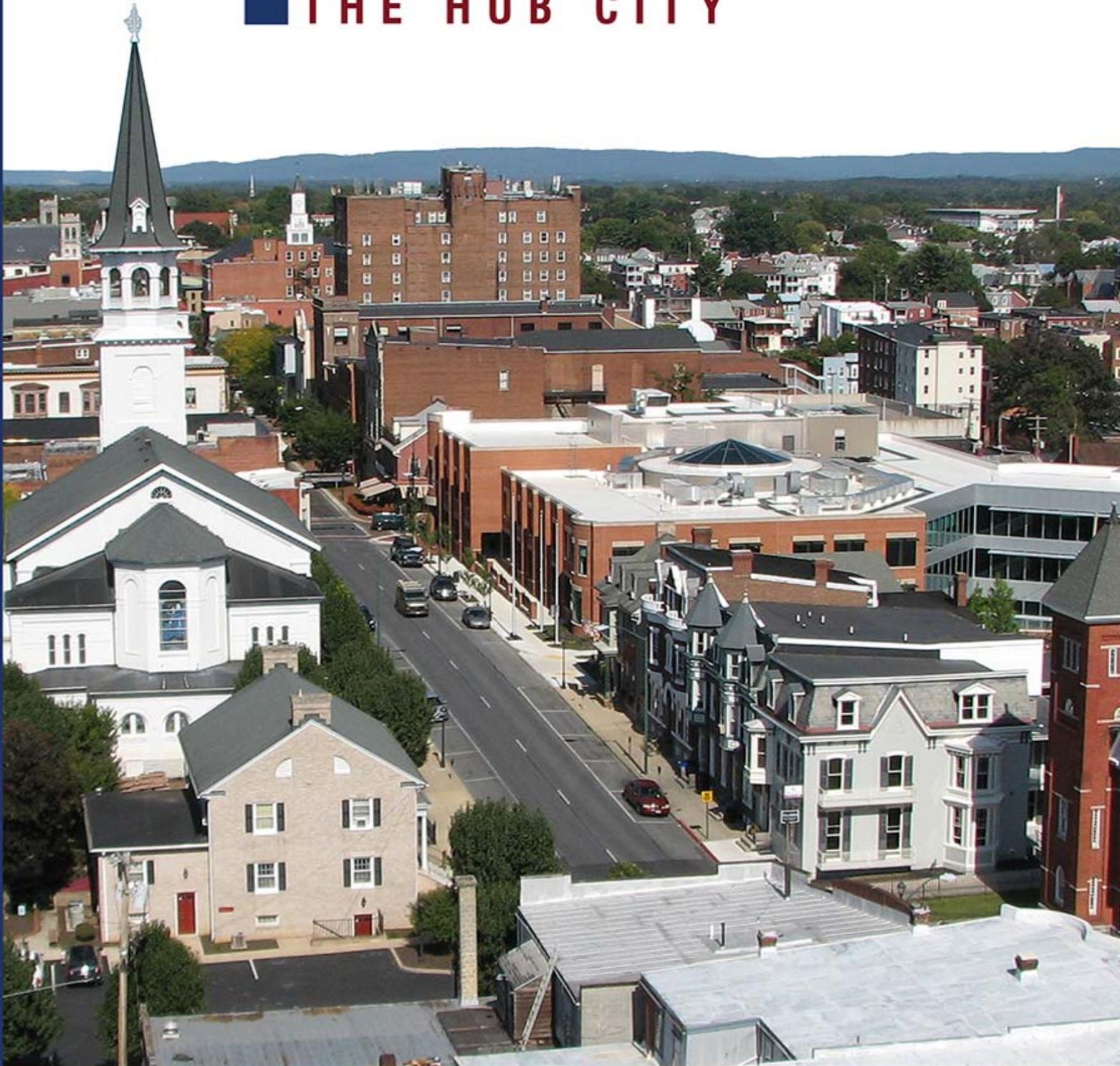




# Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2016

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



# City of Hagerstown

MARYLAND



## Comprehensive Annual Financial Report Fiscal Year 2016

July 1, 2015 - June 30, 2016

Prepared by:

### **Finance and Accounting**

Michelle D. Hepburn, Director of Finance

Rana B. Rose, Accounting and Budget Manager

# City Council



**David Gysberts**  
MAYOR



**Valerie A. Means**  
CITY ADMINISTRATOR



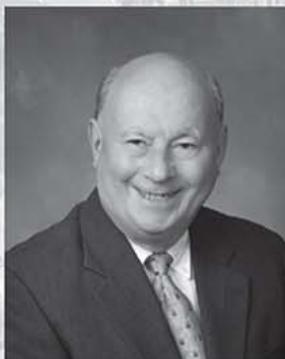
**Kristin Aleshire**  
COUNCIL MEMBER



**Martin Brubaker**  
COUNCIL MEMBER



**Lewis Metzner**  
COUNCIL MEMBER



**Donald Munson**  
COUNCIL MEMBER



**Penny Nigh**  
COUNCIL MEMBER

**City of Hagerstown**  
 Comprehensive Annual Financial Report  
 For the Fiscal Year Ended June 30, 2016

**Table of Contents**

	<u>Page</u>
<b>Introductory Section</b>	
Letter of Transmittal	i
Certificate of Achievement for Excellence in Financial Reporting	v
City Organizational Chart	vi
List of Elected and Appointed City Officials	vii
<b>Financial Section</b>	
Report of Independent Public Accountants	1
Management's Discussion and Analysis	4
<b>Basic Financial Statements:</b>	
Government-Wide Financial Statements:	
Statement of Net Position	18
Statement of Activities	19
Fund Financial Statements:	
Balance Sheet - Governmental Funds	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	23
Statement of Net Position - Proprietary Funds	24
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	26
Statement of Cash Flows - Proprietary Funds	27
Combining Statement of Fiduciary Net Position - Pension Trust Fund	29
Combining Statement of Changes in Fiduciary Net Position - Pension Trust Fund	30
Notes to the Financial Statements	31
<b>Required Supplementary Information:</b>	
The City of Hagerstown Employees State of MD Retirement and Pension Plan	76
The City of Hagerstown Police and Fire Employees' Retirement Plan	78
The City of Hagerstown Other Post Employment Benefits	80
<b>Governmental Funds Supplementary Information:</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	81
- Capital Projects Funds	84
<b>Special Revenue Funds</b>	
Combining Balance Sheet - Nonmajor Governmental Funds	85
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances: - Nonmajor Governmental Funds	86
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Community Development Block Grant	87
- Economic Redevelopment	88
- Flexible Spending	89
- Business Revolving Loan	90
- Excise Tax	91
- Grant Revenue	92
- Upper Floors Redevelopment	93

**City of Hagerstown**  
 Comprehensive Annual Financial Report  
 For the Fiscal Year Ended June 30, 2016

**Table of Contents**

	<u>Page</u>
<b>Financial Section (continued)</b>	
<u>Nonmajor Enterprise Funds</u>	
Combining Statement of Net Position - Nonmajor Enterprise Funds	94
Combining Statement of Revenues, Expenses, and Changes in Net Position - Nonmajor Enterprise Funds	95
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	96
<u>Internal Service Funds</u>	
Combining Statement of Net Position - Internal Service Funds	97
Combining Statement of Revenues, Expenses, and Changes in Net Position - Internal Service Funds	98
Combining Statement of Cash Flows - Internal Service Funds	99
<b>Statistical Section (Unaudited)</b>	
<u>Financial Trends</u>	
Net Position by Component - Last Ten Fiscal Years	100
Changes in Net Position - Last Ten Fiscal Years	101
Governmental Activities Tax Revenues By Source - Last Ten Fiscal Years	103
Fund Balances of Governmental Funds - Last Ten Fiscal Years	104
Changes in Fund Balance - Governmental Funds - Last Ten Fiscal Years	105
<u>Revenue Capacity</u>	
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	106
Property Tax Rates Per \$100 of Assessed Value - Last Ten Fiscal Years	107
Principal Property Taxpayers	108
Property Tax Levies and Collections - Last Ten Fiscal Years	109
<u>Debt Capacity</u>	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	110
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	111
Direct and Overlapping Governmental Activities Debt	112
Legal Debt Margin Information - Last Ten Fiscal Years	113
<u>Demographic and Economic Information</u>	
Demographic and Economic Statistics - Last Ten Fiscal Years	114
Principal Employers in the Metropolitan Area	115
Principal Electric Fund Customers	116
Principal Water Fund Customers	117
Principal Wastewater Fund Customers	118
<u>Operating Information</u>	
Full-time Equivalent City Government Employees by Function - Last Ten Fiscal Years	119
Operating Indicators By Function - Last Ten Fiscal Years	120
Capital Assets Statistics by Function - Last Ten Fiscal Years	122

## INTRODUCTORY SECTION





# City of Hagerstown, Maryland

Finance Department

October 31, 2016

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, 2016.

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, 2016, 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, 2016, 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 40,432 per the latest update from the Maryland State Archives Census Bureau. 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 81 through 83 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 84 and 85 through 93.

### **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 impact of the most recent economic downturn continues to take its toll on both businesses and workers. The unemployment rate for Hagerstown decreased from 7.5% in June 2015 to 6.7% in June 2016; and, the most recent figure for August 2016 decreased slightly to 6.5%. The state of Maryland unemployment rate in June 2016 was 4.3%, but in Washington County it was 5.0%. Rebuilding the economy in Western Maryland continues to be a tenuous process. The average employment for Washington County in June 2016 showed slight growth to 73,381 compared to the prior June average of 72,350, and the Hagerstown metropolitan per capita income for June 2016 (\$38,166) increased slightly compared to June 2015 (\$36,164).

The last 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 1.5 cent per \$100 of assessed value effective July 1, 2015. Due to a combination of the tax rate increase and the slight growth in assessable base values, total property tax revenue increased by \$1.3 million from FY15/16 when compared to FY14/15. Property tax revenue comprised approximately 68% of the City's total general fund revenue sources in FY15/16.

During FY15/16, the City's Safe Speed for School Program continued which was implemented as a public safety initiative in April 2012 to monitor traffic speed in school zones. In FY15/16, \$1.4 million in speed camera violation fines were issued which is a decrease of \$0.1 million over FY14/15. It is anticipated that this revenue will continue to decline and become flat as public awareness and patterns change. In addition, preliminary conversations and approval has been given by Mayor and Council to implement a red light camera program in FY16/17 to further enhance the City's public safety initiatives. The City will continue to be fiscally responsible by achieving cost savings where applicable and seeking diverse revenues 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 FY13/14. 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 FY14/15 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 \$9.2 million or 23.8% of total General Fund expenditures (excluding the transfers to other funds). This represents a little more than two and a half months of General Fund operating expenditures.

Additionally, the City has a community vision reflected in Mayor and Council goals and priorities for calendar 2015 and 2016. This plan provides a structure for the City's leaders to document important initiatives and projects 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](http://www.hagerstownmd.org)) under Mayor & City Council and under FY16/17 Approved budget.

**Major Projects and Initiatives.** The Mayor and Council continue to prioritize 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 FY13/14 through FY15/16, the City is positioned to complete the following:

The Catalyst Projects were initiated in FY14/15 with work ongoing in FY15/16 and beyond 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. In June 2016, the City committed a maximum of \$500,000 to help support the initial design and architect phase of a major theatre expansion.
- Catalyst Project 3 - Support for expansion of the University System of Maryland Hagerstown (USMH) through a dedicated student housing project. Construction was completed on the first student housing project in August 2015 which offers four (4) two-bedroom, two-bathroom student apartments. The City contributed a total of \$340,077 toward this project and the remaining balance was privately funded.
- 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 and Washington County Museum of Fine Arts. The initial phase is projected to be completed in FY16/17.
- 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.

The Downtown Improvement Project is a \$30-\$37 million partnership project that supports many of the Catalyst Projects by creating a City Center Arts & Entertainment Complex and Urban Education Campus. Partners in the project include Washington County, the City of Hagerstown, the Washington County Public Schools and Board of Education, the Barbara Ingram School for the Arts, the Maryland Theatre, the University System of Maryland at Hagerstown and other community partners. This project is in the beginning discussion and planning stage during FY15/16.

In FY12/13, 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 FY14/15 and are now complete. This property is being marketed for sale.

The City of Hagerstown moved forward with the demolition process of the former Municipal Electric Light Plant (MELP) which remains in private ownership.

During FY15/16, the Water Fund completed the RC Willson Phase IV Improvements for SDWA-Stage 2 DPBR compliance. The City has been reimbursed for 100% of the MDE grant funding and for all MDE approved work utilizing MDE loan funding. The Edgemont Reservoir Improvements are underway which include a final evaluation of the earthen dam, ogee, and emergency spillway. This work will result in a final design and construction of needed improvements to address ongoing seepage issues. Final evaluation and planning was initiated in FY16 for required upgrades to the Breichner WTP to comply with the Stage 2 DBPR and the Long Term 2 ESWTR. Funding packages have been submitted to MDE for both Grant and Loan funding.

**Neighborhood and Commercial Redevelopment.** Invest Hagerstown - This private-public partnership program continued 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 FY15/16, the City made the following park additions: completed and opened Kiwanis Park; started construction phase of National Park 806/808 Washington Street; added a Fit/Recreation Room at Fairgrounds Park; and started construction of phase I for the Hagerstown Cultural Trail which will connect Park Circle to Antietam Street and is identified as Catalyst Project #5 in the City's Community Plan. 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, 2015. This was the twentieth 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, 2015. 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 and Budget Manager, and Jeffrey Lear, Senior Financial 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

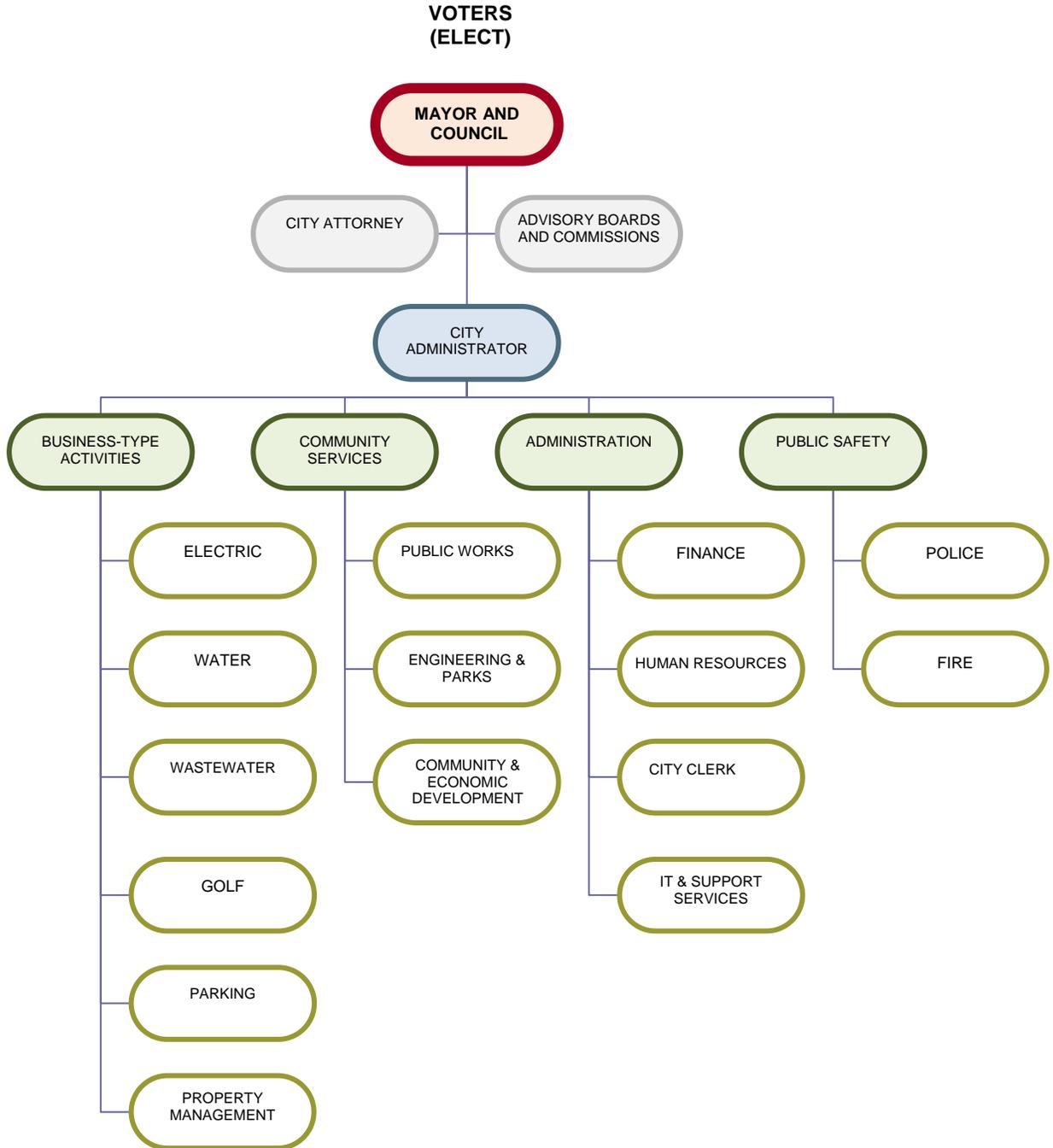
**City of Hagerstown  
Maryland**

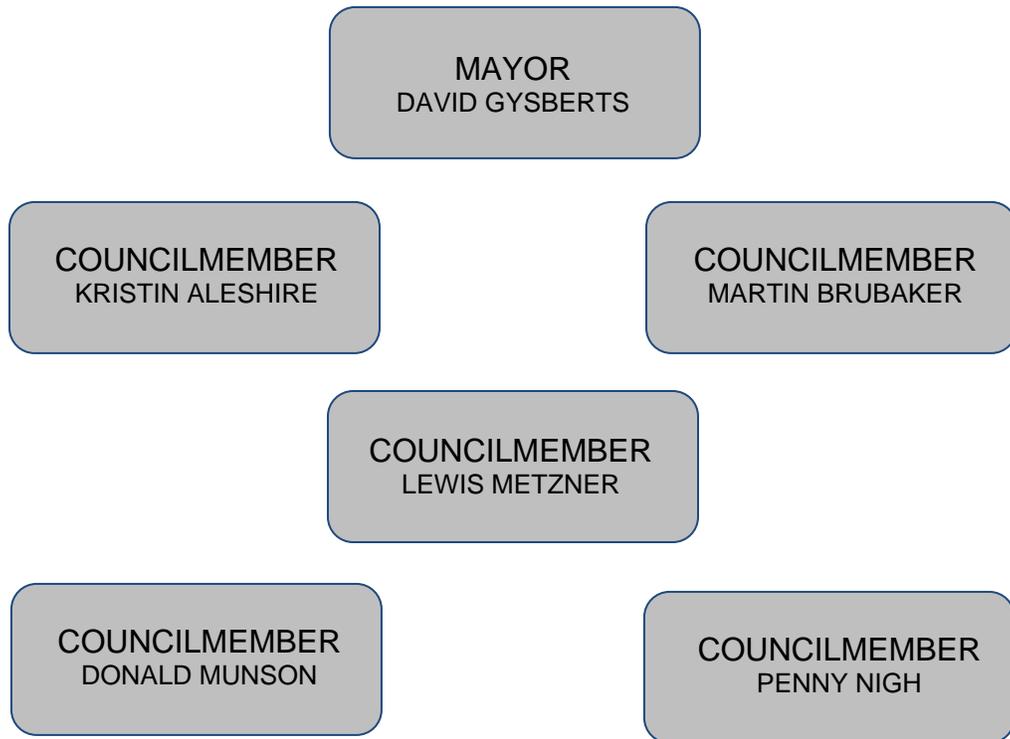
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

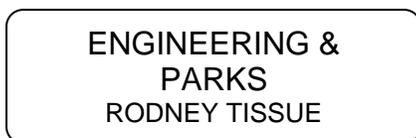
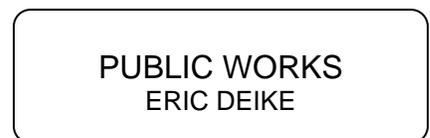
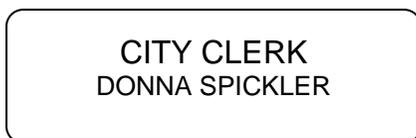
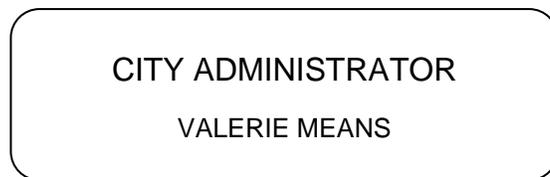
Executive Director/CEO

# CITY ORGANIZATION CHART (By Department)





## **CITY OFFICIALS**



# Growth and Expansion in Hagerstown



**FINANCIAL SECTION**





**S B & C O M P A N Y, L L C**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

City of Hagerstown, Maryland

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hagerstown, Maryland (the City) as of and for the year ended June 30, 2016, 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.



### ***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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budget and actual for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability and schedule of contributions for the Maryland State Retirement and Pension System, the schedule of changes in pension fund net pension liability and related ratios and schedule of employer contributions for the City of Hagerstown Police and Fire Employees' Retirement Plan, and the schedule of funding progress and the schedule of employer contributions for the Other Post Employment Benefits be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements, budgetary comparison schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.



**S B & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

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 31, 2016

*SB & Company, LLC*

# 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, 2016. 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 \$219.6 million (*net position*). Approximately 70.4% of this amount is attributable to the City's three utilities (Electric, Water and Wastewater). Of the total net position, there is negative <\$3.2> million (*unrestricted net position*) to meet ongoing obligations to citizens and creditors (attributable to the City's total net pension liabilities of \$46.8 million reflected per GASB 68 implementation), \$9.2 million is restricted for specific purposes (*restricted net position*), and \$213.6 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 million. Of this total amount \$9.5 million is unassigned and represents working capital available to support governmental operating needs and future years' expenditures.
- The City's total net bonded debt decreased by \$4.4 million during the current fiscal year from \$75.4 million to \$71 million. Total new debt added during the fiscal year was \$.6 million, which reflects new MDE draws of \$556,520 on an existing Maryland Water Quality Revolving Loan. The City's adherence to its amortization schedules for existing debt reduced its debt by \$5 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 \$0.6 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 \$0.5 million to the Economic Redevelopment Fund for the Invest Hagerstown program initiatives. FY15/16 was the second consecutive year that the City raised property tax rates since FY03/04. The real estate property tax rate was increased \$0.015 per \$100 assessed value from FY14/15 to FY15/16 to \$0.913 per \$100 assessed value and corporate personal property tax rate was increased \$0.038 from \$2.245 to \$2.283 from FY14/15 to FY15/16. The result in revenue was an increase of \$1.3M in total revenue compared to the prior fiscal year related to the tax rate changes and slight growth in assessable base.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9.2 million or 23.3% 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 24 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 \$219.6 and \$213.8 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 \$213.6 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 4.2% or \$9.2 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 <\$3.2> million (negative 1.4% 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 \$21.5 million and the unrestricted net position portion for governmental activities has a negative balance of <\$24.6> million.

