

CITY OF HAGERSTOWN

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Comprehensive Annual Financial Report

*For the Fiscal
Year Ended
June 30, 2009*

City of Hagerstown

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City of Hagerstown

Maryland



Comprehensive Annual Financial Report Fiscal Year 2009

July 1, 2008 - June 30, 2009

Prepared By:

Finance and Accounting

City Council



*Robert E. Bruchey, II
Mayor*



*Bruce J. Zimmerman
City Administrator*



*Martin E. Brubaker
Council Member*



*William Breichner
Council Member*



*Forrest W. Easton
Council Member*



*Ashley Haywood
Council Member*



*Lewis C. Metzner
Council Member*

City of Hagerstown
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 For the Fiscal Year Ended June 30, 2009

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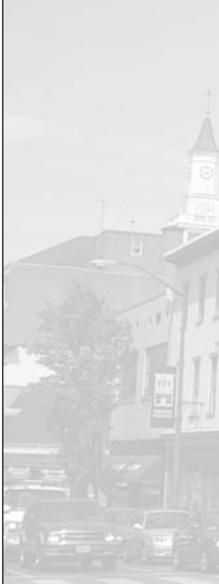
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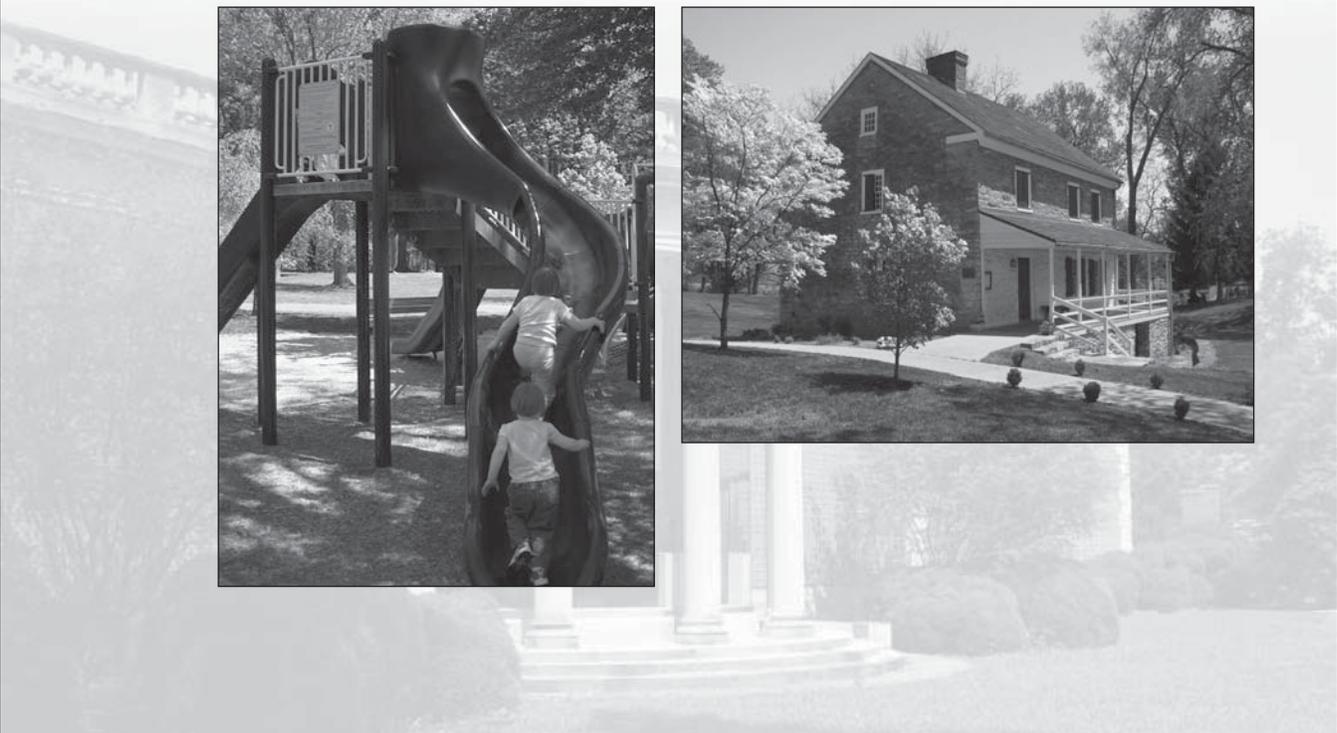
INTRODUCTORY SECTION



City Center



Parks & Playgrounds





May 5, 2010

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, 2009.

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 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, 2009, are fairly stated in accordance with GAAP. 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 financial statements for the fiscal year ended June 30, 2009, 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 11.74 square miles and serves a population of 40,065 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, sanitation, electric, water, sewer, parking, parks and recreation, public improvements, planning and zoning, 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.

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. The City has strived 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.

The Hagerstown area has a strong and varied 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 area is being impacted by the economic recession and did lose nearly 3,357 jobs in the last twelve months. The unemployment rate in June 2009 had risen from 5.6% to 9.6%. Still, 61,502 of the 68,491 labor force were gainfully employed in June, 2009.

Commercial and residential development. The City and surrounding metropolitan area is experiencing a strong level of growth and construction activity. With the adoption of a new City Annexation Policy in May 2002 which tied extension of water and sewer service to annexation into the City, the City continues to benefit from the development occurring in the urban growth area encompassing the City. In fact, Moody’s Investor Service has given both the City and County bond rating upgrades due to the positive fiscal outlook and growth the area is experiencing.

<u>Building Permits Issued</u>			
<u>Calendar</u>			<u>% Increase/</u>
<u>Year</u>	<u>Number</u>	<u>Value</u>	<u>(Decrease)</u>
1997	499	17,396,921	6.1
1998	578	19,802,449	13.8
1999	383	37,186,781	87.8
2000	431	29,977,014	(19.4)
2001	448	22,908,283	(23.6)
2002	505	25,969,545	13.4
2003	570	42,511,135	63.7
2004	888	73,728,575	73.4
2005	1,066	74,745,194	1.4
2006	813	66,722,271	(10.7)
2007	711	86,072,907	29.0
2008	588	46,295,542	(46.2)
2009	511	43,270,755	(6.5)

Hagerstown has experienced substantial amounts of residential construction since the early 2000's that will benefit the City well into the future. Between 1950 and 2000, the City's population grew by only 1.0%. With the recent residential construction boom, the City's population grew by 7.4% between 2000 and 2007. Even with the economic downturn, the City's population continued to grow 2.6% over the last two years from 2007 to 2009. The City's 2008 Comprehensive Plan projects an annual growth rate of 1.5% through 2027.

While the pace of residential development has slowed in the past two years due to the market slowdown in the region and the nation, the City remains well positioned for a continuation of strong residential growth. There are nine residential developments under construction in the city and three ready to move forward when the economy picks back up. While school capacity must be available or planned for any new development to receive approval, the City has 1,328 housing units approved and in the pipeline for development when market conditions strengthen. Current sewer limitations which require pacing of development will be lifted within the next two years following conclusion of a number of upgrades to the City's Waste Water Treatment Plant.

The pace of commercial development in Hagerstown has remained strong over the past few years. New shopping centers on Potomac Avenue and Garland Groh Boulevard were completed in 2008. Site plans are expected in 2010 for a retail and restaurant development on land that was annexed in 2008 on Garland Groh Boulevard. In 2009, the City annexed 142 acres at the intersection of I-70 and US-40 with commercial zoning and another 95 acres on W. Oak Ridge Drive with industrial zoning. Construction is underway on infrastructure for a new office park off Eastern Boulevard. Seven new commercial lots are available for development on Eastern Boulevard. Construction is underway on a new CVS pad site and upgrades to the 50 year old shopping center at the city's northeast edge. A new 54,800 square foot, LEED certified office building is nearing completion on the Dual Highway. Plans have been submitted for an industrial project on land that was annexed in early 2009.

Downtown Redevelopment. A primary goal of the City is revitalization of the downtown. The City has been pursuing the strategy of an Arts and Entertainment District in the heart of the downtown for a number of years. A number of public sector investment projects are implementing our goals for this targeted area. The University System of Maryland Education Center in downtown Hagerstown opened in January 2005. A new adjoining public park, University Plaza, was completed in early 2005. A new five-level, 200 space parking deck was completed in 2008 and an alley widening project to ease access to the deck was constructed in 2009. A new public high school for performing and visual arts opened in 2009. A sidewalk widening project was completed in 2008 to create a sidewalk café district on S. Potomac Street and this project will extend to N. Potomac Street in 2010. Construction will begin in 2010 on \$22 million expansion of the Central Library to double its size to 91,000 square feet. The City contributed \$1.5 million to assist with property acquisition for parking for the library project.

The downtown has been experiencing unprecedented private sector investment in the past few years. A \$4 million adaptive reuse project for a restaurant and upper floor offices on S. Potomac Street was completed in 2006. An adjacent \$4.4 million adaptive reuse project and new construction project was completed in 2008. A warehouse was renovated in 2007-2008 to create a cultural center. An old motel on W. Washington Street is planned for an adaptive reused project into office condominiums. An adaptive reuse project for residential condominiums was completed on E. Baltimore Street and another is nearing completion on S. Prospect Street. In 2009, the City adopted the Partners in Economic Progress (PEP) program, an incentive program whose goal is to spark renovation of large buildings in a targeted area of downtown and to assist with recruitment of new high tech businesses to those buildings. To date, three buildings have been approved for PEP incentives and two new businesses to the downtown have utilized PEP incentives for rent relief. Plans are in the works for an adaptive re-use project to create 24 residential condominiums on W. Washington Street utilizing the PEP incentives.

Long-term community planning. The Mayor and City Council adopted a new City Comprehensive Plan in April 2008. The Plan emphasizes growth management with a particular focus on sewer capacity, annexation, adequacy of public facilities, and downtown revitalization. A significant feature of the 2008 Comprehensive Plan is the establishment of a Medium Range Growth Area boundary around the City as the intended 20 year annexation and sewer service area for the City. In 2010, the City will complete a four phase comprehensive rezoning of Hagerstown to implement the Comprehensive Plan's future land use plan recommendations. This is the first comprehensive rezoning in the city in over 30 years. The Comprehensive Plan's recommendation for zoning text amendments to create new mixed-use zoning districts was implemented in 2009 and these new districts have been incorporated into the comprehensive rezoning process. In addition, zoning text amendments have been implemented to ease home occupation businesses and the location of small mom-and-pop businesses in the city's older residential neighborhoods.

Major water and sewer projects have also been planned for the City. The fiscal year 2009/10 Water Fund budget includes \$13,706,125 in proposed capital expenditures for system improvements. Major projects include \$6,420,000 to continue work on replacement of the West End Reservoir, \$3,210,000 to start work on improvements to the transmission mains from the RC Willson Water Plant and \$1,899,750 for various distribution system improvements and continuation of our water meter replacement program. The capital budget is to be funded with

Water Fund cash of \$474,375, additional borrowing of \$12,559,750, the use of Water Fund benefit charges of \$372,000 and \$300,000 in expected grant funding.

The fiscal year 2009/10 Sewer Fund budget includes \$17,698,000 in proposed capital expenditures for system improvements. Sewer fund anticipated projects include \$11,050,000 for continued improvements at the wastewater treatment plant, \$2,550,000 to upgrade a sewer pump for the new hospital, \$1,819,000 to correct infiltration and inflow issues and \$1,042,000 to replace sewer mains and laterals on Salem Avenue. In addition to Sewer Fund cash of \$305,000, the capital budget will be funded with additional borrowing of \$8,152,500, grant funds of \$6,050,000, the use of benefit charges of \$1,440,500 and developer contributions of \$1,750,000.

Cash management policies and practices. Cash temporarily idle during the year was invested in United States government securities, obligations of the federal government or agencies, interest-bearing time deposits, savings accounts, repurchase agreements, mutual funds, and the Maryland Local Government Investment Pool. All investment vehicles are authorized by State statute and the City's investment policies. The maturities of the investments range from 30 days to 18 months, with an average maturity of 12 months. The average yield on investments was 2.75% for the government and an average yield of 2.97% for the pension trust fund. Investment income includes appreciation or depreciation in the fair value of investments. Increases and decreases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the government intends to hold to maturity.

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 material disasters for which the City carries insurance. The City is only liable to the extent of its deductible, which can range from \$500 to \$10,000 for property, casualty and general liability depending on the type of coverage. The City maintains full coverage workers compensation insurance through the Injured Workers' Insurance Fund. This policy provides \$1,000,000 limits for bodily injury by accident or disease per accident or employee. The City has an active safety/risk management program. Various control techniques, including employee accident prevention training, have been implemented to minimize accident related losses. Additional information on the City's risk management activity can be found in Note V. A. of the notes to the financial statements.

Pension and other post employment benefits. The City sponsors a single-employer defined benefit pension plan for its uniformed public safety employees. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the City must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contribution to the pension plan as determined by the actuary.

The City also provides pension benefits for its other employees through two cost sharing multiple employer pension plans administered by the State of Maryland: the Employees' Retirement System and the Employees' Pension System. Required contributions under the plan which are not funded by employee contributions are funded entirely by the government.

The City also provides postretirement health and dental care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 215 retired employees and 177 dependents receiving these benefits. During fiscal year 2008/09, 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. The City's pension arrangements and post employment benefits can be found in Notes V. C. and D. in the notes to the financial statements.

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, 2008. 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.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the accounting and finance department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. 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 unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Alfred E. Martin
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, 2008

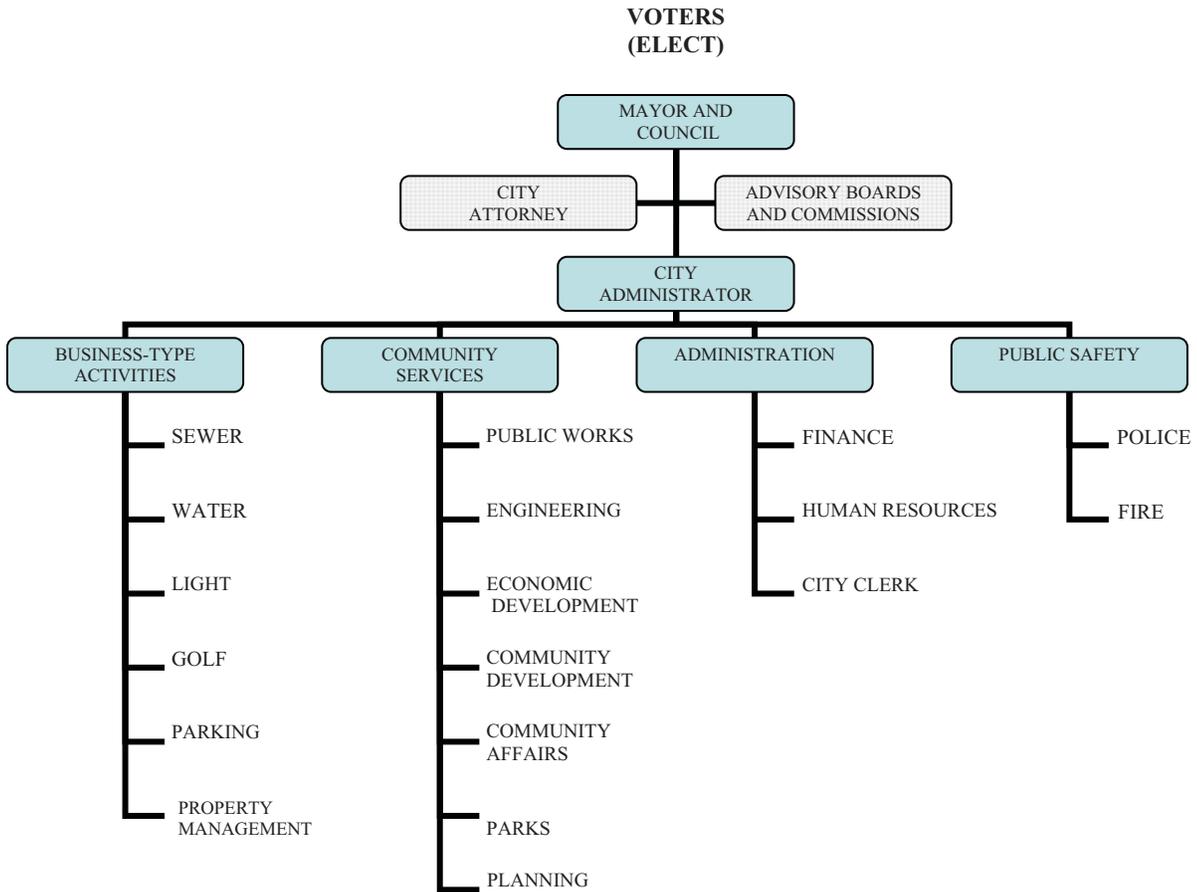
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

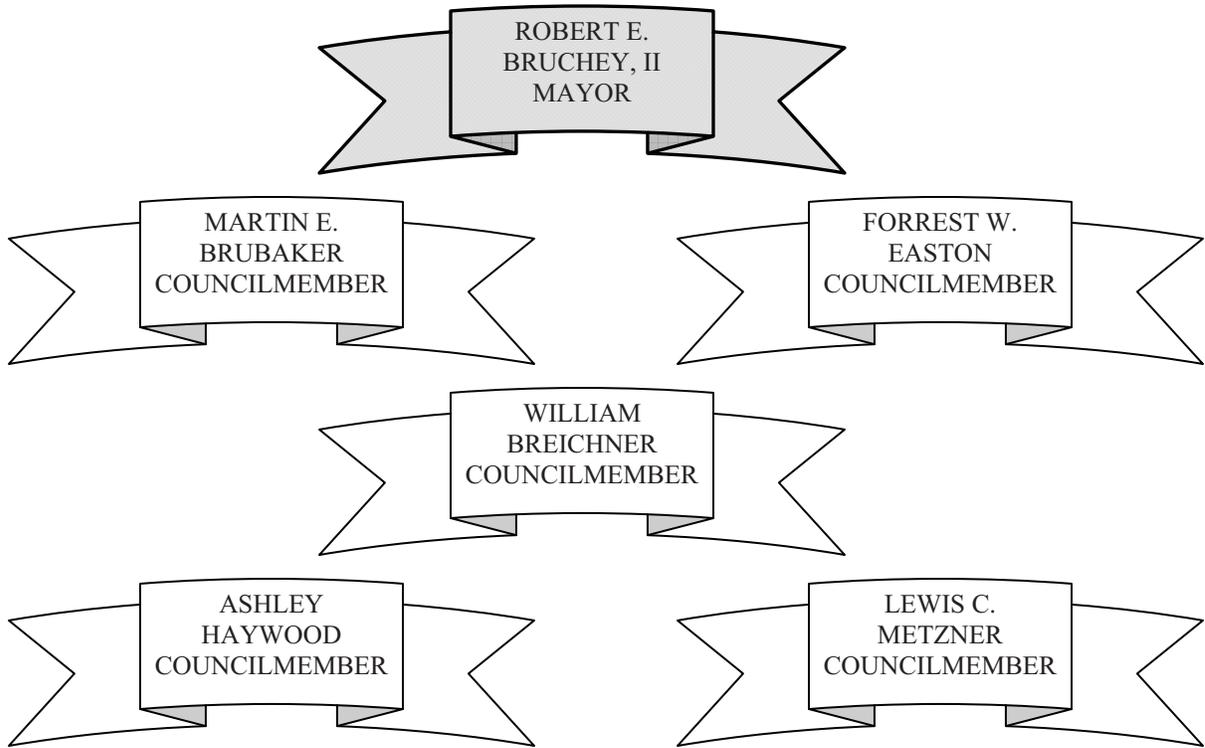


President

Executive Director

CITY ORGANIZATION CHART (By Department)





CITY OFFICIALS

CITY ADMINISTRATOR
BRUCE ZIMMERMAN

CITY CLERK
DONNA SPICKLER

FINANCE
ALFRED MARTIN

PLANNING
KATHLEEN MAHER

COMMUNITY DEVELOPMENT
LARRY BAYER

FIRE
GARY HAWBAKER

POLICE
ARTHUR SMITH

ECONOMIC DEVELOPMENT
DEBORAH EVERHART

HUMAN RESOURCES
DONNA MESSINA

PUBLIC WORKS
ERIC DEIKE

ENGINEERING
RODNEY TISSUE

COMMUNITY AFFAIRS
KAREN GIFFIN

UTILITIES
MICHAEL SPIKER

FINANCIAL SECTION





Smith Elliott Kearns & Company, LLC
Certified Public Accountants & Consultants

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, 2009, 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, 2009, 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.

As described in Note I. C. and V. C. to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 43 *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* in 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2010, 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.

The Management's Discussion and Analysis on pages 3 to 13 and historical pension information on page 66 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Smith Elliott Kearns & Company, LLC
Certified Public Accountants & Consultants

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information on pages 67 to 87 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information as of and for the year ended June 30, 2009 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects relative to the basic financial statements taken as a whole. The introductory section and statistical section listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Smith Elliott Kearns & Company, LLC

Hagerstown, Maryland
May 5, 2010

Management's Discussion and Analysis (MD&A)

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, 2009. 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 \$225.4 million (*net assets*). Approximately 62.4% of this amount is attributable to the City's three utilities (Light, Water and Sewer). Of the total net assets, \$13.6 million (*unrestricted net assets*) may be used to meet ongoing obligations to citizens and creditors (66.0% of this amount is attributable to the City's three utilities), \$7.5 million is restricted for specific purposes (*restricted net assets*), and \$204.3 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 \$15.4 million. Of this total amount \$7.4 million is unreserved and represents working capital available to support governmental operating needs and future years' expenditures.
- The City's total bonded debt decreased by \$.4 million (-0.94%) during the current fiscal year from \$39.7 million to \$39.3 million. In the current fiscal year, the City issued no new public facilities bonds but did authorize \$7.2 million in new Maryland Water Quality Revolving Loan Fund Debt. A total of \$3.4 million was drawn in 2008/2009, with \$2.4 million from a prior year authorization and \$1.0 million from the new authorized debt. The City's adherence to its amortization schedules for other existing debt further reduced its debt by \$3.7 million in 2008/2009. 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 \$146,524 after making a \$1,179,314 transfer to the Capital Projects Fund and operating transfers of \$260,000 to the Golf Course Fund, \$140,788 to the Economic Redevelopment Fund and \$121,539 to the Grant Revenue Fund.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$7,386,804 or 19.9% of total General Fund expenditures (excluding the transfers to other funds described above). This represents nearly 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, sewer, 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 67 through 79.

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 Light, Water, Sewer, 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 Light, Water, Sewer, 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 65.

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 66 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 \$225.4 and \$224.8 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 (90.7%) 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 3.3% 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 \$13.6 million (6.0% 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 \$10.6 million.

