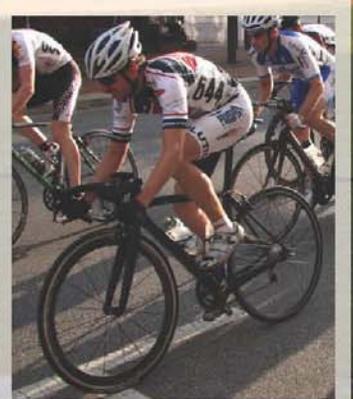
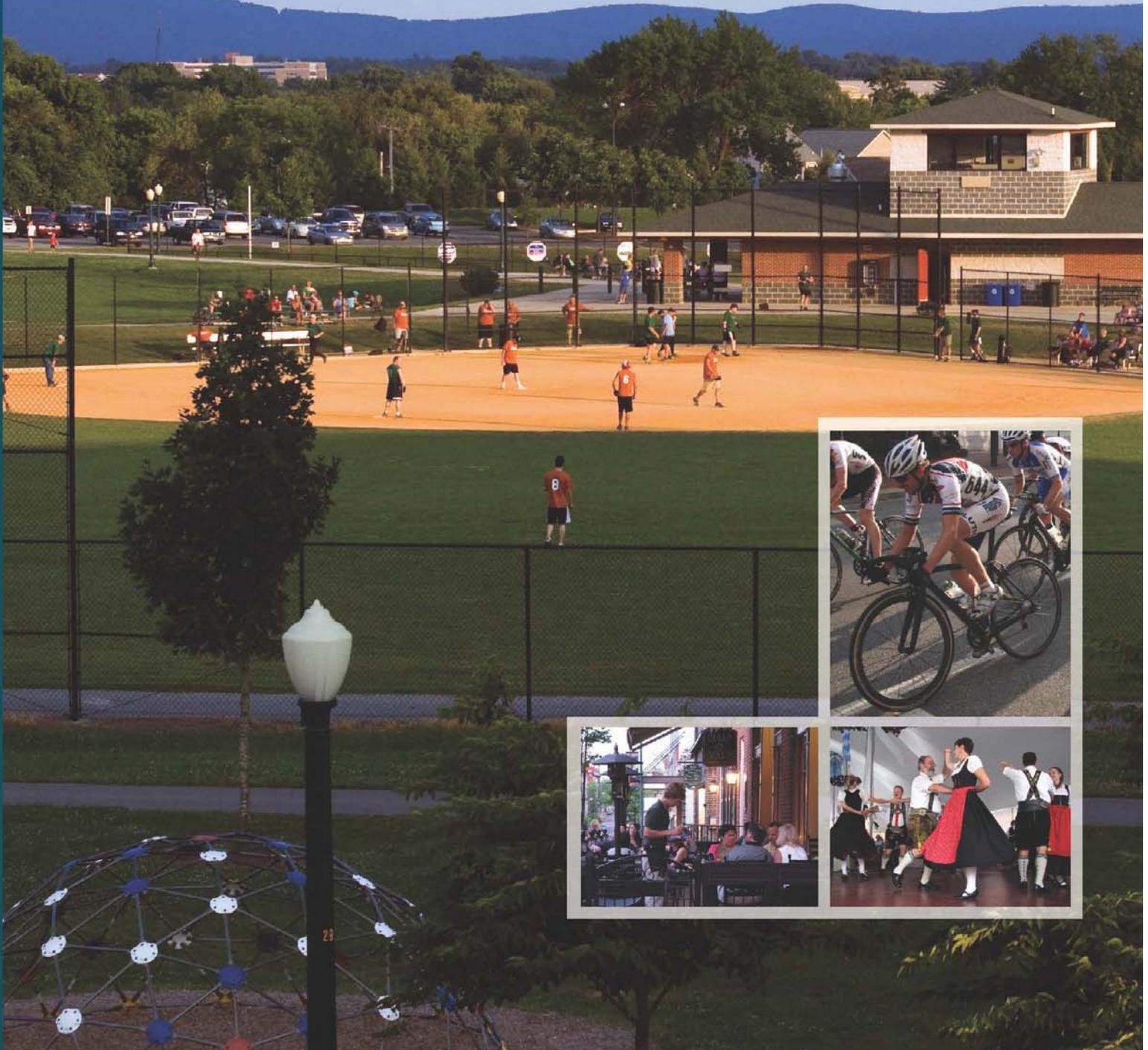




THE CITY OF
Hagerstown
experience
THE
HUB CITY

Comprehensive Annual Financial Report
for the fiscal year ended June 30, 2011



City of Hagerstown

Maryland



Comprehensive Annual Financial Report Fiscal Year 2011

July 1, 2010 – June 30, 2011

Prepared By:
Finance and Accounting

City Council



Robert E. Bruchey, II
Mayor



Bruce J. Zimmerman
City Administrator



Martin E. Brubaker
Council Member



William M. Breichner
Council Member



Forrest W. Easton
Council Member



Ashley C. Haywood
Council Member



Lewis C. Metzner
Council Member

City of Hagerstown
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended June 30, 2011

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INTRODUCTORY SECTION





CITY OF HAGERSTOWN, MARYLAND

Finance Department

October 28, 2011

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

State law requires that all general purpose local governments publish within four months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with 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, 2011.

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

The City of Hagerstown's financial statements have been audited by SB & 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, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent accountant concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Hagerstown's financial statements for the fiscal year ended June 30, 2011, are fairly presented in conformity with GAAP. The independent public accountant'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 12.01 square miles and serves a population of 39,662 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.

City Hall • One East Franklin Street • Hagerstown, MD 21740-4987

301/739/8577 Ext. 152

Introductory Section

FAX 301/766/4313

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

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

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

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

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on pages 64 through 66 as part of the basic financial statements for the governmental funds. For governmental funds other than the General Fund, with appropriated annual budgets, this comparison is presented on page 71 through 78.

Factors Affecting Financial Condition

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

Local economy. Citizens continue to enjoy a diversified employer base that includes companies from the manufacturing, transportation, service, retail, and finance industries as well as local and state government. However, the City has not been immune to the economic environment currently being experienced regionally and nationally and continues to feel the effects. As a result of the recession, the unemployment rate increased from 10.0% in July 2010 to 10.6% in May 2011. The national average unemployment rate in May 2011 was 9.1%, and in Washington County it was 9.6%. It is expected that the unemployment rate will take a minimum of 5 years to fully recover due to permanent loss of certain industry jobs, re-entry of the current workforce, and new workforce entry. The average employment for Washington County in 2010 was 59,864, and the Hagerstown 2009 per capita income was \$32,463.

Hagerstown experienced an 8.6% growth in housing units and an 8.1% growth in population from 2000 to 2010. Growth can be attributed to the combination of the City's 2002 Annexation Policy and our ability to capture a share of the Hagerstown metropolitan area's residential boom during the mid 2000's. Since the adoption of the 2002 Annexation policy, the City has enacted 36 annexations of tracts of land into the corporate limits. So far in FY2012, 95 split parcels and two existing buildings on Eastern Boulevard have been annexed. The total assessed value of the 36 annexations and the annexations approved in FY2012 is \$116.7 million. The housing industry is still depressed with permits for new home construction decreasing from 170 in 2008 to 114 in 2010. Foreclosure rates are up from 123 in 2008 to 319 at the end of 2010. Foreclosure rates appear to be leveling off and are projected to be around 215 for 2011. From FY2008 to FY2010, the average price of homes sold decreased by 25%. Although the housing industry has slowed, commercial activity is still moving. The hospital relocated in December 2010 from a site located in the City to a site located in Washington County just outside of the City limits. Beginning in 2010, the City began receiving site plan applications for new medical office buildings in the business parks along the Eastern Boulevard corridor located in the City as the medical community repositioned itself. There are three business parks in a 0.87

mile stretch of Eastern Boulevard. The commercial parks in the Eastern Boulevard corridor are positioned well to capture this medical development activity. In the last 18 months, the majority of the commercial development activity has been occurring in the Eastern Boulevard corridor. The City upgraded the volume capacity of this stretch of roadway with a \$5.2 million enhancement project in 2008-2009. In this corridor, plan approval activity includes the commercial development of 12.91 acres with 110,853 square feet of building space with a projected assessed value at completion of \$21.7 million.

As a consequence of the national recession, the City's assessable tax base experienced little to no growth. The December 2010 triennial reassessment resulted in a \$2.2 million loss in property tax revenue in FY2011/2012 when compared to original estimates made in FY2010/2011. The recession has had a government-wide effect of lowering revenue streams such as real estate tax revenue and shared tax revenue distributed to local municipalities from the State of Maryland. The City expects several more years of reduced revenues and will continue its fiscal responsibility by reducing costs and seeking diverse revenues to continue to maintain quality services and programs for City residents and businesses.

Despite these economic challenges, the City continues to strive to maintain the best elements of its small city character while energetically pursuing a downtown and neighborhood revitalization program and a discriminating commercial and industrial growth policy. Factors which make the City the residential and business "Hub" of Washington County include low crime, a short commute to work, good health care, clean air, local school quality, the arts, entertainment and recreational activities, good projected job growth, medium to small population, and low taxes and fees.

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

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

Strategic Plan major initiatives

A Prosperous Community

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

A Vibrant, Active and Livable Community

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

A Safe and Healthy Community

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

An Innovative and Sustainable Government

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

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

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

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

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

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

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, 2010. This was the fifteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition the City received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2010. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including: a policy document, a financial plan, an operations guide and a communications device. The City also received the GFOA's award of Outstanding Achievement for the Popular Annual Financial Reporting (PAFR) for the fiscal year 2010. The PAFR is specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in finance.

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

Respectfully submitted,



Michelle Burker
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hagerstown
Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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.



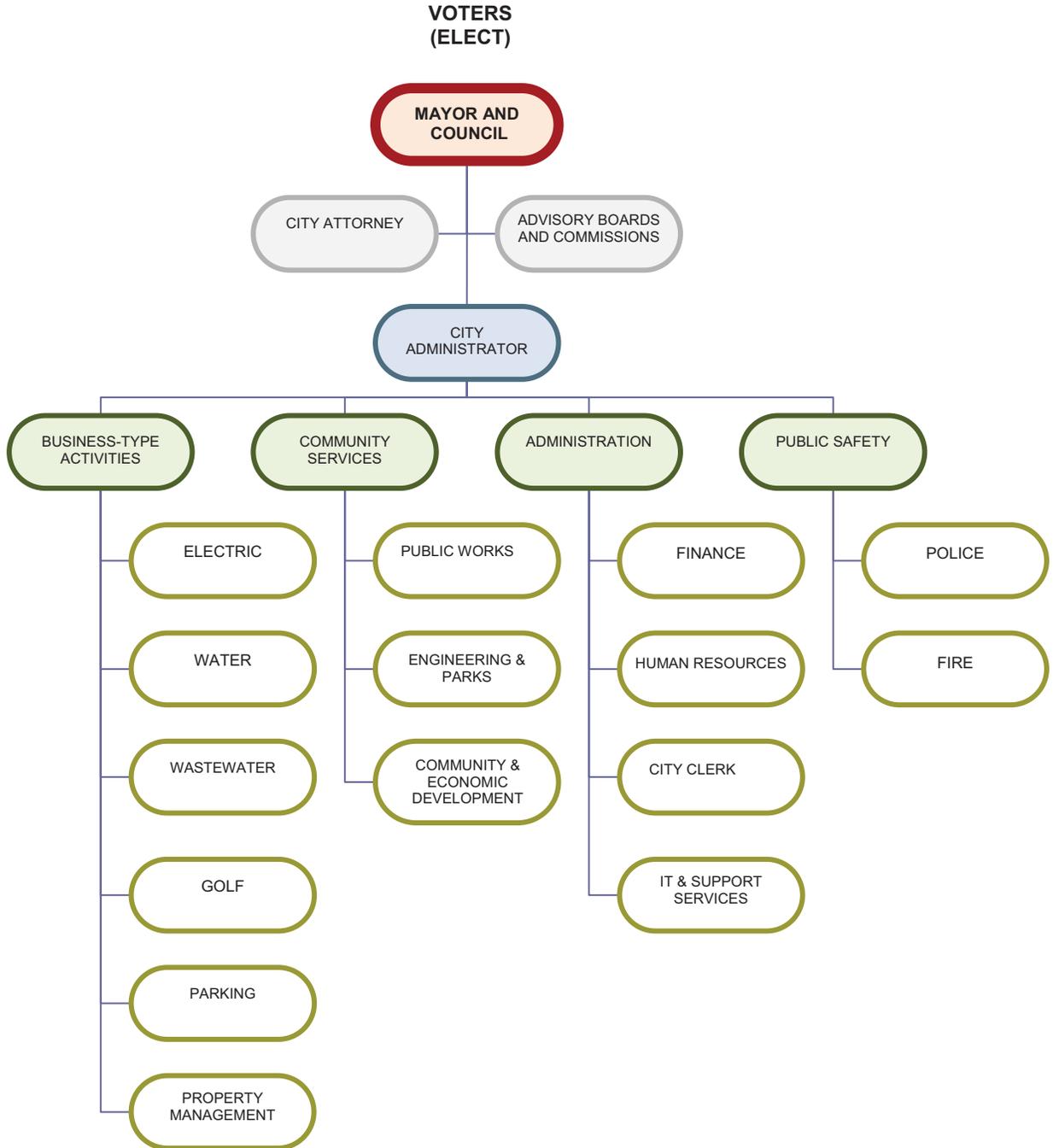
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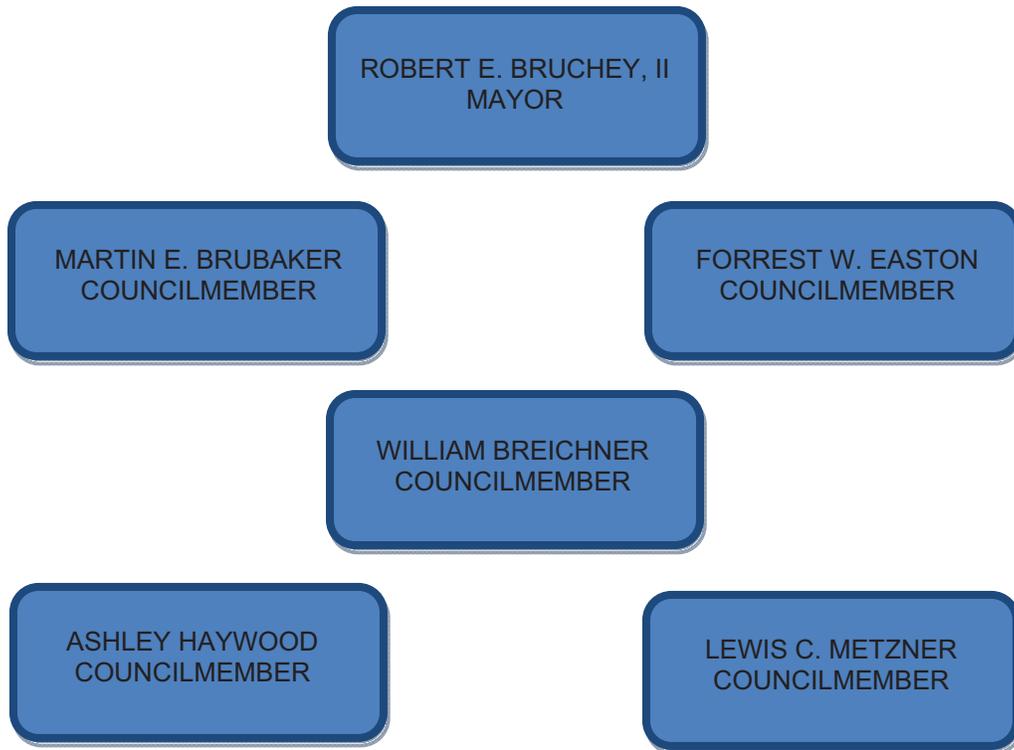
President

Jeffrey R. Emer

Executive Director

CITY ORGANIZATION CHART (By Department)





CITY OFFICIALS

CITY ADMINISTRATOR
BRUCE ZIMMERMAN

CITY CLERK
DONNA SPICKLER

FINANCE
MICHELLE BURKER

PUBLIC WORKS
ERIC DEIKE

COMMUNITY &
ECONOMIC
DEVELOPMENT
JOHN LESTITIAN

FIRE
KYD DIETERICH

POLICE
ARTHUR SMITH

ENGINEERING &
PARKS
RODNEY TISSUE

HUMAN
RESOURCES
DONNA FRAZIER

UTILITIES
MICHAEL SPIKER

IT & SUPPORT
SERVICES
SCOTT
NICWARNER

City Center – The Heart of Hagerstown



FINANCIAL SECTION





SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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 (the City), as of and for the year ended June 30, 2011, 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's management. Our responsibility is to express an opinion 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. 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 opinion.

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, 2011 and the respective changes in financial position and, where applicable, cash flows 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.

Accounting principles generally accepted in the United States of America require the management's discussion and analysis, the schedules of funding progress for the City of Hagerstown Police and Fire Employees' Retirement and Other Post Employment Plans, and the budget and actual schedules as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.



SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual fund statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Hunt Valley, Maryland
October 28, 2011

SB & Company, LLC

Management's Discussion and Analysis (MD&A)

(Unaudited)

Introduction

As management of the City of Hagerstown, Maryland (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. 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 \$243.6 million (*net assets*). Approximately 63.1% of this amount is attributable to the City's three utilities (Electric, Water and Wastewater). Of the total net assets, \$21.3 million (*unrestricted net assets*) may be used to meet ongoing obligations to citizens and creditors (64.5% of this amount is attributable to the City's three utilities), \$10.2 million is restricted for specific purposes (*restricted net assets*), and \$212.0 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 \$19.0 million. Of this total amount \$7.9 million is unreserved and represents working capital available to support governmental operating needs and future years' expenditures.
- The City's total bonded debt increased by \$1.5 million (2.4%) during the current fiscal year from \$62.3 million to \$63.8 million. A total of \$6.4 million of Maryland Water Quality Revolving Loan Fund Debt was drawn in 2010/2011 from prior year's authorizations. The City's adherence to its amortization schedules for existing debt reduced its debt by \$4.9 million in 2010/2011. Additional information on the City's long-term debt activity can be found in Note IV. F. of the notes to the financial statements.
- The General Fund on a current financial resource basis, reported revenues in excess of expenditures and other financial sources and uses by \$0.2 million after making a \$0.7 million transfer to the Capital Projects Fund and operating transfers of \$0.3 million to the Golf Course Fund, \$0.3 million to the Economic Redevelopment Fund, \$0.3 million to the Grant Revenue Fund, and \$0.6 million to the Property Management Fund.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$7.9 million or 22.4% of total General Fund expenditures (excluding the transfers to other funds described above). This represents slightly over two and a half months of General Fund expenditures and complies with the City financial policy requiring a minimum undesignated fund balance of 10% of the General Fund operating expenditures

Overview of the Financial Statements

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

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

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

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

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

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

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Hagerstown, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds; proprietary funds; and fiduciary funds. Within the basic financial statements, fund financial statements focus on the City's most significant funds. Major funds are reported separately, and all others are combined into a single, aggregated presentation. Combining statements provided in a later section of this report provide individual fund data for nonmajor funds.

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

Because the focus of governmental funds is more narrow than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By

so doing, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains ten individual governmental funds: the General; Capital Projects; Community Development Block Grant; Economic Redevelopment; Flexible Spending; Telecommuting Center; Business Revolving Loan; Excise Tax; Grant Revenue; and Upper Floors Redevelopment 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 ten 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 64 through 78.

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

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 25 to 26 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are part of the basic financial and can be found on pages 27 to 62.

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 63 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 \$243.6 and \$232.2 million at the close of the current and previous fiscal years.

City of Hagerstown net assets are divided into three categories - invested in capital assets (net of related debt), restricted net assets and unrestricted net assets. The largest portion of the City's net assets (87.1%) 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 4.2% 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 (8.7% 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 \$15.8 million.

Summary of Net Assets June 30, 2011 and 2010

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets:						
Current Assets	\$ 27,229,973	\$ 29,385,185	\$ 20,050,574	\$ 21,765,990	\$ 47,280,547	\$ 51,151,175
Long-term and restricted assets	84,334	170,033	4,071,802	5,086,116	4,156,136	5,256,149
Capital assets, net	78,893,510	79,685,033	195,060,355	183,312,160	273,953,865	262,997,193
Total Assets	106,207,817	109,240,251	219,182,731	210,164,266	325,390,548	319,404,517
Liabilities:						
Long-term liabilities	20,609,508	23,803,948	43,283,202	40,742,944	63,892,710	64,546,892
Other liabilities	7,858,474	10,943,537	10,083,045	11,671,060	17,941,519	22,614,597
Total Liabilities	28,467,982	34,747,485	53,366,247	52,414,004	81,834,229	87,161,489
Net Assets:						
Invested in capital assets	62,031,859	60,903,731	149,999,762	141,557,917	212,031,621	202,461,648
Restricted	10,247,443	10,321,603	-	-	10,247,443	10,321,603
Unrestricted	5,460,533	3,267,432	15,816,722	16,192,345	21,277,255	19,459,777
Total Net Assets	\$ 77,739,835	\$ 74,492,766	\$ 165,816,484	\$ 157,750,262	\$ 243,556,319	\$ 232,243,028

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

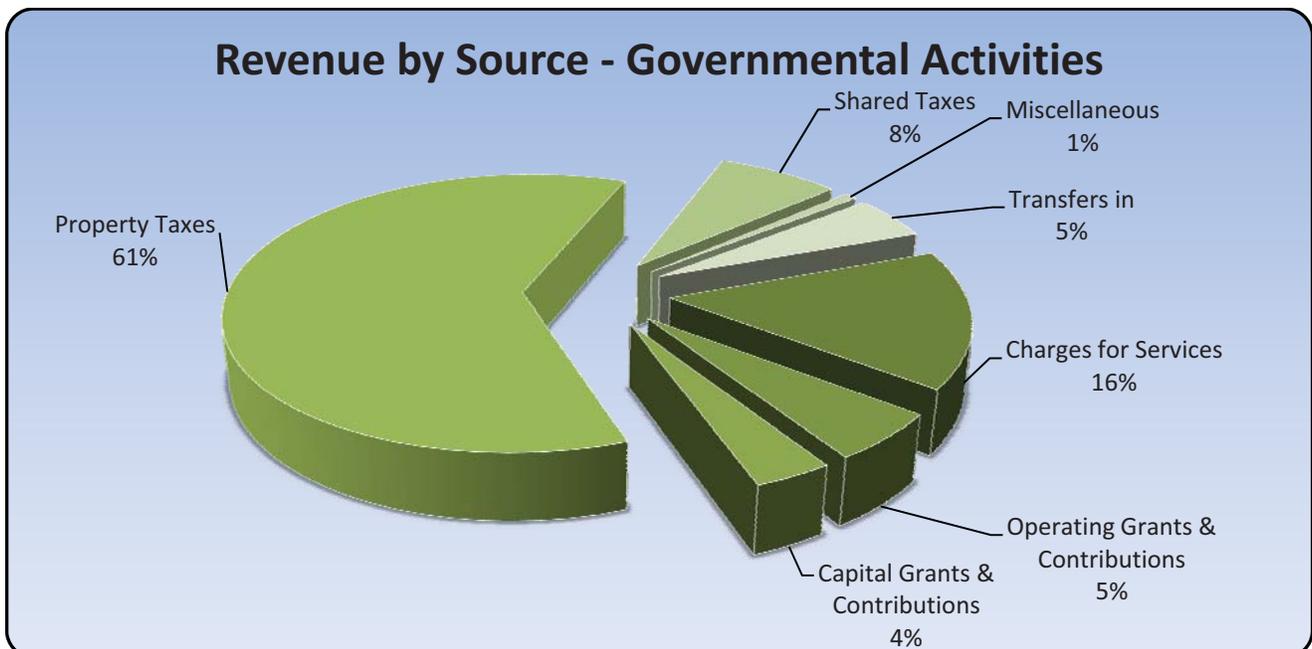
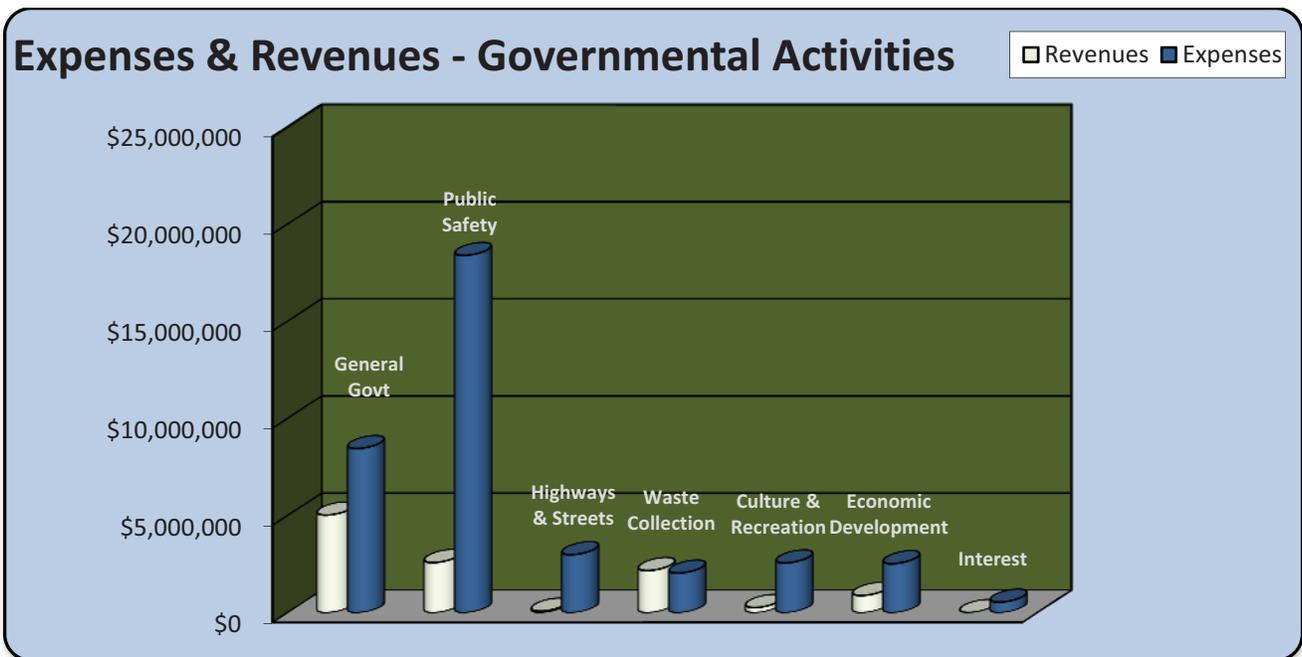
**Changes in Net Assets
June 30, 2011 and 2010**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 6,980,547	\$ 7,294,611	\$ 54,007,814	\$ 50,791,489	\$ 60,988,361	\$ 58,086,100
Operating grants and contributions	2,407,886	2,671,617	107,730	440,847	2,515,616	3,112,464
Capital grants and contributions	1,594,649	512,249	7,252,709	9,006,128	8,847,358	9,518,377
General Revenues:						
Property taxes	26,910,889	26,460,939	-	-	26,910,889	26,460,939
State and county shared taxes	3,420,814	4,768,035	-	-	3,420,814	4,768,035
Miscellaneous	340,836	458,383	185,587	221,725	526,423	680,108
Total Revenues	<u>41,655,621</u>	<u>42,165,834</u>	<u>61,553,840</u>	<u>60,460,189</u>	<u>103,209,461</u>	<u>102,626,023</u>
Expenses:						
Program Expenses:						
General government	8,445,750	9,238,809	-	-	8,445,750	9,238,809
Public safety	18,387,128	20,501,962	-	-	18,387,128	20,501,962
Highways and streets	2,981,654	3,119,911	-	-	2,981,654	3,119,911
Waste collection and disposal	2,035,237	2,023,079	-	-	2,035,237	2,023,079
Culture and recreation	2,559,785	2,828,320	-	-	2,559,785	2,828,320
Economic and community development	2,519,688	3,184,156	-	-	2,519,688	3,184,156
Interest on long-term debt	539,668	684,700	-	-	539,668	684,700
Utilities and other proprietary funds	-	-	54,427,260	54,174,859	54,427,260	54,174,859
Total Expenses	<u>37,468,910</u>	<u>41,580,937</u>	<u>54,427,260</u>	<u>54,174,859</u>	<u>91,896,170</u>	<u>95,755,796</u>
Excess before transfers	<u>4,186,711</u>	<u>584,897</u>	<u>7,126,580</u>	<u>6,285,330</u>	<u>11,313,291</u>	<u>6,870,227</u>
Transfers	(939,642)	(66,000)	939,642	66,000	-	-
Change in net assets	<u>3,247,069</u>	<u>518,897</u>	<u>8,066,222</u>	<u>6,351,330</u>	<u>11,313,291</u>	<u>6,870,227</u>
Net Assets - Beginning	74,492,766	73,973,869	157,750,262	151,398,932	232,243,028	225,372,801
Net Assets - Ending	<u>\$ 77,739,835</u>	<u>\$ 74,492,766</u>	<u>\$ 165,816,484</u>	<u>\$ 157,750,262</u>	<u>\$ 243,556,319</u>	<u>\$ 232,243,028</u>

