

comprehensive annual financial report
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

hagerstown

EXPERIENCE THE HUB CITY



City of Hagerstown

Maryland



Comprehensive Annual Financial Report Fiscal Year 2012

July 1, 2011 – June 30, 2012

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City of Hagerstown
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended June 30, 2012

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INTRODUCTORY SECTION





October 30, 2012

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, 2012.

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, 2012, 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, 2012, 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 12.1 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.

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 67 through 69 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 75 through 82.

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 decreased from 10.6% in May 2011 to 8.0% in June 2012; however, the most recent figure for September 2012 is 10.1%. The national unemployment rate in June 2012 was 8.2%, and in Washington County it was 8.8%. The length of the most recent economic downturn has taken its toll on both businesses and workers. Rebuilding the economy has been a tenuous process, and market conditions gradually began showing signs of improvement in 2011. It is expected that the unemployment rate will take several years to fully recover due to permanent loss of certain industry jobs, re-entry of the current workforce, and new workforce entry. At the end of 2011, Maryland showed its first positive annual average job change since 2007. The average employment for Washington County in 2012 was 64,662, and the Hagerstown 2010 per capita income was \$33,663. The housing industry is still depressed with permits for new home construction decreasing from 170 in 2008 to 44 in 2011.

Although the housing industry has slowed, commercial activity is still growing. As a result of the relocation of the City's hospital, 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 around the new hospital location. Three business parks are located within a 0.87 mile stretch of Eastern Boulevard and those commercial business parks are positioned well to capture this medical development activity.

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 \$2.8 million loss in property tax revenue in FY2011/2012 when

compared to 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. Several more years of reduced revenues are expected and the City 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. During FY2011/2012, a new revenue source was created as part of a public safety initiative to monitor traffic speed in school zones. During FY2011/2012, \$390,000 in speed camera violation fines were issued as part of this safety initiative. As part of the FY2012/2013 budget, this figure is estimated to increase to \$600,000.

In FY2011/2012, the City began the planning phase of a downtown redevelopment effort; and, the largest component of that effort includes the construction of a new Multi-Use Sports and Events Center (MUSEC) in the City's downtown core. Washington County government, the City of Hagerstown, and the Convention and Visitors Bureau (CVB) have each pledged their financial support. Both Washington County and the City have committed \$400,000 annually for 20 years toward this project, and the CVB has pledged \$60,000 for 6 years. Excitement surrounding this project has spurred interest from both local and non-local private investors and developers. Private sector interest has been received in the form of capital contributions toward the project with one private donor preliminarily discussing their interest in contributing \$15 million for this redevelopment effort. In response to this project, Bustin Boards, LLC, currently based in New York, recently expanded its business operations to a location directly across the street from the MUSEC site. Other private developers have expressed interest in redeveloping areas surrounding the site for commercial and retail development.

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. In planning for the City's future, a significant amount of time and resources is spent on planning. Through a mix of financial management policies, land use, and forecasting, the City will ensure stability by maximizing its current use of resources. The success of these initiatives is reflected in the City's credit rating from both Moody's and Standard and Poor's rating agencies. During FY2011/2012, the City'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 most recent sale of General Obligation bonds.

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 City continues to maintain an unreserved fund balance for the General Fund at or above its' current financial policy requirements of 10% of General Fund operating expenditures. At the end of FY2011/2012 unreserved fund balance for the General Fund was \$7.8 million or 22.0% of total General Fund expenditures (excluding the transfers to other funds). This represents slightly over two and a half months of General Fund operating expenditures.

Major Projects and Initiatives. One of the most significant projects undertaken in the Water Fund was the construction of two 6.3 million gallon covered storage tanks. The existing West End Reservoir which was originally constructed in 1906 will be replaced by the new storage tanks. Construction on the first tank began in FY2008 and was completed in FY2009. Construction of the second enclosed tank began in 2010 and was completed in FY2012. The total project cost was \$12.5 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 tenants already occupy spaces that were renovated during Phases I & II.

In FY2012, another underutilized and deteriorated building in the downtown area was acquired and the façade was renovated. In FY2013, the interior of 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.

In FY2009, the Wastewater Fund began a project to correct inflow and infiltration of groundwater into the wastewater collection system by replacing or re-lining defective piping. This project received \$800,000 in Bay Restoration grant funding. Through FY2012, \$2.56 million in costs had been incurred and it is estimated that an additional \$300,000 will be spent in FY2013 to complete this project.

Over the past few years, vehicle and equipment purchases for all funds was deferred in an effort to minimize costs and aid in the overall financial condition of the City due to the economically difficult times. As a result, the City is in a position where vehicles and equipment are well past their useful lives. For FY2013, all funds include a phasing in of vehicle and equipment replacements. The General Fund includes \$975,000 and the Enterprise Funds include \$932,000 for vehicle and equipment replacements with the most significant amount being \$450,000 for the replacement of a fire engine in the General Fund.

As mentioned earlier, the most significant project being considered for FY2013 is the downtown redevelopment and Multi-Use Sports and Events Center (MUSEC) project. The new facility will be located at the corner of Summit Avenue and Baltimore Streets in the heart of downtown Hagerstown. As part of the project, blighted properties along Antietam Street will be removed to create an entrance plaza and community park. Additionally, the project includes the construction of a new parking deck on Antietam Street which will be situated beside the District Court offices. In FY2012, a feasibility study, parking study and traffic study were completed. Funding sources from Washington County, the City and the Convention and Visitors Bureau were also secured. The business terms of the facility lease with the Hagerstown Suns were also agreed to. The Mayor made a formal request to the State of Maryland for \$10 million in State funding. Lastly, a private individual made expressed intent to contribute \$15 million for this project. A site fit study was completed in early FY2013. The FY2013 budget includes funding for land acquisition, property demolition, site preparation and facility design. The project is expected to be completed in 2014 or 2015.

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, 2011. This was the sixteenth 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, 2011. 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 2011. 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 Michelle Hepburn, Budget Officer and Rana Rose, Senior Accountant, for the sense of commitment they 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, 2011

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.



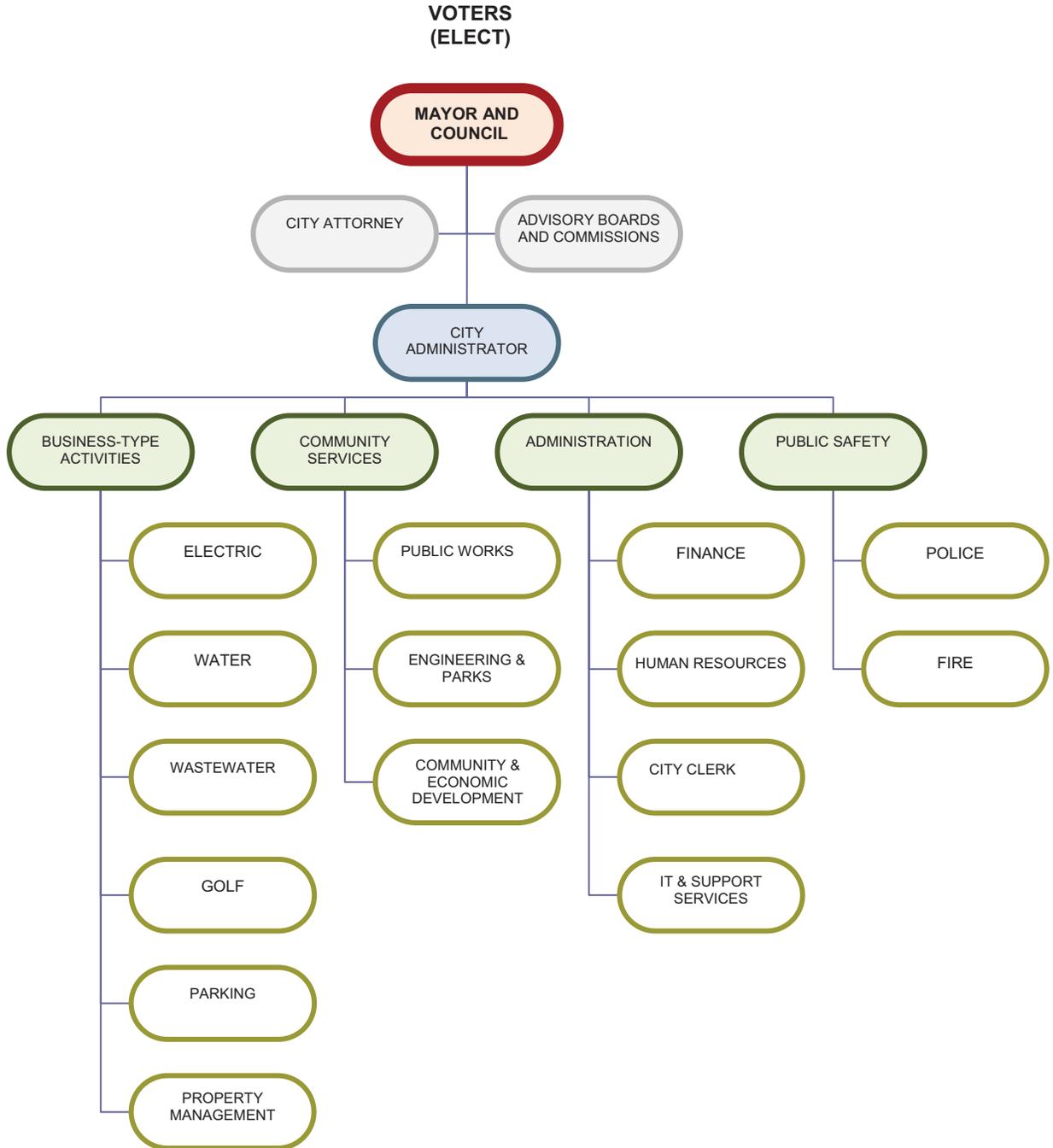
Linda C. Davidson

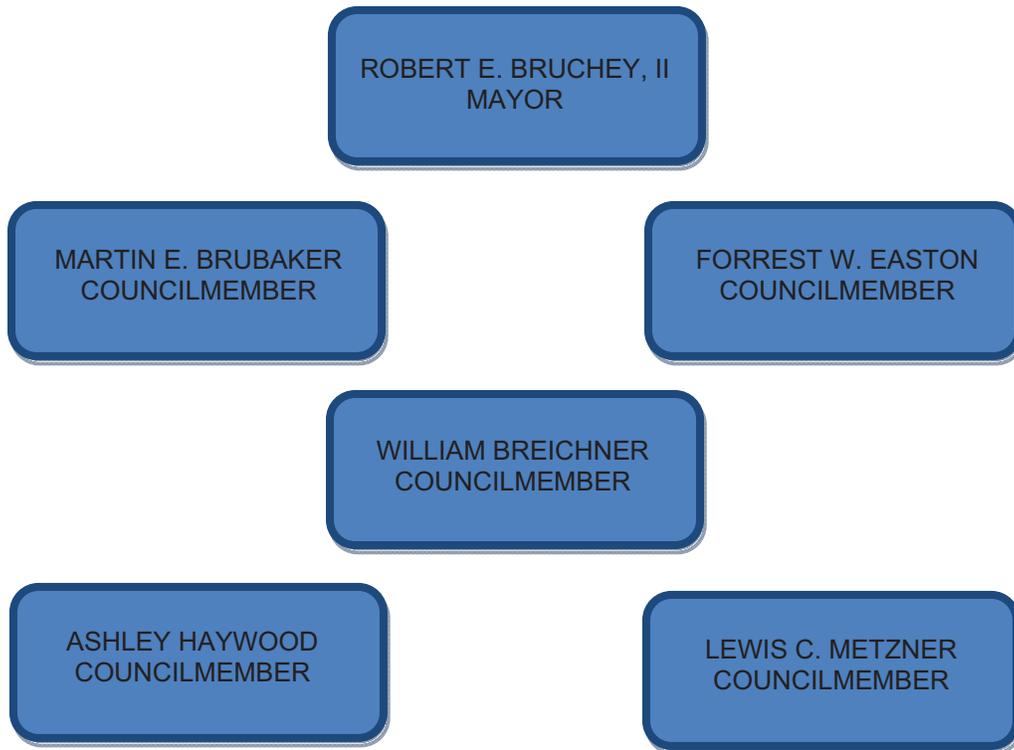
President

Jeffrey R. Emswiler

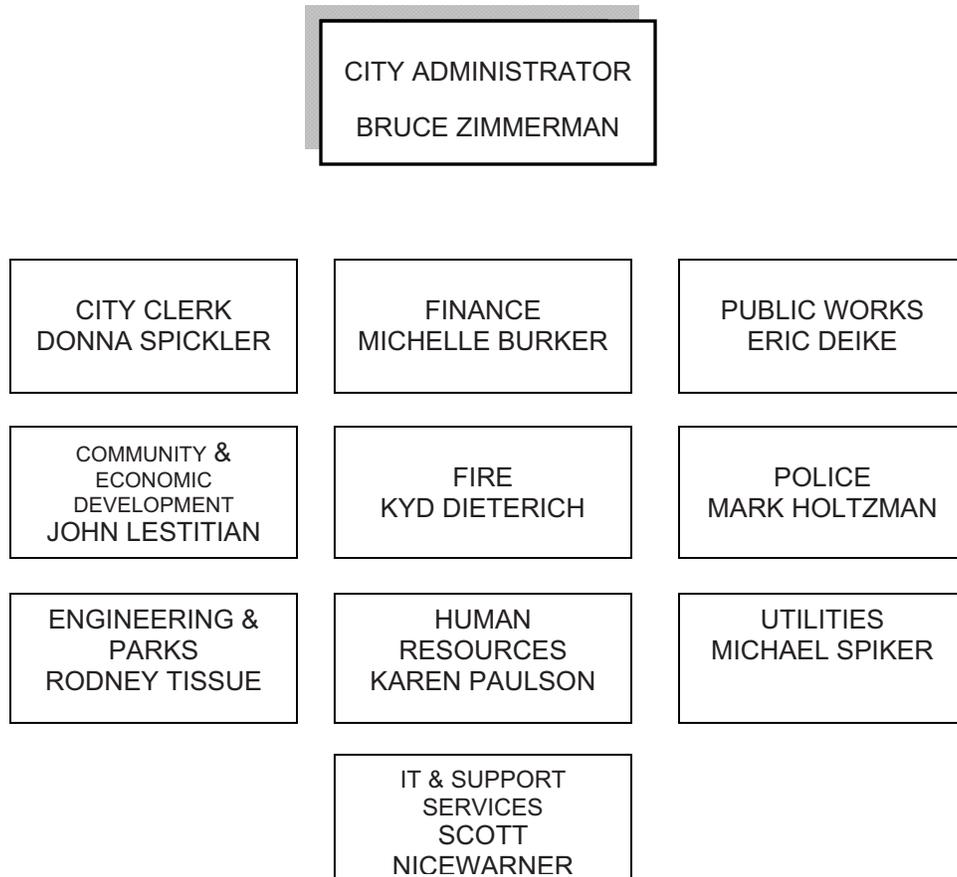
Executive Director

CITY ORGANIZATION CHART (By Department)





CITY OFFICIALS



City Center — The Heart of Hagerstown



FINANCIAL SECTION





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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 City of Hagerstown (the City) as of June 30, 2012, and for the year then ended, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, and the aggregate remaining fund information of the City, as of June 30, 2012, and the respective changes in financial position, 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 (GAAP).

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedules of funding progress and the schedule of employer contributions 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.



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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory 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.

SB & Company, LLC

Hunt Valley, Maryland
October 30, 2012

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, 2012. 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 \$246.0 million (*net assets*). Approximately 62.7% of this amount is attributable to the City's three utilities (Electric, Water and Wastewater). Of the total net assets, \$27.5 million (*unrestricted net assets*) may be used to meet ongoing obligations to citizens and creditors (66.5% of this amount is attributable to the City's three utilities), \$9.2 million is restricted for specific purposes (*restricted net assets*), and \$209.2 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 \$17.8 million. Of this total amount \$7.8 million is unassigned and represents working capital available to support governmental operating needs and future years' expenditures.
- The City's total bonded debt increased by \$2.6 million (4.1%) during the current fiscal year from \$63.8 million to \$66.4 million. Total new debt in 2011/2012 was added from the following: \$0.6 million for a general fund bank loan; \$6.1 million from bond issuance; and \$1.4 million of Maryland Water Quality Revolving Loan Fund Debt was drawn in 2011/2012 from prior year's authorizations. The City's adherence to its amortization schedules for existing debt reduced its debt by \$5.5 million in 2011/2012. 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 a deficit of revenues over expenditures and other financial sources and uses by \$0.2 million after making a \$0.3 million transfer to the Capital Projects Fund and operating transfers of \$0.2 million to the Golf Course Fund, \$0.3 million to the Economic Redevelopment Fund, and \$0.1 million to the Grant Revenue Fund. Additionally during 2011/2012, the City paid a one-time stipend to all full-time employees for a total expense of \$0.3 million in the General Fund.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$7.8 million or 22.0% 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 67 through 82.

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 65.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 66 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's overall financial condition and position. In the case of the City, assets exceeded liabilities by \$246.0 and \$243.6 million at the close of the current and previous fiscal years.

City of Hagerstown net assets are divided into three categories - invested in capital assets (net of related debt), restricted net assets and unrestricted net assets. The largest portion of the City's net assets (85.1% or \$209.2 million) reflects its investment in capital assets net of depreciation (e.g., land and improvements, buildings, machinery, equipment, infrastructure, and improvements), less any unmatured debt used to acquire those assets. The City uses these capital assets to provide services to citizens. Consequently, these assets are *not* available for future spending.

Restricted net assets represent 3.8% or \$9.2 million 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 \$27.5 million (11.2% 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 \$20.6 million.

Summary of Net Assets June 30, 2012 and 2011

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current Assets	\$ 25,618,160	\$ 27,229,973	\$ 23,478,066	\$ 20,050,574	\$ 49,096,226	\$ 47,280,547
Long-term and restricted assets	82,696	84,334	4,051,546	4,071,802	4,134,242	4,156,136
Capital assets, net	77,517,062	78,893,510	197,683,546	195,060,355	275,200,608	273,953,865
Total Assets	103,217,918	106,207,817	225,213,158	219,182,731	328,431,076	325,390,548
Liabilities:						
Long-term liabilities	19,290,551	20,609,508	47,191,630	43,283,202	66,482,181	63,892,710
Other liabilities	7,354,859	7,858,474	8,637,142	10,083,045	15,992,001	17,941,519
Total Liabilities	26,645,410	28,467,982	55,828,772	53,366,247	82,474,182	81,834,229
Net Assets:						
Invested in capital assets	60,445,265	62,031,859	148,779,228	149,999,762	209,224,493	212,031,621
Restricted	9,233,959	10,247,443	-	-	9,233,959	10,247,443
Unrestricted	6,893,284	5,460,533	20,605,158	15,816,722	27,498,442	21,277,255
Total Net Assets	\$ 76,572,508	\$ 77,739,835	\$ 169,384,386	\$ 165,816,484	\$ 245,956,894	\$ 243,556,319

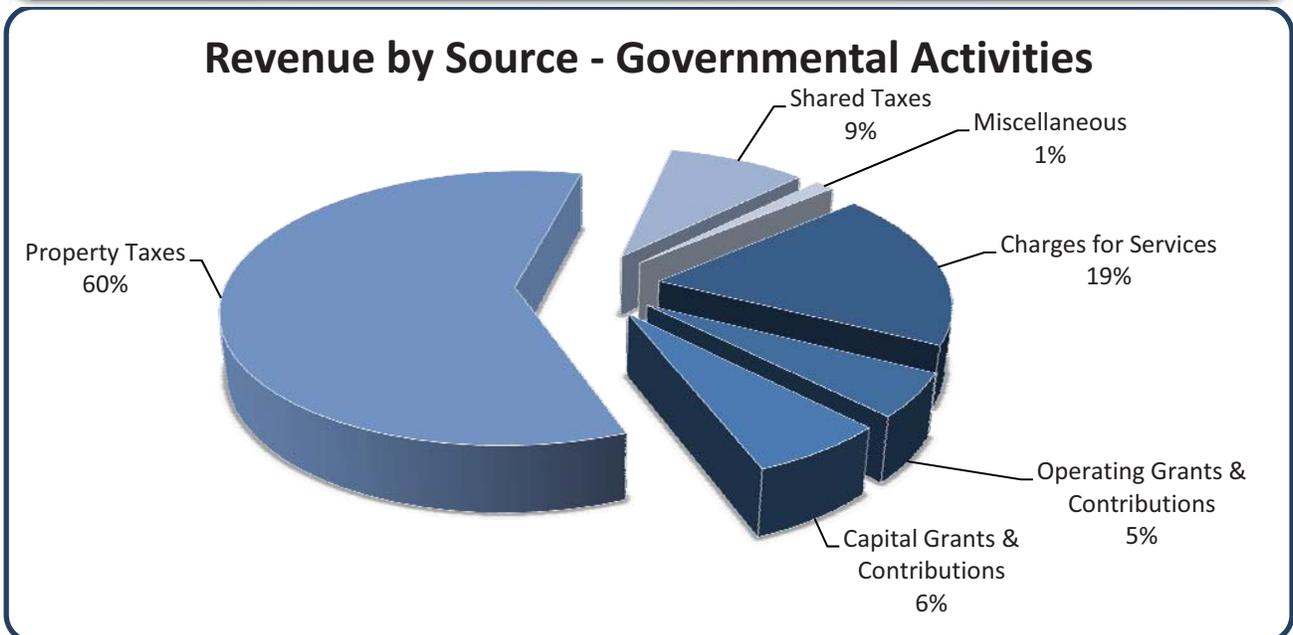
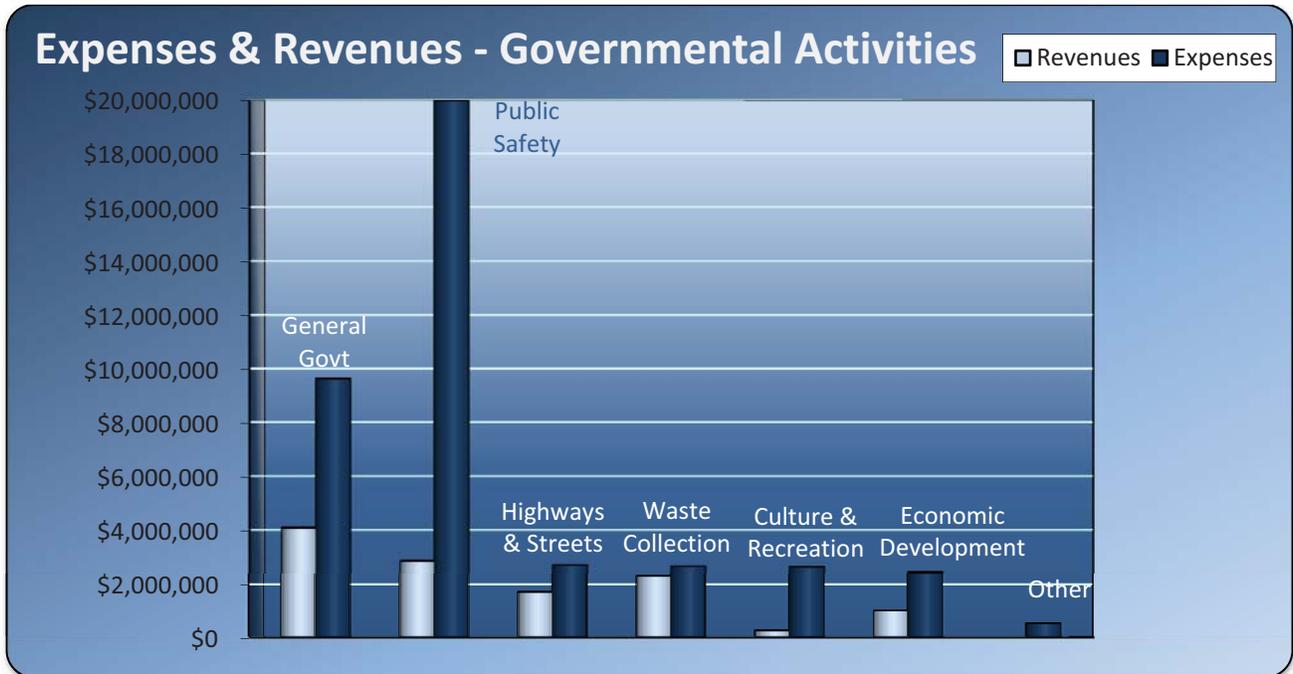
The following table indicates the changes in net assets for governmental and business-type activities:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for services	\$ 7,519,836	\$ 6,980,547	\$ 49,364,112	\$ 54,007,814	\$ 56,883,948	\$ 60,988,361
Operating grants and contributions	2,072,808	2,407,886	-	107,730	2,072,808	2,515,616
Capital grants and contributions	2,611,299	1,594,649	5,322,246	7,252,709	7,933,545	8,847,358
General Revenues:						
Property taxes	24,077,697	26,910,889	-	-	24,077,697	26,910,889
State and county shared taxes	3,649,661	3,420,814	-	-	3,649,661	3,420,814
Miscellaneous	512,966	340,836	253,521	185,587	766,487	526,423
Total Revenues	40,444,267	41,655,621	54,939,879	61,553,840	95,384,146	103,209,461
Expenses:						
Program Expenses:						
General government	9,625,176	8,445,750	-	-	9,625,176	8,445,750
Public safety	19,964,292	18,387,128	-	-	19,964,292	18,387,128
Highways and streets	2,684,522	2,981,654	-	-	2,684,522	2,981,654
Waste collection and disposal	2,637,297	2,035,237	-	-	2,637,297	2,035,237
Culture and recreation	2,622,512	2,559,785	-	-	2,622,512	2,559,785
Economic and community development	2,419,346	2,519,688	-	-	2,419,346	2,519,688
Interest on long-term debt	532,560	539,668	-	-	532,560	539,668
Utilities and other proprietary funds	-	-	52,497,866	54,427,260	52,497,866	54,427,260
Total Expenses	40,485,705	37,468,910	52,497,866	54,427,260	92,983,571	91,896,170
Excess before transfers	(41,438)	4,186,711	2,442,013	7,126,580	2,400,575	11,313,291
Transfers	(1,125,889)	(939,642)	1,125,889	939,642	-	-
Change in net assets	(1,167,327)	3,247,069	3,567,902	8,066,222	2,400,575	11,313,291
Net Assets - Beginning	77,739,835	74,492,766	165,816,484	157,750,262	243,556,319	232,243,028
Net Assets - Ending	\$ 76,572,508	\$ 77,739,835	\$ 169,384,386	\$ 165,816,484	\$ 245,956,894	\$ 243,556,319

