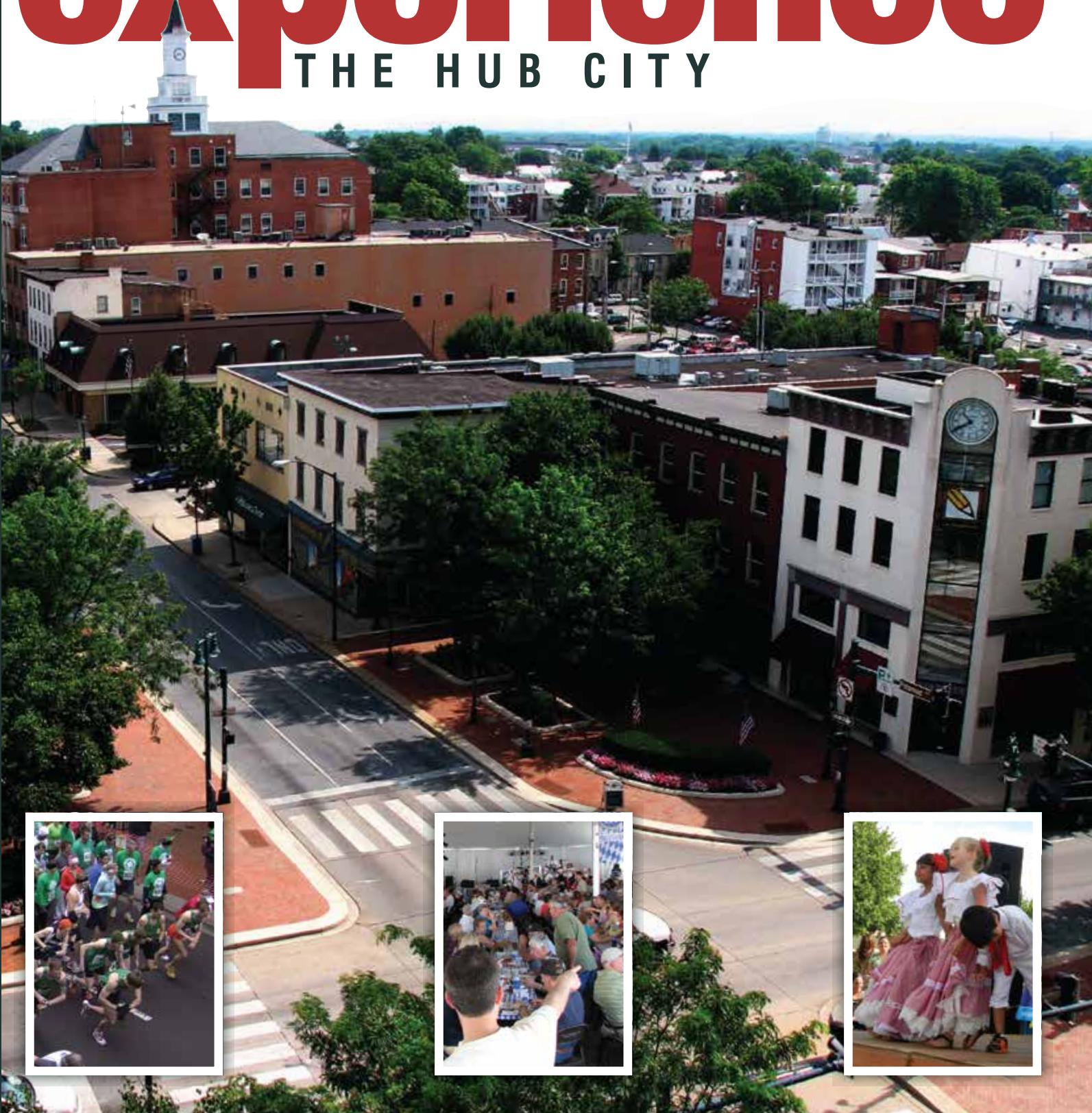




Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2014

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



City of Hagerstown

MARYLAND



Comprehensive Annual Financial Report Fiscal Year 2014

July 1, 2013 - June 30, 2014

Prepared By:

Finance and Accounting

Michelle D. Hepburn, Director of Finance

Rana B. Rose, 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, 2014

Table of Contents

	<u>Page</u>
Introductory Section	
Letter of Transmittal	i
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	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	21
Statement of Net Position - Proprietary Funds	22
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	24
Statement of Cash Flows - Proprietary Funds	25
Combining Statement of Fiduciary Net Position - Pension Trust Fund	27
Combining Statement of Changes in Fiduciary Net Position - Pension Trust Fund	28
Notes to the Financial Statements	29
Required Supplementary Information:	
Schedule of Funding Progress - The City of Hagerstown Police and Fire Employees' Retirement Plan	70
Schedule of Funding Progress - The City of Hagerstown Police and Fire Employees' Retirement Plan	71
Schedule of Employer Contributions - The City of Hagerstown Other Post Employment Benefits	72
Governmental Funds Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	73
- Capital Projects Funds	76
Special Revenue Funds	
Combining Balance Sheet - Nonmajor Governmental Funds	77
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances: - Nonmajor Governmental Funds	78
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Community Development Block Grant	79
- Economic Redevelopment	80
- Flexible Spending	81
- Business Revolving Loan	82
- Excise Tax	83
- Grant Revenue	84
- Upper Floors Redevelopment	85

City of Hagerstown
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended June 30, 2014

Table of Contents

	<u>Page</u>
Financial Section(continued)	
<u>Nonmajor Enterprise Funds</u>	
Combining Statement of Net Position - Nonmajor Enterprise Funds	86
Combining Statement of Revenues, Expenses, and Changes in Net Position - Nonmajor Enterprise Funds	87
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	88
<u>Internal Service Funds</u>	
Combining Statement of Net Position - Internal Service Funds	89
Combining Statement of Revenues, Expenses, and Changes in Net Position - Internal Service Funds	90
Combining Statement of Cash Flows - Internal Service Funds	91
Statistical Section (Unaudited)	
<u>Financial Trends</u>	
Net Position by Component - Last Ten Fiscal Years	92
Changes in Net Position - Last Ten Fiscal Years	93
Governmental Activities Tax Revenues By Source - Last Ten Fiscal Years	95
Fund Balances of Governmental Funds - Last Ten Fiscal Years	96
Changes in Fund Balance - Governmental Funds - Last Ten Fiscal Years	97
<u>Revenue Capacity</u>	
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	98
Property Tax Rates Per \$100 of Assessed Value - Last Ten Fiscal Years	99
Principal Property Taxpayers	100
Property Tax Levies and Collections - Last Ten Fiscal Years	101
<u>Debt Capacity</u>	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	102
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	103
Direct and Overlapping Governmental Activities Debt	104
Legal Debt Margin Information - Last Ten Fiscal Years	105
<u>Demographic and Economic Information</u>	
Demographic and Economic Statistics - Last Ten Fiscal Years	106
Principal Employers in the Metropolitan Area	107
Principal Electric Fund Customers	108
Principal Water Fund Customers	109
Principal Wastewater Fund Customers	110
<u>Operating Information</u>	
Full-time Equivalent City Government Employees by Function - Last Ten Fiscal Years	111
Operating Indicators By Function - Last Ten Fiscal Years	112
Capital Assets Statistics by Function - Last Ten Fiscal Years	114

INTRODUCTORY SECTION





City of Hagerstown, Maryland

Finance Department

November 12, 2014

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, 2014.

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, 2014, 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, 2014, are fairly presented in conformity with GAAP. The independent public accountant's report is presented in the beginning 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 73 through 75 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 79 through 85.

Factors Affecting Financial Condition

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

Local economy. Citizens continue to enjoy a diversified employer base that includes companies from the manufacturing, transportation, service, retail, and finance industries as well as local and state government. However, the length of the most recent economic downturn has taken its toll on both businesses and workers. The unemployment rate for Hagerstown decreased from 7.5% in June 2013 to 6.5% in June 2014; and, the most recent figure for September 2014 remains flat at 6.3%. The national unemployment rate in June 2014 was 6.1%, and in Washington County it was 7.0%. Rebuilding the economy has been a tenuous process, and market conditions are gradually reflecting signs of improvement. The average employment for Washington County in 2013 showed moderate growth to a total of 65,557, and the Hagerstown metropolitan area per capita income was \$36,196.

The City's assessable tax base experienced mild growth. Total property tax revenue increased slightly by \$0.1 million from FY2013/2014 when compared to FY2012/2013. Property tax revenue comprised approximately 67% of the City's total general fund revenue sources in FY2013/14. The newest triennial property assessment for Hagerstown occurred in December 2013 and reflects a decline in property values of 7.8%. As a result of this decline and increasing expenditures for employees' salaries and benefits, the City raised real estate property taxes by 11 cent per \$100 of assessed value effective July 1, 2014.

During fiscal year 2013/2014, the state increased its distribution to municipalities for State Aid for Police Protection to historical levels, which is reflected in an increase of \$0.2 million revenue from the prior year. The City's newest revenue source, Safe Speed for School Program, was implemented as part of a major public safety initiative to monitor traffic speed in school zones. During FY2013/2014, \$1.2 million in speed camera violation fines were issued as part of this safety initiative. It is anticipated that this revenue will decline and be flat 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 has recently completed a redevelopment plan which identifies eight (8) catalytic projects. The plan is branded as the Community's City Center Plan. The plan calls for a mix of both private and public investment designed to be catalytic in nature to encourage further private investment and is available on the City's website. 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 and strong fiscal management 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 in fiscal year 2011/2012 and more recently upgraded with Standard and Poor's rating of AA during fiscal year 2013/2014.

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 FY2013/2014 unassigned fund balance for the General Fund was \$8.1 million or 21.9% 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.

Finally, the City is revising its strategic plan and community vision. This plan will provide a structure for the City's leaders to document important initiatives and projects for the next two years and enable the community to be more involved.

Major Projects and Initiatives. The Mayor and Council have undertaken a number of initiatives with the desire to strengthen the City and its City Center core. The Mayor and Council have endorsed the Community's City Center Plan and the plan's goals. The City is working with private and public entities on funding of these projects and initiatives. During FY2014 through FY2016, the City is positioned to complete the following:

The Catalyst Projects initiated in FY2015 include:

- Catalyst Project 3 - Support for expansion of the University System of Maryland - Hagerstown through a dedicated student housing project (reserved \$250,000). Project completion projected to be in early in FY2016.
- Catalyst Project 5 - Trail Project connecting the Arts and Entertainment District to City Park / WCMFA with a completion projected to be in early in FY2016.
- Catalyst Project 6 - Expansion of events focused on the City Center
- Catalyst Project 7 - Steps towards private management and expansion of the Farmer's Market
- Catalyst Project 8 - Expansion of home ownership programs and renovations in targeted areas and the addition of Neighborhood Service Inspector Positions and establishment of annual exterior inspections for rental properties

In FY2015, the continuing renovation of the art gallery at the City owned 36 - 40 North Potomac Street will be complete. This project (Studios on NoPo) included acquisition, complete renovation and now operation of a cooperative artist living / work space. In addition to the art gallery, this structure is now home to an authentic Thai restaurant.

In FY2015, the final phase of renovations at 60 West Washington Street will be complete. This long-term vacant property was acquired by the City and renovated. It is now home to classrooms for the University System of Maryland - Hagerstown, is the current headquarters for a community based revitalization group and in this final phase will include a business resource center, an entrepreneurial certificate program, and creative shared work place.

In a project spanning FY2014 through FY2016, the City acquired property at 43-53 West Washington Street and is renovating this structure which was once thought to be beyond repair. Phase I of the renovation work is nearly complete. The next scheduled phases include a pedestrian walkway through one storefront which will provide a necessary pedestrian connection to a multi-modal trail connecting the downtown arts and entertainment district and City Park. This property is being marketed for sale.

In FY2013, a project located at 170 West Washington was initiated which included the demolition a dilapidated motel. The original mansion house is being preserved. The exterior renovations of this structure will occur in FY2015. This property is being marketed for sale.

Through FY2014 and into FY2015, the City successfully negotiated a settlement agreement for property known as the former Municipal Electric Light Plant (MELP). It is anticipated that the demolition will be complete in FY2015. After all environmental remediation and demolition the City will take ownership of this site.

During FY2014, the Water Fund began the RC Willson Phase IV Improvements for stage 2 DPBR compliance. The construction phase of the RC Willson Phase IV Plant Improvement Project for compliance with the Safe Drinking Water Act Stage 2 Disinfectant By-Product Rule was 82% complete. Two new chemical feed treatment processes were started in FY14 as well as the purchase and installation of the new SCADA software and hardware. The planned completion date for this project is December 2014. The City has been reimbursed for 100% of the MDE grant funding and for all work completed utilizing MDE loan funding.

Neighborhood and Commercial Redevelopment. Invest Hagerstown - This private-public partnership program continues to create visible change as it leverages private investment. Invest Hagerstown includes the First 3rd grant program which provides renovation grants for commercial and mixed use development and redevelopment projects. Also under this banner are a number of home ownership and renovation loan to grant programs which target vacant structures and targeted areas to encourage the building of strong neighborhoods.

Adding to the City's impressive public park system remains a priority. In FY2015, Memorial Park will be complete. Additional opportunities to provide pocket parks throughout the City are being explored.

Main Street Designation, Sustainable Community Designation, Sustainable Maryland Designation, and other efforts round out the City's comprehensive efforts to further the development of strong and sustainable neighborhoods and community.

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, 2013. This was the eighteenth 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, 2013. 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.

Finally, 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, and Jeffrey Lear, Senior Accountant, for the commitment and teamwork displayed during the preparation of the CAFR. Special thanks must also be given to our independent accounting firm, SB & Company, LLC for their support and assistance in conducting the audit and for their insights and guidance on improving our financial reporting. In addition, credit must be given to the Mayor and the governing Council for their interest and support in planning for and maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Michelle Hepburn
Director of Finance



Government Finance Officers Association

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

Presented to

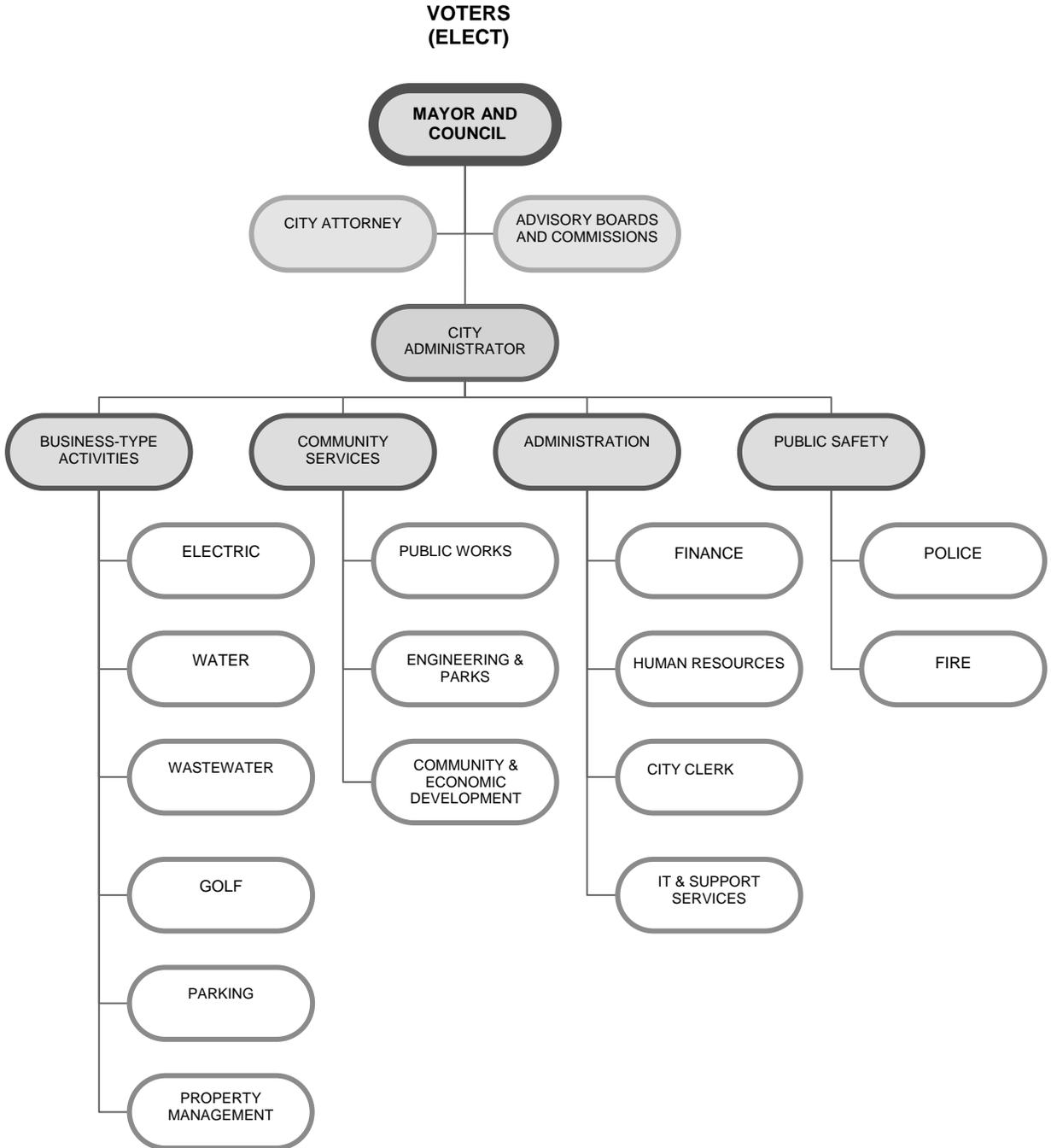
**City of Hagerstown
Maryland**

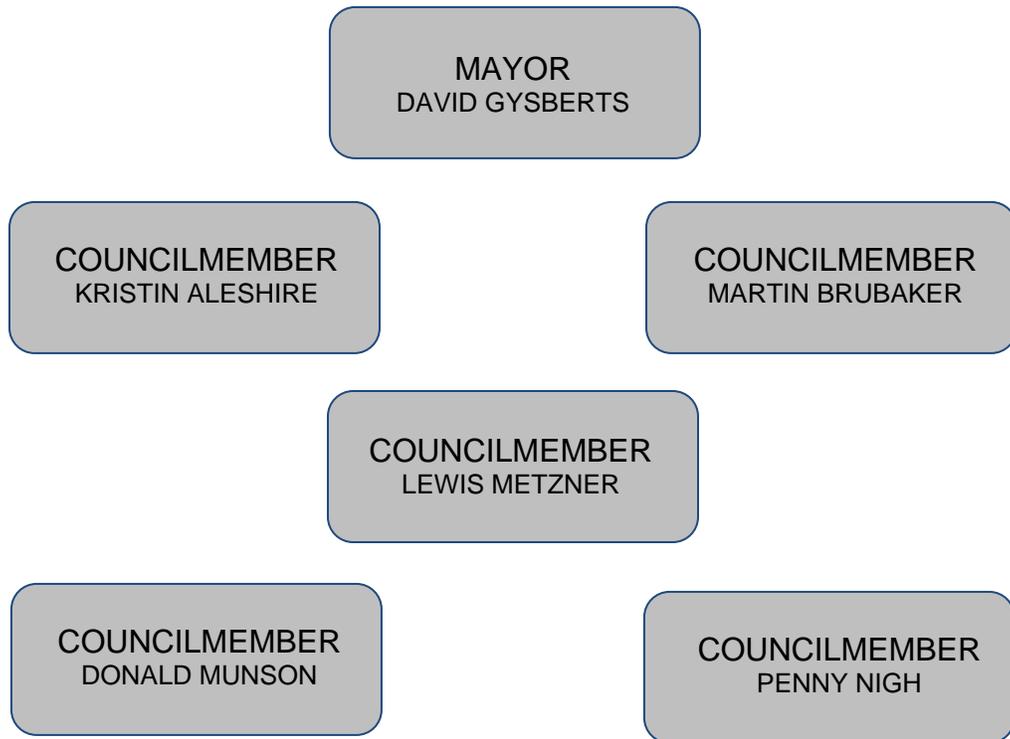
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

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





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, 2014, 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, 2014, 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.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in pension fund net pension liability and related ratios and schedule of employer contributions for the City of Hagerstown Police and Fire Employees' Retirement Plan, and the schedule of funding progress and the schedule of employer contributions for the 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 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 section 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 them.

Hunt Valley, Maryland
November 14, 2014

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, 2014. 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 \$250.6 million (*net position*). Approximately 63.1% of this amount is attributable to the City's three utilities (Electric, Water and Wastewater). Of the total net position, \$25.9 million (*unrestricted net position*) may be used to meet ongoing obligations to citizens and creditors (62.7% of this amount is attributable to the City's three utilities), \$8.9 million is restricted for specific purposes (*restricted net position*), and \$215.8 million is net investment in capital assets.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$18.6 million. Of this total amount \$7.9 million is unassigned and represents working capital available to support governmental operating needs and future years' expenditures.
- The City's total net bonded debt increased by \$3.4 million (5.4%) during the current fiscal year from \$62.9 million to \$66.3 million. Total new debt added during the fiscal year was \$7.7 million, which reflects new governmental bond issue of \$1.7 million and another \$5.9 million draw on an existing Maryland Water Quality Revolving Loan. The City's adherence to its amortization schedules for existing debt reduced its debt by \$4.2 million during the fiscal year. 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 \$0.2 million after making a \$0.8 million transfer to the Capital Projects Fund and operating transfers of \$0.2 million to the Golf Course Fund, and \$0.2 million to the Economic Redevelopment Fund. Additionally during the fiscal year, the City provided salary enhancements to all employee groups for the first time since 2008/2009.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8.1 million or 21.9% 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 unassigned 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 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 16 and 17 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 18 through 21 of this report. The other governmental fund financial statements can be found on pages 73 through 85.

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 22 to 26 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 27 to 28 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 statements and can be found on pages 29 to 69.

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 pages 70 to 72 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 \$250.6 and \$247.0 million at the close of the current and previous fiscal years.

City of Hagerstown net assets are divided into three categories – net investment in capital assets, restricted net position and unrestricted net position. The largest portion of the City's net position (86.1% or \$215.8 million) reflects its net investment in capital assets (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 \$8.9 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 \$25.9 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 \$18.7 million and the unrestricted net position portion for governmental activities has a balance of \$7.2 million.

