



THE CITY OF
Hagerstown
experience
THE
HUB CITY



City of Hagerstown

City Hall, Finance Department
1 East Franklin Street
Hagerstown, Maryland 21740
301-766-4150 | www.hagerstownmd.org

Popular Annual Financial Report

a financial summary for its citizens
for the fiscal year ended June 30, 2011

City of Hagerstown



City Hall

This Popular Annual Financial Report was prepared by:

City of Hagerstown, Maryland
Department of Finance
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Michelle Burker
Director of Finance

Angela D. Ludeman
Accounting Manager

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PAFR Award

Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO
City of Hagerstown
Maryland
 for the Fiscal Year Ended
June 30, 2010



Linda C. Dawson
 President

Jeffrey L. Esser
 Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) has given an award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Hagerstown for its Popular Annual Financial Report for the fiscal year ended June 30, 2010.

The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The City of Hagerstown has received a Popular Award for the last 3 consecutive years. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

For the Residents of Hagerstown, Maryland



We are pleased to present the Popular Annual Financial Report (PAFR) for Fiscal Year 2011 (July 1, 2010 – June 30, 2011). The PAFR is designed to summarize the City of Hagerstown's financial information. Our goal is to better communicate the results of financial operations for the City of Hagerstown in an understandable, user-friendly report. The PAFR will highlight where the revenues come from to operate the City, where those dollars are spent and FY11 major initiatives.

The information presented in the PAFR was taken from the financial information presented in the City of Hagerstown's FY11 Comprehensive Annual Financial Report (CAFR). The CAFR was prepared in conformity with Generally Accepted Accounting Principles (GAAP) and was audited by the City's independent auditors receiving an unqualified opinion. The numbers within the CAFR were arrived at by employing accrual and modified accrual accounting techniques as prescribed by the Governmental Accounting Standards Board (GASB).

The PAFR, CAFR and the City's Adopted Budget are available on the City's Website at <http://www.hagerstownmd.org>. Copies of those documents may also be obtained by contacting the Finance Department at (301) 739-8577, ext. 156.