Governmental activities: General revenues for the governmental activities were \$28.2 million, while total expenses, net of charges for services, grants and contributions, were \$28.3 million. The decrease in net assets for governmental activities was \$1.2 million and can be largely attributed to the following:

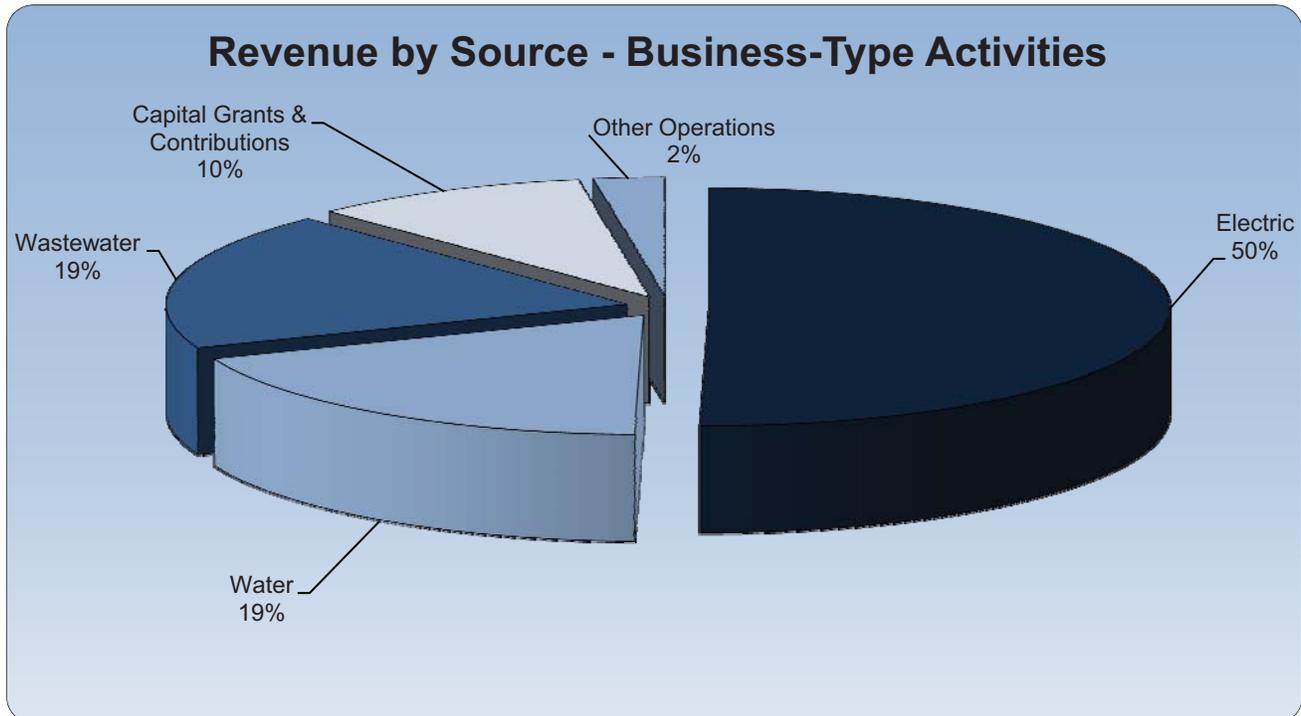
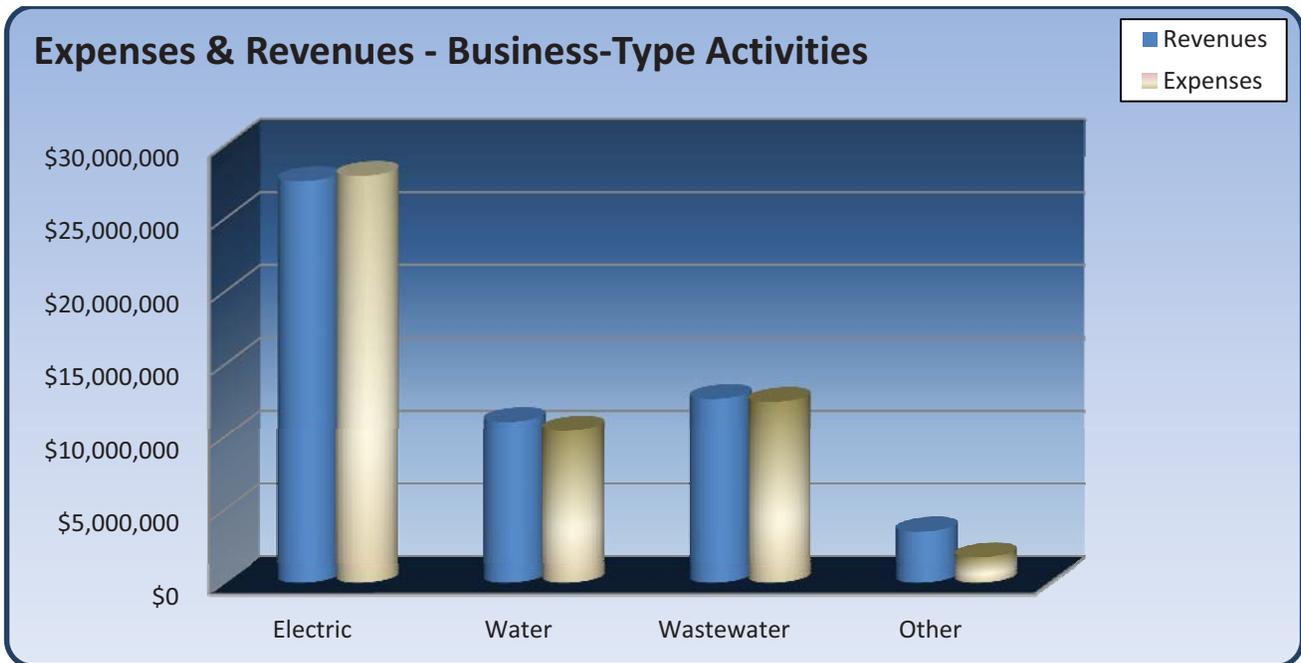
- \$0.2 million of the decrease is due to the excess of actual revenues over expenditures in the City's General Fund that resulted from a planned use of fund balance for a one time payment or stipend to employees in December 2011.
- \$0.9 million of the decrease is due to the Capital Projects Fund. This decrease is a result of spending prior year's bond proceeds during the current fiscal year.

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 \$3.6 million. Key elements of this increase are as follows:

- Transfers in to the business-type activities account for \$1.1 million of this increase. Those transfers were primarily for capital projects.
- Capital contributions remained a major revenue source for business-type activities. Water Wastewater, and Property Management funds received \$0.8 million, \$1.5 million, and \$2.0 million respectively during the current fiscal year. Overall, capital contributions are down \$1.9 million from the prior fiscal year’s total of \$7.3 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 \$17.8 million, a decrease of \$1.2 million from the prior year. Approximately 44.1% of the total fund balance (\$17.8 million) constitutes *unassigned fund balance* (\$7.8 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 either legally restricted by outside parties for use for a specific purpose or are otherwise not available for appropriation (\$0.5 million and \$5.5 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 (\$1.8 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 \$7.8 million, while total fund balance equals \$8.5 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 22.0% of total General Fund expenditures or slightly more than two and one half months of fiscal expenditures.

The fund balance of the City of Hagerstown's General Fund decreased by \$0.2 million during the current fiscal year due to the approved use of fund balance for a one-time payment to employees; however, the budget resulted in an increase of \$0.1 without one-time employee stipends. Other key elements for FY2012 are as follows:

Revenues were below budgeted projections by \$0.4 million

- Property taxes were below projections by \$0.8 million. The underestimate is a result of the downturn in the economy and lower than expected assessable base figures for both real estate and personal property taxes.
- State and County shared taxes exceeded projections by \$0.2 million. This is primarily the result of State shared income tax and admissions tax revenues exceeding our estimates by \$0.1 million each. This is an indication of slow economic growth for Hagerstown.
- Fines and forfeitures exceeded projections by \$0.2 million due to the installation and implementation of speed cameras as part of a public safety initiative in school zones during the last quarter of FY2012. The gross revenue generated during FY2012 exceeded our projections by \$0.2 million. Also, the variance in actual revenue from FY2011 to FY2012 resulted in an increase of \$0.3 million.

Expenditures (including transfers to other funds) were slightly below budgeted projections by \$9 thousand.

- The City’s adherence to fiscal policies resulted in actual expenditures being just \$9 thousand below budgeted projections.

The Capital Projects Fund has a total fund balance of \$3.5 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) *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 (\$1.2 million)
- 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 (\$0.4 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 \$4.3 million for the Electric Fund, \$10.4 million for the Water Fund and \$3.6 million for the Wastewater Fund. The total increase in the proprietary funds net assets was \$3.6 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 less than \$0.03 million over the original budget. The increase resulted from the implementation of a new trash recycling program during FY2012. As part of the implementation, the City issued \$0.6 million in new debt to purchase recycling totes for its sanitation service customers to encourage participation.

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, 2012, amounts to \$275.2 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 \$1.2 million or 0.5%. There was a 1.7% decrease for governmental activities and a 1.3% increase for business-type activities.

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

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 4,805,746	\$ 3,715,746	\$ 6,471,315	\$ 5,728,589	\$ 11,277,061	\$ 9,444,335
Construction in progress	260,020	7,541,323	3,036,644	23,693,200	3,296,664	31,234,523
Buildings & structures	7,128,219	7,315,272	137,753,057	114,864,773	144,881,276	122,180,045
Improvements other than buildings	3,857,105	3,458,504	499,717	574,755	4,356,822	4,033,259
Machinery & equipment	5,318,617	5,425,328	49,922,813	50,199,038	55,241,430	55,624,366
Infrastructure	56,147,355	51,437,337	-	-	56,147,355	51,437,337
Total	\$ 77,517,062	\$ 78,893,510	\$ 197,683,546	\$ 195,060,355	\$ 275,200,608	\$ 273,953,865

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

For the City's governmental activities:

- o \$0.7 million was spent on various street resurfacing projects
- o \$0.3 million was spent on four school sidewalks
- o \$0.2 million was spent on emergency lighting and repairs at Municipal Stadium
- o \$0.2 million was spent on continuation of Edgewood Boulevard at US Route 40 project
- o \$0.2 million was spent on City Park Digby Lot improvements
- o \$0.2 million was spent on Police radios and software for vehicles
- o \$0.3 million was spent on Fairground Park improvements, and for the acquisition of property to construct on a new park on East Avenue

For the City's business activities:

Of the \$9.0 million the City spent on the acquisition and construction of business activity capital assets in fiscal year 2011/2012, \$5.3 million were funded from contributions from developers in the form of benefit charges and intergovernmental grants, and the remaining \$3.7 million were funded from bond proceeds.

Additional information on the City of Hagerstown's capital assets can be found in Note IV. C., pages 46 through 49 of this report.

Long-term debt. At the end of the current fiscal year, the City of Hagerstown had total bonded debt outstanding of \$66.4 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, \$48.9 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			
	2012	2011	2012	2011	2012	2011
General Bonded Debt	\$ 17,459,565	\$ 18,695,138	\$ 48,904,318	\$ 45,060,593	\$ 66,363,883	\$ 63,755,731

The City of Hagerstown increased its total bonded debt by \$8.1 million, \$0.6 million for governmental funds and \$7.5 million for business-type funds. The additional debt was drawn from the following sources: \$0.6 million from a bank loan, \$5.98 million in tax exempt General Obligation bond sale, and the remaining \$1.5 from the Maryland Water Quality Revolving Loan Fund. The City's continued adherence to its amortization schedules for debt repayments reduced its debt by \$5.5 million resulting in an overall net increase to debt of \$2.6 million during the current year.

During 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. 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 \$1,000 per capita. At the end of the current fiscal year total general obligation debt was 0.65% of the assessed value of taxable property and \$440 per capita.

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

Economic Factors and Next Year's Budgets and Rates

- The fiscal 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 leveling 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 FY2012 General Fund final budget, there was an excess of \$0.1 million, which did not include a one-time payment to full-time employees that was approved in December 2011. 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 2013 the City's major governmental fund approved budget, the General Fund, is projected to increase slightly by 2.2% over the fiscal 2012 estimated actual. Wages and benefits are projected to increase by 1.5%. Debt service is projected to decrease by 20.2%. All other operating expenses are projected to decrease by 8.7%.
- 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. As a result of the MD State Department of Assessment and Taxation's most recent real estate triennial reassessment which occurred in the Summer of 2010, the City estimated a decrease of 10.3% in 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 and allowed the City to apply a projected 0.9% increase in assessable base for 2012/13.

The fiscal year 2013 budget reflects a rate decrease 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. All of these factors were considered in preparing the City of Hagerstown's budget for fiscal 2012/13.

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, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and investments	\$ 18,090,849	\$ 12,241,446	\$ 30,332,295
Receivables (net of allowance for uncollectibles):			
Taxes	532,196	-	532,196
Intergovernmental	2,415,565	-	2,415,565
Customers	1,319,281	8,053,051	9,372,332
Loans	2,770,693	-	2,770,693
Other	8,086	2,651	10,737
Internal balances	(1,500,202)	1,500,202	-
Inventories	152,185	1,042,975	1,195,160
Properties held for resale	1,019,521	-	1,019,521
Prepaid items	476,871	87,419	564,290
Net OPEB asset	265,183	-	265,183
Due from other agencies	-	392,110	392,110
Deferred charges	67,932	158,212	226,144
Restricted assets:			
Pooled cash and investments	82,696	3,444,937	3,527,633
Long-term receivables	-	606,609	606,609
Capital assets (net of accumulated depreciation):			
Land (not being depreciated)	4,805,746	6,471,315	11,277,061
Land improvements	4,469,219	1,434,704	5,903,923
Buildings and structures	15,292,476	194,610,089	209,902,565
Machinery and equipment	5,110,374	100,416,233	105,526,607
Automobiles and trucks	7,220,311	4,622,704	11,843,015
Office furniture and fixtures	4,255,404	763,472	5,018,876
Infrastructure	94,186,628	-	94,186,628
Construction in progress (not being depreciated)	260,020	3,036,644	3,296,664
Less accumulated depreciation	(58,083,116)	(113,671,615)	(171,754,731)
Total assets	<u>103,217,918</u>	<u>225,213,158</u>	<u>328,431,076</u>
Liabilities			
Accounts and retainages payable	2,507,031	2,967,639	5,474,670
Accrued liabilities	1,212,227	264,630	1,476,857
Escrowed taxes and insurance	9,620	-	9,620
Accrued interest payable	260,357	377,132	637,489
Customer deposits payable	59,669	1,109,028	1,168,697
Due to other agencies	6,750	-	6,750
Unearned revenue	296,768	136,572	433,340
Compensated absences:			
Due within one year	1,566,510	672,128	2,238,638
Due in more than one year	3,266,913	1,397,325	4,664,238
Long-term liabilities:			
Due within one year	1,435,927	3,110,013	4,545,940
Due in more than one year	16,023,638	45,794,305	61,817,943
Total liabilities	<u>26,645,410</u>	<u>55,828,772</u>	<u>82,474,182</u>
Net Assets			
Invested in capital assets net of related debt	60,445,265	148,779,228	209,224,493
Restricted for:			
Capital Projects Fund	3,497,812	-	3,497,812
Community Development Block Grant Fund	3,284,057	-	3,284,057
Economic Redevelopment Fund	662,815	-	662,815
Business Revolving Loan Fund	587,223	-	587,223
Excise Tax Fund	807,573	-	807,573
Grant Revenue Fund	70,755	-	70,755
Other Purposes	323,724	-	323,724
Unrestricted	<u>6,893,284</u>	<u>20,605,158</u>	<u>27,498,442</u>
Total net assets	<u>\$ 76,572,508</u>	<u>\$ 169,384,386</u>	<u>\$ 245,956,894</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, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Government Business-type Activities		Total
			Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities	
Primary government:								
Governmental activities:								
General government	\$ 9,625,176	\$ 2,931,762	\$ 177,761	\$ 971,512	\$ (5,544,141)	\$ -	\$ -	\$ (5,544,141)
Public safety	19,964,292	1,883,089	956,616	-	(17,124,587)	-	-	(17,124,587)
Highways and streets	2,684,522	86,045	-	1,617,287	(981,190)	-	-	(981,190)
Waste, collection and disposal	2,637,297	2,298,388	-	-	(338,909)	-	-	(338,909)
Culture and recreation	2,622,512	225,306	17,000	22,500	(2,357,706)	-	-	(2,357,706)
Economic and community development	2,419,346	95,246	921,431	-	(1,402,669)	-	-	(1,402,669)
Interest on long-term debt	532,560	-	-	-	(532,560)	-	-	(532,560)
Total governmental activities	40,485,705	7,519,836	2,072,808	2,611,299	(28,281,762)	-	-	(28,281,762)
Business-type activities:								
Electric	27,907,324	27,521,532	-	22,637	-	(363,155)	-	(363,155)
Water	10,429,856	10,226,718	-	794,314	-	591,176	-	591,176
Wastewater	12,408,290	10,266,294	-	2,341,231	-	199,235	-	199,235
Parking facilities	786,348	855,638	-	68,909	-	138,199	-	138,199
Golf course	388,840	149,074	-	500	-	(239,266)	-	(239,266)
Property management	577,208	344,856	-	2,094,655	-	1,862,303	-	1,862,303
Total business-type activities	52,497,866	49,364,112	-	5,322,246	-	2,188,492	-	2,188,492
Total primary government	\$ 92,983,571	\$ 56,883,948	\$ 2,072,808	\$ 7,933,545	(28,281,762)	2,188,492	(26,093,270)	\$ 245,956,894
General revenues:								
Property taxes					24,077,697	-	-	24,077,697
State and county shared taxes					3,649,661	-	-	3,649,661
Excise taxes					113,485	-	-	113,485
Investment earnings					86,685	253,521	-	340,206
Miscellaneous					312,796	-	-	312,796
Transfers					(1,125,889)	1,125,889	-	-
Total general revenues and transfers					27,114,435	1,379,410	-	28,493,845
Change in net assets					(1,167,327)	3,567,902	-	2,400,575
Net assets - beginning					77,739,835	165,816,484	-	243,556,319
Net assets - ending					\$ 76,572,508	\$ 169,384,386	\$ -	\$ 245,956,894

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

City of Hagerstown, Maryland
Balance Sheet
Governmental Funds
June 30, 2012

	General	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Pooled cash and investments	\$ 8,352,608	\$ 2,994,826	\$ 2,132,615	\$ 13,480,049
Receivables (net of allowance for uncollectibles):				
Taxes	532,196	-	-	532,196
Intergovernmental	988,997	735,586	690,982	2,415,565
Customers	1,053,672	-	137,131	1,190,803
Loans	-	29,000	2,741,693	2,770,693
Other	5,421	932	498	6,851
Advances to other funds	698,000	-	-	698,000
Inventories	152,185	-	-	152,185
Properties held for resale	-	-	1,019,521	1,019,521
Prepaid items	335,716	-	1,784	337,500
Restricted assets:				
Pooled cash and investments	-	-	17,696	17,696
Total assets	\$ 12,118,795	\$ 3,760,344	\$ 6,741,920	\$ 22,621,059
Liabilities And Fund Balances				
Liabilities:				
Accounts and retainages payable	\$ 2,065,885	\$ 170,532	\$ 252,488	\$ 2,488,905
Accrued liabilities	623,168	-	5,691	628,859
Advances from other funds	-	-	698,000	698,000
Escrowed taxes and insurance	-	-	9,620	9,620
Customer deposits payable	53,169	-	6,500	59,669
Undisbursed loan and grant commitments	-	35,000	33,198	68,198
Due to other agencies	6,750	-	-	6,750
Deferred revenue	845,060	57,000	276	902,336
Total liabilities	3,594,032	262,532	1,005,773	4,862,337
Fund balances:				
Nonspendable	487,902	-	1,784	489,686
Restricted	-	1,175,840	4,304,853	5,480,693
Committed	-	387,768	1,429,510	1,817,278
Assigned	199,174	1,934,204	-	2,133,378
Unassigned	7,837,687	-	-	7,837,687
Total fund balances	8,524,763	3,497,812	5,736,147	17,758,722
Total liabilities and fund balances	\$ 12,118,795	\$ 3,760,344	\$ 6,741,920	