It is important to note that the City has fully implemented GASB Statement 68 and the result is a total of \$46.8M in net pension liability to fully fund both of the City's pension plans. This \$46.8M 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, 2016 and 2015**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Assets:</b>						
Current assets	\$ 29,448,173	\$ 28,229,943	\$ 30,120,564	\$ 29,530,177	\$ 59,568,737	\$ 57,760,120
Long-term and restricted assets	1,362,607	581,498	5,072,444	4,999,974	6,435,051	5,581,472
Capital assets, net	81,481,719	78,837,979	201,374,251	203,342,409	282,855,970	282,180,388
Total Assets	<u>112,292,499</u>	<u>107,649,420</u>	<u>236,567,259</u>	<u>237,872,560</u>	<u>348,859,758</u>	<u>345,521,980</u>
Deferred outflows related to pensions	3,776,739	1,366,552	2,072,298	1,032,013	5,849,037	2,398,565
<b>Liabilities:</b>						
Long-term liabilities	55,504,898	53,340,661	61,113,179	62,287,303	116,618,077	115,627,964
Other liabilities	8,381,847	7,904,483	8,287,988	9,138,783	16,669,835	17,043,266
Total Liabilities	<u>63,886,745</u>	<u>61,245,144</u>	<u>69,401,167</u>	<u>71,426,086</u>	<u>133,287,912</u>	<u>132,671,230</u>
Deferred inflows related to pensions	1,102,455	724,338	712,857	756,570	1,815,312	1,480,908
<b>Net Position:</b>						
Investment in capital assets, net	66,555,727	63,756,574	147,056,392	146,018,608	213,612,119	209,775,182
Restricted	9,170,892	11,415,507	-	-	9,170,892	11,415,507
Unrestricted	(24,646,579)	(28,125,591)	21,469,141	20,703,309	(3,177,438)	(7,422,282)
Total Net Position	<u>\$ 51,080,040</u>	<u>\$ 47,046,490</u>	<u>\$ 168,525,533</u>	<u>\$ 166,721,917</u>	<u>\$ 219,605,573</u>	<u>\$ 213,768,407</u>

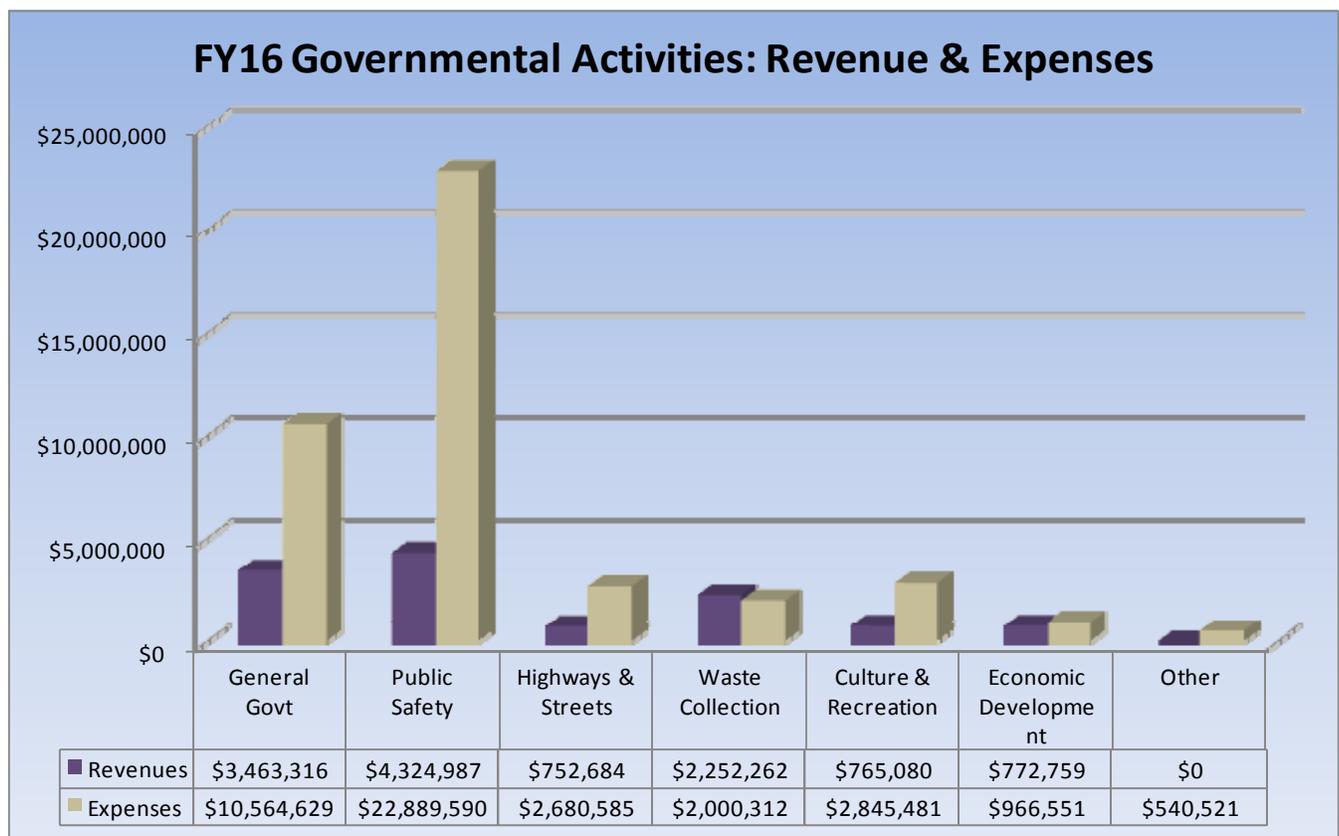
The following table indicates the changes in net position for governmental and business-type activities:

	Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 8,333,770	\$ 8,979,978	\$ 47,911,999	\$ 49,214,183	\$ 56,245,769	\$ 58,194,161
Operating grants and contributions	1,963,246	1,930,908	69,489	51,110	2,032,735	1,982,018
Capital grants and contributions	2,034,072	1,807,299	2,669,305	2,135,780	4,703,377	3,943,079
<b>General Revenues:</b>						
Property taxes	28,463,400	27,209,882	-	-	28,463,400	27,209,882
Income and other taxes	5,003,437	5,105,039	-	-	5,003,437	5,105,039
Miscellaneous	842,039	279,896	153,275	146,024	995,314	425,920
<b>Total Revenues</b>	<b>46,639,964</b>	<b>45,313,002</b>	<b>50,804,068</b>	<b>51,547,097</b>	<b>97,444,032</b>	<b>96,860,099</b>
<b>Expenses:</b>						
<b>Program Expenses:</b>						
General government	10,564,629	9,672,724	-	-	10,564,629	9,672,724
Public safety	22,889,590	23,566,366	-	-	22,889,590	23,566,366
Highways and streets	2,680,585	2,810,855	-	-	2,680,585	2,810,855
Waste collection and disposal	2,000,312	1,971,595	-	-	2,000,312	1,971,595
Culture and recreation	2,845,481	2,788,927	-	-	2,845,481	2,788,927
Economic and community development	966,551	4,053,605	-	-	966,551	4,053,605
Interest on long-term debt	540,521	557,668	-	-	540,521	557,668
Utilities and other proprietary funds	-	-	49,119,197	49,640,710	49,119,197	49,640,710
<b>Total Expenses</b>	<b>42,487,669</b>	<b>45,421,740</b>	<b>49,119,197</b>	<b>49,640,710</b>	<b>91,606,866</b>	<b>95,062,450</b>
<b>Excess before transfers</b>	<b>4,152,295</b>	<b>(108,738)</b>	<b>1,684,871</b>	<b>1,906,387</b>	<b>5,837,166</b>	<b>1,797,649</b>
Transfers	(118,745)	183,935	118,745	(183,935)	-	-
<b>Change in net position</b>	<b>4,033,550</b>	<b>75,197</b>	<b>1,803,616</b>	<b>1,722,452</b>	<b>5,837,166</b>	<b>1,797,649</b>
Net Position - Beginning	47,046,490	46,971,293	166,721,917	164,999,465	213,768,407	211,970,758
<b>Net Position - Ending</b>	<b>\$ 51,080,040</b>	<b>\$ 47,046,490</b>	<b>\$ 168,525,533</b>	<b>\$ 166,721,917</b>	<b>\$ 219,605,573</b>	<b>\$ 213,768,407</b>

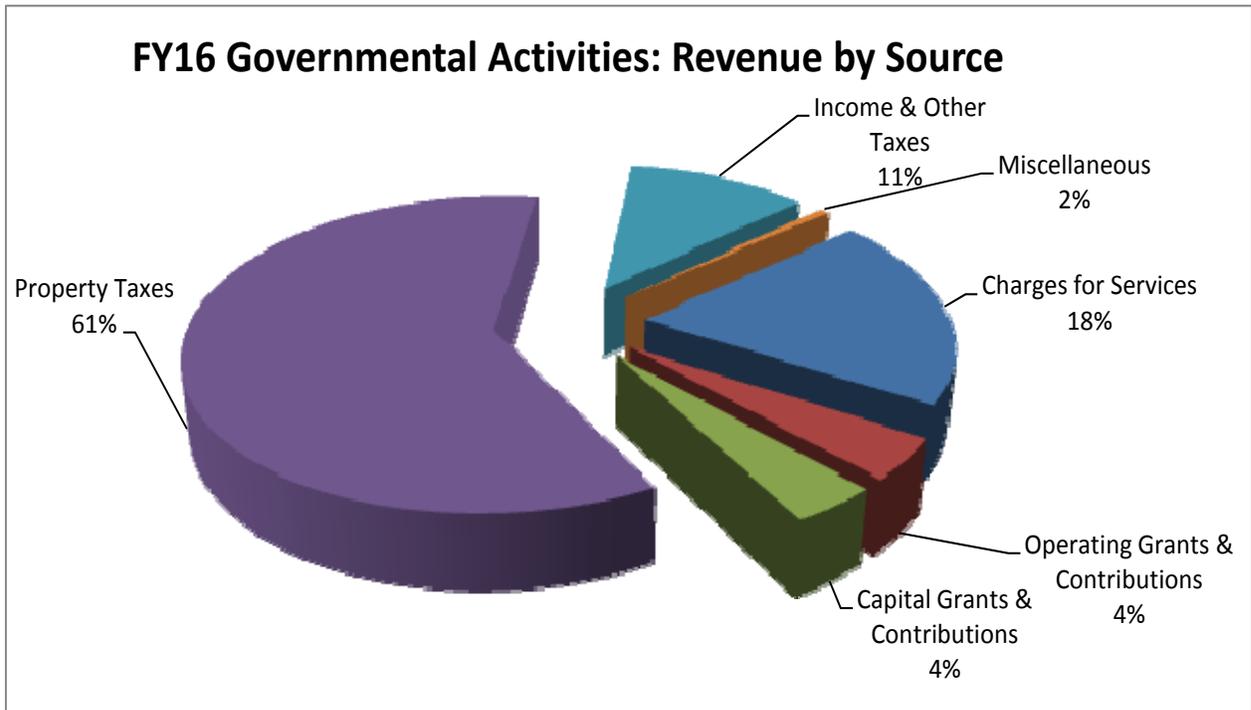
**Governmental activities:** General revenues for the governmental activities were \$34.2 million, while total expenses, net of charges for services, grants and contributions, were \$31.3 million. The increase in net position for governmental activities was \$2.9 million and can be largely attributed to the following:

- \$0.6 million of the increase is due to the excess of actual revenues over expenses in the City’s General Fund. This increase is a result of growth in the total property revenues (includes personal property taxes) and keeping overall expenses flat compared to prior year totals. The expense savings were in the following areas: \$0.2 million for lower utility costs and delay for some public safety supplies; \$0.3 million in fund balance transfers for first-third grant incentives due to private developer project timing; and delay of new bond issuance until FY2017 saved interest expenses.
- \$0.9 million of the decrease is a result of all other governmental funds including the General Capital Improvement Fund. The majority of this decrease is a result of spending prior year bond proceeds for projects.
- \$3.2 million of the increase is a result of the City’s necessary adjustments for Statement of Net Positons. 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.



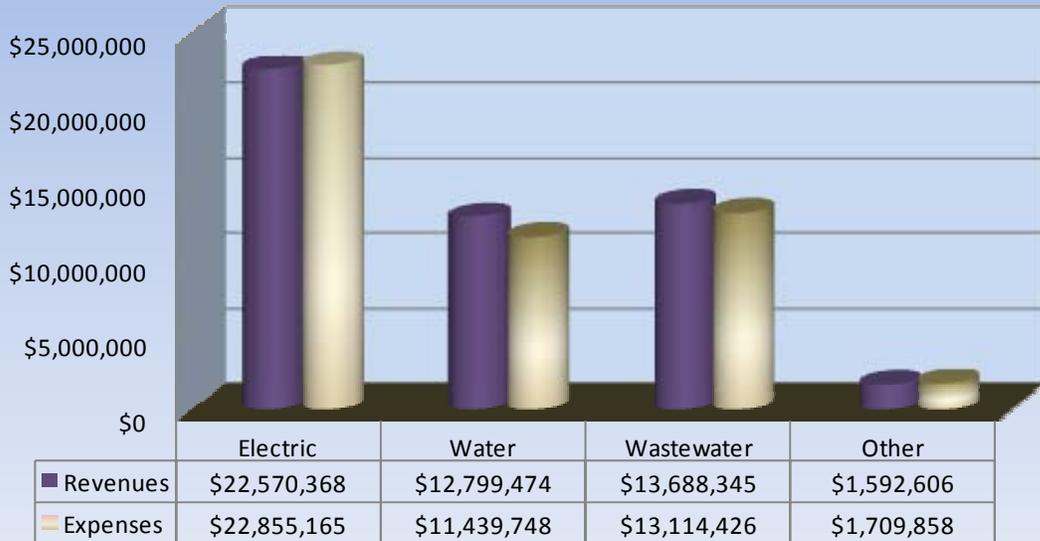
\*Please note that the chart above only includes revenue directly associated to each category and excludes \$34.2 million in general property tax, income tax, investment earnings, and other miscellaneous revenue generated in FY15/16.



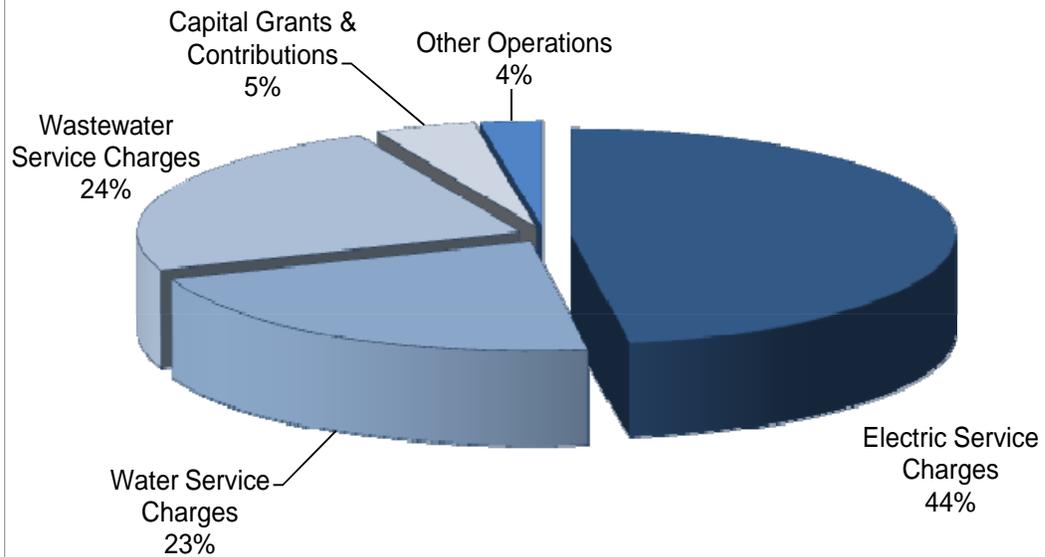
**Business-type Activities:** Business-type activities increased the City of Hagerstown's net position by \$1.6 million. Key elements of this increase are as follows:

- Water, Wastewater and Parking had positive changes in net position, or revenues in excess of expenditures while Electric, Golf, and Property Management had the opposite trend. The following is the breakdown of the positive net changes: \$1.4 M in the Water Fund, \$0.6M in the Wastewater Fund, and \$0.2M in the Parking Fund. The following is the breakdown of the negative net changes: \$0.3M in the Electric Fund, \$0.2M in the Golf Fund, and \$0.1M in the Property Management Fund.
- Transfers in to the business-type activities account for \$0.2 million in revenue. These transfers were primarily for Golf Course operations.
- Capital grants and contributions remained a major revenue source for business-type activities. Water and Wastewater funds received \$1.3 million and \$1.3 million, respectively during the current fiscal year.

### FY16 Business - Type Activities: Revenues & Expenses



### FY16 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 million, a decrease of \$0.3 million from the prior year. Approximately 47.4% of the total fund balance (\$20 million) constitutes *unassigned fund balance* (\$9.5 million), which represents working capital available to support governmental operating needs and future years' expenditures. The remainder of fund balance is *restricted* to indicate that it is not available for new spending because it has already been committed or is legally restricted as follows:

- 1) *Nonspendable and Restricted* fund balance represents amounts that are either legally restricted by outside parties for use for a specific purpose or are otherwise not available for appropriation (\$2.3 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 (\$0.7 million)
- 3) *Assigned* fund balance represents amounts reserved for tentative management plans that are subject to change (\$4.7 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 \$9.2 million, while total fund balance equals \$10.6 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 23.3% of total General Fund expenditures or two and one half months of fiscal expenditures.

The fund balance of the General Fund increased by \$0.6 million during the current fiscal year. This increase is due to actual revenues in excess of expenditures. Below are some key elements for FY15/16:

### Revenues were under approved budget by \$0.2 million

- Total property taxes were above projections by \$1.0 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 FY15/16 by \$0.015 per \$100 assessed value for real estate taxes to \$0.913 from FY14/15 rates and by \$0.038 from \$2.245 to \$2.285 for personal property taxes from FY14/15 rates.
- Fines and forfeitures were less than projections by \$0.4 million due to safe speed camera program. The safe speed camera revenue generated during FY15/16 was also \$0.2 million lower than revenues experienced in FY14/15.

### Expenditures (excluding transfers to other funds) were under budgeted projections by \$0.6 million.

- Materials, Supplies, and Utilities were \$0.2 million under projections due to lower utility costs and delayed timing of public safety supplies.

- Annual debt service expenditures were under projections by \$0.1 from budget and \$0.2 higher than prior fiscal year. It was anticipated during the FY15/16 budget process that new debt would be issued which did not occur.
- Fund balance transfers were \$0.3 under budget as a result of delayed project timing for payment for a First-Third grant to a developer.

The Capital Projects Fund has a total fund balance of \$3.8 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) *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 (\$0.7M)
- 2) *Assigned* fund balance represents amounts reserved for tentative management plans and current encumbrances that are subject to change (\$2.8 million)
- 3) *Unassigned* fund balance represents amounts the portion of net resources in excess of the nonspendable, restricted, committed, and assigned balances (\$0.3M)

**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 \$4.1 million for the Electric Fund, \$9.2 million for the Water Fund and \$4.5 million for the Wastewater Fund. The total decrease in the proprietary funds net position was \$1 million. Other factors concerning these funds' finances have been addressed in the discussion of the City of Hagerstown's business-type activities.

## General Fund Budgetary Highlights

The final budgeted revenues, expenditures, and transfers to other funds increased by less than \$40 thousand over the original budget. The net change reflects an allocation of an original budget contingency across city departments; a transfer of funding from Economic Redevelopment for an incentive provided; and an increase in amounts transferred to our Capital Improvement Projects Fund. During the fiscal year, there was a need for some additional funding for projects. The additional project funding was covered by revenues exceeding original projections.

## 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, 2016, amounts to \$282.9 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 \$0.7 million or less than 1%. There was a 3.4% increase for governmental activities and a 1% decrease for business-type activities.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 6,862,932	\$ 6,862,932	\$ 5,705,970	\$ 5,705,970	\$ 12,568,902	\$ 12,568,902
Construction in progress	2,508,935	3,418,209	440,178	814,757	2,949,113	4,232,966
Buildings & Structures	6,650,991	6,726,933	142,434,875	144,070,495	149,085,866	150,797,428
Improvements other than buildings	5,448,308	5,206,219	696,696	682,623	6,145,004	5,888,842
Machinery & Equipment	5,700,880	5,053,765	52,071,320	52,042,469	57,772,200	57,096,234
Infrastructure	54,309,674	51,569,921	25,210	26,095	54,334,884	51,596,016
<b>Total</b>	<b>\$ 81,481,720</b>	<b>\$ 78,837,979</b>	<b>\$ 201,374,249</b>	<b>\$ 203,342,409</b>	<b>\$ 282,855,969</b>	<b>\$ 282,180,388</b>

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

For the City's governmental activities:

The City spent \$6.4 million in additions for capital assets and improvements during FY15/16. Some of the most notable additions are listed below:

- \$1.8 million was spent on CIP projects which include improvements and construction of road and bridges, new parks and existing park improvements.
- \$4.6 million was spent on land improvements, buildings and structures, machinery and equipment, automobiles and trucks, office furniture, and infrastructure.

Additional information on the governmental activities fixed assets can be found in Note IV. C., pages 53 through 56 of this report.

For the City's business activities:

Of the \$6.5 million the City spent on the acquisition and construction of business activity capital assets in FY15/16, \$1.1 million were funded from contributions from developers, and \$5.4M 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 \$70.9 million. The full faith and credit, and unlimited taxing power of the City are irrevocably pledged to the levy and collection of taxes in order to provide for the payment of principal and interest due on the bonds. Of this amount, \$54.3 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			
	2016	2015	2016	2015	2016	2015
General Bonded Debt	\$ 16,621,899	\$ 18,093,422	\$ 54,317,860	\$ 57,323,805	\$ 70,939,759	\$ 75,417,227

Overall, the City of Hagerstown added new bonded debt of \$.6 million, across all funds. The City added new debt of \$556,520 from a MDE loan which was drawn from the existing Maryland Water Quality Revolving Loan Fund. The City's continued adherence to its amortization schedules for debt repayments reduced its debt by \$5 million resulting in an overall net decrease to debt of <\$4.5> million during the current year.

During the FY15/16, 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 FY15/16, governmental fund debt was 0.63% of the assessed value of taxable property and \$411 per capita while total city-wide debt was 2.67% of the assessed value of taxable property and \$1,755 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 FY15/16 budget reflected a second consecutive year that the City increased real estate and personal property rates since FY03/04. The real estate tax rate was increased by \$0.015 cents per \$100 assessed value to \$0.913 from \$0.898 in FY14/15 and personal property rates were increased by \$0.038 cents from \$2.245 in FY14/15 to \$2.283 in FY15/16. This increase was needed to offset salary and benefit enhancements. The FY15/16 budget also reflects the second 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 FY16/17 General Fund final budget, there is net of \$3,049 that includes utilizing \$0.4 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 FY16/17 the City's major governmental fund approved budget, the General Fund, is projected to increase by 1% over the FY15/16 budget. Wages and benefits are projected to increase by 0.8% to include an increase in employee compensation and increased employer provided benefit costs. Debt service is projected to increase by 0.6% related to new bond issues needed to invest in infrastructure upgrades and other Mayor and Council priority projects.

- 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 FY16/17 budget will remain flat 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 FY18/19 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 FY16/17.

A complete copy of the City's budget is available with additional details on our web site at [www.hagerstownmd.org](http://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](http://www.hagerstownmd.org)

**City of Hagerstown, Maryland**  
**Statement of Net Position**  
**June 30, 2016**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Pooled cash and investments	\$ 19,755,705	\$ 20,341,053	\$ 40,096,758
Receivables (net of allowance for uncollectibles):			
Taxes	524,358	-	524,358
Intergovernmental	2,176,622	-	2,176,622
Customers	1,234,475	6,373,014	7,607,489
Loans	3,021,784	-	3,021,784
Other	9,045	3,891	12,936
Internal balances	(1,625,275)	1,625,275	-
Inventories	166,160	1,751,811	1,917,971
Properties held for resale	1,828,416	-	1,828,416
Prepaid items	358,554	9,427	367,981
Net OPEB asset	1,998,329	-	1,998,329
Due from other agencies		16,093	16,093
Restricted assets:			
Pooled cash and investments	1,362,607	4,482,757	5,845,364
Long-term receivables	-	589,687	589,687
Capital assets (net of accumulated depreciation):			
Land (not being depreciated)	6,862,932	5,705,970	12,568,902
Land improvements	6,645,637	1,773,517	8,419,154
Buildings and structures	16,116,768	213,737,862	229,854,630
Machinery and equipment	5,924,876	108,377,643	114,302,519
Automobiles and trucks	10,352,998	5,584,938	15,937,936
Office furniture and fixtures	4,001,777	760,252	4,762,029
Infrastructure	100,595,589	26,537	100,622,126
Construction in progress (not being depreciated)	2,508,937	440,177	2,949,114
Less accumulated depreciation	<u>(71,527,795)</u>	<u>(135,032,645)</u>	<u>(206,560,440)</u>
Total assets	<u>112,292,499</u>	<u>236,567,259</u>	<u>348,859,758</u>
<b>Deferred Outflow of Resources Related to Pensions</b>			
Deferred Outflows from Pensions	3,776,739	2,072,298	5,849,037
<b>Liabilities</b>			
Accounts and retainages payable	2,832,625	2,316,203	5,148,828
Accrued liabilities	1,954,113	360,734	2,314,847
Escrowed taxes and insurance	5,732	-	5,732
Accrued interest payable	236,669	331,424	568,093
Customer deposits payable	49,968	1,116,359	1,166,327
Due to other agencies	40,010	-	40,010
Unearned revenue	207,579	74,387	281,966
Other liabilities			
Due within one year	-	13,654	13,654
Due in more than one year	-	13,654	13,654
Compensated absences:			
Due within one year	1,561,402	745,299	2,306,701
Due in more than one year	2,672,156	1,050,956	3,723,112
Long-term liabilities:			
Due within one year	1,493,749	3,316,274	4,810,023
Due in more than one year	15,128,150	51,001,585	66,129,735
Net pension liabilities:			
Due in more than one year	<u>37,704,592</u>	<u>9,060,638</u>	<u>46,765,230</u>
Total liabilities	<u>63,886,745</u>	<u>69,401,167</u>	<u>133,287,912</u>
<b>Deferred Inflow of Resources Related to Pensions</b>			
Deferred Inflows from Pensions	1,102,455	712,857	1,815,312
<b>Net Position</b>			
Net investment in capital assets	66,555,727	147,056,392	213,612,119
Restricted for:			
Capital Projects Fund	3,491,091	-	3,491,091
Community Development Block Grant Fund	2,848,002	-	2,848,002
Economic Redevelopment Fund	1,285,221	-	1,285,221
Business Revolving Loan Fund	972,720	-	972,720
Excise Tax Fund	416,144	-	416,144
Grant Revenue Fund	94,727	-	94,727
Other Purposes	62,987	-	62,987
Unrestricted	<u>(24,646,579)</u>	<u>21,469,141</u>	<u>(3,177,438)</u>
<b>Total net position</b>	<b><u>\$ 51,080,040</u></b>	<b><u>\$ 168,525,533</u></b>	<b><u>\$ 219,605,573</u></b>

