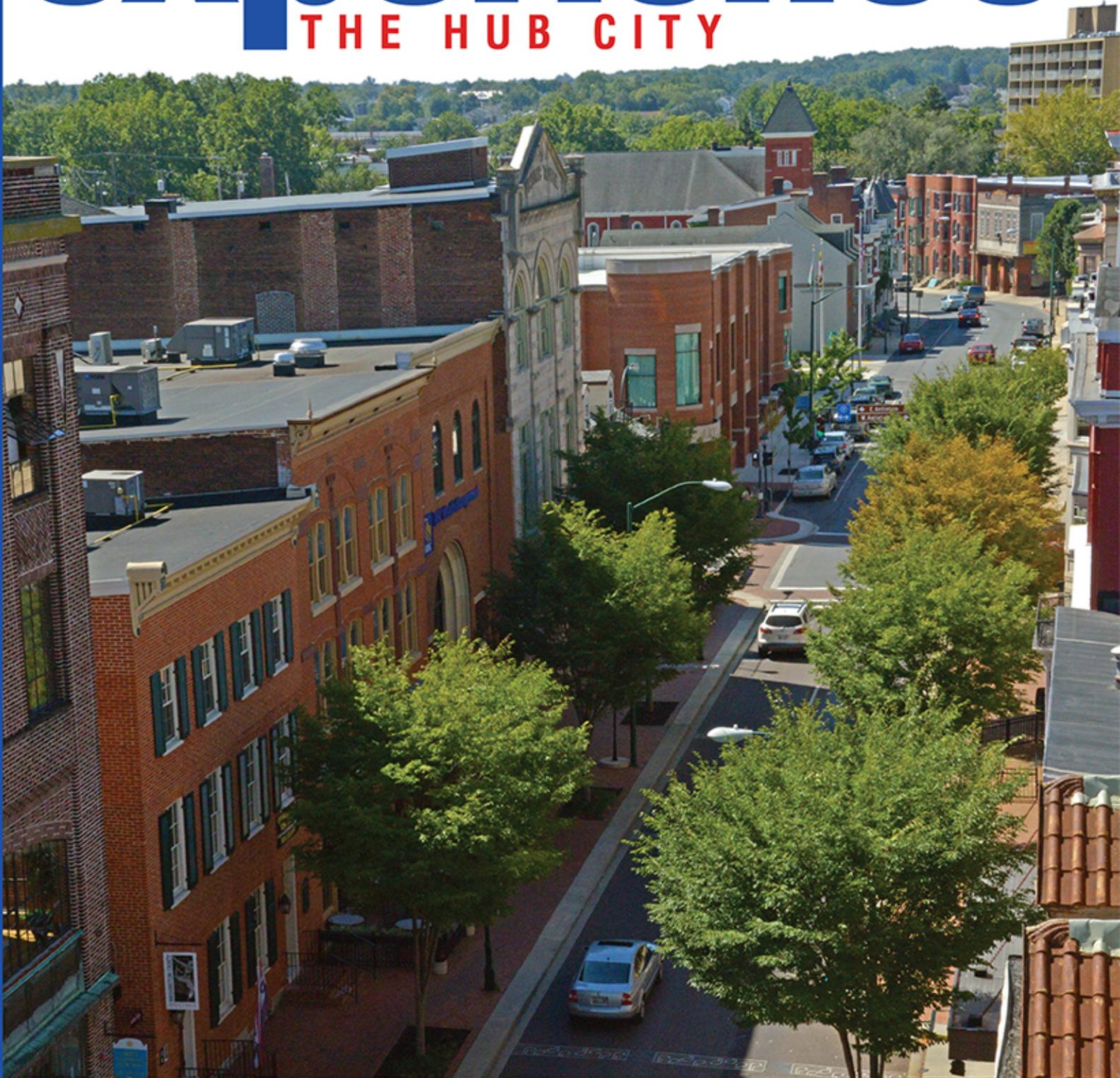




Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2015

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



City of Hagerstown

MARYLAND



Comprehensive Annual Financial Report Fiscal Year 2015

July 1, 2014 - June 30, 2015

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City of Hagerstown
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended June 30, 2015

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INTRODUCTORY SECTION





City of Hagerstown, Maryland

Finance Department

October 30, 2015

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, 2015.

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, 2015, 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, 2015, 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 78 through 80 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 pages 81 and 84 through 90.

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. There is a diverse employer base in Washington County 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 increased from 6.5% in June 2014 to 7.5% in June 2015; and, the most recent figure for August 2015 decreased slightly to 7.1%. The national unemployment rate in June 2015 was 5.3%, and in Washington County it was 6.0%. Rebuilding the economy continues to be a tenuous process. The average employment for Washington County in June 2015 showed moderate growth to a total of 72,350, while the Hagerstown metropolitan per capita income for June 2015 (\$36,164) remained relatively flat compared to June 2014 (\$36,164).

The latest triennial property assessment for Hagerstown occurred in December 2013 and reflected a second consecutive decline in property values. 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. The City's assessable tax base experienced mild growth. As a result of the tax rate increase and the slight growth in assessable base values, total property tax revenue increased by \$1.8 million from FY14/15 when compared to FY 13/14. Property tax revenue comprised approximately 66% of the City's total general fund revenue sources in FY 14/15.

During FY 14/15, the City implemented rate changes and enhanced Code Administration initiatives for residential rental licenses and vacant structures programs. These initiatives were the primary reason that total licenses and permit revenue increased by \$0.7 million over FY1 3/14. The City's Safe Speed for School Program, was implemented as part of a major public safety initiative to monitor traffic speed in school zones. During FY 14/15, \$1.5 million in speed camera violation fines were issued as part of this safety initiative which is an increase of \$0.2 million over FY 13/14. It is anticipated that this revenue will decline and become 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 Community's City Center Plan, a redevelopment plan which identifies eight (8) catalytic projects, was completed in FY 13/14. 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 reaffirmed in FY 14/15 by Moody's Investor Service with a rating of Aa3 and by Standard and Poor's with a rating of AA.

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 FY14/15 unassigned fund balance for the General Fund was \$8.2 million or 20.7% of total General Fund expenditures (excluding the transfers to other funds). This represents two and a half months of General Fund operating expenditures.

Finally, the City has updated its community vision with Mayor and Council goals and priorities for 2015 and 2016. This plan provides a structure for the City's leaders to document important initiatives and projects for the next two years and enables the community to be more involved. The Mayor and Council goals and priorities are broken down into the following main categories: Economic Development; Public Facilities and Infrastructure; Citizen-based Government; Neighborhoods; Active/Healthy Living; Public Safety; and Innovative/Progressive Government. Further details on these goals and priorities are located on the City's website (www.hagerstownmd.org) under Mayor & City Council and under FY 15/16 Approved budget.

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 1 - Position downtown to offer new Class A office development using portions of the Central Parking lot. Developer partner selected through RFP process, and exploratory and predevelopment phases of the project are underway.
- Catalyst Project 2 - Improve the Maryland Theatre facility and grow performance days per year. New seating project completed in February 2015, and new Ticketmaster system added. Some back-of house facility improvements completed and other improvements are underway/planned.
- Catalyst Project 3 - Support for expansion of the University System of Maryland Hagerstown (USMH) through a dedicated student housing project (reserved \$250,000). Construction completed on first pilot project in August 2015 offering four (4) two-bedroom, two-bathroom student apartments.
- Catalyst Project 4 - Development of a new hotel, conference center and Civil War heritage center and commemorative park. Exploratory conversations to date as project is more long-term in nature.
- Catalyst Project 5 - Trail Project connecting the Arts and Entertainment District to City Park / WCMFA with a completion projected to be in FY2017.
- Catalyst Project 6 - Expansion of events focused on the City Center, and growth in City Center programming through the Main Street Hagerstown activities.
- Catalyst Project 7 - Steps towards private management and expansion of the Farmer's Market, including expanded hours from 7 to 35 hours per week.
- 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 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 complete. The next scheduled phases include various façade improvements and storefront enhancements. This property is being marketed for sale.

In FY13, 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 began in FY15 and are now substantially complete. This property is being marketed for sale.

The City of Hagerstown continues to move forward with the processes required to complete the demolition of the former Municipal Electric Light Plant (MELP). The City plans an adaptive reuse of a portion of the property for the Mitsubishi Heavy Industries Energy Storage System Project and will utilize the remainder of the property as a protective buffer for the Utilities infrastructure. The estimated project completion and ownership date is FY16.

During FY15, the Water Fund continued funding of the RC Willson Phase IV Improvements for SDWA-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 95% complete. Three new chemical feed treatment processes were started in FY15 as well as the purchase and installation of the new SCADA software and hardware. The conversion to Chloramines for secondary disinfection will occur in August 2015 (FY16). The planned completion date for this project is November 2015. 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 FY 14/15, the City made the following park additions: opened a community garden; completed and opened Memorial Park; completed two phases of construction on Kiwanis Park; accepted Terrapin Park; and developed concepts for new park at 806/808 Washington Street and new park along A&E Trail. The City will continue to explore opportunities in the future.

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, 2014. This was the nineteenth 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, 2014. 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

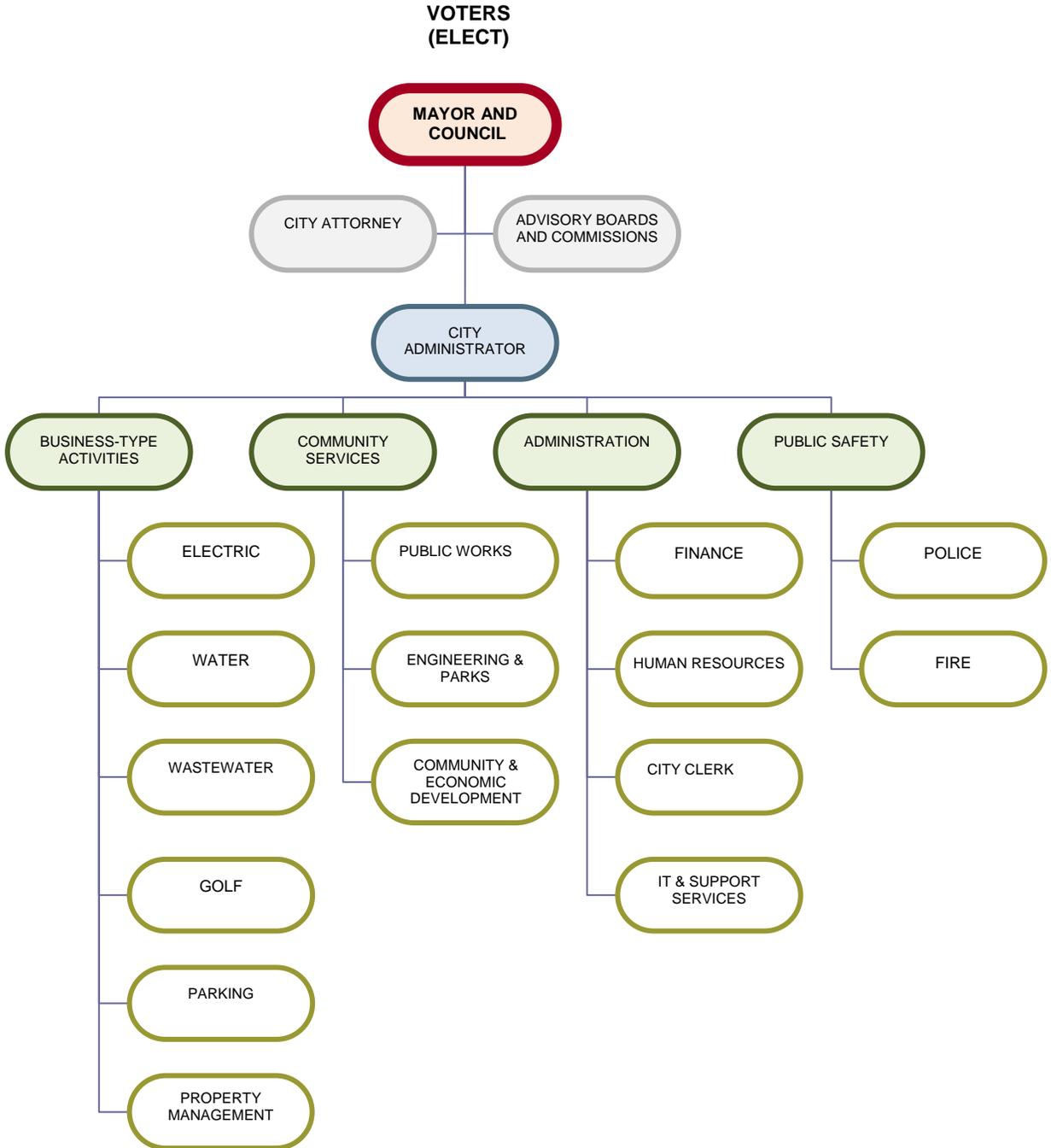
**City of Hagerstown
Maryland**

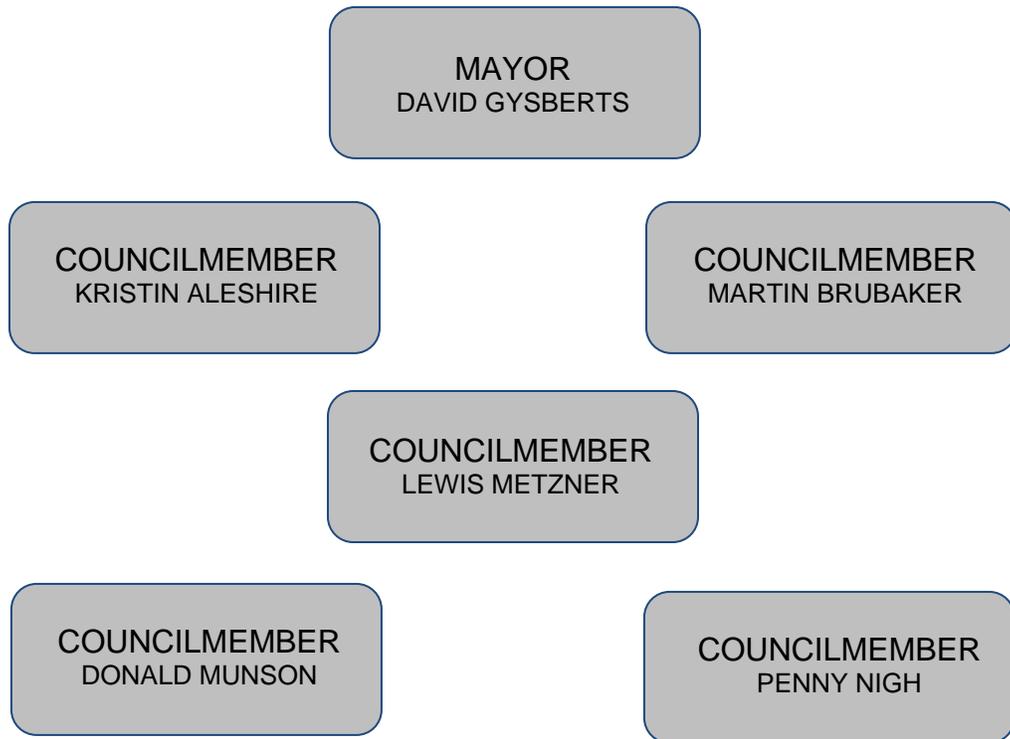
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

CITY ORGANIZATION CHART (By Department)





CITY OFFICIALS

CITY ADMINISTRATOR
VALERIE MEANS

CITY CLERK
DONNA SPICKLER

FINANCE
MICHELLE HEPBURN

PUBLIC WORKS
ERIC DEIKE

**COMMUNITY & ECONOMIC
DEVELOPMENT**
SCOTT NICEWARNER
(Interim Director)

FIRE
STEVEN LOHR

POLICE
PAUL KIFER
(Interim Chief)

**ENGINEERING &
PARKS**
RODNEY TISSUE

HUMAN RESOURCES
KAREN PAULSON

UTILITIES
MICHAEL SPIKER

**IT & SUPPORT
SERVICES**
SCOTT NICEWARNER

Growth and Expansion in Hagerstown



FINANCIAL SECTION





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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, 2015, 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 basic 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.



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Opinions

In our opinion, the basic 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, 2015, 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.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2015, the City adopted new accounting guidance from Governmental Accounting Standards Board Statement No. 68, "Accounting and Financial Reporting for Pensions." Our opinion is not modified with respect to this matter.

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.



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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
October 30, 2015

A handwritten signature in black ink that reads "SB & Company, LLC". The signature is written in a cursive, flowing style.

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, 2015. 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 \$213.8 million (*net position*). Approximately 71.8% of this amount is attributable to the City's three utilities (Electric, Water and Wastewater). Of the total net position, there is negative <\$7.4> million (*unrestricted net position*) to meet ongoing obligations to citizens and creditors (attributable to the City's total net pension liabilities of \$40.4 million reflected per GASB 68 implementation), \$11.4 million is restricted for specific purposes (*restricted net position*), and \$209.8 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 \$20.3 million. Of this total amount \$7.1 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 \$9.1 million (5.4%) during the current fiscal year from \$66.3 million to \$75.4 million. Total new debt added during the fiscal year was \$13.4 million, which reflects new governmental bond issue of \$10.1 million and another \$3.3 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 \$4.3 million in payments 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 \$0.1 million after making a \$0.9 million transfer to the Capital Projects Fund and operating transfers of \$0.2 million to the Golf Course Fund, and \$0.4 million to the Economic Redevelopment Fund for the Invest Hagerstown program initiatives. FY 14/15 was the first time the City raised property tax rates since FY 03/04. The real estate property tax rate was increased \$0.11 per \$100 assessed value and corporate personal property tax rate was increased \$0.275 from \$1.970 to \$2.245. The result in revenue was an increase of \$1.8M in total revenue compared to the prior fiscal year related to the tax rate changes and slight growth in assessable base. Additionally during the fiscal year, the City provided salary and benefit enhancements to all employee groups which resulted in an increase in expenditures of \$2.4M over the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8.2 million or 20.7% of total General Fund expenditures (excluding the transfers to other funds described above). This represents 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 18 and 19 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 20 through 23 of this report. The other governmental fund financial statements can be found on pages 81 through 93.

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 25 to 28 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 29 to 30 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 31 to 75.

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 76 to 80 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 \$213.8 and \$250.6 million at the close of the current and previous fiscal years.

City of Hagerstown net position is 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 (98.1% or \$209.8 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 5.3% or \$11.4 million of total net position. 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 <\$7.4> million (negative 3.5% of total net position) which is used to meet the government's ongoing obligations to citizens, creditors, and employee pension plans. Of this total amount, the unrestricted net position for business-type activities has a balance of \$20.7 million and the unrestricted net position portion for governmental activities has a negative balance of <\$28.1> million.

It is important to note that the City has fully implemented GASB Statement 68 and the result is a total of \$40.4M in net pension liability to fully fund both of the City's pension plans. This \$40.4M liability is not a current obligation or expectation of payment but an actuarial calculation on total to be fully funded in the future. This liability decreases the amount reflected in the unrestricted net position of the City.

The following table reflects a comparison summary of the City's net position for governmental and business-type activities:

**Summary of Net Position
June 30, 2015 and 2014**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current assets	\$ 28,229,943	\$ 26,024,954	\$ 29,530,177	\$ 24,226,773	\$ 57,760,120	\$ 50,251,727
Long-term and restricted assets	581,498	361,913	4,999,974	4,055,679	5,581,472	4,417,592
Capital assets, net	78,837,979	78,007,501	203,342,409	204,072,083	282,180,388	282,079,584
Total Assets	107,649,420	104,394,368	237,872,560	232,354,535	345,521,980	336,748,903
Deferred outflows related to pensions	1,366,552	-	1,032,013		2,398,565	-
Liabilities:						
Long-term liabilities	53,340,661	17,301,697	62,287,303	49,572,697	115,627,964	66,874,394
Other liabilities	7,904,483	8,103,220	9,138,783	11,145,758	17,043,266	19,248,978
Total Liabilities	61,245,144	25,404,917	71,426,086	60,718,455	132,671,230	86,123,372
Deferred inflows related to pensions	724,338	-	756,570	-	1,480,908	-
Net Position:						
Investment in capital assets, net	63,756,574	62,841,007	146,018,608	152,917,402	209,775,182	215,758,409
Restricted	11,415,507	8,917,240	-	-	11,415,507	8,917,240
Unrestricted	(28,125,591)	7,231,204	20,703,309	18,718,678	(7,422,282)	25,949,882
Total Net Position	\$ 47,046,490	\$ 78,989,451	\$ 166,721,917	\$ 171,636,080	\$ 213,768,407	\$ 250,625,531

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

**Changes in Net Position
June 30, 2015 and 2014**

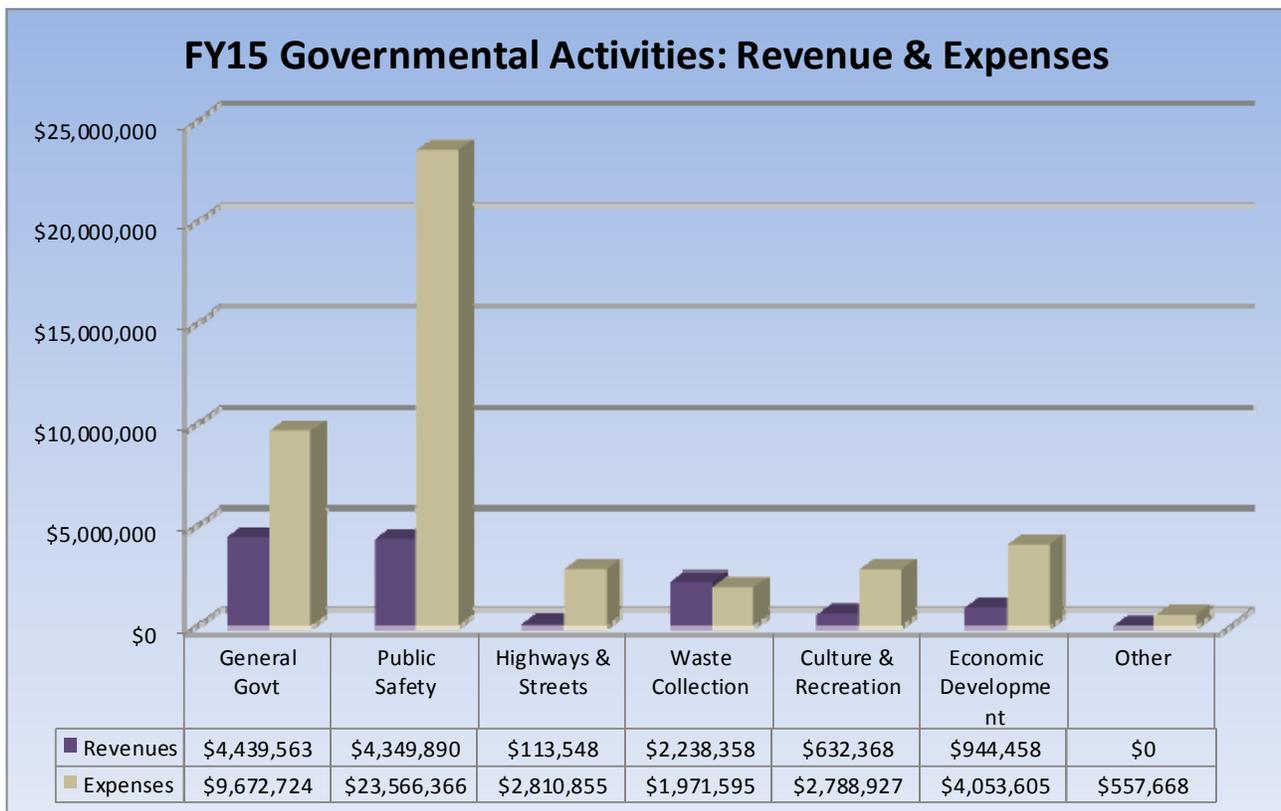
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 8,979,978	\$ 7,927,053	\$ 49,214,183	\$ 47,528,051	\$ 58,194,161	\$ 55,455,104
Operating grants and contributions	1,930,908	2,119,193	51,110	-	1,982,018	2,119,193
Capital grants and contributions	1,807,299	543,261	2,135,780	3,607,284	3,943,079	4,150,545
General Revenues:						
Property taxes	27,209,882	25,365,054	-	-	27,209,882	25,365,054
Income and other taxes	5,105,039	4,834,311	-	-	5,105,039	4,834,311
Miscellaneous	279,896	303,832	146,024	156,910	425,920	460,742
Total Revenues	45,313,002	41,092,704	51,547,097	51,292,245	96,860,099	92,384,949
Expenses:						
Program Expenses:						
General government	9,672,724	9,380,546	-	-	9,672,724	9,380,546
Public safety	23,566,366	21,088,870	-	-	23,566,366	21,088,870
Highways and streets	2,810,855	2,923,564	-	-	2,810,855	2,923,564
Waste collection and disposal	1,971,595	1,950,228	-	-	1,971,595	1,950,228
Culture and recreation	2,788,927	2,729,399	-	-	2,788,927	2,729,399
Economic and community development	4,053,605	1,349,844	-	-	4,053,605	1,349,844
Interest on long-term debt	557,668	550,317	-	-	557,668	550,317
Utilities and other proprietary funds	-	-	49,640,710	48,588,768	49,640,710	48,588,768
Total Expenses	45,421,740	39,972,768	49,640,710	48,588,768	95,062,450	88,561,536
Excess before transfers	(108,738)	1,119,936	1,906,387	2,703,477	1,797,649	3,823,413
Transfers	183,935	(175,455)	(183,935)	175,455	-	-
Change in net position	75,197	944,481	1,722,452	2,878,932	1,797,649	3,823,413
Net Position - Beg. as restated	46,971,293	78,044,970	164,999,465	168,757,148	211,970,758	246,802,118
Net Position - Ending	\$ 47,046,490	\$ 78,989,451	\$ 166,721,917	\$ 171,636,080	\$ 213,768,407	\$ 250,625,531

