



# CITY OF HAGERSTOWN

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## Comprehensive Annual Financial Report

*For the Fiscal  
Year Ended  
June 30, 2010*

### City of Hagerstown

City Hall, Finance Department  
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Hagerstown, Maryland 21740  
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# City of Hagerstown

Maryland



## Comprehensive Annual Financial Report Fiscal Year 2010

July 1, 2009 - June 30, 2010

*Prepared By:*  
Finance and Accounting

# City Council



*Robert E. Bruchey, II  
Mayor*



*Bruce J. Zimmerman  
City Administrator*



*Martin E. Brubaker  
Council Member*



*William M. Breichner  
Council Member*



*Forrest W. Easton  
Council Member*



*Ashley C. Haywood  
Council Member*



*Lewis C. Metzner  
Council Member*

**City of Hagerstown**  
 Comprehensive Annual Financial Report  
 For the Fiscal Year Ended June 30, 2010

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# INTRODUCTORY SECTION



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# CITY OF HAGERSTOWN, MARYLAND

Finance Department

February 11, 2011

To the Honorable Mayor, Members of the Governing Council, and Citizens of the City of Hagerstown, Maryland:

State law requires that all general purpose local governments publish within four months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that schedule, and in accordance with Article VII, Section 722 of the City's Charter, we hereby issue the comprehensive annual financial report (CAFR) for the City of Hagerstown, for the year ended June 30, 2010.

This report consists of management's representations concerning the finances of the City of Hagerstown. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Hagerstown has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Hagerstown's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Hagerstown's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Hagerstown's financial statements have been audited by Smith Elliott Kearns & Company, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City of Hagerstown for the fiscal year ended June 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Hagerstown's financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the Financial Section of the CAFR.

The independent audit of the financial statements of the City of Hagerstown was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Hagerstown's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis. This letter of transmittal is designed to complement the Management's Discussion and Analysis and should be read in conjunction with it. The City of Hagerstown's Management's Discussion and Analysis can be found immediately following the report of the independent auditors.

## Profile of the Government

The City of Hagerstown (The City), founded in 1762 and incorporated in 1813, is the county seat of Washington County, Maryland. The City is located approximately 70 miles northwest of Washington D.C., about 72 miles west of Baltimore, Maryland, and 65 miles southwest of Harrisburg, Pennsylvania. The City currently occupies a land area of 11.97 square miles and serves a population of 39,996 per the latest update from the Maryland Department of Planning. The City is empowered to levy a property tax on real properties and business personal property within its boundaries and to charge user fees for services it provides.

The City adopted its present charter in 1983. Under the Charter, the legislative functions of the City are vested in a council, which consists of five council members. In addition, the City has a Mayor. The Mayor serves as President of the Council and as such may participate in all Council discussions and has veto power on all ordinances passed by the Council. The Mayor is also the ceremonial head of the City government. The Mayor and all Council members are elected on an at large basis for four year terms.

The City Administrator serves as the Chief Administrative Officer of the City, responsible to the Mayor and Council for the administration of all City affairs, including financial affairs. The Director of Finance is the Chief Financial Officer of the City and has been delegated the task of supervising and directing the proper accounting of all revenues and expenditures, and the preparation of the annual operating budget and financial reports.

The City provides the full range of municipal services contemplated by statute or charter. This includes public safety (police, fire, traffic control and inspection services), highways and streets, waste collection and disposal, electric, water, wastewater, parking, parks, culture and recreation, public improvements, planning and zoning, economic and community development, and general administrative services. There are no other reporting entities for which the City is considered to be financially accountable.

The annual budget serves as the foundation for the City's financial planning and control. The Charter of the City requires the City Administrator to submit a budget to the Mayor and Council at least ninety days before the beginning of the fiscal year or by March 31. The Charter states that "the budget shall provide a complete financial plan for the budget year and shall contain estimates of anticipated revenues and proposed expenditures for the coming year. The total of the anticipated revenues shall equal or exceed the total of the proposed expenditures." The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 1, thirty days before the beginning of the fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., fire). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the governing council.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on pages 71 through 73 as part of the basic financial statements for the governmental funds. For governmental funds other than the General Fund, with appropriated annual budgets, this comparison is presented on page 77 through 83.

## Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

**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. As a result of the recession, the unemployment rate increased from 9.4% in June 2010 to 10.0% in July 2010. It is expected that the unemployment rate will take a minimum of 5 years to fully recover due to permanent loss of certain industry jobs, re-entry of the current workforce, and new workforce entry. Total Washington County employment in June 2010 was 62,975.

The City experienced substantial residential and commercial growth in the past. The housing industry is still depressed but improving. Foreclosure rates are up since FY2008 but appear to be leveling off at the end of FY2010. From FY2008 to FY2010, the average price of homes sold decreased by 25%. 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.

Despite these economic challenges, the City continues to strive to maintain the best elements of its small city character while energetically pursuing a downtown and neighborhood revitalization program and a discriminating commercial and industrial growth policy. Factors which make the City a "great place to live, work and visit" 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.

Hagerstown is served by two major Interstate Highways, 1-70 (East-West) and 1-81 (North-South), U.S. Routes 11 and 40, as well as numerous regional arterial highways complementing its role as a regional transportation hub. Hagerstown is served by two major rail systems – Norfolk Southern and CSX Transportation – and the Hagerstown Regional Airport, which offers connections to a nearby international airport.

**Long-term financial planning.** Through a mix of financial management policies, land use, and forecasting, the City will ensure stability by maximizing its current use of resources. To assist City policy makers, a five year forecast of the City's General and Enterprise Funds is included in the City's budget document to show them the financial impact of their decisions. The Mayor and City Council began working on a new Strategic Plan in FY2010 and formally adopted that Plan in September 2010. The Plan outlines the City's desire to be the location of choice for a diverse and dynamic citizenry, and to provide a proud and prosperous community.

### Strategic Plan major initiatives

#### *A Prosperous Community*

- Completion and implementation of a comprehensive rezoning plan
- Examine and develop concepts and feasibility plans for: a bridge over Antietam Creek at Professional Court and its relationship to future annexation; revitalization of the Municipal Stadium; retail commercial business and recreational use along Antietam Creek using public-private partnerships

#### *A Vibrant, Active and Livable Community*

- Completion of the North Potomac Street sidewalk project
- Assist and support Washington County in their efforts to expand the Washington County Library in Hagerstown
- Enhance the image of Hagerstown by creating "pocket parks"; expanding the biking and walking trail systems throughout the City; and readapting the Fairgrounds Park grandstand use

### *A Safe and Healthy Community*

- Completion of the West End Water Tank and Wastewater Treatment Plant ENR upgrades
- Implement approved recommendations from the Green Task Force and the Trash and Recycling Task Force
- Evaluation and creation of new governmental and community partnerships to improve Police and Fire Services and relocation of fire stations to enhance public safety

### *An Innovative and Sustainable Government*

- Develop recommendations for the realignment of resources and personnel to deliver services more efficiently and effectively
- Explore opportunities for City / County and Public / Private collaborations
- Explore alternative retirement plans and retiree healthcare reform

## **Awards and acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2009. This was the fourteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition the City received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2009. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including: a policy document, a financial plan, an operations guide and a communications device. The City also received the GFOA's award of Outstanding Achievement for the Popular Annual Financial Reporting (PAFR) for the fiscal year 2009. The PAFR is specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in finance.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express appreciation to all members of the department who assisted and contributed to the preparation of this report. Special recognition is extended to Angela Ludeman and Ray Foltz, Sr. for the sense of commitment they displayed during the preparation of the CAFR. Special thanks must also be given to our independent accounting firm, Smith Elliott Kearns & Company, LLC for their support and assistance in conducting the audit and for their insights and guidance on improving our financial reporting. In addition, credit must be given to the mayor and the governing council for their interest and support in planning for and maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Michelle Burkner  
Acting Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hagerstown  
Maryland

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



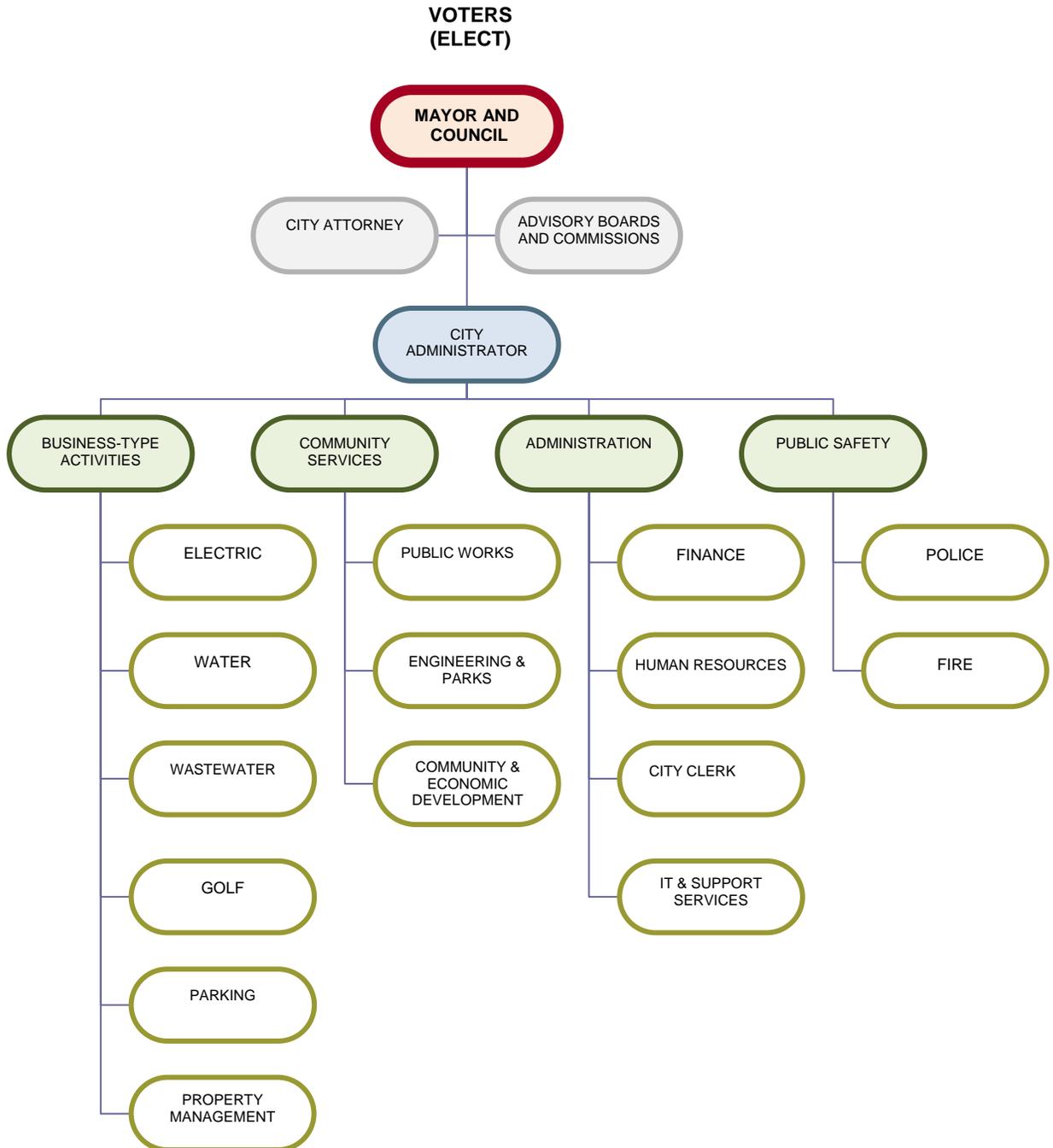
A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

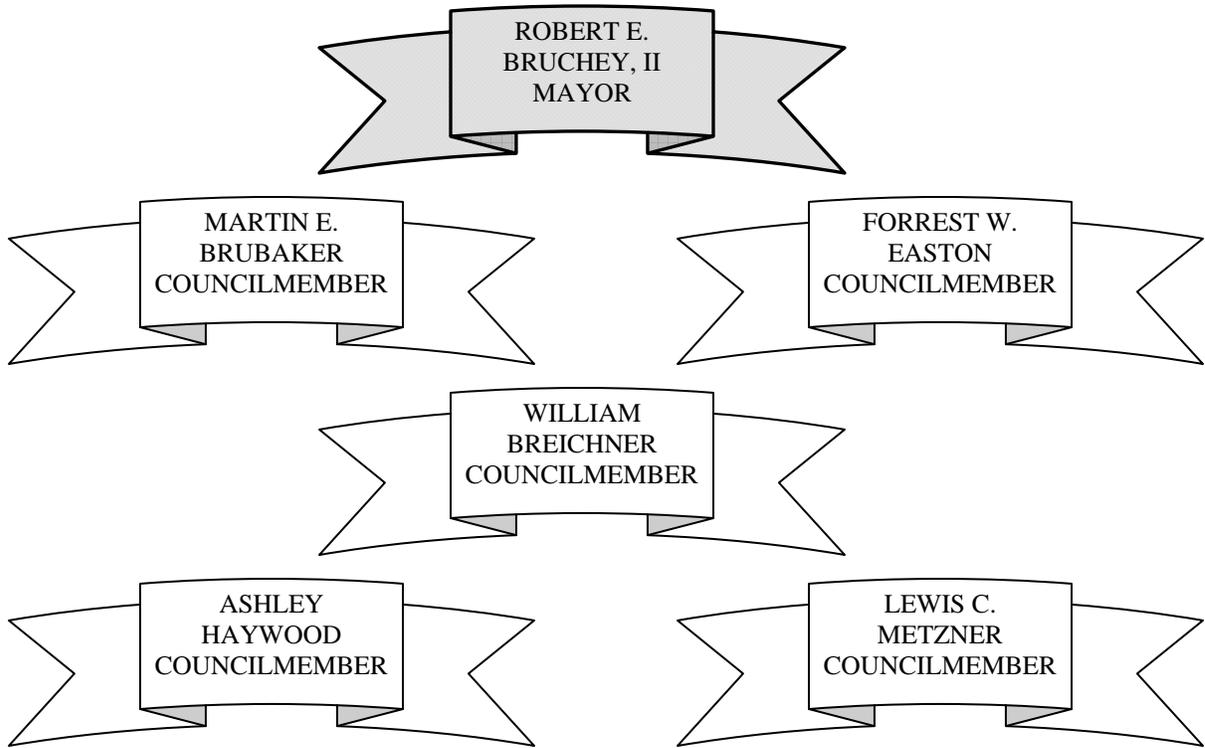
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

# CITY ORGANIZATION CHART (By Department)





## CITY OFFICIALS

CITY ADMINISTRATOR  
BRUCE ZIMMERMAN

CITY CLERK  
DONNA SPICKLER

FINANCE  
MICHELLE BURKER

PUBLIC WORKS  
ERIC DEIKE

COMMUNITY &  
ECONOMIC  
DEVELOPMENT  
JOHN LESTITIAN

FIRE  
KYD DIETERICH

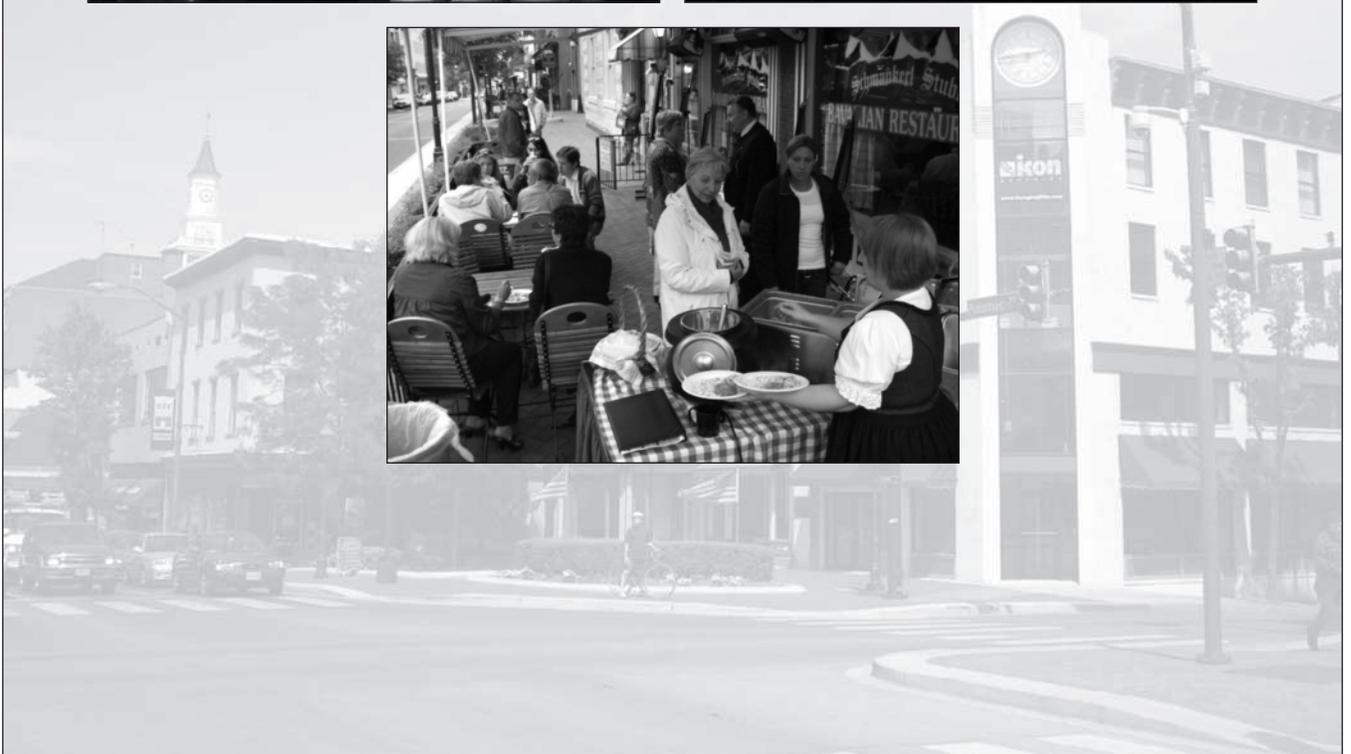
POLICE  
ARTHUR SMITH

ENGINEERING &  
PARKS  
RODNEY TISSUE

HUMAN  
RESOURCES  
DONNA FRAZIER

UTILITIES  
MICHAEL SPIKER

# City Center



**FINANCIAL SECTION**



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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Hagerstown, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of the City of Hagerstown, Maryland (City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Hagerstown, Maryland's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of the City as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 to 13 and historical pension and other post employment benefits plan information on page 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements,



and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hagerstown, Maryland's financial statements as a whole. The introductory section, major governmental fund budgetary comparison financial statements, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The major governmental fund budgetary comparison financial statements and combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Smith Elliott Kearns & Company, LLC*

Hagerstown, Maryland  
February 11, 2011

# Management's Discussion and Analysis (MD&A)

(Unaudited)

## Introduction

As management of the City of Hagerstown, Maryland (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010. The MD&A is best understood if read in conjunction with the Transmittal Letter and the City's basic financial statements.

## Financial Highlights

- The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$232.2 million (*net assets*). Approximately 63.1% of this amount is attributable to the City's three utilities (Electric, Water and Wastewater). Of the total net assets, \$19.5 million (*unrestricted net assets*) may be used to meet ongoing obligations to citizens and creditors (72.8% of this amount is attributable to the City's three utilities), \$10.3 million is restricted for specific purposes (*restricted net assets*), and \$202.4 million is invested in capital assets, net of related debt.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$18.9 million. Of this total amount \$8.0 million is unreserved and represents working capital available to support governmental operating needs and future years' expenditures.
- The City's total bonded debt increased by \$23.0 million (58.5%) during the current fiscal year from \$39.3 million to \$62.3 million. In the current fiscal year, the City issued \$18.1 million of new public facilities bonds and authorized \$12.0 million in new Maryland Water Quality Revolving Loan Fund Debt. A total of \$9.0 million of Maryland Water Quality Revolving Loan Fund Debt was drawn in 2009/2010, with \$5.6 million from prior year's authorizations and \$3.4 from the new authorized debt. The City's adherence to its amortization schedules for existing debt reduced its debt by \$4.1 million in 2009/2010. Additional information on the City's long-term debt activity can be found in Note IV. F. of the notes to the financial statements.
- The General Fund on a current financial resource basis, reported revenues in excess of expenditures and other financial sources and uses by \$661,356 after making a \$397,563 transfer to the Capital Projects Fund and operating transfers of \$281,000 to the Golf Course Fund, \$125,000 to the Economic Redevelopment Fund and \$231,063 to the Grant Revenue Fund.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$8,022,458 or 21.6% of total General Fund expenditures (excluding the transfers to other funds described above). This represents slightly over two and a half months of General Fund expenditures and complies with the City financial policy requiring a minimum undesignated fund balance of 10% of the General Fund operating expenditures

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City'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 other required and non-required supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position and condition of the City is improving or deteriorating. In addition to the financial information provided in this report, evaluations of the overall health of the City extends to other non-financial factors, such as, the condition of City infrastructure or the diversification of the taxpayer base.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 periods (e.g., uncollected taxes and earned but unused vacation leave). One of the *statement of activities* primary purposes is to illustrate the financial reliance of the City's distinctive activities or functions on City taxpayer revenue.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental 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 City include general government, public safety, streets and alleys, waste collection and disposal, parks and recreation, municipal buildings, and economic and community development. The business-type activities of the City include electric, water, wastewater, parking, golf course, and property management operations.

The government-wide financial statements include only the City of Hagerstown because the City has no component unit relationships with any other agency. The government-wide financial statements can be found on pages 14 and 15 of this report.

**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 City of Hagerstown, 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 City can be divided into three categories: governmental funds; proprietary funds; and fiduciary funds. Within the basic financial statements, fund financial statements focus on the City's most significant funds. Major funds are reported separately, and all others are combined into a single, aggregated presentation. Combining statements provided in a later section of this report provide individual fund data for nonmajor funds.

**Governmental funds.** *Governmental funds* are used to account for essentially 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 more narrow 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

so doing, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and 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 City maintains nine individual governmental funds: the General; Capital Projects; Community Development Block Grant; Economic Redevelopment; Flexible Spending; Telecommuting Center; Business Revolving Loan; Excise Tax; and Grant Revenue 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 all nine government funds.

The City adopts an annual appropriated budget for its individual governmental funds. Budgetary comparison statements are provided for the funds to demonstrate compliance with its budget. The basic governmental fund financial statements can be found on pages 16 through 19 of this report. The other governmental fund financial statements can be found on pages 71 through 83.

**Proprietary funds.** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. *Enterprise funds* generally report services for which the City charges customers a fee. The City uses enterprise funds to account for its Electric, Water, Wastewater, Parking, Golf Course, and Property Management funds. *Internal service funds* are used to accumulate and allocate costs internally among the City's various functions. The City used internal service funds to account for Workers Compensation Insurance, Health Insurance and Dental Insurance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide both short-term and long-term financial information consistent with the focus provided by the government-wide financial statements, only in greater detail. The proprietary fund financial statements provide separate information for the Electric, Water, Wastewater, and Parking funds, all of which are major funds of the City. Conversely, all internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds and nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 20 to 24 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 City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 25 to 26 of this report.

**Notes to the financial statements.** The notes 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 are part of the basic financial and can be found on pages 27 to 69.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 70 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's overall financial condition and position. In the case of the City, assets exceeded liabilities by \$232.2 and \$225.4 million at the close of the current and previous fiscal years.

City of Hagerstown 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 (87.2%) reflects its investment in capital assets net of depreciation (e.g., land and improvements, buildings, machinery, equipment, infrastructure, and improvements), less any unmatured debt used to acquire those assets. The City uses these capital assets to provide services to citizens. Consequently, these assets are *not* available for future spending.

Restricted net assets represent 4.4% of total net assets. Restricted net assets are resources that are subject to external restrictions on how they may be used. Unrestricted net assets of the government have a balance of \$19.5 million (8.4% of total net assets) which may be used to meet the government's ongoing obligations to citizens and creditors. Unrestricted net assets for business-type activities have a balance of \$16.2 million.

### Summary of Net Assets June 30, 2010 and 2009

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Assets:</b>						
Current Assets	\$ 29,385,185	\$ 23,290,757	\$ 21,765,990	\$ 15,509,711	\$ 51,151,175	\$ 38,800,468
Long-term and restricted assets	170,033	364,303	5,086,116	10,192,133	5,256,149	10,556,436
Capital assets, net	79,685,033	76,305,514	183,312,160	166,748,080	262,997,193	243,053,594
Total Assets	109,240,251	99,960,574	210,164,266	192,449,924	319,404,517	292,410,498
<b>Liabilities:</b>						
Long-term liabilities	23,803,945	17,520,154	40,742,944	25,156,051	64,546,889	42,676,205
Other liabilities	10,943,537	8,466,551	11,671,060	15,894,941	22,614,600	24,361,492
Total Liabilities	34,747,485	25,986,705	52,414,004	41,050,992	87,161,489	67,037,697
<b>Net Assets:</b>						
Invested in capital assets	60,903,731	63,577,809	141,557,917	140,754,087	202,461,648	204,331,896
Restricted	10,321,603	7,470,811	-	-	10,321,603	7,470,811
Unrestricted	3,267,432	2,925,249	16,192,345	10,644,845	19,459,777	13,570,094
Total Net Assets	\$ 74,492,766	\$ 73,973,869	\$ 157,750,262	\$ 151,398,932	\$ 232,243,028	\$ 225,372,801

The following table indicates the changes in net assets for governmental and business-type activities:

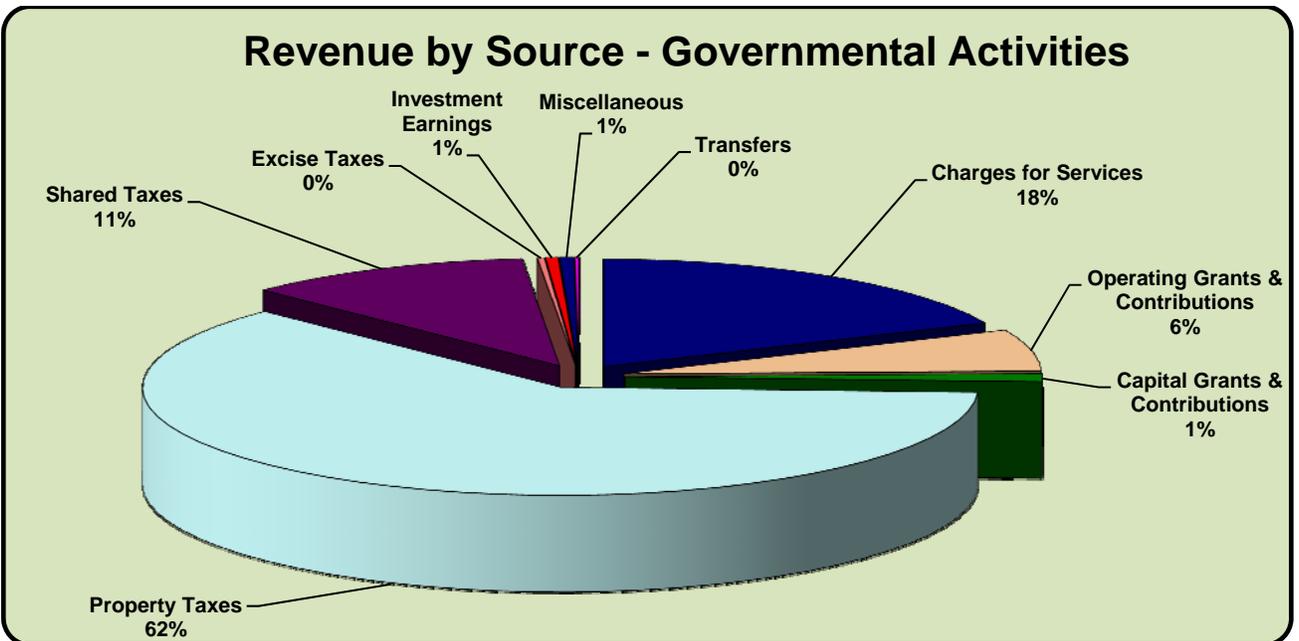
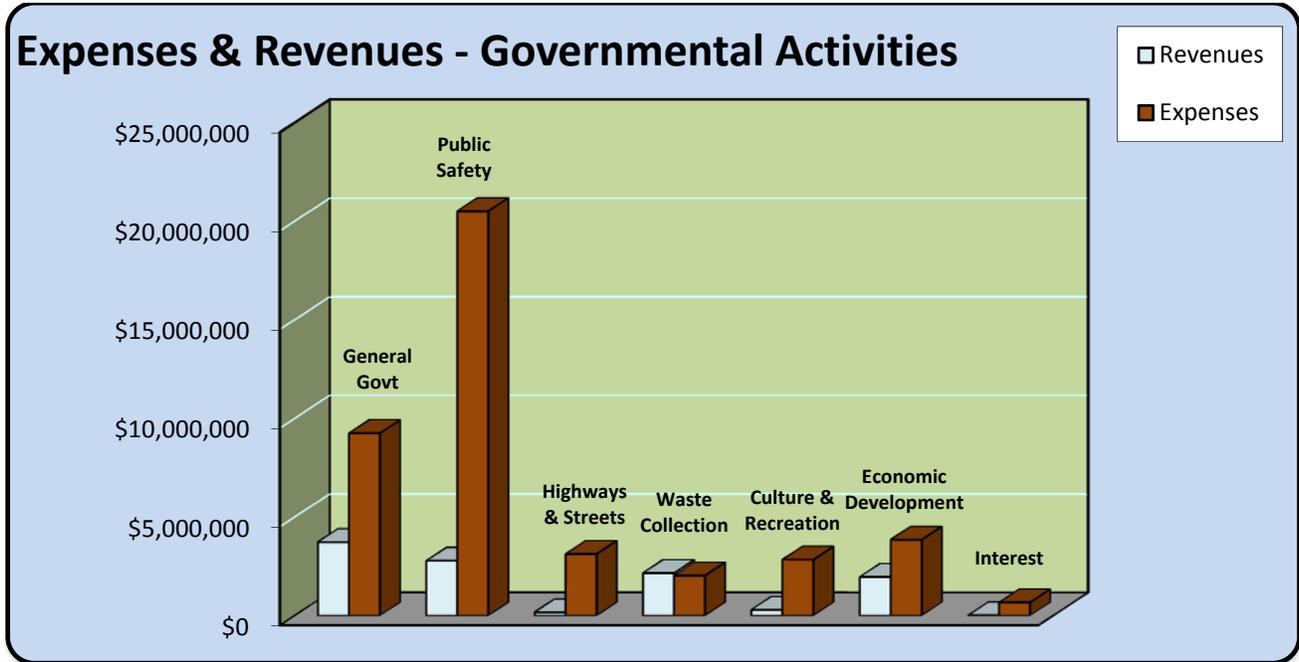
**Changes in Net Assets  
June 30, 2010 and 2009**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 7,294,611	\$ 6,900,344	\$ 50,791,489	\$ 51,019,322	\$ 58,086,100	\$ 57,919,666
Operating grants and contributions	2,671,617	2,973,450	440,847	82,875	3,112,464	3,056,325
Capital grants and contributions	512,249	1,698,460	9,006,128	3,529,421	9,518,377	5,227,881
<b>General Revenues:</b>						
Property taxes	26,460,939	24,296,300	-	-	26,460,939	24,296,300
State and county shared taxes	4,768,035	6,661,880	-	-	4,768,035	6,661,880
Miscellaneous	458,383	482,140	221,725	406,055	680,108	888,195
<b>Total Revenues</b>	<u>42,165,834</u>	<u>43,012,574</u>	<u>60,460,189</u>	<u>55,037,673</u>	<u>102,626,023</u>	<u>98,050,247</u>
<b>Expenses:</b>						
<b>Program Expenses:</b>						
Public safety	20,501,962	21,622,281	-	-	20,501,962	21,622,281
General government	9,238,809	9,508,691	-	-	9,238,809	9,508,691
Culture and recreation	2,828,320	2,970,739	-	-	2,828,320	2,970,739
Highways and streets	3,119,911	2,837,595	-	-	3,119,911	2,837,595
Waste collection and disposal	2,023,079	2,094,011	-	-	2,023,079	2,094,011
Economic and community development	3,184,156	3,179,654	-	-	3,184,156	3,179,654
Interest on long-term debt	684,700	523,931	-	-	684,700	523,931
Utilities and other proprietary funds	-	-	54,174,859	54,717,337	54,174,859	54,717,337
<b>Total Expenses</b>	<u>41,580,937</u>	<u>42,736,902</u>	<u>54,174,859</u>	<u>54,717,337</u>	<u>95,755,796</u>	<u>97,454,239</u>
Excess before transfers	<u>584,897</u>	<u>275,672</u>	<u>6,285,330</u>	<u>320,336</u>	<u>6,870,227</u>	<u>596,008</u>
Transfers	<u>(66,000)</u>	<u>229,056</u>	<u>66,000</u>	<u>(229,056)</u>	<u>-</u>	<u>-</u>
Increase in net assets	<u>518,897</u>	<u>504,728</u>	<u>6,351,330</u>	<u>91,280</u>	<u>6,870,227</u>	<u>596,008</u>
Net Assets - Beginning	<u>73,973,869</u>	<u>73,469,141</u>	<u>151,398,932</u>	<u>151,307,652</u>	<u>225,372,801</u>	<u>224,776,793</u>
<b>Net Assets - Ending</b>	<u>\$ 74,492,766</u>	<u>\$ 73,973,869</u>	<u>\$ 157,750,262</u>	<u>\$ 151,398,932</u>	<u>\$ 232,243,028</u>	<u>\$ 225,372,801</u>

