

CITY OF HAGERSTOWN

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Comprehensive Annual Financial Report

*for the Fiscal
Year Ended
June 30, 2008*

City of Hagerstown

City Hall, Finance Department
1 East Franklin Street
Hagerstown, Maryland 21740
301-766-4160
www.hagerstownmd.org



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City of Hagerstown

Maryland

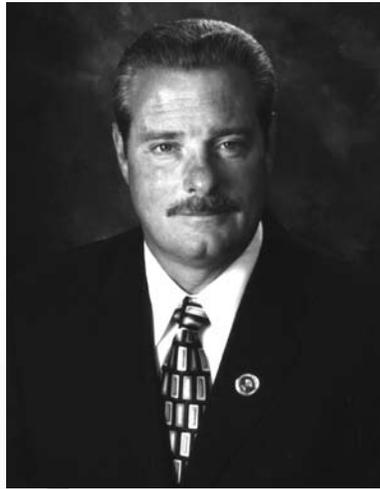


Comprehensive Annual Financial Report Fiscal Year 2008

July 1, 2007 - June 30, 2008

Prepared By:
Finance and Accounting

City Council



*Robert E. Bruchey, II
Mayor*



*Bruce J. Zimmerman
City Administrator*



*Martin E. Brubaker
Council Member*



*Kelly S. Cromer
Council Member*



*Alesia Parson-McBean
Council Member*



*Penny M. Nigh
Council Member*



*Lewis C. Metzner
Council Member*

City of Hagerstown
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended June 30, 2008

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INTRODUCTORY SECTION

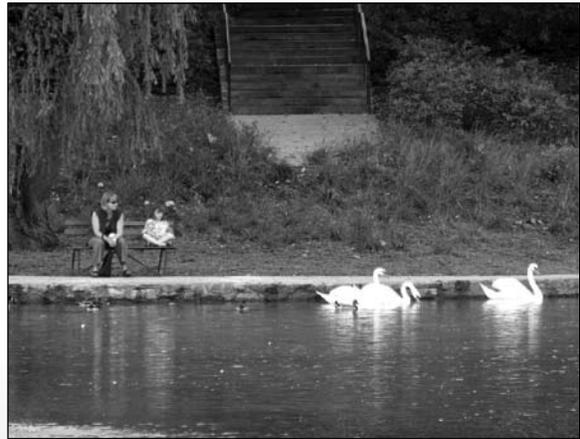


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Downtown Hagerstown



Parks





January 26, 2009

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, 2008.

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, 2008, 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, 2008, 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 11.62 square miles and serves a population of 39,941 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. Job creation continues to increase with nearly 577 new jobs created for the greater Hagerstown area in the last twelve months. The unemployment rate in June 2008 was 5.3 %. Approximately 66,274 of the 70,007 available civilian labor force were gainfully employed in June 2008.

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 is benefiting 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.

Building Permits Issued

<u>Calendar</u> <u>Year</u>	<u>Number</u>	<u>Value</u>	<u>% Increase/ (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

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. Since the building permit activity only began to jump dramatically in 2004, our population growth rate is projected to continue steadily over the next several years. 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 10 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 1,351 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 few 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 very strong over the past few years. New shopping centers on Potomac Avenue and Garland Groh Boulevard were completed in 2008. An adjoining parcel planned for retail and restaurant development on Garland Groh Boulevard was annexed into the city in 2008. Two regional shopping centers that would total more than 1.7 million square feet in retail area are being considered for the intersection of I-70 and US-40 at Hagerstown's southeast edge – both of which are contemplating annexation into the City. A development plan for a new office park off Eastern Boulevard has been approved. Eight new commercial lots have been approved for development on Eastern Boulevard and, in 2008, a new branch bank opened on one of the lots. A number of medical office buildings have been approved around the city over the last couple of years. A site plan has been submitted to upgrade a 50 year old shopping center at the city's northeast edge in response to construction of a new center across the street in the city in 2007-2008.

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. The City received State designation of an area around Public Square as a Growth A&E District to help provide incentives for investment. The City has

received Community Legacy grants, State bond bill funding, and Maryland Heritage Area grants 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. Construction is underway on a public high school for performing and visual arts, which will open in 2009. Plans call for the expansion of the Central Library in 2010-2011. Construction recently completed on a five-level, 200 space parking deck. A sidewalk widening project was completed in 2008 to create a sidewalk café district on S. Potomac Street.

The State's investment in the new University System of Maryland Center has generated a significant amount of new private business interest and investment in the surrounding downtown area. 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 and new construction project is nearing completion. A nearby mixed-use adaptive reuse project which will include residential condominiums will be getting underway in early 2009. A warehouse was renovated in 2007-2008 to create a cultural center. An old motel is about to be adaptively reused into office condominiums. An adaptive reuse project for residential condominiums was completed on E. Antietam Street and another is nearing completion on S. Prospect Street.

Long-term community planning. The Mayor and Council adopted a new City Comprehensive Plan in April 2008. The Plan emphasizes growth and 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 mid-late 2008, the City's Planning Commission began implementation of the Plan with phase one of the comprehensive rezoning process and public review of three new mixed use zoning districts. Phase two of the comprehensive rezoning will begin in early 2009. It is anticipated that the comprehensive rezoning will take a couple of years to complete.

Major water and sewer projects have also been planned for the City. The fiscal year 2008/09 Water Fund budget includes \$9,258,000 in proposed capital expenditures for system improvements. Major projects include \$4,228,500 to continue work on replacement of the West End Reservoir, \$1,695,000 to start work on improvements to the transmission mains from the RC Willson Water Plant and \$2,686,000 for various distribution system improvements and continuation of our water meter replacement program. These projects will be funded with Water Fund cash, additional borrowing of \$6,775,600, and the use of approximately \$1,815,000 in benefit charges.

The fiscal year 2008/09 Sewer Fund budget includes \$18,352,500 in proposed capital expenditures for system improvements. Sewer fund anticipated projects include \$6,828,000 for various collection system rehabilitation projects and \$10,662,000 for continued improvements at the wastewater treatment plant. In addition to Sewer Fund cash, these projects will be funded with additional borrowing of \$10,907,500, grant funds of \$4,362,000 and the use of benefit charges of \$1,292,500.

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 4.50% for the government and an average negative yield of (4.74%) for the pension trust fund. The negative rate of return for the pension trust fund is attributable to the long-term character of most of its investment holdings and the negative returns experienced in the fund's equity investments in stocks. 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 220 retired employees and 192 dependents receiving these benefits, which are financed on a pay-as-you-go-basis. GAAP does not currently require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits. Additional information on 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, 2007. This was the thirteenth 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, especially our Accounting Manager, Michelle Burker. 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 Hagertown
Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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.



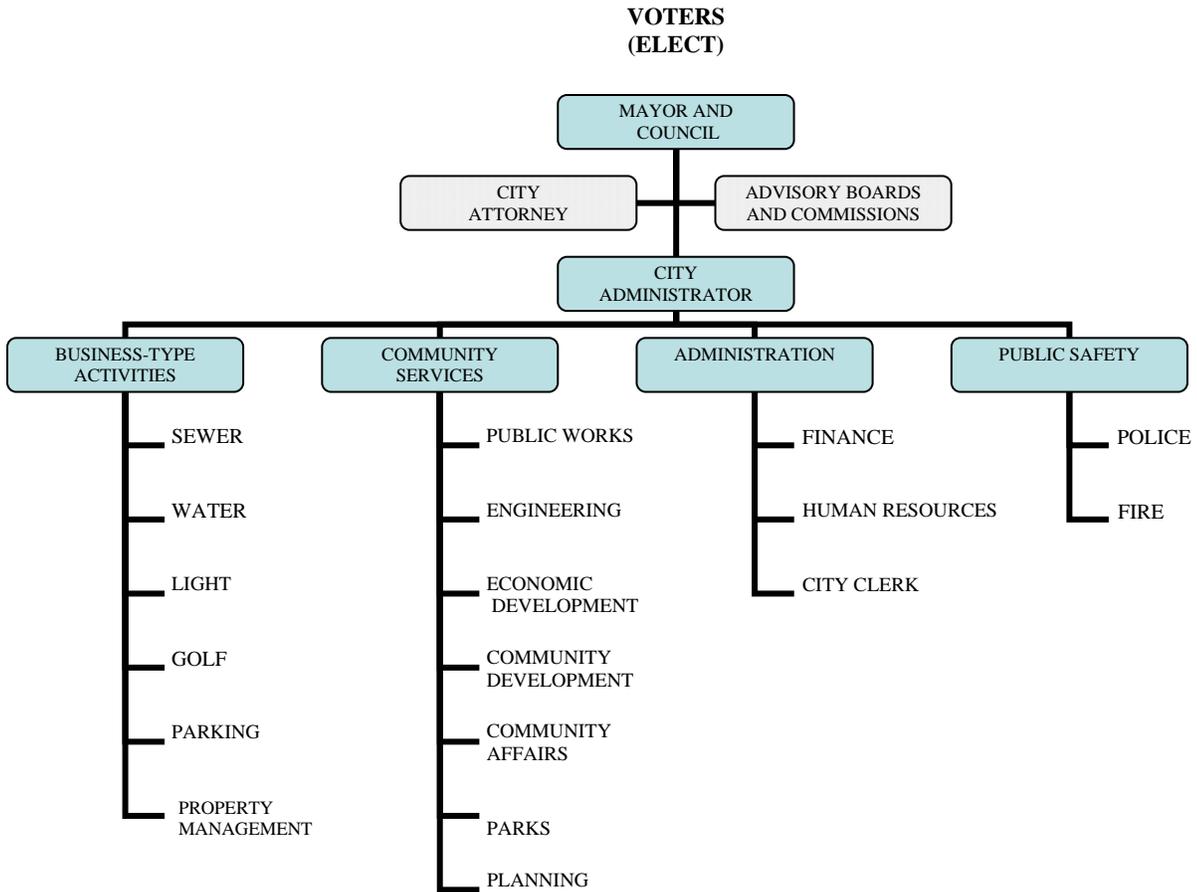
Oliver S. Cox

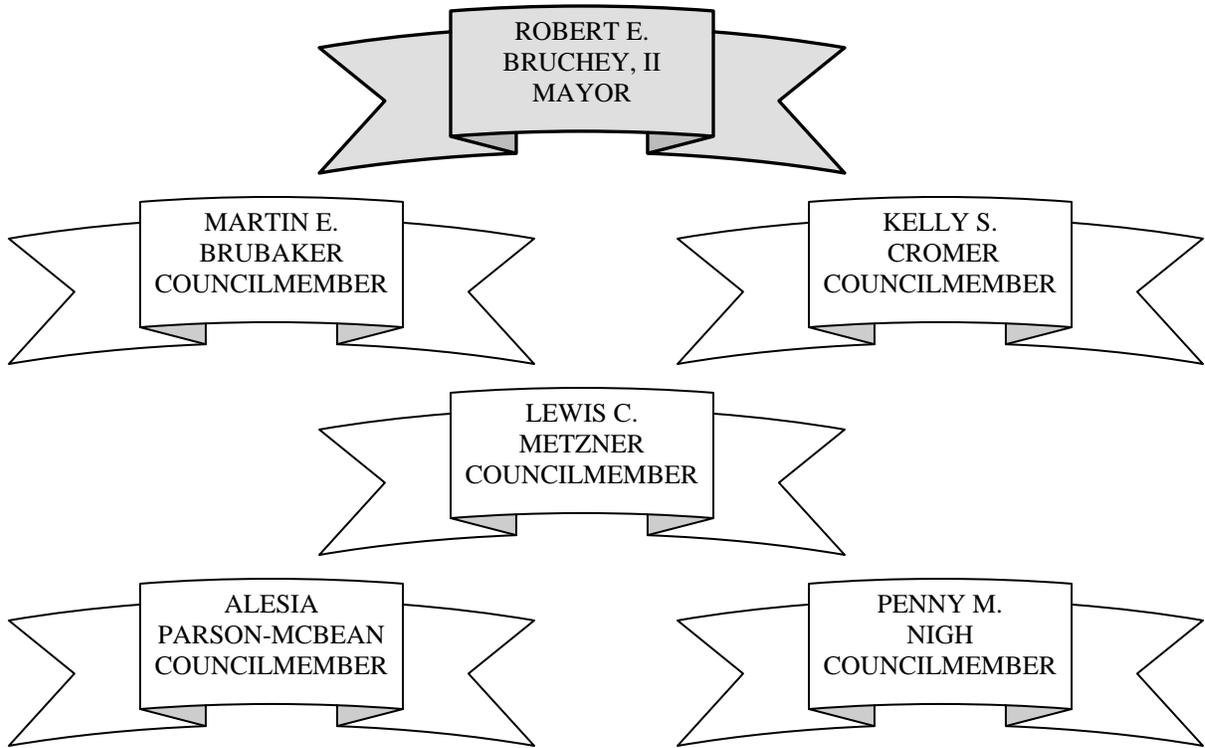
President

Jeffrey R. Emer

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



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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Hagerstown, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of the City of Hagerstown, Maryland (City), as of and for the year ended June 30, 2008, 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2009, 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 60 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 61 to 79 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, 2008 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
January 26, 2009

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, 2008. 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 \$224.8 million (*net assets*). Approximately 62.7% of this amount is attributable to the City's three utilities (Light, Water and Sewer). Of the total net assets, \$21.3 million (*unrestricted net assets*) may be used to meet ongoing obligations to citizens and creditors (78.6% of this amount is attributable to the City's three utilities), \$10.4 million is restricted for specific purposes (*restricted net assets*), and \$193.0 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 \$19.6 million. Of this total amount \$7.3 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 (-1.02%) during the current fiscal year from \$40.0 million to \$39.7 million. In the current fiscal year, the City issued no public facilities bonds. In fiscal year 2007/2008, the City authorized \$6.5 million in Maryland Water Quality Revolving Loan Fund Debt of which \$3.1 million was drawn in 2007/2008, and assumed a 1998 loan to Hagerstown Trust Company from the Washington County Sports Foundation, Inc. for \$181,942. The City's adherence to its amortization schedules for other debt further reduced its debt by \$3.7 million in 2007/2008.
- The General Fund on a current financial resource basis, reported revenues in excess of expenditures and other financial sources and uses by \$554,506 after making a \$1,267,000 transfer to the Capital Projects Fund and operating transfers of \$210,891 to the Golf Course Fund, \$183,000 to the Economic Redevelopment Fund and \$40,342 to the Grant Revenue Fund.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$7,349,854 or 20.7% of total General Fund expenditures (excluding the transfers to other funds described above). This represents over two and a half months of General Fund expenditures and complies with the City financial policy requiring a minimum undesignated fund balance of 10% of the General Fund operating expenditures

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave). One of the *statement of activities* primary purposes is to illustrate the financial reliance of the City's distinctive activities or functions on City taxpayer revenue.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and alleys, waste collection and disposal, parks and recreation, municipal buildings, and economic and community development. The business-type activities of the City include electric, water, 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 61 through 73.

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 59.

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 60 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 \$224.8 and \$208.9 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 (85.9%) reflects its investment in capital assets net of depreciation (e.g., land and improvements, buildings, machinery, equipment, infrastructure, and improvements), less any unmatured debt used to acquire those assets. The City uses these capital assets to provide services to citizens. Consequently, these assets are *not* available for future spending.

Restricted net assets represent 4.6% 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 \$21.3 million (9.5% of total net assets) which may be used to meet the government's ongoing obligations to citizens and creditors. Unrestricted net assets for business-type activities have a balance of \$16.8 million.

Summary of Net Assets June 30, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets:						
Current Assets	\$ 27,341,392	\$ 28,293,225	\$ 16,605,750	\$ 12,571,563	\$ 43,947,142	\$ 40,864,788
Long-term and restricted assets	142,878	357,677	15,047,642	14,129,763	15,190,520	14,487,440
Capital assets, net	<u>72,257,137</u>	<u>65,683,155</u>	<u>159,404,713</u>	<u>151,428,412</u>	<u>231,661,850</u>	<u>217,111,567</u>
Total Assets	99,741,407	94,334,057	191,058,105	178,129,738	290,799,512	272,463,795
Liabilities:						
Long-term liabilities	18,452,449	19,429,797	24,237,996	23,348,421	42,690,445	42,778,218
Other liabilities	<u>7,819,817</u>	<u>7,717,833</u>	<u>15,512,457</u>	<u>13,101,758</u>	<u>23,332,274</u>	<u>20,819,591</u>
Total Liabilities	26,272,266	27,147,630	39,750,453	36,450,179	66,022,719	63,597,809
Net Assets:						
Invested in capital assets	58,486,896	49,562,961	134,548,479	127,470,214	193,035,375	177,033,175
Restricted	10,411,568	9,737,538	-	-	10,411,568	9,737,538
Unrestricted	<u>4,570,677</u>	<u>7,885,928</u>	<u>16,759,173</u>	<u>14,209,345</u>	<u>21,329,850</u>	<u>22,095,273</u>
Total Net Assets	\$ <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>

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

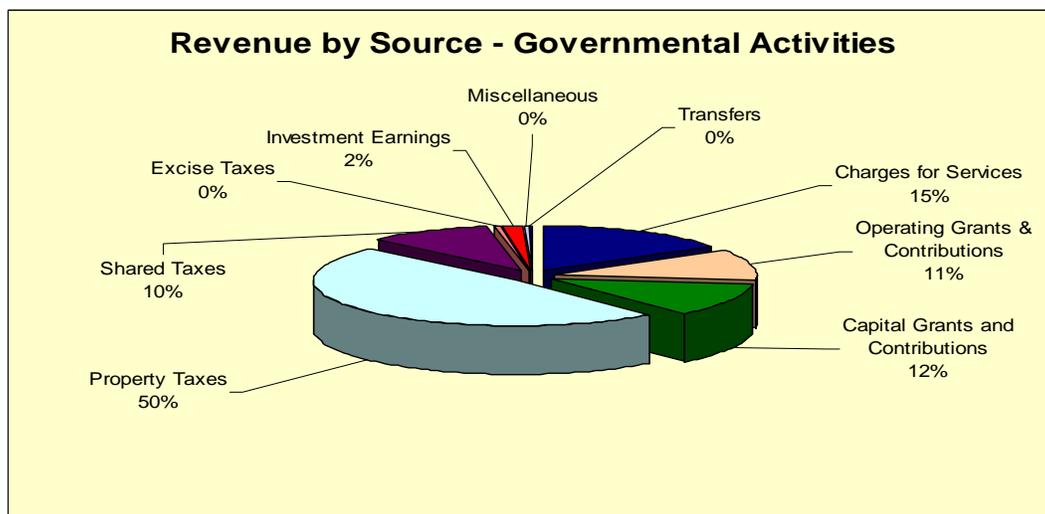
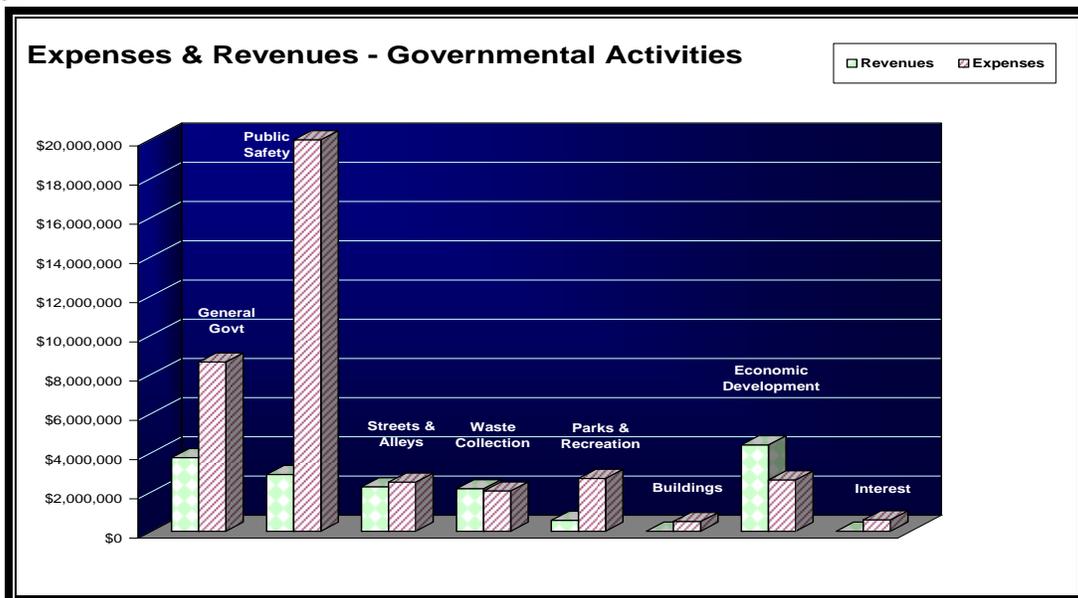
**Changes in Net Assets
June 30, 2008 and 2007**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 7,098,795	\$ 7,825,145	\$ 52,220,391	\$ 51,045,910	\$ 59,319,186	\$ 58,871,055
Operating grants and contributions	5,089,132	5,364,099	-	-	5,089,132	5,364,099
Capital grants and contributions	5,573,575	1,166,568	10,965,396	7,803,826	16,538,971	8,970,394
General Revenues:						
Property taxes	22,359,137	20,131,677	-	-	22,359,137	20,131,677
State and county shared taxes	4,459,350	3,848,468	-	-	4,459,350	3,848,468
Miscellaneous	1,090,933	1,638,133	743,942	707,098	1,834,875	2,345,231
Total Revenues	<u>45,670,922</u>	<u>39,974,090</u>	<u>63,929,729</u>	<u>59,556,834</u>	<u>109,600,651</u>	<u>99,530,924</u>
Program Expenses:						
Public safety	19,961,913	17,957,996	-	-	19,961,913	17,957,996
General government	8,628,435	7,682,737	-	-	8,628,435	7,682,737
Economic and community development	2,651,803	2,684,084	-	-	2,651,803	2,684,084
Parks and recreation	2,691,272	2,509,393	-	-	2,691,272	2,509,393
Streets and alleys	2,502,133	2,307,532	-	-	2,502,133	2,307,532
Waste collection and disposal	2,053,573	1,963,094	-	-	2,053,573	1,963,094
Municipal buildings	495,650	460,678	-	-	495,650	460,678
Interest on long-term debt	576,969	659,736	-	-	576,969	659,736
Utilities and other proprietary funds	-	-	54,128,096	54,315,576	54,128,096	54,315,576
Total Expenses	<u>39,561,748</u>	<u>36,225,250</u>	<u>54,128,096</u>	<u>54,315,576</u>	<u>93,689,844</u>	<u>90,540,826</u>
Excess before transfers	<u>6,109,174</u>	<u>3,748,840</u>	<u>9,801,633</u>	<u>5,241,258</u>	<u>15,910,807</u>	<u>8,990,098</u>
Transfers	173,540	(98,787)	(173,540)	98,787	-	-
Increase in net assets	<u>6,282,714</u>	<u>3,650,053</u>	<u>9,628,093</u>	<u>5,340,045</u>	<u>15,910,807</u>	<u>8,990,098</u>
Net Assets - Beginning	<u>67,186,427</u>	<u>63,536,374</u>	<u>141,679,559</u>	<u>136,339,514</u>	<u>208,865,986</u>	<u>199,875,888</u>
Net Assets - Ending	<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>