Note: FY14 Net Position ending balances were restated as of July 1, 2014, as a result of GASB 68. With this GASB change, unfunded net pension liabilities are now reflected in the City's Statement of Net Position for both Police & Fire Pension and Maryland State Retirement System plans. As a result, beginning Governmental Funds Net Position was reduced by \$32,018,158 and beginning Business Type Funds Net Position was reduced by \$6,636,615

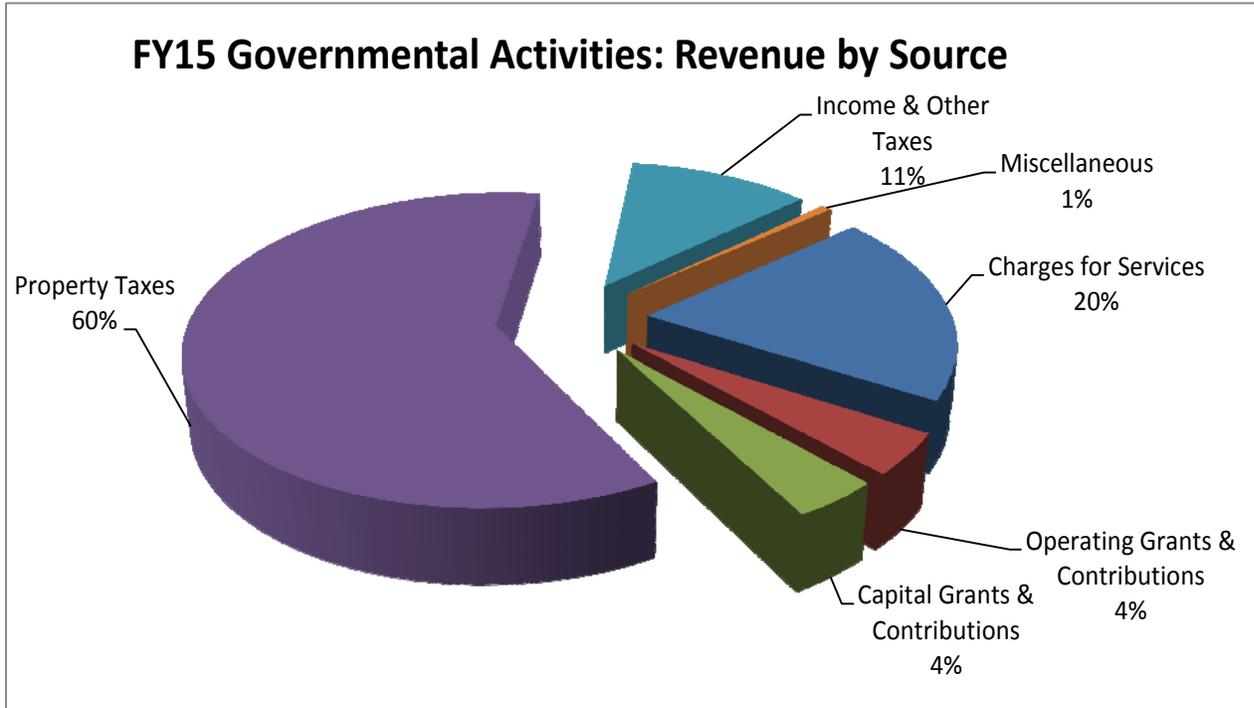
Governmental activities: General revenues for the governmental activities were \$32.8 million, while total expenses, net of charges for services, grants and contributions, were \$32.7 million. The increase in net position for governmental activities was \$0.1 million and can be largely attributed to the following:

- \$0.1 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 implementation of two new Code Administration initiatives in residential rental licensing and vacant properties. Likewise, the City experienced an increase in operating expenditures associated with salary and benefit enhancements and an increase in transfers to other funds.
- \$1.5 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 new unspent bond proceeds reflected as a source of financing/revenue within the General Capital Improvement Fund.
- \$1.5 million of the decrease is a result of the City’s necessary adjustments for Statement of Net Position. Please see the reconciliation schedule from the Governmental Funds to the Statement of Activities on page 22 for further details.

The following charts compare the revenue and expenses of the City’s Governmental Activities.



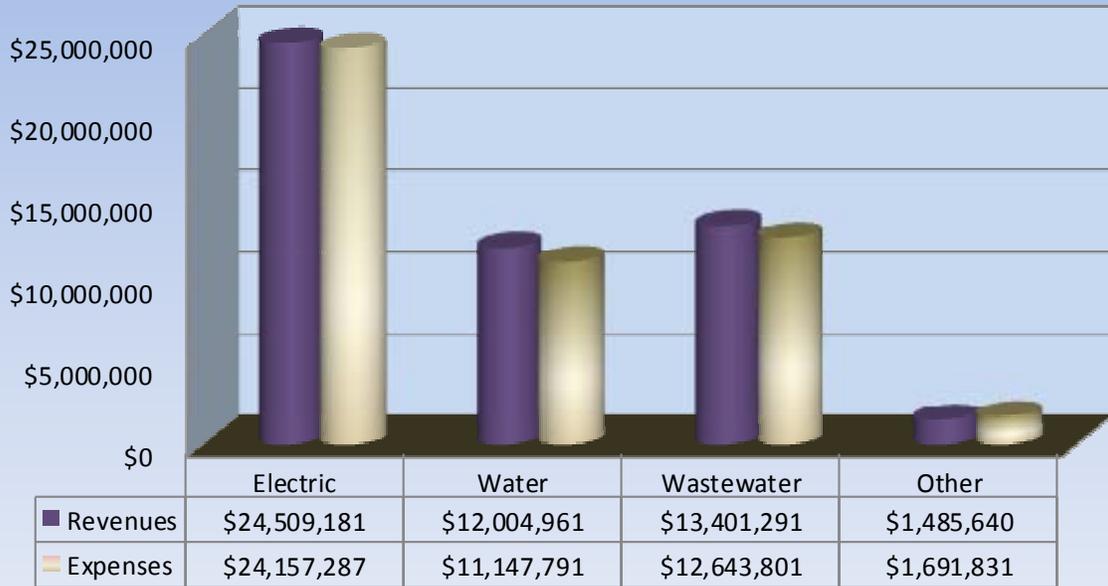
*Please note that the chart above only includes revenue directly associated to each category and excludes \$32.8 million in general property tax, income tax, investment earnings, and other miscellaneous revenue generated in FY 14/15.



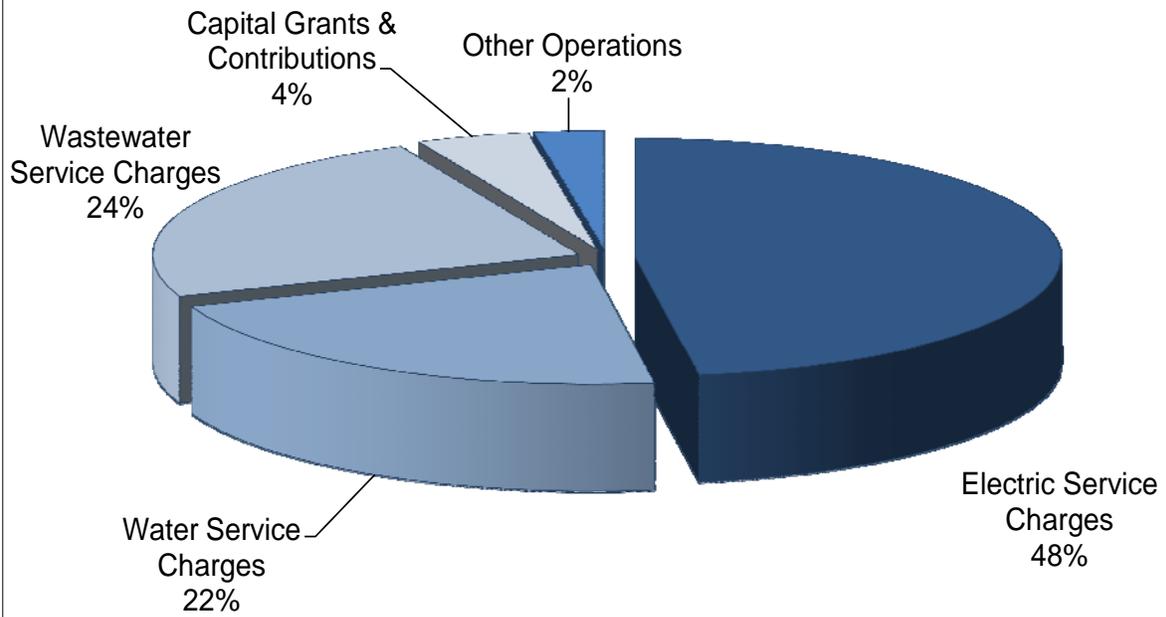
Business-type Activities: Business-type activities increased the City of Hagerstown’s net position by \$1.7 million. Key elements of this increase are as follows:

- All of the Business-type funds except Property Management had positive changes in net position, or revenues in excess of expenditures. The following is the breakdown of the positive net changes: \$0.5M in the Electric Fund, \$0.8 M in the Water Fund, \$0.7M in the Wastewater Fund, and \$0.3M in the Parking Fund. The non-major Enterprise Funds had a combined deficit of (\$0.5) of expenditures over revenues primarily as a result of \$0.4M in transfers from Property Management to governmental funds.
- Transfers in to the business-type activities account for \$0.3 million in revenue. These transfers were primarily for Golf Course operations.
- Capital grants and contributions remained a major revenue source for business-type activities. Electric, Water, and Wastewater funds received \$0.1 million, \$0.9 million, and \$1.2 million, respectively during the current fiscal year. The majority of the grant in the Wastewater Fund (\$1.0 million) is from benefit charges to developers and represents a \$0.3M increase from the prior fiscal year.

FY15 Business - Type Activities: Revenues & Expenses



FY15 Business-Type Activities: Revenue by Source



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 \$20.3 million, an increase of \$1.7 million from the prior year. Approximately 35.0% of the total fund balance (\$20.3 million) constitutes *unassigned fund balance* (\$7.1 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 (\$2.0 million and \$2.8 million, respectively)
- 2) *Committed* fund balance represents amounts that are reserved for a particular purpose by the Mayor and Council of the City of Hagerstown and would require action by that governing body to release the fund balance from its commitment (\$2.5 million)
- 3) *Assigned* fund balance represents amounts reserved for tentative management plans that are subject to change (\$5.8 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 \$8.2 million, while total fund balance equals \$10.0 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 20.7% of total General Fund expenditures or two and one half months of fiscal expenditures.

The fund balance of the General Fund increased by \$0.1 million during the current fiscal year. This increase is due to actual revenues in excess of expenditures. Below are some key elements for FY 14/15:

Revenues were above approved budget by \$1.1 million

- Total property taxes were above projections by \$1.3 million. The increase is a result of slightly higher than expected assessable base figures for both real estate and personal property taxes. In addition, the City increased tax rates in FY 14/15 by \$0.11 per \$100 assessed value for real estate taxes and by \$0.275 from \$1.970 to \$2.245 for personal property taxes.
- Fines and forfeitures were less than projections by \$0.3 million due to safe speed camera program. The safe speed camera revenue generated during FY 14/15 was also \$0.2 million higher than revenues experienced in FY 13/14.

Expenditures (excluding transfers to other funds) were over budgeted projections by \$0.7 million.

- Total salaries and benefits were \$0.6 million over projections.
- Retiree health and dental benefits were over projections by \$0.1 from budget and \$0.1 higher than prior fiscal year.

The Capital Projects Fund has a total fund balance of \$4.5 million. Of the total fund balance, certain amounts are *restricted* to indicate that it is not available for new spending because it has already been committed or is legally restricted for capital projects as follows:

- 1) *Nonspendable* fund balance represents amounts that are not available for appropriation (\$0.2M)
- 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 (\$2.5M)
- 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 \$4.7 million for the Electric Fund, \$9.5 million for the Water Fund and \$4.1 million for the Wastewater Fund. The total increase in the proprietary funds net position was \$1.7 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, expenditures, and transfers to other funds increased by less than \$0.2 million over the original budget. The net change reflects an allocation of original budget contingency across city departments; a reduction to interest associated with long-term debt; and an increase in amounts transferred to our Capital Improvement Projects Fund. During the fiscal year, there was a need for some additional purchases with the approved increase in Code Administration staff to implement changes for the City's residential rental licensing and vacant structure initiatives. These Code Administration initiatives also increased revenues. Finally, there were necessary renovations and work needed to the City Hall exterior clock that was not planned during the original 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, 2015, amounts to \$282.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment (including vehicles), infrastructure (including park facilities, roads, highways and bridges) and construction in progress. The total net increase in City of Hagerstown's investment in capital assets for the current fiscal year was \$0.1 million or less than 1%. There was a 1.1% increase for governmental activities and a 0.4% decrease for business-type activities.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 6,862,932	\$ 6,822,132	\$ 5,705,970	\$ 5,705,970	\$ 12,568,902	\$ 12,528,102
Construction in progress	3,418,209	1,139,658	814,757	11,713,864	4,232,966	12,853,522
Buildings & structures	6,726,933	6,864,937	144,070,495	135,693,133	150,797,428	142,558,070
Improvements other than buildings	5,206,219	4,948,761	682,623	411,862	5,888,842	5,360,623
Machinery & equipment	5,053,765	5,298,344	52,042,469	50,547,255	57,096,234	55,845,599
Infrastructure	51,569,921	52,933,669	26,095	-	51,596,016	52,933,669
Total	\$ 78,837,979	\$ 78,007,501	\$ 203,342,409	\$ 204,072,084	\$ 282,180,388	\$ 282,079,585

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

For the City's governmental activities:

The City spent \$4.6 million in additions for capital assets and improvements during FY 14/15. Some of the most notable additions are listed below:

- \$1.7 million was spent on Broadfording Road improvements/Widening and bridge repairs.
- \$0.8 million was spent on vehicles for public safety, economic development, parks and recreation, and public works
- \$0.7 million was spent on Potterfield Pool improvements and other park improvements to Pangborn, City Park, Kiwanis Park, and trails at Veterans' Memorial Park
- \$0.4 million was spent on computer software equipment including Police cameras and software, broadcasting equipment, parks and recreation software, and time and attendance software
- \$0.3 million was spent on handicap access ramps, alley reconstruction and curbing
- \$0.3 million was spent on miscellaneous improvements including gateway signage and signal networks
- \$0.2 million was spent on building renovations at City Hall, the Police department, Hagerstown Ice Rink, Mansion House, and Steam engine museum
- \$0.2 million was spent on storm drains and storm water management projects

For the City's business activities:

Of the \$6.1 million the City spent on the acquisition and construction of business activity capital assets in FY 14/15, \$2.1 million were funded from contributions from developers, and \$4.0M from bond reimbursement draws and operations within the business funds.

Additional information on the City of Hagerstown's capital assets can be found in Note IV. C., pages 53 through 56 of this report.

Long-term debt. At the end of the current fiscal year, the City of Hagerstown had total bonded debt outstanding of \$75.4 million. The full faith and credit, and unlimited taxing power of the City are irrevocably pledged to the levy and collection of taxes in order to provide for the payment of principal and interest due on the bonds. Of this amount, \$57.3 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			
	2015	2014	2015	2014	2015	2014
General Bonded Debt	\$ 18,093,422	\$ 15,168,166	\$ 57,323,805	\$ 51,154,681	\$ 75,417,227	\$ 66,322,847

Overall, the City of Hagerstown added new bonded debt of \$13.4 million, across all funds. The City added new debt of \$10.1 million governmental bond issue and \$3.3 million was drawn from the existing Maryland Water Quality Revolving Loan Fund. The Governmental Funds added \$4.2 million and Business Type Funds the remaining balance of \$9.2 million. The City's continued adherence to its amortization schedules for debt repayments reduced its debt by \$4.3 million resulting in an overall net increase to debt of \$9.1 million during the current year.

During the FY 14/15, the City of Hagerstown's ratings were affirmed as follows: Moody's Investor Service with a rating of Aa3, and Standard and Poor's with a rating of AA.

The amount of general obligation debt the City of Hagerstown may issue is not limited by State statute or local ordinance. However, the City adheres to a financial policy approved by its elected officials which prohibits general obligation debt from exceeding 10% of the assessed value of taxable property or \$1,000 per capita. At the end of FY 14/15, governmental fund debt was 0.72% of the assessed value of taxable property and \$448 per capita while total city-wide debt was 3.01% of the assessed value of taxable property and \$1,686 per capita. Additional information on the City of Hagerstown's long-term debt can be found in Note IV. F. on pages 60 through 62 of this report.

Economic Factors and Next Year's Budgets and Rates

- The FY 14/15 budget reflected the first increase to the City's real estate and personal property rates since FY 03/04. The real estate tax rate was increased by 11 cents per \$100 assessed value and personal property rates were increased by 27.5 cents from \$1.970 to \$2.245. This increase was needed to offset salary and benefit enhancements while experiencing a 7.8% real estate assessable base decline. The FY 14/15 budget also reflects the first year changes for Water and Wastewater based on a five year cost study approved.
- The City is required by its Charter to have a balanced budget each fiscal year and has complied with this requirement. In FY 15/16 General Fund final budget, there is net of \$481 that includes utilizing \$0.6 million from fund balance reserves for the continuation of the City's Invest Hagerstown community 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 FY 15/16 the City's major governmental fund approved budget, the General Fund, is projected to increase by 6.0% over the FY 14/15 budget. Wages and benefits are projected to increase by 5.1% to include an increase in employee compensation and increased employer provided benefit costs. Debt service is projected to increase by 12.2% related to

new bond issues needed to invest in infrastructure upgrades and other Mayor and Council priority projects. Maintenance and repairs is projected to increase by 10.0% which reflects rising costs anticipated for software maintenance contracts.

- As a result of the December 2013 MD State Department of Assessment and Taxation's triennial reassessment, the City experienced a second consecutive decrease in real estate and personal property assessments. In a continuing effort to offset this decline in property values, the City implemented a tax rate increase of 1.5 cents per \$100 of assessed value effective July 1, 2015. This increase is necessary to support the salary enhancements and other rising expenditures mentioned above.
- The FY 15/16 budget reflects an overall rate decrease of 1.2% 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 4% inside and outside the City effective July 1, 2015. Additionally, a complete five year rate schedule through FY 18/19 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 FY 15/16.

