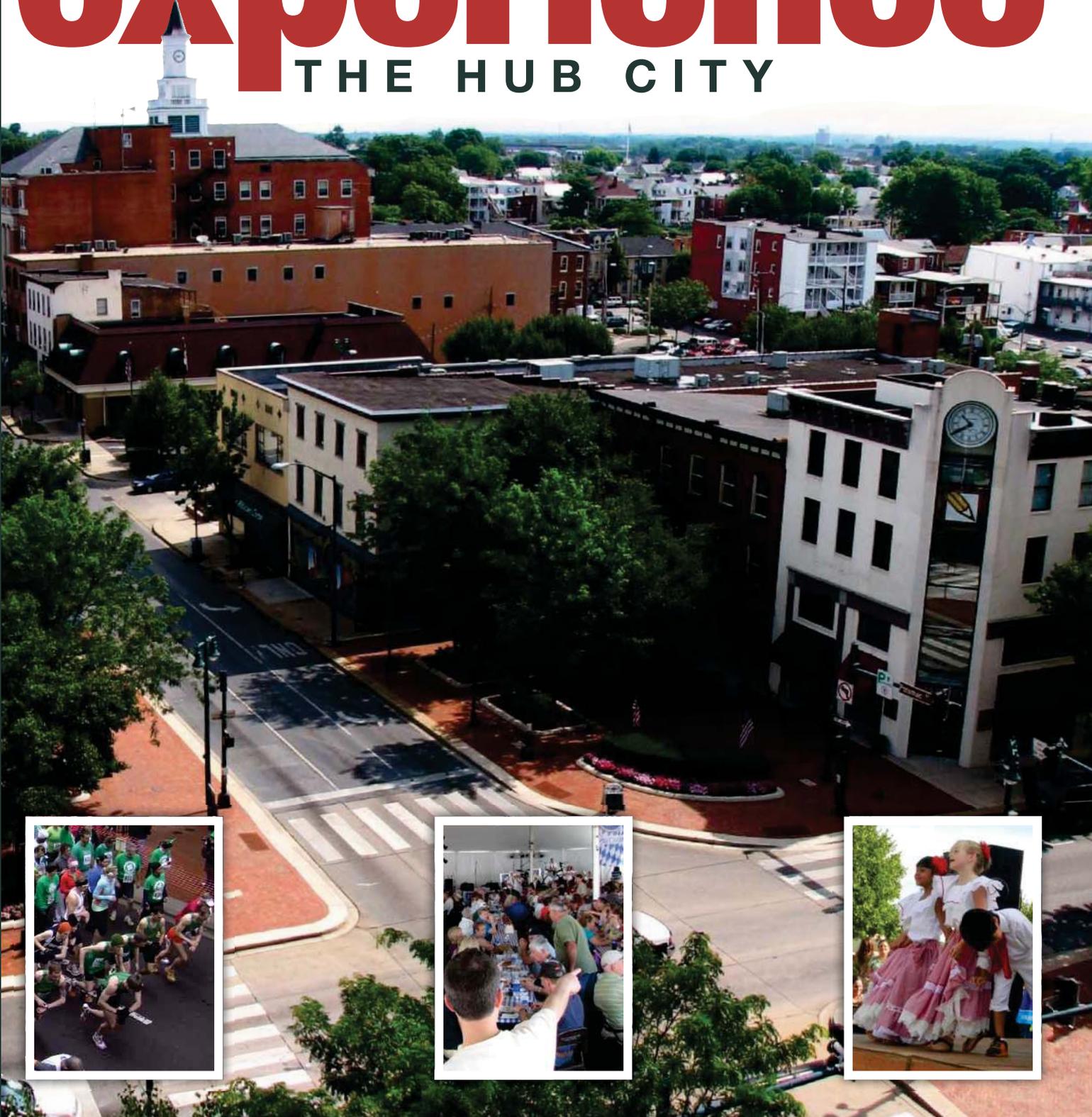




Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2013

H A G E R S T O W N : **experience** THE HUB CITY



City of Hagerstown

MARYLAND



Comprehensive Annual Financial Report Fiscal Year 2013

July 1, 2012 – June 30, 2013

Prepared By:

Finance and Accounting

Michelle D. Hepburn, Acting Director of Finance

Rana B. Rose, Acting Accounting Manager

City Council



David Gysberts
MAYOR



Bruce Zimmerman
CITY ADMINISTRATOR



Kristin Aleshire
COUNCIL MEMBER



Martin Brubaker
COUNCIL MEMBER



Lewis Metzner
COUNCIL MEMBER



Donald Munson
COUNCIL MEMBER



Penny Nigh
COUNCIL MEMBER

City of Hagerstown
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended June 30, 2013

Table of Contents

	<u>Page</u>
Introductory Section	
Letter of Transmittal	i-iv
Certificate of Achievement for Excellence in Financial Reporting	v
City Organizational Chart	vi
List of Elected and Appointed City Officials	vii
Financial Section	
Report of Independent Public Accountants	Preface
<u>Management's Discussion and Analysis</u>	<u>1 - 13</u>
<u>Basic Financial Statements:</u>	
Government-Wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	19
Statement of Net Position - Proprietary Funds	20 - 21
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	22
Statement of Cash Flows - Proprietary Funds	23 - 24
Combining Statement of Fiduciary Net Position - Pension Trust Fund	25
Combining Statement of Changes in Fiduciary Net Position - Pension Trust Fund	26
Notes to the Financial Statements	27 - 66
<u>Required Supplementary Information:</u>	
Schedule of Funding Progress - The City of Hagerstown Police and Fire Employees' Retirement Plan	67
Schedule of Funding Progress - The City of Hagerstown Other Post Employment Benefits	67
Schedule of Employer Contributions - The City of Hagerstown Other Post Employment Benefits	67
<u>Governmental Funds Supplementary Information:</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	68 - 70
- Capital Projects Funds	71
<u>Special Revenue Funds</u>	
Combining Balance Sheet - Nonmajor Governmental Funds	72
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances: - Nonmajor Governmental Funds	73
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Community Development Block Grant	74
- Economic Redevelopment	75
- Flexible Spending	76
- Business Revolving Loan	77
- Excise Tax	78
- Grant Revenue	79
- Upper Floors Redevelopment	80

City of Hagerstown
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended June 30, 2013

Table of Contents

	<u>Page</u>
Financial Section(continued)	
<u>Nonmajor Enterprise Funds</u>	
Combining Statement of Net Position - Nonmajor Enterprise Funds	81
Combining Statement of Revenues, Expenses, and Changes in Net Position - Nonmajor Enterprise Funds	82
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	83
<u>Internal Service Funds</u>	
Combining Statement of Net Position - Internal Service Funds	84
Combining Statement of Revenues, Expenses, and Changes in Net Position - Internal Service Funds	85
Combining Statement of Cash Flows - Internal Service Funds	86
 Statistical Section (Unaudited)	
<u>Financial Trends</u>	
Net Position by Component - Last Ten Fiscal Years	87
Changes in Net Position - Last Ten Fiscal Years	88 - 89
Governmental Activities Tax Revenues By Source - Last Ten Fiscal Years	90
Fund Balances of Governmental Funds - Last Ten Fiscal Years	91
Changes in Fund Balance - Governmental Funds - Last Ten Fiscal Years	92
<u>Revenue Capacity</u>	
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	93
Property Tax Rates Per \$100 of Assessed Value - Last Ten Fiscal Years	94
Principal Property Taxpayers	95
Property Tax Levies and Collections - Last Ten Fiscal Years	96
<u>Debt Capacity</u>	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	97
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	98
Direct and Overlapping Governmental Activities Debt	99
Legal Debt Margin Information - Last Ten Fiscal Years	100
<u>Demographic and Economic Information</u>	
Demographic and Economic Statistics - Last Ten Fiscal Years	101
Principal Employers in the Metropolitan Area	102
Principal Electric Fund Customers	103
Principal Water Fund Customers	104
Principal Wastewater Fund Customers	105
<u>Operating Information</u>	
Full-time Equivalent City Government Employees by Function - Last Ten Fiscal Years	106
Operating Indicators By Function - Last Ten Fiscal Years	107 - 108
Capital Assets Statistics by Function - Last Ten Fiscal Years	109

INTRODUCTORY SECTION





December 27, 2013

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, 2013.

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, 2013, 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 unmodified opinion that the City of Hagerstown's financial statements for the fiscal year ended June 30, 2013, are fairly presented in conformity with GAAP. The independent public accountant's report is presented as the preface 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 at the beginning of the Financial Section of the CAFR.

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. However transfers of appropriations between departments, 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 68 through 70 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 74 through 80.

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. The unemployment rate decreased from 8.1% in June 2012 to 7.5% in June 2013; and, the most recent figure for October 2013 is 6.7%. The national unemployment rate in June 2013 was 7.5%, and in Washington County it was 8.6%. 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 throughout 2012. It is expected that the unemployment rate will take more time 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 2013 was 66,543, and the Hagerstown 2013 per capita income was \$36,196.

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.

The City's assessable tax base experienced mild growth. Total property tax revenue increased by \$1.1 million from FY2012/2013 when compared to FY2011/2012 as a result of some commercial growth and increased corporate personal property tax revenue. The recession had a government-wide effect of lowering other revenue streams including state and county shared tax revenues distributed to local municipalities. During FY2012/2013, a new revenue source was fully implemented as part of a major public safety initiative to monitor traffic speed in school

zones. During FY2012/2013, \$1.56 million in speed camera violation fines were issued as part of this safety initiative. As part of the FY2013/2014 budget, this figure is estimated to remain flat. It is anticipated that this revenue will start to decrease as public awareness and patterns change. This has been the trend within other municipalities that have implemented this public safety program. 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.

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. The City of Hagerstown is currently working with a consultant group to help develop and identify a redevelopment master plan. 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. 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 during fiscal year 2011/2012.

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 FY2012/2013 unreserved fund balance for the General Fund was \$7.7 million or 21.6% 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. The Mayor and Council have undertaken a number of initiatives with the desire to strengthen the City Center. In FY2013, the City acquired 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 renovated and sold by the City to help spur economic redevelopment.

In FY2013, the interior of building, located on North Potomac Street, was 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 the FY2014 budget, there is \$1,000,000 included for the demolition and removal of the former Municipal Electric Light Plant. The City is committed to this effort and demolition of this project.

During FY2013, the City began to implement a new program titled Invest Hagerstown. This is public, private partnership grant program where the City will match monies being spent for renovation projects. It is a first-third grant program with a 2:1 match requirement. All applications are reviewed by a committee and then forwarded to Mayor and Council. The goals of the program are: to partner with private developers and/or investors; to enable significant redevelopment; to create new job opportunities; and to increase value of commercial and mixed use properties.

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. During FY2013, this project was completed.

During FY2014, the Water Fund began the RC Willson Phase IV Improvements for stage 2 DPBR compliance. This project is anticipated to cost over \$12 million. \$1.5 million of this project will be funded with grant monies. The remaining balance will be paid with \$9.2 million bond issue; \$1.5 million in state loan forgiveness; and Water Fund reserves. This project is expected to take 18 months.

Over the past few years, vehicle and equipment purchases for all funds were 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. During FY2013, all funds began to slowly replace vehicles and equipment. The General Fund includes \$1,943,000 and the Enterprise Funds include \$932,400 for vehicle and equipment replacements with the most significant amounts in the general fund being \$450,000 for the replacement of a fire engine; \$900,000 for a ladder truck; and \$200,000 for police patrol vehicles.

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, 2012. This was the seventeenth 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, 2012. 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 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 Rana Rose, Accounting Manager, for the sense of commitment she displayed during the preparation of the CAFR. Special thanks must also be given to our independent accounting firm, SB & Company, LLC for their support and assistance in conducting the audit and for their insights and guidance on improving our financial reporting. In addition, credit must be given to the mayor and the governing council for their interest and support in planning for and maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

A handwritten signature in black ink that reads "Michelle Hepburn". The signature is written in a cursive, flowing style.

Michelle Hepburn
Acting Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Hagerstown
Maryland**

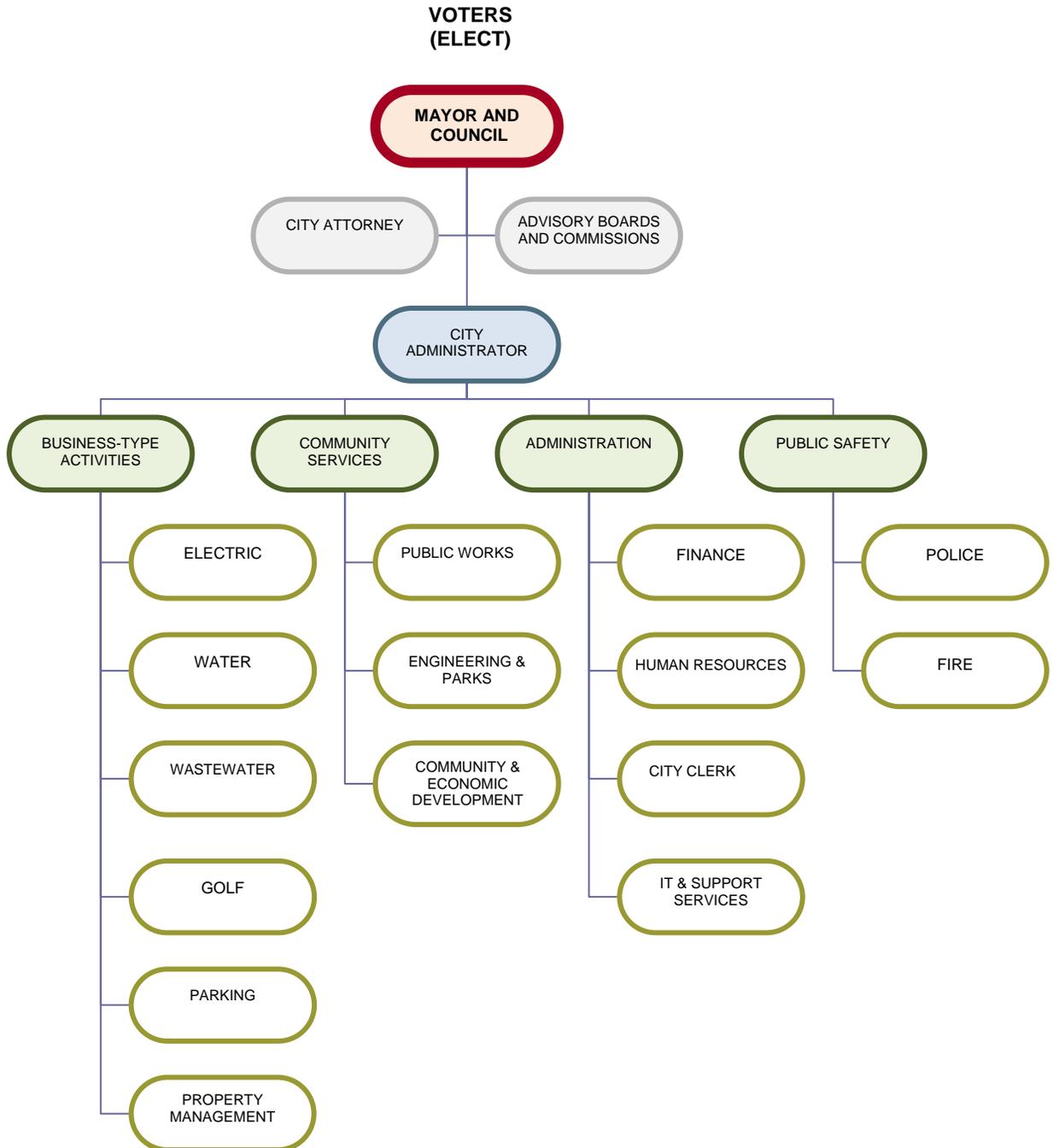
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

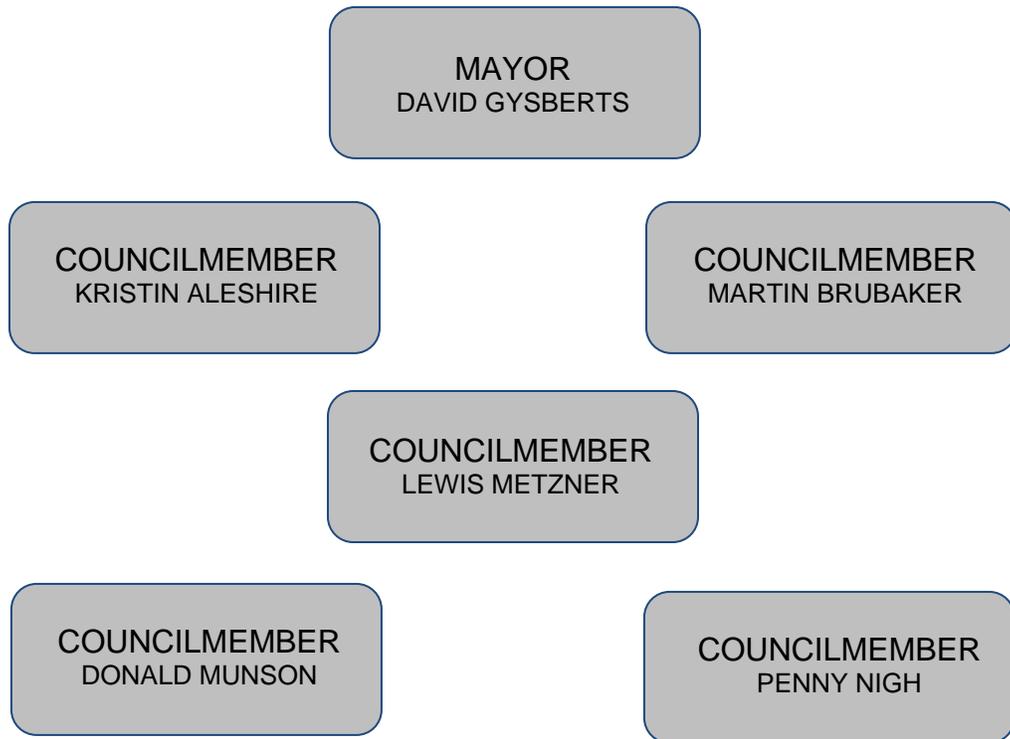
June 30, 2012



Executive Director/CEO

CITY ORGANIZATION CHART (By Department)





CITY OFFICIALS

CITY ADMINISTRATOR
BRUCE ZIMMERMAN

CITY CLERK
DONNA SPICKLER

FINANCE
MICHELLE HEPBURN

PUBLIC WORKS
ERIC DEIKE

COMMUNITY & ECONOMIC
DEVELOPMENT
JOHN LESTITIAN

FIRE
KYD DIETERICH

POLICE
MARK HOLTZMAN

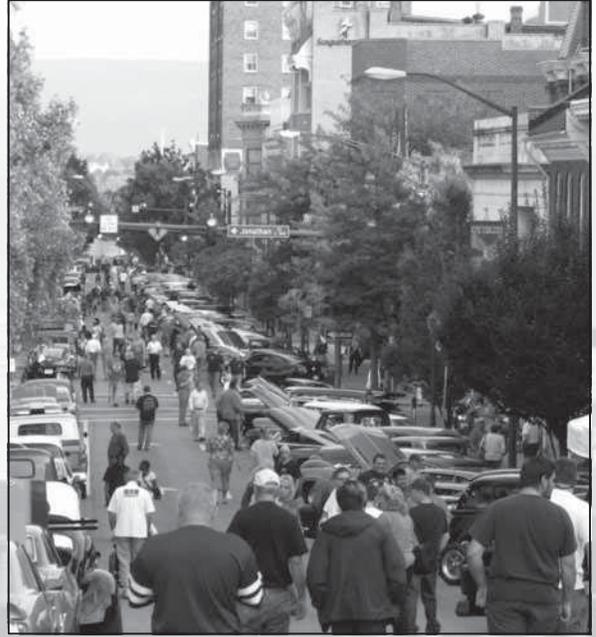
ENGINEERING &
PARKS
RODNEY TISSUE

HUMAN RESOURCES
KAREN PAULSON

UTILITIES
MICHAEL SPIKER

IT & SUPPORT
SERVICES
SCOTT NICEWARNER

City Center — The Heart of Hagerstown



FINANCIAL SECTION





SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

City of Hagerstown, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hagerstown, Maryland (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budget and actual for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 Plan and Other Post Employment Benefits 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 sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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, budgetary comparison schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining and individual fund statements and budgetary comparison schedules are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual fund statements and budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Hunt Valley, Maryland
December 26, 2013

Management's Discussion and Analysis (MD&A)

Introduction

As management of the City of Hagerstown, Maryland (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. 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 \$247.0 million (*net position*). Approximately 62.8% of this amount is attributable to the City's three utilities (Electric, Water and Wastewater). Of the total net position, \$25.6 million (*unrestricted net position*) may be used to meet ongoing obligations to citizens and creditors (74.0% of this amount is attributable to the City's three utilities), \$8.8 million is restricted for specific purposes (*restricted net position*), and \$212.6 million is invested in capital assets, net of related debt.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$18.3 million. Of this total amount \$7.5 million is unassigned and represents working capital available to support governmental operating needs and future years' expenditures.
- The City's total net bonded debt decreased by \$3.5 million (5.2%) during the current fiscal year from \$66.4 million to \$62.9 million. Total new debt in 2012/2013 was added from \$1.1 million of Maryland Water Quality Revolving Loan Fund Debt. The City's adherence to its amortization schedules for existing debt reduced its debt by \$4.6 million in 2012/2013. 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 surplus of revenues over expenditures and other financial sources and uses by \$1.2 million after making a \$1.1 million transfer to the Capital Projects Fund and operating transfers of \$0.3 million to the Golf Course Fund, \$0.2 million to the Economic Redevelopment Fund, and \$0.04 million to the Grant Revenue Fund. Additionally during 2012/2013, the City paid a one-time stipend to all full-time and part-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 \$7.7 million or 21.6% of total General Fund expenditures (excluding the transfers to other funds described above). This represents slightly over two and a half months of General Fund expenditures and complies with the City financial policy requiring a minimum undesignated fund balance of 10% of the General Fund operating expenditures.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 nine individual governmental funds: the General; Capital Projects; Community Development Block Grant; Economic Redevelopment; Flexible Spending; 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 68 through 80.

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 67 of this report.

Government-wide Financial Analysis

As noted earlier, net position serves 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 \$247.0 and \$246.0 million at the close of the current and previous fiscal years.

City of Hagerstown net assets are divided into three categories – net investment to capital assets, restricted net position and unrestricted net position. The largest portion of the City's net position (86.1% or \$212.6 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 position represents 3.6% or \$8.8 million of total net assets. Restricted net position is resources that are subject to external restrictions on how they may be used. The City's total unrestricted net position has a balance of \$25.6 million (10.4% of total net position) which may be used to meet the government's ongoing obligations to citizens and creditors. Of this total amount, the unrestricted net position for business-type activities has a balance of \$18.9 million and the unrestricted net position portion for governmental activities has a balance of \$6.7 million.