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.	77,517,062
Taxes and other receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds	788,657
Internal service funds are used by management to charge for the costs associated with uncovered general liability risk, the costs associated with uncovered workers' compensation risk, and the costs associated with the City's health and dental care program. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	2,993,480
Long-term liabilities, including bonds payable, accrued interest, and deferred charges are not due and payable in the current period and therefore are not reported in the funds.	(22,485,413)

Net assets of governmental activities \$ 76,572,508

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, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 24,077,697	\$ -	\$ -	\$ 24,077,697
State and county shared taxes	3,432,898	389,833	-	3,822,731
Licenses and permits	1,723,790	-	-	1,723,790
Intergovernmental	236,287	959,185	1,671,240	2,866,712
Program income	-	-	187,926	187,926
Charges for services	3,196,544	-	-	3,196,544
Fines and forfeitures	384,137	-	-	384,137
Investment earnings	57,374	15,110	14,204	86,688
Property sales	28,768	-	100,000	128,768
Contributions and donations	113,823	95,123	2,302	211,248
Unallocated general revenue	2,089,911	172,333	11,699	2,273,943
Total revenues	<u>35,341,229</u>	<u>1,631,584</u>	<u>1,987,371</u>	<u>38,960,184</u>
Expenditures				
Current:				
General government	5,556,348	-	56,977	5,613,325
Public safety	18,369,352	-	549,030	18,918,382
Highways and streets	2,441,836	-	-	2,441,836
Waste, collection and disposal	2,637,018	-	-	2,637,018
Culture and recreation	2,180,967	-	-	2,180,967
Economic and community development	546,194	1,033,205	632,261	2,211,660
Unallocated general expenditures	1,393,229	-	245	1,393,474
Debt Service:				
Principal	1,824,467	-	-	1,824,467
Interest	636,814	-	-	636,814
Issuance costs	975	-	-	975
Capital outlay	-	1,767,306	269,421	2,036,727
Total expenditures	<u>35,587,200</u>	<u>2,800,511</u>	<u>1,507,934</u>	<u>39,895,645</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(245,971)</u>	<u>(1,168,927)</u>	<u>479,437</u>	<u>(935,461)</u>
Other Financing Sources (Uses)				
Debt issued	600,000	-	-	600,000
Transfers in	263,110	848,717	511,593	1,623,420
Transfers out	<u>(865,005)</u>	<u>(584,039)</u>	<u>(1,100,265)</u>	<u>(2,549,309)</u>
Total other financing sources and uses	<u>(1,895)</u>	<u>264,678</u>	<u>(588,672)</u>	<u>(325,889)</u>
Net change in fund balances	<u>(247,866)</u>	<u>(904,249)</u>	<u>(109,235)</u>	<u>(1,261,350)</u>
Fund balances - beginning	8,772,629	4,402,061	5,845,382	19,020,072
Fund balances - ending	<u>\$ 8,524,763</u>	<u>\$ 3,497,812</u>	<u>\$ 5,736,147</u>	<u>\$ 17,758,722</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, 2012

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

Net change in fund balances - total governmental funds	\$ (1,261,350)
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.	(1,168,667)
The net effect of capital asset disposals is to decrease net assets.	(198,057)
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 net effect of long-term debt issuance and principal payments on long-term debt.	1,224,467
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.	(67,932)
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.	659,156
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>(354,944)</u>
Change in net assets of governmental activities	<u>\$ (1,167,327)</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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 24,863,333	\$ 24,863,333	\$ 24,077,697	\$ (785,636)
State and county shared taxes	3,245,207	3,241,959	3,432,898	190,939
Licenses and permits	1,575,575	1,575,575	1,723,790	148,215
Intergovernmental	174,000	188,979	236,287	47,308
Charges for services	3,321,607	3,354,328	3,196,544	(157,784)
Fines and forfeitures	188,525	188,525	384,137	195,612
Unallocated general revenue	2,359,137	2,341,614	2,289,876	(51,738)
Total revenues	35,727,384	35,754,313	35,341,229	(413,084)
Expenditures				
Current:				
General government	5,431,689	5,695,003	5,556,348	138,655
Public safety	17,490,826	17,880,767	18,369,352	(488,585)
Highways and streets	2,681,340	2,692,795	2,441,836	250,959
Waste, collection and disposal	2,255,164	2,730,557	2,637,018	93,539
Culture and recreation	2,290,998	2,291,389	2,180,967	110,422
Economic and community development	401,197	498,259	546,194	(47,935)
Unallocated general expenditures	1,528,465	1,298,465	1,393,229	(94,764)
Debt Service:				
Principal	1,812,407	1,812,407	1,824,467	(12,060)
Interest	727,446	727,446	636,814	90,632
Issuance Costs	-	-	975	(975)
Total expenditures	34,619,532	35,627,088	35,587,200	39,888
Excess (deficiency) of revenues over (under) expenditures	1,107,852	127,225	(245,971)	(373,196)
Other Financing Sources (Uses)				
Debt issued	-	600,000	600,000	-
Transfers in	211,000	250,635	263,110	12,475
Transfers out	(1,170,611)	(834,483)	(865,005)	(30,522)
Total other financing sources and (uses)	(959,611)	16,152	(1,895)	(18,047)
Net change in fund balances	148,241	143,377	(247,866)	(391,243)
Fund balances - beginning	8,772,629	8,772,629	8,772,629	-
Fund balances - ending	\$ 8,920,870	\$ 8,916,006	\$ 8,524,763	\$ (391,243)

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

City of Hagerstown, Maryland
Statement of Fund Net Assets
Proprietary Funds
June 30, 2012

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds	
Assets						
Current assets:						
Pooled cash and investments	\$ 3,846,672	\$ 5,887,588	\$ 1,593,990	\$ 153,797	\$ 759,399	\$ 12,241,446
Interest receivable	1,028	1,230	235	38	120	2,651
Accounts receivable (net of allowance for uncollectibles)	3,216,133	2,073,590	2,679,318	41,568	42,442	8,053,051
Inventories	308,841	580,762	147,632	-	5,740	1,042,975
Due from other agencies	-	-	328,321	-	63,789	392,110
Prepaid items	6,671	5,823	72,128	1,441	1,356	87,419
Deferred charges	658	76,831	59,770	20,953	-	158,212
Total current assets	<u>7,380,003</u>	<u>8,625,824</u>	<u>4,881,394</u>	<u>217,797</u>	<u>872,846</u>	<u>21,977,864</u>
Noncurrent assets:						
Restricted assets:						
Pooled cash and investments	-	3,444,937	-	-	-	3,444,937
Long-term receivable	576,034	11,078	19,497	-	-	606,609
Capital assets:						
Land	1,225,255	2,019,652	180,149	1,459,464	1,586,795	6,471,315
Land improvements	298,014	28,542	9,121	895,473	203,554	1,434,704
Buildings and structures	1,564,362	110,938,904	68,033,989	7,706,262	6,366,572	194,610,089
Machinery and equipment	36,220,634	15,154,323	48,267,579	369,463	404,234	100,416,233
Automobiles and trucks	1,241,485	1,588,154	1,742,026	32,780	18,259	4,622,704
Office furniture and fixtures	397,151	78,366	261,034	-	26,921	763,472
Construction in progress	-	1,106,585	1,749,100	-	180,959	3,036,644
Less accumulated depreciation	<u>(25,532,549)</u>	<u>(34,990,937)</u>	<u>(48,194,572)</u>	<u>(3,269,247)</u>	<u>(1,684,310)</u>	<u>(113,671,615)</u>
Total capital assets (net of accumulated depreciation)	15,414,352	95,923,589	72,048,426	7,194,195	7,102,984	197,683,546
Total noncurrent assets	<u>15,990,386</u>	<u>99,379,604</u>	<u>72,067,923</u>	<u>7,194,195</u>	<u>7,102,984</u>	<u>201,735,092</u>
Total assets	<u>23,370,389</u>	<u>108,005,428</u>	<u>76,949,317</u>	<u>7,411,992</u>	<u>7,975,830</u>	<u>223,712,956</u>

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	1,892,031	604,737	294,580	15,777	160,514	2,967,639	18,126
Compensated absences - current	185,113	233,460	235,182	5,773	12,600	672,128	-
Accrued liabilities	39,941	275,295	289,601	30,451	6,474	641,762	515,170
Customer deposits and rebates	1,077,145	21,429	4,200	5,154	1,100	1,109,028	-
Unearned revenue	34,603	101,500	-	-	469	136,572	183,089
General obligation bonds - current	21,638	1,337,776	1,578,845	171,754	-	3,110,013	-
Total current liabilities	<u>3,250,471</u>	<u>2,574,197</u>	<u>2,402,408</u>	<u>228,909</u>	<u>181,157</u>	<u>8,637,142</u>	<u>716,385</u>
Noncurrent liabilities:							
General obligation bonds payable	234,823	23,404,538	20,808,906	1,346,038	-	45,794,305	-
Compensated absences	384,272	482,418	493,537	12,642	24,456	1,397,325	-
Total noncurrent liabilities	<u>619,095</u>	<u>23,886,956</u>	<u>21,302,443</u>	<u>1,358,680</u>	<u>24,456</u>	<u>47,191,630</u>	<u>-</u>
Total liabilities	<u>3,869,566</u>	<u>26,461,153</u>	<u>23,704,851</u>	<u>1,587,589</u>	<u>205,613</u>	<u>55,828,772</u>	<u>716,385</u>
Net Assets							
Invested in capital assets, net of related debt	15,157,891	71,181,275	49,660,675	5,676,403	7,102,984	148,779,228	-
Unrestricted	4,342,932	10,363,000	3,583,791	148,000	667,233	19,104,956	4,493,682
Total net assets	<u>\$ 19,500,823</u>	<u>\$ 81,544,275</u>	<u>\$ 53,244,466</u>	<u>\$ 5,824,403</u>	<u>\$ 7,770,217</u>	<u>\$ 167,884,184</u>	<u>\$ 4,493,682</u>
						1,500,202	
							\$ 169,384,386

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

Net assets of business-type activities

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

City of Hagerstown, Maryland
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Business-type Activities- Enterprise Funds					Totals	Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds		
Operating revenues:							
Service charges	\$ 27,181,181	\$ 9,501,477	\$ 10,215,945	\$ 852,684	\$ 486,578	\$ 48,237,865	\$ 6,974,789
Other revenues	374,954	722,693	50,349	2,954	7,352	1,158,302	80,836
Total operating revenues	<u>27,556,135</u>	<u>10,224,170</u>	<u>10,266,294</u>	<u>855,638</u>	<u>493,930</u>	<u>49,396,167</u>	<u>7,055,625</u>
Operating expenses:							
Production and treatment expenses	21,707,944	2,946,989	4,523,722	-	-	29,178,655	-
Transmission, distribution, and collection expenses	2,208,687	1,927,743	1,445,450	-	-	5,581,880	-
Selling, general and administrative expenses	3,033,680	2,946,455	3,251,947	455,182	828,002	10,515,266	-
Claim and premium expenses	-	-	-	-	-	-	7,361,184
Depreciation	903,708	2,245,421	2,835,012	246,701	136,523	6,367,365	-
Total operating expenses	<u>27,854,019</u>	<u>10,066,608</u>	<u>12,056,131</u>	<u>701,883</u>	<u>964,525</u>	<u>51,643,166</u>	<u>7,361,184</u>
Operating income (loss)	<u>(297,884)</u>	<u>157,562</u>	<u>(1,789,837)</u>	<u>153,755</u>	<u>(470,595)</u>	<u>(2,246,999)</u>	<u>(305,559)</u>
Nonoperating revenues (expenses):							
Intergovernmental revenue	-	29,088	800,004	68,909	61,455	959,456	-
Investment earnings	176,020	40,217	15,839	791	20,654	253,521	27,767
Interest expense	(9,630)	(321,813)	(308,909)	(75,946)	(391)	(716,689)	-
Bond issuance cost	(173)	(5,446)	(4,795)	(4,599)	(149)	(15,162)	-
Gain (loss) on disposal of capital assets	(34,603)	2,548	-	-	-	(32,055)	-
Total nonoperating revenue (expenses)	<u>131,614</u>	<u>(255,406)</u>	<u>502,139</u>	<u>(10,845)</u>	<u>81,569</u>	<u>449,071</u>	<u>27,767</u>
Income (loss) before contributions and transfers	(166,270)	(97,844)	(1,287,698)	142,910	(389,026)	(1,797,928)	(277,792)
Capital contributions	22,637	765,226	1,541,227	-	2,033,700	4,362,790	-
Transfers in	-	-	-	35,000	1,268,364	1,303,364	-
Transfers out	(55,000)	(55,000)	(55,000)	-	(12,475)	(177,475)	(200,000)
Changes in net assets	(198,633)	612,382	198,529	177,910	2,900,563	3,690,751	(477,792)
Total net assets - beginning	19,699,456	80,931,893	53,045,937	5,646,493	4,869,654	4,971,474	4,971,474
Total net assets - ending	<u>\$ 19,500,823</u>	<u>\$ 81,544,275</u>	<u>\$ 53,244,466</u>	<u>\$ 5,824,403</u>	<u>\$ 7,770,217</u>	<u>\$ (122,849)</u>	<u>\$ 4,493,682</u>

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

Change in net assets of business-type activities

\$ 3,567,902

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, 2012

	Business-type Activities- Enterprise Funds					Totals	Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds		
Cash Flows From Operating Activities							
Receipts from customers and users	\$ 27,233,117	\$ 10,345,094	\$ 10,076,163	\$ 853,024	\$ 475,664	\$ 48,983,062	\$ -
Receipts from interfund services provided	-	-	-	-	-	-	7,168,713
Payments to suppliers	(23,459,514)	(4,368,482)	(5,324,322)	(172,187)	(343,347)	(33,667,852)	(7,409,900)
Payments to employees	(3,733,114)	(4,307,178)	(4,228,923)	(281,641)	(362,667)	(12,913,523)	-
Net cash provided (used) by operating activities	40,489	1,669,434	522,918	399,196	(230,350)	2,401,687	(241,187)
Cash Flows From Noncapital Financing Activities							
Transfers from (to) other funds	(55,000)	(55,000)	(55,000)	35,000	1,255,889	1,125,889	(200,000)
Contributions	-	-	-	-	500	500	-
Net cash provided (used) by noncapital and related financing activities	(55,000)	(55,000)	(55,000)	35,000	1,256,389	1,126,389	(200,000)
Cash Flows From Capital And Related Financing Activities							
Proceeds from intergovernmental grant	-	(12,478)	708,675	68,909	50,000	815,106	-
Capital contributions	22,637	765,226	1,541,227	-	2,033,200	4,362,290	-
Acquisition and construction of capital assets	(376,581)	(3,655,106)	(2,258,788)	(68,909)	(2,645,440)	(9,004,824)	-
Proceeds from bond issuance	-	5,056,310	2,775,003	-	-	7,831,313	-
Principal paid on capital debt	(45,875)	(1,494,913)	(1,662,365)	(362,447)	(36,865)	(3,602,465)	-
Interest paid on capital debt	(10,184)	(274,449)	(256,602)	(83,360)	(318)	(624,913)	-
Proceeds from sale of capital assets	(34,603)	2,548	-	-	-	(32,055)	-
Net cash provided (used) by capital and related financing activities	(444,606)	387,138	847,150	(445,807)	(599,423)	(255,548)	-
Cash Flows From Investing Activities							
Interest and dividends received	176,209	40,205	15,789	798	20,634	253,635	28,341
Net cash provided by investing activities	176,209	40,205	15,789	798	20,634	253,635	28,341
Net increase (decrease) in pooled cash and investments	(282,908)	2,041,777	1,330,857	(10,813)	447,250	3,526,163	(412,846)
Pooled cash and investments, beginning of year	4,129,580	7,290,748	263,133	164,610	312,149	12,160,220	5,353,829
Pooled cash and investments, end of year	<u>\$ 3,846,672</u>	<u>\$ 9,332,525</u>	<u>\$ 1,593,990</u>	<u>\$ 153,797</u>	<u>\$ 759,399</u>	<u>\$ 15,686,383</u>	<u>\$ 4,940,983</u>

City of Hagerstown, Maryland
Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2012

	<u>Pension Trust Fund</u>	<u>Other Post Employment Benefits (OPEB) Trust Fund</u>	<u>Total Trust Funds</u>
Assets			
Investments, at fair value:			
Cash and Cash Equivalents	\$ 398,750	\$ 183,818	\$ 582,568
Government and Agency Issues	2,788,792	-	2,788,792
Corporate Debt Issues	1,379,460	-	1,379,460
Common Stock	3,894,394	760,963	4,655,357
Mutual Funds	<u>6,842,803</u>	<u>2,358,259</u>	<u>9,201,062</u>
Total investments	15,304,199	3,303,040	18,607,239
Interest Receivable	38,978	3,279	42,257
Prepaid items	-	1,274	1,274
Total assets	<u>15,343,177</u>	<u>3,307,593</u>	<u>18,650,770</u>
Liabilities			
Accounts payable	-	3,772	3,772
Total liabilities	<u>-</u>	<u>3,772</u>	<u>3,772</u>
Net Assets			
Held in trust for pension benefits	\$ <u>15,343,177</u>	\$ <u>3,303,821</u>	\$ <u>18,646,998</u>

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

City of Hagerstown, Maryland
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Year Ended June 30, 2012

	Pension Trust Fund	Other Post Employment Benefits (OPEB) Trust Fund	Total Trust Funds
Additions			
Contributions:			
Employer	\$ 1,021,437	\$ 650,000	\$ 1,671,437
Plan members	621,987	-	621,987
Total contributions	<u>1,643,424</u>	<u>650,000</u>	<u>2,293,424</u>
Investment earnings:			
Interest and dividends	444,902	67,043	511,945
Net increase (decrease) in the fair value of investments	(25,902)	20,657	(5,245)
Other revenues	4,162	-	4,162
Total investment earnings	<u>423,162</u>	<u>87,700</u>	<u>510,862</u>
Less investment expense	<u>52,742</u>	<u>8,520</u>	<u>61,262</u>
Net investment earnings	<u>370,420</u>	<u>79,180</u>	<u>449,600</u>
Total additions	<u>2,013,844</u>	<u>729,180</u>	<u>2,743,024</u>
Deductions			
Benefits	2,055,495	-	2,055,495
Administrative expenses	76,250	2,500	78,750
Actuarial fees	38,057	1,200	39,257
Total deductions	<u>2,169,802</u>	<u>3,700</u>	<u>2,173,502</u>
Change in net assets	(155,958)	725,480	569,522
Net assets - beginning	15,499,135	2,578,341	18,077,476
Net assets - ending	<u>\$ 15,343,177</u>	<u>\$ 3,303,821</u>	<u>\$ 18,646,998</u>

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

City of Hagerstown
Notes to the Financial Statements
June 30, 2012

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 24	May 24
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 6/30/2012 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. All prepaid items are recorded as assets and are maintained on a consumption basis of accounting. Additionally, prepaid items are valued on a first-in, first-out basis and consist of either goods held for resale or goods and materials used in providing services.

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, 2012, \$8,076 was restricted for single family loans and \$9,620 was restricted for escrowed taxes and insurance.

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. Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance using classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the purpose for which the funds may be spent. The designations of fund balances are made in accordance with GASB 54, and represent the intent of the government's administration to use fund balances for specific purposes in the future. Committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. Fund balance is reported in five components: nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – Portion of net resources that cannot be spent either (a) because of their form, or (b) because they must be maintained in tact.

Restricted – Portion of net resources with imposed limitations set by either (a) creditors, grantors, contributors, or the laws and regulations of other governments, or (b) laws through constitutional provisions or enabling legislation.

Committed – Portion of net resources with imposed limitations set at the highest level of decision making authority. Such authority includes ordinances, resolutions of the Mayor and Council and the City's charter. Formal action at the same level of authority is required to remove such limitations.

I. Summary of significant accounting policies (continued)

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

8. Fund Balance (continued)

Assigned – Portion of net resources intended for a specific use by the City, as determined by the designee of the Mayor and Council.

Unassigned – Portion of net resources in excess of the nonspendable, restricted, committed, and assigned balances.

9. Net Assets

The difference between fund assets and liabilities is *Net Assets* on the government-wide and fiduciary 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. Net assets *Invested in Capital Assets, Net of Related Debt* consists of capital assets, net of accumulated depreciations, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of these assets. As of June 30, 2012, net assets *Invested in Capital Assets, Net of Related Debt* excludes unspent debt proceeds of \$387,768 for governmental activities; and, the business-type activities had no unspent bond proceeds.

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the government or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. To fund appropriations, restricted resources are used first. When an expense is incurred for which both restricted and unrestricted net assets are available, the government will first apply restricted resources.

II. Reconciliation of government-wide and fund financial statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$22,485,413 difference are as follows:

Bonds payable	\$ 17,459,565
Accrued interest payable	260,357
Deferred charges	(67,932)
Compensated absences	<u>4,833,423</u>
Net adjustment to reduce <i>fund balance -- total governmental funds</i> to arrive at <i>net assets -- governmental activities</i>	<u>\$ 22,485,413</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 (\$1,168,667) difference are as follows:

Capital outlay	\$ 2,036,727
Contributed assets	1,227,833
Depreciation expense	<u>(4,433,227)</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>\$ (1,168,667)</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 \$659,156 difference are as follows:

Compensated absences	\$	501,109
Accrued interest		26,191
Deferred revenue		<u>131,856</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>659,156</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, 2012, expenditures/expenses exceeded revenues by \$247,866 in the General Fund, \$904,249 in the Capital Projects Fund, \$16,991 in the Economic Redevelopment Fund, \$121 in the Flexible Spending Fund, \$94,844 in the Telecommuting Center Fund, \$17,744 in the Business Revolving Loan Fund, \$86,295 in the Excise Tax Fund, \$55,704 in the Grant Revenue Fund, \$155,958 in the Pension Trust Fund, \$260,711 in the Worker's Compensation Fund, \$196,249 in the Health Insurance Fund, \$20,832 in the Dental Insurance Fund, and \$198,633 in the Electric 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, 2012, \$3,497,812 is restricted for the Capital Project Fund for projects which contain specific grants or contributions.

At June 30, 2012, \$5,736,147 is restricted for Special Revenue Funds. This total consists of \$3,284,057 for the Community Development Block Grant Fund, \$662,815 for the Economic Redevelopment Fund, \$22,564 for the Flexible Spending Fund, \$587,223 for the Business Revolving Loan Fund, \$807,573 for the Excise Tax Fund, \$70,755 for the Grant Revenue Fund, and \$301,160 for the Upper Floors Redevelopment Fund.

IV. Detailed notes on all funds

A. Deposits and investments

At June 30, 2012, 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 \$19,309,691 and the bank balances were \$19,847,409. 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 \$9,527,251 was secured by federal depository insurance and \$10,122,031 was collateralized by securities held by the bank's agent in the City's name. It is important to note that the City had an additional \$136,609 in a non-interest bearing checking account that was covered under the Dodd-Frank Act, which is set to expire on December 31, 2012. As of June 30, 2012 the City had \$198,127 of cash and investments uncollateralized.