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, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and investments	\$ 19,730,635	\$ 19,708,105	\$ 39,438,740
Receivables (net of allowance for uncollectibles):			
Taxes	489,011	-	489,011
Intergovernmental	1,523,177	-	1,523,177
Customers	1,379,788	6,590,192	7,969,980
Loans	3,148,974	-	3,148,974
Other	1,064	-	1,064
Internal balances	(1,055,765)	1,055,765	-
Inventories	150,107	2,161,341	2,311,448
Properties held for resale	1,323,331	-	1,323,331
Prepaid items	269,830	12,272	282,102
Net OPEB asset	1,269,792	-	1,269,792
Due from other agencies	-	2,500	2,500
Restricted assets:			
Pooled cash and investments	581,498	4,396,633	4,978,131
Long-term receivables	-	603,341	603,341
Capital assets (net of accumulated depreciation):			
Land (not being depreciated)	6,862,932	5,705,970	12,568,902
Land improvements	6,242,834	1,703,962	7,946,796
Buildings and structures	15,830,613	211,323,211	227,153,824
Machinery and equipment	5,821,832	106,630,552	112,452,384
Automobiles and trucks	9,345,999	5,547,016	14,893,015
Office furniture and fixtures	3,806,652	757,995	4,564,647
Infrastructure	95,769,023	26,537	95,795,560
Construction in progress (not being depreciated)	3,418,209	814,757	4,232,966
Less accumulated depreciation	<u>(68,260,116)</u>	<u>(129,167,589)</u>	<u>(197,427,705)</u>
Total assets	<u>107,649,420</u>	<u>237,872,560</u>	<u>345,521,980</u>
Deferred Outflow of Resources Related to Pensions			
Deferred Outflows from Pensions	1,366,552	1,032,013	2,398,565
Liabilities			
Accounts and retainages payable	1,787,769	3,242,987	5,030,756
Accrued liabilities	2,165,117	381,621	2,546,738
Escrowed taxes and insurance	6,556	-	6,556
Accrued interest payable	250,727	366,902	617,629
Customer deposits payable	53,182	1,052,690	1,105,872
Due to other agencies	38,960	-	38,960
Unearned revenue	283,132	60,817	343,949
Other liabilities			
Due within one year	-	13,654	13,654
Due in more than one year	-	27,309	27,309
Compensated absences:			
Due within one year	1,872,266	726,905	2,599,171
Due in more than one year	3,228,374	1,317,339	4,545,713
Long-term liabilities:			
Due within one year	1,446,774	3,265,898	4,712,672
Due in more than one year	16,646,648	54,057,905	70,704,553
Net pension liabilities:			
Due in more than one year	<u>33,465,639</u>	<u>6,912,059</u>	<u>40,377,698</u>
Total liabilities	<u>61,245,144</u>	<u>71,426,086</u>	<u>132,671,230</u>
Deferred Inflow of Resources Related to Pensions			
Deferred Inflows from Pensions	724,338	756,570	1,480,908
Net Position			
Net investment in capital assets	63,756,574	146,018,608	209,775,182
Restricted for:			
Capital Projects Fund	5,597,024	-	5,597,024
Community Development Block Grant Fund	2,798,331	-	2,798,331
Economic Redevelopment Fund	1,045,879	-	1,045,879
Business Revolving Loan Fund	1,078,814	-	1,078,814
Excise Tax Fund	607,025	-	607,025
Grant Revenue Fund	98,061	-	98,061
Other Purposes	190,373	-	190,373
Unrestricted	<u>(28,125,591)</u>	<u>20,703,309</u>	<u>(7,422,282)</u>
Total net position	<u>\$ 47,046,490</u>	<u>\$ 166,721,917</u>	<u>\$ 213,768,407</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, 2015

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	\$ 9,672,724	\$ 2,795,421	\$ 242,068	\$ 1,402,074	\$ (5,233,161)	\$ -	\$ (5,233,161)
Public safety	23,566,366	3,367,522	982,368	-	(19,216,476)	-	(19,216,476)
Highways and streets	2,810,855	73,088	-	40,460	(2,697,307)	-	(2,697,307)
Waste, collection and disposal	1,971,595	2,238,358	-	-	266,763	-	266,763
Culture and recreation	2,788,927	259,668	7,935	364,765	(2,156,559)	-	(2,156,559)
Economic and community development	4,053,605	245,921	698,537	-	(3,109,147)	-	(3,109,147)
Interest and issuance costs on LT debt	557,668	-	-	-	(557,668)	-	(557,668)
Total governmental activities	45,421,740	8,979,978	1,930,908	1,807,299	(32,703,555)	-	(32,703,555)
Business-type activities:							
Electric	24,157,287	24,460,137	-	49,044	-	351,894	351,894
Water	11,147,791	11,128,131	-	876,830	-	857,170	857,170
Wastewater	12,643,801	12,241,385	-	1,159,906	-	757,490	757,490
Parking facilities	739,264	975,936	-	-	-	236,672	236,672
Golf course	435,174	205,199	-	-	-	(229,975)	(229,975)
Property management	517,393	203,395	51,110	-	-	(212,888)	(212,888)
Total business-type activities	49,640,710	49,214,183	51,110	50,000	-	1,760,363	1,760,363
Total primary government	\$ 95,062,450	\$ 58,194,161	\$ 1,982,018	\$ 3,943,079	(32,703,555)	1,760,363	(30,943,192)
General revenues:							
Property taxes					27,209,882	-	27,209,882
Income and other taxes					5,105,039	-	5,105,039
Investment earnings					10,695	146,024	156,719
Miscellaneous					269,201	-	269,201
Transfers					183,935	(183,935)	-
Total general revenues and transfers					32,778,752	(37,911)	32,740,841
Change in net position					75,197	1,722,452	1,797,649
Net position - beginning					78,989,451	171,636,080	250,625,531
GASB 68 Adjustment					(32,018,158)	(6,636,615)	(38,654,773)
Net position - beginning as restated					46,971,293	164,999,465	211,970,758
Net position - ending					\$ 47,046,490	\$ 166,721,917	\$ 213,768,407

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

City of Hagerstown, Maryland
Balance Sheet
Governmental Funds
June 30, 2015

	General	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Pooled cash and investments	\$ 10,207,129	\$ 4,381,054	\$ 1,428,961	\$ 16,017,144
Receivables (net of allowance for uncollectibles):				
Taxes	489,011	-	-	489,011
Intergovernmental	1,078,157	212,159	232,861	1,523,177
Customers	1,007,651	179,818	2,158	1,189,627
Loans	-	-	3,148,974	3,148,974
Other	1,064	-	-	1,064
Advances to other funds	133,000	-	-	133,000
Inventories	150,107	-	-	150,107
Properties held for resale	-	-	1,323,331	1,323,331
Prepaid items	76,868	-	-	76,868
Restricted assets:				
Pooled cash and investments	-	-	256,198	256,198
Total assets	\$ 13,142,987	\$ 4,773,031	\$ 6,392,483	\$ 24,308,501
Liabilities And Fund Balances				
Liabilities:				
Accounts and retainages payable	\$ 1,408,645	\$ 249,761	\$ 122,365	\$ 1,780,771
Accrued liabilities	1,070,860	-	27,952	1,098,812
Advances from other funds	-	-	133,000	133,000
Escrowed taxes and insurance	-	-	6,556	6,556
Customer deposits payable	53,168	-	14	53,182
Undisbursed loan and grant commitments	-	-	298,605	298,605
Due to other agencies	38,960	-	-	38,960
Unearned revenue	99,943	-	100	100,043
Total liabilities	2,671,576	249,761	588,592	3,509,929
Deferred Inflows of Resources:				
Unavailable revenue-income taxes	507,774	-	-	507,774
Total deferred inflows of resources	507,774	-	-	507,774
Fund balances:				
Nonspendable	226,974	166,474	1,642,634	2,036,082
Restricted	-	-	2,829,671	2,829,671
Committed	-	2,537,161	-	2,537,161
Assigned	1,555,317	2,893,389	1,346,178	5,794,885
Unassigned	8,181,345	(1,073,754)	(14,592)	7,092,999
Total fund balances	9,963,637	4,523,270	5,803,891	20,290,798
Total liabilities and fund balances	\$ 13,142,987	\$ 4,773,031	\$ 6,392,483	

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.	78,837,979
Taxes and other receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds	507,774
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.	2,408,361
Net OPEB asset is calculated by actuarial valuation and is included only in the city-wide statement of net position.	1,269,792
Long-term liabilities, including bonds payable and accrued interest charges are not due and payable in the current period and therefore are not reported in the funds.	(23,444,789)
Net pension liability (NPL), Deferred inflows, and Deferred outflows related to pension are calculated by actuarial valuation and are included only in the city-wide statement of net position.	(32,823,425)
Net position of governmental activities	\$ 47,046,490

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, 2015

	General	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 27,209,882	\$ -	\$ -	\$ 27,209,882
Income and other taxes	3,853,001	1,081,978	-	4,934,979
Licenses and permits	2,259,693	-	-	2,259,693
Intergovernmental	588,290	396,472	1,196,463	2,181,225
Program income	-	-	224,855	224,855
Charges for services	2,959,862	-	-	2,959,862
Fines and forfeitures	1,548,400	-	-	1,548,400
Investment earnings	9,197	1,155	343	10,695
Sale of land & other property	22,119	-	-	22,119
Contributions and donations	142,256	1,410,825	3,750	1,556,831
Unallocated general revenue	2,181,348	72,000	24,761	2,278,109
Total revenues	40,774,048	2,962,430	1,450,172	45,186,650
Expenditures				
Current:				
General government	6,207,442	-	28,495	6,235,937
Public safety	21,859,983	-	258,165	22,118,148
Highways and streets	2,564,690	-	-	2,564,690
Waste, collection and disposal	1,972,012	-	-	1,972,012
Culture and recreation	2,415,204	-	-	2,415,204
Economic and community development	624,760	2,117,584	1,374,698	4,117,042
Unallocated general expenditures	2,035,935	-	164	2,036,099
Debt Service:				
Principal	1,267,682	-	-	1,267,682
Interest	517,287	-	-	517,287
Issuance costs	44,215	-	-	44,215
Capital outlay	-	4,585,707	81,149	4,666,856
Total expenditures	39,509,210	6,703,291	1,742,671	47,955,172
Excess (deficiency) of revenues over (under) expenditures	1,264,838	(3,740,861)	(292,499)	(2,768,522)
Other Financing Sources (Uses)				
New Bond Proceeds:				
Debt issued	-	3,923,743	-	3,923,743
Premium on bond financing	-	282,716	-	282,716
Transfers in	418,138	1,225,296	639,115	2,282,549
Transfers out	(1,585,489)	(100,000)	(377,175)	(2,062,664)
Total other financing sources and uses	(1,167,351)	5,331,755	261,940	4,426,344
Net change in fund balances	97,487	1,590,894	(30,559)	1,657,822
Fund balances - beginning	9,866,150	2,932,376	5,834,450	18,632,976
Fund balances - ending	\$ 9,963,637	\$ 4,523,270	\$ 5,803,891	\$ 20,290,798

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, 2015

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

Net change in fund balances - total governmental funds	\$ 1,657,822
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital additions exceeded depreciation in the current period.	874,186
The net effect of capital asset disposals is to decrease net position.	(43,708)
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.	(2,938,777)
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.	(13,522)
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.	315,763
OPEB asset is recorded based on actuarial reports and is not included in the governmental financial statements.	648,541
Net pension expense transactions based on actuarial calculations to determine net pension liabilities are not included in the governmental financial statements.	(805,267)
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.	380,160
Change in net position of governmental activities	\$ 75,197

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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 25,951,604	25,951,604	27,209,882	1,258,278
Income and other taxes	3,584,479	3,584,479	3,853,001	268,522
Licenses and permits	1,625,950	1,625,950	2,259,693	633,743
Intergovernmental	504,379	537,858	588,290	50,432
Charges for services	3,088,479	3,088,399	2,959,862	(128,537)
Fines and forfeitures	1,890,536	1,890,536	1,548,400	(342,136)
Unallocated and other general revenue	2,308,946	2,315,893	2,354,920	39,027
Total revenues	<u>38,954,373</u>	<u>38,994,719</u>	<u>40,774,048</u>	<u>1,779,329</u>
Expenditures				
Current:				
General government	5,884,734	5,991,187	6,207,442	(216,255)
Public safety	20,934,020	21,496,228	21,859,983	(363,755)
Highways and streets	2,641,574	2,635,257	2,564,690	70,567
Waste, collection and disposal	2,014,777	2,014,746	1,972,012	42,734
Culture and recreation	2,187,670	2,181,178	2,415,204	(234,026)
Economic and community development	679,718	695,815	624,760	71,055
Unallocated general expenditures	2,482,032	1,809,114	2,035,935	(226,821)
Debt Service:				
Principal	1,325,187	1,325,187	1,267,682	57,505
Interest	673,813	639,554	517,287	122,267
Issuance Costs	-	-	44,215	(44,215)
Total expenditures	<u>38,823,525</u>	<u>38,788,266</u>	<u>39,509,210</u>	<u>(720,944)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>130,848</u>	<u>206,453</u>	<u>1,264,838</u>	<u>1,058,385</u>
Other Financing Sources (Uses)				
Transfers in	1,108,500	1,108,500	418,138	(690,362)
Transfers out	(1,238,700)	(1,432,688)	(1,585,489)	(152,801)
Total other financing sources and (uses)	<u>(130,200)</u>	<u>(324,188)</u>	<u>(1,167,351)</u>	<u>(843,163)</u>
Net change in fund balances	648	(117,735)	97,487	215,222
Fund balances - beginning	9,866,150	9,866,150	9,866,150	-
Fund balances - ending	<u>\$ 9,866,798</u>	<u>\$ 9,748,415</u>	<u>\$ 9,963,637</u>	<u>\$ 215,222</u>

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, 2015

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds	
Assets						
Current assets:						
Pooled cash and investments	\$ 6,492,345	\$ 6,611,338	\$ 5,243,169	\$ 690,745	\$ 670,508	\$ 19,708,105
Interest receivable	-	-	-	-	-	-
Accounts receivable (net of allowance for uncollectibles)	2,587,547	1,757,542	2,166,843	44,608	33,652	6,590,192
Inventories	327,622	1,668,877	163,763	-	1,079	2,161,341
Due from other agencies	-	-	2,500	-	-	2,500
Prepaid items	2,128	559	7,813	50	1,722	12,272
Total current assets	<u>9,409,642</u>	<u>10,038,316</u>	<u>7,584,088</u>	<u>735,403</u>	<u>706,960</u>	<u>28,474,409</u>
Noncurrent assets:						
Restricted assets:						
Pooled cash and investments	-	3,946,736	449,897	-	-	4,396,633
Long-term receivable	576,033	27,308	-	-	-	603,341
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	1,212,880	196,660	1,703,962
Buildings and structures	1,697,132	124,274,420	72,189,920	7,713,222	5,448,517	211,323,211
Machinery and equipment	34,514,362	22,380,597	48,961,896	369,463	404,234	106,630,552
Automobiles and trucks	1,355,821	1,931,474	2,150,983	41,288	67,450	5,547,016
Infrastructure	-	-	-	-	26,537	26,537
Office furniture and fixtures	397,151	78,366	255,557	-	26,921	757,995
Construction in progress	-	19,037	778,599	-	17,121	814,757
Less accumulated depreciation	<u>(24,803,374)</u>	<u>(41,987,948)</u>	<u>(56,768,901)</u>	<u>(3,865,343)</u>	<u>(1,742,023)</u>	<u>(129,167,589)</u>
Total capital assets, net	14,643,106	108,744,140	67,757,324	6,930,974	5,266,867	203,342,411
Total noncurrent assets	15,219,139	112,718,184	68,207,221	6,930,974	5,266,867	208,342,385
Total assets	<u>24,628,781</u>	<u>122,756,500</u>	<u>75,791,309</u>	<u>7,666,377</u>	<u>5,973,827</u>	<u>236,816,794</u>
Deferred Outflow of Resources Related to Pensions						
Deferred Outflows from Pensions	294,139	391,255	346,619	-	-	1,032,013
Total Deferred Outflows Related to Pensions	<u>294,139</u>	<u>391,255</u>	<u>346,619</u>	<u>-</u>	<u>-</u>	<u>1,032,013</u>

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, 2015

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds	
Liabilities						
Current liabilities:						
Accounts and retainages payable	1,613,034	842,908	742,261	15,937	28,847	3,242,987
Compensated absences - current	213,110	249,930	246,405	7,230	10,230	726,905
Accrued liabilities	91,395	303,009	317,071	26,464	10,584	748,523
Customer deposits and rebates	1,043,323	654	(1)	6,313	2,400	1,052,690
Unearned revenue	-	101,500	-	-	(40,683)	60,817
General obligation bonds - current	46,409	1,372,291	1,681,242	162,528	3,428	3,265,898
Other liabilities - current	-	-	-	-	13,654	13,654
Total current liabilities	<u>3,007,271</u>	<u>2,870,292</u>	<u>2,986,979</u>	<u>218,472</u>	<u>28,460</u>	<u>9,111,474</u>
Noncurrent liabilities:						
General obligation bonds payable	792,656	32,174,634	20,010,485	983,559	96,571	54,057,905
Compensated absences	386,208	452,939	446,549	13,106	18,537	1,317,339
Other long term liabilities	-	-	-	-	27,309	27,309
Net pension liabilities	1,970,040	2,620,486	2,321,533	-	-	6,912,059
Total noncurrent liabilities	<u>3,148,904</u>	<u>35,248,059</u>	<u>22,778,567</u>	<u>996,665</u>	<u>142,417</u>	<u>62,314,612</u>
Total liabilities	<u>6,156,175</u>	<u>38,118,351</u>	<u>25,765,546</u>	<u>1,215,137</u>	<u>170,877</u>	<u>71,426,086</u>
Deferred Inflow of Resources Related to Pensions						
Deferred Inflows from Pensions	215,634	286,829	254,107	-	-	756,570
Total Deferred Inflows Related to Pensions	<u>215,634</u>	<u>286,829</u>	<u>254,107</u>	<u>-</u>	<u>-</u>	<u>756,570</u>
Net Position						
Net Investment in Capital Assets	13,804,041	75,197,215	46,065,597	5,784,887	5,166,868	146,018,608
Unrestricted	4,747,070	9,545,360	4,052,678	666,353	636,082	19,647,544
Total net position	<u>\$ 18,551,111</u>	<u>\$ 84,742,575</u>	<u>\$ 50,118,275</u>	<u>\$ 6,451,240</u>	<u>\$ 5,802,950</u>	<u>\$ 165,666,152</u>
						<u><u>3,464,126</u></u>
						<u><u>\$ 3,464,126</u></u>

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

Net position of business-type activities

\$ 166,721,917

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, 2015

	Business-type Activities- Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds		
Operating revenues:							
Service charges	\$ 23,913,779	\$ 10,354,452	\$ 11,755,707	\$ 975,315	\$ 520,877	\$ 47,520,130	\$ 9,061,649
Other revenues	590,626	761,851	470,680	578	(6,046)	1,817,689	81,052
Total operating revenues	<u>24,504,405</u>	<u>11,116,303</u>	<u>12,226,387</u>	<u>975,893</u>	<u>514,831</u>	<u>49,337,819</u>	<u>9,142,701</u>
Operating expenses:							
Production and treatment expenses	17,946,955	3,667,485	4,699,669	-	-	26,314,109	-
Transmission, distribution, and collection expenses	2,194,091	1,929,412	1,545,674	-	-	5,669,177	-
Selling, general and administrative expenses	3,149,197	2,642,268	3,085,557	452,463	786,380	10,115,865	1,300,694
Claim and premium expenses	-	-	-	-	-	-	7,369,662
Depreciation	843,839	2,517,099	2,981,470	215,069	162,003	6,719,480	-
Total operating expenses	<u>24,134,082</u>	<u>10,756,264</u>	<u>12,312,370</u>	<u>667,532</u>	<u>948,383</u>	<u>48,818,631</u>	<u>8,670,356</u>
Operating income (loss)	<u>370,323</u>	<u>360,039</u>	<u>(65,983)</u>	<u>308,361</u>	<u>(433,552)</u>	<u>519,188</u>	<u>472,345</u>
Nonoperating revenues (expenses):							
Intergovernmental revenue	-	-	-	-	51,110	51,110	-
Investment earnings	126,194	1,263	1,329	420	16,818	146,024	1,396
Interest expense	(11,200)	(349,732)	(314,054)	(53,766)	(635)	(729,387)	-
Bond issuance cost	(6,937)	(81,710)	(60,420)	(388)	(868)	(150,323)	-
Gain (loss) on disposal of capital assets	(44,268)	11,828	14,998	43	(106,237)	(123,636)	-
Total nonoperating revenue (expenses)	<u>63,789</u>	<u>(418,351)</u>	<u>(358,147)</u>	<u>(53,691)</u>	<u>(39,812)</u>	<u>(806,212)</u>	<u>1,396</u>
Income (loss) before contributions and transfers	434,112	(58,312)	(444,130)	254,670	(473,364)	(287,024)	473,741
Capital contributions	49,044	876,830	1,159,906	-	50,000	2,135,780	-
Transfers in	-	-	-	-	273,561	273,561	-
Transfers out	(29,000)	(36,545)	(29,000)	-	(362,951)	(457,496)	(35,950)
Changes in net position	<u>454,156</u>	<u>781,973</u>	<u>686,776</u>	<u>254,670</u>	<u>(512,754)</u>	<u>1,664,821</u>	<u>437,791</u>
Net position - beginning	19,988,490	86,476,662	51,660,520	6,196,570	6,315,704	3,026,335	-
GASB 68 Adjustment	(1,891,535)	(2,516,060)	(2,229,021)	-	-	-	-
Net position - beginning as restated	18,096,955	83,960,602	49,431,499	6,196,570	6,315,704	3,026,335	-
Total net position - ending	<u>\$ 18,551,111</u>	<u>\$ 84,742,575</u>	<u>\$ 50,118,275</u>	<u>\$ 6,451,240</u>	<u>\$ 5,802,950</u>	<u>\$ 3,464,126</u>	<u>\$ 3,464,126</u>

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

Change in net position of business-type activities

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

City of Hagerstown, Maryland
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	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	\$ 24,366,582	\$ 11,255,218	\$ 12,014,837	\$ 958,643	\$ 563,870	\$ 49,159,150
Receipts from interfund services provided	-	-	-	-	-	-
Payments to suppliers	(19,391,572)	(6,764,647)	(4,760,651)	(135,078)	(424,964)	(31,476,912)
Payments to employees	(3,783,540)	(4,667,925)	(4,410,044)	(331,503)	(393,083)	(13,586,095)
Net cash provided (used) by operating activities	<u>1,191,470</u>	<u>(177,354)</u>	<u>2,844,141</u>	<u>492,062</u>	<u>(254,177)</u>	<u>4,096,142</u>
Cash Flows From Noncapital Financing Activities						
Transfers from (to) other funds	(29,000)	(36,545)	(29,000)	-	(89,390)	(183,935)
Contributions	-	-	-	-	-	-
Net cash provided (used) by noncapital and related financing activities	<u>(29,000)</u>	<u>(36,545)</u>	<u>(29,000)</u>	<u>-</u>	<u>(89,390)</u>	<u>(183,935)</u>
Cash Flows From Capital And Related Financing Activities						
Proceeds from intergovernmental grant	-	2,540,379	-	-	51,110	2,591,489
Capital contributions	49,044	876,830	1,159,906	-	50,000	2,135,780
Acquisition and construction of capital assets	(597,683)	(3,890,699)	(1,291,234)	(51,804)	(158,382)	(5,989,802)
Proceeds from bond issuance	643,063	6,530,356	1,939,999	0	99,132	9,212,550
Principal paid on capital debt	(23,234)	(1,268,639)	(1,583,309)	(155,740)	-	(3,030,922)
Interest paid on capital debt	(7,319)	(348,288)	(318,161)	(57,999)	-	(731,767)
Proceeds from sale of capital assets	(44,268)	11,828	14,998	43	(106,237)	(123,636)
Net cash provided (used) by capital and related financing activities	<u>19,603</u>	<u>4,451,767</u>	<u>(77,801)</u>	<u>(265,500)</u>	<u>(64,377)</u>	<u>4,063,692</u>
Cash Flows From Investing Activities						
Interest and dividends received	127,026	1,922	1,763	499	16,994	148,204
Net cash provided by investing activities	<u>127,026</u>	<u>1,922</u>	<u>1,763</u>	<u>499</u>	<u>16,994</u>	<u>148,204</u>
Net increase (decrease) in pooled cash and investments	1,309,099	4,239,790	2,739,104	227,061	(390,950)	8,124,104
Pooled cash and investments, beginning of year	5,183,246	6,318,284	2,953,962	463,684	1,061,458	15,980,634
Pooled cash and investments, end of year	<u>\$ 6,492,345</u>	<u>\$ 10,558,074</u>	<u>\$ 5,693,066</u>	<u>\$ 690,745</u>	<u>\$ 670,508</u>	<u>\$ 24,104,738</u>