Summary of Net Position June 30, 2013 and 2012

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current Assets	\$ 25,048,746	\$ 25,618,160	\$ 21,446,485	\$ 23,478,066	\$ 46,495,231	\$ 49,096,226
Long-term and restricted assets	130,288	82,696	3,897,982	4,051,546	4,028,270	4,134,242
Capital assets, net	78,630,609	77,517,062	196,856,190	197,683,546	275,486,799	275,200,608
Total Assets	<u>103,809,643</u>	<u>103,217,918</u>	<u>222,200,657</u>	<u>225,213,158</u>	<u>326,010,300</u>	<u>328,431,076</u>
Liabilities:						
Long-term liabilities	17,951,202	19,290,551	45,453,053	47,191,630	63,404,255	66,482,181
Other liabilities	7,752,561	7,354,859	7,844,192	8,637,142	15,596,753	15,992,001
Total Liabilities	<u>25,703,763</u>	<u>26,645,410</u>	<u>53,297,245</u>	<u>55,828,772</u>	<u>79,001,008</u>	<u>82,474,182</u>
Net Position:						
Invested in capital assets	62,661,321	60,445,265	149,983,855	148,779,228	212,645,176	209,224,493
Restricted	8,785,932	9,233,959	-	-	8,785,932	9,233,959
Unrestricted	6,658,627	6,893,284	18,919,557	20,605,158	25,578,184	27,498,442
Total Net Position	<u>\$ 78,105,880</u>	<u>\$ 76,572,508</u>	<u>\$ 168,903,412</u>	<u>\$ 169,384,386</u>	<u>\$ 247,009,292</u>	<u>\$ 245,956,894</u>

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

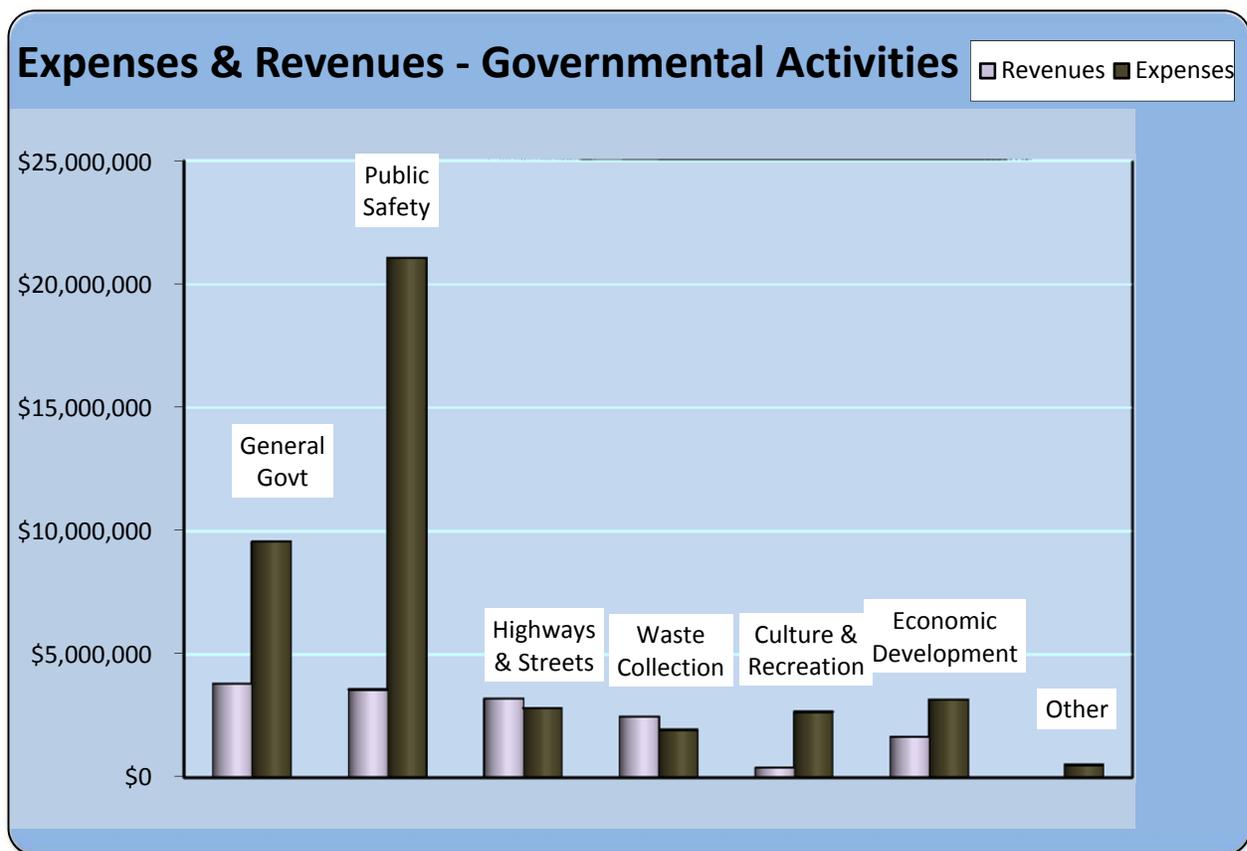
Changes in Net Position
June 30, 2013 and 2012

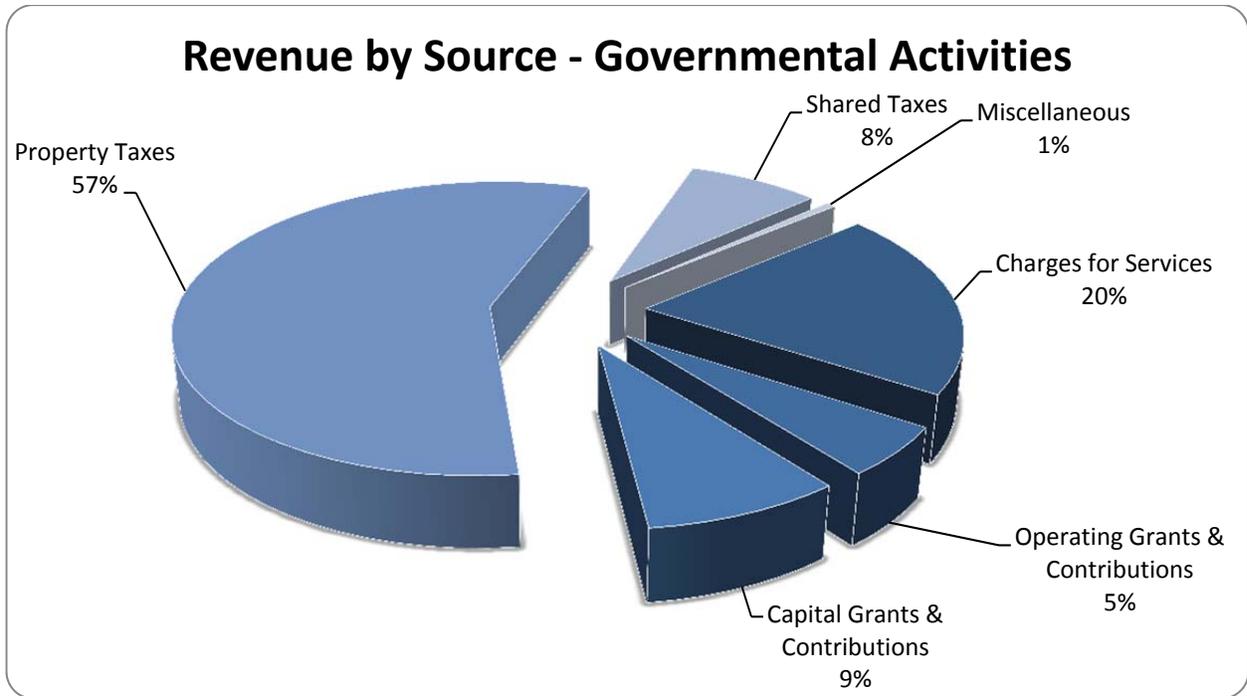
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for services	\$ 8,982,263	\$ 7,519,836	\$ 48,199,297	\$ 49,364,112	\$ 57,181,560	\$ 56,883,948
Operating grants and contributions	2,331,085	2,072,808	-	-	2,331,085	2,072,808
Capital grants and contributions	3,792,121	2,611,299	2,546,931	5,322,246	6,339,052	7,933,545
General Revenues:						
Property taxes	25,227,705	24,077,697	-	-	25,227,705	24,077,697
State and county shared taxes	3,510,080	3,649,661	-	-	3,510,080	3,649,661
Miscellaneous	261,154	512,966	180,193	253,521	441,347	766,487
Total Revenues	44,104,408	40,444,267	50,926,421	54,939,879	95,030,829	95,384,146
Expenses:						
Program Expenses:						
General government	9,581,916	9,625,176	-	-	9,581,916	9,625,176
Public safety	21,070,864	19,964,292	-	-	21,070,864	19,964,292
Highways and streets	2,828,009	2,684,522	-	-	2,828,009	2,684,522
Waste collection and disposal	1,937,485	2,637,297	-	-	1,937,485	2,637,297
Culture and recreation	2,665,582	2,622,512	-	-	2,665,582	2,622,512
Economic and community development	3,174,443	2,419,346	-	-	3,174,443	2,419,346
Interest on long-term debt	514,648	532,560	-	-	514,648	532,560
Utilities and other proprietary funds	-	-	52,205,484	52,497,866	52,205,484	52,497,866
Total Expenses	41,772,947	40,485,705	52,205,484	52,497,866	93,978,431	92,983,571
Excess before transfers	2,331,461	(41,438)	(1,279,063)	2,442,013	1,052,398	2,400,575
Transfers	(798,089)	(1,125,889)	798,089	1,125,889	-	-
Change in net position	1,533,372	(1,167,327)	(480,974)	3,567,902	1,052,398	2,400,575
Net Position - Beginning	76,572,508	77,739,835	169,384,386	165,816,484	245,956,894	243,556,319
Net Position - Ending	\$ 78,105,880	\$ 76,572,508	\$ 168,903,412	\$ 169,384,386	\$ 247,009,292	\$ 245,956,894

Governmental activities: General revenues for the governmental activities were \$29.0 million, while total expenses, net of charges for services, grants and contributions, were \$26.7 million. The increase in net position for governmental activities was \$1.5 million and can be largely attributed to the following:

- \$1.2 million of the increase is due to the excess of actual revenues over expenditures in the City's General Fund. This increase is a result of growth in the following revenue areas: total property taxes (includes personal property taxes), income tax, and a newly implemented safe speed for school program. In addition to the revenue growth, the City was able to keep operating expenditures flat compared to prior fiscal year.
- \$0.3 million of the increase is a result of two grants from Maryland Department of Business and Economic Development in the current fiscal year.

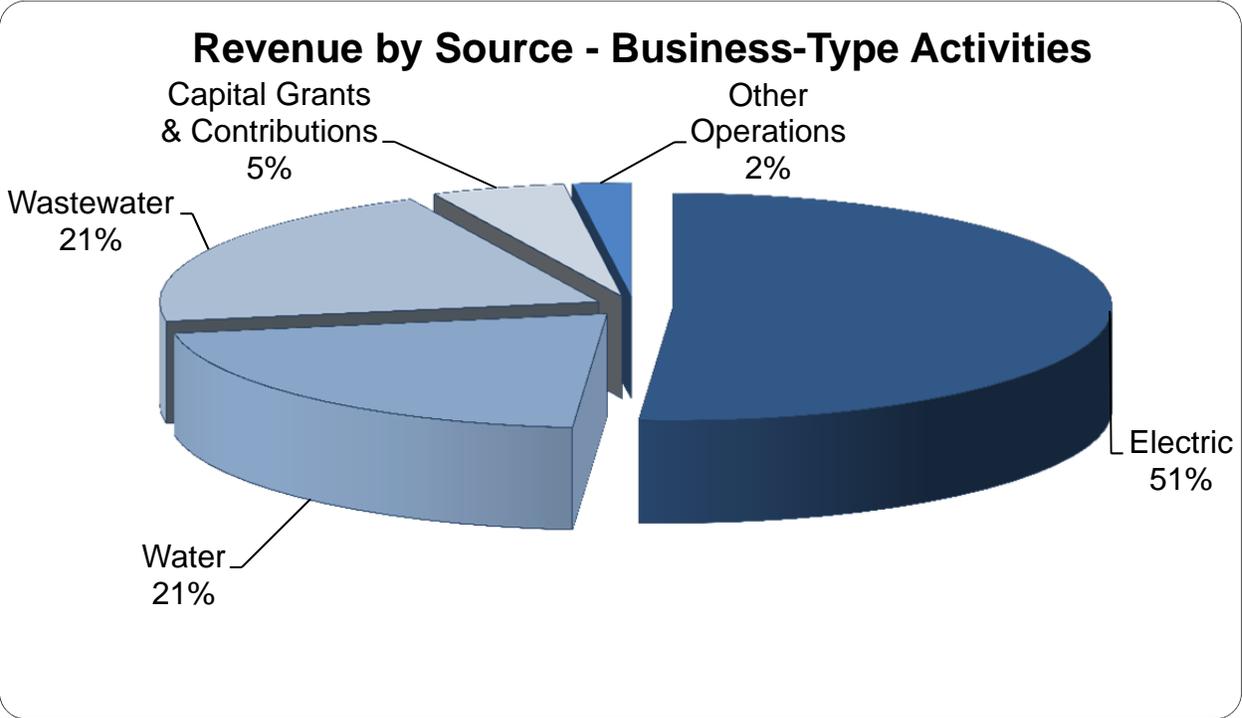
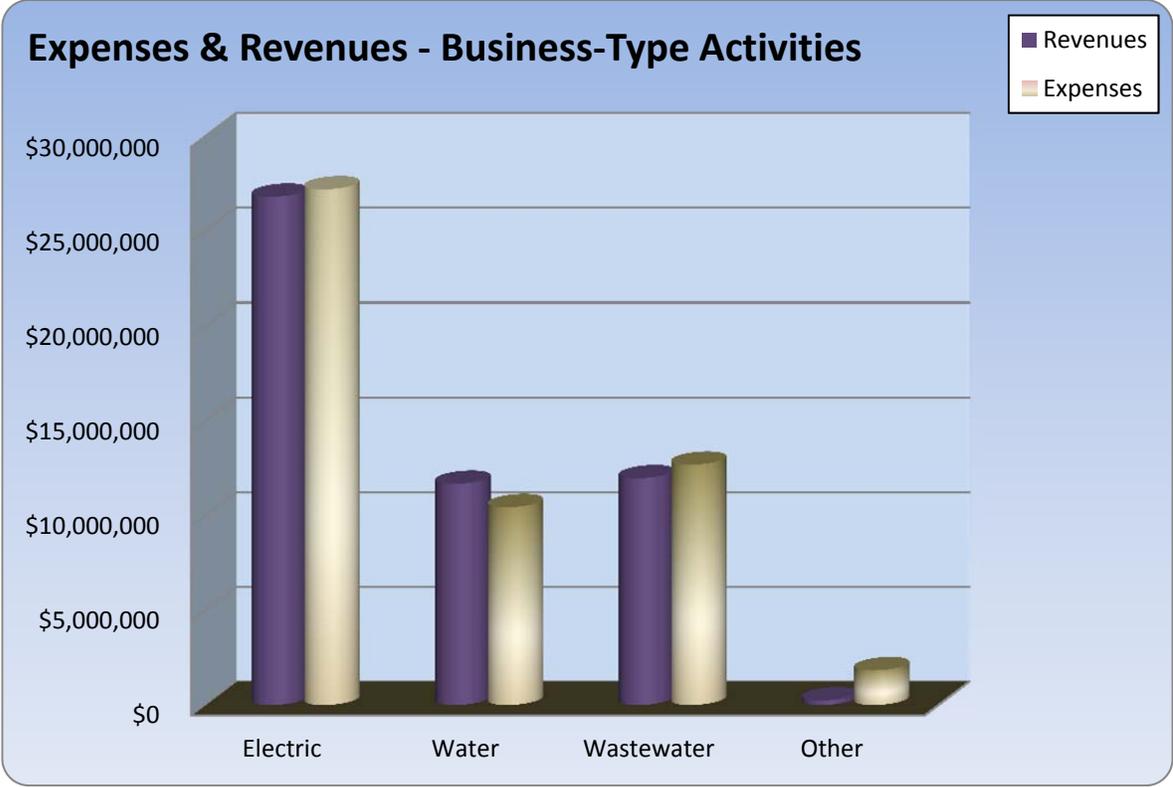
The following charts compare the Expenses and Program Revenues of the City's Governmental Activities.





Business-type Activities: Business-type activities decreased the City of Hagerstown's net position by \$0.5 million. Key elements of this decrease are as follows:

- \$1.4 million excess of actual revenues over expenditures in the City's Water Fund. However, the Wasterwater Fund had a deficit of (\$0.7) of expenditures over revenues. The non-major Enterprise Funds had a combined deficit of (\$1.6) of expenditures over revenues.
- Net transfers in to the business-type activities account for \$0.8 million. These transfers were primarily for capital building improvement projects in the Property Management fund.
- Capital grants and contributions remained a major revenue source for business-type activities. Electric, Water, and Wastewater funds received \$0.3 million, \$0.8 million, and \$1.3 million, respectively during the current fiscal year. Overall, capital contributions are down \$2.8 million from the prior fiscal year's total of \$5.3 million which included a one-time land and building donation.



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Hagerstown's governmental funds reported combined ending fund balances of \$18.3 million, an increase of \$0.6 million from the prior year. Approximately 41.0% of the total fund balance (\$18.3 million) constitutes *unassigned fund balance* (\$7.5 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 (\$1.2 million and \$3.0 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 (\$0.1 million)
- 3) *Assigned* fund balance represents amounts reserved for tentative management plans that are subject to change (\$6.6 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 \$7.7 million, while total fund balance equals \$9.7 million. As a measure of the General Fund's liquidity, it is useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 21.6% 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 increased by \$1.2 million during the current fiscal year due to increased revenues over prior fiscal year. Below are some key elements for FY2013:

Revenues were above approved budget by \$1.3 million

- Total property taxes were slightly above projections by \$0.3 million. The increase is a result slightly higher 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. This is an indication of slow economic growth for Hagerstown.
- Fines and forfeitures exceeded projections by \$0.8 million due to the complete implementation of speed cameras as part of the public safety initiative in school zones. The gross revenue generated during FY2013 exceeded our projections by \$0.8 million. Also, the variance in actual revenue from FY2012 to FY2013 resulted in an increase of \$1.0 million.

Expenditures (excluding transfers to other funds) were slightly over budgeted projections by \$33 thousand.

- The City's adherence to fiscal policies resulted in actual expenditures being just \$33 thousand below budgeted projections.

The Capital Projects Fund has a total fund balance of \$2.9 million. Of the total fund balance, certain amounts are *restricted* to indicate that it is not available for new spending because it has already been committed or is legally restricted for capital projects as follows:

- 1) *Nonspendable* fund balance represents amounts that are not available for appropriation (\$7 thousand)
- 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 and are for unspent bond proceeds (\$44 thousand)
- 3) *Assigned* fund balance represents amounts reserved for tentative management plans and current encumbrances that are subject to change (\$2.8 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 position of the three utilities at the end of the year amounted to \$4.4 million for the Electric Fund, \$9.2 million for the Water Fund and \$3.2 million for the Wastewater Fund. The total decrease in the proprietary funds net position was (\$0.5) 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 increased by less than \$0.2 million over the original budget. The increase resulted from the implementation of a new safe speed for school program. As part of the implementation, the City increased original estimations for additional staffing. In addition, the City implemented a new wellness program and transferred funds from internal service funds to cover this cost.

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, 2013, amounts to \$275.5 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 net increase in City of Hagerstown's investment in capital assets for the current fiscal year was \$0.3 million or 0.1%. There was a 1.4% increase for governmental activities and a 0.4% decrease for business-type activities.

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 6,832,876	\$ 4,805,746	\$ 5,787,315	\$ 6,471,315	\$ 12,620,191	\$ 11,277,061
Construction in progress	698,824	260,020	2,480,705	3,036,644	3,179,529	3,296,664
Buildings & structures	6,978,047	7,128,219	137,629,758	137,753,057	144,607,805	144,881,276
Improvements other than buildings	5,006,043	3,857,105	452,362	499,717	5,458,405	4,356,822
Machinery & equipment	4,696,228	5,318,617	50,506,046	49,922,813	55,202,274	55,241,430
Infrastructure	54,418,591	56,147,355	-	-	54,418,591	56,147,355
Total	\$ 78,630,609	\$ 77,517,062	\$ 196,856,186	\$ 197,683,546	\$ 275,486,795	\$ 275,200,608

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

For the City's governmental activities:

- o \$0.9 million was spent on various curb and sidewalk improvements which includes handicap ramps
- o \$0.7 million was spent on various street resurfacing projects
- o \$0.5 million was spend on vehicles for public safety and public works
- o \$0.6 million was spent on various Park improvements, and includes multi-use trails, the creation of a dog park, permanent seating, crosswalks, lighting, and other miscellaneous improvements.
- o \$0.2 million was spent on Police radios, upgraded narrow band radios, and other computer equipment
- o \$0.1 million was spent on emergency drain repairs at Memorial Boulevard

For the City's business activities:

Of the \$7.7 million the City spent on the acquisition and construction of business activity capital assets in fiscal year 2012/2013, \$3.3 million were funded from contributions from developers in the form of benefit charges and intergovernmental grants, \$1.1 million were funded from MDE bond proceeds, \$1.0 million from governmental fund transfers for buildings; and the remaining \$2.3 million from the operations within the business funds.

Additional information on the City of Hagerstown's capital assets can be found in Note IV. C., pages 47 through 50 of this report.

Long-term debt. At the end of the current fiscal year, the City of Hagerstown had total bonded debt outstanding of \$62.9 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, \$46.9 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			
	2013	2012	2013	2012	2013	2012
General Bonded Debt	\$ 16,013,064	\$ 17,459,565	\$ 46,872,334	\$ 48,904,318	\$ 62,885,398	\$ 66,363,883

The City of Hagerstown increased its total bonded debt by \$1.1 million, all within the business-type funds. The additional debt was drawn from the following sources from the Maryland Water Quality Revolving Loan Fund. The City's continued adherence to its amortization schedules for debt repayments reduced its debt by \$4.6 million resulting in an overall net decrease to debt of \$3.5 million during the current year.

During the fiscal year 2011/2012, 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-.

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 0.61% of the assessed value of taxable property and \$404 per capita. Additional information on the City of Hagerstown's long-term debt can be found in note IV. F. on pages 54 through 56 of this report.

Economic Factors and Next Year's Budgets and Rates

- The fiscal 2013 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 FY2013 General Fund final budget, there was an excess of \$0.1 million. 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 2014 the City's major governmental fund approved budget, the General Fund, is projected to increase slightly by 2.9% over the fiscal 2013 budget. Wages and benefits are projected to increase by 4.9% to include a small increase in employee compensation and increased employer provided benefit costs. Debt service is projected to increase by 7.6% for anticipated new debt issuance for projects. Likewise, contracted services is estimated to increase by 9.6% related to the safe speed for school programs and professional development is estimated to increase by 21.2% as training and education is phased back into the operating budget. All other operating expenses are projected to decrease.

- 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 the fiscal year 2012 bond rating. As a result of the MD State Department of Assessment and Taxation's upcoming triennial reassessment which occurred in the Fall of 2013, the City estimated a decrease of approximately 8.0% in real estate and personal property assessments for the 2014 fiscal year.
- The fiscal year 2014 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 2013/14.