Governmental activities: General revenues for the governmental activities were \$30.7 million, while total expenses, net of charges for services, grants and contributions, were \$26.5 million. The increase in net assets for governmental activities was \$3.2 million and can be largely attributed to the following:

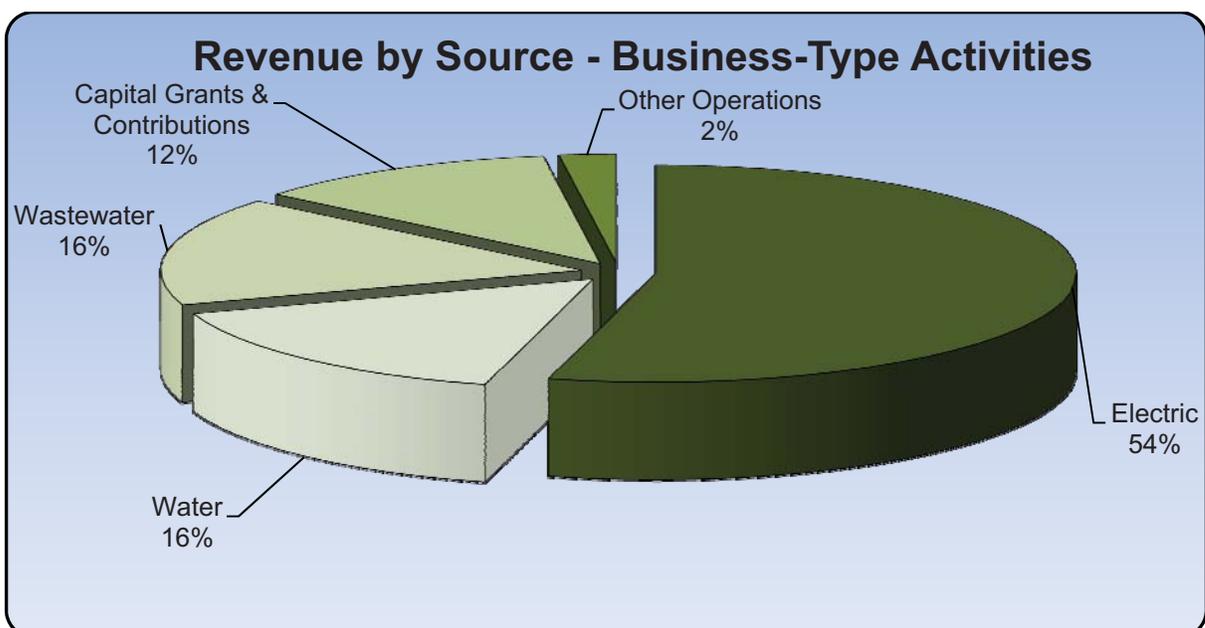
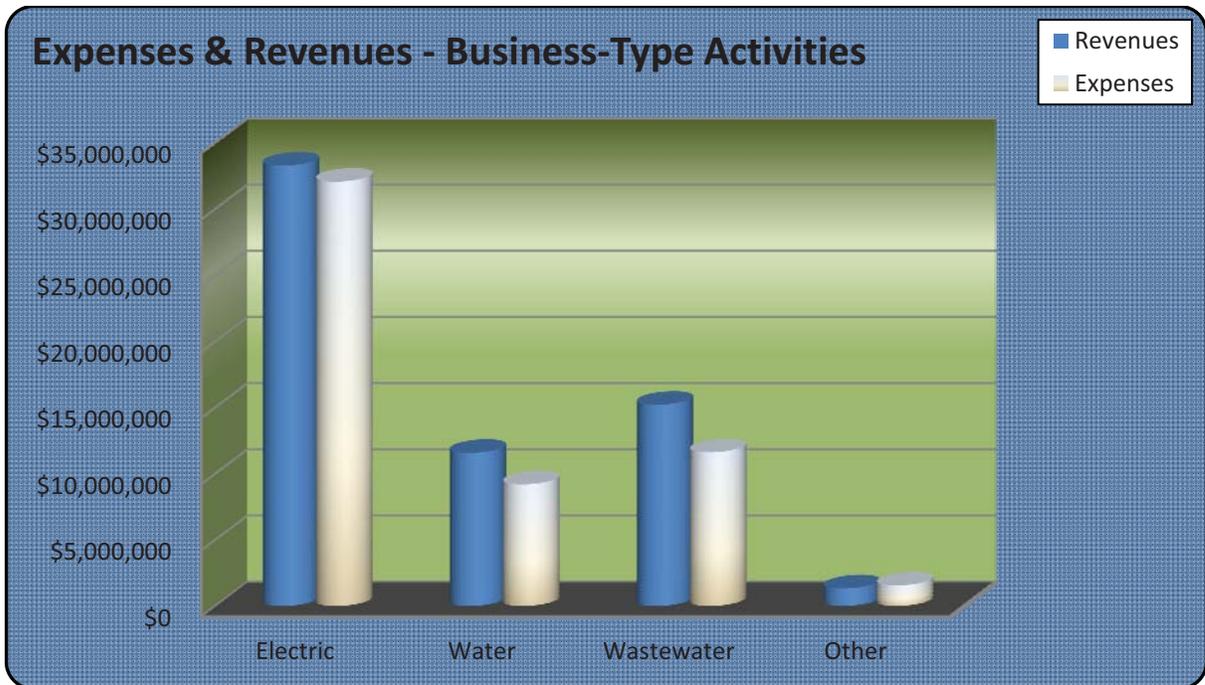
- \$0.2 million of the increase is due to the excess of actual revenues over expenditures in the City's General Fund which is explained in the next section of this analysis.
- As a result of decreases in expenditures for general government of \$0.8 million; public safety of \$0.2 million; and economic and community development of \$0.7 million.

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 \$8.1 million, accounting for 71.3% of the total growth in the government’s net assets. Key elements of this increase are as follows:

- Charges for services for business-type activities increased by \$3.2 million or 6.3%. This is primarily due to charges for services in the Electric fund increasing by \$1.4 million (4.5%), Water and Wastewater funds increased by \$0.8 million (9.0%) and \$0.9 million (10.2%) respectively; and the Property Management fund increased by \$0.1 million (63.0%).
- Capital contributions remained a major revenue source for the Water and Wastewater funds during the current fiscal year, producing \$7.3 million in revenue, and are down from the prior fiscal year’s \$9.0 million.



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Hagerstown's governmental funds reported combined ending fund balances of \$19.0 million, an increase of \$0.1 million from the prior year. The increase was not significant. Approximately 41.3% of the total fund balance (\$19.0 million) constitutes *unassigned fund balance* (\$7.9 million), which represents working capital available to support governmental operating needs and future years' expenditures. The remainder of fund balance is *restricted* to indicate that it is not available for new spending because it has already been committed or is legally restricted as follows:

- 1) *Nonspendable and Restricted* fund balance represents amounts that are legally restricted by outside parties for use for a specific purpose or are otherwise not available for appropriation (\$3.2 million and \$2.9 million respectively)
- 2) *Committed* fund balance represents amounts that are reserved for a particular purpose by the Mayor and Council of the City of Hagerstown and would require action by that governing body to release the fund balance from its commitment (\$2.9 million)
- 3) *Assigned* fund balance represents amounts reserved for tentative management plans that are subject to change (\$2.2 million)

The General Fund is the chief operating fund of the City of Hagerstown. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$7.9 million, while total fund balance reached \$8.8 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 22.4% of total General Fund expenditures (slightly more than two and one half months of fiscal expenditures).

The fund balance of the City of Hagerstown's General Fund increased by \$0.2 million during the current fiscal year even though the City had projected the use of \$0.6 million of fund balance. The key elements in this increase are as follows:

- Revenues were below budgeted projections by \$0.2 million
 - Property taxes were below projections by \$0.1 million. The underestimate is a result of the downturn in the economy and lower than expected assessable base for both real estate and personal property taxes. Despite this negative variance from budget to actual, the variance in actual revenue from FY2010 to FY2011 resulted in an increase of \$0.2 million.
 - State and County shared taxes exceeded projections by \$0.1 million. State shared admissions tax and enterprise zone tax credit revenues exceeded our estimates by \$0.04 million and \$0.06 million respectively. Economic declines for this revenue source were not as severe as originally anticipated.
 - The economic slowdown was responsible for interest earnings declining worse than we anticipated by \$0.2 million.
- Expenditures were held below budgeted projections by \$1.2 million
 - Vacancy savings and control of temporary and seasonal wages kept actual wage & fringe benefit expenditures below budget projections by \$1.2 million.

The Capital Projects Fund has a total fund balance of \$4.4 million. Of the total fund balance, certain amounts are *restricted* to indicate that it is not available for new spending because it has already been committed or is legally restricted for capital projects as follows:

- 1) *Nonspendable and Restricted* fund balance represents amounts that are legally restricted by outside parties for use for a specific purpose or are otherwise not available for appropriation (\$0.01 million and \$0.6 million respectively)
- 2) *Committed* fund balance represents amounts that are reserved for a particular purpose by the Mayor and Council of the City of Hagerstown and would require action by that governing body to release the fund balance from its commitment (\$1.9 million)
- 3) *Assigned* fund balance represents amounts reserved for tentative management plans that are subject to change (\$1.9 million)

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 \$4.1 million for the Electric Fund, \$7.9 million for the Water Fund and \$1.8 million for the Wastewater Fund. The total increase in the proprietary funds net assets was \$8.1 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 revenues and transfers to other funds were increased by \$0.6 million over the original budget. This change is primarily due to the unplanned purchase of a north end fire station for \$0.6 million funded by the use of fund balance that was approved in late FY2011.

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, 2011, amounts to \$274.0 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment (including vehicles), infrastructure (including park facilities, roads, highways and bridges) and construction in progress. The total increase in City of Hagerstown's investment in capital assets for the current fiscal year was \$11.0 million or 4.2%. There was a 1.0% decrease for governmental activities and a 6.4% increase for business-type activities.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 3,715,746	\$ 3,715,746	\$ 5,728,589	\$ 5,448,572	\$ 9,444,335	\$ 9,164,318
Construction in progress	7,541,323	7,405,689	23,693,200	19,544,164	31,234,523	26,949,853
Buildings & structures	7,315,272	7,220,157	114,864,773	110,910,871	122,180,045	118,131,028
Improvements other than buildings	3,458,504	3,507,439	574,755	618,364	4,033,259	4,125,803
Machinery & equipment	5,425,328	5,807,113	50,199,038	46,790,189	55,624,366	52,597,302
Infrastructure	51,437,337	52,028,889	-	-	51,437,337	52,028,889
Total	\$ 78,893,510	\$ 79,685,033	\$ 195,060,355	\$ 183,312,160	\$ 273,953,865	\$ 262,997,193

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

For the City's governmental activities:

- o \$0.3 million was spent on various street resurfacing projects
- o \$0.3 million was spent on widening Edgewood Boulevard at US Route 40.
- o \$0.2 million was spent on renovations to the Police Department Building
- o \$0.2 million was spent on Police radios and software for vehicles
- o \$0.2 million was spent on improvements of the North Potomac streetscape
- o \$0.1 million was spent on City's contributions to the Library Expansion

For the City's business activities:

Of the \$12.8 million the City spent on the acquisition and construction of business activity capital assets in fiscal year 2010/2011, \$5.1 million were funded from contributions from developers in the form of benefit charges, \$1.3 million were funded by intergovernmental grants, and the remaining \$6.4 million were funded from bond proceeds.

Additional information on the City of Hagerstown's capital assets can be found in Note IV. C., pages 45 through 47 of this report.

Long-term debt. At the end of the current fiscal year, the City of Hagerstown had total bonded debt outstanding of \$63.8 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, \$45.1 million are considered self-supporting bonds, primarily funded through various charges related to the operation of the electric, water and wastewater systems of the City.

City of Hagerstown's Outstanding Debt

	Bonded Debt					
	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
General Bonded Debt	\$ 18,695,138	\$ 20,457,426	\$ 45,060,593	\$ 41,856,725	\$ 63,755,731	\$ 62,314,151

The

City of Hagerstown increased its total bonded debt by \$6.4 million during the current fiscal year and drew this additional debt from the Maryland Water Quality Revolving Loan Fund. The City's adherence to its amortization schedules for other debt reduced its debt by \$4.9 million resulting in a net increase in debt of \$1.5 million during the current year.

Shortly after the end of the current fiscal year, the City of Hagerstown's ratings were affirmed by Moody's Investor Service with a rating of Aa3 and Standard and Poor's with a rating of AA- in connection with the City's sale of \$5.98 million in General Obligation bonds in August 2011. The bond sale was a tax exempt sale with a 20 year maturity date. The City received a true interest cost on these bonds of 2.889%, the lowest interest rate the City has received in over 25 years.

The amount of general obligation debt the City of Hagerstown may issue is not limited by State statute or local ordinance. However, the City adheres to a financial policy approved by its elected officials which prohibits general obligation debt from exceeding 10% of the assessed value of taxable property or \$1,200 per capita. At the end of the current fiscal year total general obligation debt was 0.64% of the assessed value of taxable property and \$471 per capita.

Additional information on the City of Hagerstown's long-term debt can be found in note IV. F. on pages 51 through 53 of this report.

Economic Factors and Next Year's Budgets and Rates

- The fiscal 2012 budget reflects that the City is not immune to the financial concerns and impact of higher fuel and energy costs, weakening retail sales and employment, and the home foreclosure crisis. The City has experienced a reduction in the level of new development activity and growth in market values of real estate in the area. Additionally, a projected decrease in Maryland State shared revenue was considered with regard to the General Fund's reliance on state revenue sharing and funding.
- The City is required by its Charter to have a balanced budget each fiscal year and has always attempted to comply with this requirement. In FY2011, there was a deficiency of \$0.2 million as a result of a one-time use of fund balance approved by Mayor and Council of \$0.6 million for the purchase of a north end fire station. 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 2012 the City's major governmental fund approved budget, the General Fund, is projected to decrease 3.8% under the fiscal 2011 estimated actual. Wages and benefits are projected to decrease by 3.4%. Debt service is projected to remain flat. All other operating expenses are projected to decrease by 3.5%.
- The City's role as a regional employment and retail center, growing and diverse property tax base that continues to exhibit healthy ongoing growth due to continued commercial development despite the national economic downturn, and maintenance of strong reserves supported by favorable operating performance, and strong financial management policies and practices are the reasons that both Moody's Investors Service and Standard & Poor's gave the City a stable fiscal outlook in our most recent bond rating. The triennial re-assessment by the State Department of Assessments which occurred in the Summer of 2007 continued to be applied to the most recent real estate assessments in 2010/11. As a result of the most recent triennial reassessment which occurred in the Summer of 2010, the City applied an 8.0% decrease to real estate and personal property assessments for 2011/12. The statewide requirement to phase-in reassessment related tax base growth over a three year period has created a smoothing effect on the City's real estate revenue.

All of these factors were considered in preparing the City of Hagerstown's budget for fiscal 2011/12.

The fiscal year 2012 budget reflects no rate increase for electric service charges. Annual rate increases were adopted for water service charges of 5% inside and 6.0% outside the City and wastewater service charges of 5% inside and 3.5% outside the City effective July 1, 2010, and each July 1st thereafter through July 1, 2014. These annual increases will make possible the extensive continuing system improvements for these utilities

Requests for Information

This financial report is designed to provide a general overview of the City of Hagerstown's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Department of Finance, City of Hagerstown, One East Franklin Street, Hagerstown, MD 21740 or by telephone at (301) 766-4150. Complete financial reports are also available on our web site www.hagerstownmd.org

City of Hagerstown, Maryland
Statement of Net Assets
June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and investments	\$ 20,616,948	\$ 8,715,283	\$ 29,332,231
Receivables (net of allowance for uncollectibles):			
Taxes	467,084	-	467,084
Intergovernmental	1,760,572	-	1,760,572
Customers	1,302,377	7,760,850	9,063,227
Loans	2,947,937	-	2,947,937
Other	78,498	2,765	81,263
Internal balances	(1,623,051)	1,623,051	-
Inventories	209,631	1,230,806	1,440,437
Properties held for resale	1,007,371	-	1,007,371
Prepaid items	386,627	42,388	429,015
Due from other agencies	-	596,799	596,799
Deferred charges	75,979	78,632	154,611
Restricted assets:			
Pooled cash and investments	84,334	3,444,937	3,529,271
Long-term receivables	-	626,865	626,865
Capital assets (net of accumulated depreciation):			
Land (not being depreciated)	3,715,746	5,728,589	9,444,335
Land improvements	3,965,131	1,434,704	5,399,835
Buildings and structures	15,017,487	168,264,510	183,281,997
Machinery and equipment	4,753,409	98,144,468	102,897,877
Automobiles and trucks	7,289,674	4,809,302	12,098,976
Office furniture and fixtures	3,555,044	743,859	4,298,903
Infrastructure	87,254,488	-	87,254,488
Construction in progress (not being depreciated)	7,541,323	23,693,200	31,234,523
Less accumulated depreciation	(54,198,792)	(107,758,277)	(161,957,069)
Total assets	<u>106,207,817</u>	<u>219,182,731</u>	<u>325,390,548</u>
Liabilities			
Accounts and retainages payable	1,689,469	3,916,224	5,605,693
Accrued liabilities	1,892,745	388,491	2,281,236
Escrowed taxes and insurance	9,176	-	9,176
Accrued interest payable	286,548	314,875	601,423
Customer deposits payable	72,108	1,281,102	1,353,210
Due to other agencies	240,816	-	240,816
Unearned revenue	247,450	102,220	349,670
Compensated absences:			
Due within one year	1,607,825	824,659	2,432,484
Due in more than one year	3,726,707	1,478,083	5,204,790
Long-term liabilities:			
Due within one year	1,812,337	3,255,474	5,067,811
Due in more than one year	16,882,801	41,805,119	58,687,920
Total liabilities	<u>28,467,982</u>	<u>53,366,247</u>	<u>81,834,229</u>
Net Assets			
Invested in capital assets net of related debt	62,031,859	149,999,762	212,031,621
Restricted for:			
Capital Project Fund	4,402,061	-	4,402,061
Special Revenue Funds	5,845,382	-	5,845,382
Unrestricted	<u>5,460,533</u>	<u>15,816,722</u>	<u>21,277,255</u>
Total net assets	<u>\$ 77,739,835</u>	<u>\$ 165,816,484</u>	<u>\$ 243,556,319</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, 2011

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		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 8,445,750	\$ 3,035,144	\$ 395,487	\$ 1,592,149	\$ (3,422,970)	\$ -	\$ (3,422,970)
Public safety	18,387,128	1,373,876	1,202,717	-	(15,810,535)	-	(15,810,535)
Highways and streets	2,981,654	75,676	-	-	(2,905,978)	-	(2,905,978)
Waste, collection and disposal	2,035,237	2,164,998	-	-	129,761	-	129,761
Culture and recreation	2,559,785	234,637	23,000	2,500	(2,299,648)	-	(2,299,648)
Economic and community development	2,519,688	96,216	786,682	-	(1,636,790)	-	(1,636,790)
Interest on long-term debt	539,668	-	-	-	(539,668)	-	(539,668)
Total governmental activities	37,468,910	6,980,547	2,407,886	1,594,649	(26,485,828)	-	(26,485,828)
Business-type activities:							
Electric	32,063,217	33,144,474	57,730	66,037	-	1,205,024	1,205,024
Water	9,189,223	9,664,205	-	1,904,865	-	2,379,847	2,379,847
Wastewater	11,621,172	9,918,807	-	5,281,807	-	3,579,442	3,579,442
Parking facilities	723,980	811,868	-	-	-	87,888	87,888
Golf course	418,962	137,884	-	-	-	(281,078)	(281,078)
Property management	410,706	330,576	50,000	-	-	(30,130)	(30,130)
Total business-type activities	54,427,260	54,007,814	107,730	7,252,709	-	6,940,993	6,940,993
Total primary government	\$ 91,896,170	\$ 60,988,361	\$ 2,515,616	\$ 8,847,358	(26,485,828)	6,940,993	(19,544,835)
General revenues:							
Property taxes					26,910,889	-	26,910,889
State and county shared taxes					3,420,814	-	3,420,814
Excise taxes					96,342	-	96,342
Investment earnings					72,526	185,587	258,113
Miscellaneous					171,968	-	171,968
Transfers					(939,642)	939,642	-
Total general revenues and transfers					29,732,897	1,125,229	30,858,126
Change in net assets					3,247,069	8,066,222	11,313,291
Net assets - beginning					74,492,766	157,750,262	232,243,028
Net assets - ending					\$ 77,739,835	\$ 165,816,484	\$ 243,556,319

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

City of Hagerstown, Maryland
Balance Sheet
Governmental Funds
June 30, 2011

	General	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Pooled cash and investments	\$ 8,955,089	\$ 4,276,450	\$ 2,101,580	\$ 15,333,119
Receivables (net of allowance for uncollectibles):				
Taxes	467,084	-	-	467,084
Intergovernmental	1,130,487	-	630,085	1,760,572
Customers	1,049,857	-	10,954	1,060,811
Loans	-	155,568	2,792,369	2,947,937
Other	7,483	68,456	750	76,689
Advances to other funds	407,000	-	-	407,000
Inventories	209,631	-	-	209,631
Properties held for resale	-	-	1,007,371	1,007,371
Prepaid items	269,571	1,000	5,953	276,524
Restricted assets:				
Pooled cash and investments	-	-	14,334	14,334
Total assets	\$ 12,496,202	\$ 4,501,474	\$ 6,563,396	\$ 23,561,072
Liabilities And Fund Balances				
Liabilities:				
Accounts and retainages payable	\$ 1,379,850	\$ 99,413	\$ 204,240	\$ 1,683,503
Accrued liabilities	1,261,469	-	44,298	1,305,767
Advances from other funds	-	-	407,000	407,000
Escrowed taxes and insurance	-	-	9,176	9,176
Customer deposits payable	61,568	-	10,540	72,108
Undisbursed loan and grant commitments	-	-	40,200	40,200
Due to other agencies	240,816	-	-	240,816
Deferred revenue	779,870	-	2,560	782,430
Total liabilities	3,723,573	99,413	718,014	4,541,000
Fund balances:				
Nonspendable	493,492	1,000	2,682,659	3,177,151
Restricted	240,816	640,455	2,057,698	2,938,969
Committed	-	1,842,321	997,207	2,839,528
Assigned	186,504	1,918,285	107,818	2,212,607
Unassigned	7,851,817	-	-	7,851,817
Total fund balances	8,772,629	4,402,061	5,845,382	19,020,072
Total liabilities and fund balances	\$ 12,496,202	\$ 4,501,474	\$ 6,563,396	