Summary of Net Position June 30, 2014 and 2013

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current Assets	\$ 26,024,954	\$ 25,048,746	\$ 24,226,773	\$ 21,446,485	\$ 50,251,727	\$ 46,495,231
Long-term and restricted assets	361,913	130,288	4,055,679	3,897,982	4,417,592	4,028,270
Capital assets, net	78,007,501	78,630,609	204,072,083	196,856,190	282,079,584	275,486,799
Total Assets	104,394,368	103,809,643	232,354,535	222,200,657	336,748,903	326,010,300
Liabilities:						
Long-term liabilities	17,301,697	17,951,202	49,572,697	45,453,053	66,874,394	63,404,255
Other liabilities	8,103,220	7,752,561	11,145,758	7,844,192	19,248,978	15,596,753
Total Liabilities	25,404,917	25,703,763	60,718,455	53,297,245	86,123,372	79,001,008
Net Position:						
Investment in capital assets, net	62,841,007	62,661,321	152,917,402	149,983,855	215,758,409	212,645,176
Restricted	8,917,240	8,785,932	-	-	8,917,240	8,785,932
Unrestricted	7,231,204	6,658,627	18,718,678	18,919,557	25,949,882	25,578,184
Total Net Position	\$ 78,989,451	\$ 78,105,880	\$ 171,636,080	\$ 168,903,412	\$ 250,625,531	\$ 247,009,292

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

**Changes in Net Position
June 30, 2014 and 2013**

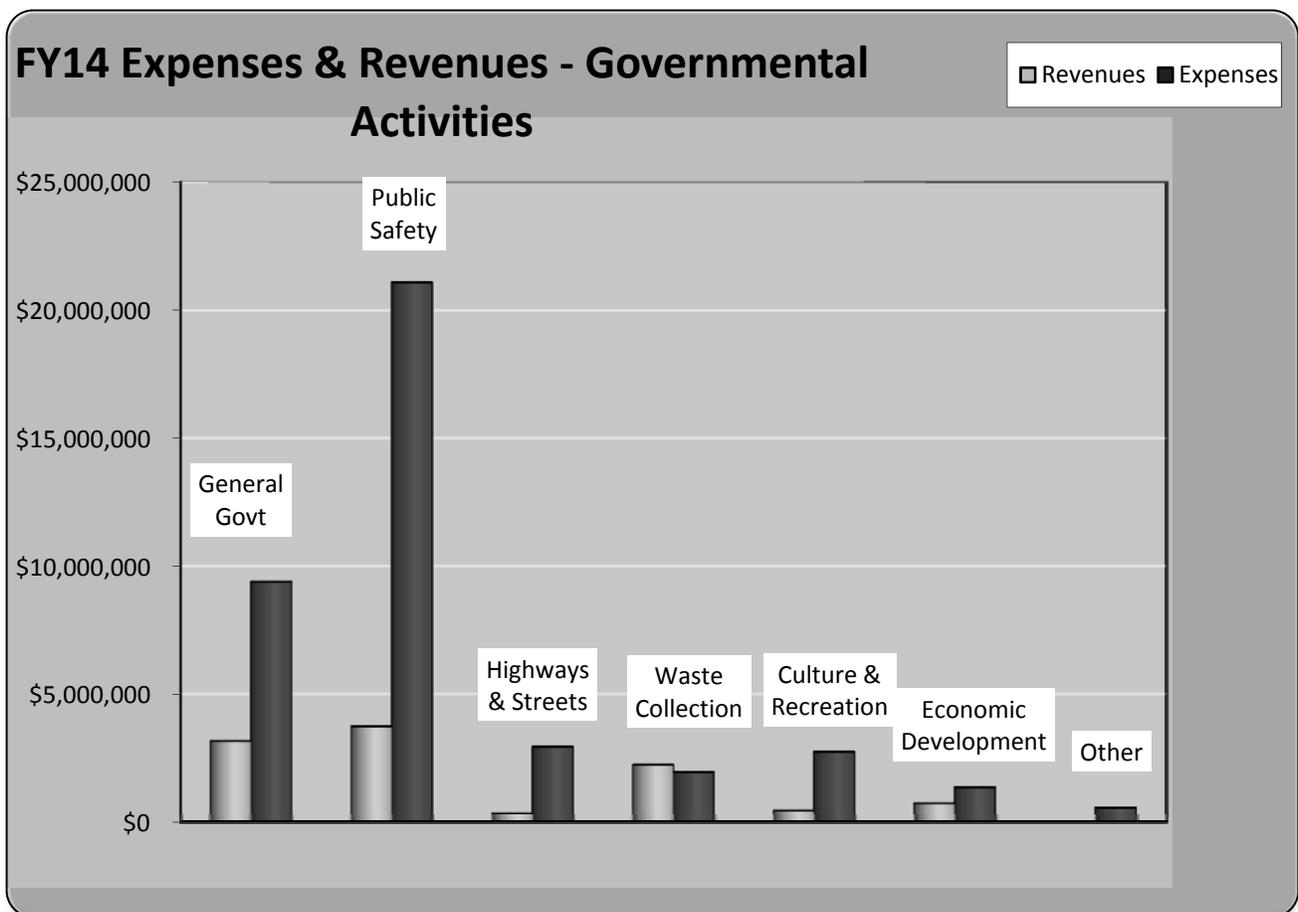
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for services	\$ 7,927,053	\$ 8,982,263	\$ 47,528,051	\$ 48,199,297	\$ 55,455,104	\$ 57,181,560
Operating grants and contributions	2,119,193	2,331,085	-	-	2,119,193	2,331,085
Capital grants and contributions	543,261	3,792,121	3,607,284	2,546,931	4,150,545	6,339,052
General Revenues:						
Property taxes	25,365,054	25,227,705	-	-	25,365,054	25,227,705
State and county shared taxes	4,834,311	3,510,080	-	-	4,834,311	3,510,080
Miscellaneous	303,832	261,154	156,910	180,193	460,742	441,347
Total Revenues	41,092,704	44,104,408	51,292,245	50,926,421	92,384,949	95,030,829
Expenses:						
Program Expenses:						
General government	9,380,546	9,581,916	-	-	9,380,546	9,581,916
Public safety	21,088,870	21,070,864	-	-	21,088,870	21,070,864
Highways and streets	2,923,564	2,828,009	-	-	2,923,564	2,828,009
Waste collection and disposal	1,950,228	1,937,485	-	-	1,950,228	1,937,485
Culture and recreation	2,729,399	2,665,582	-	-	2,729,399	2,665,582
Economic and community development	1,349,844	3,174,443	-	-	1,349,844	3,174,443
Interest on long-term debt	550,317	514,648	-	-	550,317	514,648
Utilities and other proprietary funds	-	-	48,588,768	52,205,484	48,588,768	52,205,484
Total Expenses	39,972,768	41,772,947	48,588,768	52,205,484	88,561,536	93,978,431
Excess before transfers	1,119,936	2,331,461	2,703,477	(1,279,063)	3,823,413	1,052,398
Transfers	(175,455)	(798,089)	175,455	798,089	-	-
Change in net position	944,481	1,533,372	2,878,932	(480,974)	3,823,413	1,052,398
Net Position - Beg. as restated	78,044,970	76,572,508	168,757,148	169,384,386	246,802,118	245,956,894
Net Position - Ending	\$ 78,989,451	\$ 78,105,880	\$ 171,636,080	\$ 168,903,412	\$ 250,625,531	\$ 247,009,292

Note: FY13 Net Position ending balances were restated as of July 1, 2013, as a result of GASB 65. With this GASB change, bond issuance costs (deferred charges) can no longer be amortized over the life of a bond but must be recorded as an expenditure in the year of issuance. As a result, Governmental Funds Net Position was reduced by \$60,910 and Business Type Funds Net Position was reduced by \$146,264.

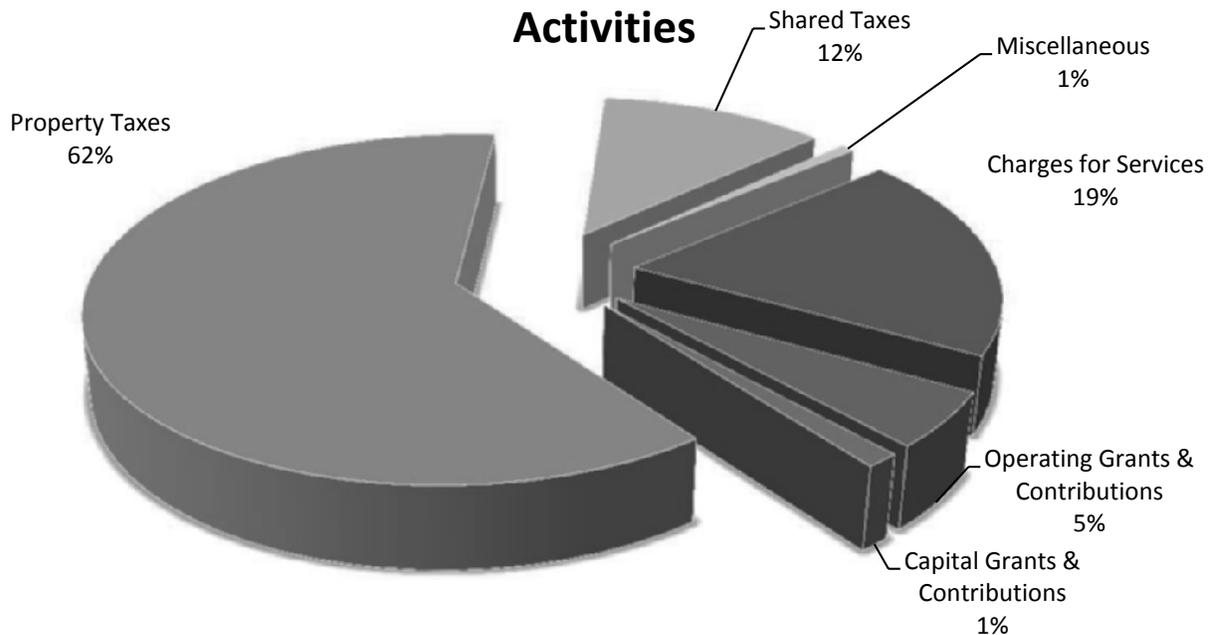
Governmental activities: General revenues for the governmental activities were \$30.5 million, while total expenses, net of charges for services, grants and contributions, were \$29.4 million. The increase in net position for governmental activities was \$0.9 million and can be largely attributed to the following:

- \$0.2 million of the increase is due to the excess of actual revenues over expenditures in the City’s General Fund. This increase is a result of growth in the following revenue areas: total property taxes (includes personal property taxes), income tax, and restoration of historical state aid for police protection grant. In addition to the revenue growth, the City was able to keep operating expenditures slightly under budget due to a smaller than anticipated bond issuance.
- \$0.1 million of the increase is a result of all other governmental funds including General Capital Improvement Fund. The majority of this increase is a result of an additional one-time increase from State of Maryland for highway user revenue.
- \$0.6 million of the increase is a result of the City’s current level of OPEB net asset. This amount is calculated by an actuary and reflects the City’s continued employer contribution level in excess of expenditures. Please see Note V for schedules and further details.

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

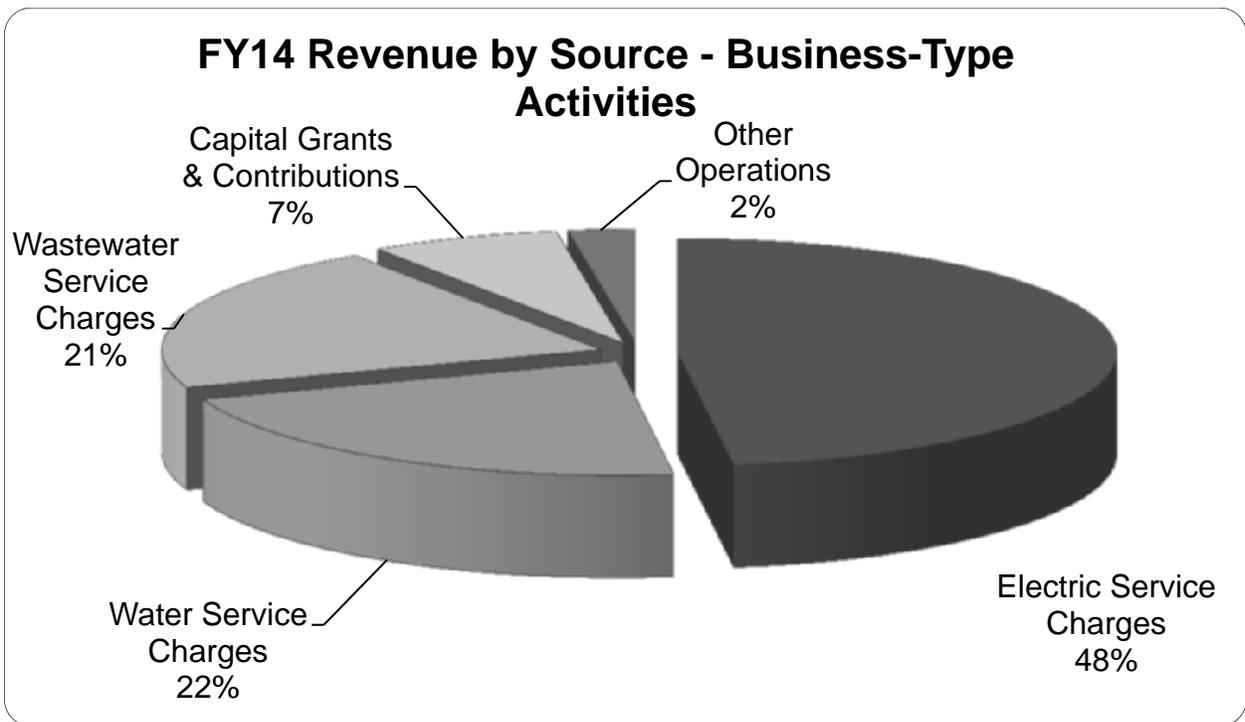
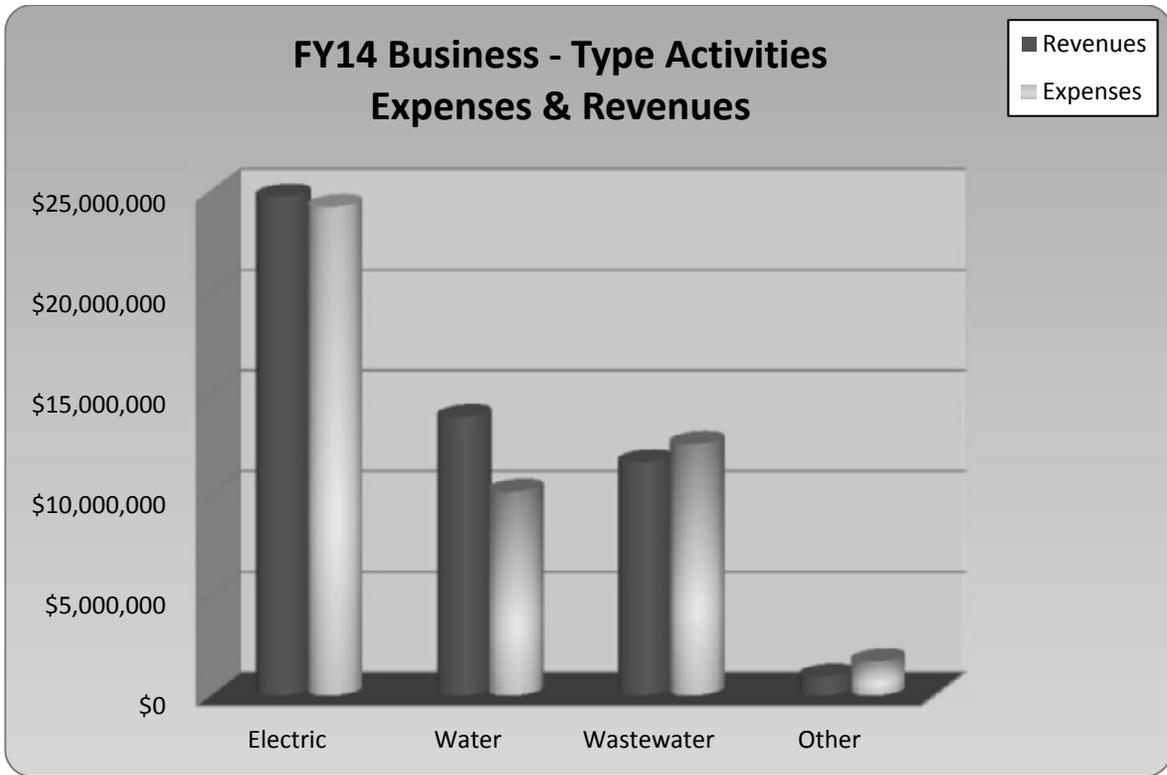


FY14 Revenue by Source - Governmental Activities



Business-type Activities: Business-type activities increased the City of Hagerstown's net position by \$2.8 million. Key elements of this increase are as follows:

- \$3.5 million excess of actual revenues over expenditures in the City's Water Fund and another \$0.5 million excess of actual revenues over expenditures in the Electric Fund. However, the Wasterwater Fund had a deficit of (\$1.0) of expenditures over revenues. The non-major Enterprise Funds had a combined deficit of (\$0.6) of expenditures over revenues.
- Net transfers in to the business-type activities account for \$0.3 million in revenue. 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 \$0.1 million, \$2.7 million, and \$0.9 million, respectively during the current fiscal year. Almost half of the grant in the Water Fund (\$1.4 million) is from MDE Water Quality for RC Willson Phase IV Improvements for stage 2 DPBR compliance.



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, *unassigned 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 \$18.6 million, an increase of \$0.3 million from the prior year. Approximately 42.4% of the total fund balance (\$18.6 million) constitutes *unassigned fund balance* (\$7.9 million), which represents working capital available to support governmental operating needs and future years' expenditures. The remainder of fund balance is *restricted* to indicate that it is not available for new spending because it has already been committed or is legally restricted as follows:

- 1) *Nonspendable and Restricted* fund balance represents amounts that are either legally restricted by outside parties for use for a specific purpose or are otherwise not available for appropriation (\$1.4 million and \$2.9 million, respectively)
- 2) *Committed* fund balance represents amounts that are reserved for a particular purpose by the Mayor and Council of the City of Hagerstown and would require action by that governing body to release the fund balance from its commitment (under 2 thousand)
- 3) *Assigned* fund balance represents amounts reserved for tentative management plans that are subject to change (\$6.4 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 \$8.1 million, while total fund balance equals \$9.9 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 21.9% of total General Fund expenditures or slightly more than two and one half months of fiscal expenditures.

The fund balance of the General Fund increased by \$0.2 million during the current fiscal year. This increase is due to actual revenues in excess of expenditures. Below are some key elements for FY2014:

Revenues were above approved budget by \$0.3 million

- Total property taxes were above projections by \$0.9 million. The increase is a result of higher 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 increase is a result of the state's higher tax rate.
- Fines and forfeitures were less than projections by \$0.3 million due to safe speed camera program. The gross revenue generated during FY2014 was also \$0.3 million less than revenues experienced in FY2013.

Expenditures (excluding transfers to other funds) were slightly under budgeted projections by \$0.1 million.

- The City's adherence to fiscal policies resulted in actual expenditures being slightly below budgeted projections while providing salary enhancements for the first time since FY09 for all employees.
- The amount of new debt issued was reduced over original projections as a result of FY13 financial surplus. This reduction in debt issued resulted in lower principal and interest payments compared to budget.

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
- 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 (\$2 thousand)
- 3) *Assigned* fund balance represents amounts reserved for tentative management plans and current encumbrances that are subject to change (\$2.9 million)

Proprietary funds. The City of Hagerstown's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the three utilities at the end of the year amounted to \$5.3 million for the Electric Fund, \$7.4 million for the Water Fund and \$3.6 million for the Wastewater Fund. The total increase in the proprietary funds net position was \$2.7 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 reducing the amount of financing from a new bond issue. The City paid for a new fire engine from General Fund operations instead of including this purchase in a new bond issue. This funding is reflected as an additional transfer from the General Fund to our Capital Improvement Projects Fund in the financial statements. In addition, the City's newly implemented economic redevelopment initiatives created an additional transfer from the General Fund than originally anticipated during the initial budget process.

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, 2014, amounts to \$282.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment (including vehicles), infrastructure (including park facilities, roads, highways and bridges) and construction in progress. The total net increase in City of Hagerstown's investment in capital assets for the current fiscal year was \$6.6 million or 2.4%. There was a 0.8% decrease for governmental activities and a 3.7% increase for business-type activities.

City of Hagerstown's Capital Assets

(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 6,822,132	\$ 6,832,876	\$ 5,705,970	\$ 5,787,315	\$ 12,528,102	\$ 12,620,191
Construction in progress	1,139,658	698,824	11,713,864	2,480,705	12,853,522	3,179,529
Buildings & structures	6,864,937	6,978,047	135,693,133	137,629,758	142,558,070	144,607,805
Improvements other than buildings	4,948,761	5,006,043	411,862	452,362	5,360,623	5,458,405
Machinery & equipment	5,298,344	4,696,228	50,547,255	50,506,046	55,845,599	55,202,274
Infrastructure	52,933,669	54,418,591	-	-	52,933,669	54,418,591
Total	\$ 78,007,501	\$ 78,630,609	\$ 204,072,084	\$ 196,856,186	\$ 282,079,585	\$ 275,486,795

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

For the City's governmental activities:

The City spent \$3.1 million in additions for fixed assets and improvements during fiscal year 2013/2014. Some of the most notable additions are listed below:

- \$0.4 million was spent on various curb and sidewalk improvements which includes handicap ramps and bridge inspections
- \$0.9 million was spent on various street resurfacing projects and Broadfording Road improvements
- \$0.9 million was spend on vehicles for public safety, parks and recreation, and public works
- \$0.5 million was spent on various Park improvements, and includes multi-use trails, the completion of a dog park, permanent seating, crosswalks, lighting, and other miscellaneous improvements.
- \$0.2 million was spent on Police radios, time and attendance software, and other computer equipment
- \$0.2 million was spent on roof replacement and other building renovations

For the City's business activities:

Of the \$14.5 million the City spent on the acquisition and construction of business activity capital assets in fiscal year 2013/2014, \$4.9 million were funded from contributions from developers in the form of benefit charges and intergovernmental grants, \$5.9 million were funded from MDE bond proceeds, \$0.1 million from governmental fund transfers for building improvements; and the remaining \$3.6 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 50 through 53 of this report.

Long-term debt. At the end of the current fiscal year, the City of Hagerstown had total bonded debt outstanding of \$66.3 million. The full faith and credit, and unlimited taxing power of the City are irrevocably pledged to the levy and collection of taxes in order to provide for the payment of principal and interest due on the bonds. Of this amount, \$51.2 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			
	2014	2013	2014	2013	2014	2013
General Bonded Debt	\$ 15,168,166	\$ 16,013,064	\$ 51,154,681	\$ 46,872,334	\$ 66,322,847	\$ 62,885,398

Overall, the City of Hagerstown added new bonded debt of \$7.6 million, across all funds. The City added new debt of \$1.7 million governmental bond issue and \$5.9 million was drawn from the existing Maryland Water Quality Revolving Loan Fund. The Governmental Funds added \$0.4 million and Business Type Funds the remaining balance. The City's continued adherence to its amortization schedules for debt repayments reduced its debt by \$4.2 million resulting in an overall net increase to debt of \$3.4 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. More recently in fiscal year 2013/2014, Standard and Poor's upgraded the City's rating from AA- to 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 fiscal year 2014, governmental fund debt was 0.57% of the assessed value of taxable property and \$382 per capita while total city-wide debt was 2.28% of the assessed value of taxable property and \$1,522 per capita. Additional information on the City of Hagerstown's long-term debt can be found in note IV. F. on pages 57 through 59 of this report.

Economic Factors and Next Year's Budgets and Rates

- The fiscal 2014 budget reflected the continued impact to the City of the economic recession and an anticipated further decline in the December 2012 property re-assessment. The City has experienced a reduction in the level of new development activity and growth in market values of real estate in the area.
- The City is required by its Charter to have a balanced budget each fiscal year and has complied with this requirement. In FY2014 General Fund final budget, there was a deficit of \$0.2 million. This deficit was anticipated due to the implementation of Invest Hagerstown community grant program to be funded with general fund balance reserves. As a result of adherence to prudent fiscal policies, the City was able to have an actual surplus even with the implementation of this new grant program. 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 2015 the City's major governmental fund approved budget, the General Fund, is projected to increase slightly by 5.6% over the fiscal 2014 budget. Wages and benefits are projected to increase by 6.2% to include an increase in employee compensation and increased employer provided benefit costs. Debt service is projected to decrease by 8.4% for a delay and reduction in debt issuance for projects. Maintenance and repairs is

projected to increase by 13.4% which reflects rising costs and the expiration of a grant. Likewise, unallocated general expenses includes an increase to provide funding support to the Maryland Theatre.

- As a result of the MD State Department of Assessment and Taxation's triennial reassessment, the City experienced a decrease of 7.8% in real estate and personal property assessments. In an effort to offset this second consecutive decline in property values, the City implemented a tax rate increase of 11 cents per \$100 of assessed value. This increase is necessary to support the salary enhancements and other rising expenditures mentioned above.
- The fiscal year 2015 budget reflects a rate decrease for electric service charges. Annual rate increases were adopted for water service charges of 2% for inside and outside the City and wastewater service charges of 12% inside and outside the City effective July 1, 2014. Additionally, a complete five year rate schedule through fiscal year 2018/19 was approved for both water and wastewater service charges. 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 2014/15.