Summary of Net Assets June 30, 2009 and 2008

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets:						
Current Assets	\$ 23,290,757	\$ 27,341,392	\$ 15,509,711	\$ 16,605,750	\$ 38,800,468	\$ 43,947,142
Long-term and restricted assets	364,303	142,878	10,192,133	15,047,642	10,556,436	15,190,520
Capital assets, net	76,305,514	72,257,137	166,748,080	159,404,713	243,053,594	231,661,850
Total Assets	99,960,574	99,741,407	192,449,924	191,058,105	292,410,498	290,799,512
Liabilities:						
Long-term liabilities	17,520,154	18,452,449	25,156,051	24,237,996	42,676,205	42,690,445
Other liabilities	8,466,551	7,819,817	15,894,941	15,512,457	24,361,492	23,332,274
Total Liabilities	25,986,705	26,272,266	41,050,992	39,750,453	67,037,697	66,022,719
Net Assets:						
Invested in capital assets	63,577,809	58,486,896	140,754,087	134,548,479	204,331,896	193,035,375
Restricted	7,470,811	10,411,568	-	-	7,470,811	10,411,568
Unrestricted	2,925,249	4,570,677	10,644,845	16,759,173	13,570,094	21,329,850
Total Net Assets	\$ <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>

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

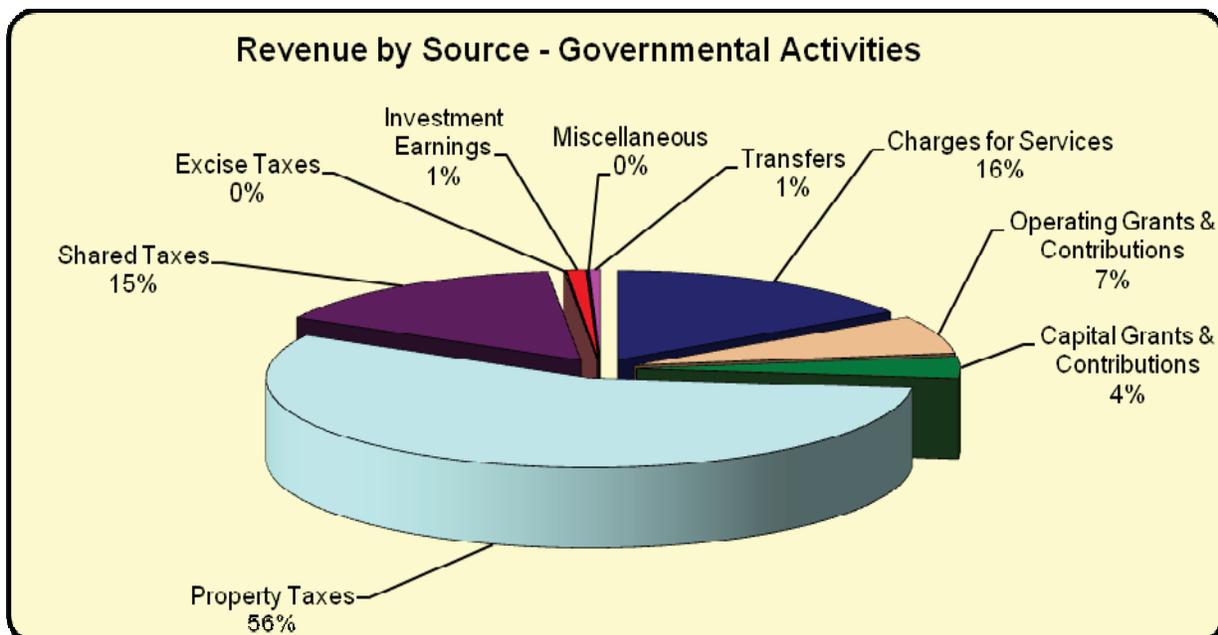
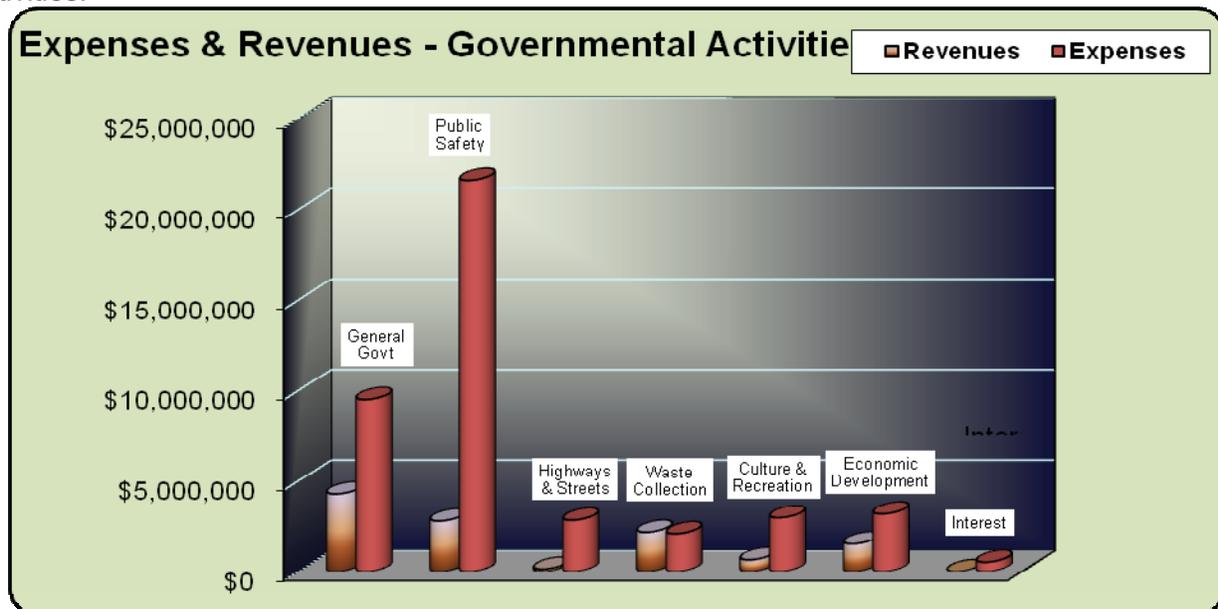
**Changes in Net Assets
June 30, 2009 and 2008**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 6,900,344	\$ 7,098,795	\$ 51,019,322	\$ 52,220,391	\$ 57,919,666	\$ 59,319,186
Operating grants and contributions	2,973,450	5,089,132	82,875	-	3,056,325	5,089,132
Capital grants and contributions	1,698,460	5,573,575	3,529,421	10,965,396	5,227,881	16,538,971
General Revenues:						
Property taxes	24,296,300	22,359,137	-	-	24,296,300	22,359,137
State and county shared taxes	6,661,880	4,459,350	-	-	6,661,880	4,459,350
Miscellaneous	482,140	1,090,933	406,055	743,942	888,195	1,834,875
Total Revenues	<u>43,012,574</u>	<u>45,670,922</u>	<u>55,037,673</u>	<u>63,929,729</u>	<u>98,050,247</u>	<u>109,600,651</u>
Program Expenses:						
Public safety	21,622,281	19,961,913	-	-	21,622,281	19,961,913
General government	9,508,691	8,628,435	-	-	9,508,691	8,628,435
Economic and community development	3,179,654	2,651,803	-	-	3,179,654	2,651,803
Culture and recreation	2,970,739	2,691,272	-	-	2,970,739	2,691,272
Highways and streets	2,837,595	2,997,783	-	-	2,837,595	2,997,783
Waste collection and disposal	2,094,011	2,053,573	-	-	2,094,011	2,053,573
Interest on long-term debt	523,931	576,969	-	-	523,931	576,969
Utilities and other proprietary funds	-	-	54,717,337	54,128,096	54,717,337	54,128,096
Total Expenses	<u>42,736,902</u>	<u>39,561,748</u>	<u>54,717,337</u>	<u>54,128,096</u>	<u>97,454,239</u>	<u>93,689,844</u>
Excess before transfers	<u>275,672</u>	<u>6,109,174</u>	<u>320,336</u>	<u>9,801,633</u>	<u>596,008</u>	<u>15,910,807</u>
Transfers	<u>229,056</u>	<u>173,540</u>	<u>(229,056)</u>	<u>(173,540)</u>	<u>-</u>	<u>-</u>
Increase in net assets	<u>504,728</u>	<u>6,282,714</u>	<u>91,280</u>	<u>9,628,093</u>	<u>596,008</u>	<u>15,910,807</u>
Net Assets - Beginning	<u>73,469,141</u>	<u>67,186,427</u>	<u>151,307,652</u>	<u>141,679,559</u>	<u>224,776,793</u>	<u>208,865,986</u>
Net Assets - Ending	<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>

Governmental activities: General revenues for the governmental activities were \$31.4 million, while total expenses, net of charges for services, grants and contributions, were \$31.2 million. The increase in net assets for governmental activities was \$504,728 and can be largely attributed to the following:

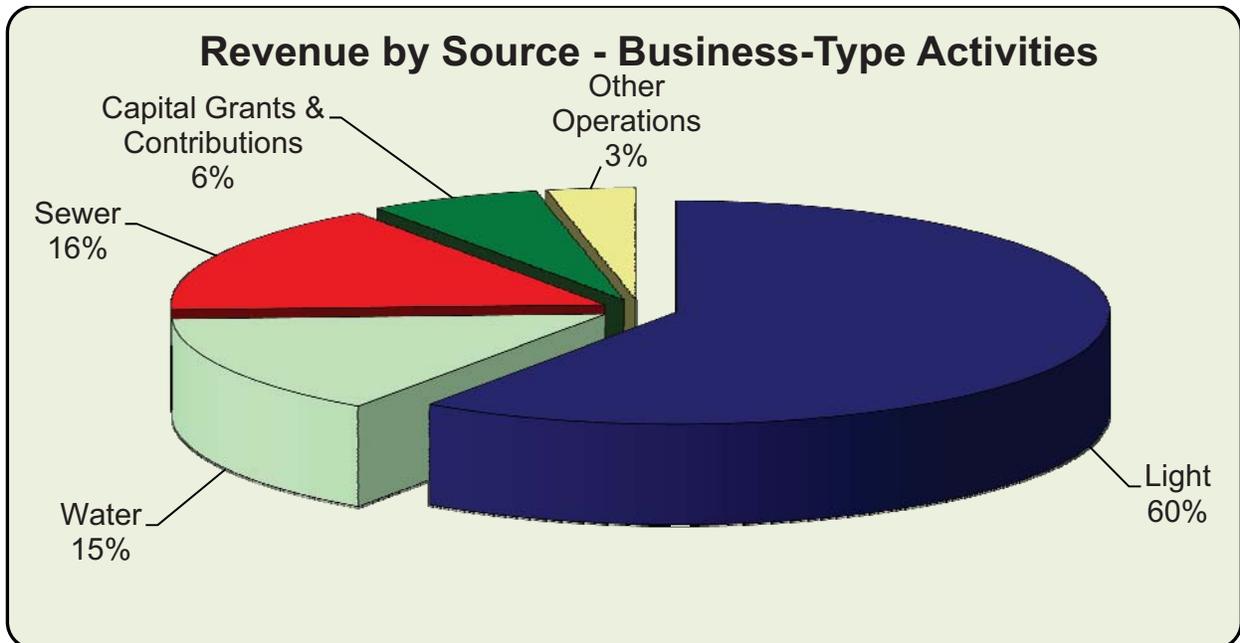
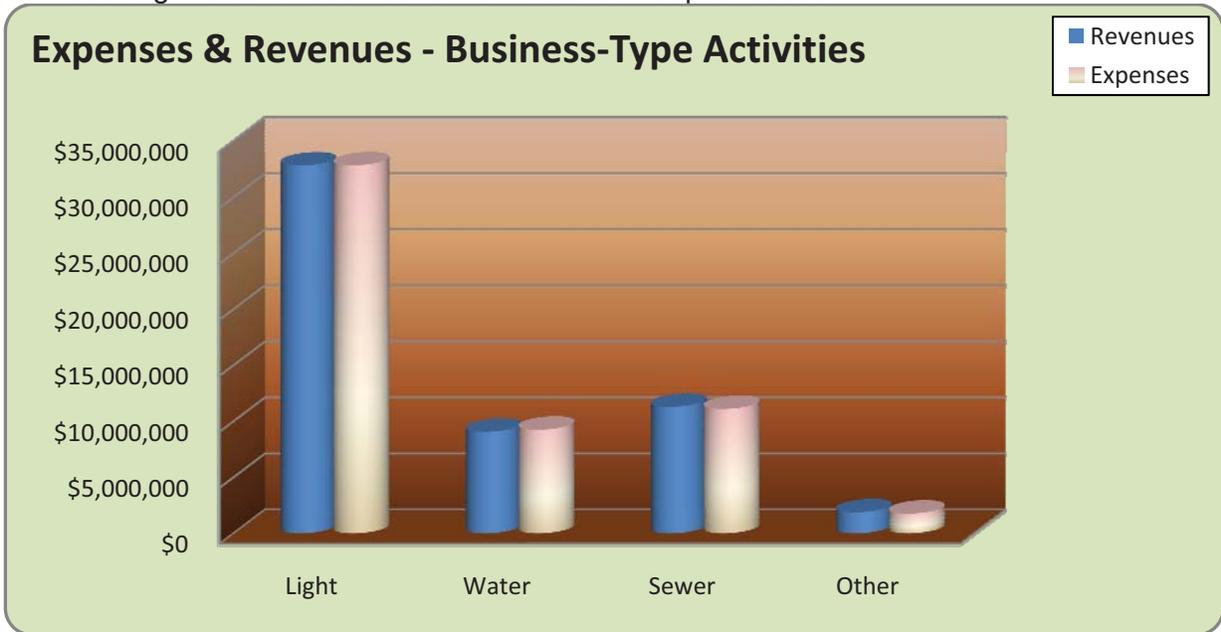
- A portion of the increase is due to the excess of actual revenues over expenditures in the City's General Fund which is explained in the next section of this analysis.
- The City's Community Development Block Grant and Excise Tax funds experienced increases in net assets from activities in the current year of \$188,360 and \$71,784 respectively.
- 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 \$4,048,377.

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 \$91,280, accounting for 15.3% 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 \$1.2 million or 2.3%. This is primarily due to charges for services in the Light & Water utility funds decreasing by \$1.2 million (3.5%) and \$.5 million (6.9%) respectively. This decrease is attributed to the downturn in the national and local economy.
- Capital contributions remained a major revenue source for the Water and Sewer funds during the current fiscal year, producing \$3.5 million in revenue, but are down from the prior fiscal year’s \$10.9 million.
- New capital assets exceed depreciation expense and asset disposals by \$7.3 million resulting in a continued robust net increase in capital assets.



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 \$15.4 million, a decrease of \$4.2 million from the prior year. The major decrease was \$4.5 million in the Capital Projects fund balance. This was primarily a result of the non-issuance of bond financing in the current fiscal year due to a temporary collapse of the tax exempt credit markets last year. Approximately 48.1% of the total fund balance (\$15.4 million) constitutes *unreserved fund balance* (\$7.4 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 (\$0.4 million), 2) for inventories (\$0.1 million), 3) dedicated for a variety of restricted purposes including long term loans receivable and properties held for resale (\$7.5 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 \$7.4 million, while total fund balance reached \$7.9 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 19.9% of total General Fund expenditures (slightly less than two and one half months of fiscal expenditures).

The fund balance of the City of Hagerstown's General Fund increased by \$146,524 during the current fiscal year even though the City had projected the use of \$300,000 of fund balance. The key elements in this increase are as follows:

- Revenues fell short of budgeted projections by \$757,953
 - State and County shared taxes fell short of projections by \$870,086. State cuts in Highway user revenues accounts for \$336,561 of this shortfall. The economic slowdown caused State shared income tax to drop \$297,684 from projections. State shared hotel/motel room tax was \$103,505 below projections.
 - The economic slowdown was also responsible for City service charges to drop \$335,210 from projections. These service charges represent fees charges for specific services like refuse collection and admissions to City facilities such as the swimming pool.
 - These revenue shortfalls were partially offset by the current year's property tax levy exceeding projections by \$579,604.
- Expenditures were held below budgeted projections by \$1,205,343
 - Vacancy savings and control of temporary and seasonal wages kept actual wage & fringe benefit expenditures below budget projections by \$1,106,679.
 - The decision to delay the issuance of planned bond borrowings resulted in a debt service savings of \$187,512.

The Capital Projects Fund has a total fund balance of \$389,749. Of the total fund balance, \$108,793 is reserved for future capital project expenditures. The remaining \$280,956 is reserved for contracts and purchase order commitments made in the prior year (\$277,556) and prepaid items (\$3,400).

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 \$2.6 million for the Light Fund, \$5.3 million for the Water Fund and \$1.1 million for the Sewer Fund. The total reduction in the proprietary funds net assets was \$240,078. 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 increased by \$65,450 above the original budget. This change is primarily due to the addition of a \$58,000 transfer to the Economic Development department for the Hagerstown Advance community marketing campaign.

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, 2009, amounts to \$243.1 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 \$11,391,744 or 4.9%. There was a 5.6% increase for governmental activities and a 4.6% increase for business-type activities.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Land	\$ 1,292,690	\$ 1,044,756	\$ 5,448,572	\$ 5,599,217	\$ 6,741,262	\$ 6,643,973
Construction in progress	9,655,285	6,226,290	6,576,802	13,967,754	16,232,087	20,194,044
Buildings & structures	7,405,918	8,527,987	109,999,724	102,547,828	117,405,642	111,075,815
Improvements other than buildings	4,355,162	4,161,954	710,271	567,627	5,065,433	4,729,581
Machinery & equipment	5,483,920	4,805,593	44,012,711	36,722,287	49,496,631	41,527,880
Infrastructure	48,112,539	47,490,557	-	-	48,112,539	47,490,557
Total	\$76,305,514	\$72,257,137	\$166,748,080	\$159,404,713	\$243,053,594	\$231,661,850

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

For the City's governmental activities:

- \$3,138,675 was spent on widening Eastern Boulevard.
- \$574,564 was spent on the acquisition of replacement vehicles
- \$413,473 was spent on various street resurfacing projects.
- \$398,560 was spent on widening Edgewood Boulevard at US Route 40.
- \$313,835 was spent on improvements to the East Washington Street alley
- \$303,406 was spent on continued replacement of municipal finance software
- \$290,884 was spent on sidewalk installations along the Dual Highway
- \$215,197 was spent to retrofit sidewalks at various locations
- \$198,375 was spent on Fairgrounds Park Grandstand improvements

In the City's business activities:

Of the \$12.7 million the City spent on the acquisition and construction of business activity capital assets in fiscal year 2008/2009, \$3.5 million were funded from contributions from developers in the form of benefit charges, \$3.4 million were funded by bond proceeds, and the remaining \$5.6 million were funded from operating funds.

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 \$39.3 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, \$26.0 million are considered self-supporting bonds, primarily funded through various charges related to the operation of the electric, water and sewer systems of the City.

City of Hagerstown's Outstanding Debt
Bonded Debt

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General Bonded Debt	\$13,342,801	\$14,835,435	\$25,993,993	\$24,844,465	\$39,336,794	\$39,679,900

The City of Hagerstown decreased its total bonded debt by \$0.4 million (-0.94%) during the current fiscal year. The City drew \$2.4 and \$1.0 million, respectively, in additional debt from the 2007 and 2008 Maryland Water Quality Revolving Loan Fund bond authorizations. The City's adherence to its amortization schedules for other debt reduced its debt by \$3.7 million resulting in a net decrease in debt of \$0.4 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. The City after expected federal rebates of 35% of the taxable interest, received a net interest cost on these bonds of 3.366%, the lowest interest rate the City has received in over 25 years. Of the \$17,995,000 in bond proceeds, 47% is related to Governmental Activities and 53% is related to Business Type Activities.

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 .53% of the assessed value of taxable property and \$336 per capita.

Additional information on the City of Hagerstown's long-term debt can be found in note IV. F. on pages 53 through 55 of this report.

Economic Factors and Next Year's Budgets and Rates

- The fiscal 2010 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 crises. The City is beginning to experience 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 complied with this requirement. 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 2010 the City's major governmental fund budget, the General Fund, is projected to increase 4.4% over the fiscal 2009 actual. Wages and benefits are projected to increase by 2.6%. Debt service is projected to increase by 30.4% due to the planned 2009 public facility bonds. All other operating expenses are projected to increase by 4.1%. The other operating expenses include expenses such as sanitation services (3.8%), and electricity (9.1%).
- The City's adopted water and sewer extension policy 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 will continue to be applied to 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 declines when properties in the City are reassessed in the Summer of 2010.

All of these factors were considered in preparing the City of Hagerstown's budget for fiscal 2009/10.