Governmental activities: General revenues for the governmental activities were \$27.9 million, while total expenses, net of charges for services, grants and contributions, were \$17.8 million. The increase in net assets for governmental activities was \$6,282,714 and can be largely attributed to the following:

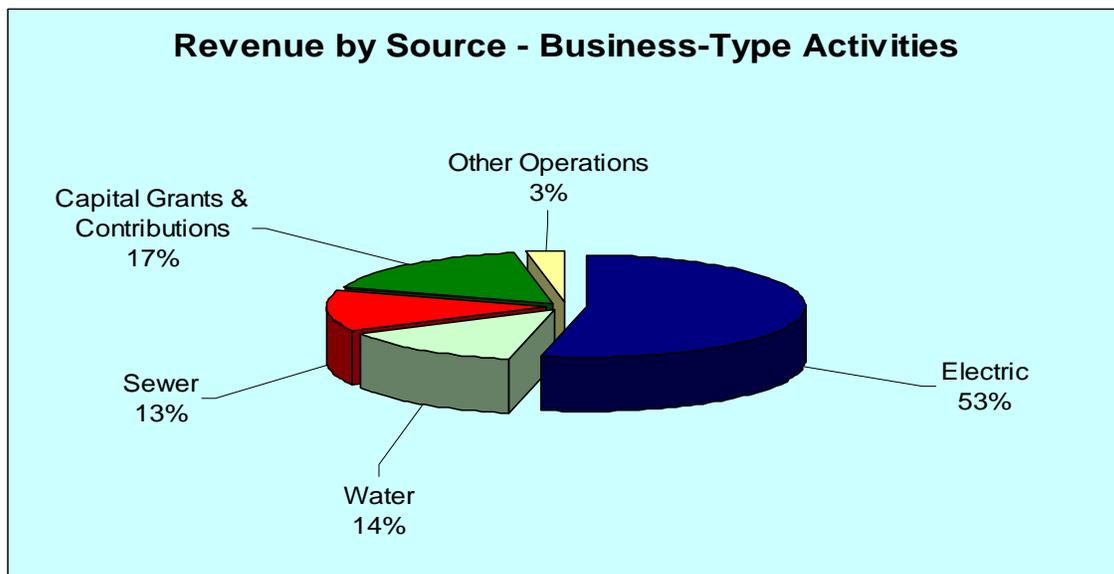
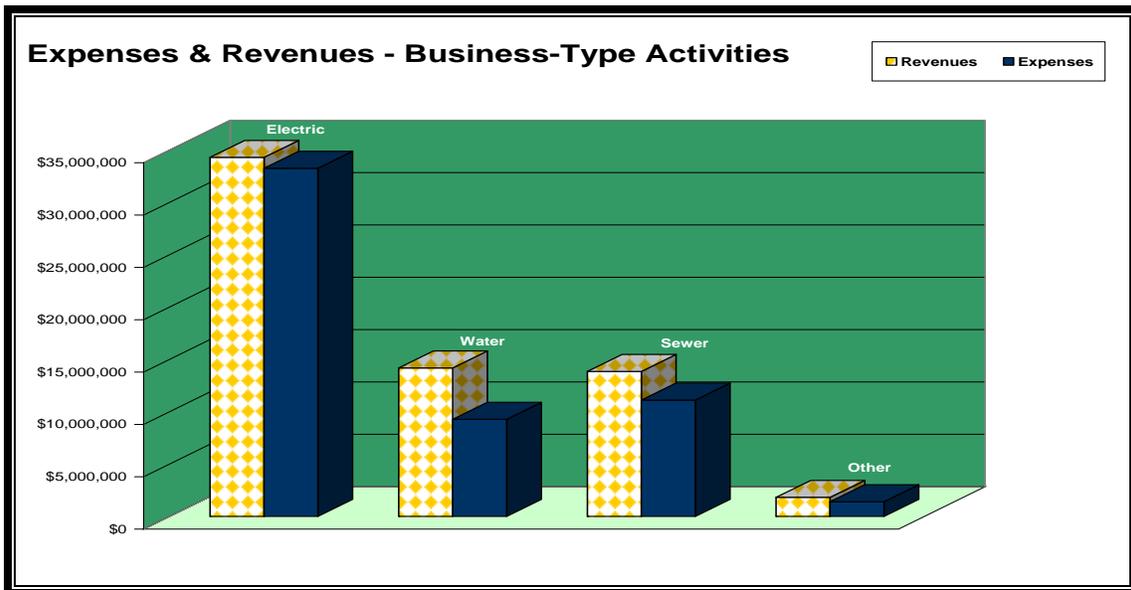
- A portion of the increase is due to the excess of actual revenues over expenditures in the City's General Fund which is explained in the next section of this analysis.
- Due to new State legislation and the City's adoption of an Adequate Public Facilities Ordinance similar to the County's, the City received \$220,679 in County Excise Tax revenue from new development for future growth related capital projects and related debt service.
- The City's Business Revolving Loan, and Grant Revenue funds experienced increases in net assets from activities in the current year of \$37,779, and \$23,757 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 \$6,573,982.

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 \$9.6 million, accounting for 60.4% of the total growth in the government’s net assets. Key elements of this increase are as follows:

- Charges for services for business-type activities increased by \$1.2 million or 2.3 %. This is primarily due to charges for services in the Electric utility fund increasing from \$33.0 to \$34.0 million or 3.0%. This increase was caused by an increase in the purchase power passed from the City to its customers.
- Capital contributions remained a major revenue source for the Water and Sewer funds during the current fiscal year, producing \$11.0 million in revenue.
- New capital assets exceed depreciation expense and asset disposals by \$8.0 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 balances of \$19.6 million, a decrease of \$1.4 million in comparison with the prior year. The decrease is primarily a result of the non-issuance of bond financing in the current fiscal year. Increases in revenues were offset by increases in expenditures. Additionally, transfers in increased by \$1.2 million as a result of the reduction in bond financing. Approximately 37.6% of this total amount (\$7.3 million) constitutes *unreserved fund balance*, 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 (\$0.7 million), 2) for inventories (\$0.2 million), 3) dedicated for a variety of restricted purposes including long term loans receivable and properties held for resale (\$11.3 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 \$7.3 million, while total fund balance reached \$7.8 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 20.5% of total General Fund expenditures (approximately two and one half months of fiscal expenditures).

The fund balance of the City of Hagerstown's General Fund increased by \$554,506 during the current fiscal year. The key elements in this small increase are as follows:

- Revenues were accurately predicted and fell short of budgeted projections by only \$363
- Expenditures were below budgeted projections by \$952,034
 - Net vacancy savings in wages and benefits kept actual expenditures below budget projections by \$312,546.
 - Keeping overall actual expenditures for departments in line with or below budget, eliminated the City's need to utilize the amount budgeted for contingency of \$438,837.

The Capital Projects Fund has a total fund balance of \$4.9 million. Of the total fund balance, \$4.3 million is reserved for future capital project expenditures. The remaining \$580,770 is reserved for contracts and purchase order commitments made in the prior year.

Proprietary funds. The City of Hagerstown's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the three utilities at the end of the year amounted to \$2.3 million for the Light (electric) Fund, \$8.2 million for the Water Fund and \$4.8 million for the Sewer Fund. The total growth in net assets was \$9.1 million. Other factors concerning these funds' finances have been addressed in the discussion of the City of Hagerstown's business-type activities.

General Fund Budgetary Highlights

The final budgeted expenditures and transfers to other funds were decreased by \$379,271 below the original budget. These changes include adding \$18,669 for a transfer to the City's Grant Revenue Fund, \$58,000 to the Economic Redevelopment Fund, and \$50,000 to the Capital Improvements Fund, offset by decreased costs of \$184,605 in budget contingency and \$574,507 for the Police Department.

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, 2008, amounts to \$231.7 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 \$14,550,277 or 6.70%. There was a 10.0% increase for governmental activities and a 5.3% increase for business-type activities.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Land	\$ 1,044,756	\$ 1,044,756	\$ 5,599,217	\$ 5,599,217	\$ 6,643,973	\$ 6,643,973
Construction in progress	6,226,290	2,681,421	13,967,754	11,483,585	20,194,044	14,165,006
Buildings & structures	8,527,987	8,692,400	102,547,828	97,835,083	111,075,815	106,527,483
Improvements other than buildings	4,161,954	4,175,444	567,627	598,814	4,729,581	4,774,258
Machinery & equipment	4,805,593	5,057,715	36,722,287	35,911,719	41,527,880	40,969,434
Infrastructure	47,490,557	44,031,419	-	-	47,490,557	44,031,419
Total	\$72,257,137	\$65,683,155	\$159,404,713	\$151,428,418	\$231,661,850	\$217,111,573

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

For the City's governmental activities:

- The City spent \$250,955 on various street resurfacing projects.
- \$483,010 was spent on various storm drain system updates.
- \$918,886 was spent on widening Eastern Boulevard.
- \$223,484 was spent on renovating the City's Crime Laboratory.
- \$305,000 was spent on the acquisition of a new fire engine.
- \$150,000 was spent on widening Edgewood Boulevard at US Route 40.
- \$147,647 was spent on sidewalk improvements on US Route 40.
- \$110,334 was spent on renovating the Barbara Ingram School for the Arts.
- \$506,894 was spent on various parks improvements.
- \$232,352 was spent on streetscape improvements to Jonathan Street.
- \$465,252 was spent to upgrade the City's municipal financial system.
- \$368,246 was spent on improvements on Marshall Street.
- \$105,178 was spent on renovation of the City's Central Maintenance Garage offices.

- o \$274,887 was spent on improvements to the City's gas station fuel pumps.
- o \$366,440 was spent on widening sidewalks and pedestrian amenities to the Arts & Entertainment District.

In the City's business activities:

Of the \$12.3 million the City spent on the acquisition and construction of business activity capital assets in fiscal year 2007/2008, \$3.1 million were funded by bond proceeds and the remaining \$9.2 million was funded from contributions from developers in the form of benefit charges.

Additional information on the City of Hagerstown's capital assets can be found in Note IV. C., pages 43 through 44 of this report.

Long-term debt. At the end of the current fiscal year, the City of Hagerstown had total bonded debt outstanding of \$39.7 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, \$24.5 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	
	2008	2007	2008	2007	2008	2007
General Bonded Debt	\$14,874,304	\$16,120,194	\$24,835,556	\$23,958,198	\$39,709,860	\$40,078,392

The City of Hagerstown decreased its total debt by \$0.4 million (-1.02%) during the current fiscal year. The City drew \$3.1 million in additional debt from the 2007 Maryland Water Quality Revolving Loan Fund Debt and assumed a 1998 loan to Hagerstown Trust Company from the Washington County Sports Foundation, Inc. for \$181,942. 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.

At the beginning of the last fiscal year, Moody's Investors Service upgraded the rating on the City of Hagerstown from A3 to A2.

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 .63% of the assessed value of taxable property and \$371 per capita.

Additional information on the City of Hagerstown's long-term debt can be found in note IV., F. on pages 48 through 50 of this report.

Economic Factors and Next Year's Budgets and Rates

- The fiscal 2009 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 \$1.5 billion 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 2009 the City's major governmental fund budget, the General Fund, is projected to increase 13.1% over the fiscal 2008 actual. Wages and benefits are projected to increase by 9.2%. Debt service is projected to increase by 7.2% due to the planned 2006 and 2008 public facility bonds. All other operating expenses are projected to increase by 8.2%. The other operating expenses include expenses such as sanitation services (4.4%), and electricity (5.9%).
- The rental registration program and stepped up property maintenance inspection program continues to result in improved property maintenance in the City and increased property values in our established neighborhoods.
- The recently 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 triennial re-assessment by the State Department of Assessments occurred in the Summer of 2007 and will be applied to real estate assessments in fiscal 2008/09. Demographic information the City has received on real estate values in the Hagerstown Metropolitan Statistical Area indicate that there has been a significant increase of over 40% over the last three years in existing property values.

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

While the fiscal year 2009 budget reflects no rate increase for electric or water service charges, there was a rate increase of 6.0% included for inside City sewer service charges and 7.3% for outside City sewer service charges. These rate increases are effective as of July 1, 2008.

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, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and investments	\$ 19,640,099	\$ 6,105,858	\$ 25,745,957
Receivables (net of allowance for uncollectibles):			
Taxes	1,045,430	-	1,045,430
Intergovernmental	1,532,591	-	1,532,591
Customers	1,284,420	8,485,366	9,769,786
Loans	3,355,167	-	3,355,167
Other	134,051	41,612	175,663
Internal balances	(870,144)	870,144	-
Inventories	213,091	984,189	1,197,280
Properties held for resale	913,151	-	913,151
Prepaid items	78,652	-	78,652
Due from other agencies	-	18,670	18,670
Due from (to) other funds	(15,208)	15,208	-
Deferred charges	30,092	84,703	114,795
Restricted assets:			
Pooled cash and investments	142,878	15,047,642	15,190,520
Capital assets (net of accumulated depreciation):			
Land (not being depreciated)	1,044,756	5,599,217	6,643,973
Land improvements	4,387,019	1,273,661	5,660,680
Buildings and structures	15,088,161	148,617,045	163,705,206
Machinery and equipment	3,715,064	78,450,592	82,165,656
Automobiles and trucks	6,600,853	4,645,907	11,246,760
Office furniture and fixtures	2,671,306	706,129	3,377,435
Infrastructure	79,031,102	-	79,031,102
Construction in progress (not being depreciated)	6,226,290	13,967,754	20,194,044
Less accumulated depreciation	(46,507,414)	(93,855,592)	(140,363,006)
Total assets	<u>99,741,407</u>	<u>191,058,105</u>	<u>290,799,512</u>
Liabilities			
Accounts and retainages payable	1,950,317	4,580,732	6,531,049
Accrued liabilities	1,486,433	475,683	1,962,116
Escrowed taxes and insurance	12,590	-	12,590
Matured bonds and interest payable	5,031	-	5,031
Accrued interest payable	167,471	-	167,471
Customer deposits payable	55,348	1,352,430	1,407,778
Undisbursed loan and grant commitments	315,356	-	315,356
Due to other agencies	138,867	-	138,867
Power supply deposit	-	5,614,570	5,614,570
Unearned revenue	126,488	112,936	239,424
Compensated absences:			
Due within one year	2,060,622	1,096,149	3,156,771
Due in more than one year	5,079,439	1,661,719	6,741,158
Long-term liabilities:			
Due within one year	1,501,294	2,279,957	3,781,251
Due in more than one year	13,373,010	22,576,277	35,949,287
Total liabilities	<u>26,272,266</u>	<u>39,750,453</u>	<u>66,022,719</u>
Net Assets			
Invested in capital assets net of related debt:	58,486,896	134,548,479	193,035,375
Restricted for:			
Capital Project Fund	4,885,826	-	4,885,826
Special Revenue Funds	5,525,742	-	5,525,742
Unrestricted	<u>4,570,677</u>	<u>16,759,173</u>	<u>21,329,850</u>
Total net assets	<u>\$ 73,469,141</u>	<u>\$ 151,307,652</u>	<u>\$ 224,776,793</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, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 8,628,435	\$ 2,842,790	\$ 119,758	\$ 789,260	\$ (4,876,627)	\$ -	\$ (4,876,627)
Public safety	19,961,913	1,315,393	1,551,257	24,182	(17,071,081)	-	(17,071,081)
Streets and alleys	2,502,133	86,365	2,177,798	-	(237,970)	-	(237,970)
Waste, collection and disposal	2,053,573	2,163,207	-	-	109,634	-	109,634
Parks and recreation	2,691,272	188,535	11,705	353,126	(2,137,906)	-	(2,137,906)
Municipal buildings	495,650	-	-	-	(495,650)	-	(495,650)
Economic and community development	2,651,803	502,505	1,228,614	4,407,007	3,486,323	-	3,486,323
Interest on long-term debt	576,969	-	-	-	(576,969)	-	(576,969)
Total governmental activities	<u>39,561,748</u>	<u>7,098,795</u>	<u>5,089,132</u>	<u>5,573,575</u>	<u>(21,800,246)</u>	<u>-</u>	<u>(21,800,246)</u>
Business-type activities:							
Electric	33,062,846	33,959,570	-	13,251	-	909,975	909,975
Water	8,988,354	8,520,142	-	5,380,563	-	4,912,351	4,912,351
Sewer	10,692,923	8,146,918	-	5,571,582	-	3,025,577	3,025,577
Parking facilities	663,006	885,489	-	-	-	222,483	222,483
Golf course	408,728	208,572	-	-	-	(200,156)	(200,156)
Property management	312,239	499,700	-	-	-	187,461	187,461
Total business-type activities	<u>54,128,096</u>	<u>52,220,391</u>	<u>-</u>	<u>10,965,396</u>	<u>-</u>	<u>9,057,691</u>	<u>9,057,691</u>
Total primary government	<u>\$ 93,689,844</u>	<u>\$ 59,319,186</u>	<u>\$ 5,089,132</u>	<u>\$ 16,538,971</u>	<u>(21,800,246)</u>	<u>9,057,691</u>	<u>(12,742,555)</u>
General revenues:							
Property taxes					22,359,137	-	22,359,137
State and county shared taxes					4,459,350	-	4,459,350
Excise taxes					220,678	-	220,678
Investment earnings					824,414	743,942	1,568,356
Miscellaneous					45,841	-	45,841
Transfers					173,540	(173,540)	-
Total general revenues and transfers					<u>28,082,960</u>	<u>570,402</u>	<u>28,653,362</u>
Change in net assets					6,282,714	9,628,093	15,910,807
Net assets - beginning					67,186,427	141,679,559	208,865,986
Net assets - ending					<u>\$ 73,469,141</u>	<u>\$ 151,307,652</u>	<u>\$ 224,776,793</u>

