,668)	(22,754)	(14,195)	(29,543)	(34,803)	(35,075)	(30,524)	(20,610)	(23,215)	(27,429)
<b>Net changes in plan fiduciary net position</b>	781,829	(1,883,169)	2,763,742	253,477	339,547	731,157	903,398	(456,249)	496,980	1,230,194
Plan fiduciary net positions - beginning	10,615,188	12,498,357	9,734,615	9,481,138	9,141,591	8,410,434	7,507,036	7,963,285	7,466,305	6,236,111
Plan fiduciary net positions - ending (b)	<u>\$ 11,397,017</u>	<u>\$ 10,615,188</u>	<u>\$ 12,498,357</u>	<u>\$ 9,734,615</u>	<u>\$ 9,481,138</u>	<u>\$ 9,141,591</u>	<u>\$ 8,410,434</u>	<u>\$ 7,507,036</u>	<u>\$ 7,963,285</u>	<u>\$ 7,466,305</u>
<b>County's net pension - liability - ending (a) - (b)</b>	\$ 1,480,214	\$ 2,142,895	\$ (253,233)	\$ 1,997,358	\$ 2,190,773	\$ 916,146	\$ 1,231,489	\$ 487,302	\$ 4,774,887	\$ 4,667,332
Plan fiduciary net position as a percentage of total pension liability	88.51%	83.20%	102.07%	82.98%	81.23%	90.89%	87.23%	93.90%	62.52%	61.53%
Covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Annual money-weighted rate of return, net of investment expense	11.29%	(12.60)%	29.45%	3.67%	5.51%	8.58%	11.36%	0.69%	5.11%	17.22%
Notes to schedule:										
Benefit changes	None.	None.								
Change of assumptions	None.	None.								

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Schedule of Volunteer Length of Service Award Fund Employer Contributions June 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 326,000	\$ 387,000	\$ 565,000	\$ 565,000	\$ 455,000	\$ 467,000	\$ 467,000	\$ -	\$ 600,000	\$ 585,843
Contributions in relation to the actuarially determined contributions	326,000	387,000	565,000	565,000	460,000	600,000	600,000	-	600,000	600,000
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ (5,000)	\$ (133,000)	\$ (133,000)	\$ -	\$ -	\$ (14,157)
Covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level Percentage of Payroll
Remaining amortization period	10 to 15 years (closed)
Asset valuation method	Market Value
Inflation	3.00%
Salary increases	None
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Retirement age	Normal retirement age
Mortality	Pub-2010 Safety Retirees Headcount-Weighted Mortality with fully generational projection using scale MP2019

## **COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

### **Combining Statements of Financial Schedules June 30, 2023**

#### **Non-Major Governmental Funds**

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

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

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

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

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

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

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

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

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

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**Combining Statements of Financial Schedules (continued)**  
**June 30, 2023**

**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 snack bar.



COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Balance Sheet – Non-Major Governmental Funds  
As of June 30, 2023

	Grant Management	Cascade Town Centre	Inmate Welfare	Contraband	Agricultural Education Center	Hotel Rental Tax	Gaming	Land Preservation	HEPMPO	Total Non-major Funds
<b>ASSETS</b>										
Cash	\$ 101,773	\$ 825,576	\$ 499,211	\$ 647,095	\$ 44,582	\$ 2,553,145	\$ 2,008,226	\$ 2,931,555	\$ -	\$ 9,611,163
Accounts receivable	-	-	-	-	-	281,125	106,018	-	-	387,143
Interest receivables	-	168	-	-	-	-	-	-	-	168
Leases receivable	-	114,313	-	-	-	-	-	-	-	114,313
Due from other government agencies	191,564	-	-	-	-	-	-	-	272,695	464,259
<b>TOTAL ASSETS</b>	<b>\$ 293,337</b>	<b>\$ 940,057</b>	<b>\$ 499,211</b>	<b>\$ 647,095</b>	<b>\$ 44,582</b>	<b>\$ 2,834,270</b>	<b>\$ 2,114,244</b>	<b>\$ 2,931,555</b>	<b>\$ 272,695</b>	<b>\$ 10,577,046</b>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>LIABILITIES</b>										
Accounts payable	\$ 277,959	\$ -	\$ 33,914	\$ -	\$ 20,303	\$ 415,019	\$ 1,964,306	\$ 33,080	\$ 55,965	\$ 2,800,546
Accrued expenses	5,918	-	957	-	1,135	-	3,401	1,670	41	13,122
Due to other funds	-	-	-	-	-	-	-	-	171,958	171,958
Unearned revenue	-	-	-	-	-	-	-	35,496	-	35,496
Other liabilities	-	-	-	596,144	-	-	-	494,527	-	1,090,671
<b>TOTAL LIABILITIES</b>	<b>283,877</b>	<b>-</b>	<b>34,871</b>	<b>596,144</b>	<b>21,438</b>	<b>415,019</b>	<b>1,967,707</b>	<b>564,773</b>	<b>227,964</b>	<b>4,111,793</b>
<b>Deferred Inflow of Resources</b>										
Leases	-	109,193	-	-	-	-	-	-	-	109,193
<b>Total Deferred Inflow of Resources</b>	<b>-</b>	<b>109,193</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>109,193</b>
<b>FUND BALANCES</b>										
Restricted	-	-	464,340	-	-	-	-	863,098	-	1,327,438
Committed	-	830,864	-	-	-	-	-	1,503,684	-	2,334,548
Assigned	9,460	-	-	50,951	23,144	2,419,251	146,537	-	44,731	2,694,074
<b>TOTAL FUND BALANCES</b>	<b>9,460</b>	<b>830,864</b>	<b>464,340</b>	<b>50,951</b>	<b>23,144</b>	<b>2,419,251</b>	<b>146,537</b>	<b>2,366,782</b>	<b>44,731</b>	<b>6,356,060</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 293,337</b>	<b>\$ 940,057</b>	<b>\$ 499,211</b>	<b>\$ 647,095</b>	<b>\$ 44,582</b>	<b>\$ 2,834,270</b>	<b>\$ 2,114,244</b>	<b>\$ 2,931,555</b>	<b>\$ 272,695</b>	<b>\$ 10,577,046</b>

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, 2023

	Grant Management	Cascade Town Centre	Inmate Welfare	Contraband	Agricultural Education Center	Hotel Rental Tax	Gaming	Land Preservation	HEPMPO	Total Non-major Funds
<b>REVENUE</b>										
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,977,644	\$ -	\$ 223,764	\$ -	\$ 3,201,408
Licenses and permits	-	-	-	-	-	-	2,740,613	-	-	2,740,613
Charges for services	-	-	528,458	-	51,093	-	-	-	-	579,551
Reimbursed expenses	-	-	-	-	2,338	-	-	-	-	2,338
Miscellaneous revenues	-	24,745	141,175	-	-	-	25	-	27,733	193,678
Shared taxes and grants	6,637,451	-	-	-	-	-	-	3,291,349	481,205	10,410,005
<b>TOTAL REVENUE</b>	<b>6,637,451</b>	<b>24,745</b>	<b>669,633</b>	<b>-</b>	<b>53,431</b>	<b>2,977,644</b>	<b>2,740,638</b>	<b>3,515,113</b>	<b>508,938</b>	<b>17,127,593</b>
<b>EXPENDITURES</b>										
Public safety	-	-	609,254	-	-	-	1,271,515	-	-	1,880,769
Parks, recreation and culture	-	-	-	-	280,059	-	-	-	-	280,059
Land preservation	-	-	-	-	-	-	-	4,013,263	-	4,013,263
General operations	207,004	19,670	-	-	-	448,281	194,714	5,919	-	875,588
Community promotion	6,756,117	125,000	-	-	-	1,989,881	1,271,515	-	526,645	10,669,158
<b>TOTAL EXPENDITURES</b>	<b>6,963,121</b>	<b>144,670</b>	<b>609,254</b>	<b>-</b>	<b>280,059</b>	<b>2,438,162</b>	<b>2,737,744</b>	<b>4,019,182</b>	<b>526,645</b>	<b>17,718,837</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>(325,670)</b>	<b>(119,925)</b>	<b>60,379</b>	<b>-</b>	<b>(226,628)</b>	<b>539,482</b>	<b>2,894</b>	<b>(504,069)</b>	<b>(17,707)</b>	<b>(591,244)</b>
<b>OTHER FINANCING SOURCES</b>										
Transfers in	327,280	-	-	-	216,770	-	-	405,919	27,230	977,199
Transfers out	-	-	-	-	-	(46,083)	-	-	-	(46,083)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>327,280</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>216,770</b>	<b>(46,083)</b>	<b>-</b>	<b>405,919</b>	<b>27,230</b>	<b>931,116</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>1,610</b>	<b>(119,925)</b>	<b>60,379</b>	<b>-</b>	<b>(9,858)</b>	<b>493,399</b>	<b>2,894</b>	<b>(98,150)</b>	<b>9,523</b>	<b>339,872</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>7,850</b>	<b>950,789</b>	<b>403,961</b>	<b>50,951</b>	<b>33,002</b>	<b>1,925,852</b>	<b>143,643</b>	<b>2,464,932</b>	<b>35,208</b>	<b>6,016,188</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 9,460</b>	<b>\$ 830,864</b>	<b>\$464,340</b>	<b>\$ 50,951</b>	<b>\$ 23,144</b>	<b>\$ 2,419,251</b>	<b>\$ 146,537</b>	<b>\$ 2,366,782</b>	<b>\$ 44,731</b>	<b>\$ 6,356,060</b>