Michelle Burker
 Michelle Burker
 Director of Finance

Organizational Structure

City of Hagerstown Elected Officials



Mayor
Robert E.
Bruchey II



Councilmember
William M.
Breichner



Councilmember
Martin E.
Brubaker



Councilmember
Forrest W.
Easton



Councilmember
Ashley C.
Haywood

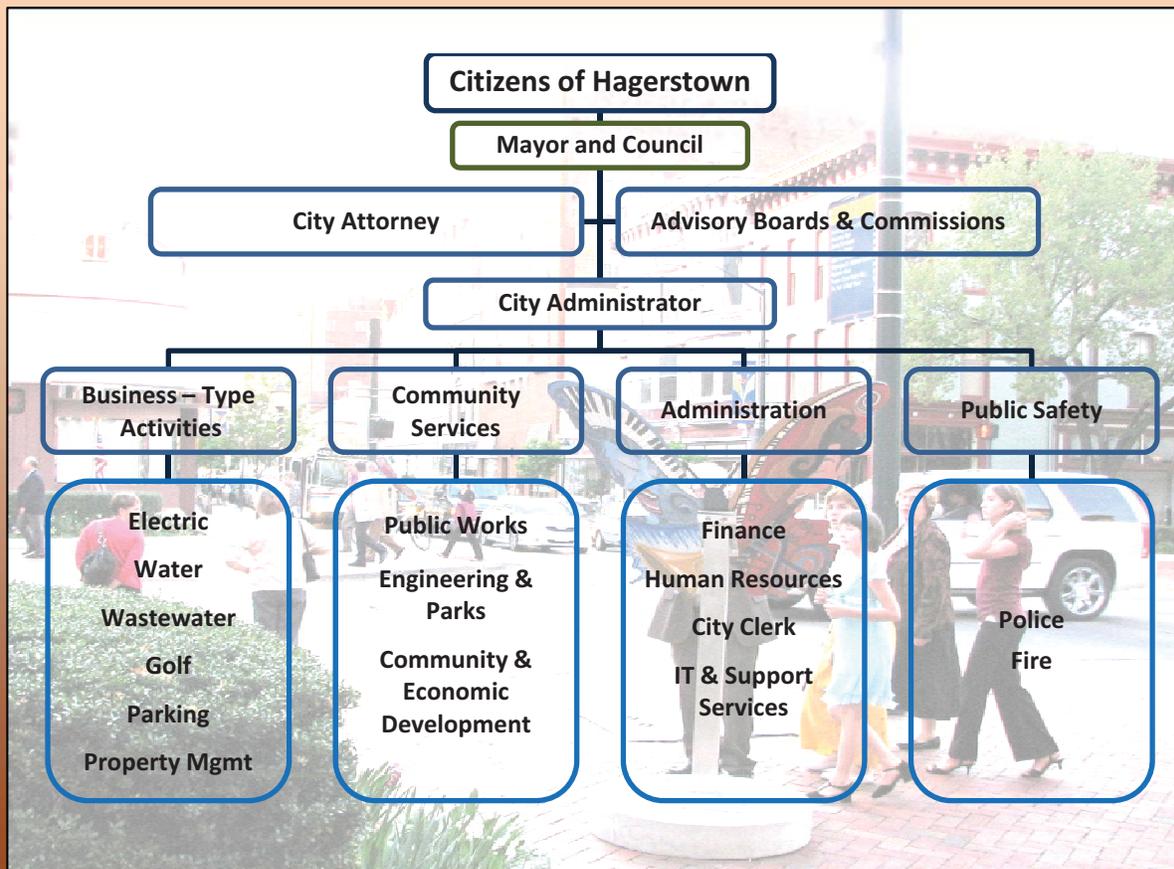


Councilmember
Lewis C.
Metzner

City of Hagerstown Structure



Bruce J. Zimmerman, City Administrator



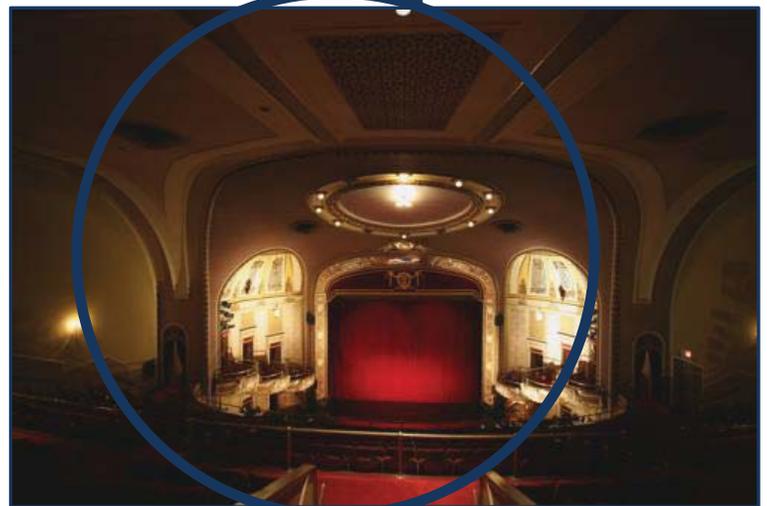
About Your City & City Government.....

The City of Hagerstown operates under a council-manager form of municipal government. A charter granted by the General Assembly of Maryland formed the governing authority for the City in 1983. The Mayor and Council are the governing body of the City. The Mayor and Council are comprised of a mayor and five councilmembers elected by the citizens of Hagerstown. The City Administrator is appointed by the Mayor and Council to serve as the Chief Executive Officer of the City.

The City serves residents with a full range of services including: police, fire, planning, licensing, permitting and inspections, water, sewer, refuse, electric services, snow removal, street maintenance and other public works functions, and recreation and parks services. The 2010 population as provided by the MD Department of Planning for the City of Hagerstown was 39,662. Strategically situated in the heart of the Cumberland Valley, the City is located at the intersection of I-81 and I-70, occupies 12.01 square miles of land area, and is the largest city in Western Maryland. The City is home to the Hagerstown Suns, a Class A minor league team affiliated with the Washington Nationals. For those who enjoy a taste of the arts, Hagerstown is home to the Maryland Symphony Orchestra and one of Maryland's three accredited fine arts museums.