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, 2016**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Government Business-type Activities		Total
			Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 10,564,629	\$ 2,722,732	\$ 125,926	\$ 614,658	\$ (7,101,313)	\$ -	\$ -	\$ (7,101,313)
Public safety	22,889,590	3,016,955	1,095,593	212,439	(18,564,603)	-	-	(18,564,603)
Highways and streets	2,680,585	48,843	-	703,841	(1,927,901)	-	-	(1,927,901)
Waste, collection and disposal	2,000,312	2,252,262	-	-	251,950	-	-	251,950
Culture and recreation	2,845,481	230,561	31,385	503,134	(2,080,401)	-	-	(2,080,401)
Economic and community development	966,551	62,417	710,342	-	(193,792)	-	-	(193,792)
Interest and issuance costs on LT debt	540,521	-	-	-	(540,521)	-	-	(540,521)
Total governmental activities	42,487,669	8,333,770	1,963,246	2,034,072	(30,156,581)	-	-	(30,156,581)
<b>Business-type activities:</b>								
Electric	22,855,165	22,532,600	-	37,768	-	(284,797)	-	(284,797)
Water	11,439,748	11,455,228	-	1,344,246	-	1,359,726	-	1,359,726
Wastewater	13,114,426	12,401,054	-	1,287,291	-	573,919	-	573,919
Parking facilities	738,566	953,580	-	-	-	215,014	-	215,014
Golf course	443,541	224,893	-	-	-	(218,648)	-	(218,648)
Property management	527,751	344,644	69,489	-	-	(113,618)	-	(113,618)
Total business-type activities	49,119,197	47,911,999	69,489	2,669,305	-	1,531,596	-	1,531,596
<b>Total primary government</b>	<b>\$ 91,606,866</b>	<b>\$ 56,245,769</b>	<b>\$ 2,032,735</b>	<b>\$ 4,703,377</b>	<b>(30,156,581)</b>	<b>1,531,596</b>	<b>1,531,596</b>	<b>(28,624,985)</b>
<b>General revenues:</b>								
Property taxes					28,463,400	-	-	28,463,400
Income and other taxes					5,003,437	-	-	5,003,437
Investment earnings					38,498	153,275	-	191,773
Miscellaneous					803,541	-	-	803,541
Transfers					(118,745)	118,745	-	-
Total general revenues and transfers					34,190,131	272,020	-	34,462,151
<b>Change in net position</b>					<b>4,033,550</b>	<b>1,803,616</b>	<b>1,803,616</b>	<b>5,837,166</b>
Net position - beginning					47,046,490	166,721,917	-	213,768,407
<b>Net position - ending</b>					<b>\$ 51,080,040</b>	<b>\$ 168,525,533</b>	<b>\$</b>	<b>\$ 219,605,573</b>

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

**City of Hagerstown, Maryland**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	General	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Pooled cash and investments	\$ 11,273,830	\$ 3,588,178	\$ 831,688	\$ 15,693,696
Receivables (net of allowance for uncollectibles):				
Taxes	524,358	-	-	524,358
Intergovernmental	1,070,993	1,020,918	84,711	2,176,622
Customers	977,939	13,203	3,393	994,535
Loans	-	-	3,021,784	3,021,784
Other	7,384	763	144	8,291
Advances to other funds	1,000	-	-	1,000
Inventories	166,160	-	-	166,160
Properties held for resale	-	-	1,828,416	1,828,416
Prepaid items	90,193	-	-	90,193
Restricted assets:				
Pooled cash and investments	-	-	157,526	157,526
Total assets	\$ 14,111,857	\$ 4,623,062	\$ 5,927,662	\$ 24,662,581
<b>Liabilities And Fund Balances</b>				
Liabilities:				
Accounts and retainages payable	\$ 1,822,957	\$ 841,227	\$ 139,422	\$ 2,803,606
Accrued liabilities	1,157,354	-	6,112	1,163,466
Advances from other funds	-	-	1,000	1,000
Escrowed taxes and insurance	-	-	5,732	5,732
Customer deposits payable	44,168	-	5,800	49,968
Undisbursed loan and grant commitments	-	-	103,934	103,934
Due to other agencies	40,010	-	-	40,010
Unearned revenue	24,490	-	-	24,490
Total liabilities	3,088,979	841,227	262,000	4,192,206
Deferred Inflows of Resources:				
Unavailable revenue-income taxes	497,085	-	-	497,085
Total deferred inflows of resources	497,085	-	-	497,085
Fund balances:				
Nonspendable	256,353	-	2,034,494	2,290,847
Restricted	-	-	2,815,706	2,815,706
Committed	-	705,958	-	705,958
Assigned	1,077,515	2,785,133	829,601	4,692,249
Unassigned	9,191,926	290,744	(14,139)	9,468,531
Total fund balances	10,525,793	3,781,835	5,665,662	19,973,290
Total liabilities and fund balances	\$ 14,111,857	\$ 4,623,062	\$ 5,927,662	

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.	81,481,720
Taxes and other receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds	497,085
Internal service funds are used by management to charge for the costs associated with uncovered general liability risk, the costs associated with uncovered workers' compensation risk, and the costs associated with the City's health and dental care program. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	3,252,049
Net OPEB asset is calculated by actuarial valuation and is included only in the city-wide statement of net position.	1,998,329
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.	(21,092,126)
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.	(35,030,307)
Net position of governmental activities	\$ 51,080,040

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, 2016**

	<u>General</u>	<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Property taxes	\$ 28,463,400	\$ -	\$ -	\$ 28,463,400
Income and other taxes	3,789,919	1,224,207	-	5,014,126
Licenses and permits	1,910,357	-	-	1,910,357
Intergovernmental	656,997	1,871,224	1,164,269	3,692,490
Program income	-	-	51,859	51,859
Charges for services	2,957,509	-	-	2,957,509
Fines and forfeitures	1,426,168	-	-	1,426,168
Investment earnings	25,846	11,731	921	38,498
Sale of land & other property	32,306	-	-	32,306
Contributions and donations	140,982	162,849	-	303,831
Unallocated general revenue	2,215,751	553,243	33,243	2,802,237
Total revenues	<u>41,619,235</u>	<u>3,823,254</u>	<u>1,250,292</u>	<u>46,692,781</u>
<b>Expenditures</b>				
Current:				
General government	6,130,098	-	10,116	6,140,214
Public safety	22,036,610	-	453,140	22,489,750
Highways and streets	2,516,304	-	-	2,516,304
Waste, collection and disposal	2,001,190	-	-	2,001,190
Culture and recreation	2,552,328	-	-	2,552,328
Economic and community development	581,201	-	1,062,795	1,643,996
Unallocated general expenditures	1,657,736	-	100,696	1,758,432
Debt Service:				
Principal	1,446,786	-	-	1,446,786
Interest	577,660	-	-	577,660
Issuance costs	1,656	-	-	1,656
Capital outlay	-	5,791,170	21,210	5,812,380
Total expenditures	<u>39,501,569</u>	<u>5,791,170</u>	<u>1,647,957</u>	<u>46,940,696</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,117,666</u>	<u>(1,967,916)</u>	<u>(397,665)</u>	<u>(247,915)</u>
<b>Other Financing Sources (Uses)</b>				
New Bond Issuance:				
Debt issued	-	-	-	-
Premium on bond financing	-	-	-	-
Transfers in	131,546	1,226,481	767,786	2,125,813
Transfers out	(1,687,056)	-	(508,350)	(2,195,406)
Total other financing sources and uses	<u>(1,555,510)</u>	<u>1,226,481</u>	<u>259,436</u>	<u>(69,593)</u>
<b>Net change in fund balances</b>	<b>562,156</b>	<b>(741,435)</b>	<b>(138,229)</b>	<b>(317,508)</b>
Fund balances - beginning	9,963,637	4,523,270	5,803,891	20,290,798
<b>Fund balances - ending</b>	<b>\$ <u>10,525,793</u></b>	<b>\$ <u>3,781,835</u></b>	<b>\$ <u>5,665,662</u></b>	<b>\$ <u>19,973,290</u></b>

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, 2016**

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

Net change in fund balances - total governmental funds	\$	(317,508)
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.		848,784
The net effect of capital asset disposals is to decrease net position.		(42,126)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of long-term debt issuance and principal payments on long-term debt.		1,446,786
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.		-
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.		870,451
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.		(353,839)
Internal service funds are used by management to charge for the costs associated with uncovered general liability risk, the costs associated with uncovered workers' compensation risk, and the costs associated with the City's health care program. The net revenue of certain activities of internal service funds is reported with governmental activities.		<u>932,462</u>
Change in net position of governmental activities	\$	<u><u>4,033,550</u></u>

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

**City of Hagerstown, Maryland  
General Fund**

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 27,470,455	\$ 27,470,455	\$ 28,463,400	\$ 992,945
Income and other taxes	3,691,479	3,691,479	3,789,919	98,440
Licenses and permits	2,106,150	2,106,150	1,910,357	(195,793)
Intergovernmental	459,487	459,487	656,997	197,510
Charges for services	3,117,242	3,117,243	2,957,509	(159,734)
Fines and forfeitures	1,841,750	1,841,750	1,426,168	(415,582)
Unallocated and other general revenue	2,293,432	2,339,593	2,414,885	75,292
Total revenues	40,979,995	41,026,157	41,619,235	593,078
<b>Expenditures</b>				
Current:				
General government	6,499,636	6,410,339	6,130,098	280,241
Public safety	22,609,077	22,244,498	22,036,610	207,888
Highways and streets	2,547,013	2,522,452	2,516,304	6,148
Waste, collection and disposal	2,033,630	2,033,436	2,001,190	32,246
Culture and recreation	2,472,817	2,504,455	2,552,328	(47,873)
Economic and community development	484,519	542,893	581,201	(38,308)
Unallocated general expenditures	1,294,697	1,680,898	1,657,736	23,162
Debt Service:				
Principal	1,510,679	1,510,679	1,446,786	63,893
Interest	642,041	642,041	577,660	64,381
Issuance Costs	1,105	1,105	1,656	(551)
Total expenditures	40,095,214	40,092,796	39,501,569	591,227
Excess (deficiency) of revenues over (under) expenditures	884,781	933,361	2,117,666	1,184,305
<b>Other Financing Sources (Uses)</b>				
Transfers in	818,376	904,059	131,546	(772,513)
Transfers out	(1,693,176)	(1,866,226)	(1,687,056)	179,170
Total other financing sources and (uses)	(874,800)	(962,167)	(1,555,510)	(593,343)
<b>Net change in fund balances</b>	<b>9,981</b>	<b>(28,806)</b>	<b>562,156</b>	<b>590,962</b>
Fund balances - beginning	9,963,637	9,963,637	9,963,637	-
<b>Fund balances - ending</b>	<b>\$ 9,973,618</b>	<b>\$ 9,934,831</b>	<b>\$ 10,525,793</b>	<b>\$ 590,962</b>

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, 2016**

	Business-type Activities-Enterprise Funds						Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds	Total	
<b>Assets</b>							
Current assets:							
Pooled cash and investments	\$ 6,771,234	\$ 6,663,793	\$ 5,544,140	\$ 868,559	\$ 493,327	\$ 20,341,053	\$ 4,062,009
Interest receivable	1,288	1,298	1,030	162	113	3,891	754
Accounts receivable (net of allowance for uncollectibles)	1,981,178	1,911,066	2,406,516	42,012	32,242	6,373,014	239,940
Inventories	331,743	1,245,913	174,155	-	-	1,751,811	-
Due from other agencies	-	-	2,500	-	13,593	16,093	-
Prepaid items	2,294	330	5,661	-	1,142	9,427	268,361
Total current assets	<u>9,087,737</u>	<u>9,822,400</u>	<u>8,134,002</u>	<u>910,733</u>	<u>540,417</u>	<u>28,495,289</u>	<u>4,571,064</u>
Noncurrent assets:							
Restricted assets:							
Pooled cash and investments	-	4,032,860	449,897	-	-	4,482,757	1,205,081
Long-term receivable	576,033	13,654	-	-	-	589,687	-
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	1,253,573	225,522	1,773,517	-
Buildings and structures	2,120,393	125,948,761	72,533,198	7,725,584	5,409,926	213,737,862	-
Machinery and equipment	33,735,564	23,700,239	50,140,990	369,463	431,387	108,377,643	-
Automobiles and trucks	1,344,624	1,964,820	2,122,128	62,141	91,225	5,584,938	-
Infrastructure	-	-	-	-	26,537	26,537	-
Office furniture and fixtures	399,408	78,366	255,557	-	26,921	760,252	-
Construction in progress	-	247,521	118,713	5,710	68,233	440,177	-
Less accumulated depreciation	<u>(24,343,178)</u>	<u>(45,076,871)</u>	<u>(59,619,288)</u>	<u>(4,096,856)</u>	<u>(1,896,452)</u>	<u>(135,032,645)</u>	<u>-</u>
Total capital assets, net	14,738,825	108,911,030	65,740,568	6,779,079	5,204,749	201,374,251	-
Total noncurrent assets	15,314,858	112,957,544	66,190,465	6,779,079	5,204,749	206,446,695	1,205,081
<b>Total assets</b>	<u><b>24,402,595</b></u>	<u><b>122,779,944</b></u>	<u><b>74,324,467</b></u>	<u><b>7,689,812</b></u>	<u><b>5,745,166</b></u>	<u><b>234,941,984</b></u>	<u><b>5,776,145</b></u>
<b>Deferred Outflow of Resources Related to Pensions</b>							
Deferred Outflows from Pensions	588,218	786,083	697,997	-	-	2,072,298	-
<b>Total Deferred Outflows Related to Pensions</b>	<u><b>588,218</b></u>	<u><b>786,083</b></u>	<u><b>697,997</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>2,072,298</b></u>	<u><b>-</b></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, 2016**

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds	
<b>Liabilities</b>						
Current liabilities:						
Accounts and retainages payable	1,464,101	485,544	346,312	3,060	17,186	2,316,203
Compensated absences - current	211,353	234,378	232,517	6,826	10,587	695,661
Accrued liabilities	78,190	299,235	270,956	29,349	14,428	686,713
Customer deposits and rebates	1,107,491	-	(1)	6,719	2,150	1,116,359
Unearned revenue	-	101,500	-	-	(27,113)	74,387
General obligation bonds - current	46,485	1,392,374	1,704,500	169,611	3,304	3,316,274
Other liabilities - current	-	-	-	-	13,654	13,654
Total current liabilities	2,907,620	2,513,031	2,554,284	215,565	34,196	8,224,696
Noncurrent liabilities:						
General obligation bonds payable	746,171	31,051,924	18,298,032	812,191	93,267	51,001,585
Compensated absences	334,375	370,807	367,863	10,798	16,751	1,100,594
Other long term liabilities	-	-	-	-	13,654	13,654
Net pension liabilities	2,577,422	3,435,955	3,047,261	-	-	9,060,638
Total noncurrent liabilities	3,657,968	34,858,686	21,713,156	822,989	123,672	61,176,471
<b>Total liabilities</b>	<b>6,565,588</b>	<b>37,371,717</b>	<b>24,267,440</b>	<b>1,038,554</b>	<b>157,868</b>	<b>69,401,167</b>
<b>Deferred Inflow of Resources Related to Pensions</b>						
Deferred Inflows from Pensions	201,518	270,557	240,782	-	-	712,857
<b>Total Deferred Inflows Related to Pensions</b>	<b>201,518</b>	<b>270,557</b>	<b>240,782</b>	<b>-</b>	<b>-</b>	<b>712,857</b>
<b>Net Position</b>						
Net Investment in Capital Assets	13,946,169	76,466,732	45,738,036	5,797,277	5,108,178	147,056,392
Unrestricted	4,277,538	9,457,021	4,776,206	853,981	479,120	19,843,866
<b>Total net position</b>	<b>\$ 18,223,707</b>	<b>\$ 85,923,753</b>	<b>\$ 50,514,242</b>	<b>\$ 6,651,258</b>	<b>\$ 5,587,298</b>	<b>\$ 166,900,258</b>
						<u>1,625,275</u>

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

Net position of business-type activities

\$ 168,525,533

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, 2016**

	Business-type Activities- Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds		
Operating revenues:							
Service charges	\$ 22,008,459	\$ 10,524,648	\$ 12,035,025	\$ 952,630	\$ 573,274	\$ 46,094,036	\$ 9,294,984
Other revenues	551,784	920,462	366,031	-	25,996	1,864,273	92,846
Total operating revenues	<u>22,560,243</u>	<u>11,445,110</u>	<u>12,401,056</u>	<u>952,630</u>	<u>599,270</u>	<u>47,958,309</u>	<u>9,387,830</u>
Operating expenses:							
Production and treatment expenses	16,568,991	3,641,193	4,780,546	-	-	24,990,730	-
Transmission, distribution, and collection expenses	2,168,849	1,392,221	1,687,868	-	-	5,248,938	-
Selling, general and administrative expenses	3,391,041	3,023,113	3,492,878	477,354	821,806	11,206,192	1,423,603
Claim and premium expenses	-	-	-	-	-	-	6,507,132
Depreciation	867,215	3,079,045	2,964,626	231,513	163,288	7,305,687	-
Total operating expenses	<u>22,996,096</u>	<u>11,135,572</u>	<u>12,925,918</u>	<u>708,867</u>	<u>985,094</u>	<u>48,751,547</u>	<u>7,930,735</u>
Operating income (loss)	<u>(435,853)</u>	<u>309,538</u>	<u>(524,862)</u>	<u>243,763</u>	<u>(385,824)</u>	<u>(793,238)</u>	<u>1,457,095</u>
Nonoperating revenues (expenses):							
Intergovernmental revenue	-	-	-	-	69,489	69,489	-
Investment earnings	121,900	8,184	7,507	1,341	14,344	153,275	5,256
Interest expense	(23,517)	(445,156)	(334,849)	(45,648)	(2,664)	(851,834)	-
Bond issuance cost	(59)	(45,752)	(39,118)	(388)	(9)	(85,326)	-
Gain (loss) on disposal of capital assets	(27,643)	10,118	(2)	950	(29,733)	(46,310)	-
Total nonoperating revenue (expenses)	<u>70,681</u>	<u>(472,606)</u>	<u>(366,462)</u>	<u>(43,745)</u>	<u>51,427</u>	<u>(760,705)</u>	<u>5,256</u>
Income (loss) before contributions and transfers	<u>(365,172)</u>	<u>(163,068)</u>	<u>(891,324)</u>	<u>200,018</u>	<u>(334,397)</u>	<u>(1,553,943)</u>	<u>1,462,351</u>
Capital contributions	37,768	1,344,246	1,287,291	-	-	2,669,305	-
Transfers in	-	-	-	-	233,198	233,198	-
Transfers out	-	-	-	-	(114,453)	(114,453)	(49,153)
<b>Changes in net position</b>	<u>(327,404)</u>	<u>1,181,178</u>	<u>395,967</u>	<u>200,018</u>	<u>(215,652)</u>	<u>1,234,107</u>	<u>1,413,198</u>
Net position - beginning	18,551,111	84,742,575	50,118,275	6,451,240	5,802,950	\$ 3,464,126	\$ 3,464,126
<b>Total net position - ending</b>	<u>\$ 18,223,707</u>	<u>\$ 85,923,753</u>	<u>\$ 50,514,242</u>	<u>\$ 6,651,258</u>	<u>\$ 5,587,298</u>	<u>\$ 4,877,324</u>	<u>\$ 4,877,324</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, 2016**

	Business-type Activities- Enterprise Funds					Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds	
<b>Cash Flows From Operating Activities</b>						
Receipts from customers and users	\$ 23,230,781	\$ 11,304,587	\$ 12,161,382	\$ 955,630	\$ 600,405	\$ 48,252,785
Receipts from interfund services provided	-	-	-	-	-	-
Payments to suppliers	(18,278,578)	(3,248,245)	(5,448,758)	(122,981)	(385,616)	(27,484,178)
Payments to employees	(3,771,028)	(4,478,184)	(4,724,856)	(364,831)	(457,431)	(13,796,330)
Net cash provided (used) by operating activities	<u>1,181,174</u>	<u>3,578,158</u>	<u>1,987,768</u>	<u>467,818</u>	<u>(242,642)</u>	<u>6,972,277</u>
<b>Cash Flows From Noncapital Financing Activities</b>						
Transfers from (to) other funds	-	-	-	-	118,745	118,745
Contributions	-	-	-	-	-	-
Net cash provided (used) by noncapital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,745</u>	<u>(49,153)</u>
<b>Cash Flows From Capital And Related Financing Activities</b>						
Proceeds from intergovernmental grant	-	-	-	-	69,489	69,489
Capital contributions	37,768	1,344,246	1,287,291	-	-	2,669,305
Acquisition and construction of capital assets	(962,934)	(3,245,936)	(947,872)	(79,618)	(101,168)	(5,337,528)
Proceeds from bond issuance	(59)	556,522	0	(0)	(10)	556,453
Principal paid on capital debt	(46,409)	(1,648,547)	(1,681,242)	(162,528)	(3,429)	(3,542,155)
Interest paid on capital debt	(23,621)	(462,868)	(351,449)	(50,150)	(2,664)	(890,752)
Proceeds from sale of capital assets	(27,643)	10,118	(2)	950	(29,733)	(46,310)
Net cash provided (used) by capital and related financing activities	<u>(1,022,897)</u>	<u>(3,446,465)</u>	<u>(1,693,274)</u>	<u>(291,346)</u>	<u>(67,515)</u>	<u>(6,521,498)</u>
<b>Cash Flows From Investing Activities</b>						
Interest and dividends received	120,612	6,886	6,477	1,341	14,231	149,547
Net cash provided by investing activities	<u>120,612</u>	<u>6,886</u>	<u>6,477</u>	<u>1,341</u>	<u>14,231</u>	<u>149,547</u>
Net increase (decrease) in pooled cash and investments	278,889	138,579	300,971	177,814	(177,181)	719,071
Pooled cash and investments, beginning of year	6,492,345	\$ 10,558,074	\$ 5,693,066	\$ 690,745	\$ 670,508	\$ 24,104,738
Pooled cash and investments, end of year	<u>\$ 6,771,234</u>	<u>\$ 10,696,653</u>	<u>\$ 5,994,037</u>	<u>\$ 868,559</u>	<u>\$ 493,327</u>	<u>\$ 24,823,810</u>

**City of Hagerstown, Maryland**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Business-type Activities- Enterprise Funds					Governmental Activities- Internal Service Funds
	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds	
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ (435,853)	\$ 309,538	\$ (524,862)	\$ 243,763	\$ (385,824)	\$ (793,238)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense						
Net effect of changes in assets and liabilities						
Accounts receivable	867,215	3,079,045	2,964,626	231,513	163,288	7,305,687
Inventories	606,369	(153,524)	(239,673)	2,596	(12,185)	203,583
Prepaid items	(4,121)	422,964	(10,392)	-	1,079	409,530
Deferred charges	(166)	229	2,153	(112)	580	2,684
Long-term Accounts receivable	-	(45,752)	(39,119)	(388)	-	(85,259)
Accounts and retainages payable	1	13,655	-	-	-	13,656
Compensated absences payable	(148,933)	(357,364)	(395,949)	(12,877)	(11,660)	(926,783)
Accrued liabilities	(53,590)	(97,685)	(92,574)	(2,713)	(1,429)	(247,991)
Customer deposits and rebates	(13,102)	3,336	(37,468)	5,628	3,844	(37,761)
Unearned revenue	64,167	(654)	-	408	(250)	63,671
Other long-term liabilities	-	-	-	-	13,570	13,570
Total adjustments	299,187	404,370	361,026	-	(13,655)	1,050,928
Net cash provided (used) by operating activities	1,617,027	3,268,621	2,512,630	224,055	143,182	7,765,515
	\$ 1,181,174	\$ 3,578,159	\$ 1,987,768	\$ 467,818	\$ (242,642)	\$ 6,972,277
<b>Reconciliation of pooled cash and investments to the balance sheet</b>						
Pooled cash and investments	\$ 6,771,234	\$ 6,663,793	\$ 5,544,140	\$ 868,559	\$ 493,327	\$ 20,341,053
Restricted pooled cash and investments	-	4,032,860	449,897	-	-	4,482,757
Totals	\$ 6,771,234	\$ 10,696,653	\$ 5,994,037	\$ 868,559	\$ 493,327	\$ 24,823,810

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, 2016**

	<b>Pension Trust Fund</b>	<b>Other Post Employment Benefits (OPEB) Trust Fund</b>	<b>Total Trust Funds</b>
<b>Assets</b>			
Investments, at fair value:			
Cash and Cash Equivalents	\$ 752,451	\$ 735,100	\$ 1,487,551
Government and Agency Issues	3,323,057	-	3,323,057
Corporate Debt Issues	1,898,968	-	1,898,968
Common Stock	4,159,792	1,167,646	5,327,438
Mutual Funds	<u>8,623,308</u>	<u>5,321,820</u>	<u>13,945,128</u>
Total investments	18,757,576	7,224,566	25,982,142
Interest Receivable	<u>39,361</u>	<u>4,656</u>	<u>44,017</u>
Total assets	<u>18,796,937</u>	<u>7,229,222</u>	<u>26,026,159</u>
<b>Net Position Restricted for Pensions</b>	<u>\$ 18,796,937</u>	<u>\$ 7,229,222</u>	<u>\$ 26,026,159</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, 2016**

	<b>Pension Trust Fund</b>	<b>Other Post Employment Benefits (OPEB) Trust Fund</b>	<b>Total Trust Funds</b>
<b>Additions</b>			
Contributions:			
Employer	\$ 1,312,319	\$ 650,000	\$ 1,962,319
Plan members	678,080	-	678,080
Total contributions	<u>1,990,399</u>	<u>650,000</u>	<u>2,640,399</u>
Investment earnings:			
Interest and dividends	664,331	243,602	907,933
Net increase/(decrease) in the fair value of investments	(440,830)	(244,156)	(684,986)
Other revenues	2,526	-	2,526
Total investment earnings	<u>226,027</u>	<u>(554)</u>	<u>225,473</u>
Less investment expense	<u>52,366</u>	<u>17,253</u>	<u>69,619</u>
Net investment earnings	<u>173,661</u>	<u>(17,807)</u>	<u>155,854</u>
Total additions	<u>2,164,060</u>	<u>632,193</u>	<u>2,796,253</u>
<b>Deductions</b>			
Benefits	2,422,620	-	2,422,620
Administrative expenses	34,200	438	34,638
Actuarial fees	21,128	1,001	22,129
Total deductions	<u>2,477,948</u>	<u>1,439</u>	<u>2,479,387</u>
<b>Change in net position</b>	<b>(313,888)</b>	<b>630,754</b>	<b>316,866</b>
Net position - beginning	19,110,825	6,598,468	24,493,668
Net position - ending	<u>\$ 18,796,937</u>	<u>\$ 7,229,222</u>	<u>\$ 24,810,534</u>

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

**City of Hagerstown**  
Notes to the Financial Statements  
June 30, 2016

**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 6/30/2016 Per \$100 of assessable base	\$ 0.913	\$ 2.283
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 \$3,054,076 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.