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**Combining Statement of Net Position – Non-Major Proprietary Funds  
As of June 30, 2023**

	<b>Public Transit Fund</b>	<b>Golf Course Fund</b>	<b>Total Non-Major Funds</b>
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 1,398,578	\$ 862,969	\$ 2,261,547
Accounts receivable	2,061	45,446	47,507
Due from other governmental agencies	634,847	157,427	792,274
Inventories	169,652	45,165	214,817
Other assets	28	10,897	10,925
Total current assets	<u>2,205,166</u>	<u>1,121,904</u>	<u>3,327,070</u>
Noncurrent Assets:			
Projects under construction	-	-	-
Property plant and equipment	10,295,007	5,836,284	16,131,291
Accumulated depreciation	(4,536,476)	(3,350,096)	(7,886,572)
Right-to-use leased equipment	2,820	154,048	156,868
Accumulated amortization	(2,059)	(125,929)	(127,988)
Total noncurrent assets	<u>5,759,292</u>	<u>2,514,307</u>	<u>8,273,599</u>
<b>TOTAL ASSETS</b>	<u>7,964,458</u>	<u>3,636,211</u>	<u>11,600,669</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Leases obligations	710	37,947	38,657
Accounts payable	33,837	73,276	107,113
Accrued expenses	37,052	24,625	61,677
Accrued interest	-	119	119
Compensated absences	88,561	26,910	115,471
Unearned revenue	-	52,524	52,524
Total current liabilities	<u>160,160</u>	<u>215,401</u>	<u>375,561</u>
Noncurrent Liabilities:			
Compensated absences	29,520	8,971	38,491
Lease obligations	-	1,349	1,349
Total noncurrent liabilities	<u>29,520</u>	<u>10,320</u>	<u>39,840</u>
<b>TOTAL LIABILITIES</b>	<u>189,680</u>	<u>225,721</u>	<u>415,401</u>
<b>NET POSITION</b>			
Net investment in capital assets	5,758,582	2,475,011	8,233,593
Unrestricted	2,016,196	935,479	2,951,675
<b>TOTAL NET POSITION</b>	<u>\$ 7,774,778</u>	<u>\$ 3,410,490</u>	<u>\$ 11,185,268</u>

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY**

**Combining Statement of Revenue, Expenses and Changes in Fund Net Position –  
Non-Major Proprietary Funds  
For the Year Ended June 30, 2023**

	<b>Public Transit Fund</b>	<b>Golf Course Fund</b>	<b>Total Non-Major Funds</b>
<b>OPERATING REVENUE</b>			
Charges for services	\$ 280,227	\$ 1,040,933	\$ 1,321,160
Miscellaneous	14,254	19,311	33,565
<b>TOTAL OPERATING REVENUE</b>	<u>294,481</u>	<u>1,060,244</u>	<u>1,354,725</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	1,657,314	531,199	2,188,513
Fringe benefits	650,510	237,579	888,089
Utilities	23,529	51,885	75,414
Insurance	33,231	10,550	43,781
Repairs and maintenance	182,353	121,060	303,413
Supplies	67,567	2,973	70,540
Cost of goods sold	-	111,316	111,316
Contracted services	145,861	6,387	152,248
Rentals and leases	41,197	703	41,900
Other operating	382,124	184,876	567,000
Controllable assets	391	1,263	1,654
Depreciation and amortization	467,384	165,846	633,230
<b>TOTAL OPERATING EXPENSES</b>	<u>3,651,461</u>	<u>1,425,637</u>	<u>5,077,098</u>
<b>OPERATING LOSS</b>	<u>(3,356,980)</u>	<u>(365,393)</u>	<u>(3,722,373)</u>
<b>OTHER INCOME</b>			
Interest, penalties & fees	-	(2,350)	(2,350)
Gain (loss) on disposal of assets	4,173	(1,043)	3,130
<b>TOTAL OTHER INCOME</b>	<u>4,173</u>	<u>(3,393)</u>	<u>780</u>
<b>LOSS BEFORE OPERATING TRANSFERS AND GRANTS</b>	(3,352,807)	(368,786)	(3,721,593)
<b>OPERATING TRANSFERS IN</b>	1,110,380	319,710	1,430,090
<b>GRANTS FOR OPERATIONS</b>	<u>1,899,625</u>	<u>-</u>	<u>1,899,625</u>
<b>LOSS BEFORE CAPITAL TRANSFERS AND GRANTS</b>	(342,802)	(49,076)	(391,878)
<b>CAPITAL TRANSFERS</b>	-	471,505	471,505
<b>GRANTS FOR CAPITAL PROJECTS</b>	<u>2,578,851</u>	<u>157,526</u>	<u>2,736,377</u>
<b>CHANGES IN NET POSITION</b>	2,236,049	579,955	2,816,004
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>5,538,729</u>	<u>2,830,535</u>	<u>8,369,264</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 7,774,778</u>	<u>\$ 3,410,490</u>	<u>\$ 11,185,268</u>

COUNTY COMMISSIONERS OF WASHINGTON COUNTY

Combining Statement of Cash Flows – Non-Major Proprietary Funds  
For the Year Ended June 30, 2023

	Public Transit Fund	Golf Course Fund	Total Non-Major Funds
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 259,884	\$ 928,278	\$ 1,188,162
Payments to suppliers	(879,314)	(478,178)	(1,357,492)
Payments to employees	(2,281,590)	(767,732)	(3,049,322)
<b>Net Cash Used by Operating Activities</b>	<u>(2,901,020)</u>	<u>(317,632)</u>	<u>(3,218,652)</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Operating contributions	<u>3,010,005</u>	<u>319,710</u>	<u>3,329,715</u>
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>3,010,005</u>	<u>319,710</u>	<u>3,329,715</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets	(2,317,949)	(662,063)	(2,980,012)
Gain/(loss) on the sale of assets	-	(1,043)	(1,043)
Principal paid on leases		(58,209)	(58,209)
Interest paid on leases	-	(2,350)	(2,350)
Contribution for capital acquisitions	<u>2,578,851</u>	<u>629,031</u>	<u>3,207,882</u>
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>260,902</u>	<u>(94,634)</u>	<u>166,268</u>
<b>Cash Flows from Investing Activities</b>			
Interest on investments	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash	369,887	(92,556)	277,331
Cash, beginning of year	<u>1,028,691</u>	<u>955,525</u>	<u>1,984,216</u>
<b>Cash, End of Year</b>	<u>\$ 1,398,578</u>	<u>\$ 862,969</u>	<u>\$ 2,261,547</u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>			
Operating loss	\$ (3,356,980)	\$ (365,393)	\$ (3,722,373)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	467,384	165,846	633,230
Changes in assets and liabilities:			
Accounts receivable	(2,061)	(34,615)	(36,676)
Due to/from other government entities	(32,536)	(92,565)	(125,101)
Inventories	22,477	(22,066)	411
Other assets	-	(10,897)	(10,897)
Accounts payable and other liabilities	(25,538)	45,798	20,260
Accrued expenses	15,048	7,690	22,738
Unearned revenue	-	(4,786)	(4,786)
Compensated absences	<u>11,186</u>	<u>(6,644)</u>	<u>4,542</u>
<b>Net Cash Used by Operating Activities</b>	<u>\$ (2,901,020)</u>	<u>\$ (317,632)</u>	<u>\$ (3,218,652)</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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Property Taxes				
Real property tax	\$ 122,128,770	\$ 122,128,770	\$ 123,922,504	\$ 1,793,734
Personal property tax	14,603,570	14,603,570	18,848,775	4,245,205
Property tax interest income	395,000	395,000	384,421	(10,579)
Other property tax	1,065,670	1,065,670	1,036,945	(28,725)
State administrative fees	(550,000)	(550,000)	(562,636)	(12,636)
Property tax discounts and credits	(2,779,880)	(2,779,880)	(2,566,214)	213,666
<b>Total Property Taxes</b>	<b>134,863,130</b>	<b>134,863,130</b>	<b>141,063,795</b>	<b>6,200,665</b>
Other Local Taxes				
Income tax	109,367,510	109,367,510	121,057,937	11,690,427
Admissions and amusement tax	175,000	175,000	498,807	323,807
Recordation tax	7,000,000	7,090,000	9,974,278	2,884,278
Trailer tax	250,000	250,000	218,441	(31,559)
<b>Total Other Local Taxes</b>	<b>116,792,510</b>	<b>116,882,510</b>	<b>131,749,463</b>	<b>14,866,953</b>
Other Revenues				
Licenses and permits	1,267,700	1,267,700	1,598,851	331,151
Court costs and fines	1,439,300	1,439,300	1,235,236	(204,064)
Charges for services	1,311,800	1,311,800	1,566,830	255,030
Reimbursed expenses	1,051,030	1,051,030	1,203,458	152,428
Miscellaneous revenues	427,070	6,929,218	733,272	(6,195,946)
In Kind	-	4,280,080	4,280,080	-
Grant and shared revenues	5,061,590	19,485,966	10,119,529	(9,366,437)
Interest income	600,000	600,000	6,324,575	5,724,575
Highway revenues	2,484,120	2,499,510	2,587,941	88,431
<b>Total Other Revenues</b>	<b>13,642,610</b>	<b>38,864,604</b>	<b>29,649,772</b>	<b>(9,214,832)</b>
<b>TOTAL REVENUE</b>	<b>265,298,250</b>	<b>290,610,244</b>	<b>302,463,030</b>	<b>11,852,786</b>
<b>EXPENDITURES</b>				
<b>General Government</b>				
Legislative				
County Commissioners	376,920	376,920	367,005	9,915
County Clerk	147,960	152,080	157,730	(5,650)
County Administrator	388,020	407,690	397,468	10,222
Public Relations & Marketing	504,590	518,230	523,531	(5,301)
Purchasing	561,520	578,000	578,207	(207)
<b>Total Legislative</b>	<b>1,979,010</b>	<b>2,032,920</b>	<b>2,023,941</b>	<b>8,979</b>
Judicial				
Circuit Court	2,140,650	2,107,946	2,012,230	95,716
Orphan's Court	36,530	36,530	33,556	2,974
State's Attorney	4,224,530	4,204,500	4,136,694	67,806
Sheriff - Judicial	3,496,820	3,686,600	3,596,972	89,628
Sheriff - Process Servers	137,880	140,410	135,229	5,181
Grants	-	1,086,642	628,137	458,505
<b>Total Judicial</b>	<b>10,036,410</b>	<b>11,262,628</b>	<b>10,542,818</b>	<b>719,810</b>