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.	78,893,510
Taxes and other receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds	718,069
Internal service funds are used by management to charge for the costs associated with uncovered general liability risk, the costs associated with uncovered workers' compensation risk, and the costs associated with the City's health and dental care program. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	3,348,423
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.	(24,240,239)

Net assets of governmental activities \$ 77,739,835

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, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 26,910,889	\$ -	\$ -	\$ 26,910,889
State and county shared taxes	3,292,667	-	-	3,292,667
Licenses and permits	1,554,465	-	-	1,554,465
Intergovernmental	191,820	629,883	2,045,818	2,867,521
Program income	-	-	178,801	178,801
Charges for services	2,937,027	-	-	2,937,027
Fines and forfeitures	73,634	-	-	73,634
Investment earnings	52,035	15,315	5,176	72,526
Property sales	5,555	-	40,992	46,547
Contributions and donations	115,910	330,920	6,414	453,244
Unallocated general revenue	2,273,685	94,738	76,583	2,445,006
Total revenues	<u>37,407,687</u>	<u>1,070,856</u>	<u>2,353,784</u>	<u>40,832,327</u>
Expenditures				
Current:				
General government	6,095,786	-	65,895	6,161,681
Public safety	18,078,424	-	1,137,222	19,215,646
Highways and streets	2,592,544	-	-	2,592,544
Waste, collection and disposal	2,035,308	-	-	2,035,308
Culture and recreation	2,134,694	-	-	2,134,694
Economic and community development	471,967	1,297,688	831,688	2,601,343
Unallocated general expenditures	1,243,611	-	432	1,244,043
Debt Service:				
Principal	1,748,522	-	-	1,748,522
Interest	650,015	-	-	650,015
Capital outlay	-	1,101,634	267,269	1,368,903
Total expenditures	<u>35,050,871</u>	<u>2,399,322</u>	<u>2,302,506</u>	<u>39,752,699</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,356,816</u>	<u>(1,328,466)</u>	<u>51,278</u>	<u>1,079,628</u>
Other Financing Sources (Uses)				
Transfers in	11,000	1,408,285	790,237	2,209,522
Transfers out	<u>(2,153,670)</u>	<u>(170,000)</u>	<u>(825,494)</u>	<u>(3,149,164)</u>
Total other financing sources and uses	<u>(2,142,670)</u>	<u>1,238,285</u>	<u>(35,257)</u>	<u>(939,642)</u>
Net change in fund balances	214,146	(90,181)	16,021	139,986
Fund balances - beginning	8,558,483	4,492,242	5,829,361	18,880,086
Fund balances - ending	<u>\$ 8,772,629</u>	<u>\$ 4,402,061</u>	<u>\$ 5,845,382</u>	<u>\$ 19,020,072</u>

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

City of Hagerstown, Maryland
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2011

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

Net change in fund balances - total governmental funds	\$	139,986
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 depreciation exceeded capital outlays in the current period.		(791,149)
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. This amount is the principal payments on long-term debt.		1,748,522
The 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 amortization of those costs.		(75,979)
Revenues and expenditures are reported in the statement of activities on the accrual basis and in the governmental funds when they provide for or use current financial resources. This is the net difference of revenues and expenditures recognized between the governmental funds and statement of activities.		2,070,094
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>155,595</u>
Change in net assets of governmental activities	\$	<u><u>3,247,069</u></u>

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

**City of Hagerstown, Maryland
General Fund**

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 27,036,478	\$ 27,036,478	\$ 26,910,889	\$ (125,589)
State and county shared taxes	3,189,714	3,189,714	3,292,667	102,953
Licenses and permits	1,563,400	1,563,400	1,554,465	(8,935)
Intergovernmental	170,000	170,000	191,820	21,820
Charges for services	2,945,861	2,943,861	2,937,027	(6,834)
Fines and forfeitures	102,500	102,500	73,634	(28,866)
Unallocated general revenue	2,657,817	2,637,817	2,447,185	(190,632)
Total revenues	<u>37,665,770</u>	<u>37,643,770</u>	<u>37,407,687</u>	<u>(236,083)</u>
Expenditures				
Current:				
General government	6,158,369	6,185,656	6,095,786	89,870
Public safety	19,276,551	18,322,343	18,078,424	243,919
Highways and streets	2,811,855	2,728,451	2,592,544	135,907
Waste, collection and disposal	2,081,030	2,081,030	2,035,308	45,722
Culture and recreation	2,349,521	2,290,183	2,134,694	155,489
Economic and community development	337,731	372,412	471,967	(99,555)
Unallocated general expenditures	980,600	1,852,679	1,243,611	609,068
Debt Service:				
Principal	1,748,737	1,748,737	1,748,522	215
Interest	695,263	695,263	650,015	45,248
Total expenditures	<u>36,439,657</u>	<u>36,276,754</u>	<u>35,050,871</u>	<u>1,225,883</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,226,113</u>	<u>1,367,016</u>	<u>2,356,816</u>	<u>989,800</u>
Other Financing Sources (Uses)				
Transfers in	11,000	11,000	11,000	-
Transfers out	(1,232,988)	(2,168,891)	(2,153,670)	15,221
Budgeted use of fund balance	-	600,000	-	(600,000)
Total other financing sources and (uses)	<u>(1,221,988)</u>	<u>(1,557,891)</u>	<u>(2,142,670)</u>	<u>(584,779)</u>
Net change in fund balances	4,125	(190,875)	214,146	405,021
Fund balances - beginning	8,558,483	8,558,483	8,558,483	-
Fund balances - ending	<u>\$ 8,562,608</u>	<u>\$ 8,367,608</u>	<u>\$ 8,772,629</u>	<u>\$ 405,021</u>

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, 2011

	Business-type Activities-Enterprise Funds						Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds	Totals	
Assets							
Current assets:							
Pooled cash and investments	\$ 4,129,580	\$ 3,845,811	\$ 263,133	\$ 164,610	\$ 312,149	\$ 8,715,283	\$ 5,283,829
Interest receivable	1,217	1,218	185	45	100	2,765	1,809
Accounts receivable (net of allowance for uncollectibles)							
Inventories	3,056,985	2,165,745	2,472,071	39,288	26,761	7,760,850	241,566
Due from other agencies	391,195	697,716	140,282	-	1,613	1,230,806	-
Prepaid items	-	247,122	299,677	-	50,000	596,799	-
Deferred charges	4,940	3,068	31,167	1,539	1,674	42,388	110,103
Total current assets	7,584,747	6,989,102	3,230,569	230,659	392,446	18,427,523	5,637,307
Noncurrent assets:							
Restricted assets:							
Pooled cash and investments	-	3,444,937	-	-	-	3,444,937	70,000
Long-term receivable	576,034	18,418	32,413	-	-	626,865	-
Capital assets:							
Land	1,225,255	2,019,652	180,149	1,459,464	844,069	5,728,589	-
Land improvements	298,014	28,542	9,121	895,473	203,554	1,434,704	-
Buildings and structures	1,560,845	97,388,250	57,611,877	7,637,353	4,066,185	168,264,510	-
Machinery and equipment	35,844,049	13,248,164	48,278,558	369,463	404,234	98,144,468	-
Automobiles and trucks	1,241,485	1,568,080	1,948,698	32,780	18,259	4,809,302	-
Office furniture and fixtures	397,151	78,366	268,342	-	-	743,859	-
Construction in progress	3,517	12,930,196	10,174,149	-	585,338	23,693,200	-
Less accumulated depreciation	(24,628,837)	(32,747,346)	(45,831,976)	(3,022,546)	(1,527,572)	(107,758,277)	-
Total capital assets (net of accumulated depreciation)	15,941,479	94,513,904	72,638,918	7,371,987	4,594,067	195,060,355	-
Total noncurrent assets	16,517,513	97,977,259	72,671,331	7,371,987	4,594,067	199,132,157	70,000
Total assets	24,102,260	104,966,361	75,901,900	7,602,646	4,986,513	217,559,680	5,707,307

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

Business-type Activities-Enterprise Funds

	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds	Totals	Governmental Activities-Internal Service Funds
Liabilities							
Current liabilities:							
Accounts and retainages payable	1,986,873	1,405,478	479,041	11,947	32,885	3,916,224	5,966
Compensated absences	673,627	790,014	786,885	16,499	35,717	2,302,742	-
Accrued liabilities	164,301	257,908	230,540	40,022	10,595	703,366	546,778
Customer deposits and rebates	1,275,615	-	-	5,487	-	1,281,102	-
Unearned revenue	-	101,500	-	-	720	102,220	183,089
General obligation bonds - current	45,875	1,147,921	1,662,365	362,448	36,865	3,255,474	-
Total current liabilities	<u>4,146,291</u>	<u>3,702,821</u>	<u>3,158,831</u>	<u>436,403</u>	<u>116,782</u>	<u>11,561,128</u>	<u>735,833</u>
Noncurrent liabilities:							
General obligation bonds payable	256,513	20,331,647	19,697,132	1,519,750	77	41,805,119	-
Total noncurrent liabilities	<u>256,513</u>	<u>20,331,647</u>	<u>19,697,132</u>	<u>1,519,750</u>	<u>77</u>	<u>41,805,119</u>	<u>-</u>
Total liabilities	<u>4,402,804</u>	<u>24,034,468</u>	<u>22,855,963</u>	<u>1,956,153</u>	<u>116,859</u>	<u>53,366,247</u>	<u>735,833</u>
Net Assets							
Invested in capital assets, net of related debt	15,639,091	73,034,336	51,279,421	5,489,789	4,557,125	149,999,762	-
Unrestricted	4,060,365	7,897,557	1,766,516	156,704	312,529	14,193,671	4,971,474
Total net assets	<u>\$ 19,699,456</u>	<u>\$ 80,931,893</u>	<u>\$ 53,045,937</u>	<u>\$ 5,646,493</u>	<u>\$ 4,869,654</u>	<u>\$ 164,193,433</u>	<u>\$ 4,971,474</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						<u>1,623,051</u>	
Net assets of business-type activities						<u>\$ 165,816,484</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, 2011

	Business-type Activities- Enterprise Funds					Totals	Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds		
Operating revenues:							
Service charges	\$ 32,787,629	\$ 9,047,325	\$ 9,715,688	\$ 811,019	\$ 467,298	\$ 52,828,959	\$ 6,683,721
Other revenues	354,320	612,811	203,119	849	1,162	1,172,261	146,196
Total operating revenues	<u>33,141,949</u>	<u>9,660,136</u>	<u>9,918,807</u>	<u>811,868</u>	<u>468,460</u>	<u>54,001,220</u>	<u>6,829,917</u>
Operating expenses:							
Production and treatment expenses	26,057,980	3,412,570	4,674,370	-	-	34,144,920	-
Transmission, distribution, and collection expenses	1,894,623	1,417,236	1,356,979	-	-	4,668,838	-
Selling, general and administrative expenses	3,171,474	2,394,879	2,974,026	418,283	728,485	9,687,147	-
Claim and premium expenses	-	-	-	-	-	-	6,596,653
Depreciation	951,143	1,665,328	2,299,961	205,973	102,333	5,224,738	-
Total operating expenses	<u>32,075,220</u>	<u>8,890,013</u>	<u>11,305,336</u>	<u>624,256</u>	<u>830,818</u>	<u>53,725,643</u>	<u>6,596,653</u>
Operating income (loss)	<u>1,066,729</u>	<u>770,123</u>	<u>(1,386,529)</u>	<u>187,612</u>	<u>(362,358)</u>	<u>275,577</u>	<u>233,264</u>
Nonoperating revenues (expenses):							
Intergovernmental revenue	57,730	-	-	-	50,000	107,730	-
Investment earnings	169,222	10,621	4,976	-	768	185,587	21,330
Interest expense	(10,954)	(328,880)	(345,785)	(90,444)	(702)	(776,765)	-
Bond issuance cost	(678)	(4,485)	(6,761)	(11,032)	(895)	(23,851)	-
Gain (loss) on disposal of capital assets	2,525	4,069	-	-	-	6,594	-
Total nonoperating revenue (expenses)	<u>217,845</u>	<u>(318,675)</u>	<u>(347,570)</u>	<u>(101,476)</u>	<u>49,171</u>	<u>(500,705)</u>	<u>21,330</u>
Income (loss) before contributions and transfers	1,284,574	451,448	(1,734,099)	86,136	(313,187)	(225,128)	254,594
Capital contributions	66,037	1,904,865	5,281,807	-	-	7,252,709	-
Transfers in	-	-	-	-	1,104,642	1,104,642	-
Transfers out	(55,000)	(55,000)	(55,000)	-	-	(165,000)	-
Changes in net assets	1,295,611	2,301,313	3,492,708	86,136	791,455	7,967,223	254,594
Total net assets - beginning	18,403,845	78,630,580	49,553,229	5,560,357	4,078,199	4,716,880	4,716,880
Total net assets - ending	<u>\$ 19,699,456</u>	<u>\$ 80,931,893</u>	<u>\$ 53,045,937</u>	<u>\$ 5,646,493</u>	<u>\$ 4,869,654</u>	<u>\$ 98,999</u>	<u>\$ 4,971,474</u>

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

Change in net assets of business-type activities

\$ 8,066,222

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, 2011

	Business-type Activities-					Governmental Activities- Internal Service Funds
	Enterprise Funds					
	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds	Totals
Cash Flows From Operating Activities						
Receipts from customers and users	\$ 33,312,359	\$ 9,155,293	\$ 9,475,807	\$ 911,914	\$ 481,025	\$ 53,336,398
Receipts from interfund services provided	-	-	-	-	-	-
Payments to suppliers	(28,060,057)	(3,425,898)	(6,124,108)	(114,383)	(318,725)	(38,043,171)
Payments to employees	(3,818,120)	(4,058,814)	(4,244,028)	(289,810)	(382,685)	(12,793,457)
Net cash provided (used) by operating activities	1,434,182	1,670,581	(892,329)	507,721	(220,385)	2,499,770
Cash Flows From Noncapital Financing Activities						
Proceeds from intergovernmental grant	57,730	-	-	-	-	57,730
Transfers from (to) other funds	(55,000)	(55,000)	(55,000)	-	1,104,642	939,642
Net cash provided (used) by noncapital and related financing activities	2,730	(55,000)	(55,000)	-	1,104,642	997,372
Cash Flows From Capital And Related Financing Activities						
Proceeds from intergovernmental grant	-	(141,822)	-	-	-	(141,822)
Capital contributions	66,037	1,904,865	6,485,657	-	-	8,456,559
Acquisition and construction of capital assets	(440,733)	(8,675,888)	(6,698,211)	-	(865,359)	(16,680,191)
Proceeds from bond issuance	-	7,174,181	1,858,614	-	-	9,032,795
Principal paid on capital debt	(44,742)	(1,121,697)	(1,596,722)	(350,196)	(36,500)	(3,149,857)
Interest paid on capital debt	(11,747)	(391,339)	(437,817)	(98,528)	(1,018)	(940,449)
Proceeds from sale of capital assets	2,525	4,069	-	-	-	6,594
Net cash provided (used) by capital and related financing activities	(428,660)	(1,247,631)	(388,479)	(448,724)	(902,877)	(3,416,371)
Cash Flows From Investing Activities						
Interest and dividends received	171,032	11,497	5,302	79	1,016	188,926
Net cash provided by investing activities	171,032	11,497	5,302	79	1,016	188,926

Net increase (decrease) in pooled cash and investments	1,179,284	379,447	(1,330,506)	59,076	(17,604)	269,697	43,696
Pooled cash and investments, beginning of year	2,950,296	6,911,301	1,593,639	105,534	329,753	11,890,523	5,310,133
Pooled cash and investments, end of year	\$ 4,129,580	\$ 7,290,748	\$ 263,133	\$ 164,610	\$ 312,149	\$ 12,160,220	\$ 5,353,829
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating income (loss)	\$ 1,066,729	\$ 770,123	\$ (1,386,529)	\$ 187,612	\$ (362,358)	\$ 275,577	\$ 233,264
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense	951,143	1,665,328	2,299,961	205,973	102,333	5,224,738	-
Net effect of changes in assets and liabilities							
Accounts receivable	120,091	(490,105)	(442,997)	4,104	12,315	(796,592)	(32,717)
Inventories	(145,526)	(36,138)	(15,844)	-	(1,613)	(199,121)	-
Prepaid items	11,146	(2,512)	(12,384)	(1,271)	(1,268)	(6,289)	(41,852)
Accounts and retainages payable	(502,099)	(101,879)	(1,196,876)	8,247	19,288	(1,773,319)	(191,585)
Compensated absences payable	(148,341)	(134,373)	(180,825)	3,574	7,403	(452,562)	-
Accrued liabilities	30,719	14,689	43,166	3,540	3,265	95,379	18,411
Customer deposits and rebates	50,320	-	-	147	-	50,467	-
Due from other agencies	10,000	-	-	95,795	-	105,795	-
Unearned revenue	(10,000)	(14,552)	(1)	-	250	(24,303)	33,613
Total adjustments	367,453	900,458	494,200	320,109	141,973	2,224,193	(214,130)
Net cash provided (used) by operating activities	\$ 1,434,182	\$ 1,670,581	\$ (892,329)	\$ 507,721	\$ (220,385)	\$ 2,499,770	\$ 19,134
Reconciliation of pooled cash and investments to the balance sheet							
Pooled cash and investments	\$ 4,129,580	\$ 3,845,811	\$ 263,133	\$ 164,610	\$ 312,149	\$ 8,715,283	\$ 5,283,829
Restricted pooled cash and investments	-	3,444,937	-	-	-	3,444,937	70,000
Totals	\$ 4,129,580	\$ 7,290,748	\$ 263,133	\$ 164,610	\$ 312,149	\$ 12,160,220	\$ 5,353,829
Noncash investing, capital, and financing activities:							
Transfer of capital asset (to)/ from Governmental Fund	(11,988)	19,158	-	-	-	7,170	-

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

City of Hagerstown, Maryland
Combining Statement of Net Assets
Pension Trust Funds
June 30, 2011

	Pension Trust Fund	Other Post Employment Benefits (OPEB) Trust Fund	Total Trust Funds
Assets			
Investments, at fair value:			
Cash and Cash Equivalents	\$ 549,829	\$ 635,059	\$ 1,184,888
Government and Agency Issues	2,368,777	-	2,368,777
Corporate Debt Issues	1,528,194	-	1,528,194
Common Stock	4,337,253	463,119	4,800,372
Mutual Funds	6,549,621	1,478,147	8,027,768
Total investments	<u>15,333,674</u>	<u>2,576,325</u>	<u>17,909,999</u>
Accounts Receivable	128,354	-	128,354
Interest Receivable	37,107	2,016	39,123
Prepaid items	-	1,264	1,264
Total assets	<u>15,499,135</u>	<u>2,579,605</u>	<u>18,078,740</u>
Liabilities			
Accounts payable	-	1,264	1,264
Total liabilities	<u>-</u>	<u>1,264</u>	<u>1,264</u>
Net Assets			
Held in trust for pension benefits	<u>\$ 15,499,135</u>	<u>\$ 2,578,341</u>	<u>\$ 18,077,476</u>

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

City of Hagerstown, Maryland
Combining Statement of Changes in Net Assets
Pension Trust Funds
For the Year Ended June 30, 2011

	Pension Trust Fund	Other Post Employment Benefits (OPEB) Trust Fund	Total Trust Funds
Additions			
Contributions:			
Employer	\$ 1,216,190	\$ 625,000	\$ 1,841,190
Plan members	713,154	-	713,154
Total contributions	<u>1,929,344</u>	<u>625,000</u>	<u>2,554,344</u>
Investment earnings:			
Interest and dividends	353,432	42,226	395,658
Net increase in the fair value of investments	<u>2,268,468</u>	<u>330,885</u>	<u>2,599,353</u>
Total investment earnings	2,621,900	373,111	2,995,011
Less investment expense	<u>21,138</u>	<u>5,605</u>	<u>26,743</u>
Net investment earnings	<u>2,600,762</u>	<u>367,506</u>	<u>2,968,268</u>
Total additions	<u>4,530,106</u>	<u>992,506</u>	<u>5,522,612</u>
Deductions			
Benefits	1,599,977	-	1,599,977
Administrative expenses	13,382	-	13,382
Actuarial fees	<u>11,354</u>	<u>19,061</u>	<u>30,415</u>
Total deductions	<u>1,624,713</u>	<u>19,061</u>	<u>1,643,774</u>
Change in net assets	2,905,393	973,445	3,878,838
Net assets - beginning	<u>12,593,742</u>	<u>1,604,896</u>	<u>14,198,638</u>
Net assets - ending	<u>\$ 15,499,135</u>	<u>\$ 2,578,341</u>	<u>\$ 18,077,476</u>

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

City of Hagerstown
Notes to the Financial Statements
June 30, 2011

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, waste collection and disposal, parks and recreation, engineering, planning and zoning, economic and community development, water, wastewater, 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.

I. Summary of significant accounting policies (continued)

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 government.

The City reports the following major governmental funds:

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

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

The government reports the following major proprietary funds:

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

I. Summary of significant accounting policies (continued)

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

Additionally, the government reports the following funds:

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

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

I. Summary of significant accounting policies (continued)

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

To facilitate effective management of the City's resources, substantially all operating cash is combined in one pooled cash and investment account. 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. The pension and other post employment benefits trust fund assets are separately managed by PNC Institutional Investments. The pension and other post employment benefits trust fund investments are stated at fair value. 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. These short-term investments include mutual funds and U.S. Treasury Securities.

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 equity in pooled cash balances during the month.

2. Receivables and payables

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

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

All receivables are reported at their gross value, and where appropriate, receivables are reduced by the estimated portion that is considered to be uncollectible. Trade accounts receivable in excess of 1 year and 5% of trade accounts receivable less than 1 year comprise the trade accounts receivable allowance for uncollectibles.

Taxes on real property and business personal property are levied on property values as assessed on January 1, billed on July 1 and payable by September 30. Real property may be paid in two equal installments on September 30 and December 31. Property taxes are attached as an enforceable tax lien on the underlying properties as of the succeeding June 1 and are thereafter, sold at public auction if deemed delinquent.

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.

I. Summary of significant accounting policies (continued)

D. Assets, liabilities, and net assets or equity (continued)

2. Receivables and payables (continued)

Significant property tax information is as follows:

	<u>Real Property</u>	<u>Business Personal Property</u>
Assessment roll validated:	January 1	January 1
Tax rate ordinance approved:	May 25	May 25
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 6/30/2011 Per \$100 of assessable base	\$ 0.788	\$ 1.970
Maximum discount:	July 31	July 31
Delinquent:	On October 1	30 days after Bill Date
Terms	0.5% / 30 days	0.5% / 30 days
Delinquent interest and penalty:	12% annually	12% annually

Information presented is for “full year” levy. “Half year” levy dates are six months later and relate to new construction.

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.

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.

Governmental fund inventories and prepaid items are offset by a fund balance reserve for nonspendable resources. This indicates that inventory balances and prepaid items do not constitute “available spendable resources” at the balance sheet date even though they are a component of net current assets.

I. Summary of significant accounting policies (continued)

D. Assets, liabilities, and net assets or equity (continued)

4. Restricted cash

Benefit charge proceeds of \$2,466,153 in the water 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, water transmission mains, pump stations, or tanks. The funds are not to be used to pay for maintenance items per policies set by the Mayor and Council.

The water fund also has restricted assets of \$877,784 for money received as part of the 2006 agreement between the City and the Department of Interior for the City to refrain from development of real estate which it owns along the Appalachian Trail and of \$101,000 for money received as part of a 2004 agreement between the City and Aviation Resources Delaware, Inc. to construct a finished water storage tank in the vicinity of Industry Drive.

The City's participation in the Federal Community Development Block Grant Program requires pooled cash and investments to be restricted for specific purposes. As of June 30, 2011, \$5,158 was restricted for single family loans and \$9,176 was restricted for escrowed taxes and insurance.

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

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

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government 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.

I. Summary of significant accounting policies (continued)

D. Assets, liabilities, and net assets or equity (continued)

5. Capital assets (continued)

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

Property, plant, and equipment of the government are depreciated using the straight line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The following are 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 City's policy regarding sick leave entitles eligible employees to receive partial payment of sick leave hours accumulated, payable at the employee's final, straight time rate of pay. The maximum that all employees may accumulate is 145 days of sick leave. Employees who retire from the City will receive payment for accumulated sick leave prorated as follows:

Prior to 8/1/11	100%
8/1/11 to 6/30/12	80%
7/1/12 to 6/30/13	70%
7/1/13 to 6/30/14	60%
7/1/14 to 6/30/15	50%
7/1/16 and thereafter	maximum payout is \$12,000

If the reduction by percentage results in a payout of less than \$12,000, the employee will only be reduced to the \$12,000 cap.

Non-union employees, as well as employees who are members of A.F.S.C.M.E. #1540, I.B.E.W #307, and I.A.F.F. #1605 who leave City service for reasons other than retirement with a minimum of five (5) consecutive years of service will be paid for one

I. Summary of significant accounting policies (continued)

D. Assets, liabilities, and net assets or equity (continued)

6. Compensated absences (continued)

half (1/2) of accumulated sick leave hours at the employee's final rate of pay up to a maximum of \$6,000. Employees who are members of A.F.S.C.M.E. #3373 who leave City service for reasons other than retirement with a minimum of ten (10) consecutive years of service 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 \$3,000.