**Governmental activities:** General revenues for the governmental activities were \$31.7 million, while total expenses, net of charges for services, grants and contributions, were \$31.1 million. The increase in net assets for governmental activities was \$518,897 and can be largely attributed to the following:

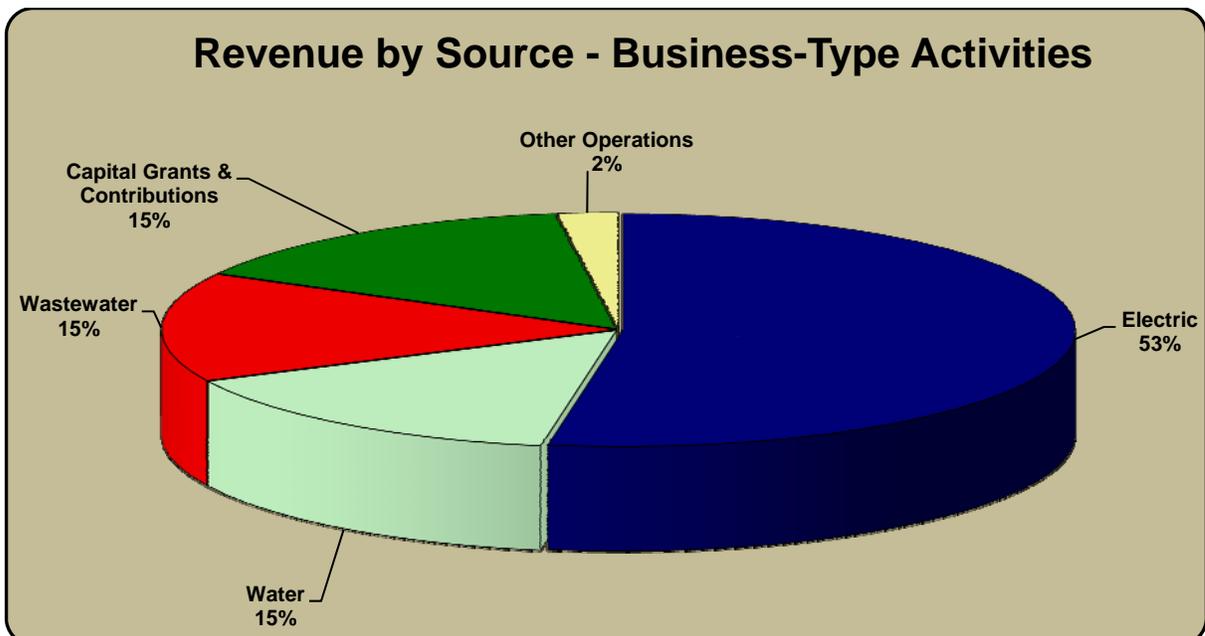
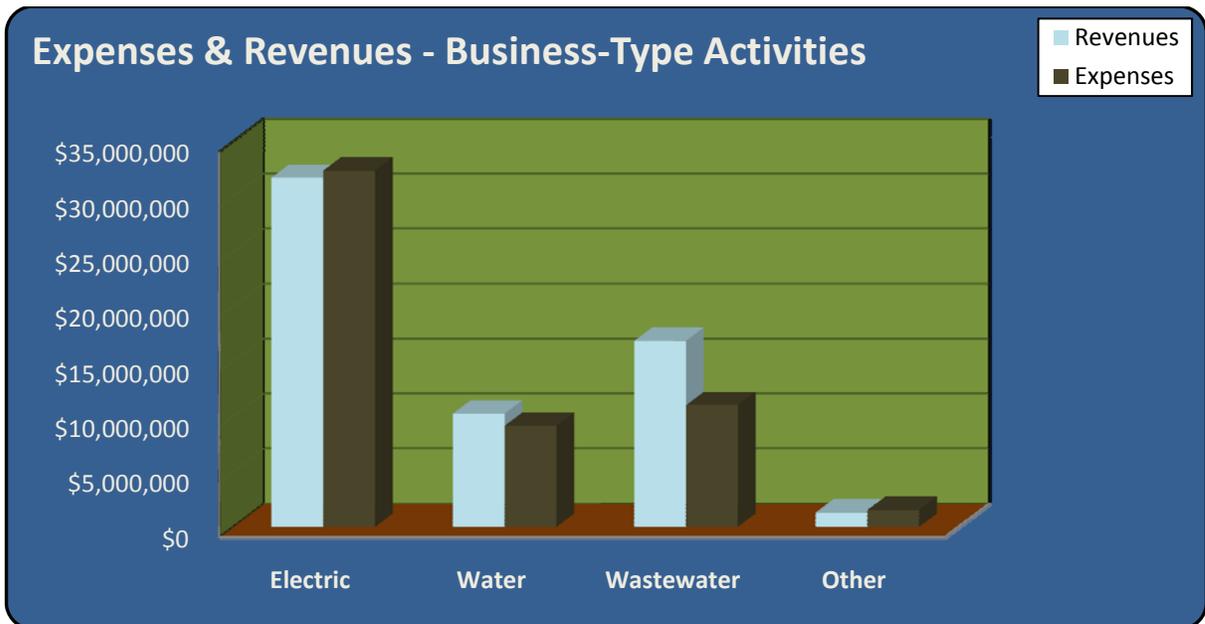
- \$661,356 of the increase is due to the excess of actual revenues over expenditures in the City's General Fund which is explained in the next section of this analysis.
- The City's investment in new governmental activities capital assets exceeded depreciation (wear and tear) on existing capital assets resulting in a net increase in capital asset values of \$4,102,493.

The following charts compare the Expenses and Program Revenues of the City's Governmental Activities.



**Business-type Activities:** Business-type activities increased the City of Hagerstown’s net assets by \$6,351,330, accounting for 92.4% of the total growth in the government’s net assets. Key elements of this increase are as follows:

- Charges for services for business-type activities decreased by \$0.2 million or 0.4%. This is primarily due to charges for services in the Electric fund decreasing by \$1.1 million (3.3%) while charges for services in the Water and Wastewater funds increased by \$0.9 million (11.3%) and \$0.1 million (1.6%) respectively. The decrease in the Electric fund is attributed to the down turn in the national and local economy but the increases in Water and Wastewater are due to mid-year rate increases.
- Capital contributions remained a major revenue source for the Water and Wastewater funds during the current fiscal year, producing \$9.0 million in revenue, and are up from the prior fiscal year’s \$3.5 million.



## Financial Analysis of the Government's Funds

As noted earlier, the City of Hagerstown uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City of Hagerstown's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved 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 City of Hagerstown's governmental funds reported combined ending fund balances of \$18.9 million, a increase of \$3.5 million from the prior year. The major increase was \$4.1 million in the Capital Projects fund balance. This was primarily a result of the issuance of \$8.5 million in bond financing in the current fiscal. Approximately 42.5% of the total fund balance (\$18.9 million) constitutes *unreserved fund balance* (\$8.0 million), which represents working capital available to support governmental operating needs and future years' expenditures. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$0.1 million), 2) for inventories (\$0.2 million), 3) dedicated for a variety of restricted purposes including long term loans receivable and properties held for resale (\$10.6 million).

The General Fund is the chief operating fund of the City of Hagerstown. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$8.0 million, while total fund balance reached \$8.6 million. As a measure of the General Fund's liquidity, it is useful to compare the unreserved fund balance to total fund expenditures. Unreserved fund balance represents 21.6% of total General Fund expenditures (slightly more than two and one half months of fiscal expenditures).

The fund balance of the City of Hagerstown's General Fund increased by \$661,356 during the current fiscal year even though the City had projected the use of \$150,000 of fund balance. The key elements in this increase are as follows:

- Revenues exceeded budgeted projections by \$683,750
  - Property taxes exceeded projections by \$680,519. The full year real estate tax levy and corporate personal property taxes exceeded our estimates by \$718,234. Although the actual are still down from prior years, the decline in the real estate market did not drop as much as we anticipated in fiscal year 2009/10.
  - State and County shared taxes exceeded projections by \$198,966. State shared income tax and highway user tax revenues exceeded our estimates by \$151,806 and \$84,227 respectively. Economic declines were not as severe as we anticipated.
  - The economic slowdown, however, was responsible for interest earnings declining worse than we anticipated by \$195,292.
- Expenditures were held below budgeted projections by \$360,406
  - Vacancy savings and control of temporary and seasonal wages kept actual wage & fringe benefit expenditures below budget projections by \$865,312.
  - The City's share of 911 operations cost \$405,630. The majority of these costs were budgeted as wages and fringe benefits and offset the budget savings above.

The Capital Projects Fund has a total fund balance of \$4,492,242. Of the total fund balance, \$4,454,096 is reserved for future capital project expenditures. The remaining \$38,146 is reserved for contracts and purchase order commitments made in the prior year.

**Proprietary funds.** The City of Hagerstown's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the three utilities at the end of the year amounted to \$2.3 million for the Electric Fund, \$8.7 million for the Water Fund and \$3.2 million for the Wastewater Fund. The total increase in the proprietary funds net assets was \$6.4 million. Other factors concerning these funds' finances have been addressed in the discussion of the City of Hagerstown's business-type activities.

## General Fund Budgetary Highlights

The final budgeted revenues and transfers to other funds were decreased by \$2.2 million below the original budget. This change is primarily due to the following reductions in State and County Shared Taxes - \$1,576,929 for highway user revenue, \$450,000 for income taxes and \$275,097 for police protection.

## Capital Asset and Debt Administration

**Capital assets.** The City of Hagerstown's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to \$263.0 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment (including vehicles), infrastructure (including park facilities, roads, highways and bridges) and construction in progress. The total increase in City of Hagerstown's investment in capital assets for the current fiscal year was \$19,943,599 or 8.2%. There was a 4.4% increase for governmental activities and a 9.9% increase for business-type activities.

### City of Hagerstown's Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 3,715,746	\$ 1,292,690	\$ 5,448,572	\$ 5,448,572	\$ 9,164,318	\$ 6,741,262
Construction in progress	7,405,689	9,655,285	19,544,164	6,576,802	26,949,853	16,232,087
Buildings & structures	7,220,157	7,405,918	110,910,871	109,999,724	118,131,028	117,405,642
Improvements other than buildings	3,507,439	4,355,162	618,364	710,271	4,125,803	5,065,433
Machinery & equipment	5,807,113	5,483,920	46,790,189	44,012,711	52,597,302	49,496,631
Infrastructure	52,028,889	48,112,539	-	-	52,028,889	48,112,539
<b>Total</b>	<b>\$79,685,033</b>	<b>\$76,305,514</b>	<b>\$183,312,160</b>	<b>\$166,748,080</b>	<b>\$262,997,193</b>	<b>\$243,053,594</b>

Major capital asset events during the current fiscal year included the following:

#### For the City's governmental activities:

- o \$1,421,841 was spent on improvements of the Jonathan Street streetscape
- o \$1,391,612 was spent on City's contributions to the Library Expansion
- o \$ 914,127 was spent on various street resurfacing projects
- o \$ 496,617 was spent on Police radios and software for vehicles
- o \$ 456,474 was spent on widening Edgewood Boulevard at US Route 40.
- o \$ 241,231 was spent on improvements to the East Washington Street alley
- o \$ 206,623 was spent on replacement of City vehicles
- o \$ 196,890 was spent on continued replacement of municipal finance software

For the City's business activities:

Of the \$20.4 million the City spent on the acquisition and construction of business activity capital assets in fiscal year 2009/2010, \$9.0 million were funded from contributions from developers in the form of benefit charges, \$3.4 million were funded by intergovernmental grants, and the remaining \$8.0 million were funded from bond proceeds.

Additional information on the City of Hagerstown's capital assets can be found in Note IV. C., pages 44 through 46 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Hagerstown had total bonded debt outstanding of \$62.3 million. The full faith and credit, and unlimited taxing power of the City are irrevocably pledged to the levy and collection of taxes in order to provide for the payment of principal and interest due on the bonds. Of this amount, \$41.8 million are considered self-supporting bonds, primarily funded through various charges related to the operation of the electric, water and wastewater systems of the City.

**City of Hagerstown's Outstanding Debt**  
Bonded Debt

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Bonded Debt	\$20,457,426	\$13,342,801	\$41,856,725	\$25,993,993	\$62,314,151	\$39,336,794

The City of Hagerstown increased its total bonded debt by \$23.0 million (58.36%) during the current fiscal year. The City issued \$17,995,000 in General Obligation bonds in September 2009. Of the \$17,995,000 in bond proceeds, 47% is related to Governmental Activities and 53% is related to Business Type Activities. The City drew additional debt from the 2009 Maryland Water Quality Revolving Loan Fund (\$5.3) and Maryland Department of Environment West End Tank loan (\$2.9). bond authorization. The City's adherence to its amortization schedules for other debt reduced its debt by \$3.2 million resulting in a net increase in debt of \$23.0 million during the current year.

Moody's Investors Service upgraded the rating on the City of Hagerstown from A3 to A2 at the beginning of year 2006/2007. Shortly after the end of the current fiscal year, Moody's Investor Service maintained the City's rating of A2 and Standard and Poor's provided the City of Hagerstown a rating of AA- (two steps higher than our Moody's rating) in connection with the City's sale of \$17,995,000 in General Obligation bonds in September 2009. The bond sale was a tax exempt sale for the first ten year maturities and a taxable Build America Bond sale for the 11 to 20 year maturities. After the expected federal rebates of 35% of the taxable interest, the City received a net interest cost on these bonds of 3.366%, the lowest interest rate the City has received in over 25 years.

The amount of general obligation debt the City of Hagerstown may issue is not limited by State statute or local ordinance. However, the City adheres to a financial policy approved by its elected officials which prohibits general obligation debt from exceeding 10% of the assessed value of taxable property or \$1,200 per capita. At the end of the current fiscal year total general obligation debt was 0.74% of the assessed value of taxable property and \$511 per capita.

Additional information on the City of Hagerstown's long-term debt can be found in note IV. F. on pages 56 through 58 of this report.

## Economic Factors and Next Year's Budgets and Rates

- The fiscal 2011 budget reflects that the City is not immune to the financial concerns and impact of higher fuel and energy costs, weakening retail sales and employment and the home foreclosure crisis. The City has experienced a reduction in the level of new development activity and growth in market values of real estate in the area. Additionally, the projected shortfall in Maryland's State Budget was considered with regard to the General Fund's reliance on state revenue sharing and funding.
- The City is required by its Charter to have a balanced budget each fiscal year and has always attempted to comply with this requirement. In FY10, there was a deficiency of \$130,650. The City employs and adheres to written financial policies which have guided its operations. Annually, the City develops and updates financial models for all of its major funds, which enables the City to evaluate both short and long term implications of proposed operational and capital decisions regarding City finances.
- For fiscal 2011 the City's major governmental fund revised budget, the General Fund, is projected to decrease 1.2% under the fiscal 2010 actual. Wages and benefits are projected to decrease by 3.7%. Debt service is projected to increase by 20.0% due to the addition of the 2009 public facility bonds. All other operating expenses are projected to increase by 1.2%. The other operating expenses include expenses such as sanitation services (2.5%), and electricity (3.2%).
- The City's adopted water and wastewater extension policies, requiring annexation of contiguous properties in many areas around the City results in the annexation of newly developed land in the urban growth area surrounding the City and is a major reason Moody's Rating Service gave the City a positive fiscal outlook in our last bond rating. The last triennial re-assessment by the State Department of Assessments occurred in the Summer of 2007 and continued to be applied to the most recent real estate assessments in 2009/10. The City experienced a significant increase of over 40% in real estate values in 2007. Markets values have declined on existing properties since the economic downturn began. We are expecting overall declines of 14.0% in residential and commercial property assessments when we receive the final property reassessments from the Summer of 2010.

All of these factors were considered in preparing the City of Hagerstown's budget for fiscal 2010/11.

The fiscal year 2011 budget reflects no rate increase for electric service charges. Annual rate increases were adopted for water service charges of 5% inside and 6.5% outside the City and wastewater service charges of 5% inside and 3% outside the City effective July 1, 2010, and each July 1<sup>st</sup> thereafter through July 1, 2014. These annual increases will make possible the extensive continuing system improvements for these utilities

## Requests for Information

This financial report is designed to provide a general overview of the City of Hagerstown'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 information should be addressed to the Department of Finance, City of Hagerstown, One East Franklin Street, Hagerstown, MD 21740 or by telephone at (301) 766-4150. Complete financial reports are also available on our web site [www.hagerstownmd.org](http://www.hagerstownmd.org)

**City of Hagerstown, Maryland**  
**Statement of Net Assets**  
**June 30, 2010**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Pooled cash and investments	\$ 21,586,278	\$ 7,444,371	\$ 29,030,649
Receivables (net of allowance for uncollectibles):			
Taxes	1,437,458	-	1,437,458
Intergovernmental	2,165,828	-	2,165,828
Customers	1,168,032	6,951,078	8,119,110
Loans	2,881,533	-	2,881,533
Other	113,049	6,104	119,153
Internal balances	(1,524,052)	1,524,052	-
Inventories	183,325	1,031,685	1,215,010
Properties held for resale	948,471	-	948,471
Prepaid items	336,109	36,098	372,207
Due from other agencies	-	4,670,120	4,670,120
Deferred charges	89,154	102,482	191,636
Restricted assets:			
Pooled cash and investments	170,033	4,446,152	4,616,185
Long-term receivables	-	639,964	639,964
Capital assets (net of accumulated depreciation):			
Land (not being depreciated)	3,715,746	5,448,572	9,164,318
Land improvements	3,919,696	1,434,704	5,354,400
Buildings and structures	14,558,236	161,715,501	176,273,737
Machinery and equipment	4,527,714	92,179,375	96,707,089
Automobiles and trucks	7,120,192	4,787,811	11,908,003
Office furniture and fixtures	3,304,381	743,859	4,048,240
Infrastructure	86,379,857	-	86,379,857
Construction in progress (not being depreciated)	7,405,689	19,544,164	26,949,853
Less accumulated depreciation	(51,246,478)	(102,541,826)	(153,788,304)
Total assets	<u>109,240,251</u>	<u>210,164,266</u>	<u>319,404,517</u>
<b>Liabilities</b>			
Accounts and retainages payable	4,158,438	5,689,543	9,847,981
Accrued liabilities	1,838,026	274,903	2,112,929
Escrowed taxes and insurance	11,407	-	11,407
Matured bonds and interest payable	5,031	-	5,031
Accrued interest payable	307,150	480,376	787,526
Customer deposits payable	25,100	1,230,635	1,255,735
Undisbursed loan and grant commitments	90,987	-	90,987
Due to other agencies	439,968	-	439,968
Unearned revenue	219,343	126,520	345,863
Compensated absences:			
Due within one year	2,099,388	1,080,941	3,180,329
Due in more than one year	5,095,221	1,674,361	6,769,582
Long-term liabilities:			
Due within one year	1,748,702	2,788,142	4,536,844
Due in more than one year	18,708,724	39,068,583	57,777,307
Total liabilities	<u>34,747,485</u>	<u>52,414,004</u>	<u>87,161,489</u>
<b>Net Assets</b>			
Invested in capital assets net of related debt	60,903,731	141,557,917	202,461,648
Restricted for:			
Capital Project Fund	4,492,242	-	4,492,242
Special Revenue Funds	5,829,361	-	5,829,361
Unrestricted	<u>3,267,432</u>	<u>16,192,345</u>	<u>19,459,777</u>
Total net assets	<u>\$ 74,492,766</u>	<u>\$ 157,750,262</u>	<u>\$ 232,243,028</u>

The notes to the financial statements are an integral part of this statement.

**City of Hagerstown, Maryland**  
**Statement of Activities**  
**For the Year Ended June 30, 2010**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Government Business-type Activities		Total
			Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 9,238,809	\$ 3,060,653	\$ 345,753	\$ 317,544	\$ (5,514,859)	\$ -	\$ -	(5,514,859)
Public safety	20,501,962	1,434,155	1,285,985	50,000	(17,731,822)	-	-	(17,731,822)
Highways and streets	3,119,911	90,588	-	73,705	(2,955,618)	-	-	(2,955,618)
Waste, collection and disposal	2,023,079	2,153,210	-	-	130,131	-	-	130,131
Culture and recreation	2,828,320	191,602	25,739	71,000	(2,539,979)	-	-	(2,539,979)
Economic and community development	3,184,156	364,403	1,014,140	-	(1,805,613)	-	-	(1,805,613)
Interest on long-term debt	684,700	-	-	-	(684,700)	-	-	(684,700)
Total governmental activities	41,580,937	7,294,611	2,671,617	512,249	(31,102,460)	-	-	(31,102,460)
<b>Business-type activities:</b>								
Electric	32,390,627	31,716,189	-	24,101	-	(650,337)	-	(650,337)
Water	9,188,412	8,869,890	261,902	1,157,322	-	1,100,702	-	1,100,702
Wastewater	11,063,156	9,003,327	83,150	7,824,705	-	5,848,026	-	5,848,026
Parking facilities	733,541	872,441	95,795	-	-	234,695	-	234,695
Golf course	414,492	126,890	-	-	-	(287,602)	-	(287,602)
Property management	384,631	202,752	-	-	-	(181,879)	-	(181,879)
Total business-type activities	54,174,859	50,791,489	440,847	9,006,128	-	6,063,605	-	6,063,605
<b>Total primary government</b>	<b>95,755,796</b>	<b>58,086,100</b>	<b>3,112,464</b>	<b>9,518,377</b>	<b>(31,102,460)</b>	<b>6,063,605</b>	<b>6,063,605</b>	<b>(25,038,855)</b>
General revenues:								
Property taxes					26,460,939	-	-	26,460,939
State and county shared taxes					4,768,035	-	-	4,768,035
Excise taxes					115,417	-	-	115,417
Investment earnings					205,640	221,725	-	427,365
Miscellaneous					137,326	-	-	137,326
Transfers					(66,000)	66,000	-	-
Total general revenues and transfers					31,621,357	287,725	-	31,909,082
Change in net assets					518,897	6,351,330	-	6,870,227
Net assets - beginning					73,973,869	151,398,932	-	225,372,801
Net assets - ending					\$ 74,492,766	\$ 157,750,262	\$ -	\$ 232,243,028

The notes to the financial statements are an integral part of this statement.

**City of Hagerstown, Maryland**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

	General	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Pooled cash and investments	\$ 8,065,274	\$ 6,309,534	\$ 1,971,337	\$ 16,346,145
Receivables (net of allowance for uncollectibles):				
Taxes	1,437,458	-	-	1,437,458
Intergovernmental	1,235,207	246,287	684,334	2,165,828
Customers	945,687	-	13,496	959,183
Loans	-	-	2,881,533	2,881,533
Other	15,829	89,627	2,552	108,008
Advances to other funds	496,545	-	-	496,545
Inventories	183,325	-	-	183,325
Properties held for resale	-	-	948,471	948,471
Prepaid items	266,290	-	1,568	267,858
Restricted assets:				
Pooled cash and investments	-	-	100,033	100,033
Total assets	\$ 12,645,615	\$ 6,645,448	\$ 6,603,324	\$ 25,894,387
<b>Liabilities And Fund Balances</b>				
<b>Liabilities:</b>				
Accounts and retainages payable	\$ 1,679,252	\$ 2,153,206	\$ 128,429	\$ 3,960,887
Accrued liabilities	1,269,428	-	40,231	1,309,659
Advances from other funds	-	-	496,545	496,545
Escrowed taxes and insurance	-	-	11,407	11,407
Matured bonds payable	5,031	-	-	5,031
Customer deposits payable	24,600	-	500	25,100
Undisbursed loan and grant commitments	-	-	90,987	90,987
Due to other agencies	439,968	-	-	439,968
Deferred revenue	668,853	-	5,864	674,717
Total liabilities	4,087,132	2,153,206	773,963	7,014,301
<b>Fund balances:</b>				
<b>Reserved for:</b>				
Encumbrances	82,220	38,146	1,247	121,613
Inventories	183,325	-	-	183,325
Properties held for resale	-	-	948,471	948,471
Prepaid items	266,290	-	1,568	267,858
Long-term receivables	4,190	-	2,881,533	2,885,723
Capital Projects	-	4,454,096	-	4,454,096
Special Revenue Funds	-	-	1,996,542	1,996,542
Unreserved	8,022,458	-	-	8,022,458
Total fund balances	8,558,483	4,492,242	5,829,361	18,880,086
Total liabilities and fund balances	\$ 12,645,615	\$ 6,645,448	\$ 6,603,324	

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.	79,685,033
Taxes and other receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds	604,850
Internal service funds are used by management to charge for the costs associated with uncovered general liability risk, the costs associated with uncovered workers' compensation risk, and the costs associated with the City's health and dental care program. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	3,192,828
Long-term liabilities, including bonds payable, accrued interest, and deferred charges are not due and payable in the current period and therefore are not reported in the funds.	(27,870,031)
Net assets of governmental activities	\$ 74,492,766

The notes to the financial statements are an integral part of this statement.

**City of Hagerstown, Maryland**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2010**

	<b>General</b>	<b>Capital Projects</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Property taxes	\$ 26,460,939	\$ -	\$ -	\$ 26,460,939
State and county shared taxes	5,046,021	-	-	5,046,021
Licenses and permits	1,579,442	-	-	1,579,442
Intergovernmental	238,025	342,654	2,243,341	2,824,020
Program income	-	-	214,394	214,394
Charges for services	2,927,691	-	-	2,927,691
Fines and forfeitures	105,322	9,200	-	114,522
Investment earnings	54,708	25,283	23,069	103,060
Property sales	1,977	-	165,566	167,543
Contributions and donations	119,669	169,595	3,330	292,594
Unallocated general revenue	2,247,339	19,431	109,802	2,376,572
Total revenues	38,781,133	566,163	2,759,502	42,106,798
<b>Expenditures</b>				
Current:				
General government	6,025,123	-	-	6,025,123
Public safety	19,575,214	-	1,125,436	20,700,650
Highways and streets	2,979,064	-	-	2,979,064
Waste, collection and disposal	2,023,156	-	-	2,023,156
Culture and recreation	2,353,748	-	-	2,353,748
Economic and community development	404,233	1,206,482	1,594,878	3,205,593
Unallocated general expenditures	1,709,517	-	-	1,709,517
Debt Service:				
Principal	1,457,502	-	-	1,457,502
Interest	579,294	-	-	579,294
Issuance costs	-	49,714	-	49,714
Capital outlay	-	5,739,468	289,531	6,028,999
Total expenditures	37,106,851	6,995,664	3,009,845	47,112,360
Excess (deficiency) of revenues over (under) expenditures	1,674,282	(6,429,501)	(250,343)	(5,005,562)
<b>Other Financing Sources (Uses)</b>				
Bond financing	-	8,481,044	-	8,481,044
Premium on bond financing	-	102,666	-	102,666
Transfers in	21,700	1,948,284	481,063	2,451,047
Transfers out	(1,034,626)	-	(1,482,421)	(2,517,047)
Total other financing sources and uses	(1,012,926)	10,531,994	(1,001,358)	8,517,710
Net change in fund balances	661,356	4,102,493	(1,251,701)	3,512,148
Fund balances - beginning	7,897,127	389,749	7,081,062	15,367,938
Fund balances - ending	\$ 8,558,483	\$ 4,492,242	\$ 5,829,361	\$ 18,880,086

The notes to the financial statements are an integral part of this statement.

**City of Hagerstown, Maryland**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended June 30, 2010**

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

Net change in fund balances - total governmental funds	\$ 3,512,148
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	3,598,927
The net effect of capital asset disposals is to decrease net assets.	(212,485)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(7,163,500)
Revenues and expenditures are reported in the statement of activities on the accrual basis and in the governmental funds when they provide for or use current financial resources. This is the net difference of revenues and expenditures recognized between the governmental funds and statement of activities.	345,923
Internal service funds are used by management to charge for the costs associated with uncovered general liability risk, the costs associated with uncovered workers' compensation risk, and the costs associated with the City's health care program. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>437,884</u>
Change in net assets of governmental activities	<u>\$ 518,897</u>

The notes to the financial statements are an integral part of this statement.

**City of Hagerstown, Maryland  
General Fund**

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 25,644,420	\$ 25,780,420	\$ 26,460,939	\$ 680,519
State and county shared taxes	7,169,081	4,847,055	5,046,021	198,966
Licenses and permits	1,500,300	1,529,300	1,579,442	50,142
Intergovernmental	130,000	130,000	238,025	108,025
Charges for services	3,061,176	3,014,606	2,927,691	(86,915)
Fines and forfeitures	127,500	103,000	105,322	2,322
Unallocated general revenue	2,693,002	2,693,002	2,423,693	(269,309)
Total revenues	40,325,479	38,097,383	38,781,133	683,750
<b>Expenditures</b>				
Current:				
General government	6,404,167	6,222,577	6,025,123	197,454
Public safety	20,694,620	20,199,887	19,575,214	624,673
Highways and streets	2,650,750	2,411,747	2,979,064	(567,317)
Waste, collection and disposal	2,211,598	2,211,598	2,023,156	188,442
Culture and recreation	2,482,226	2,424,403	2,353,748	70,655
Economic and community development	422,490	420,224	404,233	15,991
Unallocated general expenditures	1,672,124	1,569,657	1,709,517	(139,860)
Debt Service:				
Principal	1,692,127	1,532,424	1,457,502	74,922
Interest	932,410	474,740	579,294	(104,554)
Total expenditures	39,162,512	37,467,257	37,106,851	360,406
Excess (deficiency) of revenues over (under) expenditures	1,162,967	630,126	1,674,282	1,044,156
<b>Other Financing Sources (Uses)</b>				
Transfers in	61,000	76,809	21,700	(55,109)
Transfers out	(1,370,032)	(987,585)	(1,034,626)	(47,041)
Budgeted use of fund balance	150,000	150,000	-	(150,000)
Total other financing sources and uses	(1,159,032)	(760,776)	(1,012,926)	(252,150)
Net change in fund balances	3,935	(130,650)	661,356	792,006
Fund balances - beginning	7,897,127	7,897,127	7,897,127	-
Fund balances - ending	\$ 7,901,062	\$ 7,766,477	\$ 8,558,483	\$ 792,006

The notes to the financial statements are an integral part of this statement.

**City of Hagerstown, Maryland**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2010**

	Business-type Activities-Enterprise Funds						Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds	Totals	
<b>Assets</b>							
Current assets:							
Pooled cash and investments	\$ 2,950,296	\$ 3,247,328	\$ 811,460	\$ 105,534	\$ 329,753	\$ 7,444,371	\$ 5,240,133
Interest receivable	3,027	2,094	511	124	348	6,104	5,041
Accounts receivable (net of allowance for uncollectibles)	3,177,076	1,670,707	2,020,717	43,502	39,076	6,951,078	208,849
Inventories	245,669	661,578	124,438	-	-	1,031,685	-
Due from other agencies	10,000	2,276,397	2,287,928	95,795	-	4,670,120	-
Prepaid items	16,086	556	18,783	268	405	36,098	68,251
Deferred charges	1,508	32,907	30,814	36,209	1,044	102,482	-
Total current assets	<u>6,403,662</u>	<u>7,891,567</u>	<u>5,294,651</u>	<u>281,432</u>	<u>370,626</u>	<u>20,241,938</u>	<u>5,522,274</u>
Noncurrent assets:							
Restricted assets:							
Pooled cash and investments	-	3,663,973	782,179	-	-	4,446,152	70,000
Total restricted assets	<u>-</u>	<u>3,663,973</u>	<u>782,179</u>	<u>-</u>	<u>-</u>	<u>4,446,152</u>	<u>70,000</u>
Long-term receivable	576,034	23,163	40,767	-	-	639,964	-
Capital assets:							
Land	1,225,255	2,019,652	180,149	1,459,464	564,052	5,448,572	-
Land improvements	298,014	28,542	9,121	895,473	203,554	1,434,704	-
Buildings and structures	1,560,845	96,390,717	52,060,401	7,637,353	4,066,185	161,715,501	-
Machinery and equipment	35,413,576	11,968,395	44,023,708	369,462	404,234	92,179,375	-
Automobiles and trucks	1,254,749	1,548,922	1,933,101	32,780	18,259	4,787,811	-
Office furniture and fixtures	397,151	78,366	268,342	-	-	743,859	-
Construction in progress	3,517	6,244,907	13,295,740	-	-	19,544,164	-
Less accumulated depreciation	<u>(23,701,218)</u>	<u>(31,066,776)</u>	<u>(43,532,014)</u>	<u>(2,816,573)</u>	<u>(1,425,245)</u>	<u>(102,541,826)</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	<u>16,451,889</u>	<u>87,212,725</u>	<u>68,238,548</u>	<u>7,577,959</u>	<u>3,831,039</u>	<u>183,312,160</u>	<u>-</u>
Total noncurrent assets	<u>17,027,923</u>	<u>90,899,861</u>	<u>69,061,494</u>	<u>7,577,959</u>	<u>3,831,039</u>	<u>188,398,276</u>	<u>70,000</u>
Total assets	<u>\$ 23,431,585</u>	<u>\$ 98,791,428</u>	<u>\$ 74,356,145</u>	<u>\$ 7,859,391</u>	<u>\$ 4,201,665</u>	<u>\$ 208,640,214</u>	<u>\$ 5,592,274</u>

The notes to the financial statements are an integral part of this statement.