# 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, 2023

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget -
				Positive (Negative)
Election Board	\$ 2,384,260	\$ 2,384,260	\$ 1,846,645	\$ 537,615
Financial Administration				
Budget and Finance	1,755,880	1,802,950	1,737,262	65,688
Independent Auditing	70,000	70,000	65,619	4,381
Treasurer	560,900	589,140	575,393	13,747
Information Technologies	3,410,170	3,335,170	3,142,905	192,265
Total Financial Administration	5,796,950	5,797,260	5,521,179	276,081
County Attorney	804,210	764,210	781,780	(17,570)
Human Resources	1,170,100	1,095,100	963,592	131,508
Planning and Zoning				
Planning and Zoning	1,300,920	1,368,110	1,324,840	43,270
Board of Zoning Appeals	55,740	55,740	57,627	(1,887)
Total Planning and Zoning	1,356,660	1,423,850	1,382,467	41,383
Public Works				
Department of Public Works	263,990	300,030	300,938	(908)
Engineering	2,656,260	2,731,480	2,657,036	74,444
Permits & Inspections	2,712,040	2,796,020	2,695,736	100,284
Buildings, Grounds & Facilities	2,287,850	2,336,440	2,236,466	99,974
Total Public Works	7,920,140	8,163,970	7,890,176	273,794
County Owned Buildings				
Martin Luther King Center	103,280	143,280	108,234	35,046
Administrative Building	319,080	319,080	256,665	62,415
Court House	291,450	291,450	319,010	(27,560)
County Office Building	230,510	230,510	176,820	53,690
Administration Annex	75,500	125,500	133,269	(7,769)
Central Services	131,220	131,220	139,102	(7,882)
Rental Properties	6,020	6,020	999	5,021
Library Maintenance	44,000	603,184	591,586	11,598
Dwyer Center	32,280	32,280	17,369	14,911
Election Board Facility	98,580	98,580	96,661	1,919
Senior Center	11,000	11,000	4,109	6,891
Public Facilities Annex	85,380	85,380	65,263	20,117
Total County Owned Buildings	1,428,300	2,077,484	1,909,087	168,397
Community Promotion				
Contributions to Non-profits	1,869,960	5,084,692	5,082,672	2,020
Business Development	749,760	767,300	707,951	59,349
Grants	-	9,197,842	2,163,527	7,034,315
Total Community Promotion	2,619,720	15,049,834	7,954,150	7,095,684
<b>Total General Government</b>	<b>35,495,760</b>	<b>50,051,516</b>	<b>40,815,835</b>	<b>9,235,681</b>



# 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, 2023

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>Public Safety</b>				
Sheriff Departments				
Patrol	\$ 14,577,540	\$ 15,070,330	\$ 14,745,580	\$ 324,750
Sheriff Auxiliary	50,000	50,000	96,150	(46,150)
Narcotics Task Force	1,051,310	1,062,540	928,494	134,046
Wash. County Police Academy	59,840	59,840	33,374	26,466
Grants	-	861,894	607,363	254,531
Total Sheriff Departments	15,738,690	17,104,604	16,410,961	693,643
Fire Operations				
Volunteer Fire and Rescue - County Grants	10,389,690	10,393,080	11,396,979	(1,003,899)
EMS Operations	2,723,800	2,633,800	2,683,404	(49,604)
Fire Operations	5,292,030	5,661,470	5,881,968	(220,498)
Air Unit	32,350	32,350	36,065	(3,715)
Special Operations	233,870	234,600	212,619	21,981
Total Fire and Rescue Services	18,671,740	18,955,300	20,211,035	(1,255,735)
Corrections				
Detention Center	18,706,300	19,634,540	19,493,760	140,780
Central Booking	1,342,890	1,409,000	1,418,551	(9,551)
Day Reporting Center	492,280	500,170	476,794	23,376
Total Corrections	20,541,470	21,543,710	21,389,105	154,605
Other Public Safety				
911 - Communications	6,275,630	6,291,142	5,731,784	559,358
Wireless Communications	1,466,020	1,466,020	1,455,578	10,442
Emergency Management	229,650	276,676	232,206	44,470
Public Safety Training Center	750,140	768,200	752,162	16,038
Forensic Investigator	30,000	30,000	23,420	6,580
Civil Air Patrol	4,000	4,000	4,000	-
Animal Control	1,486,920	1,736,920	1,736,920	-
Grants	-	3,277,991	1,142,914	2,135,077
Other Public Safety	10,242,360	13,850,949	11,078,984	2,771,965
<b>Total Public Safety</b>	65,194,260	71,454,563	69,090,085	2,364,478
<b>Health</b>	2,339,270	3,027,814	3,027,814	-
<b>Social Services</b>	506,330	506,330	506,330	-
<b>Education</b>	119,105,650	119,105,650	119,105,650	-
<b>Parks, Recreation, and Culture</b>				
Free Library	3,375,710	4,760,158	4,760,158	-
Martin L. Snook Park Pool	159,310	159,310	147,835	11,475
Parks and Recreation	1,521,210	1,560,640	1,594,576	(33,936)
<b>Total Parks, Recreation, and Culture</b>	5,056,230	6,480,108	6,502,569	(22,461)

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, 2023

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>Conservation of Natural Resources</b>				
Weed Control	\$ 317,510	\$ 323,290	\$ 266,786	\$ 56,504
Agricultural Extension Service	264,180	264,180	264,180	-
Cooperative Extension	38,730	38,730	38,730	-
Soil Conservation Service	355,090	355,090	355,090	-
Environmental Pest Management	45,500	98,000	88,186	9,814
<b>Total Conservation of Natural Resources</b>	<u>1,021,010</u>	<u>1,079,290</u>	<u>1,012,972</u>	<u>66,318</u>
<b>Highway</b>	<u>11,769,470</u>	<u>11,784,860</u>	<u>10,168,723</u>	<u>1,616,137</u>
<b>General Operations</b>	<u>546,720</u>	<u>1,761,031</u>	<u>2,645,480</u>	<u>(884,449)</u>
<b>Unallocated Employee Insurance and Benefits</b>	<u>870,370</u>	<u>870,370</u>	<u>(1,079,059)</u>	<u>1,949,429</u>
<b>Intergovernmental</b>				
Golf Course operating transfer	319,710	319,710	319,710	-
HEPMPO operating transfer	5,700	5,700	5,700	-
Land Preservation operating transfer	41,380	41,380	5,919	35,461
Utility Administration operating transfer	517,110	530,450	476,163	54,287
Water operating transfer	230,040	230,040	230,040	-
Public Transit operating transfer	1,052,540	1,131,910	1,131,910	-
Capital Projects operating transfer	4,928,000	4,964,702	25,688,580	(20,723,878)
Solid Waste operating transfer	450,000	1,402,230	450,000	952,230
Grants Management operating transfer	313,390	327,280	327,280	-
Agricultural Education Center operating transfer	216,770	216,770	216,770	-
Municipality in lieu of bank shares	38,550	38,550	38,543	7
<b>Total Intergovernmental</b>	<u>8,113,190</u>	<u>9,208,722</u>	<u>28,890,615</u>	<u>(19,681,893)</u>
<b>Billables</b>	<u>-</u>	<u>-</u>	<u>345,145</u>	<u>(345,145)</u>
<b>Debt Service</b>	<u>15,279,990</u>	<u>15,279,990</u>	<u>15,210,802</u>	<u>69,188</u>
<b>TOTAL EXPENDITURES</b>	<u>265,298,250</u>	<u>290,610,244</u>	<u>296,242,961</u>	<u>(5,632,717)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,220,069</u>	<u>\$ 6,220,069</u>
<b>FUND BALANCE - BEGINNING</b>			<u>73,367,702</u>	
<b>FUND BALANCE - ENDING</b>			<u>\$ 79,587,771</u>	