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, 2012 the City had \$14,806,822 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		\$ 398,750	\$ 398,750	\$ -	\$ -	\$ -
CitiBank NA	AAA	20,143	20,143	-	-	-
Federal Home Loan Mortgage Corp	AAA/NR	313,744	-	127,524	33,598	152,622
Federal National Mortgage Assn	NR	1,206,088	-	50,688	33,597	1,121,803
Government National Mortgage Assoc	NR	95,684	-	-	-	95,684
U S Treasury Notes	AAA	1,153,133	627,679	-	235,036	290,418
Various Agencies	A1	120,244	-	32,086	60,987	27,171
Various Agencies	A2	166,360	-	70,173	60,545	35,642
Various Agencies	A3	142,209	-	51,387	55,412	35,410
Various Agencies	AA1	21,105	-	21,105	-	-
Various Agencies	AA2	105,057	-	68,377	11,037	25,643
Various Agencies	AA3	48,549	-	26,236	22,313	-
Various Agencies	AAA	187,872	39,908	-	-	147,964
Various Agencies	BAA1	186,055	-	66,238	88,877	30,940
Various Agencies	BAA2	319,007	-	130,031	155,296	33,680
Various Agencies	BAA3	83,002	-	5,457	40,733	36,812
High Yield Funds		45,209	45,209	-	-	-
Common Stock		3,894,394	3,894,394	-	-	-
Mutual Funds		6,797,594	6,797,594	-	-	-
Total Investments Held by Trustee of Pension Plan		<u>\$ 15,304,199</u>	<u>\$ 11,823,677</u>	<u>\$ 649,302</u>	<u>\$ 797,431</u>	<u>\$ 2,033,789</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		\$ 183,818	\$ 183,818	\$ -	\$ -	\$ -
Common Stock		760,962	760,962	-	-	-
Mutual Funds		2,358,260	2,358,260	-	-	-
Total Investments Held by Trustee of OPEB Plan		<u>\$ 3,303,040</u>	<u>\$ 3,303,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Credit risk – Investments of the City are exposed to various risks, such as interest rate, market, currency and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment assets reported in the financial statements. In addition, recent economic uncertainty and market events have led to unprecedented volatility in currency,

IV. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

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

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

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

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

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

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

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

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

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

IV. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

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

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

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

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

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

Foreign Currency Risk – The City’s OPEB Plan has 13% 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	\$ 1,073,317	\$ -	\$ -	\$ -	\$ 1,073,317
Intergovernmental	988,997	735,586	-	690,982	2,415,565
Customers	1,304,508	132,712	128,478	137,131	1,702,829
Loans	57,274	138,712	-	2,990,066	3,186,052
Interest	4,243	932	1,235	498	6,908
Employee	1,178	-	-	-	1,178
Gross receivables	<u>3,429,517</u>	<u>1,007,942</u>	<u>129,713</u>	<u>3,818,677</u>	<u>8,385,849</u>
Less: allowance for uncollectibles	(849,231)	(242,424)	-	(248,373)	(1,340,028)
Net total receivables	<u>\$ 2,580,286</u>	<u>\$ 765,518</u>	<u>\$ 129,713</u>	<u>\$ 3,570,304</u>	<u>\$ 7,045,821</u>

Business-Type Activities:

	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds	Business- Type Activities
Receivables:						
Intergovernmental	\$ -	\$ -	\$ 328,321	\$ -	\$ 63,789	\$ 392,110
Customers	5,928,668	2,771,654	3,294,749	150,310	42,442	12,187,823
Loans	2,273,827	11,078	19,497	-	587,524	2,891,926
Interest	1,028	1,230	235	38	120	2,651
Gross receivables	<u>8,203,523</u>	<u>2,783,962</u>	<u>3,642,802</u>	<u>150,348</u>	<u>693,875</u>	<u>15,474,510</u>
Less: allowance for uncollectibles	(4,410,328)	(698,064)	(615,431)	(108,742)	(587,524)	(6,420,089)
Net total receivables	<u>\$ 3,793,195</u>	<u>\$ 2,085,898</u>	<u>\$ 3,027,371</u>	<u>\$ 41,606</u>	<u>\$ 106,351</u>	<u>\$ 9,054,421</u>

IV. Detailed notes on all funds (continued)

B. Receivables (continued)

City Totals:

	Governmental Activities	Business-Type Activities	Total
Receivables:			
Taxes	\$ 1,073,317	\$ -	\$ 1,073,317
Intergovernmental	2,415,565	392,110	2,807,675
Customers	1,702,829	12,187,823	13,890,652
Loans	3,186,052	2,891,926	6,077,978
Interest	6,908	2,651	9,559
Employee	1,178	-	1,178
Gross receivables	<u>8,385,849</u>	<u>15,474,510</u>	<u>23,860,359</u>
Less: allowance for uncollectibles	<u>(1,340,028)</u>	<u>(6,420,089)</u>	<u>(7,760,117)</u>
Net total receivables	<u>\$ 7,045,821</u>	<u>\$ 9,054,421</u>	<u>\$ 16,100,242</u>

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

	Unavailable	Unearned	Total
Deferred income taxes receivable	\$ 483,731	\$ -	\$ 483,731
Other deferred revenues	362,202	56,403	418,605
Total deferred/unearned revenue for governmental funds	<u>\$ 845,933</u>	<u>\$ 56,403</u>	<u>\$ 902,336</u>

IV. Detailed notes on all funds (continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 3,715,746	\$ 1,090,000	\$ -	\$ -	\$ 4,805,746
Construction in progress	7,541,323	239,142	-	(7,520,445)	260,020
Total capital assets, not being depreciated	<u>11,257,069</u>	<u>1,329,142</u>	<u>-</u>	<u>(7,520,445)</u>	<u>5,065,766</u>
Capital assets, being depreciated:					
Land improvements	3,965,131	492,246	-	11,842	4,469,219
Buildings and structures	15,017,487	242,896	-	32,093	15,292,476
Machinery and equipment	4,753,409	328,499	(78,987)	107,453	5,110,374
Automobiles and trucks	7,289,674	209,624	(278,987)	-	7,220,311
Office furniture and fixtures	3,555,044	32,388	(368,773)	1,036,745	4,255,404
Infrastructure	87,254,488	626,749	-	6,305,391	94,186,628
Total capital assets being depreciated	<u>121,835,233</u>	<u>1,932,402</u>	<u>(726,747)</u>	<u>7,493,524</u>	<u>130,534,412</u>
Less accumulated depreciation for:					
Land improvements	(506,627)	(105,487)	-	-	(612,114)
Buildings and structures	(7,702,215)	(462,042)	-	-	(8,164,257)
Machinery and equipment	(2,532,152)	(478,927)	78,987	-	(2,932,092)
Automobiles and trucks	(5,468,451)	(440,115)	234,655	-	(5,673,911)
Office furniture and fixtures	(2,172,196)	(724,534)	215,048	20,213	(2,661,469)
Infrastructure	(35,817,151)	(2,222,122)	-	-	(38,039,273)
Total accumulated depreciation	<u>(54,198,792)</u>	<u>(4,433,227)</u>	<u>528,690</u>	<u>20,213</u>	<u>(58,083,116)</u>
Total capital assets, being depreciated, net	<u>67,636,441</u>	<u>(2,500,825)</u>	<u>(198,057)</u>	<u>7,513,737</u>	<u>72,451,296</u>
Governmental activities capital assets, net	<u>\$ 78,893,510</u>	<u>\$ (1,171,683)</u>	<u>\$ (198,057)</u>	<u>\$ (6,708)</u>	<u>\$ 77,517,062</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	\$ 5,728,589	\$ 742,726	\$ -	\$ -	\$ 6,471,315
Construction in progress	23,693,200	2,936,700	-	(23,593,256)	3,036,644
Total capital assets, not being depreciated	<u>29,421,789</u>	<u>3,679,426</u>	<u>-</u>	<u>(23,593,256)</u>	<u>9,507,959</u>
Capital assets, being depreciated:					
Land improvements	1,434,704	-	-	-	1,434,704
Buildings and structures	168,264,510	3,069,642	(82,000)	23,357,937	194,610,089
Machinery and equipment	98,144,468	2,227,157	(190,711)	235,319	100,416,233
Automobiles and trucks	4,809,302	20,074	(206,672)	-	4,622,704
Office furniture and fixtures	743,859	-	(7,308)	26,921	763,472
Total capital assets being depreciated	<u>273,396,843</u>	<u>5,316,873</u>	<u>(486,691)</u>	<u>23,620,177</u>	<u>301,847,202</u>
Less accumulated depreciation for:					
Land improvements	(859,949)	(75,038)	-	-	(934,987)
Buildings and structures	(53,399,737)	(3,539,295)	82,000	-	(56,857,032)
Machinery and equipment	(48,991,338)	(2,581,998)	181,428	-	(51,391,908)
Automobiles and trucks	(3,799,634)	(164,871)	203,505	-	(3,761,000)
Office furniture and fixtures	(707,619)	(6,163)	7,307	(20,213)	(726,688)
Total accumulated depreciation	<u>(107,758,277)</u>	<u>(6,367,365)</u>	<u>474,240</u>	<u>(20,213)</u>	<u>(113,671,615)</u>
Total capital assets, being depreciated, net	<u>165,638,566</u>	<u>(1,050,492)</u>	<u>(12,451)</u>	<u>23,599,964</u>	<u>188,175,587</u>
Business-type activities capital assets, net	<u>\$ 195,060,355</u>	<u>\$ 2,628,934</u>	<u>\$ (12,451)</u>	<u>\$ 6,708</u>	<u>\$ 197,683,546</u>

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

Governmental activities:	
General government, including general infrastructure assets	\$ 2,667,917
Public safety	894,802
Highways and streets	316,877
Culture and recreation	516,661
Municipal buildings	36,970
Total depreciation expense – governmental activities	<u>\$ 4,433,227</u>

IV. Detailed notes on all funds (continued)

C. Capital Assets (continued)

Business-type activities:		
Electric	\$	903,708
Water		2,245,421
Wastewater		2,835,012
Parking facilities		246,701
Golf course		22,841
Property management		113,682
Total depreciation expense – business-type activities	\$	<u>6,367,365</u>

Construction commitments

The government has active construction projects as of June 30, 2012. The projects include improvements and construction of road and bridge improvements, new parks and existing park improvements, water treatment plant and system, wastewater system, and building improvements. At year end the government's commitments with contractors are as follows:

Project	Spent-to- Date	Remaining Commitment
Edgewood & Howell Drive Traffic Island	\$ 20,817	\$ 2,590
Storm Drain Bridge Repair	75,369	1,377,556
East Avenue Park	111,548	-
Veteran's Memorial Park II	27,611	-
Pangborn Lake Construction	24,674	37,326
R.C. Willson Plant Phase IV	935,359	429,763
Water SCADA System	171,226	114,151
SSES Citywide Collection System Rehab	2,461,293	541,452
Hagerstown Small Bus Incubator Bldg Renovations	183,288	417,398
36-40 North Potomac Bldg Renovations	110,329	-
Total	<u>\$ 4,121,515</u>	<u>\$ 2,920,236</u>

The funding sources for the projects above vary. The traffic island is being funded from the City's Excise Tax fund. The major bridge repair work is being financed in partnership with the state contributing 80% and the remaining balance from the City's Excise Tax fund. The construction of a new park at East Avenue is being financed from bond proceeds. CDBG funding will be used to construct the next phase of the Veteran's Memorial Park. The on-going improvements to Pangborn Lake are being financed through state grants and general fund operations. The Willson Plant improvements phase

IV is primarily being financed through low-rate interest bonds from the Maryland Department of the Environment and state grants. The remaining upgrades to Wastewater citywide collection system will be financed through low-rate interest bonds from the Maryland Department of the Environment. The building renovations are being funded by Community Legacy grants, other state grants, CDBG funding, and bond proceeds.

IV. Detailed notes on all funds (continued)

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2012, is as follows:

Advances from/to other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Community Development Block Grant Fund	\$ 245,000
General Fund	Flexible Spending Trust	13,000
General Fund	Grant Revenue Fund	440,000

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 2012. The temporary advance will then be reversed.

Interfund transfers:

Transfers in:	Transfers Out:								Total Transfers In
	General Fund	Nonmajor Governmental	Electric	Water	Wastewater	Nonmajor Enterprise	Internal Service	Capital Projects	
General	\$ -	\$ 50,635	\$ -	\$ -	\$ -	\$ 12,475	\$ 200,000	\$ -	\$ 263,110
Capital Projects	336,952	346,765	55,000	55,000	55,000	-	-	-	848,717
Nonmajor Governmental	311,593	200,000	-	-	-	-	-	-	511,593
Parking	-	-	-	-	-	-	-	35,000	35,000
Nonmajor Enterprise	216,460	502,865	-	-	-	-	-	549,039	1,268,364
Transfers in	\$ 865,005	\$ 1,100,265	\$ 55,000	\$ 55,000	\$ 55,000	\$ 12,475	\$ 200,000	\$ 584,039	\$ 2,926,784

The \$263,110 transferred in to the General Fund has six separate components: (1) a \$5,000 transfer from the Community Development Block Grant Fund for park/playground youth programs, (2) a \$25,000 transfer from Economic Development for community betterment, (3) a \$6,000 transfer from the Flexible Spending Fund for employee events, (4) a \$14,635 transfer from Telecommuting Center Fund to close out that fund and renovate the old Center space, (5) a \$12,475 transfer from Property Management Fund, and (6) a \$200,000 transfer from Workers Compensation Fund to offset the increased cost of public safety workers compensation.

Transfers to the Capital Projects Fund from the General Fund (\$336,952), Nonmajor Governmental Funds (\$346,765), 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.

IV. Detailed notes on all funds (continued)

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

The \$311,593 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 \$61,593 transfer to the Grant Revenue Fund for local match requirements. The \$200,000 transfer between Nonmajor Governmental Funds represents a transfer to the Economic Redevelopment Fund for downtown community betterment and redevelopment.

The \$35,000 transfer from the Capital Projects Fund to the Parking Fund represents funding for a downtown traffic study.

The \$216,460 transfer from the General Fund to the Nonmajor Enterprise Funds represents operating transfers to the Golf Course Fund. Transfers from the Nonmajor Governmental Funds to the Nonmajor Enterprise Funds of \$502,865 and the transfer of \$549,039 from the Capital Projects Fund to the Nonmajor Enterprise Funds are for capital expenditures. These capital expenditures include the purchase and renovation of City owned buildings.

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 \$36,263 in FY2012. Future minimum lease payments for these leases are as follows:

	Fiscal Years Ending June 30,						Total
	2013	2014	2015	2016	2017	Thereafter	
Totals	\$ 16,352	\$ 15,518	\$ 15,518	\$ 15,518	\$ 12,182	\$ 8,122	\$ 83,212

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, 2012 was \$481,210. Future minimum rental income for these leases is as follows:

	Fiscal Years Ending June 30,						Total
	2013	2014	2015	2016	2017	Thereafter	
Totals	\$ 508,403	\$ 427,321	\$ 378,767	\$ 235,774	\$ 227,973	\$ 959,503	\$ 2,737,742

As of June 30, 2012, 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	\$ 1,013,773	\$ 4,518,205	\$ 1,435,768	

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
1997 Public Improvement Bonds	4.60%	2012	\$ 100,357	\$ 274,642	\$ 374,999
1998 MD Water Quality Revolving Loan Fund	3.13%	2019	-	540,649	540,649
1998 Public Improvement Bonds	4.31%	2013	225,000	-	225,000
1998 MD Water Quality Revolving Loan Fund	2.37%	2020	-	3,032,277	3,032,277
2000 MD Water Quality Revolving Loan Fund	2.40%	2021	-	1,059,150	1,059,150
2002 The Columbia Bank	1.92%	2013	-	10,833	10,833
2002 Washington County MWQ Refunding	5.25%	2015	-	86,829	86,829
2002 State of Maryland Water Supply Assistance	4.40%	2024	-	172,619	172,619
2004 Public Facilities Bonds	3.40%-4.30%	2019	835,000	-	835,000
2004 Taxable Facilities	5.40%-6.00%	2019	-	880,000	880,000
2004 Public Facilities Bonds, Second Issue	3.36%	2020	2,270,500	119,500	2,390,000
2005 MD Water Quality Revolving Loan Fund	0.40%	2025	-	4,896,655	4,896,655
2006 Public Facilities Bonds	3.66%	2021	5,434,773	1,795,227	7,230,000
2007 MD Drinking Water Revolving Loan Fund	0.40%	2026	-	4,543,971	4,543,971
2007 The Columbia Bank	5.94%	2013	33,753	-	33,753
2009-A Tax Exempt Bonds	2.00%-4.00%	2019	2,823,087	3,166,913	5,990,000
2009-B Taxable Build America Bonds	5.00%-5.75%	2029	5,073,545	5,691,455	10,765,000
2009 MDE West End Reservoir Tank Phase II	0.00%	2039	-	4,990,253	4,990,253
2009 MDE Water Quality Bond	0.00%	2032	-	23,197	23,197
2009 MDE RCWills on Mains	0.00%	2041	-	4,448,352	4,448,352
2009 MD Water Quality Revolving Loan Fund	0.00%	2030	-	6,253,628	6,253,628
2009 Salem Ave. Collection System Rehabilitation	0.00%	2030	-	690,158	690,158
2011 Public Facilities Bonds	2.00%-3.50%	2031	-	5,980,000	5,980,000
2012 United Bank Loan	4.00%-WSPR	2022	587,817	-	587,817
Total general obligation bonds payable			17,383,832	48,656,308	66,040,140
Premiums on bond issues			75,733	230,692	306,425
Total general obligation debt outstanding			\$ 17,459,565	\$ 48,887,000	\$ 66,346,565

IV. Detailed notes on all funds (continued)

F. Long-term debt (continued)

The 2002 The Columbia Bank loan was assumed from the Board of Commissioners of Washington County, Maryland. This loan has a variable interest rate which is currently 1.92%. 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, 2011, 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
2013	\$ 1,435,927	\$ 591,064	\$ 3,109,057	\$ 752,610
2014	1,281,608	543,330	2,877,531	705,219
2015	1,242,727	499,691	2,916,206	659,054
2016	1,282,613	454,512	2,937,949	609,461
2017-2021	6,801,088	1,570,311	14,850,794	2,287,306
2022-2026	3,075,272	674,265	11,247,574	1,262,548
2027-2031	2,264,597	196,205	7,466,186	442,892
2032-2036	-	-	2,135,347	7,000
2037-2041	-	-	1,115,664	-
2042-2046	-	-	-	-
Total	17,383,832	4,529,378	48,656,308	6,726,090
Premiums on bond issues	75,733	-	230,692	-
Total general obligation debt	\$ 17,459,565	\$ 4,529,378	\$ 48,887,000	\$ 6,726,090

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, 2012, \$17,318 of revenue bonds was outstanding:

Description	Interest Rate	Maturity	Business-type Activities
1993 M.C.C.B. water supply assistance loan	5.36%	2025	\$ 17,318

Revenue bond debt service requirements to maturity are as follows:

Year Ended June 30	Business-type Activities	
	Principal	Interest
2013	\$ 956	\$ 928
2014	1,007	877
2015	1,061	823
2016	1,118	766
2017-2021	6,553	2,865
2022-2025	6,624	911
Total	\$ 17,318	\$ 7,170

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	18,608,302	600,000	(1,824,470)	17,383,832	1,435,927
Premium	86,836	-	(11,103)	75,733	-
Total long-term debt	18,695,138	600,000	(1,835,573)	17,459,565	1,435,927
Compensated absences	5,334,532	6,045,443	(6,546,552)	4,833,423	1,566,510
Governmental activity					
Long-term liabilities	24,029,670	6,645,443	(8,382,125)	22,292,988	3,002,437
Business-type activities:					
Bonds payable:					
General obligation					
Bonds	44,934,549	7,323,319	(3,601,560)	48,656,308	3,109,057
Revenue bonds	18,225	-	(907)	17,318	956
Premium	107,819	142,219	(19,346)	230,692	-
Total long-term debt	45,060,593	7,465,538	(3,621,813)	48,904,318	3,110,013
Compensated absences	2,302,742	2,132,441	(2,365,730)	2,069,453	672,128
Business-type activities					
Long-term liabilities	47,363,335	9,597,979	(5,987,543)	50,973,771	3,782,141

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. No claims related costs exceeded insurance coverage for 2012, 2011 and 2010.

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 \$5.7 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.

As shown in the chart below, the City estimates its liability is \$20,000 in general liability risk claims, \$0 in workers compensation claims, and \$515,170 in health and dental insurance.

	General Liability Risks Program		Workers Compensation Fund		Health Insurance Fund	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
Unpaid claims, beginning of year	\$ 208,500	\$ 105,000	\$ 29,447	\$ 35,934	\$ 517,331	\$ 492,432
Incurred claims	23,780	175,908	2,014	-	5,203,538	4,694,226
Reserve reduction	(183,500)	-	-	-	-	-
Claim payments	(28,780)	(72,408)	(31,461)	(6,487)	(5,205,699)	(4,669,327)
Unpaid claims, end of year	<u>\$ 20,000</u>	<u>\$ 208,500</u>	<u>\$ -</u>	<u>\$ 29,447</u>	<u>\$ 515,170</u>	<u>\$ 517,331</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, 2012. 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 through a single-employer defined benefit plan. The City established an irrevocable trust for administering the plan assets and paying healthcare costs on behalf of the participants. During fiscal year 2012, 220 retirees and their 188 dependents were eligible for hospitalization and dental benefits. For fiscal year 2012, total claims paid for retiree health and dental care benefits was approximately \$1,723,400.

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 up to a \$400 monthly stipend to aid in the cost of acquiring a Medicare supplemental health insurance plan. Of the eligible retirees, 136 retirees and 113 dependents are provided up to a \$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, 2011 for current health and dental care benefit premiums. An additional \$1,567,167 has been designated for future benefits for a total ARC of \$2,487,101. The current ARC rate is 9.36% of annual covered payroll. The City contributed \$2,311,604 to the plan, including \$1,686,604 in current premiums and other pay as you go costs (73.0% of total premiums) and an additional \$625,000 to prefund benefits for the fiscal year 2012. The City contributed \$650,000 in FY2012 to prefund benefits for fiscal year 2013. Plan members receiving benefits contributed

V. Other information (continued)

C. Other post employment benefits (continued)

\$290,129, or approximately 16.8% of the total premiums, through their required contribution. At June 30, 2012, the plan's net assets were \$3,303,821.

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 following table shows the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution (ARC)	\$ 2,487,101
Interest on net OPEB obligation	(32,288)
Adjustment to ARC	22,112
Annual OPEB cost (expense)	<u>2,476,925</u>
Contributions made	<u>(2,311,604)</u>
Increase in net OPEB obligation	165,321
Net OPEB obligation, beginning of year	<u>(430,504)</u>
Net OPEB obligation, end of year	<u><u>\$ (265,183)</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for the past two years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
06/30/2009	\$ 3,225,000	104.1%	\$ (131,000)
06/30/2010	2,514,220	111.9%	(430,504)
06/30/2011	2,476,925	93.3%	(265,183)

Funded status and funding progress. The funded status of the plan as of July 1, 2010, was as follows:

Actuarial accrued liability (AAL)	\$ 34,404,988
Actuarial value of plan assets	<u>1,603,716</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 32,801,272</u></u>
Funded ratio (actual value of plan assets/AAL)	4.66%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 26,569,149
UAAL as a percentage of covered payroll	123.46%

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

V. Other information (continued)

C. Other post employment benefits (continued)

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 multi-year trend 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, and are as follows:

Actuarial Cost Method – Projected Unit Credit

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

Asset Valuation Method – Smoothed market

Valuation of Assets – Assets are valued at market value.

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

Mortality – 1983 Group Annuity Mortality.

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

Salary Scale – 3.0% per year under discount rate.

Retirement Age – As specified in the following table:

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

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

Premium Equivalence – Based on current equivalent retiree rates. Post-65 rates are based on current cost of supplemental coverage.

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.