The fiscal year 2010 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 sewer service charges of 5% inside and 3% outside the City effective October 1, 2009, and each July 1st thereafter through July 1, 2013. 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) 766-4155. Complete financial reports are also available on our web site www.hagerstownmd.org

City of Hagerstown, Maryland
Statement of Net Assets
June 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and investments	\$ 14,506,893	\$ 4,588,762	\$ 19,095,655
Receivables (net of allowance for uncollectibles):			
Taxes	523,374	-	523,374
Intergovernmental	3,164,873	-	3,164,873
Customers	994,549	7,174,116	8,168,665
Loans	3,372,747	-	3,372,747
Other	182,668	26,068	208,736
Internal balances	(1,201,502)	1,201,502	-
Inventories	143,255	1,171,462	1,314,717
Properties held for resale	1,140,279	-	1,140,279
Prepaid items	411,741	29,736	441,477
Due from other agencies	-	1,248,408	1,248,408
Deferred charges	51,880	69,657	121,537
Restricted assets:			
Pooled cash and investments	364,303	10,192,133	10,556,436
Capital assets (net of accumulated depreciation):			
Land (not being depreciated)	1,292,690	5,448,572	6,741,262
Land improvements	4,636,467	1,460,026	6,096,493
Buildings and structures	14,198,910	158,357,874	172,556,784
Machinery and equipment	3,738,167	86,930,115	90,668,282
Automobiles and trucks	7,120,970	4,890,626	12,011,596
Office furniture and fixtures	3,114,565	743,859	3,858,424
Infrastructure	80,998,728	-	80,998,728
Construction in progress (not being depreciated)	9,655,285	6,576,802	16,232,087
Less accumulated depreciation	(48,450,268)	(97,659,794)	(146,110,062)
Total assets	<u>99,960,574</u>	<u>192,449,924</u>	<u>292,410,498</u>
Liabilities			
Accounts and retainages payable	1,776,557	4,341,050	6,117,607
Accrued liabilities	1,674,983	227,994	1,902,977
Escrowed taxes and insurance	14,075	-	14,075
Matured bonds and interest payable	5,031	-	5,031
Accrued interest payable	150,721	297,599	448,320
Customer deposits payable	38,760	1,242,331	1,281,091
Undisbursed loan and grant commitments	286,333	-	286,333
Due to other agencies	431,073	-	431,073
Power supply deposit	-	5,797,095	5,797,095
Unearned revenue	367,619	115,005	482,624
Compensated absences:			
Due within one year	2,263,782	1,267,451	3,531,233
Due in more than one year	5,634,970	1,768,474	7,403,444
Long-term liabilities:			
Due within one year	1,457,617	2,606,416	4,064,033
Due in more than one year	11,885,184	23,387,577	35,272,761
Total liabilities	<u>25,986,705</u>	<u>41,050,992</u>	<u>67,037,697</u>
Net Assets			
Invested in capital assets net of related debt	63,577,809	140,754,087	204,331,896
Restricted for:			
Capital Project Fund	389,749	-	389,749
Special Revenue Funds	7,081,062	-	7,081,062
Unrestricted	<u>2,925,249</u>	<u>10,644,845</u>	<u>13,570,094</u>
Total net assets	<u>\$ 73,973,869</u>	<u>\$ 151,398,932</u>	<u>\$ 225,372,801</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, 2009

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	
Primary government:								
Governmental activities:								
General government	\$ 9,508,691	\$ 2,879,990	\$ 490,649	\$ 910,681	\$ (5,227,371)	\$ -	\$ -	\$ (5,227,371)
Public safety	21,622,281	1,206,536	1,232,521	351,788	(18,831,436)	-	-	(18,831,436)
Highways and streets	2,837,595	136,424	-	165	(2,701,006)	-	-	(2,701,006)
Waste, collection and disposal	2,094,011	2,178,805	-	-	84,794	-	-	84,794
Culture and recreation	2,970,739	186,607	32,074	435,826	(2,316,232)	-	-	(2,316,232)
Economic and community development	3,179,654	311,982	1,218,206	-	(1,649,466)	-	-	(1,649,466)
Interest on long-term debt	523,931	-	-	-	(523,931)	-	-	(523,931)
Total governmental activities	42,736,902	6,900,344	2,973,450	1,698,460	(31,164,648)	-	-	(31,164,648)
Business-type activities:								
Light	32,843,792	32,803,818	-	19,260	-	(20,714)	-	(20,714)
Water	9,244,197	7,970,281	-	1,086,754	-	(187,162)	-	(187,162)
Sewer	11,097,229	8,858,882	-	2,423,407	-	185,060	-	185,060
Parking facilities	760,188	857,169	-	-	-	96,981	-	96,981
Golf course	469,694	175,123	-	-	-	(294,571)	-	(294,571)
Property management	302,237	354,049	82,875	-	-	134,687	-	134,687
Total business-type activities	54,717,337	51,019,322	82,875	3,529,421	-	(85,719)	-	(85,719)
Total primary government	\$ 97,454,239	\$ 57,919,666	\$ 3,056,325	\$ 5,227,881	\$ (31,164,648)	\$ (85,719)	\$ (85,719)	\$ (31,250,367)
General revenues:								
Property taxes					24,296,300	-	-	24,296,300
State and county shared taxes					6,661,880	-	-	6,661,880
Excise taxes					31,677	-	-	31,677
Investment earnings					412,233	406,055	-	818,288
Miscellaneous					38,230	-	-	38,230
Transfers					229,056	(229,056)	-	-
Total general revenues and transfers					31,669,376	176,999	-	31,846,375
Change in net assets					504,728	91,280	-	596,008
Net assets - beginning					73,469,141	151,307,652	-	224,776,793
Net assets - ending					\$ 73,973,869	\$ 151,398,932	\$ -	\$ 225,372,801

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

City of Hagerstown, Maryland
Balance Sheet
Governmental Funds
June 30, 2009

	General	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Pooled cash and investments	\$ 7,187,499	\$ 37,585	\$ 2,614,900	\$ 9,839,984
Receivables (net of allowance for uncollectibles):				
Taxes	523,374	-	-	523,374
Intergovernmental	1,443,643	1,005,682	715,548	3,164,873
Customers	939,453	-	-	939,453
Loans	-	-	3,372,747	3,372,747
Other	59,829	100,917	7,762	168,508
Advances to other funds	672,545	-	-	672,545
Inventories	143,255	-	-	143,255
Properties held for resale	-	-	1,140,279	1,140,279
Prepaid items	258,748	3,400	171	262,319
Restricted assets:				
Pooled cash and investments	-	-	349,303	349,303
Total assets	\$ 11,228,346	\$ 1,147,584	\$ 8,200,710	\$ 20,576,640
Liabilities And Fund Balances				
Liabilities:				
Accounts and retainages payable	\$ 964,302	\$ 580,310	\$ 119,115	\$ 1,663,727
Accrued liabilities	939,571	-	12,820	952,391
Advances from other funds	-	-	672,545	672,545
Escrowed taxes and insurance	-	-	14,075	14,075
Matured bonds payable	5,031	-	-	5,031
Customer deposits payable	24,000	-	14,760	38,760
Undisbursed loan and grant commitments	-	-	286,333	286,333
Due to other agencies	431,073	-	-	431,073
Deferred revenue	967,242	177,525	-	1,144,767
Total liabilities	3,331,219	757,835	1,119,648	5,208,702
Fund balances:				
Reserved for:				
Encumbrances	108,320	277,556	20,235	406,111
Inventories	143,255	-	-	143,255
Properties held for resale	-	-	1,063,616	1,063,616
Prepaid items	258,748	3,400	171	262,319
Long-term receivables	-	-	3,372,745	3,372,745
Capital Projects	-	108,793	-	108,793
Special Revenue Funds	-	-	2,624,295	2,624,295
Unreserved	7,386,804	-	-	7,386,804
Total fund balances	7,897,127	389,749	7,081,062	15,367,938
Total liabilities and fund balances	\$ 11,228,346	\$ 1,147,584	\$ 8,200,710	

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.	76,305,514
Taxes and other receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds	885,869
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.	2,754,942
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.	(21,340,394)

Net assets of governmental activities \$ 73,973,869

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, 2009

	<u>General</u>	<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 24,296,300	\$ -	\$ -	\$ 24,296,300
State and county shared taxes	6,855,628	-	-	6,855,628
Licenses and permits	1,464,043	-	-	1,464,043
Intergovernmental	167,225	1,563,990	2,408,837	4,140,052
Program income	-	-	308,090	308,090
Charges for services	2,865,895	-	-	2,865,895
Fines and forfeitures	85,627	-	-	85,627
Investment earnings	263,714	52,961	60,310	376,985
Contributions and donations	204,136	134,470	-	338,606
Unallocated general revenue	2,111,178	50,545	134,269	2,295,992
Total revenues	<u>38,313,746</u>	<u>1,801,966</u>	<u>2,911,506</u>	<u>43,027,218</u>
Expenditures				
Current:				
General government	5,946,253	-	-	5,946,253
Public safety	19,926,629	-	1,158,556	21,085,185
Highways and streets	2,565,361	-	-	2,565,361
Waste, collection and disposal	2,094,011	-	-	2,094,011
Culture and recreation	2,263,290	-	-	2,263,290
Economic and community development	332,733	916,714	1,272,304	2,521,751
Unallocated general expenditures	1,988,938	-	-	1,988,938
Debt Service:				
Principal	1,482,518	-	-	1,482,518
Interest	529,848	-	-	529,848
Capital outlay	-	7,369,549	66,211	7,435,760
Total expenditures	<u>37,129,581</u>	<u>8,286,263</u>	<u>2,497,071</u>	<u>47,912,915</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,184,165</u>	<u>(6,484,297)</u>	<u>414,435</u>	<u>(4,885,697)</u>
Other Financing Sources (Uses)				
Transfers in	664,000	1,988,220	428,991	3,081,211
Transfers out	(1,701,641)	-	(696,753)	(2,398,394)
Total other financing sources and uses	<u>(1,037,641)</u>	<u>1,988,220</u>	<u>(267,762)</u>	<u>682,817</u>
Net change in fund balances	146,524	(4,496,077)	146,673	(4,202,880)
Fund balances - beginning	7,750,603	4,885,826	6,934,389	19,570,818
Fund balances - ending	<u>\$ 7,897,127</u>	<u>\$ 389,749</u>	<u>\$ 7,081,062</u>	<u>\$ 15,367,938</u>

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, 2009

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

Net change in fund balances - total governmental funds	\$ (4,202,880)
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.	5,341,275
The net effect of capital asset disposals is to decrease net assets.	(1,815,958)
Revenues in the statement of activities that do not provide current financial resources and, therefore, are not reported as revenues in the funds	1,975
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.	1,381,653
Some expenses reported in the statement of activities do require the use of current financial resources and, therefore, are reported as expenditures in governmental funds.	(741,941)
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>540,604</u>
Change in net assets of governmental activities	<u><u>\$ 504,728</u></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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 23,614,855	\$ 23,614,855	\$ 24,296,300	\$ 681,445
State and county shared taxes	7,725,714	7,725,714	6,855,628	(870,086)
Licenses and permits	1,559,475	1,559,475	1,464,043	(95,432)
Intergovernmental	232,000	232,000	167,225	(64,775)
Charges for services	3,201,105	3,201,105	2,865,895	(335,210)
Fines and forfeitures	86,500	86,500	85,627	(873)
Unallocated general revenue	2,644,600	2,652,050	2,579,028	(73,022)
Total revenues	39,064,249	39,071,699	38,313,746	(757,953)
Expenditures				
Current:				
General government	6,280,033	6,226,891	5,946,253	280,638
Public safety	20,223,502	20,162,358	19,926,629	235,729
Highways and streets	2,710,359	2,710,359	2,565,361	144,998
Waste, collection and disposal	2,144,449	2,144,449	2,094,011	50,438
Culture and recreation	2,487,129	2,444,595	2,263,290	181,305
Economic and community development	288,852	346,852	332,733	14,119
Unallocated general expenditures	1,975,272	2,099,542	1,988,938	110,604
Debt Service:				
Principal	1,501,750	1,501,750	1,482,518	19,232
Interest	698,128	698,128	529,848	168,280
Total expenditures	38,309,474	38,334,924	37,129,581	1,205,343
Excess (deficiency) of revenues over (under) expenditures	754,775	736,775	1,184,165	447,390
Other Financing Sources (Uses)				
Transfers in	611,000	669,000	664,000	(5,000)
Transfers out	(1,663,601)	(1,703,601)	(1,701,641)	1,960
Budgeted use of fund balance	300,000	300,000	-	(300,000)
Total other financing sources and uses	(752,601)	(734,601)	(1,037,641)	(303,040)
Net change in fund balances	2,174	2,174	146,524	144,350
Fund balances - beginning	7,750,603	7,750,603	7,750,603	-
Fund balances - ending	\$ 7,752,777	\$ 7,752,777	\$ 7,897,127	\$ 144,350

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, 2009

	Business-type Activities-Enterprise Funds						Governmental Activities- Internal Service Funds
	Light	Water	Sewer	Parking Facilities	Non-Major Enterprise Funds	Totals	
Assets							
Current assets:							
Pooled cash and investments	\$ 3,006,122	\$ 882,175	\$ 199,690	\$ 144,299	\$ 356,476	\$ 4,588,762	\$ 4,666,909
Interest receivable	9,050	12,718	3,046	291	963	26,068	14,160
Accounts receivable (net of allowance for uncollectibles)	3,715,624	1,420,887	1,944,809	66,310	26,486	7,174,116	55,096
Inventories	275,178	742,964	153,320	-	-	1,171,462	-
Due from other agencies	-	277,169	971,239	-	-	1,248,408	-
Prepaid items	1,919	2,389	24,211	926	291	29,736	149,422
Deferred charges	2,185	5,460	13,688	46,385	1,939	69,657	-
Total current assets	7,010,078	3,343,762	3,310,003	258,211	386,155	14,308,209	4,885,587
Noncurrent assets:							
Restricted assets:							
Pooled cash and investments	5,797,095	3,754,593	640,445	-	-	10,192,133	15,000
Total restricted assets	5,797,095	3,754,593	640,445	-	-	10,192,133	15,000
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	920,795	203,554	1,460,026	-
Buildings and structures	1,527,806	94,885,945	50,035,110	7,672,828	4,236,185	158,357,874	-
Machinery and equipment	34,876,697	10,855,756	40,698,099	124,665	374,898	86,930,115	-
Automobiles and trucks	1,365,687	1,573,579	1,933,101	-	18,259	4,890,626	-
Office furniture and fixtures	397,151	78,366	268,342	-	-	743,859	-
Construction in progress	-	2,013,845	4,513,483	49,474	-	6,576,802	-
Less accumulated depreciation	(22,808,781)	(29,458,941)	(41,415,903)	(2,635,037)	(1,341,132)	(97,659,794)	-
Total capital assets (net of accumulated depreciation)	16,881,829	81,996,744	56,221,502	7,592,189	4,055,816	166,748,080	-
Total noncurrent assets	22,678,924	85,751,337	56,861,947	7,592,189	4,055,816	176,940,213	15,000
Total assets	\$ 29,689,002	\$ 89,095,099	\$ 60,171,950	\$ 7,850,400	\$ 4,441,971	\$ 191,248,422	\$ 4,900,587

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

Business-type Activities-Enterprise Funds

	Light	Water	Sewer	Parking Facilities	Non-Major Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
Liabilities							
Current liabilities:							
Accounts and retainages payable	\$ 2,221,677	\$ 488,493	\$ 1,597,339	\$ 14,282	\$ 19,259	\$ 4,341,050	\$ 112,830
Compensated absences	889,260	1,040,425	1,041,827	25,493	38,920	3,035,925	-
Accrued liabilities	122,215	165,388	187,436	43,525	7,029	525,593	722,592
Customer deposits and rebates	1,212,015	22,950	2,100	5,266	-	1,242,331	-
Unearned revenue	401	113,924	-	-	680	115,005	108,721
General obligation bonds - current	46,502	1,065,679	1,106,478	347,607	40,150	2,606,416	-
Total current liabilities	4,492,070	2,896,859	3,935,180	436,173	106,038	11,866,320	944,143
Noncurrent liabilities:							
Power supply deposit	5,797,095	-	-	-	-	5,797,095	-
General obligation bonds payable	347,759	8,530,810	12,349,332	2,085,304	74,372	23,387,577	-
Total noncurrent liabilities	6,144,854	8,530,810	12,349,332	2,085,304	74,372	29,184,672	-
Total liabilities	10,636,924	11,427,669	16,284,512	2,521,477	180,410	41,050,992	944,143
Net Assets							
Invested in capital assets, net of related debt	16,487,568	72,400,255	42,765,692	5,159,278	3,941,294	140,754,087	-
Unrestricted	2,564,510	5,267,175	1,121,746	169,645	320,267	9,443,343	3,956,444
Total net assets	\$ 19,052,078	\$ 77,667,430	\$ 43,887,438	\$ 5,328,923	\$ 4,261,561	\$ 150,197,430	\$ 3,956,444
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						1,201,502	
Net assets of business-type activities						\$ 151,398,932	

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, 2009

	Business-type Activities- Enterprise Funds						Totals	Governmental Activities- Internal Service Funds
	Light	Water	Sewer	Parking Facilities	Non-Major Enterprise Funds	Totals		
Operating revenues:								
Service charges	\$ 32,485,067	\$ 7,349,403	\$ 8,664,483	\$ 856,730	\$ 542,878	\$ 49,898,561	\$ 8,013,372	
Other revenues	313,526	660,833	192,095	439	17	1,166,910	95,474	
Total operating revenues	<u>32,798,593</u>	<u>8,010,236</u>	<u>8,856,578</u>	<u>857,169</u>	<u>542,895</u>	<u>51,065,471</u>	<u>8,108,846</u>	
Operating expenses:								
Production and treatment expenses	26,250,716	3,244,496	4,540,129	-	-	34,035,341	-	
Transmission, distribution, and collection expenses	2,139,517	1,404,219	1,196,375	-	-	4,740,111	-	
Selling, general and administrative expenses	3,518,958	2,892,513	3,180,362	457,362	657,621	10,706,816	-	
Claim and premium expenses	-	-	-	-	-	-	7,347,259	
Depreciation	1,012,901	1,616,775	2,029,194	191,969	117,325	4,968,164	-	
Total operating expenses	<u>32,922,092</u>	<u>9,158,003</u>	<u>10,946,060</u>	<u>649,331</u>	<u>774,946</u>	<u>54,450,432</u>	<u>7,347,259</u>	
Operating income (loss)	<u>(123,499)</u>	<u>(1,147,767)</u>	<u>(2,089,482)</u>	<u>207,838</u>	<u>(232,051)</u>	<u>(3,384,961)</u>	<u>761,587</u>	
Nonoperating revenues (expenses):								
Intergovernmental revenue	-	-	-	-	82,875	82,875	-	
Investment earnings	247,886	109,653	38,641	2,687	7,188	406,055	110,375	
Interest expense	(13,505)	(201,055)	(264,142)	(116,213)	(3,348)	(598,263)	-	
Gain (loss) on disposal of capital assets	5,225	(39,955)	2,304	-	(13,723)	(46,149)	-	
Total nonoperating revenue (expenses)	<u>239,606</u>	<u>(131,357)</u>	<u>(223,197)</u>	<u>(113,526)</u>	<u>72,992</u>	<u>(155,482)</u>	<u>110,375</u>	
Income (loss) before contributions and transfers	116,107	(1,279,124)	(2,312,679)	94,312	(159,059)	(3,540,443)	871,962	
Capital contributions	19,260	1,086,754	2,423,407	-	-	3,529,421	-	
Transfers in	-	-	-	-	325,247	325,247	-	
Transfers out	(124,996)	(55,000)	(226,975)	-	(147,332)	(554,303)	(600,000)	
Changes in net assets	10,371	(247,370)	(116,247)	94,312	18,856	(240,078)	271,962	
Total net assets - beginning	19,041,707	77,914,800	44,003,685	5,234,611	4,242,705	3,684,482	3,684,482	
Total net assets - ending	<u>\$ 19,052,078</u>	<u>\$ 77,667,430</u>	<u>\$ 43,887,438</u>	<u>\$ 5,328,923</u>	<u>\$ 4,261,561</u>	<u>\$ 3,956,444</u>	<u>\$ 3,956,444</u>	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						331,358		
Change in net assets of business-type activities						<u>\$ 91,280</u>		

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

Change in net assets of business-type activities

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, 2009

	Business-type Activities-						Governmental Activities- Internal Service Funds
	Light	Water	Sewer	Parking Facilities	Non-Major Enterprise Funds	Totals	
Cash Flows From Operating Activities							
Receipts from customers and users	\$ 32,348,307	\$ 9,653,809	\$ 7,777,304	\$ 884,116	\$ 536,335	\$ 51,199,871	\$ -
Receipts from interfund services provided	-	-	-	-	-	-	8,189,153
Payments to suppliers	(28,233,542)	(4,590,100)	(3,725,221)	(163,189)	(255,428)	(36,967,480)	(7,329,273)
Payments to employees	(3,988,725)	(3,991,906)	(3,955,386)	(277,112)	(392,648)	(12,605,777)	-
Net cash provided (used) by operating activities	126,040	1,071,803	96,697	443,815	(111,741)	1,626,614	859,880
Cash Flows From Noncapital Financing Activities							
Advances to other funds	-	5,756	9,452	-	-	15,208	-
Transfers from (to) other funds	(124,996)	(55,000)	(162,821)	-	260,000	(82,817)	(600,000)
Net cash provided (used) by noncapital and related financing activities	(124,996)	(49,244)	(153,369)	-	260,000	(67,609)	(600,000)
Cash Flows From Capital And Related Financing Activities							
Proceeds from intergovernmental grant	-	-	-	-	82,875	82,875	-
Capital contributions	19,260	1,086,754	2,423,407	-	-	3,529,421	-
Acquisition and construction of capital assets	(748,995)	(5,899,494)	(5,681,197)	(49,473)	(144,712)	(12,523,871)	-
Proceeds from bond issuance	-	2,282,740	1,097,775	-	-	3,380,515	-
Principal paid on capital debt	(56,661)	(691,182)	(1,055,532)	(369,652)	(56,210)	(2,229,237)	-
Interest paid on capital debt	(14,375)	(201,023)	(270,533)	(122,480)	(4,451)	(612,862)	-
Proceeds from sale of capital assets	5,225	4,275	10,450	-	-	19,950	-
Net cash provided (used) by capital and related financing activities	(795,546)	(3,417,930)	(3,475,630)	(541,605)	(122,498)	(8,353,209)	-
Cash Flows From Investing Activities							
Interest and dividends received	250,221	112,639	48,829	2,946	6,964	421,599	107,016
Net cash provided by investing activities	250,221	112,639	48,829	2,946	6,964	421,599	107,016

Net increase (decrease) in pooled cash and investments	(544,281)	(2,282,732)	(3,483,473)	(94,844)	32,725	(6,372,605)	366,896
Pooled cash and investments, beginning of year	9,347,498	6,919,500	4,323,608	239,143	323,751	21,153,500	4,315,013
Pooled cash and investments, end of year	<u>\$ 8,803,217</u>	<u>\$ 4,636,768</u>	<u>\$ 840,135</u>	<u>\$ 144,299</u>	<u>\$ 356,476</u>	<u>\$ 14,780,895</u>	<u>\$ 4,681,909</u>
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating income (loss)	<u>\$ (123,499)</u>	<u>\$ (1,147,767)</u>	<u>\$ (2,089,482)</u>	<u>\$ 207,838</u>	<u>\$ (232,051)</u>	<u>\$ (3,384,961)</u>	<u>\$ 761,587</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense					117,325	4,968,164	-
Net effect of changes in assets and liabilities	1,012,901	1,616,775	2,029,194	191,969			
Accounts receivable	(497,539)	1,892,964	(104,497)	26,422	(6,100)	1,311,250	33,644
Inventories	44,151	(218,546)	(12,878)	-	-	(187,273)	-
Prepaid items	(1,919)	(2,389)	(24,211)	(926)	(291)	(29,736)	(132,618)
Accounts and retainages payable	(414,189)	(969,500)	1,132,185	6,889	4,933	(239,682)	102,107
Compensated absences payable	38,167	131,008	96,653	8,346	3,883	278,057	-
Accrued liabilities	20,715	21,349	20,202	2,752	1,020	66,038	48,497
Customer deposits and rebates	(135,674)	22,950	2,100	525	-	(110,099)	-
Due from other agencies	-	(277,169)	(952,569)	-	-	(1,229,738)	-
Unearned revenue	401	2,128	-	-	(460)	2,069	46,663
Power supply deposit	182,525	-	-	-	-	182,525	-
Total adjustments	<u>249,539</u>	<u>2,219,570</u>	<u>2,186,179</u>	<u>235,977</u>	<u>120,310</u>	<u>5,011,575</u>	<u>98,293</u>
Net cash provided (used) by operating activities	<u>\$ 126,040</u>	<u>\$ 1,071,803</u>	<u>\$ 96,697</u>	<u>\$ 443,815</u>	<u>\$ (111,741)</u>	<u>\$ 1,626,614</u>	<u>\$ 859,880</u>
Reconciliation of pooled cash and investments to the balance sheet							
Pooled cash and investments	\$ 3,006,122	\$ 882,175	\$ 199,690	\$ 144,299	\$ 356,476	\$ 4,588,762	\$ 4,666,909
Restricted pooled cash and investments	5,797,095	3,754,593	640,445	-	-	10,192,133	15,000
Totals	<u>\$ 8,803,217</u>	<u>\$ 4,636,768</u>	<u>\$ 840,135</u>	<u>\$ 144,299</u>	<u>\$ 356,476</u>	<u>\$ 14,780,895</u>	<u>\$ 4,681,909</u>
Noncash investing, capital, and financing activities:							
Transfer of capital asset (to)/ from Governmental Fund	10,803	-	(64,154)	-	(82,085)	(135,436)	-