**OTHER SCHEDULE**

# COUNTY COMMISSIONERS OF WASHINGTON COUNTY

## Local Management Board – Schedule of Revenue and Expenditures – Regulatory Basis For the Year Ended June 30, 2023

### REVENUE

Community Partnership Agreement (CPA)	
Governor's Office for Children	\$829,673
Non- Community Partnership Agreement (Non-CPA)	
General Fund	327,280
Md State Department of Aging	17,947
Md State Department of Education	484,406
Dept. of Housing and Community Development	5,305,425
Total Non-Community Partnership Agreement Revenue	<u>6,135,058</u>

### TOTAL REVENUE

6,964,731

### EXPENDITURES

Community Partnership Agreement (CPA)	
Administrative :	
Salaries	76,567
Benefit Costs	40,965
Small office equipment	-
Office supplies	535
Printing expenses	-
Travel Expenses	-
Software	1,999
Controllable Assets	-
Total CPA Administrative Expenditures	<u>120,066</u>
Programs:	
GOCCP Planning Grant	-
Western MC Disconnected Youth	50,687
GOC-School Based Mental Health	332,409
Family Centered Support Services	105,800
IACM for Children of Incarcerated Parents	81,471
GOC - Local Care Team Coordinator	26,987
GOC - WC Reengagement Center for Disconnected Youth	110,918
Total CPA Program Expenditures	<u>708,272</u>

### Non-Community Partnership Agreement (CPA)

Administrative:	
Salaries	126,129
Benefit Costs	75,079
Advertising	321
Community Service Awards	300
Dues & Subscriptions	274
Small office equipment	-
Office Supplies	1,065
Other Miscellaneous	-
Personal Mileage	-
Postage	-
Printing Expenses	-
Travel Expenses	-
Entertainment/business expense	270
Contracted/Purchased services	-
Software	-
Training	2,633
Seminars/Conventions	20
Copy Machine Rental	914
Telephone Expenses	-
Water	-
Controllable Assets	-
Total Non-CPA Administrative Expenditures	<u>207,005</u>
Programs:	
School Based Mental Health	120,000
Commission on Aging	17,947
MSDE - Healthy Families	484,406
Dept. of Housing and Community Development	5,305,425
Total Non-CPA Program Expenditures	<u>5,927,778</u>

### TOTAL EXPENDITURES

6,963,121

### EXCESS OF REVENUE OVER EXPENDITURES

\$ 1,610

**PROPOSED FORM OF OPINION OF BOND COUNSEL  
WITH RESPECT TO THE BONDS**

[Date of Issuance]

County Commissioners of Washington County  
Hagerstown, Maryland

Dear County Commissioners:

We have acted as bond counsel to County Commissioners of Washington County (the “County”) in connection with the issuance of its \$20,285,000 County Commissioners of Washington County Public Improvement and Refunding Bonds of 2024 (the “Bonds”), dated the date hereof. All capitalized terms not defined herein shall have the meanings set forth in the Bonds.

We have examined the law and such certified proceedings and other materials as we deem necessary to render the opinions set forth below. The scope of our engagement as bond counsel extends solely to an examination of the facts and law incident to rendering the opinions specifically expressed herein.

As to questions of fact material to our opinion letter, we have relied upon the certified proceedings of the County and certifications by public officials, without undertaking to verify the same by independent investigation.

We have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities, and we have not independently verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

We have assumed the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photocopies and the authenticity of the originals of such latter documents.

This opinion letter does not constitute or imply a recommendation of the market or financial value of the Bonds or an assessment of the strength or appropriateness of the covenants by the County, the possibility of default, the eligibility or suitability of the Bonds as an investment, or any other legal or financial aspect of the Bonds not expressly addressed herein.

We do not express any opinion herein regarding any law other than the law of the State of Maryland (the “State”) and the federal law of the United States of America.

With respect to the executed and authenticated Bond of the issue of Bonds that we have examined, and Bonds similarly executed and authenticated and identical thereto in form, except for numbers, interest rates, denominations, maturities and CUSIP numbers, we are of the opinion that, under existing Maryland and federal law as of the date hereof:

(a) The Bonds are valid and legally binding general obligations of the County to which its full faith and credit and taxing power are pledged, and for the payment of which the County is empowered and directed to levy ad valorem taxes unlimited as to rate and amount upon all legally assessable property subject to assessment for unlimited taxation in Washington County.

(b) To provide for the payment of the principal of and interest on the Bonds, the County, by the adoption of the Resolution, has covenanted to levy ad valorem taxes in rate and amount sufficient for that purpose in each fiscal year in which provision must be made for the payment of such principal and interest.

(c) By the terms of the Act, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom (including any profit made in the sale thereof) shall be at all times exempt from State, county, municipal or other taxation of every kind and nature whatsoever in the State, but no opinion is expressed as to estate or inheritance taxes, or to any other taxes not levied or assessed directly on the Bonds, their transfer, the interest thereon or the income therefrom.

(d) Under existing statutes, regulations and decisions, and assuming the accuracy of certifications of the County, interest on the Bonds is excludable from gross income for purposes of federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds is not includable in the alternative minimum taxable income of individuals as an enumerated item of tax preference or other specific adjustment. Interest on the Bonds will be part of adjusted financial statement income, fifteen percent of which is included in the computation of the corporate alternative minimum tax imposed on applicable corporations. Interest on the Bonds held by foreign corporations engaged in a trade or business in the United States may be subject to the branch profits tax imposed by the Code.

The opinions set forth in this paragraph (d) are subject to the condition that the County complies with all requirements that must be satisfied subsequent to the issuance of the Bonds so that interest on the Bonds continues to be excluded from gross income for federal income tax purposes. The County has covenanted and agreed to comply with each such requirement in its Tax Certificate and Compliance Agreement of even date herewith (the "Tax Certificate"). Failure to comply with certain requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We assume no responsibility for, and will not monitor, compliance by the County with the covenants and agreements contained in the Tax Certificate. In the event of noncompliance with such covenants and agreements, available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent the interest on the Bonds from becoming includable in gross income for federal income tax purposes.

Other than as set forth in the preceding paragraphs (c) and (d), we express no opinion regarding the federal or State income tax consequences arising with respect to the Bonds.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity. In addition, the rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to the valid exercise of constitutional powers of the United States of America and of the sovereign police and taxing powers of the State of Maryland or other governmental units having jurisdiction.

Our services as bond counsel have been limited to rendering the specific opinions expressed above based on our review of such information and proceedings as we deem necessary to opine as to the validity of the Bonds and the tax status of the interest payable on the Bonds as of their date of issuance. We have not been engaged and have not undertaken to express an opinion as to the accuracy, completeness or sufficiency of the Official Statement or other material relating to the Bonds and, accordingly, we express no opinion as to the accuracy, completeness or sufficiency of any such information that may have been relied upon by any person in making a decision to purchase the Bonds.

The opinions expressed above are limited to the matters set forth above, and no other opinions should be inferred beyond the matters expressly stated. This opinion letter is given as of its date and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

## NOTICE OF SALE

**WASHINGTON COUNTY, MARYLAND**  
**(County Commissioners of Washington County)**

**\$25,455,000\* PUBLIC IMPROVEMENT AND REFUNDING BONDS OF 2024**

**(Full Faith and Credit Obligations of the  
County Commissioners of Washington County)**

**Dated Date of Delivery**

**DTC Book-Entry**

**Overview and Amortization**

Electronic bids only will be received via the applicable service of BidCOMP/Parity@/www.i-dealprospectus.com (as applicable, "Parity") on behalf of County Commissioners of Washington County (the "County") by the Chief Financial Officer of the County (the "CFO") on Wednesday, May 29, 2024 until 10:15 a.m. prevailing eastern time ("Eastern Time"), unless postponed as described in this Notice of Sale (in either such case, the "Bid Date") for the purchase of all (but not less than all) of the County's Public Improvement and Refunding Bonds of 2024 (the "Bonds"). The Bonds will be dated their date of delivery. Interest on the Bonds will be payable on January 1, 2025 and semiannually thereafter on July 1 and January 1 until maturity or earlier redemption.

The Bonds are issued under the provisions of Chapter 392 of the Laws of Maryland of 2007 ("Chapter 392"), Chapter 99 of the Laws of Maryland of 2018, Title 6 of the Code of Public Local Laws of Washington County, Maryland (2019 Edition) (the "Water and Sewer Act"), and Section 19-207 of the Local Government Article of the Annotated Code of Maryland (the "Refunding Act"), each as amended as applicable. The Bonds are issued in accordance with Resolution No. RS-2024-12 adopted by the Board of County Commissioners of Washington County (the "Board") on May 7, 2024.