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

City of Hagerstown, Maryland
Balance Sheet
Governmental Funds
June 30, 2008

	General	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Pooled cash and investments	\$ 7,548,682	\$ 4,894,945	\$ 2,896,459	\$ 15,340,086
Receivables (net of allowance for uncollectibles):				
Taxes	1,045,430	-	-	1,045,430
Intergovernmental	922,893	395,354	214,344	1,532,591
Customers	1,195,680	-	-	1,195,680
Loans	-	-	3,355,167	3,355,167
Other	32,041	84,115	7,094	123,250
Due from other funds	69,545	-	15,000	84,545
Inventories	213,091	-	-	213,091
Properties held for resale	-	-	913,151	913,151
Prepaid items	61,848	-	-	61,848
Restricted assets:				
Pooled cash and investments	-	-	127,878	127,878
Total assets	\$ 11,089,210	\$ 5,374,414	\$ 7,529,093	\$ 23,992,717
Liabilities And Fund Balances				
Liabilities:				
Accounts and retainages payable	\$ 1,273,778	\$ 488,588	\$ 177,228	\$ 1,939,594
Accrued liabilities	803,701	-	8,637	812,338
Due to other funds	30,208	-	69,545	99,753
Escrowed taxes and insurance	-	-	12,590	12,590
Matured bonds payable	5,031	-	-	5,031
Customer deposits payable	44,000	-	11,348	55,348
Undisbursed loan and grant commitments	-	-	315,356	315,356
Due to other agencies	138,867	-	-	138,867
Deferred revenue	1,043,022	-	-	1,043,022
Total liabilities	3,338,607	488,588	594,704	4,421,899
Fund balances:				
Reserved for:				
Encumbrances	125,810	580,770	230	706,810
Inventories	213,091	-	-	213,091
Properties held for resale	-	-	913,151	913,151
Prepaid items	61,848	-	-	61,848
Long-term receivables	-	-	3,355,167	3,355,167
Capital Projects	-	4,305,056	-	4,305,056
Special Revenue Funds	-	-	2,665,841	2,665,841
Unreserved	7,349,854	-	-	7,349,854
Total fund balances	7,750,603	4,885,826	6,934,389	19,570,818
Total liabilities and fund balances	\$ 11,089,210	\$ 5,374,414	\$ 7,529,093	

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.	72,257,137
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	978,592
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.	2,814,338
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.	(22,151,744)
Net assets of governmental activities	\$ 73,469,141

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, 2008

	General	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 22,359,137	\$ -	\$ -	\$ 22,359,137
State and county shared taxes	4,201,010	-	-	4,201,010
Licenses and permits	1,667,790	-	-	1,667,790
Intergovernmental	3,140,338	735,011	1,992,798	5,868,147
Program income	-	-	532,321	532,321
Charges for services	3,133,500	-	-	3,133,500
Fines and forfeitures	152,289	-	-	152,289
Investment earnings	456,504	258,544	129,182	844,230
Property sales	-	-	89,500	89,500
Contributions and donations	34,624	380,994	-	415,618
Unallocated general revenue	2,166,553	34,279	160,766	2,361,598
Total revenues	37,311,745	1,408,828	2,904,567	41,625,140
Expenditures				
Current:				
General government	5,359,183	-	-	5,359,183
Public safety	19,091,636	-	604,849	19,696,485
Streets and alleys	2,283,375	-	-	2,283,375
Waste, collection and disposal	2,053,573	-	-	2,053,573
Parks and recreation	2,093,983	-	-	2,093,983
Municipal buildings	460,280	-	-	460,280
Economic and community development	193,827	617,881	1,649,934	2,461,642
Unallocated general expenditures	1,985,495	-	-	1,985,495
Debt Service:				
Principal	1,464,914	-	-	1,464,914
Interest	585,740	-	-	585,740
Capital outlay	-	5,136,881	154,763	5,291,644
Total expenditures	35,572,006	5,754,762	2,409,546	43,736,314
Excess (deficiency) of revenues over (under) expenditures	1,739,739	(4,345,934)	495,021	(2,111,174)
Other Financing Sources (Uses)				
Transfers in	516,000	2,376,591	223,342	3,115,933
Transfers out	(1,701,233)	-	(741,160)	(2,442,393)
Total other financing sources and uses	(1,185,233)	2,376,591	(517,818)	673,540
Net change in fund balances	554,506	(1,969,343)	(22,797)	(1,437,634)
Fund balances - beginning	7,196,097	6,855,169	6,957,186	21,008,452
Fund balances - ending	\$ 7,750,603	\$ 4,885,826	\$ 6,934,389	\$ 19,570,818

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, 2008

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

Net change in fund balances - total governmental funds	\$ (1,437,634)
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.	2,566,523
The net effect of capital asset disposals is to decrease net assets.	(73,987)
Revenues in the statement of activities that do not provide current financial resources and, therefore, are not reported as revenues in the funds	353,038
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.	5,225,944
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(747,862)
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>396,692</u>
Change in net assets of governmental activities	<u>\$ 6,282,714</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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 22,484,600	\$ 22,484,600	\$ 22,359,137	\$ (125,463)
State and county shared taxes	4,059,877	4,059,877	4,201,010	141,133
Licenses and permits	1,590,250	1,590,250	1,667,790	77,540
Intergovernmental	3,824,704	3,316,685	3,140,338	(176,347)
Charges for services	2,818,169	3,046,669	3,133,500	86,831
Fines and forfeitures	79,100	79,100	152,289	73,189
Unallocated general revenue	2,676,137	2,734,927	2,657,681	(77,246)
Total revenues	37,532,837	37,312,108	37,311,745	(363)
Expenditures				
Current:				
General government	5,517,014	5,716,681	5,553,010	163,671
Public safety	19,641,234	19,008,513	19,091,636	(83,123)
Streets and alleys	2,362,609	2,330,932	2,283,375	47,557
Waste, collection and disposal	2,047,701	2,047,701	2,053,573	(5,872)
Parks and recreation	2,340,663	2,312,191	2,093,983	218,208
Municipal buildings	576,532	536,532	460,280	76,252
Unallocated general expenditures	2,306,222	2,492,027	1,985,495	506,532
Debt Service:				
Principal	1,433,038	1,433,038	1,464,914	(31,876)
Interest	646,425	646,425	585,740	60,685
Total expenditures	36,871,438	36,524,040	35,572,006	952,034
Excess (deficiency) of revenues over (under) expenditures	661,399	788,068	1,739,739	951,671
Other Financing Sources (Uses)				
Transfers in	266,000	866,000	516,000	(350,000)
Transfers out	(927,000)	(1,653,669)	(1,701,233)	(47,564)
Total other financing sources and uses	(661,000)	(787,669)	(1,185,233)	(397,564)
Net change in fund balances	399	399	554,506	554,107
Fund balances - beginning	7,196,097	7,196,097	7,196,097	-
Fund balances - ending	\$ 7,196,496	\$ 7,196,496	\$ 7,750,603	\$ 554,107

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, 2008

	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	\$ 3,732,928	\$ 1,773,897	\$ 36,139	\$ 239,143	\$ 323,751	\$ 6,105,858	\$ 4,300,013
Interest receivable	11,385	15,704	13,234	550	739	41,612	10,801
Accounts receivable (net of allowance for uncollectibles)	3,218,085	3,313,851	1,840,312	92,732	20,386	8,485,366	88,740
Inventories	319,329	524,418	140,442	-	-	984,189	-
Due from other agencies	-	-	18,670	-	-	18,670	-
Due from other funds	-	5,756	9,452	-	-	15,208	-
Prepaid items	-	-	-	-	-	-	16,804
Deferred charges	2,863	19,419	18,773	40,814	2,834	84,703	-
Total current assets	<u>7,284,590</u>	<u>5,653,045</u>	<u>2,077,022</u>	<u>373,239</u>	<u>347,710</u>	<u>15,735,606</u>	<u>4,416,358</u>
Noncurrent assets:							
Restricted assets:							
Pooled cash and investments	<u>5,614,570</u>	<u>5,145,603</u>	<u>4,287,469</u>	<u>-</u>	<u>-</u>	<u>15,047,642</u>	<u>15,000</u>
Total restricted assets	<u>5,614,570</u>	<u>5,145,603</u>	<u>4,287,469</u>	<u>-</u>	<u>-</u>	<u>15,047,642</u>	<u>15,000</u>
Capital assets:							
Land	1,225,255	2,092,426	180,149	1,459,464	641,923	5,599,217	-
Land improvements	298,014	-	9,121	920,795	45,731	1,273,661	-
Buildings and structures	1,515,391	86,349,865	48,900,726	7,672,828	4,178,235	148,617,045	-
Machinery and equipment	34,186,888	10,765,322	33,067,669	108,185	322,528	78,450,592	-
Automobiles and trucks	1,275,973	1,508,746	1,846,896	-	14,292	4,645,907	-
Office furniture and fixtures	366,678	74,316	262,865	-	2,270	706,129	-
Construction in progress	-	4,926,954	8,893,468	-	147,332	13,967,754	-
Less accumulated depreciation	<u>(21,722,461)</u>	<u>(27,959,374)</u>	<u>(40,519,095)</u>	<u>(2,426,588)</u>	<u>(1,228,074)</u>	<u>(93,855,592)</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	<u>17,145,738</u>	<u>77,758,255</u>	<u>52,641,799</u>	<u>7,734,684</u>	<u>4,124,237</u>	<u>159,404,713</u>	<u>-</u>
Total noncurrent assets	<u>22,760,308</u>	<u>82,903,858</u>	<u>56,929,268</u>	<u>7,734,684</u>	<u>4,124,237</u>	<u>174,452,355</u>	<u>15,000</u>
Total assets	<u>\$ 30,044,898</u>	<u>\$ 88,556,903</u>	<u>\$ 59,006,290</u>	<u>\$ 8,107,923</u>	<u>\$ 4,471,947</u>	<u>\$ 190,187,961</u>	<u>\$ 4,431,358</u>

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

Business-type Activities-Enterprise Funds

	<u>Light</u>	<u>Water</u>	<u>Sewer</u>	<u>Parking Facilities</u>	<u>Non-Major Enterprise Funds</u>	<u>Totals</u>	<u>Governmental Activities- Internal Service Funds</u>
Liabilities							
Current liabilities:							
Accounts and retainages payable	\$ 2,635,866	\$ 1,457,993	\$ 465,154	\$ 7,393	\$ 14,326	\$ 4,580,732	\$ 10,723
Compensated absences	851,093	909,417	945,174	17,147	35,037	2,757,868	-
Accrued liabilities	102,079	144,757	176,505	45,770	6,572	475,683	674,095
Customer deposits and rebates	1,347,689	-	-	4,741	-	1,352,430	-
Unearned revenue	-	111,796	-	-	1,140	112,936	62,058
Revenue bonds - current	-	776	-	-	-	776	-
General obligation bonds - current	56,661	707,393	1,082,690	376,227	56,210	2,279,181	-
Total current liabilities	<u>4,993,388</u>	<u>3,332,132</u>	<u>2,669,523</u>	<u>451,278</u>	<u>113,285</u>	<u>11,559,606</u>	<u>746,876</u>
Noncurrent liabilities:							
Power supply deposit	5,614,570	-	-	-	-	5,614,570	-
General obligation bonds payable	395,233	7,290,069	12,333,082	2,422,034	115,957	22,556,375	-
Revenue bonds payable	-	19,902	-	-	-	19,902	-
Total noncurrent liabilities	<u>6,009,803</u>	<u>7,309,971</u>	<u>12,333,082</u>	<u>2,422,034</u>	<u>115,957</u>	<u>28,190,847</u>	<u>-</u>
Total liabilities	<u>11,003,191</u>	<u>10,642,103</u>	<u>15,002,605</u>	<u>2,873,312</u>	<u>229,242</u>	<u>39,750,453</u>	<u>746,876</u>
Net Assets							
Invested in capital assets, net of related debt	16,693,844	69,740,115	39,226,027	4,936,423	3,952,070	134,548,479	-
Unrestricted	2,347,863	8,174,685	4,777,658	298,188	290,635	15,889,029	3,684,482
Total net assets	<u>\$ 19,041,707</u>	<u>\$ 77,914,800</u>	<u>\$ 44,003,685</u>	<u>\$ 5,234,611</u>	<u>\$ 4,242,705</u>	<u>150,437,508</u>	<u>\$ 3,684,482</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						<u>870,144</u>	
Net assets of business-type activities						<u>\$ 151,307,652</u>	

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

City of Hagerstown, Maryland
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

	Business-type Activities- Enterprise Funds						Governmental Activities- Internal Service Funds
	Light	Water	Sewer	Parking Facilities	Non-Major Enterprise Funds	Totals	
Operating revenues:							
Service charges	\$ 33,570,253	\$ 7,467,020	\$ 7,999,890	\$ 882,861	\$ 544,939	\$ 50,464,963	\$ 7,730,877
Other revenues	382,192	1,044,357	138,858	2,628	16,001	1,584,036	202,599
Total operating revenues	<u>33,952,445</u>	<u>8,511,377</u>	<u>8,138,748</u>	<u>885,489</u>	<u>560,940</u>	<u>52,048,999</u>	<u>7,933,476</u>
Operating expenses:							
Production and treatment expenses	26,732,588	3,287,738	4,251,249	-	-	34,271,575	-
Transmission, distribution, and collection expenses	1,755,643	1,652,528	1,345,505	-	-	4,753,676	-
Selling, general and administrative expenses	3,661,261	2,498,583	3,176,343	337,102	624,931	10,298,220	6,680,471
Depreciation	1,045,181	1,526,427	1,790,355	188,046	102,139	4,652,148	-
Total operating expenses	<u>33,194,673</u>	<u>8,965,276</u>	<u>10,563,452</u>	<u>525,148</u>	<u>727,070</u>	<u>53,975,619</u>	<u>6,680,471</u>
Operating income (loss)	<u>757,772</u>	<u>(453,899)</u>	<u>(2,424,704)</u>	<u>360,341</u>	<u>(166,130)</u>	<u>(1,926,620)</u>	<u>1,253,005</u>
Nonoperating revenues (expenses):							
Investment earnings	316,822	281,090	125,334	8,308	12,388	743,942	181,125
Interest expense	(18,322)	(221,230)	(298,974)	(145,148)	(6,241)	(689,915)	-
Gain (loss) on sale of capital assets	7,125	8,765	8,170	-	-	24,060	-
Total nonoperating revenue (expenses)	<u>305,625</u>	<u>68,625</u>	<u>(165,470)</u>	<u>(136,840)</u>	<u>6,147</u>	<u>78,087</u>	<u>181,125</u>
Income (loss) before contributions and transfers	1,063,397	(385,274)	(2,590,174)	223,501	(159,983)	(1,848,533)	1,434,130
Capital contributions	13,251	5,380,563	5,571,582	-	-	10,965,396	-
Transfers in	-	-	-	-	358,223	358,223	-
Transfers out	(39,472)	(95,475)	(249,484)	-	-	(384,431)	(500,000)
Changes in net assets	1,037,176	4,899,814	2,731,924	223,501	198,240	9,090,655	934,130
Total net assets - beginning	18,004,531	73,014,986	41,271,761	5,011,110	4,044,465		2,750,352
Total net assets - ending	<u>\$ 19,041,707</u>	<u>\$ 77,914,800</u>	<u>\$ 44,003,685</u>	<u>\$ 5,234,611</u>	<u>\$ 4,242,705</u>		<u>\$ 3,684,482</u>
						537,438	
						<u>\$ 9,628,093</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, 2008

**Business-type Activities-
Enterprise Funds**

	Business-type Activities- Enterprise Funds						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	\$ 34,505,953	\$ 6,386,429	\$ 8,264,632	\$ 851,499	\$ 563,942	\$ 50,572,455	\$ -
Receipts from interfund services provided	-	-	-	-	-	-	7,970,230
Payments to suppliers	(28,910,574)	(2,957,488)	(5,227,820)	(153,313)	(410,200)	(37,659,395)	(6,600,611)
Payments to employees	(2,701,650)	(3,318,775)	(3,197,540)	(177,593)	(228,288)	(9,623,846)	-
Net cash provided (used) by operating activities	<u>2,893,729</u>	<u>110,166</u>	<u>(160,728)</u>	<u>520,593</u>	<u>(74,546)</u>	<u>3,289,214</u>	<u>1,369,619</u>
Cash Flows From Noncapital Financing Activities							
Advances to other funds	-	(5,756)	(9,452)	-	210,891	195,683	-
Transfers to other funds	(39,472)	(95,475)	(249,484)	-	-	(384,431)	(500,000)
Net cash provided (used) by noncapital and related financing activities	<u>(39,472)</u>	<u>(101,231)</u>	<u>(258,936)</u>	<u>-</u>	<u>210,891</u>	<u>(188,748)</u>	<u>(500,000)</u>
Cash Flows From Capital And Related Financing Activities							
Capital contributions	13,251	5,380,563	5,571,582	-	-	10,965,396	-
Acquisition and construction of capital assets	(1,325,233)	(8,400,494)	(2,626,091)	(72,546)	(56,753)	(12,481,117)	-
Proceeds from bond issuance	-	3,096,279	-	-	-	3,096,279	-
Principal paid on capital debt	(55,388)	(673,985)	(1,058,594)	(361,734)	(55,115)	(2,204,816)	-
Interest paid on capital debt	(16,745)	(207,486)	(297,613)	(137,267)	(6,120)	(665,231)	-
Proceeds from sale of capital assets	7,125	8,765	8,170	-	-	24,060	-
Net cash provided (used) by capital and related financing activities	<u>(1,376,990)</u>	<u>(796,358)</u>	<u>1,597,454</u>	<u>(571,547)</u>	<u>(117,988)</u>	<u>(1,265,429)</u>	<u>-</u>
Cash Flows From Investing Activities							
Interest and dividends received	312,996	287,629	122,723	8,560	12,675	744,583	181,166
Net cash provided by investing activities	<u>312,996</u>	<u>287,629</u>	<u>122,723</u>	<u>8,560</u>	<u>12,675</u>	<u>744,583</u>	<u>181,166</u>

Net increase (decrease) in pooled cash and investments	1,790,263	(499,794)	1,300,513	(42,394)	31,032	2,579,620	1,050,785
Pooled cash and investments, beginning of year	<u>7,557,235</u>	<u>7,419,294</u>	<u>3,023,095</u>	<u>281,537</u>	<u>292,719</u>	<u>18,573,880</u>	<u>3,264,228</u>
Pooled cash and investments, end of year	<u>\$ 9,347,498</u>	<u>\$ 6,919,500</u>	<u>\$ 4,323,608</u>	<u>\$ 239,143</u>	<u>\$ 323,751</u>	<u>\$ 21,153,500</u>	<u>\$ 4,315,013</u>

Reconciliation of operating income to net cash provided (used) by operating activities:

Operating income (loss)	<u>\$ 757,772</u>	<u>\$ (453,899)</u>	<u>\$ (2,424,704)</u>	<u>\$ 360,341</u>	<u>\$ (166,130)</u>	<u>\$ (1,926,620)</u>	<u>\$ 1,253,005</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense	1,045,181	1,526,427	1,790,355	188,046	102,139	4,652,148	-
Net effect of changes in assets and liabilities							
Accounts receivable	201,210	(2,125,929)	144,554	(34,563)	2,832	(1,811,896)	(14,252)
Inventories	3,680	(20,985)	13,820	-	-	(3,485)	-
Prepaid items	-	-	1,157	-	284	1,441	160,798
Accounts and retainages payable	190,499	1,093,690	185,010	5,251	(18,022)	1,456,428	782
Compensated absences payable	52,977	83,395	132,568	553	2,578	272,071	-
Accrued liabilities	9,663	6,486	15,182	392	1,603	33,326	(81,720)
Customer deposits and rebates	352,298	-	-	573	-	352,871	-
Due from other agencies	-	-	(18,670)	-	-	(18,670)	-
Unearned revenue	-	981	-	-	170	1,151	51,006
Power supply deposit	<u>280,449</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>280,449</u>	<u>-</u>
Total adjustments	<u>2,135,957</u>	<u>564,065</u>	<u>2,263,976</u>	<u>160,252</u>	<u>91,584</u>	<u>5,215,834</u>	<u>116,614</u>
Net cash provided (used) by operating activities	<u>\$ 2,893,729</u>	<u>\$ 110,166</u>	<u>\$ (160,728)</u>	<u>\$ 520,593</u>	<u>\$ (74,546)</u>	<u>\$ 3,289,214</u>	<u>\$ 1,369,619</u>

Reconciliation of pooled cash and investments to the balance sheet

Pooled cash and investments	\$ 3,732,928	\$ 1,773,897	\$ 36,139	\$ 239,143	\$ 323,751	\$ 6,105,858	\$ 4,300,013
Restricted pooled cash and investments	<u>5,614,570</u>	<u>5,145,603</u>	<u>4,287,469</u>	<u>-</u>	<u>-</u>	<u>15,047,642</u>	<u>15,000</u>
Totals	<u>\$ 9,347,498</u>	<u>\$ 6,919,500</u>	<u>\$ 4,323,608</u>	<u>\$ 239,143</u>	<u>\$ 323,751</u>	<u>\$ 21,153,500</u>	<u>\$ 4,315,013</u>

Noncash investing, capital, and financing activities:

Transfer of capital asset (to)/ from Governmental Fund	-	-	(23,228)	-	147,332	-	-
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The notes to the financial statements are an integral part of this statement.