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, 2009

	<u>Pension Trust</u>	<u>Other Post Employment Benefits (OPEB) Trust</u>	<u>Total Fiduciary Trusts</u>
Assets			
Investments, at fair value:			
Cash and Cash Equivalents	\$ 376,168	\$ 810,000	\$ 1,186,168
Government and Agency Issues	1,949,566	-	1,949,566
Foreign Stock	1,556,435	-	1,556,435
Common Stock	3,922,388	-	3,922,388
Mutual Funds	<u>2,757,173</u>	<u>-</u>	<u>2,757,173</u>
Total investments	10,561,730	810,000	11,371,730
Accounts Receivable	<u>131,965</u>	<u>-</u>	<u>131,965</u>
Total assets	<u>10,693,695</u>	<u>810,000</u>	<u>11,503,695</u>
Liabilities			
Current liabilities:			
Accounts payable	<u>1,200</u>	<u>-</u>	<u>1,200</u>
Net Assets			
Held in trust for pension benefits	<u>\$ 10,692,495</u>	<u>\$ 810,000</u>	<u>\$ 11,502,495</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, 2009

	<u>Pension</u>	<u>Other Post</u>	<u>Total</u>
	<u>Trust</u>	<u>Employment</u>	<u>Fiduciary</u>
Additions	Trust	Trust	Trusts
Contributions:			
Employer	\$ 1,038,557	\$ 810,000	\$ 1,848,557
Plan members	681,570	-	681,570
Total contributions	<u>1,720,127</u>	<u>810,000</u>	<u>2,530,127</u>
Investment earnings:			
Interest and dividends	684,295	-	684,295
Net decrease in the fair value of investments	(2,580,205)	-	(2,580,205)
Other revenues	5,591	-	5,591
Total investment earnings	<u>(1,890,319)</u>	<u>-</u>	<u>(1,890,319)</u>
Less investment expense	4,912	-	4,912
Net investment earnings	<u>(1,895,231)</u>	<u>-</u>	<u>(1,895,231)</u>
Total additions	<u>(175,104)</u>	<u>810,000</u>	<u>634,896</u>
Deductions			
Benefits	1,012,886	-	1,012,886
Administrative expenses	12,312	-	12,312
Actuarial fees	16,591	-	16,591
Total deductions	<u>1,041,789</u>	<u>-</u>	<u>1,041,789</u>
Change in net assets	<u>(1,216,893)</u>	<u>810,000</u>	<u>(406,893)</u>
Net assets - beginning	11,909,388	-	11,909,388
Net assets - ending	<u>\$ 10,692,495</u>	<u>\$ 810,000</u>	<u>\$ 11,502,495</u>

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

City of Hagerstown
Notes to the Financial Statements
June 30, 2009

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 *light 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 *sewer 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 fund types:

- *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 27	May 27
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 6/30/2009 Per \$100 of assessable base	 \$ 0.788	 \$ 1.970
Maximum discount:	July 31	July 31
Delinquent:	After 30 days	After 30 days
Terms	1% / 30 days	1% / 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 assets

Benefit charge proceeds of \$2,775,828 in the water fund and \$640,445 in the sewer 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 assets (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 \$100,981 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 light fund restricted cash of \$5,797,095 is associated with a performance security deposit made by Allegheny Power during the fiscal year ended June 30, 2006. This deposit, which represents two months' of projected electric revenue, was made by Allegheny Power to ensure continual electricity during a five year contract effective July 1, 2006, to May 31, 2011. This restricted cash bears interest to Allegheny Power at the Federal Funds Effective Rate. The deposit and interest will be refunded to Allegheny Power at the end of the agreement.

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, 2009, \$335,228 was restricted for single family loans and \$14,075 was restricted for escrowed taxes and insurance.

As part of the City's previous workers' compensation insurance program, \$15,000 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.

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.

5. Capital assets (continued)

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.

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 an other financing use.

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.

E. Reclassifications

Certain reclassifications of amounts previously reported have been made in the accompanying financial statements in order to make the June 30, 2008 amounts conform to the classifications used for June 30, 2009. Such reclassifications had no effect on financial position and the results of operations.

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 \$21,340,394 difference are as follows:

Bonds payable	\$ 13,342,801
Accrued interest payable	150,721
Deferred charges	(51,880)
Compensated absences	<u>7,898,752</u>
Net adjustment to reduce <i>fund balance -- total governmental funds</i> to arrive at <i>net assets -- governmental activities</i>	<u><u>\$ 21,340,394</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 \$5,341,275 difference are as follows:

Capital outlay	\$ 7,435,760
Contributed assets	806,092
Depreciation expense	<u>(2,900,577)</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>\$ 5,341,275</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 \$1,381,653 difference are as follows:

Principal payments on general obligation debt	\$ 1,482,518
Interest expense	<u>(100,865)</u>
 Net adjustment to increase <i>net changes in fund balance -- total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 <u>\$ 1,381,653</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do require the use of current financial resources and therefore are reported as expenditures in governmental funds.” The details of this (\$741,941) difference are as follows:

Compensated absences	\$ (758,691)
Accrued interest	<u>16,750</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>\$ (741,941)</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 principals 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 not material.

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, 2009, expenditures/expenses exceeded revenues by \$73,884 in the Economic Redevelopment Fund, \$2,972 in the Flexible Spending Fund, \$11,289 in the Business Revolving Loan Fund, \$26,186 in the Grant Fund, \$4,496,077 in the Capital Projects Fund, \$1,216,893 in the Pension Trust Fund, \$247,370 in the Water Fund, \$116,247 in the Sewer Fund, and \$5,457 in the Property Management Fund. These excess expenditures/expenses were funded by beginning of the year fund balance in the respective funds.

C. Restricted Net Assets

For the year ended at June 30, 2009, \$389,749 is restricted for the Capital Project Fund for projects which contain specific grants or contributions.

For the year ended at June 30, 2009, \$7,081,062 is restricted for Special Revenue Funds. This total consists of \$3,731,450 for the Community Development Block Grant Fund, \$566,308 for the Economic Redevelopment Fund, \$26,315 for the Flexible Spending Fund, \$146,329 for the Telecommuting Center Fund, \$757,166 for the Business Revolving Loan Fund, \$1,815,723 for the Excise Tax Fund, and \$37,771 for the Grant Fund.

C. Restricted Net Assets (continued)

Excise taxes collected may only be used for capital costs of public works, improvements, and facilities required to accommodate new construction for the development of roads; new construction or development of parks and recreational facilities; new construction or development of water and sewer infrastructure; and new construction or development of public safety facilities. Of the total excise taxes collected \$31,677 is restricted for the other purposes permitted.

IV. Detailed notes on all funds

A. Deposits and investments

At June 30, 2009, 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 \$21,158,200 and the bank balances were \$21,608,500. 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 \$10,297,567 was secured by federal depository insurance, \$10,160,933 was collateralized by securities held by the bank's agent in the City's name, and \$1,150,000 was collateralized by securities held by the bank's agent in the bank's name. There were no uninsured or uncollateralized funds.

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, 2009 the City had \$8,484,579 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		376,168	376,168	-	-	-
Federal Home Loan Mortgage Corp		451,093	-	740	-	450,353
Federal National Mortgage Assn		736,691	-	25,182	9,481	702,028
Government National Mortgage Assoc		37,778	-	-	-	37,778
U S Treasury Notes		724,004	-	501,249	62,231	160,524
Various agencies	A1	82,133	-	46,425	35,708	-
Various agencies	A2	242,876	-	86,520	100,590	55,766
Various agencies	A3	160,480	-	93,693	61,577	5,210
Various agencies	AA2	20,491	-	4,801	-	15,690
Various agencies	AA3	20,290	-	20,290	-	-
Various agencies	AAA	605,663	-	325,342	-	280,321
Various agencies	BAA1	158,015	-	69,934	37,169	50,912
Various agencies	BAA2	206,326	-	24,308	182,018	-
Various agencies	BAA3	43,555	-	9,948	4,060	29,547
Various agencies	NR	16,606	-	16,606	-	-
Common Stock		3,922,388	3,922,388	-	-	-
Mutual Funds		2,757,173	2,757,173	-	-	-
Total investments held by trustee of Pension plan		<u>10,561,730</u>	<u>7,055,729</u>	<u>1,225,038</u>	<u>492,834</u>	<u>1,788,129</u>

At June 30, 2009, investments held by the trustee for the City's OPEB trust fund consisted entirely of cash.

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, 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.

A. Deposits and investments (continued)

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:

Total Equities	20 – 80%
International Equities	0 – 10%
Fixed Income	20 – 80%
Cash	0 – 20%

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
Fixed Income	Shearson Lehman Gov’t/Corp.
Cash and Equivalencies	U. S. Government 3 mo. T-Bills

Foreign Currency Risk – The City’s Pension Plan has no monies invested in foreign stocks. The investment policy permits it to invest up to 10 percent 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 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>		
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>		
High Yield Bonds	0 – 10%	2%
Investment Grade Bonds	15 – 40%	30%
Money Market	0 – 10%	3%

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	\$ 713,735	\$ -	\$ -	\$ -	\$ 713,735
Intergovernmental	1,443,643	1,005,682	-	715,548	3,164,873
Customers	1,086,452	95,855	55,096	-	1,237,403
Loans	-	-	-	3,726,224	3,726,224
Interest	30,933	5,062	14,160	7,762	57,917
Employee	28,897	-	-	-	28,897
Gross receivables	3,303,660	1,106,599	69,256	4,449,534	8,929,049
Less: allowance for uncollectibles	(337,361)	-	-	(353,477)	(690,838)
Net total receivable	<u>\$ 2,966,299</u>	<u>\$ 1,106,599</u>	<u>\$ 69,256</u>	<u>\$ 4,096,057</u>	<u>\$ 8,238,211</u>

Business-Type Activities:

	Light	Water	Sewer	Parking Facilities	Non- Major Enterprise Funds	Business- Type Activities
Receivables:						
Customers	\$7,655,747	\$1,723,322	\$2,074,511	\$ 229,845	\$ 26,486	\$11,709,911
Interest	9,050	12,718	3,046	291	963	26,068
Employee	-	2,700	-	-	-	2,700
Gross receivables	7,664,797	1,738,740	2,077,557	230,136	27,449	11,738,679
Less: allowance for uncollectibles	(3,940,123)	(305,135)	(129,702)	(163,535)	-	(4,538,495)
Net total receivables	<u>\$3,724,674</u>	<u>\$1,433,605</u>	<u>\$1,947,855</u>	<u>\$ 66,601</u>	<u>\$ 27,449</u>	<u>\$ 7,200,184</u>

City Totals:

	Governmental Activities	Business- Type Activities	Total
Receivables:			
Taxes	\$ 713,735	\$ -	\$ 713,735
Intergovernmental	3,164,873	-	3,164,873
Customers	1,237,403	11,709,911	12,947,313
Loans	3,726,224	-	3,726,223
Interest	57,917	26,068	83,986
Employee	28,897	2,700	31,597
Gross receivables	8,929,049	11,738,679	20,667,728
Less: allowance for uncollectibles	(690,838)	(4,538,495)	(5,229,333)
Net total receivables	<u>\$ 8,238,211</u>	<u>\$ 7,200,184</u>	<u>\$ 15,438,395</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	\$ 806,641	\$ -	\$ 806,641
Other deferred revenues	79,228	81,375	160,603
Total deferred/unearned revenue for governmental funds	<u>\$ 885,869</u>	<u>\$ 81,375</u>	<u>\$ 967,244</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	Ending <u>Balance</u>
Governmental activities:					
Capital Assets, not being depreciated:					
Land	\$ 1,044,756	\$ -	\$ -	\$ 247,934	\$ 1,292,690
Construction in Progress	<u>6,226,290</u>	<u>4,534,801</u>	<u>(268,599)</u>	<u>(837,207)</u>	<u>9,655,285</u>
Total Capital Assets, not being depreciated	<u>7,271,046</u>	<u>4,534,801</u>	<u>(268,599)</u>	<u>(589,273)</u>	<u>10,947,975</u>
Capital Assets, being depreciated:					
Land Improvements	4,387,019	139,650	(125,228)	235,026	4,636,467
Buildings and Structures	15,088,161	336,690	(1,259,647)	33,706	14,198,910
Machinery and Equipment	3,715,064	298,092	(293,114)	18,125	3,738,167
Automobiles and Trucks	6,600,853	539,597	(304,033)	284,553	7,120,970
Office Furniture and Fixtures	2,671,306	443,259	-	-	3,114,565
Infrastructure	<u>79,031,102</u>	<u>1,860,900</u>	<u>-</u>	<u>106,726</u>	<u>80,998,728</u>
Total Capital Assets being depreciated	<u>111,493,505</u>	<u>3,618,188</u>	<u>(1,982,022)</u>	<u>678,136</u>	<u>113,807,807</u>
Less Accumulated Depreciation for:					
Land Improvements	(225,065)	(56,240)	-	-	(281,305)
Buildings and Structures	(6,560,174)	(587,983)	348,712	6,453	(6,792,992)
Machinery and Equipment	(1,911,160)	(277,176)	288,327	19,670	(1,880,339)
Automobiles and Trucks	(4,430,555)	(517,633)	274,111	20,450	(4,653,627)
Office Furniture and Fixtures	(1,839,915)	(115,901)	-	-	(1,955,816)
Infrastructure	<u>(31,540,545)</u>	<u>(1,345,644)</u>	<u>-</u>	<u>-</u>	<u>(32,886,189)</u>
Total Accumulated Depreciation	<u>(46,507,414)</u>	<u>(2,900,577)</u>	<u>911,150</u>	<u>46,573</u>	<u>(48,450,268)</u>
Total Capital Assets, being depreciated, net	<u>64,986,091</u>	<u>717,611</u>	<u>(1,070,872)</u>	<u>724,709</u>	<u>65,357,539</u>
Governmental Activities Capital Assets, net	<u>\$72,257,137</u>	<u>\$ 5,252,412</u>	<u>\$ (1,339,471)</u>	<u>\$ 135,436</u>	<u>\$76,305,514</u>
	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	Ending <u>Balance</u>
Business-type activities:					
Capital Assets, not being depreciated:					
Land	\$ 5,375,878	\$ 72,694	\$ -	\$ -	\$ 5,448,572
Construction in Progress	<u>13,967,754</u>	<u>7,681,695</u>	<u>-</u>	<u>(15,072,647)</u>	<u>6,576,802</u>
Total Capital Assets, not being depreciated	<u>19,343,632</u>	<u>7,754,389</u>	<u>-</u>	<u>(15,072,647)</u>	<u>12,025,374</u>

C. Capital Assets (continued)

Business-type activities (continued):	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital Assets, being depreciated:					
Land Improvements	1,497,000	7,258	-	(44,232)	1,460,026
Buildings and Structures	148,617,045	3,494,762	(190,449)	6,436,516	158,357,874
Machinery and Equipment	78,450,592	1,002,398	(1,079,935)	8,557,060	86,930,115
Automobiles and Trucks	4,645,907	385,620	(144,868)	3,967	4,890,626
Office Furniture and Fixtures	<u>706,129</u>	<u>9,527</u>	<u>(2,270)</u>	<u>30,473</u>	<u>743,859</u>
Total Capital Assets being depreciated	<u>233,916,673</u>	<u>4,899,565</u>	<u>(1,417,522)</u>	<u>14,983,784</u>	<u>252,382,500</u>
Less Accumulated Depreciation for:					
Land Improvements	(706,034)	(57,959)	-	14,238	(749,755)
Buildings and Structures	(46,069,216)	(2,408,882)	134,186	(14,238)	(48,358,150)
Machinery and Equipment	(43,122,652)	(2,182,472)	929,431	(22,933)	(44,398,626)
Automobiles and Trucks	(3,312,575)	(299,260)	144,873	(3,970)	(3,470,932)
Office Furniture and Fixtures	<u>(645,115)</u>	<u>(19,590)</u>	<u>2,044</u>	<u>(19,670)</u>	<u>(682,331)</u>
Total Accumulated Depreciation	<u>(93,855,592)</u>	<u>(4,968,163)</u>	<u>1,210,534</u>	<u>(46,573)</u>	<u>(97,659,794)</u>
Total Capital Assets, being depreciated, net	<u>140,061,081</u>	<u>(68,598)</u>	<u>(206,988)</u>	<u>14,937,211</u>	<u>154,722,706</u>
Business-type Activities Capital Assets, net	<u>\$159,404,713</u>	<u>\$7,685,791</u>	<u>\$ (206,988)</u>	<u>\$ (135,436)</u>	<u>\$166,748,080</u>

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

Governmental activities:	
General government, including general infrastructure assets	\$1,430,549
Public safety	487,426
Streets and alleys	279,679
Parks and recreation	660,233
Municipal buildings	38,999
Economic and community development	3,691
Total depreciation expense – governmental activities	<u>\$2,900,577</u>
Business-type activities:	
Light	\$1,012,901
Water	1,616,774
Sewer	2,029,194
Parking facilities	191,969
Golf course	32,993
Property management	84,332
Total depreciation expense – business-type activities	<u>\$4,968,163</u>

C. Capital Assets (continued)

Construction commitments

The government has active construction projects as of June 30, 2009. The projects include improvements to the wastewater treatment system, a new West End water storage tank, and construction of major street and road improvements. At year end the government's commitments with contractors are as follows:

Project	Spent-to- Date	Remaining Commitment
Jonathan Street Improvement	\$ 2,342,093	\$ 1,775,585
Eastern Boulevard Widening	4,823,968	60,528
Widen Edgewood/US 40 Intersection	548,560	1,934,879
Financial Management Software	768,587	190,763
Permit Tracking Software	170,307	34,693
West End Storage Tank – Phase II	320,571	49,429
Willson Transmission Mains & Distribution	492,064	335,700
Waste Water Treatment Plant – Phase IV Headworks	931,230	3,307,000
Waste Water Treatment Plant – Environmental Improvements	2,596,616	9,250,000
Waste Water Treatment Plant – Disinfection – Phase 3B	1,142,034	3,588,000
Conrad Court Pump Station Improvement	5,343	794,657
Total	<u>\$ 14,141,373</u>	<u>\$ 21,321,234</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 and permitting software is being financed through bond financings. 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. The upgrades of the Waste Water Treatment Plant facility are being financed through state grants, bond financing and benefit charges from new users. The Conrad Court Pump Station Improvement is being financed primarily through benefit charges from new users.

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2009, is as follows:

Advances from/to other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Community Development Block Grant Fund	\$ 565,000
General Fund	Grant Revenue Fund	\$ 107,545

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, 2009. The temporary advance will then be reversed.

Interfund transfers:

	Transfers Out							General Fixed Assets	Total Transfers In
	General Fund	Nonmajor Governmental	Light	Water	Sewer	Nonmajor Enterprise	Internal Service Fund		
<u>Transfers in:</u>									
General	\$ -	\$ 64,000	\$ -	\$ -	\$ -	\$ -	\$600,000	\$ -	\$ 664,000
Capital Projects	1,179,314	466,089	124,996	55,000	162,821	-	-	-	1,988,220
Water	-	-	-	-	-	-	-	-	-
Sewer	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-
Nonmajor	-	-	-	-	-	-	-	-	-
Governmental	262,327	166,664	-	-	-	-	-	-	428,991
Nonmajor	-	-	-	-	-	-	-	-	-
Enterprise	260,000	-	-	-	-	-	-	65,247	325,247
Internal Service	-	-	-	-	-	-	-	-	-
General Fixed	-	-	-	-	-	-	-	-	-
Assets	-	-	-	-	64,154	147,332	-	-	211,486
Transfers in	<u>\$1,701,641</u>	<u>\$ 696,753</u>	<u>\$124,996</u>	<u>\$55,000</u>	<u>\$226,975</u>	<u>\$147,332</u>	<u>\$600,000</u>	<u>\$65,247</u>	<u>\$3,617,944</u>

The \$64,000 transferred in to the General Fund has two separate components: (1) a \$58,000 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 (\$1,179,314), Nonmajor Governmental Funds (\$466,089), Light Fund (\$124,996), Water Fund (\$55,000), and Sewer Fund (\$162,821) 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 \$600,000 transfer from the Internal Service Funds, Health Insurance Fund represents reimbursement to the General Fund of prior years pre-funding of future healthcare costs. The \$262,327 transfer from the General Fund has two separate components: (1) a \$140,788 transfer to the Economic Redevelopment Fund for community betterment projects and (2) a \$121,539 transfer to the Grant Revenue Fund for a local match requirements.

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

The \$260,000 transfer from the General Fund to the Nonmajor Enterprise Funds represents operating transfers to the Golf Course Fund.

The \$166,664 transfer between Nonmajor Governmental Funds represents a transfer to the Business Revolving Loan Fund from the Economic Redevelopment Fund for City community based initiatives.

The \$65,247 transfer from General Fixed Assets to the Nonmajor Enterprise Funds represents capital 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 \$136 and the total cost for this lease for the fiscal year ended June 30, 2009, was \$1,632.

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, 2009, was \$11,698.

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, 2009, 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, 2009, 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, 2009, 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, 2009, 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, 2009, was \$864.

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

	Fiscal Years Ending June 30,					Total
	2010	2011	2012	2013	2014	
Office Equipment Lease	\$40,536	\$ 6,756	\$ -	\$ -	\$ -	\$ 47,292
Savin 2525 Color Copier	6,942	5,785	-	-	-	12,727
Savin 3535 Color Copier	4,182	3,137	-	-	-	7,319
Twenty (20) Golf Carts	11,698	11,698	6,824	-	-	30,220
Jacobsen LF3400 Mower	8,148	8,148	8,148	-	-	24,444
Savin 816 Copier	942	628	-	-	-	1,570
Total	<u>\$72,448</u>	<u>\$36,152</u>	<u>\$14,972</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$123,572</u>

E. Operating Leases (continued)

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, 2009 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, 2009 was \$9,600.

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, 2009 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, 2009 was \$7,963.