City of Hagerstown, Maryland
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	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)	\$ 370,323	\$ 360,039	\$ (85,983)	\$ 308,361	\$ (433,552)	\$ 519,188
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	843,839	2,517,099	2,981,470	215,069	162,003	6,719,480
Net effect of changes in assets and liabilities						-
Accounts receivable	(152,102)	146,232	(172,384)	(17,753)	57,402	(138,605)
Inventories	7,074	(527,609)	(2,250)	-	4,232	(518,553)
Prepaid items	10,608	1,343	23,534	-	(507)	34,978
Deferred charges	-	(81,709)	(60,421)	(388)	-	(142,518)
Long-term Accounts receivable	-	13,654	-	-	-	13,654
Accounts and retainages payable	98,825	(2,533,551)	130,249	(11,461)	(5,210)	(2,321,148)
Compensated absences payable	(29,625)	(90,622)	(15,346)	(3,516)	2,356	(136,753)
Accrued liabilities	28,250	38,741	84,439	1,246	3,118	155,794
Customer deposits and rebates	14,278	(20,971)	(39,166)	504	250	(45,105)
Unearned revenue	-	-	-	-	(8,615)	(8,615)
Other long-term liabilities	-	-	-	-	(35,654)	(35,654)
Total adjustments	821,147	(537,393)	2,930,124	183,701	179,375	3,576,954
Net cash provided (used) by operating activities	\$ 1,191,470	\$ (177,354)	\$ 2,844,141	\$ 492,062	\$ (254,177)	\$ 4,096,142
Reconciliation of pooled cash and investments to the balance sheet						
Pooled cash and investments	\$ 6,492,345	\$ 6,611,338	\$ 5,243,169	\$ 690,745	\$ 670,508	\$ 19,708,105
Restricted pooled cash and investments	-	3,946,736	449,897	-	-	4,396,633
Totals	\$ 6,492,345	\$ 10,558,074	\$ 5,693,066	\$ 690,745	\$ 670,508	\$ 24,104,738

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, 2015

	<u>Pension Trust Fund</u>	<u>Other Post Employment Benefits (OPEB) Trust Fund</u>	<u>Total Trust Funds</u>
Assets			
Investments, at fair value:			
Cash and Cash Equivalents	\$ 797,832	\$ 416,381	\$ 1,214,213
Government and Agency Issues	3,168,880	-	3,168,880
Corporate Debt Issues	1,887,822	-	1,887,822
Common Stock	4,168,820	1,115,482	5,284,302
Mutual Funds	<u>9,048,807</u>	<u>5,061,950</u>	<u>14,110,757</u>
Total investments	19,072,161	6,593,813	25,665,974
Interest Receivable	<u>38,664</u>	<u>4,655</u>	<u>43,319</u>
Total assets	<u>19,110,825</u>	<u>6,598,468</u>	<u>25,709,293</u>
 Net Position			
Held in trust for pension benefits	\$ <u>19,110,825</u>	\$ <u>6,598,468</u>	\$ <u>25,709,293</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, 2015

	Pension Trust Fund	Other Post Employment Benefits (OPEB) Trust Fund	Total Trust Funds
Additions			
Contributions:			
Employer	\$ 1,252,278	\$ 650,000	\$ 1,902,278
Plan members	654,408	-	654,408
Total contributions	<u>1,906,686</u>	<u>650,000</u>	<u>2,556,686</u>
Investment earnings:			
Interest and dividends	685,282	215,917	901,199
Net increase in the fair value of investments	121,600	51,626	173,226
Other revenues	5,256	-	5,256
Total investment earnings	<u>812,138</u>	<u>267,543</u>	<u>1,079,681</u>
Less investment expense	62,696	18,380	81,076
Net investment earnings	<u>749,442</u>	<u>249,163</u>	<u>998,605</u>
Total additions	<u>2,656,128</u>	<u>899,163</u>	<u>3,555,291</u>
Deductions			
Benefits	2,268,313	-	2,268,313
Administrative expenses	19,933	-	19,933
Actuarial fees	47,150	4,270	51,420
Total deductions	<u>2,335,396</u>	<u>4,270</u>	<u>2,339,666</u>
Change in net position	320,732	894,893	1,215,625
Net position - beginning	18,790,093	5,703,575	24,493,668
Net position - ending	<u>\$ 19,110,825</u>	<u>\$ 6,598,468</u>	<u>\$ 25,709,293</u>

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

City of Hagerstown
Notes to the Financial Statements
June 30, 2015

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	\$ 0.898	\$ 2.245
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 \$2,967,652 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, 2015, \$249,643 was restricted for single family loans and \$6,556 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, 2015. 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.

Non-union 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%
7/1/15 to 6/30/16	40%
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.

I. Summary of significant accounting policies (continued)

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

6. Compensated absences (continued)

Union 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 6/30/15	60%
7/1/15 to 6/30/16	50%
7/1/16 to 6/30/17	40%
7/1/17 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 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.

I. Summary of significant accounting policies (continued)

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

6. Compensated absences (continued)

- 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.

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.

I. Summary of significant accounting policies (continued)

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

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.

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

I. Summary of significant accounting policies (continued)

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

8. Fund Balance (continued)

use, the City would first use committed, then assigned and last unassigned fund balance amounts.

9. Net Position

The difference between assets, deferred outflows, liabilities, and deferred inflows 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, 2015, net position *Net Investment in Capital Assets* excludes unspent debt proceeds of \$3,012,018 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, 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. With the implementation of GASB 68, net pension liabilities (NPL) are now recorded and reflected in the City's Statement of Net Position. The City participates in two pension plans: Police & Fire Pension Plan and the Maryland State Retirement System Plan. The City's portion of both liabilities is recorded as a prior period adjustment for the fiscal year ended June 30, 2014 as reflected in the chart below.

I. Summary of significant accounting policies (continued)

E. GASB Statements (continued)

**Fund Balances Impacted by Change in GASB 68
Restatement for FY14 Ending Net Pension Liability Balances**

	Governmental Funds	Business-Type Funds	Total - All City Funds
Originally Reported FY14 Ending Balance in CAFR			
FY14 Ending Net Position	\$ 78,989,451	\$ 171,636,080	\$ 250,625,531
Adjustment for GASB 68	(32,018,158)	(6,636,615)	(38,654,773)
Restated FY14 Ending Balance	\$ 46,971,293	\$ 164,999,465	\$ 211,970,758

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.

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 \$23,444,789 difference are as follows:

Bonds payable	\$ 18,093,422
Accrued interest payable	250,727
Compensated absences	<u>5,100,640</u>
Net adjustment to reduce <i>fund balance -- total governmental funds</i> to arrive at <i>net position -- governmental activities</i>	<u>\$ 23,444,789</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 \$874,186 difference are as follows:

Capital Asset Additions	\$ 4,654,637
Depreciation expense	<u>(3,780,451)</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>\$ 874,186</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 \$315,763 difference are as follows:

Compensated absences	\$	155,390
Accrued interest		(9,687)
Unavailable revenue		<u>170,060</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>315,763</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.

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, 2015, expenditures/expenses exceeded revenues by \$76,050 in the Community Development Block Grant Fund, \$10,604 in the Economic Development Fund, \$16,618 in the Flexible Spending Fund, \$64,407 in the Excise Tax Fund, and \$512,754 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 reflected in the Statement of Net Position on June 30, 2015, \$5,597,024 is restricted for the Capital Project Fund for projects which contain specific grants, bond proceeds, or contributions.

Additionally on June 30, 2015, a total of \$5,818,483 is restricted for Special Revenue Funds. This total consists of \$2,798,331 for the Community Development Block Grant Fund, \$1,045,879 for the Economic Redevelopment Fund, \$1,078,814 for the Business Revolving Loan Fund, \$607,025 for the Excise Tax Fund, \$98,061 for the Grant Revenue Fund, and remaining balance of \$190,373 for other purposes in Flexible Spending Fund and in Upper Floors Redevelopment Fund.

IV. Detailed notes on all funds

A. Deposits and investments

1. City owned and managed investments

At June 30, 2015, 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 \$25,546,269 and the bank balances were \$26,016,821. 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 \$10,013,000 was secured by federal depository insurance and \$16,003,821 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, 2015, the City had \$18,860,866 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)

1. City owned and managed investments (continued)

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

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

2. Pension 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>	<u>25 – 75%</u>	<u>65%</u>
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>	<u>15 – 45%</u>	<u>32%</u>
High Yield Bonds	0 – 10%	2%
Investment Grade Bonds	15 – 40%	30%
<u>Cash</u>	<u>0 - 10%</u>	<u>3%</u>

IV. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

2. Pension 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		\$ 797,832	\$ 797,832	\$ -	\$ -	\$ -
CitiBank NA	AAA	-	-	-	-	-
Federal Home Loan Mortgage Corp	AAA/NR	211,101	-	95,613	-	115,488
Federal National Mortgage Assn	NR	1,163,024	-	67	45,151	1,117,806
Government National Mortgage Assoc	NR	92,511	-	-	-	92,511
U S Treasury Notes	AAA	1,702,244	1,081,553	377,960	105,164	137,567
Various Agencies	BA1	9,950	-	-	-	9,950
Various Agencies	A1	211,836	-	42,778	109,117	59,941
Various Agencies	A2	145,799	15,192	56,144	49,154	25,309
Various Agencies	A3	163,979	-	20,075	91,524	52,380
Various Agencies	AA1	111,406	-	68,214	-	43,192
Various Agencies	AA2	86,993	-	21,072	21,490	44,431
Various Agencies	AA3	72,601	-	49,481	-	23,120
Various Agencies	AAA	158,116	-	124,883	-	33,233
Various Agencies	BAA1	309,578	-	96,784	116,047	96,747
Various Agencies	BAA2	218,649	10,060	101,495	75,742	31,352
Various Agencies	BAA3	244,052	-	9,989	182,758	51,305
Various Agencies	NA	154,863	-	154,863	-	-
High Yield Funds		-	-	-	-	-
Common Stock		4,168,820	4,168,820	-	-	-
Mutual Funds		9,048,807	9,048,807	-	-	-
Total Investments Held by Trustee of Pension Plan		\$ 19,072,161	\$ 15,122,264	\$ 1,219,418	\$ 796,147	\$ 1,934,332

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

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

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

IV. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

3. OPEB (Other Post Employees Benefits) investments

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

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

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

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		\$ 416,381	\$ 416,381	\$ -	\$ -	\$ -
Common Stock		1,115,482	1,115,482	-	-	-
Mutual Funds		5,061,950	5,061,950	-	-	-
Total Investments Held by Trustee of OPEB Plan		<u>\$ 6,593,813</u>	<u>\$ 6,593,813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

IV. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

3. OPEB (Other Post Employees Benefits) investments (continued)

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

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

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

IV. Detailed notes on all funds (continued)

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	\$ 813,537	\$ -	\$ -	\$ -	\$ 813,537
Intergovernmental	1,078,157	212,159	-	232,861	1,523,177
Customers	2,223,879	699,620	190,161	17,779	3,131,439
Loans	104,915	614,059	-	3,521,838	4,240,812
Interest	1,065	-	-	-	1,065
Employee	-	-	-	-	-
Gross receivables	<u>4,221,553</u>	<u>1,525,838</u>	<u>190,161</u>	<u>3,772,478</u>	<u>9,710,030</u>
Less: allowance for uncollectibles	(1,645,670)	(1,133,861)	-	(388,485)	(3,168,016)
Net total receivables	<u>\$ 2,575,883</u>	<u>\$ 391,977</u>	<u>\$ 190,161</u>	<u>\$ 3,383,993</u>	<u>\$ 6,542,014</u>

Business-Type Activities:

	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds	Business- Type Activities
Receivables:						
Intergovernmental	\$ -	\$ -	\$ 2,500	\$ -	\$ -	\$ 2,500
Customers	5,336,816	1,872,671	2,425,662	281,493	33,652	9,950,294
Loans	1,828,498	27,308	-	-	548,798	2,404,604
Interest	-	-	-	-	-	-
Gross receivables	<u>7,165,314</u>	<u>1,899,979</u>	<u>2,428,162</u>	<u>281,493</u>	<u>582,450</u>	<u>12,357,398</u>
Less: allowance for uncollectibles	(4,001,734)	(115,129)	(258,819)	(236,885)	(548,798)	(5,161,365)
Net total receivables	<u>\$ 3,163,580</u>	<u>\$ 1,784,850</u>	<u>\$ 2,169,343</u>	<u>\$ 44,608</u>	<u>\$ 33,652</u>	<u>\$ 7,196,033</u>

IV. Detailed notes on all funds (continued)

B. Receivables (continued)

City Totals:

	Governmental Activities	Business-Type Activities	Total
Receivables:			
Taxes	\$ 813,537	\$ -	\$ 813,537
Intergovernmental	1,523,177	2,500	1,525,677
Customers	3,131,439	9,950,294	13,081,733
Loans	4,240,812	2,404,604	6,645,416
Interest	1,065	-	1,065
Employee	-	-	-
Gross receivables	<u>9,710,030</u>	<u>12,357,398</u>	<u>22,067,428</u>
Less: allowance for uncollectibles	<u>(3,168,016)</u>	<u>(5,161,365)</u>	<u>(8,329,381)</u>
Net total receivables	<u>\$ 6,542,014</u>	<u>\$ 7,196,033</u>	<u>\$ 13,738,047</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	\$ 507,774	\$ -	\$ 507,774
Other unavailable revenues	-	100,043	100,043
Total unavailable/unearned revenue for governmental funds	<u>\$ 507,774</u>	<u>\$ 100,043</u>	<u>\$ 607,817</u>

IV. Detailed notes on all funds (continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	Ending <u>Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 6,822,132	\$ 40,800	\$ -	\$ -	\$ 6,862,932
Construction in progress	1,139,658	2,694,586	-	(416,035)	3,418,209
Total capital assets, not being depreciated	<u>7,961,790</u>	<u>2,735,386</u>	<u>-</u>	<u>(416,035)</u>	<u>10,281,141</u>
Capital assets, being depreciated:					
Land improvements	5,838,054	404,779	-	-	6,242,834
Buildings and structures	15,723,125	234,699	(127,210)	-	15,830,613
Machinery and equipment	5,466,203	355,629	-	-	5,821,832
Automobiles and trucks	8,846,725	609,225	(132,775)	22,824	9,345,999
Office furniture and fixtures	3,778,539	28,113	-	-	3,806,652
Infrastructure	95,066,183	286,805	-	416,035	95,769,023
Total capital assets being depreciated	<u>134,718,829</u>	<u>1,919,251</u>	<u>(259,985)</u>	<u>438,859</u>	<u>136,816,954</u>
Less accumulated depreciation for:					
Land improvements	(889,292)	(147,322)	-	-	(1,036,614)
Buildings and structures	(8,858,187)	(348,687)	103,193	-	(9,103,680)
Machinery and equipment	(3,834,202)	(395,185)	-	-	(4,229,388)
Automobiles and trucks	(6,130,710)	(512,748)	113,084	(22,824)	(6,553,198)
Office furniture and fixtures	(2,828,211)	(309,920)	-	-	(3,138,132)
Infrastructure	(42,132,514)	(2,066,589)	-	-	(44,199,103)
Total accumulated depreciation	<u>(64,673,118)</u>	<u>(3,780,451)</u>	<u>216,277</u>	<u>(22,824)</u>	<u>(68,260,116)</u>
Total capital assets, being depreciated, net	<u>70,045,711</u>	<u>(1,861,200)</u>	<u>(43,708)</u>	<u>416,035</u>	<u>68,556,838</u>
Governmental activities capital assets, net	<u>\$ 78,007,501</u>	<u>\$ 874,186</u>	<u>\$ (43,708)</u>	<u>\$ -</u>	<u>\$ 78,837,979</u>

IV. Detailed notes on all funds (continued)

C. Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 5,705,970	\$ -	\$ -	\$ -	\$ 5,705,970
Construction in progress	11,713,864	801,920	-	(11,701,026)	814,757
Total capital assets, not being depreciated	<u>17,419,834</u>	<u>801,920</u>	<u>-</u>	<u>(11,701,026)</u>	<u>6,520,727</u>
Capital assets, being depreciated:					
Land improvements	1,393,449	75,996	(59,652)	294,170	1,703,962
Buildings and structures	199,279,458	3,069,229	-	8,974,523	211,323,210
Machinery and equipment	104,582,292	1,716,414	(2,100,487)	2,432,333	106,630,552
Automobiles and trucks	5,248,426	424,312	(102,899)	(22,824)	5,547,015
Office furniture and fixtures	757,995	-	-	-	757,995
Infrastructure	-	26,537	-	-	26,537
Total capital assets being depreciated	<u>311,261,620</u>	<u>5,312,488</u>	<u>(2,263,038)</u>	<u>11,678,202</u>	<u>325,989,273</u>
Less accumulated depreciation for:					
Land improvements	(981,587)	(42,164)	2,412	-	(1,021,339)
Buildings and structures	(63,586,325)	(3,668,933)	2,542	-	(67,252,716)
Machinery and equipment	(55,523,035)	(2,753,899)	2,050,736	-	(56,226,198)
Automobiles and trucks	(3,783,189)	(249,001)	82,746	22,824	(3,926,620)
Office furniture and fixtures	(735,234)	(5,041)	-	-	(740,275)
Infrastructure	-	(442)	-	-	(442)
Total accumulated depreciation	<u>(124,609,370)</u>	<u>(6,719,480)</u>	<u>2,138,436</u>	<u>22,824</u>	<u>(129,167,590)</u>
Total capital assets, being depreciated, net	<u>186,652,250</u>	<u>(1,406,992)</u>	<u>(124,602)</u>	<u>11,701,026</u>	<u>196,821,682</u>
Business-type activities capital assets, net	<u>\$ 204,072,084</u>	<u>\$ (605,072)</u>	<u>\$ (124,602)</u>	<u>\$ -</u>	<u>\$ 203,342,409</u>

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

Governmental activities:	
General government, including general infrastructure assets	\$ 2,357,424
Public safety	714,872
Highways and streets	270,041
Culture and recreation	396,237
Municipal buildings	41,877
Total depreciation expense – governmental activities	<u>\$ 3,780,451</u>

IV. Detailed notes on all funds (continued)

C. Capital Assets (continued)

Business-type activities:		
Electric	\$	843,839
Water		2,517,099
Wastewater		2,981,470
Parking facilities		215,069
Golf course		35,273
Property management		126,730
Total depreciation expense – business-type activities	\$	<u>6,719,480</u>

Construction commitments

The government has active construction projects as of June 30, 2015. 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	\$ 248,300	\$ 7,150
Fire Dept Vehicle Replacement	570,848	513,257
AE/City Park Trail	56,568	2,008,432
Signal Network	7,470	92,530
Alley Reconstruction	85,664	94,067
City Hall Exterior-Clock	2,850	55,450
Bridge Repair Program	299,898	1,592,992
Fairground Park Improvements	4,200	700
Storm Water Management Improvements	21,265	550,000
Bicycle Trail	209,890	342,608
Kiwanis Park	152,779	82,397
Frederick Street Culvert	333,877	-
Pangborn Lake Reconstruction	56,720	8,000
Broadfording Road Improvements	1,787,421	20,595
Willson Treatment Plant Improv	100,138	155,166
R.C.Willson Plant - Phase IV	11,137,999	279,625
Water SCADA System	2,557,651	93,109
Plant Equipment	45,425	-
Sludge Storage Phase I Improvements	733,174	211,576
North Potomac St Parking Deck	296,952	-
Golf Course Net	16,809	18,214
36-40 North Potomac Bldg Renovations	647,667	9,800
Total	<u>\$ 19,373,566</u>	<u>\$ 6,135,667</u>

IV. Detailed notes on all funds (continued)

C. Capital Assets (continued)

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 Department Vehicle Replacement is funded through bond proceeds and contributions. The A&E/City Park Trail and Signal Network projects are both funded through bond proceeds. The City Hall Exterior Clock repairs are funded through general fund operations. 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 new Kiwanis Park project is being funded through state and Program Open Space (POS) grants, and a contribution from the county. The Broadfording Road Improvements project is funded from contributions. 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 and Sludge Storage Phase I Improvement projects are 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, Fairground Park Improvements, Storm Water Management Improvements, Bicycle Trail, Frederick Street Culvert, Pangborn Lake Reconstruction, Willson Treatment Plant Improvements, Plant Equipment, and Golf Course Net) are being funded through state grants, general fund, water fund, contributions, 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, 2015, is as follows:

Advances from/to other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Community Development Block Grant Fund	\$133,000

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 2015. 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	\$ -	\$ 42,083	\$ -	\$ -	\$ -	\$ 240,105	\$ 35,950	\$ 100,000	\$ 418,138
Capital Projects	900,411	230,340	29,000	36,545	29,000	-	-	-	1,225,296
Nonmajor Governmental	458,766	57,503	-	-	-	122,846	-	-	639,115
Parking	-	-	-	-	-	-	-	-	-
Nonmajor Enterprise	226,313	47,248	-	-	-	-	-	-	273,561
Transfers in	\$ 1,585,490	\$ 377,175	\$ 29,000	\$36,545	\$ 29,000	\$ 362,951	\$ 35,950	\$ 100,000	\$ 2,556,110

The \$418,138 transferred into the General Fund has four separate components: (1) a \$21,083 transfer from the Community Development Block Grant Fund for a part-time employee costs, (2) a \$21,000 transfer from Economic Redevelopment for Business Incentives, (3) \$100,000 transfer from the Capital Improvement Fund and \$240,105 transfer from Property Management for MD Theatre capital improvements, and (4) a \$35,950 transfer from the Health Insurance Fund for City Wide Wellness Programs.

Transfers to the Capital Projects Fund from the General Fund \$900,411, Non-major Governmental Funds \$230,340, Electric Fund \$29,000, Water Fund \$36,545, and Wastewater Fund \$29,000 are for capital project improvements. These annual capital projects include purchases of governmental vehicles, annual resurfacing of City streets and alleys, funds for park and neighborhood improvements, gateway signage and various other major capital projects.

IV. Detailed notes on all funds (continued)

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

The \$458,766 transfer from the General Fund to the Non-major Governmental Funds has two separate components: (1) an \$8,816 transfer to the Grant Revenue Fund for local match requirements, and (2) a \$449,950 transfer to the Economic Redevelopment Fund for the First-Third program and INVEST Hagerstown. The \$57,503 transfer between the Economic Redevelopment Fund and the Community Development Block Grant and the \$122,846 transfer from the Property Management fund to Economic Redevelopment were for demolition services at 43-53 W. Washington Street.