Hagerstown's Municipal Stadium



Maryland Theatre, Built in 1915
Photo Credit: www.mdtheatre.org
Located at 21 S Potomac Street
in the Arts & Entertainment District



Washington County Fine Arts Museum
Located at Hagerstown's City Park

Experience the Hub City



North Potomac Street in the Spring



Youth Hockey at Hagerstown Ice & Sports Complex



The Maryland Symphony Orchestra at the Maryland Theatre



Fourth of July Fireworks at Fairgrounds Park

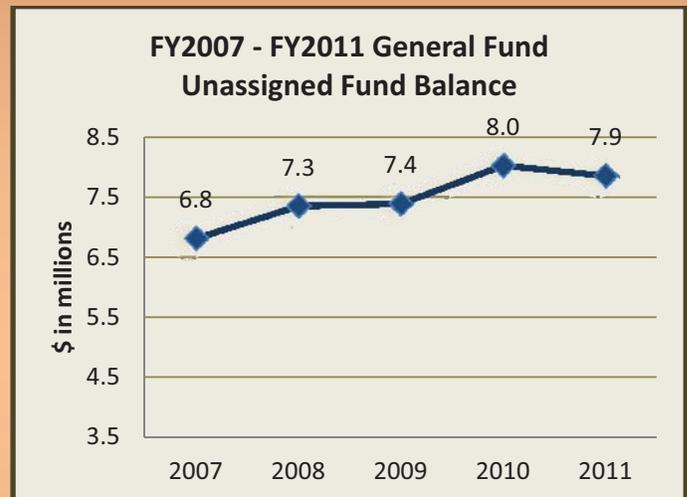
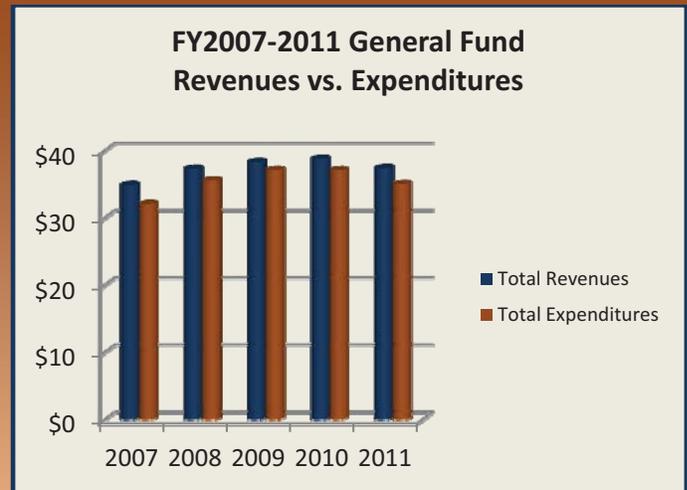


The Western Maryland Blues Fest is held each year in Hagerstown's City Center
The 16th Annual Western Maryland Blues Fest was held June 2-5, 2011

The General Fund

The General Fund is one of ten Governmental Activity Funds. The majority of the City's governmental expenditures are paid from the General Fund, and it is the City's primary operating fund. The City Administrator is required by the City Charter to submit a proposed budget to the Mayor and Council at least 90 days prior to the beginning of the fiscal year. To ensure there will be sufficient current resources to pay current obligations, the General Fund must be in balance. In FY2011 total revenues were \$37.4 million and were lower than budgeted projections by \$236,000 due to the City's full year real estate tax levy, and corporate personal property taxes coming in slightly below our budget estimates. Total expenditures of \$35.1 million were \$1.2 million below budget due to savings from not filling vacant positions and tighter controls over temporary and seasonal positions. For FY2011, the City had a surplus of \$214,000. Excess revenue over expenditures in any year becomes part of the City's fund balance.

Over the last six years, the City's unreserved General Fund Balance has steadily increased. The unreserved fund balance is a measure of the amount available in the subsequent year's budget. In FY2010, the unreserved General Fund balance was \$8.0 million, which is 21.6% of General Fund expenditures. This represents over two and a half months of General Fund expenditures and complies with City financial policy requiring a minimum undesignated fund balance of 10% of the General Fund operating expenditures. The Fund Balance is used as an indicator of the City's financial health and credit risk by rating agencies, such as Moody's Investors Service. It is the City's financial "shock absorber" in uncertain economic times



Hagerstown's City Park

The City's Overall Financial Position

Over time, net assets may serve as a useful indicator of a government's overall financial condition and position. The summary on this page shows that the City's assets exceeded liabilities by \$243.6 at the end of FY2011, an increase of \$11.4 million over the prior year.

Net assets are divided into three categories – invested in capital assets (net of related debt), restricted net assets and unrestricted net assets. The largest portion of the City's net assets \$212.0 million (87.1%) reflects its investment in capital assets net of depreciation.

Restricted net assets represent 4.2% of total net assets. Unrestricted net assets have a balance of \$21.3 million (8.7%) of total net assets.