V. Other information (continued)

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

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, 2011, the date of the most recent actuarial valuation:

Active	169
Retired or disabled	62
Vested terminations or inactive	<u>6</u>
Total	<u>237</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

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

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, 2011 actuarial valuation, sworn employees contribute 7% of their base pay and the current actuarially determined rate the government is required to contribute is 11.29% for fiscal year 2011/2012. At June 30, 2012, the plan's net assets were \$15,343,177.

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>
2011/12	\$ 1,021,437
2010/11	1,216,190
2009/10	1,116,465
2008/09	1,038,557
2007/08	981,834
2006/07	882,445

Therefore, the government has no net pension obligation (NPO) to report for its Sworn Plan. The schedule of funding progress, presented as supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

Funded status and funding progress. The funded status of the plan as of July 1, 2011, was as follows:

Actuarial accrued liability (AAL)	\$	39,347,884
Actuarial value of plan assets		18,444,937
Unfunded actuarial accrued liability (UAAL)	\$	<u>20,902,947</u>
Funded ratio (actual value of plan assets/AAL)		46.88%
Covered payroll (annual payroll of active employees covered by the plan)	\$	8,793,674
UAAL as a percentage of covered payroll		237.70%

Actuarial methods and assumptions. The annual required contribution for the current year was determined as part of the July 1, 2011 actuarial valuation using the entry age actuarial cost method. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period is 21 years. The actuarial assumptions included

- (a) Investment return – 7.75% investment rate of return for pre-retirement-retirement and spousal benefits, and for post-retirement-retirement benefits (net of administrative expenses)
- (b) Funding method – Frozen Initial Liability
- (c) Projected salary increases due to inflation of 2.25% per year, compounded annually.
- (d) Projected salary increases due to seniority raises of 2.0% per year, compounded annually.
- (e) Valuation of Assets – Actuarial Value with 3-year smoothing of expected investment returns on actual investment returns. Actuarial value not to exceed 120% of market and no less than 80% of market value.
- (f) Morality – RP-2000 sex distinct
- (g) Turnover – Pre-retirement for retirement and spousal benefits is T8

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.

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

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, 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.

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

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 2012, 2011, and 2010 were \$307,006, \$292,387, and \$278,459 respectively.

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

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2012	\$ 1,557,619	\$ 1,557,619	100%
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%

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		Annual Covered Payroll (c.)	UAAL as a % Of Covered Payroll [(b.-a.)/c.]
			Unfunded AAL (UAAL) (b. - a.)	Funded Ratio (a./b.)		
7/1/2006	\$ 10,439,682	\$ 27,549,241	\$ 17,109,559	37.89%	\$ 6,947,273	246.3%
7/1/2007	12,660,424	29,869,521	17,209,097	42.39%	7,639,842	225.3%
7/1/2008	11,780,317	31,639,090	19,858,773	37.23%	8,656,152	229.4%
7/1/2009	12,729,397	34,507,189	21,777,792	36.89%	9,455,328	230.3%
7/1/2010	14,721,989	36,955,500	22,233,511	39.84%	9,241,090	240.6%
7/1/2011	18,444,937	39,347,884	20,902,947	46.88%	8,793,674	237.7%

Schedule of Employer Contributions

Fiscal Year Ending June 30	Annual		Net OPEB Obligation
	Required Contribution	Percentage of ARC Contributed	
2007	\$ 985,678	100.0%	\$ -
2008	1,222,594	100.0%	-
2009	1,109,347	100.0%	-
2010	1,246,087	100.0%	-
2011	1,690,833	100.0%	-
2012	1,557,619	100.0%	-

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		Annual Covered Payroll (c.)	UAAL as a % Of Covered Payroll [(b.-a.)/c.]
			Unfunded AAL (UAAL) (b. - a.)	Funded Ratio (a./b.)		
7/1/2008	\$ 810,000	\$ 45,831,000	\$ 45,021,000	1.77%	\$ 26,337,198	170.9%
7/1/2009	810,000	32,710,809	31,900,809	2.48%	28,024,532	113.8%
7/1/2010	1,603,716	34,404,988	32,801,272	4.66%	26,569,149	123.5%

Schedule of Employer Contributions

Fiscal Year Ending June 30	Annual		Net OPEB Obligation
	Required Contribution	Percentage of ARC Contributed	
2009	\$ 3,225,000	104.1%	\$ (131,000)
2010	2,517,704	103.2%	(430,504)
2011	2,487,101	92.9%	(265,183)

City of Hagerstown, Maryland
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		2012 Actual	Variance with Final Budget - Positive (Negative)	2011 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues and Transfers						
General Property Taxes:						
Current year's levy	\$ 22,072,500	\$ 22,072,500	\$ 21,386,209	\$ (686,291)	\$ 24,131,669	\$ (2,745,460)
Prior year's levy - net	(100,000)	(100,000)	(71,602)	28,398	(127,585)	55,983
Payments in lieu of taxes	2,695,833	2,695,833	2,706,134	10,301	2,685,048	21,086
Interest on delinquent taxes	225,000	225,000	84,426	(140,574)	282,076	(197,650)
	<u>24,893,333</u>	<u>24,893,333</u>	<u>24,105,167</u>	<u>(788,166)</u>	<u>26,971,208</u>	<u>(2,866,041)</u>
Less discounts allowed	(30,000)	(30,000)	(27,470)	2,530	(60,319)	32,849
Total General Property Taxes	<u>24,863,333</u>	<u>24,863,333</u>	<u>24,077,697</u>	<u>(785,636)</u>	<u>26,910,889</u>	<u>(2,833,192)</u>
State and County Shared Taxes:						
Income tax	2,150,000	2,150,000	2,271,796	121,796	2,068,330	203,466
Admission	133,500	133,500	202,180	68,680	173,017	29,163
Enterprise zone tax credits	135,000	135,000	110,756	(24,244)	137,741	(26,985)
Police protection	520,000	516,752	516,752	-	516,753	(1)
State aid for fire service	53,000	53,000	53,450	450	53,562	(112)
State highway user revenue	79,493	79,493	79,493	-	161,387	(81,894)
Financial corporations	34,214	34,214	34,214	-	34,214	-
Hotel/motel room tax	140,000	140,000	164,257	24,257	147,663	16,594
Total State and County Shared Taxes	<u>3,245,207</u>	<u>3,241,959</u>	<u>3,432,898</u>	<u>190,939</u>	<u>3,292,667</u>	<u>140,231</u>
Licenses and Permits:						
Residential rental licenses	415,000	415,000	383,251	(31,749)	422,601	(39,350)
Cable television franchise	380,000	380,000	392,415	12,415	383,894	8,521
Traders	104,000	104,000	75,146	(28,854)	108,116	(32,970)
Building permits	156,000	156,000	186,631	30,631	185,520	1,111
Electrical permits	110,000	110,000	98,223	(11,777)	105,957	(7,734)
Distilled spirits	7,600	7,600	17,911	10,311	15,200	2,711
Plumbing permits	70,000	70,000	57,354	(12,646)	65,485	(8,131)
Other	332,975	332,975	512,859	179,884	267,692	245,167
Total Licenses and Permits	<u>1,575,575</u>	<u>1,575,575</u>	<u>1,723,790</u>	<u>148,215</u>	<u>1,554,465</u>	<u>169,325</u>
Intergovernmental Grant Revenues:						
Federal grants	24,000	24,000	73,586	49,586	25,170	48,416
State and local grants	150,000	164,979	162,701	(2,278)	166,650	(3,949)
Total Intergovernmental Grant Revenues	<u>174,000</u>	<u>188,979</u>	<u>236,287</u>	<u>47,308</u>	<u>191,820</u>	<u>44,467</u>
Service Charges:						
Refuse collection fees	2,361,300	2,361,300	2,298,388	(62,912)	2,164,998	133,390
Stadium	300	300	1,029	729	325	704
Swimming pool	64,075	64,075	70,347	6,272	58,108	12,239
Other	895,932	928,653	826,780	(101,873)	713,596	113,184
Total Service Charges	<u>3,321,607</u>	<u>3,354,328</u>	<u>3,196,544</u>	<u>(157,784)</u>	<u>2,937,027</u>	<u>259,517</u>
Fines and Forfeitures	<u>188,525</u>	<u>188,525</u>	<u>384,137</u>	<u>195,612</u>	<u>73,634</u>	<u>310,503</u>
Unallocated General Revenues:						
Administrative allocation	2,107,000	2,107,000	2,031,000	(76,000)	2,173,512	(142,512)
Interest on investments	55,000	55,000	57,374	2,374	52,035	5,339
Sale of land & other property	1,000	1,000	28,768	27,768	5,555	23,213
Miscellaneous	196,137	178,614	172,734	(5,880)	216,083	(43,349)
Total Unallocated General Revenues	<u>2,359,137</u>	<u>2,341,614</u>	<u>2,289,876</u>	<u>(51,738)</u>	<u>2,447,185</u>	<u>(157,309)</u>
Total Revenues	<u>35,727,384</u>	<u>35,754,313</u>	<u>35,341,229</u>	<u>(413,084)</u>	<u>37,407,687</u>	<u>(2,066,458)</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, 2012

	Budgeted Amounts		2012 Actual	Variance with Final Budget - Positive (Negative)	2011 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues and Transfers (continued)						
Other Financing Sources:						
Debt issued	-	600,000	600,000	-	-	600,000
Transfers from community development fund	5,000	5,000	5,000	-	5,000	-
Transfers from telecommuting center fund	-	14,635	14,635	-	-	14,635
Transfers from property management fund	-	-	12,475	12,475	-	12,475
Transfers from workers compensation fund	200,000	200,000	200,000	-	-	200,000
Transfers from flexible spending fund	6,000	6,000	6,000	-	6,000	-
Transfers from economic redevelopment fund	-	25,000	25,000	-	-	25,000
Total Other Financing Sources	211,000	850,635	863,110	12,475	11,000	852,110
Total Revenues and Other Financing Sources	\$ 35,938,384	\$ 36,604,948	\$ 36,204,339	\$ (400,609)	\$ 37,418,687	\$ (1,214,348)
Expenditures and Transfers						
General Government:						
Council	\$ 107,968	\$ 107,968	\$ 104,921	\$ 3,047	\$ 105,052	\$ (131)
Mayor	62,612	62,612	65,628	(3,016)	59,606	6,022
City administrator	203,631	203,631	211,173	(7,542)	204,699	6,474
City clerk	164,943	164,943	167,067	(2,124)	144,847	22,220
Community affairs	496,132	485,561	430,898	54,663	356,887	74,011
Legal counsel	243,700	243,700	177,247	66,453	191,634	(14,387)
Public functions	416,013	445,713	430,370	15,343	461,333	(30,963)
Registration and election	2,400	2,400	-	2,400	-	-
Finance and accounting	690,986	692,622	679,366	13,256	916,049	(236,683)
Information technology	744,324	733,448	752,262	(18,814)	855,917	(103,655)
Cashiering	233,826	326,846	341,265	(14,419)	387,059	(45,794)
Planning	412,722	412,722	432,273	(19,551)	467,170	(34,897)
Annexation	9,700	9,700	9,005	695	58,269	(49,264)
City hall expenditures	275,785	275,785	305,215	(29,430)	243,306	61,909
City engineer	912,564	1,037,171	1,013,430	23,741	1,182,275	(168,845)
Human resources	454,383	490,181	436,228	53,953	461,683	(25,455)
Total General Government	5,431,689	5,695,003	5,556,348	138,655	6,095,786	(539,438)
Public Safety:						
Police department	10,347,505	10,377,867	10,461,552	(83,685)	10,525,063	(63,511)
Fire department	5,497,422	5,879,031	6,205,070	(326,039)	5,910,698	294,372
Code enforcement	1,126,921	1,104,889	1,215,065	(110,176)	1,131,255	83,810
Signal department	518,978	518,980	487,665	31,315	511,408	(23,743)
Total Public Safety	17,490,826	17,880,767	18,369,352	(488,585)	18,078,424	290,928
Highways and Streets:						
General street department operations	657,856	669,311	727,377	(58,066)	622,335	105,042
Snow removal	422,700	422,700	117,718	304,982	419,242	(301,524)
Street cleaning	510,435	510,435	427,199	83,236	420,306	6,893
Street lighting	775,000	775,000	698,418	76,582	764,197	(65,779)
Central services	315,349	315,349	471,124	(155,775)	366,464	104,660
Total Highways and Streets	2,681,340	2,692,795	2,441,836	250,959	2,592,544	(150,708)
Waste, Collection and Disposal	2,255,164	2,730,557	2,637,018	93,539	2,035,308	601,710
Culture and Recreation:						
City parks	1,594,900	1,594,269	1,519,139	75,130	1,403,972	115,167
Swimming pool	147,049	147,049	156,045	(8,996)	152,782	3,263
Farmers market	75,677	75,677	101,197	(25,520)	97,617	3,580
Stadium	194,037	194,037	131,283	62,754	186,074	(54,791)
Recreation department	213,029	213,029	210,791	2,238	189,445	21,346
Hager house and 202 train museum	66,306	67,328	62,512	4,816	104,804	(42,292)
Total Culture and Recreation	2,290,998	2,291,389	2,180,967	110,422	2,134,694	46,273

* 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, 2012

	<u>Budgeted Amounts</u>		<u>2012 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2011 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
Expenditures and Transfers						
Economic and Community Development:						
Economic development	293,264	328,307	355,576	(27,269)	307,511	48,065
Housing and community development	-	62,019	95,221	(33,202)	77,366	17,855
Neighborhoods first	107,933	107,933	95,397	12,536	87,090	8,307
Total Economic and Community Dev	<u>401,197</u>	<u>498,259</u>	<u>546,194</u>	<u>(47,935)</u>	<u>471,967</u>	<u>74,227</u>
Unallocated General Expenditures:						
Retiree benefits	1,024,000	1,024,000	1,099,307	(75,307)	1,025,437	73,870
Termination pay	230,000	-	-	-	-	-
Contributions to other agencies	269,465	269,465	266,928	2,537	241,675	25,253
Inventory adjustments	5,000	5,000	26,994	(21,994)	(23,501)	50,495
Total Unallocated General Expenditures	<u>\$ 1,528,465</u>	<u>\$ 1,298,465</u>	<u>\$ 1,393,229</u>	<u>\$ (94,764)</u>	<u>\$ 1,243,611</u>	<u>\$ 149,618</u>
Debt Service:						
Principal	\$ 1,812,407	\$ 1,812,407	\$ 1,824,467	\$ (12,060)	\$ 1,748,522	\$ 75,945
Interest	727,446	727,446	636,814	90,632	650,015	(13,201)
Issuance Costs	-	-	975	(975)	-	975
Total Debt Service	<u>2,539,853</u>	<u>2,539,853</u>	<u>2,462,256</u>	<u>77,597</u>	<u>2,398,537</u>	<u>63,719</u>
Total Expenditures	34,619,532	35,627,088	35,587,200	39,888	35,050,871	536,329
Other Financing Uses:						
Transfers to golf course fund	175,000	175,000	216,460	(41,460)	296,927	(80,467)
Transfers to property management fund	-	-	-	-	600,000	(600,000)
Transfers to grant revenue fund	417,911	97,583	61,593	35,990	340,237	(278,644)
Transfers to economic redevelopment fund	250,000	250,000	250,000	-	250,000	-
Transfers to capital projects fund	327,700	311,900	336,952	(25,052)	666,506	(329,554)
Total Other Financing Uses	<u>1,170,611</u>	<u>834,483</u>	<u>865,005</u>	<u>(30,522)</u>	<u>2,153,670</u>	<u>(1,288,665)</u>
Total Expenditures and Other Financing Uses	<u>35,790,143</u>	<u>36,461,571</u>	<u>36,452,205</u>	<u>9,366</u>	<u>37,204,541</u>	<u>(752,336)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	148,241	143,377	(247,866)	(391,243)	214,146	(462,012)
Fund balances - beginning	<u>8,772,629</u>	<u>8,772,629</u>	<u>8,772,629</u>	<u>-</u>	<u>8,558,483</u>	<u>214,146</u>
Fund balances - ending	<u>\$ 8,920,870</u>	<u>\$ 8,916,006</u>	<u>\$ 8,524,763</u>	<u>\$ (391,243)</u>	<u>\$ 8,772,629</u>	<u>\$ (247,866)</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, 2012

	Budgeted Amounts		2012 Actual	Variance with Final Budget - Positive (Negative)	2011 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues						
Intergovernmental grant revenues	\$ 1,159,300	\$ 952,100	\$ 959,185	\$ 7,085	\$ 629,883	\$ 329,302
State and county shared taxes	390,000	390,000	389,833	(167)	-	389,833
Contributions and donations	190,000	180,000	95,123	(84,877)	330,920	(235,797)
Interest income	-	-	15,110	15,110	15,315	(205)
Other revenues	-	159,412	172,333	12,921	94,738	77,595
Total revenues	<u>1,739,300</u>	<u>1,681,512</u>	<u>1,631,584</u>	<u>(49,928)</u>	<u>1,070,856</u>	<u>560,728</u>
Expenditures						
General government projects	2,574,500	2,728,049	1,855,973	872,076	1,635,055	220,918
Public safety projects	96,500	286,667	229,777	56,890	502,222	(272,445)
Highways and streets projects	176,000	185,945	49,209	136,736	107,051	(57,842)
Culture and recreation	727,000	799,371	665,552	133,819	154,994	510,558
Total expenditures	<u>3,574,000</u>	<u>4,000,032</u>	<u>2,800,511</u>	<u>1,199,521</u>	<u>2,399,322</u>	<u>401,189</u>
Excess (deficiency) of revenues over (under) expenditures	(1,834,700)	(2,318,520)	(1,168,927)	1,149,593	(1,328,466)	159,539
Other Financing Sources (Uses)						
Bond financing	691,000	105,000	-	(105,000)	-	-
Transfers in:						
Excise tax fund	200,000	286,940	207,705	(79,235)	309,535	(101,830)
General fund	327,700	311,900	336,952	25,052	666,506	(329,554)
Electric fund	55,000	55,000	55,000	-	55,000	-
Water fund	55,000	55,000	55,000	-	55,000	-
Wastewater fund	55,000	55,000	55,000	-	55,000	-
Community development block grant fund	221,000	160,956	100,902	(60,054)	267,244	(166,342)
Telecommuting center fund	-	10,000	38,158	28,158	-	38,158
Transfers (out):						
Parking fund	-	(35,000)	(35,000)	-	-	(35,000)
Economic redevelopment fund	(500,000)	-	-	-	-	-
Golf fund	-	(74,039)	(74,039)	-	-	(74,039)
Property management fund	-	(475,000)	(475,000)	-	(170,000)	(305,000)
Budgeted use of fund balance	230,000	1,278,724	-	(1,278,724)	-	-
Total other financing sources and (uses)	<u>1,334,700</u>	<u>1,734,481</u>	<u>264,678</u>	<u>(1,469,803)</u>	<u>1,238,285</u>	<u>(973,607)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	(500,000)	(584,039)	(904,249)	(320,210)	(90,181)	(814,068)
Fund balances - beginning	<u>4,402,061</u>	<u>4,402,061</u>	<u>4,402,061</u>	<u>-</u>	<u>4,492,242</u>	<u>(90,181)</u>
Fund balances - ending	<u>\$ 3,902,061</u>	<u>\$ 3,818,022</u>	<u>\$ 3,497,812</u>	<u>\$ (320,210)</u>	<u>\$ 4,402,061</u>	<u>\$ (904,249)</u>

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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, 2012

	Community Development Block Grant	Special Revenue						Total Nonmajor Governmental Funds	
		Economic Redevelopment	Flexible Spending	Telecommuting Center	Business Revolving Loan	Excise Tax	Grant Revenue		Upper Floors Redevelopment
Assets									
Pooled cash and investments	\$ 73,347	\$ 586,680	\$ 6,810	\$ -	\$ 364,335	\$ 791,743	\$ 8,599	\$ 301,101	\$ 2,132,615
Interest receivable	-	152	-	-	79	208	-	59	498
Accounts receivable	100,000	-	29,320	-	-	7,811	-	-	137,131
Intergovernmental receivable	175,131	-	-	-	-	-	515,851	-	690,982
Prepaid items	1,010	-	387	-	387	-	-	-	1,784
Loans receivable (net of allowance for uncollectibles)	2,274,551	-	-	-	443,358	7,811	15,973	-	2,741,693
Properties held for resale	938,338	81,183	-	-	-	-	-	-	1,019,521
Restricted assets:									
Pooled cash and investments	17,696	-	-	-	-	-	-	-	17,696
Total assets	<u>\$ 3,580,073</u>	<u>\$ 668,015</u>	<u>\$ 36,517</u>	<u>\$ -</u>	<u>\$ 808,159</u>	<u>\$ 807,573</u>	<u>\$ 540,423</u>	<u>\$ 301,160</u>	<u>\$ 6,741,920</u>
Liabilities									
Accounts and retainages payable	\$ 37,371	\$ 200	\$ 953	\$ -	\$ 187,738	\$ -	\$ 26,226	\$ -	\$ 252,488
Accrued liabilities	2,525	-	-	-	-	-	3,166	-	5,691
Advances from other funds	245,000	-	13,000	-	-	-	440,000	-	698,000
Escrowed taxes and insurance	9,620	-	-	-	-	-	-	-	9,620
Customer deposits	1,500	5,000	-	-	-	-	-	-	6,500
Deferred revenue	-	-	-	-	-	-	276	-	276
Undisbursed loan and grant commitments	-	-	-	-	33,198	-	-	-	33,198
Total liabilities	<u>296,016</u>	<u>5,200</u>	<u>13,953</u>	<u>-</u>	<u>220,936</u>	<u>-</u>	<u>469,668</u>	<u>-</u>	<u>1,005,773</u>
Fund Balance									
Nonspendable	1,010	-	387	-	387	-	-	-	1,784
Restricted	3,283,047	-	-	-	143,478	807,573	70,755	-	4,304,853
Committed	-	662,815	22,177	-	443,358	-	-	301,160	1,429,510
Total fund balances	<u>3,284,057</u>	<u>662,815</u>	<u>22,564</u>	<u>-</u>	<u>587,223</u>	<u>807,573</u>	<u>70,755</u>	<u>301,160</u>	<u>5,736,147</u>
Total liabilities and fund balances	<u>\$ 3,580,073</u>	<u>\$ 668,015</u>	<u>\$ 36,517</u>	<u>\$ -</u>	<u>\$ 808,159</u>	<u>\$ 807,573</u>	<u>\$ 540,423</u>	<u>\$ 301,160</u>	<u>\$ 6,741,920</u>