The liabilities associated with accumulated sick leave time are calculated based on the following assumption:

- Non-union employees and union who have not met the minimum years of service based on their employee group are not entitled to a payout of sick leave.
- Non-union employees, as well as employees who are members of A.F.S.C.M.E. #1540, I.B.E.W #307, and I.A.F.F. #1605 with more than 5 years of service but less than 10 years of service will be paid for one half (1/2) of accumulated sick leave up to a maximum of \$6,000.
- Employees who are members of A.F.S.C.M.E. #3373 with more than ten (10) years of service but less than fifteen (15) years of service will be paid for one half (1/2) of accumulated sick leave hours up to a maximum of \$3,000
- Non-union employees, as well as employees who are members of A.F.S.C.M.E. #1540, I.B.E.W #307, and I.A.F.F. #1605 with 10 years of service or more would continue employment with the City until retirement.
- Employees who are members of A.F.S.C.M.E. #3373 with 15 years of service or more would continue employment with the City until retirement and payouts are prorated based on the aforementioned schedule.

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
- I.B.E.W. #307 employees – 120 hours
- Police department management through rank of Sergeant – 24 hours
- All other F.L.S.A. non-exempt employees – 240 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.

I. Summary of significant accounting policies (continued)

D. Assets, liabilities, and net assets or equity (continued)

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 debt service expenditures.

8. Net assets and fund equity

The difference between fund assets and liabilities is *Net Assets* on the government-wide and fiduciary fund statements and *Fund Balance* on governmental fund statements. Net Assets are classified as *Invested in Capital Assets, Net of Related Debt*, legally *Restricted* for a specific purpose or *Unrestricted* and available for appropriation for general purposes.

In the governmental fund financial statements, non-spendable and restricted fund balance represent amounts that are legally restricted by outside parties for use for a specific purpose or are otherwise not available for appropriation. Committed fund balance represents amounts that are reserved for a particular purpose by the Mayor and Council of the City of Hagerstown and would require action by the governing body to release the fund balance from its commitment. Assigned fund balance represents 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 \$24,240,239 difference are as follows:

Bonds payable	\$ 18,695,138
Accrued interest payable	286,548
Deferred charges	(75,979)
Compensated absences	<u>5,334,532</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 24,240,239</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 (\$791,149) difference are as follows:

Capital outlay	\$ 1,368,903
Contributed assets	799,603
Depreciation expense	<u>(2,959,655)</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>\$ (791,149)</u>

II. Reconciliation of government-wide and fund financial statements (continued)

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 “Revenues and expenditures are reported in the statement of activities on the accrual basis and in the governmental funds when they provide for or use current financial resources. This is the net difference of revenues and expenditures recognized between the governmental funds and statement of activities.” The details of this \$2,070,094 difference are as follows:

Compensated absences	\$ 1,860,077
Accrued interest	20,602
Deferred revenue	<u>189,415</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>\$ 2,070,094</u>

III. Stewardship, compliance, and accountability

A. Budgetary information

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

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

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

B. Excess of expenditures over revenues

For the year ended June 30, 2011, expenditures/expenses exceeded revenues by \$90,181 in the Capital Projects Fund, \$39,992 in the Community Development Block Grant Fund, \$10,506 in the Flexible Spending Fund, \$47,182 in the Telecommuting Center Fund, \$122,353 in the Business Revolving Loan Fund, and \$210,589 in the Excise Tax Fund. These excess expenditures/expenses were funded by beginning of the year fund balance in the respective funds.

C. Restricted Net Assets

At June 30, 2011, \$4,402,061 is restricted for the Capital Project Fund for projects which contain specific grants or contributions.

At June 30, 2011, \$5,845,382 is restricted for Special Revenue Funds. This total consists of \$3,222,881 for the Community Development Block Grant Fund, \$679,726 for the Economic Redevelopment Fund, \$22,685 for the Flexible Spending Fund, \$94,844 for the Telecommuting Center Fund, \$604,967 for the Business Revolving Loan Fund, \$893,868 for the Excise Tax Fund, \$126,459 for the Grant Fund, and \$199,952 for the Upper Floors Redevelopment Fund.

IV. Detailed notes on all funds

A. Deposits and investments

At June 30, 2011, 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 \$14,052,108 and the bank balances were \$14,527,688. 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 \$6,960,569 was secured by federal depository insurance and \$7,417,119 was collateralized by securities held by the bank's agent in the City's name. Due to the timing of the City's payroll direct deposit transfer, \$150,000 was uncollateralized at June 30, 2011.

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, 2011 the City had \$18,797,632 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 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.

IV. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

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		\$ 549,829	\$ 549,829	\$ -	\$ -	\$ -
Cititbank NA	AAA	20,389	-	20,389	-	-
Federal Home Loan Mortgage Corp		239,655	-	38,556	41,237	159,862
Federal National Mortgage Assn		845,767	-	1,158	42,512	802,097
Government National Mortgage Assoc		104,632	-	-	-	104,632
U S Treasury Notes		1,108,205	577,727	377,842	33,846	118,790
Wells Fargo & Co.	AAA	50,129	50,129	-	-	-
Various Agencies	A1	139,939	-	22,561	70,198	47,180
Various Agencies	A2	135,598	-	15,102	102,218	18,278
Various Agencies	A3	151,272	-	69,762	45,716	35,794
Various Agencies	AA1	21,002	-	21,002	-	-
Various Agencies	AA2	197,016	-	85,324	91,249	20,443
Various Agencies	AA3	67,450	-	30,582	36,868	-
Various Agencies	AAA	299,197	-	120,989	-	178,208
Various Agencies	BAA1	203,029	-	36,584	102,323	64,122
Various Agencies	BAA2	226,104	-	21,737	168,250	36,117
Various Agencies	BAA3	80,974	-	-	36,979	43,995
Various Agencies	NR	6,613	-	6,613	-	-
Common Stock		4,337,253	4,337,253	-	-	-
Mutual Funds		6,549,621	6,549,621	-	-	-
Total Investments Held by Trustee of Pension Plan		<u>\$15,333,674</u>	<u>\$12,064,559</u>	<u>\$ 868,201</u>	<u>\$ 771,396</u>	<u>\$1,629,518</u>

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

	Moody's Rating	Fair Value	Investment Maturities (in Years)			
			Less than 1	1 - 5	6 -10	More than 10
Cash and Cash Equivalents		\$ 635,059	\$ 635,059	\$ -	\$ -	\$ -
Common Stock		463,119	463,119	-	-	-
Mutual Funds		1,478,147	1,478,147	-	-	-
Total Investments Held by Trustee of OPEB Plan		<u>\$2,576,325</u>	<u>\$2,576,325</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest rate risk – As a means of limiting its exposure to fair value losses arising from interest rates, the City's investment policy specifies that investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures (payroll, bond payments) as well as considering sizeable blocks of anticipated revenue (tax turnover, franchise fee payments). Investment maturities should normally not be for more than a year or have an early withdraw option within 12 months if the maturity date is longer than a year.

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

IV. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

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.

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

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

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

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

Foreign Currency Risk – The City’s Pension Plan has 14% invested in foreign stocks. The investment policy permits it to invest up to 20% of total investments in international equities.

IV. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

The City’s OPEB Plan Investment Policy states that the assets are to be managed to provide health benefits for eligible retirees and their eligible survivors and dependents. The plans’ assets are to be invested to maximize long-term stability and growth with a minimal amount of risk. Portfolio risk should be decreased by increasing portfolio diversification, and by lowering the level or correlation of market behavior among the asset classes selected.

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

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

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

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

Foreign Currency Risk – The City’s OPEB Plan has 9% invested in foreign stocks. The investment policy permits it to invest up to 20% of total investments in international equities.

IV. Detailed notes on all funds (continued)

B. Receivables

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

Governmental Activities:

	General	Capital Projects	Internal Service Funds	Non-Major Governmental Funds	Total Governmental Funds
Receivables:					
Taxes	\$ 936,601	\$ -	\$ -	\$ -	\$ 936,601
Intergovernmental	1,130,487	-	-	630,085	1,760,572
Customers	1,236,953	66,637	241,566	10,954	1,556,110
Loans	22,087	155,568	-	3,028,107	3,205,762
Interest	4,821	1,818	1,809	750	9,198
Employee	2,663	-	-	-	2,663
Gross receivables	<u>3,333,612</u>	<u>224,023</u>	<u>243,375</u>	<u>3,669,896</u>	<u>7,470,906</u>
Less: allowance for uncollectibles	(678,701)	-	-	(235,738)	(914,439)
Net total receivables	<u>\$ 2,654,911</u>	<u>\$ 224,023</u>	<u>\$ 243,375</u>	<u>\$ 3,434,158</u>	<u>\$ 6,556,467</u>

Business-Type Activities:

	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds	Business- Type Activities
Receivables:						
Intergovernmental	\$ -	\$ 247,122	\$ 299,677	\$ -	\$ 50,000	\$ 596,799
Customers	5,551,448	2,346,905	2,642,442	103,319	26,761	10,670,875
Loans	2,404,038	18,418	32,413	-	600,000	3,054,869
Interest	1,217	1,218	185	45	100	2,765
Employee	-	-	513	-	-	513
Gross receivables	<u>7,956,703</u>	<u>2,613,663</u>	<u>2,975,230</u>	<u>103,364</u>	<u>676,861</u>	<u>14,325,821</u>
Less: allowance for uncollectibles	(4,322,467)	(181,160)	(170,884)	(64,031)	(600,000)	(5,338,542)
Net total receivables	<u>\$ 3,634,236</u>	<u>\$ 2,432,503</u>	<u>\$ 2,804,346</u>	<u>\$ 39,333</u>	<u>\$ 76,861</u>	<u>\$ 8,987,279</u>

City Totals:

	Governmental Activities	Business-Type Activities	Total
Receivables:			
Taxes	\$ 936,601	\$ -	\$ 936,601
Intergovernmental	1,760,572	596,799	2,357,371
Customers	1,556,110	10,670,875	12,226,985
Loans	3,205,762	3,054,869	6,260,631
Interest	9,198	2,765	11,963
Employee	2,663	513	3,176
Gross receivables	<u>7,470,906</u>	<u>14,325,821</u>	<u>21,796,727</u>
Less: allowance for uncollectibles	(914,439)	(5,338,542)	(6,252,981)
Net total receivables	<u>\$ 6,556,467</u>	<u>\$ 8,987,279</u>	<u>\$ 15,543,746</u>

IV. Detailed notes on all funds (continued)

B. Receivables (continued)

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

	Unavailable	Unearned	Total
Deferred income taxes receivable	\$ 656,801	\$ -	\$ 656,801
Other deferred revenues	63,827	61,802	125,629
Total deferred/unearned revenue for governmental funds	<u>\$ 720,628</u>	<u>\$ 61,802</u>	<u>\$ 782,430</u>

IV. Detailed notes on all funds (continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 3,715,746	\$ -	\$ -	\$ -	\$ 3,715,746
Construction in progress	7,405,689	936,777	-	(801,143)	7,541,323
Total capital assets, not being depreciated	<u>11,121,435</u>	<u>936,777</u>	<u>-</u>	<u>(801,143)</u>	<u>11,257,069</u>
Capital assets, being depreciated:					
Land improvements	3,919,696	45,435	-	-	3,965,131
Buildings and structures	14,558,236	41,491	-	417,760	15,017,487
Machinery and equipment	4,527,714	225,695	-	-	4,753,409
Automobiles and trucks	7,120,192	178,737	(2,085)	(7,170)	7,289,674
Office furniture and fixtures	3,304,381	97,164	-	153,499	3,555,044
Infrastructure	86,379,857	644,747	-	229,884	87,254,488
Total capital assets being depreciated	<u>119,810,076</u>	<u>1,233,269</u>	<u>(2,085)</u>	<u>793,973</u>	<u>121,835,233</u>
Less accumulated depreciation for:					
Land improvements	(412,257)	(94,370)	-	-	(506,627)
Buildings and structures	(7,338,079)	(364,136)	-	-	(7,702,215)
Machinery and equipment	(2,166,940)	(365,212)	-	-	(2,532,152)
Automobiles and trucks	(4,925,492)	(550,300)	2,085	5,256	(5,468,451)
Office furniture and fixtures	(2,052,742)	(119,454)	-	-	(2,172,196)
Infrastructure	(34,350,968)	(1,466,183)	-	-	(35,817,151)
Total accumulated depreciation	<u>(51,246,478)</u>	<u>(2,959,655)</u>	<u>2,085</u>	<u>5,256</u>	<u>(54,198,792)</u>
Total capital assets, being depreciated, net	<u>68,563,598</u>	<u>(1,726,386)</u>	<u>-</u>	<u>799,229</u>	<u>67,636,441</u>
Governmental activities capital assets, net	<u>\$ 79,685,033</u>	<u>\$ (789,609)</u>	<u>\$ -</u>	<u>\$ (1,914)</u>	<u>\$ 78,893,510</u>

IV. Detailed notes on all funds (continued)

C. Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 5,448,572	\$ 280,017	\$ -	\$ -	\$ 5,728,589
Construction in progress	19,544,164	8,403,886	-	(4,254,850)	23,693,200
Total capital assets, not being depreciated	<u>24,992,736</u>	<u>8,683,903</u>	<u>-</u>	<u>(4,254,850)</u>	<u>29,421,789</u>
Capital assets, being depreciated:					
Land improvements	1,434,704	-	-	-	1,434,704
Buildings and structures	161,715,501	6,549,009	-	-	168,264,510
Machinery and equipment	92,179,375	1,710,243	-	4,254,850	98,144,468
Automobiles and trucks	4,787,811	25,861	(11,540)	7,170	4,809,302
Office furniture and fixtures	743,859	-	-	-	743,859
Total capital assets being depreciated	<u>260,861,250</u>	<u>8,285,113</u>	<u>(11,540)</u>	<u>4,262,020</u>	<u>273,396,843</u>
Less accumulated depreciation for:					
Land improvements	(816,340)	(43,609)	-	-	(859,949)
Buildings and structures	(50,804,630)	(2,595,107)	-	-	(53,399,737)
Machinery and equipment	(46,620,307)	(2,371,031)	-	-	(48,991,338)
Automobiles and trucks	(3,601,713)	(206,208)	13,543	(5,256)	(3,799,634)
Office furniture and fixtures	(698,836)	(8,783)	-	-	(707,619)
Total accumulated depreciation	<u>(102,541,826)</u>	<u>(5,224,738)</u>	<u>13,543</u>	<u>(5,256)</u>	<u>(107,758,277)</u>
Total capital assets, being depreciated, net	<u>158,319,424</u>	<u>3,060,375</u>	<u>2,003</u>	<u>4,256,764</u>	<u>165,638,566</u>
Business-type activities capital assets, net	<u>\$ 183,312,160</u>	<u>\$ 11,744,278</u>	<u>\$ 2,003</u>	<u>\$ 1,914</u>	<u>\$ 195,060,355</u>

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

Governmental activities:	
General government, including general infrastructure assets	\$ 1,519,863
Public safety	588,472
Highways and streets	348,915
Culture and recreation	467,488
Municipal buildings	31,194
Economic and community development	3,723
Total depreciation expense – governmental activities	<u>\$ 2,959,655</u>

IV. Detailed notes on all funds (continued)

C. Capital Assets (continued)

Business-type activities:	
Electric	\$ 951,143
Water	1,665,328
Wastewater	2,299,961
Parking facilities	205,973
Golf course	21,055
Property management	81,278
Total depreciation expense – business-type activities	<u>\$ 5,224,738</u>

Construction commitments

The government has active construction projects as of June 30, 2011. The projects include improvements to the water and wastewater treatment plants and systems, a new West End water storage tank, and construction of major street and road improvements. At year end the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to- Date</u>	<u>Remaining Commitment</u>
Edgewood/US 40 Widening	\$ 1,040,670	\$ 50,000
West End Storage Tank – Phase II	5,936,496	2,204,500
Willson Plant & Transmission Mains	3,405,471	2,122,600
R.C. Willson Plant Phase IV	136,884	92,900
R.C. Willson Plant Phase V	2,917,590	1,695,700
Waste Water Treatment Plant - Disinfection Phase 3B	4,675,145	121,200
Waste Water Treatment Plant – Environmental Improvements	<u>10,178,954</u>	<u>537,300</u>
Total	<u>\$ 28,291,210</u>	<u>\$ 6,824,200</u>

The widening of Edgewood Drive at US40 is being financed through state and county funding as well as contributions from developers. 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 Willson Plant & Transmission Mains and phases IV & V of the R.C. Willson Plant improvements are primarily being financed through low-rate interest bonds from the Maryland Department of the Environment. The upgrades of the Waste Water Treatment Plant facility are being financed through state grants, bond financing and benefit charges from new users.

IV. Detailed notes on all funds (continued)

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2011, is as follows:

Advances from/to other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Community Development Block Grant Fund	\$ 102,000
General Fund	Grant Revenue Fund	305,000

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 2011. The temporary advance will then be reversed.

Interfund transfers:

Transfers in:	Transfers Out:						Total Transfers In
	General Fund	Nonmajor Governmental	Electric	Water	Wastewater	CIP	
General	\$ -	\$ 11,000	\$ -	\$ -	\$ -	\$ -	\$ 11,000
Capital Projects	666,506	576,779	55,000	55,000	55,000	-	1,408,285
Nonmajor							
Governmental	590,237	200,000	-	-	-	-	790,237
Property Mgmt.	600,000	37,715	-	-	-	170,000	807,715
Nonmajor							
Enterprise	296,927	-	-	-	-	-	296,927
Transfers in	<u>\$ 2,153,670</u>	<u>\$ 825,494</u>	<u>\$ 55,000</u>	<u>\$ 55,000</u>	<u>\$ 55,000</u>	<u>\$ 170,000</u>	<u>\$ 3,314,164</u>

The \$11,000 transferred in to the General Fund has two separate components: (1) a \$5,000 transfer from the Community Development Block Grant Fund for park/playground youth programs and (2) a \$6,000 transfer from the Flexible Spending Fund for employee events.

Transfers to the Capital Projects Fund from the General Fund (\$666,506), Nonmajor Governmental Funds (\$576,779), Electric Fund (\$55,000), Water Fund (\$55,000), and Wastewater Fund (\$55,000) are for capital expenditures. These annual capital expenditures include purchases of governmental vehicles, annual resurfacing of City streets and alleys, funds for park and neighborhood improvements, and various other major capital projects. The projects are government wide in nature and benefit the entire City.

The \$590,237 transfer from the General Fund to the Nonmajor Governmental Funds has two separate components: (1) a \$250,000 transfer to the Economic Redevelopment Fund for community betterment projects and (2) a \$340,237 transfer to the Grant Revenue Fund for local match requirements.

IV. Detailed notes on all funds (continued)

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

The \$200,000 transfer between Nonmajor Governmental Funds represents a transfer from the Economic Redevelopment Fund (\$75,000) and the Business Revolving Loan Fund (\$125,000) to the Upper Floors Redevelopment Fund for downtown community betterment and redevelopment.

Transfers to the Property Management Fund from the General Fund (\$600,000), Nonmajor Governmental Funds (\$37,715), and the Capital Projects Fund (\$170,000) are for capital expenditures. These capital expenditures include the purchase and renovation of City owned buildings.

The \$296,927 transfer from the General Fund to the Nonmajor Enterprise Funds represents operating transfers to the Golf Course Fund.

IV. Detailed notes on all funds (continued)

E. Operating Leases

The City has entered into several lease agreements as lessee for various other types of equipment under non-cancelable operating leases. Total costs for equipment operating leases were \$41,309 in FY2011. Future minimum lease payments for these leases are as follows:

	Fiscal Years Ending June 30,						Total
	2012	2013	2014	2015	2016	Thereafter	
Total	<u>\$ 17,762</u>	<u>\$ 834</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,596</u>

The City leases buildings and office facilities for properties located in Hagerstown, Maryland and in Washington County, Maryland to other parties under non-cancelable operating leases and on a month – to – month basis. The rental income received for those properties for the fiscal year ended June 30, 2011 was \$528,893. Future minimum rental income for these leases is as follows:

	Fiscal Years Ending June 30,						Total
	2012	2013	2014	2015	2016	Thereafter	
Totals	<u>\$381,360</u>	<u>\$334,916</u>	<u>\$317,429</u>	<u>\$275,896</u>	<u>\$186,198</u>	<u>\$816,274</u>	<u>\$2,312,074</u>

As of June 30, 2011, the cost and carrying amount of these leased assets by major asset class and accumulated depreciation in total are as follows:

	Cost by Asset Class				Total Carrying Amount
	Land	Building			
	Cost (Not Being Depreciated)	Cost	Accumulated Depreciation	Net	
TOTALS	<u>\$1,114,702</u>	<u>\$4,603,653</u>	<u>\$ 1,325,336</u>	<u>\$3,278,317</u>	<u>\$4,393,019</u>

IV. Detailed notes on all funds (continued)

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:

Description	Interest Rates	Maturity	Governmental Activities	Business-Type Activities	Total
1996 general obligation	4.79%	2012	\$ 120,341	\$ 234,659	\$ 355,000
1997 general obligation	4.60%	2013	294,382	805,618	1,100,000
1998 MD Water Quality Revolving Loan Fund	3.13%	2019	-	608,797	608,797
1998 general obligation	4.31%	2014	365,000	-	365,000
1998 MD Water Quality Revolving Loan Fund	2.37%	2020	-	3,372,902	3,372,902
2000 MD Water Quality Revolving Loan Fund	2.40%	2021	-	1,163,478	1,163,478
2002 The Columbia Bank	3.39%	2014	-	18,512	18,512
2002 Washington County MWQ Refunding	5.25%	2015	-	119,533	119,533
2002 State of Maryland Water Supply Assistance	4.40%	2010	-	183,338	183,338
2004 public facilities bonds	3.4%-4.3%	2020	925,000	-	925,000
2004 refunding bonds	3.40%	2012	253,510	251,490	505,000
2004 taxable facilities	5.4%-6.0%	2020	-	965,000	965,000
2005 general obligation	3.36%	2020	2,512,750	132,250	2,645,000
2005 MD Water Quality Revolving Loan Fund	0.40%	2025	-	5,264,280	5,264,280
2006 general obligation	3.66%	2022	5,878,275	1,941,725	7,820,000
2007 The Columbia Bank	5.94%	2013	65,493	-	65,493
2007 MD Drinking Water Revolving Loan Fund	0.40%	2028	-	4,874,344	4,874,344
2009 MDE West End Reservoir Tank Phase II	0.00%	2041	-	4,559,222	4,559,222
2009 MDE RCWillson Mains	0.00%	2041	-	3,952,677	3,952,677
2009 Salem Ave. Collection System Rehabilitation	0.00%	2029	-	728,500	728,500
2009 MD Water Quality Revolving Loan Fund	0.00%	2030	-	6,566,775	6,566,775
2009-A Tax Exempt Bonds	2.0%-4.0%	2020	3,120,006	3,499,994	6,620,000
2009-B Taxable Build America Bonds	5.%-5.75%	2030	5,073,545	5,691,455	10,765,000
Total general obligation bonds payable			18,608,302	44,934,549	63,542,851
Premiums on bond issues			86,836	107,819	194,655
Total general obligation debt outstanding			\$ 18,695,138	\$ 45,042,368	\$ 63,737,506

IV. Detailed notes on all funds (continued)

F. Long-term debt (continued)

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

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

Year Ended June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 1,812,337	\$ 604,213	\$ 3,254,567	\$ 762,300
2013	1,385,690	553,269	2,830,832	767,846
2014	1,229,349	509,767	2,588,538	733,290
2015	1,188,309	465,098	2,621,938	685,010
2016-2020	6,667,496	1,670,268	13,626,956	2,718,160
2021-2025	3,549,164	697,675	10,225,051	1,555,274
2026-2030	2,775,957	194,552	6,381,908	379,920
2031-2035	-	-	1,418,650	-
2036-2040	-	-	1,418,650	-
2041-2045	-	-	567,459	-
Total	18,608,302	4,694,842	44,934,549	7,601,800
Premiums on bond issues	86,836	-	107,819	-
Total general obligation debt	\$ 18,695,138	\$ 4,694,842	\$ 45,042,368	\$ 7,601,800

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, 2011, \$18,225 of revenue bonds was outstanding:

Description	Interest Rate	Maturity	Business-type Activities
1993 M.C.C.B. water supply assistance loan	5.36%	2025	\$ 18,225

Revenue bond debt service requirements to maturity are as follows:

Year Ended June 30	Business-type Activities	
	Principal	Interest
2012	\$ 907	\$ 977
2013	956	928
2014	1,007	877
2015	1,061	823
2016-2020	6,220	3,198
2021-2025	8,074	1,343
Total	\$ 18,225	\$ 8,146

IV. Detailed notes on all funds (continued)

F. Long-term debt (continued)

Changes in long-term liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation					
Bonds	20,356,823	-	(1,748,521)	18,608,302	1,812,337
Premium	100,603	-	(13,767)	86,836	-
Total long-term debt	<u>20,457,426</u>	<u>-</u>	<u>(1,762,288)</u>	<u>18,695,138</u>	<u>1,812,337</u>
Compensated absences	7,194,609	3,281,209	(5,141,286)	5,334,532	1,607,828
Governmental activity					
Long-term liabilities	<u>27,652,035</u>	<u>3,281,209</u>	<u>(6,903,574)</u>	<u>24,029,670</u>	<u>3,420,165</u>
Business-type activities					
Bonds payable:					
General obligation					
Bonds	41,713,509	6,370,036	(3,148,996)	44,934,549	3,254,567
Revenue bonds	19,086	-	(861)	18,225	907
Premium	124,130	-	(16,311)	107,819	-
Total long-term debt	<u>41,856,725</u>	<u>6,370,036</u>	<u>(3,166,168)</u>	<u>45,060,593</u>	<u>3,255,474</u>
Compensated absences	2,755,302	1,521,637	(1,974,197)	2,302,742	824,659
Business-type activities					
Long-term liabilities	<u>44,612,027</u>	<u>7,891,673</u>	<u>(5,140,365)</u>	<u>47,363,335</u>	<u>4,080,133</u>

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

V. Other information

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. These risks are accounted for in individual government funds. For these risks, the government is only liable to the extent of its deductibles which can range from \$500 to \$10,000. These liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims related costs exceeding insurance coverage were \$0 for 2011 and 2010; and \$22,367 for 2009.