The \$226,313 transfer from the General Fund to the Non-major Enterprise Funds represents operating transfers to the Golf Course Fund. The \$47,248 transfer from the Non-major Governmental Funds to the Non-major Enterprise Funds was a 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 \$32,529 in FY2015. Future minimum lease payments for these leases are as follows:

	Fiscal Years Ending June 30,			Total
	2016	2017	2018	
Totals	\$ 37,778	\$ 24,146	\$ 9,137	\$ 71,062

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, 2015 was \$593,416. Future minimum rental income for these leases is as follows:

	Fiscal Years Ending June 30,						Total
	2016	2017	2018	2019	2020	Thereafter	
Totals	\$ 605,040	\$ 360,093	\$ 164,035	\$ 150,439	\$ 151,496	\$ 2,060,750	\$ 3,491,853

As of June 30, 2015, the cost and carrying amount of these leased assets by major asset class and accumulated depreciation in total are as follows:

	Cost by Asset Class				Total Carrying Amount
	Land	Building			
	Cost (Not Being Depreciated)	Cost	Accumulated Depreciation	Net	
Totals	\$ 953,363	\$ 3,535,748	\$ 1,282,193	\$ 2,253,555	\$ 3,206,918

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:

<u>Description</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
1998 MD Water Quality Revolving Loan Fund	3.13%	2019	\$ -	\$ 323,138	\$ 323,138
1998 MD Water Quality Revolving Loan Fund	2.37%	2020	-	1,961,196	1,961,196
2000 MD Water Quality Revolving Loan Fund	2.40%	2021	-	730,901	730,901
2002 State of Maryland Water Supply Assistance	4.40%	2024	-	137,516	137,516
2004 Public Facilities Bonds	3.40%-4.30%	2019	550,000	-	550,000
2004 Taxable Facilities	5.40%-6.00%	2019	-	595,000	595,000
2004 Public Facilities Bonds, Second Issue	3.36%	2020	1,486,750	78,250	1,565,000
2005 MD Water Quality Revolving Loan Fund	0.40%	2025	-	3,784,934	3,784,934
2006 Public Facilities Bonds	3.66%	2021	4,006,548	1,323,452	5,330,000
2007 MD Drinking Water Revolving Loan Fund	0.40%	2026	-	3,544,904	3,544,904
2009-A Tax Exempt Bonds	2.00%-4.00%	2019	1,875,774	2,104,226	3,980,000
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	-	4,417,316	4,417,316
2009 MDE Water Quality Bond	0.00%	2032	-	674,654	674,654
2009 MDE RCWillson Mains	0.00%	2041	-	3,980,776	3,980,776
2009 MD Water Quality Revolving Loan Fund	0.00%	2030	-	5,310,129	5,310,129
2009 Salem Ave. Collection System Rehabilitation	0.00%	2030	-	575,132	575,132
2011 Public Facilities Bonds	2.00%-3.50%	2031	-	5,310,000	5,310,000
2012 United Bank Loan	4.00%-WSPR	2022	430,948	-	430,948
2013A MDE Willson Plant Phase IV	0.90%	2044	-	8,120,938	8,120,938
2013B MDE Willson Plant Phase IV	0.00%	2044	-	1,322,015	1,322,015
2014 Public Improvement Bonds	2.50%	2029	422,329	1,207,564	1,629,893
2015 Public Facilities Bond	3.06%	2035	3,273,743	4,746,257	8,020,000
2015 Public Fac. Bond Taxable	3.89%	2035	650,000	1,200,000	1,850,000
Total general obligation bonds payable			17,769,637	57,139,754	74,909,391
Premiums on bond issues			323,785	169,756	493,541
Total general obligation debt outstanding			\$ 18,093,422	\$ 57,309,510	\$ 75,402,932

IV. Detailed notes on all funds (continued)

F. Long-term debt (continued)

The 2002 Maryland Water Quality Refunding 5.25% fixed interest loan, assumed from the Board of Commissioners of Washington County, Maryland, was paid in full as of December 11, 2014.

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
2016	1,446,774	674,725	3,545,064	982,675
2017	1,493,757	629,308	3,596,893	921,467
2018	1,557,827	580,678	3,673,150	859,365
2019	1,624,820	515,408	3,747,114	794,689
2020	1,688,121	458,947	3,738,063	728,602
*2021-2025	4,681,147	1,594,844	15,712,584	2,762,252
2026-2030	3,976,501	708,167	12,411,178	1,344,355
2031-2035	1,300,690	129,877	6,136,982	380,916
2036-2040	-	-	3,077,831	103,564
2041-2045	-	-	1,500,894	26,704
Total	17,769,637	5,291,954	57,139,753	8,904,589
Premiums on bond issues	323,785	-	169,756	-
Total general obligation debt	\$ 18,093,422	\$ 5,291,954	\$ 57,309,509	\$ 8,904,589

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, 2015, \$14,295 of revenue bonds was outstanding:

Description	Interest Rate	Maturity	Business-type Activities
1993 M.C.C.B. water supply assistance loan	5.36%	2025	\$ 14,295

Revenue bond debt service requirements to maturity are as follows:

Year Ended June 30	Business-type Activities	
	Principal	Interest
2016	1,118	736
2017	1,177	675
2018	1,241	610
2019	1,307	542
2020	1,377	470
2021-2025	8,075	1,127
Total	\$ 14,295	\$ 4,159

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	\$ 15,113,575	\$ 3,923,744	\$ (1,267,682)	\$ 17,769,637	\$ 1,446,774
Premium	54,591	282,716	(13,522)	323,785	-
Total long-term debt	15,168,166	4,206,460	(1,281,204)	18,093,422	1,446,774
Compensated absences	5,252,717	5,473,589	(5,391,217)	5,335,089	2,106,715
Governmental activity					
Long-term liabilities	<u>\$ 20,420,883</u>	<u>\$ 9,680,048</u>	<u>\$ (6,672,420)</u>	<u>\$ 23,428,511</u>	<u>\$ 3,553,489</u>
Business-type activities:					
Bonds payable:					
General obligation					
Bonds	\$ 50,949,257	\$ 9,220,358	\$ (3,029,861)	\$ 57,139,754	\$ 3,545,064
Revenue bonds	15,356	-	(1,061)	14,295	1,118
Premium	190,068	-	(20,312)	169,756	-
Total long-term debt	51,154,681	9,220,358	(3,051,234)	57,323,805	3,546,182
Compensated absences	2,180,998	1,903,174	(2,039,927)	2,044,245	777,111
Business-type activities					
Long-term liabilities	<u>\$ 53,335,679</u>	<u>\$ 11,123,532</u>	<u>\$ (5,091,161)</u>	<u>\$ 59,368,050</u>	<u>\$ 4,323,293</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 Block Grant 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 2015, 2014 and 2013.

Beginning September 1, 1998, the City purchased a full coverage workers compensation insurance policy with 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 \$79,800 in general liability risk claims, and \$767,700 in health and dental insurance.

	General Liability Risks Program		Health Insurance Fund	
	2014/15	2013/14	2014/15	2013/14
Unpaid claims, beginning of year	\$ 32,500	\$ 42,500	\$ 1,083,566	\$ 1,334,207
Incurred claims	24,017	18,788	6,043,981	5,396,229
Reserve reduction	47,300	(10,000)	-	-
Claim payments	(24,017)	(18,788)	(6,359,847)	(5,646,870)
Unpaid claims, end of year	<u>\$ 79,800</u>	<u>\$ 32,500</u>	<u>\$ 767,700</u>	<u>\$ 1,083,566</u>

V. Other information (continued)

B. Contingent liabilities and commitments

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

The City of Hagerstown is a defendant in various legal proceedings at June 30, 2015. 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 2015, 224 retirees and their 176 dependents were eligible for hospitalization and dental benefits. For fiscal year 2015, total claims paid for retiree health and dental care benefits were approximately \$1,211,679 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 are Medicare eligible, 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 were eligible for 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 and were also hired on or before February 2, 2004 share the cost of dependency coverage with the City. Employees hired after February 2, 2004, upon their retirement, coverage for eligible dependents will be made available at the full expense of the retiree. Employees 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, 43 retirees and 25 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 eligibility 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 \$711,045 for the year ended June 30, 2015 for current health and dental care benefit premiums. An additional \$1,302,100 has been designated for future benefits for a total ARC of \$2,013,145. The current ARC rate is 7.5% of annual covered payroll. The City contributed \$2,646,788 to the plan, including \$1,996,788 in current premiums and other pay as you go costs (76.0% of total premiums) and an additional \$650,000 to prefund benefits for the fiscal year 2016. The City contributed \$650,000 in FY2014 to prefund benefits for fiscal year 2015. Plan members receiving benefits contributed

V. Other information (continued)

C. Other post employment benefits (continued)

\$297,266, or approximately 13% of the total premiums, through their required contribution. As of June 30, 2015, the plan's net assets were \$6,598,468.

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)	\$ 2,013,145
Interest on net OPEB obligation	(46,594)
Adjustment to ARC	31,696
Annual OPEB cost (expense)	<u>1,998,247</u>
Contributions made	<u>(2,646,788)</u>
Increase in net OPEB asset	(648,541)
Net OPEB asset, beginning of year	<u>(621,251)</u>
Net OPEB asset, end of year	<u>\$ (1,269,792)</u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
06/30/2013	\$ 2,361,817	104.8%	\$ (386,753)
06/30/2014	2,300,401	110.2%	(621,251)
06/30/2015	1,998,247	132.5%	(1,269,792)

Funded status and funding progress. The funded status of the plan as of July 1, 2014, was as follows:

Actuarial accrued liability (AAL)	\$ 31,225,310
Actuarial value of plan assets	<u>5,703,575</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 25,521,735</u>
Funded ratio (actual value of plan assets/AAL)	18.27%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 26,871,477
UAAL as a percentage of covered payroll	94.98%

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 is being amortized over a period of 30 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 – RP-2000 sex distinct.

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%

Inflation Rates – Premiums are assumed to increase initially of 8% starting in 2014 and decreasing linearly each year to an ultimate annual rate of 5% by 2023.

Premium Equivalence – Based on current equivalent retiree rates. Post-65 rates are based on current cost of supplemental coverage and the annual HRA benefit.

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 as of July 1, 2014, the date of the most recent actuarial valuation:

Active	173
Retired or disabled	79
Vested terminations or inactive	<u>10</u>
Total	<u>262</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, 2014 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 2014/2015. As of June 30, 2015, the plan's net position was \$19,110,825 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, 2015, the annual money weighted return on pension plan investments, net of investment expense was 4.41% 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, 2015 is as follows:

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

Total Pension Liability (TPL)	\$ 45,958,874
Plan Fiduciary Net Position	<u>19,110,825</u>
City's Net Pension Liability	<u>\$ 26,848,049</u>
 City's Net Position as a Percentage of TPL	 41.58%

The schedule below reflects the factors that impact net pension liability and results as of June 30, 2015:

Service cost: Retirement benefits	\$ 574,841
Administration	
Interest	3,347,378
Benefit payments, including refunds of member contributions, deaths, & terminations	<u>(2,268,315)</u>
Net change in total pension liability	\$ 1,653,903
Total pension liability - beginning	<u>44,304,971</u>
Total pension liability - ending (a)	<u>\$45,958,874</u>
 Plan fiduciary net position	
Contributions - employer	\$ 1,155,675
Contributions - member	604,317
Net investment income	958,835
Benefit payments, including refunds of member contributions	(2,268,315)
Administrative expense	<u>(129,778)</u>
Net change in plan fiduciary net position	320,733
Plan fiduciary net position - beginning	<u>18,790,093</u>
Plan fiduciary net position - ending (b)	<u>\$19,110,825</u>
 City's net pension liability - ending (a) - (b)	 <u>\$26,848,049</u>
 Plan fiduciary net position as a percentage of total pension liability	 41.58%
 Covered employee payroll	 \$ 9,475,504
 Net liability as a percentage of covered payroll	 283.34%
 Annual money-weighted rate of return, net of investment expense	 4.41%

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	<u>\$ 32,058,533</u>	<u>\$26,848,049</u>	<u>\$ 22,476,040</u>

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

Deferred outflows of resources related to pensions. As of June 30, 2015, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
	<u> </u>
Net difference between projected and actual earnings on pension plan investments	\$ 378,506
Total	<u> \$ 378,506 </u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	\$ 94,626
2017	94,626
2018	94,627
2019	94,627

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 starting on page 76.

Actuarial methods and assumptions. The annual required contribution for the current year was determined as part of the July 1, 2014 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, 2015 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

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System and the Employees' Pension System administered by the State Retirement and Pension System of Maryland (the System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description: The employees of the City, other than certain correctional employees, who are covered by the Sworn Plan, are covered by either the Employees Retirement System or the Employees' Pension System, or the Law Enforcement Officers' Pension System. These plans are administered by the State Retirement and Pension System of Maryland (the System). The State of Maryland is the primary sponsor of this cost-sharing multiple employer defined benefit system which provides pension benefits, death and disability benefits to plan members and their beneficiaries. The State Personnel and Pensions Article of the Annotated Code of Maryland specify all plan benefits to plan members. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Office of Legislative Audits, State Office Building, 301 West Preston Street, Baltimore, Maryland, 21201, or by calling 410-946-5900.

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

Contributions: Plan members of the Employees' Retirement System contribute up to 7 percent of their covered salary each fiscal year. Plan members of the Employees' Pension System contributed 5 percent of their covered salary each fiscal year. The City is required to contribute at an actuarially determined rate.

The contribution requirements of plan members of the reporting entity are established and may be amended by the System Board of Trustees.

The contributions for the fiscal year ending June 30 to the System, exclusive of contributions made directly by the State of Maryland, were equal to the actuarially determined amount, as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2015	\$ 1,824,342	\$ 1,824,342	100%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: As of June 30, 2015, the City reported a liability of \$13,529,649 for its proportionate share of the net pension liability. The net Pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participants members, actuarially determined. As of June 30, 2014, the City's proportion was 0.0762 percent.

For the year ended June 30, 2015, the City recognized pension expense of \$1,674,944. As of June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
City contributions subsequent to the measurement date	\$ 2,398,565	\$ -
Changes of assumptions	195,717	
Net difference between projected and actual earnings on pension plan investments	-	1,480,908
Total	\$ 2,594,282	\$ 1,480,908

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources are related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	\$ 321,298
2017	321,298
2018	321,298
2019	321,298

Actuarial Assumptions: The key actuarial assumptions used to perform the June 30, 2014 pension liability calculation are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, closed
Inflation	2.90% general, 3.4% wage
Salary Increases	3.40% to 11.9%, including inflation
Investment Rate of Return	7.65%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table projected to the year 2025.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation, the best estimates are summarized in the following table:

Asset Class	Long-Term	
	Target Allocation	Expected Real Rate of Return
Public Equity	35%	4.70%
Fixed Income	10%	2.00%
Credit Opportunity	10%	3.00%
Real Return	14%	2.80%
Absolute Return	10%	5.00%
Private Equity	10%	6.30%
Real Estate	10%	4.50%
Cash	1%	1.40%
Total	100%	

V. Other information (continued)

D. Employee retirement systems and pension plans (continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate. The following presents the County’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	1% decrease 6.65%	Current rate 7.65%	1% increase 8.65%
City's proportionate share of the Net Pension Liability	\$ 19,488,358	\$13,529,649	\$ 8,526,726

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued System’s Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. This can be found at www.sra.sate.md.us/Agency/Downloads/CAFR/CAFR-2014.pdf.

Required Supplementary Information

The City of Hagerstown Employees' Retirement and Pension Plan

Schedule of Changes in Employee Retirement System (ERS) Net Pension Liability and Related Ratios
For Fiscal Year Ended June 30, 2015

City's proportion of the ERS net pension liability (asset)		0.0762%
City's proportionate share of the ERS net pension liability (asset)	\$	13,529,649
City's covered-employee payroll	\$	17,395,973
Plan fiduciary net position as a percentage of the total pension liability		71.87%

Notes to schedule:

This schedule is presented to illustrate the requirement to show information for 10 years.
However, information prior to June 30, 2015 is not available.

Required Supplementary Information

The City of Hagerstown Employees' Retirement and Pension Plan

Schedule of Employee Retirement System (ERS) Employer Contributions
For Fiscal Year Ended June 30, 2015

Contractually required contribution (ERS)	<u>2015</u> \$ 1,776,607
Contributions in relation to the contractually required contribution	<u>(1,776,607)</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$17,395,973
Contributions as a percentage of covered-employee payroll	10.21%

Notes to schedule:

This schedule is presented to illustrate the requirement to show information for 10 years.
However, information prior to June 30, 2015 is not available.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, closed
Inflation	2.90% general, 3.4% wage
Salary Increases	3.40% to 11.9%, including inflation
Discount Rate	7.65%
Investment Rate of Return	7.65%
Mortality	RP-2000 Combined Healthy Mortality Table projected to the year 2025

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, 2015

<hr/>	
Total pension liability	
Service cost: Retirement benefits	\$ 574,841
Administration	
Interest	3,347,378
Benefit payments, including refunds of member contributions, deaths, & terminations	<u>(2,268,315)</u>
Net change in total pension liability	\$ 1,653,903
Total pension liability - beginning	<u>44,304,971</u>
Total pension liability - ending (a)	<u><u>\$45,958,874</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 1,155,675
Contributions - member	604,317
Net investment income	958,835
Benefit payments, including refunds of member contributions	(2,268,315)
Administrative expense	<u>(129,778)</u>
Net change in plan fiduciary net position	320,733
Plan fiduciary net position - beginning	<u>18,790,093</u>
Plan fiduciary net position - ending (b)	<u><u>\$19,110,825</u></u>
City's net pension liability - ending (a) - (b)	<u><u>\$26,848,049</u></u>
Plan fiduciary net position as a percentage of total pension liability	41.58%
Covered employee payroll	\$ 9,475,504
Net liability as a percentage of covered payroll	283.34%
Annual money-weighted rate of return, net of investment expense	4.41%

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>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 1,252,278	\$ 1,024,869	\$ 965,733
Contributions in relation to the actuarially determined contribution	\$ 1,252,278	\$ 1,024,869	\$ 965,733
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 9,475,504	\$ 8,009,496	\$ 8,764,142
Contributions as a percentage of covered employee payroll	13.22%	12.80%	11.02%

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%
7/1/2014	5,703,575	31,225,310	25,521,735	18.27%	26,871,477	95.0%

Schedule of Employer Contributions

Fiscal Year Ending June 30	Annual Required Contribution	Percentage of ARC Contributed	Net OPEB Obligation
2009	\$ 3,225,000	104.1%	\$ (131,000)
2010	2,517,704	103.2%	(430,504)
2011	2,487,101	92.9%	(265,183)
2013	2,361,817	104.8%	(386,753)
2014	2,300,401	110.2%	(621,251)
2015	1,998,247	132.5%	(1,269,792)

City of Hagerstown, Maryland
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		2015 Actual	Variance with Final Budget - Positive (Negative)	2014 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues and Transfers						
General Property Taxes:						
Current year's levy	\$ 23,215,104	\$ 23,215,104	\$ 24,323,393	\$ 1,108,289	\$ 22,396,975	\$ 1,926,418
Prior year's levy - net	(80,000)	(80,000)	(45,788)	34,212	112,542	(158,330)
Payments in lieu of taxes	2,721,500	2,721,500	2,732,969	11,469	2,712,319	20,650
Interest on delinquent taxes	125,000	125,000	230,120	105,120	171,019	59,101
	25,981,604	25,981,604	27,240,694	1,259,090	25,392,855	1,847,839
Less discounts allowed	(30,000)	(30,000)	(30,812)	(812)	(27,801)	(3,011)
Total General Property Taxes	25,951,604	25,951,604	27,209,882	1,258,278	25,365,054	1,844,828
Income and Other Taxes:						
Income tax	2,305,000	2,305,000	2,559,272	254,272	2,452,366	106,906
Admission	200,000	200,000	214,162	14,162	207,892	6,270
Enterprise zone tax credits	87,000	87,000	69,699	(17,301)	86,976	(17,277)
Police protection	740,000	740,000	720,362	(19,638)	750,454	(30,092)
State aid for fire service	53,265	53,265	63,836	10,571	54,797	9,039
Financial corporations	34,214	34,214	34,214	-	34,214	-
Hotel/motel room tax	165,000	165,000	191,456	26,456	176,220	15,236
Total Income and Other Taxes	3,584,479	3,584,479	3,853,001	268,522	3,762,919	90,082
Licenses and Permits:						
Residential rental licenses	425,000	425,000	715,730	290,730	424,227	291,503
Cable television franchise	408,000	408,000	425,238	17,238	407,088	18,150
Traders	100,000	100,000	129,337	29,337	75,630	53,707
Building permits	173,000	173,000	232,376	59,376	187,496	44,880
Electrical permits	100,000	100,000	115,447	15,447	113,685	1,762
Distilled spirits	7,500	7,500	6,122	(1,378)	13,838	(7,716)
Plumbing permits	75,000	75,000	78,045	3,045	78,889	(844)
Other	337,450	337,450	557,398	219,948	223,849	333,549
Total Licenses and Permits	1,625,950	1,625,950	2,259,693	633,743	1,524,702	734,991
Intergovernmental Grant Revenues:						
Federal grants	286,774	320,120	370,552	50,432	284,779	85,773
State and local grants	217,605	217,738	217,738	-	217,605	133
Total Intergovernmental Grant Revenues	504,379	537,858	588,290	50,432	502,384	85,906
Service Charges:						
Refuse collection fees	2,264,000	2,264,000	2,238,358	(25,642)	2,220,896	17,462
Stadium	-	-	70,000	70,000	-	70,000
Swimming pool	57,875	57,875	40,978	(16,897)	44,770	(3,792)
Other	766,604	766,524	610,526	(155,998)	718,481	(107,955)
Total Service Charges	3,088,479	3,088,399	2,959,862	(128,537)	2,984,147	(24,285)
Fines and Forfeitures						
Safe Speed for School	1,800,000	1,800,000	1,393,541	(406,459)	1,224,845	168,696
Other	90,536	90,536	154,859	64,323	108,472	46,387
Total Fines and Forfeitures	1,890,536	1,890,536	1,548,400	(342,136)	1,333,317	215,083
Unallocated General Revenues:						
Administrative allocation	2,031,000	2,031,000	2,031,000	-	2,031,000	-
Interest on investments	35,000	35,000	9,197	(25,803)	10,240	(1,043)
Sale of land & other property	4,500	4,500	22,119	17,619	34,546	(12,427)
Miscellaneous	238,446	245,393	292,604	47,211	298,213	(5,609)
Total Unallocated General Revenues	2,308,946	2,315,893	2,354,920	39,027	2,373,999	(19,079)
Total Revenues	38,954,373	38,994,719	40,774,048	1,779,329	37,846,522	2,927,526