City of Hagerstown, Maryland
Statement of Fiduciary Net Assets
Pension Trust Fund
June 30, 2008

Assets

Investments, at fair value:	
Cash and Cash Equivalents	\$ 382,163
Government and Agency Issues	2,131,154
Foreign Stock	1,399,338
Common Stock	4,930,664
Mutual Funds	<u>2,902,844</u>
Total investments	11,746,163
Accounts Receivable	<u>163,225</u>
Total assets	<u><u>11,909,388</u></u>

Liabilities

-

Net Assets

Held in trust for pension benefits	\$ <u><u>11,909,388</u></u>
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The notes to the financial statements are an integral part of this statement.

City of Hagerstown, Maryland
Statement of Changes in Fiduciary Net Assets
Pension Trust Fund
For the Year Ended June 30, 2008

Additions

Contributions:

Employer	\$ 981,834
Plan members	624,414
Total contributions	1,606,248

Investment earnings:

Interest and dividends	741,230
Net decrease in the fair value of investments	(2,075,905)
Total investment earnings	(1,334,675)
Less investment expense	5,213
Net investment earnings	(1,339,888)
Total additions	266,360

Deductions

Benefits	1,112,194
Administrative expenses	6,646
Actuarial fees	7,677
Total deductions	1,126,517
Change in net assets	(860,157)
Net assets - beginning	12,769,545
Net assets - ending	\$ 11,909,388

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

City of Hagerstown
Notes to the Financial Statements
June 30, 2008

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.

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 “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due 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 6/30/2008 Per \$100 of assessable base	 \$ 0.798	 \$ 1.995
 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 \$4,188,828 in the water fund and \$4,287,469 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 \$855,794 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 \$5,614,570 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, 2008, \$115,288 was restricted for single family loans and \$12,590 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.

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 \$22,151,744 difference are as follows:

Bonds payable	\$14,874,304
Accrued interest payable	167,471
Deferred charges	(30,092)
Compensated absences	<u>7,140,061</u>
Net adjustment to reduce <i>fund balance -- total governmental funds</i> to arrive at <i>net assets -- governmental activities</i>	<u>\$22,151,744</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 \$2,566,523 difference are as follows:

Capital outlay	\$ 5,291,644
Depreciation expense	<u>(2,725,121)</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>\$ 2,566,523</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 \$5,225,944 difference are as follows:

Principal payments on general obligation debt	\$1,142,710
Contributed capital assets	4,081,446
Deferred charges on 2006 bond issue	<u>1,788</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>\$5,225,944</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this (\$747,862) difference are as follows:

Compensated absences	(\$580,391)
Accrued interest	<u>(167,471)</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>(\$747,862)</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, 2008, expenditures/expenses exceeded revenues by \$186,979 in the Community Development Block Grant Fund, \$5,545 in the Telecommuting Center Fund, \$92,549 in the Excise Tax Fund, and \$1,609 in the Golf 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, 2008, \$4,885,826 is restricted for the Capital Project Fund for projects which contain specific grants or contributions.

For the year ended at June 30, 2008, \$5,525,742 is restricted for Special Revenue Funds. This total consists of \$3,543,090 for the Community Development Block Grant Fund, \$29,287 for the Flexible Spending Fund, \$145,469 for the Telecommuting Center Fund, \$1,743,939 for the Excise Tax Fund, and \$63,957 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 \$107,479 are for road improvements. The remaining \$113,200 is restricted for the other purposes permitted.

IV. Detailed notes on all funds

A. Deposits and investments

At June 30, 2008, 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 \$26,126,806 and the bank balances were \$27,944,536. 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 \$17,954,505 was secured by federal depository insurance and \$9,990,031 was collateralized by securities held by the bank's agent in the City'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. The City is waiting on the outcome of this suit.

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, 2008 the City had \$14,801,064 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 at the closing net asset value per share on the day of valuation. The fair value of the

A. Deposits and investments (continued)

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		382,163	382,163	-	-	-
Federal Home Loan Mortgage Corp		540,510	-	1,219	-	539,291
Federal National Mortgage Assn		826,289	-	71,069	11,974	743,246
Government National Mortgage Assoc Pool		20,000	-	-	-	20,000
U S Treasury Bonds		54,256	-	-	-	54,256
U S Treasury Notes		719,415	-	548,445	26,070	144,900
Various agencies	A1	71,837	-	28,994	42,843	-
Various agencies	A2	149,970	-	44,659	35,168	70,143
Various agencies	A3	150,699	-	77,020	68,698	4,981
Various agencies	AA1	19,098	-	19,098	-	-
Various agencies	AA2	97,744	34,820	15,040	47,884	-
Various agencies	AA3	74,442	49,985	9,691	14,766	-
Various agencies	AAA	530,759	-	200,567	85,809	244,383
Various agencies	BAA1	78,907	-	-	48,860	30,047
Various agencies	BAA2	176,591	-	92,286	59,337	24,968
Various agencies	BAA3	19,975	9,962	10,013	-	-
High Yield Funds		138,840	-	-	138,840	-
Common Stock		4,930,664	4,930,664	-	-	-
Mutual Funds		2,764,005	2,764,005	-	-	-
Total investments held by trustee of Pension plan		<u>11,746,164</u>	<u>8,171,599</u>	<u>1,118,101</u>	<u>580,249</u>	<u>1,876,215</u>

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

Credit risk – Investments of the City are exposed to various risks, such as interest rate, market, currency and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment assets reported in the financial statements. In addition, recent economic uncertainty and market events have led to unprecedented volatility in currency, commodity, credit and equity markets culminating in failures of some banking and financial services firms and Government intervention to solidify others. These recent events underscore the level of investment risk associated with the current economic environment, and accordingly the level of risk in the City's investments.

The City's Pension Plan Investment Policy states that the assets are to be managed to provide income and security for employees upon retirement. The plan's assets are to be invested to maximize long-term stability and growth with an acceptable amount of risk. Investments other than "fixed dollar" investment should be included among the plan's investments to prevent erosion by inflation. However, investments should be sufficiently liquid to enable the plan to make all required distributions in the event of death, disability or retirement of a participant.

A. Deposits and investments (continued)

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 system's investment policy permits it to invest up to 10 percent of total investments in international equities.

B. Receivables

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

Governmental Activities:

	<u>General</u>	<u>Capital Projects</u>	<u>Internal Service Funds</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Receivables:					
Taxes	\$ 1,266,935	\$ -	\$ -	\$ -	\$ 1,266,935
Intergovernmental	922,893	395,354	-	214,344	1,532,591
Customers	1,240,643	72,819	88,740	-	1,402,202
Loans	-	-	-	3,501,299	3,501,299
Interest	18,968	11,296	10,801	7,094	48,159
Employee	13,073	-	-	-	13,073
Gross receivables	3,462,512	479,469	99,541	3,722,737	7,764,259
Less: allowance for uncollectibles	(266,468)	-	-	(146,132)	(412,600)
Net total receivables	<u>\$ 3,196,044</u>	<u>\$ 479,469</u>	<u>\$ 99,541</u>	<u>\$ 3,576,605</u>	<u>\$ 7,351,659</u>

B. Receivables (continued)

Business-Type Activities:

	<u>Light</u>	<u>Water</u>	<u>Sewer</u>	<u>Parking Facilities</u>	<u>Non- Major Enterprise Funds</u>	<u>Business- Type Activities</u>
Receivables:						
Customers	\$7,553,880	\$3,412,309	\$1,894,965	\$380,513	\$ 20,386	\$13,262,053
Interest	11,385	15,704	13,234	550	739	41,612
Employee	-	-	-	-	-	-
Gross receivables	<u>7,565,265</u>	<u>3,428,013</u>	<u>1,908,199</u>	<u>381,063</u>	<u>21,125</u>	<u>13,303,665</u>
Less: allowance for uncollectibles	<u>(4,335,795)</u>	<u>(98,458)</u>	<u>(54,653)</u>	<u>(287,781)</u>	<u>-</u>	<u>(4,776,687)</u>
Net total receivables	<u><u>\$3,229,470</u></u>	<u><u>\$3,329,555</u></u>	<u><u>\$1,853,546</u></u>	<u><u>\$ 93,282</u></u>	<u><u>\$ 21,125</u></u>	<u><u>\$ 8,526,978</u></u>

City Totals:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Receivables:			
Taxes	\$ 1,266,935	\$ -	\$ 1,266,935
Intergovernmental	1,532,591	-	1,532,591
Customers	1,402,202	13,262,053	14,664,255
Loans	3,501,299	-	3,501,299
Interest	48,159	41,612	89,771
Employee	<u>13,073</u>	<u>-</u>	<u>13,073</u>
Gross receivables	7,764,259	13,303,665	21,067,924
Less: allowance for uncollectibles	<u>(412,600)</u>	<u>(4,776,687)</u>	<u>(5,189,287)</u>
Net total receivables	<u><u>\$ 7,351,659</u></u>	<u><u>\$ 8,526,978</u></u>	<u><u>\$ 15,878,637</u></u>

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	\$ 883,894	\$ -	\$ 883,894
Other deferred revenues	<u>109,293</u>	<u>49,835</u>	<u>159,128</u>
Total deferred/unearned revenue for governmental funds	<u><u>\$ 993,187</u></u>	<u><u>\$ 49,835</u></u>	<u><u>\$1,043,022</u></u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital Assets, not being depreciated:					
Land	\$ 1,044,756	\$ -	\$ -	\$ -	\$ 1,044,756
Construction in Progress	<u>2,681,421</u>	<u>3,692,201</u>	<u>(147,332)</u>	-	<u>6,226,290</u>
Total Capital Assets, not being depreciated	<u>3,726,177</u>	<u>3,692,201</u>	<u>(147,332)</u>	-	<u>7,271,046</u>
Capital Assets, being depreciated:					
Land Improvements	4,352,019	35,000	-	-	4,387,019
Buildings and Structures	14,662,387	425,774	-	-	15,088,161
Machinery and Equipment	3,348,136	366,928	-	-	3,715,064
Automobiles and Trucks	6,660,030	119,854	(202,259)	23,228	6,600,853
Office Furniture and Fixtures	2,764,100	161,000	(253,794)	-	2,671,306
Infrastructure	<u>74,334,665</u>	<u>4,696,437</u>	<u>-</u>	<u>-</u>	<u>79,031,102</u>
Total Capital Assets being depreciated	<u>106,121,337</u>	<u>5,804,993</u>	<u>(456,053)</u>	<u>23,228</u>	<u>111,493,505</u>
Less Accumulated Depreciation for:					
Land Improvements	(176,575)	(48,490)	-	-	(225,065)
Buildings and Structures	(5,969,987)	(590,187)	-	-	(6,560,174)
Machinery and Equipment	(1,705,973)	(205,190)	-	-	(1,911,163)
Automobiles and Trucks	(4,104,172)	(505,411)	202,259	(23,228)	(4,430,552)
Office Furniture and Fixtures	(1,904,406)	(138,544)	203,035	-	(1,839,915)
Infrastructure	<u>(30,303,246)</u>	<u>(1,237,299)</u>	<u>-</u>	<u>-</u>	<u>(31,540,545)</u>
Total Accumulated Depreciation	<u>(44,164,359)</u>	<u>(2,725,121)</u>	<u>405,294</u>	<u>(23,228)</u>	<u>(46,507,414)</u>
Total Capital Assets, being depreciated, net	<u>61,956,978</u>	<u>3,079,872</u>	<u>(50,759)</u>	<u>-</u>	<u>64,986,091</u>
Governmental Activities Capital Assets, net	<u>\$65,683,155</u>	<u>\$ 6,772,073</u>	<u>\$ (198,091)</u>	<u>\$ -</u>	<u>\$72,257,137</u>
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital Assets, not being depreciated:					
Land	\$ 5,599,217	\$ -	\$ -	\$ -	\$ 5,599,217
Construction in Progress	<u>11,483,585</u>	<u>6,056,867</u>	<u>(3,572,698)</u>	-	<u>13,967,754</u>
Total Capital Assets, not being depreciated	<u>17,082,802</u>	<u>6,056,867</u>	<u>(3,572,698)</u>	-	<u>19,566,971</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	1,251,397	22,264	-		1,273,661
Buildings and Structures	141,622,268	7,012,763	(17,986)	-	148,617,045
Machinery and Equipment	75,607,894	2,884,044	(41,346)	-	78,450,592
Automobiles and Trucks	4,698,810	194,850	(224,525)	(23,228)	4,645,907
Office Furniture and Fixtures	<u>698,949</u>	<u>7,180</u>	<u>-</u>	<u>-</u>	<u>706,129</u>
Total Capital Assets being depreciated	<u>223,879,318</u>	<u>10,121,101</u>	<u>(283,857)</u>	<u>(23,228)</u>	<u>233,693,334</u>
Less Accumulated Depreciation for:					
Land Improvements	(652,583)	(53,451)	-	-	(706,034)
Buildings and Structures	(43,787,185)	(2,300,018)	17,986	-	(46,069,217)
Machinery and Equipment	(41,256,338)	(1,907,659)	41,346	-	(43,122,651)
Automobiles and Trucks	(3,205,224)	(378,277)	247,698	23,228	(3,312,575)
Office Furniture and Fixtures	<u>(632,372)</u>	<u>(12,743)</u>	<u>-</u>	<u>-</u>	<u>(645,115)</u>
Total Accumulated Depreciation	<u>(89,533,702)</u>	<u>(4,652,148)</u>	<u>307,030</u>	<u>23,228</u>	<u>(93,855,592)</u>
Total Capital Assets, being depreciated, net	<u>134,345,616</u>	<u>5,468,953</u>	<u>23,173</u>	<u>-</u>	<u>139,837,742</u>
Business-type Activities Capital Assets, net	<u>\$151,428,418</u>	<u>\$11,525,820</u>	<u>\$ (3,549,525)</u>	<u>\$ -</u>	<u>\$159,404,713</u>

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

Governmental activities:	
General government, including general infrastructure assets	\$1,294,890
Public safety	500,650
Streets and alleys	254,053
Parks and recreation	634,630
Municipal buildings	35,370
Economic and community development	5,528
Total depreciation expense – governmental activities	<u>\$2,725,121</u>
Business-type activities:	
Light	\$1,045,181
Water	1,526,427
Sewer	1,790,355
Parking facilities	188,046
Golf course	22,509
Property management	79,630
Total depreciation expense – business-type activities	<u>\$4,652,148</u>

C. Capital Assets (continued)

Construction commitments

The government has active construction projects as of June 30, 2008. The projects include improvements to the wastewater treatment system, a new West End water storage tank, the new South Potomac Street Parking Deck, and construction of major street and road improvements. At year end the government's commitments with contractors are as follows:

Project	Spent-to- Date	Remaining Commitment
Jonathan Street Improvement	\$ 873,357	\$ 3,136,250
Eastern Boulevard Widening	1,685,293	1,981,130
Widen Edgewood/US 40 Intersection	192,573	12,382,529
Financial Management Software	465,181	400,000
Hansen Permitting Software	86,435	114,065
West End Storage Tank	4,124,767	2,932,500
Waste Water Treatment Plant – Phase IV Headworks	270,615	3,000,000
Waste Water Treatment Plant – ENR/ Disinfection Upgrades	882,800	4,362,000
Waste Water Treatment Plant – Disinfection Phase 3B	375,487	3,300,000
South Potomac Street Parking Deck	3,425,206	36,848
Total	\$ <u>12,381,714</u>	\$ <u>31,645,322</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 construction of the new Parking Deck in the Arts and Entertainment District is being financed primarily through bond financing and grant contributions from the Washington County Board of Commissioners.

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2008, is as follows:

Advances from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Grant Revenue Fund	\$ 54,545
Grant Revenue Fund	General Fund	15,000
Water Fund	General Fund	5,756
Sewer Fund	General Fund	9,452

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, 2008. The temporary advance will then be reversed.

Interfund transfers:

	Transfers Out:						Internal Service Fund	General Fixed Assets	Total Transfers In
	General Fund	Nonmajor Governmental	Light	Water	Sewer				
Transfers in:									
General	\$ -	\$ 16,000	\$ -	\$ -	\$ -	\$500,000	\$ -	\$ 516,000	
Capital Projects	1,267,000	725,160	39,472	95,475	249,484	-	-	2,376,591	
Nonmajor								-	
Governmental	223,342	-	-	-	-	-	-	223,342	
Nonmajor								147,332	
Enterprise	210,891	-	-	-	-	-	147,332	210,891	
Transfers in	<u>\$1,701,233</u>	<u>\$ 741,160</u>	<u>\$ 39,472</u>	<u>\$95,475</u>	<u>\$249,484</u>	<u>\$500,000</u>	<u>\$147,332</u>	<u>\$3,474,156</u>	

The \$16,000 transferred in to the General Fund has two separate components: (1) a \$10,000 transfer from the Community Block Grant Fund for summer programs for youth and (2) a \$6,000 transfer from the Flex Spending fund for employee events.

Transfers to the Capital Projects Fund from the General Fund (\$1,267,000), Nonmajor Governmental Funds (\$725,160), Light Fund (\$39,472), Water Fund (\$95,475), and Sewer Fund (\$249,484) 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 \$500,000 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 \$147,332 transfer in to the Property Management Fund represents a transfer of real estate from General Fixed Assets.

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

The \$223,342 transfer from the General Fund has two separate components: (1) a \$183,000 transfer to the Economic Redevelopment Fund for community betterment projects and (2) a \$40,342 transfer to the Grant Revenue Fund for a local match requirement.

The \$210,891 transfer from the General Fund to the Nonmajor Enterprise Funds represents operating transfers to the Golf Course Fund.

E. Operating Leases

As of May 23, 2005, the City entered into a three year lease for a Savin 4018d Copier; and after May, 23, 2008, this lease was renewed on a month to month basis. The lease calls for monthly payments of \$136 and the total cost for this lease for the fiscal year ended June 30, 2008, 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, 2008, 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, 2008, was \$33,780.

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, 2008, was \$1,157.

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, 2008, was \$697.