***In the event the County determines not to refund any of the 2013 Bonds or the 2014 Bonds identified below under "Purposes of Issue," Chapter 392 and the Refunding Act will not serve as authority for the issuance of the Bonds and the Bonds as issued shall be designated as the "Public Improvement Bonds of 2024."***

Manufacturers and Traders Trust Company, Baltimore, Maryland and Buffalo, New York, will act as the Bond Registrar and Paying Agent for the Bonds.

***On or prior to the Bid Date, the County may determine not to issue the Bonds for the purpose of refunding any of the outstanding 2013 Bonds or the outstanding 2014 Bonds. Any such determination will be communicated via Parity or TM3 News Service (www.tm3.com) ("TM3") as described below under "Amendment and Postponement." If the County so determines not to issue the Bonds for refunding purposes, references in this official Notice of Sale to the Bonds being issued for refunding purposes shall be disregarded.***

The Bonds will be subject to principal amortization either through serial maturities or mandatory sinking fund redemptions or a combination thereof (see "Serial and/or Term Bonds" below) on July 1 in the years and principal amounts set forth below (the "Preliminary Amounts"), subject to the provisions of "Adjustments to Principal Amounts" herein:

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\*Preliminary, subject to change

<u>Maturing July 1*</u>	<u>Principal Amount*</u>	<u>Maturing July 1*</u>	<u>Principal Amount*</u>
2025	\$ 1,455,000	2035	\$ 605,000
2026	1,545,000	2036	635,000
2027	1,635,000	2037	670,000
2028	1,715,000	2038	710,000
2029	1,800,000	2039	740,000
2030	1,905,000	2040	775,000
2031	2,000,000	2041	805,000
2032	2,100,000	2042	840,000
2033	2,215,000	2043	875,000
2034	1,520,000	2044	910,000

\*Preliminary, subject to change

### Adjustments to Principal Amounts

Pre-sale, the County reserves the right to change the Preliminary Amounts from time to time up until 9:30 a.m. Eastern Time on the Bid Date, by changing the original aggregate principal amount of the Bonds and/or by changing or eliminating the original aggregate principal amount of one or more of the maturities of the Bonds, including (without limitation), because the County has reduced the original aggregate principal amount of the Bonds to be issued for any particular project or has determined not to use Bonds proceeds to fund a particular project. Should a revision to the original aggregate principal amount of the Bonds and/or the principal amortization schedule for the Bonds be made (the "Revised Amounts"), such revision will be published on Parity or TM3 News Service ([www.tm3.com](http://www.tm3.com)) ("TM3") not later than 9:30 a.m. Eastern Time on the Bid Date. In the event that no revisions are made or that such revisions are not published on Parity or TM3 before 9:30 a.m. Eastern Time on the Bid Date, the Preliminary Amounts will constitute the Revised Amounts. Bidders shall submit bids based on the Revised Amounts and the Revised Amounts will be used to compare bids for the Bonds and to select a winning bidder for the Bonds.

After selecting the winning bid for the Bonds, the maturity schedule for the Bonds may be adjusted as necessary in the determination of the County's financial advisor in increments of \$5,000. Any adjustments pursuant to this paragraph will not increase or reduce the Revised Amounts by more than 15% of the amount of the winning bid. The dollar amount bid for the Revised Amounts of the Bonds by the successful bidder will be adjusted proportionately to reflect any reduction or increase in the original aggregate principal amount of the Bonds, but the coupon rates specified by the successful bidder for all maturities of the Bonds will not change. Any such maturity schedule adjustments will be communicated to the successful bidder for the Bonds within six hours of the deadline for submitting bids. Any such adjusted bid price will reflect changes in the dollar amount of the underwriter's discount and original issue discount or premium, if any, but will not change the underwriter's discount per \$1,000 of par amount of the Bonds from the underwriter's discount that would have been received based on the purchase price in the winning bid, the coupon rates or the initial offering prices (as defined herein) specified by the successful bidder. **The successful bidder for the Bonds as so adjusted may not withdraw its bid or change the interest rates bid or initial offering prices as a result of any changes made to the principal amounts of the Bonds within these limits.** ALL BIDS SHALL REMAIN FIRM UNTIL 5:00 P.M. EASTERN TIME.



## **Serial Bonds and/or Term Bonds**

A bidder for the Bonds may designate in its bid two or more consecutive principal amounts of the Revised Amounts as a term bond, which matures on the maturity date of the last included principal amount of the sequence. More than one such sequence of principal amounts of the Revised Amounts for the Bonds may be designated as term bonds. Any term bond so designated shall be subject to mandatory redemption in each year on the principal payment dates and in the entire amount of each serial maturity designated for inclusion in such term bond (as such principal amounts may be adjusted as described in “Adjustments to Principal Amounts” above).

## **Purposes of Issue**

A portion of the Bonds are being issued to provide financing for costs of certain infrastructure projects, education projects, public safety projects and environmental projects and for certain costs of issuance of the Bonds. A portion of the Bonds are being issued to currently refund all or a portion of the outstanding maturities of the County’s Public Improvement Bonds of 2013 (the “2013 Bonds”) and Public Improvement Bonds of 2014 (the “2014 Bonds”) that mature on or after July 1, 2025. The specific full or partial maturities of the 2013 Bonds and 2014 Bonds to be refunded, if any, will be determined upon any award of the sale of the Bonds. A portion of the costs of such new money projects and certain costs of issuance of the Bonds will be paid by the County from other available funds.

## **Bid Specifications**

Each bidder for the Bonds shall submit one bid on an “all or none” basis. Each bid must specify the amount bid for the Bonds, which amount may not be less than 100% of par or greater than 115% of par. Each bid for the Bonds must specify in multiples of one-eighth ( $\frac{1}{8}$ ) or one-twentieth ( $\frac{1}{20}$ ) of one percent (1%) the rate or rates of interest per annum that the Bonds are to bear but shall not specify (a) more than one interest rate for any Bonds having the same maturity, (b) a zero rate of interest, (c) any interest rate for any Bonds that exceeds the interest rate stated in such bid for any other Bonds by more than 300 basis points, or (d) any interest rate greater than five percent (5%).

## **Electronic Bids Only**

Bids must be submitted by electronic bidding via Parity, in the manner described below, and must be submitted on the Bid Date by 10:15 a.m. Eastern Time. No bid for the Bonds will be accepted after the specified time for receiving bids. To the extent any instructions or directions set forth in Parity conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about Parity, potential bidders may contact Parity at (212) 849-5021.

## **Disclaimer**

Each prospective electronic bidder shall be solely responsible to submit its bid via Parity as described above. Each prospective electronic bidder shall be solely responsible to make necessary arrangements to access Parity for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the County nor Parity shall have any duty or obligation to provide or assure access to Parity to any prospective bidder, and neither the County nor Parity shall be responsible for proper operation of or have any liability for any delays or interruptions of, or any damages caused by Parity. The County is using Parity as a communication mechanism, and not as the County’s agent, to conduct the electronic bidding for the Bonds. The County is not bound by any advice and determination of Parity to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the bid parameters specified in this Notice of Sale. All costs and expenses incurred by prospective bidders in connection with their submission of bids via Parity are the sole responsibility of the bidders; and the County is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying, or withdrawing a bid for the Bonds, such bidder should telephone Parity at (212) 849-5021 and notify the County’s financial advisor, Davenport & Company LLC, by facsimile at (866) 932-6660 and by telephone at (410) 296-9426.

## **Electronic Bidding Procedures**

Electronic bids must be submitted for the purchase of the Bonds via Parity. The deadline for submitting bids via Parity on the Bid Date is 10:15 a.m. Eastern Time. Prior to that time, a prospective bidder may (1) submit the proposed terms of its bid via Parity, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds, or (3) withdraw its proposed bid. Once the deadline for submitting bids for the Bonds occurs, each bid therefor will constitute an irrevocable offer to purchase the Bonds on the terms therein provided, subject to this Notice of Sale. The County shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, Parity, the use of such facilities being the sole risk of the prospective bidder. **For purposes of the electronic bidding process, the time as maintained on Parity shall constitute the Eastern Time.**

If any provision of this Notice of Sale shall conflict with the information provided by Parity as the approved provider of electronic bidding services, this Notice of Sale shall control.

## **Basis of Award**

Bids will be communicated electronically on the Bid Date at 10:15 a.m. Eastern Time. Any award of the Bonds will be made on behalf of the County by the CFO. The successful bidder for the Bonds will be determined based on the lowest interest cost to the County. The lowest interest cost for the Bonds shall be determined in accordance with the true interest cost ("TIC") method by doubling the semiannual interest rate (compounded semi-annually) necessary to discount the debt service payments from the payment dates to the date of the Bonds and to the price bid. If two or more bidders offer to purchase the Bonds at the same lowest interest cost, then such award will be made to the bidder offering the highest purchase price. If two or more bidders offer to purchase the Bonds at the same lowest interest cost, with the same purchase price, the County shall have the right to award all of the Bonds to one bidder. The CFO will execute and deliver an order of award after the apparent successful bidder for the Bonds pays the Good Faith Deposit provided for herein by federal funds wire transfer (see "Good Faith Deposit and Award" below). Notwithstanding the foregoing, the County, by the CFO, reserves the right to reject any and all bids for the Bonds and to waive any informality or irregularity in any bid, and the judgment of the CFO with respect to such matters shall be final and binding upon all bidders with respect to the form and adequacy of any bid received for the Bonds and as to its conformity to the terms of this Notice of Sale or with respect to the determination to reject any and all bids for the Bonds.