* 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, 2015

	Budgeted Amounts		2015 Actual	Variance with Final Budget - Positive (Negative)	2014 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues and Transfers (continued)						
Other Financing Sources:						
Transfers from community development fund	30,000	30,000	21,083	(8,917)	17,834	3,249
Transfers from CIP Fund	-	-	100,000	100,000	-	100,000
Transfers from property management fund	200,000	200,000	240,105	40,105	19,895	220,210
Transfers from workers compensation fund	-	-	-	-	250,000	(250,000)
Transfers from economic redevelopment fund	-	-	21,000	21,000	-	21,000
Transfers from health insurance fund	55,000	55,000	35,950	(19,050)	24,834	11,116
Budgeted use of fund balance	823,500	823,500	-	(823,500)	-	-
Total Other Financing Sources	1,108,500	1,108,500	418,138	(690,362)	312,563	105,575
Total Revenues and Other Financing Sources	\$ 40,062,873	\$ 40,103,219	\$ 41,192,186	\$ 1,088,967	\$ 38,159,085	\$ 3,033,101
Expenditures and Transfers						
General Government:						
Council	\$ 99,640	\$ 107,882	\$ 107,819	\$ 63	\$ 107,444	\$ 375
Mayor	65,780	69,829	69,654	175	68,099	1,555
City administrator	215,152	285,544	307,278	(21,734)	210,844	96,434
City clerk	152,551	155,490	156,394	(904)	153,372	3,022
Community affairs	438,070	440,623	407,937	32,686	416,682	(8,745)
Legal counsel	240,000	240,000	282,327	(42,327)	339,270	(56,943)
Public functions	522,709	529,723	550,403	(20,680)	488,562	61,841
Communications	-	-	10,199	(10,199)	-	10,199
Finance and accounting	676,695	663,075	645,010	18,065	587,437	57,573
Information technology	888,203	842,409	787,756	54,653	773,690	14,066
Cashiering	374,360	374,502	407,802	(33,300)	400,353	7,449
Planning	436,237	446,163	434,433	11,730	416,822	17,611
Annexation	8,800	8,800	-	8,800	-	-
City hall expenditures	122,079	122,079	316,687	(194,608)	261,546	55,141
City engineer	1,061,071	1,077,648	1,082,294	(4,646)	1,036,486	45,808
Human resources	583,387	627,420	641,449	(14,029)	449,166	192,283
Total General Government	5,884,734	5,991,187	6,207,442	(216,255)	5,709,773	497,669
Public Safety:						
Police department	12,655,043	13,028,126	13,026,445	1,681	11,924,026	1,102,419
Fire department	6,675,081	6,853,467	7,068,848	(215,381)	6,475,260	593,588
Code enforcement	1,066,319	1,087,223	1,242,578	(155,355)	1,045,983	196,595
Signal department	537,577	527,412	522,112	5,300	479,089	43,023
Total Public Safety	20,934,020	21,496,228	21,859,983	(363,755)	19,924,358	1,935,625
Highways and Streets:						
General street department operations	887,856	894,897	811,579	83,318	721,541	90,038
Snow removal	358,900	358,900	481,497	(122,597)	551,657	(70,160)
Street cleaning	336,487	336,683	277,570	59,113	296,050	(18,480)
Street lighting	650,000	650,000	614,529	35,471	621,209	(6,680)
Central services	408,331	394,777	379,515	15,262	436,934	(57,419)
Total Highways and Streets	2,641,574	2,635,257	2,564,690	70,567	2,627,391	(62,701)
Waste, Collection and Disposal	2,014,777	2,014,746	1,972,012	42,734	1,950,525	21,487
Culture and Recreation:						
City parks	1,570,139	1,560,998	1,741,196	(180,198)	1,663,243	77,953
Swimming pool	137,969	137,999	156,580	(18,581)	163,286	(6,706)
Farmers market	91,000	91,000	83,342	7,658	86,541	(3,199)
Stadium	18,024	18,024	46,660	(28,636)	66,772	(20,112)
Recreation department	310,559	313,149	313,406	(257)	286,679	26,727
Hager house and 202 train museum	59,979	60,008	74,020	(14,012)	46,144	27,876
Total Culture and Recreation	2,187,670	2,181,178	2,415,204	(234,026)	2,312,665	102,539

* 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, 2015

	Budgeted Amounts		2015 Actual	Variance with Final Budget - Positive (Negative)	2014 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Expenditures and Transfers						
Economic and Community Development:						
Economic development	519,871	529,814	463,176	66,638	619,060	(155,884)
Housing and community development	96,929	102,834	103,180	(346)	93,253	9,927
Neighborhoods first	62,918	63,167	58,404	4,763	53,349	5,055
Total Economic and Community Dev	<u>679,718</u>	<u>695,815</u>	<u>624,760</u>	<u>71,055</u>	<u>765,662</u>	<u>(140,902)</u>
Unallocated General Expenditures:						
Retiree benefits	1,308,542	1,308,542	1,406,567	(98,025)	1,339,512	67,055
Contributions to other agencies	473,490	473,490	625,045	(151,555)	295,199	329,846
Inventory adjustments	10,000	10,000	4,323	5,677	30,703	(26,380)
Budget contingency	690,000	17,082	-	17,082	(1,994)	1,994
Total Unallocated General Expenditures	<u>\$ 2,482,032</u>	<u>\$ 1,809,114</u>	<u>\$ 2,035,935</u>	<u>\$ (226,821)</u>	<u>\$ 1,663,420</u>	<u>\$ 372,515</u>
Debt Service:						
Principal	\$ 1,325,187	\$ 1,325,187	\$ 1,267,682	\$ 57,505	\$ 1,281,598	\$ (13,916)
Interest	673,813	639,554	517,287	122,267	550,187	(32,900)
Issuance Costs	-	-	44,215	(44,215)	1,105	43,110
Total Debt Service	<u>1,999,000</u>	<u>1,964,741</u>	<u>1,829,184</u>	<u>135,557</u>	<u>1,832,890</u>	<u>(3,706)</u>
Total Expenditures	<u>38,823,525</u>	<u>38,788,266</u>	<u>39,509,210</u>	<u>(720,944)</u>	<u>36,786,684</u>	<u>2,722,526</u>
Other Financing Uses:						
Transfers to golf course fund	200,000	200,000	226,313	(26,313)	200,000	26,313
Transfers to grant revenue fund	-	61,907	8,816	53,091	1,402	7,414
Transfers to economic redevelopment fund	-	-	-	-	100,000	(100,000)
Transfers to capital projects fund	215,200	347,281	353,507	(6,226)	832,268	(478,761)
Transfers from FB reserves to economic redevelopment fund	823,500	823,500	996,853	(173,353)	79,550	917,303
Total Other Financing Uses	<u>1,238,700</u>	<u>1,432,688</u>	<u>1,585,489</u>	<u>(152,801)</u>	<u>1,213,220</u>	<u>372,269</u>
Total Expenditures and Other Financing Uses	<u>40,062,225</u>	<u>40,220,954</u>	<u>41,094,699</u>	<u>(873,745)</u>	<u>37,999,904</u>	<u>3,094,795</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	648	(117,735)	97,487	215,222	159,181	(61,694)
Fund balances - beginning	9,866,150	9,866,150	9,866,150	-	9,706,969	159,181
Fund balances - ending	\$ <u>9,866,798</u>	\$ <u>9,748,415</u>	\$ <u>9,963,637</u>	\$ <u>215,222</u>	\$ <u>9,866,150</u>	\$ <u>97,487</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, 2015

	<u>Budgeted Amounts</u>		<u>2015 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2014 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
Revenues						
Intergovernmental grant revenues	\$ 1,677,800	\$ 2,161,338	\$ 396,472	\$ (1,764,866)	\$ 451,189	\$ (54,717)
Income and other taxes	1,079,912	1,079,912	1,081,978	2,066	1,039,880	42,098
Contributions and donations	1,294,677	1,301,977	1,410,825	108,848	92,071	1,318,754
Interest income	-	-	1,155	1,155	2,412	(1,257)
Other revenues	40,000	72,000	72,000	-	-	72,000
Total revenues	<u>4,092,389</u>	<u>4,615,227</u>	<u>2,962,430</u>	<u>(1,652,797)</u>	<u>1,585,552</u>	<u>1,376,878</u>
Expenditures						
General government projects	6,713,528	7,286,835	4,609,961	2,676,874	1,852,781	2,757,180
Public safety projects	1,408,000	1,477,501	983,448	494,053	612,040	371,408
Highways and streets projects	352,500	401,256	237,296	163,960	422,126	(184,830)
Culture and recreation	643,000	706,202	872,586	(166,384)	302,908	569,678
Total expenditures	<u>9,117,028</u>	<u>9,871,794</u>	<u>6,703,291</u>	<u>3,168,503</u>	<u>3,189,855</u>	<u>3,513,436</u>
Excess (deficiency) of revenues over (under) expenditures	(5,024,639)	(5,256,567)	(3,740,861)	1,515,706	(1,604,303)	(2,136,558)
Other Financing Sources (Uses)						
Bond financing	3,110,000	3,110,000	4,206,459	1,096,459	428,427	3,778,032
Transfers in:						
Excise tax fund	162,000	51,727	64,520	12,793	206,613	(142,093)
General fund	803,700	935,781	900,411	(35,370)	832,268	68,143
Electric fund	29,000	29,000	29,000	-	24,250	4,750
Water fund	29,000	29,000	36,545	7,545	59,875	(23,330)
Wastewater fund	29,000	29,000	29,000	-	24,250	4,750
Community development block grant fund	140,000	170,000	165,821	(4,179)	103,930	61,891
Property management fund	365,000	365,000	-	(365,000)	-	-
Transfers (out):						
General fund	-	-	(100,000)	(100,000)	-	(100,000)
Budgeted use of fund balance	975,764	752,920		(752,920)	-	-
Total other financing sources and (uses)	<u>5,643,464</u>	<u>5,472,428</u>	<u>5,331,756</u>	<u>(140,672)</u>	<u>1,679,613</u>	<u>3,652,143</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	618,825	215,861	1,590,895	1,375,034	75,310	1,515,585
Fund balances - beginning	2,932,376	2,932,376	2,932,376	-	2,857,066	75,310
Fund balances - ending	\$ <u>3,551,201</u>	\$ <u>3,148,237</u>	\$ <u>4,523,271</u>	\$ <u>1,375,034</u>	\$ <u>2,932,376</u>	\$ <u>1,590,895</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, 2015**

	Special Revenue							Total Nonmajor Governmental Funds
	Community Development Block Grant	Economic Redevelopment	Flexible Spending	Business Revolving Loan	Excise Tax	Grant Revenue	Upper Floors Redevelopment	
Assets								
Pooled cash and investments	\$ 256	\$ 243,498	\$ 12,130	\$ 365,481	\$ 612,290	\$ 18,642	\$ 176,664	\$ 1,428,961
Accounts receivable	-	-	2,158	-	-	-	-	2,158
Intergovernmental receivable	102,532	-	-	-	-	130,329	-	232,861
Loans receivable (net of allowance for uncollectibles)	2,347,493	-	-	762,414	-	39,067	-	3,148,974
Properties held for resale	443,111	880,220	-	-	-	-	-	1,323,331
Restricted assets:								
Pooled cash and investments	256,198	-	-	-	-	-	-	256,198
Total assets	\$ 3,149,590	\$ 1,123,718	\$ 14,288	\$ 1,127,895	\$ 612,290	\$ 188,038	\$ 176,664	\$ 6,392,483
Liabilities								
Accounts and retainages payable	\$ 15,976	\$ 77,839	\$ 565	\$ 40	\$ 5,265	\$ 22,680	\$ -	\$ 122,365
Accrued liabilities	26,463	-	-	79	-	1,410	-	27,952
Advances from other funds	133,000	-	-	-	-	-	-	133,000
Escrowed taxes and insurance	6,556	-	-	-	-	-	-	6,556
Customer deposits	-	-	14	-	-	-	-	14
Deferred revenue	-	-	-	-	-	100	-	100
Undisbursed loan and grant commitments	249,643	-	-	48,962	-	-	-	298,605
Total liabilities	431,638	77,839	579	49,081	5,265	24,190	-	588,592
Fund Balance								
Nonspendable	-	880,220	-	762,414	-	-	-	1,642,634
Restricted	2,790,604	-	-	-	-	39,067	-	2,829,671
Assigned	7,727	165,659	13,709	316,400	607,025	58,994	176,664	1,346,178
Unassigned	(80,379)	-	-	-	-	65,787	-	(14,592)
Total fund balances	2,717,952	1,045,879	13,709	1,078,814	607,025	163,848	176,664	5,803,891
Total liabilities and fund balances	\$ 3,149,590	\$ 1,123,718	\$ 14,288	\$ 1,127,895	\$ 612,290	\$ 188,038	\$ 176,664	\$ 6,392,483

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, 2015

	Budgeted Amounts		2015 Actual	Variance with Final Budget - Positive (Negative)	2014 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues						
Intergovernmental	\$ 846,135	846,135	\$ 657,552	\$ (188,583)	\$ 607,724	\$ 49,828
Program income	160,476	160,476	207,794	47,318	51,949	155,845
Property sales	25,000	25,000	-	(25,000)	-	-
Other revenues	-	-	3,804	3,804	2,630	1,174
Total revenues	<u>1,031,611</u>	<u>1,031,611</u>	<u>869,150</u>	<u>(162,461)</u>	<u>662,303</u>	<u>206,847</u>
Expenditures						
Public services	100,000	100,000	99,625	375	105,132	(5,507)
Public Facilities/Improvements	130,000	100,000	-	100,000	73,751	(73,751)
Housing rehabilitation	318,000	318,000	125,487	192,513	6,588	118,899
Administration	148,613	148,613	475,517	(326,904)	164,838	310,679
Capital outlay	3,250	3,250	-	3,250	-	-
Interest expense	-	-	164	(164)	194	(30)
Total expenditures	<u>699,863</u>	<u>669,863</u>	<u>700,793</u>	<u>(30,930)</u>	<u>350,503</u>	<u>350,290</u>
Excess (deficiency) of revenues over (under) expenditures	331,748	361,748	168,357	(193,391)	311,800	(143,443)
Other Financing Sources (Uses)						
Transfers to property management fund	-	-	-	-	(70,380)	70,380
Transfers to economic redevelopment fund	-	-	(57,503)	(57,503)	(140,572)	83,069
Transfers to general fund	(30,000)	(30,000)	(21,083)	8,917	(17,834)	(3,249)
Transfers to capital projects fund	(140,000)	(170,000)	(165,821)	4,179	(103,930)	(61,891)
Total other financing sources (uses)	<u>(170,000)</u>	<u>(200,000)</u>	<u>(244,407)</u>	<u>(44,407)</u>	<u>(332,716)</u>	<u>88,309</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	161,748	161,748	(76,050)	(237,798)	(20,916)	(55,134)
Fund balances - beginning	<u>2,794,002</u>	<u>2,794,002</u>	<u>2,794,002</u>	<u>-</u>	<u>2,814,918</u>	<u>(20,916)</u>
Fund balances - ending	\$ <u>2,955,750</u>	\$ <u>2,955,750</u>	\$ <u>2,717,952</u>	\$ <u>(237,798)</u>	\$ <u>2,794,002</u>	\$ <u>(76,050)</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, 2015

	Budgeted Amounts		2015 Actual	Variance with Final Budget - Positive (Negative)	2014 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues						
Intergovernmental	\$ 150,000	\$ 150,000	\$ -	\$ (150,000)	\$ -	\$ -
Investment earnings	500	500	59	(441)	247	(188)
Contributions and donations	-	-	3,750	3,750	16,000	(12,250)
Miscellaneous revenue	-	-	8,000	8,000	-	8,000
Rental income	21,600	21,600	21,600	-	23,400	(1,800)
Total revenues	<u>172,100</u>	<u>172,100</u>	<u>33,409</u>	<u>(138,691)</u>	<u>39,647</u>	<u>(6,238)</u>
Expenditures						
Direct economic development	592,500	592,500	590,382	2,118	178,727	411,655
Administration	11,495	11,495	15,682	(4,187)	-	15,682
Total expenditures	<u>603,995</u>	<u>603,995</u>	<u>606,064</u>	<u>(2,069)</u>	<u>178,727</u>	<u>427,337</u>
Excess (deficiency) of revenues over (under) expenditures	(431,895)	(431,895)	(572,655)	(140,760)	(139,080)	(433,575)
Other Financing Sources (Uses)						
Transfers from general fund	-	-	-	-	100,000	(100,000)
Transfers from general fund balance reserves	235,000	235,000	449,950	214,950	79,550	370,400
Transfers from community development block fund	-	-	57,503	57,503	140,572	(83,069)
Transfers from property management fund	-	-	122,846	122,846	-	122,846
Transfers to general fund	-	-	(21,000)	(21,000)	-	(21,000)
Transfers to property management fund	(22,000)	(22,000)	(47,248)	(25,248)	(33,345)	(13,903)
Total other financing sources (uses)	<u>213,000</u>	<u>213,000</u>	<u>562,051</u>	<u>349,051</u>	<u>286,777</u>	<u>275,274</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	(218,895)	(218,895)	(10,604)	208,291	147,697	(158,301)
Fund balances - beginning	1,056,483	1,056,483	1,056,483	-	908,786	147,697
Fund balances - ending	\$ <u>837,588</u>	\$ <u>837,588</u>	\$ <u>1,045,879</u>	\$ <u>208,291</u>	\$ <u>1,056,483</u>	\$ <u>(10,604)</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, 2015

	<u>Original and Final Budget</u>	<u>2015 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2014 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
Revenues					
Investment earnings	\$ 75	\$ 8	\$ (67)	\$ 1	\$ 7
Employer FICA savings	<u>5,500</u>	<u>(9,017)</u>	<u>(14,517)</u>	<u>24,846</u>	<u>(33,863)</u>
Total revenues	<u>5,575</u>	<u>(9,009)</u>	<u>(14,584)</u>	<u>24,847</u>	<u>(33,856)</u>
Expenditures					
Contracted services	6,799	7,609	(810)	6,165	1,444
Administration	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>6,799</u>	<u>7,609</u>	<u>(810)</u>	<u>6,165</u>	<u>1,444</u>
Excess (deficiency) of revenues over (under) expenditures	(1,224)	(16,618)	(15,394)	18,682	(35,300)
Other Financing Sources (Uses)					
Transfers to general fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)					
	(1,224)	(16,618)	(15,394)	18,682	(35,300)
Fund balances - beginning	30,327	30,327	-	11,645	18,682
Fund balances - ending	\$ <u>29,103</u>	\$ <u>13,709</u>	\$ <u>(15,394)</u>	\$ <u>30,327</u>	\$ <u>(16,618)</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, 2015

	<u>Original and Final Budget</u>	<u>2015 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2014 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
Revenues					
Intergovernmental	\$ 100,000	\$ -	\$ (100,000)	\$ -	\$ -
Investment earnings	350	126	(224)	282	(156)
Miscellaneous	-	300	300	100	200
Program revenue	81,029	17,061	(63,968)	20,725	(3,664)
Total revenues	<u>181,379</u>	<u>17,487</u>	<u>(163,892)</u>	<u>21,107</u>	<u>(3,620)</u>
Expenditures					
Legal	4,298	2,485	1,813	3,515	(1,030)
Administration	17,453	154	17,299	1,691	(1,537)
Direct economic development loans	125,000	10,488	114,512	(4,915)	15,403
Total expenditures	<u>146,751</u>	<u>13,127</u>	<u>133,624</u>	<u>291</u>	<u>12,836</u>
Other Financing Sources (Uses)					
Transfers from upper floors redevelopment fund	50,000	-	(50,000)	-	-
Total other financing sources (uses)	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	84,628	4,360	(80,268)	20,816	(16,456)
Fund balances - beginning	1,074,454	1,074,454	-	1,053,638	20,816
Fund balances - ending	\$ <u>1,159,082</u>	\$ <u>1,078,814</u>	\$ <u>(80,268)</u>	\$ <u>1,074,454</u>	\$ <u>4,360</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, 2015

	<u>Budgeted Amounts</u>		<u>2015 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2014 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
Revenues						
Investment earnings	\$ 900	\$ 900	\$ 113	\$ (787)	\$ 464	\$ (351)
Excise tax	-	-	-	-	69,278	(69,278)
Total revenues	<u>900</u>	<u>900</u>	<u>113</u>	<u>(787)</u>	<u>69,742</u>	<u>(69,629)</u>
Expenditures						
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)						
Transfers to capital projects fund	<u>(162,000)</u>	<u>(51,727)</u>	<u>(64,520)</u>	<u>(12,793)</u>	<u>(206,613)</u>	<u>142,093</u>
Total other financing sources (uses)	<u>(162,000)</u>	<u>(51,727)</u>	<u>(64,520)</u>	<u>(12,793)</u>	<u>(206,613)</u>	<u>142,093</u>
Excess (deficiency) of revenues over (under) expenditures	(161,100)	(50,827)	(64,407)	(13,580)	(136,871)	72,464
Fund balances - beginning	671,432	671,432	671,432	-	808,303	(136,871)
Fund balances - ending	\$ <u>510,332</u>	\$ <u>620,605</u>	\$ <u>607,025</u>	\$ <u>(13,580)</u>	\$ <u>671,432</u>	\$ <u>(64,407)</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, 2015

	<u>Budgeted Amounts</u>		<u>2015 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2014 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
Revenues						
Intergovernmental	\$ 53,394	\$ 544,080	\$ 538,911	\$ (5,169)	\$ 810,108	\$ (271,197)
Investment earnings	-	-	-	-	144	(144)
Other revenues	-	-	74	74	564	(490)
Total revenues	<u>53,394</u>	<u>544,080</u>	<u>538,985</u>	<u>(5,095)</u>	<u>810,816</u>	<u>(271,831)</u>
Expenditures						
General government	-	-	28,495	(28,495)	131,410	(102,915)
Public services	-	-	6,384	(6,384)	-	6,384
Public safety	54,119	527,577	258,165	269,412	421,108	(162,943)
Economic and community development	-	-	40,885	(40,885)	1,100	39,785
Capital outlay	-	21,400	81,149	(59,749)	235,797	(154,648)
Total expenditures	<u>54,119</u>	<u>548,977</u>	<u>415,078</u>	<u>133,899</u>	<u>789,415</u>	<u>(374,337)</u>
Excess (deficiency) of revenues over (under) expenditures	(725)	(4,897)	123,907	128,804	21,401	102,506
Other Financing Sources (Uses)						
Transfers from general fund	-	61,907	8,816	(53,091)	1,402	7,414
Total other financing sources (uses)	<u>-</u>	<u>61,907</u>	<u>8,816</u>	<u>(53,091)</u>	<u>1,402</u>	<u>7,414</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	(725)	57,010	132,723	75,713	22,803	109,920
Fund balances - beginning	31,125	31,125	31,125	-	8,322	22,803
Fund balances - ending	\$ <u>30,400</u>	\$ <u>88,135</u>	\$ <u>163,848</u>	\$ <u>75,713</u>	\$ <u>31,125</u>	\$ <u>132,723</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, 2015

	Budgeted Amounts		2015 Actual	Variance with Final Budget - Positive (Negative)	2014 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
Revenues						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	350	350	37	313	90	(53)
Total revenues	<u>350</u>	<u>350</u>	<u>37</u>	<u>313</u>	<u>90</u>	<u>(53)</u>
Expenditures						
Legal	-	-	-	-	-	-
Direct economic development loans	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)						
Transfers from economic redevelopment fund	-	-	-	-	-	-
Transfers to business revolving loan fund	(50,000)	(50,000)	-	(50,000)	-	-
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(49,650)	(49,650)	37	49,687	90	(53)
Fund balances - beginning	176,627	176,627	176,627	-	176,537	90
Fund balances - ending	\$ <u>126,977</u>	\$ <u>126,977</u>	\$ <u>176,664</u>	\$ <u>49,687</u>	\$ <u>176,627</u>	\$ <u>37</u>

Healthy Living



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, 2015

	Golf Course	Property Management	Total Nonmajor Enterprise Funds
Assets			
Current assets:			
Pooled cash and investments	\$ 23,890	\$ 646,618	\$ 670,508
Interest receivable	-	-	-
Accounts receivable (net of allowance for uncollectibles)	9,580	24,072	33,652
Inventories	1,079	-	1,079
Due from other agencies	-	-	-
Prepaid items	1,339	383	1,722
Total current assets	35,888	671,072	706,960
Noncurrent assets:			
Capital assets:			
Land	125,000	696,450	821,450
Land improvements	196,660	-	196,660
Buildings and structures	219,846	5,228,671	5,448,517
Machinery and equipment	374,898	29,336	404,234
Automobiles and trucks	67,450	-	67,450
Infrastructure	26,537	-	26,537
Office furniture and fixtures	-	26,921	26,921
Construction in progress	16,809	312	17,121
Less accumulated depreciation	(467,293)	(1,274,730)	(1,742,023)
Total capital assets, net	559,907	4,706,960	5,266,867
Total noncurrent assets	559,907	4,706,960	5,266,867
Total assets	595,795	5,378,032	5,973,827
Liabilities			
Current liabilities:			
Accounts and retainages payable	24,827	4,020	28,847
Compensated absences - current	10,230	-	10,230
Accrued liabilities	7,004	3,580	10,584
Customer deposits and rebates	-	2,400	2,400
Unearned revenue	(40,683)	-	(40,683)
General obligation bonds - current	-	3,428	3,428
General obligation bonds - long term	-	96,571	96,571
Other liabilities - current	13,654	-	13,654
Total current liabilities	15,032	109,999	125,031
Noncurrent liabilities:			
Compensated absences	18,537	-	18,537
Other long term liabilities	27,309	-	27,309
Total noncurrent liabilities	45,846	-	45,846
Total liabilities	60,878	109,999	170,877
Net Position			
Net Investment in Capital Assets	559,907	4,606,961	5,166,868
Unrestricted	(24,990)	661,072	636,082
Total net position	\$ 534,917	\$ 5,268,033	\$ 5,802,950