A complete copy of the City's budget is available with additional details on our web site at www.hagerstownmd.org

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, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and investments	\$ 18,503,790	\$ 12,541,952	\$ 31,045,742
Receivables (net of allowance for uncollectibles):			
Taxes	556,309	-	556,309
Intergovernmental	1,389,862	-	1,389,862
Customers	1,479,675	6,451,589	7,931,264
Loans	2,867,028	-	2,867,028
Other	3,838	2,179	6,017
Internal balances	(998,134)	998,134	-
Inventories	132,863	1,642,788	1,775,651
Properties held for resale	1,206,486	-	1,206,486
Prepaid items	261,986	47,252	309,238
Net OPEB asset	621,251	-	621,251
Due from other agencies	-	2,542,879	2,542,879
Restricted assets:			
Pooled cash and investments	361,913	3,438,682	3,800,595
Long-term receivables	-	616,997	616,997
Capital assets (net of accumulated depreciation):			
Land (not being depreciated)	6,822,132	5,705,970	12,528,102
Land improvements	5,838,054	1,393,449	7,231,503
Buildings and structures	15,723,125	199,279,458	215,002,583
Machinery and equipment	5,466,204	104,582,292	110,048,496
Automobiles and trucks	8,846,725	5,248,426	14,095,151
Office furniture and fixtures	3,778,539	757,995	4,536,534
Infrastructure	95,066,182	-	95,066,182
Construction in progress (not being depreciated)	1,139,657	11,713,864	12,853,521
Less accumulated depreciation	(64,673,117)	(124,609,371)	(189,282,488)
Total assets	<u>104,394,368</u>	<u>232,354,535</u>	<u>336,748,903</u>
Liabilities			
Accounts and retainages payable	2,402,352	5,564,135	7,966,487
Accrued liabilities	2,029,627	225,824	2,255,451
Escrowed taxes and insurance	7,332	-	7,332
Accrued interest payable	241,040	348,972	590,012
Customer deposits payable	58,668	1,097,794	1,156,462
Due to other agencies	12,200	-	12,200
Unearned revenue	221,815	69,432	291,247
Other liabilities			
Due within one year	11,000	13,654	24,654
Due in more than one year		62,965	62,965
Compensated absences:			
Due within one year	1,851,516	732,060	2,583,576
Due in more than one year	3,401,201	1,448,938	4,850,139
Long-term liabilities:			
Due within one year	1,267,670	3,030,922	4,298,592
Due in more than one year	13,900,496	48,123,759	62,024,255
Total liabilities	<u>25,404,917</u>	<u>60,718,455</u>	<u>86,123,372</u>
Net Assets			
Net investment in capital assets	62,841,007	152,917,402	215,758,409
Restricted for:			
Capital Projects Fund	2,932,376	-	2,932,376
Community Development Block Grant Fund	2,934,899	-	2,934,899
Economic Redevelopment Fund	1,056,483	-	1,056,483
Business Revolving Loan Fund	1,074,454	-	1,074,454
Excise Tax Fund	671,432	-	671,432
Grant Revenue Fund	40,643	-	40,643
Other Purposes	206,953	-	206,953
Unrestricted	<u>7,231,204</u>	<u>18,718,678</u>	<u>25,949,882</u>
Total net position	<u>\$ 78,989,451</u>	<u>\$ 171,636,080</u>	<u>\$ 250,625,531</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, 2014

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		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government:	\$ 9,380,546	\$ 2,784,242	\$ 255,156	\$ 118,421	\$ (6,222,727)	\$ -	\$ (6,222,727)
Public safety	21,088,870	2,549,248	1,188,261	-	(17,351,361)	-	(17,351,361)
Highways and streets	2,923,564	87,261	-	236,410	(2,599,893)	-	(2,599,893)
Waste, collection and disposal	1,950,228	2,220,898	-	-	270,670	-	270,670
Culture and recreation	2,729,399	195,633	44,799	188,430	(2,300,537)	-	(2,300,537)
Economic and community development	1,349,844	89,771	630,977	-	(629,096)	-	(629,096)
Interest on long-term debt	550,317	-	-	-	(550,317)	-	(550,317)
Total governmental activities	39,972,768	7,927,053	2,119,193	543,261	(29,383,261)	-	(29,383,261)
Business-type activities:							
Electric	24,252,793	24,683,126	-	79,844	-	510,177	510,177
Water	10,143,760	11,125,535	-	2,707,706	-	3,689,481	3,689,481
Wastewater	12,499,357	10,785,125	-	813,317	-	(900,915)	(900,915)
Parking facilities	742,030	869,670	-	-	-	127,640	127,640
Golf course	407,944	196,758	-	-	-	(211,186)	(211,186)
Property management	542,884	(132,163)	-	6,417	-	(668,630)	(668,630)
Total business-type activities	48,588,768	47,528,051	-	3,607,284	-	2,546,567	2,546,567
Total primary government	\$ 88,561,536	\$ 55,455,104	\$ 2,119,193	\$ 4,150,545	(29,383,261)	2,546,567	(26,836,694)
General revenues:							
Property taxes					25,365,054	-	25,365,054
State and county shared taxes					4,834,311	-	4,834,311
Excise taxes					69,278	-	69,278
Investment earnings					13,880	156,910	170,790
Miscellaneous					220,674	-	220,674
Transfers					(175,455)	175,455	-
Total general revenues and transfers					30,327,742	332,365	30,660,107
Change in net position					944,481	2,878,932	3,823,413
Net position - beginning					78,105,880	168,903,412	247,009,292
Adjustment - Accounting GASB Change					(60,910)	(146,264)	(207,174)
Net position - beginning as restated					78,044,970	168,757,148	246,802,118
Net position - ending					78,989,451	171,636,080	250,625,531

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

City of Hagerstown, Maryland
Balance Sheet
Governmental Funds
June 30, 2014

	General	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Pooled cash and investments	\$ 9,872,987	\$ 2,774,922	\$ 2,160,968	\$ 14,808,877
Receivables (net of allowance for uncollectibles):				
Taxes	556,309	-	-	556,309
Intergovernmental	948,153	190,051	251,658	1,389,862
Customers	1,048,968	225,657	19,686	1,294,311
Loans	-	-	2,867,028	2,867,028
Other	2,254	536	338	3,128
Advances to other funds	445,000	-	-	445,000
Inventories	132,863	-	-	132,863
Properties held for resale	-	-	1,206,486	1,206,486
Prepaid items	83,264	-	156	83,420
Restricted assets:				
Pooled cash and investments	-	-	106,613	106,613
Total assets	<u>\$ 13,089,798</u>	<u>\$ 3,191,166</u>	<u>\$ 6,612,933</u>	<u>\$ 22,893,897</u>
Liabilities And Fund Balances				
Liabilities:				
Accounts and retainages payable	\$ 1,921,004	\$ 258,790	\$ 200,695	\$ 2,380,489
Accrued liabilities	837,205	-	10,406	847,611
Advances from other funds	-	-	445,000	445,000
Escrowed taxes and insurance	-	-	7,332	7,332
Customer deposits payable	53,168	-	5,500	58,668
Undisbursed loan and grant commitments	-	-	98,450	98,450
Due to other agencies	12,200	-	-	12,200
Unearned revenue	38,626	-	100	38,726
Other long-term liabilities	-	-	11,000	11,000
Total liabilities	<u>2,862,203</u>	<u>258,790</u>	<u>778,483</u>	<u>3,899,476</u>
Deferred Inflows of Resources:				
Unavailable revenue-income taxes	337,714	-	-	337,714
Unavailable revenue-other	23,731	-	-	23,731
Total deferred inflows of resources	<u>361,445</u>	<u>-</u>	<u>-</u>	<u>361,445</u>
Fund balances:				
Nonspendable	216,127	-	1,165,495	1,381,622
Restricted	-	-	2,908,949	2,908,949
Committed	-	1,672	-	1,672
Assigned	1,596,839	2,930,704	1,910,421	6,437,963
Unassigned	8,053,185	-	(150,415)	7,902,770
Total fund balances	<u>9,866,150</u>	<u>2,932,376</u>	<u>5,834,450</u>	<u>18,632,976</u>
Total liabilities and fund balances	<u>\$ 13,089,798</u>	<u>\$ 3,191,166</u>	<u>\$ 6,612,933</u>	

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.	78,007,501	
Taxes and other receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds	361,445	
Internal service funds are used by management to charge for the costs associated with uncovered general liability risk, the costs associated with uncovered workers' compensation risk, and the costs associated with the City's health and dental care program. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	2,028,201	
Net OPEB pension asset is calculated by actuarial valuation and is included only in the city-wide statement of net position.	621,251	
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.	(20,661,923)	
Net position of governmental activities		<u>\$ 78,989,451</u>

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, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 25,365,054	\$ -	\$ -	\$ 25,365,054
State and county shared taxes	3,762,919	1,039,880	-	4,802,799
Licenses and permits	1,524,702	-	-	1,524,702
Intergovernmental	502,384	451,189	1,417,832	2,371,405
Program income	-	-	141,952	141,952
Charges for services	2,984,147	-	-	2,984,147
Fines and forfeitures	1,333,317	-	-	1,333,317
Investment earnings	10,240	2,412	1,228	13,880
Property sales	34,546	-	-	34,546
Contributions and donations	163,176	92,071	16,000	271,247
Unallocated general revenue	2,166,037	-	51,540	2,217,577
Total revenues	<u>37,846,522</u>	<u>1,585,552</u>	<u>1,628,552</u>	<u>41,060,626</u>
Expenditures				
Current:				
General government	5,709,773	-	131,410	5,841,183
Public safety	19,924,358	-	421,108	20,345,466
Highways and streets	2,627,391	-	-	2,627,391
Waste, collection and disposal	1,950,525	-	-	1,950,525
Culture and recreation	2,312,665	-	-	2,312,665
Economic and community development	765,662	47,936	536,592	1,350,190
Unallocated general expenditures	1,663,420	-	194	1,663,614
Debt Service:				
Principal	1,281,598	-	-	1,281,598
Interest	550,187	-	-	550,187
Issuance costs	1,105	-	-	1,105
Capital outlay	-	3,141,919	235,797	3,377,716
Total expenditures	<u>36,786,684</u>	<u>3,189,855</u>	<u>1,325,101</u>	<u>41,301,640</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,059,838</u>	<u>(1,604,303)</u>	<u>303,451</u>	<u>(241,014)</u>
Other Financing Sources (Uses)				
Debt issued	-	428,427	-	428,427
Transfers in	312,563	1,251,186	321,524	1,885,273
Transfers out	<u>(1,213,220)</u>	<u>-</u>	<u>(572,674)</u>	<u>(1,785,894)</u>
Total other financing sources and uses	<u>(900,657)</u>	<u>1,679,613</u>	<u>(251,150)</u>	<u>527,806</u>
Net change in fund balances	159,181	75,310	52,301	286,792
Fund balances - beginning	9,706,969	2,857,066	5,782,149	18,346,184
Fund balances - ending	\$ <u>9,866,150</u>	\$ <u>2,932,376</u>	\$ <u>5,834,450</u>	\$ <u>18,632,976</u>

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

City of Hagerstown, Maryland
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds	\$	286,792
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital additions in the current period.		(599,944)
The net effect of capital asset disposals is to decrease net position.		(23,164)
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.		832,654
The governmental funds report the effect of premiums and discounts 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.		(10,568)
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.		65,812
OPEB pension asset is recorded based on actuarial reports and is not included in the governmental financial statements.		234,498
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>158,402</u>
Change in net position of governmental activities	\$	<u><u>944,481</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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 24,474,500	\$ 24,474,500	\$ 25,365,054	\$ 890,554
State and county shared taxes	3,576,479	3,576,479	3,762,919	186,440
Licenses and permits	1,583,250	1,583,250	1,524,702	(58,548)
Intergovernmental	485,172	541,528	502,384	(39,144)
Charges for services	3,141,484	3,133,736	2,984,147	(149,589)
Fines and forfeitures	1,637,535	1,637,535	1,333,317	(304,218)
Unallocated and other general revenue	2,371,106	2,374,806	2,373,999	(807)
Total revenues	37,269,526	37,321,834	37,846,522	524,688
Expenditures				
Current:				
General government	5,689,973	5,708,650	5,709,773	(1,123)
Public safety	19,907,443	20,011,104	19,924,358	86,746
Highways and streets	2,415,539	2,449,396	2,627,391	(177,995)
Waste, collection and disposal	2,038,031	2,039,036	1,950,525	88,511
Culture and recreation	2,205,658	2,230,117	2,312,665	(82,548)
Economic and community development	574,671	583,618	765,662	(182,044)
Unallocated general expenditures	1,818,012	1,668,012	1,663,420	4,592
Debt Service:				
Principal	1,457,508	1,457,508	1,281,598	175,910
Interest	722,813	722,813	550,187	172,626
Issuance Costs	1,105	1,105	1,105	-
Total expenditures	36,830,753	36,871,359	36,786,684	84,675
Excess (deficiency) of revenues over (under) expenditures	438,773	450,475	1,059,838	609,363
Other Financing Sources (Uses)				
Transfers in	565,250	565,250	312,563	(252,687)
Transfers out	(1,003,405)	(1,205,891)	(1,213,220)	(7,329)
Total other financing sources and (uses)	(438,155)	(640,641)	(900,657)	(260,016)
Net change in fund balances	618	(190,166)	159,181	349,347
Fund balances - beginning	9,706,969	9,706,969	9,706,969	-
Fund balances - ending	\$ 9,707,587	\$ 9,516,803	\$ 9,866,150	\$ 349,347

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

City of Hagerstown, Maryland
Statement of Net Position
Proprietary Funds
June 30, 2014

	Business-type Activities-Enterprise Funds						Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds	Total	
Assets							
Current assets:							
Pooled cash and investments	\$ 5,183,246	\$ 2,879,602	\$ 2,953,962	\$ 463,684	\$ 1,061,458	\$ 12,541,952	\$ 3,694,913
Interest receivable	832	659	434	79	175	2,179	710
Accounts receivable (net of allowance for uncollectibles)	2,435,445	1,903,774	1,994,459	26,855	91,056	6,451,589	185,364
Inventories	334,696	1,141,268	161,513	-	5,311	1,642,788	-
Due from other agencies	-	2,540,379	2,500	-	-	2,542,879	-
Prepaid items	12,736	1,902	31,348	50	1,216	47,252	178,566
Total current assets	<u>7,966,955</u>	<u>8,467,584</u>	<u>5,144,216</u>	<u>490,668</u>	<u>1,159,216</u>	<u>23,228,639</u>	<u>4,059,553</u>
Noncurrent assets:							
Restricted assets:							
Pooled cash and investments	-	3,438,682	-	-	-	3,438,682	255,300
Long-term receivable	576,034	40,963	-	-	-	616,997	-
Capital assets:							
Land	1,225,255	2,019,652	180,149	1,459,464	821,450	5,705,970	-
Land improvements	256,759	28,542	9,121	895,473	203,554	1,393,449	-
Buildings and structures	1,564,596	112,771,726	71,918,909	7,706,262	5,317,965	199,279,458	-
Machinery and equipment	36,210,001	18,809,530	48,789,064	369,463	404,234	104,582,292	-
Automobiles and trucks	1,232,467	1,775,489	2,136,858	36,162	67,450	5,248,426	-
Office furniture and fixtures	397,151	78,366	255,557	-	26,921	757,995	-
Construction in progress	-	11,408,349	-	294,170	11,345	11,713,864	-
Less accumulated depreciation	<u>(25,996,970)</u>	<u>(39,521,115)</u>	<u>(53,842,102)</u>	<u>(3,666,753)</u>	<u>(1,582,431)</u>	<u>(124,609,371)</u>	<u>-</u>
Total capital assets, net	14,889,259	107,370,539	69,447,556	7,094,241	5,270,488	204,072,083	-
Total noncurrent assets	15,465,293	110,850,184	69,447,556	7,094,241	5,270,488	208,127,762	255,300
Total assets	<u>23,432,248</u>	<u>119,317,768</u>	<u>74,591,772</u>	<u>7,584,909</u>	<u>6,429,704</u>	<u>231,356,401</u>	<u>4,314,853</u>

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

Business-type Activities-Enterprise Funds

	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds	Total	Governmental Activities- Internal Service Funds
Liabilities							
Current liabilities:							
Accounts and retainages payable	1,514,209	3,376,459	612,012	27,398	34,057	5,564,135	21,863
Compensated absences - current	209,735	270,767	233,891	7,542	10,125	732,060	-
Accrued liabilities	59,262	252,223	228,785	27,695	6,831	574,796	1,083,566
Customer deposits and rebates	1,029,045	21,625	39,165	5,809	2,150	1,097,794	-
Unearned revenue	-	101,500	-	-	(32,068)	69,432	183,089
General obligation bonds - current	23,234	1,268,639	1,583,309	155,740	-	3,030,922	-
Other liabilities - current	-	-	-	-	13,654	13,654	-
Total current liabilities	<u>2,835,485</u>	<u>5,291,213</u>	<u>2,697,162</u>	<u>224,184</u>	<u>34,749</u>	<u>11,082,793</u>	<u>1,288,518</u>
Noncurrent liabilities:							
General obligation bonds payable	189,065	27,027,169	19,759,681	1,147,844	-	48,123,759	-
Compensated absences	419,208	522,724	474,409	16,311	16,286	1,448,938	-
Other long term liabilities	-	-	-	-	62,965	62,965	-
Total noncurrent liabilities	<u>608,273</u>	<u>27,549,893</u>	<u>20,234,090</u>	<u>1,164,155</u>	<u>79,251</u>	<u>49,635,662</u>	<u>-</u>
Total liabilities	<u>3,443,758</u>	<u>32,841,106</u>	<u>22,931,252</u>	<u>1,388,339</u>	<u>114,000</u>	<u>60,718,455</u>	<u>1,288,518</u>
Net Position							
Net Investment in Capital Assets	14,676,960	79,074,731	48,104,566	5,790,657	5,270,488	152,917,402	-
Unrestricted	5,311,530	7,401,931	3,555,954	405,913	1,045,216	17,720,544	3,026,335
Total net position	<u>\$ 19,988,490</u>	<u>\$ 86,476,662</u>	<u>\$ 51,660,520</u>	<u>\$ 6,196,570</u>	<u>\$ 6,315,704</u>	<u>\$ 170,637,946</u>	<u>\$ 3,026,335</u>

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

Net position of business-type activities

998,134

\$ 171,636,080

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, 2014

	Business-type Activities- Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds		
Operating revenues:							
Service charges	\$ 24,182,136	\$ 10,187,993	\$ 10,483,362	\$ 869,086	\$ 556,544	\$ 46,279,121	\$ 8,117,761
Other revenues	539,704	929,187	298,913	584	17,662	1,786,050	86,635
Total operating revenues	<u>24,721,840</u>	<u>11,117,180</u>	<u>10,782,275</u>	<u>869,670</u>	<u>574,206</u>	<u>48,065,171</u>	<u>8,204,396</u>
Operating expenses:							
Production and treatment expenses	18,152,571	3,329,897	4,740,651	-	-	26,223,119	-
Transmission, distribution, and collection expenses	2,214,941	1,511,290	1,412,973	-	-	5,139,204	-
Selling, general and administrative expenses	3,067,036	2,619,892	3,112,707	458,076	808,909	10,066,620	1,353,476
Claim and premium expenses	-	-	-	-	-	-	6,229,742
Depreciation	845,072	2,403,370	2,918,357	212,023	144,628	6,523,450	-
Total operating expenses	<u>24,279,620</u>	<u>9,864,449</u>	<u>12,184,688</u>	<u>670,099</u>	<u>953,537</u>	<u>47,952,393</u>	<u>7,583,218</u>
Operating income (loss)	<u>442,220</u>	<u>1,252,731</u>	<u>(1,402,413)</u>	<u>199,571</u>	<u>(379,331)</u>	<u>112,778</u>	<u>621,178</u>
Nonoperating revenues (expenses):							
Intergovernmental revenue	-	-	(6,203)	-	6,417	214	-
Investment earnings	137,133	2,746	(1,434)	835	17,630	156,910	2,430
Interest expense	(7,862)	(317,175)	(302,999)	(59,215)	-	(687,251)	-
Bond issuance cost	-	(41,862)	(88,065)	(4,787)	-	(134,714)	-
Gain (loss) on disposal of capital assets	(38,714)	8,355	2,850	-	(509,611)	(537,120)	-
Total nonoperating revenue (expenses)	<u>90,557</u>	<u>(347,936)</u>	<u>(395,851)</u>	<u>(63,167)</u>	<u>(485,564)</u>	<u>(1,201,961)</u>	<u>2,430</u>
Income (loss) before contributions and transfers	532,777	904,795	(1,798,264)	136,404	(864,895)	(1,089,183)	623,608
Capital contributions	79,844	2,707,706	819,520	-	-	3,607,070	-
Transfers in	-	-	-	-	303,725	303,725	-
Transfers out	(24,250)	(59,875)	(24,250)	-	(19,895)	(128,270)	(274,834)
Changes in net position	<u>588,371</u>	<u>3,552,626</u>	<u>(1,002,994)</u>	<u>136,404</u>	<u>(581,065)</u>	<u>2,693,342</u>	<u>348,774</u>
Total net position - beginning	19,400,705	82,995,814	52,719,323	6,078,257	6,896,769	2,677,561	-
Adjustment - Accounting GASB Change	(586)	(71,778)	(55,809)	(18,091)	-	-	-
Net position - beginning as restated	<u>19,400,119</u>	<u>82,924,036</u>	<u>52,663,514</u>	<u>6,060,166</u>	<u>6,896,769</u>	<u>2,677,561</u>	<u>2,677,561</u>
Total net position - ending	<u>\$ 19,988,490</u>	<u>\$ 86,476,662</u>	<u>\$ 51,660,520</u>	<u>\$ 6,196,570</u>	<u>\$ 6,315,704</u>	<u>\$ 3,026,335</u>	<u>\$ 3,026,335</u>

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

Change in net assets of business-type activities

185,590
\$ 2,878,932

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, 2014

	Business-type Activities- Enterprise Funds					Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds	
Cash Flows From Operating Activities						
Receipts from customers and users	\$ 25,100,292	\$ 11,380,912	\$ 11,225,952	\$ 893,450	\$ 595,567	\$ 49,196,173
Receipts from interfund services provided	-	-	-	-	-	-
Payments to suppliers	(19,689,087)	(852,465)	(4,864,349)	(100,987)	(419,415)	(25,926,303)
Payments to employees	(3,681,687)	(4,039,776)	(4,204,810)	(330,933)	(432,548)	(12,689,753)
Net cash provided (used) by operating activities	<u>1,729,518</u>	<u>6,488,671</u>	<u>2,156,793</u>	<u>461,531</u>	<u>(256,396)</u>	<u>10,580,117</u>
Cash Flows From Noncapital Financing Activities						
Transfers from (to) other funds	(24,250)	(59,875)	(24,250)	-	283,830	175,455
Contributions	-	-	-	-	-	-
Net cash provided (used) by noncapital and related financing activities	<u>(24,250)</u>	<u>(59,875)</u>	<u>(24,250)</u>	<u>-</u>	<u>283,830</u>	<u>(274,834)</u>
Cash Flows From Capital And Related Financing Activities						
Proceeds from intergovernmental grant	-	2,658	94,677	-	42,676	140,011
Capital contributions	79,844	2,833,127	819,520	-	-	3,732,491
Acquisition and construction of capital assets	(476,410)	(12,399,844)	(1,192,664)	(294,170)	623,744	(13,739,344)
Proceeds from bond issuance	-	3,628,474	1,174,484	104,398	-	4,907,355
Principal paid on capital debt	(22,525)	(1,256,379)	(1,498,633)	(143,338)	-	(2,920,874)
Interest paid on capital debt	(8,102)	(334,352)	(309,312)	(62,418)	-	(714,184)
Proceeds from sale of capital assets	(38,714)	8,355	2,850	-	(509,611)	(537,120)
Net cash provided (used) by capital and related financing activities	<u>(465,907)</u>	<u>(7,517,961)</u>	<u>(909,078)</u>	<u>(395,528)</u>	<u>156,809</u>	<u>(9,131,665)</u>
Cash Flows From Investing Activities						
Interest and dividends received	136,964	2,988	(1,583)	803	17,587	156,759
Net cash provided by investing activities	<u>136,964</u>	<u>2,988</u>	<u>(1,583)</u>	<u>803</u>	<u>17,587</u>	<u>156,759</u>
Net increase (decrease) in pooled cash and investments	1,376,325	(1,086,177)	1,221,882	66,806	201,830	1,780,666
Pooled cash and investments, beginning of year	3,806,921	7,404,461	1,732,080	396,878	859,628	14,199,968
Pooled cash and investments, end of year	<u>\$ 5,183,246</u>	<u>\$ 6,318,284</u>	<u>\$ 2,953,962</u>	<u>\$ 463,684</u>	<u>\$ 1,061,458</u>	<u>\$ 15,980,634</u>

City of Hagerstown, Maryland
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Business-type Activities- Enterprise Funds					Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds	
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 442,220	\$ 1,252,731	\$ (1,402,413)	\$ 199,571	\$ (379,331)	\$ 112,778
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	845,072	2,403,370	2,918,357	212,023	144,628	6,523,450
Net effect of changes in assets and liabilities						-
Accounts receivable	433,569	206,362	403,109	23,444	6,698	1,073,182
Inventories	(18,738)	(193,255)	(30,233)	-	(75)	(242,301)
Prepaid items	(7,823)	650	25,071	247	1,540	19,685
Deferred charges	-	(41,862)	(88,065)	(4,787)	-	(134,714)
Long-term Accounts receivable	-	46,655	13,898	-	22,000	82,553
Accounts and retainages payable	31,706	2,766,054	235,586	24,308	(11,053)	3,046,601
Compensated absences payable	45,365	21,557	41,938	5,256	1,484	115,600
Accrued liabilities	13,265	15,694	12,875	1,132	704	43,670
Customer deposits and rebates	(55,118)	12,857	26,670	336	1,050	(14,205)
Unearned revenue	-	(2,142)	-	-	(8,386)	(10,528)
Other long-term liabilities	-	-	-	-	(35,655)	(35,655)
Total adjustments	1,287,298	5,235,940	3,559,206	261,960	122,935	10,467,339
Net cash provided (used) by operating activities	\$ 1,729,518	\$ 6,488,671	\$ 2,156,793	\$ 461,531	\$ (256,396)	\$ 10,580,117
Reconciliation of pooled cash and investments to the balance sheet						
Pooled cash and investments	\$ 5,183,246	\$ 2,879,602	\$ 2,953,962	\$ 463,684	\$ 1,061,458	\$ 12,541,952
Restricted pooled cash and investments	-	3,438,682	-	-	-	3,438,682
Totals	\$ 5,183,246	\$ 6,318,284	\$ 2,953,962	\$ 463,684	\$ 1,061,458	\$ 15,980,634

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, 2014

	Pension Trust Fund	Other Post Employment Benefits (OPEB) Trust Fund	Total Trust Funds
Assets			
Investments, at fair value:			
Cash and Cash Equivalents	\$ 1,003,615	\$ 838,097	\$ 1,841,712
Government and Agency Issues	3,366,077	-	3,366,077
Corporate Debt Issues	1,492,723	-	1,492,723
Common Stock	4,167,687	1,122,060	5,289,747
Mutual Funds	<u>8,720,256</u>	<u>3,739,810</u>	<u>12,460,066</u>
Total investments	18,750,358	5,699,967	24,450,325
Interest Receivable	<u>39,735</u>	<u>3,608</u>	<u>43,343</u>
Total assets	<u>18,790,093</u>	<u>5,703,575</u>	<u>24,493,668</u>
 Net Position			
Held in trust for pension benefits	\$ <u>18,790,093</u>	\$ <u>5,703,575</u>	\$ <u>24,493,668</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, 2014

	Pension Trust Fund	Other Post Employment Benefits (OPEB) Trust Fund	Total Trust Funds
Additions			
Contributions:			
Employer	\$ 1,024,869	\$ 650,000	\$ 1,674,869
Plan members	591,411	-	591,411
Total contributions	<u>1,616,280</u>	<u>650,000</u>	<u>2,266,280</u>
Investment earnings:			
Interest and dividends	477,023	112,439	589,462
Net increase in the fair value of investments	1,890,516	634,660	2,525,176
Other revenues	1,018	-	1,018
Total investment earnings	<u>2,368,557</u>	<u>747,099</u>	<u>3,115,656</u>
Less investment expense	30,852	14,994	45,846
Net investment earnings	<u>2,337,705</u>	<u>732,105</u>	<u>3,069,810</u>
Total additions	<u>3,953,985</u>	<u>1,382,105</u>	<u>5,336,090</u>
Deductions			
Benefits	1,846,699	-	1,846,699
Administrative expenses	29,523	-	29,523
Actuarial fees	50,343	6,829	57,172
Total deductions	<u>1,926,565</u>	<u>6,829</u>	<u>1,933,394</u>
Change in net position	2,027,420	1,375,276	3,402,696
Net position - beginning	16,762,673	4,328,299	21,090,972
Net position - ending	<u>\$ 18,790,093</u>	<u>\$ 5,703,575</u>	<u>\$ 24,493,668</u>

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

City of Hagerstown
Notes to the Financial Statements
June 30, 2014

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, parking, golf, 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 assigned resources first, then unassigned 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 years or less to be cash equivalents. These short-term investments include money market funds, certificates of deposit, 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 21	May 21
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 6/30/2014 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 \$2,459,898 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, 2014, \$99,281 was restricted for single family loans and \$7,332 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 through June 30, 2014. Additionally, there is \$159,000 restricted as pre-funding for claims associated with the City's new health insurance program with United HealthCare Administrators effective July 1, 2014. Likewise, a 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. Payouts are prorated based on the aforementioned schedule.
- 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 – 120 hours
- A.F.S.C.M.E. #3373 police officers (excluding 12 hour Patrol) – 160 hours; 12 hour Patrol – 200 hours
- I.B.E.W. #307 employees – 120 hours
- Police department management through rank of Sergeant – 240 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.