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 one (1) additional five (5) year term and expires on May 31, 2010. The lease calls for monthly rental payments of \$958 and the rental income received for the fiscal year ended June 30, 2009 was \$11,500.

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 was renewed for six (6) additional one (1) year terms. The current lease began on March 1, 2009 and expires on February 28, 2010. The lease calls for monthly rental payments of \$1,073 and the rental income received for the fiscal year ended June 30, 2009 was \$12,870.

E. Operating Leases (continued)

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, 2009 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 expires on May 31, 2010. The lease calls for monthly rental payments of \$1,400 and the rental income received for the fiscal year ended June 30, 2009 was \$16,800.

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 five (5) additional one (1) year terms and currently expires on May 31, 2010. The lease calls for monthly rental payments of \$2,125 and the rental income received for the fiscal year ended June 30, 2009 was \$24,875.

The City leased the property located at 14 North Potomac Street Suite B-3, Hagerstown, Maryland to another party under a one (1) year 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, 2009 was \$25,500.

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 \$750 and the rental income received for the fiscal year ended June 30, 2009 was \$9,000.

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, 2009 was \$156,260.

E. Operating Leases (continued)

The City leased the property located at 14 North Potomac Street Suite B-2, Hagerstown, Maryland to another party under a one (1) year lease which began on April 7, 2004 and expired on December 31, 2008. The current lease agreement is under a one (1) year lease which began on January 1, 2009 and expires on December 31, 2009. The lease calls for monthly rental payments of \$325 and the rental income received for the fiscal year ended June 30, 2009 was \$4,375.

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, 2009 was \$6,300.

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, 2009 was \$91,554.

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

Property Description	Fiscal Years Ending June 30,						Total
	2010	2011	2012	2013	2014	Thereafter	
Parcel 1003, Mack Truck Rd	\$ 9,600	\$ 9,600	\$ 9,600	\$ 9,600	\$ 9,600	\$120,000	\$ 168,000
17 East Franklin St	7,744	8,006	4,069	-	-	-	19,819
15-16 Public Sq	10,542	-	-	-	-	-	10,542
12 Public Sq	8,580	-	-	-	-	-	8,580
11 Public Sq	1,181	1,181	-	-	-	-	2,362
6 North Potomac St	15,400	-	-	-	-	-	15,400
6 North Potomac St, Basement	23,375	-	-	-	-	-	23,375
14 North Potomac St, Suite B-3	25,500	25,500	25,500	25,500	25,500	21,250	148,750
2-6 North Potomac St, First Floor	155,960	155,960	155,960	161,066	161,530	498,051	1,288,527
14 North Potomac St, Suite B-2	1,950	-	-	-	-	-	1,950
14 North Potomac St, Suite S6-S11	8,400	2,100	-	-	-	-	10,500
TOTALS	<u>\$268,232</u>	<u>\$202,347</u>	<u>\$195,129</u>	<u>\$196,166</u>	<u>\$196,630</u>	<u>\$639,301</u>	<u>\$1,697,805</u>

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	\$ 347,465	\$ 677,535	\$ 1,025,000
1997 general obligation	4.60%	2013	675,740	1,849,260	2,525,000
1998 MD Water Quality Revolving Loan Fund	3.13%	2019	-	738,951	738,951
1998 general obligation	4.31%	2014	625,000	-	625,000
1998 MD Water Quality Revolving Loan Fund	2.37%	2020	-	4,030,677	4,030,677
2000 MD Water Quality Revolving Loan Fund	2.40%	2021	-	1,364,856	1,364,856
2002 The Columbia Bank	3.39%	2014	-	32,840	32,840
2002 Washington County MWQ Refunding	5.25%	2015	-	184,307	184,307
2002 Washington County Series 96B	7.25%	2010	-	42,219	42,219
2002 Washington County Series 96B #2	7.25%	2010	-	86,448	86,448
2002 State of Maryland Water Supply Assistance	4.45%	2024	-	203,426	203,426
2004 public facilities bonds	3.0%-4.3%	2020	1,090,000	-	1,090,000
2004 refunding bonds	3.0%-4.3%	2012	780,610	774,390	1,555,000
2004 taxable facilities	5.0%-6.0%	2020	-	1,120,000	1,120,000
2005 general obligation	3.36%	2020	2,978,250	156,750	3,135,000
2005 MD Water Quality Revolving Loan Fund	0.40%	2025	-	5,995,142	5,995,142
2006 general obligation	3.66%	2022	6,712,660	2,217,340	8,930,000
2007 The Columbia Bank	5.94%	2013	123,522	-	123,522
2007 MD Drinking Water Revolving Loan Fund	0.40%	2028	-	5,379,313	5,379,313
2009 MD Water Quality Revolving Loan Fund	0.00%	2030	-	1,097,775	1,097,775
Total general obligation bonds payable			<u>13,333,247</u>	<u>25,951,229</u>	<u>39,284,476</u>
Premium on 2004 bond issue			<u>9,554</u>	<u>22,861</u>	<u>32,415</u>
Total general obligation debt outstanding			<u>\$13,342,801</u>	<u>\$25,974,090</u>	<u>\$39,316,891</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 12th 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>
2010	\$1,457,617	\$ 475,671	\$ 2,605,599	\$ 555,546
2011	1,466,218	420,095	2,461,774	479,224
2012	1,515,499	363,295	2,520,213	411,616
2013	1,078,925	310,011	1,801,922	347,513
2014	908,578	271,374	1,548,762	313,596
2015-2019	4,622,742	872,044	8,046,349	1,118,928
2020-2024	2,283,668	116,209	5,114,602	340,393
2025-2029	-	-	1,797,120	98,855
2030	-	-	54,888	-
Total	<u>13,333,247</u>	<u>2,828,699</u>	<u>25,951,229</u>	<u>3,665,671</u>
Premium on 2004 bond issues	9,554	-	22,861	-
Total general obligation debt	<u>\$13,342,801</u>	<u>\$2,828,699</u>	<u>\$25,974,090</u>	<u>\$3,665,671</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, 2009, \$19,903 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>\$ 19,903</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>
2010	\$ 817	\$ 1,067
2011	861	1,023
2012	907	977
2013	956	928
2014	1,007	877
2015-2019	5,903	3,514
2020-2024	7,664	1,754
2025	<u>1,788</u>	<u>96</u>
Total	<u>\$19,903</u>	<u>\$10,236</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>
Governmental activities:					
Bonds payable:					
General obligation					
Bonds	\$14,815,765	\$ -	\$(1,482,518)	\$13,333,247	\$ 1,457,617
Premium	<u>19,670</u>	<u>-</u>	<u>(10,116)</u>	<u>9,554</u>	<u>-</u>
Total long-term debt	14,835,435	-	(1,492,634)	13,342,801	1,457,617
Compensated absences	<u>7,140,061</u>	<u>2,935,474</u>	<u>(2,176,783)</u>	<u>7,898,752</u>	<u>2,263,782</u>
Governmental activity					
Long-term liabilities	<u>\$21,975,496</u>	<u>\$ 2,935,474</u>	<u>\$(3,669,417)</u>	<u>\$21,241,553</u>	<u>\$ 3,721,399</u>
Business-type activities					
Bonds payable:					
General obligation					
Bonds	\$24,799,172	\$ 3,380,515	\$(2,228,458)	\$25,951,229	\$ 2,605,599
Revenue bonds	20,678	-	(775)	19,903	817
Premium	<u>24,615</u>	<u>-</u>	<u>(1,754)</u>	<u>22,861</u>	<u>-</u>
Total long-term debt	24,844,465	3,380,515	(2,230,987)	25,993,993	2,606,416
Compensated absences	<u>2,757,868</u>	<u>1,244,929</u>	<u>(966,872)</u>	<u>3,035,925</u>	<u>1,267,451</u>
Business-type activities					
Long-term liabilities	<u>\$27,602,333</u>	<u>\$ 4,625,444</u>	<u>\$(3,197,859)</u>	<u>\$29,029,918</u>	<u>\$ 3,873,866</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 \$22,367 for 2009; \$5,330 for 2008; \$52,661 for 2007; \$30,094 for 2006; \$3,931 for 2005; \$44,385 for 2004; \$119,452 for 2003; and \$21,479 for 2002.

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 \$6.6 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 \$153,500 in general liability risk claims, \$35,934 in workers compensation claims, \$686,658 in health and dental insurance.

	General Liability Risks Program		Workers Compensation Fund		Health and Dental Insurance Funds	
	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08
Unpaid claims, beginning of year	\$ 141,000	\$ 108,500	\$ 38,217	\$ 38,217	\$ 635,878	\$ 717,605
Incurred claims	101,296	94,954	1,912	47	5,215,706	5,403,967
Claim payments	(88,796)	(62,454)	(4,195)	(47)	(5,164,926)	(5,485,694)
Unpaid claims, end of year	<u>\$ 153,500</u>	<u>\$ 141,000</u>	<u>\$ 35,934</u>	<u>\$ 38,217</u>	<u>\$ 686,658</u>	<u>\$ 635,878</u>

B. Contingent liabilities and commitments

The City of Hagerstown is a defendant in various legal proceedings at June 30, 2009. 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 development 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 has notified the software company that the City considers them to be in breach of contract and is seeking recovery of all funds paid to date. Litigation is anticipated. The outcome is unknown at this time.

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 \$83,692) 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.

B. Contingent liabilities and commitments (continued)

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, 2009 is \$1,294,572.

On March 20, 1994, the government entered into an Electric Power Services Agreement with First Urban Fiber to build and upgrade the Light 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 Light 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 April 30, 2010, Light Fund long-term receivables reflect a balance outstanding of approximately \$2.565 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 76 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 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 \$45,000.

B. Contingent liabilities and commitments (continued)

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 September 2009, the City sold \$17,995,000 in General Obligation bonds. 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. The City, after expected federal rebates of 35% of the taxable interest, received a net interest cost on these bonds of 3.366%. Of the \$17,995,000 in bond proceeds, 47% is related to Governmental Activities and 53% is related to Business Type Activities. Major projects to be financed by this bond issuance will be, Eastern Boulevard widening, Jonathan Street reconstruction and utility replacement, the Library expansion, and Water distribution rehabilitation.

C. Other post employment benefits

In addition to the pension benefits described in Note III 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 2009, 215 retirees and their 177 dependents were eligible for hospitalization and dental benefits. For fiscal year 2009, total claims paid for retiree health and dental care benefits was approximately \$1,658,705.

Plan description Hospitalization and dental insurance coverage is provided to retirees if they have completed ten (10) years of continuous service and were hired prior to July 1, 1987, or if they completed twenty (20) years of continuous service and were hired subsequent to July 1, 1987.

The hospitalization insurance is a contributory plan, with retirees under 65 sharing the cost of dependency coverage equally with the City government and the City government paying 95% of the retiree's cost. For those retirees and their dependents over 65 the City provides a \$400 monthly stipend to aid in the cost of acquiring a medicare supplemental health insurance plan. If an employee suffers a job-related death or disability requiring early retirement, the government provides full medical coverage for the employee and his/her dependents until the employee and his/her spouse attain age 65, and his/her children attain age 19, or 23 in the case of full time students. Of the eligible retirees, 133 retirees and 111 dependents are provided the \$400 monthly stipend to aid in the cost of acquiring a Medicare supplemental health insurance plan.

The dental insurance is also a contributory plan, with retirees paying the full cost of dependency coverage and the government paying the retiree's cost in full. The government'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 government's Personnel 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 \$1,035,000 for the year ended June 30, 2009 for current health and dental care benefit premiums. An additional \$2,190,000 has been designated for future benefits for a total ARC of \$3,225,000. The current ARC rate is 12.2% of annual covered payroll. The City contributed \$3,356,000 to the plan, including \$2,546,000 in current premiums and other pay as you go costs (75.9% of total premiums) and an additional \$810,000 to prefund benefits for the fiscal year 2009. Plan members receiving benefits contributed \$267,406, or approximately 8.0% 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, 2008 to determine the funded status of the plan as of that date as

C. Other post employment benefits (continued)

well as the City's ARC for the fiscal year ended June 30, 2009. The accrued unfunded liability was \$45,831,000. The City's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for 2009 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2009	\$ 3,225,000	104.1%	\$ (131,000)

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 employment turnover rates, and healthcare cost trend. 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 pay.

Interest assumptions – discount rate of 7.50%.

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. 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.

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 June 30, 2008, the date of the most recent actuarial valuation:

Active	181
Retired or disabled	39
Vested terminations or inactive	<u>8</u>
Total	<u>228</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 June 30, 2008 actuarial valuation, sworn employees contribute 7% of their base pay and the current actuarially determined rate the government is required to contribute is 11.97% for fiscal year 2008/2009. At June 30, 2009, the plan's net assets were \$10,692,495.

The annual required contribution for the current year was determined as part of the June 30, 2008 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 23 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 five 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>
2008/09	\$ 1,038,557
2007/08	\$ 981,834
2006/07	\$ 882,445
2005/06	\$ 737,030
2004/05	\$ 748,226
2003/04	\$ 657,769
2002/03	\$ 465,223
2001/02	\$ 470,120

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, 2009, 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 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 2009, 2008, and 2007 were \$265,203, \$252,574, and \$240,547 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>
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%
2004	\$ 568,279	\$ 568,279	100%
2003	\$ 500,875	\$ 500,875	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</u>	<u>Actuarial Accrued Liability</u>	<u>Total Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % Of Covered Payroll</u>
<u>June 30</u>	<u>(a.)</u>	<u>(AAL) (b.)</u>	<u>(b. - a.)</u>	<u>(a./b.)</u>	<u>Payroll</u>	<u>[(b.-a.)/c.]</u>
2005	34,519,500	39,133,450	4,613,950	88.21%	8,604,761	54%
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%

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 \$6,521 for the year ended June 30, 2009.

Required Supplementary Information
(Unaudited)

The City of Hagerstown Police and Fire Employees' Retirement Plan
Actuarial Accrued Liability

<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>
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%

Required Supplementary Information
(Unaudited)

The City of Hagerstown Other Post Employment Benefits Plan
Actuarial Accrued Liability

<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>
07/01/2008	810,000	45,831,000	45,021,000	1.8%	26,337,198	170.9%

City of Hagerstown, Maryland
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2009

	Budgeted Amounts		2009 Actual	Variance with Final Budget - Positive (Negative)	2008 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues and Transfers						
General Property Taxes:						
Current year's levy	\$ 21,089,600	\$ 21,089,600	\$ 21,669,204	\$ 579,604	\$ 19,741,992	\$ 1,927,212
Prior year's levy - net	(20,800)	(20,800)	48,242	69,042	176,769	(128,527)
Payments in lieu of taxes	2,466,255	2,466,255	2,486,140	19,885	2,310,119	176,021
Interest on delinquent taxes	128,000	128,000	147,676	19,676	184,836	(37,160)
	<u>23,663,055</u>	<u>23,663,055</u>	<u>24,351,262</u>	<u>688,207</u>	<u>22,413,716</u>	<u>1,937,546</u>
Less discounts allowed	(48,200)	(48,200)	(54,962)	(6,762)	(54,579)	(383)
Total General Property Taxes	<u>23,614,855</u>	<u>23,614,855</u>	<u>24,296,300</u>	<u>681,445</u>	<u>22,359,137</u>	<u>1,937,163</u>
State and County Shared Taxes:						
Income tax	2,560,000	2,560,000	2,262,316	(297,684)	2,537,266	(274,950)
County tax differential	1,645,500	1,645,500	1,532,289	(113,211)	1,462,697	69,592
Admission	129,600	129,600	94,758	(34,842)	85,823	8,935
Enterprise zone tax credits	78,500	78,500	111,256	32,756	81,010	30,246
Police protection	770,000	770,000	750,533	(19,467)	746,567	3,966
State aid for fire service	51,500	51,500	53,928	2,428	53,723	205
State highway user revenue	2,236,400	2,236,400	1,899,839	(336,561)	2,177,798	(277,959)
Financial corporations	34,214	34,214	34,214	-	34,214	0
Hotel/motel room tax	220,000	220,000	116,495	(103,505)	-	116,495
Total State and County Shared Taxes	<u>7,725,714</u>	<u>7,725,714</u>	<u>6,855,628</u>	<u>(870,086)</u>	<u>7,179,098</u>	<u>(323,470)</u>
Licenses and Permits:						
Residential rental licenses	395,875	395,875	311,053	(84,822)	422,977	(111,924)
Cable television franchise	360,000	360,000	358,320	(1,680)	535,877	(177,557)
Traders	106,000	106,000	107,437	1,437	113,805	(6,368)
Building permits	275,000	275,000	196,763	(78,237)	215,306	(18,543)
Electrical permits	110,000	110,000	90,389	(19,611)	101,394	(11,005)
Distilled spirits	8,000	8,000	8,200	200	7,910	290
Plumbing permits	60,000	60,000	75,176	15,176	92,196	(17,020)
Other	244,600	244,600	316,705	72,105	178,325	138,380
Total Licenses and Permits	<u>1,559,475</u>	<u>1,559,475</u>	<u>1,464,043</u>	<u>(95,432)</u>	<u>1,667,790</u>	<u>(203,747)</u>
Intergovernmental Grant Revenues:						
Federal grants	25,000	25,000	151,421	126,421	17,882	133,539
State and local grants	207,000	207,000	15,804	(191,196)	144,368	(128,564)
Total Intergovernmental Grant Revenues	<u>232,000</u>	<u>232,000</u>	<u>167,225</u>	<u>(64,775)</u>	<u>162,250</u>	<u>4,975</u>
Service Charges:						
Refuse collection fees	2,311,200	2,311,200	2,178,804	(132,396)	2,163,207	15,597
Stadium	-	-	1,050	1,050	1,151	(101)
Swimming pool	87,050	87,050	64,154	(22,896)	82,014	(17,860)
Other	802,855	802,855	621,887	(180,968)	887,128	(265,241)
Total Service Charges	<u>3,201,105</u>	<u>3,201,105</u>	<u>2,865,895</u>	<u>(335,210)</u>	<u>3,133,500</u>	<u>(267,605)</u>
Fines and Forfeitures	<u>86,500</u>	<u>86,500</u>	<u>85,627</u>	<u>(873)</u>	<u>152,289</u>	<u>(66,662)</u>
Unallocated General Revenues:						
Administrative allocation	2,143,501	2,143,501	2,070,360	(73,141)	2,033,773	36,587
Interest on investments	400,000	400,000	263,714	(136,286)	456,504	(192,790)
Sale of land & other property	14,000	14,000	5,306	(8,694)	60,756	(55,450)
Miscellaneous	87,099	94,549	239,648	145,099	106,648	133,000
Total Unallocated General Revenues	<u>2,644,600</u>	<u>2,652,050</u>	<u>2,579,028</u>	<u>(73,022)</u>	<u>2,657,681</u>	<u>(78,653)</u>
Total Revenues	<u>39,064,249</u>	<u>39,071,699</u>	<u>38,313,746</u>	<u>(757,953)</u>	<u>37,311,745</u>	<u>1,002,001</u>
Transfers from Community Development Fund	5,000	5,000	-	(5,000)	10,000	(10,000)
Transfers from Health Insurance Fund	600,000	600,000	600,000	-	500,000	100,000
Transfers from Flexible Spending Fund	6,000	6,000	6,000	-	6,000	-
Transfers from Economic Redevelopment Fund	-	58,000	58,000	-	-	58,000
Budgeted use of Fund Balance	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>(300,000)</u>	<u>-</u>	<u>-</u>
Total Revenues and Transfers	<u>\$ 39,975,249</u>	<u>\$ 40,040,699</u>	<u>\$ 38,977,746</u>	<u>\$ (1,062,953)</u>	<u>\$ 37,827,745</u>	<u>\$ 1,150,001</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, 2009

	Budgeted Amounts		2009 Actual	Variance with Final Budget - Positive (Negative)	2008 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Expenditures and Transfers						
General Government:						
Council	\$ 125,431	\$ 125,431	\$ 115,460	\$ 9,971	\$ 109,242	\$ 6,218
Mayor	67,613	67,613	64,774	2,839	66,108	(1,334)
City administrator	191,793	200,523	193,509	7,014	187,186	6,323
City clerk	142,778	142,778	145,133	(2,355)	132,144	12,989
Community affairs	327,054	327,054	307,401	19,653	294,895	12,506
Legal counsel	273,000	273,000	207,361	65,639	219,547	(12,186)
Public functions	574,325	575,621	536,489	39,132	567,037	(30,548)
Registration and election	67,050	67,050	90,708	(23,658)	-	90,708
Finance and accounting	691,572	654,379	629,254	25,125	632,386	(3,132)
Treasurer and tax collection	327,431	312,896	307,756	5,140	298,528	9,228
Purchasing and stores	207,332	210,704	208,975	1,729	194,627	14,348
Information technology	652,293	652,293	609,589	42,704	598,126	11,463
Planning	544,107	538,711	502,894	35,817	472,616	30,278
Annexation	6,000	6,000	9,923	(3,923)	7,863	2,060
City hall expenditures	343,860	343,860	281,425	62,435	251,518	29,907
City engineer	1,259,606	1,250,190	1,282,015	(31,825)	1,155,341	126,674
Human resources	478,788	478,788	453,587	25,201	423,537	30,050
Total General Government	6,280,033	6,226,891	5,946,253	280,638	5,610,701	335,552
Public Safety:						
Police department	12,015,697	11,975,300	11,518,979	456,321	11,038,001	480,978
Fire department	6,323,466	6,307,769	6,406,160	(98,391)	6,149,733	256,427
Code enforcement	1,279,886	1,274,836	1,307,506	(32,670)	1,240,510	66,996
Signal department	604,453	604,453	693,984	(89,531)	663,392	30,592
Total Public Safety	20,223,502	20,162,358	19,926,629	235,729	19,091,636	834,993
Highways and Streets:						
General street department operations	792,124	792,124	515,289	276,835	603,366	(88,077)
Snow removal	339,498	339,498	271,217	68,281	280,567	(9,350)
Street cleaning	605,948	605,948	649,739	(43,791)	524,531	125,208
Street lighting	754,000	754,000	744,496	9,504	744,319	177
Central services	218,789	218,789	384,620	(165,831)	223,532	161,088
Total Highways and Streets	2,710,359	2,710,359	2,565,361	144,998	2,376,315	189,046
Waste, Collection and Disposal	2,144,449	2,144,449	2,094,011	50,438	2,053,573	40,438
Culture and Recreation:						
City parks	1,712,203	1,669,669	1,505,420	164,249	1,473,317	32,103
Swimming pool	187,938	187,938	139,319	48,619	188,289	(48,970)
Farmers market	123,835	123,835	96,953	26,882	115,822	(18,869)
Stadium	71,035	71,035	158,213	(87,178)	78,603	79,610
Recreation department	265,877	265,877	234,846	31,031	230,111	4,735
Hager house and 202 train museum	126,241	126,241	128,539	(2,298)	123,663	4,876
Total Culture and Recreation	2,487,129	2,444,595	2,263,290	181,305	2,209,805	53,485
Economic and Community Development:						
Economic development	246,852	304,852	298,421	6,431	183,048	115,373
Neighborhoods first	42,000	42,000	34,312	7,688	10,779	23,533
Total Economic and Community Dev	288,852	346,852	332,733	14,119	193,827	138,906
Unallocated General Expenditures:						
Retiree benefits	1,476,777	1,476,777	1,420,079	56,698	1,409,382	10,697
Termination pay	249,530	249,530	231,005	18,525	265,382	(34,377)
Contributions to other agencies	333,965	333,965	333,339	626	306,811	26,528
Inventory adjustments	15,000	15,000	4,515	10,485	3,920	595
Budget contingency	(100,000)	24,270	-	24,270	-	-
Total Unallocated General Expenditures	\$ 1,975,272	\$ 2,099,542	\$ 1,988,938	\$ 110,604	\$ 1,985,495	\$ 3,443