City of Hagerstown's Summary of Net Assets June 30, 2011 and 2010 (in millions)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets:						
Current Assets	\$ 27.2	\$ 29.3	\$ 20.0	\$ 21.8	\$ 47.2	\$ 51.1
Long-term and restricted assets	0.1	0.2	4.1	5.1	4.2	5.3
Capital assets, net	78.9	79.7	195.1	183.3	274.0	263.0
Total Assets	106.2	109.2	219.2	210.2	325.4	319.4
Liabilities:						
Long-term liabilities	20.6	23.8	43.3	40.7	63.9	64.5
Other liabilities	7.9	11.0	10.1	11.7	18.0	22.7
Total Liabilities	28.5	34.8	53.4	52.4	81.9	87.2
Net Assets:						
Invested in capital assets	62.0	60.9	150.0	141.6	212.0	202.5
Restricted	10.2	10.3	-	-	10.2	10.3
Unrestricted	5.5	3.2	15.8	16.2	21.3	19.4
Total Net Assets	\$ 77.7	\$ 74.4	\$ 165.8	\$ 157.8	\$ 243.5	\$ 232.2

Summary of Governmental Activities

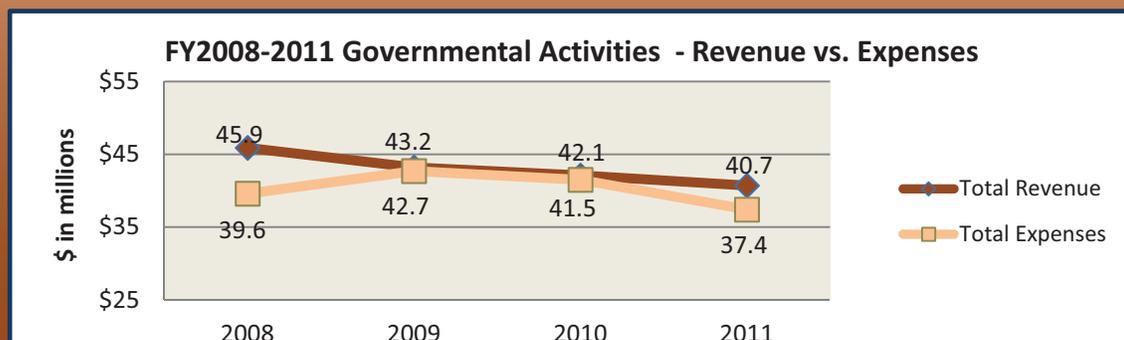
Governmental Activities Statement of Activities For the Years Ended June 30, 2008, 2009, 2010, and 2011 (in millions)

Total revenues exceeded total expenses each year from FY2008 to FY2011. It is important for the City to retain a portion of this excess in the form of fund balance to cover emergencies. From FY2010 to FY2011 the City experienced increases and decreases in certain revenues; and, overall revenues decreased by \$1.4 million or 3.3% primarily due to a decrease in charges for services and other revenue, and a decrease in State and County shared taxes.

	Revenues			
	2008	2009	2010	2011
Property Taxes	\$ 22.4	\$ 24.3	\$ 26.5	\$ 26.9
Charges for Services & Other Revenue	8.4	7.6	7.7	6.4
Grants & Contributions	10.6	4.7	3.2	4.0
Shared Taxes	4.5	6.6	4.7	3.4
Total Revenue	\$ 45.9	\$ 43.2	\$ 42.1	\$ 40.7

	Expenses			
	2008	2009	2010	2011
General Government	\$ 8.6	\$ 9.5	\$ 9.2	\$ 8.4
Public Safety	20.0	21.6	20.5	18.4
Streets & Alleys	2.5	2.8	3.1	3.0
Waste Collection	2.1	2.1	2.0	2.0
Parks & Recreation	2.7	3.0	2.8	2.6
Economic Development	2.7	3.2	3.2	2.5
Other Expenses	1.0	0.5	0.7	0.5
Total Expenses	\$ 39.6	\$ 42.7	\$ 41.5	\$ 37.4

	Change in Fund Balance			
	2008	2009	2010	2011
Excess of Revenue over Expenses	\$ 6.3	\$ 0.5	\$ 0.6	\$ 3.3