I. Summary of significant accounting policies (continued)

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

6. Compensated absences (continued)

Accumulated unpaid vacation and sick leave are accrued as current liabilities in the government-wide financial statements and proprietary fund financial statements. In the governmental funds, a liability for unpaid vacation and sick leave is only reported if matured as a result of employee resignations or retirements.

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts 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 an expense in the year of issuance per GASB Statement 65.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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) resources are not in spendable form, or (b) resources are legally or contractually required to be maintained intact.

I. Summary of significant accounting policies (continued)

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

8. Fund Balance (continued)

Restricted – Portion of net resources with imposed limitations set externally 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 and 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. This action to establish, modify, or rescind commitments would be a majority vote of Mayor and Council taken during a Regular or Special Session.

Assigned – Portion of net resources intended for a specific use by the City, but are neither restricted nor committed. The Mayor and Council through the adoption of the budget process or through the approval of a motion may assign fund balance for the City. Any items assigned through the approval of a motion will need a Mayor and Council majority vote during any session in order to remove the assignment. The Finance Department and/or its Purchasing designee may also assign fund balance for the City through the purchase requisition process. The purchase requisition process was approved by the Mayor and Council as part of the City's overall Purchasing Policy.

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

For fund balance classification purposes, when restricted and unrestricted amounts are available for expenditure use, the City would use the restricted amounts first. For expenditures where committed, assigned, and unassigned amounts are available for use, the City would first use committed, then assigned and last unassigned fund balance amounts.

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 *Net Investment in Capital Assets*, legally *Restricted* for a specific purpose or *Unrestricted* and available for appropriation for general purposes. *Net Investment in Capital Assets* 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, 2014, net position *Net Investment in Capital Assets* excludes unspent debt proceeds of \$1,672 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

In fiscal year ended June 30, 2014, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to either (a) properly classify items that were previously reported as assets and liabilities as deferred outflows of resources and (b) recognize these items as outflows of resources (expenses) or inflows of resources (revenues). Bond issuance costs, which were previously deferred over the life of the existing debt, are now recognized as an expense. This is recorded as a prior period adjustment for the fiscal year ended June 30, 2013.

Fund Balances Impacted by Change in GASB 65 Prior Year's Bond Issuance Cost Write-offs

	Governmental Funds	Electric Fund	Water Fund	Wastewater Fund	Parking Fund	Total - All Funds
Originally Reported FY13 Ending Balance in CAFR						
FY13 Ending Fund Balance	\$ (78,105,880)	\$ (19,400,705)	\$ (82,995,814)	\$ (52,719,323)	\$ (6,078,257)	\$ (239,299,979)
Adjustment for GASB 65	60,910	586	71,778	55,809	18,091	207,175
Restated FY13 Ending Balance	\$ (78,044,970)	\$ (19,400,119)	\$ (82,924,036)	\$ (52,663,514)	\$ (6,060,166)	\$ (239,092,805)

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. The City has adopted GASB Statement No. 67 and it does not have a material effect on the financial position of the City. 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 \$20,661,923 difference are as follows:

Bonds payable	\$ 15,168,166
Accrued interest payable	241,040
Compensated absences	<u>5,252,717</u>
Net adjustment to reduce <i>fund balance -- total governmental funds</i> to arrive at <i>net position -- governmental activities</i>	<u>\$ 20,661,923</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 (\$559,944) difference are as follows:

Fixed Asset Additions	\$ 3,130,476
Depreciation expense	<u>(3,730,420)</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>\$ (599,944)</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 (\$320,941) difference are as follows:

Compensated absences	\$	(385,431)
Accrued interest		9,247
Unearned revenue		<u>55,243</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>(320,941)</u>

III. Stewardship, compliance, and accountability

A. Budgetary information

The City adopts annual operating and capital budgets on a basis consistent with generally accepted accounting 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, 2014, expenditures/expenses exceeded revenues by \$20,916 in the Community Development Block Grant Fund, \$136,871 in the Excise Tax Fund, \$160,920 in the Worker's Compensation Fund, \$1,002,994 in the Wastewater Fund, \$12,588 in the Golf Course Fund and \$568,477 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, 2014, \$2,932,376 is restricted for the Capital Project Fund for projects which contain specific grants or contributions.

As of June 30, 2014, \$5,834,450 is restricted for Special Revenue Funds. This total consists of \$2,794,002 for the Community Development Block Grant Fund, \$1,056,483 for the Economic Redevelopment Fund, \$30,327 for the Flexible Spending Fund, \$1,074,454 for the Business Revolving Loan Fund, \$671,432 for the Excise Tax Fund, \$31,125 for the Grant Revenue Fund, and \$176,627 for the Upper Floors Redevelopment Fund.

IV. Detailed notes on all funds

A. Deposits and investments

At June 30, 2014, 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 \$22,080,584 and the bank balances were \$22,235,683. 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 \$9,914,000 was secured by federal depository insurance and \$12,321,683 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, 2014, the City had \$12,756,119 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		\$ 1,003,615	\$ 1,003,615	\$ -	\$ -	\$ -
CitiBank NA	AAA	-	-	-	-	-
Federal Home Loan Mortgage Corp	AAA/NR	134,014	-	90,311	7,400	36,303
Federal National Mortgage Assn	NR	1,132,586	-	50,352	-	1,082,234
Government National Mortgage Assoc	NR	117,982	-	-	-	117,982
U S Treasury Notes	AAA	1,981,495	1,111,165	473,935	173,032	223,364
Various Agencies	BA1	11,000	-	-	-	11,000
Various Agencies	A1	144,750	-	32,089	81,176	31,485
Various Agencies	A2	145,857	-	68,453	77,404	-
Various Agencies	A3	168,584	-	27,182	107,544	33,858
Various Agencies	AA1	59,283	-	15,221	-	44,062
Various Agencies	AA2	113,527	-	45,320	32,430	35,777
Various Agencies	AA3	114,781	-	49,587	17,044	48,150
Various Agencies	AAA	35,763	-	19,949	-	15,814
Various Agencies	BAA1	208,832	-	58,047	92,630	58,155
Various Agencies	BAA2	364,742	-	137,989	202,355	24,398
Various Agencies	BAA3	125,604	-	-	98,538	27,066
High Yield Funds		45,293		45,293	-	-
Common Stock		4,167,687	4,167,687	-	-	-
Mutual Funds		8,674,964	8,674,964	-	-	-
Total Investments Held by Trustee of Pension Plan		<u>\$ 18,750,358</u>	<u>\$ 14,957,431</u>	<u>\$ 1,113,727</u>	<u>\$ 889,553</u>	<u>\$ 1,789,648</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		\$ 838,097	\$ 838,097	\$ -	\$ -	\$ -
Common Stock		1,122,060	1,122,060	-	-	-
Mutual Funds		3,739,810	3,739,810	-	-	-
Total Investments Held by Trustee of OPEB Plan		<u>\$ 5,699,967</u>	<u>\$ 5,699,967</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

IV. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

affect investment assets reported in the financial statements. In addition, recent economic uncertainty and market events have led to unprecedented volatility in currency, commodity, credit, and equity markets culminating in failures of some banking and financial services firms and Government intervention to solidify others. These recent events underscore the level of investment risk associated with the current economic environment, and accordingly the level of risk in the City's investments.

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

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

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

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

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

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

Foreign Currency Risk – The City's Pension Plan has 14% invested in foreign stocks. The investment policy permits it to invest up to 20% of total investments in international equities. The City's OPEB Plan Investment Policy states that the assets are to be managed to provide health benefits for eligible retirees and their eligible survivors and dependents. The plans' assets are to be invested to maximize long-term stability and growth with a minimal amount of risk. Portfolio risk should be decreased by increasing

IV. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

portfolio diversification, and by lowering the level or correlation of market behavior among the asset classes selected.

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

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

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

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

Foreign Currency Risk – The City's OPEB Plan has 13% invested in foreign stocks. The investment policy permits it to invest up to 20% of total investments in international equities.

IV. Detailed notes on all funds (continued)

B. Receivables

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

Governmental Activities:

	General	Capital Projects	Internal Service Funds	Non-Major Governmental Funds	Total Governmental Funds
Receivables:					
Taxes	\$ 835,047	\$ -	\$ -	\$ -	\$ 835,047
Intergovernmental	948,153	190,051	-	251,657	1,389,861
Customers	1,959,568	394,880	185,364	35,307	2,575,119
Loans	75,915	82,706	-	3,222,237	3,380,858
Interest	2,309	536	710	339	3,894
Employee	(54)	-	-	-	(54)
Gross receivables	<u>3,820,938</u>	<u>668,173</u>	<u>186,074</u>	<u>3,509,540</u>	<u>8,184,725</u>
Less: allowance for uncollectibles	<u>(1,265,254)</u>	<u>(251,929)</u>	<u>-</u>	<u>(370,830)</u>	<u>(1,888,013)</u>
Net total receivables	<u>\$ 2,555,684</u>	<u>\$ 416,244</u>	<u>\$ 186,074</u>	<u>\$ 3,138,710</u>	<u>\$ 6,296,712</u>

Business-Type Activities:

	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds	Business- Type Activities
Receivables:						
Intergovernmental	\$ -	\$ 2,540,379	\$ 2,500	\$ -	\$ -	\$ 2,542,879
Customers	5,783,601	2,004,413	2,335,746	264,607	91,056	10,479,423
Loans	1,986,662	40,963	-	-	562,465	2,590,090
Interest	832	659	434	79	176	2,180
Gross receivables	<u>7,771,095</u>	<u>4,586,414</u>	<u>2,338,680</u>	<u>264,686</u>	<u>653,697</u>	<u>15,614,572</u>
Less: allowance for uncollectibles	<u>(4,758,784)</u>	<u>(100,639)</u>	<u>(341,287)</u>	<u>(237,752)</u>	<u>(562,465)</u>	<u>(6,000,927)</u>
Net total receivables	<u>\$ 3,012,311</u>	<u>\$ 4,485,775</u>	<u>\$ 1,997,393</u>	<u>\$ 26,934</u>	<u>\$ 91,232</u>	<u>\$ 9,613,645</u>

IV. Detailed notes on all funds (continued)

B. Receivables (continued)

City Totals:

	Governmental Activities	Business-Type Activities	Total
Receivables:			
Taxes	\$ 835,047	\$ -	\$ 835,047
Intergovernmental	1,389,861	2,542,879	3,932,740
Customers	2,575,119	10,479,423	13,054,542
Loans	3,380,858	2,590,090	5,970,948
Interest	3,894	2,180	6,074
Employee	(54)	-	(54)
Gross receivables	<u>8,184,725</u>	<u>15,614,572</u>	<u>23,799,297</u>
Less: allowance for uncollectibles	<u>(1,888,013)</u>	<u>(6,000,927)</u>	<u>(7,888,940)</u>
Net total receivables	<u>\$ 6,296,712</u>	<u>\$ 9,613,645</u>	<u>\$ 15,910,357</u>

Governmental funds report *unavailable 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 *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Deferred income taxes receivable	\$ 337,714	\$ -	\$ 337,714
Other unavailable revenues	<u>23,731</u>	<u>38,726</u>	<u>62,457</u>
Total unavailable/unearned revenue for governmental funds	<u>\$ 361,445</u>	<u>\$ 38,726</u>	<u>\$ 400,171</u>

IV. Detailed notes on all funds (continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 6,832,876	\$ -	\$ (10,744)	\$ -	\$ 6,822,132
Construction in progress	698,824	999,132	-	(558,299)	1,139,658
Total capital assets, not being depreciated	<u>7,531,700</u>	<u>999,132</u>	<u>(10,744)</u>	<u>(558,299)</u>	<u>7,961,790</u>
Capital assets, being depreciated:					
Land improvements	5,754,824	65,007	-	18,223	5,838,054
Buildings and structures	15,491,206	210,158	-	21,761	15,723,125
Machinery and equipment	5,362,171	126,282	(22,250)	-	5,466,203
Automobiles and trucks	7,447,315	1,203,842	(272,781)	468,349	8,846,725
Office furniture and fixtures	4,253,404	5,694	(480,559)	-	3,778,539
Infrastructure	94,495,856	520,361	-	49,966	95,066,183
Total capital assets being depreciated	<u>132,804,776</u>	<u>2,131,344</u>	<u>(775,590)</u>	<u>558,299</u>	<u>134,718,829</u>
Less accumulated depreciation for:					
Land improvements	(748,781)	(140,511)	-	-	(889,292)
Buildings and structures	(8,513,159)	(345,028)	-	-	(8,858,187)
Machinery and equipment	(3,403,491)	(452,961)	22,250	-	(3,834,202)
Automobiles and trucks	(5,977,286)	(413,784)	260,360	-	(6,130,710)
Office furniture and fixtures	(2,985,885)	(322,886)	480,560	-	(2,828,211)
Infrastructure	(40,077,265)	(2,055,249)	-	-	(42,132,514)
Total accumulated depreciation	<u>(61,705,867)</u>	<u>(3,730,420)</u>	<u>763,170</u>	<u>-</u>	<u>(64,673,117)</u>
Total capital assets, being depreciated, net	<u>71,098,909</u>	<u>(1,599,076)</u>	<u>(12,420)</u>	<u>558,299</u>	<u>70,045,712</u>
Governmental activities capital assets, net	<u>\$ 78,630,609</u>	<u>\$ (599,944)</u>	<u>\$ (23,164)</u>	<u>\$ -</u>	<u>\$ 78,007,501</u>

IV. Detailed notes on all funds (continued)

C. Capital Assets (continued)

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	Ending <u>Balance</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 5,787,315	\$ -	\$ (81,345)	\$ -	\$ 5,705,970
Construction in progress	2,480,705	9,869,169	-	(636,011)	11,713,864
Total capital assets, not being depreciated	<u>8,268,020</u>	<u>9,869,169</u>	<u>(81,345)</u>	<u>(636,011)</u>	<u>17,419,834</u>
Capital assets, being depreciated:					
Land improvements	1,393,449	-	-	-	1,393,449
Buildings and structures	198,092,666	1,707,541	(1,156,760)	636,011	199,279,458
Machinery and equipment	103,422,349	2,308,564	(1,148,621)	-	104,582,292
Automobiles and trucks	4,687,203	660,969	(126,411)	26,665	5,248,426
Office furniture and fixtures	757,995	-	-	-	757,995
Total capital assets being depreciated	<u>308,353,662</u>	<u>4,677,074</u>	<u>(2,431,792)</u>	<u>662,676</u>	<u>311,261,620</u>
Less accumulated depreciation for:					
Land improvements	(941,087)	(40,500)	-	-	(981,587)
Buildings and structures	(60,462,908)	(3,611,797)	488,380	-	(63,586,325)
Machinery and equipment	(53,938,624)	(2,675,857)	1,091,446	-	(55,523,035)
Automobiles and trucks	(3,692,860)	(190,079)	126,415	(26,665)	(3,783,189)
Office furniture and fixtures	(730,016)	(5,218)	-	-	(735,234)
Total accumulated depreciation	<u>(119,765,495)</u>	<u>(6,523,451)</u>	<u>1,706,241</u>	<u>(26,665)</u>	<u>(124,609,370)</u>
Total capital assets, being depreciated, net	<u>188,588,167</u>	<u>(1,846,377)</u>	<u>(725,551)</u>	<u>636,011</u>	<u>186,652,250</u>
Business-type activities capital assets, net	<u>\$ 196,856,187</u>	<u>\$ 8,022,792</u>	<u>\$ (806,896)</u>	<u>\$ -</u>	<u>\$ 204,072,084</u>

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

Governmental activities:	
General government, including general infrastructure assets	\$ 2,397,074
Public safety	605,124
Highways and streets	280,037
Culture and recreation	410,808
Municipal buildings	37,377
Total depreciation expense – governmental activities	<u>\$ 3,730,420</u>

IV. Detailed notes on all funds (continued)

C. Capital Assets (continued)

Business-type activities:

Electric	\$ 845,072
Water	2,403,370
Wastewater	2,918,357
Parking facilities	212,023
Golf course	31,849
Property management	112,779
Total depreciation expense – business-type activities	<u>\$ 6,523,451</u>

Construction commitments

The government has active construction projects as of June 30, 2014. 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:

<u>Project</u>	<u>Spent-to- Date</u>	<u>Remaining Commitment</u>
Time and Attendance Software	\$ 143,128	\$ 122,000
Fire Dept Vehicle Replacement	468,349	-
Market House Improvements	122,730	-
Alley Reconstruction	85,664	81,869
Storm Drain Bridge Repair	254,713	2,211,444
Curb and Sidewalk Replacement Program	49,965	25,000
Bicycle Trail	111,041	72,493
University Plaza Amenities	33,886	-
Frederick Street Culvert	330,371	3,506
Pangborn Lake Reconstruction	56,720	8,000
Dog Park	47,313	-
Willson Treatment Plant Improv	19,732	180,268
R.C.Willson Plant - Phase IV	8,963,178	2,567,770
Water SCADA System	2,412,601	365,579
North Potomac St Parking Deck	294,170	6,090
36-40 North Potomac Bldg Renovations	647,356	-
Total	<u>\$ 14,040,916</u>	<u>\$ 5,644,019</u>

The funding sources for the projects above vary. The Time and Attendance Software project is funded through the General, Light, Water, and Wastewater funds. The Fire

IV. Detailed notes on all funds (continued)

C. Capital Assets (continued)

Department Vehicle Replacement was funded from the City's fund balance surplus. The Market House Improvements was funded through bond proceeds. The major bridge repair work is being financed in partnership with the state contributing 80% and the remaining balance from the City's Excise Tax fund. The 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 North Potomac St. Parking Deck project is funded with a combination of bond proceeds and the Parking fund. 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, 2014, is as follows:

Advances from/to other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Community Development Block Grant Fund	\$ 140,000
General Fund	Grant 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 2014. 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	\$ -	\$ 17,834	\$ -	\$ -	\$ -	\$ 19,895	\$ 274,834	\$ -	\$ 312,563
Capital Projects	832,268	310,542	24,250	59,875	24,250	-	-	-	1,251,185
Nonmajor Governmental	180,952	140,572	-	-	-	-	-	-	321,524
Parking	-	-	-	-	-	-	-	-	-
Nonmajor Enterprise	200,000	103,725	-	-	-	-	-	-	303,725
Transfers in	\$ 1,213,220	\$ 572,674	\$ 24,250	\$ 59,875	\$ 24,250	\$ 19,895	\$ 274,834	\$ -	\$ 2,188,998

The \$312,563 transferred in to the General Fund has four separate components: (1) a \$17,834 transfer from the Community Development Block Grant Fund for a part-time employee costs, (2) a \$19,895 transfer from Property Management for MD Theatre capital improvements, (3) a \$250,000 transfer from Workers Compensation Fund to offset the increased cost of public safety workers compensation, and (4) a \$24,834 transfer from the Health Insurance Fund.

Transfers to the Capital Projects Fund from the General Fund (\$832,268), Nonmajor Governmental Funds (\$310,542), Electric Fund (\$24,250), Water Fund (\$59,875), and Wastewater Fund (\$24,250) 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 \$180,952 transfer from the General Fund to the Nonmajor Governmental Funds has three separate components: (1) a \$100,000 transfer to the Economic Redevelopment Fund for community betterment projects, and (2) a \$1,402 transfer to the Grant Revenue Fund for local match requirements, and (3) a \$79,550 transfer to the Economic Redevelopment Fund for the Fifth-Third program and INVEST Hagerstown. The \$140,572 transfer between Nonmajor Governmental Funds represents a transfer from the Community Development Block Grant to Economic Redevelopment for demolition services at 43-53 W. Washington Street.

The \$200,000 transfer from the General Fund to the Nonmajor Enterprise Funds represents operating transfers to the Golf Course Fund. The \$103,725 transfer from the Nonmajor Governmental Funds to the Nonmajor Enterprise Funds has two separate components: (1) a \$70,380 transfer from Community Development Block Grant to Property Management to fund renovations at 36-40 N. Potomac Street and (2) a \$33,345 transfer from Economic Development to Property Management to fund renovations at 36-40 N. Potomac Street.