City of Hagerstown, Maryland
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	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	\$ 896,670	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 755,961	\$ 18,609	\$ 1,671,240
Program income	60,998	-	-	-	12,998	113,485	445	-	187,926
Investment earnings	-	3,072	293	-	1,346	7,925	360	1,208	14,204
Contributions and donations	-	-	-	-	-	-	2,302	-	2,302
Property sales	100,000	-	-	-	-	-	-	-	100,000
Other revenues	-	-	11,585	-	-	-	114	-	11,699
Total revenues	1,057,668	3,072	11,878	-	14,344	121,410	759,182	19,817	1,987,371
Expenditures									
Current:									
General government	-	-	-	-	-	-	56,977	-	56,977
Public safety	-	-	-	-	-	-	549,030	-	549,030
Economic and community development									
Public services	150,417	-	-	-	-	-	4,223	-	154,640
Housing rehabilitation	53,682	-	-	-	-	-	-	-	53,682
Direct economic development	18,652	44,983	-	-	-	-	-	-	63,635
Administration	201,697	-	5,999	51	3,914	-	1,860	-	213,521
Direct economic development loans	-	-	-	-	28,174	-	-	118,609	146,783
Capital outlay	5,032	-	-	-	-	-	264,389	-	269,421
Interest expense	245	-	-	-	-	-	-	-	245
Total expenditures	429,725	44,983	5,999	51	32,088	-	876,479	118,609	1,507,934
Excess (deficiency) of revenues over (under) expenditures	627,943	(41,911)	5,879	(51)	(17,744)	121,410	(117,297)	(98,792)	479,437
Other Financing Sources (Uses)									
Transfers in	-	250,000	-	-	-	-	61,593	200,000	511,593
Transfers out	(566,767)	(225,000)	(6,000)	(94,793)	-	(207,705)	-	-	(1,100,265)
Total other financing sources and (uses)	(566,767)	25,000	(6,000)	(94,793)	-	(207,705)	61,593	200,000	(588,672)
Net change in fund balances	61,176	(16,911)	(121)	(94,844)	(17,744)	(86,295)	(55,704)	101,208	(109,235)
Fund balances - beginning	3,222,881	679,726	22,685	94,844	604,967	893,868	126,459	199,952	5,845,382
Fund balances - ending	3,284,057	662,815	22,564	-	587,223	807,573	70,755	301,160	5,736,147

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, 2012

	Budgeted Amounts		2012 Actual	Variance with Final Budget - Positive (Negative)	2011 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues						
Intergovernmental	\$ 1,168,884	1,168,884	\$ 896,670	\$ (272,214)	\$ 686,806	\$ 209,864
Program income	50,000	50,000	60,998	10,998	66,776	(5,778)
Property sales	-	-	100,000	100,000	40,992	59,008
Other revenues	2,500	2,500	-	(2,500)	4,050	(4,050)
Total revenues	<u>1,221,384</u>	<u>1,221,384</u>	<u>1,057,668</u>	<u>(163,716)</u>	<u>798,624</u>	<u>259,044</u>
Expenditures						
Public services	159,250	159,250	150,417	8,833	208,927	(58,510)
Housing rehabilitation	484,500	270,841	53,682	217,159	138,609	(84,927)
Clearance and demolition	100	100	-	100	-	-
Administration	196,927	162,668	201,697	(39,029)	85,221	116,476
Direct economic development	135,000	21,696	18,652	3,044	16,965	1,687
Capital outlay	79,257	83,311	5,032	78,279	78,503	(73,471)
Interest expense	250	250	245	5	432	(187)
Total expenditures	<u>1,055,284</u>	<u>698,116</u>	<u>429,725</u>	<u>268,391</u>	<u>528,657</u>	<u>(98,932)</u>
Excess (deficiency) of revenues over (under) expenditures	166,100	523,268	627,943	104,675	269,967	357,976
Other Financing Sources (Uses)						
Transfers to property management fund	(100)	(460,865)	(460,865)	-	(37,715)	(423,150)
Transfers to general fund	(5,000)	(5,000)	(5,000)	-	(5,000)	-
Transfers to capital projects fund	(161,000)	(156,902)	(100,902)	56,000	(267,244)	166,342
Total other financing sources (uses)	<u>(166,100)</u>	<u>(622,767)</u>	<u>(566,767)</u>	<u>56,000</u>	<u>(309,959)</u>	<u>(256,808)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	-	(99,499)	61,176	160,675	(39,992)	101,168
Fund balances - beginning	<u>3,222,881</u>	<u>3,222,881</u>	<u>3,222,881</u>	<u>-</u>	<u>3,262,873</u>	<u>(39,992)</u>
Fund balances - ending	<u>\$ 3,222,881</u>	<u>\$ 3,123,382</u>	<u>\$ 3,284,057</u>	<u>\$ 160,675</u>	<u>\$ 3,222,881</u>	<u>\$ 61,176</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, 2012

	Budgeted Amounts		2012 Actual	Variance with Final Budget - Positive (Negative)	2011 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues						
Investment earnings	\$ 3,000	\$ 3,000	\$ 3,072	\$ 72	\$ 1,361	\$ 1,711
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>3,072</u>	<u>72</u>	<u>1,361</u>	<u>1,711</u>
Expenditures						
Direct economic development	593,000	93,000	44,983	48,017	43,154	1,829
Total expenditures	<u>593,000</u>	<u>93,000</u>	<u>44,983</u>	<u>48,017</u>	<u>43,154</u>	<u>1,829</u>
Excess (deficiency) of revenues over (under) expenditures	(590,000)	(90,000)	(41,911)	48,089	(41,793)	(118)
Other Financing Sources (Uses)						
Transfers from general fund	250,000	250,000	250,000	-	250,000	-
Transfers from capital projects fund	500,000	-	-	-	-	-
Transfers to general fund	-	(25,000)	(25,000)	-	-	(25,000)
Transfers to upper floors redevelopment fund	(200,000)	(200,000)	(200,000)	-	(75,000)	(125,000)
Total other financing sources (uses)	<u>550,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>175,000</u>	<u>(150,000)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	(40,000)	(65,000)	(16,911)	48,089	133,207	(150,118)
Fund balances - beginning	<u>679,726</u>	<u>679,726</u>	<u>679,726</u>	<u>-</u>	<u>546,519</u>	<u>133,207</u>
Fund balances - ending	<u>\$ 639,726</u>	<u>\$ 614,726</u>	<u>\$ 662,815</u>	<u>\$ 48,089</u>	<u>\$ 679,726</u>	<u>\$ (16,911)</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, 2012

	<u>Original and Final Budget</u>	<u>2012 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2011 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
Revenues					
Investment earnings	\$ 1,000	\$ 293	\$ (707)	\$ 61	\$ 232
Employer FICA savings	<u>6,300</u>	<u>11,585</u>	<u>5,285</u>	<u>7,328</u>	<u>4,257</u>
Total revenues	<u>7,300</u>	<u>11,878</u>	<u>4,578</u>	<u>7,389</u>	<u>4,489</u>
Expenditures					
Contracted services	6,880	5,999	881	7,668	(1,669)
Administration	-	-	-	4,227	(4,227)
Total expenditures	<u>6,880</u>	<u>5,999</u>	<u>881</u>	<u>11,895</u>	<u>(5,896)</u>
Excess (deficiency) of revenues over (under) expenditures	420	5,879	5,459	(4,506)	10,385
Other Financing Sources (Uses)					
Transfers to general fund	<u>(6,000)</u>	<u>(6,000)</u>	-	<u>(6,000)</u>	-
Total other financing sources (uses)	<u>(6,000)</u>	<u>(6,000)</u>	-	<u>(6,000)</u>	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	(5,580)	(121)	5,459	(10,506)	10,385
Fund balances - beginning	<u>22,685</u>	<u>22,685</u>	-	<u>33,191</u>	<u>(10,506)</u>
Fund balances - ending	<u>\$ 17,105</u>	<u>\$ 22,564</u>	<u>\$ 5,459</u>	<u>\$ 22,685</u>	<u>\$ (121)</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, 2012

	Budgeted Amounts		2012 Actual	Variance with Final Budget - Positive (Negative)	2011 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 119,050	\$ (119,050)
Investment earnings	-	-	-	-	149	(149)
Other revenues	-	-	-	-	18,839	(18,839)
Rent revenues	-	-	-	-	45,900	(45,900)
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,938</u>	<u>(183,938)</u>
Expenditures						
Administration	-	-	51	(51)	229,257	(229,206)
Capital outlay	-	-	-	-	1,863	(1,863)
Total expenditures	<u>-</u>	<u>-</u>	<u>51</u>	<u>(51)</u>	<u>231,120</u>	<u>(231,069)</u>
Other Financing Sources (Uses)						
Transfers to general fund	-	(14,635)	(14,635)	-	-	14,635
Transfers to capital projects fund	-	(10,000)	(38,158)	(28,158)	-	38,158
Transfers to property management fund	-	(42,000)	(42,000)	-	-	42,000
Total other financing sources (uses)	<u>-</u>	<u>(66,635)</u>	<u>(94,793)</u>	<u>(28,158)</u>	<u>-</u>	<u>94,793</u>
Excess (deficiency) of revenues over (under) expenditures	-	(66,635)	(94,844)	(28,107)	(47,182)	141,924
Fund balances - beginning	<u>94,844</u>	<u>94,844</u>	<u>94,844</u>	<u>-</u>	<u>142,026</u>	<u>(47,182)</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 28,209</u>	<u>\$ -</u>	<u>\$ (28,107)</u>	<u>\$ 94,844</u>	<u>\$ 94,742</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, 2012

	<u>Original and Final Budget</u>	<u>2012 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2011 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
Revenues					
Investment earnings	\$ 1,500	\$ 1,346	\$ (154)	\$ 923	\$ 423
Program revenue	160,000	12,998	(147,002)	15,683	(2,685)
Total revenues	<u>161,500</u>	<u>14,344</u>	<u>(147,156)</u>	<u>16,606</u>	<u>(2,262)</u>
Expenditures					
Legal	2,000	3,866	(1,866)	1,791	2,075
Administration	-	48	(48)	-	48
Direct economic development loans	100,000	28,174	71,826	12,168	16,006
Total expenditures	<u>102,000</u>	<u>32,088</u>	<u>69,912</u>	<u>13,959</u>	<u>18,129</u>
Other Financing Sources (Uses)					
Transfers to upper floors redevelopment fund	-	-	-	(125,000)	125,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(125,000)</u>	<u>125,000</u>
Excess (deficiency) of revenues over (under) expenditures	59,500	(17,744)	(77,244)	(122,353)	104,609
Fund balances - beginning	<u>604,967</u>	<u>604,967</u>	<u>-</u>	<u>727,320</u>	<u>(122,353)</u>
Fund balances - ending	<u>\$ 664,467</u>	<u>\$ 587,223</u>	<u>\$ (77,244)</u>	<u>\$ 604,967</u>	<u>\$ (17,744)</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, 2012

	<u>Budgeted Amounts</u>		<u>2012 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2011 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
Revenues						
Investment earnings	\$ 6,000	\$ 6,000	\$ 7,925	\$ 1,925	\$ 2,604	\$ 5,321
Excise tax	118,000	118,000	113,485	(4,515)	96,342	17,143
Total revenues	<u>124,000</u>	<u>124,000</u>	<u>121,410</u>	<u>(2,590)</u>	<u>98,946</u>	<u>22,464</u>
Expenditures						
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)						
Transfers to capital projects fund	<u>(200,000)</u>	<u>(286,940)</u>	<u>(207,705)</u>	<u>79,235</u>	<u>(309,535)</u>	<u>101,830</u>
Total other financing sources (uses)	<u>(200,000)</u>	<u>(286,940)</u>	<u>(207,705)</u>	<u>79,235</u>	<u>(309,535)</u>	<u>101,830</u>
Excess (deficiency) of revenues over (under) expenditures	(76,000)	(162,940)	(86,295)	76,645	(210,589)	124,294
Fund balances - beginning	<u>893,868</u>	<u>893,868</u>	<u>893,868</u>	<u>-</u>	<u>1,104,457</u>	<u>(210,589)</u>
Fund balances - ending	<u>\$ 817,868</u>	<u>\$ 730,928</u>	<u>\$ 807,573</u>	<u>\$ 76,645</u>	<u>\$ 893,868</u>	<u>\$ (86,295)</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, 2012

	<u>Budgeted Amounts</u>		<u>2012 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2011 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
Revenues						
Intergovernmental	\$ 882,893	\$ 1,356,151	\$ 755,961	\$ (600,190)	\$ 1,158,571	\$ (402,610)
Investment earnings	-	-	360	360	51	309
Contributions and donations	-	7,000	2,302	(4,698)	6,414	(4,112)
Other revenues	-	-	559	559	466	93
Total revenues	<u>882,893</u>	<u>1,363,151</u>	<u>759,182</u>	<u>(603,969)</u>	<u>1,165,502</u>	<u>(406,320)</u>
Expenditures						
General government	-	55,175	56,977	(1,802)	65,895	(8,918)
Public safety	1,229,612	666,877	549,030	117,847	1,137,222	(588,192)
Economic and community development	54,683	48,447	6,083	42,364	2,235	3,848
Capital outlay	16,509	660,235	264,389	395,846	186,903	77,486
Interest expense	-	30,000	-	30,000	-	-
Total expenditures	<u>1,300,804</u>	<u>1,460,734</u>	<u>876,479</u>	<u>584,255</u>	<u>1,392,255</u>	<u>(515,776)</u>
Excess (deficiency) of revenues over (under) expenditures	(417,911)	(97,583)	(117,297)	(19,714)	(226,753)	109,456
Other Financing Sources (Uses)						
Transfers from general fund	<u>417,911</u>	<u>97,583</u>	<u>61,593</u>	<u>(35,990)</u>	<u>340,237</u>	<u>(278,644)</u>
Total other financing sources (uses)	<u>417,911</u>	<u>97,583</u>	<u>61,593</u>	<u>(35,990)</u>	<u>340,237</u>	<u>(278,644)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	-	-	(55,704)	(55,704)	113,484	(169,188)
Fund balances - beginning	<u>126,459</u>	<u>126,459</u>	<u>126,459</u>	<u>-</u>	<u>12,975</u>	<u>113,484</u>
Fund balances - ending	<u>\$ 126,459</u>	<u>\$ 126,459</u>	<u>\$ 70,755</u>	<u>\$ (55,704)</u>	<u>\$ 126,459</u>	<u>\$ (55,704)</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, 2012

	Budgeted Amounts		2012 Actual	Variance with Final Budget - Positive (Negative)	2011 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues						
Intergovernmental	\$ 200,000	\$ -	\$ 18,609	\$ (18,609)	\$ 81,391	\$ (62,782)
Investment earnings	-	-	1,208	(1,208)	27	1,181
Total revenues	<u>200,000</u>	<u>-</u>	<u>19,817</u>	<u>(19,817)</u>	<u>81,418</u>	<u>(61,601)</u>
Expenditures						
Legal	-	-	-	-	75	(75)
Direct economic development loans	400,000	200,000	118,609	81,391	81,391	37,218
Total expenditures	<u>400,000</u>	<u>200,000</u>	<u>118,609</u>	<u>81,391</u>	<u>81,466</u>	<u>37,143</u>
Other Financing Sources (Uses)						
Transfers from economic redevelopment fund	200,000	200,000	200,000	-	75,000	125,000
Transfers from business revolving loan fund	-	-	-	-	125,000	(125,000)
Total other financing sources (uses)	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	101,208	101,208	199,952	(98,744)
Fund balances - beginning	<u>199,952</u>	<u>199,952</u>	<u>199,952</u>	<u>-</u>	<u>-</u>	<u>199,952</u>
Fund balances - ending	<u>\$ 199,952</u>	<u>\$ 199,952</u>	<u>\$ 301,160</u>	<u>\$ 101,208</u>	<u>\$ 199,952</u>	<u>\$ 101,208</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 Fund Net Assets
Nonmajor Enterprise Funds
June 30, 2012

	<u>Golf Course</u>	<u>Property Management</u>	<u>Total Nonmajor Enterprise Funds</u>
Assets			
Current assets:			
Pooled cash and investments	\$ 55,285	\$ 704,114	\$ 759,399
Interest receivable	4	116	120
Accounts receivable (net of allowance for uncollectibles)	-	42,442	42,442
Inventories	5,740	-	5,740
Due from other agencies	-	63,789	63,789
Prepaid items	610	746	1,356
Total current assets	<u>61,639</u>	<u>811,207</u>	<u>872,846</u>
Noncurrent assets:			
Capital assets:			
Land	125,000	1,461,795	1,586,795
Land improvements	203,554	-	203,554
Buildings and structures	214,846	6,151,726	6,366,572
Machinery and equipment	374,898	29,336	404,234
Automobiles and trucks	18,259	-	18,259
Office furniture and fixtures	-	26,921	26,921
Construction in progress	-	180,959	180,959
Less accumulated depreciation	<u>(391,004)</u>	<u>(1,293,306)</u>	<u>(1,684,310)</u>
Total capital assets (net of accumulated depreciation)	<u>545,553</u>	<u>6,557,431</u>	<u>7,102,984</u>
Total assets	<u>607,192</u>	<u>7,368,638</u>	<u>7,975,830</u>
Liabilities			
Current liabilities:			
Accounts and retainages payable	18,459	142,055	160,514
Compensated absences - current	12,600	-	12,600
Accrued liabilities	4,782	1,692	6,474
Customer deposits and rebates	-	1,100	1,100
Unearned revenue	469	-	469
Total current liabilities	<u>36,310</u>	<u>144,847</u>	<u>181,157</u>
Noncurrent liabilities:			
Compensated absences	24,456	-	24,456
Total liabilities	<u>60,766</u>	<u>144,847</u>	<u>205,613</u>
Net Assets			
Invested in capital assets, net of related debt	545,553	6,557,431	7,102,984
Unrestricted	873	666,360	667,233
Total net assets	<u>\$ 546,426</u>	<u>\$ 7,223,791</u>	<u>\$ 7,770,217</u>

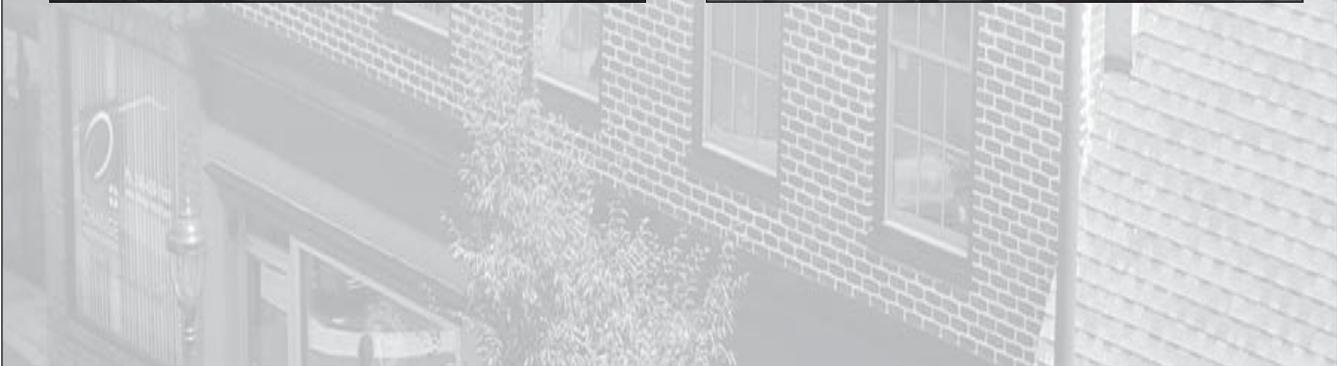
City of Hagerstown, Maryland
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2012

	<u>Golf Course</u>	<u>Property Management</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues:			
Service charges	\$ 148,934	\$ 337,644	\$ 486,578
Other revenues	140	7,212	7,352
Total operating revenues	<u>149,074</u>	<u>344,856</u>	<u>493,930</u>
Operating expenses:			
Selling, general and administrative expenses	365,347	462,655	828,002
Depreciation	22,841	113,682	136,523
Total operating expenses	<u>388,188</u>	<u>576,337</u>	<u>964,525</u>
Operating income	<u>(239,114)</u>	<u>(231,481)</u>	<u>(470,595)</u>
Nonoperating revenues (expenses):			
Intergovernmental revenue	-	61,455	61,455
Investment earnings	184	20,470	20,654
Interest expense	-	(391)	(391)
Bond issuance costs	-	(149)	(149)
Total nonoperating revenue (exps.)	<u>184</u>	<u>81,385</u>	<u>81,569</u>
Income before contributions and transfers	(238,930)	(150,096)	(389,026)
Capital contributions	500	2,033,200	2,033,700
Transfers in	290,499	977,865	1,268,364
Transfers out	-	(12,475)	(12,475)
Changes in net assets	52,069	2,848,494	2,900,563
Total net assets - beginning	494,357	4,375,297	4,869,654
Total net assets - ending	<u>\$ 546,426</u>	<u>\$ 7,223,791</u>	<u>\$ 7,770,217</u>

City of Hagerstown, Maryland
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2012

	<u>Golf Course</u>	<u>Property Management</u>	<u>Total Nonmajor Enterprise Funds</u>
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 148,823	\$ 326,841	\$ 475,664
Payments to suppliers	(137,493)	(205,854)	(343,347)
Payments to employees	(234,042)	(128,625)	(362,667)
Net cash used by operating activities	<u>(222,712)</u>	<u>(7,638)</u>	<u>(230,350)</u>
Cash Flows From Noncapital Financing Activities			
Transfers from (to) other funds	290,499	965,390	1,255,889
Contributions	500	-	500
Net cash provided (used) by noncapital and related financing activities	<u>290,999</u>	<u>965,390</u>	<u>1,256,389</u>
Cash Flows From Capital And Related Financing Activities			
Proceeds from intergovernmental grant	-	50,000	50,000
Capital contribution	-	2,033,200	2,033,200
Acquisition and construction of capital assets	(74,037)	(2,571,403)	(2,645,440)
Principal paid on capital debt	-	(36,865)	(36,865)
Interest paid on capital debt	-	(318)	(318)
Net cash provided (used) by capital and related financing activities	<u>(74,037)</u>	<u>(525,386)</u>	<u>(599,423)</u>
Cash Flows From Investing Activities			
Interest and dividends received	180	20,454	20,634
Net cash provided by investing activities	<u>180</u>	<u>20,454</u>	<u>20,634</u>
Net increase (decrease) in pooled cash and investments	(5,570)	452,820	447,250
Pooled cash and investments, beginning of year	60,855	251,294	312,149
Pooled cash and investments, end of year	<u>\$ 55,285</u>	<u>\$ 704,114</u>	<u>\$ 759,399</u>
Reconciliation of operating income to net cash (used) by operating activities:			
Operating income	\$ (239,114)	\$ (231,481)	\$ (470,595)
Adjustments to reconcile operating income to net cash used by operating activities:			
Depreciation expense	22,841	113,682	136,523
Net effect of changes in assets and liabilities			
Accounts receivable	-	(15,681)	(15,681)
Inventories	(4,127)	-	(4,127)
Prepaid items	(231)	549	318
Accounts and retainages payable	1,383	126,246	127,629
Compensated absences payable	1,339	-	1,339
Accrued liabilities	(4,552)	281	(4,271)
Customer deposits and rebates	-	1,100	1,100
Due from other agencies	-	(2,334)	(2,334)
Unearned revenue	(251)	-	(251)
Total adjustments	<u>16,402</u>	<u>223,843</u>	<u>240,245</u>
Net cash used by operating activities	<u>\$ (222,712)</u>	<u>\$ (7,638)</u>	<u>\$ (230,350)</u>
Reconciliation of pooled cash and investments to the balance sheet			
Pooled cash and investments	\$ 55,285	\$ 704,114	\$ 759,399
Totals	<u>\$ 55,285</u>	<u>\$ 704,114</u>	<u>\$ 759,399</u>
Noncash investing, capital, and financing activities:			
Transfer of capital asset (to)/ from Governmental Fund	-	6,708	6,708

Growth and Expansion 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 Fund Net Assets
Internal Service Funds
June 30, 2012