Benefit charge proceeds of \$449,897 in the Wastewater 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 the Wastewater plant.

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, 2016, \$100,234 was restricted for single family loans and \$5,732 was restricted for escrowed taxes and insurance. In addition, \$51,561 was restricted for program income.

As part of the City's health insurance program, \$159,000 is being restricted in the Health Insurance Internal Service Fund. This restriction is a pre-funding for claims associated with the City's 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, 2016, net position *Net Investment in Capital Assets* excludes unspent debt proceeds of \$1,695,907 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. 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 GASB has issued Statement No. 72, entitled *Fair Value Measurement and Application*; Statement No. 76; entitled, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*. These statements did not have a material effect in the City's financial statements.

The GASB has also issued Statement No. 74 entitled, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 75, entitled, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*; and GASB Statement No. 77; entitled, *Tax Abatement Disclosures*, which will require adoption in the future, if applicable. These statements may or will have a material effect on the City's financial statements once implemented. The City will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

## II. Reconciliation of government-wide and fund financial statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$21,092,126 difference are as follows:

Bonds payable	\$	16,621,899
Accrued interest payable		236,669
Compensated absences		<u>4,233,558</u>
Net adjustment to reduce <i>fund balance -- total governmental funds</i> to arrive at <i>net position -- governmental activities</i>	\$	<u>21,092,126</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 \$848,514 difference are as follows:

Capital Asset Additions	\$	4,598,367
Depreciation expense		<u>(3,749,853)</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>848,514</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 \$870,451 difference are as follows:

Compensated absences	\$	867,082
Accrued interest		14,058
Unavailable revenue		<u>(10,689)</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>870,451</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, 2016, expenditures/expenses exceeded revenues by \$741,435 in the Capital Projects Fund, \$1,483 in the Flexible Spending Fund, \$106,094 in the Business Revolving Loan Fund \$190,881 in the Excise Tax Fund, \$125,903 in the Upper Floors Redevelopment Fund, \$313,888 in the Pension Trust Fund, \$327,404 in the Electric Fund, and \$215,652 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, 2016, \$3,491,091 is restricted for the Capital Project Fund for projects which contain specific grants, bond proceeds, or contributions.

Additionally on June 30, 2016, a total of \$5,679,801 is restricted for Special Revenue Funds. This total consists of \$2,848,002 for the Community Development Block Grant Fund, \$1,285,221 for the Economic Redevelopment Fund, \$972,720 for the Business Revolving Loan Fund, \$416,144 for the Excise Tax Fund, \$94,727 for the Grant Revenue Fund, and remaining balance of \$62,987 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

As of June 30, 2016, 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 \$28,789,701 and the bank balances were \$29,789,185. 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 \$10,066,000 was secured by federal depository insurance and \$19,723,185 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, 2016, the City had \$17,142,637 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. The Pool is valued at net asset value. There are no significant redemption notices or periods of notifications for the Pool. Additionally, the City has no funding commitments 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 be a maximum of 3 years from the date of purchase.

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)

The City Pension Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Pension Plan investments are Level 1.

The City Pension Plan has the following recurring fair value measurements as of June 30, 2016:

	Moody's Rating	Fair Value	Investment Maturities (in Years)			
			Less than 1	1 - 5	6 -10	More than 10
Cash and Cash Equivalents		\$ 752,451	\$ 752,451	\$ -	\$ -	\$ -
CitiBank NA	AAA	-	-	-	-	-
Federal Home Loan Mortgage Corp	AAA/NR	191,531	90,294	2,990	-	98,247
Federal National Mortgage Assn	NR	1,320,006	8	-	30,129	1,289,869
Government National Mortgage Assoc	NR	99,332	-	-	-	99,332
U S Treasury Notes	AAA	1,712,188	-	894,160	498,520	319,508
Various Agencies	BA1	-	-	-	-	-
Various Agencies	A1	140,368	-	52,693	32,267	55,408
Various Agencies	A2	113,650	-	66,607	41,644	5,399
Various Agencies	A3	195,779	-	81,044	32,195	82,540
Various Agencies	AA1	45,572	-	20,472	-	25,100
Various Agencies	AA2	89,103	-	43,384	-	45,719
Various Agencies	AA3	85,871	-	50,197	16,311	19,363
Various Agencies	AAA	307,538	-	264,744	-	42,794
Various Agencies	BAA1	316,527	-	185,681	46,635	84,211
Various Agencies	BAA2	253,176	20,006	99,705	83,431	50,034
Various Agencies	BAA3	172,492	-	73,059	60,448	38,985
Various Agencies	NA	178,892	-	178,892	-	-
High Yield Funds		-	-	-	-	-
Common Stock		4,159,792	4,159,792	-	-	-
Mutual Funds		8,623,308	8,623,308	-	-	-
Total Investments Held by Trustee of Pension Plan		\$ 18,757,576	\$ 13,645,858	\$ 2,013,628	\$ 841,580	\$ 2,256,509

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

#### IV. Detailed notes on all funds (continued)

##### A. Deposits and investments (continued)

###### 2. Pension investments

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

###### 3. OPEB (Other Post Employee 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>	<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>Money Market</u>	<u>0 – 10%</u>	<u>3%</u>

The City OPEB Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The OPEB Plan investments are Level 1.

The City OPEB Plan has the following recurring fair value measurements as of June 30, 2016:

**IV. Detailed notes on all funds (continued)**

**A. Deposits and investments (continued)**

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

	Moody's Rating	Fair Value	Investment Maturities (in Years)			
			Less than 1	1 - 5	6 -10	More than 10
Cash and Cash Equivalents		\$ 735,100	\$ 735,100	\$ -	\$ -	\$ -
Common Stock		1,167,646	1,167,646	-	-	-
Mutual Funds		5,321,820	5,321,820	-	-	-
Total Investments Held by Trustee of OPEB Plan		\$ 7,224,566	\$ 7,224,566	\$ -	\$ -	\$ -

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.

Investment Type	Evaluation Benchmark
<b>Equities</b>	
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
<b>REITS</b>	NAREIT Equity
<b>Alternative Investments</b>	
Hedge Funds	HFR (Blended)
<b>Fixed Income</b>	
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 13% invested in foreign stocks. The investment policy permits it to invest up to 20% of total investments in international equities.

#### IV. Detailed notes on all funds (continued)

##### B. Receivables

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

##### Governmental Activities:

	General	Capital Projects	Internal Service Funds	Non-Major Governmental Funds	Total Governmental Funds
Receivables:					
Taxes	\$ 916,679	\$ -	\$ -	\$ -	\$ 916,679
Intergovernmental	1,070,994	1,020,918	-	84,711	2,176,623
Customers	2,636,194	14,245	239,940	3,393	2,893,772
Loans	89,915	625,693	-	3,509,574	4,225,182
Interest	7,572	762	754	143	9,231
Employee	(188)	-	-	-	(188)
Gross receivables	<u>4,721,166</u>	<u>1,661,618</u>	<u>240,694</u>	<u>3,597,821</u>	<u>10,221,299</u>
Less: allowance for uncollectibles	<u>(2,140,491)</u>	<u>(626,734)</u>	<u>-</u>	<u>(487,789)</u>	<u>(3,255,014)</u>
Net total receivables	<u>\$ 2,580,675</u>	<u>\$ 1,034,884</u>	<u>\$ 240,694</u>	<u>\$ 3,110,032</u>	<u>\$ 6,966,285</u>

##### Business-Type Activities:

	Electric	Water	Wastewater	Parking Facilities	Non-Major Enterprise Funds	Business- Type Activities
Receivables:						
Intergovernmental	\$ -	\$ -	\$ 2,500	\$ -	\$ 13,593	\$ 16,093
Customers	4,833,007	1,995,333	2,571,533	232,304	32,242	9,664,419
Loans	1,659,743	13,654	-	-	531,922	2,205,319
Interest	1,288	1,298	1,030	162	113	3,891
Gross receivables	<u>6,494,038</u>	<u>2,010,285</u>	<u>2,575,063</u>	<u>232,466</u>	<u>577,870</u>	<u>11,889,722</u>
Less: allowance for uncollectibles	<u>(3,935,539)</u>	<u>(84,267)</u>	<u>(165,017)</u>	<u>(190,292)</u>	<u>(531,922)</u>	<u>(4,907,037)</u>
Net total receivables	<u>\$ 2,558,499</u>	<u>\$ 1,926,018</u>	<u>\$ 2,410,046</u>	<u>\$ 42,174</u>	<u>\$ 45,948</u>	<u>\$ 6,982,685</u>

**IV. Detailed notes on all funds (continued)**

**B. Receivables (continued)**

**City Totals:**

	Governmental Activities	Business-Type Activities	Total
Receivables:			
Taxes	\$ 916,679	\$ -	\$ 916,679
Intergovernmental	2,176,623	16,093	2,192,716
Customers	2,893,772	9,664,419	12,558,191
Loans	4,225,182	2,205,319	6,430,501
Interest	9,231	3,891	13,122
Employee	(188)	-	(188)
Gross receivables	<u>10,221,299</u>	<u>11,889,722</u>	<u>22,111,021</u>
Less: allowance for uncollectibles	<u>(3,255,014)</u>	<u>(4,907,037)</u>	<u>(8,162,051)</u>
Net total receivables	<u>\$ 6,966,285</u>	<u>\$ 6,982,685</u>	<u>\$ 13,948,970</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	\$ 497,085	\$ -	\$ 497,085
Other unavailable revenues	-	24,491	24,491
Total unavailable/unearned revenue for governmental funds	<u>\$ 497,085</u>	<u>\$ 24,491</u>	<u>\$ 521,576</u>

#### IV. Detailed notes on all funds (continued)

##### C. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 6,862,932	\$ -	\$ -	\$ -	\$ 6,862,932
Construction in progress	3,418,209	1,837,353	-	(2,746,625)	2,508,937
Total capital assets, not being depreciated	<u>10,281,141</u>	<u>1,837,353</u>	<u>-</u>	<u>(2,746,625)</u>	<u>9,371,869</u>
Capital assets, being depreciated:					
Land improvements	6,242,834	48,123	(5,363)	360,044	6,645,637
Buildings and structures	15,830,613	306,007	(26,901)	7,049	16,116,768
Machinery and equipment	5,821,832	122,210	(19,165)	(1)	5,924,876
Automobiles and trucks	9,345,999	909,022	(472,871)	570,848	10,352,998
Office furniture and fixtures	3,806,652	195,125	-	-	4,001,777
Infrastructure	95,769,023	3,017,880	-	1,808,685	100,595,589
Total capital assets being depreciated	<u>136,816,954</u>	<u>4,598,367</u>	<u>(524,300)</u>	<u>2,746,625</u>	<u>143,637,645</u>
Less accumulated depreciation for:					
Land improvements	(1,036,614)	(166,079)	5,364	-	(1,197,329)
Buildings and structures	(9,103,680)	(371,431)	9,333	-	(9,465,778)
Machinery and equipment	(4,229,388)	(267,914)	19,166	-	(4,478,135)
Automobiles and trucks	(6,553,198)	(552,070)	448,311	-	(6,656,957)
Office furniture and fixtures	(3,138,132)	(305,549)	-	-	(3,443,681)
Infrastructure	(44,199,103)	(2,086,811)	-	-	(46,285,915)
Total accumulated depreciation	<u>(68,260,116)</u>	<u>(3,749,853)</u>	<u>482,174</u>	<u>-</u>	<u>(71,527,795)</u>
Total capital assets, being depreciated, net	<u>68,556,838</u>	<u>848,513</u>	<u>(42,126)</u>	<u>2,746,625</u>	<u>72,109,850</u>
Governmental activities capital assets, net	<u>\$ 78,837,979</u>	<u>\$ 2,685,867</u>	<u>\$ (42,126)</u>	<u>\$ -</u>	<u>\$ 81,481,720</u>

#### IV. Detailed notes on all funds (continued)

##### C. Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 5,705,970	\$ -	\$ -	\$ -	\$ 5,705,970
Construction in progress	814,757	661,330	-	(1,035,910)	440,177
Total capital assets, not being depreciated	<u>6,520,728</u>	<u>661,330</u>	<u>-</u>	<u>(1,035,910)</u>	<u>6,146,147</u>
Capital assets, being depreciated:					
Land improvements	1,703,962	52,746	-	16,809	1,773,517
Buildings and structures	211,323,210	2,453,243	(38,591)	-	213,737,862
Machinery and equipment	106,630,552	2,003,664	(1,275,674)	1,019,101	108,377,643
Automobiles and trucks	5,547,015	297,574	(259,651)	-	5,584,938
Office furniture and fixtures	757,995	2,257	-	-	760,252
Infrastructure	26,537	-	-	-	26,537
Total capital assets being depreciated	<u>325,989,273</u>	<u>4,809,484</u>	<u>(1,573,916)</u>	<u>1,035,910</u>	<u>330,260,750</u>
Less accumulated depreciation for:					
Land improvements	(1,021,339)	(55,482)	-	-	(1,076,821)
Buildings and structures	(67,252,716)	(4,059,127)	8,859	-	(71,302,984)
Machinery and equipment	(56,226,198)	(2,897,173)	1,240,984	-	(57,882,387)
Automobiles and trucks	(3,926,621)	(289,941)	190,790	-	(4,025,772)
Office furniture and fixtures	(740,275)	(3,079)	-	-	(743,354)
Infrastructure	(442)	(885)	-	-	(1,327)
Total accumulated depreciation	<u>(129,167,590)</u>	<u>(7,305,687)</u>	<u>1,440,632</u>	<u>-</u>	<u>(135,032,645)</u>
Total capital assets, being depreciated, net	<u>196,821,682</u>	<u>(2,496,203)</u>	<u>(133,284)</u>	<u>1,035,910</u>	<u>195,228,105</u>
Business-type activities capital assets, net	<u>\$ 203,342,410</u>	<u>\$ (1,834,873)</u>	<u>\$ (133,284)</u>	<u>\$ (0)</u>	<u>\$ 201,374,251</u>

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

##### Governmental activities:

General government, including general infrastructure assets	\$ 2,384,315
Public safety	630,362
Highways and streets	276,564
Culture and recreation	411,750
Municipal buildings	46,862
Total depreciation expense – governmental activities	<u>\$ 3,749,853</u>

#### IV. Detailed notes on all funds (continued)

##### C. Capital Assets (continued)

Business-type activities:

Electric	\$ 867,215
Water	3,079,045
Wastewater	2,964,626
Parking facilities	231,513
Golf course	36,284
Property management	<u>127,004</u>
Total depreciation expense – business-type activities	<u>\$ 7,305,687</u>

##### Construction commitments

The government has active construction projects as of June 30, 2016. The projects include improvements and construction of road and bridges, 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
AE/City Park Trail	799,096	1,650,000
Signal Network	74,344	23,000
Bridge Repair Program	1,154,119	805,000
Cable I-Net	1,440	45,579
Fairgrounds Grandstand Improvements	27,101	96,500
Bicycle Trail	79,012	23,000
Neighborhood Parks	9,500	47,000
Pangborn Lake Reconstruction	61,720	-
Sidewalk Cellar Doors	14,303	6,697
Pump Station Improvements	75,492	52,590
R.C.Willson Plant - Phase IV	3,971	-
Water SCADA System	80,576	175,000
Willson Travel Screen Replacement	87,483	1,045,000
Sludge Storage Phase I Improvements	118,713	1,000,000
North Potomac St Parking Deck	5,710	30,000
CVS Building	<u>68,234</u>	<u>26,000</u>
Total	<u>\$ 2,909,113</u>	<u>\$ 5,032,515</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 A&E/City Park Trail and Signal Network projects are both funded through bond proceeds. The major bridge repair work is being financed in partnership with the state contributing 80% and the remaining balance from the City's Excise Tax fund. The Cable I-Net is funded through the Franchise Cable I-Net Fees. 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, Willson Travel Screen Replacement 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 Neighborhood Parks and the Sidewalk Cellar Doors Project is being funded by CDBG. All of the remaining projects (Fairground Grandstand Improvements, Bicycle Trail, Pangborn Lake Reconstruction, Pump Station Improvements, CVS Building) 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, 2016, is as follows:

**Advances from/to other funds:**

Receivable Fund	Payable Fund	Amount
General Fund	Community Development Block Grant Fund	\$1,000

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 2016. 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	\$ -	\$ 82,393	\$ -	\$ -	\$ -	\$ -	\$ 49,153	\$ -	\$ 131,546
Capital Projects	926,524	299,957	-	-	-	-	-	-	1,226,481
Nonmajor									
Governmental	527,333	126,000	-	-	-	114,453	-	-	767,786
Parking	-	-	-	-	-	-	-	-	-
Nonmajor									
Enterprise	233,198	-	-	-	-	-	-	-	233,198
Transfers in	\$ 1,687,055	\$ 508,351	\$ -	\$ -	\$ -	\$ 114,453	\$ 49,153	\$ -	\$ 2,359,012

The \$131,546 transferred into the General Fund has three separate components: (1) a \$11,095 transfer from the Community Development Block Grant Fund for a part-time employee costs, (2) a \$70,488 transfer from Economic Redevelopment for Business Incentives, and (3) a \$49,153 transfer from the Health Insurance Fund for City Wide Wellness Programs.

Transfers to the Capital Projects Fund from the General Fund \$926,524, and Non-major Governmental Funds \$299,957 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, and various other major capital projects.

#### **IV. Detailed notes on all funds (continued)**

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

The \$527,333 transfer from the General Fund to the Non-major Governmental Funds has three separate components: (1) a \$40,597 transfer to the Grant Revenue Fund for local match requirements and not receiving a grant reimbursement, (2) a \$386,736 transfer to the Economic Redevelopment Fund for the First-Third program and INVEST Hagerstown, and (3) a \$100,000 transfer to Economic Redevelopment for community betterment programs. The \$126,000 transfer between the Economic Redevelopment Fund and the Upper Floors was to continue to fund PEP incentives and the \$114,453 transfer from the Property Management fund to Economic Redevelopment were for an incentive agreement for Student Housing and rehab for a Property Held for Resale at 170 W Washington Street.

The \$233,198 transfer from the General Fund to the Non-major Enterprise Funds represents operating transfers to the Golf Course Fund.

**IV. Detailed notes on all funds (continued)**

**E. Operating Leases**

The City has entered into several lease agreements as lessee for various other types of equipment under non-cancelable operating leases that expire in FY2019. Total costs for equipment operating leases were \$33,304 in FY2016. Future minimum lease payments for these leases are as follows:

	Fiscal Years Ending June 30,			Total
	2017	2018	2019	
Totals	\$ 26,519	\$ 12,300	\$ 3,163	\$ 41,982

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, 2016 was \$607,462. Future minimum rental income for these leases is as follows:

	Fiscal Years Ending June 30,						Total
	2017	2018	2019	2020	2021	Thereafter	
Totals	\$ 552,215	\$ 239,402	\$ 163,901	\$ 160,514	\$ 154,847	\$ 1,827,948	\$ 3,098,828

As of June 30, 2016, 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	\$ 953,373	\$ 3,497,157	\$ 1,346,230	\$ 2,150,927	\$ 3,104,300

#### 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	\$ -	\$ 246,049	\$ 246,049
1998 MD Water Quality Revolving Loan Fund	2.37%	2020	-	1,587,113	1,587,113
2000 MD Water Quality Revolving Loan Fund	2.40%	2021	-	616,191	616,191
2002 State of Maryland Water Supply Assistance	4.40%	2024	-	124,759	124,759
2004 Public Facilities Bonds	3.40%-4.30%	2019	450,000	-	450,000
2004 Taxable Facilities	5.40%-6.00%	2019	-	490,000	490,000
2004 Public Facilities Bonds, Second Issue	3.36%	2020	1,211,250	63,750	1,275,000
2005 MD Water Quality Revolving Loan Fund	0.40%	2025	-	3,411,391	3,411,391
2006 Public Facilities Bonds	3.66%	2021	3,495,394	1,154,606	4,650,000
2007 MD Drinking Water Revolving Loan Fund	0.40%	2026	-	3,209,214	3,209,214
2009-A Tax Exempt Bonds	2.00%-4.00%	2019	1,536,438	1,723,562	3,260,000
2009-B Taxable Build America Bonds	5.00%-5.75%	2029	5,073,545	5,691,456	10,765,000
2009 MDE West End Reservoir Tank Phase II	0.00%	2039	-	4,226,337	4,226,337
2009 MDE Water Quality Bond	0.00%	2032	-	631,158	631,158
2009 MDE RCWillson Mains	0.00%	2041	-	3,824,918	3,824,918
2009 MD Water Quality Revolving Loan Fund	0.00%	2030	-	4,950,401	4,950,401
2009 Salem Ave. Collection System Rehabilitation	0.00%	2030	-	536,790	536,790
2011 Public Facilities Bonds	2.00%-3.50%	2031	-	5,075,000	5,075,000
2014 Public Improvement Bonds	2.50%	2029	396,762	1,134,463	1,531,225
2012 United Bank Loan	4.00%-WSPR	2022	374,324	-	374,324
2013A MDE Willson Plant Phase IV	0.90%	2044	-	8,323,290	8,323,290
2013B MDE Willson Plant Phase IV	0.00%	2044	-	1,399,928	1,399,928
2015A Public Facilities Bond	3.06%	2035	3,161,488	4,583,511	7,744,999
2015B Public Facilities Bond Taxable	3.89%	2035	623,649	1,151,351	1,775,000
<b>Total general obligation bonds payable</b>			<b>16,322,850</b>	<b>54,155,238</b>	<b>70,478,087</b>
Premiums on bond issues			299,049	149,445	448,494
<b>Total general obligation debt outstanding</b>			<b>\$ 16,621,899</b>	<b>\$ 54,304,683</b>	<b>\$ 70,926,581</b>

#### IV. Detailed notes on all funds (continued)

##### F. Long-term debt (continued)

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
2017	1,493,761	629,308	3,596,893	982,675
2018	1,557,827	580,678	3,673,150	921,467
2019	1,624,820	515,408	3,747,114	859,365
2020	1,688,121	458,947	3,738,016	794,689
2021	1,292,399	404,742	3,227,640	728,602
2022-2026	4,129,761	1,405,053	15,561,610	2,762,252
2027-2031	3,476,170	533,989	11,332,898	1,344,355
2032-2036	1,059,991	89,104	5,380,123	380,916
2037-2041	-	-	2,830,615	103,564
2042-2046	-	-	1,067,179	26,704
<b>Total</b>	<b>16,322,850</b>	<b>4,617,229</b>	<b>54,155,238</b>	<b>8,904,589</b>
Premiums on bond issues	299,049	-	149,445	-
<b>Total general obligation debt</b>	<b>\$ 16,621,899</b>	<b>\$ 4,617,229</b>	<b>\$ 54,304,683</b>	<b>\$ 8,904,589</b>

##### 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, 2016, \$13,177 of revenue bonds was outstanding:

Description	Interest	Maturity	Business-type
	Rate		Activities
1993 M.C.C.B. water supply assistance loan	5.36%	2025	\$ 13,177

Revenue bond debt service requirements to maturity are as follows:

Year Ended June 30	Business-type Activities	
	Principal	Interest
2017	1,177	675
2018	1,241	610
2019	1,307	542
2020	1,377	470
2021	1,451	394
2022-2025	6,624	733
<b>Total</b>	<b>\$ 13,177</b>	<b>\$ 3,423</b>

**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
<b>Governmental activities:</b>					
Bonds payable:					
General obligation					
Bonds	\$ 17,769,637	\$ -	\$ (1,446,786)	\$ 16,322,850	\$ 1,493,749
Premium	323,785	-	(24,736)	299,049	-
Total long-term debt	<u>18,093,422</u>	<u>-</u>	<u>(1,471,522)</u>	<u>16,621,899</u>	<u>1,493,749</u>
Compensated absences	<u>5,335,089</u>	<u>5,430,113</u>	<u>(6,294,169)</u>	<u>4,471,033</u>	<u>1,561,402</u>
Governmental activity					
Long-term liabilities	<u>\$ 23,428,511</u>	<u>\$ 5,430,113</u>	<u>\$ (7,765,691)</u>	<u>\$ 21,092,932</u>	<u>\$ 3,055,151</u>
<b>Business-type activities:</b>					
Bonds payable:					
General obligation					
Bonds	\$ 57,139,754	\$ 556,520	\$ (3,541,036)	\$ 54,155,238	\$ 3,596,893
Revenue bonds	14,295	-	(1,118)	13,177	1,177
Premium	<u>169,756</u>	<u>-</u>	<u>(20,311)</u>	<u>149,445</u>	<u>-</u>
Total long-term debt	<u>57,323,805</u>	<u>556,520</u>	<u>(3,562,465)</u>	<u>54,317,860</u>	<u>3,598,070</u>
Compensated absences	<u>2,044,245</u>	<u>1,883,517</u>	<u>(2,131,507)</u>	<u>1,796,255</u>	<u>745,299</u>
Business-type activities					
Long-term liabilities	<u>\$ 59,368,050</u>	<u>\$ 2,440,037</u>	<u>\$ (5,693,972)</u>	<u>\$ 56,114,115</u>	<u>\$ 4,343,369</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 2016, 2015 and 2014.