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 that expire in FY2018. Total costs for equipment operating leases were \$29,851 in FY2014. Future minimum lease payments for these leases are as follows:

	Fiscal Years Ending June 30,						Total
	2015	2016	2017	2018	2019	Thereafter	
Totals	\$ 104,521	\$ 57,240	\$ 12,182	\$ 9,137	\$ -	\$ -	\$ 183,080

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, 2014 was \$573,195. Future minimum rental income for these leases is as follows:

	Fiscal Years Ending June 30,						Total
	2015	2016	2017	2018	2019	Thereafter	
Totals	\$ 554,591	\$ 380,765	\$ 364,197	\$ 189,235	\$ 175,639	\$ 2,578,172	\$ 3,715,498

As of June 30, 2014, the cost and carrying amount of these leased assets by major asset class and accumulated depreciation in total are as follows:

	Cost by Asset Class				Total Carrying Amount
	Land	Building			
	Cost (Not Being Depreciated)	Accumulated Cost	Depreciation	Net	
Totals	\$ 925,175	\$ 3,451,183	\$ 1,206,309	\$ 2,244,874	\$ 3,170,049

IV. Detailed notes on all funds (continued)

F. Long-term debt

General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. In addition, general obligation bonds have been issued to refund general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

Description	Interest Rates	Maturity	Governmental Activities	Business-Type Activities	Total
1998 MD Water Quality Revolving Loan Fund	3.13%	2019	\$ -	\$ 397,887	\$ 397,887
1998 MD Water Quality Revolving Loan Fund	2.37%	2020	-	2,326,618	2,326,618
2000 MD Water Quality Revolving Loan Fund	2.40%	2021	-	842,922	842,922
2002 Washington County MWQ Refunding	5.25%	2015	-	27,633	27,633
2002 State of Maryland Water Supply Assistance	4.40%	2024	-	149,731	149,731
2004 Public Facilities Bonds	3.40%-4.30%	2019	650,000	-	650,000
2004 Taxable Facilities	5.40%-6.00%	2019	-	695,000	695,000
2004 Public Facilities Bonds, Second Issue	3.36%	2020	1,757,500	92,500	1,850,000
2005 MD Water Quality Revolving Loan Fund	0.40%	2025	-	4,156,988	4,156,988
2006 Public Facilities Bonds	3.66%	2021	4,498,910	1,486,090	5,985,000
2007 MD Drinking Water Revolving Loan Fund	0.40%	2026	-	3,879,257	3,879,257
2009-A Tax Exempt Bonds	2.00%-4.00%	2019	2,200,971	2,469,029	4,670,000
2009-B Taxable Build America Bonds	5.00%-5.75%	2029	5,073,545	5,691,456	10,765,001
2009 MDE West End Reservoir Tank Phase II	0.00%	2039	-	4,608,295	4,608,295
2009 MDE Water Quality Bond	0.00%	2032	-	718,151	718,151
2009 MDE RCWillson Mains	0.00%	2041	-	4,136,635	4,136,635
2009 MD Water Quality Revolving Loan Fund	0.00%	2030	-	5,669,858	5,669,858
2009 Salem Ave. Collection System Rehabilitation	0.00%	2030	-	613,474	613,474
2011 Public Facilities Bonds	2.00%-3.50%	2031	-	5,540,000	5,540,000
2014 Public Improvement Bonds	2.50%	2029	447,272	1,278,883	1,726,155
2012 United Bank Loan	4.00%-WSPR	2022	485,377	-	485,377
2013A MDE Willson Plant Phase IV	0.90%	2044	-	5,305,210	5,305,210
2013B MDE Willson Plant Phase IV	0.00%	2044	-	863,640	863,640
Total general obligation bonds payable			15,113,575	50,949,257	66,062,832
Premiums on bond issues			54,591	190,068	244,659
Total general obligation debt outstanding			\$ 15,168,166	\$ 51,139,325	\$ 66,307,491

IV. Detailed notes on all funds (continued)

F. Long-term debt (continued)

The 2002 The Columbia Bank variable interest loan, assumed from the Board of Commissioners of Washington County, Maryland, was paid in full as of October 28, 2013.

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
2015	\$ 1,267,668	\$ 608,231	\$ 3,206,701	\$ 855,153
2016	1,308,179	562,620	3,230,227	819,186
2017	1,360,991	517,959	3,289,704	760,329
2018	1,420,978	471,381	3,357,507	703,633
2019	1,480,091	421,348	3,416,792	644,922
*2020-2024	4,839,377	1,379,802	15,194,089	2,401,141
2025-2029	2,835,384	578,780	10,847,200	1,174,921
2030-2034	600,907	17,276	4,830,453	243,309
2035-2039	-	-	2,452,209	125,113
2040-2044	-	-	1,124,373	47,882
Total	15,113,575	4,557,397	50,949,257	7,775,588
Premiums on bond issues	54,591	-	190,068	-
Total general obligation debt	\$ 15,168,166	\$ 4,557,397	\$ 51,139,325	\$ 7,775,588

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, 2014, \$15,356 of revenue bonds was outstanding:

Description	Interest Rate	Maturity	Business-type Activities
1993 M.C.C.B. water supply assistance loan	5.36%	2025	\$ 15,356

Revenue bond debt service requirements to maturity are as follows:

Year Ended June 30	Business-type Activities	
	Principal	Interest
2015	\$ 1,061	\$ 795
2016	1,118	736
2017	1,177	675
2018	1,241	610
2019	1,307	542
2020-2024	7,664	1,549
2025-2029	1,788	48
Total	\$ 15,356	\$ 4,953

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	\$ 15,947,901	\$ 447,272	\$ (1,281,598)	\$ 15,113,575	\$ 1,267,670
Premium	65,162	-	(10,571)	54,591	-
Total long-term debt	<u>16,013,064</u>	<u>447,272</u>	<u>(1,292,169)</u>	<u>15,168,166</u>	<u>1,267,670</u>
Compensated absences	<u>4,867,286</u>	<u>6,244,748</u>	<u>(5,859,317)</u>	<u>5,252,717</u>	<u>1,851,519</u>
Governmental activity					
Long-term liabilities	<u>\$ 20,880,350</u>	<u>\$ 6,692,020</u>	<u>\$ (7,151,486)</u>	<u>\$ 20,420,883</u>	<u>\$ 3,119,189</u>
Business-type activities:					
Bonds payable:					
General obligation					
Bonds	\$ 46,645,591	\$ 7,223,533	\$ (2,919,867)	\$ 50,949,257	\$ 3,206,701
Revenue bonds	16,362	-	(1,006)	15,356	1,061
Premium	<u>210,380</u>	<u>-</u>	<u>(20,312)</u>	<u>190,068</u>	<u>-</u>
Total long-term debt	<u>46,872,334</u>	<u>7,223,533</u>	<u>(2,941,185)</u>	<u>51,154,681</u>	<u>3,207,762</u>
Compensated absences	<u>2,065,398</u>	<u>2,082,762</u>	<u>(1,967,162)</u>	<u>2,180,998</u>	<u>732,059</u>
Business-type activities					
Long-term liabilities	<u>\$ 48,937,732</u>	<u>\$ 9,306,295</u>	<u>\$ (4,908,347)</u>	<u>\$ 53,335,679</u>	<u>\$ 3,939,821</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 2014, 2013 and 2012.

As of September 1, 1998, the City returned to its full coverage workers compensation insurance carrier, Chesapeake Employers Insurance. This policy provides \$1,000,000 limits for bodily injury by accident for each accident, by disease per policy limit, and by disease for each employee.

Beginning July 1, 2012, the City replaced its large deductible coverage program with a stop-loss program. The City has self-insured health insurance for employees and retirees. This insurance has an individual stop-loss premium of \$225,000. These claim costs are accounted for in the government's Health Insurance Fund.

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 \$32,500 in general liability risk claims, \$0 in workers compensation claims, and \$1,083,566 in health and dental insurance.

	General Liability Risks Program		Workers Compensation Fund		Health Insurance Fund	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Unpaid claims, beginning of year	\$ 42,500	\$ 20,000	\$ -	\$ -	\$ 1,334,207	\$ 515,170
Incurred claims	18,788	39,184	-	-	5,396,229	6,760,043
Reserve reduction	(10,000)	22,500	-	-	-	-
Claim payments	(18,788)	(39,184)	-	-	(5,646,870)	(5,941,006)
Unpaid claims, end of year	\$ 32,500	\$ 42,500	\$ -	\$ -	\$ 1,083,566	\$ 1,334,207

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, 2014. 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 2014, 216 retirees and their 178 dependents were eligible for hospitalization and dental benefits. For fiscal year 2014, total claims paid for retiree health and dental care benefits were approximately \$1,503,273 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 26. 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, 38 retirees and 22 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, 2014 for current health and dental care benefit premiums. An additional \$1,512,842 has been designated for future benefits for a total ARC of \$2,309,676. The current ARC rate is 9.1% of annual covered payroll. The City contributed \$2,534,899 to the plan, including \$1,884,899 in current premiums and other pay as you go costs (75.0% of total premiums) and an additional \$650,000 to prefund benefits for the fiscal year 2015. The City contributed \$650,000 in FY2013 to prefund benefits for fiscal year 2014. Plan members receiving benefits contributed

V. Other information (continued)

C. Other post employment benefits (continued)

\$287,327, or approximately 13% of the total premiums, through their required contribution. As of June 30, 2014, the plan's net assets were \$5,703,575.

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)	\$ 2,309,676
Interest on net OPEB obligation	(29,006)
Adjustment to ARC	19,732
Annual OPEB cost (expense)	<u>2,300,401</u>
Contributions made	<u>(2,534,899)</u>
Increase in net OPEB asset	(234,498)
Net OPEB asset, beginning of year	<u>(386,753)</u>
Net OPEB asset, end of year	<u>\$ (621,251)</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB asset 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
06/30/2011	\$ 2,476,925	92.9%	\$ (265,183)
06/30/2013	2,361,817	104.8%	(386,753)
06/30/2014	2,300,401	110.2%	(621,251)

Funded status and funding progress. The funded status of the plan as of July 1, 2013, was as follows:

Actuarial accrued liability (AAL)	\$ 33,980,678
Actuarial value of plan assets	<u>4,328,298</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 29,652,380</u>
Funded ratio (actual value of plan assets/AAL)	12.74%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 25,507,601
UAAL as a percentage of covered payroll	116.25%

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% in 2008 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 eligible sworn police and fire employees participate in a single-employer pension plan which is administered by the City in a separate trust fund. Other eligible employees participate 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, 2013, the date of the most recent actuarial valuation:

Active	159
Retired or disabled	71
Vested terminations or inactive	<u>12</u>
Total	<u>242</u>

A sworn employee may elect to retire at his or her normal retirement date and receive unreduced benefits. Full (100%) vesting occurs on completion of five years of service. The normal retirement date is the first day of the month on or after the employee completes 25 years of eligibility service, regardless of age, or if earlier, the date the employee reaches age 62 and has 3 years of eligibility service. Retirement benefits commence at normal retirement date equal to 2.0% of average monthly compensation times years of service (to a maximum of 30 years). An employee will reach early retirement date on the first day of the month on or after the day the employee is age 55 and has at least 20 years of eligibility service.

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

Final benefits are based on the average of the three highest consecutive plan years preceding the date of retirement and there is a maximum percentage of credited service allowed. The Plan does not provide for automatic cost of living benefits increases. Benefits are payable to or on behalf of vested participants who die prior to retirement, who become disabled and qualify for total disability benefits under the Plan, and who opts to retire early upon meeting the Plan's requirements for early retirement.

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. For the last six years, the City has contributed 100% of the minimum annual required contribution. Based on the July 1, 2013 actuarial valuation, sworn employees contribute 7% of their base pay and the current actuarially determined rate the government is required to contribute is 13.50% for fiscal year 2013/2014. As of June 30, 2014, the plan's net position was \$18,790,093 and included the following policy target asset allocation breakdown.

<u>Asset Class</u>	<u>Target Allocation</u>
Cash	3%
Fixed Income	32%
Domestic equity	50%
International equity	<u>15%</u>
Total	<u>100%</u>

For the year ended June 30, 2014, the annual money weighted return on pension plan investments, net of investment expense was 13.77% for the Sworn Plan. The money weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Net pension liability. The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2014 is as follows:

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

Total Pension Liability (TPL)	\$ 45,151,218
Plan Fiduciary Net Position	18,790,093
City's Net Pension Liability	<u>\$ 26,361,125</u>

City's Net Position as a Percentage of TPL 41.62%

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the plan, calculated using the discount rate of 7.75%, as well as what the plan's net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

	1% decrease 6.75%	Current rate 7.75%	1% increase 8.75%
Net Pension Liability	\$ 31,492,433	\$26,361,125	\$ 21,672,583

The schedule of changes in the net pension liability, schedule of the City's contributions, and a schedule of investment returns are presented as Required Supplementary Information (RSI) following the notes to the financial statements on pages 70-72.

Actuarial methods and assumptions. The annual required contribution for the current year was determined as part of the July 1, 2013 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) Mortality – RP-2000 sex distinct
- (g) Turnover – Pre-retirement for retirement and spousal benefits is T8
- (h) Inflation – 2.25%

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

The long-term expected rate of return on pension plan investments was determined using log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2014 is as follows:

Asset Class	% of Portfolio	Assumed Rate of Return	Inflation	Real Rate of Return
Cash	4%	0.00%	0%	0%
Large-Cap Domestic Equities	43%	9.50%	2.25%	7.25%
Mid/Small Domestic Equities	7%	10.10%	2.25%	7.85%
International Equities	14%	10.10%	2.25%	7.85%
Real Estate Investment Trusts	1%	8.40%	2.25%	6.15%
Investment Grade Bonds	28%	5.80%	2.25%	3.55%
High Yield Bonds	3%	4.90%	2.25%	2.65%
Total	100%	8.13%	2.25%	5.88%

Cost Sharing Multiple Employer Pension Plans

Plan description. The Employees' Retirement System of the State of Maryland (Retirement System) covers most employees hired prior to January 1, 1980 who did not elect to transfer into the government's Sworn Plan. The Pension System for Employees of the State of Maryland (Pension System) covers employees hired after December 31, 1979, plus Retirement System participants who have voluntarily joined the Pension System, less employees who elected to transfer into the City's Sworn Plan.

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

Under the terms of the Pension System, a member hired before July 1, 2011 may retire after 30 years of service regardless of age, at age 65 with two years of service, at age 64 with three years of service, at age 63 with four years of service, or at age 62 with at least five years of service. An employee may also take early retirement with reduced benefits at age 55 with 15 years of service. A member is eligible for vesting after 5 years of service; however, the contribution must be left in the Pension System in order to qualify for benefits at age 62. A member hired on or after July 1, 2011 is eligible for normal service retirement based on "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

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

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

Benefits under both the Retirement System and the Pension System (State Plans) are established, and may be amended, under Article 73B of the Annotated Code of Maryland. The Maryland State Retirement and Pension System (MSRPS or System) is administered under Division II of the State Personnel and Pensions Article of the Annotated Code of Maryland and Internal Revenue Code Section 401(a) by a 14-member Board of Trustees. For State agencies, boards of education, community colleges and libraries (the State Pool), the System is a cost-sharing, multiple-employer plan. The System also administers a separate cost-sharing, multiple-employer plan for participating governmental units that elected to join the System (the Municipal Pool). The government participates in the Municipal Pool.

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

Funding policy. Obligation to contribute to the State Plans was established under Article 73B of the Maryland Code. Members of the Retirement System contribute 7 percent of their gross employee compensation. Members of the Pension System contributed 5 percent of their gross employee compensation in excess of the F.I.C.A. taxable wage base through June 30, 2011. Effective July 1, 2011, members of the Pension System began contributing 7 percent of their gross employee compensation in excess of the F.I.C.A. taxable wage base.

The required contribution and the percentage of that amount contributed for the past year is as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2014	\$ 1,438,132	\$ 1,438,132	100%

Required Supplementary Information

The City of Hagerstown Police and Fire Employees' Retirement Plan

Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios
For Fiscal Year Ended June 30, 2014

<hr/> <hr/>	
Total pension liability	
Service cost: Retirement benefits	\$ 539,706
Administration	
Interest	3,292,107
Benefit payments, including refunds of member contributions, deaths, & terminations	(2,276,321)
Net change in total pension liability	<u>\$ 1,555,492</u>
Total pension liability - beginning	43,595,726
Total pension liability - ending (a)	<u><u>\$ 45,151,218</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 1,024,869
Contributions - member	591,411
Net investment income	2,337,705
Benefit payments, including refunds of member contributions	(1,897,042)
Administrative expense	(29,523)
Net change in plan fiduciary net position	<u>2,027,420</u>
Plan fiduciary net position - beginning	16,762,673
Plan fiduciary net position - ending (b)	<u><u>\$ 18,790,093</u></u>
City's net pension liability - ending (a) - (b)	<u><u>\$ 26,361,125</u></u>
Plan fiduciary net position as a percentage of total pension liability	41.62%
Covered employee payroll	\$ 8,009,496
Net liability as a percentage of covered payroll	329.12%
Annual money-weighted rate of return, net of investment expense	13.77%

Required Supplementary Information

The City of Hagerstown Police and Fire Employees' Retirement Plan

Schedule of Police and Fire Employees' Pension Fund Employer Contributions
Last Three Fiscal Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ 1,438,132	\$ 1,266,438	\$ 1,557,619
Contributions in relation to the actuarially determined contribution	\$ 1,438,132	\$ 1,266,438	\$ 1,557,619
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 8,009,496	\$ 8,764,142	\$ 8,793,674
Contributions as a percentage of covered employee payroll	17.96%	14.45%	17.71%

Notes to schedule:

Valuation date

Actuarially determined contribution rates are calculated as of December 16,
6 months prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen Initial liability
Amortization method	Level percentage of projected payroll on an open basis
Remaining amortization period	21 years
Asset valuation method	3-year smoothing of expected investment returns to actual investment returns
Inflation	2.25%
Salary increases	Varies (ultimately 4.25%)
Investment rate of return	7.75% investment rate of return for pre-retirement-retirement and spousal benefits, and for post retirement-retirement benefits (net of administrative expenses)
Retirement age	Normal retirement age 62 or 25 years of service, but not before 7/1/01 or attained age 55 and 20 years of service plus one, if later
Mortality	RP-2000 sex distinct
Cost of living adjustment	None

Notes: This information is not available for previous years.

Required Supplementary Information

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%
7/1/2013	4,328,298	33,980,678	29,652,380	12.74%	25,507,601	116.2%

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	2,354,598	105.2%	(386,753)
2014	2,300,401	110.2%	(621,251)

City of Hagerstown, Maryland
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		2014 Actual	Variance with Final Budget - Positive (Negative)	2013 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues and Transfers						
General Property Taxes:						
Current year's levy	\$ 21,660,000	\$ 21,660,000	\$ 22,396,975	\$ 736,975	\$ 22,215,400	\$ 181,575
Prior year's levy - net	(100,000)	(100,000)	112,542	212,542	149,841	(37,299)
Payments in lieu of taxes	2,722,500	2,722,500	2,712,319	(10,181)	2,716,255	(3,936)
Interest on delinquent taxes	222,000	222,000	171,019	(50,981)	169,794	1,225
	24,504,500	24,504,500	25,392,855	888,355	25,251,290	141,565
Less discounts allowed	(30,000)	(30,000)	(27,801)	2,199	(23,587)	(4,214)
Total General Property Taxes	24,474,500	24,474,500	25,365,054	890,554	25,227,703	137,351
State and County Shared Taxes:						
Income tax	2,265,000	2,265,000	2,452,366	187,366	2,305,374	146,992
Admission	200,000	200,000	207,892	7,892	206,234	1,658
Enterprise zone tax credits	102,000	102,000	86,976	(15,024)	101,850	(14,874)
Police protection	750,000	750,000	750,454	454	516,752	233,702
State aid for fire service	53,265	53,265	54,797	1,532	55,352	(555)
State highway user revenue	-	-	-	-	-	-
Financial corporations	34,214	34,214	34,214	-	34,214	-
Hotel/motel room tax	172,000	172,000	176,220	4,220	165,898	10,322
Total State and County Shared Taxes	3,576,479	3,576,479	3,762,919	186,440	3,385,674	377,245
Licenses and Permits:						
Residential rental licenses	420,000	420,000	424,227	4,227	416,900	7,327
Cable television franchise	390,000	390,000	407,088	17,088	408,377	(1,289)
Traders	100,000	100,000	75,630	(24,370)	135,606	(59,976)
Building permits	163,000	163,000	187,496	24,496	104,973	82,523
Electrical permits	110,000	110,000	113,685	3,685	95,364	18,321
Distilled spirits	7,500	7,500	13,838	6,338	7,084	6,754
Plumbing permits	75,000	75,000	78,889	3,889	68,877	10,012
Other	317,750	317,750	223,849	(93,901)	308,163	(84,314)
Total Licenses and Permits	1,583,250	1,583,250	1,524,702	(58,548)	1,545,344	(20,642)
Intergovernmental Grant Revenues:						
Federal grants	268,615	323,423	284,779	(38,644)	24,450	260,329
State and local grants	216,557	218,105	217,605	(500)	217,316	289
Total Intergovernmental Grant Revenues	485,172	541,528	502,384	(39,144)	241,766	260,618
Service Charges:						
Refuse collection fees	2,264,000	2,264,000	2,220,896	(43,104)	2,231,362	(10,466)
Stadium	-	-	-	-	-	-
Swimming pool	66,135	66,135	44,770	(21,365)	50,552	(5,782)
Other	811,349	803,601	718,481	(85,120)	1,044,779	(326,298)
Total Service Charges	3,141,484	3,133,736	2,984,147	(149,589)	3,326,693	(342,546)
Fines and Forfeitures						
Safe Speed for School	1,557,000	1,557,000	1,224,845	(332,155)	1,560,024	(335,179)
Other	80,535	80,535	108,472	27,937	94,134	14,338
Total Fines and Forfeitures	1,637,535	1,637,535	1,333,317	(304,218)	1,654,158	(320,841)
Unallocated General Revenues:						
Administrative allocation	2,107,000	2,107,000	2,031,000	(76,000)	2,031,000	-
Interest on investments	35,000	35,000	10,240	(24,760)	30,400	(20,160)
Sale of land & other property	4,100	4,100	34,546	30,446	17,293	17,253
Miscellaneous	225,006	228,706	298,213	69,507	512,158	(213,945)
Total Unallocated General Revenues	2,371,106	2,374,806	2,373,999	(807)	2,590,851	(216,852)
Total Revenues	37,269,526	37,321,834	37,846,522	524,688	37,972,189	(125,667)

* 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, 2014

	Budgeted Amounts		2014 Actual	Variance with Final Budget - Positive (Negative)	2013 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues and Transfers (continued)						
Other Financing Sources:						
Transfers from community development fund	4,250	4,250	17,834	13,584	4,250	13,584
Transfers from water fund	250,000	250,000	-	(250,000)	-	-
Transfers from property management fund	-	-	19,895	19,895	-	19,895
Transfers from workers compensation fund	250,000	250,000	250,000	-	250,000	-
Transfers from flexible spending fund	6,000	6,000	-	(6,000)	-	-
Transfers from economic redevelopment fund	-	-	-	-	19,875	(19,875)
Transfers from health insurance fund	55,000	55,000	24,834	(30,166)	25,000	(166)
Budgeted use of fund balance	-	-	-	-	-	-
Total Other Financing Sources	565,250	565,250	312,563	(252,687)	299,125	13,438
Total Revenues and Other Financing Sources	\$ 37,834,776	\$ 37,887,084	\$ 38,159,085	\$ 272,001	\$ 38,271,314	\$ (112,229)
Expenditures and Transfers						
General Government:						
Council	\$ 113,327	\$ 114,325	\$ 107,444	\$ 6,881	\$ 105,850	\$ 1,594
Mayor	69,704	70,869	68,099	2,770	64,154	3,945
City administrator	204,203	210,853	210,844	9	203,569	7,275
City clerk	148,727	151,240	153,372	(2,132)	148,174	5,198
Community affairs	414,148	420,115	416,682	3,433	434,303	(17,621)
Legal counsel	275,000	275,000	339,270	(64,270)	236,455	102,815
Public functions	492,385	490,232	488,562	1,670	481,152	7,410
Finance and accounting	641,490	596,623	587,437	9,186	564,499	22,938
Information technology	761,880	776,568	773,690	2,878	744,554	29,136
Cashiering	321,383	327,835	400,353	(72,518)	364,012	36,341
Planning	427,987	434,398	416,822	17,576	413,167	3,655
Annexation	8,800	8,800	-	8,800	721	(721)
City hall expenditures	278,255	278,255	261,546	16,709	299,649	(38,103)
City engineer	1,044,993	1,061,642	1,036,486	25,156	1,013,824	22,662
Human resources	487,691	491,895	449,166	42,729	408,568	40,598
Total General Government	5,689,973	5,708,650	5,709,773	(1,123)	5,482,651	227,122
Public Safety:						
Police department	11,924,961	11,912,266	11,924,026	(11,760)	11,613,365	310,661
Fire department	6,407,400	6,505,508	6,475,260	30,248	6,205,182	270,078
Code enforcement	993,471	1,009,995	1,045,983	(35,988)	1,055,260	(9,277)
Signal department	581,611	583,335	479,089	104,246	547,656	(68,567)
Total Public Safety	19,907,443	20,011,104	19,924,358	86,746	19,421,463	502,895
Highways and Streets:						
General street department operations	720,000	720,000	621,209	98,791	684,314	(63,105)
Snow removal	399,900	399,900	551,657	(151,757)	276,103	275,554
Street cleaning	497,843	498,241	296,050	202,191	388,363	(92,313)
Street lighting	380,910	389,010	436,934	(47,924)	468,374	(31,440)
Central services	416,886	442,245	721,541	(279,296)	575,701	145,840
Total Highways and Streets	2,415,539	2,449,396	2,627,391	(177,995)	2,392,855	234,536
Waste, Collection and Disposal	2,038,031	2,039,036	1,950,525	88,511	1,936,153	14,372
Culture and Recreation:						
City parks	1,600,566	1,621,724	1,663,243	(41,519)	1,509,704	153,539
Swimming pool	147,837	148,921	163,286	(14,365)	162,213	1,073
Farmers market	78,077	78,077	86,541	(8,464)	90,977	(4,436)
Stadium	71,292	71,292	66,772	4,520	111,426	(44,654)
Recreation department	252,981	254,720	286,679	(31,959)	250,474	36,205
Hager house and 202 train museum	54,905	55,383	46,144	9,239	32,300	13,844
Total Culture and Recreation	2,205,658	2,230,117	2,312,665	(82,548)	2,157,094	155,571