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) 766-4160. Complete financial reports are also available on our web site www.hagerstownmd.org

City of Hagerstown, Maryland
Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and investments	\$ 17,584,280	\$ 11,001,536	\$ 28,585,816
Receivables (net of allowance for uncollectibles):			
Taxes	488,648	-	488,648
Intergovernmental	1,806,633	-	1,806,633
Customers	1,334,284	7,524,767	8,859,051
Loans	2,961,745	-	2,961,745
Other	(44)	2,029	1,985
Internal balances	(812,544)	812,544	-
Inventories	169,817	1,400,487	1,570,304
Properties held for resale	981,970	-	981,970
Prepaid items	86,294	66,937	153,231
Net OPEB asset	386,753	-	386,753
Due from other agencies	-	491,921	491,921
Deferred charges	60,910	146,264	207,174
Restricted assets:			
Pooled cash and investments	130,288	3,198,432	3,328,720
Long-term receivables	-	699,550	699,550
Capital assets (net of accumulated depreciation):			
Land (not being depreciated)	6,832,876	5,787,315	12,620,191
Land improvements	5,754,824	1,393,449	7,148,273
Buildings and structures	15,491,206	198,092,666	213,583,872
Machinery and equipment	5,362,172	103,422,350	108,784,522
Automobiles and trucks	7,447,315	4,687,203	12,134,518
Office furniture and fixtures	4,253,404	757,995	5,011,399
Infrastructure	94,495,855	-	94,495,855
Construction in progress (not being depreciated)	698,824	2,480,706	3,179,530
Less accumulated depreciation	(61,705,867)	(119,765,494)	(181,471,361)
Total assets	<u>103,809,643</u>	<u>222,200,657</u>	<u>326,010,300</u>
Liabilities			
Accounts and retainages payable	2,038,210	2,517,534	4,555,744
Accrued liabilities	2,125,487	182,129	2,307,616
Escrowed taxes and insurance	7,585	-	7,585
Accrued interest payable	250,287	355,618	605,905
Customer deposits payable	78,107	1,111,999	1,190,106
Due to other agencies	9,700	-	9,700
Unearned revenue	292,037	79,960	371,997
Other liabilities			
Due within one year	22,000	13,654	35,654
Due in more than one year		98,618	98,618
Compensated absences:			
Due within one year	1,647,546	662,423	2,309,969
Due in more than one year	3,219,740	1,402,975	4,622,715
Long-term liabilities:			
Due within one year	1,281,602	2,920,875	4,202,477
Due in more than one year	14,731,462	43,951,460	58,682,922
Total liabilities	<u>25,703,763</u>	<u>53,297,245</u>	<u>79,001,008</u>
Net Assets			
Net investment in capital assets	62,661,321	149,983,855	212,645,176
Restricted for:			
Capital Projects Fund	2,857,066	-	2,857,066
Community Development Block Grant Fund	2,923,590	-	2,923,590
Economic Redevelopment Fund	908,786	-	908,786
Business Revolving Loan Fund	1,053,638	-	1,053,638
Excise Tax Fund	808,303	-	808,303
Grant Revenue Fund	46,367	-	46,367
Other Purposes	188,182	-	188,182
Unrestricted	<u>6,658,627</u>	<u>18,919,557</u>	<u>25,578,184</u>
Total net position	<u>\$ 78,105,880</u>	<u>\$ 168,903,412</u>	<u>\$ 247,009,292</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, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 9,581,916	\$ 3,130,802	\$ 161,779	\$ 515,606	\$ (5,773,729)	\$ -	\$ (5,773,729)
Public safety	21,070,864	2,962,729	609,150	-	(17,498,985)	-	(17,498,985)
Highways and streets	2,828,009	102,791	-	3,099,132	373,914	-	373,914
Waste, collection and disposal	1,937,485	2,478,721	-	-	541,236	-	541,236
Culture and recreation	2,665,582	209,899	15,140	177,383	(2,263,160)	-	(2,263,160)
Economic and community development	3,174,443	97,321	1,545,016	-	(1,532,106)	-	(1,532,106)
Interest on long-term debt	514,648	-	-	-	(514,648)	-	(514,648)
Total governmental activities	<u>41,772,947</u>	<u>8,982,263</u>	<u>2,331,085</u>	<u>3,792,121</u>	<u>(26,667,478)</u>	<u>-</u>	<u>(26,667,478)</u>
Business-type activities:							
Electric	27,216,777	26,510,826	-	313,979	-	(391,972)	(391,972)
Water	10,454,834	10,859,180	-	831,161	-	1,235,507	1,235,507
Wastewater	12,697,968	10,699,798	-	1,285,798	-	(712,372)	(712,372)
Parking facilities	699,693	936,246	-	-	-	236,553	236,553
Golf course	467,869	178,462	-	-	-	(289,407)	(289,407)
Property management	668,343	(985,215)	-	115,993	-	(1,537,565)	(1,537,565)
Total business-type activities	<u>52,205,484</u>	<u>48,199,297</u>	<u>-</u>	<u>2,546,931</u>	<u>-</u>	<u>(1,459,256)</u>	<u>(1,459,256)</u>
Total primary government	<u>\$ 93,978,431</u>	<u>\$ 57,181,560</u>	<u>\$ 2,331,085</u>	<u>\$ 6,339,052</u>	<u>(26,667,478)</u>	<u>(1,459,256)</u>	<u>(28,126,734)</u>
General revenues:							
Property taxes					25,227,705	-	25,227,705
State and county shared taxes					3,510,080	-	3,510,080
Excise taxes					115,492	-	115,492
Investment earnings					37,871	180,193	218,064
Miscellaneous					107,791	-	107,791
Transfers					(798,089)	798,089	-
Total general revenues and transfers					<u>28,200,850</u>	<u>978,282</u>	<u>29,179,132</u>
Change in net position					1,533,372	(480,974)	1,052,398
Net position - beginning					76,572,508	169,384,386	245,956,894
Net position - ending					<u>\$ 78,105,880</u>	<u>\$ 168,903,412</u>	<u>\$ 247,009,292</u>

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

City of Hagerstown, Maryland
Balance Sheet
Governmental Funds
June 30, 2013

	General	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Pooled cash and investments	\$ 9,355,332	\$ 2,685,017	\$ 1,955,754	\$ 13,996,103
Receivables (net of allowance for uncollectibles):				
Taxes	488,648	-	-	488,648
Intergovernmental	775,531	378,772	652,330	1,806,633
Customers	1,108,338	62,167	36,080	1,206,585
Loans	-		2,961,745	2,961,745
Other	(1,658)	509	321	(828)
Advances to other funds	497,000	-	-	497,000
Inventories	169,817	-	-	169,817
Properties held for resale	-	-	981,970	981,970
Prepaid items	85,098	-	1,196	86,294
Restricted assets:				
Pooled cash and investments	-	-	33,988	33,988
Total assets	\$ 12,478,106	\$ 3,126,465	\$ 6,623,384	\$ 22,227,955
Liabilities And Fund Balances				
Liabilities:				
Accounts and retainages payable	\$ 1,681,382	\$ 239,399	\$ 112,573	\$ 2,033,354
Accrued liabilities	614,243	-	16,176	630,419
Advances from other funds	-	-	497,000	497,000
Escrowed taxes and insurance	-	-	7,585	7,585
Customer deposits payable	53,168	-	24,939	78,107
Undisbursed loan and grant commitments	-	-	160,862	160,862
Due to other agencies	9,700	-	-	9,700
Deferred revenue	412,644	30,000	100	442,744
Other long term liabilities	-	-	22,000	22,000
Total liabilities	2,771,137	269,399	841,235	3,881,771
Fund balances:				
Nonspendable	254,914	6,888	991,715	1,253,517
Restricted	-	-	2,953,196	2,953,196
Committed	-	43,775	-	43,775
Assigned	1,783,143	2,806,403	1,983,955	6,573,501
Unassigned	7,668,912	-	(146,717)	7,522,195
Total fund balances	9,706,969	2,857,066	5,782,149	18,346,184
Total liabilities and fund balances	\$ 12,478,106	\$ 3,126,465	\$ 6,623,384	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	78,630,609
Taxes and other receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds	333,796
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.	1,865,017
Long-term liabilities, including bonds payable, accrued interest, and deferred charges are not due and payable in the current period and therefore are not reported in the funds.	(21,069,726)

Net position of governmental activities \$ 78,105,880

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, 2013

	General	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 25,227,703	\$ -	\$ -	\$ 25,227,703
State and county shared taxes	3,385,674	301,936	-	3,687,610
Licenses and permits	1,545,344	-	-	1,545,344
Intergovernmental	241,766	670,845	1,943,445	2,856,056
Program income	-	-	194,232	194,232
Charges for services	3,326,693	-	-	3,326,693
Fines and forfeitures	1,654,158	-	-	1,654,158
Investment earnings	30,400	4,800	2,672	37,872
Property sales	17,293	-	103,973	121,266
Contributions and donations	120,568	150,377	8,000	278,945
Unallocated general revenue	2,422,590	-	(13,477)	2,409,113
Total revenues	37,972,189	1,127,958	2,238,845	41,338,992
Expenditures				
Current:				
General government	5,482,651	-	-	5,482,651
Public safety	19,421,463	-	386,364	19,807,827
Highways and streets	2,392,855	-	-	2,392,855
Waste, collection and disposal	1,936,153	-	-	1,936,153
Culture and recreation	2,157,094	-	-	2,157,094
Economic and community development	612,441	1,550,841	967,409	3,130,691
Unallocated general expenditures	1,441,811	-	213	1,442,024
Debt Service:				
Principal	1,435,931	-	-	1,435,931
Interest	595,093	-	-	595,093
Issuance costs	1,105	-	-	1,105
Capital outlay	-	1,721,427	125,590	1,847,017
Total expenditures	35,476,597	3,272,268	1,479,576	40,228,441
Excess (deficiency) of revenues over (under) expenditures	2,495,592	(2,144,310)	759,269	1,110,551
Other Financing Sources (Uses)				
Transfers in	299,125	1,507,114	583,727	2,389,966
Transfers out	(1,612,511)	(3,550)	(1,296,994)	(2,913,055)
Total other financing sources and uses	(1,313,386)	1,503,564	(713,267)	(523,089)
Net change in fund balances	1,182,206	(640,746)	46,002	587,462
Fund balances - beginning	8,524,763	3,497,812	5,736,147	17,758,722
Fund balances - ending	\$ 9,706,969	\$ 2,857,066	\$ 5,782,149	\$ 18,346,184

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, 2013

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

Net change in fund balances - total governmental funds	\$	587,462
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital additions exceeded depreciation in the current period.		1,169,323
The net effect of capital asset disposals is to decrease net position.		(55,550)
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.		1,479,706
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.		(70,379)
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.		(173,728)
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>(1,403,462)</u>
Change in net position of governmental activities	\$	<u><u>1,533,372</u></u>

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

**City of Hagerstown, Maryland
General Fund**

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 24,897,083	\$ 24,897,083	\$ 25,227,703	\$ 330,620
State and county shared taxes	3,203,771	3,203,771	3,385,674	181,903
Licenses and permits	1,544,450	1,544,450	1,545,344	894
Intergovernmental	175,000	187,557	241,766	54,209
Charges for services	3,341,649	3,337,649	3,326,693	(10,956)
Fines and forfeitures	699,070	828,124	1,654,158	826,034
Unallocated and other general revenue	2,618,391	2,639,204	2,590,851	(48,353)
Total revenues	36,479,414	36,637,838	37,972,189	1,334,351
Expenditures				
Current:				
General government	5,718,374	5,727,727	5,482,651	245,076
Public safety	18,817,393	18,839,469	19,421,463	(581,994)
Highways and streets	2,684,073	2,630,184	2,392,855	237,329
Waste, collection and disposal	2,003,191	2,003,191	1,936,153	67,038
Culture and recreation	2,318,125	2,309,045	2,157,094	151,951
Economic and community development	602,920	604,920	612,441	(7,521)
Unallocated general expenditures	1,190,511	1,302,542	1,441,811	(139,269)
Debt Service:				
Principal	1,436,341	1,436,341	1,435,931	410
Interest	590,406	590,406	595,093	(4,687)
Issuance Costs	-	-	1,105	(1,105)
Total expenditures	35,361,334	35,443,825	35,476,597	(32,772)
Excess (deficiency) of revenues over (under) expenditures	1,118,080	1,194,013	2,495,592	1,301,579
Other Financing Sources (Uses)				
Transfers in	256,000	287,250	299,125	11,875
Transfers out	(1,298,061)	(1,354,773)	(1,612,511)	(257,738)
Total other financing sources and (uses)	(1,042,061)	(1,067,523)	(1,313,386)	(245,863)
Net change in fund balances	76,019	126,490	1,182,206	1,055,716
Fund balances - beginning	8,524,763	8,524,763	8,524,763	-
Fund balances - ending	\$ 8,600,782	\$ 8,651,253	\$ 9,706,969	\$ 1,055,716

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

City of Hagerstown, Maryland
Statement of Fund Net Position
Proprietary Funds
June 30, 2013

	<u>Business-type Activities-Enterprise Funds</u>						Governmental Activities- Internal Service Funds
	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Parking Facilities</u>	<u>Non-Major Enterprise Funds</u>	<u>Total</u>	
Assets							
Current assets:							
Pooled cash and investments	\$ 3,806,921	\$ 4,206,029	\$ 1,732,080	\$ 396,878	\$ 859,628	\$ 11,001,536	\$ 3,974,930
Interest receivable	663	901	285	47	133	2,029	784
Accounts receivable (net of allowance for uncollectibles)	2,869,014	2,110,136	2,397,568	50,299	97,750	7,524,767	127,699
Inventories	315,958	948,013	131,280	-	5,236	1,400,487	-
Due from other agencies	-	352,281	103,380	-	36,260	491,921	-
Prepaid items	4,913	2,552	56,419	297	2,756	66,937	-
Deferred charges	586	71,778	55,809	18,091	-	146,264	-
Total current assets	<u>6,998,055</u>	<u>7,691,690</u>	<u>4,476,821</u>	<u>465,612</u>	<u>1,001,763</u>	<u>20,633,941</u>	<u>4,103,413</u>
Noncurrent assets:							
Restricted assets:							
Pooled cash and investments	-	3,198,432	-	-	-	3,198,432	96,300
Long-term receivable	576,034	87,618	13,898	-	22,000	699,550	-
Capital assets:							
Land	1,225,255	2,019,652	180,149	1,459,464	902,795	5,787,315	-
Land improvements	256,759	28,542	9,121	895,473	203,554	1,393,449	-
Buildings and structures	1,551,103	111,603,969	71,573,290	7,706,262	5,658,042	198,092,666	-
Machinery and equipment	36,841,573	17,309,745	48,497,335	369,463	404,234	103,422,350	-
Automobiles and trucks	1,278,782	1,580,171	1,763,538	36,162	28,550	4,687,203	-
Office furniture and fixtures	397,151	78,366	255,557	-	26,921	757,995	-
Construction in progress	-	1,844,695	-	-	636,011	2,480,706	-
Less accumulated depreciation	<u>(26,292,702)</u>	<u>(37,091,074)</u>	<u>(51,105,740)</u>	<u>(3,454,731)</u>	<u>(1,821,247)</u>	<u>(119,765,494)</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	<u>15,257,921</u>	<u>97,374,066</u>	<u>71,173,250</u>	<u>7,012,093</u>	<u>6,038,860</u>	<u>196,856,190</u>	<u>-</u>
Total noncurrent assets	<u>15,833,955</u>	<u>100,660,116</u>	<u>71,187,148</u>	<u>7,012,093</u>	<u>6,060,860</u>	<u>200,754,172</u>	<u>96,300</u>
Total assets	<u>22,832,010</u>	<u>108,351,806</u>	<u>75,663,969</u>	<u>7,477,705</u>	<u>7,062,623</u>	<u>221,388,113</u>	<u>4,199,713</u>

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

Business-type Activities-Enterprise Funds

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Parking Facilities</u>	<u>Non-Major Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities- Internal Service Funds</u>
Liabilities							
Current liabilities:							
Accounts and retainages payable	1,482,502	610,406	376,426	3,090	45,110	2,517,534	4,856
Compensated absences - current	188,490	249,272	210,128	5,689	8,844	662,423	-
Accrued liabilities	46,238	243,104	214,271	28,007	6,127	537,747	1,334,207
Customer deposits and rebates	1,084,163	8,768	12,495	5,473	1,100	1,111,999	-
Unearned revenue	-	103,642	-	-	(23,682)	79,960	183,089
General obligation bonds - current	22,525	1,256,379	1,498,633	143,338	-	2,920,875	-
Other liabilities - current	-	-	-	-	13,654	13,654	-
Total current liabilities	<u>2,823,918</u>	<u>2,471,571</u>	<u>2,311,953</u>	<u>185,597</u>	<u>51,153</u>	<u>7,844,192</u>	<u>1,522,152</u>
Noncurrent liabilities:							
General obligation bonds payable	212,299	22,361,759	20,176,459	1,200,943	-	43,951,460	-
Compensated absences	395,088	522,662	456,234	12,908	16,083	1,402,975	-
Other long term liabilities	-	-	-	-	98,618	98,618	-
Total noncurrent liabilities	<u>607,387</u>	<u>22,884,421</u>	<u>20,632,693</u>	<u>1,213,851</u>	<u>114,701</u>	<u>45,453,053</u>	<u>-</u>
Total liabilities	<u>3,431,305</u>	<u>25,355,992</u>	<u>22,944,646</u>	<u>1,399,448</u>	<u>165,854</u>	<u>53,297,245</u>	<u>1,522,152</u>
Net Position							
Invested in capital assets, net of related debt	15,023,097	73,755,928	49,498,158	5,667,812	6,038,860	149,983,855	-
Unrestricted	4,377,608	9,239,886	3,221,165	410,445	857,909	18,107,013	2,677,561
Total net position	<u>\$ 19,400,705</u>	<u>\$ 82,995,814</u>	<u>\$ 52,719,323</u>	<u>\$ 6,078,257</u>	<u>\$ 6,896,769</u>	<u>168,090,868</u>	<u>\$ 2,677,561</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						<u>812,544</u>	
Net position of business-type activities						<u>\$ 168,903,412</u>	

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

City of Hagerstown, Maryland
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Business-type Activities- Enterprise Funds						Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds	Total	
Operating revenues:							
Service charges	\$ 26,120,391	\$ 9,722,821	\$ 10,263,033	\$ 936,246	\$ 558,085	\$ 47,600,576	\$ 7,423,436
Other revenues	420,475	1,135,609	436,986	-	4,935	1,998,005	64,239
Total operating revenues	<u>26,540,866</u>	<u>10,858,430</u>	<u>10,700,019</u>	<u>936,246</u>	<u>563,020</u>	<u>49,598,581</u>	<u>7,487,675</u>
Operating expenses:							
Production and treatment expenses	20,942,644	3,360,289	4,885,693	-	-	29,188,626	-
Transmission, distribution, and collection expenses	2,095,508	1,598,445	1,364,832	-	-	5,058,785	-
Selling, general and administrative expenses	3,127,836	2,590,374	2,958,321	412,594	924,952	10,014,077	-
Claim and premium expenses	-	-	-	-	-	-	9,034,099
Depreciation	859,357	2,295,736	2,911,358	201,783	192,675	6,460,909	-
Total operating expenses	<u>27,025,345</u>	<u>9,844,844</u>	<u>12,120,204</u>	<u>614,377</u>	<u>1,117,627</u>	<u>50,722,397</u>	<u>9,034,099</u>
Operating income (loss)	<u>(484,479)</u>	<u>1,013,586</u>	<u>(1,420,185)</u>	<u>321,869</u>	<u>(554,607)</u>	<u>(1,123,816)</u>	<u>(1,546,424)</u>
Nonoperating revenues (expenses):							
Intergovernmental revenue	51,811	2,658	100,876	-	115,993	271,338	-
Investment earnings	149,240	9,650	3,856	597	16,850	180,193	5,303
Interest expense	(8,746)	(330,315)	(311,849)	(65,362)	-	(716,272)	-
Bond issuance cost	(72)	(33,293)	(42,542)	(3,250)	-	(79,157)	-
Gain (loss) on disposal of capital assets	(30,040)	750	(221)	-	(1,369,773)	(1,399,284)	-
Total nonoperating revenue (expenses)	<u>162,193</u>	<u>(350,550)</u>	<u>(249,880)</u>	<u>(68,015)</u>	<u>(1,236,930)</u>	<u>(1,743,182)</u>	<u>5,303</u>
Income (loss) before contributions and transfers	<u>(322,286)</u>	<u>663,036</u>	<u>(1,670,065)</u>	<u>253,854</u>	<u>(1,791,537)</u>	<u>(2,866,998)</u>	<u>(1,541,121)</u>
Capital contributions	262,168	828,503	1,184,922	-	-	2,275,593	-
Transfers in	-	-	-	-	918,089	918,089	-
Transfers out	(40,000)	(40,000)	(40,000)	-	-	(120,000)	(275,000)
Changes in net position	<u>(100,118)</u>	<u>1,451,539</u>	<u>(525,143)</u>	<u>253,854</u>	<u>(873,448)</u>	<u>206,684</u>	<u>(1,816,121)</u>
Total net position - beginning	<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>4,493,682</u>	<u>4,493,682</u>
Total net position - ending	<u>\$ 19,400,705</u>	<u>\$ 82,995,814</u>	<u>\$ 52,719,323</u>	<u>\$ 6,078,257</u>	<u>\$ 6,896,769</u>	<u>\$ 2,677,561</u>	<u>\$ 2,677,561</u>
						(687,658)	
						\$ (480,974)	

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

Change in net assets of business-type activities

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

City of Hagerstown, Maryland
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

**Business-type Activities-
Enterprise Funds**

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Parking Facilities</u>	<u>Non-Major Enterprise Funds</u>	<u>Totals</u>	<u>Governmental Activities- Internal Service Funds</u>
Cash Flows From Operating Activities							
Receipts from customers and users	\$ 26,860,397	\$ 10,734,825	\$ 10,995,663	\$ 927,833	\$ 463,895	\$ 49,982,613	\$ -
Receipts from interfund services provided	-	-	-	-	-	-	7,488,454
Payments to suppliers	(22,994,259)	(3,756,589)	(5,074,548)	(134,256)	(505,510)	(32,465,162)	(8,088,962)
Payments to employees	(3,565,892)	(4,146,605)	(4,186,727)	(289,780)	(435,944)	(12,624,948)	-
Net cash provided (used) by operating activities	<u>300,246</u>	<u>2,831,631</u>	<u>1,734,388</u>	<u>503,797</u>	<u>(477,559)</u>	<u>4,892,503</u>	<u>(600,508)</u>
Cash Flows From Noncapital Financing Activities							
Transfers from (to) other funds	(40,000)	(40,000)	(40,000)	-	918,089	798,089	(275,000)
Contributions	-	-	-	-	-	-	-
Net cash provided (used) by noncapital and related financing activities	<u>(40,000)</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>	<u>918,089</u>	<u>798,089</u>	<u>(275,000)</u>
Cash Flows From Capital And Related Financing Activities							
Proceeds from intergovernmental grant	51,811	-	-	-	141,186	192,997	-
Capital contributions	262,168	703,082	1,490,046	-	-	2,455,296	-
Acquisition and construction of capital assets	(702,926)	(3,746,075)	(2,050,450)	(19,681)	871,449	(5,647,683)	-
Proceeds from bond issuance	-	1	953,376	-	-	953,377	-
Principal paid on capital debt	(21,638)	(1,337,777)	(1,623,342)	(171,754)	-	(3,154,511)	-
Interest paid on capital debt	(8,977)	(349,655)	(329,734)	(69,869)	-	(758,235)	-
Proceeds from sale of capital assets	(30,040)	750	-	-	(1,369,773)	(1,399,063)	-
Net cash provided (used) by capital and related financing activities	<u>(449,602)</u>	<u>(4,729,674)</u>	<u>(1,560,104)</u>	<u>(261,304)</u>	<u>(357,138)</u>	<u>(7,357,822)</u>	<u>-</u>
Cash Flows From Investing Activities							
Interest and dividends received	<u>149,605</u>	<u>9,979</u>	<u>3,806</u>	<u>588</u>	<u>16,837</u>	<u>180,815</u>	<u>5,754</u>
Net cash provided by investing activities	<u>149,605</u>	<u>9,979</u>	<u>3,806</u>	<u>588</u>	<u>16,837</u>	<u>180,815</u>	<u>5,754</u>
Net increase (decrease) in pooled cash and investments	(39,751)	(1,928,064)	138,090	243,081	100,229	(1,486,415)	(869,754)
Pooled cash and investments, beginning 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>
Pooled cash and investments, end of year	<u>\$ 3,806,921</u>	<u>\$ 7,404,461</u>	<u>\$ 1,732,080</u>	<u>\$ 396,878</u>	<u>\$ 859,628</u>	<u>\$ 14,199,968</u>	<u>\$ 4,071,229</u>