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.

Beginning July 1, 2015, the City replaced its guaranteed cost program for workers' compensation coverage and moved to a self-insured program. The City was granted the privilege of self-insurance by the Maryland Workers' Compensation Commission on June 11, 2015 for all employees. This insurance coverage includes a \$3,000,000 workers' compensation surety bond. The City has an excess liability policy with a self-insured retention per occurrence of \$750,000, and a maximum limit of indemnity per occurrence and aggregate of \$1,000,000.

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.

As shown in the chart below, the City estimates its liability is \$50,000 in general liability risk claims, and \$650,967 in health and dental insurance.

	General Liability Risks Program		Health Insurance Fund	
	2015/16	2014/15	2015/16	2014/15
Unpaid claims, beginning of year	\$ 79,800	\$ 32,500	\$ 767,700	\$ 1,083,566
Incurring claims	16,496	24,017	6,100,866	6,043,981
Reserve reduction	(29,800)	47,300	-	-
Claim payments	(16,496)	(24,017)	(6,217,599)	(6,359,847)
Unpaid claims, end of year	\$ 50,000	\$ 79,800	\$ 650,967	\$ 767,700

## 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, 2016. 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 2016, 260 retirees and their 211 dependents were eligible for hospitalization and dental benefits. For fiscal year 2016, total claims paid for retiree health care benefits were approximately \$1,486,532 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, 54 retirees and 30 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 \$764,373 for the year ended June 30, 2016 for current health and dental care benefit premiums. An additional \$1,280,521 has been designated for future benefits for a total ARC of \$2,044,894. The current ARC rate is 7.4% of annual covered payroll. The City contributed \$2,745,335 to the plan, including \$2,095,335 in current premiums and other pay as you go costs (77.0% of total premiums) and an additional \$650,000 to prefund benefits for the fiscal year 2017. Plan members receiving benefits contributed

**V. Other information** (continued)

**C. Other post employment benefits** (continued)

\$296,843, or approximately 12% of the total premiums, through their required contribution. As of June 30, 2016, the plan's net assets were \$7,229,222.

*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)	\$ 2,044,894
Interest on net OPEB obligation	(95,234)
Adjustment to ARC	67,138
Annual OPEB cost (expense)	<u>2,016,798</u>
Contributions made	<u>(2,745,335)</u>
Increase in net OPEB asset	(728,537)
Net OPEB asset, beginning of year	<u>(1,269,792)</u>
Net OPEB asset, end of year	<u>\$ (1,998,329)</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB asset for the past four 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)
06/30/2016	2,016,798	136.1%	(1,998,329)

*Funded status and funding progress.* The funded status of the plan as of July 1, 2015, was as follows:

Actuarial accrued liability (AAL)	\$ 31,697,250
Actuarial value of plan assets	<u>6,598,467</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 25,098,783</u>
Funded ratio (actual value of plan assets/AAL)	20.82%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 27,539,761
UAAL as a percentage of covered payroll	91.14%

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

Salary Scale – 3.0% per year under discount rate.

Retirement Age – As specified in the following table:

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

Inflation Rates – Medical costs are assumed to increase annually at a rate starting at 8% in 2014 and decreasing linearly each year to an ultimate annual increase of 5% by 2023. Dental costs are assumed to increase 5% annually.

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, 2015, the date of the most recent actuarial valuation:

Active	177
Retired or disabled	81
Vested terminations or inactive	<u>9</u>
Total	<u>267</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, 2015 actuarial valuation, sworn employees contribute 7% of their base pay and the current actuarially determined rate the government is required to contribute is 13.71% for fiscal year 2015/2016. As of June 30, 2016, the plan's net position was \$18,796,938 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>
<b>Total</b>	<b><u>100%</u></b>

For the year ended June 30, 2016, the annual money weighted return on pension plan investments, net of investment expense was (.16%) 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, 2016 is as follows:

**V. Other information** (continued)

**D. Employee retirement systems and pension plans** (continued)

Total Pension Liability (TPL)	\$ 47,574,604
Plan Fiduciary Net Position	18,796,938
City's Net Pension Liability	<u>\$ 28,777,666</u>
 City's Net Position as a Percentage of TPL	 39.51%

The schedule below reflects the factors that impact net pension liability and results as of June 30, 2016:

Total pension liability	
<b>Service cost:</b> Retirement benefits	\$ 751,552
Administration	
Interest	3,510,534
Differences between expected and actual experience	(420,327)
Changes of assumptions	195,086
Benefit payments, including refunds of member contributions, deaths, & terminations	<u>(2,421,115)</u>
<b>Net change in total pension liability</b>	<b>\$ 1,615,730</b>
Total pension liability - beginning	<u>45,958,874</u>
Total pension liability - ending (a)	<u>\$47,574,604</u>
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 1,408,922
Contributions - member	728,171
Net investment income	79,333
Benefit payments, including refunds of member contributions	(2,421,115)
Administrative expense	<u>(109,198)</u>
<b>Net change in plan fiduciary net position</b>	<b>(313,887)</b>
Plan fiduciary net position - beginning	<u>19,110,825</u>
Plan fiduciary net position - ending (b)	<u>\$18,796,938</u>
 City's net pension liability - ending (a) - (b)	 <u>\$28,777,666</u>
 Plan fiduciary net position as a percentage of total pension liability	 39.51%
 Covered employee payroll	 \$ 9,714,880
 Net liability as a percentage of covered payroll	 296.22%
 Annual money-weighted rate of return, net of investment expense	 -0.16%

*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	\$ 34,707,669	\$28,777,666	\$ 23,828,472

**V. Other information (continued)**

**D. Employee retirement systems and pension plans (continued)**

*Deferred outflows of resources related to pensions.* As of June 30, 2016, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		\$ 336,261
Changes of assumptions	\$ 156,069	
Net difference between projected and actual earnings on pension plan investments	<u>\$ 1,393,322</u>	
<b>Total</b>	<b><u>\$ 1,549,391</u></b>	<b><u>\$ 336,261</u></b>

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

Year Ended June 30:	
2017	\$ 371,987
2018	371,987
2019	371,987
2020	277,361
2021	-
Thereafter	-

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, 2015 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 20 years. The actuarial assumptions included:

- (a) Investment return – 7.75% as selected by the plan sponsor.
- (b) Funding method – Frozen Initial Liability
- (c) Projected salary increases of 4.25% per year.
- (d) Valuation of Assets – Market value.
- (f) Mortality – RP-2000 sex distinct with general improvement using scale AA
- (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, 2016 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	6%	10.10%	2.25%	7.85%
International Equities	13%	10.10%	2.25%	7.85%
Real Estate Investment Trusts	2%	8.40%	2.25%	6.15%
Investment Grade Bonds	29%	5.80%	2.25%	3.55%
High Yield Bonds	3%	4.90%	2.25%	2.65%
<b>Total</b>	<b>100%</b>	<b>8.13%</b>	<b>2.25%</b>	<b>5.88%</b>

#### 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>
2016	\$ 1,668,108	\$ 1,668,108	100%

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* As of June 30, 2016, the City reported a liability of \$17,987,564 for its proportionate share of the net pension liability. The net Pension liability was measured as of June 30, 2015, 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, 2015, the City's proportion was 0.0865 percent.

For the year ended June 30, 2016, the City recognized pension expense of \$1,754,479. As of June 30, 2016, 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	\$ 1,668,108	\$ -
Changes of assumptions	1,047,208	
Net difference between projected and actual earnings on pension plan investments	1,584,330	1,110,681
Difference between actual and expected experience		368,370
<b>Total</b>	<b>\$ 4,299,646</b>	<b>\$ 1,479,051</b>

## 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:	
2017	\$ 321,298
2018	321,298
2019	321,298
2020	188,593

*Actuarial Assumptions:* The key actuarial assumptions used to perform the June 30, 2015 pension liability calculation are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, closed
Inflation	2.70% general, 3.2% wage
Salary Increases	3.20% to 8.95%, including wage inflation
Investment Rate of Return	7.55%

Mortality rates were based on the RP-2014 Combined Healthy Mortality Tables.

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	Target Allocation	Long-Term 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%
<b>Total</b>	<b>100%</b>	

**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 7.55 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 7.55 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 (6.55 percent) or 1 percentage point higher (8.55 percent) than the current rate:

	1% decrease 6.55%	Current rate 7.55%	1% increase 8.55%
City's proportionate share of the Net Pension Liability	\$ 25,422,663	\$17,987,564	\$ 11,822,385

*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, 2015. This can be found at [www.sra.state.md.us/Agency/Downloads/CAFR/CAFR-2015.pdf](http://www.sra.state.md.us/Agency/Downloads/CAFR/CAFR-2015.pdf).

## Required Supplementary Information

### State of Maryland Retirement and Pension Plan

#### Schedule of Changes in Employee Retirement System (ERS) Net Pension Liability and Related Ratios Last Two Fiscal Years

	<u>2016</u>	<u>2015</u>
City's proportion of the ERS net pension liability (asset)	0.0865%	0.0762%
City's proportionate share of the ERS net pension liability (asset)	\$17,987,564	\$13,529,649
City's covered-employee payroll	\$17,824,881	\$17,395,973
Plan fiduciary net position as a percentage of the total pension liability	68.78%	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

### State of Maryland Retirement and Pension Plan

#### Schedule of Employee Retirement System (ERS) Employer Contributions Last Two Fiscal Years

	<u>2016</u>	<u>2015</u>
Contractually required contribution (ERS)	\$ 1,824,341	\$ 1,776,607
Contributions in relation to the contractually required contribution	<u>(1,824,341)</u>	<u>(1,776,607)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$17,824,881	\$17,395,973
Contributions as a percentage of covered-employee payroll	10.23%	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	2.70% general, 3.2% wage
Salary Increases	3.20% to 8.95%, including wage inflation
Discount Rate	7.55%
Investment Rate of Return	7.55%
Mortality	RP-2014 Mortality Tables

## 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 Last Two Fiscal Years

	2016	2015
<b>Total pension liability</b>		
<b>Service cost:</b> Retirement benefits	\$ 751,552	\$ 574,841
Interest	3,510,534	3,347,378
Differences between expected and actual experience	(420,327)	-
Changes of assumptions	195,086	-
Benefit payments, including refunds of member contributions, deaths, & terminations	<u>(2,421,115)</u>	<u>(2,268,315)</u>
<b>Net change in total pension liability</b>	<b>\$ 1,615,730</b>	<b>\$ 1,653,903</b>
Total pension liability - beginning	<u>45,958,874</u>	<u>44,304,971</u>
Total pension liability - ending (a)	<u><u>\$47,574,604</u></u>	<u><u>\$45,958,874</u></u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 1,408,922	\$ 1,155,675
Contributions - member	728,171	604,317
Net investment income	79,333	958,835
Benefit payments, including refunds of member contributions	(2,421,115)	(2,268,315)
Administrative expense	<u>(109,198)</u>	<u>(129,778)</u>
<b>Net change in plan fiduciary net position</b>	<b>(313,887)</b>	<b>320,733</b>
Plan fiduciary net position - beginning	<u>19,110,825</u>	<u>18,790,093</u>
Plan fiduciary net position - ending (b)	<u><u>\$18,796,938</u></u>	<u><u>\$19,110,825</u></u>
City's net pension liability - ending (a) - (b)	<u><u>\$28,777,666</u></u>	<u><u>\$26,848,049</u></u>
Plan fiduciary net position as a percentage of total pension liability	39.51%	41.58%
Covered employee payroll	\$ 9,714,880	\$ 9,475,504
Net liability as a percentage of covered payroll	296.22%	283.34%
Annual money-weighted rate of return, net of investment expense	-0.16%	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 Four Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 1,312,319	\$ 1,252,278	\$ 1,024,869	\$ 965,733
Contributions in relation to the actuarially determined contribution	\$ 1,312,319	\$ 1,252,278	\$ 1,024,869	\$ 965,733
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 9,714,880	\$ 9,475,504	\$ 8,009,496	\$ 8,764,142
Contributions as a percentage of covered employee payroll	13.51%	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	Entry Age Normal
Amortization method	Level percentage of projected payroll on an open basis
Remaining amortization period	20 years
Asset valuation method	Market value
Inflation	2.25% per year
Salary increases	4.25% per year
Investment rate of return	7.75% as selected by the plan sponsor
Retirement age	50% upon 25 years of service, and 50% per year upon 30 years of service, or 100% at age 62
Mortality	RP-2000 sex distinct with generational improvement using scale AA
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%
7/1/2015	6,598,467	31,697,250	25,098,783	20.82%	27,539,761	91.1%

#### Schedule of Employer Contributions

Fiscal Year Ending June 30	Annual Required Contribution	Percentage of ARC Contributed	Net OPEB Obligation	Contributions Made
2009	\$ 3,225,000	104.1%	\$ (131,000)	3,356,000
2010	2,517,704	103.2%	(430,504)	2,598,563
2011	2,487,101	92.9%	(265,183)	2,311,604
2013	2,361,817	104.8%	(386,753)	2,476,167
2014	2,300,401	110.2%	(621,251)	2,534,899
2015	1,998,247	132.5%	(1,269,792)	2,646,788
2016	2,016,798	136.1%	(1,998,329)	2,745,335

**City of Hagerstown, Maryland**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		2016 Actual	Variance with Final Budget - Positive (Negative)	2015 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
<b>Revenues and Transfers</b>						
General Property Taxes:						
Current year's levy	\$ 24,791,982	\$ 24,791,982	\$ 25,587,098	\$ 795,116	\$ 24,323,393	\$ 1,263,705
Prior year's levy - net	(125,000)	(125,000)	(67,795)	57,205	(45,788)	(22,007)
Payments in lieu of taxes	2,726,500	2,726,500	2,772,622	46,122	2,732,969	39,653
Interest on delinquent taxes	107,500	107,500	201,921	94,421	230,120	(28,199)
	<u>27,500,982</u>	<u>27,500,982</u>	<u>28,493,846</u>	<u>992,864</u>	<u>27,240,694</u>	<u>1,253,152</u>
Less discounts allowed	(30,527)	(30,527)	(30,446)	81	(30,812)	366
Total General Property Taxes	<u>27,470,455</u>	<u>27,470,455</u>	<u>28,463,400</u>	<u>992,945</u>	<u>27,209,882</u>	<u>1,253,518</u>
Income and Other Taxes:						
Income tax	2,475,000	2,475,000	2,427,965	(47,035)	2,559,272	(131,307)
Admission	200,000	200,000	328,649	128,649	214,162	114,487
Enterprise zone tax credits	70,000	70,000	48,676	(21,324)	69,699	(21,023)
Police protection	682,000	682,000	686,126	4,126	720,362	(34,236)
State aid for fire service	53,265	53,265	70,395	17,130	63,836	6,559
Financial corporations	34,214	34,214	34,214	-	34,214	-
Hotel/motel room tax	177,000	177,000	193,894	16,894	191,456	2,438
Total Income and Other Taxes	<u>3,691,479</u>	<u>3,691,479</u>	<u>3,789,919</u>	<u>98,440</u>	<u>3,853,001</u>	<u>(63,082)</u>
Licenses and Permits:						
Residential rental licenses	650,000	650,000	641,900	(8,100)	715,730	(73,830)
Cable television franchise	400,000	400,000	415,567	15,567	425,238	(9,671)
Traders	80,000	80,000	106,504	26,504	129,337	(22,833)
Building permits	210,000	210,000	141,859	(68,141)	232,376	(90,517)
Electrical permits	110,000	110,000	96,241	(13,759)	115,447	(19,206)
Distilled spirits	6,000	6,000	-	(6,000)	6,122	(6,122)
Plumbing permits	75,000	75,000	63,479	(11,521)	78,045	(14,566)
Other	575,150	575,150	444,807	(130,343)	557,398	(112,591)
Total Licenses and Permits	<u>2,106,150</u>	<u>2,106,150</u>	<u>1,910,357</u>	<u>(195,793)</u>	<u>2,259,693</u>	<u>(349,336)</u>
Intergovernmental Grant Revenues:						
Federal grants	241,749	241,749	439,489	197,740	370,552	68,937
State and local grants	217,738	217,738	217,508	(230)	217,738	(230)
Total Intergovernmental Grant Revenues	<u>459,487</u>	<u>459,487</u>	<u>656,997</u>	<u>197,510</u>	<u>588,290</u>	<u>68,707</u>
Service Charges:						
Refuse collection fees	2,239,500	2,239,500	2,252,262	12,762	2,238,358	13,904
Stadium	35,000	35,000	-	(35,000)	70,000	(70,000)
Swimming pool	71,900	71,900	62,308	(9,592)	40,978	21,330
Other	770,842	770,843	642,939	(127,904)	610,526	32,413
Total Service Charges	<u>3,117,242</u>	<u>3,117,243</u>	<u>2,957,509</u>	<u>(159,734)</u>	<u>2,959,862</u>	<u>(2,353)</u>
Fines and Forfeitures						
Safe Speed for School	1,700,000	1,700,000	1,221,776	(478,224)	1,393,541	(171,765)
Other	141,750	141,750	204,392	62,642	154,859	49,533
Total Fines and Forfeitures	<u>1,841,750</u>	<u>1,841,750</u>	<u>1,426,168</u>	<u>(415,582)</u>	<u>1,548,400</u>	<u>(122,232)</u>
Unallocated General Revenues:						
Administrative allocation	2,031,000	2,031,000	2,031,000	-	2,031,000	-
Interest on investments	5,500	5,500	25,846	20,346	9,197	16,649
Sale of land & other property	10,500	10,500	32,306	21,806	22,119	10,187
Miscellaneous	246,432	292,593	325,733	33,140	292,604	33,129
Total Unallocated General Revenues	<u>2,293,432</u>	<u>2,339,593</u>	<u>2,414,885</u>	<u>75,292</u>	<u>2,354,920</u>	<u>59,965</u>
Total Revenues	40,979,995	41,026,157	41,619,235	593,078	40,774,048	845,187

\* 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, 2016**

	Budgeted Amounts		2016 Actual	Variance with Final Budget - Positive (Negative)	2015 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
<b>Revenues and Transfers (continued)</b>						
Other Financing Sources:						
Transfers from community development fund	30,000	30,000	11,905	(18,095)	21,083	(9,178)
Transfers from CIP Fund	-	-	-	-	100,000	(100,000)
Transfers from property management fund	-	-	-	-	240,105	(240,105)
Transfers from economic redevelopment fund	-	70,488	70,488	-	21,000	49,488
Transfers from health insurance fund	55,000	55,000	49,153	(5,847)	35,950	13,203
Budgeted use of fund balance	733,376	748,571	-	(748,571)	-	-
Total Other Financing Sources	818,376	904,059	131,546	(772,513)	418,138	(286,592)
Total Revenues and Other Financing Sources	\$ 41,798,371	\$ 41,930,216	\$ 41,750,781	\$ (179,435)	\$ 41,192,186	\$ 558,595
<b>Expenditures and Transfers</b>						
General Government:						
Council	\$ 107,263	\$ 107,219	\$ 107,457	\$ (238)	\$ 107,819	\$ (362)
Mayor	70,147	70,099	69,110	989	69,654	(544)
City administrator	249,043	241,388	214,957	26,431	307,278	(92,321)
City clerk	163,318	162,713	164,437	(1,724)	156,394	8,043
Community affairs	222,900	204,631	152,030	52,601	407,937	(255,907)
Legal counsel	240,000	240,000	324,831	(84,831)	282,327	42,504
Public functions	538,114	502,414	480,730	21,684	550,403	(69,673)
Communications	360,297	354,138	266,722	87,416	10,199	256,523
Finance and accounting	721,096	700,801	653,037	47,764	645,010	8,027
Information technology	887,337	869,522	854,304	15,218	787,756	66,548
Cashiering	381,231	381,098	413,377	(32,279)	407,802	5,575
Planning	455,214	452,886	420,381	32,505	434,433	(14,052)
Annexation	8,800	8,800	1,706	7,094	-	1,706
City hall expenditures	302,747	302,369	262,156	40,213	316,687	(54,531)
City engineer	1,119,794	1,113,514	1,091,065	22,449	1,082,294	8,771
Human resources	672,335	698,747	653,798	44,949	641,449	12,349
Total General Government	6,499,636	6,410,339	6,130,098	280,241	6,207,442	(77,344)
Public Safety:						
Police department	13,394,118	13,187,906	12,993,121	194,785	13,026,445	(33,324)
Fire department	7,286,099	7,183,485	7,148,550	34,935	7,068,848	79,702
Code enforcement	1,413,979	1,358,913	1,385,128	(26,215)	1,242,578	142,550
Signal department	514,881	514,194	509,811	4,383	522,112	(12,301)
Total Public Safety	22,609,077	22,244,498	22,036,610	207,888	21,859,983	176,627
Highways and Streets:						
General street department operations	759,959	746,283	877,618	(131,335)	811,579	66,039
Snow removal	401,868	401,868	392,703	9,165	481,497	(88,794)
Street cleaning	297,150	297,055	252,190	44,865	277,570	(25,380)
Street lighting	650,000	650,000	609,752	40,248	614,529	(4,777)
Central services	438,036	427,246	384,041	43,205	379,515	4,526
Total Highways and Streets	2,547,013	2,522,452	2,516,304	6,148	2,564,690	(48,386)
Waste, Collection and Disposal	2,033,630	2,033,436	2,001,190	32,246	1,972,012	29,178
Culture and Recreation:						
City parks	1,789,274	1,781,006	1,856,862	(75,856)	1,741,196	115,666
Swimming pool	163,681	163,629	174,387	(10,758)	156,580	17,807
Farmers market	74,390	74,390	52,002	22,388	83,342	(31,340)
Stadium	14,270	14,270	12,707	1,563	46,660	(33,953)
Recreation department	359,548	399,523	388,151	11,372	313,406	74,745
Hager house and 202 train museum	71,654	71,637	68,219	3,418	74,020	(5,801)
Total Culture and Recreation	2,472,817	2,504,455	2,552,328	(47,873)	2,415,204	137,124

\* 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, 2016**

	Budgeted Amounts		2016 Actual	Variance with Final Budget - Positive (Negative)	2015 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
<b>Expenditures and Transfers</b>						
Economic and Community Development:						
Economic development	304,501	364,620	394,790	(30,170)	463,176	(68,386)
Housing and community development	111,400	110,036	124,949	(14,913)	103,180	21,769
Neighborhoods first	68,618	68,237	61,462	6,775	58,404	3,058
Total Economic and Community Dev	<u>484,519</u>	<u>542,893</u>	<u>581,201</u>	<u>(38,308)</u>	<u>624,760</u>	<u>(43,559)</u>
Unallocated General Expenditures:						
Retiree benefits	1,477,592	1,477,592	1,457,581	20,011	1,406,567	51,014
Contributions to other agencies	205,000	190,000	190,000	-	625,045	(435,045)
Inventory adjustments	10,000	10,000	10,155	(155)	4,323	5,832
Budget contingency	(397,895)	3,306	-	3,306	-	-
Total Unallocated General Expenditures	\$ <u>1,294,697</u>	\$ <u>1,680,898</u>	\$ <u>1,657,736</u>	\$ <u>23,162</u>	\$ <u>2,035,935</u>	\$ <u>(378,199)</u>
Debt Service:						
Principal	\$ 1,510,679	\$ 1,510,679	\$ 1,446,786	\$ 63,893	\$ 1,267,682	\$ 179,104
Interest	642,041	642,041	577,660	64,381	517,287	60,373
Issuance Costs	1,105	1,105	1,656	(551)	44,215	(42,559)
Total Debt Service	<u>2,153,825</u>	<u>2,153,825</u>	<u>2,026,102</u>	<u>127,723</u>	<u>1,829,184</u>	<u>196,918</u>
Total Expenditures	40,095,214	40,092,796	39,501,569	591,227	39,509,210	(7,641)
Other Financing Uses:						
Transfers to golf course fund	195,000	195,000	233,198	(38,198)	226,313	6,885
Transfers to grant revenue fund	-	-	40,597	(40,597)	8,816	31,781
Transfers to economic redevelopment fund	100,000	100,000	100,000	-	-	100,000
Transfers to capital projects fund	664,800	822,655	822,656	(1)	353,507	469,149
Transfers from FB reserves to capital projects fund	120,000	135,195	103,869	31,326	-	103,869
Transfers from FB reserves to economic redevelopment fund	613,376	613,376	386,736	226,640	996,853	(610,117)
Total Other Financing Uses	<u>1,693,176</u>	<u>1,866,226</u>	<u>1,687,056</u>	<u>179,170</u>	<u>1,585,489</u>	<u>101,567</u>
Total Expenditures and Other Financing Uses	<u>41,788,390</u>	<u>41,959,022</u>	<u>41,188,625</u>	<u>770,397</u>	<u>41,094,699</u>	<u>93,926</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>						
	<b>9,981</b>	<b>(28,806)</b>	<b>562,156</b>	<b>590,962</b>	<b>97,487</b>	<b>464,669</b>
Fund balances - beginning	<u>9,963,637</u>	<u>9,963,637</u>	<u>9,963,637</u>	<u>-</u>	<u>9,866,150</u>	<u>97,487</u>
<b>Fund balances - ending</b>	<b>\$ <u>9,973,618</u></b>	<b>\$ <u>9,934,831</u></b>	<b>\$ <u>10,525,793</u></b>	<b>\$ <u>590,962</u></b>	<b>\$ <u>9,963,637</u></b>	<b>\$ <u>562,156</u></b>