* 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, 2014

	Budgeted Amounts		2014 Actual	Variance with Final Budget - Positive (Negative)	2013 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Expenditures and Transfers						
Economic and Community Development:						
Economic development	426,201	432,611	619,060	(186,449)	505,324	113,736
Housing and community development	89,287	91,061	93,253	(2,192)	97,381	(4,128)
Neighborhoods first	59,183	59,946	53,349	6,597	9,736	43,613
Total Economic and Community Dev	<u>574,671</u>	<u>583,618</u>	<u>765,662</u>	<u>(182,044)</u>	<u>612,441</u>	<u>153,221</u>
Unallocated General Expenditures:						
Retiree benefits	1,209,522	1,384,522	1,339,512	45,010	1,153,937	185,575
Contributions to other agencies	273,490	273,490	295,199	(21,709)	290,923	4,276
Inventory adjustments	10,000	10,000	30,703	(20,703)	1,866	28,837
Budget contingency	325,000	-	(1,994)	1,994	(4,915)	2,921
Total Unallocated General Expenditures	<u>\$ 1,818,012</u>	<u>\$ 1,668,012</u>	<u>\$ 1,663,420</u>	<u>\$ 4,592</u>	<u>\$ 1,441,811</u>	<u>\$ 221,609</u>
Debt Service:						
Principal	\$ 1,457,508	\$ 1,457,508	\$ 1,281,598	\$ 175,910	\$ 1,435,931	\$ (154,333)
Interest	722,813	722,813	550,187	172,626	595,093	(44,906)
Issuance Costs	1,105	1,105	1,105	-	1,105	-
Total Debt Service	<u>2,181,426</u>	<u>2,181,426</u>	<u>1,832,890</u>	<u>348,536</u>	<u>2,032,129</u>	<u>(199,239)</u>
Total Expenditures	36,830,753	36,871,359	36,786,684	84,675	35,476,597	1,310,087
Other Financing Uses:						
Transfers to golf course fund	200,000	200,000	200,000	-	272,000	(72,000)
Transfers to grant revenue fund	15,537	73,623	1,402	72,221	37,752	(36,350)
Transfers to economic redevelopment fund	100,000	100,000	100,000	-	200,000	(100,000)
Transfers to capital projects fund	687,868	832,268	832,268	-	1,102,759	(270,491)
Transfers from FB reserves to economic redevelopment fund	-	-	79,550	(79,550)	-	79,550
Total Other Financing Uses	<u>1,003,405</u>	<u>1,205,891</u>	<u>1,213,220</u>	<u>(7,329)</u>	<u>1,612,511</u>	<u>(399,291)</u>
Total Expenditures and Other Financing Uses	<u>37,834,158</u>	<u>38,077,250</u>	<u>37,999,904</u>	<u>77,346</u>	<u>37,089,108</u>	<u>910,796</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	618	(190,166)	159,181	194,655	1,182,206	(1,023,025)
Fund balances - beginning	9,706,969	9,706,969	9,706,969	-	8,524,763	1,182,206
Fund balances - ending	<u>\$ 9,707,587</u>	<u>\$ 9,516,803</u>	<u>\$ 9,866,150</u>	<u>\$ 194,655</u>	<u>\$ 9,706,969</u>	<u>\$ 159,181</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, 2014

	Budgeted Amounts		2014 Actual	Variance with Final Budget - Positive (Negative)	2013 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues						
Intergovernmental grant revenues	\$ 4,340,364	\$ 4,385,364	\$ 451,189	\$ (3,934,175)	\$ 670,845	\$ (219,656)
State and county shared taxes	722,882	722,882	1,039,880	316,998	301,936	737,944
Contributions and donations	3,881,000	3,881,000	92,071	(3,788,929)	150,377	(58,306)
Interest income	10,000	10,000	2,412	(7,588)	4,800	(2,388)
Other revenues	-	-	-	-	-	-
Total revenues	<u>8,954,246</u>	<u>8,999,246</u>	<u>1,585,552</u>	<u>(7,413,694)</u>	<u>1,127,958</u>	<u>457,594</u>
Expenditures						
General government projects	6,804,768	6,994,431	1,852,781	5,141,650	2,014,097	(161,316)
Public safety projects	1,710,000	1,764,400	612,040	1,152,360	566,584	45,456
Highways and streets projects	333,000	333,000	422,126	(89,126)	178,905	243,221
Culture and recreation	6,712,500	6,883,455	302,908	6,580,547	512,682	(209,774)
Total expenditures	<u>15,560,268</u>	<u>15,975,286</u>	<u>3,189,855</u>	<u>12,785,431</u>	<u>3,272,268</u>	<u>(82,413)</u>
Excess (deficiency) of revenues over (under) expenditures	(6,606,022)	(6,976,040)	(1,604,303)	5,371,737	(2,144,310)	540,007
Other Financing Sources (Uses)						
Bond financing	3,624,647	3,734,647	428,427	(3,306,220)	-	428,427
Transfers in:						
Excise tax fund	627,919	627,919	206,613	(421,306)	100,052	106,561
General fund	687,868	832,268	832,268	-	1,102,759	(270,491)
Electric fund	24,250	24,250	24,250	-	40,000	(15,750)
Water fund	24,250	24,250	59,875	35,625	40,000	19,875
Wastewater fund	24,250	24,250	24,250	-	40,000	(15,750)
Community development block grant fund	200,000	200,000	103,930	(96,070)	184,303	(80,373)
Telecommuting center fund	-	-	-	-	-	-
Transfers (out):						
Parking fund	-	-	-	-	-	-
Economic redevelopment fund	-	-	-	-	-	-
Golf fund	-	-	-	-	(3,550)	3,550
Property management fund	-	-	-	-	-	-
Budgeted use of fund balance	1,402,838	947,130	-	(947,130)	-	-
Total other financing sources and (uses)	<u>6,616,022</u>	<u>6,414,714</u>	<u>1,679,613</u>	<u>(4,735,101)</u>	<u>1,503,564</u>	<u>176,049</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	10,000	(561,326)	75,310	636,636	(640,746)	716,056
Fund balances - beginning	<u>2,857,066</u>	<u>2,857,066</u>	<u>2,857,066</u>	<u>-</u>	<u>3,497,812</u>	<u>(640,746)</u>
Fund balances - ending	<u>\$ 2,867,066</u>	<u>\$ 2,295,740</u>	<u>\$ 2,932,376</u>	<u>\$ 636,636</u>	<u>\$ 2,857,066</u>	<u>\$ 75,310</u>

SPECIAL REVENUE FUNDS

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

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

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

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

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, 2014**

	Community Development Block Grant		Special Revenue		Excise Tax	Grant Revenue	Upper Floors Redevelopment	Total Nonmajor Governmental Funds
	Economic Redevelopment	Flexible Spending	Business Revolving Loan					
Assets								
Pooled cash and investments	\$ 7,078	\$ 14,754	\$ 516,139	\$ 688,233	\$ 295,879	\$ 176,594	\$ 2,160,968	
Interest receivable	-	82	77	106	39	33	338	
Accounts receivable	-	3,169	-	-	-	-	19,686	
Intergovernmental receivable	122,239	16,517	-	-	129,419	-	251,658	
Prepaid items	-	-	-	-	156	-	156	
Loans receivable (net of allowance for uncollectibles)	2,268,917	-	558,398	-	39,713	-	2,867,028	
Properties held for resale	599,545	606,941	-	-	-	-	1,206,486	
Advances to other funds	-	-	-	-	-	-	-	
Restricted assets:								
Pooled cash and investments	106,613	-	-	-	-	-	106,613	
Total assets	\$ 3,104,392	\$ 1,072,483	\$ 1,074,614	\$ 688,339	\$ 465,206	\$ 176,627	\$ 6,612,933	
Liabilities								
Accounts and retainages payable	\$ 60,897	\$ -	\$ 160	\$ 12,145	\$ 126,548	\$ -	\$ 200,695	
Accrued liabilities	3,211	-	-	4,762	2,433	-	10,406	
Advances from other funds	140,000	-	-	-	305,000	-	445,000	
Escrowed taxes and insurance	7,332	-	-	-	-	-	7,332	
Customer deposits	500	5,000	-	-	-	-	5,500	
Deferred revenue	-	-	-	-	100	-	100	
Undisbursed loan and grant commitments	98,450	-	-	-	-	-	98,450	
Other long term liabilities	-	11,000	-	-	-	-	11,000	
Total liabilities	\$ 310,390	\$ 16,000	\$ 160	\$ 16,907	\$ 434,081	\$ -	\$ 778,483	
Fund Balance								
Nonspendable	-	606,941	558,398	-	156	-	1,165,495	
Restricted	2,868,462	-	-	-	40,487	-	2,908,949	
Committed	-	-	-	-	-	-	-	
Assigned	66,437	449,542	516,056	671,432	-	176,627	1,910,421	
Unassigned	(140,897)	-	-	-	(9,518)	-	(150,415)	
Total fund balances	\$ 2,794,002	\$ 1,056,483	\$ 1,074,454	\$ 671,432	\$ 31,125	\$ 176,627	\$ 5,834,450	
Total liabilities and fund balances	\$ 3,104,392	\$ 1,072,483	\$ 1,074,614	\$ 688,339	\$ 465,206	\$ 176,627	\$ 6,612,933	

City of Hagerstown, Maryland
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	Community Development Block Grant		Economic Redevelopment		Flexible Spending		Business Revolving Loan		Excise Tax		Grant Revenue		Upper Floors Redevelopment		Total Nonmajor Governmental Funds	
	Grant	Redevelopment	Economic Redevelopment	Flexible Spending	Business Revolving Loan	Excise Tax	Grant Revenue	Upper Floors Redevelopment	Total	Nonmajor Governmental Funds						
Revenues																
Intergovernmental	\$ 607,724	\$ -	\$ -	-	\$ -	-	\$ -	\$ -	\$ 810,108	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,417,832	
Program income	51,949	-	-	-	20,725	69,278	-	-	-	-	-	-	-	-	141,952	
Investment earnings	-	247	-	1	282	464	-	-	144	-	-	90	-	-	1,228	
Contributions and donations	-	16,000	-	-	-	-	-	-	-	-	-	-	-	-	16,000	
Property sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other revenues	2,630	23,400	-	24,846	100	-	-	564	-	-	-	-	-	-	51,540	
Total revenues	662,303	39,647	24,847	24,847	21,107	69,742	810,816	90	1,628,552							
Expenditures																
Current:																
General government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	131,410	
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	-	-	421,108	
Economic and community development																
Public services	105,132	-	-	-	-	-	1,100	-	-	-	-	-	-	-	106,232	
Public Facilities/Improvements	73,751	-	-	-	-	-	-	-	-	-	-	-	-	-	73,751	
Housing rehabilitation	6,588	-	-	-	-	-	-	-	-	-	-	-	-	-	6,588	
Clearance and demolition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Direct economic development	-	178,727	-	-	-	-	-	-	-	-	-	-	-	-	178,727	
Cost of properties sold	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Administration	164,838	-	6,165	-	5,206	-	-	-	-	-	-	-	-	-	176,209	
Direct economic development loans	-	-	-	-	(4,915)	-	-	-	-	-	-	-	-	-	(4,915)	
Capital outlay	-	-	-	-	-	-	235,797	-	-	-	-	-	-	-	235,797	
Interest expense	194	-	-	-	-	-	-	-	-	-	-	-	-	-	194	
Total expenditures	350,503	178,727	6,165	6,165	291	69,742	789,415	90	1,325,101							
Excess (deficiency) of revenues over (under) expenditures	311,800	(139,080)	18,682	18,682	20,816	69,742	21,401	90	303,451							
Other Financing Sources (Uses)																
Transfers in	-	320,122	-	-	-	-	1,402	-	-	-	-	-	-	-	321,524	
Transfers out	(332,716)	(33,345)	-	-	-	(206,613)	-	-	-	-	-	-	-	-	(572,674)	
Total other financing sources (uses)	(332,716)	286,777	-	-	-	(206,613)	1,402	-	-	-	-	-	-	-	(251,150)	
Net change in fund balances	(20,916)	147,697	18,682	18,682	20,816	(136,871)	22,803	90	52,301							
Fund balances - beginning	2,814,918	908,786	11,645	11,645	1,053,638	808,303	8,322	176,537	5,782,149							
Fund balances - ending	2,794,002	1,056,483	30,327	30,327	1,074,454	671,432	31,125	176,627	5,834,450							

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, 2014

	Budgeted Amounts		2014 Actual	Variance with Final Budget - Positive (Negative)	2013 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues						
Intergovernmental	\$ 984,776	984,776	\$ 607,724	\$ (377,052)	\$ 1,191,609	\$ (583,885)
Program income	166,545	166,545	51,949	(114,596)	51,892	57
Property sales	35,000	35,000	-	(35,000)	(1,027)	1,027
Other revenues	-	-	2,630	2,630	3,200	(570)
Total revenues	<u>1,186,321</u>	<u>1,186,321</u>	<u>662,303</u>	<u>(524,018)</u>	<u>1,245,674</u>	<u>(583,371)</u>
Expenditures						
Public services	105,000	105,000	105,132	(132)	130,808	(25,676)
Public Facilities/Improvements	750	750	73,751	(73,001)	-	73,751
Housing rehabilitation	460,000	460,000	6,588	453,412	92,735	(86,147)
Clearance and demolition	-	-	-	-	-	-
Acquisition	-	-	-	-	-	-
Cost of properties sold	-	-	-	-	338,213	(338,213)
Administration	157,491	157,491	164,838	(7,347)	176,683	(11,845)
Direct economic development	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Interest expense	-	-	194	(194)	213	(19)
Total expenditures	<u>723,241</u>	<u>723,241</u>	<u>350,503</u>	<u>372,738</u>	<u>738,652</u>	<u>(388,149)</u>
Excess (deficiency) of revenues over (under) expenditures	463,080	463,080	311,800	(151,280)	507,022	(195,222)
Other Financing Sources (Uses)						
Transfers to property management fund	(75,000)	(75,000)	(70,380)	4,620	(566,633)	496,253
Transfers to economic redevelopment fund	(145,000)	(145,000)	(140,572)	4,428	(220,975)	80,403
Transfers to general fund	(4,250)	(4,250)	(17,834)	(13,584)	(4,250)	(13,584)
Transfers to capital projects fund	(200,000)	(200,000)	(103,930)	96,070	(184,303)	80,373
Total other financing sources (uses)	<u>(424,250)</u>	<u>(424,250)</u>	<u>(332,716)</u>	<u>91,534</u>	<u>(976,161)</u>	<u>643,445</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)						
	38,830	38,830	(20,916)	(59,746)	(469,139)	448,223
Fund balances - beginning	2,814,918	2,814,918	2,814,918	-	3,284,057	(469,139)
Fund balances - ending	<u>\$ 2,853,748</u>	<u>\$ 2,853,748</u>	<u>\$ 2,794,002</u>	<u>\$ (59,746)</u>	<u>\$ 2,814,918</u>	<u>\$ (20,916)</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, 2014

	Budgeted Amounts		2014 Actual	Variance with Final Budget - Positive (Negative)	2013 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ (100,000)
Investment earnings	500	500	247	(253)	811	(564)
Contributions and donations	-	-	16,000	16,000	-	16,000
Property sales	-	-	-	-	105,000	(105,000)
Rental income	-	-	23,400	23,400	3,600	19,800
Total revenues	<u>500</u>	<u>500</u>	<u>39,647</u>	<u>39,147</u>	<u>209,411</u>	<u>(169,764)</u>
Expenditures						
Direct economic development	665,721	665,721	178,727	486,994	207,136	(28,409)
Cost of property sales	-	-	-	-	81,498	(81,498)
Total expenditures	<u>665,721</u>	<u>665,721</u>	<u>178,727</u>	<u>486,994</u>	<u>288,634</u>	<u>(109,907)</u>
Excess (deficiency) of revenues over (under) expenditures	(665,221)	(665,221)	(139,080)	526,141	(79,223)	(59,857)
Other Financing Sources (Uses)						
Transfers from general fund	100,000	100,000	100,000	-	200,000	(100,000)
Transfers from general fund balance reserves	-	-	79,550	79,550	-	79,550
Transfers from capital projects fund	145,000	145,000	140,572	(4,428)	220,975	(80,403)
Transfers to general fund	-	-	-	-	(19,875)	19,875
Transfers to upper floors redevelopment fund	(57,000)	(57,000)	(33,345)	23,655	(75,906)	42,561
Total other financing sources (uses)	<u>188,000</u>	<u>188,000</u>	<u>286,777</u>	<u>98,777</u>	<u>325,194</u>	<u>(38,417)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)						
	(477,221)	(477,221)	147,697	624,918	245,971	(98,274)
Fund balances - beginning	908,786	908,786	908,786	-	662,815	245,971
Fund balances - ending	<u>\$ 431,565</u>	<u>\$ 431,565</u>	<u>\$ 1,056,483</u>	<u>\$ 624,918</u>	<u>\$ 908,786</u>	<u>\$ 147,697</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, 2014

	<u>Original and Final Budget</u>	<u>2014 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2013 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
Revenues					
Investment earnings	\$ 75	\$ 1	\$ (74)	\$ (1)	\$ 2
Employer FICA savings	<u>5,500</u>	<u>24,846</u>	<u>19,346</u>	<u>(4,654)</u>	<u>29,500</u>
Total revenues	<u>5,575</u>	<u>24,847</u>	<u>19,272</u>	<u>(4,655)</u>	<u>29,502</u>
Expenditures					
Contracted services	6,699	6,165	534	6,264	(99)
Administration	-	-	-	-	-
Total expenditures	<u>6,699</u>	<u>6,165</u>	<u>534</u>	<u>6,264</u>	<u>(99)</u>
Excess (deficiency) of revenues over (under) expenditures	(1,124)	18,682	19,806	(10,919)	29,601
Other Financing Sources (Uses)					
Transfers to general fund	<u>(6,000)</u>	-	6,000	-	-
Total other financing sources (uses)	<u>(6,000)</u>	<u>-</u>	<u>6,000</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)					
	(7,124)	18,682	25,806	(10,919)	29,601
Fund balances - beginning	11,645	11,645	-	22,564	(10,919)
Fund balances - ending	<u>\$ 4,521</u>	<u>\$ 30,327</u>	<u>\$ 25,806</u>	<u>\$ 11,645</u>	<u>\$ 18,682</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, 2014

	<u>Original and Final Budget</u>	<u>2014 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2013 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
Revenues					
Intergovernmental	\$ -	\$ -	\$ -	\$ 250,000	\$ (250,000)
Investment earnings	1,000	282	(718)	352	(70)
Miscellaneous	-	100	100	-	100
Program revenue	81,000	20,725	(60,275)	11,831	8,894
Total revenues	<u>82,000</u>	<u>21,107</u>	<u>(60,893)</u>	<u>262,183</u>	<u>(241,076)</u>
Expenditures					
Legal	1,399	3,515	(2,116)	6,862	(3,347)
Administration	-	1,691	(1,691)	-	1,691
Direct economic development loans	100,000	(4,915)	104,915	(86,094)	81,179
Total expenditures	<u>101,399</u>	<u>291</u>	<u>101,108</u>	<u>(79,232)</u>	<u>79,523</u>
Other Financing Sources (Uses)					
Transfers to upper floors redevelopment fund	-	-	-	125,000	(125,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,000</u>	<u>(125,000)</u>
Excess (deficiency) of revenues over (under) expenditures	(19,399)	20,816	40,215	466,415	(445,599)
Fund balances - beginning	1,053,638	1,053,638	-	587,223	466,415
Fund balances - ending	<u>\$ 1,034,239</u>	<u>\$ 1,074,454</u>	<u>\$ 40,215</u>	<u>\$ 1,053,638</u>	<u>\$ 20,816</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, 2014

	<u>Budgeted Amounts</u>		<u>2014 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2013 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
Revenues						
Investment earnings	\$ 2,000	\$ 2,000	\$ 464	\$ (1,536)	\$ 912	\$ (448)
Excise tax	95,000	95,000	69,278	(25,722)	115,491	(46,213)
Other revenues	-	-	-	-	(15,621)	15,621
Total revenues	<u>97,000</u>	<u>97,000</u>	<u>69,742</u>	<u>(27,258)</u>	<u>100,782</u>	<u>(31,040)</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	(627,919)	(627,919)	(206,613)	421,306	(100,052)	(106,561)
Total other financing sources (uses)	<u>(627,919)</u>	<u>(627,919)</u>	<u>(206,613)</u>	<u>421,306</u>	<u>(100,052)</u>	<u>(106,561)</u>
Excess (deficiency) of revenues over (under) expenditures	(530,919)	(530,919)	(136,871)	394,048	730	(137,601)
Fund balances - beginning	808,303	808,303	808,303	-	807,573	730
Fund balances - ending	<u>\$ 277,384</u>	<u>\$ 277,384</u>	<u>\$ 671,432</u>	<u>\$ 394,048</u>	<u>\$ 808,303</u>	<u>\$ (136,871)</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, 2014

	<u>Budgeted Amounts</u>		<u>2014 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2013 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
Revenues						
Intergovernmental	\$ 340,746	\$ 684,623	\$ 810,108	\$ 125,485	\$ 401,836	\$ 408,272
Investment earnings	-	-	144	144	219	(75)
Contributions and donations	-	-	-	-	8,000	(8,000)
Other revenues	-	-	564	564	15,018	(14,454)
Total revenues	<u>340,746</u>	<u>684,623</u>	<u>810,816</u>	<u>126,193</u>	<u>425,073</u>	<u>385,743</u>
Expenditures						
General government	-	-	131,410	(131,410)	-	131,410
Public safety	339,083	687,985	421,108	266,877	386,364	34,744
Economic and community development	-	-	1,100	(1,100)	13,304	(12,204)
Capital outlay	17,200	66,169	235,797	(169,628)	125,590	110,207
Interest expense	-	-	-	-	-	-
Total expenditures	<u>356,283</u>	<u>754,154</u>	<u>789,415</u>	<u>(35,261)</u>	<u>525,258</u>	<u>264,157</u>
Excess (deficiency) of revenues over (under) expenditures	(15,537)	(69,531)	21,401	90,932	(100,185)	121,586
Other Financing Sources (Uses)						
Transfers from general fund	<u>15,537</u>	<u>73,623</u>	<u>1,402</u>	<u>(72,221)</u>	<u>37,752</u>	<u>(36,350)</u>
Total other financing sources (uses)	<u>15,537</u>	<u>73,623</u>	<u>1,402</u>	<u>(72,221)</u>	<u>37,752</u>	<u>(36,350)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)						
	-	4,092	22,803	18,711	(62,433)	85,236
Fund balances - beginning	<u>8,322</u>	<u>8,322</u>	<u>8,322</u>	<u>-</u>	<u>70,755</u>	<u>(62,433)</u>
Fund balances - ending	\$ <u>8,322</u>	\$ <u>12,414</u>	\$ <u>31,125</u>	\$ <u>18,711</u>	\$ <u>8,322</u>	\$ <u>22,803</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, 2014

	Budgeted Amounts		2014 Actual	Variance with Final Budget - Positive (Negative)	2013 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	90	(90)	377	(287)
Total revenues	-	-	90	(90)	377	(287)
Expenditures						
Legal	-	-	-	-	-	-
Direct economic development loans	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-
Other Financing Sources (Uses)						
Transfers from economic redevelopment fund	-	-	-	-	-	-
Transfers to business revolving loan fund	(2)	(2)	-	(2)	(125,000)	125,000
Total other financing sources (uses)	(2)	(2)	-	(2)	(125,000)	125,000
Excess (deficiency) of revenues over (under) expenditures	(2)	(2)	90	92	(124,623)	124,713
Fund balances - beginning	176,537	176,537	176,537	-	301,160	(124,623)
Fund balances - ending	\$ 176,535	\$ 176,535	\$ 176,627	\$ 92	\$ 176,537	\$ 90

NONMAJOR ENTERPRISE FUNDS

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

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

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

City of Hagerstown, Maryland
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2014

	<u>Golf Course</u>	<u>Property Management</u>	<u>Total Nonmajor Enterprise Funds</u>
Assets			
Current assets:			
Pooled cash and investments	\$ 11,755	\$ 1,049,703	\$ 1,061,458
Interest receivable	4	171	175
Accounts receivable (net of allowance for uncollectibles)	525	90,531	91,056
Inventories	5,311	-	5,311
Due from other agencies	-	-	-
Prepaid items	840	376	1,216
Total current assets	<u>18,435</u>	<u>1,140,781</u>	<u>1,159,216</u>
Noncurrent assets:			
Capital assets:			
Land	125,000	696,450	821,450
Land improvements	203,554	-	203,554
Buildings and structures	219,846	5,098,119	5,317,965
Machinery and equipment	374,898	29,336	404,234
Automobiles and trucks	67,450	-	67,450
Office furniture and fixtures	-	26,921	26,921
Construction in progress	-	11,345	11,345
Less accumulated depreciation	<u>(434,432)</u>	<u>(1,147,999)</u>	<u>(1,582,431)</u>
Total capital assets, net	<u>556,316</u>	<u>4,714,172</u>	<u>5,270,488</u>
Total noncurrent assets	<u>556,316</u>	<u>4,714,172</u>	<u>5,270,488</u>
Total assets	<u>574,751</u>	<u>5,854,953</u>	<u>6,429,704</u>
Liabilities			
Current liabilities:			
Accounts and retainages payable	7,931	26,126	34,057
Compensated absences - current	10,125	-	10,125
Accrued liabilities	4,941	1,890	6,831
Customer deposits and rebates	-	2,150	2,150
Unearned revenue	(54,068)	22,000	(32,068)
Other liabilities - current	<u>13,654</u>	<u>-</u>	<u>13,654</u>
Total current liabilities	<u>(17,417)</u>	<u>52,166</u>	<u>34,749</u>
Noncurrent liabilities:			
Compensated absences	16,286	-	16,286
Other long term liabilities	<u>40,965</u>	<u>22,000</u>	<u>62,965</u>
Total noncurrent liabilities	<u>57,251</u>	<u>22,000</u>	<u>79,251</u>
Total liabilities	<u>39,834</u>	<u>74,166</u>	<u>114,000</u>
Net Position			
Net Investment in Capital Assets	556,316	4,714,172	5,270,488
Unrestricted	<u>(21,399)</u>	<u>1,066,615</u>	<u>1,045,216</u>
Total net position	<u>\$ 534,917</u>	<u>\$ 5,780,787</u>	<u>\$ 6,315,704</u>