* 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, 2009

	<u>Budgeted Amounts</u>		<u>2009 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2008 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
Expenditures and Transfers						
Debt Service:						
Principal	\$ 1,501,750	\$ 1,501,750	\$ 1,482,518	\$ 19,232	\$ 1,464,914	\$ 17,604
Interest	698,128	698,128	529,848	168,280	585,740	(55,892)
Total Debt Service	<u>2,199,878</u>	<u>2,199,878</u>	<u>2,012,366</u>	<u>187,512</u>	<u>2,050,654</u>	<u>(38,288)</u>
Total Expenditures	38,309,474	38,334,924	37,129,581	1,205,343	35,572,006	1,557,575
Transfers to Golf Course Fund	195,000	195,000	260,000	(65,000)	210,891	49,109
Transfers to Grant Revenue Fund	164,291	179,291	121,539	57,752	40,342	81,197
Transfers to Economic Redevelopment Fund	125,000	125,000	140,788	(15,788)	183,000	(42,212)
Transfers to Capital Improvement Projects Fund	<u>1,179,310</u>	<u>1,204,310</u>	<u>1,179,314</u>	<u>24,996</u>	<u>1,267,000</u>	<u>(87,686)</u>
Total Expenditures and Transfers	<u>39,973,075</u>	<u>40,038,525</u>	<u>38,831,222</u>	<u>1,207,303</u>	<u>37,273,239</u>	<u>1,557,983</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	2,174	2,174	146,524	144,350	554,506	(407,982)
Fund balances - beginning	<u>7,750,603</u>	<u>7,750,603</u>	<u>7,750,603</u>	-	<u>7,196,097</u>	<u>554,506</u>
Fund balances - ending	<u>\$ 7,752,777</u>	<u>\$ 7,752,777</u>	<u>\$ 7,897,127</u>	<u>\$ 144,350</u>	<u>\$ 7,750,603</u>	<u>\$ 146,524</u>

City of Hagerstown, Maryland
Capital Improvement Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2009

	Budgeted Amounts		2009 Actual	Variance with Final Budget - Positive (Negative)	2008 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues						
Intergovernmental grant revenues	\$ 11,605,080	\$ 11,605,080	\$ 1,563,990	\$ (10,041,090)	\$ 735,011	\$ 828,979
Contributions and donations	706,000	706,000	134,470	(571,530)	380,994	(246,524)
Interest income	-	-	52,961	52,961	258,544	(205,583)
Other revenues	25,000	25,000	50,545	25,545	34,279	16,266
Total revenues	<u>12,336,080</u>	<u>12,336,080</u>	<u>1,801,966</u>	<u>(10,534,114)</u>	<u>1,408,828</u>	<u>393,138</u>
Expenditures						
General government projects	20,553,654	21,013,654	6,461,225	14,552,429	3,631,438	2,829,787
Public safety projects	2,201,100	2,201,100	868,189	1,332,911	727,569	140,620
Highways and streets projects	550,000	90,000	307,550	(217,550)	945,208	(637,658)
Culture and recreation	725,000	725,000	649,299	75,701	450,547	198,752
Total expenditures	<u>24,029,754</u>	<u>24,029,754</u>	<u>8,286,263</u>	<u>15,743,491</u>	<u>5,754,762</u>	<u>2,531,501</u>
Excess (deficiency) of revenues over (under) expenditures	(11,693,674)	(11,693,674)	(6,484,297)	5,209,377	(4,345,934)	(2,138,363)
Other Financing Sources (Uses)						
Bond Financing	6,126,739	6,126,739	-	(6,126,739)	-	-
Transfer from excise tax fund	1,062,000	1,062,000	-	(1,062,000)	398,246	(398,246)
Transfer from general fund	1,179,310	1,179,310	1,179,314	4	1,267,000	(87,686)
Transfer from light fund	175,000	175,000	124,996	(50,004)	39,472	85,524
Transfer from water fund	1,148,120	1,148,120	55,000	(1,093,120)	95,475	(40,475)
Transfer from sewer fund	733,005	733,005	162,821	(570,184)	249,484	(86,663)
Transfer from community development fund	888,000	888,000	466,089	(421,911)	326,914	139,175
	<u>11,312,174</u>	<u>11,312,174</u>	<u>1,988,220</u>	<u>(9,323,954)</u>	<u>2,376,591</u>	<u>(388,371)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	(381,500)	(381,500)	(4,496,077)	(4,114,577)	(1,969,343)	(2,526,734)
Fund balances - beginning	<u>4,885,826</u>	<u>4,885,826</u>	<u>4,885,826</u>	<u>-</u>	<u>6,855,169</u>	<u>(1,969,343)</u>
Fund balances - ending	<u>\$ 4,504,326</u>	<u>\$ 4,504,326</u>	<u>\$ 389,749</u>	<u>\$ (4,114,577)</u>	<u>\$ 4,885,826</u>	<u>\$ (4,496,077)</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.

City of Hagerstown, Maryland
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	Special Revenue							Total Nonmajor Governmental Funds
	Community Development Block Grant	Economic Redevelopment	Flexible Spending	Telecommuting Center	Business Revolving Loan	Excise Tax	Grant Revenue	
Assets								
Pooled cash and investments	\$ 5,416	\$ 488,063	\$ 40,426	\$ 51,073	\$ 181,654	\$ 1,847,434	\$ 834	\$ 2,614,900
Interest receivable	-	1,581	149	197	297	5,452	86	7,762
Intergovernmental receivable	415,235	-	-	98,333	-	-	201,980	715,548
Prepaid items	-	-	-	171	-	-	-	171
Loans receivable (net of allowance for uncollectibles)	2,735,309	-	-	-	637,438	-	-	3,372,747
Properties held for resale	1,063,615	76,664	-	-	-	-	-	1,140,279
Restricted assets:								
Pooled cash and investments	349,303	-	-	-	-	-	-	349,303
Total assets	<u>\$ 4,568,878</u>	<u>\$ 566,308</u>	<u>\$ 40,575</u>	<u>\$ 149,774</u>	<u>\$ 819,389</u>	<u>\$ 1,852,886</u>	<u>\$ 202,900</u>	<u>\$ 8,200,710</u>
Liabilities								
Accounts and retainages payable	\$ 24,041	-	-	\$ 327	-	\$ 37,163	\$ 57,584	\$ 119,115
Accrued liabilities	9,702	-	-	3,118	-	-	-	12,820
Advances from other funds	565,000	-	-	-	-	-	107,545	672,545
Escrowed taxes and insurance	14,075	-	-	-	-	-	-	14,075
Customer deposits	500	-	14,260	-	-	-	-	14,760
Undisbursed loan and grant commitments	224,110	-	-	-	62,223	-	-	286,333
Total liabilities	<u>837,428</u>	<u>-</u>	<u>14,260</u>	<u>3,445</u>	<u>62,223</u>	<u>37,163</u>	<u>165,129</u>	<u>1,119,648</u>
Fund Balance								
Reserved for encumbrances	49	-	-	61	-	-	20,125	20,235
Reserved for properties held for resale	1,063,616	-	-	-	-	-	-	1,063,616
Reserved for prepaid items	-	-	-	171	-	-	-	171
Reserved for long-term loans receivable	2,735,307	-	-	-	637,438	-	-	3,372,745
Reserved for Special Revenue Funds	(67,522)	566,308	26,315	146,097	119,728	1,815,723	17,646	2,624,295
Total fund balances	<u>3,731,450</u>	<u>566,308</u>	<u>26,315</u>	<u>146,329</u>	<u>757,166</u>	<u>1,815,723</u>	<u>37,771</u>	<u>7,081,062</u>
Total liabilities and fund balances	<u>\$ 4,568,878</u>	<u>\$ 566,308</u>	<u>\$ 40,575</u>	<u>\$ 149,774</u>	<u>\$ 819,389</u>	<u>\$ 1,852,886</u>	<u>\$ 202,900</u>	<u>\$ 8,200,710</u>

City of Hagerstown, Maryland
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

	Community Development Block Grant		Special Revenue		Business Revolving Loan		Excise Tax		Total Nonmajor Governmental Funds	
	Grant	Economic Redevelopment	Flexible Spending	Telecommuting Center	Revolving Loan	Excise Tax	Grant Revenue			
Revenues										
Intergovernmental	\$ 1,101,711	\$ -	\$ -	\$ 144,842	\$ -	\$ -	\$ 1,162,284	\$ -	\$ 2,408,837	
Program income	276,413	-	-	-	-	31,677	-	-	308,090	
Investment earnings	1,712	12,293	1,066	1,879	1,860	40,107	1,393	-	60,310	
Other revenues	8,000	-	6,810	85,690	27,668	-	6,101	-	134,269	
Total revenues	<u>1,387,836</u>	<u>12,293</u>	<u>7,876</u>	<u>232,411</u>	<u>29,528</u>	<u>71,784</u>	<u>1,169,778</u>		<u>2,911,506</u>	
Expenditures										
Current:										
Public safety	-	-	-	-	-	-	1,158,556	-	1,158,556	
Economic and Community Development										
Public services	189,015	-	-	-	-	-	99,190	-	288,205	
Housing rehabilitation	197,573	-	-	-	-	-	-	-	197,573	
Direct economic development	-	2,301	-	-	-	-	-	-	2,301	
Cost of properties sold	76,630	-	-	-	-	-	-	-	76,630	
Administration	255,059	-	4,848	226,761	598	-	13,446	-	500,712	
Direct economic development loans	-	-	-	-	206,883	-	-	-	206,883	
Capital outlay	15,110	-	-	4,790	-	-	46,311	-	66,211	
Total expenditures	<u>733,387</u>	<u>2,301</u>	<u>4,848</u>	<u>231,551</u>	<u>207,481</u>	<u>-</u>	<u>1,317,503</u>	<u>-</u>	<u>2,497,071</u>	
Excess (deficiency) of revenues over (under) expenditures	654,449	9,992	3,028	860	(177,953)	71,784	(147,725)		414,435	
Other Financing Sources (Uses)										
Transfers in	-	140,788	-	-	166,664	-	121,539	-	428,991	
Transfers out	(466,089)	(224,664)	(6,000)	-	-	-	-	-	(696,753)	
Total other financing sources and (uses)	<u>(466,089)</u>	<u>(83,876)</u>	<u>(6,000)</u>	<u>-</u>	<u>166,664</u>	<u>-</u>	<u>121,539</u>	<u>-</u>	<u>(267,762)</u>	
Net change in fund balances	188,360	(73,884)	(2,972)	860	(11,289)	71,784	(26,186)		146,673	
Fund balances - beginning	3,543,090	640,192	29,287	145,469	768,455	1,743,939	63,957		6,934,389	
Fund balances - ending	<u>\$ 3,731,450</u>	<u>\$ 566,308</u>	<u>\$ 26,315</u>	<u>\$ 146,329</u>	<u>\$ 757,166</u>	<u>\$ 1,815,723</u>	<u>\$ 37,771</u>	<u>\$ -</u>	<u>\$ 7,081,062</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, 2009

	Budgeted Amounts		2009 Actual	Variance with Final Budget - Positive (Negative)	2008 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues						
Intergovernmental	\$ 1,676,540	\$ 1,676,540	\$ 1,101,711	\$ (574,829)	\$ 1,228,614	\$ (126,903)
Program income	226,500	226,500	276,413	49,913	311,642	(35,229)
Investment earnings	8,040	8,040	1,712	(6,328)	8,198	(6,486)
Property sales	1,050,000	1,050,000	-	(1,050,000)	89,500	(89,500)
Other revenues	15,000	15,000	8,000	(7,000)	8,900	(900)
Total revenues	<u>2,976,080</u>	<u>2,976,080</u>	<u>1,387,836</u>	<u>(1,588,244)</u>	<u>1,646,854</u>	<u>(259,018)</u>
Expenditures						
Public services	141,250	196,250	189,015	7,235	263,283	(74,268)
Housing rehabilitation	1,293,300	1,293,300	197,573	1,095,727	322,190	(124,617)
Clearance and demolition	100	100	-	100	-	-
Cost of properties sold	92,600	92,600	76,630	15,970	208,538	(131,908)
Administration	441,477	441,477	255,059	186,418	351,122	(96,063)
Direct economic development	-	-	-	-	196,440	(196,440)
Capital outlay	142,353	87,353	15,110	72,243	155,346	(140,236)
Total expenditures	<u>2,111,080</u>	<u>2,111,080</u>	<u>733,387</u>	<u>1,377,693</u>	<u>1,496,919</u>	<u>(763,532)</u>
Excess (deficiency) of revenues over (under) expenditures	865,000	865,000	654,449	(210,551)	149,935	504,514
Other Financing Sources (Uses)						
Transfers to general fund	-	-	-	-	(10,000)	10,000
Transfers to capital improvement projects fund	(865,000)	(865,000)	(466,089)	398,911	(326,914)	(139,175)
Total other financing sources (uses)	<u>(865,000)</u>	<u>(865,000)</u>	<u>(466,089)</u>	<u>398,911</u>	<u>(336,914)</u>	<u>(129,175)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	-	-	188,360	188,360	(186,979)	375,339
Fund balances - beginning	<u>3,543,090</u>	<u>3,543,090</u>	<u>3,543,090</u>	<u>-</u>	<u>3,730,069</u>	<u>(186,979)</u>
Fund balances - ending	<u>\$ 3,543,090</u>	<u>\$ 3,543,090</u>	<u>\$ 3,731,450</u>	<u>\$ 188,360</u>	<u>\$ 3,543,090</u>	<u>\$ 188,360</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, 2009

	<u>Original and Final Budget</u>	<u>2009 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2008 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
Revenues					
Intergovernmental	\$ -	\$ -	\$ -	\$ 59,173	\$ (59,173)
Investment earnings	20,000	12,293	(7,707)	18,510	(6,217)
Other revenues	-	-	-	900	(900)
Total revenues	<u>20,000</u>	<u>12,293</u>	<u>(7,707)</u>	<u>78,583</u>	<u>(66,290)</u>
Expenditures					
Direct economic development	20,000	2,301	17,699	62,920	(60,619)
Total expenditures	<u>20,000</u>	<u>2,301</u>	<u>17,699</u>	<u>62,920</u>	<u>(60,619)</u>
Excess (deficiency) of revenues over (under) expenditures	-	9,992	9,992	15,663	(5,671)
Other Financing Sources (Uses)					
Transfers from general fund	125,000	140,788	15,788	183,000	(42,212)
Transfers to general fund	-	(58,000)	(58,000)	-	(58,000)
Transfers to business revolving loan fund	(250,000)	(20,833)	229,167	-	(20,833)
Transfers to property management fund	(125,000)	(145,831)	(20,831)	-	(145,831)
Total other financing sources (uses)	<u>(250,000)</u>	<u>(83,876)</u>	<u>166,124</u>	<u>183,000</u>	<u>(266,876)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	(250,000)	(73,884)	176,116	198,663	(272,547)
Fund balances - beginning	640,192	640,192	-	441,529	198,663
Fund balances - ending	<u>\$ 390,192</u>	<u>\$ 566,308</u>	<u>\$ 176,116</u>	<u>\$ 640,192</u>	<u>\$ (73,884)</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, 2009

	<u>Original and Final Budget</u>	<u>2009 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2008 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
Revenues					
Investment earnings	\$ 2,000	\$ 1,066	\$ (934)	\$ 1,609	\$ (543)
Employer FICA savings	8,750	6,810	(1,940)	8,290	(1,480)
Unreimbursed employee deductions	500	-	(500)	4,051	(4,051)
Total revenues	<u>11,250</u>	<u>7,876</u>	<u>(3,374)</u>	<u>13,950</u>	<u>(6,074)</u>
Expenditures					
Contracted services	5,000	4,848	152	5,873	(1,025)
Total expenditures	<u>5,000</u>	<u>4,848</u>	<u>152</u>	<u>5,873</u>	<u>(1,025)</u>
Excess (deficiency) of revenues over (under) expenditures	6,250	3,028	(3,222)	8,077	(5,049)
Other Financing Sources (Uses)					
Transfers to general fund	(6,000)	(6,000)	-	(6,000)	-
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)	250	(2,972)	(3,222)	2,077	(5,049)
Fund balances - beginning	<u>29,287</u>	<u>29,287</u>	<u>-</u>	<u>27,210</u>	<u>2,077</u>
Fund balances - ending	<u>\$ 29,537</u>	<u>\$ 26,315</u>	<u>\$ (3,222)</u>	<u>\$ 29,287</u>	<u>\$ (2,972)</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, 2009

	Original and Final Budget	2009 Actual	Variance with Final Budget - Positive (Negative)	2008 Actual	Increase/ (Decrease) Over Prior Year
Revenues					
Intergovernmental	\$ 128,739	\$ 144,842	\$ 16,103	\$ 119,758	\$ 25,084
Investment earnings	4,000	1,879	(2,121)	5,542	(3,663)
Other revenues	-	24,490	24,490	25,590	(1,100)
Rent revenues	61,200	61,200	-	61,200	-
Technological training	21,000	-	(21,000)	18,009	(18,009)
Total revenues	<u>214,939</u>	<u>232,411</u>	<u>17,472</u>	<u>230,099</u>	<u>2,312</u>
Expenditures					
Administration	210,309	226,761	(16,452)	235,644	(8,883)
Capital outlay	4,500	4,790	(290)	-	4,790
Total expenditures	<u>214,809</u>	<u>231,551</u>	<u>(16,742)</u>	<u>235,644</u>	<u>(4,093)</u>
Excess (deficiency) of revenues over (under) expenditures	130	860	730	(5,545)	6,405
Fund balances - beginning	<u>145,469</u>	<u>145,469</u>	<u>-</u>	<u>151,014</u>	<u>(5,545)</u>
Fund balances - ending	<u>\$ 145,599</u>	<u>\$ 146,329</u>	<u>\$ 730</u>	<u>\$ 145,469</u>	<u>\$ 860</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, 2009

	<u>Original and Final Budget</u>	<u>2009 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2008 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
Revenues					
Intergovernmental	\$ 100,000	\$ -	\$ (100,000)	\$ -	\$ -
Investment earnings	10,000	1,860	(8,140)	8,999	(7,139)
Other revenues	96,432	27,668	(68,764)	32,121	(4,453)
Total revenues	<u>206,432</u>	<u>29,528</u>	<u>(176,904)</u>	<u>41,120</u>	<u>(11,592)</u>
Expenditures					
Legal	2,000	598	1,402	3,032	(2,434)
Direct economic development loans	57,557	206,883	(149,326)	309	206,574
Total expenditures	<u>59,557</u>	<u>207,481</u>	<u>(147,924)</u>	<u>3,341</u>	<u>204,140</u>
Other Financing Sources (Uses)					
Transfers from economic redevelopment	250,000	166,664	(83,336)	-	166,664
Total other financing sources (uses)	<u>250,000</u>	<u>166,664</u>	<u>(83,336)</u>	<u>-</u>	<u>166,664</u>
Excess (deficiency) of revenues over (under) expenditures	396,875	(11,289)	(408,164)	37,779	(49,068)
Fund balances - beginning	<u>768,455</u>	<u>768,455</u>	<u>-</u>	<u>730,676</u>	<u>37,779</u>
Fund balances - ending	<u>\$ 1,165,330</u>	<u>\$ 757,166</u>	<u>\$ (408,164)</u>	<u>\$ 768,455</u>	<u>\$ (11,289)</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, 2009

	<u>Original and Final Budget</u>	<u>2009 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2008 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
Revenues					
Investment earnings	\$ 40,000	\$ 40,107	\$ 107	\$ 85,019	\$ (44,912)
Excise tax	250,000	31,677	(218,323)	220,678	(189,001)
Total revenues	<u>290,000</u>	<u>71,784</u>	<u>(218,216)</u>	<u>305,697</u>	<u>(233,913)</u>
Expenditures					
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)					
Transfers to Capital Improvements Project Fund	(1,062,000)	-	1,062,000	(398,246)	398,246
Total other financing sources (uses)	<u>(1,062,000)</u>	<u>-</u>	<u>1,062,000</u>	<u>(398,246)</u>	<u>398,246</u>
Excess (deficiency) of revenues over (under) expenditures	(772,000)	71,784	843,784	(92,549)	164,333
Fund balances - beginning	<u>1,743,939</u>	<u>1,743,939</u>	<u>-</u>	<u>1,836,488</u>	<u>(92,549)</u>
Fund balances - ending	<u>\$ 971,939</u>	<u>\$ 1,815,723</u>	<u>\$ 843,784</u>	<u>\$ 1,743,939</u>	<u>\$ 71,784</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, 2009

	<u>Budgeted Amounts</u>		<u>2009 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2008 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
Revenues						
Intergovernmental	\$ 420,646	\$ 726,847	\$ 1,162,284	\$ 435,437	\$ 585,253	\$ 577,031
Investment earnings	-	-	1,393	1,393	1,306	87
Other revenues	5,000	5,000	6,101	1,101	1,705	4,396
Total revenues	<u>425,646</u>	<u>731,847</u>	<u>1,169,778</u>	<u>437,931</u>	<u>588,264</u>	<u>581,514</u>
Expenditures						
Public safety	415,396	704,397	1,158,556	(454,159)	604,849	553,707
Economic and Community Development	-	30,000	112,636	(82,636)	-	112,636
Capital outlay	10,250	12,450	46,311	(33,861)	-	46,311
Total expenditures	<u>425,646</u>	<u>746,847</u>	<u>1,317,503</u>	<u>(570,656)</u>	<u>604,849</u>	<u>712,654</u>
Excess (deficiency) of revenues over (under) expenditures	-	(15,000)	(147,725)	(132,725)	(16,585)	(131,140)
Other Financing Sources (Uses)						
Transfers from general fund	-	15,000	121,539	106,539	40,342	81,197
Total other financing sources (uses)	<u>-</u>	<u>15,000</u>	<u>121,539</u>	<u>106,539</u>	<u>40,342</u>	<u>81,197</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	-	-	(26,186)	(26,186)	23,757	(49,943)
Fund balances - beginning	<u>63,957</u>	<u>63,957</u>	<u>63,957</u>	<u>-</u>	<u>40,200</u>	<u>23,757</u>
Fund balances - ending	<u>\$ 63,957</u>	<u>\$ 63,957</u>	<u>\$ 37,771</u>	<u>\$ (26,186)</u>	<u>\$ 63,957</u>	<u>\$ (26,186)</u>

Employees at Work



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.