**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, 2016**

	<u>Budgeted Amounts</u>		<u>2016 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2015 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
<b>Revenues</b>						
Intergovernmental grant revenues	\$ 2,465,460	\$ 2,729,692	\$ 1,871,224	\$ (858,468)	\$ 396,472	\$ 1,474,752
Income and other taxes	1,076,400	1,217,488	1,224,207	6,719	1,081,978	142,229
Contributions and donations	232,550	232,550	162,849	(69,701)	1,410,825	(1,247,976)
Interest income	-	-	11,731	11,731	1,155	10,576
Other revenues	40,000	64,000	553,243	489,243	72,000	481,243
Total revenues	<u>3,814,410</u>	<u>4,243,730</u>	<u>3,823,254</u>	<u>(420,476)</u>	<u>2,962,430</u>	<u>860,824</u>
<b>Expenditures</b>						
General government projects	9,690,700	10,291,022	4,147,744	6,143,278	4,609,961	(462,217)
Public safety projects	1,894,800	1,825,961	1,123,038	702,923	983,448	139,590
Highways and streets projects	449,000	461,042	152,625	308,417	237,296	(84,671)
Culture and recreation	868,951	932,071	367,763	564,308	872,586	(504,823)
Total expenditures	<u>12,903,451</u>	<u>13,510,096</u>	<u>5,791,170</u>	<u>7,718,926</u>	<u>6,703,291</u>	<u>(912,121)</u>
Excess (deficiency) of revenues over (under) expenditures	(9,089,041)	(9,266,366)	(1,967,916)	7,298,450	(3,740,861)	1,772,945
<b>Other Financing Sources (Uses)</b>						
Bond financing	3,760,000	3,635,000	-	(3,635,000)	4,206,459	(4,206,459)
Transfers in:						
Excise tax fund	212,240	212,240	191,403	(20,837)	64,520	126,883
General fund	784,800	948,898	926,524	(22,374)	900,411	26,113
Electric fund	-	-	-	-	29,000	(29,000)
Water fund	-	-	-	-	36,545	(36,545)
Wastewater fund	-	-	-	-	29,000	(29,000)
Community development block grant fund	375,000	355,000	108,554	(246,446)	165,820	(57,266)
Property management fund	365,000	365,000	-	(365,000)	-	-
Transfers (out):						
General fund	-	-	-	-	(100,000)	100,000
Budgeted use of fund balance	<u>3,544,298</u>	<u>3,702,524</u>		<u>(3,702,524)</u>		<u>-</u>
Total other financing sources and (uses)	<u>9,041,338</u>	<u>9,218,662</u>	<u>1,226,481</u>	<u>(7,992,181)</u>	<u>5,331,755</u>	<u>(4,105,274)</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)</b>	<b>(47,703)</b>	<b>(47,704)</b>	<b>(741,435)</b>	<b>(693,731)</b>	<b>1,590,894</b>	<b>(2,332,329)</b>
Fund balances - beginning	4,523,270	4,523,270	4,523,270	-	2,932,376	1,590,894
<b>Fund balances - ending</b>	<b>\$ <u>4,475,567</u></b>	<b>\$ <u>4,475,566</u></b>	<b>\$ <u>3,781,835</u></b>	<b>\$ <u>(693,731)</u></b>	<b>\$ <u>4,523,270</u></b>	<b>\$ <u>(741,435)</u></b>

## **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, 2016**

	Special Revenue					Total Nonmajor Governmental Funds		
	Community Development Block Grant	Economic Redevelopment	Flexible Spending	Business Revolving Loan	Excise Tax		Grant Revenue	Upper Floors Redevelopment
<b>Assets</b>								
Pooled cash and investments	\$ 167	\$ 181,287	\$ 18,296	\$ 95,981	\$ 432,639	\$ 52,568	\$ 50,750	\$ 831,688
Interest receivable	-	16	9	18	81	9	11	144
Accounts receivable	-	1,800	1,593	-	-	-	-	3,393
Intergovernmental receivable	-	-	-	-	-	84,711	-	84,711
Loans receivable (net of allowance for uncollectibles)	2,105,876	-	-	876,841	-	39,067	-	3,021,784
Properties held for resale	670,763	1,157,653	-	-	-	-	-	1,828,416
Restricted assets:								
Pooled cash and investments	157,526	-	-	-	-	-	-	157,526
<b>Total assets</b>	<b>\$ 2,934,332</b>	<b>\$ 1,340,756</b>	<b>\$ 19,898</b>	<b>\$ 972,840</b>	<b>\$ 432,720</b>	<b>\$ 176,355</b>	<b>\$ 50,761</b>	<b>\$ 5,927,662</b>
<b>Liabilities</b>								
Accounts and retainages payable	\$ 56,222	\$ 55,535	\$ 1,104	\$ 120	\$ 16,576	\$ 9,865	\$ -	\$ 139,422
Accrued liabilities	3,153	-	768	-	-	2,191	-	6,112
Advances from other funds	1,000	-	-	-	-	-	-	1,000
Escrowed taxes and insurance	5,732	-	-	-	-	-	-	5,732
Customer deposits	-	-	5,800	-	-	-	-	5,800
Deferred revenue	-	-	-	-	-	-	-	-
Undisbursed loan and grant commitments	103,934	-	-	-	-	-	-	103,934
<b>Total liabilities</b>	<b>170,041</b>	<b>55,535</b>	<b>7,672</b>	<b>120</b>	<b>16,576</b>	<b>12,056</b>	<b>-</b>	<b>262,000</b>
<b>Fund Balance</b>								
Nonspendable	-	1,157,653	-	876,841	-	-	-	2,034,494
Restricted	2,776,639	-	-	-	-	39,067	-	2,815,706
Assigned	71,363	127,568	12,226	95,879	416,144	55,660	50,761	829,601
Unassigned	(83,711)	-	-	-	-	69,572	-	(14,139)
<b>Total fund balances</b>	<b>2,764,291</b>	<b>1,285,221</b>	<b>12,226</b>	<b>972,720</b>	<b>416,144</b>	<b>164,299</b>	<b>50,761</b>	<b>5,665,662</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,934,332</b>	<b>\$ 1,340,756</b>	<b>\$ 19,898</b>	<b>\$ 972,840</b>	<b>\$ 432,720</b>	<b>\$ 176,355</b>	<b>\$ 50,761</b>	<b>\$ 5,927,662</b>



**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, 2016**

	<b>Budgeted Amounts</b>		<b>2016 Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>	<b>2015 Actual</b>	<b>Increase/ (Decrease) Over Prior Year</b>
	<b>Original</b>	<b>Final</b>				
<b>Revenues</b>						
Intergovernmental	\$ 1,117,183	1,117,183	\$ 473,906	\$ (643,277)	\$ 657,552	\$ (183,646)
Program income	156,964	156,964	32,171	(124,793)	207,794	(175,623)
Property sales	75,000	75,000	-	(75,000)	-	-
Other revenues	1,500	1,500	-	(1,500)	3,804	(3,804)
Total revenues	<u>1,350,647</u>	<u>1,350,647</u>	<u>506,077</u>	<u>(844,570)</u>	<u>869,150</u>	<u>(363,073)</u>
<b>Expenditures</b>						
Public services	105,000	105,000	99,300	5,700	99,625	(325)
Public Facilities/Improvements	145,000	130,000	572	129,428	-	572
Housing rehabilitation	529,000	529,000	90,496	438,504	125,487	(34,991)
Administration	162,488	162,488	147,009	15,479	475,517	(328,508)
Capital outlay	1,250	1,250	1,771	(521)	-	1,771
Interest expense	-	-	131	(131)	164	(33)
Total expenditures	<u>942,738</u>	<u>927,738</u>	<u>339,279</u>	<u>588,459</u>	<u>700,793</u>	<u>(361,514)</u>
Excess (deficiency) of revenues over (under) expenditures	407,909	422,909	166,798	(256,111)	168,357	(1,559)
<b>Other Financing Sources (Uses)</b>						
Transfers to property management fund	-	-	-	-	-	-
Transfers to economic redevelopment fund	-	-	-	-	(57,503)	57,503
Transfers to general fund	(30,000)	(30,000)	(11,905)	18,095	(21,083)	9,178
Transfers to capital projects fund	(375,000)	(355,000)	(108,554)	246,446	(165,821)	57,267
Total other financing sources (uses)	<u>(405,000)</u>	<u>(385,000)</u>	<u>(120,459)</u>	<u>264,541</u>	<u>(244,407)</u>	<u>123,948</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)</b>						
	<b>2,909</b>	<b>37,909</b>	<b>46,339</b>	<b>8,430</b>	<b>(76,050)</b>	<b>122,389</b>
Fund balances - beginning	<u>2,717,952</u>	<u>2,717,952</u>	<u>2,717,952</u>	<u>-</u>	<u>2,794,002</u>	<u>(76,050)</u>
<b>Fund balances - ending</b>	<b>\$ <u>2,720,861</u></b>	<b>\$ <u>2,755,861</u></b>	<b>\$ <u>2,764,291</u></b>	<b>\$ <u>8,430</u></b>	<b>\$ <u>2,717,952</u></b>	<b>\$ <u>46,339</u></b>

**City of Hagerstown, Maryland**  
**Economic Redevelopment**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		2016 Actual	Variance with Final Budget - Positive (Negative)	2015 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
<b>Revenues</b>						
Intergovernmental	\$ 275,000	\$ 275,000	\$ 227,320	\$ (47,680)	\$ -	\$ 227,320
Investment earnings	200	200	98	(102)	59	39
Contributions and donations	-	-	-	-	3,750	(3,750)
Miscellaneous revenue	-	-	4,519	4,519	8,000	(3,481)
Rental income	21,600	21,600	21,765	165	21,600	165
Total revenues	<u>296,800</u>	<u>296,800</u>	<u>253,702</u>	<u>(43,098)</u>	<u>33,409</u>	<u>220,293</u>
<b>Expenditures</b>						
Direct economic development	917,276	1,006,729	643,564	363,165	590,382	53,182
Administration	24,387	24,387	27,497	(3,110)	15,682	11,815
Total expenditures	<u>941,663</u>	<u>1,031,116</u>	<u>671,061</u>	<u>360,055</u>	<u>606,064</u>	<u>64,997</u>
Excess (deficiency) of revenues over (under) expenditures	(644,863)	(734,316)	(417,359)	316,957	(572,655)	155,296
<b>Other Financing Sources (Uses)</b>						
Transfers from general fund	100,000	100,000	100,000	-	-	100,000
Transfers from general fund balance reserves	613,376	613,376	386,736	(226,640)	449,950	(63,214)
Transfers from community development block fund	-	-	-	-	57,503	(57,503)
Transfers from property management fund	-	114,453	114,453	-	122,846	(8,393)
Transfers from upper floors	126,000	126,000	126,000	-	-	126,000
Transfers to general fund	-	(70,488)	(70,488)	-	(21,000)	(49,488)
Transfers to cip fund	(8,000)	(8,000)	-	8,000	-	-
Transfers to property management fund	-	-	-	-	(47,248)	47,248
Total other financing sources (uses)	<u>831,376</u>	<u>875,341</u>	<u>656,701</u>	<u>(218,640)</u>	<u>562,051</u>	<u>94,650</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)</b>						
	<b>186,513</b>	<b>141,025</b>	<b>239,342</b>	<b>98,317</b>	<b>(10,604)</b>	<b>249,946</b>
Fund balances - beginning	1,045,879	1,045,879	1,045,879	-	1,056,483	(10,604)
Fund balances - ending	<u>\$ 1,232,392</u>	<u>\$ 1,186,904</u>	<u>\$ 1,285,221</u>	<u>\$ 98,317</u>	<u>\$ 1,045,879</u>	<u>\$ 239,342</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, 2016**

	<u>Original and Final Budget</u>	<u>2016 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2015 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
<b>Revenues</b>					
Investment earnings	\$ 20	\$ 65	\$ 45	\$ 8	\$ 57
Employer FICA savings	<u>5,300</u>	<u>6,359</u>	<u>1,059</u>	<u>(9,017)</u>	<u>15,376</u>
Total revenues	<u>5,320</u>	<u>6,424</u>	<u>1,104</u>	<u>(9,009)</u>	<u>15,433</u>
<b>Expenditures</b>					
Contracted services	7,990	7,907	83	7,609	298
Administration	-	-	-	-	-
Total expenditures	<u>7,990</u>	<u>7,907</u>	<u>83</u>	<u>7,609</u>	<u>298</u>
Excess (deficiency) of revenues over (under) expenditures	(2,670)	(1,483)	1,187	(16,618)	15,135
<b>Other Financing Sources (Uses)</b>					
Transfers to general fund	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)</b>					
	<b>(2,670)</b>	<b>(1,483)</b>	<b>1,187</b>	<b>(16,618)</b>	<b>15,135</b>
Fund balances - beginning	13,709	13,709	-	30,327	(16,618)
<b>Fund balances - ending</b>	<b>\$ <u>11,039</u></b>	<b>\$ <u>12,226</u></b>	<b>\$ <u>1,187</u></b>	<b>\$ <u>13,709</u></b>	<b>\$ <u>(1,483)</u></b>

**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, 2016**

	<u>Original and Final Budget</u>	<u>2016 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2015 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
<b>Revenues</b>					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	300	101	(199)	126	(25)
Miscellaneous	100	600	500	300	300
Program revenue	<u>23,282</u>	<u>19,688</u>	<u>(3,594)</u>	<u>17,061</u>	<u>2,627</u>
Total revenues	<u>23,682</u>	<u>20,389</u>	<u>(3,293)</u>	<u>17,487</u>	<u>2,902</u>
<b>Expenditures</b>					
Legal	3,080	1,878	1,202	2,485	(607)
Administration	11,534	24,040	(12,506)	154	23,886
Direct economic development loans	<u>150,000</u>	<u>100,565</u>	<u>49,435</u>	<u>10,488</u>	<u>90,077</u>
Total expenditures	<u>164,614</u>	<u>126,483</u>	<u>38,131</u>	<u>13,127</u>	<u>113,356</u>
<b>Other Financing Sources (Uses)</b>					
Transfers from upper floors redevelopment 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>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(140,932)</b>	<b>(106,094)</b>	<b>34,838</b>	<b>4,360</b>	<b>(110,454)</b>
Fund balances - beginning	<u>1,078,814</u>	<u>1,078,814</u>	<u>-</u>	<u>1,074,454</u>	<u>4,360</u>
<b>Fund balances - ending</b>	<b>\$ <u>937,882</u></b>	<b>\$ <u>972,720</u></b>	<b>\$ <u>34,838</u></b>	<b>\$ <u>1,078,814</u></b>	<b>\$ <u>(106,094)</u></b>

**City of Hagerstown, Maryland**  
**Excise Tax**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>2016 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2015 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
<b>Revenues</b>						
Investment earnings	\$ 75	\$ 75	\$ 522	\$ 447	\$ 113	\$ 409
Excise tax	-	-	-	-	-	-
Total revenues	<u>75</u>	<u>75</u>	<u>522</u>	<u>447</u>	<u>113</u>	<u>409</u>
<b>Expenditures</b>						
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>						
Transfers to capital projects fund	<u>(212,240)</u>	<u>(212,240)</u>	<u>(191,403)</u>	<u>20,837</u>	<u>(64,520)</u>	<u>(126,883)</u>
Total other financing sources (uses)	<u>(212,240)</u>	<u>(212,240)</u>	<u>(191,403)</u>	<u>20,837</u>	<u>(64,520)</u>	<u>(126,883)</u>
<b>Excess (deficiency) of revenues     over (under) expenditures</b>	<b>(212,165)</b>	<b>(212,165)</b>	<b>(190,881)</b>	<b>21,284</b>	<b>(64,407)</b>	<b>(126,474)</b>
Fund balances - beginning	607,025	607,025	607,025	-	671,432	(64,407)
<b>Fund balances - ending</b>	<b>\$ <u>394,860</u></b>	<b>\$ <u>394,860</u></b>	<b>\$ <u>416,144</u></b>	<b>\$ <u>21,284</u></b>	<b>\$ <u>607,025</u></b>	<b>\$ <u>(190,881)</u></b>

**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, 2016**

	<u>Budgeted Amounts</u>		<u>2016 Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2015 Actual</u>	<u>Increase/ (Decrease) Over Prior Year</u>
	<u>Original</u>	<u>Final</u>				
<b>Revenues</b>						
Intergovernmental	\$ 308,609	\$ 450,843	\$ 463,043	\$ 12,200	\$ 538,911	\$ (75,868)
Investment earnings	-	-	38	38	-	38
Other revenues	-	-	-	-	74	(74)
Total revenues	<u>308,609</u>	<u>450,843</u>	<u>463,081</u>	<u>12,238</u>	<u>538,985</u>	<u>(75,904)</u>
<b>Expenditures</b>						
General government	-	-	10,116	(10,116)	28,495	(18,379)
Public services	-	-	11,417	(11,417)	6,384	5,033
Public safety	356,042	479,034	453,140	25,894	258,165	194,975
Economic and community development	-	-	9,115	(9,115)	40,885	(31,770)
Capital outlay	-	19,245	19,439	(194)	81,149	(61,710)
Total expenditures	<u>356,042</u>	<u>498,279</u>	<u>503,227</u>	<u>(4,948)</u>	<u>415,078</u>	<u>88,149</u>
Excess (deficiency) of revenues over (under) expenditures	(47,433)	(47,436)	(40,146)	7,290	123,907	(164,053)
<b>Other Financing Sources (Uses)</b>						
Transfers from general fund	-	-	40,597	40,597	8,816	31,781
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>40,597</u>	<u>40,597</u>	<u>8,816</u>	<u>31,781</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)</b>						
	<b>(47,433)</b>	<b>(47,436)</b>	<b>451</b>	<b>47,887</b>	<b>132,723</b>	<b>(132,272)</b>
Fund balances - beginning	163,848	163,848	163,848	-	31,125	132,723
<b>Fund balances - ending</b>	<b>\$ <u>116,415</u></b>	<b>\$ <u>116,412</u></b>	<b>\$ <u>164,299</u></b>	<b>\$ <u>47,887</u></b>	<b>\$ <u>163,848</u></b>	<b>\$ <u>451</u></b>

**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, 2016**

	Budgeted Amounts		2016 Actual	Variance with Final Budget - Positive (Negative)	2015 Actual	Increase/ (Decrease) Over Prior Year
	Original	Final				
<b>Revenues</b>						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	100	100	97	3	37	60
Total revenues	<u>100</u>	<u>100</u>	<u>97</u>	<u>3</u>	<u>37</u>	<u>60</u>
<b>Expenditures</b>						
Legal	-	-	-	-	-	-
Direct economic development loans	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>						
Transfers from economic redevelopment fund	(126,000)	(126,000)	(126,000)	-	-	(126,000)
Transfers to business revolving loan fund	-	-	-	-	-	-
Total other financing sources (uses)	<u>(126,000)</u>	<u>(126,000)</u>	<u>(126,000)</u>	<u>-</u>	<u>-</u>	<u>(126,000)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(125,900)</b>	<b>(125,900)</b>	<b>(125,903)</b>	<b>(3)</b>	<b>37</b>	<b>(125,940)</b>
Fund balances - beginning	176,664	176,664	176,664	-	176,627	37
<b>Fund balances - ending</b>	<b>\$ <u>50,764</u></b>	<b>\$ <u>50,764</u></b>	<b>\$ <u>50,761</u></b>	<b>\$ <u>(3)</u></b>	<b>\$ <u>176,664</u></b>	<b>\$ <u>(125,903)</u></b>

# 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, 2016**

	<b>Golf Course</b>	<b>Property Management</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Assets</b>			
Current assets:			
Pooled cash and investments	\$ 2,588	\$ 490,739	\$ 493,327
Interest receivable	-	113	113
Accounts receivable (net of allowance for uncollectibles)	6,467	25,775	32,242
Due from other agencies	-	13,593	13,593
Prepaid items	753	389	1,142
Total current assets	9,808	530,609	540,417
Noncurrent assets:			
Capital assets:			
Land	125,000	696,450	821,450
Land improvements	225,522	-	225,522
Buildings and structures	219,846	5,190,080	5,409,926
Machinery and equipment	390,981	40,406	431,387
Automobiles and trucks	91,225	-	91,225
Infrastructure	26,537	-	26,537
Office furniture and fixtures	-	26,921	26,921
Construction in progress	-	68,233	68,233
Less accumulated depreciation	(503,577)	(1,392,875)	(1,896,452)
Total capital assets, net	575,534	4,629,215	5,204,749
Total noncurrent assets	575,534	4,629,215	5,204,749
<b>Total assets</b>	<b>585,342</b>	<b>5,159,824</b>	<b>5,745,166</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts and retainages payable	12,811	4,375	17,186
Compensated absences - current	10,587	-	10,587
Accrued liabilities	10,081	4,347	14,428
Customer deposits and rebates	-	2,150	2,150
Unearned revenue	(27,113)	-	(27,113)
General obligation bonds - current	-	3,304	3,304
General obligation bonds - long term	-	93,267	93,267
Other liabilities - current	13,654	-	13,654
Total current liabilities	20,020	107,443	127,463
Noncurrent liabilities:			
Compensated absences	16,751	-	16,751
Other long term liabilities	13,654	-	13,654
Total noncurrent liabilities	30,405	-	30,405
<b>Total liabilities</b>	<b>50,425</b>	<b>107,443</b>	<b>157,868</b>
<b>Net Position</b>			
Net Investment in Capital Assets	575,534	4,532,644	5,108,178
Unrestricted	(40,617)	519,737	479,120
<b>Total net position</b>	<b>\$ 534,917</b>	<b>\$ 5,052,381</b>	<b>\$ 5,587,298</b>

**City of Hagerstown, Maryland**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2016**

	<u>Golf Course</u>	<u>Property Management</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues:			
Service charges	\$ 199,404	\$ 373,870	\$ 573,274
Other revenues	25,489	507	25,996
Total operating revenues	<u>224,893</u>	<u>374,377</u>	<u>599,270</u>
Operating expenses:			
Selling, general and administrative expenses	421,807	399,999	821,806
Depreciation	36,284	127,004	163,288
Total operating expenses	<u>458,091</u>	<u>527,003</u>	<u>985,094</u>
Operating income	<u>(233,198)</u>	<u>(152,626)</u>	<u>(385,824)</u>
Nonoperating revenues (expenses):			
Gain (Loss) on disposal of capital assets	-	(29,733)	(29,733)
Intergovernmental revenue	-	69,489	69,489
Investment earnings	-	14,344	14,344
Interest expense	-	(2,664)	(2,664)
Bond issuance costs	-	(9)	(9)
Total nonoperating revenue (expenses)	<u>-</u>	<u>51,427</u>	<u>51,427</u>
Income (loss) before contributions and transfers	(233,198)	(101,199)	(334,397)
Transfers in	233,198	-	233,198
Transfers out	-	(114,453)	(114,453)
<b>Changes in net position</b>	<u>-</u>	<u>(215,652)</u>	<u>(215,652)</u>
Total net position - beginning	534,917	5,268,033	5,802,950
<b>Total net position - ending</b>	<u>\$ 534,917</u>	<u>\$ 5,052,381</u>	<u>\$ 5,587,298</u>