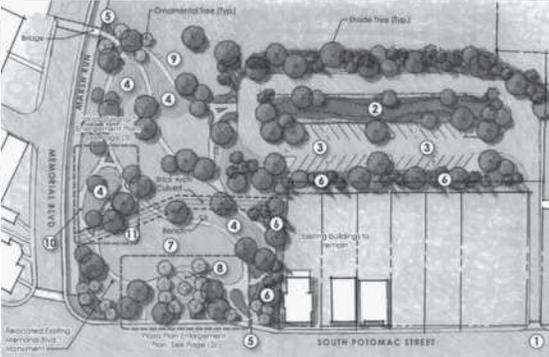
City of Hagerstown, Maryland
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2014

	<u>Golf Course</u>	<u>Property Management</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues:			
Service charges	\$ 194,883	\$ 361,661	\$ 556,544
Other revenues	1,875	15,787	17,662
Total operating revenues	<u>196,758</u>	<u>377,448</u>	<u>574,206</u>
Operating expenses:			
Selling, general and administrative expenses	377,510	431,399	808,909
Depreciation	31,849	112,779	144,628
Total operating expenses	<u>409,359</u>	<u>544,178</u>	<u>953,537</u>
Operating income	<u>(212,601)</u>	<u>(166,730)</u>	<u>(379,331)</u>
Nonoperating revenues (expenses):			
Gain (Loss) on disposal of capital assets	-	(509,611)	(509,611)
Intergovernmental revenue	-	6,417	6,417
Investment earnings	13	17,617	17,630
Interest expense	-	-	-
Bond issuance costs	-	-	-
Total nonoperating revenue (expenses)	<u>13</u>	<u>(485,577)</u>	<u>(485,564)</u>
Income (loss) before contributions and transfers	(212,588)	(652,307)	(864,895)
Capital contributions	-	-	-
Transfers in	200,000	103,725	303,725
Transfers out	-	(19,895)	(19,895)
Changes in net position	<u>(12,588)</u>	<u>(568,477)</u>	<u>(581,065)</u>
Total net position - beginning	547,505	6,349,264	6,896,769
Total net position - ending	<u>\$ 534,917</u>	<u>\$ 5,780,787</u>	<u>\$ 6,315,704</u>

City of Hagerstown, Maryland
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2014

	<u>Golf Course</u>	<u>Property Management</u>	<u>Total Nonmajor Enterprise Funds</u>
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 209,889	\$ 385,678	\$ 595,567
Payments to suppliers	(156,997)	(262,418)	(419,415)
Payments to employees	(236,104)	(196,444)	(432,548)
Net cash used by operating activities	<u>(183,212)</u>	<u>(73,184)</u>	<u>(256,396)</u>
Cash Flows From Noncapital Financing Activities			
Transfers from (to) other funds	<u>200,000</u>	<u>83,830</u>	<u>283,830</u>
Net cash provided (used) by noncapital and related financing activities	<u>200,000</u>	<u>83,830</u>	<u>283,830</u>
Cash Flows From Capital And Related Financing Activities			
Proceeds from intergovernmental grant	-	42,676	42,676
Acquisition and construction of capital assets	(38,900)	662,644	623,744
Proceeds from sale of capital assets	-	(509,611)	(509,611)
Net cash provided (used) by capital and related financing activities	<u>(38,900)</u>	<u>195,709</u>	<u>156,809</u>
Cash Flows From Investing Activities			
Interest and dividends received	<u>9</u>	<u>17,578</u>	<u>17,587</u>
Net cash provided by investing activities	<u>9</u>	<u>17,578</u>	<u>17,587</u>
Net increase (decrease) in pooled cash and investments	(22,103)	223,933	201,830
Pooled cash and investments, beginning of year	33,858	825,770	859,628
Pooled cash and investments, end of year	<u>\$ 11,755</u>	<u>\$ 1,049,703</u>	<u>\$ 1,061,458</u>
Reconciliation of operating income to net cash (used) by operating activities:			
Operating income (loss)	\$ (212,601)	\$ (166,730)	\$ (379,331)
Adjustments to reconcile operating income to net cash used by operating activities:			
Depreciation expense	31,849	112,779	144,628
Net effect of changes in assets and liabilities			
Accounts receivable	(481)	7,179	6,698
Inventories	(75)	-	(75)
Prepaid items	1,310	230	1,540
Long-term accounts receivable	-	22,000	22,000
Accounts and retainages payable	(4,991)	(6,062)	(11,053)
Compensated absences payable	1,484	-	1,484
Accrued liabilities	334	370	704
Customer deposits and rebates	-	1,050	1,050
Other liabilities - current	-	-	-
Due from other agencies	-	-	-
Unearned revenue	13,614	(22,000)	(8,386)
Other long-term liabilities	(13,655)	(22,000)	(35,655)
Total adjustments	<u>29,389</u>	<u>93,546</u>	<u>122,935</u>
Net cash used by operating activities	<u>\$ (183,212)</u>	<u>\$ (73,184)</u>	<u>\$ (256,396)</u>
Reconciliation of pooled cash and investments to the balance sheet			
Pooled cash and investments	\$ 11,755	\$ 1,049,703	\$ 1,061,458
Totals	<u>\$ 11,755</u>	<u>\$ 1,049,703</u>	<u>\$ 1,061,458</u>

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 Net Position
Internal Service Funds
June 30, 2014

	<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	\$ 394,536	\$ 3,222,784	\$ 77,593	\$ 3,694,913
Interest receivable	103	596	11	710
Accounts receivable (net of allowance for uncollectibles)	23,369	152,652	9,343	185,364
Prepaid Items	156,912	21,654	-	178,566
Total current assets	<u>574,920</u>	<u>3,397,686</u>	<u>86,947</u>	<u>4,059,553</u>
Noncurrent assets:				
Restricted assets:				
Pooled cash and investments	-	224,000	31,300	255,300
Total noncurrent assets	<u>-</u>	<u>224,000</u>	<u>31,300</u>	<u>255,300</u>
Total assets	<u>574,920</u>	<u>3,621,686</u>	<u>118,247</u>	<u>4,314,853</u>
Liabilities				
Current liabilities:				
Accounts and retainages payable	-	901	20,962	21,863
Accrued liabilities	-	1,036,687	46,879	1,083,566
Unearned revenue	<u>-</u>	<u>183,089</u>	<u>-</u>	<u>183,089</u>
Total current liabilities	<u>-</u>	<u>1,220,677</u>	<u>67,841</u>	<u>1,288,518</u>
Total liabilities	<u>-</u>	<u>1,220,677</u>	<u>67,841</u>	<u>1,288,518</u>
Net Position				
Unassigned	<u>574,920</u>	<u>2,401,009</u>	<u>50,406</u>	<u>3,026,335</u>
Total net position	<u>\$ 574,920</u>	<u>\$ 2,401,009</u>	<u>\$ 50,406</u>	<u>\$ 3,026,335</u>

City of Hagerstown, Maryland
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2014

	<u>Worker's Compensation</u>	<u>Health Insurance</u>	<u>Dental Insurance</u>	<u>Total Internal Service Funds</u>
Operating revenues:				
Service charges	\$ 909,778	\$ 6,823,074	\$ 384,909	\$ 8,117,761
Other revenues	-	86,635	-	86,635
Total operating revenues	<u>909,778</u>	<u>6,909,709</u>	<u>384,909</u>	<u>8,204,396</u>
Operating expenses:				
Claim and premium expenses	812,265	5,072,226	345,251	6,229,742
Administrative expenses	8,750	672,953	21,773	703,476
Contributions to OPEB plan - Employer	-	650,000	-	650,000
Total operating expenses	<u>821,015</u>	<u>6,395,179</u>	<u>367,024</u>	<u>7,583,218</u>
Operating income (loss)	<u>88,763</u>	<u>514,530</u>	<u>17,885</u>	<u>621,178</u>
Nonoperating revenues (expenses):				
Investment earnings	317	2,065	48	2,430
Total nonoperating revenue (expenses)	<u>317</u>	<u>2,065</u>	<u>48</u>	<u>2,430</u>
Income before contributions and transfers	<u>89,080</u>	<u>516,595</u>	<u>17,933</u>	<u>623,608</u>
Transfer out to other funds	<u>(250,000)</u>	<u>(24,834)</u>	<u>-</u>	<u>(274,834)</u>
Changes in net position	<u>(160,920)</u>	<u>491,761</u>	<u>17,933</u>	<u>348,774</u>
Total net position - beginning	735,840	1,909,248	32,473	2,677,561
Total net position - ending	<u>\$ 574,920</u>	<u>\$ 2,401,009</u>	<u>\$ 50,406</u>	<u>\$ 3,026,335</u>

City of Hagerstown, Maryland
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2014

	Worker's Compensation	Health Insurance	Dental Insurance	Total Internal Service Funds
Cash Flows From Operating Activities				
Receipts from interfund services provided	\$ 905,851	\$ 6,857,774	\$ 383,105	\$ 8,146,730
Payments to suppliers	<u>(977,927)</u>	<u>(6,673,333)</u>	<u>(344,158)</u>	<u>(7,995,418)</u>
Net cash provided (used) by operating activities	<u>(72,076)</u>	<u>184,441</u>	<u>38,947</u>	<u>151,312</u>
Cash Flows From Noncapital Financing Activities				
Transfers to other funds	<u>(250,000)</u>	<u>(24,834)</u>	<u>-</u>	<u>(274,834)</u>
Net cash used by capital and related financing activities	<u>(250,000)</u>	<u>(24,834)</u>	<u>-</u>	<u>(274,834)</u>
Cash Flows From Investing Activities				
Interest and dividends received	<u>360</u>	<u>2,096</u>	<u>48</u>	<u>2,504</u>
Net cash provided by investing activities	<u>360</u>	<u>2,096</u>	<u>48</u>	<u>2,504</u>
Net decrease in pooled cash and investments	(321,714)	161,703	38,995	(121,016)
Pooled cash and investments, beginning of year	<u>716,250</u>	<u>3,285,081</u>	<u>69,898</u>	<u>4,071,229</u>
Pooled cash and investments, end of year	\$ <u>394,536</u>	\$ <u>3,446,784</u>	\$ <u>108,893</u>	\$ <u>3,950,213</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating Income (loss)	\$ <u>88,763</u>	\$ <u>514,530</u>	\$ <u>17,885</u>	\$ <u>621,178</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Net effect of changes in assets and liabilities				
Accounts receivable	(3,926)	(51,935)	(1,804)	(57,665)
Prepaid items	(156,913)	(21,654)	-	(178,567)
Accounts and retainages payable	-	(3,955)	20,962	17,007
Accrued liabilities	-	(252,545)	1,904	(250,641)
Total adjustments	<u>(160,839)</u>	<u>(330,089)</u>	<u>21,062</u>	<u>(469,866)</u>
Net cash provided (used) by operating activities	<u>\$ (72,076)</u>	<u>\$ 184,441</u>	<u>\$ 38,947</u>	<u>\$ 151,312</u>
Reconciliation of pooled cash and investments to the balance sheet				
Pooled cash and investments	\$ 394,536	\$ 3,222,784	\$ 77,593	\$ 3,694,913
Restricted pooled cash and investments	-	224,000	31,300	255,300
Totals	\$ <u>394,536</u>	\$ <u>3,446,784</u>	\$ <u>108,893</u>	\$ <u>3,950,213</u>

Healthy Living



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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
Net investment in capital assets	\$ 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	\$ 62,841,007
Restricted	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	8,917,240
Unassigned	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	7,231,204
Total governmental activities net position	\$ 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	\$ 78,989,451
Business-type activities:										
Net investment in capital assets	\$ 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	\$ 152,917,402
Unassigned	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	18,718,678
Total business-type activities net position	\$ 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	\$ 171,636,080
Primary government:										
Net investment in capital assets	\$ 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	\$ 215,758,409
Restricted	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	8,917,240
Unrestricted	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	25,949,882
Total primary government net position	\$ 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	\$ 250,625,531

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

	Fiscal Year Ended									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General Government	\$ 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	\$ 9,380,546
Public Safety	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	21,088,870
Highways and Streets	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	2,923,564
Waste Collection & Disposal	1,195,443	1,593,682	1,963,094	2,053,079	2,094,011	2,035,237	2,035,237	2,637,297	1,937,485	1,950,228
Culture and Recreation	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	2,729,399
Economic & Community Development	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	1,349,844
Interest on Long-term Debt	573,104	427,181	659,736	576,969	523,931	684,700	539,668	532,560	514,648	550,317
Total governmental activities expenses	31,968,765	33,365,532	36,225,250	39,561,748	42,736,902	41,580,937	37,468,910	40,485,705	41,772,947	39,972,768
Business-type activities:										
Electric	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	24,252,793
Water	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	10,143,760
Wastewater	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	12,499,357
Parking Facilities	536,237	524,958	617,342	663,006	760,188	733,541	723,980	786,348	699,693	742,030
Golf Course	451,322	342,389	411,079	408,728	469,694	414,492	418,962	388,840	467,869	407,944
Property Management	238,495	290,408	324,625	312,239	302,237	384,631	410,706	577,208	668,343	542,884
Ice Rink	-	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	38,912,241	41,536,905	54,315,576	54,128,096	54,717,337	54,174,859	54,427,260	52,497,866	52,205,484	48,588,768
Total primary government expenses	\$ 70,881,006	\$ 74,902,437	\$ 90,540,826	\$ 93,689,844	\$ 97,454,239	\$ 95,755,796	\$ 91,896,170	\$ 92,983,571	\$ 93,978,431	\$ 88,561,536
Program Revenues										
Governmental activities:										
Charges for services:										
General Government	\$ 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	\$ 2,784,242
Public Safety	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	2,549,248
Streets and Alleys	-	36,719	73,943	86,365	136,424	90,588	75,676	86,045	102,791	87,261
Waste Collection & Disposal	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	2,220,898
Parks and Recreation	178,118	157,735	159,055	188,535	186,607	191,602	234,637	225,306	209,899	195,633
Economic & Community Development	92,155	842,849	901,690	502,505	311,982	364,403	96,216	95,246	97,321	89,771
Operating grants and contributions	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	2,119,193
Capital grants and contributions	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	543,261
Total governmental activities program revenues	\$ 10,603,306	\$ 12,145,540	\$ 14,355,812	\$ 17,761,502	\$ 11,572,254	\$ 10,478,477	\$ 10,983,082	\$ 12,203,943	\$ 15,105,469	\$ 10,589,507

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

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

	Fiscal Year Ended									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business-type activities:										
Charges for services:										
Electric	\$ 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	\$ 24,683,126
Water	7,487,368	7,589,355	8,904,071	8,520,142	7,970,281	8,669,890	9,664,205	10,226,718	10,859,180	11,125,535
Wastewater	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	10,785,125
Parking Facilities	750,764	776,038	843,704	885,489	857,169	872,441	811,868	855,638	936,246	869,670
Golf Course	173,394	206,025	196,070	208,572	175,123	126,890	137,884	149,074	178,462	196,758
Property Management	326,414	354,755	350,749	499,700	354,049	202,752	330,576	344,856	(985,215)	(132,163)
Operating grants and contributions					82,875	440,847	107,730			
Capital grants and contributions	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	3,607,284
Total business-type activities program revenues	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	51,135,335
Total primary government program revenues	\$ 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	\$ 61,724,842
Net (expense)/revenue	\$ (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)	\$ (29,383,261)
Governmental activities	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)	2,546,567
Business-type activities	(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)	(26,836,694)
Total primary government net expense	\$ (11,005,413)	\$ (14,662,146)	\$ (12,801,118)	\$ 7,255,446	\$ (31,235,647)	\$ (18,975,250)	\$ (12,603,842)	\$ (23,904,778)	\$ (29,586,030)	\$ (24,290,127)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property Taxes	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	25,365,054
State and County shared taxes	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	4,834,311
Excise Tax	-	1,036,634	719,319	220,678	31,877	115,417	96,342	113,485	115,492	69,278
Investment Earnings	309,869	482,700	874,321	824,414	412,233	205,640	72,526	86,685	37,871	13,880
Property Sales	764,461	591,687	-	-	-	-	-	-	-	-
Gain(Loss) on Disposal of Capital Assets	(121,018)	-	-	-	-	-	-	-	-	-
Miscellaneous	(62,396)	356,519	44,493	45,841	38,230	137,326	171,968	312,796	107,791	220,674
Transfers	1,712,969	288,348	(98,787)	173,540	229,056	(66,000)	(939,642)	(1,125,889)	(798,089)	(175,455)
Capital Transfer from Closed Ice Rink Fund										
Changes in Accounting Estimate										
Total governmental activities	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	30,327,742
Business-type activities:										
Investment Earnings	437,041	569,501	707,098	743,942	406,055	221,725	185,587	253,521	180,193	156,910
Transfers	62,396	(288,348)	98,787	(173,540)	(229,056)	66,000	939,642	1,125,889	798,089	175,455
Total business-type activities	499,437	281,153	805,885	570,402	176,999	287,725	1,125,229	1,379,410	978,282	332,365
Total primary government	\$ 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	\$ 30,660,107
Change in Net Position										
Governmental activities	\$ 335,223	\$ 2,585,008	\$ 3,650,053	\$ 6,282,714	\$ 504,728	\$ 518,897	\$ 3,247,069	\$ (1,167,327)	\$ 1,533,372	\$ 944,481
Business-type activities	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)	2,878,932
Total primary government	\$ 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	\$ 3,823,413

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

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
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	-	27,510,596
2013	25,227,705	2,305,373	206,234	-	516,752	34,214	55,352	101,850	165,898	-	28,613,378
2014	25,365,054	2,452,366	207,892	-	750,454	34,214	54,797	86,976	176,220	-	29,127,973

Source: City of Hagerstown Accounting Department

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	\$ 1,204,797	\$ 969,903	\$ 383,267	\$ 400,749	\$ 510,323	\$ 536,025	\$ -	\$ -	\$ -	\$ -
Unreserved/Undesignated	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	216,127
Restricted	-	-	-	-	-	-	240,816	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	186,504	199,174	1,783,143	1,596,838
Unassigned	-	-	-	-	-	-	7,851,817	7,837,687	7,668,912	8,063,185
Total General Fund	\$ 6,113,159	\$ 6,501,895	\$ 7,196,097	\$ 7,750,603	\$ 7,897,127	\$ 8,558,483	\$ 8,772,629	\$ 8,524,763	\$ 9,706,969	\$ 9,866,150
All other governmental funds										
Reserved	\$ 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	427,952	1,794,971	2,862,579	2,665,841	2,624,295	1,996,542	-	-	-	-
Capital projects funds	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	1,165,495
Restricted	-	-	-	-	-	-	2,698,153	5,480,693	2,953,196	2,908,949
Committed	-	-	-	-	-	-	2,839,528	1,817,278	43,775	1,672
Assigned	-	-	-	-	-	-	2,026,103	1,934,204	4,790,358	4,841,125
Unassigned	-	-	-	-	-	-	-	-	(146,717)	(150,415)
Total all other governmental funds	\$ 10,256,241	\$ 10,019,405	\$ 13,812,355	\$ 11,820,215	\$ 7,470,811	\$ 10,321,603	\$ 10,247,443	\$ 9,233,959	\$ 8,639,215	\$ 8,766,826
Total governmental funds										
Reserved	\$ 7,028,763	\$ 5,948,912	\$ 4,700,412	\$ 5,250,067	\$ 5,248,045	\$ 4,406,990	\$ -	\$ -	\$ -	\$ -
Unreserved/Undesignated, reported in:										
General fund	4,908,362	5,531,992	6,812,830	7,349,854	7,386,804	8,022,458	-	-	-	-
Special revenue funds	427,952	1,794,971	2,862,579	2,665,841	2,624,295	1,996,542	-	-	-	-
Capital projects funds	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	1,381,622
Restricted	-	-	-	-	-	-	2,938,969	5,480,693	2,953,196	2,908,949
Committed	-	-	-	-	-	-	2,839,528	1,817,278	43,775	1,672
Assigned	-	-	-	-	-	-	2,212,607	2,133,378	6,573,501	6,437,963
Unassigned	-	-	-	-	-	-	7,851,817	7,837,687	7,522,195	7,902,770
Total all other governmental funds	\$ 16,369,400	\$ 16,621,300	\$ 21,008,452	\$ 19,570,818	\$ 15,367,938	\$ 18,880,086	\$ 19,020,072	\$ 17,758,722	\$ 18,346,184	\$ 18,632,976

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**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Property taxes	\$ 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	\$ 25,365,054
State and County shared taxes	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	4,802,799
Licenses and permits	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	1,524,702
Intergovernmental grant revenues	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	2,371,405
Program Income	766,542	1,785,126	1,256,342	532,321	308,090	214,394	178,801	187,926	194,232	141,952
Charges for services	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	2,984,147
Fines and forfeitures	137,441	62,842	109,990	152,289	85,627	114,522	73,634	384,137	1,654,158	1,333,317
Investment Earnings	309,869	482,700	874,321	844,230	376,985	103,060	72,526	86,688	37,872	13,880
Property Sales	764,461	585,686	317,538	89,500	-	167,543	46,547	128,768	121,266	34,546
Contributions and Donations	355,415	330,583	496,488	415,618	338,606	292,594	453,244	211,248	278,945	271,247
Unallocated general revenue	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	2,217,577
Total revenues	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	41,060,626
Expenditures:										
General government	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	5,841,183
Public safety	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	20,345,466
Street and alleys	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	2,627,391
Waste collection & disposal	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	1,950,525
Parks and recreation	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	2,312,665
Municipal buildings	405,539	475,138	429,343	460,280	-	-	-	-	-	-
Economic and Community Development	2,908,167	2,697,587	2,688,604	2,461,642	2,521,751	3,205,593	2,601,343	2,211,660	3,130,591	1,350,190
Capital Outlay	4,364,679	3,054,495	4,023,274	5,291,644	7,435,760	6,028,999	1,368,903	2,036,727	1,847,017	3,377,716
Debt Service										
Principal	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	1,281,598
Interest	491,931	447,072	668,969	585,740	529,848	579,294	650,015	636,814	595,093	550,187
Issuance costs	-	-	-	-	-	49,714	-	975	1,105	1,105
Unallocated general expenditures	1,850,299	1,664,030	1,822,643	1,985,495	1,988,938	1,709,517	1,244,043	1,393,474	1,442,024	1,663,614
Total expenditures	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	41,301,640
Excess of revenues over(under) expenditures	(2,061,504)	(136,447)	(1,874,048)	(2,111,174)	(4,885,697)	(5,005,562)	1,079,628	(935,461)	1,110,651	(241,014)
Other financing sources(uses):										
Transfers In	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	1,885,273
Transfers Out	(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)	(1,785,894)
Debt Issued	-	-	-	-	-	-	-	600,000	-	428,427
Sale of Capital Assets	-	-	-	-	-	-	-	-	-	-
Bond Financing	-	-	-	-	-	-	-	-	-	-
Premium on Bond Financing	-	-	-	-	-	8,481,044	-	-	-	-
Proceeds of Long-term debt	3,800,000	-	7,490,667	-	-	102,666	-	-	-	-
Payment to Bond Escrow Agent	-	-	(22,325)	-	-	-	-	-	-	-
Total other funding sources(uses)	2,946,004	288,347	6,361,200	673,540	682,817	8,517,710	(939,642)	(325,889)	(523,089)	527,806
Net changes in Fund Balance	\$ 884,500	\$ 151,900	\$ 4,487,152	\$ (1,437,634)	\$ (4,202,880)	\$ 3,512,148	\$ 139,986	\$ (1,261,350)	\$ 587,562	\$ 286,792
Debt Service as a percentage of noncapital expenditures	4%	7%	12%	5%	5%	5%	6%	7%	5%	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
(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
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%
2014	2,509,630	138,321	2,647,951	0.850	3,115,236	85.00%

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 total direct tax rate.
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

Fiscal Year Ended	Overlapping Rates										
	City			County			State				
	Real Property	Business & Personal Property	Total Direct Property Tax Rate	Real Property	Business & Personal Property	Total County Property Tax Rate	Real Property	Business & Personal Property	Total State Property Tax Rate	Total Overlapping Rates	Total Direct & Overlapping Rates
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
2014	0.788	1.970	2.758	0.823	2.370	3.193	0.112	0.000	0.112	3.305	6.063

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

City of Hagerstown, Maryland
Principal Property Taxpayers (Includes both Real Estate and Personal Property Taxes)
June 30, 2014

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Washington Real Estate	\$ 59,999,000	1	2.27%	\$ 40,410,850	1	2.46%
Lowes Home Centers, Inc.	23,061,390	2	0.87%	19,327,080	3	1.18%
Walmart Real Estate Business Trust	20,591,200	3	0.78%	16,363,280	4	1.00%
OEKOS Stone House LLC	19,600,000	4	0.74%			0.00%
I-81 Hollyhock LLC	18,900,000	5	0.71%			0.00%
Verizon-Maryland	18,405,450	6	0.70%	29,853,200	2	1.82%
Hagerstown Apartments (Limited) Partnership	17,999,700	7	0.68%	11,784,300	5	0.72%
Sams Real Estate Business Trust	15,313,400	8	0.58%			0.00%
FB Hagerstown LLC	14,601,400	9	0.55%			0.00%
Hagerstown Plaza LLC	14,516,600	10	0.55%			0.00%
Ahold Real Estate Company			0.00%	10,057,200	8	0.61%
Columbia Gas of Maryland, Inc.			0.00%	11,752,100	6	0.72%
Conpco, Inc.			0.00%	6,022,280	10	0.37%
Inland Southeast Valley Park LLC			0.00%	9,929,800	9	0.61%
Washco Centre at Antietam Creek			0.00%	10,284,400	7	0.63%
Totals	\$ 222,988,140		8.42%	\$ 165,784,490		10.11%

Source: City of Hagerstown Director of Support Services.