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

Operating income (loss)	\$ (484,479)	\$ 1,013,586	\$ (1,420,185)	\$ 321,869	\$ (554,607)	\$ (1,123,816)	\$ (1,546,424)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense	859,357	2,295,736	2,911,358	201,783	192,675	6,460,909	-
Net effect of changes in assets and liabilities							
Accounts receivable	347,120	(36,546)	281,750	(8,733)	(55,306)	528,285	779
Inventories	(7,117)	(367,251)	16,352	-	504	(357,512)	-
Prepaid items	1,758	3,271	15,709	1,144	(1,400)	20,482	139,370
Deferred charges	-	(28,240)	(38,581)	(388)	-	(67,209)	-
Long-term Accounts receivable	-	(76,540)	5,599	-	(22,000)	(92,941)	-
Accounts and retainages payable	(409,528)	5,668	81,846	(12,687)	(115,404)	(450,105)	(13,270)
Compensated absences payable	14,193	56,056	(62,357)	182	(12,129)	(4,055)	-
Accrued liabilities	6,527	(23,590)	(65,398)	308	(347)	(82,500)	819,037
Customer deposits and rebates	7,018	(12,661)	8,295	319	-	2,971	-
Other liabilities-current	-	-	-	-	13,654	13,654	-
Due from other agencies	-	-	-	-	2,334	2,334	-
Unearned revenue	(34,603)	2,142	-	-	(24,151)	(56,612)	-
Other long-term liabilities	-	-	-	-	98,618	98,618	-
Total adjustments	<u>784,725</u>	<u>1,818,045</u>	<u>3,154,573</u>	<u>181,928</u>	<u>77,048</u>	<u>6,016,319</u>	<u>945,916</u>
Net cash provided (used) by operating activities	\$ <u>300,246</u>	\$ <u>2,831,631</u>	\$ <u>1,734,388</u>	\$ <u>503,797</u>	\$ <u>(477,559)</u>	\$ <u>4,892,503</u>	\$ <u>(600,508)</u>

Reconciliation of pooled cash and investments to the balance sheet

Pooled cash and investments	\$ 3,806,921	\$ 4,206,029	\$ 1,732,080	\$ 396,878	\$ 859,628	\$ 11,001,536	\$ 3,974,929
Restricted pooled cash and investments	-	3,198,432	-	-	-	3,198,432	96,300
Totals	\$ <u>3,806,921</u>	\$ <u>7,404,461</u>	\$ <u>1,732,080</u>	\$ <u>396,878</u>	\$ <u>859,628</u>	\$ <u>14,199,968</u>	\$ <u>4,071,229</u>

Noncash investing, capital, and financing activities:

Transfer of capital asset (to)/ from Governmental Fund	-	-	-	-	-	-	-
--	---	---	---	---	---	---	---

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

City of Hagerstown, Maryland
Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2013

	<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	\$ 1,061,113	\$ 197,365	\$ 1,258,478
Government and Agency Issues	1,373,884	-	1,373,884
Corporate Debt Issues	2,765,071	-	2,765,071
Common Stock	4,102,849	899,348	5,002,197
Mutual Funds	<u>7,422,983</u>	<u>3,227,456</u>	<u>10,650,439</u>
Total investments	16,725,900	4,324,169	21,050,069
Interest Receivable	<u>36,773</u>	<u>4,130</u>	<u>40,903</u>
Total assets	<u>16,762,673</u>	<u>4,328,299</u>	<u>21,090,972</u>
Liabilities			
Current liabilities:			
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net Position			
Held in trust for pension benefits	\$ <u><u>16,762,673</u></u>	\$ <u><u>4,328,299</u></u>	\$ <u><u>21,090,972</u></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 Position
Pension Trust Funds
For the Year Ended June 30, 2013

	Pension Trust Fund	Other Post Employment Benefits (OPEB) Trust Fund	Total Trust Funds
Additions			
Contributions:			
Employer	\$ 965,733	\$ 650,000	\$ 1,615,733
Plan members	598,799	-	598,799
Total contributions	<u>1,564,532</u>	<u>650,000</u>	<u>2,214,532</u>
Investment earnings:			
Interest and dividends	408,714	79,107	487,821
Net increase (decrease) in the fair value of investments	1,420,307	306,891	1,727,198
Other revenues	8,174	-	8,174
Total investment earnings	<u>1,837,195</u>	<u>385,998</u>	<u>2,223,193</u>
Less investment expense	55,056	11,520	66,576
Net investment earnings	<u>1,782,139</u>	<u>374,478</u>	<u>2,156,617</u>
Total additions	<u>3,346,671</u>	<u>1,024,478</u>	<u>4,371,149</u>
Deductions			
Benefits	1,876,938	-	1,876,938
Administrative expenses	32,446	-	32,446
Actuarial fees	17,791	-	17,791
Total deductions	<u>1,927,175</u>	<u>-</u>	<u>1,927,175</u>
Change in net position	1,419,496	1,024,478	2,443,974
Net position - beginning	15,343,177	3,303,821	18,646,998
Net position - ending	<u>\$ 16,762,673</u>	<u>\$ 4,328,299</u>	<u>\$ 21,090,972</u>

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

City of Hagerstown
Notes to the Financial Statements
June 30, 2013

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 position and the statement of changes in net position) 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.

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 6/30/2013 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, prepaid items, and most long-term receivables 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 \$2,219,648 in the water fund are classified as restricted assets on the statement of net position 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, 2013, \$26,403 was restricted for single family loans and \$7,585 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. In addition as part of the City's dental health insurance program, \$31,300 is restricted in the Dental Insurance Internal Service Fund. This restriction is a pre-funding equivalent to one month's worth of funding for claims associated with the the City's dental insurance program with United Concordia.

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 Position

The difference between fund assets and liabilities is *Net Position* on the government-wide and fiduciary fund statements. Net Position is 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 position *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, 2013, net position *Invested in Capital Assets, Net of Related Debt* excludes unspent debt proceeds of \$43,775 for governmental activities; and, the business-type activities had no unspent bond proceeds.

Net position is reported as restricted when there are limitations imposed on its 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 position is available, the government will first apply restricted resources.

E. GASB Statements

The GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements*, in December 2010, effective for financial statement periods beginning after December 15, 2011. In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, and Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, effective for periods beginning after December 15, 2011 and June 15, 2012, respectively. In addition, in June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for periods beginning after December 15, 2011. The City of Hagerstown has implemented the above GASB statements, and they have no material effect on the financial position of the City of Hagerstown.

I. Summary of significant accounting policies (continued)

E. GASB Statements (continued)

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, effective for periods beginning after December 15, 2012. In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, and Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, effective for periods beginning after June 15, 2013, and 2014, respectively. In January 2013, GASB issued Statement No. 69, *Government Combination and Disposals of Government Operations*, effective for periods beginning after December 15, 2013. In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Non-exchange Guarantees*, effective for periods beginning after June 15, 2013. The City of Hagerstown will implement these statements as of their effective dates. While the City of Hagerstown is still in the process of determining the effect of implementing these GASB statements, it is expected that Statement No. 68 will have a material effect on the financial position of the City of Hagerstown.

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 position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$21,069,726 difference are as follows:

Bonds payable	\$ 16,013,063
Accrued interest payable	250,287
Deferred charges	(60,910)
Compensated absences	<u>4,867,286</u>
Net adjustment to reduce <i>fund balance -- total governmental funds</i> to arrive at <i>net position -- governmental activities</i>	 <u>\$ 21,069,726</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 position 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 \$1,169,323 difference are as follows:

Capital outlay	\$ 1,847,017
Contributed assets	3,068,985
Depreciation expense	<u>(3,746,679)</u>
Net adjustment to increase <i>net changes in fund balances -- total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	 <u>\$ 1,169,323</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 (\$173,728) difference are as follows:

Compensated absences	\$ (33,863)
Accrued interest	10,070
Deferred revenue	<u>(149,935)</u>
Net adjustment to decrease <i>net changes in fund balances -- total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (173,728)</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, 2013, expenditures/expenses exceeded revenues by \$640,746 in the Capital Projects Fund, \$469,139 in the Community Development Block Grant Fund, \$10,919 in the Flexible Spending Fund, \$62,433 in the Grant Revenue Fund, \$124,623 in the Upper Floors Redevelopment Fund, \$346,272 in the Worker's Compensation Fund, \$1,445,419 in the Health Insurance Fund, \$24,430 in the Dental Insurance Fund, \$100,118 in the Electric Fund, \$525,143 in the Wastewater Fund, and \$874,257 in the Property Management Fund. These excess expenditures/expenses were funded by beginning of the year fund balance in the respective funds.

C. Total Net Position

As of June 30, 2013, \$2,857,066 is restricted for the Capital Project Fund for projects which contain specific grants or contributions.

As of June 30, 2013, \$5,782,149 is restricted for Special Revenue Funds. This total consists of \$2,814,918 for the Community Development Block Grant Fund, \$908,786 for the Economic Redevelopment Fund, \$11,645 for the Flexible Spending Fund, \$1,035,638 for the Business Revolving Loan Fund, \$808,303 for the Excise Tax Fund, \$8,322 for the Grant Revenue Fund, and \$176,537 for the Upper Floors Redevelopment Fund.

IV. Detailed notes on all funds

A. Deposits and investments

At June 30, 2013, the carrying amount of the City's interest and non-interest bearing deposits (including long term certificates of deposits, which are classified as investments) were \$21,269,483 and the bank balances were \$22,167,110. 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 \$9,685,593 was secured by federal depository insurance and \$12,481,518 was collateralized by securities held by the bank's agent in the City's name.

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 Position 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, 2013 the City had \$11,023,183 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		\$ 1,061,113	\$ 1,061,113	\$ -	\$ -	\$ -
CitiBank NA	AAA	-	-	-	-	-
Federal Home Loan Mortgage Corp	AAA/NR	180,192	35,624	89,559	14,123	40,886
Federal National Mortgage Assn	NR	841,330	-	50,485	-	790,845
Government National Mortgage Assoc	NR	104,926	-	-	-	104,926
U S Treasury Notes	AAA	1,638,623	-	1,289,088	106,896	242,639
Various Agencies	BA1	9,500	-	-	-	9,500
Various Agencies	A1	131,873	-	16,985	81,202	33,686
Various Agencies	A2	150,321	-	43,277	78,594	28,450
Various Agencies	A3	192,349	-	67,499	77,069	47,781
Various Agencies	AA1	68,012	-	24,271	43,741	-
Various Agencies	AA2	75,106	-	31,039	20,990	23,077
Various Agencies	AA3	41,727	-	-	21,973	19,754
Various Agencies	AAA	122,377	-	19,513	-	102,864
Various Agencies	BAA1	136,252	-	10,607	94,384	31,261
Various Agencies	BAA2	356,246	-	100,786	222,305	33,155
Various Agencies	BAA3	90,121	-	26,373	51,262	12,486
High Yield Funds		45,280		45,280	-	-
Common Stock		4,102,849	4,102,849	-	-	-
Mutual Funds		7,377,703	7,377,703	-	-	-
Total Investments Held by Trustee of Pension Plan		<u>\$ 16,725,900</u>	<u>\$ 12,577,289</u>	<u>\$ 1,814,762</u>	<u>\$ 812,539</u>	<u>\$ 1,521,310</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		\$ 197,365	\$ 197,365	\$ -	\$ -	\$ -
Common Stock		899,348	899,348	-	-	-
Mutual Funds		3,227,456	3,227,456	-	-	-
Total Investments Held by Trustee of OPEB Plan		<u>\$ 4,324,169</u>	<u>\$ 4,324,169</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 14% 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 15% 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	\$ 879,929	\$ -	\$ -	\$ -	\$ 879,929
Intergovernmental	775,531	378,772	-	652,330	1,806,633
Customers	1,768,871	215,891	127,700	51,701	2,164,163
Loans	75,915	91,499	-	3,329,045	3,496,459
Interest	2,316	509	783	322	3,930
Employee	(3,973)	-	-	-	(3,973)
Gross receivables	<u>3,498,589</u>	<u>686,671</u>	<u>128,483</u>	<u>4,033,398</u>	<u>8,347,141</u>
Less: allowance for uncollectibles	(1,127,730)	(245,223)	-	(382,922)	(1,755,875)
Net total receivables	<u>\$ 2,370,859</u>	<u>\$ 441,448</u>	<u>\$ 128,483</u>	<u>\$ 3,650,476</u>	<u>\$ 6,591,266</u>

Business-Type Activities:

	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds	Business- Type Activities
Receivables:						
Intergovernmental	\$ -	\$ 352,281	\$ 103,380	\$ -	\$ 36,260	\$ 491,921
Customers	5,917,950	2,237,003	2,617,465	195,081	97,750	11,065,249
Loans	2,134,897	87,618	13,898	-	597,730	2,834,143
Interest	663	901	285	47	133	2,029
Gross receivables	<u>8,053,510</u>	<u>2,677,803</u>	<u>2,735,028</u>	<u>195,128</u>	<u>731,873</u>	<u>14,393,342</u>
Less: allowance for uncollectibles	(4,607,799)	(126,867)	(219,897)	(144,782)	(575,730)	(5,675,075)
Net total receivables	<u>\$ 3,445,711</u>	<u>\$ 2,550,936</u>	<u>\$ 2,515,131</u>	<u>\$ 50,346</u>	<u>\$ 156,143</u>	<u>\$ 8,718,267</u>

IV. Detailed notes on all funds (continued)

B. Receivables (continued)

City Totals:

	Governmental Activities	Business-Type Activities	Total
Receivables:			
Taxes	\$ 879,929	\$ -	\$ 879,929
Intergovernmental	1,806,633	491,921	2,298,554
Customers	2,164,163	11,065,249	13,229,412
Loans	3,496,459	2,834,143	6,330,602
Interest	3,930	2,029	5,959
Employee	(3,973)	-	(3,973)
Gross receivables	<u>8,347,141</u>	<u>14,393,342</u>	<u>22,740,483</u>
Less: allowance for uncollectibles	<u>(1,755,875)</u>	<u>(5,675,075)</u>	<u>(7,430,950)</u>
Net total receivables	<u>\$ 6,591,266</u>	<u>\$ 8,718,267</u>	<u>\$ 15,309,533</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	\$ 306,202	\$ -	\$ 306,202
Other deferred revenues	57,693	78,849	136,542
Total deferred/unearned revenue for governmental funds	<u>\$ 363,895</u>	<u>\$ 78,849</u>	<u>\$ 442,744</u>

IV. Detailed notes on all funds (continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 4,805,746	\$ 2,027,130	\$ -	\$ -	\$ 6,832,876
Construction in progress	260,020	652,330	-	(213,526)	698,824
Total capital assets, not being depreciated	<u>5,065,766</u>	<u>2,679,460</u>	<u>-</u>	<u>(213,526)</u>	<u>7,531,700</u>
Capital assets, being depreciated:					
Land improvements	4,469,219	1,125,629	-	159,976	5,754,824
Buildings and structures	15,292,476	198,730	-	-	15,491,206
Machinery and equipment	5,110,374	251,798	-	-	5,362,171
Automobiles and trucks	7,220,311	350,932	(123,928)	-	7,447,315
Office furniture and fixtures	4,255,404	-	(2,000)	-	4,253,404
Infrastructure	94,186,628	309,227	-	-	94,495,856
Total capital assets being depreciated	<u>130,534,412</u>	<u>2,236,316</u>	<u>(125,928)</u>	<u>159,976</u>	<u>132,804,776</u>
Less accumulated depreciation for:					
Land improvements	(612,114)	(136,667)	-	-	(748,781)
Buildings and structures	(8,164,257)	(348,902)	-	-	(8,513,159)
Machinery and equipment	(2,932,092)	(471,399)	-	-	(3,403,491)
Automobiles and trucks	(5,673,911)	(427,304)	123,928	-	(5,977,286)
Office furniture and fixtures	(2,661,469)	(324,416)	-	-	(2,985,885)
Infrastructure	(38,039,273)	(2,037,993)	-	-	(40,077,265)
Total accumulated depreciation	<u>(58,083,116)</u>	<u>(3,746,679)</u>	<u>123,928</u>	<u>-</u>	<u>(61,705,867)</u>
Total capital assets, being depreciated, net	<u>72,451,296</u>	<u>(1,510,363)</u>	<u>(2,000)</u>	<u>159,976</u>	<u>71,098,909</u>
Governmental activities capital assets, net	<u>\$ 77,517,062</u>	<u>\$ 1,169,097</u>	<u>\$ (2,000)</u>	<u>\$ (53,550)</u>	<u>\$ 78,630,609</u>

IV. Detailed notes on all funds (continued)

C. Capital Assets (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 6,471,315	\$ -	\$ (684,000)	\$ -	\$ 5,787,315
Construction in progress	3,036,644	1,435,017	-	(1,990,956)	2,480,705
Total capital assets, not being depreciated	<u>9,507,959</u>	<u>1,435,017</u>	<u>(684,000)</u>	<u>(1,990,956)</u>	<u>8,268,020</u>
Capital assets, being depreciated:					
Land improvements	1,434,704	-	(41,255)	-	1,393,449
Buildings and structures	194,610,089	3,030,459	(1,367,612)	1,819,730	198,092,666
Machinery and equipment	100,416,233	2,984,986	(150,096)	171,226	103,422,349
Automobiles and trucks	4,622,704	288,779	(224,280)	-	4,687,203
Office furniture and fixtures	763,472	(5,477)	-	-	757,995
Total capital assets being depreciated	<u>301,847,202</u>	<u>6,298,747</u>	<u>(1,783,243)</u>	<u>1,990,956</u>	<u>308,353,662</u>
Less accumulated depreciation for:					
Land improvements	(934,987)	(42,246)	36,146	-	(941,087)
Buildings and structures	(56,857,032)	(3,658,086)	52,210	-	(60,462,908)
Machinery and equipment	(51,391,908)	(2,599,338)	52,622	-	(53,938,624)
Automobiles and trucks	(3,761,000)	(156,022)	224,162	-	(3,692,860)
Office furniture and fixtures	(726,688)	(5,217)	1,889	-	(730,016)
Total accumulated depreciation	<u>(113,671,615)</u>	<u>(6,460,909)</u>	<u>367,029</u>	<u>-</u>	<u>(119,765,495)</u>
Total capital assets, being depreciated, net	<u>188,175,587</u>	<u>(162,162)</u>	<u>(1,416,214)</u>	<u>1,990,956</u>	<u>188,588,167</u>
Business-type activities capital assets, net	<u>\$ 197,683,546</u>	<u>\$ 1,272,855</u>	<u>\$ (2,100,214)</u>	<u>\$ -</u>	<u>\$ 196,856,187</u>

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

Governmental activities:	
General government, including general infrastructure assets	\$ 2,348,825
Public safety	610,534
Highways and streets	302,520
Culture and recreation	447,832
Municipal buildings	36,968
Total depreciation expense – governmental activities	<u>\$ 3,746,679</u>

IV. Detailed notes on all funds (continued)

C. Capital Assets (continued)

Business-type activities:		
Electric	\$	859,357
Water		2,295,736
Wastewater		2,911,358
Parking facilities		201,783
Golf course		29,839
Property management		162,836
Total depreciation expense – business-type activities	\$	<u>6,460,909</u>

Construction commitments

The government has active construction projects as of June 30, 2013. The projects include improvements and construction of road and bridge improvements, new parks and existing park improvements, water treatment plant and system, and building improvements. At year end, the government’s commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Fire Dept Vehicle Replacement	\$ 224,994	\$ 221,715
Market House Improvements	1,775	120,955
Alley Reconstruction	85,664	4,325
Storm Drain Bridge Repair	212,707	2,128,450
Curb and Sidewalk Replacement Program	26,404	23,041
Bicycle Trail	18,069	98,419
University Plaza Amenities	19,986	14,057
Frederick Street Culvert	37,451	329,237
Pangborn Lake Reconstruction	53,550	11,170
Dog Park	18,224	29,627
Willson Treatment Plant Improv	6,600	69,391
R.C.Willson Plant - Phase IV	1,732,139	1,586,612
Water SCADA System	105,956	1,205,000
36-40 North Potomac Bldg Renovations	636,011	110,000
Total	\$ 3,179,529	\$ 5,951,999

The funding sources for the projects above vary. The Fire Department Vehicle Replacement is being funded from the City’s fund balance surplus. The Market House Improvements is being funded through bond proceeds. The major bridge repair work is being financed in partnership with the state contributing 80% and the remaining balance

IV. Detailed notes on all funds (continued)

C. Capital Assets (continued)

from the City's Excise Tax fund. The Frederick Street Culvert project is being funded through the City's Excise fund and state grants. 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 Water SCADA System is being financed through bond proceeds. The building renovations to 36-40 N Potomac are being funded through CDBG funding and grants. All of the remaining projects (Alley Reconstruction, Curb and Sidewalk Replacement, Bicycle Trail, University Plaza Amenities, Dog Park, and Willson Treatment Plant Improvements) are being funded through state grants, general fund, water fund and other various funding sources.

IV. Detailed notes on all funds (continued)

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2013, is as follows:

Advances from/to other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Community Development Block Grant Fund	\$ 191,000
General Fund	Flexible Spending Trust	1,000
General Fund	Grant Revenue Fund	305,000

These temporary advances represent funds that were expended prior to their receipt from other funds or other governments. These funds are expected to be received shortly after the beginning of July 2013. 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	\$ -	\$ 24,125	\$ -	\$ -	\$ -	\$ -	\$ 275,000	\$ -	\$ 299,125
Capital Projects	1,102,759	284,356	40,000	40,000	40,000	-	-	-	1,507,115
Nonmajor									
Governmental	237,752	345,975	-	-	-	-	-	-	583,727
Parking	-	-	-	-	-	-	-	-	-
Nonmajor									
Enterprise	272,000	642,539	-	-	-	-	-	3,550	918,089
Transfers in	\$ 1,612,511	\$ 1,296,995	\$ 40,000	\$ 40,000	\$ 40,000	\$ -	\$ 275,000	\$ 3,550	\$ 3,308,056

The \$299,125 transferred in to the General Fund has four separate components: (1) a \$4,250 transfer from the Community Development Block Grant Fund for park/playground youth programs, (2) a \$19,875 transfer from Economic Development for community betterment, (3) a \$250,000 transfer from Workers Compensation Fund to offset the increased cost of public safety workers compensation, and (4) a \$25,000 transfer from the Health Insurance Fund.

Transfers to the Capital Projects Fund from the General Fund (\$1,102,759), Nonmajor Governmental Funds (\$284,356), Electric Fund (\$40,000), Water Fund (\$40,000), and Wastewater Fund (\$40,000) 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.

IV. Detailed notes on all funds (continued)

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

The \$237,752 transfer from the General Fund to the Nonmajor Governmental Funds has two separate components: (1) a \$200,000 transfer to the Economic Redevelopment Fund for community betterment projects and (2) a \$37,752 transfer to the Grant Revenue Fund for local match requirements. The \$345,975 has two separate components: (1) a \$220,975 transfer between Nonmajor Governmental Funds represents a transfer to the Economic Redevelopment Fund for downtown community betterment and redevelopment, and (2) a \$125,000 transfer between Nonmajor Governmental Funds represent a transfer to Business Revolving Loan.

The \$3,550 transfer from the Capital Projects Fund to the Golf Fund represents funding to pay for a portion of a vehicle.