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

	Fiscal Years Ending June 30,					Total
	2009	2010	2011	2012	2013	
Office Equipment Lease	\$40,536	\$40,536	\$ 6,756	\$ -	\$ -	\$ 87,828
Savin 2525 Color Copier	6,942	6,942	5,785	-	-	19,669
Savin 3535 Color Copier	4,182	4,182	3,137	-	-	11,501
Twenty (20) Golf Carts	11,698	11,698	11,698	6,824	-	41,918
Total	<u>\$63,358</u>	<u>\$63,358</u>	<u>\$27,376</u>	<u>\$ 6,824</u>	<u>\$ -</u>	<u>\$160,916</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	\$ 452,552	\$ 882,449	\$ 1,335,001
1997 general obligation	4.60%	2013	826,946	2,263,054	3,090,000
1998 MD Water Quality Revolving Loan Fund	3.13%	2019	-	801,082	801,082
1998 general obligation	4.31%	2013	745,000	-	745,000
1998 MD Water Quality Revolving Loan Fund	2.37%	2020	-	4,348,188	4,348,188
2000 MD Water Quality Revolving Loan Fund	2.40%	2021	-	1,462,019	1,462,019
2002 Hagerstown Trust Company	5.08%	2012	-	39,339	39,339
2002 Washington County MWQ Refunding	5.25%	2015	-	220,812	220,812
2002 Washington County Series 96B	7.25%	2010	-	80,600	80,600
2002 Washington County Series 96B #2	7.25%	2010	-	165,037	165,037
2002 State of Maryland Water Supply Assistance	4.45%	2024	-	212,832	212,832
2004 public facilities bonds	2.0%-4.3%	2019	1,191,909	-	1,170,000
2004 refunding bonds	2.0%-4.3%	2011	1,184,110	1,157,850	2,325,000
2004 taxable facilities	5.0%-6.0%	2019	-	1,195,000	1,195,000
2005 general obligation	3.36%	2020	3,196,750	168,250	3,365,000
2005 MD Water Quality Revolving Loan Fund	0.40%	2025	-	6,358,390	6,358,390
2006 general obligation	3.66%	2021	7,107,300	2,347,697	9,454,997
2007 Hagerstown Trust Company	5.00%	2013	150,067	-	150,067
2007 MD Drinking Water Revolving Loan Fund	0.40%	2028	-	3,108,342	3,108,342
Total general obligation bonds payable			14,854,634	24,810,941	39,626,706
Premium on 2004 bond issue			19,670	24,615	44,285
Total general obligation debt outstanding			<u>\$14,874,304</u>	<u>\$24,835,556</u>	<u>\$39,670,991</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 5.08%. 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>
2009	\$1,501,071	\$ 529,047	\$ 2,279,181	\$ 637,578
2010	1,447,618	474,740	2,383,100	568,677
2011	1,471,530	420,159	2,293,494	489,656
2012	1,517,440	363,336	2,351,624	407,529
2013	1,081,040	310,027	1,633,036	340,980
2014-2018	4,546,240	1,036,771	7,081,657	1,245,136
2019-2023	3,280,695	222,856	5,175,509	449,170
2024-2028	-	-	1,613,340	139,440
Total	14,854,634	3,356,936	24,810,941	4,278,166
Premium on 2004 bond issues	19,670	-	24,615	-
Total general obligation debt	<u>\$14,874,304</u>	<u>\$3,356,936</u>	<u>\$24,835,556</u>	<u>\$4,278,166</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, 2008, \$20,678 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>\$ 20,678</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>
2009	\$ 776	\$ 1,108
2010	817	1,067
2011	861	1,023
2012	907	977
2013	956	928
2014-2018	5,603	3,815
2019-2023	7,275	2,144
2024-2025	3,483	294
Total	<u>\$20,678</u>	<u>\$11,356</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	\$16,098,736	\$ 181,943	\$(1,426,045)	\$14,854,634	\$1,501,294
Premium	<u>21,458</u>	<u>-</u>	<u>(1,788)</u>	<u>19,670</u>	<u>-</u>
Total long-term debt	16,120,194	181,943	(1,427,833)	14,874,304	1,501,294
Compensated absences	<u>6,559,670</u>	<u>2,601,503</u>	<u>(2,021,112)</u>	<u>7,140,061</u>	<u>2,060,622</u>
Governmental activity					
Long-term liabilities	<u>\$22,679,864</u>	<u>\$2,783,446</u>	<u>\$(3,448,945)</u>	<u>\$22,014,365</u>	<u>\$3,561,916</u>
Business-type activities					
Bonds payable:					
General obligation					
Bonds	\$23,906,680	\$3,096,279	\$(2,192,018)	\$24,810,941	\$2,279,181
Revenue bonds	21,414	-	(736)	20,678	776
Premium	<u>30,104</u>	<u>-</u>	<u>(5,489)</u>	<u>24,615</u>	<u>-</u>
Total long-term debt	23,958,198	3,096,279	(2,198,243)	24,856,234	2,279,957
Compensated absences	<u>2,485,797</u>	<u>1,361,564</u>	<u>(1,089,493)</u>	<u>2,757,868</u>	<u>1,096,149</u>
Business-type activities					
Long-term liabilities	<u>\$26,443,995</u>	<u>\$4,457,843</u>	<u>\$(3,287,736)</u>	<u>\$27,614,102</u>	<u>\$3,376,106</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 government 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 \$5,330 for 2008; \$52,661 for 2007; \$30,094 for 2006; \$3,931 for 2005; \$44,385 for 2004; \$119,452 for 2003; \$21,479 for 2002; and \$58,419 for 2001.

As of September 1, 1998 the government 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 government 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 \$150,000 of individual medical claims and an aggregate stop loss of \$6.9 million.

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

The government estimates it will pay \$141,000 in general liability risk claims, \$38,217 in workers compensation claims, \$635,878 in health and dental insurance.

	General Liability Risks Program		Workers Compensation Fund		Health Insurance Fund	
	<u>2007/08</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2006/07</u>
Unpaid claims, beginning of year	\$ 108,500	\$ 91,000	\$ 38,217	\$ 45,778	\$ 717,605	\$ 825,072
Incurred claims	94,954	68,460	47	(1,315)	5,403,967	5,235,768
Claim payments	<u>(62,454)</u>	<u>(50,960)</u>	<u>(47)</u>	<u>(6,253)</u>	<u>(5,485,694)</u>	<u>(5,343,235)</u>
Unpaid claims, end of year	<u>\$ 141,000</u>	<u>\$ 108,500</u>	<u>\$ 38,217</u>	<u>\$ 38,210</u>	<u>\$ 635,878</u>	<u>\$ 717,605</u>

B. Contingent liabilities and commitments

The City of Hagerstown is a defendant in various legal proceedings at June 30, 2008. 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.

On May 1, 2004 the City entered into a contract with a developer to design / build the City's new Arts and Entertainment District parking deck. The contract has been completed; and, a dispute has arisen as to what is the correct amount due regarding a change order regarding unknown subsurface conditions. The developer is claiming \$499,117 while the City Engineer has determined that \$36,848 is the appropriate amount. The contract provides that both parties would agree to mediation and arbitration if they cannot resolve the dispute. At this point our City attorneys have advised that we have no information indicating that the City Engineer is incorrect in his determination.

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 an estimate of 200 gallons per day per house, 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) 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 three years of operation, the City so far has had adequate sewer capacity to meet the needs of both new development and existing customers.

The government 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 can not 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

B. Contingent liabilities and commitments (continued)

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 \$90,751) for up to 14 million gallons of sludge per year with additional charges for excess gallons. These fees are to be adjusted semiannually on January 1st and July 1st by a combination of the Consumer Price Index and the Producers Price Index.

Effective January 1, 2006, the government extended its agreement with a contractor to provide residential trash collection services within the government for an additional 3 years ending December 31, 2008. Our cost for the fiscal year ended June 30, 2008 is \$1,218,722.

On March 20, 1994, the government entered into an Electric Power Agreement with First Urban Fiber, a major customer, to build and upgrade the Light Department facilities to provide up to 28 mega watts of power for their new office paper recycling plant. 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. As of October 31, 2008, Light Fund long-term receivables reflect a balance outstanding of approximately \$2.713 million which is partially reserved as a doubtful account. Newstech, MD, LLC is complying with the language contained within the aforementioned agreement, is current with all payments and has completed 58 of the required 240 payments.

On June 30, 1998 the City entered into an agreement with Hagerstown Trust Company 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 \$2,838 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. The City formally assumed the balance of the Foundation's 15 year term loan payable through June 30, 2013. This is not expected to have a material effect on the City's financial condition.

B. Contingent liabilities and commitments (continued)

As part of our previous workers' compensation insurance program, the City entered into an irrevocable letter of credit with the Hagerstown Trust Company for \$45,000 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.

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 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 at the Federal Funds Effective Rate. This deposit and interest will be refunded to Allegheny at the end of the term of the agreement.

C. Other post employment benefits

The City of Hagerstown provides hospitalization and dental insurance coverage to retirees if they have completed ten years of continuous service and were hired prior to July 1, 1987, or if they completed twenty 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.

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.

The cost of providing hospitalization and dental insurance to the government's retirees is financed on a pay-as-you-go basis. The expense of providing hospitalization insurance to all of the government's 212 eligible retirees and their 181 dependents was \$2,249,549 in fiscal year 2008. (Of these, 123 retirees and 105 dependents are provided the \$400 monthly stipend to aid in the cost of acquiring a medicare supplemental health insurance plan.) The expense of providing dental insurance to the government's 202 retirees who have chosen this coverage was \$49,328 in fiscal year 2008.

Recently Issued Accounting Standards – In June 2004 the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which established financial reporting standards for state and local government employers who provide other postemployment benefits (OPEB) as part of total compensation in order to attract and retain the service of qualified employees. OPEB includes postemployment healthcare as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. The Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local government employers. The City is required to adopt this Statement for the fiscal year ending June 30, 2009. The adoption of this Statement will have a material effect on the City's financial statements. The City contracted with an actuarial firm to determine its obligation effective February, 2007. At that time, the present value of benefits was determined to be \$50,823,000; the accrued liability was \$44,553,000; the normal cost was \$1,178,000; the 30-Year amortization of the accrued liability was \$1,938,000; and the annual retirement cost was \$3,116,000.

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, 2007, the date of the most recent actuarial valuation:

Active	166
Retired or disabled	36
Vested terminations or inactive	<u>7</u>
Total	<u>209</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, 2007 actuarial valuation, sworn employees contribute 7% of their base pay and the current actuarially determined rate the government is required to contribute is 10.58% for fiscal year 2007/2008. At June 30, 2008, the plan's reserve for employee' retirement system was \$11,909,388.

The annual required contribution for the current year was determined as part of the June 30, 2007 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 100% of the annual required contribution (ARC) of:

<u>Fiscal Year</u>	<u>ARC Amount</u>
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, 2008, plus Retirement System participants who have voluntarily joined the Pension System, less employees who elected to transfer into the government'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.

D. Employee retirement systems and pension plans (continued)

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.

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 2008, 2007, and 2006 were \$252,574, \$240,547, and \$229,093 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>
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 (a.)</u>	<u>Actuarial Accrued Liability (AAL) (b.)</u>	<u>Total Unfunded AAL (UAAL) (b. - a.)</u>	<u>Funded Ratio (a./b.)</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % Of Covered Payroll [(b.-a.)/c.]</u>
June 30						
2005	34,519,500	39,133,450	4,613,950	88.21%	8,603,761	54%
2006	35,795,025	43,243,492	7,448,867	82.78%	9,287,576	80%
2007	37,886,936	49,306,375	11,419,439	76.84%	9,971,012	115%

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 \$6,506 for the year ended June 30, 2008.

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%

City of Hagerstown, Maryland
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>2008 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2007 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
Revenues and Transfers						
General Property Taxes:						
Current year's levy	\$ 20,140,600	\$ 20,140,600	\$ 19,741,992	\$ (398,608)	\$ 18,199,678	\$ 1,542,314
Prior year's levy - net	29,100	29,100	176,769	147,669	(112,472)	289,241
Payments in lieu of taxes	2,251,000	2,251,000	2,310,119	59,119	1,956,369	353,750
Interest on delinquent taxes	121,100	121,100	184,836	63,736	144,081	40,755
	<u>22,541,800</u>	<u>22,541,800</u>	<u>22,413,716</u>	<u>(128,084)</u>	<u>20,187,656</u>	<u>2,226,060</u>
Less discounts allowed	(57,200)	(57,200)	(54,579)	2,621	(56,522)	1,943
Total General Property Taxes	<u>22,484,600</u>	<u>22,484,600</u>	<u>22,359,137</u>	<u>(125,463)</u>	<u>20,131,134</u>	<u>2,228,003</u>
State and County Shared Taxes:						
Income tax	2,377,173	2,377,173	2,537,266	160,093	2,345,527	191,739
County tax differential	1,403,490	1,403,490	1,462,697	59,207	1,253,286	209,411
Admission	170,000	170,000	85,823	(84,177)	133,971	(48,148)
Enterprise zone tax credits	75,000	75,000	81,010	6,010	73,707	7,303
Financial corporations	34,214	34,214	34,214	-	34,214	-
Total State and County Shared Taxes	<u>4,059,877</u>	<u>4,059,877</u>	<u>4,201,010</u>	<u>141,133</u>	<u>3,840,705</u>	<u>360,305</u>
Licenses and Permits:						
Residential rental licenses	400,000	400,000	422,977	22,977	361,084	61,893
Cable television franchise	415,000	415,000	535,877	120,877	335,311	200,566
Traders	118,000	118,000	113,805	(4,195)	100,815	12,990
Building permits	250,000	250,000	215,306	(34,694)	327,285	(111,979)
Electrical permits	100,000	100,000	101,394	1,394	111,413	(10,019)
Distilled spirits	4,000	4,000	7,910	3,910	3,734	4,176
Plumbing permits	100,000	100,000	92,196	(7,804)	100,073	(7,877)
Other	203,250	203,250	178,325	(24,925)	280,740	(102,415)
Total Licenses and Permits	<u>1,590,250</u>	<u>1,590,250</u>	<u>1,667,790</u>	<u>77,540</u>	<u>1,620,455</u>	<u>47,335</u>
Intergovernmental Grant Revenues:						
Federal grants	132,893	25,000	17,882	(7,118)	105,351	(87,469)
State and local grants	3,691,811	3,291,685	3,122,456	(169,229)	3,567,884	(445,428)
Total Intergovernmental Grant Revenues	<u>3,824,704</u>	<u>3,316,685</u>	<u>3,140,338</u>	<u>(176,347)</u>	<u>3,673,235</u>	<u>(532,897)</u>
Service Charges:						
Refuse collection fees	2,196,200	2,196,200	2,163,207	(32,993)	2,116,976	46,231
Stadium	-	-	1,151	1,151	50	1,101
Swimming pool	85,280	85,280	82,014	(3,266)	93,962	(11,948)
Other	536,689	765,189	887,128	121,939	496,690	390,438
Total Service Charges	<u>2,818,169</u>	<u>3,046,669</u>	<u>3,133,500</u>	<u>86,831</u>	<u>2,707,678</u>	<u>425,822</u>
Fines and Forfeitures	<u>79,100</u>	<u>79,100</u>	<u>152,289</u>	<u>73,189</u>	<u>109,990</u>	<u>42,299</u>
Unallocated General Revenues:						
Administrative allocation	2,015,577	2,015,577	2,033,773	18,196	2,141,268	(107,495)
Interest on investments	510,000	510,000	456,504	(53,496)	446,159	10,345
Sale of land & other property	9,000	67,000	60,756	(6,244)	123,260	(62,504)
Miscellaneous	141,560	142,350	106,648	(35,702)	108,833	(2,185)
Total Unallocated General Revenues	<u>2,676,137</u>	<u>2,734,927</u>	<u>2,657,681</u>	<u>(77,246)</u>	<u>2,819,520</u>	<u>(161,839)</u>
Total Revenues	<u>37,532,837</u>	<u>37,312,108</u>	<u>37,311,745</u>	<u>(363)</u>	<u>34,902,717</u>	<u>2,409,028</u>
Transfers from Community Development Fund	10,000	10,000	10,000	-	10,000	-
Transfers from Health Insurance Fund	-	600,000	500,000	(100,000)	-	500,000
Transfers from Flexible Spending Fund	6,000	6,000	6,000	-	6,000	-
Transfers from Water Fund	250,000	250,000	-	(250,000)	250,000	(250,000)
Total Revenues and Transfers	<u>\$ 37,798,837</u>	<u>\$ 38,178,108</u>	<u>\$ 37,827,745</u>	<u>\$ (350,363)</u>	<u>\$ 35,168,717</u>	<u>\$ 2,659,028</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, 2008

	<u>Budgeted Amounts</u>		<u>2008 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2007 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
Expenditures and Transfers						
General Government:						
Council	\$ 121,626	\$ 121,626	\$ 109,242	\$ 12,384	\$ 108,921	\$ 321
Mayor	65,990	65,990	66,108	(118)	60,431	5,677
City administrator	188,094	185,127	187,186	(2,059)	183,894	3,292
Economic development	218,633	217,378	183,048	34,330	163,512	19,536
Information technology	607,819	601,766	598,126	3,640	527,729	70,397
Finance and accounting	677,832	636,983	632,386	4,597	590,323	42,063
Treasurer and tax collection	291,682	310,921	298,528	12,393	246,153	52,375
Purchasing and stores	172,692	197,332	194,627	2,705	218,239	(23,612)
Legal counsel	238,000	254,334	219,547	34,787	188,900	30,647
City clerk	130,242	129,269	132,144	(2,875)	110,956	21,188
Human resources	452,811	448,977	423,537	25,440	391,686	31,851
City engineer	1,179,158	1,167,055	1,155,341	11,714	933,387	221,954
Planning	507,101	491,085	472,616	18,469	438,015	34,601
Annexation	9,000	9,000	7,863	1,137	3,995	3,868
Community affairs	309,726	309,264	294,895	14,369	269,279	25,616
Public functions	312,308	536,274	567,037	(30,763)	265,275	301,762
Neighborhoods first	34,300	34,300	10,779	23,521	8,470	2,309
Total General Government	5,517,014	5,716,681	5,553,010	163,671	4,709,165	843,845
Public Safety:						
Police department	11,612,119	11,037,612	11,038,001	(389)	10,398,280	639,721
Fire department	6,167,826	6,137,287	6,149,733	(12,446)	5,449,425	700,308
Protective inspections	581,163	569,448	560,272	9,176	503,365	56,907
Code enforcement	635,436	629,476	680,238	(50,762)	571,200	109,038
Signal department	644,690	634,690	663,392	(28,702)	543,810	119,582
Total Public Safety	19,641,234	19,008,513	19,091,636	(83,123)	17,466,080	1,625,556
Streets and Alleys:						
General street department operations	736,607	709,181	603,366	105,815	449,160	154,206
Snow removal	350,000	350,000	280,567	69,433	301,558	(20,991)
Street cleaning	536,328	536,328	524,531	11,797	558,097	(33,566)
Street lighting	725,000	725,000	744,319	(19,319)	709,882	34,437
Central services	14,674	10,423	130,592	(120,169)	83,711	46,881
Total Streets and Alleys	2,362,609	2,330,932	2,283,375	47,557	2,102,408	180,967
Waste, Collection and Disposal	2,047,701	2,047,701	2,053,573	(5,872)	1,963,094	90,479
Parks and Recreation:						
City parks	1,737,929	1,710,128	1,473,317	236,811	1,372,870	100,447
Swimming pool	178,630	178,630	188,289	(9,659)	159,598	28,691
Stadium	75,592	75,592	78,603	(3,011)	67,925	10,678
Recreation department	232,299	231,550	230,111	1,439	213,406	16,705
Hager house and 202 train museum	116,213	116,291	123,663	(7,372)	94,415	29,248
Total Parks and Recreation	2,340,663	2,312,191	2,093,983	218,208	1,908,214	185,769
Municipal Buildings	576,532	536,532	460,280	76,252	429,343	30,937
Unallocated General Expenditures:						
Retiree benefits	1,418,000	1,418,000	1,409,382	8,618	1,254,067	155,315
Termination pay	275,000	275,000	265,382	9,618	287,323	(21,941)
Contributions to other agencies	305,440	306,640	306,811	(171)	269,321	37,490
Inventory adjustments	54,000	54,000	3,920	50,080	11,932	(8,012)
Budget contingency	253,782	438,387	-	438,387	-	-
Total Unallocated General Expenditures	\$ 2,306,222	\$ 2,492,027	\$ 1,985,495	\$ 506,532	\$ 1,822,643	\$ 162,852

* 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, 2008

	<u>Budgeted Amounts</u>		<u>2008 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2007 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
Expenditures and Transfers						
Debt Service:						
Principal	\$ 1,433,038	\$ 1,433,038	\$ 1,464,914	\$ (31,876)	\$ 1,272,919	\$ 191,995
Interest	646,425	646,425	585,740	60,685	407,112	178,628
Total Debt Service	<u>2,079,463</u>	<u>2,079,463</u>	<u>2,050,654</u>	<u>28,809</u>	<u>1,680,031</u>	<u>370,623</u>
Total Expenditures	36,871,438	36,524,040	35,572,006	952,034	32,080,978	3,491,028
Transfers to Golf Course Fund	200,000	200,000	210,891	(10,891)	174,631	36,260
Transfers to Grant Revenue Fund	-	18,669	40,342	(21,673)	8,644	31,698
Transfers to Economic Redevelopment Fund	125,000	183,000	183,000	-	125,000	58,000
Transfers to Health Insurance Fund	(600,000)	-	-	-	1,100,000	(1,100,000)
Transfers to Capital Improvement Projects Fund	<u>1,202,000</u>	<u>1,252,000</u>	<u>1,267,000</u>	<u>(15,000)</u>	<u>985,262</u>	<u>281,738</u>
Total Expenditures and Transfers	<u>37,798,438</u>	<u>38,177,709</u>	<u>37,273,239</u>	<u>904,470</u>	<u>34,474,515</u>	<u>2,798,724</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	399	399	554,506	554,107	694,202	(139,696)
Fund balances - beginning	<u>7,136,765</u>	<u>6,522,765</u>	<u>7,196,097</u>	<u>-</u>	<u>6,501,895</u>	<u>694,202</u>
Fund balances - ending	<u>\$ 7,137,164</u>	<u>\$ 6,523,164</u>	<u>\$ 7,750,603</u>	<u>\$ 1,227,439</u>	<u>\$ 7,196,097</u>	<u>\$ 554,506</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, 2008