**Business-type Activities-Enterprise Funds**

	<b>Electric</b>	<b>Water</b>	<b>Wastewater</b>	<b>Parking Facilities</b>	<b>Non-Major Enterprise Funds</b>	<b>Totals</b>	<b>Governmental Activities-Internal Service Funds</b>
<b>Liabilities</b>							
Current liabilities:							
Accounts and retainages payable	\$ 2,488,972	\$ 1,507,357	\$ 1,675,917	\$ 3,700	\$ 13,597	\$ 5,689,543	\$ 197,551
Compensated absences	821,968	924,387	967,710	12,925	28,312	2,755,302	-
Accrued liabilities	134,059	298,517	273,816	41,707	7,180	755,279	528,367
Customer deposits and rebates	1,225,295	-	-	5,340	-	1,230,635	-
Unearned revenue	10,000	116,050	-	-	470	126,520	149,476
General obligation bonds - current	44,743	1,121,710	1,234,993	350,196	36,500	2,788,142	-
Total current liabilities	<u>4,725,037</u>	<u>3,968,021</u>	<u>4,152,436</u>	<u>413,868</u>	<u>86,059</u>	<u>13,345,421</u>	<u>875,394</u>
Noncurrent liabilities:							
General obligation bonds payable	302,703	16,192,827	20,650,480	1,885,166	37,407	39,068,583	-
Total noncurrent liabilities	<u>302,703</u>	<u>16,192,827</u>	<u>20,650,480</u>	<u>1,885,166</u>	<u>37,407</u>	<u>39,068,583</u>	<u>-</u>
Total liabilities	<u>5,027,740</u>	<u>20,160,848</u>	<u>24,802,916</u>	<u>2,299,034</u>	<u>123,466</u>	<u>52,414,004</u>	<u>875,394</u>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	16,105,951	69,931,095	46,383,889	5,378,806	3,758,176	141,557,917	-
Unrestricted	2,297,894	8,699,485	3,169,340	181,551	320,023	14,668,293	4,716,880
Total net assets	<u>\$ 18,403,845</u>	<u>\$ 78,630,580</u>	<u>\$ 49,553,229</u>	<u>\$ 5,560,357</u>	<u>\$ 4,078,199</u>	<u>\$ 156,226,210</u>	<u>\$ 4,716,880</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						<u>1,524,052</u>	
Net assets of business-type activities						<u>\$ 157,750,262</u>	

The notes to the financial statements are an integral part of this statement.

**City of Hagerstown, Maryland**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2010**

	Business-type Activities- Enterprise Funds					Totals	Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds		
Operating revenues:							
Service charges	\$ 31,440,133	\$ 7,877,841	\$ 8,881,318	\$ 872,441	\$ 479,150	\$ 49,550,883	\$ 7,860,889
Other revenues	266,516	990,067	122,009	-	92	1,378,684	368,260
Total operating revenues	<u>31,706,649</u>	<u>8,867,908</u>	<u>9,003,327</u>	<u>872,441</u>	<u>479,242</u>	<u>50,929,567</u>	<u>8,229,149</u>
Operating expenses:							
Production and treatment expenses	25,892,831	3,207,622	4,318,287	-	-	33,418,740	-
Transmission, distribution, and collection expenses	1,936,506	1,557,048	1,372,943	-	-	4,866,497	-
Selling, general and administrative expenses	3,629,964	2,559,067	3,036,078	423,941	697,332	10,346,382	-
Claim and premium expenses	-	-	-	-	-	-	7,515,316
Depreciation	1,003,377	1,640,174	2,116,111	198,969	104,513	5,063,144	-
Total operating expenses	<u>32,462,678</u>	<u>8,963,911</u>	<u>10,843,419</u>	<u>622,910</u>	<u>801,845</u>	<u>53,694,763</u>	<u>7,515,316</u>
Operating income (loss)	<u>(756,029)</u>	<u>(96,003)</u>	<u>(1,840,092)</u>	<u>249,531</u>	<u>(322,603)</u>	<u>(2,765,196)</u>	<u>713,833</u>
Nonoperating revenues (expenses):							
Intergovernmental revenue	-	261,902	83,150	95,795	-	440,847	-
Investment earnings	192,310	11,054	5,690	1,795	10,876	221,725	46,603
Interest expense	(12,477)	(314,100)	(346,251)	(104,668)	(2,140)	(779,636)	-
Bond issuance cost	(678)	(4,007)	(6,411)	(11,019)	(895)	(23,010)	-
Gain (loss) on disposal of capital assets	9,540	1,982	-	-	(149,600)	(138,078)	-
Total nonoperating revenue (expenses)	<u>188,695</u>	<u>(43,169)</u>	<u>(263,822)</u>	<u>(18,097)</u>	<u>(141,759)</u>	<u>(278,152)</u>	<u>46,603</u>
Income (loss) before contributions and transfers	(567,334)	(139,172)	(2,103,914)	231,434	(464,362)	(3,043,348)	760,436
Capital contributions	24,101	1,157,322	7,824,705	-	-	9,006,128	-
Transfers in	-	-	-	-	281,000	281,000	-
Transfers out	(105,000)	(55,000)	(55,000)	-	-	(215,000)	-
Changes in net assets	(648,233)	963,150	5,665,791	231,434	(183,362)	6,028,780	760,436
Total net assets - beginning	19,052,078	77,667,430	43,887,438	5,328,923	4,261,561	3,956,444	3,956,444
Total net assets - ending	<u>\$ 18,403,845</u>	<u>\$ 78,630,580</u>	<u>\$ 49,553,229</u>	<u>\$ 5,560,357</u>	<u>\$ 4,078,199</u>	<u>\$ 322,550</u>	<u>\$ 4,716,880</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Change in net assets of business-type activities

\$ 6,351,330

The notes to the financial statements are an integral part of this statement.

**City of Hagerstown, Maryland**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2010**

	Business-type Activities- Enterprise Funds					Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds	
<b>Cash Flows From Operating Activities</b>						
Receipts from customers and users	\$ 31,682,044	\$ 8,571,404	\$ 8,884,551	\$ 891,656	\$ 466,442	\$ 50,496,097
Receipts from interfund services provided	-	-	-	-	-	-
Payments to suppliers	(33,030,791)	(2,061,131)	(4,448,366)	(156,896)	(294,842)	(39,992,026)
Payments to employees	(3,997,940)	(4,243,511)	(4,232,468)	(286,146)	(418,322)	(13,178,387)
Net cash provided (used) by operating activities	(5,346,687)	2,266,762	203,717	448,614	(246,722)	(2,674,316)
<b>Cash Flows From Noncapital Financing Activities</b>						
Transfers from (to) other funds	(105,000)	(55,000)	(55,000)	-	281,000	66,000
Net cash provided (used) by noncapital and related financing activities	(105,000)	(55,000)	(55,000)	-	281,000	66,000
<b>Cash Flows From Capital And Related Financing Activities</b>						
Proceeds from intergovernmental grant	-	78,514	83,150	-	-	161,664
Capital contributions	24,101	1,157,322	7,064,857	-	-	8,246,280
Acquisition and construction of capital assets	(573,436)	(6,858,268)	(14,124,491)	(182,534)	(29,336)	(21,768,065)
Proceeds from bond issuance	-	6,936,433	8,944,739	149,214	-	16,030,386
Principal paid on capital debt	(46,502)	(1,065,679)	(1,106,477)	(347,607)	(40,150)	(2,606,415)
Interest paid on capital debt	(13,270)	(209,211)	(265,216)	(109,139)	(3,005)	(599,841)
Proceeds from sale of capital assets	9,540	1,982	-	-	-	11,522
Net cash provided (used) by capital and related financing activities	(599,567)	41,093	596,562	(490,066)	(72,491)	(524,469)
<b>Cash Flows From Investing Activities</b>						
Interest and dividends received	198,333	21,678	8,225	2,687	11,490	242,413
Net cash provided by investing activities	198,333	21,678	8,225	2,687	11,490	242,413

Net increase (decrease) in pooled cash and investments	(5,852,921)	2,274,533	753,504	(38,765)	(26,723)	(2,890,372)	628,224
Pooled cash and investments, beginning of year	8,803,217	4,636,768	840,135	144,299	356,476	14,780,895	4,681,909
Pooled cash and investments, end of year	<u>\$ 2,950,296</u>	<u>\$ 6,911,301</u>	<u>\$ 1,593,639</u>	<u>\$ 105,534</u>	<u>\$ 329,753</u>	<u>\$ 11,890,523</u>	<u>\$ 5,310,133</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>							
Operating income (loss)	<u>\$ (756,029)</u>	<u>\$ (96,003)</u>	<u>\$ (1,840,092)</u>	<u>\$ 249,531</u>	<u>\$ (322,603)</u>	<u>\$ (2,765,196)</u>	<u>\$ 713,833</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense	1,003,377	1,640,174	2,116,111	198,969	104,513	5,063,144	-
Net effect of changes in assets and liabilities							
Accounts receivable	(37,486)	(274,505)	(116,675)	22,808	(12,590)	(418,448)	(153,753)
Inventories	29,509	81,386	28,882	-	-	139,777	-
Prepaid items	(14,167)	1,833	5,428	658	(114)	(6,362)	81,171
Accounts and retainages payable	267,295	1,018,864	78,578	(10,582)	(5,662)	1,348,493	84,721
Compensated absences payable	(67,292)	(116,038)	(74,117)	(12,568)	(10,608)	(280,623)	-
Accrued liabilities	12,322	31,875	7,702	(276)	552	52,175	(194,225)
Customer deposits and rebates	13,280	(22,950)	(2,100)	74	-	(11,696)	-
Due from other agencies	(10,000)	-	-	-	-	(10,000)	-
Unearned revenue	9,599	2,126	-	-	(210)	11,515	40,755
Power supply deposit	(5,797,095)	-	-	-	-	(5,797,095)	-
Total adjustments	<u>(4,590,658)</u>	<u>2,362,765</u>	<u>2,043,809</u>	<u>199,083</u>	<u>75,881</u>	<u>90,880</u>	<u>(141,331)</u>
Net cash provided (used) by operating activities	<u>\$ (5,346,687)</u>	<u>\$ 2,266,762</u>	<u>\$ 203,717</u>	<u>\$ 448,614</u>	<u>\$ (246,722)</u>	<u>\$ (2,674,316)</u>	<u>\$ 572,502</u>
<b>Reconciliation of pooled cash and investments to the balance sheet</b>							
Pooled cash and investments	\$ 2,950,296	\$ 3,247,328	\$ 811,460	\$ 105,534	\$ 329,753	\$ 7,444,371	\$ 5,240,133
Restricted pooled cash and investments	-	3,663,973	782,179	-	-	4,446,152	70,000
Totals	<u>\$ 2,950,296</u>	<u>\$ 6,911,301</u>	<u>\$ 1,593,639</u>	<u>\$ 105,534</u>	<u>\$ 329,753</u>	<u>\$ 11,890,523</u>	<u>\$ 5,310,133</u>

The notes to the financial statements are an integral part of this statement.

**City of Hagerstown, Maryland**  
**Combining Statement of Net Assets**  
**Fiduciary Trusts**  
**June 30, 2010**

	<b>Pension Trust</b>	<b>Other Post Employment Benefits (OPEB) Trust</b>	<b>Total Fiduciary Trusts</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets</b>			
Investments, at fair value:			
Cash and Cash Equivalents	\$ 582,281	\$ 278,961	\$ 861,242
Government and Agency Issues	2,220,404	-	2,220,404
Corporate Debt Issues	1,595,357	-	1,595,357
Common Stock	4,345,044	301,846	4,646,890
Mutual Funds	<u>3,487,252</u>	<u>1,022,909</u>	<u>4,510,161</u>
Total investments	12,230,338	1,603,716	13,834,054
Accounts Receivable	325,418	-	325,418
Interest Receivable	<u>37,986</u>	<u>1,180</u>	<u>39,166</u>
Total assets	<u>12,593,742</u>	<u>1,604,896</u>	<u>14,198,638</u>
<b>Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Assets</b>			
Held in trust for pension benefits	<u>\$ 12,593,742</u>	<u>\$ 1,604,896</u>	<u>\$ 14,198,638</u>

The notes to the financial statements are an integral part of this statement.

**City of Hagerstown, Maryland**  
**Combining Statement of Changes in Net Assets**  
**Fiduciary Trusts**  
**For the Year Ended June 30, 2010**

	<u>Pension Trust</u>	<u>Other Post Employment Benefits (OPEB) Trust</u>	<u>Total Fiduciary Trusts</u>
<b>Additions</b>			
Contributions:			
Employer	\$ 1,116,465	\$ 710,000	\$ 1,826,465
Plan members	670,943	-	670,943
Total contributions	<u>1,787,408</u>	<u>710,000</u>	<u>2,497,408</u>
Investment earnings:			
Interest and dividends	351,792	18,419	370,211
Net increase in the fair value of investments	974,539	67,876	1,042,415
Other revenues	3,402	-	3,402
Total investment earnings	<u>1,329,733</u>	<u>86,295</u>	<u>1,416,028</u>
Less investment expense	8,449	1,399	9,848
Net investment earnings	<u>1,321,284</u>	<u>84,896</u>	<u>1,406,180</u>
Total additions	<u>3,108,692</u>	<u>794,896</u>	<u>3,903,588</u>
<b>Deductions</b>			
Benefits	1,186,977	-	1,186,977
Administrative expenses	6,439	-	6,439
Actuarial fees	14,029	-	14,029
Total deductions	<u>1,207,445</u>	<u>-</u>	<u>1,207,445</u>
Change in net assets	<u>1,901,247</u>	<u>794,896</u>	<u>2,696,143</u>
Net assets - beginning	<u>10,692,495</u>	<u>810,000</u>	<u>11,502,495</u>
Net assets - ending	<u>\$ 12,593,742</u>	<u>\$ 1,604,896</u>	<u>\$ 14,198,638</u>

The notes to the financial statements are an integral part of this statement.

**City of Hagerstown**  
Notes to the Financial Statements  
June 30, 2010

**I. Summary of significant accounting policies**

**A. Reporting entity**

The City of Hagerstown (“the City”), Maryland was founded in 1762 and incorporated in 1813. Its legal authority is derived from Article X1-E of the State Constitution and Article 23A of the Annotated Code of Maryland. The City is governed by a Mayor and a five-member City Council and provides the following services: public safety (fire and police), highways and streets, sanitation, recreation and parks, planning and zoning, community development, water, sewer, electrical power distribution, and general administrative services.

The financial statements of the City of Hagerstown have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to local governments. There are no entities for which the City is considered to be financially accountable as defined by GASB statements. The City has no component units.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. 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 revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 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 revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds and the total of non-major funds of each type are reported as separate columns in the fund financial statements.

### C. 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. 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 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.

Property taxes, state and county shared taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital improvement projects fund* accounts for resources used in the acquisition or construction and minor maintenance of major capital facilities (other than those financed directly by proprietary funds).

The government reports the following major proprietary funds:

- The *electric fund* accounts for the activities of the City's electric distribution operations.
- The *water fund* accounts for the activities of the City's water treatment and distribution operations.
- The *wastewater fund* accounts for the activities of the City's sewage collection and treatment operations.
- The *parking facilities fund* accounts for the activities of the City's parking lots and decks.

### C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Additionally, the City reports the following funds:

- *Internal service funds* account for uncovered workers' compensation risk, health care, and dental insurance provided to other departments on a cost reimbursement basis.
- The *pension trust fund* accounts for the activities of the Public Safety Employees Pension System, which accumulates resources for pension benefit payments to qualified public safety employees.
- The *other post employment benefits trust fund (OPEB)* accumulates resources to provide health benefits to eligible retirees, and in certain instances their eligible survivors and dependents.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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 enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's enterprise fund and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

## **D. Assets, liabilities, and net assets or equity**

### **1. Deposits and investments**

The City operates a cash and investment pool for all funds. Each fund has been allocated its respective share of pooled cash and investments as reflected in the combined balance sheet as cash and cash equivalents. Based on the availability of cash in the various funds, investments are purchased and the income earned thereon is credited to the funds. For purposes of the statement of cash flows, the government considers cash, equity in pooled cash and investments, and investments with maturities of three months or less to be cash equivalents.

Investments are stated at fair value and interest income is recorded when earned. Earnings of the pooled investment account are allocated monthly to each fund on the basis of its average cash balances during the month.

### **2. Receivables and payables**

Activity between funds that are representative of the lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “advances to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are temporary and will be reversed in the beginning of the following year.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is considered to be uncollectible. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Real and personal property taxes are levied at rates enacted by the Mayor and Council in a special budget session on the assessed value as determined by the Maryland State Department of Assessments and Taxation.

## 2. Receivables and payables (continued)

Significant property tax information is as follows:

	<u>Real Property</u>	<u>Business Personal Property</u>
Assessment roll validated:	December 31	January 1
Tax rate ordinance approved:	May 26	May 26
Beginning of fiscal year for which taxes have been levied:	July 1	July 1
Tax bills rendered and due:	July 1	July 1 or upon state notification
 Property Tax Rates at 6/30/2010 Per \$100 of assessable base	 \$ 0.788	 \$ 1.970
 Maximum discount:	 July 31	 July 31
Delinquent:	After 30 days	After 30 days
Terms	0.5% / 30 days	0.5% / 30 days
Delinquent interest and penalty:	12% annually	12% annually

Information presented is for “full year” levy. “Half year” levy dates are six months later and relate to new construction. A lien is attached to property on the billing date, becoming delinquent thirty days after issuance, and is presented for tax sale at the end of nine months.

## 3. Inventories and prepaid items

All inventories are valued at cost using the average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased and consist of expendable supplies and properties held for resale.

The cost is recorded as an expenditure at the time individual inventory items are consumed. Inventory balances are shown net of a reserve for excess and obsolete items which are calculated based upon quantities on hand and prior year’s usage patterns. Governmental fund inventories are offset by a fund balance reserve which indicates that they do not constitute “available spendable resources” at the balance sheet date even though they are a component of net current assets.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

## 4. Restricted cash

Benefit charge proceeds of \$2,676,316 in the water fund and \$782,179 in the wastewater fund are classified as restricted assets on the statement of net assets because their use is limited to major capital additions, replacements or improvements to water plants, waste water plants, water transmission mains, sewer collection system, pump stations, or tanks. The funds are not to be used to pay for maintenance items per policies set by the Mayor and Council.

#### 4. Restricted cash (continued)

The Water Fund also has restricted assets of \$877,784 for money received as part of the 2006 agreement between the City and the Department of Interior for the City to refrain from development of real estate which it owns along the Appalachian Trail and of \$109,873 for money received as part of a 2004 agreement between the City and Aviation Resources Delaware, Inc. to construct a finished water storage tank in the vicinity of Industry Drive.

The City's participation in the Federal Community Development Block Grant Program requires pooled cash and investments to be restricted for specific purposes. As of June 30, 2010, \$88,625 was restricted for single family loans and \$11,407 was restricted for escrowed taxes and insurance.

As part of the City's previous workers' compensation insurance program, \$5,000 is being restricted in the Workers' Compensation Internal Service Fund. This restriction is a guarantee of payment for premiums and claims associated with a large deductible insurance program with the Pennsylvania Manufacturer's Association Inc.

As part of the City's health insurance program, \$65,000 is being restricted in the Health Insurance Internal Service Fund. This restriction is a pre-funding of the equivalent of one week's worth of funding for claims associated with the City's health insurance program with CareFirst Administrators.

#### 5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, 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 City as assets with an initial, individual cost of more than \$5,000 in the governmental funds or \$10,000 in the proprietary funds and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets 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 materially extend asset lives are not capitalized.

Property, plant, and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	10 – 20
Buildings	20 – 50
Equipment	5 – 25
Automobiles and trucks	5 – 10
Underground piping and conduit	25 – 100
Public domain infrastructure	25 – 50

## 6. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick pay, and compensatory time-off. The liabilities associated with this leave time are calculated based on the assumption that all employees would continue employment with the City until retirement. Past personnel turnover allows us to believe this to be a conservative, but reasonable assumption.

The City's policy regarding sick leave entitles employees to receive payment of all sick leave hours accumulated, payable at the employee's final rate of pay. The maximum that may be paid out for employees hired after July 1, 1996 is 55% of the employee's final salary. Upon leaving City service for reasons other than retirement, the employee will be paid for one-half (1/2) of accumulated sick leave hours at the employee's final rate of pay (up to a maximum of \$6,000) provided the employee has been employed by the City for a minimum of five consecutive years.

The City's policy regarding compensatory time, allows all hourly employees (except those represented by I.A.F.F.), as well as, those non-exempt salaried employees to accumulate compensatory time for overtime worked. The maximum amount of unused compensatory time allowed on the books is as follows:

- A.F.S.C.M.E. #1540 employees – 80 hours
- A.F.S.C.M.E. #3373 police officers – 160 hours
- Police department management through rank of Sergeant – 24 hours
- All other F.L.S.A. non-exempt employees – 80 hours

Once an employee reaches the maximum, payment must be taken for any overtime worked.

Accumulated unpaid vacation and sick leave are accrued as current liabilities in the government-wide financial statements and proprietary fund financial statements. In the governmental funds, a liability for unpaid vacation and sick leave is only reported if matured as a result of employee resignations or retirements.

## 7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

## **7. Long-term obligations (continued)**

In the fund financial statements, governmental fund types 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## **8. Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## II. Reconciliation of government-wide and fund financial statements

### A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$27,870,031 difference are as follows:

Bonds payable	\$ 20,457,426
Accrued interest payable	307,150
Deferred charges	(89,154)
Compensated absences	<u>7,194,609</u>
Net adjustment to reduce <i>fund balance -- total governmental funds</i> to arrive at <i>net assets -- governmental activities</i>	<u><u>\$ 27,870,031</u></u>

### B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$3,598,927 difference are as follows:

Capital outlay	\$ 6,028,999
Contributed assets	611,341
Depreciation expense	<u>(3,041,413)</u>
Net adjustment to increase <i>net changes in fund balances -- total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ 3,598,927</u></u>

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued)**

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayments of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this (\$7,163,150) difference are as follows:

Principal payments on general obligation debt	\$ 1,457,502
Issuance of general obligation debt	(8,531,848)
Interest expense	<u>(89,154)</u>
 Net adjustment to decrease <i>net changes in fund balance -- total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 <u>\$ (7,163,500)</u>

Another element of that reconciliation states that “Revenues and expenditures are reported in the statement of activities on the accrual basis and in the governmental funds when they provide for or use current financial resources. This is the net difference of revenues and expenditures recognized between the governmental funds and statement of activities.” The details of this \$345,923 difference are as follows:

Compensated absences	\$ 704,143
Accrued interest	(156,429)
Deferred revenue	<u>(201,791)</u>
 Net adjustment to decrease <i>net changes in fund balances -- total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 <u>\$ 345,923</u>

### **III. Stewardship, compliance, and accountability**

#### **A. Budgetary information**

The City adopts annual operating and capital budgets on a basis consistent with generally accepted accounting principles for all funds except the Public Safety Employees Pension Fund. All annual appropriations lapse at fiscal year-end. The City Charter requires submission of recommended operating budgets to the Mayor and Council at least 90 days before the beginning of the fiscal year. The budgets provide a financial plan for the year and contain estimates of anticipated revenues and proposed expenditures. After at least one public hearing on the recommended budgets, the Mayor and Council adopt final budgets for the year.

Expenditures and encumbrances of the funds may not legally exceed appropriations at the fund level without Council approval and identification of the source of funds. During the fiscal year, the City Council may adopt supplemental appropriations. The City Administrator has the authority to approve various intra-departmental transfers. Transfers between departments require Council approval. The supplemental budgetary appropriations and transfers made in the general fund and special revenue funds were material as a result in cuts in State and County shared revenue projections.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

#### **B. Excess of expenditures over revenues**

For the year ended June 30, 2010, expenditures/expenses exceeded revenues by \$438,539 in the Community Development Block Grant Fund, \$19,789 in the Economic Redevelopment Fund, \$4,303 in the Telecommuting Center Fund, \$29,846 in the Business Revolving Loan Fund, \$711,266 in the Excise Tax Fund, \$24,796 in the Grant Fund, \$648,233 in the Electric Fund, \$5,410 in the Golf Course Fund, \$177,952 in the Property Management Fund, and \$15,016 in the Dental Insurance Fund. These excess expenditures/expenses were funded by beginning of the year fund balance in the respective funds.

#### **C. Restricted Net Assets**

At June 30, 2010, \$4,492,242 is restricted for the Capital Project Fund for projects which contain specific grants or contributions.

At June 30, 2010, \$5,859,399 is restricted for Special Revenue Funds. This total consists of \$3,292,911 for the Community Development Block Grant Fund, \$546,519 for the Economic Redevelopment Fund, \$33,191 for the Flexible Spending Fund, \$142,026 for the Telecommuting Center Fund, \$727,320 for the Business Revolving Loan Fund, \$1,104,457 for the Excise Tax Fund, and \$12,975 for the Grant Fund.

## IV. Detailed notes on all funds

### A. Deposits and investments

At June 30, 2010, the carrying amount of the City's interest and non-interest bearing deposits (including long term certificates of deposits, which are classified as investments) were \$11,883,004 and the bank balances were \$12,588,462. All deposits are carried at cost plus accrued interest. The City's investment policy specifies that all deposits must be collateralized at 102% of fair value as required by Maryland law for any amount exceeding FDIC coverage.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a policy for custodial credit risk, except as noted above. Of the bank balance \$7,355,780 was secured by federal depository insurance and \$5,232,682 was collateralized by securities held by the bank's agent in the City's name.

The City is awaiting return of a Certificate of Deposit that matured on February 11, 2008. The funds to be invested in this Certificate of Deposit were diverted by a bank employee when the original investment occurred in February of 2005. The City received interest checks on this Certificate from the bank each month and is awaiting payment of the Certificate of Deposit from either the bank or the bonding company. There has also been a class action lawsuit filed by another depositor whose funds were similarly embezzled on behalf of all the depositors. At the end of FY2009, this Certificate of Deposit totaling \$99,000 was written off as uncollectible.

The City maintains a cash and investment pool that is available for use by all Governmental and Business-type Activities. Cash and investments are displayed on the Statement of Net Assets as "Pooled cash and investments".

The City's investment policy authorizes the following as allowable types of investment instruments: U. S. Treasury obligations (bills, notes, and bonds); U. S. Government Agency and guaranteed agency securities; Bankers' Acceptances; Repurchase Agreements; Certificates of Deposit (CDs) Commercial Banks and Savings and Loans Associations (Insured by FDIC); Maryland Local Government Investment Pool; and Money Market or other Investment Deposit Accounts with local banks or Savings and Loans (Federally Insured).

As of June 30, 2010 the City had \$21,754,538 invested in the Maryland Local Government Investment Pool (the "Pool"). The Pool was created under Maryland State Law, is regulated by the Maryland State Treasurer's Office, and participation in the pool is voluntary. It is maintained exclusively to assist eligible participants defined by Articles 95 and 22 of the Annotated Code of Maryland. The Pool may invest in any instrument in which the State Treasurer may invest. Permissible instruments are established by Section 6-222 of the State Finance and Procurement Article. No direct investment may have a maturity date of more than 13 months after its acquisition. Securities of the Pool are valued daily on an amortized cost basis, which approximates fair value and are held to maturity under normal circumstances. Investments in money market funds are valued

## A. Deposits and investments (continued)

at the closing net asset value per share on the day of valuation. The fair value of the position in the Pool is the same as the value of the pool net assets (shares). Standard & Poor's assigned their highest rating, AAAM, to the Pool.

Investments held by the trustee for the pension plan, with Moody's ratings where applicable, are as follows:

	Moody's Rating	Fair Value	Investment Maturities (in Years)			
			Less than 1	1 - 5	6 -10	More than 10
Cash and Cash Equivalents		582,281	582,281	-	-	-
Federal Home Loan Mortgage Corp		374,483	-	35,468	59,429	279,586
Federal National Mortgage Assn		833,233	-	64,512	61,390	707,331
Government National Mortgage Assoc		151,964	-	-	-	151,964
U S Treasury Notes		860,724	-	554,571	203,697	102,456
Various Agencies	A1	118,845	-	37,495	43,466	37,884
Various Agencies	A2	124,750	-	28,043	41,203	55,504
Various Agencies	A3	232,885	10,185	58,664	164,036	-
Various Agencies	AA1	51,581	-	51,581	-	-
Various Agencies	AA2	57,506	-	5,452	-	52,054
Various Agencies	AA3	64,176	-	36,599	16,577	11,000
Various Agencies	AAA	515,279	39,893	246,067	-	229,319
Various Agencies	BAA1	193,419	-	67,084	55,535	70,800
Various Agencies	BAA2	165,972	-	27,294	127,969	10,709
Various Agencies	BAA3	55,749	-	-	15,442	40,307
Various Agencies	NR	15,195	-	15,195	-	-
Common Stock		4,345,044	4,345,044	-	-	-
Mutual Funds		3,487,252	3,487,252	-	-	-
Total Investments Held by Trustee of Pension Plan		<u>12,230,338</u>	<u>8,464,655</u>	<u>1,228,025</u>	<u>788,744</u>	<u>1,748,914</u>

Investments held by the trustee for the City's OPEB trust fund are as follows:

	Moody's Rating	Fair Value	Investment Maturities (in Years)			
			Less than 1	1 - 5	6 -10	More than 10
Cash and Cash Equivalents		278,961	278,961	-	-	-
Common Stock		301,846	301,846	-	-	-
Mutual Funds		1,022,909	1,022,909	-	-	-
Total Investments Held by Trustee of OPEB Plan		<u>1,603,716</u>	<u>1,603,716</u>	<u>-</u>	<u>-</u>	<u>-</u>

Interest rate risk – As a means of limiting its exposure to fair value losses arising from interest rates, the City's investment policy specifies that investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures (payroll, bond payments) as well as considering sizeable blocks of anticipated revenue (tax turnover, franchise fee payments). Investment maturities should normally not be for more than a year and never more than 18 months.

Credit risk – Investments of the City 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. In addition, recent economic uncertainty and market events have led to unprecedented volatility in currency,

## A. Deposits and investments (continued)

commodity, credit and equity markets culminating in failures of some banking and financial services firms and Government intervention to solidify others. These recent events underscore the level of investment risk associated with the current economic environment, and accordingly the level of risk in the City's investments.

The City's Pension Plan Investment Policy states that the assets are to be managed to provide income and security for employees upon retirement. The plan's assets are to be invested to maximize long-term stability and growth with an acceptable amount of risk.

Investments other than "fixed dollar" investment should be included among the plan's investments to prevent erosion by inflation. However, investments should be sufficiently liquid to enable the plan to make all required distributions in the event of death, disability or retirement of a participant.

The allocation of the City's Pension Plan assets shall be determined by the Investment Manager within the following guidelines:

	<u>Range</u>	<u>Target</u>
<u>Equities</u>	25 – 75%	65%
Large-Cap U.S. Stocks	30 – 50%	42%
Mid/Small-Cap U.S. Stocks	0 – 15%	6%
International Equities	10 – 20%	15%
REITS	0 – 10%	2%
<u>Fixed Income</u>	15 – 45%	32%
High Yield Bonds	0 – 10%	2%
Investment Grade Bonds	15 – 40%	30%
<u>Cash</u>	0 - 10%	3%

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

<u>Investment Type</u>	<u>Evaluation Benchmark</u>
Equities	Standard and Poors 500 Index
Fixed Income	Barclays Capital Aggregate Bond Index
Cash and Equivalencies	Citigroup 3 Month T-Bill Index

Foreign Currency Risk – The City's Pension Plan has 11% invested in foreign stocks. The investment policy permits it to invest up to 20% of total investments in international equities.