City of Hagerstown, Maryland
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2009

	Golf Course	Property Management	Total Nonmajor Enterprise Funds
Assets			
Current assets:			
Pooled cash and investments	\$ 1,262	\$ 355,214	\$ 356,476
Interest receivable	-	963	963
Accounts receivable (net of allowance for uncollectibles)	2,470	24,016	26,486
Prepaid items	45	246	291
Deferred charges	-	1,939	1,939
Total current assets	3,777	382,378	386,155
Noncurrent assets:			
Capital assets:			
Land	125,000	439,052	564,052
Land improvements	203,554	-	203,554
Buildings and structures	140,807	4,095,378	4,236,185
Machinery and equipment	374,898	-	374,898
Automobiles and trucks	18,259	-	18,259
Less accumulated depreciation	(324,591)	(1,016,541)	(1,341,132)
Total capital assets (net of accumulated depreciation)	537,927	3,517,889	4,055,816
Total assets	541,704	3,900,267	4,441,971
Liabilities			
Current liabilities:			
Accounts and retainages payable	9,858	9,401	19,259
Compensated absences	38,920	-	38,920
Accrued liabilities	5,827	1,202	7,029
Unearned revenue	680	-	680
General obligation bonds - current	-	40,150	40,150
Total current liabilities	55,285	50,753	106,038
Noncurrent liabilities:			
General obligation bonds payable	-	74,372	74,372
Total noncurrent liabilities	-	74,372	74,372
Total liabilities	55,285	125,125	180,410
Net Assets			
Invested in capital assets, net of related debt	537,927	3,403,367	3,941,294
Unrestricted	(51,508)	371,775	320,267
Total net assets	\$ 486,419	\$ 3,775,142	\$ 4,261,561

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

City of Hagerstown, Maryland
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2009

	<u>Golf Course</u>	<u>Property Management</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues:			
Service charges	\$ 188,834	\$ 354,044	\$ 542,878
Other revenues	12	5	17
Total operating revenues	<u>188,846</u>	<u>354,049</u>	<u>542,895</u>
Operating expenses:			
Selling, general and administrative expenses	443,064	214,557	657,621
Depreciation	32,993	84,332	117,325
Total operating expenses	<u>476,057</u>	<u>298,889</u>	<u>774,946</u>
Operating income	<u>(287,211)</u>	<u>55,160</u>	<u>(232,051)</u>
Nonoperating revenues (expenses):			
Loss on disposal of capital assets	(13,723)	-	(13,723)
Intergovernmental revenue	-	82,875	82,875
Investment earnings	-	7,188	7,188
Interest expense	-	(3,348)	(3,348)
Total nonoperating revenue (exp.)	<u>(13,723)</u>	<u>86,715</u>	<u>72,992</u>
Income before contributions and transfers	(300,934)	141,875	(159,059)
Transfers in	325,247	-	325,247
Transfers out	-	(147,332)	(147,332)
Changes in net assets	24,313	(5,457)	18,856
Total net assets - beginning	<u>462,106</u>	<u>3,780,599</u>	<u>4,242,705</u>
Total net assets - ending	<u>\$ 486,419</u>	<u>\$ 3,775,142</u>	<u>\$ 4,261,561</u>

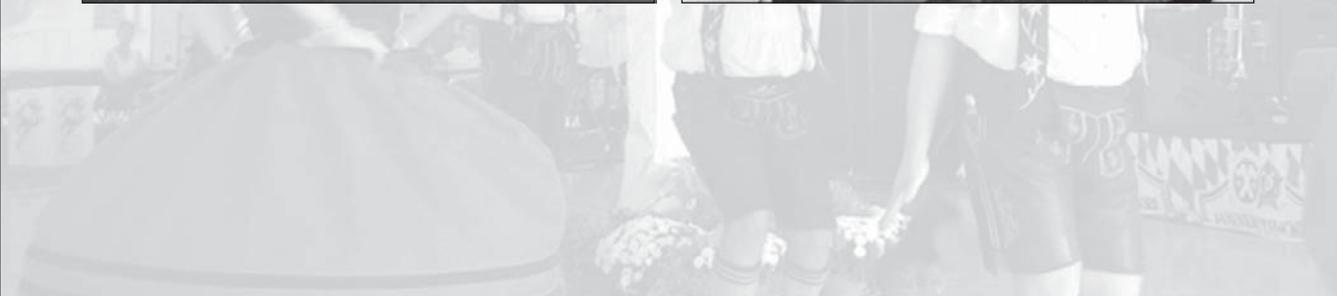
The notes to the financial statements are an integral part of this statement.

City of Hagerstown, Maryland
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2009

	Golf Course	Property Management	Total Nonmajor Enterprise Funds
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 186,573	\$ 349,762	\$ 536,335
Payments to suppliers	(123,481)	(131,947)	(255,428)
Payments to employees	(315,809)	(76,839)	(392,648)
Net cash provided by operating activities	(252,717)	140,976	(111,741)
Cash Flows From Noncapital Financing Activities			
Transfers from (to) other funds	260,000	-	260,000
Net cash provided (used) by capital and related financing activities	260,000	-	260,000
Cash Flows From Capital And Related Financing Activities			
Proceeds from intergovernmental grant	-	82,875	82,875
Acquisition and construction of capital assets	(7,258)	(137,454)	(144,712)
Principal paid on capital debt	-	(56,210)	(56,210)
Interest paid on capital debt	-	(4,451)	(4,451)
Net cash provided (used) by capital and related financing activities	(7,258)	(115,240)	(122,498)
Cash Flows From Investing Activities			
Interest and dividends received	-	6,964	6,964
Net cash provided (used) by investing activities	-	6,964	6,964
Net increase in pooled cash and investments	25	32,700	32,725
Pooled cash and investments, beginning of year	1,237	322,514	323,751
Pooled cash and investments, end of year	\$ 1,262	\$ 355,214	\$ 356,476
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	\$ (287,211)	\$ 55,160	\$ (232,051)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	32,993	84,332	117,325
Net effect of changes in assets and liabilities			
Accounts receivable	(1,813)	(4,287)	(6,100)
Prepaid items	(45)	(246)	(291)
Accounts and retainages payable	(1,084)	6,017	4,933
Compensated absences payable	3,883	-	3,883
Accrued liabilities	1,020	-	1,020
Unearned revenue	(460)	-	(460)
Total adjustments	34,494	85,816	120,310
Net cash provided by operating activities	\$ (252,717)	\$ 140,976	\$ (111,741)
Noncash investing, capital, and financing activities:			
Transfer of capital asset from (to) Governmental/CIP Fund	65,247	(147,332)	(82,085)

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

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.

City of Hagerstown, Maryland
Combining Statement of Net Assets
Internal Service Funds
June 30, 2009

	<u>Worker's Compensation</u>	<u>Health Insurance</u>	<u>Dental Insurance</u>	<u>Total Internal Service Funds</u>
Assets				
Current assets:				
Pooled cash and investments	\$ 1,043,258	\$ 3,505,314	\$ 118,337	\$ 4,666,909
Interest receivable	2,956	10,897	307	14,160
Accounts receivable (net of allowance for uncollectibles)	48,984	5,878	234	55,096
Prepaid items	102,256	44,442	2,724	149,422
Total current assets	<u>1,197,454</u>	<u>3,566,531</u>	<u>121,602</u>	<u>4,885,587</u>
Noncurrent assets:				
Restricted assets:				
Pooled cash and investments	<u>15,000</u>	-	-	<u>15,000</u>
Total noncurrent assets	<u>15,000</u>	-	-	<u>15,000</u>
Total assets	<u>1,212,454</u>	<u>3,566,531</u>	<u>121,602</u>	<u>4,900,587</u>
Liabilities				
Current liabilities:				
Accounts and retainages payable	11,363	96,003	5,464	112,830
Accrued liabilities	35,934	663,947	22,711	722,592
Unearned revenue	<u>-</u>	<u>108,044</u>	<u>677</u>	<u>108,721</u>
Total current liabilities	<u>47,297</u>	<u>867,994</u>	<u>28,852</u>	<u>944,143</u>
Total liabilities	<u>47,297</u>	<u>867,994</u>	<u>28,852</u>	<u>944,143</u>
Net Assets				
Unrestricted	<u>1,165,157</u>	<u>2,698,537</u>	<u>92,750</u>	<u>3,956,444</u>
Total net assets	<u>\$ 1,165,157</u>	<u>\$ 2,698,537</u>	<u>\$ 92,750</u>	<u>\$ 3,956,444</u>

City of Hagerstown, Maryland
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2009

	<u>Worker's Compensation</u>	<u>Health Insurance</u>	<u>Dental Insurance</u>	<u>Total Internal Service Funds</u>
Operating revenues:				
Service charges	\$ 794,824	\$ 6,844,685	\$ 373,863	\$ 8,013,372
Other revenues	<u>63,526</u>	<u>31,948</u>	<u>-</u>	<u>95,474</u>
Total operating revenues	<u>858,350</u>	<u>6,876,633</u>	<u>373,863</u>	<u>8,108,846</u>
Operating expenses:				
Claim and premium expenses	<u>750,750</u>	<u>6,268,375</u>	<u>328,134</u>	<u>7,347,259</u>
Total operating expenses	<u>750,750</u>	<u>6,268,375</u>	<u>328,134</u>	<u>7,347,259</u>
Operating income (loss)	<u>107,600</u>	<u>608,258</u>	<u>45,729</u>	<u>761,587</u>
Nonoperating revenues (expenses):				
Investment earnings	<u>22,078</u>	<u>85,780</u>	<u>2,517</u>	<u>110,375</u>
Total nonoperating revenue (expenses)	<u>22,078</u>	<u>85,780</u>	<u>2,517</u>	<u>110,375</u>
Income before contributions and transfers	129,678	694,038	48,246	871,962
Transfer out to other funds	<u>-</u>	<u>(600,000)</u>	<u>-</u>	<u>(600,000)</u>
Changes in net assets	129,678	94,038	48,246	271,962
Total net assets - beginning	<u>1,035,479</u>	<u>2,604,499</u>	<u>44,504</u>	<u>3,684,482</u>
Total net assets - ending	<u>\$ 1,165,157</u>	<u>\$ 2,698,537</u>	<u>\$ 92,750</u>	<u>\$ 3,956,444</u>

City of Hagerstown, Maryland
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2009

	<u>Worker's Compensation</u>	<u>Health Insurance</u>	<u>Dental Insurance</u>	<u>Total Internal Service Funds</u>
Cash Flows From Operating Activities				
Receipts from interfund services provided	\$ 883,041	\$ 6,933,418	\$ 372,694	\$ 8,189,153
Payments to suppliers	(843,926)	(6,155,838)	(329,509)	(7,329,273)
Net cash provided by operating activities	<u>39,115</u>	<u>777,580</u>	<u>43,185</u>	<u>859,880</u>
Cash Flows From Noncapital Financing Activities				
Transfers to other funds	-	(600,000)	-	(600,000)
Net cash used by capital and related financing activities	<u>-</u>	<u>(600,000)</u>	<u>-</u>	<u>(600,000)</u>
Cash Flows From Investing Activities				
Interest and dividends received	21,395	83,222	2,399	107,016
Net cash provided by investing activities	<u>21,395</u>	<u>83,222</u>	<u>2,399</u>	<u>107,016</u>
Net increase in pooled cash and investments	60,510	260,802	45,584	366,896
Pooled cash and investments, beginning of year	997,748	3,244,512	72,753	4,315,013
Pooled cash and investments, end of year	<u>\$ 1,058,258</u>	<u>\$ 3,505,314</u>	<u>\$ 118,337</u>	<u>\$ 4,681,909</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 107,600	\$ 608,258	\$ 45,729	\$ 761,587
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Net effect of changes in assets and liabilities				
Accounts receivable	24,691	9,187	(234)	33,644
Prepaid items	(102,256)	(27,638)	(2,724)	(132,618)
Accounts and retainages payable	11,363	86,775	3,969	102,107
Accrued liabilities	(2,283)	53,400	(2,620)	48,497
Unearned revenue	-	47,598	(935)	46,663
Total adjustments	<u>(68,485)</u>	<u>169,322</u>	<u>(2,544)</u>	<u>98,293</u>
Net cash provided by operating activities	<u>\$ 39,115</u>	<u>\$ 777,580</u>	<u>\$ 43,185</u>	<u>\$ 859,880</u>
Reconciliation of pooled cash and investments to the balance sheet				
Pooled cash and investments	\$ 1,043,258	\$ 3,505,314	\$ 118,337	\$ 4,666,909
Restricted pooled cash and investments	15,000	-	-	15,000
Totals	<u>\$ 1,058,258</u>	<u>\$ 3,505,314</u>	<u>\$ 118,337</u>	<u>\$ 4,681,909</u>

Development Projects

2009



2010



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.

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

	FISCAL YEAR				
	2005	2006	2007	2008	2009
Governmental activities:					
Invested in capital assets, net of related debt	\$ 37,381,273	\$ 40,058,615	\$ 49,562,961	\$ 58,486,896	\$ 63,577,809
Restricted	10,256,241	10,254,821	9,737,538	10,411,568	7,470,811
Unrestricted	1,471,727	1,380,813	7,885,928	4,570,677	2,925,249
Total governmental activities net assets	\$ 49,109,241	\$ 51,694,249	\$ 67,186,427	\$ 73,469,141	\$ 73,973,869
Business-type activities:					
Invested in capital assets, net of related debt	\$ 123,427,740	\$ 127,688,084	\$ 127,470,214	\$ 134,548,479	\$ 140,754,087
Unrestricted	9,351,698	8,651,430	14,209,345	16,759,173	10,644,845
Total business-type activities net assets	\$ 132,779,438	\$ 136,339,514	\$ 141,679,559	\$ 151,307,652	\$ 151,398,932

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				
	2005	2006	2007	2008	2009
Expenses:					
Governmental activities:					
General Government	\$ 7,203,379	\$ 7,711,338	\$ 8,143,415	\$ 9,124,085	\$ 9,508,691
Public Safety	15,835,489	16,497,112	17,957,996	19,961,913	21,622,281
Highways and Streets	1,561,016	1,997,527	2,307,532	2,502,133	2,837,595
Waste Collection & Disposal	1,195,443	1,593,682	1,963,094	2,053,573	2,094,011
Culture and Recreation	3,104,004	2,414,079	2,509,393	2,691,272	2,970,739
Economic & Community Development	2,910,950	2,724,613	2,684,084	2,651,803	3,179,654
Interest on Long-term Debt	585,061	427,181	659,736	576,969	523,931
Total governmental activities expenses	<u>32,395,342</u>	<u>33,365,532</u>	<u>36,225,250</u>	<u>39,561,748</u>	<u>42,736,902</u>
Business-type activities:					
Light	21,255,035	23,140,131	33,394,860	33,062,846	32,843,792
Water	6,920,216	7,782,085	8,754,617	8,988,354	9,244,197
Sewer	9,510,936	9,456,924	10,813,053	10,692,923	11,097,229
Parking Facilities	536,237	524,958	617,342	663,006	760,188
Golf Course	451,322	342,399	411,079	408,728	469,694
Property Management	238,495	290,408	324,625	312,239	302,237
Ice Rink	(236,957)	-	-	-	-
Total business-type activities expenses	<u>38,675,284</u>	<u>41,536,905</u>	<u>54,315,576</u>	<u>54,128,096</u>	<u>54,717,337</u>
Total primary government expenses	<u>\$ 71,070,626</u>	<u>\$ 74,902,437</u>	<u>\$ 90,540,826</u>	<u>\$ 93,689,844</u>	<u>\$ 97,454,239</u>
Program Revenues:					
Governmental activities:					
Charges for services:					
General Government	\$ 2,469,808	\$ 2,296,450	\$ 3,187,366	\$ 2,842,790	\$ 2,879,990
Public Safety	1,421,122	1,399,437	1,386,115	1,315,393	1,206,536
Streets and Alleys	-	36,719	73,943	86,365	136,424
Waste Collection & Disposal	1,337,598	1,720,543	2,116,976	2,163,207	2,178,805
Parks and Recreation	178,118	157,735	159,055	188,535	186,607
Economic & Community Development	92,155	842,849	901,690	502,505	311,982
Operating grants and contributions	5,221,655	4,948,325	5,364,099	5,089,132	2,973,450
Capital grants and contributions	1,370,819	743,482	1,166,568	5,573,575	1,698,460
Total governmental activities program revenues	<u>\$ 12,091,275</u>	<u>\$ 12,145,540</u>	<u>\$ 14,355,812</u>	<u>\$ 17,761,502</u>	<u>\$ 11,572,254</u>

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

FISCAL YEAR ENDED

	2005	2006	2007	2008	2009
Business-type activities:					
Charges for services:					
Light	\$ 21,272,594	\$ 22,412,009	\$ 32,986,357	\$ 33,959,570	\$ 32,803,818
Water	7,487,368	7,589,355	8,904,071	8,520,142	7,970,281
Sewer	7,078,627	7,395,744	7,764,959	8,146,918	8,858,882
Parking Facilities	750,764	776,038	843,704	885,489	857,169
Golf Course	173,394	206,025	196,070	208,572	175,123
Property Management	326,414	354,755	350,749	499,700	354,049
Operating grants and contributions	-	-	-	-	82,875
Capital grants and contributions	7,003,103	6,081,902	7,803,826	10,965,396	3,529,421
Total business-type activities program revenues	<u>44,092,264</u>	<u>44,815,828</u>	<u>58,849,736</u>	<u>63,185,787</u>	<u>54,631,618</u>
Total primary government program revenues	<u>\$ 56,183,539</u>	<u>\$ 56,961,368</u>	<u>\$ 73,205,548</u>	<u>\$ 80,947,289</u>	<u>\$ 66,203,872</u>
Net (expense)/revenue	\$ (20,304,067)	\$ (21,219,992)	\$ (21,869,438)	\$ (21,800,246)	\$ (31,164,648)
Governmental activities	5,416,980	3,278,923	4,534,160	9,057,690	(85,719)
Business-type activities	<u>\$ (14,887,087)</u>	<u>\$ (17,941,069)</u>	<u>\$ (17,335,278)</u>	<u>\$ (12,742,555)</u>	<u>\$ (31,250,367)</u>
Total primary government net expense					
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes:					
Property Taxes	15,940,462	17,339,463	20,131,677	22,359,137	24,296,300
State and County shared taxes	3,156,335	3,709,649	3,848,468	4,459,350	6,661,880
Excise Tax	-	1,036,634	719,319	220,678	31,677
Investment Earnings	309,869	482,700	874,321	824,414	412,233
Property Sales	764,461	591,687	-	-	-
Gain(Loss) on Disposal of Capital Assets	(464,166)	-	-	-	-
Miscellaneous	-	356,519	44,493	45,841	38,230
Transfers	(650,519)	288,348	(98,787)	173,540	229,056
Capital Transfer from Closed Ice Rink Fund	2,298,201	-	-	-	-
Total governmental activities	<u>21,354,643</u>	<u>23,805,000</u>	<u>25,519,491</u>	<u>28,082,960</u>	<u>31,669,376</u>
Business-type activities:					
Investment Earnings	437,041	569,501	707,098	743,942	406,055
Transfers	650,519	(288,348)	98,787	(173,540)	(229,056)
Total business-type activities	<u>1,087,560</u>	<u>281,153</u>	<u>805,885</u>	<u>570,402</u>	<u>176,999</u>
Total primary government	<u>\$ 22,442,203</u>	<u>\$ 24,086,153</u>	<u>\$ 26,325,376</u>	<u>\$ 28,653,362</u>	<u>\$ 31,846,375</u>
Change in Net Assets					
Governmental activities	\$ 1,050,576	\$ 2,585,008	\$ 3,650,053	\$ 6,282,714	\$ 504,728
Business-type activities	6,504,540	3,560,076	5,340,045	9,628,093	91,280
Total primary government	<u>\$ 7,555,116</u>	<u>\$ 6,145,084</u>	<u>\$ 8,990,098</u>	<u>\$ 15,910,807</u>	<u>\$ 596,008</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
2000	11,720,236	1,605,202	210,901	1,756,505	797,170	34,214	50,006	116,101	894,294	17,184,629
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

Source: City of Hagerstown Accounting Department

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

	FISCAL YEAR				
	2005	2006	2007	2008	2009
General Fund					
Reserved:					
Encumbrances	\$ 69,760	\$ 98,848	\$ 39,042	\$ 125,810	\$ 108,320
Inventories	137,213	175,026	193,361	213,091	143,255
Prepaid Items	8,593	36,029	50,864	61,848	258,748
Advances	560,000	560,000	-	-	-
Long-term Receivables	429,231	100,000	100,000	-	-
Unreserved	4,908,362	5,531,992	6,812,830	7,349,854	7,386,804
Total General Fund	<u>\$ 6,113,159</u>	<u>\$ 6,501,895</u>	<u>\$ 7,196,097</u>	<u>\$ 7,750,603</u>	<u>\$ 7,897,127</u>
All other governmental funds					
Reserved					
Encumbrances	\$ 452,766	\$ 558,085	\$ 220,762	\$ 581,000	\$ 297,790
Properties held for Resale	980,445	1,068,825	1,057,188	913,151	1,063,616
Prepaid Items	-	-	2,288	-	3,571
Long-term Receivables	4,390,755	3,352,099	3,036,907	3,355,167	3,372,745
Unreserved, reported in:					
Capital Projects Funds	4,004,323	3,245,425	6,632,631	4,305,056	108,794
Special Revenue Funds	427,952	1,794,971	2,862,579	2,665,841	2,624,295
Total all other governmental funds	<u>\$ 10,256,241</u>	<u>\$ 10,019,405</u>	<u>\$ 13,812,355</u>	<u>\$ 11,820,215</u>	<u>\$ 7,470,811</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)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues:										
Property taxes	\$ 11,720,236	\$ 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
Slate and County shared taxes	5,466,032	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
Licenses and permits	531,336	611,566	672,248	969,869	1,270,021	1,540,575	1,595,206	1,620,455	1,667,790	1,464,043
Intergovernmental grant revenues	2,707,780	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
Program Income	-	-	-	-	568,681	766,542	1,785,126	1,256,342	532,321	308,090
Charges for services	1,338,944	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
Fines and forfeitures	67,655	86,169	78,154	27,680	113,148	137,441	62,842	109,990	152,289	85,627
Investment Earnings	-	-	-	439,312	363,037	309,869	482,720	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	3,426,229	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
Total revenues	25,258,212	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
Expenditures:										
General government	3,387,513	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
Public safety	11,515,151	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
Street and alleys	1,510,294	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
Waste collection & disposal	1,088,201	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
Parks and recreation	1,351,876	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
Municipal buildings	258,958	282,199	295,496	359,611	348,243	405,539	475,138	429,343	460,280	-
Economic and Community Development	2,143,500	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
Capital Outlay	2,963,052	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	701,210	746,597	755,716	964,088	816,776	647,973	1,808,875	3,850,331	1,464,914	1,482,518
Principal	486,098	449,554	436,974	349,597	343,527	491,931	447,072	668,969	585,740	529,848
Interest	-	-	-	-	-	-	-	-	-	-
Other charges	-	-	-	-	-	-	-	-	-	-
Unallocated general expenditures	608,884	690,655	929,605	998,462	1,078,693	1,850,299	1,664,030	1,822,643	1,985,495	1,988,938
Total expenditures	26,014,737	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
Excess of revenues over(under) expenditures	(756,525)	(536,977)	(1,907,839)	466,822	(1,747,168)	(2,061,504)	(136,447)	(1,874,048)	(2,111,174)	(4,917,619)
Other financing sources(uses):										
Transfers In	2,156,987	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
Transfers Out	(1,925,489)	(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)
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)	231,498	(819,137)	461,793	460,972	1,589,538	2,946,004	288,347	6,361,200	673,540	714,739
Net changes in Fund Balance	\$ (525,027)	\$ (1,356,114)	\$ (1,446,046)	\$ 927,794	\$ (157,630)	\$ 884,500	\$ 151,900	\$ 4,487,152	\$ (1,437,634)	\$ (4,202,880)
Debt Service as a percentage of noncapital expenditures	5%	5%	5%	5%	4%	4%	7%	12%	5%	4%