	Budgeted Amounts		2008 Actual	Variance with Final Budget - Positive (Negative)	2007 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues						
Intergovernmental	\$ 8,702,400	\$ 8,749,807	\$ 735,011	\$ (8,014,796)	\$ 654,825	\$ 80,186
Contributions and donations	3,662,000	3,662,000	380,994	(3,281,006)	445,616	(64,622)
Interest income	-	-	258,544	258,544	296,049	(37,505)
Other revenues	-	-	34,279	34,279	25,657	8,622
Total revenues	<u>12,364,400</u>	<u>12,411,807</u>	<u>1,408,828</u>	<u>(11,002,979)</u>	<u>1,422,147</u>	<u>(13,319)</u>
Expenditures						
General government projects	21,231,400	21,231,400	3,631,438	17,599,962	1,880,101	1,751,337
Public safety projects	4,191,000	4,238,407	727,569	3,510,838	529,916	197,653
Street and bridge projects	1,288,000	1,338,000	945,208	392,792	1,430,664	(485,456)
Parks, recreation and market house	388,000	388,000	450,547	(62,547)	644,320	(193,773)
Debt service:						
Principal	-	-	-	-	2,577,412	(2,577,412)
Interest	-	-	-	-	261,857	(261,857)
Total expenditures	<u>27,098,400</u>	<u>27,195,807</u>	<u>5,754,762</u>	<u>21,441,045</u>	<u>7,324,270</u>	<u>(1,569,508)</u>
Excess (deficiency) of revenues over (under) expenditures	(14,734,000)	(14,784,000)	(4,345,934)	10,438,066	(5,902,123)	1,556,189
Other Financing Sources (Uses)						
Bond Financing	5,488,000	5,488,000	-	(5,488,000)	7,490,667	(7,490,667)
Transfer from Excise tax fund	440,000	440,000	398,246	(41,754)	-	398,246
Transfer from general fund	1,202,000	1,252,000	1,267,000	15,000	985,262	281,738
Transfer from light fund	273,000	273,000	39,472	(233,528)	46,000	(6,528)
Transfer from water fund	1,168,000	1,168,000	95,475	(1,072,525)	45,000	50,475
Transfer from sewer fund	1,018,000	1,018,000	249,484	(768,516)	45,000	204,484
Transfer from community development fund	527,000	527,000	326,914	(200,086)	342,105	(15,191)
	<u>10,116,000</u>	<u>10,166,000</u>	<u>2,376,591</u>	<u>(7,789,409)</u>	<u>8,954,034</u>	<u>(6,577,443)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	(4,618,000)	(4,618,000)	(1,969,343)	2,648,657	3,051,911	(5,021,254)
Fund balances - beginning	<u>6,855,169</u>	<u>6,855,169</u>	<u>6,855,169</u>	<u>-</u>	<u>3,803,258</u>	<u>3,051,911</u>
Fund balances - ending	<u>\$ 2,237,169</u>	<u>\$ 2,237,169</u>	<u>\$ 4,885,826</u>	<u>\$ 2,648,657</u>	<u>\$ 6,855,169</u>	<u>\$ (1,969,343)</u>

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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City of Hagerstown, Maryland
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	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	\$ 119,687	\$ 639,066	\$ 41,083	\$ 132,444	\$ 143,097	\$ 1,821,082	\$ -	\$ 2,896,459
Interest receivable	243	1,126	126	325	-	5,274	-	7,094
Intergovernmental receivable	25,000	-	-	15,939	-	-	173,405	214,344
Loans receivable	2,529,741	-	-	-	825,426	-	-	3,355,167
Properties held for resale	913,151	-	-	-	-	-	-	913,151
Due from other funds	-	-	-	-	-	-	15,000	15,000
Restricted assets:								
Pooled cash and investments	127,878	-	-	-	-	-	-	127,878
Total assets	<u>\$ 3,715,700</u>	<u>\$ 640,192</u>	<u>\$ 41,209</u>	<u>\$ 148,708</u>	<u>\$ 968,523</u>	<u>\$ 1,826,356</u>	<u>\$ 188,405</u>	<u>\$ 7,529,093</u>
Liabilities								
Accounts and retainages payable	\$ 37,736	\$ -	\$ 1,074	\$ 1,098	\$ -	\$ 82,417	\$ 54,903	\$ 177,228
Accrued liabilities	6,496	-	-	2,141	-	-	-	8,637
Due to other funds	-	-	-	-	-	-	69,545	69,545
Escrowed taxes and insurance	12,590	-	-	-	-	-	-	12,590
Customer deposits	500	-	10,848	-	-	-	-	11,348
Undisbursed loan and grant commitments	115,288	-	-	-	200,068	-	-	315,356
Total liabilities	<u>172,610</u>	<u>-</u>	<u>11,922</u>	<u>3,239</u>	<u>200,068</u>	<u>82,417</u>	<u>124,448</u>	<u>594,704</u>
Fund Balance								
Reserved for encumbrances	230	-	-	-	-	-	-	230
Reserved for properties held for resale	913,151	-	-	-	-	-	-	913,151
Reserved for long-term loans receivable	2,529,741	-	-	-	825,426	-	-	3,355,167
Reserved for Special Revenue Funds	99,968	640,192	29,287	145,469	(56,971)	1,743,939	63,957	2,665,841
Total fund balances	<u>3,543,090</u>	<u>640,192</u>	<u>29,287</u>	<u>145,469</u>	<u>768,455</u>	<u>1,743,939</u>	<u>63,957</u>	<u>6,934,389</u>
Total liabilities and fund balances	<u>\$ 3,715,700</u>	<u>\$ 640,192</u>	<u>\$ 41,209</u>	<u>\$ 148,708</u>	<u>\$ 968,523</u>	<u>\$ 1,826,356</u>	<u>\$ 188,405</u>	<u>\$ 7,529,093</u>

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

City of Hagerstown, Maryland
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue						Total Nonmajor Governmental Funds	
	Community Development Block Grant	Economic Redevelopment	Flexible Spending	Telecommuting Center	Business Revolving Loan	Excise Tax		Grant Revenue
Revenues								
Intergovernmental	\$ 1,228,614	\$ 59,173	\$ -	\$ 119,758	\$ -	\$ -	\$ 585,253	\$ 1,992,798
Program income	311,642	-	-	-	-	220,679	-	532,321
Investment earnings	8,198	18,510	1,609	5,542	8,999	85,018	1,306	129,182
Property sales	89,500	-	-	-	-	-	-	89,500
Other revenues	8,900	900	12,341	104,799	32,121	-	1,705	160,766
Total revenues	<u>1,646,854</u>	<u>78,583</u>	<u>13,950</u>	<u>230,099</u>	<u>41,120</u>	<u>305,697</u>	<u>588,264</u>	<u>2,904,567</u>
Expenditures								
Current:								
Public safety	-	-	-	-	-	-	604,849	604,849
Economic and Community Development								
Public services	263,283	-	-	-	-	-	-	263,283
Housing rehabilitation	322,190	-	-	-	-	-	-	322,190
Direct economic development	196,440	62,920	-	-	-	-	-	259,360
Cost of properties sold	208,538	-	-	-	-	-	-	208,538
Administration	351,122	-	5,873	236,227	3,032	-	-	596,254
Direct economic development loans	-	-	-	-	309	-	-	309
Capital outlay	155,346	-	-	(583)	-	-	-	154,763
Total expenditures	<u>1,496,919</u>	<u>62,920</u>	<u>5,873</u>	<u>235,644</u>	<u>3,341</u>	<u>-</u>	<u>604,849</u>	<u>2,409,546</u>
Excess (deficiency) of revenues over (under) expenditures	<u>149,935</u>	<u>15,663</u>	<u>8,077</u>	<u>(5,545)</u>	<u>37,779</u>	<u>305,697</u>	<u>(16,585)</u>	<u>495,021</u>
Other Financing Sources (Uses)								
Transfers in	-	183,000	-	-	-	-	40,342	223,342
Transfers out	(336,914)	-	(6,000)	-	-	(398,246)	-	(741,160)
Total other financing sources and (uses)	<u>(336,914)</u>	<u>183,000</u>	<u>(6,000)</u>	<u>-</u>	<u>-</u>	<u>(398,246)</u>	<u>40,342</u>	<u>(517,818)</u>
Net change in fund balances	(186,979)	198,663	2,077	(5,545)	37,779	(92,549)	23,757	(22,797)
Fund balances - beginning	3,730,069	441,529	27,210	151,014	730,676	1,836,488	40,200	6,957,186
Fund balances - ending	<u>\$ 3,543,090</u>	<u>\$ 640,192</u>	<u>\$ 29,287</u>	<u>\$ 145,469</u>	<u>\$ 768,455</u>	<u>\$ 1,743,939</u>	<u>\$ 63,957</u>	<u>\$ 6,934,389</u>

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

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, 2008

	Original and Final Budget	2008 Actual	Variance with Final Budget - Positive (Negative)	2007 Actual	Increase/ (Decrease) Over Prior Year
Revenues					
Intergovernmental	\$ 1,599,505	\$ 1,228,614	\$ (370,891)	\$ 1,315,865	\$ (87,251)
Program income	475,492	311,642	(163,850)	537,023	(225,381)
Investment earnings	10,000	8,198	(1,802)	15,517	(7,319)
Property sales	700,000	89,500	(610,500)	317,538	(228,038)
Other revenues	18,000	8,900	(9,100)	32,790	(23,890)
Total revenues	<u>2,802,997</u>	<u>1,646,854</u>	<u>(1,156,143)</u>	<u>2,218,733</u>	<u>(571,879)</u>
Expenditures					
Public services	266,915	263,283	3,632	271,737	(8,454)
Housing rehabilitation	1,176,240	322,190	854,050	497,623	(175,433)
Clearance and demolition	100	-	100	4,000	(4,000)
Direct economic development	-	196,440	(196,440)	2,021	194,419
Cost of properties sold	-	208,538	(208,538)	458,921	(250,383)
Administration	413,266	351,122	62,144	372,035	(20,913)
Capital outlay	419,400	155,346	264,054	350,385	(195,039)
Total expenditures	<u>2,275,921</u>	<u>1,496,919</u>	<u>779,002</u>	<u>1,956,722</u>	<u>(459,803)</u>
Excess (deficiency) of revenues over (under) expenditures	527,076	149,935	(377,141)	262,011	(112,076)
Other Financing Sources (Uses)					
Transfers to property management fund	-	-	-	(20,041)	20,041
Transfers to parking fund	-	-	-	(198,470)	198,470
Transfers to general fund	(10,000)	(10,000)	-	(10,000)	-
Transfers to capital improvement projects fund	(527,000)	(326,914)	200,086	(342,105)	15,191
Total other financing sources (uses)	<u>(537,000)</u>	<u>(336,914)</u>	<u>200,086</u>	<u>(570,616)</u>	<u>233,702</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	(9,924)	(186,979)	(177,055)	(308,605)	121,626
Fund balances - beginning	<u>3,730,069</u>	<u>3,730,069</u>	<u>-</u>	<u>4,038,674</u>	<u>(308,605)</u>
Fund balances - ending	<u>\$ 3,720,145</u>	<u>\$ 3,543,090</u>	<u>\$ (177,055)</u>	<u>\$ 3,730,069</u>	<u>\$ (186,979)</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, 2008

	Budgeted Amounts		2008 Actual	Variance with Final Budget - Positive (Negative)	2007 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues						
Intergovernmental	\$ -	\$ -	\$ 59,173	\$ 59,173	\$ 58,234	\$ 939
Investment earnings	13,000	13,000	18,510	5,510	13,922	4,588
Other revenues	-	-	900	900	-	900
Total revenues	<u>13,000</u>	<u>13,000</u>	<u>78,583</u>	<u>65,583</u>	<u>72,156</u>	<u>6,427</u>
Expenditures						
Direct economic development	65,000	65,000	62,920	2,080	70,007	(7,087)
Administration	-	-	-	-	-	-
Debt service principal	-	-	-	-	-	-
Debt service interest	-	-	-	-	-	-
Total expenditures	<u>65,000</u>	<u>65,000</u>	<u>62,920</u>	<u>2,080</u>	<u>70,007</u>	<u>(7,087)</u>
Excess (deficiency) of revenues over (under) expenditures	(52,000)	(52,000)	15,663	67,663	2,149	13,514
Other Financing Sources (Uses)						
Transfers from general fund	-	58,000	183,000	125,000	125,000	58,000
Total other financing sources (uses)	<u>-</u>	<u>58,000</u>	<u>183,000</u>	<u>125,000</u>	<u>125,000</u>	<u>58,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	(52,000)	6,000	198,663	192,663	127,149	71,514
Fund balances - beginning	<u>441,529</u>	<u>441,529</u>	<u>441,529</u>	<u>-</u>	<u>314,380</u>	<u>127,149</u>
Fund balances - ending	<u>\$ 389,529</u>	<u>\$ 447,529</u>	<u>\$ 640,192</u>	<u>\$ 192,663</u>	<u>\$ 441,529</u>	<u>\$ 198,663</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, 2008

	<u>Original and Final Budget</u>	<u>2008 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2007 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
Revenues					
Investment earnings	\$ 2,075	\$ 1,609	\$ (466)	\$ 2,109	\$ (500)
Employer FICA savings	8,925	8,290	(635)	7,850	440
Unreimbursed employee deductions	500	4,051	3,551	370	3,681
Total revenues	<u>11,500</u>	<u>13,950</u>	<u>2,450</u>	<u>10,329</u>	<u>3,621</u>
Expenditures					
Contracted services	5,500	5,873	(373)	5,336	537
Total expenditures	<u>5,500</u>	<u>5,873</u>	<u>(373)</u>	<u>5,336</u>	<u>537</u>
Excess (deficiency) of revenues over (under) expenditures	6,000	8,077	2,077	4,993	3,084
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)	-	2,077	2,077	(1,007)	3,084
Fund balances - beginning	<u>27,210</u>	<u>27,210</u>	<u>-</u>	<u>28,217</u>	<u>(1,007)</u>
Fund balances - ending	<u>\$ 27,210</u>	<u>\$ 29,287</u>	<u>\$ 2,077</u>	<u>\$ 27,210</u>	<u>\$ 2,077</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, 2008

	<u>Original and Final Budget</u>	<u>2008 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2007 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
Revenues					
Intergovernmental	\$ 117,200	\$ 119,758	\$ 2,558	\$ 119,769	\$ (11)
Investment earnings	4,500	5,542	1,042	4,724	818
Other revenues	-	25,590	25,590	-	25,590
Rent revenues	61,200	61,200	-	61,200	-
Facilities usage	6,500	-	(6,500)	4,000	(4,000)
Technological training	17,484	18,009	525	50,947	(32,938)
Total revenues	<u>206,884</u>	<u>230,099</u>	<u>23,215</u>	<u>240,640</u>	<u>(10,541)</u>
Expenditures					
Administration	198,608	235,644	(37,036)	189,439	46,205
Capital Outlay	9,000	-	9,000	5,436	(5,436)
Total expenditures	<u>207,608</u>	<u>235,644</u>	<u>(28,036)</u>	<u>194,875</u>	<u>40,769</u>
Excess (deficiency) of revenues over (under) expenditures	(724)	(5,545)	(4,821)	45,765	(51,310)
Fund balances - beginning	<u>151,014</u>	<u>151,014</u>	<u>-</u>	<u>105,249</u>	<u>45,765</u>
Fund balances - ending	<u>\$ 150,290</u>	<u>\$ 145,469</u>	<u>\$ (4,821)</u>	<u>\$ 151,014</u>	<u>\$ (5,545)</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, 2008

	<u>Original and Final Budget</u>	<u>2008 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2007 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
Revenues					
Intergovernmental	\$ 250,000	\$ -	\$ (250,000)	\$ 10,300	\$ (10,300)
Investment earnings	15,000	8,999	(6,001)	18,529	(9,530)
Other revenues	15,557	32,121	16,564	14,339	17,782
Total revenues	<u>280,557</u>	<u>41,120</u>	<u>(239,437)</u>	<u>43,168</u>	<u>(2,048)</u>
Expenditures					
Legal	2,000	3,032	(1,032)	2,262	770
Direct economic development loans	-	309	(309)	-	309
Total expenditures	<u>2,000</u>	<u>3,341</u>	<u>(1,341)</u>	<u>2,262</u>	<u>1,079</u>
Excess (deficiency) of revenues over (under) expenditures	278,557	37,779	(240,778)	40,906	(3,127)
Fund balances - beginning	<u>730,676</u>	<u>730,676</u>	<u>-</u>	<u>689,770</u>	<u>40,906</u>
Fund balances - ending	<u>\$ 1,009,233</u>	<u>\$ 768,455</u>	<u>\$ (240,778)</u>	<u>\$ 730,676</u>	<u>\$ 37,779</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, 2008

	<u>Original and Final Budget</u>	<u>2008 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2007 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
Revenues					
Investment earnings	\$ 57,000	\$ 85,019	\$ 28,019	\$ 77,312	\$ 7,707
Excise tax	293,000	220,678	(72,322)	719,319	(498,641)
Total revenues	<u>350,000</u>	<u>305,697</u>	<u>(44,303)</u>	<u>796,631</u>	<u>(490,934)</u>
Expenditures					
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)					
Transfers to Capital Improvements Project Fund	(440,000)	(398,246)	41,754	-	(398,246)
Total other financing sources (uses)	<u>(440,000)</u>	<u>(398,246)</u>	<u>41,754</u>	<u>-</u>	<u>(398,246)</u>
Excess (deficiency) of revenues over (under) expenditures	(90,000)	(92,549)	(2,549)	796,631	(889,180)
Fund balances - beginning	<u>1,836,488</u>	<u>1,836,488</u>	<u>-</u>	<u>-</u>	<u>1,836,488</u>
Fund balances - ending	<u>\$ 1,746,488</u>	<u>\$ 1,743,939</u>	<u>\$ (2,549)</u>	<u>\$ 796,631</u>	<u>\$ 947,308</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, 2008

	Original and Final Budget	2008 Actual	Variance with Final Budget - Positive (Negative)	2007 Actual	Increase/ (Decrease) Over Prior Year
Revenues					
Intergovernmental	\$ 603,016	\$ 585,253	\$ (17,763)	\$ 135,824	\$ 449,429
Investment earnings	-	1,306	1,306	-	1,306
Other revenues	-	1,705	1,705	-	1,705
Total revenues	<u>603,016</u>	<u>588,264</u>	<u>(14,752)</u>	<u>135,824</u>	<u>452,440</u>
Expenditures					
Public Safety	621,685	604,849	16,836	104,268	500,581
Total expenditures	<u>621,685</u>	<u>604,849</u>	<u>16,836</u>	<u>104,268</u>	<u>500,581</u>
Excess (deficiency) of revenues over (under) expenditures	(18,669)	(16,585)	2,084	31,556	(48,141)
Other Financing Sources (Uses)					
Transfers in	18,669	40,342	21,673	8,644	31,698
Total other financing sources (uses)	<u>18,669</u>	<u>40,342</u>	<u>21,673</u>	<u>8,644</u>	<u>31,698</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	-	23,757	23,757	40,200	(16,443)
Fund balances - beginning	<u>40,200</u>	<u>40,200</u>	<u>-</u>	<u>-</u>	<u>40,200</u>
Fund balances - ending	<u>\$ 40,200</u>	<u>\$ 63,957</u>	<u>\$ 23,757</u>	<u>\$ 40,200</u>	<u>\$ 23,757</u>

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NONMAJOR ENTERPRISE FUNDS

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

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

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

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City of Hagerstown, Maryland
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2008

	Golf Course	Property Management	Total Nonmajor Enterprise Funds
Assets			
Current assets:			
Pooled cash and investments	\$ 1,237	\$ 322,514	\$ 323,751
Interest receivable	-	739	739
Accounts receivable (net of allowance for uncollectibles)	657	19,729	20,386
Deferred charges	-	2,834	2,834
Total current assets	1,894	345,816	347,710
Noncurrent assets:			
Capital assets:			
Land	275,565	366,358	641,923
Land improvements	45,731	-	45,731
Buildings and structures	147,617	4,030,618	4,178,235
Machinery and equipment	322,528	-	322,528
Automobiles and trucks	14,292	-	14,292
Office furniture and fixtures	2,270	-	2,270
Construction in progress	-	147,332	147,332
Less accumulated depreciation	(295,865)	(932,209)	(1,228,074)
Total capital assets (net of accumulated depreciation)	512,138	3,612,099	4,124,237
Total assets	514,032	3,957,915	4,471,947
Liabilities			
Current liabilities:			
Accounts and retainages payable	10,942	3,384	14,326
Compensated absences	35,037	-	35,037
Accrued liabilities	4,807	1,765	6,572
Unearned revenue	1,140	-	1,140
General obligation bonds - current	-	56,210	56,210
Total current liabilities	51,926	61,359	113,285
Noncurrent liabilities:			
General obligation bonds payable	-	115,957	115,957
Total noncurrent liabilities	-	115,957	115,957
Total liabilities	51,926	177,316	229,242
Net Assets			
Invested in capital assets, net of related debt	512,138	3,439,932	3,952,070
Unrestricted	(50,032)	340,667	290,635
Total net assets	\$ 462,106	\$ 3,780,599	\$ 4,242,705