The \$272,000 transfer from the General Fund to the Nonmajor Enterprise Funds represents operating transfers to the Golf Course Fund. Transfer from the Nonmajor Governmental Funds to the Nonmajor Enterprise Funds of \$642,539 is 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 \$29,672 in FY2013. Future minimum lease payments for these leases are as follows:

	Fiscal Years Ending June 30,						Total
	2014	2015	2016	2017	2018	Thereafter	
Totals	\$ 104,521	\$ 104,521	\$ 57,240	\$ 12,182	\$ 8,122	\$ -	\$ 286,587

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, 2013 was \$592,236. Future minimum rental income for these leases is as follows:

	Fiscal Years Ending June 30,						Total
	2014	2015	2016	2017	2018	Thereafter	
Totals	\$ 530,510	\$ 437,978	\$ 341,601	\$ 326,111	\$ 170,980	\$ 1,714,144	\$ 3,501,525

As of June 30, 2013, 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 Cost (Not Being Depreciated)	Building Cost	Accumulated Depreciation	Net	
Totals	\$ 1,013,783	\$ 4,500,205	\$ 1,509,815	\$ 2,990,390	\$ 4,004,173

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		Governmental	Business-Type	Total
	Rates	Maturity	Activities	Activities	
1998 MD Water Quality Revolving Loan Fund	3.13%	2019	-	470,368	470,368
1998 Public Improvement Bonds	4.31%	2013	80,000	-	80,000
1998 MD Water Quality Revolving Loan Fund	2.37%	2020	-	2,683,580	2,683,580
2000 MD Water Quality Revolving Loan Fund	2.40%	2021	-	952,318	952,318
2002 The Columbia Bank	1.92%	2013	-	2,912	2,912
2002 Washington County MWQ Refunding	5.25%	2015	-	56,407	56,407
2002 State of Maryland Water Supply Assistance	4.40%	2024	-	161,424	161,424
2004 Public Facilities Bonds	3.40%-4.30%	2019	745,000	-	745,000
2004 Taxable Facilities	5.40%-6.00%	2019	-	790,000	790,000
2004 Public Facilities Bonds, Second Issue	3.36%	2020	2,018,750	106,250	2,125,000
2005 MD Water Quality Revolving Loan Fund	0.40%	2025	-	4,527,560	4,527,560
2006 Public Facilities Bonds	3.66%	2021	4,976,238	1,643,762	6,620,000
2007 MD Drinking Water Revolving Loan Fund	0.40%	2026	-	4,212,277	4,212,277
2009-A Tax Exempt Bonds	2.00%-4.00%	2019	2,516,742	2,823,258	5,340,000
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	-	4,799,274	4,799,274
2009 MDE Water Quality Bond	0.00%	2032	-	761,648	761,648
2009 MDE RCWillson Mains	0.00%	2041	-	4,292,493	4,292,493
2009 MD Water Quality Revolving Loan Fund	0.00%	2030	-	6,029,586	6,029,586
2009 Salem Ave. Collection System Rehabilitation	0.00%	2030	-	651,816	651,816
2011 Public Facilities Bonds	2.00%-3.50%	2031	-	5,765,000	5,765,000
2012 United Bank Loan	4.00%-WSPR	2022	537,627	-	537,627
2013A MDE Willson Plant Phase IV	0.90%	2044	-	192,814	192,814
2013B MDE Willson Plant Phase IV	0.00%	2044	-	31,389	31,389
Total general obligation bonds payable			15,947,902	46,645,591	62,593,493
Premiums on bond issues			65,162	210,380	275,542
Total general obligation debt outstanding			\$ 16,013,064	\$ 46,855,971	\$ 62,869,035

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
2014	\$ 1,281,602	\$ 640,880	\$ 2,919,869	\$ 798,682
2015	1,242,727	597,242	2,958,542	748,652
2016	1,282,613	552,062	3,204,436	789,733
2017	1,334,785	508,040	3,037,935	652,289
2018	1,394,118	462,117	3,103,864	599,937
2019-2023	5,667,578	1,561,993	13,800,677	2,211,478
2024-2028	2,566,230	713,121	10,064,774	1,095,991
2029-2033	1,178,249	68,427	5,400,477	124,613
2034-2038	-	-	1,734,187	-
2039-2043	-	-	420,830	-
2044-2048	-	-	-	-
Total	15,947,902	4,463,002	46,645,591	7,021,375
Premiums on bond issues	65,162	-	210,380	-
Total general obligation debt	\$ 16,013,064	\$ 4,463,002	\$ 46,855,971	\$ 7,021,375

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, 2013, \$16,362 of revenue bonds was outstanding:

Description	Interest	Maturity	Business-type
	Rate		Activities
1993 M.C.C.B. water supply assistance loan	5.36%	2025	\$ 16,362

Revenue bond debt service requirements to maturity are as follows:

Year Ended June 30	Business-type Activities	
	Principal	Interest
2014	\$ 1,006	\$ 850
2015	1,061	795
2016	1,118	736
2017	1,177	675
2018	1,241	610
2019-2023	7,274	1,950
2024-2028	3,485	189
Total	\$ 16,362	\$ 5,805

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	\$ 17,383,832	-	(1,435,931)	15,947,901	1,281,602
Premium	75,733		(10,571)	65,162	-
Total long-term debt	<u>17,459,565</u>	<u>-</u>	<u>(1,446,501)</u>	<u>16,013,064</u>	<u>1,281,602</u>
Compensated absences	4,833,423	5,126,247	(5,092,384)	4,867,286	1,647,546
Governmental activity					
Long-term liabilities	<u>\$ 22,292,988</u>	<u>\$ 5,126,247</u>	<u>\$ (6,538,885)</u>	<u>\$ 20,880,350</u>	<u>\$ 2,929,148</u>
Business-type activities:					
Bonds payable:					
General obligation					
Bonds	\$ 48,656,308	\$ 1,142,838	\$ (3,153,555)	\$ 46,645,591	\$ 2,919,868
Revenue bonds	17,318		(956)	16,362	1,007
Premium	230,692		(20,312)	210,380	-
Total long-term debt	<u>48,904,318</u>	<u>1,142,838</u>	<u>(3,174,822)</u>	<u>46,872,334</u>	<u>2,920,875</u>
Compensated absences	2,069,453	2,047,037	(2,051,092)	2,065,398	662,423
Business-type activities					
Long-term liabilities	<u>\$ 50,973,771</u>	<u>\$ 3,189,875</u>	<u>\$ (5,225,914)</u>	<u>\$ 48,937,732</u>	<u>\$ 3,583,298</u>

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

V. Other information

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. These risks are accounted for in individual government funds. For these risks, the government is only liable to the extent of its deductibles which can range from \$500 to \$10,000. These liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. No claims related costs exceeded insurance coverage for 2013, 2012 and 2011.

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 \$225,000 of individual medical claims.

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 \$42,500 in general liability risk claims, \$0 in workers compensation claims, and \$1,334,207 in health and dental insurance.

	General Liability Risks Program		Workers Compensation Fund		Health Insurance Fund	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
Unpaid claims, beginning of year	\$ 20,000	\$ 208,500	\$ -	\$ 29,447	\$ 515,170	\$ 517,331
Incurred claims	39,184	23,780	-	2,014	6,760,043	5,203,538
Reserve reduction	22,500	(183,500)	-	-	-	-
Claim payments	(39,184)	(28,780)	-	(31,461)	(5,941,006)	(5,205,699)
Unpaid claims, end of year	\$ 42,500	\$ 20,000	\$ -	\$ -	\$ 1,334,207	\$ 515,170

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, 2013. 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 2013, 223 retirees and their 186 dependents were eligible for hospitalization and dental benefits. For fiscal year 2013, total claims paid for retiree health and dental care benefits were approximately \$1,497,500 which were paid by the City.

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, 36 retirees and 19 dependents are provided the \$400 monthly stipend to aid in acquiring a Medicare supplemental health insurance plan. No drug benefits are provided under the Medicare supplemental health insurance plan after June 30, 2010.

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

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

Funding policy. The City is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The ARC consisted of the normal cost of \$796,834 for the year ended June 30, 2013 for current health and dental care benefit premiums. An additional \$1,564,983 has been designated for future benefits for a total ARC of \$2,361,817. The current ARC rate is 9.28% of annual covered payroll. The City contributed \$2,476,167 to the plan, including \$1,826,167 in current premiums and other pay as you go costs (74.0% of total premiums) and an additional \$650,000 to prefund benefits for the fiscal year 2014. 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)

\$267,985, or approximately 14% of the total premiums, through their required contribution. As of June 30, 2013, the plan's net assets were \$4,238,299.

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)	\$	2,361,817
Interest on net OPEB obligation		(19,889)
Adjustment to ARC		12,670
Annual OPEB cost (expense)		<u>2,354,598</u>
Contributions made		<u>(2,476,167)</u>
Increase in net OPEB obligation		(121,569)
Net OPEB obligation, beginning of year		<u>(265,183)</u>
Net OPEB obligation, end of year	\$	<u>(386,753)</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for the past three years with the exception of 2012 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
06/30/2010	\$ 2,517,704	103.2%	\$ (430,504)
06/30/2011	2,487,101	92.9%	(265,183)
06/30/2013	2,354,598	105.2%	(386,753)

Funded status and funding progress. The funded status of the plan as of July 1, 2012, was as follows:

Actuarial accrued liability (AAL)	\$	33,980,678
Actuarial value of plan assets		<u>3,306,319</u>
Unfunded actuarial accrued liability (UAAL)	\$	<u>30,674,359</u>
Funded ratio (actual value of plan assets/AAL)		9.73%
Covered payroll (annual payroll of active employees covered by the plan)	\$	25,461,696
UAAL as a percentage of covered payroll		120.47%

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, 2012, the date of the most recent actuarial valuation:

Active	167
Retired or disabled	64
Vested terminations or inactive	<u>7</u>
Total	<u>238</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, 2012 actuarial valuation, sworn employees contribute 7% of their base pay and the current actuarially determined rate the government is required to contribute is 12.20% for fiscal year 2012/2013. As of June 30, 2013, the plan's net position was \$16,762,673.

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>
2012/13	\$ 965,733
2011/12	1,021,437
2010/11	1,216,190
2009/10	1,116,465
2008/09	1,038,557
2007/08	981,834

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, 2012, was as follows:

Actuarial accrued liability (AAL)	\$ 41,361,999
Actuarial value of plan assets	18,411,814
Unfunded actuarial accrued liability (UAAL)	<u>\$ 22,950,185</u>
Funded ratio (actual value of plan assets/AAL)	44.51%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 8,764,142
UAAL as a percentage of covered payroll	261.86%

Actuarial methods and assumptions. The annual required contribution for the current year was determined as part of the July 1, 2012 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, and 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 2013, 2012, and 2011 were \$322,356, \$307,006, and \$292,387 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>
2013	\$ 1,266,438	\$ 1,266,438	100%
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%

Required Supplementary Information
(Unaudited)

The City of Hagerstown Police and Fire Employees' Retirement Plan

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets (a.)	Actuarial Accrued Liability (AAL) (b.)	Total Unfunded AAL (UAAL) (b. - a.)	Funded Ratio (a./b.)	Annual Covered Payroll (c.)	UAAL as a % Of Covered Payroll [(b.-a.)/c.]
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%
7/1/2012	18,411,814	41,361,999	22,950,185	44.51%	8,764,142	261.9%

Schedule of Employer Contributions

Fiscal Year Ending June 30	Annual Required Contribution	Percentage of ARC Contributed	Net OPEB Obligation
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%	-
2013	1,266,438	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 Unfunded AAL (UAAL) (b. - a.)	Funded Ratio (a./b.)	Annual Covered Payroll (c.)	UAAL as a % Of Covered Payroll [(b.-a.)/c.]
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%
7/1/2012	3,306,319	33,980,678	30,674,359	9.73%	25,461,696	120.5%

Schedule of Employer Contributions

Fiscal Year Ending June 30	Annual Required Contribution	Percentage of ARC Contributed	Net OPEB Obligation
2009	\$ 3,225,000	104.1%	\$ (131,000)
2010	2,517,704	103.2%	(430,504)
2011	2,487,101	92.9%	(265,183)
2013	2,361,817	104.8%	(386,753)

City of Hagerstown, Maryland
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		2013 Actual	Variance with Final Budget - Positive (Negative)	2012 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues and Transfers						
General Property Taxes:						
Current year's levy	\$ 22,144,000	\$ 22,144,000	\$ 22,215,400	\$ 71,400	\$ 21,386,209	\$ 829,191
Prior year's levy - net	(140,000)	(140,000)	149,841	289,841	(71,602)	221,443
Payments in lieu of taxes	2,701,083	2,701,083	2,716,255	15,172	2,706,134	10,121
Interest on delinquent taxes	222,000	222,000	169,794	(52,206)	84,426	85,368
	<u>24,927,083</u>	<u>24,927,083</u>	<u>25,251,290</u>	<u>324,207</u>	<u>24,105,167</u>	<u>1,146,123</u>
Less discounts allowed	(30,000)	(30,000)	(23,587)	6,413	(27,470)	3,883
Total General Property Taxes	<u>24,897,083</u>	<u>24,897,083</u>	<u>25,227,703</u>	<u>330,620</u>	<u>24,077,697</u>	<u>1,150,006</u>
State and County Shared Taxes:						
Income tax	2,173,040	2,173,040	2,305,374	132,334	2,271,796	33,578
Admission	150,000	150,000	206,234	56,234	202,180	4,054
Enterprise zone tax credits	133,000	133,000	101,850	(31,150)	110,756	(8,906)
Police protection	516,752	516,752	516,752	-	516,752	-
State aid for fire service	53,265	53,265	55,352	2,087	53,450	1,902
State highway user revenue	-	-	-	-	79,493	(79,493)
Financial corporations	34,214	34,214	34,214	-	34,214	-
Hotel/motel room tax	143,500	143,500	165,898	22,398	164,257	1,641
Total State and County Shared Taxes	<u>3,203,771</u>	<u>3,203,771</u>	<u>3,385,674</u>	<u>181,903</u>	<u>3,432,898</u>	<u>(47,224)</u>
Licenses and Permits:						
Residential rental licenses	415,000	415,000	416,900	1,900	383,251	33,649
Cable television franchise	380,000	380,000	408,377	28,377	392,415	15,962
Traders	102,000	102,000	135,606	33,606	75,146	60,460
Building permits	125,000	125,000	104,973	(20,027)	186,631	(81,658)
Electrical permits	110,000	110,000	95,364	(14,636)	98,223	(2,859)
Distilled spirits	7,600	7,600	7,084	(516)	17,911	(10,827)
Plumbing permits	65,000	65,000	68,877	3,877	57,354	11,523
Other	339,850	339,850	308,163	(31,687)	512,859	(204,696)
Total Licenses and Permits	<u>1,544,450</u>	<u>1,544,450</u>	<u>1,545,344</u>	<u>894</u>	<u>1,723,790</u>	<u>(178,446)</u>
Intergovernmental Grant Revenues:						
Federal grants	25,000	25,000	24,450	(550)	73,586	(49,136)
State and local grants	150,000	162,557	217,316	54,759	162,701	54,615
Total Intergovernmental Grant Revenues	<u>175,000</u>	<u>187,557</u>	<u>241,766</u>	<u>54,209</u>	<u>236,287</u>	<u>5,479</u>
Service Charges:						
Refuse collection fees	2,246,400	2,246,400	2,231,362	(15,038)	2,298,388	(67,026)
Stadium	1,500	1,500	-	(1,500)	1,029	(1,029)
Swimming pool	66,875	66,875	50,552	(16,323)	70,347	(19,795)
Other	1,026,874	1,022,874	1,044,779	21,905	828,750	216,029
Total Service Charges	<u>3,341,649</u>	<u>3,337,649</u>	<u>3,326,693</u>	<u>(10,956)</u>	<u>3,198,514</u>	<u>128,179</u>
Fines and Forfeitures						
Safe Speed for School	600,000	729,054	1,560,024	830,970	289,330	1,270,694
Other	99,070	99,070	94,134	(4,936)	92,837	1,297
Total Fines and Forfeitures	<u>699,070</u>	<u>828,124</u>	<u>1,654,158</u>	<u>826,034</u>	<u>382,167</u>	<u>1,271,991</u>
Unallocated General Revenues:						
Administrative allocation	2,107,000	2,107,000	2,031,000	(76,000)	2,031,000	-
Interest on investments	55,000	55,000	30,400	(24,600)	57,374	(26,974)
Sale of land & other property	3,000	3,000	17,293	14,293	28,768	(11,475)
Miscellaneous	453,391	474,204	512,158	37,954	172,734	339,424
Total Unallocated General Revenues	<u>2,618,391</u>	<u>2,639,204</u>	<u>2,590,851</u>	<u>(48,353)</u>	<u>2,289,876</u>	<u>300,975</u>
Total Revenues	36,479,414	36,637,838	37,972,189	1,334,351	35,341,229	2,630,960

* 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, 2013

	Budgeted Amounts		2013 Actual	Variance with Final Budget - Positive (Negative)	2012 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues and Transfers (continued)						
Other Financing Sources:						
Debt issued	-	-	-	-	600,000	(600,000)
Transfers from community development fund	-	4,250	4,250	-	5,000	(750)
Transfers from telecommuting center fund	-	-	-	-	14,635	(14,635)
Transfers from property management fund	-	-	-	-	12,475	(12,475)
Transfers from workers compensation fund	250,000	250,000	250,000	-	200,000	50,000
Transfers from flexible spending fund	6,000	6,000	-	(6,000)	6,000	(6,000)
Transfers from economic redevelopment fund	-	2,000	19,875	17,875	25,000	(5,125)
Transfers from health insurance fund	-	25,000	25,000	-	-	25,000
Budgeted use of fund balance	-	-	-	-	-	-
Total Other Financing Sources	256,000	287,250	299,125	11,875	863,110	(563,985)
Total Revenues and Other Financing Sources	\$ 36,735,414	\$ 36,925,088	\$ 38,271,314	\$ 1,346,226	\$ 36,204,339	\$ 2,066,975
Expenditures and Transfers						
General Government:						
Council	\$ 110,785	\$ 112,885	\$ 105,850	\$ 7,035	\$ 104,921	\$ 929
Mayor	63,954	63,954	64,154	(200)	65,628	(1,474)
City administrator	200,800	200,800	203,569	(2,769)	211,173	(7,604)
City clerk	133,939	142,527	148,174	(5,647)	167,067	(18,893)
Community affairs	460,667	455,600	434,303	21,297	430,898	3,405
Legal counsel	260,000	260,000	236,455	23,545	177,247	59,208
Public functions	499,728	496,208	481,152	15,056	430,370	50,782
Registration and election	2,100	-	-	-	-	-
Finance and accounting	639,019	635,788	564,499	71,289	679,366	(114,867)
Information technology	772,671	772,671	744,554	28,117	752,262	(7,708)
Cashiering	340,454	343,685	364,012	(20,327)	341,265	22,747
Planning	434,964	434,964	413,167	21,797	432,273	(19,106)
Annexation	12,800	12,800	721	12,079	9,005	(8,284)
City hall expenditures	293,765	293,765	299,649	(5,884)	305,215	(5,566)
City engineer	1,026,574	1,016,572	1,013,824	2,748	1,013,430	394
Human resources	466,154	485,508	408,568	76,940	436,228	(27,660)
Total General Government	5,718,374	5,727,727	5,482,651	245,076	5,556,348	(73,697)
Public Safety:						
Police department	11,174,967	11,214,636	11,613,365	(398,729)	10,461,552	1,151,813
Fire department	6,049,162	6,047,451	6,205,182	(157,731)	6,205,070	112
Code enforcement	1,079,934	1,064,052	1,055,260	8,792	1,215,065	(159,805)
Signal department	513,330	513,330	547,656	(34,326)	487,665	59,991
Total Public Safety	18,817,393	18,839,469	19,421,463	(581,994)	18,369,352	1,052,111
Highways and Streets:						
General street department operations	775,000	775,000	684,314	90,686	727,377	(43,063)
Snow removal	472,700	472,700	276,103	196,597	117,718	158,385
Street cleaning	515,561	515,561	388,363	127,198	427,199	(38,836)
Street lighting	348,852	348,852	468,374	(119,522)	698,418	(230,044)
Central services	571,960	518,071	575,701	(57,630)	471,124	104,577
Total Highways and Streets	2,684,073	2,630,184	2,392,855	237,329	2,441,836	(48,981)
Waste, Collection and Disposal	2,003,191	2,003,191	1,936,153	67,038	2,637,018	(700,865)
Culture and Recreation:						
City parks	1,477,788	1,468,708	1,509,704	(40,996)	1,519,139	(9,435)
Swimming pool	174,733	174,733	162,213	12,520	156,045	6,168
Farmers market	76,480	76,480	90,977	(14,497)	101,197	(10,220)
Stadium	222,177	222,177	111,426	110,751	131,283	(19,857)
Recreation department	305,286	305,286	250,474	54,812	210,791	39,683
Hager house and 202 train museum	61,661	61,661	32,300	29,361	62,512	(30,212)
Total Culture and Recreation	2,318,125	2,309,045	2,157,094	151,951	2,180,967	(23,873)

* 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, 2013

	Budgeted Amounts		2013 Actual	Variance with Final Budget - Positive (Negative)	2012 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Expenditures and Transfers						
Economic and Community Development:						
Economic development	453,759	455,759	505,324	(49,565)	355,576	149,748
Housing and community development	102,061	102,061	97,381	4,680	95,221	2,160
Neighborhoods first	47,100	47,100	9,736	37,364	95,397	(85,661)
Total Economic and Community Dev	<u>602,920</u>	<u>604,920</u>	<u>612,441</u>	<u>(7,521)</u>	<u>546,194</u>	<u>66,247</u>
Unallocated General Expenditures:						
Retiree benefits	1,112,021	1,112,021	1,153,937	(41,916)	1,099,307	54,630
Termination pay	-	-	-	-	-	-
Contributions to other agencies	273,490	295,901	290,923	4,978	266,928	23,995
Inventory adjustments	5,000	5,000	1,866	3,134	26,994	(25,128)
Total Unallocated General Expenditures	<u>\$ 1,190,511</u>	<u>\$ 1,302,542</u>	<u>\$ 1,441,811</u>	<u>\$ (139,269)</u>	<u>\$ 1,393,229</u>	<u>\$ 48,582</u>
Debt Service:						
Principal	\$ 1,436,341	\$ 1,436,341	\$ 1,435,931	\$ 410	\$ 1,824,467	\$ (388,536)
Interest	590,406	590,406	595,093	(4,687)	636,814	(41,721)
Issuance Costs	-	-	1,105	(1,105)	975	130
Total Debt Service	<u>2,026,747</u>	<u>2,026,747</u>	<u>2,032,129</u>	<u>(5,382)</u>	<u>2,462,256</u>	<u>(430,127)</u>
Total Expenditures	35,361,334	35,443,825	35,476,597	(32,772)	35,587,200	(110,603)
Other Financing Uses:						
Transfers to golf course fund	175,000	175,000	272,000	(97,000)	216,460	55,540
Transfers to property management fund	-	-	-	-	-	-
Transfers to grant revenue fund	40,302	82,139	37,752	44,387	61,593	(23,841)
Transfers to economic redevelopment fund	200,000	200,000	200,000	-	250,000	(50,000)
Transfers to capital projects fund	882,759	897,634	1,102,759	(205,125)	336,952	765,807
Total Other Financing Uses	<u>1,298,061</u>	<u>1,354,773</u>	<u>1,612,511</u>	<u>(257,738)</u>	<u>865,005</u>	<u>747,506</u>
Total Expenditures and Other Financing Uses	<u>36,659,395</u>	<u>36,798,598</u>	<u>37,089,108</u>	<u>(290,510)</u>	<u>36,452,205</u>	<u>636,903</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	76,019	126,490	1,182,206	1,055,716	(247,866)	1,430,072
Fund balances - beginning	<u>8,524,763</u>	<u>8,524,763</u>	<u>8,524,763</u>	<u>-</u>	<u>8,772,629</u>	<u>(247,866)</u>
Fund balances - ending	<u>\$ 8,600,782</u>	<u>\$ 8,651,253</u>	<u>\$ 9,706,969</u>	<u>\$ 1,055,716</u>	<u>\$ 8,524,763</u>	<u>\$ 1,182,206</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, 2013