**City of Hagerstown, Maryland**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2016**

	<b>Golf Course</b>	<b>Property Management</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Cash Flows From Operating Activities</b>			
Receipts from customers and users	\$ 241,574	\$ 358,831	\$ 600,405
Payments to suppliers	(197,525)	(188,091)	(385,616)
Payments to employees	(246,640)	(210,791)	(457,431)
Net cash used by operating activities	(202,591)	(40,051)	(242,642)
<b>Cash Flows From Noncapital Financing Activities</b>			
Transfers from (to) other funds	233,198	(114,453)	118,745
Net cash provided (used) by noncapital and related financing activities	233,198	(114,453)	118,745
<b>Cash Flows From Capital And Related Financing Activities</b>			
Proceeds from intergovernmental grant	-	69,489	69,489
Capital contribution	-	-	-
Acquisition and construction of capital assets	(51,909)	(49,259)	(101,168)
Proceeds from bond issuance	-	(10)	(10)
Principal paid on capital debt	-	(3,429)	(3,429)
Interest paid on capital debt	-	(2,664)	(2,664)
Proceeds from sale of capital assets	-	(29,733)	(29,733)
Net cash provided (used) by capital and related financing activities	(51,909)	(15,606)	(67,515)
<b>Cash Flows From Investing Activities</b>			
Interest and dividends received	-	14,231	14,231
Net cash provided by investing activities	-	14,231	14,231
<b>Net increase (decrease) in pooled cash and investments</b>	<b>(21,302)</b>	<b>(155,879)</b>	<b>(177,181)</b>
Pooled cash and investments, beginning of year	23,890	646,618	670,508
<b>Pooled cash and investments, end of year</b>	<b>\$ 2,588</b>	<b>\$ 490,739</b>	<b>\$ 493,327</b>
<b>Reconciliation of operating income to net cash (used) by operating activities:</b>			
Operating income (loss)	\$ (233,198)	\$ (152,626)	\$ (385,824)
Adjustments to reconcile operating income to net cash used by operating activities:			
Depreciation expense	36,284	127,004	163,288
Net effect of changes in assets and liabilities			
Accounts receivable	3,111	(15,296)	(12,185)
Inventories	1,079	-	1,079
Prepaid items	586	(6)	580
Long-term accounts receivable	-	-	-
Accounts and retainages payable	(12,016)	356	(11,660)
Compensated absences payable	(1,429)	-	(1,429)
Accrued liabilities	3,077	767	3,844
Customer deposits and rebates	-	(250)	(250)
Other liabilities - current	-	-	-
Due from other agencies	-	-	-
Unearned revenue	13,570	-	13,570
Other long-term liabilities	(13,655)	-	(13,655)
Total adjustments	30,607	112,575	143,182
Net cash used by operating activities	\$ (202,591)	\$ (40,051)	\$ (242,642)
<b>Reconciliation of pooled cash and investments to the balance sheet</b>			
Pooled cash and investments	\$ 2,588	\$ 490,739	\$ 493,327
<b>Totals</b>	<b>\$ 2,588</b>	<b>\$ 490,739</b>	<b>\$ 493,327</b>

# 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, 2016**

	<u>Worker's Compensation</u>	<u>Health Insurance</u>	<u>Dental Insurance</u>	<u>Total Internal Service Funds</u>
<b>Assets</b>				
Current assets:				
Pooled cash and investments	\$ 35,746	\$ 3,775,732	\$ 250,531	\$ 4,062,009
Interest receivable	-	714	40	754
Accounts receivable (net of allowance for uncollectibles)	-	228,161	11,779	239,940
Prepaid Items	219,895	48,466	-	268,361
Total current assets	<u>255,641</u>	<u>4,053,073</u>	<u>262,350</u>	<u>4,571,064</u>
Noncurrent assets:				
Restricted assets:				
Pooled cash and investments	1,014,781	159,000	31,300	1,205,081
Total noncurrent assets	<u>1,014,781</u>	<u>159,000</u>	<u>31,300</u>	<u>1,205,081</u>
Total assets	<u>1,270,422</u>	<u>4,212,073</u>	<u>293,650</u>	<u>5,776,145</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts and retainages payable	-	286	28,733	29,019
Accrued liabilities	35,746	639,780	11,187	686,713
Unearned revenue	-	183,089	-	183,089
Total current liabilities	<u>35,746</u>	<u>823,155</u>	<u>39,920</u>	<u>898,821</u>
Total liabilities	<u>35,746</u>	<u>823,155</u>	<u>39,920</u>	<u>898,821</u>
<b>Net Position</b>				
Unassigned	1,234,676	3,388,918	253,730	4,877,324
Total net position	<u>\$ 1,234,676</u>	<u>\$ 3,388,918</u>	<u>\$ 253,730</u>	<u>\$ 4,877,324</u>

**City of Hagerstown, Maryland**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Internal Service Funds**  
**For the Year Ended June 30, 2016**

	<u>Worker's Compensation</u>	<u>Health Insurance</u>	<u>Dental Insurance</u>	<u>Total Internal Service Funds</u>
Operating revenues:				
Service charges	\$ 1,089,117	\$ 7,795,945	\$ 409,922	\$ 9,294,984
Other revenues	44	92,802	-	92,846
Total operating revenues	<u>1,089,161</u>	<u>7,888,747</u>	<u>409,922</u>	<u>9,387,830</u>
Operating expenses:				
Claim and premium expenses	379,641	5,838,349	289,142	6,507,132
Administrative expenses	87,195	659,851	26,557	773,603
Contributions to OPEB plan - Employer	-	650,000	-	650,000
Total operating expenses	<u>466,836</u>	<u>7,148,200</u>	<u>315,699</u>	<u>7,930,735</u>
Operating income (loss)	<u>622,325</u>	<u>740,547</u>	<u>94,223</u>	<u>1,457,095</u>
Nonoperating revenues (expenses):				
Investment earnings	(115)	5,124	247	5,256
Total nonoperating revenue (expenses)	<u>(115)</u>	<u>5,124</u>	<u>247</u>	<u>5,256</u>
Income before contributions and transfers	<u>622,210</u>	<u>745,671</u>	<u>94,470</u>	<u>1,462,351</u>
Transfer out to other funds	-	(49,153)	-	(49,153)
<b>Changes in net position</b>	<b><u>622,210</u></b>	<b><u>696,518</u></b>	<b><u>94,470</u></b>	<b><u>1,413,198</u></b>
Total net position - beginning	612,466	2,692,400	159,260	3,464,126
Total net position - ending	<u>\$ 1,234,676</u>	<u>\$ 3,388,918</u>	<u>\$ 253,730</u>	<u>\$ 4,877,324</u>

**City of Hagerstown, Maryland**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2016**

	<u>Worker's Compensation</u>	<u>Health Insurance</u>	<u>Dental Insurance</u>	<u>Total Internal Service Funds</u>
<b>Cash Flows From Operating Activities</b>				
Receipts from interfund services provided	\$ 1,114,228	\$ 7,815,825	\$ 407,998	\$ 9,338,051
Payments to suppliers	<u>(458,023)</u>	<u>(7,320,598)</u>	<u>(286,480)</u>	<u>(8,065,101)</u>
Net cash provided (used) by operating activities	<u>656,205</u>	<u>495,227</u>	<u>121,518</u>	<u>1,272,950</u>
<b>Cash Flows From Noncapital Financing Activities</b>				
Transfers to other funds	<u>-</u>	<u>(49,153)</u>	<u>-</u>	<u>(49,153)</u>
Net cash used by capital and related financing activities	<u>-</u>	<u>(49,153)</u>	<u>-</u>	<u>(49,153)</u>
<b>Cash Flows From Investing Activities</b>				
Interest and dividends received	<u>(115)</u>	<u>4,410</u>	<u>207</u>	<u>4,502</u>
Net cash provided by investing activities	<u>(115)</u>	<u>4,410</u>	<u>207</u>	<u>4,502</u>
<b>Net increase in pooled cash and investments</b>	<b>656,090</b>	<b>450,484</b>	<b>121,725</b>	<b>1,228,299</b>
Pooled cash and investments, beginning of year	394,437	\$ 3,484,248	\$ 160,106	\$ 4,038,791
<b>Pooled cash and investments, end of year</b>	<b>\$ <u>1,050,527</u></b>	<b>\$ <u>3,934,732</u></b>	<b>\$ <u>281,831</u></b>	<b>\$ <u>5,267,090</u></b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating Income (loss)	\$ 622,325	\$ 740,547	\$ 94,223	\$ 1,457,095
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Net effect of changes in assets and liabilities				
Accounts receivable	25,067	(72,922)	(1,924)	(49,779)
Prepaid items	(26,933)	(48,466)	-	(75,399)
Accounts and retainages payable	-	(4,697)	26,717	22,020
Accrued liabilities	35,746	(119,235)	2,502	(80,987)
Total adjustments	<u>33,880</u>	<u>(245,320)</u>	<u>27,295</u>	<u>(184,145)</u>
Net cash provided (used) by operating activities	<u>\$ 656,205</u>	<u>\$ 495,227</u>	<u>\$ 121,518</u>	<u>\$ 1,272,950</u>
<b>Reconciliation of pooled cash and investments to the balance sheet</b>				
<b>Pooled cash and investments</b>	<b>\$ 35,746</b>	<b>\$ 3,775,732</b>	<b>\$ 250,531</b>	<b>\$ 4,062,009</b>
<b>Restricted pooled cash and investments</b>	<b>1,014,781</b>	<b>159,000</b>	<b>31,300</b>	<b>1,205,081</b>
<b>Totals</b>	<b>\$ <u>1,050,527</u></b>	<b>\$ <u>3,934,732</u></b>	<b>\$ <u>281,831</u></b>	<b>\$ <u>5,267,090</u></b>

# 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)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental activities:</b>										
Net investment in capital assets	\$ 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	\$ 66,555,727
Restricted	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	9,170,892
Unassigned	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)	(24,646,579)
Total governmental activities net position	\$ 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	\$ 51,080,040
<b>Business-type activities:</b>										
Net investment in capital assets	\$ 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	\$ 147,056,392
Unassigned	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	21,469,141
Total business-type activities net position	\$ 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	\$ 168,525,533
<b>Primary government:</b>										
Net investment in capital assets	\$ 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	\$ 213,612,119
Restricted	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	9,170,892
Unrestricted	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)	(3,177,436)
Total primary government net position	\$ 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	\$ 219,605,573

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
Governmental activities:										
General Government	\$ 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	\$ 10,564,629
Public Safety	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	22,889,590
Highways and Streets	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	2,680,585
Waste Collection & Disposal	1,963,094	2,053,573	2,094,011	2,023,237	2,035,237	2,637,297	1,937,485	1,950,228	1,971,595	2,000,312
Culture and Recreation	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	2,845,481
Economic & Community Development	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	966,551
Interest on Long-term Debt	659,736	576,969	523,931	684,700	539,668	532,560	514,648	550,317	557,668	540,521
Total governmental activities expenses	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	42,487,669
Business-type activities:										
Electric	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	22,855,165
Water	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	11,439,748
Wastewater	10,813,053	10,692,923	11,097,229	11,062,156	11,621,172	12,408,290	12,697,968	12,499,357	12,643,801	13,114,426
Parking Facilities	617,342	663,006	760,188	733,541	723,960	786,348	699,693	742,030	739,264	738,566
Golf Course	411,079	408,728	469,694	414,492	418,962	388,840	467,869	407,944	435,174	443,541
Property Management	324,625	312,239	302,237	384,631	410,706	577,208	668,343	542,884	517,393	527,751
Ice Risk	-	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	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	49,119,197
Total primary government expenses	\$ 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	\$ 91,606,866
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General Government	\$ 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	\$ 2,722,732
Public Safety	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	3,016,955
Streets and Alleys	73,943	86,365	136,424	90,588	75,676	86,045	102,791	87,261	73,088	48,843
Waste Collection & Disposal	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	2,252,262
Parks and Recreation	159,055	188,535	186,607	191,602	234,637	225,306	209,899	195,633	259,668	230,561
Economic & Community Development	901,690	502,505	311,982	364,403	96,216	95,246	97,321	89,771	245,921	62,417
Operating grants and contributions	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	1,963,246
Capital grants and contributions	1,166,588	5,573,575	1,698,460	512,249	1,594,649	2,611,299	3,792,121	543,261	1,807,299	2,034,072
Total governmental activities program revenues	\$ 14,355,812	\$ 17,761,502	\$ 11,572,254	\$ 10,478,477	\$ 10,983,082	\$ 12,203,943	\$ 15,105,469	\$ 10,589,507	\$ 12,718,185	\$ 12,331,088

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)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Business-type activities:</b>										
Charges for services:										
Electric	\$ 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	\$ 22,532,600
Water	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	11,455,228
Wastewater	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	12,401,054
Parking Facilities	843,704	885,489	857,169	872,441	811,868	855,638	936,246	869,670	975,936	953,580
Golf Course	196,070	208,572	175,123	126,890	137,884	149,074	178,462	196,758	205,199	224,893
Property Management	350,749	499,700	354,049	202,752	330,576	344,856	(985,215)	(132,163)	203,395	344,644
Operating grants and contributions	-	-	82,875	440,847	107,730	-	-	-	51,110	69,489
Capital grants and contributions	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	2,689,305
Total business-type activities program revenues	\$ 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	\$ 50,650,793
Total primary government program revenues	\$ 73,205,548	\$ 80,947,288	\$ 66,203,872	\$ 70,716,941	\$ 72,351,335	\$ 66,890,301	\$ 65,851,697	\$ 61,724,842	\$ 64,119,258	\$ 62,981,881
Net (expense)/revenue	\$ (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)	\$ (30,156,581)
Governmental activities	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	1,531,596
Business-type activities	(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)	(28,624,985)
Total primary government net expense	\$ (12,801,118)	\$ (3,684,864)	\$ (31,336,187)	\$ (18,975,250)	\$ (12,603,842)	\$ (23,904,778)	\$ (29,585,968)	\$ (25,116,431)	\$ (29,182,829)	\$ (27,093,389)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Property Taxes	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	28,463,400
Income and Other taxes	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	5,003,437
Excise Tax	719,319	220,678	31,677	115,417	96,342	113,485	115,492	69,278	-	-
Investment Earnings	874,321	824,414	412,233	205,640	72,526	86,685	37,871	13,880	10,695	38,498
Property Sales	-	-	-	-	-	-	-	-	-	-
Gain/(Loss) on Disposal of Capital Assets	-	-	-	-	-	-	-	-	-	-
Miscellaneous	44,493	45,841	38,230	137,326	171,968	312,796	107,791	220,674	269,201	803,541
Transfers	(98,787)	173,540	229,056	(66,000)	(939,642)	(1,125,889)	(798,089)	(175,455)	183,935	(118,745)
Capital Transfer from Closed Ice Rink Fund	-	-	-	-	-	-	-	-	-	-
Changes in Accounting Estimate	-	-	-	-	-	-	-	-	-	-
Total governmental activities	25,519,491	28,082,960	31,669,376	31,621,357	29,732,897	27,114,435	28,200,850	30,327,742	32,778,752	34,190,131
Business-type activities:										
Investment Earnings	707,098	743,942	406,055	221,725	185,587	253,521	180,193	156,910	146,024	153,275
Transfers	98,787	(173,540)	(229,056)	66,000	939,642	1,125,889	798,089	175,455	(183,935)	118,745
Total business-type activities	805,885	570,402	176,999	287,725	1,125,229	1,379,410	978,282	332,365	(37,911)	272,020
Total primary government	\$ 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	\$ 34,462,151
<b>Change in Net Position</b>										
Governmental activities	\$ 3,650,053	\$ 6,282,714	\$ 504,728	\$ 518,897	\$ 3,247,069	\$ (1,167,327)	\$ 1,533,372	\$ 944,481	\$ 75,197	\$ 4,033,550
Business-type activities	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	1,803,616
Total primary government	\$ 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	\$ 5,837,166

**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
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	-	30,203,556
2012	24,077,697	2,271,796	202,180	79,493	516,752	34,214	53,450	110,756	164,257	-	27,510,594
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
2016	28,463,400	2,427,965	328,649	-	686,126	34,214	70,395	48,676	193,894	-	32,253,319

Source: City of Hagerstown Accounting Department

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Fund</b>										
Reserved	\$ 383,267	\$ 400,749	\$ 510,323	\$ 536,025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved/Undesignated	6,812,830	7,349,854	7,386,804	8,022,458	-	-	-	-	-	-
Nonspendable	-	-	-	-	493,492	487,902	254,914	216,127	226,974	256,353
Restricted	-	-	-	-	240,816	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	186,504	199,174	1,783,143	1,596,838	1,555,317	1,077,515
Unassigned	-	-	-	-	7,851,817	7,837,687	7,668,912	8,053,185	8,181,345	9,191,926
<b>Total General Fund</b>	<b>\$ 7,196,097</b>	<b>\$ 7,750,603</b>	<b>\$ 7,897,127</b>	<b>\$ 8,558,483</b>	<b>\$ 8,772,629</b>	<b>\$ 8,524,763</b>	<b>\$ 9,706,969</b>	<b>\$ 9,866,150</b>	<b>\$ 9,963,636</b>	<b>\$ 10,525,793</b>
<b>All other governmental funds</b>										
Reserved	\$ 4,317,145	\$ 4,849,318	\$ 4,737,722	\$ 3,870,965	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved/Undesignated, reported in:										
Special revenue funds	2,862,579	2,665,841	2,624,295	1,996,542	-	-	-	-	-	-
Capital projects funds	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	2,034,494
Restricted	-	-	-	-	2,698,153	5,480,693	2,953,196	2,908,949	2,829,671	2,815,706
Committed	-	-	-	-	2,839,528	1,817,278	43,775	1,672	2,537,161	705,958
Assigned	-	-	-	-	2,026,103	1,934,204	4,790,358	4,841,125	4,239,568	3,614,734
Unassigned	-	-	-	-	-	-	(146,717)	(150,415)	(1,088,345)	276,605
<b>Total all other governmental funds</b>	<b>\$ 13,812,355</b>	<b>\$ 11,820,215</b>	<b>\$ 7,470,811</b>	<b>\$ 10,321,603</b>	<b>\$ 10,247,443</b>	<b>\$ 9,233,959</b>	<b>\$ 8,639,215</b>	<b>\$ 8,766,826</b>	<b>\$ 10,327,163</b>	<b>\$ 9,447,497</b>
<b>Total governmental funds</b>										
Reserved	\$ 4,700,412	\$ 5,250,067	\$ 5,248,045	\$ 4,406,990	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved/Undesignated, reported in:										
General fund	6,812,830	7,349,854	7,386,804	8,022,458	-	-	-	-	-	-
Special revenue funds	2,862,579	2,665,841	2,624,295	1,996,542	-	-	-	-	-	-
Capital projects funds	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	2,290,847
Restricted	-	-	-	-	2,938,969	5,480,693	2,953,196	2,908,949	2,829,671	2,815,706
Committed	-	-	-	-	2,839,528	1,817,278	43,775	1,672	2,537,161	705,958
Assigned	-	-	-	-	2,212,607	2,133,378	6,573,501	6,437,963	5,794,885	4,692,249
Unassigned	-	-	-	-	7,851,817	7,837,687	7,522,195	7,902,770	7,093,000	9,468,531
<b>Total all other governmental funds</b>	<b>\$ 21,008,452</b>	<b>\$ 19,570,818</b>	<b>\$ 15,367,938</b>	<b>\$ 18,880,086</b>	<b>\$ 19,020,072</b>	<b>\$ 17,768,722</b>	<b>\$ 18,346,184</b>	<b>\$ 18,632,976</b>	<b>\$ 20,290,799</b>	<b>\$ 19,973,290</b>

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**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues:</b>										
Property taxes	\$ 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	\$ 28,463,400
Income and other taxes	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	5,014,126
Licenses and permits	1,620,455	1,667,790	1,464,043	1,579,442	1,544,465	1,723,790	1,545,344	1,524,702	2,259,693	1,910,357
Intergovernmental grant revenues	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	3,692,490
Program Income	1,256,342	532,321	308,090	214,394	178,801	187,926	194,232	141,952	224,855	51,859
Charges for services	2,707,678	3,133,500	2,865,895	2,927,691	2,937,027	3,196,544	3,326,693	2,984,147	2,959,862	2,957,509
Fines and forfeitures	109,990	152,289	85,627	114,522	73,634	384,137	1,654,158	1,333,317	1,548,400	1,426,168
Investment Earnings	874,321	844,230	376,985	103,060	72,526	86,688	37,872	13,880	10,695	38,498
Property Sales	317,538	89,500	-	167,543	46,547	128,768	121,266	34,546	22,119	30,306
Contributions and Donations	496,488	415,618	338,606	292,594	453,244	211,248	278,945	271,247	1,556,831	303,831
Unallocated general revenue	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	2,802,237
<b>Total revenues</b>	<b>39,842,345</b>	<b>41,625,140</b>	<b>43,027,218</b>	<b>42,106,798</b>	<b>40,832,327</b>	<b>38,960,184</b>	<b>41,338,992</b>	<b>41,060,626</b>	<b>45,186,650</b>	<b>46,692,781</b>
<b>Expenditures:</b>										
General government	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	6,140,214
Public safety	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	22,489,750
Street and alleys	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	2,516,304
Waste collection & disposal	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	2,001,190
Parks and recreation	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	2,552,328
Municipal buildings	429,343	460,280	-	-	-	-	-	-	-	-
Economic and Community Development	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	971,503
Capital Outlay	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	6,484,873
Debt Service										
Principal	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	1,446,786
Interest	668,969	585,740	529,848	579,294	650,015	636,814	595,093	550,187	517,287	577,660
Issuance costs	-	-	-	49,714	-	975	1,105	1,105	44,215	1,656
Unallocated general expenditures	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	1,758,432
<b>Total expenditures</b>	<b>41,716,393</b>	<b>43,736,314</b>	<b>47,912,915</b>	<b>47,112,360</b>	<b>39,752,699</b>	<b>39,895,645</b>	<b>40,228,340</b>	<b>41,301,640</b>	<b>47,955,172</b>	<b>46,940,696</b>
Excess of revenues over(under) expenditures	(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)	(247,915)
<b>Other financing sources(uses):</b>										
Transfers In	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	2,125,813
Transfers Out	(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)	(2,195,406)
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	7,490,667	-	-	-	-	-	-	-	-	-
Payment to Bond Escrow Agent	(22,325)	-	-	-	-	-	-	-	-	-
<b>Total other funding sources(uses)</b>	<b>6,361,200</b>	<b>673,540</b>	<b>682,817</b>	<b>8,517,710</b>	<b>(939,642)</b>	<b>(325,889)</b>	<b>(623,089)</b>	<b>527,806</b>	<b>4,426,344</b>	<b>(69,593)</b>
<b>Net changes in Fund Balance</b>	<b>\$ 4,487,152</b>	<b>\$ (1,437,634)</b>	<b>\$ (4,202,880)</b>	<b>\$ 3,512,148</b>	<b>\$ 139,986</b>	<b>\$ (1,261,350)</b>	<b>\$ 587,562</b>	<b>\$ 286,792</b>	<b>\$ 1,657,822</b>	<b>\$ (317,508)</b>
Debt Service as a percentage of noncapital expenditures		12%	5%	5%	6%	7%	5%	5%	4%	5%

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

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

Fiscal Year Ended	Real Property	Business Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Assessed Value As a Percentage of Actual Value
2007	2,005,988	120,464	2,126,452	0.866	2,456,025	86.58%
2008	2,193,547	120,727	2,314,274	0.851	2,719,588	85.10%
2009	2,446,989	125,859	2,572,849	0.846	3,041,192	84.60%
2010	2,650,893	128,231	2,779,124	0.843	3,296,707	84.30%
2011	2,856,491	129,589	2,986,081	0.839	3,559,095	83.90%
2012	2,625,439	109,650	2,735,090	0.835	3,275,557	83.50%
2013	2,601,940	127,861	2,729,800	0.843	3,238,197	84.30%
2014	2,599,512	150,650	2,750,162	0.853	3,224,106	85.30%
2015	2,468,251	108,380	2,576,631	0.955	2,698,043	95.50%
2016	2,521,123	135,120	2,656,243	0.983	2,702,180	98.30%

**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
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
2016	0.913	2.283	3.196	0.823	2.370	3.193	0.112	0.000	0.112	3.305	6.501

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, 2016**

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Washington Real Estate	\$ 59,636,067	1	2.25%	\$ 47,426,778	1	2.23%
Lowes Home Centers, Inc.	35,347,527	2	1.33%	22,177,352	3	1.04%
Tractor Supply Company	22,066,733	3	0.83%			0.00%
Homes for Hagerstown LLC (Hagerstown Apartments)	20,255,100	4	0.76%	17,211,298	4	0.81%
Wal-Mart Real Estate Business Trust	20,128,400	5	0.76%	16,590,666	5	0.78%
RPAL Hagerstown LLC	19,462,200	6	0.73%			0.00%
Stone House Maryland LLC (Oekos Stone House)	18,061,100	7	0.68%			0.00%
Cortpark LLC	15,914,467	8	0.60%			0.00%
Cortpark II LLC	15,914,467	9	0.60%			0.00%
Verizon-Maryland	15,241,420	10	0.57%	27,453,170	2	1.29%
Columbia Gas of Maryland, Inc.			0.00%	12,469,330	6	0.59%
Washco Centre at Antietam Creek			0.00%	11,203,998	7	0.53%
Sams Real Estate Business Trust			0.00%	11,014,800	8	0.52%
Inland Southeast Valley Park LLC			0.00%	10,830,200	9	0.51%
York Pinewood Apts. LP			0.00%	10,539,566	10	0.50%
<b>Totals</b>	<b>\$ 242,027,481</b>		<b>9.11%</b>	<b>\$ 186,917,158</b>		<b>8.79%</b>

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
2007	\$ 16,091,505	\$ 15,891,295	98.8%	\$ 82,250	15,973,545	99.27%
2008	\$ 17,814,649	\$ 17,637,965	99.0%	\$ 38,905	17,676,870	99.23%
2009	\$ 19,629,704	\$ 19,253,699	98.1%	\$ 276,399	19,530,098	99.49%
2010	\$ 21,455,120	\$ 21,146,616	98.6%	\$ 225,281	21,371,897	99.61%
2011	\$ 25,120,987	\$ 22,207,475	88.4%	\$ 161,528	22,369,003	89.05%
2012	\$ 20,360,091	\$ 19,450,394	95.5%	\$ 253,847	19,704,241	96.78%
2013	\$ 20,107,789	\$ 19,764,852	98.3%	\$ 306,468	20,071,320	99.82%
2014	\$ 20,260,778	\$ 20,024,757	98.8%	\$ 140,029	20,164,786	99.53%
2015	\$ 22,065,699	\$ 21,862,523	99.1%	\$ 102,413	21,964,936	99.54%
2016	\$ 23,041,528	\$ 22,887,668	99.3%	\$ 19,118	22,906,786	99.42%

Source: City of Hagerstown Director of Support Services.