## **Good Faith Deposit and Award**

The apparent successful bidder for the Bonds shall submit a good faith deposit in the amount of \$254,550 (the "Good Faith Deposit") as provided below. The Good Faith Deposit will secure the County from any loss resulting from the failure of the apparent successful bidder to comply with the terms of its bid. The apparent successful bidder for the Bonds shall transfer the Good Faith Deposit by wire transfer directly to the County upon notification of identification of the apparent successful bidder, but in any case, no later than 3:00 p.m. Eastern Time on the Bid Date (the "Deposit Deadline"). Wire instructions will be provided to the apparent successful bidder for the Bonds by the County's financial advisor upon verification of bids submitted, identification of the apparent successful bidder for the Bonds and prior to the Deposit Deadline.

The apparent successful bidder for the Bonds will provide as quickly as it is available evidence of the wire transfer to the County's financial advisor by providing to the County's financial advisor the federal funds reference number. Notification of the award of the Bonds, if made, will be indicated on Parity and shall not be made until after the County's financial advisor has confirmation of receipt of the Good Faith Deposit. If the apparent successful bidder fails to so deliver the Good Faith Deposit by the Deposit Deadline, the County will have the option to not award the Bonds without any liability to the apparent successful bidder and the apparent successful bidder shall be responsible to the County for all consequential damages arising from such failure. Formal award of the Bonds, if made, will be made by 5:00 p.m. on the Bid Date.

At the time of delivery of the Bonds, the Good Faith Deposit will be applied against the purchase price for the Bonds or will be retained as liquidated damages upon the failure of the successful bidder to take and pay for the Bonds in accordance with the terms of its bid. The successful bidder for the Bonds shall have no right in or to the Good Faith Deposit if it fails to complete the purchase of, and payment in full of, the Bonds for any reason whatsoever, unless such failure of performance shall be caused by an act or omission of the County. No interest will be paid upon the Good Faith Deposit to the successful bidder. Notwithstanding the foregoing, should the successful bidder fail to pay for the Bonds at the price and on the date agreed upon, the County retains the right to seek further compensation for damages sustained as a result of the successful bidder so doing.

If the original aggregate principal amount of the Bonds is adjusted as described above under “Adjustments to Principal Amounts”, no adjustment will be made to the Good Faith Deposit.

### **Establishment of Issue Price for the Bonds**

The County expects and intends that the provisions of U.S. Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purpose of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds because (i) the County will disseminate this Notice of Sale to potential underwriters (as defined below) in a manner that is reasonably designed to reach potential underwriters, (ii) all bidders will have an equal opportunity to bid, (iii) the County may receive bids from at least three underwriters of municipal bonds that have established industry reputations for underwriting new issuances of municipal bonds, and (iv) the County anticipates awarding the sale of the Bonds to the bidder that submits a firm offer to purchase the Bonds at the lowest possible TIC, as set forth herein. If such competitive sale requirements are met, the successful bid for the Bonds will be treated as a “Qualified Competitive Bid”. If the competitive sale requirements are not met, the successful bid for the Bonds will be treated as a “Nonqualified Competitive Bid”. **It is noted that the procedures for a Nonqualified Competitive Bid may require the winning bidder and, if applicable, other underwriters of the Bonds, to hold the initial offering prices of the Bonds for some or all maturities of the Bonds for up to five (5) business days after the sale date (as defined below), as further specified below.**

By submitting a bid, each bidder (i) confirms that it was not given the opportunity to review other bids prior to submitting its bid, (ii) confirms that its bid is a firm offer for the purchase of the Bonds, on the terms set forth in its bid and this Notice of Sale (as this Notice of Sale may be modified in accordance with its terms), except as permitted by this Notice of Sale, and (iii) represents that it has an established industry reputation for underwriting new issuances of municipal bonds.

The County will advise the apparent successful bidder as promptly as possible after bids are received whether its bid constitutes a Qualified Competitive Bid or a Nonqualified Competitive Bid.

If the apparent successful bid is a Qualified Competitive Bid, as promptly as possible after bids are received, the County will notify the apparent successful bidder and such bidder, upon such notice, shall advise the County of the reasonably expected initial offering price to the public (as defined below) of each maturity of the Bonds.

If the apparent successful bid is a Nonqualified Competitive Bid, the County shall treat (i) the first price at which 10% of a maturity of the Bonds (the “10% test”) is sold to the public as of the date and time of award of the Bonds as the issue price of that maturity, if applicable, and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the “hold-the-offering-price rule”), in each case applied on a maturity-by-maturity basis. If the apparent successful bid is a Nonqualified Competitive Bid, the successful bidder shall advise the County if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds. Any maturity of the Bonds as to which the successful bidder has not so advised the County that the 10% test has been satisfied as of the date and time of award of the Bonds shall be subject to the hold-the-offering-price rule. Bids will not be subject to cancellation if the hold-the-offering-price rule applies to any maturity of the Bonds. **Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Bonds.**

By submitting a bid, the successful bidder shall (i) confirm that the underwriters have offered or will offer to sell the Bonds to the public on or before the date of sale at the offering price or prices (the “initial offering prices”), or at the corresponding yield or yields, set forth in the bid submitted by the successful bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following: (1) the close of fifth (5<sup>th</sup>) business day after the sale date or (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price for that maturity to the public, if that occurs prior to the close of the fifth (5<sup>th</sup>) business day after the sale date.

For a Nonqualified Competitive Bid, the successful bidder shall promptly advise the County when the underwriters have sold to the public 10% of any maturity subject to the hold-the-offering-price rule at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5<sup>th</sup>) business day after the sale date.

The County acknowledges that, in making the representations set forth above, the successful bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that any underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and related pricing wires. The County further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer that is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the successful bidder and as set forth in the related pricing wires and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

Sale of any Bonds to any person that is a related party (as defined below) to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) “public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an underwriter or related party to an underwriter;
- (ii) “related party” generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly;

(iii) “sale date” means the date that the Bonds are awarded by the County to the successful bidder; and

(iv) “underwriter” means (A) any person that agrees pursuant to a written contract with the County (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public, and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) of this definition to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public).

The successful bidder must deliver to the County at closing an “issue price” or similar certificate establishing the issue price of the Bonds in accordance with U.S. Treasury Regulation Section 1.148-1, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit 1 (for a Qualified Competitive Bid) or Exhibit 2 (for a Nonqualified Competitive Bid), as applicable, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the County and bond counsel to the County.

All actions to be taken on behalf of the County under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the County by the County’s financial advisor, Davenport & Company LLC, and any notice or report to be provided to the County may be provided to the County’s financial advisor Davenport & Company LLC or bond counsel to the County.

### **Security**

The full faith and credit and unlimited taxing power of the County are unconditionally pledged to the payment of the principal of the Bonds and the interest to accrue thereon.

### **Book-Entry Only**

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. One bond certificate for each maturity of the Bonds will be issued to Cede & Co., the nominee of The Depository Trust Company (“DTC”), and immobilized in DTC’s custody or in the custody of the Bond Registrar and Paying Agent. The book-entry system will evidence ownership of the Bonds in the principal amount of \$5,000 and integral multiples thereof, with transfers of ownership interest of each actual purchaser of a Bond effected on the records of DTC and its participants. The successful bidder for the Bonds, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with the Bond Registrar and Paying Agent to be held under DTC’s “FAST” system, registered in the name of Cede & Co., DTC’s nominee. All fees due DTC shall be paid by the successful bidder.

Principal and interest on the Bonds will be paid to Cede & Co., nominee of DTC, as registered owner of the Bonds on the dates such principal and interest are payable.

Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments to beneficial owners of the Bonds by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The County will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

DTC may determine not to continue to act as securities depository for the Bonds at any time by giving notice to the County. The County may determine to select a different securities depository for the Bonds, or the County may determine not to continue the book-entry system for the Bonds. If the County does not identify another qualified securities depository to replace DTC with respect to the Bonds, the County will deliver replacement bonds in the form of fully-registered certificates.

### **Optional Redemption**

The Bonds that mature on or before July 1, 2034, are not subject to redemption at the option of the County prior to their maturities. The Bonds that mature on or after July 1, 2035, are subject to redemption at the option of the County in whole or in part on any date on or after July 1, 2034, in any order of maturity directed by the County, at a redemption price of the principal amount of the Bonds (or portions thereof) to be redeemed, plus accrued interest on the principal amount being redeemed to the date fixed for redemption, without premium or penalty.

## **Legal Opinion**

The Bonds will be issued and sold subject to approval as to legality by Funk & Bolton, P.A., Baltimore, Maryland, bond counsel. The approving opinion of Funk & Bolton, P.A. will be delivered, upon request, to the successful bidder for the Bonds, without charge, and the text of or a copy of the approving opinion will also be printed on, or attached to, each Bond. The substantially final form of the opinion of bond counsel is included in the Preliminary Official Statement referred to below as Appendix B.