City of Hagerstown, Maryland
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2015

	Golf Course	Property Management	Total Nonmajor Enterprise Funds
Operating revenues:			
Service charges	\$ 209,588	\$ 311,289	\$ 520,877
Other revenues	93	(6,139)	(6,046)
Total operating revenues	209,681	305,150	514,831
Operating expenses:			
Selling, general and administrative expenses	396,241	390,139	786,380
Depreciation	35,273	126,730	162,003
Total operating expenses	431,514	516,869	948,383
Operating income	(221,833)	(211,719)	(433,552)
Nonoperating revenues (expenses):			
Gain (Loss) on disposal of capital assets	(4,482)	(101,755)	(106,237)
Intergovernmental revenue	-	51,110	51,110
Investment earnings	2	16,816	16,818
Interest expense	-	(635)	(635)
Bond issuance costs	-	(868)	(868)
Total nonoperating revenue (expenses)	(4,480)	(35,332)	(39,812)
Income (loss) before contributions and transfers	(226,313)	(247,051)	(473,364)
Capital contributions	-	50,000	50,000
Transfers in	226,313	47,248	273,561
Transfers out	-	(362,951)	(362,951)
Changes in net position	-	(512,754)	(512,754)
Total net position - beginning	534,917	5,780,787	6,315,704
Total net position - ending	\$ 534,917	\$ 5,268,033	\$ 5,802,950

City of Hagerstown, Maryland
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2015

	<u>Golf</u>	<u>Property</u>	<u>Total</u>
	<u>Course</u>	<u>Management</u>	<u>Nonmajor</u>
			<u>Enterprise</u>
			<u>Funds</u>
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 214,011	\$ 349,859	\$ 563,870
Payments to suppliers	(163,971)	(260,993)	(424,964)
Payments to employees	(220,878)	(172,205)	(393,083)
Net cash used by operating activities	<u>(170,838)</u>	<u>(83,339)</u>	<u>(254,177)</u>
Cash Flows From Noncapital Financing Activities			
Transfers from (to) other funds	<u>226,313</u>	<u>(315,703)</u>	<u>(89,390)</u>
Net cash provided (used) by noncapital and related financing activities	<u>226,313</u>	<u>(315,703)</u>	<u>(89,390)</u>
Cash Flows From Capital And Related Financing Activities			
Proceeds from intergovernmental grant	-	51,110	51,110
Capital contribution	-	50,000	50,000
Acquisition and construction of capital assets	(38,864)	(119,518)	(158,382)
Proceeds from bond issuance	-	99,132	99,132
Principal paid on capital debt	-	-	-
Interest paid on capital debt	-	-	-
Proceeds from sale of capital assets	<u>(4,482)</u>	<u>(101,755)</u>	<u>(106,237)</u>
Net cash provided (used) by capital and related financing activities	<u>(43,346)</u>	<u>(21,031)</u>	<u>(64,377)</u>
Cash Flows From Investing Activities			
Interest and dividends received	<u>6</u>	<u>16,988</u>	<u>16,994</u>
Net cash provided by investing activities	<u>6</u>	<u>16,988</u>	<u>16,994</u>
Net increase (decrease) in pooled cash and investments	12,135	(403,085)	(390,950)
Pooled cash and investments, beginning of year	11,755	1,049,703	1,061,458
Pooled cash and investments, end of year	\$ <u>23,890</u>	\$ <u>646,618</u>	\$ <u>670,508</u>
Reconciliation of operating income to net cash (used) by operating activities:			
Operating income (loss)	\$ (221,833)	\$ (211,719)	\$ (433,552)
Adjustments to reconcile operating income to net cash used by operating activities:			
Depreciation expense	35,273	126,730	162,003
Net effect of changes in assets and liabilities			
Accounts receivable	(9,057)	66,459	57,402
Inventories	4,232	-	4,232
Prepaid items	(499)	(8)	(507)
Long-term accounts receivable	-	-	-
Accounts and retainages payable	16,896	(22,106)	(5,210)
Compensated absences payable	2,356	-	2,356
Accrued liabilities	2,063	1,055	3,118
Customer deposits and rebates	-	250	250
Other liabilities - current	-	-	-
Due from other agencies	-	-	-
Unearned revenue	13,385	(22,000)	(8,615)
Other long-term liabilities	(13,654)	(22,000)	(35,654)
Total adjustments	<u>50,995</u>	<u>128,380</u>	<u>179,375</u>
Net cash used by operating activities	<u>\$ (170,838)</u>	<u>\$ (83,339)</u>	<u>\$ (254,177)</u>
Reconciliation of pooled cash and investments to the balance sheet			
Pooled cash and investments	\$ 23,890	\$ 646,618	\$ 670,508
Totals	\$ <u>23,890</u>	\$ <u>646,618</u>	\$ <u>670,508</u>

Parks and Recreation



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, 2015

	<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	\$ 324,437	\$ 3,260,248	\$ 128,806	\$ 3,713,491
Interest receivable	-	-	-	-
Accounts receivable (net of allowance for uncollectibles)	25,067	155,239	9,855	190,161
Prepaid Items	192,962	-	-	192,962
Total current assets	<u>542,466</u>	<u>3,415,487</u>	<u>138,661</u>	<u>4,096,614</u>
Noncurrent assets:				
Restricted assets:				
Pooled cash and investments	70,000	224,000	31,300	325,300
Total noncurrent assets	<u>70,000</u>	<u>224,000</u>	<u>31,300</u>	<u>325,300</u>
Total assets	<u>612,466</u>	<u>3,639,487</u>	<u>169,961</u>	<u>4,421,914</u>
Liabilities				
Current liabilities:				
Accounts and retainages payable	-	4,983	2,016	6,999
Accrued liabilities	-	759,015	8,685	767,700
Unearned revenue	-	183,089	-	183,089
Total current liabilities	<u>-</u>	<u>947,087</u>	<u>10,701</u>	<u>957,788</u>
Total liabilities	<u>-</u>	<u>947,087</u>	<u>10,701</u>	<u>957,788</u>
Net Position				
Unassigned	612,466	2,692,400	159,260	3,464,126
Total net position	<u>\$ 612,466</u>	<u>\$ 2,692,400</u>	<u>\$ 159,260</u>	<u>\$ 3,464,126</u>

City of Hagerstown, Maryland
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2015

	<u>Worker's Compensation</u>	<u>Health Insurance</u>	<u>Dental Insurance</u>	<u>Total Internal Service Funds</u>
Operating revenues:				
Service charges	\$ 1,341,680	\$ 7,317,758	\$ 402,211	\$ 9,061,649
Other revenues	(44)	81,096	-	81,052
Total operating revenues	<u>1,341,636</u>	<u>7,398,854</u>	<u>402,211</u>	<u>9,142,701</u>
Operating expenses:				
Claim and premium expenses	1,303,181	5,797,657	268,824	7,369,662
Administrative expenses	991	625,163	24,540	650,694
Contributions to OPEB plan - Employer	-	650,000	-	650,000
Total operating expenses	<u>1,304,172</u>	<u>7,072,820</u>	<u>293,364</u>	<u>8,670,356</u>
Operating income (loss)	<u>37,464</u>	<u>326,034</u>	<u>108,847</u>	<u>472,345</u>
Nonoperating revenues (expenses):				
Investment earnings	82	1,307	7	1,396
Total nonoperating revenue (expenses)	<u>82</u>	<u>1,307</u>	<u>7</u>	<u>1,396</u>
Income before contributions and transfers	<u>37,546</u>	<u>327,341</u>	<u>108,854</u>	<u>473,741</u>
Transfer out to other funds	-	(35,950)	-	(35,950)
Changes in net position	<u>37,546</u>	<u>291,391</u>	<u>108,854</u>	<u>437,791</u>
Total net position - beginning	574,920	2,401,009	50,406	3,026,335
Total net position - ending	<u>\$ 612,466</u>	<u>\$ 2,692,400</u>	<u>\$ 159,260</u>	<u>\$ 3,464,126</u>

City of Hagerstown, Maryland
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2015

	Worker's Compensation	Health Insurance	Dental Insurance	Total Internal Service Funds
Cash Flows From Operating Activities				
Receipts from interfund services provided	\$ 1,339,938	\$ 7,396,267	\$ 401,699	\$ 9,137,904
Payments to suppliers	<u>(1,340,222)</u>	<u>(7,324,756)</u>	<u>(350,504)</u>	<u>(9,015,482)</u>
Net cash provided (used) by operating activities	<u>(284)</u>	<u>71,511</u>	<u>51,195</u>	<u>122,422</u>
Cash Flows From Noncapital Financing Activities				
Transfers to other funds	<u>-</u>	<u>(35,950)</u>	<u>-</u>	<u>(35,950)</u>
Net cash used by capital and related financing activities	<u>-</u>	<u>(35,950)</u>	<u>-</u>	<u>(35,950)</u>
Cash Flows From Investing Activities				
Interest and dividends received	<u>185</u>	<u>1,903</u>	<u>18</u>	<u>2,106</u>
Net cash provided by investing activities	<u>185</u>	<u>1,903</u>	<u>18</u>	<u>2,106</u>
Net decrease in pooled cash and investments	(99)	37,464	51,213	88,578
Pooled cash and investments, beginning of year	<u>394,536</u>	<u>3,446,784</u>	<u>108,893</u>	<u>3,950,213</u>
Pooled cash and investments, end of year	\$ <u>394,437</u>	\$ <u>3,484,248</u>	\$ <u>160,106</u>	\$ <u>4,038,791</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating Income (loss)	\$ <u>37,464</u>	\$ <u>326,034</u>	\$ <u>108,847</u>	\$ <u>472,345</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Net effect of changes in assets and liabilities				
Accounts receivable	(1,698)	(2,587)	(512)	(4,797)
Prepaid items	(36,050)	21,654	-	(14,396)
Accounts and retainages payable	-	4,082	(18,946)	(14,864)
Accrued liabilities	-	(277,672)	(38,194)	(315,866)
Total adjustments	<u>(37,748)</u>	<u>(254,523)</u>	<u>(57,652)</u>	<u>(349,923)</u>
Net cash provided (used) by operating activities	<u>(284)</u>	<u>71,511</u>	<u>51,195</u>	<u>122,422</u>
Reconciliation of pooled cash and investments to the balance sheet				
Pooled cash and investments	\$ 324,437	\$ 3,260,248	\$ 128,806	\$ 3,713,491
Restricted pooled cash and investments	70,000	224,000	31,300	325,300
Totals	\$ <u>394,437</u>	\$ <u>3,484,248</u>	\$ <u>160,106</u>	\$ <u>4,038,791</u>

City Center — The Heart of Hagerstown



STATISTICAL SECTION

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

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

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

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

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

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

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

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Net investment in capital assets	\$ 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	\$ 63,756,574
Restricted	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	11,415,507
Unassigned	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	(28,125,591)
Total governmental activities net position	\$ 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	\$ 47,046,490
Business-type activities:										
Net investment in capital assets	\$ 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	\$ 146,018,608
Unassigned	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	20,703,309
Total business-type activities net position	\$ 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	\$ 166,721,917
Primary government:										
Net investment in capital assets	\$ 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	\$ 209,775,182
Restricted	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	11,415,507
Unrestricted	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	(7,422,282)
Total primary government net position	\$ 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	\$ 213,768,407

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General Government	\$ 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	\$ 9,672,724
Public Safety	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	23,566,366
Highways and Streets	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	2,810,855
Waste Collection & Disposal	1,593,682	1,963,094	2,053,573	2,094,011	2,023,079	2,035,237	2,637,297	1,937,485	1,950,228	1,971,595
Culture and Recreation	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	2,788,927
Economic & Community Development	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	4,053,605
Interest on Long-term Debt	427,181	659,736	576,969	523,931	684,700	539,668	532,560	514,648	550,317	557,668
Total governmental activities expenses	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	45,421,740
Business-type activities:										
Electric	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	24,157,287
Water	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	11,147,791
Wastewater	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	12,643,801
Parking Facilities	524,958	617,342	663,006	760,188	733,541	723,980	786,348	699,693	742,030	739,264
Golf Course	342,399	411,079	408,728	469,694	414,492	418,962	388,840	467,869	407,944	435,174
Property Management	290,408	324,625	312,239	302,237	384,631	410,706	577,208	668,343	542,884	517,393
Ice Risk	-	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	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	49,640,710
Total primary government expenses	\$ 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	\$ 95,062,450
Program Revenues										
Governmental activities:										
Charges for services:										
General Government	\$ 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	\$ 2,795,421
Public Safety	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	3,367,522
Streets and Alleys	36,719	73,943	86,365	136,424	90,588	75,676	86,045	102,791	87,261	73,088
Waste Collection & Disposal	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	2,238,358
Parks and Recreation	157,735	159,055	188,535	186,607	191,602	234,637	225,306	209,899	195,633	259,668
Economic & Community Development	842,849	901,690	502,505	311,982	364,403	96,216	95,246	97,321	89,771	245,921
Operating grants and contributions	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	1,930,908
Capital grants and contributions	743,482	1,166,568	5,573,575	1,698,460	512,249	1,594,649	2,611,299	3,792,121	543,261	1,807,299
Total governmental activities program revenues	\$ 12,145,540	\$ 14,355,812	\$ 17,761,502	\$ 11,572,254	\$ 10,478,477	\$ 10,983,082	\$ 12,203,943	\$ 15,705,469	\$ 10,589,507	\$ 12,718,185

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)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business-type activities:										
Charges for services:										
Electric	\$ 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	\$ 24,460,137
Water	7,589,355	8,904,071	8,520,142	7,970,281	8,869,890	9,664,205	10,226,718	10,859,180	11,125,535	11,128,131
Wastewater	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	12,241,385
Parking Facilities	776,038	843,704	885,489	857,169	872,441	811,868	855,638	936,246	869,670	975,936
Golf Course	206,025	196,070	208,572	175,123	126,890	137,884	149,074	178,462	196,758	205,199
Property Management	354,755	350,749	499,700	354,049	202,752	330,576	344,856	(985,215)	(132,163)	203,395
Operating grants and contributions	-	-	-	82,875	440,847	107,730	-	-	-	51,110
Capital grants and contributions	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	2,135,780
Total business-type activities program revenues	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	51,401,073
Total primary government program revenues	\$ 56,961,368	\$ 73,205,548	\$ 80,947,289	\$ 66,203,872	\$ 70,716,941	\$ 72,351,336	\$ 66,890,301	\$ 65,851,697	\$ 61,724,842	\$ 64,119,258
Net (expense)/revenue	\$ (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)	\$ (32,703,555)
Governmental activities	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	1,760,363
Business-type activities	\$ (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)	\$ (30,943,192)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property Taxes	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	27,209,882
Income and Other taxes	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	5,105,039
Excise Tax	1,036,634	719,319	220,678	31,677	115,417	96,342	113,485	115,492	69,278	-
Investment Earnings	482,700	874,321	824,414	412,233	205,640	72,526	86,685	37,871	13,880	10,695
Property Sales	591,687	-	-	-	-	-	-	-	-	-
Gain/(Loss) on Disposal of Capital Assets	-	-	-	-	-	-	-	-	-	-
Miscellaneous	356,519	44,493	45,841	38,230	137,326	171,968	312,796	107,791	220,674	269,201
Transfers	288,348	(98,787)	173,540	229,056	(66,000)	(939,642)	(1,125,889)	(798,089)	(175,455)	183,935
Capital Transfer from Closed Ice Rink Fund	-	-	-	-	-	-	-	-	-	-
Changes in Accounting Estimate	-	-	-	-	-	-	-	-	-	-
Total governmental activities	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	32,778,762
Business-type activities:										
Investment Earnings	569,501	707,098	743,942	406,055	221,725	185,587	253,521	180,193	156,910	146,024
Transfers	(288,348)	98,787	(173,540)	(229,056)	66,000	939,642	1,125,889	798,089	175,455	(183,935)
Total business-type activities	281,153	805,885	570,402	176,999	287,725	1,125,229	1,379,410	978,282	332,365	(37,911)
Total primary government	\$ 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	\$ 32,740,841
Change in Net Position										
Governmental activities	\$ 2,585,008	\$ 3,650,053	\$ 6,282,714	\$ 504,728	\$ 518,897	\$ 3,247,069	\$ (1,167,327)	\$ 1,533,372	\$ 944,481	\$ 75,197
Business-type activities	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	1,722,452
Total primary government	\$ 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	\$ 1,797,649

**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
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	31,506,961
2011	26,910,889	2,068,330	173,017	161,387	516,752	34,214	53,562	137,741	147,663	-	30,203,555
2012	24,077,697	2,271,796	202,180	79,493	516,752	34,214	53,450	110,756	164,257	-	27,510,595
2013	25,227,705	2,305,373	206,234	-	516,752	34,214	55,352	101,850	165,898	-	28,613,378
2014	25,365,054	2,452,366	207,892	-	750,454	34,214	54,797	86,976	176,220	-	29,127,973
2015	27,209,882	2,559,272	214,162	-	720,362	34,214	63,836	69,699	191,456	-	31,062,883

Source: City of Hagerstown Accounting Department

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved	\$ 969,903	\$ 383,267	\$ 400,749	\$ 510,323	\$ 536,025	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved/Undesignated	5,531,992	6,812,830	7,349,854	7,386,804	8,022,458	-	-	-	-	-
Nonspendable	-	-	-	-	-	493,492	487,902	254,914	216,127	226,974
Restricted	-	-	-	-	-	240,816	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	186,504	199,174	1,783,143	1,596,838	1,555,317
Unassigned	-	-	-	-	-	7,851,817	7,837,687	7,668,912	8,053,185	8,181,345
Total General Fund	\$ 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	\$ 9,963,636
All other governmental funds										
Reserved	\$ 4,979,009	\$ 4,317,145	\$ 4,849,318	\$ 4,737,722	\$ 3,870,965	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved/Undesignated, reported in:										
Special revenue funds	1,794,971	2,862,579	2,665,841	2,624,295	1,996,542	-	-	-	-	-
Capital projects funds	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	1,809,108
Restricted	-	-	-	-	-	2,698,153	5,480,693	2,953,196	2,908,949	2,829,671
Committed	-	-	-	-	-	2,839,528	1,817,278	43,775	1,672	2,537,161
Assigned	-	-	-	-	-	2,026,103	1,934,204	4,790,358	4,841,125	4,239,568
Unassigned	-	-	-	-	-	-	-	(146,717)	(150,415)	(1,088,345)
Total all other governmental funds	\$ 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	\$ 10,327,163
Total governmental funds										
Reserved	\$ 5,948,912	\$ 4,700,412	\$ 5,250,067	\$ 5,248,045	\$ 4,406,990	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved/Undesignated, reported in:										
General fund	5,531,992	6,812,830	7,349,854	7,386,804	8,022,458	-	-	-	-	-
Special revenue funds	1,794,971	2,862,579	2,665,841	2,624,295	1,996,542	-	-	-	-	-
Capital projects funds	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	2,036,082
Restricted	-	-	-	-	-	2,938,969	5,480,693	2,953,196	2,908,949	2,829,671
Committed	-	-	-	-	-	2,839,528	1,817,278	43,775	1,672	2,537,161
Assigned	-	-	-	-	-	2,212,607	2,133,378	6,573,501	6,437,963	5,794,885
Unassigned	-	-	-	-	-	7,851,817	7,837,687	7,522,195	7,902,770	7,093,000
Total all other governmental funds	\$ 16,521,300	\$ 21,008,452	\$ 19,570,818	\$ 15,367,938	\$ 18,880,086	\$ 19,020,072	\$ 17,758,722	\$ 18,346,184	\$ 18,632,976	\$ 20,290,799

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Property taxes	\$ 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	\$ 27,209,882
Income and other taxes	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	4,934,979
Licenses and permits	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	2,259,693
Intergovernmental grant revenues	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	2,181,225
Program Income	1,785,126	1,256,342	532,321	308,090	214,394	178,801	187,926	194,232	141,952	224,855
Charges for services	2,307,657	2,707,678	3,133,500	2,865,895	2,937,691	2,937,027	3,196,544	3,326,693	2,984,147	2,959,862
Fines and forfeitures	62,842	109,990	152,289	85,627	114,522	73,634	384,137	1,654,158	1,333,317	1,548,480
Investment Earnings	482,700	874,321	844,230	376,985	103,060	72,526	86,688	37,872	13,880	10,695
Property Sales	585,686	317,538	89,500	-	167,543	46,547	128,768	121,266	34,546	22,119
Contributions and Donations	330,583	496,488	415,618	338,606	292,594	453,244	211,248	278,945	271,247	1,556,831
Unallocated general revenue	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	2,278,109
Total revenues	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	45,186,650
Expenditures:										
General government	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	6,235,937
Public safety	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	22,118,148
Street and alleys	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	2,564,690
Waste collection & disposal	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	1,972,012
Parks and recreation	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	2,415,204
Municipal buildings	475,138	429,343	460,280	-	-	-	-	-	-	-
Economic and Community Development	2,697,587	2,668,604	2,461,642	2,521,751	3,205,593	2,601,343	2,211,660	3,130,591	1,350,190	4,117,042
Capital Outlay	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	4,666,856
Debt Service										
Principal	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	1,267,682
Interest	447,072	668,969	585,740	529,848	579,294	650,015	636,814	595,093	550,187	517,287
Issuance costs	-	-	-	-	49,714	-	975	1,105	-	44,215
Unallocated general expenditures	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	2,036,099
Total expenditures	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	47,955,172
Excess of revenues over(under) expenditures	(136,447)	(1,874,048)	(2,111,174)	(4,885,697)	(5,005,562)	1,079,628	(935,461)	1,110,651	(241,014)	(2,768,522)
Other financing sources(uses):										
Transfers In	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	2,282,549
Transfers Out	(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)	(2,062,664)
Debt Issued	-	-	-	-	-	-	600,000	-	428,427	3,923,743
Sale of Capital Assets	-	-	-	-	-	-	-	-	-	-
Bond Financing	-	-	-	-	8,481,044	-	-	-	-	-
Premium on Bond Financing	-	-	-	-	102,666	-	-	-	-	282,716
Proceeds of Long-term debt	-	-	-	-	-	-	-	-	-	-
Payment to Bond Escrow Agent	-	7,490,667	-	-	-	-	-	-	-	-
Total other funding sources(uses)	288,347	6,361,200	673,540	682,817	8,517,710	(939,642)	(325,889)	(523,089)	527,806	4,426,344
Net changes in Fund Balance	\$ 151,900	\$ 4,487,152	\$ (1,437,634)	\$ (4,202,880)	\$ 3,512,148	\$ 139,986	\$ (1,261,350)	\$ 587,562	\$ 286,792	\$ 1,657,822
Debt Service as a percentage of noncapital expenditures	7%	12%	5%	5%	5%	6%	7%	5%	5%	4%