The City's OPEB Plan Investment Policy states that the assets are to be managed to provide health benefits for eligible retirees and their eligible survivors and dependents. The plans' assets are to be invested to maximize long-term stability and growth with a

## A. Deposits and investments (continued)

minimal amount of risk. Portfolio risk should be decreased by increasing portfolio diversification, and by lowering the level or correlation of market behavior among the asset classes selected.

The allocation of the City's OPEB Plan assets shall be determined by the Investment Manager within the following guidelines:

	<u>Range</u>	<u>Target</u>
<u>Equities</u>	25 – 75%	65%
Large-Cap U.S. Stocks	30 – 50%	42%
Mid/Small-Cap U.S. Stocks	0 – 15%	6%
International Equities	10 – 20%	15%
REITS	0 – 10%	2%
<u>Fixed Income</u>	15 – 45%	32%
High Yield Bonds	0 – 10%	2%
Investment Grade Bonds	15 – 40%	30%
<u>Money Market</u>	0 – 10%	3%

Credit risk – The City's OPEB Plan Investment Policy allows for investing in the following investment types. Also below is the benchmark used for rating each of the assets.

<u>Investment Type</u>	<u>Evaluation Benchmark</u>
<u>Equities</u>	
Large-Cap US Stocks	Standard and Poors 500 Index
Mid-Cap US Stocks	Russell Midcap
Small-Cap US Stocks	Russell 2000
International Stocks	MSCI ACWI / MSCI EAFE Net
REITS	NAREIT Equity
<u>Alternative Investments</u>	
Hedge Funds	HFR (Blended)
<u>Fixed Income</u>	
High Yield Bonds	Barclays Capital High Yield Credit Bond Index
Investment Grade Bonds	Barclays Capital Aggregate Bond Index
<u>Money Market</u>	Citigroup 3 Month T-Bill Index

Foreign Currency Risk – The City's OPEB Plan has 12% invested in foreign stocks. The investment policy permits it to invest up to 20% of total investments in international equities.

## B. Receivables

Receivables as of year end for the government's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

### Governmental Activities:

	General	Capital Projects	Internal Service Funds	Non-Major Governmental Funds	Total Governmental Funds
Receivables:					
Taxes	\$ 1,779,391	\$ -	\$ -	\$ -	\$ 1,779,391
Intergovernmental	1,235,207	246,287	-	714,372	2,195,866
Customers	1,099,262	105,414	208,849	13,496	1,427,021
Loans	-	-	-	3,456,092	3,456,092
Interest	7,960	3,230	5,041	2,552	18,783
Employee	3,584	-	-	-	3,584
Gross receivables	<u>4,125,404</u>	<u>354,931</u>	<u>213,890</u>	<u>4,186,512</u>	<u>8,880,737</u>
Less: allowance for uncollectibles	<u>(495,508)</u>	<u>(19,017)</u>	<u>-</u>	<u>(574,559)</u>	<u>(1,089,084)</u>
Net total receivables	<u>\$ 3,629,896</u>	<u>\$ 335,914</u>	<u>\$ 213,890</u>	<u>\$ 3,611,953</u>	<u>\$ 7,791,653</u>

### Business-Type Activities:

	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds	Business- Type Activities
Receivables:						
Intergovernmental	\$ 10,000	\$ 2,276,397	\$ 2,287,928	\$ 95,795	\$ -	\$ 4,670,120
Customers	7,915,333	1,853,072	2,140,570	123,627	39,076	12,071,678
Interest	3,027	2,094	511	124	348	6,104
Employee	-	-	513	-	-	513
Gross receivables	<u>7,928,360</u>	<u>4,131,563</u>	<u>4,429,522</u>	<u>219,546</u>	<u>39,424</u>	<u>16,748,415</u>
Less: allowance for uncollectibles	<u>(4,162,223)</u>	<u>(159,202)</u>	<u>(79,599)</u>	<u>(80,125)</u>	<u>-</u>	<u>(4,481,149)</u>
Net total receivables	<u>\$ 3,766,137</u>	<u>\$ 3,972,361</u>	<u>\$ 4,349,923</u>	<u>\$ 139,421</u>	<u>\$ 39,424</u>	<u>\$ 12,267,266</u>

### City Totals:

	Governmental Activities	Business-Type Activities	Total
Receivables:			
Taxes	\$ 1,779,391	\$ -	\$ 1,779,391
Intergovernmental	2,195,866	4,670,120	6,865,986
Customers	1,427,021	12,071,678	13,498,699
Loans	3,456,092	-	3,456,092
Interest	18,783	6,104	24,887
Employee	3,584	513	4,097
Gross receivables	<u>8,880,737</u>	<u>16,748,415</u>	<u>25,629,152</u>
Less: allowance for uncollectibles	<u>(1,089,084)</u>	<u>(4,481,149)</u>	<u>(5,570,233)</u>
Net total receivables	<u>\$ 7,791,653</u>	<u>\$ 12,267,266</u>	<u>\$ 20,058,919</u>

**B. Receivables** (continued)

Governmental funds report *deferred revenue* in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Deferred income taxes receivable	\$ 528,654	\$ -	\$ 528,654
Other deferred revenues	82,061	64,002	146,063
Total deferred/unearned revenue for governmental funds	<u>\$ 610,715</u>	<u>\$ 64,002</u>	<u>\$ 674,717</u>

## C. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Capital Assets, not being depreciated:					
Land	\$ 1,292,690	\$ -	\$ -	\$ 2,423,056	\$ 3,715,746
Construction in Progress	<u>9,655,285</u>	<u>1,050,812</u>	<u>(215,183)</u>	<u>(3,085,225)</u>	<u>7,405,689</u>
Total Capital Assets, not being depreciated	<u>10,947,975</u>	<u>1,050,812</u>	<u>(215,183)</u>	<u>(662,169)</u>	<u>11,121,435</u>
Capital Assets, being depreciated:					
Land Improvements	4,636,467	47,163	-	(763,934)	3,919,696
Buildings and Structures	14,198,910	8,005	-	351,321	14,558,236
Machinery and Equipment	3,738,167	769,579	-	19,968	4,527,714
Automobiles and Trucks	7,120,970	248,650	(233,128)	(16,300)	7,120,192
Office Furniture and Fixtures	3,114,565	179,721	-	10,095	3,304,381
Infrastructure	<u>80,998,728</u>	<u>4,336,410</u>	<u>-</u>	<u>1,044,719</u>	<u>86,379,857</u>
Total Capital Assets being depreciated	<u>113,807,807</u>	<u>5,589,528</u>	<u>(233,128)</u>	<u>645,869</u>	<u>119,810,076</u>
Less Accumulated Depreciation for:					
Land Improvements	(281,305)	(93,452)	-	(37,500)	(412,257)
Buildings and Structures	(6,792,992)	(545,087)	-	-	(7,338,079)
Machinery and Equipment	(1,880,339)	(286,601)	-	-	(2,166,940)
Automobiles and Trucks	(4,653,627)	(517,068)	228,903	16,300	(4,925,492)
Office Furniture and Fixtures	(1,955,816)	(96,926)	-	-	(2,052,742)
Infrastructure	<u>(32,886,189)</u>	<u>(1,502,279)</u>	<u>-</u>	<u>37,500</u>	<u>(34,350,968)</u>
Total Accumulated Depreciation	<u>(48,450,268)</u>	<u>(3,041,413)</u>	<u>228,903</u>	<u>16,300</u>	<u>(51,246,478)</u>
Total Capital Assets, being depreciated, net	<u>65,357,539</u>	<u>2,548,115</u>	<u>(4,225)</u>	<u>662,169</u>	<u>68,563,598</u>
Governmental Activities Capital Assets, net	<u>\$76,305,514</u>	<u>\$3,598,927</u>	<u>\$(219,408)</u>	<u>\$ -</u>	<u>\$79,685,033</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>					
Capital Assets, not being depreciated:					
Land	\$ 5,448,572	\$ -	\$ -	\$ -	\$ 5,448,572
Construction in Progress	<u>6,576,802</u>	<u>14,526,615</u>	<u>-</u>	<u>(1,559,253)</u>	<u>19,544,164</u>
Total Capital Assets, not being depreciated	<u>12,025,374</u>	<u>14,526,615</u>	<u>-</u>	<u>(1,559,253)</u>	<u>24,992,736</u>

### C. Capital Assets (continued)

<b>Business-type activities (continued):</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital Assets, being depreciated:					
Land Improvements	1,460,026	-	-	(25,322)	1,434,704
Buildings and Structures	158,357,874	2,057,018	(173,694)	1,474,303	161,715,501
Machinery and Equipment	86,930,115	5,192,883	(37,414)	93,791	92,179,375
Automobiles and Trucks	4,890,626	3,998	(139,593)	32,780	4,787,811
Office Furniture and Fixtures	<u>743,859</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>743,859</u>
Total Capital Assets being depreciated	<u>252,382,500</u>	<u>7,253,899</u>	<u>(350,701)</u>	<u>1,575,552</u>	<u>260,861,250</u>
Less Accumulated Depreciation for:					
Land Improvements	(749,755)	(71,966)	-	5,381	(816,340)
Buildings and Structures	(48,358,150)	(2,481,206)	24,084	10,642	(50,804,630)
Machinery and Equipment	(44,398,626)	(2,255,872)	33,733	458	(46,620,307)
Automobiles and Trucks	(3,470,932)	(237,595)	139,594	(32,780)	(3,601,713)
Office Furniture and Fixtures	<u>(682,331)</u>	<u>(16,505)</u>	<u>-</u>	<u>-</u>	<u>(698,836)</u>
Total Accumulated Depreciation	<u>(97,659,794)</u>	<u>(5,063,144)</u>	<u>197,411</u>	<u>(16,299)</u>	<u>(102,541,826)</u>
Total Capital Assets, being depreciated, net	<u>154,722,706</u>	<u>2,190,755</u>	<u>(153,290)</u>	<u>1,559,253</u>	<u>158,319,424</u>
Business-type Activities Capital Assets, net	<u>\$166,748,080</u>	<u>\$16,717,370</u>	<u>\$ (153,290)</u>	<u>\$ -</u>	<u>\$183,312,160</u>

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

Governmental activities:	
General government, including general infrastructure assets	\$1,635,250
Public safety	518,937
Highways and streets	261,417
Culture and recreation	581,165
Municipal buildings	41,034
Economic and community development	<u>3,610</u>
Total depreciation expense – governmental activities	<u>\$3,041,413</u>
Business-type activities:	
Electric	\$1,003,377
Water	1,640,174
Wastewater	2,116,111
Parking facilities	198,969
Golf course	22,517
Property management	<u>81,996</u>
Total depreciation expense – business-type activities	<u>\$5,063,144</u>

**C. Capital Assets (continued)**

**Construction commitments**

The government has active construction projects as of June 30, 2010. The projects include improvements to the wastewater treatment system, a new West End water storage tank, the new South Potomac Street Parking Deck, and construction of major street and road improvements. At year end the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to- Date</u>	<u>Remaining Commitment</u>
Jonathan Street Improvement	\$ 2,691,804	\$ 8,600
Eastern Boulevard Widening	4,949,730	10,000
Edgewood/US 40 Widening	1,035,384	798,100
Financial Management Software	965,348	110,000
Police Building Improvements	170,460	244,600
West End Storage Tank – Phase II	3,674,078	3,835,200
Edgemont Reservoir Improvements	338,973	1,100
Willson Plant & Transmission Mains	1,360,551	6,513,200
Waste Water Treatment Plant – Phase IV Headworks	3,466,653	114,800
Waste Water Treatment Plant – Environmental Improvements	<u>9,531,765</u>	<u>1,188,200</u>
Total	<u>\$ 28,184,746</u>	<u>\$ 12,823,800</u>

The Jonathan Street Improvements are being financed through bond financing and utility contributions. Eastern Boulevard widening is being financed through bond financing and contributions from developers. The widening of Edgewood Drive at US40 is being financed through state and county funding as well as contributions from developers. The financial management software is being financed through bond financings. The Police Building Improvements are being financed through bond financing. The replacement of the aging water storage at the West End Reservoir with two storage tanks is to be primarily financed through bond financing and benefit charges from new users. Both the Edgemont Reservoir Improvements and Willson Plant & Transmission Mains are primarily being financed through low-rate interest bonds from the Maryland Department of the Environment. The upgrades of the Waste Water Treatment Plant facility are being financed through state grants, bond financing and benefit charges from new users.

## D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2010, is as follows:

### Advances from/to other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Community Development Block Grant Fund	\$ 325,000
General Fund	Grant Revenue Fund	\$ 171,545

These temporary advances represent funds that were expended prior to their receipt from other funds or other governments. These funds are expected to be received shortly after the beginning of July, 2010. The temporary advance will then be reversed.

### Interfund transfers:

Transfers in:	Transfers Out					Total Transfers In
	General Fund	Nonmajor Governmental	Electric	Water	Wastewater	
General	\$ -	\$ 21,700	\$ -	\$ -	\$ -	\$ 21,700
Capital Projects	397,563	1,335,721	105,000	55,000	55,000	1,948,284
Nonmajor Governmental	356,063	125,000	-	-	-	481,063
Nonmajor Enterprise	281,000	-	-	-	-	281,000
Transfers in	<u>\$ 1,034,626</u>	<u>\$ 1,482,421</u>	<u>\$ 105,000</u>	<u>\$ 55,000</u>	<u>\$ 55,000</u>	<u>\$ 2,732,047</u>

The \$21,700 transferred in to the General Fund has two separate components: (1) a \$15,700 transfer from the Economic Redevelopment Fund for marketing programs and (2) a \$6,000 transfer from the Flexible Spending Fund for employee events.

Transfers to the Capital Projects Fund from the General Fund (\$397,563), Nonmajor Governmental Funds (\$1,335,721), Electric Fund (\$105,000), Water Fund (\$55,000), and Wastewater Fund (\$55,000) are for capital expenditures. These annual capital expenditures include purchases of governmental vehicles, annual resurfacing of City streets and alleys, funds for park and neighborhood improvements, and various other major capital projects. The projects are government wide in nature and benefit the entire City.

The \$356,063 transfer from the General Fund to the Nonmajor Governmental Funds has two separate components: (1) a \$125,000 transfer to the Economic Redevelopment Fund for community betterment projects and (2) a \$231,063 transfer to the Grant Revenue Fund for local match requirements.

**D. Interfund receivables, payables, and transfers** (continued)

The \$125,000 transfer between Nonmajor Governmental Funds represents a transfer from the Economic Redevelopment Fund to the Business Revolving Loan Fund for operating expenditures.

The \$281,000 transfer from the General Fund to the Nonmajor Enterprise Funds represents operating transfers to the Golf Course Fund.

## E. Operating Leases

As of May 23, 2005, the City entered into a three year lease for a Savin 4018d Copier; and after May, 23, 2008, this lease was renewed on a month to month basis. The lease calls for monthly payments of \$143 and the total cost for this lease for the fiscal year ended June 30, 2010, was \$1,716.

As of August 29, 2006, the City entered into a five year lease for a mailing system. The lease calls for quarterly payments of \$789 and the total cost for this lease for the fiscal year ended June 30, 2010, was \$3,156.

As of December 18, 2006, the City entered into a five year lease for twenty (20) golf carts. The lease calls for monthly payments of \$975 and the total cost for this lease for the fiscal year ended June 30, 2010, was \$11,698.

As of November 26, 2007, the City entered into a five year lease for a Savin 8025e Copier. The lease calls for monthly payments of \$167 and the total cost for this lease for the fiscal year ended June 30, 2010, was \$2,001.

As of September 5, 2007, the City entered into a three year lease for Office Equipment. The lease calls for monthly payments of \$3,378 and the total cost for this lease for the fiscal year ended June 30, 2010, was \$40,536.

As of March 6, 2008, the City entered into a three year lease for a Savin 2525 color copier. The lease calls for monthly payments of \$579 and the total cost for this lease for the fiscal year ended June 30, 2010, was \$6,948.

As of April 21, 2008, the City entered into a three year lease for a Savin 3535 color copier. The lease calls for monthly payments of \$349 and the total cost for this lease for the fiscal year ended June 30, 2010, was \$4,188.

As of April 28, 2008, the City entered into a four year lease for a Jacobsen LF3400 Fairway mower that was delivered on July 23, 2008. The lease calls for monthly payments of \$679 and the total cost for this lease for the fiscal year ended June 30, 2010, was \$8,148.

As of August 5, 2008, the City entered into a three year lease for a Savin 816 copier. The lease calls for monthly payments of \$79 and the total cost for this lease for the fiscal year ended June 30, 2010, was \$948.

The future minimum lease payments for these leases are as follows:

	Fiscal Years Ending June 30,					Total
	2011	2012	2013	2014	2015	
Mailing System	\$ 3,156	\$ 789	\$ -	\$ -	\$ -	\$ 3,945
Twenty (20) Golf Carts	11,698	6,824	-	-	-	18,522
Savin 8025e Copier	2,001	2,001	834	-	-	4,836
Office Equipment Lease	6,756	-	-	-	-	6,756
Savin 2525 Color Copier	5,785	-	-	-	-	5,785
Savin 3535 Color Copier	3,137	-	-	-	-	3,137
Jacobsen LF3400 Mower	8,148	8,148	-	-	-	16,296
Savin 816 Copier	628	-	-	-	-	628
<b>Total</b>	<b>\$41,309</b>	<b>\$17,762</b>	<b>\$ 834</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 59,905</b>

## **E. Operating Leases** (continued)

The City leased the property located at 28 West Church Street, Hagerstown, Maryland to another party under a lease which began on January 1, 1984. The lease expired and contained extension options. On January 1, 2010, the lease was extended and expires on December 31, 2010. The current lease calls for monthly rental payments of \$400 and the rental income received for the fiscal year ended June 30, 2010 was \$4,800.

The City leased the property located at 1040 Frederick Avenue, Hagerstown, Maryland to another party under a fifty (50) year lease which began on November 1, 1984 and expires on October 31, 2034. The lease calls for annual rental payments of \$365 and the rental income received for the fiscal year ended June 30, 2010 was \$365.

The City leased the property located at 309 Valley Road, Hagerstown, Maryland to another party under a one year lease which began on October 25, 2004. Each October 24, the lease automatically renews on the anniversary of the then current term for an additional one (1) year term unless sixty (60) days written notice is provided by either party prior to the expiration of the then current term. The lease calls for annual rental payments of \$1 and the rental income received for the fiscal year ended June 30, 2010 was \$1.

The City leased the property located at Parcel 1003, Mack Truck Road, Hagerstown, Maryland to another party under a twenty (20) year lease which commenced on January 1, 2007 and expires on December 31, 2026. The lease calls for monthly rental payments of \$800 and the rental income received for the fiscal year ended June 30, 2010 was \$10,400.

The City leased the property located at 21 - 23 East Franklin Street, Hagerstown, Maryland to another party under a one (1) year lease which began on February 1, 1999 and expired on January 31, 2005. On January 25, 2005, the lease was extended and under the new terms, each January 31, the lease automatically renews on the anniversary of the then current term for five (5) additional one (1) year terms unless sixty (60) days written notice is provided by either party prior to the expiration of the then current term. The lease calls for annual rental payments of \$1 and the rental income received for the fiscal year ended June 30, 2010 was \$1.

The City leased the property located at 17 East Franklin Street, Hagerstown, Maryland to another party under a five (5) year lease which began on December 29, 2006 and expires on December 11, 2011. The lease calls for monthly rental payments of \$635, which adjusts each January 1, and the rental income received for the fiscal year ended June 30, 2010 was \$7,306.

The City leased the property located at 15 - 16 Public Square, Hagerstown, Maryland to another party under a ten (10) year lease which began on June 1, 1995 and expired on May 31, 2006. The lease contains renewal options for two (2) additional five (5) year terms. The lease was extended for two (2) additional five (5) year term and the current lease expires on May 31, 2015; this lease calls for monthly rental payments of \$1,150. Rental income received for the fiscal year ended June 30, 2010 was \$11,883.

## E. Operating Leases (continued)

The City leased the property located at 12 Public Square, Hagerstown, Maryland to another party under a one (1) year lease which began on February 27, 2003 and expired on February 28, 2004. The lease contained renewal options for additional one (1) year terms and was renewed for seven (7) additional one (1) year terms. The current lease began on March 1, 2010 and expires on February 28, 2011. The lease calls for monthly rental payments of \$1,073 and the rental income received for the fiscal year ended June 30, 2010 was \$10,740.

The City leased the property located at 11 Public Square, Hagerstown, Maryland to another party under a ten (10) year lease which began on April 1, 1996 and expired on March 31, 2006 and renewed on a month – to – month basis until June 29, 2008. On June 30, 2008, the lease was renewed for an additional four (4) year term and expires on March 31, 2012. The lease calls for an annual rental payment of \$1,181 and the rental income received for the fiscal year ended June 30, 2010 was \$1,181.

The City leased the property located at 6 North Potomac Street, Hagerstown, Maryland to another party under a 64 month lease which began on February 1, 2000 and expired on May 31, 2005. The lease contains renewal options for two (2) additional five (5) year terms. The lease was extended for one (1) additional five (5) year term and expired on May 31, 2010; this lease calls for monthly rental payments of \$1,400. The lease was extended for an additional five (5) year term and expires on May 31, 2015; this lease called for monthly rental payments of \$775 for the period July 1, 2010 to June 30, 2010, and then the monthly rental payments increase to \$1,550. The rental income received for the fiscal year ended June 30, 2010 was \$17,100.

The City leased the property located at 6 North Potomac Street-Basement, Hagerstown, Maryland to another party under a three (3) year lease which began on August 16, 1994. The lease expired on August 15, 1997 and contained extension options. The current lease agreement began on January 10, 2000 and expired on May 31, 2005. The lease contains renewal options for six (6) additional one (1) year terms. The lease was extended for six (6) additional one (1) year terms and currently expires on May 31, 2011. The lease calls for monthly rental payments of \$2,188 and the rental income received for the fiscal year ended June 30, 2010 was \$25,094.

The City leased the property located at 14 North Potomac Street Suite B-3, Hagerstown, Maryland to another party under a seven (7) month lease which began on September 9, 1997. The lease expired on March 26, 1998 and contained extension options. The current lease agreement is under a ten (10) year lease which began on May 1, 2005 and expires on April 30, 2015. The lease calls for monthly rental payments of \$2,125 and the rental income received for the fiscal year ended June 30, 2010 was \$25,500.

The City leased the property located at 23510 Warner Hollow Road, Smithsburg, Maryland to another party under a one (1) year lease which began on July 1, 2001 and expired on June 30, 2002. The lease was renewed for eight (8) additional one (1) year terms, and the current lease expired on June 30, 2010; this lease called for monthly rental payments of \$505. The rental income received for the fiscal year ended June 30, 2010 was \$5,555.

## **E. Operating Leases** (continued)

The City leased the property located at 10831 Water Works Road, Williamsport, Maryland to another party under a one (1) year lease which began on July 1, 2001 and expired on June 30, 2002. The lease was renewed for eight (8) additional one (1) year terms, and the current lease expired on June 30, 2010; this lease called for monthly rental payments of \$580. The rental income received for the fiscal year ended June 30, 2010 was \$6,960.

The City leased the property located at 12140 Crystal Falls Drive, Smithsburg, Maryland to another party under a one (1) year lease which began on July 1, 2001 and expired on June 30, 2002. The lease was renewed for eight (8) additional one (1) year terms, and the current lease expired on June 30, 2010; this lease called for monthly rental payments of \$495. The rental income received for the fiscal year ended June 30, 2010 was \$5,940.

The City leased the property located at 50 North Burhans Boulevard, Communications Tower Site 682343, Hagerstown, Maryland to another party under a five (5) year lease which began on October 13, 2003 and expired on October 13, 2008. The lease contains renewal options for four (4) additional five (5) year terms. The lease was extended for an additional five (5) year term and expires on October 13, 2013; this lease calls for monthly rental payments of \$2,072. The rental income received for the fiscal year ended June 30, 2010 was \$26,936.

The City leased the property located at 14 North Potomac Street Suite B-2, Hagerstown, Maryland to another party under a nine (9) month lease which began on April 7, 2004 and expired on December 31, 2009. The current lease agreement is under a one (1) year lease which began on January 1, 2010 and expires on August 31, 2010. The lease calls for monthly rental payments of \$325 and the rental income received for the fiscal year ended June 30, 2010 was \$3,900.

The City leased the property located at 25 East Franklin Street, Hagerstown, Maryland to another party under a one (1) year lease which began on December 1, 2004 and expired on November 30, 2005. The lease currently is on a month – to – month basis. The lease calls for monthly rental payments of \$767 and the rental income received for the fiscal year ended June 30, 2010 was \$9,117.

The City leased the property located at 2-A South Cleveland Avenue, Hagerstown, Maryland to another party under a seven (7) month lease which began on December 15, 2004 and expired on June 30, 2005. The lease was renewed for five (5) additional one (1) year terms, and the current lease expired on June 30, 2010; this lease called for monthly rental payments of \$600. The rental income received for the fiscal year ended June 30, 2010 was \$5,000.

The City leased the property located at 570 Jefferson Street, Hagerstown, Maryland to another party under a six (6) month lease which began on January 1, 2005 and expired on June 30, 2006. The lease was renewed for four (4) additional one (1) year terms, and the current lease expired on June 30, 2010; this lease called for monthly rental payments of \$537. The rental income received for the fiscal year ended June 30, 2010 was \$6,244.

## **E. Operating Leases (continued)**

The City leased the property located at 124 Charles Street, Hagerstown, Maryland to another party under a five (5) month lease which began on February 1, 2006 and expired on June 30, 2007. The lease was renewed for three (3) additional one (1) year terms, and the current lease expired on June 30, 2010; this lease called for monthly rental payments of \$407. The rental income received for the fiscal year ended June 30, 2010 was \$4,627.

The City leased the property located at 12727 Ritchie Road, Smithsburg, Maryland to another party under a one (1) year lease which began on July 1, 2006 and expired on June 30, 2007. The lease was renewed for three (3) additional one (1) year terms, and the current lease expired on June 30, 2010; this lease called for monthly rental payments of \$500. The rental income received for the fiscal year ended June 30, 2010 was \$6,000.

The City leased the property located at 2 – 6 North Potomac Street First Floor, Hagerstown, Maryland to another party under a ten (10) year lease which began on August 1, 2007 and expires on July 31, 2017. The lease calls for monthly rental payments of \$12,997 and the rental income received for the fiscal year ended June 30, 2010 was \$155,964.

The City leased the property located at 728 Frederick Street Hagerstown, Maryland to another party under a one (1) year lease which began on July 15, 2007 and expired on June 30, 2008. The lease was renewed for two (2) additional one (1) year terms, and the current lease expired on June 30, 2010; this lease called for monthly rental payments of \$602. The rental income received for the fiscal year ended June 30, 2010 was \$7,224.

The City leased the property located at 14 North Potomac Street S6-S11, Hagerstown, Maryland to another party under a two (2) year lease which began on October 1, 2008 and expires on September 30, 2010. The lease contains renewal options for two (2) additional three (3) year terms. The lease calls for monthly rental payments of \$700 and the rental income received for the fiscal year ended June 30, 2010 was \$8,400.

The City leased the property located at 50 North Burhans Boulevard, Communications Tower Site 671, Hagerstown, Maryland to another party under a five (5) year lease which began on November 1, 2009 and expires on October 31, 2014. The lease contains renewal options for four (4) additional five (5) year terms. The lease calls for monthly rental payments of \$2,100 and the rental income received for the fiscal year ended June 30, 2010 was \$14,700.

The City leased the property located at 280 Mill Street, Hagerstown, Maryland to another party under a five (5) month lease which began on February 1, 2010 and expired on June 30, 2010. The lease calls for monthly rental payments of \$600 and the rental income received for the fiscal year ended June 30, 2010 was \$3,000.

## E. Operating Leases (continued)

The City leased the property located at 50 North Burhans Boulevard, Communications Tower Site HG961, Hagerstown, Maryland to another party under a five (5) year lease which began on June 1, 2010 and expires on May 31, 2015. The lease contains renewal options for four (4) additional five (5) year terms. The lease calls for monthly rental payments of \$2,100 and the rental income received for the fiscal year ended June 30, 2010 was \$2,100.

The City leased the property located at Public Square, Communications Tower Site HG960, Hagerstown, Maryland to another party under a five (5) year lease which began on June 1, 2010 and expires on May 31, 2015. The lease contains renewal options for four (4) additional five (5) year terms. The lease calls for monthly rental payments of \$750 and the rental income received for the fiscal year ended June 30, 2010 was \$1,113.

The City leased several other properties located in Hagerstown, Maryland to other parties under a month – to – month basis. The rental income received for those properties for the fiscal year ended June 30, 2010 was \$51,277.