	Budgeted Amounts		2013 Actual	Variance with Final Budget - Positive (Negative)	2012 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues						
Intergovernmental grant revenues	\$ 5,768,307	\$ 1,793,013	\$ 670,845	\$ (1,122,168)	\$ 959,185	\$ (288,340)
State and county shared taxes	313,601	303,505	301,936	(1,569)	389,833	(87,897)
Contributions and donations	7,082,500	457,500	150,377	(307,123)	95,123	55,254
Interest income	-	-	4,800	4,800	15,110	(10,310)
Other revenues	26,000	-	-	-	172,333	(172,333)
Total revenues	<u>13,190,408</u>	<u>2,554,018</u>	<u>1,127,958</u>	<u>(1,426,060)</u>	<u>1,631,584</u>	<u>(503,626)</u>
Expenditures						
General government projects	3,519,900	4,277,262	2,014,097	2,263,165	1,855,973	158,124
Public safety projects	877,000	877,000	566,584	310,416	229,777	336,807
Highways and streets projects	293,000	399,927	178,905	221,022	49,209	129,696
Culture and recreation	13,723,000	656,000	512,682	143,318	665,552	(152,870)
Total expenditures	<u>18,412,900</u>	<u>6,210,189</u>	<u>3,272,268</u>	<u>2,937,921</u>	<u>2,800,511</u>	<u>471,757</u>
Excess (deficiency) of revenues over (under) expenditures	(5,222,492)	(3,656,171)	(2,144,310)	1,511,861	(1,168,927)	(975,383)
Other Financing Sources (Uses)						
Bond financing	2,855,333	724,427	-	(724,427)	-	-
Transfers in:						
Excise tax fund	480,000	498,945	100,052	(398,893)	207,705	(107,653)
General fund	882,759	897,634	1,102,759	205,125	336,952	765,807
Electric fund	40,000	40,000	40,000	-	55,000	(15,000)
Water fund	40,000	40,000	40,000	-	55,000	(15,000)
Wastewater fund	40,000	40,000	40,000	-	55,000	(15,000)
Community development block grant fund	186,000	286,423	184,303	(102,120)	100,902	83,401
Telecommuting center fund	-	-	-	-	38,158	(38,158)
Transfers (out):						
Parking fund	-	-	-	-	(35,000)	35,000
Economic redevelopment fund	-	-	-	-	-	-
Golf fund	-	(3,550)	(3,550)	-	(74,039)	70,489
Property management fund	-	-	-	-	(475,000)	475,000
Budgeted use of fund balance	698,400	1,126,120	-	(1,126,120)	-	-
Total other financing sources and (uses)	<u>5,222,492</u>	<u>3,649,999</u>	<u>1,503,564</u>	<u>(2,146,435)</u>	<u>264,678</u>	<u>1,238,886</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	-	(6,172)	(640,746)	(634,574)	(904,249)	263,503
Fund balances - beginning	<u>3,497,812</u>	<u>3,497,812</u>	<u>3,497,812</u>	<u>-</u>	<u>4,402,061</u>	<u>(904,249)</u>
Fund balances - ending	<u>\$ 3,497,812</u>	<u>\$ 3,491,640</u>	<u>\$ 2,857,066</u>	<u>\$ (634,574)</u>	<u>\$ 3,497,812</u>	<u>\$ (640,746)</u>

Growth and Expansion in Hagerstown



SPECIAL REVENUE FUNDS

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

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

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

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

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, 2013**

	Special Revenue							Total Nonmajor Governmental Funds
	Community Development	Economic Redevelopment	Flexible Spending	Business Revolving Loan	Excise Tax	Grant Revenue	Upper Floors Redevelopment	
	Block Grant							
Assets								
Pooled cash and investments	\$ 343	\$ 453,205	\$ 461	\$ 319,008	\$ 875,952	\$ 130,289	\$ 176,496	\$ 1,955,754
Interest receivable	-	95	-	60	112	13	41	321
Accounts receivable	31	3,442	32,607	-	-	-	-	36,080
Intergovernmental receivable	226,600	100,000	-	150,000	-	175,730	-	652,330
Prepaid items	-	-	-	-	-	1,196	-	1,196
Loans receivable (net of allowance for uncollectibles)	2,308,900	-	-	607,674	-	45,171	-	2,961,745
Properties held for resale	599,125	382,845	-	-	-	-	-	981,970
Restricted assets:								
Pooled cash and investments	33,988	-	-	-	-	-	-	33,988
Total assets	<u>\$ 3,168,987</u>	<u>\$ 939,587</u>	<u>\$ 33,068</u>	<u>\$ 1,076,742</u>	<u>\$ 876,064</u>	<u>\$ 352,399</u>	<u>\$ 176,537</u>	<u>\$ 6,623,384</u>
Liabilities								
Accounts and retainages payable	\$ 11,619	\$ 3,801	\$ 984	\$ 3,104	\$ 55,679	\$ 37,386	\$ -	\$ 112,573
Accrued liabilities	2,503	-	-	-	12,082	1,591	-	16,176
Advances from other funds	191,000	-	1,000	-	-	305,000	-	497,000
Escrowed taxes and insurance	7,585	-	-	-	-	-	-	7,585
Customer deposits	500	5,000	19,439	-	-	-	-	24,939
Deferred revenue	-	-	-	-	-	100	-	100
Undisbursed loan and grant commitments	140,862	-	-	20,000	-	-	-	160,862
Other long term liabilities	-	22,000	-	-	-	-	-	22,000
Total liabilities	<u>354,069</u>	<u>30,801</u>	<u>21,423</u>	<u>23,104</u>	<u>67,761</u>	<u>344,077</u>	<u>-</u>	<u>841,235</u>
Fund Balance								
Nonspendable	-	382,845	-	607,674	-	1,196	-	991,715
Restricted	2,908,025	-	-	-	-	45,171	-	2,953,196
Committed	-	-	-	-	-	-	-	-
Assigned	15,565	525,941	11,645	445,964	808,303	-	176,537	1,983,955
Unassigned	(108,672)	-	-	-	-	(38,045)	-	(146,717)
Total fund balances	<u>2,814,918</u>	<u>908,786</u>	<u>11,645</u>	<u>1,053,638</u>	<u>808,303</u>	<u>8,322</u>	<u>176,537</u>	<u>5,782,149</u>
Total liabilities and fund balances	<u>\$ 3,168,987</u>	<u>\$ 939,587</u>	<u>\$ 33,068</u>	<u>\$ 1,076,742</u>	<u>\$ 876,064</u>	<u>\$ 352,399</u>	<u>\$ 176,537</u>	<u>\$ 6,623,384</u>

City of Hagerstown, Maryland
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue							Total Nonmajor Governmental Funds
	Community Development Block Grant	Economic Redevelopment	Flexible Spending	Business Revolving Loan	Excise Tax	Grant Revenue	Upper Floors Redevelopment	
	Grant	Redevelopment	Spending	Loan	Excise Tax	Revenue	Redevelopment	
Revenues								
Intergovernmental	\$ 1,191,609	\$ 100,000	\$ -	\$ 250,000	\$ -	\$ 401,836	\$ -	\$ 1,943,445
Program income	51,892	-	-	11,831	115,491	15,018	-	194,232
Investment earnings	-	811	1	352	912	219	377	2,672
Contributions and donations	-	-	-	-	-	8,000	-	8,000
Property sales	(1,027)	105,000	-	-	-	-	-	103,973
Other revenues	3,200	3,600	(4,656)	-	(15,621)	-	-	(13,477)
Total revenues	<u>1,245,674</u>	<u>209,411</u>	<u>(4,655)</u>	<u>262,183</u>	<u>100,782</u>	<u>425,073</u>	<u>377</u>	<u>2,238,845</u>
Expenditures								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	386,364	-	386,364
Economic and community development								
Public services	130,808	-	-	-	-	6,758	-	137,566
Housing rehabilitation	92,735	-	-	-	-	-	-	92,735
Clearance and demolition	-	-	-	-	-	-	-	-
Direct economic development	-	207,136	-	-	-	5,650	-	212,786
Cost of properties sold	-	81,498	-	-	-	-	-	81,498
Administration	338,213	-	6,264	6,862	-	896	-	352,235
Direct economic development loans	176,683	-	-	(86,094)	-	-	-	90,589
Capital outlay	-	-	-	-	-	125,590	-	125,590
Interest expense	213	-	-	-	-	-	-	213
Total expenditures	<u>738,652</u>	<u>288,634</u>	<u>6,264</u>	<u>(79,232)</u>	<u>-</u>	<u>525,258</u>	<u>-</u>	<u>1,479,576</u>
Excess (deficiency) of revenues over (under) expenditures	<u>507,022</u>	<u>(79,223)</u>	<u>(10,919)</u>	<u>341,415</u>	<u>100,782</u>	<u>(100,185)</u>	<u>377</u>	<u>759,269</u>
Other Financing Sources (Uses)								
Transfers in	-	420,975	-	125,000	-	37,752	-	583,727
Transfers out	(976,161)	(95,781)	-	-	(100,052)	-	(125,000)	(1,296,994)
Total other financing sources and (uses)	<u>(976,161)</u>	<u>325,194</u>	<u>-</u>	<u>125,000</u>	<u>(100,052)</u>	<u>37,752</u>	<u>(125,000)</u>	<u>(713,267)</u>
Net change in fund balances	<u>(469,139)</u>	<u>245,971</u>	<u>(10,919)</u>	<u>466,415</u>	<u>730</u>	<u>(62,433)</u>	<u>(124,623)</u>	<u>46,002</u>
Fund balances - beginning	<u>3,284,057</u>	<u>662,815</u>	<u>22,564</u>	<u>587,223</u>	<u>807,573</u>	<u>70,755</u>	<u>301,160</u>	<u>5,736,147</u>
Fund balances - ending	<u>\$ 2,814,918</u>	<u>\$ 908,786</u>	<u>\$ 11,645</u>	<u>1,053,638</u>	<u>\$ 808,303</u>	<u>\$ 8,322</u>	<u>\$ 176,537</u>	<u>\$ 5,782,149</u>

City of Hagerstown, Maryland
Community Development Block Grant
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		2013 Actual	Variance with Final Budget - Positive (Negative)	2012 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues						
Intergovernmental	\$ 1,526,231	1,526,231	\$ 1,191,609	\$ (334,622)	\$ 896,670	\$ 294,939
Program income	174,753	174,753	51,892	(122,861)	60,998	(9,106)
Property sales	-	-	(1,027)	(1,027)	100,000	(101,027)
Other revenues	-	-	3,200	3,200	-	3,200
Total revenues	<u>1,700,984</u>	<u>1,700,984</u>	<u>1,245,674</u>	<u>(455,310)</u>	<u>1,057,668</u>	<u>188,006</u>
Expenditures						
Public services	135,213	130,962	130,808	154	150,417	(19,609)
Housing rehabilitation	440,000	440,000	92,735	347,265	53,682	39,053
Clearance and demolition	45,000	45,000	-	45,000	-	-
Acquisition	220,000	215,000	-	215,000	-	-
Cost of properties sold	-	-	338,213	(338,213)	-	338,213
Administration	170,123	170,123	176,683	(6,560)	201,697	(25,014)
Direct economic development	100,000	-	-	-	18,652	(18,652)
Capital outlay	-	-	-	-	5,032	(5,032)
Interest expense	-	-	213	(213)	245	(32)
Total expenditures	<u>1,110,336</u>	<u>1,001,085</u>	<u>738,652</u>	<u>262,433</u>	<u>429,725</u>	<u>308,927</u>
Excess (deficiency) of revenues over (under) expenditures	590,648	699,899	507,022	(192,877)	627,943	(120,921)
Other Financing Sources (Uses)						
Transfers to property management fund	(320,000)	(619,563)	(566,633)	52,930	(460,865)	(105,768)
Transfers to economic redevelopment fund	-	-	(220,975)	(220,975)	-	(220,975)
Transfers to general fund	-	(4,250)	(4,250)	-	(5,000)	750
Transfers to capital projects fund	<u>(186,000)</u>	<u>(286,423)</u>	<u>(184,303)</u>	<u>102,120</u>	<u>(100,902)</u>	<u>(83,401)</u>
Total other financing sources (uses)	<u>(506,000)</u>	<u>(910,236)</u>	<u>(976,161)</u>	<u>(65,925)</u>	<u>(566,767)</u>	<u>(409,394)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	84,648	(210,337)	(469,139)	(258,802)	61,176	(530,315)
Fund balances - beginning	<u>3,284,057</u>	<u>3,284,057</u>	<u>3,284,057</u>	<u>-</u>	<u>3,222,881</u>	<u>61,176</u>
Fund balances - ending	<u>\$ 3,368,705</u>	<u>\$ 3,073,720</u>	<u>\$ 2,814,918</u>	<u>\$ (258,802)</u>	<u>\$ 3,284,057</u>	<u>\$ (469,139)</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, 2013

	Budgeted Amounts		2013 Actual	Variance with Final Budget -	2012 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final		Positive (Negative)		
Revenues						
Intergovernmental	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ -	\$ 100,000
Investment earnings	500	500	811	311	3,072	(2,261)
Property sales	-	-	105,000	105,000	-	105,000
Rental income	-	-	3,600	3,600	-	3,600
Total revenues	<u>500</u>	<u>500</u>	<u>209,411</u>	<u>208,911</u>	<u>3,072</u>	<u>206,339</u>
Expenditures						
Direct economic development	100,219	100,219	207,136	(106,917)	44,983	162,153
Cost of property sales	-	-	81,498	(81,498)	-	81,498
Total expenditures	<u>100,219</u>	<u>93,000</u>	<u>288,634</u>	<u>(188,415)</u>	<u>44,983</u>	<u>243,651</u>
Excess (deficiency) of revenues over (under) expenditures	(99,719)	(92,500)	(79,223)	13,277	(41,911)	(37,312)
Other Financing Sources (Uses)						
Transfers from general fund	200,000	200,000	200,000	-	250,000	(50,000)
Transfers from capital projects fund	-	-	220,975	220,975	-	220,975
Transfers to general fund	-	(2,000)	(19,875)	(17,875)	(25,000)	5,125
Transfers to upper floors redevelopment fund	(200,000)	(75,906)	(75,906)	-	(200,000)	124,094
Total other financing sources (uses)	<u>-</u>	<u>122,094</u>	<u>325,194</u>	<u>203,100</u>	<u>25,000</u>	<u>300,194</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	(99,719)	29,594	245,971	216,377	(16,911)	262,882
Fund balances - beginning	<u>662,815</u>	<u>662,815</u>	<u>662,815</u>	<u>-</u>	<u>679,726</u>	<u>(16,911)</u>
Fund balances - ending	\$ <u>563,096</u>	\$ <u>692,409</u>	\$ <u>908,786</u>	\$ <u>216,377</u>	\$ <u>662,815</u>	\$ <u>245,971</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, 2013

	<u>Original and Final Budget</u>	<u>2013 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2012 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
Revenues					
Investment earnings	\$ 75	\$ (1)	\$ (76)	\$ 293	\$ (294)
Employer FICA savings	<u>5,500</u>	<u>(4,654)</u>	<u>(10,154)</u>	<u>11,585</u>	<u>(16,239)</u>
Total revenues	<u>5,575</u>	<u>(4,655)</u>	<u>(10,230)</u>	<u>11,878</u>	<u>(16,533)</u>
Expenditures					
Contracted services	6,783	6,264	519	5,999	265
Administration	-	-	-	-	-
Total expenditures	<u>6,783</u>	<u>6,264</u>	<u>519</u>	<u>5,999</u>	<u>265</u>
Excess (deficiency) of revenues over (under) expenditures	(1,208)	(10,919)	(9,711)	5,879	(16,798)
Other Financing Sources (Uses)					
Transfers to general fund	<u>(6,000)</u>	-	6,000	<u>(6,000)</u>	<u>6,000</u>
Total other financing sources (uses)	<u>(6,000)</u>	<u>-</u>	<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)	(7,208)	(10,919)	(3,711)	(121)	(10,798)
Fund balances - beginning	<u>22,564</u>	<u>22,564</u>	<u>-</u>	<u>22,685</u>	<u>(121)</u>
Fund balances - ending	<u>\$ 15,356</u>	<u>\$ 11,645</u>	<u>\$ (3,711)</u>	<u>\$ 22,564</u>	<u>\$ (10,919)</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, 2013

	<u>Original and Final Budget</u>	<u>2013 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2012 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
Revenues					
Intergovernmental	\$ -	\$ 250,000	\$ 250,000	\$ -	\$ 250,000
Investment earnings	1,500	352	(1,148)	1,346	(994)
Program revenue	182,243	11,831	(170,412)	12,998	(1,167)
Total revenues	<u>183,743</u>	<u>262,183</u>	<u>78,440</u>	<u>14,344</u>	<u>247,839</u>
Expenditures					
Legal	2,783	6,862	(4,079)	3,866	2,996
Administration	50	-	50	48	(48)
Direct economic development loans	200,000	(86,094)	286,094	28,174	(114,268)
Total expenditures	<u>202,833</u>	<u>(79,232)</u>	<u>282,065</u>	<u>32,088</u>	<u>(111,320)</u>
Other Financing Sources (Uses)					
Transfers to upper floors redevelopment fund	300,000	125,000	(175,000)	-	125,000
Total other financing sources (uses)	<u>300,000</u>	<u>125,000</u>	<u>(175,000)</u>	<u>-</u>	<u>125,000</u>
Excess (deficiency) of revenues over (under) expenditures	280,910	466,415	185,505	(17,744)	484,159
Fund balances - beginning	<u>587,223</u>	<u>587,223</u>	<u>-</u>	<u>604,967</u>	<u>(17,744)</u>
Fund balances - ending	<u>\$ 868,133</u>	<u>\$ 1,053,638</u>	<u>\$ 185,505</u>	<u>\$ 587,223</u>	<u>\$ 466,415</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, 2013

	<u>Budgeted Amounts</u>		<u>2013 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2012 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
Revenues						
Investment earnings	\$ 2,500	\$ 2,500	\$ 912	\$ (1,588)	\$ 7,925	\$ (7,013)
Excise tax	137,000	137,000	115,491	(21,509)	113,485	2,006
Other revenues	-	-	(15,621)	(15,621)	-	-
Total revenues	<u>139,500</u>	<u>139,500</u>	<u>100,782</u>	<u>(38,718)</u>	<u>121,410</u>	<u>(5,007)</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	(480,000)	(487,248)	(100,052)	387,196	(207,705)	107,653
Total other financing sources (uses)	<u>(480,000)</u>	<u>(487,248)</u>	<u>(100,052)</u>	<u>387,196</u>	<u>(207,705)</u>	<u>107,653</u>
Excess (deficiency) of revenues over (under) expenditures	(340,500)	(347,748)	730	348,478	(86,295)	102,646
Fund balances - beginning	<u>807,573</u>	<u>807,573</u>	<u>807,573</u>	<u>-</u>	<u>893,868</u>	<u>(86,295)</u>
Fund balances - ending	<u>\$ 467,073</u>	<u>\$ 459,825</u>	<u>\$ 808,303</u>	<u>\$ 348,478</u>	<u>\$ 807,573</u>	<u>\$ 16,351</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, 2013

	<u>Budgeted Amounts</u>		<u>2013 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2012 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
Revenues						
Intergovernmental	\$ 325,763	\$ 746,892	\$ 401,836	\$ (345,056)	\$ 755,961	\$ (354,125)
Investment earnings	-	-	219	219	360	(141)
Contributions and donations	-	500	8,000	7,500	2,302	5,698
Other revenues	-	-	15,018	15,018	559	14,459
Total revenues	<u>325,763</u>	<u>747,392</u>	<u>425,073</u>	<u>(322,319)</u>	<u>759,182</u>	<u>(334,109)</u>
Expenditures						
General government	-	-	-	-	56,977	(56,977)
Public safety	351,065	475,429	386,364	89,065	549,030	(162,666)
Economic and community development	-	-	13,304	(13,304)	6,083	7,221
Capital outlay	15,000	354,102	125,590	228,512	264,389	(138,799)
Interest expense	-	-	-	-	-	-
Total expenditures	<u>366,065</u>	<u>829,531</u>	<u>525,258</u>	<u>304,273</u>	<u>876,479</u>	<u>(351,221)</u>
Excess (deficiency) of revenues over (under) expenditures	(40,302)	(82,139)	(100,185)	(18,046)	(117,297)	17,112
Other Financing Sources (Uses)						
Transfers from general fund	<u>40,302</u>	<u>82,139</u>	<u>37,752</u>	<u>(44,387)</u>	<u>61,593</u>	<u>(23,841)</u>
Total other financing sources (uses)	<u>40,302</u>	<u>82,139</u>	<u>37,752</u>	<u>(44,387)</u>	<u>61,593</u>	<u>(23,841)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	-	-	(62,433)	(62,433)	(55,704)	(6,729)
Fund balances - beginning	<u>70,755</u>	<u>70,755</u>	<u>70,755</u>	<u>-</u>	<u>126,459</u>	<u>(55,704)</u>
Fund balances - ending	<u>\$ 70,755</u>	<u>\$ 70,755</u>	<u>\$ 8,322</u>	<u>\$ (62,433)</u>	<u>\$ 70,755</u>	<u>\$ (62,433)</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, 2013

	Budgeted Amounts		2013 Actual	Variance with Final Budget - Positive (Negative)	2012 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 18,609	\$ (18,609)
Investment earnings	-	-	377	(377)	1,208	(831)
Total revenues	-	-	377	(377)	19,817	(19,440)
Expenditures						
Legal	-	-	-	-	-	-
Direct economic development loans	-	-	-	-	118,609	(118,609)
Total expenditures	-	-	-	-	118,609	(118,609)
Other Financing Sources (Uses)						
Transfers from economic redevelopment fund	-	-	-	-	200,000	(200,000)
Transfers to business revolving loan fund	(300,000)	(300,000)	(125,000)	(175,000)	-	(125,000)
Total other financing sources (uses)	(300,000)	(300,000)	(125,000)	(175,000)	200,000	(325,000)
Excess (deficiency) of revenues over (under) expenditures	(300,000)	(300,000)	(124,623)	175,377	101,208	(225,831)
Fund balances - beginning	301,160	301,160	301,160	-	199,952	101,208
Fund balances - ending	\$ 1,160	\$ 1,160	\$ 176,537	\$ 175,377	\$ 301,160	\$ (124,623)

Hagerstown Gives Back



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 Position
Nonmajor Enterprise Funds
June 30, 2013

	Golf Course	Property Management	Total Nonmajor Enterprise Funds
Assets			
Current assets:			
Pooled cash and investments	\$ 33,858	\$ 825,770	\$ 859,628
Interest receivable	-	133	133
Accounts receivable (net of allowance for uncollectibles)	42	97,708	97,750
Inventories	5,236	-	5,236
Due from other agencies	-	36,260	36,260
Prepaid items	2,150	606	2,756
Total current assets	41,286	960,477	1,001,763
Noncurrent assets:			
Long-term receivable	-	22,000	22,000
Capital assets:			
Land	125,000	777,795	902,795
Land improvements	203,554	-	203,554
Buildings and structures	219,846	5,438,196	5,658,042
Machinery and equipment	374,898	29,336	404,234
Automobiles and trucks	28,550	-	28,550
Office furniture and fixtures	-	26,921	26,921
Construction in progress	-	636,011	636,011
Less accumulated depreciation	(402,583)	(1,418,664)	(1,821,247)
Total capital assets (net of accumulated depreciation)	549,265	5,489,595	6,038,860
Total noncurrent assets	549,265	5,511,595	6,060,860
Total assets	590,551	6,472,072	7,062,623
Liabilities			
Current liabilities:			
Accounts and retainages payable	12,922	32,188	45,110
Compensated absences - current	8,844	-	8,844
Accrued liabilities	4,607	1,520	6,127
Customer deposits and rebates	-	1,100	1,100
Unearned revenue	(67,682)	44,000	(23,682)
Other liabilities - current	13,654	-	13,654
Total current liabilities	(27,655)	78,808	51,153
Noncurrent liabilities:			
Compensated absences	16,083	-	16,083
Other long term liabilities	54,618	44,000	98,618
Total noncurrent liabilities	70,701	44,000	114,701
Total liabilities	43,046	122,808	165,854
Net Position			
Invested in capital assets, net of related debt	494,647	5,489,595	6,038,860
Unrestricted	52,858	859,669	857,909
Total net position	\$ 547,505	\$ 6,349,264	\$ 6,896,769