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

Fiscal Year	Personal Income (2)	Population (1)	Outstanding Debt (3)			Percentage of Personal Income	Total Debt Per Capita
			Governmental	Business-type	Total		
2007	1,189,509,952	39,008	16,120,194	23,958,198	40,078,392	3.37%	1,027
2008	1,254,499,680	39,941	14,835,435	24,856,234	39,691,669	3.16%	994
2009	1,300,630,095	40,065	13,342,801	25,993,993	39,336,794	3.02%	982
2010	1,325,267,460	39,996	20,457,426	41,856,725	62,314,151	4.70%	1,558
2011	1,314,200,370	39,662	18,695,138	45,060,595	63,755,733	4.85%	1,607
2012	1,335,141,906	39,662	17,459,565	48,904,318	66,363,883	4.97%	1,673
2013	1,435,605,752	39,662	16,013,064	46,872,333	62,885,397	4.38%	1,586
2014	1,435,605,752	39,662	15,168,166	51,139,325	66,307,491	4.62%	1,672
2015	1,459,723,696	40,364	18,093,422	57,309,510	75,402,932	5.17%	1,868
2016	1,543,127,712	40,432	16,621,899	54,317,860	70,939,759	4.60%	1,755

**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		Percentage of Total Taxable Value of Property	Per Capita
			Bonds	Bonds		
2007	2,126,452	39,008	40,078,392	40,078,392	1.88%	1,027
2008	2,314,274	39,941	39,691,669	39,691,669	1.72%	994
2009	2,572,849	40,065	39,336,794	39,336,794	1.53%	982
2010	2,779,124	39,996	62,314,151	62,314,151	2.24%	1,558
2011	2,986,081	39,662	63,755,733	63,755,733	2.14%	1,607
2012	2,735,090	39,662	66,363,883	66,363,883	2.43%	1,673
2013	2,729,800	39,662	62,885,397	62,885,397	2.30%	1,586
2014	2,750,162	39,662	66,307,491	66,307,491	2.41%	1,672
2015	2,576,631	40,364	75,402,932	75,402,932	2.93%	1,868
2016	2,656,243	40,432	70,939,759	70,939,759	2.67%	1,755

Fiscal Year	Total Taxable Assessed Value of Property (In Thousands)	Population	General Obligation Governmental Bonds		Percentage of Total Taxable Value of Property	Per Capita
			Bonds	Bonds		
2007	2,126,452	39,008	16,120,194	16,120,194	0.76%	413
2008	2,314,274	39,941	14,835,435	14,835,435	0.64%	371
2009	2,572,849	40,065	13,342,801	13,342,801	0.52%	333
2010	2,779,124	39,996	20,457,426	20,457,426	0.74%	511
2011	2,986,081	39,662	18,695,138	18,695,138	0.63%	471
2012	2,735,090	39,662	17,459,565	17,459,565	0.64%	440
2013	2,729,800	39,662	16,013,064	16,013,064	0.59%	404
2014	2,750,162	39,662	15,168,166	15,168,166	0.55%	382
2015	2,576,631	40,364	18,093,422	18,093,422	0.70%	448
2016	2,656,243	40,432	16,621,899	16,621,899	0.63%	411

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, 2016**

City of Hagerstown	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Debt repaid with property taxes: County	\$ 139,495,278	21.00%	\$ 29,294,008
Subtotal, overlapping debt			
City of Hagerstown Direct Governmental Fund Debt			16,621,899
Total Direct and Overlapping Debt			\$ 45,915,907

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**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$ 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	265,624,272
Total net debt applicable to limit	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	70,939,759
Legal debt margin	\$ 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	\$ 194,684,513
Total net debt applicable to the limit as a percentage of debt limit	19.06%	16.88%	15.65%	22.46%	21.77%	24.82%	23.84%	25.04%	30.08%	26.71%

**Legal Debt Margin Calculation for Fiscal Year 2016**

Total assessed value	2,656,242,724
Debt limit (10% of total assessed value)	265,624,272
Debt applicable to limit:	
General obligation bonds	70,939,759
Legal debt margin	<u>\$ 194,684,513</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
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
2016	40,432	1,543,127,712	38,166	6.7

Data Source:

Population Data provided by the Maryland State Archives, Census Bureau  
Per Capita Personal Income provided by Bureau of Economic Analysis - U.S. Dept. of Commerce  
Unemployment Rate provided by the Department of Numbers prior to 2015  
From 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	2016			2007		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Washington County Public Schools	3,100	1	4.62%	2,750	1	4.12%
Meritus Health, Inc. (Washington County Health System, Inc.)	2,740	2	4.08%	2,738	2	4.10%
State of Maryland	2,385	3	3.55%	2,538	3	3.80%
Citicorp Credit Services, Inc	2,300	4	3.43%	2,470	4	3.70%
First Data Merchant Services	2,183	5	3.25%	2,165	5	3.24%
Washington County Government	1,352	6	2.01%	1,000	7	1.50%
Volvo Powertrain NA (Mack Trucks, Inc.)	1,300	7	1.94%	1,698	6	2.54%
FedEx Ground	900	8	1.34%			0.00%
Hagerstown Community College	890	9	1.33%	684	9	1.02%
The Bowman Group, LLC	746	10	1.11%	760	8	1.14%
Staples Distribution Center			0.00%			0.00%
Federal Government			0.00%	671	10	1.00%
<b>Total</b>	<b>17,896</b>		<b>26.66%</b>	<b>17,474</b>		<b>26.16%</b>

Source: Principal Employers for Washington County MD provided by Hagerstown/Washington County EDC  
Total County employment for 2016 was 67,108 and 2007 was 66,780, supplied by Bureau of Labor Statistics.

**City of Hagerstown, Maryland**  
**Principal Electric Fund Customers**  
**June 30, 2016**

Customer	2016				2007			
	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	7,253,479	\$ 598,796	1	2.73%	7,327,463	\$ 725,417	5	2.23%
City of Hagerstown - Wastewater Plant	9,269,400	567,412	2	2.58%	9,970,248	777,196	4	2.39%
CM Offray, Inc (MD Ribbon)	3,372,340	258,416	3	1.18%	5,013,400	453,671	6	1.39%
C.E. Stevens Inc.	3,697,120	238,669	4	1.09%	2,906,560	246,431	10	0.76%
Verizon #27787/Bell Atlantic PA	3,368,604	221,862	5	1.01%	2,971,416	249,308	9	0.77%
Board of Education/North High	2,842,783	218,873	6	1.00%				0.00%
HBP, Inc.	2,876,000	206,408	7	0.94%				0.00%
Board of Education/Marshall Street	2,590,880	200,164	8	0.91%	9,221,752	874,819	3	2.69%
Western Maryland St. Hospital	3,015,965	194,554	9	0.89%				0.00%
HHA, Potomac Towers	2,079,520	148,476	10	0.68%				0.00%
Shenandoah Family Farm (Formerly Good Humor)				0.00%	28,887,720	2,320,020	1	7.13%
Washington County Hospital				0.00%	17,754,363	1,439,121	2	4.42%
Hagerstown Housing Authority				0.00%	5,065,382	442,688	7	1.36%
Washington County Commissioners				0.00%	3,567,788	318,084	8	0.98%
<b>Totals</b>	<b>40,366,091</b>	<b>\$ 2,853,630</b>		<b>13.00%</b>	<b>92,686,092</b>	<b>\$ 7,846,755</b>		<b>24.11%</b>

Source: City of Hagerstown Billing Department.

**City of Hagerstown, Maryland  
Principal Water Fund Customers  
June 30, 2016**

Customer	2016				2007			
	Gallons	Amount Billed	Rank	Percentage of Total Water Fund Billing	Gallons	Amount Billed	Rank	Percentage of Total Water Fund Billing
Hagerstown Prison Complex(MCI)	437,232,300	\$ 1,456,173	1	13.95%	332,399,800	\$ 839,085	1	13.45%
Town of Smithsburg	91,339,500	254,791	2	2.44%	91,952,000	195,280	2	3.13%
Town of Williamsport	55,388,800	158,845	3	1.52%	78,449,700	166,343	3	2.67%
Meritus Medical Center (Washington County Hospital)	36,103,500	126,512	4	1.21%	45,154,500	54,371	9	0.87%
Volvo Powertrain NA (Mack Trucks, Inc.)	25,895,400	96,550	5	0.92%	47,885,600	118,446	4	1.90%
Town of Funkstown	29,742,000	89,254	6	0.85%	28,038,800	59,741	7	0.96%
Lakeside Park	23,587,500	84,918	7	0.81%	23,982,600	60,807	6	0.97%
Oak Ridge Apartments	18,828,800	72,644	8	0.70%	21,165,700	55,322	8	0.89%
Citigroup Mid Atlantic	17,053,000	69,332	9	0.66%				0.00%
PR Valley Limited Partnership	16,301,000	67,219	10	0.64%				0.00%
Maryland Paper					25,072,300	63,313	5	1.02%
Good Humor Breyers, Inc.					43,313,500	51,995	10	0.83%
<b>Totals</b>	<b>751,471,800</b>	<b>\$ 2,476,238</b>		<b>23.72%</b>	<b>737,414,500</b>	<b>\$ 1,664,703</b>		<b>26.69%</b>

Source: City of Hagerstown Billing Department.

**City of Hagerstown, Maryland  
Principal Wastewater Fund Customers  
June 30, 2016**

Customer	2016				2007			
	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)	35,092,616	\$ 310,408	1	2.61%	37,380,522	\$ 130,490	2	1.98%
Washington Co Detention Center	16,166,500	144,503	2	1.22%	15,768,200	87,926	6	1.33%
Cortpark LLC	26,494,200	136,676	3	1.15%				0.00%
Volvo Powertrain NA (Mack Trucks, Inc.)	12,521,200	125,671	4	1.06%	21,770,700	124,883	3	1.89%
Northhawe MHC LLC (was Rockville Mobile Home Inc.)	15,778,700	117,090	5	0.99%				0.00%
CM Offray (MD Ribbon)	21,318,300	111,800	6	0.94%	25,119,300	88,024	5	1.33%
Homes for Hagerstown LLC (Realty Investment Co)	18,771,000	101,945	7	0.86%	20,131,100	70,440	7	1.07%
Hagerstown Housing Authority/Noland Village	18,769,500	96,183	8	0.81%	26,330,100	92,063	4	1.40%
Brookhaven (Brandywine/Youngstown)	8,603,800	87,070	9	0.73%	10,432,700	59,840	9	0.91%
Western Maryland State Hospital	15,978,900	83,675	10	0.70%				0.00%
Good Humor Breyers, Inc.				0.00%	43,313,500	151,322	1	2.29%
Board of Education				0.00%	17,304,300	64,930	8	0.98%
Citicorp Credit Services				0.00%	11,251,400	56,011	10	0.85%
<b>Totals</b>	<b>189,494,716</b>	<b>\$ 1,315,021</b>		<b>11.07%</b>	<b>228,801,822</b>	<b>\$ 925,929</b>		<b>14.04%</b>

Source: City of Hagerstown Billing Department.

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

Function	Full-time Equivalent Employees as of June 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
City Administrator	1.33	1.33	1.33	1.33	1.33	1.33	1.67	1.67	1.67	1.67
City Clerk	1.34	1.34	1.34	1.33	1.33	1.50	1.50	1.50	1.50	1.50
Economic Development (DCED) (3)	28.84	28.80	23.80	23.85	23.50	23.00	1.33	1.33	1.33	1.33
Public Information (3)	-	-	-	-	-	-	3.50	3.50	5.50	5.50
Subtotal Administration	31.51	31.47	26.47	26.51	26.16	25.83	8.00	8.00	10.00	10.00
Accounting (2)	8.50	8.50	8.50	8.50	8.75	8.75	6.50	6.50	6.50	7.00
Treasurer (2)	-	-	-	-	-	-	4.00	4.00	4.00	4.00
Information Technology (4)	12.00	12.00	12.00	12.00	12.00	12.00	6.00	6.00	6.00	6.00
Billing/Customer Service (4)	-	-	-	-	-	-	4.00	4.00	4.00	4.00
Purchasing (2)	-	-	-	-	-	-	2.50	2.50	2.50	2.00
Human Resources	5.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Planning (3)	-	-	-	-	-	-	6.00	6.00	6.00	6.00
Engineering (1)	30.64	29.63	29.63	29.72	29.66	29.00	14.00	14.00	14.00	14.00
Code Compliance (3)	-	-	-	-	-	-	15.00	15.00	15.00	15.00
Police Sworn	108.00	107.00	107.00	108.00	105.00	105.00	109.00	107.00	105.00	105.00
Police Administration/Civilian	15.00	15.00	15.00	15.00	13.00	13.00	13.00	24.00	24.00	23.00
Fire	83.00	83.00	83.00	83.00	83.00	83.00	83.60	83.60	83.60	74.00
Public Works	32.50	32.90	32.90	32.90	32.90	34.00	34.00	34.00	34.00	34.00
Parks & Recreation (1)	-	-	-	-	-	-	20.00	20.00	20.00	18.00
<b>Total General Fund</b>	<b>326.15</b>	<b>323.50</b>	<b>318.50</b>	<b>319.63</b>	<b>314.47</b>	<b>314.58</b>	<b>329.60</b>	<b>338.60</b>	<b>338.60</b>	<b>326.00</b>
Electric	35.55	35.55	35.55	40.18	40.18	40.00	40.00	40.00	40.00	41.00
Water	54.52	55.02	55.02	55.02	55.49	54.25	56.00	56.00	56.00	56.00
Wastewater	48.26	47.76	47.76	47.76	47.40	48.00	48.00	48.00	48.00	48.00
Golf Course	2.52	2.53	2.53	2.37	2.52	3.00	3.00	3.00	3.00	3.00
Parking	2.40	2.20	2.20	2.20	2.20	2.40	2.00	2.00	2.00	2.00
Property Management (6)	1.10	0.90	0.90	0.90	0.90	-	-	-	-	-
Community Development Block Grant	2.01	2.21	2.21	2.20	2.50	3.43	6.40	6.40	6.40	6.00
Business Revolving Loan Fund	0.16	-	-	-	-	-	-	-	-	-
Telework Center (5)	-	-	-	-	-	-	1.00	1.00	1.00	1.00
<b>Approved City Staffing Levels</b>	<b>472.67</b>	<b>469.67</b>	<b>464.67</b>	<b>470.26</b>	<b>465.66</b>	<b>465.66</b>	<b>486.00</b>	<b>495.00</b>	<b>495.00</b>	<b>483.00</b>
General Operations	123.42	121.61	116.61	116.73	116.87	131.40	131.40	131.40	133.40	131.00
Public Safety	206.00	205.00	205.00	206.00	201.00	205.60	205.60	214.60	212.60	202.00
Business-type Activities	143.25	143.06	143.06	147.53	147.79	147.65	149.00	149.00	149.00	150.00

(1) Engineering and Parks and Recreation combined in 2011 to form the Engineering and Parks Department.

(2) Accounting, Treasurer and Purchasing combined in 2011 to form the Finance Department.

(3) Economic Development, Community Affairs, Planning and Code combined in 2011 to form the Department of Community and Economic Development.

(4) Information Technology and Billing/Customer Service combined in 2011 to form the IT and Support Services Department.

(5) Telework Center Closed in 2011.

(6) Property Management in 2012 employees are funded to this account.

Source: City of Hagerstown Human Resource Department.

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

Function	FISCAL YEAR									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Fire Department</b>										
Responses to Fire alarms	3,623	3,236	2,978	2,587	2,573	2,428	2,275	2,249	2,185	2,033
Average response time (in minutes)	4:14	4:14	4:38	3:06	4:06	4:17	4:31	3:13	3:19	3:28
False alarms (Included in above number)	30	32	30	25	30	18	27	10	6	13
Public fire education programs	1,029	1,302	1,288	825	1,452	927	655	453	356	349
Persons in attendance at public education programs	8,572	9,810	9,629	5,880	9,619	10,558	14,875	13,950	11,110	11,045
<b>Police Department</b>										
Parking ticket violations issued	7,985	8,684	8,427	8,838	7,030	8,117	11,660	12,146	8,654	11,616
Net parking fines	\$ 105,235	\$ 118,225	\$ 107,135	\$ 113,540	\$ 91,860	\$ 125,161	\$ 172,865	\$ 143,275	\$ 148,223	\$ 145,115
Calls for service	54,762	61,250	61,329	60,764	63,697	54,555	51,625	53,479	57,509	56,945
Alarm calls (Included in above number)	484	564	470	496	696	1,048	1,563	2,088	2,065	2,191
<b>Parks and Recreation</b>										
Claude M Potterfield Pool										
Total attendance at swimming pool	21,876	16,195	15,998	17,945	23,223	23,611	23,764	24,268	25,497	24,606
Average daily attendance at pool	264	176	222	285	332	353	321	275	300	315
The Greens at Hamilton Run										
Total attendance at golf course	10,759	11,736	10,026	9,998	10,946	10,804	10,191	12,219	16,638	16,236
Average daily attendance at golf course	39	48	41	37	43	39	39	39	48	52
<b>Electric Department</b>										
Number of active accounts	16,936	16,866	16,900	16,863	16,876	16,921	16,821	16,974	17,026	17,607
Number of meters (in use)	17,691	17,556	17,375	17,876	17,825	17,942	17,898	17,972	18,072	17,981
Kilowatt hours purchased	297,411,446	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
Kilowatt hours sold	287,368,823	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
System peak demand-kilowatts	60,680	67,655	68,144	66,100	68,180	71,024	67,389	66,204	73,990	77,418
<b>Water Department</b>										
Number of active accounts-City	13,215	13,112	13,082	13,088	13,044	13,028	12,996	13,030	13,083	12,949
Number of active accounts-County	15,778	15,632	15,387	15,430	15,343	15,319	15,288	15,189	15,162	14,920
Total number of active accounts	28,993	28,744	28,469	28,518	28,387	28,347	28,284	28,219	28,245	27,869
Daily average productions in million gallons										
R.C. Willson Plant (365 days)	11.7	11,317	11,423	11,559	11,637	11,854	11,346	10,797	10,583	10,910
Wm. M. Breichner Plant (365 days)	0	0,000	0,000	0,000	0,000	0,013	0,000	0,001	0,008	0,030
Greatest consumption for a single day	14.54	14.12	14.3	13.65	13.680	14,000	13,530	13,270	13,130	12,651
Plant pumping capacity per day	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	14,000
Average daily metered consumption	8,160	8,244	8,129	7,729	8,244	8,698	8,233	8,532	8,645	8,555
<b>Wastewater Department</b>										
Number of active accounts-City	12,930	12,853	12,764	12,795	12,779	12,778	12,745	12,777	12,828	12,707
Number of active accounts-County	2,934	2,912	2,889	2,902	2,903	2,922	2,916	2,898	2,903	2,890
Number of active accounts-District (USA)	3,633	3,577	3,516	3,476	3,449	3,437	3,434	3,409	3,373	3,317
Number of active accounts-Total	19,497	19,342	19,169	19,173	19,131	19,137	19,095	19,084	19,104	18,914
Daily average of sewage treated (million gallons)(including inflow and infiltration)	7.02	6.94	7.08	6.55	7.29	7.430	7.170	6.310	7.060	6.950
Daily average plant capacity (rated optimum efficiency)(million gallons)	8,000	8,000	10,500	10,500	10,500	10,500	8,000	8,000	8,000	8,000

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

Function	FISCAL YEAR									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Parking Facilities Department</b>										
Parking Deck:										
Number of Parking Spaces	625	625	625	625	625	625	629	625	629	629
Number of Permit Parkers	729	729	485	485	638	996	868	695	421	418
Operating Revenue:										
Meter Fees	\$ 180,153	\$ 189,227	\$ 187,460	\$ 182,763	\$ 186,368	\$ 186,781	\$ 226,740	\$ 237,847	\$ 237,847	\$ 244,864
Permit Fees	\$ 157,777	\$ 181,425	\$ 198,800	\$ 179,250	\$ 161,600	\$ 144,237	\$ 183,619	\$ 162,079	\$ 162,079	\$ 151,675
Deck	\$ 500,368	\$ 426,571	\$ 400,545	\$ 421,341	\$ 378,655	\$ 361,707	\$ 311,211	\$ 334,712	\$ 334,712	\$ 270,721
	\$ 14,412	\$ 14,324	\$ 14,278	\$ 14,341	\$ 14,326	\$ 14,304	\$ 14,364	\$ 14,586	\$ 14,335	\$ 14,075
<b>Sanitation</b>										
Number of Waste Collection and Disposal Accounts										
Residential	68	60	53	38	25					
Commercial (Trash and Recycling)										
<b>Special Revenue Funds</b>										
Number outstanding loans:										
Community Development Block Grant										
Single family	2	4	4	4	6	6	5	7	9	10
Residential Rental	9	12	6	6	6	8	9	9	10	11
Commercial	2	2	2	2	2	2	2	2	2	4
Deferred	35	36	35	36	37	36	37	35	31	26
Public facilities and improvements	3	4	4	4	4	4	4	4	4	4
Homeownership	5	5	4	4	4	4	5	6	7	7
Direct Homeownership	5	6	7	7	7	7	10	9	8	9
Business Revolving Loans	18	16	12	12	10	10	12	10	12	5
Total	79	85	74	75	76	79	84	82	83	76
Outstanding loan balances:										
Community Development Block Grant										
Single family	2,951	6,695	11,896	20,335	31,573	40,964	35,592	44,427	139,798	109,362
Residential Rental	795,402	813,401	696,938	716,986	596,347	623,803	656,671	688,176	449,450	509,268
Commercial	106,983	21,564	145,980	167,887	186,434	207,740	234,099	261,116	279,075	325,058
Deferred	839,607	804,257	758,431	783,641	789,367	788,302	797,529	863,392	766,144	739,327
Public facilities and improvements	324,546	546,291	584,687	548,366	585,663	627,758	671,463	715,276	757,622	806,757
Homeownership	93,023	101,600	109,331	117,211	125,424	137,620	217,964	266,411	276,864	319,370
Business Revolving Loans	1,202,994	903,163	773,247	732,901	654,480	569,807	830,909	686,774	832,348	357,797
Total	\$ 3,365,506	\$ 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
Program income (interest and loan repayments)										
Community Development Block Grant										
Single family	4,040	5,763	9,447	12,748	11,404	8,296	8,879	99,941	35,804	24,380
Residential Rental	32,477	149,291	46,853	47,244	56,975	62,950	57,651	58,745	84,167	85,820
Commercial	21,564	21,564	25,001	21,564	25,173	30,748	33,280	23,892	53,753	174,655
Deferred	-	3,544	20,550	20	-	18,951	2,561	2,301	10,255	40,306
Public facilities and improvements	235,477	55,991	55,438	57,383	63,989	67,292	69,578	68,309	70,876	146,667
Homeownership*	10,363	8,623	10,865	110,599	15,910	85,768	66,183	22,805	56,422	65,169
Business Revolving Loans	73,273	73,657	73,135	55,780	112,732	107,381	85,714	175,432	118,563	27,718
Total	\$ 377,194	\$ 318,433	\$ 241,289	\$ 305,338	\$ 286,183	\$ 381,386	\$ 323,846	\$ 451,425	\$ 429,840	\$ 564,715

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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Fire Department</b>										
Number of stations (4 volunteer, 2 City owned)	6	6	6	6	6	6	6	6	6	6
<b>Police Department</b>										
Number of Stations and Substations	3	3	3	3	3	3	3	3	3	3
<b>Public Works Department</b>										
Miles of paved streets and alleys	153.90	152.10	151.88	151.75	151.0	145.6	144.4	143.3	142.0	142.0
Number of traffic signals maintained	133	132	131	132	132	129	130	132	128	128
<b>Parks and Recreation</b>										
Parks and Playgrounds (299.427 acres)	20	19	19	18	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
<b>Electric Department</b>										
Number of substations - 34.5KV to 13.8KV	7	7	7	7	7	7	7	7	7	7
<b>Water Department</b>										
Miles of water mains (estimate)	430	425	425	425	425	425	425	425	425	392
Fire hydrants	824	814	825	814	814	814	808	802	802	800
City	1,354	1,318	1,337	1,318	1,297	1,297	1,272	1,272	1,272	1,266
County										
<b>Wastewater Department</b>										
Number of City owned pumping stations	23	25	25	25	27	23	26	26	26	25
Miles of collection system-City owned	157	156	157	156	156	153	153	153	153	153
<b>Parking Facilities Department</b>										
Number of Lots	7	7	7	7	7	7	7	7	6	6
Number of Parking Spaces (Metered or Rented)	701	701	701	701	709	678	682	719	719	719
Streets	372	372	372	374	363	519	511	526	526	526
Number of Parking Decks	2	2	2	2	2	2	2	2	2	2

Source: Corresponding City Department.

# Hagerstown Gives Back