Governmental Activities – Revenue & Expenses

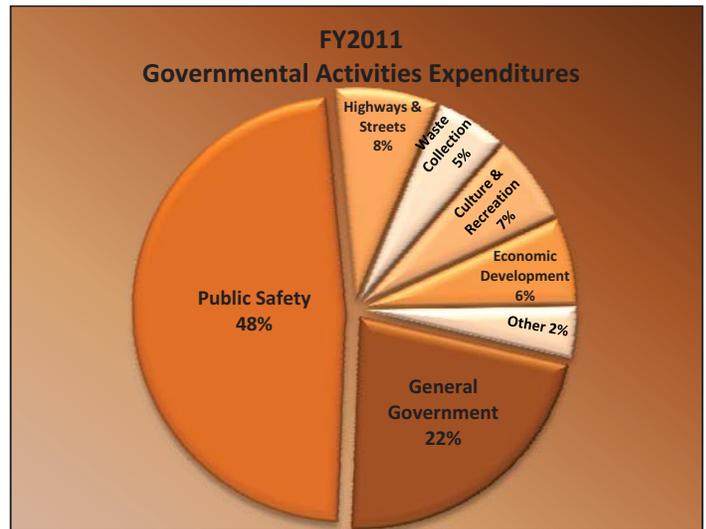
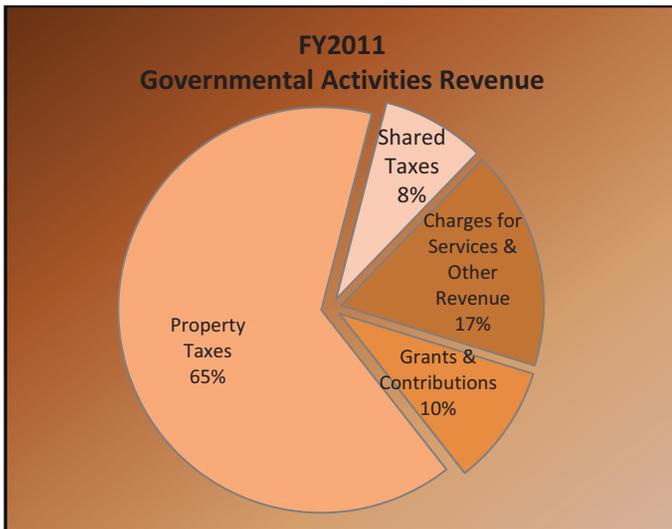
How is the money earned? \$41.7 million Total Revenue

Revenue in the Governmental Activities funds comes from a variety of sources. Property taxes are the largest revenue source at \$26.9 million in FY2011. Property taxes consist of real and personal property taxes paid by Hagerstown property owners. Other sources of revenue include charges for services such as licenses and permits, and refuse fees, grants and contributions, and shared taxes. The charts below depict where those revenues were received from in FY2011:

Revenue Type	FY2010	FY2011
Property Taxes	\$ 26,460,939	\$ 26,910,889
Charges for Services & Other Revenue	7,365,937	7,321,383
Grants & Contributions	3,183,866	4,002,535
Shared Taxes	4,768,035	3,420,814
Total Revenue	\$ 41,778,777	\$ 41,655,621

How is the money spent? \$38.4 million Total Expenses

Once the City collects property taxes and other revenues, those monies must be spent efficiently and must provide services to the citizens and businesses located in the City. The City provides a variety of services, and the largest expense is for public safety at 48% or \$18.4 million. Public safety includes personnel and operating expenses to maintain the City's police department, fire department and code compliance divisions. Other expenditures include general government, economic development culture and recreation, highways and streets, and waste collection. Total expenses for FY2011 were \$38.4 million, which was a \$3.2 million decrease from FY2010's \$41.6 million. The charts below depict what those monies were spent on in FY2011:



Direct and Overlapping Real Estate Tax Rates Per \$100 of Assessed Value

Fiscal Year	City	County	State	Total Tax
2007	0.798	0.948	0.112	1.858
2008	0.798	0.948	0.112	1.858
2009	0.788	0.948	0.112	1.848
2010	0.788	0.948	0.112	1.848
2011	0.788	0.823	0.112	1.723

Program Type	FY2011	FY2010
General Government	\$ 8,445,750	\$ 9,238,809
Public Safety	18,387,128	20,501,962
Highways & Streets	2,981,654	3,119,911
Waste Collection	2,035,237	2,023,079
Culture & Recreation	2,559,785	2,828,320
Economic Development	2,519,688	3,184,156
Other Expenses	1,479,310	750,700
Total	\$ 38,408,552	\$ 41,646,937