City of Hagerstown, Maryland
Real Estate Tax Levies and Collections (Excludes Personal Property Taxes)
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year		Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
	Fiscal Year	Amount	Amount	Percentage of Levy		Amount	Percentage of Levy
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%		166,928	19,931,780	99.13%
2014	20,262,774	20,024,757	98.8%		20,178	20,044,935	98.92%

Source: City of Hagerstown Director of Support Services.

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

Fiscal Year	Personal Income (2)	Population (1)	Outstanding Debt (3)			Percentage of Personal Income	Total Debt Per Capita
			Governmental	Business-type	Total		
2005	1,055,550,056	37,528	11,642,712	19,369,029	31,011,741	2.94%	826
2006	1,126,767,916	38,237	9,836,534	22,006,113	31,842,647	2.83%	833
2007	1,189,509,952	39,008	16,120,194	23,958,198	40,078,392	3.37%	1,027
2008	1,254,499,680	39,941	14,835,435	24,856,234	39,691,669	3.16%	994
2009	1,300,630,095	40,065	13,342,801	25,993,993	39,336,794	3.02%	982
2010	1,325,267,460	39,996	20,457,426	41,856,725	62,314,151	4.70%	1,558
2011	1,314,200,370	39,662	18,695,138	45,060,595	63,755,733	4.85%	1,607
2012	1,335,141,906	39,662	17,459,565	48,904,318	66,363,883	4.97%	1,673
2013	1,435,605,752	39,662	16,013,064	46,872,333	62,885,397	4.38%	1,586
2014	1,435,605,752	39,662	15,168,166	51,139,325	66,307,491	4.62%	1,672

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

Fiscal Year	Total Taxable Assessed Value of Property (In Thousands)	Population	General Obligation Total Bonds		Percentage of Total Taxable Value of Property	Per Capita
			General Obligation Total	Bonds		
2005	1,639,741	37,528	31,011,741		1.89%	826
2006	1,843,026	38,237	31,842,647		1.73%	833
2007	2,103,113	39,008	40,078,392		1.91%	1,027
2008	2,297,063	39,941	39,691,669		1.73%	994
2009	2,552,030	40,065	39,336,794		1.54%	982
2010	2,830,482	39,996	62,314,151		2.20%	1,558
2011	2,880,838	39,662	63,755,733		2.21%	1,607
2012	2,674,051	39,662	66,363,883		2.48%	1,673
2013	2,638,213	39,662	62,885,397		2.38%	1,586
2014	2,647,951	39,662	66,307,491		2.50%	1,672

Fiscal Year	Total Taxable Assessed Value of Property (In Thousands)	Population	General Obligation Governmental Bonds		Percentage of Total Taxable Value of Property	Per Capita
			General Obligation	Bonds		
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	39,996	20,457,426		0.72%	511
2011	2,880,838	39,662	18,695,138		0.65%	471
2012	2,674,051	39,662	17,459,565		0.65%	440
2013	2,638,213	39,662	16,013,064		0.61%	404
2014	2,647,951	39,662	15,168,166		0.57%	382

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, 2014

City of Hagerstown	Debt Outstanding	Estimated Percentage Applicable*		Estimated Share of Overlapping Debt
Debt repaid with property taxes: County	\$ 135,763,567	21.96%	\$	29,813,679
Subtotal, overlapping debt				
City of Hagerstown Direct Governmental Fund Debt				15,168,166
Total Direct and Overlapping Debt			\$	44,981,846

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**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit	\$ 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	264,795,100
Total net debt applicable to limit	31,011,741	31,842,647	40,078,392	39,691,668	39,436,600	62,314,151	63,755,731	66,363,883	62,885,397	66,307,491
Legal debt margin	\$ 132,962,374	\$ 149,776,863	\$ 170,232,906	\$ 195,422,499	\$ 212,587,357	\$ 215,090,223	\$ 229,059,067	\$ 201,041,283	\$ 200,935,903	\$ 198,487,609
Total net debt applicable to the limit as a percentage of debt limit	18.91%	17.53%	19.06%	16.88%	15.65%	22.46%	21.77%	24.82%	23.84%	25.04%

Legal Debt Margin Calculation for Fiscal Year 2014

Total assessed value	2,647,951,000
Debt limit (10% of total assessed value)	264,795,100
Debt applicable to limit:	
General obligation bonds	66,307,491
Legal debt margin	<u>198,487,609</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

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
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
2014	39,662	1,435,605,752	36,196	6.6

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**

Employer	2014			2005		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Washington County Public Schools	2,970	1	4.45%	2,666	3	4.05%
Meritus Health, Inc. (Washington County Health System, Inc.)	2,730	2	4.09%	2,908	1	4.42%
Citicorp Credit Services, Inc	2,700	3	4.05%	2,640	4	4.01%
State of Maryland	2,568	4	3.85%	2,774	2	4.21%
First Data Merchant Services	2,322	5	3.48%	2,230	5	3.39%
Volvo Powertrain NA (Mack Trucks, Inc.)	1,350	6	2.02%	1,264	6	1.92%
Washington County Government	1,159	7	1.74%	941	7	1.43%
Hagerstown Community College	931	8	1.40%			0.00%
The Bowman Group, LLC	718	9	1.08%			0.00%
Federal Government	705	10	1.06%	602	9	0.91%
GST AutoLeather			0.00%	601	10	0.91%
Staples Distribution Center			0.00%	603	8	0.92%
Total	18,153		27.22%	17,229		26.17%

Source: Principal Employers for Washington County MD provided by Hagerstown/Washington County EDC
Total County employment for 2014 was 66,728 and 2005 was 65,865, supplied by Bureau of Labor Statistics.

**City of Hagerstown, Maryland
Principal Electric Fund Customers
June 30, 2014**

Customer	2014				2005			
	Kwh	Amount Billed	Rank	Percentage of Total Electric Fund Billing	Kwh	Amount Billed	Rank	Percentage of Total Electric Fund Billing
City of Hagerstown - Public Works	7,262,911	\$ 610,589	1	2.56%	7,177,188	\$ 453,378	4	2.16%
City of Hagerstown - Wastewater Plant	9,739,800	602,674	2	2.53%	10,095,905	452,694	5	2.15%
CM Offray, Inc (MD Ribbon)	3,583,420	280,280	3	1.18%	6,466,840	338,291	6	1.61%
C.E. Stevens Inc.	3,907,040	255,508	4	1.07%				
Verizon #27787	3,404,001	233,705	5	0.98%				
HBP, Inc.	3,161,760	229,734	6	0.96%				
Board of Education/North High	2,503,334	204,016	7	0.86%	3,309,893	154,044	10	0.73%
Western Maryland St. Hospital	3,069,249	202,049	8	0.85%	8,087,318	505,734	3	2.41%
Board of Education/Marshall Street	2,400,640	185,443	9	0.78%	25,905,140	1,205,340	1	5.74%
Shenandoah Family Farm (Formerly Good Humor)	2,234,540	162,644	10	0.68%	4,007,040	187,869	8	0.89%
Giant Eagle/G&R Foods					5,009,257	278,558	7	1.33%
Hagerstown Housing Authority					2,972,308	173,806	9	0.83%
Washington County Commissioners					17,154,609	813,133	2	3.87%
Washington County Hospital								
Totals	41,266,695	\$ 2,966,642		12.46%	90,185,498	\$ 4,562,847		21.72%

Source: City of Hagerstown Billing Department.

**City of Hagerstown, Maryland
Principal Water Fund Customers
June 30, 2014**

Customer	2014				2005			
	Gallons	Amount Billed	Rank	Percentage of Total Water Fund Billing	Gallons	Amount Billed	Rank	Percentage of Total Water Fund Billing
Hagerstown Prison Complex(MCI)	433,151,600	\$ 1,390,207		13.43%	399,420,800	\$ 692,439	1	12.09%
Town of Smithsburg	83,653,400	225,064		2.17%	86,412,900	150,385	2	2.63%
Town of Williamsport	75,035,300	205,550		1.99%	75,943,700	132,295	3	2.31%
Meritus Medical Center (Washington County Hospital)	39,176,900	131,887		1.27%	49,254,100	59,025	7	1.03%
Volvo Powertrain NA (Mack Trucks, Inc.)	32,012,500	112,465		1.09%	44,227,500	85,822	5	1.50%
Town of Funkstown	32,582,500	93,592		0.90%	25,087,700	45,210	9	0.79%
Lakeside Park	23,916,500	82,858		0.80%				
Oak Ridge Apartments	21,115,500	77,204		0.75%				
PR Valley Limited Partnership	18,724,500	72,437		0.70%				
Washington County Detention Center	20,509,000	69,146		0.67%				
CM Offray, Inc. (MD Ribbon)					36,093,500	43,371	10	0.76%
Good Humor Breyers, Inc.					38,751,400	45,847	8	0.80%
Maryland Paper					44,287,300	77,642	6	1.36%
W.D. Byron & Sons					59,092,500	104,107	4	1.82%
Totals	779,877,700	\$ 2,460,410		23.78%	858,571,400	\$ 1,436,143		25.08%

Source: City of Hagerstown Billing Department.

City of Hagerstown, Maryland
Principal Wastewater Fund Customers
June 30, 2014

Customer	2014				2005			
	Gallons	Amount Billed	Rank	Percentage of Total Wastewater Fund Billing	Gallons	Amount Billed	Rank	Percentage of Total Wastewater Fund Billing
Meritus Medical Center (Washington County Hospital)	39,165,500	\$ 295,422	1	2.83%	43,890,900	\$ 148,771	2	2.15%
Washington Co Detention Center	20,509,000	155,662	2	1.49%	15,263,000	85,628	6	1.24%
Volvo Powertrain NA (Mack Trucks, Inc.)	16,134,500	134,315	3	1.29%	29,903,600	167,763	1	2.42%
CM Offray (MD Ribbon)	28,254,300	126,142	4	1.21%	36,093,500	122,698	4	1.77%
Cortpark LLC	27,174,600	120,271	5	1.15%				
Western Maryland State Hospital	20,693,300	92,372	6	0.89%	13,911,100	47,140	10	0.68%
Realty Investment Co (Hagers Apts)	19,481,200	90,594	7	0.87%	20,309,500	69,019	7	1.00%
Brookhaven (Brandywine/Youngstown)	8,295,700	72,451	8	0.69%	11,774,000	65,877	8	0.95%
Hagerstown Housing Authority/Noland Village	16,898,000	70,940	9	0.68%	28,483,700	96,774	5	1.40%
Rockville Mobile Home Inc.	10,775,000	70,076	10	0.67%				
Citicorp Credit Services				0.00%	10,399,900	50,320	9	0.73%
Good Humor Breyers, Inc.				0.00%	38,751,400	131,898	3	1.91%
Totals	207,381,300	\$ 1,228,245		11.77%	248,780,600	\$ 965,888		14.24%

Source: City of Hagerstown Billing Department.

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

Function	Full-time Equivalent Employees as of June 30									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
City Administrator	1.33	1.33	1.33	1.33	1.67	1.67	1.67	1.67	2.5	3.5
City Clerk	1.34	1.33	1.33	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Economic Development (DCED)*****	23.8	23.85	23.5	23	1.33	1.33	1.33	1.33	2	1
Public Information ***/*****	-	-	-	-	3.5	3.5	5.5	5.5	4	2
Public Function	-	-	-	-	0	0	0	0	0	1
Subtotal Administration	26.47	26.51	26.16	25.83	8	8	10	10	10	9
Accounting*****	8.5	8.5	8.75	8.75	6.5	6.5	6.5	7	7	7
Treasurer*****	-	-	-	-	4	4	4	4	3	3
Information Technology*****	12	12	12	12	6	6	6	6	6	6
Billing/Customer Service*****	-	-	-	-	4	4	4	4	14	13
Purchasing*****	4	4	4	4	2.5	2.5	2.5	2	4	4
Human Resources	-	-	-	-	6	6	6	6	6	4
Planning*****	29.63	29.72	29.66	29	14	14	14	14	14	14
Engineering*****	107	108	105	105	15	15	15	15	15	15
Code Compliance*****	15	15	13	13	109	107	105	105	101	101
Police Sworn	83	83	83	83	83.6	83.6	83.6	74	64	64
Police Administration/Civilian	32.9	32.9	32.9	34	34	34	34	34	34	34
Fire	-	-	-	-	20	20	20	18	20	21
Public Works*	318.5	319.63	314.47	314.58	329.6	338.6	338.6	326	328	321
Parks & Recreation*/****										
Total General Fund	464.67	470.26	465.66	465.66	486	495	495	483	473	461
Electric	35.55	40.18	40.18	40	40	40	40	41	35	35
Water	55.02	55.02	55.49	54.25	56	56	56	56	48	45
Wastewater	47.76	47.76	47.4	48	48	48	48	48	51	49
Golf Course	2.53	2.37	2.52	3	3	3	3	3	2	2
Parking	2.2	2.2	2.4	2.4	2	2	2	2	2	2
Property Management*****	0.9	0.9	0.9	-	-	-	-	-	-	-
Community Development Block Grant	2.21	2.2	2.5	3.43	6.4	6.4	6.4	6	6	6
Telework Center*****	-	-	-	-	1	1	1	1	1	1
City Staffing Levels	464.67	470.26	465.66	465.66	486	495	495	483	473	461
General Operations	116.61	116.73	116.87	131.4	131.4	131.4	133.4	131	146	142
Public Safety	205	206	201	205.6	205.6	214.6	212.6	202	189	186
Business-type Activities	143.06	147.53	147.79	147.65	149	149	149	150	138	133

* Public Works and Parks and Recreation split in 2005
 *** Recreation combined with Public Information and Public Functions in 2006 to form Department of Community Affairs
 *****Engineering and Parks and Recreation combined in 2011 to form the Engineering and Parks Department.
 *****Accounting, Treasurer and Purchasing combined in 2011 to form the Finance Department.
 *****Economic Development, Community Affairs, Planning and Code combined in 2011 to form the Department of Community and Economic Development.
 *****Information Technology and Billing/Customer Service combined in 2011 to form the IT and Support Services Department.
 *****Telework Center Closed in 2011.
 *****Property Management in 2012 employees are funded to this account.
 *****Hagerstown Human Resource Department.
 Source: City of Hagerstown Human Resource Department.

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

Function	FISCAL YEAR									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Fire Department										
Responses to Fire alarms	2,978	2,587	2,573	2,428	2,275	2,249	2,185	2,033	1,988	1,931
Average response time (in minutes)	4:38	3:06	4:06	4:17	4:31	3:13	3:19	3:28	3	3
False alarms (included in above number)	30	25	30	18	27	10	6	13	20	31
Public fire education programs	1,288	825	1,452	927	655	453	356	349	296	317
Persons in attendance at public education programs	9,629	5,880	9,619	10,558	14,875	13,950	11,110	11,045	8,710	8,585
Police Department										
Parking ticket violations issued	8,427	8,838	7,030	8,117	11,660	12,146	8,654	11,616	10,458	12,924
Net parking fines	\$ 107,135	\$ 113,540	\$ 91,860	\$ 125,161	\$ 172,865	\$ 143,275	\$ 148,223	\$ 145,115	\$ 132,955	\$ 163,533
Calls for service	61,329	60,764	63,697	54,555	51,625	53,479	57,509	56,945	56,188	58,106
Alarm calls (included in above number)	470	496	696	1,048	1,563	2,088	2,065	2,191	2,025	2,126
Parks and Recreation										
Claude M Potterfield Pool										
Total attendance at swimming pool	15,998	17,945	23,223	23,611	23,764	24,268	25,497	24,606	27,117	31,733
Average daily attendance at pool	222	285	332	353	321	275	300	315	312	387
The Greens at Hamilton Run										
Total attendance at golf course	10,026	9,998	10,946	10,804	10,191	12,219	16,638	16,236	17,655	15,377
Average daily attendance at golf course	41	37	43	39	39	39	48	52	56	51
Electric Department										
Number of active accounts	16,900	16,863	16,876	16,921	16,821	16,974	17,026	17,607	17,585	17,379
Number of meters (in use)	17,375	17,876	17,825	17,942	17,898	17,972	18,072	17,981	17,937	17,756
Kilowatt hours purchased	318,885,469	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
Kilowatt hours sold	307,256,238	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
System peak demand-kilowatts	68,144	66,100	68,180	71,024	67,389	66,204	73,990	77,418	76,717	70,524
Water Department										
Number of active accounts-City	13,082	13,088	13,044	13,028	12,996	13,030	13,083	12,949	12,532	12,128
Number of active accounts-County	15,387	15,430	15,343	15,319	15,288	15,189	15,162	14,920	14,637	14,163
Total number of active accounts	28,469	28,518	28,387	28,347	28,284	28,219	28,245	27,869	27,169	26,291
Daily average productions in million gallons										
R.C. Wilson Plant (365 days)	11,423	11,559	11,637	11,854	11,346	10,797	10,583	10,910	10,833	10,714
Wm. M. Breichner Plant (365 days)	0,000	0,000	0,000	0,013	0,000	0,001	0,008	0,030	0,029	0,113
Greatest consumption for a single day	14.3	13.65	13.680	14,000	13,530	13,270	13,130	12,651	12,830	12,980
Plant pumping capacity per day	20,000	20,000	20,000	20,000	20,000	20,000	20,000	14,000	14,000	13,000
Average daily metered consumption	8,129	7,729	8,244	8,698	8,233	8,532	8,645	8,555	8,567	8,503
Wastewater Department										
Number of active accounts-City	12,764	12,795	12,779	12,778	12,745	12,777	12,828	12,707	12,273	11,874
Number of active accounts-County	2,889	2,902	2,903	2,922	2,916	2,898	2,903	2,890	2,816	5,679
Number of active accounts-District (USA)	3,516	3,476	3,449	3,437	3,434	3,409	3,373	3,317	3,155	-
Number of active accounts-Total	19,169	19,173	19,131	19,137	19,095	19,084	19,104	18,914	18,244	63,000
Daily average of sewage treated (million gallons)(including inflow and infiltration)	7.08	6.55	7.29	7.430	7.170	6.310	7.060	6.950	6.900	6.300
Daily average plant capacity (rated optimum efficiency)(million gallons)	10,500	10,500	10,500	10,500	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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Parking Facilities Department										
Parking Deck:										
Number of Parking Spaces	625	625	625	625	629	625	629	629	441	441
Number of Permit Parkers	485	485	638	996	868	695	421	418	345	315
Operating Revenue:										
Meter Fees	\$ 184,701	\$ 182,763	\$ 186,368	\$ 186,781	\$ 226,740	\$ 237,847	\$ 237,847	\$ 244,864	\$ 247,287	\$ 248,078
Permit Fees	\$ 198,800	\$ 179,250	\$ 161,600	\$ 144,237	\$ 183,619	\$ 162,079	\$ 162,079	\$ 151,675	\$ 176,160	\$ 147,764
Deck	\$ 400,545	\$ 421,341	\$ 378,655	\$ 361,707	\$ 311,211	\$ 334,712	\$ 334,712	\$ 270,721	\$ 212,442	\$ 207,421
	14,278	14,341	14,326	14,304	14,364	14,586	14,335	14,075	13,664	13,394
	53	38	25	-	-	-	-	-	-	-
Sanitation										
Number of Waste Collection and Disposal Accounts										
Residential										
Commercial (Trash and Recycling)										
Special Revenue Funds										
Number outstanding loans:										
Community Development Block Grant										
Single family	4	4	6	6	5	7	9	10	10	11
Residential Rental	6	6	6	8	9	9	10	11	11	12
Commercial	2	2	2	2	2	2	2	4	5	6
Deferred	35	36	37	36	37	35	31	26	22	27
Public facilities and improvements	4	4	4	4	4	4	4	4	6	6
Homeownership	4	4	4	4	5	6	7	7	9	10
Direct Homeownership	7	7	7	9	10	8	8	9	8	10
Business Revolving Loans	12	12	10	10	12	10	12	5	3	1
Total	74	75	76	79	84	82	83	76	74	83
Outstanding loan balances:										
Community Development Block Grant										
Single family	11,896	20,335	31,573	40,964	35,592	44,427	139,798	109,362	120,911	188,209
Residential Rental	696,938	716,986	596,347	623,803	656,671	688,176	449,450	509,268	524,094	830,070
Commercial	145,980	167,887	186,434	207,740	234,099	261,116	279,075	325,058	486,969	535,302
Deferred	758,431	783,641	789,367	788,302	797,529	863,392	766,144	739,327	691,594	704,529
Public facilities and improvements	584,687	548,366	585,653	627,758	671,463	715,276	757,622	806,757	926,064	1,004,309
Homeownership	109,331	117,211	125,424	137,620	217,964	266,411	276,864	319,370	368,975	435,198
Business Revolving Loans	773,247	732,901	654,480	569,807	830,909	686,774	832,348	357,797	158,513	6,921
Total	\$ 3,080,510	\$ 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
Program income (interest and loan repayments)										
Community Development Block Grant										
Single family	9,447	12,748	11,404	8,296	8,879	99,941	35,804	24,380	73,849	68,795
Residential Rental	46,853	47,244	56,975	62,950	57,651	58,745	84,167	85,820	335,673	242,380
Commercial	25,001	21,564	25,173	30,748	33,280	23,892	53,753	174,655	64,097	90,539
Deferred	20,550	20	-	18,951	2,561	2,301	10,255	40,306	48,088	83,217
Public facilities and improvements	55,438	57,383	63,989	67,292	69,578	68,309	70,876	146,667	114,250	201,654
Homeownership*	10,865	110,599	15,910	85,768	66,183	22,805	56,422	65,169	105,012	64,351
Business Revolving Loans	73,135	55,780	112,732	107,381	85,714	175,432	118,563	27,718	40,621	57,989
Total	\$ 241,289	\$ 305,336	\$ 286,183	\$ 381,386	\$ 323,846	\$ 451,425	\$ 429,840	\$ 564,715	\$ 781,590	\$ 808,925

Source: Corresponding City Department.
*Note: Includes sale of 3 homes for \$100,000 in 2013

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

Function	FISCAL YEAR									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
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	151.88	151.75	151.0	145.6	145.6	144.4	143.3	142.0	139.6	139.6
Number of traffic signals maintained	131	132	132	129	133	130	132	128	127	127
Parks and Recreation										
Parks and Playgrounds (297.077 acres)	19	18	15	15	15	15	15	15	15	16
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	425	392	389	383
Fire hydrants	825	814	814	814	808	802	802	800	800	755
City	1337	1,318	1,297	1,297	1,291	1,272	1,272	1,266	1,241	1,204
County										
Wastewater Department										
Number of City owned pumping stations	25	25	27	23	26	26	26	25	27	27
Miles of collection system-City owned	157	156	156	153	153	153	153	153	138	138
Parking Facilities Department										
Number of Lots	7	7	7	7	7	7	6	6	7	7
Number of Parking Spaces (Metered or Rented)	701	701	709	678	678	682	719	719	726	726
Streets	372	374	363	519	519	511	526	526	540	535
Number of Parking Decks	2	2	2	2	2	2	2	2	1	1

Source: Corresponding City Department.

Growth and Expansion in Hagerstown