The future minimum rental income for these leases is as follows:

Property Description	Future minimum rental income						Total
	Fiscal Years Ending June 30,						
	2011	2012	2013	2014	2015	Thereafter	
28 W Church St	\$ 2,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,400
1040 Frederick Ave	365	365	365	365	365	7,300	9,125
Parcel 1003, Mack Truck Road	9,600	9,600	9,600	9,600	9,600	110,400	158,400
17 E Franklin St	8,006	4,069	-	-	-	-	12,075
15-16 Public Square	13,800	13,800	13,800	13,800	12,650	-	67,850
12 Public Square	8,580	-	-	-	-	-	8,580
11 Public Square Suite 200	1,181	886	-	-	-	-	2,067
6 N Potomac Street	9,300	18,600	18,600	18,600	17,050	-	82,150
6 N Potomac St Basement	24,063	-	-	-	-	-	24,063
14 N Potomac Street Suite B-3	25,500	25,500	25,500	25,500	21,250	-	123,250
50 N Burhans Blvd - Site 682343	24,864	24,864	24,864	8,288	-	-	82,880
14 N Potomac Street Suite B-2	650	-	-	-	-	-	650
2-6 N Potomac St, 1st Floor	155,960	155,960	161,066	161,530	161,530	336,521	1,132,567
14 N Potomac Street Suite S6-S11	2,100	-	-	-	-	-	2,100
50 N Burhans Blvd - Site 671	25,200	25,200	25,200	25,200	8,400	-	109,200
Public Square - Site HG960	9,000	9,000	9,000	9,000	8,250	-	44,250
50 N Burhans Blvd - Site HG961	25,200	25,200	25,200	25,200	23,100	-	123,900
TOTALS	<u>\$345,769</u>	<u>\$313,044</u>	<u>\$313,195</u>	<u>\$297,083</u>	<u>\$262,195</u>	<u>\$454,221</u>	<u>\$1,985,507</u>

## E. Operating Leases (continued)

The cost and carrying amount of these leased assets by major asset class and accumulated depreciation in total are as follows:

City of Hagerstown Rental Property Carrying Amount's  
For Fiscal Year Ended 6/30/2010

Operating Lease Address	Cost by Asset Class				Total Carrying Amount
	Land	Building			
	Cost (Not Being Depreciated)	Cost	Accumulated Depreciation	Net	
28 West Church St	\$ 7,253	\$ 18,000	\$ 14,580	\$ 3,420	\$ 10,673
1040 Frederick St	1	2,000	2,000	-	1
309 Valley Rd	12,320	27,120	27,120	-	12,320
Parcel 1003, Mack Truck Rd	17,067	-	-	-	17,067
Roslyn Building	90,000	915,156	189,591	725,565	815,565
21-23 East Franklin St					
17 East Franklin St					
25 East Franklin St					
Elizabeth Hager Center	366,358	2,884,798	881,752	2,003,046	2,369,404
15-16 Public Square					
12 Public Square					
11 Public Square					
6 North Potomac St					
6 North Potomac St Basement					
14 North Potomac St Suite B-3					
14 North Potomac St Suite B-2					
2-6 North Potomac St First Floor					
14 North Potomac St Suite S6-S11					
23510 Warner Hollow Rd	1	5,690	5,690	-	1
10831 Water Works Rd	12,328	2,000	2,000	-	12,328
12140 Crystal Falls Drive	1	3,550	3,550	-	1
50 North Burhans Blvd	15,000	-	-	-	15,000
Comm Tower Site 682343					
Comm Tower Site 671					
Comm Tower Site HG961					
2-A South Cleveland Ave	125,000	81,996	59,899	22,097	147,097
570 Jefferson St	36,616	34,387	29,105	5,282	41,898
124 Charles St	4,145	6,550	6,550	-	4,145
12727 Ritchie Rd	15,605	9,394	9,394	-	15,605
728 Frederick St	6,510	22,124	7,451	14,673	21,183
280 Mill St	102,980	5,550	5,550	-	102,980
Public Sq, Comm Tower Site HG960	23,500	-	-	-	23,500
<b>TOTALS</b>	<b>\$ 834,685</b>	<b>\$ 4,018,315</b>	<b>\$ 1,244,232</b>	<b>\$ 2,774,083</b>	<b>\$ 3,608,768</b>

## F. Long-term debt

### General Obligation Bonds

The government 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. In addition, general obligation bonds have been issued to refund general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
1996 general obligation	4.79%	2012	\$ 237,293	\$ 462,707	\$ 700,000
1997 general obligation	4.60%	2013	480,378	1,314,622	1,795,000
1998 MD Water Quality Revolving Loan Fund	3.13%	2019	-	674,877	674,877
1998 general obligation	4.31%	2014	495,000	-	495,000
1998 MD Water Quality Revolving Loan Fund	2.37%	2020	-	3,705,641	3,705,641
2000 MD Water Quality Revolving Loan Fund	2.40%	2021	-	1,265,361	1,265,361
2002 The Columbia Bank	3.39%	2014	-	25,799	25,799
2002 Washington County MWQ Refunding	5.25%	2015	-	151,983	151,983
2002 State of Maryland Water Supply Assistance	7.25%	2010	-	193,601	193,601
2004 public facilities bonds	3.0%-4.3%	2020	1,010,000	-	1,010,000
2004 refunding bonds	3.0%-4.3%	2012	504,510	500,490	1,005,000
2004 taxable facilities	5.0%-6.0%	2020	-	1,045,000	1,045,000
2005 general obligation	3.36%	2020	2,750,250	144,750	2,895,000
2005 MD Water Quality Revolving Loan Fund	0.40%	2025	-	5,630,440	5,630,440
2006 general obligation	3.66%	2022	6,302,984	2,082,016	8,385,000
2007 The Columbia Bank	5.94%	2013	95,364	-	95,364
2007 MD Drinking Water Revolving Loan Fund	0.40%	2028	-	5,203,400	5,203,400
2009 MDE West End Reservoir Tank Phase II	0.00%	2041	-	2,875,052	2,875,052
2009 MDE RCWillson Mains	0.00%	2041	-	343,143	343,143
2009 Salem Ave. Collection System Rehabilitation	0.00%	2029	-	143,098	143,098
2009 MD Water Quality Revolving Loan Fund	0.00%	2030	-	6,437,572	6,437,572
2009-A Tax Exempt Bonds	2.0%-4.0%	2020	3,407,499	3,822,501	7,230,000
2009-B Taxable Build America Bonds	5.0%-5.75%	2030	<u>5,073,545</u>	<u>5,691,456</u>	<u>10,765,001</u>
Total general obligation bonds payable			20,356,823	41,713,509	62,070,332
Premiums on bond issues			100,603	124,130	224,733
Total general obligation debt outstanding			<u>\$20,457,426</u>	<u>\$41,837,639</u>	<u>\$62,295,065</u>

## F. Long-term debt (continued)

The 2002 Hagerstown Trust Company loan was assumed from the Board of Commissioners of Washington County, Maryland. This loan has a variable interest rate which is currently 3.39%. The interest rate is adjusted on October 12<sup>th</sup> every three years and shall be equal to the three (3) year T-Note plus one hundred forty-five (145) basis points per annum unless the interest rate on the note already equals the applicable rate without adjustment. The original interest rate of the note was 6.50% and was last adjusted on October 12, 2008, to the current rate.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$1,748,702	\$ 793,012	\$ 2,787,281	\$ 885,725
2012	1,812,407	727,446	3,597,328	804,448
2013	1,385,441	665,879	2,889,843	730,844
2014	1,229,349	620,146	2,523,059	688,883
2015	1,188,309	578,559	2,495,996	650,529
2016-2020	6,667,498	2,238,461	12,971,537	2,595,742
2021-2025	3,549,165	1,153,686	9,569,587	1,412,871
2026-2030	<u>2,775,952</u>	<u>411,132</u>	<u>4,878,878</u>	<u>461,712</u>
Total	20,356,823	7,188,321	41,713,509	8,230,754
Premiums on bond issues	<u>100,603</u>	-	<u>124,130</u>	-
Total general obligation debt	<u>\$20,457,426</u>	<u>\$7,188,321</u>	<u>\$41,837,639</u>	<u>\$8,230,754</u>

### Revenue Bonds

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. As of June 30, 2010, \$19,086 of revenue bonds was outstanding:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Business-type Activities</u>
1993 M.C.C.B. water supply assistance loan	5.35912%	2025	<u>\$ 19,086</u>

Revenue bond debt service requirements to maturity are as follows:

Year Ended June 30	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 861	\$ 1,023
2012	907	977
2013	956	928
2014	1,007	877
2015	1,061	823
2016-2020	6,220	3,199
2021-2025	<u>8,074</u>	<u>1,344</u>
Total	<u>\$19,086</u>	<u>\$ 9,171</u>

## F. Long-term debt (continued)

### Changes in long-term liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
General obligation					
Bonds	\$13,333,247	\$ 8,481,044	\$(1,457,468)	\$20,356,826	\$ 1,748,702
Premium	9,554	102,667	(11,618)	100,603	-
Total long-term debt	13,342,801	8,583,711	(1,469,086)	20,457,426	1,748,702
Compensated absences	7,898,752	1,506,366	(2,210,509)	7,194,609	2,099,388
Governmental activity					
Long-term liabilities	<u>\$21,241,553</u>	<u>\$ 10,090,077</u>	<u>\$(3,679,595)</u>	<u>\$27,652,035</u>	<u>\$ 3,848,090</u>
<b>Business-type activities</b>					
Bonds payable:					
General obligation					
Bonds	\$25,951,229	\$ 18,367,878	\$(2,605,598)	\$41,713,509	\$ 2,787,281
Revenue bonds	19,903	-	(817)	19,086	861
Premium	22,861	115,170	(13,901)	124,130	-
Total long-term debt	25,993,993	18,483,048	(2,620,316)	41,856,725	2,788,142
Compensated absences	3,035,925	377,536	(658,159)	2,755,302	1,080,941
Business-type activities					
Long-term liabilities	<u>\$29,029,918</u>	<u>\$ 18,860,584</u>	<u>\$(3,278,475)</u>	<u>\$44,612,027</u>	<u>\$ 3,869,083</u>

For governmental activities, compensated absences are generally liquidated by the general fund. The only exceptions are when the employees' salaries are within a specific special revenue fund, such as the Community Development Fund or the Telecommuting Center Fund.

## V. Other information

### A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. These risks are accounted for in individual government funds. For these risks, the government is only liable to the extent of its deductibles which can range from \$500 to \$10,000. These liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims related costs exceeding insurance coverage were \$0 for 2010; \$22,367 for 2009; \$5,330 for 2008; \$52,661 for 2007; \$30,094 for 2006; \$3,931 for 2005; \$44,385 for 2004; and \$119,452 for 2003.

As of September 1, 1998, the City returned to its full coverage workers compensation insurance carrier, Injured Workers' Insurance Fund. This policy provides \$1,000,000 limits for bodily injury by accident or disease per accident per employee.

Beginning July 1, 2000, the City replaced its full coverage health insurance with a large deductible coverage program. These risks are accounted for in the government's Health Insurance Fund. For these risks the government is liable for the first \$200,000 of individual medical claims and an aggregate stop loss of \$6.9 million.

Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can reasonably be estimated. Because actual claims liabilities depend upon such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

The City estimates its liability is \$105,000 in general liability risk claims, \$35,934 in workers compensation claims, and \$492,432 in health and dental insurance.

	General Liability Risks Program		Workers Compensation Fund		Health and Dental Insurance Funds	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
Unpaid claims, beginning of year	\$ 153,500	\$ 141,000	\$ 35,934	\$ 38,217	\$ 686,658	\$ 635,878
Incurred claims	21,059	101,296	-	1,912	5,583,093	5,215,706
Claim payments	(69,559)	(88,796)	-	(4,195)	(5,777,319)	(5,164,926)
Unpaid claims, end of year	<u>\$ 105,000</u>	<u>\$ 153,500</u>	<u>\$ 35,934</u>	<u>\$ 35,934</u>	<u>\$ 492,432</u>	<u>\$ 686,658</u>

## **B. Contingent liabilities and commitments**

The City of Hagerstown is a defendant in various legal proceedings at June 30, 2010. The government officials and counsel intend to defend all pending litigation against the government. In the government's opinion, the liability, if any, in or arising from litigation and other legal proceedings in which the government is involved, as well as any other claims and assessments, will not have a material adverse effect on its financial condition.

The City entered into a contract with a software company for supplying a permit and code administration software solution for the City for \$199,500. After numerous attempts, they have been unable to supply the promised solution. The City has paid \$86,435 to date. The City notified the software company that the City considered them to be in breach of contract and was seeking recovery of all funds paid to date. In December 2010, a settlement was reached and the Mayor and Council consensus was to accept the recommendations of the out of court settlement. The software company agreed to pay the City \$60,000 to settle the case and conclude its contractual relationship with the City.

Effective January 12, 2005, a consent judgment was agreed to by the State of Maryland Department of the Environment and the City. With this consent judgment an annual allocation threshold for new development connections of 120,000 gallons per day of additional influent flow to the wastewater treatment plant was agreed upon. Based on the established Equivalent Dwelling Unit (EDU) of 200 gallons per day per residential customer, this is the equivalent to 600 new homes per year. A threshold of 180,000 gallons per day of additional influent flow for existing customers was also agreed upon. The City has adopted a formal Sewer Capacity Allocation Program (SCAP), which is updated yearly and approved by the MDE, to comply with these limits. While these limits are below the recent levels of development activity in the City, it may constrain, but not halt future developmental growth in the City. In its first five years of operation, the City so far has had adequate sewer capacity to meet the needs of both new development and existing customers.

The City participated in a number of federal and state assisted grant programs including the Community Development Block Grant. These programs are subject to program compliance audits by the grantors or their representatives. The possibility exists that some expenditures may be disallowed by the granting agencies. Although the amount cannot be determined at this time, the government expects such amounts, if any, to be immaterial.

On November 22, 1988, the City entered into an agreement with a contractor to construct and thereafter operate a sludge drying and pelletizing facility for the government. The original contract for the construction of the facility was completed in August, 1990, and the facility became fully operational. The contractor has managed the facility for an initial ten year contract term and subsequent five year extensions since that time. On August 13, 2006 the City renewed the contract for an additional five year term through August 13, 2011. After that date, the contract is to renew automatically on a year to year basis unless either party provides the other written notice to terminate 12 months before the next renewal date. The operating fee is based on a fixed monthly amount (currently \$86,014)

## **B. Contingent liabilities and commitments (continued)**

for up to 14 million gallons of sludge per year with additional charges for excess gallons. These fees are to be adjusted semiannually on January 1st and July 1st by a combination of the Consumer Price Index and the Producers Price Index.

Effective January 1, 2009, the City extended its agreement with a contractor to provide residential trash collection services within the government for an additional 3 years ending December 31, 2011. Our cost for the fiscal year ended June 30, 2010 is \$1,295,167.

On March 20, 1994, the government entered into an Electric Power Services Agreement with First Urban Fiber to build and upgrade the Electric Department facilities to provide up to 28 megawatts of power for their new office paper recycling plant. The loan for the cost to upgrade the Electric Department facilities and build the privately owned substation was \$2.6 million, which was to be paid for by the customer over a 20-year term of the agreement. First Urban Fiber filed for bankruptcy and the case was handled by the Bankruptcy Court of Southern New York. The company was sold to a new owner in 2002, Newstech MD, LP, and an Assignment and Assumption Agreement has been signed with the new owner to extend the electric agreement for 20 years from December 31, 2003. The facility has not restarted commercial operations. In September 2007, Cascades LLC purchased the facility from Newstech MD, LLP and assumed the Electric Power Services Agreement and the provision of the Loan Agreement. As of January 19, 2011, Electric Fund long-term receivables reflect a balance outstanding of approximately \$2.456 million which is partially reserved as a doubtful account. Cascades LLC is complying with the language contained within the aforementioned agreements, is current with all payments and has completed 84 of the required 240 payments.

On June 30, 1998 the City entered into an agreement with The Columbia Bank, Hagerstown Trust Division to guarantee up to the full amount of a \$250,000 fifteen year loan for the Washington County Sports Foundation, Inc. which was operating and managing the government owned Ice & Sports Complex. The bank notified the City that the Foundation was several months delinquent on its payments due under the loan agreement. The City notified the Foundation that it was terminating its operating and management agreement with them and took possession of the facility. The City paid the back loan payments due of \$11,351 and is continuing to make the monthly loan payment due of \$2,903 under its guaranty agreement with the bank. The City negotiated a short term operating agreement with the Hagerstown Youth Hockey Association to operate the ice rink for the season through June 30, 2008. The City and the Hagerstown Youth Hockey Association have now entered into a 5 year extended operating agreement through June 30, 2013 to allow the rink to continue operations. Under the agreement, the City formally assumed the balance of the Foundation's 15 year term loan payable through June 30, 2013, and it is included in the City's debt.

As part of our previous workers' compensation insurance program, the City entered into an irrevocable letter of credit with The Columbia Bank, Hagerstown Trust Division to guarantee its payment of premiums and paid claims expenses under a large deductible insurance program with Pennsylvania Manufacturer's Association (P.M.A.), Inc. The

## **B. Contingent liabilities and commitments (continued)**

government has made timely payments of premiums and claims when due under the policy and the letter of credit has not been drawn upon. The current amount of the irrevocable letter of credit is \$30,000.

On November 29, 2005, the City entered into a new Wholesale Power Supply contract with Allegheny Energy Supply. This new five (5) year contract is effective July 1, 2006, with an end date of May 31, 2011. The contract is a firm, "full requirements" contract with the contract price including all generation, transmission, and distribution costs. Under the terms of this agreement, Allegheny Energy was required to post a Performance Security in the amount of two (2) months' projected revenues. This payment of \$4,954,012 bears interest to Allegheny Energy at the Federal Funds Effective Rate. This deposit and interest will be refunded to Allegheny Energy at the end of the term of the agreement or when Allegheny Energy achieves and maintains a Credit Rating greater than BBB- by S&P. On October 8, 2009, Amendment 1 of the Wholesale Power Supply Contract was agreed upon whereas a two year extension was granted with a new contractual termination date of May 31, 2013 and a reduction in the wholesale purchase price will occur beginning June 1, 2011. On October 23, 2009, the deposit plus accumulated interest in the amount of \$5,800,465 was refunded to Allegheny Energy. Additionally, the Performance Security was replaced with a Guarantee in the amount of \$5 million to be drawn upon in the event of an Allegheny Energy contractual default.

In October 2008, during the Jonathan Street reconstruction and utility replacement, an underground cable owned by a private communications company was damaged; subsequently, that company filed a claim for damages against the City for \$69,529. In December 2010, a settlement was reached by both parties. The settlement calls for the City to pay the claimant \$20,000 in damages, and that amount is covered by the City's general liability insurance coverage provider.

In July 2007, a former recruit at the Western Maryland Police Academy operated by the Hagerstown Police Department, a City department, initiated a lawsuit against the City of Hagerstown alleging sex- and race- based hostile work environment claims. In August, 2007, the City filed a motion to dismiss the suit or, alternatively, resolve this suit by summary judgment. In February 2008, the City's request for summary judgment was denied. In October 2008, after discovery and depositions were completed, the City filed a second motion for summary judgment and in September 2009, the court granted the City's second motion for summary judgment. The plaintiff filed an appeal in October 2009. In December 2010, a decision was made by the United States Court of Appeals for the Fourth Circuit which reversed the summary judgment in part by published opinion. The Court reversed the grant of summary judgment on the sexual harassment claim and affirmed the grant of summary judgment on the race claim.

In FY2009, The City was awarded a 2007 Federal grant in which nine (9) additional staff positions were added to the City's funded staffing position count for one department. This grant required that the City maintain funded staffing levels at the time of application plus the nine (9) additional positions for that department for the duration of the five year grant period, or from FY2009 through FY2013. In FY2011, due to a severe loss of other City Revenues, the City scheduled to eliminate funding for eight (8) vacant positions in that department for FY2011 and FY2012. Grantees that fail to maintain the required level of staffing risk losing the Federal funds awarded under that grant.

### C. Other post employment benefits

In addition to the pension benefits described in Note V D, the City of Hagerstown provides other post employment benefits (OPEB) to all employees who qualify as a retiree and meet specific service requirements. During fiscal year 2009, the City implemented GASB statements 43 and 45. The City established an irrevocable trust for administering the plan assets and paying healthcare costs on behalf of the participants. During fiscal year 2010, 213 retirees and their 166 dependents were eligible for hospitalization and dental benefits. For fiscal year 2010, total claims paid for retiree health and dental care benefits was approximately \$1,767,914.

*Plan description* The hospitalization insurance is a contributory plan, and eligible retirees may insure themselves and eligible dependents. If an employee suffers a job-related death or disability requiring early retirement, the City provides full medical coverage at the City's cost for the employee and his/her eligible dependents until the employee and his/her spouse attain age 65, and his/her eligible children attain age 19, or 23 in the case of full time students. When a retiree or spouse reaches age 65 or becomes eligible for Medicare insurance, the retiree and spouse will receive the same benefits granted to other retirees at age 65. Eligible family members (spouse, children) are dependents who are covered on the employee's healthcare insurance prior to the employee's retirement from the City.

Hospitalization and dental insurance coverage is provided to retirees with coverage and contributory levels based on the employee's hire date and years of full time continuous service.

- At retirement, an employee hired before July 1, 1989 must have completed ten (10) years of full time continuous service with the City to qualify for coverage for himself/herself and their eligible dependents.
- At retirement, an employee hired on or after July 1, 1989 must have completed twenty (20) years of full time continuous service with the City to qualify for coverage for himself/herself and their eligible dependents.

Retirees meeting those hire dates and years of full time continuous services who are under 65 years of age and were also hired on or before February 2, 2004 share the cost of dependency coverage equally with the City, and the City pays 80% of the retiree's cost. For an employee meeting those requirements hired after February 2, 2004 and before July 1, 2009, upon their retirement, coverage for eligible dependents will be made available at the full expense of the retiree. Employees meeting those requirements hired on or after July 1, 2009 who become eligible for retiree healthcare insurance, may elect insurance for themselves and eligible dependents until the retiree/dependent becomes eligible for Medicare or is no longer an eligible dependent.

For retirees and their spouses who are under age 65, a traditional 80/20% cost sharing program for medical costs will be made available by the City, unless the retiree or spouse has been proven eligible for Medicare coverage.

**C. Other post employment benefits** (continued)

For those retirees and their dependents who are over the age of 65 or are proven to be eligible for Medicare coverage, the City provides a \$400 monthly stipend to aid in the cost of acquiring a Medicare supplemental health insurance plan. Of the eligible retirees, 131 retirees and 104 dependents are provided the \$400 monthly stipend to aid in the cost of acquiring a Medicare supplemental health insurance plan. No drug benefits are provided under the Medicare supplemental health insurance plan after June 30, 2010.

The dental insurance is also a contributory plan and follows the same guidelines as above in determining the City cost for retiree coverage. Retirees must pay the full cost of dependency coverage.

The City's agreement to provide the hospitalization and dental insurance coverage described above is detailed in each contract with the four bargaining units and in the City's Personnel Policy Manual for administrative and salaried employees.

*Funding Policy* The City is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The ARC consisted of the normal cost of \$919,934 for the year ended June 30, 2010 for current health and dental care benefit premiums. An additional \$1,597,770 has been designated for future benefits for a total ARC of \$2,517,704. The current ARC rate is 8.98% of annual covered payroll. The City contributed \$2,598,563 to the plan, including \$1,888,563 in current premiums and other pay as you go costs (89.8% of total premiums) and an additional \$710,000 to prefund benefits for the fiscal year 2011. Plan members receiving benefits contributed \$215,161, or approximately 10.2% of the total premiums, through their required contribution.

*Annual OPEB Cost and Net OPEB Obligation* The City had an actuarial valuation performed as of July 1, 2009 to determine the funded status of the plan as of that date as well as the City's ARC for the fiscal year ended June 30, 2010. The annual OPEB cost was \$2,514,220, which consisted of the ARC, a negative \$9,825 adjustment for interest on the net OPEB obligation, and a positive \$6,341 adjustment to the ARC. The accrued unfunded liability was \$31,900,809. The City's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for the past two years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2009	\$ 3,225,000	104.1%	\$ (131,000)
06/30/2010	\$ 2,514,220	111.9%	\$ (430,504)

*Funded Status and Funding Progress* Actuarial valuations of an ongoing plan involve assumptions about the probability of occurrence of events far into the future and estimates of the value reported amount. Examples include assumptions about future

**C. Other post employment benefits** (continued)

employment turnover rates, and healthcare cost trends. As actual results are compared with past expectations and new estimates are made about the future, amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision. The schedule of funding progress, presented as supplementary information following the notes to the financial statements, presents information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions* Projections for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term perspective of the calculations.

The unfunded liability was amortized over a period of 29 years as a level percentage of payroll on an open basis.

Interest assumptions – 7.50% discount rate and 7.50% investment return (net of administrative costs).

Mortality – 1983 Group Annuity Mortality.

Turnover – T5, employee turnover is assumed to be 80% for those under age 40, 90% for those aged 40-50; and 100% for those aged 51 and over.

Salary Scale – 3.0% per year under discount rate.

Retirement Age – As specified in the following table:

	Probability of Retirement	Probability of Electing Coverage
Age 62 & 5+ Years of Service	100%	85%
Age 55 & 15+ Years of Service	50%	85%
25+ Years of Service	100%	85%

Valuation of Assets – Assets are valued at market value.

Premiums are assumed to increase annually starting at 12.0% and decreasing linearly each year to an ultimate annual increase of 5%.

Actual coverage status is based on the earliest age at which an employee can retire under the appropriate pension plan. Current COBRA rates are blended at 50%/50% high Plan/low Plan. Rates are adjusted 150% to age band to retirement. 80% of participants are assumed to be married.

## D. Employee retirement systems and pension plans

The City of Hagerstown employees participate in a single-employer pension plan which is administered by the City in a separate trust fund and in two cost sharing multiple employer pension plans administered by the State of Maryland. These plans are as follows:

### Single Employer Pension Plan

City of Hagerstown Police and Fire Employees' Retirement Plan

### Cost Sharing Multiple Employer Pension Plans

Employee's Retirement System of the State of Maryland  
Pension System for Employees of the State of Maryland

### Single Employer Pension Plan

*Plan description.* The City of Hagerstown Police and Fire Employees' Retirement Plan (Sworn Plan) was established July 1, 1998. At that time the government's sworn employees were allowed to elect to withdraw from the State's cost sharing multiple employer pension plans and to have their net plan assets (\$4,088,321) transferred to the City's Police and Fire Employees' Retirement Plan. The Sworn Plan provides retirement, disability, and death benefits to plan members and beneficiaries. All full-time sworn Police and Fire department employees of the government hired on or after July 1, 1998, and active full-time sworn Police and Fire department employees electing to transfer into the plan on that date are members of the plan. As discussed in Note 1, the Police and Fire Employees' Retirement Plan is considered part of the government's reporting entity and is included in the government's financial statements as the Pension Trust Fund. No separate financial statements are issued.

Membership in the Sworn Plan consists of the following at July 1, 2009, the date of the most recent actuarial valuation:

Active	181
Retired or disabled	44
Vested terminations or inactive	<u>7</u>
Total	<u>232</u>

A sworn employee may elect normal retirement at the earlier of age 62 or 25 years of service or early retirement at age 55 and 20 years of service. Full (100%) vesting occurs on completion of five years of service. Retirement benefits commence at normal retirement date equal to 2.0% of average monthly compensation times years of service (up to a maximum of 30 years). Final benefits are based in the average of the three highest consecutive plan years preceding the date of determination. The plan does not provide for automatic cost of living benefit increases. Benefits are payable to or on behalf of vested participants who die prior to retirement, who become disabled and qualify for total disability benefits under the plan, and who retire early upon meeting the plan's requirements for early retirement. Participants who continue with the City after reaching their normal retirement age will generally accrue additional benefits.

#### D. Employee retirement systems and pension plans (continued)

*Summary of significant accounting policies.* The plan follows the accrual basis of accounting. Contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Also, benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The fair value of investments is determined by market price.

*Funding policy.* Obligations to contribute to the plan were established by local resolution after a public hearing. Funding policy for the plan provides for periodic contributions based upon actuarial valuations. Required contributions under the plan which are not funded by employee contributions are funded entirely by the government. Costs of administering the plan are financed on a current funding basis. Based on the July 1, 2009 actuarial valuation, sworn employees contribute 7% of their base pay and the current actuarially determined rate the government is required to contribute is 11.91% for fiscal year 2009/2010. At June 30, 2010, the plan's net assets were \$12,593,742.

The annual required contribution for the current year was determined as part of the July 1, 2009 actuarial valuation using the entry age actuarial cost method. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period is 21 years. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases due to inflation of 2.25% per year, compounded annually, and (c) projected salary increases due to seniority raises of 2.0% per year, compounded annually.

*Annual pension cost.* For the last six years of the Police and Fire Employees' Retirement Plan, the government has contributed at least 100% of the minimum annual required contribution (ARC) of:

<u>Fiscal Year</u>	<u>Employer Contribution</u>
2009/10	\$ 1,116,465
2008/09	\$ 1,038,557
2007/08	\$ 981,834
2006/07	\$ 882,445
2005/06	\$ 737,030
2004/05	\$ 748,226

Therefore, the government has no net pension obligation (NPO) to report for its Police and Fire Employees' Retirement Plan. During the 1998/99 fiscal year, the government adopted GASB Statements Numbers 25, 26, and 27. At the point of transition (July 1, 1998), the government had no pension liability reflected in the governmental activities column of the statement of net assets or in any individual fund.

## D. Employee retirement systems and pension plans (continued)

### Cost Sharing Multiple Employer Pension Plans

*Plan description.* The Employees' Retirement System of the State of Maryland (Retirement System) covers most employees hired prior to January 1, 1980 who did not elect to transfer into the government's Sworn Plan. The Pension System for Employees of the State of Maryland (Pension System) covers employees hired between December 31, 1979 and June 30, 2010, plus Retirement System participants who have voluntarily joined the Pension System, less employees who elected to transfer into the City's Sworn Plan.

Under the terms of the Retirement System, a member may retire after 30 years of service regardless of age, or at age 60 or over, regardless of years of service. A member is eligible for vesting after 5 years of service; however, the contribution must be left in the Retirement System in order to qualify for benefits at age 60. Under the terms of the Pension System, a member may retire after 30 years of service regardless of age, at age 65 with two years of service, at age 64 with three years of service, at age 63 with four years of service, or at age 62 with at least five years of service. An employee may also take early retirement with reduced benefits at age 55 with 15 years of service. A member is eligible for vesting after 5 years of service; however, the contribution must be left in the Pension System in order to qualify for benefits at age 62.

Benefits under both plans are established, and may be amended, under Article 73B of the Annotated Code of Maryland. The Maryland State Retirement and Pension System (MSRPS or System) is administered under Division II of the State Personnel and Pensions Article of the Annotated Code of Maryland and Internal Revenue Code Section 401(a) by a 14-member Board of Trustees. For State agencies, boards of education, community colleges and libraries (the State Pool), the System is a cost-sharing, multiple-employer plan. The System also administers a separate cost-sharing, multiple-employer plan for participating governmental units that elected to join the System (the Municipal Pool). The City participates in the Municipal Pool.

The MSRPS is the statutory guarantor for the payment of all retirement, death, and disability benefits of the System. The System is accounted for as a single plan as defined in Government Accounting Standards Board Statement No. 25, "Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contribution Plans" and issues a publicly available Comprehensive Annual Financial Report that includes the Systems' financial statements and required supplementary information. This report can be obtained from the agency's offices by writing to the State Retirement Agency, 120 East Baltimore Street, Suite 1601, Baltimore, Maryland 21202, by calling 1-800-492-5909, or by accessing the MSRPS website at [www.sra.state.md.us](http://www.sra.state.md.us) and selecting Comprehensive Annual Report.

*Funding policy.* Obligation to contribute to the plans was established under Article 73B of the Maryland Code. Members of the Retirement System contribute 7 percent of their gross employee compensation. Members of the Pension System contribute 5 percent of their gross employee compensation in excess of the F.I.C.A. taxable wage base.

**D. Employee retirement systems and pension plans** (continued)

Required contributions under the plan which are not funded by employee contributions are funded entirely by the City. The Maryland State Retirement and Pension Systems' actuaries changed their method of allocation between participating local governments in 1997. This change in method resulted in the City being assigned a funding deficit of \$5,105,305 even though the City had always paid the required contribution billed by the State. The City has chosen to make payment in 40 annual installments through 2037. The deficit payments for 2010, 2009, and 2008 were \$278,459, \$265,203, and \$252,574 respectively.

The required contributions and the percentage of that amount contributed for the past six years are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2010	\$ 1,246,087	\$ 1,246,087	100%
2009	\$ 1,109,347	\$ 1,109,347	100%
2008	\$ 1,222,594	\$ 1,222,594	100%
2007	\$ 985,678	\$ 985,678	100%
2006	\$ 858,010	\$ 858,010	100%
2005	\$ 800,001	\$ 800,001	100%

The following is a Schedule of Funding Progress of the Combined State Retirement and Pension System of Maryland:

**Schedule of Funding in Progress  
(Expressed in Thousands)**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a.)</u>	<u>Actuarial Accrued Liability (AAL) (b.)</u>	<u>Total Unfunded AAL (UAAL) (b. - a.)</u>	<u>Funded Ratio (a./b.)</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % Of Covered Payroll [(b.-a.)/c.]</u>
June 30						
2006	35,795,025	43,243,492	7,448,867	82.78%	9,287,576	80%
2007	37,886,936	47,144,354	9,257,418	80.36%	9,971,012	93%
2008	39,504,284	50,244,047	10,739,763	78.62%	10,542,806	102%
2009	34,284,569	52,729,172	18,444,603	65.02%	10,714,168	172%

**Self Funded Pension Plan**

Prior to its membership in the State of Maryland Employee's Retirement System, the City provided an unfunded pension plan for employees. This unfunded plan has been closed to new membership and will ultimately be discontinued when no further payments are due to participating pensioners. No provision has been made in the financial statements of the government for the unfunded liability of pension, disability and death benefits applicable to the current and past service costs of the unfunded plan since estimates of these amounts are not readily available. However, current cost for providing benefits to the one surviving participant under this plan was \$6,449 for the year ended June 30, 2010.