## **CUSIP Numbers**

CUSIP numbers for the Bonds will be applied for by the financial advisor to the County, but the County will assume no obligation for the assignment or printing of such numbers on the Bonds or for the correctness of such numbers, and neither the failure to print such numbers on any of the Bonds nor any error with respect thereto shall constitute cause for failure or refusal by the successful bidder for the Bonds to accept delivery or make payment for the Bonds.

## **Official Statement**

Within seven business days after the award of the Bonds to the successful bidder therefor on the Bid Date, the County will authorize its Official Statement, which is expected to be substantially in the form of the Preliminary Official Statement referred to below. The Preliminary Official Statement has been deemed final by the County for the purpose of Rule 15c2-12 of the Securities and Exchange Commission, subject to revision, amendment and completion in a final Official Statement. The County will also issue any amendment or supplement to the Official Statement that may be necessary between the date of the Official Statement and the date of delivery of the Bonds. If requested and furnished to the County in writing by the successful bidder at or before the close of business on the Bid Date, the County will include in the Official Statement such pricing and other information relating to the reoffering of the Bonds, if any, as may be so furnished. If the successful bidder for the Bonds furnishes no such information, the Official Statement will include the interest rates on the Bonds resulting from the bid of the successful bidder and the other statements with respect to reoffering contained in the Preliminary Official Statement. Whether or not any such information is included in the Official Statement, the successful bidder for the Bonds shall be responsible to the County and its officials in all respects for the accuracy, fairness and completeness of such information, and for all decisions made with respect to the use or omission of such information in any reoffering of the Bonds, including the presentation or exclusion of any such information in any documents, including the Official Statement. Within seven business days after the award of the Bonds, the successful bidder will also be furnished, without cost, with a reasonable number of copies of the Official Statement. The successful bidder will also be furnished with any amendment or supplement to the Official Statement, without cost, except to the extent any such amendment or supplement is required due to a change in the reoffering information or other information provided by or on behalf of the successful bidder.

## **Continuing Disclosure**

In order to assist the successful bidder in complying with Securities and Exchange Commission Rule 15c2-12(b)(5), the County will undertake, pursuant to a continuing disclosure agreement, to provide certain information annually and notices of the occurrence of certain events. The substantially final form of Continuing Disclosure Agreement is included in the Preliminary Official Statement as Appendix D.

## **Delivery of the Bonds**

Delivery of the Bonds will be made to the successful bidder through the facilities of DTC on or about June 12, 2024. Payment for the Bonds shall be made in immediately available funds.

The Bonds will be accompanied by the customary closing documents, including a no litigation certificate, effective as of the date of delivery, stating that there is no litigation pending affecting the validity of the Bonds. It shall be a condition to the obligation of the successful bidder for the Bonds to accept delivery of and pay for the Bonds that, simultaneously with or before delivery and payment for the Bonds, the successful bidder shall be furnished a certificate of the President of the Board and the CFO to the effect that, to the best of their knowledge and belief, the Official Statement (and any amendment or supplement thereto) (except for the reoffering information and except as to information regarding DTC and DTC's book-entry system provided by DTC, as to which no view will be expressed) as of the Bid Date and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and that between the Bid Date and the date of delivery of the Bonds there has been no material adverse change in the financial position or revenues of the County, except as reflected or contemplated in the Official Statement.

### **Amendment and Postponement**

The County reserves the right to modify or amend this Notice of Sale prior to the Bid Date including, but not limited to, adjusting and changing the Preliminary Amounts for the Bonds, determining not to issue the Bonds for refunding purposes, determining not to issue the Bonds at all, and/or changing the bid specifications for the Bonds; however, such modifications or amendments shall be made not later than 9:30 a.m. Eastern Time on the Bid Date and communicated through Parity or TM3.

The County reserves the right to postpone, from time to time, the date established for the receipt of bids. Any such postponement will be communicated through Parity or TM3. If any date fixed for the receipt of bids and the sale of the Bonds is postponed, any rescheduled Bid Date will be announced via Parity or TM3 at least 24 hours prior to such alternative Bid Date. In addition, the County reserves the right, on the date established for the receipt of bids, to reject all bids for the Bonds and to then or later establish a subsequent date on which bids for the Bonds will again be received. If all bids for the Bonds are rejected and a subsequent date for receipt of bids established, notice of the subsequent Bid Date will be announced via Parity or TM3 at least 24 hours prior to such subsequent Bid Date. On any such rescheduled or subsequent Bid Date, any bidder may submit a bid for the purchase of the Bonds in conformity in all respects with this official Notice of Sale except for the Bid Date and except for the changes announced by Parity or TM3.

Any bid submitted shall be made in accordance with this Notice of Sale, including any modifications, amendments or changes communicated via Parity or TM3 in accordance with the provisions of this Notice of Sale.

### **Additional Information**

The Preliminary Official Statement relating to the Bonds, together with the official Notice of Sale, may be obtained by contacting Davenport & Company, LLC., The Oxford Building, 8600 LaSalle Road, Suite 618, Towson, Maryland 21286, or by telephone, (410) 296-9426 or by facsimile transmission, (866) 932-6660, or by email, [sostazeski@investdavenport.com](mailto:sostazeski@investdavenport.com), the financial advisor to the County. The Preliminary Official Statement and the official Notice of Sale will also be made available via [www.i-dealprospectus.com](http://www.i-dealprospectus.com).

COUNTY COMMISSIONERS OF  
WASHINGTON COUNTY

By: **/s/ John F. Barr, President**  
**Board of County Commissioners**  
**of Washington County**

**FORM OF ISSUE PRICE CERTIFICATE FOR  
QUALIFIED COMPETITIVE BID**

\$ \_\_\_\_\_  
**COUNTY COMMISSIONERS OF WASHINGTON COUNTY  
PUBLIC IMPROVEMENT AND REFUNDING BONDS OF 2024**

**ISSUE PRICE CERTIFICATE (Qualified Competitive Bid)**

\_\_\_\_\_, 2024

The undersigned, on behalf of [WINNING BIDDER] (the “Purchaser”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) to be issued by County Commissioners of Washington County (the “Issuer”). Certain capitalized terms used in this certificate are defined in paragraph 2 below.

1. ***Reasonably Expected Initial Offering Price.***

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Purchaser are the prices listed in Schedule A hereto (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Purchaser in formulating its bid to purchase the Bonds. Attached hereto as Schedule B is a true and correct copy of the bid provided by the Purchaser to purchase the Bonds.

(b) The Purchaser was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Purchaser constituted a firm offer to purchase the Bonds.

(d) The Purchaser has an established industry reputation for underwriting new issuances of municipal bonds.

2. ***Defined Terms.***

“Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates are treated as separate Maturities.

“Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

“Sale Date” means the first day on which there is a binding contract in writing for the sale of the Bonds. The Sale Date of the Bonds is [SALE DATE TO BE INSERTED].

“Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).



The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and Compliance Agreement of the Issuer and with respect to compliance with the federal income tax rules affecting the Bonds, and by Funk & Bolton, P.A., bond counsel to the Issuer, in rendering its opinion that the interest on the Bonds is excludable from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice bond counsel may give to the Issuer from time to time relating to the Bonds.

\_\_\_\_\_, as Purchaser

By: \_\_\_\_\_

Name:

Title:

(Authorized Signatory)

**SCHEDULE A**

**EXPECTED OFFERING PRICES**

[To be Attached]

**SCHEDULE B**

**COPY OF PURCHASER'S BID**

[To be Attached]

**FORM OF ISSUE PRICE CERTIFICATE FOR  
NONQUALIFIED COMPETITIVE BID**

\$ \_\_\_\_\_

**COUNTY COMMISSIONERS OF WASHINGTON COUNTY  
PUBLIC IMPROVEMENT AND REFUNDING BONDS OF 2024**

**ISSUE PRICE CERTIFICATE (Nonqualified Competitive Bid)**

\_\_\_\_\_, 2024

The undersigned, on behalf of [NAME OF THE WINNING BIDDER] (the “[SHORT FORM NAME OF WINNING BIDDER]”), [on behalf of itself and [NAMES OF MEMBERS OF THE UNDERWRITING SYNDICATE] (together, the “Underwriting Syndicate”)] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) to be issued by County Commissioners of Washington County (the “Issuer”). Certain capitalized terms used in this certificate are defined in paragraph 3 below.

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold by [SHORT FORM NAME OF WINNING BIDDER][the Underwriting Syndicate] to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) The [SHORT FORM NAME OF WINNING BIDDER][Underwriting Syndicate] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Notice of Sale and bid award, [the SHORT FORM NAME OF WINNING BIDDER][the members of the Underwriting Syndicate] [has][have] agreed in writing that (i) for each Maturity of the Hold-the-Offering-Price Maturities, [it][they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer that is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer that is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. ***Defined Terms.***

“General Rule Maturities” means those Maturities of the Bonds listed on Schedule A hereto as the “General Rule Maturities”.

“Hold-the-Offering-Price Maturities” means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities”.