City of Hagerstown, Maryland
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2013

	<u>Golf Course</u>	<u>Property Management</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues:			
Service charges	\$ 177,513	\$ 380,572	\$ 558,085
Other revenues		4,935	4,935
Total operating revenues	<u>177,513</u>	<u>385,507</u>	<u>563,020</u>
Operating expenses:			
Selling, general and administrative expenses	423,117	501,835	924,952
Depreciation	29,839	162,836	192,675
Total operating expenses	<u>452,956</u>	<u>664,671</u>	<u>1,117,627</u>
Operating income	<u>(275,443)</u>	<u>(279,164)</u>	<u>(554,607)</u>
Nonoperating revenues (expenses):			
Loss on disposal of capital assets	949	(1,370,722)	(1,369,773)
Intergovernmental revenue	-	115,993	115,993
Investment earnings	23	16,827	16,850
Interest expense	-	-	-
Bond issuance costs	-	-	-
Total nonoperating revenue (expenses.)	<u>972</u>	<u>(1,237,902)</u>	<u>(1,236,930)</u>
Income (loss) before contributions and transfers	(274,471)	(1,517,066)	(1,791,537)
Transfers in	275,550	642,539	918,089
Changes in net position	1,079	(874,527)	(873,448)
Total net position - beginning	546,426	7,223,791	7,770,217
Total net position - ending	<u>\$ 547,505</u>	<u>\$ 6,349,264</u>	<u>\$ 6,896,769</u>

City of Hagerstown, Maryland
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2013

	Golf Course	Property Management	Total Nonmajor Enterprise Funds
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 109,320	\$ 354,575	\$ 463,895
Payments to suppliers	(128,765)	(376,745)	(505,510)
Payments to employees	(244,957)	(190,987)	(435,944)
Net cash used by operating activities	(264,402)	(213,157)	(477,559)
Cash Flows From Noncapital Financing Activities			
Transfers from (to) other funds	275,550	642,539	918,089
Net cash provided (used) by noncapital and related financing activities	275,550	642,539	918,089
Cash Flows From Capital And Related Financing Activities			
Proceeds from intergovernmental grant	-	141,186	141,186
Acquisition and construction of capital assets	(33,551)	905,000	871,449
Proceeds from sale of capital assets	949	(1,370,722)	(1,369,773)
Net cash provided (used) by capital and related financing activities	(32,602)	(324,536)	(357,138)
Cash Flows From Investing Activities			
Interest and dividends received	27	16,810	16,837
Net cash provided by investing activities	27	16,810	16,837
Net increase (decrease) in pooled cash and investments	(21,427)	121,656	100,229
Pooled cash and investments, beginning of year	55,285	704,114	759,399
Pooled cash and investments, end of year	\$ 33,858	\$ 825,770	\$ 859,628
Reconciliation of operating income to net cash (used) by operating activities:			
Operating income (loss)	\$ (275,443)	\$ (279,164)	\$ (554,607)
Adjustments to reconcile operating income to net cash used by operating activities:			
Depreciation expense	29,839	162,836	192,675
Net effect of changes in assets and liabilities			
Accounts receivable	(42)	(55,264)	(55,306)
Inventories	504	-	504
Prepaid items	(1,540)	140	(1,400)
Long-term accounts receivable	-	(22,000)	(22,000)
Accounts and retainages payable	(5,537)	(109,867)	(115,404)
Compensated absences payable	(12,129)	-	(12,129)
Accrued liabilities	(175)	(172)	(347)
Other liabilities - current	13,654	-	13,654
Due from other agencies	-	2,334	2,334
Unearned revenue	(68,151)	44,000	(24,151)
Other long-term liabilities	54,618	44,000	98,618
Total adjustments	11,041	66,007	77,048
Net cash used by operating activities	\$ (264,402)	\$ (213,157)	\$ (477,559)

Recreation and Parks



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 Position
Internal Service Funds
June 30, 2013

	<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	\$ 716,251	\$ 3,220,081	\$ 38,598	\$ 3,974,930
Interest receivable	146	627	11	784
Accounts receivable (net of allowance for uncollectibles)	<u>19,443</u>	<u>100,717</u>	<u>7,539</u>	<u>127,699</u>
Total current assets	<u>735,840</u>	<u>3,321,425</u>	<u>46,148</u>	<u>4,103,413</u>
Noncurrent assets:				
Restricted assets:				
Pooled cash and investments	<u>-</u>	<u>65,000</u>	<u>31,300</u>	<u>96,300</u>
Total noncurrent assets	<u>-</u>	<u>65,000</u>	<u>31,300</u>	<u>96,300</u>
Total assets	<u>735,840</u>	<u>3,386,425</u>	<u>77,448</u>	<u>4,199,713</u>
Liabilities				
Current liabilities:				
Accounts and retainages payable	-	4,856	-	4,856
Accrued liabilities	-	1,289,232	44,975	1,334,207
Unearned revenue	<u>-</u>	<u>183,089</u>	<u>-</u>	<u>183,089</u>
Total current liabilities	<u>-</u>	<u>1,477,177</u>	<u>44,975</u>	<u>1,522,152</u>
Total liabilities	<u>-</u>	<u>1,477,177</u>	<u>44,975</u>	<u>1,522,152</u>
Net Position				
Unrestricted	<u>735,840</u>	<u>1,909,248</u>	<u>32,473</u>	<u>2,677,561</u>
Total net position	<u>\$ 735,840</u>	<u>\$ 1,909,248</u>	<u>\$ 32,473</u>	<u>\$ 2,677,561</u>

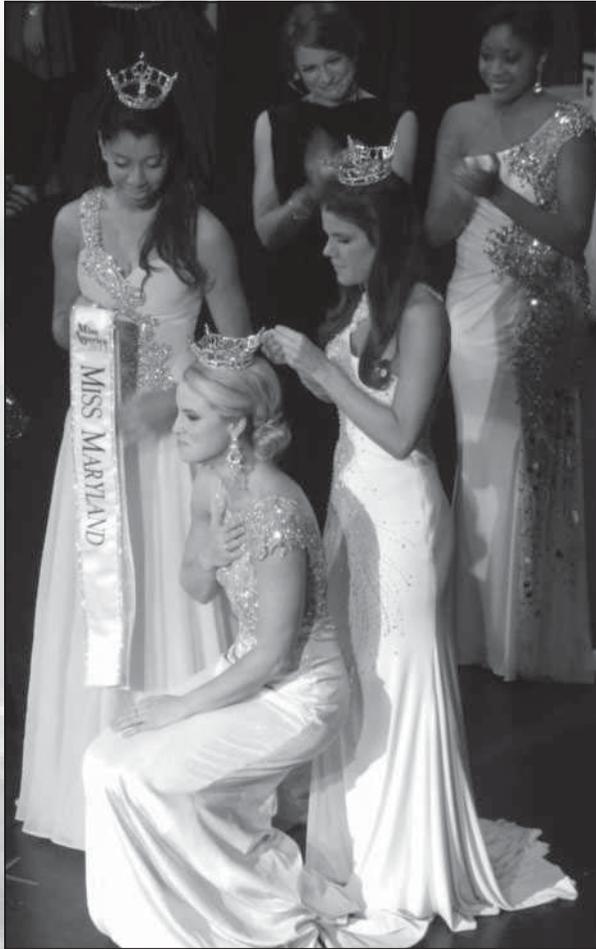
City of Hagerstown, Maryland
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2013

	<u>Worker's Compensation</u>	<u>Health Insurance</u>	<u>Dental Insurance</u>	<u>Total Internal Service Funds</u>
Operating revenues:				
Service charges	\$ 993,402	\$ 6,048,339	\$ 381,695	\$ 7,423,436
Other revenues	-	64,239	-	64,239
Total operating revenues	<u>993,402</u>	<u>6,112,578</u>	<u>381,695</u>	<u>7,487,675</u>
Operating expenses:				
Claim and premium expenses	1,090,902	7,536,966	406,231	9,034,099
Total operating expenses	<u>1,090,902</u>	<u>7,536,966</u>	<u>406,231</u>	<u>9,034,099</u>
Operating income (loss)	<u>(97,500)</u>	<u>(1,424,388)</u>	<u>(24,536)</u>	<u>(1,546,424)</u>
Nonoperating revenues (expenses):				
Investment earnings	1,228	3,969	106	5,303
Total nonoperating revenue (expenses)	<u>1,228</u>	<u>3,969</u>	<u>106</u>	<u>5,303</u>
Income before contributions and transfers	(96,272)	(1,420,419)	(24,430)	(1,541,121)
Transfer out to other funds	<u>(250,000)</u>	<u>(25,000)</u>	-	<u>(275,000)</u>
Changes in net position	<u>(346,272)</u>	<u>(1,445,419)</u>	<u>(24,430)</u>	<u>(1,816,121)</u>
Total net position - beginning	1,082,112	3,354,667	56,903	4,493,682
Total net position - ending	<u>\$ 735,840</u>	<u>\$ 1,909,248</u>	<u>\$ 32,473</u>	<u>\$ 2,677,561</u>

City of Hagerstown, Maryland
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2013

	Worker's Compensation	Health Insurance	Dental Insurance	Total Internal Service Funds
Cash Flows From Operating Activities				
Receipts from interfund services provided	\$ 993,456	\$ 6,115,561	\$ 379,437	\$ 7,488,454
Payments to suppliers	(965,133)	(6,733,456)	(390,373)	(8,088,962)
Net cash provided (used) by operating activities	28,323	(617,895)	(10,936)	(600,508)
Cash Flows From Noncapital Financing Activities				
Transfers to other funds	(250,000)	(25,000)	-	(275,000)
Net cash used by capital and related financing activities	(250,000)	(25,000)	-	(275,000)
Cash Flows From Investing Activities				
Interest and dividends received	1,352	4,288	114	5,754
Net cash provided by investing activities	1,352	4,288	114	5,754
Net decrease in pooled cash and investments	(220,325)	(638,607)	(10,822)	(869,754)
Pooled cash and investments, beginning of year	936,575	3,923,688	80,720	4,940,983
Pooled cash and investments, end of year	\$ 716,250	\$ 3,285,081	\$ 69,898	\$ 4,071,229
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating loss	\$ (97,500)	\$ (1,424,388)	\$ (24,536)	\$ (1,546,424)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Net effect of changes in assets and liabilities				
Accounts receivable	54	2,983	(2,258)	779
Prepaid items	139,030	170	170	139,370
Accounts and retainages payable	(13,261)	161	(170)	(13,270)
Accrued liabilities	-	803,179	15,858	819,037
Total adjustments	125,823	806,493	13,600	945,916
Net cash provided (used) by operating activities	\$ 28,323	\$ (617,895)	\$ (10,936)	\$ (600,508)
Reconciliation of pooled cash and investments to the balance sheet				
Pooled cash and investments	\$ 716,250	\$ 3,220,081	\$ 38,598	\$ 3,974,929
Restricted pooled cash and investments	-	65,000	31,300	96,300
Totals	\$ 716,250	\$ 3,285,081	\$ 69,898	\$ 4,071,229

What's Happening in Hagerstown



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 Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	FISCAL YEAR									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:										
Net investment in capital assets	\$ 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	\$ 62,661,321
Restricted	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	8,785,932
Unrestricted	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	6,658,627
Total governmental activities net position	\$ 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	\$ 78,105,880
Business-type activities:										
Net investment in capital assets	\$ 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	\$ 149,983,855
Unrestricted	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	18,919,557
Total business-type activities net position	\$ 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	\$ 168,903,412
Primary government:										
Net investment in capital assets	\$ 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	\$ 212,645,176
Restricted	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	8,785,932
Unrestricted	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	25,578,184
Total primary government net position	\$ 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	\$ 247,009,292

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

	FISCAL YEAR ENDED									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General Government	\$ 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	\$ 9,581,916
Public Safety	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	21,070,864
Highways and Streets	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	2,828,009
Waste Collection & Disposal	1,134,266	1,195,443	1,593,682	1,963,094	2,053,573	2,094,011	2,023,079	2,035,237	2,637,297	1,937,485
Culture and Recreation	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	2,665,582
Economic & Community Development	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	3,174,443
Interest on Long-term Debt	285,416	573,104	427,181	659,736	576,969	523,931	684,700	539,668	532,560	514,648
Total governmental activities expenses	<u>30,096,563</u>	<u>31,968,765</u>	<u>33,365,532</u>	<u>36,225,250</u>	<u>39,561,748</u>	<u>42,736,902</u>	<u>41,580,937</u>	<u>37,468,910</u>	<u>40,485,705</u>	<u>41,772,947</u>
Business-type activities:										
Electric	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	27,216,777
Water	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	10,454,834
Wastewater	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	12,697,968
Parking Facilities	470,189	536,237	524,958	617,342	663,006	760,188	733,541	723,980	786,348	699,693
Golf Course	257,182	451,322	342,399	411,079	408,728	469,694	414,492	418,962	388,840	467,869
Property Management	294,733	238,495	290,408	324,625	312,239	302,237	384,631	410,706	577,208	668,343
Ice Rink	91,601	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	<u>37,992,329</u>	<u>38,912,241</u>	<u>41,536,905</u>	<u>54,315,576</u>	<u>54,128,096</u>	<u>54,717,337</u>	<u>54,174,859</u>	<u>54,427,260</u>	<u>52,497,866</u>	<u>52,205,484</u>
Total primary government expenses	<u>\$ 68,088,892</u>	<u>\$ 70,881,006</u>	<u>\$ 74,902,437</u>	<u>\$ 90,540,826</u>	<u>\$ 93,689,844</u>	<u>\$ 97,454,239</u>	<u>\$ 95,755,796</u>	<u>\$ 91,896,170</u>	<u>\$ 92,983,571</u>	<u>\$ 93,978,431</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General Government	\$ 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	\$ 3,130,802
Public Safety	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	2,962,729
Streets and Alleys	-	-	36,719	73,943	86,365	136,424	90,588	75,676	86,045	102,791
Waste Collection & Disposal	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	2,478,721
Parks and Recreation	152,708	178,118	157,735	159,055	188,535	186,607	191,602	234,637	225,306	209,899
Economic & Community Development	864,941	92,155	842,849	901,690	502,505	311,982	364,403	96,216	95,246	97,321
Operating grants and contributions	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	2,331,085
Capital grants and contributions	952,835	1,370,819	743,482	1,166,568	5,573,575	1,698,460	512,249	1,594,649	2,611,299	3,792,121
Total governmental activities program revenues	<u>\$ 11,910,035</u>	<u>\$ 10,603,306</u>	<u>\$ 12,145,540</u>	<u>\$ 14,355,812</u>	<u>\$ 17,761,502</u>	<u>\$ 11,572,254</u>	<u>\$ 10,478,477</u>	<u>\$ 10,983,082</u>	<u>\$ 12,203,943</u>	<u>\$ 15,105,469</u>

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

	FISCAL YEAR ENDED									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Business-type activities:										
Charges for services:										
Electric	\$ 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	\$ 26,510,826
Water	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	10,859,180
Wastewater	7,365,493	7,078,627	7,395,744	7,764,959	8,146,918	8,858,882	9,003,327	9,918,807	10,266,294	10,699,798
Parking Facilities	811,010	750,764	776,038	843,704	885,489	857,169	872,441	811,868	855,638	936,246
Golf Course	167,154	173,394	206,025	196,070	208,572	175,123	126,890	137,884	149,074	178,462
Property Management	310,604	326,414	354,755	350,749	499,700	354,049	202,752	330,576	344,856	(985,215)
Operating grants and contributions	-	-	-	-	-	82,875	440,847	107,730	-	-
Capital grants and contributions	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	2,546,931
Total business-type activities program revenues	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	50,746,228
Total primary government program revenues	\$ 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	\$ 65,851,697
Net (expense)/revenue										
Governmental activities	\$ (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)	\$ (26,667,478)
Business-type activities	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	(1,459,256)
Total primary government net expense	\$ (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)	\$ (28,126,734)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property Taxes	14,756,270	15,940,462	17,339,463	20,131,677	22,359,137	24,296,300	26,460,939	26,910,889	24,077,697	25,227,705
State and County shared taxes	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	3,510,080
Excise Tax	-	-	1,036,634	719,319	220,678	31,677	115,417	96,342	113,485	115,492
Investment Earnings	363,037	309,869	482,700	874,321	824,414	412,233	205,640	72,526	86,685	37,871
Property Sales	-	764,461	591,687	-	-	-	-	-	-	-
Gain(Loss) on Disposal of Capital Assets	(536,715)	(121,018)	-	-	-	-	-	-	-	-
Miscellaneous	-	-	356,519	44,493	45,841	38,230	137,326	171,968	312,796	107,791
Transfers	234,538	(62,396)	288,348	(98,787)	173,540	229,056	(66,000)	(939,642)	(1,125,889)	(798,089)
Capital Transfer from Closed Ice Rink Fund	-	1,712,969	-	-	-	-	-	-	-	-
Changes in Accounting Estimate	4,818,765	-	-	-	-	-	-	-	-	-
Total governmental activities	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	28,200,850
Business-type activities:										
Investment Earnings	608,242	437,041	569,501	707,098	743,942	406,055	221,725	185,587	253,521	180,193
Transfers	(234,538)	62,396	(288,348)	98,787	(173,540)	(229,056)	66,000	939,642	1,125,889	798,089
Total business-type activities	373,704	499,437	281,153	805,885	570,402	176,999	287,725	1,125,229	1,379,410	978,282
Total primary government	\$ 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	\$ 29,179,132
Change in Net Position										
Governmental activities	\$ 4,710,439	\$ 335,223	\$ 2,585,008	\$ 3,650,053	\$ 6,282,714	\$ 504,728	\$ 518,897	\$ 3,247,069	\$ (1,167,327)	\$ 1,533,372
Business-type activities	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	(480,974)
Total primary government	\$ 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	\$ 1,052,398

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
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
2013	25,227,705	2,305,373	206,234	-	516,752	34,214	55,352	101,850	165,898	-	28,613,378

Source: City of Hagerstown Accounting Department

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

	FISCAL YEAR									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	\$ 1,322,006	\$ 1,204,797	\$ 969,903	\$ 383,267	\$ 400,749	\$ 510,323	\$ 536,025	\$ -	\$ -	\$ -
Unreserved/Undesignated	4,359,206	4,908,362	5,531,992	6,812,830	7,349,854	7,386,804	8,022,458	-	-	-
Nonspendable	-	-	-	-	-	-	-	493,492	487,902	254,914
Restricted	-	-	-	-	-	-	-	240,816	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	186,504	199,174	1,783,143
Unassigned	-	-	-	-	-	-	-	7,851,817	7,837,687	7,668,912
Total General Fund	<u>\$ 5,681,212</u>	<u>\$ 6,113,159</u>	<u>\$ 6,501,895</u>	<u>\$ 7,196,097</u>	<u>\$ 7,750,603</u>	<u>\$ 7,897,127</u>	<u>\$ 8,558,483</u>	<u>\$ 8,772,629</u>	<u>\$ 8,524,763</u>	<u>\$ 9,706,969</u>
All other governmental funds										
Reserved	\$ 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	1,437,171	427,952	1,794,971	2,862,579	2,665,841	2,624,295	1,996,542	-	-	-
Capital projects funds	2,252,001	4,004,323	3,245,425	6,632,631	4,305,056	108,794	4,454,096	-	-	-
Nonspendable	-	-	-	-	-	-	-	2,683,659	1,784	998,603
Restricted	-	-	-	-	-	-	-	2,698,153	5,480,693	2,953,196
Committed	-	-	-	-	-	-	-	2,839,528	1,817,278	43,775
Assigned	-	-	-	-	-	-	-	2,026,103	1,934,204	4,790,358
Unassigned	-	-	-	-	-	-	-	-	-	(146,717)
Total all other governmental funds	<u>\$ 9,803,688</u>	<u>\$ 10,256,241</u>	<u>\$ 10,019,405</u>	<u>\$ 13,812,355</u>	<u>\$ 11,820,215</u>	<u>\$ 7,470,811</u>	<u>\$ 10,321,603</u>	<u>\$ 10,247,443</u>	<u>\$ 9,233,959</u>	<u>\$ 8,639,215</u>
Total governmental funds										
Reserved	\$ 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	4,359,206	4,908,362	5,531,992	6,812,830	7,349,854	7,386,804	8,022,458	-	-	-
Special revenue funds	1,437,171	427,952	1,794,971	2,862,579	2,665,841	2,624,295	1,996,542	-	-	-
Capital projects funds	2,252,001	4,004,323	3,245,425	6,632,631	4,305,056	108,794	4,454,096	-	-	-
Nonspendable	-	-	-	-	-	-	-	3,177,151	489,686	1,253,517
Restricted	-	-	-	-	-	-	-	2,938,969	5,480,693	2,953,196
Committed	-	-	-	-	-	-	-	2,839,528	1,817,278	43,775
Assigned	-	-	-	-	-	-	-	2,212,607	2,133,378	6,573,501
Unassigned	-	-	-	-	-	-	-	7,851,817	7,837,687	7,522,195
Total all other governmental funds	<u>\$ 15,484,900</u>	<u>\$ 16,369,400</u>	<u>\$ 16,521,300</u>	<u>\$ 21,008,452</u>	<u>\$ 19,570,818</u>	<u>\$ 15,367,938</u>	<u>\$ 18,880,086</u>	<u>\$ 19,020,072</u>	<u>\$ 17,758,722</u>	<u>\$ 18,346,184</u>

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Property taxes	\$ 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	\$ 25,227,703
State and County shared taxes	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	3,687,610
Licenses and permits	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	1,545,344
Intergovernmental grant revenues	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	2,856,056
Program Income	568,681	766,542	1,785,126	1,256,342	532,321	308,090	214,394	178,801	187,926	194,232
Charges for services	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	3,326,693
Fines and forfeitures	113,148	137,441	62,842	109,990	152,289	85,627	114,522	73,634	384,137	1,654,158
Investment Earnings	363,037	309,869	482,700	874,321	844,230	376,985	103,060	72,526	86,688	37,872
Property Sales	640,551	764,461	585,686	317,538	89,500	-	167,543	46,547	128,768	121,266
Contributions and Donations	446,772	355,415	330,583	496,488	415,618	338,606	292,594	453,244	211,248	278,945
Unallocated general revenue	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	2,409,113
Total revenues	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	41,338,992
Expenditures:										
General government	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	5,482,651
Public safety	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	19,807,827
Street and alleys	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	2,392,855
Waste collection & disposal	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	1,936,153
Parks and recreation	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	2,157,094
Municipal buildings	348,243	405,539	475,138	429,343	460,280	-	-	-	-	3,130,591
Economic and Community Development	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	1,442,024
Capital Outlay	3,559,050	4,364,679	3,054,495	4,023,274	5,291,644	7,435,760	6,028,999	1,368,903	1,393,474	-
Debt Service										
Principal	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	1,435,931
Interest	343,527	491,931	447,072	668,969	585,740	529,848	579,294	650,015	636,814	595,093
Issuance costs	-	-	-	-	-	-	49,714	-	975	1,105
Unallocated general expenditures	1,078,693	1,850,299	1,664,030	1,822,643	1,985,495	1,988,938	1,709,517	1,244,043	2,036,727	1,847,017
Total expenditures	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	40,228,340
Excess of revenues over(under) expenditures	(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)	1,110,551
Other financing sources(uses):										
Transfers In	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	2,389,966
Transfers Out	(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)	(2,913,055)
Debt Issued	-	-	-	-	-	-	-	-	600,000	-
Sale of Capital Assets	-	-	-	-	-	-	-	-	-	-
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)	1,589,538	2,946,004	288,347	6,361,200	673,540	682,817	8,517,710	(939,642)	(325,889)	(523,089)
Net changes in Fund Balance	\$ (157,630)	\$ 884,500	\$ 151,900	\$ 4,487,152	\$ (1,437,634)	\$ (4,202,880)	\$ 3,512,148	\$ 139,986	\$ (1,261,350)	\$ 587,462
Debt Service as a percentage of noncapital expenditures	4%	4%	7%	12%	5%	5%	5%	6%	6%	5%

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

City of Hagerstown, Maryland
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)
(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
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%
2013	2,497,776	140,437	2,638,213	0.851	3,100,133	85.10%

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	City			Overlapping Rates							
				County			State			Total Overlapping Rates	Total Direct & Overlapping Rates
	Real Property	Business & Personal Property	Total Direct Property Tax Rate	Real Property	Business & Personal Property	Total County Property Tax Rate	Real Property	Business & Personal Property	Total State Property Tax Rate		
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
2013	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, 2013
(Unaudited)

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Washington Real Estate	\$ 58,036,733	1	2.34%	\$ 37,989,626	1	2.42%
Walmart Real Estate Business Trust	20,591,200	2	0.83%	13,681,232	3	0.87%
Lowes Home Centers, Inc.	20,280,600	3	0.82%	10,424,420	6	0.66%
I-81 Hollyhock LLC	18,833,900	5	0.76%			
OEKOS Stone House LLC	18,735,300	4	0.76%			
Hagerstown Apartments (Limited) Partnership	17,999,700	6	0.73%	11,332,032	4	0.72%
Sams Real Estate Business Trust	14,891,467	7	0.60%	10,429,162	5	0.66%
Hagerstown Plaza LLC	14,516,600	9	0.59%			
FB Hagerstown LLC	14,254,000	8	0.58%			
Cortpark II LLC	14,250,000	10	0.58%			
Verizon - Maryland				32,574,360	2	2.07%
Inland Southeast Valley Park LLC				9,911,800	7	0.63%
Ahold Real Estate Company				9,700,332	8	0.62%
GH Hagerstown Supermarket, LLC				9,682,332	9	0.62%
Columbia Gas of Maryland, Inc.				9,678,110	10	0.62%
Totals	\$ 212,389,500		8.58%	\$ 155,403,406		9.89%

Source: City of Hagerstown Director of Support Services.