**Required Supplementary Information**  
(Unaudited)

**The City of Hagerstown Police and Fire Employees' Retirement Plan**  
**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a.)	Actuarial Accrued Liability (AAL) (b.)	Total Unfunded AAL (UAAL) (b. - a.)	Funded Ratio (a./b.)	Annual Covered Payroll (c.)	UAAL as a % Of Covered Payroll [(b.-a.)/c.]
07/01/2004	8,458,349	23,585,060	15,126,712	35.86%	6,343,446	238.5%
07/01/2005	9,397,237	25,093,295	15,696,058	37.45%	6,599,104	237.9%
07/01/2006	10,439,682	27,549,241	17,109,559	37.89%	6,947,273	246.3%
07/01/2007	12,660,424	29,869,521	17,209,098	42.39%	7,639,842	225.3%
07/01/2008	11,780,317	31,639,090	19,858,773	37.23%	8,656,152	229.4%
07/01/2009	12,729,397	34,507,189	21,777,793	36.89%	9,455,328	230.3%

**Required Supplementary Information**  
(Unaudited)

**The City of Hagerstown Other Post Employment Benefits Plan**  
**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a.)	Actuarial Accrued Liability (AAL) (b.)	Total Unfunded AAL (UAAL) (b. - a.)	Funded Ratio (a./b.)	Annual Covered Payroll (c.)	UAAL as a % Of Covered Payroll [(b.-a.)/c.]
07/01/2008	810,000	45,831,000	45,021,000	1.80%	26,337,198	170.9%
07/01/2009	810,000	32,710,809	31,900,809	2.47%	28,024,532	113.8%

**City of Hagerstown, Maryland**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2010**

	Budgeted Amounts		2010 Actual	Variance with Final Budget - Positive (Negative)	2009 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
<b>Revenues and Transfers</b>						
General Property Taxes:						
Current year's levy	\$ 23,105,400	\$ 23,241,400	\$ 23,959,634	\$ 718,234	\$ 21,669,204	\$ 2,290,430
Prior year's levy - net	(19,600)	(19,600)	(151,392)	(131,792)	48,242	(199,634)
Payments in lieu of taxes	2,522,520	2,522,520	2,529,878	7,358	2,486,140	43,738
Interest on delinquent taxes	89,000	89,000	182,136	93,136	147,676	34,460
	<u>25,697,320</u>	<u>25,833,320</u>	<u>26,520,256</u>	<u>686,936</u>	<u>24,351,262</u>	<u>2,168,994</u>
Less discounts allowed	(52,900)	(52,900)	(59,317)	(6,417)	(54,962)	(4,355)
Total General Property Taxes	<u>25,644,420</u>	<u>25,780,420</u>	<u>26,460,939</u>	<u>680,519</u>	<u>24,296,300</u>	<u>2,164,639</u>
State and County Shared Taxes:						
Income tax	2,588,160	2,138,160	2,289,966	151,806	2,262,316	27,650
County tax differential	1,660,000	1,660,000	1,598,512	(61,488)	1,532,289	66,223
Admission	130,248	130,248	75,391	(54,857)	94,758	(19,367)
Enterprise zone tax credits	79,285	79,285	132,924	53,639	111,256	21,668
Police protection	773,850	498,753	516,752	17,999	750,533	(233,781)
State aid for fire service	53,000	53,000	53,361	361	53,928	(567)
State highway user revenue	1,710,324	133,395	217,622	84,227	1,899,839	(1,682,217)
Financial corporations	34,214	34,214	34,214	-	34,214	-
Hotel/motel room tax	140,000	120,000	127,279	7,279	116,495	10,784
Total State and County Shared Taxes	<u>7,169,081</u>	<u>4,847,055</u>	<u>5,046,021</u>	<u>198,966</u>	<u>6,855,628</u>	<u>(1,809,607)</u>
Licenses and Permits:						
Residential rental licenses	420,000	420,000	456,147	36,147	311,053	145,094
Cable television franchise	360,000	360,000	359,997	(3)	358,320	1,677
Traders	106,000	106,000	101,897	(4,103)	107,437	(5,540)
Building permits	200,000	160,000	204,226	44,226	196,763	7,463
Electrical permits	80,000	75,000	71,052	(3,948)	90,389	(19,337)
Distilled spirits	8,200	8,200	8,200	-	8,200	-
Plumbing permits	40,000	65,000	42,994	(22,006)	75,176	(32,182)
Other	286,100	335,100	334,929	(171)	316,705	18,224
Total Licenses and Permits	<u>1,500,300</u>	<u>1,529,300</u>	<u>1,579,442</u>	<u>50,142</u>	<u>1,464,043</u>	<u>115,399</u>
Intergovernmental Grant Revenues:						
Federal grants	130,000	130,000	174,225	44,225	151,421	22,804
State and local grants	-	-	63,800	63,800	15,804	47,996
Total Intergovernmental Grant Revenues	<u>130,000</u>	<u>130,000</u>	<u>238,025</u>	<u>108,025</u>	<u>167,225</u>	<u>70,800</u>
Service Charges:						
Refuse collection fees	2,198,000	2,198,000	2,153,210	(44,790)	2,178,804	(25,594)
Stadium	-	-	250	250	1,050	(800)
Swimming pool	87,700	72,450	53,840	(18,610)	64,154	(10,314)
Other	775,476	744,156	720,391	(23,765)	621,887	98,504
Total Service Charges	<u>3,061,176</u>	<u>3,014,606</u>	<u>2,927,691</u>	<u>(86,915)</u>	<u>2,865,895</u>	<u>61,796</u>
Fines and Forfeitures	<u>127,500</u>	<u>103,000</u>	<u>105,322</u>	<u>2,322</u>	<u>85,627</u>	<u>19,695</u>
Unallocated General Revenues:						
Administrative allocation	2,250,000	2,250,000	2,173,500	(76,500)	2,070,360	103,140
Interest on investments	250,000	250,000	54,708	(195,292)	263,714	(209,006)
Sale of land & other property	15,000	15,000	1,977	(13,023)	5,306	(3,329)
Miscellaneous	178,002	178,002	193,508	15,506	239,648	(46,140)
Total Unallocated General Revenues	<u>2,693,002</u>	<u>2,693,002</u>	<u>2,423,693</u>	<u>(269,309)</u>	<u>2,579,028</u>	<u>(155,335)</u>
Total Revenues	<u>40,325,479</u>	<u>38,097,383</u>	<u>38,781,133</u>	<u>683,750</u>	<u>38,313,746</u>	<u>467,387</u>
Transfers from Community Development Fund	55,000	55,000	-	(55,000)	-	-
Transfers from Health Insurance Fund	-	-	-	-	600,000	(600,000)
Transfers from Flexible Spending Fund	6,000	6,000	6,000	-	6,000	-
Transfers from Economic Redevelopment Fund	-	15,809	15,700	(109)	58,000	(42,300)
Budgeted use of Fund Balance	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>(150,000)</u>	<u>-</u>	<u>-</u>
Total Revenues and Transfers	<u>\$ 40,536,479</u>	<u>\$ 38,324,192</u>	<u>\$ 38,802,833</u>	<u>\$ 478,641</u>	<u>\$ 38,977,746</u>	<u>\$ (174,913)</u>

\* This statement is continued on next page.

**City of Hagerstown, Maryland**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2010**

	Budgeted Amounts		2010 Actual	Variance with Final Budget - Positive (Negative)	2009 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
<b>Expenditures and Transfers</b>						
General Government:						
Council	\$ 126,670	\$ 118,238	\$ 110,864	\$ 7,374	\$ 115,460	\$ (4,596)
Mayor	67,372	64,762	62,094	2,668	64,774	(2,680)
City administrator	207,317	201,517	189,262	12,255	193,509	(4,247)
City clerk	132,166	126,350	134,521	(8,171)	145,133	(10,612)
Community affairs	325,811	308,953	292,374	16,579	307,401	(15,027)
Legal counsel	287,600	267,600	236,058	31,542	207,361	28,697
Public functions	592,325	580,125	480,157	99,968	536,489	(56,332)
Registration and election	-	-	8	(8)	90,708	(90,700)
Finance and accounting	678,932	700,368	674,669	25,699	629,254	45,415
Treasurer and tax collection	320,796	121,301	101,719	19,582	307,756	(206,037)
Purchasing and stores	202,661	196,691	196,285	406	208,975	(12,690)
Information technology	823,197	742,955	824,499	(81,544)	609,589	214,910
Cashiering	-	256,628	231,743	24,885	-	231,743
Planning	561,681	545,035	522,365	22,670	502,894	19,471
Annexation	10,200	10,200	2,610	7,590	9,923	(7,313)
City hall expenditures	296,022	276,922	207,510	69,412	281,425	(73,915)
City engineer	1,283,467	1,248,517	1,320,537	(72,020)	1,282,015	38,522
Human resources	487,950	456,415	437,848	18,567	453,587	(15,739)
Total General Government	<u>6,404,167</u>	<u>6,222,577</u>	<u>6,025,123</u>	<u>197,454</u>	<u>5,946,253</u>	<u>78,870</u>
Public Safety:						
Police department	12,129,475	11,806,340	11,212,072	594,268	11,518,979	(306,907)
Fire department	6,582,794	6,462,292	6,627,820	(165,528)	6,406,160	221,660
Code enforcement	1,335,848	1,313,027	1,297,996	15,031	1,307,506	(9,510)
Signal department	646,503	618,228	437,326	180,902	693,984	(256,658)
Total Public Safety	<u>20,694,620</u>	<u>20,199,887</u>	<u>19,575,214</u>	<u>624,673</u>	<u>19,926,629</u>	<u>(351,415)</u>
Highways and Streets:						
General street department operations	621,601	415,753	681,001	(265,248)	515,289	165,712
Snow removal	299,524	299,524	850,475	(550,951)	271,217	579,258
Street cleaning	618,202	615,162	428,341	186,821	649,739	(221,398)
Street lighting	765,000	755,000	751,278	3,722	744,496	6,782
Central services	346,423	326,308	267,969	58,339	384,620	(116,651)
Total Highways and Streets	<u>2,650,750</u>	<u>2,411,747</u>	<u>2,979,064</u>	<u>(567,317)</u>	<u>2,565,361</u>	<u>413,703</u>
Waste, Collection and Disposal	<u>2,211,598</u>	<u>2,211,598</u>	<u>2,023,156</u>	<u>188,442</u>	<u>2,094,011</u>	<u>(70,855)</u>
Culture and Recreation:						
City parks	1,732,547	1,677,426	1,566,536	110,890	1,505,420	61,116
Swimming pool	157,566	144,466	145,141	(675)	139,319	5,822
Farmers market	108,895	98,895	75,586	23,309	96,953	(21,367)
Stadium	119,437	119,337	180,634	(61,297)	158,213	22,421
Recreation department	233,080	257,328	266,100	(8,772)	234,846	31,254
Hager house and 202 train museum	130,701	126,951	119,751	7,200	128,539	(8,788)
Total Culture and Recreation	<u>2,482,226</u>	<u>2,424,403</u>	<u>2,353,748</u>	<u>70,655</u>	<u>2,263,290</u>	<u>90,458</u>
Economic and Community Development:						
Economic development	266,265	268,579	251,280	17,299	298,421	(47,141)
Housing and community development	100,000	100,000	100,284	(284)	-	100,284
Neighborhoods first	56,225	51,645	52,669	(1,024)	34,312	18,357
Total Economic and Community Dev	<u>422,490</u>	<u>420,224</u>	<u>404,233</u>	<u>15,991</u>	<u>332,733</u>	<u>71,500</u>
Unallocated General Expenditures:						
Retiree benefits	1,427,000	1,402,000	1,367,197	34,803	1,420,079	(52,882)
Termination pay	275,000	19,589	-	19,589	231,005	(231,005)
Contributions to other agencies	341,465	341,465	346,032	(4,567)	333,339	12,693
Inventory adjustments	5,000	5,000	(3,712)	8,712	4,515	(8,227)
Budget contingency	(376,341)	(198,397)	-	(198,397)	-	-
Total Unallocated General Expenditures	<u>\$ 1,672,124</u>	<u>\$ 1,569,657</u>	<u>\$ 1,709,517</u>	<u>\$ (139,860)</u>	<u>\$ 1,988,938</u>	<u>\$ (279,421)</u>

\* This statement is continued on next page.

**City of Hagerstown, Maryland  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>2010 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2009 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
<b>Expenditures and Transfers</b>						
Debt Service:						
Principal	\$ 1,692,127	\$ 1,532,424	\$ 1,457,502	\$ 74,922	\$ 1,482,518	\$ (25,016)
Interest	932,410	474,740	579,294	(104,554)	529,848	49,446
Total Debt Service	<u>2,624,537</u>	<u>2,007,164</u>	<u>2,036,796</u>	<u>(29,632)</u>	<u>2,012,366</u>	<u>24,430</u>
Total Expenditures	39,162,512	37,467,257	37,106,851	360,406	37,129,581	(22,730)
Transfers to Golf Course Fund	211,885	211,885	281,000	(69,115)	260,000	21,000
Transfers to Grant Revenue Fund	153,147	253,137	231,063	22,074	121,539	109,524
Transfers to Economic Redevelopment Fund	125,000	125,000	125,000	-	140,788	(15,788)
Transfers to Capital Improvement Projects Fund	<u>880,000</u>	<u>397,563</u>	<u>397,563</u>	<u>-</u>	<u>1,179,314</u>	<u>(781,751)</u>
Total Expenditures and Transfers	<u>40,532,544</u>	<u>38,454,842</u>	<u>38,141,477</u>	<u>313,365</u>	<u>38,831,222</u>	<u>(689,745)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	3,935	(130,650)	661,356	792,006	146,524	514,832
Fund balances - beginning	<u>7,897,127</u>	<u>7,897,127</u>	<u>7,897,127</u>	<u>-</u>	<u>7,750,603</u>	<u>146,524</u>
Fund balances - ending	<u>\$ 7,901,062</u>	<u>\$ 7,766,477</u>	<u>\$ 8,558,483</u>	<u>\$ 792,006</u>	<u>\$ 7,897,127</u>	<u>\$ 661,356</u>

**City of Hagerstown, Maryland**  
**Capital Projects Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2010**

	Budgeted Amounts		2010 Actual	Variance with Final Budget - Positive (Negative)	2009 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
<b>Revenues</b>						
Intergovernmental grant revenues	\$ 11,325,090	\$ 11,398,795	\$ 342,654	\$ (11,056,141)	\$ 1,563,990	\$ (1,221,336)
Contributions and donations	331,000	331,000	169,595	(161,405)	134,470	35,125
Interest income	-	-	25,283	25,283	52,961	(27,678)
Charges for services	-	-	9,200	9,200	-	9,200
Other revenues	25,000	25,000	19,431	(5,569)	50,545	(31,114)
Total revenues	<u>11,681,090</u>	<u>11,754,795</u>	<u>566,163</u>	<u>(11,188,632)</u>	<u>1,801,966</u>	<u>(1,235,803)</u>
<b>Expenditures</b>						
General government projects	17,725,529	16,753,923	5,709,201	11,044,722	6,461,225	(752,024)
Public safety projects	1,055,000	1,023,000	930,264	92,736	868,189	62,075
Highways and streets projects	485,000	477,201	185,990	291,211	307,550	(121,560)
Culture and recreation	445,000	297,823	170,209	127,614	649,299	(479,090)
Total expenditures	<u>19,710,529</u>	<u>18,551,947</u>	<u>6,995,664</u>	<u>11,556,283</u>	<u>8,286,263</u>	<u>(1,290,599)</u>
Excess (deficiency) of revenues over (under) expenditures	(8,029,439)	(6,797,152)	(6,429,501)	367,651	(6,484,297)	54,796
<b>Other Financing Sources (Uses)</b>						
Bond financing	4,418,439	4,418,439	8,481,044	4,062,605	-	8,481,044
Premium on bond financing	-	-	102,666	102,666	-	102,666
Transfer from excise tax fund	1,282,000	1,282,000	840,890	(441,110)	-	840,890
Transfer from general fund	880,000	397,563	397,563	-	1,179,314	(781,751)
Transfer from electric fund	105,000	105,000	105,000	-	124,996	(19,996)
Transfer from water fund	555,000	55,000	55,000	-	55,000	-
Transfer from wastewater fund	305,000	55,000	55,000	-	162,821	(107,821)
Transfer from community development fund	240,000	240,000	294,007	54,007	466,089	(172,082)
Transfer from grant fund	199,000	199,000	200,824	1,824	-	200,824
Budgeted use of fund balance	45,000	45,000	-	(45,000)	-	-
	<u>8,029,439</u>	<u>6,797,002</u>	<u>10,531,994</u>	<u>3,734,992</u>	<u>1,988,220</u>	<u>8,543,774</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	-	(150)	4,102,493	4,102,643	(4,496,077)	8,598,570
Fund balances - beginning	<u>389,749</u>	<u>389,749</u>	<u>389,749</u>	<u>-</u>	<u>4,885,826</u>	<u>(4,496,077)</u>
Fund balances - ending	<u>\$ 389,749</u>	<u>\$ 389,599</u>	<u>\$ 4,492,242</u>	<u>\$ 4,102,643</u>	<u>\$ 389,749</u>	<u>\$ 4,102,493</u>

## **SPECIAL REVENUE FUNDS**

These funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted to expenditures for specified purposes.

**Community Development Block Grant Fund** - This fund is used to account for activities which promote the rehabilitation and development of residential and commercial neighborhoods by providing loans, grants and public facilities and services.

**Economic Redevelopment Fund** - This fund is used to account for activities related to purchase and redevelopment of targeted properties in the City's downtown central business district. These activities are primarily funded by federal and state grants.

**Flexible Spending Fund** – This fund is used to account for the City Employee Flexible Spending Account (FSA) program. Funds are deposited on a pre-tax basis to this fund by employees participating in the FSA Program for reimbursed medical and dependent care costs. The City savings in social security and Medicare costs from this pre-tax funding are used to pay for this program's administrative costs.

**Telecommuting Center** - This fund is used to account for activities related to the City's participation in the federal government's telecommunication work center pilot program. These activities are primarily funded by federal grants.

**Business Revolving Loan** - This fund is designed to assist in the recruitment, retention and expansion of businesses within the City of Hagerstown, Maryland.

**Excise Tax Fund** - This fund was created to account for funds received from the excise tax. Revenues from the excise tax imposed through Washington County may only be used for specific purposes and this fund will be used to account for those funds.

**Grant Revenue Fund** - This fund was created to account for operating grant revenues from various agencies – federal, state, and local.

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**City of Hagerstown, Maryland**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2010**

	Community Development Block Grant		Economic Redevelopment		Flexible Spending	Telecommuting Center	Business Revolving Loan	Excise Tax	Grant Revenue	Total Nonmajor Governmental Funds
	Block Grant	Economic Redevelopment	Flexible Spending	Telecommuting Center	Business Revolving Loan	Excise Tax	Grant Revenue	Total Nonmajor Governmental Funds		
<b>Assets</b>										
Pooled cash and investments	\$ 4,240	\$ 469,049	\$ 42,805	\$ 75,203	\$ 272,951	\$ 1,106,483	\$ 606	\$ 1,971,337		
Interest receivable	219	488	46	65	231	1,503	-	2,552		
Accounts receivable	-	-	7,661	-	-	-	5,835	13,496		
Intergovernmental receivable	372,765	-	-	78,342	-	-	233,227	684,334		
Prepaid items	-	1,173	-	395	-	-	-	1,568		
Loans receivable (net of allowance for uncollectibles)	2,411,195	-	-	-	455,338	-	15,000	2,881,533		
Properties held for resale	868,602	79,869	-	-	-	-	-	948,471		
Restricted assets:										
Pooled cash and investments	100,033	-	-	-	-	-	-	100,033		
Total assets	<u>\$ 3,757,054</u>	<u>\$ 550,579</u>	<u>\$ 50,512</u>	<u>\$ 154,005</u>	<u>\$ 728,520</u>	<u>\$ 1,107,986</u>	<u>\$ 254,668</u>	<u>\$ 6,603,324</u>		
<b>Liabilities</b>										
Accounts and retainages payable	\$ 36,405	\$ 4,060	\$ 17,321	\$ 8,768	\$ 1,200	\$ 3,529	\$ 57,146	\$ 128,429		
Accrued liabilities	29,882	-	-	3,211	-	-	7,138	40,231		
Advances from other funds	325,000	-	-	-	-	-	171,545	496,545		
Escrowed taxes and insurance	11,407	-	-	-	-	-	-	11,407		
Customer deposits	500	-	-	-	-	-	-	500		
Deferred revenue	-	-	-	-	-	-	5,864	5,864		
Undisbursed loan and grant commitments	90,987	-	-	-	-	-	-	90,987		
Total liabilities	<u>494,181</u>	<u>4,060</u>	<u>17,321</u>	<u>11,979</u>	<u>1,200</u>	<u>3,529</u>	<u>241,693</u>	<u>773,963</u>		
<b>Fund Balance</b>										
Reserved for encumbrances	-	-	-	-	-	-	1,247	1,247		
Reserved for properties held for resale	868,602	79,869	-	-	-	-	-	948,471		
Reserved for prepaid items	-	1,173	-	395	-	-	-	1,568		
Reserved for long-term loans receivable	2,411,195	-	-	-	455,338	-	15,000	2,881,533		
Reserved for special revenue funds	(16,924)	465,477	33,191	141,631	271,982	1,104,457	(3,272)	1,996,542		
Total fund balances	<u>3,262,873</u>	<u>546,519</u>	<u>33,191</u>	<u>142,026</u>	<u>727,320</u>	<u>1,104,457</u>	<u>12,975</u>	<u>5,829,361</u>		
Total liabilities and fund balances	<u>\$ 3,757,054</u>	<u>\$ 550,579</u>	<u>\$ 50,512</u>	<u>\$ 154,005</u>	<u>\$ 728,520</u>	<u>\$ 1,107,986</u>	<u>\$ 254,668</u>	<u>\$ 6,603,324</u>		

**City of Hagerstown, Maryland**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2010**

	Special Revenue					Total	
	Community Development Block Grant	Economic Redevelopment	Flexible Spending	Telecommuting Center	Business Revolving Loan	Grant Revenue	Nonmajor Governmental Funds
<b>Revenues</b>							
Intergovernmental	\$ 749,114	\$ -	\$ -	\$ 157,929	\$ -	\$ 1,336,298	\$ 2,243,341
Program income	71,256	-	-	-	27,721	-	214,394
Investment earnings	2,309	3,669	331	458	2,095	-	23,069
Contributions and donations	500	-	-	-	-	2,830	3,330
Property sales	165,566	-	-	-	-	-	165,566
Other revenues	6,550	-	18,856	84,396	-	-	109,802
Total revenues	<u>995,295</u>	<u>3,669</u>	<u>19,187</u>	<u>242,783</u>	<u>29,816</u>	<u>1,339,128</u>	<u>2,759,502</u>
<b>Expenditures</b>							
Current:							
Public safety	-	-	-	-	-	1,125,436	1,125,436
Economic and community development							
Public services	164,738	-	-	-	-	15,810	180,548
Housing rehabilitation	387,902	-	-	-	-	-	387,902
Direct economic development	2,510	7,758	-	-	-	-	10,268
Cost of properties sold	194,193	-	-	-	-	-	194,193
Administration	375,611	-	6,311	238,743	5,855	16,553	643,073
Direct economic development loans	-	-	-	-	178,807	-	178,807
Capital outlay	44,911	-	-	8,343	-	236,277	289,531
Interest expense	-	-	-	-	-	87	87
Total expenditures	<u>1,169,865</u>	<u>7,758</u>	<u>6,311</u>	<u>247,086</u>	<u>184,662</u>	<u>1,394,163</u>	<u>3,009,845</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(174,570)</u>	<u>(4,089)</u>	<u>12,876</u>	<u>(4,303)</u>	<u>(154,846)</u>	<u>(55,035)</u>	<u>(250,343)</u>
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	125,000	-	-	125,000	231,063	481,063
Transfers out	<u>(294,007)</u>	<u>(140,700)</u>	<u>(6,000)</u>	<u>-</u>	<u>-</u>	<u>(200,824)</u>	<u>(1,482,421)</u>
Total other financing sources and (uses)	<u>(294,007)</u>	<u>(15,700)</u>	<u>(6,000)</u>	<u>-</u>	<u>125,000</u>	<u>30,239</u>	<u>(1,001,358)</u>
Net change in fund balances	<u>(468,577)</u>	<u>(19,789)</u>	<u>6,876</u>	<u>(4,303)</u>	<u>(29,846)</u>	<u>(24,796)</u>	<u>(1,251,701)</u>
Fund balances - beginning	<u>3,731,450</u>	<u>566,308</u>	<u>26,315</u>	<u>146,329</u>	<u>757,166</u>	<u>37,771</u>	<u>7,081,062</u>
Fund balances - ending	<u>\$ 3,262,873</u>	<u>\$ 546,519</u>	<u>\$ 33,191</u>	<u>\$ 142,026</u>	<u>\$ 727,320</u>	<u>\$ 12,975</u>	<u>\$ 5,829,361</u>

**City of Hagerstown, Maryland**  
**Community Development Block Grant**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>2010 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2009 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
<b>Revenues</b>						
Intergovernmental	\$ 1,463,718	\$ 1,463,718	\$ 749,114	\$ (714,604)	\$ 1,101,711	\$ (352,597)
Program income	62,500	62,500	71,256	8,756	276,413	(205,157)
Investment earnings	3,425	3,425	2,309	(1,116)	1,712	597
Contributions and donations	-	-	500	500	-	500
Property sales	200,000	200,000	165,566	(34,434)	-	165,566
Other revenues	15,000	15,000	6,550	(8,450)	8,000	(1,450)
Total revenues	<u>1,744,643</u>	<u>1,744,643</u>	<u>995,295</u>	<u>(749,348)</u>	<u>1,387,836</u>	<u>(392,541)</u>
<b>Expenditures</b>						
Public services	174,088	174,088	164,738	9,350	189,015	(24,277)
Housing rehabilitation	934,000	934,000	387,902	546,098	197,573	190,329
Clearance and demolition	100	100	-	100	-	-
Acquisition	100	100	-	100	-	-
Cost of properties sold	-	-	194,193	(194,193)	76,630	117,563
Administration	287,605	287,605	375,611	(88,006)	255,059	120,552
Direct economic development	-	-	2,510	(2,510)	-	2,510
Capital outlay	108,750	108,750	44,911	63,839	15,110	29,801
Total expenditures	<u>1,504,643</u>	<u>1,504,643</u>	<u>1,169,865</u>	<u>334,778</u>	<u>733,387</u>	<u>436,478</u>
Excess (deficiency) of revenues over (under) expenditures	240,000	240,000	(174,570)	(414,570)	654,449	(829,019)
<b>Other Financing Sources (Uses)</b>						
Transfers to capital improvement projects fund	<u>(240,000)</u>	<u>(240,000)</u>	<u>(294,007)</u>	<u>(54,007)</u>	<u>(466,089)</u>	<u>172,082</u>
Total other financing sources (uses)	<u>(240,000)</u>	<u>(240,000)</u>	<u>(294,007)</u>	<u>(54,007)</u>	<u>(466,089)</u>	<u>172,082</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	-	-	(468,577)	(468,577)	188,360	(656,937)
Fund balances - beginning	<u>3,731,450</u>	<u>3,731,450</u>	<u>3,731,450</u>	<u>-</u>	<u>3,543,090</u>	<u>188,360</u>
Fund balances - ending	<u>\$ 3,731,450</u>	<u>\$ 3,731,450</u>	<u>\$ 3,262,873</u>	<u>\$ (468,577)</u>	<u>\$ 3,731,450</u>	<u>\$ (468,577)</u>

**City of Hagerstown, Maryland**  
**Economic Redevelopment**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2010**

	<u>Original and Final Budget</u>	<u>2010 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2009 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
<b>Revenues</b>					
Intergovernmental	\$ 100,000	\$ -	\$ (100,000)	\$ -	\$ -
Investment earnings	20,000	3,669	(16,331)	12,293	(8,624)
Total revenues	<u>120,000</u>	<u>3,669</u>	<u>(116,331)</u>	<u>12,293</u>	<u>(8,624)</u>
<b>Expenditures</b>					
Direct economic development	120,000	7,758	112,242	2,301	5,457
Total expenditures	<u>120,000</u>	<u>7,758</u>	<u>112,242</u>	<u>2,301</u>	<u>5,457</u>
Excess (deficiency) of revenues over (under) expenditures	-	(4,089)	(4,089)	9,992	(14,081)
<b>Other Financing Sources (Uses)</b>					
Transfers from general fund	125,000	125,000	-	140,788	(15,788)
Transfers to general fund	-	(15,700)	(15,700)	(58,000)	42,300
Transfers to business revolving loan fund	(125,000)	(125,000)	-	(20,833)	(104,167)
Transfers to property management fund	-	-	-	(145,831)	145,831
Total other financing sources (uses)	<u>-</u>	<u>(15,700)</u>	<u>(15,700)</u>	<u>(83,876)</u>	<u>68,176</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	-	(19,789)	(19,789)	(73,884)	54,095
Fund balances - beginning	<u>566,308</u>	<u>566,308</u>	<u>-</u>	<u>640,192</u>	<u>(73,884)</u>
Fund balances - ending	<u>\$ 566,308</u>	<u>\$ 546,519</u>	<u>\$ (19,789)</u>	<u>\$ 566,308</u>	<u>\$ (19,789)</u>

**City of Hagerstown, Maryland**  
**Flexible Spending**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2010**

	<u>Original and Final Budget</u>	<u>2010 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2009 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
<b>Revenues</b>					
Investment earnings	\$ 1,000	\$ 331	\$ (669)	\$ 1,066	\$ (735)
Employer FICA savings	8,500	4,595	(3,905)	6,810	(2,215)
Unreimbursed employee deductions	500	14,261	13,761	-	14,261
Total revenues	<u>10,000</u>	<u>19,187</u>	<u>9,187</u>	<u>7,876</u>	<u>11,311</u>
<b>Expenditures</b>					
Contracted services	<u>5,000</u>	<u>6,311</u>	<u>(1,311)</u>	<u>4,848</u>	<u>1,463</u>
Total expenditures	<u>5,000</u>	<u>6,311</u>	<u>(1,311)</u>	<u>4,848</u>	<u>1,463</u>
Excess (deficiency) of revenues over (under) expenditures	5,000	12,876	7,876	3,028	9,848
<b>Other Financing Sources (Uses)</b>					
Transfers to general fund	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>	<u>(6,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>	<u>(6,000)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	(1,000)	6,876	7,876	(2,972)	9,848
Fund balances - beginning	<u>26,315</u>	<u>26,315</u>	<u>-</u>	<u>29,287</u>	<u>(2,972)</u>
Fund balances - ending	<u>\$ 25,315</u>	<u>\$ 33,191</u>	<u>\$ 7,876</u>	<u>\$ 26,315</u>	<u>\$ 6,876</u>

**City of Hagerstown, Maryland**  
**Telecommuting Center**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2010**

	<u>Original and Final Budget</u>	<u>2010 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2009 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
<b>Revenues</b>					
Intergovernmental	\$ 128,739	\$ 157,929	\$ 29,190	\$ 144,842	\$ 13,087
Investment earnings	3,000	458	(2,542)	1,879	(1,421)
Other revenues	25,500	23,196	(2,304)	24,490	(1,294)
Rent revenues	61,200	61,200	-	61,200	-
Technological training	21,000	-	(21,000)	-	-
Total revenues	<u>239,439</u>	<u>242,783</u>	<u>3,344</u>	<u>232,411</u>	<u>10,372</u>
<b>Expenditures</b>					
Administration	234,751	238,743	(3,992)	226,761	11,982
Capital outlay	4,500	8,343	(3,843)	4,790	3,553
Total expenditures	<u>239,251</u>	<u>247,086</u>	<u>(7,835)</u>	<u>231,551</u>	<u>15,535</u>
Excess (deficiency) of revenues over (under) expenditures	188	(4,303)	(4,491)	860	(5,163)
Fund balances - beginning	<u>146,329</u>	<u>146,329</u>	<u>-</u>	<u>145,469</u>	<u>860</u>
Fund balances - ending	<u>\$ 146,517</u>	<u>\$ 142,026</u>	<u>\$ (4,491)</u>	<u>\$ 146,329</u>	<u>\$ (4,303)</u>

**City of Hagerstown, Maryland**  
**Business Revolving Loan**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2010**

	<u>Original and Final Budget</u>	<u>2010 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2009 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
<b>Revenues</b>					
Intergovernmental	\$ 100,000	\$ -	\$ (100,000)	\$ -	\$ -
Investment earnings	2,000	2,095	95	1,860	235
Program revenue	70,994	27,721	(43,273)	27,668	53
Total revenues	<u>172,994</u>	<u>29,816</u>	<u>(143,178)</u>	<u>29,528</u>	<u>288</u>
<b>Expenditures</b>					
Legal	2,000	5,855	(3,855)	598	5,257
Direct economic development loans	36,090	178,807	(142,717)	206,883	(28,076)
Total expenditures	<u>38,090</u>	<u>184,662</u>	<u>(146,572)</u>	<u>207,481</u>	<u>(22,819)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers from economic redevelopment	125,000	125,000	-	166,664	(41,664)
Total other financing sources (uses)	<u>125,000</u>	<u>125,000</u>	<u>-</u>	<u>166,664</u>	<u>(41,664)</u>
Excess (deficiency) of revenues over (under) expenditures	259,904	(29,846)	(289,750)	(11,289)	(18,557)
Fund balances - beginning	<u>757,166</u>	<u>757,166</u>	<u>-</u>	<u>768,455</u>	<u>(11,289)</u>
Fund balances - ending	<u>\$ 1,017,070</u>	<u>\$ 727,320</u>	<u>\$ (289,750)</u>	<u>\$ 757,166</u>	<u>\$ (29,846)</u>

**City of Hagerstown, Maryland**  
**Excise Tax**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2010**

	<u>Original and Final Budget</u>	<u>2010 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2009 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
<b>Revenues</b>					
Investment earnings	\$ 50,000	\$ 14,207	\$ (35,793)	\$ 40,107	\$ (25,900)
Excise tax	150,000	115,417	(34,583)	31,677	83,740
Total revenues	<u>200,000</u>	<u>129,624</u>	<u>(70,376)</u>	<u>71,784</u>	<u>57,840</u>
<b>Expenditures</b>					
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>					
Transfers to Capital Improvements Project Fund	<u>(1,282,000)</u>	<u>(840,890)</u>	441,110	-	(840,890)
Total other financing sources (uses)	<u>(1,282,000)</u>	<u>(840,890)</u>	441,110	-	(840,890)
Excess (deficiency) of revenues over (under) expenditures	(1,082,000)	(711,266)	370,734	71,784	(783,050)
Fund balances - beginning	<u>1,815,723</u>	<u>1,815,723</u>	-	1,743,939	71,784
Fund balances - ending	<u>\$ 733,723</u>	<u>\$ 1,104,457</u>	<u>\$ 370,734</u>	<u>\$ 1,815,723</u>	<u>\$ (711,266)</u>

**City of Hagerstown, Maryland**  
**Grant Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>2010 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2009 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
<b>Revenues</b>						
Intergovernmental	\$ 1,397,619	\$ 1,460,453	\$ 1,336,298	\$ (124,155)	\$ 1,162,284	\$ 174,014
Investment earnings	1,000	1,000	-	(1,000)	1,393	(1,393)
Other revenues	-	-	2,830	2,830	6,101	(3,271)
Total revenues	<u>1,398,619</u>	<u>1,461,453</u>	<u>1,339,128</u>	<u>(122,325)</u>	<u>1,169,778</u>	<u>169,350</u>
<b>Expenditures</b>						
Public safety	1,308,286	1,605,810	1,125,436	480,374	1,158,556	(33,120)
Economic and community development	-	-	32,363	(32,363)	112,636	(80,273)
Capital outlay	18,480	82,780	236,277	(153,497)	46,311	189,966
Interest expense	-	-	87	(87)	-	87
Total expenditures	<u>1,326,766</u>	<u>1,688,590</u>	<u>1,394,163</u>	<u>294,427</u>	<u>1,317,503</u>	<u>76,660</u>
Excess (deficiency) of revenues over (under) expenditures	71,853	(227,137)	(55,035)	172,102	(147,725)	92,690
<b>Other Financing Sources (Uses)</b>						
Transfers from general fund	128,147	228,137	231,063	2,926	121,539	109,524
Transfers to capital improvement projects fund	(199,000)	-	(200,824)	(200,824)	-	(200,824)
Total other financing sources (uses)	<u>(70,853)</u>	<u>228,137</u>	<u>30,239</u>	<u>(197,898)</u>	<u>121,539</u>	<u>(91,300)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	1,000	1,000	(24,796)	(25,796)	(26,186)	1,390
Fund balances - beginning	<u>37,771</u>	<u>37,771</u>	<u>37,771</u>	<u>-</u>	<u>63,957</u>	<u>(26,186)</u>
Fund balances - ending	<u>\$ 38,771</u>	<u>\$ 38,771</u>	<u>\$ 12,975</u>	<u>\$ (25,796)</u>	<u>\$ 37,771</u>	<u>\$ (24,796)</u>

# Development and Business



## **NONMAJOR ENTERPRISE FUNDS**

Enterprise funds are to be used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Mayor and Council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the Mayor and Council has decided that periodic determination of net income is appropriate for accountability purposes.