	<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	\$ 936,575	\$ 3,858,688	\$ 80,720	\$ 4,875,983
Interest receivable	270	946	19	1,235
Accounts receivable (net of allowance for uncollectibles)	19,497	103,700	5,281	128,478
Prepaid items	139,031	170	170	139,371
Total current assets	<u>1,095,373</u>	<u>3,963,504</u>	<u>86,190</u>	<u>5,145,067</u>
Noncurrent assets:				
Restricted assets:				
Pooled cash and investments	-	65,000	-	65,000
Total noncurrent assets	<u>-</u>	<u>65,000</u>	<u>-</u>	<u>65,000</u>
Total assets	<u>1,095,373</u>	<u>4,028,504</u>	<u>86,190</u>	<u>5,210,067</u>
Liabilities				
Current liabilities:				
Accounts and retainages payable	13,261	4,695	170	18,126
Accrued liabilities	-	486,053	29,117	515,170
Unearned revenue	-	183,089	-	183,089
Total current liabilities	<u>13,261</u>	<u>673,837</u>	<u>29,287</u>	<u>716,385</u>
Total liabilities	<u>13,261</u>	<u>673,837</u>	<u>29,287</u>	<u>716,385</u>
Net Assets				
Unrestricted	1,082,112	3,354,667	56,903	4,493,682
Total net assets	<u>\$ 1,082,112</u>	<u>\$ 3,354,667</u>	<u>\$ 56,903</u>	<u>\$ 4,493,682</u>

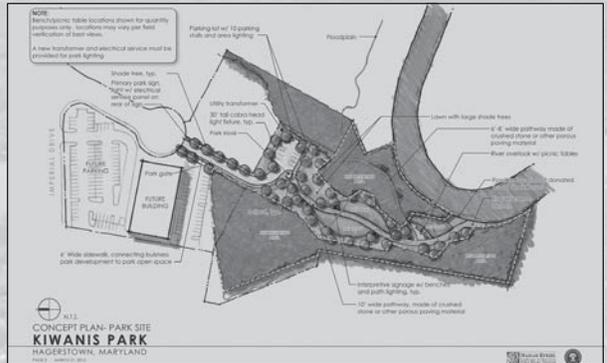
City of Hagerstown, Maryland
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2012

	<u>Worker's Compensation</u>	<u>Health Insurance</u>	<u>Dental Insurance</u>	<u>Total Internal Service Funds</u>
Operating revenues:				
Service charges	\$ 822,619	\$ 5,808,717	\$ 343,453	\$ 6,974,789
Other revenues	<u>7,032</u>	<u>73,804</u>	<u>-</u>	<u>80,836</u>
Total operating revenues	<u>829,651</u>	<u>5,882,521</u>	<u>343,453</u>	<u>7,055,625</u>
Operating expenses:				
Claim and premium expenses	<u>896,733</u>	<u>6,099,570</u>	<u>364,881</u>	<u>7,361,184</u>
Total operating expenses	<u>896,733</u>	<u>6,099,570</u>	<u>364,881</u>	<u>7,361,184</u>
Operating income (loss)	<u>(67,082)</u>	<u>(217,049)</u>	<u>(21,428)</u>	<u>(305,559)</u>
Nonoperating revenues (expenses):				
Investment earnings	<u>6,371</u>	<u>20,800</u>	<u>596</u>	<u>27,767</u>
Total nonoperating revenue (expenses)	<u>6,371</u>	<u>20,800</u>	<u>596</u>	<u>27,767</u>
Income before contributions and transfers	(60,711)	(196,249)	(20,832)	(277,792)
Transfer out to other funds	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>
Changes in net assets	<u>(260,711)</u>	<u>(196,249)</u>	<u>(20,832)</u>	<u>(477,792)</u>
Total net assets - beginning	<u>1,342,823</u>	<u>3,550,916</u>	<u>77,735</u>	<u>4,971,474</u>
Total net assets - ending	<u>\$ 1,082,112</u>	<u>\$ 3,354,667</u>	<u>\$ 56,903</u>	<u>\$ 4,493,682</u>

City of Hagerstown, Maryland
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2012

	Worker's Compensation	Health Insurance	Dental Insurance	Total Internal Service Funds
Cash Flows From Operating Activities				
Receipts from interfund services provided	\$ 902,550	\$ 5,919,856	\$ 346,307	\$ 7,168,713
Payments to suppliers	(943,283)	(6,113,166)	(353,451)	(7,409,900)
Net cash provided (used) by operating activities	(40,733)	(193,310)	(7,144)	(241,187)
Cash Flows From Noncapital Financing Activities				
Transfers to other funds	(200,000)	-	-	(200,000)
Net cash used by capital and related financing activities	(200,000)	-	-	(200,000)
Cash Flows From Investing Activities				
Interest and dividends received	6,526	21,205	610	28,341
Net cash provided by investing activities	6,526	21,205	610	28,341
Net increase (decrease) in pooled cash and investments	(234,207)	(172,105)	(6,534)	(412,846)
Pooled cash and investments, beginning of year	1,170,782	4,095,793	87,254	5,353,829
Pooled cash and investments, end of year	\$ 936,575	\$ 3,923,688	\$ 80,720	\$ 4,940,983
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (67,082)	\$ (217,049)	\$ (21,428)	\$ (305,559)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Net effect of changes in assets and liabilities				
Accounts receivable	72,899	37,335	2,854	113,088
Prepaid items	(29,265)	(2)	(1)	(29,268)
Accounts and retainages payable	12,162	(3)	1	12,160
Accrued liabilities	(29,447)	(13,591)	11,430	(31,608)
Unearned revenue	-	-	-	-
Total adjustments	26,349	23,739	14,284	64,372
Net cash provided (used) by operating activities	\$ (40,733)	\$ (193,310)	\$ (7,144)	\$ (241,187)
Reconciliation of pooled cash and investments to the balance sheet				
Pooled cash and investments	\$ 936,575	\$ 3,858,688	\$ 80,720	\$ 4,875,983
Restricted pooled cash and investments	-	65,000	-	65,000
Totals	\$ 936,575	\$ 3,923,688	\$ 80,720	\$ 4,940,983

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 Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	FISCAL YEAR									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Invested in capital assets,										
net of related debt	\$ 34,418,192	\$ 37,531,827	\$ 37,381,273	\$ 40,058,615	\$ 49,562,961	\$ 58,486,896	\$ 63,577,809	\$ 60,903,731	\$ 62,031,859	\$ 60,445,265
Restricted	10,062,538	9,803,688	10,256,241	10,254,821	9,737,538	10,411,568	7,470,811	10,321,603	10,247,443	9,233,959
Unrestricted	1,846,086	1,438,503	1,471,727	1,380,813	7,855,928	4,570,677	2,925,249	3,267,432	5,460,533	6,893,284
Total governmental activities net assets	\$ 46,326,816	\$ 48,774,018	\$ 49,109,241	\$ 51,694,249	\$ 67,156,427	\$ 73,469,141	\$ 73,973,869	\$ 74,492,766	\$ 77,739,835	\$ 76,572,508
Business-type activities:										
Invested in capital assets,										
net of related debt	\$ 113,174,764	\$ 115,443,226	\$ 123,427,740	\$ 127,688,084	\$ 127,470,214	\$ 134,548,479	\$ 140,754,087	\$ 141,557,917	\$ 149,999,762	\$ 148,779,228
Unrestricted	10,895,285	11,656,752	9,351,698	8,651,430	14,209,345	16,759,173	10,644,845	16,192,345	15,816,722	20,605,158
Total business-type activities net assets	\$ 124,070,049	\$ 127,099,978	\$ 132,779,438	\$ 136,339,514	\$ 141,679,559	\$ 151,307,652	\$ 151,398,932	\$ 157,750,262	\$ 165,816,484	\$ 169,384,386
Primary government:										
Invested in capital assets,										
net of related debt	\$ 147,592,956	\$ 152,975,053	\$ 160,809,013	\$ 167,746,699	\$ 177,033,175	\$ 193,035,375	\$ 204,331,896	\$ 202,461,648	\$ 212,031,621	\$ 209,224,493
Restricted	10,062,538	9,803,688	10,256,241	10,254,821	9,737,538	10,411,568	7,470,811	10,321,603	10,247,443	9,233,959
Unrestricted	12,741,371	13,095,255	10,823,425	10,032,243	22,065,273	21,329,850	13,570,094	19,459,777	21,277,255	27,498,442
Total primary government net assets	\$ 170,396,865	\$ 175,873,996	\$ 181,888,679	\$ 188,033,763	\$ 208,835,986	\$ 224,776,793	\$ 225,372,801	\$ 232,243,028	\$ 243,556,319	\$ 245,956,894

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

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

	FISCAL YEAR ENDED									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General Government	\$ 5,501,279	\$ 6,917,752	\$ 7,210,177	\$ 7,711,338	\$ 8,143,415	\$ 9,124,085	\$ 9,508,691	\$ 9,238,809	\$ 8,445,750	\$ 9,625,176
Public Safety	14,397,980	15,082,419	15,918,321	16,497,112	17,957,996	19,961,913	21,622,281	20,501,962	18,387,128	19,964,292
Highways and Streets	1,565,882	1,758,401	1,796,384	1,997,527	2,307,532	2,502,133	2,837,595	3,119,911	2,981,654	2,684,522
Waste Collection & Disposal	1,048,162	1,134,266	1,195,443	1,593,662	1,963,094	2,053,673	2,094,011	2,023,079	2,035,237	2,637,297
Culture and Recreation	2,171,637	2,188,198	2,364,386	2,414,079	2,509,393	2,691,272	2,970,739	2,828,320	2,559,785	2,622,512
Economic & Community Development	2,246,482	2,730,111	2,910,950	2,724,613	2,684,084	2,651,803	3,179,654	3,184,156	2,519,688	2,419,346
Interest on Long-term Debt	357,152	285,416	573,104	427,181	659,736	576,969	523,931	684,700	539,668	532,560
Total governmental activities expenses	\$ 27,288,574	\$ 30,096,563	\$ 31,968,765	\$ 33,365,532	\$ 36,225,250	\$ 39,561,748	\$ 42,736,902	\$ 41,580,937	\$ 37,468,910	\$ 40,485,705
Business-type activities:										
Electric	15,771,083	22,118,129	21,255,035	23,140,131	33,394,860	33,062,846	32,843,792	32,390,627	32,063,217	27,907,324
Water	6,144,464	6,754,659	6,920,216	7,782,085	8,754,617	8,988,354	9,244,197	9,188,412	9,189,223	10,429,856
Wastewater	7,822,848	8,005,836	9,510,936	9,456,924	10,813,053	10,692,923	11,097,229	11,063,156	11,621,172	12,408,290
Parking Facilities	624,224	470,189	536,237	524,958	617,342	663,006	760,188	733,541	723,980	786,348
Golf Course	288,619	257,182	451,322	342,399	411,079	408,728	469,694	414,492	418,962	388,840
Property Management	257,736	294,733	238,495	290,400	324,625	312,239	302,237	384,631	410,706	577,208
Ice Rink	147,466	91,601	-	-	-	-	-	-	-	-
Total business-type activities expenses	\$ 31,056,440	\$ 37,992,329	\$ 38,912,241	\$ 41,536,905	\$ 54,315,576	\$ 54,128,096	\$ 54,717,337	\$ 54,174,859	\$ 54,427,260	\$ 52,487,866
Total primary government expenses	\$ 58,345,014	\$ 68,088,892	\$ 70,881,006	\$ 74,902,437	\$ 90,540,826	\$ 93,689,844	\$ 97,454,239	\$ 95,755,796	\$ 91,896,170	\$ 92,983,571
Program Revenues										
Governmental activities:										
Charges for services:	\$ 2,524,773	\$ 2,649,729	\$ 981,839	\$ 2,296,450	\$ 3,187,366	\$ 2,842,790	\$ 2,879,990	\$ 3,060,653	\$ 3,035,144	\$ 2,931,762
General Government	715,527	996,438	1,421,122	1,399,437	1,386,115	1,315,393	1,206,536	1,434,155	1,373,876	1,883,089
Public Safety	-	-	-	36,719	73,943	86,365	136,424	90,588	75,676	86,045
Streets and Alleys	1,195,476	1,213,085	1,337,598	1,720,543	2,116,976	2,163,207	2,178,805	2,153,210	2,164,998	2,298,388
Waste Collection & Disposal	121,230	152,708	178,118	157,735	159,055	188,535	186,607	191,602	234,637	225,306
Parks and Recreation	206,614	864,941	92,155	842,849	901,690	502,505	311,982	364,403	96,216	95,246
Economic & Community Development	4,415,713	5,080,299	5,221,655	4,948,325	5,364,099	5,089,132	2,973,450	2,671,617	2,407,886	2,072,808
Operating grants and contributions	1,046,487	952,835	1,370,819	743,482	1,166,588	5,573,575	1,698,460	512,249	1,594,649	2,611,299
Capital grants and contributions	10,225,820	11,910,035	10,603,306	12,145,540	14,355,812	17,761,502	11,572,254	10,478,477	10,983,082	12,203,943
Total governmental activities program revenues	\$ 10,225,820	\$ 11,910,035	\$ 10,603,306	\$ 12,145,540	\$ 14,355,812	\$ 17,761,502	\$ 11,572,254	\$ 10,478,477	\$ 10,983,082	\$ 12,203,943

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

	FISCAL YEAR ENDED									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Business-type activities:										
Charges for services:										
Electric	\$ 17,675,607	\$ 20,136,227	\$ 21,272,594	\$ 22,412,009	\$ 32,986,357	\$ 33,959,570	\$ 32,803,818	\$ 31,716,189	\$ 33,144,474	\$ 27,521,532
Water	6,149,073	7,189,526	7,487,368	7,589,355	8,904,071	8,520,142	7,970,281	8,869,890	9,664,205	10,226,718
Wastewater	6,490,894	7,365,493	7,078,627	7,395,744	7,764,959	8,146,918	8,858,882	9,003,327	9,918,807	10,286,294
Parking Facilities	631,620	811,010	750,764	776,038	843,704	885,489	857,169	872,441	811,868	855,638
Golf Course	168,770	167,154	173,394	206,025	196,070	208,572	175,123	126,890	137,884	149,074
Property Management	288,307	310,604	326,414	354,755	350,749	499,700	354,049	202,752	330,576	344,856
Operating grants and contributions	-	-	-	-	-	-	82,875	440,847	107,730	-
Capital grants and contributions	3,587,065	4,668,540	7,003,103	6,081,902	7,803,826	10,965,396	3,529,421	9,006,128	7,252,709	5,322,246
Total business-type activities program revenues	34,991,336	40,648,554	44,092,264	44,815,828	58,849,736	63,185,787	54,631,618	60,238,464	61,368,253	54,686,358
Total primary government program revenues	\$ 45,217,156	\$ 52,558,589	\$ 54,695,570	\$ 56,961,368	\$ 73,205,548	\$ 80,947,289	\$ 66,203,872	\$ 70,716,941	\$ 72,351,335	\$ 66,890,301
Net (expense)/revenue	\$ (17,062,754)	\$ (18,186,528)	\$ (21,365,459)	\$ (21,219,992)	\$ (21,869,438)	\$ (21,800,246)	\$ (31,164,648)	\$ (31,102,460)	\$ (26,485,828)	\$ (28,281,762)
Governmental activities	3,934,896	2,656,224	5,180,023	3,278,923	4,534,160	9,057,691	(85,720)	6,063,605	6,940,993	2,188,492
Business-type activities	(13,127,858)	(15,530,303)	(16,185,436)	(17,941,069)	(17,335,278)	(12,742,555)	(31,250,367)	(25,038,855)	(19,544,835)	(26,093,270)
Total primary government net expense	\$ (9,192,962)	\$ (12,874,079)	\$ (11,005,413)	\$ (14,662,146)	\$ (12,801,118)	\$ 7,257,446	\$ (31,336,087)	\$ (18,975,250)	\$ (12,603,842)	\$ (23,904,778)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes:										
Property Taxes	14,692,745	14,756,270	15,940,462	17,339,463	20,131,677	22,359,137	24,296,300	26,460,939	26,910,889	24,077,687
State and County shared taxes	4,826,273	3,261,072	3,156,335	3,709,649	3,848,468	4,459,350	6,661,880	4,768,035	3,420,814	3,649,661
Excise Tax	-	-	-	1,036,634	719,319	220,678	31,677	115,417	96,342	113,485
Investment Earnings	439,312	363,037	309,869	482,700	874,321	824,414	412,233	205,640	72,526	86,685
Property Sales	-	-	764,461	591,687	-	-	-	-	-	-
Gain(Loss) on Disposal of Capital Assets	8,004	(536,715)	(121,018)	-	-	-	-	-	-	-
Miscellaneous	-	-	-	356,519	44,493	45,841	38,230	137,326	171,968	312,796
Transfers	150,955	234,538	(62,396)	288,348	(98,787)	173,540	229,056	(66,000)	(939,642)	(1,125,889)
Capital Transfer from Closed Ice Rink Fund	-	-	1,712,969	-	-	-	-	-	-	-
Changes in Accounting Estimate	-	4,818,765	-	-	-	-	-	-	-	-
Total governmental activities	20,117,289	22,896,967	21,700,682	23,805,000	25,519,491	28,082,960	31,669,376	31,621,357	29,732,897	27,114,435
Business-type activities:										
Investment Earnings	380,426	608,242	437,041	569,501	707,098	743,942	406,055	221,725	185,587	253,521
Transfers	(150,955)	(234,538)	62,396	(288,348)	98,787	(173,540)	(229,056)	66,000	939,642	1,125,889
Total business-type activities	229,471	373,704	499,437	281,153	805,885	570,402	176,999	287,725	1,125,229	1,379,410
Total primary government	\$ 20,346,760	\$ 23,270,671	\$ 22,200,119	\$ 24,086,153	\$ 26,325,376	\$ 28,653,362	\$ 31,846,375	\$ 31,909,082	\$ 30,858,126	\$ 28,493,845
Change in Net Assets										
Governmental activities	\$ 3,054,535	\$ 4,710,439	\$ 335,223	\$ 2,585,008	\$ 3,650,053	\$ 6,282,714	\$ 504,728	\$ 518,897	\$ 3,247,069	\$ (1,167,327)
Business-type activities	4,164,367	3,029,929	5,679,460	3,560,076	5,340,045	9,628,093	91,280	6,351,330	8,066,222	3,567,902
Total primary government	\$ 7,218,902	\$ 7,740,368	\$ 6,014,683	\$ 6,145,084	\$ 8,990,098	\$ 15,910,807	\$ 596,008	\$ 6,870,227	\$ 11,313,291	\$ 2,400,575

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
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
2012	24,077,697	2,271,796	202,180	79,493	516,752	34,214	53,450	110,756	164,257	-	27,510,595

Source: City of Hagerstown Accounting Department

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 1,317,893	\$ 1,322,006	\$ 1,204,797	\$ 969,903	\$ 383,267	\$ 400,749	\$ 510,323	\$ 536,025	\$ -	\$ -
Unreserved/Undesignated	4,262,099	4,359,206	4,908,362	5,531,992	6,812,830	7,349,854	7,386,804	8,022,458	-	-
									493,492	487,902
Nonspendable	-	-	-	-	-	-	-	-	240,816	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	186,504	199,174
Unassigned	-	-	-	-	-	-	-	-	7,851,817	7,837,687
Total General Fund	\$ 5,579,992	\$ 5,681,212	\$ 6,113,159	\$ 6,501,895	\$ 7,196,097	\$ 7,750,603	\$ 7,897,127	\$ 8,558,483	\$ 8,772,629	\$ 8,524,763
All other governmental funds										
Reserved	\$ 7,600,907	\$ 6,114,516	\$ 5,823,966	\$ 4,979,009	\$ 4,317,145	\$ 4,849,318	\$ 4,737,722	\$ 3,870,965	\$ -	\$ -
Unreserved/Undesignated, reported in:										
Special revenue funds	1,173,036	1,437,171	427,952	1,794,971	2,862,579	2,665,841	2,624,295	1,996,542	-	-
Capital projects funds	1,288,595	2,252,001	4,004,323	3,245,425	6,632,631	4,305,056	108,794	4,454,096	-	-
									2,683,659	1,784
Nonspendable	-	-	-	-	-	-	-	-	2,698,153	5,480,693
Restricted	-	-	-	-	-	-	-	-	2,839,528	1,817,278
Committed	-	-	-	-	-	-	-	-	2,026,103	1,934,204
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 10,062,538	\$ 9,803,688	\$ 10,256,241	\$ 10,019,405	\$ 13,812,355	\$ 11,820,215	\$ 7,470,811	\$ 10,321,603	\$ 10,247,443	\$ 9,233,959
Total governmental funds										
Reserved	\$ 8,918,800	\$ 7,436,522	\$ 7,028,763	\$ 5,948,912	\$ 4,700,412	\$ 5,250,067	\$ 5,248,045	\$ 4,406,990	\$ -	\$ -
Unreserved/Undesignated, reported in:										
General fund	4,262,099	4,359,206	4,908,362	5,531,992	6,812,830	7,349,854	7,386,804	8,022,458	-	-
Special revenue funds	1,173,036	1,437,171	427,952	1,794,971	2,862,579	2,665,841	2,624,295	1,996,542	-	-
Capital projects funds	1,288,595	2,252,001	4,004,323	3,245,425	6,632,631	4,305,056	108,794	4,454,096	-	-
									3,177,151	489,686
Nonspendable	-	-	-	-	-	-	-	-	2,938,969	5,480,693
Restricted	-	-	-	-	-	-	-	-	2,839,528	1,817,278
Committed	-	-	-	-	-	-	-	-	2,212,607	2,133,378
Assigned	-	-	-	-	-	-	-	-	7,851,817	7,837,687
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 15,642,530	\$ 15,484,900	\$ 16,369,400	\$ 16,521,300	\$ 21,008,452	\$ 19,570,818	\$ 15,367,938	\$ 18,880,086	\$ 19,020,072	\$ 17,758,722

NOTES:

- The City of Hagerstown implemented GASB Statement 34 in Fiscal Year 2003.
- The City of Hagerstown implemented GASB Statement 54 in Fiscal Year 2011; therefore, classifications of fund balance may differ from previous fiscal years.