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

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%
2013	20,106,489	19,764,852	98.3%	40,340	19,805,192	98.50%

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)			Percentage of Personal Income	Per Capita
			Governmental	Business-type	Total		
2004	1,007,766,528	37,183	7,741,852	20,687,227	28,429,079	2.82%	765
2005	1,007,766,528	37,528	11,642,712	19,369,029	31,011,741	3.08%	826
2006	1,028,976,448	38,237	9,836,534	22,006,113	31,842,647	3.09%	833
2007	1,126,767,916	39,008	16,120,194	23,958,198	40,078,392	3.56%	1,027
2008	1,189,509,952	39,941	14,835,435	24,856,234	39,691,669	3.34%	994
2009	1,254,499,680	40,065	13,342,801	25,993,993	39,336,794	3.14%	982
2010	1,300,630,095	40,065	20,457,426	41,856,725	62,314,151	4.79%	1,555
2011	1,325,267,460	39,996	18,695,138	45,060,595	63,755,733	4.81%	1,594
2012	1,314,200,370	39,662	17,459,565	48,904,318	66,363,883	5.05%	1,673
2013	1,335,141,906	39,662	16,013,064	46,872,333	62,885,397	4.71%	1,586

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
2004	1,549,853	37,183	7,741,852	0.50%	208
2005	1,639,741	37,528	11,642,712	0.71%	310
2006	1,843,026	38,237	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	40,065	20,457,426	0.72%	511
2011	2,880,838	39,996	18,695,138	0.65%	467
2012	2,674,051	39,662	17,459,565	0.65%	440
2013	2,638,213	39,662	16,013,064	0.61%	404

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, 2013
(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	\$ 131,784,191	21.08%	<u>\$ 27,780,107</u>
Subtotal, overlapping debt			
City of Hagerstown Direct Debt			<u>62,885,397</u>
Total Direct and Overlapping Debt			<u><u>\$ 90,665,503.29</u></u>

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

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

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

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

	FISCAL YEAR									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit	\$ 157,133,116	\$ 163,974,115	\$ 181,619,510	\$ 210,311,298	\$ 235,114,167	\$ 252,023,957	\$ 277,404,374	\$ 292,814,798	\$ 267,405,166	\$ 263,821,300
Total net debt applicable to limit	<u>28,429,079</u>	<u>31,011,741</u>	<u>31,842,647</u>	<u>40,078,392</u>	<u>39,691,668</u>	<u>39,436,600</u>	<u>62,314,151</u>	<u>63,755,731</u>	<u>66,363,883</u>	<u>62,885,397</u>
Legal debt margin	<u>\$ 128,704,037</u>	<u>\$ 132,962,374</u>	<u>\$ 149,776,863</u>	<u>\$ 170,232,906</u>	<u>\$ 195,422,499</u>	<u>\$ 212,587,357</u>	<u>\$ 215,090,223</u>	<u>\$ 229,059,067</u>	<u>\$ 201,041,283</u>	<u>\$ 200,935,903</u>
Total net debt applicable to the limit as a percentage of debt limit	18.09%	18.91%	17.53%	19.06%	16.88%	15.65%	22.46%	21.77%	24.82%	23.84%

Legal Debt Margin Calculation for Fiscal Year 2013

Total assessed value	2,638,213,000
Debt limit (10% of total assessed value)	263,821,300
Debt applicable to limit:	
General obligation bonds	<u>62,885,397</u>
Legal debt margin	<u>\$ 200,935,903</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)

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
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
2013	39,662	1,435,605,752	36,196	7.5

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	2013			2004		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Washington County Public Schools	2,965	1	4.46%	2,573	3	4.02%
Meritus Health, Inc. (Washington County Health System, Inc.)	2,860	2	4.30%	2,908	1	4.55%
Citicorp Credit Services, Inc	2,500	3	3.76%	2,500	4	3.91%
State of Maryland	2,304	4	3.46%	2,774	2	4.34%
First Data Merchant Services	2,214	5	3.33%	1,931	5	3.02%
Volvo Powertrain NA (Mack Trucks, Inc.)	1,391	6	2.09%	1,264	6	1.98%
Washington County Government	1,134	7	1.70%	903	8	1.41%
Hagerstown Community College	813	8	1.22%			0.00%
The Bowman Group, LLC	753	9	1.13%			
FedEx Ground	648	10	0.97%			
Federal Government				602	10	0.94%
Pheonix Color Corporation				725	9	1.13%
GST AutoLeather				1,007	7	1.57%
Total	17,582		26.42%	17,187		26.87%

Source: Principal Employers for Washington County MD provided by Hagerstown/Washington County EDC
Total County employment for 2013 was 66,543 and 2004 was 63,947, supplied by Bureau of Labor Statistics.

City of Hagerstown, Maryland
Principal Electric Fund Customers
June 30, 2013
(Unaudited)

Customer	2013				2004			
	KwH	Amount Billed	Rank	Percentage of Total Electric Fund Billing	KwH	Amount Billed	Rank	Percentage of Total Electric Fund Billing
City of Hagerstown - WPC	9,431,100	\$ 677,815	1	2.60%	11,334,062	\$ 473,036	3	2.38%
City of Hagerstown - Public Works	7,261,232	673,664	2	2.59%	7,085,312	422,555	5	2.12%
Good Humor Breyers, Inc	4,308,860	339,381	3	1.30%	27,389,440	1,162,100	1	5.84%
CM Offray, Inc	3,856,120	331,999	4	1.27%	5,818,060	299,730	6	1.51%
C.E. Stevens Inc.	3,609,280	268,156	5	1.03%				
HBP, Inc.	3,292,160	266,531	6	1.02%				
Verizon	3,247,404	249,160	7	0.96%				
Board of Education/North High	2,551,757	227,733	8	0.87%	7,746,398	455,947	4	2.29%
Western Maryland St. Hospital	2,914,074	219,604	9	0.84%	3,425,456	147,263	9	0.74%
Board of Education/Marshall Street	2,336,160	204,502	10	0.78%				
Hagerstown Housing Authority					5,068,868	264,639	7	1.33%
Washington County Commissioners					2,838,508	158,743	10	0.80%
Washington County Hospital					17,621,514	777,478	2	3.91%
G&R Foods (County Market)					4,218,240	181,842	8	0.91%
Totals	42,808,147	\$ 3,458,545		13.27%	74,126,484	\$ 3,447,742		17.33%

Source: City of Hagerstown Billing Department.

City of Hagerstown, Maryland
Principal Water Fund Customers
June 30, 2013
(Unaudited)

Customer	2013				2004			
	Gallons	Amount Billed	Rank	Percentage of Total Water Fund Billing	Gallons	Amount Billed	Rank	Percentage of Total Water Fund Billing
Hagerstown Prison Complex(MCI)	422,906,000	\$ 1,281,408	1	13.47%	397,536,100	\$ 669,664	1	12.28%
Town of Smithsburg	79,329,800	200,722	2	2.11%	81,954,100	138,571	2	2.54%
Town of Williamsport	72,721,000	187,415	3	1.97%	74,370,500	125,830	3	2.31%
Volvo Powertrain NA (Mack Trucks, Inc.)	34,543,900	113,293	4	1.19%	52,152,500	100,591	6	1.85%
Washington County Hospital (Meritus Medical Center)	34,873,500	110,660	5	1.16%	54,164,700	63,071	5	1.16%
Town of Funkstown	28,859,500	78,628	6	0.83%	27,395,100	47,799	8	0.88%
Washington County Detention Center	22,369,000	70,567	7	0.74%				
Lakeside Park	21,080,500	69,414	8	0.73%				
Oak Ridge Apartments	19,383,600	68,945	9	0.72%	21,121,000	41,042	10	0.75%
Maryland Paper	20,429,200	61,852	10	0.65%	38,526,300	65,658	7	1.20%
W.D. Byron & Sons					66,140,400	112,892	4	2.07%
PR Valley LTD Part/Valley Mall					23,246,400	40,830	9	0.75%
Totals	756,496,000	\$ 2,242,904		23.57%	836,607,100	\$ 1,405,948		25.79%

Source: City of Hagerstown Billing Department.

City of Hagerstown, Maryland
Principal Wastewater Fund Customers
June 30, 2013
(Unaudited)

Customer	2013				2004			
	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)	34,858,500	\$ 256,382	1	2.56%	47,937,000	\$ 158,192	1	2.42%
Washington Co Detention Center	22,369,000	164,368	2	1.64%	14,597,300	79,555	5	1.22%
Volvo Powertrain NA (Mack Trucks, Inc.)	20,397,000	160,661	3	1.60%	25,868,500	141,199	2	2.16%
Cortpark LLC	26,221,800	110,526	4	1.10%				
CM Offray (MD Ribbon)	23,848,700	101,839	5	1.02%	22,971,700	75,807	6	1.16%
Realty Investment Co (Hagers Apts)	19,034,000	84,382	6	0.84%	21,189,400	69,925	7	1.07%
Brandywine(Youngstoun Apartments)	9,665,500	80,072	7	0.80%	11,921,600	65,003	8	0.99%
Western Maryland State Hospital	15,680,500	67,121	8	0.67%	14,247,700	47,017	10	0.72%
Hagerstown Housing Authority/Noland Villiage	14,206,500	59,639	9	0.60%	31,059,500	102,496	3	1.57%
Citicorp Credit Services	8,248,500	58,426	10	0.58%	10,513,900	49,637	9	0.76%
Good Humor Breyers, Inc.					28,097,200	92,721	4	1.42%
Totals	194,530,000	\$ 1,143,415		11.41%	228,403,800	\$ 881,552		13.48%

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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
City Administrator	1.33	1.33	1.33	1.67	1.67	1.67	1.67	2.5	3.5	3.5
City Clerk	1.33	1.33	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Economic Development (DCED)*****	23.85	23.5	23	1.33	1.33	1.33	1.33	2	1	1
Public Information ***/*****	-	-	-	3.5	3.5	5.5	5.5	4	2	1
Public Function	-	-	-	0	0	0	0	0	1	1
Subtotal Administration	<u>26.51</u>	<u>26.16</u>	<u>25.83</u>	<u>8</u>	<u>8</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>9</u>	<u>8</u>
Accounting*****	8.5	8.75	8.75	6.5	6.5	6.5	7	7	7	7
Treasurer*****	-	-	-	4	4	4	4	3	3	3
Information Technology*****	12	12	12	6	6	6	6	6	6	5
Billing/Customer Service*****	-	-	-	4	4	4	4	14	13	13
Purchasing*****	-	-	-	2.5	2.5	2.5	2	4	4	3
Human Resources	4	4	4	4	4	4	4	6	5	4
Planning*****	-	-	-	6	6	6	6	6	4	4
Engineering****	29.72	29.66	29	14	14	14	14	14	14	14
Code Compliance*****	-	-	-	15	15	15	15	15	15	13
Police Sworn	108	105	105	109	107	105	105	101	101	105
Police Administration/Civilian	15	13	13	13	24	24	23	24	21	21
Fire	83	83	83	83.6	83.6	83.6	74	64	64	64
Public Works*	32.9	32.9	34	34	34	34	34	34	34	56
Parks & Recreation*/****	-	-	-	20	20	20	18	20	21	0
Total General Fund	<u>319.63</u>	<u>314.47</u>	<u>314.58</u>	<u>329.6</u>	<u>338.6</u>	<u>338.6</u>	<u>326</u>	<u>328</u>	<u>321</u>	<u>320</u>
Electric	40.18	40.18	40	40	40	40	41	35	35	33
Water	55.02	55.49	54.25	56	56	56	56	48	45	50
Wastewater	47.76	47.4	48	48	48	48	48	51	49	41
Golf Course	2.37	2.52	3	3	3	3	3	2	2	2
Parking	2.2	2.2	2.4	2	2	2	2	2	2	2
Property Management*****	0.9	0.9	-	-	-	-	-	-	-	-
Community Development Block Grant	2.2	2.5	3.43	6.4	6.4	6.4	6	6	6	7
Telework Center*****	-	-	-	1	1	1	1	1	1	1
City Staffing Levels	<u>470.26</u>	<u>465.66</u>	<u>465.66</u>	<u>486</u>	<u>495</u>	<u>495</u>	<u>483</u>	<u>473</u>	<u>461</u>	<u>456</u>
**General Operations	116.73	116.87	131.4	131.4	131.4	133.4	131	146	142	138
Public Safety	206	201	205.6	205.6	214.6	212.6	202	189	186	190
Business-type Activities	147.53	147.79	147.65	149	149	149	150	138	133	128

* 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.

Source: City of Hagerstown Human Resource Department.

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

Function	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Fire Department										
Responses to Fire alarms	2,587	2,573	2,428	2,275	2,249	2,185	2,033	1,988	1,931	2,047
Average response time (in minutes)	3:06	4:06	4:17	4:31	3:13	3:19	3:28	3	3	3
False alarms (included in above number)	25	30	18	27	10	6	13	20	31	49
Public fire education programs	825	1,452	927	655	453	356	349	296	317	320
Persons in attendance at public education programs	5,880	9,619	10,558	14,875	13,950	11,110	11,045	8,710	8,585	8,990
Police Department										
Parking ticket violations issued	8,838	7,030	8,117	11,660	12,146	8,654	11,616	10,458	12,924	13,217
Net parking fines	\$ 113,540	\$ 91,860	\$ 125,161	\$ 172,865	\$ 143,275	\$ 148,223	\$ 145,115	\$ 132,955	\$ 163,533	\$ 206,909
Calls for service	60,764	63,697	54,555	51,625	53,479	57,509	56,945	56,188	58,106	54,262
Alarm calls (included in above number)	496	696	1,048	1,563	2,088	2,065	2,191	2,025	2,126	2,161
Parks and Recreation										
Claude M Potterfield Pool										
Total attendance at swimming pool	17,945	23,223	23,611	23,764	24,268	25,497	24,606	27,117	31,733	27,152
Average daily attendance at pool	285	332	353	321	275	300	315	312	387	319
The Greens at Hamilton Run										
Total attendance at golf course	9,998	10,946	10,804	10,191	12,219	16,638	16,236	17,655	15,377	14,458
Average daily attendance at golf course	37	43	39	39	39	48	52	56	51	56
Electric Department										
Number of active accounts	16,863	16,876	16,921	16,821	16,974	17,026	17,607	17,585	17,379	17,224
Number of meters (in use)	17,876	17,825	17,942	17,898	17,972	18,072	17,981	17,937	17,756	17,634
Kilowatt hours purchased	314,865,535	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
Kilowatt hours sold	304,005,581	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
System peak demand-kilowatts	66,100	68,180	71,024	67,389	66,204	73,990	77,418	76,717	70,524	75,257
Water Department										
Number of active accounts-City	13,088	13,044	13,028	12,996	13,030	13,083	12,949	12,532	12,128	11,745
Number of active accounts-County	15,430	15,343	15,319	15,288	15,189	15,162	14,920	14,637	14,163	13,722
Total number of active accounts	28,518	28,387	28,347	28,284	28,219	28,245	27,869	27,169	26,291	25,467
Daily average productions in million gallons										
R.C. Willson Plant (365 days)	11.559	11.637	11.854	11.346	10.797	10.583	10.910	10.833	10.714	10.179
Wm. M. Breichner Plant (365 days)	0.000	0.000	0.013	0.000	0.001	0.008	0.030	0.029	0.113	-
Greatest consumption for a single day	13.65	13.680	14.000	13.530	13.270	13.130	12.651	12.830	12.980	12.037
Plant pumping capacity per day	20.000	20.000	20.000	20.000	20.000	20.000	14.000	14.000	13.000	19.800
Average daily metered consumption	7.729	8.244	8.698	8.233	8.532	8.645	8.555	8.567	8.503	8.310
Wastewater Department										
Number of active accounts-City	12,795	12,779	12,778	12,745	12,777	12,828	12,707	12,273	11,874	11,488
Number of active accounts-County	2,902	2,903	2,922	2,916	2,898	2,903	2,890	2,816	5,679	5,426
Number of active accounts-District (JSA)	3,476	3,449	3,437	3,434	3,409	3,373	3,317	3,155	-	-
Number of active accounts-Total	19,173	19,131	19,137	19,095	19,084	19,104	18,914	18,244	63,000	16,914
Daily average of sewage treated (million gallons)(including inflow and infiltration)	6.55	7.29	7.430	7.170	6.310	7.060	6.950	6.900	6.300	9.000
Daily average plant capacity (rated optimum efficiency)(million gallons)	10.500	10.500	10.500	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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Parking Facilities Department										
Parking Deck:										
Number of Parking Spaces	625	625	625	629	625	629	629	441	441	441
Number of Permit Parkers	485	638	996	868	695	421	418	345	315	312
Operating Revenue:										
Meter Fees	\$ 182,763	\$ 186,368	\$ 186,781	\$ 226,740	\$ 237,847	\$ 237,847	\$ 244,864	\$ 247,287	\$ 248,078	\$ 232,342
Permit Fees	\$ 179,250	\$ 161,600	\$ 144,237	\$ 183,619	\$ 162,079	\$ 162,079	\$ 151,675	\$ 176,160	\$ 147,764	\$ 146,942
Deck	\$ 421,341	\$ 378,655	\$ 361,707	\$ 311,211	\$ 334,712	\$ 334,712	\$ 270,721	\$ 212,442	\$ 207,421	\$ 224,362
Sanitation										
Number of Waste Collection and Disposal Accounts										
Residential	14,341	14,326	14,304	14,364	14,586	14,335	14,075	13,664	13,394	13,247
Commercial (Trash and Recycling)**	38	25	-	-	-	-	-	-	-	-
Special Revenue Funds										
Number outstanding loans:										
Community Development Block Grant										
Single family	4	6	6	5	7	9	10	10	11	13
Residential Rental	6	6	8	9	9	10	11	11	12	14
Commercial	2	2	2	2	2	2	4	5	6	7
Deferred	36	37	36	37	35	31	26	22	27	31
Public facilities and improvements	4	4	4	4	4	4	4	6	6	6
Homeownership	4	4	4	5	6	7	7	9	10	11
Direct Homeownership	7	7	9	10	9	8	9	8	10	14
Business Revolving Loans	12	10	10	12	10	12	5	3	1	5
Total	75	76	79	84	82	83	76	74	83	101
Outstanding loan balances:										
Community Development Block Grant										
Single family	20,335	31,573	40,964	35,592	44,427	139,798	109,362	120,911	188,209	248,022
Residential Rental	716,986	596,347	623,803	656,671	688,176	449,450	509,268	524,094	830,070	1,033,040
Commercial	167,887	186,434	207,740	234,099	261,116	279,075	325,058	486,969	535,302	608,606
Deferred	783,641	789,367	788,302	797,529	863,392	766,144	739,327	691,594	704,529	729,383
Public facilities and improvements	548,366	585,653	627,758	671,463	715,276	757,622	806,757	926,064	1,004,309	891,841
Homeownership	117,211	125,424	137,620	217,964	266,411	276,864	319,370	368,975	435,198	477,532
Business Revolving Loans	732,901	654,480	569,807	830,909	686,774	832,348	357,797	158,513	6,921	218,584
Total	\$ 3,087,327	\$ 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
Program income (interest and loan repayments)										
Community Development Block Grant										
Single family	12,748	11,404	8,296	8,879	99,941	35,804	24,380	73,849	68,795	31,773
Residential Rental	47,244	56,975	62,950	57,651	58,745	84,167	85,820	335,673	242,380	427,427
Commercial	21,564	25,173	30,748	33,280	23,892	53,753	174,655	64,097	90,539	103,370
Deferred	20	-	18,951	2,561	2,301	10,255	40,306	48,088	83,217	23,594
Public facilities and improvements	57,383	63,989	67,292	69,578	68,309	70,876	146,667	114,250	201,654	70,076
Homeownership***	110,599	15,910	85,768	66,183	22,805	56,422	65,169	105,012	64,351	43,353
Business Revolving Loans	55,780	112,732	107,381	85,714	175,432	118,563	27,718	40,621	57,989	10,665
Total	\$ 305,338	\$ 286,183	\$ 381,386	\$ 323,846	\$ 451,425	\$ 429,840	\$ 564,715	\$ 781,590	\$ 808,925	\$ 701,258

Source: Corresponding City Department.

**Note: Commercial Accounts started in January 2012.

***Note: Includes sale of 3 homes for \$100,000.

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

Function	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
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	151.75	151.0	145.6	145.6	144.4	143.3	142.0	139.6	139.6	139.6
Number of traffic signals maintained	132	132	129	133	130	132	128	127	127	126
Parks and Recreation										
Parks and Playgrounds (292.417 acres)	19	15	15	15	15	15	15	15	16	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	425	392	389	383	377
Fire hydrants										
City	814	814	814	808	802	802	800	800	755	726
County	1,318	1,297	1,297	1,291	1,272	1,272	1,266	1,241	1,204	1,107
Wastewater Department										
Number of City owned pumping stations	25	27	23	26	26	26	25	27	27	25
Miles of collection system-City owned	156	156	153	153	153	153	153	138	138	135
Parking Facilities Department										
Number of Lots	7	7	7	7	7	6	6	7	7	7
Number of Parking Spaces (Metered or Rented)										
Lots	701	709	678	678	682	719	719	726	726	719
Streets	374	363	519	519	511	526	526	540	535	528
Number of Parking Decks	2	2	2	2	2	2	2	1	1	1

Source: Corresponding City Department.

City of Hagerstown

MARYLAND



Comprehensive Annual Financial Report Fiscal Year 2013

July 1, 2012 – June 30, 2013

Prepared By:

Finance and Accounting

Michelle D. Hepburn, Acting Director of Finance

Rana B. Rose, Acting Accounting Manager