**Golf Course Fund** - This fund is used to account for all activities relating to the City's public golf course.

**Property Management Fund** - This fund is used to account for all activities related to rental properties owned and managed by the City.

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**City of Hagerstown, Maryland**  
**Combining Statement of Net Assets**  
**Nonmajor Enterprise Funds**  
**June 30, 2010**

	<b>Golf Course</b>	<b>Property Management</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Assets</b>			
Current assets:			
Pooled cash and investments	\$ 1,146	\$ 328,607	\$ 329,753
Interest receivable	-	348	348
Accounts receivable (net of allowance for uncollectibles)	10,421	28,655	39,076
Prepaid items	158	247	405
Deferred charges	-	1,044	1,044
Total current assets	11,725	358,901	370,626
Noncurrent assets:			
Capital assets:			
Land	125,000	439,052	564,052
Land improvements	203,554	-	203,554
Buildings and structures	140,807	3,925,378	4,066,185
Machinery and equipment	374,898	29,336	404,234
Automobiles and trucks	18,259	-	18,259
Less accumulated depreciation	(347,108)	(1,078,137)	(1,425,245)
Total capital assets (net of accumulated depreciation)	515,410	3,315,629	3,831,039
Total assets	527,135	3,674,530	4,201,665
<b>Liabilities</b>			
Current liabilities:			
Accounts and retainages payable	10,965	2,632	13,597
Compensated absences	28,312	-	28,312
Accrued liabilities	6,379	801	7,180
Unearned revenue	470	-	470
General obligation bonds - current	-	36,500	36,500
Total current liabilities	46,126	39,933	86,059
Noncurrent liabilities:			
General obligation bonds payable	-	37,407	37,407
Total noncurrent liabilities	-	37,407	37,407
Total liabilities	46,126	77,340	123,466
<b>Net Assets</b>			
Invested in capital assets, net of related debt	515,410	3,242,766	3,758,176
Unrestricted	(34,401)	354,424	320,023
Total net assets	\$ 481,009	\$ 3,597,190	\$ 4,078,199

**City of Hagerstown, Maryland**  
**Combining Statement of Revenues, Expenses, and Changes in Net Assets**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2010**

	<b>Golf Course</b>	<b>Property Management</b>	<b>Total Nonmajor Enterprise Funds</b>
Operating revenues:			
Service charges	\$ 126,807	\$ 352,343	\$ 479,150
Other revenues	83	9	92
Total operating revenues	126,890	352,352	479,242
Operating expenses:			
Selling, general and administrative expenses	397,732	299,600	697,332
Depreciation	22,517	81,996	104,513
Total operating expenses	420,249	381,596	801,845
Operating income	(293,359)	(29,244)	(322,603)
Nonoperating revenues (expenses):			
Loss on disposal of capital assets	-	(149,600)	(149,600)
Investment earnings	6,949	3,927	10,876
Interest expense	-	(2,140)	(2,140)
Bond issuance costs	-	(895)	(895)
Total nonoperating revenue (exps.)	6,949	(148,708)	(141,759)
Income before contributions and transfers	(286,410)	(177,952)	(464,362)
Transfers in	281,000	-	281,000
Changes in net assets	(5,410)	(177,952)	(183,362)
Total net assets - beginning	486,419	3,775,142	4,261,561
Total net assets - ending	\$ 481,009	\$ 3,597,190	\$ 4,078,199

**City of Hagerstown, Maryland**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2010**

	<b>Golf Course</b>	<b>Property Management</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Cash Flows From Operating Activities</b>			
Receipts from customers and users	\$ 118,729	\$ 347,713	\$ 466,442
Payments to suppliers	(101,233)	(193,609)	(294,842)
Payments to employees	(305,561)	(112,761)	(418,322)
Net cash provided by operating activities	(288,065)	41,343	(246,722)
<b>Cash Flows From Noncapital Financing Activities</b>			
Transfers from (to) other funds	281,000	-	281,000
Net cash provided (used) by capital and related financing activities	281,000	-	281,000
<b>Cash Flows From Capital And Related Financing Activities</b>			
Acquisition and construction of capital assets	-	(29,336)	(29,336)
Principal paid on capital debt	-	(40,150)	(40,150)
Interest paid on capital debt	-	(3,005)	(3,005)
Net cash provided (used) by capital and related financing activities	-	(72,491)	(72,491)
<b>Cash Flows From Investing Activities</b>			
Interest and dividends received	6,949	4,541	11,490
Net cash provided (used) by investing activities	6,949	4,541	11,490
Net increase in pooled cash and investments	(116)	(26,607)	(26,723)
Pooled cash and investments, beginning of year	1,262	355,214	356,476
Pooled cash and investments, end of year	\$ 1,146	\$ 328,607	\$ 329,753
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating income	\$ (293,359)	\$ (29,244)	\$ (322,603)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	22,517	81,996	104,513
Net effect of changes in assets and liabilities			
Accounts receivable	(7,951)	(4,639)	(12,590)
Prepaid items	(113)	(1)	(114)
Accounts and retainages payable	1,107	(6,769)	(5,662)
Compensated absences payable	(10,608)	-	(10,608)
Accrued liabilities	552	-	552
Unearned revenue	(210)	-	(210)
Total adjustments	5,294	70,587	75,881
Net cash provided by operating activities	\$ (288,065)	\$ 41,343	\$ (246,722)
<b>Noncash investing, capital, and financing activities:</b>			
Transfer of capital asset from (to) Governmental/CIP Fund	-	-	-

# Events



## INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

**Worker's Compensation Fund** - The City manages its uncovered workers' compensation risks and sets aside assets for claim settlement in its Internal Service Fund, the Workers' Compensation Fund (WCF). WCF services claims for risk of loss to which the City was exposed for workers' compensation injuries. All funds to which employees are assigned participate in the WCF. It allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund based on its exposure. This charge considers recent trends in actual claims experience of the City as whole and makes provision for catastrophic losses.

**Health Insurance Fund** - The City manages its new self-insurance program for health care in its Internal Service Fund, the Health Insurance Fund (HIF). Under this self-funded plan the City pays a standard monthly administrative fee for each covered member and accepts claim risks up to a specific stop loss for each individual covered. In addition, a second level of insurance called the aggregate stop loss which assures that the City does not pay more than the maximum projected expenses. All funds to which employees are assigned participate in the HIF. It allocates the costs by billing a pre-established internal "insurance" rate for each funds employees, retirees and dependents. This charge represents funding sources for the HIF from which all health care related administrative and medical reimbursement costs are paid.

**Dental Insurance Fund** – Similar to the Health Insurance Fund this Fund manages the Dental Insurance. It allocates the costs by billing a pre-established internal "insurance" rate for each fund's employees, retirees and dependents. This charge represents funding sources from which the dental care related administrative and reimbursement costs are paid.

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**City of Hagerstown, Maryland**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2010**

	<u>Worker's Compensation</u>	<u>Health Insurance</u>	<u>Dental Insurance</u>	<u>Total Internal Service Funds</u>
<b>Assets</b>				
Current assets:				
Pooled cash and investments	\$ 1,303,660	\$ 3,829,525	\$ 106,948	\$ 5,240,133
Interest receivable	1,194	3,732	115	5,041
Accounts receivable (net of allowance for uncollectibles)	67,080	133,968	7,801	208,849
Prepaid items	68,251	-	-	68,251
Total current assets	<u>1,440,185</u>	<u>3,967,225</u>	<u>114,864</u>	<u>5,522,274</u>
Noncurrent assets:				
Restricted assets:				
Pooled cash and investments	<u>5,000</u>	<u>65,000</u>	<u>-</u>	<u>70,000</u>
Total noncurrent assets	<u>5,000</u>	<u>65,000</u>	<u>-</u>	<u>70,000</u>
Total assets	<u>1,445,185</u>	<u>4,032,225</u>	<u>114,864</u>	<u>5,592,274</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts and retainages payable	68,251	125,529	3,771	197,551
Accrued liabilities	35,935	459,073	33,359	528,367
Unearned revenue	<u>-</u>	<u>149,476</u>	<u>-</u>	<u>149,476</u>
Total current liabilities	<u>104,186</u>	<u>734,078</u>	<u>37,130</u>	<u>875,394</u>
Total liabilities	<u>104,186</u>	<u>734,078</u>	<u>37,130</u>	<u>875,394</u>
<b>Net Assets</b>				
Unrestricted	<u>1,340,999</u>	<u>3,298,147</u>	<u>77,734</u>	<u>4,716,880</u>
Total net assets	<u>\$ 1,340,999</u>	<u>\$ 3,298,147</u>	<u>\$ 77,734</u>	<u>\$ 4,716,880</u>

**City of Hagerstown, Maryland**  
**Combining Statement of Revenues, Expenses, and Changes in Net Assets**  
**Internal Service Funds**  
**For the Year Ended June 30, 2010**

	<u>Worker's Compensation</u>	<u>Health Insurance</u>	<u>Dental Insurance</u>	<u>Total Internal Service Funds</u>
Operating revenues:				
Service charges	\$ 788,451	\$ 6,705,156	\$ 367,282	\$ 7,860,889
Other revenues	<u>122,618</u>	<u>245,642</u>	<u>-</u>	<u>368,260</u>
Total operating revenues	<u>911,069</u>	<u>6,950,798</u>	<u>367,282</u>	<u>8,229,149</u>
Operating expenses:				
Claim and premium expenses	<u>744,887</u>	<u>6,385,754</u>	<u>384,675</u>	<u>7,515,316</u>
Total operating expenses	<u>744,887</u>	<u>6,385,754</u>	<u>384,675</u>	<u>7,515,316</u>
Operating income (loss)	<u>166,182</u>	<u>565,044</u>	<u>(17,393)</u>	<u>713,833</u>
Nonoperating revenues (expenses):				
Investment earnings	<u>9,660</u>	<u>34,566</u>	<u>2,377</u>	<u>46,603</u>
Total nonoperating revenue (expenses)	<u>9,660</u>	<u>34,566</u>	<u>2,377</u>	<u>46,603</u>
Income before contributions and transfers	<u>175,842</u>	<u>599,610</u>	<u>(15,016)</u>	<u>760,436</u>
Changes in net assets	<u>175,842</u>	<u>599,610</u>	<u>(15,016)</u>	<u>760,436</u>
Total net assets - beginning	<u>1,165,157</u>	<u>2,698,537</u>	<u>92,750</u>	<u>3,956,444</u>
Total net assets - ending	<u>\$ 1,340,999</u>	<u>\$ 3,298,147</u>	<u>\$ 77,734</u>	<u>\$ 4,716,880</u>

**City of Hagerstown, Maryland**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2010**

	<b>Worker's Compensation</b>	<b>Health Insurance</b>	<b>Dental Insurance</b>	<b>Total Internal Service Funds</b>
<b>Cash Flows From Operating Activities</b>				
Receipts from interfund services provided	\$ 892,973	\$ 6,864,140	\$ 359,038	\$ 8,116,151
Payments to suppliers	(653,993)	(6,516,660)	(372,996)	(7,543,649)
Net cash provided by operating activities	238,980	347,480	(13,958)	572,502
<b>Cash Flows From Noncapital Financing Activities</b>				
Net cash used by capital and related financing activities	-	-	-	-
<b>Cash Flows From Investing Activities</b>				
Interest and dividends received	11,422	41,731	2,569	55,722
Net cash provided by investing activities	11,422	41,731	2,569	55,722
Net increase in pooled cash and investments	250,402	389,211	(11,389)	628,224
Pooled cash and investments, beginning of year	1,058,258	3,505,314	118,337	4,681,909
Pooled cash and investments, end of year	\$ 1,308,660	\$ 3,894,525	\$ 106,948	\$ 5,310,133
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income	\$ 166,182	\$ 565,044	\$ (17,393)	\$ 713,833
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Net effect of changes in assets and liabilities				
Accounts receivable	(18,096)	(128,090)	(7,567)	(153,753)
Prepaid items	34,005	44,442	2,724	81,171
Accounts and retainages payable	56,888	29,526	(1,693)	84,721
Accrued liabilities	1	(204,874)	10,648	(194,225)
Unearned revenue	-	41,432	(677)	40,755
Total adjustments	72,798	(217,564)	3,435	(141,331)
Net cash provided by operating activities	\$ 238,980	\$ 347,480	\$ (13,958)	\$ 572,502
<b>Reconciliation of pooled cash and investments to the balance sheet</b>				
Pooled cash and investments	\$ 1,303,660	\$ 3,829,525	\$ 106,948	\$ 5,240,133
Restricted pooled cash and investments	5,000	65,000	-	70,000
Totals	\$ 1,308,660	\$ 3,894,525	\$ 106,948	\$ 5,310,133

# Parks & Playgrounds



## STATISTICAL SECTION

This part of the City of Hagerstown's comprehensive annual financial report represents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

**Financial Trends** – These schedules contain trend information to help the readers understand how the City's financial performance and well-being have changed over time.

**Revenue Capacity** – These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

**Debt Capacity** – These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

**Demographic and Economic Information** – These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

**Operating Information** – These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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**City of Hagerstown, Maryland**  
**Net Assets by Component**  
**Last Five Fiscal Years**  
**(accrual basis of accounting)**  
**(Unaudited)**

	FISCAL YEAR				
	2006	2007	2008	2009	2010
<b>Governmental activities:</b>					
Invested in capital assets, net of related debt	\$ 40,058,615	\$ 49,562,961	\$ 58,486,896	\$ 63,577,809	\$ 60,903,731
Restricted	10,254,821	9,737,538	10,411,568	7,470,811	10,321,603
Unrestricted	1,380,813	7,885,928	4,570,677	2,925,249	3,267,432
<b>Total governmental activities net assets</b>	<b>\$ 51,694,249</b>	<b>\$ 67,186,427</b>	<b>\$ 73,469,141</b>	<b>\$ 73,973,869</b>	<b>\$ 74,492,766</b>
<b>Business-type activities:</b>					
Invested in capital assets, net of related debt	\$ 127,688,084	\$ 127,470,214	\$ 134,548,479	\$ 140,754,087	\$ 141,557,917
Unrestricted	8,651,430	14,209,345	16,759,173	10,644,845	16,192,345
<b>Total business-type activities net assets</b>	<b>\$ 136,339,514</b>	<b>\$ 141,679,559</b>	<b>\$ 151,307,652</b>	<b>\$ 151,398,932</b>	<b>\$ 157,750,262</b>

NOTE: The City of Hagerstown implemented GASB Statement 34 in Fiscal Year 2003.

**City of Hagerstown, Maryland**  
**Changes in Net Assets**  
**Last Five Fiscal Years**  
**(accrual basis of accounting)**  
**(Unaudited)**

	FISCAL YEAR ENDED				
	2006	2007	2008	2009	2010
<b>Expenses:</b>					
Governmental activities:					
General Government	\$ 7,711,338	\$ 8,143,415	\$ 9,124,085	\$ 9,508,691	\$ 9,238,809
Public Safety	16,497,112	17,957,996	19,961,913	21,622,281	20,501,962
Highways and Streets	1,997,527	2,307,532	2,502,133	2,837,595	3,119,911
Waste Collection & Disposal	1,593,682	1,963,094	2,053,573	2,094,011	2,023,079
Culture and Recreation	2,414,079	2,509,393	2,691,272	2,970,739	2,828,320
Economic & Community Development	2,724,613	2,684,084	2,651,803	3,179,654	3,184,156
Interest on Long-term Debt	427,181	659,736	576,969	523,931	684,700
Total governmental activities expenses	<u>33,365,532</u>	<u>36,225,250</u>	<u>39,561,748</u>	<u>42,736,902</u>	<u>41,580,937</u>
Business-type activities:					
Electric	23,140,131	33,394,860	33,062,846	32,843,792	32,390,627
Water	7,782,085	8,754,617	8,988,354	9,244,197	9,188,412
Wastewater	9,456,924	10,813,053	10,692,923	11,097,229	11,063,156
Parking Facilities	524,958	617,342	663,006	760,188	733,541
Golf Course	342,399	411,079	408,728	469,694	414,492
Property Management	290,408	324,625	312,239	302,237	384,631
Total business-type activities expenses	<u>41,536,905</u>	<u>54,315,576</u>	<u>54,128,096</u>	<u>54,717,337</u>	<u>54,174,859</u>
Total primary government expenses	<u>\$ 74,902,437</u>	<u>\$ 90,540,826</u>	<u>\$ 93,689,844</u>	<u>\$ 97,454,239</u>	<u>\$ 95,755,796</u>
<b>Program Revenues:</b>					
Governmental activities:					
Charges for services:					
General Government	\$ 2,296,450	\$ 3,187,366	\$ 2,842,790	\$ 2,879,990	\$ 3,060,653
Public Safety	1,399,437	1,386,115	1,315,393	1,206,536	1,434,155
Streets and Alleys	36,719	73,943	86,365	136,424	90,588
Waste Collection & Disposal	1,720,543	2,116,976	2,163,207	2,178,805	2,153,210
Parks and Recreation	157,735	159,055	188,535	186,607	191,602
Economic & Community Development	842,849	901,690	502,505	311,982	364,403
Operating grants and contributions	4,948,325	5,364,099	5,089,132	2,973,450	2,671,617
Capital grants and contributions	743,482	1,166,568	5,573,575	1,698,460	512,249
Total governmental activities program revenues	<u>\$ 12,145,540</u>	<u>\$ 14,355,812</u>	<u>\$ 17,761,502</u>	<u>\$ 11,572,254</u>	<u>\$ 10,478,477</u>

NOTE: The City of Hagerstown implemented GASB Statement 34 in Fiscal Year 2003.

FISCAL YEAR ENDED

	2006	2007	2008	2009	2010
<b>Business-type activities:</b>					
Charges for services:					
Electric	\$ 22,412,009	\$ 32,986,357	\$ 33,959,570	\$ 32,803,818	\$ 31,716,189
Water	7,589,355	8,904,071	8,520,142	7,970,281	8,869,890
Wastewater	7,395,744	7,764,959	8,146,918	8,858,882	9,003,327
Parking Facilities	776,038	843,704	885,489	857,169	872,441
Golf Course	206,025	196,070	208,572	175,123	126,890
Property Management	354,755	350,749	499,700	354,049	202,752
Operating grants and contributions	-	-	-	82,875	440,847
Capital grants and contributions	6,081,902	7,803,826	10,965,396	3,529,421	9,006,128
Total business-type activities program revenues	<u>44,815,828</u>	<u>58,849,736</u>	<u>63,185,787</u>	<u>54,631,618</u>	<u>60,238,464</u>
Total primary government program revenues	<u>\$ 56,961,368</u>	<u>\$ 73,205,548</u>	<u>\$ 80,947,289</u>	<u>\$ 66,203,872</u>	<u>\$ 70,716,941</u>
Net (expense)/revenue	\$ (21,219,992)	\$ (21,869,438)	\$ (21,800,246)	\$ (31,164,648)	\$ (31,102,460)
Governmental activities	3,278,923	4,534,160	9,057,690	(85,719)	6,063,605
Business-type activities	<u>\$ (17,941,069)</u>	<u>\$ (17,335,278)</u>	<u>\$ (12,742,555)</u>	<u>\$ (31,250,367)</u>	<u>\$ (25,038,855)</u>
Total primary government net expense					
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes:					
Property Taxes	17,339,463	20,131,677	22,359,137	24,296,300	26,460,939
State and County shared taxes	3,709,649	3,848,468	4,459,350	6,661,880	4,768,035
Excise Tax	1,036,634	719,319	220,678	31,677	115,417
Investment Earnings	482,700	874,321	824,414	412,233	205,640
Property Sales	591,687	-	-	-	-
Miscellaneous	356,519	44,493	45,841	38,230	137,326
Transfers	288,348	(98,787)	173,540	229,056	(66,000)
Total governmental activities	<u>23,805,000</u>	<u>25,519,491</u>	<u>28,082,960</u>	<u>31,669,376</u>	<u>31,621,357</u>
Business-type activities:					
Investment Earnings	569,501	707,098	743,942	406,055	221,725
Transfers	(288,348)	98,787	(173,540)	(229,056)	66,000
Total business-type activities	<u>281,153</u>	<u>805,885</u>	<u>570,402</u>	<u>176,999</u>	<u>287,725</u>
Total primary government	<u>\$ 24,086,153</u>	<u>\$ 26,325,376</u>	<u>\$ 28,653,362</u>	<u>\$ 31,846,375</u>	<u>\$ 31,909,082</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ 2,585,008	\$ 3,650,053	\$ 6,282,714	\$ 504,728	\$ 518,897
Business-type activities	<u>3,560,076</u>	<u>5,340,045</u>	<u>9,628,093</u>	<u>91,280</u>	<u>6,351,330</u>
Total primary government	<u>\$ 6,145,084</u>	<u>\$ 8,990,098</u>	<u>\$ 15,910,807</u>	<u>\$ 596,008</u>	<u>\$ 6,870,227</u>

NOTE: The City of Hagerstown implemented GASB Statement 34 in Fiscal Year 2003.

**City of Hagerstown, Maryland**  
**Governmental Activities Tax Revenues By Source**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year	Property Taxes	Income Taxes	Admissions Tax	Highway User Tax	Police Protection	Financial Corporations	State Aid Fire Services	Enterprise Zone Tax	County Taxes	Total
2001	12,014,134	1,925,138	202,280	1,907,221	781,165	34,214	50,909	102,000	813,646	17,830,707
2002	13,073,809	1,854,401	253,316	1,901,449	768,729	34,214	49,944	93,440	820,664	18,849,966
2003	14,191,792	1,795,589	219,664	1,812,867	777,891	34,214	50,117	64,876	899,063	19,846,073
2004	14,756,270	1,884,569	156,598	1,497,755	748,929	34,214	49,819	58,500	1,009,408	20,196,062
2005	14,596,778	2,035,616	68,082	1,866,175	749,765	34,214	50,636	90,000	1,018,423	20,509,689
2006	17,339,463	2,262,979	169,014	2,178,094	757,214	34,214	51,035	78,866	1,108,797	23,979,676
2007	20,131,134	2,345,527	133,971	2,257,531	754,088	34,214	51,522	73,707	1,253,286	27,034,980
2008	22,359,137	2,537,266	85,823	2,177,798	746,567	34,214	53,723	81,010	1,462,697	29,538,235
2009	24,296,300	2,262,316	94,758	1,899,839	750,533	34,214	53,929	111,256	1,532,289	31,035,434
2010	26,460,939	2,289,966	75,391	217,622	516,752	34,214	53,361	132,924	1,598,512	31,379,681

Source: City of Hagerstown Accounting Department

**City of Hagerstown, Maryland**  
**Fund Balances of Governmental Funds**  
**Last Five Fiscal Years**  
**(Unaudited)**

	FISCAL YEAR				
	2006	2007	2008	2009	2010
General Fund					
Reserved:					
Encumbrances	\$ 98,848	\$ 39,042	\$ 125,810	\$ 108,320	\$ 82,220
Inventories	175,026	193,361	213,091	143,255	183,325
Prepaid Items	36,029	50,864	61,848	258,748	266,290
Advances	560,000	-	-	-	-
Long-term Receivables	100,000	100,000	-	-	4,190
Unreserved	5,531,992	6,812,830	7,349,854	7,386,804	8,022,458
Total General Fund	<u>\$ 6,501,895</u>	<u>\$ 7,196,097</u>	<u>\$ 7,750,603</u>	<u>\$ 7,897,127</u>	<u>\$ 8,558,483</u>
All other governmental funds					
Reserved					
Encumbrances	\$ 558,085	\$ 220,762	\$ 581,000	\$ 297,790	\$ 39,393
Properties held for Resale	1,068,825	1,057,188	913,151	1,063,616	948,471
Prepaid Items	-	2,288	-	3,571	1,568
Long-term Receivables	3,352,099	3,036,907	3,355,167	3,372,745	2,881,533
Unreserved, reported in:					
Capital Projects Funds	3,245,425	6,632,631	4,305,056	108,794	4,454,096
Special Revenue Funds	1,794,971	2,862,579	2,665,841	2,624,295	1,996,542
Total all other governmental funds	<u>\$ 10,019,405</u>	<u>\$ 13,812,355</u>	<u>\$ 11,820,215</u>	<u>\$ 7,470,811</u>	<u>\$ 10,321,603</u>

NOTE: The City of Hagerstown implemented GASB Statement 34 in Fiscal Year 2003.

**City of Hagerstown, Maryland**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	FISCAL YEAR									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues:</b>										
Property taxes	\$ 12,014,134	\$ 13,073,809	\$ 14,191,792	\$ 14,756,270	\$ 15,940,462	\$ 17,339,463	\$ 20,131,134	\$ 22,359,137	\$ 24,296,300	\$ 26,460,939
State and County shared taxes	5,816,573	5,776,157	5,654,281	3,143,289	3,244,559	3,653,870	3,840,705	4,201,010	6,739,133	5,046,021
Licenses and permits	611,566	672,248	969,869	1,270,021	1,540,575	1,595,206	1,620,455	1,667,790	1,464,043	1,579,442
Intergovernmental grant revenues	2,810,202	1,748,675	4,634,192	5,043,020	5,549,391	5,361,224	5,968,052	5,868,147	4,256,547	238,025
Program Income	-	-	-	568,681	766,542	1,765,126	1,256,342	532,321	308,090	-
Charges for services	1,313,940	1,441,895	1,646,539	1,809,168	2,026,859	2,307,657	2,707,678	3,133,500	2,865,895	2,927,691
Fines and forfeitures	86,169	78,154	27,680	113,148	137,441	62,842	109,990	152,289	85,627	105,322
Investment Earnings	-	-	439,312	363,037	309,869	482,700	874,321	844,230	376,985	-
Property Sales	-	-	-	640,551	764,461	585,686	317,538	89,500	-	-
Contributions and Donations	-	-	182,987	446,772	355,415	330,583	496,488	415,618	338,606	-
Unallocated general revenue	3,370,124	3,562,912	1,936,545	2,018,674	1,908,552	2,102,056	2,519,642	2,361,598	2,264,070	2,423,693
Total revenues	26,022,708	26,353,850	29,683,197	30,172,631	32,544,126	35,606,413	39,842,345	41,625,140	42,995,296	38,781,133
<b>Expenditures:</b>										
General government	3,751,697	3,471,382	3,578,917	3,991,682	4,157,397	4,562,429	4,709,165	5,359,183	5,946,253	6,025,123
Public safety	12,208,580	13,427,848	14,134,333	14,636,321	15,183,124	15,884,833	17,570,348	19,696,485	21,085,185	19,575,214
Street and alleys	1,346,110	1,277,053	1,727,884	1,599,240	1,631,460	1,763,901	2,102,408	2,283,375	2,565,361	2,979,064
Waste collection & disposal	1,119,579	984,787	1,048,162	1,134,266	1,195,443	1,593,682	1,963,094	2,053,573	2,094,011	2,023,156
Parks and recreation	1,612,669	1,748,935	1,394,130	1,674,473	1,769,618	1,790,818	1,908,214	2,093,983	2,263,290	2,353,748
Municipal buildings	282,199	295,496	359,611	348,243	405,539	475,138	429,343	460,280	-	-
Economic and Community Development	1,420,933	2,490,965	2,522,803	2,737,528	2,908,167	2,697,587	2,668,604	2,461,642	9,891,300	404,233
Capital Outlay	2,931,112	2,442,928	2,138,388	3,559,050	4,364,679	3,054,495	4,023,274	5,291,644	66,211	-
Debt Service	-	-	-	-	-	-	-	-	-	-
Principal	746,597	755,716	964,088	816,776	647,973	1,808,875	3,850,331	1,464,914	1,482,518	1,457,502
Interest	449,554	436,974	349,597	343,527	491,931	447,072	668,969	585,740	529,848	579,294
Other charges	-	-	-	-	-	-	-	-	-	-
Unallocated general expenditures	690,655	929,605	998,462	1,078,693	1,850,299	1,664,030	1,822,643	1,985,495	1,988,938	1,709,517
Total expenditures	26,559,685	28,261,689	29,216,375	31,919,799	34,605,630	35,742,860	41,716,393	43,736,314	47,912,915	37,106,851
Excess of revenues over (under) expenditures	(536,977)	(1,907,839)	466,822	(1,747,168)	(2,061,504)	(136,447)	(1,874,048)	(2,111,174)	(4,917,619)	1,674,282
<b>Other financing sources(uses):</b>										
Transfers In	1,715,327	1,632,460	2,130,832	2,049,251	1,918,617	1,933,812	1,863,011	3,115,933	3,113,133	21,700
Transfers Out	(2,534,464)	(1,383,095)	(1,979,877)	(1,814,713)	(2,772,613)	(1,645,465)	(2,970,153)	(2,442,393)	(2,398,394)	(1,034,626)
Sale of Capital Assets	-	212,428	310,017	-	-	-	-	-	-	-
Proceeds of Long-term debt	-	-	-	3,718,096	3,800,000	-	7,490,667	-	-	-
Payment to Bond Escrow Agent	-	-	-	(2,363,096)	-	-	(22,325)	-	-	-
Total other funding sources(uses)	(819,137)	461,793	460,972	1,589,538	2,946,004	288,347	6,361,200	673,540	714,739	(1,012,926)
Net changes in Fund Balance	\$ (1,356,114)	\$ (1,446,046)	\$ 927,794	\$ (157,630)	\$ 884,500	\$ 151,900	\$ 4,487,152	\$ (1,437,634)	\$ (4,202,880)	\$ 661,356
Debt Service as a percentage of noncapital expenditures	5%	5%	5%	4%	4%	7%	12%	5%	4%	5%

Source: Statement of Revenues, Expenses, and Changes in Fund Balances - Governmental Funds page 17.

**City of Hagerstown, Maryland**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year Ended	Real Property	Business Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Assessed Value As a Percentage of Actual Value
2001	1,263,003,468	116,527,919	1,379,531,387	0.780	1,769,358,064	77.97%
2002	1,356,175,068	114,894,417	1,471,069,485	0.818	1,798,908,500	81.78%
2003	1,367,848,437	123,306,354	1,491,154,791	0.863	1,727,351,014	86.33%
2004	1,428,959,004	120,894,253	1,549,853,257	0.875	1,771,644,901	87.48%
2005	1,513,455,138	126,286,015	1,639,741,153	0.890	1,842,016,813	89.02%
2006	1,724,784,211	118,241,404	1,843,025,615	0.875	2,106,808,834	87.48%
2007	1,984,747,368	118,365,614	2,103,112,982	0.865	2,430,309,051	86.54%
2008	2,179,148,371	117,914,185	2,297,062,556	0.850	2,702,558,664	85.00%
2009	2,389,418,672	130,820,902	2,520,239,574	0.849	2,968,480,064	84.90%
2010	2,632,767,801	141,275,940	2,774,043,741	0.848	3,271,277,996	84.80%

**Notes:**

1. Real Property is reassessed by the State of Maryland in Washington County on a three-year cycle by reviewing one-third of all property in Maryland every year.
2. Estimated actual value is calculated by dividing assessed value by those percentages.
3. Tax Rates are per \$100 of assessed value.