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
2000	1,209,445,375	116,694,277	1,326,139,652	0.783	1,692,931,355	78.33%
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%

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				Total Direct & Overlapping Rates
	Real Property	Business & Personal Property	County		State		
			Real Property	Business & Personal Property	Real Property	Business & Personal Property	
2000	0.692	1.730	0.924	2.310	0.084	0.000	5.740
2001	0.692	1.730	0.948	2.370	0.084	0.000	5.824
2002	0.732	1.830	0.948	2.370	0.084	0.000	5.964
2003	0.768	1.920	0.948	2.370	0.084	0.000	6.090
2004	0.783	1.960	0.948	2.370	0.132	0.000	6.193
2005	0.798	1.995	0.948	2.370	0.132	0.000	6.243
2006	0.798	1.995	0.948	2.370	0.112	0.000	6.223
2007	0.798	1.995	0.948	2.370	0.112	0.000	6.223
2008	0.798	1.995	0.948	2.370	0.112	0.000	6.223
2009	0.788	1.970	0.948	2.370	0.112	0.000	6.188

** In prior years, the value of real property assessments were presented as 40% of the 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 Tax Payers
June 30, 2009
(Unaudited)

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Washington Real Estate	\$ 39,901,966	1	1.58%			
Lowes Home Centers, Inc.	35,730,946	2	1.42%	\$ 5,667,470	3	0.43%
Verizon - Maryland	26,094,910	3	1.04%	28,872,110	1	2.18%
Walmart Real Estate Business Trust	20,712,890	4	0.82%	6,742,000	4	
Hagerstown Apartment Partnership	20,533,700	5	0.81%			
Cortpark II LLC	19,523,933	6	0.77%			
I-81 Hollyhock LLC	15,237,033	7	0.60%			
Bowman Railway LLC	14,939,000	8	0.59%			
Inland Southeast Valley Park, LLC	14,645,399	9	0.58%			
Sams Real Estate Business Trust	13,593,633	10	0.54%			
Columbia Gas of Maryland, Inc.				7,998,520	2	0.60%
CSX Minerals Inc CSX Transportation, Inc.				4,578,880	5	0.35%
Hagerstown Hotel Associates LLC				4,214,660	6	0.32%
Pangborn Corporation				4,128,120	7	0.31%
CM Ofray				4,120,030	8	0.31%
US Retail Income IV Lmtd				3,436,020	9	0.26%
Hagerstown Maryland LLC (Venice Inn)				3,407,470	10	0.26%
Totals	\$ 220,913,410		8.77%	\$ 73,165,280		5.52%

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	Amount	Percentage of Levy
2000	10,647,512	10,183,815	95.6%	460,345		10,644,160	99.97%
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%

Source: City of Hagerstown Treasurer.

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

Fiscal Year	Personal Income	Population	Outstanding Debt		Total	Percentage of Personal Income	Per Capita
			Governmental	Business-type			
2000	894,905,991	36,687	9,420,333	21,613,258	31,033,591	3.47%	846
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

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

Source:

Population Data provided by the Maryland Department of Planning
Per Capita Personal Income and Unemployment Rate provided by Maryland Department of Labor, Licenses and Regulations - Hagerstown-Martinsburg MSA
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	Population	Governmental Outstanding Debt	Percentage of Total Taxable Assessed Value	Per Capita
2000	1,326,139,652	36,687	9,420,333	0.71%	257
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

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, 2009
(Unaudited)

<u>City of Hagerstown</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: County	\$ 118,328,869	19.90%	\$ 23,547,445
Subtotal, overlapping debt			
City of Hagerstown Direct Debt			<u>39,436,600</u>
Total Direct and Overlapping Debt			<u>\$ 62,984,045</u>

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)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt Limit	\$ 132,613,965	\$ 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
Total net debt applicable to limit	31,059,209	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
Legal debt margin	\$ 101,554,756	\$ 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
Total net debt applicable to the limit as a percentage of debt limit	23.42%	22.31%	20.95%	19.01%	18.09%	18.91%	17.53%	19.06%	16.88%	15.65%

Legal Debt Margin Calculation for Fiscal Year 2009	
Total assessed value	2,520,239,574
Debt limit (10% of total assessed value)	252,023,957
Debt applicable to limit:	
General obligation bonds	39,436,600
Legal debt margin	\$ 212,587,357

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
2000	36,687	830,446,932	22,636	2.9
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

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	2009			2000		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Washington County Public Schools	2,958	1	4.53%	2,900	1	4.16%
Washington County Health System, Inc.	2,860	2	4.38%	2,500	2	3.59%
State of Maryland	2,438	3	3.74%	2,471	3	3.55%
First Data Merchant Services	1,999	4	3.06%	1,800	5	2.58%
Citicorp Credit Services, Inc	1,920	5	2.94%	2,408	4	3.46%
Washington County Government	1,254	6	1.92%	843	9	1.21%
Volvo Powertrain NA (Mack Trucks, Inc.)	1,115	7	1.71%	1,420	6	2.04%
Fedex Ground	734	8	1.13%			
Bowman Group, LLP	720	9	1.10%			
Hagerstown Community College	688	10	1.05%			
Federal Government				657	10	0.94%
Staples Distribution Center				875	8	1.26%
Garden State Tanning				1,270	7	1.82%
Total	16,686		25.56%	17,144		24.61%

Source: Principal Employers for Washington County MD provided by Hagerstown/Washington County EDC
Total County employment for 2009 was 65,228 and 2000 was 69,678, supplied by Bureau of Labor Statistics.

City of Hagerstown, Maryland
Principal Light Fund Customers
June 30, 2009
(Unaudited)

Customer	2009				2000			
	KwH	Amount Billed	Rank	Percentage of Total Light Fund Billing	KwH	Amount Billed	Rank	Percentage of Total Light Fund Billing
Good Humor Breyers, Inc	27,416,960	\$ 2,190,784	1	6.82%	24,557,460	\$ 773,808	1	5.11%
Washington County Hospital	18,207,303	1,483,464	2	4.62%	16,497,707	545,142	2	3.60%
Board of Education	9,799,808	920,112	3	2.86%	7,816,354	382,866	4	2.53%
City of Hagerstown-WPC	9,938,251	773,940	4	2.41%	10,201,518	305,111	6	2.02%
City of Hagerstown-Public Works	7,681,750	762,180	5	2.37%	8,062,411	404,819	3	2.68%
Hagerstown Housing Authority	4,900,319	435,192	6	1.36%	4,512,750	182,894	7	1.21%
CM Offray, Inc	3,890,520	371,282	7	1.16%	8,620,020	341,425	5	2.26%
Washington County Commissioners	3,737,548	333,249	8	1.04%				
Verizon	3,066,696	260,859	9	0.81%	3,397,317	109,461	10	0.72%
Western Maryland St. Hospital	3,184,824	258,562	10	0.81%	3,728,800	123,142	9	0.81%
Herald-Mail Company					4,446,960	140,108	8	0.93%
G&R Foods (County Market)								
Totals	91,823,979	\$ 7,789,624		24.25%	91,841,297	\$ 3,308,776		21.86%

Source: City of Hagerstown Billing Department.

City of Hagerstown, Maryland
Principal Water Fund Customers
June 30, 2009
(Unaudited)

Customer	2009				2000			
	Gallons	Amount Billed	Rank	Percentage of Total Water Fund Billing	Gallons	Amount Billed	Rank	Percentage of Total Water Fund Billing
Hagerstown Prison Complex(MCI)	433,375,300	\$ 1,105,350	1	17.09%	369,159,800	\$ 558,986	1	11.54%
Town of Smithsburg	89,159,200	190,901	2	2.95%	67,700,100	103,123	5	2.13%
Town of Williamsport	70,731,600	151,466	3	2.34%	75,331,200	114,564	3	2.37%
Town of Funkstown	40,202,000	86,232	4	1.33%	32,824,500	51,171	9	1.06%
Mack Trucks, Inc	30,981,700	79,184	5	1.22%	59,938,000	103,749	4	2.14%
Maryland Paper	27,857,500	71,182	6	1.10%	37,459,800	57,448	7	1.19%
Washington County Hospital	21,846,500	55,828	7	0.86%	86,565,400	89,134	6	1.84%
Good Humor Breyers, Inc	44,251,200	53,656	8	0.83%				
Oak Ridge Apartments	19,856,800	52,461	9	0.81%				
Lakeside Park	20,260,800	51,785	10	0.80%	20,987,300	36,594	10	
W.D. Byron & Sons					105,803,000	161,683	2	3.34%
HHA (Housing Developments)					51,242,500	55,489	8	1.15%
Totals	798,522,600	\$ 1,898,045		29.35%	907,011,600	\$ 1,331,941		27.50%

Source: City of Hagerstown Billing Department.

City of Hagerstown, Maryland
Principal Sewer Fund Customers
June 30, 2009
(Unaudited)

Customer	2009				2000			
	Gallons	Amount Billed	Rank	Percentage of Total Sewer Fund Billing	Gallons	Amount Billed	Rank	Percentage of Total Water Fund Billing
Good Humor Breyers, Inc.	44,251,200	\$ 179,660	1	2.26%	31,212,500	\$ 93,289	5	1.55%
Washington Co Detention Center	21,846,500	157,513	2	1.98%	13,010,900	64,283	7	1.07%
Washington County Hospital	31,387,500	127,433	3	1.60%	79,042,900	236,142	1	3.93%
Mack Trucks, Inc	14,157,300	102,074	4	1.28%	31,826,700	157,457	2	2.62%
Hagerstown Housing Authority	24,941,000	101,017	5	1.27%	51,242,500	153,229	3	2.55%
Brandywine(Youngstoun Apartments)	12,243,200	88,274	6	1.11%	10,610,000	52,262	10	0.87%
Board of Education	19,046,300	81,960	7	1.03%				0.00%
Realty Investment Company	19,962,500	81,048	8	1.02%	22,214,200	66,481	6	1.11%
CM Offray	19,251,200	78,160	9	0.98%	32,255,100	96,585	4	1.61%
Western Maryland St Hospital	16,578,600	67,309	10	0.85%	17,866,600	53,372	9	0.89%
Citicorp Credit Services					14,470,400	61,571	8	1.03%
Totals	223,665,300	\$ 1,064,448		13.39%	303,751,800	\$ 1,034,671		17.24%

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									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
City Administrator	1.67	1.67	1.67	2.5	3.5	3.5	3.5	4.5	4.75	4.75
City Clerk	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.25	1.25
Economic Development	1.33	1.33	1.33	2	1	1	0	0	0	0
Public Information ***	3.5	5.5	5.5	4	2	1	1	0	0	0
Public Function	0	0	0	0	1	1	0	0	0	0
Subtotal Administration	8	10	10	10	9	8	6	6	6	6
Accounting	6.5	6.5	7	7	7	7	7	7	7	7
Treasurer	4	4	4	3	3	3	3	3	3	3
Information Technology	6	6	6	6	6	5	5	4	4	4
Billing/Customer Service	4	4	4	14	13	13	13	13	13	13
Purchasing	2.5	2.5	2	4	4	3	3	4	4	4
Human Resources	4	4	4	6	5	4	4	4	4	4
Planning	6	6	6	6	4	4	5	5	5	5
Engineering	14	14	14	14	14	14	14	14	21	21
Inspections & Engineering	15	15	15	15	15	13	9	8	0	0
Police Sworn	107	105	105	101	101	105	102	101	100	99
Police Administration/Civilian	24	24	23	24	21	21	22	21	21	21
Fire	83.6	83.6	74	64	64	64	62	60	58	58
*Public Works	34	34	34	34	34	56	56	56	56	56
*Parks & Recreation	20	20	18	20	21	0	0	0	0	0
Total General Fund	338.6	338.6	326	328	321	320	311	306	302	301
Light	40	40	41	35	35	33	35	35	34	34
Water	56	56	56	48	45	50	52	52	52	52
Sewer	48	48	48	51	49	41	41	41	42	42
Golf Course	3	3	3	2	2	2	3	3	3	3
Parking	2	2	2	2	2	2	2	2	2	2
Community Development	6.4	6.4	6	6	6	7	7	7	7	7
Telework Center	1	1	1	1	1	1	1	1	0	0
City Staffing Levels	495	495	483	473	461	456	452	447	442	441
**General Operations	131.4	133.4	131	146	142	138	133	132	130	130
Public Safety	214.6	212.6	202	189	186	190	186	182	179	178
Business-type Activities	149	149	150	138	133	128	133	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	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Fire Department										
Responses to Fire alarms	2,249	2,185	2,033	1,988	1,931	2,047	1,818	1,846	1,654	1,661
Average response time (in minutes)	3:13	3:19	3:28	3	3	3	3	3	3	3
False alarms (included in above number)	10	6	13	20	31	49	29	73	69	66
Public fire education programs	453	356	349	296	317	320	307	235	212	202
Persons in attendance at public education programs	13,950	11,110	11,045	8,710	8,585	8,990	8,420	9,070	7,195	11,245
Police Department										
Parking ticket violations issued	12,146	8,654	11,616	10,458	12,924	13,217	16,922	17,466	18,315	17,076
Net parking fines	\$ 143,275	\$ 148,223	\$ 145,115	\$ 132,955	\$ 163,533	\$ 206,909	\$ 123,695	\$ 199,213	\$ 187,062	\$ 156,817
Calls for service	53,479	57,509	56,945	56,188	58,106	54,262	55,684	55,683	53,000	53,003
Alarm calls (included in above number)	2,088	2,065	2,191	2,025	2,126	2,161	2,225	2,174	2,304	2,305
Parks and Recreation										
Claude M Potterfield Pool										
Total attendance at swimming pool	24,268	25,497	24,606	27,117	31,733	27,152	26,219	25,545	16,395	18,467
Average daily attendance at pool	275	300	315	312	387	319	345	315	238	303
The Greens at Hamilton Run										
Total attendance at golf course	12,219	16,638	16,236	17,655	15,377	14,458	18,637	26,028	27,772	28,797
Average daily attendance at golf course	39	48	52	56	51	56	64	87	85	89
Light Department										
Number of active accounts	16,974	17,026	17,607	17,585	17,379	17,224	17,046	16,739	17,277	17,253
Number of meters (in use)	17,972	18,072	17,981	17,937	17,756	17,634	17,560	17,219	17,789	17,869
Kilowatt hours purchased	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	339,635,000
Kilowatt hours sold	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	330,192,000
System peak demand-kilowatts	66,204	73,990	77,418	76,717	70,524	75,257	78,508	73,660	64,734	72,934
Water Department										
Number of active accounts-City	13,030	13,083	12,949	12,532	12,128	11,745	11,525	11,441	11,372	11,259
Number of active accounts-County	15,189	15,162	14,920	14,637	14,163	13,722	13,330	13,003	12,642	12,361
Total number of active accounts	28,219	28,245	27,869	27,169	26,291	25,467	24,855	24,444	24,014	23,620
Daily average productions in million gallons										
R.C. Willson Plant (365 days)	10,797	10,583	10,910	10,833	10,714	10,179	10,687	10,860	10,137	10,355
Wm. M. Breichner Plant (365 days)	0,001	0,008	0,030	0,029	0,113	-	0,044	0,234	0,644	0,332
Greatest consumption for a single day	13,270	13,130	12,651	12,830	12,980	12,037	13,760	13,507	12,808	13,781
Plant pumping capacity per day	20,000	20,000	14,000	14,000	13,000	19,800	19,800	19,800	19,800	19,800
Average daily metered consumption	8,532	8,645	8,555	8,567	8,503	8,310	8,379	8,493	8,152	8,393
Sewer Department										
Number of active accounts-City	12,777	12,828	12,707	12,273	11,874	11,488	11,279	11,185	11,114	11,005
Number of active accounts-County	2,898	2,903	2,890	2,816	5,679	5,426	5,157	4,964	4,711	4,711
Number of active accounts-District (JSA)	3,409	3,373	3,317	3,155	-	-	-	-	-	-
Number of active accounts-Total	19,084	19,104	18,914	18,244	63,000	16,914	16,436	16,149	15,825	15,716
Daily average of sewage treated (million gallons)(including inflow and infiltration)	6,310	7,060	6,950	6,900	6,300	9,000	9,800	6,500	7,200	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	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Parking Facilities Department										
Parking Deck:										
Number of Parking Spaces	625	629	629	441	441	441	441	441	441	441
Number of Permit Parkers	695	421	418	345	315	312	312	267	335	303
Operating Revenue:										
Meter Fees	\$ 237,847	\$ 237,847	\$ 244,864	\$ 247,287	\$ 248,078	\$ 232,342	\$ 180,061	\$ 173,755	\$ 135,937	\$ 137,287
Permit Fees	\$ 162,079	\$ 162,079	\$ 151,675	\$ 176,160	\$ 147,764	\$ 146,942	\$ 124,113	\$ 145,155	\$ 139,343	\$ 134,584
Deck	\$ 334,712	\$ 334,712	\$ 270,721	\$ 212,442	\$ 207,421	\$ 224,362	\$ 190,623	\$ 177,718	\$ 180,316	\$ 171,800
Special Revenue Funds										
Number outstanding loans:										
Community Development Block Grant										
Single family	7	9	10	10	11	13	14	19	18	22
Residential Rental	9	10	11	11	12	14	18	22	24	25
Commercial	2	2	4	5	6	7	7	6	6	9
Deferred	35	31	26	22	27	31	35	35	28	36
Public facilities and improvements	4	4	4	6	6	6	5	4	4	4
Homeownership	6	7	7	9	10	11	11	14	16	17
Direct Homeownership	9	8	9	8	10	14	16	19	16	15
Business Revolving Loans	10	12	5	3	1	5	4	5	4	0
Total	82	83	76	74	83	101	110	124	116	126
Outstanding loan balances:										
Community Development Block Grant										
Single family	44,427	139,798	109,362	120,911	186,209	248,022	270,726	320,234	352,549	406,038
Residential Rental	688,176	449,450	509,268	524,094	830,070	1,033,040	1,407,934	1,959,835	2,152,794	2,303,500
Commercial	261,116	279,075	325,058	486,969	535,302	608,606	688,596	435,658	494,639	855,686
Deferred	863,392	766,144	739,327	691,594	704,529	729,383	766,132	708,345	664,059	701,886
Public facilities and improvements	715,276	757,622	806,757	926,064	1,004,309	891,841	590,588	410,453	436,182	436,911
Homeownership	266,411	276,864	319,370	368,975	435,198	477,532	67,259	625,398	629,266	660,111
Business Revolving Loans	686,774	832,348	357,797	158,513	6,921	218,584	436,053	91,490	227,813	-
Total	\$ 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	\$ 5,364,132
Program income (interest and loan repayments)										
Community Development Block Grant										
Single family	99,941	35,804	24,380	73,849	68,795	31,773	35,581	65,827	39,663	110,072
Residential Rental	58,745	84,167	85,820	335,673	242,380	427,427	618,806	279,062	264,260	339,695
Commercial	23,892	53,753	174,655	64,097	90,539	103,370	92,863	84,136	93,612	208,197
Deferred	2,301	10,255	40,306	48,088	83,217	23,594	23,440	9,649	41,367	-
Public facilities and improvements	68,309	70,876	146,667	114,250	201,654	70,076	28,049	33,946	35,861	35,378
Homeownership	22,805	56,422	65,169	105,012	64,351	43,353	262,399	714,320	302,536	541,562
Business Revolving Loans	175,432	118,563	27,718	40,621	57,989	10,665	12,267	11,939	24,778	-
Total	\$ 451,425	\$ 429,840	\$ 564,715	\$ 781,590	\$ 808,925	\$ 701,258	\$ 1,073,405	\$ 1,198,879	\$ 802,077	\$ 1,234,904

Source: Corresponding City Department.

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

Function	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Fire Department										
Number of stations (4 volunteer, 2 City owned)	6	6	6	6	6	6	6	6	6	6
Police Department										
Number of Stations and Substations	3	3	3	3	3	3	3	3	2	2
Public Works Department										
Miles of paved streets and alleys	144.4	143.3	142.0	139.6	139.6	139.6	139.6	139.6	137.9	136.4
Number of traffic signals maintained	130	132	128	127	127	126	121	121	121	121
Parks and Recreation										
Parks and Playgrounds (291.667 acres)	18	18	18	18	19	18	18	18	13	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
Light Department										
Number of substations - 34.5KV to 13.8KV	7	7	7	7	7	7	7	7	6	6
Water Department										
Miles of water mains (estimate)	425	425	392	389	383	377	370	367	364	361
Fire hydrants	802	802	800	800	755	726	716	715	713	705
City	1,272	1,272	1,266	1,241	1,204	1,107	1,107	1,094	1,043	1,018
County										
Sewer Department										
Number of City owned pumping stations	26	26	25	27	27	25	26	23	22	22
Miles of collection system-City owned	153	153	153	138	138	135	134	132	130	130
Parking Facilities Department										
Number of Lots	7	6	6	7	7	7	7	7	8	9
Number of Parking Spaces (Metered or Rented)	682	719	719	726	726	719	719	701	708	735
Lots	511	526	526	540	535	528	528	528	528	519
Streets										
Number of Parking Decks	2	2	2	1	1	1	1	1	1	1

Source: Corresponding City Department.