Business-type Activities Revenue & Expenses

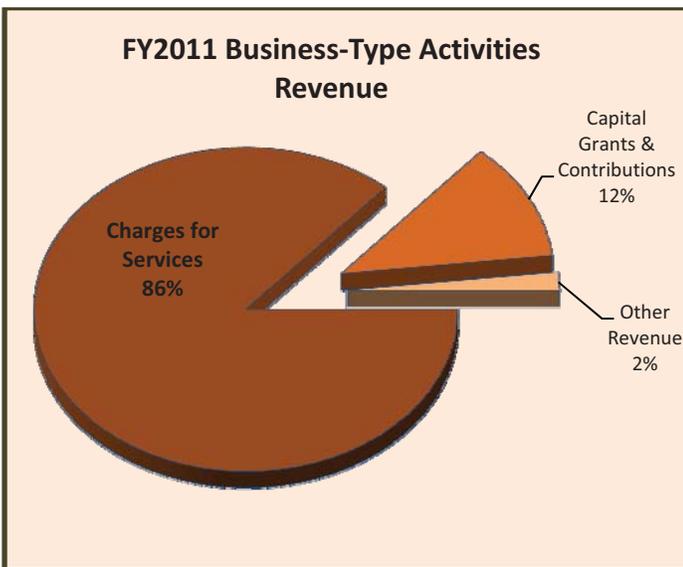
\$61.6 million Total Revenue

Total revenue in the Business-type Activity funds for FY2011 was \$61.6 million, a 1.8% or \$1.1 million increase over FY2010. The primary source of revenue for the Business-type Activity funds is charges for services at 86.0% or \$54.0 million. Each Business-type Activity charges customers for the use of its service. Other revenues include capital grants and contributions for infrastructure improvements and interest revenue.

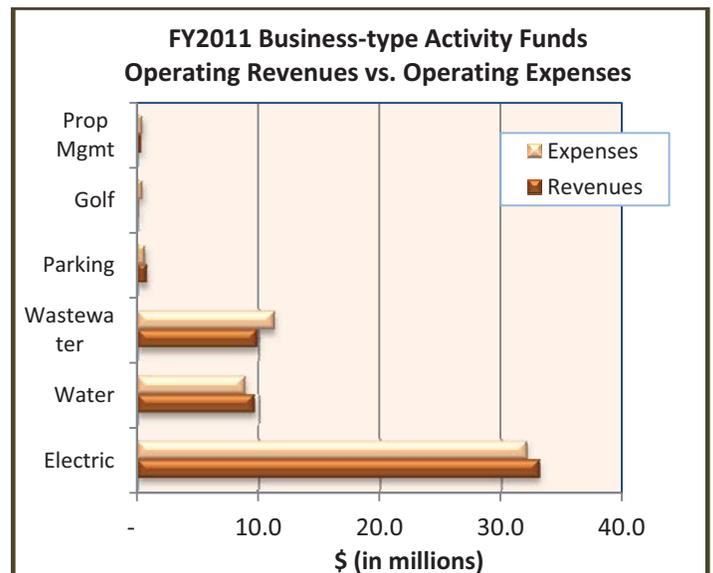
Operating Revenues & Expenses

The City's Proprietary Funds in the Business-type Activities pay for operating expenses from operating revenues as required by the City's financial management policies. The City's Proprietary Funds are largely self-supported by user charges. Operating expenses for Proprietary funds include the costs of operations, administrative expenses and depreciation on capital assets. All other expenses are reported as nonoperating expenses.

FY2011 Business-Type Activities Revenue



FY2011 Business-type Activity Funds Operating Revenues vs. Operating Expenses



Proprietary Funds, Changes in Net Assets

(in millions)

	2008	2009	2010	2011
Revenues				
Charges for Services	\$ 52.2	\$ 51.0	\$ 50.8	\$ 54.0
Capital Grants & Contributions	11.0	3.6	9.5	7.4
Investment Earnings	0.7	0.4	0.2	0.2
Total Revenue	\$ 63.9	\$ 55.0	\$ 60.5	\$ 61.6
Expenses				
Total Expenses	\$ 54.1	\$ 54.7	\$ 54.2	\$ 54.4
Changes in Net Assets				
Net Income (Loss)	\$ 9.8	\$ 0.3	\$ 6.3	\$ 7.1
Transfers In (Out)	(0.2)	(0.2)	0.1	0.9
Increase in Net Assets	9.6	0.1	6.4	8.0
Net Assets Beginning	141.7	151.3	151.4	157.8
Net Assets Ending	\$ 151.3	\$ 151.4	\$ 157.8	\$ 165.8

NET ASSETS: Because of the business nature of Proprietary Funds, it is common for funds to either add to or draw upon their Net Assets in any given year. In contrast to the General Fund, it is acceptable for a Proprietary Fund to utilize Net Assets to balance its budget. A key financial indicator is the Proprietary Fund's trend and impact on Net Assets.