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
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%
2015	2,383,654	122,861	2,506,515	0.964	2,600,119	96.40%

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			Total Direct & Overlapping Rates	
	Real Property	Business & Personal Property	Total Direct Property Tax Rate	Real Property	Business & Personal Property	Total County Property Tax Rate	Real Property	Business & Personal Property	Total State Property Tax Rate		Total Overlapping Rates
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
2015	0.898	2.245	3.143	0.823	2.370	3.193	0.112	0.000	0.112	3.305	6.448

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, 2015

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Washington Real Estate	\$ 58,779,866	1	2.35%	\$ 44,290,398	1	2.40%
Lowes Home Centers, Inc.	22,604,303	2	0.90%	20,935,036	3	1.14%
Walmart Real Estate Business Trust	20,128,400	3	0.80%	18,291,663	4	0.99%
I-81 Hollyhock LLC	19,181,100	4	0.77%			0.00%
Homes for Hagerstown LLC (Hagerstown Apartments)	19,127,400	5	0.76%	12,276,073	6	0.67%
Oekos Stone House LLC	18,543,900	6	0.74%			0.00%
Verizon-Maryland	16,587,400	7	0.66%	30,214,280	2	1.64%
Cortpark LLC	15,082,233	8	0.60%			0.00%
Cortpark II LLC	15,082,233	9	0.60%			0.00%
Hagerstown Plaza LLC	14,599,267	10	0.58%			0.00%
Columbia Gas of Maryland, Inc.			0.00%	12,378,500	5	0.67%
Washco Centre at Antietam Creek			0.00%	10,511,399	7	0.57%
Inland Southeast Valley Park LLC			0.00%	10,364,000	8	0.56%
Sams Real Estate Business Trust			0.00%	10,284,400	9	0.56%
Lynnehaven Properties LLC			0.00%	9,599,633	10	0.52%
Totals	\$ 219,716,102		8.77%	\$ 179,145,382		9.72%

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	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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	20,107,789	19,764,852	98.3%	302,543	20,067,395	99.80%
2014	20,260,778	20,024,757	98.8%	132,720	20,157,477	99.49%
2015	22,065,699	21,862,523	99.1%	16,065	21,878,588	99.15%

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	Population (1)	Outstanding Debt (3)		Percentage of Personal Income	Total Debt Per Capita
	Income (2)		Governmental	Business-type		
2006	1,126,767,916	38,237	9,836,534	22,006,113	2.83%	833
2007	1,189,509,952	39,008	16,120,194	23,958,198	3.37%	1,027
2008	1,254,499,680	39,941	14,835,435	24,856,234	3.16%	994
2009	1,300,630,095	40,065	13,342,801	25,993,993	3.02%	982
2010	1,325,267,460	39,996	20,457,426	41,856,725	4.70%	1,558
2011	1,314,200,370	39,662	18,695,138	45,060,595	4.85%	1,607
2012	1,335,141,906	39,662	17,459,565	48,904,318	4.97%	1,673
2013	1,435,605,752	39,662	16,013,064	46,872,333	4.38%	1,586
2014	1,435,605,752	39,662	15,168,166	51,139,325	4.62%	1,672
2015	1,459,723,696	40,364	18,093,422	57,309,510	5.17%	1,868

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		
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
2015	2,506,515	40,364	75,402,932		3.01%	1,868

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 Governmental	Bonds		
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
2015	2,506,515	40,364	18,093,422		0.72%	448

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, 2015

City of Hagerstown	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Debt repaid with property taxes: County	\$ 137,324,935	20.58%	\$ 28,261,472
Subtotal, overlapping debt			
City of Hagerstown Direct Governmental Fund Debt			18,093,422
Total Direct and Overlapping Debt			\$ 46,354,894

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**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Limit	\$ 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	250,651,500
Total net debt applicable to limit	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	75,402,932
Legal debt margin	\$ 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	\$ 175,248,568
Total net debt applicable to the limit as a percentage of debt limit	17.53%	19.06%	16.88%	15.65%	22.46%	21.77%	24.82%	23.84%	25.04%	30.08%

Legal Debt Margin Calculation for Fiscal Year 2015

Total assessed value	2,506,515,000
Debt limit (10% of total assessed value)	250,651,500
Debt applicable to limit:	
General obligation bonds	75,402,932
Legal debt margin	<u>\$ 175,248,568</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
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
2015	40,364	1,459,723,696	36,164	7.5

Data Source:

Population Data provided by the Maryland State Archives, Census Bureau
Per Capita Personal Income provided by Bureau of Economic Analysis - U.S. Dept. of Commerce
Unemployment Rate provided by the Department of Numbers prior to 2015
FY15 Unemployment Rate Provided by Bureau of Labor Statistics/ MD Office of Workforce
Information and Performance

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

Employer	2015			2006		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Washington County Public Schools	2,970	1	4.46%	2,749	2	4.11%
Meritus Health, Inc. (Washington County Health System, Inc.)	2,740	2	4.11%	2,908	1	4.35%
State of Maryland	2,568	3	3.85%	2,506	4	3.75%
First Data Merchant Services	2,322	4	3.48%	2,163	5	3.24%
Citicorp Credit Services, Inc	2,100	5	3.15%	2,600	3	3.89%
Volvo Powertrain NA (Mack Trucks, Inc.)	1,517	6	2.28%	1,772	6	2.65%
Washington County Government	1,352	7	2.03%	954	7	1.43%
Hagerstown Community College	890	8	1.34%			0.00%
The Bowman Group, LLC	746	9	1.12%			0.00%
Federal Government	705	10	1.06%	671	9	1.00%
Staples Distribution Center			0.00%	700	8	1.05%
Good Humor-Breyer's Ice Cream Inc.			0.00%	477	10	0.71%
Total	17,910		26.88%	17,500		26.18%

Source: Principal Employers for Washington County MD provided by Hagerstown/Washington County EDC
Total County employment for 2015 was 66,660 and 2006 was 66,827, supplied by Bureau of Labor Statistics.

City of Hagerstown, Maryland
Principal Electric Fund Customers
June 30, 2015

Customer	2015				2006			
	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	7,242,303	\$ 603,674	1	2.56%	7,162,419	\$ 484,977	4	2.20%
City of Hagerstown - Wastewater Plant	9,351,300	580,593	2	2.46%	10,081,159	481,759	5	2.18%
Shenandoah Family Farm (Formerly Good Humor)	5,276,900	371,794	3	1.58%	26,972,000	1,337,082	1	6.05%
CM Offray, Inc (MD Ribbon)	3,434,780	267,037	4	1.13%	5,744,900	331,766	6	1.50%
C.E. Stevens Inc.	4,098,880	262,089	5	1.11%				0.00%
Verizon #27787	3,352,764	222,611	6	0.94%				0.00%
HBP, Inc.	3,080,560	219,669	7	0.93%				0.00%
Board of Education/North High	2,672,545	212,997	8	0.90%	3,211,114	160,976	9	0.73%
Western Maryland St. Hospital	3,020,961	196,621	9	0.83%	8,872,390	566,711	3	2.57%
Board of Education/Marshall Street	2,417,600	185,033	10	0.78%	17,608,374	888,561	2	4.02%
Washington County Hospital					4,851,625	282,079	7	1.28%
Hagerstown Housing Authority					3,315,628	198,693	8	0.90%
Washington County Commissioners					2,985,198	155,682	10	0.70%
Bell Atlantic PA								
Totals	43,948,593	\$ 3,122,118		13.24%	90,804,807	\$ 4,888,286		22.13%

Source: City of Hagerstown Billing Department.

**City of Hagerstown, Maryland
Principal Water Fund Customers
June 30, 2015**

Customer	2015				2006			
	Gallons	Amount Billed	Rank	Percentage of Total Water Fund Billing	Gallons	Amount Billed	Rank	Percentage of Total Water Fund Billing
Hagerstown Prison Complex(MCI)	421,365,800	\$ 1,378,271	1	13.37%	409,100,300	\$ 884,856	1	14.52%
Town of Smithsburg	89,788,000	245,968	2	2.39%	86,436,400	167,488	2	2.75%
Town of Williamsport	62,299,600	174,767	3	1.69%	76,472,200	148,011	3	2.43%
Volvo Powertrain NA (Mack Trucks, Inc.)	38,679,000	136,199	4	1.32%	30,869,700	72,509	5	1.19%
Meritus Medical Center (Washington County Hospital)	38,460,300	131,868	5	1.28%	49,427,500	59,931	6	0.98%
Lakeside Park	28,183,000	98,254	6	0.95%	21,309,600	47,489	10	0.78%
Town of Funkstown	32,202,500	94,323	7	0.91%	26,080,300	52,568	8	0.86%
Oak Ridge Apartments	21,492,200	79,935	8	0.78%	20,323,600	48,673	9	0.80%
Citigroup Mid Atlantic	16,785,200	67,126	9	0.65%				0.00%
PR Valley Limited Partnership	16,284,000	65,920	10	0.64%				0.00%
Maryland Paper					40,469,600	86,370	4	1.42%
Good Humor Breyers, Inc.					43,914,200	53,018	7	0.87%
Totals	765,539,600	\$ 2,472,631		23.98%	804,403,400	\$ 1,620,913		26.59%

Source: City of Hagerstown Billing Department.

City of Hagerstown, Maryland
Principal Wastewater Fund Customers
June 30, 2015

Customer	2015					2006				
	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)	38,025,300	\$ 321,801	1	2.79%		41,463,000	\$ 143,299	2	2.13%	
Volvo Powertrain NA (Mack Trucks, Inc.)	14,419,500	136,466	2	1.18%		16,144,800	90,614	4	1.34%	
Washington Co Detention Center	15,684,500	134,959	3	1.17%		14,854,000	84,155	5	1.25%	
Cortpark LLC	25,933,400	128,560	4	1.12%					0.00%	
CM Offray (MD Ribbon)	21,295,300	107,289	5	0.93%		24,467,300	84,033	6	1.25%	
Rockville Mobile Home Inc.	14,700,500	106,374	6	0.92%					0.00%	
Homes for Hagerstown LLC (Realty Investment Co)	19,614,200	102,054	7	0.89%		18,803,500	65,004	9	0.96%	
Brookhaven (Brandywine/Youngstown)	7,753,100	76,740	8	0.67%		11,774,000	67,307	8	1.00%	
Hagerstown Housing Authority/Noland Village	15,182,000	74,890	9	0.65%		25,459,200	94,963	3	1.41%	
Western Maryland State Hospital	14,566,900	73,492	10	0.64%		20,137,900	69,044	7	1.02%	
Good Humor Breyers, Inc.				0.00%		43,914,200	151,172	1	2.24%	
Citicorp Credit Services				0.00%		12,008,400	59,541	10	0.88%	
Totals	187,174,700	\$ 1,262,625		10.96%		229,026,300	\$ 909,132		13.49%	

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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
City Administrator	1.33	1.33	1.33	1.33	1.33	1.67	1.67	1.67	1.67	2.50
City Clerk	1.34	1.34	1.33	1.33	1.50	1.50	1.50	1.50	1.50	1.50
Economic Development (DCED)*****	28.80	23.80	23.85	23.50	23.00	1.33	1.33	1.33	1.33	2.00
Public Information **/*****						3.50	3.50	5.50	5.50	4.00
Subtotal Administration	31.47	26.47	26.51	26.16	25.83	8.00	8.00	10.00	10.00	10.00
Accounting*****	8.50	8.50	8.50	8.75	8.75	6.50	6.50	6.50	7.00	7.00
Treasurer*****						4.00	4.00	4.00	4.00	3.00
Information Technology*****	12.00	12.00	12.00	12.00	12.00	6.00	6.00	6.00	6.00	6.00
Billing/Customer Service*****						4.00	4.00	4.00	4.00	14.00
Purchasing*****						2.50	2.50	2.50	2.00	4.00
Human Resources	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	6.00
Planning*****						6.00	6.00	6.00	6.00	6.00
Engineering*****	29.63	29.63	29.72	29.66	29.00	14.00	14.00	14.00	14.00	14.00
Code Compliance*****						15.00	15.00	15.00	15.00	15.00
Police Sworn	107.00	107.00	108.00	105.00	105.00	109.00	107.00	105.00	105.00	101.00
Police Administration/Civilian	15.00	15.00	15.00	13.00	13.00	13.00	24.00	24.00	23.00	24.00
Fire	83.00	83.00	83.00	83.00	83.00	83.60	83.60	83.60	74.00	64.00
Public Works*	32.90	32.90	32.90	32.90	34.00	34.00	34.00	34.00	34.00	34.00
Parks & Recreation*/****						20.00	20.00	20.00	18.00	20.00
Total General Fund	323.50	318.50	319.63	314.47	314.58	329.60	338.60	338.60	326.00	328.00
Electric	35.55	35.55	40.18	40.18	40.00	40.00	40.00	40.00	41.00	35.00
Water	55.02	55.02	55.02	55.49	54.25	56.00	56.00	56.00	56.00	48.00
Wastewater	47.76	47.76	47.76	47.40	48.00	48.00	48.00	48.00	48.00	51.00
Golf Course	2.53	2.53	2.37	2.52	3.00	3.00	3.00	3.00	3.00	2.00
Parking	2.20	2.20	2.20	2.20	2.40	2.00	2.00	2.00	2.00	2.00
Property Management*****	0.90	0.90	0.90	0.90	-	-	-	-	-	-
Community Development Block Grant	2.21	2.21	2.20	2.50	3.43	6.40	6.40	6.40	6.00	6.00
Telework Center*****						1.00	1.00	1.00	1.00	1.00
City Staffing Levels	469.67	464.67	470.26	465.66	465.66	486.00	495.00	495.00	483.00	473.00
General Operations	121.61	116.61	116.73	116.87	131.40	131.40	131.40	133.40	131.00	146.00
Public Safety	205.00	205.00	206.00	201.00	205.60	205.60	214.60	212.60	202.00	189.00
Business-type Activities	143.06	143.06	147.53	147.79	147.65	149.00	149.00	149.00	150.00	138.00

* 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.

***** City of 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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Fire Department										
Responses to Fire alarms	3,236	2,978	2,587	2,573	2,428	2,275	2,249	2,185	2,033	1,988
Average response time (in minutes)	4:14	4:38	3:06	4:06	4:17	4:31	3:13	3:19	3:28	3
False alarms (Included in above number)	32	30	25	30	18	27	10	6	13	20
Public fire education programs	1,302	1,288	825	1,452	927	655	453	356	349	296
Persons in attendance at public education programs	9,810	9,629	5,880	9,619	10,558	14,875	13,950	11,110	11,045	8,710
Police Department										
Parking ticket violations issued	8,684	8,427	8,838	7,030	8,117	11,660	12,146	8,654	11,616	10,458
Net parking fines	\$ 118,225	\$ 107,135	\$ 113,540	\$ 91,860	\$ 125,161	\$ 172,865	\$ 143,275	\$ 148,223	\$ 145,115	\$ 132,955
Calls for service	61,250	61,329	60,764	63,697	54,555	51,625	53,479	57,509	56,945	56,188
Alarm calls (Included in above number)	564	470	496	696	1,048	1,563	2,088	2,065	2,191	2,025
Parks and Recreation										
Claude M Potterfield Pool										
Total attendance at swimming pool	16,195	15,998	17,945	23,223	23,611	23,764	24,268	25,497	24,606	27,117
Average daily attendance at pool	176	222	285	332	353	321	275	300	315	312
The Greens at Hamilton Run										
Total attendance at golf course	11,736	10,026	9,998	10,946	10,804	10,191	12,219	16,638	16,236	17,655
Average daily attendance at golf course	48	41	37	43	39	39	39	48	52	56
Electric Department										
Number of active accounts	16,866	16,900	16,863	16,876	16,921	16,821	16,974	17,026	17,607	17,585
Number of meters (in use)	17,556	17,375	17,876	17,825	17,942	17,898	17,972	18,072	17,981	17,937
Kilowatt hours purchased	310,397,995	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
Kilowatt hours sold	306,698,130	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
System peak demand-kilowatts	67,655	68,144	66,100	68,180	71,024	67,389	66,204	73,990	77,418	76,717
Water Department										
Number of active accounts-City	13,112	13,082	13,088	13,044	13,028	12,996	13,030	13,083	12,949	12,532
Number of active accounts-County	15,632	15,387	15,430	15,343	15,319	15,288	15,189	15,162	14,920	14,637
Total number of active accounts	28,744	28,469	28,518	28,387	28,347	28,284	28,219	28,245	27,869	27,169
Daily average productions in million gallons										
R.C. Willson Plant (365 days)	11,317	11,423	11,559	11,637	11,854	11,346	10,797	10,583	10,910	10,833
Wm. M. Breichner Plant (365 days)	0,000	0,000	0,000	0,000	0,013	0,000	0,001	0,008	0,030	0,029
Greatest consumption for a single day	14,12	14,3	13,65	13,680	14,000	13,530	13,270	13,130	12,651	12,830
Plant pumping capacity per day	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	14,000	14,000
Average daily metered consumption	8,244	8,129	7,729	8,244	8,698	8,233	8,532	8,645	8,555	8,567
Wastewater Department										
Number of active accounts-City	12,853	12,764	12,795	12,779	12,778	12,745	12,777	12,828	12,707	12,273
Number of active accounts-County	2,912	2,889	2,902	2,903	2,922	2,916	2,898	2,903	2,890	2,816
Number of active accounts-District (USA)	6,577	3,516	3,476	3,449	3,437	3,434	3,409	3,373	3,317	3,155
Number of active accounts-Total	19,342	19,169	19,173	19,131	19,137	19,095	19,084	19,104	18,914	18,244
Daily average of sewage treated (million gallons)(including inflow and infiltration)	6.94	7.08	6.55	7.29	7.430	7.170	6.310	7.060	6.950	6.900
Daily average plant capacity (rated optimum efficiency)(million gallons)	8,000	10,500	10,500	10,500	10,500	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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Parking Facilities Department										
Parking Deck:										
Number of Parking Spaces	625	625	625	625	625	629	625	629	629	441
Number of Permit Parkers	729	485	485	638	996	868	695	421	418	345
Operating Revenue:										
Meter Fees	\$ 189,227	\$ 187,460	\$ 182,763	\$ 186,368	\$ 186,781	\$ 226,740	\$ 237,847	\$ 237,847	\$ 244,864	\$ 247,287
Permit Fees	\$ 181,425	\$ 198,800	\$ 179,250	\$ 161,600	\$ 144,237	\$ 183,619	\$ 162,079	\$ 162,079	\$ 151,675	\$ 176,160
Deck	\$ 426,571	\$ 400,545	\$ 421,341	\$ 378,655	\$ 361,707	\$ 311,211	\$ 334,712	\$ 334,712	\$ 270,721	\$ 212,442
Sanitation										
Number of Waste Collection and Disposal Accounts										
Residential	14,324	14,278	14,341	14,326	14,304	14,364	14,586	14,335	14,075	13,664
Commercial (Trash and Recycling)	60	53	38	25	-	-	-	-	-	-
Special Revenue Funds										
Number outstanding loans:										
Community Development Block Grant										
Single family	4	4	4	6	6	5	7	7	10	10
Residential Rental	12	6	6	6	8	9	9	10	11	11
Commercial	2	2	2	2	2	2	2	2	4	5
Deferred	36	35	36	37	36	37	35	31	26	22
Public facilities and improvements	4	4	4	4	4	4	4	4	4	6
Homeownership	5	4	4	4	4	5	6	7	7	9
Direct Homeownership	6	7	7	7	9	10	9	8	9	8
Business Revolving Loans	16	12	12	10	10	12	10	12	5	3
Total	85	74	75	76	79	84	82	83	76	74
Outstanding loan balances:										
Community Development Block Grant										
Single family	6,695	11,896	20,335	31,573	40,964	35,592	44,427	139,798	109,362	120,911
Residential Rental	813,401	696,938	716,986	596,347	623,803	656,671	688,176	449,450	509,268	524,094
Commercial	21,564	145,980	167,887	186,434	207,740	234,099	261,116	279,075	325,058	486,969
Deferred	804,257	758,431	783,641	789,367	788,302	797,529	863,392	766,144	739,327	691,594
Public facilities and improvements	546,291	584,687	548,366	585,653	627,758	671,463	715,276	757,622	806,757	926,064
Homeownership	101,600	109,331	117,211	125,424	137,620	217,964	266,411	276,864	319,370	368,975
Business Revolving Loans	903,163	773,247	732,901	654,480	569,807	830,909	686,774	832,348	357,797	158,513
Total	\$ 3,196,971	\$ 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
Program income (interest and loan repayments)										
Community Development Block Grant										
Single family	5,763	9,447	12,748	11,404	8,296	8,879	99,941	35,804	24,380	73,849
Residential Rental	149,291	46,853	47,244	56,975	62,950	57,651	58,745	84,167	85,820	335,673
Commercial	21,564	25,001	21,564	25,173	30,748	33,280	23,892	53,753	174,655	64,097
Deferred	3,544	20,550	20	-	18,951	2,561	2,301	10,255	40,306	48,088
Public facilities and improvements	55,991	55,438	57,383	63,989	67,292	69,578	68,309	70,876	146,667	114,250
Homeownership*	8,623	10,865	110,599	15,910	85,768	66,183	22,805	56,422	65,169	105,012
Business Revolving Loans	73,657	73,135	55,780	112,732	107,381	85,714	175,432	118,563	27,718	40,621
Total	\$ 318,433	\$ 241,289	\$ 305,338	\$ 286,183	\$ 381,386	\$ 323,846	\$ 451,425	\$ 429,840	\$ 564,715	\$ 781,590

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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
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	152.10	151.88	151.75	151.0	145.6	144.4	143.3	142.0	139.6	
Number of traffic signals maintained	132	131	132	132	129	130	132	128	127	
Parks and Recreation										
Parks and Playgrounds (299.167 acres)	19	19	18	15	15	15	15	15	15	15
Outdoor swimming pools	1	1	1	1	1	1	1	1	1	1
Number of Municipal golf courses	1	1	1	1	1	1	1	1	1	1
Ice Hockey Rinks	1	1	1	1	1	1	1	1	1	1
Municipal Stadium	1	1	1	1	1	1	1	1	1	1
Museums	2	2	2	2	2	2	2	2	2	2
Electric Department										
Number of substations - 34.5KV to 13.8KV	7	7	7	7	7	7	7	7	7	7
Water Department										
Miles of water mains (estimate)	425	425	425	425	425	425	425	392	389	
Fire hydrants	814	825	814	814	814	808	802	800	800	800
City	1318	1337	1,318	1,297	1,297	1,291	1,272	1,266	1,241	
County										
Wastewater Department										
Number of City owned pumping stations	25	25	25	27	23	26	26	25	27	27
Miles of collection system-City owned	156	157	156	156	153	153	153	153	138	
Parking Facilities Department										
Number of Lots	7	7	7	7	7	7	6	6	7	7
Number of Parking Spaces (Metered or Rented)										
Lots	701	701	701	709	678	682	719	719	726	726
Streets	372	372	374	363	519	511	526	526	540	540
Number of Parking Decks	2	2	2	2	2	2	2	2	2	1

Source: Corresponding City Department.

Hagerstown Gives Back