Source: City of Hagerstown Treasurer.

**City of Hagerstown, Maryland**  
**Property Tax Rates**  
**Per \$100 of Assessed Value**  
**Direct and Overlapping Governments**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year Ended	City						Overlapping Rates					
	Business & Personal Property			Total Direct Property			County			State		
	Real Property	Business & Personal Property	Total Direct Property Tax Rate	Real Property	Business & Personal Property	Total Direct Property Tax Rate	Real Property	Business & Personal Property	Total Direct Property Tax Rate	Real Property	Business & Personal Property	Total Direct Property Tax Rate
2001	0.692	1.730	2.422	0.948	2.370	3.318	0.084	0.000	0.084	0.000	0.000	5.824
2002	0.732	1.830	2.562	0.948	2.370	3.318	0.084	0.000	0.084	0.000	0.000	5.964
2003	0.768	1.920	2.688	0.948	2.370	3.318	0.084	0.000	0.084	0.000	0.000	6.090
2004	0.783	1.960	2.743	0.948	2.370	3.318	0.132	0.000	0.132	0.000	0.000	6.193
2005	0.798	1.995	2.793	0.948	2.370	3.318	0.132	0.000	0.132	0.000	0.000	6.243
2006	0.798	1.995	2.793	0.948	2.370	3.318	0.112	0.000	0.112	0.000	0.000	6.223
2007	0.798	1.995	2.793	0.948	2.370	3.318	0.112	0.000	0.112	0.000	0.000	6.223
2008	0.798	1.995	2.793	0.948	2.370	3.318	0.112	0.000	0.112	0.000	0.000	6.223
2009	0.788	1.970	2.758	0.948	2.370	3.318	0.112	0.000	0.112	0.000	0.000	6.188
2010	0.788	1.970	2.758	0.948	2.370	3.318	0.112	0.000	0.112	0.000	0.000	6.188

\*\* In prior years, the value of real property assessments were presented as 40% of the estimated actual value. In fiscal year 2001/02, Maryland State Law changed the assessment valuation for real property from 40% to 100%. Real Property tax rates were proportionally reduced. Prior years have been adjusted for comparison purposes.

Source: City of Hagerstown and Washington County Treasurers.

**City of Hagerstown, Maryland**  
**Principal Property Taxpayers**  
**June 30, 2010**  
**(Unaudited)**

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Washington Real Estate	\$ 37,233,266	1	1.34%			
Lowes Home Centers, Inc.	35,524,032	2	1.28%	\$ 5,676,500	5	0.41%
Verizon - Maryland	24,552,600	3	0.89%	29,564,190	1	2.14%
Walmart Real Estate Business Trust	21,372,400	4	0.77%	11,298,940	3	0.82%
Cortpark II LLC	18,984,000	5	0.68%			
I-81 Hollyhock LLC	16,969,366	6	0.61%			
OEKOS Stone House LLC	15,825,700	7	0.57%			
Hagerstown Plaza LLC	13,976,600	8	0.50%			
York Pinewood Apartments LP	13,684,966	9	0.49%			
Sams Real Estate Business Trust	13,347,466	10	0.48%			
Columbia Gas of Maryland, Inc.				8,171,500	4	0.59%
CSX Minerals Inc CSX Transportation, Inc.				4,787,590	7	0.35%
DDRC PDK Hagerstown LLC				11,420,800	2	0.83%
IBM Credit Corporation				4,999,810	6	0.36%
CM Offray				3,894,125	8	0.28%
Hagerstown Apartments (Limited) Partnership				3,721,530	9	0.27%
Ahold Real Estate Company				3,440,148	10	0.25%
<b>Totals</b>	<b>\$ 211,470,396</b>		<b>7.62%</b>	<b>\$ 86,975,133</b>		<b>6.30%</b>

Source: City of Hagerstown Treasurer.

**City of Hagerstown, Maryland**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	11,218,284	11,084,309	98.8%	158,447	11,242,756	100.22%
2002	12,218,212	12,047,582	98.6%	181,977	12,229,560	100.09%
2003	13,043,349	13,010,626	99.7%	11,927	13,022,553	99.84%
2004	13,747,793	13,559,585	98.6%	166,788	13,726,372	99.84%
2005	14,579,101	14,612,835	100.2%	(36,001)	14,576,833	99.98%
2006	16,589,798	16,492,016	99.4%	78,196	16,570,212	99.88%
2007	18,389,967	18,212,345	99.0%	102,939	18,315,284	99.59%
2008	20,039,773	20,020,370	99.9%	273,299	20,293,669	101.27%
2009	21,677,438	21,359,940	98.5%	77,013	21,436,953	98.89%
2010	21,672,232	21,428,966	98.9%	49,342	21,478,308	99.11%

Source: City of Hagerstown Treasurer.

**City of Hagerstown, Maryland**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year	Personal Income (2)	Population (1)	Outstanding Debt (3)		Total	Percentage of Personal Income	Per Capita
			Governmental	Business-type			
2001	942,202,912	36,616	8,673,737	22,613,877	31,287,614	3.32%	854
2002	972,146,279	36,881	7,918,021	22,895,047	30,813,068	3.17%	835
2003	997,752,224	37,163	7,203,628	21,139,876	28,343,504	2.84%	763
2004	1,007,766,528	37,536	7,741,852	20,687,227	28,429,079	2.82%	757
2005	1,007,766,528	37,536	11,642,712	19,369,029	31,011,741	3.08%	826
2006	1,028,976,448	38,326	9,836,534	22,006,113	31,842,647	3.09%	831
2007	1,189,509,952	39,008	16,120,194	23,958,198	40,078,392	3.37%	1,027
2008	1,254,499,680	39,941	14,835,434	24,856,234	39,691,668	3.16%	994
2009	1,300,630,095	40,065	13,442,607	25,993,993	39,436,600	3.03%	984
2010	1,325,267,460	39,996	20,457,426	41,856,725	62,314,151	4.70%	1,558

**NOTES:**

- (A) Details regarding the city's outstanding debt can be found in the notes to the financial statements.
- (B) According to the City's debt policy, the City does not issue special assessment debt.

**Source:**

- (1) Population Data provided by the Maryland Department of Planning
- (2) Per Capita Personal Income and Unemployment Rate provided by Maryland Department of Labor, Licenses and Regulations - Hagerstown-Martinsburg MSA
- (3) Outstanding Debt provided by City of Hagerstown Accounting Department.

**City of Hagerstown, Maryland**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year	Total Taxable Assessed Value of Property	Population	General Obligation Bonds	Percentage of Total Taxable Value of Property	Per Capita
2001	1,379,531,387	36,616	8,673,737	0.63%	237
2002	1,471,069,485	36,881	7,918,021	0.54%	215
2003	1,491,154,791	37,163	7,203,628	0.48%	194
2004	1,520,720,677	37,536	7,741,852	0.51%	206
2005	1,639,741,152	37,536	11,642,712	0.71%	310
2006	1,816,195,104	38,326	9,836,534	0.54%	257
2007	2,103,112,982	39,008	16,120,194	0.77%	413
2008	2,297,062,556	39,941	14,835,435	0.65%	371
2009	2,520,239,574	40,065	13,342,801	0.53%	333
2010	2,774,043,741	39,996	20,457,426	0.74%	511

NOTE: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Source: City of Hagerstown Accounting Department

**City of Hagerstown, Maryland**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2010**  
**(Unaudited)**

City of Hagerstown	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Debt repaid with property taxes: County	\$ 122,391,377	23.05%	\$ 28,211,212
Subtotal, overlapping debt			
City of Hagerstown Direct Debt			62,314,151
Total Direct and Overlapping Debt			\$ 90,525,363

Sources: Debt outstanding data provided by Washington County's Finance Department.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Hagerstown. This process recognizes that, when considering the governments' ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

\* The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total assessed value.

**City of Hagerstown, Maryland  
Legal Debt Margin Information  
Last Ten Fiscal Years  
(Unaudited)**

	FISCAL YEAR									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	\$ 137,963,139	\$ 147,106,949	\$ 149,115,479	\$ 157,133,116	\$ 163,974,115	\$ 181,619,510	\$ 210,311,298	\$ 235,114,167	\$ 252,023,957	\$ 277,404,374
Total net debt applicable to limit	30,776,543	30,813,068	28,343,504	28,429,079	31,011,741	31,842,647	40,078,392	39,691,668	39,436,600	62,314,151
Legal debt margin	\$ 107,186,596	\$ 116,293,881	\$ 120,771,975	\$ 128,704,037	\$ 132,962,374	\$ 149,776,863	\$ 170,232,906	\$ 195,422,499	\$ 212,587,357	\$ 215,090,223
Total net debt applicable to the limit as a percentage of debt limit	22.31%	20.95%	19.01%	18.09%	18.91%	17.53%	19.06%	16.88%	15.65%	22.46%

**Legal Debt Margin Calculation for Fiscal Year 2010**

Total assessed value	2,774,043,741
Debt limit (10% of total assessed value)	277,404,374
Debt applicable to limit:	
General obligation bonds	62,314,151
Legal debt margin	\$ 215,090,223

Note: The City has no legal debt limit. A credit industry benchmark of 10% was adopted by the Mayor and Council as a guideline on July 20, 1987.  
Source: City of Hagerstown Accounting Department.

**City of Hagerstown, Maryland**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2001	36,774	896,991,408	24,392	3.6
2002	36,722	945,261,002	25,741	4.2
2003	36,963	977,190,831	26,437	4.8
2004	37,183	994,273,420	26,740	3.8
2005	37,528	1,055,550,056	28,127	4.2
2006	38,237	1,126,767,916	29,468	4.4
2007	39,008	1,189,509,952	30,494	4.6
2008	39,941	1,254,499,680	31,409	5.3
2009	40,065	1,300,630,095	32,463	9.7
2010	39,996	1,325,267,460	33,135	9.4

Data Source:

Population Data provided by the Maryland Department of Planning  
Per Capita Personal Income provided by Bureau of Economic Analysis - U.S. Dept. of Commerce  
Unemployment Rate provided by Maryland Department of Labor, Licenses and Regulations -  
Hagerstown-Martinsburg MSA

**City of Hagerstown, Maryland**  
**Principal Employers in the Metropolitan Area**  
**Current Year and Nine Years Ago**  
**(Unaudited)**

Employer	2010			2001		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Washington County Health System, Inc.	3,053	1	4.85%	3,000	1	4.75%
Washington County Public Schools	2,921	2	4.64%	2,563	3	4.06%
State of Maryland	2,592	3	4.12%	2,591	2	4.10%
Citicorp Credit Services, Inc	2,244	4	3.56%	2,500	4	3.96%
First Data Merchant Services	2,059	5	3.27%	2,081	5	3.29%
Washington County Government	1,259	6	2.00%	830	8	1.31%
Volvo Powertrain NA (Mack Trucks, Inc.)	1,115	7	1.77%	1,133	7	1.79%
Fedex Ground	700	8	1.11%			
Federal Government	642	9	1.02%	655	10	1.04%
Hagerstown Community College	620	10	0.98%			
Pheonix Color Corporation				725	9	1.15%
Garden State Tanning				1,140	6	1.80%
<b>Total</b>	<b>17,205</b>		<b>27.32%</b>	<b>17,218</b>		<b>27.25%</b>

Source: Principal Employers for Washington County MD provided by Hagerstown/Washington County EDC  
Total County employment for 2010 was 62,975 and 2001 was 63,194, supplied by Bureau of Labor Statistics.

**City of Hagerstown, Maryland**  
**Principal Electric Fund Customers**  
**June 30, 2010**  
**(Unaudited)**

Customer	2010				2001			
	Kwh	Amount Billed	Rank	Percentage of Total Electric Fund Billing	Kwh	Amount Billed	Rank	Percentage of Total Electric Fund Billing
Good Humor Breyers, Inc	27,988,800	\$ 2,238,101	1	6.99%	24,679,880	\$ 754,189	1	5.12%
Washington County Hospital	18,120,760	1,465,785	2	4.58%	16,233,408	519,018	2	3.52%
Board of Education	10,642,055	1,019,134	3	3.18%	7,793,771	370,560	4	2.52%
City of Hagerstown - Public Works	8,440,724	829,290	4	2.59%	8,110,861	398,265	3	2.70%
City of Hagerstown - WPC	10,307,524	807,547	5	2.52%	10,597,850	306,168	6	2.08%
Hagerstown Housing Authority	5,416,371	483,789	6	1.51%	4,844,289	196,766	7	1.34%
CM Offray, Inc	3,862,820	358,351	7	1.12%	8,576,440	316,680	5	2.15%
Washington County Commissioners	4,038,222	363,402	8	1.14%				
Verizon	3,057,703	260,108	9	0.81%				
Western Maryland St. Hospital	3,095,198	251,316	10	0.79%				
Button, Edward N (Venice Inn)					2,413,540	107,296	10	0.73%
Herald-Mail Company					3,473,600	109,752	9	0.75%
G&R Foods (County Market)					4,347,600	130,382	8	0.89%
<b>Totals</b>	<b>94,970,177</b>	<b>\$ 8,076,823</b>		<b>25.24%</b>	<b>91,071,239</b>	<b>\$ 3,209,076</b>		<b>21.79%</b>

Source: City of Hagerstown Billing Department.

**City of Hagerstown, Maryland**  
**Principal Water Fund Customers**  
**June 30, 2010**  
**(Unaudited)**

Customer	2010				2001			
	Gallons	Amount Billed	Rank	Percentage of Total Water Fund Billing	Gallons	Amount Billed	Rank	Percentage of Total Water Fund Billing
Hagerstown Prison Complex(MCI)	451,429,300	\$ 1,179,265	1	17.96%	371,817,100	\$ 581,980	1	11.93%
Town of Smithsburg	83,178,800	182,476	2	2.78%	69,629,100	109,651	4	2.25%
Town of Williamsport	63,852,200	140,172	3	2.13%	74,178,800	116,570	3	2.39%
Town of Funkstown	33,044,000	72,460	4	1.10%	31,022,700	50,038	9	1.03%
Volvo Powertrain NA (Mack Trucks, Inc.)	27,101,500	70,820	5	1.08%	49,945,100	89,669	6	1.84%
Washington County Detention Center	22,454,000	58,742	6	0.89%				0.00%
Maryland Paper	20,299,000	53,182	7	0.81%	32,031,400	50,915	7	1.04%
Good Humor Breyers, Inc	45,287,000	52,465	8	0.80%				
Oak Ridge Apartments	18,750,700	50,775	9	0.77%	21,172,700	38,259	10	0.78%
Citicorp Credit Services	16,336,500	43,040	10	0.66%				
Washington County Hospital					88,552,100	94,559	5	1.94%
W.D. Byron & Sons					89,222,500	141,146	2	2.89%
HHA (Housing Developments)					44,564,200	50,336	8	1.03%
<b>Totals</b>	<b>781,733,000</b>	<b>\$ 1,903,397</b>		<b>28.98%</b>	<b>872,135,700</b>	<b>\$ 1,323,123</b>		<b>27.12%</b>

Source: City of Hagerstown Billing Department.

**City of Hagerstown, Maryland**  
**Principal Wastewater Fund Customers**  
**June 30, 2010**  
**(Unaudited)**

Customer	2010				2001			
	Gallons	Amount Billed	Rank	Percentage of Total Wastewater Fund Billing	Gallons	Amount Billed	Rank	Percentage of Total Wastewater Fund Billing
Good Humor Breyers, Inc.	45,287,000	\$ 180,355	1	2.35%	27,569,100	\$ 84,988	5	1.40%
Washington Co Detention Center	22,454,000	159,976	2	2.09%	11,236,400	57,260	7	0.95%
Washington County Hospital	28,774,300	120,478	3	1.57%	82,768,400	255,049	1	4.21%
Hagerstown Housing Authority	26,685,800	106,136	4	1.39%	44,564,200	137,320	2	2.27%
Volvo Powertrain NA (Mack Trucks, Inc.)	14,397,000	102,658	5	1.34%	20,209,200	103,093	3	1.70%
Brandywine(Youngstown Apartments)	11,362,600	81,094	6	1.06%	10,985,500	55,841	9	0.92%
Hagerstown Community College	11,303,000	80,556	7	1.05%				0.00%
CM Offray	20,228,500	80,422	8	1.05%	31,378,600	96,740	4	1.60%
Realty Investment Co (Hagers Apts)	18,988,100	75,552	9	0.99%	20,800,200	64,134	6	1.06%
Board of Education	18,392,400	73,877	10	0.96%				0.00%
Western Maryland State Hospital					16,290,800	50,176	10	0.83%
Citicorp Credit Services					12,739,600	56,125	8	0.93%
<b>Totals</b>	<b>217,872,700</b>	<b>\$ 1,061,104</b>		<b>13.85%</b>	<b>278,542,000</b>	<b>\$ 960,726</b>		<b>15.86%</b>

Source: City of Hagerstown Billing Department.

**City of Hagerstown, Maryland**  
**Full-time Equivalent City Government Employees By Function**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Function	Full-time Equivalent Employees as of June 30									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
City Administrator	1.67	1.67	1.67	1.67	2.5	3.5	3.5	3.5	4.5	4.75
City Clerk	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.25
Economic Development	1.33	1.33	1.33	1.33	2	1	1	0	0	0
Public Information ***	3.5	3.5	5.5	5.5	4	2	1	1	0	0
Public Function	0	0	0	0	0	1	1	0	0	0
Subtotal Administration	8	8	10	10	10	9	8	6	6	6
Accounting	6.5	6.5	6.5	7	7	7	7	7	7	7
Treasurer	4	4	4	4	3	3	3	3	3	3
Information Technology	6	6	6	6	6	6	5	5	4	4
Billing/Customer Service	4	4	4	4	14	13	13	13	13	13
Purchasing	2.5	2.5	2.5	2	4	4	3	3	4	4
Human Resources	4	4	4	4	6	5	4	4	4	4
Planning	6	6	6	6	6	4	4	5	5	5
Engineering	14	14	14	14	14	14	14	14	14	21
Code Compliance	15	15	15	15	15	15	13	9	8	0
Police Sworn	109	107	105	105	101	101	105	102	101	100
Police Administration/Civilian	13	24	24	23	24	21	21	22	21	21
Fire	83.6	83.6	83.6	74	64	64	64	62	60	58
*Public Works	34	34	34	34	34	34	56	56	56	56
*Parks & Recreation	20	20	20	18	20	21	0	0	0	0
<b>Total General Fund</b>	<b>329.6</b>	<b>338.6</b>	<b>338.6</b>	<b>326</b>	<b>328</b>	<b>321</b>	<b>320</b>	<b>311</b>	<b>306</b>	<b>302</b>
Electric	40	40	40	41	35	35	33	35	35	34
Water	56	56	56	56	48	45	50	52	52	52
Wastewater	48	48	48	48	51	49	41	41	41	42
Golf Course	3	3	3	3	2	2	2	3	3	3
Parking	2	2	2	2	2	2	2	2	2	2
Community Development	6.4	6.4	6.4	6	6	6	7	7	7	7
Telework Center	1	1	1	1	1	1	1	1	1	0
<b>City Staffing Levels</b>	<b>486</b>	<b>495</b>	<b>495</b>	<b>483</b>	<b>473</b>	<b>461</b>	<b>456</b>	<b>452</b>	<b>447</b>	<b>442</b>
**General Operations	131.4	131.4	133.4	131	146	142	138	133	132	130
Public Safety	205.6	214.6	212.6	202	189	186	190	186	182	179
Business-type Activities	149	149	149	150	138	133	128	133	133	133

\* Public Works and Parks and Recreation split in 2005

\*\*\* Recreation combined with Public Information and Public Functions in 2006 to form Department of Community Affairs  
Source: City of Hagerstown Human Resource Department.

**City of Hagerstown, Maryland**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Function	FISCAL YEAR									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Fire Department</b>										
Responses to Fire alarms	2,275	2,249	2,185	2,033	1,988	1,931	2,047	1,818	1,846	1,654
Average response time (in minutes)	4:31	3:13	3:19	3:28	3	3	3	3	3	3
False alarms (included in above number)	27	10	6	13	20	31	49	29	73	69
Public fire education programs	655	453	356	349	296	317	320	307	235	212
Persons in attendance at public education programs	14,875	13,950	11,110	11,045	8,710	8,585	8,990	8,420	9,070	7,195
<b>Police Department</b>										
Parking ticket violations issued	11,660	12,146	8,654	11,616	10,458	12,924	13,217	16,922	17,466	18,315
Net parking fines	\$ 172,865	\$ 143,275	\$ 148,223	\$ 145,115	\$ 132,955	\$ 163,533	\$ 206,909	\$ 123,695	\$ 199,213	\$ 187,062
Calls for service	51,625	53,479	57,509	56,945	56,188	58,106	54,262	55,684	55,683	53,000
Alarm calls (included in above number)	1,563	2,088	2,065	2,191	2,025	2,126	2,161	2,225	2,174	2,304
<b>Parks and Recreation</b>										
Claude M Potterfield Pool										
Total attendance at swimming pool	23,764	24,268	25,497	24,606	27,117	31,733	27,152	26,219	25,545	16,395
Average daily attendance at pool	321	275	300	315	312	387	319	345	315	238
The Greens at Hamilton Run										
Total attendance at golf course	10,191	12,219	16,638	16,236	17,655	15,377	14,458	18,637	26,028	27,772
Average daily attendance at golf course	39	39	48	52	56	51	56	64	87	85
<b>Electric Department</b>										
Number of active accounts	16,821	16,974	17,026	17,607	17,585	17,379	17,224	17,046	16,739	17,277
Number of meters (in use)	17,898	17,972	18,072	17,981	17,937	17,756	17,634	17,560	17,219	17,789
Kilowatt hours purchased	350,706,567	356,049,155	363,323,000	368,371,928	371,744,136	355,105,896	362,594,713	311,911,000	345,993,000	344,587,000
Kilowatt hours sold	337,724,526	348,476,126	351,366,300	354,953,903	355,971,084	346,894,577	350,557,665	346,366,000	332,733,000	332,135,000
System peak demand-kilowatts	67,389	66,204	73,990	77,418	76,717	70,524	75,257	78,508	73,660	64,734
<b>Water Department</b>										
Number of active accounts-City	12,996	13,030	13,083	12,949	12,532	12,128	11,745	11,525	11,441	11,372
Number of active accounts-County	15,288	15,189	15,162	14,920	14,637	14,163	13,722	13,330	13,003	12,642
Total number of active accounts	28,284	28,219	28,245	27,869	27,169	26,291	25,467	24,855	24,444	24,014
Daily average productions in million gallons										
R.C. Willson Plant (365 days)	11,346	10,797	10,583	10,910	10,833	10,714	10,179	10,687	10,860	10,137
Wm. M. Breichner Plant (365 days)	0,000	0,001	0,008	0,030	0,029	0,113	-	0,044	0,234	0,644
Greatest consumption for a single day	13,530	13,270	13,130	12,651	12,830	12,980	12,037	13,760	13,507	12,808
Plant pumping capacity per day	20,000	20,000	20,000	14,000	14,000	13,000	19,800	19,800	19,800	19,800
Average daily metered consumption	8,233	8,532	8,645	8,555	8,567	8,503	8,310	8,379	8,493	8,152
<b>Wastewater Department</b>										
Number of active accounts-City	12,745	12,777	12,828	12,707	12,273	11,874	11,488	11,279	11,185	11,114
Number of active accounts-County	2,916	2,898	2,903	2,890	2,816	5,679	5,426	5,157	4,964	4,711
Number of active accounts-District (JSA)	3,434	3,409	3,373	3,317	3,155	-	-	-	-	-
Number of active accounts-Total	19,095	19,084	19,104	18,914	18,244	63,000	16,914	16,436	16,149	15,825
Daily average of sewage treated (million gallons)(including inflow and infiltration)	7,170	6,310	7,060	6,950	6,900	6,300	9,000	9,800	6,500	7,200
Daily average plant capacity (rated optimum efficiency)(million gallons)	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000

**City of Hagerstown, Maryland  
Operating Indicators by Function  
Last Ten Fiscal Years**

Function	FISCAL YEAR									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Parking Facilities Department</b>										
Parking Deck:										
Number of Parking Spaces	629	625	629	629	441	441	441	441	441	441
Number of Permit Parkers	868	695	421	418	345	315	312	312	267	335
Operating Revenue:										
Meter Fees	\$ 226,740	\$ 237,847	\$ 237,847	\$ 244,864	\$ 247,287	\$ 248,078	\$ 232,342	\$ 180,061	\$ 173,755	\$ 135,937
Permit Fees	\$ 183,619	\$ 162,079	\$ 162,079	\$ 151,675	\$ 176,160	\$ 147,764	\$ 146,942	\$ 124,113	\$ 145,155	\$ 139,343
Deck	\$ 311,211	\$ 334,712	\$ 334,712	\$ 270,721	\$ 212,442	\$ 207,421	\$ 224,362	\$ 190,623	\$ 177,718	\$ 180,316
<b>Special Revenue Funds</b>										
Number outstanding loans:										
Community Development Block Grant										
Single family	5	7	9	10	10	11	13	14	19	18
Residential Rental	9	9	10	11	11	12	14	18	22	24
Commercial	2	2	2	4	5	6	7	7	6	6
Deferred	37	35	31	26	22	27	31	35	35	28
Public facilities and improvements	4	4	4	4	6	6	6	5	4	4
Homeownership	5	6	7	7	9	10	11	11	14	16
Direct Homeownership	10	9	8	9	8	10	14	16	19	16
Business Revolving Loans	12	10	12	5	3	1	5	4	5	4
Total	84	82	83	76	74	83	101	110	124	116
Outstanding loan balances:										
Community Development Block Grant										
Single family	35,592	44,427	139,798	109,362	120,911	188,209	248,022	270,726	320,234	352,549
Residential Rental	656,671	688,176	449,450	509,268	524,094	830,070	1,033,040	1,407,934	1,959,835	2,152,794
Commercial	234,099	261,116	279,075	325,058	486,969	535,302	608,606	688,596	435,658	494,639
Deferred	797,529	863,392	766,144	739,327	691,594	704,529	729,393	766,132	708,345	664,059
Public facilities and improvements	671,463	715,276	757,622	806,757	926,064	1,004,309	891,841	590,588	410,453	436,182
Homeownership	217,964	266,411	276,864	319,370	368,975	435,198	477,532	67,259	625,398	629,266
Business Revolving Loans	830,909	686,774	832,348	357,797	158,513	6,921	218,584	436,053	91,490	227,813
Total	\$ 3,444,227	\$ 3,525,572	\$ 3,501,301	\$ 3,166,939	\$ 3,277,120	\$ 3,704,538	\$ 4,207,008	\$ 4,227,288	\$ 4,551,413	\$ 4,957,302
Program income (interest and loan repayments)										
Community Development Block Grant										
Single family	8,879	99,941	35,804	24,380	73,849	68,795	31,773	35,581	65,827	39,663
Residential Rental	57,651	58,745	84,167	85,820	335,673	242,380	427,427	618,806	279,062	264,260
Commercial	33,280	23,892	53,753	174,655	64,097	90,539	103,370	92,863	84,136	93,612
Deferred	2,561	2,301	10,255	40,306	48,088	83,217	23,594	23,440	9,649	41,367
Public facilities and improvements	69,578	68,309	70,876	146,667	114,250	201,654	70,076	28,049	33,946	35,861
Homeownership	66,183	22,805	56,422	65,169	105,012	64,351	43,353	262,399	714,320	302,536
Business Revolving Loans	85,714	175,432	118,563	27,718	40,621	57,989	10,665	12,267	11,939	24,778
Total	\$ 323,846	\$ 451,425	\$ 429,840	\$ 564,715	\$ 781,590	\$ 808,925	\$ 701,258	\$ 1,073,405	\$ 1,198,879	\$ 802,077

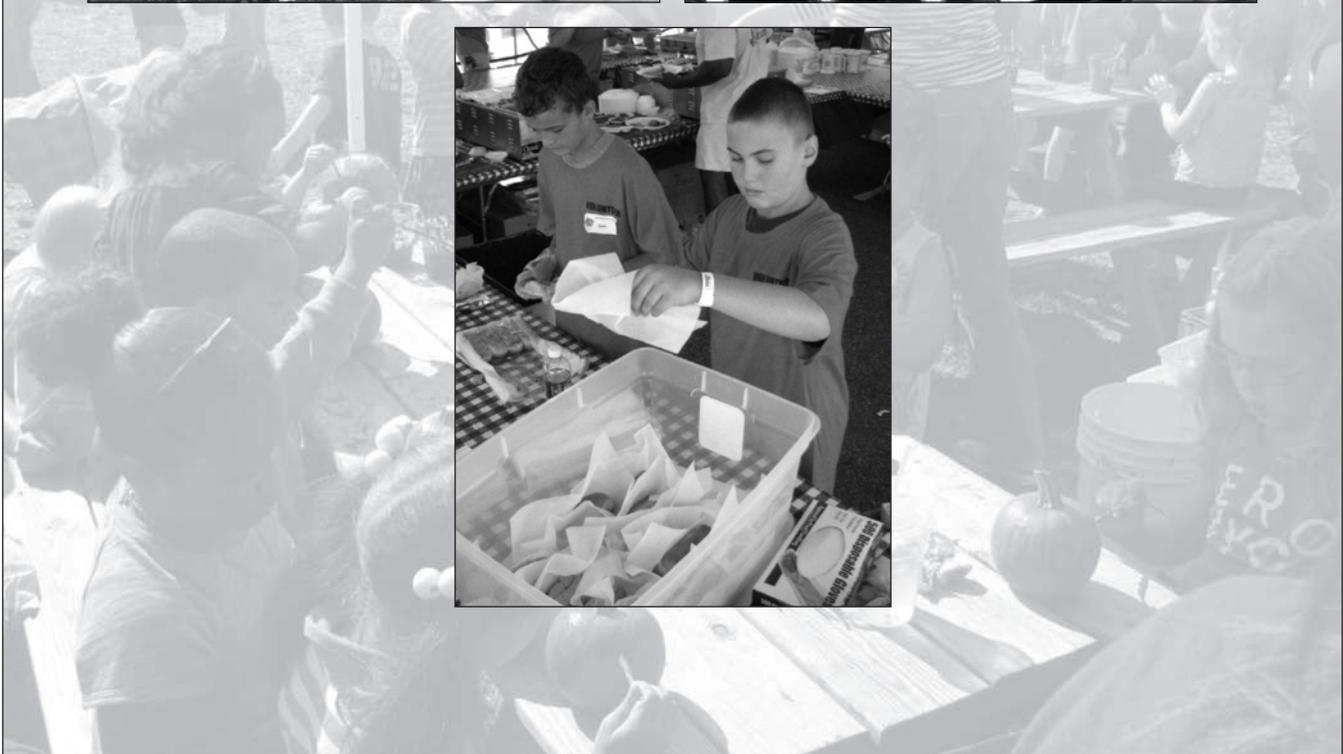
Source: Corresponding City Department.

**City of Hagerstown, Maryland**  
**Capital Assets Statistics by Function**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Function	FISCAL YEAR									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Fire Department</b>										
Number of stations (4 volunteer, 2 City owned)	6	6	6	6	6	6	6	6	6	6
<b>Police Department</b>										
Number of Stations and Substations	3	3	3	3	3	3	3	3	3	2
<b>Public Works Department</b>										
Miles of paved streets and alleys	145.6	144.4	143.3	142.0	139.6	139.6	139.6	139.6	139.6	137.9
Number of traffic signals maintained	133	130	132	128	127	127	126	121	121	121
<b>Parks and Recreation</b>										
Parks and Playgrounds (291.667 acres)	18	18	18	18	18	19	18	18	18	13
Outdoor swimming pools	1	1	1	1	1	1	1	1	1	1
Number of Municipal golf courses	1	1	1	1	1	1	1	1	1	1
Ice Hockey Rinks	1	1	1	1	1	1	1	1	1	1
<b>Electric Department</b>										
Number of substations - 34.5KV to 13.8KV	7	7	7	7	7	7	7	7	7	6
<b>Water Department</b>										
Miles of water mains (estimate)	425	425	425	392	389	383	377	370	367	364
Fire hydrants	808	802	802	800	800	755	726	716	715	713
City	1,291	1,272	1,272	1,266	1,241	1,204	1,107	1,107	1,094	1,043
County										
<b>Wastewater Department</b>										
Number of City owned pumping stations	26	26	26	25	27	27	25	26	23	22
Miles of collection system-City owned	153	153	153	153	138	138	135	134	132	130
<b>Parking Facilities Department</b>										
Number of Lots	7	7	6	6	7	7	7	7	7	8
Number of Parking Spaces (Metered or Rented)	678	682	719	719	726	726	719	719	701	708
Lots	519	511	526	526	540	535	528	528	528	528
Streets	2	2	2	2	1	1	1	1	1	1
Number of Parking Decks										

Source: Corresponding City Department.

# Volunteers



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