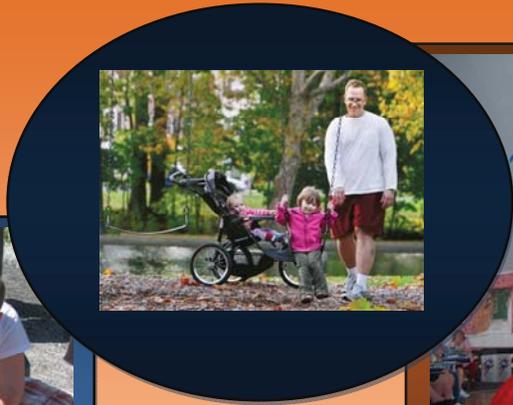
LONG-TERM DEBT: The City issues general obligation bonds to raise large sums of cash to build and improve City services and infrastructure. The City's long term debt is comprised of general obligation bonds and notes payable.

Total Bonded Debt Outstanding			
Note: Excludes benefits payable and accrued compensated absences			
	Fiscal Year		
	2009	2010	2011
Governmental Funds	13,342,801	20,457,426	18,695,138
Proprietary Funds	25,993,993	41,856,725	45,060,595
Total Outstanding Debt	\$ 39,336,794	\$ 62,314,151	\$ 63,755,733

Experience the Hub City



Community Garden



Augustoberfest at City Center



Annual Alsatia Mummings Parade

Major Projects and Initiatives

During FY2011, the exterior portion of the Hagerstown Police Department building was renovated. The building formerly served as the City's train station and the canopy which encircles the entire building was refurbished to include lead paint abatement ensuring public safety for all visitors to the station.

One of the most significant projects currently being undertaken in the Water Fund is the construction of two 6.3 million gallon covered storage tanks. The existing West End Reservoir which was originally constructed in 1906 will be replaced by the new storage tanks. Construction on the first tank began in FY2008 and was completed in FY2009. Construction of the second enclosed tank began in 2010 and is scheduled to be completed by December 2011. The total project is estimated to cost \$12.6 million.

The Mayor and Council have undertaken a number of initiatives with the desire to strengthen the City Center. In FY2011, the City acquired a vacant property on West Washington Street in the downtown area of the City to increase foot traffic and improve the streetscape. The building will be redeveloped into a small business incubator. The project is currently underway, and a tenant already occupies space that was renovated during Phases I & II.

In FY2012, another underutilized and deteriorated building in the downtown area was acquired. The building, located on North Potomac Street, will be renovated into residential units with gallery storefront space to create Artist Live/Work Housing in the City Center and to further cultivate the arts community in the Arts & Entertainment District.

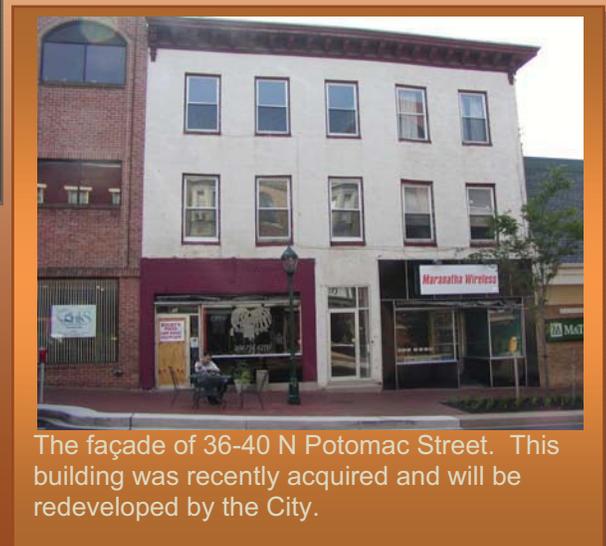
Partners in Economic Progress Incentive Program (PEP) was approved by Mayor and Council in 2009 to assist downtown property owners and businesses during the tough economic times that resulted from the recession. This program is intended to spur the renovation of buildings within the designated PEP zone through a variety of incentives. To date, this program has supported the renovation of two City Center buildings and four more are currently in the pipeline.



Think Re-ink, the first tenant in the Small Business Incubator located in City Center



West End Reservoir, Tank II



The façade of 36-40 N Potomac Street. This building was recently acquired and will be redeveloped by the City.