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

Beginning July 1, 2000, the City replaced its full coverage health insurance with a large deductible coverage program. These risks are accounted for in the government's Health Insurance Fund. For these risks the government is liable for the first \$200,000 of individual medical claims and an aggregate stop loss of \$6.5 million.

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

The City estimates its liability is \$208,500 in general liability risk claims, \$29,447 in workers compensation claims, and \$517,331 in health and dental insurance.

	General Liability Risks Program		Workers Compensation Fund		Health Insurance Fund	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
Unpaid claims, beginning of year	\$ 105,000	\$ 153,500	\$ 35,934	\$ 35,934	\$ 492,432	\$ 686,658
Incurred claims	175,908	21,059	-	-	4,694,226	5,583,093
Claim payments	(72,408)	(69,559)	(6,487)	-	(4,669,327)	(5,777,319)
Unpaid claims, end of year	<u>\$ 208,500</u>	<u>\$ 105,000</u>	<u>\$ 29,447</u>	<u>\$ 35,934</u>	<u>\$ 517,331</u>	<u>\$ 492,432</u>

V. Other information (continued)

B. Contingent liabilities and commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City of Hagerstown is a defendant in various legal proceedings at June 30, 2011. The government officials and counsel intend to defend all pending litigation against the government, and the outcome of these legal proceedings is not presently determinable. In the opinion of the government and counsel, 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.

C. Other post employment benefits

In addition to the pension benefits described in Note V D, the City of Hagerstown provides other post employment benefits (OPEB) to all employees who qualify as a retiree and meet specific service requirements. The City established an irrevocable trust for administering the plan assets and paying healthcare costs on behalf of the participants. During fiscal year 2011, 233 retirees and their 202 dependents were eligible for hospitalization and dental benefits. For fiscal year 2011, total claims paid for retiree health and dental care benefits was approximately \$1,262,337.

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

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

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

V. Other information (continued)

C. Other post employment benefits (continued)

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

Retirees meeting those hire dates and years of full time continuous services who are under 65 years of age and were also hired on or before February 2, 2004 share the cost of dependency coverage equally with the City, and the City pays 80% of the retiree's cost. For an employee meeting those requirements hired after February 2, 2004 and before July 1, 2009, upon their retirement, coverage for eligible dependents will be made available at the full expense of the retiree.

Employees meeting those requirements hired on or after July 1, 2009 who become eligible for retiree healthcare insurance, may elect insurance for themselves and eligible dependents until the retiree/dependent becomes eligible for Medicare or is no longer an eligible dependent. For retirees and their spouses who are under age 65, a traditional 80/20% cost sharing program for medical costs will be made available by the City, unless the retiree or spouse has been proven eligible for Medicare coverage.

For those retirees and their dependents who are over the age of 65 or are proven to be eligible for Medicare coverage, the City provides a \$400 monthly stipend to aid in the cost of acquiring a Medicare supplemental health insurance plan. Of the eligible retirees, 158 retirees and 122 dependents are provided the \$400 monthly stipend to aid in acquiring a Medicare supplemental health insurance plan. No drug benefits are provided under the Medicare supplemental health insurance plan after June 30, 2010.

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

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

Funding Policy. The City is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The ARC consisted of the normal cost of \$919,934 for the year ended June 30, 2010 for current health and dental care benefit premiums. An additional \$1,597,770 has been designated for future benefits for a total ARC of \$2,517,704. The current ARC rate is 8.98% of annual covered payroll. The City contributed \$2,598,563 to the plan, including \$1,888,563 in current premiums and other pay as you go costs (89.8% of total premiums) and an additional \$710,000 to prefund benefits for the fiscal year 2011. The City contributed \$625,000 in FY2011 to prefund benefits for fiscal year 2012. Plan members receiving benefits contributed

V. Other information (continued)

C. Other post employment benefits (continued)

\$215,161, or approximately 10.2% of the total premiums, through their required contribution.

Annual OPEB Cost and Net OPEB Obligation. Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Additionally, actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The annual OPEB cost was \$2,475,000, which consisted of the ARC, a negative \$32,000 adjustment for interest on the net OPEB obligation, and a positive \$20,000 adjustment to the ARC. The accrued unfunded liability was \$32,800,000. The City's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for the past two years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2009	\$ 3,225,000	104.1%	\$ (131,000)
06/30/2010	\$ 2,514,220	111.9%	\$ (430,504)
06/30/2011	\$ 2,475,000	93.1%	\$ (260,504)

Funded Status and Funding Progress. Actuarial valuations of an ongoing plan involve assumptions about the probability of occurrence of events far into the future and estimates of the value reported amount. Examples include assumptions about future employment turnover rates, and healthcare cost trends. As actual results are compared with past expectations and new estimates are made about the future, amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision. The schedule of funding progress, presented as supplementary information following the notes to the financial statements, presents information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

Mortality – 1983 Group Annuity Mortality.

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

V. Other information (continued)

C. Other post employment benefits (continued)

Salary Scale – 3.0% per year under discount rate.

Retirement Age – As specified in the following table:

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

Valuation of Assets – Assets are valued at market value.

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

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

D. Employee retirement systems and pension plans

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

Single Employer Pension Plan

City of Hagerstown Police and Fire Employees' Retirement Plan

Cost Sharing Multiple Employer Pension Plans

Employees' 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

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

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 consisted of the following at July 1, 2010, the date of the most recent actuarial valuation:

Active	176
Retired or disabled	48
Vested terminations or inactive	<u>11</u>
Total	<u>235</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 Sworn 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 Sworn Plan, and who retire early upon meeting the Sworn Plan's requirements for early retirement. Participants who continue with the City after reaching their normal retirement age will generally accrue additional benefits.

Summary of significant accounting policies. The Sworn 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 Sworn Plan. The fair value of investments is determined by market price.

Funding policy. Obligations to contribute to the Sworn Plan were established by local resolution after a public hearing. Funding policy for the Sworn Plan provides for periodic contributions based upon actuarial valuations. Required contributions under the Sworn Plan which are not funded by employee contributions are funded entirely by the government. Costs of administering the Sworn Plan are financed on a current funding basis. Based on the July 1, 2010 actuarial valuation, sworn employees contribute 7% of their base pay and the current actuarially determined rate the government is required to contribute is 11.48% for fiscal year 2010/2011. At June 30, 2011, the plan's net assets were \$15,499,135.

The annual required contribution for the current year was determined as part of the July 1, 2010 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

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

an open basis. The amortization period is 21 years. The actuarial assumptions included (a) a 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases due to inflation of 2.25% per year, compounded annually, and (c) projected salary increases due to seniority raises of 2.0% per year, compounded annually.

Annual pension cost. For the last six years of the Sworn Plan, the government has contributed at least 100% of the minimum annual required contribution (ARC):

<u>Fiscal Year</u>	<u>Employer Contribution</u>
2010/11	\$ 1,216,190
2009/10	\$ 1,116,465
2008/09	\$ 1,038,557
2007/08	\$ 981,834
2006/07	\$ 882,445
2005/06	\$ 737,030

Therefore, the government has no net pension obligation (NPO) to report for its Sworn Plan.

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 after December 31, 1979, plus Retirement System participants who have voluntarily joined the Pension System, less employees who elected to transfer into the City's Sworn Plan.

Under the terms of the Retirement System, a member may retire after 30 years of service regardless of age, or at age 60 or over, regardless of years of service. A member is eligible for vesting after 5 years of service; however, the contribution must be left in the Retirement System in order to qualify for benefits at age 60.

Under the terms of the Pension System, a member hired before July 1, 2011 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. A member hired on or after July 1, 2011 is eligible for normal service retirement based on the "Rule of 90". Members become eligible once the sum of their age and eligibility service is at least 90. For example, at age 57 with 33 years of service,

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

at age 60 with 30 years of service, etc. Members may also retire at age 65 with at least 10 years of eligibility service. An employee may also take early retirement with reduced benefits at age 60 with 15 years of service. A member is eligible for vesting after 10 years of service; however, the contribution must be left in the Pension System in order to qualify for benefits at age 65.

Benefits under both the Retirement System and the Pension System (State 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 government participates in the Municipal Pool.

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

Funding policy. Obligation to contribute to the State 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 contributed 5 percent of their gross employee compensation in excess of the F.I.C.A. taxable wage base through June 30, 2011. Effective July 1, 2011, members of the Pension System began contributing 7 percent of their gross employee compensation in excess of the F.I.C.A. taxable wage base.

Required contributions under the State Plans 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 2011, 2010, and 2009 were \$292,387, \$278,459, and \$265,203 respectively.

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

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>
2011	\$ 1,690,833	\$ 1,690,833	100%
2010	\$ 1,246,087	\$ 1,246,087	100%
2009	\$ 1,109,347	\$ 1,109,347	100%
2008	\$ 1,222,594	\$ 1,222,594	100%
2007	\$ 985,678	\$ 985,678	100%
2006	\$ 858,010	\$ 858,010	100%

Required Supplementary Information
(Unaudited)

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

Actuarial Valuation Date	Actuarial Value of Plan Assets (a.)	Actuarial Accrued Liability (AAL) (b.)	Total Unfunded AAL (UAAL) (b. - a.)	Funded Ratio (a./b.)	Annual Covered Payroll (c.)	UAAL as a % Of Covered Payroll [(b.-a.)/c.]
07/01/2005	9,397,237	25,093,295	15,696,058	37.45%	6,599,104	237.9%
07/01/2006	10,439,682	27,549,241	17,109,559	37.89%	6,947,273	246.3%
07/01/2007	12,660,424	29,869,521	17,209,098	42.39%	7,639,842	225.3%
07/01/2008	11,780,317	31,639,090	19,858,773	37.23%	8,656,152	229.4%
07/01/2009	12,729,397	34,507,189	21,777,793	36.89%	9,455,328	230.3%
07/01/2010	14,721,989	36,955,500	22,233,511	39.84%	9,241,090	240.6%

Required Supplementary Information
(Unaudited)

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

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

City of Hagerstown, Maryland
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		2011 Actual	Variance with Final Budget - Positive (Negative)	2010 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues and Transfers						
General Property Taxes:						
Current year's levy	\$ 24,299,578	\$ 24,299,578	\$ 24,131,669	\$ (167,909)	\$ 23,959,634	\$ 172,035
Prior year's levy - net	(20,800)	(20,800)	(127,585)	(106,785)	(151,392)	23,807
Payments in lieu of taxes	2,673,900	2,673,900	2,685,048	11,148	2,529,878	155,170
Interest on delinquent taxes	144,200	144,200	282,076	137,876	182,136	99,940
	<u>27,096,878</u>	<u>27,096,878</u>	<u>26,971,208</u>	<u>(125,670)</u>	<u>26,520,256</u>	<u>450,952</u>
Less discounts allowed	(60,400)	(60,400)	(60,319)	81	(59,317)	(1,002)
Total General Property Taxes	<u>27,036,478</u>	<u>27,036,478</u>	<u>26,910,889</u>	<u>(125,589)</u>	<u>26,460,939</u>	<u>449,950</u>
State and County Shared Taxes:						
Income tax	2,100,000	2,100,000	2,068,330	(31,670)	2,289,966	(221,636)
County tax differential	-	-	-	-	1,598,512	(1,598,512)
Admission	133,500	133,500	173,017	39,517	75,391	97,626
Enterprise zone tax credits	75,000	75,000	137,741	62,741	132,924	4,817
Police protection	499,000	499,000	516,753	17,753	516,752	1
State aid for fire service	53,000	53,000	53,562	562	53,361	201
State highway user revenue	175,000	175,000	161,387	(13,613)	217,622	(56,235)
Financial corporations	34,214	34,214	34,214	-	34,214	-
Hotel/motel room tax	120,000	120,000	147,663	27,663	127,279	20,384
Total State and County Shared Taxes	<u>3,189,714</u>	<u>3,189,714</u>	<u>3,292,667</u>	<u>102,953</u>	<u>5,046,021</u>	<u>(1,753,354)</u>
Licenses and Permits:						
Residential rental licenses	425,000	425,000	422,601	(2,399)	456,147	(33,546)
Cable television franchise	389,300	389,300	383,894	(5,406)	359,997	23,897
Traders	104,000	104,000	108,116	4,116	101,897	6,219
Building permits	155,000	155,000	185,520	30,520	204,226	(18,706)
Electrical permits	100,000	100,000	105,957	5,957	71,052	34,905
Distilled spirits	8,200	8,200	15,200	7,000	8,200	7,000
Plumbing permits	66,000	66,000	65,485	(515)	42,994	22,491
Other	315,900	315,900	267,692	(48,208)	334,929	(67,237)
Total Licenses and Permits	<u>1,563,400</u>	<u>1,563,400</u>	<u>1,554,465</u>	<u>(8,935)</u>	<u>1,579,442</u>	<u>(24,977)</u>
Intergovernmental Grant Revenues:						
Federal grants	170,000	20,000	25,170	5,170	174,225	(149,055)
State and local grants	-	150,000	166,650	16,650	63,800	102,850
Total Intergovernmental Grant Revenues	<u>170,000</u>	<u>170,000</u>	<u>191,820</u>	<u>21,820</u>	<u>238,025</u>	<u>(46,205)</u>
Service Charges:						
Refuse collection fees	2,067,000	2,067,000	2,164,998	97,998	2,153,210	11,788
Stadium	-	-	325	325	250	75
Swimming pool	70,200	70,200	58,108	(12,092)	53,840	4,268
Other	808,661	806,661	713,596	(93,065)	720,391	(6,795)
Total Service Charges	<u>2,945,861</u>	<u>2,943,861</u>	<u>2,937,027</u>	<u>(6,834)</u>	<u>2,927,691</u>	<u>9,336</u>
Fines and Forfeitures	<u>102,500</u>	<u>102,500</u>	<u>73,634</u>	<u>(28,866)</u>	<u>105,322</u>	<u>(31,688)</u>
Unallocated General Revenues:						
Administrative allocation	2,246,625	2,246,625	2,173,512	(73,113)	2,173,500	12
Interest on investments	275,000	275,000	52,035	(222,965)	54,708	(2,673)
Sale of land & other property	-	-	5,555	5,555	1,977	3,578
Miscellaneous	136,192	116,192	216,083	99,891	193,508	22,575
Total Unallocated General Revenues	<u>2,657,817</u>	<u>2,637,817</u>	<u>2,447,185</u>	<u>(190,632)</u>	<u>2,423,693</u>	<u>23,492</u>
Total Revenues	<u>37,665,770</u>	<u>37,643,770</u>	<u>37,407,687</u>	<u>(236,083)</u>	<u>38,781,133</u>	<u>(1,373,446)</u>
Transfers from community development fund	5,000	5,000	5,000	-	-	5,000
Transfers from flexible spending fund	6,000	6,000	6,000	-	6,000	-
Transfers from economic redevelopment fund	-	-	-	-	15,700	(15,700)
Budgeted use of fund balance	-	600,000	-	(600,000)	-	-
Total Revenues and Transfers	<u>\$ 37,676,770</u>	<u>\$ 38,254,770</u>	<u>\$ 37,418,687</u>	<u>\$ (836,083)</u>	<u>\$ 38,802,833</u>	<u>\$ (1,384,146)</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, 2011

	Budgeted Amounts		2011 Actual	Variance with Final Budget - Positive (Negative)	2010 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Expenditures and Transfers						
General Government:						
Council	\$ 115,089	\$ 115,089	\$ 105,052	\$ 10,037	\$ 110,864	\$ (5,812)
Mayor	63,405	63,700	59,606	4,094	62,094	(2,488)
City administrator	201,134	205,962	204,699	1,263	189,262	15,437
City clerk	133,020	130,537	144,847	(14,310)	134,521	10,326
Community affairs	308,926	330,560	356,887	(26,327)	292,374	64,513
Legal counsel	208,700	208,700	191,634	17,066	236,058	(44,424)
Public functions	560,404	528,387	461,333	67,054	480,157	(18,824)
Registration and election	-	-	-	-	8	(8)
Finance and accounting	639,403	519,475	543,464	(23,989)	674,669	(131,205)
Treasurer and tax collection	119,137	222,080	220,890	1,190	101,719	119,171
Purchasing and stores	199,628	207,426	151,695	55,731	196,285	(44,590)
Information technology	767,843	877,812	855,917	21,895	824,499	31,418
Cashiering	285,414	253,666	387,059	(133,393)	231,743	155,316
Planning	544,695	526,856	467,170	59,686	522,365	(55,195)
Annexation	10,200	10,200	58,269	(48,069)	2,610	55,659
City hall expenditures	260,572	260,572	243,306	17,266	207,510	35,796
City engineer	1,288,403	1,262,094	1,182,275	79,819	1,320,537	(138,262)
Human resources	452,396	462,540	461,683	857	437,848	23,835
Total General Government	<u>6,158,369</u>	<u>6,185,656</u>	<u>6,095,786</u>	<u>89,870</u>	<u>6,025,123</u>	<u>70,663</u>
Public Safety:						
Police department	11,094,761	10,632,848	10,525,063	107,785	11,212,072	(687,009)
Fire department	6,281,465	5,991,536	5,910,698	80,838	6,627,820	(717,122)
Code enforcement	1,336,027	1,134,588	1,131,255	3,333	1,297,996	(166,741)
Signal department	564,298	563,371	511,408	51,963	437,326	74,082
Total Public Safety	<u>19,276,551</u>	<u>18,322,343</u>	<u>18,078,424</u>	<u>243,919</u>	<u>19,575,214</u>	<u>(1,496,790)</u>
Highways and Streets:						
General street department operations	751,833	680,658	622,335	58,323	681,001	(58,666)
Snow removal	407,700	407,700	419,242	(11,542)	850,475	(431,233)
Street cleaning	569,121	569,121	420,306	148,815	428,341	(8,035)
Street lighting	755,000	755,000	764,197	(9,197)	751,278	12,919
Central services	328,201	315,972	366,464	(50,492)	267,969	98,495
Total Highways and Streets	<u>2,811,855</u>	<u>2,728,451</u>	<u>2,592,544</u>	<u>135,907</u>	<u>2,979,064</u>	<u>(386,520)</u>
Waste, Collection and Disposal	<u>2,081,030</u>	<u>2,081,030</u>	<u>2,035,308</u>	<u>45,722</u>	<u>2,023,156</u>	<u>12,152</u>
Culture and Recreation:						
City parks	1,532,509	1,482,423	1,403,972	78,451	1,566,536	(162,564)
Swimming pool	147,049	147,049	152,782	(5,733)	145,141	7,641
Farmers market	96,127	96,127	97,617	(1,490)	75,586	22,031
Stadium	197,413	197,413	186,074	11,339	180,634	5,440
Recreation department	248,685	241,306	189,445	51,861	266,100	(76,655)
Hager house and 202 train museum	127,738	125,865	104,804	21,061	119,751	(14,947)
Total Culture and Recreation	<u>2,349,521</u>	<u>2,290,183</u>	<u>2,134,694</u>	<u>155,489</u>	<u>2,353,748</u>	<u>(219,054)</u>
Economic and Community Development:						
Economic development	235,749	259,584	307,511	(47,927)	251,280	56,231
Housing and community development	50,000	49,377	77,366	(27,989)	100,284	(22,918)
Neighborhoods first	51,982	63,451	87,090	(23,639)	52,669	34,421
Total Economic and Community Dev	<u>337,731</u>	<u>372,412</u>	<u>471,967</u>	<u>(99,555)</u>	<u>404,233</u>	<u>67,734</u>
Unallocated General Expenditures:						
Retiree benefits	1,175,800	1,175,800	1,025,437	150,363	1,367,197	(341,760)
Termination pay	425,000	425,000	-	425,000	-	0
Contributions to other agencies	244,800	244,000	241,675	2,325	346,032	(104,357)
Inventory adjustments	5,000	5,000	(23,501)	28,501	(3,712)	(19,789)
Budget contingency	(870,000)	2,879	-	2,879	-	-
Total Unallocated General Expenditures	<u>\$ 980,600</u>	<u>\$ 1,852,679</u>	<u>\$ 1,243,611</u>	<u>\$ 609,068</u>	<u>\$ 1,709,517</u>	<u>\$ (465,906)</u>

* This statement is continued on next page.

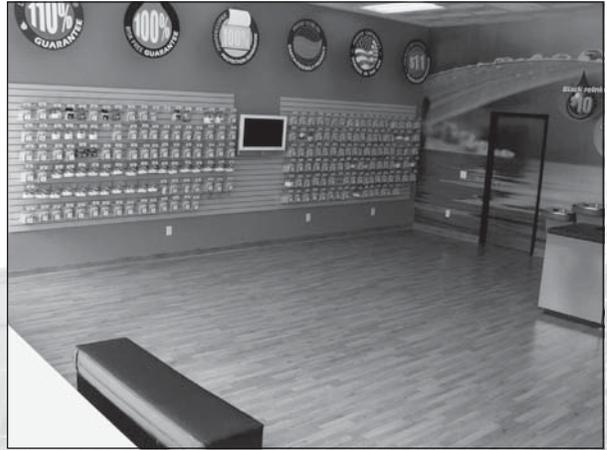
City of Hagerstown, Maryland
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>2011 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2010 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
Expenditures and Transfers						
Debt Service:						
Principal	\$ 1,748,737	\$ 1,748,737	\$ 1,748,522	\$ 215	\$ 1,457,502	\$ 291,020
Interest	695,263	695,263	650,015	45,248	579,294	70,721
Total Debt Service	<u>2,444,000</u>	<u>2,444,000</u>	<u>2,398,537</u>	<u>45,463</u>	<u>2,036,796</u>	<u>361,741</u>
Total Expenditures	36,439,657	36,276,754	35,050,871	1,225,883	37,106,851	(2,055,980)
Transfers to golf course fund	255,000	225,000	296,927	(71,927)	281,000	15,927
Transfers to parking fund	-	100,000	-	100,000	-	-
Transfers to property management fund	-	600,000	600,000	-	-	600,000
Transfers to grant revenue fund	360,988	360,891	340,237	20,654	231,063	109,174
Transfers to economic redevelopment fund	125,000	250,000	250,000	-	125,000	125,000
Transfers to capital improvement projects fund	492,000	633,000	666,506	(33,506)	397,563	268,943
Total Expenditures and Transfers	<u>37,672,645</u>	<u>38,445,645</u>	<u>37,204,541</u>	<u>1,241,104</u>	<u>38,141,477</u>	<u>(936,936)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	4,125	(190,875)	214,146	405,021	661,356	(447,210)
Fund balances - beginning	<u>8,558,483</u>	<u>8,558,483</u>	<u>8,558,483</u>	<u>-</u>	<u>7,897,127</u>	<u>661,356</u>
Fund balances - ending	<u>\$ 8,562,608</u>	<u>\$ 8,367,608</u>	<u>\$ 8,772,629</u>	<u>\$ 405,021</u>	<u>\$ 8,558,483</u>	<u>\$ 214,146</u>

City of Hagerstown, Maryland
Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		2011 Actual	Variance with Final Budget - Positive (Negative)	2010 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues						
Intergovernmental grant revenues	\$ 11,713,303	\$ 11,695,303	\$ 629,883	\$ (11,065,420)	\$ 342,654	\$ 287,229
Contributions and donations	88,000	88,000	330,920	242,920	169,595	161,325
Interest income	-	-	15,315	15,315	25,283	(9,968)
Charges for services	-	-	-	-	9,200	(9,200)
Other revenues	35,000	35,000	94,738	59,738	19,431	75,307
Total revenues	<u>11,836,303</u>	<u>11,818,303</u>	<u>1,070,856</u>	<u>(10,747,447)</u>	<u>566,163</u>	<u>504,693</u>
Expenditures						
General government projects	14,836,029	14,818,067	1,635,055	13,183,012	5,709,201	(4,074,146)
Public safety projects	52,000	112,000	502,222	(390,222)	930,264	(428,042)
Highways and streets projects	31,000	126,000	107,051	18,949	185,990	(78,939)
Culture and recreation	126,000	226,988	154,994	71,994	170,209	(15,215)
Total expenditures	<u>15,045,029</u>	<u>15,283,055</u>	<u>2,399,322</u>	<u>12,883,733</u>	<u>6,995,664</u>	<u>(4,596,342)</u>
Excess (deficiency) of revenues over (under) expenditures	(3,208,726)	(3,464,752)	(1,328,466)	2,136,286	(6,429,501)	5,101,035
Other Financing Sources (Uses)						
Bond financing	-	-	-	-	8,481,044	(8,481,044)
Premium on bond financing	-	-	-	-	102,666	(102,666)
Transfer in:						
Excise tax fund	1,282,000	1,282,000	309,535	(972,465)	840,890	(531,355)
General fund	492,000	664,506	666,506	2,000	397,563	268,943
Electric fund	55,000	55,000	55,000	-	105,000	(50,000)
Water fund	55,000	55,000	55,000	-	55,000	-
Wastewater fund	55,000	55,000	55,000	-	55,000	-
Community development fund	330,000	377,275	267,244	(110,031)	294,007	(26,763)
Grant fund	-	-	-	-	200,824	(200,824)
Transfer (out):						
Property management fund	-	(170,000)	(170,000)	-	-	(170,000)
Budgeted use of fund balance	939,726	913,439	4,492,242	3,578,803	-	4,492,242
Total other financing sources and (uses)	<u>3,208,726</u>	<u>3,232,220</u>	<u>5,730,527</u>	<u>2,498,307</u>	<u>10,531,994</u>	<u>(4,801,467)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	-	(232,532)	4,402,061	4,634,593	4,102,493	299,568
Fund balances - beginning	<u>4,492,242</u>	<u>4,492,242</u>	<u>4,492,242</u>	<u>-</u>	<u>389,749</u>	<u>4,102,493</u>
Fund balances - ending	<u>\$ 4,492,242</u>	<u>\$ 4,259,710</u>	<u>\$ 8,894,303</u>	<u>\$ 4,634,593</u>	<u>\$ 4,492,242</u>	<u>\$ 4,402,061</u>

Growth and Expansion in Hagerstown



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.