“Holding Period” means, with respect to each Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth (5) business day after the Sale Date, or (ii) the date of which the [SHORT FORM NAME OF WINNING BIDDER][Underwriting Syndicate] [has][have] sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering Price Maturity.

“Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates are treated as separate Maturities.

“Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

“Sale Date” means the first day on which there is a binding contract in writing for the sale of the Bonds. The Sale Date of the Bonds is [SALE DATE TO BE INSERTED].

“Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and Compliance Agreement of the Issuer and with respect to compliance with the federal income tax rules affecting the Bonds, and by Funk & Bolton, P.A., bond counsel to the Issuer, in rendering its opinion that the interest on the Bonds is excludable from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice bond counsel may give to the Issuer from time to time relating to the Bonds.

[NAME OF WINNING BIDDER] [, as Representative of the Underwriting Syndicate]

By: \_\_\_\_\_  
Name:  
Title:  
(Authorized Signatory)

**SCHEDULE A**

**SALE PRICES OF THE GENERAL RULE MATURITIES**

[To be Inserted or Attached]

**INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES**

[To be Inserted or Attached]

**SCHEDULE B**

**PRICING WIRE OR EQUIVALENT COMMUNICATION**

[To be Attached]

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**PROPOSED FORM OF  
CONTINUING DISCLOSURE AGREEMENT**

**\$20,285,000  
COUNTY COMMISSIONERS OF WASHINGTON COUNTY  
PUBLIC IMPROVEMENT AND REFUNDING BONDS OF 2024**

**CONTINUING DISCLOSURE AGREEMENT**

**[TO BE DATED THE DATE OF ISSUANCE]**

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered by **COUNTY COMMISSIONERS OF WASHINGTON COUNTY** (the “Issuer”) in connection with the issuance of its \$20,285,000 Public Improvement and Refunding Bonds of 2024 (the “Bonds”). The Bonds are being issued pursuant to Resolution No. RS-2024-12 adopted on May 7, 2024. The Issuer covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the owners and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The Issuer’s obligations hereunder shall be limited to those required by written undertaking pursuant to the Rule.

**SECTION 2. Definitions.** In addition to the definitions set forth above, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“**Listed Events**” shall mean any of the events listed in Section 4(a) of this Disclosure Agreement.

“**MSRB**” shall mean the Municipal Securities Rulemaking Board. To the extent the Rule is amended to refer to any additional or different repositories, references in this Disclosure Agreement to the MSRB shall be deemed to such additional or different repositories to the extent required by the Rule. As of the date of execution and delivery of this Disclosure Agreement, any of the notices or materials required by this Disclosure Agreement to be filed with the MSRB shall be filed with the Electronic Municipal Market Access system maintained by the MSRB at <https://www.emma.msrb.org> in accordance with the Rule.

“**Official Statement**” shall mean the Official Statement dated May 29, 2024 relating to the Bonds.

“**Participating Underwriter**” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“**Rule**” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**SECTION 3. Provision of Annual Financial Information, Operating Data and Audited Information.**

(a) The Issuer shall provide to the MSRB annual financial information and operating data generally consistent with the information contained in the charts or tables under the headings “General Fund Revenues and Expenditures”, “General Fund Balance Sheet” and “General Obligation and Revenue Bonds” in the Official Statement, such information to be made available within 240 days after the end of the Issuer’s fiscal year, updated with respect to the recently ended fiscal year, commencing with the fiscal year ending June 30, 2024. Any of such financial information or operating data required by this subsection (a) may be set forth in the Issuer’s audited financial statements, including in the notes to, or any supplementary or additional information provided with, such audited financial statements. To the extent such financial information or operating data is provided in or with the Issuer’s audited financial statements, including in the notes to, or any supplementary or additional information provided with, such audited financial statements, such provided financial information or operating data may not be in the same format as the applicable charts or tables set

forth in the Official Statement and/or may contain details that were not included in the charts or tables referenced above that were included in the Official Statement.

(b) The Issuer shall provide to the MSRB annual audited financial statements for the Issuer, such information to be made available within 240 days after the end of the Issuer's fiscal year, commencing with the fiscal year ending June 30, 2024, unless the audited financial statements are not available on or before such date, in which event said financial statements will be provided promptly when and if available.

(c) The presentation of the financial information referred to in paragraph (a) and in paragraph (b) shall be made in accordance with the same accounting principles as utilized in connection with the presentation of applicable comparable financial information included in the Official Statement, provided, that the Issuer may modify the accounting principles utilized in the presentation of financial information by amending this Disclosure Agreement pursuant to the provisions of Section 7 hereof. Changes in Generally Accepted Accounting Principles, where applicable to financial information to be provided by the Issuer, shall not require the Issuer to amend this Disclosure Agreement.

(d) If the Issuer is unable to provide the annual financial information and operating data within the applicable time periods specified in (a) and (b) above, the Issuer shall send in a timely manner a notice of such failure to the MSRB.

(e) If the Issuer changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the Issuer would otherwise be required to provide financial information and operating data pursuant to this Section 3.

(f) The financial information and operating data to be provided pursuant to this Section 3 may be set forth in full in one or more documents or may be incorporated by specific reference to documents available to the public on the MSRB's Internet Website or filed with the Securities and Exchange Commission.

(g) All information provided to the MSRB pursuant to subsections (a), (b) or (d) of this Section 3 shall be in an electronic format or such other format as prescribed by the MSRB.

#### SECTION 4. Reporting of Listed Events.

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following Listed Events with respect to the Bonds:

- i) principal and interest payment delinquencies;
- ii) non-payment related defaults, if material;
- iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- v) substitution of credit or liquidity providers, or their failure to perform;
- vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
- vii) modifications to rights of Bond holders, if material;
- viii) Bond calls, if material, and tender offers;
- ix) defeasances;
- x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- xi) rating changes;
- xii) bankruptcy, insolvency, receivership or similar event of the Issuer;
- xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

- xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- xv) incurrence of a financial obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, if material; and
- xvi) default, event of acceleration, termination event, modification of terms, or similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

For the purpose of the event identified in clause (xii) of this Section 4(a), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

For purposes of the events identified in clauses (xv) and (xvi) of this Section 4(a), the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(b) Notice of any of the Listed Events identified in Section 4(a) shall be given to the MSRB in a timely manner not in excess of ten (10) business days after the occurrence of the event.

(c) All information provided to the MSRB pursuant to this Section 4 shall be in an electronic format or such other format as prescribed by the MSRB.

**SECTION 5. Termination of Reporting Obligations.** The Issuer’s obligations under this Disclosure Agreement shall terminate upon the payment in full of all of the Bonds either at their maturity or by early redemption. In addition, the Issuer may terminate its obligations under this Disclosure Agreement if and when the Issuer no longer remains an obligated person with respect to the Bonds within the meaning of the Rule.

**SECTION 6. Dissemination Agent.** The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

**SECTION 7. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel, expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule. To the extent applicable, the reasons for any amendment and the impact of the change in the type of operating data or financial information being provided will be explained in information provided with the annual financial information containing the amended operating data or financial information.

**SECTION 8. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any disclosure made pursuant to Section 3(a) or (b) hereof or notice of occurrence of a Listed Event in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any disclosure made pursuant to Section 3(a) or (b) hereof or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future disclosure made pursuant to Section 3(a) or (b) hereof or notice of occurrence of a Listed Event.

SECTION 9. Limitation of Remedies. The Issuer shall be given written notice at the address set forth below of any claimed failure by the Issuer to perform its obligations under this Disclosure Agreement, and the Issuer shall be given 15 days to remedy any such claimed failure. Any suit or other proceeding seeking further redress with regard to any such claimed failure by the Issuer shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action. Written notice to the Issuer shall be given to the Chief Financial Officer, Washington County Administration Building, Room 3100, 100 W. Washington Street, Hagerstown, MD 21740, or at such alternate address as shall be specified by the Issuer with disclosures made pursuant to Section 3(a) or (b) hereof or a notice of occurrence of a Listed Event.

SECTION 10. Relationship to Bonds. This Disclosure Agreement constitutes an undertaking by the Issuer that is independent of the Issuer's obligations with respect to the Bonds; any breach or default by the Issuer under this Disclosure Agreement shall not constitute or give rise to a breach or default under the Bonds.

SECTION 11. Law of Maryland. This Disclosure Agreement, and any claim made with respect to the performance by the Issuer of its obligations hereunder, shall be governed by, subject to, and construed according to the laws of the State of Maryland.

SECTION 12. Limitation of Forum. Any suit or other proceeding seeking redress with regard to any claimed failure by the Issuer to perform its obligations under this Disclosure Agreement must be filed in the Circuit Court for Washington County, Maryland.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the owners, including beneficial owners, from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Compliance with MSRB Requirements. All documents provided to the MSRB pursuant to this Disclosure Agreement and the Rule shall be accompanied by identifying information as prescribed by the MSRB.

This Disclosure Agreement is dated as of the date set forth above.

(SEAL)

ATTEST:

COUNTY COMMISSIONERS OF  
WASHINGTON COUNTY

\_\_\_\_\_  
Dawn L. Marcus, County Clerk

By: \_\_\_\_\_  
John F. Barr, President  
Board of County Commissioners  
of Washington County