Factors Affecting Financial Condition

Local Economy Citizens continue to enjoy a diversified employer base that includes companies from the manufacturing, transportation, service, retail, and finance industries as well as local and state government. However, the City has not been immune to the economic environment currently being experienced regionally and nationally and continues to feel the effects. As a result of the recession, the unemployment rate increased from 10.0% in July 2010 to 10.6% in May 2011. The national average unemployment rate in May 2011 was 9.1%, and in Washington County it was 9.6%.

Hagerstown experienced an 8.6% growth in housing units and an 8.1% growth in population from 2000 to 2010. Growth can be attributed to the combination of the City's 2002 Annexation Policy and our ability to capture a share of the Hagerstown metropolitan area's residential boom during the mid 2000's. The housing industry is still depressed with permits for new home construction decreasing from 170 in 2008 to 114 in 2010. Although the housing industry has slowed, commercial activity is still moving. The hospital relocated in December 2010 from a site located in the City to a site located in Washington County just outside of the City limits. Beginning in 2010, the City began receiving site plan applications for new medical office buildings in the business parks along the Eastern Boulevard corridor located in the City as the medical community repositioned itself. There are three business parks in a 0.87 mile stretch of Eastern Boulevard. In the last 18 months, the majority of the commercial development activity has been occurring in the Eastern Boulevard corridor. The City upgraded the volume capacity of this stretch of roadway with a \$5.2 million enhancement project in 2008-2009.

As a consequence of the national recession, the City's assessable tax base experienced little to no growth. The recession has had a government-wide effect of lowering revenue streams such as real estate tax revenue and shared tax revenue distributed to local municipalities from the State of Maryland. The City expects several more years of reduced revenues and will continue its fiscal responsibility by reducing costs and seeking diverse revenues to continue to maintain quality services and programs for City residents and businesses.

Factors which make the City the residential and business "Hub" of Washington County include low crime, a short commute to work, good health care, clean air, local school quality, the arts, entertainment and recreational activities, good projected job growth, medium to small population, and low taxes and fees.



Bright Eyes Daycare,
newly opened in the Eastern Boulevard Corridor.

LIGHT
BUSINESS PARK

The City's Profile

Ten Largest Employers in Washington County

Washington Co. Public Schools	2,958
Washington Co. Health System, Inc.	2,860
State of Maryland	2,304
First Data Merchant Services	2,170
Citicorp Credit Services, Inc.	2,067
Volvo Powertrain NA (Mack Trucks, Inc.)	1,165
Washington County Government	1,149
FedEx Ground	734
Hagerstown Community College	695
The Bowman Group, LLC	689

(Data from Hagerstown/Washington Co. EDC as of 6/30/2011)



The City of Hagerstown, Maryland was founded in 1762 and incorporated in 1813. Its legal authority is derived from Article XI-E of the State Constitution and Article 23A of the Annotated Code of Maryland.



Five Largest Property Taxpayers

(assessed value in thousands)

Washington Real Estate	\$55,571
Lowes Home Centers, Inc.	\$25,979
Verizon – Maryland	\$23,202
Walmart Real Estate Business Trust	\$22,737
Cortpark II LLC	\$22,050

(Data from City of Hagerstown Treasurer as of 6/30/2011)

Miscellaneous Statistics

Number of City Positions	465
Electric Customers	16,921
Water Customers	28,347
Wastewater Customers	19,137
Responses to Fire Alarms	2,428
Calls for Police Service	54,555
Paved Streets & Alleys	145.6 mi
Number of Traffic Signals	129
Swimming Pool Attendance	23,655
Golf Course Attendance	10,804
Number of Parks	18

Statistics are as of June 30, 2011

Need Additional Information?



City of Hagerstown Web site:
www.hagerstownmd.org

The City's Web site is your best source for information about City policies, services and events. Log on to www.hagerstownmd.org to find information on community events, employment opportunities, public safety information, traffic and weather advisories, economic development programs and much more.



CONTACTING US:

Community and Economic Development

The Department of Community and Economic Development is the public information center for news for municipal services, programs and activities. This office provides general information about the City of Hagerstown through various forms of communication, such as news releases, information brochures, City publications, the Internet, cable television Channel 6 (the Hagerstown Government Channel) and outside advertising. City events are operated through the Department of Community and Economic Development located at City Hall on the second floor. For more information, call (301) 739-8577, ext 111.





City of Hagerstown

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For more information on financial matters of the City of Hagerstown, please call the Finance Department at (301) 739-8577, ext 156.