Upper Floors Redevelopment Fund - This fund is designed to assist in the installation of elevators and other equipment to make the upper floors of existing downtown buildings attractive for residential or business use.

City of Hagerstown, Maryland
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	Special Revenue							Total Nonmajor Governmental Funds	
	Community Development Block Grant	Economic Redevelopment	Flexible Spending	Telecommuting Center	Business Revolving Loan	Excise Tax	Grant Revenue		Upper Floors Redevelopment
Assets									
Pooled cash and investments	\$ 59,861	\$ 604,384	\$ 32,438	\$ 80,319	\$ 253,715	\$ 908,113	\$ 3,996	\$ 158,754	\$ 2,101,580
Interest receivable	11	185	12	27	90	346	52	27	750
Accounts receivable	-	-	3,143	-	-	7,811	-	-	10,954
Intergovernmental receivable	9,571	-	-	16,592	-	-	562,751	41,171	630,085
Prepaid items	1,005	-	384	-	384	-	4,180	-	5,953
Loans receivable (net of allowance for uncollectibles)	2,385,705	-	-	-	371,472	15,621	19,571	-	2,792,369
Properties held for resale	926,764	80,607	-	-	-	-	-	-	1,007,371
Restricted assets:									
Pooled cash and investments	14,334	-	-	-	-	-	-	-	14,334
Total assets	\$ 3,397,251	\$ 685,176	\$ 35,977	\$ 96,938	\$ 625,661	\$ 931,891	\$ 590,550	\$ 199,952	\$ 6,563,396
Liabilities									
Accounts and retainages payable	\$ 31,539	\$ 450	\$ 8,252	\$ 1,503	\$ 694	\$ 14,591	\$ 147,211	\$ -	\$ 204,240
Accrued liabilities	10,955	-	-	591	-	23,432	9,320	-	44,298
Advances from other funds	102,000	-	-	-	-	-	305,000	-	407,000
Escrowed taxes and insurance	9,176	-	-	-	-	-	-	-	9,176
Customer deposits	500	5,000	5,040	-	-	-	-	-	10,540
Deferred revenue	-	-	-	-	-	-	2,560	-	2,560
Undisbursed loan and grant commitments	20,200	-	-	-	20,000	-	-	-	40,200
Total liabilities	174,370	5,450	13,292	2,094	20,694	38,023	464,091	-	718,014
Fund Balance									
Nonspendable	2,287,053	-	-	-	371,856	-	23,750	-	2,682,659
Restricted	930,719	-	-	-	233,111	893,868	-	-	2,057,698
Committed	-	679,726	22,685	94,844	-	-	-	199,952	997,207
Assigned	5,109	-	-	-	-	-	102,709	-	107,818
Total fund balances	3,222,881	679,726	22,685	94,844	604,967	893,868	126,459	199,952	5,845,382
Total liabilities and fund balances	\$ 3,397,251	\$ 685,176	\$ 35,977	\$ 96,938	\$ 625,661	\$ 931,891	\$ 590,550	\$ 199,952	\$ 6,563,396

City of Hagerstown, Maryland
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

	Special Revenue							Total Nonmajor Governmental Funds	
	Community Development Block Grant	Economic Redevelopment	Flexible Spending	Telecommuting Center	Business Revolving Loan	Excise Tax	Grant Revenue		Upper Floors Redevelopment
Revenues									
Intergovernmental	\$ 686,806	\$ -	\$ -	\$ 119,050	\$ -	\$ -	\$ 1,158,571	\$ 81,391	\$ 2,045,818
Program income	66,776	-	-	-	15,683	96,342	-	-	178,801
Investment earnings	-	1,361	61	149	923	2,604	51	27	5,176
Contributions and donations	-	-	-	-	-	-	6,414	-	6,414
Property sales	40,992	-	-	-	-	-	-	-	40,992
Other revenues	4,050	-	7,328	64,739	-	-	466	-	76,583
Total revenues	<u>798,624</u>	<u>1,361</u>	<u>7,389</u>	<u>183,938</u>	<u>16,606</u>	<u>98,946</u>	<u>1,165,502</u>	<u>81,418</u>	<u>2,353,784</u>
Expenditures									
Current:									
General government	-	-	-	-	-	-	65,895	-	65,895
Public safety	-	-	-	-	-	-	1,137,222	-	1,137,222
Economic and community development									
Public services	208,927	-	-	-	-	-	2,180	-	211,107
Housing rehabilitation	138,609	-	-	-	-	-	-	-	138,609
Direct economic development	16,965	43,154	-	-	-	-	-	-	60,119
Administration	85,221	-	11,895	229,257	1,791	-	55	75	328,294
Direct economic development loans	-	-	-	-	12,168	-	-	81,391	93,559
Capital outlay	78,503	-	-	1,863	-	-	186,903	-	267,269
Interest expense	432	-	-	-	-	-	-	-	432
Total expenditures	<u>528,657</u>	<u>43,154</u>	<u>11,895</u>	<u>231,120</u>	<u>13,959</u>	<u>-</u>	<u>1,392,255</u>	<u>81,466</u>	<u>2,302,506</u>
Excess (deficiency) of revenues over (under) expenditures	<u>269,967</u>	<u>(41,793)</u>	<u>(4,506)</u>	<u>(47,182)</u>	<u>2,647</u>	<u>98,946</u>	<u>(226,753)</u>	<u>(48)</u>	<u>51,278</u>
Other Financing Sources (Uses)									
Transfers in	-	250,000	-	-	-	-	340,237	200,000	790,237
Transfers out	<u>(309,959)</u>	<u>(75,000)</u>	<u>(6,000)</u>	<u>-</u>	<u>(125,000)</u>	<u>(309,535)</u>	<u>-</u>	<u>-</u>	<u>(825,494)</u>
Total other financing sources and (uses)	<u>(309,959)</u>	<u>175,000</u>	<u>(6,000)</u>	<u>-</u>	<u>(125,000)</u>	<u>(309,535)</u>	<u>340,237</u>	<u>200,000</u>	<u>(35,257)</u>
Net change in fund balances	<u>(39,992)</u>	<u>133,207</u>	<u>(10,506)</u>	<u>(47,182)</u>	<u>(122,353)</u>	<u>(210,589)</u>	<u>113,484</u>	<u>199,952</u>	<u>16,021</u>
Fund balances - beginning	<u>3,262,873</u>	<u>546,519</u>	<u>33,191</u>	<u>142,026</u>	<u>727,320</u>	<u>1,104,457</u>	<u>12,975</u>	<u>-</u>	<u>5,829,361</u>
Fund balances - ending	<u>\$ 3,222,881</u>	<u>\$ 679,726</u>	<u>\$ 22,685</u>	<u>\$ 94,844</u>	<u>\$ 604,967</u>	<u>\$ 893,868</u>	<u>\$ 126,459</u>	<u>\$ 199,952</u>	<u>\$ 5,845,382</u>

City of Hagerstown, Maryland
Community Development Block Grant
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>2011 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2010 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
Revenues						
Intergovernmental	\$ 1,509,984	\$ 1,509,984	\$ 686,806	\$ (823,178)	\$ 749,114	\$ (62,308)
Program income	68,544	68,544	66,776	(1,768)	71,256	(4,480)
Investment earnings	3,425	3,425	-	(3,425)	2,309	(2,309)
Contributions and donations	-	-	-	-	500	(500)
Property sales	80,000	80,000	40,992	(39,008)	165,566	(124,574)
Other revenues	15,000	15,000	4,050	(10,950)	6,550	(2,500)
Total revenues	<u>1,676,953</u>	<u>1,676,953</u>	<u>798,624</u>	<u>(878,329)</u>	<u>995,295</u>	<u>(196,671)</u>
Expenditures						
Public services	204,250	204,250	208,927	(4,677)	164,738	44,189
Housing rehabilitation	630,231	265,331	138,609	126,722	387,902	(249,293)
Clearance and demolition	100	100	-	100	-	-
Acquisition	100	220,000	-	220,000	-	-
Cost of properties sold	-	-	-	-	194,193	(194,193)
Administration	306,655	306,655	85,221	221,434	375,611	(290,390)
Direct economic development	2,500	42,500	16,965	25,535	2,510	14,455
Capital outlay	433,261	257,273	78,503	178,770	44,911	33,592
Interest expense	250	250	432	(182)	-	432
Total expenditures	<u>1,577,347</u>	<u>1,296,359</u>	<u>528,657</u>	<u>767,702</u>	<u>1,169,865</u>	<u>(641,208)</u>
Excess (deficiency) of revenues over (under) expenditures	99,606	380,594	269,967	(110,627)	(174,570)	444,537
Other Financing Sources (Uses)						
Transfers to property management fund	-	(260,000)	(37,715)	222,285	-	(37,715)
Transfers to general fund	-	-	(5,000)	(5,000)	-	(5,000)
Transfers to capital improvement projects fund	(145,000)	(165,988)	(267,244)	(101,256)	(294,007)	26,763
Total other financing sources (uses)	<u>(145,000)</u>	<u>(425,988)</u>	<u>(309,959)</u>	<u>116,029</u>	<u>(294,007)</u>	<u>(15,952)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	(45,394)	(45,394)	(39,992)	5,402	(468,577)	428,585
Fund balances - beginning	<u>3,262,873</u>	<u>3,262,873</u>	<u>3,262,873</u>	<u>-</u>	<u>3,731,450</u>	<u>(468,577)</u>
Fund balances - ending	<u>\$ 3,217,479</u>	<u>\$ 3,217,479</u>	<u>\$ 3,222,881</u>	<u>\$ 5,402</u>	<u>\$ 3,262,873</u>	<u>\$ (39,992)</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, 2011

	Budgeted Amounts		2011 Actual	Variance with Final Budget - Positive (Negative)	2010 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues						
Intergovernmental	\$ 75,000	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	10,000	10,000	1,361	(8,639)	3,669	(2,308)
Total revenues	<u>85,000</u>	<u>10,000</u>	<u>1,361</u>	<u>(8,639)</u>	<u>3,669</u>	<u>(2,308)</u>
Expenditures						
Direct economic development	200,000	125,000	43,154	81,846	7,758	35,396
Total expenditures	<u>200,000</u>	<u>125,000</u>	<u>43,154</u>	<u>81,846</u>	<u>7,758</u>	<u>35,396</u>
Excess (deficiency) of revenues over (under) expenditures	(115,000)	(115,000)	(41,793)	73,207	(4,089)	(37,704)
Other Financing Sources (Uses)						
Transfers from general fund	125,000	250,000	250,000	-	125,000	125,000
Transfers to general fund	-	-	-	-	(15,700)	15,700
Transfers to business revolving loan fund	-	-	-	-	(125,000)	125,000
Transfers to upper floors redevelopment fund	-	-	(75,000)	(75,000)	-	(75,000)
Total other financing sources (uses)	<u>125,000</u>	<u>250,000</u>	<u>175,000</u>	<u>(75,000)</u>	<u>(15,700)</u>	<u>190,700</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	10,000	135,000	133,207	(1,793)	(19,789)	152,996
Fund balances - beginning	<u>546,519</u>	<u>546,519</u>	<u>546,519</u>	<u>-</u>	<u>566,308</u>	<u>(19,789)</u>
Fund balances - ending	<u>\$ 556,519</u>	<u>\$ 681,519</u>	<u>\$ 679,726</u>	<u>\$ (1,793)</u>	<u>\$ 546,519</u>	<u>\$ 133,207</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, 2011

	<u>Original and Final Budget</u>	<u>2011 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2010 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
Revenues					
Investment earnings	\$ 1,000	\$ 61	\$ (939)	\$ 331	\$ (270)
Employer FICA savings	6,300	7,328	1,028	4,595	2,733
Unreimbursed employee deductions	-	-	-	14,261	(14,261)
Total revenues	<u>7,300</u>	<u>7,389</u>	<u>89</u>	<u>19,187</u>	<u>(11,798)</u>
Expenditures					
Contracted services	6,000	7,668	(1,668)	6,311	1,357
Administration	-	4,227	(4,227)	-	4,227
Total expenditures	<u>6,000</u>	<u>11,895</u>	<u>(5,895)</u>	<u>6,311</u>	<u>5,584</u>
Excess (deficiency) of revenues over (under) expenditures	1,300	(4,506)	(5,806)	12,876	(17,382)
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)					
	(4,700)	(10,506)	(5,806)	6,876	(17,382)
Fund balances - beginning	<u>33,191</u>	<u>33,191</u>	<u>-</u>	<u>26,315</u>	<u>6,876</u>
Fund balances - ending	<u>\$ 28,491</u>	<u>\$ 22,685</u>	<u>\$ (5,806)</u>	<u>\$ 33,191</u>	<u>\$ (10,506)</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, 2011

	<u>Original and Final Budget</u>	<u>2011 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2010 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
Revenues					
Intergovernmental	\$ 128,739	\$ 119,050	\$ (9,689)	\$ 157,929	\$ (38,879)
Investment earnings	1,000	149	(851)	458	(309)
Other revenues	25,500	18,839	(6,661)	23,196	(4,357)
Rent revenues	61,200	45,900	(15,300)	61,200	(15,300)
Technological training	21,000	-	(21,000)	-	-
Total revenues	<u>237,439</u>	<u>183,938</u>	<u>(53,501)</u>	<u>242,783</u>	<u>(58,845)</u>
Expenditures					
Administration	235,567	229,257	6,310	238,743	(9,486)
Capital outlay	-	1,863	(1,863)	8,343	(6,480)
Total expenditures	<u>235,567</u>	<u>231,120</u>	<u>4,447</u>	<u>247,086</u>	<u>(15,966)</u>
Excess (deficiency) of revenues over (under) expenditures	1,872	(47,182)	(49,054)	(4,303)	(42,879)
Fund balances - beginning	<u>142,026</u>	<u>142,026</u>	<u>-</u>	<u>146,329</u>	<u>(4,303)</u>
Fund balances - ending	<u>\$ 143,898</u>	<u>\$ 94,844</u>	<u>\$ (49,054)</u>	<u>\$ 142,026</u>	<u>\$ (47,182)</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, 2011

	<u>Original and Final Budget</u>	<u>2011 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2010 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
Revenues					
Investment earnings	\$ -	\$ 923	\$ 923	\$ 2,095	\$ (1,172)
Program revenue	82,830	15,683	(67,147)	27,721	(12,038)
Total revenues	<u>82,830</u>	<u>16,606</u>	<u>(66,224)</u>	<u>29,816</u>	<u>(13,210)</u>
Expenditures					
Legal	2,000	1,791	209	5,855	(4,064)
Direct economic development loans	100,000	12,168	87,832	178,807	(166,639)
Total expenditures	<u>102,000</u>	<u>13,959</u>	<u>88,041</u>	<u>184,662</u>	<u>(170,703)</u>
Other Financing Sources (Uses)					
Transfers to upper floors redevelopment fund	-	(125,000)	(125,000)	125,000	(250,000)
Total other financing sources (uses)	<u>-</u>	<u>(125,000)</u>	<u>(125,000)</u>	<u>125,000</u>	<u>(250,000)</u>
Excess (deficiency) of revenues over (under) expenditures	(19,170)	(122,353)	(103,183)	(29,846)	(92,507)
Fund balances - beginning	<u>727,320</u>	<u>727,320</u>	<u>-</u>	<u>757,166</u>	<u>(29,846)</u>
Fund balances - ending	<u>\$ 708,150</u>	<u>\$ 604,967</u>	<u>\$ (103,183)</u>	<u>\$ 727,320</u>	<u>\$ (122,353)</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, 2011

	<u>Original and Final Budget</u>	<u>2011 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2010 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
Revenues					
Investment earnings	\$ 30,000	\$ 2,604	\$ (27,396)	\$ 14,207	\$ (11,603)
Excise tax	60,000	96,342	36,342	115,417	(19,075)
Total revenues	<u>90,000</u>	<u>98,946</u>	<u>8,946</u>	<u>129,624</u>	<u>(30,678)</u>
Expenditures					
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)					
Transfers to capital improvements project fund	(1,282,000)	(309,535)	972,465	(840,890)	531,355
Total other financing sources (uses)	<u>(1,282,000)</u>	<u>(309,535)</u>	<u>972,465</u>	<u>(840,890)</u>	<u>531,355</u>
Excess (deficiency) of revenues over (under) expenditures	(1,192,000)	(210,589)	981,411	(711,266)	500,677
Fund balances - beginning	<u>1,104,457</u>	<u>1,104,457</u>	<u>-</u>	<u>1,815,723</u>	<u>(711,266)</u>
Fund balances - ending	<u>\$ (87,543)</u>	<u>\$ 893,868</u>	<u>\$ 981,411</u>	<u>\$ 1,104,457</u>	<u>\$ (210,589)</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, 2011

	<u>Budgeted Amounts</u>		<u>2011 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2010 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
Revenues						
Intergovernmental	\$ 879,150	\$ 1,236,344	\$ 1,158,571	\$ (77,773)	\$ 1,336,298	\$ (177,727)
Investment earnings	1,400	1,400	51	(1,349)	-	51
Other revenues	-	6,935	6,880	(55)	2,830	4,050
Total revenues	<u>880,550</u>	<u>1,244,679</u>	<u>1,165,502</u>	<u>(79,177)</u>	<u>1,339,128</u>	<u>(173,626)</u>
Expenditures						
General government	-	143,200	65,895	77,305	-	65,895
Public safety	1,080,097	1,207,212	1,137,222	69,990	1,125,436	11,786
Economic and community development	96,225	21,500	2,235	19,265	32,363	(30,128)
Capital outlay	59,816	228,805	186,903	41,902	236,277	(49,374)
Interest expense	-	-	-	-	87	(87)
Total expenditures	<u>1,236,138</u>	<u>1,600,717</u>	<u>1,392,255</u>	<u>208,462</u>	<u>1,394,163</u>	<u>(1,908)</u>
Excess (deficiency) of revenues over (under) expenditures	(355,588)	(356,038)	(226,753)	129,285	(55,035)	(171,718)
Other Financing Sources (Uses)						
Transfers from general fund	360,988	361,438	340,237	(21,201)	231,063	109,174
Transfers to capital improvement projects fund	-	-	-	-	(200,824)	200,824
Total other financing sources (uses)	<u>360,988</u>	<u>361,438</u>	<u>340,237</u>	<u>(21,201)</u>	<u>30,239</u>	<u>309,998</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	5,400	5,400	113,484	108,084	(24,796)	138,280
Fund balances - beginning	<u>12,975</u>	<u>12,975</u>	<u>12,975</u>	<u>-</u>	<u>37,771</u>	<u>(24,796)</u>
Fund balances - ending	<u>\$ 18,375</u>	<u>\$ 18,375</u>	<u>\$ 126,459</u>	<u>\$ 108,084</u>	<u>\$ 12,975</u>	<u>\$ 113,484</u>

City of Hagerstown, Maryland
Upper Floors Redevelopment Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	<u>Original and Final Budget</u>	<u>2011 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2010 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
Revenues					
Intergovernmental	\$ -	\$ 81,391	\$ (81,391)	\$ -	\$ 81,391
Investment earnings	-	27	(27)	-	27
Total revenues	<u>-</u>	<u>81,418</u>	<u>(81,418)</u>	<u>-</u>	<u>81,418</u>
Expenditures					
Legal	-	75	(75)	-	75
Direct economic development loans	-	81,391	(81,391)	-	81,391
Total expenditures	<u>-</u>	<u>81,466</u>	<u>(81,466)</u>	<u>-</u>	<u>81,466</u>
Other Financing Sources (Uses)					
Transfers from economic redevelopment fund	-	75,000	(75,000)	-	75,000
Transfers from business revolving loan fund	-	125,000	(125,000)	-	125,000
Total other financing sources (uses)	<u>-</u>	<u>200,000</u>	<u>(200,000)</u>	<u>-</u>	<u>200,000</u>
Excess (deficiency) of revenues over (under) expenditures	-	199,952	199,952	-	199,952
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 199,952</u>	<u>\$ 199,952</u>	<u>\$ -</u>	<u>\$ 199,952</u>

NONMAJOR ENTERPRISE FUNDS

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

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

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

City of Hagerstown, Maryland
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2011

	<u>Golf Course</u>	<u>Property Management</u>	<u>Total Nonmajor Enterprise Funds</u>
Assets			
Current assets:			
Pooled cash and investments	\$ 60,855	\$ 251,294	\$ 312,149
Interest receivable	-	100	100
Accounts receivable (net of allowance for uncollectibles)	-	26,761	26,761
Inventories	1,613	-	1,613
Due from other agencies	-	50,000	50,000
Prepaid items	379	1,295	1,674
Deferred charges	-	149	149
Total current assets	<u>62,847</u>	<u>329,599</u>	<u>392,446</u>
Noncurrent assets:			
Capital assets:			
Land	125,000	719,069	844,069
Land improvements	203,554	-	203,554
Buildings and structures	140,807	3,925,378	4,066,185
Machinery and equipment	374,898	29,336	404,234
Automobiles and trucks	18,259	-	18,259
Construction in progress	-	585,338	585,338
Less accumulated depreciation	<u>(368,161)</u>	<u>(1,159,411)</u>	<u>(1,527,572)</u>
Total capital assets (net of accumulated depreciation)	<u>494,357</u>	<u>4,099,710</u>	<u>4,594,067</u>
Total assets	<u>557,204</u>	<u>4,429,309</u>	<u>4,986,513</u>
Liabilities			
Current liabilities:			
Accounts and retainages payable	17,076	15,809	32,885
Compensated absences	35,717	-	35,717
Accrued liabilities	9,334	1,261	10,595
Unearned revenue	720	-	720
General obligation bonds - current	-	36,865	36,865
Total current liabilities	<u>62,847</u>	<u>53,935</u>	<u>116,782</u>
Noncurrent liabilities:			
General obligation bonds payable	-	77	77
Total noncurrent liabilities	<u>-</u>	<u>77</u>	<u>77</u>
Total liabilities	<u>62,847</u>	<u>54,012</u>	<u>116,859</u>
Net Assets			
Invested in capital assets, net of related debt	494,357	4,062,917	4,557,274
Unrestricted	-	312,380	312,380
Total net assets	<u>\$ 494,357</u>	<u>\$ 4,375,297</u>	<u>\$ 4,869,654</u>

City of Hagerstown, Maryland
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2011

	<u>Golf Course</u>	<u>Property Management</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues:			
Service charges	\$ 137,884	\$ 329,414	\$ 467,298
Other revenues	-	1,162	1,162
Total operating revenues	<u>137,884</u>	<u>330,576</u>	<u>468,460</u>
Operating expenses:			
Selling, general and administrative expenses	400,408	328,077	728,485
Depreciation	21,055	81,278	102,333
Total operating expenses	<u>421,463</u>	<u>409,355</u>	<u>830,818</u>
Operating income	<u>(283,579)</u>	<u>(78,779)</u>	<u>(362,358)</u>
Nonoperating revenues (expenses):			
Intergovernmental revenue	-	50,000	50,000
Investment earnings	-	768	768
Interest expense	-	(702)	(702)
Bond issuance costs	-	(895)	(895)
Total nonoperating revenue (exps.)	<u>-</u>	<u>49,171</u>	<u>49,171</u>
Income before contributions and transfers	(283,579)	(29,608)	(313,187)
Transfers in	<u>296,927</u>	<u>807,715</u>	<u>1,104,642</u>
Changes in net assets	13,348	778,107	791,455
Total net assets - beginning	481,009	3,597,190	4,078,199
Total net assets - ending	<u>\$ 494,357</u>	<u>\$ 4,375,297</u>	<u>\$ 4,869,654</u>

City of Hagerstown, Maryland
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2011

	Golf Course	Property Management	Total Nonmajor Enterprise Funds
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 148,555	\$ 332,470	\$ 481,025
Payments to suppliers	(136,805)	(181,920)	(318,725)
Payments to employees	(248,968)	(133,717)	(382,685)
Net cash used by operating activities	(237,218)	16,833	(220,385)
Cash Flows From Noncapital Financing Activities			
Transfers from other funds	296,927	807,715	1,104,642
Net cash provided by capital and related financing activities	296,927	807,715	1,104,642
Cash Flows From Capital And Related Financing Activities			
Acquisition and construction of capital assets	-	(865,359)	(865,359)
Principal paid on capital debt	-	(36,500)	(36,500)
Interest paid on capital debt	-	(1,018)	(1,018)
Net cash provided (used) by capital and related financing activities	-	(902,877)	(902,877)
Cash Flows From Investing Activities			
Interest and dividends received	-	1,016	1,016
Net cash provided by investing activities	-	1,016	1,016
Net increase (decrease) in pooled cash and investments	59,709	(77,313)	(17,604)
Pooled cash and investments, beginning of year	1,146	328,607	329,753
Pooled cash and investments, end of year	\$ 60,855	\$ 251,294	\$ 312,149
Reconciliation of operating income to net cash (used) by operating activities:			
Operating income	\$ (283,579)	\$ (78,779)	\$ (362,358)
Adjustments to reconcile operating income to net cash used by operating activities:			
Depreciation expense	21,055	81,278	102,333
Net effect of changes in assets and liabilities			
Accounts receivable	10,421	1,894	12,315
Inventories	(1,613)	-	(1,613)
Prepaid items	(221)	(1,047)	(1,268)
Accounts and retainages payable	6,111	13,177	19,288
Compensated absences payable	7,403	-	7,403
Accrued liabilities	2,955	310	3,265
Unearned revenue	250	-	250
Total adjustments	46,361	95,612	141,973
Net cash used by operating activities	\$ (237,218)	\$ 16,833	\$ (220,385)
Reconciliation of pooled cash and investments to the balance sheet			
Pooled cash and investments	\$ 60,855	\$ 251,294	\$ 312,149
Totals	\$ 60,855	\$ 251,294	\$ 312,149