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

	FISCAL YEAR									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Property taxes	\$ 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	\$ 24,077,697
State and County shared taxes	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	3,822,731
Licenses and permits	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	1,723,790
Intergovernmental grant revenues	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	2,866,712
Program Income	-	568,681	766,542	1,785,126	1,256,542	532,321	308,090	214,394	178,801	187,926
Charges for services	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	3,196,544
Fines and forfeitures	27,680	113,148	137,441	62,842	109,990	152,289	85,627	114,522	73,634	384,137
Investment Earnings	439,312	363,037	309,869	482,700	844,321	844,230	376,985	103,060	72,526	86,688
Property Sales	-	640,551	764,461	583,686	371,538	89,500	-	167,543	46,547	128,768
Contributions and Donations	182,987	446,772	355,415	330,583	496,488	415,618	338,606	292,594	453,244	211,248
Unallocated general revenue	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	2,273,943
Total revenues	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	38,960,184
Expenditures:										
General government	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	5,613,325
Public safety	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	18,918,382
Street and alleys	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	2,441,836
Waste collection & disposal	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	2,637,018
Parks and recreation	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	2,180,967
Municipal buildings	359,611	348,243	405,539	475,138	429,343	460,280	-	-	-	-
Economic and Community Development	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	2,211,660
Capital Outlay	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	2,036,727
Debt Service	-	-	-	-	-	-	-	-	-	-
Principal	964,088	816,776	647,973	1,808,875	3,850,331	1,464,914	1,482,518	1,457,502	1,748,522	1,824,467
Interest	349,597	343,527	491,931	447,072	668,969	585,740	529,848	579,294	650,015	636,814
Issuance costs	-	-	-	-	-	-	-	49,714	-	975
Unallocated general expenditures	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	1,393,474
Total expenditures	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	39,895,645
Excess of revenues over(under) expenditures	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	(935,461)
Other financing sources(uses):										
Transfers In	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	1,623,420
Transfers Out	(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)	(2,549,309)
Debt Issued	-	-	-	-	-	-	-	-	-	600,000
Sale of Capital Assets	310,017	-	-	-	-	-	-	-	-	-
Bond Financing	-	-	-	-	-	-	-	8,481,044	-	-
Premium on Bond Financing	-	-	-	-	-	-	-	102,666	-	-
Proceeds of Long-term debt	-	3,718,096	3,800,000	-	7,490,667	-	-	-	-	-
Payment to Bond Escrow Agent	-	(2,363,096)	-	-	(22,325)	-	-	-	-	-
Total other funding sources(uses)	460,972	1,589,538	2,946,004	288,347	6,361,200	673,540	682,817	8,517,710	(939,642)	(325,889)
Net changes in Fund Balance	\$ 927,794	\$ (157,630)	\$ 884,500	\$ 151,900	\$ 4,487,152	\$ (1,437,634)	\$ (4,202,880)	\$ 3,512,148	\$ 139,986	\$ (1,261,350)
Debt Service as a percentage of noncapital expenditures	5%	4%	4%	7%	12%	5%	5%	5%	6%	7%

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)
(in thousands)

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
2003	1,367,848	123,306	1,491,155	0.863	1,727,351	86.33%
2004	1,428,959	120,894	1,549,853	0.875	1,771,645	87.48%
2005	1,513,455	126,286	1,639,741	0.890	1,842,017	89.02%
2006	1,724,784	118,241	1,843,026	0.875	2,106,809	87.48%
2007	1,984,747	118,366	2,103,113	0.865	2,430,309	86.54%
2008	2,179,148	117,914	2,297,063	0.850	2,702,559	85.00%
2009	2,419,543	132,487	2,552,030	0.849	3,005,925	84.90%
2010	2,690,482	140,000	2,830,482	0.846	3,345,723	84.60%
2011	2,759,772	121,066	2,880,838	0.838	3,437,754	83.80%
2012	2,559,039	115,012	2,674,051	0.839	3,187,189	83.90%

Notes:

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

Source: City of Hagerstown 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				
	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	Total Overlapping Rates	
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	0.948	2.370	3.318	0.112	0.000	0.112	3.430	6.188
2011	0.788	1.970	2.758	0.823	2.370	3.193	0.112	0.000	0.112	3.305	6.063
2012	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, 2012
(Unaudited)

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Washington Real Estate	\$ 56,992,367	1	2131.31%	\$ 33,108,900	2	2.22%
Lowes Home Centers, Inc.	24,995,300	2	934.74%	10,674,420	5	0.72%
Walmart Real Estate Business Trust	20,591,200	3	770.04%	29,610,090	3	1.99%
I-81 Hollyhock LLC	20,081,267	4	750.97%			
Bowman Railway LLC	19,813,900	5	740.97%			
Verizon - Maryland	19,637,620	6	734.38%	30,356,850	1	2.04%
OEKOS Stone House LLC	19,449,067	7	727.33%			
Hagerstown Apartments (Limited) Partnership	17,999,700	8	673.12%	10,786,080	6	0.72%
FB Hagerstown LLC	14,530,300	9	543.38%			
Hagerstown Plaza LLC	14,516,600	10	542.87%			
York Pinewood Apartments LP						
Sams Real Estate Business Trust				8,142,280	4	0.55%
Columbia Gas of Maryland, Inc.				10,165,300	7	0.68%
US Retail Income Fund IV Limited Partnership				9,996,400	8	0.67%
Newstech MD LP				8,986,600	9	0.60%
Ahold Real Estate Company				8,617,100	10	0.58%
Venice Inn LLC						
Totals	\$ 228,607,321		8549.10%	\$ 160,444,020		10.76%

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	Collected within the Fiscal		Collections in	Total Collections to Date	
	Fiscal Year	Year of Levy	Percentage of Levy		Subsequent Years	Amount
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%
2012	19,699,703	19,240,412	97.7%	11,609	19,252,021	97.73%

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			
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
2012	1,335,141,906	39,662	17,459,565	48,904,318	66,363,883	4.97%	1,673

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 (In Thousands)	Population	General Obligation Bonds	Percentage of Total Taxable Value of Property	Per Capita
2003	1,491,155	37,163	7,203,628	0.48%	194
2004	1,549,853	37,536	7,741,852	0.50%	206
2005	1,639,741	37,536	11,642,712	0.71%	310
2006	1,843,026	38,326	9,836,534	0.53%	257
2007	2,103,113	39,008	16,120,194	0.77%	413
2008	2,297,063	39,941	14,835,435	0.65%	371
2009	2,552,030	40,065	13,342,801	0.52%	333
2010	2,830,482	39,996	20,457,426	0.72%	511
2011	2,880,838	39,662	18,695,138	0.65%	471
2012	2,674,051	39,662	17,459,565	0.65%	440

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, 2012
(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	\$ 127,134,092	20.54%	\$ 26,113,342
Subtotal, overlapping debt			
City of Hagerstown Direct Debt			<u>66,363,883</u>
Total Direct and Overlapping Debt			<u>\$ 92,477,224</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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ 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	\$ 267,405
Total net debt applicable to limit	28,343,504	28,429,079	31,011,741	31,842,647	40,078,392	39,691,668	39,436,600	62,314,151	63,755,731	66,363,883
Legal debt margin	\$ 120,771,975	\$ 128,704,037	\$ 132,962,374	\$ 149,776,863	\$ 170,232,906	\$ 195,422,499	\$ 212,587,357	\$ 215,090,223	\$ 229,059,067	\$ (66,096,478)
Total net debt applicable to the limit as a percentage of debt limit	19.01%	18.09%	18.91%	17.53%	19.06%	16.88%	15.65%	22.46%	21.77%	24.817.73%

Legal Debt Margin Calculation for Fiscal Year 2012

Total assessed value	2,674,051
Debt limit (10% of total assessed value)	267,405
Debt applicable to limit:	
General obligation bonds	66,363,883
Legal debt margin	<u>(66,096,478)</u>
	<u>\$</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
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
2012	39,662	1,335,141,906	33,663	8.5

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	2012			2003		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Washington County Public Schools	2,965	1	4.59%	2,573	3	3.99%
Meritus Health, Inc. (Washington County Health System, Inc.)	2,860	2	4.42%	2,908	1	4.51%
Citicorp Credit Services, Inc	2,500	3	3.87%	2,500	4	3.88%
State of Maryland	2,304	4	3.56%	2,774	2	4.31%
First Data Merchant Services	2,214	5	3.42%	1,931	5	3.00%
Volvo Powertrain NA (Mack Trucks, Inc.)	1,391	6	2.15%	1,264	6	1.96%
Washington County Government	1,134	7	1.75%	903	8	1.40%
Hagerstown Community College	813	8	1.26%			
The Bowman Group, LLC	753	9	1.16%			
FedEx Ground	648	10	1.00%			
Federal Government				602	10	0.93%
Pheonix Color Corporation				725	9	1.13%
GST AutoLeather				1,007	7	1.56%
Total	17,582		27.18%	14,614		22.68%

Source: Principal Employers for Washington County MD provided by Hagerstown/Washington County EDC
Total County employment for 2012 was 64,662 and 2003 was 64,421, supplied by Bureau of Labor Statistics.

City of Hagerstown, Maryland
Principal Electric Fund Customers
June 30, 2012
(Unaudited)

Customer	2012				2003			
	KwH	Amount Billed	Rank	Percentage of Total Electric Fund Billing	KwH	Amount Billed	Rank	Percentage of Total Electric Fund Billing
Good Humor Breyers, Inc	26,694,420	\$ 1,967,685	1	7.26%	26,592,320	\$ 962,708	1	5.47%
Board of Education	10,098,338	905,049	2	3.34%	8,089,581	428,066	3	2.43%
City of Hagerstown - Public Works	8,767,211	798,416	3	2.95%	7,043,491	374,887	5	2.13%
City of Hagerstown - WPC	9,691,565	695,080	4	2.57%	11,159,797	395,342	4	2.25%
Hagerstown Housing Authority	5,656,983	468,011	5	1.73%	5,089,943	230,650	7	1.31%
CM Offray, Inc	4,037,700	346,546	6	1.28%	6,924,700	294,799	6	1.68%
Washington County Commissioners	3,664,635	306,649	7	1.13%	2,880,508	140,882	9	0.80%
Verizon	3,348,059	258,301	8	0.95%				
C.E. Stevens Inc.	3,362,080	251,639	9	0.93%				
Western Maryland St. Hospital	3,036,995	231,830	10	0.86%	3,343,805	121,655	10	0.69%
Washington County Hospital					17,034,453	639,732	2	
G&R Foods (County Market)					4,351,440	157,629	8	0.90%
Totals	78,357,986	\$ 6,229,206		23.00%	92,510,038	\$ 3,746,350		21.30%

Source: City of Hagerstown Billing Department.

City of Hagerstown, Maryland
Principal Water Fund Customers
June 30, 2012
(Unaudited)

Customer	2012				2003			
	Gallons	Amount Billed	Rank	Percentage of Total Water Fund Billing	Gallons	Amount Billed	Rank	Percentage of Total Water Fund Billing
Hagerstown Prison Complex(MCI)	463,412,000	\$ 1,319,340	1	18.07%	377,381,900	\$ 629,843	1	11.64%
Town of Smithsburg	81,113,000	192,616	2	2.64%	75,581,300	126,710	3	2.34%
Town of Williamsport	69,501,100	157,509	3	2.16%	70,724,900	118,517	4	2.19%
Washington County Hospital (Meritus Medical Center)	42,628,100	119,361	4	1.64%	70,627,200	81,155	6	1.50%
Volvo Powertrain NA (Mack Trucks, Inc.)	37,785,400	107,123	5	1.47%	53,216,900	101,340	5	1.87%
Town of Funkstown	38,641,500	86,076	6	1.18%	31,378,000	53,934	8	1.00%
Maryland Paper	25,858,900	73,268	7	1.00%	38,877,900	65,536	7	1.21%
Washington County Detention Center	22,149,500	62,705	8	0.86%	19,634,200	37,936	10	0.00%
Oak Ridge Apartments	20,313,400	59,274	9	0.81%	86,020,900	144,911	2	2.68%
Lakeside Park	19,647,500	55,648	10	0.76%	34,463,900	40,816	9	0.75%
W.D. Byron & Sons								
HHA (Housing Developments)								
Totals	821,050,400	\$ 2,232,919		30.59%	857,907,100	\$ 1,400,698		25.89%

Source: City of Hagerstown Billing Department.

City of Hagerstown, Maryland
Principal Wastewater Fund Customers
June 30, 2012
(Unaudited)

Customer	2012				2003			
	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)	42,628,100	\$ 291,791	1	3.75%	63,315,300	\$ 206,474	1	3.18%
Good Humor Breyers, Inc.	40,906,200	162,718	2	2.09%	28,816,300	94,167	4	1.45%
Volvo Powertrain NA (Mack Trucks, Inc.)	23,195,300	160,111	3	2.06%	31,866,500	171,481	2	2.64%
Washington Co Detention Center	22,149,500	152,786	4	1.96%	15,090,000	81,631	6	1.26%
Hagerstown Housing Authority	26,162,400	103,894	5	1.33%	34,463,900	112,903	3	1.74%
Corpark LLC	22,096,900	87,858	6	1.13%				
CM Offray (MD Ribbon)	20,263,000	80,586	7	1.04%	28,403,000	92,812	5	1.43%
Realty Investment Co (Hagers Apts)	19,352,100	76,950	8	0.99%	21,215,300	69,386	7	1.07%
Board of Education	17,701,700	73,689	9	0.95%				
Brandywine(Youngstoun Apartments)	9,764,500	67,179	10	0.86%	11,546,300	62,408	8	
Western Maryland State Hospital					14,256,900	46,420	10	0.71%
Citicorp Credit Services					10,376,300	48,455	9	0.75%
Totals	244,219,700	\$ 1,257,561		16.16%	259,349,800	\$ 986,137		15.18%

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									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
City Administrator	1.33	1.33	1.67	1.67	1.67	1.67	2.5	3.5	3.5	3.5
City Clerk	1.33	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Economic Development (DCED)*****	23.5	23	1.33	1.33	1.33	1.33	2	1	1	0
Public Information ***/*****	-	-	3.5	3.5	5.5	5.5	4	2	1	1
Public Function	-	-	0	0	0	0	0	1	1	0
Subtotal Administration	26.16	25.83	8	8	10	10	10	9	8	6
Accounting*****	8.75	8.75	6.5	6.5	6.5	7	7	7	7	7
Treasurer*****	-	-	4	4	4	4	3	3	3	3
Information Technology*****	12	12	6	6	6	6	6	6	5	5
Billing/Customer Service*****	-	-	4	4	4	4	14	13	13	13
Purchasing*****	-	-	2.5	2.5	2.5	2	4	4	3	3
Human Resources	4	4	4	4	4	4	6	5	4	4
Planning****	-	-	6	6	6	6	4	4	4	5
Engineering****	29.66	29	14	14	14	14	14	14	14	14
Code Compliance*****	-	-	15	15	15	15	15	15	13	9
Police Sworn	105	105	109	107	105	105	101	101	105	102
Police Administration/Civilian	13	13	13	24	24	23	24	21	21	22
Fire	83	83	83.6	83.6	83.6	74	64	64	64	62
Public Works*	32.9	34	34	34	34	34	34	34	56	56
Parks & Recreation*/****	-	-	20	20	20	18	20	21	0	0
Total General Fund	288.31	314.58	329.6	338.6	338.6	326	328	321	320	311
Electric	40.18	40	40	40	40	41	35	35	33	35
Water	55.49	54.25	56	56	56	56	48	45	50	52
Wastewater	47.4	48	48	48	48	48	51	49	41	41
Golf Course	2.52	3	3	3	3	3	2	2	2	3
Parking	2.2	2.4	2	2	2	2	2	2	2	2
Property Management*****	0.9	-	-	-	-	-	-	-	-	-
Community Development Block Grant	2.5	3.43	6.4	6.4	6.4	6	6	6	7	7
Telework Center*****	-	-	1	1	1	1	1	1	1	1
City Staffing Levels	439.5	465.66	486	495	495	483	473	461	456	452
**General Operations	90.71	131.4	131.4	131.4	133.4	131	146	142	138	133
Public Safety	201	205.6	205.6	214.6	212.6	202	189	186	190	186
Business-Type Activities	147.79	149	149	149	149	150	138	133	128	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.
*****Property Management in 2012 employees are funded to this account.
*****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									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Fire Department										
Responses to Fire alarms	2,573	2,428	2,275	2,249	2,185	2,033	1,988	1,931	2,047	1,818
Average response time (in minutes)	4:06	4:17	4:31	3:13	3:19	3:28	3	3	3	3
False alarms (included in above number)	30	18	27	10	6	13	20	31	49	29
Public fire education programs	1,452	927	655	453	356	349	296	317	320	307
Persons in attendance at public education programs	9,619	10,558	14,875	13,950	11,110	11,045	8,710	8,585	8,990	8,420
Police Department										
Parking ticket violations issued	7,030	8,117	11,660	12,146	8,654	11,616	10,458	12,924	13,217	16,922
Net parking fines	\$ 130,601	\$ 125,161	\$ 172,865	\$ 143,275	\$ 148,223	\$ 145,115	\$ 132,955	\$ 163,533	\$ 206,909	\$ 123,695
Calls for service	63,697	54,555	51,625	53,479	57,509	56,945	56,188	58,106	54,262	55,684
Alarm calls (included in above number)	696	1,048	1,563	2,088	2,065	2,191	2,025	2,126	2,161	2,225
Parks and Recreation										
Claude M Potterfield Pool										
Total attendance at swimming pool	23,223	23,611	23,764	24,268	25,497	24,606	27,117	31,733	27,152	26,219
Average daily attendance at pool	332	353	321	275	300	315	312	387	319	345
The Greens at Hamilton Run										
Total attendance at golf course	10,946	10,804	10,191	12,219	16,638	16,236	17,655	15,377	14,458	18,637
Average daily attendance at golf course	43	39	39	39	48	52	56	51	56	64
Electric Department										
Number of active accounts	16,876	16,921	16,821	16,974	17,026	17,607	17,585	17,379	17,224	17,046
Number of meters (in use)	17,825	17,942	17,898	17,972	18,072	17,981	17,937	17,756	17,634	17,560
Kilowatt hours purchased	322,917,151	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
Kilowatt hours sold	312,875,929	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
System peak demand-kilowatts	68,180	71,024	67,389	66,204	73,990	77,418	76,717	70,524	75,257	78,508
Water Department										
Number of active accounts-City	13,044	13,028	12,996	13,030	13,083	12,949	12,532	12,128	11,745	11,525
Number of active accounts-County	15,343	15,319	15,288	15,189	15,162	14,920	14,637	14,163	13,722	13,330
Total number of active accounts	28,387	28,347	28,284	28,219	28,245	27,869	27,169	26,291	25,467	24,855
Daily average productions in million gallons										
R.C. Willson Plant (365 days)	11,637	11,854	11,346	10,797	10,583	10,910	10,833	10,714	10,179	10,687
Wm. M. Breichner Plant (365 days)	0,000	0,013	0,000	0,001	0,008	0,030	0,029	0,113	-	0,044
Greatest consumption for a single day	13,590	14,000	13,530	13,270	13,130	12,651	12,830	12,980	12,037	13,760
Plant pumping capacity per day	20,000	20,000	20,000	20,000	20,000	14,000	14,000	13,000	19,800	19,800
Average daily metered consumption	8,308	8,698	8,233	8,532	8,645	8,555	8,567	8,503	8,310	8,379
Wastewater Department										
Number of active accounts-City	12,793	12,778	12,745	12,777	12,828	12,707	12,273	11,874	11,488	11,279
Number of active accounts-County	2,903	2,922	2,916	2,898	2,903	2,890	2,816	5,679	5,426	5,157
Number of active accounts-District (JSA)	3,438	3,437	3,409	3,409	3,373	3,317	3,155	-	-	-
Number of active accounts-Total	19,134	19,137	19,095	19,084	19,104	18,914	18,244	63,000	16,914	16,436
Daily average of sewage treated (million gallons)(including inflow and infiltration)	7.68	7.430	7.170	6.310	7.060	6.950	6.900	6.300	9.000	9.800
Daily average plant capacity (rated optimum efficiency)(million gallons)	10,500	10,500	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									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Parking Facilities Department										
Parking Deck:										
Number of Parking Spaces	625	625	629	625	629	629	441	441	441	441
Number of Permit Parkers	638	996	868	695	421	418	345	315	312	312
Operating Revenue:										
Meter Fees	\$ 186,368	\$ 186,781	\$ 226,740	\$ 237,847	\$ 237,847	\$ 244,864	\$ 247,287	\$ 248,078	\$ 232,342	\$ 180,061
Permit Fees	\$ 161,600	\$ 144,237	\$ 183,619	\$ 162,079	\$ 162,079	\$ 151,675	\$ 176,160	\$ 147,764	\$ 146,942	\$ 124,113
Deck	\$ 378,655	\$ 361,707	\$ 311,211	\$ 334,712	\$ 334,712	\$ 270,721	\$ 212,442	\$ 207,421	\$ 224,362	\$ 190,623
Sanitation										
Number of Waste Collection and Disposal Accounts										
Residential	14,326	14,304	14,364	14,586	14,335	14,075	13,664	13,394	13,247	13,412
Commercial (Trash and Recycling)**	25	-	-	-	-	-	-	-	-	-
Special Revenue Funds										
Number outstanding loans:										
Community Development Block Grant										
Single family	6	6	5	7	9	10	10	11	13	14
Residential Rental	6	8	9	9	10	11	11	12	14	18
Commercial	2	2	2	2	2	4	5	6	7	7
Deferred	37	36	37	35	31	26	22	27	31	35
Public facilities and improvements	4	4	4	4	4	4	6	6	6	5
Homeownership	4	4	5	6	7	7	9	10	11	11
Direct Homeownership	7	9	10	9	8	9	8	10	14	16
Business Revolving Loans	10	10	12	10	12	5	3	1	5	4
Total	76	79	84	82	83	76	74	83	101	110
Outstanding loan balances:										
Community Development Block Grant										
Single family	31,573	40,964	35,592	44,427	139,798	109,362	120,911	188,209	248,022	270,726
Residential Rental	596,347	623,803	656,671	688,176	449,450	509,268	524,094	830,070	1,033,040	1,407,934
Commercial	186,434	207,740	234,099	261,116	279,075	325,058	486,969	535,302	608,606	688,596
Deferred	789,367	788,302	797,529	863,392	766,144	739,327	691,594	704,529	729,383	766,132
Public facilities and improvements	585,653	627,758	671,463	715,276	757,622	806,757	926,064	1,004,309	891,841	590,588
Homeownership	125,424	137,620	217,964	266,411	276,864	319,370	368,975	435,198	477,532	67,259
Business Revolving Loans	654,480	569,807	830,909	686,774	832,348	357,797	158,513	6,921	218,584	436,053
Total	\$ 2,969,278	\$ 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
Program income (interest and loan repayments)										
Community Development Block Grant										
Single family	11,404	8,296	8,879	99,941	35,804	24,380	73,849	68,795	31,773	35,581
Residential Rental	56,975	62,950	57,651	58,745	84,167	85,820	335,673	242,380	427,427	618,806
Commercial	25,173	30,748	33,280	23,892	53,753	174,655	64,097	90,539	103,370	92,863
Deferred	-	18,951	2,561	2,301	10,255	40,306	48,088	83,217	23,594	23,440
Public facilities and improvements	63,989	67,292	69,578	68,309	70,876	146,667	114,250	201,654	70,076	28,049
Homeownership	15,910	85,768	66,183	22,805	56,422	65,169	105,012	64,351	43,353	262,399
Business Revolving Loans	112,732	107,381	85,714	175,432	118,563	27,718	40,621	57,989	10,665	12,267
Total	\$ 286,183	\$ 381,386	\$ 323,846	\$ 451,425	\$ 429,840	\$ 564,715	\$ 781,590	\$ 808,925	\$ 701,258	\$ 1,073,405

Source: Corresponding City Department.
**Note: Commercial Accounts started in January 2012.

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

Function	FISCAL YEAR									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
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	151.0	145.6	145.6	144.4	143.3	142.0	139.6	139.6	139.6	139.6
Number of traffic signals maintained	132	129	133	130	132	128	127	127	126	121
Parks and Recreation										
Parks and Playgrounds (291.667 acres)	15	15	15	15	15	15	15	16	15	15
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
Municipal Stadium	1	1	1	1	1	1	1	1	1	1
Museums	2	2	2	2	2	2	2	2	2	2
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	425	392	389	383	377	370
Fire hydrants	816	814	808	802	802	800	800	755	726	716
City	1,300	1,297	1,291	1,272	1,272	1,266	1,241	1,204	1,107	1,107
County										
Wastewater Department										
Number of City owned pumping stations	27	23	26	26	26	25	27	27	25	26
Miles of collection system-City owned	156	153	153	153	153	153	138	138	135	134
Parking Facilities Department										
Number of Lots	7	7	7	7	6	6	7	7	7	7
Number of Parking Spaces (Metered or Rented)										
Lots	709	678	678	682	719	719	726	726	719	719
Streets	363	519	519	511	526	526	540	535	528	528
Number of Parking Decks	2	2	2	2	2	2	1	1	1	1

Source: Corresponding City Department.

What's Happening in Hagerstown