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, 2008

	<u>Golf Course</u>	<u>Property Management</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues:			
Service charges	\$ 192,590	\$ 352,349	\$ 544,939
Other revenues	15,982	19	16,001
Total operating revenues	<u>208,572</u>	<u>352,368</u>	<u>560,940</u>
Operating expenses:			
Selling, general and administrative expenses	398,563	226,368	624,931
Depreciation	22,509	79,630	102,139
Total operating expenses	<u>421,072</u>	<u>305,998</u>	<u>727,070</u>
Operating income	<u>(212,500)</u>	<u>46,370</u>	<u>(166,130)</u>
Nonoperating revenues (expenses):			
Investment earnings	-	12,388	12,388
Interest expense	-	(6,241)	(6,241)
Total nonoperating revenue (exps.)	<u>-</u>	<u>6,147</u>	<u>6,147</u>
Income before contributions and transfers	(212,500)	52,517	(159,983)
Transfers in	<u>210,891</u>	<u>147,332</u>	<u>358,223</u>
Changes in net assets	(1,609)	199,849	198,240
Total net assets - beginning	463,715	3,580,750	4,044,465
Total net assets - ending	<u>\$ 462,106</u>	<u>\$ 3,780,599</u>	<u>\$ 4,242,705</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, 2008

	Golf Course	Property Management	Total Nonmajor Enterprise Funds
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 208,733	\$ 355,209	\$ 563,942
Payments to suppliers	(221,403)	(188,797)	(410,200)
Payments to employees	(190,590)	(37,698)	(228,288)
Net cash provided by operating activities	(203,260)	128,714	(74,546)
Cash Flows From Noncapital Financing Activities			
Transfers from (to) other funds	210,891	-	210,891
Net cash provided (used) by capital and related financing activities	210,891	-	210,891
Cash Flows From Capital And Related Financing Activities			
Acquisition and construction of capital assets	(6,894)	(49,859)	(56,753)
Principal paid on capital debt	-	(55,115)	(55,115)
Interest paid on capital debt	-	(6,120)	(6,120)
Net cash provided (used) by capital and related financing activities	(6,894)	(111,094)	(117,988)
Cash Flows From Investing Activities			
Interest and dividends received	-	12,675	12,675
Net cash provided (used) by investing activities	-	12,675	12,675
Net increase in pooled cash and investments	737	30,295	31,032
Pooled cash and investments, beginning of year	500	292,219	292,719
Pooled cash and investments, end of year	\$ 1,237	\$ 322,514	\$ 323,751
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	\$ (212,500)	\$ 46,370	\$ (166,130)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	22,509	79,630	102,139
Net effect of changes in assets and liabilities			
Accounts receivable	(9)	2,841	2,832
Prepaid items	-	284	284
Accounts and retainages payable	(17,611)	(411)	(18,022)
Compensated absences payable	2,578	-	2,578
Accrued liabilities	1,603	-	1,603
Unearned revenue	170	-	170
Total adjustments	9,240	82,344	91,584
Net cash provided by operating activities	\$ (203,260)	\$ 128,714	\$ (74,546)
Noncash investing, capital, and financing activities:			
Transfer of capital asset from Governmental CIP Fund	-	147,332	

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

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INTERNAL SERVICE FUNDS

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

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

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

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

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City of Hagerstown, Maryland
Combining Statement of Net Assets
Internal Service Funds
June 30, 2008

	<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	\$ 982,748	\$ 3,244,512	\$ 72,753	\$ 4,300,013
Interest receivable	2,273	8,339	189	10,801
Accounts receivable (net of allowance for uncollectibles)	73,675	15,065	-	88,740
Prepaid items	-	16,804	-	16,804
Total current assets	<u>1,058,696</u>	<u>3,284,720</u>	<u>72,942</u>	<u>4,416,358</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>1,073,696</u>	<u>3,284,720</u>	<u>72,942</u>	<u>4,431,358</u>
Liabilities				
Current liabilities:				
Accounts and retainages payable	-	9,228	1,495	10,723
Accrued liabilities	38,217	610,547	25,331	674,095
Unearned revenue	<u>-</u>	<u>60,446</u>	<u>1,612</u>	<u>62,058</u>
Total current liabilities	<u>38,217</u>	<u>680,221</u>	<u>28,438</u>	<u>746,876</u>
Total liabilities	<u>38,217</u>	<u>680,221</u>	<u>28,438</u>	<u>746,876</u>
Net Assets				
Unrestricted	<u>1,035,479</u>	<u>2,604,499</u>	<u>44,504</u>	<u>3,684,482</u>
Total net assets	<u>\$ 1,035,479</u>	<u>\$ 2,604,499</u>	<u>\$ 44,504</u>	<u>\$ 3,684,482</u>

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

City of Hagerstown, Maryland
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2008

	<u>Worker's</u>	<u>Health</u>	<u>Dental</u>	<u>Total</u>
	<u>Compensation</u>	<u>Insurance</u>	<u>Insurance</u>	<u>Internal</u>
				<u>Service</u>
				<u>Funds</u>
Operating revenues:				
Service charges	\$ 819,651	\$ 6,544,916	\$ 366,310	\$ 7,730,877
Other revenues	42,961	159,638	-	202,599
Total operating revenues	<u>862,612</u>	<u>6,704,554</u>	<u>366,310</u>	<u>7,933,476</u>
Operating expenses:				
Selling, general and administrative expenses	653,973	5,646,170	380,328	6,680,471
Total operating expenses	<u>653,973</u>	<u>5,646,170</u>	<u>380,328</u>	<u>6,680,471</u>
Operating income (loss)	<u>208,639</u>	<u>1,058,384</u>	<u>(14,018)</u>	<u>1,253,005</u>
Nonoperating revenues (expenses):				
Investment earnings	33,600	144,274	3,251	181,125
Total nonoperating revenue (expenses)	<u>33,600</u>	<u>144,274</u>	<u>3,251</u>	<u>181,125</u>
Income (loss) before contributions and transfers	242,239	1,202,658	(10,767)	1,434,130
Transfer out to other funds	-	(500,000)	-	(500,000)
Changes in net assets	<u>242,239</u>	<u>702,658</u>	<u>(10,767)</u>	<u>934,130</u>
Total net assets - beginning	793,240	1,901,841	55,271	2,750,352
Total net assets - ending	<u>\$ 1,035,479</u>	<u>\$ 2,604,499</u>	<u>\$ 44,504</u>	<u>\$ 3,684,482</u>

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

City of Hagerstown, Maryland
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2008

	<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	\$ 801,210	\$ 6,801,025	\$ 367,995	\$ 7,970,230
Payments to suppliers	<u>(476,364)</u>	<u>(5,764,804)</u>	<u>(359,443)</u>	<u>(6,600,611)</u>
Net cash provided by operating activities	<u>324,846</u>	<u>1,036,221</u>	<u>8,552</u>	<u>1,369,619</u>
Cash Flows From Noncapital Financing Activities				
Transfers to other funds	<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>(500,000)</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>(500,000)</u>
Cash Flows From Investing Activities				
Interest and dividends received	<u>33,669</u>	<u>144,221</u>	<u>3,276</u>	<u>181,166</u>
Net cash provided (used) by investing activities	<u>33,669</u>	<u>144,221</u>	<u>3,276</u>	<u>181,166</u>
Net increase in pooled cash and investments	358,515	680,442	11,828	1,050,785
Pooled cash and investments, beginning of year	639,233	2,564,070	60,925	3,264,228
Pooled cash and investments, end of year	<u>\$ 997,748</u>	<u>\$ 3,244,512</u>	<u>\$ 72,753</u>	<u>\$ 4,315,013</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 208,639	\$ 1,058,384	\$ (14,018)	\$ 1,253,005
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Net effect of changes in assets and liabilities				
Accounts receivable	(61,402)	47,077	73	(14,252)
Prepaid items	177,602	(16,804)	-	160,798
Accounts and retainages payable	-	5,228	(4,446)	782
Accrued liabilities	7	(107,058)	25,331	(81,720)
Unearned revenue	-	49,394	1,612	51,006
Total adjustments	<u>116,207</u>	<u>(22,163)</u>	<u>22,570</u>	<u>116,614</u>
Net cash provided by operating activities	<u>\$ 324,846</u>	<u>\$ 1,036,221</u>	<u>\$ 8,552</u>	<u>\$ 1,369,619</u>
Reconciliation of pooled cash and investments to the balance sheet				
Pooled cash and investments	\$ 982,748	\$ 3,244,512	\$ 72,753	\$ 4,300,013
Restricted pooled cash and investments	15,000	-	-	15,000
Totals	<u>\$ 997,748</u>	<u>\$ 3,244,512</u>	<u>\$ 72,753</u>	<u>\$ 4,315,013</u>

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

Development



STATISTICAL SECTION

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

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

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

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

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

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

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

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

	FISCAL YEAR				
	2004	2005	2006	2007	2008
Governmental activities:					
Invested in capital assets, net of related debt	\$ 37,531,827	\$ 37,381,273	\$ 40,058,615	\$ 49,562,961	\$ 57,382,833
Restricted	9,803,688	10,256,241	10,254,821	9,737,538	10,411,568
Unrestricted	1,438,503	1,471,727	1,380,813	7,885,928	5,674,740
Total governmental activities net assets	<u>\$ 48,774,018</u>	<u>\$ 49,109,241</u>	<u>\$ 51,694,249</u>	<u>\$ 67,186,427</u>	<u>\$ 73,469,141</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 115,443,226	\$ 123,427,740	\$ 127,688,084	\$ 127,470,214	\$ 134,548,479
Unrestricted	11,656,752	9,351,698	8,651,430	14,209,345	16,759,173
Total business-type activities net assets	<u>\$ 127,099,978</u>	<u>\$ 132,779,438</u>	<u>\$ 136,339,514</u>	<u>\$ 141,679,559</u>	<u>\$ 151,307,652</u>

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)

	FISCAL YEAR ENDED				
	2004	2005	2006	2007	2008
Expenses:					
Governmental activities:					
General Government	\$ 6,541,084	\$ 6,769,415	\$ 7,209,990	\$ 7,682,737	\$ 8,628,435
Public Safety	15,082,419	15,835,489	16,497,112	17,957,996	19,961,913
Streets and Alleys	1,758,401	1,561,016	1,997,527	2,307,532	2,502,133
Waste Collection & Disposal	1,134,266	1,195,443	1,593,682	1,963,094	2,053,573
Parks and Recreation	2,188,198	3,104,004	2,414,079	2,509,393	2,691,272
Municipal Buildings	376,668	433,964	501,348	460,678	495,650
Economic & Community Development	2,730,111	2,910,950	2,724,613	2,684,084	2,651,803
Interest on long-term debt	285,416	585,061	427,181	659,736	576,969
Total governmental activities expenses	<u>30,096,563</u>	<u>32,395,342</u>	<u>33,365,532</u>	<u>36,225,250</u>	<u>39,561,748</u>
Business-type activities:					
Electric	22,118,129	21,255,035	23,140,131	33,394,860	33,062,846
Water	6,754,659	6,920,216	7,782,085	8,754,617	8,988,354
Sewer	8,005,836	9,510,936	9,456,924	10,813,053	10,692,923
Parking Facilities	470,189	536,237	524,958	617,342	663,006
Golf Course	257,182	451,322	342,399	411,079	408,728
Property Management	294,733	238,495	290,408	324,625	312,239
Ice Rink	91,601	(236,957)	-	-	-
Total business-type activities expenses	<u>37,992,329</u>	<u>38,675,284</u>	<u>41,536,905</u>	<u>54,315,576</u>	<u>54,128,096</u>
Total primary government expenses	<u>\$ 68,088,892</u>	<u>\$ 71,070,626</u>	<u>\$ 74,902,437</u>	<u>\$ 90,540,826</u>	<u>\$ 93,689,843</u>
Program Revenues:					
Governmental activities:					
Charges for services:					
General Government	\$ 2,610,786	\$ 2,433,067	\$ 2,296,450	\$ 3,187,366	\$ 2,842,790
Public Safety	996,438	1,421,122	1,399,437	1,386,115	1,315,393
Streets and Alleys	-	-	36,719	73,943	86,365
Waste Collection & Disposal	1,213,085	1,337,598	1,720,543	2,116,976	2,163,207
Parks and Recreation	152,708	178,118	157,735	159,055	188,535
Municipal Buildings	38,943	36,741	-	-	-
Economic & Community Development	864,941	92,155	842,849	901,690	502,505
Operating grants and contributions	5,080,299	5,221,655	4,948,325	5,364,099	5,089,132
Capital grants and contributions	952,835	1,370,819	743,482	1,166,568	5,573,575
Total governmental activities program revenues	<u>\$ 11,910,035</u>	<u>\$ 12,091,275</u>	<u>\$ 12,145,540</u>	<u>\$ 14,355,812</u>	<u>\$ 17,761,502</u>

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

	FISCAL YEAR ENDED				
	2004	2005	2006	2007	2008
Business-type activities:					
Charges for services:					
Electric	\$ 20,136,227	\$ 21,272,594	\$ 22,412,009	\$ 32,986,357	\$ 33,959,570
Water	7,189,526	7,487,368	7,589,355	8,904,071	8,520,142
Sewer	7,365,493	7,078,627	7,395,744	7,764,959	8,146,918
Parking Facilities	811,010	750,764	776,038	843,704	885,489
Golf Course	167,154	173,394	206,025	196,070	208,572
Property Management	310,604	326,414	354,755	350,749	499,700
Capital grants and contributions	4,668,540	7,003,103	6,081,902	7,803,826	10,965,396
Total business-type activities program revenues	40,648,554	44,092,264	44,815,828	58,849,736	63,185,787
Total primary government program revenues	\$ 52,558,589	\$ 56,183,539	\$ 56,961,368	\$ 73,205,548	\$ 80,947,289
Net (expense)/revenue					
Governmental activities	\$ (18,186,528)	\$ (20,304,067)	\$ (21,219,992)	\$ (21,869,438)	\$ (21,800,246)
Business-type activities	2,656,225	5,416,980	3,278,923	4,534,160	9,057,690
Total primary government net expense	\$ (15,530,303)	\$ (14,887,087)	\$ (17,941,069)	\$ (17,335,278)	\$ (12,742,555)
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes:					
Property Taxes	14,756,270	15,940,462	17,339,463	20,131,677	22,359,137
State and County shared taxes	3,261,072	3,156,335	3,709,649	3,848,468	4,459,350
Excise Tax	-	-	1,036,634	719,319	220,678
Investment Earnings	363,037	309,869	482,700	874,321	824,414
Property Sales	-	764,461	591,687	-	-
Gain(Loss) on Disposal of Capital Assets	(536,715)	(464,166)	-	-	-
Miscellaneous	-	-	356,519	44,493	45,841
Transfers	234,538	(650,519)	288,348	(98,787)	173,540
Capital Transfer from Closed Ice Rink Fund	-	2,298,201	-	-	-
Changes in Accounting Estimate	4,818,765	-	-	-	-
Total governmental activities	22,896,967	21,354,643	23,805,000	25,519,491	28,082,960
Business-type activities:					
Investment Earnings	608,242	437,041	569,501	707,098	743,942
Transfers	(234,538)	650,519	(288,348)	98,787	(173,540)
Total business-type activities	373,704	1,087,560	281,153	805,885	570,402
Total primary government	\$ 23,270,671	\$ 22,442,203	\$ 24,086,153	\$ 26,325,376	\$ 28,653,362
Change in Net Assets					
Governmental activities	\$ 4,710,439	\$ 1,050,576	\$ 2,585,008	\$ 3,650,053	\$ 6,282,714
Business-type activities	3,029,929	6,504,540	3,560,076	5,340,045	9,628,093
Total primary government	\$ 7,740,368	\$ 7,555,116	\$ 6,145,084	\$ 8,990,098	\$ 15,910,807

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**

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Income Taxes</u>	<u>Admissions Tax</u>	<u>Highway User Tax</u>	<u>Police Protection</u>	<u>Financial Corporations</u>	<u>State Aid Fire Services</u>	<u>Enterprise Zone Tax</u>	<u>County Taxes</u>	<u>Total</u>
1999	11,376,798	1,660,534	158,692	1,711,398	717,853	34,214	37,614	125,036	856,511	16,678,650
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

Source: City of Hagerstown Accounting Department

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

	FISCAL YEAR				
	2004	2005	2006	2007	2008
General Fund					
Reserved:					
Encumbrances	\$ 162,261	\$ 69,760	\$ 98,848	\$ 39,042	\$ 125,810
Inventories	154,975	137,213	175,026	193,361	213,091
Prepaid Items	8,900	8,593	36,029	50,864	61,848
Advances	785,000	560,000	560,000	-	-
Long-term Receivables	210,870	429,231	100,000	100,000	-
Unreserved	4,359,206	4,908,362	5,531,992	6,812,830	7,349,854
Total General Fund	<u>\$ 5,681,212</u>	<u>\$ 6,113,159</u>	<u>\$ 6,501,895</u>	<u>\$ 7,196,097</u>	<u>\$ 7,750,603</u>
All other governmental funds					
Reserved					
Encumbrances	\$ 76,580	\$ 452,766	\$ 558,085	\$ 220,762	\$ 581,000
Properties held for Resale	1,253,087	980,445	1,068,825	1,057,188	913,151
Prepaid Items	-	-	-	2,288	-
Long-term Receivables	4,784,849	4,390,755	3,352,099	3,036,907	3,355,167
Unreserved, reported in:					
Capital Projects Funds	2,252,001	4,004,323	3,245,425	6,632,631	4,305,056
Special Revenue Funds	1,437,171	427,952	1,794,971	2,862,579	2,665,841
Total all other governmental funds	<u>\$ 9,803,688</u>	<u>\$ 10,256,241</u>	<u>\$ 10,019,405</u>	<u>\$ 13,812,355</u>	<u>\$ 11,820,215</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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues:										
Property taxes	\$ 11,376,798	\$ 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
State and County shared taxes	5,304,938	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
Licenses and permits	573,601	531,336	611,566	672,248	969,869	1,270,021	1,540,575	1,595,206	1,620,455	1,667,790
Intergovernmental grant revenues	1,914,063	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
Program Income	-	-	-	-	-	568,681	766,542	1,785,126	1,256,342	532,321
Charges for services	830,484	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
Fines and forfeitures	64,983	67,655	86,169	78,154	27,680	113,148	137,441	62,842	109,990	152,289
Investment Earnings	-	-	-	-	439,312	363,037	309,869	482,700	874,321	844,230
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
Unallocated general revenue	3,302,347	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
Total revenues	23,367,214	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
Expenditures:										
General government	3,138,683	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
Public safety	11,092,074	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
Street and alleys	1,439,035	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
Waste collection & disposal	1,065,364	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
Parks and recreation	1,330,562	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
Municipal buildings	244,183	258,958	282,199	295,496	359,611	348,243	405,539	475,138	429,343	460,280
Economic and Community Development	1,649,726	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
Capital Outlay	2,509,913	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
Debt Service										
Principal	721,139	701,210	746,597	755,716	964,088	816,776	647,973	1,808,875	3,850,331	1,464,914
Interest	503,247	486,098	449,554	436,974	349,597	343,527	491,931	447,072	668,969	585,740
Other charges	-	-	-	-	-	-	-	-	-	-
Unallocated general expenditures	546,129	608,884	690,655	929,605	998,462	1,078,693	1,850,299	1,664,030	1,822,643	1,985,495
Total expenditures	24,240,055	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
Excess of revenues over(under) expenditures	(872,841)	(756,525)	(536,977)	(1,907,839)	466,822	(1,747,168)	(2,061,504)	(136,447)	(1,874,048)	(2,111,174)
Other financing sources(uses):										
Transfers In	1,838,147	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
Transfers Out	(1,616,410)	(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)
Sale of Capital Assets	-	-	-	212,428	310,017	-	-	-	-	-
Proceeds of Long-term debt	1,675,000	-	-	-	-	3,718,096	3,800,000	-	7,490,667	-
Payment to Bond Escrow Agent	-	-	-	-	-	(2,363,096)	-	-	(22,325)	-
Total other funding sources(uses)	1,896,737	231,498	(819,137)	461,793	460,972	1,589,538	2,946,004	288,347	6,361,200	673,540
Net changes in Fund Balance	\$ 1,023,896	\$ (525,027)	\$ (1,356,114)	\$ (1,446,046)	\$ 927,794	\$ (157,630)	\$ 884,500	\$ 151,900	\$ 4,487,152	\$ (1,437,634)
Debt Service as a percentage of noncapital expenditures	6%	5%	5%	5%	5%	4%	4%	7%	12%	5%

Source: Statement of Revenues, Expenses, and Changes in Net Assets - Governmental Funds page 18.