What's Happening in Hagerstown



INTERNAL SERVICE FUNDS

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

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

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

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

City of Hagerstown, Maryland
Combining Statement of Net Assets
Internal Service Funds
June 30, 2011

	<u>Worker's Compensation</u>	<u>Health Insurance</u>	<u>Dental Insurance</u>	<u>Total Internal Service Funds</u>
Assets				
Current assets:				
Pooled cash and investments	\$ 1,165,782	\$ 4,030,793	\$ 87,254	\$ 5,283,829
Interest receivable	425	1,351	33	1,809
Accounts receivable (net of allowance for uncollectibles)	92,396	141,035	8,135	241,566
Prepaid items	109,766	168	169	110,103
Total current assets	<u>1,368,369</u>	<u>4,173,347</u>	<u>95,591</u>	<u>5,637,307</u>
Noncurrent assets:				
Restricted assets:				
Pooled cash and investments	5,000	65,000	-	70,000
Total noncurrent assets	<u>5,000</u>	<u>65,000</u>	<u>-</u>	<u>70,000</u>
Total assets	<u>1,373,369</u>	<u>4,238,347</u>	<u>95,591</u>	<u>5,707,307</u>
Liabilities				
Current liabilities:				
Accounts and retainages payable	1,099	4,698	169	5,966
Accrued liabilities	29,447	499,644	17,687	546,778
Unearned revenue	-	183,089	-	183,089
Total current liabilities	<u>30,546</u>	<u>687,431</u>	<u>17,856</u>	<u>735,833</u>
Total liabilities	<u>30,546</u>	<u>687,431</u>	<u>17,856</u>	<u>735,833</u>
Net Assets				
Unrestricted	1,342,823	3,550,916	77,735	4,971,474
Total net assets	<u>\$ 1,342,823</u>	<u>\$ 3,550,916</u>	<u>\$ 77,735</u>	<u>\$ 4,971,474</u>

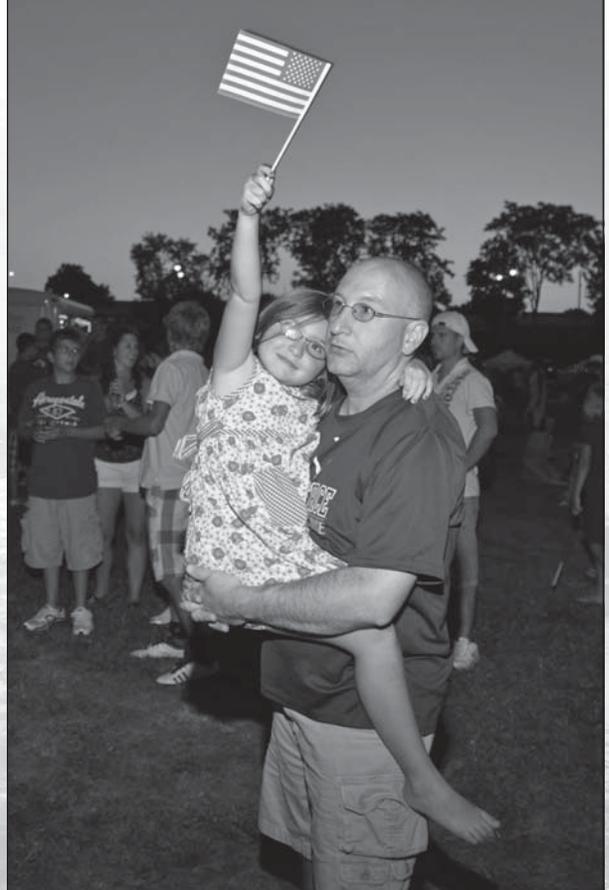
City of Hagerstown, Maryland
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2011

	<u>Worker's Compensation</u>	<u>Health Insurance</u>	<u>Dental Insurance</u>	<u>Total Internal Service Funds</u>
Operating revenues:				
Service charges	\$ 680,674	\$ 5,655,203	\$ 347,844	\$ 6,683,721
Other revenues	<u>30,929</u>	<u>115,267</u>	<u>-</u>	<u>146,196</u>
Total operating revenues	<u>711,603</u>	<u>5,770,470</u>	<u>347,844</u>	<u>6,829,917</u>
Operating expenses:				
Claim and premium expenses	<u>713,172</u>	<u>5,533,087</u>	<u>350,394</u>	<u>6,596,653</u>
Total operating expenses	<u>713,172</u>	<u>5,533,087</u>	<u>350,394</u>	<u>6,596,653</u>
Operating income (loss)	<u>(1,569)</u>	<u>237,383</u>	<u>(2,550)</u>	<u>233,264</u>
Nonoperating revenues (expenses):				
Investment earnings	<u>3,393</u>	<u>15,386</u>	<u>2,551</u>	<u>21,330</u>
Total nonoperating revenue (expenses)	<u>3,393</u>	<u>15,386</u>	<u>2,551</u>	<u>21,330</u>
Income before contributions and transfers	<u>1,824</u>	<u>252,769</u>	<u>1</u>	<u>254,594</u>
Changes in net assets	<u>1,824</u>	<u>252,769</u>	<u>1</u>	<u>254,594</u>
Total net assets - beginning	<u>1,340,999</u>	<u>3,298,147</u>	<u>77,734</u>	<u>4,716,880</u>
Total net assets - ending	<u>\$ 1,342,823</u>	<u>\$ 3,550,916</u>	<u>\$ 77,735</u>	<u>\$ 4,971,474</u>

City of Hagerstown, Maryland
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2011

	Worker's Compensation	Health Insurance	Dental Insurance	Total Internal Service Funds
Cash Flows From Operating Activities				
Receipts from interfund services provided	\$ 686,287	\$ 5,797,016	\$ 347,510	\$ 6,830,813
Payments to suppliers	<u>(828,327)</u>	<u>(5,613,515)</u>	<u>(369,837)</u>	<u>(6,811,679)</u>
Net cash provided (used) by operating activities	<u>(142,040)</u>	<u>183,501</u>	<u>(22,327)</u>	<u>19,134</u>
Cash Flows From Noncapital Financing Activities				
Net cash used by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows From Investing Activities				
Interest and dividends received	<u>4,162</u>	<u>17,767</u>	<u>2,633</u>	<u>24,562</u>
Net cash provided by investing activities	<u>4,162</u>	<u>17,767</u>	<u>2,633</u>	<u>24,562</u>
Net increase (decrease) in pooled cash and investments	(137,878)	201,268	(19,694)	43,696
Pooled cash and investments, beginning of year	1,308,660	3,894,525	106,948	5,310,133
Pooled cash and investments, end of year	<u>\$ 1,170,782</u>	<u>\$ 4,095,793</u>	<u>\$ 87,254</u>	<u>\$ 5,353,829</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (1,569)	\$ 237,383	\$ (2,550)	\$ 233,264
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Net effect of changes in assets and liabilities				
Accounts receivable	(25,316)	(7,067)	(334)	(32,717)
Prepaid items	(41,515)	(168)	(169)	(41,852)
Accounts and retainages payable	(67,152)	(120,831)	(3,602)	(191,585)
Accrued liabilities	(6,488)	40,571	(15,672)	18,411
Unearned revenue	-	33,613	-	33,613
Total adjustments	<u>(140,471)</u>	<u>(53,882)</u>	<u>(19,777)</u>	<u>(214,130)</u>
Net cash provided (used) by operating activities	<u>\$ (142,040)</u>	<u>\$ 183,501</u>	<u>\$ (22,327)</u>	<u>\$ 19,134</u>
Reconciliation of pooled cash and investments to the balance sheet				
Pooled cash and investments	\$ 1,165,782	\$ 4,030,793	\$ 87,254	\$ 5,283,829
Restricted pooled cash and investments	<u>5,000</u>	<u>65,000</u>	<u>-</u>	<u>70,000</u>
Totals	<u>\$ 1,170,782</u>	<u>\$ 4,095,793</u>	<u>\$ 87,254</u>	<u>\$ 5,353,829</u>

Recreation and Parks



STATISTICAL SECTION

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

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

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

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

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

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

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

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

	FISCAL YEAR				
	2007	2008	2009	2010	2011
Governmental activities:					
Invested in capital assets, net of related debt	\$ 49,562,961	\$ 58,486,896	\$ 63,577,809	\$ 60,903,731	\$ 62,031,859
Restricted	9,737,538	10,411,568	7,470,811	10,321,603	10,247,443
Unrestricted	7,885,928	4,570,677	2,925,249	3,267,432	5,460,533
Total governmental activities net assets	<u>\$ 67,186,427</u>	<u>\$ 73,469,141</u>	<u>\$ 73,973,869</u>	<u>\$ 74,492,766</u>	<u>\$ 77,739,835</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 127,470,214	\$ 134,548,479	\$ 140,754,087	\$ 141,557,917	\$ 149,999,762
Unrestricted	14,209,345	16,759,173	10,644,845	16,192,345	15,816,722
Total business-type activities net assets	<u>\$ 141,679,559</u>	<u>\$ 151,307,652</u>	<u>\$ 151,398,932</u>	<u>\$ 157,750,262</u>	<u>\$ 165,816,484</u>
Primary government:					
Invested in capital assets, net of related debt	\$ 177,033,175	\$ 193,035,375	\$ 204,331,896	\$ 202,461,648	\$ 212,031,621
Restricted	9,737,538	10,411,568	7,470,811	10,321,603	10,247,443
Unrestricted	22,095,273	21,329,850	13,570,094	19,459,777	21,277,255
Total primary government net assets	<u>\$ 208,865,986</u>	<u>\$ 224,776,793</u>	<u>\$ 225,372,801</u>	<u>\$ 232,243,028</u>	<u>\$ 243,556,319</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)
(Unaudited)

	FISCAL YEAR ENDED				
	2007	2008	2009	2010	2011
Expenses					
Governmental activities:					
General Government	\$ 8,143,415	\$ 9,124,085	\$ 9,508,691	\$ 9,238,809	\$ 8,445,750
Public Safety	17,957,996	19,961,913	21,622,281	20,501,962	18,387,128
Highways and Streets	2,307,532	2,502,133	2,837,595	3,119,911	2,981,654
Waste Collection & Disposal	1,963,094	2,053,573	2,094,011	2,023,079	2,035,237
Culture and Recreation	2,509,393	2,691,272	2,970,739	2,828,320	2,559,785
Economic & Community Development	2,684,084	2,651,803	3,179,654	3,184,156	2,519,688
Interest on Long-term Debt	659,736	576,969	523,931	684,700	539,668
Total governmental activities expenses	<u>36,225,250</u>	<u>39,561,748</u>	<u>42,736,902</u>	<u>41,580,937</u>	<u>37,468,910</u>
Business-type activities:					
Electric	33,394,860	33,062,846	32,843,792	32,390,627	32,063,217
Water	8,754,617	8,988,354	9,244,197	9,188,412	9,189,223
Wastewater	10,813,053	10,692,923	11,097,229	11,063,156	11,621,172
Parking Facilities	617,342	663,006	760,188	733,541	723,980
Golf Course	411,079	408,728	469,694	414,492	418,962
Property Management	324,625	312,239	302,237	384,631	410,706
Total business-type activities expenses	<u>54,315,576</u>	<u>54,128,096</u>	<u>54,717,337</u>	<u>54,174,859</u>	<u>54,427,260</u>
Total primary government expenses	<u>\$ 90,540,826</u>	<u>\$ 93,689,844</u>	<u>\$ 97,454,239</u>	<u>\$ 95,755,796</u>	<u>\$ 91,896,170</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General Government	\$ 3,187,366	\$ 2,842,790	\$ 2,879,990	\$ 3,060,653	\$ 3,035,144
Public Safety	1,386,115	1,315,393	1,206,536	1,434,155	1,373,876
Streets and Alleys	73,943	86,365	136,424	90,588	75,676
Waste Collection & Disposal	2,116,976	2,163,207	2,178,805	2,153,210	2,164,998
Parks and Recreation	159,055	188,535	186,607	191,602	234,637
Economic & Community Development	901,690	502,505	311,982	364,403	96,216
Operating grants and contributions	5,364,099	5,089,132	2,973,450	2,671,617	2,407,886
Capital grants and contributions	1,166,568	5,573,575	1,698,460	512,249	1,594,649
Total governmental activities program revenues	<u>\$ 14,355,812</u>	<u>\$ 17,761,502</u>	<u>\$ 11,572,254</u>	<u>\$ 10,478,477</u>	<u>\$ 10,983,082</u>

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

FISCAL YEAR ENDED

	2007	2008	2009	2010	2011
Business-type activities:					
Charges for services:					
Electric	\$ 32,986,357	\$ 33,959,570	\$ 32,803,818	\$ 31,716,189	\$ 33,144,474
Water	8,904,071	8,520,142	7,970,281	8,869,890	9,664,205
Wastewater	7,764,959	8,146,918	8,858,882	9,003,327	9,918,807
Parking Facilities	843,704	885,489	857,169	872,441	811,868
Golf Course	196,070	208,572	175,123	126,890	137,884
Property Management	350,749	499,700	354,049	202,752	330,576
Operating grants and contributions	-	-	82,875	440,847	107,730
Capital grants and contributions	7,803,826	10,965,396	3,529,421	9,006,128	7,252,709
Total business-type activities program revenues	<u>58,849,736</u>	<u>63,185,787</u>	<u>54,631,618</u>	<u>60,238,464</u>	<u>61,368,253</u>
Total primary government program revenues	<u>\$ 73,205,548</u>	<u>\$ 80,947,289</u>	<u>\$ 66,203,872</u>	<u>\$ 70,716,941</u>	<u>\$ 72,351,335</u>
Net (expense)/revenue					
Governmental activities	\$ (21,869,438)	\$ (21,800,246)	\$ (31,164,648)	\$ (31,102,460)	\$ (26,485,828)
Business-type activities	4,534,160	9,057,691	(85,720)	6,063,605	6,940,993
Total primary government net expense	<u>\$ (17,335,278)</u>	<u>\$ (12,742,555)</u>	<u>\$ (31,250,367)</u>	<u>\$ (25,038,855)</u>	<u>\$ (19,544,835)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes:					
Property Taxes	20,131,677	22,359,137	24,296,300	26,460,939	26,910,889
State and County shared taxes	3,848,468	4,459,350	6,661,880	4,768,035	3,420,814
Excise Tax	719,319	220,678	31,677	115,417	96,342
Investment Earnings	874,321	824,414	412,233	205,640	72,526
Miscellaneous	44,493	45,841	38,230	137,326	171,968
Transfers	(98,787)	173,540	229,056	(66,000)	(939,642)
Total governmental activities	<u>25,519,491</u>	<u>28,082,960</u>	<u>31,669,376</u>	<u>31,621,357</u>	<u>29,732,897</u>
Business-type activities:					
Investment Earnings	707,098	743,942	406,055	221,725	185,587
Transfers	98,787	(173,540)	(229,056)	66,000	939,642
Total business-type activities	<u>805,885</u>	<u>570,402</u>	<u>176,999</u>	<u>287,725</u>	<u>1,125,229</u>
Total primary government	<u>\$ 26,325,376</u>	<u>\$ 28,653,362</u>	<u>\$ 31,846,375</u>	<u>\$ 31,909,082</u>	<u>\$ 30,858,126</u>
Change in Net Assets					
Governmental activities	\$ 3,650,053	\$ 6,282,714	\$ 504,728	\$ 518,897	\$ 3,247,069
Business-type activities	5,340,045	9,628,093	91,280	6,351,330	8,066,222
Total primary government	<u>\$ 8,990,098</u>	<u>\$ 15,910,807</u>	<u>\$ 596,008</u>	<u>\$ 6,870,227</u>	<u>\$ 11,313,291</u>

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

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

Fiscal Year	Property Taxes	Income Taxes	Admissions Tax	Highway User Tax	Police Protection	Financial Corporations	State Aid Fire Services	Enterprise Zone Tax	Hotel/Motel Room Tax	County Taxes	Total
2002	13,073,809	1,854,401	253,316	1,901,449	768,729	34,214	49,944	93,440	-	820,664	18,849,966
2003	14,191,792	1,795,589	219,664	1,812,867	777,891	34,214	50,117	64,876	-	899,063	19,846,073
2004	14,756,270	1,884,569	156,598	1,497,755	748,929	34,214	49,819	58,500	-	1,009,408	20,196,062
2005	14,596,778	2,035,616	68,082	1,866,175	749,765	34,214	50,636	90,000	-	1,018,423	20,509,689
2006	17,339,463	2,262,979	169,014	2,178,094	757,214	34,214	51,035	78,866	-	1,108,797	23,979,676
2007	20,131,134	2,345,527	133,971	2,257,531	754,088	34,214	51,522	73,707	-	1,253,286	27,034,980
2008	22,359,137	2,537,266	85,823	2,177,798	746,567	34,214	53,723	81,010	-	1,462,697	29,538,235
2009	24,296,300	2,262,316	94,758	1,899,839	750,533	34,214	53,929	111,256	116,495	1,532,289	31,151,929
2010	26,460,939	2,289,966	75,391	217,622	516,752	34,214	53,361	132,924	127,279	1,598,512	31,506,960
2011	26,910,889	2,068,330	173,017	161,387	516,752	34,214	53,562	137,741	147,663	-	30,203,556

Source: City of Hagerstown Accounting Department

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

	FISCAL YEAR				
	2007	2008	2009	2010	2011
General Fund					
Reserved:					
Nonspendable	\$ 344,225	\$ 274,939	\$ 402,003	\$ 453,805	\$ 493,492
Restricted	-	-	-	-	240,816
Committed	-	-	-	-	-
Assigned	39,042	125,810	108,320	82,220	186,504
Unassigned	6,812,830	7,349,854	7,386,804	8,022,458	7,851,817
Total General Fund	<u>\$ 7,196,097</u>	<u>\$ 7,750,603</u>	<u>\$ 7,897,127</u>	<u>\$ 8,558,483</u>	<u>\$ 8,772,629</u>
All other governmental funds					
Reserved:					
Nonspendable	\$ 3,039,195	\$ 3,355,167	\$ 3,376,316	\$ 2,883,101	\$ 2,683,659
Restricted	3,259,814	2,700,087	2,931,545	2,228,117	2,698,153
Committed	619,753	814,948	738,720	720,168	2,839,528
Assigned	6,893,593	4,950,013	424,230	4,490,217	2,026,103
Unassigned	-	-	-	-	-
Total all other governmental funds	<u>\$ 13,812,355</u>	<u>\$ 11,820,215</u>	<u>\$ 7,470,811</u>	<u>\$ 10,321,603</u>	<u>\$ 10,247,443</u>
Total governmental funds					
Reserved:					
Nonspendable	\$ 3,383,420	\$ 3,630,106	\$ 3,778,319	\$ 3,336,906	\$ 3,177,151
Restricted	3,259,814	2,700,087	2,931,545	2,228,117	2,938,969
Committed	619,753	814,948	738,720	720,168	2,839,528
Assigned	6,932,635	5,075,823	532,550	4,572,437	2,212,607
Unassigned	6,812,830	7,349,854	7,386,804	8,022,458	7,851,817
Total all other governmental funds	<u>\$ 21,008,452</u>	<u>\$ 19,570,818</u>	<u>\$ 15,367,938</u>	<u>\$ 18,880,086</u>	<u>\$ 19,020,072</u>

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

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

	FISCAL YEAR									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:										
Property taxes	\$ 13,073,809	\$ 14,191,792	\$ 14,756,270	\$ 15,940,462	\$ 17,339,463	\$ 20,131,134	\$ 22,359,137	\$ 24,296,300	\$ 26,460,939	\$ 26,910,889
State and County shared taxes	5,776,157	5,654,281	3,143,289	3,244,559	3,653,870	3,840,705	4,201,010	6,855,628	5,046,021	3,292,667
Licenses and permits	672,248	969,869	1,270,021	1,540,575	1,595,206	1,620,455	1,667,790	1,464,043	1,579,442	1,554,465
Intergovernmental grant revenues	1,748,675	4,634,192	5,043,020	5,549,391	5,361,224	5,968,052	5,868,147	4,140,052	2,824,020	2,867,521
Program Income	-	-	568,681	766,542	1,785,126	1,256,342	532,321	308,090	214,394	178,801
Charges for services	1,441,895	1,646,539	1,809,168	2,026,859	2,307,657	2,707,678	3,133,500	2,865,895	2,927,691	2,937,027
Fines and forfeitures	78,154	27,680	113,148	137,441	62,842	109,990	152,289	85,627	114,522	73,634
Investment Earnings	-	439,312	363,037	309,869	482,700	874,321	844,230	376,985	103,060	72,526
Property Sales	-	-	640,551	764,461	585,686	317,538	89,500	-	167,543	46,547
Contributions and Donations	-	182,987	446,772	355,415	330,583	496,488	415,618	338,606	292,594	453,244
Unallocated general revenue	3,562,912	1,936,545	2,018,674	1,908,552	2,102,056	2,519,642	2,361,598	2,295,992	2,376,572	2,445,006
Total revenues	26,353,850	29,683,197	30,172,631	32,544,126	35,606,413	39,842,345	41,625,140	43,027,218	42,106,798	40,832,327
Expenditures:										
General government	3,471,382	3,578,917	3,991,682	4,157,397	4,562,429	4,709,165	5,359,183	5,946,253	6,025,123	6,161,681
Public safety	13,427,848	14,134,333	14,636,321	15,183,124	15,884,833	17,570,348	19,696,485	21,085,185	20,700,650	19,215,646
Street and alleys	1,277,053	1,727,884	1,599,240	1,631,460	1,763,901	2,102,408	2,283,375	2,565,361	2,979,064	2,592,544
Waste collection & disposal	984,787	1,048,162	1,134,266	1,195,443	1,593,682	1,963,094	2,053,573	2,094,011	2,023,156	2,035,308
Parks and recreation	1,748,935	1,394,130	1,674,473	1,769,618	1,790,818	1,908,214	2,093,983	2,263,290	2,353,748	2,134,694
Municipal buildings	295,496	359,611	348,243	405,539	475,138	429,343	460,280	-	-	-
Economic and Community Development	2,490,965	2,522,803	2,737,528	2,908,167	2,697,587	2,668,604	2,461,642	2,521,751	3,205,593	2,601,343
Capital Outlay	2,442,928	2,138,388	3,559,050	4,364,679	3,054,495	4,023,274	5,291,644	7,435,760	6,028,999	1,368,903
Debt Service	-	-	-	-	-	-	-	-	-	-
Principal	755,716	964,088	816,776	647,973	1,808,875	3,850,331	1,464,914	1,482,518	1,457,502	1,748,522
Interest	436,974	349,597	343,527	491,931	447,072	668,969	585,740	529,848	579,294	650,015
Issuance costs	-	-	-	-	-	-	-	-	49,714	-
Unallocated general expenditures	929,605	998,462	1,078,693	1,850,299	1,664,030	1,822,643	1,985,495	1,988,938	1,709,517	1,244,043
Total expenditures	28,261,689	29,216,375	31,919,799	34,605,630	35,742,860	41,716,393	43,736,314	47,912,915	47,112,360	39,752,699
Excess of revenues over (under) expenditures	(1,907,839)	466,822	(1,747,168)	(2,061,504)	(136,447)	(1,874,048)	(2,111,174)	(4,885,697)	(5,005,562)	1,079,628
Other financing sources (uses):										
Transfers In	1,632,460	2,130,832	2,049,251	1,918,617	1,933,812	1,863,011	3,115,933	3,081,211	2,451,047	2,209,522
Transfers Out	(1,383,095)	(1,979,877)	(1,814,713)	(2,772,613)	(1,645,465)	(2,970,153)	(2,442,393)	(2,398,394)	(2,517,047)	(3,149,164)
Sale of Capital Assets	212,428	310,017	-	-	-	-	-	-	-	-
Bond Financing	-	-	-	-	-	-	-	-	-	-
Premium on Bond Financing	-	-	-	-	-	-	-	-	-	-
Proceeds of Long-term debt	-	-	3,718,096	3,800,000	-	7,490,667	-	-	102,666	-
Payment to Bond Escrow Agent	-	-	(2,363,096)	-	-	(22,325)	-	-	-	-
Total other funding sources (uses)	461,793	460,972	1,589,538	2,946,004	288,347	6,361,200	673,540	682,817	8,517,710	(939,642)
Net changes in Fund Balance	\$ (1,446,046)	\$ 927,794	\$ (157,630)	\$ 884,500	\$ 151,900	\$ 4,487,152	\$ (1,437,634)	\$ (4,202,880)	\$ 3,512,148	\$ 139,986
Debt Service as a percentage of noncapital expenditures	5%	5%	5%	4%	7%	12%	5%	5%	5%	6%

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

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

Fiscal Year Ended	Real Property	Business Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Assessed Value As a Percentage of Actual Value
2002	1,356,175,068	114,894,417	1,471,069,485	0.818	1,798,908,500	81.78%
2003	1,367,848,437	123,306,354	1,491,154,791	0.863	1,727,351,014	86.33%
2004	1,428,959,004	120,894,253	1,549,853,257	0.875	1,771,644,901	87.48%
2005	1,513,455,138	126,286,015	1,639,741,153	0.890	1,842,016,813	89.02%
2006	1,724,784,211	118,241,404	1,843,025,615	0.875	2,106,808,834	87.48%
2007	1,984,747,368	118,365,614	2,103,112,982	0.865	2,430,309,051	86.54%
2008	2,179,148,371	117,914,185	2,297,062,556	0.850	2,702,558,664	85.00%
2009	2,389,418,672	130,820,902	2,520,239,574	0.849	2,968,480,064	84.90%
2010	2,632,767,801	141,275,940	2,774,043,741	0.848	3,271,277,996	84.80%
2011	2,805,769,772	122,378,207	2,928,147,979	0.837	3,498,384,682	83.70%

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 Director of Support Services.

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

Fiscal Year Ended	Overlapping Rates										
	City			County			State			Total Direct & Overlapping Rates	
	Real Property	Business & Personal Property	Total Direct Property Tax Rate	Real Property	Business & Personal Property	Total County Property Tax Rate	Real Property	Business & Personal Property	Total State Property Tax Rate		
2002	0.732	1.830	2.562	0.948	2.370	3.318	0.084	0.000	0.084	3.402	5.964
2003	0.768	1.920	2.688	0.948	2.370	3.318	0.084	0.000	0.084	3.402	6.090
2004	0.783	1.960	2.743	0.948	2.370	3.318	0.132	0.000	0.132	3.450	6.193
2005	0.798	1.995	2.793	0.948	2.370	3.318	0.132	0.000	0.132	3.450	6.243
2006	0.798	1.995	2.793	0.948	2.370	3.318	0.112	0.000	0.112	3.430	6.223
2007	0.798	1.995	2.793	0.948	2.370	3.318	0.112	0.000	0.112	3.430	6.223
2008	0.798	1.995	2.793	0.948	2.370	3.318	0.112	0.000	0.112	3.430	6.223
2009	0.788	1.970	2.758	0.948	2.370	3.318	0.112	0.000	0.112	3.430	6.188
2010	0.788	1.970	2.758	0.823	2.370	3.193	0.112	0.000	0.112	3.305	6.063
2011	0.788	1.970	2.758	0.823	2.370	3.193	0.112	0.000	0.112	3.305	6.063

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

Source: City of Hagerstown Director of Support Services and Washington County Treasurer.

City of Hagerstown, Maryland
Principal Property Taxpayers
June 30, 2011
(Unaudited)

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Washington Real Estate	\$ 55,271,400	1	1.89%	\$ 33,108,900	1	2.25%
Lowes Home Centers, Inc.	25,978,800	2	0.89%	10,674,420	5	0.73%
Verizon - Maryland	23,202,100	3	0.79%	30,356,850	2	2.06%
Walmart Real Estate Business Trust	22,736,900	4	0.78%	29,610,090	3	2.01%
Cortpark II LLC	22,050,300	5	0.75%			
I-81 Hollyhock LLC	18,701,700	6	0.64%			
OEKOS Stone House LLC	17,999,700	7	0.61%			
Hagerstown Plaza LLC	17,005,900	8	0.58%			
York Pinewood Apartments LP	15,940,000	9	0.54%			
Sams Real Estate Business Trust	15,890,000	10	0.54%			
Columbia Gas of Maryland, Inc.				8,142,280	10	0.55%
Hagerstown Apartments (Limited) Partnership				10,786,080	4	0.73%
US Retail Income Fund IV Limited Partnership				10,165,300	6	0.69%
Newstech MD LP				9,996,400	7	0.68%
Ahold Real Estate Company				8,986,600	8	0.61%
Venice Inn LLC				8,617,100	9	0.59%
Totals	\$ 234,776,800		8.02%	\$ 160,444,020		10.91%

Source: City of Hagerstown Director of Support Services.

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

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	12,229,560	12,047,582	98.5%	181,977	12,229,560	100.00%
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	20,293,669	20,020,370	98.7%	273,299	20,293,669	100.00%
2009	21,677,438	21,359,940	98.5%	77,013	21,436,953	98.89%
2010	21,672,232	21,428,966	98.9%	49,342	21,478,308	99.11%
2011	22,166,106	21,885,305	98.7%	41,687	21,926,992	98.92%

Source: City of Hagerstown Director of Support Services.

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

Fiscal Year	Personal Income (2)	Population (1)	Outstanding Debt (3)		Total	Percentage of Personal Income	Per Capita
			Governmental	Business-type			
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	14,835,435	24,856,234	39,691,669	3.16%	994
2009	1,300,630,095	40,065	13,342,801	25,993,993	39,336,794	3.02%	982
2010	1,325,267,460	39,996	20,457,426	41,856,725	62,314,151	4.70%	1,558
2011	1,314,200,370	39,662	18,695,138	45,060,595	63,755,733	4.85%	1,607

NOTES:

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

Source:

- (1) Population Data provided by the Maryland State Archives, Census Bureau
- (2) Per Capita Personal Income provided by Bureau of Economic Analysis - U.S. Dept. of Commerce
- (3) Outstanding Debt provided by City of Hagerstown Accounting Department.

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

Fiscal Year	Total Taxable Assessed Value of Property	Population	General Obligation Bonds	Percentage of Total Taxable Value of Property	Per Capita
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	1,549,853,257	37,536	7,741,852	0.50%	206
2005	1,639,741,153	37,536	11,642,712	0.71%	310
2006	1,843,025,615	38,326	9,836,534	0.53%	257
2007	2,103,112,982	39,008	16,120,194	0.77%	413
2008	2,297,062,556	39,941	14,835,435	0.65%	371
2009	2,520,239,574	40,065	13,342,801	0.53%	333
2010	2,774,043,741	39,996	20,457,426	0.74%	511
2011	2,928,147,979	39,662	18,695,138	0.64%	471

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, 2011
(Unaudited)

<u>City of Hagerstown</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: County	\$ 124,602,564	20.54%	\$ 25,593,367
Subtotal, overlapping debt			
City of Hagerstown Direct Debt			<u>63,755,733</u>
Total Direct and Overlapping Debt			<u>\$ 89,349,098</u>

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

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

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

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

	FISCAL YEAR									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	\$ 147,106,949	\$ 149,115,479	\$ 157,133,116	\$ 163,974,115	\$ 181,619,510	\$ 210,311,298	\$ 235,114,167	\$ 252,023,957	\$ 277,404,374	\$ 292,814,798
Total net debt applicable to limit	30,813,068	28,343,504	28,429,079	31,011,741	31,842,647	40,078,392	39,691,668	39,436,600	62,314,151	63,755,733
Legal debt margin	\$ 116,293,881	\$ 120,771,975	\$ 128,704,037	\$ 132,962,374	\$ 149,776,863	\$ 170,232,906	\$ 195,422,499	\$ 212,587,357	\$ 215,090,223	\$ 229,059,065
Total net debt applicable to the limit as a percentage of debt limit	20.95%	19.01%	18.09%	18.91%	17.53%	19.06%	16.88%	15.65%	22.46%	21.77%

Legal Debt Margin Calculation for Fiscal Year 2010

Total assessed value	2,928,147,979
Debt limit (10% of total assessed value)	292,814,798
Debt applicable to limit:	
General obligation bonds	63,755,733
Legal debt margin	<u>\$ 229,059,065</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
(Unaudited)

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2002	36,722	945,261,002	25,741	4.2
2003	36,963	977,190,831	26,437	4.8
2004	37,183	994,273,420	26,740	3.8
2005	37,528	1,055,550,056	28,127	4.2
2006	38,237	1,126,767,916	29,468	4.4
2007	39,008	1,189,509,952	30,494	4.6
2008	39,941	1,254,499,680	31,409	5.3
2009	40,065	1,300,630,095	32,463	9.7
2010	39,996	1,325,267,460	33,135	9.4
2011	39,662	1,314,200,370	33,135	9.7

Data Source:

Population Data provided by the Maryland State Archives, Census Bureau
Per Capita Personal Income provided by Bureau of Economic Analysis - U.S. Dept. of Commerce
Unemployment Rate provided by the Department of Numbers

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

Employer	2011			2002		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Washington County Public Schools	2,958	1	4.65%	2,563	3	4.02%
Washington County Health System, Inc. (Meritus Health)	2,860	2	4.50%	2,908	1	4.56%
State of Maryland	2,304	3	3.62%	2,786	2	4.37%
First Data Merchant Services	2,170	4	3.41%	2,000	5	3.14%
Citicorp Credit Services, Inc	2,067	5	3.25%	2,400	4	3.76%
Volvo Powertrain NA (Mack Trucks, Inc.)	1,165	6	1.83%	1,027	6	1.61%
Washington County Government	1,149	7	1.81%	915	8	1.43%
Fedex Ground	734	8	1.15%			
Hagerstown Community College	695	9	1.09%			
The Bowman Group, LLC	689	10	1.08%			
Federal Government				637	10	1.00%
Pheonix Color Corporation				725	9	1.14%
Garden State Tanning				1,007	7	1.58%
Total	16,791		26.39%	14,405		22.59%

Source: Principal Employers for Washington County MD provided by Hagerstown/Washington County EDC
Total County employment for 2011 was 63,577 and 2002 was 63,777, supplied by Bureau of Labor Statistics.

City of Hagerstown, Maryland
Principal Electric Fund Customers
June 30, 2011
(Unaudited)

Customer	2011				2002			
	Kwh	Amount Billed	Rank	Percentage of Total Electric Fund Billing	Kwh	Amount Billed	Rank	Percentage of Total Electric Fund Billing
Good Humor Breyers, Inc	28,155,560	\$ 2,308,276	1	29.43%	26,017,660	\$ 823,769	1	24.53%
Board of Education	10,837,546	1,058,431	2	13.49%	7,877,602	385,608	4	11.48%
Washington County Hospital (Meritus Medical Center)	11,492,778	988,830	3	12.61%	17,167,359	573,231	2	17.07%
City of Hagerstown - Public Works	8,397,355	838,544	4	10.69%	8,113,485	411,417	3	12.25%
City of Hagerstown - WPC	10,192,988	818,902	5	10.44%	10,142,420	303,755	5	9.04%
Hagerstown Housing Authority	5,858,350	533,093	6	6.80%	4,981,715	209,830	7	6.25%
CM Offray, Inc	4,288,340	401,573	7	5.12%	7,750,200	292,051	6	8.70%
Washington County Commissioners	3,764,103	349,046	8	4.45%				
Verizon	3,144,465	274,240	9	3.50%				
C.E. Stevens Inc.	3,278,720	273,595	10	3.49%				
Western Maryland St. Hospital					3,308,552	105,386	10	3.14%
Button, Edward N (Venice Inn)					-	-		
Herald-Mail Company					3,318,880	112,778	9	3.36%
G&R Foods (County Market)					4,332,960	140,962	8	4.20%
Totals	89,410,205	\$ 7,844,530		100.00%	93,010,833	\$ 3,358,787		100.00%

Source: City of Hagerstown Billing Department.

City of Hagerstown, Maryland
Principal Water Fund Customers
June 30, 2011
(Unaudited)

Customer	2011				2002			
	Gallons	Amount Billed	Rank	Percentage of Total Water Fund Billing	Gallons	Amount Billed	Rank	Percentage of Total Water Fund Billing
Hagerstown Prison Complex(MCI)	484,605,900	\$ 1,321,874	1	61.59%	365,816,100	\$ 590,911	1	41.01%
Town of Smithsburg	85,668,300	195,978	2	9.13%	74,753,400	121,277	3	8.42%
Town of Williamsport	65,404,700	149,642	3	6.97%	73,532,000	119,287	4	8.28%
Washington County Hospital (Meritus Medical Center)	45,306,200	96,280	4	4.49%	79,639,800	88,390	6	6.13%
Volvo Powertrain NA (Mack Trucks, Inc.)	31,060,400	84,892	5	3.96%	50,267,600	93,239	5	6.47%
Town of Funkstown	31,969,000	73,289	6	3.41%	29,608,400	49,353	9	3.43%
Lakeside Park	21,731,000	59,373	7	2.77%				
Citigroup Mid Atlantic	20,836,000	57,496	8	2.68%				
Oak Ridge Apartments	19,244,700	54,372	9	2.53%	19,755,500	37,003	10	2.57%
Good Humor Breyers, Inc	45,981,400	53,089	10	2.47%	46,541,700	75,899	7	5.27%
Maryland Paper								
Citicorp Credit Services					132,251,500	215,203	2	14.94%
W.D. Byron & Sons					42,969,900	50,326	8	3.49%
HHA (Housing Developments)								
Totals	851,807,600	\$ 2,146,285		100.00%	915,135,900	\$ 1,440,888		100.00%

Source: City of Hagerstown Billing Department.

City of Hagerstown, Maryland
Principal Wastewater Fund Customers
June 30, 2011
(Unaudited)

Customer	2011				2002			
	Gallons	Amount Billed	Rank	Percentage of Total Wastewater Fund Billing	Gallons	Amount Billed	Rank	Percentage of Total Wastewater Fund Billing
Washington County Hospital (Meritus Medical Center)	36,582,700	\$ 228,105	1	19.60%	72,945,900	\$ 231,261	1	24.15%
Good Humor Breyers, Inc.	45,981,400	181,671	2	15.61%	29,169,400	92,536	5	9.66%
Washington Co Detention Center	16,630,000	116,115	3	9.98%	12,999,400	65,604	7	6.85%
Volvo Powertrain NA (Mack Trucks, Inc.)	15,786,600	110,128	4	9.46%	19,452,200	102,098	3	10.66%
Hagerstown Housing Authority	27,403,000	108,265	5	9.30%	42,969,900	136,250	2	14.23%
Corpark LLC	23,762,200	93,878	6	8.07%				
Hagerstown Community College	12,930,500	90,222	7	7.75%				
CM Offray	20,295,400	80,189	8	6.89%	29,183,800	92,643	4	9.68%
Brandywine(Youngstown Apartments)	10,933,100	76,422	9	6.57%	11,020,900	57,639	9	6.02%
Board of Education	19,260,800	78,795	10	6.77%				
Realty Investment Co (Hagers Apts)					20,674,200	68,210	6	7.12%
Western Maryland State Hospital					15,385,000	48,734	10	5.09%
Citicorp Credit Services					13,807,100	62,499	8	6.53%
Totals	192,983,000	\$ 1,163,790		100.00%	194,661,900	\$ 957,474		100.00%

Source: City of Hagerstown Billing Department.

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

Function	Full-time Equivalent Employees as of June 30									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
City Administrator	1.33	1.67	1.67	1.67	1.67	2.5	3.5	3.5	3.5	4.5
City Clerk	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Economic Development (DCED)*****	23	1.33	1.33	1.33	1.33	2	1	1	0	0
Public Information ***/*****	-	3.5	3.5	5.5	5.5	4	2	1	1	0
Public Function	-	0	0	0	0	0	1	1	0	0
Subtotal Administration	25.83	8	8	10	10	10	9	8	6	6
Accounting*****	8.75	6.5	6.5	6.5	7	7	7	7	7	7
Treasurer*****	-	4	4	4	4	3	3	3	3	3
Information Technology*****	12	6	6	6	6	6	6	5	5	4
Billing/Customer Service*****	-	4	4	4	4	14	13	13	13	13
Purchasing*****	-	2.5	2.5	2.5	2	4	4	3	3	4
Human Resources	4	4	4	4	4	6	5	4	4	4
Planning*****	-	6	6	6	6	6	4	4	5	5
Engineering****	29	14	14	14	14	14	14	14	14	14
Code Compliance*****	-	15	15	15	15	15	15	13	9	8
Police Sworn	105	109	107	105	105	101	101	105	102	101
Police Administration/Civilian	13	13	24	24	23	24	21	21	22	21
Fire	83	83.6	83.6	83.6	74	64	64	64	62	60
Public Works*	34	34	34	34	34	34	34	56	56	56
Parks & Recreation*/****	-	20	20	20	18	20	21	0	0	0
Total General Fund	314.58	329.6	338.6	338.6	326	328	321	320	311	306
Electric	40	40	40	40	41	35	35	33	35	35
Water	54.25	56	56	56	56	48	45	50	52	52
Wastewater	48	48	48	48	48	51	49	41	41	41
Golf Course	3	3	3	3	3	2	2	2	3	3
Parking	2.4	2	2	2	2	2	2	2	2	2
Community Development Block Grant	3.43	6.4	6.4	6.4	6	6	6	7	7	7
Telework Center*****	-	1	1	1	1	1	1	1	1	1
City Staffing Levels	465.66	486	495	495	483	473	461	456	452	447
**General Operations	131.4	131.4	131.4	133.4	131	146	142	138	133	132
Public Safety	205.6	205.6	214.6	212.6	202	189	186	190	186	182
Business-type Activities	149	149	149	149	150	138	133	128	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
****Engineering and Parks and Recreation combined in 2011 to form the Engineering and Parks Department.
*****Accounting, Treasurer and Purchasing combined in 2011 to form the Finance Department.
*****Economic Development, Community Affairs, Planning and Code combined in 2011 to form the Department of Community and Economic Development.
*****Information Technology and Billing/Customer Service combined in 2011 to form the IT and Support Services Department.
*****Telework Center Closed in 2011.
Source: City of Hagerstown Human Resource Department.

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

Function	FISCAL YEAR									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Fire Department										
Responses to Fire alarms	2,428	2,275	2,249	2,185	2,033	1,988	1,931	2,047	1,818	1,846
Average response time (in minutes)	4:17	4:31	3:13	3:19	3:28	3	3	3	3	3
False alarms (included in above number)	18	27	10	6	13	20	31	49	29	73
Public fire education programs	927	655	453	356	349	296	317	320	307	235
Persons in attendance at public education programs	10,558	14,875	13,950	11,110	11,045	8,710	8,585	8,990	8,420	9,070
Police Department										
Parking ticket violations issued	8,117	11,660	12,146	8,654	11,616	10,458	12,924	13,217	16,922	17,466
Net parking fines	\$ 125,161	\$ 172,865	\$ 143,275	\$ 148,223	\$ 145,115	\$ 132,955	\$ 163,533	\$ 206,909	\$ 123,695	\$ 199,213
Calls for service	54,555	51,625	53,479	57,509	56,945	56,188	58,106	54,262	55,684	55,683
Alarm calls (included in above number)	1,048	1,563	2,088	2,065	2,191	2,025	2,126	2,161	2,225	2,174
Parks and Recreation										
Claude M Potterfield Pool										
Total attendance at swimming pool	23,655	23,764	24,268	25,497	24,606	27,117	31,733	27,152	26,219	25,545
Average daily attendance at pool	353	321	275	300	315	312	387	319	345	315
The Greens at Hamilton Run										
Total attendance at golf course	10,804	10,191	12,219	16,638	16,236	17,655	15,377	14,458	18,637	26,028
Average daily attendance at golf course	39	39	39	48	52	56	51	56	64	87
Electric Department										
Number of active accounts	16,921	16,821	16,974	17,026	17,607	17,585	17,379	17,224	17,046	16,739
Number of meters (in use)	17,942	17,898	17,972	18,072	17,981	17,937	17,756	17,634	17,560	17,219
Kilowatt hours purchased	354,751,891	350,706,567	356,049,155	363,323,000	368,371,928	371,744,136	355,105,896	362,594,713	311,911,000	345,993,000
Kilowatt hours sold	343,746,297	337,724,526	348,476,126	351,366,300	354,953,903	355,971,084	346,894,577	350,557,665	346,366,000	332,733,000
System peak demand-kilowatts	71,024	67,389	66,204	73,990	77,418	76,717	70,524	75,257	78,508	73,660
Water Department										
Number of active accounts-City	13,028	12,996	13,030	13,083	12,949	12,532	12,128	11,745	11,525	11,441
Number of active accounts-County	15,319	15,288	15,189	15,162	14,920	14,637	14,163	13,722	13,330	13,003
Total number of active accounts	28,347	28,284	28,219	28,245	27,869	27,169	26,291	25,467	24,855	24,444
Daily average productions in million gallons										
R.C. Willson Plant (365 days)	11,854	11,346	10,797	10,583	10,910	10,833	10,714	10,179	10,687	10,860
Wm. M. Breichner Plant (365 days)	0.013	0.000	0.001	0.008	0.030	0.029	0.113	-	0.044	0.234
Greatest consumption for a single day	14,000	13,530	13,270	13,130	12,651	12,830	12,980	12,037	13,760	13,507
Plant pumping capacity per day	20,000	20,000	20,000	20,000	14,000	14,000	13,000	19,800	19,800	19,800
Average daily metered consumption	8,698	8,233	8,532	8,645	8,555	8,567	8,503	8,310	8,379	8,493
Wastewater Department										
Number of active accounts-City	12,778	12,745	12,777	12,828	12,707	12,273	11,874	11,488	11,279	11,185
Number of active accounts-County	2,922	2,916	2,898	2,903	2,890	2,816	5,679	5,426	5,157	4,964
Number of active accounts-District (JSA)	3,437	3,434	3,409	3,373	3,317	3,155	-	-	-	-
Number of active accounts-Total	19,137	19,095	19,084	19,104	18,914	18,244	63,000	16,914	16,436	16,149
Daily average of sewage treated (million gallons)(including inflow and infiltration)	7,430	7,170	6,310	7,060	6,950	6,900	6,300	9,000	9,800	6,500
Daily average plant capacity (rated optimum efficiency)(million gallons)	10,500	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000

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

Function	FISCAL YEAR									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Parking Facilities Department										
Parking Deck:										
Number of Parking Spaces	625	629	625	629	629	441	441	441	441	441
Number of Permit Parkers	996	868	695	421	418	345	315	312	312	267
Operating Revenue:										
Meter Fees	\$ 186,781	\$ 226,740	\$ 237,847	\$ 237,847	\$ 244,864	\$ 247,287	\$ 248,078	\$ 232,342	\$ 180,061	\$ 173,755
Permit Fees	\$ 144,237	\$ 183,619	\$ 162,079	\$ 162,079	\$ 151,675	\$ 176,160	\$ 147,764	\$ 146,942	\$ 124,113	\$ 145,155
Deck	\$ 361,707	\$ 311,211	\$ 334,712	\$ 334,712	\$ 270,721	\$ 212,442	\$ 207,421	\$ 224,362	\$ 190,623	\$ 177,718
Sanitation										
Number of Waste Collection and Disposal Accounts	14,304	14,364	14,586	14,335	14,075	13,664	13,394	13,247	13,412	13,389
Special Revenue Funds										
Number outstanding loans:										
Community Development Block Grant										
Single family	6	5	7	9	10	10	11	13	14	19
Residential Rental	8	9	9	10	11	11	12	14	18	22
Commercial	2	2	2	2	4	5	6	7	7	6
Deferred	36	37	35	31	26	22	27	31	35	35
Public facilities and improvements	4	4	4	4	4	6	6	6	5	4
Homeownership	4	5	6	7	7	9	10	11	11	14
Direct Homeownership	9	10	9	8	9	8	10	14	16	19
Business Revolving Loans	10	12	10	12	5	3	1	5	4	5
Total	79	84	82	83	76	74	83	101	110	124
Outstanding loan balances:										
Community Development Block Grant										
Single family	40,964	35,592	44,427	139,798	109,362	120,911	188,209	248,022	270,726	320,234
Residential Rental	623,803	656,671	688,176	449,450	509,268	524,094	830,070	1,033,040	1,407,934	1,959,835
Commercial	207,740	234,099	261,116	279,075	325,058	486,969	535,302	608,606	688,596	435,658
Deferred	788,302	797,529	863,392	766,144	739,327	691,594	704,529	729,383	766,132	708,345
Public facilities and improvements	627,758	671,463	715,276	757,622	806,757	926,064	1,004,309	891,841	590,588	410,453
Homeownership	137,620	217,964	266,411	276,864	319,370	368,975	435,198	477,532	67,259	625,398
Business Revolving Loans	569,807	830,909	686,774	832,348	357,797	158,513	6,921	218,584	436,053	91,490
Total	\$ 2,995,994	\$ 3,444,227	\$ 3,525,572	\$ 3,501,301	\$ 3,166,939	\$ 3,277,120	\$ 3,704,538	\$ 4,207,008	\$ 4,227,288	\$ 4,551,413
Program income (interest and loan repayments)										
Community Development Block Grant										
Single family	8,296	8,879	99,941	35,804	24,380	73,849	68,795	31,773	35,581	65,827
Residential Rental	62,950	57,651	58,745	84,167	85,820	335,673	242,380	427,427	618,806	279,062
Commercial	30,748	33,280	23,892	53,753	174,655	64,097	90,539	103,370	92,863	84,136
Deferred	18,951	2,561	2,301	10,255	40,306	48,088	83,217	23,594	23,440	9,649
Public facilities and improvements	67,292	69,578	68,309	70,876	146,667	114,250	201,654	70,076	28,049	33,946
Homeownership	85,768	66,183	22,805	56,422	65,169	105,012	64,351	43,353	262,399	714,320
Business Revolving Loans	107,381	85,714	175,432	118,563	27,718	40,621	57,989	10,665	12,267	11,939
Total	\$ 381,386	\$ 323,846	\$ 451,425	\$ 429,840	\$ 564,715	\$ 781,590	\$ 808,925	\$ 701,258	\$ 1,073,405	\$ 1,198,879

Source: Corresponding City Department.

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

Function	FISCAL YEAR									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Fire Department										
Number of stations (4 volunteer, 2 City owned)	6	6	6	6	6	6	6	6	6	6
Police Department										
Number of Stations and Substations	3	3	3	3	3	3	3	3	3	3
Public Works Department										
Miles of paved streets and alleys	145.6	145.6	144.4	143.3	142.0	139.6	139.6	139.6	139.6	139.6
Number of traffic signals maintained	129	133	130	132	128	127	127	126	121	121
Parks and Recreation										
Parks and Playgrounds (291.667 acres)	18	18	18	18	18	18	19	18	18	18
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
Electric Department										
Number of substations - 34.5KV to 13.8KV	7	7	7	7	7	7	7	7	7	7
Water Department										
Miles of water mains (estimate)	425	425	425	425	392	389	383	377	370	367
Fire hydrants	814	808	802	802	800	800	755	726	716	715
City	1,297	1,291	1,272	1,272	1,266	1,241	1,204	1,107	1,107	1,094
County										
Wastewater Department										
Number of City owned pumping stations	23	26	26	26	25	27	27	25	26	23
Miles of collection system-City owned	153	153	153	153	153	138	138	135	134	132
Parking Facilities Department										
Number of Lots	7	7	7	6	6	7	7	7	7	7
Number of Parking Spaces (Metered or Rented)										
Lots	678	678	682	719	719	726	726	719	719	701
Streets	519	519	511	526	526	540	535	528	528	528
Number of Parking Decks	2	2	2	2	2	1	1	1	1	1

Source: Corresponding City Department.

Hagerstown Gives Back