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

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
1999	\$ 1,152,234,914	\$ 125,905,057	\$ 1,278,139,971	\$0.799	\$1,599,993,444	79.88%
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	2,231,350,986	119,790,680	2,351,141,666	0.849	2,767,687,958	84.95%

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**

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	
1999	0.696	1.740	0.924	2.310	0.084	0.000	5.754
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

** 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 comparision purposes.

Source: City of Hagerstown and Washington County Treasurers.

City of Hagerstown, Maryland
Principal Tax Payers
June 30, 2008

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Washington Real Estate	\$ 34,173,400	1	1.45%			
Verizon - Maryland	27,050,290	2	1.15%	\$ 30,166,600	1	2.39%
Lowes Home Centers, Inc.	21,527,100	3	0.92%	5,899,410	4	0.47%
Walmart Real Estate Business Trust	17,713,000	4	0.75%			
Sams Real Estate Business Trust	11,947,200	5	0.51%			
Columbia Gas of Maryland, Inc.	11,031,650	6	0.47%	7,571,410	2	0.60%
Inland Southeast Valley Park, LLC	11,268,400	7	0.48%			
Cortpark II LLC	10,872,000	8	0.46%			
York Pinewood Apts.LP (previously Lynnehaven Properties)	10,528,976	9	0.45%			
Hagerstown Plaza LLC	10,149,800	10	0.43%			
Conopco, Inc.				5,918,290	3	0.47%
Turner Development Co., Inc.				5,478,240	5	0.43%
Hagerstown Fiber, First Urban				5,319,500	6	0.42%
CM Ofray				5,021,540	7	0.40%
Pangborn Corporation				4,180,570	8	0.33%
The Herald Mail Company				3,781,690	9	0.30%
Farmers & Merchants Bank				3,572,290	10	0.28%
Totals	<u>\$ 166,261,816</u>		7.07%	<u>\$ 76,909,540</u>		6.09%

Source: City of Hagerstown Treasurer.

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

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
1999	10,439,303	10,264,660	98.3%	171,134	10,435,794	99.97%
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%

Source: City of Hagerstown Treasurer.

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

Fiscal Year	Personal Income	Population	Outstanding Debt			Percentage of Personal Income	Per Capita
			Governmental	Business-type	Total		
1999	802,333,020	35,445	10,121,215	20,123,078	30,244,293	3.77%	853
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

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

<u>Fiscal Year</u>	<u>Total Taxable Assessed Value</u>	<u>Population</u>	<u>Governmental Outstanding Debt</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Per Capita</u>
1999	1,278,139,971	35,445	10,121,215	0.79%	286
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	2,351,141,666	39,941	14,835,434	0.63%	371

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, 2008

<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	\$ 114,987,648	19.00%	<u>\$ 21,852,620</u>
Subtotal, overlapping debt			
City of Hagerstown Direct Debt			<u>39,691,668</u>
Total Direct and Overlapping Debt			<u><u>\$ 61,544,288</u></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**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt Limit	\$ 58,679,902	\$ 60,047,243	\$ 137,963,139	\$ 147,106,949	\$ 149,115,479	\$ 157,133,116	\$ 163,974,115	\$ 181,619,510	\$ 210,311,298	\$ 235,114,167
Total net debt applicable to limit	30,270,397	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
Legal debt margin	<u>\$ 28,409,505</u>	<u>\$ 28,988,034</u>	<u>\$ 107,186,596</u>	<u>\$ 116,293,881</u>	<u>\$ 120,771,975</u>	<u>\$ 128,704,037</u>	<u>\$ 132,962,374</u>	<u>\$ 149,776,863</u>	<u>\$ 170,232,906</u>	<u>\$ 195,422,499</u>
Total net debt applicable to the limit as a percentage of debt limit	51.59%	51.72%	22.31%	20.95%	19.01%	18.09%	18.91%	17.53%	19.06%	16.88%

Legal Debt Margin Calculation for Fiscal Year 2008

Total assessed value	2,351,141,666
Debt limit (10% of total assessed value)	235,114,167
Debt applicable to limit:	
General obligation bonds	<u>39,691,668</u>
Legal debt margin	<u>\$ 195,422,499</u>

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
1999	35,445	780,109,005	22,009	3.5
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

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**

Employer	2008			1999		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Washington County Health System, Inc.	2,971	1	4.48%	2,500	2	3.73%
Washington County Public Schools	2,921	2	4.41%	2,900	1	4.33%
State of Maryland	2,613	3	3.94%	2,397	3	3.58%
Citicorp Credit Services, Inc	2,244	4	3.39%	2,390	4	3.57%
First Data Merchant Services	2,077	5	3.13%	1,800	5	2.69%
Volvo Powertrain NA (Mack Trucks, Inc.)	1,511	6	2.28%	1,365	6	2.04%
Washington County Government	1,080	7	1.63%	877	9	1.31%
Federal Government	763	8	1.15%	1,198	7	1.79%
Staples Distribution Center	760	9	1.15%	822	10	1.23%
Hagerstown Community College	682	10	1.03%			
Garden State Tanning				1,050	8	1.57%
Total	17,622		26.59%	17,299		25.83%

Source: Principal Employers for Washington County MD provided by Hagerstown/Washington County EDC
Total County employment for 2008 was 66,274 and 1999 was 66,967, supplied by Bureau of Labor Statistics.

City of Hagerstown, Maryland
Principal Light Fund Customers
June 30, 2008

Customer	2008				1999			
	KwH	Amount Billed	Rank	Percentage of Total Light Fund Billing	KwH	Amount Billed	Rank	Percentage of Total Light Fund Billing
Good Humor Breyers, Inc	26,770,800	\$ 2,237,639	1	6.67%	23,097,940	\$ 884,460	1	5.28%
Washington County Hospital	18,174,898	1,538,911	2	4.59%	15,821,541	619,015	2	3.70%
Board of Education	9,900,141	957,299	3	2.86%	7,545,946	419,239	4	2.50%
City of Hagerstown-WPC	10,007,498	818,615	4	2.44%	9,783,270	353,160	6	2.11%
City of Hagerstown-Public Works	7,479,464	765,523	5	2.28%	7,621,208	432,973	3	2.58%
Hagerstown Housing Authority	5,061,853	464,255	6	1.38%	4,384,260	207,426	7	1.24%
CM Offray, Inc	4,839,620	459,046	7	1.37%	7,900,480	369,502	5	2.21%
Washington County Commissioners	3,615,648	337,328	8	1.01%				
Western Maryland St. Hospital	3,271,327	276,997	9	0.83%	3,223,764	125,894	10	0.75%
C.E. Stevens Inc./Packaging	3,076,800	269,226	10	0.80%				
Herald-Mail Company					3,810,720	148,327	9	0.89%
G&R Foods (County Market)					4,469,520	170,445	8	1.02%
Totals	92,198,049	\$ 8,124,839		24.23%	87,658,649	\$ 3,730,441		22.27%

Source: City of Hagerstown Billing Department.

**City of Hagerstown, Maryland
Principal Water Fund Customers
June 30, 2008**

Customer	2008				1999			
	Gallons	Amount Billed	Rank	Percentage of Total Water Fund Billing	Gallons	Amount Billed	Rank	Percentage of Total Water Fund Billing
Hagerstown Prison Complex(MCI)	453,307,800	\$ 1,156,125	1	17.50%	376,617,400	\$ 550,097	1	11.78%
Town of Smithsburg	93,447,200	200,077	2	3.03%	65,396,400	96,367	5	2.06%
Town of Williamsport	70,487,200	150,943	3	2.28%	94,182,500	137,983	2	2.95%
Mack Trucks, Inc	34,520,900	87,274	4	1.32%	75,125,200	125,087	4	2.68%
Town of Funkstown	30,926,700	66,383	5	1.00%	33,914,800	50,875	9	1.09%
Washington County Hospital	54,487,300	66,155	6	1.00%	83,648,800	83,480	6	1.79%
Lakeside Park	20,849,600	53,286	7	0.81%				
Oak Ridge Apartments	19,592,000	51,778	8	0.78%				
Maryland Paper	18,631,400	47,647	9	0.72%	39,596,700	58,491	7	1.25%
Good Humor Breyers, Inc	37,718,600	45,751	10	0.69%				
W.D. Byron & Sons					86,210,000	126,639	3	2.71%
HHA (Housing Developments)					46,195,900	51,539	8	1.10%
Maryland Ribbon/ C M Offray					29,925,900	30,763	10	0.66%
Totals	833,968,700	\$ 1,925,419		29.14%	930,813,600	\$ 1,311,321		28.07%

Source: City of Hagerstown Billing Department.

City of Hagerstown, Maryland
Principal Sewer Fund Customers
June 30, 2008

Customer	2008				1999			
	Gallons	Amount Billed	Rank	Percentage of Total Sewer Fund Billing	Gallons	Amount Billed	Rank	Percentage of Total Water Fund Billing
Washington County Hospital	45,598,700	\$ 169,711	1	2.35%	76,142,100	\$ 219,101	1	3.80%
Good Humor Breyers, Inc.	37,718,600	141,365	2	1.96%	28,870,500	83,219	5	1.44%
Washington Co Detention Center	15,711,600	102,408	3	1.42%	14,368,400	68,346	6	1.19%
Mack Trucks, Inc	15,688,700	101,652	4	1.41%	36,916,200	175,289	2	3.04%
CM Offray	25,967,000	97,278	5	1.35%	29,925,900	86,275	4	1.50%
Hagerstown Housing Authority	24,100,000	90,456	6	1.25%	49,195,900	141,780	3	2.46%
Board of Education	20,596,800	81,720	7	1.13%	14,609,000	43,998	10	0.76%
Realty Investment Company	19,636,300	73,763	8	1.02%	23,197,500	66,835	7	1.16%
Brandywine(Youngtoun Apartments)	10,612,000	68,482	9	0.95%				
Western Maryland St Hospital	14,280,200	53,151	10	0.74%	15,377,300	44,277	9	0.77%
Citicorp Credit Services					15,847,700	64,820	8	1.12%
Totals	229,909,900	\$ 979,986		13.56%	304,450,500	\$ 993,940		17.24%

Source: City of Hagerstown Billing Department.

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

Function	Full-time Equivalent Employees as of June 30									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
City Administrator	1.67	1.67	2.5	3.5	3.5	3.5	4.5	4.75	4.75	4.75
City Clerk	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.25	1.25	1.25
Economic Development	1.33	1.33	2	1	1	0	0	0	0	0
Public Information ***	5.5	5.5	4	2	1	1	0	0	0	0
Public Function	0	0	0	1	1	0	0	0	0	0
Total Administration	10	10	10	9	8	6	6	6	6	6
Accounting	7	7	7	7	7	7	7	7	7	8
Treasurer	4	4	3	3	3	3	3	3	3	3
Information Technology	6	6	6	6	5	5	4	4	4	5
Billing/Customer Service	4	4	14	13	13	13	13	13	13	13
Purchasing	2	2	4	4	3	3	4	4	4	4
Human Resources	4	4	6	5	4	4	4	4	4	4
Planning	6	6	6	4	4	5	5	5	5	5
Engineering	14	14	14	14	14	14	14	21	21	23
Inspections & Engineering	15	15	15	15	13	9	8	0	0	0
Police Sworn	107	105	101	101	105	102	101	100	99	100
Police Administration/Civilian	23	23	24	21	21	22	21	21	21	22
Fire	83	74	64	64	64	62	60	58	58	58
*Public Works	34	34	34	34	56	56	56	56	56	57
*Parks & Recreation	18	18	20	21	0	0	0	0	0	0
Total General Fund	327	316	328	321	320	311	306	302	301	308
Light	40	41	35	35	33	35	35	34	34	34
Water	56	56	48	45	50	52	52	52	52	52
Sewer	48	48	51	49	41	41	41	42	42	42
Golf Course	3	3	2	2	2	3	3	3	3	3
Parking	2	2	2	2	2	2	2	2	2	2
Community Development	6	6	6	6	7	7	7	7	7	6
Telework Center	1	1	1	1	1	1	1	0	0	0
City Staffing Levels	483	473	473	461	456	452	447	442	441	447
**General Operations	121	121	146	142	138	133	132	130	130	134
Public Safety	213	202	189	186	190	186	182	179	178	180
Business-type Activities	149	150	138	133	128	133	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

Function	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Fire Department										
Responses to Fire alarms	2,185	2,033	1,988	1,931	2,047	1,818	1,846	1,654	1,661	1,599
Average response time (in minutes)	3:19	3:28	3	3	3	3	3	3	3	3
False alarms (included in above number)	6	13	20	31	49	29	73	69	66	65
Public fire education programs	356	349	296	317	320	307	235	212	202	243
Persons in attendance at public education programs	11,110	11,045	8,710	8,585	8,990	8,420	9,070	7,195	11,245	15,095
Police Department										
Parking ticket violations issued	8,654	11,616	10,458	12,924	13,217	16,922	17,466	18,315	17,076	19,178
Net parking fines	\$ 148,223	\$ 145,115	\$132,955	\$163,533	\$206,909	\$123,695	\$199,213	\$187,062	\$156,817	\$164,099
Calls for service	57,509	56,945	56,188	58,106	54,262	55,684	55,683	53,000	53,003	57,280
Alarm calls (included in above number)	2,065	2,191	2,025	2,126	2,161	2,225	2,174	2,304	2,305	1,874
Parks and Recreation										
Claude M Potterfield Pool										
Total attendance at swimming pool	25,497	24,606	27,117	31,733	27,152	26,219	25,545	16,395	18,467	20,669
Average daily attendance at pool	300	315	312	387	319	345	315	238	303	295
The Greens at Hamilton Run										
Total attendance at golf course	16,638	16,236	17,655	15,377	14,458	18,637	26,028	27,772	28,797	31,460
Average daily attendance at golf course	48	52	56	51	56	64	87	85	89	99
Light Department										
Number of active accounts	17,026	17,607	17,585	17,379	17,224	17,046	16,739	17,277	17,253	17,150
Number of meters (in use)	18,072	17,981	17,937	17,756	17,634	17,560	17,219	17,789	17,869	17,794
Kilowatt hours purchased	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	335,654,000
Kilowatt hours sold	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	319,396,000
System peak demand-kilowatts	73,990	77,418	76,717	70,524	75,257	78,508	73,660	64,734	72,934	67,943
Water Department										
Number of active accounts-City	13,083	12,949	12,532	12,128	11,745	11,525	11,441	11,372	11,259	11,494
Number of active accounts-County	15,162	14,920	14,637	14,163	13,722	13,330	13,003	12,642	12,361	12,288
Total number of active accounts	28,245	27,869	27,169	26,291	25,467	24,855	24,444	24,014	23,620	23,782
Daily average productions in million gallons										
R.C. Willson Plant (365 days)	10.583	10.910	10.833	10.714	10.179	10.687	10.860	10.137	10.355	9.494
Wm. M. Breichner Plant (365 days)	0.008	0.030	0.029	0.113	-	0.044	0.234	0.644	0.332	0.889
Greatest consumption for a single day	13.130	12.651	12.830	12.980	12.037	13.760	13.507	12.808	13.781	13.776
Plant pumping capacity per day	20.000	14.000	14.000	13.000	19.800	19.800	19.800	19.800	19.800	19.800
Average daily metered consumption	8.645	8.555	8.567	8.503	8.310	8.379	8.493	8.152	8.393	8.428
Sewer Department										
Number of active accounts-City	12,828	12,707	12,273	11,874	11,488	11,279	11,185	11,114	11,005	10,914
Number of active accounts-County	2,903	2,890	2,816	5,679	5,426	5,157	4,964	4,711	4,711	4,567
Number of active accounts-District (JSA)	3,373	3,317	3,155	-	-	-	-	-	-	-
Number of active accounts-Total	19,104	18,914	18,244	63,000	16,914	16,436	16,149	15,825	15,716	15,700
Daily average of sewage treated (million gallons)(including inflow and infiltration)	7.060	6.950	6.900	6.300	9.000	9.800	6.500	7.200	7.200	6.000
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	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Parking Facilities Department										
Parking Deck:										
Number of Parking Spaces	629	629	441	441	441	441	441	441	441	444
Number of Permit Parkers	421	418	345	315	312	312	267	335	303	303
Operating Revenue:										
Meter Fees	\$ 237,847	\$ 244,864	\$ 247,287	\$ 248,078	\$ 232,342	\$ 180,061	\$ 173,755	\$ 135,937	\$ 137,287	\$ 153,335
Permit Fees	\$ 162,079	\$ 151,675	\$ 176,160	\$ 147,764	\$ 146,942	\$ 124,113	\$ 145,155	\$ 139,343	\$ 134,584	\$ 145,823
Deck	\$ 334,712	\$ 270,721	\$ 212,442	\$ 207,421	\$ 224,362	\$ 190,623	\$ 177,718	\$ 180,316	\$ 171,800	\$ 164,714
Special Revenue Funds										
Number outstanding loans:										
Community Development Block Grant										
Single family	9	10	10	11	13	14	19	18	22	27
Residential Rental	10	11	11	12	14	18	22	24	25	30
Commercial	2	4	5	6	7	7	6	6	9	10
Deferred	31	26	22	27	31	35	35	28	36	35
Public facilities and improvements	4	4	6	6	6	5	4	4	2	4
Homeownership	7	7	9	10	11	11	14	16	17	19
Direct Homeownership	8	9	8	10	14	16	19	16	15	13
Business Revolving Loans	12	5	3	1	5	4	5	4	0	0
Total	83	76	74	83	101	110	124	116	126	138
Outstanding loan balances:										
Community Development Block Grant										
Single family	139,798	109,362	120,911	188,209	248,022	270,726	320,234	352,549	406,038	489,265
Residential Rental	449,450	509,268	524,094	830,070	1,033,040	1,407,934	1,959,835	2,152,794	2,303,500	2,541,856
Commercial	279,075	325,058	486,969	535,302	608,606	688,596	435,658	494,639	855,686	986,036
Deferred	766,144	739,327	691,594	704,529	729,383	766,132	708,345	664,059	701,886	521,451
Public facilities and improvements	757,622	806,757	926,064	1,004,309	891,841	590,588	410,453	436,182	436,911	490,051
Homeownership	276,864	319,370	368,975	435,198	477,532	67,259	625,398	629,266	660,111	736,706
Business Revolving Loans	832,348	357,797	158,513	6,921	218,584	436,053	91,490	227,813	-	-
Total	\$ 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	\$ 5,765,365
Program income (interest and loan repayments)										
Community Development Block Grant										
Single family	35,804	24,380	73,849	68,795	31,773	35,581	65,827	39,663	110,072	81,234
Residential Rental	84,167	85,820	335,673	242,380	427,427	618,806	279,062	264,260	339,695	497,488
Commercial	53,753	174,655	64,097	90,539	103,370	92,863	84,136	93,612	208,197	95,219
Deferred	10,255	40,306	48,088	83,217	23,594	23,440	9,649	41,367	-	3,422
Public facilities and improvements	70,876	146,667	114,250	201,654	70,076	28,049	33,946	35,861	35,378	34,853
Homeownership	56,422	65,169	105,012	64,351	43,353	262,399	714,320	302,536	541,562	597,338
Business Revolving Loans	118,563	27,718	40,621	57,989	10,665	12,267	11,939	24,778	-	-
Total	\$ 429,840	\$ 564,715	\$ 781,590	\$ 808,925	\$ 701,258	\$ 1,073,405	\$ 1,198,879	\$ 802,077	\$ 1,234,904	\$ 1,309,554

Source: Corresponding City Department.

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

Function	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
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	2	2	2
Public Works Department										
Miles of paved streets and alleys	143.3	142.0	139.6	139.6	139.6	139.6	139.6	137.9	136.4	136.4
Number of traffic signals maintained	132	128	127	127	126	121	121	121	121	121
Parks and Recreation										
Parks and Playgrounds (291.667 acres)	18	18	18	19	18	18	18	13	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	6	6	9
Water Department										
Miles of water mains (estimate)	425	392	389	383	377	370	367	364	361	357
Fire hydrants										
City	802	800	800	755	726	716	715	713	705	699
County	1,272	1,266	1,241	1,204	1,107	1,107	1,094	1,043	1,018	1,002
Sewer Department										
Number of City owned pumping stations	26	25	27	27	25	26	23	22	22	22
Miles of collection system-City owned	153	153	138	138	135	134	132	130	130	115
Parking Facilities Department										
Number of Lots	6	6	7	7	7	7	7	8	9	9
Number of Parking Spaces (Metered or Rented)										
Lots	719	719	726	726	719	719	701	708	735	735
Streets	526	526	540	535	528	528	528	528	519	522
Number of Parking Decks	2	2	1	1	1	1	1	1	1	1

Source: Corresponding City Department.

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Events



Employees at Work



